

Discussion: Creating Value Together with the Supply Chain



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Obayashi Rin-yu-kai Federation: A Partner in Supporting and Nurturing the Obayashi Group's Supply Chain

In collaboration with its supply chain, the Obayashi Group has taken initiatives to address various issues in the construction industry to date. Obayashi Corporation president Kenji Hasuwa, Obayashi Rin-yu-kai Federation chairman Masanori Yamamoto, and professor of policy studies at Kansai University Masumi Shiraishi pick up the topic of supply chain management for the Obayashi Group and discuss the prospect of realizing the Group's vision.

Obayashi Rin-yu-kai's Past and Present, and its Relationship with the Obayashi Group

Shiraishi Mr. Yamamoto, could you first explain the origins of Obayashi Rin-yu-kai, its current organizational scale, the regions it covers, and its most recent initiatives?

Yamamoto Obayashi Rin-yu-kai was established in Osaka in 1906 as an organization of subcontractors that worked exclusively with Obayashi Corporation founder and president Yoshigoro Obayashi. It will celebrate its 120th anniversary in 2025. As an organization boasting supplier and subcontractor members from all over Japan, we have worked with Obayashi Corporation to improve technologies around safety and quality. We currently have active Rin-yu-kai branches in 11 areas across Japan and the number of

members has risen to approximately 1,200 companies. I believe we are able to operate solidly and efficiently on this scale in cooperation with Obayashi.

One of the initiatives we are jointly focusing on right now is the Obayashi Excellent Site Supervisor Certification Program that was introduced in FY2011. The program awards Excellent Site Supervisor certification to people who excel in supervising construction workers and provides an additional fixed allowance commensurate with this certification. In FY2011, the first year of the program, 75 people in five categories were certified as Excellent Site Supervisors. In FY2023, the number of eligible occupational categories was increased to 22 building construction categories and six civil engineering categories, and the number of Certified Excellent Site Supervisors and Excellent Crane Operators rose to 531. A total of 4,322 people have been certified to date.

Another major initiative is the Obayashi Rin-yu-kai Vocational Training School. We are all aware of the serious shortage of labor in the construction and civil engineering industries. To encourage the development of young technical staff at suppliers and subcontractors and to provide skills to future workers, in 2014 Rin-yu-kai opened a vocational training school together with Obayashi and is working hard to train new skilled workers. This year marks the school's 10th anniversary. The vocational school attracted the attention of Japan's Ministry of Land, Infrastructure, Transport and Tourism and other organizations as the first joint initiative in Japan between a general contractor and its suppliers and subcontractors to foster excellent skilled workers. In 2015, the school was certified as the first wide-area certified training program for a general contractor.

We no longer learn by shadowing experienced workers and watching their every move. Observing and learning from a master as we did in my day on the construction site doesn't work as a training method anymore. Instead, it is increasingly important in the emerging DX-driven society for on-site workers to learn how to work on construction sites—particularly sites that use construction DX—logically and systematically in classroom lectures and training sessions. Why? Because they need to learn that safe and secure construction and quality control are the most vital factors. You still hear the phrase "80% of the work is in the preparation" used in the construction industry on a daily basis. It is true that initial preparation is essential for visualizing the whole construction process and completed structure, and smoothly completing each process one by one. We work hard to ensure young people comprehend this fact in a way that suits today's construction sites, but it can be hard to convey this understanding and to facilitate the growth of young workers.

Shiraishi Mr. Hasuwa, how do you view Rin-yu-kai and its significance to the Obayashi Group?

Hasuwa The Obayashi Philosophy values all people involved in the Obayashi Group's business. In 2019, I led the formation of the long-term vision, Obayashi Sustainability Vision 2050 (OSV2050) with the help of external experts. One of the key goals of OSV2050 for 2040 to 2050 is the co-creation of a sustainable supply chain. Right now, the Obayashi Group and its entire supply chain are working hard to help create a sustainable society.

We engage a wide variety of suppliers and subcontractors in every construction project that we undertake. The suppliers and subcontractors engaged in the construction of buildings and in the construction of tunnels, bridges, and other infrastructure differ depending on the type of work involved and the area in which the project is carried out. Some 1,200 suppliers and subcontractors have grown and developed together with Obayashi as members of Rin-yu-kai. I don't exaggerate when I say that our business is built upon our ability to



ensure each supplier and subcontractor can fully demonstrate its strengths. They are indispensable to us and form the core of our supply chain.

As Mr. Yamamoto hinted, we are currently tackling reforms utilizing construction DX in order to achieve the OSV2050 goals. Not only are we reforming work styles and improving productivity, but we are also working with Rin-yu-kai as a partner that can grow and develop together with the Group. This involves ensuring health and safety and creating comfortable work environments that will help secure the next generation of workers, and generating a win-win situation for the Group and its entire supply chain.

Shiraishi Can you share any memories about your connection with each other?

Yamamoto My connection with Mr. Hasuwa dates back 30 years to when he was director of the Kintetsu Railway Gakuen-mae Station Construction Project. Although he was directing the project's civil engineering work, he was in charge of the building construction work as well, so I thought of him as someone with a broad perspective and a comprehensive view of Obayashi Corporation as a whole. He has also served as the head of the Technology Business Development Division, where he explored new fields and established a foothold for the current Green Energy Division and the Construction Robotics Division.

Hasuwa As Mr. Yamamoto says, we have known each other since I was a project director. We are old acquaintances, but we first started talking much more closely after he became chairman of Rin-yu-kai Federation. Since 2009, he has played a major role as chairman and has worked hard for many years to build relationships between Obayashi Corporation and member companies. I was delighted to see him receive

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Japan's Medal with Yellow Ribbon in 2011 and the Order of the Rising Sun, Gold and Silver Rays in fall 2022 in recognition of his achievements in the construction industry.

Enabling the Obayashi Group and Obayashi Rin-yu-kai to Address Contemporary Social Challenges Together

Shiraishi You face many social challenges, such as the intensification of typhoons, earthquakes, and other natural disasters, as well as issues in the construction industry, such as how to deal with the pending shortage of workers to support the industry and how to improve productivity to help solve that issue. What contribution do you think Rin-yu-kai can make here in terms of coordinating member suppliers and subcontractors?

Yamamoto Japan has always experienced many natural disasters, but in recent years, we have witnessed more frequent earthquakes, typhoons, torrential rains, and other events, and the added effects of climate change have resulted in increasingly severe damage. We have developed disaster management measures to help mount a swifter response in the event of disaster. Together with member companies, Rin-yu-kai offices in each area build and maintain systems for confirming the safety of member companies and offering support. In the event of an emergency, the offices work to ensure safety and protect infrastructure not only for ongoing projects but also for completed projects. With that in mind, Rin-yu-kai conducts earthquake drills twice a year together with Obayashi Corporation's regional bases to facilitate a smooth and appropriately targeted response.



Masumi Shiraishi
Completed a master's degree in Architectural Planning, Graduate School of Engineering, Kansai University in 1987. Worked at Seibu Department Stores, Ltd. and at NLI Research Institute as a senior researcher, and since April 2007 has been in the position of professor, Faculty of Policy Studies, Kansai University.

In terms of key management issues affecting the survival of suppliers and subcontractors, many people mention the lack of potential successors, the shortage of employees and skilled workers, and employee training. To address those issues, we set up the support center for the succession of business technical skills in spring 2023. The center's activities align with the specific elements of the Obayashi Group's supply chain strategy, focusing on fostering successors for suppliers and subcontractors, securing future managers, and enhancing and invigorating Rin-yu-kai. The support center will act as a help desk for suppliers and subcontractors seeking advice on recruitment, training, business succession, improving productivity through ICT and DX, and other specialized issues. The center also plans to provide various educational opportunities to help build broader connections among member companies across Japan.

Shiraishi I think it is essential to reform work styles and improve the working environment at construction sites in order to realize the well-being that the Obayashi Group is seeking to achieve. What does the Group expect Rin-yu-kai to do on these points and what collaborative projects would you like to pursue?

Hasuwa In 2020, the Obayashi Group created its brand vision, MAKE BEYOND: Transcending the art and science of making of things, and is now aggressively conducting public relations activities in the media to help raise brand visibility. This brand vision embodies a desire to build on our accumulated technologies and knowledge related to making things, and to further develop them to suit today's era. It has inspired us to respond to social demands for carbon neutrality and well-being founded upon safety and security, and to strengthen our efforts to build a sustainable society.

I believe that the successful making of things depends on the successful nurturing of people. This human resource development not only refers to Group employees, but also encompasses all the people involved in our supply chain, including Rin-yu-kai member companies. It doesn't only involve just making buildings and infrastructure together, but also creating solid human relationships that facilitate work, and improving productivity through work style reforms so that workers can make time for their families. I believe that this process is key to everyone's well-being.

An important factor in improving productivity at construction sites is construction DX. Right now, we are working with various start-ups and companies in different industries to develop technologies that use ICT to facilitate the autonomous and automated operation of construction machinery as well as related remote control technologies. The cooperation of Rin-yu-kai and our suppliers and subcontractors is essential for verifying and introducing these new technologies. In actual fact, we use our

construction sites nationwide as field trial locations and get a variety of suppliers and subcontractors to try the new technologies. The scope for applying those technologies is gradually expanding. We use the feedback from suppliers and subcontractors to further perfect the technologies, which we believe will generate improvements in productivity.

Meanwhile, on the subject of carbon neutrality, as you know, societies around the world are moving in the direction of carbon neutrality based on the Paris Agreement. The Obayashi Group formulated OSV2050 and set decarbonization as one of its goals for 2040 to 2050. We also set a new 2030 target for CO₂ emissions reduction, and obtained Science Based Targets (SBT)* certification in October 2022. Initiatives instigated across our supply chain are key to reducing CO₂ emissions at construction sites, so we would like to accelerate our cooperative efforts with Rin-yu-kai in this area.

* Medium- to long-term targets for the reduction of greenhouse gas emissions set by companies to meet the goals of the Paris Agreement, and the guiding framework for those targets

Bringing about the Sustainable Society to Which the Obayashi Group Aspires

Shiraishi What do you hope readers will look forward to with regard to the sustainable society the Obayashi Group is striving to create? Mr. Yamamoto, perhaps you could first talk about what the Obayashi Group needs to do to ensure its position as indispensable to society. Then, Mr. Hasuwa, can you explain your thoughts and commitments regarding those expectations?

Yamamoto Ever since its founding in 1892, Obayashi Corporation has consistently implemented its corporate philosophy in a sustainable manner based on the Obayashi Three Pledges of quality, value, and efficiency. Rin-yu-kai and all our member companies constantly strive to improve our skills and our own capabilities, and to work hard together based on that Obayashi spirit and philosophy. Rin-yu-kai wants to play a role in ensuring Obayashi Corporation can continue to drive Japan's construction industry as a leading company.

Hasuwa The Obayashi Philosophy stipulates that the Group should aim to serve as a leading sustainability company. The phrase "sustainability company" embodies the commitment to provide safety, security, and comfort for the planet and all the people who live on it. Our business is intricately linked to people and the environment, so we have to continue to serve as a leading company that can contribute to the creation of a sustainable society. This is the Obayashi Group's ultimate aim, and its mission in society.

As I said earlier, nurturing successful people is a crucial



Masanori Yamamoto
Joined Yamamoto-gumi in April 1975 and has been representative director since July 1989. Served as a director and vice chairman at the Osaka Prefectural Federation of Construction Associations, and has been chairman since May 2020. Has been chairman of Rin-yu-kai Federation and Osaka Rin-yu-kai since 2009. In 2011, received the Medal with Yellow Ribbon in the Spring Medals of Honor, and in 2022, also received the Order of the Rising Sun, Gold and Silver Rays for the Autumn Conferment of Decorations by the Cabinet Office, Government of Japan.

part of making things. The Group's most important resource for ensuring sustainable business operations is its people. We value everyone involved in our business. We adhere to a corporate culture that embraces the diversity of its people and demands mutual respect. We will continue to develop resilient and comfortable infrastructure and communities with the aim of building a smart and prosperous society together with our employees, our suppliers, and all our stakeholders.

I hope Rin-yu-kai and all its member companies, who have walked side by side with us throughout our history, will continue to share our vision and our passion for making things. I want us to tackle challenges of all kinds together and take even greater steps forward by pursuing work that inspires deep motivation and job satisfaction. Let's all support a promising future for the construction industry as we strive to create a sustainable society. I am confident that the Obayashi Group and Rin-yu-kai will continue to carve out a successful future together.