

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 2017, the Japanese economy generally remained on a modest recovery trend. The construction and real estate industries achieved strong performances, however, repeating their good results of the previous year. In the condominium market, new supply remained at the 30,000-unit level in the Tokyo metropolitan area for the second consecutive year, standing at 36,450 units, or down 4.4% year-on-year. In the Kinki area, new supply stayed flat at 18,358 units, down 0.1% from the previous year, despite the large supply of condominiums with studio units (3,631 units). In terms of sales, the initial month sales rate was 68.5% (down 4.2 points) in the Tokyo metropolitan area, dropping to the 60% level for the first time since fiscal 2008 (when the figure was 64.1%). In the Kinki area, the figure remained at the 70% level, standing at 71.9% (up 0.1 points), but the conditions became increasingly difficult. Accordingly, the number of for-sale units being marketed as of the end of March 2017, which indicates the inventory situation, increased to 6,749 units (up 11.8%) in the Tokyo metropolitan area and to 2,493 units (up 9.6%) in the Kinki area. Increasingly higher prices of for-sale condominiums are said to have slowed the pace of sales.

In spite of these circumstances, our Construction-Related Business successfully kept the construction volume from falling, and achieved a strong performance in condominium construction works, as we secured our construction share of over 50% for condominiums with 100 or more units in the Tokyo metropolitan area, among other achievements. As a result, for the fiscal year under review, which represents the final year of the “newborn HASEKO Step Up Plan” (Plan NBs), our medium-term business plan, the Haseko Group achieved record high consolidated ordinary income, and orders received on a non-consolidated basis renewed a record high for the third consecutive year. In the Service-Related Business, the Company has conducted M&As and other investments from the perspective of

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enhancing our profitability, and our existing subsidiaries have steadily accumulated profits. These have enabled the Company to generate results that significantly surpassed the numerical targets of the Plan NBs (Fiscal year ending March 2017: 35 billion yen of consolidated ordinary income, 23 billion yen of non-consolidated ordinary income).

As a result of the above, while net sales decreased 1.9% year-on-year to 772.3 billion yen in the fiscal year ended March 2017, the Company achieved a year-on-year increase in profits, posting operating income of 89.0 billion yen (up 29.5%), ordinary income of 88.8 billion yen (up 31.9%) and net income attributable to owners of parent of 58.8 billion yen (up 14.7%), due to improved gross profit margin of completed construction contracts for condominium construction works. The operating income ratio was 11.5% (up 2.8 points) and ordinary income ratio came to 11.5% (up 2.9%).

In February 2017, the Company celebrated its 80th anniversary since founding. Although we have occasionally had severe hardships, we have managed to overcome them thanks to the support provided by our shareholders and because all our officers and employees have understood and played their roles at each point of such difficulties. We must remember both our successes and failures in the past and learn from history. With this in mind, I upheld the phrase of “Learn from the past and develop new ideas” as the key phrase at the beginning of 2017. Entering the milestone year of the 80th anniversary ceremony since inception, I want the Company to spend the year creating new ways of doing things while learning from history. On April 1, 2017, we started the “newborn HASEKO Jump Up Plan” (Plan NBj), our medium-term business plan for the latter three years. While following the basic policy of the Plan NBs, we will make proactive investments in growth strategies to maintain and enhance the value of the Haseko Group. At the same time, we will work to address a variety of social issues, such as the aging society with fewer children, decreasing population, trends for “compact cities,” disaster countermeasures, countermeasures against aging buildings and the promotion of environmental awareness and energy saving, from the aspects of physical products and services and ability. As we do so, we will endeavor to firmly establish our financial foundation and a revenue base for the future.

Given the continued improvements in employment and income environments, the business environment surrounding the Haseko Group is expected to recover moderately, although attention should be paid to uncertainty and interest rate trends in overseas economies, among other factors. In the construction industry, while the market conditions remain good for the moment, there are many factors of concern, such as rising labor costs, a decrease in skilled construction workers, receding demand after the Tokyo Olympic Games and the impact of natural disasters continuously hitting Japan. In the condominium market, consumers' willingness to purchase has not shown any full-on improvement partly because of rising condominium price. This has caused people both on the demand and supply sides to continuously maintain a cautious attitude.

Despite such circumstances, the Haseko Group will take advantage of the know-how and ability to propose and promote projects that the Company has fostered to date, and further reinforce coordination among Group companies, centering on the mainstay condominium-related businesses, to exert its comprehensive strengths. By doing so, the Company aims to become a corporate group for housing to create great living, as we serve to totally support the life of people living in condominiums.

Fortunately, the Haseko Group was able to celebrate its 80th anniversary since inception, but this was only possible due to the support given to us by the financial institutions and other parties who have helped us as well as by our business partners and customers. Looking ahead, while always being grateful to these people, all the officers and employees of the Company are resolved to make progress towards the 100th anniversary and for creating the future beyond that time. Your continued and further support and encouragement would be greatly appreciated.

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Noriaki Tsuji
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Haseko Corporation