Annual Report 2009

For the year ended March 31, 2009

HASEKO Corporation

Profile

The Haseko Group has leveraged its capabilities in all condominium business fields – from gathering land information to planning, design, construction, sale, property management, renovation, brokering and renting. Building on this "total produce" business model, Haseko has conducted marketing activities in which it proposes product planning, selling strategies and other issues that cannot be matched by competitors. Since constructing its first condominium in 1968, Haseko has built a cumulative total of around 470,000 condominium units (as of the end of June 2009) and established itself as a leading condominium contractor in Japan.

Given the drastic change in the management environment, the Haseko Group has reviewed its three-year medium-term business plan that started in April 2008. Based on the revised plan, we are committed to continuous management innovation, while striving to become an "only one" group of companies in the condominium business that focuses on construction operations for the for-sale condominium market as well as on providing services for the market comprising existing condominiums that should steadily expand in the future.

Cover page design

The design uses a kanji character "和" (wa) as a motif. The character is used in Japan as a cultural concept representing Japan, as in "和風" (wa-fuu; Japanese taste) and "和食" (wa-shoku; Japanese cuisine). It also has the meaning of "to ease, to harmonize, to unite), as exemplified in such words as "調和" (chou-wa; harmony) and "平和" (hei-wa; peace), and represents a state of "stable unity and exchange among people."

The spirit of "wa" is generally hoisted in Japan to mean "Unity is to be valued" – a phrase emphasized by Prince Shotoku, a very influential leader in the 6th to 7th century in Japan. It means that, if we communicate with the spirit of "wa" (unity or harmony), we can find a reasonable solution – with this spirit, we should be able to achieve anything!"

Contents

■ 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.

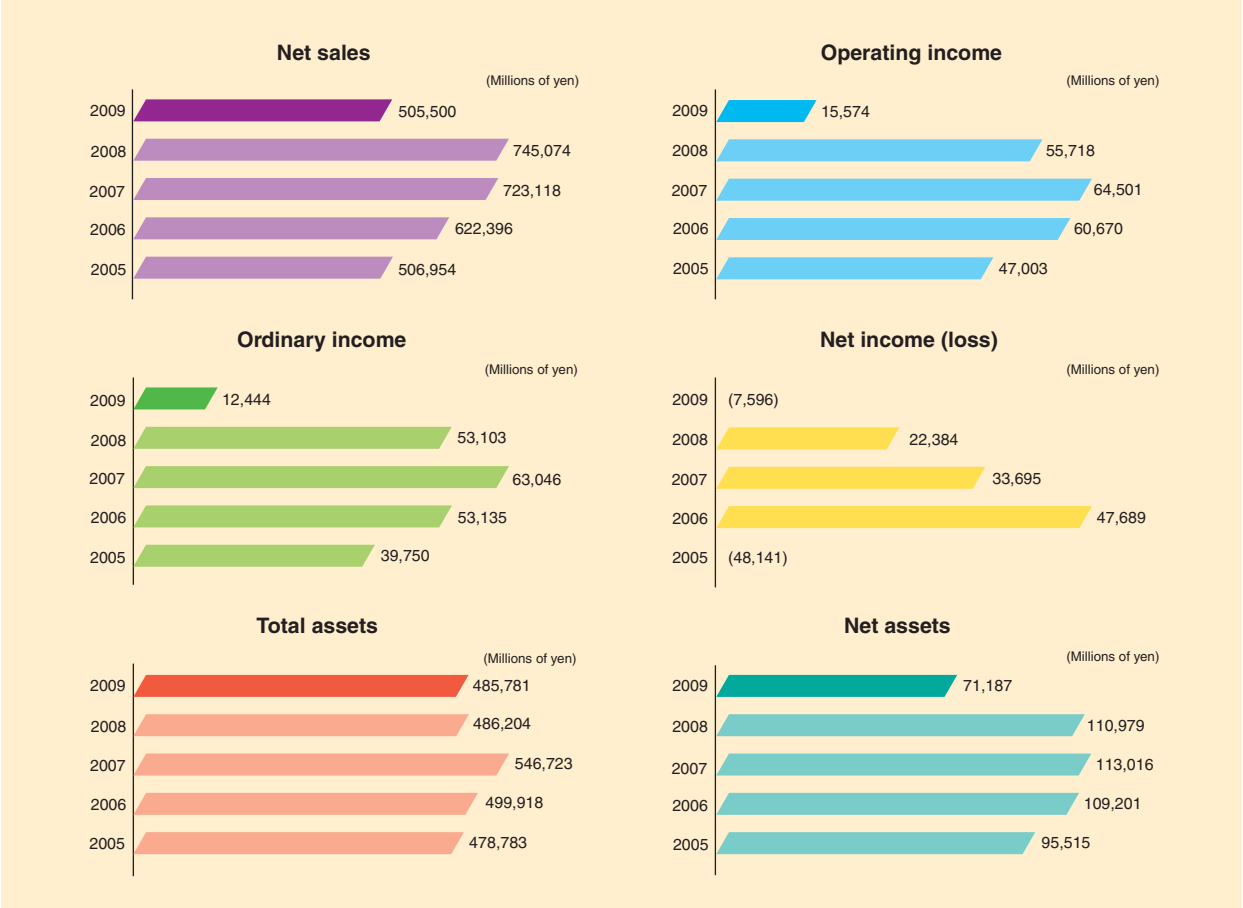
Financial Highlights

Haseko Corporation and its Consolidated Subsidiaries

(Years ended March 31, 2005, 2006, 2007, 2008 and 2009)

	Millions of Yen					Thousands of U.S. Dollars
For the Year	2005	2006	2007	2008	**2009**	**2009**
Net sales	¥506,954	¥622,396	¥723,118	¥745,074	**¥505,500**	**$5,146,086**
Operating income	47,003	60,670	64,501	55,718	**15,574**	**158,546**
Ordinary income	39,750	53,135	63,046	53,103	**12,444**	**126,682**
Net income	(48,141)	47,689	33,695	22,384	**(7,596)**	**(77,329)**
At Year-end						
Total assets	478,783	499,918	546,723	486,204	**485,781**	**4,945,343**
Net assets	95,515	109,201	113,016	110,979	**71,187**	**724,698**
	Yen					U.S. Dollars
Per Share Data						
Net income	(122.03)	67.27	31.67	9.36	**(6.67)**	**(0.07)**
Net assets	(252.18)	(28.87)	23.22	36.31	**19.93**	**0.20**

Note: The U.S. dollar amounts represent translations of yen amounts at the rate of ¥98.23 = U.S. $1.00, the exchange rate at March 31, 2009.



Message from the Management

President and Chief Executive Officer, Takashi Iwao

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

In the fiscal year ended March 2009 (fiscal 2008), the management environment worsened on a scale far larger than anticipated, such as the sharp deterioration of the financial conditions stemming from the subprime loan problems. Due to the credit crunch, shortage of operating funds and other issues, corporate bankruptcies occurred one after another, especially in the construction and real estate industries. In the condominium market, the supply of new units has decreased drastically from the previous fiscal year due to the difficult sales situation, impacted by the deterioration in the economic environment and a rise in condominium prices.

Within such circumstances, the Haseko Group has endeavored to achieve the numerical targets set for the final fiscal year of its "SHIN" Plan (Sustainable, Haseko, Innovating and New Plan), a medium-term business plan established by the Group and positioned as the new stage after the completion of corporate revitalization. In the first fiscal year of the "SHIN" Plan, the Group was able to achieve certain results, including successful development of new products in the for-sale condominium area and acquisition of condominium management companies as part of reinforcing its businesses for the "stock" market. However, we saw decreases in sales and profits from constructions, consigned operations and other sources in fiscal 2008, as postponement of construction starts or suspension of projects occurred at some properties because of bankruptcies of the project owners or supply adjustments, impacted by the stagnant condominium market and financial institutions' measures to tighten up on loans. Furthermore, the severe real estate market situation led to the recording of valuation losses on inventory assets for owned properties and a provision for doubtful accounts due to bankruptcies

of business partners and other factors. As a result, net sales, operating income and ordinary income decreased from the previous fiscal year, producing a net loss for fiscal 2008.

Considering the significant downturn of the business results as explained above and the Haseko Group's financial conditions within the current severe management environment, we have regretfully decided to pay no dividends for common stocks.

Based on these drastic changes in circumstances, the Company has extended the "SHIN" Plan for a year and revised it to adjust the numerical targets to comply with the assumed future market size, while maintaining the basic and business policies in our core businesses. We recognize that steady implementation of the revised "SHIN" Plan is the most important challenge for the Haseko Group.

We must anticipate that fiscal 2009 (fiscal year ending March 2010) will be another severe year. We also had a crisis ten years ago, but all our officers and employees were firmly united to survive the difficulty. Over generations, the Japanese people have inherited a legacy of "unity" – the spirit of harmony and cooperation – as expressed in the historical phrase of "Unity is to be valued." Each and every officer and employee will take this spirit of "unity" to heart, again fully considering other people's standpoint, and join forces to exert the true strength of the Group's capabilities. By doing so, we are determined to steadily implement the revised "SHIN Plan."

We remain committed to the aspiration of becoming the "one and only corporate group for housing" that truly meets the needs of society, and we maintain our sincere gratitude to our shareholders as well as business partners and customers, as we endeavor to win their trust through conducting for-sale condominium operations as a core business. Your continued support and encouragement would be greatly appreciated.

June 2009

Takashi Iwao
President and Chief Executive Officer
Haseko Corporation

The management environment surrounding the Haseko Group has worsened on a scale far greater than anticipated, given the global deterioration of the financial conditions and the subsequent impact on the real economy. Based on these drastic changes in circumstances, the Company extended the "SHIN" Plan, the current medium-term business plan, for a year and revised it to adjust the numerical targets to comply with the assumed future market size, while maintaining the basic and business policies in our core businesses. Furthermore, the revisions aim to reconstruct the Company's financial foundations centering on the reduction of interest-bearing liabilities.

Medium Term Business Plan (from April 1, 2008 to March 31, 2012)

Overview of the Medium-Term Business Plan, "SHIN" Plan (Revised)

■ Positioning of the Plan

Period for reconstructing the Company's business base and financial foundation

Aim to become an "only one" group of companies that endeavors to continuously innovate management and create urban life

■ 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

■ Numerical Targets

Given the drastically changing economic conditions, Haseko has revised its performance targets in correlation with the market environment and size, while implementing specific measures under the Plan and reducing labor costs and other costs in proportion to its business size. The Company will work to attain the following numerical targets in the final fiscal year of the revised Plan and aim to become a group of companies that can realize sustainable profitability.

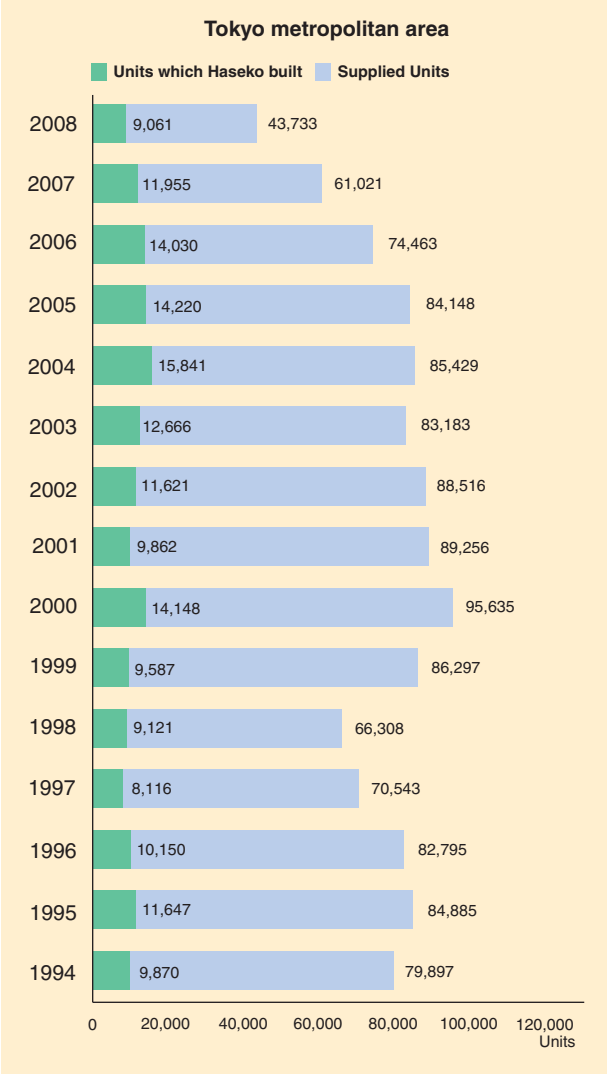
1. Consolidated ordinary income: 32 billion yen (Of which, 7 billion yen is by service-related business group)
2. Non-consolidated ordinary income: 25 billion yen

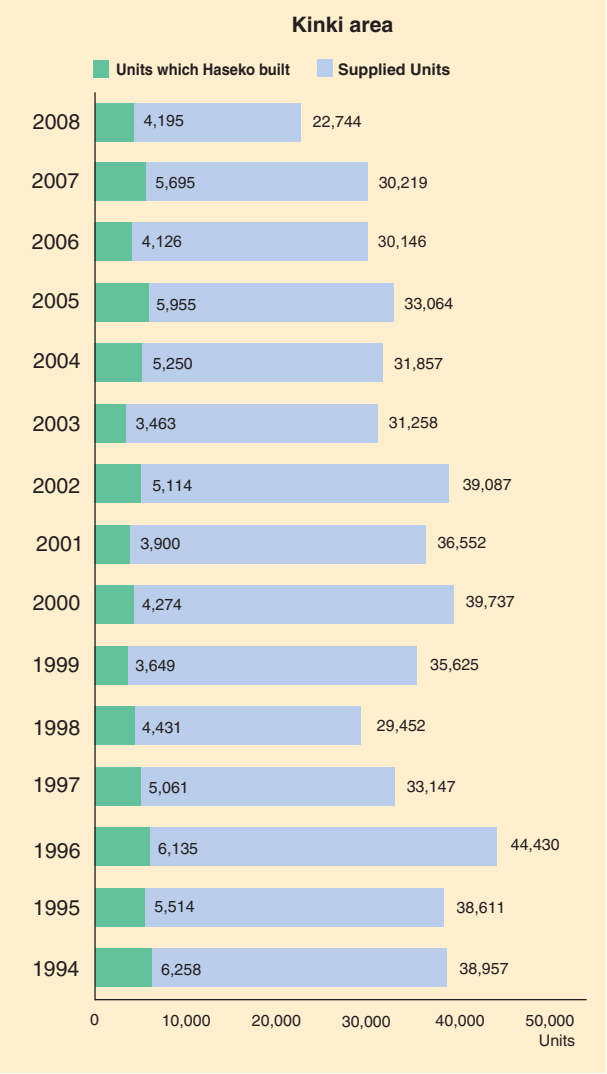
Domestic Condominium Market

The condominium market in the Tokyo metropolitan area and the Kinki area in 2008 dropped significantly, with the number of new supply decreasing to 43,733 units and 22,744 units in the respective areas, falling below the previous year's results for 3 consecutive years after having achieving a high volume level. The figure in the Tokyo metropolitan area dropped to 40,000-unit level for the first time in 15 years since 1993. In addition, the unit price of for-sale condominiums rose again during the year after rising in 2007, with the average price in the Tokyo metropolitan area reaching 47.75 million yen. This is due to such factors as the significant decrease in the number of new supply and the relatively higher proportion of units supplied in the 23 wards of Tokyo.

The situation for sales activities continued to be difficult in 2008. Partly because of the drastic change in the economic environment since the fall of 2008, the rising trend of inventories was accelerated both in the Tokyo metropolitan area and the Kinki area. The number of units available for sale in the market as of

■History of condominium units supplied (1994-2008)

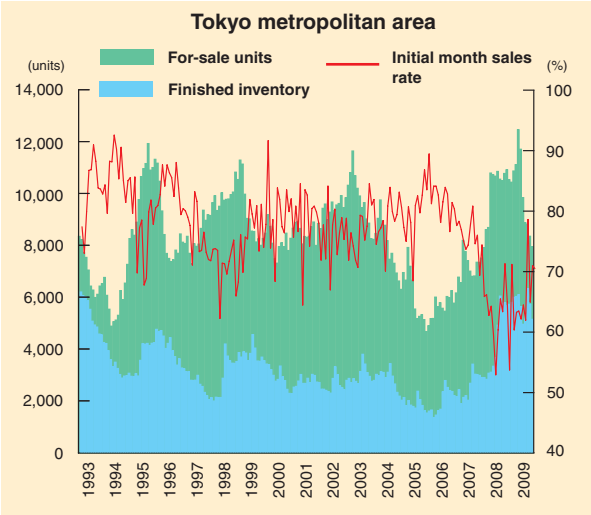


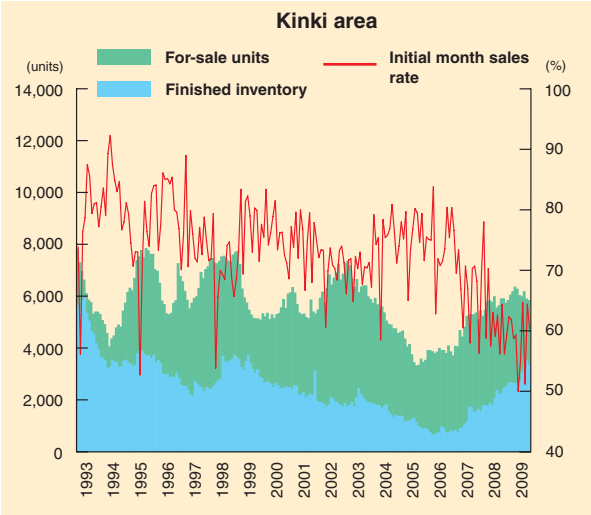


the end of December 2008 was 12,427 units in the Tokyo metropolitan area, surpassing 12,000 units for the first time since November 1984. The figure also rose to 6,344 units in the Kinki area, surpassing the 6,000-unit level.

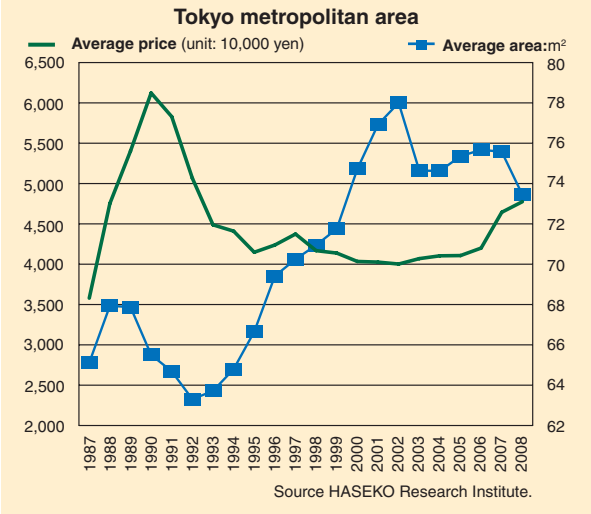
Entering 2009, however, consumers' willingness to buy condominiums improved significantly, as there was full-scale price adjustments centering on inventories and the government decided on expanded tax reductions for housing mortgages. The number of units available for sale in the market also turned to a decreasing trend: the figure fell to 8,846 units in the Tokyo metropolitan area as of the end of March 2009 (a decrease of 3,581 units from the end of December 2008) and to 5,971 units in the Kinki area (same, a decrease of 373 units), indicating an accelerated speed of reductions in inventory.

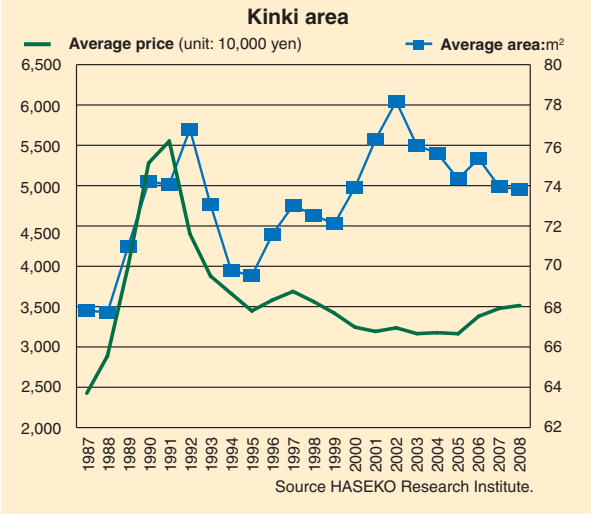
■ **History of No. of for-sale units and finished inventory (January 1993-June 2009)**





■ **Average area and average price history (1987-2008)**

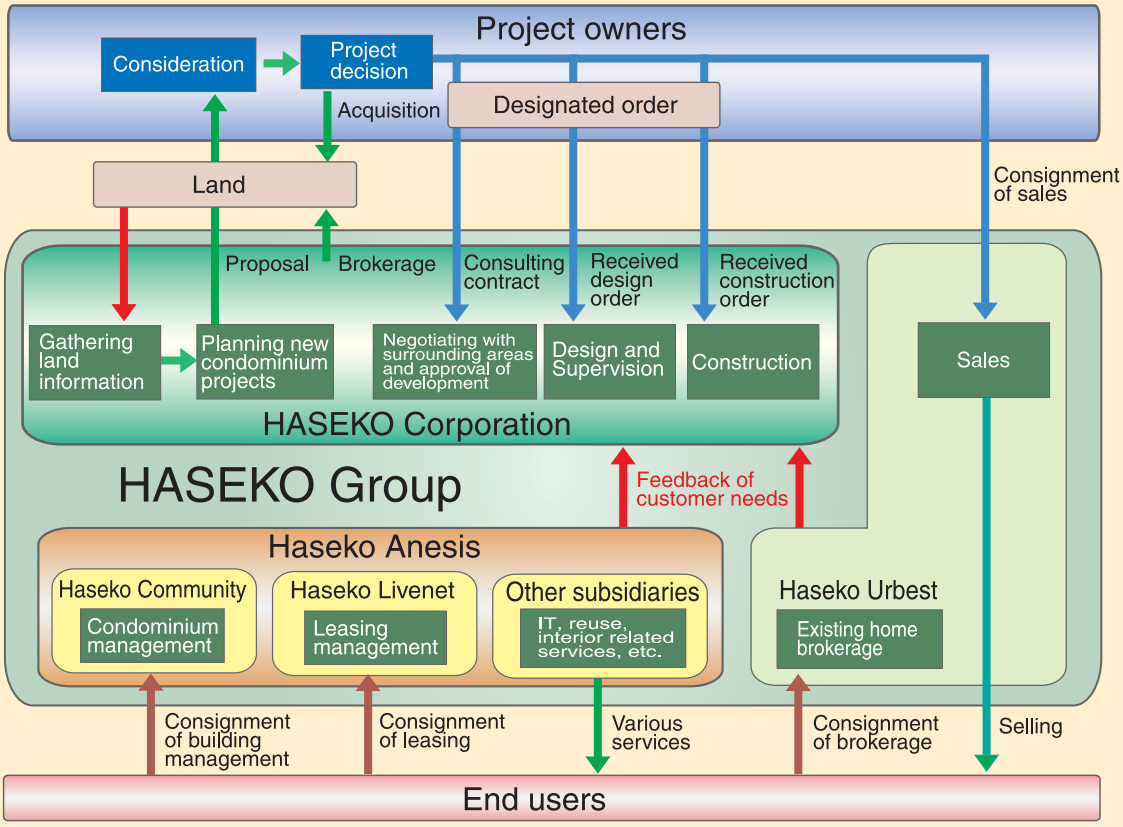




The unit price for for-sale condominiums rose 5.9% year-on-year to 650,000 yen/m² in the entire Tokyo metropolitan area and 1.3% to 476,000 yen/m² in the entire Kinki area, partly due to the intensification of the competition to acquire land for construction of for-sale condominiums as well as the rise in costs associated with acquiring land and construction materials. As a result, the average unit price for for-sale condominiums also increased, rising 2.8% year-on-year to 47.75 million yen in the Tokyo metropolitan area and 1.0% to 35.14 million yen in the Kinki area.

Business Model

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



Haseko Features the Securing of Orders through Proposals (Preparing Land)

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

Main Business Domains of the Haseko Group

Haseko Corporation has concentrated its management resources on businesses related to for-sale condominiums centering on the construction-related business, which is the largest pillar of the Company's operations. On the other hand, striving to become an "only one" group of companies in the condominium business, Haseko Corporation established a new company, Haseko Anesis, to supervise service-related businesses. Haseko Anesis strives to reinforce use of service-related businesses for existing condominiums, as an area with growth potential going forward, and expand them to sources of new revenue.

Construction-related Business

Construction Business

Construction

Haseko has been specialized in condominium construction for a long time. This has enabled Haseko to establish highly skilled engineers, including subcontractors, and has secured robust competitiveness in every aspect of its construction accuracy, schedules and costs. Haseko has established a construction management system that is efficient (no reconstruction) and highly precise (few complaints), always taking into consideration the "maintaining of safe and comfortable conditions at construction sites," "grasping costs and working on rationalization," and "delivering buildings on schedule with quality that earns the trust of customers."

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

Work Consignment

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

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

Engineering Business

Design

It is vital for condominium design to plan products that meet the diversifying needs of customers. The design divisions are always pursuing "what is best for residents." Feedback from customers is received and design work is conducted from

the viewpoint of end users. Haseko has built a presentation space, called "LIPS," for our condominiums, and at the condominium design stage after confirmation of the project has been finalized, decisions regarding the products to be used are made while looking at displayed products with the project owner. It is possible to realize prompt, reliable designs since our actual experience with various and cutting-edge products facilitates the smooth selection of parts, materials and products.

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

Real Estate Business

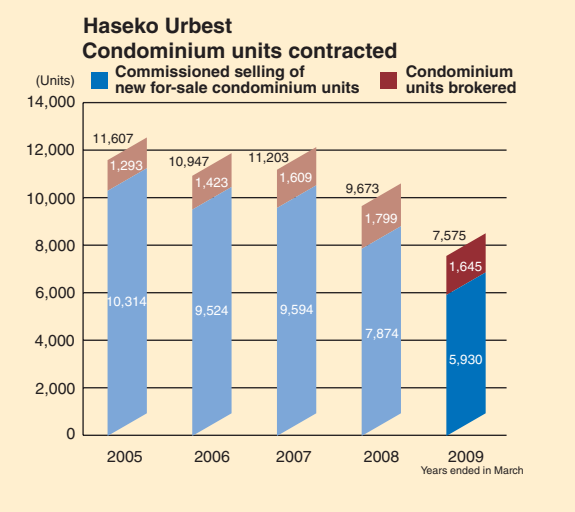
Land Brokerage

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

Commissioned Selling and Brokerage:

HASEKO Urbest

Haseko Urbest is engaged in commissioned selling of new for-sale condominiums and brokering of real estate. Its commissioned selling divisions boast concluding sales contracts for approximately 10,000 units annually and they have established leading positions as commissioned sellers of condominiums. On the other hand, its brokerage divisions conduct brokering, primarily of large-scale projects that the Haseko Group designed, constructed and sold, at its 16 branches in the Tokyo metropolitan area and 11 branches in the Kinki area (as of the end of March 2009).



Service-related Business

Supervision of Service Related Business:

HASEKO Anesis

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

Haseko Anesis was established as a second mainstay business after the construction of condominiums to provide service related businesses for the Haseko Group, and the company has extended complete businesses that satisfy the needs of the 21st century that are based on new concepts unbound by the ties of our Group's business to date. Haseko Anesis is developing new markets and business lines in interior design and recycling.

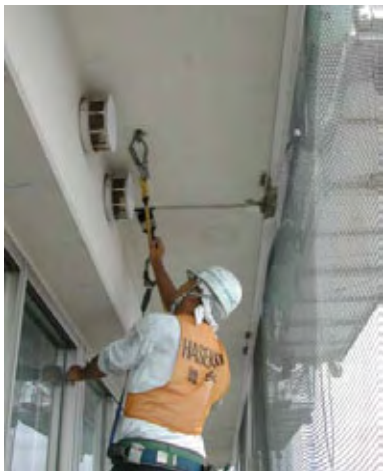
Condominium Building Management:

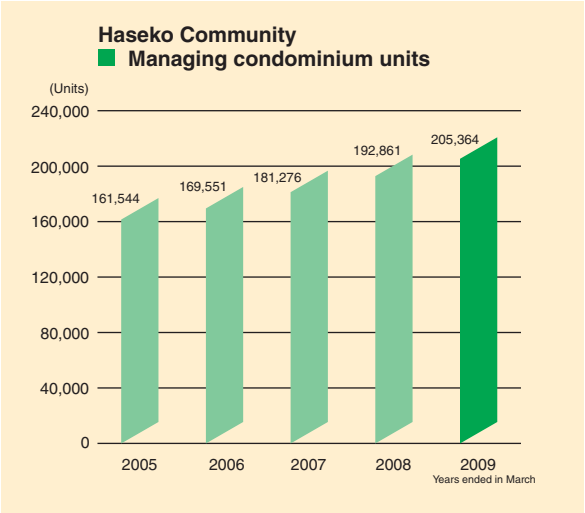
HASEKO Community

The Haseko Group conducts the condominium management business centering on Haseko Community, based on abundant know-how gained from its record of managing over 250,000 condominium units.

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

The Haseko Group worked to expand its condominium management business during the fiscal year. In this move, the Company (primarily Haseko Community) added Nikken Community (renamed Haseko Nikken Community on July 1, 2009) and Nichimo Community (renamed Haseko Smile Community on June 1, 2009) under its umbrella. Moreover, Haseko Community Kyushu, a 100%-owned subsidiary of Haseko Community, started condominium management services by acquiring the condominium management business of Marubi Co., Ltd., a company undergoing civil rehabilitation procedures, on February 26, 2009.





Note) Number of units managed by other Haseko Group companies in the fiscal year ended March 2009:

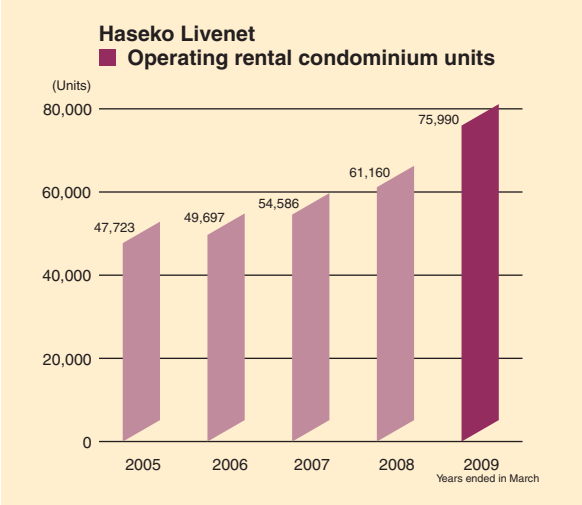
Nikken Community: approximately 18,000 units
Nichimo Community: approximately 21,000 units
Haseko Community Kyushu: approximately 7,500 units

Leasing Management and Operation of Condominiums:

HASEKO Livenet

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

In October 2008, Haseko Livenet successfully received a blanket order from re-plus residential investment corporation for property management and building management operations of 90 buildings with 4,228 units. Moreover, the leasing management business of Nichimo Community was transferred to Haseko Livenet on April 1, 2009. (Haseko Anesis and Fujikensetsu, a Haseko Group company, jointly acquired all shares of Nichimo Community from Nichimo Corp. as of January 15, 2009.)



Other Business Segments

Senior Living Business:

Century Life

Century Life has been working on a "proposal for preparing housing and living means for the elderly" in anticipation of demand in Japan due to the rapid advancement of the aging society. By applying our skills and know-how in condominium design and construction, our strongest merits, Century Life is embarking on the planning and operation of paid elderly living facilities with long-term care functions from the perspective of "living," which differentiates them from medical facilities.

Hotel Business:

Brighton Corporation

Engaged in hotel operations, Brighton Corporation operates five hotels, implementing original operations with a focus on innovative thinking and commitment to the requirements of individual users. Its business goes beyond hotel operations and encompasses consultancy on hotel businesses and consigned operations of hotels.

New Project

BRANCHERA Kawaguchi Aokicho Koen — a Project Entirely Handled by the Haseko Group

This is the first project that introduced "Be-Liv"* – a new condominium proposal developed by Haseko by utilizing its accumulated condominium construction-related know-how, as well as by reflecting the opinions of customers. It is a for-sale condominium offered by Haseko, taking full advantage of its business model to cover planning, design, construction, sale, interior coordination, condominium management and after-sales services.

■ *What is Be-Liv?

It is a proposal that enables reduction of construction costs by up to 20% by reviewing each factor that constitutes a condominium – construction plan, structure, finishing, facilities, exteriors and parking lots – while firmly securing the essential fundamental capabilities of housing facilities. As its largest merit, the proposal allows designing floor plans at the same unit price that have larger proprietary areas than conventional floor plans. Moreover, it offers a variety of customized plans, helping realize a residence that meets users' tastes and budgets.

BRANCHERA Kawaguchi Aokicho Koen
Location: Kawaguchi-shi, Saitama
Structure and size: RC, 6 floors above ground
Number of units: 59 units
Project owner, design and construction: Haseko Corporation
Construction completion: November 2009 (schedule)

Repair and Renovation Business

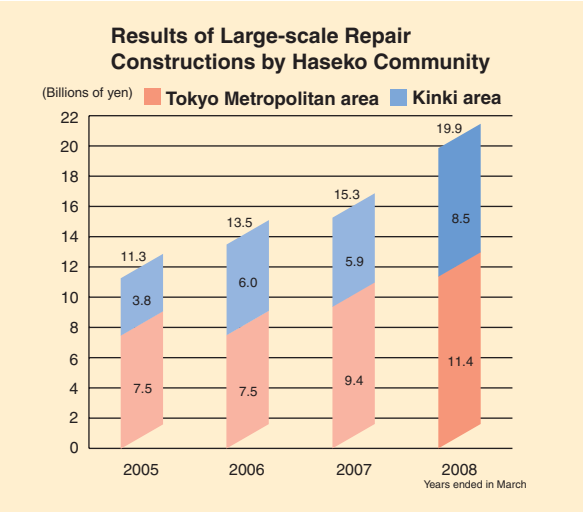
Promoting order reception of large-scale repair construction of ultra-skyscraper condominiums

Haseko Community has started large-scale repair construction on two ultra-skyscraper buildings – The Winbell Grand Machida (Sagamihara-shi, Kanagawa, 20 stories with 243 units, completed in April 1997) and Orkprio Tower (Minato-ku, Osaka-shi, 50 stories with 353 units, completed in April 1993), introducing scaffolds with elevator-type mechanisms that have a reach up to 200 meters in height.

Condominiums built in the latter half of the 1990s are coming to require large-scale repair construction. Within this backdrop, Haseko Community, which boasts the top performance of large-scale repair construction among management companies, will work to increase its receiving of orders by demonstrating its know-how and technological capabilities in large-scale repair construction for ultra-skyscraper condominiums, in addition to such construction for low-rise and medium-to-high-rise condominiums for which the company has proven results.

Orkprio Tower

The Winbell Grand Machida



Long-life and High-quality — Supporting Lifestyle over a Long Period of Time

Building on the results and experience of constructing over 470,000 condominium units to date, the Haseko Group not only elaborates on buildings and facilities in a solid and steadfast way but also provides periodical inspections, repair and maintenance services and appropriate management to sustain asset value, and supports the formation of good communities. The Haseko Group boasts the ability to provide condominiums in which people find it worthwhile to live in permanently.

Condominiums Recognized as "High-quality, Long-life Housing"

Haseko applied for the "Recognition System for High-quality, Long-life Housing" by the Japanese government as it started on June 4, 2009 with the "Urawa Project" and "Suita-shi Deguchi-cho Project" , and obtained certification for these projects as "high-quality, long-life housing"* on June 8 and June 12, respectively. These are Haseko Corporation's own projects, with Haseko Corporation serving as project owner and working on design and construction while consigning Haseko Urbest and Haseko Community, both of which belong to the Haseko Group, to respectively conduct sales and management. As the leader of the condominium business, the Haseko Group will realize its unrivaled technologies and "software" services in a variety of ways in these projects.

Construction of these projects started in July 2009. Haseko will endeavor to demonstrate as well as make business proposals that take advantage of its technologies and know-how for high-quality, long-life condominiums.

*High-quality, long-life housing means housing facilities that satisfy technical and other standards designated in the Law Concerning Promoting Diffusion of High-quality, Long-life Housing (2008 Law No. 87, enforced on June 4, 2009) and that have been certified by relevant government agencies.

Urawa Project

Suita-shi Deguchi-cho Project

Haseko Premium After-sales Services··· Providing Services to Sustain Asset Value

The Haseko Premium After-sales Services is a system in which Haseko, as a contractor of condominiums, directly listens to customers to grasp the conditions of their condominiums and provide adjustments and repairs so that customers can use them over a long period of time.

Under the system, Haseko will significantly extend the period in which the Company provides after-sales services for both the exclusive and common areas of condominiums it sells, and work to enhance the sense of security and satisfaction of residents and improve added value by reinforcing its regular services. In order to realize quick responses, the Company will set up call centers to directly receive after-sales service requests from residents.

The Haseko Premium After-sales Services is an unrivaled, leading-edge format of after-sales services in which Haseko, as a constructor having the deepest of knowledge on buildings, provides quality management to enhance the durability of buildings and sustain their asset value.

Communication Events for Environmental Protection and Beyond ··· Forming Good Communities

Since 2008, the Haseko Group has been implementing "Mission Uchimizu (Water Sprinkling) at Condominiums" with an aim to support the creation of enriched communities by residents of condominiums for which we provide consigned management.

Uchimizu is an old tradition of Japanese people. It also contributes to preventing global warming by saving energy. The initiative by Haseko lets condominium residents cooperate in preventing global warming as well as help revive a good cultural tradition. Haseko believes that it will also help residents find warm ties among themselves and encourage the vitalization of local communities. For future society, the fostering of communities within condominiums and also in ways to link with the neighborhood, the water-sprinkling event is one way in which to fulfill this requirement.

As of July 16, 2009, people in the following number of condominiums and households have expressed their intention to participate in the initiative: 239 condominiums with approximately 22,000 households in the Tokyo metropolitan area; 132 condominiums with approximately 8,000 households in the Kinki area; 5 condominiums with approximately 200 households in the Chubu area; and 60 condominiums with approximately 1,000 households in the Kyushu area – totaling 436 condominiums with approximately 31,200 households throughout Japan.

What is Uchimizu?

An old tradition in Japan, it means sprinkling water on the streets, yards and other outdoor places. Sprinkled water vaporizes while using heat, leading to lowering the temperature. As such, water is sprinkled early in the morning or in the evening, especially in summer, for its cooling effects. In recent years, people mainly use such secondary water around them as surplus water from baths or showers and rainwater, rather than tap water, for sprinkling because of environmental considerations.

What is "Mission Uchimizu at Condominiums?"

It is a project to promote water sprinkling and is implemented by the Mission Uchimizu Headquarters (part of Japan Water Forum, a specified non-profit organization), sponsored by the Ministry of the Environment, the Ministry of Land, Infrastructure, Transport and Tourism and other organizations. The participants sprinkle secondary water in tandem on selected dates. The project is conducted not only throughout Japan but also in such overseas cities as Stockholm and Paris. As an endeavor to counter the heat island effect and global warming in which people can casually and pleasingly participate, it serves as a "pump priming" to enlighten awareness of environmental issues.

Environmental Preservation Activities by Haseko

Haseko Corporation has established its environmental policy as a Company and acquired ISO14001 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.

Design Divisions

Endeavoring to "propose environment-conscious design," our design divisions contribute to advances in environmental consideration and energy saving by promoting the adoption of environment-conscious equipment. At the same time, they propose the introduction of kitchen disposal units in condominiums, demonstrating environmental consideration that includes reducing garbage and easing the environmental burden of waste water pollution.

For the living environment, they proactively adopt planting designs that positively utilize existing plants, or designs that introduce rooftop gardens and wall greenery. The design divisions also contribute to energy saving, as they adopt automatic irrigation facilities that utilize rainwater for the sprinkling water of greenery and install solar-powered external lighting equipment.

Construction Divisions

Based on the waste reduction policy of "don't bring, don't generate and don't dispose" waste at its construction sites, Haseko works to "reduce the volume of waste brought in" by making materials into packages and simplifying package materials; "reduce volume of waste generated" by promoting waste separation through use of small-sized containers and recycling bags; and "reduce volume of waste disposed" by promoting recycling.

In addition, Haseko endeavors to deepen the understanding of each of its individual workers on the site by conducting lectures on waste separation, using educational CD-ROMs on waste separation and recycling at the workplace. Approximately 35,000 people have heard the lecture to date, and a significant reduction has been realized in mixed wastes.

R&D and Technological Development Divisions

Our R&D and technological development divisions are also engaged in a variety of environmental issues, including technologies related to realizing longer life for pipes and other items, as well as the reduction of the environmental load through engineering methods and materials, and technologies related to energy saving.

Offices

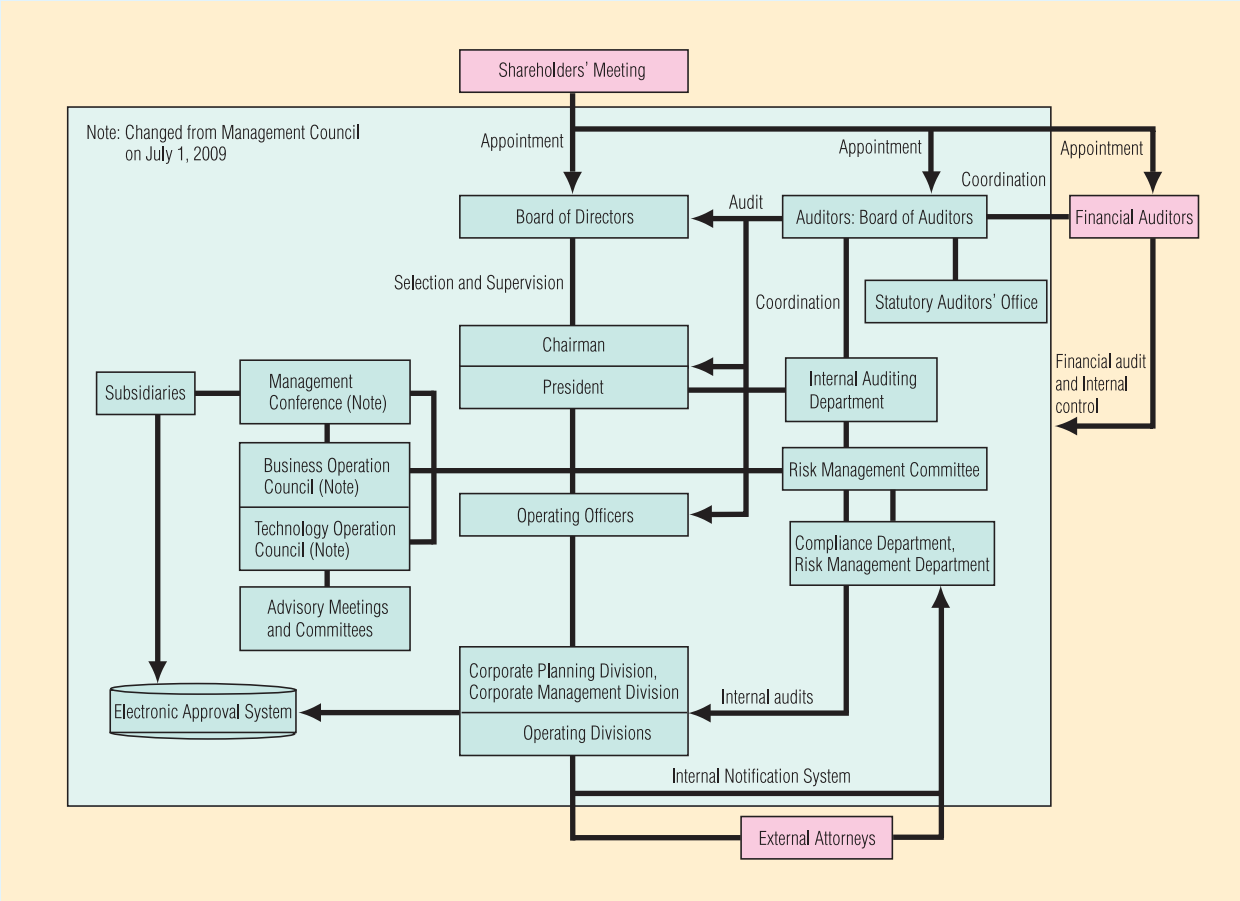
Haseko is working to promote energy saving, effective use of paper resources, recycling of materials and prevention of environmental pollution at its respective offices including the Haseko headquarters building.

As the leader in the condominium business, Haseko provides customers with comfortable, safe and reliable living spaces. In doing so, the Company not only conducts daily corporate activities that effectively use resources and give due consideration to the global environment, but also proactively works to promote community activities that include the condominium's neighborhood. Not limited to environmental preservation activities as a company, Haseko will continue to propose and implement diversified and multi-faceted environmental preservation activities in unity with society.

Corporate Governance

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

Diagram of company institutions and internal governance



(1) Board of Directors

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

(2) Management Council

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

Changes have been made that, effective on July 1, 2009, the two business operation councils (the "Business Operation Council" and the "Technology Operation Council") shall conduct decision-making on items entrusted by the Board of Directors, replacing the Management Council. Important items to be decided by the Board of Directors shall be discussed in advance at these two business operation councils, as well as at the "Management Conference" to be held under the leadership of the president.

(a) Business Operation Council consists of nine operating officers comprising one executive operating officer and eight senior operating officers selected by the Board of Directors, and meets twice a month as a rule.

(b) Technology Operation Council consists of eleven operating officers comprising one executive operating officer, five senior operating officers and five operating officers selected by the Board of Directors, and meets once a month as a rule.

(c) Management Conference serves as a venue where highly important cases among items to be decided by the Board of Directors shall be discussed in advance or opinions shall be exchanged on medium- to long-term issues, and is held under the leadership of the president by convening members as needed according to the subjects.

(3) Board of Auditors

The Board of Auditors attend the Board of Directors meetings, the Management Council (changed to meetings of the "Business Operation Council" and "Technology Operation Council" effective on July 1, 2009) meetings and other important meetings, and hold regular meetings of the Board of Auditors once a month as well as special meetings as necessary. The President exchanges opinions on a regular basis with the Auditors in order to assure smooth, mutual communication. The Board of Auditors explains its annual audit plans and focus items concerning audits at the Board of Directors meetings and seeks the cooperation of directors. Directors are required to meet these requests.

(4) Operating Officer

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

(5) Compliance Department

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

(6) Internal Auditing Department

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

(7) Risk Management Department

Considering a variety of risks, Haseko endeavors to collect risk-related information and prepares preventive measures and appropriate countermeasures in advance against risks according to their magnitude and possibility of arising. Through these efforts, Haseko aims to minimize the potential losses and to systematically cope with risk management centering on Risk Management Department established in April 2006.

(8) Approval System

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

(9) Advisory Meetings and Committees

In regard to those cases forwarded to the Board of Directors and Management Council (changed to the "Business Operation Council" and "Technology Operation Council" effective on July 1, 2009) that involve many departments or require specialized knowledge, the establishment of advisory meetings and committees allows sufficient advanced verification. In addition, the making of periodical reports of the monitoring results is an established obligation for cases requiring monitoring.

(10) Risk Management Committee

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

(11) Description of Director Remuneration

	Number of people (Persons)	Remuneration (Million yen)
Directors	15	343
Auditors	7	72
(External auditors in the above)	(4)	(23)
Total	22	416

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

Certified public accountant: Ernst & Young Shin Nihon

Breakdown of remuneration to the auditing certified public accountant, etc.:

Fiscal year ended March 2009

Category	Remuneration based on auditing and attestation work (million yen)	Remuneration based on work other than auditing work (million yen)
Haseko Corporation	88	-
Consolidated subsidiaries	56	7
Total	144	7

Risk Information

The following information on risks has been disclosed in the Yukashoken-Houkokusho for the year ended March 31, 2009.

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

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

(1) Dependence on the condominium business

The core business of the Haseko Group is related to for-sale condominiums in the Tokyo, Kinki and Nagoya metropolitan areas, and the Group is significantly dependent on the business of constructing for-sale condominiums. As such, the amount of orders received and volume of the for-sale condominium business may be largely impacted by trends involving the supply of new for-sale condominiums, their sales, the supply of land for constructing for-sale condominiums, the business scale of the developers Haseko conducts business with, the government's housing policies, the tax system on residences and interest rates, etc. Fluctuations in these factors may impact the Group's performance and financial condition.

Furthermore, Haseko's primary business model involves securing orders by providing land for project owners, built on our capabilities in gathering land information and managing for-sale condominium projects. There is no guarantee, however, that this business model will continue to give us a competitive edge and enable us to maintain or enlarge our market share and profitability.

(2) Construction market trends

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

(3) Legal and administrative regulations and litigations, etc. on condominium construction

Partial revisions to the Building Standard Law and Architect Law were enforced on June 20, 2007, in order to secure the safety of buildings. With these revisions, more stringent regulations in building construction authorization and inspections may cause delays in the commencing of construction and have other negative impacts on the Company's performance. Furthermore, the performance of the Haseko Group may be negatively impacted when the commencing of building construction is delayed or suspended due to such factors as legal regulations on condominium construction, administrative regulations, anti-construction activities of local residents and accompanying lawsuits.

(4) Warranty responsibility

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

If any warranty responsibility should occur, it may cause a loss of trust that society has placed in us, damage the corporate image, and negatively impact the Group's performance including decreasing sales.

(5) Accidents and other incidents in the construction business

The Company does its utmost with regards to safety management, including implementation of safety education and inspection tours, in order to eliminate accidents and disasters. Furthermore, the Company conducts construction by preparing safe work environments that includes creating elaborate construction plans when starting construction. However, if material construction accidents, industrial accidents or other disasters should occur, they may have a negative impact on the Company's performance.

In addition, if such accidents occur, they may cause a loss of trust that society has placed in us, damage the corporate image, and negatively impact the Group's performance including decreasing sales.

(6) Credit risk of clients

A characteristic of the construction industry is that the amounts of money involved in contracts for a single transaction are substantial and, in many cases, the construction costs are paid for in installments or large payments are made upon and after delivery of the property subject to the contract. Therefore, when a business partner suffers from poor credit prior to having paid for the construction costs, it may have an impact on the performance and financial situation of the Haseko Group.

(7) Owned real estate

The Haseko Group owns real estate out of necessity of its business activities. However, real estate has an inherent risk of fluctuations in market prices and, due to its generally low liquidity, may not be able to be sold at the market price, depending on the supply-demand conditions at the time of sale. As for real estate that has been acquired for sale, it may not be possible to secure the scheduled collection amount depending on the progress of the business plan, or the plan may have to be suspended due to various factors. As for fixed assets, the Haseko Group may not be able to achieve the scheduled cash flows due to deterioration of leasing conditions and business accounts or other factors. If such situations occur, the Company may have to recognize valuation losses, impairment

losses, losses on sales and other losses, which would impact the performance and financial condition of the Haseko Group.

(8) Unbalanced business areas

The Haseko Group concentrates its business areas in the Tokyo, Kinki and Nagoya metropolitan areas in order to realize efficient use of the Company's management resources. Due to this, the performance, business operations and financial condition of the Haseko Group may be negatively impacted if earthquakes, storms, floods and other natural disasters, accidents, fire or other human-made disasters occur in or around the Tokyo, Kinki and Nagoya metropolitan areas, causing delays in construction periods, discouraging consumers to buy, or damaging owned assets.

(9) Operational risks

In conducting operations, the Haseko Group may experience a variety of operational risks, including misconduct by employees, inappropriate behavior, mistakes in handling tasks or problems concerning labor management. The Haseko Group has established risk management regulations and, by managing and responding to operational risks and other various risks related to business operations, endeavors to reduce as much as possible and control risk factors that may hinder the realization of the Group's management policies. Nevertheless, there is a possibility that such operational risks as mentioned above may arise and have a negative impact on the performance and financial condition of the Haseko Group.

In addition, if such accidents occur, they may cause a loss of trust that society has placed in us, damage the corporate image, and negatively impact the Group's performance including decreasing sales.

(10) Protection of personal information

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

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

(11) Fund procurement and interest payments

Haseko has primarily obtained its capital through borrowings from financial institutions. Any sudden change in interest rates or borrowing terms with financial institutions may potentially have an impact on our performance and financial condition.

In addition, Haseko has concluded loan agreements for term loans via the syndication method as well as for commitment line contracts, primarily with financial institutions, in order to procure funds needed for conducting business. These loan agreements contain financial covenants concerning the three items of maintaining capital adequacy ratio, securing ordinary income, and the balance of interest-bearing debt. In case the covenants are violated, there is a possibility that the Company will forfeit the benefit of time because of claims based on combined intentions of multiple lenders, and that the Company will be obliged to repay principals and interests of loans before repayment dates.

(12) Deferred tax assets

The Haseko Group has appropriated an allowance based on assessment for deferred tax assets in order to reduce the amount to the level that may be likely to be realized, but this calculation depends on estimates regarding future taxable income and there is the possibility that actual results will differ from the estimate. When the Haseko Group decides that all or part of deferred tax assets cannot be collected based on the estimate for future taxable income, or when income taxes are reduced or other systematic revisions are made, deferred tax assets will be reduced and appropriated as an expense. This would impact the performance of the Haseko Group.

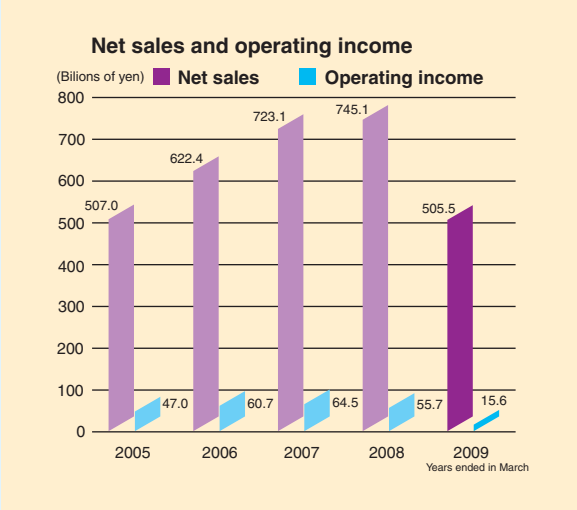
(13) Preferred stocks

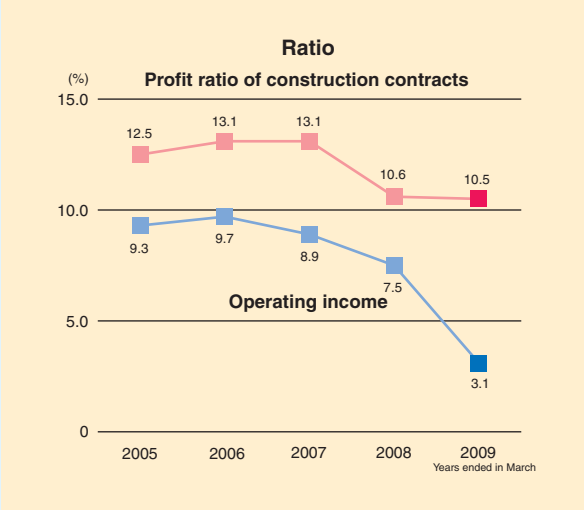
The preferred stocks Haseko has issued have redemption clauses established. Since such redemption requires profits that produce dividends, there is a possibility that part of the redemption may not be implemented when the necessary profit is not produced during the planned periods or during the redemption periods designated in the redemption clauses. On the other hand, preferred shareholders have been granted the right to request redemption. Therefore, the Company's equity may be reduced to a certain limit if the Company has a certain amount of retained earnings, and claims for redemption are made despite the Company's intentions.

Moreover, since the shareholders of these preferred stocks have been granted the right to request conversion to common stocks, there is a possibility that these preferred stocks will be converted to common stocks if they are not redeemed. Those that are not requested to be converted during the period in which requests for conversion can be made will be forcefully converted to common stocks. They will reduce the net income per share when they are converted into common stocks and, when they are sold in the market, may also potentially have a negative impact on the market price of our common stocks depending on the supply-demand conditions at that point. Moreover, the mere existence of such preferred stocks can have a negative impact on the market price of common stocks.

Five-Year Summary
Haseko Corporation and its Consolidated Subsidiaries
(Years ended March 31, 2005, 2006, 2007, 2008 and 2009)

	Millions of Yen				
	2005	2006	2007	2008	**2009**
For the Year:					
Net sales	¥506,954	¥622,396	¥723,118	¥745,074	**¥505,500**
Operating income	47,003	60,670	64,501	55,718	**15,574**
Ordinary income	39,750	53,135	63,046	53,103	**12,444**
Net income (loss)	(48,141)	47,689	33,695	22,384	**(7,596)**
At Year-end:					
Total assets	¥478,783	¥499,918	¥546,723	¥486,204	**¥485,781**
Net assets	95,515	109,201	113,016	110,979	**71,187**
	Yen				
Per Share Data:					
Net income (loss)	¥(122.03)	¥67.27	¥31.67	¥9.36	**¥(6.67)**
Net assets	(252.18)	(28.87)	23.22	36.31	**19.93**
	%				
Ratios:					
Equity ratio	19.9	21.8	20.7	22.8	**14.6**
Return on equity	–	46.6	30.4	20.0	**(8.4)**





Analyses of Financial Condition and Business Performance

(1) Business performance

During this consolidated fiscal year, project owners that Haseko conducts business with made supply adjustments, impacted by the influence of the stagnant condominium market and financial institutions' measures to tighten loan provisions. This led to postponement of construction starts or suspension of projects occurred at some properties, causing the Company to see decreased sales and profits gained from constructions in progress (revenue recognition in accordance with the standards of progress), consigned operations and other sources. Moreover, amid the severe real estate market, delays have also occurred in plans for selling properties owned by the Company, leading to a decrease in real estate sales. Considering the market conditions, the Company has recorded, as cost of sales, the valuation loss on inventory assets (10.3 billion yen) for lands it owns for receiving project orders, properties involved in for-sale condominium projects and development properties for investment. In addition, a provision for doubtful accounts (8 billion yen) due to bankruptcies of The Japan General Estate Group and other business partners, etc. was recorded as special losses. All these led to a net loss for the fiscal year.

As a result, the Haseko Group achieved net sales of 505.5 billion yen (down 32.2% from the previous consolidated fiscal year), operating income of 15.6 billion yen (same, down 72.0%) and ordinary income of 12.4 billion yen (same, down 76.6%) for this consolidated fiscal year. The operating income ratio was 3.1%, and the ordinary income ratio was 2.5%, down 4.4 points and 4.7 points year-on-year respectively. The Company recorded a net loss after income taxes of 7.6 billion yen, as compared with a net income of 22.4 billion yen for the previous consolidated fiscal year.

(2) Financial condition

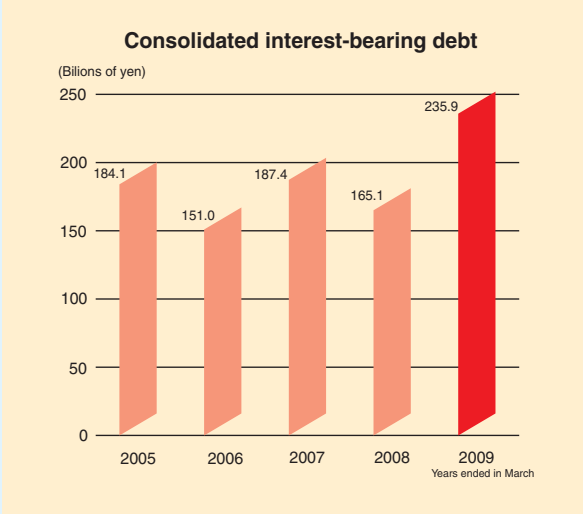
Net cash used in operating activities was 47.3 billion yen, decreasing by 61.7 billion yen from the previous consolidated fiscal year. The decrease was mainly due to a decrease of 24.6 billion yen in net income before income taxes and a net decrease of 40.1 billion yen in the balance of inventory assets, despite an increase of 20.6 billion yen in the balance of notes and accounts receivable.

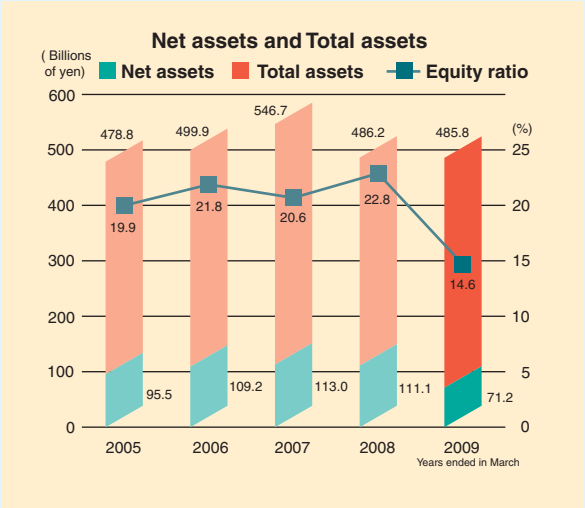
Net cash used in investing activities was 4 billion yen, decreasing by 31.3 billion yen from the previous consolidated fiscal year. The decrease was primarily due to a decrease of 34.3 billion yen in proceeds from sale of property and equipment and intangible assets, while payment for purchasing subsidiary's stock increased by 5.3 billion yen.

Net cash provided by financing activities was 44.8 billion yen, increasing by 89.6 billion yen from the previous consolidated fiscal year. This was primarily due to an increase of 55 billion yen in the balance of short-term borrowings and an increase of 37.8 billion yen in the balance of long-term debt, while payment of dividends increased by 4.9 billion yen

As a result of the above, cash and cash equivalents at the end of the consolidated fiscal year totaled 55.1 billion yen, a decrease of 7.3 billion yen from 62.4 billion yen at the end of the previous consolidated fiscal year.

Consolidated total assets at the end of the consolidated fiscal year were 485.8 billion yen, a decrease of 0.4 billion yen from the end of the previous consolidated fiscal year. While credits decreased for constructions due to a decrease in the number of projects, owned real estate increased. Furthermore, the Company transferred an equivalent of 38.5 billion yen in total from land and buildings held for sale to buildings and structures, land and others due to a change in the purpose of ownership.





Consolidated total liabilities were 414.6 billion yen, an increase of 39.4 billion yen from the end of the previous consolidated fiscal year. While debts decreased for constructions due to a decrease in the number of projects, interest-bearing debts increased.

Consolidated net assets were 71.2 billion yen, a decrease of 39.8 billion yen from the end of the previous consolidated fiscal year. Retained earnings decreased as net loss was recorded for the fiscal year, in addition to redemption and retirement of the preferred stock Class A IV and payment of dividends.

(3) Conditions by segment

Construction Business

With regard to the construction of for-sale condominiums for which the Company planned to receive orders during this consolidated fiscal year, project owners suspended the start of construction on properties one after another, as the land was purchased at a time of soaring land prices, and construction costs were rising rapidly. In addition, the situation became too difficult to allow expansion of orders as some project owners went bankrupt due to fund shortages, as they could not procure financing because of financial institutions' measures to tighten up on loans and the stagnant condominium market. Even under these circumstances, however, the Haseko Group successfully received orders for 54 for-sale condominium construction projects in eastern and western Japan, including 21 large projects with 200 or more total units for each, thanks to the Company's marketing abilities supported by its proprietary business model. Aside from constructions of for-sale condominiums, the Company also received orders for reconstruction of existing condominiums and reconstruction projects for aged housing of civil servants on a PFI method.

As a result, sales in the construction business segment totaled 362.1 billion yen, a year-on-year decrease of 25.2%, and operating income was 20.1 billion yen, down 44.4% from the previous fiscal year.

Engineering Business

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

Despite these endeavors, the deteriorating business environment accompanied by bankruptcies of some project owners or overhaul of their business plans caused the engineering business segment to post sales of 7.6 billion yen, a year-on-year decrease of 20.5%, and operating income of 1.6 billion yen, down 41.9% from the previous year's results.

Real Estate Business

Condominium consignment sales in the real estate business faced a severe situation of decreasing potential customers and stagnant sales, as the gap between demand and supply expanded when condominium prices were rising amid difficult market conditions.

Given the stagnant real estate market, sales of for-sale real estate business and joint for-sale condominium projects decreased as there were delays in planned sales of properties owned for the purpose of receiving orders for constructions of large projects, etc. Moreover, the Company recorded valuation loss on inventory assets as cost of sales. In addition, the for-sale housing business conducted in Oahu, Hawaii, showed decreases in both sales and profits, impacted by the deteriorated housing market in the U.S., more stringent screening of housing loans and other factors.

As a result, sales totaled 74.4 billion yen, a year-on-year decrease of 60.4%, and operating loss was 10.6 billion yen, as compared with the operating income of 10.5 billion yen for the previous fiscal year.

Leasing and Management Business

In conducting building management of condominiums in the leasing and management business, the Haseko Group expanded orders for consigned management for properties constructed by other companies by proactively implementing marketing activities, while the condominium market remained stagnant and the number of projects constructed by Haseko decreased. The number of managed units increased significantly through business transfer absorption and M&As, surpassing 250,000 units. In addition, the number of managed units and consigned units also increased for our leasing management and outsourced management of corporate housing.

Although the number of handled units increased steadily, as stated above, prior investment to respond to future increases in management units and the liquidation of Ecology REIT Corporation had a negative impact, and sales of the entire leasing and management business was 53.7 billion yen, up 0.5% year-on-year, and operating income was 4.0 billion yen, a decrease of 22.2% from the previous fiscal year.

Hotel Business

Sales of the entire hotel business surpassed the previous year's results as Hotel Brighton City Osaka Kitahama started operation in April 2008, although existing hotels (especially their lodging division) struggled amid deteriorating economic situations and with the impact of competing hotels that opened in Urayasu district.

Nevertheless, partly due to temporary expenses such as those needed for starting operation of Hotel Brighton City Osaka Kitahama, sales of the hotel business was 11.2 billion yen, a year-on-year increase of 0.5%, while operating profit was 28 million yen, down 94.2% from the previous fiscal year.

Other Business Segments

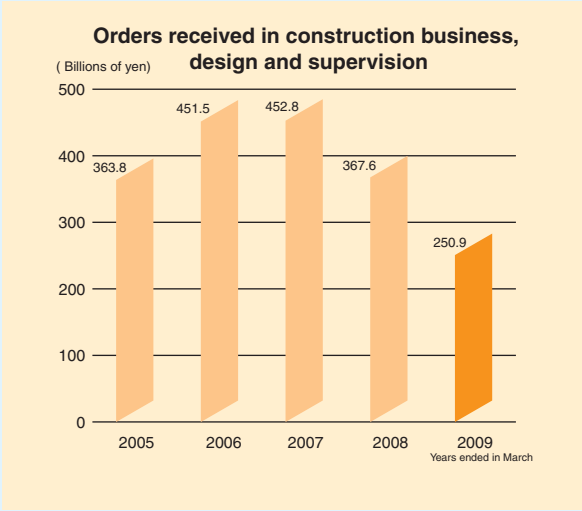
In the senior living business (housing business for the elderly), each of the three existing condominiums with services for the elderly has maintained a high occupancy rate. Century City Tokiwadai and Century City Miyakojima, which were newly opened, have also operated steadily.

Printing services, rental business and general insurance agent operations also performed steadily, despite the impact from changes in the economic environment. As for revenues and profits, sales increased as new properties started operations in the senior living business but expenses associated with their opening also arose. As a result, sales of the other business segments as a whole totaled 5.6 billion yen, up 1.1% year-on-year, while operating income was 0.7 billion yen, a decrease of 11.9% from the previous fiscal year.

(4) Status of orders

Since the latter half of 2007, the condominium market had continued to deteriorate, with the number of new supply decreased significantly as sales became sluggish due to the jump in condominium prices from soaring land prices and construction costs. In the second half of 2008, however, the traded land prices turned to a decrease and construction costs also showed a decreasing trend. This situation helped in starting to improve the conditions for receiving orders of constructing for-sale condominiums. The Haseko Group will endeavor to maintain and expand its share of orders for for-sale condominium constructions (securing more than 20%) through proactive marketing activities, as well as maintain and improve sales and profits from constructions. The Company will do so by continuously working to increase the added value of its for-sale condominium business, with our eyes fixed on the "stock-based" society.

On a non-consolidated basis, Haseko Corporation received orders of 250.9 billion yen in construction business, design and supervision, comprising 245.0 billion yen for the construction business (including 178.8 billion yen for for-sale condominium construction in the private sector) and 5.8 billion yen for design and supervision. Most of the orders were designated orders, which is a characteristic of Haseko, accounting for 91.9% of all orders and also for construction with design and orders, which accounted for 93.3%. By size, Haseko successfully received a combined total of 21 orders in eastern and western Japan for large-scale projects with 200 units or more. Such projects with 200 units or more accounted for 68.0%, or the majority of the total number of units we received orders for, while super large-scale projects with 400 units or more accounted for 20.0% of the total orders.



Orders received (Non-consolidated basis)

(Billions of yen)

	2005	2006	2007	2008	2009
Total orders	363.8	451.5	452.8	367.6	250.9
Construction business	354.9	441.3	440.4	356.7	245.0
Design and supervision	9.0	10.2	12.4	10.9	5.8
Ratio of Haseko designated orders	96.7%	98.3%	99.7%	99.9%	91.9%
Ratio of construction with design	91.8%	94.9%	91.7%	90.1%	93.3%

CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2008 AND 2009
ASSETS

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	**2009**	**2009**
ASSETS			
Current Assets:			
Cash and bank deposits (Note 13)	¥ 62,639	**¥ 55,518**	**$ 565,184**
Notes and accounts receivable, trade (Notes 9 and 13)	94,837	**70,182**	**714,466**
Costs on uncompleted construction contracts	11,974	**14,890**	**151,583**
Inventories (Notes 4 and 13)	162,149	**152,702**	**1,554,535**
Short-term loans receivable	1,840	**136**	**1,385**
Deferred tax assets (Note 16)	17,012	**11,693**	**119,037**
Other current assets	9,361	**9,379**	**95,480**
Allowance for doubtful accounts	(171)	**(1,247)**	**(12,695)**
Total current assets (Note 13)	359,641	**313,253**	**3,188,975**
Property and Equipment (Notes 4, 6, 8, 10 and 13)	68,867	**103,884**	**1,057,559**
Intangible Assets (Notes 4, 6, 8 and 13)	2,406	**8,612**	**87,672**
Investments and Other Assets:			
Investment securities (Notes 5 and 8)	8,363	**6,962**	**70,874**
Long-term loans receivable (Notes 8 and 20)	4,439	**2,751**	**28,006**
Long-term deferred tax assets (Note 16)	33,575	**32,513**	**330,988**
Other assets	11,522	**28,284**	**287,937**
Allowance for doubtful accounts	(2,609)	**(10,478)**	**(106,668)**
Total investments and other assets (Note 13)	55,290	**60,032**	**611,137**
Total assets	¥486,204	**¥485,781**	**$4,945,343**

See notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2008 AND 2009
LIABILITIES AND NET ASSETS

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	**2009**	**2009**
LIABILITIES			
Current Liabilities:			
Short-term borrowings (Notes 7 and 8)	¥ 15,424	**¥ 84,927**	**$ 864,573**
Current portion of long-term debt (Notes 7 and 8)	31,800	**57,692**	**587,315**
Notes and accounts payable	131,427	**100,849**	**1,026,662**
Income taxes payable	851	**446**	**4,540**
Advances received on uncompleted construction contracts	30,792	**20,936**	**213,132**
Advances received for real estate sales (Note 8)	5,731	**3,146**	**32,027**
Warranty reserve	3,128	**3,951**	**40,222**
Allowance for losses on construction contracts	–	**117**	**1,191**
Accrued bonuses for employees	2,573	**1,854**	**18,874**
Accrued bonuses for directors	179	**–**	**–**
Other current liabilities	26,358	**36,896**	**375,609**
Total current liabilities (Note 13)	248,263	**310,814**	**3,164,145**
Long-term Liabilities:			
Long-term debt (Notes 7 and 8)	117,828	**93,329**	**950,107**
Reserve for employees' retirement benefits (Note 15)	1,555	**1,503**	**15,301**
Other long-term liabilities	7,579	**8,948**	**91,092**
Total long-term liabilities (Note 13)	126,962	**103,780**	**1,056,500**
Total liabilities	375,225	**414,594**	**4,220,645**
Commitments and Contingent Liabilities (Notes 9 and 10)			
NET ASSETS			
Shareholders' Equity:			
Capital stock (Note 12)	50,000	**50,000**	**509,009**
Retained earnings	68,573	**32,644**	**332,322**
Treasury stock, at cost — 17,552,974 shares in 2008	(3,637)	**–**	**–**
(Note 12) — 593,316 shares in 2009	–	**(108)**	**(1,099)**
Total shareholders' equity	114,936	**82,536**	**840,232**
Valuation and Translation Adjustments			
Net unrealized gain (loss) on other securities (Note 5)	(224)	**30**	**305**
Cumulative translation adjustments	(4,051)	**(11,490)**	**(116,970)**
Total valuation and translation adjustments	(4,275)	**(11,460)**	**(116,665)**
Minority Interests	318	**111**	**1,131**
Total net assets	110,979	**71,187**	**724,698**
Total liabilities and net assets	¥486,204	**¥485,781**	**$4,945,343**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED MARCH 31, 2008 AND 2009

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	**2009**	**2009**
Net Sales (Note 11)	¥745,074	**¥505,500**	**$5,146,086**
Cost of Sales (Note 11)	662,151	**460,938**	**4,692,437**
Gross profit	82,923	**44,562**	**453,649**
Selling, General and Administrative Expenses (Note 11)	27,205	**28,988**	**295,103**
Operating Income	55,718	**15,574**	**158,546**
Other Income (Expenses):			
Interest and dividend income	684	**428**	**4,357**
Penalty income	–	**399**	**4,062**
Interest expense	(2,964)	**(3,211)**	**(32,689)**
Syndicated loan fees	(668)	**(641)**	**(6,526)**
Equity in loss of an affiliate	(271)	**(73)**	**(743)**
Loss on dissolution of real estate sales contracts	–	**(500)**	**(5,090)**
Other, net	604	**468**	**4,765**
	(2,615)	**(3,130)**	**(31,864)**
Ordinary income	53,103	**12,444**	**126,682**
Special Income (Losses):			
Loss (gain) on disposal or sale of property and equipment, net (Note 6)	371	**(126)**	**(1,283)**
Gain on reversal of allowance for doubtful accounts	1,288	**16**	**163**
Provision of allowance for doubtful accounts	(545)	**(8,005)**	**(81,492)**
Impairment loss on fixed assets (Note 6)	(942)	**(1,400)**	**(14,252)**
Loss on litigation	(1,380)	**–**	**–**
Valuation loss on investment securities	(1,630)	**(2,011)**	**(20,472)**
Valuation loss on investment in affiliates	–	**(1,438)**	**(14,639)**
Valuation loss on inventories	(26,434)	**–**	**–**
Other, net	(166)	**(438)**	**(4,460)**
	(29,438)	**(13,402)**	**(136,435)**
Income (Loss) before Income Taxes and Minority Interests	23,665	**(958)**	**(9,753)**
Income Taxes (Note 16):			
Current	1,954	**652**	**6,637**
Deferred	(724)	**5,970**	**60,776**
	1,230	**6,622**	**67,413**
Minority Interests	51	**16**	**163**
Net Income (Loss)	¥ 22,384	**¥ (7,596)**	**$ (77,329)**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGE IN NET ASSETS
FOR THE YEARS ENDED MARCH 31, 2008 AND 2009

	Millions of yen							
	Capital stock	Additional paid-in capital	Retained earnings	Treasury stock	Net unrealized gain (loss) on other securities	Cumulative translation adjustments	Minority interests	Total
Balance at March 31, 2007	¥50,000	¥ –	¥ 64,463	¥ (154)	¥ 116	¥(1,674)	¥265	¥113,016
Net income for the year ended March 31, 2008	–	–	22,384	–	–	–	–	22,384
Appropriation of retained earnings for additional paid-in capital	–	18,274	(18,274)	–	–	–	–	–
Purchase of treasury stock	–	–	–	(21,764)	–	–	–	(21,764)
Retirement of treasury stock	–	(18,274)	–	18,274	–	–	–	–
Gain on disposition of treasury stock	–	(0)	–	7	–	–	–	7
Other changes	–	–	–	–	(340)	(2,377)	53	(2,664)
Balance at March 31, 2008	¥50,000	¥ –	¥ 68,573	¥ (3,637)	¥(224)	¥(4,051)	¥318	¥110,979
Net loss for the year ended March 31, 2009	–	–	(7,596)	–	–	–	–	(7,596)
Cash dividends	–	–	(4,880)	–	–	–	–	(4,880)
Appropriation of retained earnings for additional paid-in capital	–	23,453	(23,453)	–	–	–	–	–
Purchase of treasury stock	–	–	–	(19,927)	–	–	–	(19,927)
Retirement of treasury stock	–	(23,450)	–	23,450	–	–	–	–
Gain on disposition of treasury stock	–	(3)	–	6	–	–	–	3
Other changes	–	–	–	–	254	(7,439)	(207)	(7,392)
Balance at March 31, 2009	**¥50,000**	**¥ –**	**¥ 32,644**	**¥ (108)**	**¥ 30**	**¥(11,490)**	**¥111**	**¥ 71,187**

	Thousands of U.S. dollars (Note 3)							
	Capital stock	Additional paid-in capital	Retained earnings	Treasury stock	Net unrealized gain (loss) on other securities	Cumulative translation adjustments	Minority interests	Total
Balance at March 31, 2008	$509,009	$ –	$698,086	$(37,025)	$(2,280)	$ (41,240)	$3,237	$1,129,787
Net loss for the year ended March 31, 2009	–	–	(77,329)	–	–	–	–	(77,329)
Cash dividends	–	–	(49,679)	–	–	–	–	(49,679)
Appropriation of retained earnings for additional paid-in capital	–	238,756	(238,756)	–	–	–	–	–
Purchase of treasury stock	–	–	–	(202,861)	–	–	–	(202,861)
Retirement of treasury stock	–	(238,725)	–	238,725	–	–	–	–
Gain on disposition of treasury stock	–	(31)	–	62	–	–	–	31
Other changes	–	–	–	–	2,585	(75,730)	(2,106)	(75,251)
Balance at March 31, 2009	**$509,009**	**$ –**	**$332,322**	**$ (1,099)**	**$ 305**	**$(116,970)**	**$1,131**	**$724,698**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2008 AND 2009

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	**2009**	**2009**
Cash Flows from Operating Activities:			
Income (loss) before income taxes and minority interests	¥23,665	**¥(958)**	**$(9,753)**
Depreciation	3,647	**4,029**	**41,016**
Impairment loss on fixed assets	942	**1,400**	**14,252**
Loss on litigation	1,380	**–**	**–**
Provision for (reversal of) allowance for doubtful accounts	(678)	**8,932**	**90,929**
Interest and dividend income	(684)	**(428)**	**(4,357)**
Interest expense	2,964	**3,211**	**32,689**
Equity in loss of an affiliate	271	**73**	**743**
Valuation loss on investment securities	1,630	**2,011**	**20,472**
Valuation loss on investment in affiliates	–	**1,438**	**14,639**
Loss (gain) on disposal or sale of property and equipment, net	(371)	**126**	**1,283**
Loss on dissolution of real estate sales contracts	–	**500**	**5,090**
Valuation loss on inventories	26,434	**10,289**	**104,744**
Decrease (increase) in notes and accounts receivable (Note 13)	(13,497)	**7,112**	**72,402**
Increase (decrease) in costs on uncompleted construction contracts	6,530	**(2,460)**	**(25,043)**
Increase in inventories (Note 13)	(6,144)	**(46,198)**	**(470,304)**
Decrease in notes, accounts payable and accrued expenses	(22,325)	**(31,296)**	**(318,599)**
Decrease (increase) in amounts received for uncompleted construction contracts	2,512	**(10,485)**	**(106,739)**
Other	(7,259)	**9,967**	**101,465**
Subtotal	19,017	**(42,737)**	**(435,071)**
Interest and dividends received	681	**375**	**3,818**
Interest paid	(2,953)	**(2,897)**	**(29,492)**
Compensation for damages paid	(828)	**(552)**	**(5,619)**
Income taxes paid	(1,503)	**(1,444)**	**(14,701)**
Net Cash Provided by (Used in) Operating Activities	14,414	**(47,255)**	**(481,065)**
Cash Flows from Investing Activities:			
Transfer to time deposits	–	**(2,000)**	**(20,360)**
Refund of time deposits	35	**2,000**	**20,360**
Purchases of property and equipment and intangible assets	(5,550)	**(4,723)**	**(48,081)**
Proceeds from sale of property and equipment and intangible assets	39,673	**5,407**	**55,044**
Purchases of investment securities	(5,177)	**(2,316)**	**(23,577)**
Proceeds from sale of investment securities	588	**24**	**244**
Purchases of investment in subsidiaries resulting in changes in scope of consolidation (Note 13)	–	**(5,292)**	**(53,874)**
Payment for linvestment in affiliates	–	**(164)**	**(1,670)**
Payment for acquisition of business (Note 13)	–	**(602)**	**(6,128)**
Payment for loans receivable	(3,271)	**(308)**	**(3,135)**
Collection of loans receivable	1,349	**3,713**	**37,799**
Payment for lease deposits	(568)	**(195)**	**(1,985)**
Refund of lease deposits	176	**357**	**3,634**
Other	69	**91**	**927**
Net Cash Provided by (Used in) Investing Activities	27,324	**(4,008)**	**(40,802)**
Cash Flows from Financing Activities:			
Increase in short-term borrowings, net	14,525	**69,524**	**707,767**
Increase in long-term debt	30,197	**32,667**	**332,556**
Repayment of long-term debt	(67,100)	**(31,800)**	**(323,730)**
Redemption of treasury stock	(18,274)	**(18,240)**	**(185,687)**
Acquisition of treasury stock	(3,490)	**(1,686)**	**(17,164)**
Syndicated loan fee	(691)	**(743)**	**(7,564)**
Cash dividends paid	–	**(4,881)**	**(49,690)**
Cash dividends paid for minority shareholders	–	**(14)**	**(143)**
Other	(11)	**(43)**	**(435)**
Net Cash Provided by (Used in) Financing Activities	(44,844)	**44,784**	**455,910**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(480)	**(817)**	**(8,318)**
Net Decrease in Cash and Cash Equivalents	(3,586)	**(7,296)**	**(74,275)**
Cash and Cash Equivalents at Beginning of the Year (Note 13)	66,012	**62,426**	**635,509**
Cash and Cash Equivalents at End of the Year (Note 13)	¥62,426	**¥55,130**	**$561,234**

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Haseko Corporation and its Consolidated Subsidiaries
For the years ended March 31, 2008 and 2009

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. As permitted, amount of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements, both in yen and U.S. dollars do not necessarily agree with the sums of the dividual amounts.

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, 2009, the numbers of consolidated subsidiaries and affiliates accounted for by the equity method were 32 and 1 (30 and 2 in 2008), respectively. Investments in subsidiaries and affiliates which are not consolidated or accounted for by the equity method are carried at cost or less. The amount of cumulative losses exceeding the carrying amount of investments in affiliates accounted for under the equity method as of March 31, 2008 was ¥14,268 million and was deducted from the accounts receivable.

The fiscal year of Haseko America and Ecology REIT Corporation 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. Effective the year ended March 31, 2008, Ecology REIT Corporation has changed its fiscal year to end on December 31. 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 over periods of 5 years. However, goodwill of the two companies acquired in the year ended March 31, 2009 is being amortized over 10 years. 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 equity in assets of silent partnerships is appropriated under investment securities. The Company appropriates investment securities at the time of investment in silent partnerships and it appropriates the amount corresponding to the equity in the net loss or income obtained by the silent partnerships under operating income (loss), adjusting investment securities by the same amount.

(5) 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.

Effective the year ended March 31, 2008, the Company and its consolidated domestic subsidiaries have adopted "Accounting Standard for Measurement of Inventories" (Accounting Standards Board of Japan Statement No. 9 issued on July 5, 2006).

As a result of adoption, operating income and ordinary income decreased by ¥2,041 million and income before income taxes and minority interests decreased by ¥28,475 million for the year ended March 31, 2008. Furthermore, the impact on segment information is outlined in the relevant section.

(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.

Effective the year ended March 31, 2008, the Company and its consolidated domestic subsidiaries have changed the method of depreciation for property and equipment acquired on or after April 1, 2007 to the method of depreciation permitted under the revision of the Corporation Tax Law of Japan and related regulations. Upon the revision of the Corporation Tax Law of Japan, the Company and its consolidated domestic subsidiaries depreciate the residual value of the property and equipment acquired on or before March 31, 2007 over five years by the straight-line method as permitted under the revision of Corporation Tax Law of Japan. The residual value represented 5% of the acquisition cost of the asset under the previous Corporation Tax Law of Japan. The impact on profit or loss due to this change was immaterial for the year ended March 31, 2008.

(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
Until the year ended March 31, 2008, finance leases, except for those that transferred the ownership of the leased assets to the lessees had been treated in accordance with the accounting method for operating lease transactions. Effective the year ended March 31, 2009, however, the Company adopted the "Accounting Standard for Lease Transactions" (Accounting Standards Board of Japan Statement No. 13, originally issued on June 17, 1993 by the Business Accounting Council 1st Committee, revised on March 30, 2007), and treated them in accordance with the methods for ordinary selling and buying transactions. The impact of the adoption on operating income, ordinary income and net loss before income taxes and minority interests was minimal.

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) Accrued bonuses for directors
Accrued bonuses for directors are provided for the estimated amount of bonuses to be paid to directors. Effective the year ended March 31, 2008, the Company has adopted "Accounting Standard for Directors' Bonuses" (Accounting Standards Board of Japan Statement No. 4 issued on November 29, 2005). Consequently, operating income, ordinary income, and income before income taxes and minority interests decreased by ¥179 million for the year ended March 31, 2008.

(13) 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 (10-19 years).

(14) 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 the year ended March 31, 2009 for those that are expected to generate losses and losses can be evaluated rationally.

(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) Sales recognition on construction contracts
Sales on the construction contracts which cover construction periods of twelve months or more and amount to ¥500 million or more, are recognized on a percentage-of-completion basis. Sales on other construction contracts are recognized on a completed-contract basis.

(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.

(20) Practical solution of accounting policies for foreign subsidiaries in preparing consolidated financial statements
Effective the year ended March 31, 2009, the Company adopted the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Accounting Standards Board of Japan Practical Issues Task Force No. 18 issued May 17, 2006.)

The adoption has had no impact on operating income, ordinary income and net loss before income taxes and minority interests for the year ended March 31, 2009.

3. U.S. Dollar Amounts
The U.S. dollar amounts are included solely for convenience of readers outside Japan, at the prevailing exchange rate on March 31, 2009, which was ¥98.23 = 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.

4. Inventories
Inventories as of March 31, 2008 and 2009 consisted of the following:

	Millions of yen		*Thousands of U.S. dollars*
	2008	**2009**	**2009**
Real estate for sale	¥ 71,299	**¥ 47,325**	**$ 481,777**
Costs and advances for real estate operations	46,009	**61,854**	**629,685**
Real estate for development projects	44,841	**43,523**	**443,073**
	¥162,149	**¥152,702**	**$1,554,535**

The Company reclassified the following real estate for sale from "Inventories" to "Property and Equipment" and "Intangible Assets" due to a change in holding purpose for the year ended March 31, 2009

	Millions of yen	*Thousands of U.S. dollars*
	2009	**2009**
Buildings and structures	**¥22,130**	**$225,288**
Land	**14,916**	**151,848**
Land leasehold rights	**1,500**	**15,270**
	¥38,546	**$392,406**

5. Investment Securities
(1) Other securities whose fair market value is available as of March 31, 2008 and 2009 consisted of the following:

	Millions of yen					
	2008			**2009**		
	Acquisition cost	Carrying value	Unrealized gain/(loss)	Acquisition cost	Carrying value	Unrealized gain/(loss)
(Securities whose carrying value exceeds their acquisition cost)						
Equity securities	¥ 16	¥ 37	¥ 21	**¥ 1**	**¥ 2**	**¥ 1**
Japanese national government bonds	–	–	–	**14**	**14**	**0**
(Securities whose acquisition cost exceeds their carrying value)						
Equity securities	1,621	1,431	(190)	**1,292**	**1,288**	**(4)**
Total	¥1,637	¥1,468	¥(169)	**¥1,307**	**¥1,304**	**¥(3)**

	Thousands of U.S. dollars		
	2009		
	Acquisition cost	Carrying value	Unrealized gain/(loss)
(Securities whose carrying value exceeds their acquisition cost)			
Equity securities	**$ 10**	**$ 20**	**$ 10**
Japanese national government bonds	**143**	**143**	**0**
(Securities whose acquisition cost exceeds their carrying value)			
Equity securities	**13,153**	**13,112**	**(41)**
Total	**$13,306**	**$13,275**	**$(31)**

Note) Valuation losses of ¥1,145 million and ¥1,976 million ($20,116 thousand) on marketable other securities were recognized for the years ended March 31, 2008 and 2009, respectively. The Company and its consolidated subsidiaries recognize valuation loss on marketable other securities for 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, 2008 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	**2009**	**2009**
Proceeds	¥78	**¥24**	**$244**
Total gain on sale	1	**0**	**0**
Total loss on sale	–	**382**	**3,889**

(3) Book value of securities without fair market value as of March 31, 2008 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	**2009**	**2009**
Equity securities of subsidiaries and affiliates			
Equity securities of subsidiaries and affiliates	¥2,581	**¥2,815**	**$28,657**
Equity investments in Tokumei Kumiai (Silent partnership)	3,048	**1,533**	**15,606**
Other securities			
Unlisted securities	996	**959**	**9,763**
Preferred subscription certificates	270	**330**	**3,359**
Others	–	**20**	**204**

Note) For the year ended March 31, 2008, the Company recorded valuation losses of ¥461 million for equity securities of subsidiaries and affiliates that are classified as equity securities of subsidiaries and affiliates without fair market value, and ¥25 million for unlisted securities that are classified as other securities.

For the year ended March 31, 2009, the Company recorded valuation losses of ¥1,440 million ($14,659 thousand) on equity investments in silent partnerships without fair market value, and ¥35 million ($356 thousand) for unlisted securities that are classified as other securities.

6. Property and Equipment and Intangible Assets

(1) Property and equipment as of March 31, 2008 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	**2009**	**2009**
Buildings and structures	¥ 56,852	**¥ 80,762**	**$ 822,172**
Machinery, vehicles, equipment and furniture	10,408	**11,449**	**116,553**
Land	35,091	**50,816**	**517,317**
Construction in progress	3,308	**141**	**1,435**
Sub-total	105,659	**143,168**	**1,457,477**
Accumulated depreciation	(36,792)	**(39,284)**	**(399,918)**
	¥ 68,867	**¥103,884**	**$1,057,559**

(2) Intangible assets as of March 31, 2008 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	**2009**	**2009**
Land leasehold rights	¥ 898	**¥2,329**	**$23,710**
Goodwill	–	**5,030**	**51,206**
Other	1,508	**1,253**	**12,756**
	¥2,406	**¥8,612**	**$87,672**

(3) Gain on sale of property and equipment and intangible assets for the years ended March 31, 2008 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	**2009**	**2009**
Buildings and structures	¥828	**¥ 3**	**$ 31**
Machinery, vehicles, equipment and furniture	–	**13**	**132**
Land	114	**33**	**336**
Other	0	**0**	**0**
	¥942	**¥49**	**$499**

(4) Loss on disposal or sale of property and equipment and intangible assets for the years ended March 31, 2008 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	**2009**	**2009**
Buildings and structures	¥271	**¥118**	**$1,201**
Machinery, vehicles, equipment and furniture	44	**16**	**163**
Land	254	**41**	**417**
Other	2	**0**	**1**
	¥571	**¥175**	**$1,782**

(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, 2008 and 2009.

2009

Use	Type	Location	No.of Cases
Real estate for its own business	Land and buildings	Urayasu-shi, Chiba etc.	7
Real estate for lease	Land and buildings etc.	Nishimuro-gun, Wakayama etc.	14
Hotel	Land leasehold rights and buildings	Chino-shi, Nagano	1

2008

Use	Type	Location	No.of Cases
Real estate for its own business	Land and buildings	Urayasu-shi, Chiba	1
Real estate for lease	Land and buildings etc.	Shinagawa-ku, Tokyo etc.	11
Hotel	Land leasehold rights and buildings	Chino-shi, Nagano	1
Idle assets	Equipment and furniture etc.	Minato-ku, Tokyo	2

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 ¥942 million and ¥1,400 million ($14,252 thousand) at March 31, 2008 and 2009, 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
	2008	2009	2009
Buildings and structures	¥396	¥1,050	$10,689
Equipment and furniture	322	66	672
Land	218	215	2,189
Land leasehold rights	6	69	702
Intangible assets	–	0	0
	¥942	¥1,400	$14,252

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, 2008 and 2009.

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

(1) The following is a summary of the interest bearing debt as of March 31, 2008 and 2009:

	Average interest rate	Millions of yen		Thousands of U.S. dollars
		2008	2009	2009
Short-term borrowings	1.10%	¥ 15,424	¥ 84,927	$ 864,573
Current portion of long-term debt	1.53%	31,800	57,692	587,315
Current portion of lease obligations	–	–	34	346
Long-term debt due from April 1, 2010 to March 31, 2018	1.76%	117,828	93,329	950,107
Lease obligations	–	–	139	1,415
Total	–	¥165,052	¥236,121	$2,403,756

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 consolidated fiscal year using the straight-line method.

(2) The annual maturities of long-term debt and lease obligations (including the current portion) as of March 31, 2009 were as follows:

	Millions of yen			Thousands of U.S. dollars
Year ending March, 31	Long-term debt	Lease obligations	Total	Total
2011	¥70,937	¥ 33	¥ 70,972	$722,508
2012	10,949	36	10,985	111,829
2013	5,620	37	5,657	57,589
2014	5,620	30	5,650	57,518
2015 and thereafter	203	1	204	2,078
Total	¥93,329	¥139	¥93,468	$951,522

(3) The Company has committed lines of credit available for immediate and stable borrowings with certain 5 financial institutions as of March 31, 2008 and 2009, respectively. The lines of credit and unused lines of credit as of March 31, 2008 and 2009 were as follows.

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Line of credit	¥60,000	¥60,000	$610,811
Amount utilized	15,000	60,000	610,811
Unused line of credit	¥45,000	¥ –	$ –

8. Collateral

(1) The assets provided as collateral as of March 31, 2008 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Real estate for sale	¥ –	¥ 6,663	$ 67,831
Buildings and structures	–	20,227	205,915
Land	–	12,909	131,416
Construction in progress	2,197	141	1,435
Land leasehold rights	–	1,500	15,270
Equity securities of subsidiaries and affiliates	–	2,892	29,441
Long-term loans receivable to subsidiaries and affiliates	–	500	5,090
	¥2,197	¥44,832	$456,398

Furthermore, equity securities of subsidiaries and affiliates of ¥2,892 million ($29,441 thousand) and long-term loans receivable to subsidiaries and affiliates of ¥500 million ($5,090 thousand) were eliminated in the consolidated financial statements.

(2) The liabilities with collateral as of March 31, 2008 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Short-term borrowings	¥ –	¥24,230	$246,666
Current portion of long-term debt	–	272	2,769
Long-term debt	207	5,028	51,186
Advances received for real estate sales	–	400	4,072
	¥207	¥29,930	$304,693

9. Contingent Liabilities

(1) The Company was contingently liable for guarantees on bank loans and other guarantees as of March 31, 2008 and 2009 as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Customers using housing loans and other loans to purchase real estate	¥11,442	¥21,078	$214,578
Others	602	30	305
	¥12,044	¥21,108	$214,883

(2) The Company was contingently liable for notes receivable discounted with banks, endorsed and transferred as of March 31, 2008 and 2009 as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	**2009**	**2009**
Notes receivable discounted with banks	¥ –	**¥900**	**$9,162**
Notes receivable endorsed and transferred	¥84	**¥ 76**	**$ 774**

10. 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, 2008 and 2009 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
	2008	**2009**	**2009**
Acquisition cost	¥179	**¥154**	**$1,568**
Accumulated depreciation	71	**85**	**866**
Net book value	¥108	**¥ 69**	**$ 702**

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
	2008	**2009**	**2009**
Within one year	¥ 49	**¥38**	**$387**
Over one year	84	**46**	**468**
Total	¥133	**¥84**	**$855**

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
	2008	**2009**	**2009**
Lease payments	¥43	**¥39**	**$397**
Depreciation	43	**39**	**397**

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
	2008	**2009**	**2009**
Acquisition cost	¥321	**¥251**	**$2,555**
Accumulated depreciation	177	**167**	**1,700**
Net book value	¥144	**¥ 84**	**$ 855**

Outstanding future lease income was summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	**2009**	**2009**
Within one year	¥ 75	**¥ 52**	**$ 529**
Over one year	119	**67**	**682**
Total	¥194	**¥119**	**$1,211**

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
	2008	**2009**	**2009**
Lease income	¥85	**¥64**	**$652**
Depreciation	61	**49**	**499**

(2) Operating lease transactions

(As lessee)

Outstanding future lease payments were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	**2009**	**2009**
Within one year	¥1,183	**¥1,183**	**$12,043**
Over one year	5,830	**4,647**	**47,308**
Total	¥7,013	**¥5,830**	**$59,351**

11. Supplementary Profit and Loss Information

(1) Sales from construction contracts calculated according to the percentage-of-completion method were ¥375,982 million and ¥285,184 million ($2,903,227 thousand) for the years ended March 31, 2008 and 2009, respectively.

(2) Valuation losses on inventories that were included in costs of sales for the years ended March 31, 2008 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	**2009**	**2009**
Real estate	¥6,650	**¥10,278**	**$104,632**
Leasing and management	–	**11**	**112**
	¥6,650	**¥10,289**	**$104,744**

(3) Selling, general and administrative expenses for the years ended March 31, 2008 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	**2009**	**2009**
Salaries and allowances	¥10,407	**¥10,740**	**$109,335**
Accrued bonuses for employees	740	**610**	**6,210**
Retirement benefit expenses	401	**607**	**6,179**
Provision for doubtful accounts	29	**1,124**	**11,443**
Rent	2,243	**2,344**	**23,862**
Depreciation	693	**829**	**8,439**
Accrued bonuses for directors	179	**–**	**–**
Other	12,513	**12,734**	**129,635**
	¥27,205	**¥28,988**	**$295,103**

(4) Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2008 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	**2009**	**2009**
Research and development costs	¥651	**¥1,016**	**$10,343**

12. Net Assets

(1) Shares issued and treasury stock

The change in number of shares issued and treasury stock for the year ended March 31, 2008 was as follows:

	Number of shares			
	2007	Increase	Decrease	2008
Shares issued:				
Common stock (Note 1)	1,054,580,323	239,899,300	–	1,294,479,623
Preferred stock				
Class A II (Note 2)	34,545,500	–	34,545,500	–
Class A IV (Note 2)	52,000,000	–	26,000,000	26,000,000
Class B I	90,000,000	–	–	90,000,000
Total	1,231,125,823	239,899,300	60,545,500	1,410,479,623
Treasury stock:				
Common stock (Notes 3, 4)	505,476	17,071,072	23,574	17,552,974
Preferred stock				
Class A II (Note 5)	–	34,545,500	34,545,500	–
Class A IV (Note 6)	–	26,000,000	26,000,000	–
Total	505,476	77,616,572	60,569,074	17,552,974

Notes 1) Increased due to requested conversion of preferred stock Class A II to common stock

2) Decreased due to retirement of treasury stock

3) Increased due to acquisition of treasury stock based on resolution by the Board of Directors and the requested purchase of shares less than one unit

Summary of acquisition of treasury stock based on resolution by the Board of Directors:

Acquisition period (trade date basis): From November 20, 2007 to November 27, 2007

Number of shares acquired: 17,000,000 shares

Acquisition amount: ¥3,468,444,500

4) Decreased due to the requested for sale of common stock less than one unit

5) Increased due to the requested conversion to common stock and decreased due to retirement

Converted period: From October 1, 2007 to March 14, 2008

Date of retirement: March 19, 2008

6) Increased due to redemption and decreased due to retirement

Date of redemption: July 31, 2007

Date of retirement: August 9, 2007

Number of shares acquired: 26,000,000 shares

Acquisition price: ¥702.85

Acquisition amount: ¥18,274,100,000

The change in number of shares issued and treasury stock for the year ended March 31, 2009 was as follows:

	Number of shares			
	2008	Increase	Decrease	**2009**
Shares issued:				
Common stock (Note 1)	1,294,479,623	–	28,578,000	**1,265,901,623**
Preferred stock				
Class A IV (Note 2)	26,000,000	–	26,000,000	**–**
Class B I	90,000,000	–	–	**90,000,000**
Total	1,410,479,623	–	54,578,000	**1,355,901,623**
Treasury stock:				
Common stock (Notes 3, 4)	17,552,974	11,653,390	28,613,048	**593,316**
Preferred stock				
Class A IV (Note 5)	–	26,000,000	26,000,000	**–**
Total	17,552,974	37,653,390	54,613,048	**593,316**

Notes 1) Decreased due to retirement of treasury stock
2) Decreased due to retirement of treasury stock
3) Increased due to acquisition of shares from shareholders opposed to the absorption of subsidiaries by the Company and due to the requested purchase of shares of less than one unit
Acquisition of treasury stock from shareholders opposed to the absorbtion of subsidiaries:
Acquisition date: May 2, 2008
Number of shares acquired: 11,578,000 shares
Acquisition amount: ¥1,678,810,000
4) Decreased due to retirement and the request for sales of shares of less than one unit
5) Increased due to redemption and decreased by retirement
Date of redemption: May 30, 2008
Date of retirement: June 27, 2008
Number of shares acquired: 26,000,000 shares
Acquisition price: ¥701.55
Acquisition amount: ¥18,240,300,000

(2) Dividends

(a) Dividends paid in the year ended March 31, 2009.

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 27, 2008	Common shares	3,831	3.00	March 31, 2008	June 30, 2008
	Preferred stock Class A IV	235	9.05		
	Preferred stock Class B I	815	9.05		
–	Total	4,881	–	–	—

Resolution	Type of shares	Total amount of dividend *(Thousands of U.S. dollars)*	Dividend per share *(U.S. dollars)*
Annual meeting of shareholders on June 27, 2008	Common shares	39,000	0.03
	Preferred stock Class A IV	2,392	0.09
	Preferred stock Class B I	8,297	0.09
–	Total	49,690	–

(b) Dividends with the record date in the year ended March 31, 2009, and the effective date in the year ending March 31, 2010.

Resolution	Type of shares	Total amount of dividend *(Millions of yen)*	Dividend per share *(Yen)*	Source of funds	Record date	Effective date
Annual meeting of shareholders on June 26, 2009	Preferred stock Class B I	855	9.50	Retained earnings	March 31, 2009	June 29, 2009
–	Total	855	–	–	–	–

Resolution	Type of shares	Total amount of dividend *(Thousands of U.S. dollars)*	Dividend per share *(U.S. dollars)*
Annual meeting of shareholders on June 26, 2009	Preferred stock Class B I	8,704	0.10
–	Total	8,704	–

13. 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, 2008 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	**2009**	**2009**
Cash and bank deposits	¥62,639	**¥55,518**	**$565,184**
Saving accounts for insurance agency	(213)	**(388)**	**(3,950)**
Cash and cash equivalents	¥62,426	**¥55,130**	**$561,234**

(2) The following is a summary of the assets and liabilities of Nikken Community Co., Ltd. and Nichimo Community Co., Ltd., which are newly consolidated as a result of the purchase of their shares by the Company, and "purchases of investment in subsidiaries resulting in change in scope of consolidation" on the consolidated statement of cash flows for the year ended March 31, 2009.

	Millions of yen	Thousands of U.S. dollars
	2009	**2009**
Current assets	**¥2,659**	**$27,069**
Fixed assets	**1,672**	**17,021**
Goodwill	**4,556**	**46,381**
Current liabilities	**(2,590)**	**(26,367)**
Fixed liabilities	**(257)**	**(2,616)**
Minority interest	**0**	**0**
Acquisition amount	**6,040**	**61,488**
Cash and cash equivalents in the newly consolidated subsidiary	**(748)**	**(7,615)**
Net payment for purchase of investments in subsidiaries resulting in change in scope of consolidation	**¥5,292**	**$53,873**

(3) The following is a summary of the increase in assets and liabilities due to business acquisition for the year ended March 31, 2009.

	Millions of yen	Thousands of U.S. dollars
	2009	**2009**
Current assets	**¥ 3**	**$ 30**
Fixed assets	**2**	**20**
Goodwill	**597**	**6,078**
Net payment for business acquisition	**¥602**	**$6,128**

(4) Contents of significant non-cash transactions, in which the Company acquired the project equities from the project owners for the year ended March 31, 2009 was as follows:

	Millions of yen	Thousands of U.S. dollars
	2009	**2009**
Increase in amount of inventory	**¥4,298**	**$43,754**
Decrease in amount of accounts receivable	**4,298**	**43,754**

14. Derivative Transactions

(1) Status

The Company and its consolidated subsidiaries utilize interest rate swaps.

(2) Policy

It is the Company's policy to limit derivative transactions to those with subject assets and liabilities as a means of avoiding risk and efficiently managing these assets and liabilities. The Company and its consolidated subsidiaries do not engage in speculative derivatives transactions or those aimed at making capital gains in the short-term.

(3) Objective

The Company and its consolidated subsidiaries enter into interest rate swaps to avoid future risks of interest rate increases on the long-term debt.

The derivative transactions designated as hedges are accounted for by hedge accounting by the Company and its consolidated subsidiaries.

(Method of hedge accounting)

With regard to interest rate swaps which meet certain requirements, the Company and its subsidiaries use the exceptional method.

(Hedging instruments and hedged items)

Hedging instruments: Interest rate swap contracts

Hedged items: Interest on the long-term debt

(Hedging policy)

The Company and its consolidated subsidiaries use derivative transactions to mitigate risks arising from the fluctuation of interest rates.

(Evaluation of hedge effectiveness)

With regard to the application of the exceptional method, the Company and its consolidated subsidiaries omit evaluations of hedge effectiveness.

(4) Risk

The total balance of derivative transactions entered into by the Company and its consolidated subsidiaries is within the amount of the existing debt subject to risk. Since derivative transactions and subject debt work to mutually offset market risk, the Company believes there is no material risk from the market value fluctuations of derivative transactions. All contractual counterparties to these derivative transactions are highly trusted Japanese financial institutions and thus the Company considers there to be almost no credit risk.

(5) Management of Risk

Derivative transactions are entered into according to internal rules under different representatives so that the mutual supervision of execution and management works. The balance of derivative transactions and gain or loss from valuation are regularly reported to the director in charge.

15. 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.

Effective the year ended March 31, 2008, the Company has adopted "Partial Amendments to Accounting Standard for Retirement Benefits (Part 2)" (Accounting Standards Board of Japan Statement No. 14 issued on May 15, 2007).

(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, 2007 and 2008 were as follows:

	Millions of yen	
	2007	2008
Pension assets	¥59,150	¥80,765
Retirement benefit obligations under pension funding programs	57,698	91,747
Difference	¥ 1,452	¥(10,982)

The Group's contribution ratio of total contributions made to all plans, as of March 31, 2008 was 2.19%. The weighted average ratio for the year ended March 31, 2009 was 1.95%.

(2) The funded status of the defined benefit pension plans, and the amounts recognized in the consolidated balance sheets as of March 31, 2008 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	**2009**	**2009**
Projected benefit obligations	¥(32,961)	**¥(33,354)**	**$(339,550)**
Plan assets	29,607	**25,169**	**256,225**
Unfunded pension obligation	(3,354)	**(8,185)**	**(83,325)**
Unrecognized transition amount	1,511	**1,295**	**13,183**
Unrecognized actuarial differences	5,598	**10,255**	**104,398**
Unrecognized prior service cost	(5,310)	**(4,868)**	**(49,557)**
Reserve for employees' retirement benefits	¥ (1,555)	**¥ (1,503)**	**$ (15,301)**

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, 2008 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	**2009**	**2009**
Service costs	¥1,025	**¥1,053**	**$10,720**
Interest costs	774	**814**	**8,287**
Expected return on plan assets	(981)	**(882)**	**(8,979)**
Amortization of transition amount	216	**216**	**2,199**
Amortization of actuarial differences	606	**971**	**9,885**
Amortization of prior service cost	(441)	**(442)**	**(4,500)**
Net benefit retirement expenses	¥1,199	**¥1,730**	**$17,612**

Notes 1) Employees' contributions 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."

(4) Assumptions used in accounting for above plans for the years ended March 31, 2008 and 2009 were as follows:

	2008	**2009**
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%**

16. Income Taxes

(1)The significant components of deferred tax assets and liabilities as of March 31, 2008 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	**2009**	**2009**
Deferred tax assets:			
Allowance for doubtful accounts	¥ 6,789	**¥ 2,960**	**$ 30,133**
Warranty reserve	1,097	**1,608**	**16,370**
Accrued bonuses for employees	1,063	**841**	**8,562**
Reserve for employees' retirement benefits	666	**661**	**6,729**
Valuation loss on real estate for sale	34,406	**29,731**	**302,667**
Impairment loss on fixed assets	21,424	**21,215**	**215,973**
Valuation loss on investment securities	10,300	**10,212**	**103,960**
Tax loss carryforwards	34,379	**42,571**	**433,381**
Other	4,883	**5,449**	**55,471**
Sub-total	115,007	**115,248**	**1,173,246**
Loss: Valuation allowance	(64,412)	**(70,321)**	**(715,881)**
Total deferred tax assets	50,595	**44,927**	**457,365**
Deferred tax liabilities:			
Unrealized gain on other securities	(8)	**(1)**	**(10)**
Other	–	**(720)**	**(7,330)**
Total deferred tax liabilities	(8)	**(721)**	**(7,340)**
Net deferred tax assets	¥ 50,587	**¥ 44,206**	**$ 450,025**

Note) Valuation loss on real estate for sale includes ¥1,196 million ($12,176 thousand) 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 year ended March 31, 2008 was as follows:

	2008
Statutory tax rate	40.7%
(Adjustment)	
Non-deductible expenses	1.8
Per capita inhabitant tax	0.3
Adjustment to past corporate income taxes	12.5
Change in valuation allowances	(49.9)
Other	(0.2)
Effective income tax rate	5.2%

Note) The reconciliation of the statutory tax rate to the effective income tax rate for the year ended March 31, 2009 is not shown because a loss before income taxes and minority interests was recorded.

17. Per Share Information

(1) Per share information for the years ended March 31, 2008 and 2009 was as follows:

	Yen		*U.S. dollars*
	2008	**2009**	**2009**
Net assets per share	¥36.31	**¥19.93**	**$0.20**
Net income (loss) per share	9.36	**(6.67)**	**(0.07)**
Diluted net income per share	8.35	**–**	**–**

Note) Diluted net income per share has not been presented for the year ended March 31, 2009 because the Company has recorded a net loss per share for this period, although there were potentially dilutive shares outstanding as of the balance sheet date.

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

(a) Net income (loss) per share

	2008	**2009**
Net income (loss) (millions of yen)	¥ 22,384	**¥ (7,596)**
Net income not attributable to common shareholders (millions of yen):		
The difference between the redemption amount and the issued amount of Class A IV preferred stock, which was executed based on article of incorporation;		
Executed on July 31, 2007	5,274	**–**
Executed on May 30, 2008	5,240	**–**
Preferred dividend		
Class A IV	235	**–**
Class B I	815	**855**
Net income (loss) attributable to common shareholders (millions of yen)	10,820	**(8,451)**
Weighted average number of shares outstanding (thousands of shares)	1,156,353	**1,266,312**

(b) Diluted net income per share

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

	2008
Preferred dividend: (millions of yen)	
Preferred stock (Class B I)	815
Increase in common stock: (thousands of shares)	
Preferred stock (Class A II)	131,775
Preferred stock (Class B I)	104,651

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

	(thousands of shares)
	2008
Increase in common stock:	
Preferred stock (Class A IV)	240,247

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

	Millions of yen		*Thousands of U.S. dollars*
	2008	**2009**	**2009**
Net assets	¥110,979	**¥71,187**	**$724,698**
Amount, not attributable to common shareholders:			
Preferential distribution of residual property	58,000	**45,000**	**458,110**
Difference between the redemption amount and the issued amount of Class A IV preferred stock (Note)	5,240	**–**	**–**
Preferred dividend;			
Class A IV	235	**–**	**–**
Class B I	815	**855**	**8,704**
Minority interests	318	**112**	**1,140**
Net assets attributable to common shareholders	¥ 46,371	**¥ 25,220**	**$256,744**

Note) The difference between the redemption amount and the issued amount of Class A IV preferred stock, which was executed on May 30, 2008, based on the articles of incorporation of the Company.

18. Business Combinations

Haseko Real Estate Inc., Haseko Development Inc., Noda Kaihatsu Co., Ltd. and Haseko Finance Inc., which have been included in the scope of consolidation in previous fiscal years, have been dissolved through a merger by absorbing the companies into the Company effective March 1, 2008.

(1) Companies involved in the business combination and their business description, legal proceeding of business combination, trade name after business combination, and reasons for transaction and other transaction details

(a) Companies involved in business combination and business description

Surviving company

Trade name: Haseko Corporation
Business description: General construction

Absorbed company

Trade name: Haseko Real Estate Inc.
Business description: Real estate

Trade name: Haseko Development Inc.
Business description: Real estate

Trade name: Haseko Finance Inc.
Business description: Other financial services

Trade name: Noda Kaihatsu Co., Ltd.
Business description: Real estate

(b) Legal form of business combination

Pursuant to the simple merger procedure stipulated in Article 796-1 of the Japanese Corporation Law.

(c) Trade name after business combination

Haseko Corporation

(d) Reasons for transaction and other transaction details

1) Reason for merger

As a result of changes in the business environment the roles of Haseko Real Estate Inc., Haseko Development Inc., Haseko Finance Inc. and Noda Kaihatsu Co., Ltd. within the management of the Haseko Group has ended. The absorption of these companies is being conducted to improve the operating efficiency, reduce expenses, improve management efficiency of owned assets and improve the efficiency of the disposal of these assets.

2) Merger date

March 1, 2008

3) Merger method

The Company employed an absorption method in which it was the surviving company and the following companies were dissolved: Haseko Real Estate Inc., Haseko Development Inc., Haseko Finance Inc. and Noda Kaihatsu Co., Ltd.

4) Merger ratios

The Company owns all of the outstanding stocks in Haseko Real Estate Inc., Haseko Development Inc., Haseko Finance Inc. and Noda Kaihatsu Co., Ltd. and there was no issuance of new stocks or increase in capital stock through the merger.

5) Conditions after the merger

After the merger, the trade name, business description, head office address, representative, capital stock and fiscal year of the Company all remain as before the merger. As for the excessive debt of the companies being absorbed, the Company has already set aside an allowance for doubtful accounts concerning loans to each of the companies being absorbed and so the impact on the non-consolidated performance of this merger was minimal and there was no impact on the consolidated performance since these were mergers with consolidated subsidiaries.

(2) Overview of Accounting Implemented

The merger was accounted for as a transaction under common control based on "Accounting Standards for Business Combinations" (issued by 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 December 22, 2006).

19. Segment Information

The Company and its consolidated subsidiaries ("Haseko Group") operate primarily within six business segments: construction, engineering, real estate, leasing and management, hotel and other. A description of the Company's primary business is included in Note 1 in the following table, which presents certain information regarding the Haseko Group's industry segment for the years ended March 31, 2008 and 2009.

(1) Sales and operating income

	Millions of yen							
	2008							
	Construction	Engineering	Real estate	Leasing and management	Hotel	Other	Elimination/ Corporate	Consolidated
Sales to external customers	¥481,833	¥9,495	¥187,478	¥51,101	¥11,098	¥4,069	¥ –	¥745,074
Intersegment sales	2,025	30	292	2,359	70	1,433	(6,209)	–
Total sales	483,858	9,525	187,770	53,460	11,168	5,502	(6,209)	745,074
Operating expenses	447,660	6,740	177,249	48,307	10,677	4,722	(5,999)	689,356
Operating income	¥ 36,198	¥2,785	¥ 10,521	¥ 5,153	¥ 491	¥ 780	¥ (210)	¥ 55,718

	Millions of yen							
	2009							
	Construction	Engineering	Real estate	Leasing and management	Hotel	Other	Elimination/ Corporate	Consolidated
Sales to external customers	¥356,632	¥7,146	¥74,165	¥52,201	¥11,154	¥4,202	¥ –	¥505,500
Intersegment sales	5,447	429	283	1,501	73	1,358	(9,091)	–
Total sales	362,079	7,575	74,448	53,702	11,227	5,560	(9,091)	505,500
Operating expenses	341,938	5,957	85,077	49,695	11,199	4,872	(8,812)	489,926
Operating income (loss)	¥ 20,141	¥1,618	¥(10,629)	¥ 4,007	¥ 28	¥ 688	¥ (279)	¥ 15,574

	Thousands of U.S. dollars							
	2009							
	Construction	Engineering	Real estate	Leasing and management	Hotel	Other	Elimination/ Corporate	Consolidated
Sales to external customers	$3,630,581	$72,748	$ 755,014	$531,416	$113,550	$42,777	$ –	$5,146,086
Intersegment sales	55,451	4,367	2,881	15,281	743	13,825	(92,548)	–
Total sales	3,686,032	77,115	757,895	546,697	114,293	56,602	(92,548)	5,146,086
Operating expenses	3,480,994	60,643	866,100	505,905	114,008	49,598	(89,708)	4,987,540
Operating income (loss)	$ 205,038	$16,472	$(108,205)	$ 40,792	$ 285	$ 7,004	$ (2,840)	$ 158,546

(2) Assets, depreciation and capital expenditures

	Millions of yen							
	2008							
	Construction	Engineering	Real estate	Leasing and management	Hotel	Other	Elimination/ Corporate	Consolidated
Assets	¥126,661	¥5,487	¥162,727	¥75,926	¥31,102	¥9,298	¥75,003	¥486,204
Depreciation	692	64	110	900	1,106	788	(13)	3,647
Impairment loss on fixed assets	–	–	24	485	111	–	322	942
Capital expenditures	433	18	2,023	623	1,486	1,349	33	5,965

	Millions of yen							
	2009							
	Construction	Engineering	Real estate	Leasing and management	Hotel	Other	Elimination/ Corporate	Consolidated
Assets	¥102,313	¥4,955	¥187,987	¥88,825	¥29,545	¥9,976	¥62,180	¥485,781
Depreciation	789	87	138	1,224	1,186	744	(15)	4,153
Impairment loss on fixed assets	–	–	23	289	1,088	–	–	1,400
Capital expenditures	691	141	1,562	6,108	815	1,090	(69)	10,338

	Thousands of U.S. dollars							
	2009							
	Construction	Engineering	Real estate	Leasing and management	Hotel	Other	Elimination/ Corporate	Consolidated
Assets	$1,041,566	$50,443	$1,913,743	$904,255	$300,774	$101,558	$633,004	$4,945,343
Depreciation	8,032	886	1,405	12,461	12,074	7,574	(153)	42,279
Impairment loss on fixed assets	–	–	234	2,942	11,076	–	–	14,252
Capital expenditures	7,035	1,435	15,901	62,181	8,297	11,096	(702)	105,243

Notes 1) The following are the primary business segments of the Haseko Group and the description of the Company's primary businesses.
Construction business: Contracting for construction, civil engineering and all other general construction work; and the consignment of work incidental to construction work
Engineering business: Planning, design, supervision and other consultation related to buildings
Real estate business: Buying, selling, exchanging, brokering and commissioned condominium sales
Leasing and management business: Leasing, property management and lease management for office buildings and condominiums
Hotel business: Planning and operation of hotels
Other businesses: Senior living business, financing business, etc.
2) Corporate assets included in "Elimination/Corporate" were ¥80,055 million as of March 31, 2008 and ¥68,437 million ($696,702 thousand) as of March 31, 2009.
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 "Summary of Significant Accounting Policies," the Company has applied "Accounting Standard for Directors' Bonuses" effective the year ended March 31, 2008. The impact of this on segment information is immaterial.
4) As outlined in "Summary of Significant Accounting Policies," the Company has applied "Accounting Standard for Measurement of Inventories" effective the year ended March 31, 2008. In correlation with this change, concerning "(1) Sales and operating income," operating expenses of the "real estate business" increased ¥2,041 million and operating income (loss) decreased by the same amount compared to the accounting method used in previous fiscal years. In addition, concerning "(2) Assets, depreciation and capital expenditures," the assets of the "real estate business" decreased ¥28,399 million and the assets of the "leasing and management business" decreased ¥15 million.
5) As the Company has absorbed Haseko Finance Inc. through a merger for the year ended March 31, 2008, the finance business is no longer a part of "Other." Consequently, the assets of "Other" in "(2) Assets, depreciation and capital expenditures" decreased.
6) Of real estate for sale, the assets and depreciation for properties for lease are presented as part of the "leasing and management business."
7) As outlined in "Summary of Significant Accounting Policies," the Company has applied "Accounting Standard for Lease Transactions" effective the year ended March 31, 2009. The impact of the adoption on segment information was immaterial.
8) As outlined in "Summary of Significant Accounting Policies," the Company has applied "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" effective the year ended March 31, 2009. The adoption had no impact on segment information.
9) In "(2)Assets, depreciation, and capital expenditures", assets in the "Construction" and "Leasing and management" businesses increased by ¥1,108 million ($11,280 thousand) and ¥3,033 million ($30,877 thousand), respectively, due to new consolidation of Nikken Community Co., Ltd., Nichimo Community Co., Ltd. and Haseko Community Kyushu Co., Ltd. In addition, in "(1) Sale and operating income", the liquidation of Ecology REIT Corporation resulted in the "Leasing and management" business of decrease ¥1,730 million ($17,612 thousand) decreases in total sales, ¥832 million ($8,470 thousand) in operating expenses and ¥898 million ($9,142 thousand) in operating income while assets in (2) Assets, depreciation, and capital expenditures decreased ¥3,059 million ($31,141 thousand).

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, 2008 and 2009.

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, 2008 and 2009.

20. Related Party Transactions

Transactions and balances with affiliates for the years ended March 31, 2008 and 2009 were as follows:

Effective the year ended March 31, 2009, the Company adopted the "Accounting Standard for Related Party Disclosures (Accounting Standards Board of Japan Statement No. 11, issued on October 17, 2006) and the "Guidance on Accounting Standard for Related Party Disclosures" (Accounting Standards Board of Japan Guidance No. 13, issued on October 17, 2006).

The adoption has not caused any change in the scope of items to be disclosed.

(Transactions)

For the year ended March 31, 2008

Type	Name of company	Type of business	Type of transaction	Lending	Collection	Balance at the end of year
					(Millions of yen)	
Affiliate	Takarazuka Development Co., Ltd.	Real estate	Financing business	¥142	¥392	¥14,486

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

For the year ended March 31, 2009

Type	Name of company	Type of business	Account	Debt waiver	Collection	Balance at the end of year
					(Millions of yen)	
				¥14,273	**¥213**	**¥–**
Affiliate	Takarazuka Development Co., Ltd.	Real estate	Long-term loan		*(Thousands of U.S. dollars)*	
				$145,302	**$2,168**	**$–**

Note) The debt waiver was conducted in order to finalize liquidation, and the concerned affiliate finalized liquidation on December 26, 2008 and was dissolved. Concerning the collection of funds, the Company has determined the interest rate by taking into account market interest rates and the operation status of the affiliate, however, a portion of the interest has been exempted.

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, 2008 and 2009, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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, 2008 and 2009, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Supplemental Information

As described in Note 2 (5), the Company and its consolidated domestic subsidiaries have adopted "Accounting Standard for Measurement of Inventories" (Accounting Standards Board of Japan Statement No.9 issued on July 5, 2006) effective the year ended March 31, 2008.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3.

Ernst & Young ShinNihon LLC

June 26, 2009

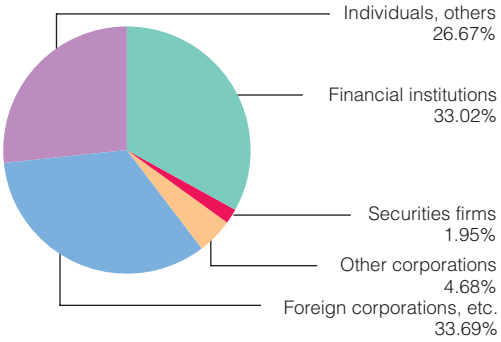
Share Information

Share overview *(as of March 31, 2009)*

Total shares authorized to issue:	Common stock	2,100 million shares
	Preferred stock	246 million shares
	(Class A)	156 million shares
	(Class B)	90 million shares
Outstanding shares:	Common stock	1,265 million shares
	Class B I preferred stock	90 million shares
Shareholders:	Common stock	69,705 parties
	Class B I preferred stock	3 parties

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

Breakdown of shareholders *(as of March 31, 2009)*



Principal shareholders *(as of March 31, 2009)*

(Common stock)

Shareholder	Shares (1,000 shares)	Voting Rights
The Master Trust Bank of Japan, Ltd. (trust units)	100,383	7.95%
Japan Trustee Service Bank, Ltd. (trust units)	67,591	5.35%
Resona Bank, Limited	63,049	4.99%
Mizuho Corporate Bank, Ltd.	63,049	4.99%
Japan Trustee Service Bank, Ltd. (trust units 4G)	61,646	4.88%
The Chase Manhattan Bank NA London SL Omnibus Account	23,239	1.84%
The Bank of New York Jasdaq Treaty Account	22,934	1.81%
The Bank of New York 132561	22,254	1.76%
State Street Bank & Trust Company 505225	18,513	1.46%
Japan Trustee Service Bank, Ltd. (trust units 4)	18,401	1.45%

(Preferred stock)

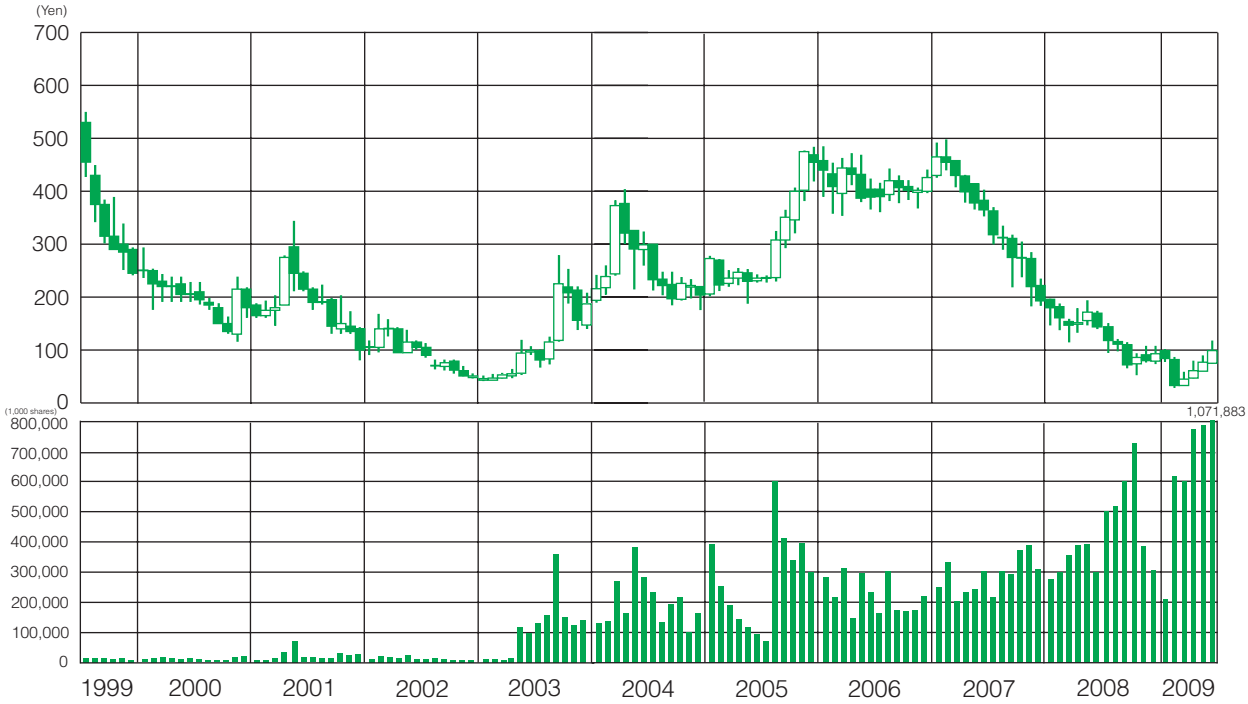
Shareholder	Shares (1,000 shares)
Class B I	
Resona Bank, Limited	32,880
The Chuo Mitsui Trust and Banking Company, Limited	31,680
Mizuho Corporate Bank, Ltd.	25,440

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

Overview of preferred stocks *(As of March 31, 2009)*

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

Common stock price range & trading volume



Corporate Information

Corporate data *(as of March 31, 2009)*

Overview

Name:
Haseko Corporation

Founded:
February 1937

Established:
August 1946

Paid-in capital:
50,000 million yen

Employees:
2,089 (Non-consolidated)
4,326 (Consolidated)

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

Ticker code:
1808

Shares per trading units:
500 shares

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

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

Yokohama Branch:
19-2 Takashima 2-chome, Nishi-ku,
Yokohama

Saitama Branch:
7-5 Sakuragicho 1-chome, Omiya-ku,
Saitama

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

Number of consolidated subsidiaries:
32

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

Board of Directors, Corporate Auditors and Operating Officers *(as of July 1, 2009)*

Directors

Chairman:
Toshihisa Dake

President:
Takashi Iwao*

Executive Operating Officers:
Noriaki Tsuji*
Ikuo Oguri*

Senior Operating Officers:
Atsushi Hasegawa*
Minoru Nishino*
Ryuichiro Yoshida
Shosuke Muratsuka
Yuhei Imanaka
Tadao Yonekawa
Morio Shimada
Kinichi Kitamura

*Representative Director

Full-time Corporate Auditors

Toshio Onishi
Teruo Kojima

Coporate Auditors

Haruo Akimine
Haruya Uchikawa
Masahiko Nakamichi

Senior Operating Officers:
Haruki Bando
Katsuyuki Kakura
Hideki Nakata
Masaki Sato
Koichi Suzuki

Operating Officers:
Tomihiro Oda
Naobumi Tago
Yutaka Okada
Fujio Hirano
Matsuo Shinozaki
Satoshi Amano
Keijiro Sekioka
Kazuo Ikegami
Junichi Tani
Naoki Hayasaka
Akira Shiizuka
Takeshi Tsunematsu
Junji Kawamura
Takashi Kawamura
Syoji Naraoka

Principal consolidated subsidiaries *(as of March 31, 2009)*

Haseko Anesis Corporation

Main business: Interior design, recycling and marketing
2-3 Shiba 4-chome, Minato-ku, Tokyo

Haseko Community, Inc.

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

Haseko Livenet, Inc.

Main business: Leasing management and operation of condominiums, and consulting services
29-14 Shiba 2-chome, Minato-ku, Tokyo

Century Life, Co., Ltd.

Main business: Management of paid care housing for the elderly and consulting services
32-1 Shiba 2-chome, Minato-ku, Tokyo

Haseko Systems Inc.

Main business: Information processing services, 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 services
2-3 Shiba 4-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 materials and temporary materials
15-14 Shiba 1-chome, Minato-ku, Tokyo

Foris Corporation

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

Fuji Kensetsu Co., Ltd.

Main business: General construction
5-5 Shiba 3-chome, Minato-ku, Tokyo

Haseko America, Inc.

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

HASEKO

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