

Long-Term Management Plan

FY 2007 through FY 2011



December 2007
Taiheiyo Kouhatsu Inc.

1. About the Formulation of Our Long-Term Management Plan



- Harnessing the opportunities of the new management structure formed through the replacement of top executives, the new long-term management plan aims to bring about corporate innovations for the company's future survival and prosperity and usher Taiheiyo Kouhatsu into a new era.
- Under the new long-term plan, the goal will be to more clearly define our core future businesses, cultivate a stronger, more energetic sales force, and create a corporate organization that has the flexibility to adapt effectively to future changes in the business environment.
- We will fully familiarize all executives with the new long-term plan and nurture a fresh and firm motivation to help re-invent the company.
- The new long-term plan will have a duration of five years, spanning from FY 2007 through FY 2011. We will be prepared to review and revise it as necessary and will go all-out to achieve its numerical targets.

2. Management Philosophy (Corporate Identity)

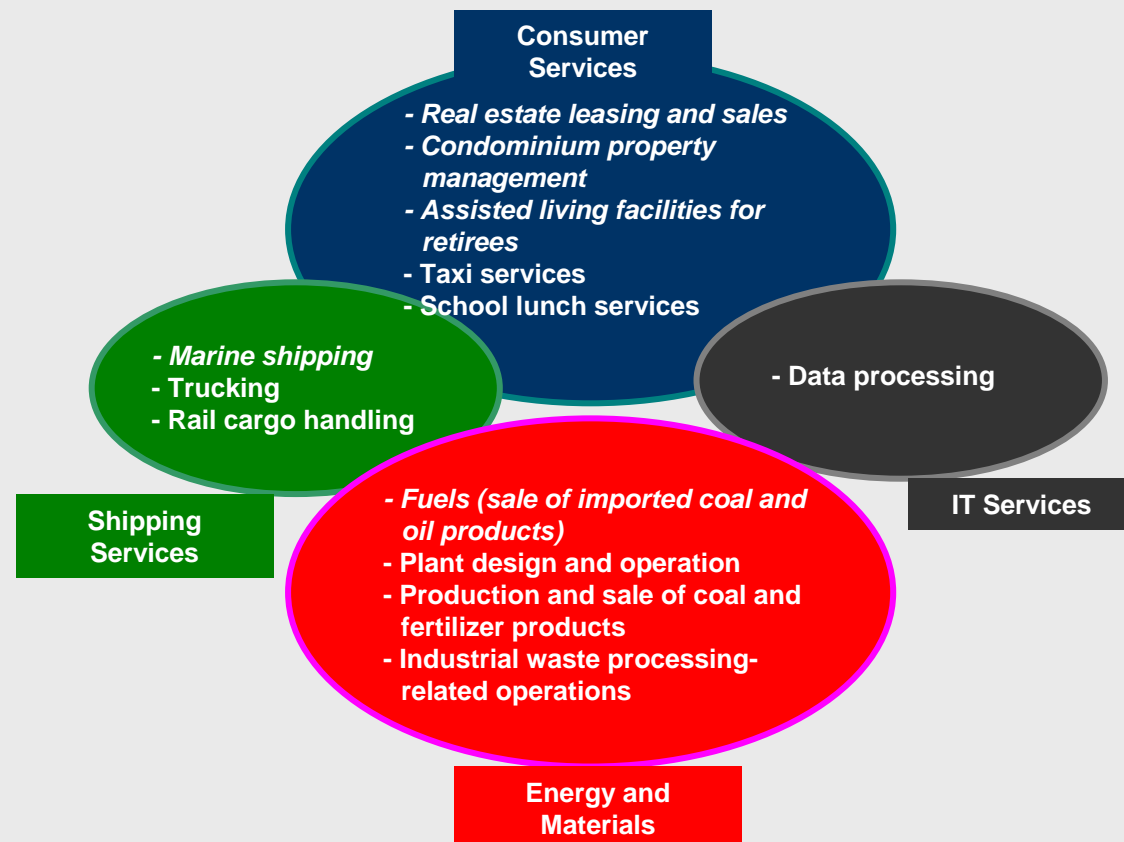


(Company business lines in italics.)

Through its four core businesses in

- (i) Consumer Services
- (ii) Energy and Materials
- (iii) Shipping Services
- (iv) IT Services

the Taiheiyo Kouhatsu Group will actively contribute to the creation of affluent and comfortable consumer lifestyles.



3. Management Vision (Corporate Aspirations)



▼The Company's Management Vision **Three Pillars**

■ Pillar 1: Residential Services

Secure steady income through its real estate leasing and condominium property management operations and, through the active expansion of its fee-based assisted living facility business for retirees, strive for stability as a consumer services company able to make contributions to the local community.

■ Pillar 2: Energy

Step up sales of imported coal by exploiting the competitive advantages of its corporate infrastructure in Hokkaido, expand income from the highly efficient coal transport business it has established through many years of experience, and thereby strive for status as a comprehensive energy services company.

■ Pillar 3: New Business

By FY 2011, establish a third pillar of operations in a new business field, augmenting its existing businesses in residential services and energy.

4. Management Policies

(Policies for Implementation of Management Philosophy and Vision)



▼Taiheiyo Kouhatsu Management Policies

- Find social value in each field of business endeavor and act to earn society's trust through efforts in compliance management.
- To stay ahead of the competition in a tough marketplace, specialize in stable and lucrative fields of business and overhaul all inefficient business operations and relationships.
- To completely satisfy declared business targets and objectives, commit the total resources of the company to operational performance.
- Strive for business efficiency and expansion through the acquisition and cultivation of human resources and appropriate employee placement.

5. Business Targets (Page 1 of 2)



1. Expansion of Group Earnings (Numerical Targets)

■ FY 2006 (Results) ■ FY 2009 (Interim) ■ FY 2011 (Final)

[Unconsolidated]

▪ Net sales	¥16.1 billion	¥26.9 billion	¥30.1 billion
▪ Operating profit	¥0.4 billion	¥1.1 billion	¥1.3 billion
▪ Operating profit to net sales	2.5%	3.9%	4.4%
▪ Ordinary profit	¥0.4 billion	¥0.9 billion	¥1.1 billion

[Consolidated]

▪ Net sales	¥24.9 billion	¥38.6 billion	¥4.24 billion
▪ Operating profit	¥0.9 billion	¥1.7 billion	¥2.1 billion
▪ Operating profit to net sales	3.5%	4.5%	5.0%
▪ Ordinary profit	¥0.8 billion	¥1.5 billion	¥1.9 billion

5. Business Targets (Page 1 of 2)



2. Establishment of Foundation for Resumption of Dividend Payments

To demonstrate its commitment to shareholders and ensure its long-term future as a corporation, the company will do everything within its power to resume dividend payments at an early date.

3. Active Levels of Business Investment

To ensure access to future income streams, the company will actively invest in projects noted for their business viability and growth potential. Investments for the time being will be concentrated in new fee-based assisted living facilities for retirees and later intensively focused in areas that can be expected to evolve into future core business lines for the company.

4. Broad-based Investments in Human Resources

We will invest in the acquisition of human resources from a long-range perspective and strive to inject fresh blood and vitality into the organization (with new recruitments and specialist engineers). Additionally, it will be our policy to review and revamp our personnel framework for contract employees and other part-time staff and come up with a system that is more reflective of performance.

5. Alliances with Leading Companies

After taking steps to reinforce our own strengths, we plan to build and implement a business model aimed at expanding our business operations through active alliances with leading companies.

6. Core Strategies



▼ Core Strategies Underpinning the Long-Term Management Plan

- Conduct a sweeping overhaul of sales strategy for every business segment and strengthen sales capacity through aggressive sales drives.
- Develop competitive new product lines commensurate with the Taiheiyo Kouhatsu brand.
- Boost profit margin through cost cuts, adjustments to inefficient business relationships, and appropriate employee placements.
- Have all executives stay focused on achieving our business targets with the goal of resuming dividend payouts to shareholders in mind.
- Set deadlines, pursue quick decision-making, and implement total time management for company business and operations.

7. Business-Specific Strategies (Page 1 of 5)



▼ Priority Businesses

(1) Fee-based Assisted Living Facilities for Retirees

(i) Hokkaido district

- Applying expertise amassed through over 20 years of experience operating in the Tokyo area, we will pursue expanded business in the Hokkaido district where the Group is able to fully exercise its strengths.
- In November, we plan to open the first Hokkaido facility, Silver City Tokiwadai in Kushiro, and thus lay the groundwork for the company's fee-based assisted living facility network in Hokkaido while maintaining high occupancy rates.
- We will strive for the FY 2009 opening of the second facility in Obihiro, a community where the Group already has a strong presence. The building site has already been acquired. Adequate market surveys will be performed.
- Afterward, plans call for the opening of an additional facility in Sapporo, one more community in which the Group is already well-established.

(ii) Tokyo district

- We will establish a new business model to help the company stay ahead of the competition in this increasingly heated metropolitan area.
- To expand our business in Tokyo, we are currently exploring securitization methods for fee-based assisted facility business tie-ups with large corporations.
- Providing facility tenants with a satisfying set of services is one of the fundamental policies of our Group. In the years ahead, we are determined to continue operating on that concept and run an assisted living facility business that has the public's full trust.

7. Business-Specific Strategies (Page 2 of 5)



(2) Sales of Imported Coal

■ Soaring oil prices together with operating accidents at nuclear power facilities have refocused global attention on coal as a viable energy resource. Taiheiyo Kouhatsu believes this trend will continue and on that understanding has plans to fully apply its amassed expertise and experience in the coal field and expand its business in the sale of imported coal.

■ Utilizing sales drives along with PR efforts, we will aggressively pursue expanded coal sales to power companies, pulp and paper producers, and other, existing industrial users and pour extra energy into the development of new industrial clientele.

■ Taiheiyo Kouhatsu already has numerous offices and facilities located throughout the Hokkaido district. Drawing on that geographical advantage, it will move forward with the importation of Russian-sourced coal through tie-ups with leading wholesale trading houses. In addition, it will harness its proprietary quality control technologies and transport systems to blend Hokkaido- and Russian- sourced coal and thereby provide its industrial clientele with a steady supply of the quality coal they demand. What is more, the company is now seriously studying the feasibility of importing coal supplies from North America.

■ Harnessing its network of friendly ties to leading coal producers in the Hokkaido district, the company will endeavor to procure coal supplies on a tactical basis and expand overall sales volume.

■ To flexibly meet demand for coal from industrial users, the company will team up with leading coal yard operators in Hokkaido and engage in promotional sales drives.

■ To boost its profit margin, the company will review all business relationships and implement new systems for procurements and distribution.

7. Business-Specific Strategies (Page 3 of 5)



(3) New Business Domains

- Applying a long-range perspective, the company will strive to establish a third core business by FY 2011, thus augmenting its two existing core enterprises in residential services and energy.
- All Group executives, not to mention the company's own staff, will be engaged in this endeavor to establish a new core business.
- Two categories will be considered. Businesses derived by applying new concepts to existing business operations will constitute one category, whereas businesses in entirely new business domains will constitute the other. We will proceed only after a careful consideration of the feasibility and profitability of providing goods and services in either category.

7. Business-Specific Strategies (Page 4 of 5)



▼ Established Businesses and Growth Businesses

(1) Condominium Unit Sales

(i) Sapporo Agency

- We plan to work together with local residents toward an early resolution of building earthquake-resistance related issues.
- After the earthquake-resistance related problems have been solved, we will consider restarting our business in condominium development and sales by applying a new concept at building sites we now own.
- The new concept will be centered around the development of condominiums for "active seniors" (people of middle age and up) utilizing expertise derived from the Group's business in operating fee-based assisted living facilities for retirees.
- We will carefully proceed with expansion efforts in this area after assessing the business viability of condominium properties aimed at the "active senior" category.

(ii) Obihiro Agency

- As the sole brokerage for condominiums in Obihiro, our Obihiro Agency will continue to engage in condominium sales as a company with close ties to the local community while staying abreast of local market conditions.
- Units are selling well as planned at the Pacific West Rokujo East Wing complex currently on the market.

7. Business-Specific Strategies (Page 5 of 5)



(2) Condominium Property Management

- We will pour our energy into efforts to win lease renewals as well as new lease agreements in this increasingly competitive industry.
- To gain prestige as a property management business able to satisfy the needs of a broad range of customers, the company will implement exhaustive training programs aimed at cultivating staff with refined business taste and extensive knowledge.
- To win new contract agreements, the company will actively utilize the world-wide web on the internet and set up a specialist department to study merger and acquisition strategies.

(3) Shipping Services and Oil Sales

- In the cargo shipping business, we will endeavor to efficiently deploy our shipping fleet and achieve stable levels of income.
- In the oil sales business, we will strive for steady, ongoing business dealings despite the current upward spiral in oil prices.

(4) Insurance

- We will pour energy into obtaining new insurance policy contracts while retaining our existing policyholder base.

8. Future Management Challenges



(1) Implementation of the Group's Long-term Management Plan

- Priority has been placed on consolidated management. Full follow-up under the long-term plan will be pursued at all Group affiliates, not to mention Taiheiyo Kouhatsu.
- As Group parent, Taiheiyo Kouhatsu will be expected to demonstrate strong leadership and facilitate achievement of the long-term plan's goals.

(2) Progress with Servicing of Taiheiyo Coal Mining Co., Debt

- Taiheiyo Kouhatsu has guaranteed the debt obligations of Taiheiyo Coal Mining. Servicing that debt through the liquidation of Taiheiyo Coal Mining's property assets has become a critical matter.
- To resolve this issue going forward, steps will be taken to strengthen the Business Development Division (the company division responsible for land property liquidation) and liquidate the properties of Taiheiyo Coal Mining with the cooperation of the entire Group.



We will ensure the success of the long-term management plan by surmounting these challenges.