Residential Business

Leveraging the brand power of Brillia and our land acquisition capabilities, we will continue to adapt to changes in the operating environment and achieve sustainable, high profitability.

Hideshi Akita
Senior Managing Executive Officer and Director

Opportunities

- Increasingly sophisticated and varied customer needs resulting from lifestyle diversification
- Robust real demand for housing in urban areas, near train stations, and with high levels of convenience, as well as a preference for high-value-added housing among affluent individuals and dual-income households both in Japan and abroad
- Growth opportunities for residential rent and management-related revenue due to inflation
- Expansion of investment assets including for-rent condominiums, renovated and pre-owned homes, and increasing demand for real estate investment
- Growing societal demand for housing that is decarbonized, resilient, and contributes to well-being and comfort

Threats

- Intensified competition for land acquisition, mainly in urban areas, making it more difficult to ensure project profitability
- Polarization of demand for areas and products due to population decline and changes in household structure
- Soaring construction, management, and labor costs driven by labor shortages, inflation, and heightening geopolitical risks, as well as longer construction timelines
- Impacts on purchasing appetite due to increased mortgage burden resulting from rising interest rates, and higher yields required by investors
- Increased costs for addressing more sophisticated regulations and societal demands regarding environmental performance and energy efficiency

Strengths

- High recognition and satisfaction of Brillia, one of Japan's leading brands
- Planning and development capabilities and sales channels related to high-quality homes
- Extensive and diverse development experience and know-how in areas such as redevelopment, reconstruction, and fixed-term leasehold condominiums
- An integrated service framework encompassing development, sales, and management functions
- High customer satisfaction resulting from a framework that consistently supplies quality housing and swift coordination when issues arise
- A wide array of information sources, including financial institutions and long-standing business partners, in addition to the Group network

Strategic Direction

- We will deliver high-quality, high-value-added services across property sales, leasing, and management to strengthen the Brillia brand and achieve the No.1 customer satisfaction rating.
- Building on the Brillia brand foundation and our strong development track record, we will leverage our competitive advantage by continuously acquiring land and providing high-value-added housing that anticipates social change, including products and services tailored to the needs of affluent customers.
- Taking into account rising construction costs, interest rates, and land prices, we aim to maintain a high gross profit margin by thoroughly assessing profitability at the time of land acquisition, improving product quality, and managing costs in design and construction.
- In principle, we aim to develop ZEH-compliant units in all newly constructed for-sale and for-rent condominiums, in response to social demand for sustainability.
- For properties to be sold to investors, we will offer new products that meet social and consumer needs, thereby expanding our business domain.

Value Provided to Stakeholders

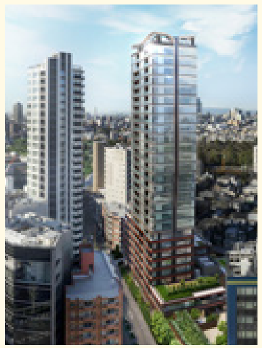
- We will provide customers with high-quality housing that offers convenience, comfort, environmental performance, and safety, enabling them to lead a rich lifestyle tailored to their own needs.
- We will contribute to the regeneration and revitalization of local communities by promoting the effective use of real estate stock through rebuilding, redevelopment, and the regeneration of existing housing.
- We will help to realize a decarbonized and circular society through the development of ZEH-M, improved environmental performance of existing homes, and waste reduction.
- We will achieve profit growth and improved capital efficiency by improving the profitability of the for-sale condominium business, accelerating the recovery of investments, and expanding the scope of utilizing existing housing stock.

We recognize that the biggest risk in our Residential Business is changing purchase appetite among customers and their perspectives when selecting properties caused by higher mortgage servicing costs due to rising interest rates. On the other hand, Tokyo Tatemono has secured pricing power and sales certainty based on product strength and customer trust cultivated through our Brillia condominium brand. In addition, through our many years of expertise in reconstruction and redevelopment, we have built a track record of supplying highly competitive properties, primarily in urban centers and regional core cities. While we recognize that carefully selecting locations and determining the right timing for sales will become even more important going forward, we remain confident in our ability to continue supplying condominiums that customers will choose over competitors.

Construction costs remain elevated as a result of soaring personnel expenses and rising materials prices while prolonged construction timelines also persist. This has made managing profitability increasingly difficult. Leveraging the network we have built over many years, we have acquired sites through individual negotiations, avoiding competition. Although construction costs have continued to rise in recent years, our gross profit margin has remained at the high level of around 30%, and we have consistently secured ample profitability from the project entry stage based on our procurement capabilities. We will also maintain our commitment to selective investment and continuously work to control costs and schedules through an integrated service framework encompassing development, sales, and management.

Going forward, we aim to build a robust value chain unaffected by a changing business environment, and to grow our for-sale condominium business as a sustainable revenue base.

Brillia



Brillia Tower Nogizaka