
# ANNUAL REPORT 2012
## For the Year Ended March 31, 2012

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 510,000 condominium units (as of the end of March 2012) and established itself as a leading condominium contractor in Japan.

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

**Contents**



**Cover photos**

“Long-Life and High-Quality” condominiums which, features both high quality and economic rationality, enable people to live in the same condominium over multiple generations.
[Shiki-no-Mori Residence] (Shiki-shi, Saitama, 319 units)

■ 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, 2008, 2009, 2010, 2011 and 2012)

| | Millions of Yen | | | | | Thousands of U.S. Dollars |
|---|---|---|---|---|---|---|
| **For the Year** | 2008 | 2009 | 2010 | 2011 | **2012** | **2012** |
| Net sales | ¥745,074 | ¥505,500 | ¥420,382 | ¥440,429 | **¥500,929** | **$6,094,768** |
| Operating income | 55,718 | 15,574 | 17,118 | 23,327 | **21,615** | **262,988** |
| Ordinary income | 53,103 | 12,444 | 14,165 | 19,138 | **18,199** | **221,426** |
| Net income (loss) | 22,384 | (7,596) | 5,814 | 10,137 | **11,242** | **136,781** |
| **At Year-end** | | | | | | |
| Total assets | 486,204 | 485,781 | 439,273 | 457,487 | **467,075** | **5,682,869** |
| Net assets | 110,979 | 71,187 | 92,125 | 97,478 | **101,996** | **1,240,978** |
| | Yen | | | | | U.S. Dollars |
| **Per Share Data** | | | | | | |
| Net income (loss) | 9.36 | (6.67) | 3.79 | 6.29 | **7.05** | **0.09** |
| Net assets | 36.31 | 19.93 | 30.76 | 34.36 | **40.76** | **0.50** |

*Note: The U.S. dollar amounts represent translations of yen amounts at the rate of ¥82.19 = U.S. $1.00, the exchange rate at March 30, 2012.*

# Message from the Management

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

During the fiscal year ended March 2012, the Japanese economy had to confront increasing uneasiness about the future, impacted by the Great East Japan Earthquake, the accident at the Fukushima Daiichi Nuclear Power Plant, the Euro zone financial problem, extensive damage from flooding in Thailand and the appreciation of the yen, among other things, but got on track to a modest recovery in the latter half of the fiscal year, given the restoration and reconstruction from the earthquake disaster starting to proceed gradually and the appreciation of the yen beginning to show signs of calming down. Nevertheless, the outlook of the economy still remained opaque, partly due to concerns about rising crude oil prices, the economic slowdown in Europe and emerging economies like China. As for the condominium market as well, both suppliers and buyers had appeared inclined to stand on the sideline, impacted by the Great East Japan Earthquake, but political measures and other factors pushed them back to a recovery trend since last autumn, with inventories kept at a low level.

# Message from the Management

Under these circumstances, the Haseko Group further reinforced its ability to gather land information and enhanced its advantage of a technological edge in the “flow-based” business, and endeavored to win orders through such measures as developing products and technologies that should lead to the creation of living spaces that are highly resistant against earthquakes as well as friendly to the environment. In the “stock-based” business, the Company established a stable business foundation by conducting organizational restructuring designed to efficiently win orders for repair and renovation work at for-sale condominiums Haseko built to a cumulative total of more than 500,000 units, and by increasing the number of units of for-sale and rental condominium units the Haseko Group was consigned to manage, as the Group took over the lease management operations and company housing management agency services of an outside firm as a result of its split.

For the consolidated fiscal year under review, the Company posted a decrease both in operating income and ordinary income, negatively impacted by the marginally profitable construction orders we won amid increasingly intensified competition against rival companies. However, net sales increased by 13.7% year-on-year to 500.9 billion yen, and net income after income taxes rose to 11.2 billion yen, an increase of 10.9% year-on-year. Though we achieved an increase in net income again following the previous fiscal year, we reluctantly decided to deliver no dividend to common stocks. This is for the purpose to reserve profits as retained earnings for redemption of preferred stocks, which we recognize as an important issue.

The period under review marked the final fiscal year of the Revised “SHIN” Plan, the Group’s medium-term business plan established in May 2009, but the numerical targets initially set for the Plan were not achieved due to the impact of many factors. The Japanese economy still faces a lot of uncertainties, including the impact of the earthquake disaster and the outlook of the consumption tax issue. Moreover, the condominium market faces structural changes occurring in the Japanese economy, such as intensification of competition in winning orders accompanying the contraction of the domestic construction market and the arrival of an aging society along with a declining birth rate. For our future, it is essential for the Haseko Group to respond to these changes.

In view of the above, the Haseko Group has established the “PLAN for NEXT” (Plan 4N) as our new medium-term business plan, with an aim to firmly establish our management system for the future. The Plan 4N positions the coming four years as the period for “creating the foundation for the new stage.” The major focus of the Plan is placed on further accelerating a shift to corporate management that builds upon both the “flow-based” market centering on construction, the Company’s long-standing mainstay business, and the “stock-based” market, which involves housing service-related businesses that should surely accumulate in the future, as well as preparing a financial standing that can endure conditional changes in the market and meet the challenges of new endeavors from a medium- to long-term perspective.

The Haseko Group has strived to accomplish the previous medium-term business plan, as it conducted such business strategies as creating added value for the for-sale condominium business, providing long-term quality housing and offering new technological strategies including the “Be-Liv” format of condominium units, among other achievements. As for financial strategy, the Company successfully reduced interest-bearing debts on a consolidated basis to the level of nearly 200 billion yen (excluding loans related to PFI projects) as planned. Going forward, under the new “Plan 4N” medium-term business plan, we will aim to become a company that can develop and progress continuously through the implementation of the new plan by exercising our comprehensive strengths based on the close coordination of respective Group companies.

With deep gratitude to our shareholders and other stakeholders who have extended support to us, we will continue our efforts to establish the Haseko brand as the “one and only corporate group for housing” that creates great living by producing high-quality condominiums at fair prices and providing our customers with safe and reliable housing they can live in comfortably. Your continued support and encouragement would be greatly appreciated.

June 2012

Ikuo. Oguri

Ikuo Oguri
President and Representative Director
Haseko Corporation

# “PLAN for NEXT”

**— Period for creating foundation for the new stage —**

Period covered by the plan: Four fiscal years (from April 1, 2012 to March 31, 2016)

## Enhancing Profitability of Main Businesses

- **Accelerate a shift to corporate management that builds on both construction-related business, which primarily targets the market for new housing supply, and service-related business, which is centered on the market related to existing residences, etc.**

### Construction-related Business

**Firmly secure the Company’s market share of at least 20% in the construction of new for-sale condominiums on an order basis**

- Increase the ratio of Haseko Designated Orders by reinforcing our ability to gather information on real estate (secure the ratio of Haseko Designated Orders to be at least 90%)
- Enhance joint work with project owners assuming that we conduct design and construction in packages (the ratio of design and construction in packages to be at least 90%), and strengthen our ability to control costs by taking advantage of our superiority
- Continue our real estate business by participating in projects with the primary aim of receiving construction orders
- Establish our system to gather information and conduct construction to expand the areas in which we work to receive construction orders, including major cities in the greater Tokyo metropolitan area (Tokyo metropolitan area + Ibaraki, Tochigi, Gunma, Yamanashi and Shizuoka Prefectures)
- Further evolve our system on after-sales services, including the provision of the “Haseko Premium After-Sales Services”
- Endeavor to expand order-reception for condominiums with services for the elderly and rental apartments

### Service-related Business

**Aiming to achieve 10 billion yen in ordinary income**

- Aim to increase the number of for-sale condominium and rental condominium units under management, and enhance the business foundation by having the entire company fully conscious of our identity as a service business and invest in human resources
- Enhance the system that allows the provision of support, both in terms of products and services, concerning rebuilding, renovation for enhanced earthquake resistance and repairs, etc. of aging condominiums
- Accumulate know-how in the area of remodeling, such as large-scale exterior renovation, in order to expand revenues and profits
- Implement multi-faceted work in the area of housing for the elderly, including management and operations of the facilities
- Aim to expand the business scale and acquire know-how through M&As and tie-ups, as well as proactively implement peripheral work of existing businesses

### Numerical Targets

Fiscal year ending March 2016 (target)
Consolidated ordinary income
Over 30 billion yen

Service-related business
10 billion yen

# Medium-Term Business Plan

## Reinforcing and Advancing Technological Capabilities and Technical Development Abilities

### Provide safe, reliable and comfortable condominiums

- 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)
- Develop production technologies of condominiums for the elderly and rental condominiums
- Further reinforce development of renovation technologies

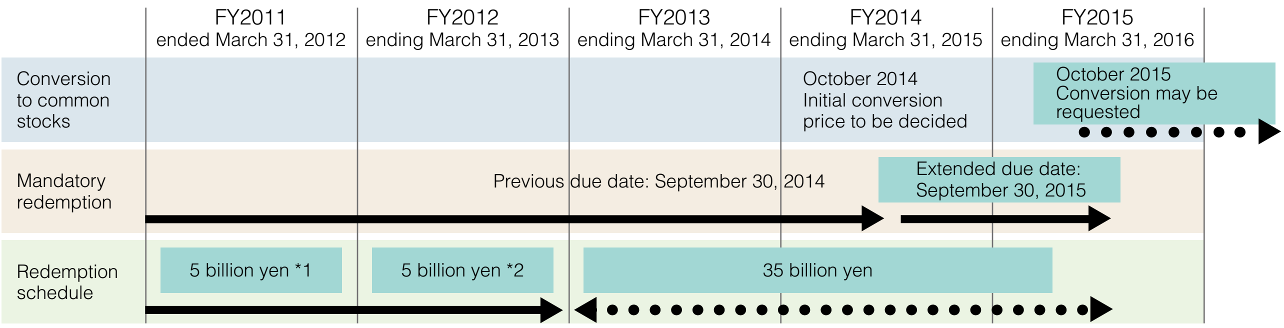
## Financial Strategy and Capital Measures

### Secure a financial foundation that supports continuous growth, and resume dividends to the Company's common stocks

- Redeem all existing preferred stocks (Preferred Stocks Class B I) by the arrival of their conversion period that starts in October 2015, by using profits for the period, in order to avoid dilution caused by the conversion of the preferred stocks into common stocks
- Work to maintain and improve financial soundness by improving the quality of shareholders' equity and reducing interest-bearing debt, in order to secure flexibility in the financial strategy in accordance with the business policies and the growth strategies of the Company
- Resume stable dividends to the Company's common stocks as early as possible within the period covered by the Plan

**Assumed Schedule for Redeeming the Preferred Stocks**

Preferred stocks Class B I




*1: The Company repurchased and retired 10 million shares on March 23, 2012.
*2: The Company repurchased and retired 10 million shares on July 13, 2012.

## New Challenges

### Facilitate the challenging of new endeavors from a medium- to long-term perspective

- Pursue the possibility of expanding our business areas in major cities in Japan, pivoting around service-related businesses
- Investigate and implement measures to expand revenues and profits in overseas markets as the Haseko Group

## Corporate Management Systems, Etc.

### Focus on establishing highly effective governance and internal control

- Secure monitoring of management operations by the Board of Auditors, the majority of which are outside auditors, with an outside monitoring function from an objective and neutral standpoint, and activate the Board of Directors as well as enhance its function to monitor business management by adding outside directors
- Continuously maintain and enhance systems for compliance, quality (ISO9001), environment (ISO14001), information security and protection of personal information

# History of Condominium Business in Japan

Japan's first for-sale condominium was built in 1956, followed by the first condominium boom from 1963 through 1964. The boom, triggered by the 1962 enactment of the Act on Building Unit Ownership, Etc., the basic law concerning condominiums, as well as by the 1964 Tokyo Olympic Games stimulating the economy, was limited to high-grade condominiums located in central Tokyo.

## Latter Half of the 1960s: Popularization of Condominiums

Properties located near central Tokyo led the diffusion; the mortgage loan system became popular and triggered the market expansion.

It was 1968 when Haseko started construction of its first condominium. At this time, Haseko already worked not only on providing land information and receiving orders in the form of Haseko Exclusive Contracts through business proposals, but also on meeting and handling various customer needs and complaints.

## 1970s: Condominiums Become Common; Increase of Large-Scale Developments by Private Developers

Condominiums adopting Western unit plans increased, and the latter half of the 1970s saw the supply of condominiums gain momentum in areas adjacent to Tokyo Prefecture.

In 1973, Haseko developed CONBUS (Condominium Building System), an innovative condominium production system that went down in history. Enabling "improved productivity" as well as "stabilized quality and performance" through standardization, the system helped provide more people with reasonably-priced and quality housing. These condominiums spread dramatically in the metropolitan areas (Tokyo and Kansai), and Haseko used the system to provide approximately 120,000 units in 10 years.

Example of CONBUS series

## 1980s: Improvement in Condominium Quality, including High-Rise Buildings and Enhanced Livability

Super expensive properties were provided in the bubble-era specifications; family-type condominiums for first-time home buyers were built in suburbs: progress was made in construction technologies and functional performance.

The social environment no longer allowed uniform housing to meet the market needs. In light of this change, Haseko further enhanced the system developed in the CONBUS era and established industry standards by being a pioneer in responding to diversifying needs. An industry standard in the "condominium sales method" to date, in which a single condominium offers a variety of options for arranging different floor plans and interior designs for each of its units, was also developed by Haseko ahead of other companies.

## 1990s to Present Day: Realizing Large-Scale, Super High-Rise, Highly-Functional and Added-Value Condominiums

Demand expanded steeply due to the "phenomenon of returning to city centers"; unprecedented mass supply of over 80,000 units per year continued, and the era came to demand housing that allows permanent living while commanding variety and advanced features.

Haseko is a leader in providing housing that offers variety and advanced features as well as allowing permanent living – the values demanded by society. As such, Haseko has continued to propose "project-type condominiums"(*) that can realize wide-spread versatility, securing excellence in such fundamental aspects as earthquake resistance and environmental standards as a building over the long term, while responding to the wide range of needs residents.

(*) The project-type condominiums include "E-Label", a system providing an integrated set of selections for floor plans, interior specifications and facilities, and "Be-Next", a next-generation condominium that adds future versatility while enhancing fundamental performance and securing environmental performance that match the requirements of the times.

**Number of Condominiums in Stock**

The Ministry of Land, Infrastructure, Transport and Tourism estimates the number of condominiums in stock throughout Japan to total 5.79 million units as of the end of 2011. Of these, Haseko has constructed roughly one out of ten condominium units, building a cumulative total of 510,432 condominium units as of the end of 2011.

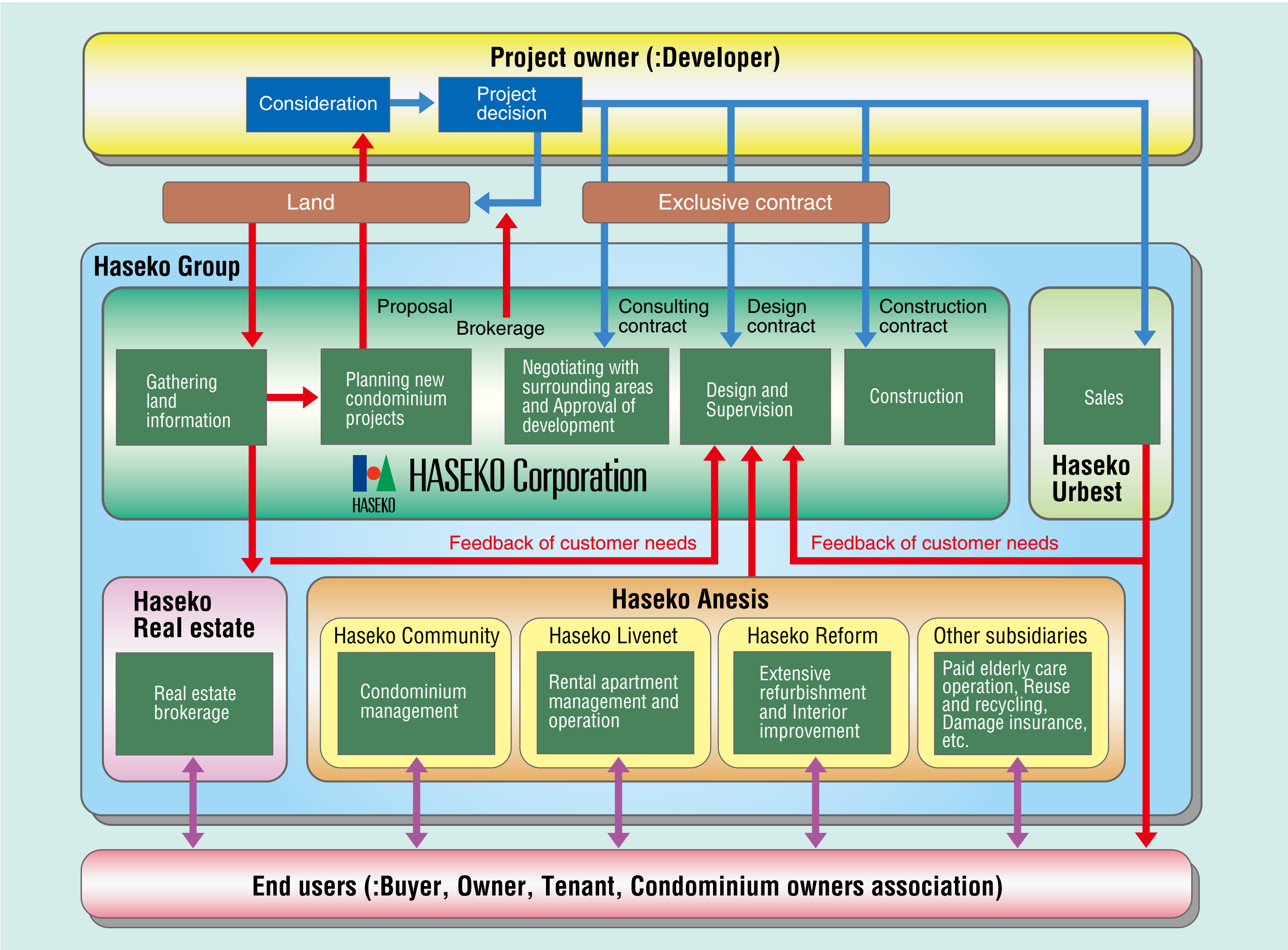
Note 1. The number of new supply was estimated based on the Housing Starts Statistics and other data.
2. The number of units in stock was the total of estimated figures as of the end of respective years, based on the cumulative number of new supply, etc.
3. Condominiums mentioned here refer to apartment-type, middle-to high-rise (3-stories or higher) for-sale residences with reinforced concrete, steel and reinforced concrete or steel-frame structures.

# Business Model

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

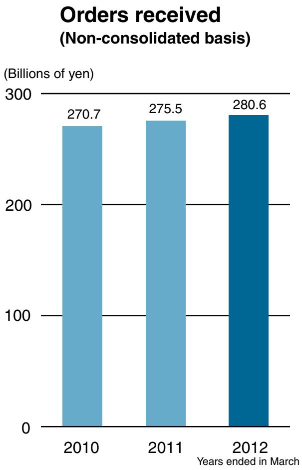
In the general flow of condominium construction, project owners (developers) acquire land and decide on a business plan with the projects before placing construction orders to general contractors. In contrast to this, Haseko collects land information, makes project plans based on the information, and 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 "creating the foundation for the new stage." 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 PLAN for NEXT is to "accelerate a shift to 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 focused on the existing residence-related market. 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




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

Haseko has established a construction management system that is efficient (no reconstruction) and highly precise (minimal complaints). In addition, Haseko adopts new products and technologies that have been developed at its Technology Research Institute. This has enabled Haseko to provide condominiums that realize shorter construction schedules and that are of a quality that does not compromise the trust of its customers. While employing state-of-the-art construction methods, Haseko works to establish an efficient construction management system that keeps to budgets and promotes smooth implementation of project schedules. These measures are what have maintained Haseko's high productivity, which serves as a source of its high profitability.

**Latest Completed Properties**

Gracia Garden TamaPLAZA

Cent Earth Fujigaoka Green Parks

St. Place Tower

**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.

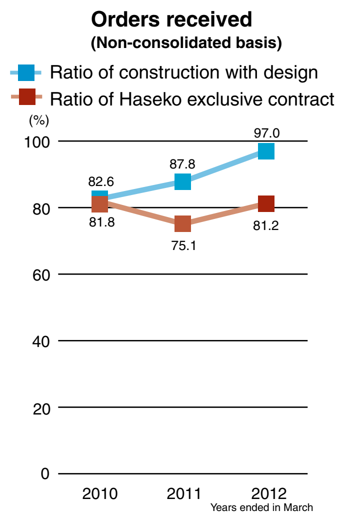
● Receiving Orders for Design and Construction in Packages

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

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

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




**Recent Design Cases**

Creating Town Landscape with Excellent Design by Employing Wall Greening System for Building Outer Walls

Proud Tsunashima-kamicho

The wall greening technology is a one that follows roof greening, but has the advantage of being able to demonstrate a commitment to environmental improvement, as outer walls are more visible from outside than roof greening. Over recent years, technologies to decrease weight and utilize thinner layers have enhanced the potential of the wall greening construction method for construction materials that combine construction façades and greenery.

LIPS “Living Image Presentation Space”

● 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.

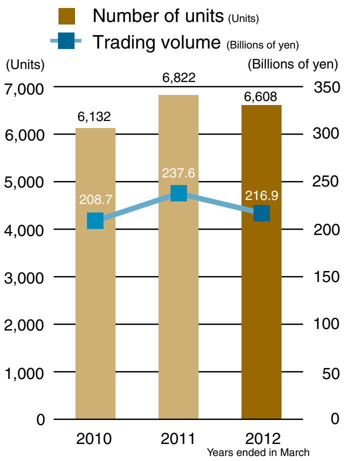
Under the system, Haseko significantly extends the period in which the Company provides after-sales services for condominiums it sells, and works to enhance the sense of security and satisfaction of residents and improve added value by reinforcing its regular services. Moreover, in order to realize quick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

Park City Musashino-sakurazutsumi

St. Place City

# Sale of Newly-Built For-Sale Condominiums

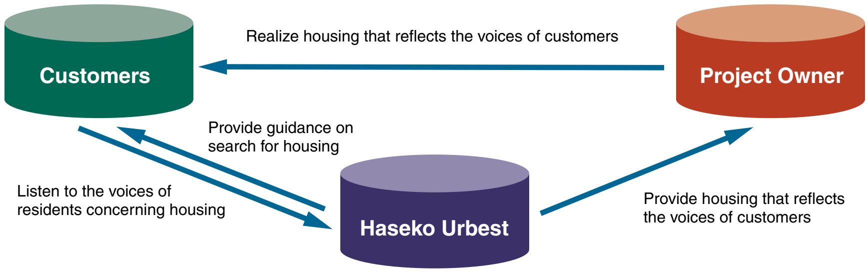
**Consignment sales of newly-built for-sale condominiums (Haseko Urbest)**




## Key Sales to Success in the Condominium Business

Haseko Urbest is commissioned by project owners for general operations related to selling of for-sale condominiums. The company is totally commissioned for marketing operations including market research, product planning, sales planning and advertising, as well as for sales to customers, contracting, brokerage of financing and registration support.

With the added feature of ample marketing functions, the company builds on elaborate analyses based on a huge volume of customer information to plan and develop highly-competitive products and propose them to project owners.




## Product Planning that Reflects Customer Needs

**U's-style**

The "U's-style" products are based on original specifications for condominiums, materializing the voices of customers wishing for "what would better."

With the concept of housing that provides "real comfort" and a "real sense of reliability" as well as of "housing you are really attached to" by continuing to live there for many decades, the company provides people with a condominium-life that only sales companies can realize by combining existing products and newly developed products.

**Major Line of Business**

● Consigned Sales

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.

● Information Provision

The company provides information services, including regular delivery of mail magazines to customers and operating the "Urbest Style," an Internet-based website that makes lifestyle proposals. Moreover, the company has established a "customer consultation center" to respond to requests and inquiries from customers.

● Planning

The company's planning section, comprising the "product planning team" and the "customer information team," is engaged in "making proposals of products that sell", taking full advantage of its elaborate market research and of its proposal ability through customer-needs-specific marketing activities based on direct voices of customers.

● Contracting

In place of project owners, the company performs a series of complicated operations concerning contracts in an easy-to-understand and efficient manner, from sales contracts to delivery of condominiums and including loan arrangements and registration work for customers. It also prepares contracts and materials based on real estate laws for respective condominiums.

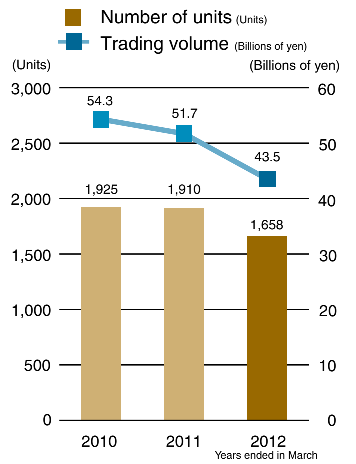
# Real Estate Brokerage

## Newly Born as Comprehensive Real Estate Brokerage Company

In order to materialize 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 believes that housing brokerage services are indispensable for maintaining and improving the asset value of already supplied residences and passing over good housing to the “next residents.”

On July 1, 2012, the Haseko Group made arrangements in which it integrated the Group’s real estate brokerage business by having the brokerage and renovation businesses of Haseko Urbest absorbed and separated into Haseko Partners, which is primarily engaged in brokering land to corporations, and changed the corporate name of Haseko Partners to Haseko Real Estate Inc.

**Brokerage of real estate (Haseko Urbest)**




Note: This graph is based on Haseko Urbest brokered units

## Overview of Haseko Real Estate Inc.

Paid-in capital: 100 million yen
Number of employees: 209 (as of July 1, 2012)
Number of offices: 21 (16 in the Tokyo metropolitan area, 5 in the Kinki area)
Head office: 31-19 Shiba 2-chome, Minato-ku, Tokyo


### Major Line of Business

● Housing Brokerage Business

The company supports customers who want to “sell,” “buy” or “lease” condominiums and stand-alone houses, meeting their expectations and backing up safe, quick and appropriate real estate transactions.

● Renovation Business

Taking advantage of the Haseko Group’s experience as the top achiever in condominium construction, the company delivers housing to the next residents, conducting operations from purchase to renovation work and sales of residences.

● Commercial Real Estate Brokerage Business

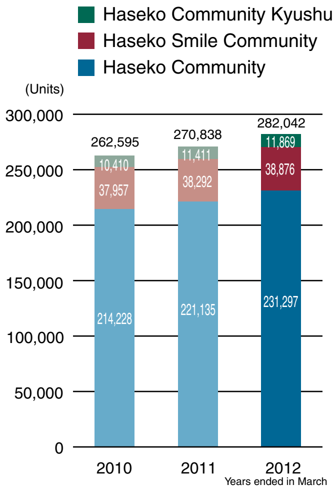
The company responds to every type of customer needs on real estate, including selling and buying, for not only condominiums, stand-alone houses and commercial sites but also condominium buildings for sale as a whole, profit-generating buildings and other properties.

● 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.

# Condominium Building Management

**Three companies Condominium building management**




## Supporting "Safe," "Reliable" and "Comfortable" Lives

Haseko Community, Haseko Smile Community and Haseko Community Kyushu are commissioned by management associations, which are comprised of residents of condominiums, to provide services that should maintain and improve the asset values of the buildings and enrich life in condominiums.

**Handles a Variety of Condominium-related Troubles, Utilizing High Technological Capabilities and Building and Facilities**

As a management company belonging to a general contractor group, the company has long handled a variety of troubles related to buildings and facilities. Upon receiving contacts from customers, it has accepted whatever problems or troubles they might have, even if there is no telling whether the problems are related to construction or management, investigated the causes and solved them. The accumulation of such endeavors gives the company the ability to solve various troubles occurring with regard to buildings and facilities at condominiums.

**Works to Keep People Safe and At Ease Around the Clock**

The center conducts on-line monitoring of abnormalities at buildings and facilities around the clock through network systems. Abnormality of buildings and facilities is monitored via online systems for every unit and, in case of any abnormality, the situation is quickly grasped and security personnel are dispatched in emergencies as needed. Moreover, specialized technical staff are available around the clock to provide assistance and advice for water leaks and other troubles in daily life, in order to maintain a sense of security for residents.

**Provides Advice and Backup for Creating a Comfortable Community**

Condominium management is increasingly gathering attention, from the viewpoint of not only keeping living spaces comfortable but also maintaining the asset value into the future. Such attention is partly driven by the orientation, which has grown in recent years, to permanent living in condominium units. In the face of such a move, the company counts on community creation as one of the important issues in conducting condominium management. Where a good community is formed, good condominium management can be achieved. As such, it is one of the important roles of a management company to support formation of a community.

### Major Line of Business

● Maintenance and Management

The company's technical staff 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 cafés and culture schools operated in condominiums as well as car sharing.

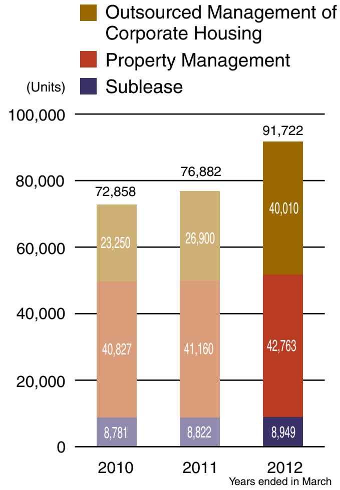
# Management and Operation of Rental Condominiums

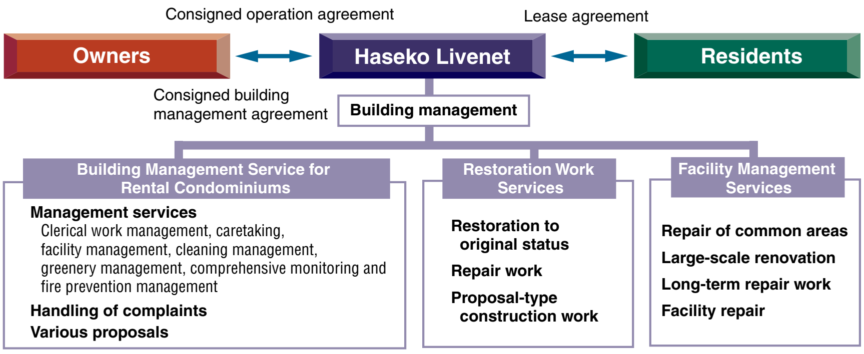
## Rental Condominium Experts

Having managed over 90,000 units of rental condominiums and corporate housing and operated them at an average occupancy rate of more than 95%, Haseko Livenet proposes the optimal plans, prepared by professionals who have the deepest knowledge of rental condominiums, to people who consider utilizing their land for rental and investment-purpose condominiums.

Moreover, the company has established strong networks with major investment funds inside and outside Japan and other players, and has accumulated achievements in transaction brokerage and consulting services as well.

**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.

● Outsourced Management of Corporate Housing

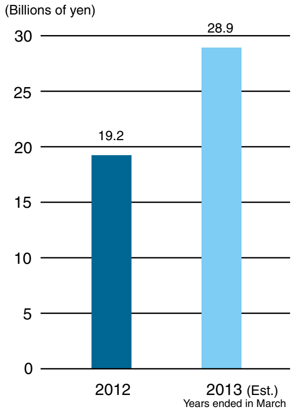
Having pioneered the corporate housing business model, the company provides support ranging from reviews of corporate housing systems to CRE strategies. It features high-quality services that have been selected by many global companies.

● 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.

# Large-Scale Repair and Interior Remodeling

**Orders received (Haseko Reform)**




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

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

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

Haseko Reform is engaged in renewal construction and maintenance work primarily for condominiums. Its "Ju-yu-shi" (living-friendly engineers) provides building diagnosis of condominiums free of charge and report the deterioration status of the buildings. Based on abundant experience as the leading company in condominium construction, it makes appropriate renewal proposals – including renovations of earthquake-resistant structures, ordinary repairs, large-scale repairs and remodeling – in accordance with the respective buildings' characteristics (size, design and specifications) in order to provide construction quality that achieves the maintenance and enhancement of the value of the asset with the aim of extending the building life.

- Large-scale repair work (renewal and maintenance of common zones)
  - The experience and the track record of a total of approximately 500,000 units of condominium constructions are fed back to renewal and maintenance work.
  - The company executed condominium renewal and maintenance work totaling approximately 2,200 buildings (approximately 220,000 units) over the last 20 years.
  - Proactively adopts construction methods that take into consideration the living environment as it conducts "construction work while letting residents remain."
- Interior reform work in condominium units
  - Proposes appropriate reform for not only unit floor plans and designs but also for replacement of water supply, drainage and electricity facilities.
  - Female interior coordinators make arrangements based on the condominium construction record data.

**Example of Interior Remodeling**

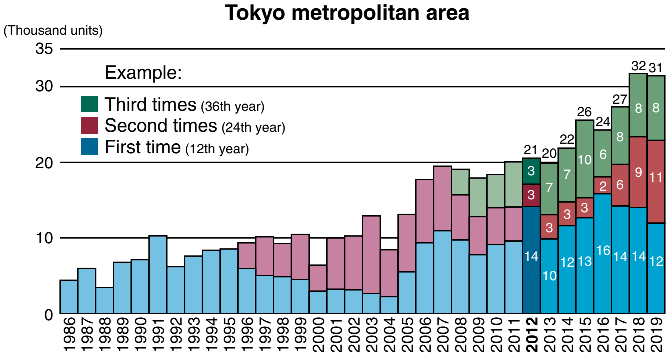
Before

After

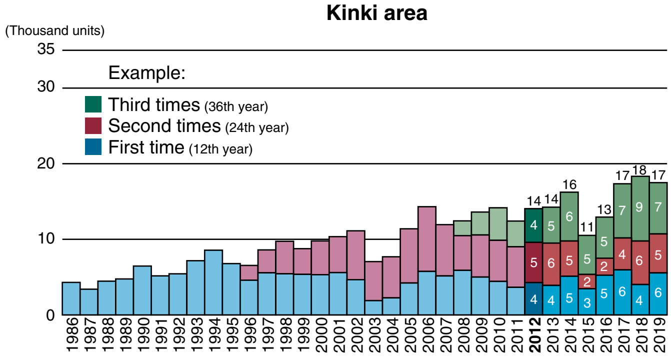
Properties that were built in 1994 – when mass supply started for new for-sale condominiums – and after will be old enough to be subject to large-scale repair work. As such, demand for large-scale repair work is anticipated to expand.

**When will the condominiums previously constructed by Haseko require large-scale exterior renovations, and subsequent renovations?**

**Tokyo metropolitan area**

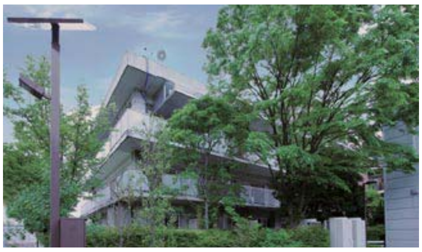



**Kinki area**



## Haseko Technology Research Institute

The Haseko Technology Research Institute is the Company's base for research and technological development. It features a Housing Performance Test Building, which is a reconstruction of a condominium at scale and the sole such facility in Japan, a Thermal Environment Test Building, a Structural Material Test Building and other facilities, and is engaged in a wide range of activities from basic research to technological development of condominiums and rental apartments. In recent years, it has been focusing on research in environmental and renovation technologies under the themes of renewable energy use, CO2 reduction and energy saving, extension of building life and other topics. The Institute has also set up a venue within its site for exhibiting technologies, and proactively explaining and demonstrating its initiatives on environmental issues to outside audiences.



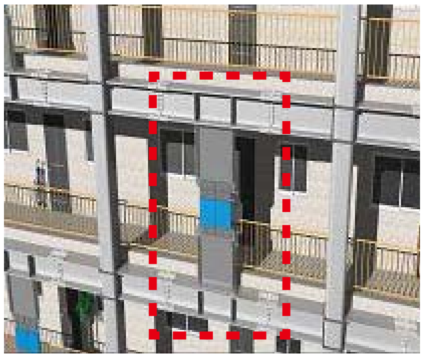
Housing Performance Test Building

Exhibition of Environmental Technologies

Solar Photovoltaic Power Generation Panels

## Methods Allowing Residents to Remain in their Units during Repair Work

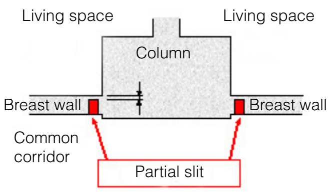
In terms of technologies for interior and exterior renovation, including large-scale repair work for which demand will be growing, Haseko is developing and proposing construction methods that should have minimum impact on the daily lives of residents.



Illustrative chart (blue sections represent dampers)

● 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.

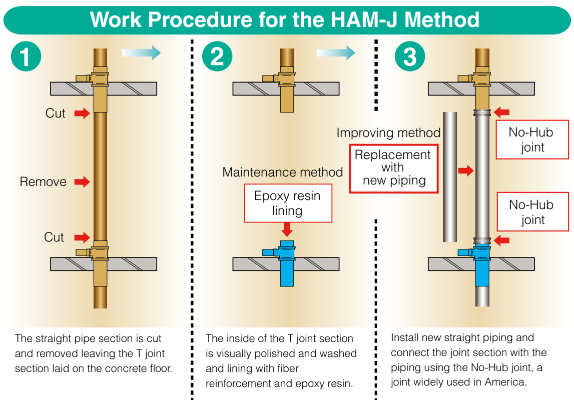



● VES (ViscoElastic Stud-type) damper method

The damping method reduces a wide variety of building vibrations, ranging from wind-induced motion to earthquake reaction, by having damping devices installed in the vertical span between floor and ceiling on floors of buildings.

● 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.



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

Installation of charging equipment dedicated to electric vehicles.

**Reducing CO2 through greening:**
Trees and greenery planted on the roofs of bike sheds and garbage collection structures.


## “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 fifth competition held in 2011 set the theme of “the richness of reuniting to live together,” and attracted many proposals about condominiums and rental apartments that would reevaluate the value and richness of living together, while taking into account such key concepts as community, networks, energy saving and sustainable buildings. A total of 501 proposals were submitted from 1,095 registrants, awarding one proposal with first prize, two proposals with awards of excellence, and seven proposals with honorable piece of work.

## “Mission Uchimizu (Water Sprinkling) at Condominiums” Implemented

Haseko Community, Haseko Smile Community and Haseko Community Kyushu implemented the “Mission Uchimizu (Water Sprinkling) at Condominiums 2011” from July 23 to August 23, 2011. The objective of the Mission was to support the creation of enriched communities by residents of condominiums for which the Haseko Group is entrusted with management. The number of participants has been increasing year-by-year, and increasing numbers of unit owners’ associations have established the initiative as a regular event. Since the Mission started in 2008, the accumulated number of participating households has reached 100,000.

In 2011, 50,923 households from 999 condominiums participated in the initiative, and implemented earth-friendly “uchimizu” by sprinkling secondary water utilizing leftover water from bathtubs and other available sources.

### ■ What is Uchimizu?

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

### ■ What is “Mission Uchimizu at Condominiums?”

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

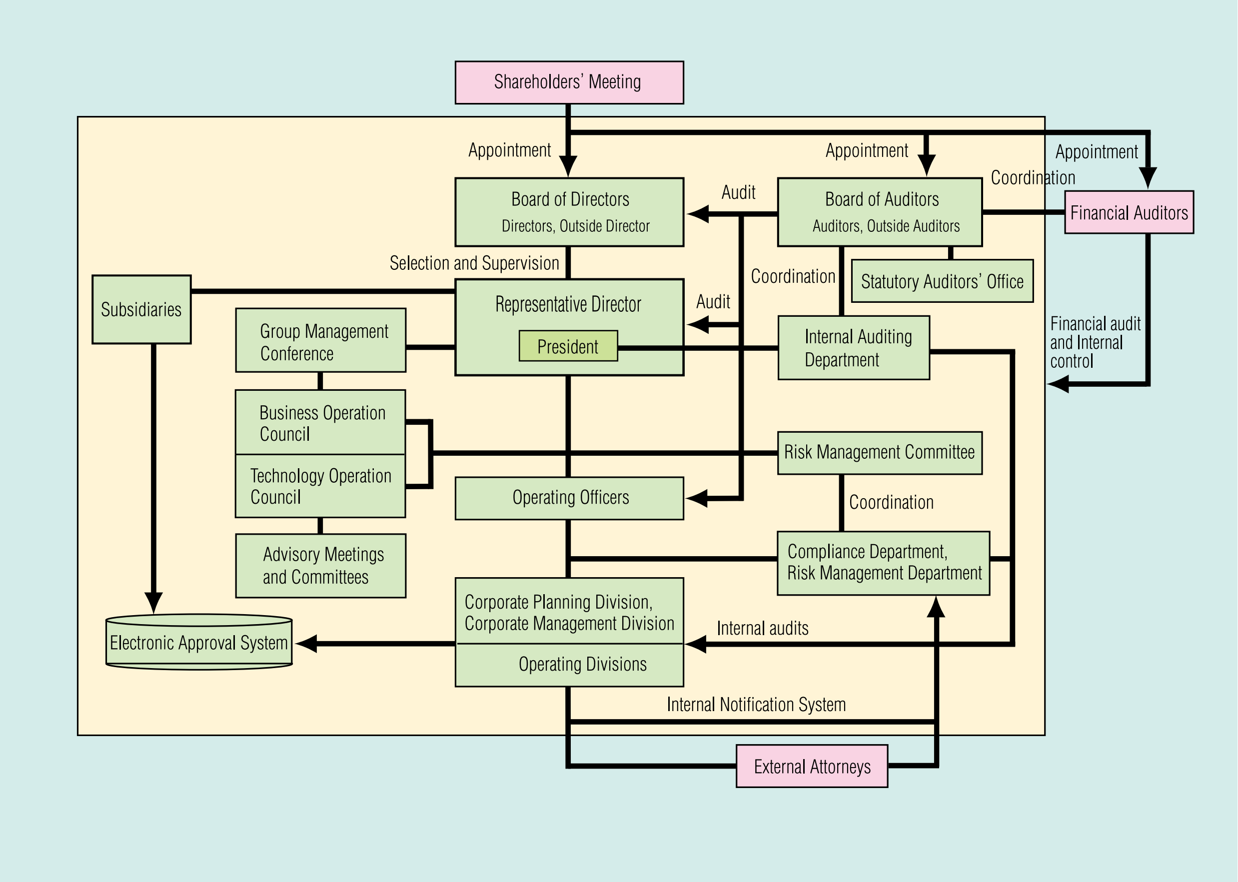
## Corporate Governance

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, based on the recognition that it is indispensable to secure management transparency and objectivity for maximizing corporate value in a stable manner over a long term and ensuring shareholders' interests.
Conventionally, the Board of Directors of Haseko Corporation served as the institution where directors with expert knowledge and experience in various business sectors conducted decision-making on managerial issues and supervised execution of duties of other directors. As for monitoring of management operations, the Company's system provided 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. However, Haseko recently decided to add an outside director with abundant experience and track record to 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.

## 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

**Diagram of company institutions and internal governance**



addition, operating officers make operational reports on a regular basis to the Board.

The company has also established 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 these 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 implemented via advance discussion by the above-mentioned two operation councils, as well as by the Group Management Council, which is held under the chairmanship of the President.

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 whistleblowing system for consultations on compliance and notification of illegal conduct, etc. and an external contact have also been established.

In April 2005, the Company established the Internal Auditing Department that is under the direct control of the President. Pursuant to internal rules and regulations on internal audits, the Department investigates and evaluates whether activities of respective divisions conform to laws and regulations, the Articles of Incorporation, the Company's rules and regulations, corporate policies, etc. and whether they are reasonable, and works to make improvements based on the results. The Company has no relations with anti-social forces or groups that threaten the order and security of civic life, and will cope with such anti-social forces and groups systematically, and with an adamant and resolute attitude.

### Risk Management System

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

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

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

## Management Team *(As of July 1, 2012)*

### Directors and Corporate Auditors

**Ikuo Oguri**
Representative Director
President

**Noriaki Tsuji**
Representative Director
Executive Vice President

**Atsushi Hasegawa**
Representative Director
Executive Operating Officer

**Minoru Nishino**
Representative Director
Executive Operating Officer

**Ryuichiro Yoshida**
Representative Director
Senior Operating Officer

**Shosuke Muratsuka**
Director
Senior Operating Officer

**Yuhei Imanaka**
Director
Senior Operating Officer

**Morio Shimada**
Director
Senior Operating Officer

**Kinichi Kitamura**
Director
Senior Operating Officer

**Kazuo Ikegami**
Director
Operating Officer

**Junichi Tani**
Director
Operating Officer

**Takeshi Tsunematsu**
Director
Operating Officer

**Hiroo Kinoshita**
Outside Director

**Teruo Kojima**
Full-time Corporate Auditor

**Koichi Suzuki**
Full-time Corporate Auditor

**Haruo Akimine**
Corporate Auditor

**Haruya Uchikawa**
Corporate Auditor

**Masahiko Nakamichi**
Corporate Auditor

### Operating Officers

#### Senior Operating Officers

**Masaki Sato**

**Fujio Hirano**

#### Operating Officers

| | | |
|---|---|---|
| Naobumi Tago | Yutaka Okada | Satoshi Amano |
| Junji Kawamura | Takashi Kawamura | Syoji Naraoka |
| Yoshinori Haraguchi | Masaaki Matsuoka | Hideo Yokokawa |
| Tsugio Utada | Takeshi Yoshioka | Yoshiaki Yamada |
| Toshiyuki Murakawa | Misato Yamamoto | Yoshinobu Mitabe |
| Koji Kobayashi | Jun Kawamoto | Nobuhiro Tani |
| Masahito Koizumi | Shuhei Ooka | Katsuhide Takahashi |
| Masahiro Okuyama | Mamoru Kameoka | |

**Five-Year Summary**
**Haseko Corporation and its Consolidated Subsidiaries**
(Years ended March 31, 2008, 2009, 2010, 2011 and 2012)

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 | **2012** |
| **For the Year:** | | | | | |
| Net sales | ¥745,074 | ¥505,500 | ¥420,382 | ¥440,429 | **¥500,929** |
| Cost of sales | 662,151 | 460,938 | 374,935 | 389,566 | **451,264** |
| Selling, general and administrative expenses | 27,205 | 28,988 | 28,329 | 27,536 | **28,050** |
| Operating income | 55,718 | 15,574 | 17,118 | 23,327 | **21,615** |
| Ordinary income | 53,103 | 12,444 | 14,165 | 19,138 | **18,199** |
| Income (Loss) before income taxes and minority interests | 23,665 | (958) | 12,560 | 19,615 | **18,673** |
| Net income (loss) | 22,384 | (7,596) | 5,814 | 10,137 | **11,242** |
| **For the Year:** | | | | | |
| Cash flows from operating activities | 14,414 | (47,255) | 2,038 | 28,629 | **33,711** |
| Cash flows from investing activities | 27,324 | (4,008) | 10,009 | 136 | **2,363** |
| Cash flows from financing activities | (44,844) | 44,784 | (7,394) | (6,848) | **(28,801)** |
| Cash and cash equivalents at end of the year | 62,426 | 55,130 | 59,815 | 81,656 | **88,885** |
| **At Year-end:** | | | | | |
| Total current assets | ¥359,641 | ¥313,253 | ¥277,138 | ¥314,202 | **¥333,297** |
| Total assets | 486,204 | 485,781 | 439,273 | 457,487 | **467,075** |
| Total current liabilities | 248,263 | 310,814 | 252,958 | 192,285 | **211,666** |
| Total long-term liabilities | 126,962 | 103,780 | 94,190 | 167,724 | **153,413** |
| Total shareholders' equity | 114,936 | 82,536 | 102,085 | 111,460 | **116,952** |
| Net assets | 110,979 | 71,187 | 92,125 | 97,478 | **101,996** |

| | Yen | | | | |
|---|---|---|---|---|---|
| **Per Share Data:** | | | | | |
| Net income (loss) | ¥ 9.36 | ¥ (6.67) | ¥ 3.79 | ¥6.29 | **¥7.05** |
| Diluted net income | 8.35 | – | 2.93 | 5.02 | **5.29** |
| Net assets | 36.31 | 19.93 | 30.76 | 34.36 | **40.76** |

| | | | | | |
|---|---|---|---|---|---|
| **Ratios:** | | | | | |
| Profit ratio of construction contracts | 10.6 | 10.5 | 11.6 | 12.1 | **9.5** |
| Operating income ratio | 7.5 | 3.1 | 4.1 | 5.3 | **4.3** |
| Equity ratio (%) | 22.8 | 14.6 | 20.9 | 21.3 | **21.8** |
| Return on equity (%) | 20.0 | (8.4) | 7.1 | 10.7 | **11.3** |
| Price/Earnings ratio (times) | 15.71 | – | 22.96 | 10.17 | **9.50** |
| Number of employees | 3,916 | 4,326 | 4,384 | 4,505 | **4,549** |

Financial Section

# Analyses of Financial Condition and Business Performance

## (1) Business Performance

During the fiscal year ended March 31, 2012, the condominium market initially showed a trend where participants, from both the supply and demand sides, stood aside and watched how things would develop, partly due to the impact of the Great East Japan Earthquake. Later in the year, however, the environment for buying housing improved, bolstered by such factors as the continued tax-exemption arrangements for mortgage loans and the enactment of the third supplementary budget for fiscal 2011, and some project owners re-started to supply. These changes led to the condominium market getting on track to recovery in the autumn.

New supply totaled 45,173 units in the Tokyo metropolitan area, almost remaining flat (up 0.4% year-on-year), and 20,415 units in the Kinki area, slightly falling below the year-earlier level (down 5.5%). In terms of sales, the initial month sales rate surpassed 70% - the benchmark of good/bad market conditions – both in the Tokyo metropolitan area and the Kinki area. The number of for-sale units being marketed as of the end of March 2012 was 5,125 units (up 8.7% year-on-year) in the Tokyo metropolitan area and 2,917 units (down 11.9%) in the Kinki area. Though the figure surpassed the year-earlier results in the Tokyo metropolitan area, inventory was kept at a low level.

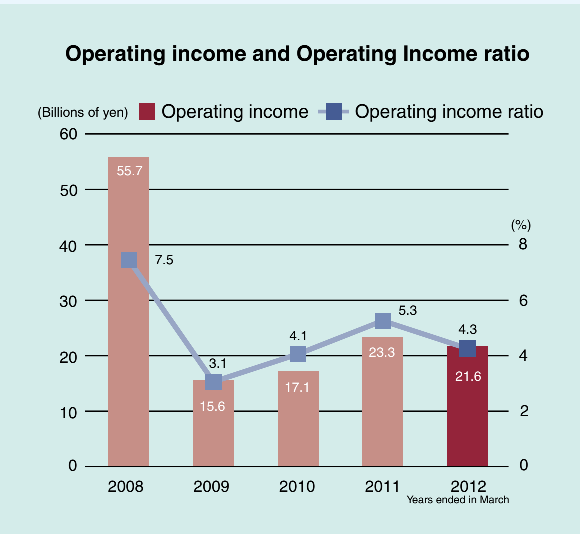
Under these circumstances, the Haseko Group worked to re-start its pursuit for growth. In the Design and Construction-Related Business, its mainstay business, the Company worked to increase orders received primarily by developing products and technologies that should lead to creating housing that is resilient to earthquake disasters and friendly to the environment. In the Residential Property-Related Business, the Company conducted a reorganization to establish an efficient system to secure orders received for the repair work of for-sale condominiums, given the cumulative total of condominium units it has built reaching 500,000 in 2011. Moreover, the Company promoted the Business by increasing the number of managing condominium units to establish a stable operation base of the Haseko Group. As part of this endeavor, Haseko took over the lease management and corporate housing management agency business from the company split of an independent firm.

As a result, net sales of the Haseko Group for this fiscal year increased by 13.7% year-on-year to 500.9 billion yen. However, primarily impacted by the unprofitable construction work orders received amid the intensifying competition against rival companies following the Lehman Shock. Operating income decreased by 7.3% to 21.6 billion yen and ordinary income dropped by 4.9% to 18.2 billion yen, both compared with the previous fiscal year. The operating income ratio and ordinary income ratio decreased year-on-year, to 4.3% (down 1.0 points) and 3.6% (down 0.7 points) respectively. Meanwhile, the Company posted net income after income taxes of 11.2 billion yen, an increase of 10.9% from the previous fiscal year.

## (2) Performance by Segment

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

Accordingly, in consideration of its business formats in the condominium-related businesses, Haseko has made the three sectors ("Design and Construction-Related Business," "Real




Estate-Related Business" and "Residential Property-Related Business") its reportable segments.

*Please refer to a business schematic of Haseko group's reportable segments on page 26.

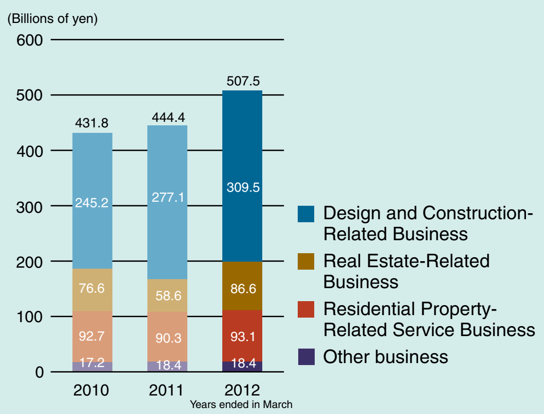
**Design and Construction-related Business**

The condominium market temporarily showed a wait-and-see attitude after the earthquake, but later saw sales of properties located in bay areas and ultra-skyscraper buildings recover. Moreover, some project owners invigorated activities to promote their projects in suburban areas, in the face of solid real demand from first-time home buyers.

During the fiscal year, the Haseko Group won orders for new construction of 127 properties in total throughout Japan, comprised of 77 in the Tokyo metropolitan area including 14 large projects with at least 200 units and 50 in the Kinki area including 9 large projects with at least 200 units. In construction operations, Haseko completed and delivered all properties as scheduled despite the labor market remaining tight, due to a shortage in skilled construction workers and such. In the fiscal year, the Company completed construction of 115 for-sale condominiums as well as replacement properties of aged apartments.

In design and supervision operations, the Company developed "Be-Next," a next-generation condominium format that proposes the three concepts of "enriched fundamental performances," "versatility" and "environment + disaster prevention", in an effort to meet the challenges facing society. Haseko will proactively propose the adoption of this format in the for-sale condominiums that the Company designs and constructs. In addition, among condominiums with seismic isolation structures, the Company completed construction of the remaining building of YOKOHAMA ALL PARKS (Turumi-ku, Yokohama-shi; 1,424 units), one of the largest in the Tokyo metropolitan area, and St. Place Tower (Miyakojima-ku, Osaka-shi; 445 units), a 38-story ultra-skyscraper tower condominium with a seismic isolation structure.

**Sales breakdown by reportable segment**




As a result, sales of the design and construction-related business segment totaled 309.5 billion yen, a year-on- year increase of 11.7%. However, operating income decreased 12.8% year-on-year to 22.5 billion yen due to a drop in the profit margin of completed construction contracts.

**Real Estate-Related Business**

Condominium consignment sales operations saw the number of contracted units decrease in the fiscal year under review due to such factors as voluntary restraint of promotion activities and lowered willingness of consumers to buy under the impact of the earthquake. In autumn, however, the number of newly supplied for-sale units started to surpass the previous year's results in the condominium market in the Tokyo metropolitan area, and the number of people visiting our model rooms also increased.

In the sale of for-sale condominium units, as a project owner, the Company worked to sell units of properties incorporating the "E-label" system, which provides consumers with a variety of options in specifications, facilities and plans. Moreover, the Company sold properties that promote what we call the "Long Quality Mansion" (LQM), and completed deliver of newly completed 24 properties, including those that obtained certification as "long-life, high-quality housing."

As a result, the real estate-related business segment posted sales of 86.6 billion yen, a year-on-year increase of 47.7% due to the increase of properties sold for the purpose of winning construction orders, and an operating loss of 1.1 billion yen (an operating loss of 3.4 billion yen in the previous fiscal year).

**Residential Property-Related Service Business**

In the condominium building management operations, the business environment continued to be tough in the fiscal year for winning new consigned management due to the intense competition over orders. Under such circumstances, the Haseko Group endeavored to increase the number of units it is consigned to manage by enhancing customer satisfaction through increased service levels and focusing on consigned management of properties other than those constructed by the Company. These efforts led to the number of units the Haseko Group is consigned to manage surpassing 280,000 units.

Moreover, Haseko established an efficient system for securing orders in the expected to grow large-scale repair work of condominiums with the over 500,000 units it constructed, and conducted a reorganization to take advantage of the technological capabilities of the Haseko Group. These measures created an operating system that integrated departments engaged in large-scale repair work and those conducting repair work for exclusive areas.

In leasing management operations, Haseko took over the lease management operations and corporate housing management agency services of Bussan Community Co., Ltd. (presently Bussan Realty & Development, Inc.) as a result of its split on July 1, 2011, in an aim to increase the number of units it operates and is consigned to manage. This arrangement increased the number of units it operates to over 90,000 units in total for both lease management and corporate housing management operations.

In the senior living business, which operates condominiums with services for the elderly, the occupancy rates remained high at all paid facilities for the elderly. The general insurance agent operations saw the number of contracts increase, and printing services steadily increased earnings.

As a result of the above, sales of the residential property-related service business segment totaled 93.1 billion yen, up 3.1% year-on-year, while operating income was 5.5 billion yen, an increase of 1.5% from the previous fiscal year.

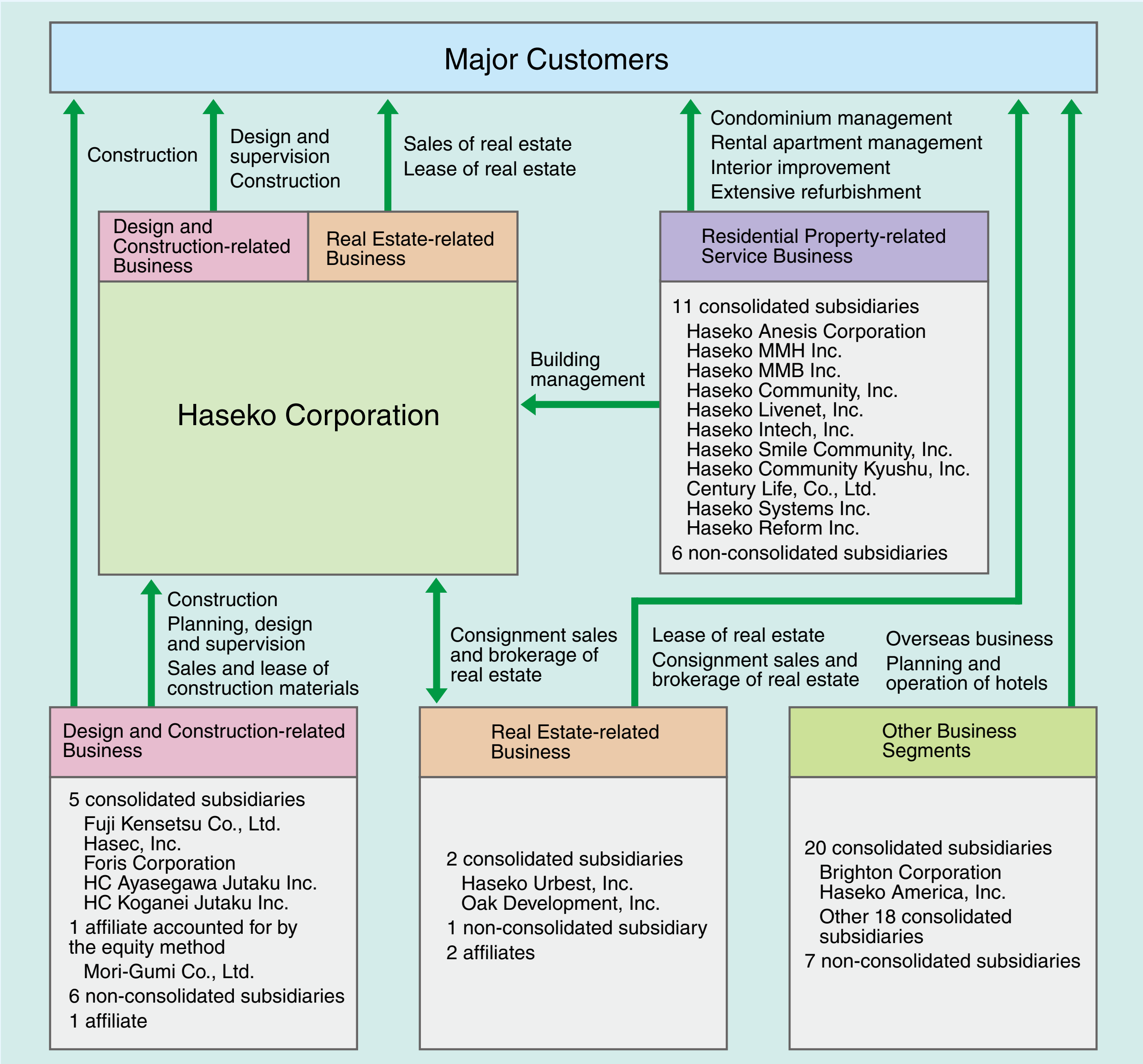
**Other Business Segments**

In overseas business, in which Haseko conducts the for-sale housing business in Oahu, Hawaii, the number of contracted units and delivered units decreased in the fiscal year due to the U.S. economy remaining stagnant, among other reasons.

In the hotel business, the Haseko Group worked to enhance the ability of the weddings division to attract customers and win orders, continued renovation of guest rooms and banquet halls, etc. for reinforced competitiveness, and provided new products. These endeavors led to increased sales, despite the lingering impact of the earthquake especially in the first half of the fiscal year.

As a result, the overseas business and the hotel business posted sales of 18.4 billion yen, down 0.1% year-on-year, and an

**Business schematic of Haseko group's reportable segments**



operating loss of 0.6 billion yen (an operating loss of 0.2 billion yen in the previous fiscal year).

## (3) Financial Position

Total assets at the end of the consolidated fiscal year were 467.1 billion yen, an increase of 9.6 billion yen from the end of the previous fiscal year. This is due to the increase in cash on hand as well as an increase in the Company's claims due to an increase in the number of properties for construction and other factors, despite a decrease due to the reversal of deferred tax assets, etc.

Total liabilities were 365.1 billion yen, an increase of 5.1 billion yen from the end of the previous fiscal year. This is because of the increase in liabilities due to an increase in the number of properties for construction and other factors, although interest-bearing debts decreased.

Net assets were 102.0 billion yen, an increase of 4.5 billion yen from the end of the previous fiscal year, mainly because of the increase in retained earnings due to the recording of net income, despite a decrease due to acquisition of Class BI Preferred Stock.

As a result, the equity ratio was 21.8% in contrast to 21.3% at the end of the previous fiscal year.

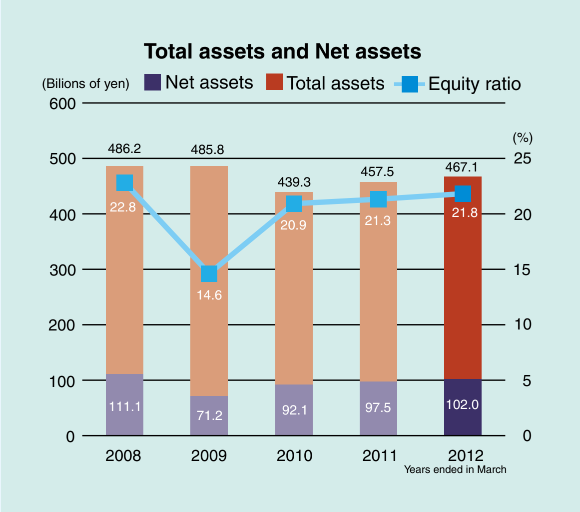
## (4) Cash Flows

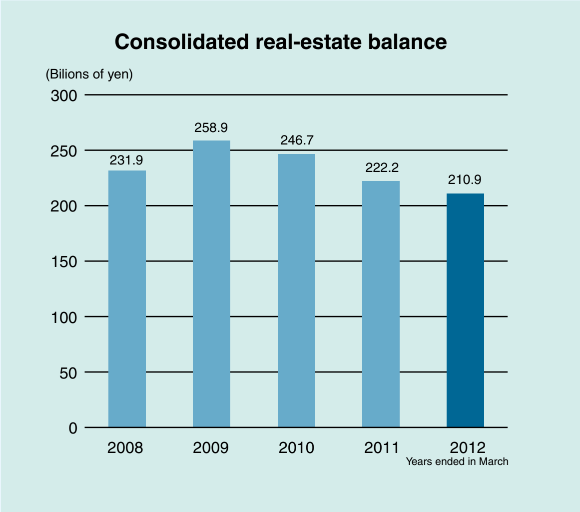
Net cash provided by operating activities was 33.7 billion yen, an increase of 5.1 billion yen in income compared with the net cash provided by operating activities totaling 28.6 billion (an increase of 2.0 billion yen) in the previous fiscal year. The increase was mainly due to the recording of 18.7 billion yen in income before income taxes and minority interests, a net decrease of 17.8 billion yen in proceeds due to an increase in notes and account receivables, and a net increase of 27.4 billion yen in proceeds due to an increase in notes, accounts payable and accrued expenses.

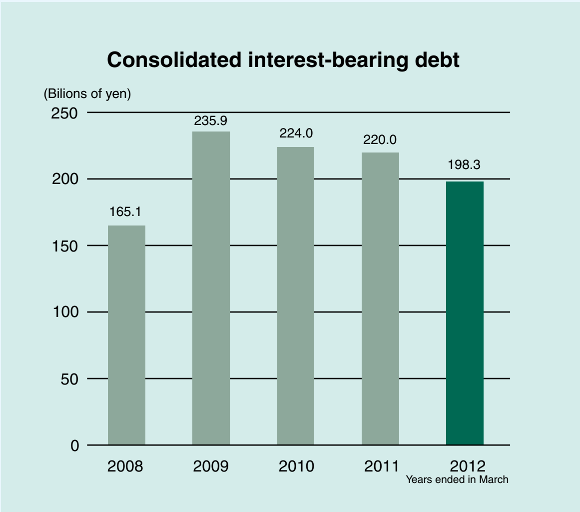
Net cash provided by investing activities was 2.4 billion yen, an increase of 2.2 billion yen in income compared with the net cash used in investing activities totaling 0.1 billion yen in the previous fiscal year. Major factors included an increase of 2.8 billion yen in proceeds from purchases and sales of property and equipment and intangible assets.

Net cash used in financing activities was 28.8 billion yen, representing a decrease of 22.0 billion yen in the balance of proceeds, compared with the net cash used in financing activities totaling 6.8 billion yen in the previous fiscal year. This was primarily due to a decrease of 9.5 billion yen in proceeds in the balance of short-term borrowings, a decrease of 12.1 billion yen in proceeds as a result of the increase and repayment of long-term debt, and a decrease of 5.1 billion in proceeds as a result of acquiring Class BI Preferred Stock (redemption of treasury stock).

As a result of the above, cash and cash equivalents at the end of the fiscal year totaled 88.9 billion yen, an increase of 7.2 billion yen from 81.7 billion yen at the end of the previous fiscal year.



**CONSOLIDATED BALANCE SHEETS**
AS OF MARCH 31, 2011 AND 2012
**ASSETS**

| | Millions of yen | | Thousands of U.S. dollars (Note 4) |
|---|---|---|---|
| | 2011 | **2012** | **2012** |
| **ASSETS** | | | |
| **Current Assets:** | | | |
| Cash and bank deposits (Notes 5, 10 and 15) | ¥ 82,034 | **¥ 89,223** | **$1,085,570** |
| Notes and accounts receivable, trade (Notes 5, 8 and 10) | 83,970 | **101,669** | **1,237,000** |
| Costs on uncompleted construction contracts | 7,708 | **6,525** | **79,389** |
| Inventories (Notes 7, 10 and 13) | 121,666 | **116,428** | **1,416,571** |
| Deferred tax assets (Note 18) | 9,501 | **7,176** | **87,310** |
| Other current assets (Note 10) | 10,375 | **12,785** | **155,554** |
| Allowance for doubtful accounts (Note 5) | (1,052) | **(509)** | **(6,193)** |
| Total current assets | 314,202 | **333,297** | **4,055,201** |
| **Property and Equipment** (Notes 8, 10 and 11) | 98,389 | **92,744** | **1,128,410** |
| **Intangible Assets** (Notes 8 and 10) | 7,040 | **6,153** | **74,863** |
| **Investments and Other Assets:** | | | |
| Investment securities (Notes 5, 6 and 10) | 5,990 | **6,745** | **82,066** |
| Long-term loans receivable (Notes 5 and 10) | 1,199 | **1,383** | **16,827** |
| Long-term deferred tax assets (Note 18) | 19,998 | **15,948** | **194,038** |
| Other assets | 12,017 | **11,917** | **144,994** |
| Allowance for doubtful accounts | (1,348) | **(1,112)** | **(13,530)** |
| Total investments and other assets | 37,856 | **34,881** | **424,395** |
| Total assets | ¥457,487 | **¥467,075** | **$5,682,869** |

*See notes to consolidated financial statements.*

**CONSOLIDATED BALANCE SHEETS**
AS OF MARCH 31, 2011 AND 2012
**LIABILITIES AND NET ASSETS**

| | Millions of yen | | Thousands of U.S. dollars (Note 4) |
|---|---|---|---|
| | 2011 | **2012** | **2012** |
| **LIABILITIES** | | | |
| **Current Liabilities:** | | | |
| Short-term borrowings (Notes 5 and 9) | ¥ 22,350 | **¥ 12,900** | **$ 156,953** |
| Current portion of long-term debt (Notes 5, 9 and 10) | 40,591 | **42,404** | **515,927** |
| Notes and accounts payable (Notes 5 and 10) | 85,230 | **112,661** | **1,370,739** |
| Income taxes payable (Note 5) | 965 | **798** | **9,709** |
| Advances received on uncompleted construction contracts | 13,154 | **14,332** | **174,376** |
| Advances received for real estate sales (Note 10) | 4,541 | **2,849** | **34,664** |
| Warranty reserve | 3,895 | **3,344** | **40,686** |
| Allowance for losses on construction contracts | 26 | **1,133** | **13,785** |
| Accrued bonuses for employees | 1,815 | **1,787** | **21,742** |
| Other current liabilities | 19,718 | **19,458** | **236,744** |
| Total current liabilities | 192,285 | **211,666** | **2,575,325** |
| **Long-term Liabilities:** | | | |
| Long-term debt (Notes 5, 9, 10 and 16) | 157,090 | **142,965** | **1,739,445** |
| Reserve for employees' retirement benefits (Note 17) | 1,755 | **1,871** | **22,764** |
| Reserve for improvement of TV reception interfered area | 389 | **138** | **1,679** |
| Other long-term liabilities | 8,490 | **8,439** | **102,678** |
| Total long-term liabilities | 167,724 | **153,413** | **1,866,566** |
| Total liabilities | 360,009 | **365,079** | **4,441,891** |
| **Commitments and Contingent Liabilities** (Notes 11 and 12) | | | |
| **NET ASSETS** (Notes 14 and 19)**:** | | | |
| **Shareholders' Equity:** | | | |
| Capital stock | 57,500 | **57,500** | **699,598** |
| Capital surplus | 7,500 | **7,500** | **91,252** |
| Retained earnings | 46,582 | **52,074** | **633,581** |
| Treasury stock, at cost — 796,229 shares in 2011 | (122) | | |
| — 802,663 shares in 2012 | | **(122)** | **(1,484)** |
| Total shareholders' equity | 111,460 | **116,952** | **1,422,947** |
| **Accumulated Other Comprehensive Income:** | | | |
| Net unrealized gain (loss) on other securities | 484 | **1,101** | **13,396** |
| Translation adjustments | (14,614) | **(16,207)** | **(197,190)** |
| Total accumulated other comprehensive income (loss) | (14,130) | **(15,106)** | **(183,794)** |
| **Minority Interests** | 148 | **150** | **1,825** |
| Total net assets | 97,478 | **101,996** | **1,240,978** |
| Total liabilities and net assets | ¥457,487 | **¥467,075** | **$5,682,869** |

*See notes to consolidated financial statements.*

## CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED MARCH 31, 2011 AND 2012

| | Millions of yen | | Thousands of U.S. dollars (Note 4) |
|---|---|---|---|
| | 2011 | **2012** | **2012** |
| **Net Sales** (Note 13) | ¥440,429 | **¥500,929** | **$6,094,768** |
| **Cost of Sales** (Note 13) | 389,566 | **451,264** | **5,490,498** |
| Gross profit | 50,863 | **49,665** | **604,270** |
| **Selling, General and Administrative Expenses** (Note 13) | 27,536 | **28,050** | **341,282** |
| **Operating Income** | 23,327 | **21,615** | **262,988** |
| **Other Income (Expenses):** | | | |
| Interest and dividend income | 892 | **785** | **9,551** |
| Equity in gain on an affiliate | 188 | **123** | **1,497** |
| Interest expense | (3,572) | **(3,966)** | **(48,254)** |
| Incidental expense for loan | (2,456) | **(1,424)** | **(17,326)** |
| Other, net | 759 | **1,066** | **12,970** |
| | (4,189) | **(3,416)** | **(41,562)** |
| Ordinary income | 19,138 | **18,199** | **221,426** |
| **Special Income (Losses):** | | | |
| Gain (loss) on disposal or sales of property and equipment, net (Note 8) | (36) | **589** | **7,166** |
| Gain on reversal of allowance for doubtful accounts | 1,666 | **–** | **–** |
| Impairment loss on fixed assets (Note 8) | (865) | **(184)** | **(2,239)** |
| Impairment loss on investment securities (Note 6) | (159) | **–** | **–** |
| Other, net | (129) | **69** | **840** |
| | 477 | **474** | **5,767** |
| **Income before Income Taxes and Minority Interests** | 19,615 | **18,673** | **227,193** |
| **Income Taxes** (Note 18)**:** | | | |
| Current | 782 | **887** | **10,792** |
| Deferred | 8,673 | **6,539** | **79,560** |
| | 9,455 | **7,426** | **90,352** |
| **Income before Minority Interests** | 10,160 | **11,247** | **136,841** |
| **Minority Interests** | 23 | **5** | **60** |
| **Net Income** (Note 19) | ¥ 10,137 | **¥ 11,242** | **$ 136,781** |

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED MARCH 31, 2011 AND 2012

| | Millions of yen | | Thousands of U.S. dollars (Note 4) |
|---|---|---|---|
| | 2011 | **2012** | **2012** |
| **Income before Minority Interests** | ¥10,160 | **¥11,247** | **$136,841** |
| **Other Comprehensive Income** | | | |
| Net unrealized gain (loss) on other securities | (108) | **616** | **7,495** |
| Translation adjustments | (3,939) | **(1,593)** | **(19,382)** |
| Share of other comprehensive income of companies accounted for by the equity method | 8 | **1** | **13** |
| Total other comprehensive income (loss) | (4,039) | **(976)** | **(11,874)** |
| **Comprehensive Income** (Note 21) | 6,121 | **10,271** | **124,967** |
| **Total Comprehensive Income Attributable to:** | | | |
| Shareholders of Haseko Corporation | 6,098 | **10,266** | **124,906** |
| Minority interests | 23 | **5** | **61** |

*See notes to consolidated financial statements.*

## CONSOLIDATED STATEMENTS OF CHANGE IN NET ASSETS
FOR THE YEARS ENDED MARCH 31, 2011 AND 2012

For the year ended March 31, 2011

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

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

*See notes to consolidated financial statements.*

For the year ended March 31, 2012

| | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Capital stock | Capital surplus | Retained earnings | Treasury stock, | Total shareholders' equity |
| | | | *(Millions of yen)* | | |
| **Balance at March 31, 2011** | **¥57,500** | **¥7,500** | **¥46,582** | **¥(122)** | **¥111,460** |
| Net income for the year ended March 31, 2012 | – | – | 11,242 | – | 11,242 |
| Cash dividend | – | – | (680) | – | (680) |
| Purchase of treasury stock | – | – | – | (5,070) | (5,070) |
| Disposition of treasury stock | – | (0) | – | 0 | 0 |
| Retirement of treasury stock | – | (5,070) | – | 5,070 | – |
| Appropriation of retained earnings for capital surplus | – | 5,070 | (5,070) | – | – |
| Net changes in items other than those in shareholders' equity | – | – | – | – | – |
| Total changes during the year | – | – | 5,492 | (0) | 5,492 |
| **Balance at March 31, 2012** | **¥57,500** | **¥7,500** | **¥52,074** | **¥(122)** | **¥116,952** |

| | Accumulated other comprehensive income | | | | |
|---|---|---|---|---|---|
| | Net unrealized gain (loss) on other securities | Translation adjustments | Total accumulated other comprehensive income (loss) | Minority interests | Total net assets |
| | | | *(Millions of yen)* | | |
| **Balance at March 31, 2011** | **¥ 484** | **¥(14,614)** | **¥(14,130)** | **¥148** | **¥ 97,478** |
| Net income for the year ended March 31, 2012 | – | – | – | – | 11,242 |
| Cash dividend | – | – | – | – | (680) |
| Purchase of treasury stock | – | – | – | – | (5,070) |
| Disposition 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 | 617 | (1,593) | (976) | 2 | (974) |
| Total changes during the year | 617 | (1,593) | (976) | 2 | 4,518 |
| **Balance at March 31, 2012** | **¥1,101** | **¥(16,207)** | **¥(15,106)** | **¥150** | **¥101,996** |

*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 March 31, 2011** | **$699,598** | **$91,252** | **$566,760** | **$(1,484)** | **$1,356,126** |
| Net income for the year ended March 31, 2012 | – | – | 136,781 | – | 136,781 |
| Cash dividend | – | – | (8,274) | – | (8,274) |
| Purchase of treasury stock | – | – | – | (61,686) | (61,686) |
| Disposition of treasury stock | – | (0) | – | 0 | 0 |
| Retirement of treasury stock | – | (61,686) | – | 61,686 | – |
| Appropriation of retained earnings for capital surplus | – | 61,686 | (61,686) | – | – |
| Net changes in items other than those in shareholders' equity | – | – | – | – | – |
| Total changes during the year | – | – | 66,821 | (0) | 66,821 |
| **Balance at March 31, 2012** | **$699,598** | **$91,252** | **$633,581** | **$(1,484)** | **$1,422,947** |

| | Accumulated other comprehensive income | | | | |
|---|---|---|---|---|---|
| | Net unrealized gain (loss) on other securities | Translation adjustments | Total accumulated other comprehensive income (loss) | Minority interests | Total net assets |
| | (Thousands of U.S. dollars) (Note 4) | | | | |
| **Balance at March 31, 2011** | **$ 5,889** | **$(177,808)** | **$(171,919)** | **$1,801** | **$1,186,008** |
| Net income for the year ended March 31, 2012 | – | – | – | – | 136,781 |
| Cash dividend | – | – | – | – | (8,274) |
| Purchase of treasury stock | – | – | – | – | (61,686) |
| Disposition 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 | 7,507 | (19,382) | (11,875) | 24 | (11,851) |
| Total changes during the year | 7,507 | (19,382) | (11,875) | 24 | 54,970 |
| **Balance at March 31, 2012** | **$13,396** | **$(197,190)** | **$(183,794)** | **$1,825** | **$1,240,978** |

*See notes to consolidated financial statements.*

## CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2011 AND 2012

| | Millions of yen | | Thousands of U.S. dollars (Note 4) |
|---|---|---|---|
| | 2011 | **2012** | **2012** |
| **Cash Flows from Operating Activities:** | | | |
| Income before income taxes and minority interests | ¥19,615 | **¥18,673** | **$ 227,193** |
| Depreciation | 3,861 | **3,569** | **43,424** |
| Impairment loss on fixed assets | 865 | **184** | **2,239** |
| Loss on litigation | 100 | **–** | **–** |
| Amortization of goodwill | 515 | **553** | **6,728** |
| Reversal of allowance for doubtful accounts | (6,035) | **(760)** | **(9,247)** |
| Interest and dividend income | (892) | **(785)** | **(9,551)** |
| Interest expense | 3,572 | **3,966** | **48,254** |
| Equity in gain of an affiliate | (188) | **(123)** | **(1,497)** |
| Impairment loss on investment securities | 159 | **–** | **–** |
| Loss (gain) on disposal or sale of property and equipment, net | 36 | **(589)** | **(7,166)** |
| Valuation loss on inventories | 5,626 | **3,892** | **47,354** |
| Changes in operating assets and liabilities | | | |
| Notes and accounts receivable | (32,825) | **(17,787)** | **(216,413)** |
| Costs on uncompleted construction contracts | (1,343) | **1,109** | **13,493** |
| Inventories | 10,617 | **(313)** | **(3,808)** |
| Notes, accounts payable and accrued expenses | 12,563 | **27,438** | **333,836** |
| Amounts received for uncompleted construction contracts | 2,381 | **1,178** | **14,333** |
| Other | 14,177 | **(2,328)** | **(28,325)** |
| Subtotal | 32,804 | **37,877** | **460,847** |
| Interest and dividends received | 445 | **782** | **9,515** |
| Interest paid | (3,591) | **(3,856)** | **(46,916)** |
| Settlement package paid | (100) | **–** | **–** |
| Income taxes paid | (929) | **(1,092)** | **(13,287)** |
| **Net Cash Provided by Operating Activities** | 28,629 | **33,711** | **410,159** |
| **Cash Flows from Investing Activities:** | | | |
| Purchases of property and equipment and intangible assets | (1,457) | **(2,181)** | **(26,536)** |
| Proceeds from sales of property and equipment and intangible assets | 1,610 | **4,961** | **60,360** |
| Purchases of investment securities | (82) | **(60)** | **(730)** |
| Proceeds from sales of investment securities | 140 | **125** | **1,521** |
| Purchase of investments in subsidiaries | – | **(288)** | **(3,504)** |
| Proceeds from liquidation of subsidiary | 4 | **–** | **–** |
| Payments for transfer of business | – | **(77)** | **(937)** |
| Payment for loans receivable | (1,181) | **(1,472)** | **(17,910)** |
| Collection of loans receivable | 1,234 | **1,303** | **15,854** |
| Payment for lease deposits | (312) | **(227)** | **(2,762)** |
| Refund of lease deposits | 288 | **346** | **4,210** |
| Other | (108) | **(67)** | **(816)** |
| **Net Cash Provided by Investing Activities** | 136 | **2,363** | **28,750** |
| **Cash Flows from Financing Activities:** | | | |
| Increase in short-term borrowings, net | (26,927) | **(9,450)** | **(114,977)** |
| Increase in long-term debt | 116,687 | **32,234** | **392,189** |
| Repayment of long-term debt | (93,358) | **(44,340)** | **(539,482)** |
| Redemption of treasury stock | – | **(5,070)** | **(61,686)** |
| Acquisition of treasury stock | (2) | **(0)** | **(0)** |
| Incidental expenses for loan | (2,478) | **(1,420)** | **(17,277)** |
| Cash dividends paid | (761) | **(680)** | **(8,274)** |
| Cash dividends paid for minority shareholders | (6) | **(2)** | **(24)** |
| Other | (3) | **(73)** | **(889)** |
| **Net Cash Used in Financing Activities** | (6,848) | **(28,801)** | **(350,420)** |
| **Effect of Exchange Rate Changes on Cash and Cash Equivalents** | (88) | **(44)** | **(534)** |
| **Net Decrease in Cash and Cash Equivalents** | 21,829 | **7,229** | **87,955** |
| **Cash and Cash Equivalents at Beginning of the Year** (Note 15) | 59,815 | **81,656** | **993,503** |
| **Increase in Cash and Cash Equivalents Resulting from Merger of Unconsolidated Subsidiaries** | 13 | **–** | **1,081,458** |
| **Cash and Cash Equivalents at End of the Year** (Note 15) | ¥81,656 | **¥88,885** | **$1,081,458** |

*See notes to consolidated financial statements.*

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Haseko Corporation and its Consolidated Subsidiaries
For the years ended March 31, 2011 and 2012

### 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, 2012, the numbers of consolidated subsidiaries and affiliates accounted for by the equity method were 38 and 1 (39 and 1 in 2011), respectively. Investments in subsidiaries and affiliates which are not consolidated or accounted for by the equity method are carried at cost or less.

The fiscal year of Haseko America Inc. and its subsidiaries ends on December 31. The necessary adjustments for significant transactions 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 Haseko MMH Inc. ends on December 31, while the fiscal year of Haseko MMB Inc. ends on September 30. Haseko MMH Inc. and Haseko MMB Inc. have been consolidated by using their financial statements as of the end of the fiscal year (March 31, 2011 and March 31, 2012), which are prepared solely for consolidation purposes and in conformity with the official closing. Consolidated subsidiaries other than those referred to above have the same fiscal year as the Company, which ends on March 31.

Differences between the cost and the underlying net equity at fair value of investments in consolidated subsidiaries and in companies which are accounted for by the equity method have been amortized by the straight-line method.

#### (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. However, real estate for sale of Haseko America is stated at the lower of cost or market determined by the individual cost method. 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 domestic 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 is computed based on the straight-line method over the lease period with a residual value of zero.

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

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

#### (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) Reserve for employees' retirement benefits

The Company and its consolidated domestic subsidiaries have funded and/or unfunded retirement benefit plans covering all of their employees.

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

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

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

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

### (13) Reserve for improvement of TV reception interfered area

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

### (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 income or expenses as incurred.

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

### (16) 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 that amount to ¥500 million or more and cover construction periods of twelve months or more, and on a completed-contract basis for other construction contracts.

### (17) Income taxes

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

### (18) Consumption taxes

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

## 3. Supplemental Information

Effective April 1, 2011, the Company adopted the "Accounting Standard for Accounting Changes and Error Corrections" (Accounting Standards Board of Japan (ASBJ) Statement No. 24 issued on December 4, 2009) and the "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24 issued on December 4, 2009).

## 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, 2012, which was ¥82.19 = 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 borrowings from financial institutions. The Company and its consolidated subsidiaries use derivative instruments in order to hedge against interest rate fluctuations and do not enter into derivative transactions for trading or speculative purposes, in accordance with internal policy.

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

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

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

### (3) Risk management for financial instruments

***Management of credit risks (risks associated with business partners' default etc.)***

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

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

With regard to investment securities, the Company determines their fair values and evaluates the financial position of the issuers regularly. For derivative transactions, the Company operates a system that separates execution and management functions based on the internal rules that stipulate policies, usage/and the range of derivatives, and so forth. Under the system, the balance of derivative transactions and 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, 2011 and 2012, 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 | | |
|---|---|---|---|
| | 2011 | | |
| | Carrying value | Fair value | Difference |
| Cash and bank deposits | ¥ 82,034 | ¥ 82,034 | ¥ – |
| Notes and account receivable, trade | 83,970 | 85,079 | 1,109 |
| Investment securities | 2,933 | 2,726 | (207) |
| Long-term loans receivable | 1,200 | | |
| Allowance for doubtful accounts | (12) | | |
| Sub-total | 1,188 | 1,187 | (1) |
| Total | ¥170,125 | ¥171,026 | ¥ 901 |
| Notes and accounts payable | 85,230 | 85,219 | (11) |
| Short-term borrowings | 22,350 | 22,350 | – |
| Current portion of long-term debt | 40,591 | 40,658 | 67 |
| Income taxes payable | 965 | 965 | – |
| Long-term debt | 157,090 | 157,592 | 502 |
| Total | ¥306,226 | ¥306,784 | ¥ 558 |
| Derivatives | ¥ – | ¥ – | ¥ – |

| | Millions of yen | | |
|---|---|---|---|
| | **2012** | | |
| | Carrying value | Fair value | Difference |
| Cash and bank deposits | **¥ 89,223** | **¥ 89,223** | **¥ –** |
| Notes and account receivable, trade | **101,669** | **102,554** | **885** |
| Investment securities | **3,292** | **3,057** | **(235)** |
| Long-term loans receivable | **1,383** | | |
| Allowance for doubtful accounts | **(18)** | | |
| Sub-total | **1,365** | **1,365** | **(0)** |
| Total | **¥195,549** | **¥196,199** | **¥ 650** |
| Notes and accounts payable | **112,661** | **112,651** | **(10)** |
| Short-term borrowings | **12,900** | **12,900** | **–** |
| Current portion of long-term debt | **42,404** | **42,531** | **127** |
| Income taxes payable | **798** | **798** | **–** |
| Long-term debt | **142,965** | **143,880** | **915** |
| Total | **¥311,728** | **¥312,760** | **¥1,032** |
| Derivatives | **¥ –** | **¥ –** | **¥ –** |

| | Thousands of U.S. dollars | | |
|---|---|---|---|
| | **2012** | | |
| | Carrying value | Fair value | Difference |
| Cash and bank deposits | **$1,085,570** | **$1,085,570** | **$ –** |
| Notes and account receivable, trade | **1,237,000** | **1,247,767** | **10,767** |
| Investment securities | **40,053** | **37,195** | **(2,858)** |
| Long-term loans receivable | **16,827** | | |
| Allowance for doubtful accounts | **(219)** | | |
| Sub-total | **16,608** | **16,608** | **(0)** |
| Total | **$2,379,231** | **$2,387,140** | **$ 7,909** |
| Notes and accounts payable | **1,370,739** | **1,370,617** | **(122)** |
| Short-term borrowings | **156,953** | **156,953** | **–** |
| Current portion of long-term debt | **515,927** | **517,472** | **1,545** |
| Income taxes payable | **9,709** | **9,709** | **–** |
| Long-term debt | **1,739,445** | **1,750,578** | **11,133** |
| Total | **$3,792,773** | **$3,805,329** | **$12,556** |
| Derivatives | **$ –** | **$ –** | **$ –** |

Notes:

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

Cash and bank deposits

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

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

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

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

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

Short-term borrowings and income taxes payable
As these are settled in the short term, their fair values approximate carrying values.

Long-term debt including current portion
Fair values are calculated based on the present value of the total amount of principal and interest discounted by the interest rates to be applied if similar new borrowings were entered into.
The fair values of long-term debt with floating interest rates 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.

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 |
|---|---|---|---|
| | 2011 | **2012** | **2012** |
| Equity securities of affiliates | ¥1,922 | **¥2,380** | **$28,957** |
| Unlisted securities | 756 | **634** | **7,714** |
| Preferred subscription certificates | 360 | **420** | **5,110** |
| Others | 20 | **20** | **243** |

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, 2011 and 2012

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

| | Millions of yen | | | | |
|---|---|---|---|---|---|
| | **2012** | | | | |
| | 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 | **¥ 89,223** | **¥ –** | **¥ –** | **¥ –** | **¥ 89,223** |
| Notes and accounts receivable, trade | **80,355** | **21,010** | **51** | **253** | **101,669** |
| Investment securities: | | | | | |
| Other securities with maturity dates | | | | | |
| Japanese government bonds, etc. | **–** | **20** | **–** | **–** | **20** |
| Long-term loans receivable | **715** | **355** | **281** | **32** | **1,383** |
| Total | **¥170,293** | **¥21,385** | **¥332** | **¥285** | **¥192,295** |

| | Thousands of U.S. dollars | | | | |
|---|---|---|---|---|---|
| | **2012** | | | | |
| | 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 | **$1,085,570** | **$ –** | **$ –** | **$ –** | **$1,085,570** |
| Notes and accounts receivable, trade | **977,674** | **255,627** | **621** | **3,078** | **1,237,000** |
| Investment securities: | | | | | |
| Other securities with maturity dates | | | | | |
| Japanese government bonds, etc. | **–** | **243** | **–** | **–** | **243** |
| Long-term loans receivable | **8,699** | **4,320** | **3,418** | **390** | **16,827** |
| Total | **$2,071,943** | **$260,190** | **$4,039** | **$3,468** | **$2,339,640** |

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

## 6. Investment Securities

(1) Other securities whose fair market value is available as of March 31, 2011 and 2012 consisted of the following:

| | Millions of yen | | | | | |
|---|---|---|---|---|---|---|
| | 2011 | | | **2012** | | |
| | Carrying value | Acquisition cost | Unrealized gain/(loss) | Carrying value | Acquisition cost | Unrealized gain/(loss) |
| (Securities whose carrying value exceeds their acquisition cost) | | | | | | |
| Equity securities | ¥1,930 | ¥1,161 | ¥769 | **¥2,385** | **¥1,245** | **¥1,140** |
| Japanese government bonds | 135 | 130 | 5 | **21** | **20** | **1** |
| | 2,065 | 1,291 | 774 | **2,406** | **1,265** | **1,141** |
| (Securities whose carrying value does not exceed their acquisition cost) | | | | | | |
| Equity securities | 81 | 88 | (7) | **–** | **–** | **–** |
| Japanese government bonds | 25 | 26 | (1) | **–** | **–** | **–** |
| | 106 | 114 | (8) | **–** | **–** | **–** |
| Total | ¥2,171 | ¥1,405 | ¥766 | **¥2,406** | **¥1,265** | **¥1,141** |

| | Thousands of U.S. dollars | | |
|---|---|---|---|
| | **2012** | | |
| | Carrying value | Acquisition cost | Unrealized gain/(loss) |
| (Securities whose carrying value exceeds their acquisition cost) | | | |
| Equity securities | **$29,018** | **$15,148** | **$13,870** |
| Japanese government bonds | **256** | **243** | **13** |
| | **29,274** | **15,391** | **13,883** |
| (Securities whose carrying value does not exceed their acquisition cost) | | | |
| Equity securities | **–** | **–** | **–** |
| Japanese government bonds | **–** | **–** | **–** |
| | **–** | **–** | **–** |
| Total | **$29,274** | **$15,391** | **$13,883** |

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

(2) Other securities sold for the years ended March 31, 2011 and 2012 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2011 | **2012** | **2012** |
| Proceeds: | | | |
| Equity securities | ¥131 | **¥125** | **$1,521** |
| Japanese government bonds | 9 | **–** | **–** |
| Total | ¥140 | **¥125** | **$1,521** |
| Gain on sale: | | | |
| Equity securities | ¥ 91 | **¥ –** | **$ –** |
| Japanese government bonds | 1 | **–** | **–** |
| Total | ¥ 92 | **¥ –** | **$ –** |
| Loss on sale: | | | |
| Equity securities | ¥ (1) | **¥ (2)** | **$ (24)** |
| Japanese government bonds | – | **–** | **–** |
| Total | ¥ (1) | **¥ (2)** | **$ (24)** |

## 7. Inventories

Inventories as of March 31, 2011 and 2012 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2011 | **2012** | **2012** |
| Real estate for sale | ¥ 30,953 | **¥ 36,397** | **$ 442,840** |
| Costs and advances for real estate operations | 52,289 | **44,692** | **543,764** |
| Real estate for development projects | 38,424 | **35,339** | **429,967** |
| | ¥121,666 | **¥116,428** | **$1,416,571** |

## 8. Property and Equipment and Intangible Assets

(1) Property and equipment as of March 31, 2011 and 2012 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2011 | **2012** | **2012** |
| Buildings and structures | ¥ 84,002 | **¥ 80,946** | **$ 984,864** |
| Machinery, vehicles, equipment and furniture | 10,476 | **10,303** | **125,356** |
| Land | 42,356 | **41,373** | **503,382** |
| Construction in progress | 94 | **113** | **1,376** |
| Sub-total | 136,928 | **132,735** | **1,614,978** |
| Accumulated depreciation | (38,539) | **(39,991)** | **(486,568)** |
| | ¥ 98,389 | **¥ 92,744** | **$1,128,410** |

(2) Intangible assets as of March 31, 2011 and 2012 consisted of the following:

| | *Millions of yen* | | *Thousands of U.S. dollars* |
|---|---|---|---|
| | 2011 | **2012** | **2012** |
| Land leasehold rights | ¥2,194 | **¥1,695** | **$20,623** |
| Goodwill | 3,996 | **3,648** | **44,385** |
| Other | 850 | **810** | **9,855** |
| | ¥7,040 | **¥6,153** | **$74,863** |

(3) Gain (loss) on disposal or sales of property and equipment and intangible assets for the years ended March 31, 2011 and 2012 consisted of the following:

| | *Millions of yen* | | *Thousands of U.S. dollars* |
|---|---|---|---|
| | 2011 | **2012** | **2012** |
| Buildings and structures | ¥(57) | **¥362** | **$4,404** |
| Machinery, vehicles, equipment and furniture | (11) | **(14)** | **(170)** |
| Land | 33 | **44** | **535** |
| Land leasehold rights | – | **205** | **2,494** |
| Other | (1) | **(8)** | **(97)** |
| | ¥(36) | **¥589** | **$7,166** |

(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, 2011 and 2012:

2011

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

**2012**

| Use | Type | Location | No.of Cases |
|---|---|---|---|
| Real estate for design and construction related business | Equipment and furniture | Minato-ku Tokyo | 1 |
| Real estate for its own business | Land and buildings | Taito-ku, Tokyo etc. | 2 |
| Real estate for residential property related business | Land etc. | Ota-ku, Tokyo etc. | 2 |

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

Due to the recent decline in real estate value, fall in profitability and changes in holding purposes, the carrying values of the above assets have been written down to their recoverable amounts by ¥865 million and ¥184 million ($2,239 thousand) for the years ended March 31, 2011 and 2012, which were recorded as impairment losses on fixed assets in “Special Losses.” The details of impairment losses on fixed assets were as follows:

| | *Millions of yen* | | *Thousands of U.S. dollars* |
|---|---|---|---|
| | 2011 | **2012** | **2012** |
| Buildings and structures | ¥408 | **¥83** | **$1,010** |
| Equipment and furniture | 8 | **2** | **24** |
| Land | 446 | **99** | **1,205** |
| Removal costs | 3 | **–** | **–** |
| | ¥865 | **¥184** | **$2,239** |

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, 2011 and 2012.

(5) Rental properties

The Company and some of its consolidated subsidiaries own residences for lease, office buildings for lease (including land) and retail facilities for lease in the Tokyo metropolitan and Kinki areas. Net income from leasing these properties for the years ended March 31, 2011 and 2012 were ¥132 million and ¥667 million ($8,115 thousand), and impairment losses on these properties (recorded as “Special Losses”) were ¥793 million and ¥183 million ($2,227 thousand), respectively.

In addition, the carrying value of these rental properties recorded in the consolidated balance sheets, the changes during the years ended March 31, 2011 and 2012 and corresponding fair values as of March 31, 2011 and 2012 were as follows:

| | *Millions of yen* | | *Thousands of U.S. dollars* |
|---|---|---|---|
| | 2011 | **2012** | **2012** |
| Carrying value at beginning of year | ¥55,083 | **¥49,081** | **$597,165** |
| Changes during the year | (6,002) | **(5,175)** | **(62,964)** |
| Balance at end of year | ¥49,081 | **¥43,906** | **$534,201** |
| Fair value at end of year | ¥49,046 | **¥45,554** | **$554,252** |

Notes:

1) The carrying value represents the acquisition cost deducting accumulated depreciation and accumulated impairment losses.

2) The components of net change in carrying value during the year ended March 31, 2011 included a decrease mainly due to change in holding purpose of properties (¥3,579 million), sale of real estate (¥1,224 million) and impairment losses (¥793 million).

The components of net change in carrying value during the year ended March 31, 2012 included a decrease mainly due to sale of real estate (¥4,292 million, $52,220 thousand), depreciation (¥1,096 million, $13,335 thousand) and impairment losses (¥183 million, $2,227 thousand).

3) The fair values of primary properties at end of the year are based on the real estate appraisal reports and the fair values of other properties are based on the amounts estimated by the Company in accordance with the real estate appraisal standards.

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

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

(1) The following is a summary of the interest bearing debt as of March 31, 2011 and 2012:

| | Average interest rate | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|---|
| | | 2011 | 2012 | 2012 |
| Short-term borrowings | 1.14% | ¥ 22,350 | **¥ 12,900** | **$ 156,953** |
| Current portion of long-term debt | 2.22% | 40,591 | **42,404** | **515,927** |
| Current portion of lease obligations | – | 68 | **82** | **998** |
| Long-term debt due from September 2013 to September 2019 | 1.94% | 157,090 | **142,965** | **1,739,445** |
| Lease obligations due from 2013 to 2016 | – | 151 | **134** | **1,630** |
| Total | | ¥220,250 | **¥198,485** | **$2,414,953** |

Note) The weighted average interest rate for the end-of-year balance of outstanding debt is shown as the "average interest rate."
The weighted average interest rates on lease obligations have not been presented as amounts equivalent to the interest included in total lease payments are allocated to each fiscal year using the straight-line method.

(2) The annual maturities of long-term debt and lease obligations (excluding the current portion) as of March 31, 2012 were as follows:

| | Millions of yen | | | Thousands of U.S. dollars |
|---|---|---|---|---|
| Year ending March, 31 | Long-term debt | Lease obligations | Total | Total |
| 2014 | **¥ 61,881** | **¥ 70** | **¥ 61,951** | **$ 753,753** |
| 2015 | **43,244** | **34** | **43,278** | **526,560** |
| 2016 | **24,654** | **23** | **24,677** | **300,243** |
| 2017 | **9,754** | **7** | **9,761** | **118,761** |
| 2018 and thereafter | **3,432** | **–** | **3,432** | **41,758** |
| Total | **¥142,965** | **¥134** | **¥143,099** | **$1,741,075** |

(3) The Company has committed lines of credit available for immediate and stable borrowings with certain five financial institutions as of March 31, 2011 and 2012. The lines of credit and unused lines of credit as of March 31, 2011 and 2012 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2011 | 2012 | 2012 |
| Line of credit | ¥63,000 | **¥63,000** | **$766,517** |
| Amount utilized | 22,050 | **12,600** | **153,304** |
| Unused line of credit | ¥40,950 | **¥50,400** | **$613,213** |

(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, 2012 based on this agreement was as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2011 | 2012 | 2012 |
| Overdraft limit | ¥ – | **¥1,300** | **$15,817** |
| Amount utilized | – | **–** | **–** |
| Amount unused | ¥ – | **¥1,300** | **$15,817** |

## 10. Collateral

(1) Assets provided as collateral as of March 31, 2011 and 2012 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2011 | 2012 | 2012 |
| Cash and bank deposits | ¥ 786 | **¥ 811** | **$ 9,867** |
| Real estate for sale | 773 | **–** | **–** |
| Cost and advances for real estate operations | 206 | **–** | **–** |
| Real estate for development projects | 28,381 | **26,002** | **316,365** |
| Other current assets | 78 | **29** | **353** |
| Buildings and structures | 15,267 | **14,652** | **178,270** |
| Machinery, vehicles, equipment and furniture | 438 | **392** | **4,769** |
| Land | 5,683 | **5,683** | **69,145** |
| Construction in progress | 94 | **102** | **1,241** |
| Intangible assets | 4 | **2** | **24** |
| | ¥51,710 | **¥47,673** | **$580,034** |

Other than the above assets provided as collateral, other current assets of ¥330 million and ¥311 million ($3,784 thousand) as of March 31, 2011 and 2012, 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, 2011 and 2012 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2011 | 2012 | 2012 |
| Current portion of long-term debt | ¥ 3,061 | **¥ 3,602** | **$ 43,825** |
| Long-term debt | 11,556 | **9,954** | **121,110** |
| Advances received for real estate sales | 660 | **–** | **–** |
| | ¥15,277 | **¥13,556** | **$164,935** |

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

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2011 | 2012 | 2012 |
| Other current assets | ¥ 58 | **¥ 58** | **$ 706** |
| Building and structure | 1,934 | **1,919** | **23,348** |
| Land | 11,484 | **11,484** | **139,725** |
| Land leasehold rights | 48 | **48** | **584** |
| Investment securities | 332 | **332** | **4,039** |
| Long-term loans receivable | 416 | **360** | **4,381** |
| | ¥14,272 | **¥14,201** | **$172,783** |

Liabilities with collateral as of March 31, 2011 and 2012 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2011 | **2012** | **2012** |
| Current portion of long-term debt | ¥ 2,938 | **¥ 2,938** | **$ 35,746** |
| Long-term debt | 17,625 | **14,687** | **178,696** |
| | ¥20,563 | **¥17,625** | **$214,442** |

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

(2011)
Shares of Haseko MMH Inc. (¥14,680 million) owned by Haseko Anesis Corporation
Shares of Haseko MMB Inc. (¥14,679 million) owned by Haseko MMH Inc.
Shares of Haseko Community Inc., Haseko Livenet Inc., Haseko Smile Community Co., Ltd., and Haseko Reform Inc. (¥14,299 million) owned by Haseko MMB Inc.
Shares of Haseko Community Kyushu Inc. (¥580 million) owned by Haseko Community Inc.
Loans receivable (¥22,540 million) lent by Haseko MMB Inc. to its consolidated subsidiaries.
Loans receivable (¥15,106 million) lent by those consolidated subsidiaries to Haseko Corporation.
Loans receivable (¥2,572 million) lent by those consolidated subsidiaries to Haseko MMB Inc.

**(2012)**
Shares of Haseko MMH Inc. (¥14,680 million, $178,611 thousand) owned by Haseko Anesis Corporation
Shares of Haseko MMB Inc. (¥14,679 million, $178,598 thousand) owned by Haseko MMH Inc.
Shares of Haseko Community Inc., Haseko Livenet Inc., Haseko Smile Community Co., Ltd., and Haseko Reform Inc. (¥14,299 million, $173,975 thousand) owned by Haseko MMB Inc.
Shares of Haseko Community Kyushu Inc. (¥580 million, $7,057 thousand) owned by Haseko Community Inc.
Loans receivable (¥20,160 million, $245,285 thousand) lent by Haseko MMB Inc. to its consolidated subsidiaries.
Loans receivable (¥13,578 million, $165,203 thousand) lent by those consolidated subsidiaries to Haseko Corporation.
Loans receivable (¥3,072 million, $37,377 thousand) lent by those consolidated subsidiaries to Haseko MMB Inc.

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

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2011 | **2012** | **2012** |
| Notes and accounts receivable, trade | ¥20,656 | **¥17,213** | **$209,429** |
| Buildings and structures | 25 | **24** | **292** |
| | ¥20,681 | **¥17,237** | **$209,721** |

Liabilities with collateral as of March 31, 2011 and 2012 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2011 | **2012** | **2012** |
| Current portion of long-term debt | ¥ 3,232 | **¥ 3,232** | **$ 39,324** |
| Long-term debt | 16,162 | **12,930** | **157,318** |
| | ¥19,394 | **¥16,162** | **$196,642** |

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

(2011)
Shares of HC Ayasegawa Jutaku Inc. and HC Koganei Jutaku Inc. (¥18 million) owned by Haseko Corporation and Haseko Community Inc.
Loans receivable (¥503 million) lent by Haseko Corporation to HC Ayasegawa Jutaku Inc. and HC Koganei Jutaku Inc.

**(2012)**
Shares of HC Ayasegawa Jutaku Inc. and HC Koganei Jutaku Inc. (¥18 million, $219 thousand) owned by Haseko Corporation and Haseko Community Inc.
Loans receivable (¥438 million, $5,329 thousand) lent by Haseko Corporation to HC Ayasegawa Jutaku Inc. and HC Koganei Jutaku Inc.

## 11. Contingent Liabilities

(1) The Company was contingently liable for guarantees on bank loans and other guarantees as of March 31, 2011 and 2012 as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2011 | **2012** | **2012** |
| Customers using housing loans and other loans to purchase real estate | ¥10,799 | **¥13,744** | **$167,222** |

(2) Guarantee obligations on repayment of deposits, etc. to credit guarantee companies as of March 31, 2011 and 2012 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2011 | **2012** | **2012** |
| Nissho Estem Co., Ltd. etc. | ¥ – | **¥459** | **$5,585** |

(3) Commitments to provide guarantees of indebtedness at the request of lending banks as of March 31, 2011 and 2012 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2011 | **2012** | **2012** |
| Mori-Gumi Co., Ltd. | ¥3,750 | **¥3,150** | **$38,326** |

(4) The Company was contingently liable for notes receivable discounted with banks, endorsed and transferred as of March 31, 2011 and 2012 as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2011 | **2012** | **2012** |
| Notes receivable discounted | ¥ – | **¥230** | **$2,798** |
| Notes receivable endorsed and transferred | ¥27 | **¥ 1** | **$ 12** |

(5) Notes that mature at the end of the fiscal year are settled on the clearance dates. The following is outstanding at the end of the fiscal year as the maturity date fell on a business holiday for financial institutions:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2011 | 2012 | 2012 |
| Notes receivable | ¥– | ¥ 636 | $ 7,738 |
| Notes payable | ¥– | ¥12,492 | $151,989 |

## 12. Lease Transactions

(1) Finance lease transactions that do not transfer the ownership of leased assets to the lessee as of and for the years ended March 31, 2011 and 2012 were as follows. Finance leases that do not transfer the ownership of the leased assets to the lessees, entered into on or before March 31, 2008, are accounted for as operating leases:

(As lessee)

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

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2011 | 2012 | 2012 |
| Acquisition cost | ¥75 | ¥40 | $487 |
| Accumulated depreciation | 59 | 36 | 438 |
| Net book value | ¥16 | ¥ 4 | $ 49 |

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

Outstanding future lease payments as of March 31, 2011 and 2012 were summarized as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2011 | 2012 | 2012 |
| Within one year | ¥14 | ¥5 | $61 |
| Over one year | 5 | – | – |
| Total | ¥19 | ¥5 | $61 |

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

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

Lease payments and depreciation for the years ended March 31, 2011 and 2012 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2011 | 2012 | 2012 |
| Lease payments | ¥22 | ¥12 | $146 |
| Depreciation | 22 | 12 | 146 |

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

(As lessor)

The acquisition cost, accumulated depreciation and net book value of the rental assets (machinery and equipment, buildings and structures, and intangible assets) as of March 31, 2011 and 2012 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 |
|---|---|---|---|
| | 2011 | 2012 | 2012 |
| Acquisition cost | ¥75 | ¥42 | $511 |
| Accumulated depreciation | 36 | 31 | 377 |
| Net book value | ¥39 | ¥11 | $134 |

Outstanding future lease income as of March 31, 2011 and 2012 were summarized as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2011 | 2012 | 2012 |
| Within one year | ¥19 | ¥9 | $110 |
| Over one year | 15 | 6 | 73 |
| Total | ¥34 | ¥15 | $183 |

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

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

Lease income and depreciation for the years ended March 31, 2011 and 2012 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2011 | 2012 | 2012 |
| Lease income | ¥27 | ¥17 | $207 |
| Depreciation | 23 | 12 | 146 |

(2) Operating lease transactions

(As lessee)

Outstanding future minimum lease payments under noncancelable operating leases as of March 31, 2011 and 2012 were summarized as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2011 | 2012 | 2012 |
| Within one year | ¥1,120 | ¥ 2,662 | $ 32,388 |
| Over one year | 2,114 | 8,087 | 98,394 |
| Total | ¥3,234 | ¥10,749 | $130,782 |

(As lessor)

Outstanding future minimum lease income under noncancelable operating leases as of March 31, 2011 and 2012 were summarized as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2011 | 2012 | 2012 |
| Within one year | ¥– | ¥ 374 | $ 4,550 |
| Over one year | – | 1,102 | 13,408 |
| Total | ¥– | ¥1,476 | $17,958 |

## 13. Supplementary Profit and Loss Information

(1) Sales from construction contracts calculated according to the percentage-of-completion method were ¥247,274 million and ¥286,800 million ($3,489,476 thousand) for the years ended March 31, 2011 and 2012, respectively.

(2) Allowance for losses on construction contracts of ¥26 million and ¥1,133 million ($13,785 thousand) were included in cost of sales for the years ended March 31, 2011 and 2012, respectively.

(3) Valuation losses on inventories that were included in cost of sales for the years ended March 31, 2011 and 2012 were as follows:

| | *Millions of yen* | | *Thousands of U.S. dollars* |
|---|---|---|---|
| | 2011 | **2012** | **2012** |
| Construction contract | ¥ – | **¥ 1** | **$ 12** |
| Leasing and management | 2 | **–** | **–** |
| Real estate | 5,624 | **3,891** | **47,342** |
| | ¥5,626 | **¥3,892** | **$47,354** |

(4) Selling, general and administrative expenses for the years ended March 31, 2011 and 2012 consisted of the following:

| | *Millions of yen* | | *Thousands of U.S. dollars* |
|---|---|---|---|
| | 2011 | **2012** | **2012** |
| Salaries and allowances | ¥11,462 | **¥11,836** | **$144,008** |
| Provision for bonuses for employees | 660 | **676** | **8,225** |
| Retirement benefit expenses | 854 | **883** | **10,743** |
| Provision for doubtful accounts | 193 | **(295)** | **(3,589)** |
| Rent | 2,302 | **2,254** | **27,424** |
| Depreciation | 1,047 | **863** | **10,500** |
| Other | 11,018 | **11,833** | **143,971** |
| | ¥27,536 | **¥28,050** | **$341,282** |

(5) Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2011 and 2012 were as follows:

| | *Millions of yen* | | *Thousands of U.S. dollars* |
|---|---|---|---|
| | 2011 | **2012** | **2012** |
| Research and development costs | ¥765 | **¥754** | **$9,174** |

## 14. Net Assets

(1) Shares issued and treasury stock

Changes in number of shares issued and treasury stock for the year ended March 31, 2011 were as follows:

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

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

Changes in number of shares issued and treasury stock for the year ended March 31, 2012 were as follows:

| | *Number of shares* | | | |
|---|---|---|---|---|
| | 2011 | Increase | Decrease | **2012** |
| Shares issued: | | | | |
| Common stock | 1,503,971,989 | – | – | **1,503,971,989** |
| Preferred stock: | | | | |
| Class B I (Note 1) | 90,000,000 | – | 10,000,000 | **80,000,000** |
| Total | 1,593,971,989 | – | – | **1,583,971,989** |
| Treasury stock: | | | | |
| Common stock (Notes 2 and 3) | 796,229 | 8,234 | 1,800 | **802,663** |
| Preferred stock: | | | | |
| Class B I (Note 1) | – | 10,000,000 | 10,000,000 | **–** |
| Total | 796,229 | 10,008,234 | 10,001,800 | **802,663** |

Notes:
1) Decrease in Class B I preferred stock of 10,000,000 shares due to retirement
2) Increase in treasury stock (common stock) of 8,000 shares due to the request by shareholders for purchase of shares less than one standard unit
3) Decrease in treasury stock (common stock) of 1,000 shares 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 10,000,000 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, 2012:

Date of repurchase: March 23, 2012
Date of retirement: March 23, 2012
Number of shares: 10,000,000 shares
Redemption price per share: ¥507.07 ($6.17)
Aggregate amount: ¥5,070,700,000 ($61,694,853.39)

(2) Dividends

(a) Dividends paid in the year ended March 31, 2012

| Resolution | Type of shares | Total amount of dividend *(Millions of yen)* | Total amount of dividend *(Thousands of U.S. dollars)* | Dividend per share *(Yen)* | Dividend per share *(U.S. dollars)* | Record date | Effective date |
|---|---|---|---|---|---|---|---|
| Annual meeting of shareholders on June 29, 2011 | Preferred stock: Class B I | **¥680** | **$8,274** | **¥7.55** | **$0.09** | March 31, 2011 | June 30, 2011 |

(b) Dividends with the cut-off date in the year ended March 31, 2012, and the effective date in the year ending March 31, 2013

| Resolution | Type of shares | Total amount of dividend (Millions of yen) | Total amount of dividend (Thousands of U.S. dollars) | Dividend per share (Yen) | Dividend per share (U.S. dollars) | Record date | Effective date |
|---|---|---|---|---|---|---|---|
| Annual meeting of shareholders on June 28, 2012 | Preferred stock: Class B I | **¥578** | **$7,032** | **¥7.23** | **$0.09** | March 31, 2012 | June 29, 2012 |

## 15. Cash and Cash Equivalents

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, 2011 and 2012 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2011 | **2012** | **2012** |
| Cash and bank deposits | ¥82,034 | **¥89,223** | **$1,085,570** |
| Saving accounts for insurance agency | (378) | **(338)** | **(4,112)** |
| Cash and cash equivalents | ¥81,656 | **¥88,885** | **$1,081,458** |

## 16. Derivative Transactions

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

| Hedge accounting method | Hedging instrument | Hedged item | As of March 31, 2011 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 | ¥108,572 | ¥85,947 | (Note) |

| Hedge accounting method | Hedging instrument | Hedged item | **As of March 31, 2012** 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 | **¥111,007** | **¥83,370** | (Note) |
| | | | (Thousands of U.S. dollars) | | |
| | | | **$1,305,614** | **$1,014,357** | |

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 were not applied as of March 31, 2011 and 2012.

## 17. Retirement Benefit Plan

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

(1) The funded status of the multi-employer pension plans as of March 31, 2010 and 2011 (latest available information as of March 31, 2012) to which contributions are recognized as retirement benefit expenses were as follows:

| | Millions of yen | |
|---|---|---|
| | 2010 | 2011 |
| Pension assets | ¥ 43,254 | ¥ 40,796 |
| Retirement benefit obligations under pension funding programs | 55,629 | 54,799 |
| Difference | ¥(12,375) | ¥(14,003) |

The average contribution ratios to total contributions made to all plans were 2.37% and 2.45% for the years ended March 31, 2011 and 2012, respectively.

(2) The funded status of the defined benefit pension plans and the amounts recognized in the consolidated balance sheets as of March 31, 2011 and 2012 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2011 | **2012** | **2012** |
| Projected benefit obligations | ¥(37,751) | **¥(42,933)** | **$(522,363)** |
| Plan assets | 30,897 | **31,460** | **382,772** |
| Unfunded pension obligation | (6,854) | **(11,473)** | **(139,591)** |
| Unrecognized transition amount | 863 | **647** | **7,872** |
| Unrecognized actuarial differences | 8,221 | **12,499** | **152,074** |
| Unrecognized prior service cost | (3,985) | **(3,544)** | **(43,120)** |
| Reserve for employees' retirement benefits | ¥ (1,755) | **¥ (1,871)** | **$ (22,765)** |

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

(3) The components of net retirement benefit expenses for the years ended March 31, 2011 and 2012 were as follows:

| | *Millions of yen* | | *Thousands of U.S. dollars* |
|---|---|---|---|
| | 2011 | **2012** | **2012** |
| Service costs | ¥1,146 | **¥1,153** | **$ 14,028** |
| Interest costs | 889 | **930** | **11,315** |
| Expected return on plan assets | (896) | **(918)** | **(11,169)** |
| Amortization of transition amount | 216 | **216** | **2,628** |
| Amortization of actuarial differences | 1,228 | **1,284** | **15,622** |
| Amortization of prior service cost | (441) | **(441)** | **(5,366)** |
| Net retirement benefit expenses | ¥2,142 | **¥2,224** | **$ 27,058** |

Notes:
1) Contributions by employees for corporate pension fund were deducted.
2) The retirement benefit expenses of consolidated subsidiaries applying a simplified method and the contributions as smaller enterprise retirement allowance expense are included in "Service costs."

(4) Assumptions used in accounting for the above plans for the years ended March 31, 2011 and 2012 were as follows:

| | 2011 | **2012** |
|---|---|---|
| Method of attributing the projected benefits to period of service | Straight-line method | **Straight-line method** |
| Discount rate | 2.5% | **1.8%** |
| Expected rate of return on plan assets | 3.0% | **3.0%** |

## 18. Income Taxes

(1) The significant components of deferred tax assets and liabilities as of March 31, 2011 and 2012 were as follows:

| | *Millions of yen* | | *Thousands of U.S. dollars* |
|---|---|---|---|
| | 2011 | **2012** | **2012** |
| Deferred tax assets: | | | |
| Allowance for doubtful accounts | ¥ 518 | **¥ 377** | **$ 4,587** |
| Warranty reserve | 1,585 | **1,256** | **15,282** |
| Accrued bonuses for employees | 828 | **760** | **9,247** |
| Reserve for employees' retirement benefits | 714 | **687** | **8,359** |
| Valuation loss on real estate for sale | 23,904 | **21,217** | **258,146** |
| Impairment loss on fixed assets | 12,752 | **10,760** | **130,916** |
| Valuation loss on investment securities | 14,855 | **12,948** | **157,537** |
| Tax loss carry forwards | 42,439 | **27,160** | **330,454** |
| Other | 3,380 | **3,207** | **39,019** |
| Sub-total | 100,975 | **78,372** | **953,547** |
| Loss: Valuation allowance | (70,873) | **(54,848)** | **(667,332)** |
| Total deferred tax assets | 30,102 | **23,524** | **286,215** |
| Deferred tax liabilities: | | | |
| Unrealized gain on other securities | (316) | **(80)** | **(973)** |
| Other | (287) | **(320)** | **(3,894)** |
| Total deferred tax liabilities | (603) | **(400)** | **(4,867)** |
| Net deferred tax assets | ¥ 29,499 | **¥ 23,124** | **$ 281,348** |

Notes:
1) Valuation loss on real estate for sale includes ¥873 million and ¥675 million ($8,213thousand) for the years ended March 31, 2011 and 2012, respectively, for properties that were reclassified from "Current Assets" to "Property and Equipment" following a change in holding purpose.
2) The net deferred tax as of March 31, 2011 and 2012 were classified as follows in the consolidated balance sheets:

| | *Millions of yen* | | *Thousands of U.S. dollars* |
|---|---|---|---|
| | 2011 | **2012** | **2012** |
| Current assets – Deferred tax assets | ¥ 9,501 | **¥ 7,176** | **$ 87,310** |
| Investments and other assets – Long-term deferred tax assets | 20,602 | **16,347** | **198,893** |
| Long-term liabilities – Other long-term liabilities | (604) | **(400)** | **(4,867)** |

(2) Income taxes in Japan applicable to the Company and its domestic consolidate subsidiaries consist of corporation tax, inhabitants' taxes and enterprise tax, which, in the aggregate, resulted in a statutory rate of approximately 40.7% for the years ended March 31, 2011 and 2012. Income taxes of the foreign consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

The reconciliation of the statutory tax rate to the effective income tax rate for the year ended March 31, 2011 were as follows:

| | 2011 |
|---|---|
| Statutory tax rate | 40.7% |
| (Adjustment) | |
| Non-deductible expenses | 1.5 |
| Permanent non-taxable items | (0.7) |
| Per capita inhabitant tax | 0.5 |
| Change in valuation allowances | 4.3 |
| Elimination of unrealized gain | (0.6) |
| Other | 2.5 |
| Effective income tax rate | 48.2% |

Note) A reconciliation for the year ended March 31, 2012 has been omitted because the difference between the statutory tax rate and the effective income tax rate was 5% or less.

(3) Adjustments to deferred tax assets and liabilities due to tax rate change:
The "Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating Taxation System System Responding to Changes in Economic and Social Structures" (Act No. 114 of 2011) and the "Act for Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No. 117 of 2011) were promulgated on December 2, 2011. As a result, the corporate tax rate will be reduced and a special reconstruction corporate tax will be levied for fiscal years starting on or after April 1, 2012. In accordance with this change, the statutory tax rate used to calculate the Company's deferred tax assets and deferred tax liabilities was changed from 40.7% to 38.0% for temporary differences expected to be realized or settled in the fiscal year starting on April 1, 2012 through the fiscal year starting on April 1, 2014, and to 35.6% for temporary differences expected to be realized or settled in fiscal years starting on April 1, 2015 and thereafter.

As a result of this tax rate change, the amount of net deferred tax assets (amount after deducting deferred tax liabilities) decreased by ¥1,796 million ($21,852 thousand), and deferred income taxes and unrealized gains on other securities increased by ¥1,807 million ($21,986 thousand) and ¥11 million ($134 thousand), respectively, as of and for the year ended March 31, 2012.

Furthermore, effective from the years starting on or after April 1, 2012, the available tax loss carried forward will be limited to an amount equivalent to 80% of taxable income before deduction due to the carry-forward being made. This change had no impact on the Company's consolidated financial statements.

## 19. Per Share Information

(1) Per share information as of and for the years ended March 31, 2011 and 2012 were as follows:

| | *Yen* | | *U.S. dollars* |
|---|---|---|---|
| | 2011 | **2012** | **2012** |
| Net assets per share | ¥34.36 | **¥40.76** | **$0.50** |
| Net income per share | | | |
| Basic | 6.29 | **7.05** | **0.09** |
| Diluted net income per share | 5.02 | **5.29** | **0.06** |

(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 |
|---|---|---|---|
| | 2011 | **2012** | **2012** |
| Net income | ¥10,137 | **¥11,242** | **$136,781** |
| Net income not attributable to common shareholders | | | |
| Preferred stock (Class B I) | | | |
| Preferred dividend | 680 | **578** | **7,032** |
| Difference between the redemption amount and the issued amount of preferred stock | – | **71** | **864** |
| Net income attributable to common shareholders | ¥ 9,458 | **¥10,593** | **$128,884** |
| Weighted average number of shares outstanding (thousands of shares) | 1,503,191 | **1,503,173** | |

(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 |
|---|---|---|---|
| | 2011 | **2012** | **2012** |
| Preferred dividend: | | | |
| Preferred stock (Class B I) | | | |
| Difference between redemption amount and the issued amount of preferred stock | ¥680 | **¥578** | **$7,032** |
| Preferred stock (Class B I) | – | **71** | **864** |
| Diluted net income | ¥680 | **¥649** | **$7,896** |
| Increase in common stock: (thousands of shares) | | | |
| Preferred stock (Class B I) | 517,241 | **623,292** | |

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

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2011 | **2012** | **2012** |
| Net assets | ¥97,478 | **¥101,996** | **$1,240,978** |
| Amount not attributable to common shareholders: | | | |
| Preferential distribution of residual property | 45,000 | **40,000** | **486,677** |
| Preferred dividend | 680 | **578** | **7,032** |
| Minority interests | 148 | **150** | **1,825** |
| Net assets attributable to common shareholders | ¥51,650 | **¥ 61,268** | **$ 745,444** |

## 20. Segment Information

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

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

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

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

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

1. Reportable segment information for the years ended March 31, 2011 and 2012 were as follows:

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

*Millions of yen*

| Sales, income or loss and assets by reportable segments | 2012 Reportable segments: Design and Construction-Related Business | Real Estate-Related Business | Residential Property-Related Service Business | Total | Other business (Note 1) | Total | Adjustments and eliminations (Note 2) | Consolidated (Note 3) |
|---|---|---|---|---|---|---|---|---|
| Sales to third parties | **¥307,642** | **¥ 86,309** | **¥88,645** | **¥482,596** | **¥18,333** | **¥500,929** | **¥ –** | **¥500,929** |
| Inter-segment sales and transfers | **1,862** | **254** | **4,421** | **6,537** | **78** | **6,615** | **(6,615)** | **–** |
| Net sales | **309,504** | **86,563** | **93,066** | **489,133** | **18,411** | **507,544** | **(6,615)** | **500,929** |
| Segment income (loss) | **22,521** | **(1,114)** | **5,549** | **26,956** | **(587)** | **26,369** | **(4,754)** | **21,615** |
| Segment assets | **¥116,658** | **¥144,152** | **¥61,782** | **¥322,592** | **¥57,428** | **¥380,020** | **¥87,055** | **¥467,075** |
| **Other items** | | | | | | | | |
| Depreciation and amortization | **¥353** | **¥1,265** | **¥909** | **¥2,527** | **¥1,059** | **¥3,586** | **¥(17)** | **¥3,569** |
| Investment in equity-method affiliates | **886** | **–** | **–** | **886** | **–** | **886** | **–** | **886** |
| Capital expenditures | **118** | **213** | **1,389** | **1,720** | **570** | **2,290** | **5** | **2,295** |

*Thousands of U.S. dollars*

| Sales, income or loss and assets by reportable segments | 2012 Reportable segments: Design and Construction-Related Business | Real Estate-Related Business | Residential Property-Related Service Business | Total | Other business (Note 1) | Total | Adjustments and eliminations (Note 2) | Consolidated (Note 3) |
|---|---|---|---|---|---|---|---|---|
| Sales to third parties | **$3,743,059** | **$1,050,116** | **$1,078,538** | **$5,871,713** | **$223,055** | **$6,094,768** | **$ –** | **$6,094,768** |
| Inter-segment sales and transfers | **22,655** | **3,090** | **53,790** | **79,535** | **949** | **80,484** | **(80,484)** | **–** |
| Net sales | **3,765,714** | **1,053,206** | **1,132,328** | **5,951,248** | **224,004** | **6,175,252** | **(80,484)** | **6,094,768** |
| Segment income (loss) | **274,011** | **(13,554)** | **67,514** | **327,971** | **(7,141)** | **320,830** | **(57,842)** | **262,988** |
| Segment assets | **$1,419,370** | **$1,753,887** | **$ 751,697** | **$3,924,954** | **$698,723** | **$4,623,677** | **$1,059,192** | **$5,682,869** |
| **Other items** | | | | | | | | |
| Depreciation and amortization | **$4,295** | **$15,391** | **$11,060** | **$30,746** | **$12,885** | **$43,631** | **$(207)** | **$43,424** |
| Investment in equity-method affiliates | **10,780** | **–** | **–** | **10,780** | **–** | **10,780** | **–** | **10,780** |
| Capital expenditures | **1,436** | **2,592** | **16,900** | **20,928** | **6,934** | **27,862** | **61** | **27,923** |

Notes:

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

2) Adjustments and eliminations are as follows:

(2011)

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

(2) Adjustment and eliminations for segment assets include ¥3,079 million of elimination of receivables stemming from inter-segment transactions and ¥81,642 million of corporate assets. Corporate assets are primarily comprised of surplus funds (cash), deferred tax assets and assets related to the administration divisions of the Company.

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

**(2012)**

(1) Adjustments and eliminations for segment income (loss) include ¥71 million ($864 thousand) of elimination of inter-segment transactions and ¥4,826 million ($58,718 thousand) of corporate expenses, which are not allocable to the reportable segments.

(2) Adjustment and eliminations for segment assets include ¥3,382 million ($41,149 thousand) of elimination of receivables stemming from inter-segment transactions and ¥90,437 million ($1,100,341 thousand) of corporate assets. Corporate assets are primarily comprised of surplus funds (cash), deferred tax assets and assets related to the administration divisions of the Company.

(3) Adjustment and eliminations for capital expenditures include ¥5 million ($61 thousand) of elimination of inter-segment transactions and ¥10 million ($122 thousand) of investment in corporate assets.

3) 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, 2011 and 2012 were summarized as follows:

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

| | Millions of yen | | | | | |
|---|---|---|---|---|---|---|
| | **2012** | | | | | |
| | Design and Construction-Related Business | Real Estate-Related Business | Residential Property-Related Service Business | Other business | Adjustments and eliminations | Consolidated |
| Impairment loss on fixed assets | **¥2** | **¥181** | **¥1** | **¥–** | **¥–** | **¥184** |

| | Thousands of U.S. dollars | | | | | |
|---|---|---|---|---|---|---|
| | **2012** | | | | | |
| | Design and Construction-Related Business | Real Estate-Related Business | Residential Property-Related Service Business | Other business | Adjustments and eliminations | Consolidated |
| Impairment loss on fixed assets | **$24** | **$2,202** | **$13** | **$–** | **$–** | **$2,239** |

3. The following table presents the amortization and balance of goodwill as of and for the years ended March 31, 2011 and 2012 by reportable segment:

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

| | Millions of yen | | | | | |
|---|---|---|---|---|---|---|
| | **2012** | | | | | |
| | Design and Construction- Related Business | Real Estate -Related Business | Residential Property- Related Service Business | Other business | Adjustments and eliminations | Consolidated |
| Amortization | **¥–** | **¥–** | **¥ 553** | **¥–** | **¥–** | **¥ 553** |
| Balance as of March 31 | **¥–** | **¥–** | **¥3,648** | **¥–** | **¥–** | **¥3,648** |

| | Thousands of U.S .dollars | | | | | |
|---|---|---|---|---|---|---|
| | **2012** | | | | | |
| | Design and Construction- Related Business | Real Estate -Related Business | Residential Property- Related Service Business | Other business | Adjustments and eliminations | Consolidated |
| Amortization | **$–** | **$–** | **$ 6,728** | **$–** | **$–** | **$ 6,728** |
| Balance as of March 31 | **$–** | **$–** | **$44,385** | **$–** | **$–** | **$44,385** |

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

5. Geographical information
(1) Net sale
Net sales information is omitted since net sales to external customers in Japan exceeds 90% of net sales recorded in the consolidated statements of income for the years ended March 31, 2011 and 2012.

(2) Property and equipment
Property and equipment information is omitted, since the amount of property and equipment located in Japan exceeds 90% of the amount of property and equipment recorded in the consolidated balance sheets as of March 31, 2011 and 2012.

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, 2011 and 2012.

## 21. Other Comprehensive Income

Reclassification adjustments and tax effects on components of other comprehensive income for the year ended March 31, 2012 were as follows:

| | *Millions of yen* | *Thousands of U.S. dollars* |
|---|---|---|
| | **2012** | **2012** |
| Net unrealized gain on other securities: | | |
| Amount arising during the year | **¥381** | **$4,636** |
| Reclassification adjustments for gains (losses) recognized in net income | **(1)** | **(12)** |
| Amount before tax effect | **380** | **4,624** |
| Tax effect | **236** | **2,871** |
| Net unrealized gain on other securities | **616** | **7,495** |
| Translation adjustments: | | |
| Amount arising during the year | **(1,593)** | **(19,382)** |
| Share of other comprehensive income of affiliates accounted for by the equity method: | | |
| Amount arising during the year | **1** | **12** |
| Total other comprehensive income (loss) | **¥(976)** | **$(11,875)** |

## 22. Subsequent Event

The Board of Directors approved the partial repurchase and retirement of its Class B I preferred stock at the meeting held on June 28, 2012.
Outline of the repurchase (mandatory redemption) and retirement of Class B I preferred stock is as follows

(1) Purpose of the transaction
Based on the capital policies in the Company's "PLAN for NEXT" (PLAN 4N), its medium-term business plan established in February 2012, the Company decided to repurchase and retire a portion of the outstanding preferred stock in order to avoid stock dilution resulting from the conversion of the preferred stock to common shares.

(2) Stocks to be repurchased and retired
Preferred stock: Class B I
Number of shares: 10,000,000 shares
Aggregate amount: ¥5,020,500,000

(3) Effective date:
July 13, 2012

(4) Retirement date:
July 13, 2012

## 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, 2012, 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, 2012, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

*Emphasis of Matter*

We draw attention to Note 22 to the consolidated financial statements, which describes the company made a resolution at its Board of Directors meeting held on June 28, 2012 concerning partial acquisition for redemption of the Preferred Stocks Class B I and their retirement. Our opinion is not qualified in respect of this matter.

*Convenience Translation*

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

Ernst & Young ShinNihon LLC

June 28, 2012
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 Hasegawa Building No. 8 in Dogenzaka, Shibuya-ku, Tokyo

**Jul. 1970**
Completed construction of "Nissho Iwai Shiroganedai Condominium," the first condominium Haseko constructed in Tokyo Metropolitan Area

**Feb. 1969**
Completed construction of "Ashiya Matsuhama Heights," the first condominium Haseko constructed

**Apr. 1965**
Listed on the 1st Sections of Tokyo Stock Exchange, Osaka Securities Exchange and Nagoya Stock Exchange

**Aug. 1953**
Transferred headquarters to Osaka

**Feb. 1951**
Opened Tokyo branch Office

**Aug. 1946**
Incorporated Hasegawa Komuten Co., Ltd., headquartered in Himeji-shi, Hyogo

**Feb. 1937**
Established Hasegawa Komuten in Amagasaki-shi, Hyogo

1969 Ashiya Matsuhama Heights
● The first condominium constructed by Haseko

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

**Oct. 1992**
Completed construction of "Acro City Towers," a 32-storied skyscraper condominium

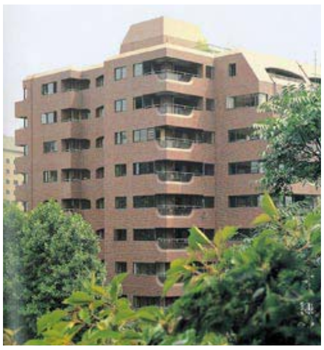
**Jan. 1989**
Completed "Century City Omiya Koen," a condominium with services for elder people

**Oct. 1988**
Changed corporate name to HASEKO Corporation

**Jul. 1988**
Started operation of "Kyoto Brighton Hotel" with 183 rooms

**Jan. 1981**
Completed construction of " Shiba Head Office Building" in Shiba, Minato-ku, Tokyo and transferred headquarters there

1984 Palais Royal Ashiya-Midorigaoka
● The first rebuilt condominium



1977 Palais Royal Nagatacho
● High-grade condominium

**Mar. 1999**
Finished "Hills Kugahara," a large-scale replacement project

**Dec. 1998**
Achieved construction of accumulated 300,000 units of condominiums

**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

1992 Acrocity Towers
● The first ultra-skyscraper condominium

**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

**Jul. 1993**
Started operation of "Urayasu Brighton Hotel" with 185 rooms

**Accumulated number of condominium units constructed by Haseko**

| ~1970 | ~1975 | ~1980 | ~1990 | ~2000 | ~2001 |
|---|---|---|---|---|---|
| 2,924 | 35,763 | 95,880 | 209,116 | 332,702 | 346,464 |

# History

**Nov. 2005**
Completed the “Shirokane Urban Renewal Project” in Shirokane, Minato-ku, Tokyo, that harmonized living, commercial and industrial settings

**Mar. 2005**
Participated in the reuse business and opened the first “KASIKOSH” store, a recycle shop

**Sep. 2003**
Completed the “Urayasu AMC Project,” an advanced multi-purpose urban development project

**Apr. 2003**
Established “Haseko Anesis Corporation,” a service-related new subsidiary

**Mar. 2003**
Started operation of “Century City Kita Urawa,” a paid care house for elderly people

**Oct. 2001**
Obtained ISO 14001 certification, a international standard for environmental management, in Tokyo area

**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

2004 Fukasawa House
● The first introduction of disaster prevention sets

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

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

**Feb. 2008**
Started operation of “Hotel Brighton City Osaka Kitahama” with 234 guest rooms

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

**Mar. 2006**
Completed “Obel Grandio Haginaka,” Japan's first rebuilding of a condominium applying the Revised Condominium Unit Ownership Act

**Nov. 2005**
Completed the “Shirokane Urban Renewal Project” in Shirokane, Minato-ku, Tokyo, that harmonized living, commercial and industrial settings

2009 The Kitahama
● 54-storied ultra-skyscraper condominium

**July 2011**
Completed construction of “RANCHERA Suitakatayamakoen,” a 10-storied condominium with 114 units, that was certified as “long-life, high-quality housing”

**Jun. 2011**
Achieved construction of a cumulative total of 500,000 condominium units

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

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

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

| ~2002 | ~2003 | ~2004 | ~2005 | ~2006 | ~2007 | ~2008 | ~2009 | ~2010 | ~2011 | ~May 2012 |
|---|---|---|---|---|---|---|---|---|---|---|
| 363,199 | 379,328 | 400,419 | 420,594 | 438,750 | 456,400 | 469,656 | 480,373 | 495,268 | 510,432 | 518,063 |

# Share Information

## Share overview *(As of March 31, 2012)*

| | | |
|---|---|---|
| Total shares authorized to issue: | Common stock | 2,100 million shares |
| | Preferred stock | 246 million shares |
| | (Class A) | 156 million shares |
| | (Class B) | 90 million shares |
| Outstanding shares: | Common stock | 1,503 million shares |
| | Class B I preferred stock | 80 million shares |
| Shareholders: | Common stock | 71,574 parties |
| | Class B I preferred stock | 3 parties |

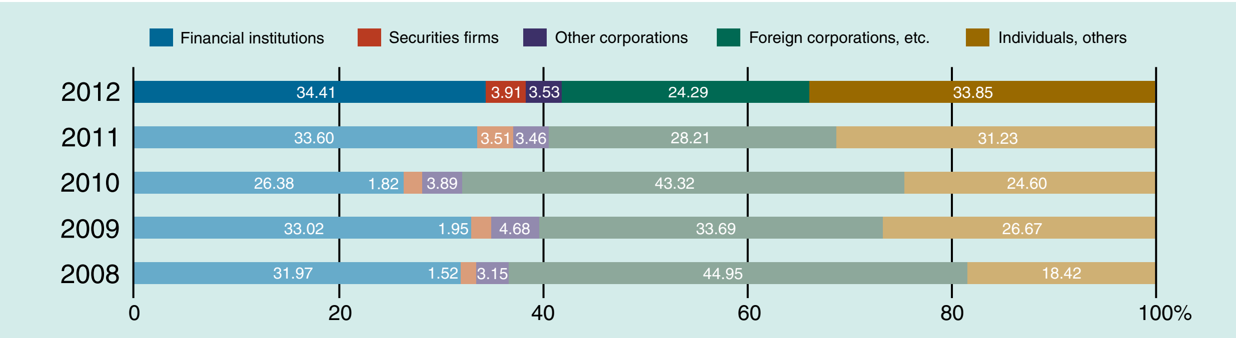
Note: Shares of less than million shares have been cut off prior to being displayed.

## Preferred stock shareholders
*(As of March 31, 2012)*

| Shareholder | Shares (1,000 shares) |
|---|---|
| Class B I | |
| Resona Bank, Limited | 29,277 |
| The Chuo Mitsui Trust and Banking Company, Limited | 28,160 |
| Mizuho Corporate Bank, Ltd. | 22,613 |

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

## Composition of shareholders *(As of March 31, 2012)*




## Overview of preferred stocks *(As of July 13, 2012)*

| | | |
|---|---|---|
| Class | Class BI | |
| Issued amount | 35 billion yen | |
| Number of issued shares | 70,000,000 shares | |
| Issued price | 500 yen per share | |
| Voting rights | No | |
| Preferred dividends | Rate | Until March 31, 2014: Japanese yen TIBOR (6-month) +1.00%<br>Since April 1, 2014: Japanese yen TIBOR (6-month) +1.80% |
| | Participation | Simple participation |
| | Cumulative | Cumulative for next fiscal year alone |
| Distribution of residual property | 500 yen per share | |
| Mandatory redemption right | Period | Until September 30, 2015 |
| | Redemption price | A price per share equal to ¥500 plus Class B accumulated unpaid dividend and accrued dividend equivalent. |
| Redemption requesting right | Period | From July 1 to July 31 of each fiscal year from FY2009 up to FY2032 |
| | Regulation | The right can be executed when the Company's retained earnings carried forward at the end of the immediately preceding fiscal year exceed ¥10 billion.<br>Shareholders can request for redemption up to the amount obtained by deducting double the amount of the total dividends for the immediately preceding fiscal year or ¥9 billion yen, whichever is greater, from the combined amount of retained earnings carried forward and other capital surplus. |
| | Redemption price | A price per share equal to ¥500 plus Class B accumulated unpaid dividend and accrued dividend equivalent. |
| Conversion requesting right | Period | From October 1, 2015 to September 30, 2032 |
| | Conversion price | Initial price: Market price 1 year before conversion start date (however, not below @72 yen)<br>Ceiling price: 300% of initial conversion price<br>Floor price: 50% of initial conversion price |
| Mandatory conversion | Execution date | A date on or after October 1, 2032 to be determined by the Board of Directors. |

# Corporate Information

## Overview *(As of March 31, 2012)*

**Name:**
Haseko Corporation

**Founded:**
February 1937

**Established:**
August 1946

**Paid-in capital:**
57,500 million yen

**Number of employees:**
2,017 (Non-consolidated)
4,549 (Consolidated)

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

**Ticker code:**
1808

**Shares per trading units:**
500 shares

**Head office:**
32-1 Shiba 2-chome, Minato-ku, Toky 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, Sitama-shi

**Yokohama branch:**
4-2 Minatomirai 4-chome, Nishi-ku, Yokohama

**Nagoya branch:**
7-20 Sakae 3-chome, Naka-ku, Nagoya

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

**Technology research institute:**
2968 Nishikata, Koshigaya-shi, Saitama

**Number of consolidated subsidiaries:**
38

**Number of companies accounted for by the equity method:**
1

**Transfer agent and registrar:**
Mitsubishi UFJ Trust and Banking Corporation

**Independent auditor:**
ERNST & YOUNG SHIN NIHON

## Principal consolidated subsidiaries

**Haseko Anesis Corporation**
Main business: Supervision of service related business
32-1 Shiba 2-chome, Minato-ku, Tokyo

**Haseko Community, Inc.**
Main business: Condominium management and maintenance
6-6 Shiba 4-chome, Minato-ku, Tokyo

**Haseko Livenet, Inc.**
Main business: Rental apartment management and operation
31-19 Shiba 2-chome, Minato-ku, Tokyo

**Haseko Reform Inc.**
Main business: Extensive refurbishment and Interior improvement
29-14 Shiba 2-chome, Minato-ku, Tokyo

**Century Life, Co., Ltd.**
Main business: Management of paid care housing for the elderly and consulting service
31-15 Shiba 2-chome, Minato-ku, Tokyo

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

**Haseko Intech, Inc.**
Main business: Sale of furniture for houses and consulting service
29-14 Shiba 2-chome, Minato-ku, Tokyo

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

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

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

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

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

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

HASEKO

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