

Message from the Management



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

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

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

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

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

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

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

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

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Noriaki Tsuji
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