

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 2018, the Japanese economy remained on a modest recovery trend, and the construction and real estate industries continued to achieve strong performances driven largely by their vitalization toward the 2020 Tokyo Olympic Games. In the condominium market, new supply surpassed the previous year's results both in the Tokyo metropolitan area and the Kinki area, reaching 36,837 units (up 1.1% year-on-year) for the former and 19,849 units (up 8.1%) for the latter. In particular, the Kinki area showed a significant increase from the year-earlier results thanks to a large growth in the supply of condominiums with studio units totaling 4,711 units (in contrast to 3,631 units supplied in the previous year). In terms of sales, while the initial month sales rate was 68.8% (up 0.3 points) in the Tokyo metropolitan area, remaining at the 60% level for two consecutive years, the figure in the Kinki area rose to 76.6% (up 4.7 points), surpassing 75% for the first time in three years. Moreover, with inventory sales remaining strong, the number of for-sale units being marketed as of the end of March 2018 decreased to 6,498 units (down 3.7%) in the Tokyo metropolitan area and to 2,355 units (down 5.5%) in the Kinki area.

Under such conditions, for the fiscal year under review, which represents the first year of the "newborn HASEKO Jump Up Plan" (Plan NBj), the Company's medium-term business plan, the Haseko Group renewed record-high consolidated ordinary income with condominium construction works in the Construction-Related Business achieving good results. As such, the Company made a good start toward the numerical targets of the Plan NBj (combined consolidated ordinary income of 240 billion yen for the three years from the fiscal year ending March 2018 to the fiscal year ending March 2020). As for dividends, taking into account the outlook of business management environment and corporate performances going forward, the Company decided to deliver 50 yen per

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share annually (including interim dividend of 10 yen per share), an increase of 20 yen from the previous fiscal year, comprising ordinary dividend of 20 yen annually and extraordinary dividend of 30 yen. By doing so, the Company has achieved its goal in financial strategy.

As a result of the above, the Company achieved a year-on-year increase both in sales and profits. While net sales grew by 5.3% to 813.3 billion yen due to an increase in the volume of condominium construction works, the Company posted operating income of 100.8 billion yen (up 13.2%), ordinary income of 100.5 billion yen (up 13.1%) and net income attributable to owners of parent of 72.3 billion yen (up 23.0%), due to improved gross profit margin of completed construction contracts for condominium construction works. The operating income ratio was 12.4% (up 0.9 points) and ordinary income ratio came to 12.4% (up 0.9%).

Looking at the fiscal year ending March 2019 and after, although the construction industry will continue to face many issues, including rising material and labor costs, a decrease in skilled construction workers and concerns for receding demand after the Tokyo Olympic Games, we believe that the market condition will remain strong for some time now. In the condominium market, both supply and sales are forecasted to recover moderately, as consumers are anticipated to act in consideration of the scheduled consumption tax rate hike. Under such a generally good situation, although the business environment may possibly become obscure due to sudden changes in the market conditions and other factors, the Haseko Group is resolved to endeavor for higher productivity and workstyle innovation. At the same time, the Haseko Group will proactively implement strategic investments for growth to maintain and enhance its profits and work to solve a variety of managerial issues, in an effort to firmly establish its financial foundation and revenue base for the future. As we do so, we will proactively endeavor to achieve the goals of the “newborn HASEKO Jump Up Plan” (Plan NBj), our three-year medium-term business plan, of which we are in the second year.

At the beginning of 2018, I upheld the word of “*kingen-jicchoku*” (a Japanese phrase for sincerity and steadfastness) as our keyword for the year. The dictionary defines it as “being very prudent, earnest and honest.” The good performance we have achieved over these years is a result of continued endeavors each of our officers and employees have made on work with the spirit of sincerity and steadfastness. I believe that, exactly when the Company is going well, it is important for us to make continuous efforts to provide the best quality and the best services, with the spirit of sincerity and steadfastness, and build a relationship of trust with our business partners, financial institutions, customers and cooperating companies.

Going forward, the Haseko Group will continue to 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 that creates great living, as we serve to support in all aspects the lives of people living in condominiums. At the same time, for the Haseko Group, which celebrated its 80th anniversary since inception last year, to continue developing toward the next thresholds of the 90th and 100th anniversaries, each of the Group’s employees must “be interested in the Company’s management policies and management status and consider what he or she should do” and “act for the entire Group beyond organizational and corporate boundaries.” We are determined to help each Group employee to implement these endeavors.

The Haseko Group was able to celebrate its 80th anniversary since inception last year, thanks to the support given to us by our shareholders, financial institutions and other parties who have helped us as well as support from our business partners and customers. Looking ahead, while ever grateful to these people, all the officers and employees of the Company are resolved to endeavor for work with the spirit of sincerity and steadfastness towards the 100th anniversary and for creating the future beyond that time. Your continued and further support and encouragement would be greatly appreciated.

June 2018

A large, bold calligraphic signature in black ink, consisting of three characters: 辻 英 嗣 (Tsuji Noriaki).

Noriaki Tsuji
President and Representative Director
Haseko Corporation