FINANCIAL REPORT 2022

For the Year Ended March 31, 2022

HASEKO Corporation

Management’s Discussion and Analysis

Analysis of Financial Condition, Business Performance and Cash Flows by Management

An overview of the Group’s financial condition, business performance and cash flows (“business performance”) for the fiscal year ended March 2022, and the awareness and details of analysis and consideration of the Group’s business performance from management’s perspective are described below. Matters concerning the future contained herein are determined as of the end of the fiscal year under review.

(1) Business Performance for the Fiscal Year Ended March 2022

In the fiscal year ended March 2022, the Japanese economy picked up due to the effect of various policies and the improvement of overseas economies while the severe situation caused by COVID-19 has been relieved. However, there is uncertainty due to the situation in Ukraine, etc. and it is necessary to pay close attention to the downside risk due to rising raw material prices and fluctuations in financial and capital markets.

New supply of condominium units in the fiscal year ended March 2022 stood at 32,872 units (up 13.2% year on year) in the Tokyo metropolitan area and 18,160 units (up 11.8% year on year) in the Kinki area. The number of units exceeded 30,000 for the first time in three years in the Tokyo metropolitan area, and it exceeded the previous fiscal year for the first time in three years in the Kinki area. The upward trend of the unit price and the average market price continues both in the Tokyo metropolitan area and in the Kinki area. The unit price increased to 953 thousand yen/m2 (up 5.2% year on year) and the average market price increased to 63.60 million yen (up 6.1% year on year) in the Tokyo metropolitan area, surpassing the amount recorded for the fiscal year ended March 1991 (949 thousand yen/m2 and 62.14 million yen) and reaching a record high. The unit price increased to 759 thousand yen/m2 (up 8.7% year on year) and the average market price increased to 46.51 million yen (up 11.8% year on year) in the Kinki area. The unit price achieved a record high and the average market price reached the highest level since the fiscal year ended March 1992 (54.64 million yen).

Under such circumstances, for the fiscal year ended under review, which represents the second year of the “Haseko Next Stage Plan” (Plan NS), the Company’s medium-term business plan, net sales were 909.7 billion yen because real estate sales increased significantly. Ordinary income exceeded the initial forecast of 75.0 billion yen and reached 81.9 billion yen because sales of new for-sale condominiums by consolidated subsidiaries in the Real Estate-Related Business progressed smoothly and each subsidiary of Service-Related Business steadily accumulated profits.

For the fiscal year ended March 2022, net sales were up 12.4% at 909.7 billion yen because real estate sales increased due to an increase in a transaction volume of real estate for the purpose of receiving construction orders by the Company and an increase in a transaction volume of real estate by consolidated subsidiaries despite the sales of construction contracts reduced by the Company. Mainly due to an increase in the gross profit of real estate sales, operating income was up 13.4% at 82.7 billion yen, ordinary income was up 14.0% at 81.9 billion yen, and net income attributable to owners of parent was up 12.9% at 54.5 billion yen, all on a year-on-year basis. The operating income ratio was 9.1% (up by 0.1 percentage points year on year) and ordinary income ratio came to 9.0% (up by 0.1 percentage points year on year).

Performance by segment is described below.

Billions of yen

	Construction-Related Business		Real Estate-Related Business		Service-Related Business		Overseas-Related Business	
Net sales	646.5	(+34.5)	108.1	(+33.9)	211.1	(+25.4)	0.0	(-0.7)
Operating income	63.3	(-1.3)	15.6	(+7.1)	13.2	(+6.3)	-4.3	(-3.2)

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

Construction-Related Business

For construction works, project owners have had high regard for the Company’s ability in gathering land information as well as product planning, its attitude regarding construction quality and maintaining construction schedules, efficient production systems, and such. The gross profit margin of completed construction contracts rose due to cost reduction efforts, etc.

In terms of orders for new construction of for-sale condominiums, the Company won orders for 91 projects in total throughout Japan consisting of 64 in the Tokyo metropolitan area including 15 large projects of at least 200 units and 27 in the Kinki and Tokai areas including 8 large projects of at least 200 units. In addition, aside from construction of for-sale condominiums, the Company received orders for 15 projects for rental housing, etc.

As for construction completion, the Company completed construction of 104 projects including 9 projects for rental housing, etc.

The segment posted sales of 646.5 billion yen, a year-on-year increase of 5.6%, due to the increase in the transaction volume of land for the purpose of receiving construction orders by the Company despite the decrease in the sales of construction contracts. Operating income was 63.3 billion yen, a year-on-year decrease of 2.1%, with a decrease in profit on construction associated with lower sales of completed construction contracts despite an increase in the gross profit margin of completed construction contracts.

Real Estate-Related Business

As deliveries of new for-sale condominiums and sales of finished inventory by consolidated subsidiaries progressed smoothly, the segment posted sales of 108.1 billion yen, a year-on-year increase of 45.6%, and operating income of 15.6 billion yen, a year-on-year increase of 83.5%.

Service-Related Business

Sales and profits for large-scale repair work and interior remodeling increased year on year due to the increased volume of repair work in large-scale repair work and interior remodeling. There was a rebound from the previous fiscal year when self-restraint in business activities was conducted due to COVID-19.

In the management of rental condominiums and corporate housing management agency services, the number of units the Company operates reached a combined total of 174,951 units, an increase of 3.4% 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 consignment sales of newly built condominiums, the number of delivered units increased partly due to sales in the Tokyo metropolitan area being strong.

In real estate brokerage operations, the number of brokered units and the number of sold units in the renovation business both increased year on year.

In for-sale condominium management operations, the number of units the Haseko Group is consigned to manage reached 419,060 units (up 2.1% year on year) with new consignment remaining strong.

In the senior services business, the number of paid facilities for the elderly and housing for elderly in operation totaled 2,297 units (up 0.7% year on year) mainly as a result of progress seen in move-ins to paid facilities for the elderly and housing for elderly.

The segment posted sales of 211.1 billion yen, a year-on-year increase of 13.7%, and operating income of 13.2 billion yen, a year-on-year increase 90.0%.

Overseas-Related Business

Real estate sales decreased in Oahu, Hawaii. Construction and sales of new for-sale houses and development of a commercial facility are still progressing. The segment posted sales of 0.0 billion yen, a year-on-year decrease of 98.5%, and operating loss of 4.3 billion yen (in contrast to operating loss of 1.1 billion yen in the previous fiscal year) due to the impact of a one-time recording of some assets as an expense because of the review of asset usability.

(2) Financial Position

Total assets at the end of the fiscal year ended March 2022 increased by 128.2 billion yen from the end of the previous fiscal year to 1,081.9 billion yen. This is attributable to an increase in cost and advances for real estate operations in accordance with the investing in lands for the purpose of receiving construction orders and construction and sales of new for-sale condominiums business.

Total liabilities were 664.2 billion yen, an increase of 104.9 billion yen from the end of the previous fiscal year. This is attributable to borrowing of debt and an increase in advances received for real estate sales.

Consolidated net assets were 417.7 billion yen, an increase of 23.3 billion yen from the end of the previous fiscal year, stemming from such factors as increase in retained earnings due to the recording of net income attributable to owners of parent despite the balance of retained earnings at the beginning of the fiscal year decreasing by 11.9 billion yen due to the impact of the application of the “Accounting Standard for Revenue Recognition,” in addition to the payment of cash dividends and purchase of treasury stock.

As a result, the equity ratio was 38.6% compared with 41.4% at the end of the previous fiscal year.

The real estate owned by the Haseko Group increased due to such factors as acquisition of real estate on a short-term basis for the purpose of construction orders and purchase of for-sale real estate. In this regard, the Company conducts appropriate risk management in implementing its business operations.

Assets by segment are described below.

Billions of yen

	Construction-Related Business		Real Estate-Related Business		Service-Related Business		Overseas-Related Business	
Segment assets	353.8	(+29.7)	331.7	(+26.9)	203.0	(+16.3)	67.9	(+18.9)

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 353.8 billion yen as of the end of the fiscal year under review, up 29.7 billion yen from the end of the previous fiscal year, due to such factors as increases in real estate for sale and cost and advances for real estate operations associated with lands for the purpose of receiving construction orders.

Real Estate-Related Business

Assets of the Real Estate-Related Business amounted to 331.7 billion yen as of the end of the fiscal year under review, up 26.9 billion yen from the end of the previous fiscal year, as new for-sale condominiums were delivered and notes and accounts receivable for sale of finished inventory were collected, while cost and advances for real estate operations increased in accordance with steady progress in the purchase of for-sale condominiums, among other factors.

Service-Related Business

Assets of the Service-Related Business totaled 203.0 billion yen as of the end of the fiscal year under review, up 16.3 billion yen from the end of the previous fiscal year, mainly because cash and bank deposits increased in accordance with an increase in deposits.

Overseas-Related Business

Assets of the Overseas-Related Business increased by 18.9 billion yen from the end of the previous fiscal year to 67.9 billion yen as of the end of the fiscal year under review due to an increase in construction in progress in accordance with the development of retail facilities as well as equity investment in affiliates, among other factors.

(3) Cash Flows

Net cash provided by operating activities in the fiscal year ended March 2022 was 65.4 billion yen, an increase of 33.6 billion yen compared with the net cash provided by operating activities totaling 31.9 billion yen in the previous fiscal year. Major factors included a decrease of 40.0 billion yen in cash in accordance with an increase in inventories (compared with a decrease of 53.2 billion yen in cash for the previous fiscal year).

Net cash used in investing activities was 31.6 billion yen, a decrease of 4.2 billion yen compared with the net cash used in investing activities totaling 35.8 billion yen in the previous fiscal year. Major factors included a decrease of 26.8 billion yen in cash in accordance with purchase of property and equipment and intangible assets (compared with a decrease of 29.8 billion yen in cash for the previous fiscal year).

Net cash provided by financing activities was 15.7 billion yen, a decrease of 51.1 billion yen compared with the net cash provided by financing activities totaling 66.8 billion yen in the previous fiscal year. Major factors included an increase of 40.1 billion yen in cash as a result of new long-term debt and newly issuing corporate bonds offset by repayments of long-term debt and redemption of corporate bonds (compared with an increase of 115.7 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 fiscal year ended March 2022 totaled 264.9 billion yen, an increase of 50.6 billion yen from 214.3 billion yen at the end of the previous fiscal year.

The balance of cash and cash equivalents at the end of the fiscal year ended March 2022 increased significantly from the end of the previous fiscal year. The increase is mainly due to an increase in cash flows from operating activities as a result of an increase in income before income taxes as well as an increase in cash flows from financing activities as a result of new long-term debt and newly issuing corporate bonds.

The financial resources and liquidity of funds of the Haseko Group are as follows.

The Haseko Group's demand for funds includes expenditures mainly for such purposes as operating funds for construction projects, acquisition of real estate on a short-term basis for the purpose of construction orders, purchase of for-sale real estate, and investments in rental properties and the overseas business. In addition, the Haseko Group plans to make investments of 240.0 billion yen, centering on the rental properties holding and development business, condominium sales business and overseas business, in the medium-term business plan (for the fiscal year ended March 2021 through the fiscal year ending March 2025) it prepared in February 2020. For such demand for funds, the Company intends to allocate profits from business activities and funds procured from debt and issuance of corporate bonds.

In the fiscal year under review, the Company repaid long-term debt totaling 9.9 billion yen upon maturity, while procuring 50.0 billion yen in long-term debt. Accordingly, the balance of debt including corporate bonds increased by 43.9 billion yen to 311.8 billion yen.

In addition, the Company has concluded a commitment line agreement of 63 billion yen with financial institutions in order to conduct stable and flexible procurement of working capital, ensuring sufficient liquidity in conjunction with cash and bank deposits.

CONSOLIDATED BALANCE SHEET

As of March 31, 2021 and 2022

ASSETS

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2022	**2022**	**2022**
ASSETS			
Current Assets:			
Cash and bank deposits (Notes 5 and 18)	¥216,107	**¥ 266,891**	**$2,180,656**
Notes and accounts receivable, trade (Notes 5, 10, 11 and 25)	132,346	**147,945**	**1,208,800**
Marketable securities (Notes 5 and 6)	516	**576**	**4,705**
Costs on uncompleted construction contracts	10,774	**11,379**	**92,971**
Inventories (Notes 7 and 16)	305,703	**368,732**	**3,012,761**
Other current assets (Note 11)	24,175	**14,642**	**119,631**
Allowance for doubtful accounts (Note 5)	(94)	**(84)**	**(690)**
Total current assets	689,527	**810,079**	**6,618,833**
Property and Equipment (Notes 8, 11 and 12)	173,010	**174,182**	**1,423,171**
Intangible Assets (Note 8)	9,858	**10,092**	**82,460**
Investments and Other Assets:			
Investment securities (Notes 5 and 6)	40,880	**43,125**	**352,360**
Long-term loans receivable (Note 5)	3,077	**2,333**	**19,063**
Net defined benefit asset (Note 20)	18,458	**20,416**	**166,813**
Deferred tax assets (Note 21)	5,803	**8,918**	**72,866**
Other assets	13,839	**13,548**	**110,696**
Allowance for doubtful accounts (Note 5)	(793)	**(787)**	**(6,431)**
Total investments and other assets	81,264	**87,554**	**715,368**
Total assets	¥953,659	**¥1,081,907**	**$8,839,832**

See notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As of March 31, 2021 and 2022

LIABILITIES AND NET ASSETS

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2021	**2022**	**2022**
LIABILITIES			
Current Liabilities:			
Notes and accounts payable (Note 5)	¥ 87,095	**¥ 86,480**	**$ 706,594**
Electronically recorded obligations (Note 5)	54,899	**55,562**	**453,972**
Current portion of long-term debt (Notes 5, 9 and 11)	5,971	**31,841**	**260,158**
Income taxes payable (Notes 5 and 21)	15,397	**16,495**	**134,773**
Advances received on uncompleted construction contracts (Note 13)	17,636	**25,472**	**208,121**
Advances received for real estate sales (Note 13)	22,349	**38,095**	**311,260**
Warranty	4,303	**5,487**	**44,832**
Allowance for losses on construction contracts	151	**384**	**3,137**
Accrued bonuses for employees	4,797	**5,322**	**43,482**
Accrued bonuses for directors	127	**157**	**1,279**
Other current liabilities (Note 13)	59,238	**85,249**	**696,539**
Total current liabilities	271,963	**350,543**	**2,864,146**
Long-term Liabilities:			
Straight bonds (Notes 5 and 9)	90,000	**90,000**	**735,354**
Long-term debt (Notes 5, 9, 11 and 19)	171,981	**190,000**	**1,552,414**
Liability for retirement benefits (Note 20)	1,361	**1,446**	**11,816**
Provision for loss on litigation	2,245	**2,484**	**20,293**
Provision for employee stock ownership plan (Note 3)	2,787	**3,446**	**28,155**
Provision for board benefit trust (Note 3)	347	**421**	**3,437**
Deferred tax liabilities (Note 21)	22	**18**	**150**
Other long-term liabilities	18,589	**25,883**	**211,478**
Total long-term liabilities	287,331	**313,697**	**2,563,097**
Total liabilities	559,294	**664,240**	**5,427,243**
Commitments and Contingent Liabilities (Notes 14 and 15)			
NET ASSETS (Notes 17 and 22)			
Shareholders' Equity:			
Capital stock	57,500	**57,500**	**469,810**
Capital surplus	7,373	**7,373**	**60,244**
Retained earnings	369,335	**392,149**	**3,204,090**
Treasury stock, at cost — 24,231,920 shares in 2021	(31,353)		
— 26,148,175 shares in 2022		**(34,333)**	**(280,520)**
Total shareholders' equity	402,855	**422,689**	**3,453,623**
Accumulated Other Comprehensive Income:			
Net unrealized gain on other securities	4,254	**2,358**	**19,264**
Translation adjustments	(7,320)	**(2,180)**	**(17,811)**
Retirement benefits liability adjustments	(5,429)	**(5,205)**	**(42,527)**
Total accumulated other comprehensive income (loss)	(8,495)	**(5,027)**	**(41,074)**
Non-controlling Interests	5	**5**	**39**
Total net assets	394,365	**417,667**	**3,412,589**
Total liabilities and net assets	¥953,659	**¥1,081,907**	**$8,839,832**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

For the years ended March 31, 2021 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2021	**2022**	**2022**
Net Sales (Note 16)	¥809,438	**¥909,708**	**$7,432,863**
Cost of Sales (Note 16)	673,207	**761,399**	**6,221,086**
Gross profit	136,231	**148,309**	**1,211,777**
Selling, General and Administrative Expenses (Note 16)	63,322	**65,607**	**536,048**
Operating income	72,909	**82,702**	**675,729**
Non-operating Income (Expenses):			
Interest and dividend income	490	**1,226**	**10,016**
Equity in earnings of affiliates	0	**–**	**–**
Interest expense	(1,353)	**(1,675)**	**(13,683)**
Equity in losses of affiliates	–	**(2)**	**(13)**
Bond issuance cost	(377)	**–**	**–**
Incidental expense for loan	(1,484)	**(1,465)**	**(11,967)**
Other, net	1,646	**1,083**	**8,851**
	(1,077)	**(832)**	**(6,796)**
Ordinary income	71,832	**81,871**	**668,933**
Special Income (Losses):			
Gain (loss) on disposal or sales of property and equipment, net (Note 8)	(47)	**(63)**	**(512)**
Gain on sale of investment securities	1	**218**	**1,784**
Impairment loss on fixed assets	(156)	**(166)**	**(1,354)**
Impairment loss on investment securities	(764)	**(36)**	**(294)**
Other, net	-	**(0)**	**(0)**
	(966)	**(46)**	**(377)**
Income before Income Taxes	70,866	**81,825**	**668,557**
Income Taxes (Note 21)**:**			
Current	22,994	**25,478**	**208,170**
Deferred	(386)	**1,857**	**15,173**
	22,608	**27,335**	**223,343**
Net Income	48,258	**54,490**	**445,213**
Net Income (Loss) Attributable to Non-controlling Interests	(0)	**(0)**	**(4)**
Net Income Attributable to Owners of Parent (Note 22)	¥ 48,258	**¥ 54,490**	**$ 445,217**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended March 31, 2021 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2021	**2022**	**2022**
Net Income	¥48,258	**¥54,490**	**$445,213**
Other Comprehensive Income:			
Net unrealized gain (loss) on other securities	4,781	**(1,897)**	**(15,497)**
Translation adjustments	(1,989)	**5,140**	**42,000**
Retirement benefits liability adjustments	2,223	**225**	**1,834**
Total other comprehensive income	5,015	**3,468**	**28,337**
Comprehensive Income (Note 26)	53,273	**57,958**	**473,551**
Total Comprehensive Income Attributable to:			
Comprehensive income attributable to owners of parent	53,273	**57,958**	**473,555**
Comprehensive income attributable to non-controlling interests	(0)	**(0)**	**(4)**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

For the years ended March 31, 2021 and 2022

For the year ended March 31, 2021

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
			(Millions of yen)		
Balance at April 1, 2020	**¥57,500**	**¥7,623**	**¥346,039**	**¥ (9,975)**	**¥401,187**
Net income attributable to owners of parent for the year ended March 31, 2021	–	–	48,258	–	48,258
Cash dividend	–	–	(24,962)	–	(24,962)
Purchase of treasury stock	–	–	–	(21,524)	(21,524)
Disposal of treasury stock	–	0	–	146	146
Change in treasury shares of parent arising from transactions with non-controlling shareholders	–	(250)	–	–	(250)
Net changes in items other than those in shareholders' equity	–	–	–	–	–
Total changes during the year	–	(250)	23,296	(21,378)	1,668
Balance at March 31, 2021	**¥57,500**	**¥7,373**	**¥369,335**	**¥(31,353)**	**¥402,855**

	Accumulated other comprehensive income					
	Net unrealized gain (loss) on other securities	Translation adjustments	Retirement benefits liablity adjustments	Total accumulated other comprehensive income (loss)	Non-controlling interests	Total net assets
			(Millions of yen)			
Balance at April 1, 2020	**¥ (526)**	**¥(5,331)**	**¥(7,653)**	**¥(13,510)**	**¥ 6**	**¥387,682**
Net income attributable to owners of parent for the year ended March 31, 2021	–	–	–	–	–	48,258
Cash dividend	–	–	–	–	–	(24,962)
Purchase of treasury stock	–	–	–	–	–	(21,524)
Disposal of treasury stock	–	–	–	–	–	146
Change in treasury shares of parent arising from transactions with non-controlling shareholders	–	–	–	–	–	(250)
Net changes in items other than those in shareholders' equity	4,781	(1,989)	2,223	5,015	(0)	5,015
Total changes during the year	4,781	(1,989)	2,223	5,015	(0)	6,683
Balance at March 31, 2021	**¥4,254**	**¥(7,320)**	**¥(5,429)**	**¥ (8,495)**	**¥ 5**	**¥394,365**

See notes to consolidated financial statements.

For the year ended March 31, 2022

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
			(Millions of yen)		
Balance at April 1, 2021	**¥57,500**	**¥7,373**	**¥369,335**	**¥(31,353)**	**¥402,855**
Cumulative effects of changes in accounting policies	–	–	(11,881)	–	(11,881)
Restated balance	**57,500**	**7,373**	**357,454**	**(31,353)**	**390,973**
Net income attributable to owners of parent for the year ended March 31, 2022	–	–	54,490	–	54,490
Cash dividend	–	–	(19,503)	–	(19,503)
Purchase of treasury stock	–	–	–	(3,087)	(3,087)
Disposal of treasury stock	–	0	–	108	108
Change in treasury shares of parent arising from transactions with non-controlling shareholders	–	–	–	–	–
Change in scope of consolidation	–	–	(292)	–	(292)
Net changes in items other than those in shareholders' equity	–	–	–	–	–
Total changes during the year	–	0	34,695	(2,979)	31,716
Balance at March 31, 2022	**¥57,500**	**¥7,373**	**¥392,149**	**¥(34,333)**	**¥422,689**

	Accumulated other comprehensive income					
	Net unrealized gain (loss) on other securities	Translation adjustments	Retirement benefits liablity adjustments	Total accumulated other comprehensive income (loss)	Non-controlling interests	Total net assets
			(Millions of yen)			
Balance at April 1, 2021	**¥4,254**	**¥(7,320)**	**¥(5,429)**	**¥(8,495)**	**¥ 5**	**¥394,365**
Cumulative effects of changes in accounting policies	–	–	–	–	–	(11,881)
Restated balance	**4,254**	**(7,320)**	**(5,429)**	**(8,495)**	**5**	**382,483**
Net income attributable to owners of parent for the year ended March 31, 2022	–	–	–	–	–	54,490
Cash dividend	–	–	–	–	–	(19,503)
Purchase of treasury stock	–	–	–	–	–	(3,087)
Disposal of treasury stock	–	–	–	–	–	108
Change in treasury shares of parent arising from transactions with non-controlling shareholders	–	–	–	–	–	–
Change in scope of consolidation	–	–	–	–	–	(292)
Net changes in items other than those in shareholders' equity	(1,897)	5,140	225	3,468	(0)	3,468
Total changes during the year	(1,897)	5,140	225	3,468	(0)	35,183
Balance at March 31, 2022	**¥2,358**	**¥(2,180)**	**¥(5,205)**	**¥(5,027)**	**¥ 5**	**¥417,667**

See notes to consolidated financial statements.

	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
	Shareholders' equity				
	(Thousands of U.S. dollars) (Note 4)				
Balance at April 1, 2021	**$469,810**	**$60,243**	**$3,017,689**	**$(256,176)**	**$3,291,565**
Cumulative effects of changes in accounting policies	–	–	(97,077)	–	(97,077)
Restated balance	**469,810**	**60,243**	**2,920,611**	**(256,176)**	**3,194,488**
Net income attributable to owners of parent for the year ended March 31, 2022	–	–	445,217	–	445,217
Cash dividend	–	–	(159,349)	–	(159,349)
Purchase of treasury stock	–	–	–	(25,225)	(25,225)
Disposal of treasury stock	–	0	–	881	881
Change in treasury shares of parent arising from transactions with non-controlling shareholders	–	–	–	–	–
Change in scope of consolidation	–	–	(2,390)	–	(2,390)
Net changes in items other than those in shareholders' equity	–	–	–	–	–
Total changes during the year	–	0	283,479	(24,344)	259,135
Balance at March 31, 2022	**$469,810**	**$60,244**	**$3,204,090**	**$(280,520)**	**$3,453,623**

	Net unrealized gain (loss) on other securities	Translation adjustments	Retirement benefits liablity adjustments	Total accumulated other comprehensive income (loss)	Non-controlling interests	Total net assets
	Accumulated other comprehensive income					
	(Thousands of U.S. dollars) (Note 4)					
Balance at April 1, 2021	**$34,761**	**$(59,811)**	**$(44,362)**	**$(69,411)**	**$43**	**$3,222,198**
Cumulative effects of changes in accounting policies	–	–	–	–	–	(97,077)
Restated balance	**34,761**	**(59,811)**	**(44,362)**	**(69,411)**	**43**	**3,125,120**
Net income attributable to owners of parent for the year ended March 31, 2022	–	–	–	–	–	445,217
Cash dividend	–	–	–	–	–	(159,349)
Purchase of treasury stock	–	–	–	–	–	(25,225)
Disposal of treasury stock	–	–	–	–	–	881
Change in treasury shares of parent arising from transactions with non-controlling shareholders	–	–	–	–	–	–
Change in scope of consolidation	–	–	–	–	–	(2,390)
Net changes in items other than those in shareholders' equity	(15,497)	42,000	1,834	28,337	(4)	28,333
Total changes during the year	(15,497)	42,000	1,834	28,337	(4)	287,469
Balance at March 31, 2022	**$19,264**	**$(17,811)**	**$(42,527)**	**$(41,074)**	**$39**	**$3,412,589**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended March 31, 2021 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2021	**2022**	**2022**
Cash Flows from Operating Activities:			
Income before income taxes	¥ 70,866	**¥ 81,825**	**$ 668,557**
Depreciation	5,266	**5,895**	**48,167**
Impairment loss on fixed assets	156	**166**	**1,354**
Increase (decrease) in provision for loss on litigation	(111)	**(26)**	**(215)**
Amortization of goodwill	203	**203**	**1,660**
(Reversal of) Provision of allowance for doubtful accounts	(4)	**(16)**	**(128)**
Interest and dividend income	(490)	**(1,226)**	**(10,016)**
Interest expense	1,353	**1,675**	**13,683**
Equity in earnings of affiliates	(0)	**2**	**13**
Gain on sale of investment securities	(1)	**(218)**	**(1,784)**
Impairment loss on investment securities	764	**36**	**294**
Gain on disposal or sale of property and equipment, net	47	**63**	**512**
Valuation loss on inventories	713	**5,034**	**41,132**
Changes in operating assets and liabilities			
Notes and accounts receivable	9,174	**(15,390)**	**(125,748)**
Costs on uncompleted construction contracts	272	**(605)**	**(4,941)**
Inventories	(53,151)	**(40,023)**	**(327,014)**
Notes, accounts payable and accrued expenses	3,832	**(7)**	**(59)**
Amounts received for uncompleted construction contracts	(1,089)	**4,187**	**34,214**
Deposits	11,395	**11,294**	**92,281**
Other	(5,906)	**37,582**	**307,068**
Subtotal	43,288	**90,450**	**739,029**
Interest and dividends received	516	**1,229**	**10,042**
Interest paid	(1,306)	**(1,617)**	**(13,209)**
Income taxes paid	(10,622)	**(24,614)**	**(201,110)**
Net Cash Provided by (Used for) Operating Activities	31,876	**65,448**	**534,751**
Cash Flows from Investing Activities:			
Payment for purchase of securities	–	**(576)**	**(4,705)**
Proceeds from redemption of securities	2,064	**576**	**4,705**
Purchases of property and equipment and intangible assets	(29,818)	**(26,806)**	**(219,020)**
Proceeds from sales of property and equipment and intangible assets	8	**12**	**95**
Payment for purchase of investment securities	(8,254)	**(6,379)**	**(52,118)**
Proceeds from sale of investment securities	16	**1,031**	**8,424**
Payment for loans receivable	(4,691)	**(11,665)**	**(95,313)**
Collection of loans receivable	4,605	**12,076**	**98,669**
Payment for lease deposits	(802)	**(904)**	**(7,384)**
Collection of lease deposits	720	**960**	**7,841**
Other	381	**74**	**607**
Net Cash Provided by (Used for) Investing Activities	(35,772)	**(31,601)**	**(258,199)**
Cash Flows from Financing Activities:			
Increase in long-term debt	60,000	**50,000**	**408,530**
Repayment of long-term debt	(4,311)	**(9,882)**	**(80,741)**
Bonds issuance	70,000	**–**	**–**
Redemption of bonds	(10,000)	**–**	**–**
Bond issuance cost	(377)	**–**	**–**
Purchase of treasury stock	(21,524)	**(3,087)**	**(25,225)**
Incidental expenses for loan	(1,485)	**(1,461)**	**(11,934)**
Cash dividends paid	(24,962)	**(19,503)**	**(159,349)**
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(286)	**–**	**–**
Other	(256)	**(339)**	**(2,772)**
Net Cash Provided by (Used for) Financing Activities	66,799	**15,728**	**128,510**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(359)	**982**	**8,027**
Net Increase (Decrease) in Cash and Cash Equivalents	62,545	**50,558**	**413,088**
Cash and Cash Equivalents at Beginning of the Year	151,754	**214,299**	**1,750,952**
Increase (Decrease) in Cash and Cash Equivalents Resulting from Change in Scope of Consolidation	–	**7**	**55**
Cash and Cash Equivalents at End of the Year (Note 18)	¥214,299	**¥264,864**	**$2,164,095**

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Haseko Corporation and Consolidated Subsidiaries
For the years ended March 31, 2021 and 2022

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, 2022, the numbers of consolidated subsidiaries and affiliates accounted for by the equity method were 64 and 3 (60 and 3 in 2021), 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 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.

(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, real estate for sale, costs and advances for real estate operations and real estate for development projects 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 using the same method as that applied to 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

Leased assets under finance leases that are deemed to have transferred ownership are depreciated using the same method as that applied to property and equipment.

Leased assets under finance leases that are not deemed to have transferred its ownership are depreciated over the lease period as useful period using the straight-line method with 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 and liability for non-conformity 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.

(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, 2022 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, 2022 have been recorded.

(16) Retirement benefits
The retirement benefit obligation for employees is attributed to each period by the benefit formula method.

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 (5-20 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) Accounting standards for significant revenues and expenses
The details of the main performance obligations for core businesses relating to revenues generated by contracts with customers of the Company or its consolidated subsidiaries and the timing of fulfilling these performance obligations were as follows.

1. Construction-Related Business
Primarily targeting the market for new housing supply, this business provides comprehensive construction services for condominiums, etc., from planning and design to construction. The main revenues recognized for this business are shown below.

(Construction Work)
Since the applicable performance obligations are fulfilled over a certain period of time and the value of the created assets controlled by customers increases as the construction work progresses, the revenue is recognized in accordance with the degree of progress of the construction work. The degree of progress is measured by an input method based on costs incurred. The degree of progress is measured by an input method based on costs incurred. The transaction price is determined based on the construction contract, and compensation is received on a gradual basis at the times stipulated in the contract.

However, for the construction contracts in which the time from the transaction start date until the time when all performance obligations are expected to be completely fulfilled is extremely short, the revenue is recognized at the time when the performance obligations are completely fulfilled.

(Design and Supervision)
The performance obligations in the design services are to deliver the products to the customer, and the revenue is recognized at fulfillment of the performance obligations. The transaction price is determined by the service contract, and the compensation is received at the time stipulated in the contract.

The performance obligations in the supervision services are to supply supervisory services relating to construction work to the customer over the term of the contract, and the revenues are recognized over the contract term. The transaction price is determined based on the service contract, and the compensation is received at the time stipulated in the contract.

(Real Estate Sales, etc.)
The applicable performance obligations are fulfilled at the time the real estate sales transaction is completed, and the revenue are recognized at that time. The transaction price is determined based on the contract with the customer, and the compensation is received based on said contract.

2. Real Estate-Related Business
Mainly focusing on newly built for-sale condominiums, this business engages in construction and sales of real estate, etc. The main revenues recognized for this business are shown below.

(Construction and Sales of Real Estate, etc.)
The applicable performance obligations are fulfilled at the time the real estate sales transaction is completed, and the revenue is recognized at that time. The transaction price is determined based on the contract with the customer, and the compensation is received based on said contract.

3. Service-Related Business
Focusing mainly on services for existing housing, this business includes large-scale repair work and interior remodeling, condominium building management and leasing management, and consigned sales and real estate brokerage of for-sale condominiums. The main revenues were recognized as follows.

(Large-Scale Repair Work and Interior Remodeling, etc.)
Since the applicable performance obligations are fulfilled over a certain period of time and the value of the created assets controlled by customers increases as the repair work, etc. progresses, the revenue is recognized in accordance with the degree of progress of the repair work, etc. The degree of progress is measured by an input method based on costs incurred. The transaction price is determined based on the service contract, and the compensation is received on a gradual basis at the times stipulated in the contract.

However, for the service contracts in which the time from the transaction start date until the time when all performance obligations are expected to be completely fulfilled is extremely short, the revenues is recognized at the time when the performance obligations are completely fulfilled.

(Condominium Building Management and Condominium Leasing Management, etc.)
The applicable performance obligations are fulfilled at a point in time or over a certain period of time, depending on the condominium management-related obligation details, and the revenue is recognized accordingly. The transaction price is determined based on the contract with the customer, and the compensation is received based on said contract.

(For-Sale Condominium Consigned Sales)
The applicable performance obligations are fulfilled at the point in time when the for-sale housing sold on consignment is transferred to the end user, and the revenue is recognized at that time. The transaction price is determined based on the contract with the customer, and the compensation is received based on said contract.

(Real Estate Brokerage, Renovations, etc.)
The applicable performance obligations are fulfilled at the time when the real estate sales transaction is completed, and the revenue is recognized at that time. The transaction price is determined based

on the contract with the customer, and the compensation is received based on said contract.

4. Overseas-Related Business
This business involves overseas real estate development and sales, and the main revenues were recognized as follows.

(Real Estate Sales, etc.)
The applicable performance obligations are fulfilled at the time when the real estate sales transaction is completed, and the revenue is recognized at that time. The transaction price is determined based on the contract with the customer, and the compensation is received based on said contract.

(18) 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.

(19) 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.

(20) 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.

(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) Application of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system
The Company and some of its domestic consolidated subsidiaries will transition from the consolidated taxation system to the group tax sharing system from the next fiscal year. However, with respect to the transition to the group tax sharing system established under the "Act for Partial Amendment of the Income Tax Act, Etc." (Act No. 8 of 2020) and items for which the non-consolidated taxation system was reviewed in conjunction with said transition, in accordance with the treatment under Paragraph (3) of the "Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (Accounting Standards Board of Japan (ASBJ) Professional Issues Task Force (PITF) No. 39, March 31, 2020), the Company has not applied the provisions of Paragraph (44) of "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) and the amounts of deferred tax assets and deferred tax liabilities are calculated based on the provisions of the Income Tax Act prior to amendment. Effective from the beginning of the next fiscal year, the Company plans to apply the “Practical Solution on the Accounting and Disclosure under the Group Tax Sharing System” (PITF No. 42, August 12, 2021), which provides for accounting treatment and disclosure of corporate and local income taxes and tax effect accounting in the case where Group Tax Sharing System is applied.

(23) Deferred assets
Issuance costs for straight bonds are charged to income.

(24) Accounting treatment for advertising expenses
The Company and some of its consolidated subsidiaries capitalize advertising expenses and other selling expenses for sales of real estate incurred before delivery in real estate inventories and expense them upon delivery.

(25) Significant accounting estimates
1. Revenue recognition for contracts where performance obligations are satisfied over time
(1) Amount recorded in the consolidated financial statements for the fiscal years ended March 31, 2021 and 2022
In the fiscal year ended March 31, 2022, the Company recorded the revenue of ¥434,152 million ($3,547,287 thousand) for completed construction contracts based on the method of recognizing revenue as performance obligations are satisfied over a certain period of time. In the fiscal year ended March 31, 2021, the percentage-of-completion method was applied to construction contracts for which the outcome of the construction activity could be estimated with certainty (cost-to-cost method applied to determine the percentage of completion of construction). The Company recorded the revenue of ¥435,427 million for completed construction contracts on a percentage-of-completion basis.

(2) Information on significant accounting estimates related to the identified items
1) Calculation method
For performance obligations that are to be satisfied over a certain period of time and for which a reasonable estimate of the degree of completion can be made, the Company estimates the degree of completion related to the satisfaction of the performance obligation and recognizes revenue based on that degree of completion, unless the period is very short. Progress is measured by the input method based on cost incurred, and the amount of completed work and cost of completed work for the fiscal year ended March 31, 2022 are recognized accordingly.

2) Significant assumptions
The total costs on construction contracts that satisfy performance obligation over a certain period of time, which are the basis for revenue recognition in accordance with the percentage-of-completion method, are estimated by using the working budget for each construction contract. Each construction is unique in nature because its basic design and work contents are specifically instructed by each customer and also it requires certain assumptions and judgments made by the in-charge department with expert knowledge and experience in constructions, and thus entails uncertainty. In addition, during a long period of construction, there may be a sharp increase in the costs of construction materials and labor or difficulties in their procurement as well as a decline in production capacity due to an insufficient number of subcontractors and other cooperative companies. Accordingly, the Company continuously revisits the total costs on construction works.

3) Effects on the consolidated financial statements for the next fiscal year
If there is a change in the progress of construction due to the incurrence of additional costs, change in contract amount, etc., it may pose a significant impact on the revenue from construction contracts in the consolidated financial statements of the next fiscal year.

2. Valuation of real estate inventories
(1) Amount recorded in the consolidated financial statements for the fiscal years ended March 31, 2021 and 2022

	Millions of yen		*Thousands of U.S. dollars*
	2021	**2022**	**2022**
Valuation loss on real estate inventories	¥ 713	**¥ 5,034**	**$ 41,132**
Real estate for sale	166,708	**165,818**	**1,354,833**
Costs and advances for real estate operations	113,272	**176,887**	**1,445,271**
Real estate for development projects	25,723	**26,027**	**212,657**

(2) Information on significant accounting estimates related to the identified items
1) Calculation method
If the net realizable value of real estate inventories as of March 31, 2022, is lower than the acquisition costs, the net selling price is the value recorded in the consolidated balance sheet and the difference is recorded as valuation losses on real estate inventories.

2) Significant assumptions
The net realizable value is calculated on the basis of estimated sales price and estimated selling expenses, etc. In addition, net realizable value is estimated by taking into account the transaction cases, estimated sales price and condominium demand forecast in neighboring areas.

3) Effects on the consolidated financial statements for the next fiscal year
If it becomes necessary to revise the net realizable value due to changes in future economic conditions, etc., such may have a significant impact on the consolidated financial statements for the next fiscal year.

3. Impairment loss on fixed assets
(1) Amount recorded in the consolidated financial statements for the fiscal years ended March 31, 2021 and 2022

	Millions of yen		*Thousands of U.S. dollars*
	2021	**2022**	**2022**
Impairment loss	¥ 156	**¥ 166**	**$ 1,354**
Property and equipment	173,010	**174,182**	**1,423,171**
Intangible fixed assets	9,858	**10,092**	**82,460**

(2) Information on significant accounting estimates related to the identified items
1) Calculation method
For the assets for which it is determined that impairment loss should be recognized as of March 31, 2022, the book value is reduced to the recoverable amount and the difference is recorded as impairment loss.

2) Significant assumptions
The recoverable amount is based on net realizable value, future cash flows, and other factors. Significant assumptions are rental income and discount rate. These estimates are based on the property's location, transactions made in vicinity, rents, vacancy rates, and expected yields, etc.

3) Effects on the consolidated financial statements for the next fiscal year
If it becomes necessary to update rental income and discount rate due to changes in future economic conditions, etc., it may have a significant impact on the consolidated financial statements for the next fiscal year.

(26) Change in accounting policies
(Accounting Standards etc. for Revenue Recognition)
The Company applied the "Accounting Standard for Revenue Recognition" and related guidance (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020; hereinafter referred to as the "Revenue Recognition Accounting Standards") from the beginning of the current fiscal year, and the revenues are recognized based on the amounts expected to be received in exchange for promised goods or services at the time when control of said goods or services is transferred to the customer. The main changes which have occurred due to this were as follows.

1. Maintenance and Repair Services
For maintenance and repair services provided for completed construction work in based on a paid contract, the full revenue amount had been recognized at the time of delivery in prior years, however, since the performance obligations are satisfied over a period of time, the revenue has been recognized over the service provision period.

2. Leasing and Operation Commission Fees in Management Agency for Corporate Housing Business
For leasing and operation commission fees relating to corporate housing managed as an agent, the revenue had been recognized at the time that the customer's lease started in prior years, however, since the performance obligations are satisfied at the time the contract is terminated and settled, the revenue has been recognized at the time of termination and settlement.

3. Consigned Sales Commissions on Sales of Newly Built Condominiums and Houses
For consignment sales commissions on sales of newly built condominiums and houses, the revenue had been recognized for each unit at the time when the real estate sales contract was signed and the time when the unit was delivered in prior years, however, since the performance obligations are satisfied at the delivery of each unit, the revenue is now recognized at the time each unit is delivered.

4. Lump-Sum Payments for Occupancy of Paid Housing for the Elderly
For lump-sum payments for occupancy of paid housing for the elderly, a portion of the lump-sum payments had been recognized as revenue after a certain period of time stipulated in the tenant lease contract had elapsed in prior years, however, the revenue is now recognized over the expected occupancy period calculated reasonably.

With regard to application of the Revenue Recognition Accounting Standards, etc., in accordance with the transition guidance stipulated in the provision to Article 84 of those standards, the cumulative effect computed by retroactively applying the new standards to the years prior to the beginning of the current fiscal year, has been reflected in the balance of retained earnings at the beginning of the current fiscal year and the new standards have been applied thereafter. However, by applying the method stipulated in Article 86 of the Revenue Recognition Accounting Standards, the new standards were not retroactively applied to the contracts for which almost all the revenue amounts had been recognized in accordance with the old method prior to the beginning of the current fiscal year.

The impact of the change in the accounting policy on profit or loss for the current fiscal year was immaterial. The beginning balance of the retained earnings decreased by ¥11,881 million ($97,077 thousand). The impact on the per share information was immaterial.

In accordance with the transition guidance stipulated in Article 89-3 of the Revenue Recognition Accounting Standards, notes concerning revenue recognition for the prior years have been omitted.

(Accounting Standards Relating to Fair Value Measurement, etc.)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as the "Fair Value Accounting Standard"), etc. from the beginning of the current fiscal year, and in accordance with the transition guidance stipulated in Article 19 of the Fair Value Accounting Standard and Article 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the new accounting policy stipulated in the Fair Value Accounting Standards, etc. will be applied prospectively. The impact on the consolidated financial statement is immaterial.

Furthermore, with respect to notes concerning financial instruments, notes on matters related to the breakdown of financial instruments' fair value by level have been included. However, in accordance with the transition guidance stipulated in Article 7-4 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, July 4, 2019), such notes for the previous fiscal year have been omitted.

(27) Accounting standards issued but not yet effective

"Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021)

(1) Overview

The guidance stipulates the measurement and notes with regard to investment trust. Also it stipulates the notes on fair value of the investments in partnerships, etc. which are presented on a balance sheet at the net amount of ownership equity.

(2) Planned date of application

The application date will be the beginning of the fiscal year ending March 2023.

(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.

3. Supplemental Information

(Notes to consolidated statement of income)

"Subsidy income" which had been presented separately in "Non-operating Income (Expenses)" for the fiscal year ended March 31, 2021, has been included in "Other, net" in "Non-operating Income (Expenses)" in the current fiscal year due to decrease in the quantitative materiality. In order to reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, ¥1,101 million presented as "Subsidy income" in "Non-operating Income (Expenses)" in the consolidated statement of income for the fiscal year ended March 31 2021 has been reclassified and presented as "Other, net" in "Non-operating Income (Expenses)" at the amount of ¥1,919 million.

"Gain on sale of investment securities" which had been included in "Other, net" in "Special Income (Losses)" for the fiscal year ended March 31, 2021, has been separately presented in the current fiscal year due to increase in the quantitative materiality. In order to reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, ¥1 million presented as "Other, net" in "Special Income (Losses)" in the consolidated statement of income for the fiscal year ended March 31, 2021 has been reclassified and presented as "Gain on sale of investment securities" at the amount of ¥1 million.

(Additional information)

(Performance-linked stock compensation system)

The Company has introduced a 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" (ASBJ 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 said shares of treasury stock was ¥651 million and ¥637 million ($5,204 thousand) as of March 31, 2021 and 2022, respectively, with the number of shares totaling 484,000 and 473,600 shares, respectively. The weighted average number of shares outstanding for the years ended March 31, 2021 and 2022 were 499,353 and 474,227 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" (ASBJ Practical Issues Task Force No. 30 (revised 2015), March 26, 2015).

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 said shares of treasury stock was ¥3,567 million and ¥3,474 million ($28,382 thousand) as of March 31, 2021 and 2022, respectively, with the number of shares totaling 2,559,700 and 2,492,700 shares, respectively. The weighted average number of shares outstanding for the years ended March 31, 2021 and 2022 were 2,563,667 and 2,498,886 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.

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, 2022, which was ¥122.39=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 bonds 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.

(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 19. 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, 2021 and 2022, and estimated fair value are shown in the following tables.

	Millions of yen		
	2021		
	Carrying value	Fair value	Difference
Investment securities (Note 2)	¥ 21,191	¥ 21,191	¥ 0
Long-term loans receivable	3,077		
Allowance for doubtful accounts	(24)		
Sub-total	3,053	3,147	94
Total	¥ 24,244	¥ 24,338	¥94
Straight bonds	90,000	89,934	(66)
Long-term debt	171,981	172,071	91
Total	¥261,981	¥262,005	¥25

Note 1: Information on Cash and bank deposits, notes and accounts receivable, marketable securities, notes and accounts payable, electronically recorded obligations, income taxes payable and current portion of long-term debt is omitted because these are settled in a short period of time and their carrying value approximates fair value.

Note 2: Financial instruments whose fair values are extremely difficult to determine are presented below and are not included in the preceding table

	Millions of yen
	2021
Equity securities of affiliates	¥9,761
Unlisted securities	9,928

	Millions of yen		
	2022		
	Carrying value	Fair value	Difference
Investment securities (Note 2)	¥ 19,128	¥ 19,128	¥ –
Long-term loans receivable	2,333		
Allowance for doubtful accounts	(24)		
Sub-total	2,309	2,377	67
Total	¥ 21,437	¥ 21,505	¥ 67
Straight bonds	90,000	89,652	(348)
Long-term debt	190,000	190,416	416
Total	¥280,000	¥280,068	¥ 68

	Thousands of U.S. dollars		
	2022		
	Carrying value	Fair value	Difference
Investment securities (Note 2)	$ 156,289	$ 156,289	$ –
Long-term loans receivable	19,063		
Allowance for doubtful accounts	(195)		
Sub-total	18,869	19,418	550
Total	$ 175,157	$ 175,707	$ 550
Straight bonds	735,354	732,507	(2,847)
Long-term debt	1,552,414	1,555,815	3,401
Total	$2,287,769	$2,288,322	$ 553

Note 1: Information on cash and bank deposits, notes and accounts receivable, marketable securities, notes and accounts payable, electronically recorded obligations, income taxes payable and current portion of long-term debt is omitted because these are settled in a short period of time and their carrying value approximates fair value.

Note 2: Securities, etc. that do not have market prices are not included in the preceding table. Details on such securities, etc., recorded on the consolidated balance sheet are below:

	Millions of yen	Thousands of U.S. dollars
	2022	2022
Equity securities of affiliates	¥10,223	$ 83,525
Unlisted securities	13,037	106,517

Note 3: Investments in partnerships, etc. and business entities equivalent to these for which the equity equivalents are recorded as a net amount on the consolidated balance sheet are omitted. The amount was ¥738 million ($6,030 thousand) as of March 31, 2022.

1) Redemption schedule for monetary receivables and securities with maturity dates at March 31, 2020 and 2021

	Millions of yen				
	2021				
	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	¥216,107	¥ –	¥ –	¥ –	¥216,107
Notes and accounts receivable, trade	116,296	14,859	1,192	–	132,346
Marketable securities:					
Negotiable certificates of deposits	516	–	–	–	516
Investment securities:					
Other securities with maturity dates					
Japanese government bonds, etc.	5	–	–	–	5
Long-term loans receivable	1,572	1,235	131	139	3,077
Total	¥334,496	¥16,093	¥1,323	¥139	¥352,051

	Millions of yen				
	2022				
	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	¥266,891	¥ –	¥ –	¥ –	¥266,891
Notes receivable and electronically recorded monetary claims	4,069	–	–	–	4,069
Accounts receivable from completed construction	117,954	24,941	981	–	143,876
Marketable securities					
Negotiable certificates of deposits	576	–	–	–	576
Long-term loans receivable	1,088	1,083	116	45	2,333
Total	¥390,578	¥26,024	¥1,097	¥45	¥417,745

	Thousands of U.S. dollars				
	2022				
	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	$2,180,656	$ –	$ –	$ –	$2,180,656
Notes receivable and electronically recorded monetary claims	33,246	–	–	–	33,246
Accounts receivable from completed construction	963,758	203,780	8,015	–	1,175,554
Marketable securities					
Negotiable certificates of deposits	4,705	–	–	–	4,705
Long-term loans receivable	8,893	8,849	951	371	19,063
Total	$3,191,258	$212,629	$8,966	$371	$3,413,224

2) Repayment schedule for short-term borrowings, straight bonds, long-term debt, and lease obligations at March 31, 2021 and 2022

	Millions of yen						Thousands of U.S. dollars		
	2021			**2022**			**2022**		
	Short-term borrowings	Straight bonds	Long-term debt	Short-term borrowings	Straight bonds	Long-term debt	Short-term borrowings	Straight bonds	Long-term debt
Due within 1 year	¥–	¥ –	¥ 5,971	**¥–**	**¥ –**	**¥ 31,841**	**$–**	**$ –**	**$ 260,158**
Due after 1 year through 2 years	–	–	31,981	**–**	**20,000**	**10,000**	**–**	**163,412**	**81,706**
Due after 2 years through 3 years	–	20,000	10,000	**–**	**–**	**10,000**	**–**	**–**	**81,706**
Due after 3 years through 4 years	–	–	10,000	**–**	**20,000**	**20,000**	**–**	**163,412**	**163,412**
Due after 4 years through 5 years	–	20,000	20,000	**–**	**–**	**10,000**	**–**	**–**	**81,706**
Due after 5 years	–	50,000	100,000	**–**	**50,000**	**140,000**	**–**	**408,530**	**1,143,884**

3) Breakdown of financial instrument fair value by Level:
The fair value of financial instruments is categorized into the following three levels based on the observability and significance of the inputs for measuring the fair value.

Level 1 fair value: Fair values measured by using market prices of applicable assets or liabilities formed in active markets as observable inputs for fair value measurement.

Level 2 fair value: Fair values measured by using the observable inputs other than those in Level 1.

Level 3 fair value: Fair value calculated using inputs that are unobservable. In cases where non-observable inputs relating to fair value measurement are used and multiple inputs are used that have a significant impact on the measurement of fair value, the fair value is categorized into the lowest priority level of fair value measurement hierarchy within the level of each input used in the measurement.

(1) Financial instruments recorded on the consolidated balance sheet at fair value

	Millions of yen			
	2022			
	Level 1	Level 2	Level 3	Total
Investment securities:				
Other securities				
Equity securities	**¥17,731**	**¥–**	**¥ –**	**¥17,731**
Others	**–**	**–**	**1,398**	**1,398**
Total	**¥17,731**	**¥–**	**¥1,398**	**¥19,128**

	Thousands of U.S. dollars			
	2022			
	Level 1	Level 2	Level 3	Total
Investment securities:				
Other securities				
Equity securities	**$144,869**	**$–**	**$ –**	**$144,869**
Others	**–**	**–**	**11,420**	**11,420**
Total	**$144,869**	**$–**	**$11,420**	**$156,289**

(2) Financial instruments other than those recorded at fair value on the consolidated balance sheet

	Millions of yen			
	2022			
	Level 1	Level 2	Level 3	Total
Long-term loans receivable	**¥–**	**¥ 2,377**	**¥–**	**¥ 2,377**
Total assets		**2,377**		**2,377**
Straight bonds	**–**	**89,652**	**–**	**89,652**
Long-term debt	**–**	**190,416**	**–**	**190,416**
Total liabilities	**¥–**	**¥280,068**	**¥–**	**¥280,068**

	Thousands of U.S. dollars			
	2022			
	Level 1	Level 2	Level 3	Total
Long-term loans receivable	**$–**	**$ 19,418**	**$–**	**$ 19,418**
Total assets		**19,418**		**19,418**
Straight bonds	**–**	**732,507**	**–**	**732,507**
Long-term debt	**–**	**1,555,815**	**–**	**1,555,815**
Total liabilities	**$–**	**$2,288,322**	**$–**	**$2,288,322**

(Note 1)
Explanation of assessment methods used in fair value measurement and inputs for fair value measurement
Investment securities and publicly traded shares are valued using the market price. Since publicly traded shares are traded on active markets, their fair value is categorized as Level 1. Since some preferred equity securities, etc. regulated by the Act on Securitization of Assets have a fair value measured using non-observable inputs for fair value measurement, they are categorized as Level 3.

Long-term loans receivable
Long-term loans receivable are categorized by period, and their fair value is calculated using the discounted present value method, based on the interest rate determined by taking into account credit spreads and appropriate indicators such as future cash flow, government bond yields, etc. for each credit management-related credit risk classification, and they are categorized as Level 2. Furthermore, the fair value of doubtful accounts receivable is calculated by similarly using the discounted present value of projected cash flow based on the discount rate or using the discounted present value method based on the anticipated return on investment, etc., and since the effect of non-observable inputs on fair value is not significant, they are categorized as Level 2.

Long-term debt
The fair value is calculated using the discounted present value method, based on the total amount of principal and interest and the interest rate factoring in the remaining term and credit risks, and they are categorized as Level 2. For variable-interest long-term loans payable subject to special treatment as interest rate swaps, fair value is measured 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 expected interest rate if similar new borrowings were entered into.

Straight bonds
The fair value of straight bonds issued by the Company is measured based on the market price. Since straight bonds are not necessarily traded on active markets even though they have a market price, they are categorized as Level 2.

(Note 2)
Information on financial assets and financial liabilities classified as Level 3 fair value recorded on consolidated balance sheet based on fair value
Since the financial instruments categorized as Level 3 were not significant, this information has been omitted.

4) Investments in non-consolidated subsidiaries and affiliates were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Investment securities	¥9,191	**¥9,653**	**$78,868**
Other securities	570	**570**	**4,657**

6. Marketable Securities and Investment Securities

(1) Marketable securities classified as held-to-maturity debt securities as of March 31, 2021 and 2022 consisted of the following:

	Millions of yen					
	2021			**2022**		
	Carrying value	Fair value	Unrealized gain (loss)	Carrying value	Fair value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value	¥ 5	¥ 5	¥0	**¥ –**	**¥ –**	**¥–**
Securities whose fair value does not exceed their carrying value	516	516	–	**576**	**576**	**–**
Total	¥521	¥521	¥0	**¥ 576**	**¥ 576**	**¥–**

	Thousands of U.S. dollars		
	2022		
	Carrying value	Fair value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value	**$ –**	**$ –**	**$–**
Securities whose fair value does not exceed their carrying value	**4,705**	**4,705**	**–**
Total	**$4,705**	**$4,705**	**$–**

(2) Other securities whose fair value is available as of March 31, 2021 and 2022 consisted of the following:

	Millions of yen					
	2021			**2022**		
	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
(Securities whose carrying value exceeds their acquisition cost)						
Equity securities	¥20,530	¥14,722	¥5,808	**¥17,355**	**¥14,314**	**¥3,041**
Other	–	–	–	**–**	**–**	**–**
Sub-total	¥20,530	¥14,722	¥5,808	**¥17,355**	**¥14,314**	**¥3,041**
(Securities whose carrying value does not exceeds their acquisition cost)						
Equity securities	¥ –	¥ –	¥ –	**¥ 376**	**¥ 408**	**¥ (32)**
Other	656	745	(88)	**1,398**	**1,398**	**–**
Sub-total	¥ 656	¥ 745	¥ (88)	**¥ 1,773**	**¥ 1,805**	**¥ (32)**
Total	¥21,186	¥15,466	¥5,720	**¥19,128**	**¥16,119**	**¥3,009**

	Thousands of U.S. dollars		
	2022		
	Carrying value	Acquisition cost	Unrealized gain (loss)
(Securities whose carrying value exceeds their acquisition cost)			
Equity securities	**$141,800**	**$116,954**	**$24,846**
Other	**–**	**–**	**–**
Sub-total	**$141,800**	**$116,954**	**$24,846**
(Securities whose carrying value does not exceeds their acquisition cost)			
Equity securities	**$ 3,068**	**$ 3,330**	**$ (261)**
Other	**11,420**	**11,420**	**–**
Sub-total	**$ 14,488**	**$ 14,749**	**$ (261)**
Total	**$156,289**	**$131,704**	**$24,585**

(3) Other securities sold for the years ended March 31, 2021 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Equity securities:			
Proceeds from sales	¥16	**¥159**	**$1,295**
Gain on sales	1	**72**	**585**
Loss on sales	–	**–**	**–**

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Other:			
Proceeds from sales	¥–	**¥891**	**$7,282**
Gain on sales	–	**147**	**1,198**
Loss on sales	–	**–**	**–**

(4) Impairment of investment securities
For the fiscal year ended March 31, 2021
The Company recorded impairment losses of ¥764 million on investment 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.

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For the fiscal year ended March 31, 2022
The Company recorded impairment losses of ¥36 million ($294 thousand) on investment 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, 2021 and 2022 consisted of the following:

	Millions of yen		*Thousands of U.S. dollars*
	2021	**2022**	**2022**
Real estate for sale	¥166,708	**¥165,818**	**$1,354,833**
Cost and advances for real estate operations	113,272	**176,887**	**1,445,271**
Real estate for development projects	25,723	**26,027**	**212,657**
	¥305,703	**¥368,732**	**$3,012,761**

8. Property and Equipment and Intangible Assets

(1) Property and equipment as of March 31, 2021 and 2022 consisted of the following:

	Millions of yen		*Thousands of U.S. dollars*
	2021	**2022**	**2022**
Buildings and structures	¥ 82,382	**¥ 83,854**	**$ 685,137**
Machinery, vehicles, equipment and furniture	9,707	**10,239**	**83,656**
Land	100,156	**96,325**	**787,036**
Leased assets	1,274	**1,203**	**9,831**
Construction in progress	9,105	**13,956**	**114,033**
Sub-total	202,625	**205,578**	**1,679,693**
Accumulated depreciation	(29,615)	**(31,396)**	**(256,522)**
	¥173,010	**¥174,182**	**$1,423,171**

(2) Intangible assets as of March 31, 2021 and 2022 consisted of the following:

	Millions of yen		*Thousands of U.S. dollars*
	2021	**2022**	**2022**
Land leasehold rights	¥1,876	**¥ 1,895**	**$15,484**
Goodwill	2,590	**2,387**	**19,504**
Other	5,392	**5,810**	**47,471**
	¥9,858	**¥10,092**	**$82,460**

(3) Net gain (loss) on disposal or sales of property and equipment and intangible assets for the years ended March 31, 2021 and 2022 consisted of the following:

	Millions of yen		*Thousands of U.S. dollars*
	2021	**2022**	**2022**
Buildings and structures	¥(27)	**¥(56)**	**$(456)**
Machinery, vehicles, equipment and furniture	(14)	**(2)**	**(19)**
Land	2	**(1)**	**(7)**
Leased assets	(1)	**(2)**	**(16)**
Other	(7)	**(2)**	**(14)**
	¥(47)	**¥(63)**	**$(512)**

(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, 2021 and 2022.

2021

Use	Type	Location	Number of instances
Real estate for construction-related business	Land	Tsukuba-shi, Ibaraki	1
Asset for construction-related business	Equipment and furniture	Minato-ku, Tokyo	1
Real estate for service-related business	Buildings, etc.	Kohoku-ku, Yokohama-shi, etc.	10
Asset for service-related business	Machinery, equipment and furniture etc.	Suginami-ku, Tokyo, etc.	12

2022

Use	Type	Location	Number of instances
Real estate for construction-related business	Land	Tsukuba-shi, Ibaraki	**2**
Real estate for service-related business	Buildings etc.	Minato-ku, Tokyo etc.	**11**
Asset for service-related business	Furniture and leased asset	Miyakojima-ku, Osaka-shi, etc.	**10**

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

(2021)
The decline in economic performance and the decision to suspend of the usage, etc., in the year ended March 31, 2021 triggered the recognition of impairment, and the carrying values of those assets have been written down to their recoverable amounts, resulting in impairment losses on fixed assets of ¥156 million for the year ended March 31, 2021, which were presented as “Special Losses” on the consolidated statement of income.

(2022)
The decline in economic performance in the year ended March 31, 2022 triggered the recognition of impairment, and the carrying values of those assets have been written down to their recoverable amounts, resulting in impairment losses on fixed assets of ¥166 million ($1,354 thousand) for the year ended March 31, 2022, 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
	2021	**2022**	**2022**
Buildings and structures	¥112	**¥116**	**$ 947**
Equipment and furniture	39	**29**	**235**
Land	1	**16**	**129**
Leased assets	3	**5**	**43**
Intangible assets	1	**–**	**–**
	¥156	**¥166**	**$1,354**

(2021)
The recoverable amount of real estate for construction-related business is measured by the net selling price calculated on the basis of transaction cases, etc. The recoverable amount of assets for construction-related business is measured by the value in use, and is calculated by discounting future cash flows with a certain discount rate set by the Company. The recoverable amount of real estate for service-related business and assets for service-related business is measured by the value in use. However, the value in use is set as zero because the valuation based on future cash flows is expected to be negative. Moreover, the discount rate is omitted as undiscounted future cash flows before discounting are expected to be negative.

(2022)
The recoverable amount is measured by the net selling price calculated on the basis of transaction cases, etc., or value in use. Regarding the measurement by value in use, it is set as zero because the valuation based on future cash flows is expected to be negative. Moreover, the discount rate is omitted as undiscounted 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, the Kinki area and the Tokai area. Income and expenses of the leasing business related to the rental properties for the years ended March 31, 2021 and 2022 were ¥1,877 million and ¥1,391 million ($11,365 thousand), respectively. Gain on sales (recorded as "Special Income") was ¥0 million ($3 thousand) and impairment loss was¥64 million ($519 thousand) for the year ended March 31, 2022.

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 were as follows.

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Book value:			
Balance at the beginning of the year	¥103,025	**¥124,005**	**$1,013,196**
Increase/decrease	20,980	**4,288**	**35,040**
Balance at the end of the year	124,005	**128,294**	**1,048,236**
Fair value	¥138,445	**¥145,333**	**$1,187,456**

Notes:
1) The rental properties are recorded on the consolidated balance sheet at their acquisition costs net of accumulated depreciation and impairment losses.
2) Of the amount of increase (decrease) for the year ended March 31, 2021, the increase is primarily attributable to acquisition of real estate (¥27,030 million) and the decrease is primarily attributable to transfer to real estate for sale (¥6,152 million) and depreciation (¥1,209 million).

Of the amount of increase (decrease) for the year ended March 31, 2022, the increase is primarily attributable to acquisition of real estate (¥22,814 million, $186,405 thousand) and transfer to rental properties (¥2,475 million, $20,221 thousand.) The decrease is primarily attributable to transfer to real estate for sale (¥19,304 million, $157,722 thousand) and depreciation (¥1,366 million, $11,163 thousand).
3) 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

(1) The following is a summary of the interest bearing debt as of March 31, 2021 and 2022:

	Average interest rate	Millions of yen		Thousands of U.S. dollars
		2021	**2022**	**2022**
Short-term borrowings	–	¥ –	**¥ –**	**$ –**
Current portion of long-term debt	0.64%	5,971	**31,841**	**260,158**
Current portion of lease obligations	–	168	**111**	**904**
Straight bond due Nov. 1, 2028	0.52%	10,000	**10,000**	**81,706**
Straight bond due Jul. 19, 2029	0.35%	10,000	**10,000**	**81,706**
Straight bond due Jul. 11, 2025	0.24%	20,000	**20,000**	**163,412**
Straight bond due Jul. 12, 2030	0.47%	20,000	**20,000**	**163,412**
Straight bond due Nov. 27, 2023	0.03%	20,000	**20,000**	**163,412**
Straight bond due Nov. 26, 2027	0.30%	10,000	**10,000**	**81,706**
Long-term debt due from 2024 to 2036	0.66%	171,981	**190,000**	**1,552,414**
Lease obligations due from 2023 to 2028	–	202	**168**	**1,373**
Total		¥268,321	**¥312,119**	**$2,550,204**

Note: The weighted average interest rate for the end-of-year balance of outstanding debt is shown as the "average interest rate."
For lease obligations, the average interest rate is not stated because the amount equivalent to interest included in the total lease payments is allocated to each consolidated fiscal year by the straight-line method.

(2) The annual maturities of straight bonds, long-term debt and lease obligations (excluding the current portion) as of March 31, 2022 were as follows:

	Millions of yen				Thousands of U.S. dollars
Year ending March 31	Straight bonds	Long-term debt	Lease obligations	Total	Total
2024	**¥20,000**	**¥ 10,000**	**¥ 76**	**¥ 30,076**	**$ 245,738**
2025	**–**	**10,000**	**41**	**10,041**	**82,043**
2026	**20,000**	**20,000**	**30**	**40,030**	**327,071**
2027	**–**	**10,000**	**17**	**10,017**	**81,849**
2028 and thereafter	**50,000**	**140,000**	**3**	**190,003**	**1,552,441**
Total	**¥90,000**	**¥190,000**	**¥168**	**¥280,168**	**$2,289,142**

(3) The Company has committed lines of credit available for immediate and stable borrowings with certain five financial institutions as of March 31, 2021 and 2022. The lines of credit and unused lines of credit as of March 31, 2021 and 2022 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2021	**2022**	**2022**
Line of credit	¥63,000	**¥63,000**	**$514,748**
Amount utilized	–	**–**	**–**
Unused line of credit	¥63,000	**¥63,000**	**$514,748**

10. Contract Assets

The amounts of the receivables arising from contracts with customers and the contract assets included in the notes and accounts receivable from constructions etc. as of March 31, 2022 were as follows:

	Millions of yen	*Thousands of U.S. dollars*
	2022	**2022**
Notes receivable	**¥ 2,814**	**$ 22,991**
Electronically recorded monetary claims	**1,255**	**10,255**
Accounts receivable from completed construction contracts	**56,599**	**462,448**
Contract assets	**85,649**	**699,807**

11. Collateral

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*
	2021	**2022**	**2022**
Notes and accounts receivable, trade	¥1,388	**¥698**	**$5,702**
Buildings and structures	50	**46**	**379**
Other current assets	10	**5**	**42**
	¥1,448	**¥749**	**$6,123**

Secured liabilities as of March 31, 2021 and 2022 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2021	**2022**	**2022**
Current portion of long-term debt	¥ 636	**¥636**	**$5,194**
Long-term debt	636	**–**	**–**
	¥1,271	**¥636**	**$5,194**

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

(2021)
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.

(2022)
Shares of HC Katsushimacho Jutaku Inc. (¥9 million, $74 thousand) owned by Haseko Corporation and Haseko Community Inc.
Loans receivable (¥157 million, $1,283 thousand) lent by Haseko Corporation to HC Katsushimacho Jutaku Inc.

12. Tax Purpose Reduction Entry

The amounts by which the acquisition costs of tangible fixed assets were reduced due to government subsidies, etc. as of March 31, 2021 and 2022 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2021	**2022**	**2022**
Buildings and structures	¥–	**¥3**	**$20**

13. Contract Liabilities

The amounts of contract liabilities included in advances received on uncompleted construction contracts, advances received for real estate sales and current liabilities (other) as of March 31, 2022 were as follows:

	Millions of yen	*Thousands of U.S. dollars*
	2022	**2022**
Advances received on uncompleted construction contracts	**¥25,472**	**$208,121**
Advances received for real estate sales	**38,095**	**311,260**
Other current liabilities	**2,277**	**18,603**

14. Contingent Liabilities

The Company was contingently liable for guarantees on bank loans and other guarantees as of March 31, 2021 and 2022 as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2021	**2022**	**2022**
Customers using housing loans and other loans to purchase real estate	¥45,518	**¥62,084**	**$507,266**

15. Lease Transactions

(1) Finance lease transactions
(a) Details of leased assets
Fixed assets are mainly assets for 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, 2021 and 2022 were summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2021	**2022**	**2022**
Within one year	¥ 1,568	**¥ 1,192**	**$ 9,739**
Over one year	12,848	**12,117**	**99,001**
Total	¥14,416	**¥13,309**	**$108,740**

(As lessor)
Outstanding future minimum lease income under noncancelable operating leases as of March 31, 2021 and 2022 were summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2021	**2022**	**2022**
Within one year	¥ 2,097	**¥ 1,678**	**$ 13,707**
Over one year	18,042	**14,250**	**116,431**
Total	¥20,139	**¥15,928**	**$130,138**

16. Supplementary Profit and Loss Information

(1) Revenue from contracts with customers
As for net sales, revenues arising from contracts with customers and the revenues from other sources are not presented separately from each other. The amounts of revenue from contracts with customers is presented in “23. Revenue Recognition, 1. Information on disaggregated revenues arising from contracts with customers.”

(2) Allowance for losses on construction contracts included in cost of sales for the years ended March 31, 2021 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Construction contracts	¥64	**¥318**	**$2,596**
Design and supervision	81	**47**	**383**

(3) Valuation losses on inventories included in cost of sales for the years ended March 31, 2021 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Real estate	¥713	**¥5,034**	**$41,132**

(4) Selling, general and administrative expenses for the years ended March 31, 2021 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Salaries and allowances	¥21,757	**¥22,390**	**$182,942**
Provision for bonuses for employees	1,934	**2,140**	**17,485**
Provision for bonuses for directors	127	**157**	**1,279**
Provision for employee stock ownership plan	369	**369**	**3,012**
Provision for board benefit trust	96	**98**	**798**
Retirement benefit expenses	971	**994**	**8,119**
Rent	3,579	**3,699**	**30,223**
Depreciation	2,095	**2,365**	**19,326**
Amortization	203	**203**	**1,660**
Other	32,192	**33,193**	**271,204**
Total	¥63,322	**¥65,607**	**$536,048**

(5) Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2021 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Research and development costs	¥3,905	**¥3,923**	**$32,057**

17. Net Assets

(1) Shares issued and treasury stock
Changes in number of shares issued and treasury stock for the year ended March 31, 2021 were as follows:

	Number of shares			
	2020	Increase	Decrease	2021
Shares issued:				
Common stock	300,794,397	–	–	300,794,397
Treasury stock:				
Common stock (Notes 1 and 2)	7,879,065	16,459,515	106,660	24,231,920

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

Changes in number of shares issued and treasury stock for the year ended March 31, 2022 were as follows:

	Number of shares			
	2021	Increase	Decrease	**2022**
Shares issued:				
Common stock	300,794,397	–	–	**300,794,397**
Treasury stock:				
Common stock (Notes 1 and 2)	24,231,920	1,993,975	77,720	**26,148,175**

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

(2) Dividends
(a) Dividends paid
In the year ended March 31, 2021

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 26, 2020 (Note1)	Common stock	¥14,803	¥50.00	March 31, 2020	June 29, 2020
Board of Directors on November 12, 2020 (Note 2)	Common stock	¥10,159	¥35.00	September 30, 2020	December 4, 2020

Notes:
1) The total amount of dividends includes ¥158 million 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 ¥107 million as dividends to the Company’s shares held by the BBT and the Stock-Granting ESOP as trust assets.

In the year ended March 31, 2022

Resolution	Type of shares	Total amount of dividend *(Millions of yen)*	*(Thousands of U.S. dollars)*	Dividend per share *(Yen)*	*(U.S. dollars)*	Record date	Effective date
Annual meeting of shareholders on June 29, 2021 (Note1)	Common stock	**¥9,786**	**$79,959**	**¥35.00**	**$0.29**	March 31, 2021	June 30, 2021
Board of Directors on November 11, 2021 (Note 2)	Common stock	**¥9,717**	**$79,390**	**¥35.00**	**$0.29**	September 30, 2021	December 6, 2021

Notes:
1) The total amount of dividends includes ¥107 million ($870 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 ¥104 million ($848 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, 2022 and the effective date in the year ending March 31, 2023

Resolution	Type of shares	Total amount of dividend *(Millions of yen)*	*(Thousands of U.S. dollars)*	Dividend per share *(Yen)*	*(U.S. dollars)*	Record date	Effective date
Annual meeting of shareholders on June 29, 2022 (Note)	Common stock	**¥12,493**	**$102,072**	**¥45.00**	**$0.37**	March 31, 2022	June 30, 2022

Note: The total amount of dividends includes ¥133 million ($1,091 thousand) as dividends to the Company's shares held by the BBT and the Stock-Granting ESOP as trust assets.

18. Cash and Cash Equivalents

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, 2021 and 2022 were as follows:

	Millions of yen 2021	**2022**	*Thousands of U.S. dollars* **2022**
Cash and bank deposits	¥216,107	**¥266,891**	**$2,180,656**
Saving accounts for insurance agency	(606)	**(682)**	**(5,569)**
Restricted deposit	(1,202)	**(1,345)**	**(10,993)**
Cash and cash equivalents	¥214,299	**¥264,864**	**$2,164,095**

19. Derivative Transactions

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

Hedge accounting method	Hedging instrument	Hedged item	As of March 31, 2021 Notional amount	Of which, maturing after one year	Fair value
			(Millions of yen)		
Special treatment of interest rate swaps	Interest rate swap transaction Pay fixed / Receive floating	Long-term debt	¥94,580	¥91,365	(Note)

Hedge accounting method	Hedging instrument	Hedged item	**As of March 31, 2022** Notional amount	Of which, maturing after one year	Fair value
			(Millions of yen)		
Special treatment of interest rate swaps	Interest rate swap transaction Pay fixed / Receive floating	Long-term debt	**¥126,165**	**¥104,450**	(Note)
			(Thousands of U.S. dollars)		
			$1,030,844	**$853,419**	

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, 2021 and 2022.

20. 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, 2021 and 2022 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2021	**2022**	**2022**
Balance at the beginning of the year	¥55,956	**¥57,250**	**$467,763**
Service cost	3,038	**3,062**	**25,015**
Interest cost	115	**118**	**962**
Actuarial gain or loss	1,059	**17**	**143**
Retirement benefit paid	(2,787)	**(3,231)**	**(26,402)**
Other	(132)	**–**	**–**
Balance at the end of the year	¥57,250	**¥57,215**	**$467,481**

(2) The changes in plan assets during the years ended March 31, 2021 and 2022 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2021	**2022**	**2022**
Balance at the beginning of the year	¥68,347	**¥74,346**	**$607,455**
Expected return on plan assets	1,665	**1,814**	**14,823**
Actuarial gain or loss	3,291	**(783)**	**(6,397)**
Contributions by the Company	3,481	**3,552**	**29,026**
Retirement benefits paid	(2,728)	**(3,130)**	**(25,578)**
Other	291	**386**	**3,150**
Balance at the end of the year	¥74,346	**¥76,185**	**$622,478**

(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, 2021 and 2022.

	Millions of yen		*Thousands of U.S. dollars*
	2021	**2022**	**2022**
Funded retirement benefit obligation	¥ 55,990	**¥ 55,843**	**$ 456,268**
Plan assets at fair value	(74,346)	**(76,185)**	**(622,478)**
	(18,356)	**(20,343)**	**(166,211)**
Unfunded retirement benefit obligation	1,259	**1,372**	**11,213**
Net liability for retirement benefits in the balance sheet	(17,097)	**(18,970)**	**(154,998)**
Liability for retirement benefits	1,361	**1,446**	**11,816**
Asset for retirement benefits	(18,458)	**(20,416)**	**(166,813)**
Net liability for retirement benefits in the balance sheet	¥(17,097)	**¥(18,970)**	**$(154,998)**

(4) The components of retirement benefit expense for the years ended March 31, 2021 and 2022 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2021	**2022**	**2022**
Service cost	¥ 2,596	**¥ 2,740**	**$ 22,391**
Interest cost	115	**118**	**962**
Expected return on plan assets	(1,665)	**(1,814)**	**(14,823)**
Amortization of actuarial loss	1,123	**1,158**	**9,464**
Amortization of prior service cost	(146)	**(14)**	**(114)**
Retirement benefit expense	¥ 2,023	**¥ 2,188**	**$ 17,881**

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, 2021 and 2022 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2021	**2022**	**2022**
Prior service cost	¥ (146)	**¥(14)**	**$ (114)**
Actuarial loss	3,356	**358**	**2,924**
Total	¥3,210	**¥344**	**$2,810**

(6) The components of retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2021 and 2022 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2021	**2022**	**2022**
Unrecognized prior service cost	¥ (14)	**¥ –**	**$ –**
Unrecognized actuarial loss	7,869	**7,511**	**61,371**
Total	¥7,855	**¥7,511**	**$61,371**

(7) The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2021 and 2022 were as follows:

	2021	**2022**
Bonds	58%	**55%**
Stocks	19%	**20%**
Alternative investments (Note)	16%	**18%**
Life insurance general accounts, etc.	7%	**7%**
Total	100%	**100%**

Notes: 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:

	2021	**2022**
Discount rates	0.2% - 1.0%	**0.2% - 1.0%**
Expected rates of return on plan assets	1.0% - 2.5%	**1.0% - 2.5%**

(9) Defined Contribution Plan
The required contributions to the defined contribution plans of consolidated subsidiaries for the years ended March 31, 2021 and 2022 were ¥41 million and ¥42 million ($347 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, 2021 and 2022 were ¥38 million and ¥39 million ($351 thousand), respectively.

The most recent funded status was as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2020	2021	2021
Pension assets	¥ 3,314	¥ 3,656	$ 33,022
Total of the amount of actuarial obligations under pension funding program and minimum policy reserves	4,989	4,868	43,975
Difference	¥(1,675)	¥(1,213)	$(10,953)

The U.S. dollar amounts are calculated by the prevailing exchange rate on March 31, 2021, which was ¥110.71=U.S.$1.

The average contribution ratio to total contributions made to all plans for the years ended March 31, 2020 and 2021 were 5.61% and 5.58%, respectively. This ratio does not accord with the actual contribution ratio of the Company group.

The differences of ¥(1,675) million as described above was due to prior service cost under pension funding programs ¥(1,476) million and special reserve fund ¥(200) million for the year ended March 31, 2020.

The differences of ¥(1,212) million ($(10,953) thousand) as described above was due to prior service cost under pension funding programs ¥(1,295) million ($(11,696) thousand) and special reserve fund ¥82 million ($743 thousand) for the year ended March 31, 2021.

Prior service costs under this program are amortized using the straight-line method (9 years and 6 months.)

21. Income Taxes

(1) The significant components of deferred tax assets and liabilities as of March 31, 2021 and 2022 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2021	**2022**	**2022**
Deferred tax assets:			
Allowance for doubtful accounts	¥ 212	**¥ 207**	**$ 1,693**
Accrued business tax	886	**958**	**7,825**
Warranty	1,330	**1,628**	**13,303**
Accrued bonuses for employees	1,757	**1,886**	**15,413**
Liability for retirement benefits	497	**506**	**4,134**
Valuation loss on real estate for sale (Note 1)	4,789	**6,541**	**53,444**
Impairment loss on fixed assets	1,535	**1,206**	**9,855**
Valuation loss on investment securities	774	**773**	**6,318**
Revaluation of assets on consolidation	9,151	**8,285**	**67,691**
Consideration for business transfer	540	**198**	**1,619**
Provision for employee stock ownership plan	868	**1,072**	**8,760**
Cumulative effects of changes in accounting policies	–	**4,191**	**34,239**
Tax loss carry forwards (Note 2)	3,646	**3,598**	**29,394**
Other	10,859	**11,806**	**96,465**
Sub-total	36,844	**42,855**	**350,154**
Valuation allowance pertaining to tax loss carry forwards	(3,213)	**(3,088)**	**(25,227)**
Valuation allowance pertaining to total deductible temporary difference	(19,310)	**(22,166)**	**(181,114)**
Valuation allowances (sub-total) (Note 2)	(22,523)	**(25,254)**	**(206,341)**
Total deferred tax assets	14,321	**17,601**	**143,814**
Deferred tax liabilities:			
Unrealized gain on other securities	(1,466)	**(651)**	**(5,322)**
Prepaid pension cost	(5,725)	**(6,321)**	**(51,645)**
Revaluation of assets on consolidation	(275)	**(251)**	**(2,047)**
Other	(1,072)	**(1,479)**	**(12,085)**
Total deferred tax liabilities	(8,540)	**(8,702)**	**(71,098)**
Net deferred tax assets	¥ 5,781	**¥ 8,900**	**$ 72,716**

Notes:
1) Valuation loss on real estate for sale includes ¥359 million and ¥1,430 million ($11,682 thousand) as of March 31, 2021 and 2022, respectively, for properties that were reclassified from "Current Assets" to "Property and Equipment" following a change in holding purpose.

2) Tax loss carry forwards and related deferred tax assets expire as follows:

As of March 31, 2021

	Millions of yen						
	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)	¥ 264	¥184	¥ 56	¥ 151	¥134	¥ 2,856	¥ 3,646
Valuation allowance	(234)	(68)	(54)	(151)	(14)	(2,691)	(3,213)
Deferred tax assets	30	116	2	–	120	165	433 (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 ¥433 million for tax loss carry forwards of ¥3,646 million (the amount multiplied by the statutory tax rate). The said deferred tax assets of ¥433 million represent the amount at which the Company recognized for part of the tax loss carry forwards totaling ¥3,646 million for Haseko Community Inc. and 13 other consolidated subsidiaries. The deferred tax assets recognized for the tax carry forwards resulted from losses of ¥30 million for the fiscal year ended March 31, 2013, ¥116 million for the fiscal year ended March 31, 2014, ¥2 million for the fiscal year ended March 31, 2015, ¥120 million for the fiscal year ended March 31, 2017, ¥54 million for the fiscal year ended March 31, 2018, ¥71 million for the fiscal year ended March 31, 2019, ¥28 million for the fiscal year ended March 31, 2020 and ¥11 million for the fiscal year ended March 31, 2021, respectively (the amount multiplied by the statutory tax rate for each), as calculated by Haseko Community Inc. and 8 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.

As of March 31, 2022

	Millions of yen						
	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)	–	¥41	¥ 151	¥17	¥59	¥ 3,329	¥ 3,598
Valuation allowance	–	–	–	(4)	(5)	(3,078)	(3,088)
Deferred tax assets	–	41	151	13	54	251	510 (b)

	Thousands of U.S. dollars						
	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)	$–	$337	$1,231	$142	$486	$ 27,200	$ 29,394
Valuation allowance	–	–	–	(35)	(42)	(25,150)	(25,227)
Deferred tax assets	–	337	1,231	106	444	2,049	4,167 (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 ¥510 million ($4,167 thousand) for tax loss carry forwards of ¥3,598 million ($29,394 thousand) (the amount multiplied by the statutory tax rate). The said deferred tax assets of ¥510 million ($4,167 thousand) represent the amount at which the Company recognized for part of the tax loss carry forwards totaling ¥3,598 million ($29,394 thousand) for Haseko Community Inc. and 9 other consolidated subsidiaries. The deferred tax assets recognized for the tax carry forwards resulted from losses of ¥41 million ($337 thousand) for the fiscal year ended March 31, 2015, ¥151 million ($1,231 thousand) for the fiscal year ended March 31, 2016, ¥13 million ($106 thousand) for the fiscal year ended March 31, 2017, ¥54 million ($444 thousand) for the fiscal year ended March 31, 2018, ¥81 million ($662 thousand) for the fiscal year ended March, 31 2019, ¥170 million ($1,387 thousand) for the fiscal year ended March 31, 2020 and ¥0 million ($0 thousand) for the fiscal year ended March 31, 2022, respectively (the amount multiplied by the statutory tax rate for each), as calculated by Haseko Community Inc. and 5 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.

(2) The reconciliation of the statutory tax rate to the effective income tax rate for the year ended March 31, 2022 was as follows:

	2021	**2022**
Statutory tax rate	The note has been omitted because the differences between the statutory tax rate and the effective tax rate are less than 5% of the statutory tax rate.	**30.6%**
(Adjustment)		
Permanent non-deductible expenses		**0.9**
Permanent non-taxable items		**(0.8)**
Per capita inhabitant tax		**0.3**
Increase in valuation allowances		**1.4**
Tax credit for salary growth		**(0.3)**
Expiration of tax loss carry forwards		**0.3**
Consolidation goodwill		**0.1**
Tax rate differences between the Company and consolidated subsidiaries		**1.4**
Other		**(0.4)**
Effective income tax rate		**33.4%**

22. Per Share Information

(1) Per share information as of and for the years ended March 31, 2021 and 2022 were as follows:

	Yen		U.S. dollars
	2021	**2022**	**2022**
Net assets per share	¥1,425.93	**¥1,520.73**	**$12.43**
Net income per share			
Basic	168.62	**198.32**	**1.62**
Diluted	–	**–**	**–**

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

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Net income	¥48,258	**¥54,490**	**$445,217**
Net income not attributable to owners of parent	–	**–**	**–**
Net income attributable to owners of parent	¥48,258	**¥54,490**	**$445,217**
Weighted average number of shares outstanding (thousands of shares)	286,194	**274,765**	

Note: Shares owned by the Board Benefit Trust (BBT) and the Stock-Granting ESOP held as trust assets are included in treasury stock, which is deducted in calculating basic profit attributable to owners of parent per share. The average numbers of shares outstanding during the years ended March 31, 2021 and 2022 were 14,599 thousand and 26,029 thousand, respectively, including 3,063 and 2,973 thousand of shares held by the BBT and the Stock-Granting ESOP as trust assets in 2021 and 2022.

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

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Net assets	¥394,365	¥417,667	$3,412,589
Amount not attributable to common shareholders:			
Non-controlling interests	5	5	39
Net assets attributable to common shareholders	¥394,359	¥417,662	$3,412,549
Number of common shares of the end of the period used in the calculation of the net assets per share (thousands of shares)	276,562	274,646	

Note:

1): Shares owned by the Board Benefit Trust (BBT) and the Stock-Granting ESOP held as trust assets are included in treasury stock, which is deducted in calculating net assets per share. The numbers of shares of treasury stock at March 31, 2021 and 2022 were 24,231 thousand and 26,148 thousand, respectively, including 3,043 and 2,966 thousand of shares held by the BBT and the Stock-Granting ESOP as trust assets in 2021 and 2022.

2): As described in “Change in Accounting Policies,” the Company applied the “Accounting Standard for Revenue Recognition” and related guidance from the start of the current fiscal year, in accordance with the transitional treatment stipulated in the proviso to Article 84 of those standards. The impact on the net assets per share and net income per share are immaterial.

23. Revenue Recognition

1. Disaggregated information on revenues arising from contracts with customers

	Millions of yen				
	2022				
	Reportable segments				
	Construction-related business	Real estate-related business	Service-related business	Overseas-related business	Total
Construction work, etc.	¥428,503	¥ –	¥ –	¥ –	¥428,503
Design and supervision	11,262	–	–	–	11,262
Real estate sales, etc.	160,898	99,459	–	–	260,357
Large-scale repair work and interior remodeling, etc.	–	–	54,352	–	54,352
Condominium building management and condominium leasing management, etc.	–	–	64,803	–	64,803
For-sale condominium consigned sales, real estate brokerage and renovations, etc.	–	–	52,219	–	52,219
Other	14	–	3,237	11	3,262
Revenue from contracts with customers	600,678	99,459	174,612	11	874,759
Other revenue	128	7,871	26,951	–	34,949
Sales to external customers	¥600,805	¥107,330	¥201,563	¥11	¥909,708

	Thousands of U.S. dollars				
	2022				
	Reportable segments				
	Construction-related business	Real estate-related business	Service-related business	Overseas-related business	Total
Construction work, etc.	$3,501,130	$ –	$ –	$ –	$3,501,130
Design and supervision	92,018	–	–	–	92,018
Real estate sales, etc.	1,314,634	812,640	–	–	2,127,274
Large-scale repair work and interior remodeling, etc.	–	–	444,090	–	444,090
Condominium building management and condominium leasing management, etc.	–	–	529,483	–	529,483
For-sale condominium consigned sales, real estate brokerage and renovations, etc.	–	–	426,663	–	426,663
Other	118	–	26,446	86	26,650
Revenue from contracts with customers	4,907,900	812,640	1,426,683	86	7,147,309
Other revenue	1,042	64,309	220,204	–	285,555
Sales to external customers	$4,908,942	$876,948	$1,646,887	$86	$7,432,863

2. Information that provides a basis for understanding revenues arising from contracts with customers

The basis for understanding revenues is described in (2. Summary of Significant Accounting Policies) "(17) Accounting Standards for Significant Revenues and Expenses" above.

3. Information about the relationship between the satisfaction of performance obligations under contracts with customers and cash flows from said contracts, and the amount and timing of revenue from contracts with customers that existed at the end of the fiscal year ended March 31, 2022, which are expected to be recognized in the next fiscal year.

(1) Balance of contract assets and contract liabilities

	Millions of yen	*Thousands of U.S. dollars*	*Millions of yen*	*Thousands of U.S. dollars*
	Balance at the beginning of fiscal year		**Balance at the end of fiscal year**	
Receivables arising from contracts with customers	¥42,291	$345,545	**¥60,668**	**$495,694**
Contract assets	87,553	715,360	**85,649**	**699,807**
Contract liabilities	47,337	386,774	**65,844**	**537,983**

The amount of revenue recognized in the fiscal year ended March 31, 2022, that was included in the balance of contract liabilities at the beginning of the period was ¥38,305 million ($312,976 thousand).

The change in contract assets was primarily attributable to revenue recognition (increase in contract assets) and transfer to trade receivables (decrease in contract assets).

The change in contract liabilities was primarily attributable to the receipt of advance payments (increase in contract liabilities) and revenue recognition (decrease in contract liabilities).

(2) Transaction prices allocated to remaining performance obligations

The total transaction price allocated to the remaining performance obligations was ¥774,522 million ($6,328,309 thousand), and the expected period over which revenue is recognized is generally within five years. Such amounts are not included in the information on remaining performance obligations for contracts with an initial expected term of one year or less, applying a practical expedient.

24. 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., "Real Estate-Related Business," which primarily engages in the real estate for sale and real estate leasing, "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.

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, 2021 and 2022 were as follows:

	Millions of yen						
	2021						
	Reportable segments						
Sales, income or loss and assets by reportable segments	Construction-related business	Real estate-related business	Service-related business	Overseas-related business	Total	Adjustments and eliminations (Note 1)	Consolidated (Note 2)
Sales to third parties	¥556,859	¥ 73,226	¥178,649	¥ 703	¥809,438	¥ –	¥809,438
Inter-segment sales and transfer	55,070	1,051	7,061	–	63,182	(63,182)	–
Net sales	611,929	74,277	185,711	703	872,620	(63,182)	809,438
Segment income (loss)	64,620	8,511	6,953	(1,134)	78,950	(6,041)	72,909
Segment assets	¥324,116	¥304,706	¥186,737	¥48,952	¥864,512	¥ 89,146	¥953,659
Other items							
Depreciation and amortization	¥ 1,502	¥ 1,482	¥ 2,201	¥ 7	¥ 5,193	¥ 73	¥ 5,266
Investment in equity-method affiliates	–	–	–	2,480	2,480	–	2,480
Capital expenditures	1,585	26,120	2,498	818	31,022	(117)	30,905

Sales, income or loss and assets by reportable segments	Construction-related business	Real estate-related business	Service-related business	Overseas-related business	Total	Adjustments and eliminations (Note 1)	Consolidated (Note 2)
	Millions of yen						
	2022						
	Reportable segments						
Sales to third parties	**¥600,805**	**¥107,330**	**¥201,563**	**¥ 11**	**¥909,708**	**¥ –**	**¥ 909,708**
Inter-segment sales and transfer	**45,654**	**801**	**9,520**	**–**	**55,975**	**(55,975)**	**–**
Net sales	**646,459**	**108,131**	**211,083**	**11**	**965,683**	**(55,975)**	**909,708**
Segment income (loss)	**63,283**	**15,614**	**13,212**	**(4,349)**	**87,760**	**(5,058)**	**82,702**
Segment assets	**¥353,778**	**¥331,653**	**¥202,994**	**¥67,880**	**¥956,305**	**¥125,602**	**¥1,081,907**
Other items							
Depreciation and amortization	**¥ 1,555**	**¥ 1,930**	**¥ 2,321**	**¥ 10**	**¥ 5,817**	**¥ 78**	**¥ 5,895**
Investment in equity-method affiliates	**–**	**–**	**–**	**4,510**	**4,510**	**–**	**4,510**
Capital expenditures	**941**	**17,330**	**2,752**	**5,305**	**26,328**	**168**	**26,495**

Sales, income or loss and assets by reportable segments	Construction-related business	Real estate-related business	Service-related business	Overseas-related business	Total	Adjustments and eliminations (Note 1)	Consolidated (Note 2)
	Thousands of U.S. dollars						
	2022						
	Reportable segments						
Sales to third parties	**$4,908,942**	**$ 876,948**	**$1,646,887**	**$ 86**	**$7,432,863**	**$ –**	**$7,432,863**
Inter-segment sales and transfer	**373,018**	**6,548**	**77,785**	**–**	**457,351**	**(457,351)**	**–**
Net sales	**5,281,959**	**883,497**	**1,724,673**	**86**	**7,890,215**	**(457,351)**	**7,432,863**
Segment income (loss)	**517,061**	**127,577**	**107,953**	**(35,537)**	**717,054**	**(41,325)**	**675,729**
Segment assets	**$2,890,581**	**$2,709,803**	**$1,658,579**	**$554,623**	**$7,813,587**	**$1,026,245**	**$8,839,832**
Other items							
Depreciation and amortization	**$ 12,705**	**$ 15,769**	**$ 18,968**	**$ 85**	**$ 47,527**	**$ 640**	**$ 48,167**
Investment in equity-method affiliates	**–**	**–**	**–**	**36,853**	**36,853**	**–**	**36,853**
Capital expenditures	**7,686**	**141,596**	**22,489**	**43,342**	**215,112**	**1,371**	**216,483**

Notes:
1) Adjustments and eliminations were as follows:

(2021)
(1) Adjustments and eliminations for segment income include ¥(1,620) million of elimination of inter-segment transactions and ¥(4,421) 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) Adjustments and eliminations for segment assets include ¥(25,347) million of elimination of receivables stemming from inter-segment transactions and ¥114,493 million of corporate assets. Corporate assets are primarily comprised of cash and bank deposits of the Company.

(2022)
(1) Adjustments and eliminations for segment income include ¥(971) million ($(7,937) thousand) of elimination of inter-segment transactions and ¥(4,086) million ($(33,388) 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) Adjustments and eliminations for segment assets include ¥(16,123) million ($(131,732) thousand) of elimination of receivables stemming from inter-segment transactions and ¥141,725 million ($1,157,977 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, 2021 and 2022 were summarized as follows:

	Construction-related business	Real estate-related business	Service-related business	Overseas-related business	Total	Adjustments and eliminations	Consolidated
	Millions of yen						
	2021						
	Reportable segments						
Impairment loss on fixed assets	¥16	–	¥139	¥–	¥156	¥–	¥156

	Millions of yen						
	2022						
	Reportable segments					Adjustments and eliminations	Consolidated
	Construction-related business	Real estate-related business	Service-related business	Overseas-related business	Total		
Impairment loss on fixed assets	**¥16**	**¥–**	**¥150**	**¥–**	**¥166**	**¥–**	**¥166**

	Thousands of U.S .dollars						
	2022						
	Reportable segments					Adjustments and eliminations	Consolidated
	Construction-related business	Real estate-related business	Service-related business	Overseas-related business	Total		
Impairment loss on fixed assets	**$129**	**$–**	**$1,225**	**$–**	**$1,354**	**$–**	**$1,354**

3. The following table presents the amortization and balance of goodwill as of and for the years ended March 31, 2021 and 2022 by reportable segment:

	Millions of yen						
	2021						
	Reportable segments					Adjustments and eliminations	Consolidated
	Construction-related business	Real estate-related business	Service-related business	Overseas-related business	Total		
Amortization	¥–	¥–	¥ 403	¥–	¥ 403	¥(200)	¥ 203
Balance as of March 31	¥–	¥–	¥2,640	¥–	¥2,640	¥ (50)	¥2,590

	Millions of yen						
	2022						
	Reportable segments					Adjustments and eliminations	Consolidated
	Construction-related business	Real estate-related business	Service-related business	Overseas-related business	Total		
Amortization	**¥–**	**¥–**	**¥ 253**	**¥–**	**¥ 253**	**¥(50)**	**¥ 203**
Balance as of March 31	**¥–**	**¥–**	**¥2,387**	**¥–**	**¥2,387**	**¥ –**	**¥2,387**

	Thousands of U.S .dollars						
	2022						
	Reportable segments					Adjustments and eliminations	Consolidated
	Construction-related business	Real estate-related business	Service-related business	Overseas-related business	Total		
Amortization	**$–**	**$–**	**$ 2,068**	**$–**	**$ 2,068**	**$(409)**	**$ 1,659**
Balance as of March 31	**$–**	**$–**	**$19,504**	**$–**	**$19,504**	**$ –**	**$19,504**

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, 2021 and 2022.

(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, 2021 and 2022.

6. Information by major customers
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 for the years ended March 31, 2021 and 2022.

25. Related Party Transactions

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

The corresponding balances as of March 31, 2021 and 2022 and the amounts of these transactions for the years then ended were summarized as follows:

Fiscal year ended March 31, 2021 (April 1, 2020 – March 31, 2021)
Not applicable.

Fiscal year ended March 31, 2022 (April 1, 2021 – March 31, 2022)

Type	Name of company or individual	Relationship with related party	Transaction	Transaction amount	Account	Balance at end of fiscal year
Director and close relative	Kazuo Ikegami, President of the Company	Contracting for housing construction by the subsidiary Hosoda Corporation (Notes)	Contracting for housing construction by the subsidiary Hosoda Corporation (Notes)	*(Millions of yen)* **¥29** *(Thousands of U.S. dollars)* **$236**	Notes and accounts receivable, trade	*(Millions of yen)* **¥10** *(Thousands of U.S. dollars)* **$82**

Note: Price and other transaction terms are determined in a similar manner for general transactions.

26. Other Comprehensive Income

Reclassification adjustments and tax effects on components of other comprehensive income for the years ended March 31, 2021 and 2022 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2021	**2022**	**2022**
Net unrealized gain (loss) on other securities:			
Amount arising during the year	¥ 5,851	**¥(2,565)**	**$(20,959)**
Reclassification adjustments for gains (losses) recognized in net income	(1)	**(147)**	**(1,198)**
Amount before tax effect	5,850	**(2,712)**	**(22,157)**
Tax effect	(1,069)	**815**	**6,660**
Net unrealized gain (loss) on other securities	4,781	**(1,897)**	**(15,497)**
Translation adjustments:			
Amount arising during the year	(1,989)	**5,140**	**42,000**
Retirement benefits liability adjustments:			
Amount arising during the year	2,233	**(800)**	**(6,540)**
Reclassification adjustments for gains (losses) recognized in net income	977	**1,144**	**9,350**
Amount before tax effect	3,210	**344**	**2,810**
Tax effect	(986)	**(119)**	**(976)**
Retirement benefit liability adjustments	2,223	**225**	**1,834**
Share of other comprehensive income (loss) of affiliates accounted for by the equity method:			
Amount arising during the year	–	**–**	**–**
Total other comprehensive income (loss)	¥ 5,015	**¥ 3,468**	**$ 28,337**

Independent Auditor's Report

The Board of Directors
HASEKO Corporation

Opinion

We have audited the accompanying consolidated financial statements of HASEKO Corporation (the Company) and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2022, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Estimation of total construction costs in satisfying a performance obligation and recognizing revenue over time that are applicable to construction-related businesses	
Description of Key Audit Matter	**Auditor's Response**
The Company is primarily engaged in the general construction business, which involves the planning, designing, and construction of condominiums and other facilities. As described in 1) Construction deemed to satisfy performance obligations for the portion of work completed up to the end of the current period in (17 Accounting standards for significant revenues and expenses of Note 2	We mainly performed the following audit procedures in assessing the adequacy of the estimates of total construction costs made in applying the method of recognizing revenue as performance obligations are satisfied over time. (1) Evaluation of internal controls In order to evaluate the effectiveness of the process for estimating total construction costs,

Summary of Significant Accounting Policies to the consolidated financial statements, in recognizing net sales involving completed construction contracts and cost of sales of completed construction contracts, the Company applies a method of recognizing revenue as performance obligations are satisfied over time (cost-based input method is applied for estimates of progress towards complete satisfaction of the performance obligation) for construction contracts that are deemed to satisfy performance obligations for the portion of work completed up to the end of the fiscal year ended March 31, 2022, and recognized revenue based on progress towards complete satisfaction of performance obligations. Of the Net sales of ¥909,708 million for the fiscal year ended March 31, 2022, the amount of revenue from completed construction contracts that the Company recognized using the method of recognizing revenue as performance obligations are satisfied over time amounted to ¥400,950 million, representing 44.1% of Net sales. In applying the method of recognizing revenue as performance obligations are satisfied over time, the Company is required to reasonably estimate total construction revenue and total construction costs as well as progress towards complete satisfaction of performance obligations as of the fiscal year end. The progress towards complete satisfaction of performance obligations is determined by dividing actual costs incurred up to the fiscal year end by the total construction costs. As described in the notes to the consolidated financial statements (Significant accounting estimates), estimates of total construction costs require certain assumptions and judgments made by the department in charge with expert knowledge and experience in construction since each property is unique in nature because specific instructions on basic design are given by each customer, and thus involve uncertainty. In addition, given that construction is generally long-term in nature,	we evaluated the design and operation of the Company's following internal controls. ・Control to ensure that operating budgets, which serve as the basis for estimates of total construction costs, are approved by board officers with approval authority. ・Control to ensure that revisions are made to estimates of total construction costs in a timely, appropriate, and comprehensive manner in accordance with factors such as the execution status of construction, the amounts of costs actually incurred, and changes in specifications instructed by customers, through the monitoring of profit or loss on construction by the department responsible for operating budgets, which performs estimates of total construction costs. (2) Evaluation of the adequacy of estimates of total construction costs ・In order to confirm that the revised total construction costs in operating budgets were reflected in a timely and appropriate manner in calculations of progress towards complete satisfaction of performance obligations, we assessed the consistency between the total construction costs used in determining progress towards complete satisfaction of performance obligations and the revised estimates made by the department responsible for operating budgets. ・In order to confirm that the revisions to the total construction costs were carried out in a timely and appropriate manner, we identified changes in profit margins throughout the year per for each one of certain construction projects. For changes exceeding the ranges set by the auditor that were attributable to changes in the total construction costs, we made inquiries of the responsible department regarding the reasons for such changes and assessed whether their responses were consistent with construction schedules, amounts of construction costs incurred compared to the operating budgets, and other components.

the Company may review estimates for materials, outsourcing expenses, and other costs, in accordance with changes in the operating environment that occur during the course of construction, such as sharp increases in costs, including construction materials and labor costs, or difficulties in their procurement, as well as declines in production capacity due to circumstances in procuring subcontractors. In such instances, whether reviews are updated in a timely and appropriate manner will have a significant impact on the estimates of total construction costs. Based on the above, we determined the estimates of total construction costs made in applying the method of recognizing revenue as performance obligations are satisfied over time are of particular significance for the fiscal year ended March 31, 2022 and therefore, should be a key audit matter.	・In order to confirm whether any events occurred that should be reflected in the estimates of total construction costs, we inspected minutes of meetings, including board of director meetings, and made inquiries of the responsible department. ・In order to evaluate the reasonableness of the details of the estimates of total construction costs, we compared the operating budgets related to construction selected based on the auditor's risk assessments considering relevant factors such as total construction revenue, profit or loss on construction and construction details, with estimates independently made by us based on past results of the construction projects that had similar attributes such as building size and equipment specifications. For differences that exceeded the ranges set by the auditor identified as a result of the comparisons, we made inquiries of the responsible department regarding the reasons for the differences and examined whether their responses were consistent with construction details, agreements, material market conditions, and estimates from external contractors, among other factors. ・In order to evaluate the process for estimating total construction costs, we compared between initial estimates of total constructions costs, revised estimates, and actual amounts, and confirmed whether there had been changes in construction progress wherein estimates should have been revised.

Valuation of for-sale condominiums in the real estate-related business	
Description of Key Audit Matter	**Auditor's Response**
The Company and its consolidated subsidiaries, Haseko Real Estate Development, Inc. and Sohgoh Real Estate Co., Ltd., are engaged in the sale of condominiums. The condominiums held for sale are included in Real estate for sale of ¥165,818 million and Costs and advances for	In assessing the valuation of for-sale condominiums included in Real estate for sale and Costs and advances for real estate operations, we mainly performed the following audit procedures for properties which met the criteria set by the auditor's taking into consideration factors such as

real estate operations of ¥176,887 million recorded on the consolidated balance sheet. If the net selling price of the Real estate for sale and Costs and advances for real estate operations as of the fiscal year end has fallen below the acquisition costs, the Company records the value of the net selling price on the balance sheet and records the difference in the amounts as a Valuation loss on real estate for sale. The net selling price is determined on the basis of factors such as estimated sales price and estimated selling expenses, etc. which are estimated by taking into account transactions conducted in neighboring areas and condominium demand forecasts, among other factors. Revision of the net selling price for condominiums for sale included in Real estate for sale and Costs and advances for real estate operations would be required if development or sales of for-sale condominiums does not progress as originally planned and therefore, the probability of lowering the selling price, increasing sales promotion expenses, or cancellation of development plans increases. Particularly for properties where the progress of development and sales has been significantly delayed from the original plan, the length of period over which sales price and selling expenses would be estimated may be extended and therefore, the estimation of net selling price would involve more uncertainty. Based on the above, we determined that the valuation of for-sale condominiums included in Real estate for sale and Costs and advances for real estate operations held by the real estate-related business is of particular significance for the fiscal year ended March 31, 2022 and therefore, should be a key audit matter.	progress of development and sales and quantitative significance. ・In order to evaluate the adequacy of the estimates of net selling price, we compared the estimated sales prices, which are significant assumptions of the estimates of net selling price, with market prices in neighboring areas and other data and also compared the estimated selling expenses with actual transaction data in the past. ・In order to evaluate the adequacy of the estimated selling expenses, we compared the selling expense ratio and profit margin of each property with past results, and made inquiries of the responsible department regarding the reasons for the differences exceeding ranges set by the auditor. ・In order to confirm that all events that should have been reflected in the estimates of net selling price had been reflected accordingly, such as when the progress of development and sales has been significantly delayed from the original plan, we considered whether the events we identified by inspecting minutes of meetings, including board of director meetings, and making inquiries of the responsible department, had been reflected in valuations of Real estate for sale and Costs and advances for real estate operations.

Other Information

The other information comprises the information included in Financial Report that contains audited consolidated financial statements but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for preparation and disclosure of the other information. The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors 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 such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Corporate Auditor and the Board of Corporate Auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2022 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 4 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

September 7, 2022

/s/Yuji Suzuki
Designated Engagement Partner
Certified Public Accountant

/s/Masanobu Saito
Designated Engagement Partner
Certified Public Accountant

/s/Seishi Yoshida
Designated Engagement Partner
Certified Public Accountant