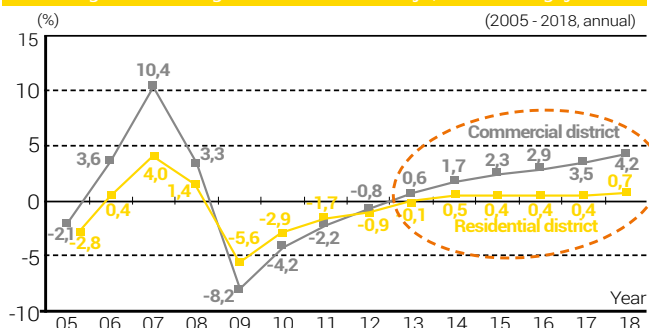


JAPAN

The Land of the Rising Profit

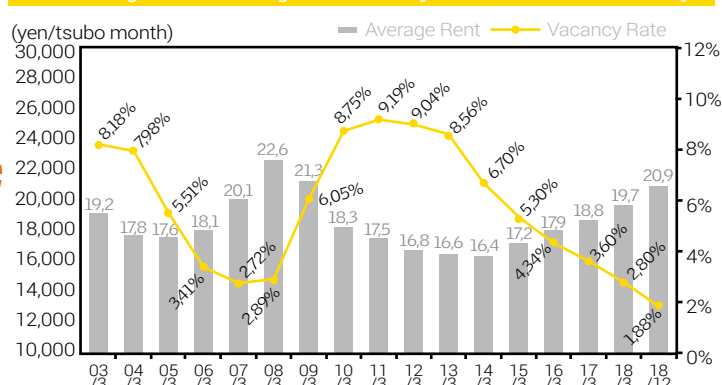
With its stable governance, steady investment yield and approximately four-percent net operating income, the Japanese real estate market boasts strong fundamentals. As the 2020 Tokyo Olympics draws closer, is this the time to invest in Japan?

Avg. annual change in Land Prices in Tokyo, Osaka & Nagoya



Source: Sunitomo Mitsui Trust Asset Management Co., Ltd. based on data obtained from the Ministry of Land, Infrastructure, Transport and Tourism (MLIT)

Office Building Market Data: Avg. Rents / Vacancy Rates (5 Central Wards of Tokyo)



Source: Miki Shoji Co., Ltd.

Japan has long been known to westerners as the 'Land of the rising sun', but such is the rapid growth of the country's real estate market in recent times that some may suggest that it's high-time to give this moniker a revamp. 'Land of the rising profits', perhaps?

A whimsical suggestion, maybe, but the country's property and construction boom however is certainly no joke. Not when you consider that at the end of Q1 2018, Tokyo surpassed London as the world's busiest real estate market, with investment volumes surpassing \$9.1 billion.

So what's behind the sector's

(quite literal) rise? Well, the country's macroeconomic stability and strong governance have played a major role. But another contributing factor can be neatly summed up in three little words: The Olympic Games.

Yes, Tokyo is set to host the world's biggest and most important sports event next year, and a set of huge construction and infrastructure projects have consequently given the country's real estate market a sizeable shot in the arm.

And while the Olympics have indeed been partly responsible for this impressive growth spurt (development has not only been

confined to Tokyo's metropolitan boundary, but spread across the entire Japanese archipelago) it is Japan's fertile economic and investment conditions that have laid the foundations for the sector to thrive.

Firstly, the value of the Japanese yen towards the dollar has been kept relatively low, making foreign purchases more lucrative. Secondly, Japan has shown a steady investment yield with a net operating income at around four percent, while the initial cost of purchase remains cheaper than most markets. Thirdly, the country itself is safe, secure and peaceful, meaning investing in Japan has proved to be stable and to deliver long-term profit.

"The best word to define the Japanese real estate market is healthy," says Junichi Yoshida, President of Mitsubishi Estate – one of the largest real-estate developers in Japan. "While the upcoming 2020 Olympic Games have created a positive wave and boosted investor confidence, the stable macro-economic outlook of Japan combined with the positive financial results of its private sector has created an appropriate platform for real estate to flourish. The effects of such a favorable situation have been felt across various real estate segments."

Of all the countries in the Asia-Pacific region, Japan is the only one with zero restrictions on foreign

property ownership – discounting a collection of historically protected locations and structures – meaning the country continues to be the region's largest real-estate property investment market. What's more, with a fully documented business climate that is rooted in legal recourse, Japan also remains at the top of the podium for non-speculative, high-yield-rental-income oriented investors worldwide.

Throughout 2018, institutional investors from Europe and North America maintained their purchasing activity in Japan, with assets offering better returns when comparing rental rates over the cost of borrowing. The Japanese market has also seen more diversified investment regardless of size, an option particularly attractive to U.S. investors due to the favorable exchange rate and uncertainty surrounding interest rate hikes back in the States. All in all, inbound investment from the U.S. into Japan totaled \$4.2 billion in 2018, with more of the same expected in 2019.

However, the rapid growth being experienced by the Japanese real estate industry has not been entirely without its critics. In 2018, the Japanese media argued that there would be an oversupply of offices due to the amount of new facilities expected between 2019 and 2021, a claim that was largely refuted by real estate firms.



So what would experts within the industry say on the matter?

"To answer this question, we must look at the fundamentals," says Yoshio Hishida, President and CEO of Sumitomo Mitsui Trust Asset Management, a privately-owned investment manager that specializes in mutual funds. "Driven by the rise of telecommunication companies, Tokyo's working population is expected to increase by 100,000 individuals every year. This growth is laying a solid foundation for demand to increase, and according to our estimates, the population of Tokyo's 23 wards will reach its peak in 2030."

Demand for office facilities will therefore develop adjacently to Tokyo's demographic growth, suggests Mr. Hishida, which is mainly triggered by office workers.

"Judging by these numbers, it is difficult to imagine that demand for offices will collapse after the Olympics," he stresses. "Consequently, we believe that these criticisms are the result of a lack of information."

The Mitsubishi Estate president, Mr. Yoshida, equally supports this view of the market.

"Certain observers reached such a conclusion because they analyzed new building projects, largely disregarding the increase in corporate earnings and the spike in demand. As a matter of fact, the vacancy rate currently stands just below two per cent," says Mr. Yoshida, whose firm has the most valuable portfolio in the Japanese real estate industry, with a total value of approximately 74 trillion yen (\$67 billion), much of which is located in the Marunouchi district of Tokyo.

"This high occupancy rate has caused rent to increase, effectively worrying the mass media and certain real estate actors. Nevertheless, we expect supply and demand to grow steadily without imbalance. While of-



"The stable macro-economic outlook of Japan combined with the positive financial results of its private sector has created an appropriate platform for real estate to flourish"

Junichi Yoshida,
President, Mitsubishi Estate

fice supply in the 23 wards of Tokyo will increase in 2018 and 2020, the average supply over a five-year period is predicted to be almost the same as in the past. The numbers show that the market is stable."

Further proof of the market's strength are land prices in Tokyo, Osaka and Nagoya, which have risen five consecutive years for residential properties and six consecutive years for commercial properties. And this upward trend is expected to continue.

And so, what of the expected impact of the Olympic Games post 2020? If past events are anything to go by, then statistics point to prolonged demand and investment in real estate during the years after the competition. For example, since London hosted the Olympic Games in July 2012, residential property prices have gained +47.7 percent.

"Beyond the 2020 Olympics, we expect Tokyo's labor force to pursue its upward trend due to larger employment opportunities for those intellectual professions," says Mr. Hishida, whose SMTAM recently integrated the investment management function of Sumitomo Mitsui Trust Bank, cementing its status as one of the largest fiduciaries in Asia, and one of Japan's best real estate investment trusts (J-REITs).

Mr. Hishida adds that the infrastructure projects associated with Tokyo should also contribute to wider economic and social benefits.

"Ahead of the 2020 Tokyo Olympics, transportation infrastructure has been streamlined with the goal to further trans-



"When observing the effects of former Olympic Games on other cities, one can observe the rise in prices before, during, and after the event"

Yoshio Hishida, President and
CEO, Sumitomo Mitsui Trust
Asset Management

form Tokyo into a sophisticated metropolis," he says. "In terms of railway projects, the openings of the Metro Subway's Toranomon-Hills Station and of JR's Takanawa Gateway Station will further enhance the connections between Tokyo's 23 wards."

"When observing the effects of former Olympic Games on other cities, one can observe the rise in prices before, during, and after the event," continues Mr. Hishida. "In



"Regardless of their country, people everywhere hope to live in a comfortable home. Marimo would like to meet those needs and respond accordingly"

Makoto Fukagawa,
President, Marimo Co., Ltd.

comparison however, overseas countries have limitations as to foreign investors holding real estate assets – restrictions that Japan does not have, which further increases its attractiveness. Furthermore, as the Tokyo Global Financial City Vision continues its development, it will increase the job opportunities present in the Tokyo area for both local and foreign workers. Naturally, demand for properties will remain strong."

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Japanese real estate firms laying new foundations overseas

In line with the revival of the domestic real estate market, Japanese firms have been aggressively investing abroad. In 2017, they poured some \$3.5 billion into overseas real estate assets, 70 percent more than in 2016 and well over double the ten-year average up to 2016, according to a study by U.S. developer JLL. Meanwhile, Tokyo-based CBRE Research estimates that Japanese indirect outbound real estate investment could reach \$15.3 billion a year in the coming years.

So far, Japan's largest players, such as Tokyu Land Group, Mitsui, Mitsubishi Estate and Mori Trust, have put a large part of their money in Europe, Asia and the U.S. In 2017, Mitsubishi Estate, parent company of the U.S.-based Rockefeller Group, announced its intention to create a 2-billion-yen pan-Asian core real estate fund,

a joint venture with CLSA Real Estate Partners. While in the U.S., Tokyu Land is a partner in the redevelopment of 425 Park Avenue in New York.

As the nation's biggest players have strengthened their global foothold, smaller real estate companies involved in areas such as building management services have followed suit. These firms are bringing with them the unrivalled quality of Japanese customer service, known locally as *omotenashi*, both to established and up-and-coming markets across Asia.

"The competitive advantage of our work is linked to our notion of hospitality: the *omotenashi* spirit. Currently, the level of quality and service we provide in Japan is high. We'd like to keep the same bar of performance and translate it to other countries in the



"To be successful overseas, we must think global but act local"

Ryusei Kajiyama,
President, Biken Techno Corp.



"We became one of the first Japanese real estate companies to invest in Australia"

Toshiyuki Sonobe,
President, Daibiru Corp.

ASEAN region," says Ryusei Kajiyama, President of Biken Techno Corporation, which is bringing integrated facility management services to South East Asia.

"Of course, we already have subsidiaries in three South East Asian countries, namely Singapore, the Philippines and Vietnam. To be successful overseas, we must think global but act local. Our strategy is to tailor our approach to the particularity of each market. So instead of 'globalization', we believe in 'gLOCALization'."

Biken Techno's expertise in building management and maintenance is partly the result of its experience in working in natural-disaster prone Japan, as is that of another Japanese firm, Daibiru Corporation, which specializes in office building management services in Osaka and Tokyo.

"I want to stress that the quality of our buildings are designed to sustain big earthquakes and strong typhoons. For example, there was a huge earthquake in Osaka last June but our main buildings were not affected at all," says president and CEO, Toshiyuki Sonobe. "We must also move forward with environmental issues and match the high standards of eco-friendliness recognized by society at large."

Daibiru acquired its first overseas office building, Saigon Tower in Ho Chi Minh City, Vietnam, in January, 2012. In 2014, it added the Corner Stone Building in Hanoi to its Vietnamese assets and since then has expanded its presence overseas to Australia, bringing the know-how in building management and related services it has accumulated over many years in Japan.

"We became the first Japanese real estate company to own office buildings in Vietnam. We added some Japanese style essences to these buildings, for example, by installing washlets. They started to be highly appraised by the local business society. Thanks to that, all the spaces are now occupied. About one fourth of those occupants are retained by Japanese-based firms, but the rest of them are occupied by global and local companies," explains Mr. Sonobe.

"Moreover, we became one of the first Japanese real estate companies to invest in Australian office buildings and we expect to reap the advantages of being a front runner, as was exactly the case in our investment in Vietnam," he adds.

"Although the building can be categorised as something in the range of medium size, its location is one of the best in Sydney CBD (Central Business District). Together with its high-quality specs as a 'grade A' building and its environmental friendliness, we believe the facility can attract strong support from customers."

With a plan to invest \$400 million in overseas assets, Daibiru is continuing to look for opportunities to develop prime real estate in Asia. "We look overseas because we can expect relatively higher returns," adds Mr. Sonobe. "Nevertheless, we still plan to allocate \$700 million to the domestic market. Although the market is heated and it is difficult to pursue higher returns, we will continue to seek out prime locations to invest in."

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www.daibiru.co.jp/english/



A decade of Landmark Projects

With over 65 years experience in executing real estate projects, leading Japanese developer Tokyu Land Corporation is playing a major role in urban regeneration in Tokyo and Osaka, while also extending its project portfolio in the Asian and U.S. markets



Shibuya Station Sakuragaoka Redevelopment

Tokyo's hip Shibuya district has long been a popular hub for culture, creativity, fashion and nightlife, where tourists and locals can be found enjoying the best of what the area has to offer – from cool shopping spots and cultural facilities to some of the city's trendiest restaurants, bars and clubs.

It is also a focal point for urban renewal and redevelopment ahead of the 2020 Olympics, with a number of skyscrapers and other projects shooting up in the area that are set to make the new Shibuya as much a thriving business district as a cultural one. And leading this urban renewal drive in Shibuya and the greater area is Tokyu Land Corporation, one of Japan's top residential and commercial property developers whose extensive portfolio of high-quality projects spans Tokyo, Osaka and beyond to Asia and the United States.

The company is currently developing a number of modern office and commercial facilities in Shibuya to house the new breed of companies



Shibuya Fukuras Commercial Facility

that are attracted to the area – IT firms and start-ups looking for the modern, fresh and dynamic office spaces that are now synonymous with these types of organizations.

"We are actively participating in the renewal of Shibuya city, a once-in-a-century opportunity. Shibuya is home to an increasing amount of IT and software developing companies. As the Shibuya area is considered trendy and attractive to the millennial workforce that these firms employ, small and medium-sized enterprises, along with already established firms like Google, are interested in relocating their offices to the area," says Yuji Okuma, President of Tokyu Land Corporation.

"In 10 years' time, I believe that the Shibuya ward will have transformed into a trendy and bustling metropolis recognized as one of the best locations in the world. And it will be a true pride to know that Tokyu Land played an important role in transforming Shibuya into a capital within the capital."



425 Park Avenue, New York

Outside of Shibuya and staying in line with the demand for the new type of office space, Tokyu Land has developed its 'Business-Airport' collection of satellite offices designed to boost productivity, enhance creativity and offer a flexible work-style. The company operates 'Business-Airport' at four locations in Tokyo – Aoyama, Shinagawa, Tokyo and Marunouchi, creating state-of-the-art and comfortable working spaces with a high level of hospitality reminiscent of an airport lounge.

"Judging by the initial success of 'Business Airport', we believe it has the potential to grow into one of our core business segments," adds Mr. Okuma. "Because of the shrinking demography, Japan's workforce is decreasing and competition for human capital has grown fiercer. In order to secure labor and increase productivity, companies are trying to offer new advantages to their employees. To that end, 'Business Airport' represents an attractive alternative to traditional facilities."



"We are actively participating in the renewal of Shibuya city, a once-in-a-century opportunity"

Yuji Okuma, President,
Tokyu Land Corporation

Like many of Japan's leading developers, Tokyu Land is extending its overseas portfolio, with a focus on the Asian and U.S. markets. In New York it is one of the company's behind the landmark 425 Park Avenue project, the first full-block office development on Manhattan's Park Avenue in nearly 50 years, which will be the first building in the city to have certification by WELL (the leading tool for advancing health and well-being in buildings globally).

"Needless to say that it is an extremely exciting project for us and for New York. While we did not have extensive experience with regards to investing in New York, we saw an extraordinary opportunity to participate in a landmark project and directly pursued it," explains Mr. Okuma.

"This project was a successful strategic move for us and we are looking forward to proactively seeking more investment opportunities in the U.S. market, which naturally represents an opportunity for us to extend our portfolio."

For the cities OF TOMORROW

www.tokyu-land.co.jp/english

Tokyu Land Corporation is a comprehensive real estate company with an expertise in urban, residential and wellness development. With our recent investments in **425 Park Avenue, New York**, we are bringing the Tokyu Land quality to America.



TOKYU LAND CORPORATION

The success of the J-REIT model

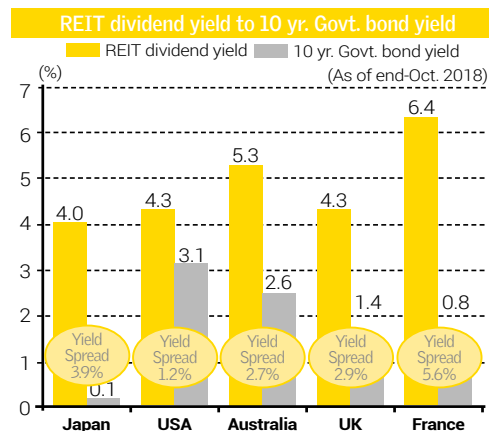
The fast growing J-REIT market is attractive for both small and large-scale investors looking to enter Japan's booming real estate sector.

Since its establishment in 2001, the Japanese Real Estate Investment Trust (J-REIT) market has grown rapidly to become the second largest market in the world behind the U.S. with a value of over \$160 billion.

There are currently more than 60 listed J-REITs on the stock exchange covering all property sectors – from residential and commercial to logistics, hotels, senior assisted living and infrastructure – and together they make up one of the largest traders of properties in Japan.

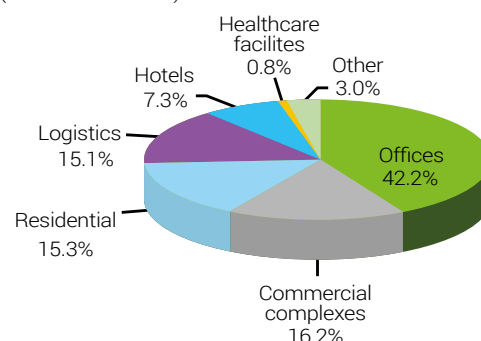
In recent years, the quantity and value of properties held by J-REITs has skyrocketed. In September 2005, they held around 666 properties worth 3 trillion yen (\$27 billion). As of the end of October 2018, J-REITs managed 3,862 properties worth approximately 178 trillion yen, with the value of these properties increasing by 1 trillion yen year-on-year.

The steadily growing market has been buoyed by the increase in land prices over the past six years in the three main metropolitan ar-



The TSE REIT Index for Japan and the respective S&P Global REIT Index for each country. Source: Sumitomo Mitsui Trust Asset Management Co., Ltd. based on data from Bloomberg and the S&P Dow Jones Index.

J-REIT property holdings according to type (cost base)
(As of end-Oct. 2018)



*The total may not add up to 100% due to rounding. Source: Sumitomo Mitsui Trust Asset Management Co., Ltd. based on data from Sumitomo Mitsui Trust Research Institute Co., Ltd.

eas in which J-REITs are invested – Tokyo, Osaka and Nagoya.

"The recent surge in land prices and rental value indicate that this trend will continue and investors can remain confident about the future," says Yoshio Hishida, President and CEO of Sumitomo Mitsui Trust Asset Management (SMTAM).

The initial growth of the J-REITs market can be mainly attributed to its attractiveness and accessibility to small-scale investors. Unlike the real estate market itself, which requires investors to have a large amount of capital to buy investment properties, J-REITs enable investors to come in at entry level with just a few hundred dollars. J-REITs also offer liquidity, as they deal in traded stocks that can be bought or sold at any time, and therefore are an ideal option for those with an interest in property investment but with a limited budget – offering them generous dividend yields.

According to the J-REIT Data Portal, dividend yields offered by the 60-plus REITs on the stock exchange ranged from 2.94 to 6.28 percent, with an average of 3.96 percent (as of April 26, 2019). But evidence of the real attractiveness of J-REITs can be seen when comparing global REIT spreads against relevant government bonds.

"J-REITs came in second behind France, an attractive ranking especially in comparison to major markets such as the U.S. and Australia," explains Mr. Hishida. "When comparing the U.S. and Japan, dividend yields are similar, at 4.3 percent and 4.0 percent respectively. However, the yield spread greatly differs in favor of Japan, which boasts a 39 percent yield spread while the U.S. is stuck at 1.2 percent. Consequently, international investors have found J-REITs to be a lucrative investment."

Another attractive feature of J-REITs is the diversification of the market when compared to

other markets. In Japan, offices make up the largest segment of J-REIT holdings, accounting for 42.23% – the rest of the market is split between commercial complexes (16.2%), residential (15.3%), logistics (15.1%), hotels (7.3%), healthcare facilities (0.8%) and other types (3.0%).

As such, with a truly diversified market offering attractive returns, J-REITs are no longer just the domain of small-scale investors. Larger institutional investors, both foreign and domestic, have become much more prominent in the J-REIT market in recent years.

"J-REITs used to be highly popular with small-scale investors, but largely disregarded by institutional entities. Today, both large-scale and small-scale investors are interested in the J-REIT model, for it offers investment convenience and simplicity," says Mr. Hishida.



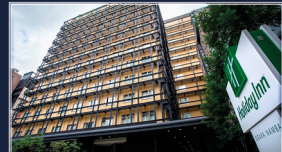
"One of the strengths of our company is our ability to manage Japanese and global equities, and that includes our world renowned J-REIT fund. Our J-REIT fund manager has a wealth of experience in managing equity, fixed income and real estate portfolios. As a result, investing in our J-REIT fund can be seen as property investment rather than a securities investment – another point that enchants our clients."

Hotel REITs grow amid tourism boom


Japan's tourism industry has witnessed a surge in recent years and will be further boosted by the im-

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"We are developing assets to provide international investors with an opportunity to enter the Japanese market"

Takatoshi Ito,
President, ES-CON Japan, Ltd.



"Our market and business is supported by strong fundamentals and positive long-term structural changes"

Hisashi Furukawa,
President, Japan Hotel REIT
Advisors Co., Ltd.

part of major global events such as the 2019 Rugby World Cup, the 2020 Tokyo Olympic Games and the Osaka World Expo 2025.

Over the past eight years, visitor numbers to the country have soared, from 6.2 million in 2011 to 31 million in 2018. And this is before any of these major events have even taken place. With such impressive growth, the nation is well on its way to reaching its target of 40 million visitors in 2020 and 60 million by 2040.

Such growth, of course, offers both a challenge and unprecedented opportunity for the hotel sector, and subsequently REIT investors in the industry, as they look to meet booming demand for room keys over the coming years and decades.

"Thanks to these events, the next decade will be an exceptionally busy period for the tourism industry in Japan, and we can explain to investors that our market and business is supported by strong fundamentals and positive structural changes on a long-term basis," says Hisashi Furukawa, President of Japan Hotel REIT Advisors Co., Ltd., the largest and one of the most reputed REITs operating in the hospitality segment.

With its 43 assets scattered around Japan's most attractive hotel markets, JHR's portfolio is well diversified, made up of mid-priced and high-end hotels. And this high-quality and diversified portfolio is one of the unique competitive advantages of JHR.

The latest addition to the company's portfolio is the 453-room Hilton Tokyo Odaiba, located in Odaiba, one of the most popular tourist destinations in Tokyo. JHR purchased the property for \$560 million to take advantage of the upcoming 2020 Olympics, facilities

and events for which will be located in and around the Odaiba area.

"Over the next two years, Odaiba will capture the attention of world-wide investors and travelers," states Mr. Furukawa. "Ownership of a prominent high-grade hotel in Tokyo rarely changes hands. Accordingly we are excited about this opportunity."

Unlike many REIT companies listed in Japan, JHR is completely independent, which is the company's strongest competitive advantage, according to Mr. Furukawa. He argues that most REITs are subsidiaries of larger conglomerates and must adhere to their parent company's policies on growth strategies, deal sourcing and property management. As an independent REIT, JHR has flexibility and does not depend on its sponsor, a Singaporean-based investment management company, to grow its business.

"Accordingly, we have developed market-leading sourcing and acquisition capabilities," he says. "Our business is essentially to make the right investment and asset management decision. As the largest and the leader of our specific market, I want our company to boast the best capability of making the right decision and the highest level of investment and asset management services."

Another company taking advantage of the growing opportunities in the hotel segment on the back of the tourism boom is ES-CON Japan, whose diverse portfolio also includes residential and commercial buildings.

This year marks the final year of the company's three-year medium-term business plan, "Ideal to Real 2019" and, fittingly, was also the year that it took its first steps into the REIT market.

ES-CON JAPAN REIT Invest-

ment Corporation, a J-REIT that prioritizes investment in commercial facilities being developed by ES-CON Japan and land with leasehold interest, was listed on February 13, 2019. And it expects to offer some of the highest dividends among all J-REITs, currently holding steady at 6 percent or more on an ongoing basis.

"J-REITs have already pursued various assets, and ES-CON JAPAN REIT is the only one that prioritizes investment in land with leasehold interest. As a distinct J-REIT in Japan's legally mature market, we aim to maintain continuous growth in tandem with ES-CON Japan," explains president, Takatoshi Ito.

Mr. Ito hopes that the development of the J-REIT market, which boasts a value of 13 trillion-yen, will help to increase awareness and transparency of the Japanese market as a whole and encourage more interest in Japanese real estate.

Mr. Ito is particularly upbeat about the tourism industry. And since 2016, ES-CON Japan has developed 17 hotel properties in Tokyo, Sapporo, Kanazawa, Osaka, and Fukuoka, 15 of which have already begun operation.

"The demand for high-quality

hotels remains extremely high. Many projects are underway to renovate existing hotels and bring them up to international standards," explains Mr. Ito.

"Our services cater to inbound needs as well as outbound needs, and we support international investors so that they can continue investing in Japan," he adds. "With regard to our hotels, Singapore's Ascendas Singbridge Group has invested in one of our properties. We are continuing to develop real estate assets with the objective of providing international investors with an opportunity to enter the Japanese market and its booming tourism sector."

"Our company's tagline is 'Ideal to Real.' Our aim is to become a 'life developer,' meaning that our mission is not simply to create buildings, but to provide people with a lifestyle. Rather than just selling condominium units, we want to enhance residents' quality of life," he adds.

In August 2018, ES-CON Japan became part of the Chubu Electric Power Group, one of Japan's leading energy companies. And Mr. Ito believes this will significantly strengthen the company when it comes to developing its future business strategy.



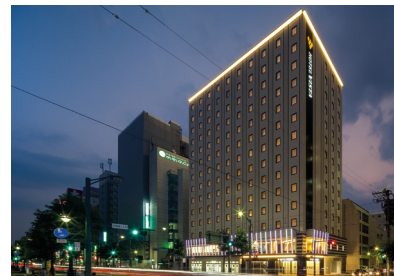
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Marimo bringing high-quality Japanese condos to the Asian market

One of Japan's leading condominium developers, Marimo is delivering affluent and comfortable living to clients in China and Malaysia looking for high-end properties with the 'Made by Japan' seal of quality.



Monozukuri, the Japanese concept of craftsmanship, is often associated with Japan's manufacturers reputed worldwide for producing high-quality products.

But the tenets of *monozukuri* – dedication to skill, detail and high-quality – are also adhered to by the nation's real estate developers, who in the past decade have expanded beyond the domestic market to meet the demand for Japanese-standard real estate projects across fast-growing markets in China and Southeast Asia.

Established in 1970 as a design and architecture firm, Marimo branched out into the development of condominiums in 1990. Over its four decades in the business, the company has built 350 condominium buildings – comprised of 22,300 units – advancing to cities in 44 out of 47 prefectures across Japan, and ranks amongst the top 20 companies in the number of condos supplied nationwide. (As of the end of April 2019)

Leveraging on its strong domestic reputation and five decades of experience, Marimo has in re-

cent years expanded overseas to Malaysia and China, where well-documented economic growth has fueled almost insatiable consumer demand for high-end condos and particularly those carrying the "Made by Japan" seal of quality.

"Our concept is to offer high-quality real demand condominiums. Japanese housing is recognized for high quality and splendor. This 'elite' reputation is a key selling point for us, and it is recognized both in Japan and abroad. In our overseas locations, especially in China, our objective is to export that Japanese level of quality," says President of Marimo Group, Makoto Fukagawa.

Marimo's condominium business in China is a joint venture with a Chinese state-owned real estate company. Marimo's developments are fully interior decorated, something that has proved popular with buyers in China, where condominiums are often sold as bare "skeleton" units. Another key competitive edge is the fact that the company's experienced and highly-skilled Japanese engineers are flown in to oversee

every aspect of their Chinese projects – from design and architectural supervision and selection of building materials, to the incorporation of state-of-the-art Japanese housing technology in the more "invisible" elements such as drainage, insulation and ventilation.

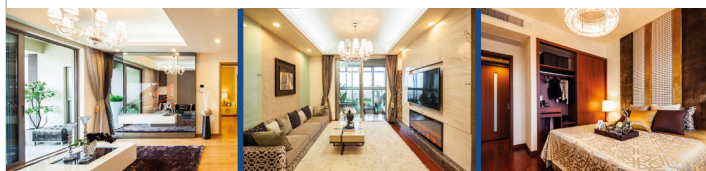
Marimo's two major 'Polestar' condominium projects in the Chinese city of Suzhou have been a roaring success, with Chinese buyers snapping up units in record time. All 853 condos in its first 12-building 'Polestar Garden' project launched in 2013 were sold out before handover. Sales also concluded immediately in the sales opening month in its 18-condominium building/1,260-unit 'Polestar Garden Shang Ya Yuan' project in the Wujiang District before the project itself has even been completed.

"As Asia continues to grow, we hope to help improve living environments by providing high-quality Japanese condominiums," says Mr. Fukagawa. "China is obviously the biggest market for us now. We will also look for promising business opportunities in Southeast Asia."

Back home in Japan, Marimo has recently become involved in developing hotels, offices, commercial facilities, rental units, and other income properties as it has looked to expand its role as a comprehensive real estate developer. And despite the social and economic challenges brought about by Japan's shrinking and aging population, Mr. Fukagawa is upbeat about the opportunities in the domestic market.

"At Marimo, we never construct new condos with less than a 1,000-unit capacity a year. We put such a limit because as long as we make 1,000 units, our business remains sustainable. The fact that we are able to achieve that criteria is proof that the domestic market still has many opportunities to offer. In addition to the condominium business, we are also working on a promising real estate business. For example, as there are many attractive tourist resources in Japan, we are aggressively expanding into inbound business such as hotel development."

HAPPINESS STARTS AT HOME



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