

Annual Report 2011

For the year ended March 31, 2011



Profile

Haseko Corporation and its group of companies have leveraged their capabilities in all condominium business fields – from gathering land information to planning, design, construction, sale, property management, renovation, brokering and renting. Building on this “total produce” capability, the Haseko Group has conducted marketing activities in which it proposes product planning, selling strategies and other issues that cannot be matched by competitors. Since constructing its first condominium in 1968, Haseko has built a cumulative total of around 500,000 condominium units (as of the end of May 2011) and established itself as a leading condominium contractor in Japan.

Going forward, while focusing on providing new condominiums as its mainstay business, Haseko will also direct its efforts at the extensive refurbishment and interior improvement businesses, which are derived from condominium management and other housing-related services, as well as in developing new markets and new business offerings from the perspective of supporting life-conscious consumers and supporting owners and investors based on the condominium units managed and operated by the Haseko Group as a whole. By doing so, Haseko wants to create an unprecedented “urban-type” service business.

Contents

Financial Highlights	1
Message from the Management	2
Accumulated Condominium Construction Reaching 500,000 units	4
Haseko's Business	6
Long-Life and High-Quality Condominiums	8
Responsibility	10
Financial Section	15
Consolidated Financial Statements	20
Share Information	48
Corporate Information	49

Cover photos

BRANCHERA Urawa (Saitama City, Saitama Prefecture; 69 units; completed and delivered on June 2011) and BRANCHERA Suitakatayamakoen (Suita City, Osaka Prefecture; 114 units; completed and delivered on July 2011) – the two properties that were recognized as “long-life, high-quality housing” for the first time in Japan for a for-sale condominiums.

■ 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.

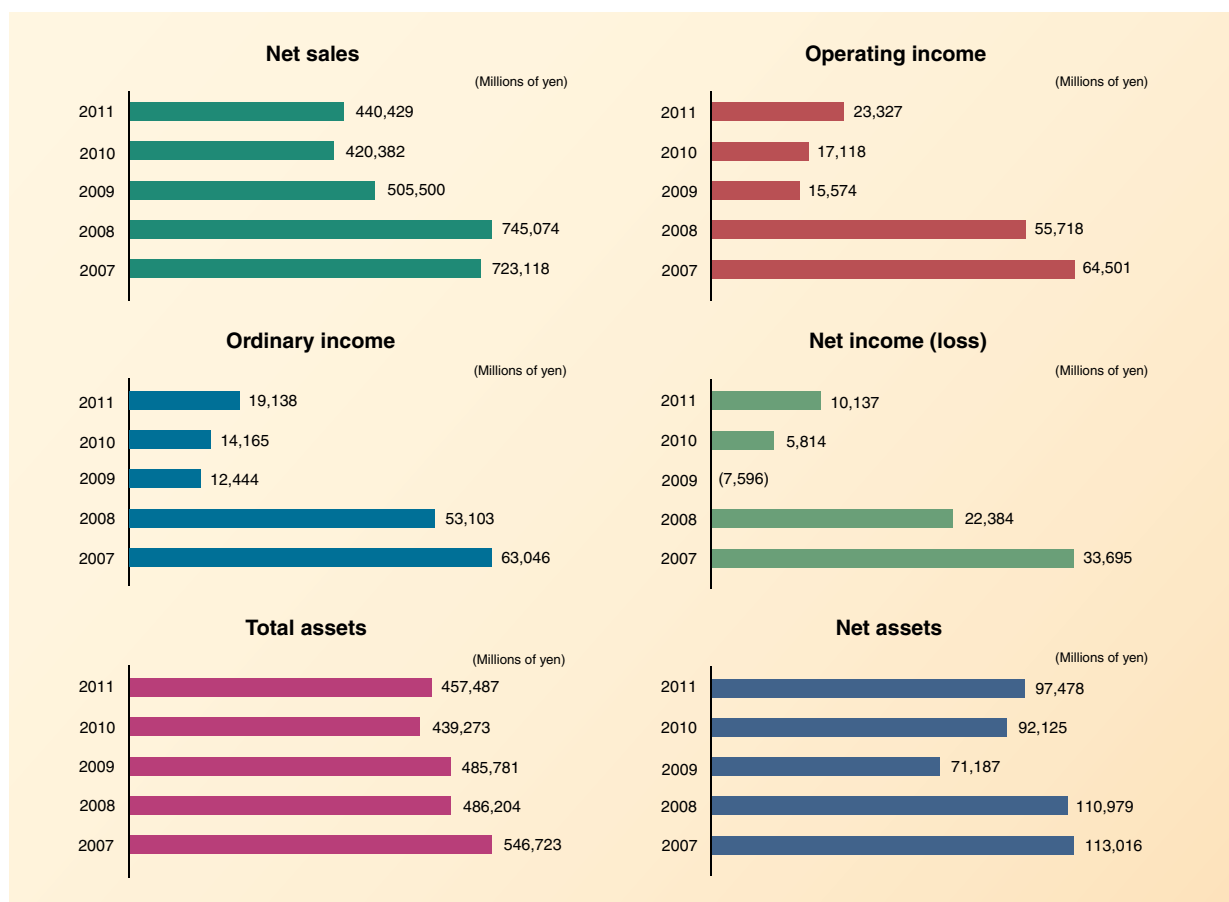
Financial Highlights

Haseko Corporation and its Consolidated Subsidiaries

(Years ended March 31, 2007, 2008, 2009, 2010 and 2011)

For the Year	Millions of Yen					Thousands of U.S. Dollars
	2007	2008	2009	2010	2011	2011
Net sales	¥723,118	¥745,074	¥505,500	¥420,382	¥440,429	\$5,296,801
Operating income	64,501	55,718	15,574	17,118	23,327	280,541
Ordinary income	63,046	53,103	12,444	14,165	19,138	230,162
Net income (loss)	33,695	22,384	(7,596)	5,814	10,137	121,912
At Year-end						
Total assets	546,723	486,204	485,781	439,273	457,487	5,501,948
Net assets	113,016	110,979	71,187	92,125	97,478	1,172,315
Per Share Data	Yen					U.S. Dollars
Net income (loss)	31.67	9.36	(6.67)	3.79	6.29	0.08
Net assets	23.22	36.31	19.93	30.76	34.36	0.41

Note: The U.S. dollar amounts represent translations of yen amounts at the rate of ¥83.15 = U.S. \$1.00, the exchange rate at March 31, 2011.





President and Representative Director, Ikuo Oguri

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

Since starting construction of its first condominium in 1968, Haseko has developed its business centering on the Tokyo metropolitan area and the Kinki area, with the cumulative total of condominium units it has built reaching 500,000 as of the end of May 2011. The figure corresponds to approximately 10% of the total for-sale condominium units in Japan. With this achievement, Haseko has undertaken the social role of widely spreading condominiums – as a new form of housing – among consumers and setting technologies that are ahead of the industry as standards for condominiums.

The Japanese economy witnessed improvement in corporate earnings in the fiscal year ended March 31, 2011. However, the fiscal year closed with a sense of uneasiness about the future arising due to deflation and the appreciation of the yen as well as worrisome factors in overseas economies such as rising crude oil prices, in addition to the impact of the Great East Japan Earthquake that broke out in March 2011. As for the condominium market, new supply of condominium units surpassed the previous fiscal year's results both in the Tokyo metropolitan and Kinki areas and sales also grew strongly partly bolstered by political measures. Under these circumstances, while working on its conventional business of receiving orders in the form of Haseko Exclusive Contract by providing land for project owners and reinforcing its technological capabilities, the Haseko Group made efforts to secure orders received by proactively participating in bidding for replacement and redevelopment projects. As a result, Haseko achieved increases both in revenues and profits for the fiscal year under review. Nevertheless, we reluctantly decided to deliver no dividend to common stocks. This is because we reserve profits as retained earnings for redemption of preferred stocks, which we recognize as an important issue.

With regard to the Revised "SHIN" Plan, the Group's medium-term business plan, we had to judge that it is difficult to achieve the numerical targets set for the Plan because the recovery of the market was slower than anticipated. However, we believe we were able to accomplish the business and technology strategies established in the Plan, as we successfully provided long-term quality housing and the "Be-Liv" format of condominium units, among other achievements.

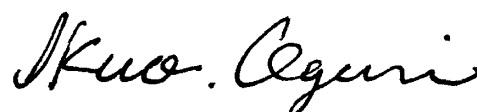
Presently, an important issue in the Japanese government's housing policy is making the transition to a stock-based society that places focus on "creating good housing, taking proper care of housing and living in housing over a long period of time." At the Haseko Group, we have been conducting corporate management equally centered on the "flow-based business" including construction of new for-sale condominiums and the "stock-based business" comprised of renovation, management and other services of condominiums. In this endeavor, we are promoting the "long-life and high-quality" condominiums that realize enhanced condominium quality while enabling people to live in the same condominium over multiple generations, and working to reinforce renovation, building management and

lease management operations in our housing-related service businesses. Going forward, we aim to enhance these offerings as main revenue sources by exercising our comprehensive strengths through heightened coordination among the group companies, and at the same time make an attempt to enter new business domains with possible prospects for the future, in order to become a company that can develop and progress continuously.

With deep gratitude to our shareholders and other stakeholders who have extended support to us, we will continue our efforts to establish the Haseko brand as the “one and only corporate group for housing” that creates great living by producing high-quality

condominiums at fair prices and providing our customers with safe and reliable places they can live in comfortably. Your ongoing and further support and encouragement would be greatly appreciated.

June 2011



Ikuo Oguri
President and Representative Director
Haseko Corporation

Business Strategy in the Medium Term

● Basic Policies

1. Expand the business domains (in terms of sectors and areas) in addition to further evolving the mainstay business related to condominiums
2. Implement specific measures to secure reliability and extend the life of housing
3. Deploy business strategies that respond to changes in the for-sale condominium market
4. Perform the corporate social responsibilities concerning issues on global environment and the aging society with fewer children
5. Continue returning profits to shareholders while maintaining sound financial foundation

● Operational Policies

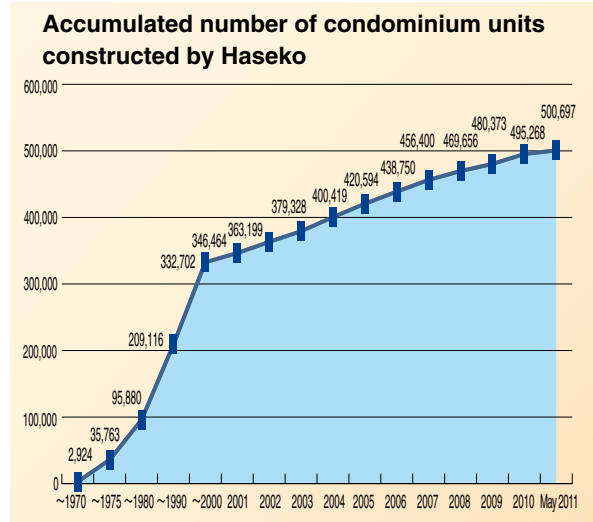
1. Foster the “flow-based business” and the “stock-based business” as two major sources of earnings
 - (1) Secure at least a 20% share in construction orders received for new for-sale condominiums
 - (2) Progressively enhance earnings in the stock-based business centering on management and renovation of existing condominiums, with an aim to achieve ordinary income of 10 billion yen
 - (3) As the leading manufacturer of condominiums, always pursue new, ideal forms of condominiums
2. Make an attempt to enter new business domains with possible prospects for the future
 - (1) Promote land use business primarily focused on proposing condominiums for the elderly
 - (2) Reinforce the replacement and redevelopment business as an intermediate domain between the flow-based and stock-based businesses
 - (3) Investigate measures to expand group-wide earnings in overseas markets and target implementation

● Targeted Profit Level

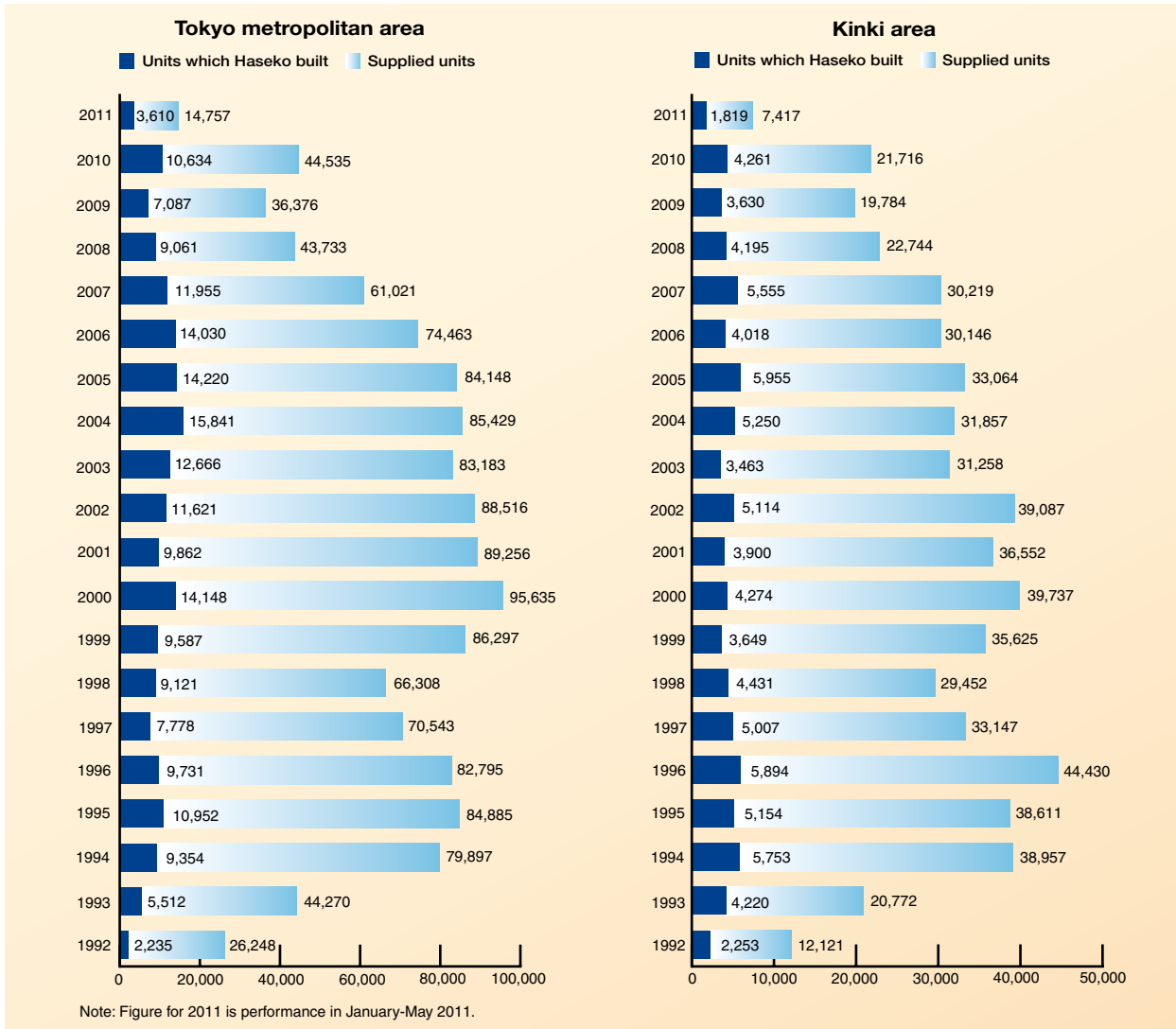
Target to achieve at least 20 billion yen in consolidated ordinary income by implementing business activities in line with the operational policies, and aim to become a corporate group that can sustain the profit level

Accumulated Condominium Construction Reaching 500,000 units

Since starting construction of its first condominium in 1968, Haseko has endeavored to “create condominiums in which customers can live as comfortable as possible” through a repeated cycle of listening to the opinions of customers and adding to our experience. To do so, the Company set up a business framework that allowed the Haseko Group to capitalize on customers’ opinions and feed them back to respective departments, and accumulated experience in constructing condominiums based on this framework for many years. Eventually, the cumulative total of condominium units Haseko constructed reached 500,000 in 2011. Going forward, we will stay committed to creating condominiums that satisfy customers, while continuing to listen to their opinions.



History of condominium units supplied



History of For-sale Condominiums in Japan and Haseko

Japan's first for-sale condominium was built in 1956, followed by the first condominium boom from 1963 through 1964. At that time, there were only high-grade condominiums located in central Tokyo. Popularized among general consumers after a long while, the second condominium boom in 1968 through 1969 expanded the market.

It was 1968 when Haseko started construction of its first condominium. The Company contributed to enable mass production and standardization of for-sale condominiums amid the second condominium boom at that time. After mass production era of

standardized condominiums came the thinking of "diversification," and Haseko successfully realized "reasonably priced," "high-quality" and "diversified" condominiums, taking advantage of the know-how it acquired in the era of standardization and mass production as well as reflecting the voices of residents.

In this way, Haseko has been leading the Japanese condominium industry to date, not only in terms of diversification and progress but also permanent residences, with its technologies and product planning ability that go ahead of the times. At the same time, Haseko will continue to take its mission as the leading condominium manufacturer by always tackling new themes and assignments.



1969 Ashiya Matsuhama Heights
● The first condominium constructed by Haseko



1977 Palais Royal Nagatacho
● High-grade condominium



1984 Palais Royal Ashiya-Midorigaoka
● The first rebuilt condominium



1992 Acrocity Towers
● The first ultra-skyscraper condominium



2004 Fukasawa House
● The first introduction of disaster prevention sets



2009 The Kitahama
● 54-storied ultra-skyscraper condominium

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

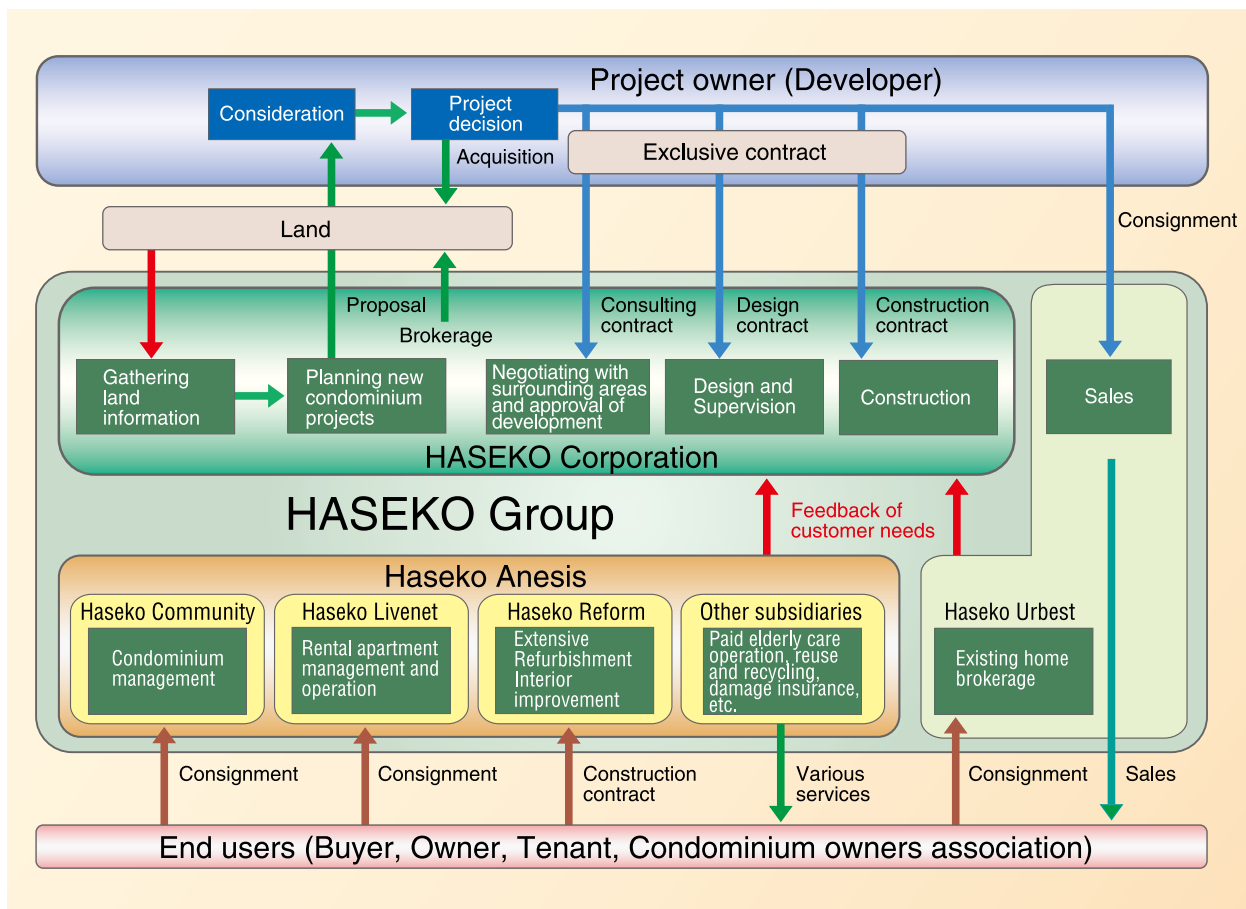
Haseko Group employs a business model that leverages the comprehensive capabilities of Haseko Corporation over the entire scope of the condominium business fields – the largest characteristics of the Company. Building on this “total produce” business model, which combines all functional expertise of every division involved in such fields as marketing, technologies and administration as well as of every company within the Group, Haseko conducts a variety of business activities including receiving Haseko Exclusive Contract for condominiums.

The Haseko Group not only provides customers

with “comfortable, safe and reliable living spaces” but also offers condominiums in which people find it worthwhile to live in permanently, supporting the lifestyle of residents over a long period of time by exercising all the functions the Group possesses, from construction-related capabilities that build on the results and experience of constructing over 500,000 condominium units to date, to condominium management and services.

Haseko Group strives to “contribute to society by creating an environment that is optimal for cities and people.”

Business Model



Haseko Style of Receiving Orders: Provide Land for Projects and Win Orders

In the general flow of condominium construction, there is the state when project owners (developers) acquire land and decide on business plan with the projects

before placing construction orders to general contractors. In contrast, Haseko collects land information, makes project plans based on the information, and proposes the plans to project owners. By doing so, Haseko works to win orders for design and construction, as well as exclusive contract.

Orders Received (Non-consolidated basis)

On a non-consolidated basis, orders received in the fiscal year ended March 2011 grew steadily, with an increase marked in the conventional Haseko Exclusive Contract in which the Company prepares land.

However, the Great East Japan Earthquake that broke out near the end of the fiscal year caused some delays in the execution of contracts and construction starts for some projects and the orders received totaled 275.5 billion yen.

Orders received (Non-consolidated basis)

(Billions of yen)

	2007	2008	2009	2010	2011
Total orders	452.8	367.6	250.9	270.7	275.5
Construction business	440.4	356.7	245.0	267.8	268.4
Design and supervision	12.4	10.9	5.8	2.9	7.1
Ratio of Haseko exclusive contract	99.7%	99.9%	91.9%	81.8%	75.1%
Ratio of construction with design	91.7%	90.1%	93.3%	82.6%	87.8%

Haseko's Strengths Supporting Exclusive Contract

● Product planning ability that captures diversifying customer needs

Through Haseko Urbest being engaged in sales and Haseko Community conducting condominium management, Haseko feeds back the voices of its customers to the design sections and condominium construction sites in order to reflect them in producing condominiums. Moreover, the Company exercises product planning ability that can grasp the customer needs, building on its design know-how that leads the condominium industry, including lifestyle proposals, space composition and landscape design in accordance with functionality, livability and trends.

● High construction quality

Haseko enjoys high evaluation from developers and purchasers for its high-level technological know-how, such as construction accuracy, construction schedules, cost management and safety measures, realized by a business structure that specializes in condominium construction. Moreover, Haseko's quality is bolstered by its comprehensive and efficient on-site production system through unified safety management operations with cooperating companies.

● Cost reductions achieved through receiving orders for design and construction in packages

Haseko's condominium construction is conducted through the integrated efforts of construction and design sections and further reinforces organizational coordination between the two sections, which in turn help realize improved productivity and establishment of the value engineering (VE) design system.

Long-Life and High-Quality Condominiums

Based on the thinking of “creating good housing, taking proper care of housing and living in housing over a long period of time,” Haseko created “Long-Life and High-Quality” condominiums which, fuse the long-term quality housing concept and the Company’s proprietary technologies and services related to it, features both high quality and economic rationality.

“Long-Life and High-Quality” condominiums enable people to live in the same condominium over multiple generations, with considerations given to the environment and post-residence quality, and not only the performance of the building.

- **Create good housing**

Improve building quality to achieve longer life by adopting related technologies and know-how fostered through creating condominiums that obtained certification for long-term quality housing from the government for the first time in Japan

- **Think about post-residence**

Conduct design that takes into account ease of maintenance and creation of spaces and environment that secure comfortable living for each generation

- **Maintain quality post-residence**

Prepare “housing records” that record and preserve the long-term after-sales services, repaired sections and other information



Shiki-no-Mori Residence: the first property recognized as a “Long-Life and High-Quality condominium”

[Property overview]

Location: Shiki-shi, Saitama

Structure and size: RC, 11F

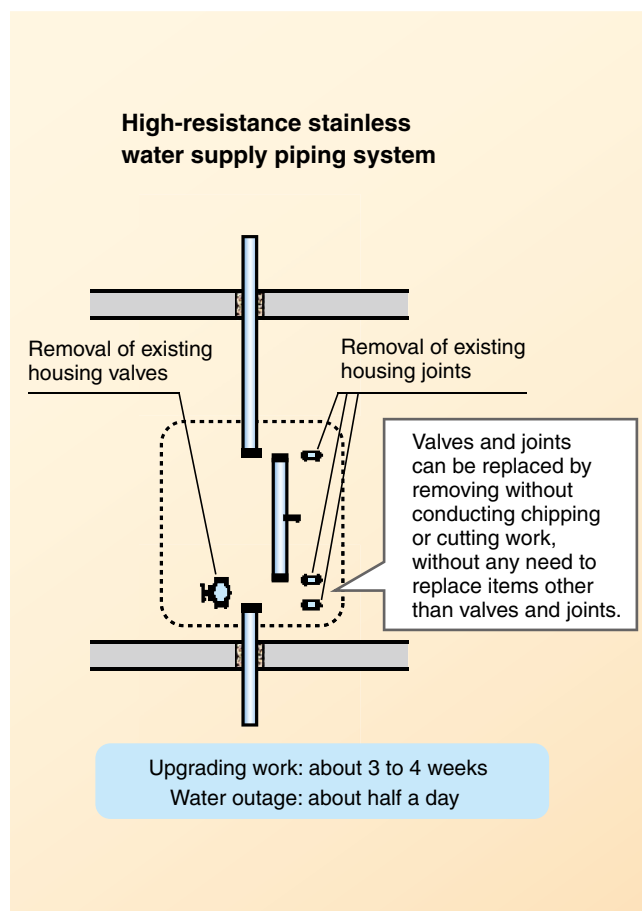
Number of units: 319 units

Project owner: SOHGOH REAL ESTATE CO., LTD., Haseko Corporation

Construction completion: Mid-February 2013 (scheduled)

Specific Technical Content of “Long-Life and High-Quality” Condominiums

- (1) Improved durability
 - Concrete for enhanced solidity and longer life (water to cement ratio of 45% or less)
 - Technologies that reduce cracks in concrete due to temperature changes and dry shrinkage
- (2) Ensured ability to upgrade
 - High-resistance stainless water supply piping system for common use with innovated joints and valves
 - Easy-to-replace water pipes that reduce noise and vibration from upgrade work
 - “Exterior system” that allows easy replacement of outer walls and sashes
- (3) Secured comfort and safety
 - The highest energy efficiency (grade 4) achieved through heat insulation and other measures
 - Measures in consideration for the elderly, etc. in common zones (grade 4)
 - “Multi-layer glass” exhibiting lower thermal conduction
- (4) Evolved maintenance and management – “Haseko Premium After-Sales Service”
 - Long-term after-sales service unique to Haseko
 - Reinforced periodical services



Haseko Premium After-Sales Service

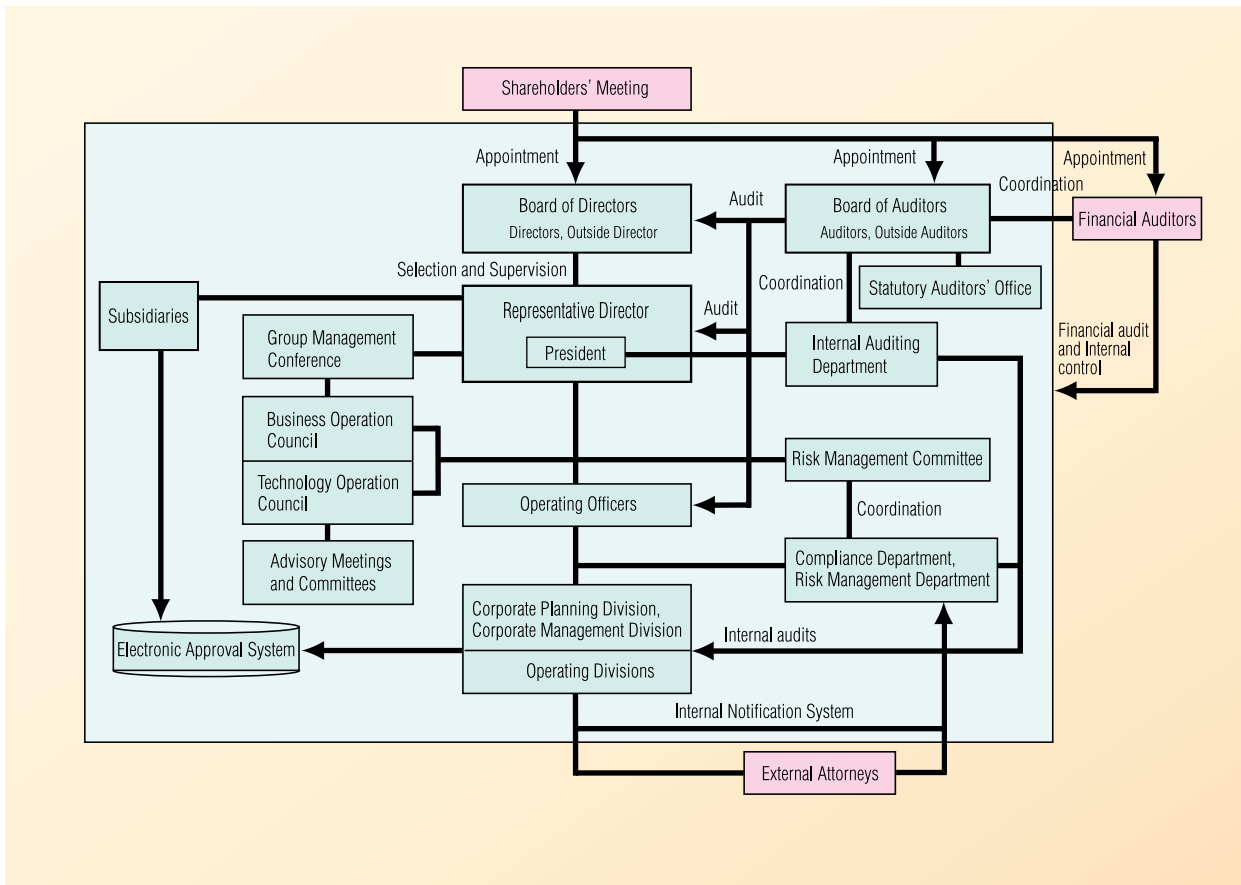
	Sectional and under guarantee repairs	Conventional	Haseko Premium After-Sales Service
Exclusive zone	<ul style="list-style-type: none"> ● Bulging and separation, etc. in floors and ceiling ● Warping of kitchen unit counters 	2 years	5 years
	<ul style="list-style-type: none"> ● Warping of partitions ● Malfunction, deformation and breakage of front doors 	2 years	10 years
	<ul style="list-style-type: none"> ● Water leakage and breakage in water supply and drainage pipes ● Breakage and failure in electric wiring connection 	5 years	10 years
Common zone	<ul style="list-style-type: none"> ● Rifts and breakage in concrete of columns, beams, walls and floors 	10 years	15 years

Corporate Governance

Haseko Corporation has made it a basic policy of its corporate management to maximize corporate value in a stable manner over a long term by contributing to society through its business operations that put customers first. To achieve this goal, it is essential for the Company to build good relations with all of our stakeholders, including business partners, local

communities and employees, and implement business activities that should satisfy our customers. As it implements business operations based on this thinking, Haseko Corporation recognizes the indispensability of securing management transparency and objectivity. Accordingly, the Company has positioned reinforcement of corporate governance as one of its utmost management priorities.

Diagram of company institutions and internal governance



To date, the Board of Directors of Haseko Corporation serves as the institution where directors with expert knowledge and experience in various business sectors conducted decision-making on managerial issues and supervised execution of duties of other directors. As for monitoring of management operations, the Company's system provides the Board of Auditors, the majority of which are outside auditors, with the monitoring function from an objective and neutral standpoint from outside through implementation of audits. In order to further activate discussions at the Board of Directors as well as enhance the function to monitor business management, Haseko has decided to add an outside director with abundant experience and track record to provide appropriate opinions and advice. In addition, the Company now allows the Business Operation Council and the Technology Operation Council, where participation of directors is limited to a certain level, to make decisions on certain issues for which they are authorized by the directors. By doing so, the functions of making decisions and supervising such decision-making are divided, and the system enables each director to supervise execution of duties of other directors. Moreover, the function of discussing in advance the important issues to be decided at the Board of Directors is implemented via advance discussion by the above-mentioned two Operation Councils, as well as by the newly-established Group Management Council, which is held under the chairmanship of the President.

Compliance and Risk Management System

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

In April 2005, The Company established the Internal Auditing Department that is under the direct control of the President. Pursuant to internal rules and regulations on internal audits, the Department investigates and evaluates whether activities of respective divisions conform to the Articles of Incorporation, the Company's rules and regulations, corporate policies, etc. and are reasonable, and works to make improvements based on the results.

The Company has no relations with anti-social forces or groups that threaten the order and security of civic life, and will cope with such anti-social forces and groups systematically and with adamant and resolute attitude.

Environmental Preservation and Social Contribution Activities

Haseko Corporation has made it a social mission to create an environment that is optimal for cities and people. With the belief that creation of a truly rich environment can be achieved only after we realize a society that preserves the global environment and can develop in a sustainable manner, the Company operates activities in pursuit of preserving and improving the global environment in a better way.

Specifically, Haseko has established its environmental policy as a company and acquired ISO 14001 certification. Each business unit implements

environmental preservation activities by setting specific objectives including reduction of construction waste and promotion of recycling. Moreover, our internal audit and external review are being executed on a regular basis to realize continual improvements.

Haseko Corporation is proactively engaged in conducting social contribution activities based on the thinking that corporate value is enhanced by respecting harmony with society and growing in mutual prosperity with society. Aside from economic contributions it should naturally make through developing its business, the Company is also working on a variety of social contribution activities as a “trusted corporate citizen.”

● Environmental Policy

1. The Company shall establish and operate an environment management system in order to promote environmental preservation activities, and shall work to make continuous improvement of the environment and prevent contamination.
2. The Company shall abide by laws, agreements and other arrangements concerning the environment, as well as prepare and implement voluntary standards as necessary.
3. The Company shall assess the impact of its business activities on the environment and establish environment-specific purposes and goals that can be achieved both technically and economically. Such environment-specific purposes and goals shall be reviewed periodically.
4. The Company shall focus on the following items in order to implement environmental preservation activities:
 - (1) Reduce construction wastes, and conduct construction giving consideration to recycling and the neighboring environment.
 - (2) Propose environment-conscious designs.
 - (3) Conduct office work giving consideration to reduced use of paper, recycling, waste separation and energy saving.
5. The Company shall widely notify all its officers and staff as well as all people working with Haseko of its environmental policy, and request its partner companies to notifying those within their companies and for their cooperation.
6. The Company shall disclose its environmental policy to outside parties that make such a request.



A pathway space in a rich green courtyard



Mission Uchimizu (Water Sprinkling) at Condominiums

Responses to the Great East Japan Earthquake

Immediately following the earthquake, Haseko established the Corporate Disaster Countermeasures Office at its headquarters in Shiba to collect information on such issues as the safety of employees of the Haseko Group, damage to properties under construction in the Tokyo metropolitan area, and damage to related facilities. As a result, Haseko confirmed that there was no impact on the fundamental performance of the structures, etc. of the properties that were under construction or ready for delivery in the Tokyo metropolitan area, which is the target business area for the Company.

To support the affected areas, Haseko provided relief supplies, including 82 temporary toilets to Urayasu City, Chiba Prefecture, as well as making donations. For condominiums in the Urayasu area, which had water outage due to liquefaction, the Company supported water supply by installing WELL UP, an emergency potable water generation system, among other measures. In addition, Urayasu Brighthon Hotel, a Haseko Group company, provided its banquet halls

and the lobby for lodging for approximately 150 people, including those who had difficulty returning home due to the earthquake, provided meals, and supplied bathing services for people in the neighborhood.

Efforts from the Perspective of Disaster Prevention

In addition to its normal endeavors to reinforce buildings by incorporating seismic isolation structures and other measures, Haseko has accumulated research and development information on how people's lives would be following major earthquakes or other disasters. Since 2003, the Company has been proposing the installation of "three-piece set disaster prevention equipment" as the "emergency lifeline" for securing the living foundations of residents. The "three-piece set disaster prevention equipment" is comprised of the following three items that Haseko developed, based on customer questionnaires and other sources, as equipment needed in times of emergency.



Water supply support activities in the Urayasu area



Emergency potable water generation system: WELL UP

This system digs wells on sites where it is installed and generates emergency potable water for up to 4,800 people a day.



Benches that convert into cooking stoves

Installed in the condominium site, the bench can be used as a cooking stove just by removing the sitting board in times of emergency.



Emergency manhole toilets

These are temporary toilets that can be easily prepared by removing sewer system manhole covers on the condominium site.

Management Team (as of June 29, 2011)

Directors and Corporate Auditors

Takashi Iwao
Director
Chairman

Ikuo Oguri
Representative Director
President

Noriaki Tsuji
Representative Director
Executive Vice President

Atsushi Hasegawa
Representative Director
Executive Operating Officer

Minoru Nishino
Representative Director
Executive Operating Officer

Ryuichiro Yoshida
Representative Director
Senior Operating Officer

Shosuke Muratsuka
Director
Senior Operating Officer

Yuhei Imanaka
Director
Senior Operating Officer

Tadao Yonekawa
Director
Senior Operating Officer

Morio Shimada
Director
Senior Operating Officer

Kinichi Kitamura
Director
Senior Operating Officer

Kazuo Ikegami
Director
Operating Officer

Hiroo Kinoshita
Outside Director

Toshio Onishi
Full-time Corporate Auditor

Teruo Kojima
Full-time Corporate Auditor

Haruo Akimine
Corporate Auditor

Haruya Uchikawa
Corporate Auditor

Masahiko Nakamichi
Corporate Auditor

Operating Officers

Senior Operating Officers

Hideki Nakata

Masaki Sato

Koichi Suzuki

Operating Officers

Naobumi Tago

Yutaka Okada

Fujio Hirano

Satoshi Amano

Keijiro Sekioka

Junichi Tani

Takeshi Tsunematsu

Junji Kawamura

Takashi Kawamura

Syoji Naraoka

Yoshinori Haraguchi

Hitoshi Satake

Masaaki Matsuoka

Hideo Yokokawa

Tsugio Utada

Teruo Funahashi

Takeshi Yoshioka

Yoshiaki Yamada

Toshiyuki Murakawa

Misato Yamamoto

Yoshinobu Mitabe

Financial Section

Five-Year Summary Haseko Corporation and its Consolidated Subsidiaries (Years ended March 31, 2007, 2008, 2009, 2010 and 2011)

	Millions of Yen				
	2007	2008	2009	2010	2011
For the Year:					
Net sales	¥723,118	¥745,074	¥505,500	¥420,382	¥440,429
Cost of sales	634,498	662,151	460,938	374,935	389,566
Selling, general and administrative expenses	24,119	27,205	28,988	28,329	27,536
Operating income	64,501	55,718	15,574	17,118	23,327
Ordinary income	63,046	53,103	12,444	14,165	19,138
Income (Loss) before income taxes and minority interests	36,652	23,665	(958)	12,560	19,615
Net income (loss)	33,695	22,384	(7,596)	5,814	10,137
For the Year:					
Cash flows from operating activities	22,195	14,416	(47,255)	2,038	28,629
Cash flows from investing activities	(3,627)	27,324	(4,008)	10,009	136
Cash flows from financing activities	(29,691)	(44,844)	44,784	(7,394)	(6,848)
Cash and cash equivalents at end of the year	66,012	62,426	55,130	59,815	81,656
At Year-end:					
Total current assets	¥377,321	¥359,641	¥313,253	¥277,138	¥314,202
Total assets	546,723	486,204	485,781	439,273	457,487
Total current liabilities	261,383	248,263	310,814	252,958	192,285
Total long-term liabilities	172,324	126,962	103,780	94,190	167,725
Total shareholders' equity	114,309	114,936	82,536	102,085	111,460
Net assets	113,016	110,979	71,187	92,125	97,478
Yen					
Per Share Data:					
Net income (loss)	¥31.67	¥ 9.36	¥ (6.67)	¥ 3.79	¥6.29
Diluted net income	16.08	8.35	-	2.93	5.02
Net assets	23.22	36.31	19.93	30.76	34.36
Ratios:					
Profit ratio of construction contracts	13.1	10.6	10.5	11.6	12.1
Operating income ratio	8.9	7.5	3.1	4.1	5.3
Equity ratio (%)	20.6	22.8	14.6	20.9	21.3
Return on equity (%)	30.4	20.0	(8.4)	7.1	10.7
Price/Earnings ratio (times)	13.58	15.71	-	22.96	10.17
Number of employees	3,677	3,916	4,326	4,384	4,505

Analyses of Financial Condition and Business Performance

Business Performance

During the fiscal year ended March 31, 2011, the condominium market took a turn for the better, both in supply and demand, partly due to the support by political measures including the Housing Eco-points system and expansion of the exceptional tax-exempt arrangements for gift tax on funds used to buy housing. New supply started to strengthen its recovery trend in April 2010, and resulted in an increase by 19.2% to 45,012 units in the Tokyo metropolitan area and by 13.2% to 21,609 units in the Kinki area, both on a year-on-year basis, surpassing 40,000 units in the former and 20,000 units in the latter for the first time in two years. Sales also showed a good improvement, with the initial month sales rate for the fiscal year rising to 79.2% in the Tokyo metropolitan area and to 72.2% in the Kinki area, both surpassing 70% - the benchmark of good/bad market conditions - for the first time since fiscal 2006. Good sales of new units also helped decrease inventory steadily, and the number of for-sale units being marketed as of the end of March 2011 was 4,716 units, or down 21.7% year-on-year, in the Tokyo metropolitan area and 3,311 units, or down 32.1%, in the Kinki area. The figures represented a decrease of 1,306 units in the former and a decrease of 1,567 units in the latter, compared with the end of March 2010.

As a result of the above, net sales of the Haseko Group for this fiscal year increased by 4.8% year-on-year to 440.4 billion yen due to the increase in construction contracts, with orders on track to a recovery after dropping due to the effects of the Lehman Shock. As for profits, operating income increased by 36.3% to 23.3 billion yen and ordinary income rose by 35.1% to 19.1 billion yen, both compared with the previous fiscal year. On top of the positive impact of sales growth, the increases were achieved as reductions in labor and other costs as well as general administrative expenses improved the profit margin, leading to a year-on-year increase of 1.2 points in operating income ratio to 5.3% and of 0.9 points in ordinary income ratio to 4.3%. The Company also posted net income after income taxes of 10.1 billion yen, posting an increase of 74.4% from the previous fiscal year.

Performance by Segment

The Haseko Group conducts business activities centering on all businesses related to condominiums. Of these, Haseko Corporation implements the "Design and Construction-Related Business," which conducts design and construction of condominiums and other facilities, and the "Real Estate-Related Business," which conducts sales of for-sale condominiums, consigned sales of for-sale condominiums and other operations. These businesses promote operations by respectively coordinating with Haseko's consolidated subsidiaries, each of which is an independently managed unit. Moreover, a group of subsidiaries centering on Haseko Anesis, a consolidated subsidiary, conducts the "Residential Property-Related Business," which

supervises the service operations for existing condominiums and other stock-based markets.

Accordingly, in consideration of its business formats in the condominium-related businesses, Haseko has made the three sectors ("Design and Construction-Related Business," "Real Estate-Related Business" and "Residential Property-Related Business") its reportable segments."

*Please refer to a business schematic of Haseko group's reportable segments on page 18.

Design and Construction-Related Business

Project owners invigorated their activities during the fiscal year under review, encouraged by such factors as the recovery in the condominium market, the reduction in finished inventory and improved lending attitude of financial institutions. Since the breakout of the Great East Japan Earthquake on March 11, 2011, however, there has been a lack of clarity in the Tokyo metropolitan area as to the impact of the disaster on the condominium market and consumers' appetite to purchase. This has caused certain project owners to take a cautious attitude toward their activities.

During the fiscal year, the Haseko Group won orders for new constructions of 115 for-sale condominiums in total throughout Japan, comprised of 80 in the Tokyo metropolitan area including 20 large projects with at least 200 units and 35 in the Kinki area including 10 large projects. Other than for-sale condominiums, the Company successfully received an order for construction and other operations of a multi-use redevelopment project (site area: approximately 10,000m²) that combines a condominium, a hotel and an office building in Mito City, Ibaraki Prefecture.

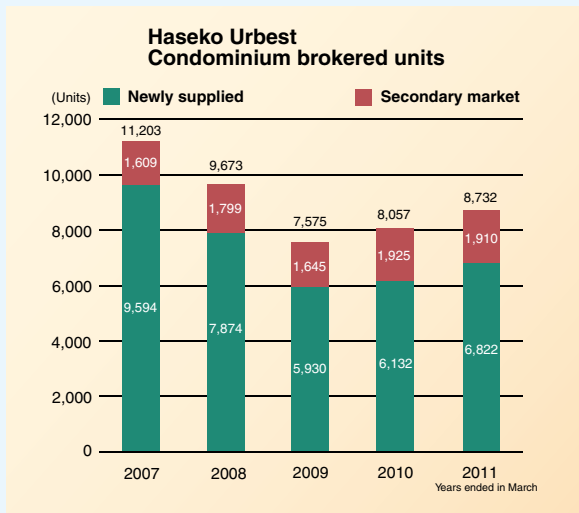
Construction of for-sale condominiums for 79 projects and other works were completed in the fiscal year. The earthquake disaster had no major impact, such as delays in completion and delivery, though there were some minor influences.

As a result, sales in the design and construction-related business segment totaled 277.1 billion yen, a year-on-year increase of 13.0%, and operating income was 25.8 billion yen, up 25.7% from the previous fiscal year.

Real Estate-Related Business

Condominium consignment sales operations saw the number of units delivered by Haseko Urbest decrease in the fiscal year ended March 2011 due to the impact of the decrease in the number of newly supplied for-sale units recorded in the previous fiscal year, although there were increases in the number of people visiting our model rooms and the number of contracted units.

In the sale of for-sale condominium units, the Company worked to sell the units of properties that obtained certification as "long-life, high-quality housing," the first such recognition in Japan for for-sale condominiums. The properties incorporate leading technologies that realize long-term durability and variability of unit floor plans for later changes, among other aspects. Haseko also endeavored to sell units of properties that have incorporated the "E-label"



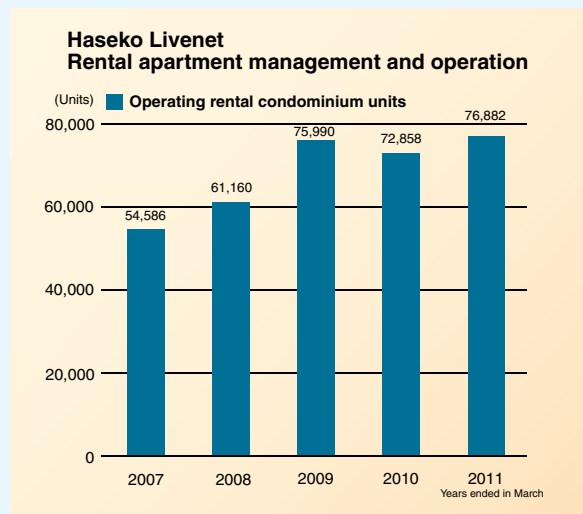
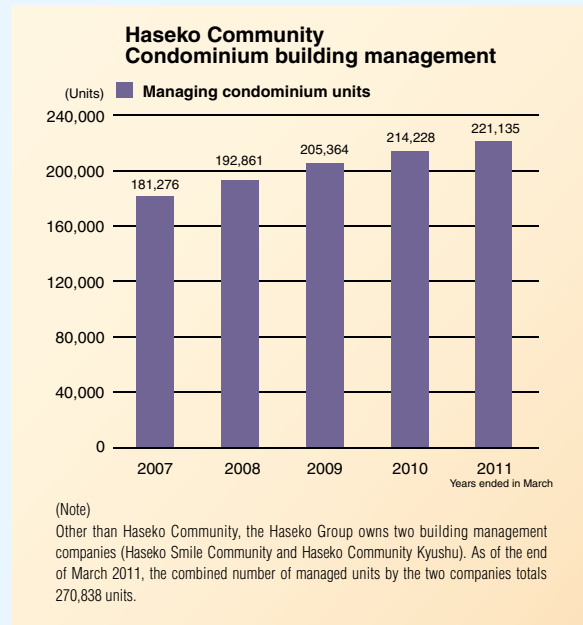
system, which provides consumers with a variety of options in specifications, facilities and plans. Moreover, as a project owner, Haseko started marketing properties that help promote acceptance of “Long-life and High-quality” condominiums, and delivered 15 such properties that were newly completed.

However, sales of lands for condominiums decreased year-on-year, and the Company recorded valuation loss on inventory assets involving lands for condominium development, for which business plans were partially revised, and for other purposes. As a result, the real estate-related business segment posted sales of 58.6 billion yen, a year-on-year decrease of 23.5%, and an operating loss of 3.4 billion yen (an operating loss of 1.5 billion yen in the previous fiscal year).

Residential Property-Related Service Business

In the condominium building management operations, two subsidiaries engaged in managing condominium buildings merged to form a single entity during the fiscal year ended March 2011. The merger realized sharing of mutual know-how and allowed efficient handling of a variety of properties. Given the ongoing recovery in new supply of for-sale condominium units, the Haseko Group is continuously implementing proactive marketing activities as it focuses on consigned management for properties constructed by other companies, in order to increase the number of units the Haseko Group is consigned to manage.

Moreover, Haseko reorganized its organization in an effort to establish a system for securing orders of large-scale repair work, for which the market is expected to grow, and to take advantage of the technological capabilities of the Haseko Group, and endeavored to expand the business. Sales decreased year-on-year, however, primarily because fewer properties among those managed by the Haseko Group had large-scale repair plans for the consolidated fiscal year under review. Still, a year-on-year increase was achieved in operating income by reviewing the system for construction work.



In leasing management operations, Haseko focused on securing the number of managed units and consigned units. Impacted by the reorganization in the real estate investment fund industry and other factors, however, the number of managed units remained flat. As for the company housing management agency service, enhanced service offerings and other measures successfully led to a steady increase in the number of units.

In the senior living business, which operates condominiums with services for the elderly, the occupancy rates of Century City Tokiwadai and Century City Miyakojima rose steadily. The general insurance agent operations saw the number of contracts increase, and printing services improved business performance in a favorable manner.

As a result of the above, sales of the residential property-related service business segment totaled 90.3 billion yen, down 2.7% year-on-year, while operating income was 5.5 billion yen, an increase of 5.2% from the previous fiscal year.

Other Business Segments

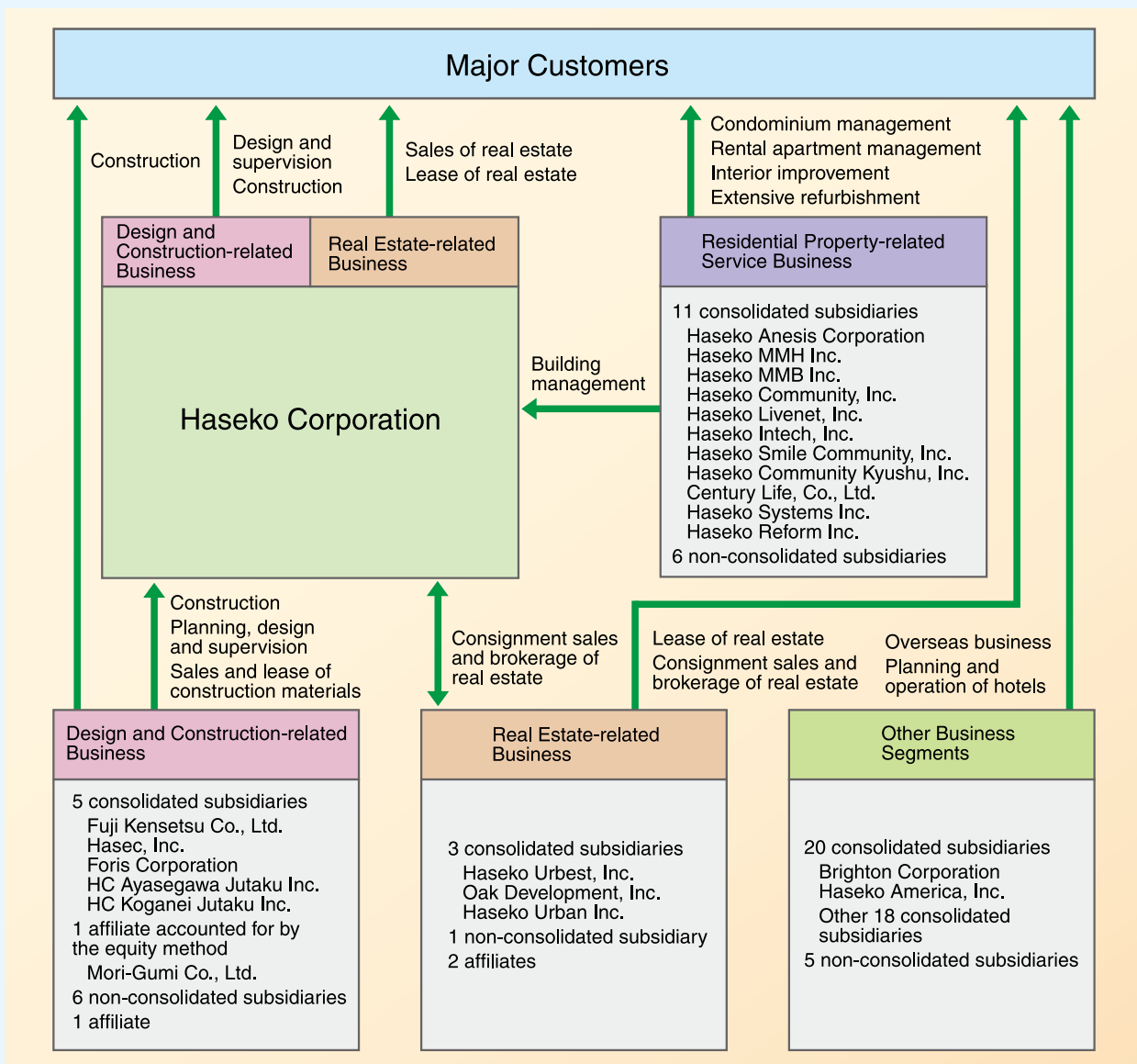
In the overseas business, in which Haseko conducts the for-sale housing business conducted in Oahu, Hawaii, the number of contracts remained at a similar level as the previous fiscal year but sales increased due to the delivery of units that had been contracted before the tax cuts for purchased housing ended.

In the hotel business, the Haseko Group made its utmost

efforts to reduce various costs while focusing on reorganizing and enhancing the weddings division and on sales promotion activities such as renovation of guest rooms and other facilities as well as development of new products, and major hotels enjoyed high occupancy rates. However, the Great East Japan Earthquake in March, a busy season, also caused people to refrain from having parties and traveling. This incident led to decreased sales for the business.

As a result, the overseas business and the hotel business posted sales of 18.4 billion yen, up 7.0% year-on-year, and an operating loss of 0.2 billion yen (an operating loss of 0.7 billion yen in the previous fiscal year).

Business schematic of Haseko group's reportable segments



Financial Position

Total assets at the end of the consolidated fiscal year were 457.5 billion yen, an increase of 18.2 billion yen from the end of the previous fiscal year. This is because of the increase in cash on hand as well as an increase in the Company's claims due to an increase in the number of properties for construction and other factors.

Total liabilities were 360.0 billion yen, an increase of 12.9 billion yen from the end of the previous fiscal year. This is because of the increase in liabilities due to an increase in the number of properties for construction and other factors, although interest-bearing debts decreased.

Net assets were 97.5 billion yen, an increase of 5.4 billion yen from the end of the previous fiscal year, mainly because of the increase in retained earnings due to the recording of 10.1 billion yen in net income.

As a result, the equity ratio was 21.3% in contrast to 20.9% at the end of the previous fiscal year.

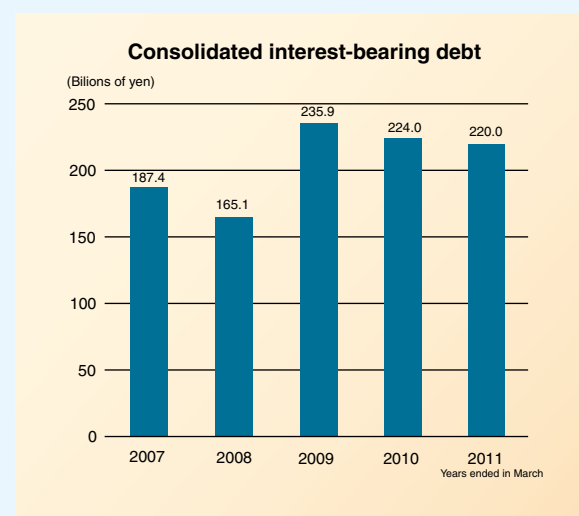
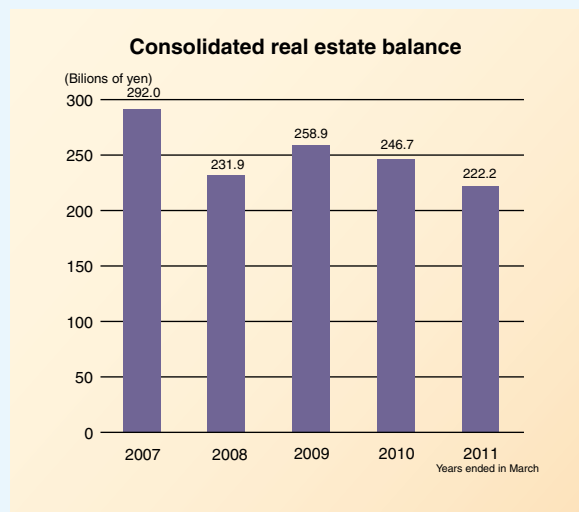
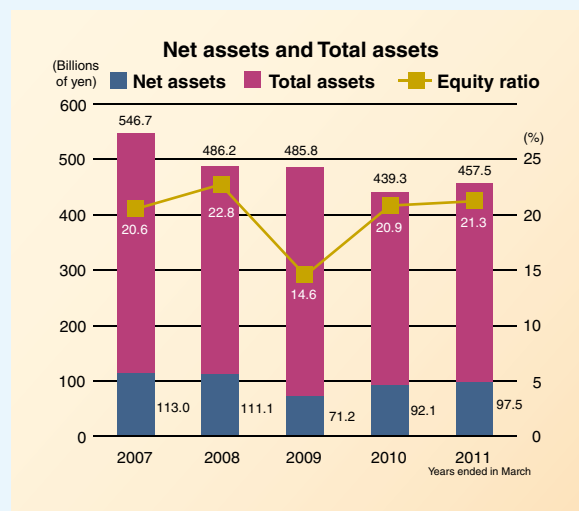
Cash Flows

Net cash provided by operating activities was 28.6 billion yen, an increase of 26.6 billion yen in income compared with the net cash used in operating activities totaling 2.0 billion yen in the previous fiscal year. The increase was mainly due to the recording of 19.6 billion yen in income before income taxes and minority interests, a net decrease of 32.8 billion yen in proceeds due to an increase in notes and account receivables, a net increase of 10.6 billion yen in proceeds due to a decrease in inventory assets, and a net increase of 12.6 billion yen in proceeds due to an increase in notes, accounts payable and accrued expenses.

Net cash provided by investing activities was 0.1 billion yen, a decrease of 9.9 billion yen in income compared with the net cash provided by investing activities totaling 10.0 billion yen in the previous fiscal year. Major factors included an increase of 0.2 billion yen in proceeds from purchases and sales of property and equipment and intangible assets.

Net cash used in financing activities was 6.8 billion yen, representing an improvement of 0.5 billion yen in the balance of proceeds, compared with the net cash provided by financing activities totaling 7.4 billion yen in the previous fiscal year. This was primarily due to a decrease of 26.9 billion yen in proceeds in the balance of short-term borrowings and an increase of 23.3 billion yen in proceeds as a result of the increase and repayment of long-term debt.

As a result of the above, cash and cash equivalents at the end of the fiscal year totaled 81.7 billion yen, an increase of 21.8 billion yen from 59.8 billion yen at the end of the previous fiscal year.



Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS

AS OF MARCH 31, 2010 AND 2011

ASSETS

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2010	2011	2011
ASSETS			
Current Assets:			
Cash and bank deposits (Notes 5, 10 and 15)	¥ 60,272	¥ 82,034	\$ 986,578
Notes and accounts receivable, trade (Notes 5, 8 and 10)	51,135	83,970	1,009,862
Costs on uncompleted construction contracts	6,365	7,708	92,700
Inventories (Notes 7, 10 and 13)	142,122	121,666	1,463,211
Deferred tax assets (Note 18)	9,162	9,501	114,263
Other current assets (Note 10)	9,186	10,375	124,775
Allowance for doubtful accounts (Note 5)	(1,104)	(1,052)	(12,652)
Total current assets	277,138	314,202	3,778,737
Property and Equipment (Notes 8, 10 and 11)	102,337	98,389	1,183,271
Intangible Assets (Notes 8 and 10)	7,924	7,040	84,666
Investments and Other Assets:			
Investment securities (Notes 5, 6 and 10)	5,968	5,990	72,038
Long-term loans receivable (Notes 5 and 10)	1,237	1,199	14,420
Long-term deferred tax assets (Note 18)	29,119	19,998	240,505
Other assets	22,881	12,017	144,523
Allowance for doubtful accounts	(7,331)	(1,348)	(16,212)
Total investments and other assets	51,874	37,856	455,274
Total assets	¥439,273	¥457,487	\$5,501,948

See notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2010 AND 2011
LIABILITIES AND NET ASSETS

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2010	2011	2011
LIABILITIES			
Current Liabilities:			
Short-term borrowings (Notes 5 and 9)	¥ 50,404	¥ 22,350	\$ 268,791
Current portion of long-term debt (Notes 5, 9 and 10)	90,327	40,591	488,166
Notes and accounts payable (Notes 5 and 10)	72,920	85,230	1,025,015
Income taxes payable (Note 5)	1,008	965	11,606
Advances received on uncompleted construction contracts	10,774	13,154	158,196
Advances received for real estate sales (Note 10)	2,163	4,541	54,612
Warranty reserve	3,487	3,895	46,843
Allowance for losses on construction contracts	3	26	313
Accrued bonuses for employees	1,582	1,815	21,828
Other current liabilities	20,290	19,718	237,138
Total current liabilities	252,958	192,285	2,312,508
Long-term Liabilities:			
Long-term debt (Notes 5, 9, 10 and 16)	83,232	157,090	1,889,236
Reserve for employees' retirement benefits (Note 17)	1,653	1,755	21,106
Reserve for improvement of TV reception interfered area	398	389	4,678
Other long-term liabilities	8,907	8,490	102,105
Total long-term liabilities	94,190	167,724	2,017,125
Total liabilities	347,148	360,009	4,329,633
Commitments and Contingent Liabilities (Notes 11 and 12)			
NET ASSETS (Notes 14 and 19):			
Shareholders' Equity:			
Capital stock	57,500	57,500	691,521
Capital surplus	7,500	7,500	90,198
Retained earnings	37,205	46,582	560,216
Treasury stock, at cost — 764,692 shares in 2010 — 796,229 shares in 2011	(120)	(122)	(1,466)
Total shareholders' equity	102,085	111,460	1,340,469
Accumulated Other Comprehensive Income:			
Net unrealized gain (loss) on other securities	585	484	5,821
Translation adjustments	(10,675)	(14,614)	(175,755)
Total accumulated other comprehensive income (loss)	(10,090)	(14,130)	(169,934)
Minority Interests			
Total net assets	92,125	97,478	1,172,315
Total liabilities and net assets	¥439,273	¥457,487	\$5,501,948

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED MARCH 31, 2010 AND 2011

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2010	2011	2011
Net Sales (Note 13)	¥420,382	¥440,429	\$5,296,801
Cost of Sales (Note 13)	374,935	389,566	4,685,099
Gross profit	45,447	50,863	611,702
Selling, General and Administrative Expenses (Note 13)	28,329	27,536	331,161
Operating Income	17,118	23,327	280,541
Other Income (Expenses):			
Interest and dividend income	780	892	10,728
Equity in gain on an affiliate	160	188	2,261
Interest expense	(3,179)	(3,572)	(42,959)
Incidental expense for loan	(1,445)	(2,456)	(29,537)
Other, net	731	759	9,128
	(2,953)	(4,189)	(50,379)
Ordinary income	14,165	19,138	230,162
Special Income (Losses):			
Gain (loss) on disposal or sales of property and equipment, net (Note 8)	1,733	(36)	(433)
Gain on reversal of allowance for doubtful accounts	1,206	1,666	20,036
Gain on acquisition of equity	1,138	—	—
Provision of allowance for doubtful accounts	(652)	—	—
Impairment loss on fixed assets (Note 8)	(3,948)	(865)	(10,403)
Provision for improvement of TV reception interfered area	(399)	—	—
Impairment loss on investment securities (Note 6)	—	(159)	(1,912)
Other, net	(683)	(129)	(1,551)
	(1,605)	477	5,737
Income before Income Taxes and Minority Interests	12,560	19,615	235,899
Income Taxes (Note 18):			
Current	1,140	782	9,405
Deferred	5,581	8,673	104,305
	6,721	9,455	113,710
Income before Minority Interests	5,839	10,160	122,189
Minority Interests	25	23	277
Net Income (Note 19)	¥ 5,814	¥ 10,137	\$121,912

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED MARCH 31, 2010 AND 2011

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2010	2011	2011
Income before Minority Interests	¥—	¥10,160	\$122,189
Other Comprehensive Income			
Net unrealized gain (loss) on other securities	—	(108)	(1,299)
Translation adjustments	—	(3,939)	(47,372)
Share of other comprehensive income of companies accounted for by the equity method	—	8	96
Total other comprehensive income (loss)	—	(4,039)	(48,575)
Comprehensive Income (Note 22)	—	6,121	73,614
Total Comprehensive Income Attributable to:			
Shareholders of Haseko Corporation	—	6,098	73,337
Minority interests	—	23	277

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGE IN NET ASSETS
FOR THE YEARS ENDED MARCH 31, 2010 AND 2011

For the year ended March 31, 2010

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock,	Total shareholders' equity
	(Millions of yen)				
Balance at March 31, 2009	¥50,000	¥ –	¥32,644	¥ (108)	¥ 82,536
Net income for the year ended March 31, 2010	–	–	5,814	–	5,814
Capital increase upon new stock issuance	7,500	7,500	–	–	15,000
Cash dividend	–	–	(855)	–	(855)
Purchase of treasury stock	–	–	–	(12)	(12)
Disposition of treasury stock	–	(0)	–	0	0
Changes in scope of consolidation	–	–	(398)	–	(398)
Appropriation of retained earnings for capital surplus	–	0	(0)	–	–
Net changes in items other than those in shareholders' equity	–	–	–	–	–
Total changes during the year	7,500	7,500	4,561	(12)	19,549
Balance at March 31, 2010	¥57,500	¥7,500	¥37,205	¥ (120)	¥102,085

	Accumulated other comprehensive income				
	Net unrealized gain (loss) on other securities	Translation adjustments	Total accumulated other comprehensive income (loss)	Minority interests	Total net assets
	(Millions of yen)				
Balance at March 31, 2009	¥ 30	¥(11,490)	¥(11,460)	¥111	¥71,187
Net income for the year ended March 31, 2010	–	–	–	–	5,814
Capital increase upon new stock issuance	–	–	–	–	15,000
Cash dividend	–	–	–	–	(855)
Purchase of treasury stock	–	–	–	–	(12)
Disposition of treasury stock	–	–	–	–	0
Changes in scope of consolidation	–	–	–	–	(398)
Appropriation of retained earnings for capital surplus	–	–	–	–	–
Net changes in items other than those in shareholders' equity	555	815	1,370	19	1,389
Total changes during the year	555	815	1,370	19	20,938
Balance at March 31, 2010	¥585	¥(10,675)	¥(10,090)	¥130	¥92,125

See notes to consolidated financial statements.

For the year ended March 31, 2011

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock,	Total shareholders' equity
	<i>(Millions of yen)</i>				
Balance at March 31, 2010	¥57,500	¥7,500	¥37,205	¥(120)	¥102,085
Net income for the year ended March 31, 2011	—	—	10,138	—	10,138
Cash dividend	—	—	(761)	—	(761)
Purchase of treasury stock	—	—	—	(2)	(2)
Disposition of treasury stock	—	(0)	—	—	(0)
Appropriation of retained earnings for capital surplus	—	0	(0)	—	—
Net changes in items other than those in shareholders' equity	—	—	—	—	—
Total changes during the year	—	—	9,377	(2)	9,375
Balance at March 31, 2011	¥57,500	¥7,500	¥46,582	¥(122)	¥111,460

	Accumulated other comprehensive income				
	Net unrealized gain (loss) on other securities	Translation adjustments	Total accumulated other comprehensive income (loss)	Minority interests	Total net assets
	<i>(Millions of yen)</i>				
Balance at March 31, 2010	¥585	¥(10,675)	¥(10,090)	¥130	¥92,125
Net income for the year ended March 31, 2011	—	—	—	—	10,138
Cash dividend	—	—	—	—	(761)
Purchase of treasury stock	—	—	—	—	(2)
Disposition of treasury stock	—	—	—	—	(0)
Appropriation of retained earnings for capital surplus	—	—	—	—	—
Net changes in items other than those in shareholders' equity	(101)	(3,939)	(4,040)	18	(4,042)
Total changes during the year	(101)	(3,939)	(4,040)	18	5,353
Balance at March 31, 2011	¥484	¥(14,614)	¥(14,130)	¥148	¥97,478

See notes to consolidated financial statements.

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock,	Total shareholders' equity
	<i>(Thousands of U.S. dollars) (Note 4)</i>				
Balance at March 31, 2010	\$691,521	\$90,198	\$447,444	\$(1,443)	\$1,227,720
Net income for the year ended March 31, 2011	—	—	121,924	—	121,924
Cash dividend	—	—	(9,152)	—	(9,152)
Purchase of treasury stock	—	—	—	(23)	(23)
Disposition of treasury stock	—	(0)	—	—	(0)
Appropriation of retained earnings for capital surplus	—	0	(0)	—	—
Net changes in items other than those in shareholders' equity	—	—	—	—	—
Total changes during the year	—	—	112,772	(23)	112,749
Balance at March 31, 2011	\$691,521	\$90,198	\$560,216	\$(1,466)	\$1,340,469

	Accumulated other comprehensive income				
	Net unrealized gain (loss) on other securities	Translation adjustments	Total accumulated other comprehensive income (loss)	Minority interests	Total net assets
	<i>(Thousands of U.S. dollars) (Note 4)</i>				
Balance at March 31, 2010	\$7,035	\$(128,382)	\$(121,347)	\$1,563	\$1,107,936
Net income for the year ended March 31, 2011	—	—	—	—	121,924
Cash dividend	—	—	—	—	(9,152)
Purchase of treasury stock	—	—	—	—	(23)
Disposition of treasury stock	—	—	—	—	(0)
Appropriation of retained earnings for capital surplus	—	—	—	—	—
Net changes in items other than those in shareholders' equity	(1,214)	(47,373)	(48,587)	217	(48,370)
Total changes during the year	(1,214)	(47,373)	(48,587)	217	64,379
Balance at March 31, 2011	\$5,821	\$(175,755)	\$(169,934)	\$1,780	\$1,172,315

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2010 AND 2011

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2010	2011	2011
Cash Flows from Operating Activities:			
Income before income taxes and minority interests	¥12,560	¥19,615	\$235,899
Depreciation	3,933	3,861	46,434
Impairment loss on fixed assets	3,948	865	10,403
Loss on litigation	—	100	1,203
Amortization of goodwill	515	515	6,194
Reversal of allowance for doubtful accounts	(3,289)	(6,035)	(72,580)
Interest and dividend income	(780)	(892)	(10,728)
Interest expense	3,179	3,572	42,959
Equity in gain of an affiliate	(160)	(188)	(2,261)
Gain on acquisition of equity	(1,138)	—	—
Impairment loss on investment securities	—	159	1,912
Loss (gain) on disposal or sale of property and equipment, net	(1,733)	36	433
Provision for improvement of TV reception interference area	399	—	—
Valuation loss on inventories	2,227	5,626	67,661
Changes in operating assets and liabilities			
Notes and accounts receivable	15,224	(32,825)	(394,768)
Costs on uncompleted construction contracts	1,707	(1,343)	(16,152)
Inventories	9,145	10,617	127,685
Notes, accounts payable and accrued expenses	(27,375)	12,563	151,088
Amounts received for uncompleted construction contracts	(10,162)	2,381	28,635
Other	(2,909)	14,177	170,499
Subtotal	5,291	32,804	394,516
Interest and dividends received	784	445	5,352
Interest paid	(3,119)	(3,591)	(43,187)
Settlement package paid	(49)	(100)	(1,203)
Income taxes paid	(869)	(929)	(11,173)
Net Cash Provided by Operating Activities	2,038	28,629	344,305
Cash Flows from Investing Activities:			
Transfer to time deposits	(1,272)	—	—
Refund of time deposits	1,272	—	—
Purchases of property and equipment and intangible assets	(5,404)	(1,457)	(17,523)
Proceeds from sales of property and equipment and intangible assets	14,530	1,610	19,363
Purchases of investment securities	(100)	(82)	(986)
Proceeds from sales of investment securities	194	140	1,684
Proceeds from acquisition of consolidated subsidiaries	347	—	—
Proceeds from liquidation of subsidiary	532	4	48
Payment for loans receivable	(1,168)	(1,181)	(14,203)
Collection of loans receivable	1,478	1,234	14,841
Payment for lease deposits	(537)	(312)	(3,752)
Refund of lease deposits	362	288	3,464
Other	(225)	(108)	(1,300)
Net Cash Provided by Investing Activities	10,009	136	1,636
Cash Flows from Financing Activities:			
Increase in short-term borrowings, net	(36,941)	(26,927)	(323,836)
Increase in long-term debt	84,522	116,687	1,403,331
Repayment of long-term debt	(67,614)	(93,358)	(1,122,766)
Proceeds from issuance of convertible bond-type bonds with subscription rights to shares	15,000	—	—
Acquisition of treasury stock	(12)	(2)	(24)
Incidental expenses for loan	(1,427)	(2,478)	(29,802)
Cash dividends paid	(855)	(761)	(9,152)
Cash dividends paid for minority shareholders	(6)	(6)	(72)
Other	(61)	(3)	(36)
Net Cash Used in Financing Activities	(7,394)	(6,848)	(82,357)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	32	(88)	(1,058)
Net Decrease in Cash and Cash Equivalents	4,685	21,829	262,526
Cash and Cash Equivalents at Beginning of the Year (Note 15)	55,130	59,815	719,363
Increase in Cash and Cash Equivalents Resulting from Merger of Unconsolidated Subsidiaries	—	13	156
Cash and Cash Equivalents at End of the Year (Note 15)	¥59,815	¥81,656	\$982,032

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Haseko Corporation and its Consolidated Subsidiaries
For the years ended March 31, 2010 and 2011

1. Basis of Presentation

Haseko Corporation (the "Company") and its consolidated domestic subsidiaries maintain their books of account in conformity with the financial accounting standards of Japan, and Haseko America Inc. and its subsidiaries ("Haseko America") maintain their books of account in conformity with the financial accounting standards of the United States of America.

The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

Certain 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 accompanying consolidated financial statements include the accounts of the Company and any significant companies controlled directly or indirectly by the Company. Companies over which the Company exercises significant influence in terms of their operating and financial policies have been accounted for by the equity method. As of March 31, 2011, the numbers of consolidated subsidiaries and affiliates accounted for by the equity method were 39 and 1 (36 and 1 in 2010), respectively. Investments in subsidiaries and affiliates which are not consolidated or accounted for by the equity method are carried at cost or less.

The fiscal year of Haseko America Inc. and its subsidiaries ends on December 31. The necessary adjustments for significant transactions occurred during the period from January 1 to March 31 are made in the preparation of the consolidated financial statements. The fiscal year of Haseko MMH Inc. ends on December 31, while the fiscal year of Haseko MMB Inc. ends on September 30. Haseko MMH Inc. and Haseko MMB Inc. are consolidated by using their financial statement as of the end of the fiscal year (March 31, 2010 and March 31, 2011) which are repaired solely for consolidation purpose and conducted in conformity to the official closing. Consolidated subsidiaries other than those referred to above have the same fiscal year as the Company, which ends on March 31.

Differences between the cost and the underlying net equity at fair value of investments in consolidated subsidiaries and in companies which are accounted for by the equity method have been amortized by the straight-line method. Goodwill and negative goodwill that are immaterial are charged or credited to income in the year of acquisition.

(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

Marketable securities classified as other securities are stated at fair market value. Net unrealized gains or losses on these securities are reported in the shareholders' equity at a net-of-tax amount. Non-marketable securities classified as other securities are stated at cost. Cost of securities sold is determined by the moving-average method.

(4) Tokumei kumiai (Silent partnerships)

An amount corresponding to a portion of the assets of silent partnerships is recorded under investment securities. The Company appropriates investment securities at the time of investment in silent partnerships and it appropriates the amount corresponding to the portion of the net loss or income realized by the silent partnerships under operating income (loss), adjusting investment securities by the same amount.

(5) Inventories

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

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

(6) Property and equipment

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

(7) Intangible assets

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

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

(8) Leases

Depreciation is computed based on the straight-line method over the lease period with a residual value of zero.

Finance leases, except for those that transfer the ownership of the leased assets to the lessees, which had been entered into on or before March 31, 2008, as stated in the "Accounting Standard for Lease Transactions" (Accounting Standards Board of Japan Statement No. 13), have been recorded in accordance with the accounting method for operating lease transactions.

(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 completed constructions after handover.

(11) Accrued bonuses for employees

Accrued bonuses for employees are provided for the estimated amount of bonuses to be paid to employees for the services rendered by the balance sheet date.

(12) 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 as adjusted for unrecognized amounts.

The net retirement benefit obligation at transition is amortized by the straight-line method over 15 years.

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

Actuarial differences are amortized from the next year in which the difference arises by the straight-line method over the average remaining service period of the employees (10-22 years).

Effective the year ended March 31, 2010, the Company adopted "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (Accounting Standards Board of Japan Statement No. 19 issued on July 31, 2008). The adoption of the partial amendments had no impact on the Company's operating income, ordinary income and income before income taxes and minority interests.

(13) Allowance for losses on construction contracts

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

(14) Reserve for improvement of TV reception interfered area

In correlation with the transition to terrestrial digital broadcasting pursuant to the revised Radio Act, the Company has provided the estimated amount of possible expenditures regarding electromagnetic interference caused by properties owned by the Company.

(15) 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.

(16) Hedge accounting

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

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

(17) Recognition on sales and costs of construction contracts

The Company and its consolidated subsidiaries had recognized revenues and costs on construction contracts on a percentage-of-completion basis for constructions that amount to ¥500 million or more and cover construction periods of twelve months or more, and on a completed-contract basis for other construction contracts.

Effective the year ended March 31, 2010, however, the Company and its consolidated subsidiaries adopted "Accounting Standard for Construction Contracts" (Accounting Standards Board of Japan Statement No. 15 issued on December 27, 2007) and "Guidance on Accounting Standard for Construction Contracts" (Accounting Standards Board of Japan Guidance No. 18 issued on December 27, 2007). In conformity to these, the Company and its consolidated subsidiaries recognized sales based on a percentage-of-completion basis for constructions of which the percentage of completion can be reliably estimated and the construction is started on or after April 1, 2009, and on a completed-contract basis for other construction contracts.

As a result of the adoption, net sales for the year ended March 31, 2010 increased by ¥3,803 million yen, and operating income, ordinary income and income before income taxes and minority interests rose by ¥294 million.

Furthermore, the impact of the adoption on segment information is outlined in the relevant section.

(18) Income taxes

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

(19) Consumption taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes. One consolidated subsidiary, which is considered a tax-exempt business provider, records its transactions at amounts inclusive of consumption taxes.

(20) Accounting method for deferred assets

All of the stock issuance expenses and corporate bond issuance expenses were appropriated as expenses at the time of payment.

3. Accounting Changes

(a) Effective from April 1, 2010, the Company adopted the "Accounting Standard for Equity Method of Accounting for Investments" (Accounting Standards Board of Japan (ASBJ) Statement No.16 issued on March 10, 2008) and the "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (ASBJ Practical Issues Task Force (PITF) No.24 issued on March 10, 2008). The adoption had no impact on ordinary income and income before income taxes and minority interests for the year ended March 31, 2011.

- (b) Effective from April 1, 2010, the Company adopted the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No.18 issued on March 31, 2008) and the "Implementation Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No.21 issued on March 31, 2008). The effect of adopting this new standard was to decrease income before income taxes and minority interests by ¥84 million (\$1,010 thousand), and operating income and ordinary income by ¥8 million (\$96 thousand), respectively.
- (c) Effective from April 1, 2010, the Company adopted the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, December 26, 2008), the "Partial Amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No. 23, December 26, 2008), the "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, Revised 2008), the "Revised Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16, Revised 2008), and the "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, Revised 2008).
- (d) Effective the year ended March 31, 2011, the Company adopted the "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No.25 issued on June 30, 2010). The items previously reported as "Valuation and translation adjustments" and "Total valuation and translation adjustments" as of March 31, 2010 were shown in the accompanying balance sheets as "Accumulated other comprehensive income" and "Total accumulated other comprehensive income (loss)," respectively.

4. U.S. Dollar Amounts

The U.S. dollar amounts are included solely for convenience of readers outside Japan, at the prevailing exchange rate on March 31, 2011, which was ¥83.15 = U.S.\$1. The above translation should not be construed as a representation that yen have been, could have been, or could in the future be converted into U.S. dollars at the above or any other rate.

5. Financial Instruments

Effective the year ended March 31, 2010, the Company and its consolidated subsidiaries adopted the "Accounting Standard for Financial Instruments" (Accounting Standards Board of Japan Statement No. 10 issued on March 10, 2008) and the "Guidance on Disclosures about Fair Value of Financial Instruments" (Accounting Standards Board of Japan Guidance No. 19 issued on March 10, 2008).

Overview

(1) Policy for financial instruments

The Company and its consolidated subsidiaries manage surplus funds only through deposits and procure funds through borrowings from financial institutions. The Company and its consolidated subsidiaries use derivative instruments in order to hedge against interest rate fluctuations and do not enter into derivative transactions for trading or speculative purposes, in accordance with internal policy.

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

Notes and accounts receivable, trade, which are trade receivables of the Company and its consolidated subsidiaries are exposed to credit risks of customers. As for investment securities, which are primarily stocks of companies with which the Company has business relationships, listed securities are exposed to market risks, and non-listed securities are exposed to risks of fluctuations in the financial conditions of the issuers. In addition, the Company provides loans to its subsidiaries and affiliates.

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

(3) Risk management for financial instruments *Management of credit risks (risks associated with business partners' default etc.)*

With regard to trade receivables, in accordance with its internal rules, the Company checks the creditworthiness of its business partners, manages the balance of accounts receivable and monitors the status of any delay in collection, and works to obtain collateral when it is necessary to protect accounts receivable, in an endeavor to identify and mitigate risks on collections. Credit risk is also managed by its consolidated subsidiaries in accordance with its internal rules. Loans receivable are managed by the Company by conducting credit investigations on a regular basis in accordance with its internal provisions and working to obtain collateral, if necessary. When the Company conducts derivative transactions, it deals exclusively with Japanese financial institutions that have high creditworthiness.

Management of market risks (interest rate fluctuation risks, etc.)

With regard to investment securities, the Company determines their fair values and evaluates the financial position of the issuers regularly. For derivative transactions, the Company operates a system that separates execution and management functions based on the internal rules that stipulate policies, usage/and the range of derivatives, and so forth. Under the system, the balance of derivative transactions and gains or loss from valuation are regularly reported to the director in charge of finance. Furthermore, derivative transactions by the Company and its consolidated subsidiaries are conducted, in principle, as a means to hedge risks, and should work to reduce market risks that might arise between the targeted assets and the liabilities. As such, the Company believes that market risks are fairly limited.

Management of liquidity risks (risks that the Company may not be able to meet its obligation on scheduled due dates) associated with funds procurement

The Company endeavors to secure liquidity as the finance division prepares funding plans appropriately based on reports from each division and other information and implements fund procurement by utilizing commitment lines in coordination with the scheduled due dates. In addition, the Company confirms the funding status of its consolidated subsidiaries to appropriately manage the funds of the Company and its consolidated subsidiaries as a whole.

(4) Supplementary explanation of the estimated fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value. In addition, the notional amounts of derivatives in Note 16. Derivative Transactions are not necessarily indicative of the actual market risk involved in derivative transactions.

Fair values of financial instruments

The carrying value of financial instruments on the consolidated balance sheet as of March 31, 2010 and 2011, and estimated fair value are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (Please refer to Note 2 below).

	Millions of yen		
	2010		
	Carrying value	Fair value	Difference
Cash and bank deposits	¥ 60,272	¥ 60,272	¥ -
Notes and account receivable, trade	51,135	51,160	25
Investment securities	2,824	2,717	(107)
Long-term loans receivable	1,237		
Allowance for doubtful accounts	(12)		
Sub-total	1,225	1,224	(1)
Total	¥115,456	¥115,373	¥ (83)
Notes and accounts payable	72,920	72,879	(41)
Short-term borrowings	50,404	50,404	-
Current portion of long-term debt	90,327	90,364	37
Income taxes payable	1,008	1,008	-
Long-term debt	83,232	82,827	(405)
Total	¥297,891	¥297,482	¥(409)
Derivatives	¥ -	¥ -	¥ -

	Millions of yen		
	2011		
	Carrying value	Fair value	Difference
Cash and bank deposits	¥ 82,034	¥ 82,034	¥ -
Notes and account receivable, trade	83,970	85,079	1,109
Investment securities	2,933	2,726	(207)
Long-term loans receivable	1,200		
Allowance for doubtful accounts	(12)		
Sub-total	1,188	1,187	(1)
Total	¥170,125	¥171,026	¥ 901
Notes and accounts payable	85,230	85,219	(11)
Short-term borrowings	22,350	22,350	-
Current portion of long-term debt	40,591	40,658	67
Income taxes payable	965	965	-
Long-term debt	157,090	157,592	502
Total	¥306,226	¥306,784	¥558
Derivatives	¥ -	¥ -	¥ -

	Thousands of U.S. dollars		
	2011		
	Carrying value	Fair value	Difference
Cash and bank deposits	\$ 986,578	\$ 986,578	\$ -
Notes and account receivable, trade	1,009,862	1,023,199	13,337
Investment securities	35,274	32,784	(2,490)
Long-term loans receivable	14,431		
Allowance for doubtful accounts	(144)		
Sub-total	14,281	14,276	(11)
Total	\$2,046,001	\$2,056,837	\$ 10,836
Notes and accounts payable	1,025,015	1,024,883	(132)
Short-term borrowings	268,791	268,791	-
Current portion of long-term debt	488,166	488,972	806
Income taxes payable	11,606	11,606	-
Long-term debt	1,889,236	1,895,273	6,037
Total	\$3,682,814	\$3,689,525	\$ 6,711
Derivatives	\$ -	\$ -	\$ -

Notes:

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

Cash and bank deposits

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

Notes and accounts receivable, trade

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

Investment securities

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

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

Long-term loans receivable

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

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

Notes and accounts payable

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

Short-term borrowings and income taxes payable

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

Long-term debt including current portion

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

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

Derivatives

Please refer to Note 16. Derivative Transactions.

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

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Equity securities of affiliates	¥1,925	¥1,922	\$23,115
Unlisted securities	899	756	9,092
Preferred subscription certificates	300	360	4,330
Others	20	20	241

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

3. Redemption schedule for monetary receivables and securities with maturity dates at March 31, 2010 and 2011.

	Millions of yen				
	2010				
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years	Total
Cash and bank deposit	¥ 60,272	¥ –	¥ –	¥ –	¥ 60,272
Notes and account receivable, trade	39,744	8,181	2,813	397	51,135
Investment securities					
Other securities with maturity dates					
Japanese and local government bonds, etc.	–	–	19	–	19
Long-term loans receivable	850	254	117	16	1,237
Total	¥100,866	¥8,435	¥2,949	¥413	¥112,663

	Millions of yen				
	2011				
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years	Total
Cash and bank deposit	¥ 82,034	¥ –	¥ –	¥ –	¥ 82,034
Notes and account receivable, trade	62,342	17,743	3,503	382	83,970
Investment securities					
Other securities with maturity dates					
Japanese and local government bonds, etc.	–	30	135	–	165
Long-term loans receivable	817	235	132	16	1,200
Total	¥145,193	¥18,008	¥3,770	¥398	¥167,369

	Thousands of U.S. dollars				
	2011				
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years	Total
Cash and bank deposit	\$ 986,578	\$ –	\$ –	\$ –	\$ 986,578
Notes and account receivable, trade	749,753	213,385	42,129	4,594	1,009,861
Investment securities					
Other securities with maturity dates					
Japanese and local government bonds, etc.	–	361	1,624	–	1,985
Long-term loans receivable	9,826	2,826	1,587	192	14,431
Total	\$1,746,157	\$216,572	\$45,340	\$4,786	\$2,012,855

For the planned repayment amounts of long-term debt, please refer to Note 9. Short-term Borrowings, Long-term Debt and Lease Obligations.

6. Investment Securities

(1) Other securities whose fair market value is available as of March 31, 2010 and 2011 consisted of the following:

	<i>Millions of yen</i>					
	2010			2011		
	Carrying value	Acquisition cost	Unrealized gain/(loss)	Carrying value	Acquisition cost	Unrealized gain/(loss)
(Securities whose carrying value exceeds their acquisition cost)						
Equity securities	¥2,227	¥1,281	¥946	¥1,930	¥1,161	¥769
Japanese government bonds	14	14	0	135	130	5
	<u>2,241</u>	<u>1,295</u>	<u>946</u>	<u>2,065</u>	<u>1,291</u>	<u>774</u>
(Securities whose acquisition cost exceeds their carrying value)						
Equity securities	12	14	(2)	81	88	(7)
Japanese government bonds	5	5	0	25	26	(1)
	<u>17</u>	<u>19</u>	<u>(2)</u>	<u>106</u>	<u>114</u>	<u>(8)</u>
Total	<u>¥2,258</u>	<u>¥1,313</u>	<u>¥944</u>	<u>¥2,171</u>	<u>¥1,405</u>	<u>¥766</u>

	<i>Thousands of U.S. dollars</i>		
	2011		
	Carrying value	Acquisition cost	Unrealized gain/(loss)
(Securities whose carrying value exceeds their acquisition cost)			
Equity securities	\$23,221	\$13,963	\$9,248
Japanese government bonds	1,624	1,563	61
	<u>24,835</u>	<u>15,526</u>	<u>9,309</u>
(Securities whose acquisition cost exceeds their carrying value)			
Equity securities	974	1,058	(84)
Japanese government bonds	300	313	(13)
	<u>1,274</u>	<u>1,371</u>	<u>(97)</u>
Total	<u>\$26,109</u>	<u>\$16,897</u>	<u>\$9,212</u>

Note) Impairment loss on marketable other securities of ¥159 million (\$1,912 thousand) was recognized for the year ended March 31, 2011. The Company and its consolidated subsidiaries recognize impairment loss on marketable other securities in the entire amount when the fair market value at the end of the fiscal year declines 50% or more compared with the acquisition cost, and for the amount deemed necessary in light of recoverability when the fair market value at the end of the fiscal year declines between 30 and 50% compared with the acquisition cost.

(2) Other securities sold for the years ended March 31, 2010 and 2011 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2010	2011	2011
Proceeds:			
Equity securities	¥194	¥131	\$1,575
Japanese government bonds	-	9	109
Total	<u>¥194</u>	<u>¥140</u>	<u>\$1,684</u>
Gain on sale:			
Equity securities	¥ 18	¥ 91	\$1,094
Japanese government bonds	-	1	12
Total	<u>¥ 18</u>	<u>¥ 92</u>	<u>\$1,106</u>
Loss on sale:			
Equity securities	-	¥ (1)	\$ (12)
Japanese government bonds	-	-	-
Total	<u>¥ -</u>	<u>¥ (1)</u>	<u>\$ (12)</u>

7. Inventories

Inventories as of March 31, 2010 and 2011 consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2010	2011	2011
Real estate for sale	¥ 35,965	¥ 30,953	\$ 372,255
Costs and advances for real estate operations	63,004	52,289	628,851
Real estate for development projects	43,153	38,424	462,105
	<u>¥142,122</u>	<u>¥121,666</u>	<u>\$1,463,211</u>

8. Property and Equipment and Intangible Assets

(1) Property and equipment as of March 31, 2010 and 2011 consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2010	2011	2011
Buildings and structures	¥ 84,578	¥ 84,002	\$1,010,247
Machinery, vehicles, equipment and furniture	10,791	10,476	125,989
Land	43,406	42,356	509,393
Construction in progress	187	94	1,130
Sub-total	<u>138,962</u>	<u>136,928</u>	<u>1,646,759</u>
Accumulated depreciation	<u>(36,625)</u>	<u>(38,539)</u>	<u>(463,488)</u>
	<u>¥102,337</u>	<u>¥ 98,389</u>	<u>\$1,183,271</u>

- (2) Intangible assets as of March 31, 2010 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Land leasehold rights	¥2,194	¥2,194	\$26,386
Goodwill	4,511	3,996	48,058
Other	1,219	850	10,222
	<u>¥7,924</u>	<u>¥7,040</u>	<u>\$84,666</u>

- (3) Gain on sales of property and equipment and intangible assets for the years ended March 31, 2010 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Buildings and structures	¥ 3	¥32	\$385
Land	1,841	33	397
	<u>¥1,844</u>	<u>¥65</u>	<u>\$782</u>

- (4) Loss on disposal or sales of property and equipment and intangible assets for the years ended March 31, 2010 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Buildings and structures	¥ 57	¥ 89	\$1,070
Machinery, vehicles, equipment and furniture	37	11	132
Land	13	—	—
Other	4	1	13
	<u>¥111</u>	<u>¥101</u>	<u>\$1,215</u>

- (5) Impairment loss on fixed assets

The Company and its consolidated domestic subsidiaries recognized impairment losses on the following fixed assets for the years ended March 31, 2010 and 2011.

2011

Use	Type	Location	No. of Cases
Real estate for design and construction related business	Land and buildings etc.	Urayasu-shi Chiba etc.	2
Real estate for its own business	Land and buildings etc.	Ichihara-shi, Chiba etc.	13
Real estate for residential property related business	Land and buildings etc.	Higashikurume-shi, Tokyo etc.	4

2010

Use	Type	Location	No. of Cases
Real estate for construction business	Land leasehold rights and buildings etc.	Minato-ku Tokyo etc.	2
Real estate for its own business	Buildings, equipment and furniture etc.	Chuo-ku, Osaka etc.	5
Real estate for lease	Land and buildings etc.	Meguro-ku, Tokyo	24

The Company and its consolidated domestic subsidiaries recognized impairment loss on certain real estate (business use, leasing, hotel and idle assets), which are grouped separately for the assessment of impairment.

Due to the recent decline in real estate value, fall in profitability and changes in holding purposes, the carrying value of the above assets has been written down to their recoverable amounts by ¥3,948 million and ¥865 million (\$10,403 thousand) at March 31, 2010 and 2011, which was recorded as an impairment loss on fixed assets in "Special Losses." The details of impairment loss on fixed assets were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Buildings and structures	¥1,727	¥408	\$4,907
Equipment and furniture	20	8	96
Land	2,067	446	5,364
Land leasehold rights	134	—	—
Removal costs	—	3	36
	<u>¥3,948</u>	<u>¥865</u>	<u>\$10,403</u>

The recoverable amount was the higher of the net selling price or value in use. The net selling price for real estate is the appraisal value less the cost of disposal, and the comparison approach value for other assets. Value in use is the sum of the net future cash flows discounted at a rate of 5.0% for the years ended March 31, 2010 and 2011.

- (6) Reclassification were made between the following accounts in association with the consolidation of Oak Development Corporation for the year ended March 31, 2010.

	Millions of yen
	2010
Notes and accounts receivable, trade	¥(3,442)
Cost on uncompleted construction contracts	(6,807)
Property and equipment	10,249

- (7) Effective from the fiscal year ended March 31, 2010, the "Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (Accounting Standards Board of Japan Statement No. 20 issued on November 28, 2008) and the "Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (Accounting Standards Board of Japan Guidance No. 23 issued on November 28, 2008) have been adopted.

The Company and some of its consolidated subsidiaries own residences for lease, office buildings for lease (including land) and retail facilities for lease in the Tokyo metropolitan and Kinki areas. Net income from leasing these properties for the fiscal years ended March 31, 2010 and 2011 were ¥1,256 million and ¥132 million, and impairment losses on these properties (recorded as "Special Losses") were ¥3,906 million and ¥793 million, respectively.

In addition, the carrying value of these properties for lease recorded in the consolidated balance sheets, the changes during the fiscal years ended March 31, 2010 and 2011 and corresponding fair values are as follows.

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Carrying value at the previous fiscal year ended March 31	¥55,754	¥55,083	\$662,453
Changes during the fiscal year	(671)	(6,002)	(72,182)
Balance at the fiscal year ended March 31	¥55,083	¥49,081	\$590,271
Fair value at the fiscal year ended March 31	¥54,945	¥49,046	\$589,850

- Notes 1) The carrying value represents the acquisition cost deducting accumulated depreciation and accumulated impairment losses.
- 2) The components of net change in carrying value during the fiscal year ended March 31, 2010 included an increase mainly due to Oak Development Corporation (¥19,487 million) becoming a consolidated subsidiary, and a decrease mainly due to sale of real estate (¥16,843 million) and impairment losses (¥3,906 million).
The components of net change in carrying value during the fiscal year ended March 31, 2011 included a decrease mainly due to change in holdings purpose of properties (¥3,579 million), sale of real estate (¥1,224 million) and impairment losses (¥793 million).
- 3) The fair values of primary properties at March 31, 2010 are based on the real estate appraisal reports and the fair values of other properties are based on the amounts estimated by the Company in accordance with the real estate appraisal standards.

When a slight fluctuation occurs in appraisal values or in the indicators that are believed to appropriately reflect market prices since the acquisition from third parties or the reporting dates of the most recent appraisals, the acquisition cost or the most recent fair values based on standard estimation methods for determining fair value are recorded as the fair values at year end.

9. Short-term Borrowings, Long-term Debt and Lease Obligations

- (1) The following is a summary of the interest bearing debt as of March 31, 2010 and 2011:

	Average interest rate	Millions of yen		Thousands of U.S. dollars
		2010	2011	2011
Short-term borrowings	1.14%	¥ 50,404	¥ 22,350	\$ 268,791
Current portion of long-term debt	2.16%	90,327	40,591	488,166
Current portion of lease obligations	—	50	68	818
Long-term debt due from June 2012 to September 2019	2.11%	83,232	157,090	1,889,236
Lease obligations due from 2012 to 2016	—	146	151	1,816
Total	—	¥224,159	¥220,250	\$2,648,827

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

The weighted average interest rates on lease obligations have not been presented, as amounts equivalent to the interest included in total lease payments are allocated to each fiscal year using the straight-line method.

- (2) The annual maturities of long-term debt and lease obligations (excluding the current portion) as of March 31, 2011 were as follows:

Year ending March, 31	Millions of yen		Thousands of U.S. dollars	
	Long-term debt	Lease obligations	Total	Total
2013	¥ 36,961	¥ 68	¥ 37,029	\$ 445,328
2014	54,780	52	54,832	659,435
2015	37,972	21	37,993	456,921
2016	19,382	10	19,392	233,217
2017 and thereafter	7,995	0	7,995	96,151
Total	¥157,090	¥151	¥157,241	\$1,891,052

- (3) The Company has committed lines of credit available for immediate and stable borrowings with certain 5 financial institutions as of March 31, 2010 and 2011, respectively. The lines of credit and unused lines of credit as of March 31, 2010 and 2011 were as follows.

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Line of credit	¥60,000	¥63,000	\$757,667
Amount utilized	50,000	22,050	265,184
Unused line of credit	¥10,000	¥40,950	\$492,483

10. Collateral

- (1) The assets provided as collateral as of March 31, 2010 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Cash and bank deposit	¥ —	¥ 786	\$ 9,453
Real estate for sale	2,587	773	9,296
Cost and advances for real estate operations	1,165	206	2,477
Real estate for development projects	22,984	28,381	341,323
Other current assets	—	78	939
Buildings and structures	17,258	15,267	183,608
Machinery, vehicle, equipment and furniture	623	438	5,268
Land	5,683	5,683	68,346
Construction in progress	169	94	1,130
Intangible assets	—	4	48
Total	¥50,469	¥51,710	\$621,888

Other than the above assets provided as collateral, equity interests of ¥1,247 million as of March 31, 2010 and other current assets of ¥330 million as of March 31, 2011 in the consolidated subsidiaries of Haseko America Inc., which have been eliminated on the consolidated balance sheets, have been provided as collateral for the borrowings related to the real estate development and sale business in Hawaii, U.S.A.

- The liabilities with collateral as of March 31, 2010 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Current portion of long-term debt	¥ 2,671	¥ 3,061	\$ 36,813
Long-term debt	11,977	11,556	138,978
Advances received for real estate sales	1,061	660	7,937
Total	¥15,709	¥15,277	\$183,728

(2) The following assets have been provided as collateral for borrowings by Haseko MMB Inc. and are backed by the cash flows generated from the condominium management business and other operations.

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Other current assets	¥ 58	¥ 58	\$ 698
Building and structure	2,010	1,934	23,259
Land	11,484	11,484	138,112
Land leasehold rights	48	48	577
Investment securities	332	332	3,993
Long-term loans receivable	401	416	5,003
	<u>¥14,333</u>	<u>¥14,272</u>	<u>\$171,642</u>

The liabilities with collateral as of March 31, 2010 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Current portion of long-term debt	¥ 2,938	¥ 2,938	\$ 35,334
Long-term debt	20,563	17,625	211,966
	<u>¥23,501</u>	<u>¥20,563</u>	<u>\$247,300</u>

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

(2010)

Shares of Haseko MMH Inc. (¥14,680 million) owned by Haseko Anesis Corporation
 Shares of Haseko MMB Inc. (¥14,679 million) owned by Haseko MMH Inc.
 Shares of Haseko Community Inc., Haseko Livenet Inc., Haseko Nikken Community Co., Ltd., Haseko Smile Community Co., Ltd., and Haseko Reform Inc. (¥14,299 million) owned by Haseko MMB Inc.
 Shares of Haseko Community Kyushu Inc. (¥580 million) owned by Haseko Community Inc.
 Loans receivable (¥23,420 million) lent by Haseko MMB Inc. to its consolidated subsidiaries.
 Loans receivable (¥17,340 million) lent by those consolidated subsidiaries to Haseko Corporation.

(2011)

Shares of Haseko MMH Inc. (¥14,680 million) owned by Haseko Anesis Corporation
 Shares of Haseko MMB Inc. (¥14,679 million) owned by Haseko MMH Inc.
 Shares of Haseko Community Inc., Haseko Livenet Inc., Haseko Smile Community Co., Ltd., and Haseko Reform Inc. (¥14,299 million) owned by Haseko MMB Inc.
 Shares of Haseko Community Kyushu Inc. (¥580 million) owned by Haseko Community Inc.
 Loans receivable (¥22,540 million) lent by Haseko MMB Inc. to its consolidated subsidiaries.
 Loans receivable (¥15,106 million) lent by those consolidated subsidiaries to Haseko Corporation.
 Loans receivable (¥2,572 million) lent by those consolidated subsidiaries to Haseko MMB Inc.

(3) The following assets have been provided as collateral for borrowings by HC Ayasegawa Jutaku Inc. and HC Koganei Jutaku Inc. related to PFI projects.

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Notes and account receivable, trade	¥11,258	¥20,656	\$248,419
Buildings and structures	—	25	300
	<u>¥11,258</u>	<u>¥20,681</u>	<u>\$248,719</u>

The liabilities with collateral as of March 31, 2010 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Current portion of long-term debt	¥10,458	¥ 3,232	\$ 38,870
Long-term debt	1,991	16,162	194,371
	<u>¥12,449</u>	<u>¥19,394</u>	<u>\$233,241</u>

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

(2010)

Shares of HC Ayasegawa Jutaku Inc. and HC Koganei Jutaku Inc. (¥18 million) owned by Haseko Corporation and Haseko Community Inc.
 Loans receivable (¥500 million) lent by Haseko Corporation to HC Ayasegawa Jutaku Inc. and HC Koganei Jutaku Inc.

(2011)

Shares of HC Ayasegawa Jutaku Inc. and HC Koganei Jutaku Inc. (¥18 million) owned by Haseko Corporation and Haseko Community Inc.
 Loans receivable (¥503 million) lent by Haseko Corporation to HC Ayasegawa Jutaku Inc. and HC Koganei Jutaku Inc.

11. Contingent Liabilities

(1) The Company was contingently liable for guarantees on bank loans and other guarantees as of March 31, 2010 and 2011 as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Customers using housing loans and other loans to purchase real estate	¥16,117	¥10,799	\$129,874

(2) Commitments to provide guarantees of indebtedness at the request of the lending banks, as indicated below.

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Mori-Gumi Co., Ltd.	¥4,200	¥3,750	\$45,099

(3) The Company was contingently liable for notes receivable discounted with banks, endorsed and transferred as of March 31, 2010 and 2011 as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Notes receivable endorsed and transferred	¥13	¥27	\$325

12. Lease Transactions

(1) Finance lease transactions that do not transfer the ownership of leased assets to the lessee as of and for the years ended March 31, 2010 and 2011 were as follows. Finance leases that do not transfer the ownership of the leased assets to the lessees, entered into on or before March 31, 2008, are accounted for as operating leases:

(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
	2010	2011	2011
Acquisition cost	¥125	¥75	\$902
Accumulated depreciation	87	59	710
Net book value	¥ 38	¥16	\$192

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
	2010	2011	2011
Within one year	¥27	¥14	\$168
Over one year	19	5	61
Total	¥46	¥19	\$229

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

Outstanding future lease payments include 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
	2010	2011	2011
Lease payments	¥31	¥22	\$265
Depreciation	31	22	265

Note) Depreciation is computed based on the straight-line method assuming that the lease period corresponds to the useful life 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. Finance lease transactions entered into on or before March 31, 2008, except for those that transfer ownership of the leased assets to the lessees, transactions continue to be accounted for as operating leases:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Acquisition cost	¥108	¥75	\$902
Accumulated depreciation	63	36	433
Net book value	¥ 45	¥39	\$469

Outstanding future lease income was summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Within one year	¥32	¥19	\$229
Over one year	34	15	180
Total	¥66	¥34	\$409

Note) The above amounts include future lease income from sub-leases.

Outstanding future lease income includes the interest portion because the total amount of future lease payments is not significant compared with the total amount of accounts receivable trade.

Outstanding lease income and depreciation was as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Lease income	¥46	¥27	\$325
Depreciation	32	23	277

(2) Operating lease transactions

(As lessee)

Outstanding future minimum lease payments for noncancelable operating leases were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Within one year	¥1,204	¥1,120	\$13,470
Over one year	3,464	2,114	25,424
Total	¥4,668	¥3,234	\$38,894

(As lessor)

Outstanding future minimum lease incomes for noncancelable operating leases were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Within one year	¥17	¥-	\$-
Over one year	-	-	-
Total	¥17	¥-	\$-

13. Supplementary Profit and Loss Information

- (1) Sales from construction contracts calculated according to the percentage-of-completion method were ¥203,899 million and ¥247,274 million (\$2,973,830 thousand) for the years ended March 31, 2010 and 2011, respectively.
- (2) Allowance for losses on construction contracts of ¥26 million (\$313 thousand) was included in cost of sales for the year ended March 31, 2011.
- (3) Valuation losses on inventories that were included in costs of sales for the years ended March 31, 2010 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Real estate	¥2,223	¥5,624	\$67,637
Leasing and management	5	2	24
	¥2,228	¥5,626	\$67,661

- (4) Selling, general and administrative expenses for the years ended March 31, 2010 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Salaries and allowances	¥11,671	¥11,462	\$137,847
Provision for bonuses for employees	596	660	7,937
Retirement benefit expenses	870	854	10,271
Provision for doubtful accounts	45	193	2,321
Rent	2,353	2,302	27,685
Depreciation	1,040	1,047	12,592
Other	11,754	11,018	132,508
	¥28,329	¥27,536	\$331,161

- (5) Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2010 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Research and development costs	¥918	¥765	\$9,200

14. Net Assets

- (1) Share issued and treasury stock

The change in number of shares issued and treasury stock for the year ended March 31, 2010 was as follows:

	Number of shares			2010
	2009	Increase	Decrease	
Shares issued:				
Common stock (Note 1)	1,265,901,623	238,070,366	-	1,503,971,989
Preferred stock				
Class B I	90,000,000	-	-	90,000,000
Total	1,355,901,623	238,070,366	-	1,593,971,989
Treasury stock:				
Common stock (Notes 2 and 3)	593,316	173,776	2,400	764,692
Total	593,316	173,776	2,400	764,692

- Notes 1) The number of outstanding common stocks increased by 238,070,000 stocks as a result of the execution of the second unsecured convertible bond-type bonds with subscription rights to shares issued on September 28, 2009.
- 2) Increased due to the request for purchase of shares of less than standard unit
- 3) Decreased due to the request for sales of shares of less than standard unit

The change in number of shares issued and treasury stock for the year ended March 31, 2011 was as follows:

	Number of shares			2011
	2010	Increase	Decrease	
Shares issued:				
Common stock (Note 1)	1,503,971,989	-	-	1,503,971,989
Preferred stock				
Class B I	90,000,000	-	-	90,000,000
Total	1,593,971,989	-	-	1,593,971,989
Treasury stock:				
Common stock (Notes 2 and 3)	764,692	32,937	1,400	796,229
Total	764,692	32,937	1,400	796,229

- Notes 1) Increased due to the request for purchase of shares of less than standard unit
- 2) Decreased due to the request for sales of shares of less than standard unit

(2) Dividends

(a) Dividends paid in the year ended March 31, 2011.

Resolution	Type of shares	Total amount of dividend (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Annual meeting of shareholders on June 25, 2010	Preferred stock Class B I	761	8.45	March 31, 2010	June 28, 2010

(b) Dividends with the cut-off date in the year ended March 31, 2011, and the effective date in the year ending March 31, 2012.

Resolution	Type of shares	Total amount of dividend		Dividend per share		Record date	Effective date
		(Millions of yen)	(Thousands of U.S. dollars)	(Yen)	(U.S. dollars)		
Annual meeting of shareholders on June 29, 2011	Preferred stock Class B I	680	8,178	7.55	0.09	March 31, 2011	June 30, 2011

15. Cash and Cash Equivalents

(1) Reconciliation between cash and cash equivalents on the consolidated statements of cash flows and the cash and bank deposits on the consolidated balance sheets as of March 31, 2010 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Cash and bank deposits	¥60,272	¥82,034	\$986,578
Saving accounts for insurance agency	(457)	(378)	(4,546)
Cash and cash equivalents	¥59,815	¥81,656	\$982,032

	Millions of yen
	2010
Current assets	¥ 395
Fixed assets	10,202
Current liabilities	(7,941)
Equity interest acquisition cost	2,656
Gain on acquisition of equity interest	1,138
Equity interest already acquired	1,509
Cash and cash equivalents	(356)
Balance: Proceeds from acquisition of consolidated subsidiaries	¥ 347

(2) In association with the new consolidation of Oak Development Corporation through the acquisition of equity interest, the following is a summary of the assets and liabilities of Oak Development Corporation at the start of the consolidation, and the relationship between the acquisition cost and the "Proceeds from acquisition of consolidated subsidiaries."

(3) Contents of significant non-cash transactions, in which execution of subscription rights to shares of the convertible bond-type bonds with subscription rights in exchange for redemption.

	Millions of yen
	2010
Increase in capital stock through execution of subscription rights to shares	¥ 7,500
Increase in capital surplus through execution of subscription rights to shares	7,500
Decrease in convertible bond-type bonds with subscription rights to shares through execution of subscription rights to shares	15,000

16. Derivative Transactions

Derivative transactions that are applied to hedge accounting

Hedge accounting method	Type of derivative transaction	Main target for hedging	Year ended March 31, 2010		Fair value
			Notional amount	Of which, maturing after one year	
Special treatment of interest rate swaps	Interest rate swap transaction	Long-term debt	(Millions of yen)		(Note)
	Pay fixed / Receive floating		¥44,749	¥25,840	

Hedge accounting method	Type of derivative transaction	Main target for hedging	Year ended March 31, 2011		Fair value
			Notional amount	Of which, maturing after one year	
Special treatment of interest rate swaps	Interest rate swap transaction Pay fixed / Receive floating	Long-term debt	(Millions of yen)		(Note)
			¥108,572	¥85,947	
			(Thousands of U.S. dollars)		
			\$1,305,737	\$1,033,638	

Note) The fair value of interest rate swaps accounted for by special treatment, has been included in the fair market value of the applicable long-term debt, as such swaps are treated in combination with hedged long-term debt.

There were no derivative transactions that were not applied to hedge accounting.

17. Retirement Benefit Plan

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

- (1) Matters concerning the multi-employer pension plan that accounts for required contributions as benefit retirement expenses are as follows:

The status of all plans as of March 31, 2009 and 2010 were as follows:

	Millions of yen	
	2009	2010
Pension assets	¥ 62,995	¥ 43,254
Retirement benefit obligations under pension funding programs	89,519	55,629
Difference	<u>¥(26,524)</u>	<u>¥(12,375)</u>

The contribution average ratio of total contributions made to all plans was 2.05% for the year ended March 31, 2010 by weighted average method, and 2.37% as of March 31, 2011.

Note) As of April 1, 2010, the consolidated subsidiary withdrew from one of the employees' pension fund association engaged in multi-employer pension plans.

- (2) The funded status of the defined benefit pension plans, and the amounts recognized in the consolidated balance sheets as of March 31, 2010 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Projected benefit obligations	¥(36,025)	¥(37,751)	\$(454,011)
Plan assets	30,147	30,897	371,582
Unfunded pension obligation	(5,878)	(6,854)	(82,429)
Unrecognized transition amount	1,079	863	10,379
Unrecognized actuarial differences	7,573	8,221	98,870
Unrecognized prior service cost	(4,427)	(3,985)	(47,926)
Reserve for employees' retirement benefits	<u>¥ (1,653)</u>	<u>¥ (1,755)</u>	<u>\$ (21,106)</u>

Note) Certain consolidated subsidiaries apply a simplified method to compute their projected benefit obligations.

- (3) The components of net benefit retirement expenses for the years ended March 31, 2010 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Service costs	¥1,063	¥1,146	\$ 13,782
Interest costs	821	889	10,692
Expected return on plan assets	(749)	(896)	(10,776)
Amortization of transition amount	216	216	2,598
Amortization of actuarial differences	1,309	1,228	14,768
Amortization of prior service cost	(442)	(441)	(5,304)
Net benefit retirement expenses	<u>¥2,218</u>	<u>¥2,142</u>	<u>\$ 25,761</u>

- Notes 1) Contributions by employees for corporate pension fund were deducted.
2) The retirement benefit expenses of consolidated subsidiaries apply a simplified method and the contributions as smaller enterprise retirement allowance expenses are included in "Service costs."
3) Aside from the retirement benefit expenses indicated above, the Company recorded special premiums of ¥91 million as Special Losses for the year ended March 31, 2010, which arose in accordance with the withdrawal from the employees' pension fund association, under Special Losses.

- (4) Assumptions used in accounting for above plans for the years ended March 31, 2010 and 2011 were as follows:

	2010	2011
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%

18. Income Taxes

(1) The significant components of deferred tax assets and liabilities as of March 31, 2010 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Deferred tax assets:			
Allowance for doubtful accounts	¥ 1,109	¥ 518	\$ 6,230
Warranty reserve	1,305	1,585	19,062
Accrued bonuses for employees	703	828	9,958
Reserve for employees' retirement benefits	728	714	8,587
Valuation loss on real estate for sale	23,078	23,904	287,480
Impairment loss on fixed assets	12,947	12,752	153,361
Valuation loss on investment securities	14,704	14,855	178,653
Tax loss carryforwards	51,472	42,439	510,391
Other	5,383	3,380	40,649
Sub-total	111,429	100,975	1,214,371
Loss: Valuation allowance	(71,955)	(70,873)	(852,351)
Total deferred tax assets	39,474	30,102	362,020
Deferred tax liabilities:			
Unrealized gain on other securities	(386)	(316)	(3,800)
Other	(807)	(287)	(3,452)
Total deferred tax liabilities	(1,193)	(603)	(7,252)
Net deferred tax assets	¥ 38,281	¥ 29,499	\$ 354,768

Note) Valuation loss on real estate for sale includes ¥772 million and ¥873 million (\$10,499 thousand) for the years ended March 31, 2010 and 2011, respectively, for properties that were reclassified from "Current Assets" to "Property and Equipment" following a change in holding purpose.

(2) Reconciliation of the statutory tax rate to the effective income tax rate for the years ended March 31, 2010 and 2011 was as follows:

	2010	2011
Statutory tax rate	40.7%	40.7%
(Adjustment)		
Non-deductible expenses	2.1	1.5
Permanent non-taxable items	—	(0.7)
Per capita inhabitant tax	0.7	0.5
Change in valuation allowances	13.0	4.3
Expired loss carry forwards for tax purposes	6.5	—
Valuation loss on stocks of consolidated subsidiaries	(15.6)	—
Elimination of unrealized gain	5.6	(0.6)
Other	0.5	2.5
Effective income tax rates	53.5%	48.2%

19. Per Share Information

(1) Per share information for the years ended March 31, 2010 and 2011 was as follows:

	Yen		U.S. dollars
	2010	2011	2011
Net assets per share	¥30.76	¥34.36	\$0.41
Net income per share	3.79	6.29	0.08
Diluted net income per share	2.93	5.02	0.06

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

(a) Net income per share

	2010	2011
Net income (millions of yen)	¥5,814	¥10,137
Net income not attributable to common shareholders (millions of yen):		
Preferred dividend		
Class B I	761	680
Net income attributable to common shareholders (millions of yen)	5,054	9,458
Weighted average number of shares outstanding (thousands of shares)	1,335,108	1,503,191

(b) Diluted net income per share

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

	2010	2011
Preferred dividend: (millions of yen)		
Preferred stock (Class B I)	¥761	¥680
Increase in common stock: (thousands of shares)		
Preferred stock (Class B I)	625,000	517,241
Convertible bond-type bonds with subscription rights to shares (II)	26,090	—

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

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Net assets	¥92,125	¥97,478	\$1,172,315
Amount, not attributable to common shareholders:			
Preferential distribution of residual property	45,000	45,000	541,191
Preferred dividend:	761	680	8,178
Minority interests	130	148	1,780
Net assets attributable to common shareholders	¥46,234	¥51,650	\$ 621,166

20. Business Combinations

For the year ended March 31, 2010

Transactions under common control, etc.

1. Investment in kind in Haseko Community, Inc. by Haseko Corporation

(1) Name of the acquiring company, name of the acquired company, business description of the acquired company, date of business combination, legal form of business combination, and reasons for transaction and other transaction details

1) Name of the acquiring company, name of the acquired company, business description of the acquired company
Name of the acquiring company: Haseko Corporation
Name of the acquired company: Haseko Community, Inc.
Business description of the acquired company: Building management of for-sale condominiums and other services

- 2) Date of business combination
December 17, 2009
 - 3) Legal form of business combination
Additional share acquisition
 - 4) Reasons for transaction and other transaction details
On December 17, 2009, the Company acquired all the 40,000 shares newly issued by Haseko Community, Inc. by investing assets for business use such as real estate owned by the Company, in order to realize further efficiency in utilizing assets owned by the Haseko Group.
- (2) Overview of accounting treatment
The acquisition was accounted for as a transaction under common control based on "Accounting Standards for Business Combinations" (issued by the Business Accounting Council on October 31, 2003) and "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (Accounting Standards Board of Japan Guidance No. 10 issued on November 15, 2007).
- (3) Acquisition costs
Acquisition costs: ¥3,475 million
Details of acquisition costs: Acquisition through investment in kind, with real estate and other assets owned by the Company as investment properties in kind
- (4) Amount of goodwill recognized, the basis for recognition, and the method and period of amortization of goodwill, or amount and cause of recognition of negative goodwill
There was no goodwill or negative goodwill that was recognized as a result of the acquisition of the shares.
2. Share exchange between Haseko Anesis Corporation as the parent company and Haseko Community, Inc. as the wholly owned subsidiary
- (1) Name of companies involved in business combination and their business description, date of business combination, legal form of business combination, and reasons for transaction and other transaction details
- 1) Companies involved in business combination and their business description
Name:
Haseko Anesis Corporation, Haseko Community, Inc.
Business description:
Haseko Anesis Corporation
Operating and holding company of service-related business group companies, etc.
Haseko Community, Inc.
Building management of for-sale condominiums and other services
 - 2) Date of business combination
January 26, 2010
 - 3) Legal form of business combination
Share exchange between Haseko Anesis Corporation as the parent company and Haseko Community, Inc. as the wholly owned subsidiary.
 - 4) Reasons for transaction and other transaction details
Haseko Community, Inc. had been a wholly owned subsidiary of Haseko Anesis Corporation. As a result of the investment in kind in Haseko Community Inc. mentioned in "1" above, Haseko Corporation partially owned the outstanding shares of Haseko Community, Inc. Thus, Haseko Anesis and Haseko Community implemented the share exchange in order to restore to their capital relationship.
- (2) Overview of accounting treatment
The merger was accounted for as a transaction under common control based on "Accounting Standards for Business Combinations" (issued by the Business Accounting Council on October 31, 2003) and "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (Accounting Standards Board of Japan Guidance No. 10 issued on November 15, 2007).
- (3) Items related to additional acquisition of subsidiary shares
- 1) Acquisition cost and its breakdown
Acquisition costs ¥3,475 million, Common stock of Haseko Anesis Corporation
 - 2) Exchange ratio of shares by type, its calculation method, number of issued shares and their valuation amount
 - A. Shares exchange ratio
Common stock of Haseko Anesis Corporation 0.25:
Common stock of Haseko Community, Inc. 1
 - B. Calculation method
An independent appraiser evaluated the shares of Haseko Community, Inc. The exchange ratio was discussed and decided on by making reference to the valuation results from the appraiser.
 - C. Number of issued shares and their valuation amount
40,000 shares, ¥3,475 million
 - 4) Amount of goodwill recognized, basis for recognition, and method and period for amortization of goodwill, or amount and cause of recognition of negative goodwill
There was no goodwill or negative goodwill that was recognized as a result of the acquisition of the shares.
3. Absorption-type company split of Haseko Anesis Corporation to Haseko MMH Inc. and incorporation-type company split by Haseko MMH Inc.
- (1) Name of companies involved in business combination and their business description, date of business combination, legal form of business combination, trade name after business combination, and reasons for transaction and other transaction details
- 1) Companies involved in business combination and their business description
 - A. Absorption-type company split
Name:
Divesting company: Haseko Anesis Corporation;
Successor company: Haseko MMH Inc.
Business description:
Haseko Anesis Corporation
Operating and holding company of service-related business group companies, etc.
Haseko MMH Inc.
An intermediate holding company that is backed by cash flows generated from condominium management and other businesses conducted by its subsidiaries

B. Incorporation-type company split

Name:

Divesting company: Haseko MMH Inc.; Company incorporated through incorporation-type company split: Haseko MMB Inc.

Business description:

Haseko MMH Inc.

Intermediate holding company that is backed by cash flows generating from condominium management and other businesses conducted by its subsidiaries

Haseko MMB Inc.

A SPC that is backed by cash flows generated from condominium management and other businesses conducted by its subsidiaries

2) Date of business combination

A. Absorption-type company split: January 26, 2010

B. Incorporation-type company split: January 26, 2010

3) Legal form of business combination

A. Absorption-type company split with Haseko Anesis Corporation as the divesting company and Haseko MMH Inc. as the successor company

B. Incorporation-type company split with Haseko MMH Inc. as the divesting company and Haseko MMB Inc. as the company incorporated through the incorporation-type company split, with a condition precedent that "A" above become effective

4) Trade name after business combination

Company incorporated through incorporation-type company split: Haseko MMB Inc.

5) Reasons for transaction and other transaction details

Haseko Anesis Corporation implemented an absorption-type company split with Haseko MMH Inc., and Haseko MMH Inc. newly incorporated Haseko MMB Inc. through an incorporation-type company split in order to establish a fund procurement system for procuring funds backed by cash flows generated from condominium management and other businesses conducted by its subsidiaries.

By these methods of absorption-type and incorporation-type company splits, shares and loan receivables of the subsidiaries owned by Haseko Anesis Corporation were transferred to Haseko MMH Inc. and those shares were then transferred from Haseko MMH Inc. to Haseko MMB Inc. As a result, Haseko Anesis Corporation owned shares of Haseko MMH Inc., Haseko MMH Inc. owned shares of Haseko MMB Inc., and Haseko MMB Inc. owned shares of the subsidiaries.

(2) Overview of accounting treatment

The merger was accounted for as a transaction under common control based on "Accounting Standards for Business Combinations" (issued by the Business Accounting Council on October 31, 2003) and "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (Accounting Standards Board of Japan Guidance No. 10 issued on November 15, 2007).

21. Segment Information

Effective the year ended March 31, 2011, the Company and its consolidated subsidiaries have adopted new accounting standards for disclosures about segments of an enterprise and related information. Segment information for the year ended March 31, 2010 has been restated in accordance with such accounting standards for comparative purposes.

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

The Company and its consolidated subsidiaries carry out business activities focusing on all types of businesses pertaining to condominiums. The Company operates the "Design and Construction-Related Business," which involves designing and constructing condominiums, etc., and the "Real Estate-Related Business," which sells condominium units, and undertakes commissioned sales of for-sale condominiums, etc. The Company operates these businesses by cooperating with consolidated subsidiaries that are all independent management units.

Furthermore, the subsidiary group led by the consolidated subsidiary, Haseko Anesis Corporation, is responsible for the "Residential Property-Related Service Business," which controls service business catering to the inventory market for existing condominiums, etc.

Therefore, the Company and its consolidated subsidiaries are divided into three reportable segments—the "Design and Construction-Related Business," the "Real Estate-Related Business" and the "Residential Property-Related Service Business"—in view of the business structure of condominium-related businesses.

The accounting policies of the segments are substantially the same as those described in "2.Summary of significant accounting policies." Segment performance is evaluated based on operating income or loss. Intersegment sales are recorded at the same prices used in transactions with third parties.

1. Reportable segment information for the years ended March 31, 2010 and 2011 is as follows:

Millions of yen

		2011						
		Reportable segments						Consolidated
Sales, income or loss and assets by reportable segments	Design and Construction-Related Business	Real Estate-Related Business	Residential Property-Related Service Business	Total	Other business (Note 1)	Total	Adjustments and eliminations (Note 2)	(Note 3)
Sales to third parties	¥275,805	¥ 58,348	¥87,905	¥422,058	¥18,371	¥440,429	¥ –	¥440,429
Inter-segment sales and transfers	1,309	252	2,367	3,928	67	3,995	(3,995)	–
Net sales	277,114	58,600	90,272	425,986	18,438	444,424	(3,995)	440,429
Segment income (loss)	25,819	(3,379)	5,469	27,909	(249)	27,660	(4,333)	23,327
Segment assets	¥101,105	¥156,758	¥60,161	¥318,024	¥60,900	¥378,924	¥78,563	¥457,487
Other items								
Depreciation and amortization	¥519	¥1,347	¥981	¥2,847	¥1,014	¥3,861	¥0	¥3,861
Investment in equity-method affiliates	762	–	–	762	–	762	–	762
Capital expenditures	179	161	510	850	744	1,594	8	1,602

Thousands of U.S. dollars

		2011						
		Reportable segments						Consolidated
Sales, income or loss and assets by reportable segments	Design and Construction-Related Business	Real Estate-Related Business	Residential Property-Related Service Business	Total	Other business (Note 1)	Total	Adjustments and eliminations (Note 2)	(Note 3)
Sales to third parties	\$3,316,957	\$ 701,720	\$1,057,186	\$5,075,863	\$220,938	\$5,296,801	\$ –	\$5,296,801
Inter-segment sales and transfers	15,743	3,031	28,466	47,240	806	48,046	(48,046)	–
Net sales	3,332,700	704,751	1,085,652	5,123,103	221,744	5,344,847	(48,046)	5,296,801
Segment income (loss)	310,511	(40,637)	65,772	335,646	(2,994)	332,652	(52,111)	280,541
Segment assets	\$1,215,935	\$1,885,244	\$ 723,523	\$3,824,702	\$732,411	\$4,557,113	\$944,835	\$5,501,948
Other items								
Depreciation and amortization	\$6,242	\$16,200	\$11,797	\$34,239	\$12,183	\$46,434	\$ 0	\$46,434
Investment in equity-method affiliates	9,164	–	–	9,164	–	9,164	–	9,164
Capital expenditures	2,153	1,936	6,133	10,222	8,948	19,170	96	19,266

Notes 1) "Other business" refers to businesses segments that are not included in the reportable segments and includes the overseas business and hotel business.

2) Adjustments and eliminations are as follows:

(1) Adjustments and eliminations for segment income (loss) include ¥292 million (\$3,512 thousand) of elimination of inter-segment transactions and ¥4,625 million (\$55,622 thousand) of corporate expenses, which are not allocable to the reportable segments.

(2) Adjustment and eliminations for segment assets include ¥3,079 million (\$37,029 thousand) of elimination of receivables stemming from

inter-segment transactions and ¥81,642 million (\$981,864 thousand) of corporate assets. Corporate assets are primarily comprised of surplus funds (cash), deferred tax assets and assets related to the administration divisions of the Company.

(3) Adjustment and eliminations for capital expenditures include ¥2 million (\$24 thousand) of elimination of inter-segment transactions and ¥6 million (\$72 thousand) of investment in corporate assets.

3) Segment income has been adjusted with operating income in the consolidated statements of operations.

Millions of yen

2010								
Reportable segments								
Sales, income or loss and assets by reportable segments	Design and Construction-Related Business	Real Estate-Related Business	Residential Property-Related Service Business	Total	Other business (Note 1)	Total	Adjustments and eliminations (Note 2)	Consolidated (Note 3)
Sales to third parties	¥236,464	¥ 76,208	¥90,537	¥403,209	¥17,173	¥420,382	¥ -	¥420,382
Inter-segment sales and transfers	8,768	374	2,205	11,347	59	11,406	(11,406)	-
Net sales	245,232	76,582	92,742	414,556	17,232	431,788	(11,406)	420,382
Segment income (loss)	20,546	(1,468)	5,196	24,274	(704)	23,570	(6,452)	17,118
Segment assets	¥ 84,071	¥161,706	¥58,424	¥304,201	¥65,979	¥370,180	¥ 69,093	¥439,273
Other items								
Depreciation and amortization	¥632	¥1,140	¥1,138	¥2,910	¥981	¥3,891	¥ 42	¥3,933
Investment in equity-method affiliates	566	-	-	566	-	566	-	566
Capital expenditures	266	4,436	396	5,098	411	5,509	(1,035)	4,474

Notes 1) "Other business" refers to businesses that are not included in the reportable segments and includes the overseas business and hotel business.

2) Adjustments and eliminations are as follows:

(1) Adjustments and eliminations for segment income (loss) include ¥1,505 million of elimination of inter-segment transactions and ¥4,947 million of corporate expenses, which are not allocable to the reportable segments.

(2) Adjustment and eliminations for segment assets include ¥3,138 million of elimination of receivables stemming from inter-segment

transactions and ¥72,232 million of corporate assets. Corporate assets are primarily comprised of surplus funds (cash), deferred tax assets and assets related to the administration divisions of the Company.

(3) Adjustment and eliminations for capital expenditures include ¥1,049 million of elimination of inter-segment transactions and ¥14 million of investment in corporate assets.

3) Segment income has been adjusted with the operating income in the consolidated statements of operations.

2. Impairment loss on fixed assets by reportable segments for the year ended March 31, 2011 is summarized as follows:

Millions of yen

2011						
	Design and Construction-Related Business	Real Estate-Related Business	Residential Property-Related Service Business	Other business	Adjustments and eliminations	Consolidated
Impairment loss on fixed assets	¥33	¥780	¥54	¥-	¥(2)	¥865

Thousands of U.S. dollars

2011						
	Design and Construction-Related Business	Real Estate-Related Business	Residential Property-Related Service Business	Other business	Adjustments and eliminations	Consolidated
Impairment loss on fixed assets	\$397	\$9,381	\$649	\$-	\$(24)	\$10,403

3. The following table presents the amortization and balance of goodwill as of and for the year ended March 31, 2011 by reportable segments:

<i>Millions of yen</i>						
2011						
	Design and Construction-Related Business	Real Estate -Related Business	Residential Property- Related Service Business	Other business	Adjustments and eliminations	Consolidated
Amortization	¥-	¥-	¥ 515	¥-	¥-	¥ 515
Balance as of March 31	¥-	¥-	¥3,996	¥-	¥-	¥3,996

<i>Thousands of U.S. dollars</i>						
2011						
	Design and Construction-Related Business	Real Estate -Related Business	Residential Property- Related Service Business	Other business	Adjustments and eliminations	Consolidated
Amortization	\$-	\$-	\$ 6,194	\$-	\$-	\$ 6,194
Balance as of March 31	\$-	\$-	\$48,058	\$-	\$-	\$48,058

4. Information by product and service

Information by product and service is omitted as similar information has already been disclosed in this section.

5. Geographical information

(1) Net sale

Net sales information is omitted, since net sales to external customers in Japan exceeds 90% of net sales recorded in the consolidated statements of operations for the year ended March 31, 2011.

(2) Property and equipment

Property and equipment information is omitted, since the amount of property and equipment located in Japan exceeds 90% of the amount of property and equipment recorded in the consolidated balance sheets as of March 31, 2011.

6. Information by major customers

Information by major customers is omitted, as net sales to any one specific customer were less than 10% of net sales recorded in the consolidated statements of operations for the year ended March 31, 2011.

Segment information for the year ended March 31, 2010 under the previous accounting standard:

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 Note 1 in the following table, which presents certain information regarding the Haseko Group's industry segment for the year ended March 31, 2010.

(1) Sales and operating income

<i>Millions of yen</i>								
2010								
	Construction	Engineering	Real estate	Leasing and management	Hotel	Other	Elimination/ Corporate	Consolidated
Sales to external customers	¥252,497	¥4,678	¥92,320	¥56,693	¥10,278	¥3,916	¥ -	¥420,382
Intersegment sales	27,966	-	165	1,374	59	1,177	(30,741)	-
Total sales	280,463	4,678	92,485	58,067	10,337	5,093	(30,741)	420,382
Operating expenses	263,229	4,774	94,623	53,692	10,339	4,561	(27,954)	403,264
Operating income (loss)	¥ 17,234	¥ (96)	¥(2,138)	¥ 4,375	¥ (2)	¥ 532	¥ (2,787)	¥ 17,118

(2) Assets, depreciation, impairment loss and capital expenditures

	<i>Millions of yen</i>							Consolidated
	2010							
	Construction	Engineering	Real estate	Leasing and management	Hotel	Other	Elimination/Corporate	
Assets	¥78,324	¥4,175	¥163,701	¥105,699	¥29,031	¥9,661	¥48,682	¥439,273
Depreciation	658	93	280	1,918	925	609	(34)	4,449
Impairment loss on fixed assets	18	—	21	3,909	—	—	—	3,948
Capital expenditures	211	88	558	4,183	349	134	(1,049)	4,474

- 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, printing business, etc.
- 2) Corporate assets included in "Elimination/Corporate" was ¥69,367 million as of March 31, 2010.
- These assets are primarily comprised of surplus funds of the Company (cash), long-term investment funds (investment securities), deferred tax assets and assets related to the administration divisions.
- 3) As outlined in the "Summary of Significant Accounting Policies," the Company and its consolidated subsidiaries have adopted the "Accounting Standard for Construction Contracts" and the "Guidance on Accounting Standard for Construction Contracts," effective for the fiscal year ended March 31, 2010. As a result, net sales and operating income of "Construction business" for the year ended March 31, 2010 increased by ¥3,803 million and ¥294 million respectively.
- 4) The new consolidation of Oak Development Corporation was the reason to increase in assets, depreciation and capital expenditures of the "leasing and management business" for the year ended March 31, 2010 by ¥24,118 million, ¥226 million and ¥2,047 million, respectively.

Geographical segment information is omitted as the amount of net sales and assets in Japan exceeded 90% of the amount of consolidated net sales and assets for the years ended March 31, 2010.

Overseas sales information is omitted, as the sales to overseas customers were less than 10% of consolidated net sales for the years ended March 31, 2010.

22. Other Comprehensive Income

The followings table presents components of other comprehensive income for the year ended March 31, 2010.

	<i>Millions of yen</i>
	2010
Net unrealized gain (loss) on other securities	¥ 561
Translation adjustments	815
Share of other comprehensive income of companies accounted for by the equity method	(7)
Total other comprehensive income	<u>¥1,369</u>
Total Comprehensive Income Attributable to:	
Shareholders of Haseko Corporation	¥7,183
Minority interests	24
Total	<u>¥7,207</u>

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, 2010 and 2011, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended and consolidated statement of comprehensive income for the year ended March 31, 2011, 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.

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, 2010 and 2011, 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.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 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 4.

Ernst & Young ShinNihon LLC

June 29, 2011

Share Information

(As of March 31, 2011)

Share overview

Total shares authorized to issue:	Common stock	2,100 million shares
	Preferred stock (Class A)	246 million shares
	(Class B)	156 million shares
Outstanding shares:	Common stock	1,503 million shares
	Class B I preferred stock	90 million shares
Shareholders:	Common stock	72,945 parties
	Class B I preferred stock	3 parties

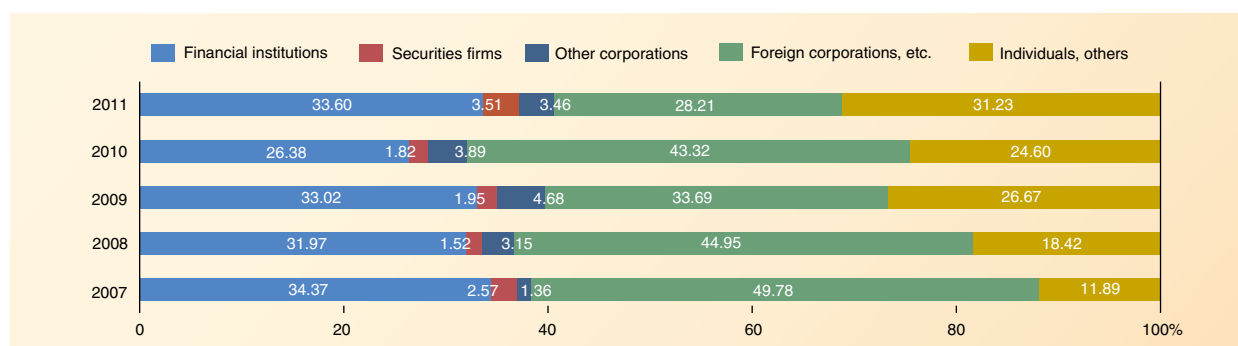
Note: Shares of less than million shares have been cut off prior to being displayed.

Preferred stock shareholders

Shareholder	Shares (1,000 shares)
Class B I	
Resona Bank, Limited	32,880
The Chuo Mitsui Trust and Banking Company, Limited	31,680
Mizuho Corporate Bank, Ltd.	25,440

Note 1. Preferred stocks Class B are shares with no voting rights.
 Note 2. All owned shares of less than 1,000 shares have been cut off prior to being displayed.

Composition of shareholders



Overview of preferred stocks

Class	Class B I
Issued amount	45,000 million yen
Issued date	September 27, 2002
Number of issued shares	90,000 thousand shares
Issued price	500 yen
Voting rights	No
Preferred dividends	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%)
Participation	8th year on: Simple participation
Cumulative	8th year on: Cumulative for next fiscal year alone
Distribution of residual property	500 yen
Redemption and retirement	Can redeem and retire with profit that should be paid to shareholders.
Redemption requesting right	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	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 during the FY2010 to September 30 of FY2014. (from April 1, 2010 to September 30, 2015)
Conversion reservation right	Convert to common stock
Conversion requesting period	October 1, 2015 to September 30, 2032
Initial conversion price	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, 2016
Conversion ceiling price	300% of initial conversion price
Conversion floor price	50% of initial conversion price
Mandatory conversion	From October 1, 2032

Overview *(as of March 31, 2011)*

Name:

Haseko Corporation

Founded:

February 1937

Established:

August 1946

Paid-in capital:

57,500 million yen

Employees:

1,998 (Non-consolidated)

4,505 (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

Kansai office:

5-7 Hiranomachi 1-chome, Chuo-ku,

Osaka 541-0046

Tel: 816-6203-5661

Yokohama branch:

4-2 Minatomirai 4-chome, Nishi-ku, Yokohama

Nagoya branch:

7-20 Sakae 3-chome, Naka-ku, Nagoya

Kyoto branch:

734 Higashishikokouji-cho, Karasuma-dori,

Shichijou-kudaru,

Shimogyo-ku, Kyoto-shi

Technology research institute:

2968 Nishikata, Koshigaya-shi, Saitama

Number of consolidated subsidiaries:

39

Number of companies accounted for by the equity method:

1

Transfer agent and registrar:

Mitsubishi UFJ Trust and Banking Corporation

Independent auditor:

ERNST & YOUNG SHIN NIHON

Principal consolidated subsidiaries

Haseko Anesis Corporation

Main business: Interior design, recycling and marketing

32-1 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: Rental apartment management and operation, and consulting service

31-19 Shiba 2-chome, Minato-ku, Tokyo

Haseko Reform Inc.

Main business: Extensive refurbishment and interior improvement

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

31-15 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

29-14 Shiba 2-chome, Minato-ku, Tokyo

Brighton Corporation

Main business: Management and operation of hotels and restaurants

9-1 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.

