FINANCIAL REPORT 2023

For the Year Ended March 31, 2023

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 2023, and the commentary and details of analysis and an evaluation of the Group's business performance from management's perspective are described below. Matters concerning the future contained herein were determined as of the end of the fiscal year under review.

(1) Business Performance for the Fiscal Year Ended March 2023

In the fiscal year ended March 31, 2023, the Japanese economy had been expected to pick up, partly due to the effects of various policies under the situation of coexisting with COVID-19. However, amid continued global monetary tightening and other factors, a downturn in overseas economies put downward pressure on the Japanese economy. In addition, it was necessary for us to pay close attention to the effects of rising prices, supply constraints, and fluctuations in the financial and capital markets.

New supply of condominium units in the fiscal year ended March 2023 stood at 28,632 units (down by 12.9% year on year) in the Tokyo metropolitan area and 17,252 units (down by 5.0% year on year) in the Kinki area. The number of units supplied in the Tokyo metropolitan area fell below 30,000 for the first time in two years by reducing the frequency of supply as well as the number of units per supply. The number of units supplied in the Kinki area also decreased due to the same reason with Tokyo metropolitan area. Both for families (down by 4.7% year on year) and studio apartments (down by 6.4% year on year) decreased. 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 1,039 thousand yen/m^2 (up by 9.0% year on year) and the average market price increased to 69.07 million yen (up by 8.6% year on year) in the Tokyo metropolitan area, surpassing the records for fiscal year 2021 (953 thousand yen/m^2 and 63.60 million yen) and reaching a record high two years in a row. The unit price increased to 775 thousand yen/m^2 (up by 2.1% year on year) and the average market price increased to 46.79 million yen (up by 0.6% year on year) in the Kinki area. The unit price reached a record high for the second consecutive year, and the average price remained at the highest level since fiscal year 1991 (54.64 million yen). Sales are favorable both in the Tokyo metropolitan area and the Kinki area amid rising unit prices and average market prices. The initial-month sales rate was 70.7% in the Tokyo metropolitan area and the number of for-sale units being marketed as of the end of March 2023 decreased to 5,189 (down by 11.8% year on year) because the inventory sales were also favorable. The initial-month sales rate was 70.9% in the Kinki area and the number of for-sale units being marketed as of the end of March 2023 decreased to 3,476 (down by 6.4% year on year).

Under such circumstances, for the fiscal year ended under review, which represented the third year of the "Haseko Next Stage Plan" (Plan NS), the Company's medium-term business plan, net sales reached a record high to 1,027.3 billion yen because real estate sales increased significantly. Ordinary income exceeded the initial forecast of 85.0 billion yen and reached 88.3 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 2023, net sales were up by 12.9% year on year at 1,027.3 billion yen because of 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. Mainly due to an increase in the gross profit of real estate sales, operating income was up by 9.0% year on year at 90.2 billion yen, ordinary income was up by 7.8% year on year at 88.3 billion yen, and net income attributable to owners of parents was up by 8.9% year on year at 59.3 billion yen. The operating income ratio was 8.8% (down by 0.3 percentage points year on year) and ordinary income ratio came to 8.6% (down by 0.4 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	746.7	(+100.2)	116.4	(+8.3)	233.2	(+22.1)	0.0	(+0.0)
Operating income	66.9	(+3.7)	19.1	(+3.5)	14.9	(+1.7)	-2.9	(+1.5)

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 system, and such. However, the gross profit margin of completed construction contracts declined due to higher costs of materials and labor, among other factors.

In terms of orders for new construction of for-sale condominiums, the Company won orders for 95 projects in total throughout Japan consisting of 64 in the Tokyo metropolitan area including 18 large projects each of which has more than 200 units and 31 in the Kinki and Tokai areas including 9 large projects each of which has more than 200 units. In addition, aside from construction of for-sale condominiums, the Company received orders for 17 projects for rental housing, etc.

As for construction completion, the Company completed construction of 99 projects including 9 projects for rental housing, etc.

The segment posted sales of 746.7 billion yen, a year-on-year increase of 15.5%, because real estate sales increased due to the increase in the transaction volume of land for the purpose of receiving construction orders by the Company. Operating income was 66.9 billion yen, a year-on-year increase of 5.8%, which reflected the increase in the profit of real estate sales despite the decrease in the gross profit of completed construction contracts due to the decline in corresponding gross profit margin.

Real Estate-Related Business

The segment posted sales of 116.4 billion yen, a year-on-year increase of 7.7%, and operating income of 19.1 billion yen, a year-on-year increase of 22.1% because huge projects of new for-sale condominiums were delivered and other projects were also sold smoothly by consolidated subsidiaries.

Service-Related Business

Sales and profits for large-scale repair work and interior remodeling increased year on year, due to the increase in volume of works and improvement of the gross profit margin.

In the management of rental condominiums and corporate housing management agency services, the number of units the Company operates reached a combined total of 181,262 units, an increase of 3.6% from the end of the previous fiscal year, due to a steady increase in new consignment of these services and continuation of ongoing consignment.

In consignment sales of newly built condominiums, sales had been strong, especially in the Tokyo metropolitan area, but the number of delivered units failed to reach the high level of the previous year.

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 427,900 units (up by 2.1% year on year) with new consignment growing steadily.

In the senior services business, the number of paid facilities for the elderly and housing for elderly in operation totaled 2,362 units (up by 2.8% 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 amounted to 233.2 billion yen, a year-on-year increase of 10.5%, and operating income of 14.9 billion yen, a year-on-year increase 12.8%.

Overseas-Related Business

New for-sale detached housing business and developing commercial facilities have been in progress in Oahu, Hawaii. A complex facility has opened in the resort area in March, 2023.

The segment posted sales were 0.0 billion yen (the sales were 0.0 billion yen in the previous fiscal year), and operating loss of 2.9 billion yen (in contrast to operating loss of 4.3 billion yen in the previous fiscal year).

(2) Financial Position

Total assets at the end of the fiscal year ended March 2023 amounted to 1,198.1 billion yen, increased by 116.2 billion yen from the end of the previous fiscal year. This is attributable to increases in real estate for sale and costs and advances for real estate operations in accordance with the investing in lands for the purpose of obtaining construction orders on them and new for-sale condominiums business.

Total liabilities were 744.0 billion yen, an increase of 79.8 billion yen from the end of the previous fiscal year. This is attributable to borrowing of debt and issuing corporate bonds.

Consolidated net assets were 454.1 billion yen, an increase of 36.4 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 offset by the payment of cash dividends and purchase of treasury stock.

As a result, the equity ratio was 37.9% compared with 38.6% at the end of the previous fiscal year.

Real estate holdings increased due to short-term real estate acquisitions for the purpose of obtaining construction orders and purchases for for-sale condominium business. We implement an appropriate risk management to operate our businesses.

Assets by segment are described below.

Billions of yen

	Construction-Related Business		Real Estate-Related Business		Service-Related Business		Overseas-Related Business	
Segment assets	390.6	(+36.8)	424.0	(+92.3)	232.1	(+29.1)	99.9	(+32.0)

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 390.6 billion yen as of the end of the fiscal year under review, increased by 36.8 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 caused by the investment in the lands for the purpose of obtaining construction orders on them.

Real Estate-Related Business

Assets of the Real Estate-Related Business amounted to 424.0 billion yen as of the end of the fiscal year under review, increased by 92.3 billion yen from the end of the previous fiscal year, as real estate for sale and 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 amounted to 232.1 billion yen as of the end of the fiscal year under review, increased by 29.1 billion yen from the end of the previous fiscal year, as real estate for sale and cost and advances for real estate operations increased in accordance with steady progress in the purchase of renovation business, among other factors.

Overseas-Related Business

Assets of the Overseas-Related Business amounted to 32.0 billion yen as of the end of the fiscal year, increased by 99.9 billion yen from the end of the previous fiscal year, as investment securities increased because of investment and fixed assets increased because of the development of retail facilities, among other factors.

(3) Cash Flows

Net cash used for operating activities in the fiscal year ended March 2023 was 51.9 billion yen, fluctuated by 117.4 billion yen from the net cash provided by operating activities totaling 65.4 billion yen in the previous fiscal year. Major factors included a decrease of 97.4 billion yen in cash as a result of an increase in inventories (in contrast to a decrease of 40.0 billion yen in cash for the previous year).

Net cash used for investing activities in the fiscal year under review was 55.4 billion yen, fluctuated by 23.8 billion yen from the net cash used in investing activities totaling 31.6 billion yen in the previous fiscal year. Major factors included a decrease of 35.4 billion yen in cash as a result of purchase of property, equipment and intangible assets (in contrast to a decrease of 26.8 billion yen in cash for the previous fiscal year).

Net cash provided by financing activities in the fiscal year ended March 2023 was 50.8 billion yen, fluctuated by 35.1 billion yen from the net cash provided by financing activities totaling 15.7 billion yen in the previous fiscal year. Major factors included an increase in 79.7 billion yen in cash as a result of newly borrowing of debt and issuance of corporate bonds as well as repayment (in contrast to an increase in 40.1 billion yen in cash for the previous year).

As a result of the above, the balance of cash and cash equivalents at the end of the fiscal year amounted to 208.3 billion yen, a decrease of 56.5 billion yen from 264.9 billion yen at the end of the previous fiscal year.

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 obtaining 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 holding and development of the rental properties, condominium sales and investment in overseas business, in the medium-term business plan (from the fiscal year ended March 2021 through the fiscal year ending March 2025) it established in February 2020. To meet 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 31.8 billion yen upon maturity, while procuring 30.0 billion yen in straight bonds, 50.0 billion yen in long-term debt and 31.5 billion yen in a commitment line. Accordingly, the balance of debt including corporate bonds increased by 79.7 billion yen to 391.5 billion yen.

In addition, the Company has concluded a commitment line agreement of 63.0 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, 2022 and 2023

ASSETS

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2022	2023	2023
ASSETS			
Current Assets:			
Cash and bank deposits (Notes 5 and 18)	¥ 266,891	¥ 206,644	$1,547,549
Notes and accounts receivable, trade (Notes 5, 10, 11 and 25)	147,945	169,150	1,266,754
Marketable securities (Notes 5 and 6)	576	4,613	34,549
Costs on uncompleted construction contracts	11,379	12,061	90,321
Inventories (Note 7)	368,732	459,872	3,443,962
Other current assets (Note 11)	14,642	16,929	126,781
Allowance for doubtful accounts	(84)	(70)	(524)
Total current assets	810,079	869,199	6,509,392
Property and Equipment (Notes 8, 11 and 12)	174,182	211,618	1,584,799
Intangible Fixed Assets (Note 8)	10,092	10,163	76,111
Investments and Other Assets:			
Investment securities (Notes 5 and 6)	43,125	61,218	458,456
Long-term loans receivable (Note 5)	2,333	3,692	27,647
Net defined benefit asset (Note 20)	20,416	18,407	137,849
Deferred tax assets (Note 21)	8,918	10,751	80,511
Other assets	13,548	13,856	103,768
Allowance for doubtful accounts (Note 5)	(787)	(799)	(5,982)
Total investments and other assets	87,554	107,124	802,249
Total assets	¥1,081,907	¥1,198,105	$8,972,551

See notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As of March 31, 2022 and 2023

LIABILITIES AND NET ASSETS

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2022	**2023**	**2023**
LIABILITIES			
Current Liabilities:			
Notes and accounts payable (Note 5)	¥ 86,480	**¥ 93,246**	**$ 698,314**
Electronically recorded obligations (Note 5)	55,562	**63,896**	**478,517**
Short-term borrowings (Notes 5 and 9)	–	**31,500**	**235,902**
Current portion of long-term debt (Notes 5, 9 and 11)	31,841	**10,000**	**74,890**
Current portion of bonds (Notes 5 and 9)	–	**20,000**	**149,779**
Income taxes payable (Notes 5 and 21)	16,495	**19,152**	**143,427**
Advances received on uncompleted construction contracts (Note 13)	25,472	**28,631**	**214,414**
Advances received for real estate sales (Note 13)	38,095	**27,245**	**204,037**
Warranty	5,487	**4,351**	**32,584**
Allowance for losses on construction contracts	384	**506**	**3,789**
Accrued bonuses for employees	5,322	**5,515**	**41,303**
Accrued bonuses for directors	157	**180**	**1,350**
Other current liabilities (Note 13)	85,249	**74,580**	**558,523**
Total current liabilities	350,543	**378,802**	**2,836,829**
Long-term Liabilities:			
Straight bonds (Notes 5 and 9)	90,000	**100,000**	**748,895**
Long-term debt (Notes 5, 9 and 19)	190,000	**230,000**	**1,722,459**
Liability for retirement benefits (Note 20)	1,446	**1,630**	**12,206**
Provision for loss on litigation	2,484	**2,819**	**21,110**
Provision for employee stock ownership plan (Note 3)	3,446	**4,059**	**30,396**
Provision for board benefit trust (Note 3)	421	**491**	**3,680**
Deferred tax liabilities (Note 21)	18	**17**	**127**
Other long-term liabilities	25,883	**26,199**	**196,203**
Total long-term liabilities	313,697	**365,215**	**2,735,076**
Total liabilities	664,240	**744,016**	**5,571,905**
Commitments and Contingent Liabilities (Notes 9 and 14)			
NET ASSETS (Notes 17 and 22)			
Shareholders' Equity:			
Capital stock	57,500	**57,500**	**430,615**
Capital surplus	7,373	**7,373**	**55,218**
Retained earnings	392,149	**427,878**	**3,204,359**
Treasury stock, at cost — 26,148,175 shares in 2022	(34,333)		
— 28,283,902 shares in 2023		**(37,630)**	**(281,811)**
Total shareholders' equity	422,689	**455,121**	**3,408,380**
Accumulated Other Comprehensive Income:			
Net unrealized gain on other securities	2,358	**711**	**5,327**
Translation adjustments	(2,180)	**5,241**	**39,249**
Retirement benefits liability adjustments	(5,205)	**(6,989)**	**(52,343)**
Total accumulated other comprehensive income (loss)	(5,027)	**(1,037)**	**(7,767)**
Non-controlling Interests	5	**4**	**33**
Total net assets	417,667	**454,088**	**3,400,646**
Total liabilities and net assets	¥1,081,907	**¥1,198,105**	**$8,972,551**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

For the years ended March 31, 2022 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2022	**2023**	**2023**
Net Sales (Note 16)	¥909,708	**¥1,027,277**	**$7,693,228**
Cost of Sales (Note 16)	761,399	**865,968**	**6,485,191**
Gross profit	148,309	**161,309**	**1,208,037**
Selling, General and Administrative Expenses (Note 16)	65,607	**71,147**	**532,820**
Operating income	82,702	**90,162**	**675,218**
Non-operating Income (Expenses):			
Interest and dividend income	1,226	**471**	**3,531**
Subsidy income	164	**241**	**1,807**
Interest expense	(1,675)	**(1,919)**	**(14,373)**
Equity in losses of affiliates	(2)	**(12)**	**(93)**
Incidental expense for loan	(1,465)	**(1,486)**	**(11,131)**
Other, net	919	**809**	**6,056**
	(832)	**(1,897)**	**(14,204)**
Ordinary income	81,871	**88,265**	**661,014**
Special Income (Losses):			
Gain (Loss) on disposal or sales of property and equipment, net (Note 8)	(63)	**(93)**	**(699)**
Gain on sale of investment securities	218	**13**	**98**
Subsidy income	–	**45**	**335**
Impairment loss on fixed assets (Note 8)	(166)	**(347)**	**(2,599)**
Impairment loss on investment securities	(36)	**(500)**	**(3,743)**
Other, net	(0)	**(41)**	**(305)**
	(46)	**(923)**	**(6,912)**
Income before Income Taxes	81,825	**87,342**	**654,102**
Income Taxes (Note 21):			
Current	25,478	**29,115**	**218,038**
Deferred	1,857	**(1,098)**	**(8,226)**
	27,335	**28,016**	**209,812**
Net Income	54,490	**59,326**	**444,290**
Net Income (Loss) Attributable to Non-controlling Interests	(0)	**(0)**	**(3)**
Net Income Attributable to Owners of Parent (Note 22)	¥ 54,490	**¥ 59,326**	**$ 444,293**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended March 31, 2022 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2022	**2023**	**2023**
Net Income	¥54,490	**¥59,326**	**$444,290**
Other Comprehensive Income:			
Net unrealized gain (loss) on other securities	(1,897)	**(1,646)**	**(12,330)**
Translation adjustments	5,140	**7,421**	**55,574**
Retirement benefits liability adjustments	225	**(1,784)**	**(13,364)**
Total other comprehensive income (Note 26)	3,468	**3,990**	**29,880**
Comprehensive Income	57,958	**63,316**	**474,170**
Total Comprehensive Income Attributable to:			
Comprehensive income attributable to owners of parent	57,958	**63,316**	**474,173**
Comprehensive income attributable to non-controlling interests	(0)	**(0)**	**(3)**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

For the years ended March 31, 2022 and 2023

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 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 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.

For the year ended March 31, 2023

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
			(Millions of yen)		
Balance at April 1, 2022	**¥57,500**	**¥7,373**	**¥392,149**	**¥(34,333)**	**¥422,689**
Cumulative effects of changes in accounting policies	–	–	–	–	–
Restated balance	57,500	7,373	392,149	(34,333)	422,689
Net income attributable to owners of parent for the year ended March 31, 2023	–	–	59,326	–	59,326
Cash dividend	–	–	(23,597)	–	(23,597)
Purchase of treasury stock	–	–	–	(3,532)	(3,532)
Disposal of treasury stock	–	–	–	234	234
Change in scope of consolidation	–	–	–	–	–
Net changes in items other than those in shareholders' equity	–	–	–	–	–
Total changes during the year	–	–	35,729	(3,297)	32,432
Balance at March 31, 2023	**¥57,500**	**¥7,373**	**¥427,878**	**¥(37,630)**	**¥455,121**

	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, 2022	**¥2,358**	**¥(2,180)**	**¥(5,205)**	**¥(5,027)**	**¥ 5**	**¥417,667**
Cumulative effects of changes in accounting policies	–	–	–	–	–	–
Restated balance	**2,358**	**(2,180)**	**(5,205)**	**(5,027)**	**5**	**417,667**
Net income attributable to owners of parent for the year ended March 31, 2023	–	–	–	–	–	59,326
Cash dividend	–	–	–	–	–	(23,597)
Purchase of treasury stock	–	–	–	–	–	(3,532)
Disposal of treasury stock	–	–	–	–	–	234
Change in scope of consolidation	–	–	–	–	–	–
Net changes in items other than those in shareholders' equity	(1,646)	7,421	(1,784)	3,990	(0)	3,989
Total changes during the year	(1,646)	7,421	(1,784)	3,990	(0)	36,422
Balance at March 31, 2023	**¥ 711**	**¥ 5,241**	**¥(6,989)**	**¥(1,037)**	**¥ 4**	**¥454,088**

See notes to consolidated financial statements.

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
	(Thousands of U.S. dollars) (Note 4)				
Balance at April 1, 2022	**$430,615**	**$55,218**	**$2,936,783**	**$(257,117)**	**$3,165,498**
Cumulative effects of changes in accounting policies	–	–	–	–	–
Restated balance	**430,615**	**$55,218**	**2,936,783**	**(257,117)**	**3,165,498**
Net income attributable to owners of parent for the year ended March 31, 2023	–	–	444,293	–	444,293
Cash dividend	–	–	(176,717)	–	(176,717)
Purchase of treasury stock	–	–	–	(26,449)	(26,449)
Disposal of treasury stock	–	–	–	1,756	1,756
Change in scope of consolidation	–	–	–	–	–
Net changes in items other than those in shareholders' equity	–	–	–	–	–
Total changes during the year	–	–	267,576	(24,694)	242,882
Balance at March 31, 2023	**$430,615**	**$55,218**	**$3,204,359**	**$(281,811)**	**$3,408,380**

	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
	(Thousands of U.S. dollars) (Note 4)					
Balance at April 1, 2022	**$17,657**	**$(16,325)**	**$(38,979)**	**$(37,647)**	**$36**	**$3,127,887**
Cumulative effects of changes in accounting policies	–	–	–	–	–	–
Restated balance	**17,657**	**(16,325)**	**(38,979)**	**(37,647)**	**36**	**3,127,887**
Net income attributable to owners of parent for the year ended March 31, 2023	–	–	–	–	–	444,293
Cash dividend	–	–	–	–	–	(176,717)
Purchase of treasury stock	–	–	–	–	–	(26,449)
Disposal of treasury stock	–	–	–	–	–	1,756
Change in scope of consolidation	–	–	–	–	–	–
Net changes in items other than those in shareholders' equity	(12,330)	55,574	(13,364)	29,880	(3)	29,877
Total changes during the year	(12,330)	55,574	(13,364)	29,880	(3)	272,759
Balance at March 31, 2023	**$ 5,327**	**$ 39,249**	**$(52,343)**	**$ (7,767)**	**$33**	**$3,400,646**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended March 31, 2022 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2022	**2023**	**2023**
Cash Flows from Operating Activities:			
Income before income taxes	¥ 81,825	**¥ 87,342**	**$ 654,102**
Depreciation	5,895	**6,179**	**46,277**
Impairment loss on fixed assets	166	**347**	**2,599**
Amortization of goodwill	203	**203**	**1,521**
(Reversal) Provision of allowance for doubtful accounts	(16)	**(3)**	**(21)**
Increase (Decrease) in provision for loss on litigation	(26)	**(28)**	**(209)**
Interest and dividend income	(1,226)	**(471)**	**(3,531)**
Interest expense	1,675	**1,919**	**14,373**
Equity in earnings of affiliates	2	**12**	**93**
Loss (Gain) on sale of investment securities	(218)	**(13)**	**(98)**
Impairment loss on investment securities	36	**500**	**3,743**
Gain on disposal or sale of property and equipment, net	63	**93**	**699**
Valuation loss on inventories	5,034	**1,631**	**12,217**
Changes in operating assets and liabilities			
Notes and accounts receivable	(15,390)	**(21,210)**	**(158,844)**
Costs on uncompleted construction contracts	(605)	**(682)**	**(5,106)**
Inventories	(40,023)	**(97,363)**	**(729,146)**
Notes, accounts payable and accrued expenses	(7)	**15,056**	**112,756**
Amounts received for uncompleted construction contracts	4,187	**3,159**	**23,657**
Deposits	11,294	**(5,367)**	**(40,191)**
Other	37,582	**(13,671)**	**(102,384)**
Subtotal	90,450	**(22,365)**	**(167,493)**
Interest and dividends received	1,229	**470**	**3,522**
Interest paid	(1,617)	**(1,888)**	**(14,140)**
Income taxes paid	(24,614)	**(28,126)**	**(210,637)**
Net Cash Provided by (Used for) Operating Activities	65,448	**(51,909)**	**(388,747)**
Cash Flows from Investing Activities:			
Payment for purchase of securities	(576)	**(659)**	**(4,936)**
Proceeds from redemption of securities	576	**659**	**4,936**
Purchases of property and equipment and intangible fixed assets	(26,806)	**(35,447)**	**(265,461)**
Proceeds from sales of property and equipment and intangible fixed assets	12	**60**	**453**
Payment for purchase of investment securities	(6,379)	**(18,365)**	**(137,533)**
Proceeds from sale of investment securities	1,031	**42**	**315**
Payment for loans receivable	(11,665)	**(16,509)**	**(123,638)**
Collection of loans receivable	12,076	**15,263**	**114,301**
Payment for lease deposits	(904)	**(1,123)**	**(8,412)**
Collection of lease deposits	960	**729**	**5,461**
Other	74	**(96)**	**(717)**
Net Cash Used for Investing Activities	(31,601)	**(55,446)**	**(415,231)**
Cash Flows from Financing Activities:			
Net increase (decrease) in short-term borrowings	–	**31,500**	**235,902**
Increase in long-term debt	50,000	**50,000**	**374,448**
Repayment of long-term debt	(9,882)	**(31,841)**	**(238,454)**
Bonds issuance	–	**30,000**	**224,669**
Purchase of treasury stock	(3,087)	**(3,538)**	**(26,498)**
Incidental expenses for loan	(1,461)	**(1,469)**	**(10,998)**
Cash dividends paid	(19,503)	**(23,597)**	**(176,717)**
Other	(339)	**(270)**	**(2,022)**
Net Cash Provided by Financing Activities	15,728	**50,785**	**380,330**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	982	**39**	**291**
Net Increase (Decrease) in Cash and Cash Equivalents	50,558	**(56,531)**	**(423,358)**
Cash and Cash Equivalents at Beginning of the Year	214,299	**264,864**	**1,983,551**
Increase (Decrease) in Cash and Cash Equivalents Resulting from Change in Scope of Consolidation	7	**–**	**–**
Cash and Cash Equivalents at End of the Year (Note 18)	¥264,864	**¥208,333**	**$1,560,193**

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Haseko Corporation and Consolidated Subsidiaries
For the years ended March 31, 2022 and 2023

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, 2023, the numbers of consolidated subsidiaries and affiliates accounted for by the equity method were 63 and 6 (64 and 3 in 2022), 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 fixed assets
Intangible fixed 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, 2023 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, 2023 have been recorded.

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

Past service costs are amortized by the straight-line method over the average remaining service period of the employees (5-13 years) at the time of occurrence.

Actuarial differences are amortized from the next year in which the difference arises by the straight-line method over the average remaining service period of the employees (5-19 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 transaction price is determined based on the construction contract, and compensation is received in stages 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 the time the performance obligations are fulfilled. 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 in stages 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 revenue 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 has applied Group Tax Sharing System.

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

(23) 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.

(24) 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, 2022 and 2023

	Millions of yen		Thousands of U.S. dollars
	2022	**2023**	**2023**
Completed construction contracts based on the method of recognizing revenue as performance obligations are satisfied over a certain period of time	¥434,152	**¥449,234**	**$3,364,290**

(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 years ended March 31, 2022 and 2023 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, 2022 and 2023

	Millions of yen		Thousands of U.S. dollars
	2022	**2023**	**2023**
Valuation loss on real estate inventories	¥ 5,034	**¥ 1,631**	**$ 12,217**
Real estate for sale	165,818	**216,966**	**1,624,850**
Costs and advances for real estate operations	176,887	**212,591**	**1,592,085**
Real estate for development projects	26,027	**30,315**	**227,027**

(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 and 2023, are 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, 2022 and 2023

	Millions of yen		Thousands of U.S. dollars
	2022	**2023**	**2023**
Impairment loss	¥ 166	**¥ 347**	**$ 2,599**
Property and equipment	174,182	**211,618**	**1,584,799**
Intangible fixed assets	10,092	**10,163**	**76,111**

(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 and 2023, 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.

(25) Change in accounting policies
(Accounting Standards Relating to Fair Value Measurement, etc.)
The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021), from the beginning of the fiscal year ended March 31, 2023. The Company has prospectively applied new accounting policies based on the Implementation Guidance on Accounting Standard for Fair Value Measurement, in accordance with the transitional measurement in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. The impact of the application of the Implementation Guidance on Accounting Standard for Fair Value Measurement on the consolidated financial statements for the fiscal year ended March 31, 2023 was immaterial.

(26) Accounting standards issued but not yet effective
"Accounting Standard for Current Income Taxes" (ASBJ Guidance No. 27, October 28, 2022)
"Accounting Standard for Presentation of Comprehensive Income" (ASBJ Guidance No. 25, October 28, 2022)
"Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022)

(1) Overview
Provides for the classification of income taxes incurred by taxation on other comprehensive income and the treatment of tax effects on sales of shares of subsidiaries when Group Tax Sharing System is applied.

(2) Planned date of application
The application date will be the beginning of the fiscal year ending March 2025.

(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 included in "Other, net" in "Non-operating Income (Expenses)" for the fiscal year ended March 31, 2022, 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, ¥164 million presented as "Other, net" in "Non-operating Income (Expenses)" in the consolidated statement of income for the fiscal year ended March 31, 2022 has been reclassified and presented as "Subsidy income" at the amount of ¥164 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 values of said shares of treasury stock were ¥637 million and ¥1,139 million ($8,528 thousand) as of March 31, 2022 and 2023, respectively, with the number of shares totaling 473,600 and 788,800 shares, respectively. The weighted average number of shares outstanding for the years ended March 31, 2022 and 2023 were 474,227 and 481,948 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 values of said shares of treasury stock were ¥3,474 million and ¥6,266 million ($46,924 thousand) as of March 31, 2022 and 2023, respectively, with the number of shares totaling 2,492,700 and 4,311,000 shares, respectively. The weighted average number of shares outstanding for the years ended March 31, 2022 and 2023 were 2,498,886 and 2,591,323 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, 2023, which was ¥133.53=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, 2022 and 2023, and estimated fair value are shown in the following tables.

	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

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
	2022
Equity securities of affiliates	¥10,223
Unlisted securities	13,037

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 as of March 31, 2022.

	Millions of yen		
	2023		
	Carrying value	Fair value	Difference
Investment securities (Note 2)	**¥ 18,687**	**¥ 18,687**	**¥ –**
Long-term loans receivable	**3,692**		
Allowance for doubtful accounts	**(24)**		
Sub-total	**3,668**	**3,713**	**45**
Total	**¥ 22,355**	**¥ 22,400**	**¥ 45**
Straight bonds	**100,000**	**99,461**	**(539)**
Long-term debt	**230,000**	**220,928**	**(9,072)**
Total	**¥330,000**	**¥320,389**	**¥(9,611)**

	Thousands of U.S. dollars		
	2023		
	Carrying value	Fair value	Difference
Investment securities (Note 2)	**$ 139,943**	**$ 139,943**	**$ –**
Long-term loans receivable	**27,647**		
Allowance for doubtful accounts	**(178)**		
Sub-total	**27,469**	**27,810**	**340**
Total	**$ 167,412**	**$ 167,753**	**$ 340**
Straight bonds	**748,895**	**744,857**	**(4,038)**
Long-term debt	**1,722,459**	**1,654,523**	**(67,937)**
Total	**$2,471,355**	**$2,399,380**	**$(71,975)**

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 sheets are below:

	Millions of yen	Thousands of U.S. dollars
	2023	**2023**
Equity securities of affiliates	**¥19,896**	**$149,001**
Unlisted securities	**17,797**	**133,279**

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 sheets are omitted. The amount was ¥4,838 million ($36,233 thousand) as of March 31, 2023.

1) Redemption schedule for monetary receivables and securities with maturity dates at March 31, 2022 and 2023

	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 contracts	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

	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years	Total
	Millions of yen				
	2023				
Cash and bank deposits	¥206,644	¥ –	¥ –	¥ –	¥206,644
Notes receivable and electronically recorded monetary claims	3,883	–	–	–	3,883
Accounts receivable from completed construction contracts	143,768	20,776	723	–	165,267
Marketable securities					
Negotiable certificates of deposits	4,613	–	–	–	4,613
Long-term loans receivable	2,336	993	130	233	3,692
Total	¥361,245	¥21,769	¥853	¥233	¥384,099

	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years	Total
	Thousands of U.S. dollars				
	2023				
Cash and bank deposits	$1,547,549	$ –	$ –	$ –	$1,547,549
Notes receivable and electronically recorded monetary claims	29,079	–	–	–	29,079
Accounts receivable from completed construction contracts	1,076,671	155,593	5,412	–	1,237,675
Marketable securities					
Negotiable certificates of deposits	34,549	–	–	–	34,549
Long-term loans receivable	17,496	7,435	975	1,741	27,647
Total	$2,705,344	$163,028	$6,387	$1,741	$2,876,500

2) Repayment schedule for short-term borrowings, straight bonds, long-term debt, and lease obligations at March 31, 2022 and 2023

	Millions of yen						Thousands of U.S. dollars		
	2022			2023			2023		
	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	¥–	¥ –	¥ 31,841	¥31,500	¥20,000	¥ 10,000	$235,902	$149,779	$ 74,890
Due after 1 year through 2 years	–	20,000	10,000	–	-	10,000	–	-	74,890
Due after 2 years through 3 years	–	–	10,000	–	40,000	20,000	–	299,558	149,779
Due after 3 years through 4 years	–	20,000	20,000	–	-	10,000	–	-	74,890
Due after 4 years through 5 years	–	–	10,000	–	20,000	10,000	–	149,779	74,890
Due after 5 years	–	50,000	140,000	–	40,000	180,000	–	299,558	1,348,012

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

	Millions of yen			
	2023			
	Level 1	Level 2	Level 3	Total
Investment securities:				
Other securities				
Equity securities	¥16,293	¥–	¥ –	¥16,293
Others	–	–	2,393	2,393
Total	¥16,293	¥–	¥2,393	¥18,687

	Thousands of U.S. dollars			
	2023			
	Level 1	Level 2	Level 3	Total
Investment securities:				
Other securities				
Equity securities	$122,020	$–	$ –	$122,020
Others	–	–	17,923	17,923
Total	$122,020	$–	$17,923	$139,943

(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

	Millions of yen			
	2023			
	Level 1	Level 2	Level 3	Total
Long-term loans receivable	**¥–**	**¥ 3,713**	**¥–**	**¥ 3,713**
Total assets	**–**	**3,713**	**–**	**3,713**
Straight bonds	**–**	**99,461**	**–**	**99,461**
Long-term debt	**–**	**220,928**	**–**	**220,928**
Total liabilities	**¥–**	**¥320,389**	**¥–**	**¥320,389**

	Thousands of U.S. dollars			
	2023			
	Level 1	Level 2	Level 3	Total
Long-term loans receivable	**$–**	**$ 27,810**	**$–**	**$ 27,810**
Total assets	**–**	**27,810**	**–**	**27,810**
Straight bonds	**–**	**744,857**	**–**	**744,857**
Long-term debt	**–**	**1,654,523**	**–**	**1,654,523**
Total liabilities	**$–**	**$2,399,380**	**$–**	**$2,399,380**

(Note 1)
Explanation of assessment methods used in fair value measurement and inputs for fair value measurement
Investment securities
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
	2022	**2023**	**2023**
Investment securities	¥9,653	**¥19,326**	**$144,733**
Other securities	570	**570**	**4,269**

6. Marketable Securities and Investment Securities

(1) Marketable securities classified as held-to-maturity debt securities as of March 31, 2022 and 2023 consisted of the following:

	Millions of yen					
	2022			**2023**		
	Carrying value	Fair value	Unrealized gain (loss)	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	576	576	–	**4,613**	**4,613**	**–**
Total	¥576	¥576	¥–	**¥4,613**	**¥4,613**	**¥–**

	Thousands of U.S. dollars		
	2023		
	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	**34,549**	**34,549**	**–**
Total	**$34,549**	**$34,549**	**$–**

(2) Other securities whose fair value is available as of March 31, 2022 and 2023 consisted of the following:

	Millions of yen					
	2022			**2023**		
	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Equity securities	¥17,355	¥14,314	¥3,041	**¥ 4,365**	**¥ 1,988**	**¥2,377**
Other	–	–	–	**504**	**500**	**4**
Sub-total	¥17,355	¥14,314	¥3,041	**¥ 4,869**	**¥ 2,488**	**¥2,381**
Securities whose carrying value does not exceeds their acquisition cost:						
Equity securities	¥ 376	¥ 408	¥ (32)	**¥11,928**	**¥12,724**	**¥ (796)**
Other	1,398	1,398	–	**1,889**	**2,058**	**(169)**
Sub-total	¥ 1,773	¥ 1,805	¥ (32)	**¥13,817**	**¥14,782**	**¥ (964)**
Total	¥19,128	¥16,119	¥3,009	**¥18,687**	**¥17,270**	**¥1,417**

	Thousands of U.S. dollars		
	2023		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	**$ 32,692**	**$ 14,887**	**$17,804**
Other	**3,775**	**3,744**	**30**
Sub-total	**$ 36,466**	**$ 18,632**	**$17,834**
Securities whose carrying value does not exceeds their acquisition cost:			
Equity securities	**$ 89,328**	**$ 95,286**	**$ (5,957)**
Other	**14,149**	**15,413**	**(1,265)**
Sub-total	**$103,477**	**$110,699**	**$ (7,222)**
Total	**$139,943**	**$129,331**	**$10,612**

(3) Other securities sold for the years ended March 31, 2022 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	**2023**	**2023**
Equity securities:			
Proceeds from sales	¥159	**¥23**	**$174**
Gain on sales	72	**13**	**98**
Loss on sales	–	**–**	**–**

	Millions of yen		Thousands of U.S. dollars
	2022	**2023**	**2023**
Other:			
Proceeds from sales	¥891	**¥–**	**$–**
Gain on sales	147	**–**	**–**
Loss on sales	–	**–**	**–**

(4) Impairment of investment securities
For the fiscal year ended March 31, 2022
The Company recorded impairment losses of ¥36 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, 2023
The Company recorded impairment losses of ¥500 million ($3,743 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, 2022 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	**2023**	**2023**
Real estate for sale	¥165,818	**¥216,966**	**$1,624,850**
Cost and advances for real estate operations	176,887	**212,591**	**1,592,085**
Real estate for development projects	26,027	**30,315**	**227,027**
	¥368,732	**¥459,872**	**$3,443,962**

8. Property and Equipment and Intangible Fixed Assets

(1) Property and equipment as of March 31, 2022 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	**2023**	**2023**
Buildings and structures	¥ 83,854	**¥ 98,263**	**$ 735,883**
Machinery, vehicles, equipment and furniture	10,239	**11,131**	**83,360**
Land	96,325	**116,645**	**873,549**
Leased assets	1,203	**1,197**	**8,961**
Construction in progress	13,956	**18,448**	**138,154**
Other securities	–	**22**	**168**
Sub-total	205,578	**245,705**	**1,840,076**
Accumulated depreciation	(31,396)	**(34,087)**	**(255,276)**
	¥174,182	**¥211,618**	**$1,584,799**

(2) Intangible fixed assets as of March 31, 2022 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	**2023**	**2023**
Land leasehold rights	¥ 1,895	**¥ 1,896**	**$14,201**
Goodwill	2,387	**2,184**	**16,356**
Other	5,810	**6,083**	**45,554**
	¥10,092	**¥10,163**	**$76,111**

(3) Net gain (loss) on disposal or sales of property and equipment and intangible fixed assets for the years ended March 31, 2022 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	**2023**	**2023**
Buildings and structures	¥(56)	**¥(36)**	**$(266)**
Machinery, vehicles, equipment and furniture	(2)	**(58)**	**(433)**
Land	(1)	**5**	**39**
Leased assets	(2)	**–**	**–**
Other	(2)	**(5)**	**(39)**
	¥(63)	**¥(93)**	**$(699)**

(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, 2022 and 2023.

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
Assets for service-related business	Furniture and leased assets	Miyakojima-ku, Osaka-shi, etc.	10

2023

Use	Type	Location	Number of instances
Real estate for construction-related business	Land	Tsukuba-shi, Ibaraki	**1**
Real estate for real estate-related business	Land	Yahata-shi, Kyoto	**1**
Real estate for service-related business	Buildings, etc.	Naka-ku, Nagoya-shi, etc.	**20**
Assets for service-related business	Other intangible fixed assets etc.	Minato-ku, Tokyo, etc.	**6**

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

(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 for the year ended March 31, 2022, which were presented as "Special Losses" on the consolidated statement of income.

(2023)
The expected retirement and the decline in economic performance in the year ended March 31, 2023 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 ¥347 million ($2,599 thousand) for the year ended March 31, 2023, 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
	2022	**2023**	**2023**
Buildings and structures	¥116	**¥119**	**$ 890**
Equipment and furniture	29	**52**	**386**
Land	16	**22**	**168**
Leased assets	5	**1**	**4**
Intangible fixed assets	–	**154**	**1,151**
	¥166	**¥347**	**$2,599**

(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.

(2023)
The recoverable amount of real estate for construction-related business and real estate-related business are measured by the net selling price calculated on the basis of contracts for sale, etc. The recoverable amount of real estates for service-related business and assets for service-related business are measured by the value in use. 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. Other intangible fixed assets have been declined due to the fact that they are no longer expected to generate the initially anticipated revenue effects.

(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, 2022 and 2023 were ¥1,391 million and ¥2,054 million ($15,385 thousand), respectively. Gain on sales (recorded as "Special Income") was ¥0 million for the years ended March 31, 2022. Impairment loss (recorded as "Special losses") were ¥64 million and ¥22 million ($168 thousand) for the year ended March 31, 2022 and 2023, respectively.

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
	2022	**2023**	**2023**
Book value:			
Balance at the beginning of the year	¥124,005	**¥128,294**	**$ 960,785**
Increase/decrease	4,288	**21,198**	**158,754**
Balance at the end of the year	128,294	**149,492**	**1,119,539**
Fair value	¥145,333	**¥175,993**	**$1,318,005**

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, 2022, the increase is primarily attributable to acquisition of real estate (¥22,814 million) and transfer to rental properties (¥2,475 million). The decrease is primarily attributable to transfer to real estate for sale (¥19,304 million) and depreciation (¥1,366 million).
Of the amount of increase (decrease) for the year ended March 31, 2023, the increase is primarily attributable to acquisition of real estate (¥24,656 million, $184,649 thousand) and transfer to rental properties (¥13,340 million, $99,902 thousand). The decrease is primarily attributable to transfer to real estate for sale (¥15,013 million, $112,432 thousand) and depreciation (¥1,577 million, $11,807 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, 2022 and 2023:

	Average interest rate	Millions of yen		Thousands of U.S. dollars
		2022	**2023**	**2023**
Short-term borrowings	0.23%	¥ –	**¥ 31,500**	**$ 235,902**
Current portion of long-term debt	0.31%	31,841	**10,000**	**74,890**
Current portion of lease obligations	-	111	**122**	**912**
Straight bond due Nov. 1, 2028	0.52%	10,000	**10,000**	**74,890**
Straight bond due Jul. 19, 2029	0.35%	10,000	**10,000**	**74,890**
Straight bond due Jul. 11, 2025	0.24%	20,000	**20,000**	**149,779**
Straight bond due Jul. 12, 2030	0.47%	20,000	**20,000**	**149,779**
Straight bond due Nov. 27, 2023	0.03%	20,000	**20,000**	**149,779**
Straight bond due Nov. 26, 2027	0.30%	10,000	**10,000**	**74,890**
Straight bond due Mar. 13, 2026	0.29%	-	**20,000**	**149,779**
Straight bond due Mar. 15, 2028	0.57%	-	**10,000**	**74,890**
Long-term debt due from 2024 to 2037	0.85%	190,000	**230,000**	**1,722,459**
Lease obligations due from 2024 to 2029	-	168	**141**	**1,057**
Total		¥312,119	**¥391,763**	**$2,933,895**

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, 2023 were as follows:

Year ending March 31	Millions of yen: Straight bonds	Long-term debt	Lease obligations	Total	Thousands of U.S. dollars: Total
2025	**¥ –**	**¥ 10,000**	**¥ 59**	**¥ 10,059**	**$ 75,331**
2026	**40,000**	**20,000**	**45**	**60,045**	**449,675**
2027	**–**	**10,000**	**27**	**10,027**	**75,088**
2028	**20,000**	**10,000**	**9**	**30,009**	**224,738**
2029 and thereafter	**40,000**	**180,000**	**1**	**220,001**	**1,647,580**
Total	**¥100,000**	**¥230,000**	**¥141**	**¥330,141**	**$2,472,412**

(3) The Company has committed lines of credit available for immediate and stable borrowings with certain five financial institutions as of March 31, 2022 and 2023. The lines of credit and unused lines of credit as of March 31, 2022 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	**2023**	**2023**
Line of credit	¥63,000	**¥63,000**	**$471,804**
Amount utilized	–	**31,500**	**235,902**
Unused line of credit	¥63,000	**¥31,500**	**$235,902**

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 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	**2023**	**2023**
Notes receivable	¥ 2,814	**¥ 3,545**	**$ 26,546**
Electronically recorded monetary claims	1,255	**338**	**2,533**
Accounts receivable from completed construction contracts	56,599	**71,246**	**533,561**
Contract assets	85,649	**92,207**	**690,535**

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
	2022	**2023**	**2023**
Notes and accounts receivable, trade	¥698	**¥–**	**$–**
Other current assets	5	**–**	**–**
Buildings and structures	46	**–**	**–**
	¥749	**¥–**	**$–**

Secured liabilities as of March 31, 2022 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	**2023**	**2023**
Current portion of long-term debt	¥636	**¥–**	**$–**

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

(2022)
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.

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, 2022 and 2023 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2022	**2023**	**2023**
Buildings and structures	¥3	**¥ –**	**$ –**
Machinery, vehicles, equipment and furniture	–	**41**	**305**

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 and 2023 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2022	**2023**	**2023**
Advances received on uncompleted construction contracts	¥25,472	**¥28,631**	**$214,414**
Advances received for real estate sales	38,095	**22,745**	**170,337**
Other current liabilities	2,277	**2,915**	**21,829**

14. Contingent Liabilities

The Company was contingently liable for guarantees on bank loans and other guarantees as of March 31, 2022 and 2023 as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2022	**2023**	**2023**
Customers using housing loans and other loans to purchase real estate	¥62,084	**¥49,425**	**$370,145**

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, 2022 and 2023 were summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2022	**2023**	**2023**
Within one year	¥ 1,192	**¥ 920**	**$ 6,888**
Over one year	12,117	**17,367**	**130,060**
Total	¥13,309	**¥18,287**	**$136,948**

(As lessor)

Outstanding future minimum lease income under noncancelable operating leases as of March 31, 2022 and 2023 were summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2022	**2023**	**2023**
Within one year	¥ 1,678	**¥ 2,026**	**$ 15,170**
Over one year	14,250	**20,102**	**150,542**
Total	¥15,928	**¥22,128**	**$165,712**

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. Disaggregated information on revenues arising from contracts with customers."

(2) Allowance for losses on construction contracts included in cost of sales for the years ended March 31, 2022 and 2023 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2022	**2023**	**2023**
Construction contracts	¥318	**¥206**	**$1,543**
Design and supervision	47	**23**	**173**

(3) Valuation losses on inventories included in cost of sales for the years ended March 31, 2022 and 2023 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2022	**2023**	**2023**
Real estate	¥5,034	**¥1,631**	**$12,217**

(4) Selling, general and administrative expenses for the years ended March 31, 2022 and 2023 consisted of the following:

	Millions of yen		*Thousands of U.S. dollars*
	2022	**2023**	**2023**
Salaries and allowances	¥22,390	**¥23,323**	**$174,662**
Provision for bonuses for employees	2,140	**2,215**	**16,586**
Provision for bonuses for directors	157	**180**	**1,350**
Provision for employee stock ownership plan	369	**399**	**2,991**
Provision for board benefit trust	98	**116**	**870**
Retirement benefit expenses	994	**1,037**	**7,768**
Rents	3,699	**3,874**	**29,015**
Depreciation	2,365	**2,689**	**20,137**
Amortization	203	**203**	**1,521**
Other	33,193	**37,111**	**277,920**
Total	¥65,607	**¥71,147**	**$532,820**

(5) Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2022 and 2023 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2022	**2023**	**2023**
Research and development costs	¥3,923	**¥3,309**	**$24,778**

17. Net Assets

(1) Shares issued and treasury stock

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

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

Notes:
1) Increase in treasury stock due to treasury shares acquired upon a resolution by the Board of Directors.
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, 2023 were as follows:

	Number of shares (Thousand shares) 2022	Increase	Decrease	**2023**
Shares issued:				
Common stock	300,794	–	–	**300,794**
Treasury stock:				
Common stock (Notes 1 and 2)	26,148	2,304	169	**28,283**

Notes:
1) Increase in treasury stock due to the purchase of treasury shares by the BBT and the Stock-Granting ESOP trust.
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, 2022

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

Notes:
1) 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.
2) The total amount of dividends includes ¥104 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, 2023

Resolution	Type of shares	Total amount of dividend (Millions of yen)	Total amount of dividend (Thousands of U.S. dollars)	Dividend per share (Yen)	Dividend per share (U.S. dollars)	Record date	Effective date
Annual meeting of shareholders on June 29, 2022 (Note1)	Common stock	**¥12,493**	**$93,556**	**¥45.00**	**$0.34**	March 31, 2022	June 30, 2022
Board of Directors on November 10, 2022 (Note 2)	Common stock	**¥11,104**	**$83,161**	**¥40.00**	**$0.30**	September 30, 2022	December 6, 2022

Notes:
1) The total amount of dividends includes ¥133 million ($1,000 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 ¥112 million ($838 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, 2023 and the effective date in the year ending March 31, 2024

Resolution	Type of shares	Total amount of dividend (Millions of yen)	Total amount of dividend (Thousands of U.S. dollars)	Dividend per share (Yen)	Dividend per share (U.S. dollars)	Record date	Effective date
Annual meeting of shareholders on June 29, 2023 (Note)	Common stock	**¥11,104**	**$83,160**	**¥40.00**	**$0.30**	March 31, 2023	June 30, 2023

Note: The total amount of dividends includes ¥204 million ($1,528 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, 2022 and 2023 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2022	**2023**	**2023**
Cash and bank deposits	¥266,891	**¥206,644**	**$1,547,549**
Saving accounts for insurance agency	(682)	**(692)**	**(5,180)**
Negotiable certificates of deposit,which are included in securities	–	**3,954**	**29,614**
Restricted deposit	(1,345)	**(1,574)**	**(11,790)**
Cash and cash equivalents	¥264,864	**¥208,333**	**$1,560,193**

19. Derivative Transactions

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

			As of March 31, 2022		
Hedge accounting method	Hedging instrument	Hedged item	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)

			As of March 31, 2023		
Hedge accounting method	Hedging instrument	Hedged item	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	**¥147,850**	**¥147,850**	(Note)
			(Thousands of U.S. dollars)		
			$1,107,242	**$1,107,242**	

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 were not applied as of March 31, 2022 and 2023.

20. Retirement Benefit Plans

The Company and its consolidated subsidiaries have a corporate pension plan as a defined benefit plan.

Some consolidated subsidiaries have adopted a lump-sum retirement allowance plan, a contract-type corporate pension fund plan and a smaller enterprise retirement allowance plan. They have also adopted a defined contribution pension fund as a defined contribution plan.

In addition, the Company and certain consolidated subsidiaries have established an optional defined contribution pension plan from October 1, 2022.

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, 2022 and 2023 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2022	**2023**	**2023**
Balance at the beginning of the year	¥57,250	**¥57,215**	**$428,480**
Service cost	3,062	**2,984**	**22,349**
Interest cost	118	**117**	**877**
Actuarial gain or loss	17	**581**	**4,351**
Retirement benefit paid	(3,231)	**(3,574)**	**(26,767)**
The amount of past service costs occurred	–	**(48)**	**(360)**
Other	–	**10**	**78**
Balance at the end of the year	¥57,215	**¥57,285**	**$429,007**

(2) The changes in plan assets during the years ended March 31, 2022 and 2023 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2022	**2023**	**2023**
Balance at the beginning of the year	¥74,346	**¥76,185**	**$570,547**
Expected return on plan assets	1,814	**1,861**	**13,938**
Actuarial gain or loss	(783)	**(3,225)**	**(24,153)**
Contributions by the Company	3,552	**2,404**	**18,002**
Retirement benefits paid	(3,130)	**(3,494)**	**(26,163)**
Other	386	**331**	**2,480**
Balance at the end of the year	¥76,185	**¥74,062**	**$554,650**

(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, 2022 and 2023.

	Millions of yen		*Thousands of U.S. dollars*
	2022	**2023**	**2023**
Funded retirement benefit obligation	¥ 55,843	**¥ 55,751**	**$ 417,516**
Plan assets at fair value	(76,185)	**(74,062)**	**(554,650)**
	(20,343)	**(18,312)**	**(137,134)**
Unfunded retirement benefit obligation	1,372	**1,534**	**11,491**
Net liability for retirement benefits in the balance sheet	(18,970)	**(16,777)**	**(125,643)**
Liability for retirement benefits	1,446	**1,630**	**12,206**
Asset for retirement benefits	(20,416)	**(18,407)**	**(137,849)**
Net liability for retirement benefits in the balance sheet	¥(18,970)	**¥(16,777)**	**$(125,643)**

(4) The components of retirement benefit expense for the years ended March 31, 2022 and 2023 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2022	**2023**	**2023**
Service cost	¥ 2,740	**¥ 2,738**	**$ 20,504**
Interest cost	118	**117**	**877**
Expected return on plan assets	(1,814)	**(1,861)**	**(13,938)**
Amortization of actuarial loss	1,158	**1,201**	**8,994**
Amortization of past service cost	(14)	**(18)**	**(131)**
Retirement benefit expense	¥ 2,188	**¥ 2,177**	**$ 16,306**

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, 2022 and 2023 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2022	**2023**	**2023**
Past service cost	¥ (14)	**¥ 31**	**$ 229**
Actuarial loss	358	**(2,605)**	**(19,510)**
Total	¥344	**¥(2,575)**	**$(19,281)**

(6) The components of retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2022 and 2023 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2022	**2023**	**2023**
Unrecognized past service cost	¥ –	**¥ (31)**	**$ (229)**
Unrecognized actuarial loss	7,511	**10,116**	**75,761**
Total	¥7,511	**¥10,086**	**$75,532**

(7) The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2022 and 2023 were as follows:

	2022	**2023**
Bonds	55%	**52%**
Stocks	20%	**23%**
Alternative investments (Note)	18%	**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:

	2022	**2023**
Discount rates	0.2% - 1.0%	**0.2% - 1.1%**
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, 2022 and 2023 were ¥42 million and ¥46 million ($345 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, 2022 and 2023 were ¥39 million and ¥39 million ($321 thousand), respectively.

The most recent funded status was as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2021	2022	2022
Pension assets	¥ 3,656	¥ 3,698	$30,214
Total of the amount of actuarial obligations under pension funding program and minimum policy reserves	4,868	4,719	38,558
Difference	¥(1,213)	¥(1,021)	$ (8,343)

The U.S. dollar amounts are calculated by the prevailing exchange rate on March 31, 2022, which was ¥122.39=U.S.$1.

The average contribution ratio to total contributions made to all plans for the years ended March 31, 2021 and 2022 were 5.58% and 5.62%, respectively. This ratio does not accord with the actual contribution ratio of the Company group.

The differences of ¥(1,213) million as described above was due to past service cost under pension funding programs ¥(1,295) million and special reserve fund ¥82 million for the year ended March 31, 2021.

The differences of ¥(1,021) million ($(8,343) thousand) as described above was due to past service cost under pension funding programs ¥(1,092) million ($(8,924) thousand) and special reserve fund ¥71 million ($581 thousand) for the year ended March 31, 2022.

Past 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, 2022 and 2023 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2022	**2023**	**2023**
Deferred tax assets:			
Allowance for doubtful accounts	¥ 207	**¥ 206**	**$ 1,545**
Accrued business tax	958	**1,306**	**9,783**
Warranty	1,628	**1,302**	**9,752**
Accrued bonuses for employees	1,886	**2,028**	**15,184**
Liability for retirement benefits	506	**553**	**4,141**
Valuation loss on real estate for sale (Note 1)	6,541	**7,135**	**53,430**
Impairment loss on fixed assets	1,206	**1,164**	**8,713**
Valuation loss on investment securities	773	**925**	**6,925**
Revaluation of assets on consolidation	8,285	**7,872**	**58,956**
Consideration for business transfer	198	**103**	**768**
Provision for employee stock ownership plan	1,072	**1,263**	**9,458**
Cumulative effects of changes in accounting policies	4,191	**3,530**	**26,434**
Tax loss carry forwards (Note 2)	3,598	**4,265**	**31,944**
Other	11,806	**13,692**	**102,540**
Sub-total	42,855	**45,343**	**339,573**
Valuation allowance pertaining to tax loss carry forwards	(3,088)	**(3,875)**	**(29,022)**
Valuation allowance pertaining to total deductible temporary difference	(22,166)	**(22,609)**	**(169,320)**
Valuation allowances (sub-total) (Note 2)	(25,254)	**(26,485)**	**(198,342)**
Total deferred tax assets	17,601	**18,859**	**141,231**
Deferred tax liabilities:			
Unrealized gain on other securities	(651)	**(706)**	**(5,285)**
Prepaid pension cost	(6,321)	**(5,691)**	**(42,623)**
Revaluation of assets on consolidation	(251)	**(249)**	**(1,862)**
Other	(1,479)	**(1,479)**	**(11,076)**
Total deferred tax liabilities	(8,702)	**(8,125)**	**(60,847)**
Net deferred tax assets	¥ 8,900	**¥ 10,734**	**$ 80,385**

Notes:

1) Valuation loss on real estate for sale includes ¥1,430 million and ¥1,576 million ($11,805 thousand) as of March 31, 2022 and 2023, 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, 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)

(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 for tax loss carry forwards of ¥3,598 million (the amount multiplied by the statutory tax rate). The said deferred tax assets of ¥510 million represent the amount at which the Company recognized for part of the tax loss carry forwards totaling ¥3,598 million 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 for the fiscal year ended March 31, 2015, ¥151 million for the fiscal year ended March 31, 2016, ¥13 million for the fiscal year ended March 31, 2017, ¥54 million for the fiscal year ended March 31, 2018, ¥81 million for the fiscal year ended March 31, 2019, ¥170 million for the fiscal year ended March 31, 2020 and ¥0 million 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.

As of March 31, 2023

	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)	**¥–**	**¥51**	**¥3**	**¥ 4**	**¥–**	**¥ 4,208**	**¥ 4,265**
Valuation allowance	**–**	**–**	**–**	**(3)**	**–**	**(3,872)**	**(3,875)**
Deferred tax assets	**–**	**51**	**3**	**1**	**–**	**336**	**390** (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)	**$–**	**$379**	**$20**	**$ 31**	**$–**	**$ 31,514**	**$ 31,944**
Valuation allowance	**–**	**–**	**–**	**(23)**	**–**	**(28,998)**	**(29,022)**
Deferred tax assets	**–**	**379**	**20**	**8**	**–**	**2,516**	**2,922** (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 ¥390 million ($2,922 thousand) for tax loss carry forwards of ¥4,265 million ($31,944 thousand) (the amount multiplied by the statutory tax rate). The said deferred tax assets of ¥390 million ($2,922 thousand) represent the amount at which the Company recognized for part of the tax loss carry forwards totaling ¥4,265 million ($31,944 thousand) for Sohgoh Real Estate Co., Ltd. and 9 other consolidated subsidiaries. The deferred tax assets recognized for the tax carry forwards resulted from losses of ¥51 million ($379 thousand) for the fiscal year ended March 31, 2016, ¥3 million ($20 thousand) for the fiscal year ended March 31, 2017, ¥1 million ($8 thousand) for the fiscal year ended March 31, 2018, ¥26 million ($196 thousand) for the fiscal year ended March 31, 2019, ¥297 million ($2,224 thousand) for the fiscal year ended March 31, 2020, ¥3 million ($20 thousand) for the fiscal year ended March 31, 2022 and ¥10 million ($76 thousand) for the fiscal year ended March 31, 2023, respectively (the amount multiplied by the statutory tax rate for each), as calculated by Sohgoh Real Estate Co., Ltd. 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 and 2023 were as follows:

	2022	**2023**
Statutory tax rate	30.6%	**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.**
(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%	

(3) Accounting for corporate tax, local corporate tax and tax effect accounting

From the current consolidated fiscal year, the Company and certain domestic consolidated subsidiaries have applied the Group Tax Sharing System. In addition, corporate tax and local corporate tax, as well as their tax effects, are accounted for and disclosed under the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No.42, August 12, 2021). In addition, based on Paragraph 32 (1) of PITF 42, the effects of the change in accounting policies due to the adoption of PITF 42 assumed no impact.

22. Per Share Information

(1) Per share information as of and for the years ended March 31, 2022 and 2023 were as follows:

	Yen		U.S. dollars
	2022	**2023**	**2023**
Net assets per share	¥1,520.73	**¥1,666.30**	**$12.48**
Net income per share			
Basic	198.32	**216.10**	**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
	2022	**2023**	**2023**
Net income	¥54,490	**¥59,326**	**$444,293**
Net income not attributable to owners of parent	–	**–**	**–**
Net income attributable to owners of parent	¥54,490	**¥59,326**	**$444,293**
Weighted average number of shares outstanding (thousands of shares)	274,765	**274,537**	

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, 2022 and 2023 were 26,029 thousand and 26,256 thousand, respectively, including 2,973 and 3,073 thousand of shares held by the BBT and the Stock-Granting ESOP as trust assets in 2022 and 2023.

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

	Millions of yen		Thousands of U.S. dollars
	2022	**2023**	**2023**
Net assets	¥417,667	**¥454,088**	**$3,400,646**
Amount not attributable to common shareholders:			
Non-controlling interests	5	**4**	**33**
Net assets attributable to common shareholders	¥417,662	**¥454,084**	**$3,400,613**
Number of common shares of the end of the period used in the calculation of the net assets per share (thousands of shares)	274,646	**272,510**	

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 net assets per share. The numbers of shares of treasury stock at March 31, 2022 and 2023 were 26,148 thousand and 28,283 thousand, respectively, including 2,966 and 5,099 thousand of shares held by the BBT and the Stock-Granting ESOP as trust assets in 2022 and 2023.

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

	Millions of yen				
	2023				
	Reportable segments				
	Construction-related business	Real estate-related business	Service-related business	Overseas-related business	Total
Construction work, etc.	**¥439,422**	**¥ –**	**¥ –**	**¥ –**	**¥ 439,422**
Design and supervision	**11,845**	**–**	**–**	**–**	**11,845**
Real estate sales, etc.	**237,777**	**96,773**	**–**	**1**	**334,552**
Large-scale repair work and interior remodeling, etc.	**–**	**–**	**62,907**	**–**	**62,907**
Condominium building management and condominium leasing management, etc.	**–**	**–**	**66,480**	**–**	**66,480**
For-sale condominium consigned sales, real estate brokerage and renovations, etc.	**–**	**–**	**62,524**	**–**	**62,524**
Other	**14**	**–**	**3,442**	**31**	**3,487**
Revenue from contracts with customers	**689,059**	**96,773**	**195,353**	**33**	**981,218**
Other revenue	**127**	**19,137**	**26,794**	**–**	**46,058**
Sales to external customers	**¥689,187**	**¥115,910**	**¥222,147**	**¥33**	**¥1,027,277**

	Thousands of U.S. dollars				
	2023				
	Reportable segments				
	Construction-related business	Real estate-related business	Service-related business	Overseas-related business	Total
Construction work, etc.	$3,290,811	$ –	$ –	$ –	$3,290,811
Design and supervision	88,710	–	–	–	88,710
Real estate sales, etc.	1,780,704	724,730	–	10	2,505,443
Large-scale repair work and interior remodeling, etc.	–	–	471,111	–	471,111
Condominium building management and condominium leasing management, etc.	–	–	497,869	–	497,869
For-sale condominium consigned sales, real estate brokerage and renovations, etc.	–	–	468,238	–	468,238
Other	108	–	25,774	235	26,117
Revenue from contracts with customers	5,610,333	724,730	1,462,992	245	7,348,299
Other revenue	954	143,317	200,659	–	344,929
Sales to external customers	$5,161,286	$868,047	$1,663,650	$245	$7,693,228

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 and 2023, 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	
	2022		2023			
	Beginning balance	Ending balance	Beginning balance	Ending balance	Beginning balance	Ending balance
Receivables arising from contracts with customers	¥42,291	¥60,668	¥60,668	¥75,129	$454,340	$562,640
Contract assets	87,553	85,649	85,649	92,207	641,424	690,535
Contract liabilities	47,337	65,844	65,844	54,291	493,101	406,580

The amounts of revenue recognized in the fiscal years ended March 31, 2022 and 2023, that were included in the balances of contract liabilities at the beginning of the period were ¥38,305 million and ¥58,635 million ($439,116 thousand), respectively.

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 were ¥774,522 million and ¥800,612 million ($5,995,745 thousand), respectively 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, 2022 and 2023 were as follows:

	Millions of yen						
	2022						
	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	¥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

	Millions of yen						
	2023						
	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	¥689,187	¥115,910	¥222,147	¥ 33	¥1,027,277	¥ –	¥1,027,277
Inter-segment sales and transfer	57,481	518	11,067	–	69,067	(69,067)	–
Net sales	746,668	116,429	233,214	33	1,096,343	(69,067)	1,027,277
Segment income (loss)	66,939	19,071	14,907	(2,893)	98,025	(7,863)	90,162
Segment assets	¥390,563	¥423,995	¥232,063	¥99,928	¥1,146,548	¥ 51,556	¥1,198,105
Other items							
Depreciation and amortization	¥ 1,661	¥ 1,983	¥ 2,425	¥ 28	¥ 6,098	¥ 81	¥ 6,179
Investment in equity-method affiliates	–	–	–	14,184	14,184	–	14,184
Capital expenditures	1,381	24,724	3,974	5,374	35,452	(46)	35,406

	Thousands of U.S. dollars						
	2023						
	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	$5,161,286	$ 868,047	$1,663,650	$ 245	$7,693,228	$ –	$7,693,228
Inter-segment sales and transfer	430,476	3,882	82,879	–	517,237	(517,237)	–
Net sales	5,591,762	871,929	1,746,529	245	8,210,465	(517,237)	7,693,228
Segment income (loss)	501,305	142,824	111,639	(21,665)	734,103	(58,885)	675,218
Segment assets	$2,924,908	$3,175,279	$1,737,906	$748,354	$8,586,447	$ 386,104	$8,972,551
Other items							
Depreciation and amortization	$ 12,441	$ 14,852	$ 18,164	$ 212	$ 45,670	$ 608	$ 46,277
Investment in equity-method affiliates	–	–	–	106,224	106,224	–	106,224
Capital expenditures	10,340	185,158	29,759	40,243	265,500	(345)	265,155

Notes:
1) Adjustments and eliminations were as follows:

(2022)
(1) Adjustments and eliminations for segment income include ¥(971) million of elimination of inter-segment transactions and ¥(4,086) 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 ¥(16,123) million of elimination of receivables stemming from inter-segment transactions and ¥141,725 million of corporate assets. Corporate assets are primarily comprised of cash and bank deposits of the Company.

(2023)
(1) Adjustments and eliminations for segment income include ¥(2,580) million ($(19,319) thousand) of elimination of inter-segment transactions and ¥(5,283) million ($(39,567) 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 ¥(25,515) million ($(191,079) thousand) of elimination of receivables stemming from inter-segment transactions and ¥77,071 million ($577,183 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, 2022 and 2023 were summarized as follows:

	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

	Millions of yen						
	2023						
	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	**¥6**	**¥16**	**¥325**	**¥–**	**¥347**	**¥–**	**¥347**

	Thousands of U.S .dollars						
	2023						
	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	**$45**	**$123**	**$2,431**	**$–**	**$2,599**	**$–**	**$2,599**

3. The following table presents the amortization and balance of goodwill as of and for the years ended March 31, 2022 and 2023 by reportable segment:

	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

	Millions of yen						
	2023						
	Reportable segments					Adjustments and eliminations	Consolidated
	Construction-related business	Real estate-related business	Service-related business	Overseas-related business	Total		
Amortization	**¥–**	**¥–**	**¥ 203**	**¥–**	**¥ 203**	**¥–**	**¥ 203**
Balance as of March 31	**¥–**	**¥–**	**¥2,184**	**¥–**	**¥2,184**	**¥–**	**¥2,184**

	Thousands of U.S .dollars						
	2023						
	Reportable segments					Adjustments and eliminations	Consolidated
	Construction-related business	Real estate-related business	Service-related business	Overseas-related business	Total		
Amortization	**$–**	**$–**	**$ 1,521**	**$–**	**$ 1,521**	**$–**	**$ 1,521**
Balance as of March 31	**$–**	**$–**	**$16,356**	**$–**	**$16,356**	**$–**	**$16,356**

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, 2022 and 2023.

(2) Property and equipment
Prooperty 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, 2022 and 2023.

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, 2022 and 2023.

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, 2022 and 2023 and the amounts of these transactions for the years then ended were summarized as follows:

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	Notes and accounts receivable, trade	*(Millions of yen)* ¥10

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

Fiscal year ended March 31, 2023 (April 1, 2022 – March 31, 2023)

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)* ¥11 *(Thousands of U.S. dollars)* $82	–	–
Director and close relative	Within the second-degree relative of Mitsuo Isoda, Corporate Auditor of the Company	Sales of for-sale condominium by the subsidiary Haseko Real Estate Development, Inc. (Note)	Sales of for-sale condominium by the subsidiary Haseko Real Estate Development, Inc. (Note)	*(Millions of yen)* ¥20 *(Thousands of U.S. dollars)* $152	–	–

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, 2022 and 2023 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2022	**2023**	**2023**
Net unrealized gain (loss) on other securities:			
Amount arising during the year	¥(2,565)	**¥(1,579)**	**$(11,824)**
Reclassification adjustments for gains (losses) recognized in net income	(147)	**(13)**	**(98)**
Amount before tax effect	(2,712)	**(1,592)**	**(11,923)**
Tax effect	815	**(54)**	**(407)**
Net unrealized gain (loss) on other securities	(1,897)	**(1,646)**	**(12,330)**
Translation adjustments:			
Amount arising during the year	5,140	**7,421**	**55,574**
Retirement benefits liability adjustments:			
Amount arising during the year	(800)	**(3,758)**	**(28,144)**
Reclassification adjustments for gains (losses) recognized in net income	1,144	**1,183**	**8,862**
Amount before tax effect	344	**(2,575)**	**(19,281)**
Tax effect	(119)	**790**	**5,917**
Retirement benefit liability adjustments	225	**(1,784)**	**(13,364)**
Share of other comprehensive income (loss) of affiliates accounted for by the equity method:			
Amount arising during the year	–	**–**	**–**
Total other comprehensive income (loss)	¥ 3,468	**¥ 3,990**	**$ 29,880**

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, 2023, 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, 2023, 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, 2023, and recognized revenue based on progress towards complete satisfaction of performance obligations. Of the Net sales of ¥1,027,277 million for the fiscal year ended March 31, 2023, 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 ¥419,046 million, representing 40.8% 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 and work contents are given by each customer, and thus involve uncertainty. In addition, given that construction is generally

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.

long-term in nature, the Company may revisit 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 the estimates 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, 2023 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 ¥216,966 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 ¥212,591 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. The significant assumptions in estimating the net realizable value are estimated sales price and estimated selling expenses, as described in the Note 2(24) (Significant accounting estimates) to the consolidated financial statements. 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, 2023 and therefore, should be a key audit	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.

matter.	

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, 2023 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 6, 2023

/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