

# Construction-Related Business

In recent years, the aging and shortage of skilled construction workers have become particularly severe problems in the construction industry. To address these problems, we will improve quality and productivity by promoting digitalization and industrialization in all aspects of the Construction-Related Business.

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



## Business overview

### —Expansion of business areas beyond private-sector condominiums—

In fiscal year 2022, Haseko Corporation completed the construction of 64 for-sale condominiums with 11,803 units in the Tokyo metropolitan area and 26 with 4,691 units in the Kansai and Tokai areas, totaling 90 with 16,494 units. In addition, under the policy of expanding the Construction-Related Business domain in line with Plan NS, we completed the construction of three high-rise condominiums, six rental condominiums, as well as logistics warehouses, halls, and other non-residential buildings.

## Business environment

### —Challenging environment in the construction industry—

The first point is to address the labor shortage resulting from the decline in the working-age population. While the average age of construction workers is increasing, the inflow of new workers is limited. Creating an environment where workers can work comfortably is essential to ensure human resources. In the meantime, the construction industry has to cope with the new regulation with penalties to limit overtime work to be introduced in April 2024. In collaboration with the Japan Federation of Construction Contractors and other organizations, we are promoting initiatives of eight days off per four weeks, shorter overtime hours, and better compensation to improve the working environment. As part of these efforts, we are working to improve productivity and operational efficiency through collaboration between the HASEKO-version BIM and IoT technology available through packaged applications (such as LINEWORKS and SpiderPlus).

The second point is to address the rising prices of construction materials. The Construction Material Price Index has increased by about 29% (as of August 2023) on average for the entire construction industry compared with January 2021. Although there is no longer a sharp rise in the price of raw materials such as steel scrap, the price of construction materials is expected to linger at a high level. To minimize the impact of price fluctuations, we are taking steps to procure materials at an appropriate timing, keeping an eye on future order trends.

## Priority issues

### —Promotion of DX and sustainability across all business activities—

We are skilled at constructing for-sale condominiums and are proud of our construction system, which can provide high-quality products at competitive prices. To further strengthen this construction system going forward, solving labor shortages by reforming workstyles will be an important issue. Together with our cooperating companies, we will work on DX promotion, such as the introduction of BIM and the use of IoT technology, and strive to realize further improvement of quality and productivity, shortening of construction periods, and cost reduction, which will lead to employees taking more days off, improved compensation, and securing of the workforce.

In addition, we understand that promoting sustainability throughout the Haseko Group requires the establishment of a management system and the operation of construction sites that can address the relevant issues.

One of these issues is the environmental considerations at construction sites, which we promote based on our HASEKO ZERO-Emission. We are going to adopt construction methods and new initiatives contributing to decarbonization and verify the effects of reducing CO<sub>2</sub> emissions at all sites.

## Business topics

### Haseko's first wooden exclusive areas: Completed construction of Bransieta Urayasu, adopting a hybrid structure consisting of wooden and reinforced concrete (RC) structures

#### A hybrid structure consisting of wooden and RC structures

In February 2023, we completed the construction of Bransieta Urayasu, our first urban rental condominium (Urayasu-shi, Chiba; Total number of units: 208) having wooden exclusive areas.

Bransieta Urayasu has wooden units on the top floor (14 units in total). The use of wood has the advantages of (i) storing CO<sub>2</sub> and reducing an increase in atmospheric CO<sub>2</sub> concentration, (ii) reducing CO<sub>2</sub> emissions during manufacturing compared to RC, (iii) being lightweight and easy to process, and (iv) improving livability and comfort by providing a feeling of warmth and ease of mind. In addition, the RC area of the top floor uses H-BA concrete, our proprietary environmentally friendly concrete, which contributes to reducing CO<sub>2</sub> emissions.



Bransieta Urayasu

## Risks and opportunities in the Construction-Related Business

- Risks**
  - Soaring and persistently high prices of construction materials
  - Aging of skilled construction workers and shortage of workers
  - Deterioration of the work environment due to climate change (caused by high temperatures in summer, torrential rain, etc.)

- Opportunities**
  - Elimination of labor shortages and avoidance of construction schedule delays through increased productivity enabled by the promotion of industrialization
  - Increased demand for energy-efficient buildings in the transition to a decarbonized society
  - Increased opportunities to win contracts for new construction and renovation due to increased demand for disaster prevention and mitigation

## Major progress of Plan NS

### —Expansion of the scope of orders received, innovation of production technology capabilities, and environmental considerations—

Our focused strategies for the Construction-Related Business set out in NS Plan includes expansion of the scope of orders received and production technology innovation. We also focus on environmental considerations in accordance with HASEKO ZERO-Emission.

Regarding the expansion of the scope of orders received for general construction other than for-sale condominiums, we completed three logistics warehouses, a data center, a hotel, and an office building since the start of Plan NS. The Project Promotion Office, set up jointly by the architecture & engineering and construction divisions at the start of Plan NS, consistently provided follow-up from support for winning contracts to construction completion, resulting in a gross profit exceeding the initial forecast.

Regarding the production technology innovation, HASEKO-version BIM and four sash manufacturers have started data linkage with the sash production system. The data linkage halves the time required from creating production drawings to completing confirmation and improves productivity by eliminating human errors such as input errors. Also, using data

from HASEKO-version BIM, we have built a system that automatically calculates concrete quantities by simply specifying the required range, as well as an inspection system for each construction project. This has enabled a 75% reduction in time spent on estimation at sites and a 10% reduction in time spent on inspections and other tasks.

Regarding environmental considerations, in May 2023, Haseko Corporation began using renewable energy sources for the electricity used at all its sites in Tokyo and Osaka areas. Wood waste, plastics, and other construction sub-materials generated at construction sites are used as energy to generate electricity at biomass power plants, and the resulting power is used at construction sites. In addition, H-BA concrete, our proprietary environmentally friendly concrete, obtained the Special Evaluation Method Certification for dwelling performance indications. This certification allows it to be used in condominiums with dwelling performance indications. We will adopt this concrete for all our projects and actively propose it to other developers' projects.

## Future business outlook

### —Further reinforcement of competitive advantages and brand strength—

Our construction system is designed to construct high-quality products with overwhelming price competitiveness. Our system is supported by a quaternity cooperation system consisting of our construction, architecture & engineering, and technological promotion divisions and the Ken-ei-kai, an organization of cooperating companies responsible for construction. This integrated cooperation is our unique advantage and source of our brand equity unrivaled by our peers.

The HASEKO Value Enhancement Committee, established to improve safety and quality, involves the construction quality

improvement, safety promotion, and value creation divisions working together. We are working to promote DX through the use of cutting-edge technologies and to improve productivity by gathering real voices from construction sites. In the Construction-Related Business, we will strengthen the quaternity system, innovate our design and construction technologies, and reform our workstyles to cope with future increases in construction volume. In addition, we will strive to earn the trust of our stakeholders by generating solid profits.

## Business topics

### Expanding adoption of industrialized construction methods for improved productivity

With further business expansion expected in the future, we are having difficulty securing workers required for framing and interior construction work. We will widely use precast concrete for slabs, beams, and other parts of the building to improve the efficiency of framing work on sites and shorten the construction period. In addition, for interior work for areas such as washrooms and walk-in closets, where many specialists are involved and where a certain time is required to affix wallpaper, we are considering the introduction of the interior panel construction method, in which boards affixed with finishing materials are made into panels at a factory and assembled onsite.



Precast concrete slab construction example

Interior panel construction method under consideration

# Real Estate-Related Business

We are engaged in a wide variety of businesses, including the 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  
 (Center) Satoshi Kumano, Director and Executive Operating Officer  
 (Right) Toru Yamaguchi, Director and Executive Operating Officer



## Business overview

### —Increased sales and profits year on year due to steady sales of condominiums—

The housing market, buoyed by the COVID-19 pandemic that stimulated interest in housing, remained strong, and condominium sales prices continue to rise due to intensifying competition for land acquisition and soaring construction costs. Condominium sales, nevertheless, remained steady due to favorable housing acquisition conditions and a gradual economic recovery amid rising prices. As a result, the Real Estate-Related Business, which comprises Haseko Real Estate Development, Inc., Sohgo Real Estate Co., Ltd., and Haseko Home, Co., Ltd., recorded favorable results with a year-on-year increase in both sales and profits. Land acquisition in construction-related and service-related businesses has also been proceeding smoothly. With changes in how people work and live, our business areas are expanding beyond the metropolitan areas to various regions and districts.

## Business environment

### —Continuing challenges in land acquisition—

The diversification of housing and working styles since the COVID-19 pandemic has greatly expanded the options for selecting land and real estate. In developing new products suitable for such housing, the Group can take advantage of its specialization in condominiums and quickly propose various products incorporating advanced technologies such as ICT. This is a major competitive advantage of the Group.

On the other hand, competition with other industries for land acquisition continues to be a problem. In suburban areas suitable for the development of large, horizontally spread-out condominiums, which is the Group's forte, we continue to face competition 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 prices. Land prices in the Tokyo metropolitan area are especially 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 investing in the next project while recouping those investments.

## Priority issues

### —Steady expansion of condominium sales business area 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 Hokkaido, Tohoku, Hokuriku, Chugoku, Shikoku, Kyushu, Okinawa, and other regions, following the three major metropolitan areas. We opened Branchera Utsunomiya, Branchera Okayama, Branchera Wakayama, and Branchera Takamatsu Nishinomaru Tower The Residence as our first condominium projects in each prefecture.

Our activities rooted in local communities are also deepening at each office, which has led to acquiring 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 facilities to more effectively utilize land for non-residential use. Hosoda Corporation and Haseko Home, Co., Ltd., which joined the Group in 2020, are engaged in the sale of detached houses. The Group will actively gather information on land to develop detached housing and acquire land with the aim to expand its detached housing business across the country.



Meeting room at Renai Nishinomiya Koshien



Growing Square Sugunami logi

## Risks and opportunities in Real Estate-Related Business



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



- 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

## Major progress of Plan NS

### —Steady expansion of private placement REIT-related business—

In 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. The private placement REIT, which we began to manage in February 2022, has grown steadily, with another new inclusion in May 2023. We will further expand the property development for a

private placement REIT and strengthen our recurring revenue model business by increasing our rental properties holdings. Notably, 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

### —Proactive development of new land acquisition approaches and steady efforts for redevelopment and reconstruction—

Until now, we have worked with other groups to acquire real estate information on bulk sales of properties scattering across the country. However, now that we have a nationwide office network, we can acquire such information independently. We expect that the proactive development of this new approach for acquiring land in the future will contribute to the expansion of

the Group's business. However, land acquisition is becoming increasingly difficult, including competition with multi-use properties, and redevelopment and reconstruction will become even more important. In particular, we will take a long, hard look at rebuilding aging apartment complexes as a critical factor by deploying human resources in this area.

## Business topics

### Tamagawa Housing HO Building Condominium Reconstruction Project

### Leading the way in reconstructing part of a large apartment complex at Tamagawa Housing

Located in Chofu-shi overlooking the Tama River, the complex was built in 1968 with 11 five-story buildings with 380 units in total. It is being reconstructed to the one with seven 12-story buildings with 905 units in total. Construction is progressing steadily toward the completion in 2025.

Tamagawa Housing is a large apartment complex with approximately 3,900 units overall. HO Building has been reconstructed as a certified long-life quality housing, CASBEE building, and ZEH-M Oriented condominium, taking the first step toward a new town.

Since being selected as a business partner for the reconstruction plan in 2012, Haseko Corporation has been engaged in the reconstruction business as a participating partner and designer/constructor with Sumitomo Realty & Development Co., Ltd. We will continue to contribute to society through the reconstruction business.



Rendering of the completed project

# 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 and Executive Operating Officer



## Risks and opportunities in Service-Related Business



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



- 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, as well as digital transformation (DX)
- Acquisition of business opportunities by strengthening the Group's value chain and expanding business areas

## Major progress of Plan NS

### —Promoting regional expansion and productivity reform—

One of the priority strategies in 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

### —Focusing on real estate brokerage—

As the domestic condominium stock increases further down the road, we are focusing on extensive refurbishment and interior remodeling, and real estate brokerage and renovation. While the used real estate market in Europe and the U.S. is already matured, we have assessed that the market in Japan is still in the process of maturing and has room for growth.

The Haseko Group is also strengthening the opening of new brokerage stores and expanding new services that utilize advanced technologies.

### —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.

## Business topics

### Started providing CG rendering of completed renovations at all stores

Haseko Real Estate offers a service that enables prospective buyers to view a CG rendering of the completed building before the interior work is completed in renovated condominiums that the company sells as the seller.

In the past, when selling renovated condominiums, it was difficult for prospective buyers to have an image of completion before construction was completed. Therefore, they had to wait until construction was completed before showing prospective buyers inside the private areas.

This service allows prospective buyers to perform visual check images before the completion of construction, enabling concrete consideration even before the completion. You can view the completed CG rendering from your smartphone, computer, etc., on the "Haseko Brokerage" property search site. You can arrange the furniture in the CG to give you a realistic image of life after you move in.



### "Haseko Brokerage" property search site

"Haseko Brokerage" posts a wide range of property information on used condominiums, detached houses, and land for sale.

You can visit the site through the URL or QR code on the right. → URL <https://www.haseko-chukai.com/>



(Japanese only)

## Business overview

### —Toward an age where the Group companies hone 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, extensive refurbishment 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 Plan NS, we aim to achieve robust management focusing on both businesses.

In the first year of Plan NS, we struggled in the extensive refurbishment and remodeling business, mainly due to the suspension of activities by management associations as a result of the COVID-19 pandemic. However, we recovered steadily in the second and third years, resulting in two consecutive years of increased sales and profits. 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 extensive refurbishment and interior remodeling, and the number of real estate brokerage transactions.

## Priority issues

### —Honing 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.

#### 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.



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

# 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 Real Estate-Related Business



- 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
- Foreign exchange risk, etc.



- Strengthening businesses in the mainland U.S.
- Increasing value added of residential areas, etc., through the opening of the complex facility “Wai Kai” in Hawaii
- Participation in the fast-growing Vietnamese market

## Business topics

### 1 Opening the complex facility “Wai Kai” in Hawaii

We opened “Wai Kai,” a complex facility with water activity facilities, restaurants, retail stores, and an expansive event area on a 9-acre (approx. 36,500-m2) site in the Ewa district of West Oahu.



Wai Kai website



PR video on YouTube (about 5 min.)



PR video on YouTube (about 30 sec.)

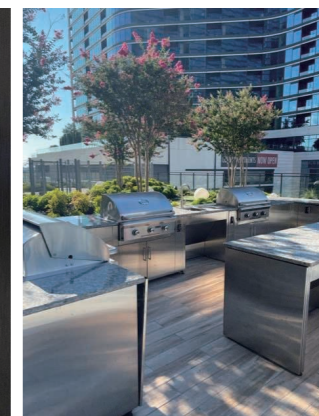
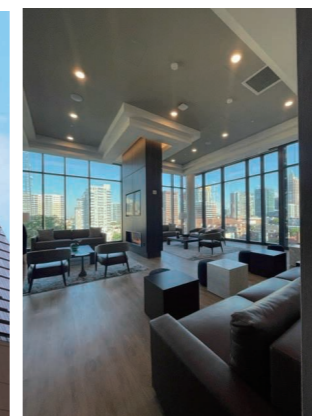
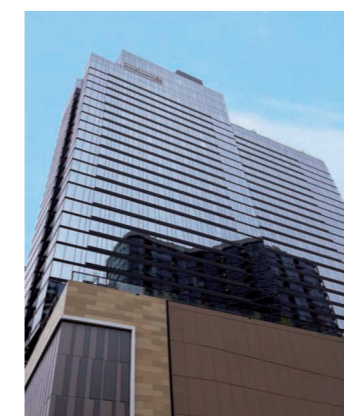


Wai Kai WAVE, one of the world's largest deep-water standing surf waves



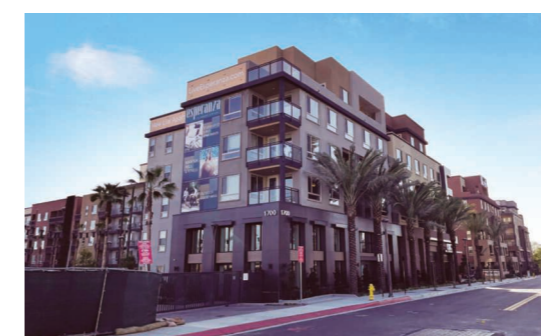
Kitchen Door Napa, led by a Michelin awarded chef who operates a restaurant in Napa, California

### 2 Starting rental condominium development business and leasing in the mainland U.S.



#### (1) 903 Peach Tree

Location: Atlanta, Georgia  
Number of units: 427 units  
Structure: Residential, RC 32-story building



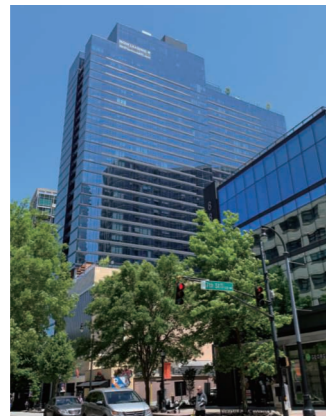
#### (2) Esperanza at Duarte Station

Location: City of Duarte, Los Angeles County, California  
Number of units: 344 units  
Structure: Residential, wooden 5-story building

## Business environment and priority issues

### —Steady investment in a future profit base—

The progress of Japan's low birthrate and aging society makes us concerned 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 in overseas businesses to create a profit base for the future by deploying human resources and carefully assessing the market environment, starting from the present time when we still have growth potential. Under 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.



## 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 and a 21-hectare (51-acre) lagoon have already been completed. We also opened the complex facility “Wai Kai” in March 2023. By increasing the attractiveness of this area, we aim to develop hotels and sell resort condominiums.



## 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-story serviced apartment with 110 units constructed in 2017, maintains an occupancy rate of 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 capital alliance with a local general contractor, Ecoba Vietnam Joint Stock Company, in 2020 to start a new collaboration.

## Future business outlook

### —Promoting 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, which became a local subsidiary in April 2023, and dispatched employees from Japan. In cooperation with Japanese

trading companies and others, we invest in development projects mainly for senior housing and rental housing in California and other states, aiming to contribute to profit during the post-Plan NS period.