

# Construction-Related Business

Under the “quaternity” system consisting of the construction divisions, the architecture & engineering divisions, the technological promotion divisions, and cooperating companies, Haseko Corporation is promoting digitalization in all areas of construction-related businesses from design and construction to site management to improve quality and facilitate business activities.

(Left) Toshiyuki Murakawa, Director and Executive Vice President  
(Right) Masahito Koizumi, Director and Senior Operating Officer



## Risks and Opportunities in Construction-Related Business

Risks

- Soaring costs for construction materials and labor
- Deteriorated materials procurement environment due to the unstable situation in Ukraine, etc.

Opportunities

- No disruption to construction and construction schedule owing to increased productivity
- Diversification of business portfolio through growth in general project orders (resulting in reduced dependence on for-sale condominiums)
- Creation of opportunities (avoidance of opportunity losses) by addressing climate change, etc.

### Business overview

#### — Steady completion of private-sector condominiums —

In fiscal year 2021, Haseko Corporation completed the construction of 65 for-sale condominiums with 12,941 units in the Tokyo metropolitan area and 30 with 4,824 units in the Kansai and Tokai areas, totaling 95 with 17,765 units. In addition, under the policy of expanding the Construction-Related Business domain in line with the Plan NS, we completed the construction of four high-rise condominiums, five rental condominiums, as well as non-residential buildings such as data centers, commercial buildings, and hotels.

### Business environment

#### — Increasingly severe environment for procuring materials and winning contracts —

There are two major points of concern about our business environment.

The first point is how to address difficulties in procuring materials. A prominent example is the deteriorating material procurement environment due to the unstable situation in Ukraine. We cannot say anything definite at this point, but we believe this situation will have no small impact on properties starting construction in fiscal year 2022 and beyond. We are implementing a materials procurement strategy that minimizes the impact by taking full advantage of our centralized materials procurement system and ensuring timely procurement operations based on the construction start forecast.

The second point is how to address the intensified contract-winning environment. In recent years, competition has intensified with second-tier housing companies and local general contractors, mainly in the residential construction businesses. In this regard, we are making every effort to fully publicize the Group's collective capabilities, attractive product planning, and improved construction quality to avoid easily accepting low-priced orders.

### Priority issues

#### — Digitalization of all business activities and environmental considerations at construction sites —

In our for-sale condominium construction, Haseko Corporation is proud to say that we have already established a construction system that can deliver high-quality products with overwhelming price competitiveness.

The key to further strengthening this construction system in the future is to reform workstyles and solve labor shortages. As measures against such issues, we are working with our cooperating companies through the combination of “introduction and utilization of BIM” and “DX promotion.” The combined promotion of BIM and DX will shorten construction periods, reduce costs, and maintain or improve quality. In addition, improving productivity and reducing workload through these measures will lead to employees' workstyle reforms and improved working conditions.

Environmental considerations at construction sites are also a priority issue for the Construction-Related Business. We are working diligently to promote initiatives in accordance with “HASEKO ZERO-Emission.” As part of these efforts, we have picked up construction methods and new approaches that can contribute to decarbonization and have begun verifying CO<sub>2</sub> reduction effects and applying such methods and approaches to actual construction operations at all sites.

### Major progress of the Plan NS

#### — Increase in orders other than that for for-sale condominiums and introduction of BIM and DX to all construction sites —

In the Plan NS, the Construction-Related Business focuses on three main themes: expansion of the scope of orders received, production technology innovation through the combination of BIM and DX, and environmental considerations.

In addition to the digitalization of all our business activities and progress in environmental considerations at construction sites mentioned earlier, we are also making steady progress in expanding the scope of orders received as a progress report of the Plan NS. Thanks to utilizing a wide variety of expertise provided by the Project Promotion Office, which was launched jointly by the Architecture & Engineering and construction divisions at the start of Plan NS, general construction orders other than that for for-sale condominiums increased. As a result, non-consolidated orders for rental condominiums, corporate housing, etc., increased by 78.7% year on year in the fiscal year ended

March 31, 2022. We will further strengthen our efforts to expand the scope of orders received, which is a top priority strategy in the Plan NS.

Similar recent examples of initiatives under the Plan NS are the introduction of “Sekos” (BIM), which automates the preparation of integrated diagrams, and “Sip” (DX), a voice input inspection system that transmits information directly from construction sites in a timely manner. While aiming to improve productivity by 20% in 2025, we have verified the effects of workload reduction and efficiency enhancement by selecting model sites that fully utilize BIM and DX. As a result, we have confirmed an extremely high level of productivity enhancement. Accordingly, we plan to promote the introduction at all construction sites of BIM design and DX that contributes to reducing site management workload.

### Future business outlook

#### — Continuing to leverage the strengths of quaternity —

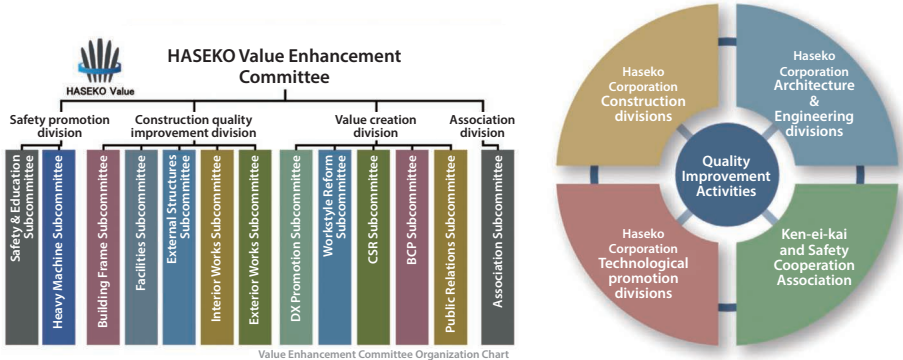
High quality and productivity improvement of the Company fundamentally depend on the integrated operation of quaternity, consisting of the construction divisions, Architecture & Engineering divisions, technological promotion divisions, and Ken-ei-kai (an organization of cooperating companies). The quaternity framework, in which everyone is on equal footing regardless of rank, is our unique advantage and brand unrivaled by our peers.

We have established the HASEKO Value Enhancement Committee, which consists of these quaternity and others including the safety promotion division. The Committee has a 32-year history since its establishment in 1991, in which cooperating companies have been treated as our cooperating companies. It promotes initiatives to improve operational

efficiency and productivity by utilizing advanced technology. The achievements of such value enhancement activities are widely disseminated to and shared by all subcontracting workers at the Debriefing Session on Value Enhancement Activities held once a year. The Construction-Related Business will firmly respond to orders and subsequent constructions that will expand greatly in the future by further strengthening the quaternity framework and materializing the effect of digitalization in all business operations, from design and construction to site management. In addition, we will strive to earn the trust of our stakeholders by generating solid profits.



CIELIA TOWER Osaka Tenmabashi



Quality Activities Driven by Cooperation among Four Bodies (Quaternity)

Business topics

### Further deepening research and technology development of wooden architecture

Haseko Corporation has been engaged in research and development of wooden architecture since 2014, and is currently working jointly with Hosoda Corporation, one of its Group companies, to construct a medium-to-high-rise rental housing complex in Urayasu-shi, Chiba, with top floor housing units featuring a fire-resistant wooden structure. We will continue to research and develop technologies for high-rise wooden condominiums with a view to achieving carbon neutrality by 2050.



# Real Estate-Related Business

The Group companies such as Haseko Real Estate Development, Inc. and Sohgo Real Estate Co., Ltd. are engaged in a wide variety of businesses, including condominium sales and the development and operation of rental condominiums in major metropolitan areas and core regional cities.

(Left) Junichi Tani, Representative Director and Executive Vice President  
(Right) Nobuhiro Tani, Representative Director and Executive Vice President



## Risks and Opportunities in Real Estate-Related Business

Risks

- Decreased supply of new condominium units
- Intensified competition for land acquisition
- Soaring land prices
- Changes in interest rates, etc.

Opportunities

- Increased willingness to purchase condominiums due to changes in the way of living
- Enhanced business capabilities through a nationwide expansion
- Increased business opportunities through the establishment of private placement REIT
- Increased number of condominiums requiring rebuilding

### Business overview

#### — Increased sales and profits year on year due to growing demand for high-quality housing —

Condominium sales remained steady as the demand for high-quality and comfortable housing has increased with the increase in the number of people working from home due to the COVID-19 pandemic. Haseko Real Estate Development, Inc. and Sohgo Real Estate Co., Ltd. achieved strong operating results for two consecutive fiscal years in our developer sector. Haseko Real Estate, Inc., a brokerage and renovation/ resale company of second-hand condominiums, has also seen steady sales growth. With changes in how people work and live, our business areas are expanding beyond metropolitan areas to various regions and districts.

### Business environment

#### — Emerging issue in land acquisition —

Options for selecting land and real estate are greatly expanding with the increase in the number of people working from home and the growing need of people wishing to live comfortably in suburban areas where there is plenty of space. In developing new products suitable for such housing, the Group can take advantage of its specialization in condominiums and quickly propose various floor plans incorporating cutting-edge technologies such as ICT. This is a major competitive advantage of the Group.

On the other hand, we are aware of an emerging issue in land acquisition. In suburban areas suitable for the development of large, horizontally spread-out condominiums, which is the Group's forte, we have found ourselves competing with logistics developers. Unlike residential properties, in the case of logistics facilities, overseas investment funds may also join the competition, and we may sometimes lose out on opportunities to acquire land for this reason.

In addition, a certain level of risk management is now required for land acquisition because such competition has resulted in a rise in acquisition price. Land prices in the Tokyo metropolitan area are also on a rising trend. Having had to carry a large amount of debt after the collapse of the bubble economy, we have taken a cautious stance—i.e., setting a specific ceiling for investments, making investments within the ceiling, and then proceeding to the next project while recouping those investments.

### Priority issues

#### — Area expansion of condominium sales and diversification of businesses —

At present, we obtain information on more than 2,000 land properties per month nationwide to consider turning them into projects. Our nationwide network is largely in place, and we are moving ahead with condominium sales in Kyushu, Chugoku, Shikoku, and other regions, following the three major metropolitan areas. The Kyushu and Okinawa areas in particular are performing well, with Branchera Naha Kohagura (Naha-shi, Okinawa) and Branchera Akasaka Hanamizuki Street (Fukuoka-shi, Fukuoka) receiving favorable reviews from customers.

Our activities rooted in local communities are also deepening at each office, and we are gathering more real estate information than ever before. Haseko Real Estate Development, Inc. and Sohgo Real Estate Co., Ltd. are rigorously engaged in the development of office buildings and logistics properties to more effectively develop land for non-residential use. In addition, Hosoda Corporation, a manufacturer and developer of detached housing, joined the Group in 2020. The Group will actively gather information on land to develop detached housing and acquire land with the aim to expand its detached housing business nationwide.



Branchera Kirishima



Renai Ageo

### Major progress of the Plan NS

#### — Expanding business opportunities through the establishment of private placement REIT —

In the Plan NS, one of our priority strategies for the Real Estate-Related Business is to diversify development projects and secure new sources of revenue by establishing a private placement REIT. Haseko Corporation established HASEKO Residential Private REIT Inc. to start the operation of the private placement REIT on February 1, 2022. We will further expand our investment in the Real Estate-Related Business and strengthen our recurring

revenue model business by increasing our rental properties holdings. As properties suitable for REITs overlap with those sought by BtoB business customers, we will allocate each of these properties in an optimal manner and take a certain amount of time to achieve steady growth in the real estate investment field.

### Future business outlook

#### — Embodying Haseko's concept of high-rise condominiums —

As part of our efforts to expand the scope of orders received, we are working to strengthen our initiatives for high-rise condominiums. The Group plans to construct 12 high-rise condominiums in the Tokyo area, two in the Kansai area, and two in the Tokai area over the next several years. As these high-rise condominiums include redevelopment projects commissioned by a redevelopment association, we are honored and humbled that the Group has received a certain level of recognition for technical capabilities in high-rise condominium construction. We

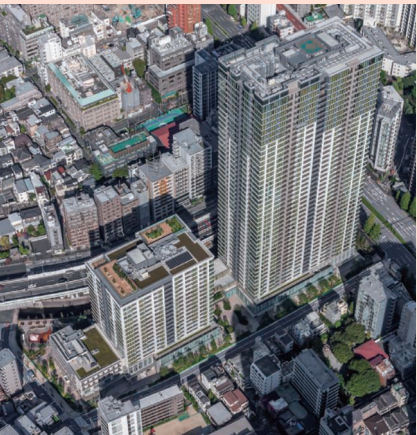
look forward to showing you how the Haseko Group carries out high-rise condominium construction through a series of upcoming projects. Going forward, we foresee that redevelopment and rebuilding will become more important due in part to increasing difficulties in acquiring land for real estate development. In particular, we will take a long hard look at rebuilding aging apartment complexes as a critical factor while deploying human resources in this area.

### Business topics

#### Completion of SHIROKANE The SKY, Shirokane 1-chome Eastern Section North District Type 1 Urban Redevelopment Project

Following the construction of Shirokane Aer City, we plan to complete the construction of SHIROKANE The SKY (a 45-storied building with 1,247 residential units, hospitals, factories, stores, and offices) as a statutory redevelopment project (Shirokane 1-chome Eastern Section North District Type 1 Urban Redevelopment Project) by the end of 2022 and start deliveries in February 2023.

Haseko Corporation has been involved in both projects as a project partner and construction joint venture. We contributed to the redevelopment project by providing consensus building support involving approximately 550 right holders and other parties in SHIROKANE The SKY. In addition, Haseko Real Estate Development, Inc. also took part as a participating association member, and the entire group worked together to support the redevelopment project. The Haseko Group will continue to contribute to the community through redevelopment projects.





# Service-Related Business

Each company in the Service-Related Business engaged in housing support is expanding its sales capabilities by leveraging the value chain within the Group.

Satoshi Kumano  
Director, Senior Operating Officer



## Risks and Opportunities in Service-Related Business

Risks

- Growing labor shortage due to expansion of scale
- Decreased productivity and efficiency

Opportunities

- Expansion of business opportunities due to increased stock of condominiums in Japan
- Fundamental productivity reform of the Service-Related Business through the use of LIM data, advanced technologies, and DX
- Acquisition of business opportunities by strengthening the Group's value chain and expanding business areas

Business overview

— Toward an age where the Group companies improve their uniqueness —

The service-related Group companies were established by separating the functions for creating “living” from Haseko Corporation. Currently, the Service-Related Business covers a wide range of areas, including sales, management, distribution brokerage, large-scale repair and remodeling, and even the senior business. Through our close involvement in “living,” we feed back real-life information obtained from users to the creation of “housing” in the Construction-Related Business consisting of business planning, design, and construction. While building a relationship for mutual growth, we also pursue uniqueness in each field.

Business environment

— Aiming to establish a “corporate group for housing to create great living” together with the Construction-Related Business —

In contrast to the Construction-Related Business, whose primary market is the supply of new housing, the Service-Related Business focuses on the existing housing market. In the Plan NS, we aim to achieve robust management focusing on both businesses.

In the first year of the Plan NS, we struggled in the large-scale repair and remodeling business, mainly due to the suspension of activities by management associations as a result of the COVID-19 pandemic. However, in the fiscal year ended March 31, 2022, the second year of the Plan NS, sales and profits increased year on year, partly in reaction to the sluggish results in the first year. Major operational benchmarks in the Service-Related Business increased year on year. These benchmarks include the number of for-sale condominium units managed, the number of rental condominium units operated and managed, orders received for large-scale repair and interior remodeling, and the number of real estate brokerage transactions.

Priority issues

— Refining the strengths of each Group company to enhance competitiveness —

The Service-Related Business has steadily increased the number of for-sale condominium units managed and the number of for-sale condominium units sold on consignment, resulting in higher profits, thanks to Haseko Corporation's sales activities by utilizing its own land. One of our future priority issues is to further increase the angle of sales increase through our own sales efforts in the Service-Related Business.

The Service-Related Businesses is inherently labor-intensive, and therefore expansion in scale can lead to labor shortages and low productivity and efficiency. In addition, the business involves various types of operations, such as sales, management, brokerage, remodeling, and senior-related services, so it is not easy to develop best practices horizontally. We therefore believe that it is essential to analyze the business in each field carefully first, identifying each Group company's uniqueness and strengths given its position in the industry, and then to hone our competitive edge.

Major progress of the Plan NS

— Promoting regional expansion and productivity reform —

One of the priority strategies in the Plan NS is to strengthen the competitiveness of our core businesses. The Service-Related Business has two themes in the Plan: (1) expanding our business areas from major metropolitan areas to major regional cities and (2) rebuilding our business model by introducing advanced technologies.

As for (1) above, service-related businesses have increased in conjunction with the expansion of the developer business to regional areas. At the same time, we are steadily promoting sales to areas other than the three major metropolitan areas as part of our regional strategy focusing on services.

The rebuilding of our business model through the introduction of advanced technologies in (2) above has led to solving issues unique to labor-intensive service-related businesses. To increase profits in the face of rising labor costs, we

must make efforts to lower costs by building platforms. By utilizing LIM data, which visualize information on living in condominiums, and pursuing DX, we aim to promote fundamental productivity reform in the Service-Related Business to increase revenue.

Future business outlook

— Aiming to be a collection of competent Group companies —

The purpose of segmenting the Service-Related Business and having Group companies engage in each segmented business is to foster a sense of financial autonomy. Once a company can stand on its own feet, the next step is to increase its

competitiveness in the industry and raise its status. By bringing together these competent service-related companies, we aspire to further expand the power of the Haseko Group as a whole.

Consignment sales of for-sale condominium

- Haseko Urbest Inc.

Real estate brokerage and renovation

- Haseko Real Estate, Inc.

Management of paid care facilities for the elderly and nursing-care insurance business

- Haseko Senior Well Design Co., Ltd., Furusato, Co., Ltd.

Management agency for corporate housing

- Haseko Business Proxy, Inc.

Sale of furniture

- Haseko Intech Inc.

Printing and other related services

- Haseko Systems Inc.



For-sale condominium building management

- Haseko Property Management Holdings Inc.
- Haseko Community, Inc.
- Haseko Community Kyushu Inc.
- Haseko Community Nishinoh Inc.
- Haseko Community Okinawa Inc.

Operation and management of rental condominiums and other properties

- Haseko Livenet, Inc.
- Joint Property Co., Ltd.

Large-scale repair work and interior remodeling

- Haseko Reform Inc.

\*1: Sales to external customers  
\*2: Operating income

Business topics

### Proposing a free and comfortable urban senior lifestyle Opening BRANCHEILE Kuramae

We are going to open a new facility for the elderly with nursing care services in Kuramae, a popular area offering a mix of history, culture, and contemporary trends. Under the “Kuramae 1-chome Plan” of Japan Post Real Estate Co., Ltd., we will manage a senior housing complex with 124 independent units for those who are healthy and 30 units for those who need nursing care. We will offer a variety of services to support healthy and prosperous days, such as unique programs by experts in the fields of sports and arts, applications using IoT technology, health promotion support in collaboration with university hospitals, etc. and will provide a safe, comfortable, and highly functional environment.





# Overseas-Related Business

Promoting overseas business development to make it a vital profit base for the future

Katsuhide Takahashi  
Executive Operating Officer



## Risks and Opportunities in Overseas-Related Business

### Risks

- Soaring costs for construction materials and personnel
- Country risks (political and social changes)
- Decline in the number of housing units sold due to high-interest rate policies overseas
- Impact of the COVID-19 pandemic
- Foreign exchange risk, etc.

### Opportunities

- Strengthening and continuing businesses in Hawaii, which are also popular among Americans
- Participation in the fast-growing Vietnamese market
- Strengthening businesses in the mainland U.S.

### Business environment and priority issues

#### — Establishing a future profit base through aggressive investment —

The progress of Japan's low birthrate and super-aging society makes us concern about the shrinkage of the condominium development business in the future. On the other hand, the Haseko Group specializes in for-sale condominiums and has yet to fully expand into other business domains. Based on this recognition, we intend to actively invest and deploy human resources in overseas businesses to create a profit base for the future right now, when we still have growth potential. Under the Plan NS currently underway, we plan to invest 60.0 billion yen in overseas businesses over the five years starting from the fiscal year ended March 31, 2021. This amount is second only to the amount invested in the rental properties holding/development business.

### Major progress of Plan NS

#### — Partnership with a local general contractor in Vietnam —

One of the priority strategies in Plan NS is new investment in overseas businesses. To expand into Asia, we have established a representative office in Hanoi, Vietnam, and sent personnel to the office. The Authentic, an 18-storied serviced apartment with 110 units constructed in 2017, had a difficult period during the two years of the COVID-19 pandemic. However, the occupancy rate has currently been maintained at over 80%, mainly by expatriates of Japanese companies. Haseko Corporation designed and constructed the apartment, but found it difficult to operate the apartment totally on its own. Therefore, we entered into a partnership with a local general contractor, Ecoba Vietnam Joint Stock Company, in 2020 to start a new collaboration.



### Priority issues

#### — Further revitalization of the Hawaii business —

Since 1989, we have been engaged in large-scale development of approximately 448 hectares (1,107 acres) in the Ewa district on the west side of Oahu, Waikiki, Hawaii. To date, approximately 4,000 units, including detached houses and townhouses, have been sold to Americans, and an 18-hole golf course, Hoakalei Country Club (designed by Ernie Els), and a 21-hectare (51-acre) lagoon have already been completed. We are also constructing Wai Kai, a comprehensive recreational facility scheduled to open in 2023. By increasing the attractiveness of this area, we aim to develop hotels and sell resort condominiums.

### Future business outlook

#### — Participation in the real estate development business in the mainland U.S. —

We resumed investment in 2018 to expand our business in the mainland U.S. In April 2022, we established a branch office in California at our overseas subsidiary and dispatched employees from Japan. We are currently in the preparation stage to contribute to the Group's future revenue. In cooperation with Japanese trading companies, we are investing in development projects for senior housing and rental housing in California and other areas, with a focus on the Sunbelt region, which is experiencing remarkable economic development.



### Business topics

#### Established position as a Japanese developer with nearly 50 years of experience

In 1973, we established a local subsidiary in Hawaii and built condominiums and offices around Waikiki and resort condominiums on the islands of Hawaii and Kauai. Now we are in the final phase of condominium complex development in the Ewa district on the west side of Oahu. The development of this area, located about 28 kilometers (17 miles) west of Honolulu Airport (Daniel K. Inoué Airport), is a large-scale complex development with an area of 448 hectares (1,107 acres). Since its launch in 1998, Haseko Corporation has provided approximately 4,000 new high-quality detached houses.



#### Aiming to realize Haseko-quality housing in Vietnam

In 2012, Haseko Corporation entered Hanoi, Vietnam, to develop its condominium construction business. In 2017, we developed and completed The Authentic, a serviced apartment for Japanese expatriates, the first Haseko project in Southeast Asia. Haseko Corporation operates and manages this condominium. Utilizing the experience and know-how in real estate development and condominium construction gained through this business, we aim to develop businesses peripheral to the condominium business such as development, design, and sale, while still focusing on the construction business.

