Five-Year Summary
Haseko Corporation and its Consolidated Subsidiaries
(Years ended March 31, 2012, 2013, 2014, 2015 and 2016)

	Millions of Yen				
	2012	2013	2014	2015	**2016**
For the Year:					
Net sales	¥500,929	¥558,919	¥587,571	¥642,167	**¥787,354**
Cost of sales	451,264	505,460	526,208	563,230	**674,007**
Selling, general and administrative expenses	28,050	29,130	32,525	36,239	**44,585**
Operating income	21,615	24,329	28,838	42,698	**68,762**
Ordinary income	18,199	19,976	25,405	41,889	**67,327**
Income before income taxes	18,673	11,704	30,721	42,306	**68,850**
Net income attributable to owners of parent	11,242	13,064	24,830	28,542	**51,226**
For the Year:					
Cash flows from operating activities	33,711	38,231	55,267	39,984	**65,590**
Cash flows from investing activities	2,363	14,843	29,395	(4,067)	**(30,801)**
Cash flows from financing activities	(28,801)	(24,115)	(65,425)	(40,235)	**(16,286)**
Cash and cash equivalents at end of the year	88,885	118,239	137,689	133,563	**152,115**
At Year-end:					
Total current assets	¥333,297	¥352,624	¥356,926	¥380,841	**¥448,140**
Total assets	467,075	460,864	457,408	476,914	**589,993**
Total current liabilities	211,666	215,044	209,699	248,586	**259,960**
Total long-term liabilities	153,413	132,015	128,237	84,239	**144,658**
Total shareholders' equity	116,952	124,482	128,632	143,356	**191,580**
Net assets	101,996	113,805	119,472	144,089	**185,375**
	Yen				
Per Share Data:					
Net income attributable to owners of parent	¥ 7.05	¥ 41.72	¥ 81.36	¥ 94.64	**¥170.41**
Diluted net income	5.29	32.52	67.98	92.90	**–**
Net assets	40.76	259.89	346.17	478.45	**615.21**
Ratios:					
Profit ratio of construction contracts	9.5	8.9	9.2	11.3	**15.8**
Operating income ratio	4.3	4.4	4.9	6.6	**8.7**
Equity ratio (%)	21.8	24.7	26.1	30.2	**31.3**
Return on equity (%)	11.3	12.1	21.3	21.7	**31.2**
Price/Earnings ratio (times)	9.50	10.31	7.94	12.38	**6.15**
Number of employees	4,549	4,640	5,188	5,379	**6,136**

Note) The Company completed a reverse stock split of its common stock and Class B I preferred stocks, at ratio of 1 share for 5 shares on October 1, 2013. Net assets per share, net income per share and diluted net income per share as of and for the year ended March 31, 2013 are calculated under the assumption that the reverse stock split took place at the beginning of the previous fiscal year.

Analyses of Financial Condition and Business Performance

(1) Business Performance

For the fiscal year ended March 2016, the Japanese economy continued to stay on a modest recovery trend, with improvements in the employment and income environments. However, the prospects of the economy have become obscured by a slowdown in Chinese and other emerging economies as well as by the yen's appreciation and a drop in stock prices that progressed since the beginning of 2016.

During the period, the condominium market remained weak both in the Tokyo metropolitan area and the Kinki area, with new supply falling to 38,139 units (down 14.4% year-on-year) for the former and 18,374 units (down 7.4%) for the latter. The figure dropped to the 30,000 units level in the Tokyo metropolitan area for the first time since fiscal 2009 (when the figure was 37,765 units) and fell below 20,000 units in the Kinki area for two consecutive years. The initial month sales rate, which serves as a benchmark of sales conditions, also fell both in the Tokyo metropolitan area and the Kinki area, standing at 72.7% (down 1.9 points) for the former and 71.8% (down 3.4 points) for the latter. The sales conditions became even more difficult in the latter half of the fiscal year, with the sales rate dropping to the 60% level in September and October 2015 in both areas. Meanwhile, although the number of for-sale units being marketed as of the end of March 2016 increased to 6,039 units (up 15.7%) in the Tokyo metropolitan area, the figure remained flat at 2,275 units (up 0.4%) in the Kinki area. An analysis of products supplied in the fiscal year shows that the average market price increased to 56.17 million yen (up 10.4%) in the Tokyo metropolitan area and 38.89 million yen (up 6.8%) in the Kinki area. In particular, the figure in the Tokyo metropolitan area reached the highest level after fiscal 1991 (when the figure stood at 58.22 million yen).

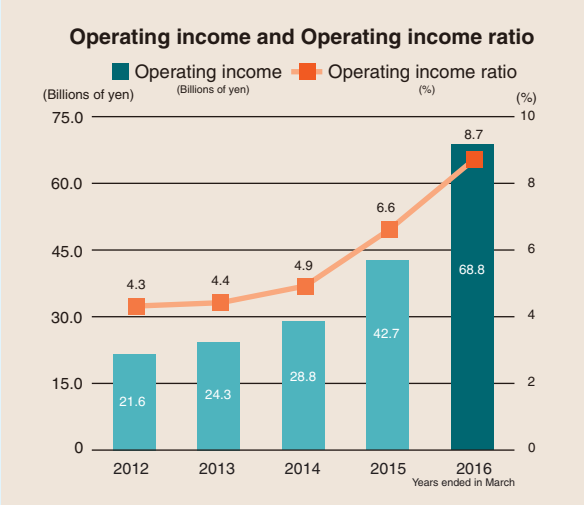
Under such conditions, in the fiscal year under review which represents the second year of the "new born HASEKO StepUp Plan" (Plan NBs), the Company's new medium-term business plan, the Haseko Group saw its Construction-Related Business performed well in condominium construction works, leading to record high consolidated ordinary income. Orders received also renewed record highs for two consecutive years on a non-consolidated basis.

As a result of the above, the Company posted net sales of 787.4 billion yen, a year-on-year increase of 22.6%, in the fiscal year ended March 2016, primarily due to an increase in the volume of condominium construction works and recording of the operating results of SOHGOH REAL ESTATE Co., Ltd. and its two subsidiaries, which became consolidated subsidiaries of Haseko Corporation, for the second quarter of the consolidated fiscal year and thereafter. In terms of profits, the Haseko Group posted operating income of 68.8 billion yen (up 61.0%), ordinary income of 67.3 billion yen (up 60.7%) and net income attributable to owners of parent of 51.2 billion yen (up 79.5%), thanks to the increase in the volume of condominium construction works and the improved gross profit margin of completed construction contracts despite the recording of 9.9 billion yen as valuation loss on inventories in the Overseas-Related Business. As such, Haseko achieved a year-on-year increase both in revenues and profits. The operating income ratio was 8.7% (up 2.1 points) and ordinary income ratio came to 8.6% (up 2.1 points).

(2) Performance by Segment

Construction-Related Business

For construction works, while there are concerns about rising construction costs due to labor shortage, project owners centering on major developers have given a high regard for the high construction ability and product planning ability, etc. of Haseko, which specializes in condominium construction. With the properties to construct becoming larger in scale, among other factors, the construction profitability upon receiving orders and the gross profit margin of construction contracts completed in the fiscal year are both on an improving trend.



In terms of orders for new construction of for-sale condominiums, the Company won orders of 109 projects in total throughout Japan, comprised of 74 in the Tokyo metropolitan area including 27 large projects with at least 200 units and 35 in the Kinki and Tokai areas including 12 large projects with at least 200 units.

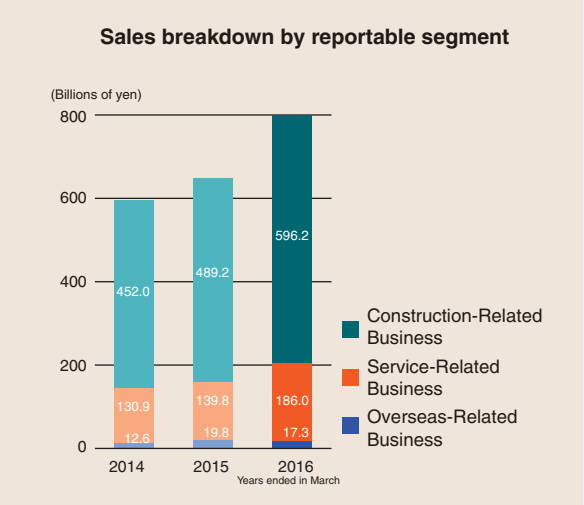
As for construction completion, the Company completed construction of 122 projects including 6 projects for rental housing, etc.

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 it has proposed and technologies and knowhow it has accumulated through its construction track record of over 580,000 units built.

In the Tokyo metropolitan area, the Company completed Oji Asukayama The First Tower & Residence (Tower Building) (Kita-ku, Tokyo; 230 units), a 29-storied skyscraper tower condominium located a one-minute walk from the nearest station and incorporating a seismic control structure. Haseko also completed Proud City Minamiyama (Inagi-shi, Tokyo; 412 units), a large-scale condominium located in a hill-side area that provides a full view of central Tokyo and serves as a landmark as a large-scale multi-use development project that has a total development area of approximately 870,000m2.

In the Kinki area, construction was completed for Kyoto Katsuragawa Tumugi-no-Machi Grand Square Mark Square (Minami-ku, Kyoto-shi; 593 units), which is located in a large-scale, station-front multi-use development district that is more than 5 times as large as the Koshien Baseball Stadium.

Construction was also completed for Awaza Rise Towers Flag 46 (OPM Tower) (Nishi-ku, Osaka-shi, 563 units), a 46-storied skyscraper tower condominium with a seismic control function. The property is a prize-winning project in the Enokojima Town Creation Project Competition sponsored by Osaka Prefecture and located at a section of a redevelopment project comprising a condominium district, a general hospital and a creative center.



In the sale of for-sale condominium units, the Company conducted sale and delivery of 17 properties that were newly completed in the fiscal year under review as well as other products, including BRANCHERA Itabashi Nishidai (Itabashi-ku, Tokyo; 80 units) that incorporated BIM (building information modeling) into the design for planning through working design and sales methods.

As a result of the above, the segment posted sales of 596.2 billion yen, a year-on-year increase of 21.9%. Operating income totaled 71.3 billion yen, an increase of 95.3%, mainly due to the increase in the volume of condominium construction works and the improved gross profit margin of completed construction contracts.

Service-Related Business

The Company additionally recorded operating results of for-sale real estate, rental condominium management and for-sale condominium management operations, etc. of SOHGOH REAL ESTATE Co., Ltd. and its two subsidiaries, starting in the second quarter of the consolidated fiscal year, and the operating results of for-sale real estate and rental condominium management operations, etc. of Joint Corporation and its 4 subsidiaries, starting in the fourth quarter of the fiscal year. In addition, the number of managed for-sale condominium units and the number of managed rental condominium units also increased.

In for-sale condominium management operations, the business environment continued to be tough for winning new consigned management as well as for taking over from competition. Under such circumstances, the Haseko Group endeavored to incorporate measures that should enhance customer satisfaction, such as reconstructing the education and training system for young, frontline employees. These efforts, combined with the impact of the new consolidation as mentioned above, led to the number of units the Haseko Group is consigned to manage reaching 361,204 units, an increase of 16.8% from the end of the previous fiscal year.

In large-scale repair work and interior remodeling, there was an increase in sales due to the percentage of completion method in accounting for large projects, and the Company endeavored to improve profits upon receiving orders. Nevertheless, due to the impact of the intense completion to receive orders for large projects, orders received dropped to 31.3 billion yen, a year-on-year decrease of 12.8%.

In the management of rental condominiums and corporate housing management agency services, the number of units Haseko operates reached 139,746 units, an increase of 37.8% from the end of the previous fiscal year, due to such factors as steady progress in receiving new orders and a decrease in cancellation, on top of the impact of the new consolidation.

In the senior services business, the number of paid facilities for the elderly and housing for the elderly in operation totaled 2,054 units, up 3.6% from the end of the previous fiscal year.

In consigned sales of newly-built condominiums, both the number of contracted units and delivered units decreased year-on-year, due to a decrease in the number of newly supplied units and an increase in sales price.

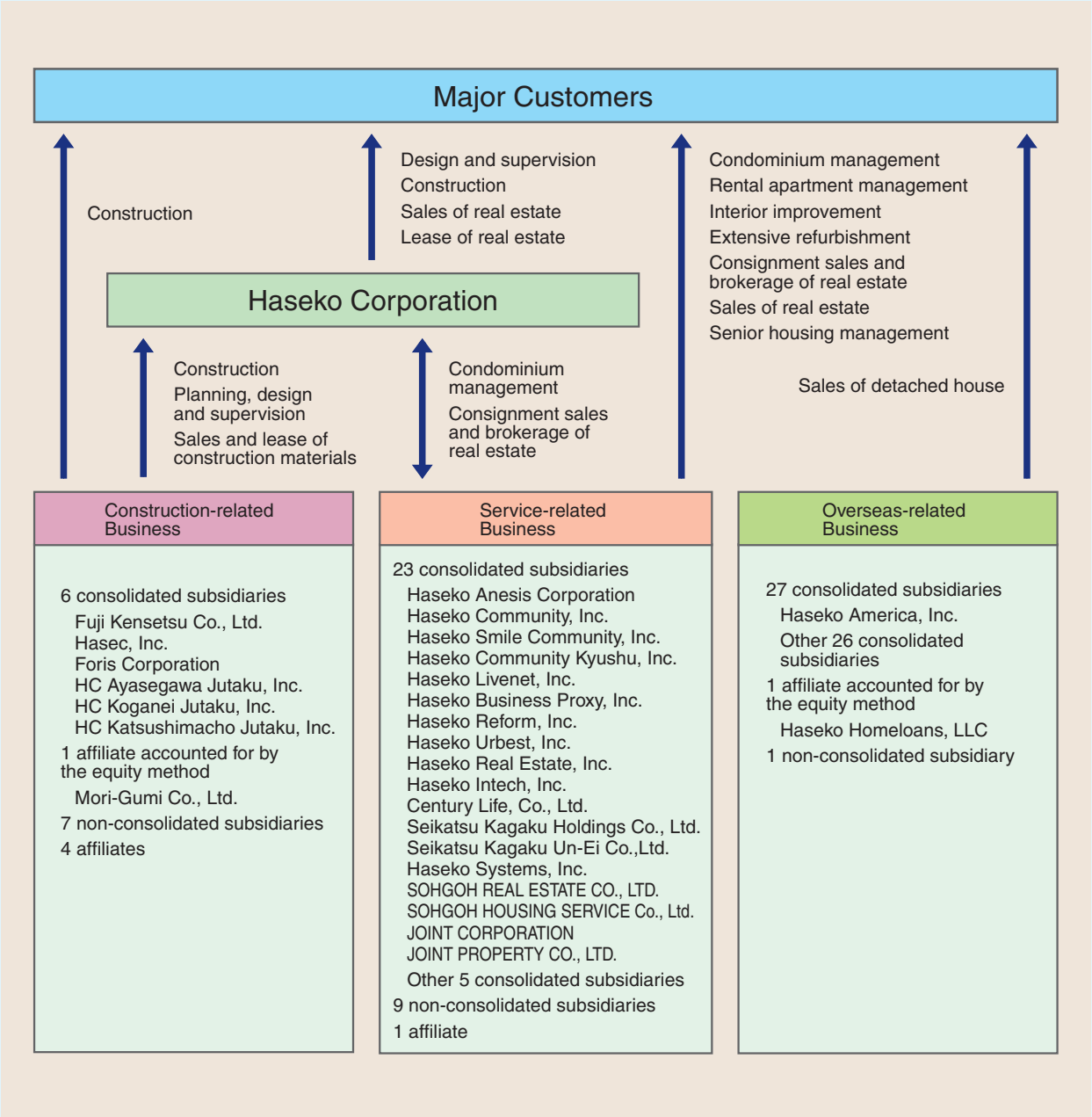
In the real estate brokerage operations, the number of sold units in the renovation business increased significantly, due to the impact of the rise in the price of newly-built condominiums and an expansion in the store networks.

As a result of the above, the segment posted sales of 186.0 billion yen, a year-on-year increase of 33.1% due to the impact of the new consolidation, etc. Operating income was 8.8 billion yen, up 14.8%, mainly due to improvement in the profitability of large-scale repair work.

Overseas-Related Business

Sales decreased due to such factors as the project in Oahu, Hawaii, to which the percentage of completion method was applied and that contributed to sales for 12 months in the previous fiscal year, being completed during the fiscal year under review. Moreover, with regard to the project Haseko is implementing in the Ewa district, Oahu, Hawaii, it became necessary to review the plans of future development areas in consideration of the business environment and other factors. In accordance with this, the Company revaluated

Business schematic of Haseko group's reportable segments



the profitability of real estate for sale that it owns and consequently recorded 9.9 billion yen of valuation loss on inventories as cost of sales.

As a result of the above, the segment posted sales of 17.3 billion yen, down 13.1% year-on-year, and operating loss of 9.7 billion yen (in contrast to operating loss of 0.7 billion yen in the previous fiscal year).

(3) Financial Position

Total assets at the end of the consolidated fiscal year ended March 2016 increased by 113.1 billion from the end of the previous fiscal year to 590 billion yen, due to such factors as the new consolidation of SOHGOH REAL ESTATE Co., Ltd. and its two subsidiaries as well as Joint Corporation and its 4 subsidiaries.

Total liabilities were 404.6 billion yen, an increase of 71.8 billion yen from the end of the previous fiscal year. This is primarily due to an increase in borrowings and debt.

Consolidated net assets were 185.4 billion yen, an increase of 41.3 billion yen from the end of the previous fiscal year, because of the 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 31.3% compared to 30.2% at the end of the previous fiscal year.

(4) Cash Flows

Net cash provided by operating activities was 65.6 billion yen, an increase of 25.6 billion yen in income compared with the net cash provided by operating activities totaling 40.0 billion yen in the previous fiscal year. Major factors included the recording of 68.8 billion yen in income before income taxes.

Net cash used in investing activities was 30.8 billion yen, a decrease of 26.7 billion yen in income compared with the net cash used in investing activities totaling 4.1 billion yen in the previous fiscal year. Major factors included payment of 17.9 billion yen for the acquisition of shares of Joint Corporation and payment of 18.9 million for the purchase of property and equipment and intangible assets.

Net cash used in financing activities was 16.3 billion yen, an increase of 23.9 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 partial repayment (21.4 billion yen) of existing borrowings of SOHGOH REAL ESTATE Co., Ltd., which newly became a consolidated subsidiary, conducted in the period between the date on which the Company obtained control of SOHGOH REAL ESTATE Co., Ltd. and the deemed acquisition date.

As a result of the above, the balance of cash and cash equivalents at the end of the consolidated fiscal year totaled 152.1 billion yen, an increase of 18.6 billion yen from 133.6 billion yen at the end of the previous consolidated fiscal year.