

Creation of Housing that the Times Demand

—Histories of Housing Complexes and Haseko—

The Haseko Group has been endeavoring to provide safe, secure and comfortable housing by constantly responding to social challenges, which change with the times. Going forward, we will continue to aim to deliver a better life to the people.

For details, please visit our website

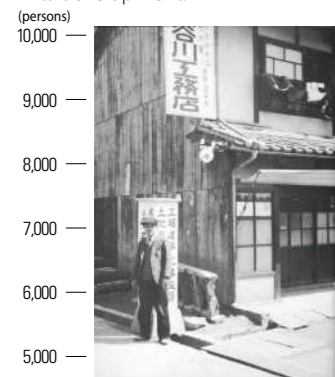
1937 Founding of Hasegawa Komuten in Amagasaki, Hyogo

Needs

The intensification of the war boosted demand for the construction of munitions facilities. After the war, the number of construction works for schools and other public buildings increased rapidly.

Haseko's response

- Before the war, Haseko developed its business as a constructor of wooden factory and office buildings by securing contracts mainly from the private sector.
- In the immediate postwar period, it worked on many public building projects, such as school construction. Afterwards, the Company won a contract for its first reinforced concrete construction of an apartment building, which led to a leap in its development.



Founder Takehiko Hasegawa standing in front of the company building at the time of the founding

1960s— Age of popularization of Condominiums

Needs

With the total population reaching over 100 million, there was growing demand for housing complexes amid the high-growth period of the Japanese economy. The establishment of the Act on Building Unit Ownership, etc. in 1962 led to the introduction of a new form of residence, for-sale condominium, and the government's home ownership scheme also brought about a quantitative expansion.

Haseko's response

- In 1968, the Company embarked on the construction of its first condominium, working on the streamlining of production technologies and research and development thereof, including after-sales complaints handling.
- The development of Haseko's proprietary mass housing supply system "CONBUS (Condominium Building System)" for standardized houses contributed to the quantitative spread of condominiums as well as to the improvement of housing standards.



Ashiya Matsuhama Heights, the first condominium Haseko constructed



CONBUS series

1980s— Age of Diversified Needs for Condominiums

Needs

Changes in lifestyle and family structure and an increase in investment properties diversified the needs for condominiums. In the wake of the introduction of the Warranty Program for Houses for for-sale condominiums in 1993 and the Great Hanshin-Awaji Earthquake in 1995, people began to place greater emphasis on the basic performance of condominiums.

Haseko's response

- A technical research institute, the industry's first software-tech think tank, and a multidisciplinary laboratory (currently, Haseko Research Institute, Inc.) were established to drive the research and development of products and technologies that reflect the market needs.
- We put our efforts into visualizing the basic performance of condominiums that had not been visible before by utilizing the Housing Performance Indication Mark, a proprietary indication mark that we had introduced ahead of the industry and by installing the industry's first Naked Room.

Proprietary housing performance indication mark



Acro City Towers, the first skyscraper condominium Haseko constructed

2000s— Age of Safety and Security

Needs

Following a succession of scandals in the construction industry, including the earthquake-resistance data falsification scam, compliance came to assume more importance. Furthermore, frequent natural disasters, including the Great East Japan Earthquake in 2011, brought about an age where people became more conscious of the safety and security of condominiums.

Haseko's response

- Following the enforcement of the Act for Promotion of Long-Life Quality Housing in 2009, we were accredited with Japan's first Long-Life Quality Housing certification for for-sale condominium.
- We developed and commercialized a next-generation condominium archetype "Be-Next," which allows both enhanced basic performance and customizability.
- We also promoted the construction of disaster-resilient condominiums by taking disaster control measures from both the hardware and software perspectives.



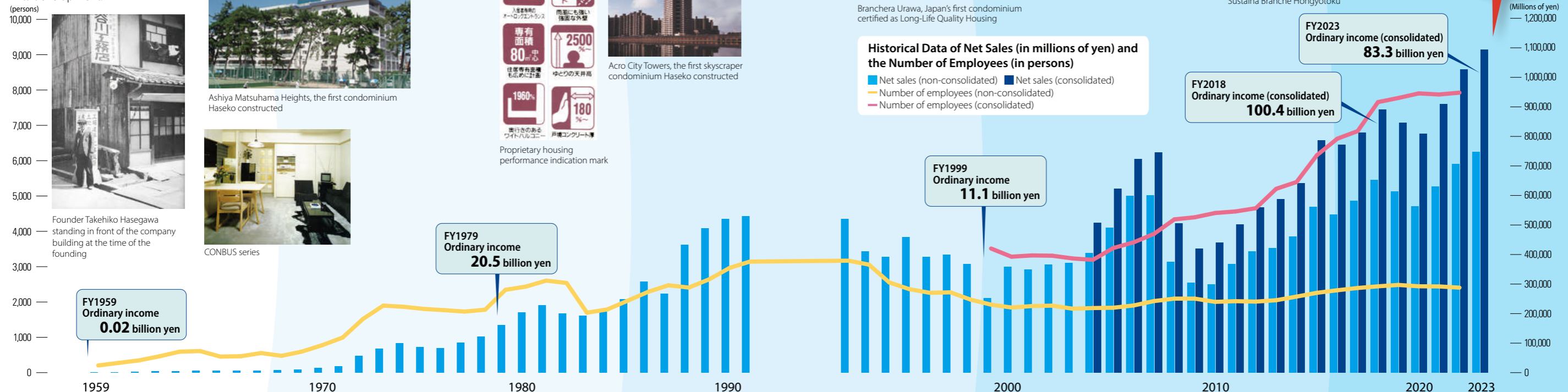
Branchera Urawa, Japan's first condominium certified as Long-Life Quality Housing



Haseko Technical Center and Haseko Condominium Museum, newly established as part of the projects commemorating Haseko's 80th anniversary since its founding

Historical Data of Net Sales (in millions of yen) and the Number of Employees (in persons)

■ Net sales (non-consolidated) ■ Net sales (consolidated)
 — Number of employees (non-consolidated)
 — Number of employees (consolidated)



*1 Data are reported as of the end of each period: March 31 for FY1987 and later, and May 31 before FY1987.

*2 The number of employees at the end of fiscal year 1983 declined on a non-consolidated basis due to the spin-off of the sales and brokerage divisions as a separate affiliate company (no consolidated data disclosed).

*3 The number of employees at the end of fiscal year 1994 declined on a non-consolidated basis due to substantial transfers to affiliate companies and other factors (no consolidated data disclosed).

Source: Haseko Group's 80-Year History (available only in Japanese) and Financial Reports

2020s— Age of Sustainability

Needs

Recently, consumer behavior has changed significantly in the face of the COVID-19 pandemic. We have also entered an age where companies are required to respond to climate change, harmonize with the environment, and respect diversity so as to achieve sustainable growth. We expect to see significant changes in the condominium market along with the changes in social conditions.

Haseko's response

- We are promoting sustainability-conscious business, such as constructing longer-life condominiums and environmentally friendly condominiums.
- We will drive digital transformation (DX) to aim for the further improvement of quality and the provision of new value.
- We are providing condominiums designed to cater to the new normal life in response to the COVID-19 pandemic.
- We are ensuring that all condominiums developed primarily by the Group (projects with design initiated in fiscal year 2022 and later) meet the net-zero energy housing (ZEH) standard.
- We are proactively promoting the ICT-based IoT condominium business.
- Construction on Sustaina Branche Hongyotoku (Japan's first rental condominium project to achieve net zero CO₂ emissions when the building is in use) completed [September 2023]

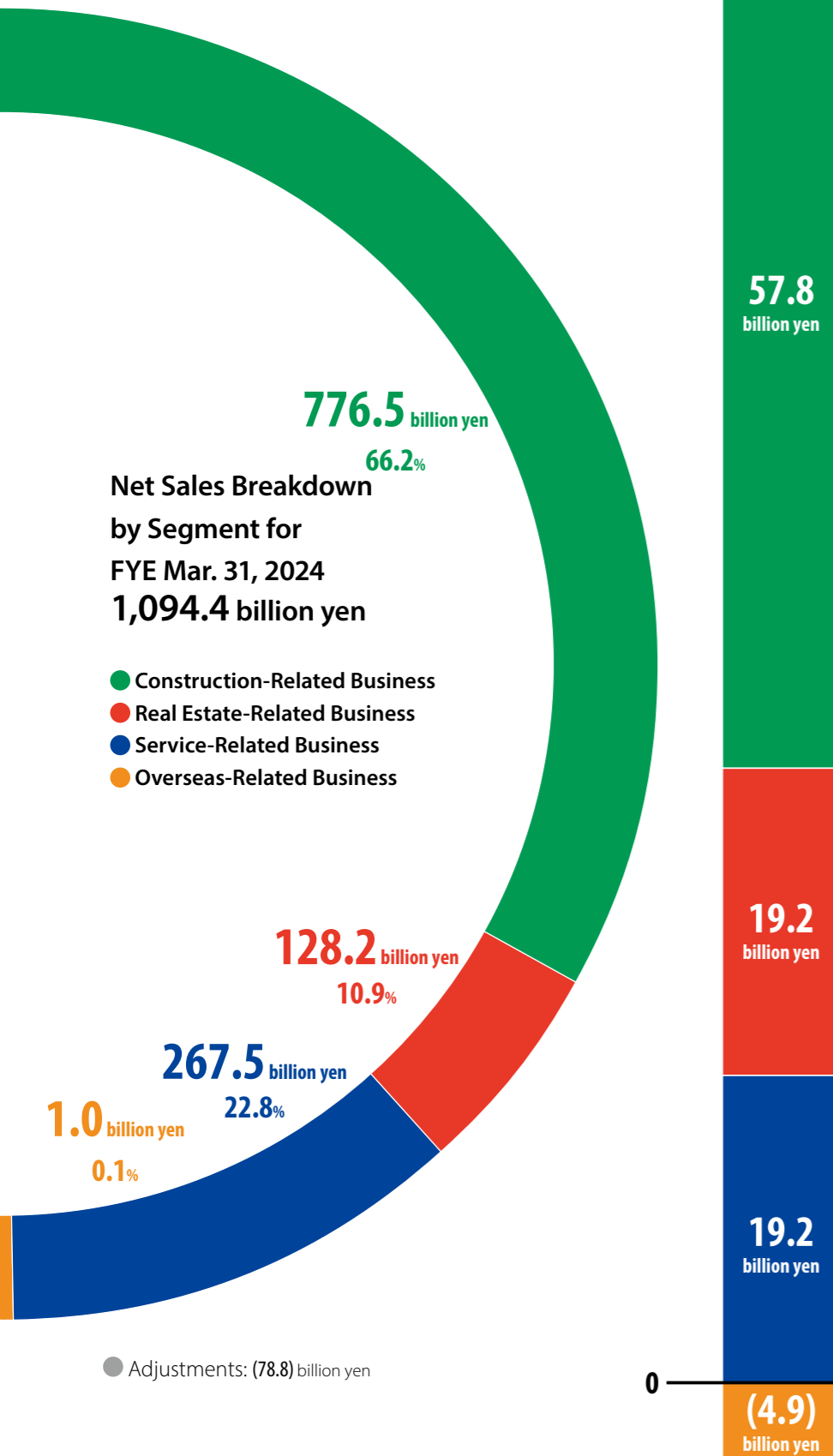


Sustaina Branche Hongyotoku

Cumulative number of condominiums constructed Exceeded 2023 700,000 units
 Approx. 10% of Japan's for-sale condominium stock

Business Overview of the Haseko Group

Operating Income by Segment in FYE Mar. 31, 2024



57.8 billion yen

19.2 billion yen

19.2 billion yen

(4.9) billion yen



Construction-Related Business

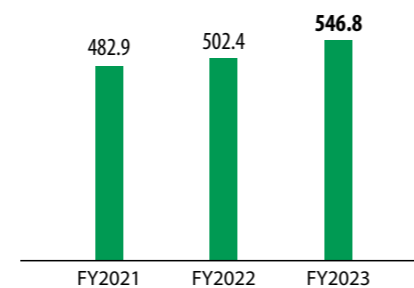
Haseko Corporation (or the "Company") is engaged in comprehensive construction services for condominiums and apartments, from planning and design to construction, primarily around Japan's three major metropolitan areas. Orders received totaled 536.9 billion yen on a non-consolidated basis, and the Company boasts the largest share of new housing supply in both the Tokyo metropolitan area and the Kinki region. In addition, Hosoda Corporation is engaged in the construction of detached houses.

Segment net sales	776.5 billion yen
Segment income	57.8 billion yen
Segment assets	383.3 billion yen
Group companies	Fujikensetsu Co., Ltd., Hasec Inc., Haseko Furnishing Co., Ltd., Hosoda Corporation, etc.
Number of employees engaged	2,984 persons

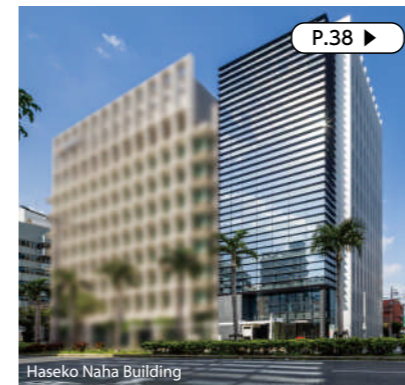
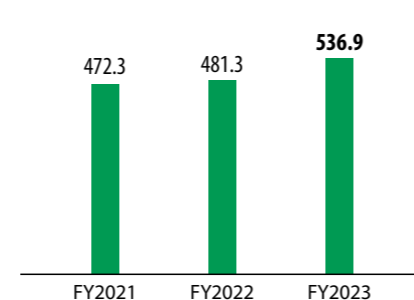
Focused strategies under the medium-term business plan

- Expansion of domain of the Construction-Related Business
- Expansion of redevelopment and reconstruction business/ response to compact cities

Construction contracts (billion yen)



Order Received (Non-consolidated) (billion yen)



Real Estate-Related Business

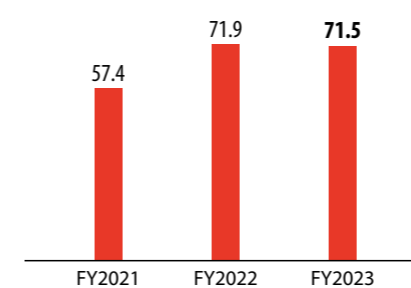
We are engaged in the business of for-sale condominiums throughout Japan, including its three major metropolitan areas. We offer richness in housing and living spaces by incorporating the data and know-how we have accumulated through our experience as a general contractor that has built a total of 700,000 homes. In addition, Haseko Home, Co., Ltd, a subsidiary of the Company, is engaged in the sales of detached houses.

Segment net sales	128.2 billion yen
Segment income	19.2 billion yen
Segment assets	484.5 billion yen
Group companies	Haseko Real Estate Development Holdings Inc., Haseko Real Estate Development, Inc., Sohgo Real Estate Co., Ltd., Haseko Home, Co., Ltd., etc.
Number of employees engaged	229 persons

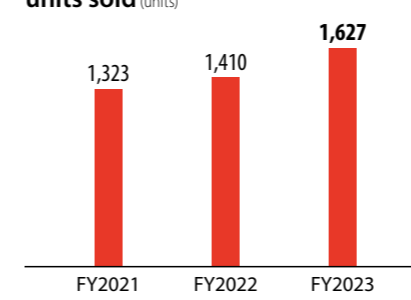
Focused strategies under the medium-term business plan

- Expansion of business areas for condominium sales business
- Rental properties holding and development business

Net sales of for-sale condominiums (billions of yen)



Number of for-sale condominium units sold (units)



Service-Related Business

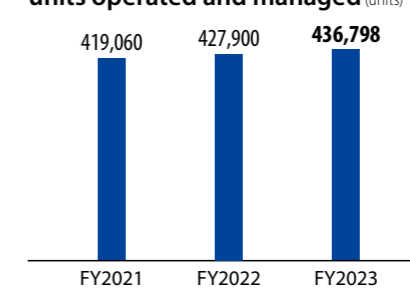
In addition to sales, management, sales of furniture, brokerage, renovations, and extensive refurbishment associated with for-sale condominiums, we also operate businesses that are closer to consumers, such as management and development of rental properties, corporate housing management agency services, and the management of paid care facilities for the elderly, providing services that are intimately linked to the lives of each and every customer.

Segment net sales	267.5 billion yen
Segment income	19.2 billion yen
Segment assets	273.8 billion yen
Group companies	Haseko Reform Inc., Haseko Livenet, Inc., Haseko Business Proxy, Inc., Haseko Urbest Inc., Haseko Real Estate, Inc., Haseko Intech Inc., Haseko Systems Inc., Haseko Community, Inc., Haseko Senior Well Design Co., Ltd., etc.
Number of employees engaged	4,540 persons

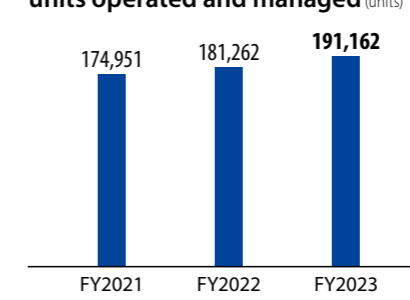
Focused strategies under the medium-term business plan

- Continuation and strengthening of the Service-Related Business
- Expanding our business areas from major metropolitan areas to major regional cities
- Rebuilding business model by introducing advanced technologies
- Fundamental innovation of existing business productivity

Number of for-sale condominium units operated and managed (units)



Number of rental condominium units operated and managed (units)



Overseas-Related Business

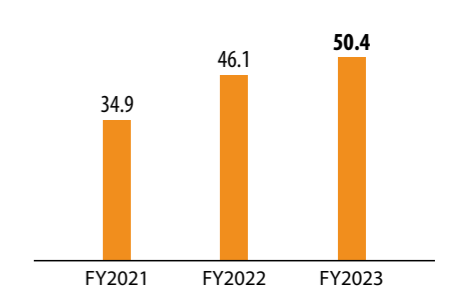
Haseko America, Inc., a subsidiary of the Company, and others are engaged in the sales of detached houses and the development of commercial facilities in Hawaii, U.S.A., and the development of rental and senior residences in the continental United States. In addition, in Vietnam we are engaged in the construction and operation of serviced apartments.

Segment net sales	1.0 billion yen
Segment income	(4.9) billion yen
Segment assets	118.0 billion yen
Group companies	Haseko America, Inc., and others
Number of employees engaged	76 persons

Focused strategies under the medium-term business plan

- Investment in overseas business
- Reestablishing a revenue base in the United States (Hawaii)
- Establishment of design, construction and production systems in Southeast Asia
- Participation in real estate development projects

Real estate holdings (Hawaii only) (billion yen)



Consolidated Financial and Non-Financial Highlights

Key Financial Data (Consolidated)

Please access additional non-financial information

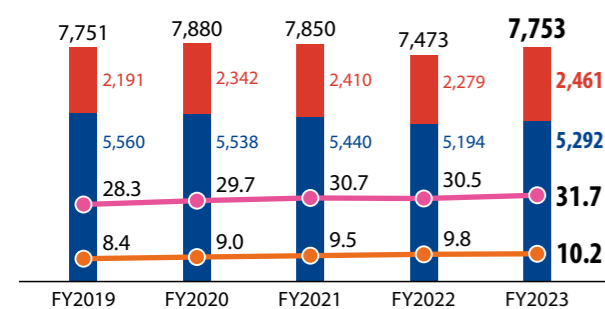
Item		FY2013	FY2014	FY2015	FY2016
		97th term	98th term	99th term	100th term
Orders	(millions of yen)	442,751	539,642	551,445	577,811
Net sales	(millions of yen)	587,571	642,167	787,354	772,328
Operating income	(millions of yen)	28,838	42,698	68,762	89,032
Ordinary income	(millions of yen)	25,405	41,889	67,327	88,827
Net income attributable to owners of parent	(millions of yen)	24,830	28,542	51,226	58,762
Comprehensive income	(millions of yen)	31,207	38,440	44,259	58,116
Net assets	(millions of yen)	119,472	144,089	185,374	238,467
Total assets	(millions of yen)	457,408	476,914	589,993	630,937
Net assets per share	(yen)	346.17	478.45	615.21	791.24
Basic net income per share	(yen)	81.36	94.64	170.41	195.48
Diluted net income per share	(yen)	67.98	92.90	—	—
Equity ratio	(%)	26.1	30.2	31.3	37.7
Return on equity	(%)	21.3	21.7	31.1	27.7
Net cash provided by (used in) operating activities	(millions of yen)	55,267	39,984	65,590	109,536
Net cash provided by (used in) investing activities	(millions of yen)	29,395	△4,067	△30,801	△19,824
Net cash provided by (used in) financing activities	(millions of yen)	△65,425	△40,235	△16,286	△40,213
Cash and cash equivalents at end of the year	(millions of yen)	137,689	133,563	152,115	201,456
Interest-bearing debt	(millions of yen)	147,861	128,245	174,721	141,850

FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
101th term	102th term	103th term	104th term	105th term	106th term	107th term
558,405	568,931	518,847	483,158	546,537	563,474	600,909
813,276	890,981	846,029	809,438	909,708	1,027,277	1,094,421
100,805	98,430	85,925	72,909	82,702	90,162	85,747
100,497	100,369	85,253	71,832	81,871	88,265	83,334
72,289	87,391	59,851	48,258	54,490	59,326	56,038
74,798	86,214	53,040	53,273	57,958	63,316	78,975
296,835	368,051	387,682	394,365	417,667	454,088	511,246
687,706	773,219	799,319	953,659	1,081,907	1,198,105	1,351,231
995.44	1,234.13	1,323.51	1,425.93	1,520.73	1,666.30	1,874.17
241.98	293.87	201.36	168.62	198.32	216.10	205.45
—	—	—	—	—	—	—
43.0	47.5	48.5	41.4	38.6	37.9	37.8
27.0	26.3	15.8	12.3	13.4	13.6	11.6
56,516	33,064	△15,263	31,876	65,448	△51,909	115,023
△16,351	△14,473	△37,222	△35,772	△31,601	△55,446	△39,846
△34,742	△12,379	△8,356	66,799	15,728	50,785	△753
206,866	212,980	151,754	214,299	264,864	208,333	283,493
125,441	120,404	152,262	267,951	311,841	391,500	415,000

Key Non-Financial Data

Number of Group employees/

■ Male ■ Female (persons)
● Female employees (%) ● Female managers (%)
Group: including non-consolidated subsidiaries

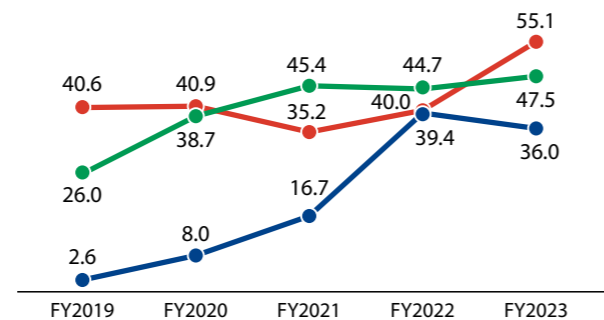


The Haseko Group has been proactively appointing female employees to senior roles from an early stage, ahead of the industry. We will continue our active recruitment of women, with a focus on fostering and retaining core and key personnel, while promoting the development of female employees and their proactive appointment to manager positions in line with our human resources development policy.

*The scope of aggregation is as follows
FY2019–FY2021: Haseko Corporation and all Group companies in Japan
FY2022 and later: Haseko Corporation and consolidated subsidiaries in Japan

Percentage of men taking advantage of parenting-related programs (%)

● Childcare leave ● Spouse maternity leave taken ● Children leave taken



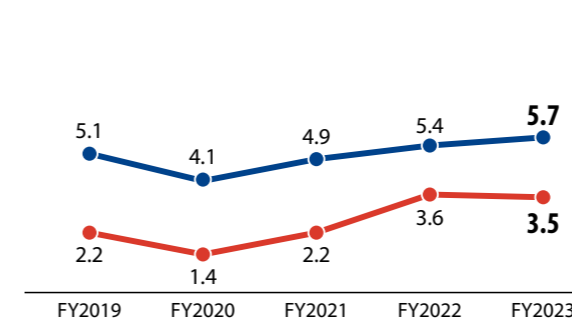
We are working to increase the percentage of male employees taking childcare leave, guided by the Iku-Boss Declaration (a statement of commitment by management members in charge of business units to supporting employees in balancing work and family). We further promote this effort by featuring those who have taken such leave in the company newsletter, and other means. Furthermore, in fiscal year 2019, we introduced new paid leaves as our own systems: spouse maternity leave and children leave, which allows employees to attend nursery school events and more. In April 2023, we extended the applicable period for spouse maternity leave, allowing employees to take one-day paid leave within 15 days from the day before the expected delivery date. The adjustments, including this one, aim to create a more accommodating environment for employees to take leave.

*The scope of aggregation is as follows
FY2019–FY2021: Haseko Corporation and all Group companies in Japan
FY2022 and later: Haseko Corporation and consolidated subsidiaries in Japan

Annual turnover rate of full-time (%)

● Haseko Group ● Haseko Corporation

Group: including non-consolidated subsidiaries



The turnover rate among the younger generation is on the rise due to increased mobility in the labor market. We regard retaining young and mid-level employees, who will lead the Group in the future, as a top priority. In addition to our workplace Brother-Sister mentoring system, experienced employees outside the workplace (commonly referred to as "Nexter"), together with the Personnel Department, provide support and coaching to ensure personnel retention through a three-pronged approach.

Gender wage disparities within the labor force (%)

*Gender wage disparities = (Average annual salary of female workers ÷ Average annual salary of male workers) × 100%

	All workers	Full-time workers	Part-time and fixed-term workers
Haseko Corporation and consolidated subsidiaries in Japan	64.3	57.6	97.4
Haseko Corporation	61.7	61.5	68.6

Gender wage disparities do exist at Haseko Corporation and consolidated subsidiaries in Japan, particularly among full-time workers, but this is influenced by the difference in average years of service between men and women (women: 10.1 years; men: 14.6 years) and the percentage of managers between men and women (10.2% of managers are women). With the ongoing active recruitment efforts and the expected increase in the percentage of female employees, we believe that the gender wage disparities will diminish. This will be facilitated particularly through creating pleasant workplaces and proactively appointing female managers.

Value Creation Process

We at the Haseko Group adopt a long-term perspective as we aim to address the social issues surrounding our daily lives through business operations. We will deepen coordination among the Group companies and realize a corporate entity that proves to be worthy of the trust received from urban dwellers.

Resolving social issues through our business operations

Haseko Group Long-Term Vision
—What the Company Aims to Be for the Fiscal Year Ending March 2030—
Medium-term Business Plan [HASEKO Next Stage Plan]

Social issues surrounding our daily lives

Improvement of corporate value

Delivering richness in housing and living

Inputs

Human capital

- Number of employees (consolidated) • 7,829 persons
- Number of qualified employees • 6,149 persons
- First-class architects • 749 persons
- First-class building construction management engineers • 1,259 persons
- Real estate transaction agents • 3,132 persons
- Licensed representatives of condominium management companies • 1,009 persons
- PET screening participation rate • 80.0 %

Intellectual capital

- Investments in R&D • 3.82 billion yen
- Number of patents held • 265 (202 patents, 58 designs, 5 utility models)
- Cumulative number of housing units that adopted Haseko's Premium After-sales Service • approx. 120,000

Manufacturing capital

- Presentation space LIPS
- Haseko Technical Center
- Key locations in Japan • 43
- Number of Group companies • 84 companies

Social and relationship capital

- Haseko Group supply chain "Quaternity"
- Real estate information network
- Haseko's Premium After-sales Service

Natural capital

- Energy usage
- Electric power • 24,171 thousand kwh
- Light oil • 17,114 kl
- Kerosene and heavy oil • 398 kl
- Water • 756,000 m³

Financial capital

- Total assets • ¥1,351.2 billion
- Equity • ¥511.2 billion
- Interest-bearing debt • ¥415.0 billion

(Figures for FY2023)
*As of March 31, 2024

Management Resources of the Haseko Group P.18



Outputs

Construction-Related Business

- Annual number of units constructed: 11,664 units (Cumulative total: 708,000 units*)

Real Estate-Related Business

- Number of for-sale condominium units sold: 1,627 units

Service-Related Business

- Number of for-sale condominium units managed: 436,798* units
- Number of rental condominium units managed: 191,162* units
- Orders received for large-scale repair and interior remodeling: 42.2 billion
- Number of for-sale condominium units sold on consignment: 7,670 units
- Number of real estate brokerage transactions: 2,327 units
- Number of paid facilities for the elderly operated: 2,549 units

Overseas-Related Business

(Figures for FY2023)
*As of March 31, 2024

Outcomes

Human capital

- Percentage of women among new graduates hired • 37.1%
- Percentage of female managers • 10.2%
- Percentage of childcare leave taken by males • 36.0%
- White 500 certification acquired
- Promotion of foreign national personnel utilization
- Education plans (Business College, DX Academy)

Intellectual capital

- Creation of building and living information database on the BIM & LIM platform
- Development of efficient construction methods and improvement of productivity in cooperation with cooperating companies

Manufacturing capital

- A comfortable construction site, in addition to high safety and productivity

Social and relationship capital

- Proposal of Hazard-resistant Condominium
- Three-piece set disaster prevention equipment
- Adoption of Smart Water Tank
- Creation of new value by means of condominium renewals (rebuilding, redevelopment, renovation)
- Owl 24 Center Number of alarms received (responded) • 44,119 cases

Natural capital

- Number of wooden buildings Constructed: 442 buildings (incl. 26 non-detached housing buildings)
- Number of condominiums accredited with ABINC Certification • 5 buildings
- ZEH condominiums and houses

Financial capital (consolidated)

- Ordinary income • 83.3 billion
- Net income • 56.0 billion
- ROE • 11.6%
- Payout ratio • 41.4%

(Figures for FY2023)
*As of March 31, 2024

Improvement of corporate value

Management Resources of the Haseko Group

With a focus on for-sale condominiums, we are engaged in various businesses including land information collection, project planning, neighborhood negotiations, permit acquisition, design, and construction. The Group companies provide services in ancillary fields. We will aim to improve our corporate value by enhancing our six types of capital.



Human capital

- Based on our philosophy of further enhancing corporate value through investment in and utilization of human assets, we are striving to foster autonomous human resources and organizations that will propel the Group into uncharted fields, while also aiming to evolve our distinctive workstyle reforms and promote diversity.

- Number of Group employees (consolidated) ... 7,829
- Number of qualified employees ... 6,149
 - First-class architects ... 749
 - First-class building construction management engineers ... 1,259
 - Real estate transaction agents ... 3,132
 - Licensed representatives of condominium management companies ... 1,009
- PET-CT screening (cancer screening) participation rate ... 80.0% (2,039 people participated out of an eligible 2,550 people. The target ages were 45 and 50–64)
Costs were fully born by the company



Intellectual capital

- Unique-to-Haseko exclusive contracts, under which land is provided for project owners, set a clear distinction from standard contracts used by general contractors, thereby establishing an advantageous business model.

- We have a long history of constructing condominiums that serve as the foundation of people's lives for a long time, with over 700,000 units completed to date. Construction know-how, cultivated through proven experience of achieving the number one position in Japan for the total number of condominium units constructed, guarantees superior quality in our construction.

- Research and development costs in FY2023 ... 3.82 billion yen
- Number of patents held ... 265 (202 patents, 58 designs, 5 utility models)



Manufacturing capital

- LIPS (Koto City, Tokyo and Chuo Ward, Osaka)—which stands for Living, Image, Presentation, Space—is a presentation room that enables project owners to select products and materials promptly and securely by seeing and touching actual offerings as samples. The room regularly exhibits products of approximately 70 manufacturers, including exterior finishing materials, builders' hardware, steel fittings, interior finishing materials, and housing equipment. The Company primarily utilizes LIPS for project owners as the base for making specific proposals on planning, design and specifications as well as demonstrating new technologies and new products, etc.

- As one of the projects commemorating the Haseko Group's 80th anniversary since its founding, Haseko Technical Center (Tama City) was completed in March 2018. We have consolidated our technology-related functions, which encompass Haseko Technical Research Institute, Haseko Group Technical Training Center, and Haseko Community Owl 24 Center, into Haseko Technical Center, while also integrating Haseko Condominium Museum into this consolidation. Haseko Technical Center not only conducts research and technological development aimed at safe, secure and comfortable housing from residents' point of view, but also disseminates information on new technologies, new products, and technology verification targeted broadly at condominium owners, administrative agencies, condominium management associations, and other customers.

- Key locations in Japan ... 43
- Group companies ... 84
- Overseas locations ... 3
- Precast manufacturing location (under construction)



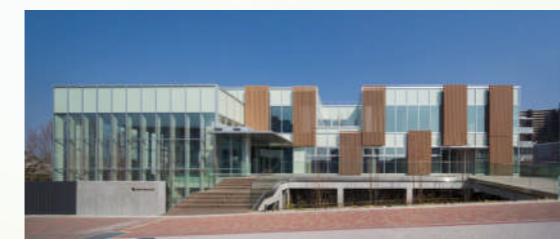
Haseko Condominium Museum



Social and relationship capital

- We are endeavoring to enhance quality through the integrated operation of four bodies (quaternity), consisting of the construction divisions, architecture & engineering divisions, technological promotion divisions, and Ken-ei-kai (an organization of approximately 300 of our main cooperating companies). We have enjoyed a strong relationship of trust with the Ken-ei-kai for more than 25 years, and this quality control framework by quaternity is a strength that no other company has.

- Convert all condominiums developed by Haseko Corporation to ZEH-M Oriented from fiscal year 2022 onwards
 - Number of condominiums constructed ... 708,000 (cumulative total)
 - Ken-ei-kai comprising cooperating companies around ... Approx. 300 companies
 - Number of housing units that adopted Haseko's Premium After-sales Service ... cumulative Approx. 120,000 units



Haseko Condominium Museum



Interior of the presentation room LIPS



Natural capital

- In the pursuit of business activities that contribute to the preservation of natural capital, we successfully completed the 100% conversion of the electricity used at our construction sites to renewable energy at the end of May 2023.



Financial capital

- We are making growth strategy investments to strengthen the competitiveness of our core businesses, to expand investment in the Real Estate-Related Business, and to pursue initiatives for future growth, which are some of the focused strategies in the HASEKO Next Stage Plan (Plan NS).

- We will endeavor to increase profits and expand our business while placing greater emphasis on capital efficiency and being conscious of the share price. In order to improve capital efficiency, we are implementing business management that specifically increases the turnover rate of real estate-related businesses.

- Total assets ... 1,351.2 billion yen
- Equity ... 511.2 billion yen



Haseko Technical Research Institute Structural experiment area

Business Model of the Haseko Group

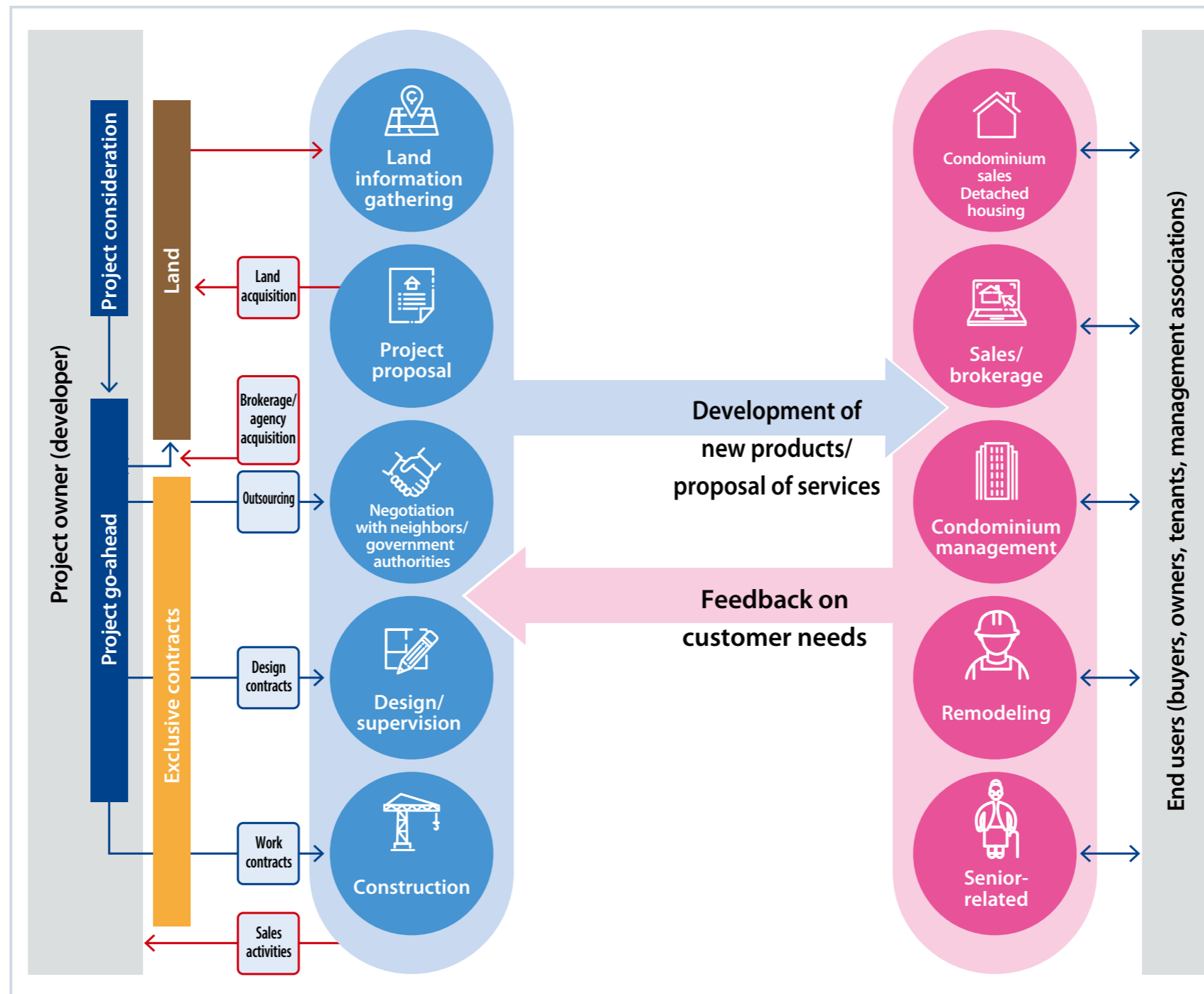
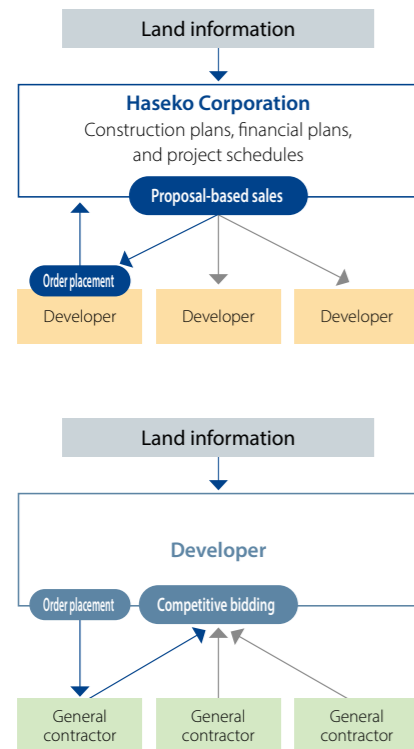
With a focus on for-sale condominiums, we are engaged in various businesses including land information collection, project planning, neighborhood negotiations, permit acquisition, design, and construction. The Group companies provide services in ancillary fields, with the aim of creating optimal environments through the utilization of the collective capabilities of the Haseko Group.

1 Exclusive contracts under which land is provided for project owners

One of the defining features that establish Haseko Corporation as a leading company in the condominium industry is its method of receiving orders known as "exclusive contracts."

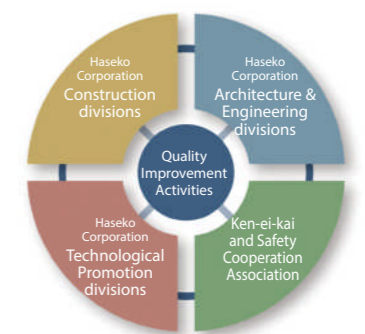
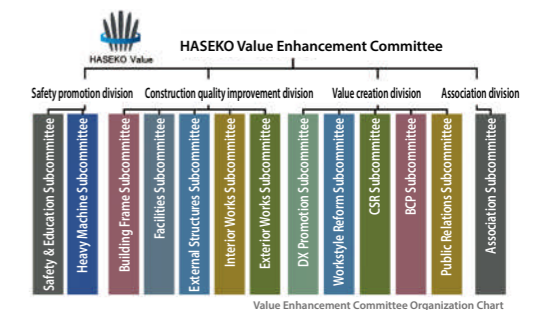
This represents Haseko's unique business model, in which we provide project owners with land information we have procured and execute proposal-based sales that incorporate our planning. Based on the capabilities in gathering land information and enhanced functions, we develop highly accurate construction plans, financial plans, and project schedules within a brief timeframe, and proceed with proposal-based sales. Furthermore, we accommodate all requirements, including negotiations with neighbors and government authorities.

This business approach, which involves proposing business plans that include land provision rather than just undertaking construction from project owners, has proven to be highly profitable.



2 Quaternity

We are endeavoring to enhance quality through the integrated operation of four bodies, (quaternity), consisting of the construction divisions, architecture & engineering divisions, technological promotion divisions, and Ken-ei-kai (an organization of approximately 300 or more of our main cooperating companies). We have enjoyed a strong relationship of trust with the Ken-ei-kai for more than 25 years, and this quality control framework by quaternity is a strength that no other company has. Since 1991, we and the Ken-ei-kai have been pursuing Autonomous Management Activities, striving to ensure high levels of construction precision and quality control. In 2016, these activities marked their 25th anniversary, and were reinvented as Haseko Value Enhancement Activities. We are aiming to take a further leap forward by utilizing the combined strength of all workers and five subcommittees grouped by type of construction, namely building frame, facilities, external structures, interior works, and exterior works. The outcomes of these activities are conveyed to work sites and relevant departments, and also shared at the "Debriefing Session on Value Enhancement Activities" held once a year, with the goal being to achieve "succession," "widespread acceptance," and "collaboration" at a deeper level.



Quality Activities Driven by Cooperation among Four Bodies (Quaternity)

Risks for the Haseko Group

Here we present key matters that we believe could materially affect decision-making by investors. We recognize that the Haseko Group is exposed to various other risks besides these, and strive to do our best to ensure that they do not materialize and to mitigate them through diversification or avoid them altogether.

Nevertheless, it is possible that the Group's operating performance and financial position could be adversely affected as a result of external factors beyond the Group's control or events that are at the present time deemed unlikely to occur.

Key matters that could materially affect decision-making by investors

- Dependence on the condominium business
- Construction market trends

- Legal and administrative regulations, etc.
- Relationships with local residents
- Liability for noncompliance with contracts
- Accidents and other incidents in the construction business
- Credit risk of clients
- Owned real estate
- Corporate acquisitions, etc.

- Unbalanced business areas
- Overseas business risks
- Operational risks
- Management of personal information, etc.
- Fund procurement and interest payments
- Stock market trends
- About the Medium-term Business Plan
- Climate change risk

Message from the Officer in Charge of Finance

We will endeavor to improve profits and expand our business while placing greater emphasis on capital efficiency and being conscious of the share price.

Shoji Naraoka

Director, Executive Vice President
in Charge of Finance, Accounting and
IR, Corporate Management Division



Review of business results for the fiscal year ended March 31, 2024

For the second year in a row, the new supply of condominium units in FY2023 declined compared to the previous fiscal year in both the Tokyo metropolitan area and the Kinki region. On the other hand, the unit price of for-sale condominiums has been at a record high for three consecutive years, and the average price has also continued to rise, and sales are progressing smoothly due to factors such as improvements in the employment and income environment.

Under these circumstances, the fiscal year ended March 31, 2024, which was the fourth year of the medium-term management plan "HASEKO Next Stage Plan (i.e., Plan NS)" that covers the five years through the fiscal year ending March 31, 2025, saw a sharp rise in material and labor costs, resulting in the decline in the gross profit margin of completed construction contracts. However, consolidated ordinary income came to 83.3 billion yen, exceeding the initial forecast of 83.0 billion yen, as a result of steady profit accumulation by each company in the service-related business.

Progress on the medium-term business plan HASEKO Next Stage Plan ("Plan NS")

Progress of the profit plan in the medium-term management plan

Plan NS has set numerical targets for the fiscal year ending March 31, 2025 of 100.0 billion yen in consolidated ordinary income, 30.0 billion yen or more in ordinary income of consolidated subsidiaries, and a five-year total consolidated ordinary income of 400.0 billion yen. As of the end of the fourth year of Plan NS, we have achieved a total consolidated ordinary profit of 325.3 billion yen.

For the fiscal year ending March 31, 2025, the final year of the plan, we expect to see further expansion of the real estate business. However, due to factors such as a further decline in the gross profit margin of completed construction

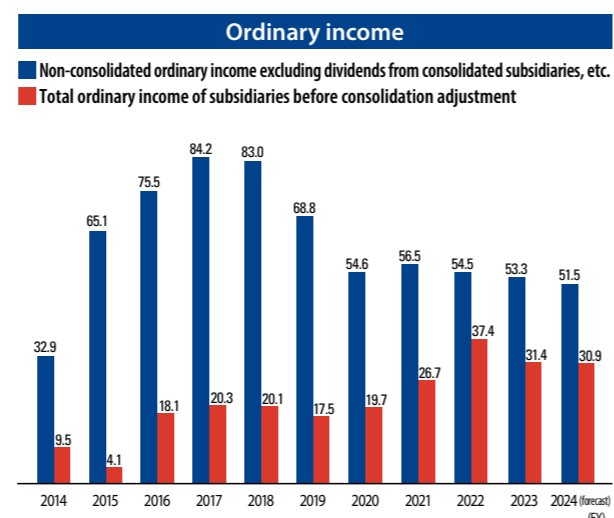
contracts and an increase in general administrative expenses, we are forecasting consolidated ordinary income of 80.0 billion yen, which is lower than the target of 100.0 billion yen for the final fiscal year, due to increases in commodity prices and labor costs, which were not initially assumed in the plan. Nevertheless, we believe that the target of 400.0 billion yen in consolidated ordinary income over the five-year period is achievable.

In addition, the target of 30.0 billion yen or more in ordinary income of consolidated subsidiaries is expected to be achieved from the fiscal year ended March 31, 2023 to the final year, and the fruits of investments in the condominium sales business and rental real estate development business by subsidiaries are beginning to emerge.

Progress of the investment plan in the medium-term management plan

Plan NS has set out the following focused strategies: "expansion of business areas for condominium sales

Total ordinary income: non-consolidated basis plus consolidated subsidiaries (unit: billions of yen)



business," "rental properties holding and development business," and "investment in overseas business." In order to increase profits within the timeframe of the plan, it is necessary to make focused investments at an early stage.

Plan NS called for investments of 240.0 billion yen, and by actively utilizing loans to satisfy the strong demand for funding, all investments except for those in new businesses, M&A, etc. were completed in the fiscal year ended March 31, 2024, such that investments have already begun for the fiscal year ending March 31, 2030. The new investment plan aims to expand business in areas and markets with growth potential by acquiring land for business use to expand the area of the domestic real estate sales business to include regional cities, holding and developing rental real estate for investors, including private REITs and private funds, and participating in overseas real estate projects.

At Haseko Corporation, we calculate the weighted average cost of capital (WACC), which includes the cost of shareholders' equity and the cost of debt, and use it for internal investment decisions, mainly for real estate

investment. We also regularly monitor the progress and expected results of the projects we have acquired. Drawing on the lessons learned from our experience of significantly damaging the Company's creditworthiness through excessive risk-taking, we actively conduct business investment while maintaining financial soundness without compromising business opportunities, by setting and managing appropriate capital allocations for the risks that differ by each type of asset.

In addition, the business environment has changed significantly, with factors that could not have been foreseen at the start of the plan, such as increases in construction prices and interest rates. However, we are responding flexibly and quickly to these changes, and are working to secure optimal profits without being constrained by the original business plan. Going forward, we will take into account the evaluations of the stock market as we strive to enhance the corporate value of the Group by giving greater consideration to capital efficiency in our operations.

Cumulative cash flow for the period of plan (unit: billions of yen)

	FYE Mar. 31, 2021 to FYE Mar. 31, 2024 Cumulative	FYE Mar. 31, 2025 Forecast	Total
Cash flows from operating activities (excluding inventory investments)	323.1	27.0	350.1
Fund procurement	259.0	35.0	294.0
Total	582.1	62.0	644.1
Inventory investments	(231.9)	(55.0)	(286.9)
Fixed asset investments	(116.0)	(34.0)	(150.0)
Other, net	(58.2)	(2.0)	(60.2)
Total investments	(406.1)	(91.0)	(497.1)
Dividends	(90.3)	(23.6)	(113.9)
Purchases of treasury stock under the previous plan (NBJ)	(24.6)		(24.6)
Shareholder returns	(114.9)	(23.6)	(138.5)
Increase in cash and deposits, etc.	61.1	(52.6)	8.5

Status of shareholder returns (unit: billions of yen)

	Plan NBS			Plan NBJ			Plan NS				
	FYE Mar. 31, 2015	FYE Mar. 31, 2016	FYE Mar. 31, 2017	FYE Mar. 31, 2018	FYE Mar. 31, 2019	FYE Mar. 31, 2020	FYE Mar. 31, 2021	FYE Mar. 31, 2022	FYE Mar. 31, 2023	FYE Mar. 31, 2024	FYE Mar. 31, 2025 (forecast)
Interim dividend				10	10	20	35	35	40	40	40
Year-end dividend	10	15	30	40	70	50	35	45	40	45	45
Annual dividend (yen/share)	10	15	30	50	80	70	70	80	80	85	85
Earnings per share (EPS, yen)	94.64	170.41	195.48	241.98	293.87	201.36	168.62	198.32	216.10	205.45	194.29
Net income attributable to owners of parent	28.5	51.2	58.8	72.3	87.4	59.9	48.3	54.5	59.3	56.0	53.0
Total dividends	3.0	4.5	9.0	15.0	24.0	20.8	19.9	22.2	22.2	23.6	23.6
Payout ratio* (%)	10.53	8.80	15.35	20.79	27.52	34.78	41.33	40.76	37.44	42.11	44.52
Total income for the period of plan				138.5			219.5			271.1	
Total dividends for the period of plan				16.5			59.9			111.6	
Purchases of treasury stock during the period of plan				30.0							
Total returns during the period of plan				16.5			89.9			111.6	
Total rate of returns during the period of plan (%)				11.93			40.97			41.15	

*Total dividends ÷ net income attributable to owners of parent

Recognition of the current situation

In terms of its investments, Haseko Corporation practices management that is conscious of ROE and ROA in the final consolidated financial statements, including factoring capital cost into acquisition criteria. The method for calculating the cost of shareholders' equity is not necessarily consistent, but we estimate that it is between 6% and 9% when calculated using the capital asset pricing model (CAPM), which is considered to be the most common method.

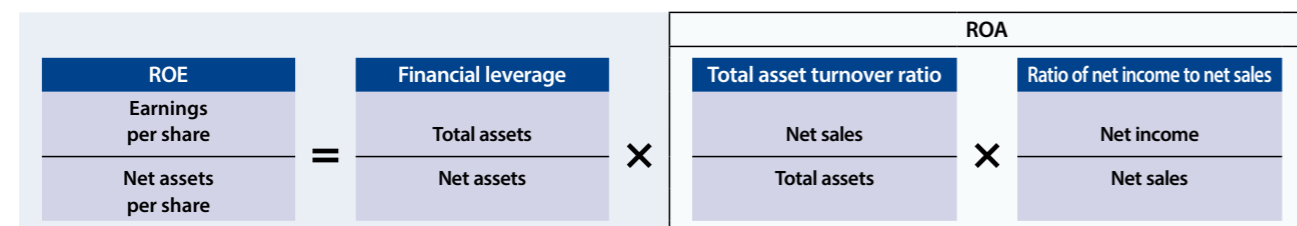
ended March 31, 2016. This decline in ROE is due to a number of factors as follows: a drop in the gross profit margin of completed construction contracts due to rising material and labor costs; an increase in the costs and general administrative expenses due to better working conditions for employees; the fact that our real estate business, which aims to increase profits under the current plan, is investing ahead of schedule, thereby reducing the rate of turnover of total assets; and the fact that ROA has more than halved

Yield on safe assets Yield on Japanese government bonds 0.7-1.6%	+	Expected additional yield on shares 6.00%	×	Risks specific to Haseko Corporation Stock beta value 0.92-1.33	=	Expected additional yield on the Company's shares Cost of shareholders' equity 6-9%
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For the past 10 years, our ROE has been above 10%, having at least exceeded the cost of shareholders' equity calculated by means of CAPM. On the other hand, our ROE has been declining since peaking at 31.1% in the fiscal year

from 9.60% in the fiscal year ended March 31, 2016 to 4.40% in the fiscal year ended March 31, 2024 due to the abovementioned factors.

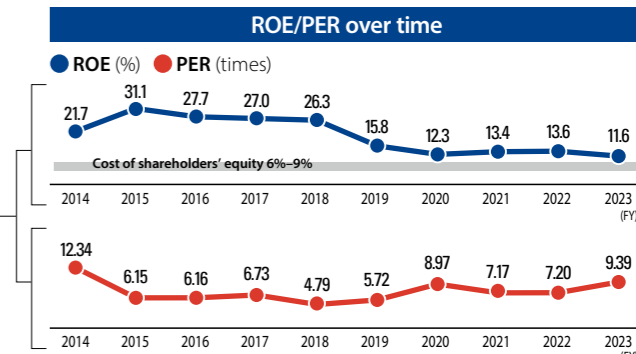
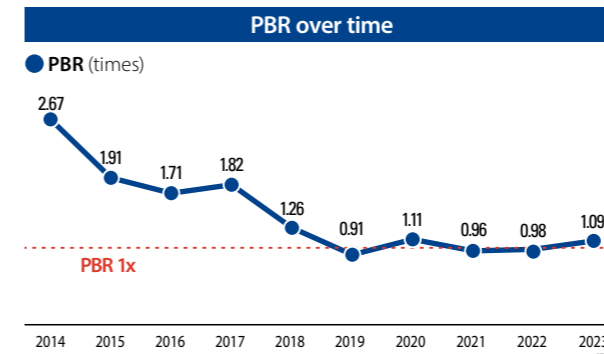
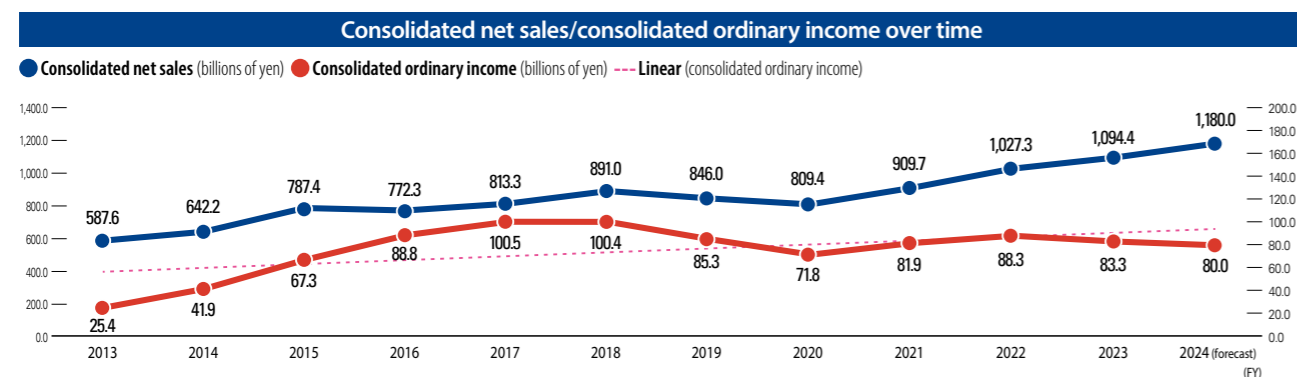
ROA		=	Total asset turnover ratio		×	Ratio of net income to net sales	
FYE Mar. 31, 2016	FYE Mar. 31, 2024		FYE Mar. 31, 2016	FYE Mar. 31, 2024		FYE Mar. 31, 2016	FYE Mar. 31, 2024
9.60%	4.40%		1.48	0.86		6.51%	5.12%
ROE		=	Financial leverage		×	ROA	
FYE Mar. 31, 2016	FYE Mar. 31, 2024		FYE Mar. 31, 2016	FYE Mar. 31, 2024		FYE Mar. 31, 2016	FYE Mar. 31, 2024
31.10%	11.61%		3.24	2.64		9.60%	4.40%



Furthermore, even though the ROE exceeds the cost of capital calculated according to CAPM, the PBR remains at around 1x because the PER has remained low for a long time at less than 10x, which is thought to be due to low expectations for the Company's growth in the stock market.

On the other hand, the Haseko Group's consolidated net sales are expected to increase from 587.6 billion yen in the fiscal year ended March 31, 2014, one year before Plan NBS, to 1,180.0 billion yen in the fiscal year ending March 31, 2025, the final year of Plan NS, for an average annual growth rate of 6.54%. In addition, the Group's consolidated ordinary income is expected to increase from 25.4 billion yen in the

fiscal year ended March 31, 2014 to 80.0 billion yen in the fiscal year ending March 31, 2025. The highest ordinary income recorded in the past 11 fiscal years was 100.5 billion yen in the fiscal year ended March 31, 2018, so although the most recent five fiscal years of Plan NS have shown a negative growth in ordinary income, the 11 fiscal years have resulted in an average annual growth rate of 10.99%.



PBR and PER are calculated using the closing price at the end of each fiscal year. The calculation of EPS and BPS, which form the basis for PBR and PER, is based on the number of shares eligible for dividends at the end of each fiscal year, excluding treasury shares (not including ESOP and BBT). PBR and ROE are calculated using the average net assets at the beginning and end of the fiscal year.

Initiatives to improve PBR

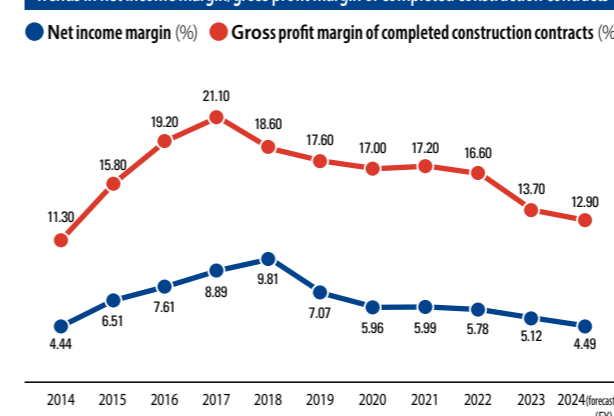
PBR	=	ROE	×	PER
Share price		Earnings per share		Share price
Net assets per share		Net assets per share		Earnings per share

To improve PBR, it is essential to improve ROE and PER. We were unable to absorb the effects of rising prices and labor costs in our mainstay construction-related business, leading to a decline in the gross profit margin of completed construction contracts. We recognize that a key issue will be to improve the gross profit margin of completed construction contracts by promoting digital transformation (DX) and industrialization, while gaining the understanding of project owners to allow us to pass on the increased costs to the construction price.

In addition, the total asset turnover ratio has decreased due to the expansion of investment in the real estate-related businesses, which is one of the focused strategies of Plan NS, especially with respect to the expansion of the real estate holding and development business. However, another important issue is to improve the turnover ratio of real estate businesses by contributing to private REITs and private funds managed by our subsidiary Haseko Real Estate Investment Management, Inc. and by actively utilizing other real estate liquidation methods.

We will leverage the investments we made ahead of schedule during the period of Plan NS to generate revenue in the next plan, thereby improving the capital efficiency that had declined temporarily due to the expansion of our real estate business. We will also expand the disclosure of information on the growth strategies of each of the Haseko Group's businesses, our initiatives on environmental issues and technological development, our approaches to human

Trends in net income margin/gross profit margin of completed construction contracts

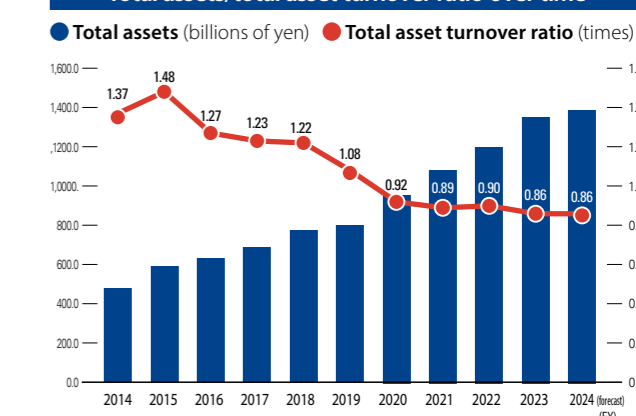


capital, and our measures for ensuring shareholder returns. In doing so, we will deepen understanding from stakeholders through conversations with them and work to improve our standing in the stock market.

Our basic policy on shareholder returns is to "set the minimum annual dividend per share at 80 yen (70 yen in the first year of the plan)" and "set the total shareholder return ratio calculated from the sum of net income attributable to owners of parent for the five years of Plan NS at about 40%." This policy was formulated by taking into account a comprehensive range of factors, including accelerating investment in growth strategies to expand and enhance future earnings, as well as providing stable shareholder returns over the medium to long term.

On the other hand, the business environment has changed significantly since the formulation of Plan NS, and as the nature of corporate value evaluations and market demands change, we will not only continue to implement our existing capital measures, such as "maintaining a strong financial base" and "ensuring stable shareholder returns," but also further deepen our awareness of "improving capital efficiency" to meet market expectations. Furthermore, we will work to improve ROE and EPS without excluding the option of acquiring treasury stock. We are in the process of continuing to invest in order to expand our real estate- and overseas-related businesses, and although our ROE currently stands at around 10%, we are not satisfied with this situation and are aiming for further improvement.

Total assets/total asset turnover ratio over time



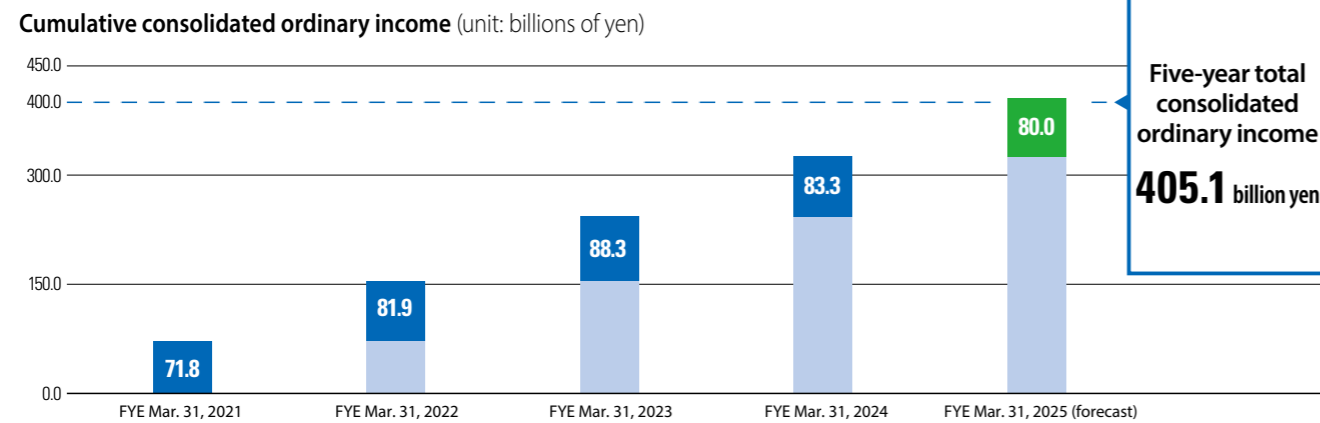
Progress on the Medium-term Business Plan (HASEKO Next Stage Plan)

In 2020, the Haseko Group formulated the Haseko Group Long-Term Vision—What the Company Aims to Be for the Fiscal Year Ending March 2030. Toward achieving the Long-Term Vision, we have embarked on a five-year medium-term business plan, HASEKO Next Stage Plan ("Plan NS"), and are executing growth strategies based on the premise that conditions in society will change.

Four years have passed under the current plan, leading us to its final fiscal year. Despite the unprecedented changes in the business environment caused by the COVID-19 pandemic, which occurred soon after the plan was launched, we have steadily progressed with the initiatives set out in Plan NS. The growth of the Group's companies has been particularly remarkable, and the goal of achieving consolidated ordinary income of 400 billion yen or more over five years is now within sight. In addition, the annual dividend was increased to 85 yen for the fiscal year ended March 31, 2024. We plan to sustain 85 yen for the fiscal year ending March 31, 2025. Some of the specific initiatives in this plan are described below.

[For more information, please visit](#)

HASEKO Next Stage Plan										
Basic policy	1	Strengthen corporate management that builds on both the Construction-Related Business, which primarily targets the market for new housing supply, and the Service-Related Business, which is centered on the market related to existing residences etc.	Focused strategies	1	Strengthen competitiveness of core businesses <ul style="list-style-type: none"> Expansion of domain of the Construction-Related Business Expansion of redevelopment and reconstruction business/response to compact cities Continuation and strengthening of the Service-Related Business 	Financial strategy Shareholder returns	1	Maintain a strong financial base while accelerating growth strategy investment and enhancing shareholder returns		
	2	Deepen coordination among the Group companies and realize a corporate entity that proves to be worthy of the trust received from urban dwellers		2	Expansion of investment in Real Estate-Related Business <ul style="list-style-type: none"> Expansion of business areas for condominium sales business Rental properties holding and development business 		2	Continue to pay stable dividends. In addition, buy back shares flexibly, taking into account the business environment, growth investment opportunities, the Company's stock price level, and improvement of capital efficiency		
	3	Provide safe, secure and comfortable housing and urban environment		3	Initiatives for future growth <ul style="list-style-type: none"> Investment for realizing digital transformation (DX) Investment for introducing advanced technologies by the value, technology and innovation division Investment in overseas business New investment Investment in human assets 	<Shareholder return policy> ① Set the minimum annual dividend per share at 70 yen (changed to 80 yen from the fiscal year ended March 31, 2022) ② Set the total shareholder return ratio calculated from the sum of net income attributable to owners of parent for five years at about 40%				
	4	Establish a stable profit base through growth strategy investment		4	Investment plan	Investment plan	Total investment amount over five year 240.0 billion yen			
	5	Maintain a strong financial base and enhance shareholder returns		5	Financial strategy and shareholder returns		1	For-sale condominium business 50.0 billion yen	4	Investment in advanced technologies 20.0 billion yen
	6	Challenge for new endeavors from a medium- to long-term perspective		6	Action for CSR management		2	Rental properties holding and development business .. 70.0 billion yen	5	New businesses, M&A, etc. 40.0 billion yen
	7	Focus on establishing CSR management	Numerical targets	Fiscal year ending March 31, 2025: Consolidated ordinary income ... 100.0 billion yen Ordinary income of consolidated subsidiaries: ... 30.0 billion yen or more Five-year total consolidated ordinary income: 400.0 billion yen		3	Overseas business 60.0 billion yen			



Response to Climate Change

The Haseko Group's climate change response policy, HASEKO ZERO-Emission (overview)

The Haseko Group will strive to respond to climate change with the following as its basic stance.

<p>Realize the Corporate Philosophy</p> <p>Address climate change as an important management issue</p>	<p>Achieve carbon neutrality by 2050</p> <p>Obtained SBT certification (June 2022) Adopt renewable energy at all construction sites (by December 2025) Promote low carbon construction</p>	<p>Expand/create business opportunities</p> <p>Analysis of risks and opportunities Transition to net-zero energy housing (ZEH) for for-sale condominiums developed in-house and rental condominiums owned (in 2022 onwards)</p>	<p>Bring together all capabilities of the Haseko Group Promote dialogue/cooperation with stake holders</p> <p>Disclosures based on the TCFD recommendations, and response to Carbon Disclosure Project (CDP)</p>
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Initiatives to reduce CO2 emissions at construction sites

We are promoting the following initiatives at certain sites to reduce CO2 emissions at construction sites. Going forward, we will continue to increase the number of cases of adoption and promotion of these initiatives, while taking the scale and location of project into consideration.



Promotion of wood use in construction of condominiums

We have worked on research and development of wooden construction since 2014. A project featuring fire-resistant wooden structure on the top four floors, "(provisional name) Meguro-ku Chucho 1-chome Plan" is scheduled to be completed in March 2025. We will continue our efforts to challenge the adoption of wooden construction in high-rise buildings and expand its application to include for-sale condominium development. Bransieta Urayasu was our first completed condominium featuring wooden construction in private-use areas, with the top floor residential units (14 in total) being constructed from wood.

Overseas business initiatives

In order to establish a new revenue base for the future, we have also expanded our investments in housing development projects in the continental United States, with 13 projects currently underway.

Projects currently underway (partial list)

Las Brisas	Vida	Vistas of Annandale
Esperanza Solana	Zia	Nashville
Vintage Farms	Peachtree	Crescent

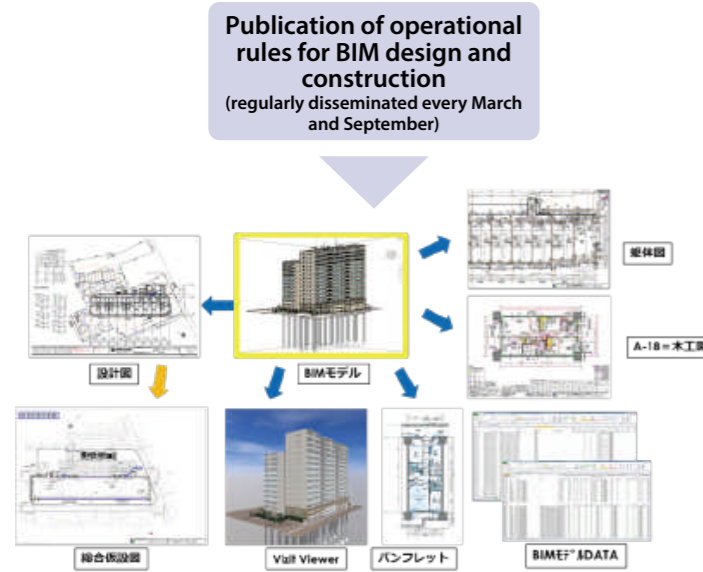
Execution status of focused strategies

1 Promotion of DX at construction sites: Utilization of BIM at construction sites

We are aiming to achieve a 20% increase in productivity by the end of the fiscal year ending March 31, 2025. We will transform construction sites into smarter, more worker-friendly places through a revolution in production made possible by the further utilization of DX.

BIM design and construction: Communication of operational rules

By disseminating a unified set of BIM design and construction operation rules that bring together the different approaches taken for each project, we aim to create a shared understanding between the design and construction departments and improve the accuracy of BIM models.

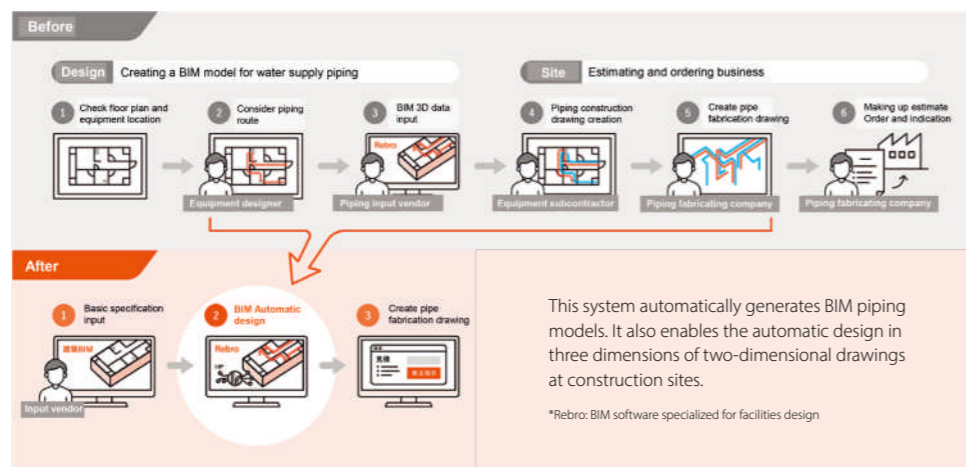


The content sent out with the operational rules for BIM design and construction will be addressed from the design stage, which will lead to the improved accuracy of BIM models. This will also lead to improvements in the accuracy of design drawings, structural drawings, and woodworking drawings that are produced from BIM models.

2 Promotion of DX in design: Automation of designs using BIM data

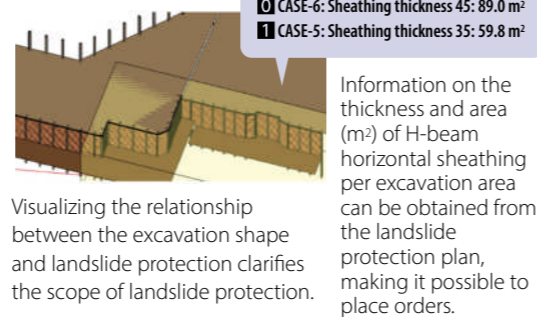
We have made use of the features of the BIM database to develop a tool that automatically designs plumbing routes for water pipes based on the floor plans of housing units. In the past, the plumbing routes for the hot and cold water supply were configured manually from the floor plans of the condominium units before a 3D BIM model was constructed. This system, on the other hand, automatically extract necessary information from the BIM data, routes the plumbing for hot and cold water and generates the BIM model.

The BIM database is well-suited to retrieving the information needed for automated design and incorporating the results of automated design as models, making it possible to deploy DX using automated design in a variety of fields.



Picking up the amount of H-beam horizontal sheathing required for landslide protection

Landslide protection construction companies use BIM to model and visualize landslide protection plans. Haseko overlays the excavation models to ascertain the quantity of H-beam horizontal sheathing from the landslide protection data.



Automatic creation of excavation diagrams

Excavation diagrams are automatically generated based on construction drawing models, and the data is passed on to worksites.



Excavation diagram No need to make them from scratch!

Excavation shape 3D viewer Enables visual checking of excavation shapes

3 Promoting the spread of ICT (information and communications technology) condominiums

We are promoting the creation of high-value-added condominiums by leveraging ICT. At present, we are mainly introducing and verifying them among rental condominiums. We are collecting and analyzing digital data with the aim of using it to create new value such as improved convenience for residents and extended lifetimes for buildings.

Case study: Implementing ICT services on an experimental basis during large-scale repair work.

First introduction of ICT services to an existing for-sale condominium complex in "SOUTH ALL CITY" (Sakai City, Osaka Prefecture)

Scheme of the demonstration



LIM (Living Information Modeling)

At Haseko we use the term "Living Information Modeling (LIM)" to describe a concept of optimizing lifestyles by utilizing the lifelogs of residents obtained through recognition equipment and various sensors installed in "ICT condominiums," as well as building and equipment maintenance data recorded in the "condominium maintenance records." The Haseko Group is pursuing initiatives aimed at improving productivity in the design and construction of condominiums and in the quality of life of residents through LIM.



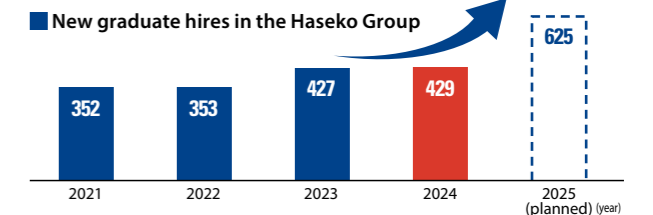
4 Progress of the management of private placement REIT

We launched a private REIT with a scale of approximately 20 billion yen in the fiscal year ended March 31, 2022, and added approximately 14 billion yen in the fiscal year ended March 31, 2024. We are considering adding a certain amount to the REIT in the fiscal year ending March 31, 2025.



5 Investment in human assets

Despite the challenges facing the construction industry as a whole, such as a shortage of manpower and rising costs, we are focusing our efforts on recruiting the human resources we need to secure orders and production systems for the construction of high-quality condominiums and expand the business of the entire group, as well as developing talent that can create new businesses for the future.



Revisions to starting salaries at Haseko Corporation

	2023	2024	Raised amounts
Graduates of graduate schools	275,000 yen	320,000 yen	+45,000 yen
University graduates	255,000 yen	300,000 yen	+45,000 yen

We deem these raises as an advance investment, which will contribute to the improvement of our competitiveness in recruitment and the future development of the Haseko Group. We will continue to invest in human resources, while also working to secure and retain the human resources who will lead us into the future. We will also work to bolster our efforts in hiring mid-career professionals.

Message from the Officer in Charge of Sustainability Promotion

We will further deepen our commitment to sustainability to deliver richness in living and create a sustainable society.

Naoko Yoshimura

Director, Operating Officer
Responsible for Sustainability Promotion
in the Corporate Management Division and in
Charge of the Group Senior Living Business



Going into my second year as the officer in charge of sustainability promotion, I am acutely aware that the speed of social change is accelerating, as the environment around us changes rapidly from one moment to the next, including the transition to a decarbonized society, respect for diversity, and innovations in AI technology. These changes are presenting new opportunities and challenges for the business of the Haseko Group, and the importance of sustainability management is greater than ever. As someone tasked with achieving a balance between the sustainable growth of our Company and the resolution of social issues, I am keenly aware of the importance of this mission.

Promoting sustainability based on the most important material issues

In addition to developing a wide range of businesses compositely both in tangible and intangible manner, while making the most of an integrated system that covers everything from the design and construction of homes, centered on condominiums, to after-sales service, management and renovation, the Haseko Group is also promoting various initiatives in the area of sustainability.

In 2023, we reviewed our material issues and identified the following four as having the greatest impact on both our company and our stakeholders: (1) response to climate change, (2) supply chain management, (3) respect of human rights, and (4) human capital (diversity & inclusion (D&I), human resources development).

(1) Response to climate change (see P. 62–65 and P. 84–89)

In December 2021, Haseko Corporation formulated the climate change response policy “HASEKO ZERO-Emission”

and began making disclosures based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In addition, with regard to the TCFD’s additional requirement of “plan for the transition to a low-carbon economy,” we disclosed “The Haseko Group’s CO2 Emissions Reduction Plan (Transition Plan)” in July 2024.

Concerning the reduction of CO2 emissions in our business activities, we are systematically working to reduce CO2 emissions at construction sites, improve the efficiency of energy use in our offices, and switch to next-generation vehicles for our sales fleet, with the goal of reducing Scope 1 and 2 emissions by 42% by FY2030 compared to FY2020.

In addition to focusing on delivering housing with high energy-saving performance, we are placing an emphasis on preparing for the risk of natural disasters associated with climate change, and are working to create homes and communities that are conscious of disaster prevention and mitigation, in order to ensure the safety and security of everyone.

(2) Supply chain management (see P. 59)

In housing-related businesses, it is essential to establish connections with many business partners and to build a supply chain through fair, just, and appropriate transactions. We will continue to offer better products and services by sharing our approach to sustainability with our business partners, and strengthening our partnerships with them.

With regard to the Haseko Group’s cooperating companies, we have obtained written agreements to comply with the “Haseko Group CSR Procurement Guidelines” formulated in October 2021, and we also require that they meet certain standards in terms of compliance, human rights, labor, the environment and safety. Through

these initiatives, we will work to mitigate risks and enhance sustainability in our supply chain, and we will continue to promote fair and responsible procurement.

(3) Respect of human rights (see P. 58–59)

Respect of human rights is a fundamental value of the Haseko Group, and we seek to ensure that we address human rights issues properly through the practice of human rights due diligence (human rights DD).

The Haseko Group formulated the Haseko Group’s Human Rights Policy in January 2022, clearly stating our commitment to fulfilling our responsibility to respect human rights in all of our business activities. We began the process of human rights DD based on this policy, and in October of the same year, we identified the human rights risks that could arise in relation to our business activities and determined priorities for addressing human rights issues. Every year since FY2022, we have been conducting questionnaires among our cooperating companies to understand the current situation regarding human rights issues mainly related to the supply chain, such as the state of timber procurement and the employment of foreign technical intern trainees and other foreign human resources.

We will also further bolster our employee education and awareness-raising activities as we endeavor to ensure that our business activities do not infringe on basic human rights.

(4) Human capital

(D&I, human resources development) (see P. 68–79)

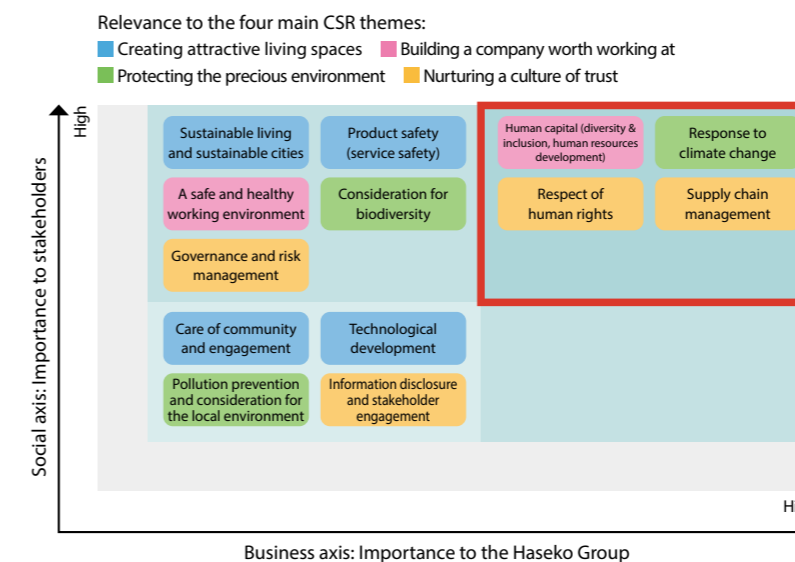
I believe that human resources are the Haseko Group’s greatest asset. It is absolutely critical to create an environment where each and every employee can maximize their abilities and experience fulfillment.

Respecting diversity and drawing on the experience and wisdom of people with different ways of thinking according to the concept of “getting the most out of their qualities” is essential in uncertain times such as the present. By further enhancing the promotion of D&I and investment in human resources, and by accelerating the provision of growth opportunities and workstyle reforms, we hope to motivate our employees to make the most of their abilities and become drivers of value creation.

Working to improve long-term corporate value centered on our corporate philosophy

Society is continuing to change dramatically, with the effects of climate change becoming more apparent, digital technology advancing rapidly, and people’s values diversifying. In times like these, homes are more than just places to live; they play an important role in protecting people’s happiness and peace of mind. Based on the Haseko Group Corporate Philosophy “To contribute to society by creating an optimal environment for cities and people,” we are working toward the creation of a sustainable society, with a view to providing not only safe, secure and comfortable housing, but also to delivering richness in living beyond that.

Dialogue and cooperation with all stakeholders are essential for the promotion of sustainability management. Looking ahead, we will continue to deepen our dialogue with all of our stakeholders, including shareholders and investors, customers, business partners, employees, and local communities, doing our utmost to meet their expectations and enhance our corporate value over the long term.



Identification of material issues

To enhance the effectiveness of sustainability initiatives, it is important to proceed with clearly defined priorities. From a comprehensive list of social and environmental issues, the Haseko Group reviewed its material issues in light of social conditions and the business environment and newly identified 13 items in May 2023.

*The most critical material issues (response to climate change, supply chain management respect of human rights, and human capital) are issues for which society has extremely high expectations and which the Haseko Group has recognized as requiring further action in terms of business as well.

Special Feature:

The Digital Transformation Strategy of the Haseko Group

Digitalization progressing across the entire Group. Promoting bold reforms to achieve genuine transformation

Three key figures who oversee the digital transformation (DX) across Haseko Corporation's design and construction divisions and service-related business have come together to discuss the issues. Looking back on four years of pursuing the goals set out in Plan NS, they freely discuss what kind of DX the Haseko Group ought to pursue in the future.



After joining the Company, Kurematsu worked at construction sites for three years before embarking for the United States to study construction engineering. Upon his return to Japan, he moved into corporate planning at Haseko Corporation. He is responsible for the Service-related Business as a General Manager of the Haseko Anesis Corporation. He has been involved in the Value Creation Division since its establishment as the head of the division's operations. He serves as Vice Chair of the DX Promotion Committee launched in 2021.

Yukio Kurematsu,
Director and Executive Operating Officer
(Haseko Anesis Corporation)



Having gained experience on construction sites for three years after joining the Company, Horii worked in design in the Engineering Division. From 2012, in addition to his design duties, he was involved in building the "HASEKO-version BIM" as the person responsible for the introduction of BIM.

Norio Horii, Operating Officer
(Engineering Division, Haseko Corporation)



Hara has been working at the frontline of construction sites since joining the Company. He took the initiative in introducing CAD at a time when design work on site was predominantly done by hand. When the Construction BIM Promotion Department was established, demand for his hands-on experience led to his transfer to his current position.

Hidefumi Hara, General Manager
(Construction BIM Promotion Department, DX Promotion Department, Construction IT Promotion Department, Haseko Corporation)

The fruits of the four years of DX work undertaken under Plan NS

Kurematsu: Thinking back to the first year of Plan NS, I remember how difficult it was to immediately move forward with DX, because many of the operations, such as reporting and record-keeping, were still done in an analog way in each Group company. So, we had to start by digitalizing these operations first. I think all of the companies made serious efforts at digitalization during these four years.

Within the Haseko Group, the three companies that manage rental condominiums, for-sale condominiums, and the senior business have begun to fundamentally review their business processes, including their management approaches. We are currently at the stage of developing a new core system, and we should be able to see the benefits of this in another year or two. In addition, the Haseko Group is aiming to build and operate a group information coordination platform that enables the mutual use of data across the entire Group.

Furthermore, the two companies that sell newly built for-sale condominiums and that act as real estate brokers are also working on projects to renew their core systems or fundamentally digitalize and make better use of data. In that sense, I think we have entered a phase where we are progressing from basic digitalization to full-scale DX.

Horii: Our architecture & engineering divisions were working on using BIM for design documents already before the term DX became popular. Now we design all of our projects using BIM.

The majority of our construction projects concern condominiums, and of these, over 90% are undertaken as single contracts covering

both design and construction. Unlike typical design firms, we prepare the construction drawings required at construction sites in our own architecture & engineering divisions, and we have also put in place a system that incorporates the knowledge gained at the construction site into all of our design drawings. This is called "front loading," and although it adds a slight burden on the architecture & engineering divisions in the current stage, it also makes the construction site more efficient, so the productivity of the company as a whole has improved significantly. Over the past four years, we have been able to experience the benefits of switching to BIM first-hand.

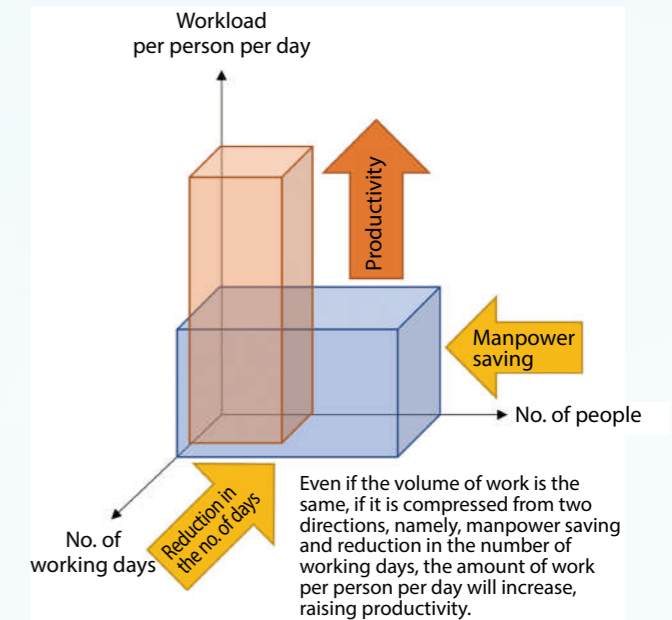


Hara: Restrictions on overtime work have been implemented in the construction industry since April 2024 in accordance with the "Work Style Reform Act." In our construction divisions, we have digitalized the information related to employee working hours. Collecting and analyzing the data on various conditions at worksites and processes has enabled us to identify the characteristics of work that tends to involve a lot of overtime, and what kind of work tends to take time at any particular timing. Based on this information, we are taking more effective, personalized measures rather than applying one-size-fits-all solutions. Going forward, we believe that we will be able to use our data-driven approach to provide the optimal combination of personnel and an environment that enables our staff to achieve their highest performance.

Business reform as the essence of DX

Kurematsu: Although we have made progress in digitalizing the basic aspects of our operations through our efforts thus far, this alone does not constitute DX in its true sense. If you want to improve productivity through digitalization, you first need to identify specific areas in the current workflows where you can improve efficiency. Unless you make major changes to existing workflows, you probably shouldn't expect significant productivity improvements through digitalization alone. Therefore, when promoting DX, we believe that simply completing new core and business systems is not enough. It is also necessary to change the way we do things. These things go hand-in-hand. This kind of business reform comprises the essence of the DX that we are aiming for.

Hara: At construction sites, the digitalization of production information has progressed, with the introduction of BIM for design drawings. For example, one such result of this is the "aluminum sash production system" for condominiums that we developed in collaboration with four sash producers in 2023. Until then, we had provided design drawings with information such as the width and height of the sash and the mounting position, and each producer had manually entered the information required for production into their own systems. However, by linking data with the HASEKO-version BIM, it is now possible for sash producers to directly import the information required for production into their own systems, which has not only reduced the time required for inputting and drawing, but also prevented human errors such as mistakes made when inputting or transmitting data, thereby greatly improving productivity.



As mentioned earlier when discussing system construction, Haseko alone cannot achieve effective DX. In addition to its integrated design and construction system, Haseko has continued to manufacture products centered on condominiums in collaboration with various cooperating companies in its supply chain. We have been promoting the standardization of specifications in such a context, so we are good at sharing and utilizing various types of information. Haseko has been working closely with its design, construction and cooperation companies since the days of analog technology. I think that it is because of this close collaboration that we have been able to communicate information

Special Feature: The Digital Transformation Strategy of the Haseko Group

more smoothly than before with the adoption of BIM. I therefore think it would be difficult for other companies to imitate initiatives like the HASEKO-version BIM.

Horii: Haseko has been evolving since the analog days by constantly applying customer requests and construction improvements to the design stage. It's been doing this so-called "analog transformation" this whole time. The Company continuously implements the PDCA cycle with cooperating companies, making improvements every day. That is how it has grown. By replacing this process with digital technology, I think we can continue to transform at a speed that other companies cannot keep up with.

Developing DX human resources through various challenges

Kurematsu: In service-related businesses, the most important thing by far is to satisfy customers. By increasing efficiencies through the use of DX, we will use the surplus time and budget to offer housing, renovation and management services that will bring even greater satisfaction to our customers, and make them feel that they made the right choice in buying their condominium. It is important to create value that contributes to customer satisfaction.

It is extremely important to make use of digital tools for these reasons, and the Haseko Group has been holding the DX Academy for three years now to continue developing DX human resources. With the education slogan of "continuously produce autonomous human resources and nurture a diverse workforce that will shape the future of Haseko," we have pressed forward with a variety of educational plans. In the first phase, we ran the "DX Mindset Changing Program" for all officers and employees—approximately 8,000 people. In the second phase, we had the "Innovation Leader Development Program" for mid-level and young employees. As a third phase, we then held the "DX Literacy Course" for management-level employees.

Recent technological progress has been remarkable, and while early generative AI was text-only, today it can create images, videos, and even music. In light of these rapid changes, we launched the next phase this fiscal year, holding the fourth DX Academy for all officers and employees of the Group. The aim was for participants to



At the same time as developing DX, we must nurture the parts that only humans can do. It is important to do both.

acquire and improve on their DX literacy and knowledge, including the latest information.

Furthermore, in order to utilize and develop generative AI and metaverse in the Group, we have launched the DX Challenge Project within the Value, Technology and Innovation Division of Haseko Anesis, and are working diligently on it. We also held a contest with the theme of "beautiful living rooms in the future" so that more employees could experience generative AI. Evaluations were based not only on the final image, but also on the prompts (instructions/orders) that generated them. The winner used a unique prompt, incorporating the name of a famous Western sculptor to have the AI generate an image of a living room designed in the style of that sculptor. Sharing such ideas is important for the effective use of AI. In addition, regarding the "metaverse," we are taking on the challenge of creating and operating metaverse spaces that can be used in place of model rooms. We hope to provide our customers with experiences that they have never had before.

Horii: When people hear about DX human resources, they may imagine someone who is good with computers, but we are not looking for people who can build programs. Generative AI can build programs, but what is more important are the transformations that AI cannot produce. In light of the fact that digitalization is changing our lives and society, we can say that there is a need for people with a perspective that can bring about change.

Hara: I think that digital is a means to an end, and that the key to transformation is how much people can change. We are currently working to carefully nurture people with new ideas and creative thinking, as well as those who are not satisfied with the status quo and are proactively pursuing change.

The future that emerges when you combine information about housing and living

Kurematsu: Combining and analyzing the different types of data gathered by each company in the Group to create valuable data. That is a significant asset that can be obtained through DX.

At present, the Haseko Group manages around 470,000 condominiums. Some of these were built by Haseko Corporations, while others were built by other companies. There are also some condominiums that underwent large-scale repairs at the hands of the Group, after some time had passed since the delivery of property. By recognizing the information related to these diverse condominiums as data and linking it to the lifestyle information of our customers, we believe we will be able to provide new services that are different from those we have offered in the past.

In addition, the Haseko Group is also piloting the introduction of ICT technology in 12 properties, including rental condominiums and facilities for seniors. For example, we are constantly analyzing data collected through sensing, such as verifying security systems that use facial recognition systems and AI, and drainage systems that incorporate countermeasures for sudden heavy rains. In the future, we are considering integrating the data related to day-to-day living



Digitalization will make it possible to use construction-related information, which has been used as production information, to envision the lifestyle that customers desire. This is going to be a useful source of information.

that is collected on properties where the Haseko Group is involved, so that we can provide a living environment that is comfortable for our customers.

Hara: The amount of information gathered in the construction divisions is enormous, and it cannot be handled in its analog form. However, digitalization makes it possible to analyze it even in a short amount of time. Besides design drawings, other information required for the construction of a for-sale condominium includes the customer's chosen floor plan, the color of the wallpaper, heights of the kitchen and washbasins, and more. Constructing divisions gather this kind of valuable data.

The for-sale condominiums we build occupy a share of roughly 30% in the Tokyo metropolitan area. From a statistical perspective, they offer insights into the "trends for the entire Tokyo metropolitan area." For example, if we have information on what colors and floor plans tend to be chosen within a certain area and which options are in demand, then we can make assumptions on what kind of lifestyle the customers want. This allows us to offer attractive condominiums with features that set them apart from those of other companies, such as the type of housing, storage capacity, and standard items installed.

In this day and age, family structures are changing due to the declining birthrate and aging population, and lifestyles themselves are becoming extremely diverse. If you have 100 condominiums, there will be 100 different ways of living, and you will need to respond to 100 different types of needs. Until now, time and cost issues have limited us to providing a uniform service for all customers, but in the future, DX will allow us to provide personalized services that meet the specific needs of our customers. As society's needs change from high volumes to small volumes and large variety, we believe this is important for the Haseko Group to survive.

Leveraging AI to provide housing and living; the outlook for DX and the Haseko Group

Horii: The architecture & engineering divisions are taking on the challenge of automated design using AI. To start with, they trained an AI on the data of the floor plans of condominiums designed by the Company over the past five years to create an AI that automatically generates floor plans. It is nowhere near the level

where AI alone can complete the job from start to finish, but it is at the stage where it can help designers make their considerations. Increasing the accuracy of the machine learning in the future could make it possible to implement various checks and automatic design using AI.

My research into AI thus far has made me aware of how important it is to provide the AI with an environment in which it can learn effectively. We are currently working on constructing an environment where AI can effectively learn the data of the HASEKO-version BIM. Training an AI is surprisingly difficult. You need to translate the meaning of the data into language that the AI can understand and create a database. If this process of verbalization could also be automated, then we could have AI learn 24 hours a day, 365 days a year. The HASEKO-version BIM is a collection of insights (knowledge) that we have gained through our work to date. After training on this material, the AI can provide suggestions for new property designs. Such is the system we are aiming to create.

In the condominium-related business, design and construction are B-to-B, while services are B-to-C activities. Up to this point, each company has been working to digitalize and digitally transform their operations separately, but in the end, it is necessary to merge them, and I believe that this will further enhance the Haseko Group's competitive advantage.

To make both sets of data mutually usable, we are moving forward with the concept of a "housing and living information platform (HASEKO BIM&LIM Cloud)." This is quite a large system, so it will take some time to build, but I'm confident that it will become a highly unique platform in the future.



The on-site experience we have gained from our many years of analog transformation is also being put to use in DX.

Kurematsu: We will continue to carry out a variety of activities in the future, but what will remain fundamentally unchanged is that we are a member of the "corporate group for housing to create great living" and that we will continue to work toward the future achievement of our corporate philosophy: "to contribute to society by creating an optimal environment for cities and people."

We will continue to improve and refine our services, always bearing in mind how to better serve our customers in line with the times. For this purpose, at the same time as promoting DX, we will be cognizant of the importance of the areas where only humans can contribute, and we will nurture them. To keep both of these wheels turning is essential for future corporate activities.