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Consolidated Financial Results for the Three Months Ended June 30, 2023 [Japanese GAAP]

August 9, 2023

Company name: HASEKO Corporation
Code number: 1808

Stock exchange listing: Tokyo Stock Exchange, Prime section
URL: <https://www.haseko.co.jp/hc/>

(Amounts are rounded to the nearest million yen)

1. Consolidated Financial Results for the Three Months Ended June 30, 2023 (April 01, 2023 to June 30, 2023)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

| | Net sales | | Operating income | | Ordinary income | | Net income attributable to owners of parent | |
|----------------------------------|-------------|------|------------------|-------|-----------------|-------|---|-------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Three months ended June 30, 2023 | 263,919 | 12.7 | 22,573 | 13.1 | 22,730 | 13.7 | 14,995 | 12.6 |
| June 30, 2022 | 234,088 | 9.5 | 19,952 | (2.2) | 19,986 | (6.3) | 13,318 | (9.3) |

(Note) Comprehensive income: Three months ended June 30, 2023: ¥ 18,398 million [5.8%]
Three months ended June 30, 2022: ¥ 17,384 million [(1.8)%]

| | Net income per share | Diluted net income per share |
|----------------------------------|----------------------|------------------------------|
| Three months ended June 30, 2023 | Yen 54.99 | Yen - |
| June 30, 2022 | 48.47 | - |

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio |
|---------------------|-----------------------|---------------------|--------------|
| As of June 30, 2023 | Million yen 1,144,941 | Million yen 461,731 | 40.3% |
| March 31, 2023 | 1,198,105 | 454,088 | 37.9 |

(Reference) Shareholder's equity: As of June 30, 2023: ¥ 461,727 million
As of March 31, 2023: ¥ 454,084 million

2. Dividends

| | Annual dividends | | | | |
|--|------------------|-----------------|-----------------|----------|-------|
| | 1st quarter-end | 2nd quarter-end | 3rd quarter-end | Year-end | Total |
| Fiscal year ended March 31, 2023 | Yen - | 40.00 | - | 40.00 | 80.00 |
| Fiscal year ending March 31, 2024 | - | - | - | - | - |
| Fiscal year ending March 31, 2024 (Forecast) | - | 40.00 | - | 40.00 | 80.00 |

(Note) Revision to the forecast for dividends announced most recently: No

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024(April 01, 2023 to March 31, 2024)

(% indicates changes from the previous corresponding period.)

| | Net sales | | Operating income | | Ordinary income | | Net income attributable to owners of parent | | Net income per share |
|-------------------------------------|-------------|------|------------------|-------|-----------------|-------|---|-------|----------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Six months ended September 30, 2023 | 530,000 | 18.7 | 42,000 | 11.4 | 39,000 | 6.6 | 26,000 | 5.1 | 95.33 |
| Full year | 1,080,000 | 5.1 | 88,000 | (2.4) | 83,000 | (6.0) | 55,500 | (6.4) | 203.48 |

(Note) Revision to the financial results forecast announced most recently: No

* Notes:

- (1) Changes in significant subsidiaries during the three months ended June 30, 2023
(changes in specified subsidiaries resulting in changes in scope of consolidation): No
- (2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
- 1) Changes in accounting policies due to the revision of accounting standards: No
 - 2) Changes in accounting policies other than 1) above: No
 - 3) Changes in accounting estimates: No
 - 4) Retrospective restatement: No
- (4) Total number of issued shares (common stocks)
- 1) Total number of issued shares at the end of the period (including treasury stocks):

| | |
|-----------------|--------------------|
| June 30, 2023: | 300,794,397 Shares |
| March 31, 2023: | 300,794,397 Shares |
 - 2) Total number of treasury shares at the end of the period:

| | |
|-----------------|-------------------|
| June 30, 2023: | 28,043,792 shares |
| March 31, 2023: | 28,283,902 shares |
 - 3) Average number of shares during the period:

| | |
|-----------------------------------|--------------------|
| Three months ended June 30, 2023: | 272,684,841 shares |
| Three months ended June 30, 2022: | 274,769,997 shares |
- (Note) The number of treasury stocks above includes shares held as the trust assets for the Board Benefit Trust (BBT) and the Employee Stock Ownership Plan (ESOP).
Shares of the Company's own stock held in BBT and ESOP trust accounts are included in treasury stock subtracted from the calculation of the average number of shares during the period.

This report is not subject to audit procedures by certified public accountants or audit firms.

Explanation regarding appropriate use of forecasts, and other specific comments

The forecasts contained herein are based on information available as of the date of this announcement, and the actual results may differ materially from forecasts due to various factors. For details of assumptions for financial forecasts and other related matters, please refer to "1. Qualitative Information on Quarterly Financial Results (3) Explanation of Forecast of Consolidated Financial Results and Other Forward-Looking information" on page 3 of the Attachment.

Supplementary materials for this report and results briefing materials can be found on the Company's website.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Results of Operation

For the three months ended on June 30, 2023, since increases in a volume of condominiums construction work and a transaction volume of real estate by the Company, net sales were 263.9 billion yen, up by 12.7% compared with the same period of the previous fiscal year, Operating income was 22.6 billion yen, up by 13.1% compared with the same period of the previous fiscal year, ordinary income was 22.7 billion yen, up by 13.7% compared with the same period of the previous fiscal year, and net income attributable to owners of parents was 15.0 billion yen, up by 12.6% compared with the same period of the previous fiscal year.

Operating results by reportable segment are as follow:

| | Billions of yen | | | | | | | |
|----------------|-------------------------------|---------|------------------------------|--------|--------------------------|---------|---------------------------|--------|
| | Construction-related business | | Real estate-related business | | Service-related business | | Overseas-related business | |
| Net Sales | 203.0 | (+29.8) | 28.1 | (-1.9) | 60.7 | (+12.4) | 0.0 | (+0.0) |
| Segment income | 16.6 | (+1.1) | 6.4 | (+0.6) | 2.9 | (+1.4) | -0.9 | (-0.2) |

Figures in parentheses show the amount of increase or decrease from the same period of the previous fiscal year

(Construction-related business)

For construction works, projects owners have had high regard for the Company's ability in gathering land information as well as product planning, its attitude regarding construction quality and maintaining construction schedules, efficient production system, and such. Meanwhile, the gross profit margin of completed construction contracts lowered due to worsened construction profitability upon receiving orders and higher costs of material and labor, among other factors.

In terms of orders for new construction of for-sale condominiums, the Company won orders for 15 projects in total throughout Japan consisting of 9 in the Tokyo metropolitan area including 2 large projects of at least 200 units and 6 in the Kinki and Tokai areas. In addition, aside from construction of for-sale condominiums, the Company received orders for 4 projects for rental housing, etc. As for construction completion, the Company completed construction of 14 projects including 2 projects for rental housing.

The segment posted sales of 203.0 billion yen, up by 17.2% compared with the same period of the previous fiscal year and operating income was 16.6 billion yen, up by 7.4% compared with the same period of the previous fiscal year because increases in a volume of condominiums construction work and a transaction volume of real estate for the purpose of receiving construction orders by the Company.

(Real estate-related Business)

The segment posted sales of 28.1 billion yen, down by 6.3% compared with the same period of the previous fiscal year, and operating income of 6.4 billion yen, up by 10.8% compared with the same period of the previous fiscal year, as an increase in deliveries new for-sale condominiums despite a decrease of a transaction volume of other real estate by consolidated companies.

(Service-related Business)

The number of units to be delivered in consigned sales of newly built condominiums, the volume of repair work in large-scale repair work and interior remodeling, the number of sold units in the renovation business and the volume of construction work in common areas and exclusive areas in for-sale condominium management operations increased.

The segment posted sales of 60.7 billion yen, up by 25.7% compared with the same period of the previous fiscal year, and operating income of 2.9 billion yen, up by 92.9% compared with the same period of the previous fiscal year.

(Overseas-related business)

The subsidiaries have been operating a commercial facility and developing new projects of for-sale detached housing business in Oahu, Hawaii.

The segment posted sales of 0.0 billion yen (the sales of 0.0 billion yen in the same period of the previous fiscal year) and operating loss of 0.9 billion yen (the operating loss of 0.7 billion yen in the same period of the previous fiscal year).

(2) Explanation of Financial Position

Total assets as of June 30, 2023 decreased by 53.2 billion yen from the end of the previous fiscal year to 1,144.9 billion yen. This is mainly due to decreases in real estate for sale and notes and accounts receivable, trade.

Total liabilities were 683.2 billion yen, a decrease of 60.8 billion yen from the end of the previous fiscal year. This is mainly due to decreases in short-term borrowings and income taxes payable.

Net assets were 461.7 billion yen, an increase of 7.6 billion yen from the end of the previous fiscal year. This is mainly due to the recording of net income attributable to owners of parents.

(3) Explanation of Forecast of Consolidated Financial Results and Other Forward- Looking Information

There is no change in the forecast announced on May 11th, 2023.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

| | As of March 31,2023 | As of June 30,2023 |
|---|---------------------|--------------------|
| Assets | | |
| Current assets | | |
| Cash and bank deposits | 206,644 | 188,576 |
| Notes and accounts receivable, trade | 169,150 | 125,628 |
| Marketable securities | 4,613 | 797 |
| Costs on uncompleted construction contracts | 12,061 | 14,620 |
| Real estate for sale | 216,966 | 175,777 |
| Costs and advances for real estate operations | 212,591 | 245,599 |
| Real estate for development projects | 30,315 | 30,903 |
| Other | 16,929 | 25,281 |
| Allowance for doubtful accounts | (70) | (129) |
| Total current assets | 869,199 | 807,052 |
| Fixed assets | | |
| Property and equipment | | |
| Buildings and structures | 98,263 | 113,459 |
| Machinery, vehicles, equipment and furniture | 11,131 | 11,423 |
| Land | 116,645 | 119,592 |
| Leased assets | 1,197 | 1,102 |
| Construction in progress | 18,448 | 4,403 |
| Other | 22 | 44 |
| Accumulated depreciation | (34,087) | (34,467) |
| Total property and equipment | 211,618 | 215,555 |
| Intangible assets | | |
| Land leasehold rights | 1,896 | 1,896 |
| Goodwill | 2,184 | 2,133 |
| Other | 6,083 | 6,286 |
| Total intangible assets | 10,163 | 10,315 |
| Investments and other assets | | |
| Investment securities | 61,218 | 68,327 |
| Long-term loans receivable | 3,692 | 3,653 |
| Net defined benefit asset | 18,407 | 18,843 |
| Deferred tax assets | 10,751 | 8,231 |
| Other | 13,856 | 13,762 |
| Allowance for doubtful accounts | (799) | (797) |
| Total investments and other assets | 107,124 | 112,019 |
| Total fixed assets | 328,906 | 337,889 |
| Total assets | 1,198,105 | 1,144,941 |

(Million yen)

| | As of March 31,2023 | As of June 30,2023 |
|---|---------------------|--------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable | 93,246 | 86,150 |
| Electronically recorded obligations | 63,896 | 65,736 |
| Short-term borrowings | 31,500 | - |
| Current portion of long-term debt | 10,000 | 20,000 |
| Current portion of bonds payable | 20,000 | 20,000 |
| Income taxes payable | 19,152 | 3,999 |
| Advances received on uncompleted construction contracts | 28,631 | 29,699 |
| Advances received for real estate sales | 27,245 | 35,860 |
| Warranty | 4,351 | 3,786 |
| Allowance for losses on construction contracts | 506 | 477 |
| Accrued bonuses for employees | 5,515 | 2,599 |
| Accrued bonuses for director | 180 | - |
| Other | 74,580 | 58,172 |
| Total current liabilities | 378,802 | 326,477 |
| Long-term liabilities | | |
| Straight bonds | 100,000 | 100,000 |
| Long-term debt | 230,000 | 220,000 |
| Provision for loss on litigation | 2,819 | 2,838 |
| Provision for employee stock ownership plan | 4,059 | 3,955 |
| Provision for board benefit trust | 491 | 435 |
| Liability for retirement benefit | 1,630 | 1,657 |
| Deferred tax liabilities | 17 | 17 |
| Other | 26,199 | 27,830 |
| Total long-term liabilities | 365,215 | 356,733 |
| Total liabilities | 744,016 | 683,210 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 57,500 | 57,500 |
| Capital surplus | 7,373 | 7,373 |
| Retained earnings | 427,878 | 431,768 |
| Treasury stock | (37,630) | (37,282) |
| Total shareholders' equity | 455,121 | 459,360 |
| Accumulated other comprehensive income | | |
| Net unrealized gain(loss) on other securities | 711 | 3,256 |
| Translation adjustment | 5,241 | 5,863 |
| Retirement benefits liability adjustments | (6,989) | (6,753) |
| Total accumulated other comprehensive income | (1,037) | 2,367 |
| Non-controlling interests | 4 | 4 |
| Total net assets | 454,088 | 461,731 |
| Total liabilities and net assets | 1,198,105 | 1,144,941 |

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the three months)

(Million yen)

| | For the three months ended June 30,2022 | For the three months ended June 30,2023 |
|---|--|--|
| Net sales | | |
| Construction contracts | 112,032 | 127,367 |
| Design and supervision | 929 | 1,055 |
| Leasing and management | 21,002 | 22,201 |
| Real estate sale | 95,731 | 108,679 |
| Others | 4,395 | 4,616 |
| Total net sales | 234,088 | 263,919 |
| Cost of sales | | |
| Construction contracts | 92,858 | 108,044 |
| Design and supervision | 454 | 525 |
| Leasing and management | 16,348 | 17,161 |
| Real estate sale | 83,541 | 93,642 |
| Others | 3,607 | 3,857 |
| Total cost of sales | 196,808 | 223,230 |
| Gross profit | | |
| Construction contracts | 19,174 | 19,323 |
| Design and supervision | 475 | 530 |
| Leasing and management | 4,654 | 5,040 |
| Real estate sale | 12,189 | 15,037 |
| Others | 788 | 760 |
| Total gross profit | 37,281 | 40,689 |
| Selling, general and administrative expenses | 17,329 | 18,117 |
| Operating income | 19,952 | 22,573 |
| Non-operating income | | |
| Interest income | 19 | 62 |
| Dividend income | 206 | 238 |
| Foreign exchange gains | 59 | 250 |
| Other | 231 | 306 |
| Total non-operating income | 515 | 857 |
| Non-operating expenses | | |
| Interest expenses | 429 | 593 |
| Share of loss of entities accounted for using equity method | 0 | 24 |
| Other | 52 | 83 |
| Total non-operating expenses | 481 | 699 |
| Ordinary income | 19,986 | 22,730 |

(Million yen)

| | For the three months ended June 30,2022 | For the three months ended June 30,2023 |
|--|--|--|
| Special income | | |
| Gain on sale of property and equipment | 0 | 0 |
| Subsidy income | 45 | - |
| Total special income | 45 | 0 |
| Special losses | | |
| Loss on disposal of property and equipment | 14 | 3 |
| Loss on tax purpose reduction entry of fixed assets | 41 | - |
| Total special losses | 55 | 3 |
| Income before income taxes | 19,976 | 22,727 |
| Income taxes - current | 4,708 | 5,630 |
| Income taxes - deferred | 1,951 | 2,103 |
| Total income taxes | 6,659 | 7,733 |
| Net income | 13,317 | 14,994 |
| Net income attributable to non-controlling interests | (0) | (0) |
| Net income attributable to owners of parent | 13,318 | 14,995 |

Quarterly Consolidated Statements of Comprehensive Income (For the three months)

(Million yen)

| | For the three months ended June 30,2022 | For the three months ended June 30,2023 |
|--|--|--|
| Net income | 13,317 | 14,994 |
| Other comprehensive income | | |
| Net unrealized gain(loss) on other securities | 600 | 2,545 |
| Translation adjustments | 3,260 | 622 |
| Retirement benefits liability adjustments | 207 | 237 |
| Total other comprehensive income | 4,067 | 3,404 |
| Comprehensive income | 17,384 | 18,398 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 17,385 | 18,399 |
| Comprehensive income attributable to non-controlling interests | (0) | (0) |

(3) Notes to Quarterly Consolidated Financial Statements

(Notes to Going Concern Assumption)

Not applicable.

(Notes to Significant Changes in the Amount of Shareholder's Equity)

Not applicable.

(Segment information)

1. Reportable segment information (net sales and income (loss))

For the three months ended June 30,2022

(Millions of Yen)

| | Reportable Segments | | | | Total | Adjustments and eliminations (Note 1) | Consolidated (Note 2) |
|-------------------------------------|--------------------------------------|-------------------------------------|---------------------------------|----------------------------------|---------|--|--------------------------|
| | Construction- related business | Real estate- related business | Service- related business | Overseas- related business | | | |
| Net sales | | | | | | | |
| Sales to third parties | 157,989 | 29,862 | 46,236 | 1 | 234,088 | — | 234,088 |
| Inter-segment sales and transfer | 15,159 | 115 | 2,029 | — | 17,303 | (17,303) | — |
| Total | 173,149 | 29,977 | 48,265 | 1 | 251,391 | (17,303) | 234,088 |
| Segment income(loss) | 15,472 | 5,778 | 1,479 | (683) | 22,047 | (2,095) | 19,952 |

Note 1 : Adjustment and eliminations for segment income include (940) million yen of elimination of inter-segment transactions and (1,155) million yen of corporate expenses, which are not allocable to the reportable segments. These corporate expenses mainly consist of general and administrative expenses not attributable to reportable segments.

Note 2 : Segment income(loss) has been adjusted with operating income in the consolidated statement of income.

For the three months ended June 30,2023

(Millions of Yen)

| | Reportable Segments | | | | Total | Adjustments and eliminations (Note 1) | Consolidated (Note 2) |
|-------------------------------------|--------------------------------------|-------------------------------------|---------------------------------|----------------------------------|---------|--|--------------------------|
| | Construction- related business | Real estate- related business | Service- related Business | Overseas- related business | | | |
| Net sales | | | | | | | |
| Sales to third parties | 177,614 | 27,977 | 58,299 | 29 | 263,919 | — | 263,919 |
| Inter-segment sales and transfer | 25,364 | 123 | 2,384 | — | 27,871 | (27,871) | — |
| Total | 202,977 | 28,100 | 60,684 | 29 | 291,790 | (27,871) | 263,919 |
| Segment income(loss) | 16,621 | 6,402 | 2,853 | (917) | 24,959 | (2,386) | 22,573 |

Note 1 : Adjustment and eliminations for segment income include (1,210) million yen of elimination of inter-segment transactions and (1,177) million yen of corporate expenses, which are not allocable to the reportable segments. These corporate expenses mainly consist of general and administrative expenses not attributable to reportable segments.

Note 2 : Segment income(loss) has been adjusted with operating income in the consolidated statement of income.

3.Non-consolidated Orders received

(1) Non-consolidated Orders received

| | Orders | |
|--|-----------------|------|
| | Millions of Yen | % |
| For the three months ended June 30, 2023 | 111,210 | 94.4 |
| For the three months ended June 30, 2022 | 57,216 | 14.2 |

* % indicates changes from the previous corresponding period.

Breakdown of orders Received

[Millions of Yen]

| | For the three months ended June 30, 2022 | | For the three months ended June 30, 2023 | | Increase (decrease) | |
|---|---|---------|---|----------------|------------------------|--------|
| | Amount | % | Amount | % | Amount | % |
| Private-sector condominiums | 39,997 | (76.2%) | 81,873 | (77.4%) | 41,867 | 104.7% |
| Rental condominiums, Company housing, etc. | 6,950 | (13.3%) | 16,953 | (16.1%) | 10,003 | 143.9% |
| Residence Total | 46,947 | (89.5%) | 98,826 | (93.5%) | 51,879 | 110.5% |
| Non-Residence | 607 | (1.2%) | 2,456 | (2.3%) | 1,849 | 304.4% |
| Others | 4,910 | (9.3%) | 4,468 | (4.2%) | (441) | (9.0%) |
| Construction Total | 52,464 | 91.6% | 105,750 | 95.1% | 53,286 | 101.6% |
| Consulting Contracts | 1,691 | 3.0% | 1,879 | 1.7% | 189 | 11.2% |
| Construction business | 54,154 | 94.6% | 107,629 | 96.8% | 53,475 | 98.7% |
| Design and Supervision | 3,062 | 5.4% | 3,581 | 3.2% | 519 | 17.0% |
| Orders Total | 57,216 | 100.0% | 111,210 | 100.0% | 53,994 | 94.4% |

* The figures in parentheses refer to the proportion of Construction Total.

(2) Non-consolidated Orders received forecast

| | Interim | | Annual | |
|---------------------|-----------------|------|-----------------|-----|
| | Millions of Yen | % | Millions of Yen | % |
| March 2024 forecast | 190,000 | 17.0 | 500,000 | 3.9 |
| March 2023 result | 162,408 | 14.9 | 481,280 | 1.9 |

* % indicates changes from the previous corresponding period.

Qualitative information of Orders Received result and forecast

Construction total were 105.7 billion yen, increased by 53.3 billion yen y/y and Orders received were 111.2 billion yen, increased by 54.0 billion yen y/y. A progress rate against the interim forecast of 190 billion yen was 58.5% and the progress was as expected.

We haven't revised the interim and annual forecast.