

May 14, 2014

Notification on Establishment of Medium-Term Business Plan

In February 2012, Haseko Corporation (the “Company”) established the “PLAN for NEXT (for fiscal 2012 ending March 2013 through fiscal 2015 ending March 2016)” (Plan 4N), a medium-term business plan positioned as initiatives for “creating the foundation for the new stage.” Under the plan, the Company has focused on the demonstrated goals of further accelerating a shift to corporate management that builds upon both the “flow-based” market centering on construction and the “stock-based” market that should surely accumulate in the future, as well as preparing a financial standing that can endure changes and meet the challenges of new endeavors from a medium- to long-term perspective.

Given the market for new for-sale condominiums recovering at a pace faster than anticipated, the Company has become assured that its construction-related business centering on new for-sale condominiums will be able to secure profits and order volume surpassing planned figures. The Company has also made progress in selling its owned real properties and other assets due to the favorable turn of the economic environment and other factors. These developments now allow the Company to expect that it can achieve its top priority task of redeeming all its existing preferred stocks and resume the payment of dividends for its common stocks in the current fiscal year.

Achieving this represents the fulfillment of the Company’s rehabilitation in its true sense, and the Company considers that the environment is now well prepared for it to further advance its initiatives for the future. As such, the Company has decided to finish the Plan 4N at the end of the fiscal year ended March 2014, two years ahead of schedule, and establish a new business plan at this time.

It is forecasted that the number of households in the Tokyo metropolitan area will take a downward turn in the near future. With such an outlook, the environment surrounding the Company has not changed significantly in principle since the establishment of the Plan 4N, as there are such issues as the aging society with fewer children, an increase in the number of greatly-aged condominiums, a decrease in the number of skilled construction workers, and the need to respond to environmental and energy matters. Therefore, the new plan will succeed the basic policy of the Plan 4N. Meanwhile, from the perspective of more strongly promoting the establishment of service-related businesses, the Company has determined to add “coordination among the Group’s businesses” and “winning more confidence from urban dwellers” to the basic policy and take initiatives.

Based on the above thinking, the new medium-term business plan to be newly established is called “newborn HASEKO” (Plan NB), which has the implication of rebirth of the Company as the “newborn Haseko” after completing its 20-year-long rehabilitation. The time horizon of the plan is set at 6 years starting in the fiscal year ending March 2015. The Company will implement the plan by positioning the first three years as the period to “Step Up” and the latter three years to “Jump Up.”

Details

■ Overview of the Business Plan, “newborn HASEKO” (Plan NB)

● Period Covered by the Plan: Fiscal 2014 (ending March 2015) – Fiscal 2019 (ending March 2020)
(six fiscal years)

● Positioning of the Plan

◇ The Plan 4N is positioned as the period to “Hop,” while the first three years of the Plan NB as the period to “Step Up” and the latter three years to “Jump Up,” so that the Company aims to recreate itself as the “newborn Haseko” that has completed its rehabilitation and make a leap forward

◇ The first three years of the Plan NB are positioned as the “period to step up to the newborn Haseko,” and a medium-term business plan of “newborn HASEKO Step Up Olan” (Plan NBs) is established for the period.

■ Overview of the Medium-Term Business Plan, “Plan NBs”

● Period Covered by the Plan: Fiscal 2014 (ending March 2015) – Fiscal 2016 (ending March 2017)
(three fiscal years)

● Basic Policies

1. Establish corporate management that builds on both the construction-related business, which primarily targets the market for new housing supply, and the service-related business, which is centered on the market related to existing residences, etc.
2. Deepen coordination among the Group companies to realize a corporate entity that proves to be worthy of the trust received from urban dwellers
3. Provide safe, reliable and comfortable condominiums
4. Establish a stable financial foundation for a leap forward
5. Challenge new endeavors from a medium- to long-term perspective
6. Establish highly effective governance and internal control

● Numerical Targets: 35 billion yen in consolidated ordinary income and 23 billion yen in non-consolidated ordinary income for fiscal 2016 ending March 2017

● Specific Items

1. Enhancing Profitability of Main Businesses

“Establish corporate management that builds on both the construction-related business, which primarily targets the market for new housing supply, and the service-related business, which is centered on the market related to existing residences, etc.”

- Secure reasonable profits in receiving orders for construction of new for-sale condominiums
- Expand earnings in service-related businesses and realize a corporate entity that proves to be worthy of the trust received from urban dwellers

2. Reinforcing and Advancing Technological Capabilities and Technical Development Abilities

“Provide safe, reliable and comfortable condominiums”

- Develop and construct next-generation production systems (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)
- Verify and apply production technologies of condominiums for the elderly and rental condominiums in specific projects
- Further reinforce development of renovation technologies

3. Financial Strategy

“Establish a stable financial foundation while returning profits to shareholders in a stable manner”

- Conduct distribution of profits by taking a balanced approach to continuous returning of profits to shareholders in a stable manner, investments in growth strategies, and reduction of interest-bearing debts
- Enhance shareholders' equity by accumulating profits for the period, while taking into account the composition ratio of shareholders' equity and liabilities, in order to “Establish a stable financial foundation for a leap forward”

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
- Endeavor to establish a business foundation of the Haseko Group in overseas markets

5. Corporate Management and Human Resources, etc.

“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 business 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 an outside 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 (ISO9001), environment (ISO14001), information security and protection of personal information
- Reinforce the management system throughout the entire Group in an integrated manner, and foster human resources who play a major role in the system
- Promote proactive empowerment of female employees