Industrial Infrastructure & Urban Development Division

The infrastructure and services we provide form the foundation of industrial and urban development. We sort these businesses into three different portfolios: “project-based,” “region-based,” and “property-based,” providing total service packages encompassing everything from development to operation/management.

Yu Mizuike
COO
Industrial Infrastructure & Urban Development Department

Business Models Supporting Value Creation

Strengths

<table>
<thead>
<tr>
<th>Ability to build infrastructure and develop products</th>
<th>Proprietary service with attention to detail</th>
<th>Promoting integration in the real estate business</th>
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<tbody>
<tr>
<td>Ability to build infrastructure using a customer base gained over many years of experience; ability to develop market-oriented products, cultivated through our housing development business</td>
<td>Contributing to the development of industrial and lifestyle foundations by using proprietary functions, expertise, and services acquired through our industrial parks and urban development business</td>
<td>Providing integrated services from the customer’s perspective, incorporating everything from development to asset management and administrations</td>
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External Environment

Opportunities

- Economic development in emerging countries, particularly in Asia (the ASEAN countries, India, etc.)
- Japanese property developers and foreign-owned manufacturing companies (Japanese and others) entering the Asian market
- Growing business opportunities associated with surge in demand expected from the upcoming Tokyo Olympic and Paralympic Games, as well as increased tourist and business traffic to Japan
- Demand in Japanese society for women’s participation in the workforce and solutions to the daycare availability problem; demand for talent development and new job/industry creation in Asian countries

Risks

- Shrinkage of market associated with population decline in Japan
- Risks associated with revisions to laws and other regulatory systems in Asian countries; risk of fluctuations in business conditions, exchange rates, and interest rates

Businesses

Overseas industrial park businesses

We provide integrated services for the development, administration, and management of industrial parks in Asia. We offer services with an attention to detail, geared to both infrastructure and operations, such as providing stable electrical power and other utilities, infrastructure maintenance, and support for businesses establishing local subsidiaries in a new market. In so doing, we create an environment that enables tenants to focus on their businesses.

- Industrial park development, administration, and management
- Industrial park sales agency

Domestic real estate businesses

Our business model has us develop housing and other urban infrastructure, increase its value through management, and then exit from the business. Additionally, we are focusing on developing an asset management business by way of our J-REIT management business.

- Condominiums, for-rent housing
- J-REIT management business
- Offices
- Shopping centers
- Administration and management service

Overseas urban infrastructure business

We aim to enhance city functions by developing administrative, educational, commercial, residential, and other urban infrastructure. For Deltamas City in Indonesia, a comprehensive urban infrastructure development project, we are constructing an industrial park of 1,700 ha, and commercial facilities and a sustainable smart town of 1,500 ha.

- Comprehensive urban infrastructure development business

Comprehensive living support business (daycare management business)

Expanding out from our management of offices, housing, and commercial real estate, we are working on a comprehensive life solutions service that will provide added value to the people who work and live at our properties, by launching a daycare and after-school care management business, for example.

- Daycare and after-school care
Growth Strategy

The business foundation of the Industrial Infrastructure & Urban Development Division is our business asset administration and management. We have built this business up over many years developing industrial parks, housing, and other urban infrastructure. Our fundamental strategy is to build up these sources of revenue as base earnings, constructing a stable earnings foundation that can adequately supplement our earnings when development revenue dips, thereby steadily improving asset efficiency.

In Japan, we will achieve the kind of diverse asset control that our customers seek by further expanding and enhancing our development, asset management, and property management functions. Overseas—and in Asia with its growing middle class in particular—we are concentrating on smart cities and other development projects that will help us secure base earnings in the future, utilizing our urban infrastructure development and management functions honed in Japan.

We will also concentrate more on our strongly performing J-REIT management business and aim to restructure our business portfolio by strengthening our comprehensive life solutions services, including our childcare service business.

Domestic real estate businesses

We are aiming for increased growth in terms of the scale and areas in which we do business by creating reciprocal relationships and cycles between the functions of development in housing and other areas, asset management, and building services related to facility administration and management and residents’ lifestyles.

Overseas industrial park businesses

We make use of our knowledge of industrial park development, sales, and management businesses in Asia and other regions to develop industrial parks in emerging countries, which are attractive locations for production and consumer sales. Our industrial parks allow foreign companies trying to capture demand created by the expanding middle class in these countries to focus on their businesses. In doing so, we participate in a foundation establishment for the advancement of these countries’ manufacturing industries.

J-REIT management business

We are increasing the total amount of assets under the management of Nippon REIT Investment Corporation (NRT), our integrated, listed REIT, and improving the quality of its portfolio to expand our stable earnings foundation. Through Sojitz REIT Advisors K.K., which is responsible for management of the assets, we are carefully identifying properties and increasing their value via our proprietary engineering technology. In the year ended March 2019, five years after NRT was listed, the company’s assets under management totaled around ¥250.0 billion, and we are aiming for ¥300.0 billion in the medium term.

Overseas urban infrastructure business

Our development projects contribute to the growth of burgeoning economies by helping to solve their city-building issues, partnering with appropriate companies. In Deltamas City in Indonesia, we are driving the creation of a city for 250,000 people, making use of the strengths of Japanese companies to equip the city with schools for Japanese people overseas, large shopping malls, and smart housing.