Annual Report 2007

For the year ended March 31, 2007

HASEKO Corporation Homepage

HASEKO Corporation

Profile

The Haseko Group has leveraged its capabilities in all condominium business fields - from gathering land information to planning, design, construction, sale, property management, renovation, brokering and renting. Thus, Haseko 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 450,000 condominium units (as of the end of June 2007) and established itself as a leading condominium contractor in Japan.

In the New Medium-Term Business Plan that commenced in April 2005, the Haseko Group is endeavoring to reinforce its service-related business group, which focuses on the “stock” market that includes existing condominiums, in addition to the construction-related business mainly targeting the “flow” market including provision of new condominiums.

Haseko Group will strive to become an “only one” group of companies for housing that is founded in new thinking and not bound by the conventional business framework.

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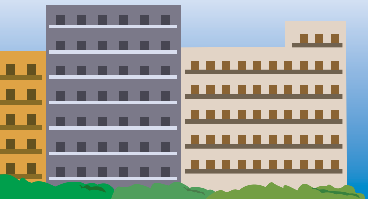
■ Disclaimer concerning Forward-looking Statements

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

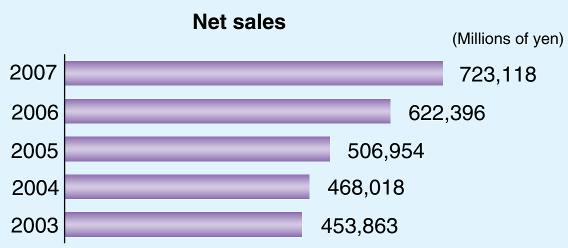


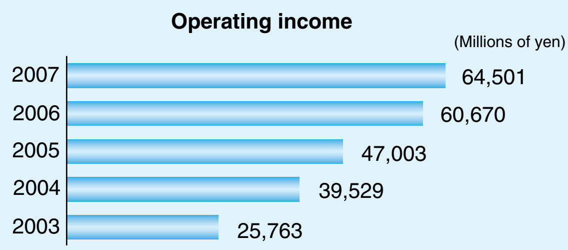
Financial Highlights

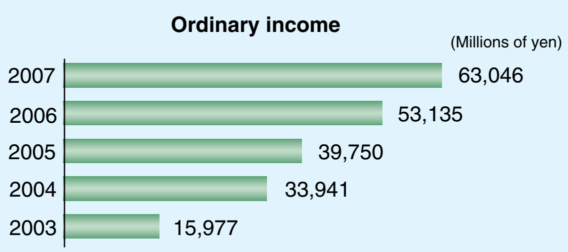
	Millions of Yen		Thousands of U.S. Dollars
	2006	**2007**	**2007**
For the Year			
Net sales	¥622,396	**¥723,118**	**$6,125,523**
Operating income	60,670	**64,501**	**546,387**
Ordinary income	53,135	**63,046**	**534,062**
Net income	47,689	**33,695**	**285,430**
At Year-end			
Total assets	499,918	**546,723**	**4,631,283**
Total net assets*	109,201	**113,016**	**957,357**
	Yen		U.S. Dollars
Per Share Data			
Net income	67.27	**31.67**	**0.27**
Net assets	(28.87)	**23.22**	**0.20**

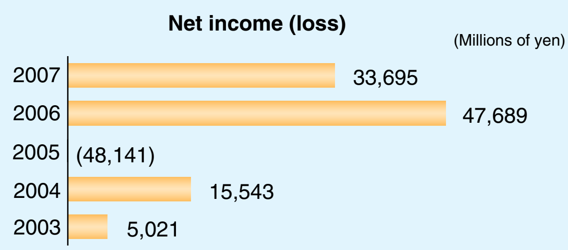
Note: The U.S. Dollars amounts represent translation of yen amount at the rate of ¥118.05 = U.S. $1.00, the exchange rate at March 31, 2007.

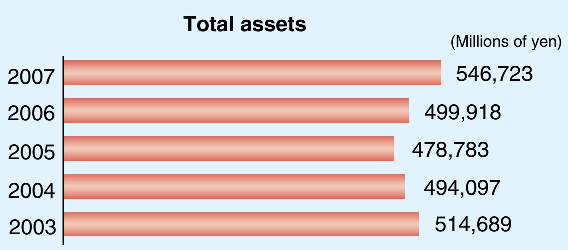
** Effective the year ended March 31, 2007, the Company has applied "Accounting standards for presentation of net assets in the balance sheet (Accounting Standards Board of Japan Statement No.5) and "Implementation guidance for accounting standards for presentation of net assets in the balance sheets (Accounting Standards of Japan Guidance No.8) . Certain prior year amounts have been reclassified to conform to the 2007 presentation.*

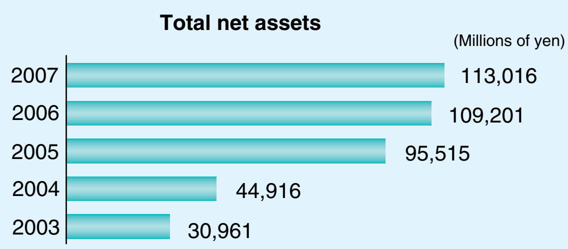












Business Overview of the Group

President and Chief Executive Officer, Takashi Iwao

During the fiscal year under review, the domestic condominium market started to show a full-on increase in condominium prices, and both supply and demand sides waited to watch the price trends. As a result, the total market supply of new condominium units fell below the 80,000 unit level in the Tokyo metropolitan area for the first time in eight years, although the figure in the Kinki metropolitan area remained at the 30,000 unit level. Moreover, there was a change in the trend of dwellers returning to city centers due to the supplies declining incity centers while increasing in suburban areas.

Under these circumstances, and since April 2005, the Haseko Group has been focusing on the steady implemen-tationof the New Medium Term Business Plan (fiscal years 2005 to 2007) as its most important challenge. The Plan is the final phase for the completion of corporate revitalization while at the same time is astage for new sustainable development. In doing so, the Company has built on the advantage of its proprietary “total produce ” business model that enables implementation of condominium-related projects from start to end within the Group, and endeavored to combine the total capabilities of the Haseko Group to provide high quality, attractive products and services. For the consolidated fiscal year ended March 2007, which was the full second year of the New Medium Term Business Plan, the Company achieved good perfor-mances for two consecutive years by realizing increases in net sales, operating income and ordinary income over the previous fiscal year, with net sales growing 16.2% to 723.1 billion yen, operating income by 6.3% to 64.5 billion yen and ordinary income by 18.7% to 63.0 billion yen. Net income decreased by 29.3% year-on-year, however, due to the appropriation of 26.4 billion yen as impairment loss and other factors for the special loss. In financing, the Company imple-mented repurchase and redemption of its preferred stocks based on the Capital Reorganization Plan announced in August 2005 and the contract concerning additional purchase of preferred stocks announced in March 2006. As a result, solid progress was achieved in reducing latent stocks.

The fiscal year ending March 2008 will be the last year of our New Medium Term Business Plan. Still, we are determined to continue to further reinforce our business model based on the two tracks of the Construction Related Business Group and the Service Related Business Group, in order to expand earnings in our core business. Meanwhile, we will also further promote the importance of the customer-first philosophy, compliance and corporate social responsibility (CSR) to reinforce our manage-ment and administration systems. Moreover, we are resolved to steadily implement redemption of preferred stocks based on the Capital Reorganization Plan to resume the payment of dividends inthe fiscal year ending March 2008.

On February 11, 2007, we celebrated the 70th anniversary of the Company since inception. We maintain sincere gratitude to our shareholders, business partners and customers who have extended their support to the Haseko Group, and aim to become an “only one ” group of companies that meet the needs of society. We appreciate your continued and further support.

June 2007

Takashi Iwao

Takashi Iwao, President and
Chief Executive Officer

Haseko Today and Our Management Strategy

Planning Position of New Medium-Term Business Plan (from April 1, 2005 to March 31, 2008)

Final phase towards completion of corporate revitalization

Realization of "New Urban Business Industry" for sustainable growth

The Company Group that preserves asset value for residents
"Construction business" and "Service-related business" as two main pillars

■ Basic policy

1. Assure continued high level of income through reinforcing construction orders for condominiums and diversifying style of orders.
2. Complete corporate restructuring by dealing with the preferred stocks (DES preferred stocks) issued through a debt equity swap as well as reinforcing the prospect of dividends resumption.
3. Reinforce and restructure the service related business with M&As and tie-ups as a possibility.

■ Quantitative target

Consolidated ordinary income: Assure steady income levels of at least 40 billion yen
Non-consolidated ordinary income: Renew our past record of 33.6 billion yen (March 1991)
Ordinary income of consolidated subsidiaries: Strive for 10 billion yen (including 7 billion yen generated from our service related business group)

Points of Focus in Conducting the Plans

1. Further expand earnings in our core business

Construction Related Business Group

We will work to implement our proprietary business model that allows us to conduct all aspects of the condominium business from securing land information through sale and management, by strengthening our capabilities to acquire land for project owners and to participate in their projects as a means to respond to intensified competition over land acquisition, and by reinforcing our construction system through tie-ups with partner companies.

Service Related Business Group

We aim to increase the work volume of for-sale condominium management and for-rent condominium operations as well as the number of units we manage, in order to assure stable sources of revenue. We are also working to reinforce the service businesses, including the total interior business and the recycling business, and expand their offerings, building on the stocks of condominiums with around 450,000 units that Haseko has constructed.

2. Endeavor to resume payment of dividends through maintaining a healthy financial foundation and reconstructing our capital configuration

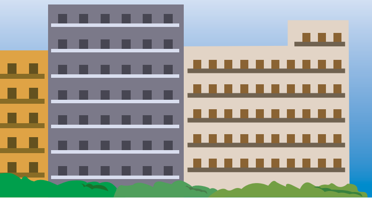
In August 2005, we announced the Capital Reorganization Plan to reduce the number of latent stocks, which accompanied the conversion of preferred stocks. We are working to steadily implement this Plan, and are putting forth our utmost efforts to resume the payment of dividends when the New Medium Term Business Plan is completed.

3. Strengthen our technological capabilities and technical development abilities

We are aiming to strengthen the development of efficient and streamlined production technology (technology as producers) and the development of products that generate added value (technology desired by residents), and working to optimally utilize these technologies to achieve expanded revenues.

4. Strengthen our management and operation systems

We have worked to enhance and strengthen our corporate governance systems by newly establishing an Internal Auditing Department and Risk Management Department. We will further reinforce our efforts in implementing a customer-first philosophy, compliance and corporate social responsibility (CSR).

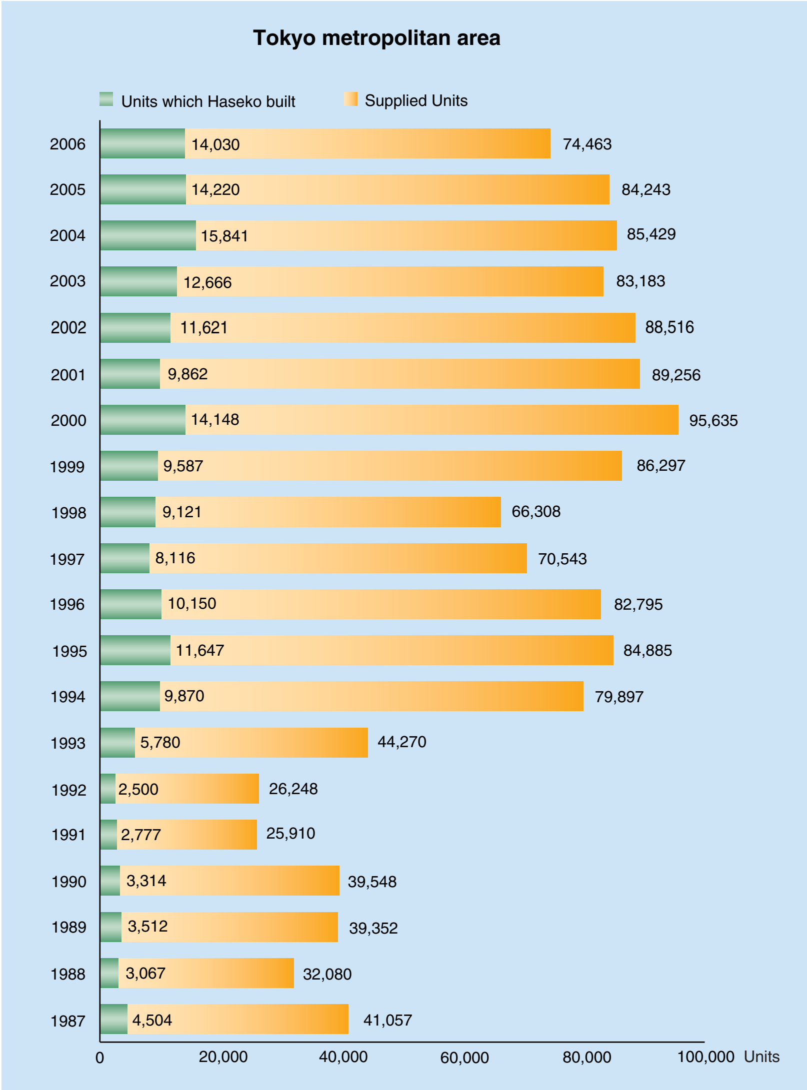


Business Overview of the Group

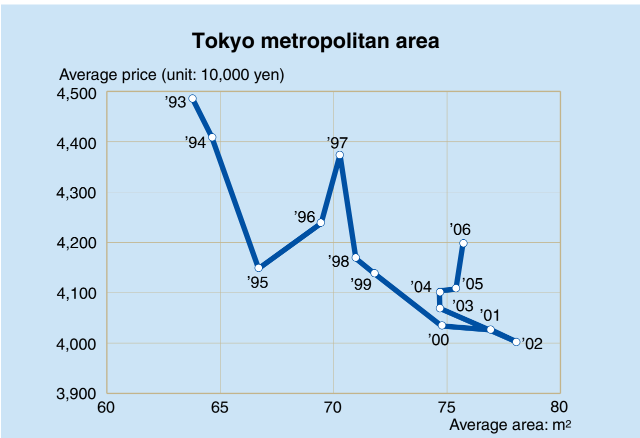
In the domestic condominium market during the fiscal year under review, there were increases in land prices and construction costs in the Tokyo and Kinki metropolitan areas as well as intensified competition that made it difficult to acquire land for condominium projects. This led to a decline in supply in city centers and an increase in supply in suburban areas, creating a change in the trend of dwellers returning to city centers. Against this background, our sales continued to be strong centering on large-scale projects, enabling finished inventory to stay at a low level.

Looking back on the Japanese condominium industry in recent years, condominium prices soared during the condominium boom in the bubble economy between 1986 and 1989. The boom eventually vanished with the collapse of the bubble economy. After the collapse, however, drops in condominium prices generated demand centering on consumers who could not afford the prices during the bubble era, and a condominium boom was experienced from 1994 to 1996. In 1997 and 1998, both demand and supply dropped partly due to financial uneasiness caused by the bankruptcy of Yamaichi Securities. Nevertheless, the emergency economic measures of the government (tax benefits over housing loans and lowered interest rate of 2.0% by the Government Hosing Loan Corporation opened an era of mass supply and mass sales that has continued from 1999 up to now. Further, the Kinki area entered an era of mass supply in 1996 thanks to the revival as a result of the Hanshin-Awaji Earthquake.

■ **History of condominium units supplied (1987-2006)**

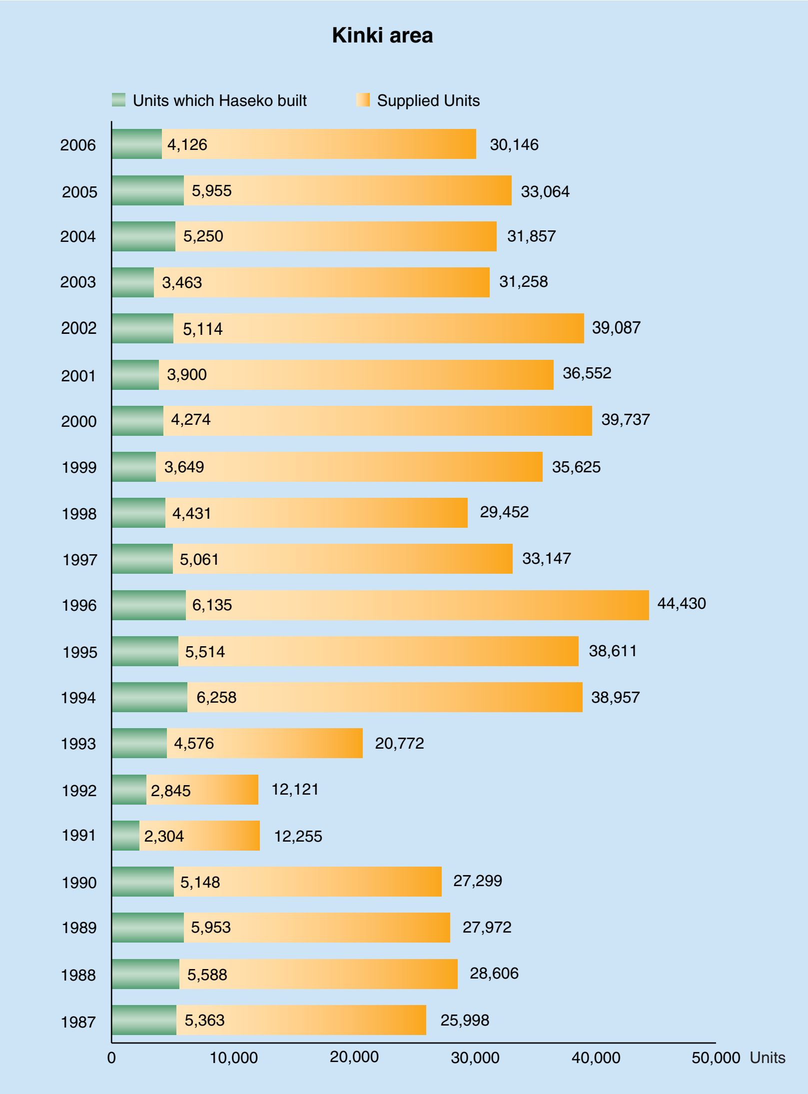


■ **Average area and average price history (1993-2006)**



Source HASEKO Research Institute.

■ **History of condominium units supplied (1987-2006)**



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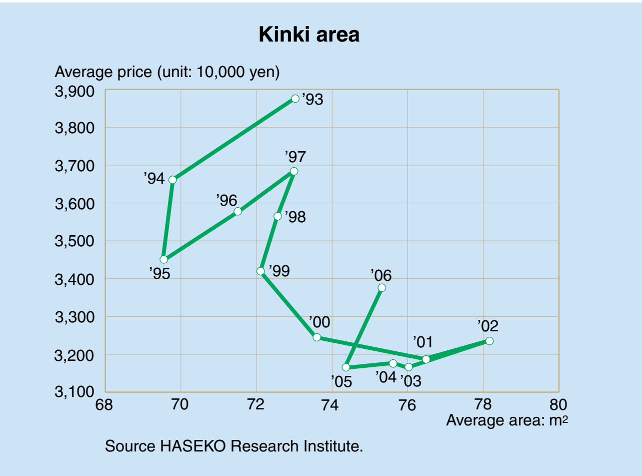


The condominium market has stayed at around 41 million yen per unit in the Tokyo metropolitan area and around 32 million yen in the Kinki area. The number of new supply has also remained at a high level during the past few years, with over 80,000 units in the Tokyo metropolitan area (except for the 74,463 units last year) and over 30,000 units in the Kinki metropolitan area. Under these conditions, Haseko has secured a stable number of units constructed, with an average of over 12,000 units in the Tokyo metropolitan area and over 4,000 units in the Kinki metropolitan area.

The breakdown of transactions has also changed. During the bubble period, the real estate transaction market was led by transactions that incorporated speculation factors, and the market was overheated due to transactions being conducted at land prices that were beyond the profitability of the property. Presently, however, emphasis is placed on the value of buildings expressed by the combined real estate price of land and buildings, and the market price of an investment property is determined by the capitalized value that is based on cash flows and returns. Thus, for-sale real estate has become a financial product, and such funds as J-REITs have appeared. In the housing market, a new form of transaction has started in which real estate funds specialized in residential properties and for-sale condominium operators sell the whole condominium project to funds.

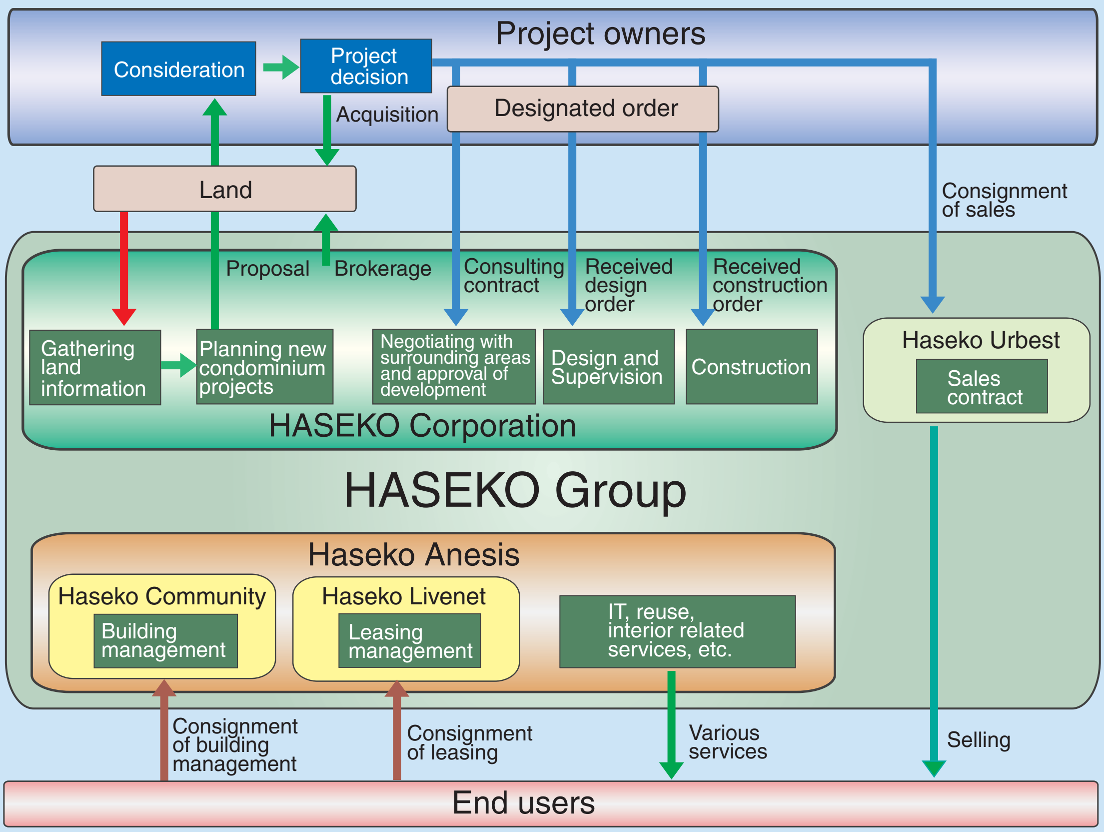
Business Overview of the Group

Haseko Corporation features a business model that allows it to completely conduct all aspects of the condominium business, from securing land information through creating and proposing business plans to consulting with local governments, designing plans and managing construction. Combined with the expertise of the group companies engaged in selling, management, brokering and leasing, Haseko has firmly established its position as the top constructor of condominiums.

Haseko Features Securing Orders through Proposals (Preparing Land)

Haseko receives orders in the form of Haseko Designated Orders by proposing condominium projects. Based on ts long track record and enriched marketing functions from strong capabilities in gathering land information and accumulated databases covering about 450,000 condominium units, Haseko established a relationship of trust with business partners and project owners through its marketing style of creating and proposing extremely precise construction plans, business revenue plans and work schedules in a short period of time.

Business Model



Tokyo Suite Residence
Total units: 526

The Kitahama
Total units: 465

Construction Business

Construction

Haseko has been specialized in condominium construction for a long time. This has enabled Haseko to establish highly skilled engineers, including subcontractors, and has secured robust competitiveness in every aspect of its construction accuracy, schedules and costs.

Haseko has established a construction management system that is efficient (no re-construction) and highly precise (few complaints), always taking into consideration the "maintaining of safe and comfortable conditions at construction sites," "grasping costs and working on rationalization," and "delivering buildings on schedule with quality that earns the trust of customers."

In addition, Haseko adopts new products and technologies developed on the basis of R&D activities at its Technology Research Institute. This has enabled Haseko to provide condominiums that realize shorter construction schedules and quality that does not disappoint the trust of its customers. While employing state-of-the-art construction methods, Haseko works to establish an efficient construction management system that keeps to budgets and promotes smooth implementation of project schedules. These measures are what have maintained Haseko's high productivity, which serves as a source of its high profitability.

Work Consignment

Haseko features securing orders in the form of Haseko Designated Orders by proposing condominium projects. This means that, aside from construction, Haseko also receives orders for other tasks that accompany construction work. In particular, Haseko demonstrates its superb ability to ensure the speedy approval of development, as it negotiateswith neighboring residents, preparing shadow maps, and participates in development briefings, after confirming the project owner's desire to proceed with the project.

In addition, in large-scale projects that will lead urban development, Haseko proactively works to develop the city in close coordination with neighboring residents and governmental offices.

St. Place Osaka
Total units: 1,084

Mizonokuchi Garden Aqua's
Total units: 855

Engineering Business

Design

It is vital for condominium design to plan products that meet the diversifying needs of customers. The design divisions are always pursuing "what is best for residents." Feedback of customer information is received and design work is conducted from the viewpoint of end users. Haseko has built a presentation space, called "LIPS," for our condominiums and at the condominium design stage after it has been finalized that a project will be done, decisions regarding the products to be used are made while looking at displayed products with the project owner. It is possible to realize prompt, reliable designs since our actual experience with various and cutting-edge products facilitates the smooth selection of parts, materials and products.

Furthermore, close collaboration with the construction divisions is conducted in order to realize designs that facilitate construction and are economical. This has achieved a system that effectively lowers costs by winning secure orders through the integration of design and construction.

Tokyo Union Garden
Total units: 791

Completed

Designed image

<Good Design Award>

During the fiscal year, the Tokyo Terrace located in Setagaya Ward, Tokyo, received the 2006 Good Design Award sponsored by the Japan Industrial Design Promotion Organization (JIDPO). This represents a valuation from outside, and the project was evaluated as "having utilized greenery in a good way, created the feeling of a resort in the center of the city, and staging a comfortable public space." Haseko also won a variety of awards, including the Rooftop Greening Award by the Minister of Land, Infrastructure and Transport at the Rooftop, Wall and Specific Greenery Technology Contest.

Haseko Corporation works to create excellent products by employing designs appropriate for each individual project while giving careful consideration to the environment and safety, and assuring harmony with the local conditions.

Tokyo Terrace, Total units: 1,036

Received the Good design award 2006, an environmental design was evaluated in construction and environmental design section

Real Estate Business

Land Brokerage

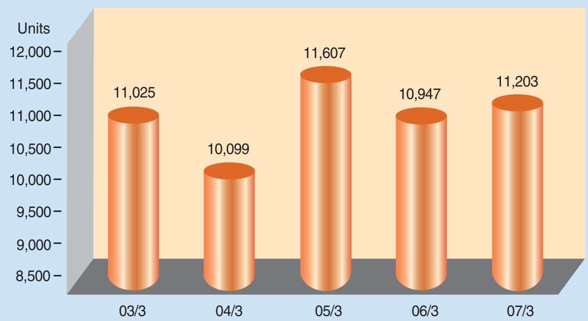
Haseko has a section that specializes in gathering information on land, which is the foundation of the condominium business, and is demonstrating a highly advanced information gathering ability. Haseko conducts not only site research but also research of prices of neighboring lands and their right holders, and solves various problems that may hinder selling. This enables Haseko to construct trusted relationships with customers who sell their properties as well as from business partners and project owners who purchase lands.

Commissioned Selling and Brokerage:

Haseko Urbest, Inc.

Haseko Urbest is engaged in commissioned selling of new for-sale condominiums and brokering of real estate. Its commissioned selling divisions boast concluding sales contracts for approximately 10,000 units annually and have established leading positions as commissioned sellers of condominiums. On the other hand, its brokerage divisions conduct brokering, primarily of large-scale projects that the Haseko Group designed, constructed and sold, at its 12 branches in the Tokyo metropolitan area and 8 branches in the Kinki metropolitan area (as of the end of March 2007).

Haseko Urbest
■ Condominium units contracted



Leasing and Management Business

Supervision of Service Related Business:

HASEKO ANESIS

The Japanese frontier in the 21st century is the Large Metropolis and we believe there is a demand for “efficient application of stock” and “support of a comfortable urban lifestyle.” The aging of society with fewer children is also expected to lead to a declining population.

HASEKO ANESIS was established for second mainstay business after the construction of condominiums and providing service related businesses for the Haseko Group and the company has extended complete businesses for satisfying the needs of the 21st century that are based on new concepts unbound by the ties of our Group’s business to date. HASEKO ANESIS is developing new markets and business forms as interior design and recycling.

Condominium Building Management:

HASEKO Community

Haseko Community conducts the condominium management business based on abundant know-how gained from its record of managing over 180,000 condominium units.

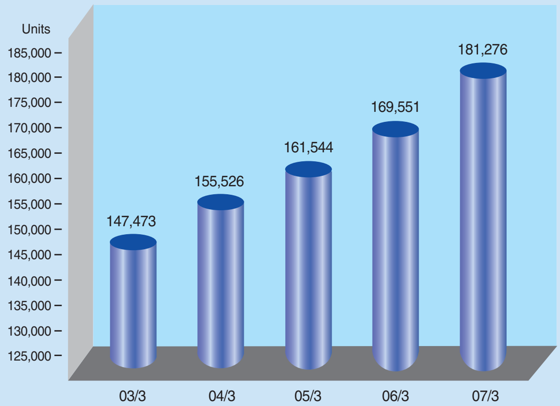
In managing condominiums, it proposes assistance in condominium lifestyle that includes risk management measures and preparing long-term repair plans, while providing administrative work, administrators, facility management, cleaning and complete monitoring. Through its administrative work, which is closest to residents, Haseko Community is positioned to quickly grasp the voices of customers so that it can provide even better condominiums.

Leasing Management and Operation of Condominiums:

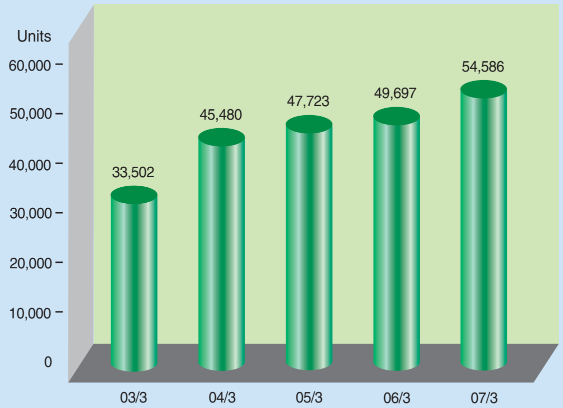
HASEKOLivenet

Haseko Livenet is engaged in the leasing management and operation of condominiums, and maintains a high occupancy level of rental condominiums. Haseko Livenet provides management systems from the viewpoint of property owners. Haseko Livenet leases all available units and pursues “Sub-lease system” which provides the owners stable rents, and works as an agent for a variety of procedures and work related to leasing operations.

Haseko Community
■ Managing condominium units



Haseko Livenet
■ Operating rental condominium units



Other Business Segment

Senior Living Business:

Century Life

Century Life has been working on a "proposal for preparing housing and living means for the elderly" in anticipation of demand in Japan due to the rapidly advancing aging society. By applying our skills and know-how in condominium construction and design, which Haseko specializes in, Century Life embarks on the planning and operation of elderly living facilities with long-term care functions from the perspective of "living," which differentiates them from medical facilities. As of the end of March 2007, Century Life operates four such facilities in the Tokyo metropolitan area, and aims to open around thirty facilities in the next ten years, including expansion in the Kinki metropolitan area.

Century City Omiya-Koen Annex
Number of rooms: 30 units
Since August 2000

Century City Omiya-Koen
Number of rooms: 109 units
Since January 1989

Recycling Business:

KASIKOSH

One of the greatest concerns for condominium residents as they try to maintain a comfortable living space is how to organize, store and dispose of "things" that continue to pile up within their daily lives. HASEKO ANESIS has introduced a "service for buying unnecessary goods onsite" in which it goes to condominiums managed by Haseko Community, the group management firm, and buys unnecessary goods. These goods are then sold by its recycling shop "KASIKOSH." This service has been popularly received by residents because of the convenience of being able to easily bring in goods for sale regardless of the volume or quality due to the fact that the goods are bought on-site at the condominium they live in and the sense of security that comes from the proposal being made by the management firm that residents deal with on a regular basis.

Hotel Business:

Brighton Corporation

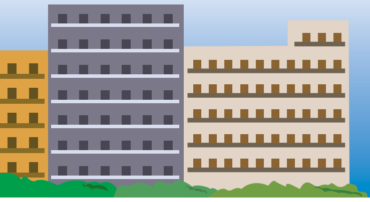
Brighton Corporation operates four hotels, including the Kyoto Brighton Hotel. It has achieved original, operations with innovative thinking and a focus on the requirements of individual users.

Senior Living Business: **Century Life**

Century City Kita-Urawa
Number of rooms: 58 units
Since February 2003

Century Port Nishi-Chiba
Number of rooms: 64 units
Since June 2006

Recycling Business: **KASIKOSH**



Garden Flats ToyonakaAsahigaoka - First Rebuilding Project in Japan Using Neighboring Land

The number of projects in which condominiums have been successfully rebuilt in Japan totals approximately 120. Rebuilding of condominiums where many people actually live is accompanied by difficulties, including the adjustment of rights and fund raising. Haseko Corporation, which boasts the top rebuilding results in Japan, has successfully implemented 18 rebuilding projects. The 112-unit Asahigaoka No. 2 Housing Project, which was one of the 18 projects and was built for sale by Japan Housing Corporation (presently the Urban Renaissance Agency) in 1968, finished rebuilding construction in July 2006.This project had a business structure in which the right holders continued to live in the previous building while the new condominium, constructed on the neighboring site with 208 units and named Garden Flats ToyonakaAsahigaoka, and transferred to and settled in the new condominium after it was completed. This structure minimized the annoyance and cost burdens related to securing temporary housing and moving during the construction period.

At the end of 2005, there have been approximately 4.85 million condominium units built in Japan. Of these, around 510,000 units were 30 years or older, and this figure is expected to soar to around one million in 2011. Demand for rebuilding is expected to expand in the future, and Haseko Corporation will realize rebuilding that should satisfy residents by utilizing the experience and know-how on condominiums it has fostered for long years.

Joint Development of Returnable Packaging Materials for Water Heaters

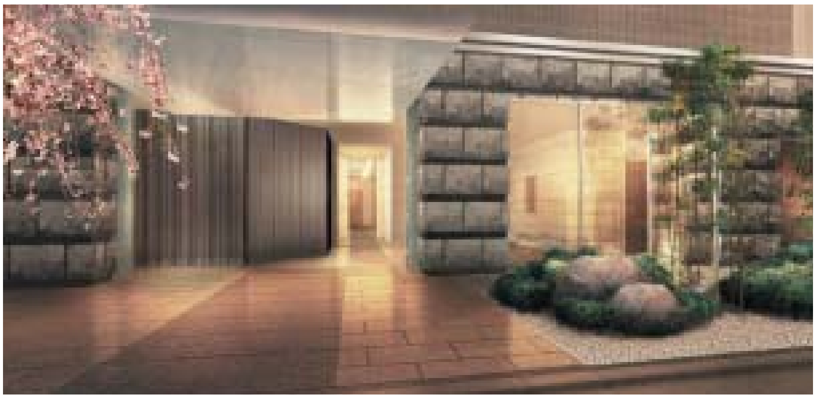
Haseko jointly developed returnable packaging materials, to be used in transporting water heaters, with Noritz Corporation. Haseko is working to preserve the environment by using returnable packaging materials instead of packaging equipment in cardboard, leading to a reduction of cardboard waste from construction sites.

Haseko has re-used some of the cardboard packaging materials for sliding doors in condominiums designed and constructed by Haseko, or for simplified meeting tables, benches and waste boxes on the construction sites.

Haseko has also shifted use of cardboard to polyethylene bags as packaging materials for PB unit tubes and unit cables, and adopted the returnable packaging for distribution boards equipped in individual units. Through these and other measures, Haseko is proactively working to reduce cardboard waste and establish recycling techniques.

The new packaging material has excellent impact resistance, and can be used repeatedly. After being used as containers, they are again re-used as materials.

Development of "RAKU Style," Proprietary Condominiums Meeting Needs of City Dwellers



The aging of society in Japan is progressing, and it is expected that 25% of the country's population will be 65 years old or older by 2010. Under such an extremely elderly society, new genres of condominiums, rather than for conven-tional condominiums for families, are required. Furthermore, recent surveys have revealed that there is increasingly conspicuous demand from retired generations for living in central cities. Targeting elderly people who are active after finishing child raising, Haseko Corporation has planned and devised condominiums based on the concept of "lifelong housing"

Features of the RAKU Style

Having incorporated the two viewpoints of "comfort with consideration to health and the environment" and "safety and security with consideration to crime prevention," the RAKU Style condo-miniums also represent a style suitable from the perspective of "husband and wife," providing couples with richer and more enjoyable future lives.

■ **Major items applied with considerations to the two viewpoints**

Consideration to comfort	Consideration to safety and security
Heat insulation performance compliant to the next-generation energy-saving standards Kitchen disposer Lighting with minute illumination that does not hinder comfortable sleep WC equipped with independent hand washer and a counter with support hand rail Using multiple-layer glass for the sash at open ends	Electronic keyless lock system assuring high safety Barrier-free sash that allows complete sweeping Entrance door that shuts slowly Emergency call buttons

Installment of Automated External Defibrillators (AEDs) at Construction Sites

Recently, AEDs are increasingly being installed at stations, schools and companies. However, they have not been widely used at general households, and it is desirable to increase the number of installment locations and people who can handle the equipment. Accordingly, Haseko has decided to install AEDs at the workplace of every construction site. Starting in June 2007, Haseko will gradually introduce the equipment and set up a system that allows site workers, etc. to receive instruction on the method of use and handle them.

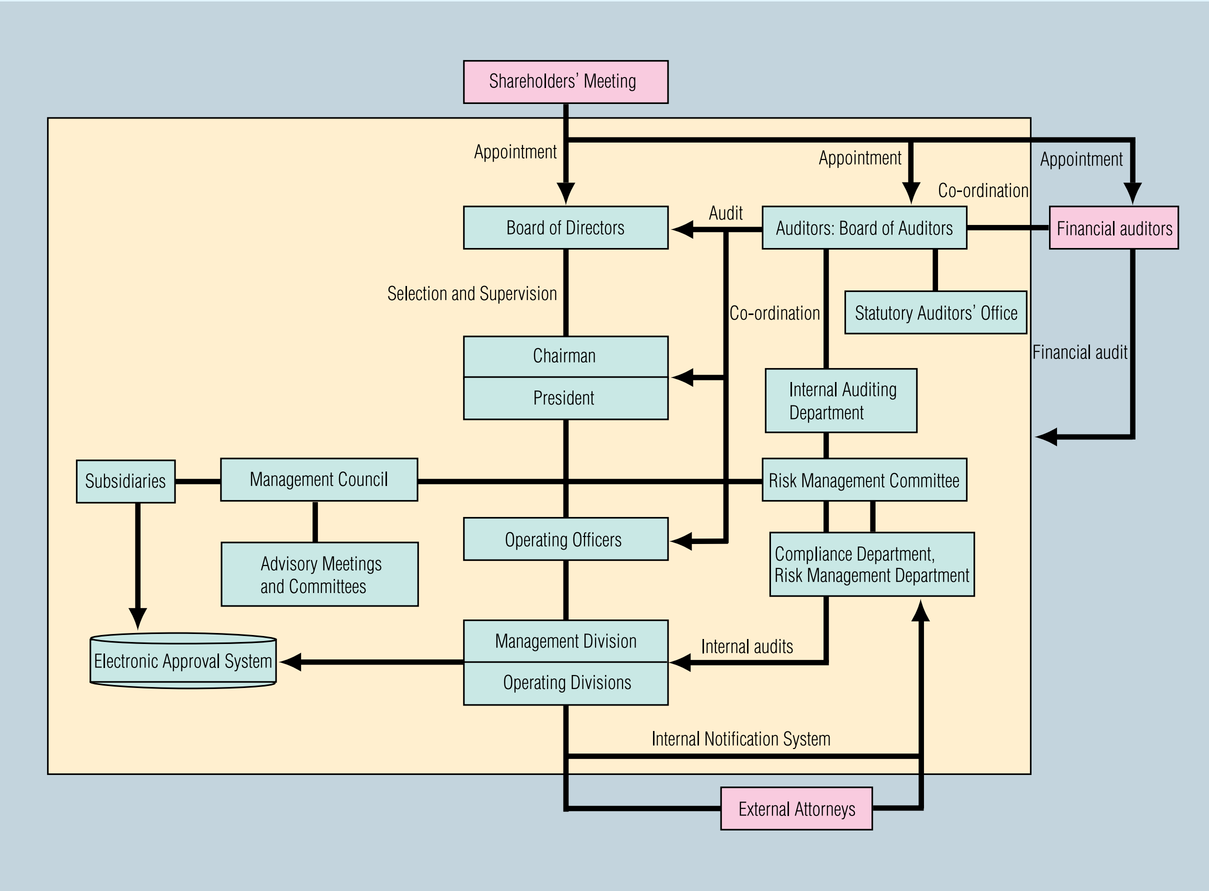
In addition, Haseko will set up displays of "AED Installed" under the construction boards near the construction workplace gates and other locations, so that ordinary people could use the equipment in the case of the need for emergency responses around the workplace.

■ **Display of "AED Installed" and AED equipment**

Corporate Governance

The basic management policy of Haseko is to contribute to society and win trust through business operations that put customers first. Furthermore, Haseko has positioned reinforcement of corporate governance as one of the greatest management priorities for the reason that management transparency and objectivity are indispensable to the operations in order to maximize corporate value in a stable manner over the long term and to assure the benefits of shareholders.

Diagram of company institutions and internal governance



(1) Board of Directors

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

(2) Management Council

The Management Council consists of ten directors, five of whom are the president, as the chairperson, and executive officers; and the other five are senior operating officers designated by the chairperson. The Council meets twice a month to hold advance discussions on important items to be decided by the Board of Directors and conduct flexible decision-making on daily operational items within the scope entrusted to them by the Board of Directors.

(3) Board of Auditors

The Board of Auditors attend the Board of Directors meetings, the Management Council meetings and other important meetings, and hold regular meetings of the Board of Auditors once a month as well as special meetings as necessary. The President exchanges opinions on a regular basis with the Auditors in order to assure smooth, mutual communication. The Board of Auditors explains its annual audit plans and focus items concerning audits at the Board of Directors meetings and seeks the cooperation of directors. Directors are required to meet these requests.

(4) Operating Officer

Haseko has introduced the "operating officer system" in order to define operational responsibilities and construct structuring of an operational system that is appropriate for the business environment.

(5) Compliance Department

Compliance Department was created to promote and educate compliance based on the corporate regulations on compliance. The Department has established an internal notification system for providing consultations on compliance and reporting on actions that breach laws, by setting up a point of contact that is also accessible to parties outside the Company. The Company also established the Haseko Group Standards of Conduct in April 2003 with the recognition that intensive compliance is indispensable for the existence and continuity of a corporation. With the Standards, Haseko is working to establish a management system so that all directors and staff not only comply with all laws and the Company's articles of incorporation, but also respect societal standards and take a sensible course of action in keeping with their responsibility as members of society, winning the confidence of society.

(6) Internal Auditing Department

In April 2005, the Company created Internal Auditing Department, which investigates and evaluates individual department activities to determine whether they are compliant with laws and the Compan's articles of incorporation as well as other regulations and policies in accordance with internal corporate regulations concerning internal audits. Based on the results, the Department has the individual departments improve activities.

(7) Risk Management Department

Considering 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 Risk Management Department established in April 2006.

(8) Approval System

The decision-making process of the approval system, which serves as a decision-making system and record for work implementation, was digitized in April 2002. This system enables auditors and the Management Division to view and check content at any time.

(9) Advisory Meetings and Committees

In regard to those cases forwarded to the Board of Directors and Management Council that involve many departments or require specialized knowledge, the establishment of advisory meetings and committees allows sufficient advanced verification. In addition, the making of periodical reports of the monitoring results is an established obligation for cases requiring monitoring.

(10) Risk Management Committee

The Company established the Risk Management Committee, chaired by the president, in May 2006 with the aim of strengthening the risk management system of Haseko and its entire Group. As a result, a system was constructed in which cross-sectional collection of information, analysis, evaluation and handling of risks are conducted in accordance with the internal corporate regulations concerning risk management.

(11) Description of Director Remuneration

	Number of people Persons	Remuneration Million yen
Directors	13	307
Auditors	4	40
(External auditors in the above)	(3)	(24)
Total	17	347

(12) Status of Financial Audits and Description of Auditor Remuneration

Certified public accountant: Ernst & Young Shin Nihon

	Paid amount Million yen
Remuneration based on operations regulated in Article 2-1 of the Certified Public Accountants Law	89
(Remuneration that Haseko should pay in the above)	(40)
Remuneration based on other work	–

Risk Information

The following information on risks has been disclosed in the Yukashoken-Houkokusho for the year ended March 31, 2007.

The performance and financial conditions of the Haseko Group have the potential of being impacted by a variety of factors and we have described the primary items related to business and other risks that we feel can potentially have a material impact on the decisions of investors. The Haseko Group recognizes that there can be a variety of risks in addition to those listed below and is striving to prevent, disperse or avoid these as much as possible. However, there is also the potential that the performance and financial conditions of the Haseko Group will be impacted by external factors not under our control and by other items, etc. that are presently judged to have little potential of actually occurring.

Furthermore, any items referring to the future that appear in the following text are based on judgments made as of the end of this consolidated fiscal year.

(1) Dependence on the condominium business

The Haseko Group is significantly dependent on the business of constructing condominiums in the Tokyo metropolitan area and Osaka metropolitan area. The amount of orders received and volume of the condominium business may be largely impacted by trends involving the supply of new condominiums, their sales, the supply of properties for constructing condominiums and the business scale of the developer. This may impact the Group's performance and financial conditions.

Furthermore, Haseko's primary business model involves securing properties and proposing development projects to developers. This model is based on our ability to gather information on properties and our ability to manage condominium projects. There is no guarantee, however, that we will keep our competitive advantage with this business model, and be able to maintain or enlarge our market share and profitability.

(2) Construction market trends

The performance and financial condition of the Haseko Group may be negatively impacted if the trend in the overall performance of the construction industry causes increasing entries to the condominium construction industry, leading to intensified price competition with rivals in the industry, amid the shrinking trend in the construction market. In addition, a negative impact could be produced if prices for construction materials and labor suddenly increase and securing of materials and labor becomes difficult or if our production capacity decreases due to a failure to secure cooperating companies for other reasons.

(3) Governmental and legal regulations and litigations, etc. on building construction

Partial revisions to the Building Standard Law and Architect Law were enforced on June 20, 2007, in order to secure the safety of buildings. Revisions for more stringent regulations in building construction authorization and inspections may cause delays in the commencing of construction and have other influences. Furthermore, the performance of the Haseko Group may be negatively impacted when the commencing of construction is delayed or suspended due to unforeseen governmental regulations, anti-construction activities of local residents and ensuing lawsuits.

(4) Warranty responsibility

Although the Haseko Group does its best to maintain and improve construction quality, the occurrence of a warranty responsibility that exceeds appropriated amounts of allowances and the occurrence of damage compensation that cannot be covered by insurance may have an impact on the performance of the Group.

(5) Credit risk of clients

A characteristic of the construction industry is that the amounts of money involved in contracts for individual transactions are substantial and, in many cases, the construction costs are paid for in installments or large payments are made upon delivery of the property subject to the contract. Therefore, when a business partner suffers from poor credit prior to having paid for the construction, there is a possibility that this will impact the performance and financial situation of the Haseko Group.

(6) Protection of personal information

The Haseko Group possesses large amounts of personal information for customers who have purchased or are considering the purchasing of condominiums, residents of condominiums managed by Haseko, etc., and manages a large amount of computer data including sales and purchasing information.

Haseko has established internal rules (basic policies, regulations and detailed rules) for handling personal information and prepared organizations to meet the regulations in line with full implementation of the Personal Information Protection Law from April 2005. As for the handling of other information, each department is also committed to the management of information and preparation of individual security policies (basic policy, countermeasure standards and execution procedures). However, there is always the possibility that information will be leaked due to a computer system problem or that information may be leaked at the result of a criminal act. These types of incidents may cause the Group to lose its societal standing, hurt its corporate image, and have a significant impact on the Group's performance by lowering sales and generating liability for damages.

(7) Owned real estate

Real estate has an inherent risk of fluctuations in market prices and the risk of generally low liquidity not allowing the real estate to be sold at the market price, depending on the supply-demand conditions at the time of sale. As for real estate that has been acquired for sale, it has the risk of not being able to secure the scheduled collection amount depending on the progress of the business plan, or of suspension of the plan being forced due to various factors. As for fixed assets, the Haseko Group implemented impairment accounting on fixed assets early, beginning in the term ended in March 2005, and there is the potential risk that we will be unable to achieve the scheduled cash flows due to deterioration of leasing conditions and business accounts or other factors. As a result, we may have to recognize losses on fixed assets that are recorded based on their acquisition price when impairment accounting is applied. This has the potential of impacting the performance and financial condition of the Haseko Group.

(8) Interest payments

Haseko has primarily obtained its capital through borrowings from financial institutions and these borrowings are subject to variable interest rates. Therefore, any sudden change in interest rates or borrowing terms with financial institutions can potentially impact our performance and financial conditions.

(9) Allowances and provisions for doubtful accounts

In regards to our outstanding loans to vendors and affiliates, etc. of the Haseko Group, we have appropriated an allowance for doubtful accounts based on an estimated amount that would become problematic in the event that the borrowers become unable to pay. Therefore, when the financial condition of the borrowers deteriorates and causes a decrease in their ability to make payments, there is a possibility that an additional allowance will need to be secured and that losses from doubtful accounts will be generated.

(10) Retirement benefit obligations

The retirement benefit costs and retirement benefit obligations towards employees of the Haseko Group are calculated based on projections established through discount rates and on other actuarial calculations and expected profitability of pension assets. When actual results differ from projections or the projections are changed, the impact of such are accumulated and regularly recognized in the future, and thus generally impact the recognized costs and appropriated obligations in future periods. Therefore, fluctuations in the discount rate and the managed return may negatively impact the performance of the Haseko Group.

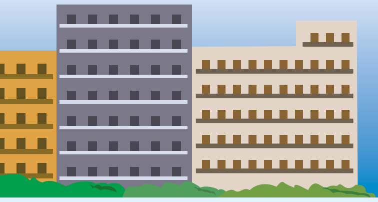
(11) Deferred tax assets

The Haseko Group has appropriated an allowance based on assessment for deferred tax assets in order to reduce the amount to the level that may be likely to be realized, but this calculation depends on estimates regarding future taxable income and there is the possibility that actual results will differ from the estimate. When the Haseko Group decides that all or part of deferred tax assets cannot be collected based on the estimate for future taxable income, deferred tax assets will be reduced and appropriated as an expense. On the other hand, when it is decided that deferred tax assets greater than the appropriated amount can be collected in the future, this is registered as a profit and would impact the performance of the Haseko Group.

(12) Preferred stocks

The preferred stocks Haseko issued through a debt equity swap on September 27, 2002 have been granted the right to request conversion to common stocks and any of these stocks for which requests for conversion are not filed during the conversion period will be forcibly converted. Starting on October 1, 2006, relevant preferred stocks have in turn been entering conversion request periods. They will reduce the net income per share when they are converted into common stocks and, when they are sold in the market, may also potentially negatively impact the market price of our common stocks depending on the supply-demand conditions at that point. Moreover, the mere existence of such preferred stocks can have a negative impact on the market price of common stocks.

Furthermore, of these preferred stocks, Haseko has established conditions of redemption for Preferred Stocks Class AⅣ and Class BⅠ, and has announced a plan to conduct redemption over six years starting from the fiscal year ending March 31, 2007, with the aim to reduce latent stocks. However, such redemption requires profits that produce dividends. Accordingly, there is a possibility that part of the redemption may not be implemented when the necessary profit is not produced during the established redemption periods.



Financial Section

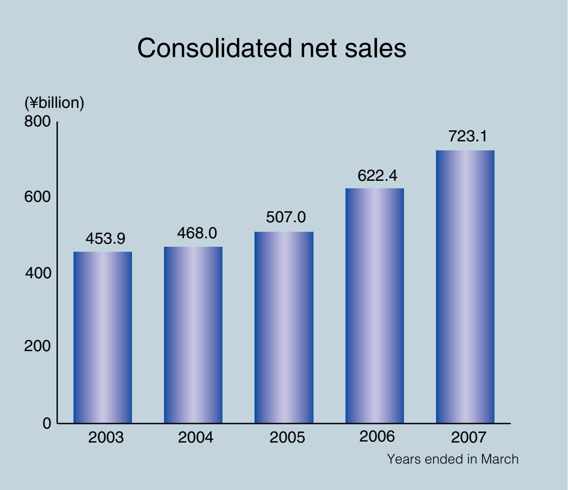
Five Years Summary
Haseko Corporation and its Subsidiaries
(Years ended March 31, 2003, 2004, 2005, 2006 and 2007)

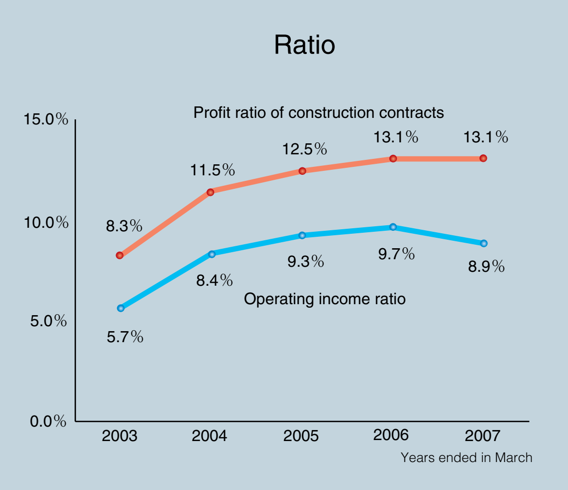
	Millions of Yen				
	2003	2004	2005	2006	**2007**
For the Year:					
Net sales	¥453,863	¥468,018	¥506,954	¥622,396	**¥723,118**
Operating income	25,763	39,529	47,003	60,670	**64,501**
Ordinary income	15,977	33,941	39,750	53,135	**63,046**
Net income (loss)	5,021	15,543	(48,141)	47,689	**33,695**
At Year-end:					
Total assets	¥514,689	¥494,097	¥478,783	¥499,918	**¥546,723**
Total net assets	30,961	44,916	95,515	109,201	**113,016**
	Yen				
Per Share Data:					
Net income (loss)	¥19.40	¥49.78	¥(122.03)	¥67.27	**¥31.67**
Net assets	(363.34)	(310.53)	(252.18)	(28.87)	**23.22**
	%				
Ratios:					
Equity ratio	6.0	9.1	19.9	21.8	**20.7**
Return on equity	–	41.0	–	46.6	**30.4**

Analyses on Financial Condition and Business Performance

(1) Business Performance

During fiscal 2006, ended March 31, 2007, the Company faced such concerns as increased land prices, strengthened regulations on condominium construction and significant hikes in the prices of construction materials. Nevertheless, Haseko further refined its proprietary business model for the "total produce" condominium business, reinforced its technological capabilities, and endeavored to produce high-quality, attractive products and services by consolidating the strengths of the entire Haseko Group. As a result, the Haseko Group continued to





achieve good sales centering on large-scale projects, with finished inventory kept at a low level.

Net sales increased 16.2% compared to the preceding consolidated fiscal year to reach 723.1 billion yen. Operating income totaled 64.5 billion yen (same, 6.3% increase), due to significant increases both in real estate sales and profits realized by increased sales volume of land we acquired in preparation for construction orders. Ordinary income totaled 63.0 billion yen (same, 18.7% increase), as financial balances and such financial expenses as loan fees were largely improved thanks to the refinancing the Company conducted in the previous fiscal year. As for special income and losses, the Group booked 26.4 billion yen for special losses. This included 19.5 billion yen for an impairment loss of fixed assets whose possible collection amount dropped due to decreased real estate prices, decreased profitability or changes in the purpose of owning the properties, as well as 7.8 billion yen used as provisions for losses concerning litigation on the claim for construction charges. Consequently, net income after income taxes was 33.7 billion yen.

(2) Financial Condition

Net cash provided by operating activities was a surplus of 22.2 billion yen. This was a decrease of 43 billion yen from the previous consolidated fiscal year, due to decreases in the balances of expenditures for uncompleted contracts (a decrease of 7.8 billion yen), notes, accounts payable and accrued expenses (same, 22.2 billion yen) and inventories (same, 16.4 billion yen.)

Net reduction in cash by investing activities was 3.6 billion yen, an improvement of 4.8 billion yen from the net reduction in cash of 8.4 billion yen in the previous fiscal year. This improvement was due to such factors of increasing cash flows as a decrease of 1.9 billion yen payment of loans receivable and an increase of 1.7 billion yen in collection of loans receivable.

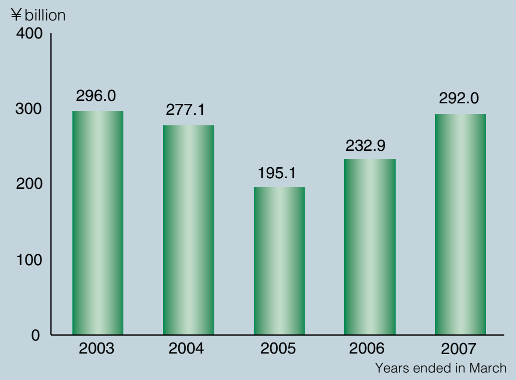
Net reduction in cash by financing activities was 29.7 billion yen, representing an improvement of 44.5 billion yen from a net reduction in cash of 74.2 billion yen in the previous consolidated fiscal year. This improvement was achieved by the reductions in repayment of long-term debt (a decrease of 155.2 billion yen) and in payment for purchase and redemption of treasury stocks (a decrease of 7.7 billion yen), despite factors to decrease cash flows such as the balances of borrowing and repayment of short-term debt and long-term debt increasing 21.5 billion yen and 100.2 billion yen, respectively, in excess of borrowings over repayment.

As a result, cash and cash equivalents at the end of the consolidated fiscal year totaled 66.0 billion yen, a decrease of 11.1 billion yen from 77.1 billion yen at the end of the previous consolidated fiscal year.

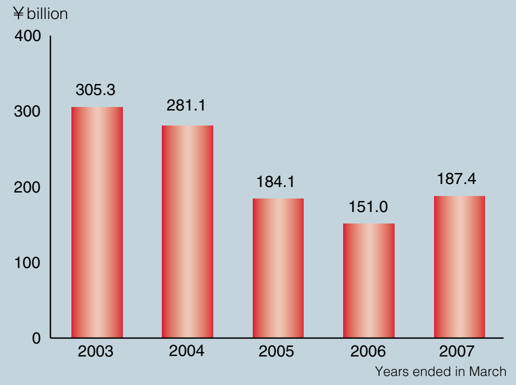
Consolidated gross assets at the end of the consolidated fiscal year increased 46.8 billion yen to 546.7 billion yen from 499.9 billion yen at the end of the previous consolidated fiscal year. A primary factor for the increase was the new subsidization of Ecology REIT Investment Corporation. The balance of interest bearing debt was 187.4 billion yen, 36.4 billion yen more than 151.0 billion yen as of the end of the previous consolidated fiscal year due to the impact of the new subsidization.

Consolidated net assets increased 3.8 billion yen to 113.0 billion yen from 109.2 billion yen as of the end of the previous fiscal year. The recording of net income overrode the decreases due to a partial buyback and cancellation of the preferred stocks Class AII and a partial redemption and cancellation of the preferred stocks Class AIV. However, consolidated equity ratio dropped 1.1 percentage points to 20.7% from 21.8% as of the end of the previous consolidated fiscal year due to the increase in consolidated total assets.

Consolidated real-estate balance



Consolidated interest-bearing debt



(3) Conditions by Segment

Construction Business

Haseko is working to optimize its land information gathering abilities, which are the foundation of its business model, in order to secure specified orders mainly for construction of for-sale condominiums. This contributed to continued good orders for condominium construction during the consolidated fiscal year, securing a total of 38 construction contracts for large projects, with more than 200 units per project, in eastern and western Japan.

In our business for rebuilding existing condominiums, we completed reconstruction of a condominium with high sound insulation capabilities incorporating a "soundproof double-deck floor system" and "hybrid soundproof walls" Haseko developed on its own. Through a sound insulation measurement conducted after the completion of the building, it was confirmed that the property had performance of highest level in Japan, recording greater than the highest marks in all items for "sound environments" under the housing performance indication system. Based on these results, Haseko is working to promote reconstruction orders by making plans and proposals that differentiate it from the competition.

Our reform business has expanded orders for large-scale repair and maintenance constructions by conducting business proposal marketing for energy-saving and crime protection measures. These proposals include incorporating "Re-sash," a sash sliding window for replacement using multi-layer glass and having high heat insulation jointly developed with Fuji Sash Co., Ltd., and the "Security Interphone System" jointly developed with Matsushita Electric Works, Ltd.

As a result, sales in the construction business segment during this consolidated fiscal year totaled 439.0 billion yen (same, 1.5% increase) while operating income was 44.0 billion yen (same, 2.5% decrease).

Engineering Business

Our engineering business has been conducting designing plans and planning, for both hardware and software, from creating products that sell with a recognition of social conditions, market trends and profitability as a business, to securing quality and performance as housing. Haseko aims to create superior products with refined designs most suitable for respective projects by working to realize harmony with local conditions while giving the utmost care to environment and safety aspects.

With this endeavor, Haseko completed the Mizonokuchi Garden Aquas project in which the Company successfully developed a grand design and an exterior appearance plan that are suitable for the local community, and created a new town that integrated the patio and living spaces. In addition, the Company made the project for an attractive landscape with such environmental considerations as reduction of CO^2 emissions by incorporating next-generation all-electric systems. In the Kansai area, three ultra-skyscraper projects with earthquake-proof structures are in progress, where Haseko is working to realize advanced technologies to assure safety and security. The three projects are 35-storied "Residence Tower Uehonmachi" (Tennoji-ku, Osaka-shi), 30-storied "Grand Maison Kyomachibori Tower" (Nishi-ku, Osaka-shi) and 38-storied "Miyakojima II Project Tower Building" (Miyakojima-ku, Osaka-shi).

As a result, our engineering business posted sales of 10.8 billion yen (same, 6.8 % increase) and operating income of 4.4 billion yen (same, 4.9% decrease).

Real Estate Business

The commissioned contracted condominium sales business enjoyed good sales in general, due to improved employment conditions, rising land prices in metropolitan areas and the anticipation of higher interest on housing loans because of the interest rate having risen two times recently. We are resolved to meet the expectations of our customers and project owners by making proposals to project owners concerning product planning that reflects more voices of customers and proprietary marketing techniques.

The Real Estate Business saw increases in real estate transactions that aim to secure construction orders for large-scale projects, which remains strong, and in the number of joint for-sale condominium projects handled. In addition, both sales and profits increased for the for-sale housing business in the Ocean Pointe project (with a total area of 449ha), which Haseko conducts in Oahu, Hawaii, backed by contracts concluded in the previous year when the housing market was buoyant.

As a result of the above, sales reached 216.0 billion yen (same, 74.8% increase) and operating income reached 11.9 billion yen (same, 78.8% increase) for the real estate business as a whole.

Leasing and Management Business

Our Leasing and Management Business conducts building management of condominiums, where we continued to provide consigned management centering on large projects thanks to synergy within the group. The number of managed units totaled over 180,000 units, an increase of 10,000 units from the previous fiscal year.

The number of managed units and consigned projects also steadily increased for our leasing management and outsourced management of corporate housing. However, partly due to the impact by assignment of the building management business at the beginning of the fiscal year, the Leasing and Management Business as a whole saw a decrease of operating income by 1.8% year-on-year to 3.7 billion yen, while sales totaled 46.1 billion yen (same, 1.2% increase).

Hotel Business

In the accommodations division, the Kyoto Brighton Hotel maintained a high level of occupancy, while the restaurant division increased guests by reinforced sales promotion activities at Urayasu Brighton Hotel, and the wedding division enjoyed positive effect of renovation of Aktis, a stand alone chapel, at the Kyoto Brighton Hotel. Consequently, all these divisions increased both volume and sales.

Competition is expected to be further intensified in the future, as new hotels are opening one after another. However, we are determined to enhance our services more than ever while working to differentiate ourselves from competitors.

Sales of the overall hotel business totaled 11.4 billion yen (same, 3.4% increase) and operating loss of 1.6 billion yen (same, 88.4% decrease).

Other Business Segment

In the Senior Living Business (housing business for the elderly), the Century City Omiya Koen and Century City Kitaurawa, condominiums with services for the elderly, continued to post high occupancy. In addition, we opened Century Port Nishi Chiba, our third such property, in June 2006. Printing services remained flat but rental and general insurance agent operations showed good results.

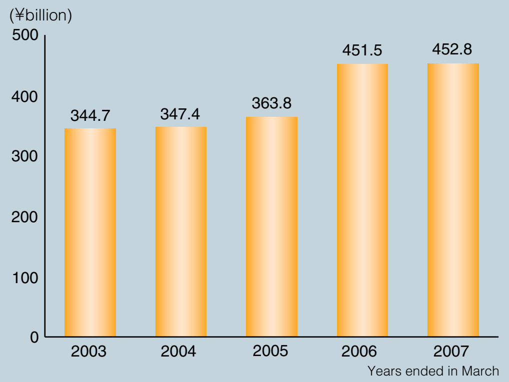
The Other Business segment performed steadily in general, but the opening expenses of Century Port Nishi Chiba were recorded in the consolidated fiscal year under review. Consequently, operating income decreased 5.4% year-on-year to 0.6 billion yen while sales rose 5.8% to 5.1 billion yen.

Status of Orders

During the consolidated fiscal year under review, the condominium market saw strong demand in the major centers of Tokyo, Kinki and Nagoya metropolitan areas and other areas, which led to severer competition over acquiring land for condominiums. Under such unfavorable conditions, the Company used its ability to gather land information to the maximum and secured designated orders centering on for-sale condominium construction.

Orders for condominium construction continued to be strong during the fiscal year. On a non-consolidated basis, Haseko Corporation received orders of 452.8 billion yen in construction business, design and supervision, comprising 440.4 billion yen for the construction business (including 386.7 billion yen for for-sale condominium construction in the private sector) and 12.4 billion yen for design and supervision. Most of the orders were designated orders, which is a characteristic of Haseko, accounting for 99.7% of all orders and also for construction with design orders, which accounted for 91.7%. By size, we successfully received a combined total of 38 orders in Eastern and Western Japan for large-scale projects with 200 units or more. Such projects with 200 units or more accounted for 60.8%, or the majority of the total number of units we received orders for, while super large-scale projects with 400 units or more accounted for 33.9% of the total orders.

Orders Received in Construction Business, Design and Supervision



Orders Received (Non-consolidated basis)

(¥billion)

	2003	2004	2005	2006	2007
Total orders	344.7	347.4	363.8	451.5	452.8
Construction business	336.9	339.0	354.9	441.3	440.4
Design and supervision	7.7	8.4	9.0	10.2	12.4
Ratio of Haseko designated orders	99.0%	98.9%	96.7%	98.3%	99.7%
Ratio of construction with design	91.2%	91.0%	91.8%	94.9%	91.7%

CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2006 AND 2007
ASSETS

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2006	**2007**	**2007**
ASSETS			
Current Assets:			
Cash and bank deposits (Notes 8 and 13)	¥ 77,581	**¥ 66,528**	**$ 563,558**
Notes and accounts receivable, trade (Note 9)	83,194	**81,340**	**689,030**
Costs incurred on uncompleted contracts	23,491	**18,503**	**156,739**
Real estate for sale (Notes 4 and 8)	144,602	**184,310**	**1,561,288**
Short-term loans	14,835	**861**	**7,294**
Deferred tax assets (Note 15)	10,553	**6,831**	**57,865**
Other current assets (Note 19)	9,302	**19,098**	**161,778**
Allowance for doubtful accounts	(11,029)	**(150)**	**(1,271)**
Total current assets	352,529	**377,321**	**3,196,281**
Property and Equipment (Notes 6, 8 and 10)	87,137	**106,777**	**904,507**
Intangible Assets (Note 6)	2,494	**2,560**	**21,686**
Investments and Other Assets:			
Investment securities (Note 5)	6,439	**6,086**	**51,554**
Long-term loans (Note 18)	4,370	**12,822**	**108,615**
Long-term deferred tax assets (Note 15)	40,650	**43,049**	**364,668**
Other assets	11,133	**10,612**	**89,893**
Allowance for doubtful accounts	(4,834)	**(12,504)**	**(105,921)**
Total investments and other assets	57,758	**60,065**	**508,809**
Total assets	¥499,918	**¥546,723**	**$4,631,283**

See notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2006 AND 2007
LIABILITIES AND NET ASSETS

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2006	**2007**	**2007**
LIABILITIES			
Current Liabilities:			
Short-term borrowings (Note 7)	¥ 11,528	**¥ 899**	**$ 7,615**
Current portion of long-term debt (Notes 7 and 8)	27,800	**31,800**	**269,377**
Notes and accounts payable	155,399	**153,898**	**1,303,668**
Income taxes payable	1,194	**1,260**	**10,673**
Advances received on uncompleted contracts	37,067	**28,281**	**239,568**
Advances received for real estate sales	14,064	**13,731**	**116,315**
Warranty reserve	1,080	**1,893**	**16,036**
Accrued bonuses for employees	1,885	**2,107**	**17,848**
Other current liabilities	18,417	**27,514**	**233,072**
Total current liabilities	268,434	**261,383**	**2,214,172**
Long-term Liabilities:			
Long-term debt (Notes 7 and 8)	111,721	**154,724**	**1,310,665**
Reserve for employees' retirement benefits (Note 14)	2,468	**1,994**	**16,891**
Reserve for loss on litigation	–	**7,757**	**65,709**
Other long-term liabilities	8,094	**7,849**	**66,489**
Total long-term liabilities	122,283	**172,324**	**1,459,754**
Total liabilities	390,717	**433,707**	**3,673,926**
Commitments and contingent liabilities (Notes 9 and 10)			
NET ASSETS			
Shareholders' Equity:			
Capital stock (Note 12)	50,000	**50,000**	**423,549**
Additional paid-in capital	12,817	**–**	**–**
Retained earnings	48,200	**64,463**	**546,066**
Treasury stock, at cost — 392,014 shares in 2006	(103)		
(Note 12) — 505,476 shares in 2007		**(154)**	**(1,305)**
Total shareholders' equity	110,914	**114,309**	**968,310**
Valuation and translation adjustments:			
Net unrealized gain on other securities (Note 5)	249	**116**	**983**
Cumulative translation adjustments	(1,985)	**(1,674)**	**(14,181)**
Total valuation and translation adjustments	(1,736)	**(1,558)**	**(13,198)**
Minority interests	23	**265**	**2,245**
Total net assets	109,201	**113,016**	**957,357**
Total liabilities and net assets	¥499,918	**¥546,723**	**$4,631,283**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED MARCH 31, 2006 AND 2007

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2006	**2007**	**2007**
Net Sales (Note 11)	¥622,396	**¥723,118**	**$6,125,523**
Cost of Sales (Note 11)	541,244	**634,498**	**5,374,824**
Gross profit	81,152	**88,620**	**750,699**
Selling, General and Administrative Expenses (Note 11)	20,482	**24,119**	**204,312**
Operating Income	60,670	**64,501**	**546,387**
Other Income (Expenses):			
Interest and dividend income	520	**438**	**3,710**
Penalty income	–	**300**	**2,541**
Interest expense	(4,972)	**(2,057)**	**(17,425)**
Syndicated loan fee	(2,986)	**(398)**	**(3,371)**
Equity in loss of an affiliate	(84)	**(173)**	**(1,465)**
Other, net	(13)	**435**	**3,685**
	(7,535)	**(1,455)**	**(12,325)**
Ordinary income	53,135	**63,046**	**534,062**
Extraordinary Income (Losses):			
Gain on disposal or sale of property and equipment, net (Note 6)	(325)	**(87)**	**(737)**
Gain on redemption of debt	468	**–**	**–**
Gain on assignment of the goodwill	–	**530**	**4,490**
Gain on prior periods adjustment	–	**620**	**5,252**
Compensation received	–	**333**	**2,821**
Provision for doubtful accounts	(196)	**(286)**	**(2,423)**
Impairment loss on fixed assets (Note 6)	(4,749)	**(19,454)**	**(164,795)**
Provision for loss on litigation (Note 19)	–	**(7,757)**	**(65,709)**
Other, net	201	**(293)**	**(2,482)**
	(4,601)	**(26,394)**	**(223,583)**
Income before Income Taxes and Minority Interests	48,534	**36,652**	**310,479**
Income Taxes (Note 15)**:**			
Current	1,363	**1,506**	**12,757**
Deferred	(541)	**1,415**	**11,987**
	822	**2,921**	**24,744**
Minority Interests	23	**36**	**305**
Net Income	¥ 47,689	**¥ 33,695**	**$ 285,430**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGE IN NET ASSETS
FOR THE YEARS ENDED MARCH 31, 2006 AND 2007

	Millions of yen							
	Capital stock	Additional paid-in capital	Retained earnings	Treasury stock	Net unrealized gain (loss) on securities	Cumulative translation adjustments	Minority interest	Total
Balance at March 31, 2005	¥125,524	¥49,890	¥(73,767)	¥ (47)	¥ 29	¥(6,114)	¥ –	¥ 95,515
Net income for the year ended March 31, 2006	–	–	47,689	–	–	–	–	47,689
Appropriation of additional paid-in capital for retained earnings	–	(49,890)	49,890	–	–	–	–	–
Capital reduction	(75,524)	50,816	24,708	–	–	–	–	–
Cancellation of treasury stocks	–	(38,000)	–	–	–	–	–	(38,000)
Loss on inclusion in consolidation of additional subsidiaries	–	–	(320)	–	–	–	–	(320)
Net change in unrealized loss on other securities	–	–	–	–	220	–	–	220
Cumulative translation adjustments	–	–	–	–	–	4,129	–	4,129
Net change in treasury stock	–	–	–	(56)	–	–	–	(56)
Gain on disposition of treasury stock	–	1	–	–	–	–	–	1
Net change in minority interests	–	–	–	–	–	–	23	23
Balance at March 31, 2006	¥ 50,000	¥12,817	¥ 48,200	¥ (103)	¥249	¥(1,985)	¥ 23	¥109,201
Net income for the year ended March 31, 2007	–	–	33,695	–	–	–	–	33,695
Appropriation of retained earnings for additional paid-in capital	–	17,432	(17,432)	–	–	–	–	–
Purchase of treasury stock	–	–	–	(30,306)	–	–	–	(30,306)
Cancellation of treasury stock	–	(30,251)	–	30,251	–	–	–	–
Gain on disposition of treasury stock	–	2	–	4	–	–	–	6
Other changes	–	–	–	–	(133)	311	242	420
Balance at March 31, 2007	**¥ 50,000**	**¥ –**	**¥ 64,463**	**¥ (154)**	**¥116**	**¥(1,674)**	**¥265**	**¥113,016**

	Thousands of U.S. dollars (Note 3)							
	Capital stock	Additional paid-in capital	Retained earnings	Treasury stock	Net unrealized gain (loss) on securities	Cumulative translation adjustments	Minority interest	Total
Balance at March 31, 2006	$423,549	$108,573	$408,302	$ (873)	$2,109	$(16,815)	$ 195	$925,040
Net income for the year ended March 31, 2007	–	–	285,430	–	–	–	–	285,430
Appropriation of retained earnings for additional paid-in capital	–	147,666	(147,666)	–	–	–	–	–
Purchase of treasury stock	–	–	–	(256,722)	–	–	–	(256,722)
Cancellation of treasury stock	–	(256,256)	–	256,256	–	–	–	–
Gain on disposition of treasury stock	–	17	–	34	–	–	–	51
Other changes	–	–	–	–	(1,126)	2,634	2,050	3,558
Balance at March 31, 2007	**$423,549**	**$ –**	**$546,066**	**$ (1,305)**	**$ 983**	**$(14,181)**	**$2,245**	**$957,357**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2006 AND 2007

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2006	**2007**	**2007**
Cash Flows from Operating Activities:			
Income before income taxes	¥ 48,534	**¥36,652**	**$310,479**
Depreciation	3,079	**3,260**	**27,615**
Impairment loss on fixed assets	4,749	**19,454**	**164,795**
Provision for (reversal of) allowance for doubtful accounts	(203)	**187**	**1,584**
Interest and dividend income	(520)	**(438)**	**(3,710)**
Interest expense	4,972	**2,057**	**17,425**
Equity in loss of an affiliate	84	**173**	**1,465**
Gain on disposal or sale of property and equipment, net	325	**87**	**737**
Gain on redemption of debt	(468)	**–**	**–**
Decrease (increase) in notes and accounts receivable	(2,499)	**1,891**	**16,019**
Decrease (increase) in costs incurred on uncompleted contracts	(5,026)	**4,987**	**42,245**
Increase in real estate inventories	(22,779)	**(39,227)**	**(332,291)**
Increase (decrease) in notes, accounts payable and accrued expenses	20,402	**(1,819)**	**(15,409)**
Increase (decrease) in amounts received for uncompleted contracts	8,990	**(8,786)**	**(74,426)**
Other	10,301	**6,739**	**57,085**
Sub total	69,941	**25,217**	**213,613**
Interest and dividends received	505	**432**	**3,659**
Interest paid	(3,696)	**(2,045)**	**(17,323)**
Income taxes paid	(1,564)	**(1,409)**	**(11,935)**
Net Cash Provided by Operating Activities	65,186	**22,195**	**188,014**
Cash Flows from Investing Activities:			
Funding to time deposits	(161)	**–**	**–**
Refund of time deposits	–	**127**	**1,076**
Purchases of property and equipment and intangible assets	(4,414)	**(7,065)**	**(59,848)**
Proceeds from sale of property and equipment and intangible assets	959	**1,884**	**15,959**
Purchases of investment securities	(3,306)	**(1,707)**	**(14,460)**
Proceeds from sale of investment securities	42	**1,712**	**14,502**
Purchase of subsidiary's stock resulting in changes in scope of consolidation	–	**(147)**	**(1,245)**
Payment for loans receivable	(2,456)	**(545)**	**(4,617)**
Collection of loans receivable	624	**2,368**	**20,059**
Payment for lease deposits	(794)	**(273)**	**(2,313)**
Refund of lease deposits	940	**91**	**771**
Other	149	**(72)**	**(608)**
Net Cash Used in Investing Activities	(8,417)	**(3,627)**	**(30,724)**
Cash Flows from Financing Activities:			
Increase (decrease) in short-term borrowings, net	10,893	**(10,629)**	**(90,038)**
Increase in long-term debt	140,179	**40,003**	**338,865**
Repayment of long-term debt	(183,519)	**(28,304)**	**(239,763)**
Purchase of treasury stock	(38,000)	**(12,000)**	**(101,652)**
Redemption of treasury stock	–	**(18,251)**	**(154,604)**
Syndicated loan fee	(2,986)	**(409)**	**(3,465)**
Other	(786)	**(101)**	**(855)**
Net Cash Used in Financing Activities	(74,219)	**(29,691)**	**(251,512)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	244	**47**	**398**
Net Decrease in Cash and Cash Equivalents	(17,206)	**(11,076)**	**(93,824)**
Cash and Cash Equivalents at Beginning of the Year	93,478	**77,088**	**653,011**
Increase due to inclusion in consolidation	816	**–**	**–**
Cash and Cash Equivalents at End of the Year (Note 13)	¥ 77,088	**¥66,012**	**$559,187**

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Haseko Corporation and Consolidated Subsidiaries
For the years ended March 31, 2006 and 2007

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 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 the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan.

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

2. Summary of Significant Accounting Policies
(1) Scope of consolidation
The consolidated financial statements as of March 31, 2006 and 2007 include the accounts of the Company and its 25 significant subsidiaries and 33 subsidiaries. Investments in unconsolidated subsidiaries are stated at cost. The equity method of accounting is applied to one affiliate, in consideration of the material impact on the consolidated financial statements. The Company's equities in the negative net assets of the affiliate accounted for using the equity method as of March 31, 2006 and 2007 were ¥14,007 million and ¥14,180 million ($120,119 thousand) and deducted from the accounts receivable.

A fiscal year of Haseko America is ended December 31. Significant transactions occurring during a period from January 1 to March 31 are adjusted in these consolidated financial statements.

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary ("goodwill") at the date of acquisition is reported in the balance sheet under other assets and is amortized using the straight-line method over five years, except minor goodwill which is expensed as incurred.

(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) Investment securities
Securities classified as available-for-sale securities ("other securities") for which market quotations are available are stated at fair value. Net unrealized gains or losses on these securities are reported as a separate item in the shareholders' equity at a net-of-tax amount. Cost of sales is computed using the moving-average method. Other securities for which market quotations are not available are stated at cost, cost being determined by the moving-average method.

(4) Tokumei kumiai (Silent partnerships)
An amount corresponding to equity in assets of silent partnerships is appropriated under investment securities. The Company appropriates investment securities at the time of investment in silent partnerships and it appropriates the amount corresponding to the equity in the net loss or income obtained by the silent partnerships under operating income (loss), adjusting investment securities by the same amount.

(5) Derivatives and hedge accounting
All derivatives are stated at fair value, with changes in fair value included in net profit or loss for the period in which they arise, except for derivatives that are designated as "hedging instruments."

The Company uses interest rate swap/cap contracts to hedge the interest rate fluctuation risk on the long-term debt with variable interest rates.

If interest rate swap contracts are used as hedges and meet certain hedging criteria, the Company defers recognition of gains and losses resulting from the changes in fair value of interest rate swap contracts until the related gains and losses on the hedged item are recognized. However, certain interest rate swap contracts which meet specific hedging criteria for effective hedge are not measured at market value but the differences between the paid and received amounts under the swap contracts are recognized and included in interest income or expense as incurred.

The verification of efficiency by hedges is omitted due to the condition of notional amount, interest rate and contract period is same.

(6) Inventories
Costs incurred on uncompleted contracts are stated at cost determined by the individual cost method. Real estate for sale is also stated at cost determined by the individual cost method except for Haseko America, where they are stated at the lower of cost or market.

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

(7) Property and equipment
Property and equipment are principally stated at cost. Depreciation is principally computed by declining-balance method while the straight-line method is applied to buildings acquired after April 1, 1998, and for certain subsidiaries.

(8) Intangible assets
The Company and its consolidated subsidiaries adopt the straight-line method to amortize intangible assets except for land leasehold rights, which are not amortized.

Expenditures relating to computer software developed for internal use are amortized on the straight-line method over the estimated useful period, which is five years.

(9) 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 loss ratio and the respective estimate of known doubtful accounts.

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

(11) Accrued bonuses for employees
Accrued bonuses for employees are provided for the estimated amount of bonuses which is expected to be paid to employees for the services renders by the balance sheet date.

(12) Reserve for employees' retirement benefits
The Company and its consolidated domestic subsidiaries have funded and/or unfunded retirement benefit plans covering all of their employees.

The employees' retirement benefits are provided for the liability for retirement benefits at projected benefit obligations minus the fair value of plan assets at the balance sheet date except for unrecognized amounts.

The transition amount is amortized by the straight-line method over 15 years.

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

Actuarial differences are amortized from the next year in which the difference arises using the straight-line method for the employees' average remaining service period. (10-16 years for the year ended March 31, 2006, and 10-18 years for the year ended March 31, 2007.)

The Company and certain consolidated domestic subsidiaries revised their retirement benefit regulation due to approval from the Minister of Health, Labor and Welfare for return of the substitutional portion of the Employees' Pension Fund, and transition to corporate pension fund based on the Defined-Benefit Corporate Pension Law on July 31, 2005. As a result, ¥(6,485) million was recognized as a prior service costs for the years ended March 31, 2006.

(13) Reserve for loss on litigation
Reserve for loss on litigation is provided at an estimated amount of loss based on the state of developments in the case.

(14) 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 "Cumulative translation adjustments" of net assets.

(15) Accounting for leases
Finance leases, except for those leases for which the ownership of the leased assets is transferred to the lessees, are accounted for as operating leases.

(16) Sales recognition
Sales for the construction contracts with both construction periods of twelve months or more and contract amounts of ¥500 million or more are recognized on a percentage-of-completion base. The Company recognizes sales for other construction contracts are on a completed-contract basis.

(17) 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 reserve.

(18) Accounting standard for presentation of net assets in the balance sheet
Effective the year ended March 31, 2007, the Company has applied "Accounting standards for presentation of net assets in the balance sheet (Accounting Standards Board of Japan Statement No. 5), and "Implementation guidance for Accounting standards for presentation of net assets in the balance sheets (Accounting Standards of Japan Guidance No. 8)" both issued by the Accounting Standard Board of Japan on December 9, 2005.

Certain prior year amounts have been reclassified to conform to the 2007 presentation. These changes had no impact on previously reported results of operations or net assets.

3. 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, 2007, which was ¥118.05 = U.S. $1. The translations should not be converted into U.S. dollar at the above or any other rate of exchange.

4. Real Estate for Sale
Real estate for sale as of March 31, 2006 and 2007 consisted of the following:

	Millions of yen		*Thousands of U.S. dollars*
	2006	**2007**	**2007**
Land and buildings held for sale	¥ 17,663	**¥ 66,707**	**$ 565,074**
Costs and advances for real estate operations	68,292	**58,742**	**497,603**
Real estate for development projects	58,647	**58,861**	**498,611**
	¥144,602	**¥184,310**	**$1,561,288**

5. Investment Securities

(1) Other securities whose fair value is available as of March 31, 2006 and 2007 consisted of the following:

	Millions of yen					
	2006			**2007**		
	Acquisition cost	Carrying value	Unrealized gain/(loss)	Acquisition cost	Carrying value	Unrealized gain/(loss)
(Securities whose carrying value exceed their acquisition cost)						
Equity securities	¥646	¥1,069	¥423	**¥571**	**¥ 873**	**¥302**
(Securities whose exceeds their carrying value acquisition cost)						
Equity securities	–	–	–	**375**	**282**	**(93)**
Total	¥646	¥1,069	¥423	**¥946**	**¥1,155**	**¥209**

	Thousands of U.S. dollars		
	2007		
	Acquisition cost	Carrying value	Unrealized gain/(loss)
(Securities whose carrying value exceed their acquisition cost)			
Equity securities	**$4,837**	**$7,395**	**$2,558**
(Securities whose exceeds their carrying value acquisition cost)			
Equity securities	**3,177**	**2,389**	**(788)**
Total	**$8,014**	**$9,784**	**$1,770**

(2) Other securities sold for the years ended March 31, 2006 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	**2007**	**2007**
Proceeds	¥10	**¥2**	**$17**
Total gain on sale	–	**1**	**8**
Total loss on sale	–	**–**	**–**

(3) Book value of securities without fair value as of March 31, 2006 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2006	**2007**	**2007**
Unconsolidated subsidiaries and affiliates			
Equity securities of subsidiaries and affiliates	¥2,456	**¥2,562**	**$21,703**
Equity investment in Tokumei Kumiai (Silent partnership)	–	**1,263**	**10,699**
Other securities			
Unlisted securities (except over-the-counter traded securities)	715	**756**	**6,404**
Equity investment in Tokumei Kumiai (Silent partnership)	2,199	**–**	**–**
Preferred subscription certification	–	**300**	**2,541**
Others	–	**50**	**424**

Note) Effective the year ended March 31, 2007, the Company has changed the presentation of Tokumei Kumiai (Silent partnership) from “Other securi ties” to “Subsidiaries to affiliates.” Amounts of Tokumei Kumiai reclas sified in subsidiaries and affiliates were ¥2,110 million as of March 31, 2006.

6. Property and Equipment and Intangible Assets

(1) Property and equipment as of March 31, 2006 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2006	**2007**	**2007**
Buildings and structures	¥ 67,571	**¥ 74,557**	**$ 631,571**
Machinery, vehicle, equipment and furniture	9,912	**11,122**	**94,214**
Land	44,586	**57,841**	**489,970**
Construction in progress	1,201	**695**	**5,887**
Sub-total	123,270	**144,215**	**1,221,642**
Accumulated depreciation	(36,133)	**(37,438)**	**(317,135)**
	¥ 87,137	**¥106,777**	**$ 904,507**

(2) Intangible assets as of March 31, 2006 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2006	**2007**	**2007**
Land leasehold rights	¥1,159	**¥ 904**	**$ 7,658**
Goodwill	321	**–**	**–**
Other	1,014	**1,656**	**14,028**
	¥2,494	**¥2,560**	**$21,686**

(3) Gain on sales of property and equipment and intangible assets for the years ended March 31, 2006 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Buildings and structures	¥–	¥ 0	$ 0
Land	–	14	119
Other	–	0	0
	¥–	¥14	$119

(4) Loss on disposal or sale of property and equipment and intangible assets for the years ended March 31, 2006 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Buildings and structures	¥139	¥ 76	$644
Machinery, vehicle, equipment and furniture	37	17	144
Land	149	8	68
Other	0	0	0
	¥325	¥101	$856

(5) Impairment of fixed assets

The Company and its consolidated domestic subsidiaries recognized impairment losses on the following assets for the year ended March 31, 2006 and 2007.

2007

Use	Type	Location	No.of Cases
Real estate for sale	Land and buildings etc.	Urayasu-shi, Chiba	1
Real estate for lease	Land and buildings etc.	Shinagawa-ku, Tokyo, etc.	20
Hotel	Land and buildings etc.	Urayasu-shi, Chiba, etc.	2
Idle assets	Land	Chino-shi, Nagano	1

2006

Use	Type	Location	No.of Cases
Real estate for lease	Land and buildings etc.	Chuo-ku, Osaka-shi, etc.	4

The Company and its consolidated domestic subsidiaries recognized losses on the impairment of certain real estate for lease, hotel and idle assets, which are grouped separately for the assessment of impairment.

As a result of a recent decline in real estate value and flagging rental rates, the carrying value of the above assets has been reduced to their recoverable amounts by ¥4,749 million and ¥19,454 million, ($164,795 thousand) at March 31, 2006 and 2007, which was recorded as an impairment loss in extraordinary losses. The details by fixed assets were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Buildings and structures	¥1,117	¥10,486	$ 88,827
Equipment and furniture	–	26	220
Land	3,632	8,687	73,587
Land leasehold rights	–	255	2,161
	¥4,749	¥19,454	$164,795

The recoverable amount was the higher of the net selling price or value in use. The net selling price is the appraisal value less the cost of disposal for real estate and the comparison approach value for assets other than real estate. Value in use is the sum of the net discounting estimated future cash flows to which a 5.0% discount rate was applied.

7. Short-term Borrowings and Long-term Debt

(1) Short-term borrowings, current portion of long-term debt and long-term debt as of March 31, 2006 and 2007 were as follows:

	Average interest rate	Millions of yen		Thousands of U.S. dollars
		2006	2007	2007
Short-term borrowings	1.26%	¥ 11,528	¥ 899	$ 7,615
Current portion of long-term debt	1.49%	27,800	31,800	269,377
Long-term debt due from April 2008 to March 2012	1.46%	111,721	154,724	1,310,665
Total	–	¥151,049	¥187,423	$1,587,657

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

(2) The annual maturities of long-term debt (including the current portion) as of March 31, 2007 were as follows:

Year ending March, 31	Millions of yen	Thousands of U.S. dollars
2008	¥ 31,800	$ 269,377
2009	67,121	568,581
2010	51,800	438,797
2011	31,800	269,377
2012	4,000	33,884
Over 2013	3	26
Total	¥186,524	$1,580,042

(3) The Company has committed line of credit available for immediate and stable borrowings with certain 3 financial institutions. The amounts of line of credit and unused line of credit as of March 31, 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Line of credit	¥45,000	¥45,000	$381,194
Amount utilized	11,000	–	–
Unused line of credit	¥34,000	¥45,000	$381,194

8. Collateral

(1) The assets provided as collateral as of March 31, 2006 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Real estate for development projects	¥11,848	¥ –	$ –
Buildings and structures	–	14,590	123,592
Machinery, vehicle, equipment and furniture	–	309	2,618
Land	–	21,355	180,898
Construction in progress	–	293	2,481
	¥11,848	¥36,547	$309,589

The Company provided time deposits as collateral for entrusted guarantors of deposits received in connection with the sale of real estate and for construction work as of March 31, 2006, and for construction work as of March 31, 2007. The amount were ¥161 million and ¥35 million ($296 thousand), as of Mach 31, 2006 and 2007, respectively.

(2) The liabilities with collateral as of March 31, 2006 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	**2007**	**2007**
Long-term debt	¥500	**¥35,303**	**$299,051**

9. Contingent Liabilities

(1) The Company was contingently liable for guarantees on bank loans and other guarantees as of March 31, 2006 and 2007 as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	**2007**	**2007**
Customers using housing loans and other loans to purchase real estate	¥ 9,814	**¥22,569**	**$191,182**
Others	1,616	**1,732**	**14,671**
	¥11,430	**¥24,301**	**$205,853**

(2) The Company was contingently liable for notes receivable endorsed and transferred as of March 31, 2006, and 2007 as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	**2007**	**2007**
Notes receivable endorsed and transferred	¥127	**¥148**	**$1,254**

10. Lease Transactions

(1) Finance lease transactions other than those that are deemed to transfer the ownership of leased assets to the lessee as of and for the years ended March 31, 2006 and 2007 were as follows:

(As lessee)

The equivalent of acquisition cost, accumulated depreciation and net book value of the leased assets (machinery and equipment) were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	**2007**	**2007**
Acquisition cost	¥172	**¥169**	**$1,432**
Accumulated depreciation	100	**87**	**737**
Net book value	¥ 72	**¥ 82**	**$ 695**

The equivalent of acquisition cost includes the interest portion, because the total amount of future lease payments is not significant compared with the total amount of property and equipment.

Outstanding future lease payments were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	**2007**	**2007**
Within one year	¥ 42	**¥ 43**	**$364**
Over one year	59	**61**	**517**
Total	¥101	**¥104**	**$881**

Note) The above amount includes future lease payments for sub-leases.

Outstanding future lease payments includes the interest portion, because the total amount of future lease payments is not significant compared with the total amount of property and equipment.

Lease payments and Depreciation:

	Millions of yen		Thousands of U.S. dollars
	2006	**2007**	**2007**
Lease payments	¥36	**¥39**	**$330**
Depreciation	36	**39**	**330**

Note) Depreciation is computed based on the straight-line method assuming that the lease period corresponds to the useful lives of the asset and the residual value is zero.

(As lessor)

The acquisition cost, accumulated depreciation and net book value of the rental assets (machinery and equipment, buildings and structures, and intangible assets) were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	**2007**	**2007**
Acquisition cost	¥269	**¥283**	**$2,397**
Accumulated depreciation	138	**170**	**1,440**
Net book value	¥131	**¥113**	**$ 957**

Outstanding future lease payments to be received:

	Millions of yen		Thousands of U.S. dollars
	2006	**2007**	**2007**
Within one year	¥ 79	**¥ 75**	**$ 635**
Over one year	147	**123**	**1,042**
Total	¥226	**¥198**	**$1,677**

Note) The above amount includes future lease payments to be received for sub-leases.

The amount of outstanding future lease payments to be received includes the interest portion, because the total amount of future lease payments is not significant compared with the total amount of accounts receivable trade.

Lease income and Depreciation:

	Millions of yen		Thousands of U.S. dollars
	2006	**2007**	**2007**
Lease income	¥81	**¥80**	**$678**
Depreciation	50	**54**	**457**

(2) Operating lease transactions

(As lessee)

Outstanding future lease payments were summarized as follows:

	Millions of yen	Thousands of U.S. dollars
	2007	**2007**
Within one year	**¥1,183**	**$10,021**
Over one year	**7,013**	**59,407**
Total	**¥8,196**	**$69,428**

11. Supplementary Profit and Loss Information

(1) Sales from construction contracts calculated according to the percentage-of-completion method were ¥314,896 million and ¥329,385 million ($2,790,216 thousand) for the years ended March 31, 2006 and 2007, respectively.

(2) Valuation loss of real estate for sale amounted to ¥4,336 million ($36,730 thousand) is included in cost of real estate for sale for the year ended March 31, 2007.

(3) Selling, general and administrative expenses for the years ended March 31, 2006 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2006	**2007**	**2007**
Salaries and wages	¥ 7,701	**¥ 9,468**	**$ 80,203**
Provision for accrued bonuses for employees	613	**679**	**5,752**
Rent	1,942	**2,049**	**17,357**
Depreciation	292	**391**	**3,312**
Other	9,934	**11,532**	**97,688**
	¥20,482	**¥24,119**	**$204,312**

(4) Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2006 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	**2007**	**2007**
Research and development costs	¥515	**¥534**	**$4,524**

12. Capital Stock

Capital stock consists of common stock and preferred stock. The change in number of common stock and preferred stock issued and treasury stock during the year from March 31, 2006 through March 31, 2007 was as follows:

	Number of shares			
	2006	Increase	Decrease	**2007**
Shares issued				
Common stock (Note 1)	793,472,690	261,107,633	–	**1,054,580,323**
Preferred stock				
Class AI (Note 2)	37,599,500	–	37,599,500	**–**
Class AII (Note 2)	40,000,000	–	5,454,500	**34,545,500**
Class AIV (Note 2)	78,000,000	–	26,000,000	**52,000,000**
Class BI	90,000,000	–	–	**90,000,000**
Total	1,039,072,190	261,107,633	69,054,000	**1,231,125,823**
Treasury stock				
Common stock (Notes 3, 4)	392,014	128,238	14,776	**505,476**
Preferred stock				
Class AI (Note 5)	–	37,599,500	37,599,500	**–**
Class AII (Note 6)	–	5,454,500	5,454,500	**–**
Class AIV (Note 7)	–	26,000,000	26,000,000	**–**
Total	392,014	69,182,238	69,068,776	**505,476**

Notes 1) Increased by requested conversion of preferred stock Class AI to common stock.
2) Decreased by cancellation of treasury stocks.
3) Increased by the requested for purchase of common stock less than one round lot.
4) Decreased by the requested for sale of common stock less than one round lot.
5) Increased by the requested conversion to common stock and decreased by cancellation.
Converted period: From October 2, 2006 to February 20, 2007
Date of cancellation: March 22, 2007
6) Increased by acquisition and decreased by cancellation of preferred stock Class AII
Date of acquisition: July 31, 2006
Date of cancellation: August 24, 2006
Number of acquisition: 5,454,500 shares
Acquisition price: ¥2,200
Acquisition amount: ¥11,999,900,000
7) Increased by redemption and decreased by cancellation of preferred stock Class AIV
Date of redemption: July 31, 2006
Date of cancellation: August 24, 2006
Number of acquisition: 26,000,000 shares
Acquisition price: ¥701.96
Acquisition amount: ¥18,250,960,000

13. Cash and Cash Equivalents

(1) Reconciliation between cash and cash equivalents on the consolidated statements of cash flows and the amounts disclosed on the consolidated balance sheets as of March 31, 2006 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	**2007**	**2007**
Cash and bank deposits	¥77,581	**¥66,528**	**$563,558**
Time deposits pledged as collateral	(161)	**(35)**	**(296)**
Saving accounts as insurance agency	(332)	**(481)**	**(4,075)**
Cash and cash equivalents	¥77,088	**¥66,012**	**$559,187**

(2) The following is a summary of the assets and liabilities of Ecology REIT Corporation, which is a newly consolidated subsidiary, and the contribution for the acquisition.

	Millions of yen	Thousands of U.S. dollars
	2007	2007
Current assets	¥ 2,020	$ 17,111
Fixed assets	36,305	307,539
Current liabilities	(602)	(5,100)
Fixed liabilities	(35,609)	(301,643)
Minority interest	(206)	(1,745)
Negative goodwill	(13)	(110)
Contribution for the acquisition of the newly consolidated subsidiary	1,895	16,052
Cash and cash equivalents in the newly consolidated subsidiary	(1,748)	(14,807)
Net payment for contribution to the newly consolidated	¥ 147	$ 1,245

14. Retirement Benefit Plan

The Company and its consolidated subsidiaries transferred their employee welfare pension plan from defined benefit funded plan to corporate pension funded plan due to approval from the Minister of Health, Labor and Welfare based on the Welfare Pension Insurance Law on July 31, 2005. Furthermore, certain consolidated subsidiaries have adopted a lump-sum retirement allowance plan or pooled funded type of defined benefit funded plan.

(1) The funded and reserved status of the defined benefit pension plans, and the amounts recognized in the consolidated balance sheets as of March 31, 2006 and 2007 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Projected benefit obligations	¥(30,047)	¥(31,321)	$(265,320)
Plan assets	29,780	32,887	278,585
Unfunded pension obligation	(267)	1,566	13,265
Unrecognized transition amount	1,942	1,726	14,621
Unrecognized actuarial differences	2,048	464	3,931
Unrecognized prior service cost	(6,191)	(5,750)	(48,708)
Net retirement benefit obligations	(2,468)	(1,994)	(16,891)
Prepaid pension cost	–	26	220
Reserve for employees' retirement benefits	¥ (2,468)	¥ (2,020)	$ (17,111)

Notes 1) Certain consolidated subsidiaries adopt the conventional approach method to compute their projected benefit obligations.
2) The plan assets of the multi-employer defined benefit pension plan were not included in plans assets balance. The balances based on a contribution ratio were ¥800 million and ¥1,094 million ($9,267 thousands) as of March 31, 2006 and 2007, respectively.
3) The Company and certain consolidated domestic subsidiaries revised their retirement benefit regulation due to approval from the Minister of Health, Labor and Welfare for return of the substitutional portion of the Employees' Pension Fund, and transition to corporate pension fund based on the Defined–Benefit Corporate Pension Law on July 31, 2005. As a result, ¥(6,485) million was recognized as a prior service costs for the year ended March 31, 2006.

(2) The components of net periodic pension costs for the years ended March 31, 2006 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Service costs	¥1,007	¥ 853	$7,226
Interest costs	759	744	6,302
Expected return on plan assets	(728)	(890)	(7,539)
Amortization of transition amount	216	216	1,830
Amortization of actuarial differences	910	664	5,625
Amortization of prior service cost	(294)	(441)	(3,736)
Net periodic pension costs	¥1,870	¥1,146	$9,708

(3) Assumptions used in accounting for above plans for the years ended March 31, 2006 and 2007 were as follows:

	2006	2007
Method of attributing the projected benefits to period of service	Straight-line method	Straight-line method
Discount rate	2.5%	2.5%
Expected rate of return on plan assets	3.0%	3.0%

15. Income Taxes

(1) The significant components of deferred tax assets and liabilities as of March 31, 2006 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Deferred tax assets:			
Allowance for doubtful accounts	¥ 3,501	¥ 11,392	$ 96,501
Warranty reserve	440	770	6,523
Accrued bonuses for employees	853	952	8,064
Reserve for employees' retirement benefits	1,004	811	6,870
Write-down of real estate for sale	25,694	25,877	219,204
Impairment loss on fixed assets	18,852	28,342	240,085
Unrealized profits	3,919	–	–
Tax loss carry forwards	56,404	45,182	382,736
Other	14,101	8,467	71,732
Sub-total	124,768	121,794	1,031,715
Loss:Valuation allowance	(73,391)	(71,820)	(608,386)
Total deferred tax assets	51,377	49,974	423,329
Deferred tax liabilities:			
Unrealized gain on other securities	(174)	(94)	(796)
Total deferred tax liabilities	(174)	(94)	(796)
Net deferred tax assets	¥ 51,203	¥ 49,880	$ 422,533

(2) Reconciliations of the statutory tax rate to the effective income tax rate for the years ended March 31, 2006 and 2007 were as follows:

	2006	2007
Statutory tax rate	40.7%	40.7%
(Adjustment)		
Non-deductible expenses	1.1	1.0
Gross revenue permanently excluded	–	(5.7)
Inhabitant tax per capita	0.1	0.2
Change in valuation allowance	(40.3)	(28.6)
Other	0.1	0.3
Effective income tax rate	1.7%	8.0%

16. Per Share Information

(1) Per share information for the years ended March 31, 2006 and 2007 was as follows:

	Yen		U.S. dollars
	2006	**2007**	**2007**
Net assets per share	¥(28.87)	**¥23.22**	**$0.20**
Net income per share	67.27	**31.67**	**0.27**
Diluted income per share	21.67	**16.08**	**0.14**

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

(a) Net income per share

	2006	**2007**
Net income (millions of yen)	¥ 47,689	**¥ 33,695**
Net income not attributable to common shareholders (millions of yen):		
The difference between the redemption amount and the issued amount of preferred stock	–	**5,251**
Weighted average number of shares outstanding (thousands of shares)	708,877	**898,150**

Note) The difference between the redemption amount and the issued amount of Class AⅣ preferred stock, which was executed on July 31, 2006, based on article of incorporation.

(b) Diluted net income per share

Diluted net income per share is computed assuming full dilution of the following common stock equivalents with dilutive effect.

	(thousands of shares)	
	2006	**2007**
Increase in common stock:		
Preferred stock (Class AⅠ)	261,108	**155,998**
Preferred stock (Class AⅡ)	277,778	**252,456**
Preferred stock (Class AⅢ)	137,747	**–**
Preferred stock (Class AⅣ)	541,667	**361,111**
Preferred stock (Class AⅤ)	82,905	**–**
Preferred stock (Class BⅠ)	190,678	**101,351**

(c) An overview of the dilutive securities that were not included in the calculation of diluted income per share since there was no dilution effect was as follows:

	(thousands of shares)	
	2006	**2007**
Increase in common stock:		
Preferred stock (Class AⅣ)	–	**59,855**

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

	Millions of yen		Thousands of U.S. dollars
	2006	**2007**	**2007**
Net assets	¥109,201	**¥113,016**	**$957,357**
Amount, which was not attribute to common shareholders:			
Preferential distribution of residual property	122,800	**88,273**	**747,759**
The difference beteen purchase price of Class AⅡ and issued price (Note)	9,272	**–**	**–**
Minority interests	23	**265**	**2,245**
Net assets attribute to common shareholders	¥ (22,894)	**¥ 24,478**	**$207,353**

Note) The above difference is the difference between purchase price of Class AⅡ and issued price which contracted with Class AⅡ preferred shareholders on March 31, 2006.

17. Segment Information

The Company and its consolidated subsidiaries ("Haseko Group") operate primarily within six business segments: construction, engineering, real estate, leasing and management, hotel and other. A description of the Company's primary business is included in the Note 1) to the following table, which presents certain information regarding the Haseko Group's industry segment for the years ended March 31, 2006 and 2007.

(1) Sales and operating income

	Millions of yen							
	2006							
	Construction	Engineering	Real estate	Leasing and management	Hotel	Other	Elimination/ Corporate	Consolidated
Sales to external customers	¥430,809	¥10,077	¥123,511	¥43,389	¥10,943	¥3,667	¥ –	¥622,396
Intersegment sales	1,884	12	72	2,121	56	1,106	(5,251)	–
Total sales	432,693	10,089	123,583	45,510	10,999	4,773	(5,251)	622,396
Operating expenses	387,538	5,479	116,937	41,788	11,134	4,089	(5,239)	561,726
Operating income (loss)	¥ 45,155	¥ 4,610	¥ 6,646	¥ 3,722	¥ (135)	¥ 684	¥ (12)	¥ 60,670

	Millions of yen							
	2007							
	Construction	Engineering	Real estate	Leasing and management	Hotel	Other	Elimination/ Corporate	Consolidated
Sales to external customers	**¥437,530**	**¥10,765**	**¥215,893**	**¥43,885**	**¥11,280**	**¥3,765**	**¥ –**	**¥723,118**
Intersegment sales	**1,480**	**7**	**70**	**2,187**	**89**	**1,287**	**(5,120)**	**–**
Total sales	**439,010**	**10,772**	**215,963**	**46,072**	**11,369**	**5,052**	**(5,120)**	**723,118**
Operating expenses	**395,005**	**6,386**	**204,083**	**42,416**	**11,385**	**4,405**	**(5,063)**	**658,617**
Operating income (loss)	**¥ 44,005**	**¥ 4,386**	**¥ 11,880**	**¥ 3,656**	**¥ (16)**	**¥ 647**	**¥ (57)**	**¥ 64,501**

	Thousands of U.S. dollars							
	2007							
	Construction	Engineering	Real estate	Leasing and management	Hotel	Other	Elimination/ Corporate	Consolidated
Sales to external customers	**$3,706,311**	**$91,190**	**$1,828,827**	**$371,749**	**$95,553**	**$31,893**	**$ –**	**$6,125,523**
Intersegment sales	**12,537**	**59**	**593**	**18,526**	**754**	**10,902**	**(43,371)**	**–**
Total sales	**3,718,848**	**91,249**	**1,829,420**	**390,275**	**96,307**	**42,795**	**(43,371)**	**6,125,523**
Operating expenses	**3,346,082**	**54,095**	**1,728,785**	**359,305**	**96,443**	**37,314**	**(42,888)**	**5,579,136**
Operating income (loss)	**$ 372,766**	**$37,154**	**$ 100,635**	**$ 30,970**	**$ (136)**	**$ 5,481**	**$ (483)**	**$ 546,387**

(2) Assets, depreciation and capital expenditures

	Millions of yen							
	2006							
	Construction	Engineering	Real estate	Leasing and management	Hotel	Other	Elimination/ Corporate	Consolidated
Assets	¥122,935	¥4,364	¥173,870	¥56,561	¥41,457	¥28,060	¥72,671	¥499,918
Depreciation	168	11	65	780	1,256	843	(44)	3,079
Impairment loss on fixed assets	–	–	–	4,749	–	–	–	4,749
Capital expenditures	977	140	162	805	607	1,933	–	4,624

	Millions of yen							
	2007							
	Construction	Engineering	Real estate	Leasing and management	Hotel	Other	Elimination/ Corporate	Consolidated
Assets	**¥114,856**	**¥5,092**	**¥217,178**	**¥88,283**	**¥30,327**	**¥29,920**	**¥61,067**	**¥546,723**
Depreciation	**331**	**31**	**82**	**651**	**1,379**	**800**	**(14)**	**3,260**
Impairment loss on fixed assets	**47**	**–**	**86**	**8,764**	**10,557**	**–**	**–**	**19,454**
Capital expenditures	**933**	**93**	**551**	**370**	**4,261**	**965**	**–**	**7,173**

	Thousands of U.S. dollars							
	2007							
	Construction	Engineering	Real estate	Leasing and management	Hotel	Other	Elimination/ Corporate	Consolidated
Assets	**$972,944**	**$43,134**	**$1,839,712**	**$747,844**	**$256,900**	**$253,451**	**$517,298**	**$4,631,283**
Depreciation	**2,804**	**263**	**695**	**5,515**	**11,681**	**6,776**	**(119)**	**27,615**
Impairment loss on fixed assets	**398**	**–**	**729**	**74,240**	**89,428**	**–**	**–**	**164,795**
Capital expenditures	**7,903**	**788**	**4,668**	**3,134**	**36,095**	**8,174**	**–**	**60,762**

Notes 1) The following are the primary business segments of the Haseko Group and the description of the Company's primary businesses.
Construction business: Contracting for construction, civil engineering and all other general construction work; and the consignment of work incidental to construction work
Engineering business: Planning, design, supervision and other consultation related to buildings
Real estate business: Buying, selling, exchanging, brokering and commissioned condominium sales
Leasing and management business: Leasing, property management and lease management for office buildings and condominiums
Hotel business: Planning and operation of hotels
Other businesses: Senior living business, financing business, etc.

2) Corporate assets included in "Elimination/Corporate," were ¥97,967 million as of March 31, 2006 and ¥88,722 million ($751,562 thousand) as of March 31, 2007. These assets are primarily comprised of surplus funds of the Company (cash), long-term investment funds (investment securities) and assets related to the administration divisions.

Geographical segment information is omitted as the amount of net sales and asset in Japan exceeded 90% of the amount of consolidated net sales and asset for the years ended March 31, 2006 and 2007.

Oversea sales information is omitted, as the sales to overseas customers are less than 10% of consolidated sales for the years ended March 31, 2006 and 2007.

18. Related Party Transactions

Transactions and balances with affiliates for the years ended March 31, 2006 and 2007 were as follows:

(Transactions)

				Millions of yen		*Thousands of U.S. dollars*
Type	Name of company	Type of business	Type of transaction	2006	**2007**	**2007**
Affiliate	Takarazuka Development Co., Ltd.	Real estate	Financing business	¥159	**¥145**	**$1,228**

(Balances of receivables/ payables)

				Millions of yen		*Thousands of U.S. dollars*
Type	Name of company	Type of business	Account	2006	**2007**	**2007**
Affiliate	Takarazuka Development Co., Ltd.	Real estate	Long-term loan	¥14,736	**¥14,736**	**$124,828**

Note) The interest on the long-term loan is set taking into consideration the market rate and business conditions. However, presently a portion of the interest has been exempt.

19. Subsequent Events

1. Conclusion of lawsuit

The Company lost its suit in the appeal trial at the Osaka High Court on May 31, 2006 in the lawsuit with Fujita Corporation concerning the payment of construction charges and damages for arrears, and it appealed. However, notification of the decision to reject this appeal was received from the Supreme Court on May 31, 2007, the date of the rejection of the appeal being May 29, 2007. As a result, the lawsuit is concluded.

The Company has paid the amount of ¥7,757 million ($65,709 thousand) in the appeal trial verdict. In addition, because the amount has been recorded under the provision for loss of lawsuit, there will be no effect on the Company's financial position and business results for the year ending March 2008.

2. Redemption of Preferred Stock (Class AⅣ)

At a meeting held on June 28, 2007, the board of directors decided on the redemption the preferred stock (Class AⅣ), as indicated below.

(1) Objective

Implement the redemption schedule depicted in the capital reconfiguration plan established to respond to the preferred stocks issued in the form of a debt-equity swap, as part of our capital policy in the New Medium-term Business Plan.

(2) Description of redemption stocks

Preferred stock (Class AⅣ)
Number of stocks: 26,000,000
Value: ¥18,274,100,000 ($115,088,687)

(3) Date of redemption

July 31, 2007

ERNST & YOUNG SHINNIHON

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Report of Independent Auditors

The Board of Directors
HASEKO Corporation

We have audited the accompanying consolidated balance sheets of HASEKO Corporation and consolidated subsidiaries as of March 31, 2007, and the related consolidated statements of income, change in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The consolidated financial statements of HASEKO Corporation and consolidated subsidiaries for the year ended March 31, 2006 were audited by other auditors whose report dated June 29, 2006, expressed an unqualified opinion on those financial statements.

We conducted our audits 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of HASEKO Corporation and consolidated subsidiaries at March 31, 2007, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Supplemental Information

As described in Notes 19.1, the Supreme Court rejected the final appeal against Fujita Corporation and the lawsuit was concluded on May 29, 2007.

As described in Notes 19.2, the board of directors decided to purchase its preferred stock (Class A IV) for redemption on June 28, 2007.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2007 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3.

June 28, 2007

Ernst & Young ShinNihon

A MEMBER OF ERNST & YOUNG GLOBAL

Share Information

Overview of Preferred Stocks

As of June 29, 2007

Class	Class AⅡ	Class AⅣ	Class BⅠ
Issued amount	17,272,750,000 yen	26,000,000,000 yen	45,000,000,000 yen
Issued date	September 27, 2002	September 27, 2002	September 27, 2002
Number of issued shares	34,545,500 shares	52,000,000 shares	90,000,000 shares
Issued price	@500 yen	@500 yen	@500 yen
Voting rights	No	No	No
Preferred dividends	Japanese yen TIBOR (6-month) +0.75%	Japanese yen TIBOR (6-month) +1.00% TIBOR (6-month) +1.80% from 13th year	Japanese yen TIBOR (6-month) +1.00% TIBOR (6-month) +1.80% from 13th year
Ceiling	10 yen for seven years (2%) 50 yen from 8th year (10%)	10 yen for seven years (2%) 50 yen from 8th year (10%)	10 yen for seven years (2%) 50 yen from 8th year (10%)
Participation	No	No	8th year on: Simple participation
Cumulative	No	No	8th year on: Cumulative for next fiscal year alone
Distribution of residual property	@500 yen	@500 yen	@500 yen
Redemption and cancellation	Can redeem and cancel shareholders		
Redemption requesting right	–	During the period from July 1 to July 31 of each fiscal year from FY2006 to FY2009, in case the amount of unappropriated retained earnings of the Company at the end of the fiscal year immediately before the said period exceeds ¥10 billion, the shareholders shall be entitled to request the redemption with respect to the certain limited amount and number of stocks, at a redemption price per share equal to ¥700 plus the accrued dividend equivalent.	From the date when all of Class AIV preferred stocks of FY2009 are redeemed or during the period from July 1 to July 31 of each fiscal year from FY2010 up to FY2032, in case the amount of unappropriated retained earnings of the Company at the end of the fiscal year immediately before the said period exceeds ¥10 billion, the Shareholders shall be entitled to request the redemption with respect to the certain limited amount and number of stocks, at a redemption price per share equal to ¥500 plus the accumulated unpaid dividend and accrued dividend equivalent.
Mandatory redemption right	–	During the period from FY2006 to August 31 of FY2009, the Company shall be entitled to redeem forcibly at a redemption price per share equal to ¥700 plus the accrued dividend equivalent.	The Company shall be entitled mandatory redemption at a redemption price per share equal to ¥500 plus the accumulated unpaid dividend and accrued dividend equivalent after Class AⅣ preferred stocks are all redeemed at FY2009 or during the FY2010 to September 30 of FY2014.(from April 1, 2010 to September 30, 2014)
Conversion reservation right	Convert to common stock	Convert to common stock	Convert to common stock
Conversion requesting period	October 1, 2007 to September 30, 2014	October 1, 2012 to September 30, 2028	October 1, 2015 to September 30, 2032
Initial conversion price	@72 yen	@72 yen	Market price 1 year before conversion start date (however, not below @72 yen)
Revision of conversion price	Revise upwards/downwards Last day of March and September after March 31, 2008	Revise upwards/downwards Last day of March and September after March 31, 2013	Revise upwards/downwards Last day of March and September after March 31, 2016
Conversion ceiling price	200% of initial conversion price (@108yen)	300% of initial conversion price (@216yen)	300% of initial conversion price
Conversion floor price	50% of initial conversion price (@36yen)	50% of initial conversion price (@36yen)	50% of initial conversion price
Mandatory conversion	From October 1, 2014	From October 1, 2028	From October 1, 2032

Redemption provisions and assumed redemption schedule

Billions of yen

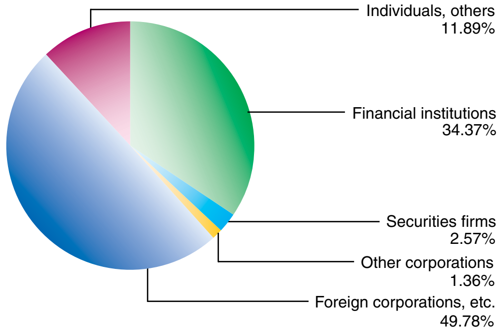
	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	~	FY2026
	Partial repurchase											
Class AⅡ *1	12.0	Conversion period 10/1/2007~9/30/2014										
	Redemption											
Class AⅣ *2	18.2	18.2	18.2					Conversion period 10/1/2012~9/30/2028				
									Conversion price will be fixed			
				Redemption					*	Conversion period10/1/2015~9/30/2032		
Class BⅠ				15.0	15.0	15.0						
Cancellation	30.2	18.2	18.2	15.0	15.0	15.0	—	—	—	—		—

*1 Partial repurchase price is 440% of issued price.
*2 Redemption price is 140% of issued price.

Share overview (as of March 31, 2007)

Total shares authorized to issue:	Common stock	2,100,000,000 shares
	Preferred stock	246,000,000 shares
	(Class A)	156,000,000 shares
	(Class B)	90,000,000 shares
Shares issued:	Common stock	1,054,580,323 shares
	Class AII preferred stock	34,545,500 shares
	Class AIV preferred stock	52,000,000 shares
	Class BI preferred stock	90,000,000 shares
Shareholders:	Common stock	31,595 parties
	Class A II preferred stock	8 parties
	Class A IV preferred stock	3 parties
	Class B I preferred stock	3 parties

Breakdown of shareholders



Principal Shareholders

(Common stock)

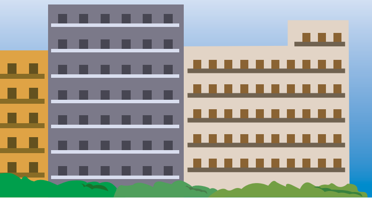
Shareholder	Shares (1,000 shares)	Voting Rights
The Master Trust Bank of Japan, Ltd. (trust units)	89,107	8.44%
Resona Bank, Limited.	52,461	4.97%
Bank of New York GCM Client Accounts EISG	52,158	4.94%
Japan Trustee Service Bank, Ltd. (trust units)	51,323	4.86%
Mizuho Corporate Bank, Ltd.	43,011	4.07%
Trust & Custody Service Bank, Ltd. (trust B units)	26,373	2.50%
Morgan Stanley & Co. International Limited	20,521	1.94%
State Street Bank & Trust Company	19,299	1.83%
UBS AG London Asia Equities	19,257	1.82%
Pictet & Cie, Europe S.A.	15,896	1.50%

Note 1. The shareholdings of The Master Trust Bank of Japan, Ltd.; Japan Trustee Services Bank, Ltd and;Trust & Custody Services Bank, Ltd. are all interests in trust.
2. Both Preferred stocks Class A and Preferred stocks Class B are shares with no voting rights.
3. All owned shares of less than 1,000 shares have been cut off prior to being displayed.
4. All decimals from the 1,000th place have been cut off in indicating the percentage of voting rights prior to displaying them.

(Preferred Stock)

Shareholder	Shares (1,000 shares)
Class AII	
Japan Trustee Service Bank, Ltd. (trust units)	14,080
Mizuho Corporate Bank, Ltd.	7,738
Resona Bank, Limited	6,000
Deutsche Bank, AG London 610	4,000
MITSUI & CO., LTD.	1,363
Toden Real Estate Co., Inc.	454
OG Capital Co., Ltd.	454
The Kansai Electric Power Co., Inc.	454
Class AIV	
Resona Bank, Limited	18,997
The Chuo Mitsui Trust and Banking Company, Limited	18,304
Mizuho Corporate Bank, Ltd.	14,698
Class BI	
Resona Bank, Limited	32,880
The Chuo Mitsui Trust and Banking Company, Limited	31,680
Mizuho Corporate Bank, Ltd.	25,440

(as of March 31, 2007)



Corporate Information

Corporate data (as of March 31, 2007)

Overview

Name:
Haseko Corporation

Founded:
February 1937

Established:
August 1946

Paid-in capital:
50,000,000,000 yen

Employees:
1,896 (Non-consolidated)
3,677 (Consolidated)

Stock exchange listing:
Tokyo Stock Exchange 1st section,
Osaka Securities Exchange 1st section

Ticker code:
1808

Shares per trading units:
500 shares

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

Osaka:
5-7 Hiranomachi1-chome, Chuo-ku,
Osaka 541-0046
Tel: 816-6203-5661

Board of directors, corporate auditors and Operating Officers (as of July 1, 2007)

Directors

Chairman:
Toshihisa Dake*

President:
Takashi Iwao*

Executive Operating Officers:
Toshio Onishi
Noriaki Tsuji*
Ikuo Oguri*

Senior Operating Officers:
Koji Kato
Hiroyuki Kawano
Atsushi Hasegawa
Minoru Nishino*
Ryuichiro Yoshida

Operating Officers:
Shosuke Muratsuka
Yuhei Imanaka

Full-time Corporate Auditors

Jiro Tanaka
Masahiro Hatashita
Teruo Kojima

Coporate Auditors

Haruo Akimine
Haruya Uchikawa

Senior Operating Officer:
Keitaro Mitsui

Operating Officers:
Makoto Kadoya
Haruki Bando
Katsuyuki Kakura
Hideki Nakata
Tadao Yonekawa
Tomihiro Oda
Masaki Sato
Morio Shimada
Akito Tsurutani
Naobumi Tago
Yutaka Okada
Kinichi Kitamura

*Representative Director

Principal Consolidated Subsidiaries (as of March 31, 2007)

Haseko Anesis Corporation
Main business: Interior design, recycling and marketing
29-14 Shiba 2-chome, Minato-ku, Tokyo

Haseko Community, Inc.
Main business: Management and maintenance of condominiums, and reform condominiums
6-6 Shiba 4-chome, Minato-ku, Tokyo

Haseko Livenet, Inc.
Main business: Leasing management and operation of condominiums, and consulting service
29-14 Shiba 2-chome, Minato-ku, Tokyo

Century Life, Co., Ltd.
Main business: Management of paid care housing for the elderly and consulting service
32-1 Shiba 2-chome, Minato-ku, Tokyo

Haseko Systems Inc.
Main business: Information processing service, printing, DM shipment agent, insurance against loss agent
15-14 Shiba 1-chome, Minato-ku, Tokyo

Haseko Intech, Inc.
Main business: Sale of furniture for houses and consulting service
21-13 Akasaka 3-chome, Minato-ku, Tokyo

Brighton Corporation
Main business: Management and operation of hotels and restaurants
9 Mihama 1-chome, Urayasu-shi, Chiba

Haseko Urbest, Inc.
Main business: Commissioned selling of new for-sale condominiums and brokering of real estate
32-1 Shiba 2-chome. Minato-ku, Tokyo

Hasec, Inc.
Main business: Sale and agency service of construction material and the temporary material
15-14 Shiba 1-chome, Minato-ku, Tokyo

Foris Corporation
Main business: Production, supply, sale and lease of the interior article
20-2 Nishikamata 8-chome, Ota-ku, Tokyo

Fuji Kensetsu Co., Ltd.
Main business: General construction
5-5 Shiba 3-chome, Minato-ku, Tokyo

Haseko America, Inc.
Main business: Real estate development and housing construction
91-1001 Kaimailie Street, #205 Ewa Beach, Hawaii 96706, U.S.A.

HASEKO

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