



*Prime Parks Shinagawa Seaside The Tower*

# ANNUAL REPORT 2019

For the Year Ended March 31, 2019

## Profile

Haseko Corporation and its group of companies have leveraged their capabilities in all condominium business fields – from gathering land information to planning, design, construction, sale, property management, renovation, brokering and renting. Building on this “total produce” capability, the Haseko Group has conducted marketing activities in which it proposes product planning, selling strategies and other issues that cannot be matched by competitors. Since constructing its first condominium in 1968, Haseko has built a cumulative total of around 640,000 condominium units and established itself as a leading condominium contractor in Japan.

In response to changes in social conditions, the Haseko Group aims to play an active part toward being a “corporate group for housing that creates great living” supporting in all aspects the lives of people living in condominiums both in terms of physical products and services and know-how by combining initiatives in rental housing, housing for the elderly, commerce, nursing care, childcare, healthcare, medical care, and education, etc., with a focus on for-sale condominiums. While further enhancing the cooperation of our group companies.

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### Cover photos

Prime Parks Shinagawa Seaside The Tower (Shinagawa-ku, Tokyo, 817 units)

The property is a 29-storied high-rise condominium employing a seismic isolation structure. It has been built at the last remaining district at Shinagawa Seaside Forest, which features residences, retail facilities, and a park, etc. centering on a 7-storied tower office building. The second-floor portions within the district are connected by pedestrian decks, making it possible to walk to Shinagawa Seaside Station in only 3 minutes and access the retail facilities comfortably without using any pedestrian crosswalk.

### ■ Disclaimer concerning Forward-looking Statements

Please note that all present and future plans and objectives of Haseko entered in this Annual Report may differ from actual results due to various unforeseen factors.

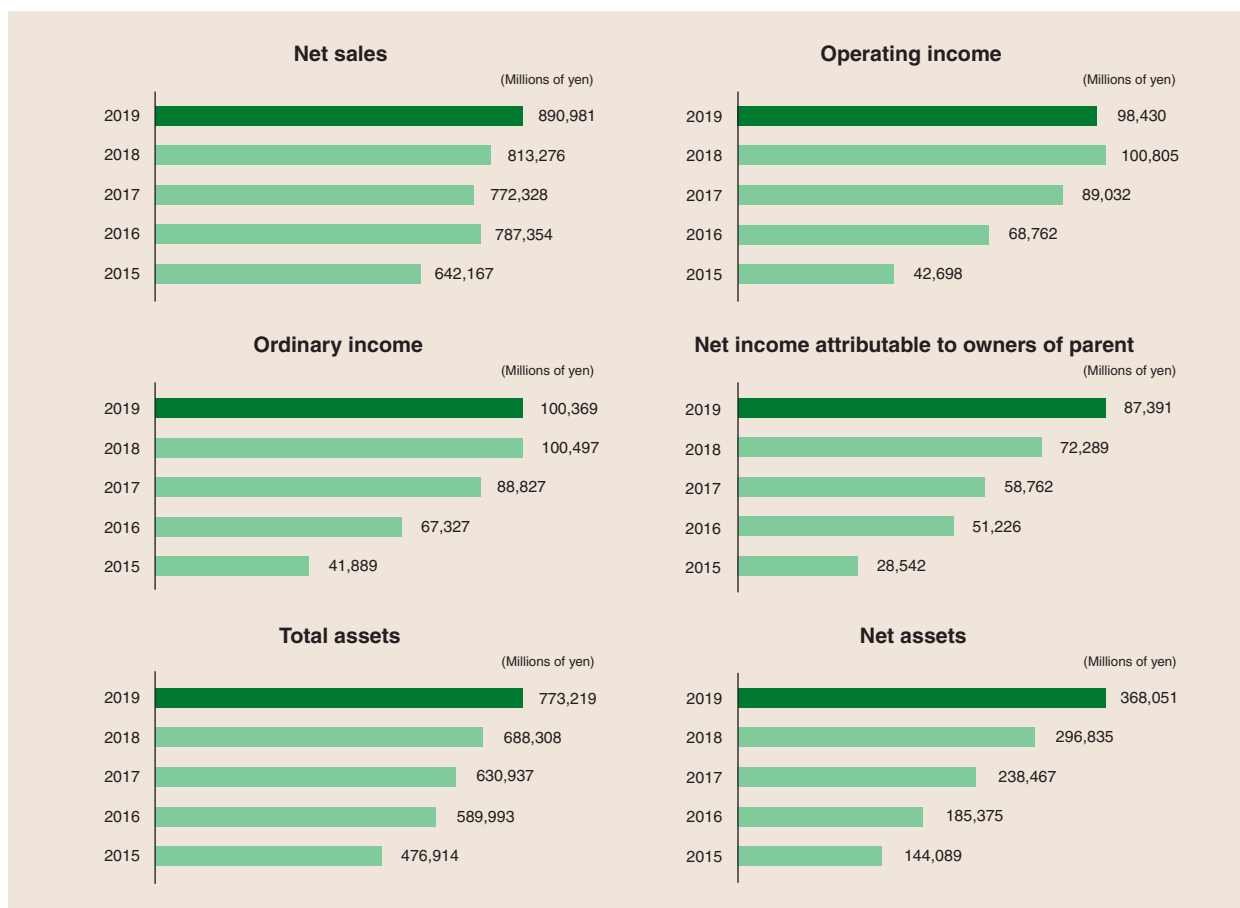
# Financial Highlights

## Haseko Corporation and its Consolidated Subsidiaries

(Years ended March 31, 2015, 2016, 2017, 2018 and 2019)

	Millions of Yen					Thousands of U.S. Dollars
	2015	2016	2017	2018	2019	2019
<b>For the Year:</b>						
Net sales	¥642,167	¥787,354	¥772,328	¥813,276	<b>¥890,981</b>	<b>\$8,027,579</b>
Operating income	42,698	68,762	89,032	100,805	<b>98,430</b>	<b>886,837</b>
Ordinary income	41,889	67,327	88,827	100,497	<b>100,369</b>	<b>904,307</b>
Net income attributable to owners of parent	28,542	51,226	58,762	72,289	<b>87,391</b>	<b>787,377</b>
<b>At Year-end:</b>						
Total assets	¥476,914	¥589,993	¥630,937	¥687,706	<b>¥773,219</b>	<b>\$6,966,565</b>
Net assets	144,089	185,375	238,467	296,835	<b>368,051</b>	<b>3,316,074</b>
	Yen					U.S. Dollars
<b>Per Share Data:</b>						
Net income attributable to owners of parent	¥ 94.64	¥170.41	¥195.48	¥241.98	<b>¥ 293.87</b>	<b>\$ 2.65</b>
Net assets	478.45	615.21	791.24	995.44	<b>1,234.13</b>	<b>11.12</b>

Note: The U.S. Dollars amounts represent translation of yen amount at the rate of ¥110.99 = U.S. \$1.00, the exchange rate at March 29, 2019.



## Message from the Management



### **I would like to express my heartfelt gratitude for your continued loyal patronage to the Haseko Group.**

For the fiscal year ended March 2019, in which the Japanese economy continued to show a recovery trend, new supply of condominium units stood at 36,641 units (down 0.5% year on year) in the Tokyo metropolitan area, remaining at the same level as fiscal 2017, despite our forecast that consumers would act more consciously in response to the consumption tax rate hike scheduled for October 2019. No major change was seen in the figure of the Kinki area at 20,078 units (up 1.2% year on year), only slightly more than fiscal 2017, partly affected by the supply of studio units significantly exceeding the previous year at 5,476 units (in contrast to the year-earlier 4,711 units).

For the fiscal year ended March 2019, which represents the second year of the “newborn HASEKO Jump Up Plan” (Plan NBj), the Company’s medium-term business plan, the Haseko Group endeavored to create revenue opportunities by steadily accumulating achievements through the gathering of land information, product planning and a commitment to construction quality and construction schedules in the Construction-Related Business, enhancing services in response to customer needs in the Service-Related Business, and building coordination among the Group companies. Moreover, we engaged in a variety of attempts toward sustainable growth, including the establishment of Haseko Technical Center, opening of Haseko Condominium Museum, expansion of business areas into the Chugoku, Shikoku and Northern Kanto regions, and new establishment of a Value, technology and innovation division to come up with new business models.

Under such conditions, for the fiscal year under review, the Haseko Group achieved consolidated ordinary income of over 100 billion yen for the second consecutive year, with the Construction-Related Business leading the Group’s performance. As such, the Company recorded favorable results toward the numerical targets of Plan NBj (combined consolidated ordinary income of 240 billion yen for the three years from the fiscal year ended March

## Message from the Management

2018 to the fiscal year ending March 2020). Moreover, taking into account the outlook of the business management environment and corporate performance going forward, the Company decided to deliver dividends of 80 yen per share annually (including interim dividend of 10 yen per share), an increase of 30 yen from the previous fiscal year, comprising ordinary dividend of 20 yen annually and extraordinary dividend of 60 yen.

As a result of the above, the Company achieved a year-on-year increase in revenue, with net sales growing by 9.6% to 891 billion yen in the fiscal year under review due to an increase in the volume of condominium construction works and real estate handling volume. Profit decreased year on year, however, as operating income dropped by 2.4% to 98.4 billion yen and ordinary income decreased by 0.1% to 100.4 billion yen due to lowered gross profit margin of completed construction contracts for condominium construction works. Meanwhile, net income attributable to owners of parent increased 20.9% year on year to 87.4 billion yen as the Company recorded extraordinary income from business transfer. The operating income ratio was 11.0% (down 1.4 points) and ordinary income ratio came to 11.3% (down 1.1 points).

Looking at the fiscal year ending March 2020 and after, the construction industry will continue to face many issues, including rising costs of material and labor, a decrease in skilled construction workers and responses to work-style innovation. Although there is no notable impact of these at present, we must pay attention to the future outcome. In the condominium market, rush demand before the consumption tax rate hike has been smaller than forecasted. Besides this, the government has introduced various measures to support purchase of housing in order to flatten fluctuation in demand. As such, the impact of the decreased demand in reaction to the rush demand is forecast to be limited. The business environment may possibly become obscure due to changes in the market conditions and other factors going forward. In the final year of Plan NBj, however, we will further accelerate our investments in new initiatives to secure stable revenue sources and enhance productivity, while working to solve various managerial issues in an effort to firmly establish the financial foundation and revenue base for the future evolution of the Haseko Group.

At the beginning of 2019, I upheld the word of “kennin-fubatsu” (a Japanese phrase for strong will, patience and solidness) as our keyword for the year. “Kennin” is defined as having an extremely strong will and diligently enduring things with much patience. “Fubatsu” means being hard and solid like a sword sheathed too tightly to draw out. Together, the phrase indicates the meaning of “being patient with whatever is hard and painful, and resolutely sticking to your will.” As we look at the construction and real estate industries, as well as the Japanese economy and the global economy as a whole, the situation is changing such that the outlook is becoming uncertain. Regardless of given environment, however, I would like for all employees to work hard from their respective positions while sticking to the fundamentals and maintaining the attitude of “kennin-fubatsu” to provide our customers with safe and reliable housing they can live in comfortably.

The current fiscal year falls on the final year of Plan NBj, our medium-term management plan positioned for creating the foundation of the Haseko Group toward the new era in 2020 and thereafter. The Haseko Group will continue its endeavors to expand offerings in response to customer needs and enhance services, while taking initiatives toward business expansion into new areas and fields both in and outside Japan. Going forward, by firmly holding to the corporate philosophy of “to contribute to society by creating an optimal environment for cities and people,” the Haseko Group will remain deeply thankful to those who have given their support, and, as a united entity, continue to leverage the know-how and ability of the Company fostered to date for proposing and promoting projects to further reinforce coordination among Group companies centering on the mainstay condominium-related businesses and exert its comprehensive strengths. By doing so, the Company aims to become a corporate group for housing that creates great living as it supports in all aspects the lives of people living in condominiums. Your continued and reinforced support and encouragement would be greatly appreciated.

June 2019



Noriaki Tsuji  
President and Representative Director  
Haseko Corporation

# “newborn HASEKO”

## — Rebirth of the Company as “new born Haseko” (Plan NB) —

Period Covered by the Plan: Six fiscal years (from April 1, 2014 to March 31, 2020)

### Positioning of the Plan

The Plan 4N is positioned as the period to “Hop,” while the first three years of the Plan NB as the period to “Step Up” and the latter three years to “Jump Up,” so that the Company aims to recreate itself as the “newborn Haseko” that has completed its rehabilitation and make a leap forward

## newborn HASEKO “Jump Up” Plan (Plan NBj)

Period to jump up to the newborn HASEKO (from April 1, 2017 to March 31, 2020)

– Aiming to become a corporate group for housing to create great living –

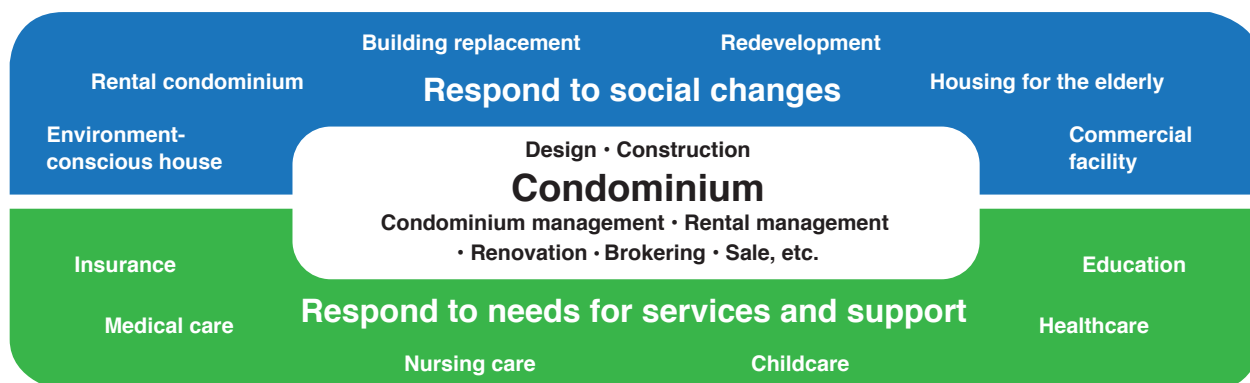
**Numerical Targets: 240 billion yen in consolidated ordinary income in aggregate for the three fiscal years (FY 2017 through FY 2019)**

**At least 20 billion yen in ordinary income of consolidated subsidiaries for FY 2019 ending March 2020**

### Basic Policies

1. Establish corporate management that builds on both the construction-related business, which primarily targets the market for new housing supply, and the service-related business, which is centered on the market related to existing residences, etc.
2. Deepen coordination among the Group companies to realize a corporate entity that proves to be worthy of the trust received from urban dwellers
3. Provide safe, reliable and comfortable condominiums
4. Establish a stable financial foundation for a leap forward
5. Challenge new endeavors from a medium- to long-term perspective
6. Establish highly effective governance and internal control

### What the Company aims to be



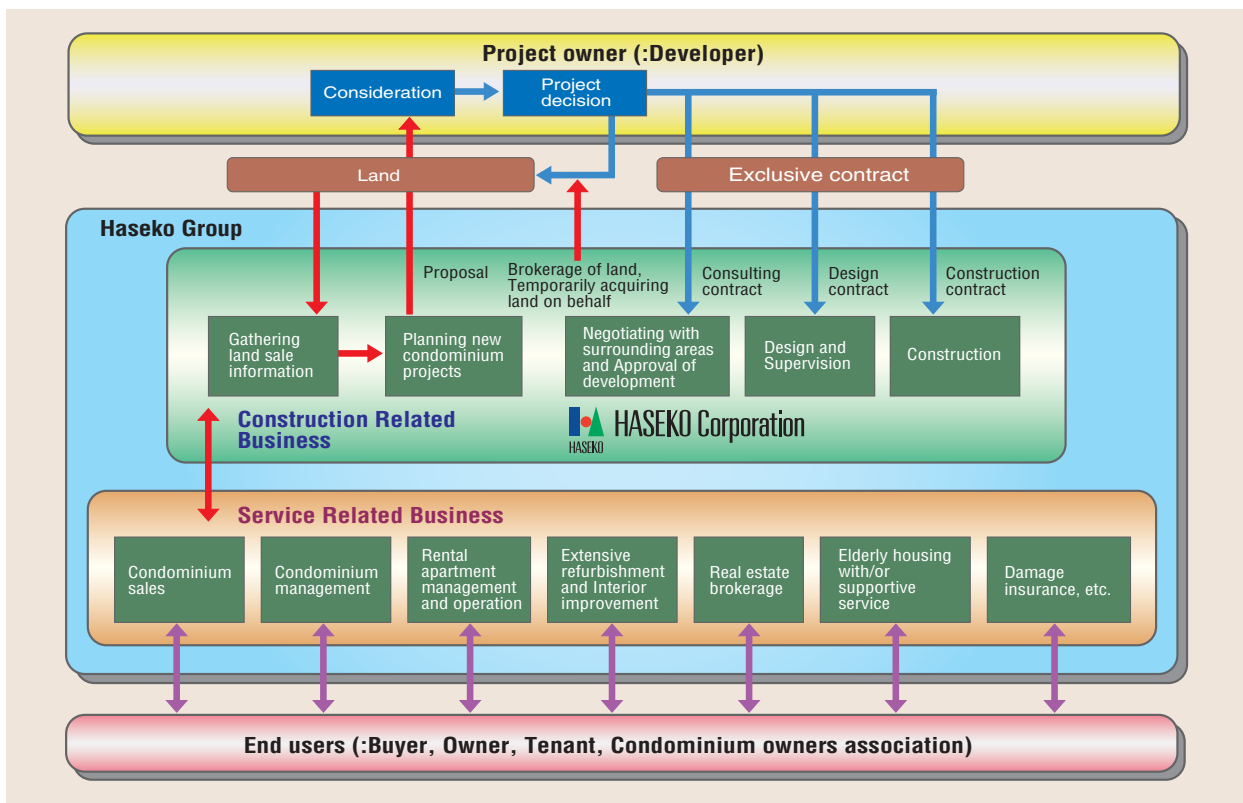
**Aiming to become a corporate group for housing to create great living**

## Perception of Business Environment and Measures

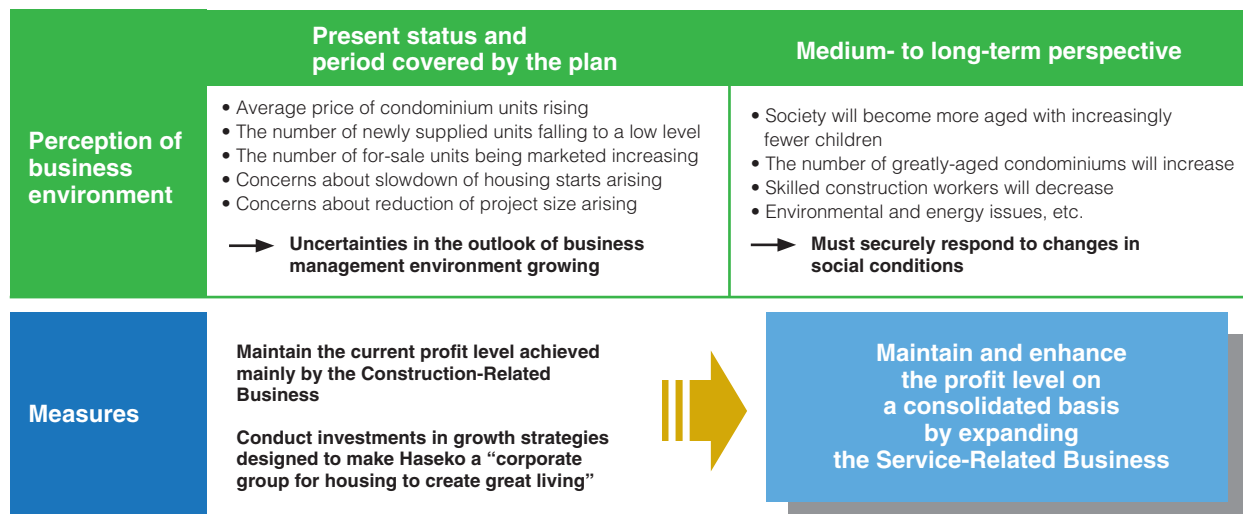
### Businesses Conducted by the Haseko Group

The Haseko Group engages in “Construction-Related Business,” which primarily targets the market for new housing supply, etc., and “Service-Related Business,” which primarily deals with existing residences, etc. These two business groups share information and know-how utilized in order reception, design, technological development, product planning and provision of new services, among other activities.

### Business Model Diagram



### Perception and Measures



### Construction-Related Business

“Establish superiority to be free from fluctuations in market conditions”

- Secure appropriate construction work volume and reasonable profits, while maintaining high quality, by continuously enhancing the building production system
- Create and realize the concept of how new condominiums should be, with deep insight on the lifestyle of urban dwellers in the future
- Enhance the business planning ability for replacement and redevelopment projects, and thoroughly implement risk management
- Proactively work to construct buildings other than residential properties or for-sale condominiums to accumulate a track record of construction, and reinforce competitiveness by enhancing the ability to control costs

### History of condominium units supplied



### Service-Related Business

“Reinforce the revenue base for the Service-Related Business and enhance services for urban dwellers”

- Ensure that the mindset of “hospitality” is shared by everyone in the Company, and provide diverse services to customers through coordination among the Group companies
- Implement measures for developing and strengthening a relationship of mutual trust with customers
- Attempt to materialize the concept of multi-purpose stores aimed at promoting expansion of operating areas and stores as well as providing services from the viewpoint of customers
- Develop repair and renovation technologies for maintaining asset value and extending the life of housing, and reinforce the ability to make proposals
- Secure stable revenues by enhancing the for-sale condominium business and making investments in blue-chip real estate properties



## New Initiatives

“Accelerate promotion of endeavors to expand the geographical business areas and business fields”

- Work to expand the Group’s businesses to major cities in Japan and the markets in the U.S. (Hawaii) and South-east Asia, with an aim to establish a revenue source of the future
- Accelerate promotion of endeavors on such measures as business and capital tie-ups and M&As in the businesses the Company requires to become a “corporate group for housing to create great living”

“Build a corporate culture that encourages people to challenge new things”

- Develop new products and new services speedily
- Seek new business opportunities through coordination among companies
- Foster human resources with future-oriented thinking who can bear the future of the Group

## Financial Strategy and Returning of Profits to Shareholders

“Establish a stable financial foundation while returning profits to shareholders in a stable manner”

- In distributing profits, take a balanced approach to investments in growth strategies for the future and returning of profits to shareholders, while securing internal reserve for reinforcing the financial standing
- Aim to achieve a consolidated dividend payout ratio of 20%, while working to stably distribute dividends of ¥20 per share to shareholders

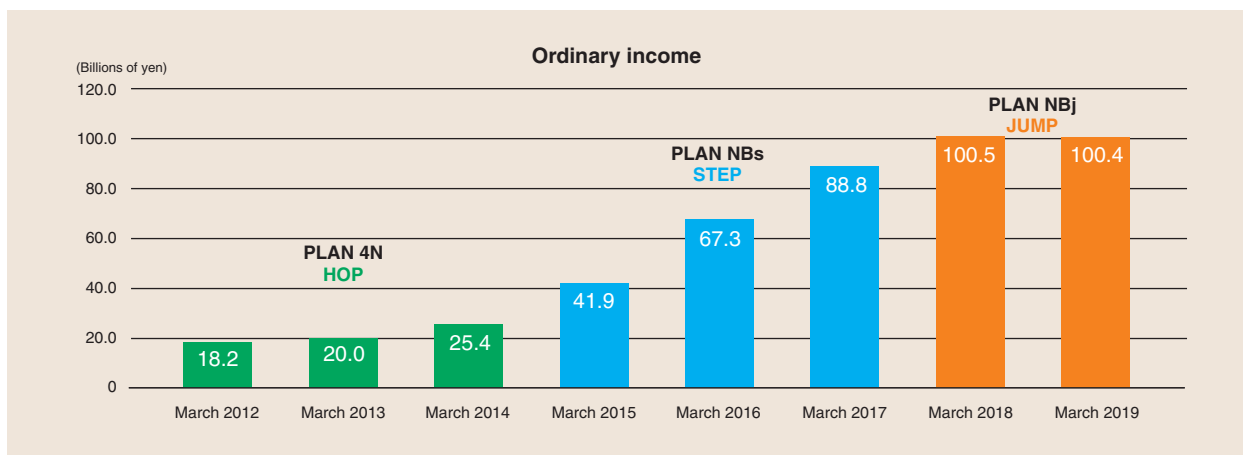
## Initiatives to perform corporate social responsibilities

“Establish highly effective governance and internal control, and lay foundation of Haseko-style social contributions”

- Maintain and enhance a management system that secures transparency and objectivity
- Make further improvements for realizing a workplace environment that facilitates working, and establish a support system for individual employees to play an active role and grow themselves
- Establish a business management and risk management system that features effectiveness as well as efficiency
- Promote activities for law abidance, quality control, environmental burden reduction and environmental preservation throughout the Company’s business activities
- Continuously implement social contribution activities that take advantage of business characteristics



## Trends in consolidated net sales and ordinary income



# Initiatives toward Sustainable Growth

## Create the Foundation of the Haseko Group toward the New Era in 2020 and Thereafter



New office of Value, technology and innovation division, equipped with a wireless environment and glazed conference rooms

### Newly Establishing Value, technology and innovation division

Value, technology and innovation division was established in October 2018 as a section to create and verify new business models utilizing digital and advanced technologies with an aim to secure competitiveness for the Company's products and services as well as enhance labor productivity. The section is comprised of four departments; CR Department\*<sup>1</sup>, IT Promotion Department, ICT Utilization Department and FIT Department\*<sup>2</sup>. The new office of the section, relocated and integrated in November 2018, has adopted the full-on "free address" system for all desks and seats including executives, the first such attempt among the Haseko Group. At the same time, the office itself is set as the venue for achieving work-style innovation, where efforts are made to go paperless and enhance work efficiency.

Going forward, the section will proactively utilize advanced technologies while responding to changes in ICT, IoT, AI and other technological fields. By doing so, the section will work to create and verify new business models, secure competitiveness of existing services and enhance productivity in an effort to contribute to the future business reform of the Haseko Group.

\*1: Customer Relationship Department \*2: Future Innovation Transformation Department

### Business Description of Value, technology and innovation division

- **CR Department\*<sup>1</sup>**: reinforce relationships with end users, implement sales promotion measures, utilize internet media and conduct customer management
- **IT Promotion Department**: plan, evaluate, promote and support operations in adopting information technology and systematization throughout the Haseko Group
- **ICT Utilization Department**: plan, propose and coordinate utilization of ICT (establish BIM and LIM, develop IoT-based condominiums and build a supply chain for construction materials)
- **FIT Department\*<sup>2</sup>**: plan and implement group-wide IT investment strategies

The Company has started a joint verification experiment with NTT WEST to realize an "IoT Condominium," a next-generation apartment complex aimed at enhancing the convenience of condominiums by linking NTT West's information and communication technology (ICT) with facilities used in common areas of condominiums (like electronic locks at common entrance doors and home delivery boxes) offered by the Haseko Group.



Roles of Haseko	Roles of NTT West
<ul style="list-style-type: none"> <li>● Provide facilities for verification</li> <li>● Conduct interviews and resident questionnaires and analyze the verification results</li> <li>● Conduct functional verification in terms of design, construction and management of condominiums, and conduct business feasibility verification</li> </ul>	<ul style="list-style-type: none"> <li>● Establish such ICT systems as face authentication to be used in the verification environment</li> <li>● Conduct functional verification and business feasibility verification in terms of the ICT systems</li> </ul>

Looking ahead, the Company will promote its endeavors with an aim to complete the first "IoT Condominium" to be built utilizing the results obtained through the joint verification experiment by the end of fiscal 2019. Moreover, the Company will work to connect various types of information held in a variety of housing equipment and information equipment with the information on condominium residents. By doing so, it will not only provide the residents with safe and reliable housing they can live in comfortably, but also provide condominium management companies with useful information.

## Initiatives toward Expansion of Business Areas

### Domestic Market

With an aim to create new regional strategies, the Kyushu Operations Division was established in 2017 in Fukuoka in the Kyushu area where the businesses of the Haseko Group are concentrated for the purpose of cultivating the market toward expanded business operations of the Group. The division conducts business in the Kyushu and Okinawa region as an advanced base for coordination within the Group in charge of marketing, integrating all functions including condominium management, rental management, for-sale condominium business and facility renovation.

In 2018, the Company newly established the Chugoku & Shikoku Business Promotion Department in an effort to establish new regional strategies. With full-time real estate staff currently working at the operating offices in Okayama, Hiroshima and Matsuyama, the Company has successfully established a business base in the Chugoku and Shikoku areas where the Company had not entered before by means of M&As of management companies operating in the Kansai and further western regions. With this development, the Company intends to operate as a developer as well in these areas going forward. Moreover, the Company has expanded the activity areas of its business promotion department by opening operating offices in the Northern Kanto region in locations such as Mito, Utsunomiya and Takasaki, and in Shizuoka, deploying real estate staff. Through these measures, the Company has reinforced its efforts to establish a system that allows itself to construct condominiums on its own in cities of the regions where a certain volume of condominium demand is available.

The Haseko Group as a whole is strategically engaging in such businesses as marketing, management and development at its bases that stretch broadly from Hokkaido to Okinawa. Looking ahead, the Company aims to expand the business areas in regional cities by reinforcing coordination within the Group.

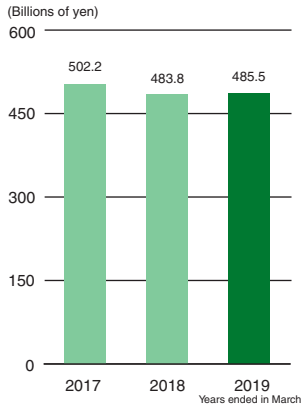


### Overseas Market

Starting with a project in Hanoi, Vietnam, Haseko Group plans to build a track record going forward in Southeast Asia, such as in places as Ho Chi Minh City, Vietnam and Indonesia, to establish a future revenue source in Southeast Asian countries.

In Hawaii of the United States, the Company will work to re-establish a revenue base by taking advantage of its over 40 years of experience in Hawaii.

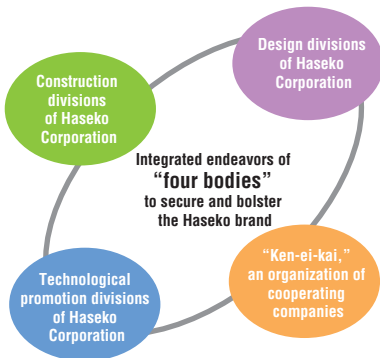
## Orders received (Non-consolidated basis)



Haseko has a variety of accompanying businesses to the condominium business within its Group, and has the strength that allows it to propose business plans integrating not only orders for construction but also for post-completion services including the sale and building management of condominiums. Such proposals are utilized to secure orders in the form of Haseko Exclusive Contracts, the largest feature of the Company. Moreover, Haseko constructs condominiums with its construction and design sections working as one. The Company has established the system that exerts cost reduction effects through receiving orders for design and construction in packages, with the two sections conducting close organizational coordination and by reflecting such aspects as enhanced workability and economic designing in designs.

## Construction

Haseko has specialized in condominium construction, as shown by its track record of over 640,000 units built. The Company constructs condominiums by employing state-of-the-art, efficient (no reconstruction) and highly precise (minimal complaints) construction methods, and has established a construction management system that keeps to budgets with no major gaps and promotes smooth implementation of project schedules. This allows Haseko to maintain high productivity. This system is bolstered by the good long-term relationships with cooperating companies. On top of their proficiency in construction with full knowledge of Haseko's construction methods, such companies can adopt Haseko's new products and new technologies, etc. as quickly as possible through training courses and other measures. These measures are what have maintained Haseko's high productivity, which secures sufficient competitiveness and serves as a source of its high profitability.



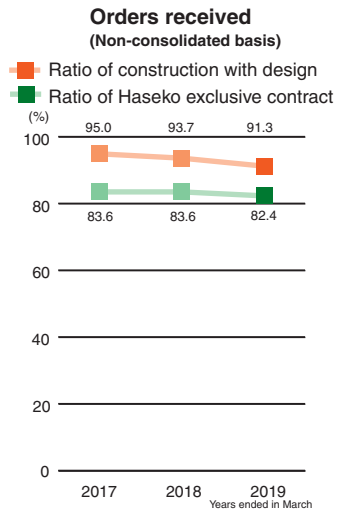
## Conduct "Haseko Value Enhancement Activities" to provide customers with product quality and satisfaction

Integrate endeavors of the "four bodies" (the construction divisions, design divisions and technological promotion divisions of Haseko Corporation and "Ken-ei-kai," an organization of cooperating companies) to ensure smooth communications among them, in order to secure high quality and eventually improve customer satisfaction

### Design

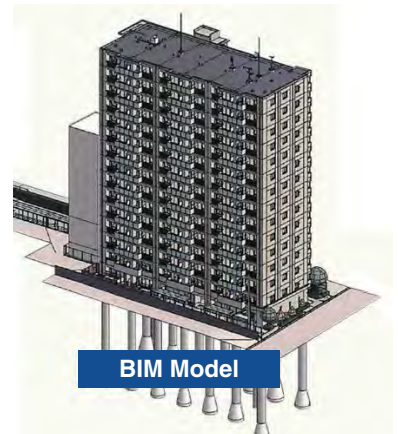
The design section is always pursuing “what is best for residents,” and conducts design work from the viewpoint of the end users, receiving feedback from customers. In addition, it proactively works to enhance performance aspects, such as enriching the fundamental performance of condominiums, improving versatility and securing environmental and disaster prevention performances, by utilizing its accumulated know-how from the cumulative construction track record of over 640,000 units as well as new products and new technologies developed by Haseko Technical Research Institute.

Moreover, at “LIPS,” which is the presentation space for condominiums that regularly exhibits products of approximately 70 manufacturers including exterior finishing materials, builders' hardware, steel fittings, interior finishing materials and housing equipment. The space enables selection of products and materials in a prompt and secure manner, as it allows project owners and Haseko staff to jointly “see” and “touch” actual offerings as samples at the design stage.



### Adopt Haseko-version BIM to the full by the end of fiscal 2019

BIM (Building Information Modeling) is an advanced design technique to construct a three-dimensional building model on the computer screen. The model includes not only the shape and space composition of a building but also the attribute data such as the quantity, quality and specifications of construction materials, and makes it possible to check them stereoscopically. Haseko utilizes the Haseko-version BIM as a three-dimensional design technique specialized for condominiums. It can be applied widely in the condominium business for not only design but also construction, sales, management, repairs and remodeling.

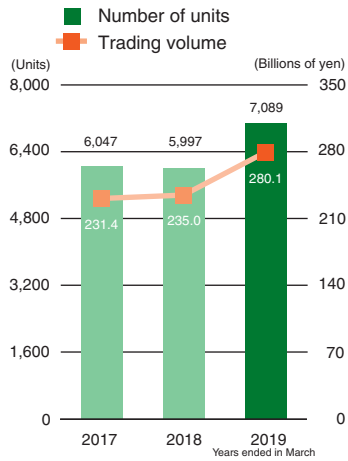


THE GARDENS TOKYO OJI



PRESSANCE LEGEND BIWAKO

## Consignment sales of newly-built for-sale condominiums (Haseko Urbest)



Haseko, which boasts having the top performance in Japan in constructing for-sale condominiums, also conducts the for-sale condominiums business on its own, utilizing its know-how of Haseko Exclusive Contracts in which the Company provides land for project owners. The Haseko Group was joined by SOHGOH REAL ESTATE and Joint Corporation in 2015, and together we established Haseko Real Estate Development Holdings Inc. in 2017. By consolidating the functions commonly shared by the for-sale real estate businesses in the Haseko Group, the Company integrates the know-how and experience that have been fostered at each operating company to date in an effort to enhance product and service offerings for customers.

## Strengths of Implementing the Total Condominium Business

The Haseko Group, which implements the condominium business in its totality, can complete all tasks required for implementing the condominium business, including planning, development and design of condominiums using information that is fed back from the construction sites, salesforce of for-sale condominiums and condominium managers, etc. as well as construction, within the group. Enjoying the benefits of this completeness, the Group's for-sale condominiums have been highly evaluated in terms of customer satisfaction and confidence for such factors as product offerings that reflect customer needs, secured construction quality and high cost performance.

SEA FOREST KOBE RENAI ROKKOISLAND CITY



### Haseko Real Estate Development Holdings

The company supervises the for-sale real estate businesses of the Haseko Group, integrating their common functions, working to enhance the business implementation system and reinforcing governance, among other endeavors, in order to achieve higher profitability.

### Haseko Real Estate Development, Inc.

(renamed from Joint Corporation on April 1, 2019)

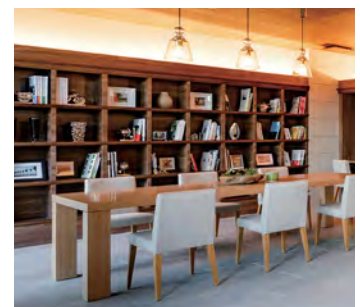
The company is an integrated real estate developer that not only conducts for-sale real estate business in which it plans, develops and sells newly-built for-sale condominiums, but also develops profit-generating properties with a track record of developing a variety of assets including rental condominiums, apartments, retail facilities, office buildings and warehouses.

### Sohgoh Real Estate

The company is engaged in the for-sale housing business, as represented by the Renai brand, with an accumulated sales record of approximately 65,000 units primarily in the Tokyo metropolitan area and the Kinki area. It offers comfortable living through an integrated business system that covers acquisition of project sites, product planning, sales, delivery and administration.

### Joint Property

Joint Property Co., Ltd. is an expert in operations and administration for condominium and apartment management. It supports owners of such properties by offering its proprietary know-how fostered over many years of experience.



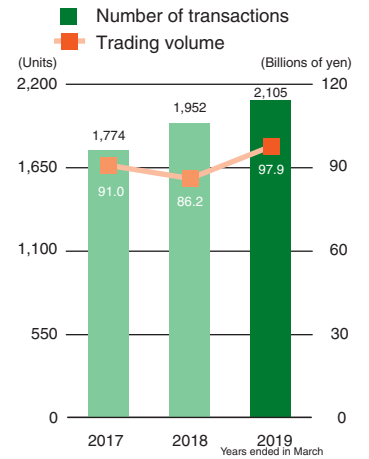
### Haseko Urbest

Having a leading position in consigned sales of condominiums, Haseko Urbest works as an integrated real estate service company and conducts all operations from product planning and proposals to sales, contracting and delivery of new condominiums that reflect the opinions of customers.

Haseko Real Estate, Inc. was born through the integration of the Haseko Group's real estate brokerage business, with an aim to proactively work on "vitalizing the transaction of existing housing" as an important area of the Group's growth strategy. As an integrated real estate brokerage company, Haseko Real Estate handles all types of real properties, from residential real estate to commercial and investment real estate.

Moreover, to realize the Haseko Group's basic philosophy of "creating good housing, taking proper care of housing and living in housing over a long period of time," the firm is proactively engaged in the renovation business, where it refurbishes used condominiums for future inhabitants to live.

### Brokerage of real estate (Haseko Real Estate)



#### Real Estate Brokerage

Selling and buying, exchanging, leasing, agency and brokerage of real estate

**Building:** Condominiums, stand-alone houses, profit-generating buildings, facilities for the elderly, hospitals and medical facilities, company housing, etc.

**Land:** Sites for condominiums and stand-alone houses, commercial sites, sites for facilities for the elderly, sites for hospitals and medical facilities, sites for warehouses and plants, sites for large-scale, multi-use developments, land for consideration of equivalent exchange or effective use, etc.

#### Purchase and Resale

Purchase and resale of condominiums and profit-generating properties

Property acquisition: Condominiums and stand-alone houses (from entire buildings to single units), profit-generating properties

Temporary holding: For renovation and conversion

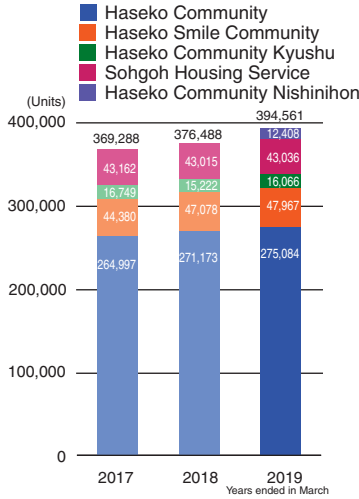
Sale: For the real estate market and business corporations

#### Real Estate Solution

Consultation for effective use of land, asset management, consultation for real estate investment Management and administration of real estate and project proposals

The company fully utilizes the networks of the Haseko Group to provide total support for business planning to operations and management of condominium projects, offices, retail stores, facilities for the elderly and other properties, helping customers to conduct asset management by realizing the property value to the maximum.

**Four companies  
Condominium building  
management**



**Haseko Community Owl 24  
Center**

A comprehensive monitoring facility that was integrated into Haseko Technical Center in 2018

The Haseko Group companies that conduct for-sale condominium management operations are commissioned by management associations, which are comprised of residents of condominiums, to provide services that should maintain and improve the asset values of the buildings and enrich life in condominiums. As managing companies belonging to a general contractor group, the companies accept not only the problems related to construction or management but also whatever issues and troubles customers may have, investigate the causes and solve them. In 2017, Haseko Property Management Holdings Inc. was established as the intermediate holding company that supervises the for-sale condominium management operations of the Haseko Group

The operating areas of the five for-sale condominium management companies in the Haseko Group, supervised by Haseko Property Management Holdings Inc., extend broadly throughout the Tokyo metropolitan area, Tokai area, Kansai area, Kyushu and Okinawa areas. The companies of the Haseko Property Management Holdings group have a track record of management amounting to approximately 390,000 units in total.



**Haseko Property Management Holdings**

Working as an intermediary holding company that supervises the for-sale condominium management operations of the Haseko Group, the company integrates the knowledge, experience and know-how obtained by the respective companies engaged in this business through their management operations, and provides even a wider-range of services.

**Haseko Community**

**Haseko Smile Community**

**Sohgho Housing Service**

**Haseko Community Kyushu**

**Haseko Community Nishinihon**

On August 1, 2018, Haseko Community Nishinihon Inc., a newly established company, succeeded the for-sale condominium management operations of Sayco Building Management Co., Ltd. in order to further reinforce and expand the for-sale condominium management business of the Haseko Group.

**Comprehensive Monitoring**

Comprehensive monitoring operations conducted around the clock; security personnel dispatched in emergencies, and specialized technical staff available day-and-night.

**Management and Cleaning**

Reception, surveillance, attendance services and cleaning services of common areas by staff who have mastered professional knowledge and skills.

**Maintenance and Management**

Periodical inspection of elevators, water supply and drainage, fire prevention facilities and other accessorial facilities; proposals for repairs of defects; proposals for repair work plans and financing plans for forecasted future deterioration of buildings over time.

**Clerical Services**

In place of management associations, the company collects and keeps management fees and repair deposits, gives reminders for payment of unpaid proceeds, reports financial statements and providing accounting services including financial settlements.

**Life Support Services**

The company provides services that support the daily lives of residents, including acceptance of clothes for cleaning, arranging for taxis and catering services, and conducting a variety of community events. Moreover, it offers services that enrich the living at condominiums, such as cafes and culture schools operated in condominiums as well as car sharing.



# Management and Operation of Rental Condominiums

In the domains where rental condominiums, corporate real estate and for-investment condominiums are mutually interrelated, Haseko Livenet implements lease management and operations of condominiums, consulting on rental operations, and rental brokerage of condominiums. The company conducts business in major rental condominium markets in Japan – Tokyo metropolitan area, Kinki area, Sapporo, Sendai, Nagoya, Hiroshima and Fukuoka, with the Shizuoka Branch established in June 2019. In addition, Haseko Business Proxy, an offshoot of Haseko Livenet, is engaged in introducing properties for use as rental corporate housing or dormitories, and managing corporate housing as an agency.



Cafeteria

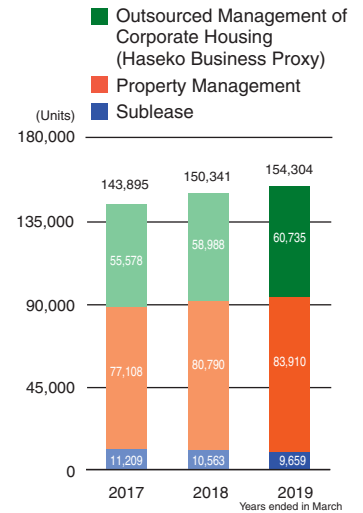


Bar style



Display light

### Haseko Livenet Rental condominium management and operation



### BRANSIESTA Hakusan

The property is a condominium with all units set as conceptual rooms, comprising eight types of conceptual rooms designed by combining a variety of factors such as cities and nature, working and relaxing, Japanese and Western tastes, luxury and common touch, and Japanese culture from the old days and modern lifestyles. BRANSIESTA is a rental condominium brand of Haseko Corporation aimed at offering a high-grade residence that provides both the quality of a for-sale condominium and the level of freedom available in a rental condominium.

### Haseko Livenet

#### Property Management

Sublease system in which the company rents the entire properties for lease, and handling of various procedures and work for rental operations as an agency; the "total package management" service in which the company performs building management on its own, and the full support for all aspects down to exit strategies.

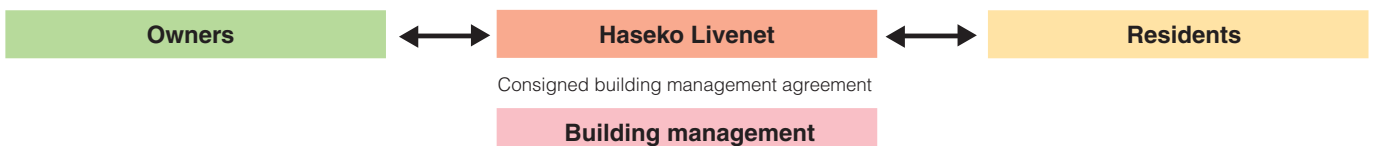
#### Development of For-Investment Rental Condominiums

The company coordinates development of rental condominiums and prepares plans based on marketing results. It can achieve high occupancy rates by being simultaneously consigned for property management.

#### Property Management

Agency service agreement for rental operations

Lease agreement



Total package management: Building management, handling of procedures and work as an agency, and sublease system

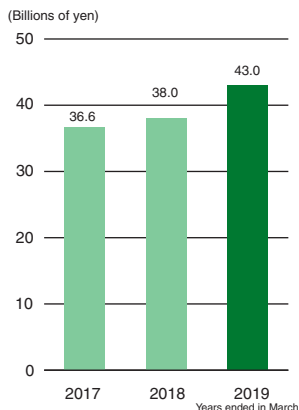
### Haseko Business Proxy

As a pioneer of the business model, the company is characterized by the high-quality service chosen by global companies.

#### Management Agency for Corporate Housing

Conducts review of the corporate housing systems and provides support to the corporate real estate strategy of clients; implements a solution business for corporate real estate, including rehabilitation of client owned corporate housing and proposals for efficient use of corporate land, and provides total support to clients' employees who are the "lessees" living in the company housing.

### Orders received (Haseko Reform)



The number of for-sale condominiums in stock in Japan is estimated to surpass 6.5 million units. Of these, approximately 2 million units are reckoned to be in buildings built 30 or more years ago. Aside from these, many condominiums have become old and now require large-scale repair work to be conducted. Utilizing the Condominium Rehabilitation Division's Consultation Room for Building Replacement and Renovation as a service window, Haseko Group serves the management associations and owners of aged condominiums as a total advisor for rehabilitating the buildings, responding to a variety of needs for repairs, renovations and building replacement.

In the Haseko Group, Haseko Reform is engaged in renewal construction and maintenance work primarily for condominiums. Based on its abundant experience as the leading company in condominium construction, it makes optimum renewal proposals – including renovations of earthquake-resistant structures, ordinary repairs, large-scale repairs and remodeling – in accordance with the various building characteristics (size, design and specifications) of each asset with the aim of extending the building life. By doing so, the company provides construction quality that achieves maintenance and enhancement of the asset value.

### Initiatives on Areas Other than Condominiums

Including diversification of buildings, the Company is proactively working on renovation works for buildings other than condominiums in order to meet social demand.

- Suma Gakuen Shukugawa High School and Junior High School
- Kontai-ji Temple
- Building No. 11 of the Faculty of Engineering, The University of Tokyo



Large-scale repair: Lift-climber construction method



Large-scale repair: Under construction



Large-scale repair: After construction



Interior remodeling

Reflecting the experience and achievements of condominiums totaling approximately 640,000 units, the company has a track record of renewal construction and maintenance work for condominiums counting about 580,000 units.

### Offerings for Extending Building Life

#### Large-scale repairs

- Consideration given to repair work conducted with residents remaining in their units.
- Proposes construction methods that negate the need for scaffolds or curing sheets.

#### Renovations of earthquake-resistant structures

- Renovations of earthquake-resistant structures with residents continuing to live in their units.
- Conducts procedures to apply for subsidies to local governments and provides support for resident briefings.

#### Facility renovations

- The SAPS R method for replacing water supply pipes realizes durability of 60 years; the HAM-J method for drainage pipes completes work in a day for a single system.

#### Renovations for environmental friendliness and energy saving

- Renovations for energy saving, including heat insulation of buildings and adoption of multi-layer glass; advice on obtaining subsidies, etc.

### Offerings for enhancing assets and lifestyle

#### Renovations for value enhancement.

- Employs barrier-free design, which is indispensable for the aged society.
- Renovations of entrances for improving the image.
- Prevents deterioration of building frame through external insulation.
- Replaces window sashes as a countermeasure against condensation.

### Remodeling work

- Proposes optimum remodeling for not only unit floor plans and designs but also for replacement of water supply, drainage pipes and electricity facilities.
- Female interior coordinators make arrangements based on the condominium construction record data.
- Addresses a variety of themes such as lifestyles and adoption of natural materials.
- Conducts remodeling of stand-alone houses as well.

# Condominium Rehabilitation and Building Replacement Business

In conducting the condominium building replacement business, a variety of requests must be met from the management associations, including investigations for choosing repairs or building replacement, building diagnosis, evaluation of seismic capacity, comparison of rough estimates for repairs and building replacement costs, establishment of a building replacement investigation committee, consensus building, mediation of temporary housing, resettlement of the residents and management after the resettlement. This is why the number of condominium building replacement cases remains extremely small, standing at 278 properties (including those under preparation) as of April 1, 2019, of which 244 properties were completed.

In conducting condominium replacement, Haseko has proposed more specific options for building consensus and solving problems to the owners and management associations through coordination among the Group companies. As such, the Company has conducted condominium replacement in 35 cases the most in Japan, as of April 2019.

### AIR HILLS FUJISAWA:

**One of the largest building replacement projects (by number of units before replacement) in Kanagawa Prefecture, based on the Act to Facilitate Reconstruction of Condominiums for the first time in Fujisawa City**

Fujisawa Residence was a cluster of seven buildings and 170 units subdivided for sale in 1965, faced with multiple problems including the aging of buildings and residential facilities, etc. and the need to consider making improvements for barrier-free access in line with the aging of its residents. A resolution for its full-scale rebuilding was passed on the condition that the right holders' wishes are reflected as much as possible in terms of the layout of each room, communal areas, etc. and that designs are modified in accordance with their budget. We successfully rebuilt Fujisawa Residence into a single-building condominium consisting of 360 units, which has not only resulted in the rehabilitation of the buildings themselves, but has also led to the increase in new residents and even the revitalization of the town.

### Facility Overview of AIR HILLS FUJISAWA

Location: Fujisawa-shi, Kanagawa  
 Former name: Fujisawa Residence (170 for-sale units sold in 1965)  
 Completion: August 2018  
 Total number of units: 360 units (120 units with entitled floors)  
 Structure and size: Reinforced concrete structure, 15 floors  
 Project owner: Nomura Real Estate Development Co., Ltd. NIPPON STEEL KOWA REAL ESTATE CO.,LTD. URLinkage Co., LTD. Haseko Corporation  
 Constructor: Haseko Corporation  
 Property manager: Nippon Steel Community Service Co. Ltd.



Fujisawa Residence

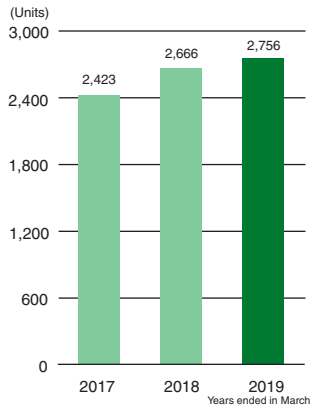


AIR HILLS FUJISAWA

## Comprehensive Strengths of the Haseko Group Utilized in Condominium Rehabilitation

Total advisor of condominium rehabilitation:	Condominium Rehabilitation Division of Haseko Corporation
Purchase of redundant floors and sale to general consumers:	Haseko Real Estate Development, Sohgho Real Estate
Planning and design of condominium building replacement:	Engineering Division of Haseko Corporation
Mediation of temporary housing and advisory for negotiations on displacement of tenants:	Haseko Livenet, Residential Service, Haseko INET
Condominium building replacement construction:	Construction divisions of Haseko Corporation
Proposal on condominium management and operation:	Haseko Community, Haseko Smile Community, Haseko Community Kyushu, Sohgho Housing Service, Haseko Community Nishinohon
Sale of for-sale condominiums and mediation of housing for mover:	Haseko Urbest , Haseko Real Estate
Mediation of paid facilities for the elderly and housing for the elderly:	Century Life , Seikatsu Kagaku Un-Ei

Changes in the number of paid facilities for the elderly



In the Haseko Group, which takes the aging society into account, Century Life Co., Ltd. has been planning and operating paid care houses for elderly people. In 2013, the Haseko Group incorporated Seikatsu Kagaku Un-Ei Co., Ltd., which operates paid facilities for the elderly and other facilities, to reinforce the business. Moreover, in 2016, Haseko Senior Holdings, Co., Ltd., a holding company controlling the senior living business as a whole and conducting project management, etc., was established, and Furusato Co., Ltd., which operates Furusato day services and short-stay facilities in Kawasaki and Yokohama specialized for users with dementia, was incorporated into the Haseko Group the same year. With these arrangements, the Haseko Group has expanded its senior business, operating 52 facilities for the elderly, including paid care houses for the elderly, and 63 bases for home nursing care services in total.

**New Endeavors for Nursing Care**

- Adoption of "communication robots" supporting such activities as preventive care exercises, music and quiz games.
- "Niyari Hotto," a care program for those with dementia with a focus on making residents smile and doing "what they can do" and reflecting it in care plans.
- "No Lifting Policy" that reduces physical burdens of both people cared for and caring staff by employing transfer aid nursing care that utilizes assistive equipment.
- Next-generation housing for the elderly that forms a large-scale multi-use community comprising residential, retail, educational and medical facilities and incorporates the mechanism and scheme that comfortably ties multiple generations, ranging from the elderly to children, both in terms of operational know-how and physical products.



**Haseko Senior Holdings**

Haseko Senior Holdings supervises the entire operations while giving support to the operating companies that are subsidiaries under its umbrella.

**Century Life**

The company provides senior living with security and comfort by offering well-equipped facilities and a variety of services, centering on facilities with nursing care.

**Seikatsu Kagaku Un-Ei**

The company operates housing for elderly people, including paid facilities for the elderly, in Kanto, Chubu and Kansai areas, attaching importance to communities.

**Furusato**

Dementia specialized facilities for day and stay-type care services.

**Management of paid facilities for the elderly**

Conducts management of paid facilities for the elderly, totaling approximately 2,700 units for the entire Group. Implements living support services to the residents, including eating, bathing and living rehabilitation, medical treatment and nursing in coordination with medical institutions, and periodical health checks and other daily health management.

**Home nursing care service**

Conducts preparation of nursing care plans by care managers, periodical review of the plans and consultation on nursing care, etc., and communicates and makes arrangements with service providers. Also visiting nursing care services by the helpers including physical nursing care, providing services to suit the physical conditions of the users.

**Planning and consulting business**

Conducts planning for paid facilities for the elderly, housing for the elderly and multi-generation housing, offering services for planning and consultation of nursing care and welfare.

**Others**

Develops and provides life support systems, holds lectures, symposiums and seminars on lifestyle and living, and coordinates community creation and town creation.

**Day service and short stay**

The company operates Furusato, dementia specialized day service and short stay facilities, in Kawasaki and Yokohama.

### Haseko Technical Center



Housing Test Building (for apartments)

Haseko Technical Center was established in March 2018 as a development base by integrating Haseko Technical Research Institute, Haseko Group Technical Training Center and Haseko Community Owl 24 Center with an aim to secure future progress in research and technological development. The center conducts research and technological development to secure safe and comfortable living from a lifestyle perspective, offers education and training for the Company's staff, and provides information on a variety of issues. In addition, Haseko Condominium Museum has been newly established in the main building. The museum displays exhibits explaining the history of the Haseko Group, track record and concepts of future housing, and features a section in which visitors can experience construction using virtual reality systems, etc. The Company works to enhance the center as a base to provide information on new technologies, new products and technical verifications, etc.



Haseko Technical Center



A multi-purpose test building with wall greenery effective for mitigating global warming and reducing CO<sub>2</sub> emissions



Main Building

### Haseko Condominium Museum

The museum allows visitors to learn all about condominiums, as they can see, touch and feel everything related to condominiums. Through actual offerings, visitors can experience the history of condominiums, from the birth of humankind through the establishment of apartments, and the differences between condominiums of earlier days and present times. The museum also shows the production flow and specification changes of condominiums, including design, construction and structures, introduces cases of repair and building replacement to maintain the asset value, and demonstrates the future prospects of condominiums. Visitors can also browse pamphlets of properties handled by the Haseko Group.

### Haseko Technical Research Institute

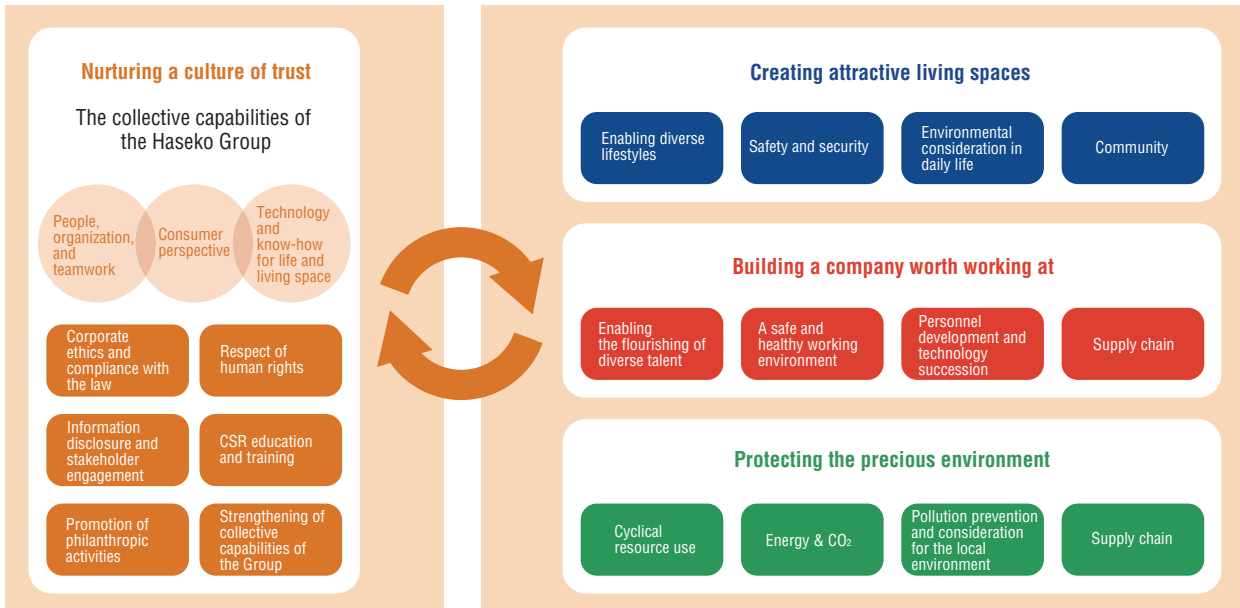
Haseko Technical Research Institute features a Housing Test Building (for apartments), a full-scale model of an actual condominium, and a Multi-Purpose Test Building, which houses test areas for such subjects as structures, materials and environmental issues, and conducts a variety of performance tests and research and development on apartments. Aiming to create "housing in which residents can live securely and comfortably over a long time," the institute is responding to the new needs of customers and society through such efforts as extending the life of buildings, improving seismic performance and environmental issues including reduction of CO<sub>2</sub> emissions.



## CSR Vision **Better living – now and for the future**

We will engage ourselves in the daily lives of our customers and stakeholders and help create a better tomorrow. Our aim is to work with our partners to co-create living spaces that care for and connect with the future.

### Our Four Main CSR Themes



#### Creating attractive living spaces

We will create living spaces where people can feel safe, grow, and actively pursue diverse lifestyles. While promoting business that enhances the quality of child nursing, education, care, and welfare, we will aim to make safe, secure and environmentally considerate living the new standard.

#### Building a company worth working at

We will nurture a workplace where a diversity of employees can flourish, and where safety and productivity are high. Employees with advanced technological skill and know-how in the field of life and living spaces will work in passionate teamwork, and in collaboration with our business partners, to build attractive townhoods today and in the future.

#### Protecting the precious environment

We will promote environmental measures throughout the process of providing living spaces and services related to daily life. We are considerate about our impact on the ecosystem, and will pursue further improvements of resource and energy efficiency working with business partners to realize construction sites and workspaces that help protect the natural environment.

#### Nurturing a culture of trust

In order to remain a corporate group co-creating value with stakeholders based on strong trust-based relations, we will implement the required organizational measures rigorously. We will strengthen management that harnesses our collective capabilities as a group, and while staying alert to new social and environmental issues, we will aim to constantly expand our ability to contribute to society through our business.

### 10 SDGs (Global Goals) closely related to Haseko Group CSR activities

We have identified ten of the Global Goals (SDGs) promoted by the United Nations with a particular connection to our business. We recognize that the business and operations of the Haseko Group are closely linked to social and environmental challenges, and through solution-oriented business actions, we aim to create synergies between the generation of social value and the growth of the Haseko Group.



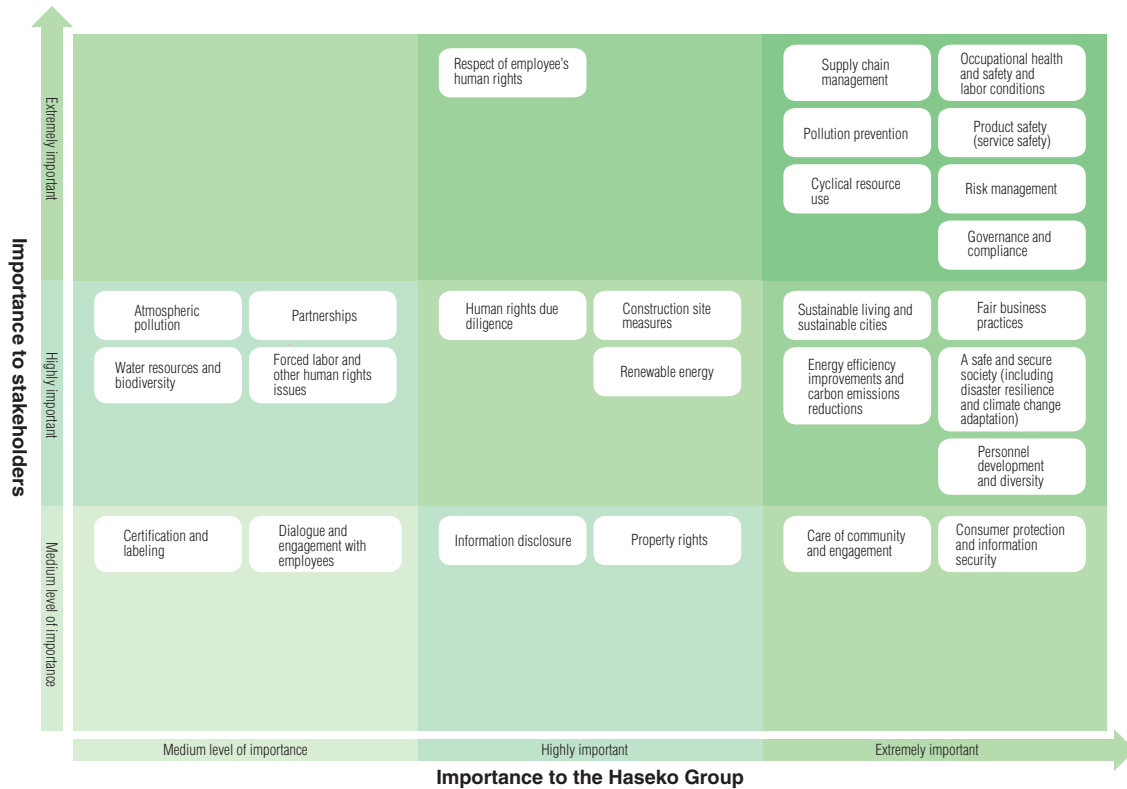
## CSR Policy

Based on our CSR vision, we, in the Haseko Group, promote CSR activities in accordance with the following policy items:

1. Through a broad range of businesses related to housing and daily life, we will contribute to the realization of a sustainable society.
2. In collaboration with our stakeholders, we will take action to integrate social and environmental concerns into our businesses processes.
3. Utilizing the collective capabilities of our Group, we will strengthen our management ability in order to create new value for society and meet the expectations of our customers and other stakeholders.
4. In all our business activities, we will comply with the law and act on the basis of high ethical standards.
5. We will continue to improve our CSR initiatives, proactively disclose information, and aim to raise transparency throughout the organization.

## Haseko Group Materiality Matrix

Through discussions and evaluation in a cross-company working group, we have identified 26 material issues from among key social and environmental challenges, evaluated on the basis of a social axis (importance to stakeholders) and a business axis (importance to the Haseko Group).



## Further developing our CSR activities

### • Setting up the organizational framework

The Haseko Group has been pursuing environmental and social activities for a number of years. In April 2010, we established the Group Environment Committee and have worked on climate change measures, biodiversity and ISO 14001 certification.

In order to further strengthen these initiatives, we established a CSR Division in April 2017. A cross-company working group was set up to discuss what CSR activities the Haseko Group should pursue.

In fiscal 2017, we established a CSR vision, created a CSR policy, defined four main CSR themes in order to roll out CSR across the organization. In fiscal 2018, we are taking further steps through the formulation of an action plan and establishment of CSR management structures. It is our intention to further deepen these activities based on group-wide discussions.

### • Strengthening information disclosure

We intend to disclose information proactively to our customers, employees, investors, local communities and other stakeholders through the Haseko Group CSR Report 2018 and our website as well as other initiatives. Stakeholder communication is a priority issue for us, and we will utilize the opinions, expectations, and requests received in the further evolution of our CSR activities.

## Corporate Governance

Haseko Corporation has made it a basic policy of its corporate management to contribute to society and win society's confidence through its business operations that put customers first. The Company has also positioned reinforcement of corporate governance as one of its utmost management priorities as it recognizes that it is indispensable to secure management transparency and objectivity for maximizing corporate value in a stable manner over the long term and ensuring shareholders' interests.

The Board of Directors of Haseko Corporation serves as the institution where directors with expert knowledge and experience in various business sectors conduct decision-making on managerial issues and supervise execution of duties of other directors. As for monitoring of management operations, the Company's system provides the Board of Auditors, the majority of which are outside auditors, with the monitoring function from an objective and neutral standpoint from outside through implementation of audits. On top of these functions, starting in June 2016, Haseko appointed outside directors with abundant experience and track

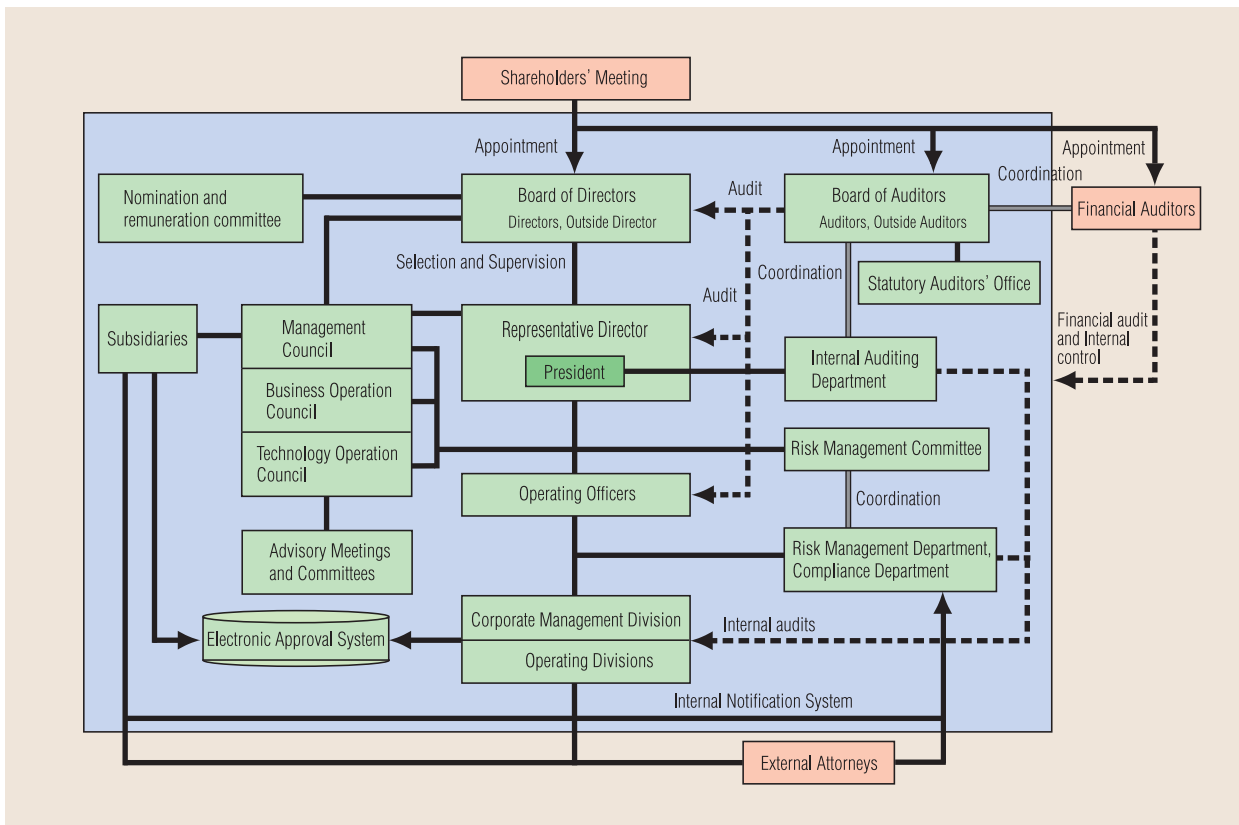
record to occupy at least one third of the Board of Directors, so that they shall provide appropriate opinions and advice in order to further activate discussions at the Board of Directors as well as enhance the function to monitor business management. We are working to establish a system that is optimum for the Company, taking into consideration the balance between the operation of the Board of Directors and the monitoring functions.

## Roles and Operations of Corporate Institutions

The Board of Directors holds regular meetings once a month and additional special meetings as necessary, and is responsible for important decision-making and regular reports on matters related to management. In addition, operating officers make operational reports on a regular basis to the Board.

The Nomination and Remuneration Committee is an advisory body for the Board of Directors, a consulting body to secure objectivity, transparency and fairness of the procedures related to the nomination and

Diagram of company institutions and internal governance





remuneration, etc. of directors and enhance corporate governance. The committee comprises all independent Outside Directors and an equivalent or below number of Representative Directors, etc.

The company has established the Management Council and two operation councils – the Business Operation Council and the Technology Operation Council – to facilitate prompt and flexible decision-making on matters related to daily operations to the extent they are authorized by the Board of Directors. Participation of directors in the Management Council and the Operation Councils are limited to a certain level, so that the functions of making decisions and supervising such decision-making are divided and clarification is made for the responsibilities and authority for these functions. Moreover, the function of discussing in advance the important issues to be decided at the Board of Directors is performed by the Management Council.

The Risk Management Committee is held once every quarter under the chairmanship of the President, and shall also be held on an ad hoc basis as necessary whenever any material risk has arisen. It examines and determines the establishment, amendment or abolishment of internal rules on risk management and risk prevention plans, etc., as well as discusses and decides on the implementation policies and specific measures for risk management, among other things.

## Internal Governance and Risk Management System

### Compliance System

With the recognition that intensive compliance is indispensable for the existence and continuity of a corporation, the Company established the Haseko Group Standards of Conduct in April 2003, under which Haseko has been working to establish a management system where all directors, operating officers and staff respect societal standards and take sensible courses of action in keeping with their duties as members of society, as well as complying with all laws and the Company's articles of incorporation, so that the Company can win the confidence of society. Moreover, for enhanced compliance Haseko established the Compliance Department which conducts promotion and education of compliance based on the internal rules and regulations on compliance. An internal whistle-blowing system for consultations on compliance and notification of illegal conduct, etc. and an external contact have also been established.

In April 2005, the Company established the Internal

Auditing Department that is under the direct control of the President. Pursuant to internal rules and regulations on internal audits, the Department investigates and evaluates whether activities of Haseko Group's respective divisions conform to laws and regulations, the Articles of Incorporation, the Company's rules and regulations, corporate policies, etc. and whether they are reasonable, and works to make improvements based on the results. The Company has no relations with anti-social forces or groups that threaten the order and security of civic life, and will cope with such anti-social forces and groups systematically, and with an adamant and resolute attitude.

### Risk Management System

In anticipation of a variety of risks, Haseko endeavors to collect risk-related information and prepares preventive measures and appropriate countermeasures in advance against risks according to their magnitude and possibility of arising. Through these efforts, Haseko aims to minimize the potential losses and to systematically cope with risk management centering on the Risk Management Department established in April 2006. Specifically, Haseko has set up a system in which respective sections of the Management Division coordinate with each other and check the status of business operations in accordance with the roles they are assigned, while the Internal Auditing Department conducts further checking.

For the corporate approval system that serves as a record of decision-making for work implementation, the Company has introduced an electronic system in which legal procedures have been digitized. This system enables auditors and the Management Division to view and check the content at any time. Furthermore, of the issues forwarded to the Board of Directors, the Management Council and the two operation councils (the Business Operation Council and Technology Operation Council), those involving many departments or requiring specialized knowledge are subject to sufficient verification in advance by the adequately established advisory meetings and committees. Periodical results reports are also mandatory for issues that require monitoring.

On top of these, the Company established the Risk Management Council under the chairmanship of the President, in May 2006 with the aim of strengthening the risk management system of Haseko and its entire Group. This enhanced the Company's risk management system in which cross-sectional collection of information, analysis, valuation and handling of risks are conducted in accordance with the internal rules on risk management.

## Management Team *(As of June 27, 2019)*

### Directors and Corporate Auditors

**Ikuo Oguri**  
Representative Director  
Chairman

**Noriaki Tsuji**  
Representative Director  
President

**Shosuke Muratsuka**  
Representative Director  
Executive Vice President

**Kazuo Ikegami**  
Director  
Executive Operating Officer

**Junichi Tani**  
Director  
Executive Operating Officer

**Nobuhiro Tani**  
Director  
Executive Operating Officer

**Toshiyuki Murakawa**  
Director  
Senior Operating Officer

**Shoji Naraoka**  
Director  
Senior Operating Officer

**Kohei Amano**  
Outside Director

**Osamu Takahashi**  
Outside Director

**Kazuhiko Ichimura**  
Outside Director

**Masashi Kogami**  
Outside Director

**Mami Nagasaki**  
Outside Director

**Takahisa Chikayama**  
Full-time Corporate Auditor

**Masahiro Okuyama**  
Full-time Corporate Auditor

**Yoshitaka Fukui**  
Corporate Auditor

**Mitsuo Isoda**  
Corporate Auditor

**Takeshi Ikegami**  
Corporate Auditor

### Operating Officers

#### Executive Operating Officers

Yoshinori Haraguchi

#### Senior Operating Officers

Masaaki Matsuoka

Katsuhide Takahashi

Yutaka Okada

Masahito Koizumi

Yoshiaki Yamada

Jun Kawamoto

Mamoru Kameoka

Takashi Tsuruta

Misato Yamamoto

#### Operating Officers

Nobuo Imagawa

Satoshi Kumano

Toru Yamaguchi

Toshihiko Tatsuno

Makoto Murakami

Shinji Yamanaka

Naoyuki Kumagai

Eijo Daimon

Seiji Fuseya

Tetsutoshi Odajima

Koichiro Nomura

Yoji Kubo

Kuniyoshi Mimori

Akio Nakaoka

Hirohito Tamura

Ryota Kida

Kaoru Narita

**Five-Year Summary**  
**Haseko Corporation and its Consolidated Subsidiaries**  
 (Years ended March 31, 2015, 2016, 2017, 2018 and 2019)

	Millions of Yen				
	2015	2016	2017	2018	2019
<b>For the Year:</b>					
Net sales	¥642,167	¥787,354	¥772,328	¥813,276	<b>¥890,981</b>
Cost of sales	563,230	674,007	629,454	656,031	<b>733,130</b>
Selling, general and administrative expenses	36,239	44,585	53,842	56,440	<b>59,421</b>
Operating income	42,698	68,762	89,032	100,805	<b>98,430</b>
Ordinary income	41,889	67,327	88,827	100,497	<b>100,369</b>
Income before income taxes	42,306	68,850	78,256	101,021	<b>121,241</b>
Net income attributable to owners of parent	28,542	51,226	58,762	72,289	<b>87,391</b>
<b>For the Year:</b>					
Cash flows from operating activities	39,984	65,590	109,536	56,516	<b>33,064</b>
Cash flows from investing activities	(4,067)	(30,801)	(19,824)	(16,351)	<b>(14,473)</b>
Cash flows from financing activities	(40,235)	(16,286)	(40,213)	(34,743)	<b>(12,379)</b>
Cash and cash equivalents at end of the year	133,563	152,115	201,456	206,866	<b>212,980</b>
<b>At Year-end:</b>					
Total current assets	¥380,841	¥448,140	¥478,611	¥505,271	<b>¥568,303</b>
Total assets	476,914	589,993	630,937	687,706	<b>773,219</b>
Total current liabilities	248,586	259,960	270,002	280,896	<b>287,317</b>
Total long-term liabilities	84,240	144,658	122,469	109,975	<b>117,851</b>
Total shareholders' equity	143,356	191,580	245,358	301,245	<b>373,645</b>
Net assets	144,089	185,375	238,467	296,835	<b>368,051</b>
Yen					
<b>Per Share Data:</b>					
Net income attributable to owners of parent	¥ 94.64	¥170.41	¥195.48	¥241.98	<b>¥293.87</b>
Diluted net income	92.90	—	—	—	—
Net assets	478.45	615.21	791.24	995.44	<b>1,234.13</b>
<b>Ratios:</b>					
Profit ratio of construction contracts (%)	11.3	15.8	19.2	21.1	<b>18.6</b>
Operating income ratio (%)	6.6	8.7	11.5	12.4	<b>11.0</b>
Equity ratio (%)	30.2	31.3	37.7	43.0	<b>47.5</b>
Return on equity (%)	21.7	31.2	27.8	27.1	<b>26.4</b>
Price/Earnings ratio (times)	12.38	6.15	6.16	6.69	<b>4.74</b>
Payout ratio (%)	10.6	8.8	15.3	20.7	<b>27.2</b>
Number of employees	5,379	6,136	6,602	6,816	<b>6,974</b>

# Analysis of Financial Condition and Business Performance

## (1) Business Performance for the Fiscal Year Ended March 2019

For the fiscal year ended March 2019, in which the Japanese economy continued to stay on course for a modest recovery, new supply of condominium units stood at 36,641 units (down 0.5% year on year) in the Tokyo metropolitan area, remaining at the same level as the previous year. Meanwhile, the figure in the Kinki area was 20,078 units (up 1.2% year on year), surpassing 20,000 units for the first time in five years since fiscal 2013, partly affected by the supply of studio units significantly exceeding the previous year at 5,476 units (in contrast to the year-earlier 4,711 units). The initial-month sales rate, which serves as the benchmark for the status of sales, dropped to 62.0% (down 6.8 points) in the Tokyo metropolitan area while surpassing 70% in the Kinki area at 74.4% (down 2.2 points), both on a year-on-year basis. The number of for-sale units being marketed as of the end of March 2019 increased to 8,267 units (up 27.2% year on year) in the Tokyo metropolitan area. Behind this increase is the fact that the figure temporarily soared to 9,552 units, impacted by the rush-like supply at the end of December 2018, among other factors. Subsequently, inventory sales remained strong. The number of for-sale units being marketed in the Kinki area was only 2,379 units (up 1.0% year on year), indicating that sales remained strong. An analysis of products supplied in the fiscal year shows that the unit price for for-sale condominiums was 875 thousand yen/m<sup>2</sup> (up 1.2%) in the Tokyo metropolitan area, with the average unit space being 67.75 m<sup>2</sup> (down 1.1%) and the average market price standing at 59.27 million yen (up 0.1%), while the unit price was 663 thousand yen/m<sup>2</sup> (up 4.2%) in the Kinki area, with the average unit space being 58.91 m<sup>2</sup> (down 2.6%) and the average market price standing at 39.03 million yen (up 1.5%), all on a year-on-year basis. Although the unit price rose both in the Tokyo metropolitan area and the Kinki area, there was an observed tendency that a reduction in the average unit space kept the market price from rising.

Under such conditions, for the fiscal year under review, which represents the second year of the “newborn HASEKO Jump Up Plan”

(Plan NBj), the Company’s medium-term business plan, the Haseko Group achieved consolidated ordinary income of over 100 billion yen for the second consecutive year, with the Construction-Related Business leading the Group’s performance. As such, the Company recorded favorable results toward the numerical targets of Plan NBj (combined consolidated ordinary income of 240 billion yen for the three years from the fiscal year ended March 2018 to the fiscal year ending March 2020).

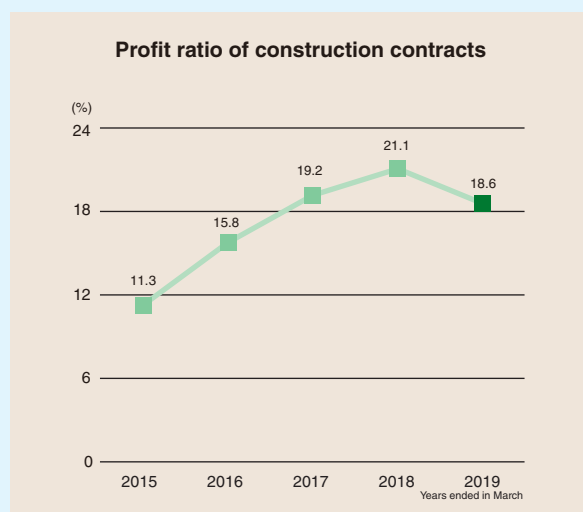
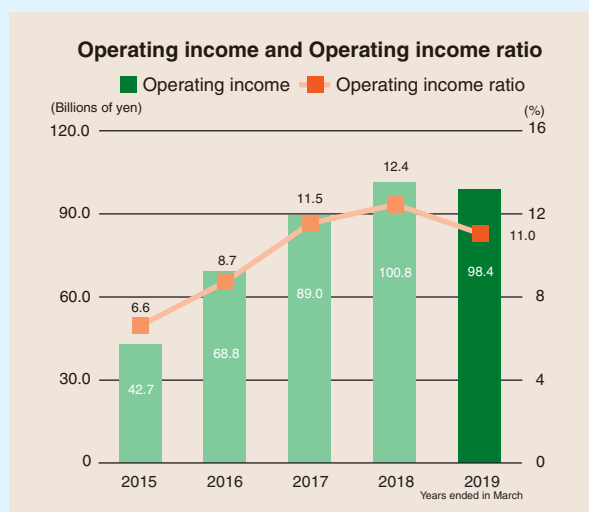
As a result of the above, the Company achieved a year-on-year increase in revenue, with net sales growing by 9.6% to 891 billion yen due to an increase in the volume of condominium construction works and real estate handling volume. Profit decreased year on year, however, as operating income dropped by 2.4% to 98.4 billion yen and ordinary income decreased by 0.1% to 100.4 billion yen due to a lowered gross profit margin for completed construction contracts for condominium construction works. Meanwhile, net income attributable to owners of parent increased 20.9% year on year to 87.4 billion yen as the Company recorded special income from business transfer. The operating income ratio was 11.0% (down 1.4 points) and ordinary income ratio came to 11.3% (down 1.1 points).

## (2) Performance by Segment

### Construction-Related Business

In the Construction-Related Business, project owners have continuously had high regard for the Company’s ability in construction works to gather land information as well as in product planning, its attitude regarding construction quality and maintaining construction schedules, efficient production system and such. Under such circumstances, the Company kept the gross profit margin of completed construction contracts in the fiscal year under review at a high level.

In terms of orders for new construction of for-sale condominiums, the Company won orders for 109 projects in total throughout Japan, comprised of 76 in the Tokyo metropolitan area including 28 large projects of at least 200 units and 33 in the Kinki and Tokai areas including 5 large projects of at least 200 units.



## Performance by segment

	Construction-related business		Service-related business		Overseas-related business	
	2019	2018	2019	2018	2019	2018
Net sales	691.8	(+76.7)	228.0	(+12.6)	3.9	(-8.7)
Operating income	87.2	(-4.0)	15.5	(+1.7)	-0.4	(-0.8)

Figures in parenthesis represent the amount of increase or decrease from the previous fiscal year.

In addition, aside from for-sale condominiums, the Company received orders for 13 projects including rental condominiums, warehouses and stores.

As for construction completion, the Company completed construction of 131 projects including 8 projects for rental housing, etc.

The segment posted sales of 691.8 billion yen, a year-on-year increase of 12.5% due to the increase in the volume of condominium construction works and real estate handling volume, while operating income totaled 87.2 billion yen, a year-on-year decrease of 4.4%, mainly due to the lowered gross profit margin of completed construction contracts.

### Service-Related Business

In the Service-Related Business, a year-on-year increase both in sales and profits was achieved in large-scale repair work and interior remodeling due to an increase in the work volume.

In the management of rental condominiums and corporate housing management agency services, the number of units Haseko operates reached a combined total of 154,304 units, an increase of 2.6% from the end of the previous fiscal year, due to a steady increase in new consignment of these services and continuation of ongoing consignment.

In consigned sales of newly-built condominiums, both the number of contracted units and delivered units increased year on year as supply of newly-built condominiums continued stably.

In real estate brokerage operations, the number of sold units in the renovation business and the number of cases in which the Company conducted brokerage increased year on year.

In for-sale condominium management operations, the

number of units the Haseko Group is consigned to manage reached 394,561 units (up 4.8% year on year) led by the orders received for new consignments remaining strong as well as by the succession of for-sale condominium management operations from a third party.

In the sale of real estate, the Company conducted sale and delivery of 7 for-sale condominiums that were newly completed in the fiscal year under review as well as other products.

In the senior services business, the number of paid facilities for the elderly and housing for the elderly in operation totaled 2,259 units (up 6.2% year on year) as a result of progress made in the sale of rooms for the elderly.

As a result of the above, the segment posted sales of 228.0 billion yen, or up 5.8%, and operating income of 15.5 billion yen, or up 12.0%, both on a year-on-year basis.

### Overseas-Related Business

The number of contracted units and delivered units both decreased in the for-sale stand-alone housing business in Oahu, Hawaii. Consequently, the segment posted sales of 3.9 billion yen, down 68.7% year on year, and operating loss of 0.4 billion yen (in contrast to operating income of 0.3 billion yen in the previous fiscal year).

## (3) Financial Position

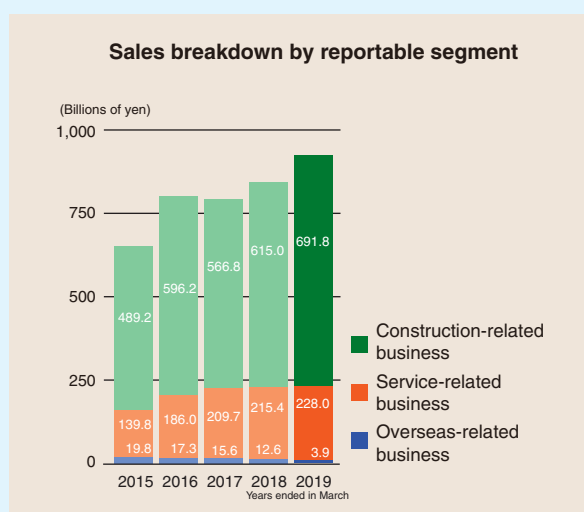
From the beginning of the fiscal year under review, the Company applied Partial Amendments to Accounting Standard for Tax Effect Accounting (The Accounting Standards Board of Japan Statement No. 28 issued on February 16, 2018). Accordingly, the following comparison and analysis over the previous fiscal year have been made by using the figures obtained after retroactively applying the said accounting standard.

Total assets at the end of the consolidated fiscal year ended March 2019 increased by 85.5 billion yen from the end of the previous fiscal year to 773.2 billion yen. This is mainly because of an increase in notes and accounts receivable and real estate for sale.

Total liabilities were 405.2 billion yen, an increase of 14.3 billion yen from the end of the previous fiscal year. This is because of such factors as borrowing of debt and issuance of corporate bonds, despite a decrease in lease obligations in accordance with the transfer of high-voltage collective power receiving service equipment by Haseko Anesis Corporation.

Consolidated net assets were 368.1 billion yen, an increase of 71.2 billion yen from the end of the previous fiscal year, because of an increase in retained earnings due to the recording of net income attributable to owners of parent, among other reasons.

As a result, the equity ratio was 47.5% compared to 43.0% at the end of the previous fiscal year.



## Assets by segments

Billions of yen

Segment assets	Construction-related business		Service-related business		Overseas-related business	
	264.2	(+22.6)	381.8	(+104.4)	32.6	(-1.6)

Figures in parenthesis represent the amount of increase or decrease from the previous fiscal year.

### Construction-Related Business

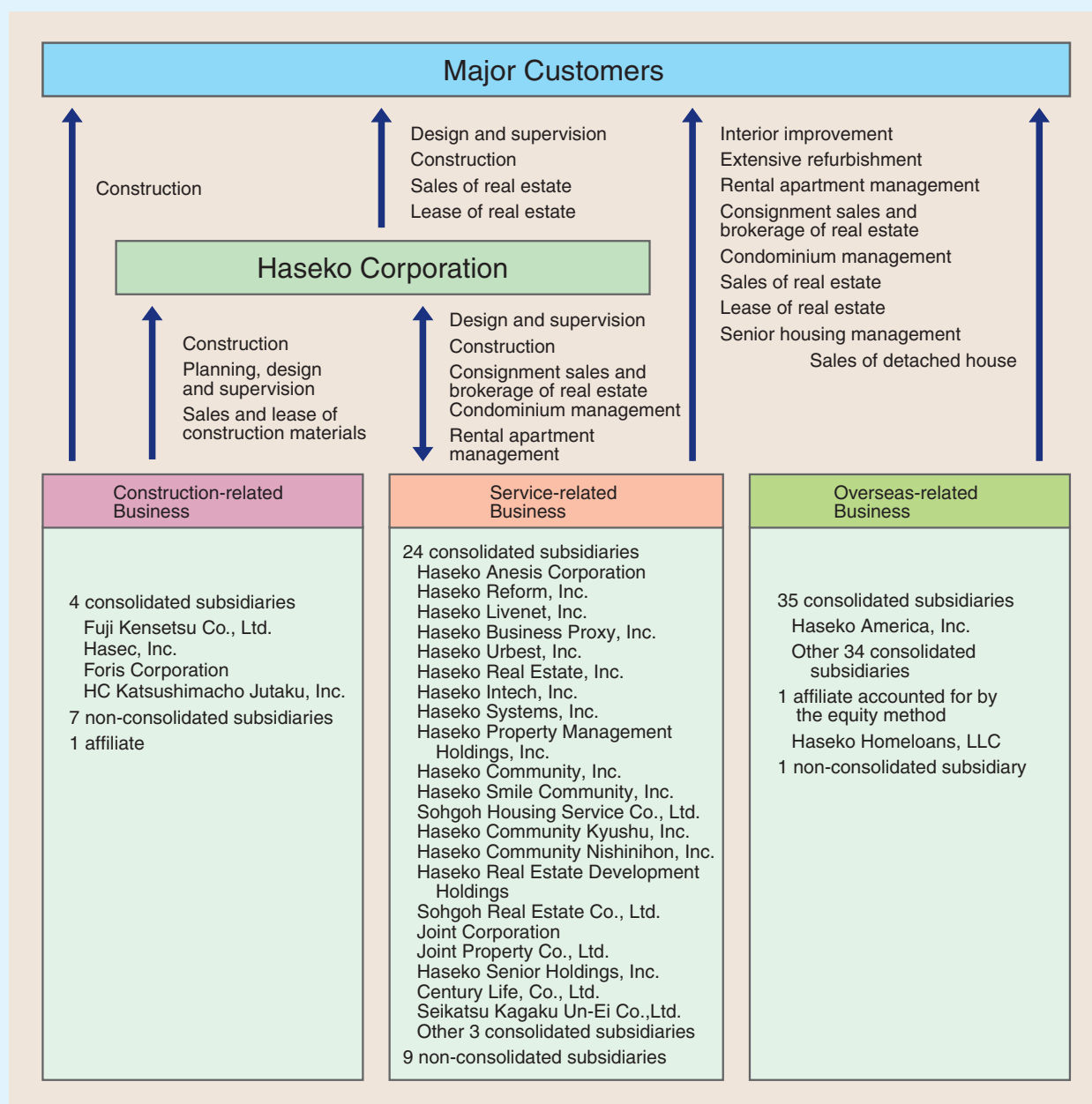
Assets of the Construction-Related Business amounted to 264.2 billion yen as of the end of the consolidated fiscal year under review, up 22.6 billion yen year on year, due to such factors as an increase in notes and accounts receivable in accordance with the increase in

sales in construction works.

### Service-Related Business

Assets of the Service-Related Business totaled 381.8 billion yen as of the end of the fiscal year, up 104.4 billion yen year on year, due

## Business schematic of Haseko group's reportable segments



to such factors as the income from the transfer of the high-voltage collective power receiving service business and common area power retailing service business (hereinafter, "smart condominium business") by Haseko Anesis Corporation and an increase in cash and bank deposits through an increase in deposits for consigned sales of newly-built condominiums.

## Overseas-Related Business

Assets of the Overseas-Related Business decreased 1.6 billion yen year on year to 32.6 billion yen as of the end of the fiscal year due to the fluctuations in foreign exchange rates, among other factors.

## (4) Cash Flows

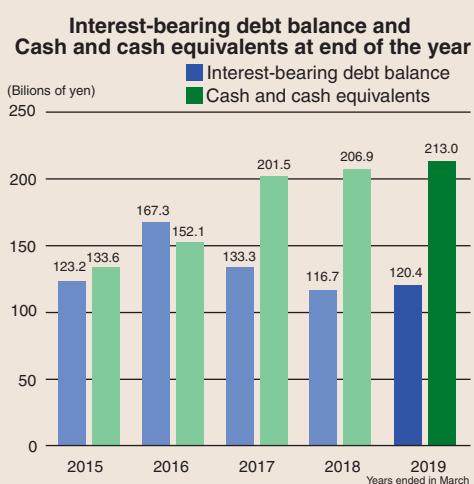
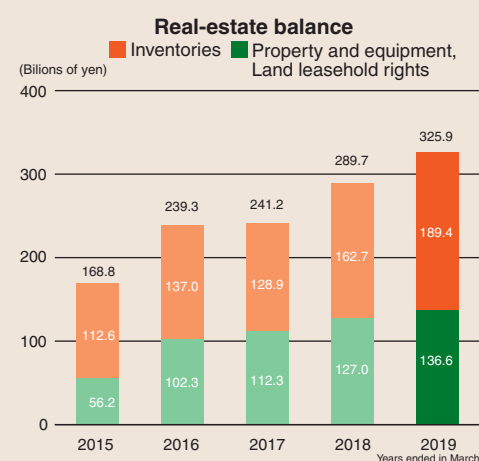
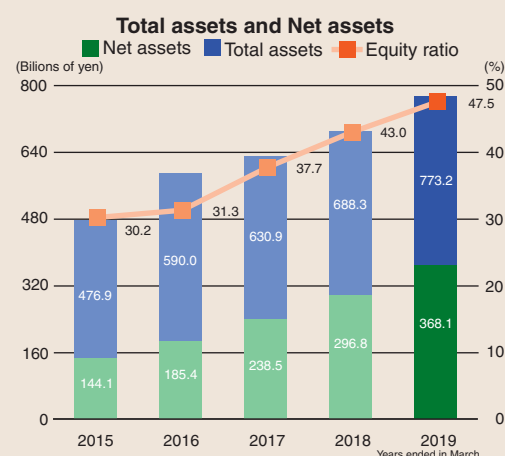
Net cash provided by operating activities was 33.1 billion yen, a decrease of 23.5 billion yen in income compared with the net cash provided by operating activities totaling 56.5 billion yen in the previous fiscal year. Major factors included an increase in cash of 11.6 billion yen in accordance with an increase in deposits (in contrast to a decrease in cash of 10.9 billion yen for the previous fiscal year), despite a decrease in cash of 28.7 billion yen in accordance with an increase in notes and accounts receivable (in contrast to an increase in cash of 7.1 billion yen for the previous fiscal year).

Net cash used in investing activities was 14.5 billion yen, an increase of 1.9 billion yen in income compared with the net cash used in investing activities totaling 16.4 billion yen in the previous fiscal year. Major factors included income of 20.4 billion yen from business transfer, despite a decrease of 29.7 billion yen in cash in accordance with purchase and sale of property and equipment (in contrast to a decrease of 13.0 billion yen in cash for the previous fiscal year).

Net cash used in financing activities was 12.4 billion yen, a decrease of 22.4 billion yen in expenditures compared with the net cash used in financing activities totaling 34.7 billion yen in the previous fiscal year. Major factors included an increase of 3.8 billion yen in cash in accordance with borrowing of debt and issuance of corporate bonds as well as repayment (in contrast to a decrease of 16.5 billion yen in cash for the previous fiscal year).

As a result of the above, the balance of cash and cash equivalents at the end of the consolidated fiscal year totaled 213.0 billion yen, an increase of 6.1 billion yen from 206.9 billion yen at the end of the previous consolidated fiscal year.

Net cash provided by operating activities decreased significantly year on year. The decrease is mainly due to a temporary drop in the balance of payments of construction works as a result of an increase in notes and accounts receivable from completed construction contracts.



# Consolidated Financial Statements

## CONSOLIDATED BALANCE SHEET

AS OF MARCH 31, 2018 AND 2019

### ASSETS

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2019	2019
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and bank deposits (Notes 5, 10 and 15)	¥208,055	<b>¥212,423</b>	<b>\$1,913,893</b>
Notes and accounts receivable, trade (Notes 5 and 10)	110,613	<b>139,312</b>	<b>1,255,176</b>
Marketable securities (Notes 5, 6 and 10)	3,840	<b>2,751</b>	<b>24,786</b>
Costs on uncompleted construction contracts	9,208	<b>10,702</b>	<b>96,423</b>
Inventories (Notes 7 and 13)	162,746	<b>189,374</b>	<b>1,706,226</b>
Other current assets (Note 10)	10,997	<b>13,914</b>	<b>125,363</b>
Allowance for doubtful accounts (Note 5)	(188)	<b>(173)</b>	<b>(1,559)</b>
Total current assets	505,271	<b>568,303</b>	<b>5,120,308</b>
<b>Property and Equipment</b> (Notes 8 and 10)	125,125	<b>134,675</b>	<b>1,213,398</b>
<b>Intangible Assets</b> (Note 8)	7,215	<b>7,468</b>	<b>67,286</b>
<b>Investments and Other Assets:</b>			
Investment securities (Notes 5 and 6)	18,155	<b>25,316</b>	<b>228,093</b>
Long-term loans receivable (Note 5)	2,822	<b>3,084</b>	<b>27,786</b>
Net defined benefit asset (Note 17)	9,706	<b>12,613</b>	<b>113,641</b>
Deferred tax assets (Note 18)	6,690	<b>9,345</b>	<b>84,197</b>
Other assets	13,525	<b>13,180</b>	<b>118,749</b>
Allowance for doubtful accounts (Note 5)	(803)	<b>(765)</b>	<b>(6,893)</b>
Total investments and other assets	50,095	<b>62,773</b>	<b>565,573</b>
Total assets	¥687,706	<b>¥773,219</b>	<b>\$6,966,565</b>

See notes to consolidated financial statements.



# Consolidated Financial Statements

## CONSOLIDATED BALANCE SHEET AS OF MARCH 31, 2018 AND 2019 LIABILITIES AND NET ASSETS

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2019	2019
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Short-term borrowings (Notes 5 and 9)	¥ 10,000	¥ —	\$ —
Current portion of long-term debt (Notes 5 and 9)	26,471	17,762	160,032
Current portion of bonds (Notes 5 and 9)	—	10,000	90,098
Notes and accounts payable (Note 5)	86,658	86,331	777,827
Electronically recorded obligations (Note 5)	49,343	52,449	472,556
Income taxes payable (Notes 5 and 18)	20,605	21,059	189,738
Advances received on uncompleted construction contracts	20,921	17,968	161,888
Advances received for real estate sales	9,652	10,300	92,801
Warranty	4,980	6,048	54,491
Allowance for losses on construction contracts	44	464	4,181
Accrued bonuses for employees	5,919	5,728	51,608
Accrued bonuses for director	190	174	1,568
Other current liabilities	46,113	59,034	531,887
Total current liabilities	280,896	287,317	2,588,675
<b>Long-term Liabilities:</b>			
Straight bonds (Notes 5 and 9)	20,000	20,000	180,196
Long-term debt (Notes 5, 9, 10 and 16)	60,194	72,642	654,491
Liability for retirement benefits (Note 17)	921	1,064	9,586
Provision for loss on litigation	2,705	2,533	22,822
Provision for employee stock ownership plan (Note 3)	1,037	1,538	13,857
Provision for board benefit trust (Note 3)	171	249	2,243
Deferred tax liabilities (Note 18)	—	12	108
Other long-term liabilities	24,947	19,813	178,513
Total long-term liabilities	109,975	117,851	1,061,816
Total liabilities	390,871	405,168	3,650,491
<b>Commitments and Contingent Liabilities</b> (Notes 11 and 12)			
<b>NET ASSETS</b> (Notes 14 and 19)			
<b>Shareholders' Equity:</b>			
Capital stock	57,500	57,500	518,065
Capital surplus	7,513	7,513	67,691
Retained earnings	240,880	313,241	2,822,244
Treasury stock, at cost — 3,439,632 shares in 2018 — 3,410,903 shares in 2019	(4,648)	(4,609)	(41,526)
Total shareholders' equity	301,245	373,645	3,366,474
<b>Accumulated Other Comprehensive Income:</b>			
Net unrealized gain on other securities	4,279	5,055	45,545
Translation adjustments	(4,144)	(4,769)	(42,968)
Retirement benefits liability adjustments	(5,381)	(6,920)	(62,348)
Total accumulated other comprehensive income (loss)	(5,246)	(6,634)	(59,771)
<b>Non-controlling Interests</b>	836	1,040	9,371
Total net assets	296,835	368,051	3,316,074
Total liabilities and net assets	¥687,706	¥773,219	\$6,966,565

See notes to consolidated financial statements.

# Consolidated Financial Statements

## CONSOLIDATED STATEMENT OF INCOME

FOR THE YEARS ENDED MARCH 31, 2018 AND 2019

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2019	2019
<b>Net Sales</b> (Note 13)	¥813,276	<b>¥890,981</b>	<b>\$8,027,579</b>
<b>Cost of Sales</b> (Note 13)	656,031	<b>733,130</b>	<b>6,605,370</b>
Gross profit	157,245	<b>157,851</b>	<b>1,422,209</b>
<b>Selling, General and Administrative Expenses</b> (Note 13)	56,440	<b>59,421</b>	<b>535,372</b>
Operating Income	100,805	<b>98,430</b>	<b>886,837</b>
<b>Non-operating Income (Expenses):</b>			
Interest and dividend income	739	<b>2,837</b>	<b>25,561</b>
Equity in earnings of affiliates	30	<b>9</b>	<b>81</b>
Interest expense	(1,101)	<b>(884)</b>	<b>(7,965)</b>
Incidental expense for loan	(706)	<b>(640)</b>	<b>(5,766)</b>
Other, net	730	<b>617</b>	<b>5,559</b>
	(308)	<b>1,939</b>	<b>17,470</b>
Ordinary income	100,497	<b>100,369</b>	<b>904,307</b>
<b>Special Income (Losses):</b>			
Gain (loss) on disposal or sales of property and equipment, net (Note 8)	3,421	<b>69</b>	<b>622</b>
Gain on business transfer	–	<b>21,349</b>	<b>192,351</b>
Impairment loss on fixed assets	(197)	<b>(652)</b>	<b>(5,874)</b>
Impairment loss on investment securities	–	<b>(366)</b>	<b>(3,298)</b>
Provision for loss on litigation	(2,705)	<b>–</b>	<b>–</b>
Other, net	5	<b>472</b>	<b>4,252</b>
	524	<b>20,872</b>	<b>188,053</b>
<b>Income before Income Taxes</b>	101,021	<b>121,241</b>	<b>1,092,360</b>
<b>Income Taxes</b> (Note 18):			
Current	28,978	<b>35,950</b>	<b>323,904</b>
Deferred	(492)	<b>(2,311)</b>	<b>(20,822)</b>
	28,486	<b>33,639</b>	<b>303,082</b>
<b>Net Income</b>	72,535	<b>87,602</b>	<b>789,278</b>
<b>Net Income Attributable to Non-controlling Interests</b>	246	<b>211</b>	<b>1,901</b>
<b>Net Income Attributable to Owners of Parent</b> (Note 19)	¥ 72,289	<b>¥ 87,391</b>	<b>\$ 787,377</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED MARCH 31, 2018 AND 2019

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2019	2019
<b>Net Income</b>	¥72,535	<b>¥87,602</b>	<b>\$789,278</b>
<b>Other Comprehensive Income</b>			
Net unrealized gain (loss) on other securities	2,647	<b>775</b>	<b>6,983</b>
Translation adjustments	(929)	<b>(625)</b>	<b>(5,631)</b>
Retirement benefits liability adjustments	545	<b>(1,538)</b>	<b>(13,857)</b>
Total other comprehensive income (loss)	2,263	<b>(1,388)</b>	<b>(12,505)</b>
<b>Comprehensive Income</b> (Note 22)	74,798	<b>86,214</b>	<b>776,773</b>
<b>Total Comprehensive Income Attributable to:</b>			
Comprehensive income attributable to owners of parent	74,553	<b>86,003</b>	<b>774,872</b>
Comprehensive income attributable to non-controlling interests	246	<b>211</b>	<b>1,901</b>

See notes to consolidated financial statements.

# Consolidated Financial Statements

## CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS FOR THE YEARS ENDED MARCH 31, 2018 AND 2019

For the year ended March 31, 2018

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
	(Millions of yen)				
<b>Balance at April 1, 2017</b>	<b>¥57,500</b>	<b>¥7,500</b>	<b>¥180,509</b>	<b>¥ (151)</b>	<b>¥245,358</b>
Net income attributable to owners of parent for the year ended March 31, 2018	—	—	72,289	—	72,289
Cash dividend	—	—	(12,024)	—	(12,024)
Purchase of treasury stock	—	—	—	(4,497)	(4,497)
Disposal of treasury stock	—	0	—	0	0
Increased due to merger etc.	—	—	106	—	106
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	13	—	—	13
Net changes in items other than those in shareholders' equity	—	—	—	—	—
Total changes during the year	—	13	60,371	(4,497)	55,887
<b>Balance at March 31, 2018</b>	<b>¥57,500</b>	<b>¥7,513</b>	<b>¥240,880</b>	<b>¥(4,648)</b>	<b>¥301,245</b>

	Accumulated other comprehensive income					
	Net unrealized gain (loss) on other securities	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income (loss)	Non-controlling interests	Total net assets
	(Millions of yen)					
<b>Balance at April 1, 2017</b>	<b>¥1,631</b>	<b>¥(3,215)</b>	<b>¥(5,926)</b>	<b>¥(7,510)</b>	<b>¥619</b>	<b>¥238,467</b>
Net income attributable to owners of parent for the year ended March 31, 2018	—	—	—	—	—	72,289
Cash dividend	—	—	—	—	—	(12,024)
Purchase of treasury stock	—	—	—	—	—	(4,497)
Disposal of treasury stock	—	—	—	—	—	0
Increased due to merger etc.	—	—	—	—	—	106
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	—	—	—	13
Net changes in items other than those in shareholders' equity	2,648	(929)	545	2,264	217	2,481
Total changes during the year	2,648	(929)	545	2,264	217	58,368
<b>Balance at March 31, 2018</b>	<b>¥4,279</b>	<b>¥(4,144)</b>	<b>¥(5,381)</b>	<b>¥(5,246)</b>	<b>¥836</b>	<b>¥296,835</b>

See notes to consolidated financial statements.

# Consolidated Financial Statements

For the year ended March 31, 2019

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
	<i>(Millions of yen)</i>				
<b>Balance at April 1, 2018</b>	<b>¥57,500</b>	<b>¥7,513</b>	<b>¥240,880</b>	<b>¥(4,648)</b>	<b>¥301,245</b>
Net income attributable to owners of parent for the year ended March 31, 2019	—	—	87,391	—	87,391
Cash dividend	—	—	(15,030)	—	(15,030)
Purchase of treasury stock	—	—	—	(5)	(5)
Disposal of treasury stock	—	0	—	44	44
Increased due to merger etc.	—	—	—	—	—
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	—	—	—
Net changes in items other than those in shareholders' equity	—	—	—	—	—
Total changes during the year	—	0	72,361	39	72,400
<b>Balance at March 31, 2019</b>	<b>¥57,500</b>	<b>¥7,513</b>	<b>¥313,241</b>	<b>¥(4,609)</b>	<b>¥373,645</b>

	Accumulated other comprehensive income					
	Net unrealized gain (loss) on other securities	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income (loss)	Non-controlling interests	Total net assets
	<i>(Millions of yen)</i>					
<b>Balance at April 1, 2018</b>	<b>¥4,279</b>	<b>¥(4,144)</b>	<b>¥(5,381)</b>	<b>¥(5,246)</b>	<b>¥ 836</b>	<b>¥296,835</b>
Net income attributable to owners of parent for the year ended March 31, 2019	—	—	—	—	—	87,391
Cash dividend	—	—	—	—	—	(15,030)
Purchase of treasury stock	—	—	—	—	—	(5)
Disposal of treasury stock	—	—	—	—	—	44
Increased due to merger etc.	—	—	—	—	—	—
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	—	—	—	—
Net changes in items other than those in shareholders' equity	776	(625)	(1,539)	(1,388)	204	(1,184)
Total changes during the year	776	(625)	(1,539)	(1,388)	204	71,216
<b>Balance at March 31, 2019</b>	<b>¥5,055</b>	<b>¥(4,769)</b>	<b>¥(6,920)</b>	<b>¥(6,634)</b>	<b>¥1,040</b>	<b>¥368,051</b>

See notes to consolidated financial statements.

# Consolidated Financial Statements

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
	<i>(Thousands of U.S. dollars) (Note 4)</i>				
<b>Balance at April 1, 2018</b>	<b>\$518,065</b>	<b>\$67,691</b>	<b>\$2,170,286</b>	<b>\$(41,878)</b>	<b>\$2,714,164</b>
Net income attributable to owners of parent for the year ended March 31, 2019	—	—	787,377	—	787,377
Cash dividend	—	—	(135,419)	—	(135,419)
Purchase of treasury stock	—	—	—	(45)	(45)
Disposal of treasury stock	—	0	—	397	397
Increased due to merger etc.	—	—	—	—	—
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	—	—	—
Net changes in items other than those in shareholders' equity	—	—	—	—	—
Total changes during the year	—	0	651,958	352	652,310
<b>Balance at March 31, 2019</b>	<b>\$518,065</b>	<b>\$67,691</b>	<b>\$2,822,244</b>	<b>\$(41,526)</b>	<b>\$3,366,474</b>

	Accumulated other comprehensive income					
	Net unrealized gain (loss) on other securities	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income (loss)	Non-controlling interests	Total net assets
	<i>(Thousands of U.S. dollars) (Note 4)</i>					
<b>Balance at April 1, 2018</b>	<b>\$38,553</b>	<b>\$(37,337)</b>	<b>\$(48,482)</b>	<b>\$(47,266)</b>	<b>\$7,532</b>	<b>\$2,674,430</b>
Net income attributable to owners of parent for the year ended March 31, 2019	—	—	—	—	—	787,377
Cash dividend	—	—	—	—	—	(135,419)
Purchase of treasury stock	—	—	—	—	—	(45)
Disposal of treasury stock	—	—	—	—	—	397
Increased due to merger etc.	—	—	—	—	—	—
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	—	—	—	—
Net changes in items other than those in shareholders' equity	6,992	(5,631)	(13,866)	(12,505)	1,839	(10,666)
Total changes during the year	6,992	(5,631)	(13,866)	(12,505)	1,839	641,644
<b>Balance at March 31, 2019</b>	<b>\$45,545</b>	<b>\$(42,968)</b>	<b>\$(62,348)</b>	<b>\$(59,771)</b>	<b>\$9,371</b>	<b>\$3,316,074</b>

See notes to consolidated financial statements.

# Consolidated Financial Statements

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED MARCH 31, 2018 AND 2019

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2019	2019
<b>Cash Flows from Operating Activities:</b>			
Income before income taxes	¥101,021	¥121,241	\$1,092,360
Depreciation	3,726	4,582	41,283
Impairment loss on fixed assets	197	652	5,874
Increase (decrease) in provision for loss on litigation	2,705	(107)	(964)
Amortization of goodwill	663	2,267	20,425
(Reversal of) provision of allowance for doubtful accounts	2	(54)	(487)
Interest and dividend income	(739)	(2,837)	(25,561)
Interest expense	1,101	884	7,965
Equity in earnings of affiliates	(30)	(9)	(81)
Gain on sale of investment securities	(4)	(493)	(4,442)
Impairment loss on investment securities	—	366	3,298
Gain on transfer of business	—	(21,349)	(192,351)
Gain on disposal or sale of property and equipment, net	(3,421)	(69)	(622)
Valuation loss on inventories	102	64	577
Changes in operating assets and liabilities			
Notes and accounts receivable	7,063	(28,725)	(258,807)
Costs on uncompleted construction contracts	132	(1,494)	(13,461)
Inventories	(35,576)	(23,683)	(213,380)
Notes, accounts payable and accrued expenses	15,867	2,817	25,381
Amounts received for uncompleted construction contracts	(1,335)	(2,952)	(26,597)
Deposits	(10,899)	11,623	104,721
Other	2,202	4,797	43,221
Subtotal	82,777	67,521	608,352
Interest and dividends received	997	2,851	25,687
Interest paid	(1,065)	(840)	(7,568)
Income taxes paid	(26,193)	(36,468)	(328,570)
<b>Net Cash Provided by Operating Activities</b>	<b>56,516</b>	<b>33,064</b>	<b>297,901</b>
<b>Cash Flows from Investing Activities:</b>			
Payment for purchase of securities	(7,560)	(1,434)	(12,920)
Proceeds from redemption of securities	6,311	3,738	33,679
Purchases of property and equipment and intangible assets	(28,581)	(30,103)	(271,223)
Proceeds from sales of property and equipment and intangible assets	15,578	449	4,045
Payment for purchase of investment securities	(1,297)	(6,563)	(59,131)
Proceeds from sale of investment securities	4	593	5,343
Proceeds from transfer of business (Note 15)	—	20,401	183,809
Payments for acquisition of business	—	(1,619)	(14,587)
Payment for loans receivable	(3,123)	(3,732)	(33,625)
Collection of loans receivable	3,056	3,476	31,318
Payment for lease deposits	(1,570)	(766)	(6,902)
Collection of lease deposits	669	677	6,100
Other	162	410	3,695
<b>Net Cash Used for Investing Activities</b>	<b>(16,351)</b>	<b>(14,473)</b>	<b>(130,399)</b>
<b>Cash Flows from Financing Activities:</b>			
Decrease in short-term borrowings, net	—	(10,000)	(90,098)
Increase in long-term debt	14,057	30,300	272,998
Repayment of long-term debt	(30,533)	(26,471)	(238,499)
Bond issuance	—	10,000	90,098
Purchase of treasury stock	(4,506)	(5)	(45)
Incidental expenses for loan	(695)	(631)	(5,685)
Cash dividends paid	(12,024)	(15,030)	(135,418)
Cash dividends paid to non-controlling shareholders	(6)	(6)	(54)
Other	(1,036)	(536)	(4,830)
<b>Net Cash Used for Financing Activities</b>	<b>(34,743)</b>	<b>(12,379)</b>	<b>(111,533)</b>
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	<b>(167)</b>	<b>(98)</b>	<b>(883)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>5,255</b>	<b>6,114</b>	<b>55,086</b>
<b>Cash and Cash Equivalents at Beginning of the Year</b>	<b>201,456</b>	<b>206,866</b>	<b>1,863,826</b>
<b>Increase in Cash and Cash Equivalents Resulting from Merger of Unconsolidated Subsidiaries</b>	<b>155</b>	<b>—</b>	<b>—</b>
<b>Cash and Cash Equivalents at End of the Year (Note 15)</b>	<b>¥206,866</b>	<b>¥212,980</b>	<b>\$1,918,912</b>

See notes to consolidated financial statements.

# Consolidated Financial Statements

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Haseko Corporation and Consolidated Subsidiaries  
For the years ended March 31, 2018 and 2019

### 1. Basis of Presentation

Haseko Corporation (the "Company") and its consolidated domestic subsidiaries maintain their books of account in conformity with the financial accounting standards of Japan, and Haseko America Inc. and its subsidiaries ("Haseko America") maintain their books of account in conformity with the financial accounting standards of the United States of America.

The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

Certain reclassifications or summaries of accounts have been made to present the consolidated financial statements in a form which is more familiar to readers outside Japan.

### 2. Summary of Significant Accounting Policies

#### (1) Scope of consolidation

The accompanying consolidated financial statements include the accounts of the Company and any significant companies controlled directly or indirectly by the Company. Companies over which the Company exercises significant influence in terms of their operating and financial policies have been accounted for by the equity method. As of March 31, 2019, the numbers of consolidated subsidiaries and affiliates accounted for by the equity method were 63 and 1 (63 and 1 in 2018), respectively. Investments in subsidiaries and affiliates which are not consolidated or accounted for by the equity method are carried at cost or less.

The fiscal year of Haseko America and its subsidiaries ends on December 31, and they are included in the consolidation as of that date. The necessary adjustments for significant transactions that occur during the period from January 1 to March 31 are made in the preparation of the consolidated financial statements.

The fiscal year of the two silent partnerships operated by JMC1, LLC and JMC2, LLC, respectively, ends on February 28, and they are included in the consolidation as of that date. The necessary adjustments for significant transactions that occur during the period from March 1 to March 31 are made in the preparation of the consolidated financial statements.

#### (2) Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank deposits that may be withdrawn on demand, negotiable deposits with a maturity of three months or less at the time of purchase and time deposits that can be easily withdrawn and bear no risk of value fluctuation.

#### (3) Marketable securities and Investment securities

Securities other than investments in non-consolidated subsidiaries and affiliates are classified into two different categories, held-to-maturity and other securities. The Company holds no trading securities.

Held-to-maturity securities are stated at amortized cost.

Marketable securities classified as other securities are stated at fair value. Net unrealized gains or losses on these securities are reported as a separate component of accumulated other comprehensive income at a net-of-tax amount. Non-marketable securities classified as other securities are stated at cost. Cost of securities sold is determined by the moving-average method.

#### (4) Inventories

Costs on uncompleted construction contracts and real estate for sale are stated at cost determined by the individual cost method. Raw materials are stated at cost determined by the average method. Supplies are stated at cost determined by the individual cost method. The book value of inventories on the balance sheets is written down based on the fall in profitability. Real estate for lease included in inventories is depreciated in a similar manner as property and equipment.

Some consolidated subsidiaries have incorporated the interest paid on funds used for the real estate development business into the costs of real estate for sale.

#### (5) Property and equipment

Depreciation of property and equipment is principally computed by declining-balance method while the straight-line method is applied to buildings (excluding structures attached to buildings) acquired on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016. Certain consolidated subsidiaries depreciate property and equipment by the straight-line method.

#### (6) Intangible assets

Intangible assets are amortized by the straight-line method over the period estimated to be effective at the time of occurrence, except for land leasehold rights, which are not amortized.

Computer software for internal use is amortized by the straight-line method over the estimated useful period of five years.

#### (7) Leases

Depreciation of leased assets capitalized in finance lease transactions is computed by the straight line method over the lease term, as useful life, with assuming no residual value.

#### (8) Allowance for doubtful accounts

Allowance for doubtful accounts is provided for the estimated future loss on bad debt. It is estimated using the Company's experience of the loss ratio and a specific estimate of known doubtful accounts.

#### (9) Warranty

Warranty is provided for the estimated repair expense owed by the Company in the event of defects found in the completed constructions after handover.

#### (10) Allowance for losses on construction contracts

In order to prepare for future losses from construction orders, estimated amounts of losses have been recorded for construction projects prior to delivery as of the end of fiscal year for those that are expected to generate losses and losses can be evaluated rationally.

# Consolidated Financial Statements

## (11) Accrued bonuses for employees

Accrued bonuses for employees are provided for the estimated amount of bonuses to be paid to employees for the services rendered by the balance sheet date.

## (12) Accrued bonuses for directors

Accrued bonuses for directors are provided for the estimated amount of bonuses to be paid to directors for the services rendered by the balance sheet date.

## (13) Provision for loss on litigation

Provision for loss on litigation is provided for the possible estimated loss arising from litigation.

## (14) Provision for employee stock ownership plan

In order to prepare for the provision of the Company's shares to its employees, estimated amounts of benefits earned in the fiscal year ended March 31, 2019 have been recorded.

## (15) Provision for board benefit trust

In order to prepare for the provision of the Company's shares to its directors and officers, estimated amounts of benefits earned in the fiscal year ended March 31, 2019 have been recorded.

## (16) Retirement benefits

The retirement benefit obligation for employees is attributed to each period by the benefit formula method.

Prior service costs are amortized by the straight-line method over the average remaining service period of the employees (15-16 years) at the time of occurrence.

Actuarial differences are amortized from the next year in which the difference arises by the straight-line method over the average remaining service period of the employees (5-21 years).

Some consolidated subsidiaries calculate liability for retirement benefits and retirement benefit expense by adopting the simplified method, which assumes their retirement benefit obligation to be equal to the benefits payable as if all eligible employees voluntarily terminated their employment at fiscal year end.

## (17) Foreign currency translation

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the foreign exchange rates prevailing at the respective balance sheet dates and a net exchange loss/gain is included in net income. Furthermore, the assets/liabilities and earnings/expenses of overseas consolidated subsidiaries are translated at the foreign exchange rates prevailing at the respective balance sheet dates and the resulting translation adjustments are reported as "Translation adjustments" in net assets.

## (18) Hedge accounting

The Company and its consolidated subsidiaries use interest rate swap contracts to hedge interest rate fluctuation risk on long-term debt with variable interest rates. Certain interest rate swap contracts which meet certain criteria as qualified hedges are not measured at fair value. The differences between paid and received amounts under such swap agreements are recognized in interest expenses as incurred.

The assessment of hedge effectiveness is omitted when the notional amounts, interest rates and contract periods of the hedging instruments and the hedged items are the same.

## (19) Amortization of goodwill

Goodwill is amortized on a straight-line basis over the period economic benefits are expected. However, immaterial amounts of goodwill are charged to income as incurred.

## (20) Recognition on sales and costs of construction contracts

The Company and its consolidated subsidiaries recognize revenues and costs on construction contracts on a percentage-of-completion basis for construction projects, and on a completed-contract basis for other construction contracts.

## (21) Income taxes

Deferred tax assets and liabilities have been recognized in the consolidated financial statements with respect to the differences between financial reporting and the tax bases of the assets and liabilities, and were measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse. The Company files tax returns under the consolidated corporate-tax system.

## (22) Consumption taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes. For some consolidated companies that fall under the category of tax-exempt enterprise, however, the tax-inclusive system is applied for such transactions.

## (23) Deferred assets

Issuance costs for straight bonds are charged to income.

## (24) Accounting standard issued but not yet effective

- Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, issued on March 30, 2018)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, issued on March 30, 2018)

### (1) Overview

The standard is a comprehensive accounting standard for revenue recognition, in which revenue is recognized through the following five steps:

- Step 1: Identify the contract (s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

### (2) Planned date of application

The application date of the standard is currently under review.

### (3) Impact of the application of the accounting standard, etc.

The amount of the impact is under review as of the date of preparing the consolidated financial statements.



# Consolidated Financial Statements

## 3. Supplemental Information

### (Changes in presentation)

#### (Changes due to application of “Partial Amendments to Accounting Standard for Tax Effect Accounting”)

“Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28 issued on February 16, 2018) are applied from the beginning of the fiscal year ended March 31, 2019. As a result of changes in the presentation method, “Deferred tax assets” are classified under “Investments and other assets” and “Deferred tax liabilities” are classified under “Long-term liabilities”.

As a result, in the consolidated balance sheet as of March 31, 2018, the ¥7,292 million presented as “Deferred tax assets” under “Current assets” and the ¥602 million previously presented as “Deferred tax liabilities” under “Long-term liabilities” have been reclassified as ¥6,690 in “Deferred tax assets” under “Investments and other assets”.

In addition, notes on “Accounting Standard for Tax Effect Accounting” (Note 8) (1) (excluding total of valuation allowance) and (Note 9) provided in Items 3 to 5 of the “Partial Amendments to Accounting Standard for Tax Effect Accounting” have been added to the notes to the method of tax effect accounting (Note 18).

However, related disclosures for the prior fiscal year have not been included based on the transitional treatment provided in Item 7 of the “Partial Amendments to Accounting Standard for Tax Effect Accounting.”

### (Notes to consolidated balance sheet)

“Lease obligations,” presented in “Current liabilities” and “Long-term liabilities” as of March 31, 2018, have decreased in materiality, and thus are included in “Other” as of March 31, 2019. In order to reflect this change in presentation, the consolidated fiscal statements for the previous fiscal year have been reclassified.

As a result, ¥1,327 million presented as “Lease obligations,” in “Current liabilities” in the consolidated balance sheet as of March 31, 2018 has been included in ¥46,114 million in “Other” and ¥7,450 million presented as “Lease obligations,” in “Long-term liabilities” in the consolidated balance sheet as of March 31, 2018 has been included in ¥24,947 million in “Other.”

### (Notes to consolidated statement of cash flows)

“Gain on sale of investment securities,” which was included in “Other” in “Cash flows from operating activities” for the fiscal year ended March 31, 2018, has been presented separately from the fiscal year ended March 31, 2019 due to an increase in its quantitative materiality. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been restated.

As a result, the ¥2,200 million presented as “Other” in “Cash flows from operating activities” in the consolidated statement of cash flows for the previous fiscal year ended March 31, 2018 has been reclassified as ¥(4) million in “Gain on sale of investment securities,” and ¥2,204 million in “Other.”

“Repayment of lease obligations,” which was presented in “Cash flows from financing activities” in the fiscal year ended March 31, 2018, has decreased in materiality, and thus is included in “Other” from the fiscal year ended March 31, 2019. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been restated.

As a result, ¥(1,039) million presented as “Repayment of lease obligations” in “Cash flows from financing activities” in the consolidated statement of cash flows for the fiscal year ended March 31, 2018 has been reclassified as ¥(1,036) million in “Other.”

### (Additional information)

The Company has introduced the Board Benefit Trust (the “BBT Scheme”) for Directors (excluding Outside Directors), Executive Vice Presidents, Executive Operating Officers and Senior Operating Officers of the Company, and the presidents, etc. of its Group companies (the “Group Officers”) and the Stock-Granting Employee Stock Ownership Plan (the “ESOP Scheme”) for key employees of the Company and its Group companies (the “Group Key Employees”).

#### 1. BBT Scheme

##### (1) Outline of the transaction

The BBT Scheme is a scheme in which the Company’s shares, etc are provided to Group Officers, as of the date of their retirement from office as a rule, through a trust established under the BBT Scheme (the “BBT Trust”), in accordance with the “officer stock benefit rules” set forth by the Company. The benefits of the Company’s shares shall be acquired by the BBT Trust using the money contributed by the Company as the funds.

##### (2) Accounting treatments for transactions of delivering the Company’s own stock through trusts

The Company has continued to use a method, which it previously adopted, in accordance with the “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts” (Practical Issues Task Force No. 30 (revised 2015), March 26, 2015).

##### (3) Residual shares of the Company held by the BBT Trust

The shares of the Company held by the BBT Trust were appropriated as treasury stock in net assets.

The book value of the said treasury stock was ¥796 million as of March 31, 2018, with the number of shares amounting to 592,100 shares. It was ¥780 million (\$7,028 thousand) as of March 31, 2019, with the number of shares amounting to 580,100 shares. The weighted average number of shares outstanding for the years ended March 31, 2018 and 2019 were 347,159 shares and 583,656 shares, respectively.

The number of shares standing and the weighted average number of shares outstanding are included in treasury stocks which are deducted in calculating basic profit attributable to owners of parent per share.

#### 2. ESOP Scheme

##### (1) Outline of the transaction

The ESOP Scheme is a scheme in which the Company’s shares, etc. are provided to Group Key Employees, as of the date of their retirement from the Haseko Group as a rule, through a trust established under the ESOP Scheme (the “ESOP Trust”), in accordance with the stock benefit rules set forth by the Company. The benefits of the Company’s shares shall be acquired by the ESOP Trust using the money contributed by the Company as the funds.

##### (2) Accounting treatments for transactions of delivering the Company’s own stock through trusts

The Company has continued to use a method, which it previously adopted, in accordance with the “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts” (Practical Issues Task Force No. 30 (revised 2015), March 26, 2015).

# Consolidated Financial Statements

3) Residual shares of the Company held by the ESOP Trust  
The shares of the Company held by the ESOP Trust were appropriated as treasury stock in net assets.

The book value of the said treasury stock was ¥3,693 million as of March 31, 2018, with the number of shares amounting to 2,649,900 shares. It was ¥3,665 million (\$33,018 thousand) as of March 31, 2019, with the number of shares amounting to 2,629,700 shares. The weighted average number of shares outstanding for the years ended March 31, 2018 and 2019 were 1,515,379 shares and 2,631,283 shares, respectively.

The number of shares standing and the weighted average number of shares outstanding are included in treasury stocks which are deducted in calculating basic profit attributable to owners of parent per share.

## (Matured notes and electronically recorded obligations)

Notes that mature at the end of the fiscal year are settled on the clearance dates. The following notes remained outstanding at the end of the fiscal year as the maturity date fell on a business holiday for financial institutions.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Notes receivable	¥ 30	¥ 128	\$ 1,153
Notes payable	501	656	5,912
Electronically recorded obligations	1,820	2,207	19,884

## 4. U.S. Dollar Amounts

The U.S. dollar amounts are included solely for convenience of readers outside Japan, at the prevailing exchange rate on March 31, 2019, which was ¥110.99=U.S.\$1. The above translation should not be construed as a representation that yen have been, could have been, or could in the future be converted into U.S. dollars at the above or any other rate.

## 5. Financial Instruments Overview

### (1) Policy for financial instruments

The Company and its consolidated subsidiaries manage surplus funds only through deposits and procure funds through issuance of straight bond and borrowings from financial institutions. The Company and its consolidated subsidiaries use derivative instruments in order to hedge against interest rate fluctuations and do not enter into derivative transactions for trading or speculative purposes, in accordance with internal policy.

### (2) Nature and extent of risks arising from financial instruments

Notes and accounts receivable, trade, which are trade receivables of the Company and its consolidated subsidiaries, are exposed to credit risks of customers. Marketable securities are the negotiable deposits which can easily be converted to cash and are subject to little risk of change in value and have high liquidity. As for investment securities, which are primarily stocks of companies with which the Company has business relationships, listed securities are exposed to market risks, and non-listed securities are exposed to risks of fluctuations in the financial conditions of the issuers. In addition, the Company provides loans to its subsidiaries and affiliates.

Notes and accounts payable and electronically recorded obligations, which are trade payables, are mostly due within a year. Straight bonds, borrowings and debt are means of fund procurement primarily in connection with business activities, and the Company uses derivative instruments (interest rate swap transactions) for a certain portion of these liabilities as hedging instruments to mitigate interest rate fluctuation risks and to fix its interest payments. With regard to the method of evaluation of hedge effectiveness, the Company omitted the evaluation of the effectiveness as the requirements for the special treatment of interest-rate swaps are satisfied. In addition, financial covenants have been applied to major borrowings and debt.

### (3) Risk management for financial instruments *Management of credit risks (risks associated with business partners' default etc.)*

With regard to trade receivables, in accordance with its internal rules, the Company checks the creditworthiness of its business partners, manages the balance of accounts receivable and monitors the status of any delay in collection, and works to obtain collateral when it is necessary to protect accounts receivable, in an endeavor to identify and mitigate risks on collections. Credit risk is also managed by its consolidated subsidiaries in accordance with its internal rules. Loans receivable are managed by the Company by conducting credit investigations on a regular basis in accordance with its internal provisions and working to obtain collateral, if necessary. When the Company conducts derivative transactions, it deals exclusively with Japanese financial institutions that have high creditworthiness.

### *Management of market risks (interest rate fluctuation risks, etc.)*

With regard to investment securities, the Company determines their fair values and evaluates the financial position of the issuers regularly. For derivative transactions, the Company operates a system that separates execution and management functions based on the internal rules that stipulate policies, usage/and the range of derivatives, and so forth. Under the system, the balance of derivative transactions and the gains or loss from valuation are regularly reported to the director in charge of finance. Furthermore, derivative transactions by the Company and its consolidated subsidiaries are conducted, in principle, as a means to hedge risks, and should work to reduce market risks that might arise between the targeted assets and the liabilities. As such, the Company believes that market risks are fairly limited.

### *Management of liquidity risks (risks that the Company may not be able to meet its obligation on scheduled due dates) associated with funds procurement*

The Company endeavors to secure liquidity as the finance division prepares funding plans appropriately based on reports from each division and other information and implements fund procurement by utilizing commitment lines in coordination with the scheduled due dates. In addition, the Company confirms the funding status of its consolidated subsidiaries to appropriately manage the funds of the Company and its consolidated subsidiaries as a whole.

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## (4) Supplementary explanation of the estimated fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in a different fair value. In addition, the notional amounts of derivatives in Note 16. Derivative Transactions are not necessarily indicative of the actual market risk involved in derivative transactions.

### Fair values of financial instruments

The carrying value of financial instruments on the consolidated balance sheet as of March 31, 2018 and 2019, and estimated fair value are shown in the following tables. The following tables do not include financial instruments for which it is extremely difficult to determine the fair value (Please refer to Note 2 below).

	Millions of yen		
	2018		
	Carrying value	Fair value	Difference
Cash and bank deposits	¥208,055	¥208,055	¥ -
Notes and account receivable, trade	110,613	110,717	104
Securities	3,840	3,840	-
Investment securities	13,448	13,456	8
Long-term loans receivable	2,822		
Allowance for doubtful accounts	(24)		
Sub-total	2,798	2,954	156
Total	¥338,754	¥339,021	¥267
Notes and accounts payable	86,658	86,657	(1)
Electronically recorded obligations	49,343	49,343	-
Short-term borrowings	10,000	10,000	-
Current portion of long-term debt	26,471	26,487	16
Current portion of bonds	-	-	-
Income taxes payable	20,605	20,605	-
Straight bonds	20,000	20,038	38
Long-term debt	60,194	60,577	383
Total	¥273,271	¥273,707	¥436
Derivatives	¥ -	¥ -	¥ -

	Millions of yen		
	2019		
	Carrying value	Fair value	Difference
Cash and bank deposits	¥212,423	¥212,423	¥ -
Notes and account receivable, trade	139,312	139,464	152
Securities	2,751	2,751	-
Investment securities	19,067	19,073	6
Long-term loans receivable	3,084		
Allowance for doubtful accounts	(24)		
Sub-total	3,060	3,220	160
Total	¥376,613	¥376,931	¥318
Notes and accounts payable	86,331	86,331	(0)
Electronically recorded obligations	52,449	52,449	-
Short-term borrowings	-	-	-
Current portion of long-term debt	17,762	17,787	25
Current portion of bonds	10,000	10,018	18
Income taxes payable	21,059	21,059	-
Straight bonds	20,000	20,192	192
Long-term debt	72,642	73,113	471
Total	¥280,243	¥280,949	¥706
Derivatives	¥ -	¥ -	¥ -

Thousands of U.S. dollars

	2019		
	Carrying value	Fair value	Difference
Cash and bank deposits	\$1,913,893	\$1,913,893	\$ -
Notes and account receivable, trade	1,255,176	1,256,546	1,370
Securities	24,786	24,786	-
Investment securities	171,791	171,844	53
Long-term loans receivable	27,786		
Allowance for doubtful accounts	(216)		
Sub-total	27,570	29,012	1,442
Total	\$3,393,216	\$3,396,081	\$2,865
Notes and accounts payable	777,827	777,827	(0)
Electronically recorded obligations	472,556	472,556	-
Short-term borrowings	-	-	-
Current portion of long-term debt	160,032	160,258	226
Current portion of bonds	90,098	90,260	162
Income taxes payable	189,738	189,738	-
Straight bonds	180,196	181,926	1,730
Long-term debt	654,491	658,734	4,243
Total	\$2,524,938	\$2,531,299	\$6,361
Derivatives	\$ -	\$ -	\$ -

Notes:

1) Methods to determine the fair value of financial instruments and other matters related to investment securities and derivative transactions

Cash and bank deposits

Since these items are settled in a short period of time, their carrying value approximates fair value.

Notes and accounts receivable, trade

The carrying values of notes and accounts receivable that are settled in the short term are used to determine their fair value, as their fair values approximate their carrying values. With regard to notes and accounts receivable that are settled in the long term, they are classified by period and their fair values are then calculated based on the present values discounted by the interest rates determined taking into account the collection periods and credit risks.

Securities

Since these items are negotiable deposits and settled in a short period of time, their fair value approximates the book value and is thus stated at that book value.

Investment securities

Quoted market prices on the stock exchanges are used to determine the fair values of these instruments.

For information on securities classified by holding purposes, please refer to Note 6. Investment Securities.

Long-term loans receivable

Long-term loans receivable are classified by period, and their fair values are calculated based on the present values discounted by the interest rates determined taking into account credit spreads and appropriate market data such as yields of government bonds.

In addition, fair values of doubtful accounts are estimated based on collectable amounts.

Notes and accounts payable, Electronically recorded obligations

The carrying values of notes and accounts payable and electronically recorded obligations that are settled in the short term are used to determine their fair values, as the fair values approximate the carrying values. With regard to notes and accounts payable that are settled in the long term, they are classified by period and their fair values are calculated based on the present values discounted by the interest rates determined taking into account the payment periods and credit risks.

Short-term borrowings and income taxes payable

As these are settled in the short term, their fair values approximate carrying values.

Straight bonds

Fair value is calculated based on available market value. If a market value is not available, fair value is calculated based on the present value of the total amount of principal and interest discounted by an interest rate reflecting the remaining maturity and credit risk of the straight bonds.

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Long-term debt including current portion

Fair values are calculated based on the present value of the total amount of principal and interest discounted by the interest rates to be applied if similar new borrowings were entered into.

The fair values of long-term debt with floating interest rates hedged by interest rate swap transactions subject to the special treatment are calculated based on the present value of the total amount of principal and interest, accounted for together with the interest rate swap transactions, discounted by the interest rates to be applied if similar new borrowings were entered into.

Derivatives

Please refer to Note 16. Derivative Transactions.

2) Financial instruments whose fair values are extremely difficult to determine

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Equity securities of affiliates	¥3,605	<b>¥5,083</b>	<b>\$45,797</b>
Unlisted securities	1,099	<b>1,165</b>	<b>10,496</b>
Preferred subscription certificates	0	-	-
Others	2	<b>2</b>	<b>18</b>

The above instruments have not been included in the preceding table, "Fair values of financial instruments, Investment securities," as there are no quoted market prices available and it is extremely difficult to determine their fair values.

3) Redemption schedule for monetary receivables and securities with maturity dates at March 31, 2018 and 2019

	Millions of yen				
	2018				
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years	Total
Cash and bank deposits	¥208,055	¥ -	¥ -	¥ -	¥208,055
Notes and accounts receivable, trade	102,897	7,716	0	-	110,613
Securities:					
Negotiable certificate of deposits	3,840				3,840
Investment securities:					
Other securities with maturity dates					
Japanese government bonds, etc.	22	307	-	-	329
Long-term loans receivable	796	670	1,110	246	2,822
Total	<b>¥315,610</b>	<b>¥8,693</b>	<b>¥1,110</b>	<b>¥246</b>	<b>¥325,659</b>

	Millions of yen				
	2019				
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years	Total
Cash and bank deposits	<b>¥212,423</b>	¥ -	¥ -	¥ -	<b>¥212,423</b>
Notes and accounts receivable, trade	<b>118,429</b>	<b>20,883</b>	<b>0</b>	-	<b>139,312</b>
Securities:					
Negotiable certificate of deposits	<b>2,751</b>				<b>2,751</b>
Investment securities:					
Other securities with maturity dates	<b>307</b>	-	-	-	<b>307</b>
Japanese government bonds, etc.	<b>1,360</b>	<b>645</b>	<b>1,016</b>	<b>63</b>	<b>3,084</b>
Long-term loans receivable					
Total	<b>¥335,270</b>	<b>¥21,528</b>	<b>¥1,016</b>	<b>¥63</b>	<b>¥357,877</b>

	Thousands of U.S. dollars				
	2019				
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years	Total
Cash and bank deposits	<b>\$1,913,893</b>	\$ -	\$ -	\$ -	<b>\$1,913,893</b>
Notes and accounts receivable, trade	<b>1,067,024</b>	<b>188,152</b>	<b>0</b>	-	<b>1,255,176</b>
Securities:					
Negotiable certificate of deposits	<b>24,786</b>	-	-	-	<b>24,786</b>
Investment securities:					
Other securities with maturity dates	<b>2,767</b>	-	-	-	<b>2,767</b>
Japanese government bonds, etc.	<b>12,253</b>	<b>5,811</b>	<b>9,154</b>	<b>568</b>	<b>27,786</b>
Long-term loans receivable					
Total	<b>\$3,020,723</b>	<b>\$193,963</b>	<b>\$9,154</b>	<b>\$568</b>	<b>\$3,224,408</b>

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4) Repayment schedule for short-term borrowings, straight bonds, long-term debt, and lease obligations at March 31, 2018 and 2019

	Millions of yen			Millions of yen		
	2018			2019		
	Short-term borrowings	Straight bonds	Long-term debt	Short-term borrowings	Straight bonds	Long-term debt
Due within 1 year	¥10,000	¥ –	¥26,471	–	¥10,000	¥17,762
Due after 1 year through 2 years	–	10,000	17,551	–	10,000	4,171
Due after 2 years through 3 years	–	10,000	4,171	–	–	5,971
Due after 3 years through 4 years	–	–	5,971	–	–	32,500
Due after 4 years through 5 years	–	–	22,501	–	–	–
Due after 5 years	–	–	10,000	–	10,000	30,000

	Thousands of U.S. dollars		
	2019		
	Short-term borrowings	Straight bonds	Long-term debt
Due within 1 year	–	\$90,098	\$160,032
Due after 1 year through 2 years	–	90,098	37,580
Due after 2 years through 3 years	–	–	53,798
Due after 3 years through 4 years	–	–	292,819
Due after 4 years through 5 years	–	–	–
Due after 5 years	–	90,098	270,294

5) Investments in non-consolidated subsidiaries and affiliates are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Investment securities	¥2,309	¥3,787	\$34,120
Other securities	1,296	1,296	11,677

## 6. Marketable Securities and Investment Securities

(1) Marketable securities classified as held-to-maturity debt securities as of March 31, 2018 and 2019 consisted of the following:

	Millions of yen					
	2018			2019		
	Carrying value	Fair Value	Unrealized gain (loss)	Carrying value	Fair Value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value	¥322	¥329	¥7	¥304	¥307	¥3
Securities whose fair value does not exceed their carrying value	–	–	–	–	–	–
Total	¥322	¥329	¥7	¥304	¥307	¥3

	Thousands of U.S. dollars		
	2019		
	Carrying value	Fair Value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value	\$2,739	\$2,766	\$27
Securities whose fair value does not exceed their carrying value	–	–	–
Total	\$2,739	\$2,766	\$27

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(2) Other securities whose fair value is available as of March 31, 2018 and 2019 consisted of the following:

	<i>Millions of yen</i>					
	2018			2019		
	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
(Securities whose carrying value exceeds their acquisition cost)						
Equity securities	¥12,056	¥6,258	¥5,798	¥17,277	¥10,373	¥6,904
Other	-	-	-	-	-	-
Sub-total	¥12,056	¥6,258	¥5,798	¥17,277	¥10,373	¥6,904
(Securities whose carrying value does not exceeds their acquisition cost)						
Equity securities	¥ 1,070	¥1,127	¥ (57)	¥ 786	¥ 790	¥ (4)
Other	-	-	-	700	744	(44)
Sub-total	¥ 1,070	¥1,127	¥ (57)	¥ 1,486	¥ 1,534	¥ (48)
Total	¥13,126	¥7,385	¥5,741	¥18,763	¥11,907	¥6,856

	<i>Thousands of U.S. dollars</i>		
	2019		
	Carrying value	Acquisition cost	Unrealized gain (loss)
(Securities whose carrying value exceeds their acquisition cost)			
Equity securities	\$155,662	\$ 93,459	\$62,203
Other	-	-	-
Sub-total	\$155,662	\$ 93,459	\$62,203
(Securities whose carrying value does not exceeds their acquisition cost)			
Equity securities	\$ 7,082	\$ 7,118	\$ (36)
Other	6,307	6,703	(396)
Sub-total	\$ 13,389	\$ 13,821	\$ (432)
Total	\$169,051	\$107,280	\$61,771

(3) Other securities sold for the year ended March 31, 2018 and 2019 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2018	2019	2019
Equity securities:			
Proceeds from sales	¥4	¥593	\$5,343
Gain on sales	4	493	4,442
Loss on sales	-	-	-

(4) Impairment of investment in securities

For the fiscal year ended March 31, 2019

The Company recorded impairment losses of ¥366 million (\$3,298 thousand) on other securities.

For securities whose fair values at the end of the fiscal year have declined by 50% or more compared with their acquisition cost, loss on impairment is recorded without exception. For securities whose fair values at the end of the fiscal year have declined by 30% or more but less than 50% compared with their acquisition cost, loss on impairment is recorded as deemed necessary in consideration of the possibility of their recoverability.

## 7. Inventories

Inventories as of March 31, 2018 and 2019 consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2018	2019	2019
Real estate for sale	¥ 71,651	¥ 87,231	\$785,936
Costs and advances for real estate operations	67,700	78,078	703,469
Real estate for development projects	23,395	24,065	216,821
	¥162,746	¥189,374	\$1,706,226

## 8. Property and Equipment and Intangible Assets

(1) Property and equipment as of March 31, 2018 and 2019 consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2018	2019	2019
Buildings and structures	¥ 62,687	¥ 68,437	\$ 616,605
Machinery, vehicles, equipment and furniture	7,416	8,965	80,773
Land	64,664	75,978	684,548
Leased assets	10,169	1,282	11,551
Construction in progress	4,945	2,625	23,651
Sub-total	149,881	157,287	1,417,128
Accumulated depreciation	(24,756)	(22,612)	(203,730)
	¥125,125	¥134,675	\$1,213,398

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(2) Intangible assets as of March 31, 2018 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Land leasehold rights	¥1,871	<b>¥1,878</b>	<b>\$16,920</b>
Goodwill	3,545	<b>2,997</b>	<b>27,002</b>
Other	1,799	<b>2,593</b>	<b>23,364</b>
	<u>¥7,215</u>	<u><b>¥7,468</b></u>	<u><b>\$67,286</b></u>

(3) Net gain (loss) on disposal or sales of property and equipment and intangible assets for the years ended March 31, 2018 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Buildings and structures	¥ 411	<b>¥ (55)</b>	<b>\$ (496)</b>
Machinery, vehicles, equipment and furniture	(9)	<b>(18)</b>	<b>(162)</b>
Land	3,022	<b>146</b>	<b>1,316</b>
Leased assets	(3)	<b>(3)</b>	<b>(27)</b>
Other	(0)	<b>(1)</b>	<b>(9)</b>
	<u>¥3,421</u>	<u><b>¥ 69</b></u>	<u><b>\$ 622</b></u>

(4) Impairment loss on fixed assets

The Company and its consolidated domestic subsidiaries recognized impairment losses on the following fixed assets for the years ended March 31, 2018 and 2019:

2018			
Use	Type	Location	Number of cases
Real estate for service-related business	Land and buildings etc.	Urawa-ku, Saitama, etc.	8
Asset for service-related business	Machinery, equipment and furniture etc.	Tsuzuki-ku, Yokohama, etc.	4
2019			
Use	Type	Location	Number of cases
Asset for construction-related business	Equipment and furniture	Minato-ku, Tokyo	2
Real estate for service-related business	Land and buildings etc.	Ichikawa-shi, Chiba, etc.	19
Asset for service-related business	Machinery, equipment and furniture etc.	Chuo-ku, Osaka, etc.	7

The Company and its consolidated domestic subsidiaries recognized impairment loss on certain real estate for service-related business, and assets for construction-related business, service-related business, which are grouped separately for the assessment of impairment.

(2018)

The lowered economic performance and the planned retirements in the year ended March 31, 2018 triggered the recognition of impairment, and the carrying values of the those assets have been written down to their recoverable amounts, resulting in impairment losses on fixed assets of ¥197 million for the year ended March 31, 2018, which were presented as "Special Losses." on the consolidated statement of income.

(2019)

The lowered economic performance and the decision to dispose of the investment, etc in the year ended March 31, 2019 triggered the recognition of impairment, and the carrying values of the those assets have been written down to their recoverable amounts, resulting in impairment losses on fixed assets of ¥652 million (\$5,874 thousand) for the year ended March 31, 2019, which were presented as "Special Losses." on the consolidated statement of income.

The details of impairment losses on fixed assets were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Buildings and structures	¥156	<b>¥585</b>	<b>\$5,270</b>
Equipment and furniture	33	<b>55</b>	<b>496</b>
Land	5	<b>6</b>	<b>54</b>
Land leasehold rights	—	—	—
Leased assets	2	<b>4</b>	<b>36</b>
Goodwill	—	—	—
Intangible assets	1	<b>2</b>	<b>18</b>
	<u>¥197</u>	<u><b>¥652</b></u>	<u><b>\$5,874</b></u>

(2018)

The recoverable amount is measured at the value in use, which was zero as future cash flows are expected to be negative. Moreover, the discount rate is omitted as future cash flows before discounting are expected to be negative.

(2019)

The recoverable amount is the higher of the net selling price or value in use. The net selling price is based on a comparison approach value for other assets. Value in use is zero as future cash flows are expected to be negative. Moreover, the discount rate is omitted as future cash flows before discounting are expected to be negative.

(5) Rental Properties

The Company and some of its consolidated subsidiaries own residential properties for lease, office buildings for lease (including land), commercial facilities for lease, etc. mainly in the Tokyo metropolitan area and the Kinki area. Income/expenses of the leasing business related to the rental properties for the years ended March 31, 2018 and 2019 were ¥2,224 million and ¥2,454 million (\$22,110 thousand) and gains on sales (recorded as "Special Income") were ¥3,527 million and ¥10 million (\$90 thousand), respectively.

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Income from the leasing business is recorded as leasing and management revenue and expenses for the leasing business are recorded as leasing and management expenses.

Changes in the recorded amount of rental properties, etc. in the consolidated balance sheet during the year and fair value as of the end of the fiscal year are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Book value:			
Balance at the beginning of the year	¥65,344	<b>¥66,810</b>	<b>\$601,946</b>
Increase/decrease	1,467	<b>17,783</b>	<b>160,222</b>
Balance at the end of the year	66,811	<b>84,593</b>	<b>762,168</b>
Fair value	<u>¥72,244</u>	<u><b>¥92,378</b></u>	<u><b>\$832,309</b></u>

#### Notes:

- The rental properties are recorded on the consolidated balance sheet at their acquisition costs net of accumulated depreciation and impairment losses.
- Of the amount of increase (decrease) for the year ended March 2018, the amount of increase is primarily attributable to acquisition of real estate (¥14,216 million), the amount of decrease is primarily attributable to sale of real estate (¥12,039 million) and depreciation (¥564 million).

Of the amount of increase (decrease) for the year ended March 2019, the amount of increase is primarily attributable to acquisition of real estate (¥24,354 million, \$219,425 thousand) and to transfer to rental properties (¥6,909 million, \$62,249 thousand), the amount of decrease is primarily attributable to transfer to real estate for sale (¥12,358 million, \$111,343 thousand) and depreciation (¥841 million, \$7,577 thousand).

- The fair value at the end of the current fiscal year is the appraisal value taken from the real estate appraisal reports for major properties; and the calculations by the Company in accordance with the "Real Estate Appraisal Standards" for others. However, for certain properties the value at the time of acquisition or value obtained using a general fair value calculation formula is stated as the fair value at the end of the current fiscal year when there has been no significant fluctuation in the index which is deemed to be a kind of appraised value or appropriately reflect market value since they were acquired or most recently appraised.

## 9. Short-term Borrowings, Long-term Debt, Straight Bonds and Lease Obligations

- The following is a summary of the interest bearing debt as of March 31, 2018 and 2019:

	Average interest rate	Millions of yen		Thousands of U.S. dollars
		2018	2019	2019
Short-term borrowings	-	¥ 10,000	¥ -	\$ -
Current portion of long-term debt	1.04%	26,471	<b>17,762</b>	<b>160,032</b>
Current portion of lease obligations	1.58%	962	<b>203</b>	<b>1,829</b>
Straight bond due Nov. 5, 2019	0.44%	10,000	<b>10,000</b>	<b>90,098</b>
Straight bond due Jul. 22, 2020	0.41%	10,000	<b>10,000</b>	<b>90,098</b>
Straight bond due Nov. 1, 2028	0.52%	-	<b>10,000</b>	<b>90,098</b>
Long-term debt due from 2020 to 2034	0.88%	60,194	<b>72,642</b>	<b>654,491</b>
Lease obligations due from 2020 to 2029	1.86%	7,814	<b>313</b>	<b>2,822</b>
Total		<u>¥125,441</u>	<u><b>¥120,920</b></u>	<u><b>\$1,089,468</b></u>

Note: The weighted average interest rate for the end-of-year balance of outstanding debt is shown as the "average interest rate."

The weighted average interest rate for the end-of-year balance of outstanding lease obligations, whose interest payments are calculated based on the effective interest method, is shown as the "Average interest rate" of lease obligation.

- The annual maturities of straight bonds, long-term debt and lease obligations (excluding the current portion) as of March 31, 2019 were as follows:

Year ending March, 31	Millions of yen			Thousands of U.S. dollars	
	Straight bonds	Long-term debt	Lease obligations	Total	Total
2021	<b>¥10,000</b>	<b>¥ 4,171</b>	<b>¥137</b>	<b>¥14,308</b>	<b>\$128,913</b>
2022	-	<b>5,971</b>	<b>100</b>	<b>6,071</b>	<b>54,699</b>
2023	-	<b>32,500</b>	<b>58</b>	<b>32,558</b>	<b>293,342</b>
2024	-	-	<b>15</b>	<b>15</b>	<b>135</b>
2025 and thereafter	<b>10,000</b>	<b>30,000</b>	<b>3</b>	<b>40,003</b>	<b>360,420</b>
Total	<u><b>¥20,000</b></u>	<u><b>¥72,642</b></u>	<u><b>¥313</b></u>	<u><b>¥92,955</b></u>	<u><b>\$837,509</b></u>

- The Company has committed lines of credit available for immediate and stable borrowings with certain five financial institutions as of March 31, 2018 and 2019. The lines of credit and unused lines of credit as of March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Line of credit	¥63,000	<b>¥63,000</b>	<b>\$567,619</b>
Amount utilized	-	-	-
Unused line of credit	<u>¥63,000</u>	<u><b>¥63,000</b></u>	<u><b>\$567,619</b></u>

- One consolidated subsidiary has concluded an overdraft agreement with a financial institution in order to secure stable and flexible procurement of operating funds. The balance of the unexecuted portion as of March 31, 2018 and 2019 based on this agreement were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Overdraft limit	¥1,300	<b>¥1,300</b>	<b>\$11,713</b>
Amount utilized	-	-	-
Amount unused	<u>¥1,300</u>	<u><b>¥1,300</b></u>	<u><b>\$11,713</b></u>

## 10. Collateral

- Assets provided as collateral as of March 31, 2018 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Cash and bank deposits	¥552	¥-	\$-

Secured liabilities as of March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Notes and accounts payable	¥350	¥-	\$-
Guaranteed obligation	354	-	-
	<u>¥704</u>	<u>¥-</u>	<u>\$-</u>



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- (2) The following assets have been provided as collateral for borrowings by HC Katsushimacho Jutaku Inc., related to PFI projects.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Notes and accounts receivable, trade	¥3,457	¥2,768	\$24,939
Buildings and structures	61	57	514
Other current assets	26	20	180
	¥3,544	¥2,845	\$25,633

Secured liabilities as of March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Current portion of long-term debt	¥ 636	¥ 636	\$ 5,730
Long-term debt	2,543	1,907	17,182
	¥3,179	¥2,543	\$22,912

In addition to the above, the following assets have been provided as collateral, all of which have been eliminated on the consolidated balance sheet:

(2018)

Shares of HC Katsushimacho Jutaku Inc. (¥9 million) owned by Haseko Corporation and Haseko Community Inc.  
Loans receivable (¥157 million) lent by Haseko Corporation to HC Katsushimacho Jutaku Inc.

(2019)

Shares of HC Katsushimacho Jutaku Inc. (¥9 million, \$81 thousand) owned by Haseko Corporation and Haseko Community Inc.  
Loans receivable (¥157 million, \$1,415 thousand) lent by Haseko Corporation to HC Katsushimacho Jutaku Inc.

## 11. Contingent Liabilities

The Company was contingently liable for guarantees on bank loans and other guarantees as of March 31, 2018 and 2019 as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Customers using housing loans and other loans to purchase real estate	¥57,577	¥36,953	\$332,940

## 12. Lease Transactions

(1) Finance lease transactions

(a) Details of leased assets

Leased assets are mainly high voltage power collective receiving facilities in the "Service-Related Business."

(b) Depreciation method of leased assets

Please refer to Note 2 (7) Summary of Significant Accounting Policies relating depreciations of leased assets.

(2) Operating lease transactions

(As lessee)

Outstanding future minimum lease payments under noncancelable operating leases as of March 31, 2018 and 2019 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Within one year	¥ 1,931	¥ 1,444	\$ 13,010
Over one year	13,294	12,589	113,425
Total	¥15,225	¥14,033	\$126,435

(As lessor)

Outstanding future minimum lease income under noncancelable operating leases as of March 31, 2018 and 2019 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Within one year	¥ 652	¥ 848	\$ 7,640
Over one year	11,313	11,660	105,055
Total	¥11,965	¥12,508	\$112,695

## 13. Supplementary Profit and Loss Information

(1) Sales from construction contracts calculated according to the percentage-of-completion method were ¥470,280 million and ¥486,491 million (\$4,383,197 thousand) for the years ended March 31, 2018 and 2019, respectively.

(2) Allowance for losses on construction contracts included in cost of sales for the years ended March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Construction contracts	¥20	¥418	\$3,766
Design and supervision	13	44	396

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(3) Valuation losses on inventories included in cost of sales for the years ended March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Real estate	¥102	¥64	\$577

(4) Selling, general and administrative expenses for the years ended March 31, 2018 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Salaries and allowances	¥21,389	¥20,565	\$185,287
Provision for bonuses for employees	3,347	2,890	26,038
Provision for bonuses for directors	190	174	1,568
Provision for employee stock ownership plan	313	304	2,739
Provision for board benefit trust	91	100	901
Retirement benefit expenses	651	723	6,514
Rent	3,234	3,211	28,931
Depreciation	941	1,673	15,073
Amortization	663	2,267	20,425
Other	25,621	27,514	247,896
Total	¥56,440	¥59,421	\$535,372

(5) Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Research and development costs	¥1,343	¥1,850	\$16,668

(2) Dividends

(a) Dividends paid  
In the year ended March 31, 2018

Resolution	Type of shares	Total amount of dividend (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Annual meeting of shareholders on June 29, 2017	Common stock	¥9,018	¥30.00	March 31, 2017	June 30, 2017
Board of Directors on November 10, 2017 (Note)	Common stock	¥3,006	¥10.00	September 30, 2017	December 6, 2017

Note: The total amount of dividends includes ¥32 million as dividends to the Company's shares held by the BBT and the Stock-Granting ESOP as trust assets.

## 14. Net Assets

(1) Shares issued and treasury stock  
Changes in number of shares issued and treasury stock for the year ended March 31, 2018 were as follows:

	Number of shares			2018
	2017	Increase	Decrease	
Shares issued:				
Common stock	300,794,397	—	—	300,794,397
Treasury stock:				
Common stock (Notes 1 and 2)	191,946	3,247,706	20	3,439,632

Notes:

- The increase of 3,247,706 shares in the number of treasury stock of the Company's common stock comprises 3,242,000 shares held by the BBT and the Stock-Granting ESOP as trust assets and 5,706 shares purchased by the Company through request for purchase of shares less than one standard unit.
- Decrease in treasury stock due to the request by shareholders for sale of shares less than one standard unit.

Changes in number of shares issued and treasury stock for the year ended March 31, 2019 were as follows:

	Number of shares			2019
	2018	Increase	Decrease	
Shares issued:				
Common stock	300,794,397	—	—	300,794,397
Treasury stock:				
Common stock (Notes 1 and 2)	3,439,632	3,597	32,326	3,410,903

Notes:

- Increase in treasury stock due to the request by shareholders for purchase of shares less than one standard unit.
- Decrease in treasury stock due to the grant by the BBT and the Stock-Granting ESOP held as trust assets.

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In the year ended March 31, 2019

Resolution	Type of shares	Total amount of dividend		Dividend per share		Record date	Effective date
		(Millions of yen)	(Thousands of U.S. dollars)	(Yen)	(U.S. dollars)		
Annual meeting of shareholders on June 28, 2018 (Note1)	Common stock	¥12,024	\$108,334	¥40.00	\$0.36	March 31, 2018	June 29, 2018
Board of Directors on November 9, 2018 (Note 2)	Common stock	¥ 3,006	\$ 27,084	¥10.00	\$0.09	September 30, 2018	December 6, 2018

Notes:

- 1) The total amount of dividends includes ¥130 million (\$1,171 thousand) as dividends to the Company's shares held by the BBT and the Stock-Granting ESOP as trust assets.  
2) The total amount of dividends includes ¥32 million (\$288 thousand) as dividends to the Company's shares held by the BBT and the Stock-Granting ESOP as trust assets.

(b) Dividends with the cut-off date in the year ended March 31, 2019 and the effective date in the year ending March 31, 2020

Resolution	Type of shares	Total amount of dividend		Dividend per share		Record date	Effective date
		(Millions of yen)	(Thousands of U.S. dollars)	(Yen)	(U.S. dollars)		
Annual meeting of shareholders on June 28, 2019 (Note)	Common stock	¥21,042	\$189,585	¥70.00	\$0.63	March 31, 2019	June 28, 2019

Note: The total amount of dividends includes ¥225 million (\$2,027 thousand) as dividends to the Company's shares held by the BBT and the Stock-Granting ESOP as trust assets.

## 15. Cash and Cash Equivalents

(1) A reconciliation between cash and cash equivalents on the consolidated statement of cash flows and the cash and bank deposits on the consolidated balance sheet as of March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Cash and bank deposits	¥208,055	¥212,423	\$1,913,893
Time deposits pledged as collateral	(552)	—	—
Saving accounts for insurance agency	(537)	(641)	(5,775)
Negotiable certificates of deposit, which were included in Securities	—	1,316	11,857
Restricted deposit	(100)	(118)	(1,063)
Cash and cash equivalents	¥206,866	¥212,980	\$1,918,912

(2) The major components of assets and liabilities transferred as a result of a business transfer in exchange for cash and cash equivalents:

The major components of assets and liabilities transferred as of the transfer date and the transfer price and proceeds from the transfer the Smart Condominium Business from Haseko Anesis Corporation to Next Power Company is as follows:

	Millions of yen	Thousands of U.S. dollars
	2019	2019
Current assets	¥804	\$7,244
Fixed assets	7,104	64,006
Current liabilities	(691)	(6,226)
Long-term liabilities	(7,217)	(65,033)
Gain on business transfer	21,349	192,351
Other	(144)	(1,297)
Cash and cash equivalents	(804)	(7,244)
Gain on transfer of business	20,401	183,810

## 16. Derivative Transactions

Derivative transactions for which hedge accounting is applied are as follows:

Hedge accounting method	Hedging instrument	Hedged item	As of March 31, 2018		Fair value
			Notional amount	Of which, maturing after one year	
Special treatment of interest rate swaps	Interest rate swap transaction	Long-term debt	¥54,225	¥51,010	(Note)
	Pay fixed / Receive floating				
<b>As of March 31, 2019</b>					
Hedge accounting method	Hedging instrument	Hedged item	Notional amount	Of which, maturing after one year	Fair value
Special treatment of interest rate swaps	Interest rate swap transaction	Long-term debt	¥61,010	¥57,795	(Note)
	Pay fixed / Receive floating				
			(Thousands of U.S. dollars)		
			\$549,689	\$520,723	

Note: The fair value of interest rate swaps accounted for by special treatment is included in the fair value of the applicable long-term debt as such swaps are accounted for together with the hedged long-term debt.

There were no derivative transactions for which hedge accounting was not applied as of March 31, 2018 and 2019.

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## 17. Retirement Benefit Plans

The Company and its consolidated subsidiaries have established a lump-sum retirement allowance plan, funded defined benefit plan, multi-employer pension plan or smaller enterprise retirement allowance plan, and defined contribution pension plans.

Certain consolidated subsidiaries participate in the multi-employer pension plan. When the pension assets held by the multi-employer pension plan corresponding to the subsidiaries' contribution cannot be reliably determined, the accounting treatment applied is the same as that for a defined contribution plan.

(1) The changes in the retirement benefit obligation during the years ended March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Balance at the beginning of the year	¥50,710	¥51,525	\$464,231
Service cost	2,747	2,821	25,417
Interest cost	98	100	901
Actuarial gain or loss	263	1,775	15,992
Retirement benefit paid	(2,293)	(2,405)	(21,668)
Other	—	17	153
Balance at the end of the year	¥51,525	¥53,833	\$485,026

(2) The changes in plan assets during the years ended March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Balance at the beginning of the year	¥53,859	¥60,310	\$543,382
Expected return on plan assets	1,313	1,474	13,280
Actuarial gain or loss	673	(849)	(7,649)
Contributions by the Company	6,030	6,445	58,068
Retirement benefits paid	(2,138)	(2,372)	(21,371)
Other	573	374	3,370
Balance at the end of the year	¥60,310	¥65,382	\$589,080

(3) The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2018 and 2019.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Funded retirement benefit obligation	¥ 50,715	¥ 52,881	\$ 476,448
Plan assets at fair value	(60,310)	(65,382)	(589,080)
	(9,595)	(12,501)	(112,632)
Unfunded retirement benefit obligation	810	952	8,577
Net liability for retirement benefits in the balance sheet	(8,785)	(11,549)	(104,055)
Liability for retirement benefits	921	1,064	9,586
Asset for retirement benefits	(9,706)	(12,613)	(113,640)
Net liability for retirement benefits in the balance sheet	¥ (8,785)	¥(11,549)	\$(104,054)

(4) The components of retirement benefit expense for the years ended March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Service cost	¥ 2,343	¥ 2,519	\$ 22,696
Interest cost	98	100	901
Expected return on plan assets	(1,313)	(1,474)	(13,280)
Amortization of actuarial loss	811	790	7,118
Amortization of prior service cost	(441)	(383)	(3,451)
Retirement benefit expense	¥ 1,498	¥ 1,552	\$ 13,984

Notes:

- 1) Service cost does not include the amounts contributed by employees with respect to welfare pension fund plans.
- 2) Retirement benefit expenses for consolidated subsidiaries adopting the simplified method which assumes retirement benefit obligation to be equal to the benefits payable as if all eligible employees voluntarily terminated their employment at fiscal year-end are included in "Service cost."

(5) The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Actuarial loss	¥ (441)	¥ (383)	\$ (3,451)
Prior service cost	1,221	(1,835)	(16,533)
Total	¥ 780	¥(2,218)	\$(19,984)

(6) The components of retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Unrecognized prior service cost	¥ (897)	¥ (514)	\$ (4,631)
Unrecognized actuarial loss	8,660	10,495	94,558
Total	¥7,763	¥ 9,981	\$89,927

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- (7) The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2018 and 2019 were as follows:

	2018	2019
Bonds	50%	<b>56%</b>
Stocks	24%	<b>19%</b>
Alternative investments (Note)	16%	<b>15%</b>
Life insurance general accounts, etc.	10%	<b>10%</b>
Total	100%	<b>100%</b>

Note: Alternative investments are mainly investments in hedge funds.

The expected return on assets has been estimated based on the anticipated allocation to each asset class and the expected long-term returns on assets held in each category.

- (8) The assumptions used in accounting for the above plans were as follows:

	2018	2019
Discount rates	0.2% - 0.4%	<b>0.2% - 0.4%</b>
Expected rates of return on plan assets	2.5%	<b>2.5%</b>

- (9) Defined Contribution Plan

The required contributions to the defined contribution plans of consolidated subsidiaries for the years ended March 31, 2018 and 2019 were ¥14 million and ¥13 million (\$118 thousand), respectively.

- (10) Multi-employer pension plan

The required contributions, which were accounted in the same way as the defined contribution plan for the years ended March 31, 2018 and 2019 were ¥16 million and ¥17 million (\$153 thousand), respectively. Furthermore, Osaka Architect Pension Fund, in which one of the Company's consolidated subsidiaries had participated, dissolved with permission of the Minister of Health, Labour and Welfare on May 31, 2017. In accordance with this, the relevant consolidated subsidiary was transferred to Osaka Architect Corporate Pension Fund, the successor fund newly established on June 1, 2017. Since the new fund had not completed its first annual financial closing for the year ended March 31, 2017, no description is given in this report as to (1) the latest deposit status under the multi-employer pension fund system, (2) the percentage attributable to the Haseko Group in the annuity consideration under the multi-employer pension fund system, and (3) supplementary explanation for the fiscal year ended March 31, 2017.

The most recent funded status was as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Pension assets	¥-	¥ 3,462	\$ 32,587
Total of the amount of actuarial obligations under pension funding program and minimum policy reserves	-	5,363	50,480
Difference	¥-	¥(1,901)	\$(17,893)

The U.S. dollar amounts are calculated by the prevailing exchange rate on March 31, 2018, which was ¥106.24=U.S.\$1.

The average contribution ratio to total contributions made to all plans for the year ended March 31, 2018 was 5.35%. This ratio does not accord with the actual contribution ratio of the Company group.

The differences of ¥(1,901) million (\$17,893 thousand) as described above was due to prior service cost under pension funding programs ¥(1,826) million (\$17,188 thousand) and special reserve fund ¥(75) million (\$706 thousand).

Prior service costs under this program are amortized using the straight-line method (8 years and 8 months)

## 18. Income Taxes

- (1) The significant components of deferred tax assets and liabilities as of March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Deferred tax assets:			
Allowance for doubtful accounts	¥ 240	¥ 225	\$ 2,027
Accrued business tax	1,323	1,211	10,911
Warranty	1,530	1,858	16,740
Accrued bonuses for employees	1,930	1,957	17,632
Liability for retirement benefits	288	346	3,117
Valuation loss on real estate for sale	4,702	4,515	40,679
Impairment loss on fixed assets	2,340	1,643	14,803
Valuation loss on investment securities	528	623	5,613
Revaluation of assets on consolidation	2,299	12,543	113,010
Consideration for business transfer	-	1,531	13,794
Tax loss carry forwards	21,731	5,745	51,761
Other	7,012	7,830	70,549
Sub-total	43,922	40,027	360,636
Valuation allowance pertaining to tax loss carry forwards	-	(5,221)	(47,400)
Valuation allowance pertaining to total deductible temporary difference	-	(19,010)	(171,277)
Valuation allowances (sub-total) (Note 2)	(30,482)	(24,231)	(218,317)
Total deferred tax assets	13,440	15,796	142,319
Deferred tax liabilities:			
Unrealized gain on other securities	(1,467)	(1,805)	(16,263)
Prepaid pension cost	(2,979)	(3,874)	(34,904)
Revaluation of assets on consolidation	(1,585)	(195)	(1,757)
Other	(719)	(589)	(5,306)
Total deferred tax liabilities	(6,750)	(6,463)	(58,230)
Net deferred tax assets	¥ 6,690	¥ 9,333	\$ 84,089

Notes:

- Valuation loss on real estate for sale includes ¥44 million and ¥44 million (\$396 thousand) as of March 31, 2018 and 2019, respectively, for properties that were reclassified from "Current Assets" to "Property and Equipment" following a change in holding purpose.
- Valuation allowances decreased year on year by ¥6,251 million (\$56,320 thousand). The decrease is mainly due to the following. Four of the Company's consolidated subsidiaries are to be newly incorporated into the consolidated corporate-tax system as of April 1, 2019. In accordance with this, the taxable income before deducting tax loss carry forwards increased as of the end of the fiscal year due to revaluation of assets for tax purposes of the relevant consolidated subsidiaries, but the increase was offset by the tax loss carry forwards. As a result of this and other factors, the valuation allowances for the tax loss carry forwards decreased by ¥15,283 million (\$137,697 thousand). In addition, the Company newly recognized valuation allowances of ¥8,621 million (\$77,665 thousand) for property and equipment due to the said revaluation of assets.

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3) Tax loss carry forwards and related deferred tax assets expire as follow

As of March 31, 2019

<i>Millions of yen</i>							
	Within 1 year	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	After 5 years	Total
Tax loss carry forwards (a)	¥ 2,395	¥ 582	¥ 360	¥ 650	¥ 139	¥ 1,619	¥ 5,745
Valuation allowance	(2,392)	(581)	(360)	(650)	(139)	(1,099)	(5,221)
Deferred tax assets	3	1	–	–	–	520	524 (b)

<i>Thousands of U.S. dollars</i>							
	Within 1 year	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	After 5 years	Total
Tax loss carry forwards (a)	\$ 21,579	\$ 5,244	\$ 3,244	\$ 5,856	\$ 1,252	\$14,586	\$ 51,761
Valuation allowance	(21,551)	(5,235)	(3,244)	(5,856)	(1,252)	(9,902)	(47,040)
Deferred tax assets	27	9	–	–	–	4,685	4,721 (b)

(a) Tax loss carry forwards are shown as the amounts multiplied by the statutory tax rate.

(b) The Company recorded deferred tax assets of ¥524 million (\$4,721 thousand) for tax loss carry forwards of ¥5,745 million (\$51,761 thousand) (the amount multiplied by the statutory tax rate). The said deferred tax assets of ¥524 million (\$4,721 thousand) represent the amount at which the Company recognized for part of the tax loss carry forwards totaling ¥5,745 million (\$51,761 thousand) for Haseko Community Inc. and 12 other consolidated subsidiaries. The deferred tax assets recognized for the tax carry forwards resulted from losses of ¥3 million (\$27 thousand) for the fiscal year ended March 31, 2011, ¥1 million (\$9 thousand) for the fiscal year ended March 31, 2012, ¥219 million (\$1,973 thousand) for the fiscal year ended March 31, 2017, ¥159 million (\$1,433 thousand) for the fiscal year ended March 31, 2018 and ¥142 million (\$1,279 thousand) for the fiscal year ended March 31, 2019, respectively (the amount multiplied by the statutory tax rate for each), as calculated by Haseko Community Inc. and 6 other companies. As such, the Company determined that the amounts are recoverable in view of anticipated taxable income in the future, and did not recognize valuation allowances for them.

(Changes in presentation)

"Accrued business tax", which had been included in "Other" as of March 31, 2018, has been presented separately as of March 31, 2019 due to an increase in its quantitative materiality. To reflect this change in presentation, the note for the previous fiscal year has been restated.

As a result, ¥8,334 million that had been presented as "Other" in the previous fiscal year has been restated as ¥1,323 million for "Accrued business tax" and ¥7,012 million for "Other" in the current fiscal year.

(2) The reconciliation of the statutory tax rate to the effective income tax rate for the years ended March 31, 2018 and 2019 were as follows:

	2018	2019
Statutory tax rate	30.9%	<b>30.6%</b>
(Adjustment)		
Non-deductible expenses	0.5	<b>0.6</b>
Permanent non-taxable items	(0.2)	<b>(0.9)</b>
Per capita inhabitant tax	0.2	<b>0.1</b>
Change in valuation allowances	(12.5)	<b>(7.9)</b>
Tax credit for salary growth	(1.6)	<b>(0.5)</b>
Expiration of tax loss carry forwards	4.1	<b>5.2</b>
Consolidation goodwill	0.8	<b>(0.0)</b>
Tax rate differences between the Company and consolidated subsidiaries	4.4	<b>0.6</b>
Other	1.7	<b>(0.1)</b>
Effective income tax rate	<u>28.2%</u>	<u><b>27.7%</b></u>

## 19. Per Share Information

(1) Per share information as of and for the years ended March 31, 2018 and 2019 were as follows:

	<i>Yen</i>		<i>U.S. dollars</i>
	2018	2019	2019
Net assets per share	¥995.44	<b>¥1,234.13</b>	<b>\$11.12</b>
Net income per share			
Basic	241.98	<b>293.87</b>	<b>2.65</b>
Diluted	–	–	–

(2) The following is the basis for calculating the basic and diluted net income per share:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2018	2019	2019
Net income	¥72,289	<b>¥87,391</b>	<b>\$787,377</b>
Net income not attributable to owners of parent	–	–	–
Net income attributable to owners of parent	<u>¥72,289</u>	<u><b>¥87,391</b></u>	<u><b>\$787,377</b></u>
Weighted average number of shares outstanding (thousands of shares)	298,737	<b>297,380</b>	

Note: Shares owned by the Board Benefit Trust (BBT) and the Stock-Granting ESOP held as trust assets are included in treasury stocks which are deducted in calculating basic profit attributable to owners of parent per share. The average numbers of shares outstanding during the years ended March 31, 2018 and 2019 were 2,057 thousand and 3,414 thousand, respectively, including 1,862 and 3,214 thousand of shares held by the BBT and the Stock-Granting ESOP as trust assets in 2018 and 2019.

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(3) The following is the basis for calculating the net assets per share:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Net assets	¥296,835	<b>¥368,051</b>	<b>\$3,316,074</b>
Amount not attributable to common shareholders:			
Non-controlling interests	836	<b>1,040</b>	<b>9,371</b>
Net assets attributable to common shareholders	<u>¥295,999</u>	<u><b>¥367,011</b></u>	<u><b>\$3,306,703</b></u>
Number of common shares of the end of the period used in the calculation of the net assets per share (thousands of shares)	297,354	<b>297,383</b>	

Note: Shares owned by the Board Benefit Trust (BBT) and the Stock-Granting ESOP held as trust assets are included in treasury stocks which are deducted in calculating net assets per share. The numbers of the treasury stocks at March 31, 2018 and 2019 were 3,439 thousand and 3,410 thousand, respectively, including 3,242 and 3,209 thousand of shares held by the BBT and the Stock-Granting ESOP as trust assets in 2018 and 2019.

## 20. Segment Information

### Overview of segment information

The reportable segments of the Company are components for which discrete financial information is available and which are subject to periodic review in order for the Board of Directors to decide on resource allocation and to assess performance.

The Company group operates its business with any housing related business being at the core. An organizational unit comprises of several business groups with common business/operation targets and responsibilities in certain business domain. The Company has "Construction-Related Business," which primarily targets the market for new housing supply, etc., "Service-Related Business," which primarily deals with existing residences and "Overseas-Related Business," which engages in the development and sales of real estate overseas as reportable segments.

Moreover, as a result of applying "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28 issued on February 16, 2018) from the beginning of the fiscal year ended March 31, 2019, segment assets as of March 31, 2018 were reclassified to reflect this change in presentation.

The accounting policies of the segments are substantially the same as those described in Note 2, "Summary of Significant Accounting Policies." Segment performance is evaluated based on operating income or loss. Intersegment sales amounts are determined based on market price.

1. Reportable segment information for the years ended March 31, 2018 and 2019 were as follows:

	Millions of yen					
	2018					
	Reportable segments				Adjustments and eliminations (Note)	Consolidated
	Construction-related business	Service-related business	Overseas-related business	Total		
Sales, income or loss and assets by reportable segments						
Sales to third parties	¥589,776	¥210,895	¥12,605	¥813,276	¥ –	¥813,276
Inter-segment sales and transfer	25,230	4,554	–	29,784	(29,784)	–
Net sales	615,006	215,449	12,605	843,060	(29,784)	813,276
Segment income	91,266	13,841	348	105,455	(4,650)	100,805
Segment assets	¥241,563	¥277,475	¥34,289	¥553,327	¥134,380	¥687,706
Other items						
Depreciation and amortization	¥ 577	¥ 3,072	¥ 8	¥ 3,657	¥69	¥ 3,726
Investment in equity-method affiliates	–	–	16	16	–	16
Capital expenditures	8,155	21,721	9	29,885	905	30,790

	Millions of yen					
	2019					
	Reportable segments				Adjustments and eliminations (Note)	Consolidated
	Construction-related business	Service-related business	Overseas-related business	Total		
Sales, income or loss and assets by reportable segments						
Sales to third parties	<b>¥665,019</b>	<b>¥222,022</b>	<b>¥ 3,940</b>	<b>¥890,981</b>	<b>¥ –</b>	<b>¥890,981</b>
Inter-segment sales and transfer	<b>26,737</b>	<b>5,987</b>	–	<b>32,724</b>	<b>(32,724)</b>	–
Net sales	<b>691,756</b>	<b>228,009</b>	<b>3,940</b>	<b>923,705</b>	<b>(32,724)</b>	<b>¥890,981</b>
Segment income	<b>87,218</b>	<b>15,499</b>	<b>(451)</b>	<b>102,266</b>	<b>(3,836)</b>	<b>98,430</b>
Segment assets	<b>¥264,155</b>	<b>¥381,843</b>	<b>¥32,643</b>	<b>¥678,641</b>	<b>¥ 94,578</b>	<b>773,219</b>
Other items						
Depreciation and amortization	<b>¥ 1,285</b>	<b>¥ 3,204</b>	<b>¥ 10</b>	<b>¥ 4,499</b>	<b>¥ 83</b>	<b>¥ 4,582</b>
Investment in equity-method affiliates	–	–	5	5	–	5
Capital expenditures	<b>4,087</b>	<b>24,846</b>	<b>10</b>	<b>28,943</b>	<b>(68)</b>	<b>28,875</b>

# Consolidated Financial Statements

Thousands of U.S. dollars

2019						
Reportable segments						
	Construction-related business	Service-related business	Overseas-related business	Total	Adjustments and eliminations (Note)	Consolidated
Sales, income or loss and assets by reportable segments						
Sales to third parties	\$5,991,702	\$2,000,378	\$35,499	\$8,027,579	\$-	\$8,027,579
Inter-segment sales and transfer	240,895	53,942	-	294,837	(294,837)	-
Net sales	6,232,597	2,054,320	35,499	8,322,416	(294,837)	8,027,579
Segment income	785,819	139,643	(4,063)	921,399	(34,562)	886,837
Segment assets	\$2,379,989	\$3,440,337	\$294,108	\$6,114,434	\$852,131	\$6,966,565
Other items						
Depreciation and amortization	\$11,578	\$28,867	\$90	\$40,535	\$748	\$41,283
Investment in equity-method affiliates	-	-	45	45	-	45
Capital expenditures	36,823	223,858	90	260,771	(612)	260,519

Notes:

1) Adjustments and eliminations are as follows:

(2018)

(1) Adjustments and eliminations for segment income include ¥2,208 million of elimination of inter-segment transactions and ¥2,442 million 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.

(2) Adjustment and eliminations for segment assets include ¥5,070 million of elimination of receivables stemming from inter-segment transactions and ¥139,449 million of corporate assets. Corporate assets are primarily comprised of cash and bank deposits of the Company.

(2019)

(1) Adjustments and eliminations for segment income include ¥723 million (\$6,514 thousand) of elimination of inter segment transactions and ¥3,112 million (\$28,039 thousand) 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.

(2) Adjustment and eliminations for segment assets include ¥8,318 million (\$74,944 thousand) of elimination of receivables stemming from inter-segment transactions and ¥102,896 million (\$927,075 thousand) of corporate assets. Corporate assets are primarily comprised of cash and bank deposits of the Company.

2) Segment income has been adjusted with operating income in the consolidated statement of income.

2. Impairment loss on fixed assets by reportable segments for the years ended March 31, 2018 and 2019 were summarized as follows:

Millions of yen						
2018						
Reportable segments						
	Construction-related business	Service-related business	Overseas-related business	Total	Adjustments and eliminations	Consolidated
Impairment loss on fixed assets	¥-	¥197	¥-	¥197	¥-	¥197
Millions of yen						
2019						
Reportable segments						
	Construction-related business	Service-related business	Overseas-related business	Total	Adjustments and eliminations	Consolidated
Impairment loss on fixed assets	¥6	¥646	¥-	¥652	¥-	¥652
Thousands of U.S. dollars						
2019						
Reportable segments						
	Construction-related business	Service-related business	Overseas-related business	Total	Adjustments and eliminations	Consolidated
Impairment loss on fixed assets	\$54	\$5,820	\$-	\$5,874	\$-	\$5,874

3. The following table presents the amortization and balance of goodwill as of and for the years ended March 31, 2018 and 2019 by reportable segment:

Millions of yen						
2018						
Reportable segments						
	Construction-related business	Service-related business	Overseas-related business	Total	Adjustments and eliminations	Consolidated
Amortization	¥-	¥663	¥-	¥663	¥-	¥663
Balance as of March 31	¥-	¥3,545	¥-	¥3,545	¥-	¥3,545



# Consolidated Financial Statements

Millions of yen						
2019						
Reportable segments						
	Construction-related business	Service-related business	Overseas-related business	Total	Adjustments and eliminations	Consolidated
Amortization	¥-	¥2,267	¥-	¥2,267	¥-	¥2,267
Balance as of March 31	¥-	¥2,997	¥-	¥2,997	¥-	¥2,997

Thousands of U.S. dollars						
2019						
Reportable segments						
	Construction-related business	Service-related business	Overseas-related business	Total	Adjustments and eliminations	Consolidated
Amortization	\$-	\$20,425	\$-	\$20,425	\$-	\$20,425
Balance as of March 31	\$-	\$27,002	\$-	\$27,002	\$-	\$27,002

4. Information by product and service  
Information by product and service is omitted as similar information has already been disclosed in this section.

#### 5. Geographical information

##### (1) Net sales

Net sales information is omitted since net sales to external customers in Japan exceeds 90% of net sales recorded in the consolidated statement of income for the years ended March 31, 2018 and 2019.

##### (2) Property and equipment

Property and equipment information is omitted, since the amount of property and equipment located in Japan exceeds 90% of the amount of property and equipment recorded in the consolidated balance sheet as of March 31, 2018 and 2019.

#### 6. Information by major customers

(2018)

Name	Net sales	Segment
Sumitomo Realty & Development Co., Ltd.	¥84,732 million	Construction-related business & Service-related business

(2019)

Information by major customers is omitted, as net sales to any one specific customer were less than 10% of net sales recorded in the consolidated statement of income.

## 21. Related Party Transactions

The consolidated subsidiary of the Company had a related party transaction with a close family member of a key management personnel of the Company.

The corresponding balances as of March 31, 2018 and 2019 and the amounts of these transactions for the years then ended are summarized as follows:

Fiscal year ended March 31, 2018 (April 1, 2017 – March 31, 2018)

Type	Name of company or individual	Relationship with related party	Transaction	Transaction amount	Account	Balance at end of fiscal year
Director and close relative	Mother-in-law of Noriaki Tsuji, President and Representative Director of Haseko Corporation	Resident agreement with a paid facility for the elderly operated by a subsidiary of the Company (Notes 1 and 2)	Resident agreement with a paid facility for the elderly operated by a subsidiary of the Company (Notes 1 and 2)	(Millions of yen) ¥12	Other current liabilities	(Millions of yen) ¥8

Notes:

1) Price and other transaction terms are determined in a similar manner for general transactions.

2) National and local consumption taxes are not included in the transaction amount and the balance at end of fiscal year.

Fiscal year ended March 31, 2019 (April 1, 2018 – March 31, 2019)

Not applicable.

# Consolidated Financial Statements

## 22. Other Comprehensive Income

Reclassification adjustments and tax effects on components of other comprehensive income for the years ended March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Net unrealized gain (loss) on other securities:			
Amount arising during the year	¥ 3,738	¥ 1,113	\$ 10,028
Reclassification adjustments for gains (losses) recognized in net income	—	—	—
Amount before tax effect	3,738	1,113	10,028
Tax effect	(1,090)	(338)	(3,045)
Net unrealized gain (loss) on other securities	2,648	775	6,983
Translation adjustments:			
Amount arising during the year	(929)	(625)	(5,631)
Retirement benefits liability adjustments:			
Amount arising during the year	410	(2,624)	(23,642)
Reclassification adjustments for gains (losses) recognized in net income	370	407	3,667
Amount before tax effect	780	(2,217)	(19,975)
Tax effect	(235)	679	6,118
Retirement benefit liability adjustments	545	(1,538)	(13,857)
Share of other comprehensive income (loss) of affiliates accounted for by the equity method:			
Amount arising during the year	—	—	—
Total other comprehensive income (loss)	¥ 2,264	¥ (1,388)	\$ (12,505)

## 23. Business Combination, etc.

### Business Divestiture

The Company and Haseko Anesis Corporation, a consolidated subsidiary, decided to transfer the services of high-voltage bulk power purchasing and electric power retailing for common areas of condominiums (hereinafter, the "Smart Condominium Business") provided by Haseko Anesis Corporation to Next Power Company at the meeting held on April 19, 2018 and completed the sale of the business on July 1, 2018. Under this transaction, the assets and liabilities held by Haseko Anesis Corporation regarding the Smart Condominium Business were succeeded to Next Power Company by way of company split (absorption-type split).

### 1. Overview of the business split

#### (1) Successor company

1) Name:	Next Power Company
2) Address:	4F, Sumitomo Fudosan Ningyocho Bldg., 2-1 Nihonbashihoridomecho 2-chome, Chuo-ku, Tokyo
3) Representative:	Koji Furusawa, President and Representative Director
4) Business description:	Bulk electric power purchasing and distribution for apartments Design of electric facilities Construction work and maintenance of electric facilities
5) Paid-in capital:	¥23 billion

(2) Business to be split  
Smart Condominium Business

(3) Reason for the absorption-type split

The Haseko Group has worked to expand the services of the Smart Condominium Business provided by Haseko Anesis Corporation to condominium residents as an effort to secure the number of units covered by the business and enhance the quality of the services. For users of the services to enjoy greater convenience in the future, however, the Company has decided to transfer the business to Next Power Company, a fully-owned subsidiary of The Kansai Electric Power Company, Incorporated, one of Japan's leading companies in the energy field.

(4) Schedule of the absorption-type split  
July 1, 2018

(5) Legal form of business combination  
Absorption-Type Split in exchange for a cash consideration

### 2. Summary of accounting treatment used:

(1) Gain on transfer  
Gain on transfer of business ¥21,349 million (\$192,351 thousand)

(2) Book value of assets and liabilities related to the transferred business and main breakdown

	Millions of yen	Thousands of U.S. dollars
	2019	2019
Current assets	¥ 804	\$ 7,244
Fixed assets	7,104	64,006
Total assets	7,908	71,250
Current liabilities	691	6,226
Long-term liabilities	7,217	65,033
Total liabilities	7,908	71,259

3. Reporting Segment of the Separated Business:  
Service-related Business

4. Estimated profit related to the separated business recorded in the consolidated statement of income for the fiscal year ended March 31, 2019:

	Millions of yen	Thousands of U.S. dollars
	2019	2019
Net sales	¥2,330	\$20,993
Gross profit	187	1,685

# Consolidated Financial Statements

## Independent Auditor's Report

The Board of Directors  
HASEKO Corporation

We have audited the accompanying consolidated financial statements of HASEKO Corporation, and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2019, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of HASEKO Corporation, and its consolidated subsidiaries as at March 31, 2019, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

### *Convenience Translation*

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 4.

*Ernst & Young Shinrihōn LLC*

June 27, 2019  
Tokyo, Japan

# History

## Dec. 1974

Completed construction of headquarters building, "Akasaka Long Beach Bldg.," in Akasaka, Minato-ku Tokyo and transferred headquarters there

## Dec. 1973

Achieved number one of accumulated condominium construction in Japan (35,000 units)

## Dec. 1970

Transferred headquarters to Hasegawa Building No. 8 in Dogenzaka, Shibuya-ku, Tokyo

## Jul. 1970

Completed construction of "Nissho Iwai Shiroganedai Condominium," the first condominium Haseko constructed in Tokyo Metropolitan Area

## Feb. 1969

Completed construction of "Ashiya Matsuhama Heights," the first condominium Haseko constructed

## Apr. 1965

Listed on the 1st Sections of Tokyo Stock Exchange, Osaka Securities Exchange and Nagoya Stock Exchange

## Aug. 1953

Transferred headquarters to Osaka

## Feb. 1951

Opened Tokyo branch Office

## Aug. 1946

Incorporated Hasegawa Komuten Co., Ltd., headquartered in Himeji-shi, Hyogo

## Feb. 1937

Established Hasegawa Komuten in Amagasaki-shi, Hyogo



1969 Ashiya Matsuhama Heights

● The first condominium constructed by Haseko

Note: The year number of photograph caption is a completion year.

## Mar. 1999

Finished "Hills Kugahara," a large-scale replacement project

## Mar. Jul. 1997

Obtained ISO 9001 certification, an international standard for quality control and quality assurance system, in Tokyo and Kansai area \*First such certification for a Japanese company in the design and construction of multi-family dwellings" category

## Oct. 1992

Completed construction of "Acro City Towers," a 32-storied skyscraper condominium

## Jan. 1989

Completed "Century City Omiya Koen," a condominium with services for elder people

## Oct. 1988

Changed corporate name to HASEKO Corporation

## Jan. 1981

Completed construction of "Shiba Head Office Building" in Shiba, Minato-ku, Tokyo and transferred headquarters there



1977 Palais Royal Nagatacho

● High-grade condominium

## Nov. 2005

Completed the "Shirokane Urban Renewal Project" in Shirokane, Minato-ku, Tokyo, that harmonized living, commercial and industrial settings

## Sep. 2003

Completed the "Urayasu AMC Project," an advanced multi-purpose urban development project

## Apr. 2003

Established "Haseko Anesis Corporation," a service-related new subsidiary

## Mar. 2003

Started operation of "Century City Kita Urawa," a paid care house for elderly people

## Jul. Oct. 2001

Obtained ISO 14001 certification, a international standard for environmental management, in Kansai and Tokyo area

Accumulated number of condominium units constructed by Haseko



1984 Palais Royal Ashiya-Midorigaoka

● The first rebuilt condominium



1992 Acrocity Towers

● The first ultra-skyscraper condominium

# History

## Jul. 2012

Established "Haseko Real Estate, Inc.," a comprehensive real estate brokerage subsidiary

## Jun. 2011

Achieved construction of a cumulative total of 500,000 condominium units

## Jun. 2009

Obtained certification as "long-life, high-quality housing" for the two projects of "BRANCHERA Urawa" and "BRANCHERA Suitakatayama-koen" -the first such certification in Japan for for-sale condominiums

## Mar. 2009

Completed construction of "The Kitahama," a 54-storied condominium with 465 units built on the former site of a department store in Kitahama, Osaka

## Mar. 2006

Completed "Obel Grandio Haginaka," Japan's first rebuilding of a condominium applying the Revised Condominium Unit Ownership Act

## Dec. 2015

Joint Corporation became a subsidiary by share acquisition (the present consolidated subsidiary), Main businesses are for-sale real estate business and real estate management business

## May 2015

Sohgoh Real Estate Co., Ltd. became a subsidiary by share acquisition (the present consolidated subsidiary), Main businesses are for-sale real estate business, real estate solutions and condominium management businesses

## Nov. 2013

Seikatsu Kagaku Un-Ei Co., Ltd. became a subsidiary by share acquisition (the present consolidated subsidiary), Main businesses are operation and other services for paid facilities for the elderly

## Mar. 2013

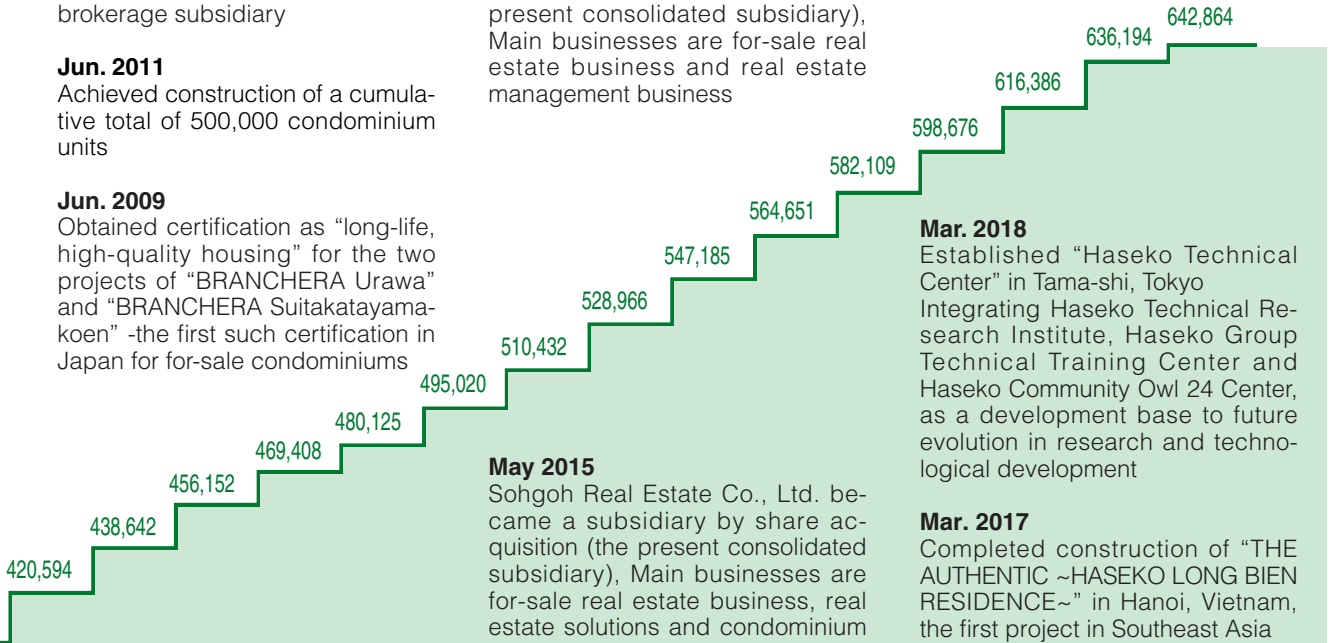
Season Suite Shiki-no-Mori certified as a low carbon building (the first acquisition of such certification among for-sale condominiums)

## Mar. 2018

Established "Haseko Technical Center" in Tama-shi, Tokyo Integrating Haseko Technical Research Institute, Haseko Group Technical Training Center and Haseko Community Owl 24 Center, as a development base to future evolution in research and technological development

## Mar. 2017

Completed construction of "THE AUTHENTIC ~HASEKO LONG BIEN RESIDENCE~" in Hanoi, Vietnam, the first project in Southeast Asia



2011 BRANCHERA Suitakatayama-koen  
● Long-life, high-quality housing



2004 Fukasawa House  
● The first introduction of disaster prevention sets



2009 The Kitahama  
● 54-storied ultra-skyscraper condominium



2011 BRANCHERA Urawa  
● Long-life, high-quality housing

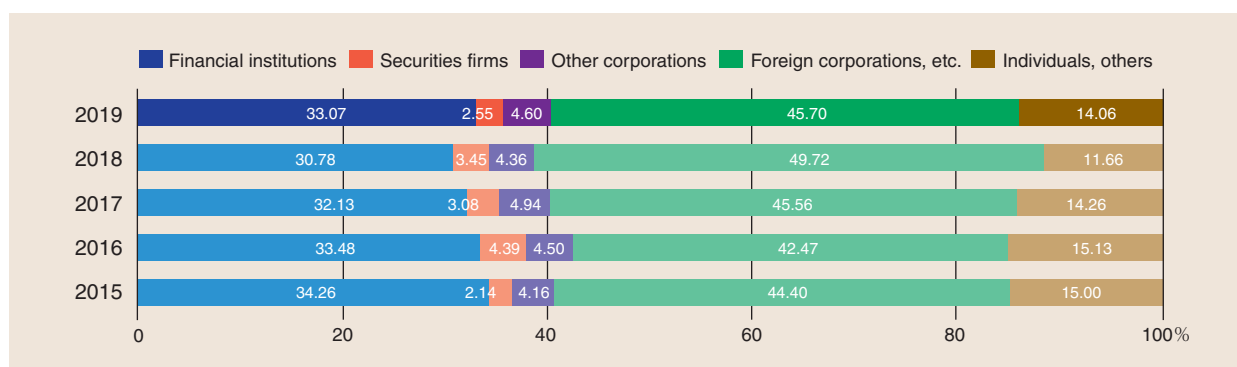
~2005 ~2006 ~2007 ~2008 ~2009 ~2010 ~2011 ~2012 ~2013 ~2014 ~2015 ~2016 ~2017 ~2018 June 2019

**Share overview** (As of March 31, 2019)

Total shares authorized to issue:	420 million shares
Outstanding shares:	300 million shares
Shareholders:	43,540 parties

Note 1. Shares of less than million shares have been cut off prior to being displayed.  
2. Common stocks do not include fractional shares of less than the share unit.

**Composition of shareholders** (As of March 31, 2019)



**Principal shareholders** (As of March 31, 2019)

Shareholder	Shares (1,000 shares)	Voting rights (%)
Ichigo Trust Pte.Ltd.	33,917	11.29
The Master Trust Bank of Japan, Ltd. (Trust account)	23,512	7.83
Japan Trustee Services Bank, Ltd. (Trust account)	17,074	5.68
Resona Bank, Limited	12,609	4.20
Sumitomo Realty & Development Co., Ltd.	7,152	2.38
Mizuho Bank, Ltd.	6,305	2.10
Haseko Group Employee Shareholders Association	5,941	1.97
Japan Trustee Services Bank, Ltd. (Trust account 5)	5,491	1.82
Japan Trustee Services Bank, Ltd. (Trust account 9)	5,416	1.80
SSBTC CLIENT OMNIBUS ACCOUNT	4,768	1.58

Note 1. The shareholdings of The Master Trust Bank of Japan, Ltd. and Japan Trustee Services Bank, Ltd are all interests in trust.  
2. All owned shares of less than 1,000 shares have been rounded off.  
3. All decimals from the 1,000th place have been rounded off in indicating the percentage of voting rights.

**Changes in Stock Price**

**Highest and lowest stock prices by fiscal year over past 5 years**

Accounting period	Fiscal year ended March 2015	Fiscal year ended March 2016	Fiscal year ended March 2017	Fiscal year ended March 2018	Fiscal year ended March 2019
Highest	1,198	1,699	1,358	1,853	1,754
Lowest	604	891	918	1,139	1,090

Note. The stock price indicates the price recorded at the First Section of the Tokyo Stock Exchange.

### Overview *(As of March 31, 2019)*

<b>Name:</b> Haseko Corporation	<b>Head office:</b> 32-1 Shiba 2-chome, Minato-ku, Tokyo 105-8507 Tel: 813-3456-5451
<b>Founded:</b> February 1937	<b>Kansai office:</b> 5-7 Hiranomachi 1-chome, Chuo-ku, Osaka-shi, Osaka 541-0046 Tel: 816-6203-5661
<b>Established:</b> August 1946	<b>Yokohama branch:</b> 9th Floor, Nittsu Shoji Yokohama Building, 19-3 Takashima 2-chome, Nishi-ku, Yokohama-shi, Kanagawa 220-0011
<b>Paid-in capital:</b> 57,500 million yen	<b>Nagoya branch:</b> 9th Floor, Sakae Sun City Building, 1-8 Sakae 4-chome, Naka-ku, Nagoya-shi, Aichi 460-0008
<b>Number of employees:</b> 2,436 (Non-consolidated) 6,974 (Consolidated)	<b>Kyoto branch:</b> 7th Floor, Chushin Ekimae Building, 734 Higashishiokouji-cho, Karasuma-dori, Shichijou-kudaru, Shimogyo-ku, Kyoto-shi, Kyoto 600-8216
<b>Stock exchange listing:</b> Tokyo Stock Exchange 1st section,	<b>Kyushu Operations Division:</b> 2nd Floor, Hakataekimae Square, 21-28 Hakataekimae 1-chome, Hakata-ku, Fukuoka-shi, Fukuoka 812-0011
<b>Ticker code:</b> 1808	<b>Chugoku &amp; Shikoku Business Promotion Department:</b> Orix Okayama-shimoishii Building, 1-18 Shimoishii 2-chome, Kita-ku, Okayama-shi, Okayama 700-0907
<b>Shares per trading units:</b> 100 shares	<b>Technical research institute:</b> 1-1 Tsurumaki 3-chome, Tama-shi, Tokyo 206-0034
<b>Number of consolidated subsidiaries:</b> 63	<b>Vietnam representative office:</b> 7th Floor, Vinafor Building, No.127 Lo Duc, Dong Mac Ward, Hai Ba Trung District, Hanoi, Vietnam
<b>Number of companies accounted for by the equity method:</b> 1	<b>Indonesia representative office:</b> 14th floor Summitas II, Jl. Jend. Sudirman Kav.61-62, Senayan, Kebayoran Baru, Jakarta Selatan, Indonesia
<b>Transfer agent and registrar:</b> Mitsubishi UFJ Trust and Banking Corporation	
<b>Independent auditor:</b> ERNST & YOUNG SHIN NIHON	

