

# Medium-Term Business Plan

## **"PLAN for NEXT"**

*- Period for creating the foundation for a new stage -*

Period covered by the plan: **Four fiscal years from April 1, 2012 to March 31, 2016**

February 2012



In this document, performance forecasts and other forward-looking statements are calculated based on the information available to the management as of the date hereof. Actual results may differ from the forecasts described above due to any changes in a variety of factors in the future.

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## Medium-term business plan to be completed in this fiscal year ending March 2012

(Announced Feb.14,2008, modified on May 14, 2009)

### Period covered by the Plan

- > Four fiscal years from April 1, 2008 to March 31, 2012

### Positioning of the Plan

- > Period for reconstructing the Company’s business base and financial foundation
- > 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 target for the last fiscal year (March/2012)

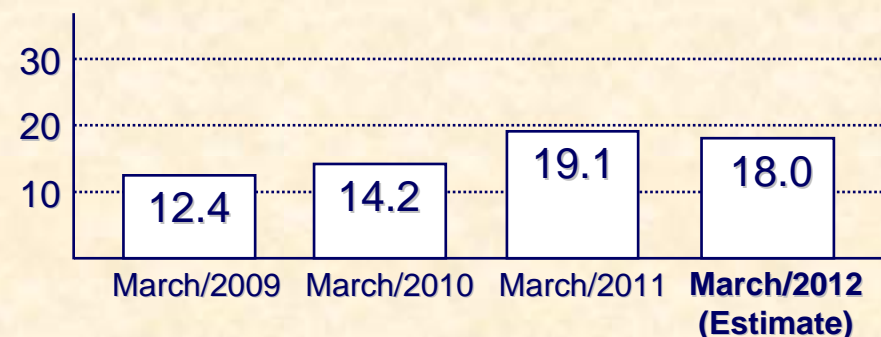
- a. Consolidated ordinary income: 32 billion yen
- b. Non-consolidated ordinary income: 25 billion yen  
Of which, 7 billion yen by service-related business group

## Issued to be addressed

### Numerical target, 32 billion yen

Ordinary income (Consolidated)

Unit: Billion Yen



### Handling outstanding preferred stocks

Overview of preferred stocks Class B1

Issued amount	<b>45 billion yen</b> (90 million shares, @500)
Conversion requesting	<b>From October 1, 2015</b>
Redemption amount	<b>45 billion yen</b> (Redeem at per value)
Mandatory redemption	<b>Until September 30, 2014</b>

### Resumption of dividend

■ **Period covered by the Plan**

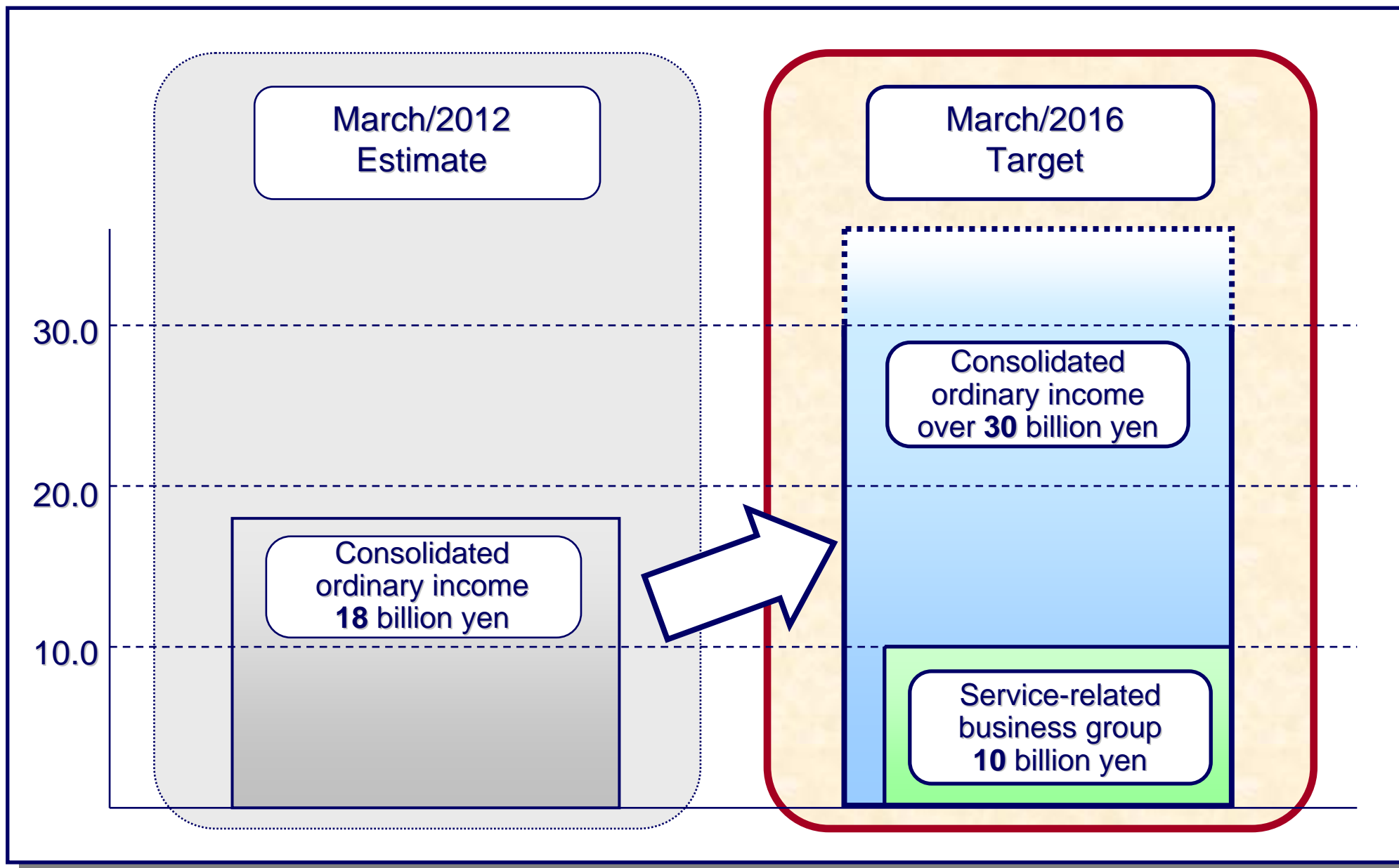
> Four fiscal years (April 1, 2012 – March 31, 2016)

■ **Positioning of the Plan**

> Period for creating foundation for the new stage

■ **Basic policies**

1. Accelerate a shift to corporate management that builds on both construction-related business, which primarily targets the market for new housing supply, and service-related business, which is centered on the market related to existing residences, etc.
2. Provide safe, reliable and comfortable condominiums
3. Secure a financial foundation that supports continuous growth, and resume dividends to the Company's common stocks
4. Challenge new endeavors from a medium- to long-term perspective
5. Focus on establishing highly effective governance and internal control



Basic policy 1 Accelerate a shift to corporate management that builds on both construction-related business, which primarily targets the market for new housing supply, and service-related business, which is centered on the market related to existing residences, etc.

Basic policy 2 Provide safe, reliable and comfortable condominiums

## Construction-related business

- **Firmly secure the Company's market share of at least 20% in the construction of new for-sale condominiums on an order basis**
  - > Increase the ratio of Haseko designated orders by reinforcing our ability to gather information on real estate (secure the ratio of Exclusive construction contract to be at least 90%)
  - > Enhance joint work with project owners assuming that we conduct design and construction in packages (the ratio of design and construction in packages to be at least 90%), and strengthen our ability to control costs by taking advantage of our superiority
  - > Continue our real estate business by participating in projects with the primary aim of receiving construction orders
  - > Establish our system to gather information and conduct construction to expand the areas in which we work to receive construction orders, including major cities in the greater Tokyo metropolitan area
  - > Further evolve our system on after-sales services, including the provision of the "Haseko Premium After-sales Services"
  - > Endeavor to expand order-reception for condominiums with services for the elderly and rental apartments

## Service-related business

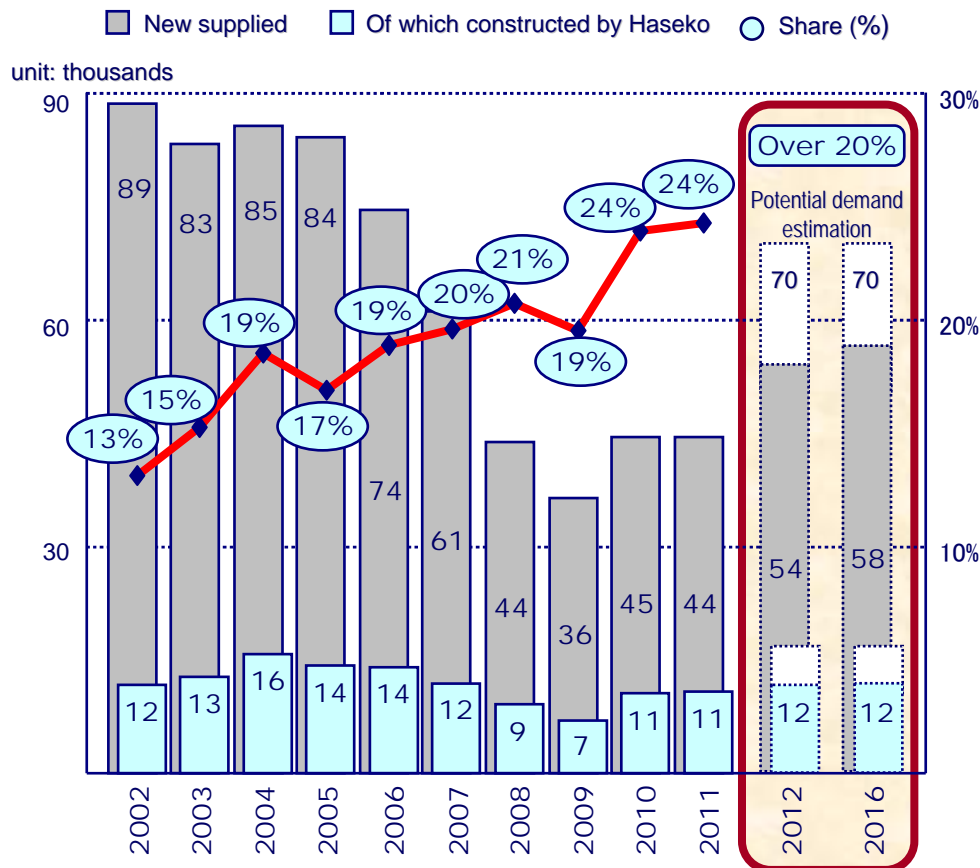
- **Increase revenues in stage from the service-related businesses centering on condominium management, rental apartment management, interior and exterior renovation, aiming to achieve 10 billion yen in ordinary income**
  - > Aim to increase the number of for-sale condominium and rental condominium units under management, and enhance the business foundation by having the entire company fully conscious of our identity as a service business and invest in human resources
  - > Enhance the system that allows the provision of support, both in terms of products and services, concerning rebuilding, renovation for enhanced earthquake resistance and repairs, etc, of aging condominiums
  - > Accumulate know-how in the area of renovation, such as large-scale exterior renovation, in order to expand revenues and profits
  - > Implement multi-faced work in the area of housing for the elderly, including management and operations of the facilities
  - > Aim to expand the business scale and acquire know-how through M&A and tie-ups, as well as proactively implement peripheral work of existing businesses

## Technical development

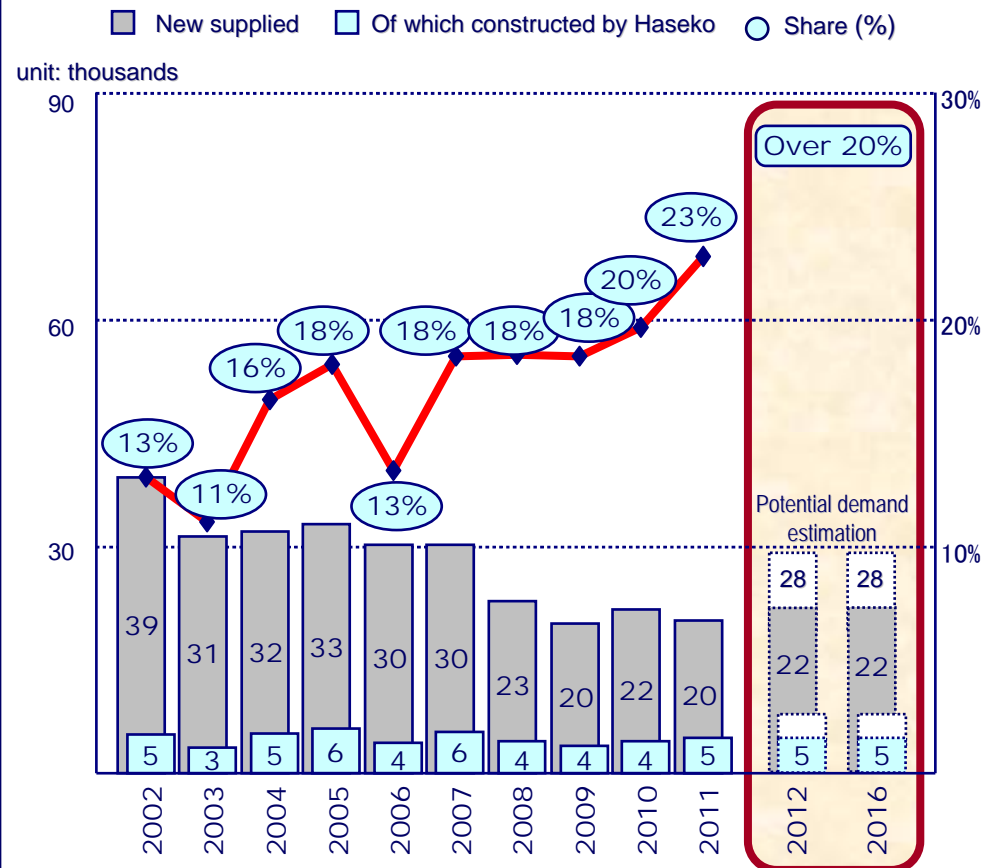
- > Develop and construct next-generation production system (such as utilization of information technologies and promotion of industrialization)
- > Develop and introduce next-generation condominiums (such as those incorporating energy-saving and environment-related technologies)
- > Develop production technologies of condominiums for the elderly and rental condominiums
- > Further reinforce development of renovation technologies

## New supply expected to increase both in Tokyo Metropolitan area and Kinki area Haseko continues to target maintaining at least 20% shares in construction orders

### Percentage of units constructed by Haseko among newly supplied for-sale condominium units (Tokyo metropolitan area)



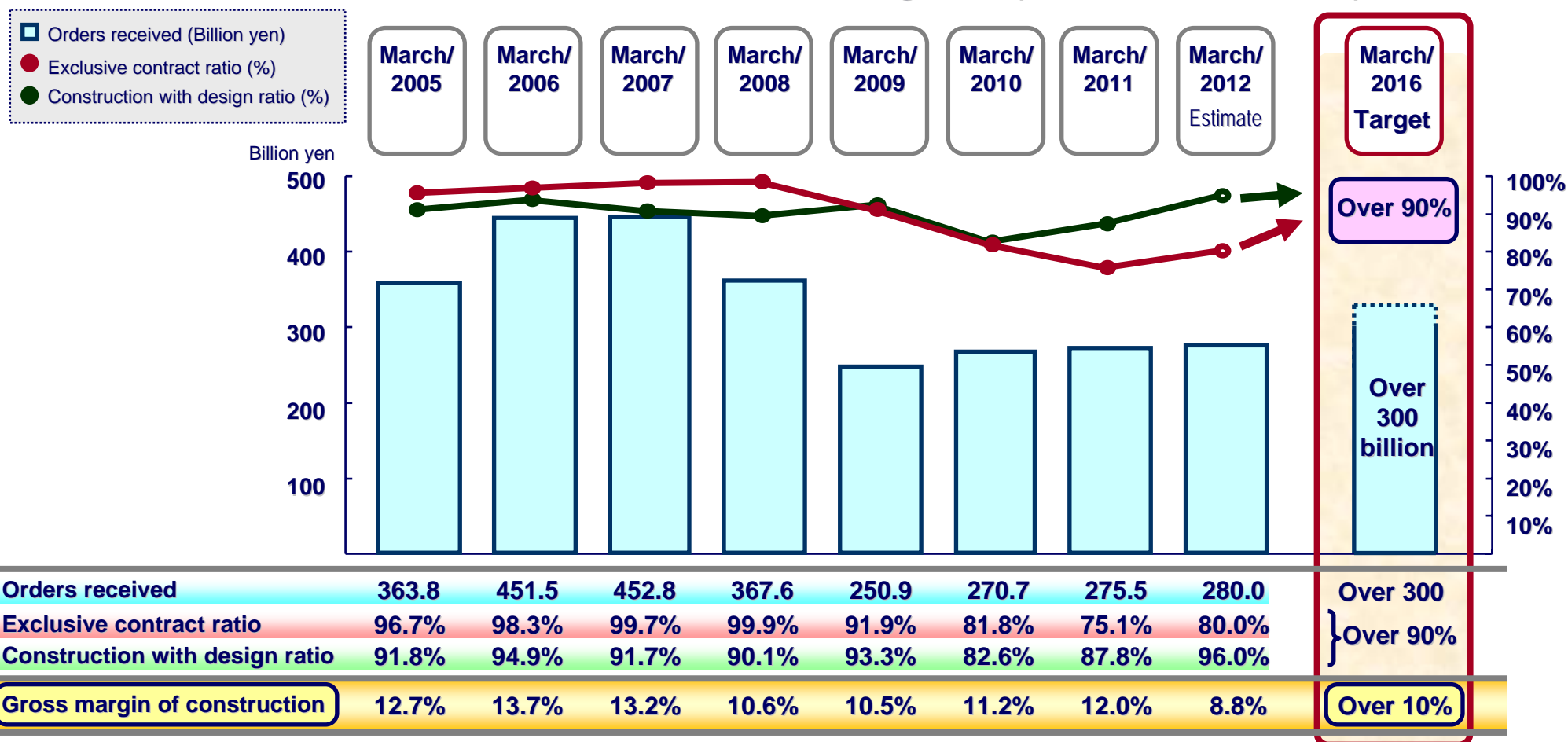
### Percentage of units constructed by Haseko among newly supplied for-sale condominium units (Kinki area)



Source: Haseko Research Institute, Figures for 2012 and 2016 are forecasted more conservatively compared to potential demand estimation

**Conduct order-reception activities targeting to achieve at least 300 billion yen in orders received (non-consolidated basis) and at least 90% in the ratio of Exclusive contract and construction with design**

**Orders received, Exclusive contract ratio, Construction with design ratio (Non-consolidated basis)**



\* Include consignment work incidental to construction work



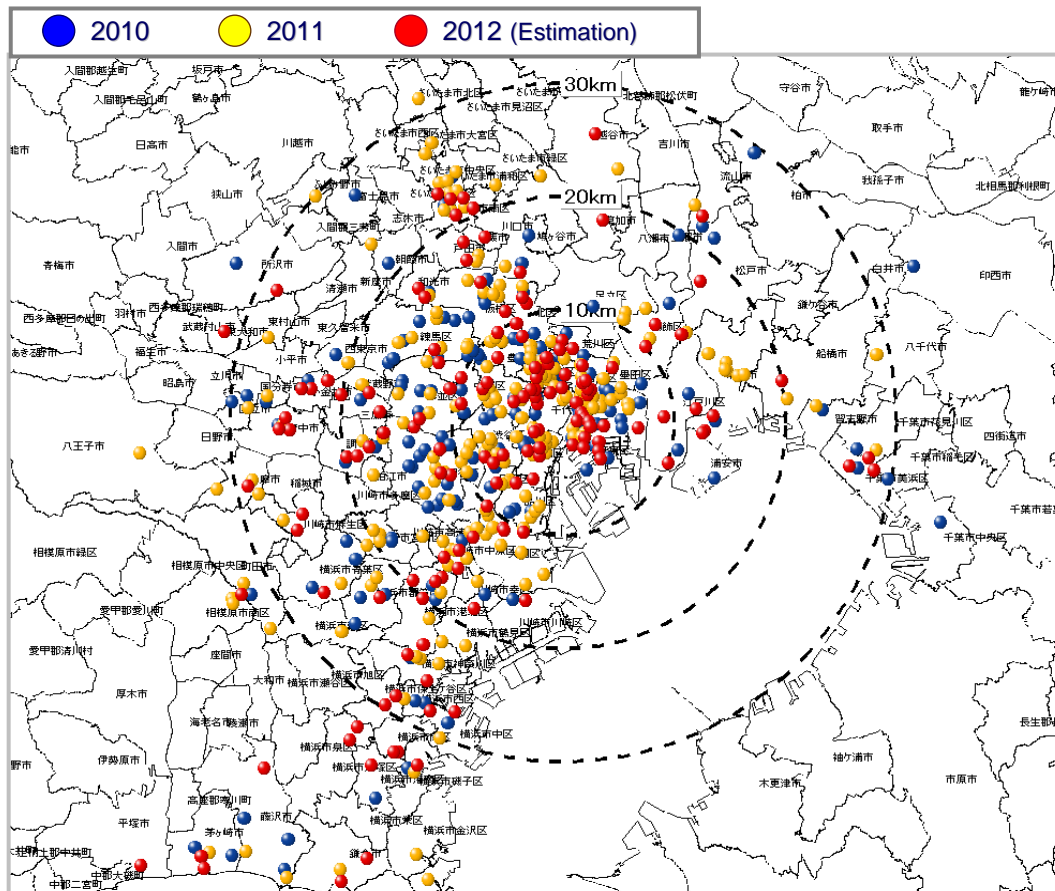
**Ratio of supply by major project owners beyond 20-kilometer radius (based on the number of buildings) has increased by as much as 13 points over 2010. Business areas have been increasingly suburbanized.**

## Dispersion of properties supplied by major project owners in 2011 through 2022 (Tokyo metropolitan area)

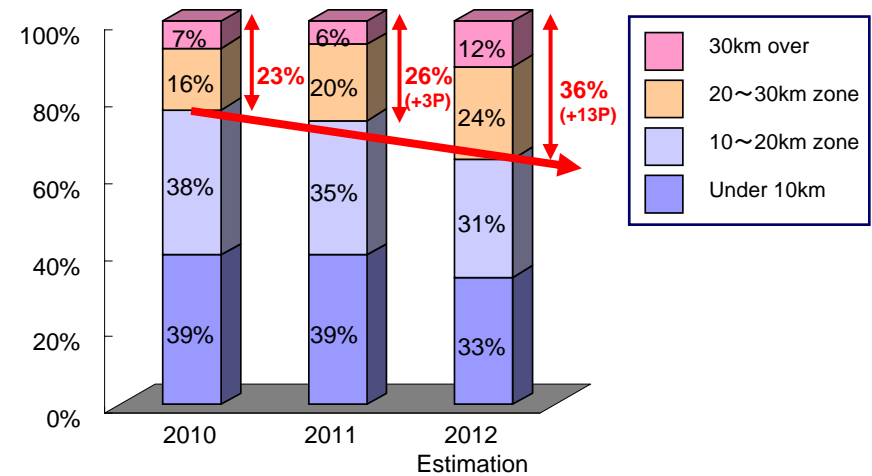
\* Definition of major project owner: Major seven companies

Sumitomo Realty & Development, Daikyo, Tokyu Land Corporation, Tokyo Tatemono, Nomura Real Estate Development, Mitsui Fudosan Residential, Mitsubishi Jisho Residence

\* Surveyed by Haseko Urbest Inc.



## Ratio of numbers of supplied in areas by radius (Building basis)



## (Reference) Ratio of total number of units in areas by radius

Supplied year	● 2010		● 2011		● 2012	
	Ratio	Ratio	Estimation	Ratio		
Under 10km	8,814	39%	9,190	39%	5,285	25%
10~20km zone	6,356	28%	6,383	27%	6,700	32%
<b>20~30km zone</b>	<b>4,489</b>	<b>20%</b>	<b>5,833</b>	<b>25%</b>	<b>6,878</b>	<b>33%</b>
<b>30km over</b>	<b>2,706</b>	<b>12%</b>	<b>1,966</b>	<b>8%</b>	<b>2,001</b>	<b>10%</b>
Total	22,365	100%	23,372	100%	20,864	100%

## Projects employing “Be-Next”, that next-generation condominium that addresses the changes in the times and environment

**BRANCHERA**  
Kemigawahama MAIMU



*The first project employing “Be-Next”*

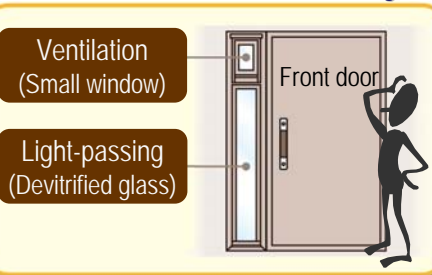
*Haseko Next-Generation Condominium*



“Mamoru”: Protect from harm like earthquakes  
 “Ikasu”: Make the most of nature  
 “Musubu”: Strengthen the bond between people

### Environment & Disaster prevention

Passive design benefiting from natural ventilation and natural light



Three-piece set Disaster prevention facilities

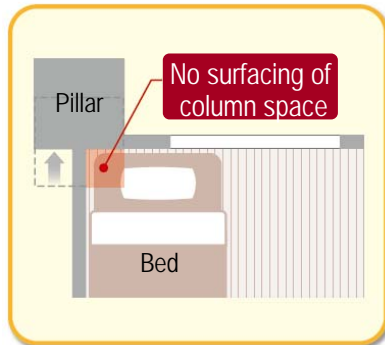


Shape-changeable Stool (Charcoal Grill)

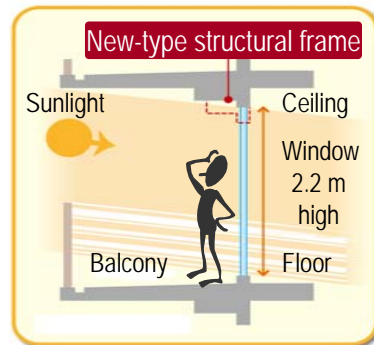
**Three concepts**

### Satisfactory fundamental performance

Streamlined and efficient living spaces

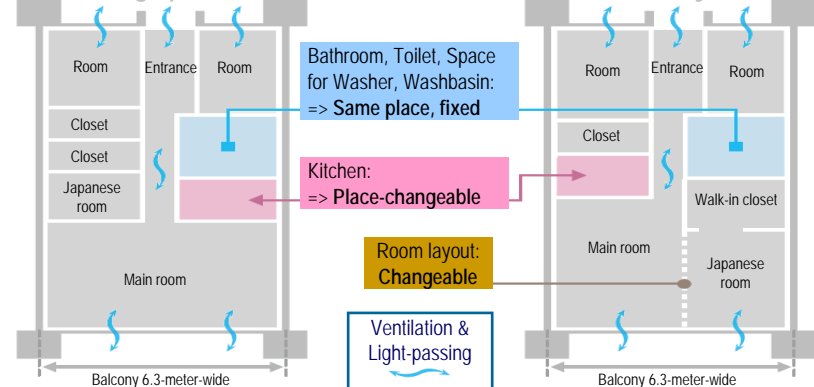


Living spaces with open atmosphere



### Simple & Flexible

Living spaces that are standardized but have versatility



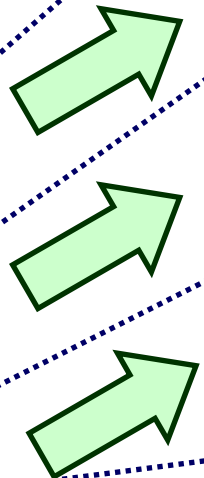
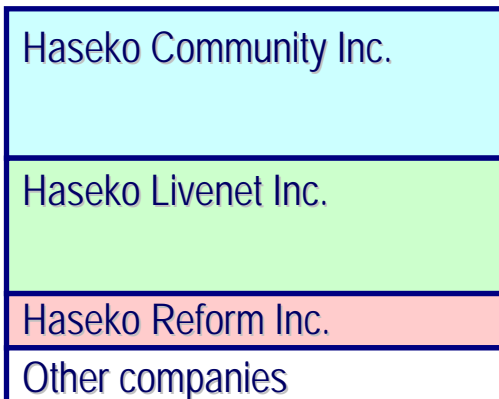
# Service-related business, 10 billion yen in Ordinary income

- > Increase revenues in stages from the service-related business centering on condominium management, rental apartment management and interior and exterior renovation, aiming to achieve 10 billion yen in ordinary income
- > For the management of for condominium units (by Haseko Community Inc.) and rental condominium units (by Haseko Livenet Inc.), the core operations of the service-related business, aim to increase the number of units under management and expand revenues and profit
- > Reinforce the interior and exterior renovation business (by Haseko Reform Inc.), including large-scale exterior renovation, which is expected to see a significant increase in demand, and expand revenues and profit

## March/2012 Estimate

6 Billion yen

Approx. 80%



## March/2016 Target

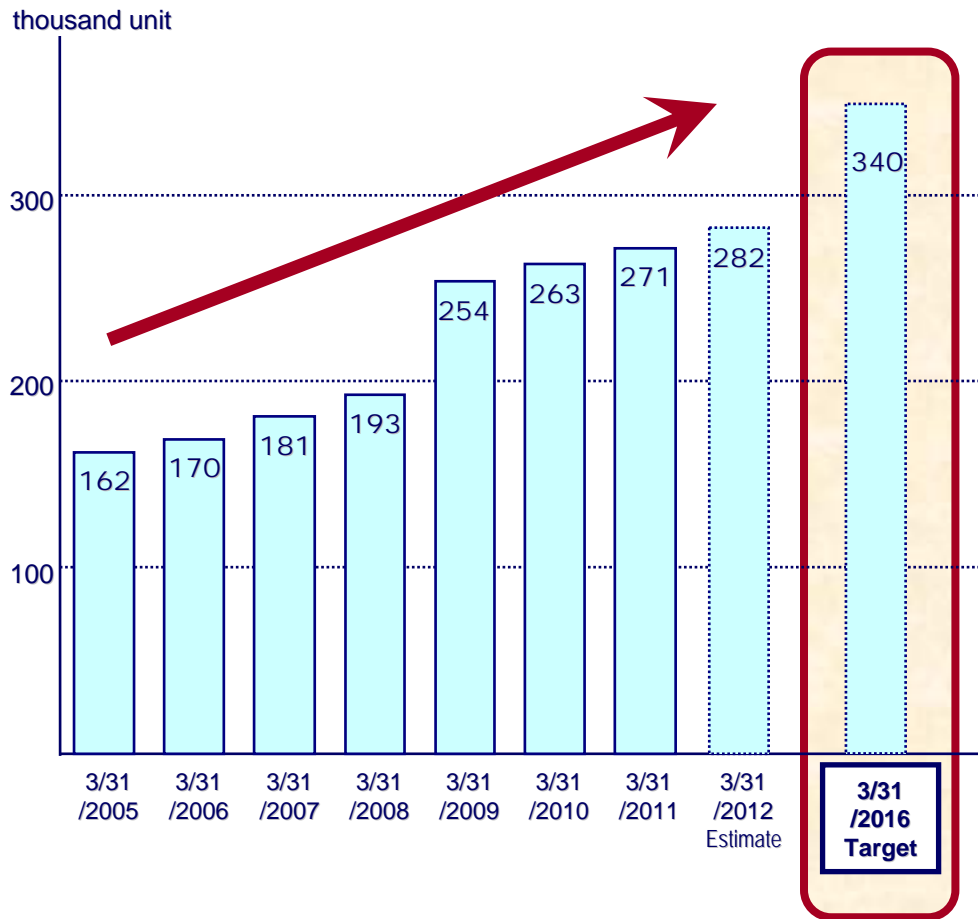
10 Billion yen

Approx. 80%

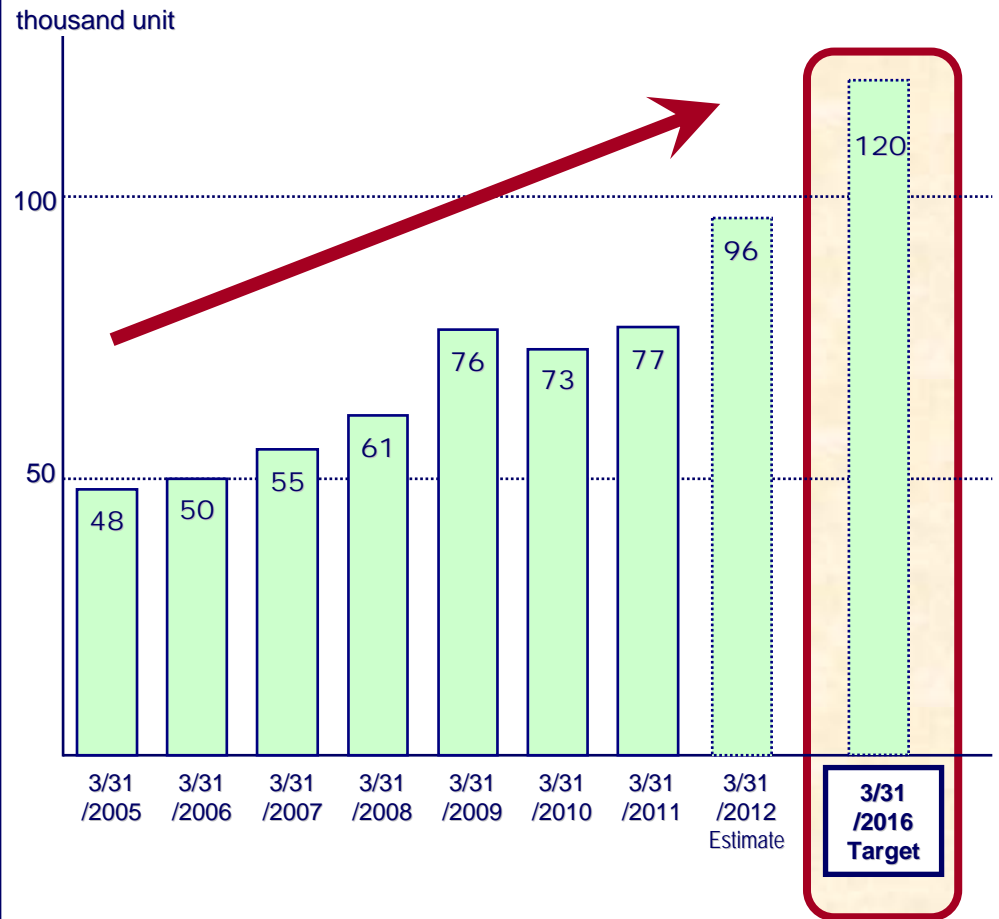


The number of units under management have steadily increased  
Continuously endeavor to expand the work in size

**Number of for-sale condominium units  
the Haseko Group is consigned to manage**



**Number of units (rental condominiums, company housing, etc.)  
Haseko Livenet Inc. is consigned to manage**

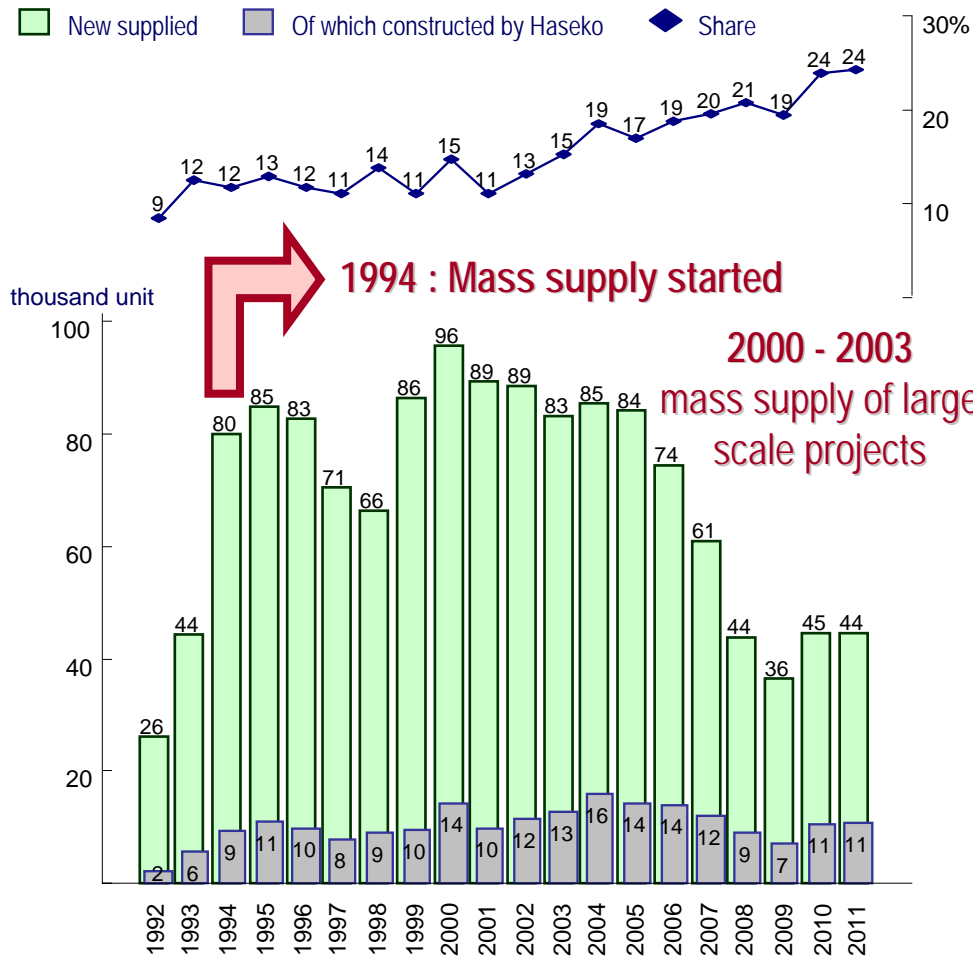


# Increase in the number of condominiums “Suitably Timed” for large-scale exterior renovation

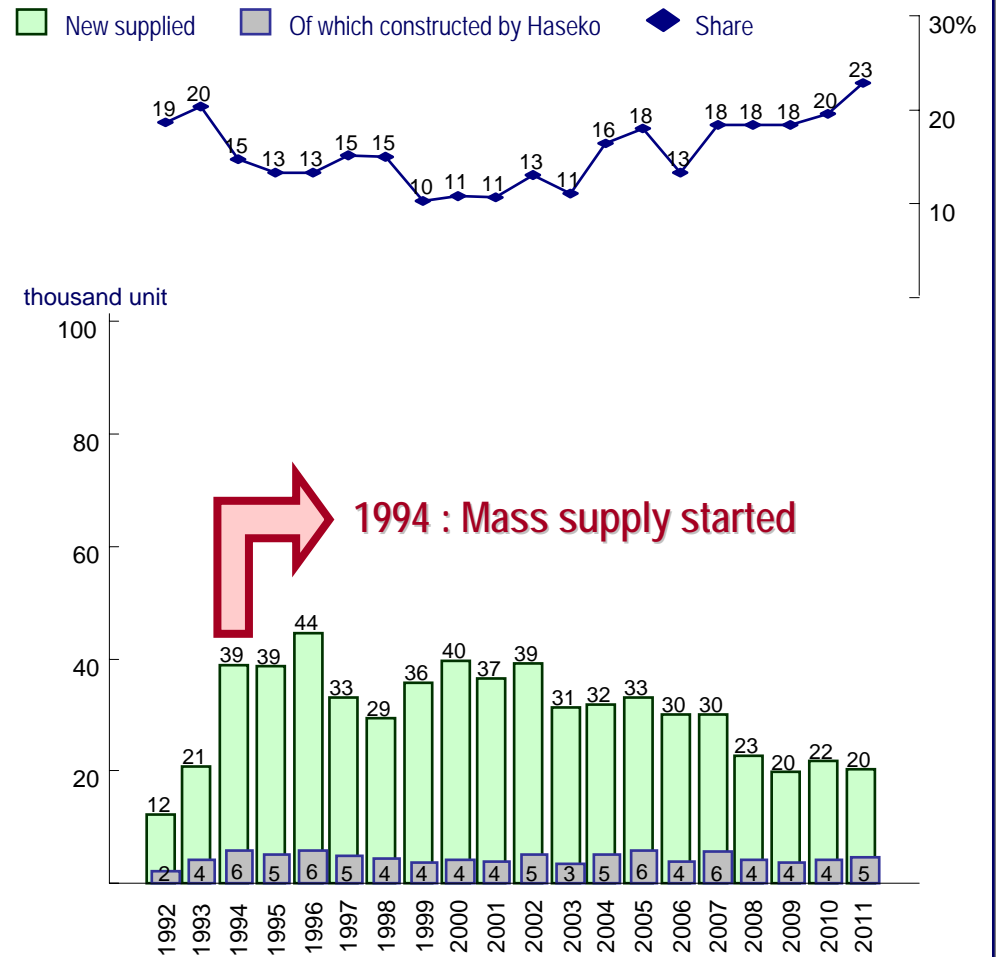
The number of condominiums “suitably timed” for large-scale exterior renovation has increases as time goes by

Needs for large-scale external renovation has expanded

Number of newly supplied for-sale condominium unit (Tokyo metropolitan area)



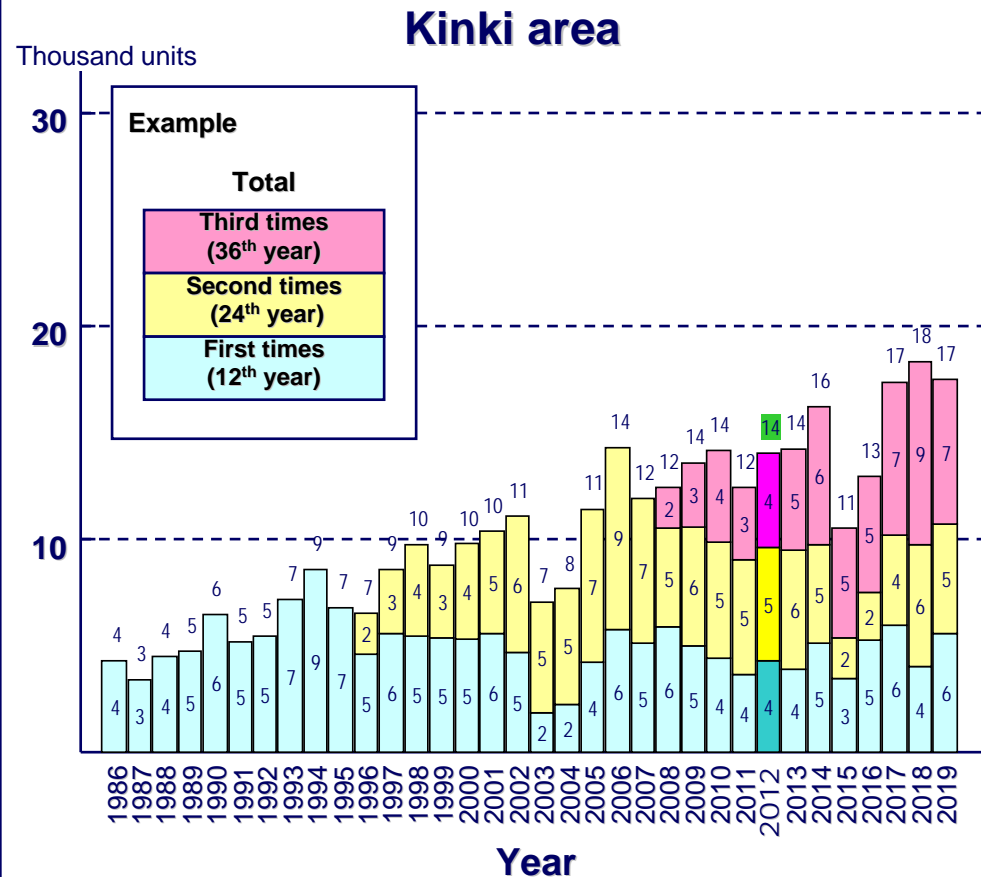
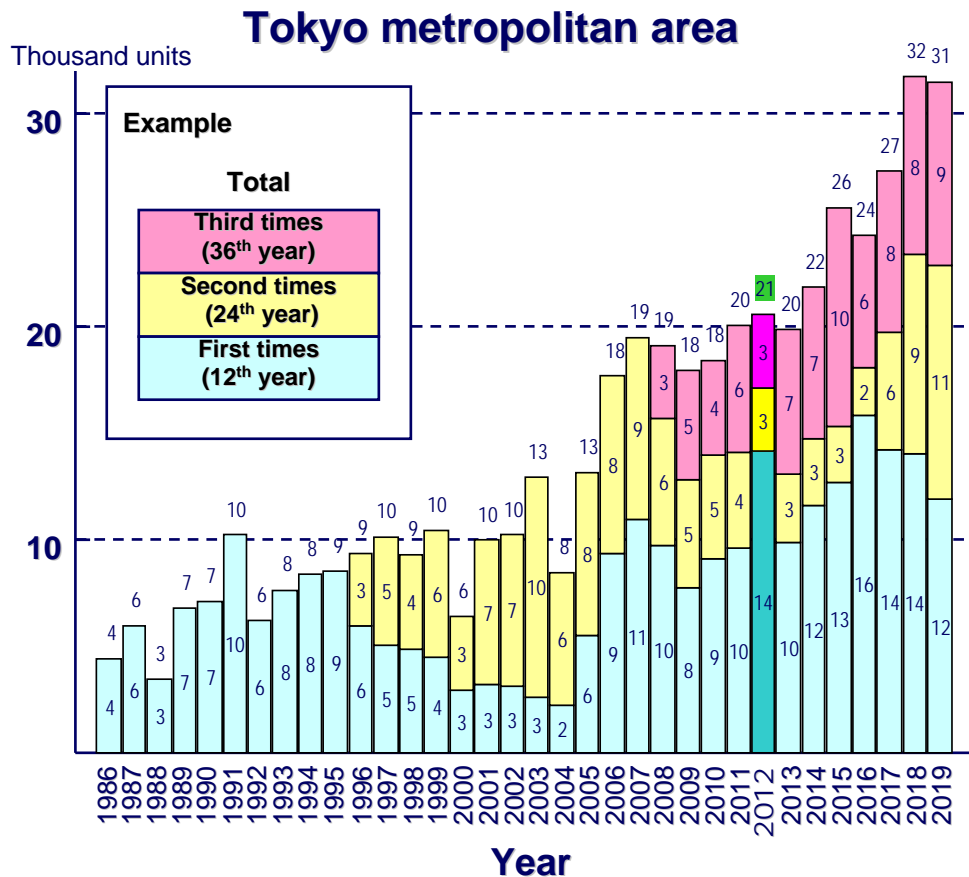
Number of newly supplied for-sale condominium unit (Kinki area)



# Condominiums (Constructed by Haseko) “Suitably timed” for large-scale exterior renovation

Even limiting to properties previously constructed by Haseko, the number of condominiums “suitably timed” for large-scale exterior renovation has increased

When will the condominiums previously constructed by Haseko require large-scale exterior renovations, and subsequent renovations?



## Overview of Haseko Reform Inc.

- > Aims to become the “No.1 company in interior and exterior renovation of condominiums” by further expanding business into the stock-based market
- > Addresses any type of interior and exterior renovation work for existing condominiums to endeavor to maintain and improve their asset value

**【Backbone】**

- > Construction of new for-sale condominiums totaling 510,000 units
- > Large-scale exterior renovations totaling 220,000 units
- > Management of for-sale condominiums totaling 280,000 units
- > Management of rental condominiums totaling 90,000 units

Further reinforcement of developing renovation technologies



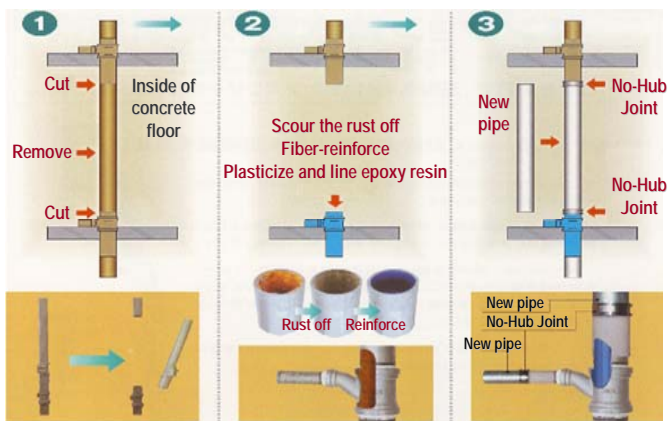
## Renovation technologies that provide safety, comfort and economy

## Building diagnosis

### HAM-J method

Upgrading and improving drainage piping

Construction reducing noise and vibrations and completing in a short period



### Unit gondola scaffolding

Secures crime prevention and comfortable living



### “Jyu yu shi”

Implementing building diagnosis free of charge



Basic policy 3 Secure a financial foundation that supports continuous growth, and resume dividends to the Company's common stocks

Implement a financial strategy with a balanced focus on "securing a financial foundation that supports continuous growth" and "Handling outstanding preferred stocks," and resume dividends to the Company's common stocks

- > Redeem all existing preferred stocks (Preferred Stocks Class B 1) by the arrival of their conversion period that starts in October 2015, by using profits for the period, in order to avoid dilution caused by the conversion of the preferred stocks into common stocks
- > Work to maintain and improve financial soundness by improving the quality of shareholders' equity and reducing interest-bearing debt, in order to secure flexibility in the financial strategy in accordance with the business policies and the growth strategies of the Company
- > Resume stable dividends to the Company's common stocks as early as possible within the period covered by the Plan

## Overview of preferred stocks Class B I

- > Issued amount 45 billion yen
- > Issued shares 90 million shares
- > Issued date September 27, 2002
- > Conversion request period  
From October 1, 2015 to September 30, 2032
- > Initial conversion price  
Market price 1 year before conversion start date  
(however, not below 72 yen)
- > Revision of conversion price  
Ceiling price: 300% of initial conversion price  
Floor price: 50% of initial conversion price
- > Mandatory redemption  
From April 1, 2009 to September 30, 2014
- > Redemption amount  
45 billion yen (100% of issued amount)

## ■ Redeem all existing preferred stocks

- > Redeem 5 billion yen by the end of March 2012
- > Redeem 40 billion yen by the end of September 2015
- > Conduct redemption while maintaining financial soundness to a certain degree by accumulating profits for the period

## ■ Extend the mandatory redemption period by one year to September 30, 2015

- > Planned to be placed on the agenda of the annual meeting of shareholders in June 2012

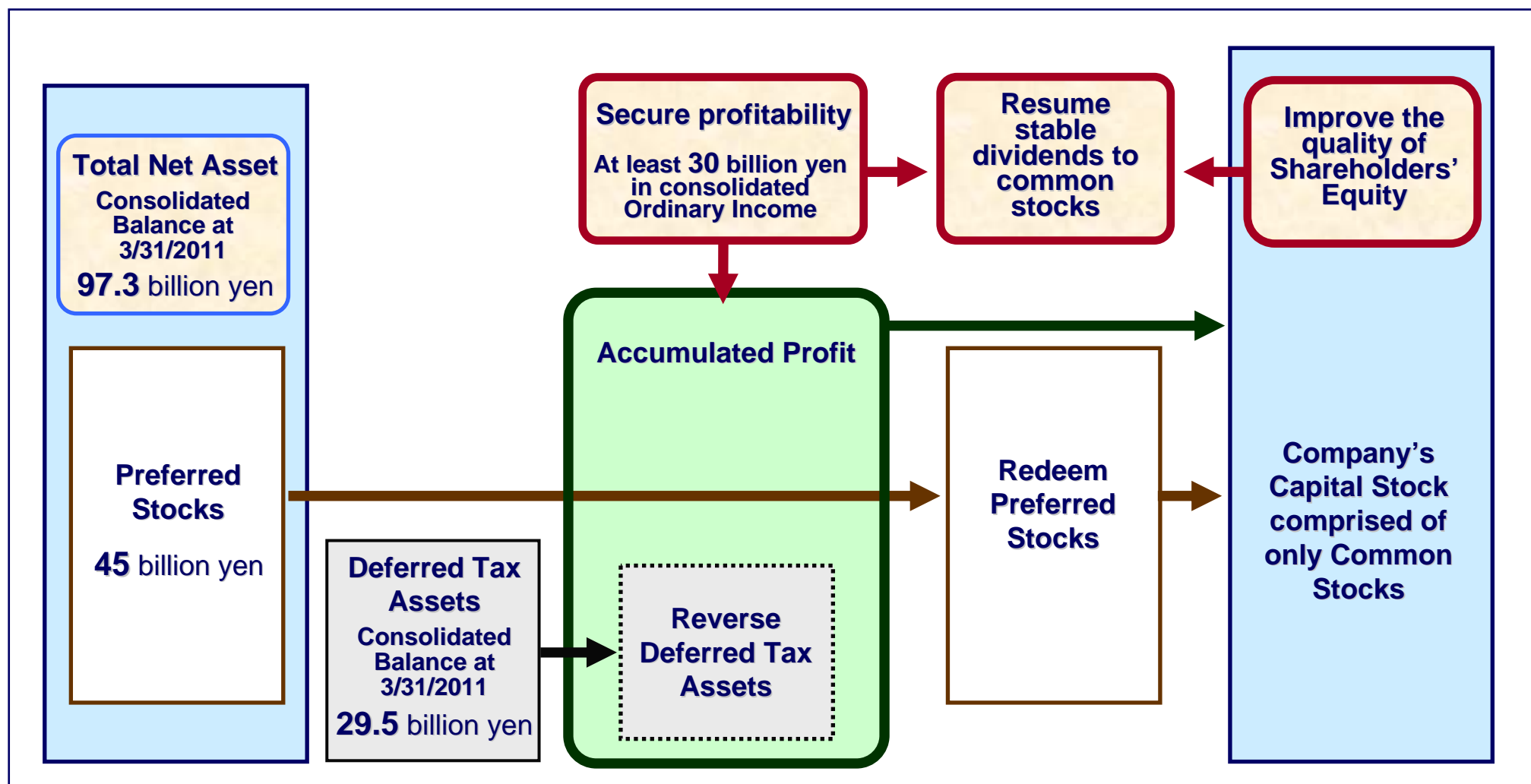
## ■ Establish commitment line of subordinated loans

- > Discussion is under way with three major banks, which are also the Company's preferred stock shareholders, concerning the commitment line of subordinated loans for a maximum amount of 20 billion yen (with the fund use limited to the acquisition of the relevant preferred stocks), as a backup to secure funds that may become necessary in the future to acquire the Preferred Stocks while maintaining financial soundness to a certain degree. The commitment line is planned to be established in March 2012.



# Endeavor to resume stable dividends to the Company's common stocks

Redeem all preferred stocks by accumulating profits for the period  
Aim to improve the quality of shareholders' equity  
and resume stable dividends to the Company's common stocks



**Preferred Stock Class B I**

	FY2011 March/2012	FY2012 March/2013	FY2013 March/2014	FY2014 March/2015	FY2015 March/2016
<b>Conversion clause</b>				October/2014 Determination of conversion price	October/2015 Enable to convert to common stock
<b>Mandatory redemption</b>	Current due date: September 30, 2014			Extend due date September 30, 2015	
<b>Redemption schedule</b>	5 billion yen	40 billion yen			

\* Extension of the mandatory redemption period is planned to be placed on the agenda of the annual meeting of shareholders scheduled for June 2012.

Basic policy 4 Challenge new domains with a view for the future

■ **Facilitate the challenging of new endeavors from a medium- to long-term perspective**

- > Pursue the possibility of expanding our business areas in major cities in Japan, pivoting around service-related businesses
- > Investigate and implement measures to expand revenues and profits in overseas markets as the Haseko group

Basic policy 5 Corporate management system

■ **Continue to focus on establishing highly effective governance and internal control, building on the basic policy of the Company's corporate management to contribute to society through its operations that put customers first and to become a trusted company**

- > Secure monitoring of management operations by the Board of Auditors, the majority of which are outside auditors, with a monitoring function from an objective and neutral standpoint, and activate the Board of Directors as well as enhance its function to monitor business management by adding outside directors
- > Continuously maintain and enhance systems for compliance, quality (ISO-9001), environment (ISO-14001), information security and protection of personal information

