Oji Asukayama The First Tower & Residence

ANNUAL REPORT 2016

For the Year Ended March 31, 2016

HASEKO Corporation

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 590,000 condominium units and established itself as a leading condominium contractor in Japan.

At present, the Haseko Group is 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. Following the policy, Haseko has directed 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. By doing so, Haseko is creating an unprecedented “urban-type” service business.

Contents

Cover photos

Oji Asukayama The First Tower & Residence (Kita Ward, Tokyo; 230 units)
A station-front project, the property is a one-minute walk from Oji Station on the JR Line and offers a full view of Asukayama Park. The tower building, which incorporates a seismic control structure in preparation for earthquakes and large-scale disasters, has 29 stories above ground, demonstrating itself as the highest skyscraper in the area.

■ 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.

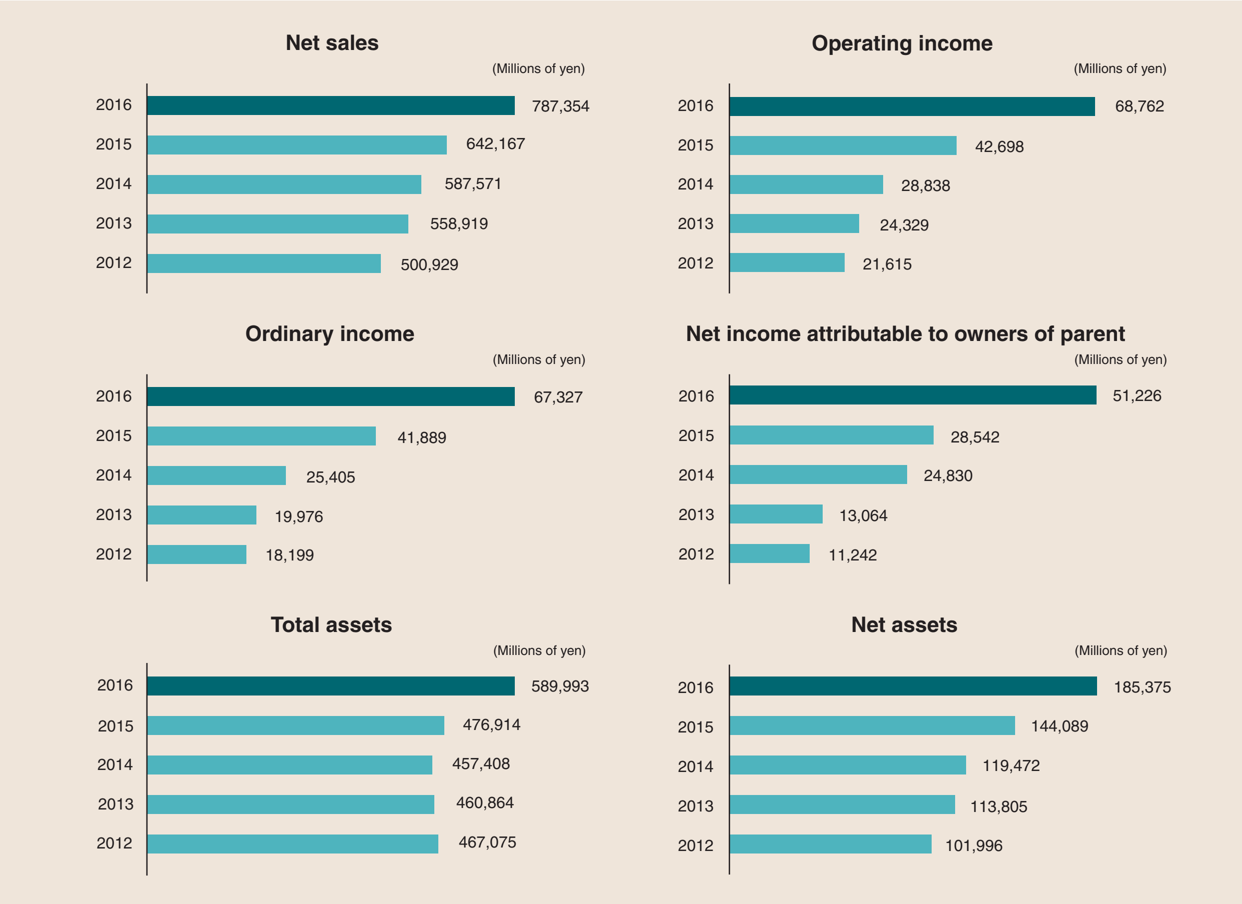
Financial Highlights

Haseko Corporation and its Consolidated Subsidiaries

(Years ended March 31, 2012, 2013, 2014, 2015 and 2016)

	Millions of Yen					Thousands of U.S. Dollars
	2012	2013	2014	2015	**2016**	**2016**
For the Year:						
Net sales	¥500,929	¥558,919	¥587,571	¥642,167	**¥787,354**	**$6,987,522**
Operating income	21,615	24,329	28,838	42,698	**68,762**	**610,241**
Ordinary income	18,199	19,976	25,405	41,889	**67,327**	**597,506**
Net income attributable to owners of parent	11,242	13,064	24,830	28,542	**51,226**	**454,615**
At Year-end:						
Total assets	¥467,075	¥460,864	¥457,408	¥476,914	**¥589,993**	**$5,236,005**
Net assets	101,996	113,805	119,472	144,089	**185,375**	**1,645,146**
	Yen					U.S. Dollars
Per Share Data:						
Net income attributable to owners of parent	¥ 7.05	¥ 41.72	¥ 81.36	¥ 94.64	**¥170.41**	**$1.51**
Net assets	40.76	259.89	346.17	478.45	**615.21**	**5.46**

Notes: 1) The U.S. Dollars amounts represent translation of yen amount at the rate of ¥112.68 = U.S. $1.00, the exchange rate at March 31, 2016.
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 2016, the Japanese economy had been impacted since 2015 by the stagnant emerging economies and falling crude oil prices, among other factors. On top of these, such events as a plunge in the stock prices since the beginning of 2016, a shift to stronger yen, and turmoil in the financial market due to the introduction of a negative interest rate, have obscured the prospects of the economy going forward. Under such circumstances, the condominium market remained weak in the face of various reasons for uneasiness, with new supply dropping to the 30,000 units level in the Tokyo metropolitan area for the first time since fiscal 2009 (when the figure was 37,765 units) and falling below 20,000 units in the Kinki area for two consecutive years, standing at 38,139 units, or down 14.4% (on a year-on-year basis; the same applies hereafter), for the former and 18,374 units, or down 7.4%, for the latter. In terms of sales, the initial month sales rate was 72.7% (down 1.9 points) in the Tokyo metropolitan area and 71.8% (down 3.4 points) in the Kinki area, falling subsequent to a drop in the previous year. Although the number of for-sale units being marketed as of the end of March 2016, which indicates the inventory situation, increased to 6,039 units (up 15.7%) in the Tokyo metropolitan area, the figure remained flat at 2,275 units (up 0.4%) in the Kinki area.

While the condominium market remained on a low tone, in the fiscal year under review which represents the second year of the “newborn HASEKO Step Up Plan” (Plan NBs), our new medium-term business plan, the Haseko Group saw even better performance in the condominium construction works of the Construction-Related Business compared to the previous fiscal year. With the properties to construct becoming larger in scale, among other factors, the construction profitability upon receiving orders and the gross profit margin of construction contracts completed in the fiscal year both improved, leading to achievement of record high consolidated ordinary income. Orders received also renewed record highs for two consecutive years on a non-consolidated basis.

Message from the Management

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

In the fiscal year ended March 2016, the second year of the Plan NBs, the Haseko Group achieved a consolidated ordinary income that surpassed the Plan's numerical target for its final fiscal year (ending March 2017), backed by the recent favorable environment for receiving orders of new for-sale condominium construction. Nevertheless, there are many factors of concern in the environment surrounding the Haseko Group, such as rising labor costs, a decrease in skilled construction workers, receding demand after the Tokyo Olympic Games and the impacts of natural disasters continuously hitting Japan. What is more, the condominium market remained dull both in supply and demand in the fiscal year under review. In spite of such a severe environment, however, we believe that Haseko can maintain the favorable environment for receiving orders in the next fiscal year, as project owners have a high regard for the Company's ability to gather land information and product planning ability, its attitude regarding construction quality and keeping construction schedules, and its efficient production system.

In the fiscal year ending March 2017, we are having the two milestones of it being the final year of the Plan NBs and our 80th anniversary since inception. Moreover, as our performance forecast for that fiscal year, we have set "ordinary income of 78 billion yen on a consolidated basis and 66 billion yen on a non-consolidated basis," significantly surpassing the numerical target of "ordinary income of 3.5 billion yen on a consolidated basis and 2.3 billion yen on a non-consolidated basis," which was set forth when the Plan NBs was established and which the Company has already achieved. As this shows, the Plan NBs has been on a smooth track as far as financial results are concerned. However, the Plan aims to establish a corporate management that builds upon both the Construction-Related Business and the Service-Related Business. To achieve this goal, we will continue our efforts to build an organization that has a stable revenue base.

In order to reconsider and carry out what we should do to win the confidence of customers and project owners, the Haseko Group selected the phrase of "unchanging essentials and flexible adaptation" as the keywords entering 2016. "Unchanging essentials" means immutable truth, and "flexible adaptation" means always changing things in accordance with the times and environment. We should keep the essentials, or what must be preserved, unchanged, while changing the way we do things to meet the demands of the times. I believe it is this thinking, or this approach, that creates the real strength of Haseko. We will go back to the basics and reconsider the essentials from the beginning as we endeavor to produce high-quality condominiums at fair prices and provide our customers with safe and reliable housing they can live in comfortably. Embracing the basics, we will work to offer the best quality and best services in response to the trends of the times and changes in the market.

Bolstered by shareholders, financial institutions and other parties who have extended support to us, as well as by our business partners and customers, we were able to finally complete the reconstruction of the Company after many years of effort. Going forward, while always being grateful to these people, we will continue our endeavors to establish the Haseko brand as the "one and only corporate group for housing" and "creating great living" that meets the needs of society. Your continued and further support and encouragement would be greatly appreciated.

June 2016

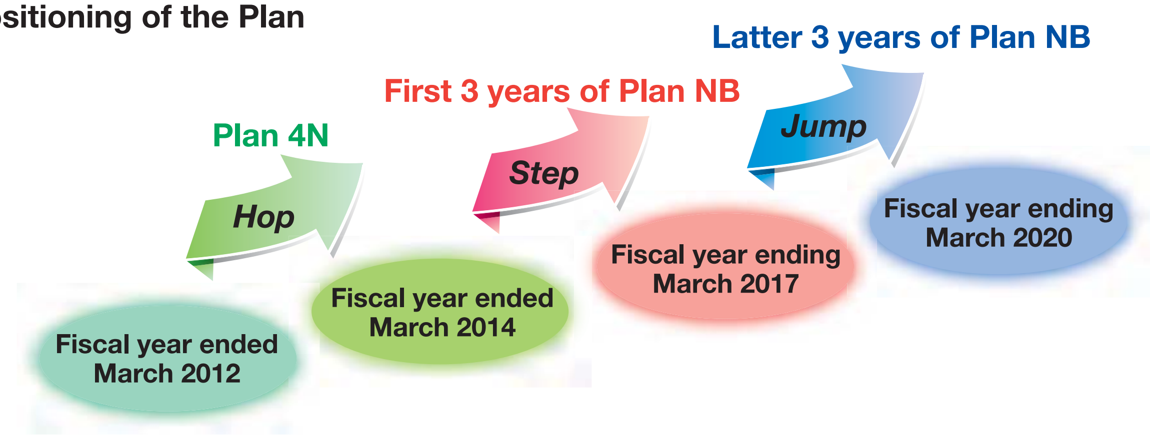
Noriaki Tsuji
President and Representative Director
Haseko Corporation

“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

*As we have already achieved the numerical targets, we have set “ordinary income of 78 billion yen on a consolidated basis and 66 billion yen on a non-consolidated basis” as our operating forecast for the fiscal year ending March 2017.

(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

History of Haseko's Condominium Business

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 1969, 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.

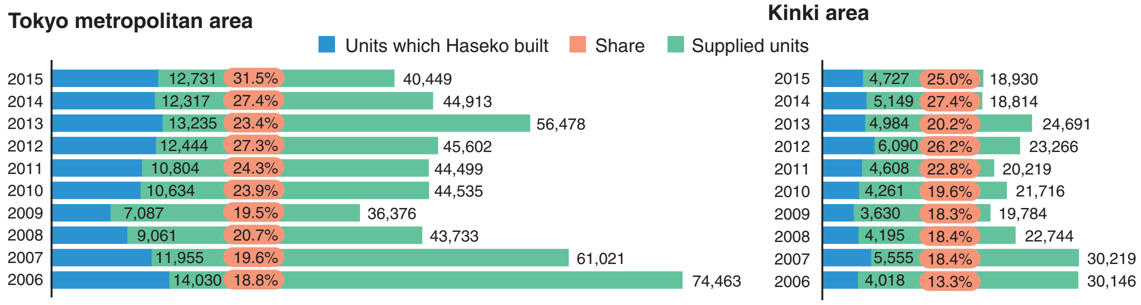
Mass Supply in the 1990s

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



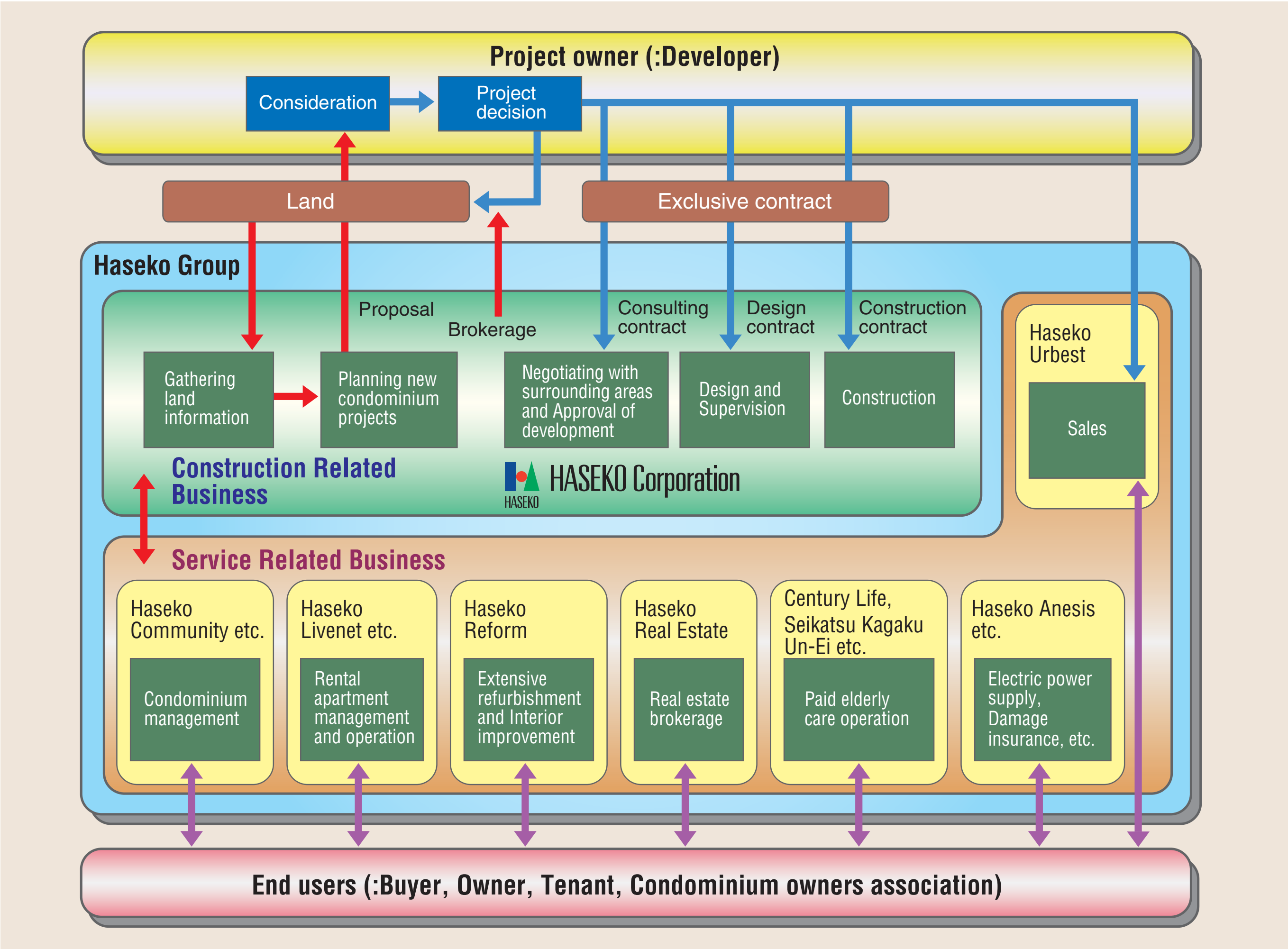
Source: HASEKO Research Institute

Business Model

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 orders 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.

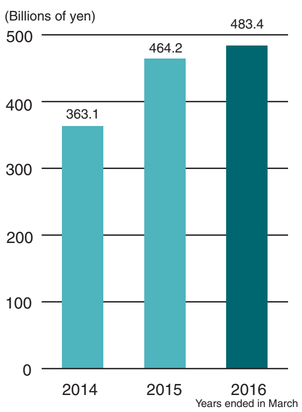
Business Model Diagram



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.

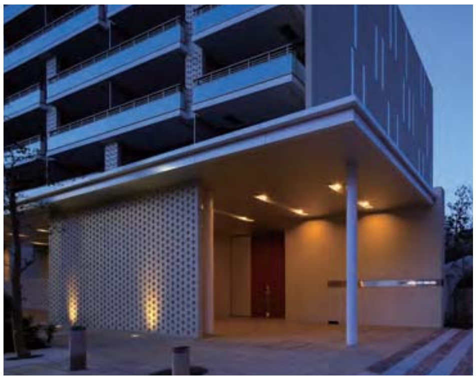
Construction

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 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.



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.

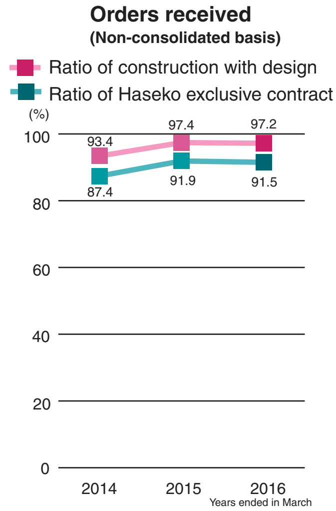
● Receiving Orders for Design and Construction in Packages

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.

Design

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 approximately 590,000 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.



● 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.

For-Sale Condominiums Business


BRANCHERA Itabashi Nishidai


ADENIUM Oasis Garden

Haseko, which implements thorough condominium businesses ranging from acquisition of project sites, planning, development, design and construction to after-sales services and boasts the top performance in Japan in constructing for-sale condominiums, also conducts the for-sale condominiums business on its own. In addition, the Haseko Group was joined by SOHGOH REAL ESTATE in May 2015 and by Joint Corporation in December of the same year. With the participation of these companies, the Haseko Group will not only add new for-sale condominium brands, but also work to generate synergistic effects through coordination with Haseko's for-sale condominium departments.

Strengths of Implementing the Total Condominium Business

The Haseko Group, which implements the condominium business in its totality, can complete all tasks required for implementing the condominium business, including planning, development and design of condominiums using information that is fed back from the construction sites, salesforce of for-sale condominiums and condominium managers, etc. as well as construction, within the group. Enjoying the benefits of this completeness, the Group's for-sale condominiums have been highly evaluated in terms of customer satisfaction and confidence for such factors as product offerings that reflect customer needs, secured construction quality and high cost performance.


RENAI Kobe Seiryodai


ADENIUM Shinozaki


RENAI Warabi Garden City


ADENIUM Kawasaki

RENAI GRAND Nishinomiya-kitaguchi Showaen

Major Line of Business

● For-Sale Condominium Development Business

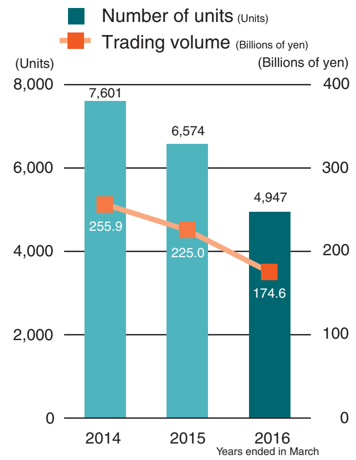
Haseko conducts the for-sale condominium development business in a consistent manner within the Haseko Group, starting with its strong ability to gather land information and ranging to land acquisition, designing, development, planning and construction. Such ability to gather land information has been 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.

Sale of Condominiums

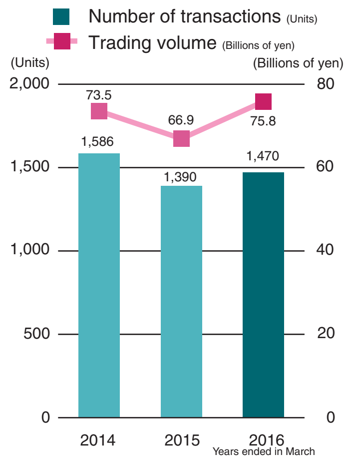
Haseko Urbest plays the role of selling new for-sale condominiums for the Haseko Group. On top of Haseko's own brands, Haseko Urbest has been consigned the sales of many properties for project owners. The know-how and the huge volume of information including customer information it has obtained through consigned sales have been reflected in condominium development and utilized at many properties.

Meanwhile, 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. The 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.

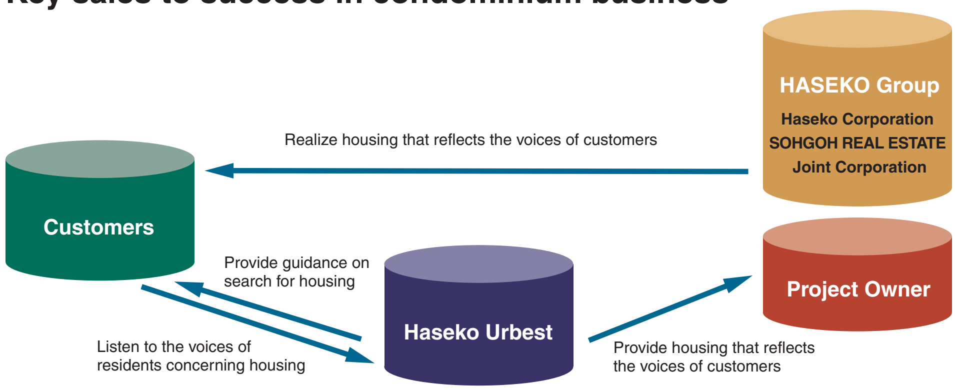
Consignment sales of newly-built for-sale condominiums (Haseko Urbest)



Brokerage of real estate



Key sales to success in condominium business



Major Line of Business

● 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.

● Real Estate Brokerage Business

The company responds to every type of customer need in 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 of customers, whether individuals or corporate customers, by offering a wide variety support menu.

● Purchase and Resale Business

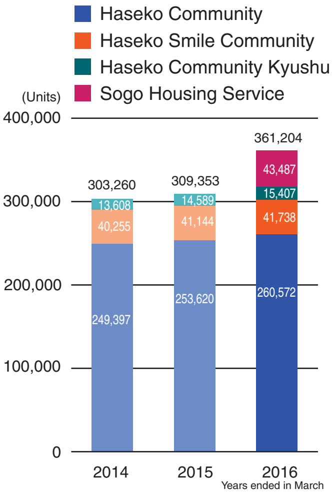
The company renovates existing condominiums it purchases, and then serves as the seller in marketing them. Taking advantage of the Haseko Group's experience as the top achiever in condominium construction, the company delivers housing to the next residents, conducting operations from purchase to renovation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

● 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.

Condominium Building Management

Three companies Condominium building management



Haseko Community, Haseko Smile Community, Haseko Community Kyushu and SOHG-OH HOUSING SERVICE 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 management companies belonging to a general contractor group, the companies accept not only the problems related to construction or management but also whatever issues and troubles customers may have, and investigate the causes and solve them.

Major Line of Business

● Comprehensive Monitoring Operations

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.

● 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.

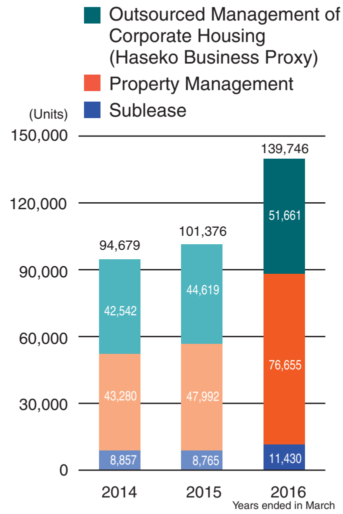
● Life Support Services

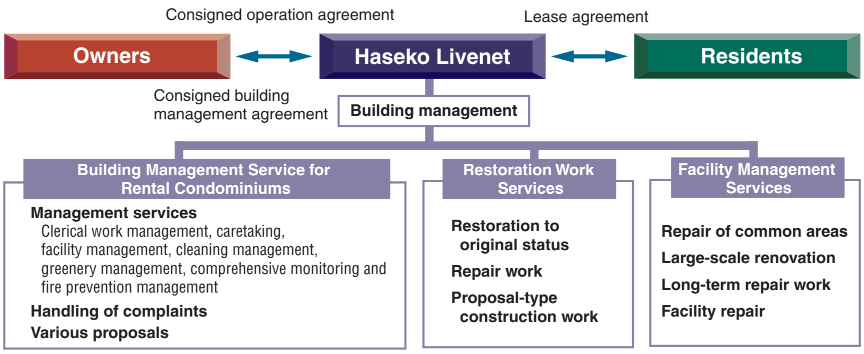
The company provides services that support the daily lives of residents, including acceptance of clothes for cleaning, arranging for taxis and catering services, and conducting a variety of community events. Moreover, it offers services that enrich the living at condominiums, such as cafes and culture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

Management and Operation of Rental Condominiums

In the domains where rental condominiums, corporate real estate and for-investment condominiums are mutually interrelated, Haseko Livenet conducts business in a wide variety of areas as a property manager, not limited to management of rental condominiums. In April 2016, the company opened the Hiroshima Branch, establishing a system that allows it to conduct business in all major rental condominium markets in Japan - Tokyo metropolitan area, Kinki area, Sapporo, Sendai, Nagoya, Hiroshima and Fukuoka.

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.

● Property Management

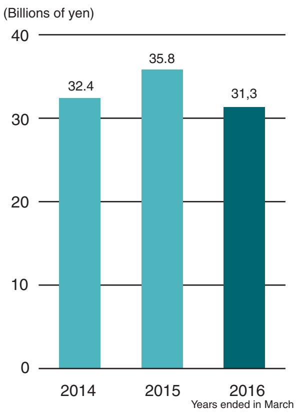
The company leads the country in the number of units under consigned management in for-investment residential properties. The sublease system in which it rents the entire properties for lease, the "total package management" service in which the company performs various procedures and works on rental 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.

● 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.

Large-Scale Repair and Interior Remodeling

Orders received (Haseko Reform)



Before

After
(Enlargement of the slope)

The number of for-sale condominiums in Japan is estimated to surpass 6 million units. Many of such condominiums have become old and now require large-scale repair work to be conducted. 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.

Methods Allowing Residents to Remain in their Units during Repair Work

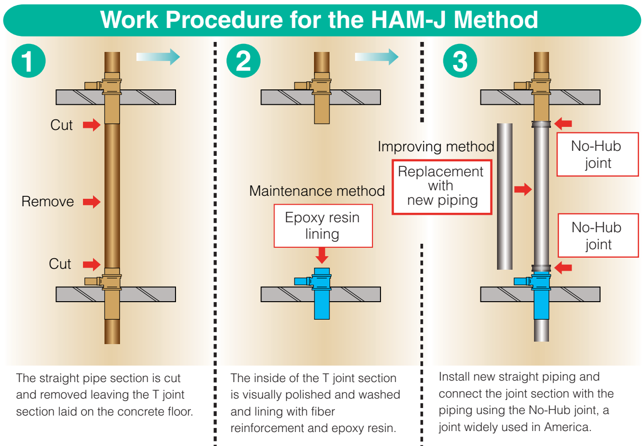
In terms of technologies for interior and exterior renovation, including large-scale repair work for which demand will be growing, Haseko is developing and proposing construction methods that should have minimum impact on the daily lives of residents.

Post-installed partial slit method

This method, which employs seismic slits installed between breast walls and columns, enables construction work to be conducted while residents continuing living in their units and provides as much seismic performance as the full slit method.

HAM-J method

The method enables upgrading of vertical drainage pipes for common use in a short construction period reducing construction noise and vibration while residents continue living in their units.



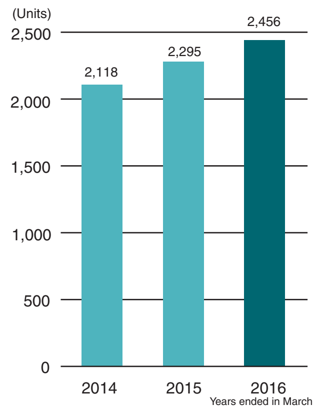
Major Line of Business

- Large-scale repair work (renewal and maintenance of common zones)
  - The experience and the track record of a total of approximately 590,000 units of condominium constructions are fed back to renewal and maintenance work.
  - The company executed condominium renewal and maintenance work totaling approximately 3,700 buildings (approximately 480,000 units) since 2000.
  - 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.

Senior Living Business

In the Haseko Group, which aims to expand its housing business for the elderly as the population of the elderly is expected to grow significantly centered on large metropolitan areas, 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. In 2013, the Haseko Group incorporated Seikatsu Kagaku Un-Ei Co., Ltd., which operates paid facilities for the elderly and other facilities. Moreover, the Company established Haseko Senior Holdings, Inc., an affiliate, on April 1, 2016, to reorganize the senior living business of the Group and unify it under the new firm. With this arrangement, the Haseko Group works to enhance efficiency and integrate operations of the senior living business, so that it can implement the business with a stronger and more solid management system.

Changes in the number of paid facilities for the elderly



Flexibly Addressing Needs Ranging from Home Nursing Care to Nursing Care at Dedicated Facilities

Medical Care Century House Mizonokuchi and Mizonokuchi Club

Medical Care Century House Mizonokuchi, which is operated by Century Life, offers 24/7 house calls and home-visit care throughout the year, in cooperation with nurses permanently staying around the clock, home nursing care support clinics and neighboring medical institutions. Mizonokuchi Club, operated by Seikatsu Kagaku Un-Ei, meets the need for continuing to live in the house or community where one has lived for a long time, by flexibly combining three types of nursing care offerings – day care, overnight care and home-visit care.

Major Line of Business

● Management of paid facilities for the elderly

Conducts management of paid facilities for the elderly, totaling approximately 2,500 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 Text Building and other facilities, engaged in a wide range of activities from basic research to technological development of apartments.

In conducting activities, the Institute not only coordinates with the technology-related departments at respective companies within the Haseko Group, but also implements joint study and joint development with universities and research institutions as well as other companies outside the Group. Aside from product development and development of production technologies it has been engaged in, the Institute endeavors to develop and commercialize apartment-related technologies under a wide range of themes including industrialization, energy saving and environment, extension of building life, disaster prevention and renovation of properties in stock, in order to meet the changes in the social environment and the clients' needs.

Moreover, renovation has been made to what is exhibited at the Housing Performance Test Building and the Technology Exhibition Building, in an effort to enhance the Institute's function and services of presenting the content of its research and technological development in an easy-to-understand manner to people outside the Company.

Major Initiatives

- Building considerations based on technological development related to concrete and reinforced concrete
- Maintenance and renovation applying technological development related to interior fittings and piping
- Health considerations through ventilation systems and sick-building syndrome countermeasures, etc.
- Barrier-free universal design including bases for attaching handrails, lowering of floor-level differences, low-rise bathtubs and large switches/control boards
- Anti-earthquake measures including technologies for earthquake-resistant and seismic isolation structures and construction methods for seismic strengthening
- Anti-disaster and anti-crime measures including anti-crime technologies such as front door keys, escape balconies and development of emergency supply kits
- Energy-saving measures including energy-efficient heat insulation systems and multi-layer glass
- Environmental friendliness through solar power generation systems and rooftop and wall greening

New Initiatives

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 develop 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.

In this regard, Haseko Corporation initiated the serviced apartment business for Japanese expatriates in Hanoi, Vietnam in 2015 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).

The framework of the property is scheduled to complete by the end of October 2016, and the project is smoothly under way toward the planned completion in February 2017. Going forward, Haseko will take advantage of the information, data, experience and know-how it has obtained through the project. By doing so, the Company 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.

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

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. At the same time, the Company will accumulate information, data, experience and know-how it can obtain not only in terms of construction but also from surveys and marketing activities conducted in the Vietnam market. Such a variety of data and know-how accumulated through the Vietnam project, which started from scratch, will be utilized in overseas businesses Haseko implements as well as in new challenges the Company will address in the future.

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

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.

Condominium Rehabilitation and Building Replacement Business

According to the Ministry of Land, Infrastructure, Transport and Tourism, for-sale condominium units currently existing in Japan are estimated to total approximately 6,130,000 units as of the end of 2014, with approximately 1,510,000 units constructed more than 30 years ago. Of these, 1,060,000 condominium units were constructed based on the older earthquake resistance standards. Moreover, as the number of condominiums completed in the past 30 years is increasing, it is projected that greatly-aged condominiums will continue to expand significantly going forward.

On the other hand, the number of condominium buildings that were replaced totaled 252 as of April 1, 2016. The figure is significantly smaller than the number of currently existing for-sale condominiums. Given such a situation, Haseko newly established the Condominium Rehabilitation Division in April 2014. With the Replacement and Refurbishment Consultation Office serving as the contact, the Division advises associations of greatly-aged condominiums and building owners in a comprehensive manner, working to address a variety of their needs for repairs, refurbishment and building replacement.

In conducting the condominium building replacement business, a variety of requests must be met from the management associations, including investigations for choosing repairs or building replacement, building diagnosis, evaluation of seismic capacity, comparison of rough estimates for repair and building replacement costs, establishment of a building replacement investigation committee, consensus building, mediation of temporary housing, resettlement of the residents and management after the resettlement. An operator is also required to propose more specific options for building consensus and solving problems to the owners and management associations.

OBER Grandio Haginaka

The first resolution on building replacement applying the Revised Condominium Unit Ownership Act; project implemented by the initiative of the management association

Garden Flats Toyonaka Asahigaoka

Building replacement utilizing the adjoining land to eliminate the need for temporary housing

Comprehensive Strengths of the Haseko Group Utilized in Condominium Rehabilitation

Building diagnosis and seismic strengthening, large-scale repairs and interior remodeling:	**Haseko Reform**
Purchase of redundant floors and sale to general consumers:	**Housing Development Division of Haseko Corporation**
Planning and design of condominium building replacement:	**Engineering Division of Haseko Corporation**
Mediation of temporary housing and advisory for negotiations on displacement of tenants:	**Haseko Livenet** **Residential Service** **Haseko INET**
Condominium building replacement construction:	**Construction divisions of Haseko Corporation**
Proposal on condominium management and operation:	**Haseko Community** **Haseko Smile Community** **Haseko Community Kyushu** **SOHGOH HOUSING SERVICE**
Sale of for-sale condominiums and mediation of housing for mover:	**Haseko Urbest** **Haseko Real Estate**
Mediation of paid facilities for the elderly and housing for the elderly:	**Century Life** **Seikatsu Kagaku Un-Ei**

Condominium Rehabilitation and Building Replacement Business

As of March 2016, the number of condominium building replacement projects by Haseko totaled 33 (replacement completed for 31 properties and under way for 2 properties), the largest in Japan.

Building Replacement Cases

Tokyo Metropolitan Area

Completion	Current housing name	Number of units after replacement	Location
1993	Sakuragaoka Flat	226	Setagaya-ku Tokyo
1993	RENAI Koga Wakaba	164	Koga-shi Ibaraki
1995	PARK HEIGHTS Azusawa	271	Itabashi-ku Tokyo
1999	HILLS Kugahara	447	Ota-ku Tokyo
2001	Leadince Tower	297	Arakawa-ku Tokyo
2001	OBER Tsukishima Rivage Grand	126	Chuo-ku Tokyo
2006	OBER Grandio Haginaka	534	Ota-ku Tokyo
2006	La Vita City	252	Kawasaki-shi Kanagawa
2006	PARK FRONT Shintoshinn	24	Saitama-shi Saitama
2009	Nice Urban Square Yokodai	72	Yokohama-shi Kanagawa
2012	LIVIO Musashino Nakacho	53	Musashino-shi Tokyo
2012	FOREST Minamimachida	23	Machida-shi Tokyo
2012	OBER Ofuna Marks Court	70	Yokohama-shi Kanagawa
2014	BRANCHERA Ichikawa Gyotoku	84	Ichikawa-shi Chiba
2014	OBER Grandio Kichijoji	177	Mitaka-shi Tokyo
2016	CITY HOUSE Kawasaki Fujimikoen	67+3 stores	Kawasaki-shi Kanagawa
2018 (scheduled)	Air Hills Fujisawa	360	Fujisawa-shi Kanagawa

Kinki Area

Completion	Current housing name	Number of units after replacement	Location
1984	Palais-Royal Midorigaoka	29	Ashiya-shi Hyogo
1987	ROYAL Ashiya Matsuhama	199	Ashiya-shi Hyogo
1990	ROYAL Ashiya Midorigaoka	91	Ashiya-shi Hyogo
1995	Dio Ferti Toyonaka	32	Toyonaka-shi Osaka
1997	SAINTPAULIA Toyonaka Ichi, Ni-bannkan	132	Toyonaka-shi Osaka
1999	SAINTPAULIA Toyonaka Fine Avenue	57	Toyonaka-shi Osaka
1997	UNI HEIM Kire	123	Osaka-shi Osaka
1999	CITY COURT Sonehigashinocho	148	Toyonaka-shi Osaka
2006	Garden Flats Toyonaka Asahigaoka	208	Toyonaka-shi Osaka
2009	GRANDE MAISON Sumiyoshihonmachi ex	46	Kobe-shi Hyogo
2012	GRANDE MAISON Senri Chuo Higashigaoka	246	Toyonaka-shi Osaka
2013	ATLAS Senriyamahoshigaoka	20	Suita-shi Osaka
2015	BRANCHERA Senbayashi Omiya	82	Osaka-shi Osaka
2015	BRANCHERA Yamamotochominami	59	Yao-shi Osaka
2016	SIMFONIA Shinsenriminami Gardens	194	Toyonaka-shi Osaka
2017 (scheduled)	(tentative name) Ishizumi Jutaku replacement project	128	Ikeda-shi Osaka

BRANCHERA Ichikawa Gyotoku

Building replacement of a wooden-framed town house, entirely produced by the Haseko Group from design and construction to sales

BRANCHERA Yamamotochominami

Building replacement project for a housing complex to dissolve the mixture of sold and leased units and incorporating an adjoining land owned by Urban Renaissance Agency

BRANCHERA Senbayashi Omiya

Utilizing the Group's strengths to successfully implement a building replacement project for which rebuilding of the same size is not permitted due to revisions to the Building Standards, etc.

Environmental Preservation

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.

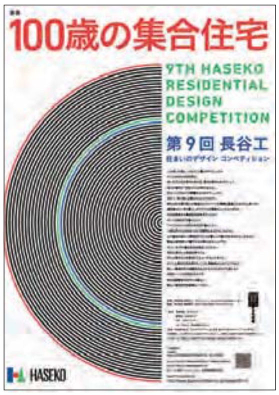
In the Kanto area, the Haseko Group participated in environmental preservation activities in the rural natural areas of Takiyama, Hachioji, in May 2015, and in the preservation activities for the green areas in Matsuyama, Kiyose, in November. In the Kansai area, the Company joined the planting activities for the Symbiosis Forests in Sakai District No. 7-3 in November of that year.

The rural natural areas of Takiyama, Hachioji

Sakai No. 7-3 District

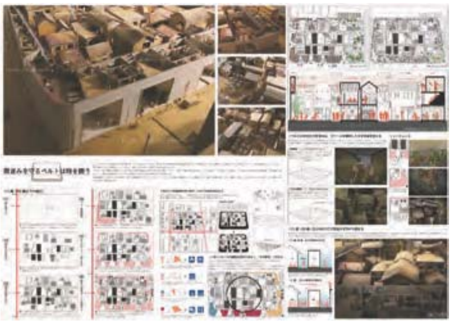
Social Contribution Activities

“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 ninth competition in 2015 set the theme of “apartments for centenarians” that discusses the role of apartments for making the life of aged people great. A total of 743 proposals were submitted from 743 registrants, awarding one proposal with first prize, three proposals with awards of excellence, and ten proposals with honorable mention.



“Mission Uchimizu (Water Sprinkling) at Condominiums” Implemented

The Mission Uchimizu (Water Sprinkling) started in 2003 as an initiative of countermeasures against the heat island phenomenon and global warming that everyone can easily implement with pleasure by utilizing secondary water from available sources, and is backed by the Ministry of Land, Infrastructure, Transport and Tourism and the Ministry of the Environment.

Since 2008, Haseko’s management company group (Haseko Community, Haseko Smile Community, Haseko Community Kyushu and SOHGOH HOUSING SERVICE*) 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 2015, people totaling as many as 62,282 households from 682 management associations participated in the initiative.

* SOHGOH HOUSING SERVICE started the water sprinkling operations in 2016.

■ 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.

Corporate Governance

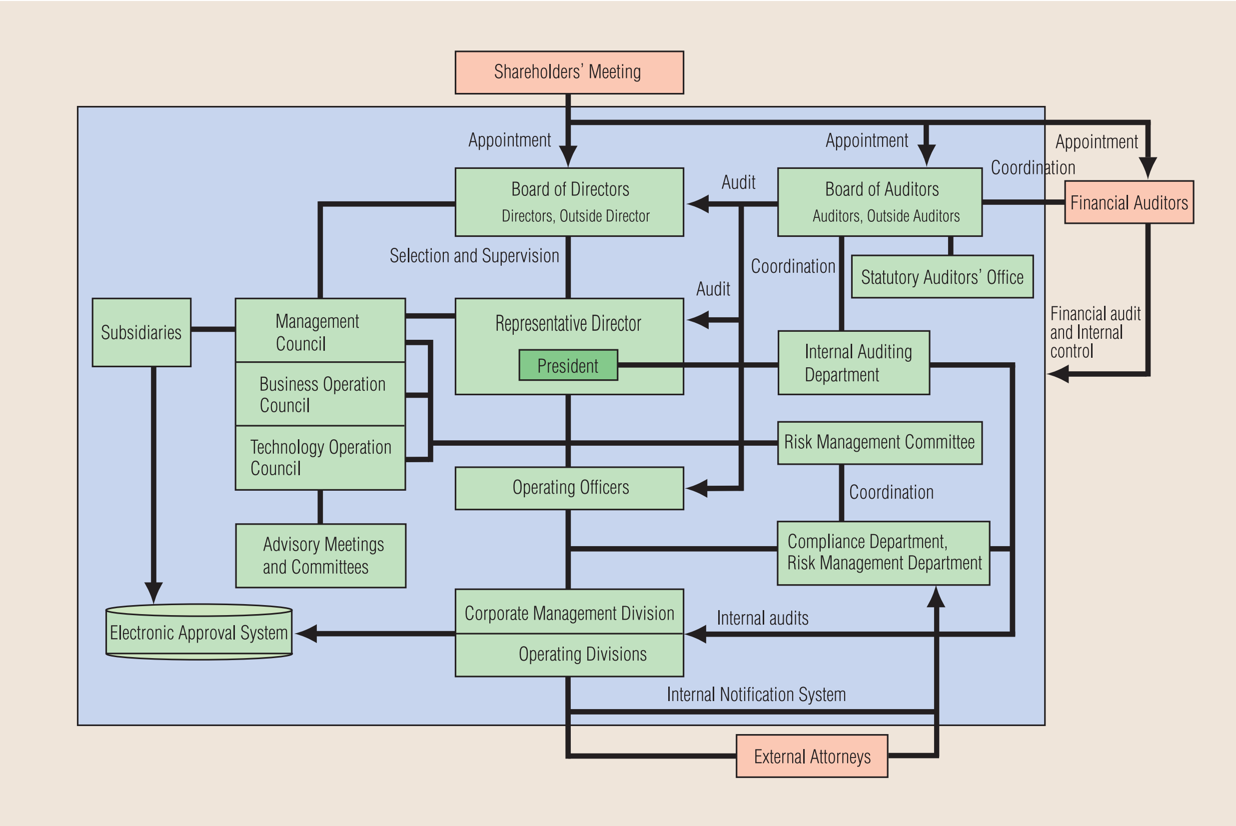
Haseko Corporation has made it a basic policy of its corporate management to contribute to society and win society's confidence through its business operations that put customers first. The Company has also positioned reinforcement of corporate governance as one of its utmost management priorities as 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 serves 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 2016, Haseko appointed outside directors with abundant experience and track record to occupy at least one third of the Board of Auditors, 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 Management Division coordinate with each other and check the status of business operations in accordance with the roles they are assigned, while the Internal 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 June 24, 2016)*

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

Yuhei Imanaka
Director
Senior Operating Officer

Kinichi Kitamura
Director
Senior Operating Officer

Kazuo Ikegami
Director
Senior Operating Officer

Fujio Hirano
Director
Senior Operating Officer

Masataka Yamamoto
Outside Director

Kohei Amano
Outside Director

Osamu Takahashi
Outside Director

Kazuhiko Ichimura
Outside Director

Takahisa Chikayama
Full-time Corporate Auditor

Masahiro Okuyama
Full-time Corporate Auditor

Katsuhiko Kamijo
Corporate Auditor

Yoshitaka Fukui
Corporate Auditor

Mitsuo Isoda
Corporate Auditor

Operating Officers

Senior Operating Officers

Junichi Tani
Masaaki Matsuoka
Nobuhiro Tani
Yutaka Okada
Takeshi Tsunematsu
Takashi Kawamura
Katsuhide Takahashi
Masahito Koizumi
Yoshinori Haraguchi
Toshiyuki Murakawa
Syoji Naraoka

Operating Officers

Takeshi Yoshioka
Jun Kawamoto
Yoshifumi Sadanaga
Fumihiko Nakata
Makoto Murakami
Eijo Daimon
Yoshiaki Yamada
Mamoru Kameoka
Takashi Tsuruta
Toru Yamaguchi
Shinji Yamanaka
Misato Yamamoto
Nobuo Imagawa
Satoshi Kumano
Toshihiko Tatsuno
Naoyuki Kumagai

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

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

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

Analyses of Financial Condition and Business Performance

(1) Business Performance

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

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

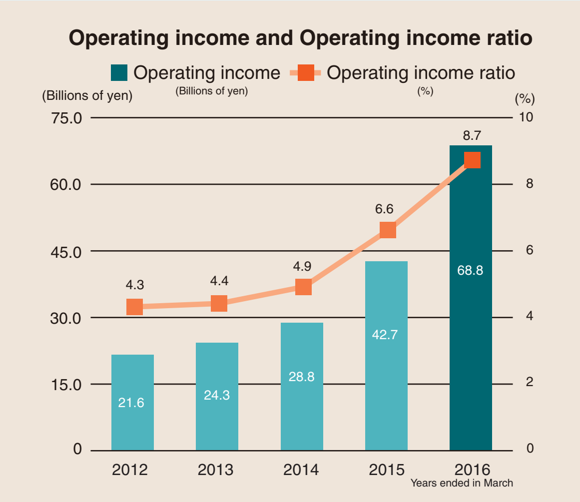
Under such conditions, in the fiscal year under review which represents the second year of the "new born HASEKO StepUp Plan" (Plan NBs), the Company's new medium-term business plan, the Haseko Group saw its Construction-Related Business performed well in condominium construction works, leading to record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

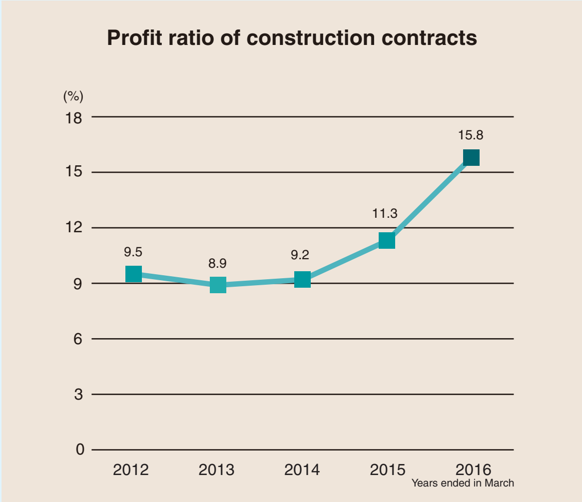
As a result of the above, the Company posted net sales of 787.4 billion yen, a year-on-year increase of 22.6%, in the fiscal year ended March 2016, primarily due to an increase in the volume of condominium construction works and recording of the operating results of SOHGOH REAL ESTATE Co., Ltd. and its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

(2) Performance by Segment

Construction-Related Business

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





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

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

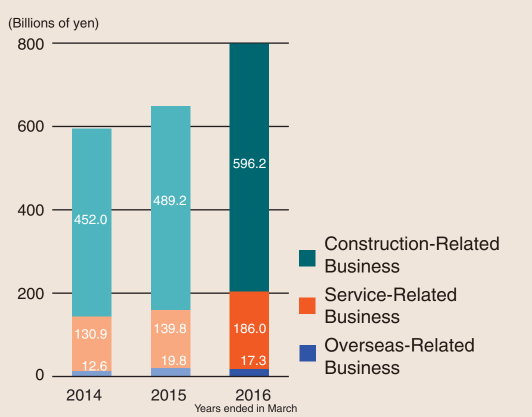
In design and supervision operations, the Haseko Group proactively works to enrich fundamental performance, improve versatility and secure environmental and disaster prevention performance of condominiums by utilizing plans it has proposed and technologies and knowhow it has accumulated through its construction track record of over 580,000 units built.

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

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

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

Sales breakdown by reportable segment



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

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

Service-Related Business

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

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

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

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

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

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

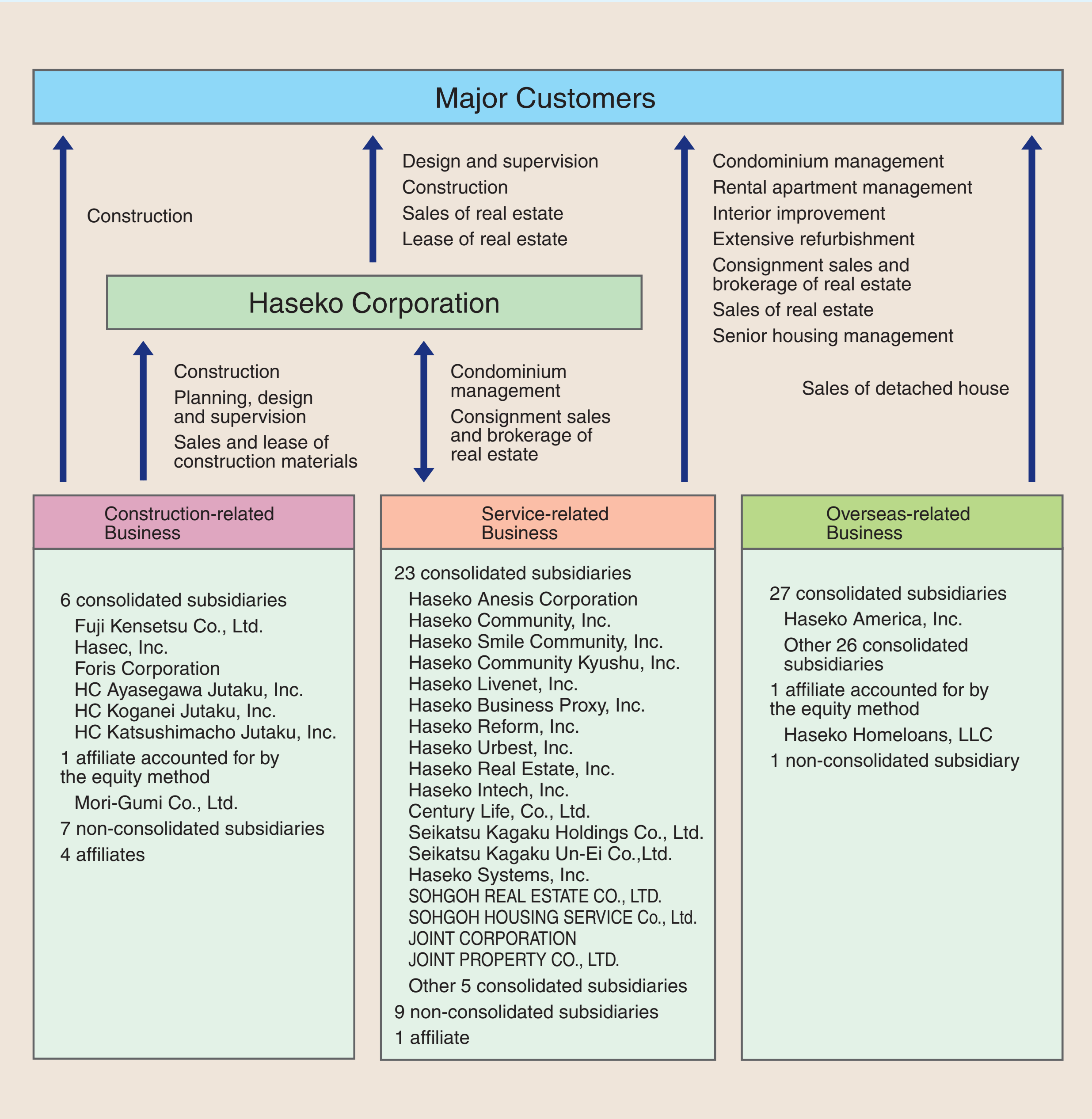
In the real estate brokerage operations, the number of sold units in the renovation business increased significantly, due to the impact of the rise in the price of newly-built condominiums and an expansion in the store networks.

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

Overseas-Related Business

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

Business schematic of Haseko group's reportable segments



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

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

(3) Financial Position

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

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

Consolidated net assets were 185.4 billion yen, an increase of 41.3 billion yen from the end of the previous fiscal year, because of the increase in retained earnings due to the recording of net income attributable to owners of parent, among other reasons.

As a result, the equity ratio was 31.3% compared to 30.2% at the end of the previous fiscal year.

(4) Cash Flows

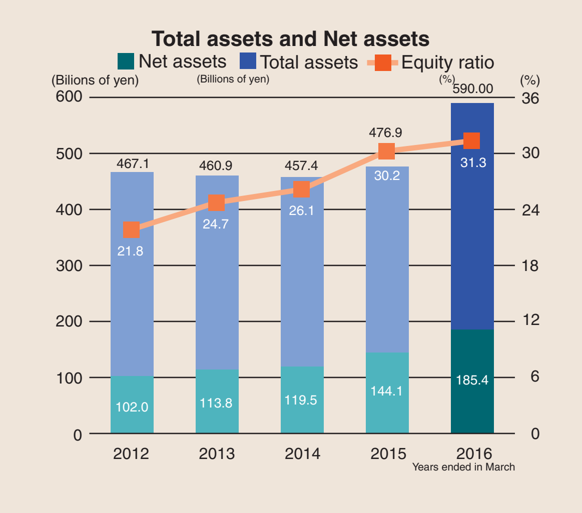
Net cash provided by operating activities was 65.6 billion yen, an increase of 25.6 billion yen in income compared with the net cash provided by operating activities totaling 40.0 billion yen in the previous fiscal year. Major factors included the recording of 68.8 billion yen in income before income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

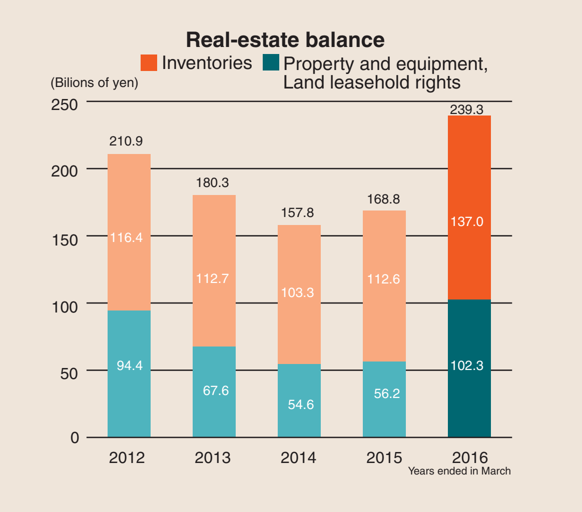
Net cash used in investing activities was 30.8 billion yen, a decrease of 26.7 billion yen in income compared with the net cash used in investing activities totaling 4.1 billion yen in the previous fiscal year. Major factors included payment of 17.9 billion yen for the acquisition of shares of Joint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

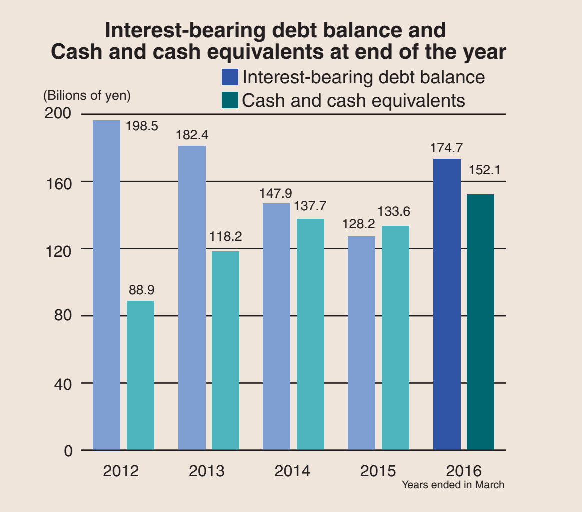
Net cash used in financing activities was 16.3 billion yen, an increase of 23.9 billion yen in income compared with the net cash used in financing activities totaling 40.2 billion yen in the previous fiscal year.

Major factors included partial repayment (21.4 billion yen) of existing borrowings of SOHGOH REAL ESTATE Co., Ltd., which newly became a consolidated subsidiary, conducted in the period between the date on which the Company obtained control of SOHGOH REAL ESTATE Co., Ltd. and the deemed acquisition date.

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







CONSOLIDATED BALANCE SHEET
AS OF MARCH 31, 2015 AND 2016
ASSETS

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2015	**2016**	**2016**
ASSETS			
Current Assets:			
Cash and bank deposits (Notes 5, 10 and 15)	¥134,187	**¥152,752**	**$1,355,627**
Notes and accounts receivable, trade (Notes 5 and 10)	104,975	**130,271**	**1,156,115**
Costs on uncompleted construction contracts (Note 10)	6,790	**9,985**	**88,614**
Inventories (Notes 7, 10 and 13)	112,596	**137,014**	**1,215,957**
Deferred tax assets (Note 18)	9,386	**6,379**	**56,612**
Other current assets (Note 10)	13,001	**11,926**	**105,838**
Allowance for doubtful accounts (Note 5)	(94)	**(187)**	**(1,660)**
Total current assets	380,841	**448,140**	**3,977,103**
Property and Equipment (Notes 8 and 10)	55,548	**100,660**	**893,326**
Intangible Assets (Notes 8 and 10)	10,652	**10,940**	**97,089**
Investments and Other Assets:			
Investment securities (Notes 5, 6 and 10)	15,458	**15,556**	**138,055**
Long-term loans receivable (Note 5)	1,397	**2,853**	**25,319**
Net defined benefit asset (Note 17)	2,585	**194**	**1,722**
Long-term deferred tax assets (Note 18)	920	**–**	**–**
Other assets	10,610	**12,454**	**110,526**
Allowance for doubtful accounts (Note 5)	(1,097)	**(804)**	**(7,135)**
Total investments and other assets	29,873	**30,253**	**268,487**
Total assets	¥476,914	**¥589,993**	**$5,236,005**

See notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEET
AS OF MARCH 31, 2015 AND 2016
LIABILITIES AND NET ASSETS

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2015	**2016**	**2016**
LIABILITIES			
Current Liabilities:			
Short-term borrowings (Notes 5 and 9)	¥ 300	**¥ –**	**$ –**
Current portion of long-term debt (Notes 5, 9 and 10)	56,574	**48,289**	**428,550**
Lease obligations (Notes 5 and 9)	865	**1,251**	**11,102**
Notes and accounts payable (Note 5)	127,082	**100,937**	**895,785**
Electronically recorded obligations (Note 5)	–	**34,415**	**305,422**
Income taxes payable (Notes 5 and 18)	2,562	**9,427**	**83,662**
Advances received on uncompleted construction contracts	15,239	**10,278**	**91,214**
Advances received for real estate sales	8,031	**11,898**	**105,591**
Warranty	3,253	**4,750**	**42,155**
Allowance for losses on construction contracts	328	**71**	**630**
Accrued bonuses for employees	2,946	**3,702**	**32,854**
Accrued bonuses for directors	187	**171**	**1,518**
Other current liabilities	31,219	**34,771**	**308,581**
Total current liabilities	248,586	**259,960**	**2,307,064**
Long-term Liabilities:			
Straight bonds (Notes 5 and 9)	10,000	**20,000**	**177,494**
Long-term debt (Notes 5, 9, 10 and 16)	56,296	**99,027**	**878,834**
Lease obligations (Notes 5 and 9)	4,210	**6,153**	**54,606**
Liability for retirement benefits (Note 17)	562	**3,765**	**33,413**
Long-term deferred tax liabilities (Note 18)	–	**1,032**	**9,159**
Other long-term liabilities	13,171	**14,681**	**130,289**
Total long-term liabilities	84,239	**144,658**	**1,283,795**
Total liabilities	332,825	**404,618**	**3,590,859**
Commitments and Contingent Liabilities (Notes 11 and 12)			
NET ASSETS (Notes 14 and 19)**:**			
Shareholders' Equity:			
Capital stock	57,500	**57,500**	**510,295**
Capital surplus	7,500	**7,500**	**66,560**
Retained earnings	78,495	**126,726**	**1,124,654**
Treasury stock, at cost — 182,686 shares in 2015	(139)		
— 188,240 shares in 2016		**(146)**	**(1,296)**
Total shareholders' equity	143,356	**191,580**	**1,700,213**
Accumulated Other Comprehensive Income:			
Net unrealized gain on other securities	3,371	**1,786**	**15,850**
Translation adjustments	(2,546)	**(2,416)**	**(21,441)**
Retirement benefits liability adjustments	(353)	**(6,013)**	**(53,364)**
Total accumulated other comprehensive income (loss)	472	**(6,643)**	**(58,955)**
Non-controlling interests	261	**438**	**3,888**
Total net assets	144,089	**185,375**	**1,645,146**
Total liabilities and net assets	¥476,914	**¥589,993**	**$5,236,005**

See notes to consolidated financial statements.

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEARS ENDED MARCH 31, 2015 AND 2016

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2015	**2016**	**2016**
Net Sales (Note 13)	¥642,167	**¥787,354**	**$6,987,522**
Cost of Sales (Note 13)	563,230	**674,007**	**5,981,603**
Gross profit	78,937	**113,347**	**1,005,919**
Selling, General and Administrative Expenses (Note 13)	36,239	**44,585**	**395,678**
Operating Income	42,698	**68,762**	**610,241**
Other Income (Expenses):			
Interest and dividend income	685	**697**	**6,186**
Equity in earnings of affiliates	470	**428**	**3,798**
Interest expense	(2,379)	**(1,885)**	**(16,729)**
Incidental expense for loan	(773)	**(1,354)**	**(12,016)**
Gain on adjustment of account payable	–	**288**	**2,556**
Other, net	1,188	**391**	**3,470**
	(809)	**(1,435)**	**(12,735)**
Ordinary income	41,889	**67,327**	**597,506**
Special Income (Losses):			
Gain (loss) on disposal or sales of property and equipment, net (Note 8)	604	**19**	**169**
Impairment loss on fixed assets (Note 8)	(187)	**(3,863)**	**(34,283)**
Gain on negative goodwill	–	**4,489**	**39,838**
Other, net	–	**878**	**7,792**
	417	**1,523**	**13,516**
Income before Income Taxes	42,306	**68,850**	**611,022**
Income Taxes (Note 18)**:**			
Current	4,278	**10,939**	**97,080**
Deferred	9,426	**6,537**	**58,014**
	13,704	**17,476**	**155,094**
Net income	28,602	**51,374**	**455,928**
Net income attributable to non-controlling interests	60	**148**	**1,313**
Net income attributable to owners of parent (Note 19)	¥ 28,542	**¥ 51,226**	**$ 454,615**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED MARCH 31, 2015 AND 2016

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2015	**2016**	**2016**
Net Income	¥28,602	**¥51,374**	**$455,928**
Other Comprehensive Income			
Net unrealized gain (loss) on other securities	694	**(1,557)**	**(13,818)**
Translation adjustments	4,620	**131**	**1,163**
Retirement benefits liability adjustments	4,504	**(5,661)**	**(50,240)**
Share of other comprehensive income (loss) of affiliates accounted for by the equity method	20	**(28)**	**(248)**
Total other comprehensive income (loss)	9,838	**(7,115)**	**(63,143)**
Comprehensive Income (Note 21)	38,440	**44,259**	**392,785**
Total Comprehensive Income Attributable to:			
Comprehensive income attributable to owners of parent	38,380	**44,111**	**391,471**
Comprehensive income attributable to non-controlling interests	60	**148**	**1,314**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGE IN NET ASSETS
FOR THE YEARS ENDED MARCH 31, 2015 AND 2016

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 attributable to owners of parent 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 liablity adjustments	Total accumulated other comprehensive income (loss)	Non-controlling 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	–	–	–	–	0	2,383
Restated balance at April 1, 2014	**¥2,657**	**¥(7,167)**	**¥(4,857)**	**¥(9,367)**	**¥207**	**¥121,855**
Net income attributable to owners of parent 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

For the year ended March 31, 2016

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
			(Millions of yen)		
Balance at April 1, 2015	**¥57,500**	**¥7,500**	**¥ 78,495**	**¥(139)**	**¥143,356**
Cumulative effects of changes in accounting policies	–	–	–	–	–
Restated balance at April 1, 2015	**¥57,500**	**¥7,500**	**¥ 78,495**	**¥(139)**	**¥143,356**
Net income attributable to owners of parent for the year ended March 31, 2016	–	–	51,226	–	51,226
Cash dividend	–	–	(3,006)	–	(3,006)
Purchase of treasury stock	–	–	–	(7)	(7)
Disposal of treasury stock	–	0	–	0	0
Retirement of treasury stock	–	–	–	–	–
Increased due to merger	–	–	11	–	11
Appropriation of retained earnings for capital surplus	–	–	–	–	–
Net changes in items other than those in shareholders' equity	–	–	–	–	–
Total changes during the year	–	0	48,231	(7)	48,224
Balance at March 31, 2016	**¥57,500**	**¥7,500**	**¥126,726**	**¥(146)**	**¥191,580**

	Accumulated other comprehensive income					
	Net unrealized gain (loss) on other securities	Translation adjustments	Retirement benefits liablity adjustments	Total accumulated other comprehensive income (loss)	Non-controlling interests	Total net assets
				(Millions of yen)		
Balance at April 1, 2015	**¥3,371**	**¥(2,546)**	**¥ (353)**	**¥ 472**	**¥261**	**¥144,089**
Cumulative effects of changes in accounting policies	–	–	–	–	–	–
Restated balance at April 1, 2015	**¥3,371**	**¥(2,546)**	**¥ (353)**	**¥ 472**	**¥261**	**¥144,089**
Net income attributable to owners of parent for the year ended March 31, 2016	–	–	–	–	–	51,226
Cash dividend	–	–	–	–	–	(3,006)
Purchase of treasury stock	–	–	–	–	–	(7)
Disposal of treasury stock	–	–	–	–	–	0
Retirement of treasury stock	–	–	–	–	–	–
Increased due to merger	–	–	–	–	–	11
Appropriation of retained earnings for capital surplus	–	–	–	–	–	–
Net changes in items other than those in shareholders' equity	(1,585)	130	(5,660)	(7,115)	177	(6,938)
Total changes during the year	(1,585)	130	(5,660)	(7,115)	177	41,286
Balance at March 31, 2016	**¥1,786**	**¥(2,416)**	**¥(6,013)**	**¥(6,643)**	**¥438**	**¥185,375**

See notes to consolidated financial statements.

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
	(Thousands of U.S. dollars) (Note 4)				
Balance at April 1, 2015	**$510,295**	**$66,560**	**$ 696,619**	**$(1,234)**	**$1,272,240**
Cumulative effects of changes in accounting policies	–	–	–	–	–
Restated balance at April 1, 2015	**$510,295**	**$66,560**	**$ 696,619**	**$(1,234)**	**$1,272,240**
Net income attributable to owners of parent for the year ended March 31, 2016	–	–	454,615	–	454,615
Cash dividend	–	–	(26,676)	–	(26,676)
Purchase of treasury stock	–	–	–	(62)	(62)
Disposal of treasury stock	–	0	–	0	0
Retirement of treasury stock	–	–	–	–	–
Increased due to merger	–	–	96	–	96
Appropriation of retained earnings for capital surplus	–	–	–	–	–
Net changes in items other than those in shareholders' equity	–	–	–	–	–
Total changes during the year	–	0	428,035	(62)	427,973
Balance at March 31, 2016	**$510,295**	**$66,560**	**$1,124,654**	**$(1,296)**	**$1,700,213**

	Accumulated other comprehensive income					
	Net unrealized gain (loss) on other securities	Translation adjustments	Retirement benefits liablity adjustments	Total accumulated other comprehensive income (loss)	Non-controlling interests	Total net assets
	(Thousands of U.S. dollars) (Note 4)					
Balance at April 1, 2015	**$29,917**	**$(22,595)**	**$ (3,133)**	**$ 4,189**	**$2,316**	**$1,278,745**
Cumulative effects of changes in accounting policies	–	–	–	–	–	–
Restated balance at April 1, 2015	**$29,917**	**$(22,595)**	**$ (3,133)**	**$ 4,189**	**$2,316**	**$1,278,745**
Net income attributable to owners of parent for the year ended March 31, 2016	–	–	–	–	–	454,615
Cash dividend	–	–	–	–	–	(26,676)
Purchase of treasury stock	–	–	–	–	–	(62)
Disposal of treasury stock	–	–	–	–	–	0
Retirement of treasury stock	–	–	–	–	–	–
Increased due to merger	–	–	–	–	–	96
Appropriation of retained earnings for capital surplus	–	–	–	–	–	–
Net changes in items other than those in shareholders' equity	(14,067)	1,154	(50,231)	(63,144)	1,572	(61,572)
Total changes during the year	(14,067)	1,154	(50,231)	(63,144)	1,572	366,401
Balance at March 31, 2016	**$15,850**	**$(21,441)**	**$(53,364)**	**$(58,955)**	**$3,888**	**$1,645,146**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2015 AND 2016

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2015	**2016**	**2016**
Cash Flows from Operating Activities:			
Income before income taxes	¥ 42,306	**¥ 68,850**	**$ 611,022**
Depreciation	2,180	**2,752**	**24,423**
Impairment loss on fixed assets	187	**3,863**	**34,283**
Amortization of goodwill	939	**1,820**	**16,152**
Gain on negative goodwill	–	**(4,489)**	**(39,838)**
(Reversal of) provision for allowance for doubtful accounts	(24)	**(406)**	**(3,603)**
Interest and dividend income	(685)	**(697)**	**(6,186)**
Interest expense	2,379	**1,885**	**16,729**
Equity in earnings of affiliates	(470)	**(428)**	**(3,798)**
Valuation loss on investment securities	–	**(682)**	**(6,053)**
Loss (gain) on disposal or sale of property and equipment, net	(605)	**(19)**	**(169)**
Gain on adjustment of account payable	–	**(288)**	**(2,556)**
Valuation loss on inventories	3,637	**11,114**	**98,633**
Changes in operating assets and liabilities			
Notes and accounts receivable	(15,287)	**(26,656)**	**(236,564)**
Costs on uncompleted construction contracts	(1,078)	**(3,188)**	**(28,293)**
Inventories	(9,261)	**8,004**	**71,033**
Notes, accounts payable and accrued expenses	18,822	**7,077**	**62,806**
Amounts received for uncompleted construction contracts	958	**(4,920)**	**(43,663)**
Other	1,311	**7,438**	**66,011**
Subtotal	45,309	**71,030**	**630,369**
Interest and dividends received	745	**757**	**6,718**
Interest paid	(2,275)	**(1,756)**	**(15,584)**
Income taxes paid	(3,795)	**(4,441)**	**(39,412)**
Net Cash Provided by Operating Activities	39,984	**65,590**	**582,091**
Cash Flows from Investing Activities:			
Proceeds from withdrawal of time deposits	–	**7,000**	**62,123**
Purchases of property and equipment and intangible assets	(3,880)	**(18,870)**	**(167,465)**
Proceeds from sales of property and equipment and intangible assets	4,614	**234**	**2,077**
Payment for purchase of investment securities	(4,723)	**(1,269)**	**(11,262)**
Proceeds from sale of investment in securities	5	**1,107**	**9,824**
Payment for acquisition of subsidiaries' shares resulting in change in the scope of consolidation (Note 15)	–	**(18,085)**	**(160,499)**
Proceeds from acquisition of subsidiaries' shares resulting in change in the scope of consolidation (Note 15)	–	**1,675**	**14,865**
Payment for loans receivable	(1,742)	**(3,222)**	**(28,594)**
Collection of loans receivable	1,667	**1,737**	**15,415**
Payment for lease deposits	(741)	**(1,540)**	**(13,667)**
Refund of lease deposits	847	**514**	**4,562**
Other	(114)	**(82)**	**(728)**
Net Cash Used in Investing Activities	(4,067)	**(30,801)**	**(273,349)**
Cash Flows from Financing Activities:			
Decrease in short-term borrowings, net (Note 15)	–	**(22,950)**	**(203,674)**
Increase in long-term debt	30,054	**77,923**	**691,542**
Repayment of long-term debt (Note 15)	(62,678)	**(75,496)**	**(670,004)**
Proceeds from issuance of straight bonds	10,000	**10,000**	**88,747**
Redemption of treasury stock	(15,091)	**–**	**–**
Purchase of treasury stock	(7)	**(8)**	**(71)**
Incidental expenses for loan	(932)	**(1,339)**	**(11,883)**
Cash dividends paid	(1,103)	**(3,006)**	**(26,677)**
Cash dividends paid to non-controlling shareholders	(6)	**(6)**	**(53)**
Repayment of lease obligations	(413)	**(684)**	**(6,070)**
Other	(59)	**(720)**	**(6,390)**
Net Cash Used in Financing Activities	(40,235)	**(16,286)**	**(144,533)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	192	**6**	**52**
Net Increase (Decrease) in Cash and Cash Equivalents	(4,126)	**18,509**	**164,261**
Cash and Cash Equivalents at Beginning of the Year	137,689	**133,563**	**1,185,330**
Increase in Cash and Cash Equivalents Resulting from Merger of Unconsolidated Subsidiaries	–	**43**	**382**
Cash and Cash Equivalents at End of the Year (Note 15)	¥133,563	**¥152,115**	**$1,349,973**

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Haseko Corporation and Consolidated Subsidiaries
For the years ended March 31, 2015 and 2016

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, 2016, the numbers of consolidated subsidiaries and affiliates accounted for by the equity method were 56 and 2 (46 and 2 in 2015), 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, and they are included in the consolidation as of that date. 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.

The fiscal year of the three silent partnerships operated by RS1 LLC, JMC1, LLC, and JMC2, LLC, respectively, ends on February 29, and they are included in the consolidation as of that date. The necessary adjustments for significant transactions that occur during the period from March 1 to March 31 are made in the preparation of the consolidated financial statements.

The fiscal year of SOL Hoshigaoka Co., Ltd. ends on February 29. It is included in the consolidation as of March 31 by the provisional closing made in conformity with the fiscal year end closing process.

(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.

(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.

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 benefits and retirement benefit expense by adopting the simplified method, which assumes their retirement benefit obligation to be equal to the benefits payable as 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
"Revised Implementation Guidance on Recoverability of Deferred Tax Assets"(ASBJ Guidance No.26, issued on March 28, 2016)

a) Overview
Regarding the treatment of the recoverability of deferred tax assets, a review was conducted following the framework of the Japanese Institute of Certified Public Accountants Audit Committee Report No.66 "Audit Treatment on Determining the Recoverability of Deferred Tax Assets," whereby companies are categorized into five categories and deferred tax assets are calculated based on each of these categories.

(Requirements for classification and reviewing of treatment of amounts recorded as deferred tax assets)
- Treatment of companies that do not satisfy any of the category requirements for (Category 1) through (Category 5)
- Category requirements for (Category 2) and (Category 3)
- Treatment related to future deductible temporary differences which cannot be schedule in companies that qualify as (Category 2)
- Treatment related to the reasonable estimable period of future pre-adjusted taxable income in companies that qualify as (Category 3)
- Treatment in cases that companies that satisfy the category requirements for (Category 4) but qualify as (Category 2) or (Category 3)

b) Scheduled date of adoption
The Company expects to adopt the revised implementation guidance from the beginning of the fiscal year ending March 31, 2017.

c) Impact of adopting revised implementation guidance
The Company is currently evaluating the effect of adopting this revised implementation guidance on its consolidated financial statements.

3. Supplemental Information
Accounting Change
Application of the Accounting Standards for Business Combinations

Effective the year ended March 31, 2016, the Company has applied the Revised Accounting Standard for Business Combinations (ASBJ Statement No.21, issued on September 13, 2013), the Revised Accounting Standard for Consolidated Financial Statements (ASBJ Statement No.22, issued on September 13, 2013), and the Revised Accounting Standard for Business Divestitures (ASBJ Statement No.7, issued on September 13, 2013). As a result of adopting these standards, any changes in a parent's ownership interest in a subsidiary, in which the parent retains control over the subsidiary, are recognized in capital surplus, and acquisition-related costs are recognized as expenses for the fiscal period in which the relevant costs are incurred. In regard to the business combinations executed from the beginning of the fiscal year ended March 31, 2016, the Company has changed the method of adjusting provisional allocation of acquisition costs, to reflect any adjustments in the fiscal year in which the relevant business combinations are executed. The Company has also changed the method of presenting annual net income, etc., and has reclassified the minority interests to be presented as non-controlling interests. In order to reflect these changes, the consolidated financial statements for the previous fiscal year have been reclassified.

The accounting standards for business combinations have been applied in accordance with the transitional treatment provided in Paragraph 58-2(4) of the Accounting Standard for Business Combinations, Paragraph 44-5(4) of the Accounting Standard for Consolidated Financial Statements, and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures. These standards were applied prospectively from the beginning of the fiscal year ended March 31, 2016.

As a result, operating income and ordinary income decreased by ¥25 million ($222 thousand), respectively, for the year ended March 31, 2016.

There was no impact on net assets per share, net income attributable to owners of parent per share for the fiscal year ended March, 31, 2016.

Changes in presentation
(Notes to Consolidated statement of income)

"Amortization," which was included "other" in "selling, general and administrative expenses" in the footnote "Supplementary Profit and Loss information" in the previous fiscal year, has increased in materiality, and thus has been presented separately from this current fiscal year.

In addition, ¥8 million of "provision for doubtful accounts," which was stated as a main item in "selling, general and administrative expenses" and in the footnote "Supplementary Profit and Loss information" in the previous fiscal year, has been omitted from current fiscal year as its materiality has decreased.

In order to reflect these changes in presentation, ¥939 million presented under "other" in "selling, general and administrative expense" in the previous fiscal year has been reclassified as ¥939 million in "amortization" and ¥15,179 million in "other,"

(Consolidated statements of cash flows)

"Proceeds from sale 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 have been presented separately listed from the current fiscal year. In order to reflect this change in presentation, the consolidated statement of cash flows of the previous fiscal year has been reclassified.

As a result, ¥(110) million presented under "other" of "cash flows from investing activities" in the previous fiscal year's consolidated statement of cash flows has been classified as ¥5 million for "proceeds from sale of investment securities" and ¥(114) million for "other."

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, 2016, which was ¥112.68=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 and electronically recorded obligations, which are trade payables, are mostly due within a year. Straight bonds, 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.

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, 2015 and 2016, 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		
	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 bonds	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	¥ –	¥ –	¥ –

	Millions of yen		
	2016		
	Carrying value	Fair value	Difference
Cash and bank deposits	**¥152,752**	**¥152,752**	**¥ –**
Notes and account receivable, trade	**130,271**	**130,584**	**313**
Investment securities	**10,633**	**10,623**	**(10)**
Long-term loans receivable	**2,853**		
Allowance for doubtful accounts	**(23)**		
Sub-total	**2,830**	**3,023**	**193**
Total	**¥296,486**	**¥296,982**	**¥496**
Notes and accounts payable	**100,937**	**100,934**	**(3)**
Electronically recorded obligations	**34,415**	**34,415**	**–**
Short-term borrowings	**–**	**–**	**–**
Current portion of long-term debt	**48,289**	**48,389**	**100**
Income taxes payable	**9,427**	**9,427**	**–**
Straight bonds	**20,000**	**20,138**	**138**
Long-term debt	**99,027**	**99,211**	**184**
Lease obligations	**7,404**	**7,404**	**0**
Total	**¥319,499**	**¥319,918**	**¥419**
Derivatives	**¥ –**	**¥ –**	**¥ –**

	Thousands of U.S. dollars		
	2016		
	Carrying value	Fair value	Difference
Cash and bank deposits	**$1,355,627**	**$1,355,627**	**$ –**
Notes and account receivable, trade	**1,156,115**	**1,158,892**	**2,777**
Investment securities	**94,364**	**94,276**	**(88)**
Long-term loans receivable	**25,319**		
Allowance for doubtful accounts	**(204)**		
Sub-total	**25,115**	**26,828**	**1,713**
Total	**$2,631,221**	**$2,635,623**	**4,402**
Notes and accounts payable	**895,785**	**895,758**	**(27)**
Electronically recorded obligations	**305,422**	**305,422**	**–**
Short-term borrowings	**–**	**–**	**–**
Current portion of long-term debt	**428,550**	**429,437**	**887**
Income taxes payable	**83,662**	**83,662**	**–**
Straight bonds	**177,494**	**178,718**	**1,224**
Long-term debt	**878,834**	**880,467**	**1,633**
Lease obligations	**65,708**	**65,708**	**0**
Total	**$2,835,455**	**$2,839,172**	**$3,717**
Derivatives	**$ –**	**$ –**	**$ –**

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

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

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

Investment securities
Quoted market prices on the stock exchanges are used to determine the fair values of these instruments.
For information on securities classified by holding purposes, please refer to Note 6. Investment Securities.

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

Notes and accounts payable, Electronically recorded obligations
The carrying values of notes and accounts payable and electronically recorded obligations 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 bonds
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*
	2015	**2016**	**2016**
Equity securities of affiliates	¥2,831	**¥3,587**	**$31,834**
Unlisted securities	625	**723**	**6,416**
Preferred subscription certificates	0	**0**	**0**
Others	588	**613**	**5,440**

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, 2015 and 2016

	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

	Millions of yen				
	2016				
	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	**¥152,752**	**¥ –**	**¥ –**	**¥ –**	**¥152,752**
Notes and accounts receivable, trade	**107,398**	**20,801**	**2,072**	**0**	**130,271**
Investment securities:					
Other securities with maturity dates					
Japanese government bonds, etc.	**70**	**50**	**–**	**–**	**120**
Long-term loans receivable	**700**	**615**	**1,382**	**155**	**2,852**
Total	**¥260,920**	**¥21,466**	**¥3,454**	**¥155**	**¥285,995**

	Thousands of U.S. dollars				
	2016				
	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	**$1,355,627**	**$ –**	**$ –**	**$ –**	**$1,355,627**
Notes and accounts receivable, trade	**953,124**	**184,602**	**18,388**	**0**	**1,156,114**
Investment securities:					
Other securities with maturity dates					
Japanese government bonds, etc.	**621**	**444**	**–**	**–**	**1,065**
Long-term loans receivable	**6,212**	**5,458**	**12,265**	**1,376**	**25,311**
Total	**$2,315,584**	**$190,504**	**$30,653**	**$1,376**	**$2,538,117**

4) Repayment schedule for short-term borrowings, straight bonds, long-term debt, and lease obligations at March 31, 2015 and 2016

	Millions of yen				Millions of yen			
	2015				2016			
	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	¥ –	¥56,574	¥ 514	**¥–**	**¥ –**	**¥48,289**	**¥ 803**
Due after 1 year through 2 years	–	–	24,846	500	**–**	**–**	**26,827**	**763**
Due after 2 years through 3 years	–	–	13,170	467	**–**	**–**	**28,226**	**685**
Due after 3 years through 4 years	–	–	13,570	405	**–**	**10,000**	**15,239**	**620**
Due after 4 years through 5 years	–	10,000	1,570	352	**–**	**10,000**	**3,435**	**548**
Due after 5 years	–	–	3,140	2,837	**–**	**–**	**25,300**	**3,985**

	Thousands of U.S. dollars			
	2016			
	Short-term borrowings	Straight bonds	Long-term debt	Lease obligations
Due within 1 year	**$–**	**$ –**	**$428,550**	**$ 7,126**
Due after 1 year through 2 years	**–**	**–**	**238,081**	**6,771**
Due after 2 years through 3 years	**–**	**–**	**250,497**	**6,079**
Due after 3 years through 4 years	**–**	**88,747**	**135,241**	**5,502**
Due after 4 years through 5 years	**–**	**88,747**	**30,485**	**4,863**
Due after 5 years	**–**	**–**	**224,530**	**35,367**

6. Investment Securities

(1) Other securities whose fair value is available as of March 31, 2015 and 2016 consisted of the following:

	Millions of yen					
	2015			2016		
	Carrying value	Acquisition cost	Unrealized gain	Carrying value	Acquisition cost	Unrealized gain
(Securities whose carrying value exceeds their acquisition cost)						
Equity securities	¥9,637	¥5,203	¥4,434	**¥8,502**	**¥6,308**	**¥2,194**
Japanese government bonds	125	123	2	**120**	**119**	**1**
Total	¥9,762	¥5,326	¥4,436	**¥8,622**	**¥6,427**	**¥2,195**

	Thousands of U.S. dollars		
	2016		
	Carrying value	Acquisition cost	Unrealized gain
(Securities whose carrying value exceeds their acquisition cost)			
Equity securities	**$75,453**	**$55,982**	**$19,471**
Japanese government bonds	**1,065**	**1,056**	**9**
Total	**$76,518**	**$57,038**	**$19,480**

(2) Other securities sold for the year ended March 31, 2016 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2016	2016
Equity securities:		
Proceeds from sales	¥ 96	$ 852
Gain on sales	67	595
Loss on sales	–	–
Japanese government bonds:		
Proceeds from sales	¥1,001	$8,884
Gain on sales	615	5,458
Loss on sales	–	–

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

7. Inventories

Inventories as of March 31, 2015 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Real estate for sale	¥ 31,146	¥ 39,931	$ 354,375
Costs and advances for real estate operations	40,438	70,330	624,157
Real estate for development projects	41,012	26,753	237,425
	¥112,596	¥137,014	$1,215,957

8. Property and Equipment and Intangible Assets

(1) Property and equipment as of March 31, 2015 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Buildings and structures	¥ 33,864	¥ 48,064	$ 426,553
Machinery, vehicles, equipment and furniture	5,784	7,115	63,143
Land	30,227	61,281	543,850
Leased assets	5,338	7,789	69,125
Construction in progress	732	450	3,994
Sub-total	75,945	124,699	1,106,665
Accumulated depreciation	(20,397)	(24,039)	(213,339)
	¥ 55,548	¥100,660	$ 893,326

(2) Intangible assets as of March 31, 2015 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Land leasehold rights	¥ 689	¥ 1,607	$14,262
Goodwill	8,931	8,031	71,273
Other	1,032	1,302	11,554
	¥10,652	¥10,940	$97,089

(3) Net gain (loss) on disposal or sales of property and equipment and intangible assets for the years ended March 31, 2015 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Buildings and structures	¥372	¥ (2)	$ (18)
Machinery, vehicles, equipment and furniture	21	(8)	(71)
Land	214	33	293
Land leasehold rights	–	–	–
Leased assets	(2)	(4)	(35)
Other	–	–	–
	¥605	¥19	$169

(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, 2015 and 2016:

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

2016

Use	Type	Location	No.of Cases
Real estate for construction related business	Land and buildings	Koshigaya-shi, Saitama,etc.	2
Real estate for service related business	Land and buildings	Ota-ku, Tokyo, etc.	9
Assets for service related business	Leased assets	Chikusa-ku Nagoya-shi etc.	32

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.

The expected retirements as part of the relocation plans, the lowered economic performance, the planned dispositions during the year ended March 2016 triggered impairment, and the carrying values of the those assets have been written down to their recoverable amounts, resulting in the impairment losses on fixed assets of ¥187 million and ¥3,863 million ($34,283 thousand) for the years ended March 31, 2015 and 2016, respectively, which were presented as “Special Losses.” on the consolidated income statement. The details of impairment losses on fixed assets were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Buildings and structures	¥ 21	¥ 815	$ 7,233
Equipment and furniture	5	14	124
Land	–	2,784	24,707
Land leasehold rights	–	67	595
Leased assets	161	183	1,624
	¥187	¥3,863	$34,283

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, 2015 and 2016.

(5) Rental Properties

The Company and some of its consolidated subsidiaries own residential properties for lease, office buildings for lease (including land), commercial facilities for lease, etc. mainly in the Tokyo metropolitan area and the Kinki area. Income/expenses of the leasing business related to the rental properties for the year ended March 31, 2016 were ¥1,151 million ($10,215 thousand). Income from the leasing business is recorded as leasing and management revenue and expenses for the leasing business are recorded as leasing and management expenses.

The recorded amount of the rental properties, etc. in the consolidated balance sheets, have increased/decreased during the year and fair value as of the end of the fiscal year are as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2015	**2016**	**2016**
Book value:			
Balance at the beginning of the year	¥–	**¥11,519**	**$102,228**
Increase/decrease	–	**46,699**	**396,690**
Balance at the end of the year	¥–	**¥56,218**	**$498,917**
Fair value	¥–	**¥57,189**	**$507,535**

Notes:
1) The rental properties are recorded on the consolidated balance sheet at their acquisition costs net of accumulated depreciation and impairment losses.
2) The book value increased mainly due to the acquisition of new properties (¥16,230 million, $144,036 thousand) and the consolidation of Sohgoh Real Estate Co., Ltd., its two subsidiaries, and Joint Corporation and its four subsidiaries which owns the rental properties (¥28,180 million, $250,089 thousand), net of the depreciation expenses (¥285 million, $2,529 thousand)
3) The fair value at the end of the current fiscal year is the appraisal value taken from the real estate appraisal reports for major properties; and the calculations by the Company in accordance with the "Real Estate Appraisal Standards" for others. However, for certain properties the value at the time of acquisition or value obtained using a general fair value calculation formula is stated as the fair value at the end of the current fiscal year when there has been no significant fluctuation in the index which is deemed to be a kind of appraised value or appropriately reflect market value since they were acquired or most recently appraised.
4) Disclosure was omitted for the previous fiscal year as the total amount of the rental properties was immaterial.

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, 2015 and 2016:

	Average interest rate	*Millions of yen*		*Thousands of U.S. dollars*
		2015	**2016**	**2016**
Short-term borrowings	–	¥ 300	**¥ –**	**$ –**
Current portion of long-term debt	1.11%	56,574	**48,289**	**428,550**
Current portion of lease obligations	2.72%	514	**803**	**7,126**
Straight bond due Nov. 5, 2019	0.44%	10,000	**10,000**	**88,747**
Straight bond due Jul. 22, 2020	0.41%	–	**10,000**	**88,747**
Long-term debt due from 2017 to 2023	0.79%	56,296	**99,027**	**878,834**
Lease obligations due from 2017 to 2026	2.79%	4,561	**6,601**	**58,582**
Total		¥128,245	**¥174,720**	**$1,550,586**

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.

(2) The annual maturities of straight bonds, long-term debt and lease obligations (excluding the current portion) as of March 31, 2016 were as follows:

	Millions of yen				*Thousands of U.S. dollars*
Year ending March, 31	Straight bonds	Long-term debt	Lease obligations	Total	Total
2018	**¥ –**	**¥26,827**	**¥ 763**	**¥ 27,590**	**$ 244,853**
2019	**–**	**28,226**	**685**	**28,911**	**256,576**
2020	**10,000**	**15,239**	**620**	**25,859**	**229,491**
2021	**10,000**	**3,435**	**548**	**13,983**	**124,095**
2022 and thereafter	**–**	**25,300**	**3,985**	**29,285**	**259,895**
Total	**¥20,000**	**¥99,027**	**¥6,601**	**¥125,628**	**$1,114,910**

(3) The Company has committed lines of credit available for immediate and stable borrowings with certain five financial institutions as of March 31, 2015 and 2016. The lines of credit and unused lines of credit as of March 31, 2015 and 2016 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2015	**2016**	**2016**
Line of credit	¥63,000	**¥63,000**	**$559,105**
Amount utilized	–	**–**	**–**
Unused line of credit	¥63,000	**¥63,000**	**$559,105**

(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, 2015 and 2016 based on this agreement were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2015	**2016**	**2016**
Overdraft limit	¥1,300	**¥1,300**	**$11,537**
Amount utilized	–	**–**	**–**
Amount unused	¥1,300	**¥1,300**	**$11,537**

10. Collateral

(1) Assets provided as collateral as of March 31, 2015 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Cash and bank deposits	¥ 1,837	**¥ 5,577**	**$ 49,494**
Notes and accounts receivable, trade	581	**11**	**98**
Costs on uncompleted construction contracts	361	**–**	**–**
Real estate for development projects	39,574	**26,754**	**237,433**
Other current assets	46	**38**	**337**
Buildings and structures	1	**1,355**	**12,025**
Machinery, vehicles, equipment and furniture	28	**18**	**160**
Land	–	**2,631**	**23,349**
Intangible assets	0	**1**	**9**
Investment securities	10	**13**	**116**
	¥42,438	**¥36,398**	**$323,021**

Other than the above assets provided as collateral, other current assets of ¥458 million and ¥458 million ($4,065 thousand) as of March 31, 2015 and 2016, 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, 2015 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Long-term debt	¥1,992	**¥3,267**	**$28,994**
Guaranteed obligation	516	**463**	**4,109**
	¥2,508	**¥3,730**	**$33,103**

(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
	2015	**2016**	**2016**
Notes and accounts receivable, trade	¥6,885	**¥10,980**	**$97,444**
Buildings and structures	20	**19**	**169**
Other current assets	–	**1**	**9**
	¥6,905	**¥11,000**	**$97,622**

Liabilities with collateral as of March 31, 2015 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Current portion of long-term debt	¥3,232	**¥7,682**	**$68,175**
Long-term debt	4,412	**–**	**–**
	¥7,644	**¥7,682**	**$68,175**

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

(2015)

Shares of HC Ayasegawa Jutaku, Inc., HC Koganei Jutaku, Inc., and HC Katsushimacho Jutaku, Inc. (¥27 million) owned by Haseko Corporation and Haseko Community, Inc.

Loans receivable (¥443 million) lent by Haseko Corporation to HC Ayasegawa Jutaku, Inc., HC Koganei Jutaku, Inc., and HC Koganei Jutaku, Inc.

(2016)

Shares of HC Ayasegawa Jutaku, Inc., HC Koganei Jutaku, Inc., and HC Katsushimacho Jutaku, Inc. (¥27 million, $240 thousand) owned by Haseko Corporation and Haseko Community, Inc.

Loans receivable (¥408 million, $3,621 thousand) lent by Haseko Corporation to HC Ayasegawa Jutaku, Inc., HC Koganei Jutaku, Inc., and HC Katsushimacho Jutaku, Inc.

11. Contingent Liabilities

The Company was contingently liable for guarantees on bank loans and other guarantees as of March 31, 2015 and 2016 as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Customers using housing loans and other loans to purchase real estate	¥31,526	**¥26,879**	**$238,543**

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 Note 2 (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, 2015 and 2016 were as follows. Finance leases that do not transfer the ownership of the leased assets to the lessees, entered into on or before March 31, 2008, are accounted for as operating leases:

(As lessor)

The acquisition cost, accumulated depreciation and net book value of the rental assets (machinery and equipment, buildings and structures) as of March 31, 2015 and 2016 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
	2015	**2016**	**2016**
Acquisition cost	¥4	**¥–**	**$–**
Accumulated depreciation	3	**–**	**–**
Net book value	¥1	**¥–**	**$–**

Outstanding future lease income as of March 31, 2015 and 2016 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Within one year	¥1	**¥–**	**$–**
Over one year	–	**–**	**–**
Total	¥1	**¥–**	**$–**

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, 2015 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Lease income	¥3	**¥1**	**$9**
Depreciation	2	**0**	**0**

(2) Operating lease transactions

(As lessee)

Outstanding future minimum lease payments under noncancelable operating leases as of March 31, 2015 and 2016 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Within one year	¥1,606	**¥ 2,614**	**$23,198**
Over one year	3,965	**8,582**	**76,163**
Total	¥5,571	**¥11,196**	**$99,361**

(As lessor)

Outstanding future minimum lease income under noncancelable operating leases as of March 31, 2015 and 2016 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Within one year	¥ 281	**¥ 872**	**$ 7,739**
Over one year	763	**11,221**	**99,583**
Total	¥1,044	**¥12,093**	**$107,322**

13. Supplementary Profit and Loss Information

(1) Sales from construction contracts calculated according to the percentage-of-completion method were ¥400,460 million and ¥455,521 million ($4,042,607 thousand) for the years ended March 31, 2015 and 2016, respectively.

(2) Allowance for losses on construction contracts that was included in cost of sales for the years ended March 31, 2015 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Construction contract	¥167	**¥4**	**$35**
Design and supervision	14	**5**	**44**

(3) Valuation losses on inventories that were included in cost of sales for the years ended March 31, 2015 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Real estate	¥ 3,637	**¥11,114**	**$98,633**

(4) Selling, general and administrative expenses for the years ended March 31, 2015 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Salaries and allowances	¥15,259	**¥17,812**	**$158,076**
Provision for bonuses for employees	1,117	**1,585**	**14,066**
Provision for bonuses for directors	187	**171**	**1,518**
Retirement benefit expenses	674	**591**	**5,245**
Rent	2,217	**2,514**	**22,311**
Depreciation	667	**824**	**7,313**
Amortization	939	**1,820**	**16,152**
Other	15,179	**19,268**	**170,997**
	¥36,239	**¥44,585**	**$395,678**

(5) Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2015 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Research and development costs	¥804	**¥1,020**	**$9,052**

14. Net Assets

(1) Shares issued and treasury stock

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	306,794,397	–	6,000,000	300,794,397
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	174,971	6,007,991	6,000,276	182,686

Notes:
1) Decrease in preferred stock of 6,000,000 shares due to retirement.
2) Increase in treasury stock (common stock) due to the request by shareholders for purchase of shares less than one standard unit.
3) Decrease in treasury stock due to the request by shareholders for sale of shares less than one standard unit.
4) 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
Aggregate amount: ¥15,090,840,000

Changes in number of shares issued and treasury stock for the year ended March 31, 2016 were as follows:

	Number of shares			
	2015	Increase	Decrease	**2016**
Shares issued:				
Common stock	300,794,397	–	–	**300,794,397**
Treasury stock:				
Common stock (Notes 1 and 2)	182,686	5,808	254	**188,240**

Notes:
1) Increase in treasury stock (common stock) due to the request by shareholders for purchase of shares less than one standard unit.
2) Decrease in treasury stock due to the request by shareholders for sale of shares less than one standard unit.

(2) Dividends

(a) Dividends paid
In the year ended March 31, 2016

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 26, 2015	Common stock	**¥3,006**	**¥10.00**	March 31, 2015	June 29, 2015

(b) Dividends with the cut-off date in the year ended March 31, 2016 and the effective date in the year ending March 31, 2017

Resolution	Type of shares	Total amount of dividend		Dividend per share		Record date	Effective date
		(Millions of yen)	(Thousands of U.S. dollars)	(Yen)	(U.S. dollars)		
Annual meeting of shareholders on June 24, 2016	Common stock	**¥4,509**	**$37,537**	**¥15.00**	**$0.12**	March 31, 2016	June 27, 2016

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, 2015 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Cash and bank deposits	¥134,187	**¥152,752**	**$1,355,627**
Time deposits pledged as collateral	(202)	**(202)**	**(1,793)**
Saving accounts for insurance agency	(422)	**(435)**	**(3,861)**
Cash and cash equivalents	¥133,563	**¥152,115**	**$1,349,973**

(2) Newly recognized assets and liabilities relating to finance lease transactions, which are considered significant non-cash transactions, as of March 31, 2015 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Assets	¥2,707	**¥2,620**	**$23,252**
Liabilities	2,880	**2,775**	**24,627**

(3) Major breakdown of assets and liabilities of companies which newly became consolidated subsidiaries through share acquisition.

A breakdown of assets and liabilities at the time of consolidation in line with the acquisition of shares of Sohgoh Real Estate Co., Ltd., and its two subsidiaries; and the reconciliation between the acquisition price of the company's shares and proceeds (net amount) due to acquisition of subsidiaries' shares resulting in change in the scope of consolidation are as follows:

	Millions of yen	Thousands of U.S. dollars
	2016	**2016**
Current assets	**¥ 34,366**	**$ 304,988**
Fixed assets	**15,840**	**140,575**
Goodwill	**919**	**8,156**
Current liabilities	**(40,441)**	**(358,901)**
Long-term liabilities	**(10,674)**	**(94,728)**
Acquisition price of Sohgoh Real Estate Co., Ltd. shares	**¥ 10**	**$ 90**
Cash and cash equivalents of Sohgoh Real Estate Co., Ltd.	**(1,685)**	**(14,954)**
Difference: Proceeds from acquisition of subsidiaries' shares accompanying change in the scope of consolidation	**¥ (1,675)**	**$ (14,864)**

A breakdown of assets and liabilities at the time of consolidation in line with the share acquisition of Joint Corporation and its four subsidiaries; and the reconciliation between the acquisition price of the company's shares and payment (net amount) due to the acquisition of the subsidiaries' shares resulting in a change in the scope of consolidation are as follows:

	Millions of yen	Thousands of U.S. dollars
	2016	**2016**
Current assets	**¥ 37,905**	**$ 336,395**
Fixed assets	**16,275**	**144,436**
Current liabilities	**(3,447)**	**(30,591)**
Long-term liabilities	**(11,595)**	**(102,902)**
Negative goodwill	**(4,073)**	**(36,147)**
Non-controlling interests	**(35)**	**(311)**
Acquisition price of Joint Corporation's shares	**35,030**	**310,880**
Cash and cash equivalents of Joint Corporation	**(17,112)**	**(151,864)**
Difference: Net payment for acquisition of subsidiaries' shares resulting in a change in the scope of consolidation	**¥ 17,918**	**$ 159,016**

(4) The increase/decrease in short-term borrowings, net and repayment of long-term debt in the current fiscal year include amounts the Company loaned to Sohgoh Real Estate Co., Ltd., and Sohgoh Real Estate Co., Ltd., repaid part of existing borrowings during the period between the acquisition date and the deemed acquisition date for acquiring Sohgoh Real Estate Co., Ltd., and its two subsidiaries, which newly become consolidated subsidiaries. Such amounts were ¥13,379 million ($118,734 thousand) for increase/decrease in short-term borrowings, net, and ¥7,976 million ($70,785 thousand) for repayment of long-term debt.

16. Derivative Transactions

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

			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)

			As of March 31, 2016		
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	**¥57,726**	**¥42,690**	(Note)
			(Thousands of U.S. dollars)		
			$512,300	**$378,860**	

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, 2015 and 2016.

17. Retirement Benefit Plans

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, and defined contribution pension plans.

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, 2015 and 2016 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2015	**2016**	**2016**
Balance at the beginning of the year	¥48,703	**¥41,930**	**$372,116**
Cumulative effect of change in accounting principle	(3,642)	**–**	**–**
Restated balance at the beginning of the year	45,061	**41,930**	**372,116**
Service cost	2,439	**2,451**	**21,752**
Interest cost	442	**410**	**3,639**
Actuarial (gain) loss	(3,821)	**6,251**	**55,476**
Retirement benefit paid	(2,191)	**(2,165)**	**(19,214)**
Other	–	**836**	**7,418**
Balance at the end of the year	¥41,930	**¥49,713**	**$441,187**

(2) The changes in plan assets during the years ended March 31, 2015 and 2016 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2015	**2016**	**2016**
Balance at the beginning of the year	¥39,452	**¥43,953**	**$390,069**
Expected return on plan assets	1,168	**1,083**	**9,611**
Actuarial (gain) loss	2,805	**(1,702)**	**(15,105)**
Contributions by the Company	2,167	**3,821**	**33,910**
Retirement benefits paid	(2,171)	**(2,114)**	**(18,761)**
Other	532	**1,101**	**9,772**
Balance at the end of the year	¥43,953	**¥46,142**	**$409,496**

(3) The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2015 and 2016:

	Millions of yen		*Thousands of U.S. dollars*
	2015	**2016**	**2016**
Funded retirement benefit obligation	¥ 41,368	**¥ 49,068**	**$ 435,463**
Plan assets at fair value	(43,953)	**(46,142)**	**(409,496)**
	(2,585)	**2,926**	**25,967**
Unfunded retirement benefit obligation	562	**645**	**5,724**
Net liability for retirement benefits in the balance sheets	(2,023)	**3,571**	**31,691**
Liability for retirement benefits	562	**3,765**	**33,413**
Asset for retirement benefits	(2,585)	**(194)**	**(1,722)**
Net liability for retirement benefits in the balance sheets	¥ (2,023)	**¥ 3,571**	**$ 31,691**

(4) The components of retirement benefit expense for the years ended March 31, 2015 and 2016 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2015	**2016**	**2016**
Service cost	¥ 1,991	**¥ 2,143**	**$19,018**
Interest cost	442	**410**	**3,639**
Expected return on plan assets	(1,168)	**(1,083)**	**(9,611)**
Amortization of actuarial loss	624	**248**	**2,201**
Amortization of prior service cost	(441)	**(440)**	**(3,905)**
Amortization of transition amount	215	**–**	**–**
Retirement benefit expense	¥ 1,663	**¥ 1,278**	**$11,342**

Notes:
1) Service cost does not include the amounts contributed by employees with respect to welfare pension fund plans.
2) 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, 2015 and 2016 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2015	**2016**	**2016**
Actuarial loss	¥ (441)	**¥ (441)**	**$ (3,914)**
Prior service cost	7,250	**(7,705)**	**(68,379)**
Transition amount	216	**–**	**–**
Total	¥7,025	**¥(8,146)**	**$(72,293)**

(6) The components of retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2015 and 2016 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2015	**2016**	**2016**
Unrecognized prior service cost	¥(2,221)	**¥(1,780)**	**$(15,797)**
Unrecognized actuarial loss	2,743	**10,448**	**92,723**
Total	¥ 522	**¥ 8,668**	**$ 76,926**

(7) The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2015 and 2016 were as follows:

	2015	**2016**
Bonds	45%	**48%**
Stocks	28%	**26%**
Alternative investments (Note)	21%	**20%**
Life insurance general accounts, etc.	6%	**6%**
Total	100%	**100%**

Note: Alternative investment are mainly investments in hedge funds.

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.

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

	2015	**2016**
Discount rates	0.4% - 1.0%	**0.2% - 0.4%**
Expected rates of return on plan assets	3.0%	**2.5%**

(9) Defined Contribution Plan
The required contributions to the defined contribution plans of consolidated subsidiaries for the year ended March 31, 2016 were ¥5 million ($44 thousand).

(10) Multi-employer pension plan
The required contributions, which were accounted in the same way as the defined contribution plan for the years ended March 31, 2015 and 2016 were ¥58 million and ¥55 million, respectively. The most recent funded status was as follows:

	Millions of yen	
	2014	2015
Pension assets	¥46,497	¥50,884
Total of the amount of actuarial obligations under pension funding program and minimum policy reserves	56,038	58,698
Difference	¥ (9,541)	¥ (7,814)

The average contribution ratios to total contributions made to all plans for the years ended March 31, 2015 and 2016 were 2.70% and 2.95%, respectively. This ratio does not accord with the actual contribution ratio of the Company group.

The differences of ¥9,541 million and ¥7,814 million as described above was due to prior service cost under pension funding programs (¥10,965 million and ¥10,603 million, respectively) and special reserve fund (¥1,424 million and ¥2,789 million, respectively).

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, 2015 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Deferred tax assets:			
Allowance for doubtful accounts	¥ 322	**¥ 281**	**$ 2,494**
Warranty	1,074	**1,433**	**12,717**
Accrued bonuses for employees	1,117	**1,194**	**10,596**
Liability for retirement benefits	118	**2,896**	**25,701**
Valuation loss on real estate for sale	14,072	**6,347**	**56,328**
Impairment loss on fixed assets	1,024	**2,775**	**24,627**
Valuation loss on investment securities	2,798	**2,917**	**25,887**
Tax loss carry forwards	16,863	**37,064**	**328,931**
Other	2,396	**3,002**	**26,643**
Sub-total	39,784	**57,909**	**513,924**
Loss: Valuation allowance	(27,132)	**(47,528)**	**(421,796)**
Total deferred tax assets	12,652	**10,381**	**92,128**
Deferred tax liabilities:			
Unrealized gain on other securities	(1,132)	**(451)**	**(4,002)**
Prepaid pension cost	(932)	**(1,787)**	**(15,859)**
Revaluation of assets on consolidation	(149)	**(1,955)**	**(17,350)**
Other	(133)	**(841)**	**(7,464)**
Total deferred tax liabilities	(2,346)	**(5,034)**	**(44,675)**
Net deferred tax assets	¥ 10,306	**¥ 5,347**	**$ 47,453**

Notes:
1) Valuation loss on real estate for sale includes ¥2,904 million and ¥2,451 million ($21,752 thousand) for the years ended March 31, 2015 and 2016, respectively, for properties that were reclassified from "Current Assets" to "Property and Equipment" following a change in holding purpose.

2) The net deferred taxes as of March 31, 2015 and 2016 were classified as follows in the consolidated balance sheets:

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Current assets – Deferred tax assets	¥9,386	**¥ 6,379**	**$56,612**
Fixed assets – Deferred tax assets	920	**–**	**–**
Current liabilities – Deferred tax liabilities	–	**(1,032)**	**(9,159)**

(Change in presentation)
"Prepaid pension cost" and "Revaluation of assets on consolidation," which were included in "Other" in the previous fiscal year, have increased in materiality, and thus have been presented separately from the current fiscal year. In order to reflect this change in presentation, the foot-notes of the previous fiscal year have been reclassified.

As a result, ¥(1,214) million presented under "Other" in the previous fiscal year has been reclassified as ¥(932) million in "prepaid pension cost," "¥(149) million in "revaluation of assets on consolidation," and ¥(133) million in "other."

(2) The reconciliation of the statutory tax rate to the effective income tax rate for the years ended March 31, 2015 and 2016 were as follows:

	2015	**2016**
Statutory tax rate	35.6%	**33.1%**
(Adjustment)		
Non-deductible expenses	0.9	**0.5**
Permanent non-taxable items	(0.8)	**(0.2)**
Per capita inhabitant tax	0.3	**0.2**
Change in valuation allowances	(4.7)	**(6.3)**
Change in tax rates	3.4	**0.8**
Tax credit for salary growth	(0.9)	**(1.3)**
Consolidation goodwill	–	**(0.7)**
Other	(1.4)	**(0.7)**
Effective income tax rate	32.4%	**25.4%**

Corporate income tax rate change and its effects on deferred tax assets and deferred tax liabilities

The Act on Partial Amendment of the Income Tax Act, etc. (Act No.15, 2016) and the Act on Partial Amendment of the Local Tax Act, etc. (Act No.13, 2016) enacted by the Japanese Diet on March 29, 2016 resulted in a reduction of the rates of corporate and other taxes from the fiscal year beginning on April 1, 2016. In conjunction with these changes, the statutory effective tax rate used to calculate deferred tax assets and liabilities will be changed from the current 32.3% to 30.9% for temporary differences expected to be realized or settled from the fiscal years beginning on April 1, 2016 and 2017, and to 30.6% for temporary differences expected to be realized or settled from the fiscal year beginning on April 1, 2018.

As a result, deferred tax assets (the amount after offsetting deferred tax liabilities) decrease ¥470 million ($4,171 thousand), and deferred income tax expense and unrealized gain on other securities increased by ¥493 million ($4,375 thousand) and ¥23 million ($204 thousand), respectively, as of and for the fiscal year ended March 31, 2016.

The maximum limit of tax loss carry forwards was also changed to 60% of taxable income before application loss carried forward from the year beginning April 1, 2016, 55% of taxable income before application loss carried forward from the year beginning April 1, 2017, and 50% of taxable income before application of loss carried from the year beginning April 1, 2018. This change had no impact on the consolidated financial statements.

19. Per Share Information

(1) Per share information as of and for the years ended March 31, 2015 and 2016 were as follows:

	Yen		U.S. dollars
	2015	**2016**	**2016**
Net assets per share	¥478.45	**¥615.21**	**$5.46**
Net income per share			
Basic	94.64	**170.41**	**1.51**
Diluted	92.90	**–**	**–**

(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
	2015	**2016**	**2016**
Net income	¥28,542	**¥51,226**	**$454,615**
Net income not attributable to owners of parent			
Difference between the redemption amount and the issued amount of preferred stock	91	**–**	**–**
Net income attributable to owners of parent	¥28,451	**¥51,226**	**$454,615**
Weighted average number of shares outstanding (thousands of shares)	300,615	**300,608**	

(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
	2015	**2016**	**2016**
Difference between redemption amount and issued amount of preferred stock			
Preferred stock (Class B I)	91	**¥–**	**$–**
Diluted net income	¥91	**¥–**	**$–**
Increase in common stock: (thousands of shares)			
Preferred stock (Class B I)	6,616	**–**	**–**

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

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Net assets	¥144,089	**¥185,375**	**$1,645,146**
Amount not attributable to common shareholders:			
Preferential distribution of residual property	–	**–**	**–**
Preferred dividend	–	**–**	**–**
Non-controlling interests	261	**438**	**3,888**
Net assets attributable to common shareholders	¥143,828	**¥184,937**	**$1,641,258**

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 group operates its business with any housing related business being at the core. An organizational unit comprises of several business groups with common business/operation targets and responsibilities in certain business domain. The Company has "Construction-Related Business," which primarily targets the market for new housing supply, etc., "Service Related Business", which primarily deals with existing residences and "Overseas-Related Business" which engages in the development and sales of real estate overseas as reportable segments.

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.

1. Reportable segment information for the years ended March 31, 2015 and 2016 were as follows:

	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

Sales, income or loss and assets by reportable segments	Reportable segments: Construction-related business	Service-related business	Overseas-related business	Total	Adjustments and eliminations (Note)	Consolidated
	Millions of yen					
	2016					
Sales to third parties	¥589,054	¥181,043	¥17,257	¥787,354	¥ –	¥787,354
Inter-segment sales and transfers	7,156	4,936	–	12,092	(12,092)	–
Net sales	596,210	185,979	17,257	799,446	(12,092)	787,354
Segment income (loss)	71,339	8,799	(9,750)	70,388	(1,626)	68,762
Segment assets	¥254,967	¥217,438	¥35,455	¥507,860	¥ 82,133	¥589,993
Other items						
Depreciation and amortization	¥ 707	¥ 2,044	¥ 9	¥ 2,760	¥ (8)	¥ 2,752
Investment in equity-method affiliates	2,012	–	12	2,024	–	2,024
Capital expenditures	14,783	5,962	14	20,759	64	20,823

Sales, income or loss and assets by reportable segments	Reportable segments: Construction-related business	Service-related business	Overseas-related business	Total	Adjustments and eliminations (Note)	Consolidated
	Thousands of U.S. dollars					
	2016					
Sales to third parties	$5,227,671	$1,606,700	$153,151	$6,987,522	$ –	$6,987,522
Inter-segment sales and transfers	63,508	43,805	–	107,313	(107,313)	–
Net sales	5,291,179	1,650,505	153,151	7,094,835	(107,313)	6,987,522
Segment income (loss)	633,111	78,088	(86,528)	624,671	(14,430)	610,241
Segment assets	$2,262,753	$1,929,695	$314,652	$4,507,100	$ 728,905	$5,236,005
Other items						
Depreciation and amortization	$ 6,274	$ 18,140	$ 80	$ 24,494	$ (71)	$ 24,423
Investment in equity-method affiliates	17,856	–	106	17,962	–	17,962
Capital expenditures	131,195	52,911	124	184,230	568	184,798

Notes:
1) Adjustments and eliminations are as follows:

(2015)
(1) Adjustments and eliminations for segment income (loss) include ¥19 million of elimination of inter-segment transactions and ¥792 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 ¥2,536 million of elimination of receivables stemming from inter-segment transactions and ¥83,470 million of corporate assets. Corporate assets are primarily comprised of cash and bank deposits of the Company.

(2016)
(1) Adjustments and eliminations for segment income (loss) include ¥542 million ($4,810 thousand) of elimination of inter-segment transactions and ¥1,084 million ($9,620 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 ¥5,325 million ($47,258 thousand) of elimination of receivables stemming from inter-segment transactions and ¥87,458 million ($776,163 thousand) of corporate assets. Corporate assets are primarily comprised of cash and bank deposits of the Company.
(3) Since Sohgoh Real Estate Co., Ltd., and its two subsidiaries are newly consolidated in the current fiscal year, segment assets in the Service -Related Business increased ¥51,152 million ($453,958 thousand) compared with the end of the previous fiscal year.
Since Joint Corporation and its four subsidiaries are newly consolidated in the current fiscal year, segment assets in the Service -Related Business increased ¥43,623 million ($387,141 thousand) compared with the end of the previous fiscal year.

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

2. Impairment loss on fixed assets by reportable segments for the years ended March 31, 2015 and 2016 were summarized as follows:

	Millions of yen					
	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

	Millions of yen					
	2016					
	Reportable segments					
	Construction-related business	Service-related business	Overseas-related business	Total	Adjustments and eliminations	Consolidated
Impairment loss on fixed assets	**¥1,123**	**¥2,740**	**¥–**	**¥3,863**	**¥–**	**¥3,863**

	Thousands of U.S .dollars					
	2016					
	Reportable segments					
	Construction-related business	Service-related business	Overseas-related business	Total	Adjustments and eliminations	Consolidated
Impairment loss on fixed assets	**$9,966**	**$24,317**	**$–**	**$34,283**	**$–**	**$34,283**

3. The following table presents the amortization and balance of goodwill as of and for the years ended March 31, 2015 and 2016 by reportable segment:

	Millions of yen					
	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

	Millions of yen					
	2016					
	Reportable segments					
	Construction-related business	Service-related business	Overseas-related business	Total	Adjustments and eliminations	Consolidated
Amortization	**¥–**	**¥1,820**	**¥–**	**¥1,820**	**¥–**	**¥1,820**
Balance as of March 31	**¥–**	**¥8,031**	**¥–**	**¥8,031**	**¥–**	**¥8,031**

	Thousands of U.S .dollars					
	2016					
	Reportable segments					
	Construction-related business	Service-related business	Overseas-related business	Total	Adjustments and eliminations	Consolidated
Amortization	**$–**	**$16,152**	**$–**	**$16,152**	**$–**	**$16,152**
Balance as of March 31	**$–**	**$71,273**	**$–**	**$71,273**	**$–**	**$71,273**

Starting from the current fiscal year, Joint Corporation and its four subsidiaries in the Service-Related Business are included in the scope of consolidation due to a share acquisition. Gain from negative goodwill caused by bargain purchase of ¥4,073 million ($36,147 thousand) for the current fiscal year was recognized as a result of this share acquisition.

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, 2015 and 2016.

(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, 2015 and 2016.

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, 2015 and 2016.

21. Other Comprehensive Income

Reclassification adjustments and tax effects on components of other comprehensive income for the years ended March 31, 2015 and 2016 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2015	**2016**	**2016**
Net unrealized gain (loss) on other securities:			
Amount arising during the year	¥906	**¥(2,197)**	**$(19,498)**
Reclassification adjustments for gains (losses) recognized in net income	–	**(42)**	**(373)**
Amount before tax effect	906	**(2,239)**	**(19,871)**
Tax effect	(212)	**682**	**6,053**
Net unrealized gain (loss) on other securities	694	**(1,557)**	**(13,818)**
Translation adjustments:			
Amount arising during the year	4,620	**131**	**1,163**
Retirement benefits liability adjustments:			
Amount arising during the year	6,627	**(7,953)**	**(70,580)**
Reclassification adjustments for gains (losses) recognized in net income	398	**(193)**	**(1,713)**
Amount before tax effect	7,025	**(8,146)**	**(72,293)**
Tax effect	(2,521)	**2,485**	**22,053**
Retirement benefit liability adjustments	4,504	**(5,661)**	**(50,240)**
Share of other comprehensive income (loss) of affiliates accounted for by the equity method:			
Amount arising during the year	19	**(28)**	**(248)**
Total other comprehensive income (loss)	¥9,838	**¥(7,115)**	**$(63,143)**

22. Business Combination, etc.,
Business combination through acquisition

1. Overview of business combination
(1) Name of acquired companies and business lines
Name of acquired companies:
Sohgoh Real Estate Co., Ltd., and its two subsidiaries
Business lines:
Real estate sales, real estate solutions, and condominium management business

(2) Main reason for business combination
The Haseko Group conducts a variety of condominium-related businesses, setting the three major metropolitan areas as its main trade areas. In particular, it positions the construction-related business, which primarily targets the market for new housing supply, etc., and the service related business including condominium management business, which is centered on the market related to existing residences, etc., as the two pillars of its businesses and aspires for further expansion.
On the other hand, the Sohgoh Real Estate Group has promoted the “Renai Series” brand in its for-sale condominium business in the Tokyo metropolitan area and the Kinki area. Moreover, the Group is engaged in such businesses as real estate solution, rental management, condominium management and asset management. As such, the Group has proprietary know-how in relation to condominium related business.
The Company determined that combining the Haseko Group and the Sohgoh Real Estate Group should produce high synergetic effects in a variety of businesses relating to condominiums, and thus acquired their shares.

(3) Date of business combination
May 28, 2015 (Share acquisition date)
June 30, 2015 (Deemed acquisition date)

(4) Legal form of business combination
Share acquisition for cash consideration

(5) Name of the company after combination
There is no change in the name.

(6) Acquired voting rights ratio
Voting rights ratio after acquisition 100%

(7) Main grounds for determining the acquirer
This was a share acquisition for a cash consideration by the Company and Fuji Kensetsu Co., Ltd., a consolidated subsidiary of the Company.

2. Period for which operating results of the acquired companies were included in the consolidated financial statements
From July 1, 2015 to March 31, 2016

3. Acquisition cost of the acquired companies and its breakdown by type of consideration

		Millions of yen	Thousands of U.S. dollars
Consideration for acquisition	Cash and deposit	¥10	$89
Acquisition cost		¥10	$89

4. Detail and amount of main expenses related to the acquisition
   Advisory expenses, etc. ¥30 million ($266 thousand)

5. Amount, cause, amortization method and amortization period of goodwill
   (1) Amount of goodwill
   ¥919 million ($8,156 thousand)

   (2) Cause
   The is due to the anticipated future excess earning power

   (3) Amortization method and amortization period
   Treated as gain/loss at the time of accrual

6. Amount of assets assumed and liabilities acquired through the business combination and their major breakdown

	Millions of yen	Thousands of U.S. dollars
Current assets	¥34,366	$304,988
Fixed assets	15,840	140,575
Total assets	¥50,206	$445,563
Current liabilities	¥40,441	$358,901
Long-term liabilities	10,675	94,737
Total liabilities	¥51,116	$453,639

7. Estimated amount of the effect on the consolidated statement of income for the current fiscal year assuming that the business combination was completed at the beginning of the fiscal year, and the calculation method.
   Since the estimated amount of the effect on the consolidated statement of income for the current fiscal year is immaterial, details are omitted. The estimated amount of the effect was unaudited.

Business combination through acquisition

1. Overview of business combination
   (1) Name of acquired companies and business lines
   Name of acquired companies:
   Joint Corporation and its four subsidiarie
   Business lines:
   Real estate sales, real estate management business

   (2) Main reason for business combination
   The Haseko Group conducts a variety of condominium-related businesses, setting the three major metropolitan areas as its main trade areas. In particular, it positions the construction-related business, which primarily targets the market for new housing supply, etc., and the service related business including condominium management business, which is centered on the market related to existing residences, etc., as the two pillars of its businesses and aspires for further expansion.
   On the other hand, the Joint Corporation Group has promoted the “Adenium Series” brand in its for-sale condominium business in the Tokyo metropolitan area. Moreover, the Group is engaged in such businesses as profitable real estate development and rental management. As such, the Group has proprietary know-how in relation to condominium related business.
   The Company determined that combining the Haseko Group and the Joint Corporation Group should produce high synergetic effects in a variety of businesses relating to condominiums, and thus acquired their shares.

   (3) Date of business combination
   December 17, 2015 (Share acquisition date)
   December 31, 2015 (Deemed acquisition date)

   (4) Legal form of business combination
   Share acquisition for cash consideration

   (5) Name of the company after combination
   There is no change in the name

   (6) Acquired voting rights ratio
   Voting rights ratio after acquisition 100%

   (7) Main grounds for determining the acquirer
   This was a share acquisition for a cash consideration by the Company and Fuji Kensetsu Co., Ltd., a consolidated subsidiary of the Company

2. Period for which opening results of the acquired companies were included in the consolidated financial statements
   From January 1, 2016 to March 31, 2016

3. Acquisition cost of the acquired companies and its breakdown by type of consideration

		Millions of yen	Thousands of U.S. dollars
Consideration for acquisition	Cash and deposit	¥35,030	$310,880
Acquisition cost		¥35,030	$310,880

4. Detail and amount of main expenses related to the acquisition
   Advisory expenses, etc., ¥17million ($151 thousand)

5. Amount and cause of negative goodwill
   (1) Amount and accrued negative goodwill
   ¥4,073million ($36,147 thousand)

   (2) Cause
   As the net assets at fair value as of the date of business combination exceeded the acquisition costs, the difference was recorded as gain on negative goodwill.

6. Amount of assets acquired and liabilities assumed through the business combination and their major breakdown

	Millions of yen	*Thousands of U.S. dollars*
Current assets	¥37,905	$336,395
Fixed assets	16,275	144,436
Total assets	¥54,180	$480,831
Current liabilities	¥ 3,447	$ 30,591
Long-term liabilities	11,595	102,902
Total liabilities	¥15,042	$133,493

7. Estimated amount of the effect on the consolidated statement of income for the current fiscal year assuming that the business combination was completed as of the beginning of the current fiscal year, and the calculation method.
   Since the estimated amount of the effect on the consolidated statement of income for the current fiscal year is immaterial, details are omitted. The estimated amount of the effect was un-audited.

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, 2016, 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, 2016, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

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.

Ernst & Young Shinnihon LLC

June 24, 2016
Tokyo, Japan

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 Hase-gawa 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.

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

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

1977 Palais Royal Nagatacho
● High-grade condominium

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

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

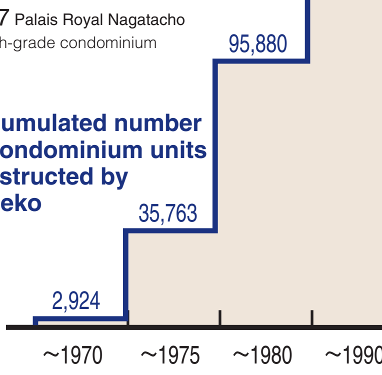
Mar. 1999
Finished “Hills Kugahara,” a large-scale replacement project

Dec. 1998
Achieved construction of accumulated 300,000 units odo-miniums

1984 Palais Royal Ashiya-Midorigaoka
● The first rebuilt condominium

1992 Acrocity Towers
● The first ultra-skyscraper condominium

Accumulated number of condominium units constructed by Haseko



History

~2003	~2004	~2005	~2006	~2007	~2008	~2009	~2010	~2011	~2012	~2013	~2014	~2015	~June 2016
379,328	400,419	420,594	438,750	456,400	469,656	480,373	495,268	510,432	528,966	547,185	564,651	582,109	589,186

Jun. 2009
Obtained certification as “long-life, high-quality housing” for the two projects of “BRANCHERA Urawa” and “BRANCHERA Suitakatayama-koen” -the first such certification in Japan for for-sale condominiums

Mar. 2009
Completed construction of “The Kitahama,” a 54-storied con-domin-ium with 465 units built on the former site of a depart ment store in Kitahama, Osaka

Nov. 2006
Created “Sakura no Sato,” a large-scale new town

Mar. 2006
Completed “Obel Gran-dio Hagi-naka,” Ja pan’s first rebuilding of a condo-minium applying the Revised Con-domium 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 Proj-ect,” an advanced multi-purpose urban development project

Apr. 2003
Established “Haseko Anesis Cor-poration,” a service-related new subsidiary

2004 Fukasawa House
● The first introduction of disaster prevention sets

Nov. 2013
Seikatsu Kagaku Un-Ei Co., Ltd. became a subsidiary by share ac-quisition (the present consolidated subsidiary), Main businesses are operation and other services for paid facilities for the elderly

Mar. 2013
Season Suite Shiki-no-Mori certified as a low carbon building (the first acquisition of such certification among for-sale condominiums)

Jul. 2012
Established “Haseko Real Estate, Inc.,” a comprehensive real estate brokerage subsidiary

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 cumula-tive total of 500,000 condominium units

May 2011
Completed construction of “BRANCHERA Urawa,” a 18-sto-ried condominium with 69 units, that was certified as “long-life, high-quality housing”

2009 The Kitahama
● 54-storied ultra-skyscraper condominium

Dec. 2015
JOINT CORPORATION became a subsidiary by share acquisition (the present consolidated subsidiary), Main businesses are for-sale real estate business and real estate management business

May 2015
SOHGOH REAL ESTATE CO., LTD. became a subsidiary by share ac-quisition (the present consolidated subsidiary), Main businesses are for-sale real estate business, real estate solutions and condominium management businesses

2011 BRANCHERA Suitakatayamakoen
● Long-life, high-quality housing

2011 BRANCHERA Urawa
● Long-life, high-quality housing

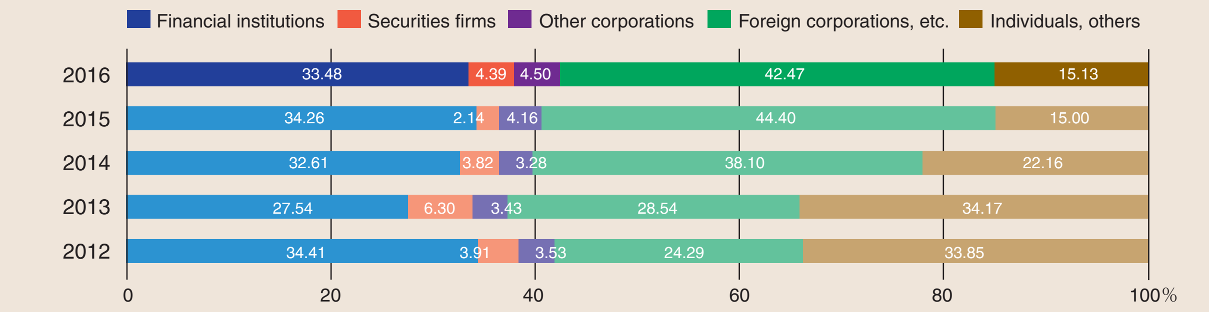
Share Information

Share overview *(As of March 31, 2016)*

Total shares authorized to issue:	420 million shares
Outstanding shares:	300 million shares
Shareholders:	49,754 parties

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

Composition of shareholders *(As of March 31, 2016)*



Principal shareholders *(As of March 31, 2016)*

Shareholder	Shares (1,000 shares)	Voting rights (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	20,989	6.99
Japan Trustee Services Bank, Ltd. (Trust account)	20,824	6.93
Resona Bank, Limited	12,609	4.20
MSCO CUSTOMER SERVICES	10,335	3.44
Japan Trustee Services Bank, Ltd. (Trust account 9)	8,734	2.91
STATE STREET BANK AND TRUST COMPANY 505225	8,466	2.82
Sumitomo Realty & Development Co., Ltd.	7,152	2.38
J.P. MORGAN BANK LUXEMBOURG S.A. 380578	6,434	2.14
Mizuho Bank, Ltd.	6,305	2.10
Haseko Group Employee Shareholders Association	5,424	1.80

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 2012	Fiscal year ended March 2013	Fiscal year ended March 2014	Fiscal year ended March 2015	Fiscal year ended March 2016
Highest	72	100	167 860*	1,198	1,699
Lowest	44	45	80 584*	604	891

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.

Corporate Information

Overview *(As of March 31, 2016)*

Name:
Haseko Corporation

Founded:
February 1937

Established:
August 1946

Paid-in capital:
57,500 million yen

Number of employees:
2,253 (Non-consolidated)
6,136 (Consolidated)

Stock exchange listing:
Tokyo Stock Exchange 1st section,

Ticker code:
1808

Shares per trading units:
100 shares

Number of consolidated subsidiaries:
56

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

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:
19-3 Takashima 2-chome, Nishi-ku,
Yokohama

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

Kyoto branch:
734 Higashishiokouji-cho, Karasuma-dori,
Shichijou-kudaru, Shimogyou-ku, Kyoto-shi

Hanoi representative office:
7th Floor, Vinafor Building,
No.127 Lo Duc, Dong Mac Ward,
Hai Ba Trung District, Hanoi, Vietnam

Technical research institute:
2968 Nishikata, Koshigaya-shi, Saitama

Note: The new address after relocation as of July 19, 2016 is indicated for Yokohama branch.

HASEKO

Printed in Japan