

March 2, 2017

## **Notification on the Overview of the Medium-Term Business Plan for the Latter Half of Its Period**

In May 2014, Haseko Corporation (the “Company”) announced its new medium-term business plan, called the “newborn HASEKO” (for the six years from fiscal 2014 ending March 2015 through fiscal 2019 ending March 2020), which has the implication of rebirth and advancement of the Company as “new born Haseko.” Currently, the Company is working to achieve the targets of the first three years of the business plan, positioned as the period to “Step Up” (hereinafter, the “Plan NBs”). As the latter three years positioned as the period to “Jump Up” (hereinafter, the “Plan NBj”) starts in the next fiscal year ending March 2018, the Company announces the overview of the medium-term business plan for the latter half of the period.

Looking back on the Plan NBs for the first three years, orders received in the Construction-Related Business renewed a record high as customers and project owners have high regard for the Company’s ability to gather land information and product planning ability, its attitude regarding construction quality and keeping construction schedules, among other strengths. In the Service-Related Business, the Company conducted M&As and other investments in an aim to increase its earning capacity, and its existing subsidiaries steadily accumulated profits. Consequently, the Company expects to achieve results that will significantly surpass the numerical targets of the plan.

In the newly announced Plan NBj, the Company will make proactive investments in growth strategies to maintain and enhance profits of the Haseko Group while following the basic policy of the Plan NBs. At the same time, the Company will work to firmly establish its financial foundation and a revenue base for the future by addressing various managerial issues. The Company will also endeavor to address a variety of social issues including the aging society with fewer children, decreasing population, trends for “compact cities,” disaster countermeasures, countermeasures to aging buildings, promotion of environmental awareness and energy saving, both in terms of physical products and services and know-how by combing diverse areas of its businesses centering on for-sale condominiums. Through such endeavors, the Company aims to become a corporate group for housing to create great living in efforts to realize its corporate philosophy of “contributing to society by creating a living environment that is optimal for cities and people.”

In February 2017, the Company celebrated its 80th anniversary since inception. All the officers and employees of the Company are resolved to make this a new starting point for making progress toward the 100th anniversary and for creating the future beyond it, while always being grateful to all the stakeholders related to the Company.

## Details

- Overview of the Medium-Term Business Plan for the Latter Half of the Period
  - Name of the Plan: newborn HASEKO “Jump Up” Plan (Plan NBj)  
– Aiming to become a corporate group for housing to create great living –
  - Period Covered by the Plan NBj: FY 2017 (ending March 2018) – FY 2019 (ending March 2020)  
(three fiscal years)
  - Numerical Targets: 240 billion yen in consolidated ordinary income in aggregate for the three fiscal years (FY 2017 through FY 2019)  
At least 20 billion yen in ordinary income of consolidated subsidiaries for FY 2019 ending March 2020
  - 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
  - What the Company Aims to Be  
The Company will endeavor to specifically realize its social mission of “contributing to society by creating a living environment that is optimal for cities and people” by responding to changes in social conditions, including the aging society with fewer children, decreasing population, trends for “compact cities,” disasters, aging buildings, environmental awareness and energy saving and community formation. For this purpose, the Company will aim to make a leap forward toward a “corporate group for housing to create great living,” both in terms of physical products and services and know-how by combining its initiatives on rental housing, housing for the elderly, commerce, nursing care, childcare, healthcare, medical care and education, etc., with a focus on for-sale condominiums.

- Focused Strategies

- (1) Construction-Related Business

- “Establish superiority to be free from fluctuations in market conditions”

- Secure appropriate construction work volume and reasonable profits, while maintaining high quality, by continuously enhancing the building production system
    - Create and realize the concept of how new condominium should be, with deep insight on the lifestyle of urban dwellers in the future
    - Enhance the business planning ability for replacement and redevelopment projects, and thoroughly implement risk management
    - Proactively work to construct buildings other than residential properties or for-sale condominiums to accumulate a track record of construction, and reinforce competitiveness by enhancing the ability to control costs

- (2) Service-Related Business

- “Reinforce the revenue base for the Service-Related Business and enhance services for urban dwellers”

- Ensure that the mindset of “hospitality” is shared by everyone in the Company, and provide diverse services to customers through coordination among the Group companies
    - Implement measures for developing and strengthening a relationship of mutual trust with customers
    - Attempt to materialize the concept of multi-purpose stores aimed at promoting expansion of operating areas and stores as well as providing services from the viewpoint of customers
    - Develop repair and renovation technologies for maintaining asset value and extending the life of housing, and reinforce the ability to make proposals
    - Secure stable revenues by enhancing the for-sale condominium business and making investments in blue-chip real estate properties

- (3) Financial Strategy and Returning of Profits to Shareholders

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

- In distributing profits, take a balanced approach to investments in growth strategies for the future and returning of profits to shareholders, while securing internal reserve for reinforcing the financial standing
    - Aim to achieve a consolidated dividend payout ratio of 20%, while working to stably distribute dividends of ¥20 per share to shareholders

#### (4) New Domains

“Accelerate promotion of endeavors to expand the geographical business areas and business fields”

- Work to expand the Group’s businesses to major cities in Japan and the markets in the U.S. (Hawaii) and Southeast Asia, with an aim to establish a revenue source of the future
- Accelerate promotion of endeavors on such measures as business and capital tie-ups and M&As in the businesses the Company requires to become a “corporate group for housing to create great living”

“Build a corporate culture that encourages people to challenge new things”

- Develop new products and new services speedily
- Seek new business opportunities through coordination among companies
- Foster human resources with future-oriented thinking who can bear the future of the Group

#### (5) Initiatives to perform corporate social responsibilities

“Establish highly effective governance and internal control, and lay foundation of Haseko-style social contributions”

- Maintain and enhance a management system that secures transparency and objectivity
- Make further improvements for realizing a workplace environment that facilitates working, and establish a support system for individual employees to play an active role and grow themselves
- Establish a business management and risk management system that features effectiveness as well as efficiency
- Promote activities for compliance, quality control, environmental burden reduction and environmental preservation throughout the Company’s business activities
- Continuously implement social contribution activities that take advantage of business characteristics

(Note) The forward-looking statements described in this document are estimates based on information available to management as of the date of announcement. Actual measures and performance may differ from the descriptions due to a variety of factors that may arise in the future.

# **Medium-term Business Plan**

## **newborn HASEKO Jump Up Plan**

~ Aiming to become a corporate group for housing to create great living ~

March 2,2017



## 【Overview】

- ◆ 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 Plan” (Plan NBs) is established for the period.
  
- ◆ 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 FY 2016 ending March 2017

## < Numerical Target and Forecast >

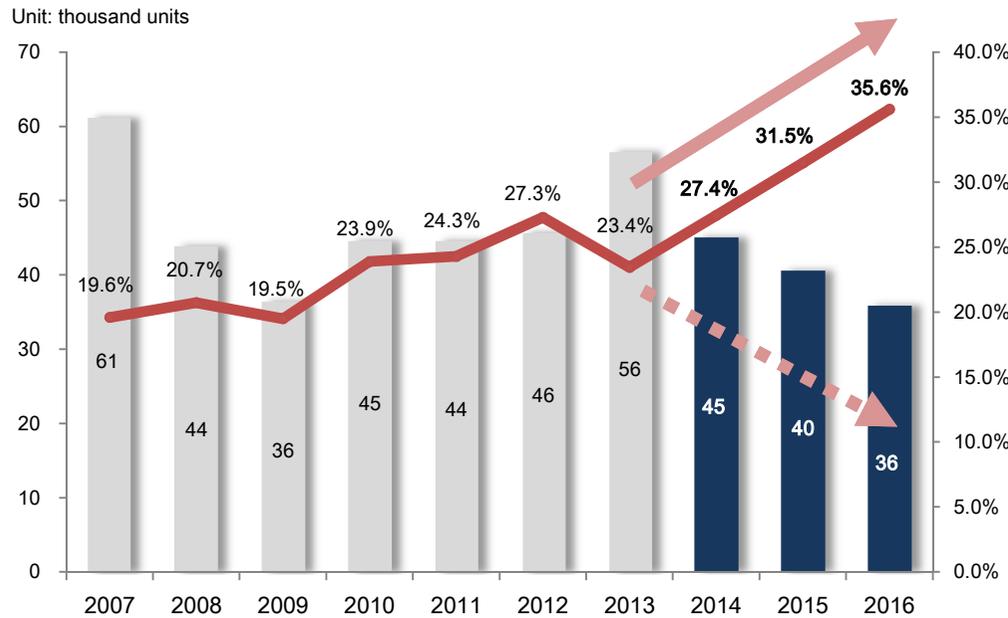
Billions of yen

|                                     | March 2017<br>Numerical<br>Target | March 2015<br>Result | March 2016<br>Result | March 2017<br>Forecast |
|-------------------------------------|-----------------------------------|----------------------|----------------------|------------------------|
| Consolidated ordinary<br>income     | <b>35.0</b>                       | 41.9                 | 67.3                 | <b>84.0</b>            |
| Non-consolidated ordinary<br>income | <b>23.0</b>                       | 34.7                 | 65.4                 | <b>72.0</b>            |

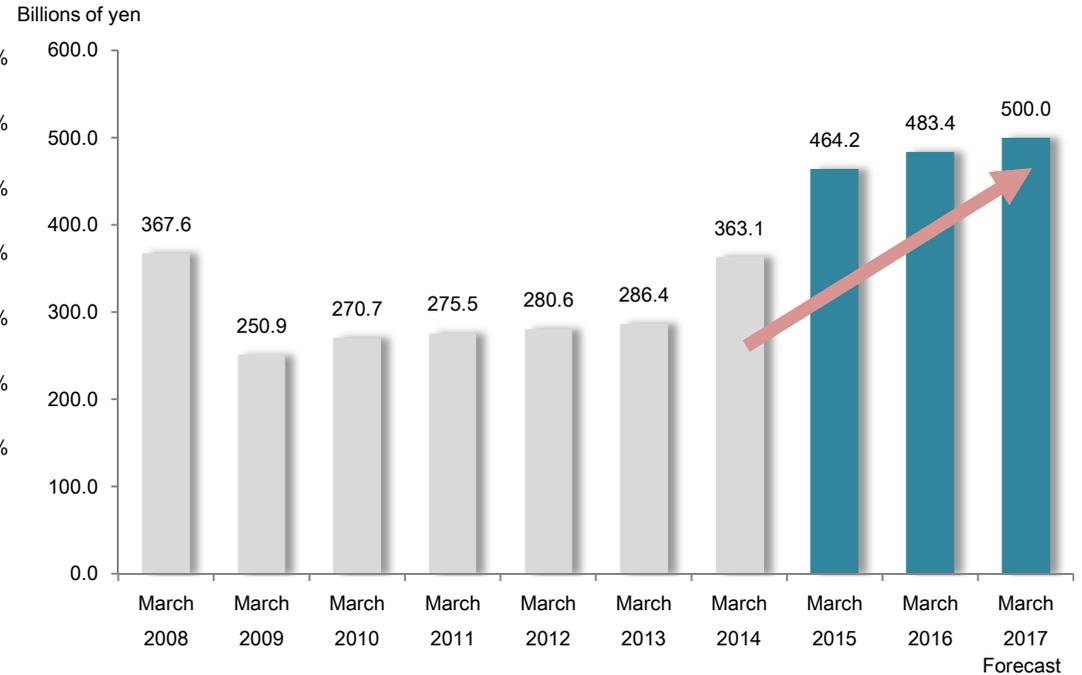
Expected to achieve record highs in ordinary income, both on a consolidated and a non-consolidated basis, significantly surpassing the Plan's numerical target. In particular, the Construction-Related Business conducted primarily by the parent company has driven the performance.

# Plan NBs – Construction-Related Business

< History of condominium units supplied and Construction share >  
(Tokyo metropolitan area)



< Orders received >  
(Non-consolidated)

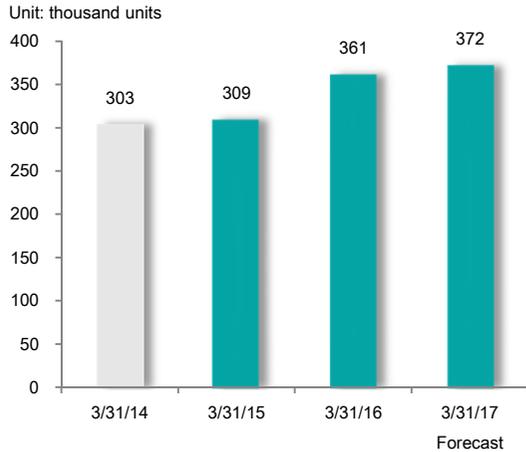


While newly supplied in the Tokyo metropolitan area remained low during the period covered by Plan NBs, Haseko increased its construction share. Orders received are expected to renew record highs on a non-consolidated basis.

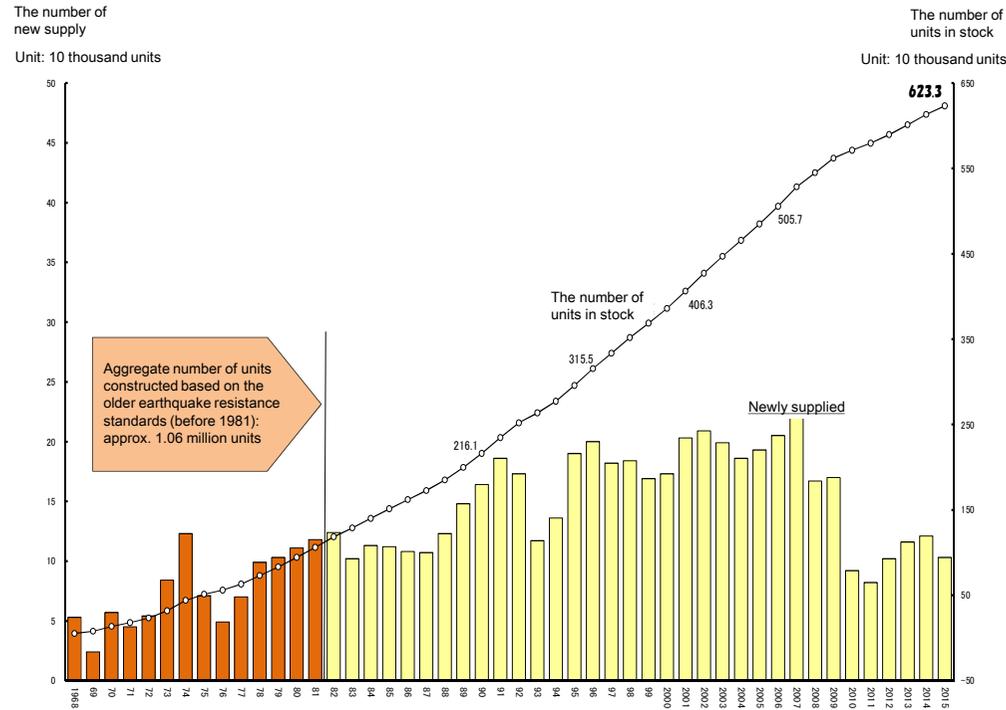
# Plan NBs – Service-Related Business



### Managing condominium units



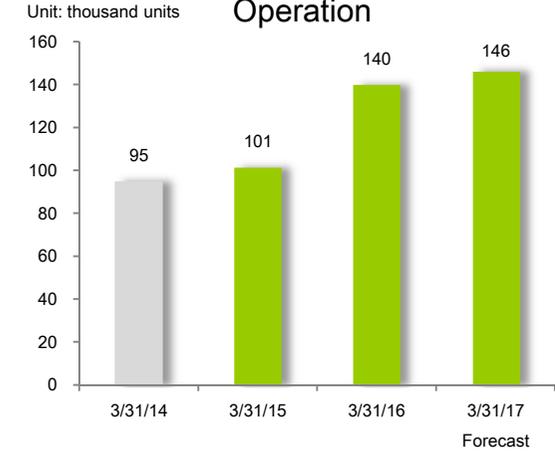
### The aggregate number of for-sale condominiums



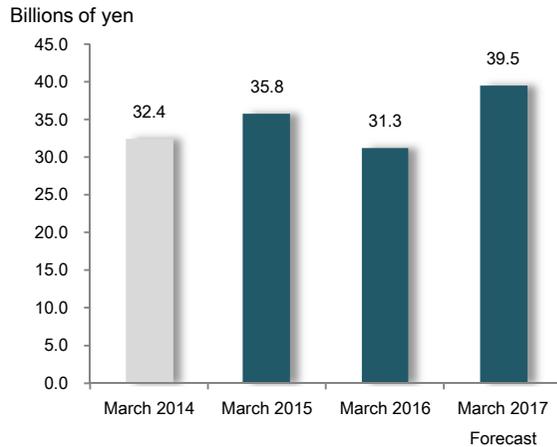
Prepared by HASEKO Research Institute based on materials from the Ministry of Land, Infrastructure, Transport and Tourism

Note 1. The number of new supply was estimated based on the Housing Starts Statistics and other data.  
 Note 2. The number of units in stock was the total of estimated figures as of the end of respective years, based on the cumulative number of new supply, etc.  
 Note 3. Condominiums mentioned here refer to apartment-type, middle-to high-rise (3-stories or higher) for-sale residences with reinforced concrete, steel and reinforced concrete or steel-frame structures.

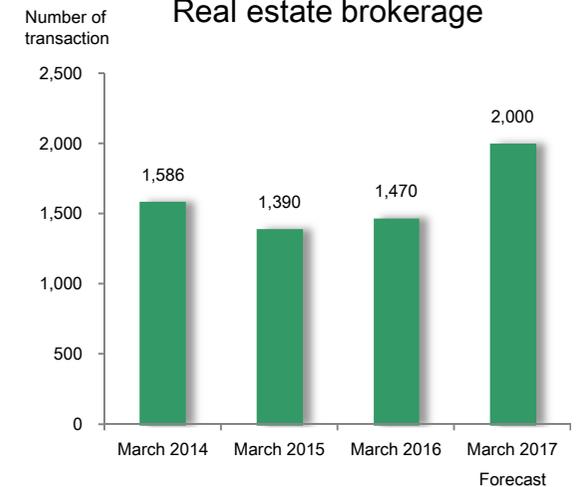
### Rental Apartment Management and Operation



### Extensive Refurbishment and Interior improvement Orders



### Real estate brokerage



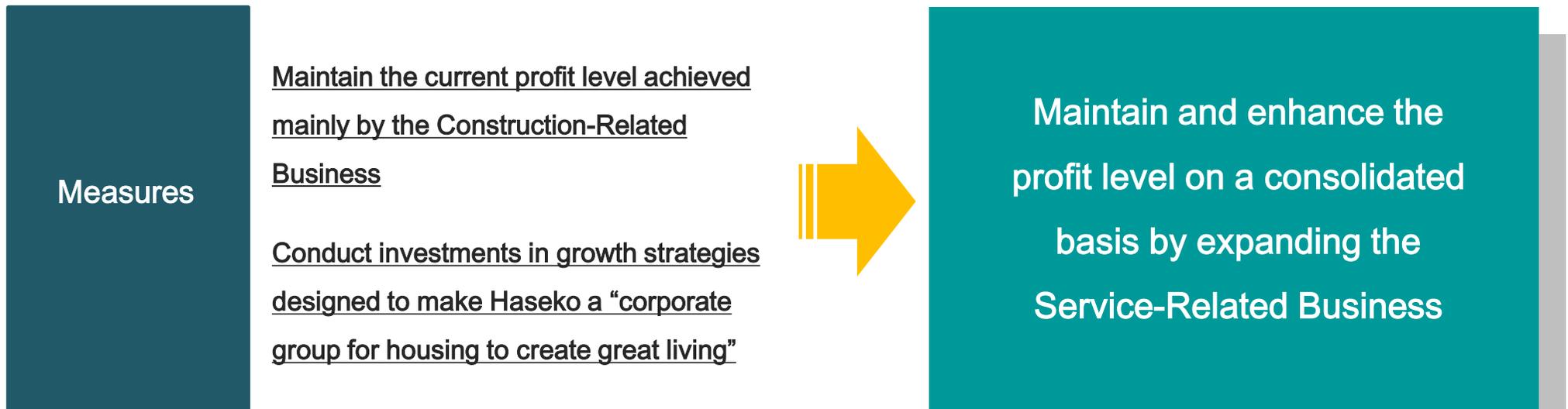
Service-Related Business has also expanded steadily. Amid an increase in the aggregate number of for-sale condominiums, Haseko aims to expand the business continuously.

## 【Overview】

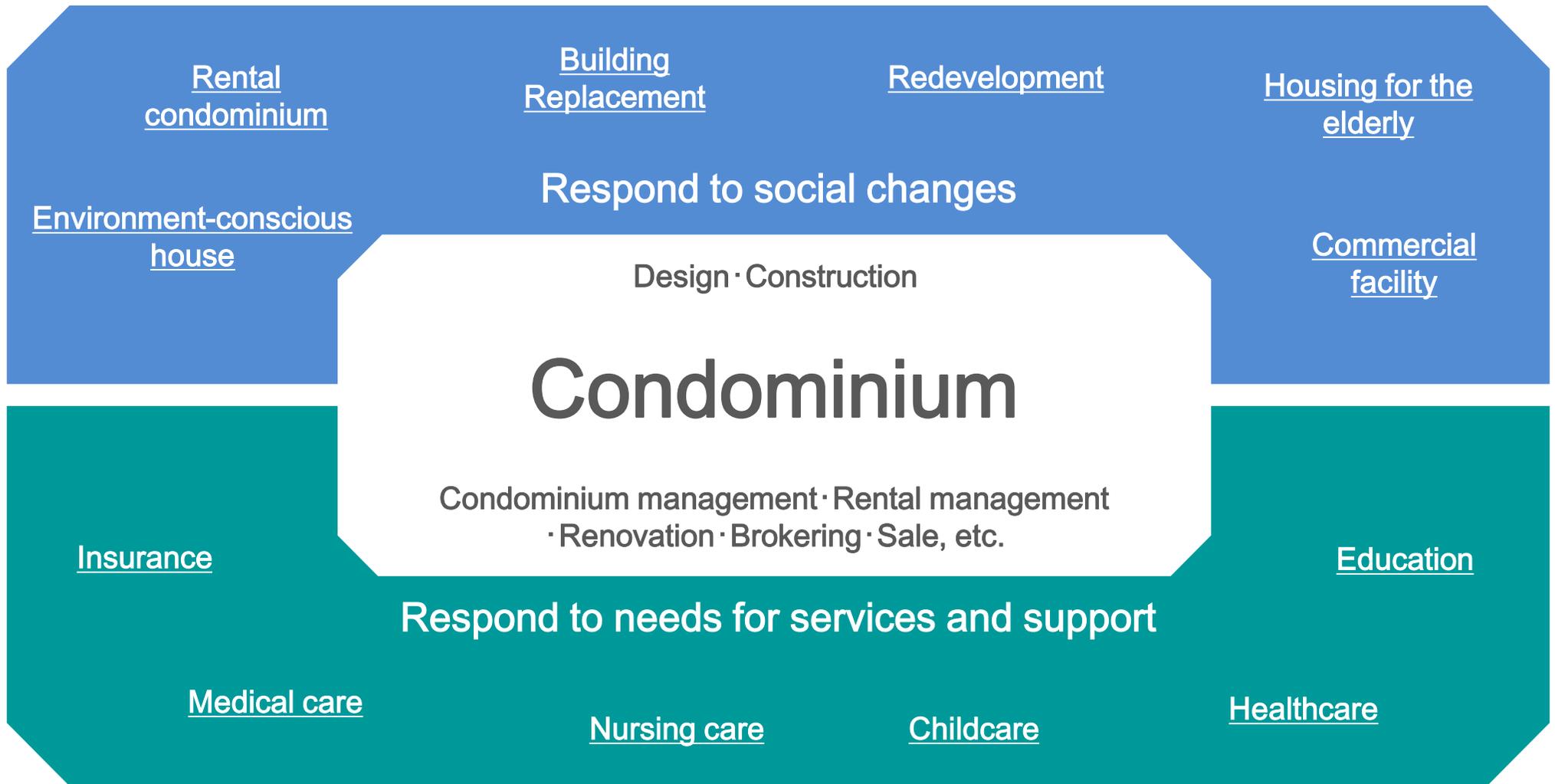
- ◆ Overview of the Business Plan > **n e w b o r n H A S E K O J u m p U p P l a n (Plan NBj)**  
~ Aiming to become a corporate group for housing to create great living ~
- ◆ Period Covered by the Plan NBj > FY 2017 (ending March 2018) – FY 2019 (ending March 2020) (three fiscal years)
- ◆ Basic Policies > Follow the basic policy of the Plan NBs
- ◆ What the Company Aims to Be > The Company will endeavor to specifically realize its social mission of “contributing to society by creating a living environment that is optimal for cities and people” by responding to changes in social conditions, including the aging society with fewer children, decreasing population, trends for “compact cities,” disasters, aging buildings, environmental awareness and energy saving and community formation. For this purpose, the Company will aim to make a leap forward toward a “corporate group for housing to create great living,” both in terms of physical products and services and know-how by combining its initiatives on rental housing, housing for the elderly, commerce, nursing care, childcare, healthcare, medical care and education, etc., with a focus on for-sale condominiums.
- ◆ Numerical Targets
  - 240 billion yen in consolidated ordinary income in aggregate for the three fiscal years (FY 2017 through FY 2019)
  - At least 20 billion yen in ordinary income of consolidated subsidiaries for FY 2019, ending March 2020

# Perception of Business Environment and Measures

|                                    | Present status and period covered by the plan   | Medium- to long-term perspective   |
|------------------------------------|---|--|
| Perception of business environment | <p>Average price of condominium units rising</p> <p>The number of newly supplied units falling to a low level</p> <p>The number of for-sale units being marketed increasing</p> <p>Concerns about slowdown of housing starts arising</p> <p>Concerns about reduction of project size arising, etc.</p> <p>→ Uncertainties in the outlook of business management environment growing</p> | <p>Society will become more aged with increasingly fewer children</p> <p>The number of greatly-aged condominiums will increase</p> <p>Skilled construction workers will decrease</p> <p>Environmental and energy issues, etc.</p> <p>→ Must securely respond to changes in social conditions</p> |



# What the Company Aims to Be



Aiming to become a corporate group for housing to create great living

## Construction-Related Business

“Establish superiority to be free from fluctuations in market conditions”

- ◆ Secure appropriate construction work volume and reasonable profits, while maintaining high quality, by continuously enhancing the building production system
- ◆ Create and realize the concept of how new condominiums should be, with deep insight on the lifestyle of urban dwellers in the future
- ◆ Enhance the business planning ability for replacement and redevelopment projects, and thoroughly implement risk management
- ◆ Proactively work to construct buildings other than residential properties or for-sale condominiums to accumulate a track record of construction, and reinforce competitiveness by enhancing the ability to control costs

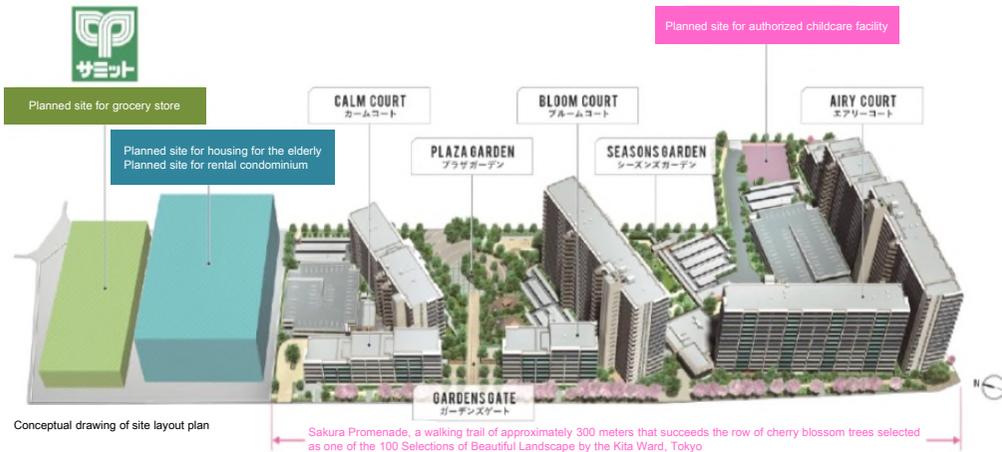
## Service-Related Business

“Reinforce the revenue base for the Service-Related Business and enhance services for urban dwellers”

- ◆ Ensure that the mindset of “hospitality” is shared by everyone in the Company, and provide diverse services to customers through coordination among the Group companies
- ◆ Implement measures for developing and strengthening a relationship of mutual trust with customers
- ◆ Attempt to materialize the concept of multi-purpose stores aimed at promoting expansion of operating areas and stores as well as providing services from the viewpoint of customers
- ◆ Develop repair and renovation technologies for maintaining asset value and extending the life of housing, and reinforce the ability to make proposals
- ◆ Secure stable revenues by enhancing the for-sale condominium business and making investments in blue-chip real estate properties

## Create the concept of how condominium should be and work to realize it

Given demand for enhanced convenience of living, such as constructing shopping mall, childcare nurseries or nursing care facilities along with condominium, create the concept of how future condominium should be, strengthen business planning ability and proactively work to construct buildings other than residential properties or for-sale condominium



THE GARDENS TOKYO O j i ( Kita-ku, Tokyo)



ZUTTO CITY (Amagasaki-shi, Hyogo)

## Newly establish Haseko Technical Center

Newly establish a development base for technological research by integrating Haseko Technical Research Institute, Haseko Community Technical Training Center and Haseko Community Owl 24, with an aim to secure future advancement of research and technological development in the condominium area.

Establish and reinforce the new facility as a base for providing information on new technologies, new products and technological verifications, etc. to a wide range of end users including condominium project owners, administrative agencies and management associations.



Conceptual drawing of external appearance

Location: 3-1-1 Tsurumaki, Tama-shi, Tokyo  
 Site area: 17,663m<sup>2</sup> (5,343 tsubos)  
 Scheduled to open: June 2018

## Conduct “Haseko Value Enhancement Activities” to provide customers with product quality and satisfaction

Integrate endeavors of the “four bodies” (the construction divisions, design divisions and technological promotion divisions of Haseko Corporation and “Ken-ei-kai,” an organization of cooperating companies) to ensure smooth communications among them, in order to secure high quality and eventually improve customer satisfaction.

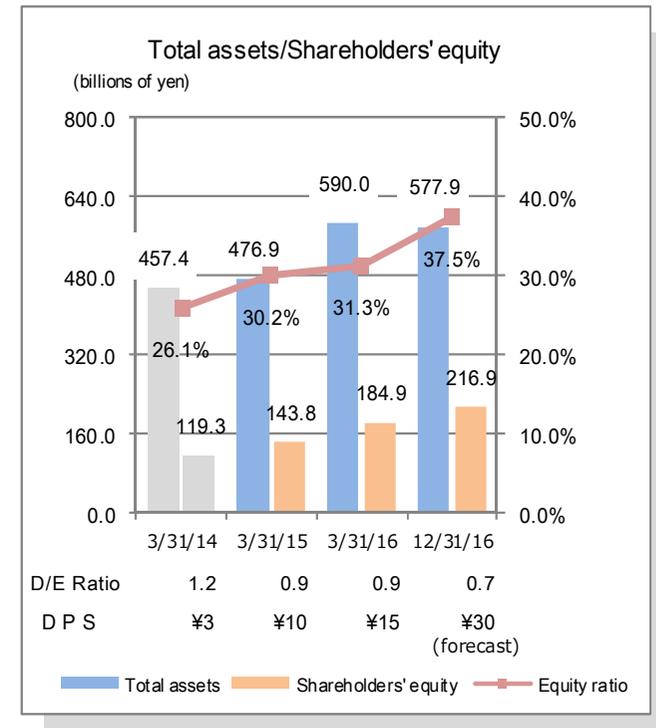


# Financial Strategy and Returning of Profits to Shareholders

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

## Plan NBs

- ◆ 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”



## Plan NBj

- ◆ In distributing profits, take a balanced approach to investments in growth strategies for the future and returning of profits to shareholders, while securing internal reserve for reinforcing the financial standing
- ◆ Aim to achieve a consolidated dividend payout ratio of 20%, while working to stably distribute dividends of ¥20 per share to shareholders

## “Accelerate promotion of endeavors to expand the geographical business areas and business fields”

- ◆ Work to expand the Group’s businesses to major cities in Japan and the markets in the U.S. (Hawaii) and Southeast Asia, with an aim to establish a revenue source of the future
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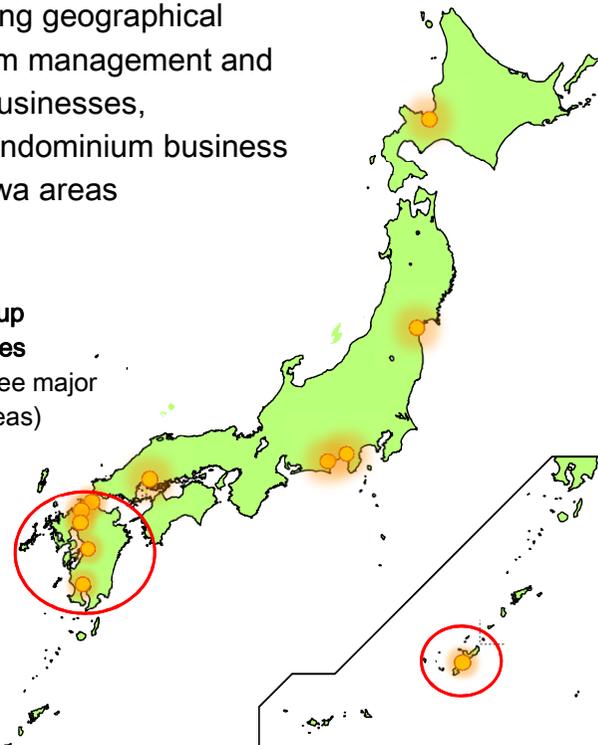
## “Build a corporate culture that encourages people to challenge new things”

- ◆ Develop new products and new services speedily
- ◆ Seek new business opportunities through coordination among companies
- ◆ Foster human resources with future-oriented thinking who can bear the future of the Group

### Domestic operations areas

In addition to expanding geographical areas for condominium management and rental management businesses, implement for-sale condominium business in Kyushu and Okinawa areas

HASEKO Group  
Operation bases  
(other than in the three major metropolitan areas)



### Overseas

#### [Southeast Asia]

Accumulate track records of businesses in Southeast Asia, including Hanoi and Ho Chi Minh City in Vietnam as well as Indonesia, to develop future revenue sources

#### [Hawaii, U.S.A.]

Aim to re-establish an earnings base by taking advantage of the experiences in conducting business in Hawaii for over 40 years



CT1 Project in Hanoi, Vietnam



Ewa Project in Hawaii, U.S.A.

# Initiatives to perform corporate social responsibilities

“Establish highly effective governance and internal control, and lay foundation of Haseko-style social contributions”

- ◆ Maintain and enhance a management system that secures transparency and objectivity
- ◆ Make further improvements for realizing a workplace environment that facilitates working, and establish a support system for individual employees to play an active role and grow themselves
- ◆ Establish a business management and risk management system that features effectiveness as well as efficiency
- ◆ Promote activities for compliance, quality control, environmental burden reduction and environmental preservation throughout the Company’s business activities
- ◆ Continuously implement social contribution activities that take advantage of business characteristics

## Social contribution activities: Haseko-no-Mori Project

As part of Haseko’s CSR activities and under the themes of “contributing to the society,” “future-oriented” and “coordination with local communities”, implement forest preservation and enhancement activities by its employees in the Tateshina district, Nagano, utilizing the “Forest Foster Parent Promotion Project” initiated by the prefectural government



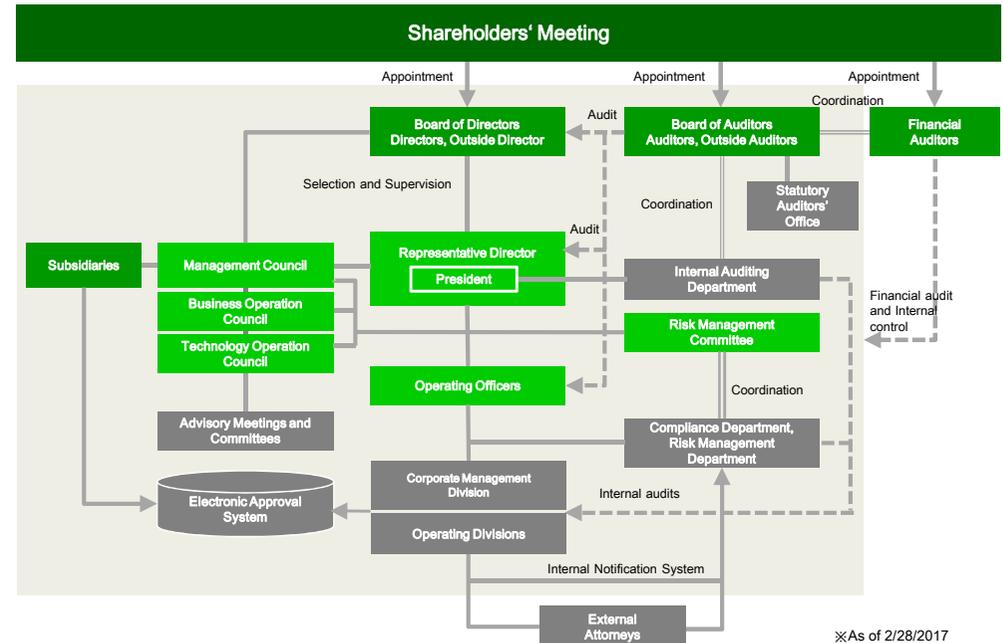
※Image



## Basic Approach to corporate governance

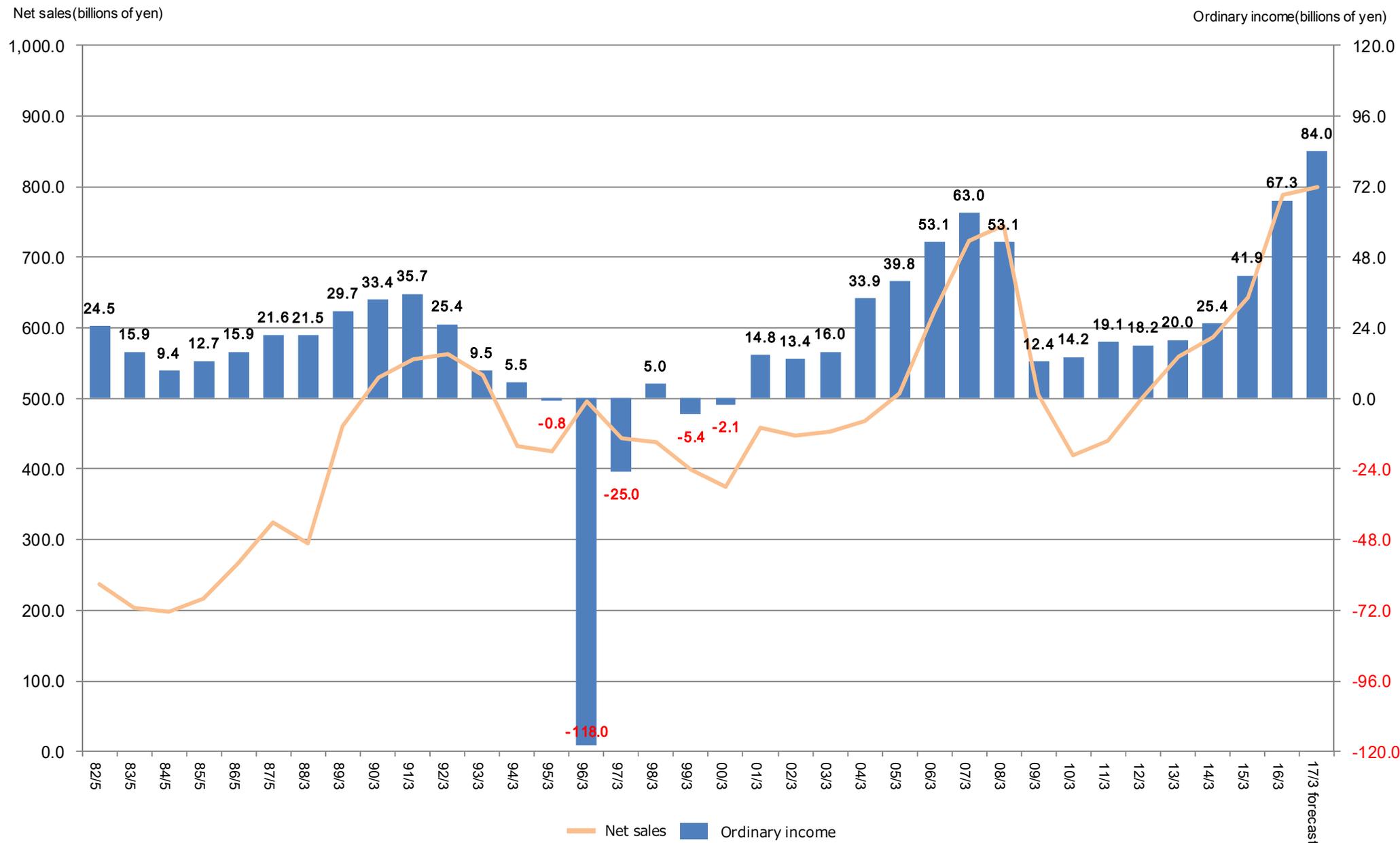
Haseko Corporation has made it a basic policy of its corporate management to contribute to society and win society’s confidence through its business operations that put customers first. The Company has also positioned reinforcement of corporate governance as one of its utmost management priorities as it recognizes that it is indispensable to secure management transparency and objectivity for maximizing corporate value in a stable manner over the long term and ensuring shareholders’ interests.

### Diagram of company institutions and internal governance



※As of 2/28/2017

# 【Reference】 Net sales · Ordinary income



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