

## Responding to people's diverse needs by creating new value

# We will endeavor to deliver richness in housing and living

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Thank you very much for reading the Haseko Group Integrated Report. The Corporate Philosophy of the Haseko Group is "to contribute to society by creating an optimal environment for cities and people," and we have developed various businesses centered on condominiums as a "corporate group for housing to create great living." I would like to express our deepest gratitude to all our stakeholders for their tremendous support of our growth to date. At the same time, I wish to explain the approach to housing and living that the Group has pursued over the years, as well as our management policy for the future.

In April 2020, I assumed the position of President and Representative Director and began implementation of the "HASEKO Next Stage Plan (Plan NS)," the business plan for the five years until the fiscal year ending March 31, 2025. Initially, I found myself in a difficult situation as COVID-19 spread throughout society and a state of emergency was declared, but this led to the proliferation of remote working and the birth of new trends that would make people rethink housing. The housing market was booming, thanks in part to low interest rates, and the Group's performance recovered

from the second fiscal year of the plan. In addition, we raised wages in fiscal year 2023 to reward employees for their hard work amid the difficult environment caused by the recent high inflation worldwide. And besides improving employee compensation, we will be fostering autonomous human resources and career development, developing innovative human resources and global human resources, providing DX education, and so on.

Next, I would like to discuss the major changes surrounding our company that have taken place over the past three years since we started executing Plan NS. The first concerns the way Japanese people think about housing. Due to the sharp rise in working from home during the COVID-19 pandemic, the amount of time people spent at home increased. The home, which used to be a place to return to and spend time in after work, became a shared space for the entire family for much of the day. Many people took a fresh look at their current home and realized that they wanted to move to one that would offer them a more comfortable lifestyle. This developed into a trend, and with low mortgage rates also providing a tailwind, we saw a



sudden shift among homebuyers to purchase relatively spacious condominiums in suburban areas with good environments. My entire career since I joined the Company has been spent on the design side, and in the course of this career, I have given a great deal of thought to what constitutes “the richness of housing,” and it is something that I continue to pursue today.

When we consider what housing is, we realize that the most important aspect is that it makes all members of the family living in that home happy and able to spend time there with peace of mind. A home creates a life for a family, generates memories for them, and gives them a history. I believe that housing that has the depth to be altered freely as the family grows is another aspect that will enrich people’s lives.

The officers and employees of the Group move forward with their day-to-day work with the desire to enrich housing in Japan by pursuing *ideal living environments for cities and people*. As a company with Japan’s leading track record in condominium construction, we are aware that we tasked with fulfilling a social mission and social responsibilities, and we intend to actively respond to the new housing needs that have emerged since the pandemic, which can be summed up as *the wish of people to live in better homes*.

The second big change is the rapid advance of DX.

We have been leading the industry in proactively bringing DX to the construction site, with our moves including our introduction 13 years ago of Building Information Modeling (BIM), a system that performs design tasks in 3D on a computer. We have long pursued digitization, using tablets and smartphones to check drawings and completion rates, for example, but the COVID-19 pandemic prompted a sudden acceleration of the DX trend. When I personally visit our sites and talk to the

workers, they often tell me that DX has greatly transformed their work on the ground. Ways of working on the frontline have certainly changed, and production efficiency has increased, as evidenced by a decrease in the number of working hours per day.

**Making construction sites smarter and easier to work at**

The number of women on construction sites is increasing. They include not only Haseko’s employees, but also personnel from specialized contractors, such as reinforcing-bar placers, but a shortage of workers remains an issue. In addition, the construction industry will see the introduction of an upper limit on overtime with penalties for violations in fiscal year 2024. As I mentioned above, progress is being made with DX on the construction site, with the introduction of BIM an example of this, but I myself want to accomplish the challenge of making construction sites smarter and easier to work at via a production revolution driven by further DX.

Specifically, we will increase productivity by 20% by the fiscal year ending March 31, 2025, the final year of Plan NS. Currently, we have the capacity to handle orders of 500 billion yen, but a 20% increase in productivity will lift that figure to 600 billion yen, enabling us to further expand our market share. I view this as our key mission in condominium construction.

**Aiming to optimize living through LIM**

The Group uses the term “Living Information Modeling (LIM)” to describe a system for measuring and centralizing information related to living accumulated by condominium buildings, such as the condition of the building, the use of facilities, and residents’ movements since people started living in it. We have created a platform called the “HASEKO

**Haseko Group Long-Term Vision — What the Company Aims to Be for the Fiscal Year Ending March 2030 —**

**Further Leap Forward in a Corporate Group for Housing to Create Great Living**

The Company will endeavor to specifically realize its Corporate Philosophy of “To contribute to society by creating an optimal environment 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 these purposes, the Company will aim to make a further leap forward in 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.

**“The continuous evolution of BIM and LIM is having a significant multifaceted effect on construction sites and our business model as a whole.”**



BIM & LIM Cloud” for housing and living information, and are pursuing initiatives aimed at improving productivity in the design and construction of condominiums and in the quality of life of residents. With our own rental condominium project, “Sustaina Branche Hongyotoku,” we have investigated such areas as the improvement of sleep quality, the relaxing effect of forests, IoT housing that adapts to change, responses to disasters such as earthquakes and intense downpours, and security systems employing face recognition and AI to accelerate action to optimize living through LIM.

In addition, we have gathered together all manner of functions related to the condominium business, from construction to management and repair, within the Group. Among those functions, condominium management requires a great deal of manpower. Solving the problem of the quality of service being affected by the qualities of the individual workers requires the introduction of digital technology and the development of software to manage large numbers of condominiums appropriately with a small team, while working to ensure that services are leveled out. For management associations that are facing the shortage of people to fill committee positions due to the aging of the population, software that will support their activities will also be needed. It will take time to give concrete shape to these solutions, but we intend to make adequate investment for the development of this sort of software.

Even after we have built condominiums as designed and handed them over to the new owners, we continue to provide a variety of services to support the day-to-day living of the residents. Going forward, I believe it will remain important not only to manage and repair condominiums based on consumer information and opinions/requests

related to daily living, but also to continuously devise and develop new services. Therefore, another major mission for me will be to make use of big data. The Group has all manner of data related to condominiums, from real estate to construction, sales, management, and repairs. We will digitize all this information, link it together, and put it into a form that will allow any Group company to access the information with ease. We are currently in the process of building the mechanisms for this. By using the kind of big data that is unique to our company, we will create new businesses. I hope to accomplish this by 2030.

To that end, we have come up with the education slogan of “continuously produce autonomous human resources and nurture a diverse workforce that will shape the future of Haseko,” positioning this as a priority initiative in Plan NS. We are also investing in human resources to give shape to DX. We have launched the DX Promotion Committee, with Group-company presidents as members, alongside a DX training initiative called “DX Academy.”

So far, we have run the “DX Changing The Mindset Program” for all officers and employees, the “Innovation Leader Development Program” for selected mid-level and young employees, and the practical “DX Literacy Course” for general managers of departments. We will continue to focus on the development of specialist personnel through DX in order to deliver richness in housing and living for the future.

**Embracing the challenge of creating new value for condominiums**

We also view action to protect the earth’s environment as vital. In 2021, we established a climate change response policy, HASEKO ZERO-Emission, for the Group, and are aiming to achieve carbon neutrality by 2050. All for-sale

condominiums whose design was commenced in or after fiscal year 2022 and all Haseko-owned rental condominiums are being made into Net-Zero Energy Houses (ZEH), and we are increasing their insulation and the energy-saving performance of equipment for air conditioning, water heating, lighting, and so on. We are also working to promote the adoption of H-BA concrete, an environment-conscious concrete that we developed in house. In May 2023, we completed the switch to renewable energy sources for the electricity used at all Haseko Corporation construction sites. And we are planning to complete the same switch for the electricity used at all Group construction sites by the end of 2025.

For many years, Japan remained in a “scrap-and-build” era, with buildings being constructed, torn down, and then rebuilt. However, with society maturing and the reduction of environmental impact now a goal, we are moving into an era of “stock and renovation,” with buildings remaining in use for a long time and the existing stock being utilized. Sustaina Branche Hongyotoku, which I mentioned earlier, is a project to renovate a former corporate housing complex into a rental condominium, and will be the first renovated property in Japan to achieve net-zero CO<sub>2</sub> emissions when the building is in use.

In addition, we have taken on the challenge of using wood in condominium construction, which is our main forte. The use of wood as a material means that carbon is trapped inside the wood itself, which allows CO<sub>2</sub> emitted in the manufacture and disposal of materials to be reduced. The charm of wood as a material is also not to be overlooked. Such elements as the aroma that comes from the wood, the beauty of the grain, and the softness and warmth of the wood’s surface when touched all have a significant impact

on people’s five senses, giving wood the power to create richness in living spaces.

We want to create soothing spaces in condominiums that are surrounded in reinforced concrete. For this reason, we had already been using wood in the common-use facilities of our condominiums for several years, but in February 2023, we completed “Bransieta Urayasu,” our first rental condominium with the top-floor residential units, i.e., private-use areas, made of wood. A project is currently also underway to convert the upper four floors of a building in Tokyo to wooden construction. As for interiors, we are endeavoring to use wood for 45% of interior fixtures such as ceilings, floors, walls, and doors in the aforementioned Sustaina Branche Hongyotoku renovation.

Our Corporate Philosophy is “to contribute to society by creating an optimal environment for cities and people,” and we regard creating a style of living a spiritually rich life alongside nature is another one of our important jobs. At the same time, we will properly incorporate technologies to counter increasingly severe disasters, and by combining these technologies, I believe we will be able to contribute to the creation of affluent lifestyles for people.

**“Getting the most out of their qualities” as a key theme**

In the late 1980s, we established a “Housing Style Proposal Project Office” in our design department. This office was staffed entirely by female employees, who actually lived in condominiums, used their unique perspectives to notice areas that could be improved, and then turned their ideas into commercial products. So we are a corporate group that has valued the active participation and individuality of women for decades before concepts like CSR and D&I became commonplace. We have set a target of 150 billion

yen in consolidated ordinary income, profit level for the fiscal year ending March 31, 2030, and one of the key background factors to this is that in modern society, in which the housing and lifestyles of people are diversifying, it is essential to bring together the perspectives of diverse human resources if we are to continue creating new value. The Group will strive to create workplaces and environments in which each and every employee can give full play to their capabilities and skills, with “getting the most out of their qualities” as a key theme, as stated in the Haseko Group Diversity & Inclusion Promotion Policy, which we formulated in May 2023.

**Continuing to progress toward tomorrow without stopping**

The Group has pursued the possibilities of condominiums as a form of housing, and popularized the condominium lifestyle in Japan. We have also set the standard for present-day condominiums through advanced technological developments that lead the industry. In this field, therefore, we pride ourselves on being a group of experts possessing various types of knowledge and experience. However, while this is our greatest strength, at the same time it may also be a weakness. If we continue to focus solely on expertise, we will not be able to survive 30 or 50 years into the future.

After the collapse of Japan’s bubble economy at the beginning of the 1990s, and also following the failure of Lehman Brothers in the late 2000s, we were plunged into a management crisis and experienced extremely difficult times. However, thanks to the understanding and support of our stakeholders, and the fact that all officers and employees shared the same sense of crisis and worked desperately hard day in and day out, we were able to navigate through and emerge from these painful phases. The experiences of those days are the foundation that supports our company today, and are now our biggest strength.

While a myriad of uncertainties lie ahead for society both inside and outside Japan, even if something unexpected were to happen, the Haseko Group possesses the experience to survive with tenacity. Moreover, the “Haseko Group Long-Term Vision,” which describes what the Company aims to be for the fiscal year ending March 31, 2030, serves as an expression of our powerful desire to achieve our goals. For the target profit level, we decided to set a surprisingly lofty goal. We will be incapable of accomplishing this objective if we view the future as merely an extension of the past. Raising the level of motivation among all employees will be critical.

**Increasing our long-term value as a corporate group through sustainability-oriented management**

People’s values change dramatically during transitions from one era to the next. As a corporate group operating in the field of housing, an essential industry for enabling people to live their lives, we believe it is vital for us to lead the way in resolving social issues and driving change, and to aim to bring about a sustainable society through our various businesses.

I think that during the past 20 years, there have been significant differences in action on sustainability among companies and organizations. In recent years, however, we have witnessed rapid changes in attitudes and behaviors, and now even in Japan, sustainability-related disclosures have become mandatory and various regulations have been introduced. Amid such an environment, we will do more than just meet the minimum requirements required by regulations and rules. The Group will boldly take on the challenge of creating new value and generating innovation by proactively addressing sustainability in accordance with our management strategy.

Housing is the foundation for living and plays an important role as the base that enables people to create families and live with connections to the local community. For this reason, the provision of quality housing forms the basis for people to live independently and with dignity. It is important to provide housing and living environments that allow all people, regardless of age, gender, culture, physical condition, or other individual differences, to enjoy secure and fulfilling lifestyles throughout their lives, and I view this as the key role that the Group should play for society.

The Haseko Group will continue to work diligently to ensure the sustainability of our business, which relates to housing and living as social infrastructure, and to deliver safe, secure, comfortable, and affluent lifestyles to our customers. We ask our stakeholders for their continued understanding and warm support for the business of the Group.



**“We will endeavor to develop and provide richness in housing in the truest sense, with no need to be limited by factors such as the size of one’s home—”**