The Sanno tower

ANNUAL REPORT 2014

For the Year Ended March 31, 2014

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 550,000 condominium units (as of the end of March 2014) 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

The Sanno tower (Ota-ku, Tokyo, 156 units) is the 22-story tower condominium, which located two minutes from Omori station. This tower condominium adopts the base isolation structure.

*Base isolation structure: Base isolation devices separate the building and the ground to reduce the earthquake energy transmitted to the building.

■ 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.

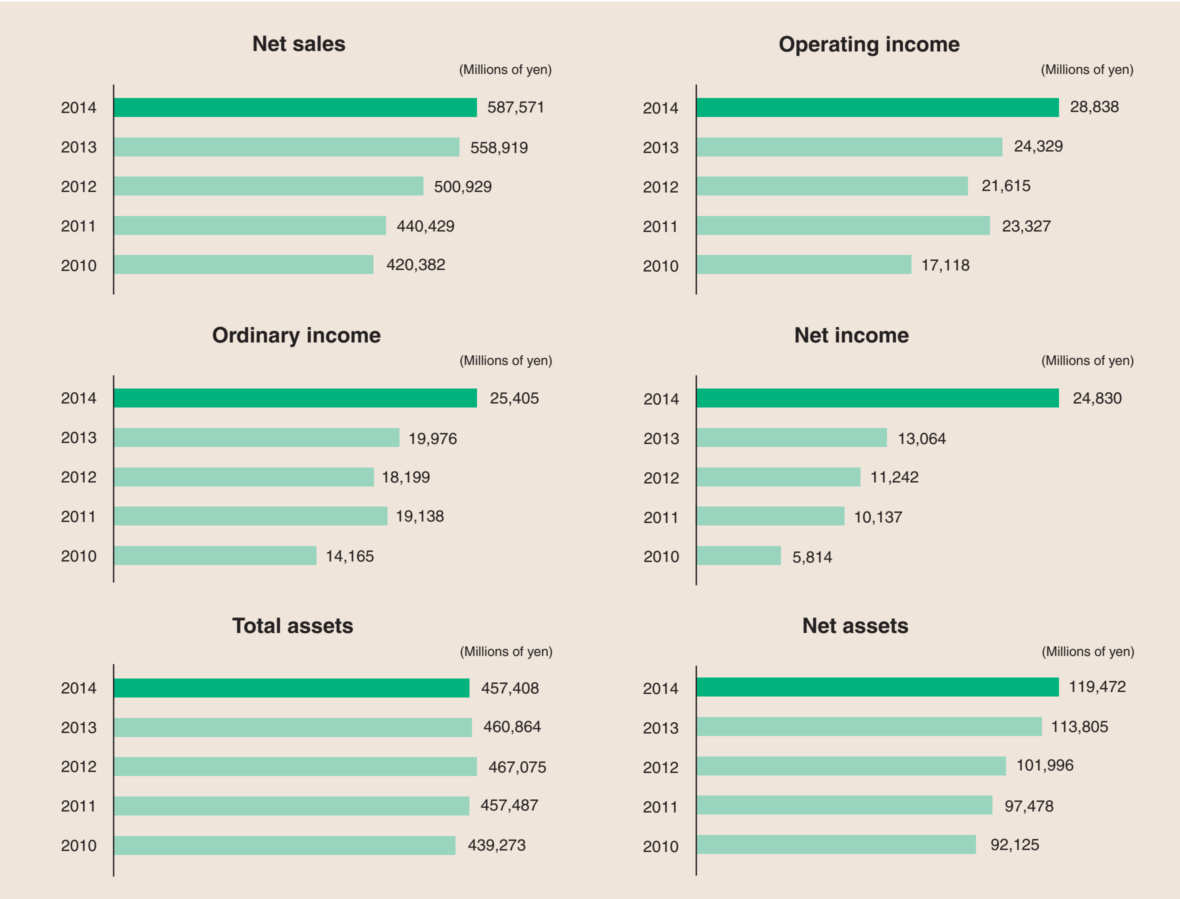
Financial Highlights

Haseko Corporation and its Consolidated Subsidiaries

(Years ended March 31, 2010, 2011, 2012, 2013 and 2014)

	Millions of Yen					Thousands of U.S. Dollars
For the Year:	2010	2011	2012	2013	**2014**	**2014**
Net sales	¥420,382	¥440,429	¥500,929	¥558,919	**¥587,571**	**$5,709,007**
Operating income	17,118	23,327	21,615	24,329	**28,838**	**280,198**
Ordinary income	14,165	19,138	18,199	19,976	**25,405**	**246,842**
Net income	5,814	10,137	11,242	13,064	**24,830**	**241,255**
At Year-end:						
Total assets	¥439,273	¥457,487	¥467,075	¥460,864	**¥457,408**	**$4,444,306**
Net assets	92,125	97,478	101,996	113,805	**119,472**	**1,160,824**
	Yen					U.S. Dollars
Per Share Data:						
Net income	¥ 3.79	¥ 6.29	¥ 7.05	¥ 41.72	**¥ 81.36**	**$0.79**
Net assets	30.76	34.36	40.76	259.89	**346.17**	**3.36**

Notes: 1) The U.S. Dollars amounts represent translation of yen amount at the rate of ¥102.92 = U.S. $1.00, the exchange rate at March 31, 2014.
2) The Company completed a reverse stock split of its common stock and Class B I preferred stocks, at ratio of 1 share for 5 shares on October 1, 2013. Net assets per share and net income per share as of and for the year ended March 31, 2013 are calculated under the assumption that the reverse stock split took place at the beginning of the previous fiscal year.



Message from the Management

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

As of April 1, 2014, I took office as President and Representative Director of Haseko Corporation. As our efforts over a long period of time to rehabilitate the Haseko Group's management have been fulfilled in effect, I am committed to my work with an aim to lead the Group toward the next leap forward, and am grateful for your continued support in this endeavor.

In the fiscal year ended March 2014, the Japanese economy continued to show a moderate recovery, given the tendency of the weaker yen and higher stock prices due to the economic and monetary policies by the government and the Bank of Japan, despite concerns about the outlook of the emerging economies and the European debt problem, etc. In the condominium market, a large supply was made in the Tokyo metropolitan area, surpassing 50,000 units for the first time in six years, although supply decreased year-on-year in the Kinki area. In terms of sales, the initial month sales rate remained favorable both in the Tokyo metropolitan and Kinki areas, standing at 79.8% (up 3.1 points year-on-year) for the former and 78.9% (up 0.5 points) for the latter. Consequently, the number of for-sale units being marketed, which represents the status of inventory, stayed at a low level, totaling 3,828 units (down 11.5% year-on-year) in the Tokyo metropolitan area and 2,054 units (down 1.0%) in the Kinki area as of the end of March 2014.

Under these circumstances, the Haseko Group saw a reduced impact of the marginally profitable constructions for which the Company had received orders following the Lehman Shock, on top of an increase in orders received from major developers in the form of Haseko Exclusive Contract and an improving trend in the profitability of constructions upon order reception, in the fiscal year ended March 2014. Because of these developments, the profit ratio of construction contracts started to improve after hitting bottom in the first half of the fiscal year. As a result, the Group posted net sales of 587.6 billion yen (up 5.1% year-on-year), operating income of 28.8 billion (up 18.5%), ordinary income of 25.4 billion (up 27.2%), and net income of 24.8 billion yen (up 90.1%) for the consolidated fiscal year under review. The operating income ratio and ordinary income ratio increased year-on-year to 4.9% (up 0.5 points) and 4.3% (up 0.7 points) respectively. As for the fiscal year ending March 2015, Haseko believes that its Design and Construction-Related Business centering on new for-sale condominiums can secure income and order volume surpassing the planned figures. Asset transfer of owned real estate, etc. is also in progress. Accordingly, the Company will redeem all of its remaining preferred stocks totaling 15 billion yen in July 2014. Moreover, we will pay a period-end dividend of 3 yen per share for our common stocks.

As stated above, we expect to be able to redeem all of our existing preferred stocks and resume dividend payment of our common stocks, which has been an issue for the Company to tackle to date. At the same time, achieving this represents the fulfillment of Haseko's rehabilitation. Considering that the environment is now well prepared for it to further advance its initiatives for the future, the Company has terminated the "PLAN for NEXT" (Plan 4N), a medium-term business plan scheduled for the four years from fiscal 2012 ending March 2013 through fiscal 2015 ending March 2016, two years ahead of schedule, and prepared "newborn HASEKO" (Plan NB), a new medium-term business plan starting in fiscal 2014 ending March 2015. The time horizon of the plan is set at six years starting in fiscal 2014 ending March 2015. Aiming to recreate itself as the "newborn Haseko" that has completed its rehabilitation and make a leap forward, the Company positions the first three years as the period to "Step Up" and the latter three years to "Jump Up." For the first three years of these, a new medium-term business plan of "newborn HASEKO Step Up Plan" (Plan NBs) is established and will be implemented.

Since the change of the government at the end of 2012, the outlook of the economy has become increasingly bright. Nevertheless, with the number of households in the Tokyo metropolitan area expected to take a downward turn in the near future, the environment surrounding the Company has not changed significantly in principle since the establishment of the Plan 4N, as there are such issues as the aging society with fewer children, an increase in the number of greatly-aged condominiums, a decrease in the number of skilled construction workers, and the need to respond to environmental and energy matters. Accordingly, in the Plan NB, the Haseko Group will succeed the basic policy of the Plan 4N. Meanwhile, from the perspective of more strongly promoting the establishment of service-related businesses, the Company has determined to add "coordination among the Group's businesses" and "winning more confidence from urban dwellers" to the basic policy and implement these initiatives.

In fiscal 2014 and onward, the Haseko Group will work to secure reliability and extend the life of housing as well as address the global environment issues, etc. by taking advantage of the know-how and the ability to propose and promote businesses that it has fostered to date. By doing so, it will endeavor to realize its social mission to create an environment that is optimal for cities and people, the corporate philosophy it has established, as the "one and only corporate group for housing." We believe that, with the perspective of the future housing in Japan, it is required to change the way of utilizing land, efficiently use the existing real properties and support comfortable urban living. With this thinking, the Haseko Group, which is a group of companies that built its business foundation on large cities, will continue to reinforce coordination among the Group companies centering on the condominium-related businesses, its mainstay activities, and exercise its comprehensive strengths in order to realize further evolution. As it does so, Haseko makes the basic policy of its corporate management to contribute to society through its business operations that put customers first and to become a trusted company. Going forward, we will continue efforts to establish ourselves as the "newborn Haseko," while always being grateful to our shareholders and those who have extended support to us. Your continued support and encouragement would be greatly appreciated.

June 2014

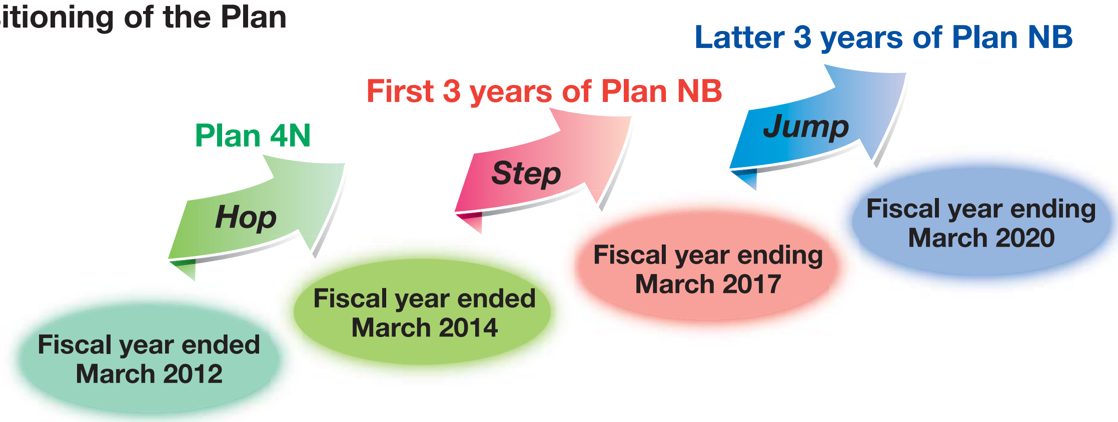
Noriaki Tsuji
President and Representative Director
Haseko Corporation

"newborn HASEKO"

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

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

Positioning of the Plan



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

"newborn HASEKO Step Up Plan" (Plan NBs)

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

Numerical Targets (Fiscal year ending March 2017)

Consolidated ordinary income: 35 billion yen
Non-consolidated ordinary income: 23 billion yen

Basic Policies

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

(Plan NBs)

Specific Measures

1. Enhancing Profitability of Main Businesses

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

2. Reinforcing and Advancing Technological Capabilities and Technical Development Abilities

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

3. Financial Strategy

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

4. Challenge New Domains with a View for the Future

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

5. Corporate Management and Human Resources, etc.

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

History of 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 6.01 million units as of the end of 2013. Of these, Haseko has constructed roughly one out of ten condominium units, building a cumulative total of 547,185 condominium units as of the end of 2013.

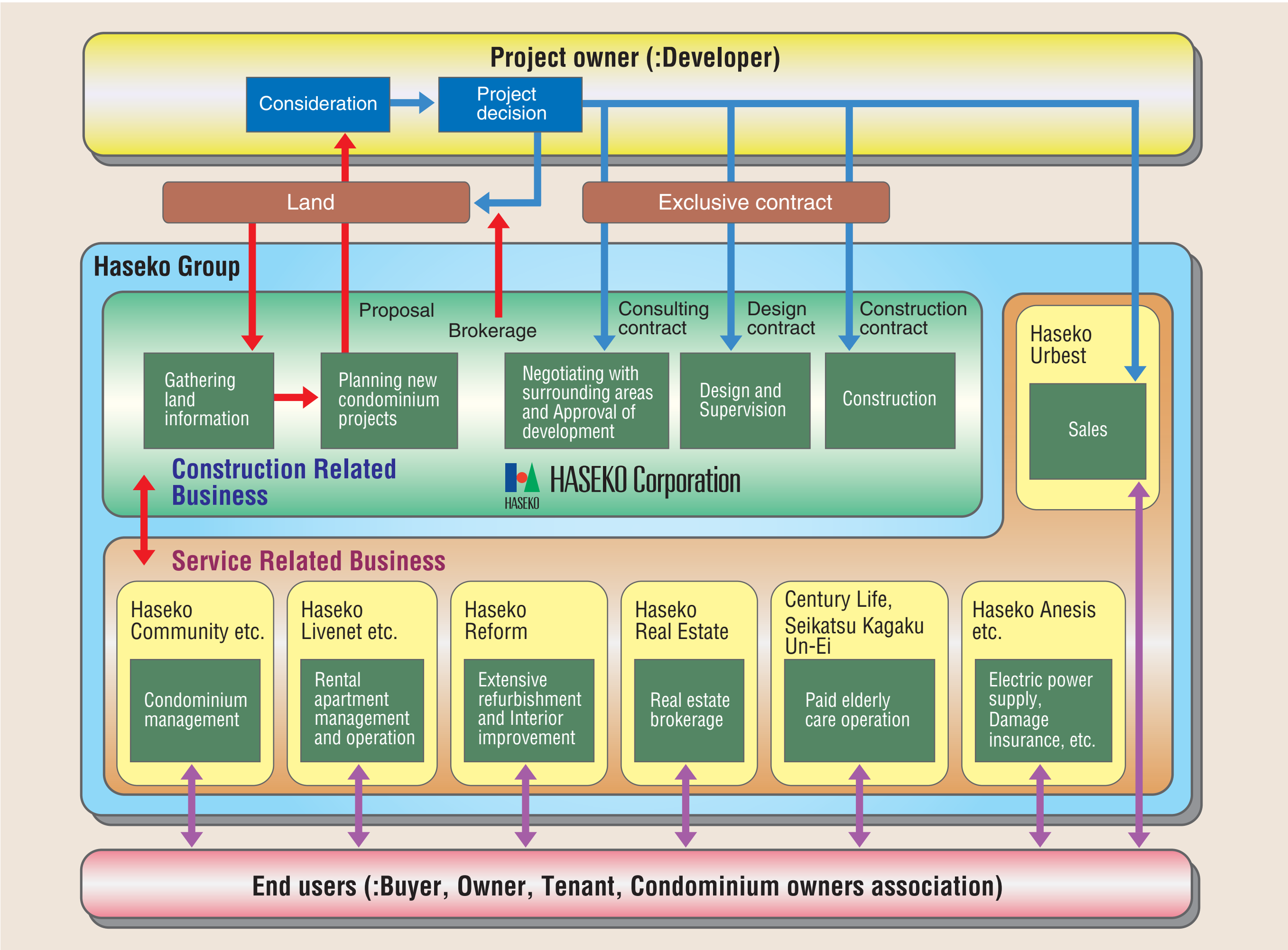
Note 1. The number of new supply was estimated based on the Housing Starts Statistics and other data.
2. The number of units in stock was the total of estimated figures as of the end of respective years, based on the cumulative number of new supply, etc.
3. Condominiums mentioned here refer to apartment-type, 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

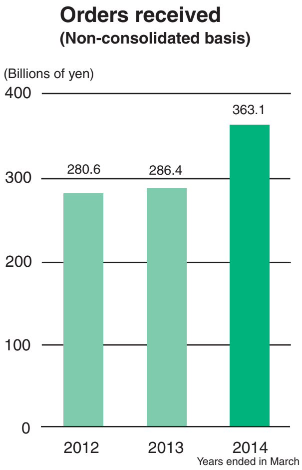
In the general flow of condominium construction, project owners (developers) acquire land and decide on a business plan with the projects before placing construction orders to general contractors. In contrast to this, Haseko collects land information, makes project plans based on the information, and 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 "Rebirth of the Company." To realize the plan, it is essential to not only secure stable revenues but to further expand revenues. One of the basic policies of this "newborn HASEKO" is to "establish corporate management that builds on both the construction-related business, which primarily targets the market for new housing supply, and the service-related business, which is centered on the market related to existing residences." Central to implementing this policy is the business model that leverages the comprehensive capabilities of the Haseko Group over the entire scope of all fields of the condominium business – the "total produce" business model that combines all functional expertise of every division involved in such fields as marketing, technologies and administration as well as of each company within the Group.

Construction



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


RENAI GRAND NISHINOMIYA-KITAGUCHI SHOWAEN


HIGH COURT YAMATE PALAIS 244


PROUD Shimurasakaue CINQUAGE


Sumiyoshigawa Riverside Forum
The RESIDENCE

The Company's Strengths Bolstering the Haseko Exclusive Contracts

● Comprehensive Business Planning

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

● Work Consignment

Aside from construction, Haseko Exclusive Contracts also include orders for other tasks that accompany construction work. In particular, Haseko demonstrates its superb ability to ensure the speedy approval of development, as it negotiates with neighboring residents, prepares shadow maps, and participates in development briefings after confirming the project owner's desire to proceed with the project. In addition, in large-scale projects that will lead urban development, Haseko proactively works to develop the city in close coordination with neighboring residents and governmental offices.

● Receiving Orders for Design and Construction in Packages

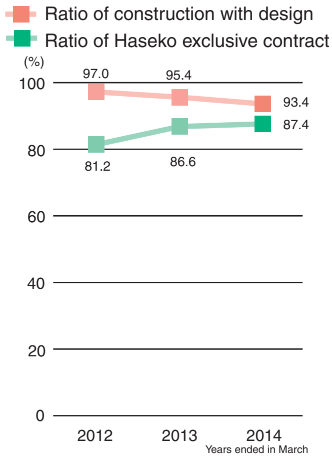
Haseko constructs condominiums with its construction and design sections working as one. The Company works to improve productivity and cost reductions, and establish the value engineering (VE) design system through close organizational coordination between the two sections.

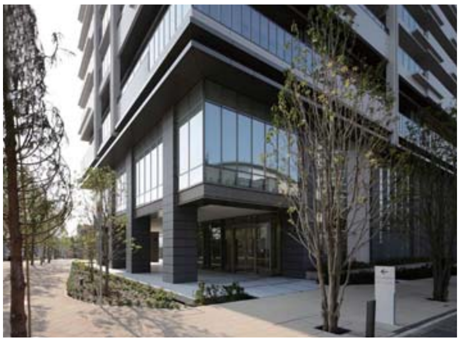
Design

The design division, for which it is vital to plan products that meet the diversifying needs of customers, is always pursuing “what is best for residents.” Feedback from customers is received and design work is conducted from the viewpoint of end users. In terms of product performance, utilizing proposed plans and accumulated technologies and knowhow from the construction track record of over 550,000 units built, it proactively works to enrich fundamental performances of condominiums, improve versatility and secure environmental and disaster prevention performances. It also 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 a variety of offerings including cutting-edge products with the project owner. This approach makes it possible to realize prompt, reliable designs since it facilitates the smooth selection of parts, materials and products.

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

Orders received
(Non-consolidated basis)






Sumiyoshigawa Riverside Forum The RESIDENCE


OBER ROKAKOUEN


Brillia City Yokohama Isogo

● 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.

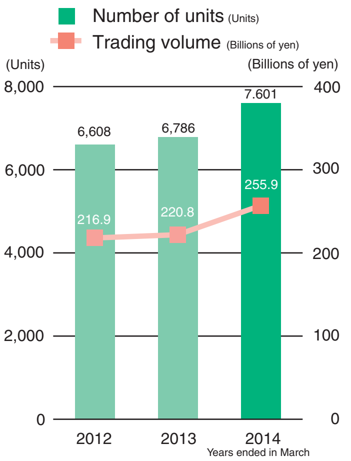
● Haseko Premium After-Sales Services – Ever-Evolving After-Sales Services that Only Haseko Can Provide

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.

Sale of Newly-Built For-Sale Condominiums

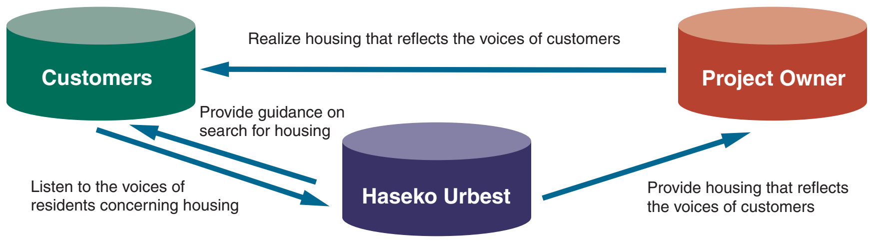
Consignment sales of newly-built for-sale condominiums (Haseko Urbest)



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

Featuring Haseko's original specifications, the "U's-style" products have been commercialized primarily by female employees of the Haseko Group engaged in planning, designing and sales of for-sale condominiums, who worked to materialize the voices and anticipation for condominiums of the customers with the aim of realizing "housing you are really attached to." 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.

Developed "Deco Wall," a rack that effectively utilizes the entrance space and enables good-looking arrangement of items, allowing the users to add their originality.

Comprised of a design panel with magnets, a full-leng mirror and rails to which hooks can be attached.

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

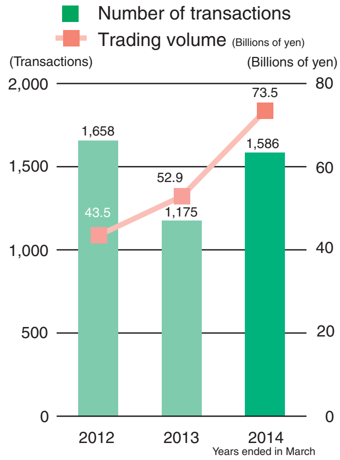
In place of project owners, the company performs a series of complicated operations concerning contracts in an easy-to-understand and efficient manner, from sales contracts to delivery of condominiums and including loan arrangements and registration work for customers. It also prepares contracts and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

Real Estate Brokerage

Providing comprehensive support menus

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

Brokerage of real estate



Note: Figures are based on Haseko Urbest brokered units in 2012.

Business to Purchase Entire Condominium Buildings and Resell Units

Haseko Real Estate, which has accumulated sales results of over 300 units (from April 2011 to December 2013) in its business to buy and resell condominium units on a single unit basis, established "RENEO," a new brand for the business to purchase entire condominium buildings and resell their units, in which it buys existing condominiums on a single building basis and resell for-sale units after conducting renovations. As the first property under the brand, Haseko Real Estate sold units of RENEO Miyazakidai Hills (Miyamae-ku, Kawasaki-shi, Kanagawa; 12 units).

Major Line of Business

● Housing Brokerage Business

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

● Purchase and Resale Business

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

Renovation

Before

After

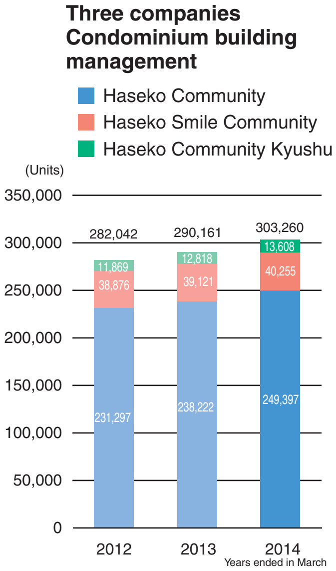
● Commercial Real Estate Brokerage Business

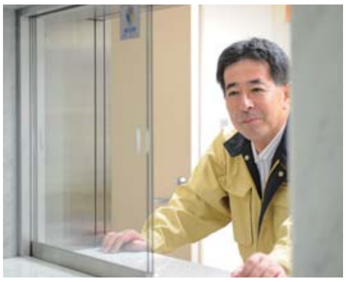
The company responds to every type of customer need for real estate, including selling and buying, for not only condominiums, stand-alone houses and commercial sites but also condominium buildings for sale as a whole, profit-generating buildings and other properties. Moreover, it provides appropriate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

● Real Estate Solutions Business

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

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 Matters, Utilizing High Technological Capabilities and Building and Facilities

As a management company belonging to a general contractor group, the company has handled a variety of matters related to buildings and facilities. Based on these experiences, it has accepted not only the problems related to construction or management but also whatever issues customers might have, and investigated the causes and solved them. The accumulation of such endeavors gives the company the ability to solve various matters occurring with regard to buildings and facilities at condominiums.

Working to Keep People Safe and At Ease Around the Clock

The company's centralized remote monitoring center, which conducts monitoring of abnormalities at buildings and facilities via online systems for every unit, conducts comprehensive monitoring operations around the clock. In case of any abnormality, the situation is quickly grasped and security personnel are dispatched in emergencies as needed. Moreover, specialized technical staff is available around the clock to provide assistance and advice for problems in daily life, in order to maintain a sense of security for residents.

Providing Advice and Backup for Creating a Comfortable Community

Over recent years, condominiums have seen attention increasingly gathered on condominium management from the viewpoint of not only keeping living spaces comfortable but also maintaining the asset value into the future, partly driven by the growing orientation to permanent living in condominium units. In the face of such a move, Haseko counts on community creation as one of the important issues in conducting condominium management, and believes that 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 staffs periodically inspect buildings, elevators, water supply and drainage, fire prevention facilities and other accessorial facilities. On top of proposing repairs of defects, the company forecasts future deterioration of buildings over time and appropriately proposes repair work plans and financing plans in a timely manner.

● Management and Cleaning

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

● Clerical Services

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

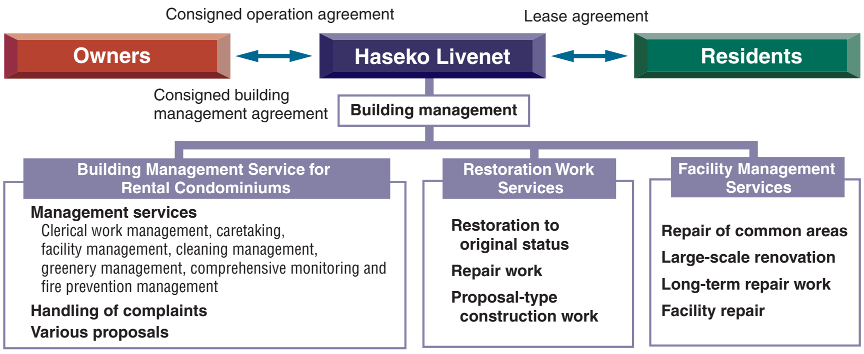
● Life Support Services

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

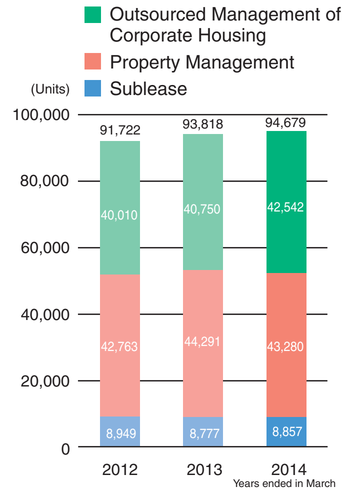
Management and Operation of Rental Condominiums

Rental Condominium Expert

In the domains where rental condominiums, corporate real estate and for-investment condominiums are mutually interrelated, Haseko Livenet addresses all needs related to real estate on a one stop basis. As it pursues expertise as a property manager, it has accumulated a broad range of know-how not limited to management and operation of rental condominiums, including leasing abilities to lease properties, analyze the market and make proposals, which influence the property value. The company employs a method in which it takes advantage of such know-how, achievable only by Haseko Livenet that is fully aware of the market and the site, to enhance the operational quality while responding to the needs, always putting customers first. This is the company's basic business style. It has not only managed over 90,000 units of rental condominiums and corporate housing and operated them at an average occupancy rate of more than 95%, but also established strong networks with major investment funds inside and outside Japan and other players, and has accumulated achievements in transaction brokerage and consulting services as well.



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

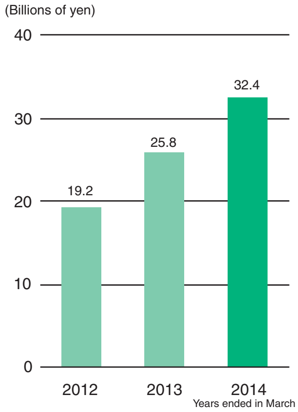
Having pioneered the corporate housing business model, the company provides support ranging from reviews of corporate housing systems to CRE strategies. It features high-quality services that have been selected by many global companies.

● 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.

Major Line of Business

- Large-scale repair work (renewal and maintenance of common zones)
  - The experience and the track record of a total of approximately 550,000 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.

Before

After

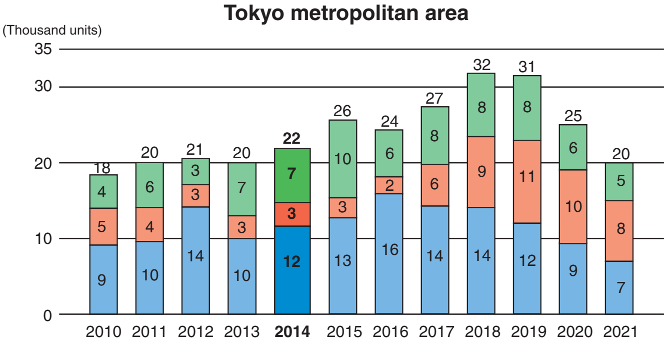
Before

After

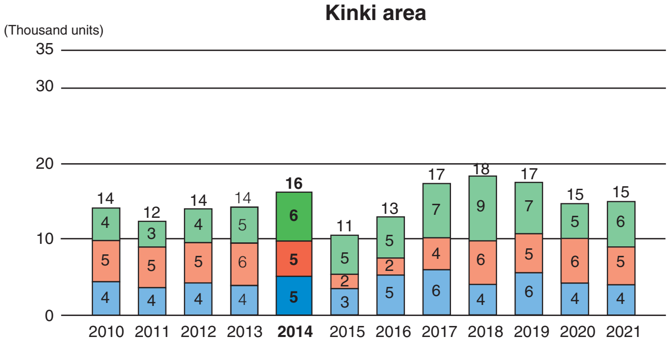
When will the condominiums previously constructed by Haseko require large-scale exterior renovations, and subsequent renovations?

Example: First time (12th year) Second times (24th year) Third times (36th year)

Tokyo metropolitan area



Kinki area



Senior Living Business

Housing with Services for the Elderly

The Haseko Group aims to expand its housing business for the elderly, as the population of the elderly is expected to grow significantly primarily in large metropolitan areas. Since it opened Century City Omiya Koen Main Building in January 1989, the Company has been ahead of the industry in planning and operating paid care houses for elderly people (under the brand of Century City) with the perspective of "one's final abode," which is different from medical facilities. The Century City paid facilities for the elderly, operated in the Tokyo metropolitan and Kinki areas by Century Life Co., Ltd. that was established in 1985, remain occupied at a high level with the occupancy rate of 90%.

Overview of Seikatsu Kagaku Un-Ei Co., Ltd.

Paid-in capital:
100 million yen
Number of employees:
938
Established:
September 1991
Major line of business:
Planning, operation and other services for paid facilities for the elderly, housing for the elderly and multi-generation homes
Head office:
NOF Shiba Bldg. 3F, 2-3, Shiba 4-chome, Minato-ku, Tokyo

Incorporates Seikatsu Kagaku Un-Ei into the Haseko Group to Expand Business

In November 2013, the Haseko Group incorporated Seikatsu Kagaku Un-Ei Co., Ltd., which operates paid facilities for the elderly and other facilities totaling 31 under such brand names as Life House and Senior House in the Tokyo metropolitan, Kinki and Tokai areas for more than 30 years, in order to proactively expand the Company's housing business for the elderly. Going forward, Century Life and Seikatsu Kagaku Un-Ei will commonly share respective know-how and endeavor to further enhance their service levels to meet the requirements of elderly customers, as well as proactively expand the businesses for the elderly including establishment of new facilities.

Century House, a New Brand for the Middle Class

Opening on November 22, 2013, Century House Tamagawa Josui (Higashi Yamato-shi, Tokyo; 80 units in total) pursues full nursing care and healthcare services, etc. while curbing the admission and related fees by taking advantage of the know-how in nursing care services the Company has fostered through the operation of housing for the elderly. Looking ahead, the Company will construct the Century House properties not only in the Tokyo metropolitan area but also in the Kinki area, under the basic concept of clean and joyful housing that provides necessary and sufficient nursing care services, allows admission at expenses that are within the welfare pension, and offers comprehensive end-of-life care services as "one's final abode." It has already been decided to open the properties in Musashi Urawa and Fujisawa in 2014.

Initiatives on Research and Technological Development

Housing Performance Test Building

Technology Exhibition Building

Haseko Technical Research Institute

The Haseko Technical 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. At present, it is focusing on research in environmental and renovation technologies under the themes of renewable energy use, CO_2 reduction and energy saving, extension of building life and other topics. In recent years, the Institute has been required to exert the function of presenting the content of its research and technological development in an easy-to-understand manner to people outside the Company. Accordingly, it has worked to enrich itself as a facility to demonstrate its research and technological developments, by renewing the Housing Performance Test Building and the exhibition contents at the Technology Exhibition Building.

Solar Panels base

Usual foundation

Low foundation

Technologies Related to Reduction of Environmental Load and Energy Saving

Solar Panels based on Low Foundation Construction Method

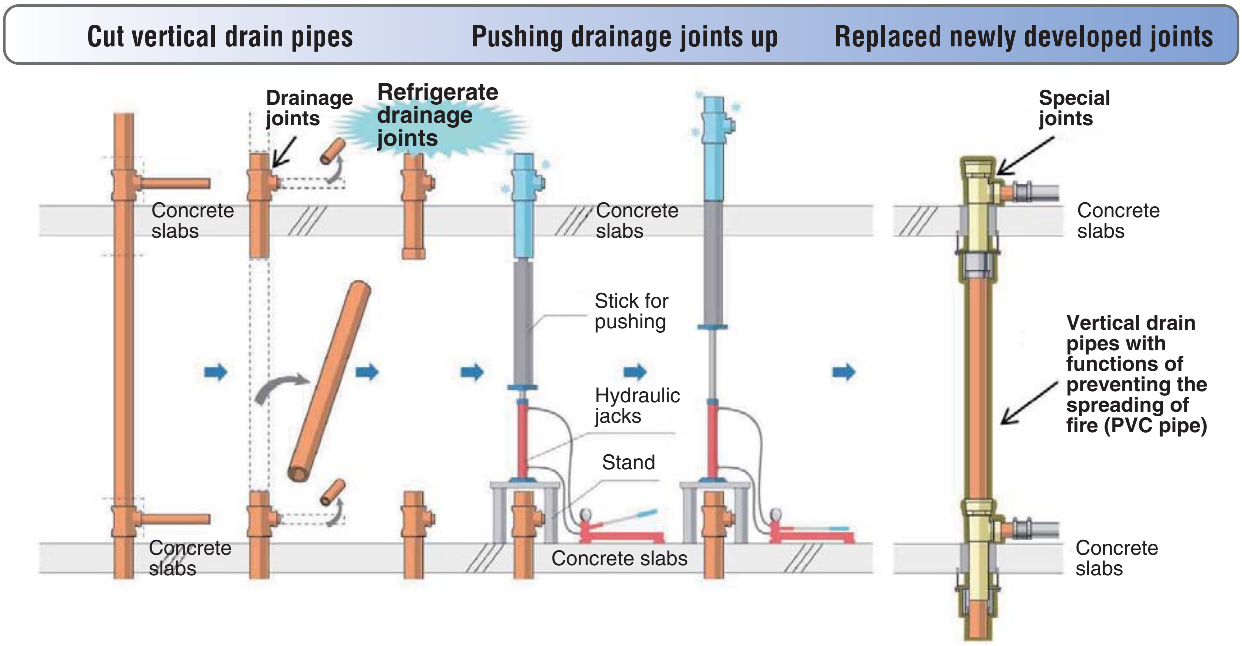
Solar panels are increasingly introduced to condominiums for the purpose of environmental considerations and energy saving. However, there are cases in which restrictions are given to the height of the solar panels by laws and administrative guidance. To address this issue, Haseko developed a low foundation construction method that utilizes the "base caps" made of cements reinforced by glass fiber (the method has been filed for patent application). By installing solar panels at a low angle on this foundation, their height can be significantly lower than in conventional methods. In addition, the concrete form has been simplified to realize reduction of waste molds as well as saving labor for construction.

Initiatives on Research and Technological Development

Technologies Related to Longer-Life Buildings

HK-D Construction Method Prototype

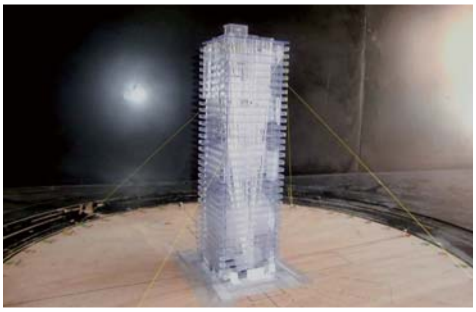
Haseko has newly developed the "HK-D method" for renewing (replacing) all vertical drain pipes (the method has been filed for patent application). The method cuts and removes the upper and lower edges of vertical drain pipes running through residential units. It reduces the diameter of the drainage joints in the floor slabs, and removes them by pushing them up from the lower floors using hydraulic jacks. After the removal, they are replaced by the newly developed (jointly developed with Kubota Corporation) special ventilation joints for replacement, which just fit through the holes for the vertical pipes. Unlike the conventional replacement work, the new construction method does not require the floor slabs to be destroyed, thus enabling implementation of renewal (replacement) while residents continue living in their units.



Technologies Related to Enhancement of Living Environment

Initiatives on Countermeasures for Wind Environment around Skyscraper Buildings

When a building is constructed, its impact on the wind environment around the site differs according to the size and shape of the planned building and the conditions of the existing buildings in the neighborhood. For a skyscraper building, the impact is forecast to be greater compared with a typical building. The Company conducts simulations through numerical analysis, including the existing buildings nearby, at the planning and designing stage of a skyscraper building, and makes a proposal that takes into account the wind environment in the neighborhood, such as allocation and expansion of green areas on the site. Moreover, at the final stage, the Company conducts assessment of the wind environment through wind tunnel tests, checking the necessity of additional measures and verifying the effectiveness of the planned measures.



Wind tunnel tests

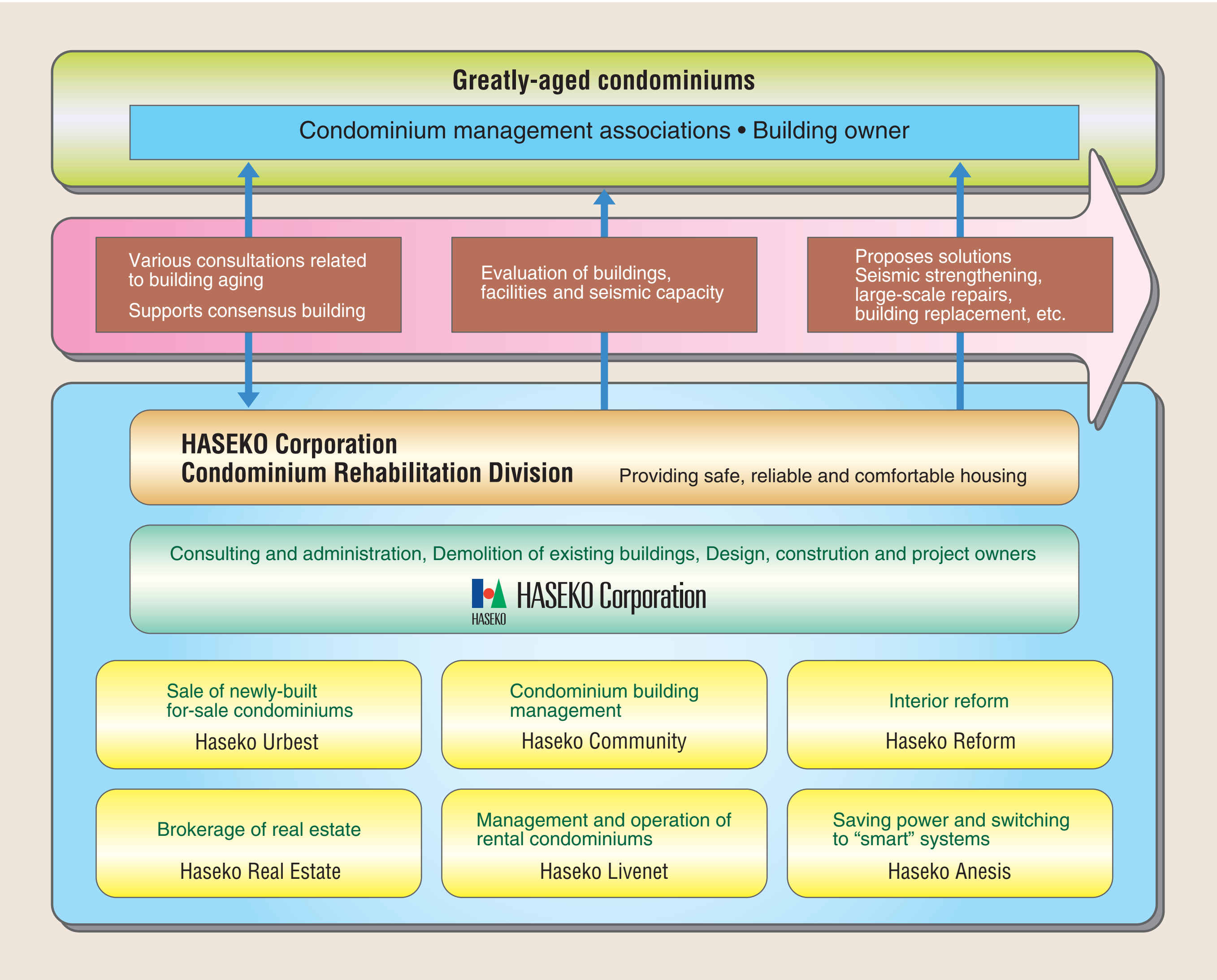
Rehabilitation of Existing Condominiums

For Providing Safe, Reliable and Comfortable Housing, and Maintaining and Improving the Asset Value

Since the Great East Japan Earthquake, an increasing attention has been paid to the structural strengths and earthquake resistance of buildings. In this situation, over one million units of for-sale condominiums, which are currently estimated to have approximately a little less than six million units, were constructed more than 30 years ago. With such condominiums in stock increasing, the Haseko Group positions "rehabilitation of existing condominiums" as an important measure, and makes a variety of proposals for maintaining and improving the asset value of its customers through the coordination of the Group companies.

New Establishment of the Division Dedicated to Condominium Rehabilitation

On April 1, 2014, Haseko newly established the Condominium Rehabilitation Division, which provides coherent services including consultation for management associations of greatly-aged condominiums, preparation of specific plans, and consulting and administration of rebuilding condominiums. The division is making proposals to meet a variety of needs, such as evaluation of seismic capacity, seismic strengthening, large-scale repairs and building replacement.



Rehabilitation of Existing Condominiums

Gyotoku Familio Replacement Project

Previous building (wooden-framed structure, 2 floors with 38 units) built more than 30 years ago was demolished and recreated as a new for-sale condominium called BRANCHERA Ichikawa Gyotoku (reinforced concrete structure, 8 floors with 84 units). As the project owner, the Company sold reserve floor areas as for-sale units (66 units excluding units for project cooperators.

In conducting the replacement project, the capabilities of the Haseko Group were integrated to create safe, reliable and comfortable housing. Haseko Corporation undertook consulting and administration of the replacement project, demolition of the existing building, and design and construction of the new condominium, as well as served as the project owner, with Haseko Urbest conducting sales agent services for reserve floor units, Haseko Livenet acting as intermediary for temporary housing during the replacement work, Haseko Anesis working to save power and replace to "smart" systems, and Haseko Community engaged in condominium management.

Gyotoku Familio <Before Replacement>

Completion date: October 1978
Seller: Keikyu Kogyo K. K.
Site area: 3,289.89 m²
Total floor area: 3,078.5 m²
Structure / floors: Wooden-frame structure, 2 floors above ground
Total number of units: 38 units

BRANCHERA Ichikawa Gyotoku <After Replacement>

Completion date: February 2014
Seller: Haseko Corporation
Site area: 3,173.53 m²
Total floor area: 6,347.01 m²
Structure / floors: Reinforced concrete structure, 8 floors above ground
Total number of units: 84 units

Exercising Total Produce Capability for Omiya Daiichi Corpo

Previous building (steel-framed and partially reinforced-concrete structure, 7 floors with 98 units) built more than 47 years ago was demolished and recreated as a new for-sale condominium called BRANCHERA Senbayashi Omiya (reinforced concrete structure, 8 floors with 82 units).

The project was implemented through the partnership between the Haseko Group, the management association and the consultants. Haseko Corporation worked to cope with the leaseholders of the replacement project and conducted design and construction of the new condominium, as well as served as the project owner, with Haseko Urbest conducting sales agent and intermediary services, Haseko Real Estate acting as intermediary for housing to move in during the replacement work, Haseko Anesis working to save power and replace to "smart" systems at the new residential units, and Haseko Community engaged in condominium management.

Omiya Daiichi Corpo <Before Replacement>

Completion date: September 1966
Seller: Osaka Municipal Housing Corporation
Site area: 2,965.86 m² *Registered area
Total floor area: 7,012.91 m²
Structure / floors: Steel-framed with partial reinforced-concrete structure, 7 floors above ground
Total number of units: 98 units

BRANCHERA Senbayashi Omiya <After Replacement>

Completion date: March 2015 (scheduled)
Seller: Haseko Corporation
Site area: 2,969.00 m² *Surveyed area
Total floor area: 6,231.65 m²
Structure / floors: Reinforced-concrete structure, 8 floors above ground
Total number of units: 82 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.

Participation in Environmental Preservation Activities

The Haseko Group established the Haseko Group Code of Conduct on Biodiversity in March 2012. In accordance with this, the Group has been participating since 2012 in the Tokyo Greenship Action and the Umi-no-Mori (See Forest) Project sponsored by the Tokyo Metropolitan Government, as part of its social contribution activities for protecting the environment. In the Kansai area, meanwhile, the Company participates in the Creation of Symbiosis Forest project, in which young plants are planted to foster a beautiful forest in the Sakai District No. 7-3 industrial waste disposal site, which spreads in front of Osaka Bay. On June 20, 2013, the Haseko Group and the Osaka Prefecture Port Authority signed the “Joint Declaration on Creation of Symbiosis Forest at Sakai District No. 7-3.” Over the coming five years, the Company will conduct weed clearing, planting trees and management at the area totaling 5,000m^2 in the Symbiosis Forest.

Participated in the preservation activities for Kiyose Matsuyama under the Tokyo Greenship Action sponsored by the Bureau of Environment, Tokyo Metropolitan Government

Planting activities for the Creation of Symbiosis Forest project (the Symbiosis Forest in the Sakai District No. 7-3, Osaka Prefecture)

“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 seventh competition in 2013 set the theme of “apartments having the feel of a town,” in which the Company expected to receive proposals having unprecedentedly large potential and enrichment with a variety of people, things and events involved while keeping connected to existing towns. The seventh competition had a total of 333 proposals submitted from 752 registrants, awarding one proposal with first prize, three proposals with awards of excellence, and twelve proposals with honorable piece of work.

“Mission Uchimizu (Water Sprinkling) at Condominiums” Implemented

The Mission Uchimizu (Water Sprinkling) started in 2003 as an initiative of countermeasures against the heat island phenomenon and global warming that everyone can easily implement with pleasure by utilizing secondary water from available sources, and is backed by the Ministry of Land, Infrastructure, Transport and Tourism and the Ministry of the Environment. In 2008, Haseko’s management company group (Haseko Community, Haseko Smile Community and Haseko Community Kyushu) conducted water sprinkling operations at condominiums as the first such attempt in Japan. This is called the “Mission Uchimizu at Condominiums,” and has since been implemented by the three companies.

■ What is Uchimizu?

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

■ What is “Mission Uchimizu at Condominiums?”

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

Corporate Governance

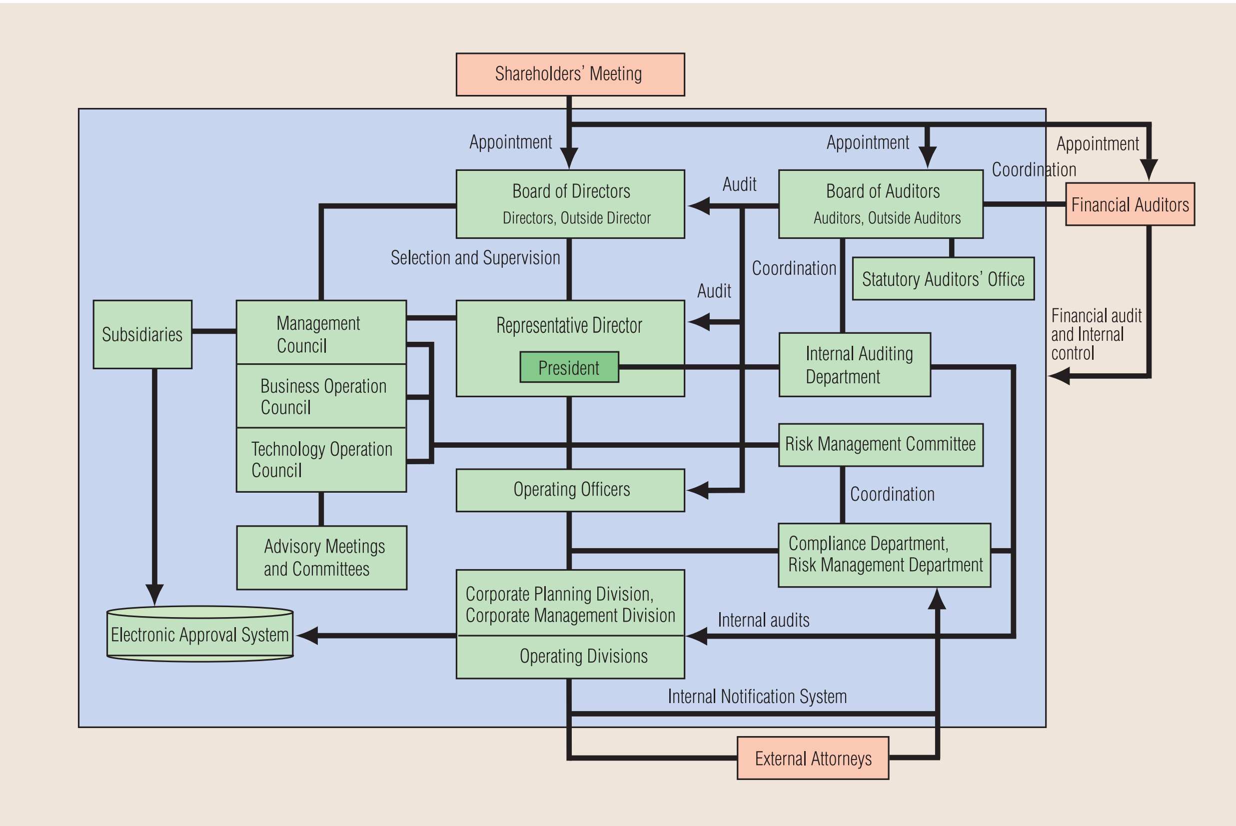
Haseko Corporation has made it a basic policy of its corporate management to contribute to society and win society's confidence through its business operations that put customers first. The Company has also positioned reinforcement of corporate governance as one of its utmost management priorities as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

The Board of Directors of Haseko Corporation serve as the institution where directors with expert knowledge and experience in various business sectors conduct decision-making on managerial issues and supervise execution of duties of other directors. As for monitoring of management operations, the Company's system provides the Board of Auditors, the majority of which are outside auditors, with the monitoring function from an objective and neutral standpoint from outside through implementation of audits. On top of these functions, starting in June 2013, Haseko increased the number of outside directors with abundant experience and track record from one to two, so that they shall provide appropriate opinions and advice in order to further activate discussions at the Board of Directors as well as enhance the function to monitor business management. Going forward, we will continue to look for a system that is optimum for the Company, taking into consideration the balance between the operation of the Board of Directors and the monitoring functions.

Roles and Operations of Corporate Institutions

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

Diagram of company institutions and internal governance



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

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

Internal Governance and Risk Management System

Compliance System

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

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

Risk Management System

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

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

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

Management Team *(As of June 27, 2014)*

Directors and Corporate Auditors

Ikuo Oguri
Representative Director
Chairman

Noriaki Tsuji
Representative Director
President

Minoru Nishino
Representative Director
Executive Operating Officer

Shosuke Muratsuka
Director
Executive Operating Officer

Morio Shimada
Director
Executive Operating Officer

Ryuichiro Yoshida
Representative Director
Senior Operating Officer

Yuhei Imanaka
Director
Senior Operating Officer

Kinichi Kitamura
Director
Senior Operating Officer

Kazuo Ikegami
Director
Senior Operating Officer

Junichi Tani
Director
Senior Operating Officer

Takeshi Tsunematsu
Director
Senior Operating Officer

Fujio Hirano
Director
Senior Operating Officer

Masataka Yamamoto
Outside Director

Kohei Amano
Outside Director

Teruo Kojima
Full-time Corporate Auditor

Koichi Suzuki
Full-time Corporate Auditor

Katsuhiko Kamijo
Corporate Auditor

Yoshitaka Fukui
Corporate Auditor

Mitsuo Isoda
Corporate Auditor

Operating Officers

Senior Operating Officers

Naobumi Tago
Yoshinori Haraguchi
Masaaki Matsuoka
Satoshi Amano
Takashi Kawamura
Toshiyuki Murakawa
Nobuhiro Tani

Operating Officers

Yutaka Okada
Syoji Naraoka
Takeshi Yoshioka
Yoshiaki Yamada
Misato Yamamoto
Jun Kawamoto
Masahito Koizumi
Katsuhide Takahashi
Masahiro Okuyama
Mamoru Kameoka
Nobuo Imagawa
Yoshifumi Sadanaga
Takashi Tsuruta
Satoshi Kumano
Fumihiko Nakata
Hideki Kawai

Five-Year Summary
Haseko Corporation and its Consolidated Subsidiaries
(Years ended March 31, 2010, 2011, 2012, 2013 and 2014)

	Millions of Yen				
	2010	2011	2012	2013	**2014**
For the Year:					
Net sales	¥420,382	¥440,429	¥500,929	¥558,919	**¥587,571**
Cost of sales	374,935	389,566	451,264	505,460	**526,208**
Selling, general and administrative expenses	28,329	27,537	28,050	29,130	**32,525**
Operating income	17,118	23,327	21,615	24,329	**28,838**
Ordinary income	14,165	19,138	18,199	19,976	**25,405**
Income before income taxes and minority interests	12,560	19,615	18,673	11,704	**30,721**
Net income	5,814	10,137	11,242	13,064	**24,830**
For the Year:					
Cash flows from operating activities	2,038	28,629	33,711	38,231	**55,267**
Cash flows from investing activities	10,009	136	2,363	14,843	**29,395**
Cash flows from financing activities	(7,394)	(6,848)	(28,801)	(24,115)	**(65,425)**
Cash and cash equivalents at end of the year	59,815	81,656	88,885	118,239	**137,689**
At Year-end:					
Total current assets	¥277,138	¥314,202	¥333,297	¥352,624	**¥356,926**
Total assets	439,273	457,487	467,075	460,864	**457,408**
Total current liabilities	252,958	192,285	211,666	215,044	**209,699**
Total long-term liabilities	94,190	167,724	153,413	132,015	**128,237**
Total shareholders' equity	102,085	111,460	116,952	124,482	**128,632**
Net assets	92,125	97,478	101,996	113,805	**119,472**
	Yen				
Per Share Data:					
Net income (loss)	¥ 3.79	¥6.29	¥7.05	¥41.72	**¥81.36**
Diluted net income	2.93	5.02	5.29	32.52	**67.98**
Net assets	30.76	34.36	40.76	259.89	**346.17**
Ratios:					
Profit ratio of construction contracts	11.6	12.1	9.5	8.9	**9.2**
Operating income ratio	4.1	5.3	4.3	4.4	**4.9**
Equity ratio (%)	20.9	21.3	21.8	24.7	**26.1**
Return on equity (%)	7.1	10.7	11.3	12.1	**21.3**
Price/Earnings ratio (times)	22.96	10.17	9.50	10.31	**7.94**
Number of employees	4,384	4,505	4,549	4,640	**5,188**

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

Analyses of Financial Condition and Business Performance

(1) Business Performance

For the fiscal year ended March 2014, the condominium market saw developers, who had postponed implementations of new projects since the latter half of 2012, take a drastic turn from their cautious attitude to supply and re-start supplying, as moves to economic recovery became evident due to the economic and monetary measures taken by the government and the Bank of Japan and selection of Tokyo as the host of the 2020 Olympic Games, among other factors. As a result, new supply totaled 55,245 units (up 18.2% year-on-year) in the Tokyo metropolitan area, surpassing the initial forecast and rising beyond 50,000 units for the first time in 6 years since fiscal 2007 when the figure was 58,112 units. In particular, a high level of supply was made in the 23 wards of Tokyo at 27,480 units (up 39.3%). On the other hand, supply decreased in the Kinki area to 23,353 units (down 3.2%), contrary to the projection. An analysis of products supplied in the fiscal year shows that the unit price was 706 thousand yen/m^2 (up 8.8%) in the Tokyo metropolitan area, with the average market price standing at 50.08 million yen (up 9.8%), which surpassed 50 million yen for the first time since fiscal 1991 when the figure was 58.22 million yen. The unit price and the average market price in the Kinki area also increased year-on-year, standing at 507 thousand yen/m^2 (up 3.5%) and 34.87 million yen (up 1.0%), respectively. In terms of sales, the initial month sales rate was 79.8% (up 3.1 points) in the Tokyo metropolitan area and 78.9% (up 0.5 points) in the Kinki area, remaining strong in both areas. Consequently, the number of for-sale units being marketed as of the end of March 2014, which indicates the inventory situation, continued to remain at a low level at 3,828 units (down 11.5%) in the Tokyo metropolitan area and 2,054 units (down 1.0%) in the Kinki area.

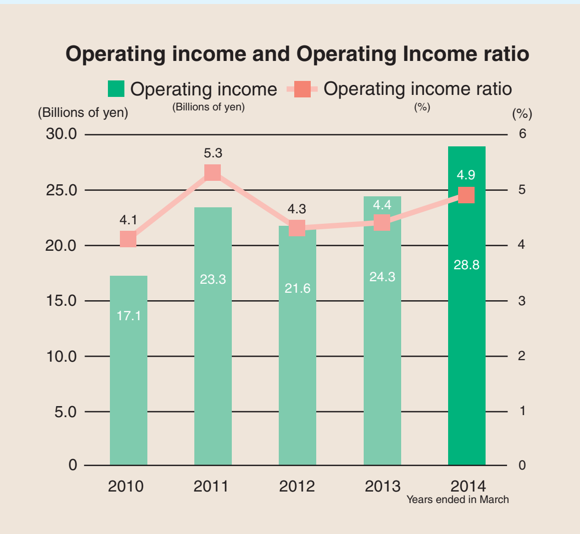
Under these circumstances, the Company received a larger number of Haseko exclusive contract from major developers, with an increasingly higher regard given to the cost competitiveness and product planning ability of Haseko which specializes in condominium construction. Despite concerns about soaring materials costs and inadequate labor supply, the construction profitability upon receiving orders is improving. The impact of unprofitable construction work orders received after the Lehman Shock has also been reduced. These have caused the gross profit margin of completed construction contracts to recover after bottoming in the first half of 2013.

Condominium consignment sales operations saw the number of contracted and sold units increase against the backdrop of the anticipation of higher mortgage interests and concerns for higher sales prices associated with rising construction costs, etc. In the Residential Property-Related Business area, in which the Company worked to modify the organization and the system in order to expand operations, each business unit performed favorably.

As a result of the above, the Company posted net sales of 587.6 billion yen (up 5.1% year-on-year), operating income of 28.8 billion yen (up 18.5%), ordinary income of 25.4 billion yen (up 27.2%) and net income of 24.8 billion yen (up 90.1%). The operating income ratio was 4.9% (up 0.5 points) and ordinary income ratio was 4.3% (up 0.7 points).

(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.

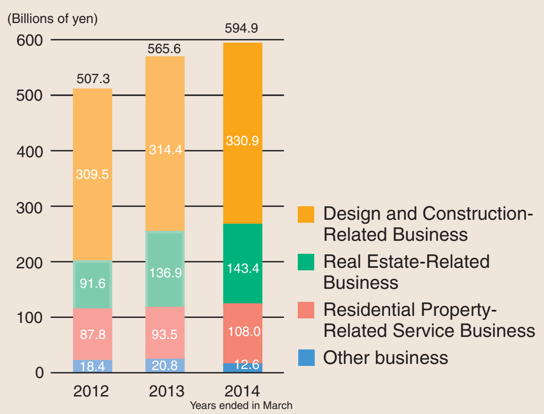
*Please refer to a business schematic of Haseko group’s reportable segments on page 28.

Design and Construction-related Business

In terms of orders for new construction of for-sale condominiums, the Haseko Group won orders of 134 projects in total throughout Japan, comprised of 94 in the Tokyo metropolitan area including 19 large projects with at least 200 units and 40 in the Kinki area including 10 large projects with at least 200 units. Other than constructions of for-sale condominiums, the Company received orders including Nouvelle Akabanedai No. 5 Housing Construction and Other Works (Kita-ku, Tokyo; 498 units), a rebuilding project for aged rental housing, and Osaka Prefecture-Sponsored Suita Takanodai Housing (1-Chome) Privatization Project (Suita-shi, Osaka Prefecture; 330 units). As for construction completion, the Company completed construction of 137 projects including 131 for-sale condominiums in the fiscal year.

In design and supervision operations, construction completed for OBER Roka-Koen (Setagaya-ku, Tokyo; 127 units), to which landscape design was performed based by reflecting the atmosphere and taste of Musashino. This property, together with other 3 properties designed and constructed by Haseko received the Good Design Award 2013. Other than this, construction completed for Proud Machida (Minami-ku, Sagamihara-shi; 161 units), TOMOS MITO which is a multi-use facility comprising a hotel building, an office building and a residential building in Mito-shi, Ibaraki Prefecture, and Sumiyoshigawa Riverside Forum The Residence

Sales breakdown by reportable segment



(Higashinada-ku, Kobe-shi; 211 units). In addition, construction completed for PLEAGIA BRAN Higashi-Sonoda (Amagasaki-shi, Hyogo Prefecture; 108 units), to which the Company adopted “Be-Next,” Haseko’s next generation condominium format, for the first time in western Japan. The property has installed an individual-supply solar power generation system to cover all of its residential units. In the Tokai district, construction completed for Grand Maison Ikeshita The Tower (Chikusa-ku, Nagoya-shi; 354 units), an ultra-skyscraper tower condominium with direct connection to the station.

As a result, this segment achieved sales of 330.9 billion yen, a year-on-year increase of 5.2%, and operating income of 23.3 billion yen, an increase of 9.7%.

Real Estate-Related Business

Condominium consignment sales operations saw the number of contracted and sold units increase against the backdrop of the anticipation of higher mortgage interests and concerns for higher sales prices associated with rising construction costs, etc.

In the real estate brokerage operations, the number of brokered units and the number of sold units in the renovation business increased amid continued expansion of the used condominium market. Moreover, the Company entered the business for renovating entire buildings with a brand of RENEO, and started sales of RENEO Miyazakidai Hills (Miyamae-ku, Kawasaki-shi; 12 units), the first property under the new brand.

In the sale of for-sale condominium units, the Company conducted sale and delivery of 31 properties that were completed in the fiscal year under review as well as other products.

As a result of the above, the segment posted sales of 143.4 billion yen, a year-on-year increase of 4.8%, and operating income of 7.1 billion yen, a year-on-year increase of 127.8%.

Residential Property-Related Service Business

In the condominium building management operations, the business environment continued to be tough for winning new consigned management due to intense competition over orders. However, the Haseko Group endeavored to further improve the level of services it offers by taking advantage of its comprehensive capabilities, and increased the number of units it is consigned to manage to 303,260 units, up 4.5% from the end of the previous fiscal year.

In repair work, the large-scale repair work completed at Estate Tsurumaki Residences No. 4 and No. 5 (Tama-shi, Tokyo; 356 units) in Tama New Town, a project that adopted the Company’s Comprehensive Renovation for Reducing CO_2 Emission Applied to Aged, Existing Low-Rise Apartments. The project had also been selected as one of the Leading Initiatives for Reducing CO_2 at Housing and Architecture for fiscal 2012 (the second) by the Ministry of Land, Infrastructure, Transport and Tourism, and Haseko conducted the work with subsidies provided by the government.

In the leasing management operations, the number of units Haseko operates reached 94,679 units, an increase of 0.9% from the end of the previous fiscal year, for the lease management operations and corporate housing management agency services combined.

In the senior living business, the Company newly opened Century House Tamagawajosui in November 2013, the first property under the new brand of Century House that realized one's "final abode" where abundant nursing care and healthcare services are pursued while total expenses for residing there are curbed.

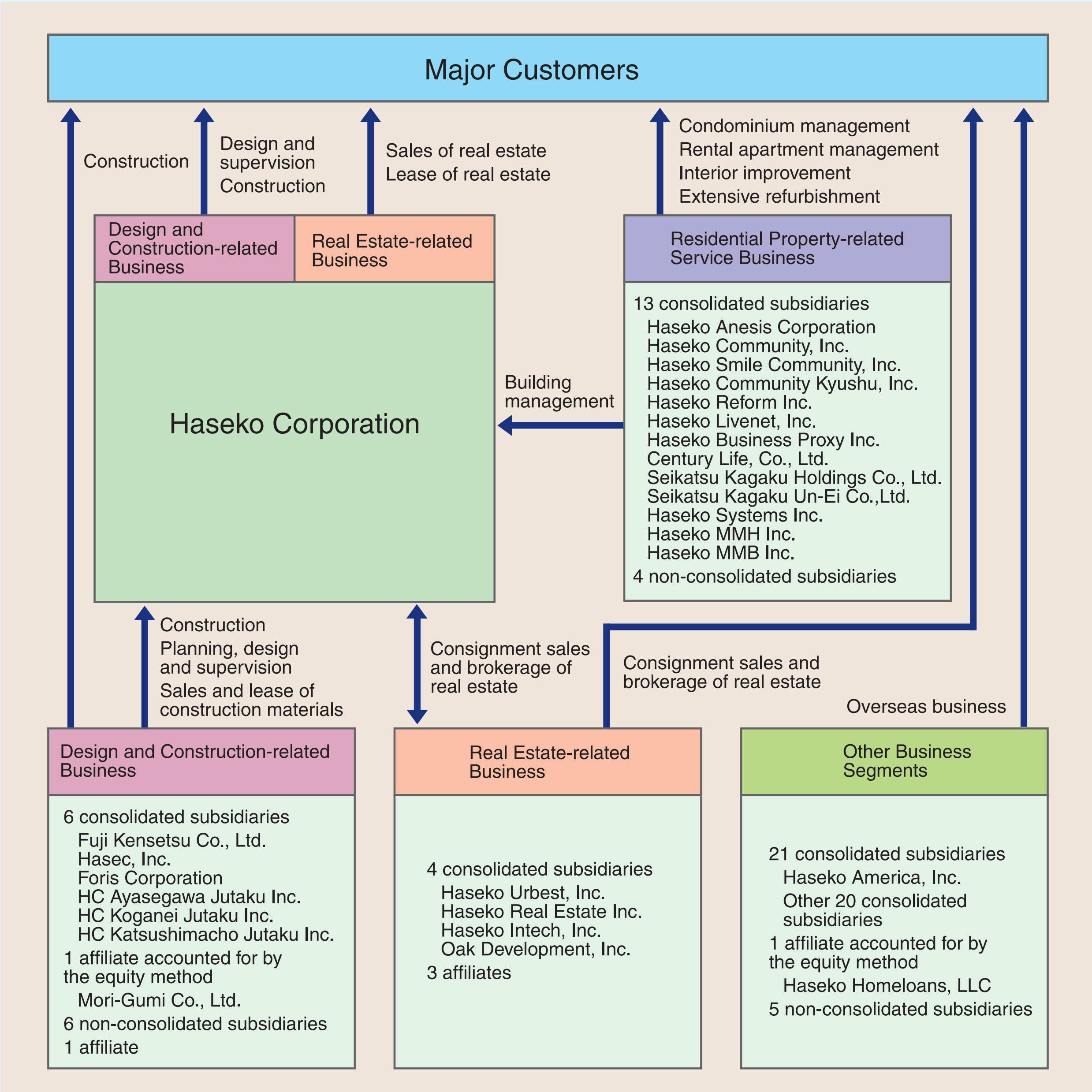
Moreover, Haseko Anesis Corporation was selected as a MEMS (Mansion/Condominium Energy Management System) aggregator that conducts energy management support services (services to support saving electricity by grasping power consumption) under the Fiscal 2012 Smart Mansion Adoption Acceleration Project by the Ministry of Economy, Trade and Industry. Going forward, the Company will provide services that incorporate the energy management support services, aiming to make condominiums even "smarter."

As a result of the above, sales of this segment totaled 108.0 billion yen, up 15.5% year-on-year, and operating income was 5.2 billion yen, up 0.8%.

Other Business Segments

In overseas business, in which Haseko conducts the for-sale

Business schematic of Haseko group's reportable segments



housing business in Oahu, Hawaii, the number of contracted units and delivered units decreased year-on-year but sales increased due to a rise in the unit price of properties and the impact of foreign exchange rates, among other things.

As a result of the above, the other business posted sales of 12.6 billion yen, down 39.4% year-on-year, and operating loss of 0.4 billion yen (in contrast to operating loss of 0.2 billion yen in the previous fiscal year). The decrease in sales was due to the Company's withdrawal from the hotel business in the previous fiscal year.

(3) Financial Position

Total assets at the end of the consolidated fiscal year ended March 2014 were 457.4 billion yen, a decrease of 3.5 billion yen from the end of the previous fiscal year, due to the sale of owned real estate and other factors.

Total liabilities were 337.9 billion yen, a decrease of 9.1 billion yen from the end of the previous fiscal year. This is primarily due to a decrease in borrowings and debt.

Consolidated net assets were 119.5 billion yen, an increase of 5.7 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 26.1% in contrast to 24.7% at the end of the previous fiscal year.

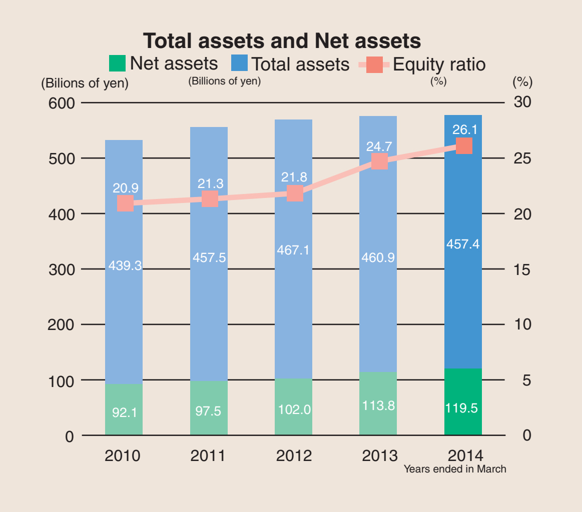
(4) Cash Flows

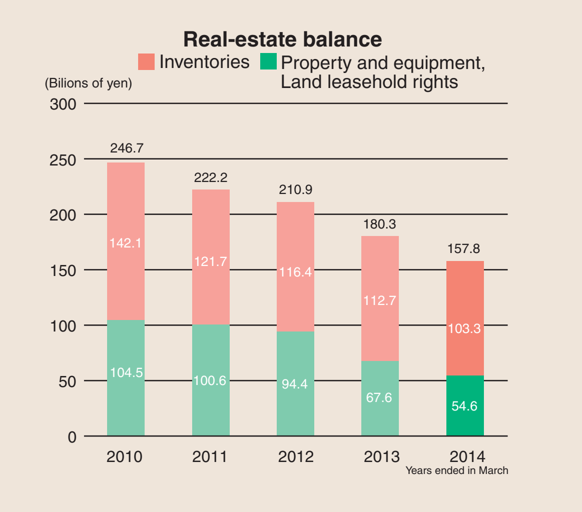
Net cash provided by operating activities was 55.3 billion yen, an increase of 17.0 billion yen in income compared with the net cash provided by operating activities totaling 38.2 billion yen in the previous fiscal year. The increase was mainly due to the recording of 30.7 billion yen in income before income taxes and minority interests, a net increase of 5.5 billion yen due to a decrease in notes and accounts receivable, and a net increase of 11.7 billion yen due to a decrease in inventories.

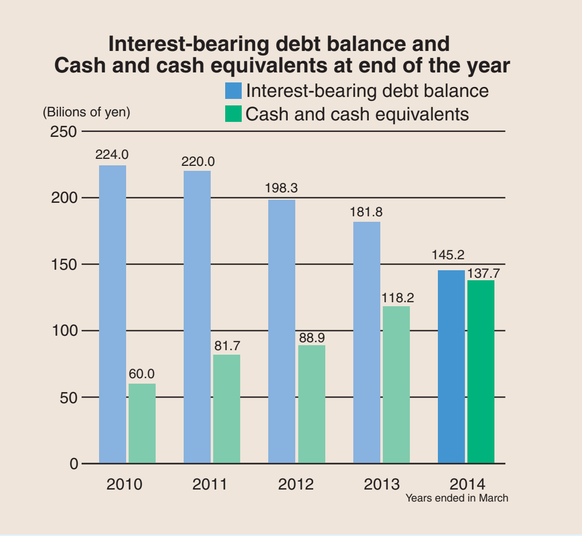
Net cash provided by investing activities was 29.4 billion yen, an increase of 14.6 billion yen in income compared with the net cash provided by investing activities totaling 14.8 billion yen in the previous fiscal year. Major factors included an increase of 35.6 billion yen from sale of property and equipment and intangible assets.

Net cash used in financing activities was 65.4 billion yen, an increase of 41.3 billion yen in expenditures compared with the net cash used in financing activities totaling 24.1 billion yen in the previous fiscal year. This was primarily due to a decrease of 32.9 billion yen due to income and repayment of long-term debt and a decrease of 20.2 billion yen as a result of acquiring Class BI Preferred Stock (redemption of treasury stock) and other factors.

As a result of the above, the balance of cash and cash equivalents at the end of the fiscal year on a consolidated basis totaled 137.7 billion yen, an increase of 19.4 billion yen from 118.2 billion yen at the end of the previous fiscal year on a consolidated basis.







CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2013 AND 2014
ASSETS

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2013	**2014**	**2014**
ASSETS			
Current Assets:			
Cash and bank deposits (Notes 5, 10 and 15)	¥118,589	**¥138,382**	**$1,344,559**
Notes and accounts receivable, trade (Notes 5, 8 and 10)	95,136	**89,732**	**871,862**
Costs on uncompleted construction contracts	7,945	**5,712**	**55,499**
Inventories (Notes 7, 10 and 13)	112,742	**103,272**	**1,003,420**
Deferred tax assets (Note 18)	7,691	**9,346**	**90,808**
Other current assets (Note 10)	10,823	**10,637**	**103,352**
Allowance for doubtful accounts (Note 5)	(302)	**(155)**	**(1,506)**
Total current assets	352,624	**356,926**	**3,467,994**
Property and Equipment (Notes 8, 10 and 11)	66,007	**53,883**	**523,543**
Intangible Assets (Notes 8 and 10)	5,140	**11,183**	**108,657**
Investments and Other Assets:			
Investment securities (Notes 5, 6 and 10)	8,378	**9,707**	**94,316**
Long-term loans receivable (Notes 5 and 10)	1,489	**1,310**	**12,728**
Long-term deferred tax assets (Note 18)	16,656	**14,292**	**138,865**
Other assets	11,665	**11,167**	**108,502**
Allowance for doubtful accounts	(1,095)	**(1,060)**	**(10,299)**
Total investments and other assets	37,093	**35,416**	**344,112**
Total assets	¥460,864	**¥457,408**	**$4,444,306**

See notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2013 AND 2014
LIABILITIES AND NET ASSETS

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2013	**2014**	**2014**
LIABILITIES			
Current Liabilities:			
Short-term borrowings (Notes 5 and 9)	¥ 10,380	**¥ 300**	**$ 2,915**
Current portion of long-term debt (Notes 5, 9 and 10)	47,520	**42,149**	**409,532**
Notes and accounts payable (Notes 5 and 10)	112,888	**107,856**	**1,047,960**
Income taxes payable (Note 5)	819	**1,880**	**18,267**
Advances received on uncompleted construction contracts	12,498	**14,282**	**138,768**
Advances received for real estate sales (Note 10)	6,520	**3,998**	**38,846**
Warranty reserve	2,581	**3,081**	**29,936**
Allowance for losses on construction contracts	42	**416**	**4,042**
Accrued bonuses for employees	1,887	**2,996**	**29,110**
Accrued bonuses for directors	–	**111**	**1,079**
Other current liabilities	19,909	**32,630**	**317,041**
Total current liabilities	215,044	**209,699**	**2,037,495**
Long-term Liabilities:			
Long-term debt (Notes 5, 9, 10 and 16)	123,944	**102,776**	**998,601**
Reserve for employees' retirement benefits (Note 17)	1,966	**–**	**–**
Liability for retirement benefits (Note 17)	–	**9,372**	**91,061**
Other long-term liabilities	6,105	**16,089**	**156,325**
Total long-term liabilities	132,015	**128,237**	**1,245,987**
Total liabilities	347,059	**337,936**	**3,283,482**
Commitments and Contingent Liabilities (Notes 11 and 12)			
NET ASSETS (Notes 14 and 19)**:**			
Shareholders' Equity:			
Capital stock	57,500	**57,500**	**558,686**
Capital surplus	7,500	**7,500**	**72,872**
Retained earnings	59,605	**63,764**	**619,549**
Treasury stock, at cost — 162,920 shares in 2013	(123)		
— 174,971 shares in 2014		**(132)**	**(1,282)**
Total shareholders' equity	124,482	**128,632**	**1,249,825**
Accumulated Other Comprehensive Income:			
Net unrealized gain (loss) on other securities	2,225	**2,657**	**25,816**
Translation adjustments	(13,074)	**(7,167)**	**(69,637)**
Retirement benefits liability adjustments	–	**(4,857)**	**(47,191)**
Total accumulated other comprehensive income (loss)	(10,849)	**(9,367)**	**(91,012)**
Minority Interests	172	**207**	**2,011**
Total net assets	113,805	**119,472**	**1,160,824**
Total liabilities and net assets	¥460,864	**¥457,408**	**$4,444,306**

See notes to consolidated financial statements.

Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED MARCH 31, 2013 AND 2014

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2013	**2014**	**2014**
Net Sales (Note 13)	¥558,919	**¥587,571**	**$5,709,007**
Cost of Sales (Note 13)	505,460	**526,208**	**5,112,787**
Gross profit	53,459	**61,363**	**596,220**
Selling, General and Administrative Expenses (Note 13)	29,130	**32,525**	**316,022**
Operating Income	24,329	**28,838**	**280,198**
Other Income (Expenses):			
Interest and dividend income	592	**507**	**4,926**
Equity in earnings of an affiliate	73	**197**	**1,914**
Interest expense	(3,579)	**(3,016)**	**(29,304)**
Incidental expense for loan	(1,955)	**(1,467)**	**(14,254)**
Other, net	515	**346**	**3,362**
	(4,353)	**(3,433)**	**(33,356)**
Ordinary income	19,976	**25,405**	**246,842**
Special Income (Losses):			
Gain (loss) on disposal or sales of property and equipment, net (Note 8)	(121)	**5,868**	**57,015**
Impairment loss on fixed assets (Note 8)	(436)	**(597)**	**(5,801)**
Loss on liquidation of hotel business	(7,716)	**–**	**–**
Other, net	–	**45**	**438**
	(8,273)	**5,316**	**51,652**
Income before Income Taxes and Minority Interests	11,703	**30,721**	**298,494**
Income Taxes (Note 18):			
Current	984	**2,576**	**25,029**
Deferred	(2,369)	**3,277**	**31,840**
	(1,385)	**5,853**	**56,869**
Income before Minority Interests	13,088	**24,868**	**241,625**
Minority Interests	24	**38**	**370**
Net Income (Note 19)	¥ 13,064	**¥ 24,830**	**$ 241,255**

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED MARCH 31, 2013 AND 2014

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2013	**2014**	**2014**
Income before Minority Interests	¥13,088	**¥24,868**	**$241,625**
Other Comprehensive Income			
Net unrealized gain (loss) on other securities	1,122	**426**	**4,139**
Translation adjustments	3,134	**5,906**	**57,384**
Share of other comprehensive income of companies accounted for by the equity method	2	**7**	**68**
Total other comprehensive income (loss)	4,258	**6,339**	**61,591**
Comprehensive Income (Note 21)	17,346	**31,207**	**303,216**
Total Comprehensive Income Attributable to:			
Shareholders of Haseko Corporation	17,322	**31,168**	**302,837**
Minority interests	24	**38**	**369**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGE IN NET ASSETS
FOR THE YEARS ENDED MARCH 31, 2013 AND 2014

For the year ended March 31, 2013

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
			(Millions of yen)		
Balance at March 31, 2012	**¥57,500**	**¥7,500**	**¥52,074**	**¥(122)**	**¥116,952**
Net income for the year ended March 31, 2013	–	–	13,064	–	13,064
Cash dividend	–	–	(578)	–	(578)
Sale of subsidiaries	–	–	66	–	66
Purchase of treasury stock	–	–	–	(5,021)	(5,021)
Sale of treasury stock	–	(0)	–	(1)	(1)
Retirement of treasury stock	–	(5,021)	–	5,021	–
Appropriation of retained earnings for capital surplus	–	5,021	(5,021)	–	–
Net changes in items other than those in shareholders' equity	–	–	–	–	–
Total changes during the year	–	–	7,531	(1)	7,530
Balance at March 31, 2013	**¥57,500**	**¥7,500**	**¥59,605**	**¥(123)**	**¥124,482**

	Accumulated other comprehensive income					
	Net unrealized gain (loss) on other securities	Translation adjustments	Retirement benefit plan adjustments	Total accumulated other comprehensive income (loss)	Minority interests	Total net assets
			(Millions of yen)			
Balance at March 31, 2012	**¥1,101**	**¥(16,207)**	**¥–**	**¥(15,106)**	**¥150**	**¥101,996**
Net income for the year ended March 31, 2013	–	–	–	–	–	13,064
Cash dividend	–	–	–	–	–	(578)
Sale of subsidiaries	–	–	–	–	–	66
Purchase of treasury stock	–	–	–	–	–	(5,021)
Sale of treasury stock	–	–	–	–	–	(1)
Retirement of treasury stock	–	–	–	–	–	–
Appropriation of retained earnings for capital surplus	–	–	–	–	–	–
Net changes in items other than those in shareholders' equity	1,124	3,133	–	4,257	22	4,279
Total changes during the year	1,124	3,133	–	4,257	22	11,809
Balance at March 31, 2013	**¥2,225**	**¥(13,074)**	**¥–**	**¥(10,849)**	**¥172**	**¥113,805**

See notes to consolidated financial statements.

Consolidated Financial Statements

For the year ended March 31, 2014

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

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

See notes to consolidated financial statements.

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
	(Thousands of U.S. dollars) (Note 4)				
Balance at March 31, 2013	**$558,686**	**$72,872**	**$579,139**	**$(1,195)**	**$1,209,502**
Net income for the year ended March 31, 2014	–	–	241,255	–	241,255
Cash dividend	–	–	(4,877)	–	(4,877)
Purchase of treasury stock	–	–	–	(196,055)	(196,055)
Sale of treasury stock	–	(0)	–	0	0
Retirement of treasury stock	–	(195,968)	–	195,968	–
Appropriation of retained earnings for capital surplus	–	195,968	(195,968)	–	–
Net changes in items other than those in shareholders' equity	–	–	–	–	–
Total changes during the year	–	–	40,410	(87)	40,323
Balance at March 31, 2014	**$558,686**	**$72,872**	**$619,549**	**$(1,282)**	**$1,249,825**

	Accumulated other comprehensive income					
	Net unrealized gain (loss) on other securities	Translation adjustments	Retirement benefit plan adjustments	Total accumulated other comprehensive income (loss)	Minority interests	Total net assets
	(Thousands of U.S. dollars) (Note 4)					
Balance at March 31, 2013	**$21,619**	**$(127,031)**	**$ –**	**$(105,412)**	**$1,671**	**$1,105,761**
Net income for the year ended March 31, 2014	–	–	–	–	–	241,255
Cash dividend	–	–	–	–	–	(4,877)
Purchase of treasury stock	–	–	–	–	–	(196,055)
Sale 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	4,197	57,394	(47,191)	14,400	340	14,740
Total changes during the year	4,197	57,394	(47,191)	14,400	340	55,063
Balance at March 31, 2014	**$25,816**	**$ (69,637)**	**$(47,191)**	**$ (91,012)**	**$2,011**	**$1,160,824**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED MARCH 31, 2013 AND 2014

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2013	**2014**	**2014**
Cash Flows from Operating Activities:			
Income before income taxes and minority interests	¥ 11,704	**¥ 30,721**	**$ 298,494**
Depreciation	3,275	**2,256**	**21,920**
Impairment loss on fixed assets	436	**597**	**5,801**
Amortization of goodwill	566	**659**	**6,403**
Reversal of allowance for doubtful accounts	(315)	**(182)**	**(1,768)**
Interest and dividend income	(592)	**(507)**	**(4,926)**
Interest expense	3,579	**3,016**	**29,304**
Equity in earnings of an affiliate	(73)	**(197)**	**(1,914)**
Loss on liquidation of the hotel business	7,715	**–**	**–**
Loss (gain) on disposal or sale of property and equipment, net	121	**(5,868)**	**(57,015)**
Valuation loss on inventories	2,166	**3,888**	**37,777**
Changes in operating assets and liabilities			
Notes and accounts receivable	6,002	**5,544**	**53,867**
Costs on uncompleted construction contracts	(1,475)	**2,235**	**21,716**
Inventories	4,756	**11,725**	**113,923**
Notes, accounts payable and accrued expenses	825	**(5,412)**	**(52,585)**
Amounts received for uncompleted construction contracts	(1,834)	**1,784**	**17,334**
Other	5,176	**9,593**	**93,208**
Subtotal	42,032	**59,852**	**581,539**
Interest and dividends received	669	**595**	**5,781**
Interest paid	(3,581)	**(3,302)**	**(32,083)**
Income taxes paid	(889)	**(1,878)**	**(18,247)**
Net Cash Provided by Operating Activities	38,231	**55,267**	**536,990**
Cash Flows from Investing Activities:			
Purchases of property and equipment and intangible assets	(2,108)	**(1,652)**	**(16,051)**
Proceeds from sales of property and equipment and intangible assets	34	**35,608**	**345,977**
Purchase of investment in subsidiaries resulting in changes in scope of consolidation	–	**(6,848)**	**(66,537)**
Proceeds from sales of subsidiaries	17,366	**–**	**–**
Payment for loans receivable	(1,652)	**(1,828)**	**(17,761)**
Collection of loans receivable	1,557	**2,075**	**20,161**
Payment for lease deposits	(310)	**(591)**	**(5,742)**
Refund of lease deposits	222	**2,588**	**25,146**
Other	(266)	**43**	**417**
Net Cash Provided by Investing Activities	14,843	**29,395**	**285,610**
Cash Flows from Financing Activities:			
Decrease in short-term borrowings, net	(2,520)	**(10,080)**	**(97,940)**
Increase in long-term debt	53,402	**43,093**	**418,704**
Repayment of long-term debt	(67,469)	**(75,985)**	**(738,292)**
Redemption of treasury stock	(5,021)	**(20,169)**	**(195,968)**
Purchase of treasury stock	(1)	**(9)**	**(87)**
Incidental expenses for loan	(1,805)	**(1,484)**	**(14,419)**
Cash dividends paid	(578)	**(502)**	**(4,878)**
Cash dividends paid to minority shareholders	(3)	**(6)**	**(58)**
Other	(120)	**(283)**	**(2,750)**
Net Cash Used in Financing Activities	(24,115)	**(65,425)**	**(635,688)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	101	**213**	**2,070**
Net Increase in Cash and Cash Equivalents	29,060	**19,450**	**188,982**
Cash and Cash Equivalents at Beginning of the Year (Note 15)	88,885	**118,239**	**1,148,843**
Increase in Cash and Cash Equivalents Resulting from Merger of Unconsolidated Subsidiaries (Note 15)	294	**–**	**–**
Cash and Cash Equivalents at End of the Year (Note 15)	¥118,239	**¥137,689**	**$1,337,825**

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Haseko Corporation and its Consolidated Subsidiaries
For the years ended March 31, 2013 and 2014

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, 2014, the numbers of consolidated subsidiaries and affiliates accounted for by the equity method were 44 and 2 (40 and 1 in 2013), 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, 2013 and March 31, 2014), 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 (ASBJ) Statement No. 13], have been recorded in accordance with the accounting method for operating lease transactions.

(8) Allowance for doubtful accounts

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

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

(13) Retirement benefits
The retirement benefit obligation for employees is attributed to each period by the straight-line method over the estimated years of service of the eligible employees.

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

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

Actuarial differences are amortized from the next year in which the difference arises by the straight-line method over the average remaining service period of the employees (5-22 years).

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

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

(15) Hedge accounting
The Company and its consolidated subsidiaries use interest rate swap contracts to hedge interest rate fluctuation risk on long-term debt with variable interest rates. Certain interest rate swap contracts which meet certain criteria as qualified hedges are not measured at fair value. The differences between paid and received amounts under such swap agreements are recognized in interest 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 ¥300 million 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.

(19) Standard issued but not yet effective
On May 17, 2012, the ASBJ issued "Accounting Standard for Retirement Benefits" (ASBJ Statement No.26) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25), which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000 and the other related practical guidance, being followed by partial amendments from time to time through 2009

a) Overview
The standard provides guidance for the accounting for unrecognized actuarial differences and unrecognized prior service costs, the calculation methods for retirement benefit obligation and service costs, and enhancement of disclosures taking into consideration improvements to financial reporting and international trends.

b) Scheduled date of adoption
The revised accounting standard and guidance were adopted as of the end of the fiscal year ended March 31, 2014. However, revisions to the calculation methods for the retirement benefit obligation and service costs are scheduled to be adopted from the beginning of the fiscal year ending March 31, 2015.

c) Impact of adopting revised accounting standard and guidance
The impact of the adoption of this accounting standard is currently under assessment.

3. Supplemental Information
Accounting Change
Accounting standards for retirement benefits
The Company adopted "Accounting Standard for Retirement Benefits"(ASBJ Statement No.26 of May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits"(ASBJ Guidance No.25 of May 17, 2012) (except for certain provisions described in the main clause of Section 35 of the standard and in the main clause of Section 67 of the guidance) as of the end of the fiscal year ended March 31, 2014. These accounting standards require entities to apply a revised method for recording the retirement benefit obligation, after deducting pension plan assets, as a liability for retirement benefits. In addition, unrecognized actuarial differences and unrecognized prior service costs are recorded as a liability for retirement benefits. Concerning the application of the Accounting Standard for Retirement Benefits, based on the provisional treatment set out un Clause 37 of the standard, the effects of such changes in the current fiscal year have been recorded in retirement benefits liability adjustments through accumulated other comprehensive income.

As a result of this change, a liability for retirement benefits was recognized in the amount of ¥7,547 million (U.S.$73,329 thousand) and accumulated other comprehensive income and minority interest decreased by ¥4,857 million (U.S.$47,192 thousand) and ¥0 million (U.S.$0 thousand), respectively, as of March 31, 2014. In addition, net asset per share decreased by ¥16.16 (U.S.$0.16).

Accounting standard for consolidated financial statements

The Company adopted "Revise accounting standard for consolidated financial statements (ASBJ statement No.22 of March 25, 2011)", "Revised guidance on disclosure about certain special purpose entities (ASBJ statement No.15 of March 25,2011)", "Revised guidance on determining a subsidiary and an affiliate (ASBJ statement No.22 of March 25, 2011)" and "Revised practical solution on application of the control criteria and influence criteria to investment associations (PITF No.20 of March 25, 2011)" as of the end of the fiscal year ended March 31, 2014.

There is no impact of the adoption of this accounting standard.

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, 2014, which was ¥102.92=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, 2013 and 2014, 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		
	2013		
	Carrying value	Fair value	Difference
Cash and bank deposits	¥118,589	¥118,589	¥ –
Notes and account receivable, trade	95,136	96,007	871
Investment securities	5,103	4,764	(339)
Long-term loans receivable	1,489		
Allowance for doubtful accounts	(18)		
Sub-total	1,471	1,471	(0)
Total	¥220,299	¥220,831	¥ 532
Notes and accounts payable	112,888	112,875	(13)
Short-term borrowings	10,380	10,380	–
Current portion of long-term debt	47,520	47,698	178
Income taxes payable	820	820	–
Long-term debt	123,944	124,834	890
Total	¥295,552	¥296,607	¥1,055
Derivatives	¥ –	¥ –	¥ –

	Millions of yen		
	2014		
	Carrying value	Fair value	Difference
Cash and bank deposits	**¥138,382**	**¥138,382**	**¥ –**
Notes and account receivable, trade	**89,732**	**90,235**	**503**
Investment securities	**6,054**	**5,898**	**(156)**
Long-term loans receivable	**1,310**		
Allowance for doubtful accounts	**(18)**		
Sub-total	**1,292**	**1,292**	**(0)**
Total	**¥235,460**	**¥235,807**	**¥347**
Notes and accounts payable	**107,856**	**107,846**	**(10)**
Short-term borrowings	**300**	**300**	**–**
Current portion of long-term debt	**42,149**	**42,389**	**240**
Income taxes payable	**1,880**	**1,880**	**–**
Long-term debt	**102,776**	**103,485**	**709**
Total	**¥254,961**	**¥255,900**	**¥939**
Derivatives	**¥ –**	**¥ –**	**¥ –**

	Thousands of U.S. dollars		
	2014		
	Carrying value	Fair value	Difference
Cash and bank deposits	**$1,344,559**	**$1,344,559**	**$ –**
Notes and account receivable, trade	**871,862**	**876,749**	**4,887**
Investment securities	**58,822**	**57,307**	**(1,515)**
Long-term loans receivable	**12,728**		
Allowance for doubtful accounts	**(175)**		
Sub-total	**12,553**	**12,553**	**(0)**
Total	**$2,287,796**	**$2,291,168**	**$3,372**
Notes and accounts payable	**1,047,960**	**1,047,862**	**(98)**
Short-term borrowings	**2,915**	**2,915**	**–**
Current portion of long-term debt	**409,532**	**411,864**	**2,332**
Income taxes payable	**18,267**	**18,267**	**–**
Long-term debt	**998,600**	**1,005,490**	**6,890**
Total	**$2,477,274**	**$2,486,398**	**$9,124**
Derivatives	**$ –**	**$ –**	**$ –**

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*
	2013	**2014**	**2014**
Equity securities of affiliates	¥2,201	**¥2,065**	**$20,064**
Unlisted securities	634	**625**	**6,073**
Preferred subscription certificates	420	**420**	**4,081**
Others	20	**542**	**5,266**

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, 2013 and 2014

	Millions of yen				
	2013				
	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	¥118,589	¥ –	¥ –	¥ –	¥118,589
Notes and accounts receivable, trade	75,220	19,887	–	29	95,136
Investment securities:					
Other securities with maturity dates					
Japanese government bonds, etc.	15	20	–	–	35
Long-term loans receivable	1,046	386	25	13	1,470
Total	¥194,870	¥20,293	¥25	¥42	¥215,230

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

	Thousands of U.S. dollars				
	2014				
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years	Total
Cash and bank deposits	**$1,344,559**	**$ –**	**$ –**	**$ –**	**$1,344,559**
Notes and accounts receivable, trade	**772,571**	**99,262**	**19**	**–**	**871,852**
Investment securities:					
Other securities with maturity dates					
Japanese government bonds, etc.	**49**	**1,215**	**–**	**–**	**1,264**
Long-term loans receivable	**7,267**	**3,244**	**2,051**	**175**	**12,737**
Total	**$2,124,446**	**$103,721**	**$2,070**	**$175**	**$2,230,412**

4) Repayment schedule for short-term borrowings and long-term debt at March 31,2013 and 2014

	Millions of yen	
	2013	
	Short-term borrowings	Long-term debt
Due within 1 year	¥10,380	¥47,520
Due after 1 year through 2 years	–	50,573
Due after 2 years through 3 years	–	49,854
Due after 3 years through 4 years	–	14,954
Due after 4 years through 5 years	–	6,688
Due after 5 years	–	1,875

	Millions of yen		*Thousands of U.S. dollars*	
	2014		**2014**	
	Short-term borrowings	Long-term debt	Short-term borrowings	Long-term debt
Due within 1 year	**¥300**	**¥42,149**	**$2,915**	**$409,532**
Due after 1 year through 2 years	**–**	**59,410**	**–**	**577,244**
Due after 2 years through 3 years	**–**	**20,409**	**–**	**198,300**
Due after 3 years through 4 years	**–**	**11,905**	**–**	**115,672**
Due after 4 years through 5 years	**–**	**6,705**	**–**	**65,148**
Due after 5 years	**–**	**4,347**	**–**	**42,237**

6. Investment Securities

(1) Other securities whose fair value is available as of March 31, 2013 and 2014 consisted of the following:

	Millions of yen					
	2013			**2014**		
	Carrying value	Acquisition cost	Unrealized gain/(loss)	Carrying value	Acquisition cost	Unrealized gain/(loss)
(Securities whose carrying value exceeds their acquisition cost)						
Equity securities	¥4,107	¥1,245	¥2,862	**¥4,773**	**¥1,245**	**¥3,528**
Japanese government bonds	35	34	1	**130**	**126**	**4**
Total	4,142	1,279	2,863	**4,903**	**1,371**	**3,532**

	Thousands of U.S. dollars		
	2014		
	Carrying value	Acquisition cost	Unrealized gain/(loss)
(Securities whose carrying value exceeds their acquisition cost)			
Equity securities	**$46,376**	**$12,097**	**$34,279**
Japanese government bonds	**1,263**	**1,224**	**39**
Total	**47,639**	**13,321**	**34,318**

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

	Millions of yen	Thousands of U.S. dollars
	2014	**2014**
Proceeds from sales of equity securities	**¥54**	**$525**
Gain on sales of equity securities	**¥45**	**$437**

Note) There were no sales transactions of other securities for the year ended March 31, 2013.

7. Inventories

Inventories as of March 31, 2013 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
Real estate for sale	¥ 26,522	**¥ 22,606**	**$ 219,646**
Costs and advances for real estate operations	48,620	**38,451**	**373,601**
Real estate for development projects	37,600	**42,215**	**410,173**
	¥112,742	**¥103,272**	**$1,003,420**

8. Property and Equipment and Intangible Assets

(1) Property and equipment as of March 31, 2013 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
Buildings and structures	¥ 46,827	**¥ 37,226**	**$ 361,698**
Machinery, vehicles, equipment and furniture	7,295	**9,368**	**91,022**
Land	30,707	**28,216**	**274,155**
Construction in progress	518	**152**	**1,477**
Sub-total	85,347	**74,962**	**728,352**
Accumulated depreciation	(19,340)	**(21,079)**	**(204,809)**
	¥ 66,007	**¥ 53,883**	**$ 523,543**

(2) Intangible assets as of March 31, 2013 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
Land leasehold rights	¥1,594	**¥ 689**	**$ 6,695**
Goodwill	3,082	**9,870**	**95,900**
Other	464	**624**	**6,062**
	¥5,140	**¥11,183**	**$108,657**

(3) Gain (loss) on disposal or sales of property and equipment and intangible assets for the years ended March 31, 2013 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Buildings and structures	¥ (36)	¥2,566	$24,932
Machinery, vehicles, equipment and furniture	(66)	14	136
Land	0	3,252	31,597
Land leasehold rights	–	35	340
Other	(19)	1	10
	¥(121)	¥5,868	$57,015

(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, 2013 and 2014:

2013

Use	Type	Location	No.of Cases
Real estate for residential property related business	Land and buildings	Sagamihara-shi Kanagawa, etc.	3
Asset for residential property related business	Intangible asset	Minato-ku, Tokyo	1

2014

Use	Type	Location	No.of Cases
Real estate for design and construction related business	Leasehold rights and buildings, etc.	Chino-shi, Nagano	1
Real estate for its own business	Land and buildings, etc.	Chuo-ku, Tokyo, etc.	5
Real estate for residential property related business	Land, buildings and equipments	Urawa-ku, Saitama-shi, etc.	6

The Company and its consolidated domestic subsidiaries recognized impairment loss on certain real estate (business use, leasing, 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 ¥436 million and ¥597 million ($5,801 thousand) for the years ended March 31, 2013 and 2014, 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
	2013	2014	2014
Buildings and structures	¥ 6	¥358	$3,478
Equipment and furniture	–	10	97
Land	1	213	2,070
Land leasehold rights	–	11	107
Intangible assets	429	–	–
Removal cost	–	5	49
	¥436	¥597	$5,801

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, 2013 and 2014.

The Company recorded an impairment loss on intangible assets due to decrease in the expected earnings, from those assets for the year ended March 31, 2013.

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, 2013 and 2014:

	Average interest rate	Millions of yen		Thousands of U.S. dollars
		2013	2014	2014
Short-term borrowings	1.48%	¥ 10,380	¥ 300	$ 2,915
Current portion of long-term debt	2.23%	47,520	42,149	409,532
Current portion of lease obligations	2.65%	144	312	3,031
Long-term debt due from January 2016 to June 2023	1.66%	123,944	102,776	998,601
Lease obligations due from 2016 to 2024	2.81%	442	2,324	22,581
Total		¥182,430	¥147,861	$1,436,660

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, 2014 were as follows:

	Millions of yen			Thousands of U.S. dollars
Year ending March, 31	Long-term debt	Lease obligations	Total	Total
2016	¥ 59,410	¥ 305	¥ 59,715	$ 580,208
2017	20,409	284	20,693	201,059
2018	11,905	250	12,155	118,101
2019	6,705	183	6,888	66,926
2020 and thereafter	4,347	1,302	5,649	54,887
Total	¥102,776	¥2,324	¥105,100	$1,021,182

(3) The Company has committed lines of credit available for immediate and stable borrowings with certain five financial institutions as of March 31, 2013 and 2014. The lines of credit and unused lines of credit as of March 31, 2013 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Line of credit	¥63,000	¥63,000	$612,126
Amount utilized	10,080	–	–
Unused line of credit	¥52,920	¥63,000	$612,126

(4) In order to repurchase the Class B I preferred stock, the Company entered into a commitment line agreement with its three major banks, which are the preferred shareholders, to secure funds for maintaining the Company's financial condition. The commitment line agreement limits the use of funds to the repurchase of the preferred stock.

Information on the commitment line agreement and unutilized amount as of March 31, 2013 and 2014 was as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2013	**2014**	**2014**
Line of credit	¥20,000	**¥15,000**	**$145,744**
Amount utilized	–	**–**	**–**
Unused line of credit	¥20,000	**¥15,000**	**$145,744**

(5) 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, 2013 and 2014 based on this agreement was as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2013	**2014**	**2014**
Overdraft limit	¥1,300	**¥1,300**	**$12,631**
Amount utilized	–	**–**	**–**
Amount unused	¥1,300	**¥1,300**	**$12,631**

10. Collateral

(1) Assets provided as collateral as of March 31, 2013 and 2014 consisted of the following:

	Millions of yen		*Thousands of U.S. dollars*
	2013	**2014**	**2014**
Cash and bank deposits	¥ 991	**¥ 1,587**	**$15,420**
Real estate for development projects	28,752	**36,538**	**355,014**
Other current assets	61	**238**	**2,312**
Buildings and structures	14,168	**10,298**	**100,058**
Machinery, vehicles, equipment and furniture	330	**90**	**874**
Land	5,683	**5,808**	**56,432**
Construction in progress	263	**153**	**1,487**
Intangible assets	2	**1**	**10**
Investment Securities	–	**7**	**68**
	¥50,250	**¥54,720**	**$531,675**

Other than the above assets provided as collateral, other current assets of ¥350 million and ¥425 million ($4,129 thousand) as of March 31, 2013 and 2014, 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, 2013 and 2014 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2013	**2014**	**2014**
Current portion of long-term debt	¥ 3,518	**¥ 305**	**$ 2,963**
Long-term debt	9,003	**9,667**	**93,927**
Guaranteed obligation	–	**566**	**5,500**
	¥12,521	**¥10,538**	**$102,390**

(2) The assets 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 as of March 31, 2013 and 2014 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2013	**2014**	**2014**
Other current assets	¥ 58	**¥–**	**$–**
Building and structure	1,833	**–**	**–**
Land	11,484	**–**	**–**
Land leasehold rights	48	**–**	**–**
Investment securities	332	**–**	**–**
Long-term loans receivable	302	**–**	**–**
	¥14,057	**¥–**	**$–**

Liabilities with collateral as of March 31, 2013 and 2014 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2013	**2014**	**2014**
Current portion of long-term debt	¥ 2,938	**¥–**	**$–**
Long-term debt	11,750	**–**	**–**
	¥14,688	**¥–**	**$–**

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

(2013)

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. (¥780 million) owned by Haseko Community Inc.

Loans receivable (¥18,080 million) lent by Haseko MMB Inc. to its consolidated subsidiaries.

Loans receivable (¥12,203 million) lent by those consolidated subsidiaries to Haseko Corporation.

Loans receivable (¥3,472 million) lent by those consolidated subsidiaries to Haseko MMB Inc.

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

	Millions of yen		*Thousands of U.S. dollars*
	2013	**2014**	**2014**
Notes and accounts receivable, trade	¥13,770	**¥10,328**	**$100,350**
Buildings and structures	23	**21**	**204**
	¥13,793	**¥10,349**	**$100,554**

Liabilities with collateral as of March 31, 2013 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
Current portion of long-term debt	¥ 3,232	**¥3,232**	**$31,403**
Long-term debt	9,698	**6,465**	**62,816**
	¥12,930	**¥9,697**	**$94,219**

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

(2013)
Shares of HC Ayasegawa Jutaku Inc. and HC Koganei Jutaku Inc. (¥18 million) owned by Haseko Corporation and Haseko Community Inc.
Loans receivable (¥373 million) lent by Haseko Corporation to HC Ayasegawa Jutaku Inc. and HC Koganei Jutaku Inc.

(2014)
Shares of HC Ayasegawa Jutaku Inc. and HC Koganei Jutaku Inc. (¥18 million, $175 thousand) owned by Haseko Corporation and Haseko Community Inc.
Loans receivable (¥308 million, $2,993 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, 2013 and 2014 as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
Customers using housing loans and other loans to purchase real estate	¥9,365	**¥41,914**	**$407,248**

(2) Guarantee obligations on repayment of deposits, etc. to credit guarantee companies as of March 31, 2013 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
Nissho Estem Co., Ltd. etc.	¥483	**¥724**	**$7,035**

(3) Commitments to provide guarantees of indebtedness at the request of lending banks as of March 31, 2013 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
Tateshina Brighton Hotel Co., Ltd.	¥763	**¥–**	**$–**

(4) Notes that mature at the end of the fiscal year are settled on the clearance dates. The following notes are 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
	2013	**2014**	**2014**
Notes receivable	¥ 735	**¥–**	**$–**
Notes payable	¥11,909	**¥–**	**$–**

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, 2013 and 2014 were as follows. Finance leased that do not transfer the ownership of the leased assets to the lessees, entered into on or before March 31, 2008, are accounted for as operating leased:

(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, 2013 and 2014 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
	2013	**2014**	**2014**
Acquisition cost	¥17	**¥14**	**$136**
Accumulated depreciation	13	**12**	**117**
Net book value	¥ 4	**¥ 2**	**$ 19**

Outstanding future lease income as of March 31, 2013 and 2014 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
Within one year	¥3	**¥3**	**$29**
Over one year	3	**0**	**0**
Total	¥6	**¥3**	**$29**

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, 2013 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
Lease income	¥8	**¥3**	**$29**
Depreciation	6	**2**	**19**

(2) Operating lease transactions

(As lessee)

Outstanding future minimum lease payments under noncancelable operating leases as of March 31, 2013 and 2014 were summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2013	**2014**	**2014**
Within one year	¥2,143	**¥1,770**	**$17,198**
Over one year	6,046	**5,335**	**51,836**
Total	¥8,189	**¥7,105**	**$69,034**

(As lessor)

Outstanding future minimum lease income under noncancelable operating leases as of March 31, 2013 and 2014 was summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2013	**2014**	**2014**
Within one year	¥ 376	**¥ 289**	**$ 2,808**
Over one year	1,107	**834**	**8,103**
Total	¥1,483	**¥1,123**	**$10,911**

13. Supplementary Profit and Loss Information

(1) Sales from construction contracts calculated according to the percentage-of-completion method were ¥289,958 million and ¥310,635 million ($3,018,218 thousand) for the years ended March 31, 2013 and 2014, respectively.

(2) Allowance for losses on construction contracts that were included in cost of sales for the years ended March 31, 2013 and 2014 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2013	**2014**	**2014**
Construction contract	¥15	**¥412**	**$4,003**
Design and supervision	–	**5**	**49**

(3) Valuation losses on inventories that were included in cost of sales for the years ended March 31, 2013 and 2014 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2013	**2014**	**2014**
Real estate	¥ 2,166	**¥3,888**	**$37,777**

(4) Selling, general and administrative expenses for the years ended March 31, 2013 and 2014 consisted of the following:

	Millions of yen		*Thousands of U.S. dollars*
	2013	**2014**	**2014**
Salaries and allowances	¥12,497	**¥13,694**	**$133,055**
Provision for bonuses for employees	733	**1,214**	**11,796**
Provision for bonuses for directors	–	**111**	**1,079**
Retirement benefit expenses	901	**722**	**7,015**
Provision for doubtful accounts	(335)	**(65)**	**(632)**
Rent	2,212	**2,198**	**21,356**
Depreciation	651	**623**	**6,053**
Other	12,471	**14,028**	**136,300**
	¥29,130	**¥32,525**	**$316,022**

(5) Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2013 and 2014 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2013	**2014**	**2014**
Research and development costs	¥705	**¥713**	**$6,928**

(6) The loss on liquidation of the hotel business for the year ended March 31, 2013 includes ¥7,176 million in loss from sale of all shares of Brighton Corporation, a subsidiary that managed the hotel business, and ¥540 million in loss due to the closure of some hotels.

14. Net Assets

(1) Shares issued and treasury stock

Changes in number of shares issued and treasury stock for the year ended March 31, 2013 were as follows:

	Number of shares			
	2012	Increase	Decrease	2013
Shares issued:				
Common stock	1,503,971,989	–	–	1,503,971,989
Preferred stock:				
Class B I (Note 1)	80,000,000	–	10,000,000	70,000,000
Total	1,583,971,989	–	10,000,000	1,573,971,989
Treasury stock:				
Common stock (Notes 2 and 3)	802,663	14,496	2,558	814,601
Preferred stock:				
Class B I (Note 4)	–	10,000,000	10,000,000	–
Total	802,663	10,014,496	10,002,558	814,601

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 14,496 shares due to the request by shareholders for purchase of shares less than one standard unit
3) Decrease in treasury stock (common stock) of 2,558 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, 2013:

Date of repurchase: July 13, 2012
Date of retirement: July 13, 2012
Number of shares: 10,000,000 shares
Redemption price per share: ¥502.05
Aggregate amount: ¥5,020,500,000

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

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

Notes:
1) The Company completed a reverse stock split of its common stock and preferred stock, at a ratio of 1 share for 5 shares on October 1, 2013.
2) Decrease in common stock of 1,203,177,592 shares due to the reverse stock split.
3) Decrease in preferred stock of 64,000,000 shares due to the reverse stock split (40,000,000 shares) and retirement (20,000,000 shares before the reverse stock split, and 4,000,000 shares after the reverse stock split).
4) Increase in treasury stock (common stock) of 30,768 shares due to the acquisition of fractional shares (1,339 shares) as a result of the reverse stock split and due to the request by shareholders for purchase of shares less than one standard unit (22,761 shares before the reverse stock split, and 6,668 shares after the reverse stock split, total 29,429 shares)
5) Decrease in treasury stock (common stock) of 670,398 shares due to the reverse stock split (669,138 shares) and the request by shareholders for sale of shares less than one standard unit (940 shares before the reverse stock split, and 320 shares after the reverse stock split, total 1,260 shares)
6) Increase in and decrease in treasury stock (Class B I preferred stock) of 24,000,000 shares due to repurchase and retirement. (20,000,000 shares before reverse of split, and 4,000,000 shares after reverse stock split)

Details on repurchase and retirement of a portion of Class B I preferred stock during the year ended March 31, 2014 were as follows:

a) Date of repurchase: July 12, 2013
Date of retirement: July 12, 2013
Number of shares: 20,000,000 shares
Redemption price per share: ¥501.90 ($4.88)
Aggregate amount: ¥10,038,000,000 ($97,532,064)

b) Date of repurchase: March 24, 2014
Date of retirement : March 24, 2014
Number of shares: 4,000,000 shares
Redemption price per share: ¥2,532.81 ($24.61)
Aggregate amount: ¥10,131,240,000 ($98,438,010)

(2) Dividends

(a) Dividends paid
In the year ended March 31, 2014

Resolution	Type of shares	Total amount of dividend (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Annual meeting of shareholders on June 27, 2013	Preferred stock: Class B I	**¥502**	**¥7.17**	March 31, 2013	June 28, 2013

(b) Dividends with the cut-off date in the year ended March 31, 2014 and the effective date in the year ending March 31, 2015

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 27, 2014	Common stock	**¥ 902**	**$ 8,764**	**¥ 3.00**	**$0.03**	March 31, 2014	June 30, 2014
	Preferred stock: Class B I	**¥ 201**	**$ 1,953**	**¥33.45**	**$0.33**	March 31, 2014	June 30, 2014
	Total	**¥1,103**	**$10,717**	**–**	**–**	–	–

15. Cash and Cash Equivalents

(1) A reconciliation between cash and cash equivalents on the consolidated statements of cash flows and the cash and bank deposits on the consolidated balance sheets as of March 31, 2013 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
Cash and bank deposits	¥118,589	**¥138,382**	**$1,344,559**
Time deposits pledged as collateral	–	**(202)**	**(1,963)**
Saving accounts for insurance agency	(350)	**(491)**	**(4,771)**
Cash and cash equivalents	¥118,239	**¥137,689**	**$1,337,825**

(2) Assets and liabilities of Brighton Corporation, which the Company sold on March 29, 2013 and excluded from consolidation of that date, were as follows:

	Millions of yen
	2013
Current assets	¥ 1,251
Fixed assets	26,018
	27,269
Current liabilities	1,875
Fixed liabilities	18,589
	¥20,464

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, 2013 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	¥107,870	¥75,334	(Note)

Hedge accounting method	Hedging instrument	Hedged item	**As of March 31, 2014** Notional amount	Of which, maturing after one year	Fair value
			(Millions of yen)		
Special treatment of interest rate swaps	Interest rate swap transaction Pay fixed / Receive floating	Long-term debt	**¥75,334**	**¥42,797**	(Note)
			(Thousands of U.S. dollars)		
			$731,967	**$415,828**	

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

There were no derivative transactions for which hedge accounting was not applied as of March 31, 2013 and 2014.

17. Retirement Benefit Plan

For the year ended March 31, 2014

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

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

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

	Millions of yen 2014	Thousands of U.S. dollars 2014
Retirement benefit obligation at April 1, 2013	¥46,980	$456,471
Service costs	2,068	20,093
Interest costs	649	6,306
Actuarial loss	352	3,420
Retirement benefit paid	(1,558)	(15,138)
Other	212	2,060
Retirement benefit obligation at March 31, 2014	¥48,703	$473,212

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

	Millions of yen 2014	Thousands of U.S. dollars 2014
Plan assets at April 1, 2013	¥35,840	$348,232
Expected return on plan assets	1,062	10,319
Actuarial loss	1,456	14,147
Contributions by the Company	2,128	20,676
Retirement benefits paid	(1,539)	(14,953)
Other	505	4,906
Retirement benefit obligation at March 31, 2014	¥39,452	$383,327

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

	Millions of yen 2014	Thousands of U.S. dollars 2014
Funded retirement benefit obligation	¥48,125	$467,596
Plan assets at fair value	(39,452)	(383,327)
	8,673	84,269
Unfunded retirement benefit obligation	578	5,616
Net liability for retirement benefits in the balance sheets	9,251	89,885
Liability for retirement benefits	9,372	91,061
Asset for retirement benefits	(121)	(1,176)
Net liability for retirement benefits in the balance sheets	¥9,251	$89,885

(4) The components of retirement benefit expense for the year ended March 31, 2014 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	**2014**
Service cost	**¥1,607**	**$15,614**
Interest cost	**649**	**6,306**
Expected return on plan assets	**(1,062)**	**(10,319)**
Amortization of actuarial loss	**841**	**8,171**
Amortization of prior service cost	**(441)**	**(4,285)**
Amortization of transition amount	**216**	**2,099**
Retirement benefit expense	**¥1,810**	**$17,586**

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

(5) Unrecognized prior service cost, unrecognized actuarial loss and unrecognized transition amount included in other comprehensive income (before tax effect) for the year ended March 31, 2014 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	**2014**
Unrecognized prior service cost	**¥(2,662)**	**$(25,865)**
Unrecognized actuarial loss	**9,994**	**97,105**
Unrecognized transition amount	**215**	**2,089**
	¥ 7,547	**$ 73,329**

(6) The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2014 are as follows:

	2014
Bonds	**45%**
Stocks	**32%**
Other	**23%**
	100%

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

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

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

(8) Multi-employer pension plan
Required amount of contribution, which accounted in the same way as defined contribution plan was ¥54 million. Immediate funded status (As of March 31, 2013) was as follows:

	Millions of yen
	2013
Pension assets	¥ 43,334
Retirement benefit obligations under pension funding programs	54,475
Difference	¥(11,141)

The average contribution ratios to total contributions made to all plans was 2.52% for the year ended March 31, 2014. This ratio does not accord with the real contribution ratio of the Company group.

The difference of ¥11,141 as described above was due to prior service cost under pension funding programs (¥11,140 million) and insufficient carried forward (¥0 million).

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

Insufficient carried forward (¥0 million) will be accounted by the method, such as increase the ratio of special premium rate based on finance recalculation, as necessary.

For the year ended March 31, 2013

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, 2012 (latest available information as of March 31, 2013) to which contributions are recognized as retirement benefit expenses was as follows:

	Millions of yen
	2012
Pension assets	¥ 39,662
Retirement benefit obligations under pension funding programs	52,090
Difference	¥(12,428)

The average contribution ratios to total contributions made to all plans was 2.49% for the years ended March 31, 2013.

(2) The funded status of the defined benefit pension plans and the amounts recognized in the consolidated balance sheets as of March 31, 2013 were as follows:

	Millions of yen
	2013
Projected benefit obligations	¥(46,980)
Plan assets	35,840
Unfunded pension obligation	(11,140)
Unrecognized transition amount	432
Unrecognized actuarial differences	11,912
Unrecognized prior service cost	(3,104)
Net retirement benefit obligations	(1,900)
Prepaid pension cost	66
Reserve for employees' retirement benefits	¥ (1,966)

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, 2013 was as follows:

	Millions of yen
	2013
Service costs	¥1,373
Interest costs	762
Expected return on plan assets	(933)
Amortization of transition amount	216
Amortization of actuarial differences	1,168
Amortization of prior service cost	(441)
Net retirement benefit expenses	¥2,145

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, 2013 were as follows:

	2013
Method of attributing the projected benefits to period of service	Straight-line method
Discount rate	1.4%
Expected rate of return on plan assets	3.0%

18. Income Taxes

(1) The significant components of deferred tax assets and liabilities as of March 31, 2013 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
Deferred tax assets:			
Allowance for doubtful accounts	¥ 388	**¥ 373**	**$ 3,624**
Warranty reserve	970	**1,100**	**10,688**
Accrued bonuses for employees	808	**1,218**	**11,834**
Reserve for employees' retirement benefits	637	**–**	**–**
Liability for retirement benefits	–	**3,416**	**33,191**
Valuation loss on real estate for sale	20,964	**14,911**	**144,880**
Impairment loss on fixed assets	1,244	**1,173**	**11,397**
Valuation loss on investment securities	3,011	**3,056**	**29,693**
Tax loss carry forwards	31,373	**28,924**	**281,034**
Other	2,680	**1,894**	**18,402**
Sub-total	62,075	**56,065**	**544,743**
Loss: Valuation allowance	(36,674)	**(30,786)**	**(299,125)**
Total deferred tax assets	25,401	**25,279**	**245,618**
Deferred tax liabilities:			
Unrealized gain on other securities	(683)	**(920)**	**(8,939)**
Other	(371)	**(721)**	**(7,005)**
Total deferred tax liabilities	(1,054)	**(1,641)**	**(15,944)**
Net deferred tax assets	¥24,347	**¥23,638**	**$229,674**

Notes:
1) Valuation loss on real estate for sale includes ¥693 million and ¥486 million ($4,722thousand) for the years ended March 31, 2013 and 2014, 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, 2013 and 2014 were classified as follows in the consolidated balance sheets:

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
Current assets – Deferred tax assets	¥ 7,691	**¥ 9,346**	**$ 90,808**
Investments and other assets – Long-term deferred tax assets	17,710	**15,933**	**154,810**
Long-term liabilities – Other long-term liabilities	(1,054)	**(1,641)**	**(15,944)**

(2) The reconciliation of the statutory tax rate to the effective income tax rate for the years ended March 31, 2013 and 2014 were as follows:

	2013	**2014**
Statutory tax rate	38.0%	**38.0%**
(Adjustment)		
Non-deductible expenses	3.0	**1.3**
Permanent non-taxable items	(0.3)	**(0.1)**
Per capita inhabitant tax	1.0	**0.3**
Change in valuation allowances	(51.8)	**(20.3)**
Change in tax rates	–	**1.7**
Other	(1.9)	**(1.8)**
Effective income tax rate	(11.8)%	**19.1%**

The "Act for Partial Amendment of the Income Tax Act, etc." (Act No.10 of 2014) was promulgated on March 31, 2014 and, as a result, the Company is no longer subject to the Special Reconstruction Corporation Tax effective for fiscal years beginning on or after April 1, 2014. As a result, the effective statutory tax rate used to measure the Company's deferred tax assets and liabilities was changed from 38.0% to 35.6% for the temporary differences expected to be realized or settled from fiscal years beginning April 1, 2014.

The effect of reduction of the effective statutory tax rate was to decrease deferred tax assets after offsetting deferred tax liabilities by ¥519 million (U.S.$5,043 thousand) and deferred income taxes increase the same amount as of and for the year ended March 31, 2014.

19. Per Share Information

(1) Per share information as of and for the years ended March 31, 2013 and 2014 were as follows:

	Yen		U.S. dollars
	2013	**2014**	**2014**
Net assets per share	¥259.89	**¥346.17**	**$3.36**
Net income per share			
Basic	41.72	**81.36**	**0.79**
Diluted	32.53	**67.98**	**0.66**

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

Net assets per share, net income per share and diluted net income per share as of and for the year ended March 31, 2013 are calculated under the assumption that the reverse stock split took place at the beginning of the previous fiscal year.

(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
	2013	**2014**	**2014**
Net income	¥13,064	**¥24,830**	**$241,255**
Net income not attributable to common shareholders			
Preferred stock (Class B I)			
Preferred dividend	502	**201**	**1,953**
Difference between the redemption amount and the issued amount of preferred stock	21	**169**	**1,642**
Net income attributable to common shareholders	¥12,541	**¥24,460**	**$237,660**
Weighted average number of shares outstanding (thousands of shares)	300,633	**300,626**	

(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
	2013	**2014**	**2014**
Preferred dividend:			
Preferred stock (Class B I)	¥502	**¥201**	**$1,953**
Difference between redemption amount and the issued amount of preferred stock			
Preferred stock (Class B I)	21	**169**	**1,642**
Diluted net income	¥523	**¥370**	**$3,595**
Increase in common stock: (thousands of shares)			
Preferred stock (Class B I)	101,141	**64,638**	

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

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
Net assets	¥113,805	**¥119,472**	**$1,160,824**
Amount not attributable to common shareholders:			
Preferential distribution of residual property	35,000	**15,000**	**145,744**
Preferred dividend	502	**201**	**1,953**
Minority interests	172	**207**	**2,011**
Net assets attributable to common shareholders	¥ 78,131	**¥104,064**	**$1,011,116**

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, 2013 and 2014 were as follows:

	Millions of yen							
	2013							
	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	¥313,096	¥135,218	¥89,935	¥538,249	¥20,670	¥558,919	¥ –	¥558,919
Inter-segment sales and transfers	1,318	1,685	3,566	6,569	81	6,650	(6,650)	–
Net sales	314,414	136,903	93,501	544,818	20,751	565,569	(6,650)	558,919
Segment income (loss)	21,207	3,122	5,194	29,523	(201)	29,322	(4,993)	24,329
Segment assets	¥114,168	¥144,974	¥58,092	¥317,234	¥32,302	¥349,536	¥111,328	¥460,864
Other items								
Depreciation and amortization	¥205	¥1,189	¥861	¥2,255	¥1,080	¥3,335	¥(60)	¥3,275
Investment in equity-method affiliates	961	–	–	961	–	961	–	961
Capital expenditures	375	448	1,115	1,938	685	2,623	9	2,632

Millions of yen

Sales, income or loss and assets by reportable segments	Reportable segments: Design and Construction-Related Business	Reportable segments: Real Estate-Related Business	Reportable segments: Residential Property-Related Service Business	Reportable segments: Total	Other business (Note 1)	Total	Adjustments and eliminations (Note 2)	Consolidated (Note 3)
2014								
Sales to third parties	¥328,879	¥141,002	¥105,115	¥574,996	¥12,575	¥587,571	¥ –	¥587,571
Inter-segment sales and transfers	2,021	2,416	2,847	7,284	–	7,284	(7,284)	–
Net sales	330,900	143,418	107,962	582,280	12,575	594,855	(7,284)	587,571
Segment income (loss)	23,271	7,111	5,234	35,616	(406)	35,210	(6,372)	28,838
Segment assets	¥104,288	¥102,875	¥ 93,413	¥300,576	¥40,342	¥340,918	¥116,490	¥457,408
Other items								
Depreciation and amortization	¥ 215	¥917	¥ 1,039	¥ 2,171	¥133	¥ 2,304	¥(49)	¥ 2,255
Investment in equity-method affiliates	1,151	–	–	1,151	8	1,159	–	1,159
Capital expenditures	372	239	10,557	11,168	112	11,280	(12)	11,268

Thousands of U.S. dollars

Sales, income or loss and assets by reportable segments	Reportable segments: Design and Construction-Related Business	Reportable segments: Real Estate-Related Business	Reportable segments: Residential Property-Related Service Business	Reportable segments: Total	Other business (Note 1)	Total	Adjustments and eliminations (Note 2)	Consolidated (Note 3)
2014								
Sales to third parties	$3,195,482	$1,370,016	$1,021,327	$5,586,825	$122,182	$5,709,007	$ –	$5,709,007
Inter-segment sales and transfers	19,637	23,474	27,662	70,773	–	70,773	(70,773)	–
Net sales	3,215,119	1,393,490	1,048,989	5,657,598	122,182	5,779,780	(70,773)	5,709,007
Segment income (loss)	226,108	69,092	50,855	346,055	(3,945)	342,110	(61,912)	280,198
Segment assets	$1,013,292	$ 999,563	$ 907,627	$2,920,482	$391,974	$3,312,456	$1,131,850	$4,444,306
Other items								
Depreciation and amortization	$ 2,089	$8,910	$ 10,095	$ 21,094	$1,292	$ 22,386	$(476)	$ 21,910
Investment in equity-method affiliates	11,183	–	–	11,183	78	11,261	–	11,261
Capital expenditures	3,614	2,322	102,575	108,511	1,089	109,600	(117)	109,483

Notes:
1) "Other business" refers to businesses segments that are not included in the reportable segments and includes the overseas business.
2) Adjustments and eliminations are as follows:

(2013)
(1) Adjustments and eliminations for segment income (loss) include ¥58 million of elimination of inter-segment transactions and ¥5,051 million of corporate expenses, which are not allocable to the reportable segments.
(2) Adjustment and eliminations for segment assets include ¥3,544 million of elimination of receivables stemming from inter-segment transactions and ¥114,873 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 ¥26 million of elimination of inter-segment transactions and ¥35 million of investment in corporate assets.
(4) Segment assets in "Other business" as of March 31, 2013 decreased ¥28,270 million due to the sale of all shares of Brighton Corporation, which managed the hotel business, on March 29, 2013.

(2014)
(1) Adjustments and eliminations for segment income (loss) include ¥70 million ($680 thousand) of elimination of inter-segment transactions and ¥6,302 million ($61,232 thousand) of corporate expenses, which are not allocable to the reportable segments.
(2) Adjustment and eliminations for segment assets include ¥2,161 million ($20,997 thousand) of elimination of receivables stemming from inter-segment transactions and ¥118,651 million ($1,152,847 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 ¥28 million ($272 thousand) of elimination of inter-segment transactions and ¥16 million ($155 thousand) of investment in corporate assets
(4) Net sales and segment income of "Other business" decrease ¥11,101million ($107,860 thousand) and ¥170 million ($1,652 thousand) respectively, due to withdraw from hotel business in the previous fiscal year ended March 31, 2013.

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, 2013 and 2014 were summarized as follows:

	Millions of yen					
	2013					
	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	¥–	¥–	¥437	¥–	¥(1)	¥436

	Millions of yen					
	2014					
	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	**¥16**	**¥518**	**¥63**	**¥–**	**¥–**	**¥597**

	Thousands of U.S. dollars					
	2014					
	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	**$155**	**$5,033**	**$613**	**$–**	**$–**	**$5,801**

3. The following table presents the amortization and balance of goodwill as of and for the years ended March 31, 2013 and 2014 by reportable segment:

	Millions of yen					
	2013					
	Design and Construction- Related Business	Real Estate -Related Business	Residential Property- Related Service Business	Other business	Adjustments and eliminations	Consolidated
Amortization	¥–	¥–	¥ 566	¥–	¥–	¥ 566
Balance as of March 31	¥–	¥–	¥3,082	¥–	¥–	¥3,082

	Millions of yen					
	2014					
	Design and Construction- Related Business	Real Estate -Related Business	Residential Property- Related Service Business	Other business	Adjustments and eliminations	Consolidated
Amortization	**¥–**	**¥–**	**¥ 659**	**¥–**	**¥–**	**¥ 659**
Balance as of March 31	**¥–**	**¥–**	**¥9,870**	**¥–**	**¥–**	**¥9,870**

	Thousands of U.S .dollars					
	2014					
	Design and Construction- Related Business	Real Estate -Related Business	Residential Property- Related Service Business	Other business	Adjustments and eliminations	Consolidated
Amortization	**$–**	**$–**	**$ 6,403**	**$–**	**$–**	**$ 6,403**
Balance as of March 31	**$–**	**$–**	**$95,900**	**$–**	**$–**	**$95,900**

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

5. Geographical information
(1) Net sales
Net sales information is omitted since net sales to external customers in Japan exceeds 90% of net sales recorded in the consolidated statements of income for the years ended March 31, 2013 and 2014.

(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, 2013 and 2014.

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, 2013 and 2014.

21. Other Comprehensive Income

Reclassification adjustments and tax effects on components of other comprehensive income for the years ended March 31, 2013 and 2014 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2013	**2014**	**2014**
Net unrealized gain on other securities: Amount arising during the year	¥1,725	**¥ 664**	**$ 6,452**
Reclassification adjustments for gains (losses) recognized in net income	–	**–**	**–**
Amount before tax effect	1,725	**664**	**6,452**
Tax effect	(603)	**(238)**	**(2,312)**
Net unrealized gain on other securities	1,122	**426**	**4,140**
Translation adjustments:			
Amount arising during the year	3,134	**5,906**	**57,384**
Share of other comprehensive income of affiliates accounted for by the equity method:			
Amount arising during the year	1	**6**	**58**
Total other comprehensive income (loss)	¥4,257	**¥6,338**	**$61,582**

22. Subsequent Event

1. Repurchase and Retirement of Class B I preferred stock
The Board of Directors approved the partial repurchase and retirement of its Class B I preferred stock for their redemption at the meeting held on June 27, 2014. An outline of the repurchase and retirement is as follows:

(1) Purpose of the transactions
Avoid stock dilution resulting from the conversion of the preferred stock to common shares.

(2) Shares repurchased and retired
Preferred Stock Class B I
Number of shares: 6,000,000 shares
Purchase price: ¥15,090,840,000

(3) Date of repurchase
July 14, 2014

(4) Retirement date
July 14, 2014

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, 2014, 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, 2014, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

We draw attention to Note 22 to the consolidated financial statements, which describe the Board of Directors of the company approved the partial repurchase and retirement of its Class B I preferred stock for their redemption at the meeting held on June 27, 2014. 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 27, 2014
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.

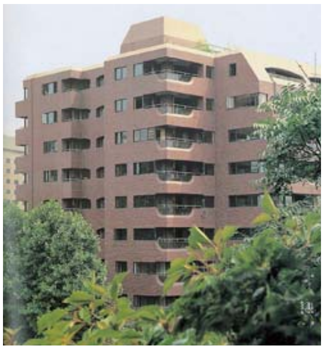
Oct. 1992
Completed construction of “Acro City Towers,” a 32-storied skyscraper condominium

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

Oct. 1988
Changed corporate name to HASEKO Corporation

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

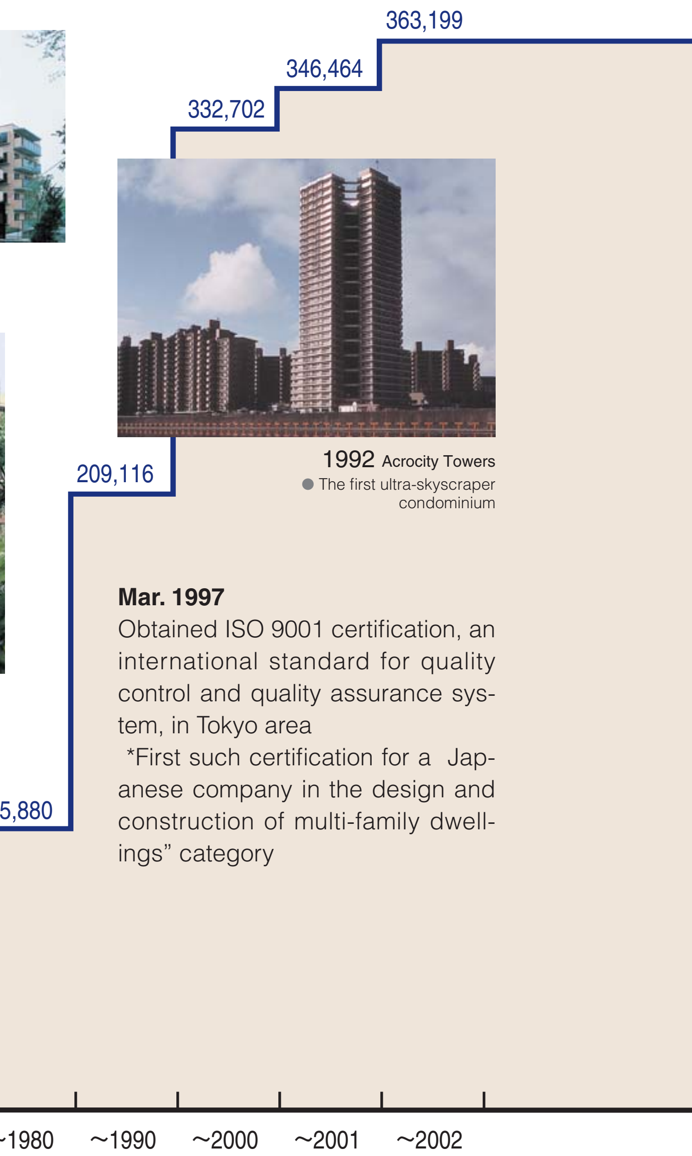


1977 Palais Royal Nagatacho
● High-grade condominium

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

History

379,328
400,419
420,594
438,750
456,400
469,656
480,373
495,268
510,432
528,966
547,185
554,795

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

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

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

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

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

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

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

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

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

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

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

Share Information

Share overview *(As of March 31, 2014)*

Total shares authorized to issue:	Common stock	420 million shares
	Preferred stock	18 million shares
	(Class B)	18 million shares
Outstanding shares:	Common stock	300 million shares
	Class BI preferred stock	6 million shares
Shareholders:	Common stock	50,988 parties
	Class BI preferred stock	3 parties

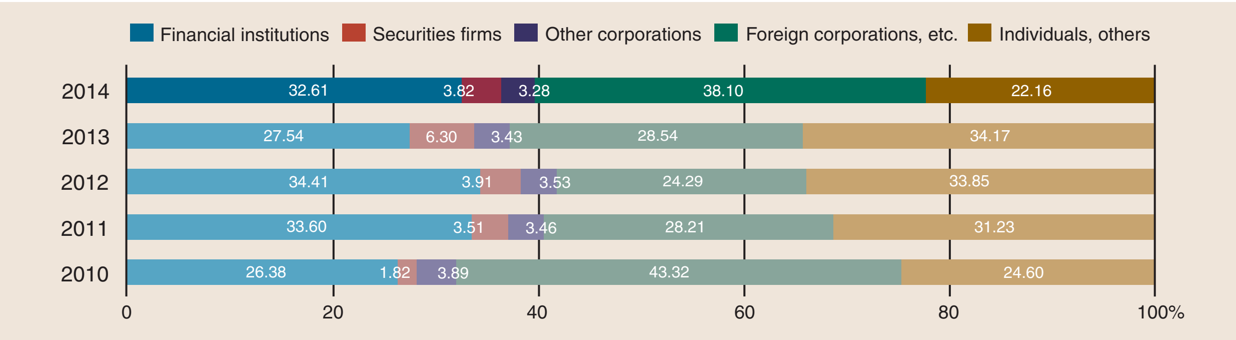
Note 1. Shares of less than million shares have been cut off prior to being displayed.
2. The Company completed a reverse stock split of its common stock and Class B I preferred stocks, at ratio of 1 share for 5 shares on October 1, 2013.
3. Common stocks do not include fractional shares of less than the share unit.

Overview of Class BI preferred stock

Issued amount	15 billion yen
Number of issued	6,000,000 shares
Issued price	@¥2,500
Voting rights	No
Preferred dividends rate	Until March 31, 2014: Japanese yen TIBOR (6-month) +1.00%
	Since April 1, 2014: Japanese yen TIBOR (6-month) +1.80%

Note: The Class BI Preferred Stock was fully redeemed on July 14, 2014 and was retired as of the same date.

Composition of shareholders *(As of March 31, 2014)*



Principal shareholders *(As of March 31, 2014)*

Common stock

Shareholder	Shares (1,000 shares)	Voting rights (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	22,493	7.49
MSCO CUSTOMER SERVICES	19,211	6.40
Japan Trustee Services Bank, Ltd. (Trust account)	15,853	5.28
Resona Bank, Limited	12,609	4.20
Mizuho Bank, Ltd.	6,305	2.10
Haseko Group Employee Shareholders Association	5,909	1.96
Morgan Stanley & Co. LLC	5,836	1.94
BBH Boston Custodian For GMO International Intrinsic Value Fund	5,102	1.70
The Chase Manhattan Bank, N. A. London Secs Lending Omnibus Account	5,093	1.69
Trust & Custody Services Bank, Ltd. (Pension trust account)	3,937	1.31

Class BI preferred stock

Shareholder	Shares (1,000 shares)
Resona Bank, Limited	2,192
The Chuo Mitsui Trust and Banking Company, Limited	2,112
Mizuho Bank, Ltd.	1,696

Note 1. The shareholdings of The Master Trust Bank of Japan, Ltd., Japan Trustee Services Bank, Ltd and Trust & Custody Services Bank, Ltd. are all interests in trust.
2. Preferred stocks Class BI are shares with no voting rights.
3. All owned shares of less than 1,000 shares have been rounded off.
4. All decimals from the 1,000th place have been rounded off in indicating the percentage of voting rights.
5. The Class BI Preferred Stock was fully redeemed on July 14, 2014 and was retired as of the same date.

Redemption of the Class BI preferred stock

	Fiscal year ended March 2012	Fiscal year ended March 2013	Fiscal year ended March 2014		Fiscal year ending March 2015
Mandatory redemption period					Until the end of September 2015
Redemption schedule	March 2012 Redeemed and retired 5 billion yen	July 2012 Redeemed and retired 5 billion yen	July 2013 Redeemed and retired 10 billion yen	March 2014 Redeemed and retired 10 billion yen	July 2014 Redeemed and retired 15 billion yen
Preferred stock	40 billion yen	35 billion yen	25 billion yen	15 billion yen	(Note)

Note: The Class BI Preferred Stock was fully redeemed on July 14, 2014 and was retired as of the same date.

Corporate Information

Overview *(As of March 31, 2014)*

Name:
Haseko Corporation

Founded:
February 1937

Established:
August 1946

Paid-in capital:
57,500 million yen

Number of employees:
2,044 (Non-consolidated)
5,188 (Consolidated)

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

Ticker code:
1808

Shares per trading units:
100 shares

Head office:
32-1 Shiba 2-chome, Minato-ku, 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, Saitama-shi

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

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

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

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

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

Number of consolidated subsidiaries:
44

Number of companies accounted for by the equity method:
2

Transfer agent and registrar:
Mitsubishi UFJ Trust and Banking Corporation

Independent auditor:
ERNST & YOUNG SHIN NIHON

Note: The new address after relocation as of June 30, 2014 is indicated for Nagoya Branch.

Principal consolidated subsidiaries

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

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

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

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

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

Seikatsu Kagaku Un-Ei Co., Ltd.
Main business: Planning, operation and other services for paid facilities for the elderly, housing for the elderly and multi-generation homes
2-3 Shiba 4-chome, Minato-ku, Tokyo

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

Haseko Real Estate, Inc.
Main business: Brokering of real estate
31-19 Shiba 2-chome. Minato-ku, Tokyo

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

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

HASEKO

Printed in Japan