BRANSIESTA Oji

ANNUAL REPORT 2018

For the Year Ended March 31, 2018

HASEKO Corporation

Profile

Haseko Corporation and its group of companies have leveraged their capabilities in all condominium business fields – from gathering land information to planning, design, construction, sale, property management, renovation, brokering and renting. Building on this "total produce" capability, the Haseko Group has conducted marketing activities in which it proposes product planning, selling strategies and other issues that cannot be matched by competitors. Since constructing its first condominium in 1968, Haseko has built a cumulative total of around 620,000 condominium units and established itself as a leading condominium contractor in Japan.

In 2017, Haseko Corporation and its group of companies celebrated the 80th anniversary since inception. In response to changes in social conditions, the Haseko Group aims to make a leap forward toward a "corporate group for housing to create great living," both in terms of physical products and services and know-how by combining its initiatives in rental housing, housing for the elderly, commerce, nursing care, childcare, healthcare, medical care and education, etc., with a focus on for-sale condominiums.

Contents

Cover photos

BRANSIESTA Oji (Kita-ku, Tokyo: 120 units)
The property is a rental condominium that inherits the spirit of BRANCHERA, a for-sale condominium brand of Haseko Corporation demonstrating "innovative and state-of-the-art" features. Located within the area of the Kita-ku Oji 5-chome Project, a town creation project for multi-use development featuring housing, retail and child-raising, the property provides special residential unit plans that realize a lifestyle highly valued and pursued by the residents

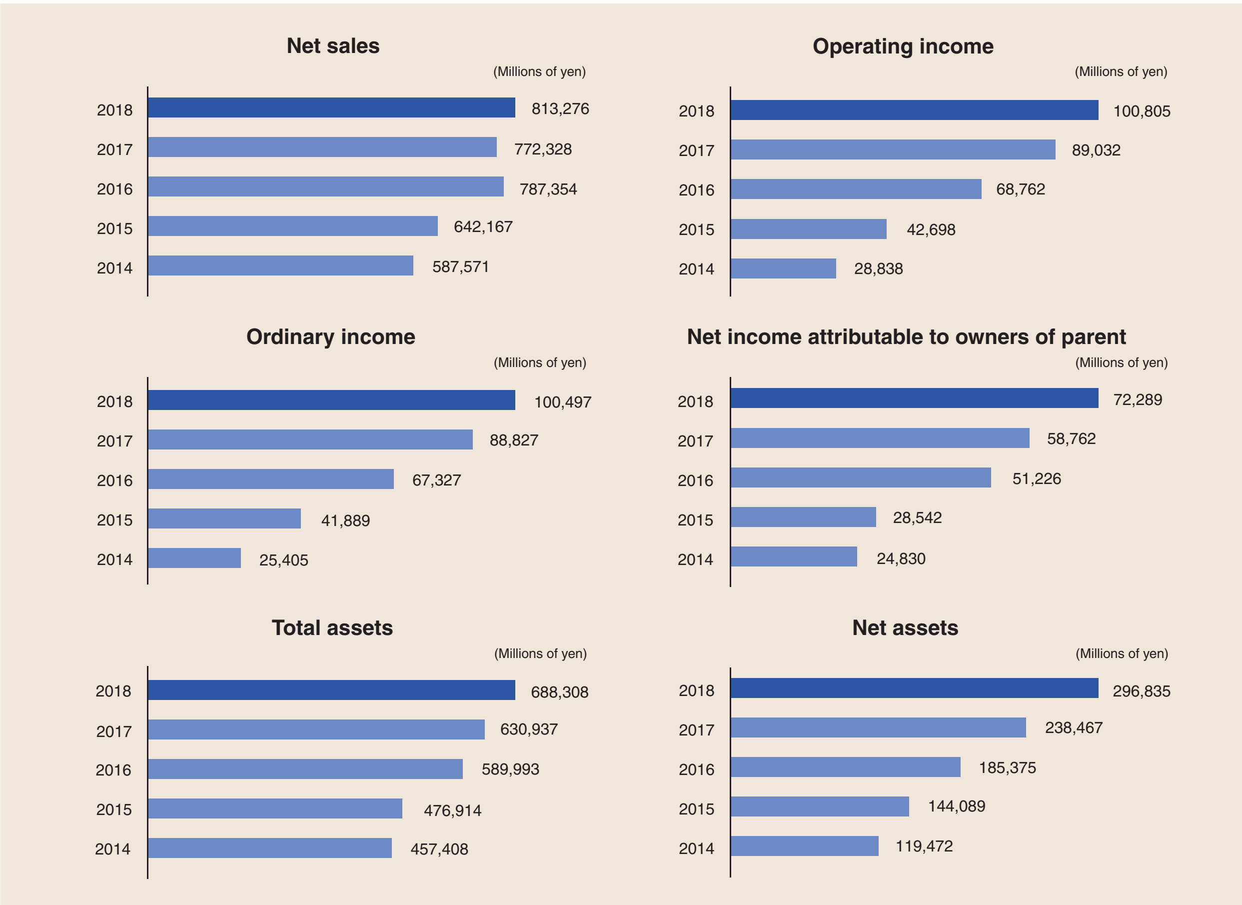
Financial Highlights

Haseko Corporation and its Consolidated Subsidiaries

(Years ended March 31, 2014, 2015, 2016, 2017 and 2018)

	Millions of Yen					Thousands of U.S. Dollars
	2014	2015	2016	2017	**2018**	**2018**
For the Year:						
Net sales	¥587,571	¥642,167	¥787,354	¥772,328	**¥813,276**	**$7,655,083**
Operating income	28,838	42,698	68,762	89,032	**100,805**	**948,842**
Ordinary income	25,405	41,889	67,327	88,827	**100,497**	**945,943**
Net income attributable to owners of parent	24,830	28,542	51,226	58,762	**72,289**	**680,431**
At Year-end:						
Total assets	¥457,408	¥476,914	¥589,993	¥630,937	**¥688,308**	**$6,478,803**
Net assets	119,472	144,089	185,375	238,467	**296,835**	**2,794,004**
	Yen					U.S. Dollars
Per Share Data:						
Net income attributable to owners of parent	¥ 81.36	¥ 94.64	¥170.41	¥195.48	**¥241.98**	**$2.28**
Net assets	346.17	478.45	615.21	791.24	**995.44**	**9.37**

Note: The U.S. Dollars amounts represent translation of yen amount at the rate of ¥106.24 = U.S. $1.00, the exchange rate at March 30, 2018.



Message from the Management

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

For the fiscal year ended March 2018, the Japanese economy remained on a modest recovery trend, and the construction and real estate industries continued to achieve strong performances driven largely by their vitalization toward the 2020 Tokyo Olympic Games. In the condominium market, new supply surpassed the previous year's results both in the Tokyo metropolitan area and the Kinki area, reaching 36,837 units (up 1.1% year-on-year) for the former and 19,849 units (up 8.1%) for the latter. In particular, the Kinki area showed a significant increase from the year-earlier results thanks to a large growth in the supply of condominiums with studio units totaling 4,711 units (in contrast to 3,631 units supplied in the previous year). In terms of sales, while the initial month sales rate was 68.8% (up 0.3 points) in the Tokyo metropolitan area, remaining at the 60% level for two consecutive years, the figure in the Kinki area rose to 76.6% (up 4.7 points), surpassing 75% for the first time in three years. Moreover, with inventory sales remaining strong, the number of for-sale units being marketed as of the end of March 2018 decreased to 6,498 units (down 3.7%) in the Tokyo metropolitan area and to 2,355 units (down 5.5%) in the Kinki area.

Under such conditions, for the fiscal year under review, which represents the first year of the "newborn HASEKO Jump Up Plan" (Plan NBj), the Company's medium-term business plan, the Haseko Group renewed record-high consolidated ordinary income with condominium construction works in the Construction-Related Business achieving good results. As such, the Company made a good start toward the numerical targets of the Plan NBj (combined consolidated ordinary income of 240 billion yen for the three years from the fiscal year ending March 2018 to the fiscal year ending March 2020). As for dividends, taking into account the outlook of business management environment and corporate performances going forward, the Company decided to deliver 50 yen per

Message from the Management

share annually (including interim dividend of 10 yen per share), an increase of 20 yen from the previous fiscal year, comprising ordinary dividend of 20 yen annually and extraordinary dividend of 30 yen. By doing so, the Company has achieved its goal in financial strategy.

As a result of the above, the Company achieved a year-on-year increase both in sales and profits. While net sales grew by 5.3% to 813.3 billion yen due to an increase in the volume of condominium construction works, the Company posted operating income of 100.8 billion yen (up 13.2%), ordinary income of 100.5 billion yen (up 13.1%) and net income attributable to owners of parent of 72.3 billion yen (up 23.0%), due to improved gross profit margin of completed construction contracts for condominium construction works. The operating income ratio was 12.4% (up 0.9 points) and ordinary income ratio came to 12.4% (up 0.9%).

Looking at the fiscal year ending March 2019 and after, although the construction industry will continue to face many issues, including rising material and labor costs, a decrease in skilled construction workers and concerns for receding demand after the Tokyo Olympic Games, we believe that the market condition will remain strong for some time now. In the condominium market, both supply and sales are forecasted to recover moderately, as consumers are anticipated to act in consideration of the scheduled consumption tax rate hike. Under such a generally good situation, although the business environment may possibly become obscure due to sudden changes in the market conditions and other factors, the Haseko Group is resolved to endeavor for higher productivity and workstyle innovation. At the same time, the Haseko Group will proactively implement strategic investments for growth to maintain and enhance its profits and work to solve a variety of managerial issues, in an effort to firmly establish its financial foundation and revenue base for the future. As we do so, we will proactively endeavor to achieve the goals of the "newborn HASEKO Jump Up Plan" (Plan NBj), our three-year medium-term business plan, of which we are in the second year.

At the beginning of 2018, I upheld the word of *"kingen-jicchoku"* (a Japanese phrase for sincerity and steadfastness) as our keyword for the year. The dictionary defines it as "being very prudent, earnest and honest." The good performance we have achieved over these years is a result of continued endeavors each of our officers and employees have made on work with the spirt of sincerity and steadfastness. I believe that, exactly when the Company is going well, it is important for us to make continuous efforts to provide the best quality and the best services, with the spirt of sincerity and steadfastness, and build a relationship of trust with our business partners, financial institutions, customers and cooperating companies.

Going forward, the Haseko Group will continue to take advantage of the know-how and ability to propose and promote projects that the Company has fostered to date, and further reinforce coordination among Group companies, centering on the mainstay condominium-related businesses, to exert its comprehensive strengths. By doing so, the Company aims to become a corporate group for housing that creates great living, as we serve to support in all aspects the lives of people living in condominiums. At the same time, for the Haseko Group, which celebrated its 80th anniversary since inception last year, to continue developing toward the next thresholds of the 90th and 100th anniversaries, each of the Group's employees must "be interested in the Company's management policies and management status and consider what he or she should do" and "act for the entire Group beyond organizational and corporate boundaries." We are determined to help each Group employee to implement these endeavors.

The Haseko Group was able to celebrate its 80th anniversary since inception last year, thanks to the support given to us by our shareholders, financial institutions and other parties who have helped us as well as support from our business partners and customers. Looking ahead, while ever grateful to these people, all the officers and employees of the Company are resolved to endeavor for work with the spirt of sincerity and steadfastness towards the 100th anniversary and for creating the future beyond that time. Your continued and further support and encouragement would be greatly appreciated.

June 2018

Noriaki Tsuji
President and Representative Director
Haseko Corporation

"newborn HASEKO"

— Rebirth of the Company as "new born Haseko" (Plan NB) —

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

Positioning of the Plan

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

newborn HASEKO "Jump Up" Plan (Plan NBj)

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

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

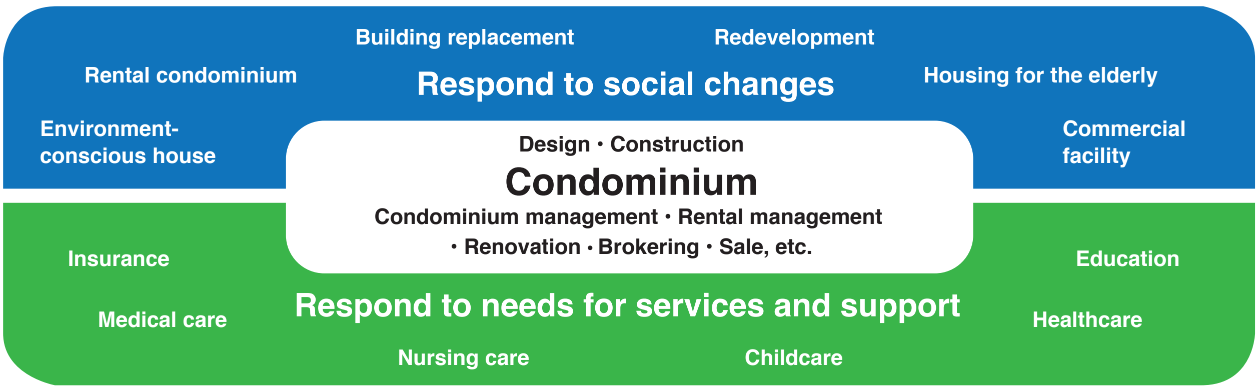
Numerical Targets: 240 billion yen in consolidated ordinary income in aggregate for the three fiscal years (FY 2017 through FY 2019)

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

Basic Policies

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

What the Company aims to be



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

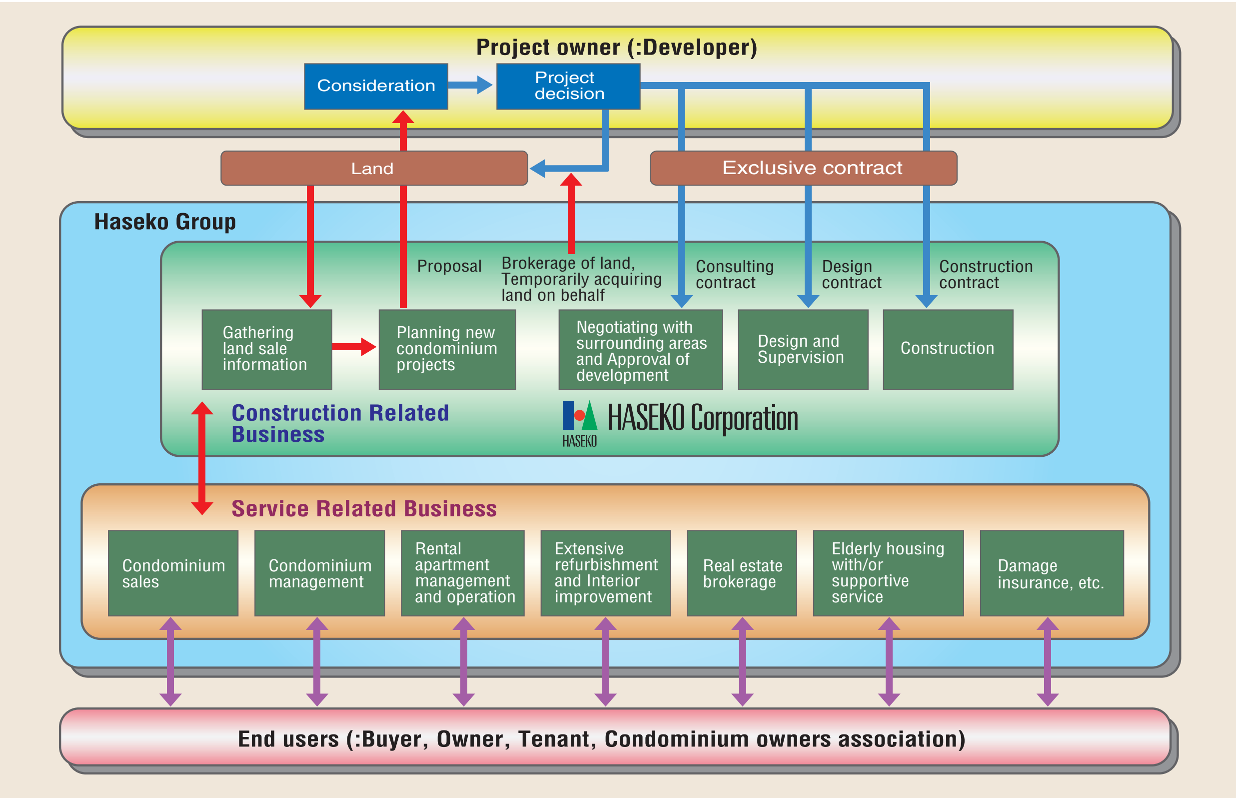
Medium-Term Business Plan

Perception of Business Environment and Measures

Businesses Conducted by the Haseko Group

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

Business Model Diagram



Perception and Measures

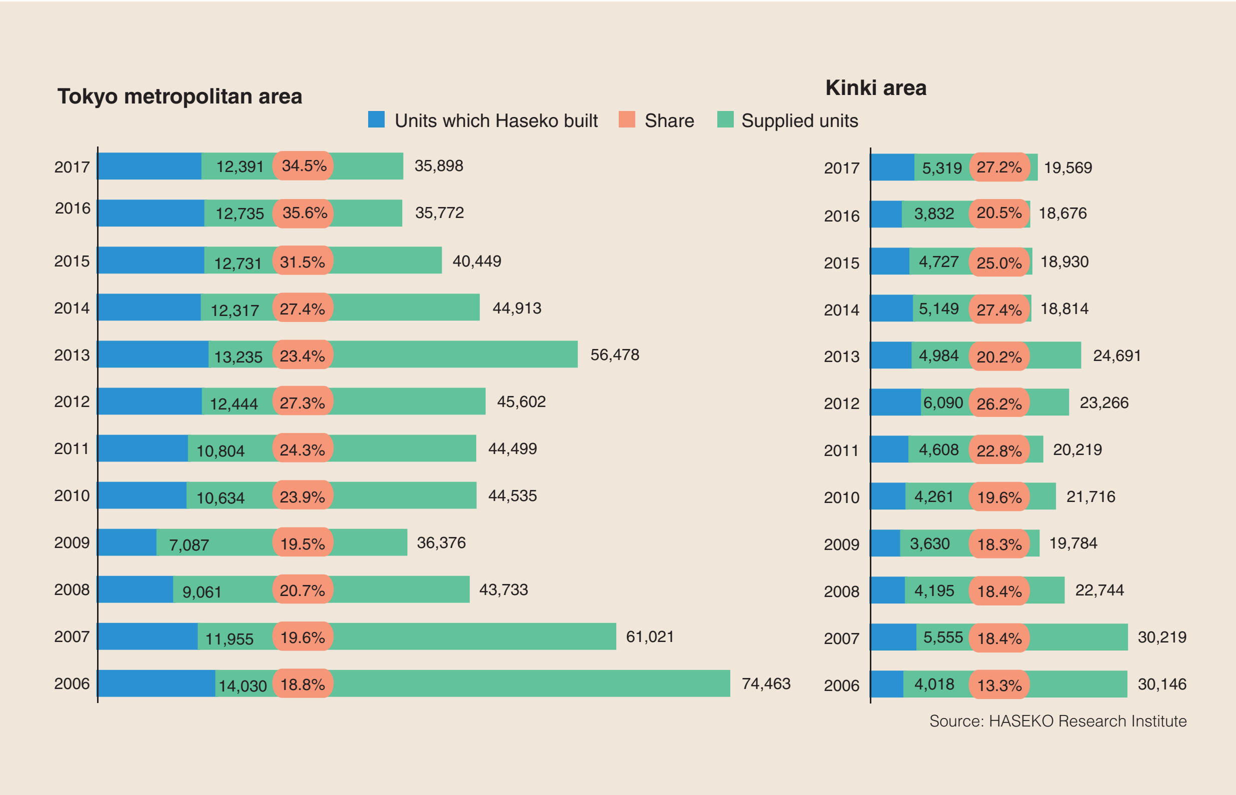
	Present status and period covered by the plan	Medium- to long-term perspective
Perception of business environment	• Average price of condominium units rising • The number of newly supplied units falling to a low level • The number of for-sale units being marketed increasing • Concerns about slowdown of housing starts arising • Concerns about reduction of project size arising → **Uncertainties in the outlook of business management environment growing**	• Society will become more aged with increasingly fewer children • The number of greatly-aged condominiums will increase • Skilled construction workers will decrease • Environmental and energy issues, etc. → **Must securely respond to changes in social conditions**
Measures	**Maintain the current profit level achieved mainly by the Construction-Related Business** **Conduct investments in growth strategies designed to make Haseko a “corporate group for housing to create great living”**	**Maintain and enhance the profit level on a consolidated basis by expanding the Service-Related Business**

Construction-Related Business

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

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

History of condominium units supplied



Service-Related Business

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

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

Business Strategies

New Initiatives

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

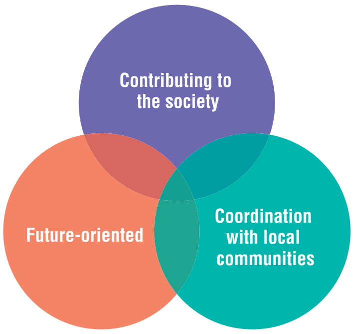
"Build a corporate culture that encourages people to challenge new things"
- Develop new products and new services speedily
- Seek new business opportunities through coordination among companies
- Foster human resources with future-oriented thinking who can bear the future of the Group

Financial Strategy and Returning of Profits to Shareholders

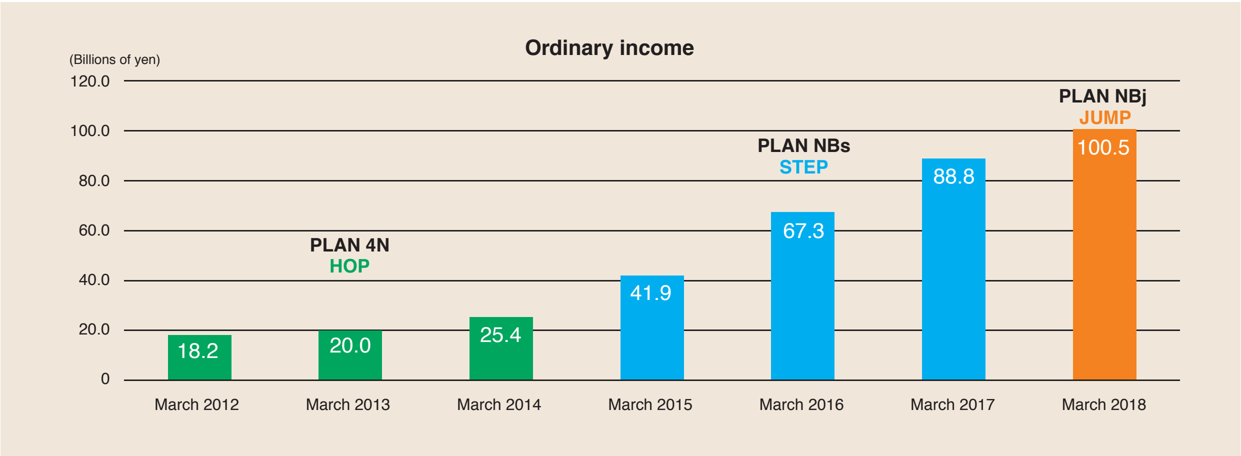
"Establish a stable financial foundation while returning profits to shareholders in a stable manner"
- In distributing profits, take a balanced approach to investments in growth strategies for the future and returning of profits to shareholders, while securing internal reserve for reinforcing the financial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

Initiatives to perform corporate social responsibilities

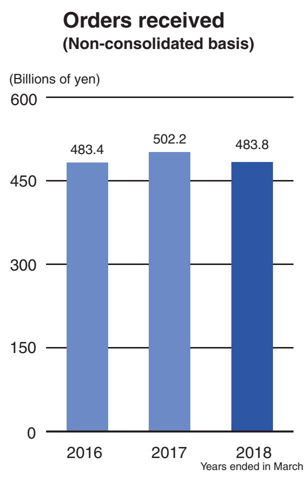
"Establish highly effective governance and internal control, and lay foundation of Haseko-style social contributions"
- Maintain and enhance a management system that secures transparency and objectivity
- Make further improvements for realizing a workplace environment that facilitates working, and establish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



Trends in consolidated net sales and ordinary income



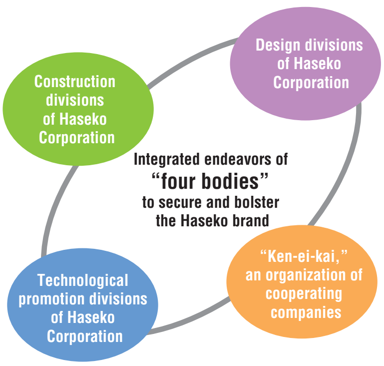
Design and Construction



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

Construction

Haseko has specialized in condominium construction, as shown by its track record of over 600,000 units built. The Company constructs condominiums by employing state-of-the-art, efficient (no reconstruction) and highly precise (minimal complaints) construction methods, and has established a construction management system that keeps to budgets with no major gaps and promotes smooth implementation of project schedules. This allows Haseko to maintain high productivity. This system is bolstered by the good long-term relationships with cooperating companies. On top of their proficiency in construction with full knowledge of Haseko's construction methods, such companies can adopt Haseko's new products and new technologies, etc. as quickly as possible through training courses and other measures. These measures are what have maintained Haseko's high productivity, which secures sufficient competitiveness and serves as a source of its high profitability.



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

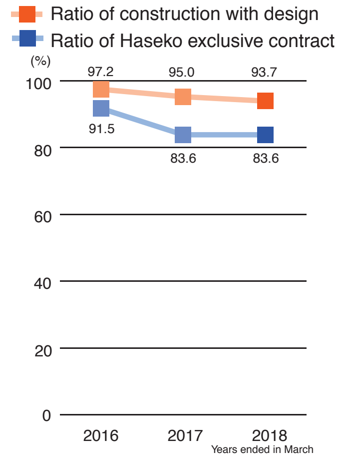
Integrate endeavors of the "four bodies" (the construction divisions, design divisions and technological promotion divisions of Haseko Corporation and "Ken-ei-kai," an organization of cooperating companies) to ensure smooth communications among them, in order to secure high quality and eventually improve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

Design and Construction

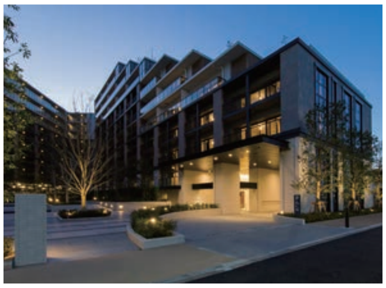
Design

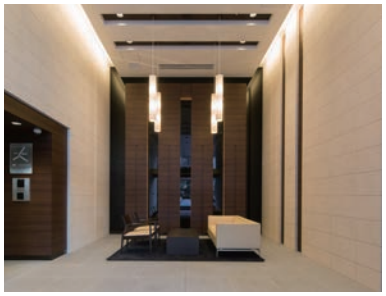
The design section is always pursuing "what is best for residents," and conducts design work from the viewpoint of the end users, receiving feedback from customers. In addition, it proactively works to enhance performance aspects, such as enriching the fundamental performance of condominiums, improving versatility and securing environmental and disaster prevention performances, by utilizing its accumulated know-how from the cumulative construction track record of over 600,000 units as well as new products and new technologies developed by Haseko Technical Research Institute. Moreover, at "LIPS," which is the presentation space for our condominiums, decisions regarding the products to be used are made at the designing stage while looking at a variety of offerings with the project owners. This approach makes it possible to realize prompt, reliable designs since it facilitates the smooth selection of parts, materials and products.

Orders received
(Non-consolidated basis)



PROUD CITY TSUKAGUCHI MARK FOREST (Amagasaki-shi, Hyogo)

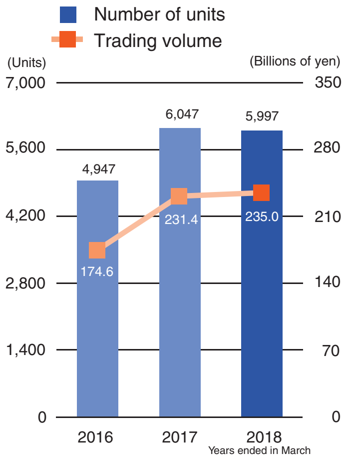




CITY TERRACE YOKOHAMA NAGATSUTA (Midori-ku, Yokohama-shi)

Real Estate Business

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



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

Strengths of Implementing the Total Condominium Business

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

FINE CITY YOKOHAMA EGASAKI RENAI (Tsurumi-ku, Yokohama-shi)

Haseko Real Estate Development Holdings

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

Sohgoh Real Estate

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

Joint Corporation

The company not only conducts the for-sale real estate business, in which it plans, develops and sells the "Adenium Series" properties, but also develops profit-generating properties, with a track record of developing such assets as rental condominiums, apartments, retail facilities, office buildings and warehouses.

Joint Property

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

Haseko Urbest

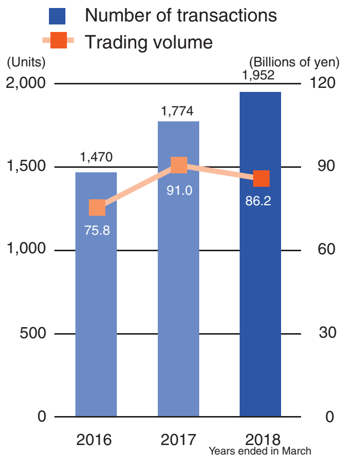
Having a leading position in consigned sales of condominiums, Haseko Urbest works as an integrated real estate service company and conducts all operations from product planning and proposals to sales, contracting and delivery of new condominiums that reflect the opinions of customers.

Real Estate Business

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

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

Brokerage of real estate (Haseko Real Estate)



Real Estate Brokerage
Selling and buying, exchanging, leasing, agency and brokerage of real estate

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

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

Purchase and Resale
Purchase and resale of condominiums and profit-generating properties

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

↓

Temporary holding: For renovation and conversion

↓

Sale: For the real estate market and business corporations

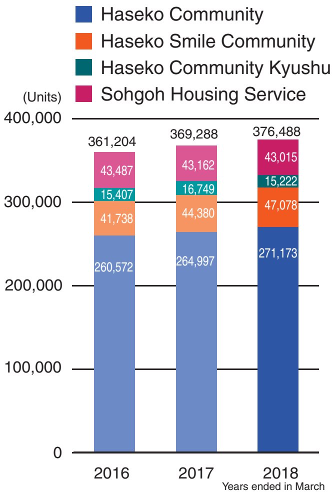
Real Estate Solution
Consultation for effective use of land, asset management, consultation for real estate investment Management and administration of real estate and project proposals

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

Haseko’s Business

Condominium Building Management

Four companies Condominium building management



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

Haseko Property Management Holdings

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

- **Haseko Community**
- **Haseko Smile Community**
- **Sohgoh Housing Service**
- **Haseko Community Kyushu**

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

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

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

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

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

Management and Operation of Rental Condominiums

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

Haseko Livenet

■ Property Management

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

■ Development of For-Investment Rental Condominiums

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

Haseko Business Proxy

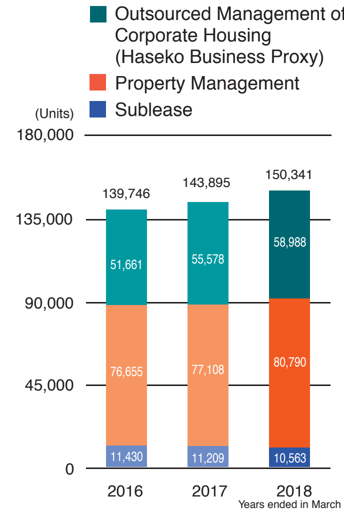
As a pioneer of the business model, the company is characterized by the high-quality service chosen by global companies.

■ Management Agency for Corporate Housing

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

BRANSIESTA Izumi (Higashi-ku, Nagoya-shi)

Haseko Livenet
Rental condominium management and operation



Live Casa Hommachi
(Chuo-ku, Osaka-shi)

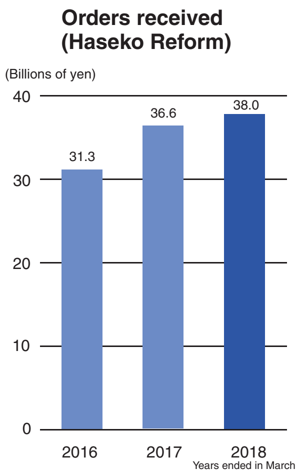
Haseko Livenet reinforced its development operations of newly-built rental condominiums on its own. With full-on endeavors on the Live Casa series, its own brand, the company aims to enhance recognition of Haseko and expand earnings in the area of rental condominiums.

Property Management

Owners	←→ Agency service agreement for rental operations	Haseko Livenet	←→ Lease agreement	Residents
		Consigned building management agreement		
		Building management		

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

Large-Scale Repair and Interior Remodeling



Elevating type mobile scaffolding

As elevating type mobile scaffolding eliminate the need to cover the entire surface of a building with curing sheets, they make it possible to maintain the living environment of residents including views and sunlight. Moreover, the scaffolds help enhance work productivity as they can be installed in accordance with the shape of the exterior walls because they are less prone to being affected by wind when compared with suspended scaffolds.

The number of for-sale condominiums in stock in Japan is estimated to surpass 6.4 million units. Of these, more than 1.8 million units are reckoned to be in buildings built 30 or more years ago. Aside from these, many condominiums have become old and now require large-scale repair work to be conducted. Utilizing the Condominium Rehabilitation Division's Consultation Room for Building Replacement and Renovation as a service window, Haseko Group serves the management associations and owners of aged condominiums as a total advisor for rehabilitating the buildings, responding to a variety of needs for repairs, renovations and building replacement.

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

Sakuradai Danchi (Aoba-ku, Yokohama-shi)


Before


After

Reflecting the experience and achievements of condominiums totaling approximately 600,000 units, the company has a track record of renewal construction and maintenance work for condominiums counting about 3,700 buildings (about 500,000 units) in the last 20 years.

Offerings for Extending Building Life

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

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

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

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

Offerings for enhancing assets and lifestyle

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

Remodeling work

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

Condominium Rehabilitation and Building Replacement Business

In conducting the condominium building replacement business, a variety of requests must be met from the management associations, including investigations for choosing repairs or building replacement, building diagnosis, evaluation of seismic capacity, comparison of rough estimates for repairs and building replacement costs, establishment of a building replacement investigation committee, consensus building, mediation of temporary housing, resettlement of the residents and management after the resettlement. This is why the number of condominium building replacement cases remains very small, standing at 274 properties as of April 1, 2018.

In conducting condominium replacement, Haseko has proposed more specific options for building consensus and solving problems to the owners and management associations through coordination among the Group companies. As such, the Company has conducted condominium replacement in 35 cases (32 properties completed and 3 properties underway), the most in Japan, as of April 2018.

BRANCHERA Ikeda Ishizumi: replacement project disposing reserved site – the first such project in the Kansai area

Characteristically, the replacement project disposed a reserved site – the first such project in the Kansai area – in which approximately a half of the entire site was disposed as a reserved site and the proceeds from sale were used to reduce the financial burden for replacement. As there was no participating association member (developer), the replacement association itself procured funds from financial institutions to promote the project. Construction of 128 condominium units completed in 2018. With 83 sections for detached houses constructed in the reserved site, the project has a total development area of over 2.3 hectares.

Facility Overview of BRANCHERA Ikeda Ishizumi

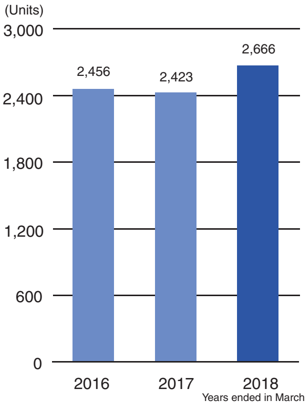
Location:
Ikeda-shi, Osaka
Former name:
Ishizumi Residence
(183 for-sale units sold in 1968)
Completion:
February 2018
Move-in date:
March 2018
Total number of units:
128 units
(67 units with entitled floors)
Structure and size:
Reinforced concrete structure, 6 floors
Project owner (seller):
Ishizumi Residence Condominium Replacement Association
(Haseko Corporation)
Sales tie-up (agent):
Haseko Urbest
Property manager:
Haseko Community

Comprehensive Strengths of the Haseko Group Utilized in Condominium Rehabilitation

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

Senior Living Business

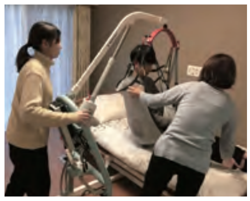
Changes in the number of paid facilities for the elderly



In the Haseko Group, which takes the aging society into account, Century Life Co., Ltd. has been planning and operating paid care houses for elderly people. In 2013, the Haseko Group incorporated Seikatsu Kagaku Un-Ei Co., Ltd., which operates paid facilities for the elderly and other facilities, to reinforce the business. Moreover, in 2016, Haseko Senior Holdings, Co., Ltd., a holding company controlling the senior living business as a whole and conducting project management, etc., was established, and Furusato Co., Ltd., which operates Furusato day services and short-stay facilities in Kawasaki and Yokohama specialized for users with dementia, was incorporated into the Haseko Group the same year. With these arrangements, the Haseko Group has expanded its senior business, operating 44 facilities for the elderly, including paid care houses for the elderly, and 65 bases for home nursing care services in total.

New Endeavors for the Senior Living Business

Adoption of "No Lifting Policy"



The Haseko Group has adopted a new nursing care technique in which nursing care staff will not lift or hold up users at the paid care houses for the elderly and nursing homes for people with dementia that it operates. The "No Lifting Policy" is expected to help users rehabilitate more effectively by tasking them with an appropriate training load, while leading to better working conditions for the nursing care staff.

Application for preventive exercise using a communication robot

The Haseko Group has created an application through which a communication robot explains in an easy-to-understand manner using narration and screen images the effectiveness of and steps to perform "Yu-Yu Taiso," a proprietary preventive care gymnastic exercise devised together with facility occupants.

Utilizing NAO, a humanoid robot from SoftBank Robotics Corp., the newly developed "NAO-version Yu-Yu Taiso" has been introduced as a service unique to the Haseko Group at facilities for the elderly it operates.

Haseko Senior Holdings

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

Century Life

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

Seikatsu Kagaku Un-Ei

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

Furusato

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

■ **Management of paid facilities for the elderly**
Conducts management of paid facilities for the elderly, totaling approximately 2,400 units for the entire Group. Implements living support services to the residents, including eating, bathing and living rehabilitation, medical treatment and nursing in coordination with medical institutions, and periodical health checks and other daily health management.

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

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

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

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

Accumulated construction records

Proactive endeavors on construction of buildings other than residential properties or for-sale condominiums

MCUD Zama, a highly functional logistics base

The Company completed construction of MCUD Zama, a next-generation logistics facility that addresses energy efficiency, versatility and comfort and can accommodate a variety of tenant needs, as the first logistics facility it designed and constructed.

MCUD Zama (Zama-shi, Kanagawa)
Site area: 9,132 m²
Total floor area: 18,532 m²
Structure and size: Steel structure, 4 floors

Initiatives to Expand Business Areas

Domestic Market

Haseko Corporation newly established the Kyushu Operations Division in its marketing group with an aim to create new regional strategies. To expand the business breadth of the Haseko Group, the new division is engaged in market development in the Kyushu area where the Group’s businesses are concentrated. The Division conducts business in the Kyushu and Okinawa region as an advanced base for coordination within the Group in charge of marketing, integrating all functions including condominium management, rental management, for-sale condominium business and facility renovation.

BRANCHERA Takamiya Gochome (Minami-ku, Fukuoka-shi): The First BRANCHERA Brand in Kyushu

Overseas Market

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

In Hawaii of the United States, the Company will work tore-establish a revenue base by taking advantage of its over40 years of experience in Hawaii.

THE AUTHENTIC ~HASEKO LONG BIEN RESIDENCE~ (Long Bien, Hanoi)

Initiatives on Research and Technological Development

A multi-purpose test building with wall greenery effective for mitigating global warming and reducing CO_2 emissions

Inside the multi-purpose test building

Haseko Technical Research Institute features a Housing Test Building which is a full-scale modeled after a condominium (apartment building), and Multi-Purpose Test Building with test areas such as structure, materials and environmental fields. Aiming to create "housing in which residents can live securely and comfortably over a long time," the institute is attempting a variety of performance tests and research and development on apartments in order to respond to the new needs of customers and the society, such as extending the life of buildings, improving seismic performance and environmental issues including reduction of CO_2 emission.

Main Building

Features of the New Haseko Technical Center

- **Floor area of the housing test building expanded**
  The number of laboratories in the housing test building was expanded from 8 rooms to 11 rooms in order to better address verification and experiments, etc. related to various environmental tests and technologies for condominiums in stock using actual dwelling units.
- **Various test areas expanded, becoming about 2 times larger in size**
  The test areas for housing components such as condominium structures, construction materials and durability under thermal environment were expanded.
- **Expanded test areas of the multi-purpose test building**
  A new area was established to check construction performance and to conduct strength testing of structural elements, among other tests.

In March 2018, Haseko Technical Center was established in Tama-shi, Tokyo, as a development base to future evolution in research and technological development. Integrating Haseko Technical Research Institute, Haseko Group Technical Training Center and Haseko Community Owl 24 Center, the center conducts research and technological development to secure safe and comfortable living from a lifestyle perspective, offers education and training for the company's staff, and provides information on a variety of issues. Moreover, Haseko Condominium Museum was newly established in the main building. The museum displays exhibits explaining the history of the Haseko Group, track record and concepts of future housing, and features a section in which visitors can experience construction using virtual reality systems, etc. Going forward, the company will further enhance the center as a base to provide information on new technologies, new products and technical verifications, etc. to a wide scope of end users.

Haseko Condominium Museum

The operational flow of the condominium business and changes in condominium specifications are explained by using motion pictures and exhibits.

A profound movie depicts the birth of humankind through the history of apartments, highlighting the fulfilment found in humans residing together.

Changes in apartments in Japan and around the world are demonstrated through panels.

Initiatives on Research and Technological Development

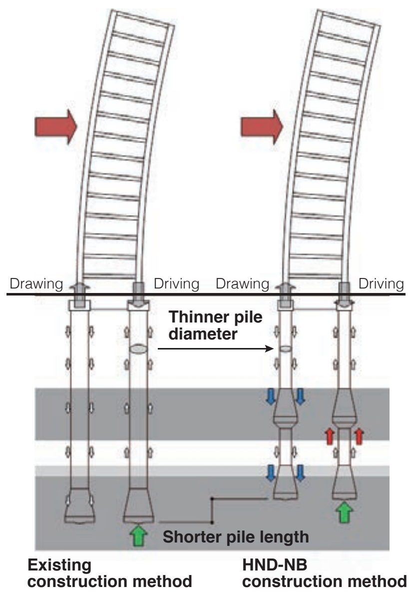
Major Initiatives

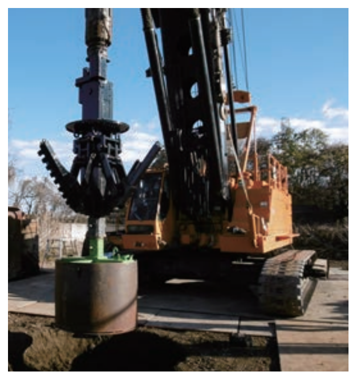
Building considerations	Technological development related to concrete and reinforcing bars
Maintenance and remodeling	Technological development related to interior fittings and piping
Health considerations	Ventilation systems and sick-building syndrome countermeasures, etc.
Barrier-free universal design	Bases for attaching handrails, lowering of floor-level differences, low-rise bathtubs and large switches/control boards
Anti-earthquake measures	Technologies for earthquake-resistant and seismic isolation structures and construction methods for seismic strengthening
Anti-disaster and anti-crime measures	Anti-crime technologies such as front door keys, escape balconies and development of emergency supply kits
Energy-saving measures	Energy-efficient heat insulation systems and multi-layer glass
Environmental friendliness	Solar power generation systems and rooftop and wall greening technologies

Joint Development of HND-NB Construction Method Utilizing Medium-Diameter Piles

Haseko Corporation developed the HND-NB Construction Method, which utilizes cast-in-place concrete medium-diameter piles, jointly with Nikko Kiso and Daia Soil.

The HND-NB Construction Method utilizes piles that are shorter than those used in the conventional HND Construction Method while securing comparable bearing capacity and drawing resistance despite a thinner shaft diameter. This reduces the volume of concrete used for the piles, realizing economical construction that can be performed in a shorter period of time. At the same time, the method is environmentally friendly as reductions in the volume of concrete used for the piles and the volume of excavated soil should lead to a reduced number of carrying vehicles.





Roof Drain Restoration Method

Securing drainage performance of drain outlets on condominium rooftops, etc., at the same level as newly-built buildings, regardless of their shape.

The Company, which developed the roof drain restoration method (vertical) to conduct waterproofing of vertical drain outlets requiring only the slightest change in diameter in 2013, newly developed the roof drain restoration method (horizontal) for horizontal drain outlets, which enables waterproofing, regardless of shape.

[Features]
1. The original method can secure drainage performance at the same level as when the building was newly built, with only a slight change in the diameter of drain outlets and drain pies.
2. A high-quality waterproofing layer is formed on the entire roof, with a 15-year warranty, in principle.
3. Periodical protective coating is not required for the waterproofing layer during the waterproofing warranty period, making it possible to reduce repair and maintenance expenses after the work
4. Utilizing devices specialized for electrical inspection allows early detection and correction of abnormalities in the waterproofing layer.
5. The method basically eliminates the need to remove the existing waterproofing layer and requires a smaller volume of used materials, reducing industrial waste that is to be disposed.
6. Work can be conducted even if the foundations are wet and damp after rainfall or snowfall, enabling preparation of construction schedules in a planned way.


① Before restoration


② Expand a tube


③ Work completed

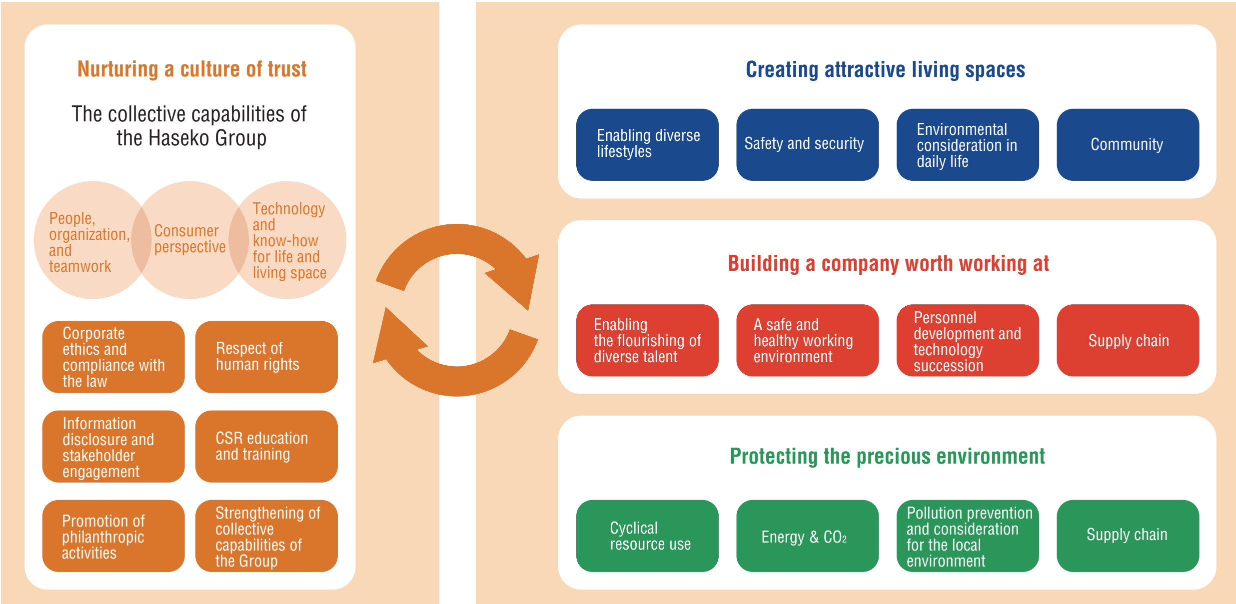

④ After restoration

Corporate Social Responsibility

CSR Vision Better living – now and for the future

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

Our Four Main CSR Themes



Creating attractive living spaces	We will create living spaces where people can feel safe, grow, and actively pursue diverse lifestyles. While promoting business that enhances the quality of child nursing, education, care, and welfare, we will aim to make safe, secure and environmentally considerate living the new standard.
Building a company worth working at	We will nurture a workplace where a diversity of employees can flourish, and where safety and productivity are high. Employees with advanced technological skill and know-how in the field of life and living spaces will work in passionate teamwork, and in collaboration with our business partners, to build attractive townhoods today and in the future.
Protecting the precious environment	We will promote environmental measures throughout the process of providing living spaces and services related to daily life. We are considerate about our impact on the ecosystem, and will pursue further improvements of resource and energy efficiency working with business partners to realize construction sites and workspaces that help protect the natural environment.
Nurturing a culture of trust	In order to remain a corporate group co-creating value with stakeholders based on strong trust-based relations, we will implement the required organizational measures rigorously. We will strengthen management that harnesses our collective capabilities as a group, and while staying alert to new social and environmental issues, we will aim to constantly expand our ability to contribute to society through our business.

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

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

SUSTAINABLE DEVELOPMENT GOALS
17 GOALS TO TRANSFORM OUR WORLD

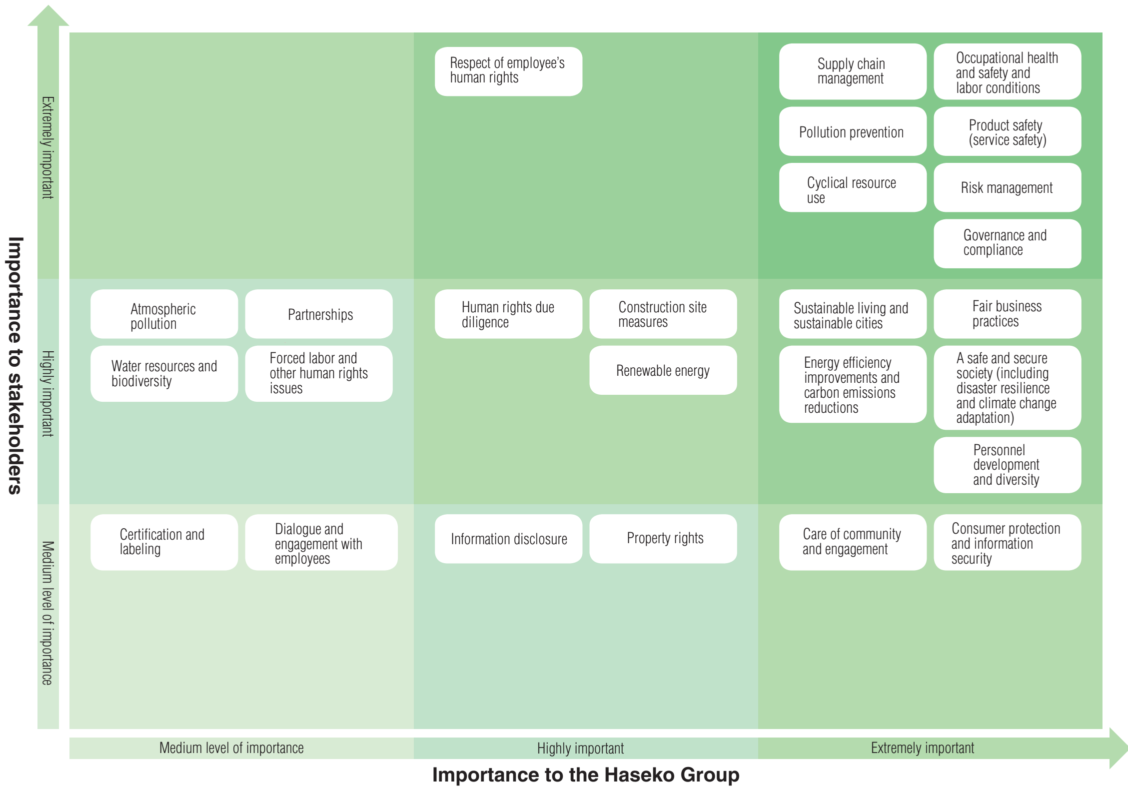
CSR Policy

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

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

Haseko Group Materiality Matrix

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



Further developing our CSR activities

• Setting up the organizational framework

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

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

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

• Strengthening information disclosure

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

Corporate Governance

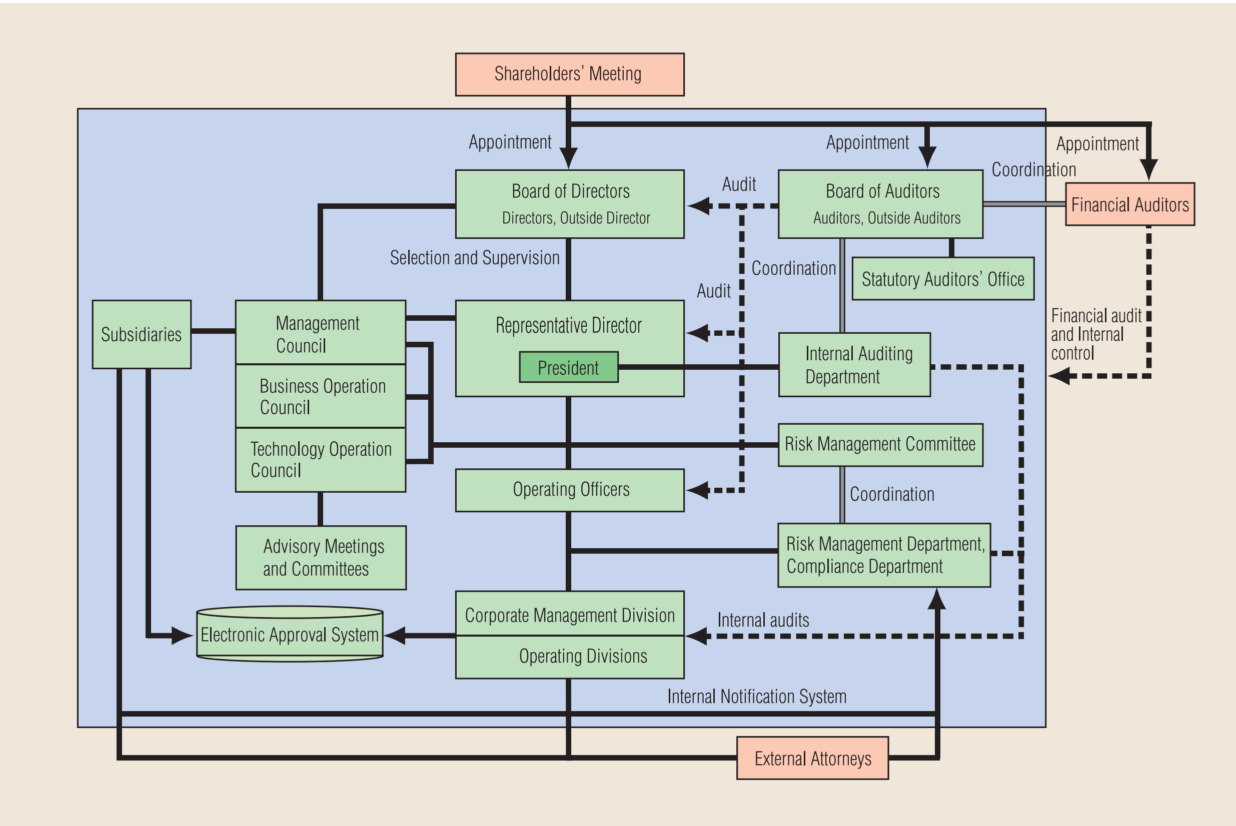
Haseko Corporation has made it a basic policy of its corporate management to contribute to society and win society's confidence through its business operations that put customers first. The Company has also positioned reinforcement of corporate governance as one of its utmost management priorities as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

The Board of Directors of Haseko Corporation serves as the institution where directors with expert knowledge and experience in various business sectors conduct decision-making on managerial issues and supervise execution of duties of other directors. As for monitoring of management operations, the Company's system provides the Board of Auditors, the majority of which are outside auditors, with the monitoring function from an objective and neutral standpoint from outside through implementation of audits. On top of these functions, starting in June 2016, Haseko appointed outside directors with abundant experience and track record to occupy at least one third of the Board of Directors, so that they shall provide appropriate opinions and advice in order to further activate discussions at the Board of Directors as well as enhance the function to monitor business management. We are working to establish a system that is optimum for the Company, taking into consideration the balance between the operation of the Board of Directors and the monitoring functions.

Roles and Operations of Corporate Institutions

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

Diagram of company institutions and internal governance



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

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

Internal Governance and Risk Management System

Compliance System

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

In April 2005, the Company established the Internal Auditing Department that is under the direct control of the President. Pursuant to internal rules and regulations on internal audits, the Department investigates and evaluates whether activities of respective divisions conform to laws and regulations, the Articles of Incorporation, the Company's rules and regulations, corporate policies, etc. and whether they are reasonable, and works to make improvements based on the results. The Company has no relations with anti-social forces or groups that threaten the order and security of civic life, and will cope with such anti-social forces and groups systematically, and with an adamant and resolute attitude.

Risk Management System

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

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

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

Management Team *(As of June 29, 2018)*

Directors and Corporate Auditors

Ikuo Oguri Representative Director Chairman	Noriaki Tsuji Representative Director President	Shosuke Muratsuka Representative Director Executive Vice President
Morio Shimada Director Executive Vice President	Yuhei Imanaka Director Executive Operating Officer	Kazuo Ikegami Director Executive Operating Officer
Junichi Tani Director Executive Operating Officer	Nobuhiro Tani Director Executive Operating Officer	
Kohei Amano Outside Director	Osamu Takahashi Outside Director	Kazuhiko Ichimura Outside Director
Masashi Kogami Outside Director	Mami Nagasaki Outside Director	
Takahisa Chikayama Full-time Corporate Auditor	Masahiro Okuyama Full-time Corporate Auditor	
Yoshitaka Fukui Corporate Auditor	Mitsuo Isoda Corporate Auditor	Takeshi Ikegami Corporate Auditor

Operating Officers

Executive Operating Officers

Takeshi Tsunematsu	Yoshinori Haraguchi

Senior Operating Officers

Masaaki Matsuoka	Takashi Kawamura	Toshiyuki Murakawa
Katsuhide Takahashi	Syoji Naraoka	Yutaka Okada
Masahito Koizumi	Yoshiaki Yamada	Jun Kawamoto
Mamoru Kameoka	Takashi Tsuruta	

Operating Officers

Takeshi Yoshioka	Misato Yamamoto	Nobuo Imagawa
Satoshi Kumano	Toru Yamaguchi	Toshihiko Tatsuno
Makoto Murakami	Shinji Yamanaka	Naoyuki Kumagai
Eijo Daimon	Soichiro Tamada	Seiji Fuseya
Tetsutoshi Odajima	Koichiro Nomura	Atsushi Matsuzaki
Yoji Kubo	Kuniyoshi Mimori	

Five-Year Summary
Haseko Corporation and its Consolidated Subsidiaries
(Years ended March 31, 2014, 2015, 2016, 2017 and 2018)

	Millions of Yen				
	2014	2015	2016	2017	**2018**
For the Year:					
Net sales	¥587,571	¥642,167	¥787,354	¥772,328	**¥813,276**
Cost of sales	526,208	563,230	674,007	629,454	**656,031**
Selling, general and administrative expenses	32,525	36,239	44,585	53,842	**56,440**
Operating income	28,838	42,698	68,762	89,032	**100,805**
Ordinary income	25,405	41,889	67,327	88,827	**100,497**
Income before income taxes	30,721	42,306	68,850	78,256	**101,021**
Net income attributable to owners of parent	24,830	28,542	51,226	58,762	**72,289**
For the Year:					
Cash flows from operating activities	55,267	39,984	65,590	109,536	**56,516**
Cash flows from investing activities	29,395	(4,067)	(30,801)	(19,824)	**(16,351)**
Cash flows from financing activities	(65,425)	(40,235)	(16,286)	(40,213)	**(34,743)**
Cash and cash equivalents at end of the year	137,689	133,563	152,115	201,456	**206,866**
At Year-end:					
Total current assets	¥356,926	¥380,841	¥448,140	¥478,611	**¥512,563**
Total assets	457,408	476,914	589,993	630,937	**688,308**
Total current liabilities	209,699	248,586	259,960	270,002	**280,896**
Total long-term liabilities	128,237	84,239	144,658	122,468	**110,577**
Total shareholders' equity	128,632	143,356	191,580	245,358	**301,245**
Net assets	119,472	144,089	185,375	238,467	**296,835**
	Yen				
Per Share Data:					
Net income attributable to owners of parent	¥ 81.36	¥ 94.64	¥170.41	¥195.48	**¥241.98**
Diluted net income	67.98	92.90	–	–	**–**
Net assets	346.17	478.45	615.21	791.24	**995.44**
Ratios:					
Profit ratio of construction contracts	9.2	11.3	15.8	19.2	**21.1**
Operating income ratio	4.9	6.6	8.7	11.5	**12.4**
Equity ratio (%)	26.1	30.2	31.3	37.7	**43.0**
Return on equity (%)	21.3	21.7	31.2	27.8	**27.1**
Price/Earnings ratio (times)	7.94	12.38	6.15	6.16	**6.69**
Payout ratio (%)	3.7	10.6	8.8	15.3	**20.7**
Number of employees	5,188	5,379	6,136	6,602	**6,816**

Analysis of Financial Condition and Business Performance

(1) Business Performance for the Fiscal Year Ended March 2018

For the fiscal year ended March 2018, in which the Japanese economy remained on course for a modest recovery, new supply of condominium units increased from the previous year both in the Tokyo metropolitan area and the Kinki area, with the figure standing at 36,837 units (up 1.1% year-on-year) for the former and 19,849 units (up 8.1% year-on-year) for the latter. In particular, the figure significantly surpassed the year-earlier results in the Kinki area due to a major increase in the supply of condominiums with studio units from 3,631 units to 4,711 units. The initial month sales rate, which serves as a benchmark of sales conditions, was 68.8% (up 0.3 points) in the Tokyo metropolitan area, remaining at the 60% level for two consecutive years, but rose to 76.6% (up 4.7 points) in the Kinki area, surpassing 75% for the first time in three years since fiscal 2014. Moreover, with inventory sales remaining strong, the number of for-sale units being marketed as of the end of March 2018 decreased to 6,498 units (down 3.7%) in the Tokyo metropolitan area and to 2,355 units (down 5.5%) in the Kinki area. An analysis of products supplied in the fiscal year shows that the unit price for for-sale condominiums rose to 864 thousand yen/m^2 (up 7.9%) and the average market price increased to 59.21 million yen (up 6.9%) in the Tokyo metropolitan area, partly due to an increase in the supply of expensive projects. In the Kinki area, while the unit price rose to 636 thousand yen/m^2 (up 3.8%), the average market sales came to 38.46 million yen (down 0.8%) as the average unit space shrank partly due to an increase in the supply of condominiums with studio units.

Under such conditions, for the fiscal year under review, which represents the first year of the “newborn HASEKO Jump Up Plan” (Plan NBj), the Company’s medium-term business plan, the Haseko Group renewed record high consolidated ordinary income with condominium construction works in the Construction-Related Business achieving good results. As such, the Company made a good start toward the numerical targets of the Plan NBj that command combined consolidated ordinary income of 240 billion yen for the three years from the fiscal year ending March 2018 to the fiscal year ending March 2020.

As a result of the above, the Company achieved a year-on-year increase both in sales and profits. While net sales grew by 5.3% to 813.3 billion yen due to an increase in the volume of condominium construction works, the Company posted operating income of 100.8 billion yen (up 13.2%), ordinary income of 100.5 billion yen (up 13.1%) and net income attributable to owners of parent of 72.3 billion yen (up 23.0%), due to improved gross profit margin of completed construction contracts for condominium construction works. The operating income ratio was 12.4% (up 0.9 points) and ordinary income ratio came to 12.4% (up 0.9 points).

(2) Performance by Segment

Furthermore, as the Company positioned “securing stable revenues by making investing in blue-chip real estate properties” as one of its new focused strategies in the medium-term business plan that started in the current fiscal year, it has changed the classification of its reportable segments, in which part of the Construction-Related Business has been moved to the Service-Related Business, starting in the first quarter of the fiscal year.

As for the year-on-year comparison, figures for the previous fiscal year have been restated in accordance with the classification method of the reportable segments after the change.

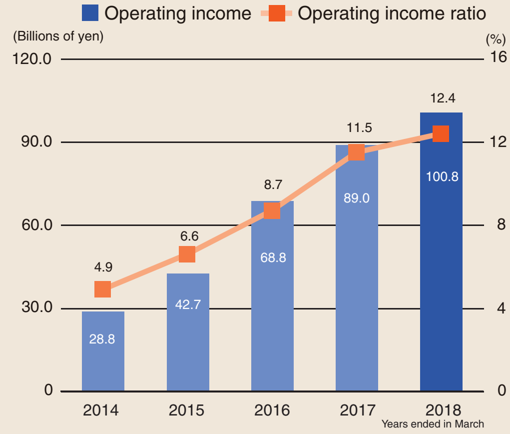
Construction-Related Business

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

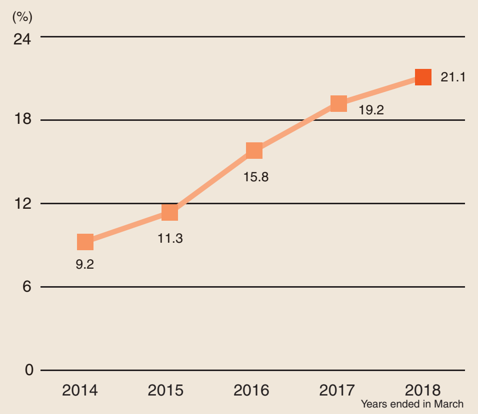
In terms of orders for new construction of for-sale condominiums, the Company won orders for 121 projects in total throughout Japan, comprised of 83 in the Tokyo metropolitan area including 27 large projects with at least 200 units and 38 in the Kinki and Tokai areas including 9 large projects with at least 200 units. In addition, aside from for-sale condominiums, the Company received orders for 12 projects including rental condominiums, company housing, warehouses and stores.

As for construction completion, the Company completed construction of 98 projects including 5 projects for rental housing, etc.

Operating income and Operating income ratio



Profit ratio of construction contracts



Performance by segment

Billions of yen

	Construction-related business		Service-related business		Overseas-related business	
Net sales	615.0	(+48.2)	215.4	(+5.8)	12.6	(-3.0)
Operating income	91.3	(+10.0)	13.8	(+3.6)	0.3	(+0.2)

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

In design and supervision operations, the Haseko Group proactively works to enrich fundamental performance, improve versatility and secure environmental and disaster prevention performance of condominiums by utilizing plans, technologies and know-how it has accumulated through its construction track record of over 620,000 units built.

In the Tokyo metropolitan area, the Company completed The Gardens Tokyo Oji Airy Court (Kita-ku, Tokyo; 452 units) within the area of the Kita-ku Oji 5-chome Project, a town creation project for multi-use development featuring housing, retail and child-raising with rental housing, a retail facility, a paid nursing care facility for the elderly and a childcare nursery for schoolchildren on a vast site of approximately 43,000m^2. Moreover, Haseko completed Fine City Yokohama Egasaki Rene (Tsurumi-ku, Yokohama; 338 units), which features a variety of common facilities as a venue for creating a community around the vast terrace in the center of the site and was granted the 2017 Good Design Award.

In the Kinki area, construction was completed for Branz Tower Wellith Shinsaibashi South (Chuo-ku, Osaka; 202 units) having thirty stories above ground. Proud City Tsukaguchi Mark Sky (Amagasaki-shi, Hyogo; 366 units) was also completed within the ZUTTOCITY districts, a large-scale, station-front redevelopment project combining residential and retail facilities with a total development area of approximately 8.4 hectares.

As a result of the above, the segment posted a year-on-year increase in sales, which stood at 615.0 billion yen (up 8.5%). It also achieved a year-on-year increase in operating income, amounting to 91.3 billion yen (up 12.4%), partly due to improved gross profit margin of completed construction contracts.

Service-Related Business

In large-scale repair work and interior remodeling, sales remained almost flat but profits increased year-on-year as the profit margin of construction contracts improved due to progress in cost reductions.

In the management of rental condominiums and corporate housing management agency services, the number of units Haseko operates reached a combined total of 150,341 units, an increase of 4.5% from the end of the previous fiscal year, as new consignment of these services increased steadily.

In consigned sales of newly-built condominiums, the number of contracted units remained almost flat, but the number of delivered units increased year-on-year as deliveries of large-scale projects were conducted, among other factors.

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

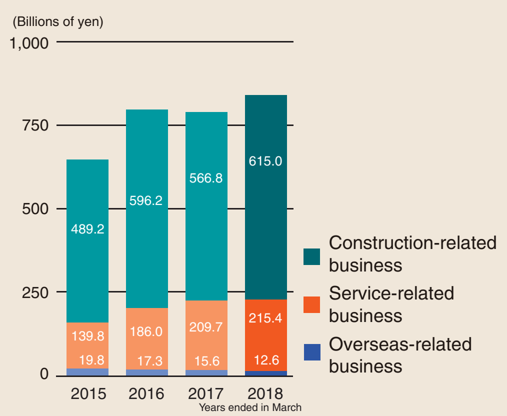
In for-sale condominium management operations, the number of units the Haseko Group is consigned to manage reached 376,488 units (up 1.9% year-on-year), led by the orders received for large-scale projects for which the Company provides land, among other factors.

In the sale of real estate, the Company conducted sale and delivery of 10 for-sale condominiums that were newly completed in the fiscal year under review as well as other products.

In the senior services business, the number of paid facilities for the elderly and housing for the elderly in operation totaled 2,127 units (up 5.8%) as a result of progress made in the opening of new properties and sale of self-support rooms for the elderly.

As a result of the above, the segment achieved a year-on-year increase both in sales and profit, as it did in the previous fiscal year, posting sales of 215.4 billion yen (up 2.8%) and operating income of 13.8 billion yen (up 35.2%).

Sales breakdown by reportable segment



Overseas-Related Business

Sales decreased year-on-year due to a drop in the number of contracted units and delivered units in the for-sale stand-alone housing business in Oahu, Hawaii. Operating income increased year-on-year, however, as profit margin improved.

As a result of the above, the segment posted sales of 12.6 billion yen (down 19.2%), while achieving operating income of 0.3 billion yen (up 166.3%).

(3) Financial Position

Total assets at the end of the consolidated fiscal year ended March 2018 increased by 57.4 billion yen from the end of the previous fiscal year to 688.3 billion yen. This is mainly because of an increase in real estate for sale and costs and advances for real estate operations.

Total liabilities were 391.5 billion yen, a decrease of 1.0 billion yen from the end of the previous fiscal year. This is because of repayment of borrowings, etc., despite an increase in notes and accounts payable and income taxes payable.

Assets by segments

Billions of yen

	Construction-related business		Service-related business		Overseas-related business	
Segment assets	243.6	(+31.4)	276.4	(-1.9)	34.0	(-1.2)

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

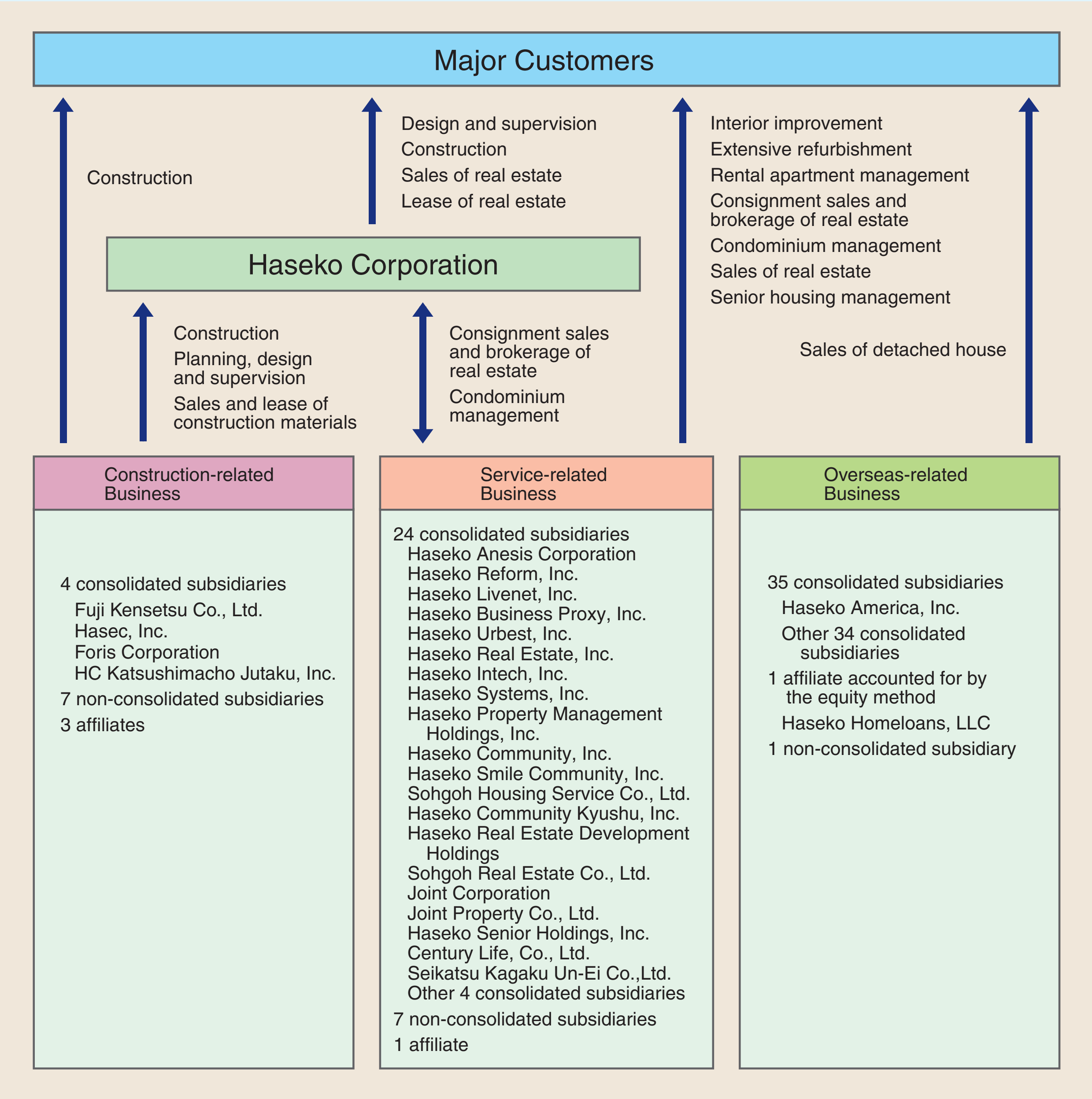
Consolidated net assets were 296.8 billion yen, an increase of 58.4 billion yen from the end of the previous fiscal year, because of an increase in retained earnings due to the recording of net income attributable to owners of parent, among other reasons.

As a result, the equity ratio was 43.0% compared to 37.7% at the end of the previous fiscal year.

Construction-Related Business

Assets of the Construction-Related Business amounted to 243.6 billion yen as of the end of the fiscal year under review, up 31.4 billion yen year on year, due to an increase in real estate for sale through short-term property acquisitions mainly for the purpose of receiving construction orders.

Business schematic of Haseko group's reportable segments



Service-Related Business

Assets of the Service-Related Business totaled 276.4 billion yen as of the end of the fiscal year, down 1.9 billion yen year on year, due to such factors as a decrease in cash and bank deposits as a result of returning deposits for consigned sales of newly-built condominiums despite an increase in real estate for sale and costs and advances for real estate operations mainly due to purchase of for-sale real estate properties.

Overseas-Related Business

Assets of the Overseas-Related Business decreased 1.2 billion yen year on year to 34 billion yen as of the end of the fiscal year due to fluctuations in foreign exchange rates, despite an increase in U.S. dollar-denominated real estate for development projects in the for-sale stand-alone housing business in Oahu, Hawaii.

(4) Cash Flows

Net cash provided by operating activities was 56.5 billion yen, a decrease of 53.0 billion yen compared with the net cash provided by operating activities totaling 109.5 billion yen in the previous fiscal year. Major factors included a decrease in cash of 35.6 billion yen in accordance with an increase in inventories (in contrast to an increase in cash of 4.4 billion yen for the previous fiscal year) and payment of 26.2 billion yen for income taxes (in contrast to 14.7 billion yen for the previous fiscal year).

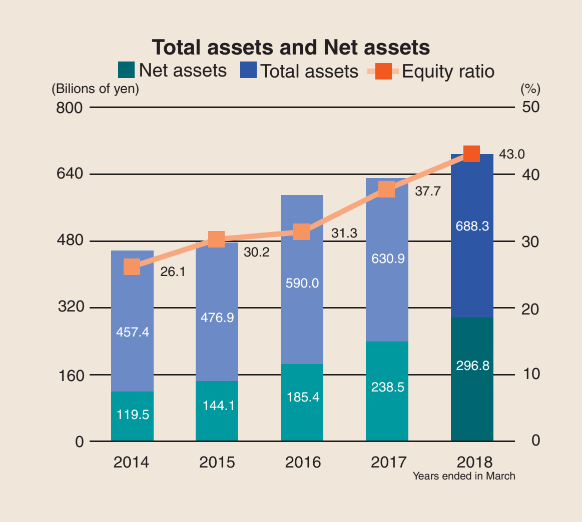
Net cash used in investing activities was 16.4 billion yen, an increase of 3.5 billion yen in income compared with the net cash used in investing activities totaling 19.8 billion yen in the previous fiscal year. Major factors included a decrease of 13.0 billion yen in cash in accordance with purchase and sale of property and equipment (in contrast to a decrease of 15.7 billion yen in cash for the previous fiscal year).

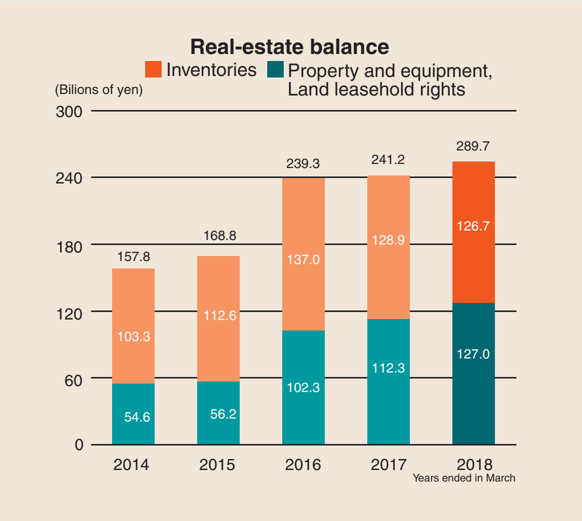
Net cash used in financing activities was 34.7 billion yen, an increase of 5.5 billion yen in income compared with the net cash used in financing activities totaling 40.2 billion yen in the previous fiscal year. Major factors included a decrease of 16.5 billion yen in cash in accordance with borrowing and repayment of debt (in contrast to a decrease of 34.0 in cash for the previous fiscal year), cash dividend paid of 12.0 billion yen (in contrast to 4.5 billion yen for the previous fiscal year) and a decrease of 4.5 billion yen in cash in accordance with purchase of treasury stock (in contrast to a decrease of 0.0 billion yen in cash for the previous fiscal year).

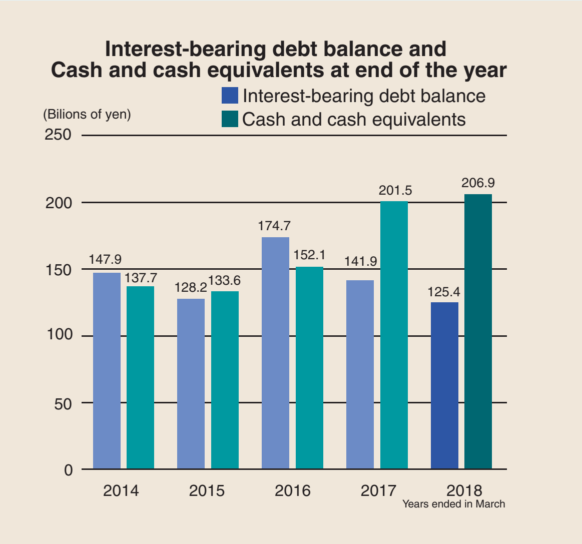
As a result of the above, the balance of cash and cash equivalents at the end of the consolidated fiscal year totaled 206.9 billion yen, an increase of 5.4 billion yen from 201.5 billion yen at the end of the previous consolidated fiscal year.

Although the real estate owned by the Haseko Group increased due to short-term acquisitions of real estate properties for the purpose of receiving construction orders and purchases of for-sale real estate properties, among other factors, the Group conducts appropriate risk management and promotes business operations.

Net cash provided by operating activities decreased significantly from the previous fiscal year due to short-term acquisitions of real estate properties mainly for the purpose of receiving construction orders and purchases of for-sale real estate properties.







CONSOLIDATED BALANCE SHEET
AS OF MARCH 31, 2017 AND 2018
ASSETS

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2017	**2018**	**2018**
ASSETS			
Current Assets:			
Cash and bank deposits (Notes 5, 10 and 15)	¥201,269	**¥208,055**	**$1,958,349**
Notes and accounts receivable, trade (Notes 5 and 10)	117,607	**110,613**	**1,041,162**
Marketable securities (Notes 5, 6 and 10)	3,854	**3,840**	**36,145**
Costs on uncompleted construction contracts	9,340	**9,208**	**86,672**
Inventories (Notes 7, 10 and 13)	128,903	**162,746**	**1,531,871**
Deferred tax assets (Note 18)	5,445	**7,292**	**68,637**
Other current assets (Note 10)	12,367	**10,997**	**103,510**
Allowance for doubtful accounts (Note 5)	(174)	**(188)**	**(1,770)**
Total current assets	478,611	**512,563**	**4,824,576**
Property and Equipment (Notes 8 and 10)	110,392	**125,125**	**1,177,758**
Intangible Assets (Notes 8 and 10)	7,331	**7,215**	**67,912**
Investments and Other Assets:			
Investment securities (Notes 5, 6 and 10)	13,524	**18,155**	**170,887**
Long-term loans receivable (Note 5)	2,844	**2,822**	**26,563**
Net defined benefit asset (Note 17)	4,164	**9,706**	**91,359**
Long-term deferred tax assets (Note 18)	2,011	**–**	**–**
Other assets	12,861	**13,525**	**127,306**
Allowance for doubtful accounts (Note 5)	(801)	**(803)**	**(7,558)**
Total investments and other assets	34,603	**43,405**	**408,557**
Total assets	¥630,937	**688,308**	**6,478,803**

See notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEET
AS OF MARCH 31, 2017 AND 2018
LIABILITIES AND NET ASSETS

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2017	**2018**	**2018**
LIABILITIES			
Current Liabilities:			
Short-term borrowings (Notes 5 and 9)	¥ 10,000	**¥ 10,000**	**$ 94,127**
Current portion of long-term debt (Notes 5, 9 and 10)	25,771	**26,471**	**249,162**
Lease obligations (Notes 5 and 9)	1,352	**1,327**	**12,491**
Notes and accounts payable (Note 5)	81,405	**86,658**	**815,681**
Electronically recorded obligations (Note 5)	39,598	**49,343**	**464,448**
Income taxes payable (Notes 5 and 18)	16,755	**20,605**	**193,948**
Advances received on uncompleted construction contracts	22,256	**20,921**	**196,922**
Advances received for real estate sales	10,532	**9,652**	**90,851**
Warranty	4,904	**4,980**	**46,875**
Allowance for losses on construction contracts	78	**44**	**414**
Accrued bonuses for employees	4,066	**5,919**	**55,713**
Accrued bonuses for director	120	**190**	**1,788**
Other current liabilities	53,165	**44,786**	**421,556**
Total current liabilities	270,002	**280,896**	**2,643,976**
Long-term Liabilities:			
Straight bonds (Notes 5 and 9)	20,000	**20,000**	**188,253**
Long-term debt (Notes 5, 9, 10 and 16)	77,493	**60,194**	**566,585**
Lease obligations (Notes 5 and 9)	7,235	**7,450**	**70,124**
Net defined benefit liability (Note 17)	1,016	**921**	**8,669**
Provision for loss on litigation	–	**2,705**	**25,461**
Provision for employee stock ownership plan (Note 3)	518	**1,037**	**9,761**
Provision for board benefit trust (Note 3)	80	**171**	**1,610**
Long-term deferred tax liabilities (Note 18)	–	**602**	**5,666**
Other long-term liabilities	16,126	**17,497**	**164,694**
Total long-term liabilities	122,468	**110,577**	**1,040,823**
Total liabilities	392,470	**391,473**	**3,684,799**
Commitments and Contingent Liabilities (Notes 11 and 12)			
NET ASSETS (Notes 14 and 19)			
Shareholders' Equity:			
Capital stock	57,500	**57,500**	**541,227**
Capital surplus	7,500	**7,513**	**70,717**
Retained earnings	180,509	**240,880**	**2,267,319**
Treasury stock, at cost — 191,946 shares in 2017			
— 3,439,632 shares in 2018	(151)	**(4,648)**	**(43,749)**
Total shareholders' equity	245,358	**301,245**	**2,835,514**
Accumulated Other Comprehensive Income:			
Net unrealized gain on other securities	1,631	**4,279**	**40,277**
Translation adjustments	(3,215)	**(4,144)**	**(39,006)**
Retirement benefits liability adjustments	(5,926)	**(5,381)**	**(50,650)**
Total accumulated other comprehensive income (loss)	(7,510)	**(5,246)**	**(49,379)**
Non-controlling Interests	619	**836**	**7,869**
Total net assets	238,467	**296,835**	**2,794,004**
Total liabilities and net assets	¥630,937	**¥688,308**	**$6,478,803**

See notes to consolidated financial statements.

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEARS ENDED MARCH 31, 2017 AND 2018

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2017	**2018**	**2018**
Net Sales (Note 13)	¥772,328	**¥813,276**	**$7,655,083**
Cost of Sales (Note 13)	629,454	**656,031**	**6,174,991**
Gross profit	142,874	**157,245**	**1,480,092**
Selling, General and Administrative Expenses (Note 13)	53,842	**56,440**	**531,250**
Operating Income	89,032	**100,805**	**948,842**
Other Income (Expenses):			
Interest and dividend income	1,182	**739**	**6,956**
Equity in earnings of affiliates	77	**30**	**282**
Interest expense	(1,401)	**(1,101)**	**(10,363)**
Incidental expense for loan	(823)	**(706)**	**(6,645)**
Other, net	760	**730**	**6,871**
	(205)	**(308)**	**(2,899)**
Ordinary income	88,827	**100,497**	**945,943**
Special Income (Losses):			
Gain (loss) on disposal or sales of property and equipment, net (Note 8)	1,105	**3,421**	**32,201**
Impairment loss on fixed assets	(11,778)	**(197)**	**(1,854)**
Provision for loss on litigation	–	**(2,705)**	**(25,461)**
Other, net	102	**5**	**46**
	(10,571)	**524**	**4,932**
Income before Income Taxes	78,256	**101,021**	**950,875**
Income Taxes (Note 18)**:**			
Current	21,385	**28,978**	**272,760**
Deferred	(2,078)	**(492)**	**(4,632)**
	19,307	**28,486**	**268,128**
Net Income	58,949	**72,535**	**682,747**
Net Income Attributable to Non-controlling Interests	187	**246**	**2,316**
Net Income Attributable to Owners of Parent (Note 19)	¥ 58,762	**72,289**	**680,431**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED MARCH 31, 2017 AND 2018

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2017	**2018**	**2018**
Net Income	¥58,949	**¥72,535**	**$682,747**
Other Comprehensive Income			
Net unrealized gain (loss) on other securities	(121)	**2,647**	**24,914**
Translation adjustments	(799)	**(929)**	**(8,744)**
Retirement benefits liability adjustments	87	**545**	**5,130**
Total other comprehensive income (loss)	(833)	**2,263**	**21,300**
Comprehensive Income (Note 22)	58,116	**74,798**	**704,047**
Total Comprehensive Income Attributable to:			
Comprehensive income attributable to owners of parent	57,929	**74,553**	**701,741**
Comprehensive income attributable to non-controlling interests	187	**245**	**2,306**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED MARCH 31, 2017 AND 2018

For the year ended March 31, 2017

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
			(Millions of yen)		
Balance at April 1, 2016	**¥57,500**	**¥7,500**	**¥126,726**	**¥(146)**	**¥191,580**
Net income attributable to owners of parent for the year ended March 31, 2017	–	–	58,762	–	58,762
Cash dividend	–	–	(4,509)	–	(4,509)
Purchase of treasury stock	–	–	–	(5)	(5)
Disposal of treasury stock	–	0	–	–	0
Increased due to merger etc.	–	–	–	–	–
Decrease due to change in scope of equity method	–	–	(470)	–	(470)
Change in treasury shares of parent arising from transactions with non-controlling shareholders	–	0	–	–	0
Net changes in items other than those in shareholders' equity	–	–	–	–	–
Total changes during the year	–	0	53,783	(5)	53,778
Balance at March 31, 2017	**¥57,500**	**¥7,500**	**¥180,509**	**¥(151)**	**¥245,358**

	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, 2016	**¥1,786**	**¥(2,416)**	**¥(6,013)**	**¥(6,643)**	**¥438**	**¥185,375**
Net income attributable to owners of parent for the year ended March 31, 2017	–	–	–	–	–	58,762
Cash dividend	–	–	–	–	–	(4,509)
Purchase of treasury stock	–	–	–	–	–	(5)
Disposal of treasury stock	–	–	–	–	–	0
Increased due to merger etc.	–	–	–	–	–	–
Decrease due to change in scope of equity method	–	–	–	–	–	(470)
Change in treasury shares of parent arising from transactions with non-controlling shareholders	–	–	–	–	–	0
Net changes in items other than those in shareholders' equity	(155)	(799)	87	(867)	181	(686)
Total changes during the year	(155)	(799)	87	(867)	181	53,092
Balance at March 31, 2017	**¥1,631**	**¥(3,215)**	**¥(5,926)**	**¥(7,510)**	**¥619**	**¥238,467**

See notes to consolidated financial statements.

For the year ended March 31, 2018

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

	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, 2017	**¥1,631**	**¥(3,215)**	**¥(5,926)**	**¥(7,510)**	**¥619**	**¥238,467**
Net income attributable to owners of parent for the year ended March 31, 2018	–	–	–	–	–	72,289
Cash dividend	–	–	–	–	–	(12,024)
Purchase of treasury stock	–	–	–	–	–	(4,497)
Disposal of treasury stock	–	–	–	–	–	0
Increased due to merger etc.	–	–	–	–	–	106
Decrease due to change in scope of equity method	–	–	–	–	–	–
Change in treasury shares of parent arising from transactions with non-controlling shareholders	–	–	–	–	–	13
Net changes in items other than those in shareholders' equity	2,648	(929)	545	2,264	217	2,481
Total changes during the year	2,648	(929)	545	2,264	217	58,368
Balance at March 31, 2018	**¥4,279**	**¥(4,144)**	**¥(5,381)**	**¥(5,246)**	**¥836**	**¥296,835**

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, 2017	**$541,227**	**$70,595**	**$1,699,068**	**$ (1,421)**	**$2,309,469**
Net income attributable to owners of parent for the year ended March 31, 2018	–	–	680,431	–	680,431
Cash dividend	–	–	(113,178)	–	(113,178)
Purchase of treasury stock	–	–	–	(42,328)	(42,328)
Disposal of treasury stock	–	0	–	–	0
Increased due to merger etc.	–	–	998	–	998
Decrease due to change in scope of equity method	–	–	–	–	–
Change in treasury shares of parent arising from transactions with non-controlling shareholders	–	122	–	–	122
Net changes in items other than those in shareholders' equity	–	–	–	–	–
Total changes during the year	541,227	122	568,251	(42,328)	526,045
Balance at March 31, 2018	**$541,227**	**$70,717**	**$2,267,319**	**$(43,749)**	**$2,835,514**

	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, 2017	**$15,352**	**$(30,262)**	**$(55,779)**	**$(70,689)**	**$5,826**	**$2,244,606**
Net income attributable to owners of parent for the year ended March 31, 2018	–	–	–	–	–	680,431
Cash dividend	–	–	–	–	–	(113,178)
Purchase of treasury stock	–	–	–	–	–	(42,328)
Disposal of treasury stock	–	–	–	–	–	0
Increased due to merger etc.	–	–	–	–	–	998
Decrease due to change in scope of equity method	–	–	–	–	–	–
Change in treasury shares of parent arising from transactions with non-controlling shareholders	–	–	–	–	–	122
Net changes in items other than those in shareholders' equity	24,925	(8,744)	5,129	21,310	2,043	23,353
Total changes during the year	24,925	(8,744)	5,129	21,310	2,043	549,398
Balance at March 31, 2018	**$40,277**	**$(39,006)**	**$(50,650)**	**$(49,379)**	**$7,869**	**$2,794,004**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED MARCH 31, 2017 AND 2018

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2017	**2018**	**2018**
Cash Flows from Operating Activities:			
Income before income taxes	¥ 78,256	**¥101,021**	**$ 950,875**
Depreciation	3,453	**3,726**	**35,072**
Impairment loss on fixed assets	11,778	**197**	**1,854**
Provision for loss on litigation	–	**2,705**	**25,461**
Amortization of goodwill	2,832	**663**	**6,241**
(Reversal of) provision of allowance for doubtful accounts	(15)	**2**	**19**
Interest and dividend income	(1,182)	**(739)**	**(6,956)**
Interest expense	1,401	**1,101**	**10,363**
Equity in earnings of affiliates	(77)	**(30)**	**(282)**
Gain on disposal or sale of property and equipment, net	(1,105)	**(3,421)**	**(32,201)**
Valuation loss on inventories	158	**102**	**960**
Changes in operating assets and liabilities			
Notes and accounts receivable	13,007	**7,063**	**66,482**
Costs on uncompleted construction contracts	645	**132**	**1,242**
Inventories	4,375	**(35,576)**	**(334,864)**
Notes, accounts payable and accrued expenses	(14,281)	**15,867**	**149,351**
Advances received on uncompleted construction contracts	11,978	**(1,335)**	**(12,566)**
Deposits	14,493	**(10,899)**	**(102,588)**
Other	(1,517)	**2,198**	**20,688**
Subtotal	124,199	**82,777**	**779,151**
Interest and dividends received	1,232	**997**	**9,384**
Interest paid	(1,191)	**(1,065)**	**(10,024)**
Income taxes paid	(14,704)	**(26,193)**	**(246,546)**
Net Cash Provided by Operating Activities	109,536	**56,516**	**531,965**
Cash Flows from Investing Activities:			
Payment for purchase of securities	(6,772)	**(7,560)**	**(71,160)**
Proceeds from redemption of securities	4,086	**6,311**	**59,403**
Purchases of property and equipment and intangible assets	(24,146)	**(28,581)**	**(269,023)**
Proceeds from sales of property and equipment and intangible assets	8,447	**15,578**	**146,630**
Payment for purchase of investment securities	(135)	**(1,297)**	**(12,208)**
Proceeds from sale of investment securities	1,543	**4**	**38**
Payment for acquisition of subsidiaries' shares resulting in change in the scope of consolidation	(2,370)	**–**	**–**
Payment for loans receivable	(2,134)	**(3,123)**	**(29,396)**
Collection of loans receivable	2,749	**3,056**	**28,765**
Payment for lease deposits	(1,493)	**(1,570)**	**(14,778)**
Refund of lease deposits	1,166	**669**	**6,297**
Other	(765)	**162**	**1,526**
Net Cash Used in Investing Activities	(19,824)	**(16,351)**	**(153,906)**
Cash Flows from Financing Activities:			
Decrease in short-term borrowings, net	10,000	**–**	**–**
Increase in long-term debt	18,728	**14,057**	**132,314**
Repayment of long-term debt	(62,715)	**(30,533)**	**(287,396)**
Purchase of treasury stock	(4)	**(4,506)**	**(42,413)**
Incidental expenses for loan	(824)	**(694)**	**(6,532)**
Cash dividends paid	(4,509)	**(12,024)**	**(113,178)**
Cash dividends paid to non-controlling shareholders	(6)	**(6)**	**(56)**
Repayment of lease obligations	(882)	**(1,039)**	**(9,780)**
Other	(1)	**2**	**17**
Net Cash Used in Financing Activities	(40,213)	**(34,743)**	**(327,024)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(158)	**(167)**	**(1,572)**
Net Increase (Decrease) in Cash and Cash Equivalents	49,341	**5,255**	**49,463**
Cash and Cash Equivalents at Beginning of the Year	152,115	**201,456**	**1,896,235**
Increase in Cash and Cash Equivalents Resulting from Merger of Unconsolidated Subsidiaries	–	**155**	**1,459**
Cash and Cash Equivalents at End of the Year (Note 15)	¥201,456	**¥206,866**	**$1,947,157**

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Haseko Corporation and Consolidated Subsidiaries
For the years ended March 31, 2017 and 2018

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, 2018, the numbers of consolidated subsidiaries and affiliates accounted for by the equity method were 63 and 1 (60 and 1 in 2017), respectively. Investments in subsidiaries and affiliates which are not consolidated or accounted for by the equity method are carried at cost or less.

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

The fiscal year of the three silent partnerships operated by RS1 LLC, JMC1, LLC, and JMC2, LLC, respectively, ends on February 28, and they are included in the consolidation as of that date. The necessary adjustments for significant transactions that occur during the period from March 1 to March 31 are made in the preparation of the consolidated financial statements.

(2) Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank deposits that may be withdrawn on demand and time deposits that can be easily withdrawn and bear no risk of value fluctuation.

(3) Marketable securities and Investment securities

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

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

(4) Inventories

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

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

(5) Property and equipment

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

(6) Intangible assets

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

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

(7) Leases

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

(8) Allowance for doubtful accounts

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

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

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

(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, 2018 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, 2018 have been recorded.

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

Prior service costs are amortized by the straight-line method over the average remaining service period of the employees (13-16 years) at the time of occurrence.

Actuarial differences are amortized from the next year in which the difference arises by the straight-line method over the average remaining service period of the employees (5-22 years).

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

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

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

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

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

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

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

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

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

(24) Accounting standard issued but not yet effective
- Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, issued on March 30, 2018)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, issued on March 30, 2018)

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

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

(2) Planned date of application
The application date of the standard is currently under review.

(3) Impact of the application of the accounting standard, etc.
The amount of the impact is under review as of the date of preparing the consolidated financial statements.

3. Supplemental Information
(Changes in presentation)
(Notes to consolidated statement of cash flows)
Loss on sale of investment securities in "Cash flows from operating activities," which had been presented separately for the previous fiscal year, has been included in "Other" for the current fiscal year due to a decrease in its quantitative materiality. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been restated.

As a result, the ¥(102) million presented as "Loss on sale of investment securities" in "Cash flows from operating activities" of the consolidated statement of cash flows for the previous fiscal year has been reclassified as ¥(1,518) million in "Other."

(Additional information)
The Company's 100th Ordinary General Meeting of Shareholders held on June 29, 2017 resolved the adoption of the Board Benefit Trust (the "BBT Scheme"), a new performance-based stock compensation 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").

Moreover, the Company resolved at a meeting of its Board of Directors held on May 12, 2017 to adopt 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 designed to further clarify the linkage between remuneration for Group Officers and the Company's performance as well as its stock value, and to allow Group Officers to not only enjoy the advantages of higher stock prices but also share the risk of a drop in the share price with the shareholders. By doing so, the BBT Scheme intends for Group Officers to have a stronger mindset for contributing to the Company's better performance and increased corporate value over the medium to long term.

The BBT Scheme is a scheme in which the Company's shares and the amount of money equivalent to the market price of the Company's shares 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) Residual shares of the Company held by the BBT Trust
The residual shares of the Company held by the BBT Trust were appropriated as treasury stock in net assets at their book value recorded by the Trust (excluding the amount of the ancillary expenses). The book value of the said treasury stock was ¥796 million at the end of the current fiscal year, with the number of shares standing at 592,100 shares.

2. ESOP Scheme
(1) Outline of the transaction
The ESOP Scheme is designed to further reinforce the linkage between the treatment of Group Key Employees and the Company's performance as well as its stock value, so that they will share the economic effects with the shareholders. By doing so, the ESOP Scheme intends for Group Key Employees to become more willing and motivated to work for a higher stock price and better performance of the Haseko Group.

The ESOP Scheme is a scheme in which the Company's shares and the amount of money equivalent to the market price of the Company's shares 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) Residual shares of the Company held by the ESOP Trust
The residual shares of the Company held by the ESOP Trust were appropriated as treasury stock in net assets at their book value recorded by the Trust (excluding the amount of the ancillary expenses). The book value of the said treasury stock was ¥3,693 million at the end of the current fiscal year, with the number of shares standing at 2,649,900 shares.

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

	Millions of yen		*Thousands of U.S. dollars*
	2017	**2018**	**2018**
Notes receivable	¥–	**¥ 30**	**$ 282**
Notes payable	–	**501**	**4,716**
Electronically recorded obligations	–	**1,820**	**17,131**

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, 2018, which was ¥106.24=U.S.$1. The above translation should not be construed as a representation that yen have been, could have been, or could in the future be converted into U.S. dollars at the above or any other rate.

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

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

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

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

(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 16. Derivative Transactions are not necessarily indicative of the actual market risk involved in derivative transactions.

Fair values of financial instruments

The carrying value of financial instruments on the consolidated balance sheets as of March 31, 2017 and 2018, and estimated fair value ware shown in the following tables. The following tables do not include financial instruments for which it is extremely difficult to determine the fair value (Please refer to Note 2 below).

	Millions of yen		
	2017		
	Carrying value	Fair value	Difference
Cash and bank deposits	¥201,269	¥201,269	¥ –
Notes and account receivable, trade	117,607	117,755	148
Securities	3,854	3,854	–
Investment securities	8,851	8,862	11
Long-term loans receivable	2,844		
Allowance for doubtful accounts	(25)		
Sub-total	2,819	2,982	163
Total	¥334,400	¥334,722	¥322
Notes and accounts payable	81,405	81,404	(1)
Electronically recorded obligations	39,598	39,598	–
Short-term borrowings	10,000	10,000	–
Current portion of long-term debt	25,771	25,805	34
Income taxes payable	16,755	16,755	–
Straight bonds	20,000	20,086	86
Long-term debt	77,493	77,425	(68)
Lease obligations	8,587	8,639	52
Total	¥279,609	¥279,712	¥103
Derivatives	¥ –	¥ –	¥ –

	Millions of yen		
	2018		
	Carrying value	Fair value	Difference
Cash and bank deposits	**¥208,055**	**¥208,055**	**¥ –**
Notes and account receivable, trade	**110,613**	**110,717**	**104**
Securities	**3,840**	**3,840**	**–**
Investment securities	**13,448**	**13,456**	**8**
Long-term loans receivable	**2,822**		
Allowance for doubtful accounts	**(24)**		
Sub-total	**2,798**	**2,954**	**156**
Total	**¥338,754**	**¥339,021**	**¥267**
Notes and accounts payable	**86,658**	**86,657**	**(1)**
Electronically recorded obligations	**49,343**	**49,343**	**–**
Short-term borrowings	**10,000**	**10,000**	**–**
Current portion of long-term debt	**26,471**	**26,487**	**16**
Income taxes payable	**20,605**	**20,605**	**–**
Straight bonds	**20,000**	**20,038**	**38**
Long-term debt	**60,194**	**60,577**	**383**
Lease obligations	**8,777**	**8,851**	**74**
Total	**¥282,048**	**¥282,558**	**¥510**
Derivatives	**¥ –**	**¥ –**	**¥ –**

	Thousands of U.S. dollars		
	2018		
	Carrying value	Fair value	Difference
Cash and bank deposits	**$1,958,349**	**$1,958,349**	**$ –**
Notes and account receivable, trade	**1,041,162**	**1,042,140**	**978**
Securities	**36,145**	**36,145**	**–**
Investment securities	**126,580**	**126,657**	**77**
Long-term loans receivable	**26,563**		
Allowance for doubtful accounts	**(226)**		
Sub-total	**26,337**	**27,805**	**1,468**
Total	**$3,188,573**	**$3,191,096**	**$2,523**
Notes and accounts payable	**815,681**	**815,672**	**(9)**
Electronically recorded obligations	**464,448**	**464,448**	**–**
Short-term borrowings	**94,127**	**94,127**	**–**
Current portion of long-term debt	**249,162**	**249,313**	**151**
Income taxes payable	**193,948**	**193,948**	**–**
Straight bonds	**188,253**	**188,611**	**358**
Long-term debt	**566,585**	**570,190**	**3,605**
Lease obligations	**82,615**	**83,310**	**695**
Total	**$2,654,819**	**$2,659,619**	**$4,800**
Derivatives	**$ –**	**$ –**	**$ –**

Notes:

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

Cash and bank deposits

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

Notes and accounts receivable, trade

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

Securities

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

Investment securities

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

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

Long-term loans receivable

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

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

Notes and accounts payable, Electronically recorded obligations

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

Short-term borrowings and income taxes payable

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

Straight bonds

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

Long-term debt including current portion

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

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

Lease obligations

Fair value of lease obligations is calculated based on the present value of, the total amount of principal and interest on the lease obligations discounted by the interest rates to be applied if similar new lease transactions were entered into.

Derivatives

Please refer to Note 16. Derivative Transactions.

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

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Equity securities of affiliates	¥3,851	**¥3,605**	**$33,933**
Unlisted securities	820	**1,099**	**10,345**
Preferred subscription certificates	0	**0**	**0**
Others	2	**2**	**19**

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

3) Redemption schedule for monetary receivables and securities with maturity dates at March 31, 2017 and 2018

	Millions of yen				
	2017				
	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	¥201,269	¥ –	¥ –	¥ –	¥201,269
Notes and accounts receivable, trade	107,762	9,150	695	–	117,607
Securities:					
Negotiable certificate of deposits	3,854				3,854
Investment securities:					
Other securities with maturity dates					
Japanese government bonds, etc.	148	329	–	–	477
Long-term loans receivable	732	698	1,231	183	2,844
Total	¥313,765	¥10,177	¥1,926	¥183	¥326,051

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

	Thousands of U.S. dollars				
	2018				
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years	Total
Cash and bank deposits	**$1,958,349**	**$ –**	**$ –**	**$ –**	**$1,958,349**
Notes and accounts receivable, trade	**968,534**	**72,628**	**–**	**–**	**1,041,162**
Securities:					
Negotiable certificate of deposits	**36,145**	**–**	**–**	**–**	**36,145**
Investment securities:					
Other securities with maturity dates					
Japanese government bonds, etc.	**207**	**2,890**	**–**	**–**	**3,097**
Long-term loans receivable	**7,492**	**6,307**	**10,448**	**2,316**	**26,563**
Total	**$2,970,727**	**$81,825**	**$10,448**	**$2,316**	**$3,065,316**

4) Repayment schedule for short-term borrowings, straight bonds, long-term debt, and lease obligations at March 31, 2017 and 2018

	Millions of yen				*Millions of yen*			
	2017				**2018**			
	Short-term borrowings	Straight bonds	Long-term debt	Lease obligations	Short-term borrowings	Straight bonds	Long-term debt	Lease obligations
Due within 1 year	¥10,000	¥ –	¥25,771	¥ 928	**¥10,000**	**¥ –**	**¥26,471**	**¥ 963**
Due after 1 year through 2 years	–	–	27,176	860	**–**	**10,000**	**17,551**	**910**
Due after 2 years through 3 years	–	10,000	17,674	796	**–**	**10,000**	**4,171**	**834**
Due after 3 years through 4 years	–	10,000	4,171	725	**–**	**–**	**5,971**	**770**
Due after 4 years through 5 years	–	–	5,971	662	**–**	**–**	**22,501**	**767**
Due after 5 years	–	–	22,501	4,616	**–**	**–**	**10,000**	**4,533**

	Thousands of U.S. dollars			
	2018			
	Short-term borrowings	Straight bonds	Long-term debt	Lease obligations
Due within 1 year	**$94,127**	**$ –**	**$249,162**	**$ 9,064**
Due after 1 year through 2 years	**–**	**94,127**	**165,201**	**8,566**
Due after 2 years through 3 years	**–**	**94,126**	**39,260**	**7,850**
Due after 3 years through 4 years	**–**	**–**	**56,203**	**7,248**
Due after 4 years through 5 years	**–**	**–**	**211,794**	**7,220**
Due after 5 years	**–**	**–**	**94,127**	**42,667**

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

	Millions of yen		*Thousands of U.S. dollars*
	2017	**2018**	**2018**
Investment securities	¥2,555	**¥2,309**	**$21,734**
Other securities	1,296	**1,296**	**12,199**

6. Marketable Securities and Investment Securities

(1) Marketable securities classified as held-to-maturity debt securities as of March 31, 2017 and 2018 consisted of the following:

	Millions of yen					
	2017			**2018**		
	Carrying value	Fair Vale	Unrealized gain (loss)	Carrying value	Fair Vale	Unrealized gain (loss)
(Securities whose fair value exceeds their carrying value)						
Equity securities	¥ –	¥ –	¥ –	**¥ –**	**¥ –**	**¥–**
Japanese government bonds	417	429	12	**322**	**329**	**7**
Sub-total	¥417	¥429	¥12	**¥322**	**¥329**	**¥7**
(Securities whose fair value does not exceed their carrying value)						
Equity securities	¥ –	¥ –	¥ –	**¥ –**	**¥ –**	**¥–**
Japanese government bonds	–	–	–	**–**	**–**	**–**
Sub-total	¥ –	¥ –	¥ –	**¥ –**	**¥ –**	**¥–**
Total	¥417	¥429	¥12	**¥322**	**¥329**	**¥7**

	Thousands of U.S. dollars		
	2018		
	Carrying value	Fair Vale	Unrealized gain (loss)
(Securities whose fair value exceeds their carrying value)			
Equity securities	**$ –**	**$ –**	**$ –**
Japanese government bonds	**3,031**	**3,097**	**66**
Sub-total	**$3,031**	**$3,097**	**$66**
(Securities whose fair value does not exceed their carrying value)			
Equity securities	**$ –**	**$ –**	**$ –**
Japanese government bonds	**–**	**–**	**–**
Sub-total	**$ –**	**$ –**	**$ –**
Total	**$3,031**	**$3,097**	**$66**

(2) Other securities whose fair value is available as of March 31, 2017 and 2018 consisted of the following:

	Millions of yen					
	2017			**2018**		
	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
(Securities whose carrying value exceeds their acquisition cost)						
Equity securities	¥8,294	¥6,258	¥2,036	**¥12,056**	**¥6,258**	**¥5,798**
Japanese government bonds	50	50	0	**–**	**–**	**–**
Sub-total	¥8,344	¥6,308	¥2,036	**¥12,056**	**¥6,258**	**¥5,798**
(Securities whose carrying value does not exceeds their acquisition cost)						
Equity securities	¥ 90	¥ 124	¥ (34)	**¥ 1,070**	**¥1,127**	**¥ (57)**
Japanese government bonds	–	–	–	**–**	**–**	**–**
Sub-total	¥ 90	¥ 124	¥ (34)	**¥ 1,070**	**¥1,127**	**¥ (57)**
Total	¥8,434	¥6,432	¥2,002	**¥13,126**	**¥7,385**	**¥5,741**

	Thousands of U.S. dollars		
	2018		
	Carrying value	Acquisition cost	Unrealized gain (loss)
(Securities whose carrying value exceeds their acquisition cost)			
Equity securities	**$113,479**	**$58,904**	**$54,575**
Japanese government bonds	**–**	**–**	**–**
Sub-total	**$113,479**	**$58,904**	**$54,575**
(Securities whose carrying value does not exceeds their acquisition cost)			
Equity securities	**$ 10,071**	**$10,608**	**$ (537)**
Japanese government bonds	**–**	**–**	**–**
Sub-total	**$ 10,071**	**$10,608**	**$ (537)**
Total	**$123,550**	**$69,512**	**$54,038**

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

	Millions of yen	Thousands of U.S. dollars
	2018	**2018**
Equity securities:		
Proceeds from sales	**¥4**	**$38**
Gain on sales	**4**	**38**
Loss on sales	**–**	**–**

Note: There were no sales transactions of other securities for the year ended March 31, 2017.

7. Inventories

Inventories as of March 31, 2017 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Real estate for sale	¥ 51,684	**¥ 71,651**	**$674,426**
Costs and advances for real estate operations	53,188	**67,700**	**637,236**
Real estate for development projects	24,031	**23,395**	**220,209**
	¥128,903	**¥162,746**	**$1,531,871**

8. Property and Equipment and Intangible Assets

(1) Property and equipment as of March 31, 2017 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Buildings and structures	¥ 49,390	**¥ 62,687**	**$ 590,051**
Machinery, vehicles, equipment and furniture	6,117	**7,416**	**69,804**
Land	64,988	**64,664**	**608,659**
Leased assets	9,328	**10,169**	**95,717**
Construction in progress	3,874	**4,945**	**46,546**
Sub-total	133,697	**149,881**	**1,410,777**
Accumulated depreciation	(23,305)	**(24,756)**	**(233,019)**
	¥110,392	**¥125,125**	**$1,177,758**

(2) Intangible assets as of March 31, 2017 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Land leasehold rights	¥1,872	**¥1,871**	**$17,611**
Goodwill	4,209	**3,545**	**33,368**
Other	1,250	**1,799**	**16,933**
	¥7,331	**¥7,215**	**$67,912**

(3) Net gain (loss) on disposal or sales of property and equipment and intangible assets for the years ended March 31, 2017 and 2018 consisted of the following:

	Millions of yen		*Thousands of U.S. dollars*
	2017	**2018**	**2018**
Buildings and structures	¥ 429	**¥411**	**$3,869**
Machinery, vehicles, equipment and furniture	46	**(9)**	**(85)**
Land	636	**3,022**	**28,445**
Leased assets	(3)	**(3)**	**(28)**
Other	(3)	**–**	**–**
	¥1,105	**¥3,421**	**$32,201**

(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, 2017 and 2018:

2017

Use	Type	Location	No.of Cases
Real estate for construction-related business	Land and buildings	Minato-ku, Tokyo, etc.	2
Real estate for service-related business	Land and buildings	Chuo-ku, Osaka, etc.	22
Asset for service-related business	Leased assets	Inuyama-shi Aichi, etc.	16
Asset for service-related business	Goodwill	–	2

2018

Use	Type	Location	No.of Cases
Real estate for service-related business	Land and buildings	Urawa-ku, Saitama, etc.	**8**
Asset for service - related business	Equipment and furniture	Tsuzuki-ku, Yokohama, etc.	**4**

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

(2017)

The planned dispositions, a decrease in excess earning power from what was assumed upon acquiring their shares, changes of use, lowered economic performance and other factors in the year ended March 31, 2017 triggered the recognition of impairment, and the carrying values of the those assets have been written down to their recoverable amounts, resulting in the impairment losses on fixed assets of ¥11,778 million for the year ended March 31, 2017, which was presented as “Special Losses.” on the consolidated statement of income.

(2018)

The lowered economic performance and the planned retirements in the year ended March 31, 2018 triggered the recognition of impairment, and the carrying values of the those assets have been written down to their recoverable amounts, resulting in the impairment losses on fixed assets of ¥197 million ($1,854 thousand) for the year ended March 31, 2018, which was 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*
	2017	**2018**	**2018**
Buildings and structures	¥ 412	**¥156**	**$1,468**
Equipment and furniture	27	**33**	**311**
Land	8,353	**5**	**47**
Land leasehold rights	–	**–**	**–**
Leased assets	50	**2**	**19**
Goodwill	2,935	**–**	**–**
Intangible assets	1	**1**	**9**
	¥11,778	**¥197**	**$1,854**

(2017)

The recoverable amount was the higher of the net selling price or value in use. The net selling price for real estate is the comparison approach value for other assets. Value in use is the sum of the net future cash flows discounted at a rate of 5.0%. The net selling price for goodwill is the appraisal value less the cost of disposal.

(2018)

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

(5) Rental Properties

The Company and some of its consolidated subsidiaries own residential properties for lease, office buildings for lease (including land), commercial facilities for lease, etc. mainly in the Tokyo metropolitan area and the Kinki area. Income/expenses of the leasing business related to the rental properties for the years ended March 31, 2017 and 2018 were ¥2,013 million and ¥2,224 million ($20,934 thousand) and gain on sales (recorded as “Special Income”) were ¥1,040 million and ¥3,527 million ($33,198 thousand), respectively. For the year ended March 2017, ¥243 million in impairment loss was recorded as special losses.

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

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

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Book value:			
Balance at the beginning of the year	¥56,218	**¥65,344**	**$615,060**
Increase/decrease	9,126	**1,467**	**13,809**
Balance at the end of the year	65,344	**66,811**	**628,869**
Fair value	¥70,606	**¥72,244**	**$680,008**

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 2017, the amount of increase was primarily attributable to acquisition of real estate (¥12,116 million) and transfer to rental properties through changes of holding purposes (¥3,494 million), and the amount of decrease was primarily attributable to sale of real estate (¥4,591 million) and depreciation (¥582 million).

Of the amount of increase (decrease) for the year ended March 2018, the amount of increase was primarily attributable to acquisition of real estate (¥14,216 million, $133,810 thousand), the amount of decrease was primarily attributable to sale of real estate (¥12,039 million, $113,319 thousand) and depreciation (¥564 million, $5,309 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, and Lease Obligations

(1) The following is a summary of the interest bearing debt as of March 31, 2017 and 2018:

	Average interest rate	Millions of yen		Thousands of U.S. dollars
		2017	**2018**	**2018**
Short-term borrowings	0.37%	¥10,000	**¥ 10,000**	**$ 94,127**
Current portion of long-term debt	0.65%	25,771	**26,471**	**249,162**
Current portion of lease obligations	2.68%	928	**962**	**9,055**
Straight bond due Nov. 5, 2019	0.44%	10,000	**10,000**	**94,127**
Straight bond due Jul. 22, 2020	0.41%	10,000	**10,000**	**94,126**
Long-term debt due from 2018 to 2023	0.89%	77,493	**60,194**	**566,585**
Lease obligations due from 2018 to 2027	2.74%	7,659	**7,814**	**73,550**
Total		¥141,851	**¥125,441**	**$1,180,732**

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

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

(2) The annual maturities of straight bonds, long-term debt and lease obligations (excluding the current portion) as of March 31, 2018 were as follows:

	Millions of yen				Thousands of U.S. dollars
Year ending March, 31	Straight bonds	Long-term debt	Lease obligations	Total	Total
2020	**¥10,000**	**¥17,551**	**¥910**	**¥28,461**	**$267,893**
2021	**10,000**	**4,171**	**834**	**15,005**	**141,237**
2022	**–**	**5,971**	**770**	**6,741**	**63,451**
2023	**–**	**22,501**	**767**	**23,268**	**219,014**
2024 and thereafter	**–**	**10,000**	**4,533**	**14,533**	**136,794**
Total	**¥20,000**	**¥60,194**	**¥7,814**	**¥88,008**	**$828,389**

(3) The Company has committed lines of credit available for immediate and stable borrowings with certain five financial institutions as of March 31, 2017 and 2018. The lines of credit and unused lines of credit as of March 31, 2017 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Line of credit	¥63,000	**¥63,000**	**$592,997**
Amount utilized	–	**–**	**–**
Unused line of credit	¥63,000	**¥63,000**	**$592,997**

(4) One consolidated subsidiary has concluded an overdraft agreement with a financial institution in order to secure stable and flexible procurement of operating funds. The balance of the unexecuted portion as of March 31, 2017 and 2018 based on this agreement were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Overdraft limit	¥1,300	**¥1,300**	**$12,236**
Amount utilized	–	**–**	**–**
Amount unused	¥1,300	**¥1,300**	**$12,236**

10. Collateral

(1) Assets provided as collateral as of March 31, 2017 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Cash and bank deposits	¥ 4,050	**¥552**	**$5,196**
Securities	350	**–**	**–**
Real estate for development projects	24,032	**–**	**–**
Other current assets	76	**–**	**–**
Buildings and structures	528	**–**	**–**
Machinery, vehicles, equipment and furniture	17	**–**	**–**
Land	1,845	**–**	**–**
Intangible assets	1	**–**	**–**
Investment securities	18	**–**	**–**
	¥30,917	**¥552**	**$5,196**

Secured liabilities as of March 31, 2017 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Notes and accounts payable	¥ –	¥350	$3,294
Long-term debt	706	–	–
Guaranteed obligation	409	354	3,333
	¥1,115	¥704	$6,627

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

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Notes and accounts receivable, trade	¥4,147	¥3,457	$32,540
Buildings and structures	65	61	574
Other current assets	31	26	244
	¥4,243	¥3,544	$33,358

Secured liabilities as of March 31, 2017 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Current portion of long-term debt	¥ 636	¥ 636	$ 5,986
Long-term debt	3,178	2,543	23,937
	¥3,814	¥3,179	$29,923

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

(2017)
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.

(2018)
Shares of HC Katsushimacho Jutaku Inc. (¥9 million, $85 thousand) owned by Haseko Corporation and Haseko Community Inc.
Loans receivable (¥157 million, $1,478 thousand) lent by Haseko Corporation to HC Katsushimacho Jutaku Inc.

11. Contingent Liabilities

The Company was contingently liable for guarantees on bank loans and other guarantees as of March 31, 2017 and 2018 as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Customers using housing loans and other loans to purchase real estate	¥55,228	¥57,577	$541,952

12. Lease Transactions

(1) Finance lease transactions

(a) Details of leased assets

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

(b) Depreciation method of leased assets

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

(2) Operating lease transactions

(As lessee)

Outstanding future minimum lease payments under noncancelable operating leases as of March 31, 2017 and 2018 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Within one year	¥ 2,480	¥ 1,931	$ 18,176
Over one year	10,423	13,294	125,132
Total	¥12,903	¥15,225	$143,308

(As lessor)

Outstanding future minimum lease income under noncancelable operating leases as of March 31, 2017 and 2018 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Within one year	¥ 652	¥ 652	$ 6,137
Over one year	5,876	11,313	106,485
Total	¥6,528	¥11,965	$112,622

13. Supplementary Profit and Loss Information

(1) Sales from construction contracts calculated according to the percentage-of-completion method were ¥428,494 million and ¥470,280 million ($4,426,581 thousand) for the years ended March 31, 2017 and 2018, respectively.

(2) Allowance for losses on construction contracts included in cost of sales for the years ended March 31, 2017 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Construction contracts	¥13	**¥20**	**$188**
Design and supervision	6	**13**	**122**

(3) Valuation losses on inventories included in cost of sales for the years ended March 31, 2017 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Real estate	¥158	**¥102**	**$960**

(4) Selling, general and administrative expenses for the years ended March 31, 2017 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Salaries and allowances	¥21,361	**¥21,389**	**$201,327**
Provision for bonuses for employees	1,717	**3,347**	**31,504**
Provision for bonuses for directors	120	**190**	**1,788**
Provision for employee stock ownership plan	265	**313**	**2,946**
Provision for board benefit trust	78	**91**	**857**
Retirement benefit expenses	762	**651**	**6,128**
Rent	2,908	**3,234**	**30,441**
Depreciation	936	**941**	**8,857**
Amortization	2,832	**663**	**6,241**
Other	22,863	**25,621**	**241,161**
Total	¥53,842	**¥56,440**	**$531,250**

(5) Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2017 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Research and development costs	¥1,172	**¥1,343**	**$12,641**

14. Net Assets

(1) Shares issued and treasury stock

Changes in number of shares issued and treasury stock for the year ended March 31, 2017 were as follows:

	Number of shares			
	2016	Increase	Decrease	2017
Shares issued:				
Common stock	300,794,397	–	–	300,794,397
Treasury stock:				
Common stock (Notes 1 and 2)	188,240	3,886	180	191,946

Notes:
1) Increase in treasury stock (common stock) due to the request by shareholders for purchase of shares less than one standard unit.
2) Decrease in treasury stock due to the request by shareholders for sale of shares less than one standard unit.

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

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

Notes:
1) The number of treasury stock at the beginning of the current fiscal year does not include the Company's shares owned by the Board Benefit Trust (BBT) and the Stock-Granting ESOP held as their trust assets. However, the number of treasury stock at the end of the current fiscal year includes 3,242,000 shares of the Company's shares held by the BBT and the Stock-Granting ESOP as their trust assets.
2) The increase of 3,247,706 shares in the number of treasury stock of the Company's common stock comprises 3,242,000 shares held by the BBT and the Stock-Granting ESOP as their trust assets and 5,706 shares purchased by the Company through request for purchase of shares less than one standard unit.
3) Decrease in treasury stock due to the request by shareholders for sale of shares less than one standard unit.

(2) Dividends

(a) Dividends paid
In the year ended March 31, 2017

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 24, 2016	Common stock	¥4,509	¥15.00	March 31, 2016	June 27, 2016

In the year ended March 31, 2018

Resolution	Type of shares	Total amount of dividend		Dividend per share		Record date	Effective date
		(Millions of yen)	*(Thousands of U.S. dollars)*	*(Yen)*	*(U.S. dollars)*		
Annual meeting of shareholders on June 29, 2017	Common stock	**¥9,018**	**$84,883**	**¥30.00**	**$0.28**	March 31, 2017	June 30, 2017
Board of Directors on November 10, 2017 (Note)	Common stock	**¥3,006**	**$28,294**	**¥10.00**	**$0.09**	September 30, 2017	December 6, 2017

Note: The total amount of dividends includes ¥32 million ($301 thousand) as dividends to the Company's shares held by the BBT and the Stock-Granting ESOP as their trust assets.

(b) Dividends with the cut-off date in the year ended March 31, 2018 and the effective date in the year ending March 31, 2019

Resolution	Type of shares	Total amount of dividend		Dividend per share		Record date	Effective date
		(Millions of yen)	*(Thousands of U.S. dollars)*	*(Yen)*	*(U.S. dollars)*		
Annual meeting of shareholders on June 28, 2018 (Note)	Common stock	**¥12,024**	**$113,178**	**¥40.00**	**$0.38**	March 31, 2018	June 29, 2018

Note: The total amount of dividends includes ¥130 million ($1,224 thousand) as dividends to the Company's shares held by the BBT and the Stock-Granting ESOP as their trust assets.

15. Cash and Cash Equivalents

(1) A reconciliation between cash and cash equivalents on the consolidated statements of cash flows and the cash and bank deposits on the consolidated balance sheets as of March 31, 2017 and 2018 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2017	**2018**	**2018**
Cash and bank deposits	¥201,269	**¥208,055**	**$1,958,349**
Time deposits pledged as collateral	(202)	**(552)**	**(5,196)**
Saving accounts for insurance agency	(449)	**(537)**	**(5,055)**
Negotiable certificates of deposit, which were included in Securities	1,168	**–**	**–**
Restricted deposit	(330)	**(100)**	**(941)**
Cash and cash equivalents	¥201,456	**¥206,866**	**$1,947,157**

(2) Newly recognized assets and liabilities relating to finance lease transactions, which are considered significant non-cash transactions, as of March 31, 2017 and 2018 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2017	**2018**	**2018**
Assets	¥1,966	**¥1,314**	**$12,368**
Liabilities	2,084	**1,234**	**11,615**

16. Derivative Transactions

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

			As of March 31, 2017		
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	¥42,690	¥34,575	(Note)

			As of March 31, 2018		
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	**¥54,225**	**¥51,010**	(Note)
			(Thousands of U.S. dollars)		
			$510,401	**$480,139**	

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

There were no derivative transactions for which hedge accounting was not applied as of March 31, 2017 and 2018.

17. Retirement Benefit Plans

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

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

Furthermore, Osaka Architect Pension Fund, in which one of the Company's consolidated subsidiaries had participated, dissolved with permission of the Minister of Health, Labour and Welfare on May 31, 2017. In accordance with this, the relevant consolidated subsidiary was transferred to Osaka Architect Corporate Pension Fund, the successor fund newly established on June 1, 2017. No additional expense has been incurred as a result of the dissolution of Osaka Architect Pension Fund.

(1) The changes in the retirement benefit obligation during the years ended March 31, 2017 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Balance at the beginning of the year	¥49,713	**¥50,710**	**$477,316**
Service cost	2,765	**2,747**	**25,857**
Interest cost	96	**98**	**922**
Actuarial gain or loss	405	**263**	**2,476**
Retirement benefit paid	(2,295)	**(2,293)**	**(21,584)**
Other	26	**–**	**–**
Balance at the end of the year	¥50,710	**¥51,525**	**$484,987**

(2) The changes in plan assets during the years ended March 31, 2017 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Balance at the beginning of the year	¥46,142	**¥53,859**	**$506,956**
Expected return on plan assets	1,122	**1,313**	**12,359**
Actuarial gain or loss	168	**673**	**6,335**
Contributions by the Company	8,092	**6,030**	**56,758**
Retirement benefits paid	(2,228)	**(2,138)**	**(20,124)**
Other	563	**573**	**5,393**
Balance at the end of the year	¥53,859	**¥60,310**	**$567,677**

(3) The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2017 and 2018.

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Funded retirement benefit obligation	¥ 49,991	**¥ 50,715**	**$ 477,363**
Plan assets at fair value	(53,859)	**(60,310)**	**(567,677)**
	(3,868)	**(9,595)**	**(90,314)**
Unfunded retirement benefit obligation	720	**810**	**7,624**
Net liability for retirement benefits in the balance sheets	(3,148)	**(8,785)**	**(82,690)**
Liability for retirement benefits	1,016	**921**	**8,669**
Asset for retirement benefits	(4,164)	**(9,706)**	**(91,359)**
Net liability for retirement benefits in the balance sheets	¥ (3,148)	**¥ (8,785)**	**$ (82,690)**

(4) The components of retirement benefit expense for the years ended March 31, 2017 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Service cost	¥ 2,377	**¥2,343**	**$ 22,054**
Interest cost	96	**98**	**922**
Expected return on plan assets	(1,122)	**(1,313)**	**(12,359)**
Amortization of actuarial loss	804	**811**	**7,634**
Amortization of prior service cost	(441)	**(441)**	**(4,151)**
Retirement benefit expense	¥ 1,714	**¥1,498**	**$ 14,100**

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, 2017 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Actuarial loss	¥(441)	**¥ (441)**	**$(4,151)**
Prior service cost	566	**1,221**	**11,493**
Total	¥125	**¥ 780**	**$ 7,342**

(6) The components of retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2017 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Unrecognized prior service cost	¥(1,339)	**¥ (897)**	**$(8,443)**
Unrecognized actuarial loss	9,882	**8,660**	**81,514**
Total	¥ 8,543	**¥7,763**	**$73,071**

(7) The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2017 and 2018 were as follows:

	2017	**2018**
Bonds	47%	**50%**
Stocks	25%	**24%**
Alternative investments (Note)	17%	**16%**
Life insurance general accounts, etc.	11%	**10%**
Total	100%	**100%**

Note: Alternative investments are mainly investments in hedge funds.

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

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

	2017	**2018**
Discount rates	0.2% - 0.4%	**0.2% - 0.4%**
Expected rates of return on plan assets	2.5%	**2.5%**

(9) Defined Contribution Plan

The required contributions to the defined contribution plans of consolidated subsidiaries for the years ended March 31, 2017 and 2018 were ¥18 million and ¥14 million ($133 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, 2017 and 2018 were ¥41 million and ¥16 million ($147 thousand), respectively. Furthermore, Osaka Architect Pension Fund, in which one of the Company’s consolidated subsidiaries had participated, dissolved with permission of the Minister of Health, Labour and Welfare on May 31, 2017. In accordance with this, the relevant consolidated subsidiary was transferred to Osaka Architect Corporate Pension Fund, the successor fund newly established on June 1, 2017. Since the new fund has not completed its first annual financial closing, no description is given in this report as to (1) the latest deposit status under the multi-employer pension fund system, (2) the percentage attributable to the Haseko Group in the annuity consideration under the multi-employer pension fund system, and (3) supplementary explanation.

No additional expense has been incurred as a result of the dissolution of Osaka Architect Pension Fund.

The most recent funded status was as follows:

	Millions of yen	
	2016	2017
Pension assets	¥48,820	¥–
Total of the amount of actuarial obligations under pension funding program and minimum policy reserves	55,219	–
Difference	¥ (6,399)	¥–

The average contribution ratio to total contributions made to all plans for the year ended March 31, 2017 was 3.12%. This ratio does not accord with the actual contribution ratio of the Company group.

The differences of ¥6,399 million as described above was due to prior service cost under pension funding programs (¥10,101 million) and special reserve fund (¥3,702 million).

Prior service costs under this program are amortized using the straight-line method (20 years)

18. Income Taxes

(1) The significant components of deferred tax assets and liabilities as of March 31, 2017 and 2018 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2017	**2018**	**2018**
Deferred tax assets:			
Allowance for doubtful accounts	¥ 258	**¥ 240**	**$ 2,259**
Warranty	1,517	**1,530**	**14,401**
Accrued bonuses for employees	1,490	**1,930**	**18,166**
Liability for retirement benefits	271	**288**	**2,711**
Valuation loss on real estate for sale	3,230	**4,702**	**44,258**
Impairment loss on fixed assets	2,091	**2,340**	**22,026**
Valuation loss on investment securities	3,029	**528**	**4,970**
Revaluation of assets on consolidation	2,881	**2,299**	**21,640**
Tax loss carry forwards	34,675	**21,731**	**204,546**
Other	4,797	**8,334**	**78,445**
Sub-total	54,239	**43,922**	**413,422**
Loss: Valuation allowance	(43,147)	**(30,482)**	**(286,916)**
Total deferred tax assets	11,092	**13,440**	**126,506**
Deferred tax liabilities:			
Unrealized gain on other securities	(377)	**(1,467)**	**(13,808)**
Prepaid pension cost	(1,207)	**(2,979)**	**(28,040)**
Revaluation of assets on consolidation	(1,696)	**(1,585)**	**(14,919)**
Other	(356)	**(719)**	**(6,768)**
Total deferred tax liabilities	(3,636)	**(6,750)**	**(63,535)**
Net deferred tax assets	¥ 7,456	**¥ 6,690**	**$ 62,971**

Notes:
1) Valuation loss on real estate for sale includes ¥44 million and ¥44 million ($414 thousand) for the years ended March 31, 2017 and 2018, respectively, for properties that were reclassified from "Current Assets" to "Property and Equipment" following a change in holding purpose.
2) The net deferred taxes as of March 31, 2017 and 2018 were classified as follows in the consolidated balance sheets:

	Millions of yen		*Thousands of U.S. dollars*
	2017	**2018**	**2018**
Current assets – Deferred tax assets	¥5,445	**¥7,292**	**$68,637**
Fixed assets – Deferred tax assets	2,011	**–**	**–**
Fixed liabilities – Deferred tax liabilities	–	**(602)**	**(5,666)**

(2) The reconciliation of the statutory tax rate to the effective income tax rate for the years ended March 31, 2017 and 2018 were as follows:

	2017	**2018**
Statutory tax rate	30.9%	**30.9%**
(Adjustment)		
Non-deductible expenses	0.8	**0.5**
Permanent non-taxable items	(0.6)	**(0.2)**
Per capita inhabitant tax	0.2	**0.2**
Change in valuation allowances	(7.9)	**(12.5)**
Tax credit for salary growth	(1.8)	**(1.6)**
Expiration of tax loss carry forwards	–	**4.1**
Consolidation goodwill	2.2	**0.8**
Tax rate differences between the Company and consolidated subsidiaries	0.4	**4.4**
Other	0.5	**1.7**
Effective income tax rate	24.7%	**28.2%**

Change in valuation allowances in the previous fiscal year included certain other items. In the current fiscal year, however, the item has been divided into "Valuation allowances" and "Other" to enhance clarity in presentation.

To reflect this change in presentation, the note for the previous fiscal year has been restated.

As a result, the (7.2%) that had been indicated for "Change in valuation allowances" in the previous fiscal year has been restated as (7.9%) for "Change in valuation allowances" and 0.7% for "Other" in the current fiscal year.

Moreover, "Tax rate differences between the Company and consolidated subsidiaries", which had been included in Other in the previous fiscal year, has been presented separately in the current fiscal year due to an increase in its quantitative materiality.

To reflect this change in presentation, the note for the previous fiscal year has been restated.

As a result, the 0.2% that had been indicated for Other in the previous fiscal year has been restated as 0.4% for "Tax rate differences between the Company and consolidated subsidiaries" and (0.2%) for "Other" in the current fiscal year.

19. Per Share Information

(1) Per share information as of and for the years ended March 31, 2017 and 2018 were as follows:

	Yen		*U.S. dollars*
	2017	**2018**	**2018**
Net assets per share	¥791.24	**¥995.44**	**$9.37**
Net income per share			
Basic	195.48	**241.98**	**2.28**
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*
	2017	**2018**	**2018**
Net income	¥58,762	**¥72,289**	**$680,431**
Net income not attributable to owners of parent	–	**–**	**–**
Net income attributable to owners of parent	¥58,762	**¥72,289**	**$680,431**
Weighted average number of shares outstanding (thousands of shares)	300,604	**298,737**	

Note: Shares owned by the Board Benefit Trust (BBT) and the Stock-Granting ESOP held as their trust assets are included in treasury stocks from which are deducted in calculating basic profit attributable to owners of parent per share. The average numbers of shares outstanding during the years ended March 31, 2017 and 2018 were 189 thousand and 2,057 thousand, respectively, including 1,862 thousand of shares held by the BBT and the Stock-Granting ESOP as their trust assets in 2018.

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

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Net assets	¥238,467	**¥296,835**	**$2,794,004**
Amount not attributable to common shareholders:			
Non-controlling interests	619	**836**	**7,869**
Net assets attributable to common shareholders	¥237,848	**¥295,999**	**$2,786,135**
The number of common shares of the end of the period used in the calculation of the net assets per share (thousands of shares)	300,602	**297,354**	

Note: Shares owned by the Board Benefit Trust(BBT) and the Stock-Granting ESOP held as their trust assets are included in treasury stocks from which are deducted in calculating net assets per share. The numbers of the treasury stocks at March 31, 2017 and 2018 were 191 thousand and 3,439 thousand, respectively, including 3,242 thousand of shares held by the BBT and the Stock-Granting ESOP as their trust assets in 2018.

20. Segment Information

Overview of segment information

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

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

Moreover, as the Company positioned “securing stable revenues by making investments in blue-chip real estate properties” as one of its new focused strategies in the medium-term business plan that started in the current fiscal year, it has changed the classification of its reportable segments, whereby part of the Construction-Related Business has been classified into the Service-Related Business, starting in the first quarter of the current fiscal year.

Furthermore, the segment information for the previous fiscal year has been prepared based on the classification of the reportable segments after the change.

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, 2017 and 2018 were as follows:

	Millions of yen					
	2017					
	Reportable segments					
Sales, income or loss and assets by reportable segments	Construction-related business	Service-related business	Overseas-related business	Total	Adjustments and eliminations (Note)	Consolidated
Sales to third parties	¥551,902	¥204,830	¥15,596	¥772,328	¥ –	¥772,328
Inter-segment sales and transfer	14,915	4,846	–	19,761	(19,761)	–
Net sales	566,817	209,676	15,596	792,089	(19,761)	¥772,328
Segment income	81,220	10,240	131	91,591	(2,559)	89,032
Segment assets	¥212,160	¥278,310	¥35,195	¥525,665	¥105,272	¥630,937
Other items						
Depreciation and amortization	¥ 607	¥ 2,853	¥ 9	¥ 3,469	¥ (16)	¥3,453
Investment in equity-method affiliates	–	–	18	18	-	18
Capital expenditures	7,257	19,408	4	26,669	(169)	26,500

	Millions of yen					
	2018					
	Reportable segments					
Sales, income or loss and assets by reportable segments	Construction-related business	Service-related business	Overseas-related business	Total	Adjustments and eliminations (Note)	Consolidated
Sales to third parties	**¥589,776**	**¥210,895**	**¥12,605**	**¥813,276**	**¥ –**	**¥813,276**
Inter-segment sales and transfer	**25,230**	**4,554**	**–**	**29,784**	**(29,784)**	**–**
Net sales	**615,006**	**215,449**	**12,605**	**843,060**	**(29,784)**	**¥813,276**
Segment income	**91,266**	**13,841**	**348**	**105,455**	**(4,650)**	**100,805**
Segment assets	**¥243,556**	**¥276,450**	**¥33,962**	**¥553,968**	**¥134,340**	**688,308**
Other items						
Depreciation and amortization	**¥ 577**	**¥ 3,072**	**¥ 8**	**¥ 3,657**	**¥69**	**¥ 3,726**
Investment in equity-method affiliates	**–**	**–**	**16**	**16**	**–**	**16**
Capital expenditures	**8,155**	**21,721**	**9**	**29,885**	**905**	**30,790**

Sales, income or loss and assets by reportable segments	Construction-related business	Service-related business	Overseas-related business	Total	Adjustments and eliminations (Note)	Consolidated
	Thousands of U.S. dollars					
	2018					
	Reportable segments					
Sales to third parties	**$5,551,356**	**$1,985,081**	**$118,646**	**$7,655,083**	**$ –**	**$7,655,083**
Inter-segment sales and transfer	**237,481**	**42,865**	**–**	**280,346**	**(280,346)**	**–**
Net sales	**5,788,837**	**2,027,946**	**118,646**	**7,935,429**	**(280,346)**	**7,655,083**
Segment income	**859,055**	**130,280**	**3,276**	**992,611**	**(43,769)**	**948,842**
Segment assets	**$2,292,508**	**$2,602,127**	**$319,672**	**$5,214,307**	**$1,264,496**	**$6,478,803**
Other items						
Depreciation and amortization	**$ 5,431**	**$ 28,916**	**$ 76**	**$ 34,423**	**$ 649**	**$ 35,072**
Investment in equity-method affiliates	**–**	**–**	**151**	**151**	**–**	**151**
Capital expenditures	**76,760**	**204,452**	**86**	**281,298**	**8,518**	**289,816**

Notes:
1) Adjustments and eliminations are as follows:

(2017)
(1) Adjustments and eliminations for segment income include ¥960 million of elimination of inter-segment transactions and ¥1,599 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 ¥7,220 million of elimination of receivables stemming from inter-segment transactions and ¥112,492 million of corporate assets. Corporate assets are primarily comprised of cash and bank deposits of the Company.

(2018)
(1) Adjustments and eliminations for segment income include ¥2,208 million ($20,783 thousand) of elimination of inter-segment transactions and ¥2,442 million ($22,986 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 ¥5,109 million ($48,089 thousand) of elimination of receivables stemming from inter-segment transactions and ¥139,449 million ($1,312,585 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 losses on fixed assets by reportable segments for the years ended March 31, 2017 and 2018 were summarized as follows:

	Construction-related business	Service-related business	Overseas-related business	Total	Adjustments and eliminations	Consolidated
	Millions of yen					
	2017					
	Reportable segments					
Impairment loss on fixed assets	¥1,275	¥10,503	¥–	¥11,778	¥(0)	¥11,778

	Construction-related business	Service-related business	Overseas-related business	Total	Adjustments and eliminations	Consolidated
	Millions of yen					
	2018					
	Reportable segments					
Impairment loss on fixed assets	**¥–**	**¥197**	**¥–**	**¥197**	**¥–**	**¥197**

	Construction-related business	Service-related business	Overseas-related business	Total	Adjustments and eliminations	Consolidated
	Thousands of U.S .dollars					
	2017					
	Reportable segments					
Impairment loss on fixed assets	**$–**	**$1,854**	**$–**	**$1,854**	**$–**	**$1,854**

3. The following table presents the amortization and balance of goodwill as of and for the years ended March 31, 2017 and 2018 by reportable segment:

	Millions of yen					
	2017					
	Reportable segments					
	Construction-related business	Service-related business	Overseas-related business	Total	Adjustments and eliminations	Consolidated
Amortization	¥–	¥2,832	¥–	¥2,832	¥–	¥2,832
Balance as of March 31	¥–	¥4,209	¥–	¥4,209	¥–	¥4,209

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

	Thousands of U.S .dollars					
	2018					
	Reportable segments					
	Construction-related business	Service-related business	Overseas-related business	Total	Adjustments and eliminations	Consolidated
Amortization	**$–**	**$ 6,241**	**$–**	**$ 6,241**	**$–**	**$ 6,241**
Balance as of March 31	**$–**	**$33,368**	**$–**	**$33,368**	**$–**	**$33,368**

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 statements of income for the years ended March 31, 2017 and 2018.

(2) Property and equipment
Property and equipment information is omitted, since the amount of property and equipment located in Japan exceeds 90% of the amount of property and equipment recorded in the consolidated balance sheets as of March 31, 2017 and 2018.

6. Information by major customers
(2017)
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 statements of income.

(2018)

Name	Net sales	Segment
Sumitomo Realty & Development Co., Ltd.	¥84,732 million ($797,553 thousand)	Construction-related business & Service-related business

21. Related Party Transactions

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

The corresponding balances as of March 31, 2017 and 2018 and the amounts of these transactions for the years then ended are summarized as follows:

Fiscal year ended March 31, 2017 (April 1, 2016 – March 31, 2017)
Not applicable.

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

Type	Name of company or individual	Relationship with related party	Transaction	Transaction amount	Account	Balance at end of fiscal year
Director and close relative	Mother-in-law of Noriaki Tsuji, President and Representative Director of Haseko Corporation	Resident agreement with a paid facility for the elderly operated by a subsidiary of the Company (Notes 1 and 2)	Resident agreement with a paid facility for the elderly operated by a subsidiary of the Company (Notes 1 and 2)	*(Millions of yen)* ¥12 *(Thousands of U.S. dollars)* **$113**	Other current liabilities	*(Millions of yen)* ¥8 *(Thousands of U.S. dollars)* **$75**

Notes:
1) Price and other transaction terms are determined in a similar manner for general transactions.
2) National and local consumption taxes are not included in the transaction amount and the balance at end of fiscal year.

22. Other Comprehensive Income

Reclassification adjustments and tax effects on components of other comprehensive income for the years ended March 31, 2017 and 2018 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2017	**2018**	**2018**
Net unrealized gain (loss) on other securities:			
Amount arising during the year	¥(195)	**¥3,738**	**$35,184**
Reclassification adjustments for gains (losses) recognized in net income	–	**–**	**–**
Amount before tax effect	(195)	**3,738**	**35,184**
Tax effect	74	**(1,090)**	**(10,259)**
Net unrealized gain (loss) on other securities	(121)	**2,648**	**24,925**
Translation adjustments:			
Amount arising during the year	(799)	**(929)**	**(8,744)**
Retirement benefits liability adjustments:			
Amount arising during the year	(237)	**410**	**3,859**
Reclassification adjustments for gains (losses) recognized in net income	363	**370**	**3,483**
Amount before tax effect	126	**780**	**7,342**
Tax effect	(39)	**(235)**	**(2,212)**
Retirement benefit liability adjustments	87	**545**	**5,130**
Share of other comprehensive income (loss) of affiliates accounted for by the equity method:			
Amount arising during the year	0	**–**	**–**
Total other comprehensive income (loss)	¥(833)	**¥2,264**	**$21,310**

23. Subsequent Event

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

1. Summary of the absorption-type split

(1) Successor company
Next Power Company

(2) Business to be split
Smart Condominium Business

(3) Reason for the absorption-type split
The Haseko Group has worked to expand the services of the Smart Condominium Business through Haseko Anesis Corporation to condominium residents as an effort to increase the number of user units covered by the business and enhance the quality of the services. For users of the services to enjoy more convenience in the future, however, the Company has decided to transfer the business to Next Power Company, a fully-owned subsidiary of The Kansai Electric Power Company, Incorporated, one of Japan's leading companies in the energy field.

(4) Scheduled date of the absorption-type split
July 1, 2018 (planned)

(5) Legal form of business combination
The consideration for the absorption-type split is limited to cash

(6) Reportable segment in which the divested business is included
Service-Related Business

Independent Auditor's Report

The Board of Directors
HASEKO Corporation

We have audited the accompanying consolidated financial statements of HASEKO Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2018, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of HASEKO Corporation and its consolidated subsidiaries as at March 31, 2018, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

We draw attention to Note 23 to the consolidated financial statements, which describes HASEKO Corporation and Haseko Anesis Corporation, a consolidated subsidiary, have decided to transfer the services of high-voltage bulk power purchasing and electric power retailing for common areas of condominiums, provided by Haseko Anesis Corporation, to Next Power Company at the meeting held on April 19, 2018. Our opinion on the consolidated financial statements is not qualified in respect of this matter.

Convenience Translation

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

Ernst & Young Shinnihon LLC

June 28, 2018
Tokyo, Japan

A member firm of Ernst & Young Global Limited

History

Dec. 1974
Completed construction of headquarters building, “Akasaka Long Beach Bldg.,” in Akasaka, Minato-ku Tokyo and transferred headquarters there

Dec. 1973
Achieved number one of accumulated condominium construction in Japan (35,000 units)

Dec. 1970
Transferred headquarters to Hasegawa Building No. 8 in Dogenzaka, Shibuya-ku, Tokyo

Jul. 1970
Completed construction of “Nissho Iwai Shiroganedai Condominium,” the first condominium Haseko constructed in Tokyo Metropolitan Area

Feb. 1969
Completed construction of “Ashiya Matsuhama Heights,” the first condominium Haseko constructed

Apr. 1965
Listed on the 1st Sections of Tokyo Stock Exchange, Osaka Securities Exchange and Nagoya Stock Exchange

Aug. 1953
Transferred headquarters to Osaka

Feb. 1951
Opened Tokyo branch Office

Aug. 1946
Incorporated Hasegawa Komuten Co., Ltd., headquartered in Himeji-shi, Hyogo

Feb. 1937
Established Hasegawa Komuten in Amagasaki-shi, Hyogo

1969 Ashiya Matsuhama Heights
● The first condominium constructed by Haseko

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

Mar. 1999
Finished “Hills Kugahara,” a large-scale replacement project

Mar. Jul. 1997
Obtained ISO 9001 certification, an international standard for quality control and quality assurance system, in Tokyo and Kansai area *First such certification for a Japanese company in the design and construction of multi-family dwellings” category

Oct. 1992
Completed construction of “Acro City Towers,” a 32-storied skyscraper condominium

Jan. 1989
Completed “Century City Omiya Koen,” a condominium with services for elder people

Oct. 1988
Changed corporate name to HASEKO Corporation

Jan. 1981
Completed construction of “ Shiba Head Office Building” in Shiba, Minato-ku, Tokyo and transferred headquarters there

1977 Palais Royal Nagatacho
● High-grade condominium

Mar. 2005
Participated in the reuse business and opened the first “KASIKOSH” store, a recycle shop

Sep. 2003
Completed the “Urayasu AMC Project,” an advanced multi-purpose urban development project

Apr. 2003
Established “Haseko Anesis Corporation,” a service-related new subsidiary

Mar. 2003
Started operation of “Century City Kita Urawa,” a paid care house for elderly people

Jul. Oct. 2001
Obtained ISO 14001 certification, a international standard for environmental management, in Kansai and Tokyo area

1984 Palais Royal Ashiya-Midorigaoka
● The first rebuilt condominium

1992 Acrocity Towers
● The first ultra-skyscraper condominium

History

420,594 438,642 456,152 469,408 480,125 495,020 510,432 528,966 547,185 564,651 582,109 598,676 616,386 624,587

Jun. 2009
Obtained certification as “long-life, high-quality housing” for the two projects of “BRANCHERA Urawa” and “BRANCHERA Suitakatayama-koen” -the first such certification in Japan for for-sale condominiums

Mar. 2009
Completed construction of “The Kitahama,” a 54-storied condominium with 465 units built on the former site of a department store in Kitahama, Osaka

Nov. 2006
Created “Sakura no Sato,” a large-scale new town

Mar. 2006
Completed “Obel Grandio Haginaka,”Japan’s first rebuilding of a condominium applying the Revised Condomium Unit Ownership Act

Nov. 2005
Completed the “Shirokane Urban Renewal Project” in Shirokane, Minato-ku, Tokyo, that harmonized living, commercial and industrial settings

May 2015
Sohgoh Real Estate Co., Ltd. became a subsidiary by share acquisition (the present consolidated subsidiary), Main businesses are for-sale real estate business, real estate solutions and condominium management businesses

Nov. 2013
Seikatsu Kagaku Un-Ei Co., Ltd. became a subsidiary by share acquisition (the present consolidated subsidiary), Main businesses are operation and other services for paid facilities for the elderly

Mar. 2013
Season Suite Shiki-no-Mori certified as a low carbon building (the first acquisition of such certification among for-sale condominiums)

Jul. 2012
Established “Haseko Real Estate, Inc.,” a comprehensive real estate brokerage subsidiary

Jun. 2011
Achieved construction of a cumulative total of 500,000 condominium units

Mar. 2017
Completed construction of “THE AUTHENTIC ~HASEKO LONG BIEN RESIDENCE~” in Hanoi, Vietnam, the first project in Southeast Asia

Dec. 2015
Joint Corporation became a subsidiary by share acquisition (the present consolidated subsidiary), Main businesses are for-sale real estate business and real estate management business

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

2004 Fukasawa House
● The first introduction of disaster prevention sets

2009 The Kitahama
● 54-storied ultra-skyscraper condominium

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

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

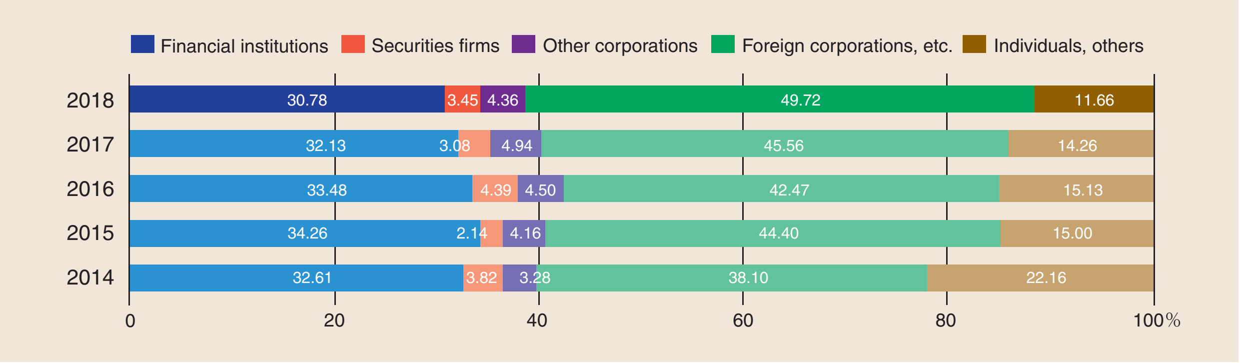
Share Information

Share overview *(As of March 31, 2018)*

Total shares authorized to issue:	420 million shares
Outstanding shares:	300 million shares
Shareholders:	37,662 parties

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

Composition of shareholders *(As of March 31, 2018)*



Principal shareholders *(As of March 31, 2018)*

Shareholder	Shares (1,000 shares)	Voting rights (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	19,324	6.43
Japan Trustee Services Bank, Ltd. (Trust account)	18,406	6.13
Resona Bank, Limited	12,609	4.20
GOLDMAN, SACHS&CO.REG	9,480	3.15
Sumitomo Realty & Development Co., Ltd.	7,152	2.38
NORTHERN TRUST CO. (AVFC) SUB A/C NON TREATY	6,493	2.16
Japan Trustee Services Bank, Ltd. (Trust account 9)	6,434	2.14
Mizuho Bank, Ltd.	6,305	2.10
GOVERNMENT OF NORWAY	6,173	2.05
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	6,167	2.05

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

Changes in Stock Price

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

Accounting period	Fiscal year ended March 2014	Fiscal year ended March 2015	Fiscal year ended March 2016	Fiscal year ended March 2017	Fiscal year ended March 2018
Highest	167 860*	1,198	1,699	1,358	1,853
Lowest	80 584*	604	891	918	1,139

Note 1. The stock price indicates the price recorded at the First Section of the Tokyo Stock Exchange.
2. As of October 1, 2013, the Company consolidated its common stock at a rate of 1 share for every 5 shares.
Accordingly, the figures marked by an asterisk "*" represent the highest and the lowest prices after the share consolidation.

Corporate Information

Overview *(As of March 31, 2018)*

Name:
Haseko Corporation

Founded:
February 1937

Established:
August 1946

Paid-in capital:
57,500 million yen

Number of employees:
2,389 (Non-consolidated)
6,816 (Consolidated)

Stock exchange listing:
Tokyo Stock Exchange 1st section,

Ticker code:
1808

Shares per trading units:
100 shares

Number of consolidated subsidiaries:
63

Number of companies accounted for by the equity method:
1

Transfer agent and registrar:
Mitsubishi UFJ Trust and Banking Corporation

Independent auditor:
ERNST & YOUNG SHIN NIHON

Head office:
32-1 Shiba 2-chome, Minato-ku,
Tokyo 105-8507
Tel: 813-3456-5451

Kansai office:
5-7 Hiranomachi 1-chome, Chuo-ku,
Osaka-shi, Osaka 541-0046
Tel: 816-6203-5661

Saitama branch:
4th Floor, Omiya Shimocho 1-chome Building,
8-1 Shimocho 1-chome, Omiya-ku,
Saitama-shi, Saitama 330-0844

Yokohama branch:
9th Floor, Nittsu Shoji Yokohama Building,
19-3 Takashima 2-chome, Nishi-ku,
Yokohama-shi, Kanagawa 220-0011

Nagoya branch:
9th Floor, Sakae Sun City Building,
1-8 Sakae 4-chome, Naka-ku,
Nagoya-shi, Aichi 460-0008

Kyoto branch:
7th Floor, Chushin Ekimae Building,
734 Higashishiokouji-cho, Karasuma-dori,
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Senayan, Kebayoran Baru,
Jakarta Selatan, Indonesia

Note: The new address after relocation as of April 18, 2018 is indicated for Technical research institute.

HASEKO

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