



Gransense Yoshikawaminami Station Court

ANNUAL REPORT 2015

For the Year Ended March 31, 2015

Profile

Haseko Corporation and its group of companies have leveraged their capabilities in all condominium business fields – from gathering land information to planning, design, construction, sale, property management, renovation, brokering and renting. Building on this “total produce” capability, the Haseko Group has conducted marketing activities in which it proposes product planning, selling strategies and other issues that cannot be matched by competitors. Since constructing its first condominium in 1968, Haseko has built a cumulative total of around 560,000 condominium units and established itself as a leading condominium contractor in Japan.

Going forward, while operating under the basic policy of establishing corporate management that builds upon both the Construction-Related Business that serves the market mainly by supplying new housing, etc. and the Service-Related Business that is primarily engaged in operations related to existing housing, etc., Haseko will also direct its efforts at the exterior and interior improvement businesses, which are derived from the condominium business, as well as in developing new markets and new business offerings from the perspective of supporting life-conscious consumers and supporting owners and investors based on the condominium units managed and operated by the Haseko Group as a whole. By doing so, Haseko wants to create an unprecedented “urban-type” service business.

Cover photos



Gransense Yoshikawaminami Station Court (Yoshikawa-shi, Saitama; 429 units)

The property is a for-sale condominium adjacent to Yoshikawaminami Station, which was opened in 2012, on the JR Musashino Line. The large-scale development area (15.9ha) extending in front of the station represents a large multi-use project integrating detached houses, a for-sale condominium, rental housing and medical and nursing care facilities.

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■ Disclaimer concerning Forward-looking Statements

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

Financial Highlights

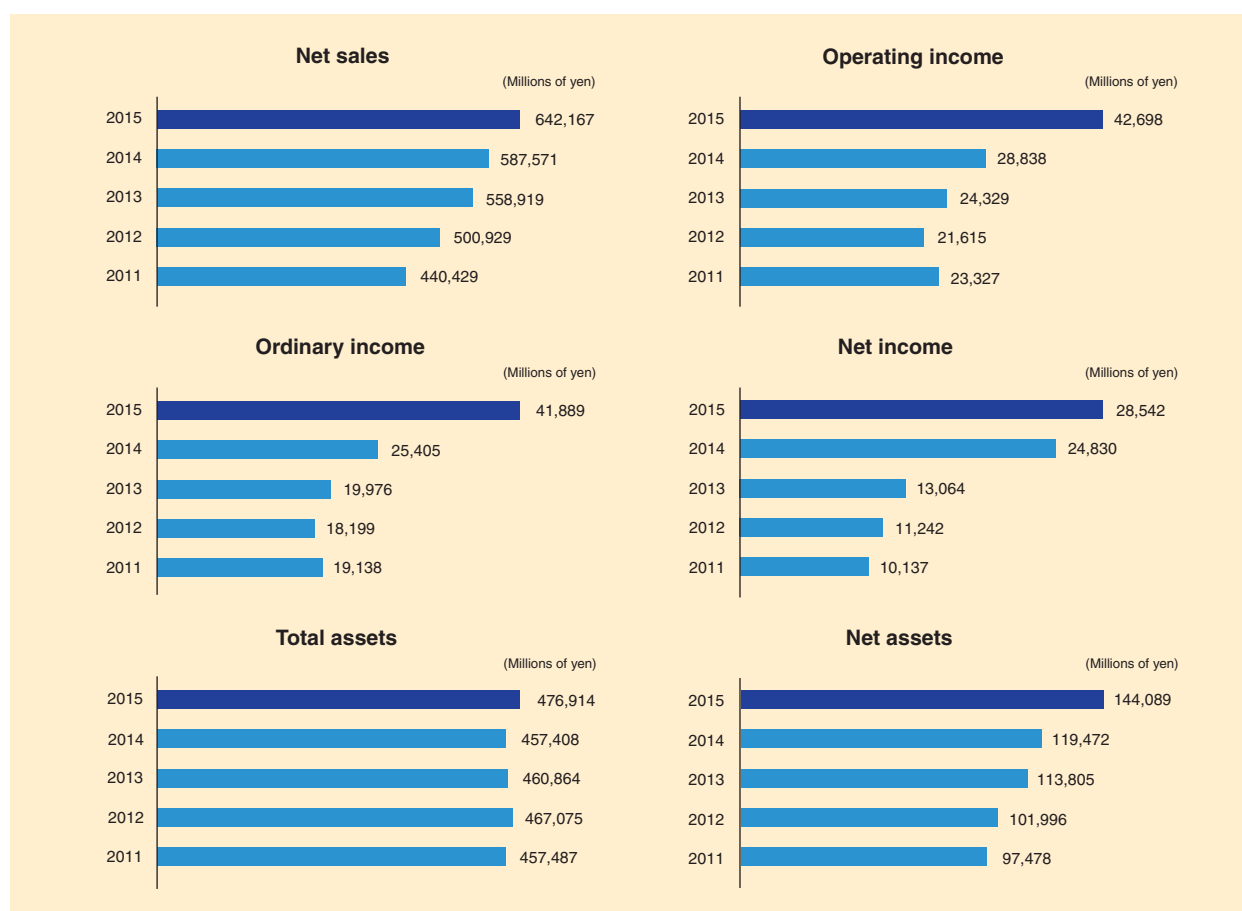
Haseko Corporation and its Consolidated Subsidiaries

(Years ended March 31, 2011, 2012, 2013, 2014 and 2015)

	Millions of Yen					Thousands of U.S. Dollars
	2011	2012	2013	2014	2015	2015
For the Year:						
Net sales	¥440,429	¥500,929	¥558,919	¥587,571	¥642,167	\$5,343,821
Operating income	23,327	21,615	24,329	28,838	42,698	355,313
Ordinary income	19,138	18,199	19,976	25,405	41,889	348,581
Net income	10,137	11,242	13,064	24,830	28,542	237,514
At Year-end:						
Total assets	¥457,487	¥467,075	¥460,864	¥457,408	¥476,914	\$3,968,661
Net assets	97,478	101,996	113,805	119,472	144,089	1,199,043
	Yen					U.S. Dollars
Per Share Data:						
Net income	¥ 6.29	¥ 7.05	¥ 41.72	¥ 81.36	¥ 94.64	\$0.79
Net assets	34.36	40.76	259.89	346.17	478.45	3.98

Notes: 1) The U.S. Dollars amounts represent translation of yen amount at the rate of ¥120.17 = U.S. \$1.00, the exchange rate at March 29, 2015.

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



Message from the Management

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



For the fiscal year ended March 2015, the Japanese economy continued to stay on a modest recovery trend, with improvements observed in corporate earnings and the employment and income environments, although it faced such adverse factors as reactions to the rush demand that had been generated prior to the consumption tax rate hike. In the condominium market, however, new supply remained low after the consumption tax rate hike, totaling 44,529 units (down 19.4% year-on-year) in the Tokyo metropolitan area and 19,840 units (down 15.0%) in the Kinki area. In terms of sales, the initial month sales rate was 74.6% (down 5.2 points) in the Tokyo metropolitan area and 75.2% (down 3.7 points) in the Kinki area, showing weakness in both areas. This resulted in the number of for-sale units being marketed as of the end of March 2015, which indicates the inventory situation, increasing from the end of the previous fiscal year both in the Tokyo metropolitan area and the Kinki area, standing at 5,218 units (up 36.3%) for the former partly impacted by the rush supply at the end of December 2014 and 2,266 units (up 10.6%) for the latter.

Under these circumstances, in the fiscal year under review which represents the first year of the “new born HASEKO StepUp Plan” (Plan NBs), our new medium-term business plan, the Company saw con-

struction completion and sales in design and supervision operations increase in line with the increase in the volume of condominium construction works. Project owners have given a high regard for our construction works in terms of the cost competitiveness and product planning ability that Haseko, which specializes in condominium construction, demonstrates. In addition, the construction profitability upon receiving orders and the gross profit margin of construction contracts completed in the fiscal year both improved due to such factors as the dates of construction starts being leveled and the properties becoming larger in scale. As such, the Company repeated the good performance it achieved in the previous fiscal year.

As a result of the above, the Company achieved a year-on-year increase both in revenues and profits, posting

Message from the Management

net sales of 642.2 billion yen (up 9.3%), operating income of 42.7 billion yen (up 48.1%), ordinary income of 41.9 billion yen (up 64.9%) and net income of 28.5 billion yen (up 15.0%). The operating income ratio was 6.6% (up 1.7 points) and ordinary income ratio was 6.5% (up 2.2 points). In the fiscal year under review when condominium construction works performed well, orders received also reached a record high on a non-consolidated basis. Moreover, Haseko successfully issued straight bonds, representing the first direct fund procurement from the market since 1994, on top of completing redemption of all preferred shares and resuming payment of dividends on its common shares based on the operating results of the previous fiscal year. As for the Plan NBs, we achieved consolidated ordinary income that surpassed the plan's numerical target for its final year (ending March 2017), supported by the recent favorable environment for receiving orders of new for-sale condominium construction.

Although there are many factors of concern in the environment surrounding the Haseko Group, such as rising labor costs in preparation for the Tokyo Olympic Games, a decrease in skilled construction workers and the foreign exchange and interest rate trends, consumers' sentiment has started to improve in the condominium market, given the recovery in stock prices and business conditions and a pay scale increase achieved through labor negotiations in the spring of 2015. Accordingly, we anticipate the sales status to improve and remain on course steadily.

While other general contractors are less willing to promote condominium business because there are amply project opportunities other than condominiums, high regards are given to the quality and stability of construction periods of condominiums offered by Haseko, which is specialized in condominium business, leading to an increase in inquiries from developers. Accordingly, our order reception has been in good shape, and orders for the fiscal year ending March 2016 are being secured steadily. With our Construction-Related Business performing well, we want to take the opportunity to further reinforce our Service-Related Business for the "stock-based" market in order to achieve the "establishment of corporate management that builds upon both the Construction-Related Business and Service-Related Business" that we pursue under the Plan NBs. Going forward, as we certainly continue our endeavors to establish an organization that has a stable revenue base centering on the Construction-Related Business, we will also proactively take initiatives in the Service-Related Business, with considerations given to M&A as well.

In the next fiscal year ending March 2016 and thereafter, the Haseko Group will firmly hold its corporate philosophy of "contributing to society by creating an environment that is optimal for cities and people" through its efforts to secure reliability and extend the life of housing and address the global environmental issues, etc., taking advantage of the know-how and ability to propose and promote projects that the Company has fostered to date. We will endeavor to realize this corporate philosophy as the "one and only corporate group for housing." It has become an important issue for the Haseko Group to make the transition to a stock-based society that places focus on "creating good housing, taking proper care of housing and living in housing over a long period of time." With this in mind, we will further reinforce coordination among Group companies going forward to exert comprehensive strengths covering such areas as condominium management, renovations, large-scale repairs, building replacement, brokerage of used condominiums, leasing and housing for the elderly on top of newly constructed condominiums. By doing so, we are resolved to take a leap forward as a new-born Haseko that totally supports the life of people living in condominiums.

With deep gratitude to our shareholders and other stakeholders who have extended support to us, we will continue our efforts to produce high-quality condominiums at fair prices and provide our customers with safe and reliable housing they can live in comfortably. Your continued and reinforced support and encouragement would be greatly appreciated.

June 2015



Noriaki Tsuji
President and Representative Director
Haseko Corporation

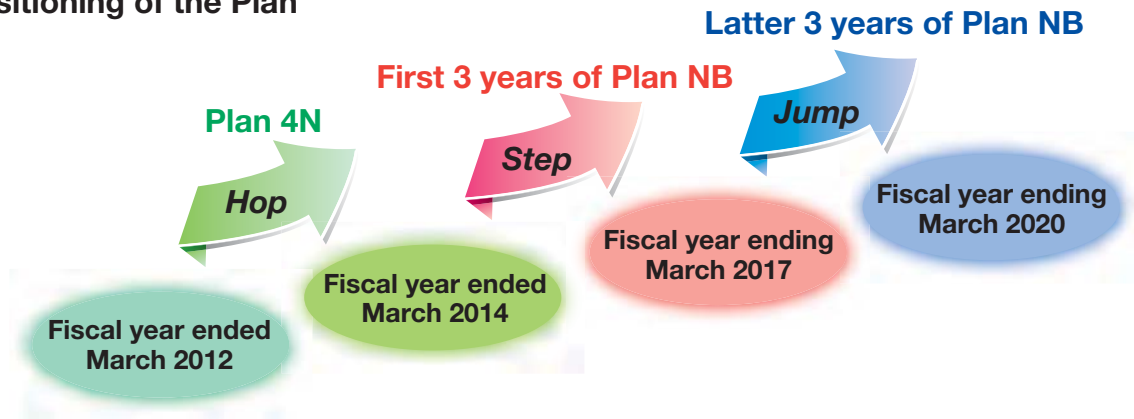
Medium-Term Business Plan

“newborn HASEKO”

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

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

Positioning of the Plan



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

“newborn HASEKO Step Up Plan” (Plan NBs)

Period to step up to the newborn Haseko (from April 1, 2014 to March 31, 2017)

Numerical Targets (Fiscal year ending March 2017)

Consolidated ordinary income: 35 billion yen

Non-consolidated ordinary income: 23 billion yen

Basic Policies

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

Medium-Term Business Plan

(Plan NBs)

Specific Measures

1. Enhancing Profitability of Main Businesses

- Secure reasonable profits in receiving orders for construction of new for-sale condominiums
- Expand earnings in service-related businesses and realize a corporate entity that proves to be worthy of the trust received from urban dwellers

2. Reinforcing and Advancing Technological Capabilities and Technical Development Abilities

- Develop and construct next-generation production systems (such as utilization of information technologies and promotion of industrialization)
- Develop and introduce next-generation condominiums (such as those incorporating energy-saving and environment-related technologies)
- Verify and apply production technologies of condominiums for the elderly and rental condominiums in specific projects
- Further reinforce development of renovation technologies

3. Financial Strategy

- Conduct distribution of profits by taking a balanced approach to continuous returning of profits to shareholders in a stable manner, investments in growth strategies, and reduction of interest-bearing debts
- Enhance shareholders' equity by accumulating profits for the period, in order to "Establish a stable financial foundation for a leap forward"

4. Challenge New Domains with a View for the Future

- Pursue the possibility of expanding our business areas in major cities in Japan, pivoting around service-related businesses
- Endeavor to establish a business foundation of the Haseko Group in overseas markets

5. Corporate Management and Human Resources, etc.

- Continuously maintain and enhance systems for compliance
- Reinforce the management system throughout the entire Group in an integrated manner, and foster human resources who play a major role in the system
- Promote proactive empowerment of female employees

Approximately 60 years have passed since Japan's first for-sale condominium by the private sector was born in 1956. Initially presented as an extremely expensive type of property, Japan's for-sale condominiums have been popularized as well as made significant progress through several condominium booms to date.

■ Popularization in the 1960s

Haseko completed construction of its first condominium in 1968, when the popularization of condominiums started centering on properties in downtown suburbs. In this period, Haseko already began to work on the Haseko Exclusive Contracts format for construction, in which the Company not only provides land information but also makes business proposals, and responses to properly address a variety of customer needs and complaints.

■ Generalization in the 1970s

In 1973 when the number of for-sale units surpassed 150,000 throughout Japan, Haseko developed the CONBUS (CONdominium BUilding System), an epochal system for producing condominiums and an innovation recorded in the history of condominiums in Japan. CONBUS simultaneously achieved both "improvement in productivity" and "stability in quality and performance" through standardization, enabling to provide good homes at low cost. In the latter half of the 1970s, condominiums were supplied actively to the areas adjacent to Tokyo Prefecture, which were areas commutable to Tokyo, and private-sector developers increasingly conducted large-scale development.

■ Evolution in the 1980s

Entering the 1980s when economic growth encouraged the market needs to diversify, Haseko further extended the systems it provided in the CONBUS era and, ahead of others, developed the sale system in which different floor plans and interior designs can be variously arranged in options for respective units within a single condominium building. This became the industry standard of the "condominium sale method" that has been employed to date. In this decade, while super-expensive properties with specifications of the "bubble" economy era were supplied, family-type condominiums for first-time home buyers spread into suburbs. Also impacted by the progress in architecture technologies and the booming economy, the quality of condominiums was significantly enhanced, as represented by increasingly higher-rise buildings and improved livability.

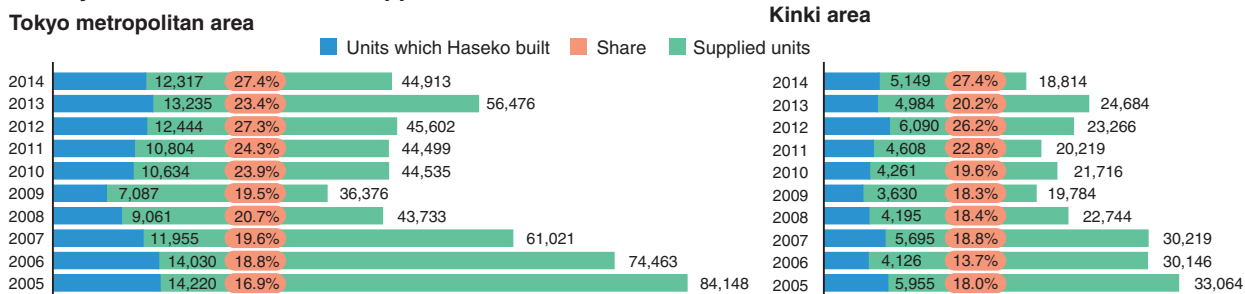
■ Mass Supply in the 1990s

In the 1990s after the collapse of the bubble economy, there occurred a phenomenon of "returning to downtown" of dwellers in accordance with a drop in land price. This started the mass supply of newly-built for-sale condominiums. Haseko, which had standardized condominiums that were "reasonably priced," "featuring good quality" and "diversified" ahead of the industry, significantly increased the supply volume of its newly-built for-sale condominiums in this period.

■ Diversification in the 2000s

Since the year 2008, when the global financial crisis-triggered recession started, the number of supplied units in newly-built for-sale condominiums had dropped sharply. At present, however, with living in condominiums socially established and demand for living there "for a long time" increasing, supply of newly-built for-sale condominiums remains at a level as high as in the past condominium booms. Haseko, which leads condominiums in terms of diversity, advanced features and permanent living that the society requires, is continuing to develop and propose "planning-type" condominiums that can widely respond to purchasers' needs and achieve extensive variability while securing excellent fundamental performance as buildings over the long term, such as earthquake resistance and conformation to environmental standards.

History of condominium units supplied

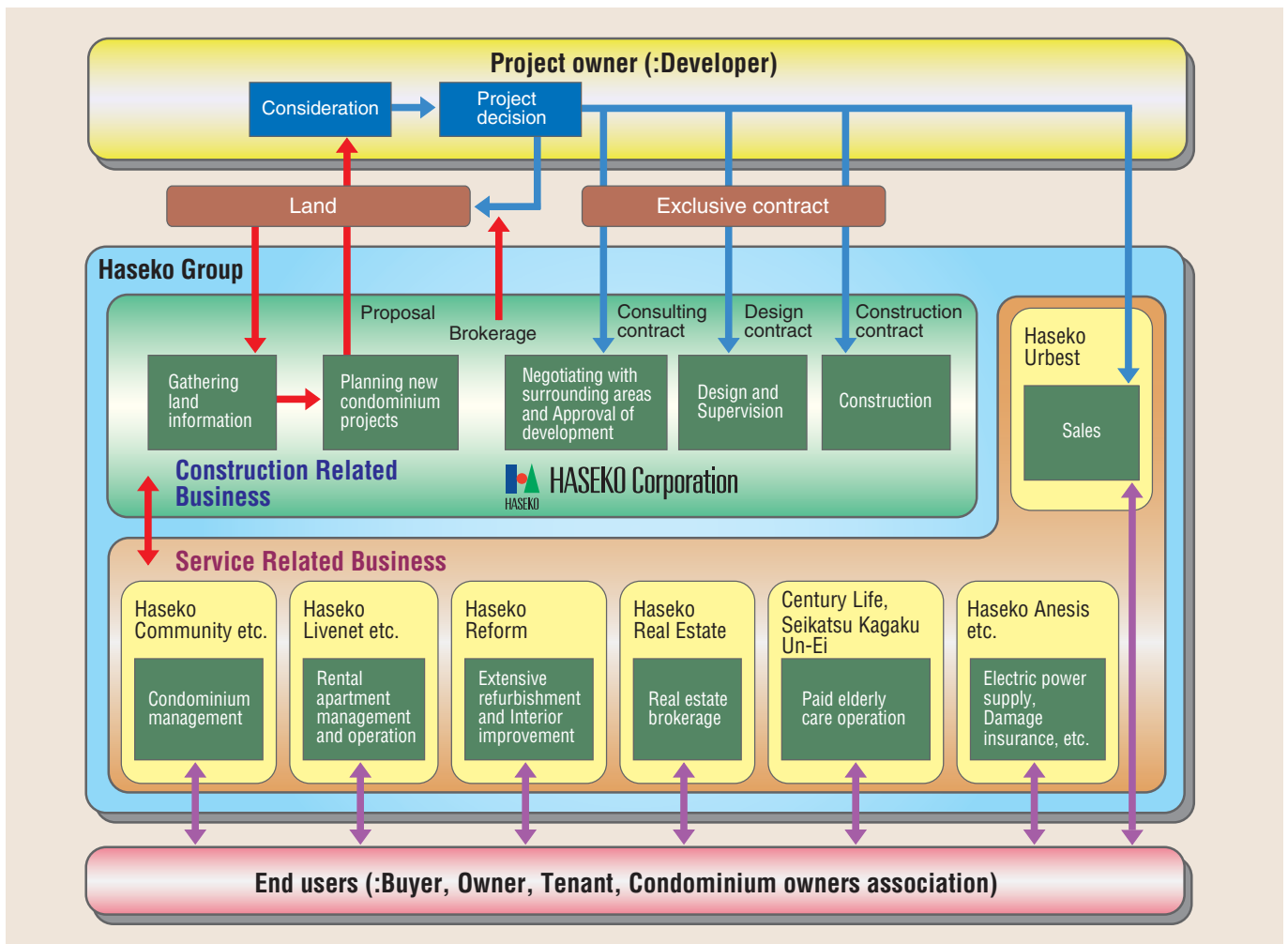


Source: HASEKO Research Institute

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

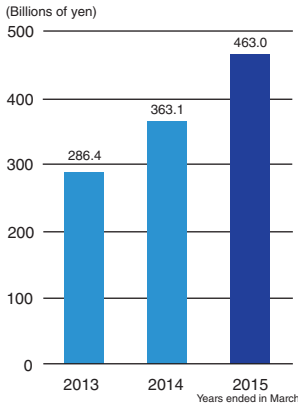
In the general flow of condominium construction, project owners (developers) acquire land and decide on a business plan with the projects before placing construction orders to general contractors. In contrast to this, Haseko collects land information, makes project plans based on the information, and proposes the plans to project owners. With this uniquely Haseko approach, such proposals are utilized to secure orders in the form of Haseko Exclusive Contracts. In addition, Haseko has a variety of condominium-related businesses within its Group, and has the strength that allows it to propose business plans integrating not only for construction but also for post-completion services including the sale and building management of condominiums. With design, construction and Haseko Exclusive Contracts serving as the core in conducting the condominium business, Haseko has established a proprietary business model in coordination with each of the Group companies.

Business Model Diagram



The Company's current medium-term business plan aims at "Rebirth of the Company." To realize the plan, it is essential to not only secure stable revenues but to further expand revenues. One of the basic policies of this "newborn HASEKO" is to "establish corporate management that builds on both the construction-related business, which primarily targets the market for new housing supply, and the service-related business, which is centered on the market related to existing residences." Central to implementing this policy is the business model that leverages the comprehensive capabilities of the Haseko Group over the entire scope of all fields of the condominium business – the "total produce" business model that combines all functional expertise of every division involved in such fields as marketing, technologies and administration as well as of each company within the Group.

**Orders received
(Non-consolidated basis)**



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

Haseko has established a construction management system that is efficient (no reconstruction) and highly precise (minimal complaints). In addition, Haseko adopts new products and technologies that have been developed at its Technology Research Institute. This has enabled Haseko to provide condominiums that realize shorter construction schedules and that are of a 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.

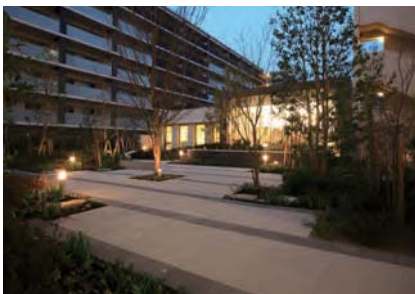
Latest Completed Properties



OHANA Chigasaki Gardenia



Myrica Terrace



Aito



Park Homes Inage Konakadai

The Company's Strengths Bolstering the Haseko Exclusive Contracts

● **Comprehensive Business Planning**

Haseko conducts planning by fully utilizing its unique functions not possessed by rival companies as well as the networks of the Group, including investigation of project size that takes into consideration profitability, product planning based on marketing data and the realization of reasonably priced high-quality planning through cost simulations. At the same time, the Company makes comprehensive business proposals that cover such aspects as sales, construction and management.

● **Work Consignment**

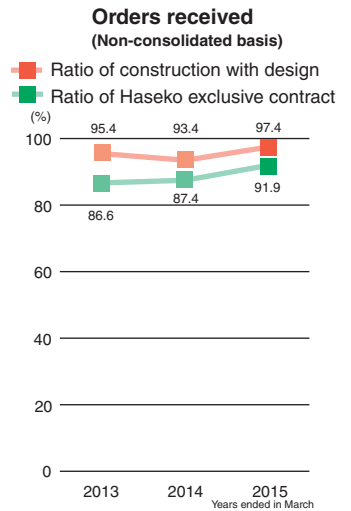
Aside from construction, Haseko Exclusive Contracts also include orders for other tasks that accompany construction work. In particular, Haseko demonstrates its superb ability to ensure the speedy approval of development, as it negotiates with neighboring residents, prepares shadow maps, and participates 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.

● **Receiving Orders for Design and Construction in Packages**

Haseko constructs condominiums with its construction and design sections working as one. The Company works to improve productivity and cost reductions, and establish the value engineering (VE) design system through close organizational coordination between the two sections.

The design division, for which it is vital to plan products that meet the diversifying needs of customers, is always pursuing “what is best for residents.” Feedback from customers is received and design work is conducted from the viewpoint of end users. In terms of product performance, utilizing proposed plans and accumulated technologies and knowhow from the construction track record of over 560,000 units built, it proactively works to enrich fundamental performances of condominiums, improve versatility and secure environmental and disaster prevention performances. In addition, at “LIPS,” which is the presentation space for our condominiums and undertook renovation in 2015, decisions regarding the products to be used are made while looking at a variety of offerings including cutting-edge products with the project owner. This approach makes it possible to realize prompt, reliable designs since it 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.



OHANA Chigasaki Gardenia



Brillia Kyoto Gojoin

● Product Planning Ability to Capture Customer Needs

Through condominium sales and management operations, Haseko feeds the voices of purchasers and residents back to the design sections and condominium construction sites so that they are reflected in creating condominiums. Moreover, the Company's design know-how that leads the condominium and apartment industry helps generate its product planning ability that captures customer needs.

● Haseko Premium After-Sales Services – Ever-Evolving After-Sales Services that Only Haseko Can Provide

The Haseko Premium After-sales Services is a system in which Haseko, a constructor having the deep knowledge of buildings, 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 significantly extends the period in which the Company provides after-sales services for condominiums it sells, and works to enhance the sense of security and satisfaction of residents and improve added value by reinforcing its regular services. Moreover, in order to realize quick responses, the Company has set up call centers to directly receive after-sales service requests from residents.

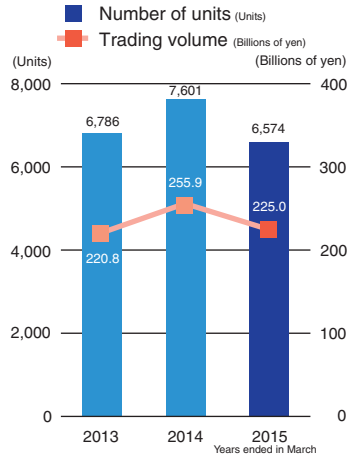


Aito



OBBER Kanamachi Residence

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



The for-sale condominiums of Haseko, which boasts of the top performance in Japan in constructing for-sale condominiums, provide assurance in the construction quality as well as high cost performance that are made possible only by Haseko, which implements thorough condominium business ranging from acquisition of project sites, planning, development, design and construction to after-sales services. Moreover, a high regard is given in terms of satisfaction and confidence of the clients for the product planning and design capabilities that the Company has fostered over many years. BRANCHERA, Haseko's own brand for condominiums, adopts many state-of-the-art technologies developed by reflecting requests and feedback from the customers, as demonstrated by the meaning of the brand for "advanced" and "cutting-edge."



"BRANCHERA Nijo-jo" certified as a low carbon building

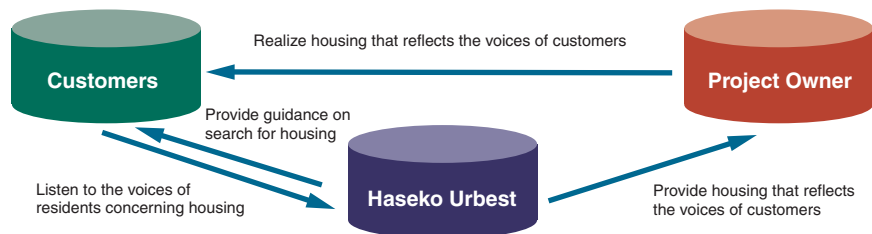


"BRANCHERA Urawa" certified as "long-life, high-quality housing"



Sales, the Key to Success in the Condominium Business

Haseko Urbest has been commissioned over many years by project owners for general operations related to selling of for-sale condominiums, and boasts of strong sales results. The company totally addresses a variety of needs from the clients, ranging from marketing operations in general, including market research, product planning, sales planning and advertising, to sales to customers, contracting, brokerage of financing and registration support. Moreover, it plans and develops highly competitive products through elaborate analyses based on an immense amount of its customer information, and apply such products to BRANCHERA offerings, Haseko's own brand, as well as propose them to project owners.



Major Line of Business

● For-Sale Condominium Development Business

Haseko conducts the for-sale condominium development business in a consistent manner within the Haseko Group, starting with its strong ability to gather land information and ranging to land acquisition, designing, development, planning and construction. Such ability to gather land information has been fostered through its order reception style, in which the Company collects land information on its own, prepares project plans and makes proposals to project owners while providing them with land for the projects. In addition, the Haseko Group can comprehensively conduct all matters related to for-sale condominiums, from development to sales and after-sales services.

● Consigned Sales (Haseko Urbest)

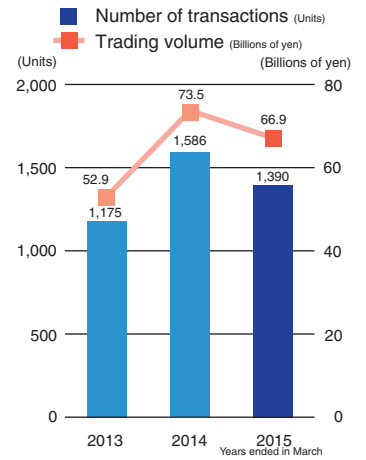
The company proposes "housing demanded by the market" and provides support to customers while carrying out elaborate discussions in advance with project owners. The company implements consulting-based marketing that advises customers based on its expertise, aside from making consultation on how to demonstrate products, including exhibiting model rooms and setting up sales centers.

Providing comprehensive support menus

Based on the Haseko Group's basic philosophy of "creating good housing, taking proper care of housing and living in housing over a long period of time," the Company integrated the Group's real estate brokerage business to create Haseko Real Estate Inc. in July 2012. The new firm is engaged in the housing brokerage business, purchase and resale business, commercial real estate brokerage business and real estate solution business, and provides support menus that meet a variety of requirements from individual and corporate customers, fully utilizing the networks of the Haseko Group.



Brokerage of real estate



Major Line of Business

● Housing Brokerage Business

The company supports customers who want to "sell," "buy" or "lease" condominiums and stand-alone houses, helping them to realize safe, quick and appropriate implementation of complicated real estate transactions. Moreover, it strongly backs up customers by offering a wide range of support menus from consultations on financing to referral of renovation, house-moving and fire insurance.

● Purchase and Resale Business

The company renovates existing condominiums it purchases, and then serves as the seller in marketing them. Taking advantage of the Haseko Group's experience as the top achiever in condominium construction, the company delivers housing to the next residents, conducting operations from purchase to renovation work and sales of residences.

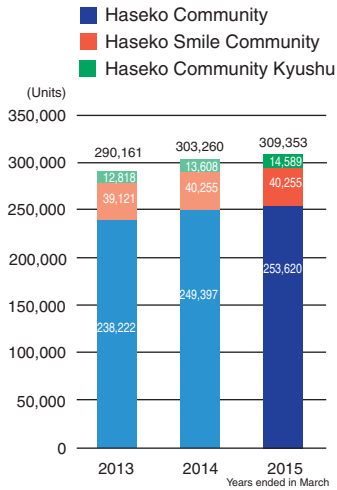
● Commercial Real Estate Brokerage Business

The company responds to every type of customer need for real estate, including selling and buying, for not only condominiums, stand-alone houses and commercial sites but also condominium buildings for sale as a whole, profit-generating buildings and other properties. Moreover, it provides appropriate support for real estate transactions from price negotiations to contract executions by acting as agent in real estate surveys including market trends and various legal matters, fully utilizing the networks of the Haseko Group.

● Real Estate Solutions Business

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

Three companies
Condominium building
management



Supporting “Safe,” “Reliable” and “Comfortable” Lives

Haseko Community, Haseko Smile Community and Haseko Community Kyushu are commissioned by management associations, which are comprised of residents of condominiums, to provide services that should maintain and improve the asset values of the buildings and enrich life in condominiums. As a management company belonging to a general contractor group, the company accepts not only the problems related to construction or management but also whatever issues and troubles customers may have, and investigates the causes and solves them. In addition, the company's centralized remote monitoring center conducts comprehensive monitoring operations around the clock and, in case of any abnormality, dispatches security personnel in emergencies as needed. Moreover, specialized technical staff is available around the clock to cope with troubles in daily life, working to keep residents feel secured.



Major Line of Business

● Maintenance and Management

The company's technical staffs periodically inspect buildings, elevators, water supply and drainage, fire prevention facilities and other accessorial facilities. On top of proposing repairs of defects, the company forecasts future deterioration of buildings over time and appropriately proposes repair work plans and financing plans in a timely manner.

● Management and Cleaning

Caretakers and cleaners who have mastered professional knowledge and skills perform reception, surveillance and attendance services as well as cleaning services of common areas.

● Clerical Services

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

● Life Support Services

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

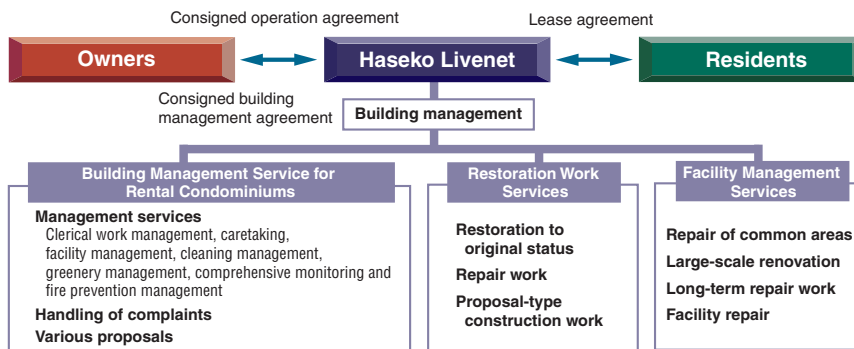
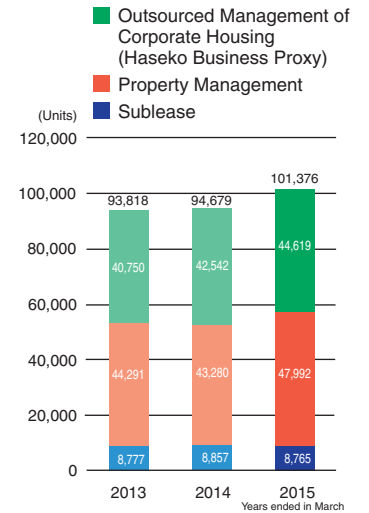
Management and Operation of Rental Condominiums

Rental Condominium Expert

In the domains where rental condominiums, corporate real estate and for-investment condominiums are mutually interrelated, Haseko Livenet pursues expertise as a property manager and has accumulated broad range of know-how not limited to management of rental condominiums. The company not only has a track record of managing over 90,000 units of rental condominiums and corporate housing and operated them at an average occupancy rate of more than 95%, but also established strong networks with major investment funds inside and outside Japan and other players, and has accumulated achievements in transaction brokerage and consulting services as well. On April 1, 2015, the company opened Sapporo Branch, establishing a system that allows it to conduct business in all major rental condominium markets in Japan - Tokyo metropolitan area, Kinki area, Nagoya, Fukuoka, Sendai and Sapporo. Moreover, Haseko Business Proxy, Inc. started operations on July 1, 2014, specializing in management agency and brokerage of corporate housing and solution business for corporate real estate, and overtook the corporate housing management agency service from Haseko Livenet.



Haseko Livenet Rental condominium management and operation



Major Line of Business

● Development of For-Investment Rental Condominiums

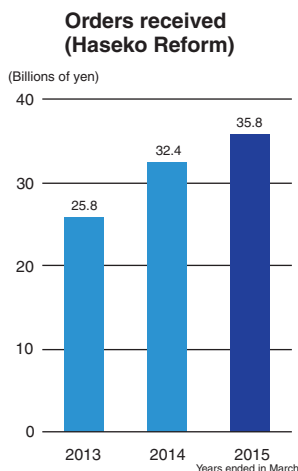
The company coordinates development of rental condominiums and prepares plans based on marketing results. It can achieve high occupancy rates by being simultaneously consigned for property management.

● Management agency for corporate housing (Haseko Business Proxy)

As a pioneer of the business model, the company conducts review of the corporate housing system as well as provides support to the corporate real estate strategy of the clients. It is characterized by the high-quality service chosen by global companies. It not only implements solution business for corporate real estate, including rehabilitation of the clients' owned corporate housing and proposal of efficient use of corporate lands, but also provides total supports to the clients' employees who are the "lessees" living in the company housing.

● Property Management

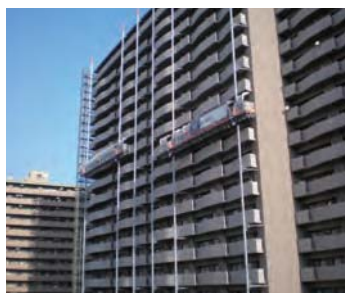
The company leads the country in the number of units under consigned management in for-investment residential properties. The sublease system in which it rents the entire properties for lease, the "total package management" service in which the company performs various procedures and works on rental operations as an agency as well as performing building management on its own, and the full support it offers for all aspects down to exit strategies are part of what has made the company the leader in this field. In addition, the company maintains high occupancy rates by soliciting excellent tenants.



Maintaining and Enhancing Comfortable, Safe Living and the Asset Values of Customers

Approximately 60 years since the completion of the first private-sector for-sale condominium, the number of for-sale condominiums in Japan is estimated to be approximately 6 million units at present. Such condominiums require some sort of maintenance over time, with large-scale repair work to be conducted approximately once every 12 years as a guide. This means large-scale repairs are required for buildings at their age of 12, 24, 36 and 48 periodically, and properties in the mass supply era of the 1970s through the first half of the 2000s, when condominiums became generalized, are facing the time for large-scale repairs.

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



Modular type suspended scaffolding that secures anti-crime performance and livability



Building diagnosis by “Ju-yu-shi” (living-friendly engineers)

Remodeling Workshop Musashino opened in February 2015

Haseko Reform, which has performed many remodeling to suit the life plan of customers living in condominiums and detached houses, provides “Remodeling Workshop Musashino,” a consultation space to respond to a variety of consultations from customers centering on remodeling of detached houses. The facility is equipped with a customer meeting salon that has an image of a high-quality living-dining room, where veteran staff who have reliable technologies and abundant experiences in housing design and construction management as well as female coordinators make the most appropriate remodeling proposals.



Major Line of Business

● Large-scale repair work (renewal and maintenance of common zones)

- The experience and the track record of a total of approximately 560,000 units of condominium constructions are fed back to renewal and maintenance work.
- The company executed condominium renewal and maintenance work totaling approximately 2,200 buildings (approximately 220,000 units) over the last 20 years.
- Proactively adopts construction methods that take into consideration the living environment as it conducts “construction work while letting residents remain.”

● Interior reform work in condominium units

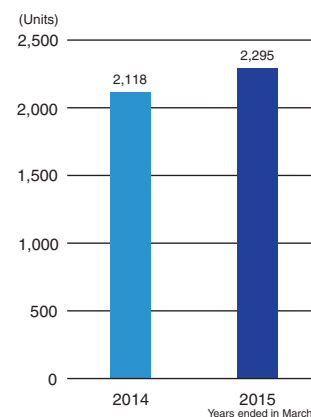
- Proposes appropriate reform for not only unit floor plans and designs but also for replacement of water supply, drainage and electricity facilities.
- Female interior coordinators make arrangements based on the condominium construction record data.

Housing with Services for the Elderly

The Haseko Group aims to expand its housing business for the elderly, as the population of the elderly is expected to grow significantly primarily in large metropolitan areas. Since it opened Century City Omiya Koen Main Building in January 1989, Century Life Co., Ltd. has been ahead of the industry in planning and operating paid care houses for elderly people with the perspective of “one’s final abode,” which is different from medical facilities. It also conducts home nursing care support and visiting nursing care business at its home care operation centers. Moreover, in November 2013, the Haseko Group incorporated Seikatsu Kagaku Un-Ei Co., Ltd., which operates paid facilities for the elderly and other facilities in the Tokyo metropolitan, Kinki and Tokai areas for more than 30 years.



Changes in the number of paid facilities for the elderly



Century House, a New Brand for the Middle Class

Century House, a new brand for a series of facilities that pursues full nursing care and healthcare services, etc. while curbing the admission fees, opened Medical Care Century House Fujisawa on January 28, 2015, the first of its series in Kanagawa Prefecture. The facility is a housing-type paid home for the elderly, for which design and construction of the building was conducted by Haseko Corporation and operation is conducted by Century Life. The facility is staffed by nurses around the clock, and has established a cooperation system with home care support clinics and neighboring medical institutions, conducting house calls and visiting nursing care around the clock throughout the year. Moreover, it provides nursing care services on a one-to-one basis to suit the physical conditions of the residents, realizing “one’s final abode” that features safety and security.



Major Line of Business

● Management of paid facilities for the elderly

Conducts management of paid facilities for the elderly, totaling approximately 2,000 units for the entire Group. Implements concierge services to the residents, including living support such as eating, bathing and living rehabilitation, medical treatment and nursing in coordination with medical institutions, and periodical health checks and other daily health management.

● Home nursing care service

Conducts preparation of lifestyle plans by care managers, periodical review of the plans and consultation on nursing care, etc., and communicates and makes arrangements with service providers. Also equipped with the function to help housework at home by the helpers and offer visiting nursing care services including physical nursing care, providing services to suit the physical conditions of the users.

● Planning and consulting business

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

● Others

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

Initiatives on Research and Technological Development

Haseko Technical Research Institute

The Haseko Technical Research Institute is the Company's base for research and technological development, and features a Housing Performance Test Building, which is a full-scale condominium and the sole such facility in Japan, a Thermal Environment Test Building, a Structural Material Test Building and other facilities, engaged in a wide range of activities from basic research to technological development of apartments. In conducting activities, the Institute coordinates with Haseko and technology-related departments of the Group companies, as well as implements joint study and joint development with universities and research institutions. At present, the Institute endeavors to develop and commercialize apartment-related technologies under the themes of industrialization, energy saving and environment, extension of building life, disaster prevention and renovation of properties in stock, etc. to meet the changes in the social environment and the clients' needs, while focus is placed on product development and development of production technologies. More recently, as it is required to exert the function of presenting the content of its research and technological development in an easy-to-understand manner to people outside the Company, renovation was made to what is exhibited at the Housing Performance Test Building and the Technology Exhibition Building, in an effort to enrich the facility as a showcase of research and technological development.



In response to the needs of people who live in condominiums, Haseko Technical Research Institute is engaged in developing advanced construction technologies that are environmentally-friendly for the earth, through an accumulation of experiments and verification activities. The following table presents the major technologies pursued by the Institute.

Technologies for usability over a long period of time and reduced environmental burdens	Technologies for enhanced durability and seismic performance	Technologies for indoor environment
<ul style="list-style-type: none"> Endeavors to utilize natural energy at apartments and condominiums Development of interior fittings systems with enhanced layout versatility and sound insulation performance Development of unit-type handrails with high versatility Development of construction methods for finishing external walls that have high durability 	<ul style="list-style-type: none"> Development of reinforced-concrete structure ultra-skyscrapers Development of seismic isolation and vibration control structures Development of industrialized construction methods Development of high-intensity concretes Technological development for enhanced durability of concretes Performance verification of various materials for exterior fittings Development of renovation technologies 	<ul style="list-style-type: none"> Establishment of technologies to prevent the sick house syndrome Establishment of technologies to evaluate and control smells within residences Development of materials for ventilation openings and forecast of indoor ventilation performance Establishment of technologies to suppress dew condensation of housing Development of construction methods to suppress the influence of temperature and humidity of construction materials

While the Haseko Group has conducted real estate development business, etc. in Hawaii, the U.S., to date, it has also investigated expanding operations in overseas markets centering on Southeast Asia as an attempt to open new domains with an eye on the future. In April 2012, Haseko opened a liaison office in Hanoi, Vietnam, to conduct market surveys, collect information related to house making, and build relationships with local companies, etc. in order to implement construction business in the country. Meanwhile, our technical institute and other institutions in Japan have conducted technical verification on the building specifications that use local construction materials, in terms of various performances including structure, heat insulation, soundproof and ventilation.

As a result of these endeavors, Haseko Corporation has initiated the serviced apartment business for Japanese expatriates in Hanoi, Vietnam as the first project of its initiatives to expand the safe, reliable and comfortable housing realized in Japan (the "Japan Quality" condominiums) into Asian growing markets. The project is called HASEKO • HIMLAMBC CT1 Project (hereafter, "HHCT1") (*1).

Under the project, a joint venture (Haseko HimlamBC Company, Limited) has been established with equity ratios of 95% by Haseko and 5% by the Him Lam Group, a major real estate company in Vietnam. The Joint venture will conduct planning, design, construction and operation of HHCT1. Construction permission was obtained in March 2015, and construction started in the same month.

(*1) CT is an abbreviation of the Vietnamese word for "high-rise housing."



HASEKO • HIMLAMBC CT1 Project

Location: Long Bien, Hanoi

Total number of units: 110 units

Structure and size: Reinforced concrete structure, 18 floors above ground and one basement floor

Scheduled completion: February 2017

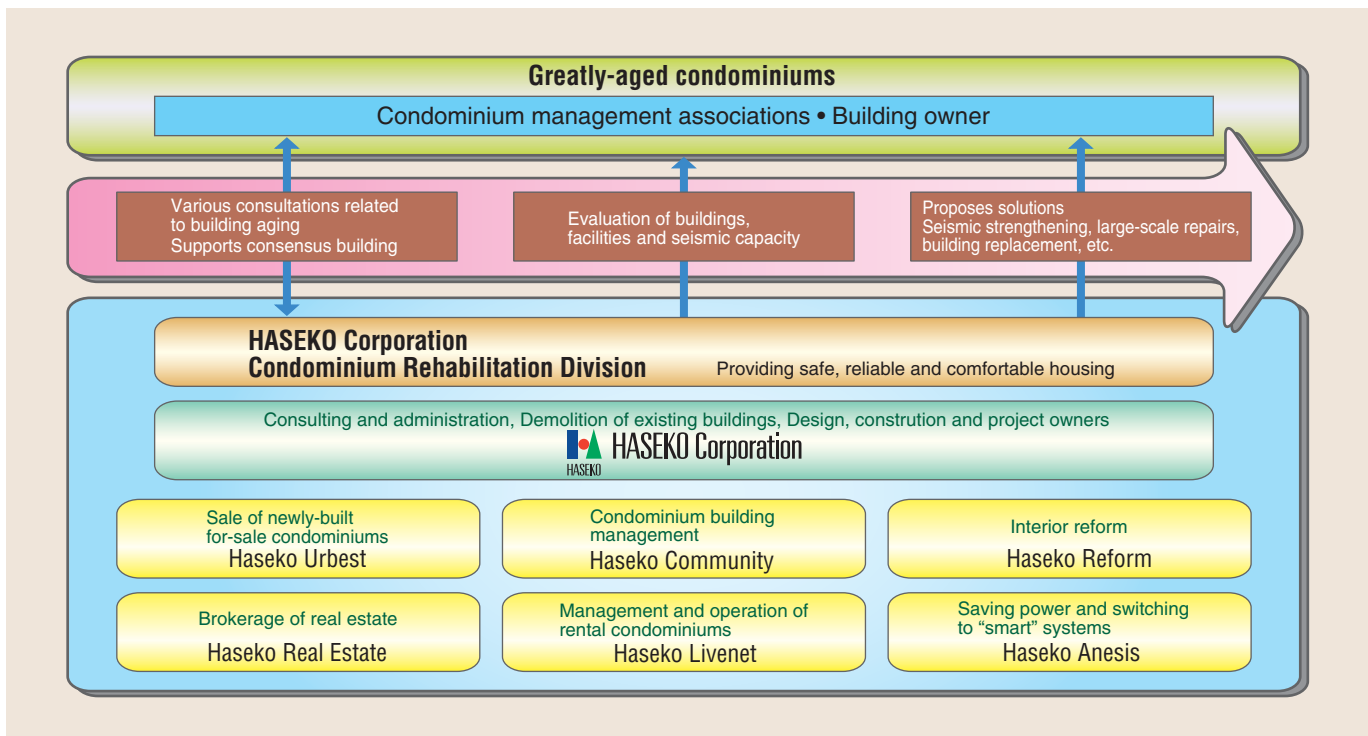
Through the HHCT1 that it has initiated, Haseko will work to make a record of achievements in housing construction business in Vietnam, as well as accumulate know-how in design and construction so that it can realize housing performances (such as heat insulation, soundproof and ventilation) comparable to those in Japan at prices suitable for the local market.

Going forward, Haseko plans to utilize HHCT1 as a showcase to conduct marketing with proposals to project owners in Vietnam and Japan, in an effort to implement the thorough for-sale condominium business the Company conducts in Japan, ranging from their planning to design and construction, sale and administration, in Vietnam as well.

Building Replacement and Development Business

Since the Great East Japan Earthquake, an increasing attention has been paid to the structural strengths and earthquake resistance of buildings. In light of such an attention, various types of buildings have many problems in terms of disaster prevention and other aspects because of the long years since they were built. Of the for-sale condominiums, which are currently estimated to total approximately 6 million units, over one million units were constructed more than 30 years ago. Given this situation, Haseko newly established the Condominium Rehabilitation Division in April 2014. The Division makes proposals of providing coherent services to meet a variety of needs such as evaluation of seismic capacity, seismic strengthening, large-scale repairs and building replacement, through coordination among the Haseko Group companies. Such services include consultation for management associations of greatly-aged condominiums, preparation of specific plans, and consulting and administration of rebuilding condominiums.

Coordination System among the Haseko Group for the Condominium Rehabilitation Business



Yamamoto Housing Complex Building 2



Before



After

Building Replacement Cases 1

Started new construction for building replacement of a condominium in Yao City, the first application of the Condominium Reconstruction Facilitation Act for the city

The Yamamoto Housing Complex Building 2, with 57 years passing since it was built in 1956, had various problems including the aged building, a need for renovation for seismic strengthening and aging of the residents. Investigations of building replacement started in 2005 in cooperation and coordination with the Urban Renaissance Agency, and a resolution of replacement pursuant to the Building Unit Ownership Act was made and approved in June 2013 by a unanimous vote. Demolition work started in January 2014, and the new construction work began on July 15 of the year, with completion planned for the autumn of 2015.

The project represents the 28th property of new construction for building replacement undertaken by Haseko Corporation. The Company has implemented the project in coordination with UD Consultants, Inc., the consultant to which the building replacement association has consigned operations as business cooperator.

Building Replacement Cases 2

Building replacement project started for Symphonia Shinsenri Minamimachi Gardens

The project calls for replacing the three buildings (with 120 units) of Senri Minamimachi Second Housing in Toyonaka City, built in 1974, into two buildings with 194 units. Three companies (Haseko Corporation, Asahi Kasei Fudousan Residence and NTT Urban Development) participated in the project as business cooperators in June 2012. Resolution on building replacement was made in June 2013, and new construction started in October 2014 following the demolition work.

The building replacement project, scheduled to complete in February 2016, represents the 29th property that Haseko Corporation undertakes as its building replacement business.

Senri Minamimachi Second Housing



Before



After

Redevelopment cases

Obtained approval for establishing a redevelopment association for town creation with a complex of "living, retail, manufacturing and medical care"

In April 2015, the Tokyo metropolitan government approved establishment of a redevelopment association for the Shirokane 1-chome Eastern Section North District Urban Redevelopment Preparation Association*, which had made preparations for redevelopment since 2004 primarily by local residents and in which Haseko Corporation had participated as a business cooperator since the investigation stage. The project, with construction of the main building scheduled to start in 2016 and complete in 2020, is an urban redevelopment project that "integrates living, retail, manufacturing and medical care" by concentrating residences, stores, plants and hospitals, including an ultra-skyscraper condominium building of approximately 156m at maximum height (44 stories above ground) and a high-rise condominium building (17 stories above ground). In Shirokane Aer City (business cooperator: Haseko Corporation; completed in November 2005), which is in close proximity to the above project, had realized a complex urban district with a harmony of living, retail and manufacturing as a redevelopment project in which, quite rare at that time, backstreet factories participated. Similarly, in the said project, creation of a compound town that integrates "living, retail, manufacturing and medical care" is implemented while working to maintain and renew the existing urban functions such as existing hospitals and factories.

*Haseko Corporation has been participating in the project since the investigation stage as business cooperator. The project has also been participated by SATOH Real-estate Appraisal & Consulting, Azusa Sekkei, Ueno Keikaku and Nippon Koei as consultants. The redevelopment project has been implemented by these participants through investigating planning of the basic concept and the project plan, etc. jointly with the Preparation Association.

Moreover, Tokyo Tatemono, Haseko Corporation, Sumitomo Realty & Development, Nomura Real Estate Development and Mitsui Fudosan Residential are participating members of the association.



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

Specifically, Haseko has established its environmental policy as a company and acquired ISO 14001 certification. Each business unit implements environmental preservation activities by setting specific objectives including reduction of construction waste and

promotion of recycling. Moreover, our internal audit and external review are being executed on a regular basis to realize continual improvements.

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

● Environmental Policy

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

Participation in Environmental Preservation Activities

The Haseko Group established the Haseko Group Code of Conduct on Biodiversity in March 2012. In accordance with this, the Group has been participating since 2012 in the Tokyo Greenship Action and the Umi-no-Mori (See Forest) Project sponsored by the Tokyo Metropolitan Government, as part of its social contribution activities for protecting the environment. In the Kansai area, meanwhile, the Company participates in the Creation of Symbiosis Forest project, in which young plants are planted to foster a beautiful forest in the Sakai District No. 7-3 industrial waste disposal site, which spreads in front of Osaka Bay.

In May 2014, the Haseko Group participated in environmental preservation activities in the rural natural areas of Takiyama, Hachioji. The Company also joined the planting activities in the Symbiosis Forests in Sakai No. 7-3 District in October and the preservation activities for the green areas in Matsuyama, Kiyose, in November, respectively.



The rural natural areas of Takiyama, Hachioji



Sakai No. 7-3 District

“Haseko Living Design Competition” Held

Since 2007, Haseko has been holding the annual “Haseko Living Design Competition” for students, with the aim of fostering young people who wish to work in the world of architecture.

The eighth competition in 2014 set the theme of “apartments rehabilitate the streets of a regional city, initiating new living.” A total of 201 proposals were submitted from 813 registrants, awarding one proposal with first prize, three proposals with awards of excellence, and ten proposals with honorable piece of work.



“Mission Uchimizu (Water Sprinkling) at Condominiums” Implemented

Since 2008, Haseko’s management company group (Haseko Community, Haseko Smile Community and Haseko Community Kyushu) has conducted water sprinkling operations at condominiums, the first such attempt in Japan, under the name of “Mission Uchimizu at Condominiums.”

At present, the initiative also conducts photo and illustration contests, helping to heighten residents’ awareness for preventing global warming and ecological considerations, while promoting exchanges among people residing in the properties managed by Haseko as well as activating the local communities. In 2014, people totaling as many as 61,774 households from 826 management associations participated in the initiative.



■ 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 pleasantly participate, it serves as a “pump priming” to enlighten awareness of environmental issues.

Corporate Governance

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

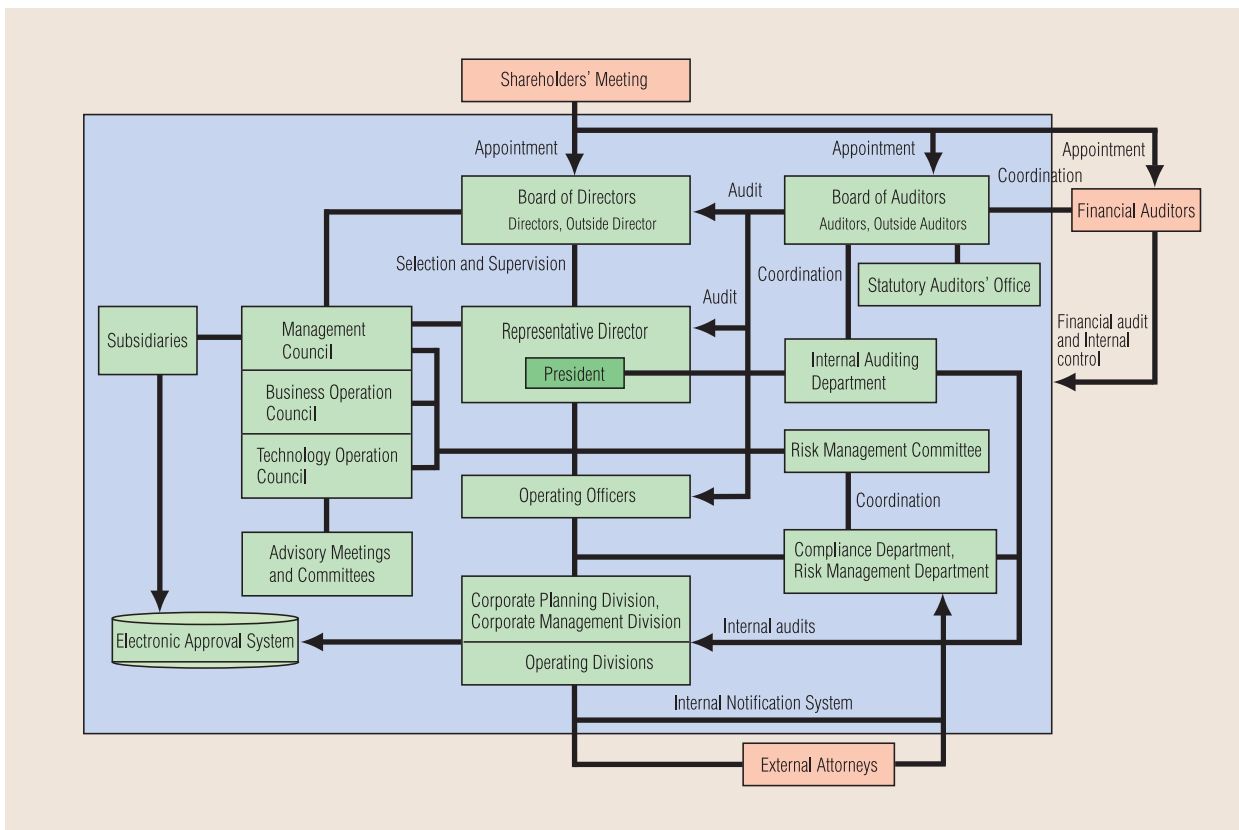
The Board of Directors of Haseko Corporation serve as the institution where directors with expert knowledge and experience in various business sectors conduct decision-making on managerial issues and supervise execution of duties of other directors. As for monitoring of management operations, the Company's system provides the Board of Auditors, the majority of which are outside auditors, with the monitoring function from an objective and neutral standpoint from outside through implementation of

audits. On top of these functions, starting in June 2013, Haseko increased the number of outside directors with abundant experience and track record from one to two, so that they shall provide appropriate opinions and advice in order to further activate discussions at the Board of Directors as well as enhance the function to monitor business management. Going forward, we will continue to look for a system that is optimum for the Company, taking into consideration the balance between the operation of the Board of Directors and the monitoring functions.

Roles and Operations of Corporate Institutions

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

Diagram of company institutions and internal governance



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

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

Internal Governance and Risk Management System

Compliance System

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

In April 2005, the Company established the Internal Auditing Department that is under the direct control of the President. Pursuant to internal rules and

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

Risk Management System

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

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

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

Management Team *(As of July 1, 2015)*

Directors and Corporate Auditors

Ikuo Oguri

Representative Director
Chairman

Noriaki Tsuji

Representative Director
President

Shosuke Muratsuka

Representative Director
Executive Operating Officer

Morio Shimada

Director
Executive Operating Officer

Ryuichiro Yoshida

Director
Senior Operating Officer

Yuhei Imanaka

Director
Senior Operating Officer

Kinichi Kitamura

Director
Senior Operating Officer

Kazuo Ikegami

Director
Senior Operating Officer

Junichi Tani

Director
Senior Operating Officer

Takeshi Tsunematsu

Director
Senior Operating Officer

Fujio Hirano

Director
Senior Operating Officer

Masataka Yamamoto

Outside Director

Kohei Amano

Outside Director

Koichi Suzuki

Full-time Corporate Auditor

Takahisa Chikayama

Full-time Corporate Auditor

Katsuhiko Kamijo

Corporate Auditor

Yoshitaka Fukui

Corporate Auditor

Mitsuo Isoda

Corporate Auditor

Operating Officers

Senior Operating Officers

Naobumi Tago

Satoshi Amano

Nobuhiro Tani

Yoshinori Haraguchi

Takashi Kawamura

Katsuhide Takahashi

Masaaki Matsuoka

Toshiyuki Murakawa

Syoji Naraoka

Operating Officers

Yutaka Okada

Misato Yamamoto

Masahiro Okuyama

Yoshifumi Sadanaga

Fumihiko Nakata

Toshihiko Tatsuno

Takeshi Yoshioka

Jun Kawamoto

Mamoru Kameoka

Takashi Tsuruta

Hideki Kawai

Yoshiaki Yamada

Masahito Koizumi

Nobuo Imagawa

Satoshi Kumano

Toru Yamaguchi

Five-Year Summary
Haseko Corporation and its Consolidated Subsidiaries
 (Years ended March 31, 2011, 2012, 2013, 2014 and 2015)

	Millions of Yen				
	2011	2012	2013	2014	2015
For the Year:					
Net sales	¥440,429	¥500,929	¥558,919	¥587,571	¥642,167
Cost of sales	389,566	451,264	505,460	526,208	563,230
Selling, general and administrative expenses	27,537	28,050	29,130	32,525	36,239
Operating income	23,327	21,615	24,329	28,838	42,698
Ordinary income	19,138	18,199	19,976	25,405	41,889
Income before income taxes and minority interests	19,615	18,673	11,704	30,721	42,306
Net income	10,137	11,242	13,064	24,830	28,542
For the Year:					
Cash flows from operating activities	28,629	33,711	38,231	55,267	39,984
Cash flows from investing activities	136	2,363	14,843	29,395	(4,067)
Cash flows from financing activities	(6,848)	(28,801)	(24,115)	(65,425)	(40,235)
Cash and cash equivalents at end of the year	81,656	88,885	118,239	137,689	133,563
At Year-end:					
Total current assets	¥314,202	¥333,297	¥352,624	¥356,926	¥380,841
Total assets	457,487	467,075	460,864	457,408	476,914
Total current liabilities	192,285	211,666	215,044	209,699	248,586
Total long-term liabilities	167,724	153,413	132,015	128,237	84,239
Total shareholders' equity	111,460	116,952	124,482	128,632	143,356
Net assets	97,478	101,996	113,805	119,472	144,089
Yen					
Per Share Data:					
Net income (loss)	¥6.29	¥7.05	¥41.72	¥81.36	¥94.64
Diluted net income	5.02	5.29	32.52	67.98	92.90
Net assets	34.36	40.76	259.89	346.17	478.45
Ratios:					
Profit ratio of construction contracts	12.1	9.5	8.9	9.2	11.3
Operating income ratio	5.3	4.3	4.4	4.9	6.6
Equity ratio (%)	21.3	21.8	24.7	26.1	30.2
Return on equity (%)	10.7	11.3	12.1	21.3	21.7
Price/Earnings ratio (times)	10.17	9.50	10.31	7.94	12.38
Number of employees	4,505	4,549	4,640	5,188	5,379

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

Analyses of Financial Condition and Business Performance

(1) Business Performance

For the fiscal year ended March 2015, the Japanese economy continued to stay on a modest recovery trend, with improvements observed in corporate earnings and the employment and income environments, although it faced such adverse factors as reactions to the rush demand that had been generated prior to the consumption tax rate hike. In the condominium market for the same period, however, new supply remained low after the consumption tax rate hike, resulting in new supply totaling 44,529 units (down 19.4% year-on-year) in the Tokyo metropolitan area and 19,840 units (down 15.0%) in the Kinki area. The figures fell below 45,000 units in the Tokyo metropolitan area and 20,000 units in the Kinki area, both for the first time since the fiscal year ended March 2010 when the figures were 37,765 units for the former and 19,094 units in the latter. An analysis of products supplied in the fiscal year shows that the unit price was 717 thousand yen/m² (up 1.6%) in the Tokyo metropolitan area, with the average market price standing at 50.88 million yen (up 1.6%), both surpassing the year-earlier results. The unit price and the average market price in the Kinki area also increased year-on-year, standing at 538 thousand yen/m² (up 6.1%) and 36.42 million yen (up 4.5%), respectively. In terms of sales, the initial month sales rate was 74.6% (down 5.2 points) in the Tokyo metropolitan area and 75.2% (down 3.7 points) in the Kinki area, turning out to be weak in both areas. However, the number of for-sale units being marketed as of the end of March 2015, which indicates the inventory situation, increased from the end of the previous fiscal year both in the Tokyo metropolitan area and the Kinki area, standing at 5,218 units (up 36.3%) for the former partly impacted by the rush supply at the end of December 2014 and 2,266 units (up 10.6%) for the latter.

Under these circumstances, in the fiscal year under review which represents the first year of the "new born HASEKO StepUp Plan" (Plan NBs), our new medium-term business plan, the Company achieved good performance in the Construction-Related Business, in which construction completion and sales in design and supervision operations increased in line with the increase in

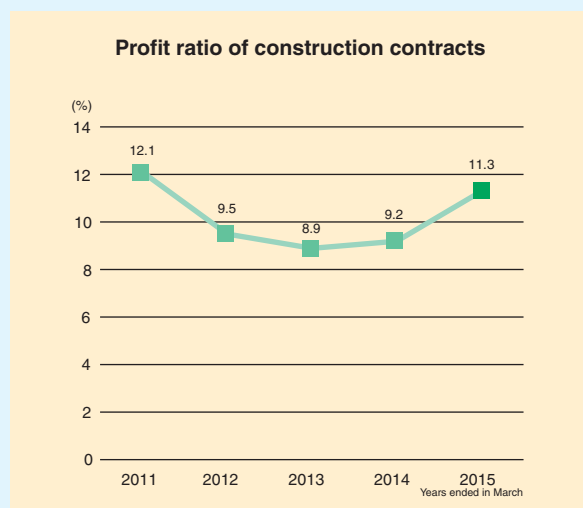
the volume of condominium construction works, although real estate sales decreased. Moreover, the Company successfully issued straight corporate bonds, representing the first direct fund procurement from the market since 1994, on top of completing redemption of all preferred shares and resuming payment of dividends on its common shares. The Company also achieved a record high in orders received on a non-consolidated basis.

As a result of the above, the Company posted net sales of 642.2 billion yen (up 9.3% year-on-year), operating income of 42.7 billion yen (up 48.1%), ordinary income of 41.9 billion yen (up 64.9%) and net income of 28.5 billion yen (up 15.0%), thanks to the increase in the volume of condominium construction works and the improved gross profit margin of completed construction contracts. The operating income ratio was 6.6% (up 1.7 points) and ordinary income ratio was 6.5% (up 2.2 points).

(2) Performance by Segment

Starting in the fiscal year under review, the Company changed its reportable segments from the conventional three categories of the Design and Construction-Related Business, the Real Estate-Related Business and the Residential Property-Related Service Business to the three categories comprising the Construction-Related Business that serves the market mainly by supplying new housing, etc., the Service-Related Business that is primarily engaged in operations related to existing housing, etc. and the Overseas-Related Business that conducts real estate development and sales, etc. outside Japan.

The Company made the change as it reviewed the business segments in association with the commencement of the Plan NBs, the new medium-term business plan, in the fiscal year under review. Major aspects of the change include that the previous Design and Construction-Related Business was combined with real estate transactions, etc., which are mainly accompanying the orders received for constructing new condominiums, to form the Construction-Related Business, and that the previous Residential Property-Related Service Business was combined with consigned sales of condominiums,



real estate brokerage and condominium renovation, etc., which are businesses mainly for end users, to form the Service-Related Business. Moreover, the overseas business that had been included in the Other Business Segments was separated as the Overseas-Related Business.

The period-on-period changes stated below represent comparisons with the figures in the previous fiscal year after reclassifying them to the categories of the new reporting segments.

Construction-Related Business

For construction works, while there are concerns about rising construction costs due to labor shortage, project owners have given a high regard for the cost competitiveness and product planning ability of Haseko which specializes in condominium construction. Moreover, the construction profitability upon receiving orders and the gross profit margin of construction contracts completed in the fiscal year both showed an improving trend due to such factors as the dates of construction starts being leveled and the properties becoming larger in scale.

In terms of orders for new construction of for-sale condominiums, the Company won orders of 126 projects in total throughout Japan, comprised of 91 in the Tokyo metropolitan area including 33 large projects with at least 200 units and 35 in the Kinki area including 13 large projects with at least 200 units. Other than constructions of for-sale condominiums, the Company received orders for Civil Servants Quarters Katsushima-cho Housing Renovation Project (tentative name) (Shinagawa-ku, Tokyo; 479 units) and Suita City-Sponsored Shin-Satakedai Housing Concentration and Rebuilding Project (tentative name) (Suita-shi, Osaka; 240 units).

As for construction completion, the Company completed construction of 139 projects including 6 projects for rental housing, etc.

In design and supervision operations, the Haseko Group proactively works to enrich fundamental performances, improve versatility and secure environmental and disaster prevention performances of condominiums by utilizing plans it has proposed and technologies and knowhow it has accumulated through the construction track

record of over 560,000 units built.

In the Tokyo metropolitan area, the Company completed Doresse Futako Shinchi, (Takatsu-ku, Kawasaki-shi; 434 units) that realized a high green area ratio and spaciousness by constructing a building approximately 45m tall on a land having a 20m height limit by obtaining permission for relaxation of the height limitation from Kawasaki City Government. The special arrangement was permitted as the project was recognized to be contributing to the surrounding environment with the installment of advanced disaster prevention facilities in the permitted nursery school and the public open space, etc., on top of satisfying stringent design requirements such as constructing no buildings within 10m from the site boundary throughout the site, abiding by harsher-than-usual sun shadow regulations and securing a high green area ratio.

Moreover, in the area around Shinagawa and Tamachi Stations on the JR Yamanote Line, where a new station is planned to be established, the Company completed Shinagawa Tower Residence (Minato-ku, Tokyo; 125 units), an ultra-skyscraper condominium with a seismic control structure.

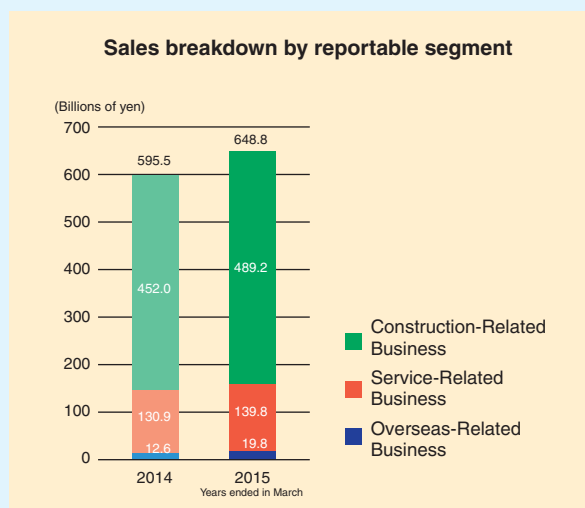
In the Kinki area, construction completed for Geo Shinmachi (Nishi-ku, Osaka-shi; 382 units), which has a child-rearing facility and a children's playground within its site and was simultaneously certified as a "Condominium for Safe Child-Rearing" by Osaka City and a "Housing and Environment for Childcare Support" by Miki-house Child & Family Research and Marketing Institute Inc. The property won the 2014 Good Design Award in recognition of its life-style proposal that adds the "child-rearing" concept to "close proximity between home and workplace," as well as of its design concept that provides the local community with child-rearing infrastructures. Construction also completed for Praise Sakai Komyoike (Minami-ku, Sakai-shi; 242 units), which was the first apartment that won the CASBEE Sakai Architecture & Environment Award. Recognition was made for the property's acquisition of the 4th grade of the energy-saving measures ranking in the design housing performance evaluation under the Housing Performance Indication System and for its endeavors on installing the "three-piece set disaster prevention equipment," among other features.

In the sale of for-sale condominium units, the Company conducted sale and delivery of 23 properties that were newly completed in the fiscal year under review as well as other products.

As a result of the above, the segment posted sales of 489.2 billion yen, a year-on-year increase of 8.2%. Operating income totaled 36.5 billion yen, an increase of 70.5%, mainly due to the increase in the volume of condominium construction works and the improved gross profit margin of completed construction contracts.

Service-Related Business

In the condominium building management operations, the Haseko Group steadily accumulated orders for newly-built and replacement properties despite the environment where competition over orders was intense, resulting in the number of units it is consigned to manage totaling 309,353 units, up 2.0% from the end of the previous fiscal year.



In large-scale repair work and interior remodeling, the Company endeavored to reinforce information gathering for properties not managed by the Haseko Group, amid the reaction to the rush demand prior to the consumption tax rate hike in the previous fiscal year. Consequently, orders received totaled 35.8 billion yen, a year-on-year increase of 10.5%.

In the management of rental condominiums, the number of units Haseko operates reached 101,376 units, an increase of 7.1% from the end of the previous fiscal year, for the lease management operations and corporate housing management agency services combined, due to the expansion of clients of the asset management companies and other factors.

In the senior services business, the number of paid facilities for the elderly and housing for the elderly in operation totaled 1,983 units, up 5.4% from the end of the previous fiscal year, partly due to

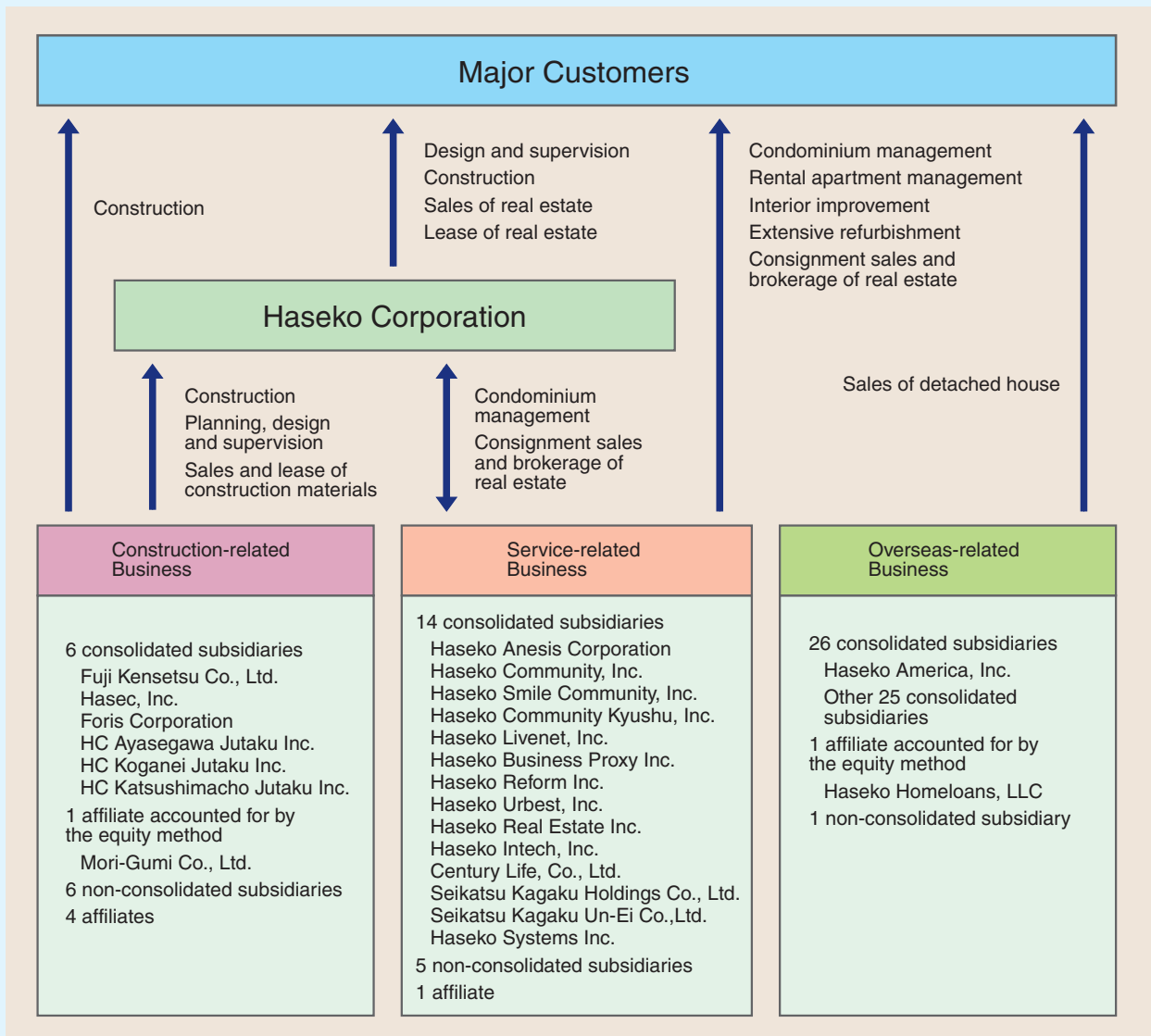
new properties starting to operate.

In consigned sales of condominiums, both the number of contracted units and delivered units decreased year-on-year, impacted by the reaction to the rush demand prior to the consumption tax rate hike in the previous fiscal year and the overall increase in sales price, among other factors.

In the real estate brokerage operations, the number of brokered units decreased but the number of sold units in the renovation business increased from the previous fiscal year.

As a result of the above, the segment posted sales of 139.7 billion yen, a year-on-year increase of 6.7%. Operating income decreased, however, to 7.7 billion yen, down 11.3%, impacted by such factors as the reaction to the rush demand prior to the consumption tax rate hike in the previous fiscal year and an increase of personnel for reinforcing the Service-Related Business organizations.

Business schematic of Haseko group's reportable segments



Overseas-Related Business

The number of contracted units and delivered units in the for-sale detached housing business in Oahu, Hawaii decreased year-on-year but sales increased due to the progress in the construction of Tokai University school buildings and the impact of foreign exchange rates, etc.

As a result of the above, the segment posted sales of 19.8 billion yen, up 57.8% year-on-year, and operating loss of 0.7 billion yen (in contrast to operating loss of 0.4 billion yen in the previous fiscal year).

(3) Financial Position

Total assets at the end of the consolidated fiscal year ended March 2015 were 476.9 billion yen, an increase of 19.5 billion yen from the end of the previous fiscal year, due to an increase in notes and accounts receivable, trade and real estate for sale.

Total liabilities were 332.8 billion yen, a decrease of 5.1 billion yen from the end of the previous fiscal year. This is primarily due to a decrease in borrowings and debt.

Consolidated net assets were 144.1 billion yen, an increase of 24.6 billion yen from the end of the previous fiscal year, mainly because of the increase in retained earnings due to the recording of net income, despite a decrease due to acquisition of Class BI Preferred Stock.

As a result, the equity ratio was 30.2% in contrast to 26.1% at the end of the previous fiscal year.

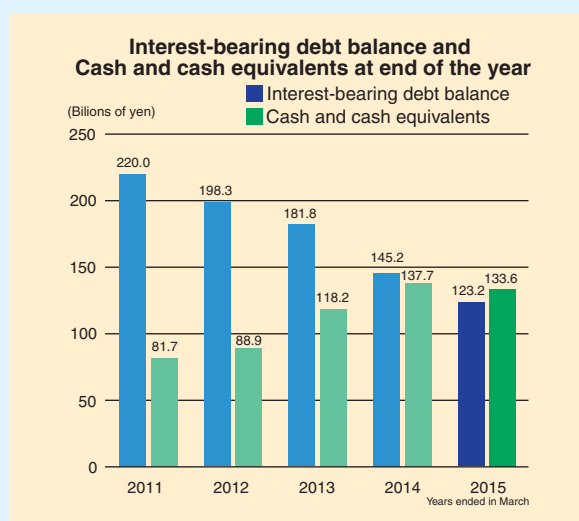
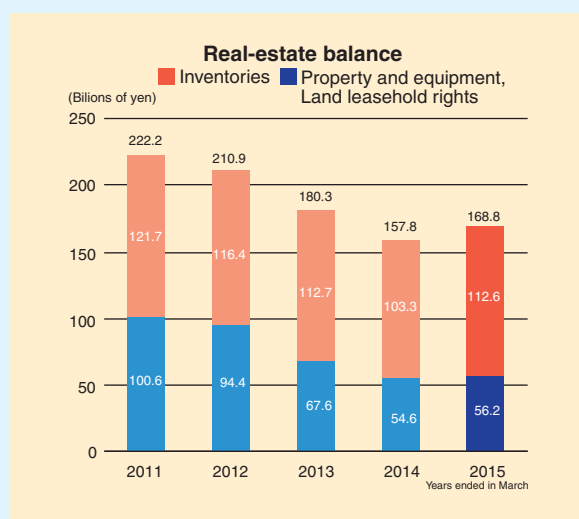
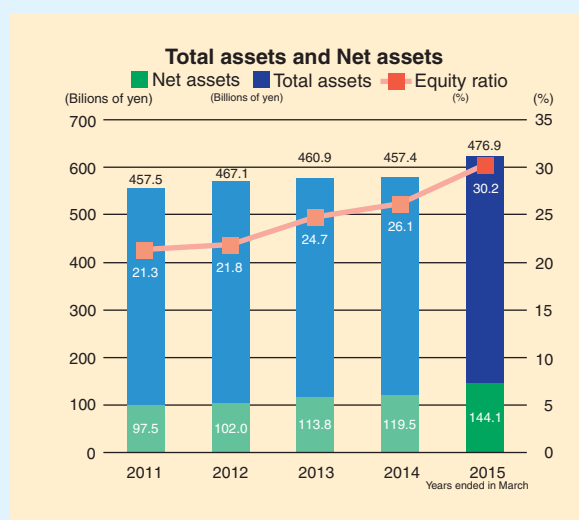
(4) Cash Flows

Net cash provided by operating activities was 40.0 billion yen, a decrease of 15.3 billion yen in income compared with the net cash provided by operating activities totaling 55.3 billion yen in the previous fiscal year. Major factors included the recording of 42.3 billion yen in income before income taxes and minority interests.

Net cash used in investing activities was 4.1 billion yen, a decrease of 33.5 billion yen in income compared with the net cash provided by investing activities totaling 29.4 billion yen in the previous fiscal year. Major factors included payment of 4.7 billion yen for purchase of investment securities.

Net cash used in financing activities was 40.2 billion yen, a decrease of 25.2 billion yen in expenditures compared with the net cash used in financing activities totaling 65.4 billion yen in the previous fiscal year. Major factors included a decrease of 32.6 billion yen in funds due to income and repayment of long-term debt and payment of 15.1 billion yen for acquiring Class BI Preferred Stock (redemption of treasury stock).

As a result of the above, the balance of cash and cash equivalents at the end of the consolidated fiscal year totaled 133.6 billion yen, a decrease of 4.1 billion yen from 137.7 billion yen at the end of the previous consolidated fiscal year.



Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET

AS OF MARCH 31, 2014 AND 2015

ASSETS

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2014	2015	2015
ASSETS			
Current Assets:			
Cash and bank deposits (Notes 5, 10 and 15)	¥138,382	¥134,187	\$1,117,108
Notes and accounts receivable, trade (Notes 5, 8 and 10)	89,732	104,975	873,918
Costs on uncompleted construction contracts (Note 10)	5,712	6,790	56,527
Inventories (Notes 7, 10 and 13)	103,272	112,596	937,363
Deferred tax assets (Note 18)	9,346	9,386	78,139
Other current assets (Note 10)	10,637	13,001	108,232
Allowance for doubtful accounts (Note 5)	(155)	(94)	(783)
Total current assets	356,926	380,841	3,170,504
Property and Equipment (Notes 8, 10 and 11)	53,883	55,548	462,438
Intangible Assets (Notes 8 and 10)	11,183	10,652	88,678
Investments and Other Assets:			
Investment securities (Notes 5, 6 and 10)	9,707	15,458	128,688
Long-term loans receivable (Notes 5 and 10)	1,310	1,397	11,630
Net defined benefit asset (Note 17)	121	2,585	21,520
Long-term deferred tax assets (Note 18)	14,292	920	7,659
Other assets	11,046	10,610	88,329
Allowance for doubtful accounts (Note 5)	(1,060)	(1,097)	(9,133)
Total investments and other assets	35,416	29,873	248,693
Total assets	¥457,408	¥476,914	\$3,970,313

See notes to consolidated financial statements.

Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET AS OF MARCH 31, 2014 AND 2015 LIABILITIES AND NET ASSETS

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2014	2015	2015
LIABILITIES			
Current Liabilities:			
Short-term borrowings (Notes 5 and 9)	¥ 300	¥ 300	\$ 2,498
Current portion of long-term debt (Notes 5, 9 and 10)	42,149	56,574	470,979
Lease obligations (Notes 5 and 9)	663	865	7,201
Notes and accounts payable (Notes 5 and 10)	107,856	127,082	1,057,959
Income taxes payable (Notes 5 and 18)	1,880	2,562	21,329
Advances received on uncompleted construction contracts	14,282	15,239	126,865
Advances received for real estate sales	3,998	8,031	66,858
Warranty	3,081	3,253	27,081
Allowance for losses on construction contracts	416	328	2,731
Accrued bonuses for employees	2,996	2,946	24,525
Accrued bonuses for directors	111	187	1,557
Other current liabilities	31,967	31,219	259,898
Total current liabilities	209,699	248,586	2,069,481
Long-term Liabilities:			
Straight bond (Notes 5, 9)	—	10,000	83,250
Long-term debt (Notes 5, 9, 10 and 16)	102,776	56,296	468,665
Lease obligations (Notes 5 and 9)	1,973	4,210	35,048
Liability for retirement benefits (Note 17)	9,372	562	4,679
Other long-term liabilities	14,116	13,171	109,648
Total long-term liabilities	128,237	84,239	701,290
Total liabilities	337,936	332,825	2,770,771
Commitments and Contingent Liabilities (Notes 11 and 12)			
NET ASSETS (Notes 14 and 19):			
Shareholders' Equity:			
Capital stock	57,500	57,500	478,688
Capital surplus	7,500	7,500	62,438
Retained earnings	63,764	78,495	653,472
Treasury stock, at cost — 174,971 shares in 2014 — 182,686 shares in 2015	(132)	(139)	(1,158)
Total shareholders' equity	128,632	143,356	1,193,440
Accumulated Other Comprehensive Income:			
Net unrealized gain (loss) on other securities	2,657	3,371	28,064
Translation adjustments	(7,167)	(2,546)	(21,195)
Retirement benefits liability adjustments	(4,857)	(353)	(2,940)
Total accumulated other comprehensive income (loss)	(9,367)	472	3,929
Minority Interests			
Total net assets	119,472	144,089	1,199,542
Total liabilities and net assets	¥457,408	¥476,914	\$3,970,313

See notes to consolidated financial statements.

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEARS ENDED MARCH 31, 2014 AND 2015

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2014	2015	2015
Net Sales (Note 13)	¥587,571	¥642,167	\$5,346,046
Cost of Sales (Note 13)	526,208	563,230	4,688,895
Gross profit	61,363	78,937	657,151
Selling, General and Administrative Expenses (Note 13)	32,525	36,239	301,690
Operating Income	28,838	42,698	355,461
Other Income (Expenses):			
Interest and dividend income	507	685	5,703
Equity in earnings of affiliates	197	470	3,913
Interest expense	(3,016)	(2,379)	(19,805)
Incidental expense for loan	(1,467)	(773)	(6,435)
Other, net	346	1,188	9,889
	(3,433)	(809)	(6,735)
Ordinary income	25,405	41,889	348,726
Special Income (Losses):			
Gain (loss) on disposal or sales of property and equipment, net (Note 8)	5,868	604	5,029
Impairment loss on fixed assets (Note 8)	(597)	(187)	(1,557)
Other, net	45	—	—
	5,316	417	3,472
Income before Income Taxes and Minority Interests	30,721	42,306	352,198
Income Taxes (Note 18):			
Current	2,576	4,278	35,614
Deferred	3,277	9,426	78,472
	5,853	13,704	114,086
Income before Minority Interests	24,868	28,602	238,112
Minority Interests	38	60	500
Net Income (Note 19)	¥ 24,830	¥ 28,542	\$ 237,612

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED MARCH 31, 2014 AND 2015

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2014	2015	2015
Income before Minority Interests	¥24,868	¥28,602	\$238,112
Other Comprehensive Income			
Net unrealized gain (loss) on other securities	426	694	5,778
Translation adjustments	5,906	4,620	38,462
Retirement benefits liability adjustments	—	4,504	37,496
Share of other comprehensive income of affiliates accounted for by the equity method	7	20	165
Total other comprehensive income (loss)	6,339	9,838	81,901
Comprehensive Income (Note 21)	31,207	38,440	320,013
Total Comprehensive Income Attributable to:			
Shareholders of Haseko Corporation	31,168	38,380	319,513
Minority interests	38	60	500

See notes to consolidated financial statements.

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET ASSETS FOR THE YEARS ENDED MARCH 31, 2014 AND 2015

For the year ended March 31, 2014

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
	(Millions of yen)				
Balance at April 1, 2013	¥57,500	¥7,500	¥59,605	¥(123)	¥124,482
Net income for the year ended March 31, 2014	—	—	24,830	—	24,830
Cash dividend	—	—	(502)	—	(502)
Purchase of treasury stock	—	—	—	(20,178)	(20,178)
Disposal of treasury stock	—	(0)	—	0	0
Retirement of treasury stock	—	(20,169)	—	20,169	—
Appropriation of retained earnings for capital surplus	—	20,169	(20,169)	—	—
Net changes in items other than those in shareholders' equity	—	—	—	—	—
Total changes during the year	—	—	4,159	(9)	4,150
Balance at March 31, 2014	¥57,500	¥7,500	¥63,764	¥(132)	¥128,632

	Accumulated other comprehensive income					Total net assets
	Net unrealized gain (loss) on other securities	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income (loss)	Minority interests	
	(Millions of yen)					
Balance at April 1, 2013	¥2,225	¥(13,074)	¥ —	¥(10,849)	¥172	¥113,805
Net income for the year ended March 31, 2014	—	—	—	—	—	24,830
Cash dividend	—	—	—	—	—	(502)
Purchase of treasury stock	—	—	—	—	—	(20,178)
Disposal of treasury stock	—	—	—	—	—	0
Retirement of treasury stock	—	—	—	—	—	—
Appropriation of retained earnings for capital surplus	—	—	—	—	—	—
Net changes in items other than those in shareholders' equity	432	5,907	(4,857)	1,482	35	1,517
Total changes during the year	432	5,907	(4,857)	1,482	35	5,667
Balance at March 31, 2014	¥2,657	¥ (7,167)	¥(4,857)	¥ (9,367)	¥207	¥119,472

See notes to consolidated financial statements.

Consolidated Financial Statements

For the year ended March 31, 2015

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
	(Millions of yen)				
Balance at April 1, 2014	¥57,500	¥7,500	¥63,764	¥(132)	¥128,632
Cumulative effects of changes in accounting policies	–	–	2,383	–	2,383
Restated balance at April 1, 2014	¥57,500	¥7,500	¥66,147	¥(132)	¥131,015
Net income for the year ended March 31, 2015	–	–	28,542	–	28,542
Cash dividend	–	–	(1,103)	–	(1,103)
Purchase of treasury stock	–	–	–	(15,098)	(15,098)
Disposal of treasury stock	–	0	–	0	0
Retirement of treasury stock	–	(15,091)	–	15,091	–
Appropriation of retained earnings for capital surplus	–	15,091	(15,091)	–	–
Net changes in items other than those in shareholders' equity	–	–	–	–	–
Total changes during the year	–	–	12,348	(7)	12,341
Balance at March 31, 2015	¥57,500	¥7,500	¥78,495	¥(139)	¥143,356

	Accumulated other comprehensive income					
	Net unrealized gain (loss) on other securities	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income (loss)	Minority interests	Total net assets
	(Millions of yen)					
Balance at April 1, 2014	¥2,657	¥(7,167)	¥(4,857)	¥(9,367)	¥207	¥119,472
Cumulative effects of changes in accounting policies	–	–	–	–	–	2,383
Restated balance at April 1, 2014	¥2,657	¥(7,167)	¥(4,857)	¥(9,367)	¥207	¥121,855
Net income for the year ended March 31, 2015	–	–	–	–	–	28,542
Cash dividend	–	–	–	–	–	(1,103)
Purchase of treasury stock	–	–	–	–	–	(15,098)
Disposal of treasury stock	–	–	–	–	–	0
Retirement of treasury stock	–	–	–	–	–	–
Appropriation of retained earnings for capital surplus	–	–	–	–	–	–
Net changes in items other than those in shareholders' equity	714	4,621	4,504	9,839	54	9,893
Total changes during the year	714	4,621	4,504	9,839	54	22,234
Balance at March 31, 2015	¥3,371	¥(2,546)	¥ (353)	¥ 472	¥261	¥144,089

See notes to consolidated financial statements.

Consolidated Financial Statements

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
	<i>(Thousands of U.S. dollars) (Note 4)</i>				
Balance at April 1, 2014	\$478,688	\$62,438	\$530,836	\$ (1,099)	\$1,070,863
Cumulative effects of changes in accounting policies	—	—	19,838	—	19,838
Restated balance at April 1, 2014	\$478,688	\$62,438	\$550,674	\$ (1,099)	\$1,090,701
Net income for the year ended March 31, 2015	—	—	237,612	—	237,612
Cash dividend	—	—	(9,181)	—	(9,181)
Purchase of treasury stock	—	—	—	(125,692)	(125,692)
Disposal of treasury stock	—	0	—	0	0
Retirement of treasury stock	—	(125,633)	—	125,633	—
Appropriation of retained earnings for capital surplus	—	125,633	(125,633)	—	—
Net changes in items other than those in shareholders' equity	—	—	—	—	—
Total changes during the year	—	—	102,798	(59)	102,739
Balance at March 31, 2015	\$478,688	\$62,438	\$653,472	\$ (1,158)	\$1,193,440

	Accumulated other comprehensive income					
	Net unrealized gain (loss) on other securities	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income (loss)	Minority interests	Total net assets
	<i>(Thousands of U.S. dollars) (Note 4)</i>					
Balance at April 1, 2014	\$22,120	\$(59,665)	\$(40,435)	\$(77,980)	\$1,723	\$994,606
Cumulative effects of changes in accounting policies	—	—	—	—	—	19,838
Restated balance at April 1, 2014	\$22,120	\$(59,665)	\$(40,435)	\$(77,980)	\$1,723	\$1,014,444
Net income for the year ended March 31, 2015	—	—	—	—	—	237,612
Cash dividend	—	—	—	—	—	(9,181)
Purchase of treasury stock	—	—	—	—	—	(125,692)
Disposal of treasury stock	—	—	—	—	—	0
Retirement of treasury stock	—	—	—	—	—	—
Appropriation of retained earnings for capital surplus	—	—	—	—	—	—
Net changes in items other than those in shareholders' equity	5,944	38,470	37,495	81,909	450	82,359
Total changes during the year	5,944	38,470	37,495	81,909	450	185,098
Balance at March 31, 2015	\$28,064	\$(21,195)	\$ (2,940)	\$ 3,929	\$2,173	\$1,199,542

See notes to consolidated financial statements.

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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED MARCH 31, 2014 AND 2015

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2014	2015	2015
Cash Flows from Operating Activities:			
Income before income taxes and minority interests	¥ 30,721	¥ 42,306	\$ 352,198
Depreciation	2,256	2,180	18,149
Impairment loss on fixed assets	597	187	1,557
Amortization of goodwill	659	939	7,817
(Reversal of) provision for allowance for doubtful accounts	(182)	(24)	(200)
Interest and dividend income	(507)	(685)	(5,703)
Interest expense	3,016	2,379	19,805
Equity in earnings of affiliates	(197)	(470)	(3,913)
Loss (gain) on disposal or sale of property and equipment, net	(5,868)	(605)	(5,037)
Valuation loss on inventories	3,888	3,637	30,278
Changes in operating assets and liabilities			
Notes and accounts receivable	5,544	(15,287)	(127,264)
Costs on uncompleted construction contracts	2,235	(1,078)	(8,974)
Inventories	11,725	(9,261)	(77,098)
Notes, accounts payable and accrued expenses	(5,412)	18,822	156,693
Amounts received for uncompleted construction contracts	1,784	958	7,975
Other	9,593	1,311	10,914
Subtotal	59,852	45,309	377,197
Interest and dividends received	595	745	6,202
Interest paid	(3,302)	(2,275)	(18,939)
Income taxes paid	(1,878)	(3,795)	(31,593)
Net Cash Provided by Operating Activities	55,267	39,984	332,867
Cash Flows from Investing Activities:			
Purchases of property and equipment and intangible assets	(1,652)	(3,880)	(32,301)
Proceeds from sales of property and equipment and intangible assets	35,608	4,614	38,412
Payment for purchase of investment securities	(4)	(4,723)	(39,319)
Purchase of investment in subsidiaries resulting in changes in scope of consolidation	(6,848)	-	-
Payment for loans receivable	(1,828)	(1,742)	(14,502)
Collection of loans receivable	2,075	1,667	13,878
Payment for lease deposits	(591)	(741)	(6,169)
Refund of lease deposits	2,588	847	7,051
Other	47	(109)	(908)
Net Cash Provided by (Used in) Investing Activities	29,395	(4,067)	(33,858)
Cash Flows from Financing Activities:			
Decrease in short-term borrowings, net	(10,080)	-	-
Increase in long-term debt	43,093	30,054	250,200
Repayment of long-term debt	(75,985)	(62,678)	(521,795)
Proceeds from issuance of straight bond	-	10,000	83,250
Redemption of treasury stock	(20,169)	(15,091)	(125,633)
Purchase of treasury stock	(9)	(7)	(58)
Incidental expenses for loan	(1,484)	(932)	(7,759)
Cash dividends paid	(502)	(1,103)	(9,182)
Cash dividends paid to minority shareholders	(6)	(6)	(50)
Repayment of lease obligations	(232)	(413)	(3,438)
Other	(51)	(59)	(491)
Net Cash Used in Financing Activities	(65,425)	(40,235)	(334,956)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	213	192	1,598
Net Increase (Decrease) in Cash and Cash Equivalents	19,450	(4,126)	(34,349)
Cash and Cash Equivalents at Beginning of the Year (Note 15)	118,239	137,689	1,146,262
Cash and Cash Equivalents at End of the Year (Note 15)	¥137,689	¥133,563	\$1,111,913

See notes to consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Haseko Corporation and its Consolidated Subsidiaries
For the years ended March 31, 2014 and 2015

1. Basis of Presentation

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

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

Certain amounts in the prior years' financial statements have been reclassified to conform to the current year's presentation.

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

2. Summary of Significant Accounting Policies

(1) Scope of consolidation

The accompanying consolidated financial statements include the accounts of the Company and any significant companies controlled directly or indirectly by the Company. Companies over which the Company exercises significant influence in terms of their operating and financial policies have been accounted for by the equity method. As of March 31, 2015, the numbers of consolidated subsidiaries and affiliates accounted for by the equity method were 46 and 2 (44 and 2 in 2014), respectively. Investments in subsidiaries and affiliates which are not consolidated or accounted for by the equity method are carried at cost or less.

The fiscal year of Haseko America and its subsidiaries ends on December 31. The necessary adjustments for significant transactions that occur during the period from January 1 to March 31 are made in the preparation of the consolidated financial statements. Consolidated subsidiaries other than those referred to above have the same fiscal year as the Company, which ends on March 31.

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

(4) Inventories

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

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

(5) Property and equipment

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

(6) Intangible assets

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

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

(7) Leases

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

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 (ASBJ) Statement No. 13], have been recorded in accordance with the accounting method for operating lease transactions.

(8) Allowance for doubtful accounts

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

(9) Warranty

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

(10) Allowance for losses on construction contracts

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

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(11) Accrued bonuses for employees

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

(12) Accrued bonuses for directors

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

(13) Retirement benefits

The retirement benefit obligation for employees is attributed to each period by the benefit formula method.

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 (5-22 years).

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

(14) Foreign currency translation

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

(15) Hedge accounting

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

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

(16) Amortization of goodwill

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

(17) Recognition on sales and costs of construction contracts

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

(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) Deferred assets

Issuance costs for straight bonds are charged to income.

(21) Standard issued but not yet effective

Accounting standards for business combinations

On September 13, 2013, the ASBJ issued "Revised Accounting Standard for Business Combinations" (ASBJ Statement No.21), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7), "Revised Accounting Standard for Earnings Per Share" (ASBJ Statement No.2), "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10), and "Revised Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No.4).

a) Overview

Under these revised accounting standards, the accounting treatment for any changes in a parent's ownership interest in a subsidiary when the parent retains control over the subsidiary and the corresponding accounting for acquisition-related costs were revised. In addition, the presentation method of net income was amended, the reference to "minority interests" was changed to "non-controlling interests," and accounting treatment for adjustments to provisional amounts during measurement period was also changed.

b) Scheduled date of adoption

The Company expects to adopt these revised accounting standards and guidance from the beginning of the fiscal year ending March 31, 2016.

c) Impact of adopting revised accounting standard and guidance

The Company is currently evaluating the effect of adopting these revised standards on its consolidated financial statements.

3. Supplemental Information

Accounting Change

Accounting standards for retirement benefits

The Company and its domestic subsidiaries adopted Section 35 of "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26 of May 17, 2012) and the main clause of Section 67 of "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25 of March 26, 2015) effective from April 1, 2014. As a result, the methods for calculating the retirement benefit obligation and service cost have been revised in the following respects: the method for attributing projected benefits to each period has been changed from the straight-line method to the benefit formula method, and the method for determining the discount rate has been changed to use a single weighted-average discount rate reflecting the expected timing and amount of benefit payments.

The cumulative effect of changing the method for calculating the retirement benefit obligation and service cost was recognized by adjusting retained earnings at April 1, 2014, in accordance with the

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transitional treatment provided in Paragraph 37 of Accounting Standard for Retirement Benefits.

As a result, the liability for retirement benefits decreased by ¥3,642 million (\$30,320 thousand) and retained earnings increased by ¥2,382 million (\$19,830 thousand) at April 1, 2014.

Also, net assets per share at March 31, 2015 increased by ¥7.92 (\$0.07), while basic net income per share and diluted net income per share for the year ended March 31, 2015 increased by ¥0.67 (\$0.01) and ¥0.65 (\$0.01), respectively.

Changes in presentation (Consolidated balance sheets)

“Lease obligations,” which were included in “other current liabilities” in “current liabilities” in the previous fiscal year, have increased in materiality, and thus are presented separately from the current fiscal year. In order to reflect this change in presentation, the consolidated financial statements of the previous fiscal year have been reclassified.

As a result, ¥32,630 million presented under “other current liabilities” in “current liabilities” in the previous fiscal year’s consolidated balance sheet has been reclassified as ¥663 million in “lease obligations” and ¥31,967 million in “other current liabilities.”

“Lease obligations,” which were included in “other long-term liabilities” in “long-term liabilities” in the previous fiscal year, have increased in materiality, and thus are presented separately from the current fiscal year. In order to reflect this change in presentation, the consolidated financial statements of the previous fiscal year have been reclassified.

As a result, ¥16,089 million presented under “other long-term liabilities” in “long-term liabilities” in the previous fiscal year’s consolidated balance sheet has been reclassified as ¥1,973 million in “lease obligations” and ¥14,116 million in “other long-term liabilities.”

(Consolidated statements of cash flows)

“Purchases of investment securities,” which were included in “other” in “cash flows from investing activities” in the previous fiscal year, have increased in materiality, and thus are presented separately listed from the current fiscal year. In order to reflect this change in presentation, the consolidated financial statements of the previous fiscal year have been reclassified.

As a result, ¥44 million presented under “other” of “cash flows from investing activities” in the previous fiscal year’s consolidated statements of cash flows has been reclassified as ¥(4) million for “purchases of investment securities” and ¥47 million for “other.”

“Repayment of lease obligations,” which was included in “other” of “cash flows from financing activities” in the previous fiscal year, has increased in materiality, and thus is presented separately from the current fiscal year. In order to reflect this change in presentation, the consolidated financial statements of the previous fiscal year have been reclassified.

As a result, ¥(284) million presented under “other” of “cash flows from financing activities” in the previous fiscal year’s consolidated statement of cash flows has been reclassified as ¥(232) million in “repayment of lease obligations” and ¥(51) million in “other.”

(Retirement benefits)

In line with the revision to “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No.25, March 26, 2015), the presentation method for the notes related to retirement benefits corresponding to the multi-employer pension plan has been changed and the notes of the previous fiscal year have been reclassified.

The details and amounts of such reclassification are stated in Note 17.

4. U.S. Dollar Amounts

The U.S. dollar amounts are included solely for convenience of readers outside Japan, at the prevailing exchange rate on March 31, 2015, which was ¥120.12=U.S.\$1. The above translation should not be construed as a representation that yen have been, could have been, or could in the future be converted into U.S. dollars at the above or any other rate.

5. Financial Instruments Overview

(1) Policy for financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

Fair values of financial instruments

The carrying value of financial instruments on the consolidated balance sheets as of March 31, 2014 and 2015, and estimated fair value are shown in the following tables. The following tables do not include financial instruments for which it is extremely difficult to determine the fair value (Please refer to Note 2 below).

	Millions of yen		
	2014		
	Carrying value	Fair value	Difference
Cash and bank deposits	¥138,382	¥138,382	¥ -
Notes and account receivable, trade	89,732	90,235	503
Investment securities	6,054	5,898	(156)
Long-term loans receivable	1,310		
Allowance for doubtful accounts	(18)		
Sub-total	1,292	1,292	(0)
Total	¥235,460	¥235,807	¥ 347
Notes and accounts payable	107,856	107,846	(10)
Short-term borrowings	300	300	-
Current portion of long-term debt	42,149	42,389	240
Income taxes payable	1,880	1,880	-
Straight bond	-	-	-
Long-term debt	102,776	103,485	709
Lease obligations	2,635	2,621	(14)
Total	¥257,596	¥258,521	¥ 925
Derivatives	¥ -	¥ -	¥ -

	Millions of yen		
	2015		
	Carrying value	Fair value	Difference
Cash and bank deposits	¥134,187	¥134,187	¥ -
Notes and account receivable, trade	104,975	105,252	277
Investment securities	11,412	11,686	274
Long-term loans receivable	1,396		
Allowance for doubtful accounts	(18)		
Sub-total	1,378	1,378	(0)
Total	¥251,952	¥252,503	¥551
Notes and accounts payable	127,082	127,076	(6)
Short-term borrowings	300	300	-
Current portion of long-term debt	56,574	56,782	208
Income taxes payable	2,562	2,562	-
Straight bond	10,000	9,991	(9)
Long-term debt	56,297	56,587	290
Lease obligations	5,074	5,063	(11)
Total	¥257,889	¥258,361	¥472
Derivatives	¥ -	¥ -	¥ -

	Thousands of U.S. dollars		
	2015		
	Carrying value	Fair value	Difference
Cash and bank deposits	\$1,117,108	\$1,117,108	\$ -
Notes and account receivable, trade	873,918	876,224	2,306
Investment securities	95,005	97,286	2,281
Long-term loans receivable	11,622		
Allowance for doubtful accounts	(150)		
Sub-total	11,472	11,472	(0)
Total	\$2,097,503	\$2,102,090	4,587
Notes and accounts payable	1,057,959	1,057,909	(50)
Short-term borrowings	2,498	2,498	-
Current portion of long-term debt	470,979	472,711	1,732
Income taxes payable	21,329	21,329	-
Straight bond	83,250	83,175	(75)
Long-term debt	468,672	471,085	2,413
Lease obligations	42,241	42,150	(91)
Total	\$2,146,928	\$2,150,857	\$3,929
Derivatives	\$ -	\$ -	\$ -

Notes:

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

Cash and bank deposits

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

Notes and accounts receivable, trade

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

Investment securities

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

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

Long-term loans receivable

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

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

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Notes and accounts payable

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

Short-term borrowings and income taxes payable

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

Straight bond

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

Long-term debt including current portion

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

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

Lease obligations

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

Derivatives

Please refer to Note 16. Derivative Transactions.

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

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Equity securities of affiliates	¥2,065	¥2,831	\$23,568
Unlisted securities	625	625	5,203
Preferred subscription certificates	420	0	0
Others	542	588	4,895

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

3) Redemption schedule for monetary receivables and securities with maturity dates at March 31, 2014 and 2015

	Millions of yen				
	2014				
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years	Total
Cash and bank deposits	¥138,382	¥ –	¥ –	¥ –	¥138,382
Notes and accounts receivable, trade	79,513	10,216	2	–	89,731
Investment securities:					
Other securities with maturity dates					
Japanese government bonds, etc.	5	125	–	–	130
Long-term loans receivable	748	334	211	18	1,311
Total	¥218,648	¥10,675	¥213	¥18	¥229,554

	Millions of yen				
	2015				
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years	Total
Cash and bank deposits	¥134,187	¥ –	¥ –	¥ –	¥134,187
Notes and accounts receivable, trade	95,674	9,299	2	0	104,975
Investment securities:					
Other securities with maturity dates					
Japanese government bonds, etc.	10	115	–	–	125
Long-term loans receivable	842	341	195	18	1,396
Total	¥230,713	¥9,755	¥197	¥18	¥240,683

	Thousands of U.S. dollars				
	2015				
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years	Total
Cash and bank deposits	\$1,117,108	\$ –	\$ –	\$ –	\$1,117,108
Notes and accounts receivable, trade	796,487	77,414	17	0	873,918
Investment securities:					
Other securities with maturity dates					
Japanese government bonds, etc.	83	957	–	–	1,040
Long-term loans receivable	7,010	2,839	1,623	150	11,622
Total	\$1,920,688	\$81,210	\$1,640	\$150	\$2,003,688

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4) Repayment schedule for short-term borrowings, straight bonds, long-term debt, and lease obligations at March 31, 2014 and 2015

	<i>Millions of yen</i>				<i>Millions of yen</i>			
	2014				2015			
	Short-term borrowings	Straight bonds	Long-term debt	Lease obligations	Short-term borrowings	Straight bonds	Long-term debt	Lease obligations
Due within 1 year	¥300	¥-	¥42,149	¥ 312	¥300	¥ -	¥56,574	¥514
Due after 1 year through 2 years	-	-	59,410	305	-	-	24,846	500
Due after 2 years through 3 years	-	-	20,409	284	-	-	13,170	467
Due after 3 years through 4 years	-	-	11,905	250	-	-	13,570	405
Due after 4 years through 5 years	-	-	6,705	183	-	10,000	1,570	352
Due after 5 years	-	-	4,347	1,302	-	-	3,140	2,837

	<i>Thousands of U.S. dollars</i>			
	2015			
	Short-term borrowings	Straight bonds	Long-term debt	Lease obligations
Due within 1 year	\$2,498	\$ -	\$470,979	\$ 4,279
Due after 1 year through 2 years	-	-	206,843	4,163
Due after 2 years through 3 years	-	-	109,640	3,888
Due after 3 years through 4 years	-	-	112,970	3,372
Due after 4 years through 5 years	-	83,250	13,070	2,930
Due after 5 years	-	-	26,142	23,617

6. Investment Securities

(1) Other securities whose fair value is available as of March 31, 2014 and 2015 consisted of the following:

	<i>Millions of yen</i>					
	2014			2015		
	Carrying value	Acquisition cost	Unrealized gain/(loss)	Carrying value	Acquisition cost	Unrealized gain/(loss)
(Securities whose carrying value exceeds their acquisition cost)						
Equity securities	¥4,773	¥1,245	¥3,528	¥9,637	¥5,203	¥4,434
Japanese government bonds	130	126	4	125	123	2
Total	¥4,903	¥1,371	¥3,532	¥9,762	¥5,326	¥4,436

	<i>Thousands of U.S. dollars</i>		
	2015		
	Carrying value	Acquisition cost	Unrealized gain/(loss)
(Securities whose carrying value exceeds their acquisition cost)			
Equity securities	\$80,228	\$43,315	\$36,913
Japanese government bonds	1,041	1,024	17
Total	\$81,269	\$44,339	\$36,930

(2) Other securities sold for the year ended March 31, 2014 was as follows:

	<i>Millions of yen</i>
	2014
Proceeds from sales of equity securities	¥54
Gain on sales of equity securities	¥45

Note) There were no sales transactions of other securities for the year ended March 31, 2015.

7. Inventories

Inventories as of March 31, 2014 and 2015 consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2014	2015	2015
Real estate for sale	¥ 22,606	¥ 31,146	\$259,291
Costs and advances for real estate operations	38,451	40,438	336,647
Real estate for development projects	42,215	41,012	341,425
	¥103,272	¥112,596	\$937,363

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8. Property and Equipment and Intangible Assets

(1) Property and equipment as of March 31, 2014 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Buildings and structures	¥ 37,226	¥ 33,864	\$ 281,918
Machinery, vehicles, equipment and furniture	6,310	5,784	48,152
Land	28,216	30,227	251,640
Leased assets	3,058	5,338	44,439
Construction in progress	152	732	6,094
Sub-total	74,962	75,945	632,243
Accumulated depreciation	(21,079)	(20,397)	(169,805)
	<u>¥ 53,883</u>	<u>¥ 55,548</u>	<u>\$ 462,438</u>

(2) Intangible assets as of March 31, 2014 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Land leasehold rights	¥ 689	¥ 689	\$ 5,736
Goodwill	9,870	8,931	74,351
Other	624	1,032	8,591
	<u>¥ 11,183</u>	<u>¥ 10,652</u>	<u>\$ 88,678</u>

(3) Net gain (loss) on disposal or sales of property and equipment and intangible assets for the years ended March 31, 2014 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Buildings and structures	¥ 2,566	¥ 372	\$ 3,097
Machinery, vehicles, equipment and furniture	24	21	175
Land	3,252	214	1,782
Land leasehold rights	35	—	—
Leased assets	(10)	(2)	(17)
Other	1	—	—
	<u>¥ 5,868</u>	<u>¥ 605</u>	<u>\$ 5,037</u>

(4) Impairment loss on fixed assets

The Company and its consolidated domestic subsidiaries recognized impairment losses on the following fixed assets for the years ended March 31, 2014 and 2015:

2014				
Use	Type	Location	No. of Cases	
Real estate for construction related business	Land and buildings, etc.	Chuo-ku, Tokyo, etc	4	
Real estate for service related business	Land and buildings, etc.	Urawa-ku, Saitama-shi, etc.	8	
2015				
Use	Type	Location	No. of Cases	
Real estate for construction related business	Structures	Chino-shi, Nagano	1	
Real estate for service related business	Buildings and fixtures, etc.	Minami-ku, Saitama-shi, etc.	6	
Assets for service related business	Leased assets	Sagamihara-shi, Kanagawa etc.	23	

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

Due to the recent decline in real estate value, fall in profitability and changes in holding purposes for the year ended March 2014, and fall in profitability for the year ended March 2015, the carrying values of the above assets have been written down to their recoverable amounts by ¥597 million and ¥187 million (\$1,557 thousand) for the years ended March 31, 2014 and 2015, which were recorded as impairment losses on fixed assets in "Special Losses." The details of impairment losses on fixed assets were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Buildings and structures	¥ 358	¥ 21	\$ 175
Equipment and furniture	6	5	42
Land	213	—	—
Land leasehold rights	11	—	—
Leased assets	4	161	1,340
Intangible assets	—	—	—
Removal cost	5	—	—
	<u>¥ 597</u>	<u>¥ 187</u>	<u>\$ 1,557</u>

The recoverable amount was the higher of the net selling price or value in use. The net selling price for real estate is the appraisal value less the cost of disposal, and the comparison approach value for other assets. Value in use is the sum of the net future cash flows discounted at a rate of 5.0% for the years ended March 31, 2014 and 2015.

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

(1) The following is a summary of the interest bearing debt as of March 31, 2014 and 2015:

	Average interest rate	Millions of yen		Thousands of U.S. dollars
		2014	2015	2015
Short-term borrowings	1.48%	¥ 300	¥ 300	\$ 2,498
Current portion of long-term debt	1.62%	42,149	56,574	470,979
Current portion of lease obligations	2.73%	312	514	4,279
Straight bond due Nov. 5, 2019	0.44%	—	10,000	83,250
Long-term debt due from 2016 to 2022	1.43%	102,776	56,296	468,665
Lease obligations due from 2016 to 2025	2.81%	2,324	4,561	37,970
Total		<u>¥ 147,861</u>	<u>¥ 128,245</u>	<u>\$ 1,067,641</u>

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

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

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- (2) The annual maturities of straight bonds, long-term debt and lease obligations (excluding the current portion) as of March 31, 2015 were as follows:

Year ending March, 31	Millions of yen				Thousands of U.S. dollars	
	Straight bonds	Long-term debt	Lease obligations	Total	Total	Total
2017	¥ –	¥24,846	¥ 500	¥25,346		\$211,006
2018	–	13,170	467	13,637		113,528
2019	–	13,570	405	13,975		116,342
2020	10,000	1,570	352	11,922		99,251
2021 and thereafter	–	3,140	2,837	5,977		49,759
Total	<u>¥10,000</u>	<u>¥56,296</u>	<u>¥4,561</u>	<u>¥70,857</u>		<u>\$589,885</u>

- (3) The Company has committed lines of credit available for immediate and stable borrowings with certain five financial institutions as of March 31, 2014 and 2015. The lines of credit and unused lines of credit as of March 31, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2014	2015	2014	2015
Line of credit	¥63,000	¥63,000	\$524,476	
Amount utilized	–	–	–	
Unused line of credit	<u>¥63,000</u>	<u>¥63,000</u>	<u>\$524,476</u>	

- (4) One consolidated subsidiary has concluded an overdraft agreement with a financial institution in order to secure stable and flexible procurement of operating funds. The balance of the unexecuted portion as of March 31, 2014 and 2015 based on this agreement were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2014	2015	2014	2015
Overdraft limit	¥1,300	¥1,300	\$10,823	
Amount utilized	–	–	–	
Amount unused	<u>¥1,300</u>	<u>¥1,300</u>	<u>\$10,823</u>	

10. Collateral

- (1) Assets provided as collateral as of March 31, 2014 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars	
	2014	2015	2014	2015
Cash and bank deposits	¥ 1,587	¥ 1,837	\$ 15,293	
Notes and accounts receivable, trade	–	581	4,837	
Costs on uncompleted construction contracts	–	361	3,005	
Real estate for development projects	36,538	39,574	329,454	
Other current assets	238	46	383	
Buildings and structures	10,298	1	8	
Machinery, vehicles, equipment and furniture	90	28	233	
Land	5,808	–	–	
Construction in progress	153	–	–	
Intangible assets	1	0	0	
Investment Securities	7	10	84	
	<u>¥54,720</u>	<u>¥42,438</u>	<u>\$353,297</u>	

Other than the above assets provided as collateral, other current assets of ¥425 million and ¥458 million (\$3,813 thousand) as of March 31, 2014 and 2015, respectively, in the consolidated subsidiaries of Haseko America Inc., which have been eliminated on the consolidated balance sheets, have been provided as collateral for the borrowings related to the real estate development and sale business in Hawaii, U.S.A.

Liabilities with collateral as of March 31, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2014	2015	2014	2015
Current portion of long-term debt	¥ 305	¥ –	\$ –	
Long-term debt	9,667	1,992	16,583	
Guaranteed obligation	566	516	4,296	
	<u>¥10,538</u>	<u>¥2,508</u>	<u>\$20,879</u>	

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

	Millions of yen		Thousands of U.S. dollars	
	2014	2015	2014	2015
Notes and accounts receivable, trade	¥10,328	¥6,885	\$57,318	
Buildings and structures	21	20	166	
	<u>¥10,349</u>	<u>¥6,905</u>	<u>\$57,484</u>	

Liabilities with collateral as of March 31, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2014	2015	2014	2015
Current portion of long-term debt	¥3,232	¥3,232	\$26,906	
Long-term debt	6,465	4,412	36,730	
	<u>¥9,697</u>	<u>¥7,644</u>	<u>\$63,636</u>	

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

- (2014)
Shares of HC Ayasegawa Jutaku Inc. and HC Koganei Jutaku Inc. (¥18 million) owned by Haseko Corporation and Haseko Community Inc.
Loans receivable (¥308 million) lent by Haseko Corporation to HC Ayasegawa Jutaku Inc. and HC Koganei Jutaku Inc.

- (2015)
Shares of HC Ayasegawa Jutaku Inc., HC Koganei Jutaku Inc., and HC Katsushimacho Jutaku Inc. (¥27 million, \$225 thousand) owned by Haseko Corporation and Haseko Community Inc.
Loans receivable (¥443 million, \$3,688 thousand) lent by Haseko Corporation to HC Ayasegawa Jutaku Inc., HC Koganei Jutaku Inc., and HC Koganei Jutaku Inc.

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11. Contingent Liabilities

- (1) The Company was contingently liable for guarantees on bank loans and other guarantees as of March 31, 2014 and 2015 as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Customers using housing loans and other loans to purchase real estate	¥41,914	¥31,526	\$262,454

- (2) Guarantee obligations on repayment of deposits, etc. to credit guarantee companies as of March 31, 2014 was as follows:

	Millions of yen
2014	¥724
Nissho Estem Co., Ltd. etc.	¥724

12. Lease Transactions

- (1) Finance lease transactions

- (a) Details of leased assets

Leased assets are mainly high voltage power collective receiving facilities in the "Service-related Business."

- (b) Depreciation method of leased assets

Please refer to Note2 (7) Summary of Significant Accounting Policies relating depreciations of leased assets.

Finance lease transactions that do not transfer the ownership of leased assets to the lessee as of and for the years ended March 31, 2014 and 2015 were as follows. Finance leased 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 lessor)

The acquisition cost, accumulated depreciation and net book value of the rental assets (machinery and equipment, buildings and structures) as of March 31, 2014 and 2015 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, continue to be accounted for as operating leases:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Acquisition cost	¥14	¥4	\$33
Accumulated depreciation	12	3	25
Net book value	¥ 2	¥1	\$ 8

Outstanding future lease income as of March 31, 2014 and 2015 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Within one year	¥3	¥1	\$8
Over one year	0	-	-
Total	¥3	¥1	\$8

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 income is not significant compared with the total amount of accounts receivable, trade.

Lease income and depreciation for the years ended March 31, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Lease income	¥3	¥3	\$25
Depreciation	2	2	17

- (2) Operating lease transactions

(As lessee)

Outstanding future minimum lease payments under noncancelable operating leases as of March 31, 2014 and 2015 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Within one year	¥1,770	¥1,606	\$13,370
Over one year	5,335	3,965	33,009
Total	¥7,105	¥5,571	\$46,379

(As lessor)

Outstanding future minimum lease income under noncancelable operating leases as of March 31, 2014 and 2015 was summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Within one year	¥ 289	¥ 281	\$2,339
Over one year	834	763	6,352
Total	¥1,123	¥1,044	\$8,691

13. Supplementary Profit and Loss Information

- (1) Sales from construction contracts calculated according to the percentage-of-completion method were ¥310,635 million and ¥400,460 million (\$3,333,833 thousand) for the years ended March 31, 2014 and 2015, respectively.

- (2) Allowance for losses on construction contracts that were included in cost of sales for the years ended March 31, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Construction contract	¥412	¥167	\$1,390
Design and supervision	5	14	117

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(3) Valuation losses on inventories that were included in cost of sales for the years ended March 31, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Real estate	¥ 3,888	¥3,637	\$30,278

(4) Selling, general and administrative expenses for the years ended March 31, 2014 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Salaries and allowances	¥13,694	¥15,259	\$127,031
Provision for bonuses for employees	1,214	1,117	9,299
Provision for bonuses for directors	111	187	1,557
Retirement benefit expenses	722	674	5,611
Provision for doubtful accounts	(65)	8	67
Rent	2,198	2,217	18,457
Depreciation	623	667	5,553
Other	14,028	16,110	134,115
	<u>¥32,525</u>	<u>¥36,239</u>	<u>\$301,690</u>

(5) Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Research and development costs	¥713	¥804	\$6,693

14. Net Assets

(1) Shares issued and treasury stock

Changes in number of shares issued and treasury stock for the year ended March 31, 2014 were as follows:

	Number of shares			
	2013	Increase	Decrease	2014
Shares issued:				
Common stock (Notes 1 and 2)	1,503,971,989	–	1,203,177,592	300,794,397
Preferred stock:				
Class B I (Note 3)	70,000,000	–	64,000,000	6,000,000
Total	<u>1,573,971,989</u>	<u>–</u>	<u>1,267,177,592</u>	<u>306,794,397</u>
Treasury stock:				
Common stock (Notes 4 and 5)	814,601	30,768	670,398	174,971
Preferred stock:				
Class B I (Note 6)	–	24,000,000	24,000,000	–
Total	<u>814,601</u>	<u>24,030,768</u>	<u>24,670,398</u>	<u>174,971</u>

Notes:

- The Company completed a reverse stock split of its common stock and preferred stock, at a ratio of 1 share for 5 shares on October 1, 2013.
- Decrease in common stock of 1,203,177,592 shares due to the reverse stock split.
- Decrease in preferred stock of 64,000,000 shares due to the reverse stock split (40,000,000 shares) and retirement (20,000,000 shares before the reverse stock split, and 4,000,000 shares after the reverse stock split).

- Increase in treasury stock (common stock) of 30,768 shares due to the acquisition of fractional shares (1,339 shares) as a result of the reverse stock split and due to the request by shareholders for purchase of shares less than one standard unit (22,761 shares before the reverse stock split, and 6,668 shares after the reverse stock split, total 29,429 shares)
- Decrease in treasury stock (common stock) of 670,398 shares due to the reverse stock split (669,138 shares) and the request by shareholders for sale of shares less than one standard unit (940 shares before the reverse stock split, and 320 shares after the reverse stock split, total 1,260 shares)
- Increase in and decrease in treasury stock (Class B I preferred stock) of 24,000,000 shares due to repurchase and retirement. (20,000,000 shares before reverse of split, and 4,000,000 shares after reverse stock split)
Details on repurchase and retirement of a portion of Class B I preferred stock during the year ended March 31, 2014 were as follows:

a) Date of repurchase: July 12, 2013
Date of retirement: July 12, 2013
Number of shares: 20,000,000 shares
Redemption price per share: ¥501.90
Aggregate amount: ¥10,038,000,000

b) Date of repurchase: March 24, 2014
Date of retirement: March 24, 2014
Number of shares: 4,000,000 shares
Redemption price per share: ¥2,532.81
Aggregate amount: ¥10,131,240,000

Changes in number of shares issued and treasury stock for the year ended March 31, 2015 were as follows:

	Number of shares			
	2014	Increase	Decrease	2015
Shares issued:				
Common stock	300,794,397	–	–	300,794,397
Preferred stock:				
Class B I (Note 1)	6,000,000	–	6,000,000	–
Total	<u>306,794,397</u>	<u>–</u>	<u>6,000,000</u>	<u>300,794,397</u>
Treasury stock:				
Common stock (Notes 2 and 3)	174,971	7,991	276	182,686
Preferred stock:				
Class B I (Note 4)	–	6,000,000	6,000,000	–
Total	<u>174,971</u>	<u>6,007,991</u>	<u>6,000,276</u>	<u>182,686</u>

Notes:

- Decrease in preferred stock of 6,000,000 shares due to the retirement.
- Increase in treasury stock (common stock) due to the request by shareholders for purchase of shares less than one standard unit.
- Decrease in treasury stock due to the request by shareholders for sale of shares less than one standard unit.
- Increase in and decrease in treasury stock (Class B I preferred stock) of 6,000,000 shares due to repurchase and retirement.
Details on repurchase and retirement of a portion of Class B I preferred stock during the year ended March 31, 2015 was as follows:

Date of repurchase: July 14, 2014
Date of retirement: July 14, 2014
Number of shares: 6,000,000 shares
Redemption price per share: ¥2,515.14 (\$20,939)
Aggregate amount: ¥15,090,840,000 (\$125,631,369)

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(2) Dividends

(a) Dividends paid In the year ended March 31, 2015

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, 2014	Common stock	¥ 902	¥ 3.00	March 31, 2014	June 30, 2014
	Preferred stock: Class B I	¥ 201	¥33.45	March 31, 2014	June 30, 2014
	Total	¥1,103	—	—	—

(b) Dividends with the cut-off date in the year ended March 31, 2015 and the effective date in the year ending March 31, 2016

Resolution	Type of shares	Total amount of dividend (Millions of yen)	(Thousands of U.S. dollars)	Dividend per share (Yen)	(U.S. dollars)	Record date	Effective date
Annual meeting of shareholders on June 26, 2015	Common stock	¥3,006	\$25,025	¥10.00	\$0.08	March 31, 2015	June 29, 2015

15. Cash and Cash Equivalents

(1) A reconciliation between cash and cash equivalents on the consolidated statements of cash flows and the cash and bank deposits on the consolidated balance sheets as of March 31, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Cash and bank deposits	¥138,382	¥134,187	\$1,117,108
Time deposits pledged as collateral	(202)	(202)	(1,682)
Saving accounts for insurance agency	(491)	(422)	(3,513)
Cash and cash equivalents	¥137,689	¥133,563	\$1,111,913

(2) Newly recognized assets and liabilities relating to finance lease transactions, which are considered significant non-cash transactions, as of March 31, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Assets	¥2,132	¥2,707	\$22,536
Liabilities	2,209	2,880	23,976

16. Derivative Transactions

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

Hedge accounting method	Hedging instrument	Hedged item	As of March 31, 2014		
			Notional amount	Of which, maturing after one year	Fair value
(Millions of yen)					
Special treatment of interest rate swaps	Interest rate swap transaction Pay fixed / Receive floating	Long-term debt	¥75,334	¥42,797	(Note)
As of March 31, 2015					
Hedge accounting method	Hedging instrument	Hedged item	Notional amount	Of which, maturing after one year	Fair value
(Millions of yen)					
Special treatment of interest rate swaps	Interest rate swap transaction Pay fixed / Receive floating	Long-term debt	¥53,297	¥25,721	(Note)
(Thousands of U.S. dollars)					
			\$443,698	\$214,128	

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

There were no derivative transactions for which hedge accounting was not applied as of March 31, 2014 and 2015.

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17. Retirement Benefit Plan

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

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

(1) The changes in the retirement benefit obligation during the year ended March 31, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Balance at the beginning of the year	¥46,980	¥48,703	\$405,453
Cumulative effect of change in accounting principle	–	(3,642)	(30,320)
Restated balance at the beginning of the year	46,980	45,061	375,133
Service costs	2,068	2,439	20,305
Interest costs	649	442	3,680
Actuarial loss	352	(3,821)	(31,810)
Retirement benefit paid	(1,558)	(2,191)	(18,240)
Other	212	–	–
Balance at the end of the year	<u>¥48,703</u>	<u>¥41,930</u>	<u>\$349,068</u>

(2) The changes in plan assets during the year ended March 31, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Balance at the beginning of the year	¥35,840	¥39,452	\$328,438
Expected return on plan assets	1,062	1,168	9,724
Actuarial loss	1,456	2,805	23,352
Contributions by the Company	2,128	2,167	18,040
Retirement benefits paid	(1,539)	(2,171)	(18,074)
Other	505	532	4,429
Balance at the end of the year	<u>¥39,452</u>	<u>¥43,953</u>	<u>\$365,909</u>

(3) The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2014 and 2015:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Funded retirement benefit obligation	¥ 48,125	¥ 41,368	\$ 344,389
Plan assets at fair value	(39,452)	(43,953)	(365,909)
	8,673	(2,585)	(21,520)
Unfunded retirement benefit obligation	578	562	4,679
Net liability for retirement benefits in the balance sheets	9,251	(2,023)	(16,841)
Liability for retirement benefits	9,372	562	4,679
Asset for retirement benefits	(121)	(2,585)	(21,520)
Net liability for retirement benefits in the balance sheets	<u>¥ 9,251</u>	<u>¥ (2,023)</u>	<u>\$ (16,841)</u>

(4) The components of retirement benefit expense for the years ended March 31, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Service cost	¥1,607	¥ 1,991	\$16,575
Interest cost	649	442	3,680
Expected return on plan assets	(1,062)	(1,168)	(9,724)
Amortization of actuarial loss	841	624	5,195
Amortization of prior service cost	(441)	(441)	(3,671)
Amortization of transition amount	216	215	1,790
Retirement benefit expense	<u>¥1,810</u>	<u>¥ 1,663</u>	<u>\$13,845</u>

Notes:

- Service cost does not include the amounts contributed by employees with respect to welfare pension fund plans.
- Retirement benefit expenses for consolidated subsidiaries adopting the simplified method which assumes retirement benefit obligation to be equal to the benefits payable as if all eligible employees voluntarily terminated their employment at fiscal year-end are included in "Service cost."

(5) The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Actuarial loss	¥–	¥ (441)	\$ (3,671)
Prior service cost	–	7,250	60,356
Transition amount	–	216	1,798
Total	<u>¥–</u>	<u>¥7,025</u>	<u>\$58,483</u>

(6) Unrecognized prior service cost, unrecognized actuarial loss and unrecognized transition amount included in other comprehensive income (before tax effect) for the years ended March 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Unrecognized prior service cost	¥(2,662)	¥(2,221)	\$ (18,490)
Unrecognized actuarial loss	9,994	2,743	22,835
Unrecognized transition amount	215	–	–
Total	<u>¥ 7,547</u>	<u>¥ 522</u>	<u>\$ 4,345</u>

(7) The fair value of plan assets, by major category, as a percentage of total plan assets as of March 2014 and 2015 were as follows:

	2014	2015
	Bonds	45%
Stocks	32%	28%
Other	23%	27%
Total	<u>100%</u>	<u>100%</u>

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

Consolidated Financial Statements

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

	2014	2015
Discount rates	0.4% - 1.4%	0.4% - 1.4%
Expected rates of return on plan assets	3.0%	3.0%

(9) Multi-employer pension plan

Required amount of contribution, which accounted in the same way as defined contribution plan for the years ended March 31, 2014 and 2015 were ¥54 million and ¥58 million, respectively. Immediate funded status was as follows:

	Millions of yen	
	2013	2014
Pension assets	¥ 43,334	¥46,497
Total of the amount of actuarial obligations under pension funding program and minimum policy reserves	54,475	56,038
Difference	¥(11,141)	¥(9,541)

The average contribution ratios to total contributions made to all plans for the years ended March 31, 2014 and 2015 were 2.52% and 2.70%, respectively. This ratio does not accord with the real contribution ratio of the Company group.

The difference of ¥11,141 and ¥9,541 as described above was due to prior service cost under pension funding programs (¥11,140 million and ¥10,965 million, respectively) and insufficient carried forward (¥0 million for the year ended March 31, 2014), and special reserved funded (¥1,424 million for the year ended March 31, 2015).

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

18. Income Taxes

(1) The significant components of deferred tax assets and liabilities as of March 31, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Deferred tax assets:			
Allowance for doubtful accounts	¥ 373	¥322	\$2,681
Warranty	1,100	1,074	8,941
Accrued bonuses for employees	1,218	1,117	9,299
Liability for retirement benefits	3,416	118	982
Valuation loss on real estate for sale	14,911	14,072	117,150
Impairment loss on fixed assets	1,173	1,024	8,525
Valuation loss on investment securities	3,056	2,798	23,293
Tax loss carry forwards	28,924	16,863	140,385
Other	1,894	2,396	19,947
Sub-total	56,065	39,784	331,203
Loss: Valuation allowance	(30,786)	(27,132)	(225,874)
Total deferred tax assets	25,279	12,652	105,329
Deferred tax liabilities:			
Unrealized gain on other securities	(920)	(1,132)	(9,424)
Other	(721)	(1,214)	(10,107)
Total deferred tax liabilities	(1,641)	(2,346)	(19,531)
Net deferred tax assets	¥23,638	¥10,306	\$85,798

Notes:

- Valuation loss on real estate for sale includes ¥486 million and ¥2,904 million (\$24,176 thousand) for the years ended March 31, 2014 and 2015, respectively, for properties that were reclassified from "Current Assets" to "Property and Equipment" following a change in holding purpose.
- The net deferred tax as of March 31, 2014 and 2015 were classified as follows in the consolidated balance sheets:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Current assets – Deferred tax assets	¥ 9,346	¥ 9,398	\$ 78,238
Investments and other assets – Long-term deferred tax assets	15,933	3,255	27,098
Current liabilities – Deferred tax liabilities	–	(12)	(100)
Long-term liabilities – Other long-term liabilities	(1,641)	(2,334)	(19,431)

(2) The reconciliation of the statutory tax rate to the effective income tax rate for the years ended March 31, 2014 and 2015 were as follows:

	2014	2015
Statutory tax rate	38.0%	35.6%
(Adjustment)		
Non-deductible expenses	1.3	0.9
Permanent non-taxable items	(0.1)	(0.8)
Per capita inhabitant tax	0.3	0.3
Change in valuation allowances	(20.3)	(4.7)
Change in tax rates	1.7	3.4
Tax credit for salary growth	–	(0.9)
Other	(1.8)	(1.4)
Effective income tax rate	19.1%	32.4%

The "Act for Partial Amendment of the Income Tax Act, etc." (Act No.9 of 2015) and the "Act for Partial Amendment of the Local Tax Act, etc." (Act No.2 of 2015) were promulgated on March 31, 2015. As a result, the effective statutory tax rate used to measure the Company's deferred tax assets and liabilities was changed from 35.6% to 33.1% and 32.3% for the temporary differences expected to be realized or settled in the year beginning April 1, 2015 and for the temporary differences expected to be realized or settled from April 1, 2016, respectively.

The effect of the announced reduction of the effective statutory tax rate was to decrease deferred income tax expense by ¥1,311 million (\$10,914 thousand) and increase deferred income tax expense by ¥1,441 million (\$11,996 thousand), unrealized holding gain(loss) on securities by ¥112 million (\$932 thousand), and decrease retirement benefits liability adjustments by ¥17 million (\$142 thousand) as of and for the year ended March 31, 2015.

The maximum limit of tax loss carry forwards was also changed to 65% of taxable income before application of loss carried forward from the year beginning April 1, 2015, and to 50% of taxable income before application of loss carried forward from the year beginning April 1, 2017. This change had no impact on the consolidated financial statements.

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19. Per Share Information

(1) Per share information as of and for the years ended March 31, 2014 and 2015 were as follows:

	Yen		U.S. dollars
	2014	2015	2015
Net assets per share	¥346.17	¥478.45	\$3.98
Net income per share			
Basic	81.36	94.64	0.79
Diluted	67.98	92.90	0.77

The Company completed a reverse stock split of its common stock and Class B1 preferred stocks, at ratio of 1 share for 5 shares on October 1, 2013.

Net assets per share, net income per share and diluted net income per share as of and for the year ended March 31, 2014 were calculated under the assumption that the reverse stock split took place at April 1, 2013.

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

(a) Basic net income per share

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Net income	¥24,830	¥28,542	\$237,612
Net income not attributable to common shareholders			
Preferred stock (Class B 1)			
Preferred dividend	201	—	—
Difference between the redemption amount and the issued amount of preferred stock	169	91	758
Net income attributable to common shareholders	¥24,460	¥28,451	\$236,855
Weighted average number of shares outstanding (thousands of shares)	300,626	300,615	

(b) Diluted net income per share

Diluted net income per share is computed assuming preferred dividend and full dilution of the following common stock equivalents:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Preferred dividend:			
Preferred stock (Class B 1)	¥201	¥ —	\$ —
Difference between redemption amount and the issued amount of preferred stock			
Preferred stock (Class B 1)	169	91	758
Diluted net income	¥370	¥91	\$758
Increase in common stock: (thousands of shares)			
Preferred stock (Class B 1)	64,638	6,616	

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

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Net assets	¥119,472	¥144,089	\$1,199,542
Amount not attributable to common shareholders:			
Preferential distribution of residual property	15,000	—	—
Preferred dividend	201	—	—
Minority interests	207	261	2,173
Net assets attributable to common shareholders	¥104,064	¥143,828	\$1,197,369

20. Segment Information

Overview of segment information

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

The Company revised the classification of its three reportable segments from "Design and Construction-Related Business," "Real Estate-Related Business" and "Residential Property-Related Service Business" to "Construction-Related Business," which primarily targets the market for new housing, etc., "Service-Related Business," which is centered on the market for existing residences, etc. and the "Overseas-Related Business," which engages in the development and sales of real estate overseas.

This change is due to a review of the business segments in line with the Company's new medium-term business plan "newborn HASEKO Step Up Plan (NBs Plan)" launched in the fiscal year ended March 31, 2015.

The main changes include the establishment of the "Construction-Related Business" that combines the conventional "Design and Construction-Related Business" and real estate transactions involving construction orders mainly for new condominiums, etc., and the establishment of the "Service-Related Business" that combines consignment sales of condominiums, real estate brokerage, and condominium renovations, etc. mainly for consumers. Furthermore, the overseas business, which had been included in "Other Business Segments," was incorporated into a single segment, the "Overseas-Related Business."

The segment information of the previous year ended March 31, 2014 has been reclassified in line with the revised group of segmentation.

The accounting policies of the segments are substantially the same as those described in Note 2, "Summary of Significant Accounting Policies." Segment performance is evaluated based on operating income or loss. Intersegment sales amounts are determined based on market price.

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1. Reportable segment information for the years ended March 31, 2014 and 2015 were as follows:

Millions of yen						
2014						
Reportable segments						
Sales, income or loss and assets by reportable segments	Construction-related business	Service-related business	Overseas-related business	Total	Adjustments and eliminations (Note)	Consolidated
Sales to third parties	¥449,600	¥125,395	¥12,576	¥587,571	¥ –	¥587,571
Inter-segment sales and transfers	2,427	5,550	–	7,977	(7,977)	–
Net sales	452,027	130,945	12,576	595,548	(7,977)	587,571
Segment income (loss)	21,425	8,637	(406)	29,656	(818)	28,838
Segment assets	¥202,776	¥120,847	¥40,342	¥363,965	¥93,443	¥457,408
Other items						
Depreciation and amortization	¥ 958	¥ 1,183	¥133	¥ 2,274	¥(18)	¥ 2,256
Investment in equity-method affiliates	1,151	–	8	1,159	–	1,159
Capital expenditures	473	10,710	112	11,295	(27)	11,268

Millions of yen						
2015						
Reportable segments						
Sales, income or loss and assets by reportable segments	Construction-related business	Service-related business	Overseas-related business	Total	Adjustments and eliminations (Note)	Consolidated
Sales to third parties	¥487,706	¥134,612	¥19,849	¥642,167	¥ –	¥642,167
Inter-segment sales and transfers	1,503	5,138	–	6,641	(6,641)	–
Net sales	489,209	139,750	19,849	648,808	(6,641)	642,167
Segment income (loss)	36,532	7,664	(687)	43,509	(811)	42,698
Segment assets	¥224,861	¥127,159	¥43,960	¥395,980	¥80,934	¥476,914
Other items						
Depreciation and amortization	¥ 515	¥1,599	¥83	¥2,197	¥(17)	¥2,180
Investment in equity-method affiliates	1,651	–	9	1,660	–	1,660
Capital expenditures	3,408	3,484	92	6,984	(1)	6,983

Thousands of U.S. dollars						
2015						
Reportable segments						
Sales, income or loss and assets by reportable segments	Construction-related business	Service-related business	Overseas-related business	Total	Adjustments and eliminations (Note)	Consolidated
Sales to third parties	\$4,060,157	\$1,120,646	\$165,243	\$5,346,046	\$ –	\$5,346,046
Inter-segment sales and transfers	12,512	42,774	–	55,286	(55,286)	–
Net sales	4,072,669	1,163,420	165,243	5,401,332	(55,286)	\$5,346,046
Segment income (loss)	304,129	63,803	(5,719)	362,213	(6,752)	355,461
Segment assets	\$1,871,970	\$1,058,600	\$365,967	\$3,296,537	\$673,776	3,970,313
Other items						
Depreciation and amortization	\$ 4,287	\$13,312	\$692	\$18,291	\$(142)	\$18,149
Investment in equity-method affiliates	13,745	–	75	13,820	–	13,820
Capital expenditures	28,372	29,004	766	58,142	(8)	58,134

Notes:

1) Adjustments and eliminations are as follows:

(2014)

(1) Adjustments and eliminations for segment income (loss) include ¥58 million of elimination of inter-segment transactions and ¥760 million of corporate expenses, which are not allocable to the reportable segments. These corporate expenses mainly consist of general and administrative expenses not attributable to reportable segments.

(2) Adjustment and eliminations for segment assets include ¥3,402 million of elimination of receivables stemming from inter-segment transactions and ¥96,845 million of corporate assets. Corporate assets are primarily comprised of cash and bank deposits of the Company.

(2015)

(1) Adjustments and eliminations for segment income (loss) include ¥19 million (\$158 thousand) of elimination of inter-segment transactions and ¥792 million (\$6,593 thousand) of corporate expenses, which are not allocable to the reportable segments. These corporate expenses mainly consist of general and administrative expenses not attributable to reportable segments.

(2) Adjustment and eliminations for segment assets include ¥2,536 million (\$21,112 thousand) of elimination of receivables stemming from inter-segment transactions and ¥83,470 million (\$694,888 thousand) of corporate assets. Corporate assets are primarily comprised of cash and bank deposits of the Company.

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

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2. Impairment loss on fixed assets by reportable segments for the years ended March 31, 2014 and 2015 were summarized as follows:

<i>Millions of yen</i>						
2014						
Reportable segments						
	Construction-related business	Service-related business	Overseas-related business	Total	Adjustments and eliminations	Consolidated
Impairment loss on fixed assets	¥530	¥67	¥-	¥597	¥-	¥597

<i>Millions of yen</i>						
2015						
Reportable segments						
	Construction-related business	Service-related business	Overseas-related business	Total	Adjustments and eliminations	Consolidated
Impairment loss on fixed assets	¥2	¥185	¥-	¥187	¥-	¥187

<i>Thousands of U.S. dollars</i>						
2015						
Reportable segments						
	Construction-related business	Service-related business	Overseas-related business	Total	Adjustments and eliminations	Consolidated
Impairment loss on fixed assets	\$17	\$1,540	\$-	\$1,557	\$-	\$1,557

3. The following table presents the amortization and balance of goodwill as of and for the years ended March 31, 2014 and 2015 by reportable segment:

<i>Millions of yen</i>						
2014						
Reportable segments						
	Construction-related business	Service-related business	Overseas-related business	Total	Adjustments and eliminations	Consolidated
Amortization	¥-	¥ 659	¥-	¥ 659	¥-	¥ 659
Balance as of March 31	¥-	¥9,870	¥-	¥9,870	¥-	¥9,870

<i>Millions of yen</i>						
2015						
Reportable segments						
	Construction-related business	Service-related business	Overseas-related business	Total	Adjustments and eliminations	Consolidated
Amortization	¥-	¥ 939	¥-	¥ 939	¥-	¥ 939
Balance as of March 31	¥-	¥8,931	¥-	¥8,931	¥-	¥8,931

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Thousands of U.S. dollars

	2015					
	Reportable segments				Adjustments and eliminations	Consolidated
	Construction-related business	Service-related business	Overseas-related business	Total		
Amortization	\$-	\$ 7,817	\$-	\$ 7,817	\$-	\$ 7,817
Balance as of March 31	\$-	\$74,351	\$-	\$74,351	\$-	\$74,351

4. Information by product and service

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

5. Geographical information

(1) Net sales

Net sales information is omitted since net sales to external customers in Japan exceeds 90% of net sales recorded in the consolidated statements of income for the years ended March 31, 2014 and 2015.

(2) Property and equipment

Property and equipment information is omitted, since the amount of property and equipment located in Japan exceeds 90% of the amount of property and equipment recorded in the consolidated balance sheets as of March 31, 2014 and 2015.

6. Information by major customers

Information by major customers is omitted, as net sales to any one specific customer were less than 10% of net sales recorded in the consolidated statements of income for the years ended March 31, 2014 and 2015.

21. Other Comprehensive Income

Reclassification adjustments and tax effects on components of other comprehensive income for the years ended March 31, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Net unrealized gain on other securities:			
Amount arising during the year	¥ 664	¥906	\$7,542
Reclassification adjustments for gains (losses) recognized in net income	-	-	-
Amount before tax effect	664	906	7,542
Tax effect	(238)	(212)	(1,764)
Net unrealized gain on other securities	426	694	5,778
Translation adjustments:			
Amount arising during the year	5,906	4,620	38,462
Retirement benefits liability adjustments:			
Amount arising during the year	-	6,627	55,170
Reclassification adjustments for gains (losses) recognized in net income	-	398	3,313
Amount before tax effect	-	7,025	58,483
Tax effect	-	(2,521)	(20,987)
Retirement benefit liability adjustments	-	4,504	37,496
Share of other comprehensive income of affiliates accounted for by the equity method:			
Amount arising during the year	6	19	158
Total other comprehensive income (loss)	¥6,338	¥9,838	\$81,901

22. Subsequent Event

Share acquisition of SOHGOH REAL ESTATE CO., LTD.

The Company and Fuji Kensetsu Co., Ltd., a subsidiary of the Company, entered into an agreement on April 23, 2015 to acquire all shares of SOHGOH REAL ESTATE CO., LTD, and completed the procedures for the share acquisition on May 28, 2015.

1. Reason for share acquisition

The Haseko Group operates a variety of condominium-related businesses, setting the three major metropolitan areas of Japan as its main trade areas. In particular, it positions the construction related business, which primarily targets the market for new housing, etc., and the service-related business including the condominium management business, which is centered on the market for existing residences, etc., as the two pillars of its business and is building on these to further expand revenues.

On the other hand, the SOHGOH REAL ESTATE Group sells condominiums within its for-sale condominium business in the Tokyo metropolitan area and the Kinki area under its "Renai Series" brand. Moreover, the SOHGOH REAL ESTATE Group is engaged in such businesses as real estate solutions, rental apartment management, condominium management (SOHGOH HOUSING SERVICE Co., Ltd.) and asset management (Sohgoh Real Estate Investment Management Co., Ltd.). As such, the SOHGOH REAL ESTATE Group has proprietary know-how in relation to condominiums.

The Company determined that the two Groups can achieve extensive synergies in a variety of businesses relating to condominiums, and resolved to acquire the shares of SOHGOH REAL ESTATE.

2. Sellers

Goban Investments Ltd.
GINSEN CO., LTD.
Stracs Co., Ltd.
Sanoyas Rides Corporations
Sumitomo Mitsui Banking Corporation

3. Overview of company acquired

- (1) Company name: SOHGOH REAL ESTATE CO., LTD.
- (2) Line of business: Real estate sales, real estate solutions and condominium management businesses
- (3) Paid in capital: 5,644 million yen

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4. Date of share acquisition
May 28, 2015

5. Number of shares acquired, acquisition price, and ownership ratio

(1) Number of shares acquired 280,000 shares

(2) Acquisition price

The determination of the acquisition price was calculated using the discounted cash flow method and other methods based on estimation of future cash flows for the respective businesses. Discussions were held with the holders of the shares regarding

SOHGOH REAL ESTATE's financial condition, in consideration of market valuations, appraisal value, investment returns and other factors in relation to its real estate business and based on the results of due diligence procedures conducted by external experts (for financial, tax and legal matters) concerning the acquiree's assets and liabilities, etc. As a result, the acquisition price was determined through these procedures and immaterial.

(3) Ownership of shares 99.91%

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Independent Auditor's Report

The Board of Directors
HASEKO Corporation

We have audited the accompanying consolidated financial statements of HASEKO Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2015, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of HASEKO Corporation and its consolidated subsidiaries as at March 31, 2015, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

We draw attention to Note 22 to the consolidated financial statements, which describe The Company and Fuji Kensetsu Co., Ltd., a subsidiary of the Company made a contract on April 23, 2015 to acquire all shares of SOHGOH REAL ESTATE CO., LTD, and completed all procedure of share acquisition on May 28, 2015. Our opinion is not qualified in respect of this matter.

Convenience Translation

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

June 26, 2015
Tokyo, Japan

Ernst & Young ShinNihon LLC

History

Dec. 1974

Completed construction of headquarters building, "Akasaka Long Beach Bldg.," in Akasaka, Minato-ku Tokyo and transferred headquarters there

Dec. 1973

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

Dec. 1970

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

Jul. 1970

Completed construction of "Nissho Iwai Shiroganedai Condominium," the first condominium Haseko constructed in Tokyo Metropolitan Area

Feb. 1969

Completed construction of "Ashiya Matsuhama Heights," the first condominium Haseko constructed

Apr. 1965

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

Aug. 1953

Transferred headquarters to Osaka

Feb. 1951

Opened Tokyo branch Office

Aug. 1946

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

Feb. 1937

Established Hasegawa Komuten in Amagasaki-shi, Hyogo



1969 Ashiya Matsuhama Heights

● The first condominium constructed by Haseko

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

Oct. 1992

Completed construction of "Acro City Towers," a 32-storied skyscraper condominium

Jan. 1989

Completed "Century City Omiya Koen," a condominium with services for elder people

Oct. 1988

Changed corporate name to HASEKO Corporation

Jan. 1981

Completed construction of "Shiba Head Office Building" in Shiba, Minato-ku, Tokyo and transferred headquarters there



1984 Palais Royal Ashiya-Midorigaoka

● The first rebuilt condominium



1977 Palais Royal Nagatacho

● High-grade condominium

Jul. 2001

Obtained ISO 14001 certification, a international standard for environmental management, in Kansai area

Dec. 2000

Completed construction of "House Solana," Haseko's first skeleton-infill housing

Mar. 1999

Finished "Hills Kugahara," a large-scale replacement project

Dec. 1998

Achieved construction of accumulated 300,000 units of condominiums

332,702

346,464

363,199

Jul. 1997

Obtained ISO 9001 certification, an international standard for quality control and quality assurance system, in Kansai area for design and construction of multi-family dwellings

Mar. 1997

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

209,116

95,880

Accumulated number of condominium units constructed by Haseko

35,763

2,924



1992 Acrocity Towers

● The first ultra-skyscraper condominium

~1970 ~1975 ~1980 ~1990 ~2000 ~2001 ~2002

History

Mar. 2006

Completed "Obel Grandio Haginaka," Japan's first rebuilding of a condominium applying the Revised Condominium Unit Ownership Act

Nov. 2005

Completed the "Shirokane Urban Renewal Project" in Shirokane, Minato-ku, Tokyo, that harmonized living, commercial and industrial settings

Mar. 2005

Participated in the reuse business and opened the first "KASIKOSH" store, a recycle shop

Sep. 2003

Completed the "Urayasu AMC Project," an advanced multi-purpose urban development project

Apr. 2003

Established "Haseko Anesis Corporation," a service-related new subsidiary

Mar. 2003

Started operation of "Century City Kita Urawa," a paid care house for elderly people

Oct. 2001

Obtained ISO 14001 certification, a international standard for environmental management, in Tokyo area



2004 Fukasawa House

● The first introduction of disaster prevention sets

Jul. 2011

Completed construction of "BRANCHERA Suitakatayamakoen," a 10-storied condominium with 114 units, that was certified as "long-life, high-quality housing"

Jun. 2011

Achieved construction of a cumulative total of 500,000 condominium units

May 2011

Completed construction of "BRANCHERA Urawa," a 18-storied condominium with 69 units, that was certified as "long-life, high-quality housing"

Jun. 2009

Obtained certification as "long-life, high-quality housing" for the two projects of "BRANCHERA Urawa" and "BRANCHERA Suitakatayamakoen" -the first such certification in Japan for for-sale condominiums

Mar. 2009

Completed construction of "The Kitahama," a 54-storied condominium with 465 units built on the former site of a department store in Kitahama, Osaka

Nov. 2006

Created "Sakura no Sato," a large-scale new town



2009 The Kitahama

● 54-storied ultra-skyscraper condominium

Mar. 2013

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

Nov. 2013

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

Jul. 2012

Established "Haseko Real Estate Inc.," a comprehensive real estate brokerage subsidiary



2011 BRANCHERA Suitakatayamakoen

● Long-life, high-quality housing



2011 BRANCHERA Urawa

● Long-life, high-quality housing

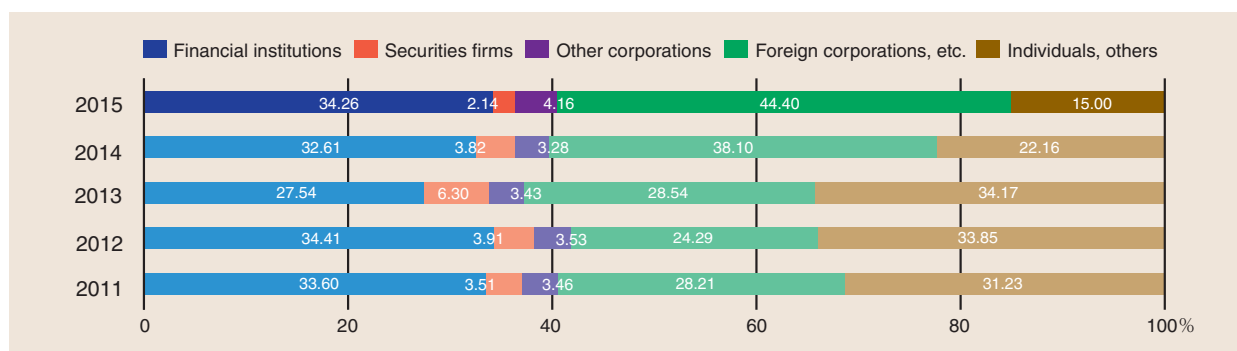
~2003 ~2004 ~2005 ~2006 ~2007 ~2008 ~2009 ~2010 ~2011 ~2012 ~2013 ~2014 ~June 2015

Share overview (As of March 31, 2015)

Total shares authorized to issue:	Common stock	420 million shares
	Preferred stock	14 million shares
Outstanding shares:	Common stock	300 million shares
Shareholders:	Common stock	46,832 parties

Note 1. Shares of less than million shares have been cut off prior to being displayed.
 2. As of June 26, 2015, the Company modified its Articles of Incorporation, fully deleting the total shares authorized to issue for Class B preferred stock.
 3. Common stocks do not include fractional shares of less than the share unit.

Composition of shareholders (As of March 31, 2015)



Principal shareholders (As of March 31, 2015)

Common stock

Shareholder	Shares (1,000 shares)	Voting rights (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	21,342	7.11
Japan Trustee Services Bank, Ltd. (Trust account)	18,513	6.17
MSCO CUSTOMER SERVICES	13,719	4.57
Resona Bank, Limited	12,609	4.20
Japan Trustee Services Bank, Ltd. (Trust account 9)	10,813	3.60
STATE STREET BANK AND TRUST COMPANY 505225	7,265	2.42
Sumitomo Realty & Development Co., Ltd.	7,152	2.38
NORTHERN TRUST CO. (AVFC) RE 15PCT TREATY ACCOUNT	6,990	2.32
CBNY-GOVERNMENT OF NORWAY	6,546	2.18
Mizuho Bank, Ltd.	6,305	2.10

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

Changes in Stock Price

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

Accounting period	Fiscal year ended March 2011	Fiscal year ended March 2012	Fiscal year ended March 2013	Fiscal year ended March 2014	Fiscal year ended March 2015
Highest	101	72	100	167 860*	1,198
Lowest	47	44	45	80 584*	604

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

Overview *(As of March 31, 2015)*

Name:

Haseko Corporation

Founded:

February 1937

Established:

August 1946

Paid-in capital:

57,500 million yen

Number of employees:

2,146 (Non-consolidated)

5,379 (Consolidated)

Stock exchange listing:

Tokyo Stock Exchange 1st section,
Osaka Securities Exchange 1st section

Ticker code:

1808

Shares per trading units:

100 shares

Head office:

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

Kansai office:

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

Saitama branch:

8-1 Shimocho 1-chome, Omiya-ku, Saitama-shi

Yokohama branch:

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

Nagoya branch:

1-8 Sakae 4-chome, Naka-ku, Nagoya

Kyoto branch:

734 Higashishiokouji-cho, Karasuma-dori,
Shichijou-kudaru, Shimogyo-ku, Kyoto-shi

Hanoi Representative Office:

1 floor, 1C, Ngo Quyen Street, Hoan Kiem District,
Hanoi, Vietnam

Technical research institute:

2968 Nishikata, Koshigaya-shi, Saitama

Number of consolidated subsidiaries:

46

Number of companies accounted for by the equity method:

2

Transfer agent and registrar:

Mitsubishi UFJ Trust and Banking Corporation

Independent auditor:

ERNST & YOUNG SHIN NIHON

Principal consolidated subsidiaries

Haseko Anesis Corporation

Main business: Interior design, recycling and marketing
32-1 Shiba 2-chome, Minato-ku, Tokyo

Haseko Community, Inc.

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

Haseko Livenet, Inc.

Main business: Leasing management and operation of condominiums, and consulting service
31-19 Shiba 2-chome, Minato-ku, Tokyo

Haseko Reform Inc.

Main business: Renovation, repair and reform of condominiums
29-14 Shiba 2-chome, Minato-ku, Tokyo

Century Life, Co., Ltd.

Main business: Management of paid care housing for the elderly and consulting service
2-3 Shiba 4-chome, Minato-ku, Tokyo

Seikatsu Kagaku Un-Ei Co., Ltd.

Main business: Planning, operation and other services for paid facilities for the elderly, housing for the elderly and multi-generation homes
2-3 Shiba 4-chome, Minato-ku, Tokyo

Haseko Urbest, Inc.

Main business: Commissioned selling of new for-sale condominiums
7-17 Shiba 2-chome, Minato-ku, Tokyo

Haseko Real Estate, Inc.

Main business: Brokering of real estate
31-19 Shiba 2-chome, Minato-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 Kaimalie Street, #205 Ewa Beach, Hawaii 96706, U.S.A.

