For the fiscal year ended March 2019, in which the Japanese economy continued to show a recovery trend, new supply of condominium units stood at 36,641 units (down 0.5% year on year) in the Tokyo metropolitan area, remaining at the same level as fiscal 2017, despite our forecast that consumers would act more consciously in response to the consumption tax rate hike scheduled for October 2019. No major change was seen in the figure of the Kinki area at 20,078 units (up 1.2% year on year), only slightly more than fiscal 2017, partly affected by the supply of studio units significantly exceeding the previous year at 5,476 units (in contrast to the year-earlier 4,711 units).

For the fiscal year ended March 2019, which represents the second year of the “newborn HASEKO Jump Up Plan” (Plan NBj), the Company’s medium-term business plan, the Haseko Group endeavored to create revenue opportunities by steadily accumulating achievements through the gathering of land information, product planning and a commitment to construction quality and construction schedules in the Construction-Related Business, enhancing services in response to customer needs in the Service-Related Business, and building coordination among the Group companies. Moreover, we engaged in a variety of attempts toward sustainable growth, including the establishment of Haseko Technical Center, opening of Haseko Condominium Museum, expansion of business areas into the Chugoku, Shikoku and Northern Kanto regions, and new establishment of a Value, technology and innovation division to come up with new business models.

Under such conditions, for the fiscal year under review, the Haseko Group achieved consolidated ordinary income of over 100 billion yen for the second consecutive year, with the Construction-Related Business leading the Group’s performance. As such, the Company recorded favorable results toward the numerical targets of Plan NBj (combined consolidated ordinary income of 240 billion yen for the three years from the fiscal year ended March

I would like to express my heartfelt gratitude for your continued loyal patronage to the Haseko Group.
2018 to the fiscal year ending March 2020). Moreover, taking into account the outlook of the business management environment and corporate performance going forward, the Company decided to deliver dividends of 80 yen per share annually (including interim dividend of 10 yen per share), an increase of 30 yen from the previous fiscal year, comprising ordinary dividend of 20 yen annually and extraordinary dividend of 60 yen.

As a result of the above, the Company achieved a year-on-year increase in revenue, with net sales growing by 9.6% to 891 billion yen in the fiscal year under review due to an increase in the volume of condominium construction works and real estate handling volume. Profit decreased year on year, however, as operating income dropped by 2.4% to 98.4 billion yen and ordinary income decreased by 0.1% to 100.4 billion yen due to lowered gross profit margin of completed construction contracts for condominium construction works. Meanwhile, net income attributable to owners of parent increased 20.9% year on year to 87.4 billion yen as the Company recorded extraordinary income from business transfer. The operating income ratio was 11.0% (down 1.4 points) and ordinary income ratio came to 11.3% (down 1.1 points).

Looking at the fiscal year ending March 2020 and after, the construction industry will continue to face many issues, including rising costs of material and labor, a decrease in skilled construction workers and responses to work-style innovation. Although there is no notable impact of these at present, we must pay attention to the future outcome. In the condominium market, rush demand before the consumption tax rate hike has been smaller than forecasted. Besides this, the government has introduced various measures to support purchase of housing in order to flatten fluctuation in demand. As such, the impact of the decreased demand in reaction to the rush demand is forecast to be limited. The business environment may possibly become obscure due to changes in the market conditions and other factors going forward. In the final year of Plan NBj, however, we will further accelerate our investments in new initiatives to secure stable revenue sources and enhance productivity, while working to solve various managerial issues in an effort to firmly establish the financial foundation and revenue base for the future evolution of the Haseko Group.

At the beginning of 2019, I upheld the word of “kennin-fubatsu” (a Japanese phrase for strong will, patience and solidness) as our keyword for the year. "Kennis" is defined as having an extremely strong will and diligently enduring things with much patience. “Fubatsu” means being hard and solid like a sword sheathed too tightly to draw out. Together, the phrase indicates the meaning of “being patient with whatever is hard and painful, and resolutely sticking to your will.” As we look at the construction and real estate industries, as well as the Japanese economy and the global economy as a whole, the situation is changing such that the outlook is becoming uncertain. Regardless of given environment, however, I would like for all employees to work hard from their respective positions while sticking to the fundamentals and maintaining the attitude of “kennin-fubatsu” to provide our customers with safe and reliable housing they can live in comfortably.

The current fiscal year falls on the final year of Plan NBj, our medium-term management plan positioned for creating the foundation of the Haseko Group toward the new era in 2020 and thereafter. The Haseko Group will continue its endeavors to expand offerings in response to customer needs and enhance services, while taking initiatives toward business expansion into new areas and fields both in and outside Japan. Going forward, by firmly holding to the corporate philosophy of “to contribute to society by creating an optimal environment for cities and people,” the Haseko Group will remain deeply thankful to those who have given their support, and, as a united entity, continue to leverage the know-how and ability of the Company fostered to date for proposing and promoting projects to further reinforce coordination among Group companies centering on the mainstay condominium-related businesses and exert its comprehensive strengths. By doing so, the Company aims to become a corporate group for housing that creates great living as it supports in all aspects the lives of people living in condominiums. Your continued and reinforced support and encouragement would be greatly appreciated.

June 2019

Noriaki Tsuji
President and Representative Director
Haseko Corporation