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# Linking Japan

Autumn 2013

QUARTERLY INVESTMENT INSIGHTS

## Heading Toward Transformational Growth

"Shift-Up" Strategy to Radically Accelerate Growth

**Abenomics: Smaller  
Business Turning Around**

**Revolutionary Material  
Innovation**

Expertise and Influence  
Stretches from Athletic to  
Medical Products

**Japan's Megasolar  
Facilities**

Rapid Expansion Backed by  
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of Companies to Enter the  
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**Dashboard on Japanese  
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# Publisher's Note

What do the earthquake of 2011, the economic recovery fueled by Abenomics and the Bank of Japan floodgates, the successful Tokyo Olympics bid for 2020 and the soon-to-be submitted “Casino Bill” all do? They add stratospherically growing pressure on construction costs—now up over 30% in the past year. The increase makes the building of any structure prohibitively expensive, and will soon make clear the shortage in skilled Japanese (or Japanese-speaking for that matter) workers who can actually build the new buildings that are being planned and discussed.

So are these rising costs good or bad? The bad... How can you build any of the needed structures at a profit or at a reasonable price? (Whoever heard of a “giving” general contractor?) The good... This pressure can bring the pace of construction under control, raise immigration as an essential topic to ensure deadlines are met, and even force Japanese firms to bring Japanese women into more meaningful and integral positions in the workforce.

Outside of the earthquake that initially spurred this rise in costs, the rest of the reasons are clearly positive in nature. Abenomics has created euphoria in sentiment that makes the increase in consumption tax next year a non-issue presently and basically just another factor propelling consumption forward.

I for one would love a serious discussion of immigration and further positive steps towards linkages with ASEAN nations from which the increase in tourists has resulted in hotels being one of the hottest sectors—after dragging down real estate and economic numbers for the past three years.

Presently the negatives on the surface are few—consumption tax (to deal with huge debt), Fukushima, rising muted hysteria over the Senkaku Islands issue and construction costs and skilled laborers. Wouldn't it be great if we could see immigration rise, a greater abundance of women in the workplace and (just to sneak it in) SMEs leaving a greater mark on Japan and the world. Wait and see as Abenomics readies to face the “Casino Bill,” consumption tax and 2014.

J. Michael Owen  
Chairman  
Transpacific Enterprises

## Linking Japan

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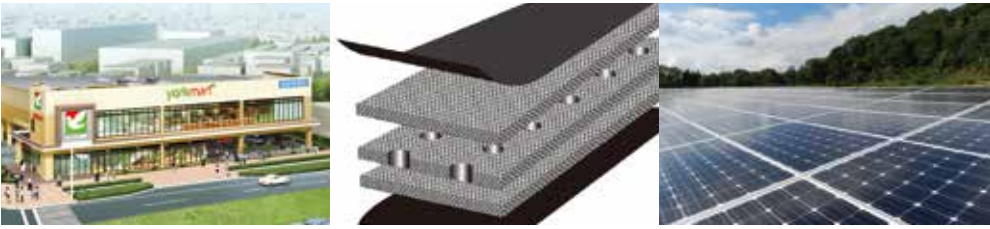
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Scott Callon  
Chairman & Representative Statutory Executive Officer  
Ichigo Group Holdings

Kenji Iwasaki  
President & Representative Statutory Executive Officer  
Ichigo Group Holdings



# Abenomics: Smaller Business Turning Around

*Shoji Kuwabara, the owner of a yakitori (grilled skewered chicken) store in Tokyo's Meguro Ward, is waiting for the full effects of the Japanese government's economic reform drive. "Abenomics is for the rich. Things are not improving for us," he said in April. Today, the situation has improved only slightly. "We are a little busier, but still, things are not great."*

Thousands of SMEs across Japan face a similar situation to Kuwabara's restaurant. They are waiting for a promised return to vibrancy that is at the heart of Abenomics, the government's economic and structural reforms that aim to bring Japan back to prominence. But they may have to wait a while. Economic Revitalization Minister Akira Amari told the BBC that it could take as long as a decade for the reforms to bear fruit. Few doubt, however, that things are heading in the right direction.

"The most important objective of Abenomics," says Musha Research President Ryoji Musha, "is to pull out of deflation, the country's most serious issue. If this succeeds, it will be beneficial to SMEs." His company argues that Abenomics and the decision to hold the Olympics in Tokyo in 2020 will lead to a Nikkei stock average of 40,000 yen and a return to good times.

"Deflation causes prices to decline," Musha adds. "Large companies such as manufacturers can avoid the decline by, for example, moving their factories overseas or upgrading machinery. The service sector in which most SMEs operate does not have this option, thus it cannot avoid deflation."

In its 2012 White Paper on Small and Medium Enterprises in Japan, the government acknowledged there were problems. "Business conditions," according to the paper, "have been flat since the beginning of 2012 due to concerns about the effects of the strong yen, an increase in resources/fuel costs and electricity charges, and electricity supply-demand constraints."

The mood was this year more upbeat. The 2013 report said there were signs that conditions for SME were picking up. Why? Measures such as support in using information technology; the development of an internship program at SMEs, and promoting new business by inviting successful entrepreneurs to assist startup managers have begun to bear fruit. To maintain momentum, "support for the recovery and management of SMEs should be enhanced intensively" and "the acceleration of efforts toward industrial revitalization" are needed, the white paper notes.

## Online Revolution?

The government views Japan's Internet startup community as a sector with huge growth potential. Talk of a Japanese Silicon Valley may be a way off, but Rakuten Inc. founder Hiroshi Mikitani's appointment to a panel on boosting industrial competitiveness is a step in the right direction. Mikitani sees portals such as his Rakuten Ichiba marketplace as having the potential to nurture small regional businesses into international powerhouses. "Japanese products are popular abroad," Mikitani said recently, "especially in Southeast Asia. Even small stores in Japan can sell their goods all over the world."

The logistics sector has also grown dramatically in recent months, in part to support growth in Internet shopping. "Online retailers such as Amazon and Rakuten have been an important driver of demand for large multi-tenant distribution space," says Andy Hurfurt of real estate company CBRE. His company noted that net demand for logistics centers was at its highest level since 2004.

Online startups outside the retail sector also have an opportunity to thrive. Line, a Tokyo-based messaging service for smartphones, plans to go public next year. GungHo Online Entertainment, the maker of the popular Puzzles & Dragons game, saw operating profit increase 44-fold compared to the previous year in the January to June period. The company's stock has risen about eightfold to around 80,000 yen over the course of 2013. The company, which recently launched Puzzles & Dragons in the U.K., has higher market capitalization than Nintendo.

Are more super startups on the way? Abenomics has had "a great impact on the mindset of entrepreneurs, rather than financial or physical aspects," says Masaru Ikeda, a co-founder of The Bridge, an online media service covering the sector. "The prime minister is seen as somewhat of a patriot or even a right-winger, and he usually emphasizes the high skill of Japanese craftsmanship or the power of the Japanese economy.

His comments often encourage entrepreneurs to expand their businesses much more globally." Ikeda argues that the government needs to do more to help foreign entrepreneurs enter the Japanese market and internationalize startups. Tax breaks to encourage more risk taking in the sector would help, he suggested.

## Women and Trade

Bringing more women into the workplace and lowering the barriers to trade have also been promoted by the government as key strategies for promoting growth.

"What will serve as both a factor for and outcome of growth will be to mobilize the power of women," Prime Minister Shinzo Abe said in September at the United Nations in New York. His comments will be welcomed by the World Economic Forum. The organization ranked Japan 105th in terms of gender equality in October. Countries ahead of Japan in the rankings include Botswana, China and Tajikistan. Worse: Japan's score on the ranking is pushed up by its health system, a segment where it will clearly score high because of its economic development. On issues such as education, political empowerment and economic opportunity, Japan ranks in the 90s or worse.

"A study has shown that closing the gap between male and female employment would boost Japanese GDP by as much as 16%," the WEF notes.

If women are to become a bigger part of the Japanese economy, SMEs will play a key role. The government's white paper on smaller businesses pointed out that women play a greater role in companies with fewer staff. In all Japanese companies, the average ratio of women in management is 11.2%. For companies with one to four employees, the ratio stands at 18.8%, and with five to 19 workers, 13.3%. In order to encourage more women into the workplace, the government last year set aside 28.2 billion yen to support internships at small businesses for women and youths.

"SMEs could benefit from changes to lifestyle brought about by Abenomics," Musha says. "Women are being encouraged back into the workplace and this could have a positive impact on sectors such as agriculture and finance."

The Trans-Pacific Partnership (TPP), a trade pact being negotiated by 12 nations including Japan, Australia and the U.S., is likely to increase the pressure on SMEs in sectors such as agriculture. Tariffs on products such as rice, long protected by Japan, are likely to at least be lowered, and possibly be eliminated altogether. Importers of foreign rice to Japan face tariffs of up to 778% when bringing the staple into the country. "Trans-Pacific Partnership negotiations will impact sectors such as agriculture, where there are a lot of SMEs," Musha says.

Pressure to reduce the tariff and liberalize trade is growing, led by the Japan Business Federation. Any change may hurt, but it also offers opportunities for innovation. Goods that improve health benefits or that offer a unique taste could pave the way for future growth. Take the example of Mirai Inc. The company grows lettuce using LED lighting technology. The production process has a number of advantages. The lettuce grows at a consistent pace because variability created by weather is eliminated; raised indoors, the lettuce is highly disaster resistant and characteristics such as size and taste can be changed by varying factors such as light strength and color. Such innovation can be exported either one head at a time or as a full manufacturing process.

## Reawakening

The Japanese economy has had too few individuals willing to take the risks that lead to innovation and products that can disrupt. That is beginning to change. The government's policies and new drive have led to an upturn in sentiment. The Bank of Japan's Tankan (Short-Term Economic Survey of Enterprises in Japan) survey of short-term business sentiment shows improvement across the board. Large businesses scored 12 on the survey—calculated by subtracting companies with negative sentiment from those that are positive—medium-size enterprises scored 0 and small businesses scored minus 9. All three business types logged improvements compared to the previous quarter.

A new set of structural reforms will be announced soon, according to the government, and negotiations on the TPP are edging closer to conclusion. In a nation used to one-year prime ministers, Shinzo Abe looks likely to be here for at least another two years, giving consumers a degree of stability not seen since Junichiro Koizumi left office in 2006. They have responded positively. Consumer confidence—a broad measure of how willing the average Joe and Jane are to put their hands into their pocket—is improving as unemployment declines. Optimism that wages, which went up slightly this year, will increase again in April 2014 as the government presses industry to be generous next year.

Will it last? James Steinberg, Dean of the Maxwell School of Citizenship and Public Affairs at Syracuse University in the U.S. believes so. "Reforms are coming about because of an internal recognition that changes must be made," he said recently. "To see this new surge of optimism gives us all great hope."

Perhaps Shoji Kuwabara's restaurant is only months away from being fully booked every night of the week. Then maybe he will serve chicken without a dose of cynicism about Japan's economic conditions.



**Scott Callon**  
Chairman & Representative Statutory  
Executive Officer  
Ichigo Group Holdings



**Kenji Iwasaki**  
President & Representative  
Statutory Executive Officer  
Ichigo Group Holdings

## COVER STORY

Ichigo Group Holdings

# Heading Toward Transformational Growth

## “Shift-Up” Strategy to Radically Accelerate Growth

*The word “Ichigo” in the Ichigo Group’s name comes from the 16th century teachings of the Japanese tea ceremony and means “one lifetime, one encounter,” a phrase encapsulating the belief that each interaction should be approached with utmost sincerity. The Ichigo Group’s management philosophy—“Creating peace of mind through honest and committed management”—reflects its reverence for this principle of serving others, which is at the foundation of Ichigo’s evolution into one of Japan’s top real estate owner/operators.*



### Creating Peace of Mind through Honest and Committed Management

We had the opportunity to speak with the two men leading Ichigo: Ichigo Group Holdings Chairman Scott Callon and President Kenji Iwasaki. Callon lived in Japan as a child and

returned to Japan permanently in 1994. After serving as Managing Director and Head of Equities at Morgan Stanley Japan, he founded the Ichigo Group in 2006 as a Japan-dedicated, high-commitment, long-term Japanese asset manager.

Iwasaki joined Fujita Corporation in 1992, where he headed a number of urban development projects. In 2001, he led the establishment of a real estate asset management business at PI

Technology Co., Ltd., a company that would later be absorbed into Ichigo.

Callon and Iwasaki believe that Ichigo must be dedicated to serving tenants, clients, shareholders, and Japanese society alike—everything from focused leasing to becoming Japan’s first zero-carbon listed real estate company. They have set out to prove that with sound, ethical management, Ichigo can generate extraordinary growth and returns for its shareholders.

### Massive Year-on-Year Growth: 3.2X Operating Profit, 5.1X Net Profit

Ichigo Group Holdings (JASDAQ 2337) is a full-service Japanese real estate owner/operator that manages Ichigo REIT (Tokyo 8975) as well as private real estate funds. Having managed over 1.4 trillion yen in assets and more than 160 real

estate funds since the company’s founding, it has a long history of operating and adding value to real estate over multiple economic cycles. Ichigo is now responding to the changing market dynamics driven by Abenomics and the Tokyo Olympics with a “Shift-Up” growth strategy.

Specifically, Ichigo is accelerating growth investments, growing Ichigo REIT to drive economies of scale to lower costs and increase earnings, and rapidly building out its megasolar business to become one of the biggest independent solar energy producers in Japan. The results: in the first half of this fiscal year, Ichigo achieved year-on-year operating profit growth of 3.2 times and year-on-year net profit growth of 5.1 times.

With Ichigo as its sponsor, Ichigo REIT has conducted two accretive public offerings this year to raise new equity and increase its operating scale and dividend. In its principal real estate business, Ichigo is implementing myriad client-oriented, value-add solutions such as improving ecological soundness, seismic reinforcement, and offering pre-fitted and furnished offices.

Taking advantage of one of the strongest balance sheets among the major Japanese real estate companies, with a 59% shareholder equity ratio, and the Japanese real estate market upturn, Ichigo is significantly expanding its investments in value add and high-return real estate to drive earnings for its shareholders. As of 1H of fiscal 2014, Ichigo secured investments of circa 47 billion yen in real estate, primarily value-add and prime location real estate, assets expected to go into Ichigo REIT, and megasolar projects—a massive 203% increase over last year.

### Megasolar and Renewable Energy: The Third Engine of Growth

Ichigo has historically had two primary businesses: Ichigo REIT and its value add and prime location principal real estate investing. Ichigo intends to build its renewable energy business, which is currently focused on megasolar but expected to expand into wind power in the near future, into a third major driver of Ichigo’s earnings.

Government-backed 20-year fixed price purchase contracts give megasolar power producers extraordinarily secure long-term

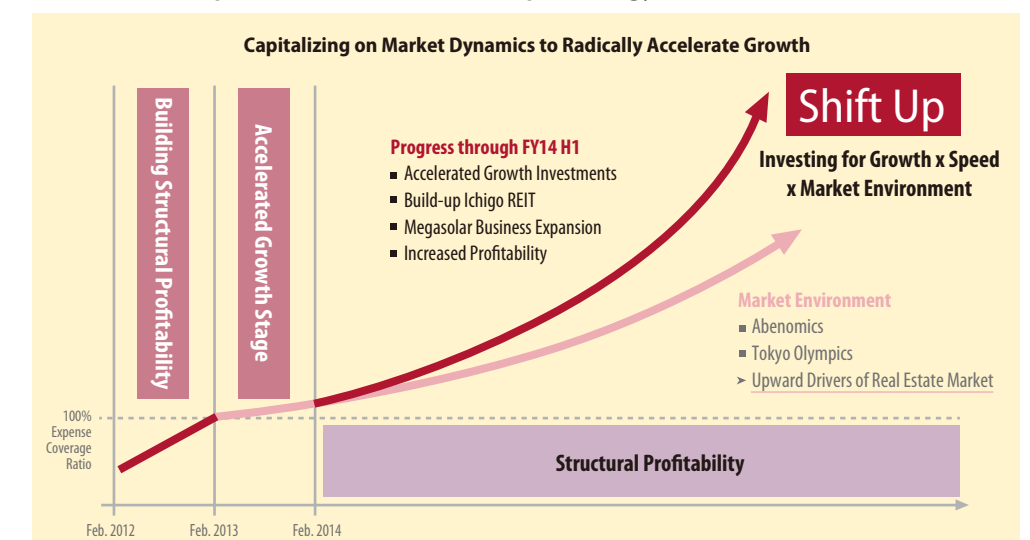
returns. Ichigo realized last year that its extensive nationwide real estate know-how and relationships gave it a unique competitive advantage in sourcing and developing land for megasolar plants, so it bought a megasolar company and launched Ichigo ECO Energy (IEE). IEE is swiftly commercializing its megasolar business with 17 projects worth 30MW currently underway. Two plants in Tokushima and Gunma prefectures are already generating power, and IEE is rapidly bringing its other megasolar plants into operation.

### Lessons from Surviving the GFC; Structural Profitability into the Future

“Our company survived the global financial crisis,” says Iwasaki. “We’ve applied those lessons to establish a structurally profitable business: our fixed revenues from AM fees and rental income more than cover our fixed expenses and we generate value-add capital gains and other earnings on top of that structurally profitable earnings base. We are financing and refinancing at ever-lower rates and can apply this creditworthiness to growth investments. Taken together, we believe transformational growth is achievable without sacrificing stability.”

“Ichigo has grown its market capitalization to circa 200 billion yen by specializing in small- and medium-sized properties where there is far less competition with other major real estate firms and where we have an overwhelming advantage in information, expertise and financing relative to smaller participants,” says Callon. “Japan has literally hundreds of thousands of these properties, giving us an extraordinarily broad set of opportunities to seek out and add value to under-managed or incorrectly positioned assets, thus serving both our tenants and our shareholders.”

### Momentous Step Forward with the “Shift Up” Strategy





**Ichigo Real Estate Investment Advisors Co., Ltd. (IRE)**

**Value-Add Japanese Real Estate Owner and Operator**

*Ichigo Real Estate Investment Advisors Co., Ltd. (IRE) is a core company of the Ichigo Group that operates Ichigo REIT, a Tokyo Stock Exchange-listed J-REIT, in addition to private real estate funds. We asked President Wataru Orii about IRE's growth strategy.*



**Wataru Orii**  
President and Representative Director  
Ichigo Real Estate Investment Advisors Co., Ltd.

**Business**

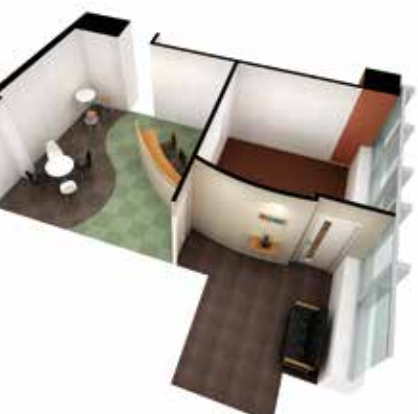
**Providing comprehensive real estate management**

IRE is an industry trendsetter in real estate management formed through the merger of the Ichigo Group's J-REIT management company and a private equity real estate fund management company. With the Ichigo Group having more than 1.4 trillion yen of cumulative assets under management and a track record of over 160 real estate funds, IRE's strengths are its management know-how and high-quality services.

**Growth Strategy**

**Creating added value for Ichigo REIT shareholders**

Managed by IRE, the Ichigo Real Estate Investment Corporation (Ichigo REIT, Securities Code: 8975) is a comprehensive J-REIT that invests primarily in Tokyo metropolitan area office and residential assets that are highly liquid and in great demand. Currently in Stage III of its growth strategy (Figure 1), Ichigo REIT is entering a transformational growth phase. The REIT conducted its first public offering in May 2013 and used those funds to acquire three properties for approximately 8.6 billion yen and launched its second public offering in November 2013 to acquire four properties for approximately 8.1 billion yen, increasing its operating scale and raising its dividends on both occasions. Orii states, "Deploying the Ichigo Group's warehousing and bridge financing abilities, Ichigo REIT completed its first two public offerings since its November 2011 merger and has entered a period of steady growth. Going forward, we are aiming to increase both asset size and market capitalization in order to drive economies of scale to further increase dividends and shareholder value."



CG rendition of a designer office in Ichigo Jimbocho Building

**Value-Add Strategy**

**Make buildings safer, make buildings better**

There are many properties in the Tokyo metropolitan area that suffer from noncompliance with building codes, inadequate earthquake proofing, and a lack of environmental soundness. Addressing these shortcomings has a dramatic effect on property value and is a key IRE investment and management strategy. With the proper expertise, these upgrades often can be realized at a low cost, resulting in immediate rental and asset value upside.

Orii states, "By using our knowledge and skills in real estate management, we are increasing the quality of our properties as well as their value. We have already seen results from initiatives such as our "Layout Office" service, where we pre-fit offices to lower tenant move costs and speed their move-ins. Through such services, we have been able to increase rent levels by 20% compared to competing buildings."

**Future Outlook**

**Ichigo REIT and Abenomics**

While Abenomics has generated hope that the Japanese economy will finally see asset inflation, its impact on the broad economy has still to be fully felt. "We must monitor whether rents increase first or if the increase is preceded by a spike in interest rates due to concerns over asset inflation. Long-term interest rate trends are a focus as interest rates rising out-of-step with rents would negatively impact REITs," says Orii.

Orii has a positive take on the consumption tax hike—"I believe the consumption tax hike is a strong signal of Japan's determination to get its fiscal house in order without dampening growth expectations. Global investors have grown noticeably more positive about the end of deflation and new growth drivers emerging from Tokyo's hosting the 2020 Olympics."

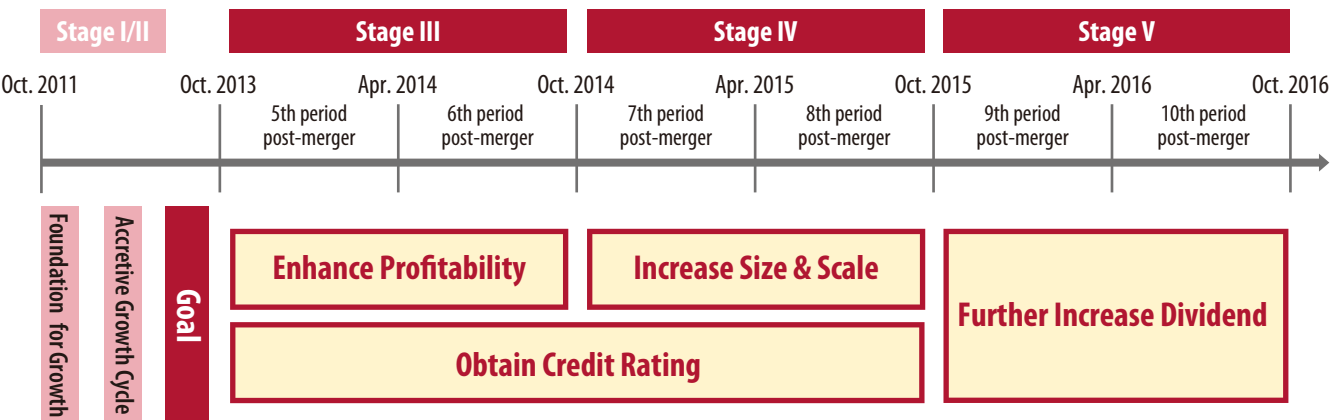
**Future Outlook**

**Stable growth through value-add acquisitions**

While the supply of large class-S offices continues to grow in the Tokyo metropolitan area, there is a shortage of new class-B offices suitable for the small companies that comprise the bulk of Japan's economy and rental demand. This has created an opportunity for the repurposing and repositioning of existing properties. According to Orii, "Growth is a positive but it also

poses a challenge for us—we have tenants that are young and growing companies, and their growth is driving demand for more office space. I am optimistic that opportunities for these companies will continue to grow from increasing global and domestic investment activity in Japan as a result of Abenomics. Furthermore, there will be new business opportunities generated by the selection of Tokyo for the 2020 Olympics." IRE is continuing to acquire properties with great potential for adding value, seeking to drive higher earnings for shareholders.

**Figure 1: Ichigo REIT Updated Growth Strategy**



**Ichigo Estate Co., Ltd.**

**Principal Investor in Well-Located Properties and Ground Leases**

*Ichigo Estate provides real estate and ground lease solutions to private individuals and small businesses, specializing in highly liquid, highly demanded assets.*



**Takuma Hasegawa**  
President and Representative Director  
Ichigo Estate Co., Ltd.

**Business**

**Formation of the industry's first ground lease private fund**

In recent years, amidst issues such as Japan's pension funding problem and revisions to the inheritance tax, an increasing number of individuals and businesses are turning to real estate assets for investment, portfolio diversification and income needs. Ichigo Estate President Takuma Hasegawa says, "Even when the market cooled down after the global financial crisis, real estate demand stayed constant because of these needs." One of Ichigo Estate's core capabilities is long-term ground leases that generate secure long-term returns. In 2010, Ichigo Group established Japan's first ever private equity ground lease fund. Because ground leases carry little natural disaster risk,

recognition of their investment advantages has been further increasing following the Tohoku earthquake in 2011.

**Growth Strategy**

**Expanding services from real estate transactions to consulting**

A ground lease is a lease in which a tenant is given the right to use land (such as building an office on it) without taking ownership of the land itself. There are two types of ground leases:

1. Traditional Ground Leases, in which the tenant has the right to use the land indefinitely; and

2. Fixed-Term Ground Leases, in which the tenant has the right to use the land for a specific period and purpose.

Because the owner of the ground lease is able to enjoy stable rental income for contractually specified periods that frequently run 20-30 years, J-REITs with a long-term focus have become active in acquiring such leases.

According to Hasegawa, “Ground leases are attractive as long-term investments because cash flow is predictable and supported by the lack of depreciation.” Building on this appeal, one of Ichigo Estate’s strengths has been supporting diverse real estate transactions as well as providing consulting services tailored to the needs of high-net-worth individuals and businesses. The following are several examples of the company’s activities.

**Retail building in Hiroo, Tokyo**

Ichigo Estate acquired a retail building next to a subway station in an upscale Tokyo neighborhood that is home to many embassies and businesses. Despite the pristine location, Ichigo Estate purchased the building with an unoccupied first floor. Ichigo Estate retrofitted the building, bringing it up to code, and leased the first floor to a popular Italian restaurant. The company quickly realized full occupancy, increasing the rental (NOI) yield by 1.9 times. (Photo 1)

**Retail development in Motomachi, Yokohama**

The company acquired an old retail space on the Motomachi Shopping Street, a three-minute walk from Motomachi-Chukagai Station on the Minatomirai Subway Line. Ichigo Estate worked to earn the trust of neighboring businesses and then rebuilt the asset as a new retail building using the Ichigo Group’s development know-how. (Photo 2)

**Ground lease development in Nerima, Tokyo**

Ichigo Estate repurposed the site of a former kindergarten in a residential district in Nerima Ward, Tokyo. A leading supermarket was brought in to the satisfaction of both the owner and the local residents. The owner was able to secure rental income for thirty years without any additional investment. (Photo 3)



Photo 1: KOSEI HIROO Building

Photo 2: Motomachi Yokohama

**Future Outlook**

**Developing new businesses across the Ichigo Group**

Ichigo Estate’s business has evolved from a focus on transactions involving small-scale real estate assets to a focus on ground leases. This shift encompasses urban redevelopment, real estate-related consulting, and succession consulting for high-net-worth individuals and is a major driver of Ichigo Estate’s growth.

“The company’s business model is likely to evolve going forward,” notes Hasegawa. “By enhancing the value of real estate assets, we are able to develop strong investment products for high-net-worth individuals and businesses. Furthermore, deploying our ground lease capabilities, we are able to supply properties to private real estate funds and REITs. While Ichigo Estate will maintain its focus on individuals and businesses, I believe collaboration with Ichigo Group companies such as Ichigo Real Estate Investment Advisors and Ichigo ECO Energy will result in new opportunities.”



Photo 3: Rendering of ground lease development in Nerima

**Ichigo ECO Energy Co., Ltd. (IEE)**

**Industry Pioneer in Megasolar Power Production**

*Launched in November 2012, Ichigo ECO Energy Co., Ltd. (IEE) has rapidly become an industry leader in the Japanese eco-energy business. Let us take a look at the company, today and going forward.*



**Eiichiro Gotoh**  
President and Representative Director  
Ichigo ECO Energy Co., Ltd.

**Business**

**Megasolar commercialization and green energy**

IEE has built its megasolar power generation business by leveraging the Ichigo Group’s deep real estate know-how. IEE also operates other ecological businesses including environmental consulting and green engineering solutions such as LED lighting.

Ichigo ECO Energy’s megasolar business is built around its 2012 acquisition of a solar operator, Solar Way Co., Ltd. IEE quickly commercialized the business using the financial resources and creditworthiness of the Ichigo Group. Going forward, IEE is looking at a number of new growth and profitability drivers, including the potential securitization of its megasolar assets on a new infrastructure market and the operation of wind farms.

**Growth Strategy**

**Get big fast**

IEE’s vision for megasolar is straightforward: get big fast. It began operation of two plants, the Ichigo ECO Tokushima Higashi-Okinosu Megasolar Plant (Photo 4) in Tokushima on August 30, 2013 and the Ichigo ECO Kiryu Okuzawa Megasolar Plant (Photos 5 and 6) in Gunma on September 30,

2013. Construction is now underway on the far larger Ichigo ECO Nago Futami Megasolar Plant (Photo 7) in Okinawa which will begin operation in November 2014.

President Eiichiro Gotoh lays out a clear business strategy—“Our aim is to build cash flow through early commercialization. Building upon our operating track record, we can further strengthen and accelerate our megasolar development capability.”

**Strengths**

**Risk diversification and synergies with the Ichigo Group**

IEE has diversified its production risk across Japan with 17 projects totaling approximately 30MW in production capacity, comprised primarily of sub-2MW projects that do not require costly investment in additional electrical transmission facilities. This lowers investment costs and increases returns. Japanese megasolar requires an investment of circa 300 million yen per MW. IEE funds 20%-30% via equity and borrows the rest. This means that an investment of about 10 billion yen is needed for 30MW. Gotoh states, “With an investment on this scale, we can employ proven real estate funding methods, making it easy



Photo 4: Installment of panels at Ichigo ECO Tokushima Higashi-Okinosu Power Plant



Photo 5: Installment of panels at Ichigo ECO Kiryu Okuzawa Power Plant





Photo 6: Power generation measurement board

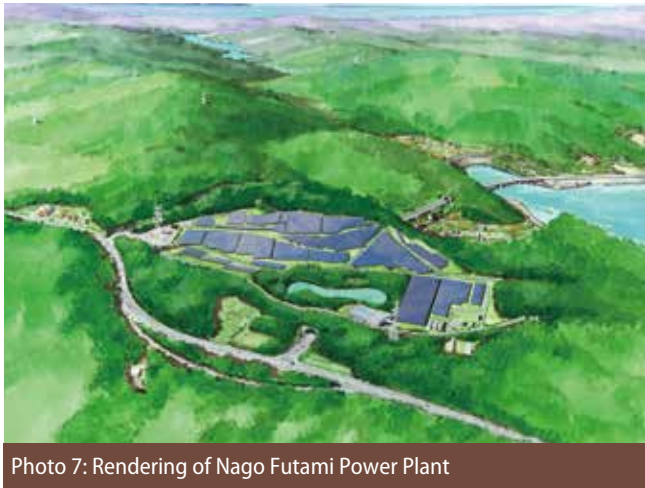


Photo 7: Rendering of Nago Futami Power Plant

to apply the Ichigo Group’s know-how and track record. This natural fit between IEE and the Ichigo Group is leading to further synergies such as collaborating with Ichigo Estate on ground leases.”

### Future Outlook

#### Fixed profits, securitized profits

IEE’s megasolar business is scheduled to turn profitable next fiscal year. With 20-year fixed price purchase contracts from Japan’s electric utilities, one option is for the business to be a stable revenue source for two decades, protected from the

cyclicality of traditional real estate assets. IEE is scheduled to bring 11MW of megasolar production capability online by February 2014.

Beyond that, IEE is looking at other strategies for increasing profitability such as securitizing its megasolar business on a Tokyo Stock Exchange infrastructure fund market. The TSE is planning to launch this market as early as 2015. Another strategy IEE is exploring is contracting out its development expertise, which runs from license acquisition to construction of power plants. Ichigo ECO Energy is seeking to take full advantage of its head start in this rapidly growing industry.



Photo 8: Residential Property

helm of the division from the beginning, keeping an eye on the entire Ichigo Group’s property management activities and culture of tenant service. “The reason that we have developed internal property management abilities is to strengthen our on-site capabilities in order to add value to properties, more fully serve tenant needs and further differentiate ourselves from other real estate providers. As part of Ichigo Group Holdings, the division is able to provide its services as a shared platform of the Ichigo Group,” says Ishihara.

### Business

#### On-site solutions tailored to tenants

Ishihara commented on the specific activities of the division

saying, “For example, we introduced Ichigo’s ‘Layout Office,’ a part of Ichigo REIT’s value-adding strategy. This service provides custom-designed and furnished offices for tenant convenience. RESD conceptualized the ‘Layout Office’ service and proposed it to Ichigo REIT. The team responsible for leasing surveys a property’s surroundings, investigates the needs of potential tenants, and appoints a designer to develop an office layout tailored to tenant needs.” Another example of an on-site solution is the custom-tailoring of residential properties. For instance, in neighborhoods popular with female tenants, the residential leasing team will bring in a security company to provide a higher degree of security. Rather than asking tenants to adjust their lifestyles to fit the existing property, the leasing teams take it upon themselves to fit the properties to potential tenants’ lifestyles. Having teams responsible for everything from leasing to engineering and construction gives RESD a comprehensive set of capabilities. (Photo 8)

### Future Outlook

#### More innovations for tenants

Ishihara is often on-site at Ichigo’s retail facilities including the Matsudo Nanbu Wholesale Market in Chiba (Photo 9) and the Miyako City Mall (Photo 10). He works to develop business initiatives such as cross-promotional opportunities between tenants.

High-quality tenants will always demand real estate assets that directly contribute to the success of their businesses. In turn, these high-quality tenants bring in high-quality clientele, supporting the success of both the tenants and the real estate itself. This kind of virtuous cycle is what RESD pursues across all of Ichigo Group’s retail, residential, and office properties.

“The success of tenants is the starting point for the success of our business. Accordingly, we work closely with our clients and will continue to refine our on-site capabilities,” says Ishihara. RESD is a key platform in Ichigo Group’s efforts to differentiate itself with superior tenant service and real estate value-add strategies.

### Ichigo Group Holdings Real Estate Services Division (RESD)

## Innovative Property Manager Supporting Tenant Success

*There is a unique group in Ichigo Group Holdings called the Real Estate Services Division (RESD) that bears the responsibility of supporting the Ichigo Group’s real estate investment and management decisions. Executive Vice President Minoru Ishihara heads this division, so we asked him about its significance.*



**Minoru Ishihara**  
Executive Vice President and Statutory Executive Officer  
Real Estate Services Division

### Role

#### Property management and tenant solutions

“Ichigo Real Estate Investment Advisors and Ichigo Estate make investment and management decisions,” says Ishihara. “By contrast, the role of RESD is to deal directly with tenants and strive to ensure their satisfaction in order to reach our targets for rental income and yields.”

RESD is responsible for supporting the leasing of Ichigo Group’s approximately 429,000m<sup>2</sup> of real estate. There are teams for office, residential, and retail assets as well as a team

in charge of engineering, environmental, and construction solutions. RESD is the brain that supports property management for the entire Ichigo Group.

### Organization

#### A platform shared across the Ichigo Group

RESD was formed in March 2013. Ishihara has been at the



Photo 9: Matsudo Nanbu Wholesale Market



Photo 10: Miyako City



## FEATURE

Yamamoto Corporation

# Revolutionary Material Innovation

Yamamoto Corporation's Expertise and Influence Stretches from Athletic to Medical Products

*If people claim they know Yamamoto Corporation, they must be an expert of some sort, a competitive swimmer or a triathlon enthusiast. Yamamoto Corporation is the creator of materials used for high-speed swimsuits worn by the world's top athletes at the Summer Olympic Games in Beijing and London, and at global triathlons.*



Photo 2: High-speed swimsuit using BRS-TX Dual material



## Beginnings

**Pencil with Eraser and two-piece golf balls**

The story of Yamamoto Corporation began in 19th century Japan, at a shipping agency which operated "kita-maebune" (northern-bound cargo liners) called "Yamagamiya." In the 20th century, the company relocated its headquarters to Sakai, Osaka and succeeded in developing technology for manufacturing synthetic buttons from powdered skim sheep milk imported from New Zealand. By the 1950s, the company was able to patent a pencil with an eraser. The company wowed



the public with its ingenuity in combining different materials. Around the same time, Yamamoto Corporation proposed the use of rubber for the core of golf balls and acquired a patent, thereby establishing the standard for the modern golf ball.

The company invested income from the golf ball core patent into further product line development and succeeded in developing an independent closed cell composite rubber material in the 1960s. This was used as wetsuit material for female oyster divers. The material is 6.5 mm thick and continues to be known by its nickname "Rokuhan (six-and-a-half)." Enhancements to various aspects of the material led to it achieving popularity in about 50 countries around the world as a material for sports and leisure applications. It's said to have surpassed a 90% share in the triathlon market (Photo 1). At the same time, divers who wore the wetsuits in free diving competitions set a host of world records. While these athletes were busy establishing new world records, the small-town rubber company gradually established itself as the world's top research-oriented company in the industry.

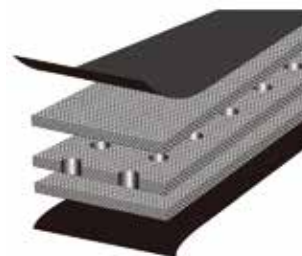


Photo 1: Triathlon wetsuit material, Aerodome

## Challenges

**Development of Biorubber material and success in tinseltown**

Yamamoto Corporation became the world's leading developer of wetsuit material, but instead of resting on its laurels, Yamamoto Corporation turned its attention to the medical field to pursue a new range of applications. These efforts led to the development of Biorubber, a material that emits far-infrared rays without the use of electricity.

Hollywood got wind of Yamamoto Corporation's prowess and global reputation as a manufacturer of unique rubber and wetsuit material. Biorubber was used in the costume worn by the actor playing the leading role in the action movie "Tomb Raider," where the actor himself personally chose Biorubber over four other samples submitted. Furthermore, Biorubber was used in the Batman costume in "Batman Begins," as well in the Ultraman costume in the Japanese movie "Mega Monster Battle: Ultra Galaxy Legends the Movie."



Photo 3: High-speed swimsuit using BRS-TX Dual material

## Ever Higher

**Made splash in swimming industry with super high-speed swimsuits**

Yamamoto Corporation, after making its mark in Hollywood, pursued the next opportunity in competitive swimming. The company produced the high-speed swimsuit material Biorubber Swim, which was lauded and subsequently adopted by swimwear makers worldwide. The product first appeared at the Beijing 2008 Olympics. On the heels of this triumphant debut came swimming success at the 2009 World Aquatics Championships in Rome—more than half of over 40 new world records were set by swimmers wearing suits incorporating Biorubber. However, as the old Japanese proverb goes, "The nail that sticks up gets hammered down." The prohibition of the high-speed swimsuit using Yamamoto Corporation's materials due to significant revisions of rules by the Federation Internationale de Natation (FINA) is still fresh in the minds of many (Photos 2 and 3).

However, Yamamoto Corporation took the blow and got right back on its feet like a true champion. The company developed the new high-speed swimsuit material BRS-TX, completely comprised of textile materials. It was adopted in the 2010-2013 model swimsuits of various companies as a new material that complied with the revised regulations. Furthermore, Yamamoto Corporation announced in 2013 the material for next year. Beating other manufacturers to the punch,

Photo 4: High-speed swimsuit approved by FINA in 2014



the company acquired approval for the swimwear from FINA in September 2013. This material has two opposing functions of a hydrophilic outer surface that captures the water molecules and forms a film of water, and a hydrophobic inner lining that repels water. FINA has since issued approval for products from Japanese manufacturer MERLIN and four other swimsuit makers using the material (Photo 4).

## Protecting Lives

**Biorubber Safe and radiation shielding wear series**

Yamamoto Corporation has also produced several products that protect the lives of people involved in accidents and disasters. Just two weeks after the Great East Japan Earthquake in March 2011, Yamamoto Corporation developed Biorubber Safe, which provides functionality including floatation, maintaining warmth and making the wearer identifiable at a distance. As a rubber material innovator, Yamamoto Corporation was determined to create something as soon as possible.

Biorubber Safe is capable of producing buoyancy of about 150kg for suits made with Biorubber. When one person wears the suit, several people can hang onto the wearer without sinking (Photo 5).

Yamamoto Corporation's next achievement was radiation shielding wear. It cuts down the gamma rays emitted by Caesium 137 and even offers sufficient workability through unique three-dimensional sewing. Biorubber RSM Wear Type XI, currently the most popular Biorubber RSM Wear, is processed with water-repelling substances making it easier to rinse off radioactive material with water.

This product represents the successful integration of the technological successes Yamamoto Corporation has achieved over time. A presentation of the research paper and product exhibition were held jointly with Kinki University Atomic Energy Research Institute at the 13th International Congress of the International Radiation Protection Association (IRPA13) held in Glasgow, Scotland in 2012 (Photo 6).



Photo 5: Biorubber Hybrid Safety Wear





### Advance to Medical Products Utilization of Biorubber as medical products

Yamamoto Corporation, which sought to demonstrate the utility of Biorubber, a material clearly ahead of its time, in medical products, finally acquired permission to manufacture and sell medical products in September 2010. The company began marketing a variety of medical products in October 2010. These products include

Medical Biorubber (Photo 7), elastic stockings that promote blood circulation by applying phased pressure.

Then in December 2012, the company succeeded in acquiring ISO13485:2003 certification, an international quality management system for medical products. This greatly facilitated the development of Yamamoto Corporation's products in the medical field for distribution worldwide, and Yamamoto Corporation became known as a "globally competitive medical product manufacturer."

In March 2013, Medical Biorubber was chosen by the Society for Integrative Medicine Japan among several hundreds of candidate products, and Yamamoto Corporation received its first medical product certification. It has also been approved as a medical product in

Taiwan, and launched sales from April.

### Sports Enthusiasts

#### Success anticipated at the Tokyo Olympics

The swimwear Zero Position Masters is also marketed to recreational swimmers. This swimwear incorporates air cells in a



Photo 8: Training swimwear, Zero Position Professional

manner that enables the swimmer to develop an ideal swimming position through the buoyancy produced. This revolutionary swimwear makes it easier even for beginners to swim. For athletes, there is Zero Position Professional, which is used in training and swimming lessons by world-class athletes (Photo 8).

In addition, there is the Zero Position Belt for correcting the position of the pelvis,

which is prone to shifting as a result of everyday habits and activities. It fixes the position of the lower torso by looping the belt around the waist and adjusting to the amount of shift, and reportedly it is especially effective for sports such as golf where the body axis is important (Photo 9).

Tokyo will host the Olympics in 2020. We're optimistic that significant progress in cleanup and recovery from the accident at the nuclear power plant will have been made by that time. It's not commonly known, but the Biorubber RSM Wear series is protecting people's lives at the scene. The lofty goal of winning 30 gold medals at the Tokyo Olympics has been put forth, but Yamamoto

Corporation estimates that Japanese athletes equipped with Yamamoto Corporation's materials will make that goal eminently reachable.

Yamamoto Corporation has come up with revolutionary ideas and transformed them into viable products in the face of considerable competition ever since the establishment of the company. Despite being an SME with just over 70 employees, its product development capabilities are undoubtedly world class. It's an unknown global research-oriented and development company—a wonderful company that can rightfully claim to be a material innovator in the truest sense, and a company that people can no longer afford not to know.



Photo 9: Zero Position Sports Belt

# Japan's Megasolar Facilities

## Rapid Expansion Backed by Abenomics Leads Drove of Companies to Enter the Power Business



Rendering of Nago Futami Power Plant

### Renewable Energy Backed by Abenomics

The three arrows of Abenomics are bold monetary policies, flexible fiscal policies, and growth strategies to stimulate private investment.

With regard to the third arrow, on June 14, 2013, the government announced specific initiatives in its "Japan Revitalization Strategy—Japan Is Back." These include a "Strategic Market Creation Plan" that positions realizing "clean and economical

energy supply and demand" as a key element alongside building next-generation infrastructure and other measures. Prime Minister Shinzo Abe has clearly indicated the state will move aggressively to achieve this goal through activities such as the implementation of regulatory and institutional reforms to facilitate the introduction of renewable energy and the clarification and acceleration of environmental assessments. This has spurred the establishment of solar power generation facilities such as solar parks and solar farms.





Expectations for Megasolar Facilities with Output of 1MW or More

Japan has devoted efforts to developing and promoting solar power generation, triggered by the 1970s oil crises. Among large-scale solar parks, those facilities that generate 1 megawatt (MW) or more are generally known as megasolar plants. Due to the advantages of solar power facilities compared to thermal or nuclear power generation, such as the ease of maintenance and the ability to install them in vacant spaces such as building rooftops and idle land, there have been more and more cases of general businesses and organizations outside the power industry constructing facilities for private use or to generate power for sale.

However, the termination of subsidies from the New Energy Foundation in 2005 and the relatively high facility construction costs (said to be 300 million yen for a 1 megawatt facility) were impediments to the spread of solar power, and in 2009, renewable energy—excluding hydroelectric—represented a mere 1% of all power generated in Japan annually. The government began gradually introducing policies to promote the introduction of renewable energy, with the intent of countering global warming, enhancing competitiveness, and improving the nation’s self-sufficiency.

However, in the wake of the Great East Japan Earthquake in March 2011 and the resulting accident at the Fukushima Dai-ichi Nuclear Power Plant, the government has conducted an in-depth review of its energy stance, which emphasized nuclear power generation, and formulated policies for accelerating the development of renewable energy. One of those is the Feed-in Tariff Scheme for Renewable Energy.

Feed-in Tariff Scheme Facilitates Corporate Revenue Forecasting

Renewable energy is an important option for the future, based on the incontrovertible fact that it ensures a stable energy supply. However, since costs remain prohibitive, the sector is

governed by national policies aimed at protecting and nurturing it. Along these lines, the Feed-in Tariff Scheme for Renewable Energy was launched in July 2012. This is a scheme whereby the state guarantees power companies will buy renewable electricity at fixed rates. Under this scheme, it is easier for companies to anticipate rapid recovery of the installation costs for megasolar facilities—which require sizable capital investment—and it is expected that it will encourage their development.

From fiscal 2011 until June 2012, the buying price was set at 42 yen/kWh for household use (less than 10 kW) and 40 yen/kWh for household (10 kW or more) and non-household use.

Over Fifty Municipal Next-Generation Energy Parks Planned

The launch of the Feed-in Tariff Scheme for Renewable Energy in July 2012 has spurred the establishment of megasolar facilities, and a succession of plans for future projects has also been announced.

With regard to next-generation energy sources such as solar power generation, the Ministry of the Environment Agency for Natural Resources and Energy—with the aim of developing public awareness of environmentally friendly forms of energy for the future—is moving forward with the construction of Next-Generation Energy Parks equipped with next-generation energy facilities (solar power, etc.), as well as testing and other related facilities. Preparations for these are ongoing, with the Agency having publicly invited municipal authorities and related parties to submit plans and then reviewing them. As of fiscal 2013, the number of approved energy park sites across Japan has reached 56. These government and municipal authority initiatives, as well as initiatives by private companies actively planning to take part in this sector, have sparked rapid market expansion.

At the end of March 2011, Japan’s cumulative solar power generation capacity was only around 5.3 million kW (household and non-household use combined). However, during the twelve-month period between April 2012 and March 2013, the country’s solar power generation capacity increased rapidly, with the addition of around 2 million kW. What’s more, starting from April 2013, a further 1.2 million kW of solar power generation capacity was introduced in just two months, so facilities are continuing to expand at a rapid pace.

Japan’s Top Firms Enter the Power Business

Japan has high hopes for solar panels as a next-generation industry. Manufacturers such as Sharp, Kyocera and Sanyo Electric have been driving forces in the global solar cell market,

Major Approved Next-Generation Energy Parks in Fiscal 2013

Name	Prefecture	Overview
Oga City Next-Generation Energy Park	Akita	This energy park will merge Oga City's municipal solar and wind power facilities with the Oga Peninsula-Oga Geopark's Geo Tour Model Course, while also incorporating the Sarukawa oil field that currently produces crude oil and gas and Fukumezawa oil field—where shale mining trials are underway—enabling an integrated study of the past, present and future of energy.
Tottori Next-Generation Energy Park	Tottori	Merging Japan's largest solar park, SoftBank Tottori-Yonago Solar Park, with renewable energy and tourism resources such as Tottori's sand dunes, this site will aim to attract school trips and eco-learning tours from inside and outside the prefecture.
Toon Next-Generation Energy Park	Ehime	From the perspectives of the environment and disaster prevention, solar power generators and storage batteries will be installed at city-owned facilities and evacuation shelters. In addition to supporting businesses and residents in introducing energy-saving and renewable energy facilities, it will promote various initiatives of the Toon City Urban Development Project, which includes unique activities within the region for the Domestic Offset Credit System (J-VER), such as carbon offset events, both inside and outside the city.
Miyazaki Prefecture Next-Generation Energy Park	Miyazaki	Blessed with a wealth of renewable energy resources, Miyazaki, "land of sunshine and greenery," is among Japan's leading prefectures in hours of sunshine, rainfall levels, and timber, beef, pork and broiler production. In order to further educate residents about the environment and energy, this site will put together a range of tours and visitor experiences that combine renewable energy, the local agricultural, livestock, and food industries, sun myths, and more, enabling people to rediscover the innate characteristics of the region.

but with the West, China and South Korea catching up, the competitive landscape has transformed. Given the steeply rising price of silicon, a key component in solar panels, Japanese manufacturers have cut back on capital investment, which has reduced their market share. However, American and Chinese companies which have invested aggressively find themselves caught in a difficult situation: they agreed to procurement contracts when prices were high, but the oversupply of panels has driven prices downward. In contrast, Japanese panel manufacturers Kyocera and Panasonic (which bought Sanyo Electric) are performing robustly.

There are also an increasing number of leading companies entering the solar power business through effective utilization of company-owned land and collaborations with local municipalities. With companies like Asahi Glass, Tobu Railway, NTT Facilities, Mitsui Chemicals, Misawa Homes, Mori Trust, Yamada Denki, Lawson, SoftBank Group, Ichigo Group Holdings, Daiwa House, and JFE Engineering making headlines almost every day as they move into the power business one after another, a shakeout period for this sector may well be on the way.

Sekisui House Enters Megasolar Business

Homebuilder, Sekisui House, has joined the various companies and municipalities entering the megasolar power generation business.

Responding to Japan’s policies to promote and expand renewable energy, on March 29 Sekisui House completed installation of photovoltaic power generation systems at five factories in Japan—Tohoku, Kanto, Shizuoka, Hyogo, and Yamaguchi—each of which has since become at least partially operational. The Tohoku Factory has been fully operational since July and the Kanto Factory since October.

In April this year the plants generated a total of around 600,000 kWh, representing an annual output of 6.07 million kWh. Estimating power consumption per household at 3,600 kWh annually (figure published by the Federation of Electric Power Companies of Japan), this is equivalent to the amount of power consumed per year by 1,680 standard households.

Furthermore, on Tuesday, July 23, Sekisui House held a groundbreaking ceremony for a megasolar power facility it is now constructing with a generating capacity of 25.8 MW provisionally named Sunshine Energy Yusui, in Kawanishi, Yusui Town, Aira County, Kagoshima Prefecture.

At Sunshine Energy Yusui, the largest megasolar facility in Japan located on what was previously a golf course, photovoltaic panels will be installed that take advantage of the existing terrain. The construction costs are expected to total approximately 9.2 billion yen, while annual power production will be 28,466 MWh—equivalent to the annual power consumption of 7,900 standard households—with revenue from power generation projected at approximately 1.138 billion yen per year (estimated based on 40 yen/kWh, tax excluded).





一般社団法人戦略的グローバルIR協会  
Strategic Global IR Management Association

# “Strategic Global IR Management Association” Launched

## To Research and Spread Awareness of Global IR Best Practices and Support International Recognition and Growth of Japanese Firms

*An increasing number of Japanese corporations are procuring funds from overseas through global offerings and other methods. At the same time, more and more foreign institutional investors are becoming active in Japan. In light of these changes in the environment, the Strategic Global IR Management Association (SGIM) was established for the purpose of researching and providing education on effective global IR strategies for Japanese companies, and for transferring the know-how and experiences of institutional investors to Japanese companies.*

### Clarifying Global Perspectives, Educating Businesspeople, Assisting Japanese Companies

SGIM is a distinctive organization, as outlined below.

#### Purpose

The purpose of the Strategic Global IR Management Association is to research and spread awareness of the types of investor relations activities that will be most effective abroad. This will be accomplished by educating businesspeople such as managers, directors and executive officers, middle-level employees and employees of accounting and auditing firms on global IR standards with input from investors. Thereby equipping them with the knowledge necessary to contribute to the further evolution of international corporate activities.

#### There are three distinctive characteristics of SGIM:

1. Its perspective is global: “...to research and spread awareness of investor relations activities and strategies that are compatible with global standards...”
2. It clearly states that its purpose is to educate and raise awareness among businesspeople: “...educating businesspeople such as managers, directors and executive officers, middle-level employees and employees of accounting and auditing firms on global IR standards with input from investors...”
3. It aims to support the activities of Japanese companies: “...to contribute to the further evolution of international corporate activities.”

### Japan’s Future Growth Driven by Corporate Creativity Disseminating the Essence of Japanese Management Worldwide

We asked SGIM’s representative directors, Masaki Kai (CEO, FinanTec Co., Ltd.) and J. Michael Owen (Chairman and CEO, Transpacific Enterprises), about the background of the establishment of the Association.

“Since the change of administration at the end of 2012, there has been progress in fostering expectations through Abenomics as well as in the Abe Cabinet’s national IR toward overseas investors. It is my hope that private sector listed companies will follow suit and clearly propagate their growth strategies,” says Kai.

Owen believes that, “Transparency is essential for Japanese companies going forward, and as such it is critical to nurture communication skills founded on global sensibilities. Corporate leaders must realize that effective, robust IR requires face-to-face communication.”

As corporate creativity will propel the nation’s future growth, it is important to disseminate the strengths of Japanese management based on global standards. Details of SGIM’s activities, membership policies and other aspects of the organization are currently in the planning stage.

We will continue reporting on its activities in the future, in this publication and on its website at <http://www.sgim.or.jp/>

\*For inquiries and those interested in joining the association, please contact [info@sgim.or.jp](mailto:info@sgim.or.jp)

# Dashboard on Japanese Economy October 2013

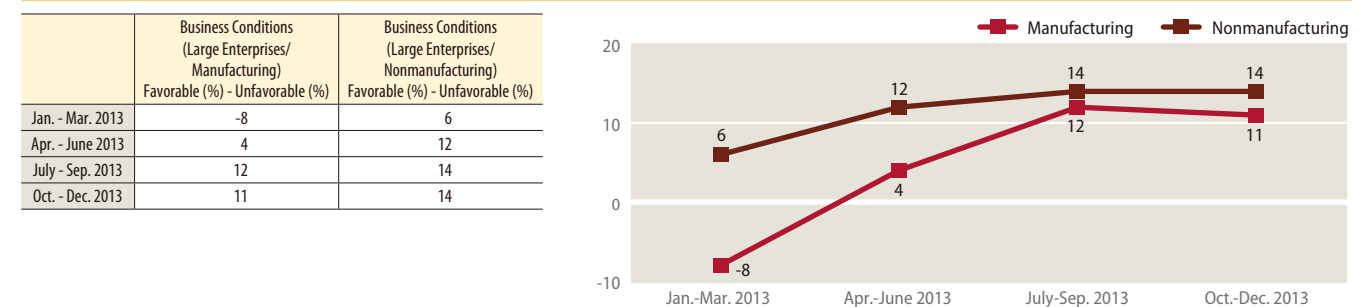
From this issue, Linking Japan will post major economic indices of the Japanese economy and provide these on a quarterly basis. Our hope is that this information will be able to adequately convey an overview of the Japanese economic trends to our readers. In order to refine and better meet this objective, please provide us with feedback and requests regarding the information posted here.

\* indicates provisional figures.

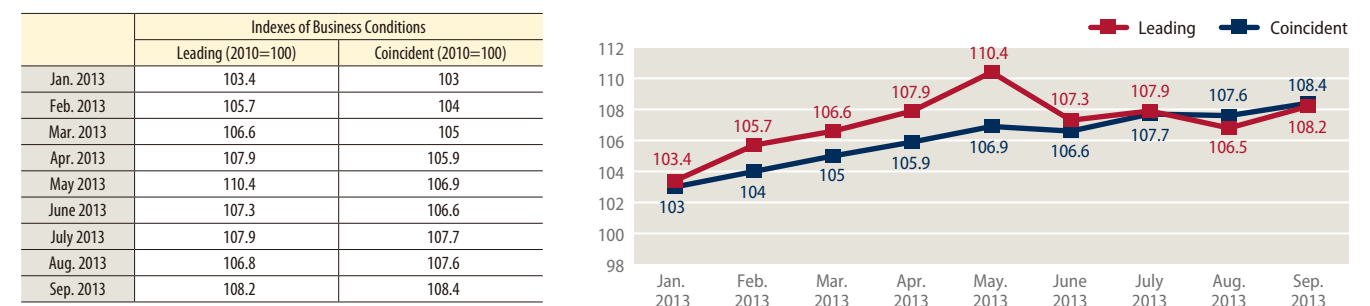
### GDP (Gross Domestic Product)

	Nominal Gross Domestic Product (trillion yen)	Nominal Growth Rate period-on-period (%)	Real Gross Domestic Product (trillion yen)	Real Growth Rate period-on-period (%)
Fiscal 2009	473.9	-3.2	495.5	-2.0
Fiscal 2010	480	1.3	512.3	3.4
Fiscal 2011	473.3	-1.4	513.7	0.3
Fiscal 2012	*474.6	*0.3	*519.7	*1.2
Jan. - Mar. 2013	*476.0	*2.8	*522.7	*4.3
Apr. - June 2013	*481.1	*4.3	*527.6	*3.8
July - Sep. 2013	*483.0	*1.6	*530.1	*1.9

### Tankan (Business Conditions)



### Indexes of Business Conditions



### Consumption

	Consumption Expenditure year-on-year (%)	Retail Sales Value year-on-year (%)	Number of New Cars Sold (thousand)	Department Store Sales year-on-year (%)
Jan. 2013	2.4	-1.1	384	0.2
Feb. 2013	0.8	-2.2	477	0.3
Mar. 2013	5.2	-0.3	667	3.9
Apr. 2013	1.5	-0.2	365	-0.5
May 2013	-1.6	0.8	368	2.6
June 2013	-0.4	1.6	451	7.2
July 2013	0.1	-0.3	472	-2.5
Aug. 2013	-1.6	1.1	367	2.7
Sep. 2013	3.7	3.0	523	2.8
Oct. 2013	0.9	*2.3	422	-0.6

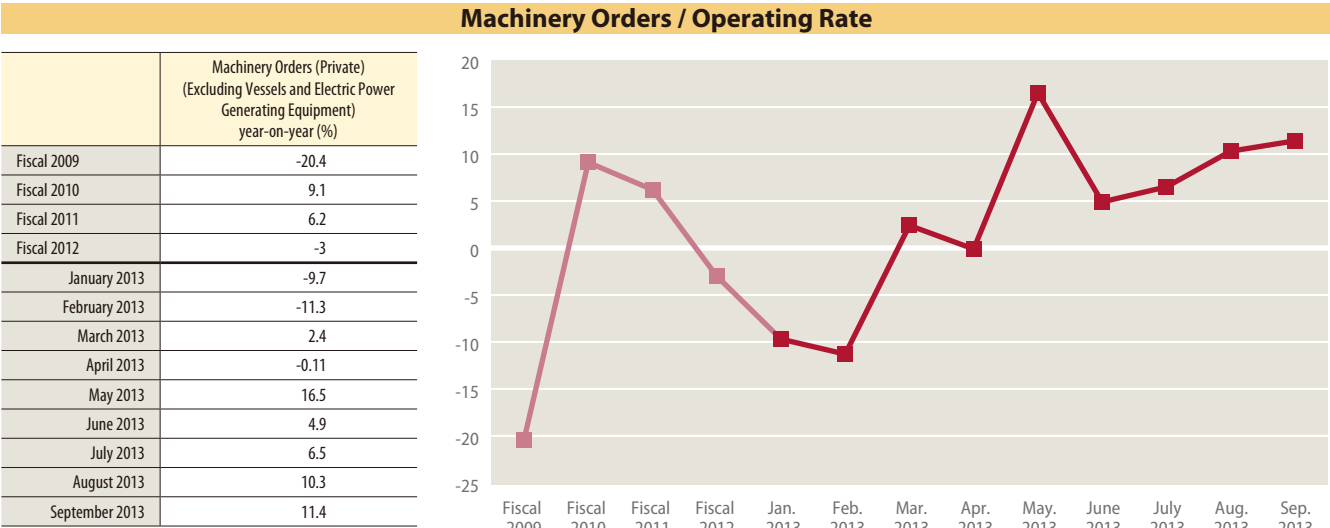
Consumption Expenditure: Household with two or more people, change from actual results of previous year.

Number of New Cars Sold: Total of passenger cars, trucks and buses. Includes light motor vehicles. Survey conducted by Japan Automobile Dealers Association and Japan Mini Vehicle Association.

Travel Services: Survey conducted by Ministry of Land, Infrastructure, Transport and Tourism targeting major 50 travel agencies.

Department Store Sales: Based on existing department stores. Survey conducted by Japan Department Stores Association.

Housing					
	Number of New Housing Construction Starts (thousand units)	Number of Condominium Sold		“Orders Received for Construction” year-on-year (%)	Contracted Amount of Public Works year-on-year (%)
		The Tokyo Metropolitan Area (%)	The Kinki Region (units)		
Fiscal 2009	775	37,765	19,094	-14.2	4.9
Fiscal 2010	819	45,012	21,609	-5.2	-8.8
Fiscal 2011	841	45,173	20,415	7.1	-0.5
Fiscal 2012	893	46,754	24,114	2.4	10.3
January 2013	863	1,721	913	-3.7	6.7
February 2013	944	3,491	2,116	16.3	-4.8
March 2013	904	5,139	2,536	-3.4	-11.7
April 2013	939	4,093	1,347	2	28.6
May 2013	1,027	4,967	1,989	26	24.8
June 2013	976	4,888	2,417	21.9	21.7
July 2013	979	5,306	2,111	13.7	29.4
August 2013	960	4,145	1,994	21.4	7.9
September 2013	104.4	5,968	3,671	89.8	29.4
October 2013	103.7	3,506	1,404	61.1	3.5



Indices of Industrial Production				
	Shipments		Inventories	
	Change month-on-month (%)	Change year-on-year (%)	Change month-on-month (%)	Change year-on-year (%)
Fiscal 2009	—	-9.2	—	-12.2
Fiscal 2010	—	8.4	—	-1.8
Fiscal 2011	—	-1.5	—	5.2
Fiscal 2012	—	-1.8	—	4.5
January 2013	1.2	-4.2	-1.6	3
February 2013	1.8	-8.6	-1.2	0.4
March 2013	-0.8	-5.9	-0.7	-2.7
April 2013	-1.4	-3.0	0.8	-4.0
May 2013	1	-2.1	-0.4	-2.7
June 2013	-3.2	-5.1	0	-2.9
July 2013	2	1.4	1.6	-2.8
August 2013	-0.1	-1.3	-0.2	-3.3
September 2013	1.5	4.6	-0.2	-3.5

Industry			
	Indices of Production Integrated circuits year-on-year (%)	Crude Steel Production (thousand ton)	Indices of Tertiary Industry Activity (2005=100)
Fiscal 2009	3	96,448	96.7
Fiscal 2010	8.3	110,793	97.8
Fiscal 2011	-14.0	106,462	98.5
Fiscal 2012	-4.1	107,304	99.2
January 2013	0	8,863	98.6
February 2013	-15.2	8,321	99.9
March 2013	-14.6	9,453	100.1
April 2013	13.3	9,169	99.6
May 2013	17.5	9,625	100.8
June 2013	-4.5	9,280	100.1
July 2013	19.3	9,291	99.7
August 2013	16.5	9,144	*100.3
September 2013	16.5	9,289	*100.1

Amount of Advertisement: Total of Dentsu and Hakuhodo. Figures from April 2005 are impacted by Hakuhodo splitting its Sapporo and Hokuriku offices.  
Monthly data for Indices of Tertiary Industry Activity is seasonally adjusted value.

Unemployment Rate and Active Job Openings-to-Applicants Ratio		
	Unemployment Rate (%)	Active job openings-to-applicants ratio (times)
Fiscal 2009	5.2	0.45
Fiscal 2010	4.9	0.56
Fiscal 2011	4.5	0.68
Fiscal 2012	4.3	0.82
January 2013	4.2	0.85
February 2013	4.3	0.85
March 2013	4.1	0.86
April 2013	4.1	0.89
May 2013	4.1	0.9
June 2013	3.9	0.92
July 2013	3.8	0.94
August 2013	4.1	0.95
September 2013	4.0	0.95

Finance				
	Monetary Basis year-on-year (%)	Total Outstanding Loans of Banks year-on-year (%)	Domestically-Licensed Bank Weighted Average Lending Rate annual rate (%)	Newly Issued Government Bonds Yields (10 years) annual rate (%)
Fiscal 2007	—	—	—	—
Fiscal 2008	—	—	—	—
Fiscal 2009	5.1	0.8	1.683	1.395
Fiscal 2010	6.4	-2.0	1.573	1.255
Fiscal 2011	14.9	-0.1	1.477	0.985
Fiscal 2012	8.7	1.1	1.383	0.56
January 2013	10.9	1.6	1.358	0.74
February 2013	15	1.8	1.346	0.665
March 2013	19.8	1.9	1.325	0.56
April 2013	23.1	2.1	1.324	0.6
May 2013	31.6	2.1	1.319	0.86
June 2013	36	2.2	1.303	0.855
July 2013	38	2.3	1.296	0.795
August 2013	42	*2.3	1.291	0.72
September 2013	46.1	2.2	1,277	0.68
October 2013	45.8	*2.3	1,277	0.59

Call Rate: Unsecured, overnight. Average figure.  
Total Outstanding Loans of Banks: Average of outstanding loans.  
Newly Issued Government Bonds Yields (10 years): Figures as of end of the period. Announced by Japan Bond Trading.

Consumer Price Index			
	Consumer Price Index (General, excluding fresh food)		
	All Japan	month-on-month (%)	year-on-year (%)
Fiscal 2009	100.7	—	-1.6
Fiscal 2010	99.8	—	-0.8
Fiscal 2011	99.8	—	0
Fiscal 2012	99.6	—	-0.2
January 2013	99.1	-0.3	-0.2
February 2013	99.2	0.1	-0.3
March 2013	99.5	0.3	-0.5
April 2013	99.8	0.3	-0.4
May 2013	100	0.2	0
June 2013	100	0	0.4
July 2013	100.1	0.1	0.7
August 2013	100.4	0.3	0.8
September 2013	100.5	0.1	0.7

Nikkei Stock Average: Average for the period.  
Yen Exchange Rates: Tokyo, interbank, spot trading, average for the period.

Trade			
	Trade and Customs clearance		Import Price Indices year-on-year (%)
	Export (billion yen)	Import (billion yen)	
Fiscal 2009	59,007.90	53,820.90	-18.8
Fiscal 2010	67,788.80	62,456.70	5.7
Fiscal 2011	65,288.50	69,710.60	7
Fiscal 2012	63,940.50	72,116.80	1.7
January 2013	4,798.60	6,432.10	10.8
February 2013	5,283.10	6,064.50	13.2
March 2013	6,271.0 0	6,637.90	8.2
April 2013	5,776.60	6,661.50	9.6
May 2013	5,766.70	6,764.80	14.1
June 2013	6,061.00	6,242.80	13.8
July 2013	5,960.50	6,990.00	18.7
August 2013	5,782.90	6,750.80	17.1
September 2013	5971.90	6,909.70	17.8

Stock and Yen Exchange Rates			
	Nikkei Stock Average (yen)	Yen Exchange Rates against the U.S. dollar (yen)	against the Euro (yen)
Fiscal 2009	9,976.31	92.85	131.16
Fiscal 2010	9,951.17	85.71	113.14
Fiscal 2011	9,183.44	79.05	108.96
Fiscal 2012	9,612.07	82.89	106.73
January 2013	10,750.85	89.18	118.5
February 2013	11,336.44	93.21	124.36
March 2013	12,244.03	94.75	122.83
April 2013	13,224.06	97.71	127.09
May 2013	14,532.41	101.08	131.05
June 2013	13,106.62	97.43	128.7
July 2013	14,317.54	99.71	130.4
August 2013	13,726.66	97.87	130.25
September 2013	14,372.12	99.24	132.45
October 2013	14,329.02	97.86	133.36