Haseko Corporation
Website

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Haseko Establishes New Medium-Term Business Plan

Haseko Corporation and all of its group companies have been endeavoring to strengthen profitability of business operations, reconstruct capital structures, reinforce technological capabilities and technical development abilities, enhance management systems, etc., under the New Medium Term Business Plan (fiscal 2005 through fiscal 2007), which started in April 2005 to represent the final stage for the completion of corporate revitalization. As a result, revenues from its business operations have exceeded planned figures and are expected to surpass plans in the final settlement for the fiscal year. Haseko has also steadily implemented purchase and redemption of preferred stocks based on the Capital Reorganization Plan it announced in August 2005, and has become broadly confident of the successful reconstruction of capital structures. Accordingly, Haseko expects that it can resume dividends to shareholders, paying dividends for fiscal 2007 (ending March 2008).

Against this background, Haseko has positioned the coming three years as the “new stage after the completion of corporate revitalization” and newly established a medium term business plan named the “SHIN” Plan . The Plan has been created in order to strive to become an “only one” group of companies that builds upon both the “flow” market centering on constructions and the “stock” market that should steadily accumulate and grow, while continuously working on management innovation amid rapid changes in the management environment surrounding the Haseko Group, including the shrinking domestic construction market, intensifying competition for orders, changing for-sale condominium market and the arrival of the aging society with fewer children.

Details

Overview of the Medium Term Business Plan “SHIN” Plan

(SHIN is an acronym with S representing Sustainable, H representing Haseko, I representing Innovating and N representing New, and, in Japanese it stands for Trust (confidence), Heart (gratefulness, thoughtfulness) and New ("Study the past and learn new things" and "Make new creations").

■ Period Covered by the Plan

Three fiscal years (fiscal 2008 (ending March 2009) - fiscal 2010 (ending March 2011))

■ Positioning of the Plan

➢New stage after the completion of corporate revitalization

➢Aim to become an "only one" group of companies that endeavors to continuously innovate management and create urban life

■ Basic Policies

1. Expand the business domains (in terms of sectors and areas) in addition to further evolving the mainstay business related to condominiums
2. Implement specific measures to secure reliability and extend the life of housing

3. Deploy business strategies that respond to changes in the for-sale condominium market
4. Perform the corporate social responsibilities concerning issues on global environment and the aging society with fewer children
5. Continue returning profits to shareholders while maintaining sound financial foundation

■ Numerical Targets for the Last Fiscal Year of the Plan

Haseko will implement specific measures under the Plan amid the business environment that is expected to become harsh. By doing so, the Company will attain the following numerical targets in the final fiscal year of the SHIN Plan and aim to become a group of companies that can realize sustainable profitability.

1. Consolidated ordinary income: 60 billion yen
2. Non-consolidated ordinary income: 50 billion yen
3. Ordinary income of consolidated subsidiaries: 10 billion yen (Of which, 7 billion yen by service-related business group)

■ Specific Items

1. Business Strategies

(1) Create added value to for-sale condominium business

Work to maintain and expand our market share (secure more than 20%) in construction of for-sale condominiums on an order basis as well as revenues from construction through increasing the added value of our for-sale condominium business in anticipation of the arrival of the "stock" society

1) Further reinforce the business model in which Haseko acquires and prepares land for condominium projects

2) Reinforce capabilities to develop products

・Develop and promote proposal of products unique to Haseko

・Conduct multi-use developments through enhancing coordination with developers that are not condominium operators

・Strengthen proposal abilities and technological capabilities in terms of rebuilding

3) Enhance after-sales service offerings and reinforce the system

・Promote development and employment of "Haseko Premium After-sales Services", the new system of after-sales service.

・Establish and operate after-sales call centers

(2) Evolve the business model that builds on land information as the starting point

1) Participate in markets other than for-sale condominiums

Haseko will aim to expand into such product areas as rental condominiums, office buildings, retail facilities and facilities for elderly people. To do so, Haseko will enhance order-reception and production systems centering on current for-sale condominiums and evolve its business model in order to improve revenues and profits, while giving consideration to possible capital and business tie-ups with other companies or M&As.

2) Strengthen efforts on real estate investment and development businesses, and enhance the

organizational systems

Haseko will reconstruct organizations, which are currently built according to business areas, in the construction business and real estate development business and focus on the real estate development business, while controlling profitability and the total volume of risks. Such focus will cover proactive participation in condominium development as well as, for example, the development business for investment products. Through these efforts, Haseko will work to increase revenues and profits.

(3) Further Expand Service-related Business

1) Pursue further synergy on top of the selection and concentration of business

Haseko has constructed condominiums with an accumulated total of 450,000 units. These condominiums and other properties constitute the "stock" market. Building on the "stock" market, the Company will grow by taking advantage of its own strength derived from being specialized in the living-related areas – engaged in such businesses as for-sale condominium management, rental condominium management, "senior living" (living for elderly people), insurance servicing and interior sales. On the other hand, further reinforcement of coordination among the Haseko Group companies will be sought. Through these efforts, Haseko aims to become an "only one" group of companies for housing.

2) Establish our presence in after-sales activities

Haseko will enhance its after-sales offerings and create high value-added maintenance and management services in its administration and operation business, so that the Company can propose safe, secure and comfortable living over the long term.

(4) Review Area Strategies

Expand the coverage of Nagoya Branch to the entire Tokai area centering on Nagoya, based on the steady growth in the Branch's marketing performance, and establish the area as the third largest business foundation after the Tokyo and Kinki metropolitan areas.

2. Technology Strategies

(1) Deepen our technological capabilities and technical development abilities for for-sale condominiums

There have been changes in the business environment, such as stricter requirements for quality and capacity, and longer business periods due to the Revised Building Standard Law, consideration of the environment, shortage of workforce and increases in construction costs. In order to respond to these changes, the Company will further enhance the “technological capabilities and technical development abilities that only Haseko can demonstrate,” by building on the design and construction technologies it has accumulated and taking advantage of strengths in design and construction.

・Develop, elaborate on and accumulate energy saving and technologies concerning longer life expectancy.

・Develop and elaborate technologies for the “stock” market.

・Construct and promote efficient and streamlined production systems (industrialization and standardization)

・Construct streamlined logistics systems for construction materials

(2) Enhance organizational systems for conducting business other than housing

The Company will take measures to reinforce and enhance production systems and technological capabilities in order to expand business into areas other than housing. These measures will include proactive investment in technologies for design, construction, the environment and R&D, while giving consideration to possible business and technological tie-ups with other companies.

(3) Achieve improvements in quality, safety and productivity

Endeavor to further reinforce organizational systems and improve production technologies in order to secure the quality and performance of buildings, without forgetting the starting point of the manufacturing industry.

・Enhance and reinforce organizational systems in order to fully eliminate accidents in quality and construction

・Promote development and application of technologies and engineering methods that improve quality and safety

3. Financial Strategy

Steadily implement the redemption of preferred stocks and complete the reconstruction of capital composition, based on the Capital Reorganization Plan announced in August 2005. At the same time, stably return profits to shareholders while considering conducting investments to achieve profit plans and retain internal reserves to maintain a sound financial foundation.

1) Conduct both business investment and returning of profits to shareholders in a well-balanced manner to maintain and improve a sound financial foundation that is needed for proactively conducting business. At the same time, strive to increase the volume and quality of capital by realizing the effects of tax reductions by way of redemption of preferred stocks and deferred tax assets.

2) Work to diversify the means of fund procurement in order to allow dynamic and flexible fund raising adjusted to the requirements for working capital.

3) Control the debt-equity ratio (interest-bearing liabilities/shareholders' equity) at around 1.0 to 1.5 times.