

# Construction-Related Business

In the construction industry, there are a need to respond to the aging and shortage of skilled construction workers, as well as demand for workstyle reform. To address these problems, we will improve quality and productivity by promoting digital transformation (DX) and industrialization in all aspects of the Construction-Related Business.

Kuniyori Mimori, Director and Executive Operating Officer



## Business overview

### — Business development centered on private-sector condominiums —

In fiscal year 2023, Haseko Corporation completed the construction of 59 for-sale condominiums with 10,448 units in the Tokyo metropolitan area and 20 with 4,302 units in the Kansai and Tokai areas, totaling 79 with 14,750 units. In addition, under the policy of expanding the Construction-Related Business domain in line with Plan NS, we completed the construction of four high-rise condominiums, 14 rental condominiums, student dormitories and corporate housing, as well as logistics warehouses and other non-residential buildings.

## Business environment

### — Challenging environment in the construction industry —

The construction industry faces the following challenges. 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. In addition to reducing manpower by adopting industrialized construction methods, it is essential to secure human resources by creating an environment where workers can work comfortably. In the meantime, the construction industry has to cope with the new regulation with penalties to limit overtime work, which was 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 by enhancing collaborations with companies cooperating on the HASEKO-version BIM, expanding the usage of the HASEKO-version BIM, and promoting the adoption of off-the-shelf software (such as ViziViewer and Matterport).

The second point is to address the rising prices of construction materials. The Construction Material Price Index has increased by about 30% on average for the entire construction industry compared with January 2021. Construction material prices may continue to remain high due to the uncertainty of raw material price trend resulting from situations overseas and foreign exchange rate fluctuations, as well as rising distribution costs and concerns over production efficiencies coming from restrictions on overtime work and labor shortages at factories. 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.

## Business topics

### Initiatives for hybrid wood construction

In terms of construction projects that incorporate wood, our track record so far includes the use of wood in communal buildings in condominiums as well as Bransiasta Urayasu. Going forward, we will continue to deepen our efforts and work towards the development of our own unique hybrid wooden construction that makes the most of the advantages of both reinforced concrete and wooden construction. As part of these efforts, we are currently promoting the Meguro-ku Chuocho 1-chome Plan (provisional name), which involves constructing the upper four stories of the building with wood.



Perspective drawing of the Meguro-ku Chuocho 1-chome Plan (provisional name)

## 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 and reducing labor through the promotion of industrialized construction methods will be important issues. 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. In addition, we have established our own procurement guidelines as part of our supply chain management, and we are encouraging partner companies to undergo voluntary inspections.

## Risks and Opportunities

### Risks

- Soaring and persistently high prices of construction materials
- Labor shortages and distribution problems due to working hour regulations
- Deteriorating material procurement environment due to geopolitical uncertainty
- Foreign exchange fluctuations, etc.

### Opportunities

- Elimination of labor shortages and avoidance of construction schedule delays through increased productivity enabled by the promotion of industrialization and DX
- The creation of new opportunities (and avoidance of opportunity loss), etc., accompanying responses to climate change

## 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 Plan NS 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 four logistics warehouses, a data center, a hotel, and an office building since the start of Plan NS. The department that promote projects of high-rise condominium and non-residential building, set up jointly by the architecture & engineering and construction divisions at the start of Plan NS, consistently provides follow-up from support for winning contracts to construction completion.

Regarding the production technology innovation, we have used the HASEKO-version BIM data to construct systems that, in addition to automatic calculation of the amount of concrete already being used, automatically calculates the amount of excavated soil and materials needed for earthworks, creates

construction drawings, calculates the materials needed for frame construction, and conducts inspection for each construction. In addition to reducing the amount of time spent for estimations and drawing up plans at construction sites, this has also made inspection work and on-site reviews more efficient.

Regarding environmental considerations, we have completed the full renovation of Sustaina Branche Hongyotoku, a property that we constructed in the past and that had been used as corporate housing by another company. We managed to make it a green renovation that aims to achieve net zero CO<sub>2</sub> emissions through improved energy efficiency and the adoption of renewable energy. In addition, having built Bransiasta Urayasu with a hybrid structure of reinforced concrete and wood on the top floor, we are considering using wood for the main bodies of buildings, enabling them to sequester CO<sub>2</sub> and reduce emissions. Within Tokyo, we are currently promoting the Meguro-ku Chuocho 1-chome Plan (provisional name), which involves constructing the upper four stories of the building with wood.

## 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 quaternary 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 quaternary 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

### Initiatives aimed at expanding industrialized construction methods (next-generation production systems)

As our business is expected to expand even further in the future, the issue of saving labor in various types of construction is gaining importance. With the aim of improving on-site work efficiency and reducing construction time, we will be introducing the “composite precast concrete cantilever slab” method, which combines “precast concrete floors” and “precast concrete eaves” in the framework construction. For interior and exterior construction, we will carry out mid-process verification of the “interior panel construction method” and “exterior wall siding construction method”, which involve creating panels in the factory from boards with finishing materials attached and assembling them on-site. In addition, as a measure to address distribution issues, we will consider a transportation system that utilizes pallets and dollies to reduce the need for reloading work between the factory and the construction site, as well as consider base warehouses, and promote modal shifts to rail and sea transport.



Composite precast concrete cantilever slab

Exterior wall with siding