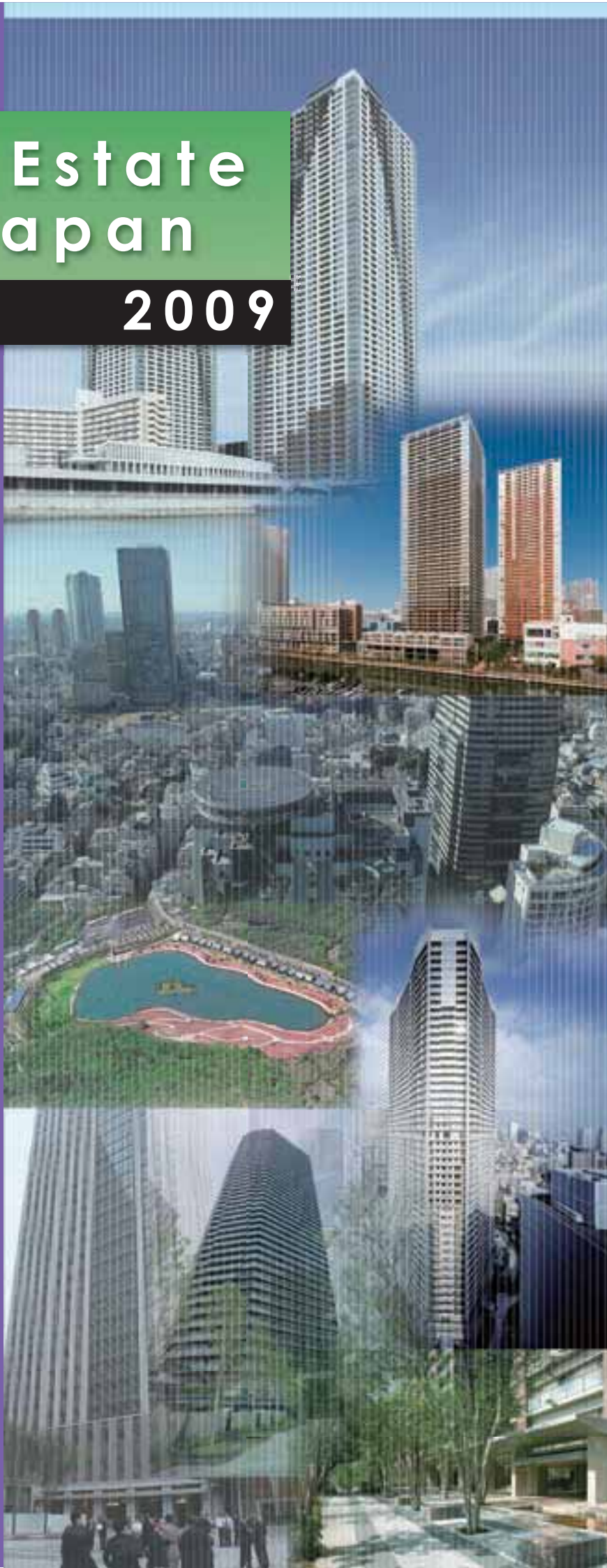


Real Estate in Japan

2009



CODE OF CONDUCT

Creating Value in the 21st Century

The era of mega competition has arrived in Japan and presently our country is attempting unprecedented structural reforms within a major shift in the business and social climate. These include the advent of information technology, aging of society and the decreasing population of children.

Members of the Real Estate Companies Association of Japan will continue to fulfill the roles they have performed to date along with the implementation of policies based on our code of conduct to meet the increasing demands of the new era.

Social Duty of the Real Estate Industry

1. Homes rich in solace and relaxation, comfortable and creative workplaces, relaxing and healthy leisure and senior lifestyles are all basic requirements for people to clearly sense true wealth. It is the social duty of the real estate industry to provide the necessary facilities and services to realize this outcome and to promote business as a Value Creator that heightens the value of the human environment.

Customer Focused Management

2. The provision of "Customer First" management in today's new era is best served by supporting the lifestyle pursuits of customers in meeting their ever diversifying and increasingly unique needs with an enhanced selection of choices, and in providing accurate information and appropriate advice.

Principles of Business Conduct

3. In addition to maintaining high morals as professionals and refining our specialized knowledge, business shall be conducted based on the following principles:
 - Provision of facilities and services at an appropriate price via an open, fair and transparent market
 - Formation of good stock, and maintenance and enhancement of value to be passed on to the next generation
 - Support for the formation of a community that is friendly to everyone through the creation of towns and cities that are part of the beauty and symbiotic with their surroundings

Realization of a Creative Vision through Collaboration

4. Members shall act based on the recognition that the identity of the real estate industry is one of "collaboration" in the creation of towns and cities that respects the public nature of the value of space, accomplished through the cooperation of various individuals with differing roles. We will constantly conduct ourselves based on a vision of "creation," through the proactive implementation of consulting and management, and the research and development of new business and supply methods.

International Perspective

5. In addition to opening the Japanese real estate market internationally, members will strive to make Japanese cities globally appealing by maintaining their historical culture while also enriching them with a strong "heartbeat" and vitality.

Environmental Friendliness

6. Members will implement business in a manner that considers global and local environments through resource and energy conservation, reduction of waste and the promotion of recycling.

C O N T E N T S

INTRODUCTION	04
--------------	----

THE REAL ESTATE INDUSTRY TODAY

Development	06
For-Sale Property	07
Transactions	08
Leasing	09

OVERVIEW OF MAJOR REAL ESTATE SECTORS

Condominiums	10
Housing and Housing Land	14
Urban Redevelopment	19
Resorts	26
Real Estate Transactions	29
Real Estate Securitization	33
Leasing	37

LAND and HOUSING POLICIES 41

Movement to Revise the Building Standards Law to Secure Safety of Buildings	47
---	----

Transformation from the Government Housing Loan Corporation of Japan to the Japan Housing Finance Agency	47
--	----

Overview of Present Land and Housing Taxation	48
---	----

Addressing the Global Environmental Problem	49
---	----

REAL ESTATE RELATED DATA	50
--------------------------	----

Real Estate in Japan 2009

Introduction

The real estate industry plays a large role in the creation and maintenance of living environments comprised of residences, offices and other properties and urban environments that are the foundation of people's lives and corporate activities. The real estate industry has supported the growth of the Japanese economy through the supply of quality stand-alone housing and condominiums, the revitalization of cities and regions, the development, management and operation of office and commercial facilities, as well as through real estate securitization and other businesses. Major projects have been completed in recent years that have greatly contributed to urban revitalization, including the Marunouchi Building, Roppongi Hills, Tokyo Midtown, Shin-Marunouchi Building and Kasumigaseki Common Gate.

According to the Annual Report on National Accounts, the real estate industry comprises more than 10% of the gross domestic product (GDP). Additionally, the added value created per employee according to the fiscal 2007 Financial Statements Statistics of Corporations by



Industry was 19.07 million yen (6.98 million yen for all industries). Thus, compared with other industries the real estate industry enjoys a higher perch and holds a vital position within the Japanese economy.

The Japanese economy has experienced a major decrease in corporate earnings and a rapid deterioration in employment conditions, which has driven the current economy into a severe state. These have resulted from the global recession brought on by the financial crisis that emerged in the U.S., which has caused this unprecedented economic turmoil and has led to a significant deterioration in exports and production in Japan. It is becoming increasingly important that the Japanese economic structure be shifted to one that is driven by domestic demand so that the Japanese economy is to be able to secure sustainable growth. Under these circumstances, there are calls for the real estate industry to play an even greater role in the economy by providing safe and secure lifestyles as a part of its business and by serving as the pillar

of industries driven by domestic demand through the provision of such a living environment.

As international competition among cities becomes increasingly severe, the creation of comfortable and attractive towns and the preparation and maintenance of a social infrastructure through the continual promotion of urban and regional revitalization are absolutely essential. With regard to housing, it is vital that housing be both safe and secure while also fulfilling a variety of demands, including the changing structure of households as well as multi-habitation (movement among various regions). Naturally, as the real estate business is developed, the generation of a low carbon society must also be a goal in consideration of global environmental problems.

As is evident, the roles that must be fulfilled by the real estate industry are of prime importance, and it must build a society in which citizens can feel true affluence for the Japanese economy to grow and develop.



What is development?

Real estate development is the creation and adding of real estate value by developing and preparing the infrastructure on obtained land or constructing housing or business facilities on land. Earnings are realized by selling, subdividing or leasing developed real estate.

Development Work

The flow of the development process begins with studying and understanding the size and form of the candidate development site, confirming related city planning, the status of infrastructure preparation and the concentration of various facilities.

A business plan containing the development concept, construction plan and business income and expenditures is then proposed based on these findings. After the land is acquired, more specific construction design is carried out and following the obtaining of development and construction permits the actual construction will begin and continue until completion.

Promoting Urban Regeneration

Development of real estate is closely related to the Urban Planning Law, Urban Redevelopment Law, Land Rezoning Law, Building Standard Law and other laws related to the development, construction and design of cities. Furthermore, among the movements promoting urban regeneration in recent years, special exceptions for urban planning and new frameworks concerning financial support and other areas have emerged. One example of this is the Special Measures Act for Urban Renaissance that came into effect in 2002. This law establishes bold measures including specifying time and location limits as a means to promote urban regeneration that is driven by the private sector.

Diversification of Fund Procurement in Development

In recent years securitization tended to focus on already operating real estate, but cases are emerging where securitization is being used in development (development-type securitization) to meet the need to diversify capital sources and such as a means to spread risk in fund procurement.

The use of development-type securitization enables the developer to procure funds based on a valuation primarily of the development project's return, limit the debt-burden risk load by utilizing non-recourse finance and move properties off the balance sheet by satisfying certain accounting terms without being impacted by the developer's own financial condition and limitations on the amount of capital that can be raised.

分譲

What is for-sale property?

For-sale property requires work involving the development and sale of land, stand-alone housing, condominiums and other housing.

For-Sale Property Business

The housing subdivision (for-sale property business) consists of many steps including procurement of the lot, marketing to customer needs and market conditions, product planning, construction designing, advertising and sales. In recent years, diverse unique products have been planned and sold to meet the diversification of needs concerning lifestyles and housing among purchasers.

Condominium Supply Trends

Since 1981, the number of for-sale condominiums supplied to the market has exceeded the number of stand-alone houses with a proactive supply continuing in recent years centering on large metropolitan areas. The number of units supplied by private companies to the Tokyo metropolitan area in 2008 was 44,000 units, a year-on-year decrease of 28%. The average for-sale condominium price is now 47.75 million yen per unit, the fifth consecutive year with an increase.

Building Lots and Buildings Transaction Business Law, Etc.

A broker's license under the Building Lots and Buildings Transaction Business Law is essential to be able to conduct a for-sale housing business. In order to protect the purchaser and secure fair transactions, the Building Lots and Buildings Transaction Business Law establishes regulations regarding the for-sale business that include restrictions on the timing for starting advertisements and concluding contracts, the requirement to explain material matters, the handling of deposits, etc. A law for promoting the securing of housing quality was also passed in 2000. This law created a system for indicating housing performance and enhanced the defect liability system concerning new houses.

What are transactions?

Real estate transactions are primarily the selling and purchasing, transfer of land and buildings, intermediation on leases and sales brokering of for-sale homes.

Transaction Work

Real estate transactions involve providing customers desiring to sell real estate with appraisals that indicate the proper sales price for the concerned property and related sales activities as well as providing customers desiring to buy a property with property information that meets their requirements. Real estate transaction brokers work to ensure that the sale and purchase, etc. of real estate – such as concluding contracts and delivering properties – proceeds smoothly and appropriately.

The Internet and Personal Information Protection Law

The Internet and other forms of information technology have affected the real estate transaction industry. The respective companies involved have launched property information sites and are proactively broadcasting information. This is not limited just to individual corporations. In October 2003, the Real Estate Transaction Modernization Center Foundation began providing information through the integrated real estate website Real Estate Japan, a site that integrates the property information of four organizations involved in real estate transactions. We are now in an era where it is only natural to gain information via the Internet.

On the other hand, the spread of information technology has also created many problems involving the leaking of customer information and the buying/selling of personal information and this has placed the privacy of Japanese citizens at risk. In response, the Japanese government enforced the Personal Information Protection Law in April 2005. Consequently, real estate transaction market players must be aware of and strictly comply with guidelines on handling personal information.

Protection of Customers

The brokering of real estate sales, purchasing, transfer or leasing requires a license designated by the Building Lots and Buildings Transaction Business Law. This Law stipulates various matters concerning brokering to secure consumer protection and fair trade and these include the system for licensed real estate brokers, items to include in a brokering contract, compensation restrictions, and matters regarding advertisements and explanation of material matters.

L E A S I N G

賃貸

What is leasing?

Real estate leasing is the business of obtaining rents by leasing real estate. Leasing applies to diverse properties ranging from housing to office buildings, retail properties, hotels and sports facilities.

Leasing Work

As for the real estate leasing business, the management and operation is at times conducted by the owner or in other cases partially or entirely entrusted to a third party.

The advancement and spread of real estate securitization has furthered the separation of ownership and management. In addition, the complexity of leasing management has increased due to diversified tenant needs, sophisticated building functions and such. Consequently, the need is growing among owners who do not have their own dedicated management and operation organization to outsource these services to a third party.

Legal Leasing System

The relationship between the party leasing the property and the renter is basically governed by the lease contract which stipulates individual items and is positioned under the Land and House Lease Law and the Civil Code. The former version of the Land and House Lease Law prohibited the leasing party from rejecting the renewal of lease contracts unless they had a valid reason. However, in 2000 the fixed tenancy leasehold system was formed based on the Special Measures Law for Promoting the Supply of Good Quality Rental Housing and it is now possible to enter into a contract that ends without renewal at the time of expiration.

OVERVIEW OF MAJOR REAL ESTATE SECTORS

CONDOMINIUMS

The country also has many tenement houses that are remnants of the Kamakura era. This "row house" culture continued into the Edo era, where row houses for samurai and townspeople commonly dotted the downtown landscape even into the Meiji era. Presently condominiums, or mansions in Japanese, have become entrenched as a common living choice among apartments.

Initially condominiums were perceived as a way of living for people living in the city center, but the need for condominiums eventually spread to local areas. Presently the growth of real estate securitization has contributed to the provision of a variety of condominium products including those for families, singles, DINKs and elderly people.

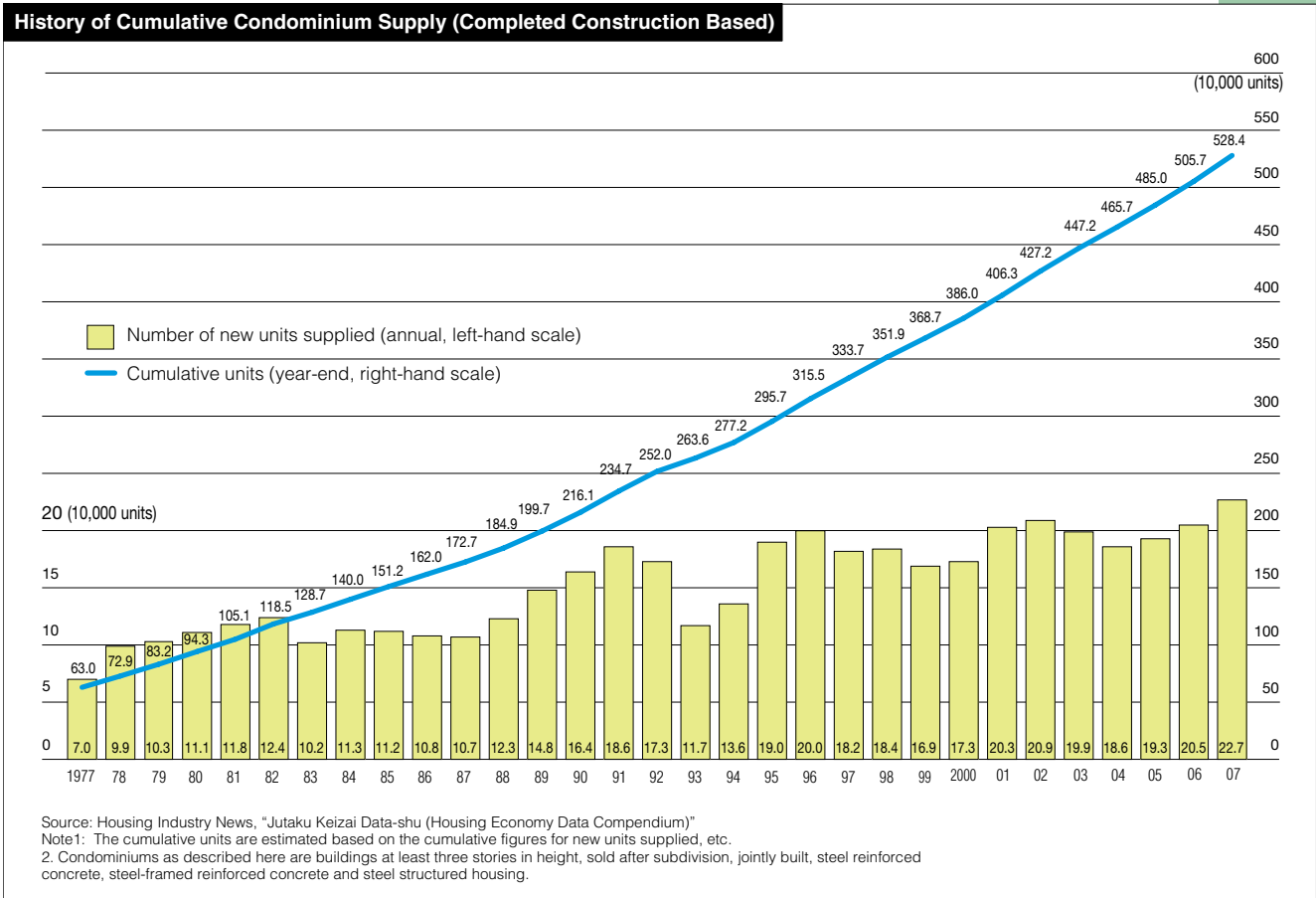


Dojunkai Apartments: The Beginning of Apartment Living

The current mainstream steel reinforced concrete apartments that were built prior to World War II are called Dojunkai apartments. The Dojunkai was a foundation established following the Great Kanto Earthquake to help victims in need of shelter. It was an external body of the Interior Ministry and was funded by contributions from within Japan and overseas. The Dojunkai supplied 12,000 housing units, including 2,500 apartments, between 1926 and 1941. All of the apartments were reinforced concrete structures that placed a premium on earthquake resistance and most of the properties were three stories in height. In addition to having proper electricity, plumbing and gas, each of the units was equipped with flush toilets. At the time they were built, these housing units were well known and admired for their leading-edge conveniences and technologies such as elevators, steam heaters, telephones and baths. The aforementioned comforts proved to be very popular despite the concern that the apartment style of housing might not be well accepted as a part of Japanese lifestyle.

Massive Supply through Apartment Complexes

Following the war, there was a severe lack of housing due to the mass burning of cities. (As a result, the supply of housing was deficient by 4.2 million units at the end of the war.) Upon entering the mid-1950s, an explosive growth in the concentration of the population in major metropolises began to occur and the ensuing remarkable growth in land demand sent land prices soaring due to the lack of supply. In turn, however, this served as a barrier to overcoming the



housing problems. The Japan Housing Corporation (presently, the Urban Renaissance Agency) was launched as the trump card for eliminating this housing problem and it began to supply housing units en masse beginning from the mid-1950s centering on apartment complexes known as "danchi."

The appearance of the public danchi helped a new form of apartment housing "medium to tall buildings made of reinforced steel concrete" to take root among the Japanese who had been acquainted with houses made of wood, bamboo and paper up to then. The dining/kitchen format was newly developed for the apartments and the kitchen was enlarged; meanwhile, the functions of sleeping and eating could now be done in separate rooms. This new lifestyle in which meals were eaten at tables sitting on chairs took root after

gaining the overwhelming support of the Japanese people.

In addition, western toilets were also introduced. These danchi also contributed to creating many other standards for condominiums today including being furnished with baths and using cylinder keys for security. The term Danchizoku (danchi residents) was born and the modern, high-class life style represented by them was also looked on with some extent of envy.

From Danchi to Condominium

Around the same time, the private companies began to supply these condominium complexes that was distinctly different from the danchi and identified as luxury condominiums, targeting a limited group of people. Most of them were located in city centers and had elevators, parking, management

of ces, lobbies and restaurants on the first floor. As a means to convey this image of luxury, condominium names use fancy Western words like residence, villa and heights.

Beginning in the mid-1960s, major real estate companies, trading companies and others entered the field and expanded the condominium market from a luxury product to a product targeting the general public. This was the beginning of efforts to develop a broad demand segment for condominiums.

With the wide acceptance of condominiums, the Government Housing Loan Corporation (presently, the Japan Housing Finance Agency) began financing condominiums (1970) and provided financing for up to twice the levels of stand-alone housing.

Establishment of a Sectional Ownership Law and Sunlight Regulations

As the supply of for-sale condominiums increased, the problem of how to manage and operate the common areas of condominiums emerged. In 1962, the Sectional Ownership Law was established. Since new rights and management-related problems emerged that were not foreseen at the time, the Law was revised in 1983.

On the other hand, with the sudden massive increase in condominiums, disputes over the right to sunlight surfaced among community residents. While some local governments began to look at sunlight ordinances and demands began to be made for the preparation of related laws, the Building Standard Law was revised in 1976 with new regulations added to the Law.

Emergence of 100 Million Yen Condominiums

In Japan, 100 million yen condominiums are called "okushon," a shortening of the Japanese words for 100 million (oku) and condominium (manshon). These okushon started to be supplied from the late 1970s. There was also a dramatic improvement in the basic performance of housing from the early 1980s. Among ordinary family-targeted units, condominiums with all electric appliances emerged. Some condominiums used skip floors for their entries to give a stand-alone house type feel and units with security systems and system kitchens also emerged.

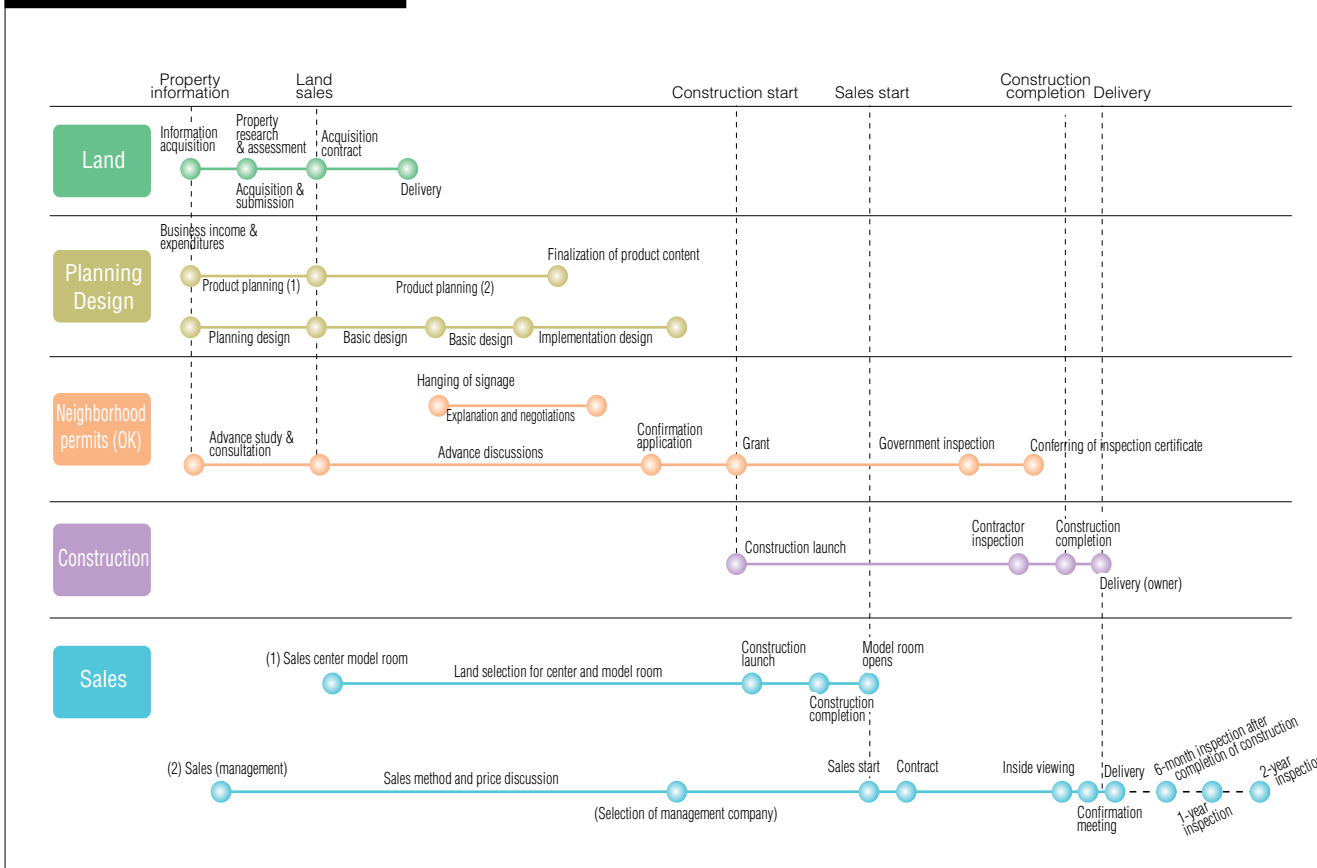
The period just before and into the 1990s was the peak of the so-called bubble era and this period saw a boom in resort condominiums to keep up with actual demand and became an object of investment due to financial deregulation.



Increasing Release of Skyscraper Condominiums

The history of condominiums also correlates to the history of building higher. A string of high-rise condominiums provided include the following: In 1971 the Mita Tsunamachi Park Mansion reached 19 floors (Minato Ward, Tokyo; Mitsui Fudosan), in 1977 the Yono House reached 21 floors (Saitama City, Saitama Prefecture; Sumitomo Realty & Development), in 1979 the Higashi Kanagawa Tokai Plaza reached 25 floors (Yokohama City, Kanagawa: Tokai Plaza), in 1981 Astem Ashiyahama reached 29

Flow Chart of Condominium Business



floors (Ashiya City, Hyogo Prefecture; Astem Group), in 1987 Bell Park City reached 36 floors (Miyakojimaka, Osaka City; Mitsui Fudosan and Kanebo Real Estate) and in 1992 Sakuranomiya River City reached 41 floors (Toshima Ward, Osaka City; Matsushita Investment and Development, Kintetsu Real Estate and Obayashi Corporation). Condominiums exceeding 50 stories also emerged in 1998 with the Lions Square Elza: The Tower 55 reaching 55 floors (Kawaguchi City, Saitama; Daikyo) and the Century Park Tower reaching 54 floors (Chuo Ward, Tokyo; Mitsui Fudosan) in March 1999. Even in Kansai the trend is to build ultra skyscraper condominiums including City Tower Osaka, a 50-floor condominium that opened in December 2003 in Chuo Ward, Osaka City and was developed by Sumitomo Realty & Development.

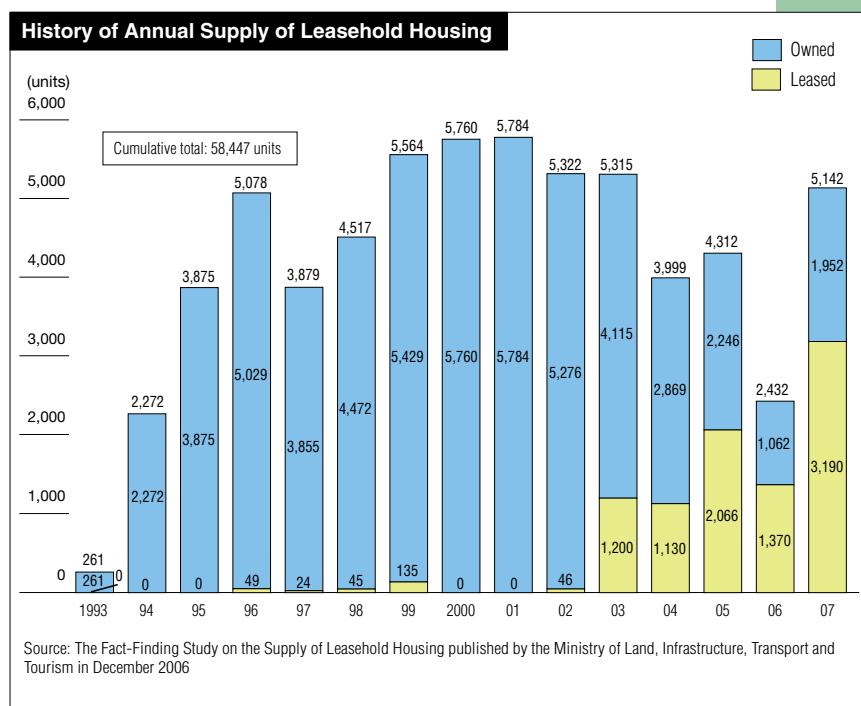
Lately there has been a conspicuous trend of moving back to the center of Tokyo reflected in the recent boom of ultra skyscraper condominiums that has emerged from companies selling off factories as a means to restructure their businesses, the sale of land by the JNR Settlement Corporation, redevelopment of areas in front of stations and the selling off of corporate housing.

Repeated new condominiums were released to the market in the bayside area in recent years. Additional condominiums to be built newly are expected to be provided in 2009.

Cumulative Supply of Condominiums About 5.28 Million Units

In recent years, it has become difficult to implement large housing developments in the Tokyo metropolitan area. Despite this fact, roughly 70% of housing built for sale is comprised of condominiums.

An analysis of the supply of new condominiums in recent years (based on



sales) reveals that nationally there has been a rapid increase since 1988, with at least 110,000 units or more added to the market each year. While the supply volume showed a temporary decline due to the impact of the recession in 1993 and 1994, a increase was once again witnessed (propelled forward by the decrease in housing taxes) in 2002 at 209,000 units. From then until 2004, the supply has fluctuated around 180,000 units a year. The stock is already 5.28 million units (2007, completed construction base) and 630,000 units are more than 30 years old as of 2006, with this number expecting to climb over 1 million units within ten years due to rapid growth hereafter. One major theme facing the real estate industry is how to maintain and manage this stock appropriately so that its quality can be sustained and improved as good housing stock. The national government has also prepared for the coming demand for rebuilding by passing the Smooth Condominium Rebuilding Law and revising the Sectional Ownership Law that only requires 80% of sectional owners' approval for rebuilding.

Diversifying Household Supply

The segment of the population buying condominiums has expanded from the traditional family segment to include DINKs, singles and retired individuals seeking to change their residences from stand-alone houses in the suburbs to locations downtown. These trends and changes in lifestyles and tastes are diversifying the needs regarding condominiums. The market has adapted to these developments by developing multi-use properties with retail facilities also on the large residential development sites. There are also large condominium projects with enhanced common use facilities like party rooms and guest rooms, tower condominiums with phenomenal views, condominiums that emphasize environmental synergy and energy conservation by being earth friendly, and condominiums developed in collaboration with famous designers and specialists in other fields. Thus condominiums are now being supplied that are based on property plans that effectively show the property's uniqueness and meet various needs.

OVERVIEW OF MAJOR REAL ESTATE SECTORS

HOUSING AND HOUSING LAND

Traditionally, in Japan the development of housing and housing land involved converting rice fields and forests into housing land, building stand-alone housing or condominiums along with public facilities such as roads, parks, public sewage and schools, and then selling the lots, houses or condominiums. Representative examples were the construction of so-called "new towns" and the development of new city areas. The Urban Renaissance Agency (and its predecessor) was involved in these large developments because of their size and their ability to form towns consisting of new environments. There are also private companies that have developed major projects of more than 100-hectares in size.

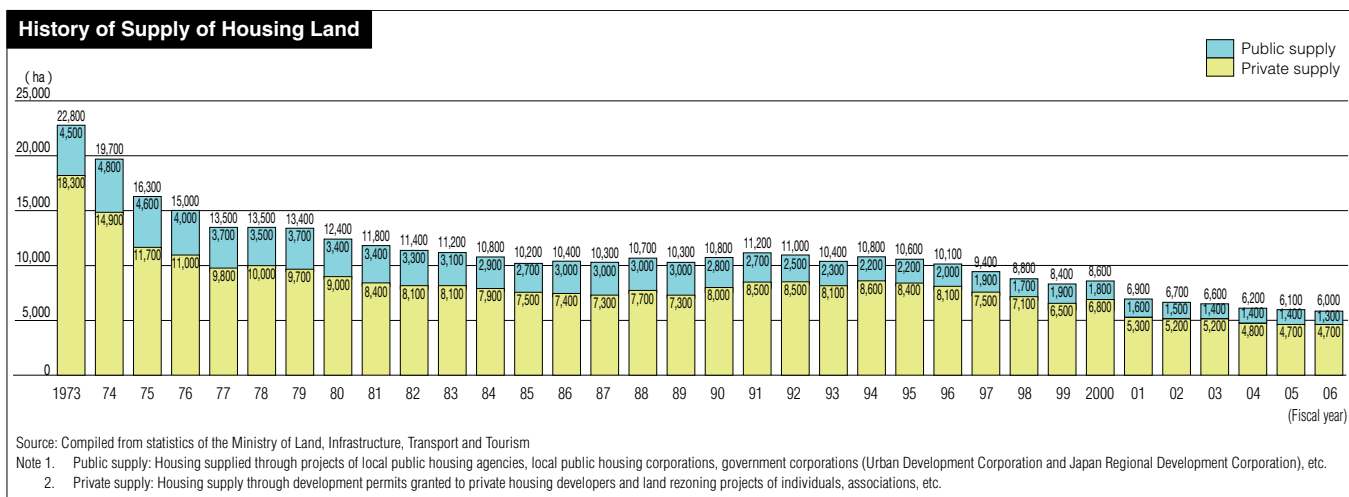
Recently, there has been an increasing number of cases where housing and housing land is developed due to the transfer of factories, advancing redevelopment of land in front of stations and the disposal of corporate housing. These developments together with the continued drop in land prices have contributed to an increase in supply of tower and large condominiums, particularly in city centers. On the other hand, there have also been many small developments reflecting the continuing popularity of stand-alone housing among the Japanese; most of the housing supply is covered by these developments.

Oil Shocks Stun Business Climate

The pioneering new town development projects in Japan occurred prior to World War II and include Takarazuka (Hyogo Prefecture) and Denen Chofu (Tokyo), but these types of developments did not begin in earnest until after the war.

Beginning in the mid-1950s, there was a rapid expansion in demand for housing and housing lots and private development took off. This is in part due to the significant growth of the economy and the concentration of industries and people in major cities. The development of land along railway lines by railway firms commenced before World War II and continued thereafter. These developments played a major role in overall development. A representative example of the scale is the Tama Denen city development conducted by Tokyu Corporation in which the construction of railways and development of housing were conducted together.

On the other hand, this period also saw many nonrailway real estate companies



Large New Town Projects of Japan

<Private Development>

Name	Address	Development Area	Project Period	Developer (At time of development)	Business Method
Ryokuendai New Town	Ishikaricho, Hokkaido	172ha	1990-	Sumitomo Realty and Development, Mitsubishi Estate	Development act
Izumi Park Town	Sendai City, Miyagi Prefecture	1,070ha	1972-	Mitsubishi Estate	Development act
Izumi Village	Sendai City	154ha	1972-	Tokyu Land	Development act
Sumiyoshidai New Town	Sendai City	144ha	1981-	Nihon Jisho	Agreement with city
Itopia Natori	Natori City	109ha	1993-	Itochu Corporation	Development act
Yamada Industrial Park	Iwaki City, Fukushima Prefecture	143ha	1973-1995	Nihon Shintoshai Kaihatsu	Development act
Hatoyama New Town	Hatoyama-cho, Saitama Prefecture	140ha	1971-1997	Nihon Shintoshai Kaihatsu	Development act
Asumigaoka	Chiba City, Chiba Prefecture	313ha	1969-	Tokyu Land, Partnership	Land readjustment (association)
Lakeside Hill	Togane City	154ha	1976-	L Kakuei Corporation	Development act
Onaridai Kenkyu Gakuen Toshi	Chiba City and Yotsukaido City	121ha	1986-	Fujita, Tomen	Development act
Someino Mizukigaoka	Sakura City	110ha	1987-	Obayashi Corporation, Tokyu Land	Development act
Yukarigaoka New Town	Sakura City	150ha	1971-	Yamaman	Development act
Kirinomori	Oami Shirasato Town, Togane City	108ha	1982-	L Kakuei Corporation, Tokyu Land	Development act
Tama Denen Toshi	Machida City (Tokyo), Yokohama City, Kawasaki City and Yamato City (Kanagawa)	4,300ha	1953-	Tokyu, Tokyu Land, Partnership	Land readjustment (association)
Shonan Kokusaimura	Yokosuka City and Hayama Town, Kanagawa	207ha	1990-	Mitsui Fudosan	Development act
Yurigaoka New Town	Nabari City, Mie Prefecture	158ha	1972-1991	Tak Realty	Development act
Green Hill Otsu	Otsu City and Kusatsu City, Shiga Prefecture	132ha	1981-	Tobishima Toshi Kaihatsu	Land readjustment (individual)
Katsurazaka	Kyoto City, Kyoto Prefecture	148ha	1983-	Seiyo Kankyo Kaihasu, Yasuda Trust and Banking, The Japan Workers Housing Association, Rojyu Seikyo	Development act
Keihanna Seikadai	Seika Town	158ha	1997-	Keihan Electric Railway, Nomura Real Estate, Mitsui Fudosan	Land readjustment (individual)
Inagawa Park Town	Inagawa Town, Hyogo Prefecture	214ha	1980-	Sohgo Housing, Takenaka, Mitsubishi Estate	Development act
Takaoyama Keyakizaka	Kawanishi City	181ha	1975-	Obayashi Corporation	Land readjustment (individual)
Gakuenmae	Nara City, Nara Prefecture	358ha	1950-1996	Kintetsu Corporation, Kintetsu Real Estate	Development act

<Public Development>

Name	Address	Development Area	Business Period	Developer (At time of development)	Project Method
Kenkyu Gakuen Toshi	Tsukuba City, Kukizaki Machi (Ibaraki Prefecture)	2,696ha	1968-1998	(Former) Housing and Urban Development Corporation	New housing business and rezoning
Ryugasaki New Town	Ryugasaki City	672ha	1977-	(Former) Housing and Urban Development Corporation	Rezoning
Chiba New Town	Funabashi City, Inzai Machi, Shirai Machi, etc. (Chiba)	1,933ha	1969-	Chiba Prefecture, (former) Housing and Urban Development Corporation	New housing business
Tama New Town	Hachioji City, Tama City, Machida City, Inagi City (Tokyo)	2,984ha	1964-	Tokyo, (former) Housing and Urban Development Corporation	New housing business and rezoning
Kohoku New Town	Yokohama City, Kanagawa Prefecture	1,317ha	1974-	(Former) Housing and Urban Development Corporation	Rezoning
Senri New Town	Suita City, Toyonaka City, Osaka Prefecture	1,160ha	1964-1969	Osaka Prefecture	New housing business
Senboku New Town	Sakai City	1,557ha	1965-1982	Osaka Prefecture	New housing business
Kobe-Sanda International Park City	Kobe City and Sanda City, Hyogo Prefecture	1,864ha	1971-	(Former) Housing and Urban Development Corporation	New housing business and rezoning
International Culture Park City	Ibaraki City/Minoo City, Osaka Prefecture	763ha	1994-	Urban Renaissance Agency	Rezoning
Tsukuba Express Town	Yashio City/Misato City, Saitama Prefecture; Nagareyama City/Kashiwa City, Chiba Prefecture; Tsukuba City, Ibaraki Prefecture	1,611ha	1997-	Urban Renaissance Agency	Rezoning

enter the field of "new town" development. These firms were not limited to keiretsu affiliated real estate companies but also included manufacturers, trading companies, life insurers and other financial institutions. The business became very lively and the supply of housing continued to increase until immediately before the oil shock of 1973.

However, the launch of the so-called demarcation system¹ in 1969 led many areas suitable for development to be incorporated into city coordination zones and the policy of suppressing development also became more conspicuous among local governments. In the early 1970s, many administrative

regulations such as guidelines on housing lot development were issued and generated a rise in the cost of development resulting from the increase in requirements for bearing expenses for public developments and the prolonging of projects. The simultaneous boom to "remodel" the islands also caused land prices to soar and a condition developed in which land for developing housing was consistently priced high.

As a result of these developments, it became very difficult for developers to secure profitability. After peaking in 1972, the supply area continued to slide and eventually the supply from private developers has dropped to only around

30% of the previous high in recent years.

The development of housing and housing land requires more time compared to other industries because of the time spent on planning, procuring raw materials, manufacturing, building and sales. It is also dramatically impacted by factors outside of the control of the developers such as administrative guidance by local government bodies.

In particular, large housing development projects, which are conducted under the development acts² and land zoning projects of the City Planning Law, are difficult for private companies to conduct. This is because the continuing drop in prices for finished housing lots makes it



difficult to acquire sites for a profitable business when the very diverse permits and procedures needed (negotiations, environmental assessments, etc.) and the lengthy period of the development project itself are considered.

Outlet Mall Construction in Relation to Housing

In recent years, outlet malls have been constructed one after another. Not only traditional or suburban type outlet malls but also what are referred to as urban neighborhood type outlet malls have appeared, bringing the outlet malls closer to where shopping centers are located. Thus the atmosphere and locations of outlet malls have started to become more part of the ordinary rather than just the extraordinary.

[Endnotes]

1. Demarcation system (city zone and city coordination areas)

The New City Planning Law that was enforced from 1969 created this system. The system designates districts that need to be comprehensively prepared, developed and preserved as city planning districts and then demarcates these into city zones and city coordination zones. City zones are districts that already form city areas and districts that will be developed into city areas with priority and based on a plan within ten years of the designation. Development that satisfies legal requirements in this district must be granted permits.

On the other hand, city coordination zones are districts where "city" development should be suppressed and development is allowed on a limited basis but in principle has been prohibited except for that falling within district planning as a result of revisions to the City Planning Law made in 2006. Prefectural governors conduct the demarcation and designation of city planning zones as a rule. In local areas, only the designation of city planning zones is conducted and there are still many areas where demarcation has not been conducted.

2. Development acts

Development acts are primarily the change in land zoning to build structures, etc. It involves obtaining the permission of the prefectural governor based on satisfying certain requirements of the City Planning Law

so that the planned preparation of cities can be secured.

3. Land readjustment projects

These are projects conducted within city planning zones that seek to prepare public facilities and promote greater use of housing land. All of the landowners, etc. in the district participate in the project. Some of the land is used for public facilities and some sold to be used for project expenses. The remaining developed housing land is acquired in a "land conversion." Although the area of owned land decreases compared to before the project began, the efficiency as housing land increases. Therefore, it is reported that the price obtained for the owned land after the project does not drop. The developer first acquires the site and becomes a rights holder or conducts the project as an agent for the operations of the land readjustment association or others. To date nationally about 11,900 districts comprising about 400,000 hectares have been redistributed within a land planning organization project and this amounts to about 1/3 of all municipalities nationwide (as of March 31, 2006). Further, a circular issued in April 1997 promoted flexibility in the technical standards of land readjustment projects and led to the proactive implementation of site alignment type land readjustment projects (so-called mini land readjustment projects) focused on accumulating sites through the exchange and readjustment process.



Shopping Centers

Despite shopping centers being impacted by the slump in consumption, they account for 20% of overall retail sales (source: Japan Council of Shopping Centers) and are expected to continue to post stable growth. In addition, the diversification in shopping center locations and functions are expected to continue.

SMARK Iseesaki

In November 2008, Tokyo Tatemono opened the expansive suburban shopping center SMARK in Iseesaki City, Gunma Prefecture. The SMARK retail property is the fourth series for Tokyo Tatemono following DICE (Kawasaki, Kanagawa), Olinas (Kinshicho, Tokyo) and VIORO (Tenjin, Fukuoka). SMARK, however, is the first suburban retail property for Tokyo Tatemono.

The name SMARK comes from the words “smile” and “park” and portrays the feeling of “creating a destination of interaction where people of the community and region can spend all day, smiling and having a good time.” Tokyo Tatemono has also endeavored to construct a retail destination that people spanning three generations can enjoy by targeting second-generation baby-boomer families under the concept of “an enjoyable life” (a life of discovery, satisfaction and good buys).

The primary emphasis made in selecting the location of the facility was the condition of the surrounding roads. The selected location has excellent potential by being only 2.5km from the Iseesaki Interchange where customers from Maebashi and outside the prefecture can be expected. The expansive lot size is approximately 100,000m², making it one of the largest shopping centers in northern Kanto with 185 stores. There are three retail floors with key tenants anchoring both ends and specialty shops in the central mall area. This dual-anchor per mall approach is combined with a cinema complex, amusement center and enhanced kids zone. Another characteristic of SMARK is that the anchors are not general merchandise stores (GMSs). Much effort was dedicated to differentiation from existing facilities in tenant leasing, and 61 of the tenants opened shops in

Gunma for the first time. However, the tenant leasing efforts also focused on local companies, and over 20% of the stores are owned and operated by local companies. The shopping center had 1.3 million visitors since opening in November through the end of 2008, giving SMARK a good start towards achieving its target of 11 million visitors during its first year.

The design sought to enable visitors to recognize the goodness of the local area by being in harmony with the surrounding environment and scenery. A wind generator (largest monument type vertical axis wind generator in Japan) that takes advantage of the Akagi Oroshi (downslope wind) of the Joshu region has been installed, and the generated electric power provides power for lighting the facilities and other purposes. These environmental efforts have led to SMARK receiving an “A” rating under the Comprehensive Assessment System for Building Environmental Efficiency (CASBEE).

The property manager is PRIME PLACE Co., Ltd, a wholly owned subsidiary of Tokyo Tatemono. PRIME PLACE is working to execute management that heightens the quality of the shopping center and achieves stable cash flow.



Property Overview

Name:	SMARK Iseesaki
Location:	368 Nishi Obokatacho, Iseesaki City, Gunma Prefecture
Site area:	Approximately 100,000m ²
Total floor area:	Approximately 110,000m ²
Shopping center area:	Approximately 55,000m ² (1~3 floors)
Parking:	Approximately 3,000 vehicles
Structure:	Reinforced steel concrete; 3 floors (5 floors in some areas)
Tenants:	185 stores
Owner:	Tokyo Tatemono Co., Ltd.
Manager:	PRIME PLACE Co., Ltd.
Total project cost:	20 billion yen

CASE STUDY



Outlet Shopping Malls

The rush of outlet shopping mall openings that started in 2000 continued through last year with the opening of seven new malls. Originally, the outlet shopping malls in Japan tended to be wide area malls that appealed an extraordinary shopping experience centered on a concentration of luxury brands, but recently there has been an increase in outlet malls that appeal a natural shopping experience with a concentration of Japanese brands.

Mitsui Outlet Park Iruma

Mitsui Fudosan opened the Mitsui Outlet Park Iruma in Iruma City, Saitama Prefecture in April 2008. The mall boasts leading clothing, sports and outdoor products, and accessory brands including 44 stores making their Japanese outlet mall debut. The mall also features a food court with eleven food service restaurants with seating for 650 in addition to six additional full-service restaurants providing a wide variety of cuisines. There are also three cafés that also serve as places to rest, miscellaneous dining goods stores, convenience stores and an amusement center for children.

Mitsui Outlet Park Iruma was designed to secure harmony with the surrounding green environment based on the conceptual architectural theme of a "forest." The mall was developed to be environmentally conscious with various artwork throughout the facility, existing and transplanted zelkova, cherry and other trees in addition to a park that retains and utilizes the former land topography to create a green landscape of approximately 20,000m².

Mitsui Outlet Park Iruma is also well located just 500 meters from the Iruma Interchange of the Kenodo Expressway, which connects the Kanetsu Expressway and the Chuo Expressway. This greatly enhances the mall's ability to attract customers from not only the Tokyo metropolitan area but also a broad area including Yamanashi Prefecture. The mall has been positioned as the

flagship of the Outlet Park Series of Mitsui Fudosan and it has superbly fulfilled this function from the viewpoint of its ability to attract customers since its opening.

The site was originally the site of a Hoya Corporation factory. Full-scale designs began to be examined from the spring of 2006, with construction commencing in April 2007 and the mall opening in April 2008.

Ordinarily, outlet malls are opened in phases with a steady increase in floor space. However, Mitsui Outlet Park Iruma was opened with more than 200 stores as a single phase development project, an unprecedented approach in Japan. The mall neighbors a Costco store and this represents a new endeavor seeking synergistic benefits previously not seen with outlet mall development.

Mitsui Fudosan intends to proactively continue to develop outlet parks.



Project Overview

Name:	Mitsui Outlet Park Iruma
Location:	Miyadera, Iruma City, Saitama Prefecture
Site area:	84,738m ²
Total floor area:	Approximately 98,714m ²
Retail floor area:	Approximately 32,000m ²
Parking:	Approximately 3,000 vehicles
Structure:	Retail structure: Reinforced concrete; 2 floors Parking structure: Reinforced steel concrete; 5 floors
Retail outlets:	204 stores
Developer:	Iruma Development SPC (SPC in which Mitsui Fudosan has preferred equity)
Owner:	Frontier Real Estate Investment Corporation
Completed:	February 2008
Opened:	April 2008

OVERVIEW OF MAJOR REAL ESTATE SECTORS

URBAN REDEVELOPMENT

The objective of urban redevelopment projects is to renew urban functions, promote advanced use of land, improve disaster prevention properties and the urban environment, create public space and activate the local economy. It is the integrated and comprehensive arrangement of buildings, retail properties and other urban facilities along with streets, plazas and other urban infrastructure by rationally using land and rebuilding aged buildings.

In recent years, Urban Regeneration measures have been hammered out by the government to heighten the appeal of cities and international competitiveness, and the urban development projects of the private sector are receiving proactive support.



Private Companies Take Active Role in Redevelopment

The history of redevelopment in Japan is primarily the history of local governments aiming to renew low quality city streets formed with little or no order, and to recover from the destruction of earthquakes, wars and fires. Although private companies played a role in building and supplying buildings and stores in the mid-1950s, they were rarely proactively involved in broader redevelopment projects.

Between the early and mid-1960s, various systems were established for securing a good city environment and attracting superior architecture and developments. These included creating special city areas, transferring regulations with absolute fixed height limits to regulations based on FARs, and the establishment of the New City Planning Law and City Redevelopment Law. Private companies took advantage of the opportunities presented by these developments to embark on large redevelopment projects requiring the coordination of multiple landholders' rights and the preparation of a public infrastructure.

From Post War Recovery to Building Boom

After the war, major cities readjusted their zonings to promote recovery from the disasters of the war. This led to a certain degree of order on downtown city streets. However, the construction of buildings by private companies in the late 1940s and early 1950s was still infantile due to a conspicuous lack of funds and materials.

Upon entering the late 1950s, the first building boom occurred with the Jinmu Economy that followed the end of the Korean War. Although banks still assessed the real estate industry poorly and made the procurement of funds difficult, the system of Construction Cooperation Funds spread. This system provided funds to facilitate construction of buildings that companies expected to enter as tenants and the building business took off.

In the early 1950s some of the buildings whose construction had begun during the War but had been suspended or that had been started after the war were completed. Throughout the late 1950s and early 1960s, Mitsubishi Estate completed a number of buildings and company buildings of financial institutions and newspapers on national land they had been granted (land grant) one after the other. As a result, the central Tokyo business district from Yurakucho to Otemachi was basically completed.

In the late 1960s and early 1970s, there was a dramatic relaxing of regulations limiting building heights as a result of the System of Special Urban Block Area of 1961¹ and the FAR Regulations of 1963². In 1964, the Tokiwabashi Redevelopment

Primary Systems for Promoting Urban Redevelopment

Grant and Subsidy System

- City lot redevelopment project
- Superior building improvement project
- Residential district improvement project
- Public facility improvement promotion project related to city redevelopment
- City regeneration lot adjustment project
- General town creation support project
- City energization regeneration base improvement project

Town creation grant system

Public Financing

- Urban district redevelopment project, etc. financing system
- Urban district redevelopment, etc. financing (Development Bank of Japan)
- Loaning of public funds (Organization for Promoting Urban Development)

Special Tax Measures

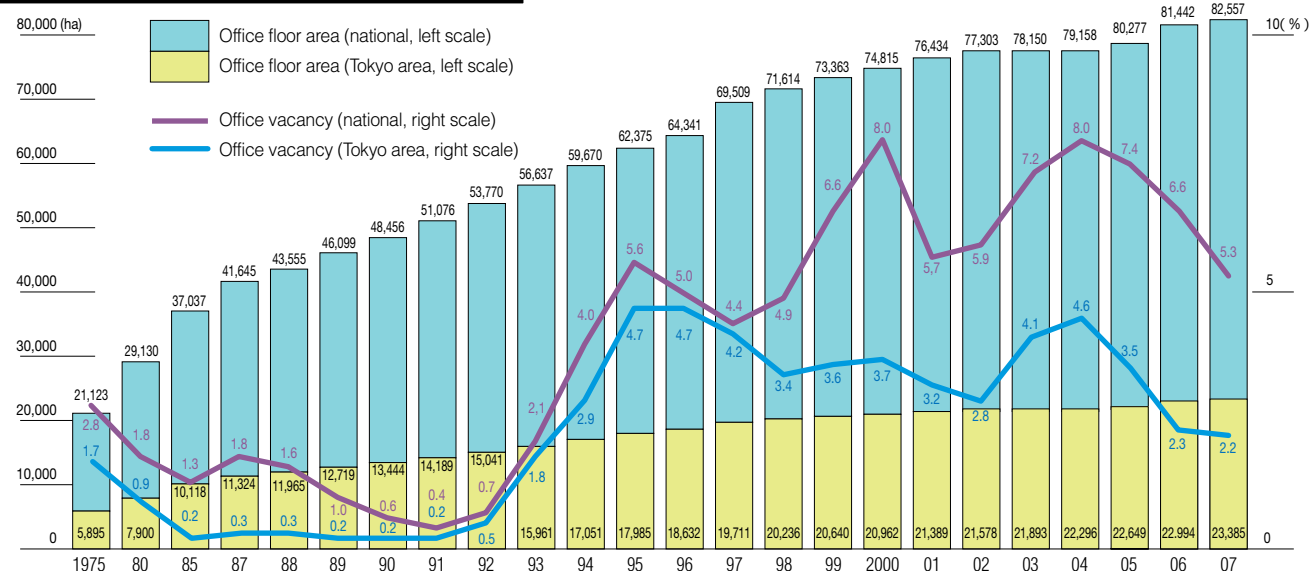
- Urban district redevelopment project
- Specific private redevelopment project
- Special model refinancing
- Approved city regeneration projects

Urban Planning and Building

- Regulation Promotion Measures
- Specified blocks

- Sophisticated use districts
- Redevelopment, etc. promotion districts
- FAR appropriate distribution district plans
- FAR district plans by usage
- Promoted FAR district plans
- Town environment promotion district plans
- Comprehensive development design system
- Consecutive building design system
- Comprehensive development design of apartment areas

History of Building Vacancy and Floor Area (Stock)



Source: Prepared using Building Fact-Finding Study Results issued by the Tokyo Building Owners and Managers Association, Building Fact-Finding Study Results issued by the Building Owners and Managers Association, Summary of Investigation on Fixed Asset Price, etc. in fiscal 2006 issued by the Ministry of Internal Affairs and Communications.

Note 1: Vacancy rates are studies on April 1 of each year. The 1998-2000 data of the Tokyo Building Owners and Managers Association differs from the study of the Japan Building Owners and Managers Association; therefore, Tokyo Building Owners and Managers Association's data are not included in the national average. They became the same study from 2001 again.

Note 2: (1) Stock is the total floor area of wooden house offices and banks and non-wooden house offices, stores, department stores and banks. However, stores are also included in wooden houses from 1997. (2) The stock is as of January 1 of each year. (3) Tokyo area as pertains to stock: Tokyo, Kanagawa Prefecture, Chiba Prefecture and Saitama Prefecture

(Nippon Building, etc.) and Kasumigaseki Building of Tokyo were simultaneously designated as the first specific city districts. Both of these were completed in 1968. At the time, both of these properties enjoyed prestige as the largest buildings and the first skyscrapers in the East. Also in 1968 the preparation of an infrastructure on the former site of the Yodobashi Water Purification Plant of Tokyo was completed and the land was sold to the private sector. This was the start of building the new Shinjuku Shintoshin (new downtown) area of skyscrapers.

Era of Planar Redevelopment

Upon entering the mid-1970s, the oil shocks had ended and led to a slowdown in the concentration of industries and people in major cities along with the declaration of the building boom. On the other hand, high quality developments worthy of being called "town creation" projects began to be conducted utilizing a new business system. One representative project of this is the Ark Hills project in Minato Ward, Tokyo that was completed in 1986. This was the first city redevelopment project primarily conducted by a private developer based on the City Redevelopment Law established in

1969. The developer diligently obtained the understanding of multiple land rights owners and completed the new town after a period of 17 years. In addition, Hibiya City was completed in 1981 on two blocks that were the former site of NHK. This project comprised of four buildings is well known as a project in which air rights³ were sold within the district blocks.

From Development Boom to Sudden Building Slump

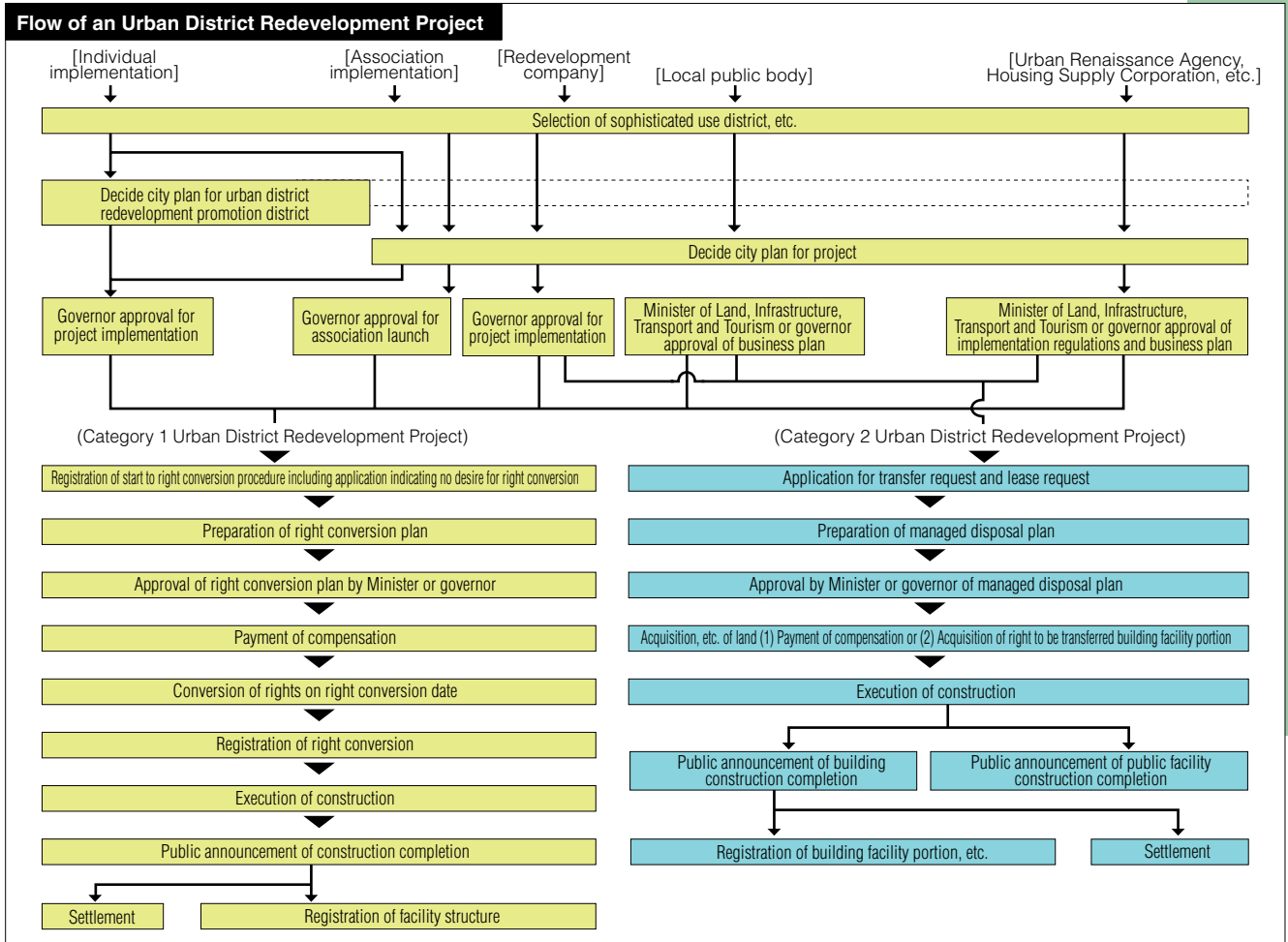
Between the late 1980s and the early 1990s there was an unprecedented development boom backed by the spread of information technology and the emergence of Tokyo as an international finance center. The announcements of very strong demand forecasts made into the mid-1980s by the National Land Agency (today's Ministry of Land, Infrastructure, Transport and Tourism) and by multiple think tanks led to a building construction rush that was so great that ten years worth of estimated floor space demand was built in only three years. Companies not traditionally involved in development entered the building business and triggered the soaring land prices that became known as the bubble. On

the other hand, during this ten-year period many mega projects that had been conducted over a prolonged period such as the development of waterfront areas in major cities began to appear. Examples of these include Makuhari in Chiba Prefecture, Minato Mirai 21 in Yokohama, Osaka Business Park, Yokohama Business Park and Yebisu Garden Place. All of these projects drew attention as unprecedented multi-use developments in Japan. However, with the headlong rush into the Heisei recession (starting in the late 1980s) emerged unprecedented high vacancy rates, remarkable decreases in rents and other 180-degree transformations in the building market. This forced some projects like the secondary city center projects on the Tokyo bayside to undergo significant revisions.

Legal Redevelopment and Voluntary Redevelopment

There are two types of city redevelopment projects: legal redevelopment and voluntary redevelopment.

Legal redevelopment projects are urban redevelopment projects based on the City Redevelopment Law⁴ and these projects are



executed as city planning projects. Urban redevelopment projects are implemented with the enforcement of laws and seek to improve the disaster prevention capabilities of buildings in cities, renew city functions and achieve sophisticated land use. Due to the enforcement of laws, there are strict requirements for this type of redevelopment including maintaining of a certain ratio of old or wooden buildings within the set district. Since this type of project has a strong public (government) characteristic, various tax incentives and support systems are in place for these projects.

Voluntary redevelopment is generally the unification of divided lots, conversion of land use (former factory sites, etc.) to redevelop areas including the construction of public facilities. At its broadest meaning, these projects include the simple rebuilding of buildings. It is the general term used for projects that use methods other than urban redevelopment projects. These projects comprehensively apply city planning systems such as specified blocks and special building regulations including the comprehensive development design system⁵, tax measures and subsidy measures.

Since there is no legal force behind the execution of the project, it requires the approval of all the land right owners, but at the same time there are no strict requirements such as

the need for there to be at least a certain percentage of old buildings within the district.

Furthermore, the need for redevelopment from the perspective of disaster prevention grew as a result of the Great Hanshin Awaji Earthquake. The resulting measures included enforcement of the law concerning the promotion of disaster prevention district infrastructures within heavily concentrated city areas in 1997. These measures sought to effectively promote redevelopment in city areas that were recognized as risky with regard to disaster prevention.

Promoting Residences in City Centers

One of the housing policies of recent years involves promoting residences in city centers. The concentration of work functions in city centers caused a conspicuous outflow of the residential population from city centers. The construction rush of office buildings during the period in which land prices soared remarkably accelerated this phenomenon. For example, the nighttime population of the three central wards of Tokyo fell from 550,000 people in 1960 to 240,000 people in 1995, a halving of the population in just 35 years.

This led to the problem of communities deteriorating in city centers, the integration and closure of public elementary and junior

high schools due to the decrease in students and children, and to slumping performance among local stores in these areas. On the other hand, many of those working in these city centers reside over a broad range of suburbs in surrounding prefectures and are forced to endure long commutes. Thus, it is difficult for these people to live a leisurely, satisfying lifestyle.

The promotion of residence in city centers not only leads to a regeneration of the community in the city but also relieves those working in city centers from prolonged commutes and gives them the ability to enjoy sufficient leisure time. In part because the collapse of land prices in city centers made it possible to supply housing downtown, the Ministry of Land, Infrastructure, Transport and Tourism and other government agencies have established various measures to promote the supply of good apartments and condominiums in downtown areas through the efficient and sophisticated use of land.

The primary measures introduced include the creation of a district program for heightening the appeal of town areas in 1995⁶, creation of areas permitted to have tower residences⁷, a system for comprehensive development design by lot size⁸ and rationalization of FAR limits on condominiums and other apartments⁹. Furthermore, the Metropolitan Government of Tokyo established a headquarters for promoting

Major Private City Redevelopment Projects

Name	Address	Development Area (ha)	Construction Completed	Main Developer, Participating Companies, etc.
Kasumigaseki Building	Chiyoda Ward	1.6	April 1968	Mitsui Fudosan
Sunshine City	Toshima Ward	6.1	May 1978	New City Development Center
Hibiya City	Chiyoda and Minato Wards	3.1	November 1981	Mitsubishi Estate, Bussan Real Estate, Fukoku Mutual Life Insurance, Press Center
Akasaka and Roppongi Ark Hills	Minato Ward	5.6	March 1986	Partnership, Mori Building
Omiya Sonic City	Omiya City	2.2	April 1988	Nippon Life Insurance, Omiya City
Osaka Business Park	Osaka City	26.0	March 1990*	Osaka City, (former) Housing and Urban Development, Matsushita Investment and Development, Tokio Marine & Fire Insurance, etc.
Shinjuku Fukutoshin	Shinjuku Ward	56.0	June 1990*	Shinjuku Fuku-toshin Construction Corporation, Sumitomo Realty & Development, Tokyo Tatemono, Nomura Real Estate Development, Mitsui Fudosan, Keio Teito Electric Railway, etc.
Gotenyama Hills	Shinagawa Ward	3.1	July 1990	Mori Trust
Yokohama Business Park	Yokohama City	13.2	March 1991	Nomura Real Estate Development
Tennozu Isle	Shinagawa Ward	20.0	June 1992*	Voluntary Council of Landowners, Mitsubishi Corporation, Ube Industries, etc.
Shin Umeda City	Osaka City	4.2	March 1993	Sekisui House, AOKI Construction, Toshiba, etc.
Okawabata River City 21	Chuo Ward	17.0	May 1993*	Tokyo, (former) Housing and Urban Development, Mitsui Fudosan
Setagaya Business Square	Setagaya Ward	2.1	November 1993	Tokyu Land and Tokyu Corporation
St. Luke's International Hospital Redevelopment	Chuo Ward	3.9	May 1994*	St. Luke's International Hospital, Seiwa Real Estate, Tokyu Land, Towa Real Estate Development, Nippon Life Insurance, Matsushita Investment and Development, Mitsui Fudosan
Yebisu Garden Place	Shibuya and Meguro Wards	8.3	October 1994	Sapporo Breweries
Canal City Hakata	Fukuoka City	4.2	April 1996	Fukuoka Jisho, Organization for Promoting Urban Development
Carrot Tower	Setagaya Ward	1.5	November 1996	Tokyu Corporation
Yokohama Minato Mirai 21	Yokohama City	186.0	July 1997*	Yokohama City, (former) Housing and Urban Development, Mitsubishi Estate
Osaka Amenity Park	Osaka City	1.5	February 1998	Mitsubishi Estate, Mitsubishi Materials, Mitsubishi Materials Real Estate, Mishiwa Real Estate Development, Obayashi
Shinagawa Inter city	Minato Ward	4.0	December 1998	Kowa Real Estate, Sumitomo Life Insurance, Obayashi
Gate City Osaki	Shinagawa Ward	5.9	February 1999	Partnership, TEPCO, Osaki Land and Building, Mitsui Fudosan, Fuji Life, etc.
Tokyo Opera City	Shinjuku Ward	4.4	March 1999	Nippon Life Insurance, NTT Urban Development, Odakyu Department Store, Keio Corporation, etc.
Shibuya Mark City	Shibuya Ward	1.4	April 2000	Teito Rapid Transit Authority, Tokyu Corporation, Keio Corporation
Harumi Island Triton Square	Chuo Ward	14.2	September 2001	(Former) Urban Development Corporation, Sumitomo Corporation
Marunouchi Building	Chiyoda Ward	1.0	September 2002	Mitsubishi Estate
Shiodome Redevelopment Project, A-I District	Minato Ward	30.7	2002-2004	Dentsu, Nippon Television Network Corporation, Matsushita Electric Works, etc.
Shinagawa Grand Commons	Minato and Shinagawa Wards	5.3	March 2003	Mitsubishi Corporation, Mitsubishi Heavy Industries, Mitsubishi Motors, Daito Trust Construction, Taiyo Life Insurance, Cannon Sales, Tokyo Tatemono, Kintetsu Real Estate, Nippon Tochi-Tatemono Hanbai, Total Housing
Roppongi Hills	Minato Ward	11.0	April 2003	Mori Building Partnership
Marunouchi oazo	Chiyoda Ward	2.4	September 2004	Mitsubishi Estate, Nippon Life Insurance, Marunouchi Hotel, Chuo Fudosan
Nihonbashi Mitsui Tower	Chuo Ward	1.4	December 2005	Mitsui Fudosan and Sembikiya Sohonten
Omotensando Hills	Shibuya Ward	1.2	January 2006	Partnership, Mori Building
Olinas	Sumida Ward	2.7	March 2006	Tokyo Tatemono, Mitsui & Co., Shoei
Tokyo Midtown	Minato Ward	6.9	January 2007	Mitsui Fudosan, JA Kyosai, Meiji Yasuda Life Insurance, Sekisui House, Fukoku Mutual Life Insurance, Daido Life Insurance
Shin-Marunouchi Building	Chiyoda Ward	1.0	April 2007	Mitsubishi Estate
akasaka Sacas	Minato Ward	3.3	March 2008	Tokyo Broadcasting System Television, Mitsui Fudosan

Note: As a rule, the Construction Completion is completion of the entire project or the grand opening month. However, when there is an * it is the month construction of the main building was completed.

residences in downtown Tokyo as a means to reliably implement these measures. In addition, a drastic revision of the Building Standards Law was passed in 1998 and the "Consecutive Building Design System"¹⁰ was created. This system was established from the perspective of promoting efficient land use while securing desirable city environments and arranged for the unified application of regulations on FARs and building height restrictions by recognizing a group of sites (even including existing structures) as a single lot.

These various deregulation measures and the fall in land and construction prices of recent years has increased the nighttime populations of the three central wards to 350,000 people in 2008.

Implementation of Urban Regeneration Measures

Redevelopment projects have a very high ripple effect on the economy and greatly contribute to economic recovery through an expansion of domestic demand. The proactive promotion of urban redevelopment projects by private companies as measures to invigorate the country's economy, which was mired in a continuing slump, had large expectations placed on it.

Due to these expectations, the government came up with a number of measures between 1997 and 1998 to promote redevelopment projects within its economic measures and improve the business environment. These

included application of the Urban Development Corporation (presently the Urban Renaissance Agency) and Organization for Promoting Urban Development to prepare a support infrastructure along with the creation of a system of approved redevelopment projects and a specific project participants system and establishment of measures to speed up and support redevelopment projects.

In 2001, the Urban Renaissance Headquarters was established in the cabinet with then Prime Minister Koizumi as its head. The objective of this measure was to tackle the regeneration of cities nationally so that major metropolises could heighten their international competitiveness and regain their economic vitality. This was particularly the case for major

Primary Facilities	Previous Use	Remarks
Office, retail	Auditorium	Specified district
Office, hotel, exhibit hall	Jail	Specified district
Office, retail	Broadcast center	Specified district
Office, hotel, TV studio, housing	Housing, retail, church, etc.	Category 1 urban district redevelopment project
Office, hotel, civic hall, prefectural government offices	Elementary school, etc.	Setting of leasehold rights, equivalent conversion, project competition
Office, hotel, retail, multi-purpose hall	Warehouse (former army depot)	Land zoning adjustment project
Office, retail, hotel	Water purification center	Specified district
Office, hotel, housing	Forest	Specified district
Office, R&D facility, retail	Glass factory	Emergency city base development promotion project
Office, hotel, retail, housing	Warehouse, housing	District plan
Office, hotel, retail, aerial park	Automobile plant, warehouse	Comprehensive development design system
Housing, retail	Shipyard	Specified housing land improvement project
Office, retail	Train depot	District plan
Hospital, housing, office	Hospital	Specified district
Office, retail, hotel, housing, hall, museum	Brewery	Specified housing land improvement project
Retail, hotel, cultural facility, amusement facility	Plant	Category 1 urban district redevelopment project
Office, retail, cultural lifestyle information center	Retail, etc.	Category 1 urban district redevelopment project
Office, hotel, retail, housing, international convention center, museum	Shipyard, railyard	Public water reclamation project, land zoning adjustment project
Office, hotel, housing	Plant	District plan
Office, retail, multi-purpose hall	Railyard	Redevelopment district plan
Office, retail, housing, cleaning center, plant	Plant, apartment, etc.	Category 1 urban district redevelopment project
Theater, office, retail	Industry test yard	Specified district
Office, retail, hotel	Rolling stock base, railway facility, etc.	Category 1 urban district redevelopment project
Office, retail, housing, hall	Housing, warehouse, logistics center	District plan, Category 1 urban redevelopment project
Office, retail	Office, retail	Specified district
Office, housing, hotel, retail, broadcasting center, etc.	Station, cargo station	Land zoning adjustment project
Office, hotel, retail, housing	Office, retail, plant	Land zoning adjustment project, redevelopment district plan
Office, hotel, retail, theater, museum, broadcasting center, housing	Office, retail, housing, broadcast center	Category 1 urban district redevelopment project
Office, hotel, retail	Office, hotel, retail	Comprehensive development design
Offices, hotel	Offices, retail	Specified district
Retail, housing	Housing	Category 1 urban district redevelopment project
Office, retail, housing	Plant	Specified district
Office, housing, hotel, retail	State-owned land (former Defense Agency)	Redevelopment district plan
Office, retail	Office, retail	Specified district, Special FAR district
Office, retail, theater, broadcast center, housing, etc.	Office, broadcast center, theater, etc.	Redevelopment district plan

metropolises that suffered a drop in land value internationally since the collapse of the bubble.

The new organization reviews systems without sanctuary so that the funds and vitality of the private sector could be drawn out. It also had to tackle tasks including measures for preparing the necessary urban improvements for regenerating cities so that monetization of land could be promoted and structural reformation of the economy pursued as a means to regenerate Japan. As a result of efforts in this area, the Urban Renaissance Special Measures Law was established in 2002 and as of 2008, a total of 65 areas with a total of about 6,612 hectares (designated as 1st to 6th levels) have been designated as top priority urban revitalization areas¹¹. Within the critical demand for the

public and private sectors to work together to regenerate cities, there are huge expectations for the real estate industry with its ability to provide total coordination of town creation.

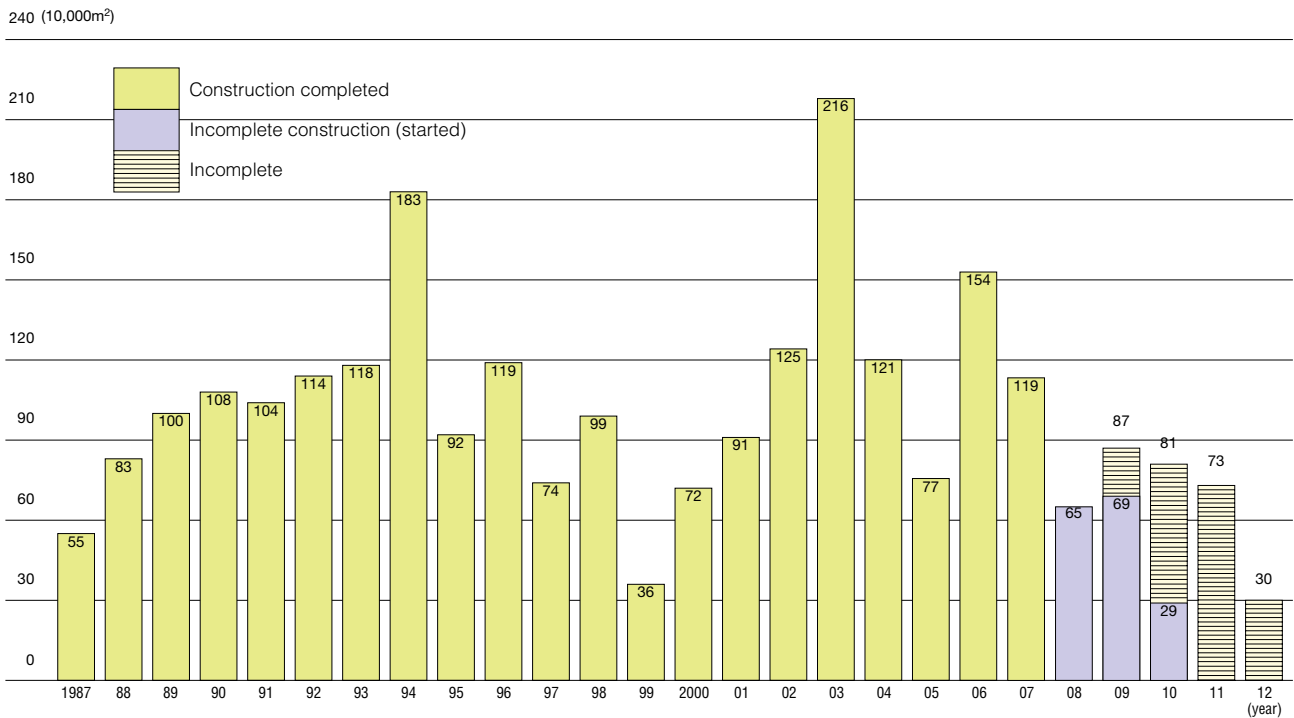
Progression of City Redevelopment Projects

The implementation of these types of city regeneration measures promoted the development and such of land sold by the JNR Settlement Corporation and as a consequence, an enormous supply of large office buildings has been released into the market since 2002 in Shiodome, Shinagawa, Roppongi (all Tokyo) and other areas. Each area has built multi-use developments that are not just office buildings but also include functions such as

hotels, theaters and movie houses. Additionally, some projects have been widely reported on their completion by the mass media like the Marunouchi Building and Roppongi Hills and gathered the attention of many people.

Olinas in Kinshicho, Shin-Marunouchi Building and Tokyo Midtown, and akasaka Sakas; completed in 2006, 2007 and 2008 respectively have not only of ce functions but also retail facilities, hotels and cultural facilities. The redevelopment of the Umeda Kita Yard, railway switchyard in front of the North Exit of the JR Osaka Station, is also proceeding in Osaka. The planned multi-use facility will be comprised of stores, of ces, housings and a hotel in three skyscrapers with completion scheduled for 2011.

History of Supply Volume of Major Office Buildings in 23 Wards of Tokyo



Source: Prepared using the Major Office Building Market Trends Study for Tokyo (December 2007 Study) issued by Mori Building.

Note 1: Study covers new major office buildings with total office floor areas of at least 10,000m² in the 23 wards of Tokyo.

Note 2: Supply indicates the net supply of office floor area in major office buildings excluding that for non-office uses such as stores, residences and hotels.

[Endnotes]

1. Specified block

Districts designated in city plans for preserving and forming superior city spaces. Within these designated blocks, regulations concerning FARs, building coverage ratio, height restrictions and sunlight regulations under the Building Standard Law are not applied and unique FARs, height restrictions and wall plane locations are designated for said blocks (Article 8 of the City Planning Law and Article 60 of the Building Standard Law).

2. FAR

Refers to the ratio of the total building floor area to lot area that is designated according to the use zone. Prior to introduction of FAR, there were absolute height restrictions of 20 meters in residential areas and 31 meters in other areas. Creation of this system enabled the construction of tall buildings (Article 52 of the Building Standard Law).

3. Air Rights

(1) Right to use space above the land (air right) and (2) Right to receive transferred FARs from neighboring lots (transferable development right). The former is the same as sectional surface rights designated in the Civil Code. Both can be transferred through a sale and an example of the latter is Hibiya City. The excess FAR for the Nippon Press Center Building was transferred to the Hibiya Kokusai Building and other spaces.

4. Urban Development Projects (Categories 1 and 2)

In Category 1, landowners in the district (individual implementers) and an association of all landowners (an association can be formed when there are at least five landowners or leaseholders) along with the local public body become the implementing party. The basic structure involves transferring the rights of landowners before the project is implemented to the new building's floor area and common interest in the site after construction (rights conversion), then disposing of remaining floor and site rights (reserved floor) and applying those funds to project costs. The developer participates in the project as an individual implementer or member of the association, or as the agent of an individual implementer or the scheduled purchaser of the reserved floor. Category 2 involves

paying compensation to the rights holders in the district and purchasing the entire rights for the land and building. The implementing party is a local public body or Urban Renaissance Agency and they can also expropriate the land.

5. Comprehensive Development Design System

A system in which approval by the specific administrative agency for a lot area which has secured a certain ratio or more of empty land for a building of a certain size recognizes a special exception on the absolute height in a dedicated Category 1 or Category 2 exclusively low-rise residential district or for FAR or setback restrictions (Article 59-2 of the Building Standard Law).

6. Town Environment Promotion District Plan

When in an existing city area the building height, arrangement and form are designated as a unified district plan in accordance with the district characteristics and necessary regulations are implemented, then the application of FAR restrictions and setback restrictions based on the width of the road to the front are excluded. This was created to promote the city environment through individual building activity, rational, healthy and efficient use of land and formation of a good environment (Article 12-5 of the City Planning Law).

7. Skyscraper Residence Promotion District

Community districts designated as districts for promoting the building of residential skyscrapers. This is set for Category 1 residential districts, Category 2 residential districts, quasi-residential districts, neighboring commercial districts and quasi-industrial districts.

8. Comprehensive Development Design System by Lot Size

A comprehensive development design system in which the increase in FAR becomes greater the larger the lot size. This provides the developer with an incentive for combining lots by increasing the FAR in accordance with the size and was created with the objective of promoting the construction of good structures that contribute to improving city environments.

9. Rationalization of FAR Limits for Condominiums and Other Apartments

This heightened the usable FAR by removing hallways and stair common areas of condominiums and other apartments from the calculations for FAR limits. As a result, it became possible to use FAR about 1.2 times that if hallways, etc. are included in the floor area (Article 52-5 of the Building Standard Law).

10. Consecutive Building Design System

This system admits exceptions to the rule of one building for one lot. When buildings are constructed according to a rational design based on the premise of the existing building remaining on an integrated land site comprised of several lots, special measure exceptions are applied that recognize several buildings as existing on the same site when the specified government agency recognizes that the location and structures of each building presents no safety, disaster prevention or sanitation problem. Specifically, FAR and building coverage ratios are applied with the multiple buildings recognized as a single unit, and sunlight restrictions and neighboring lot setback restrictions related to each building in that district are judged individually. This system is expected to promote sophisticated use by enabling unused FARs of neighboring lots to be used and overcoming of FAR restrictions using road widths when the neighboring lot borders a wide road.

11. Urgent City Regeneration District

This is a district where improvement to the urban area through the city redevelopment project, etc. is critical and important, because of its role as a base of city regeneration and because it is an area that is designated by central government ordinance based on the Special Measures Law for Urban Renaissance. Improvement policies are set for each local area by the central government. Designation as such an area makes it possible for private developers to propose city plans and to use a system concerning special city regeneration districts that excludes application of existing city planning regulations.

Multi-use Developments

In the past couple of years there has been a rush of major redevelopment projects in central Tokyo. Prominent among these have been multi-use developments that combine office buildings with stores, housing and hotels rather than limiting the development to one particular usage. The local government of Tokyo Ward also promoted measures for building housing in central Tokyo to overcome the drop in population during nighttime and this has led to multi-use developments with housing even in Central Tokyo.

Plano Iidabashi

Nomura Real Estate Development recently completed Plano Iidabashi in March 2009. This multi-use development contains residential, office and store towers and is a mere two-minute walk from JR Iidabashi Station.

Plano Iidabashi is a redevelopment project executed under a redevelopment association located in front of Iidabashi Station on the JR Sobu Line. The central Tokyo project is located in Chiyoda Ward, which emphasizes increasing the residential population in its policies, leading to a redevelopment project focusing on residences. Nomura joined this project in 1997, although it was actually started in 1988 via local bodies. Nomura acted as the secretariat, negotiated with the local government, wrote the facility plans, planned the project, oversaw coordination of interests for rights holders and promoted the overall project. In 2004, Nomura along with Taisei Corporation were officially recognized as joint special project contractors.

As for the procurement of development finance, Nomura provided 300 million yen as an advance until the redevelopment association was established in 2003, and after its establishment all of the capital for the project was secured through a commitment syndicate loan that was provided with Sumitomo Mitsui Bank acting as the manager. Demand for short- and long-term capital was addressed through a combination of Facility A (3-month units) and Facility B (1-month units) with a maximum line of 23 billion yen (16 billion yen for A and 7 billion yen for B).

Nomura cites the three challenges of the development project: 1) How to adapt to economic changes due to the lengthy project terms; 2) Reaching agreements among rights holders; and (3) Pursuing a plan that achieves harmony between the housing and commercial components. This project involved a change to the city planning and more than one year for the administrative proceedings. In addition, the soaring of resource costs and such impacted construction costs and made it difficult to achieve a balance in income and expenditures for the project. Furthermore, this project had approximately 60 land and building owners, 80 leaseholders, 30 creditors and 200 other parties with rights to the project in some form. Thus, time was required to achieve any agreement and to coordinate the rights.

Finally, this project involves multi-use buildings with residential, office and commercial functions, and the property had to be structured to allow sectional ownership by multiple owners. This required careful thought in the planning so that a clear division could be achieved within management and repair planning to ensure smooth administration after construction was completed with regard to management and repair needs pertaining to each building use as well as the building cycle.

Plano Iidabashi was implemented as a private project driven by the redevelopment association formed by local rights owners with the participation of a developer and general contractor while receiving financial aid from the local government. The appraisal of the project should be considered from three aspects: the local community, local rights holders and Nomura Real Estate Development. Presently, the development project has achieved a high appraisal among the community and local rights holders. Nomura was able to secure revenues appropriate for the capital, manpower and other resources invested, and was able to supply a large tower in Central Tokyo branded with Nomura's condominium brand PROUD. Nomura is also "proud" of its contribution to society through the project, which was in the form of invigorating the community and preparing a healthy environment.

Nomura is committed to the Nomura Real Estate Group companies participating in development projects that are highly appraised over the long term.



Property Overview

Name:

Plano Iidabashi

Location:

2-chome Fujimi, Chiyoda Ward, Tokyo

Site area:

7,812.45m²

Total floor area:

74,347.81m²

Components:

Residential tower: PROUD Tower Chiyoda Fujimi
Office tower: Stage Building
Retail facility: Plano Mall

Structure:

Residential tower: Reinforced concrete; 38 floors above ground (1 basement floor)
Office and retail tower: Steel (CFT) structure; 17 floors above ground (2 basement floors)

Total residential units:

414 (306 for-sale units)

Consultant:

Urban Design Union

Design and supervision:

Yamashita Sekkei

Construction:

Taisei Corporation

OVERVIEW OF MAJOR REAL ESTATE SECTORS

RESORTS

The first resort project in Japan that was developed to serve as a health resort within the mountains, ocean and nature was the Shonan (Kanagawa Prefecture) area which began full-scale development from around 1877. Shonan since then developed as a villa area and was followed by Karuizawa, Nasu, Unzen and other areas primarily developed by foreigners. Upon entering the Showa era in the mid 1920s, resort hotels were repeatedly developed in national parks including Nikko and Hakone. From the mid 1970s, with the spread of the 5-day workweek, the Japanese people had more days available for leisure and resort facilities boomed including the emergence of large multi-use resorts with marinas or ski resorts with lodging facilities, theme parks and oceanside resorts.

However, the Heisei recession drastically lowered the volume of the formerly booming resort condominiums and some resort facilities filed for bankruptcy.

In response to this background, recent years have seen new efforts to rebuild the resort business including founding the Japan Resort Enterprise Association and expanding the system for financing to help support the acquisition of vacation homes.



Resort Development Takes Off

From the early 1960s, the general public once again was able to afford the luxury of leisure and steps were taken to develop tourist destinations throughout Japan. In particular, business groups centered on mass transit companies such as Tokyu and Seibu began development of comprehensive projects that included transport, vacation homes, hotels and sightseeing at famous resorts such as Izu, Hakone and Karuizawa. In addition, large and small real estate companies launched businesses selling vacation homes in the respective resort areas starting with the Nasu area.

Responding to Increasing Time Off and Diversifying Needs

From the mid 1970s, the people began to have more time off with the spread of the five-day workweek. This combined with such factors as diversifying needs and the switch to a domestic demand driven economy resulted in the re-emergence of a resort development boom. It was around this time that Japan witnessed numerous developments of large multi-use resorts with ski hills, golf courses, marinas and various lodging facilities expanding over spaces ranging from several hundred to over a thousand hectares. Another characteristic of this trend was that participants in the resort business were not limited to transport and real estate companies but also expanded to include steel, ship and chemical manufacturers, trading companies and companies from various other industries. In correlation with the transformation of the industrial structure, theme parks and seaside resorts began to be built on sites where large factories had once been. Investment in overseas resorts also took off, centering on Hawaii, Australia and other areas in the Asia-Pacific region.

Establishment of the Resort Law

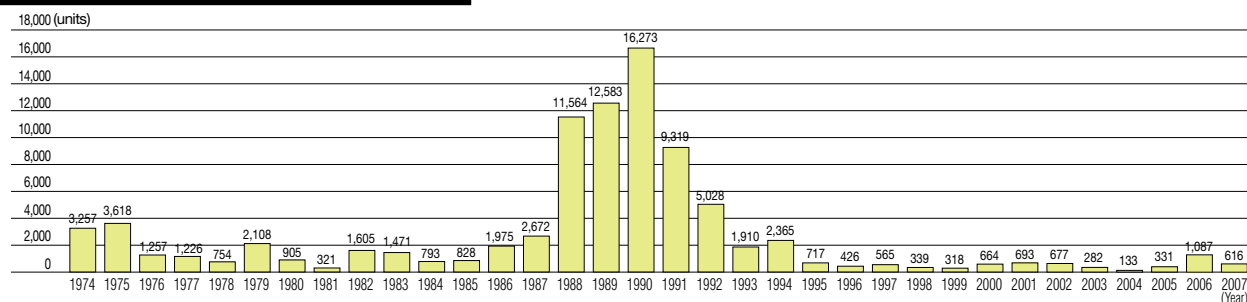
These developments were further spurred by the establishment of the Law for Development of Comprehensive Resort Areas, the so-called "Resort Law"¹ in 1987. This Law sought to comprehensively develop sites of tens of thousands of hectares through private-public collaborations all over the country with the aim of realizing a leisurely lifestyle for the Japanese people and promoting local areas. By the end of March 1994, 41 prefectures had established and approved basic concepts and resort development had become the centerpiece in promoting local areas. The Government Housing Loan Corporation also began providing loans for second homes² in 1987. Japan had finally entered an era where the national government was actively supporting the enhancement of the leisure time of its citizens and helping them to realize multiple residences.

The Boom Ends

However, this resort boom also began to taper off with the start of the Heisei recession in Japan at the beginning of 1991. In 1990 there were 16,000 resort condominium units sold, but this drastically dropped to 1,900 units by 1993, a precipitous 88% drop. Presently, the number of units sold per year does not even reach 1,000 units.

History of Resort Condominium Sales (National)

Source: "National Condominium Market Trends" issued by the Real Estate Economic Institute Co., Ltd.



Major Resort Projects of Japan

Project	Location	Total Area (ha)	Developer/Operator (at time of development)	Primary Facilities	Participating Companies (at time of development)
Club Med Sahoro	Shintoku Town, Hokkaido	2,200	Seiyo Kankyo Kaihatsu (Sahoro Resort, SCM Leisure Development and Karikachi Kogen Development)	Ski hill, golf course and hotel	Club Med, Saison Group, Obihiro Surveying
Alpha Resort Tomamu	Shimokappu Village, Hokkaido	4,780	Sekihyo Seibaku	Golf course, ski hill, artificial lake, water chapel and hotel	Hotel Alpha, Sekihyo Group
Appi Kogen Resort	Ashiro Town and Matsuo Village, Iwate Prefecture	2,500	Appi General Development(third sector)	Ski hill, hotel and pensions	Recruit
Resort Park Onikoube	Naruko Town, Miyagi Prefecture	1,000	Onikoube Kogen Kaihatsu (third sector)	Ski hill, golf course and hotel	Hotel Sendai Plaza, Mitsubishi Estate
Myoko Pine Valley	Myoko Village, Niigata Prefecture	600	Myoko Pine Valley	Hotel, golf course and ski hill	Matsushita Investment and Development
Gran-Deco Ski Resort	Kitashiobara Village, Fukushima Prefecture	338	Tokyu Group, Urabandai Deco Daira Kaihatsu (third sector)	Hotel, ski hill and tennis courts	Urabandai Kogen Tokyu Resort
Hatoriko Highland Regina Forest	Tenei Village, Fukushima Prefecture	197	Tokyo Tatemono	Tennis courts, vacation homes, pensions, artificial lake, automobile campsite, hot spring facilities and cottages	Hatoriko Highland Regina Forest
Towa Nasu Highland	Nasu Town, Tochigi Prefecture	1,000	Towa Real Estate Development	3,700 vacation lots, amusement parks, hotels and golf courses	Towa Nasu Resort
Yokohama Hakkeijima Sea Paradise	Yokohama City, Kanagawa Prefecture	24	Yokohama Hakkeijima Seaparadise	Marinas, amusement parks, aquariums and restaurants	Kokudo, Keihin Electric Express Railway, Shimizu Corporation, Mizuho Trust & Banking, Bank of Yokohama
Karuizawa Sengataki	Karuizawa Town, Nagano Prefecture	690	Kokudo	5,200 vacation lots, hotels, golf course, tennis courts, ski hill and skate center	Seibu Real Estate Sales
Tateshina Certo Forest	Chino City, Nagano Prefecture	436	Kajima Resort	Tennis court, jogging road, restaurant, craft center, rental vacation homes, pool and hotel	Kajima Corporation, Mitsui-no-mori
Tokyu Resort-Town Tateshina	Chino City, Nagano Prefecture	664	Tokyu Land	2,400 vacation lots, golf course, tennis courts, ski hill and hotel	Tokyu Resort, Tokyu Construction
Tateshina Mitsui-no-mori	Chino City, Nagano Prefecture	470	Mitsui Fudosan	Vacation lots, hotel and golf course	Mitsui-no-mori
Uminoguchi Natural Villa	Minamimaki Village, Nagano Prefecture	700	Seiyo Kankyo Kaihatsu	Vacation lots, lodging facilities, tennis courts, pottery studios, music studio and golf course	Seibu Department Stores
Shima Spain Village	Isobe Town, Mie Prefecture	104	Kintetsu Corporation (JV)	Spain village	Kintetsu Group
Nemu no Sato	Hamajima Town, Mie Prefecture	230	Yamaha Recreation	Golf course, marina and grass ski hill	Yamaha Group
Wakayama Marina City	Wakayama City, Wakayama Prefecture	65	Wakayama Prefecture, Ministry of Transport, Matsushita Investment and Development and Wakayama Marina City	Theme park, fishermen's wharf, marina and condominiums	Wakayama MID Kanko, MID Foods
Space World	Kitakyushu City, Fukuoka Prefecture	200	Space World (third sector)	Leisure facility with a space theme	Nippon Steel Group, Kyushu Railway Company
Huis Ten Bosch	Sasebo City, Nagasaki Prefecture	140	Huis Ten Bosch (third sector)	Marina, hotel, condominium and Dutch streetscape	Mitsubishi Corporation, NISSAY, Nagasaki Holland Village
Sheraton Resort Phoenix Seagaia	Miyazaki City, Miyazaki Prefecture	135	Phoenix Seagaia Resort	Hotel, international convention center, Ocean Dome, golf courses, condominiums and cottages, and tennis club	Starwood
Miyakojima Tokyu Resort	Shimoji Town, Okinawa Prefecture	230	Tokyu Corporation	Marina, golf course and hotel	Miyakojima Tokyu Resort

The first project approved under the Resort Law was the massive resort destination Seagaia (Miyazaki Prefecture) but it led for corporate reorganization followed by Huis Ten Bosch (Nagasaki Prefecture) in 2003. With the failure of these and other development projects and concepts throughout the country, the Ministry of Land, Infrastructure, Transport and Tourism changed the basic policy of the Resort Law in February 2004. Resort development has begun to show completely different signs with the Ministry calling on related local bodies to dramatically review their projects and operations and to abolish them in certain cases.

Rebuilding the Resort Business

Within this environment, the real estate industry has taken steps to form an organization to nurture a healthy resort business and launched the Japan Resort Enterprise Association in May 1995. The Association actively conducts fact-finding studies on resort development and operations, as well as researching and proposing resort policies.

Support for the acquisition of second homes has taken the form of an expanded financing system³ and also

tax reduction measures such as reduction of the real estate acquisition tax and real property tax that went into effect in April 1998. In addition, the Law promoting the Building of Superior Suburban Housing was passed to promote the construction of superior stand-alone housing in good natural environments such as agricultural and mountain villages and areas near cities.

On the other hand, in addition to the standard format of vacation home and resort condominium ownership, resort services have begun to be provided in a variety of formats based on memberships. There are also growing signs of efforts to effectively and efficiently operate and utilize facilities that were constructed during the resort era through a variety of services. These steps include organizations and corporations not owning facilities themselves but concluding tie-ups with other facilities, soliciting for members and providing services at inexpensive prices, along with companies contracting to manage the idle resort facilities.

There is a great need among the people of Japan to spend their leisure time within the abundant nature of Japan. This requires not only an augmentation of the vacation system and enhanced measures on taxation but also rebuilding the resort business (facility

operations, operating skills, etc.) and enhancing support for the business.

[Endnotes]

1. Law for Development of Comprehensive Resort Areas

This Law involves the public sector taking the initiative in planning and preparing related infrastructure and establishing special tax measures so that large long-stay resorts can be prepared nationally by harnessing the power of the private sector. The Law aimed to promote local areas and to drive growth in domestic demand by guiding private investments to resort developments backed by the strong economy at the time.

2., 3. Second Home Financing by the Government Housing Loan Corporation (Currently, Japan Housing Finance Agency)

With the economic stimulus measures in November 1997, the traditional "country home financing" became "special residence expansion financing (borrower's residence)" and the regional requirement that had restricted applicants in relation to their place of residence and the location of the subject housing were abolished. This restrictive stipulation specifically stated, "When residents of the three major metropolitan areas and their families build or purchase housing to be used on weekends, etc. outside of the three major metropolitan areas." Later beginning on December 1, 2005 it became possible to use Flat 35 (securitized residential loans) to acquire vacation homes.

CASE STUDY



Resorts

The resort industry has been quickly entering an era in which traditional tastes are no longer applicable due to the diversification in consumer needs. It is anticipated that consumers will seek resorts that satisfy their diverse needs and every resort will try to differentiate itself from other resorts.

Holistic Resort ARIMA

Tokyu Land began developing the Holistic Resort ARIMA, a resort complex, in the summer of 2007. Arima Town is located in Kobe City, Hyogo Prefecture and is a popular hot springs area known as the “suburban tourist spot of Kansai.” The term holistic resort is used to describe a resort where one can achieve a balance of the physical, mental and environment – a condition in which one’s spirit and body are aligned to healthy vectors.

Holistic Resort ARIMA is a resort complex comprised of the spa residence EXMOND ARIMA, the for-sale condominium with hot springs facilities to be developed in the Arima area for the first time in 30 years; HVC ARIMA ROKUSAI and VIALA ARIMA ROKUSAI, TOKYU Harvest Club membership resorts developed nationwide by Tokyu Land.

The sale of EXMOND ARIMA began in September 2007 as the first launch of Holistic Resort ARIMA. EXMOND was formed by combining the French words “exquis” and “monde” and conveys the meaning of striving to be a “location where one can leave the world behind and return to one’s natural state.” The facility enjoys phenomenal access from major cities in Kansai and is blessed with golf courses and sightseeing facilities nearby. EXMOND ARIMA can be used both as one’s main or second residence, and includes a rich variety of thirty-six types of units with four plans – standard, universal, view bath and maisonnette. In this manner, Tokyu Land has configured a product that can meet diverse customer needs.

TOKYU Harvest Club ARIMA ROKUSAI and TOKYU Harvest Club VIALA ARIMA ROKUSAI are the 24th and 25th TOKYU Harvest Club facilities across the nation, and are scheduled to open in 2010. TOKYU Harvest Club is a membership resort hotel developed nationally and founded in 1988 under the concept of “providing the joy of a vacation villa with the comfort of a hotel.” The memberships for these two facilities adopt a common system and the total number of units being sold is 1,548. Sales of the membership units began in June 2008, and the first round of sales was priced at 6.33 million yen per unit for HVC ARIMA ROKUSAI and 11.32 million yen per unit for VIALA ARIMA ROKUSAI. Each property also charges an annual membership fee of 94,500 yen per unit for HVC ARIMA ROKUSAI and 151,200 yen per unit for VIALA ARIMA ROKUSAI.

Tokyu Land aims to create resorts that enhance and enrich hospitality to fulfill the diverse needs of consumers.



Property Overview

Name:
Holistic Resort ARIMA

EXMOND ARIMA

Location:
Arima Town, Kita Ward, Kobe City, Hyogo Prefecture

Dedicated area:
49.40~132.79m²

Structure and size:
Steel-reinforced concrete; 8 floors above ground (1 basement floor)

Total units:
99

Owner:
Tokyu Land Corporation

Sales price:
23.5~116.8 million yen

TOKYU Harvest Club ARIMA ROKUSAI and
TOKYU Harvest Club VIALA ARIMA ROKUSAI

Location:
Arima Town, Kita Ward, Kobe City, Hyogo Prefecture

Site area:
11,879.02m²

Total floor area:
23,652.11m²

Structure and size:
Steel-reinforced concrete and some steel structure;
6 floors above ground (4 basement floors)

Guest rooms:
134

Guest room area:
HVC ARIMA ROKUSAI: 33~76m²
VIALA ARIMA ROKUSAI: 53~119m²

Main facilities:
Lounge, restaurant, large communal hot spring
baths with outside baths, family baths, pool, body
care studio, esthetic salon, library, dog run, etc.

Completion:
February 2010 (scheduled)

Opening:
March 2010 (scheduled)

Management:
Tokyu Resort Service Co., Ltd.

OVERVIEW OF MAJOR REAL ESTATE SECTORS

REAL ESTATE TRANSACTIONS

The real estate transaction (brokering) business involves the brokering of land and buildings through their buying, selling and leasing. The capital requirement is small and there are strong local characteristics and elements needed. As a result, this field used to be dominated by small local players until major real estate firms entered in the mid-1960s. There are roughly 130,000 plus companies with licenses based on the Building Lots and Buildings Transaction Business Law¹, but most of these remain small and medium-sized companies specialized in brokering. Most of their work involves acting as an intermediary for the buying and selling of second-hand homes and renting of apartments and other housing. However, large brokers are also involved in brokering the sale of large buildings and acting as the sales agent for new stand-alone housing and condominium projects built by developers.



Modernization of Real Estate Transactions

The real estate transaction business is the modern day equivalent to what a broker in the old days used to do. Brokering is a key original element of the real estate industry along with "management agents," who are involved in the management of leased land and housing. The license system for these brokers was established in 1952 with the establishment of the Building Lots and Building Transaction Business Law¹ and the number of companies rose dramatically through the early 1970s with the concentration of industry and the population in major cities and growth in housing demand. There are a number of factors behind this and they include: (1) Increase in housing stock including owner-occupied homes used for a long period, (2) The steep increase in the supply of condominiums from the early 1970s, and (3) Reinforcement of the attitude that a person seeks to change residences in line with life stages. This was right around when major companies began entering the industry. Along with modernizing the real estate transaction business, this served to bring the business under the eye of society including the coordination of roles and responsibilities among major and small/medium players.

The Real Estate Transaction Modernization Center Foundation Established

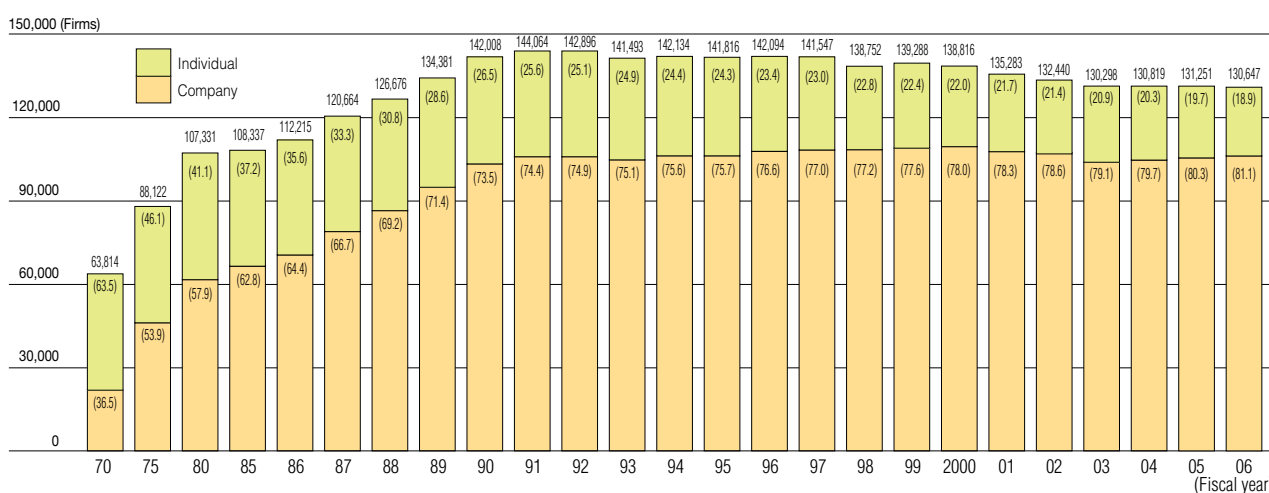
In 1978, a study group formed by the Ministry of Construction (presently, Ministry of Land, Infrastructure, Transport and Tourism) and private companies issued a report titled, "Report on Promoting Modernization of Real Estate Transactions." The report proposed several measures including introducing a joint processing system for property information, securing accuracy, establishing a broker contract system², establishing appropriate price

Average Number of Employees per Office (Private)

	Average Number of Employees per Office	Number of Offices	Breakdown		Number of Employees	Breakdown	
			Breakdown	Breakdown of Share of		Breakdown	Breakdown of Share of
All Industries	9.7	5,869,385	100.0%	Real Estate Business	56,935,841	100.0%	Real Estate Business
Real estate	3.2	320,474	5.5	100.0%	1,029,467	1.8	100%
Building sale/acquisition business and land sale/acquisition business	7.5	18,018		5.6	135,408		13.2
Real estate brokering business	4.3	46,987		14.7	200,580		19.5
Real estate leasing	4.1	48,726		13.6	178,734		17.4
House leasing and room leasing	1.7	147,331		46.0	254,340		24.7
Parking lot business	2.1	36,099		11.3	74,940		7.3
Real estate management	6.6	28,313		8.8	185,465		18.0
Manufacturing	18.1	548,171	9.3		9,912,949	17.4	
Construction	7.6	548,799	9.4		4,144,394	7.3	
Wholesale and retail business	7.8	1,604,587	27.3		12,446,331	21.9	

Source: 2006 Business and Corporation Statistics and Study Report issued by the Ministry of Internal Affairs and Communications
Note: Figures exclude national and local governments.

History of Building Lot and Building Transaction Firms



Source: White Paper on Land, Infrastructure, Transport and Tourism in Japan (2008) issued by the Ministry of Land, Infrastructure, Transport and Tourism.
Note: 1. Figures represent those as of the end of each fiscal year. 2. The figures in the parentheses indicate the breakdown (unit: %).

appraisals and improving the quality of companies and employees. The Ministry of Construction revised the Building Lots and Buildings Transaction Business Law in 1980 in accordance with this and not only established a general and exclusive broker contract system, but it also formed the Real Estate Transaction Modernization Center Foundation to provide instruction in modernizing the industry.

Legal System for Broker Contracting System

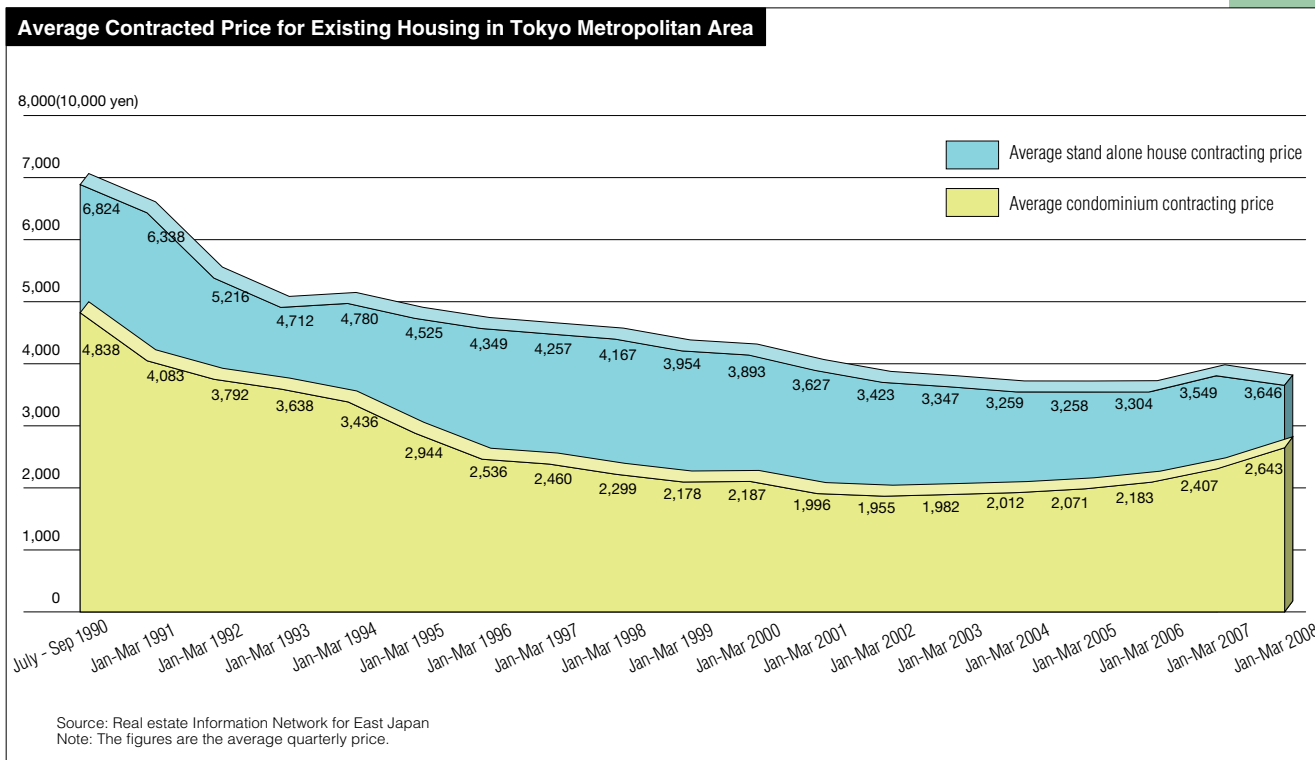
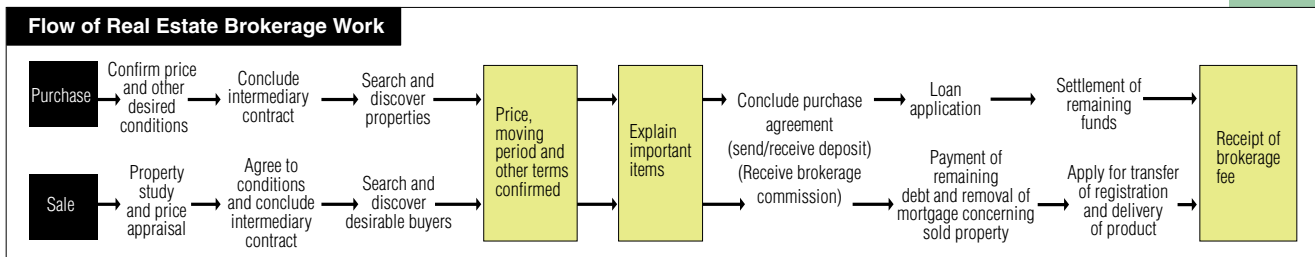
Real estate transaction intermediation, or brokering, involves a party taking a position between the two parties to the sale or lease transaction and acting to bring the contract to a conclusion. The broker contract sought

to clarify a situation apt to cause trouble due to the contractual relationship being traditionally unclear. The 1980 revision to the Law sought to overcome this situation by requiring documentation for certain items concerning the content of the broker contract and to clarify the contract relationship. In addition, with regard to the exclusive broker contract in which the contracting party cannot ask multiple companies to act as its broker or agent, the law called for parties to register as much information as possible on the purchases in an information network organization and to disclose information so that conclusion of a contract could be promoted. Eight industry bodies, including the Real Estate Companies Association of Japan, support this information network

organization. As a result, there are now over 100 certified information network organizations nationwide working to move the real estate transaction system one step closer to the sharing of information and networking of companies. However, the initial objectives have not been adequately attained because of the negativity shown in exchanging information between the organizations and also many cases where this is impossible due to differences in the systems.

Development of REINS and Reorganization of the Organizations

In 1986, the Ministry of Construction (currently, Ministry of Land, Infrastructure, Transport and Tourism) established the



Real Estate Information Network System (REINS) with the Real Estate Transaction Modernization Center Foundation in order to foster cooperation between information network organizations. On the other hand, with the implementation of dedicated exclusive brokers contracts from 1990, transactions based on these contracts required the broker to register with an information network organization designated by the Minister of Construction³. In correlation with this, it became necessary to prepare an information system and to organize and integrate the information network organizations. Using REINS, information network organizations integrated by supply/demand region were newly designated by the Ministry of Construction and assumed the responsibilities of the "certified information network

organizations."

Furthermore, the Building Lots and Buildings Transaction Business Law was revised in April 1997 so that it became necessary for exclusive broker contracts to be registered with certified information network organizations in addition to the existing dedicated exclusive broker contracts. It is clearly regulated that a certified information network organization must be a public interest corporation and the new information network organizations eventually were reorganized from 37 certified information network organizations nationwide to four organizations in four districts. Slightly over 1.12 million such contracts were newly registered with certified information network organizations in fiscal 2007. Of these, a little over 110,000 contracts were signed.

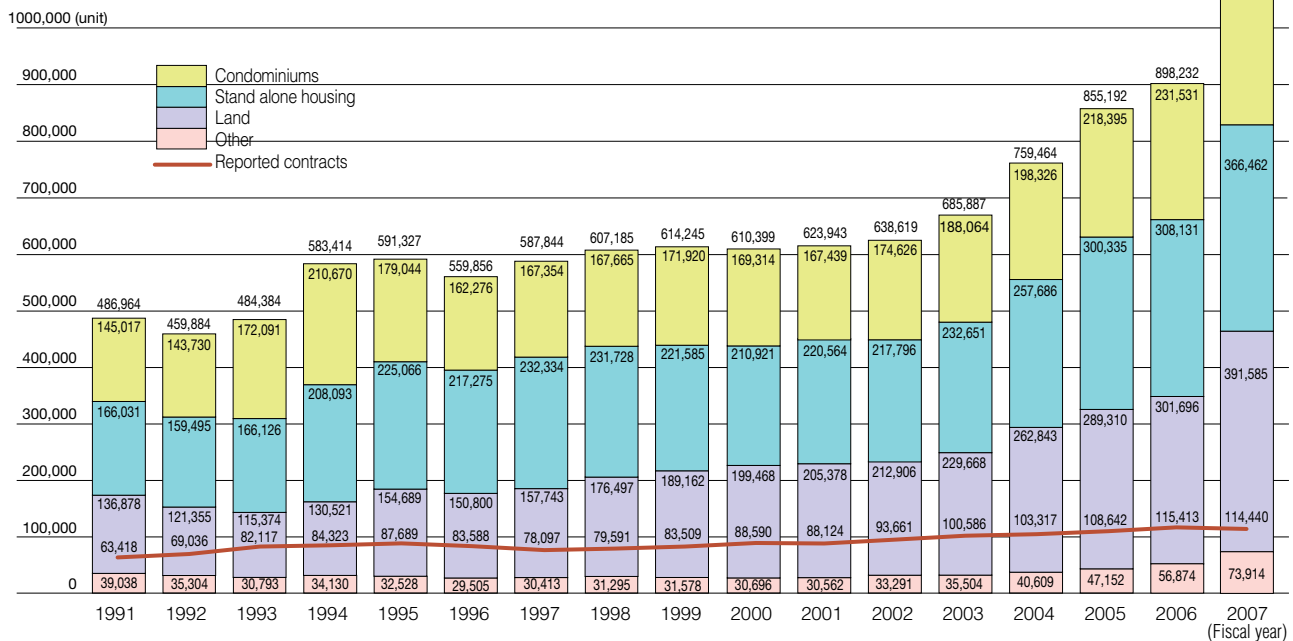
The average contract price for

second-hand stand-alone housing and condominiums has done poorly due in part to the prolonged slump in land prices and the massive supply of new condominiums at suppressed prices. The decrease in prices from when the certified information network organizations began in May 1990 to today is about 60%. However, this number has stabilized in the past few years and condominium prices have begun to increase. The future trend in this area is of particular interest.

On the other hand, there are expectations for greater choice among consumers with the spread of greater quantities of high quality housing meeting their needs. Thus there are expectations that this market will grow rather than decrease. The government also introduced a housing performance indication system for second-hand housing in 2002 to

Market Trends for Existing Housing

(Properties for sale that are registered with Designated Transaction Organizations)



Source: Ministry of Land, Infrastructure, Transport and Tourism, and Real Estate Transaction Organization Fact-finding Study by the Real Estate Transaction Modernization Center Foundation.
 Note: 1. This is a compilation of registration and contract information of designated transaction organizations. 2. This includes duplicated registrations of general intermediaries.

eliminate worries about transactions involving these houses. This was preceded by a similar system introduced for new housing in fiscal 2000.

Moreover, with the penetration and spread of the Internet throughout society, more and more companies have begun using the Internet concerning real estate transactions.

In addition to the information respectively provided by real estate companies using websites, there are various information sites on the Internet that demonstrate the respective strengths and characteristics of the bodies behind them including industry bodies like the Real Estate Japan website launched in October 2003 or those created by locally successful real estate firms that present more detailed information on those local areas. The Ministry of Land, Infrastructure, Transport and Tourism also provides information on transaction prices through a general land information system. This service is based on transaction price information voluntarily provided by parties to land transactions and has the objective of supporting general consumers grasping market prices for real estate transactions. Processed contract information (prices, etc.) of REINs

is provided it on the Internet beginning in the spring of 2007. Presently the general consumer is able to easily and broadly collect information on real estate.

However, the truth is that contemplation for acquiring a specific property requires more detailed information than is available on the Internet and specialized knowledge about real estate transactions. In light of this, it is now even more important for real estate companies to properly face their customers and be truly skilled and knowledgeable concerning real estate transactions. In other words, a property introduction alone is inadequate.

Previously, there was a disparity among managers in how customer and personal information was handled in their operations. But the Personal Information Protection Law was passed in April 2005 and a framework for handling such information was established.

[Endnotes]

1. Building Lots and Buildings Transaction Business Law

This Law designates a licensing system for entities in the building lots and buildings transaction business and regulations concerning the business with the objective of securing fairness in lot and building transactions and seeking to achieve smooth transactions. This is all done from the perspective of protecting the profit of the customer.

A license is necessary when your business involves the sale or exchange of lots and buildings or acting as an intermediary for sales, exchanges and leasing of lots and buildings. When you personally lease housing, buildings or the like there is no need for a license. In addition to administrative regulations that require the important items of a transaction to be explained by a building lot and building transaction supervisor with qualifications as designated by law (broker), there are regulations that establish limits on deposit amounts and regulations that revise content designated in the Civil Code.

2. Brokering Contracts

Intermediation consists of brokering or mediation and falls under a semi-consignment of legal responsibilities. Unlike agents, there is no right for the party entrusted with the request to conclude a contract. There are three types of broker contracts regulated in the Building Lots and Buildings Transaction Business Law.

General broker contract is a contract in which the client can ask multiple companies to broker a deal.

Exclusive broker contract is a contract in which the client can only ask one company to be a representative. The longest length for the contract is three months and there are obligations including reporting on the status of operations and registering with a certified information network organization within a set period.

Dedicated exclusive broker contract is one type of contract that also prohibits the client from contracting with a party for a sale that it has found itself without going through a contractor. This contract requires more frequent operations reporting than the exclusive broker contract and also requires registration with a certified information network organization within a set period.

3. Certified Information Network Organization

Certified information network organizations conducted registration and searching of properties through an online networking of member companies through 37 national areas from 1990. However, this was reduced in April 1997 to four certified information network organizations and the system was re-launched. The objective of this measure was to further modernize real estate transactions and to bring transparency to the market.

OVERVIEW OF MAJOR REAL ESTATE SECTORS

REAL ESTATE SECURITIZATION

The history of real estate securitization is quite long and goes back to the mortgage security system founded in 1931. Later beginning around 1985 real estate small lot products began being sold primarily by real estate firms.

In recent years, real estate securitization activities have taken off with the opportunities presented by the 1995 establishment of the Real Estate Syndication Act and the 1998 establishment of the Law on Securitization of Specified Assets by Special Purpose Companies (former SPC Law). Moreover, the revision to the Investment Trusts and Investment Corporations Law in 2000 made real estate a possible management asset of investment trusts and this led to the launch of Japan Real Estate Investment Trusts (J-REITs). The revision of the former SPC Law into the Law on the Securitization of Assets (SPC Law) also led to an increase in securitization cases because it simplified the procedures for asset monetization type real estate securitization.

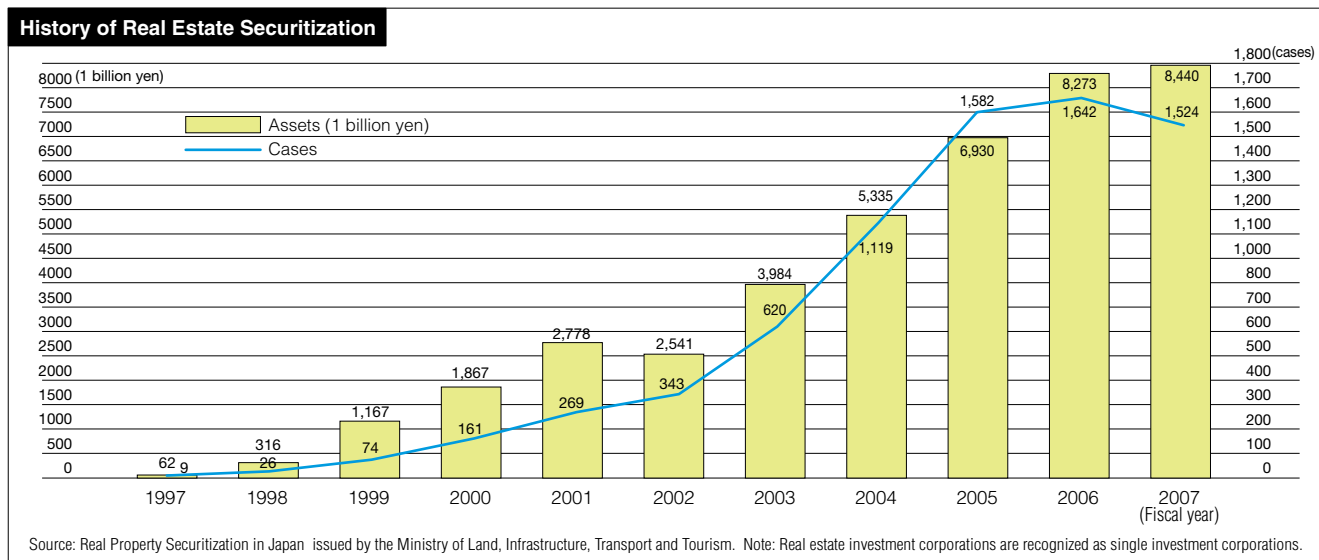
The progress of real estate securitization expanded investment opportunities by diversifying investment methods for real estate investors and a new opportunity formed for real estate companies as their business expanded from management and operation of real estate to the fee business market where they could collect other forms of compensation.

Real Estate Securitization

(1) Real Estate Investment Trusts Investment trusts are a financial vehicle in which funds are gathered from many investors and managed by an investment professional and earnings are distributed to investors. Traditionally, the primary vehicle managed in this structure was limited to investment securities.

However, in 2000 there was a Partial Revision to the Investment Trusts and Investment Corporations Law and real estate was recognized as a target of investment. As a result, the first real estate investment trust in Japan (J-REIT) was listed on the Tokyo Stock Exchange in September 2001. The number of J-REITs listed as of the end of December 2008 was 41 and the market has grown to about 7 trillion yen in total assets under management, which shows consistent growth. However, wild fluctuation has been seen in aggregated market value in recent years. It has kept growing steadily until May 2007. However, J-REIT investment unit prices began to decline due to the drain of foreign capital attributed to the sub-prime loan crisis in the U.S. and a J-REIT investment corporation went under for the first time in September 2008 in the aftermath of the global financial crisis due to the Lehman Brothers shock and other factors. Under such circumstances, aggregated market value fell to less than 2.1 trillion yen at the end of October 2008 after reaching a peak at 6.8 trillion yen as of the end of May 2008. Although it has recovered to 2.7 trillion yen as of the end of January 2009, attention will be paid to the future trend.

The real estate securitization market has now entered a full-fledged growth period. This is reflected in the entry of trading companies, insurers, lease firms and other non real-estate companies in the REIT business and also the launching of small and medium-sized investment trusts that have condominium units and small real estate as their assets.



J-REIT Structure

Name	Fund Characteristics	Month/Year of Listing	Number of Properties	Assets (100 billion yen)	Sponsors
Nippon Building Fund	Office building management (centering on central five wards of Tokyo)	Sept. 2001	58	7256	Mitsui Fudosan, Sumitomo Life
Japan Real Estate	Office building management	Sept. 2001	53	5429	Mitsubishi Estate, Tokio Marine, The Dai-ichi Mutual Life Insurance and Mitsui & Co
Japan Retail Fund	Commercial facility management	Mar. 2002	49	5896	Mitsubishi Corporation and UBS AG
ORIX JREIT	Dedicated to Tokyo metropolitan area (managed assets are comprehensive)	June 2002	47	2804	ORIX
Japan Prime Realty	Spread nationally (managed assets are office buildings and commercial facilities)	June 2002	50	3035	Tokyo Tatemono, Meiji Yasuda Life, etc.
Premier	Dedicated to Tokyo metropolitan area (managed assets are multi-use office buildings and residences)	Sept. 2002	42	1382	Ken Corporation, Sogoh Real Estate, etc.
Tokyu REIT	Dedicated to Tokyo metropolitan area (managed assets are office buildings and commercial facilities)	Sept. 2003	23	2182	Tokyu Corporation and Tokyu Land
Global One Real Estate	Office building management (3 major metropolitan areas)	Sept. 2003	7	1368	GMAC Commercial Mortgage Japan (now Capmark Japan), etc.
Nomura Real Estate Office Fund	Office building management (central Tokyo, Tokyo metropolitan area, etc.)	Dec. 2003	37	3537	Nomura Real Estate Holdings
United Urban	Comprehensive (commercial, hotel, office building and residential)	Dec. 2003	41	2088	Marubeni, Credit Suisse First Boston Principal Investments Ltd., Tokyo Branch
MORI TRUST Sogo Reit	Comprehensive (commercial, hotel, office building and residential)	Feb. 2004	13	2094	Mori Trust, Parco, etc.
Nippon Residential	Dedicated residential	Mar. 2004	139	3314	Pacific Management
TGR Investment	Dedicated to Tokyo metropolitan area (managed assets are multi-use office buildings and residential)	May 2004	57	482	PAREX
Frontier Real Estate	Retail property	Aug. 2004	12	1236	JT
Crescendo Investment	Dedicated to Tokyo metropolitan area (managed assets are complex office buildings and residence)	Mar. 2005	48	1116	Heiwa Real Estate, Mitsuhiro Utata, etc.
Japan Logistics Fund	Dedicated to logistics facilities	May 2005	24	1044	Mitsui & Co., The Chuo Mitsui Trust and Banking, etc.
Fukuoka Reit	Dedicated to Fukuoka/Kyushu area (managed assets are multi-use centering on commercial facilities)	June 2005	14	1260	Fukuoka Jisho, Kyushu Electric Power, etc.
Prospect Residential Investment	Dedicated to residences (centering on Tokyo metropolitan area)	July 2005	54	728	Prospect
Japan Single-residence REIT	Dedicated to single residences (including hotels that make the bulk of their earnings from accommodation hotels)	July 2005	43	602	Invoice RM, Lehman Brothers Investments Japan Inc., etc.
Kenedix Realty Investment Corporation	Comprehensive (centering on office buildings and residences in Tokyo metropolitan area)	July 2005	68	2305	Kenedix
Joint Reit Investment	Comprehensive (centering on residences and commercial facilities in Tokyo metropolitan area)	July 2005	52	1058	Joint Asset Management and Joint Corporation
LaSalle Japan	Comprehensive (office buildings, commercial and residential; centering on Tokyo metropolitan area)	Sept. 2005	21	1306	eBANK Corporation, Asset Managers, etc.
FC Residential	Dedicated to residences (includes hotels that make the bulk of their earnings from accommodation, centering on central Tokyo)	Oct. 2005	19	262	Fund Creation
DA Office REIT	Office building management (centering on central Tokyo)	Oct. 2005	33	2961	DaVinci Advisors
Hankyu REIT	Multi-use (centering on commercial; properties in the Kansai metropolitan area)	Oct. 2005	11	1207	Hankyu Corporation
Advance Residence	Dedicated to residences (centering on central Tokyo)	Nov. 2005	50	897	ITOCHU Corporation, ITOCHU Property Development and Nippon Tochi-Tatemono
Starts Proceed	Dedicated to residences (centering on Tokyo metropolitan area)	Nov. 2005	73	405	Starts Amenity and Starts Corporation
LCP	Comprehensive (residential, commercial and elderly properties)	May 2006	46	969	The LPC Group, Kyokuto Securities
Japan Hotel and Resort	Dedicated hotels and resort facilities	Feb. 2006	8	930	MLQ Investors
Top REIT	Comprehensive (office, commercial and residential)	Mar. 2006	13	1752	The Sumitomo Trust & Banking, Nippon Steel City Produce, Oji Real Estate
CREED OFFICE Investment Corporation	Office building management (mid-size offices)	Mar. 2006	64	1435	Creed
BLife	Multi-use (managed assets are residences and commercials; centering on Tokyo metropolitan area)	Mar. 2006	24	555	Morimoto, Daiwa House Industry
Nippon Hotel Fund	Dedicated to hotels and resort facilities	June 2006	17	408	Creative Renovation Group Japan, Kyoritsu Maintenance, Kyokuto Securities, Shin Nippon Air Technologies
re-plus residential investment	Dedicated to residences (centering on Tokyo metropolitan area)	June 2006	128	1120	re-plus, ABLE
Japan Excellent	Office building management (centering on central Tokyo)	June 2006	20	2061	Kowa Real Estate, Dai-ichi Mutual Life Insurance, Sekisui House
Nippon Accommodations Fund	Dedicated to residences (centering on Tokyo metropolitan area)	Aug. 2006	44	1467	Mitsui Fudosan
MID REIT	Comprehensive (centering on office buildings)	Aug. 2006	11	1799	MID Urban Development
Nippon Commercial	Office buildings, commercial facilities	Sept. 2006	42	2945	Pacific Management Corporation
Mori Hills REIT Investment Corporation	Comprehensive (centering on office + commercial facilities, residential)	Nov. 2006	9	1706	Mori Building
Nomura Real Estate Residential Fund	Dedicated to residences	Feb. 2007	131	1187	Nomura Real Estate Holdings
Industrial & Infrastructure Fund Investment Corporation	Dedicated to real estate for industrial use	Oct. 2007	12	1149	Mitsubishi Corporation, UBS AG

Source: Association for Real Estate Securitization (ARES)

There are two types of REIT structures: 1) the "company" type, a structure in which funds gather capital from investors and manage those through a management company; and 2) the "trust" type, a structure in which a trust bank gathers capital from investors and manages those through the trust bank itself or a management company. There are also two types of trust type: the settlor directed and non-settlor directed types.

As a result of these REITs, it is expected that real estate securitization will continue to be promoted and that monetization of the real estate industry, which had been in a prolonged

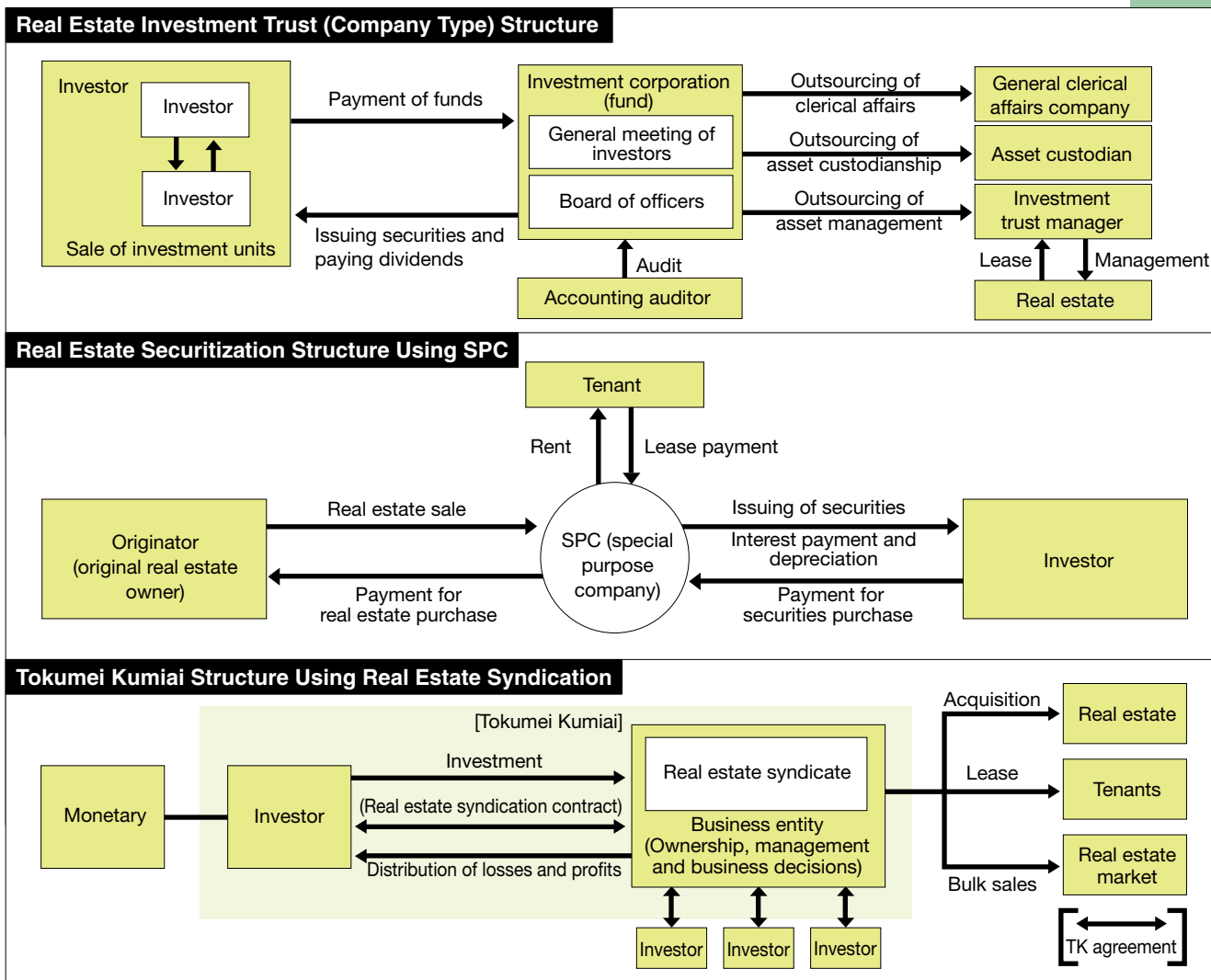
slump, will accelerate. Investors have shown an interest in REITs as a new investment vehicle for diversifying their portfolio strategies and real estate companies have interpreted REITs to be a new business opportunity for selling, managing and operating real estate as a part of REIT management.

However, for the further development of the real estate fund market, the preparation of indices to assist investors in making their decisions and various other measures to overcome recent financial crisis are needed and anticipated.

(2) Asset Monetization Securitization

The Law on Securitization of Qualified Assets by Special Purpose Companies (SPC Law) was implemented in September 1998. Since then, many companies have appeared that have tackled real estate securitization using SPCs centering on apartments for foreigners, major shopping centers, etc. There are great expectations for real estate securitization as a new form of business for the real estate industry during the structural transformation of the national economy.

In this case, real estate securitization is one of the methods for direct procurement of capital from the



market by issuing investment securities backed by real estate or assets consisting of real estate or real estate backed debt (housing loans, etc.).

The following illustrates the actual flow of funds and the relationship with real estate:

- 1) SPC issues preferred equity securities and specific bonds to procure funds from the market for purchasing real estate;
- 2) A real estate company or other original real estate owner (originator) sells the real estate to an SPC at market price;
- 3) The SPC receives rent from the tenants as the new owner of the real estate; and
- 4) The SPC pays agreed interest to the investors that bought the specific bonds and pays any remaining profit to the investors in preferred equity securities in the form of dividends.

Further, a portion of the SPC Law was revised in May 2000.

The old SPC Law had many restrictions on the structure including rigid limits such as prohibiting the purchase of qualified assets with borrowings. Thus there were aspects that were difficult to apply to the securitization of assets like real estate that were highly commercial. As a result of the revision, the assets subject to monetization by the SPC were expanded from designated

monetary debts, real estate and their beneficiary interests in trust to general property rights, and restrictions concerning the establishment and operation of SPCs were simplified and rationalized. Therefore, steps were taken to improve the convenience of the system.

The significance of the SPC Law system is that it improves the financial constitution of the originator itself, realizes a high investment efficiency compared to owning real estate and obtains new business chances by promoting real estate monetization. It is expected that the system will take root in step with reforms to the economic structure such as diversification of fund procurement methods, real estate management emphasizing cash flow, etc.

(3) Real Estate Syndication

Real estate syndication is when multiple investors jointly invest in real estate to own and manage the real estate and obtain earnings from it.

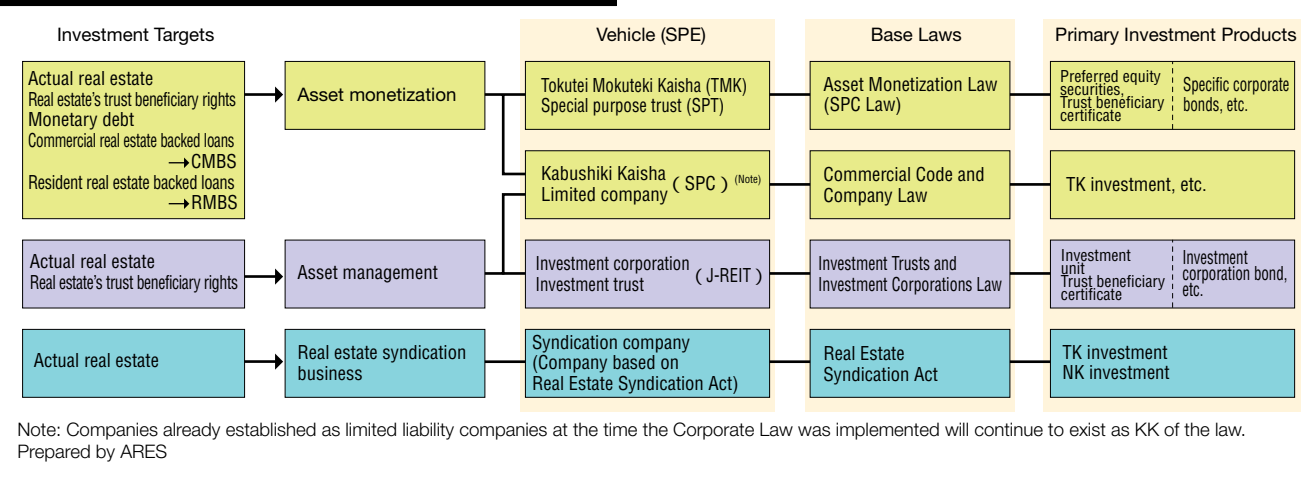
The syndicated investment product appeared around 1987 as a "small lot product" in which developers divided ownership of a commercial property (tenant building, etc.) and sold the equity to investors. Before the act

enforcement, approximately 700 billion yen in syndicated investment products have been supplied. However, there were many cases in which investors suffered damages because of subdividing by financially unstable real estate companies or inadequate information disclosure to project participants of business risks, etc. As a result, the Real Estate Syndication Act was implemented in April 1995 primarily to protect investors.

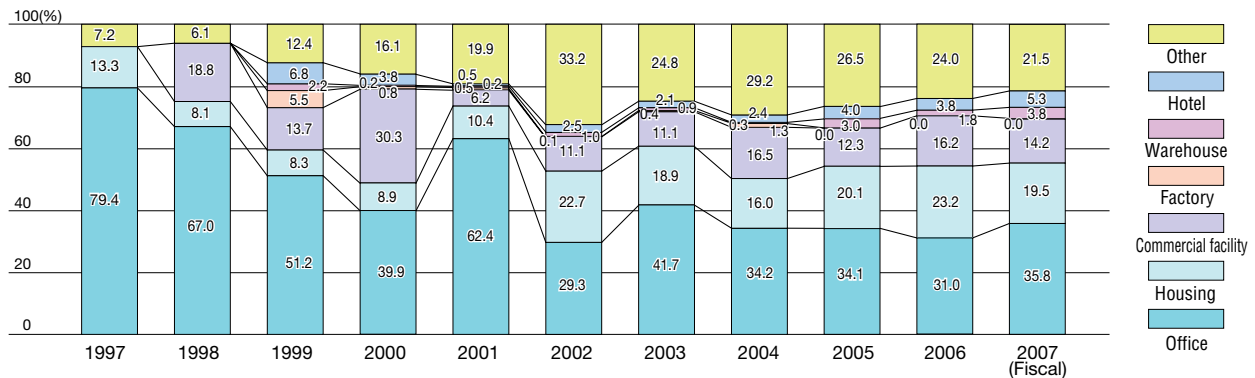
In addition, from the perspective of promoting proactive utilization of real estate syndication, the said act was revised in May 1997 to incorporate various deregulatory measures including removing restrictions concerning the period the business is executed and not applying regulations prohibiting monetary loans and intermediation of such when the participants are professional investors.

The Real Estate Syndication Act covers five types of contracts consisting of *nin-i kumiai*, *tokumei kumiai*, lease, contractual products based on foreign laws and products based on other governmental legislation. Of the 343 cases of syndication with cumulative offerings of 1,524.9 billion yen between implementation on April 1995 to March 2008, 321 cases with

Classification of Real Estate Securitization Products



Breakdown of Securitized Real Estate Assets by Usage



Source: Real Property Securitization in Japan issued by the Ministry of Land, Infrastructure, Transport and Tourism

Note 1: The following describes what is included in "Others." *Usage other than offices, housing, commercial facilities, plants, warehouses and hotels (parking lots, training facility, etc.)
*Subject real estate is used for multiple usages *That for multiple properties with differing usages

Note 2: Since fiscal 2001, the breakdown of securitization of the underlying property based on the SPC Law is unclear and so is not included.

Note 3: Preliminary figures are used for the breakdown in fiscal 2007.

1,483.3 billion yen in offerings used the tokumei kumiai method, which proves that performance grew centering on the tokumei kumiai method.

Businesses Related to REITs

(1) Investment Trust Managers Investment corporations must outsource not only the management of assets but also the custodianship of assets and general administrative duties to outside specialists. Investment trust managers are involved in efficiently managing the assets by making decisions and conducting practical work concerning acquiring the assets, transferring the assets, leasing the real estate, managing the real estate, etc.

(2) Asset Custodians

Asset custodians conduct the custodianship of investment corporation assets and do so in a manner separate from their own fixed assets. Regulations stipulate that trust companies, securities companies and other companies that can appropriately conduct the custodianship of assets such as real estate

may be asset custodians.

(3) General Administrative Affairs

A general administrative affairs company conducts work other than the asset management and custodianship of the investment corporation. Examples of its tasks include placing investment units and investment corporation bonds, changing titles of such, issuing such, administrative work related to paying distributions to investors, refunding investors and tax payments, etc.

Enforcement of Financial Instruments and Exchange Law

The Financial Instruments and Exchange Law (FIEL) was enforced on September 30, 2007. Inheriting the philosophy of the Securities and Exchange Law in the past, the FIEL newly stipulates, the promotion of the formation of fair prices for financial products, etc. through the functions of a completely fulfilled capital market, which indicates its clarified character as the law of market. In addition, in an aim to ensure effectiveness, various business regulations, behavior regulations, disclosure regulations and an internal control

system are required for financial instrument traders.

After implementation of the FIEL, financial instrument traders related to real estate business are divided into four groups: 1st grade financial instrument traders (*) that handle sales/soliciting/underwriting/brokerage/offering of highly liquid securities and OTC derivatives; 2nd grade financial instrument traders that conduct sales/soliciting/brokerage/handling of private offering/self-soliciting of less liquid securities (deemed securities) and market derivatives; investment managers that conduct asset management based on investment discretionary contracts; and investment advisors/agencies that provide investment advice based on investment advisory contracts, etc.

Purchase and sales of trust beneficiary rights of real estate fall under the permissible activities of 2nd grade financial instrument traders.

*Existing securities companies that sell/solicit/underwrite REIT subscription certificates, etc. fall under this category.

OVERVIEW OF MAJOR REAL ESTATE SECTORS

LEASING

The leasing of land and houses has a long history in Japan and the operation and management of leased housing is the root of the real estate business in Japan. It has been reported that influential individuals, facilitators, or intermediaries called by a variety of names formed this trade in the Edo Era. From around the middle of the Meiji era the trade began to be recognized as a business not just for individuals but on a corporate scale. In 1921, with the establishment of the Land Lease Law and Building Lease Law, a system of Lease Contracts was established that in fact guaranteed equality between the owner and renter.



History of Office Buildings

The history of office buildings in Japan began with the Mitsubishi Ichigokan completed in 1894. This was followed by the building of red brick Western style buildings at both ends of Babasakimon Road and thus the creation of the first Western style business avenue. In 1914, the Mitsubishi Nijyuichigokan full of modern facilities was completed and it marked the beginning of the dedicated building leasing business. The Marunouchi Building was completed in 1923 and the importance of the earthquake and fire resistant architecture symbolized by the Marunouchi Building began to be recognized after the Great Kanto Earthquake.

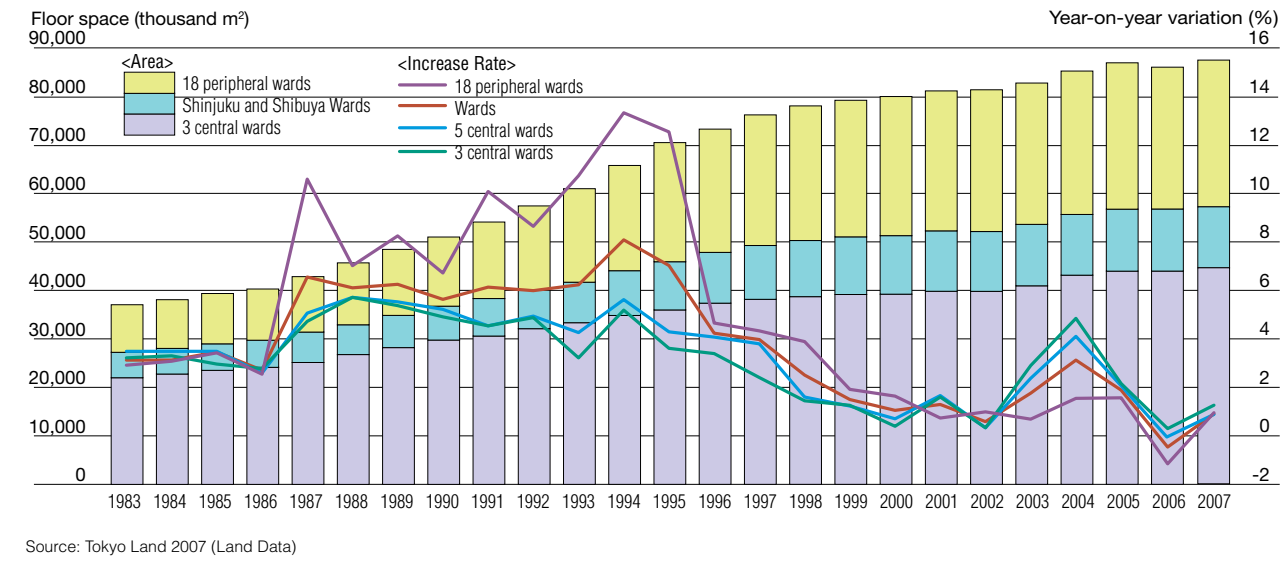
Although many rental buildings burned and were lost during the awful events of World War II (1941-1945), the full-fledged construction of rental buildings took off with the recovery beginning in 1950 after derequisition of the buildings remaining from the war and revision of the Rent Control Act. This was supported by the booming building demand resulting from the high growth period beginning in 1955 and the rental buildings market has remarkably been developed as a result of responding to such demand.

Overcome Post-Bubble Decline in the Market and 2003 Problem

After the burst of the economic bubble, the leasing office building market had kept facing severe conditions for a long time due to lowered rents stemming from economic stagnation and increasing rate of vacancy. However, the vacancy in five wards in central Tokyo was recovered from 7-8% level in 1993-1994 to 3-4% in 1999-2000. Among others, improvement tendency was found in newly-built large-scaled buildings that satisfy the conditions of what is called as close, new and large to meet the needs of IT-related companies and foreign-affiliated financial institutions to expand the rent area and to move into high specification buildings.

After that, the vacancy rate of the five wards in central Tokyo increased to 7-8% in 2002-2003 again due to bursting of the information technology bubble and the 2003 problem. In tandem with business recovery in major companies, however, the vacancy was

History of Office Floor Space in the Wards of Tokyo



Fixed Leasehold System

There is presently an extreme lack of large rental housing for families. This is because of the strong protection of living rights that traditionally existed for renters shifting the supply of rental housing to students and newlyweds which have a greater turnover. In response to the change in attitude from a focus on ownership to one of use, the market expects the supply of good rental housing for the family sector. It was based on this expectation that the fixed leasehold system was formed based on the Special Measures Law for Promoting the Supply of Good Rental Housing established in 2000. This system terminates the rental (lease) contract simultaneous to the expiration of the period designated in the original contract.

improved to around 3% in 2006-2007 and rents were raised in central Tokyo.

However, global recession triggered by the subprime loan problem in the U.S. has also had a severe impact on Japan's real economy since autumn 2008, which has caused concern on future demand for office buildings.

Spread of Asset Management and Property Management

The rental housing market boasts an increasing number of high-quality stock centering on major metropolitan areas and enjoys strong support of users.

The support for the supply of these high quality properties is the voracious investment appetite among funds centering on J-REITs. Therefore, recently asset management and property management have entrenched themselves centering on buildings and rental housing owned by funds. Property management is a business which maintains and manages real estate based on a commission received.

The business content is roughly divided into two categories. The first includes the creation of a management plan, setting of rent levels, and the solicitation of tenants and completion of rental contracts. The second is the maintenance of real estate facilities as well as management of the budget and

balance of payments. It is considered to be of utmost importance to integrate both businesses mentioned above to optimize profits realized through real estate.

Asset management represents the formation, management and maintenance of real estate and other assets based on a commission received, which means controlling risks and returns. In addition to appraisal of the value of assets, diversification of investment portfolios and investment targets as well as the setting of investment periods are also required. These businesses cover a lot of ground. For example, asset management of corporate real estate is involved not only in the selection and sale of investment real estate but also in other operations including the setting of rent to determine the profitability of real estate and the selection of tenants.

The rental housing market is shifting from public rental housing provided by public housing corporations to good quality rental housing provided by the private sector. In particular, the luxury rental housing market has entrenched itself as a strong market in central Tokyo.

Existing Issues: Polarization Phenomenon

From a long-term perspective, however, the rental market is facing a number of concerns. There are concerns over the shrinkage of

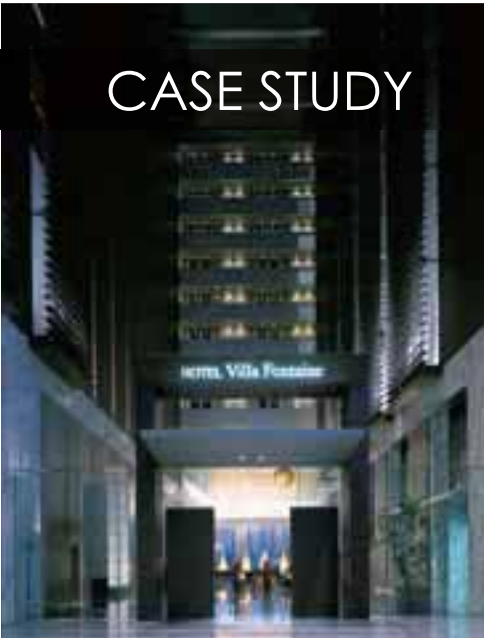
demand for offices triggered by a decrease in worker population and decrease in demand for rental housing itself due to even fewer children being born, etc. Moreover, the total number of houses in Japan already surpasses the present number of households but an increase in the vacancy ratio caused by successive provision of new properties has become a growing concern.

While offices, retail facilities and rental housing along with competitive properties with the latest facilities prove popular, older buildings with no competitiveness are suffering from greater vacancy periods and this polarization phenomenon which is evident in other markets has become conspicuous.

Players in the rental market must develop an ability to flexibly adapt to the market and discern the supply-demand balance by accurately watching the market to monitor the impact of fewer children, an older population, huge numbers of retirements of baby boomers and other changes in the business environment. The players must create products that have adapted to the diversification of needs among companies and general consumers.

Adaptive measures that will become more important include remodeling and renovations that raise market competitiveness as a means to raise asset values or conversions to form new markets.

CASE STUDY



Business Hotels

Recently there are many office building projects that are multi-use developments incorporating such functions as hotels and retail facilities. Hotels developed together in buildings with office functions are further enhancing the value of multi-use developments by providing services that are characteristic of hotels.

Hotel Villa Fontaine Shiodome

Hotel Villa Fontaine is a business hotel brand developed by Sumitomo Realty & Development, offering comfortable and high quality guest rooms at a reasonable price with high cost performance. Presently, there are 14 branches in Tokyo and 1 in Osaka.

The Hotel Villa Fontaine brand has hotels with different concepts. One of them is the standard grade hotel, characterized by larger room size and bed size compared to other business hotels, along with having free breakfast service. Another type is the high-grade hotels that have been opened in Shiodome (2004), Tokyo Mita (2006) and Roppongi (2007). These high-grade hotels are all located within Sumitomo Realty & Development's new monument office projects, designed with higher specs than standard grade hotels in line with the quality of its office projects.

Hotel Villa Fontaine Shiodome is a high-grade hotel that occupies the 1st to 10th floors of Shiodome Sumitomo Building. The hotel is located a mere 5-minute walk using the underground walkways from Shinbashi Station, and is centrally situated within Shiodome Sio-site, which is a redevelopment project of the former Japanese National Railways Shiodome Freight terminal. There is a broad array of shops and restaurants on the site, offering the hotel guests an excellent environment for both business and leisure.

The hotel enjoys near full occupancy with business use guests during weekdays, and leisure and sightseeing guests contribute to respectable occupancy levels on weekends. Recently, the number of foreign guests, both groups and individual travelers, has been increasing, and today about half of the guests of the hotel are from abroad.

Sumitomo Realty & Development, as one of the major developers in Japan, is known for its office building development projects. Sumitomo is also known for its multi-use development projects that adapt apartment and event hall functions with office space to match the site and the tenants' demands. The success of the high-grade type Hotel Villa Fontaine has added another unique function to Sumitomo's future multi-use development projects.

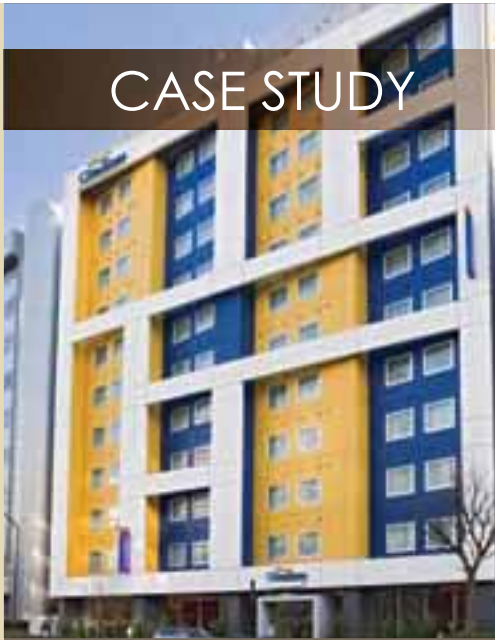
Sumitomo Realty & Development's knowledge gained with Hotel Villa Fontaine will be utilized in large-scale multi-use projects rather than simply as stand-alone hotels.



Property Overview

Name:	Hotel Villa Fontaine Shiodome
Location:	Higashi-shimbashi, Minato Ward, Tokyo
Site area:	10,077m ²
Total floor area:	99,913m ²
Structure:	27 floors above ground (3 basement floors; hotel occupying floors 1-10)
Developer:	Sumitomo Realty & Development
Completed:	July 2004

CASE STUDY



Hospitality and Service Apartments

Various types of properties are being provided in the rental housing market in response to changes in the business environment and diversification in customer needs. As a result, there has been an emergence of unique rental housing products such as service apartments.

Citadines Tokyo Shinjuku

Citadines Tokyo Shinjuku, a service apartment developed by Mitsubishi Estate in cooperation with Singapore's Ascott, opened on March 1, 2009. Even though the service apartment product is not well known in Japan, Mitsubishi Estate decided to team with Ascott and jointly develop this business because of the future potential it saw based on the needs of foreigners and other individuals on lengthy business trips. Ascott operates service apartments in 22 countries globally and is well known for its high quality operations.

Mitsubishi Estate and Ascott had previously developed the Somerset brand of service apartments, but Citadines Tokyo Shinjuku represents the first Citadines brand product in Japan. Ascott operates Citadines service apartments in more than 60 cities in 22 countries including European countries. Citadines is the French word for "urban resident," and it is a service apartment with the new concept of a high-level blending of the convenience of hotels and the feeling of privacy provided by apartments. In order to observe the standards of the global Citadines brand, Citadines Tokyo Shinjuku has realized global-standard quality by adhering to and exceeding extensive and detailed regulations.

This high quality enabled the facility to secure occupancy of more than 50% in its opening month despite the fact that the "name" recognition of service apartments is not yet widespread in Japan.

All 160 of the service apartment units are spacious studio units equipped with not just LCD TVs but also a kitchen with a full set of cooking utensils. In addition, they are also arranged to be usable for leisure in addition to business with the ability to connect two rooms into one unit.

Development of such a project requires that the location have excellent access to business districts, a site that enables the comfort of a residence to be maintained and a total floor area for the entire property of at least 1,000 tsubos. The partners are actively marketing the property both in Japan and overseas to lease it up, including taking reservations from the portal sites of travel companies that address hotel needs, approaching the corporate clients of Mitsubishi Estate and taking reservations from the website of Ascott. Mitsubishi Estate will continue to develop its service apartment business as part of its asset development business and is planning to open the Citadines Kyoto Karasuma-Gojo Project in March 2010. Mitsubishi Estate is planning to open around one service apartment a year and is examining opening them not only in the Tokyo metropolitan area but also in core regional cities.



Property Overview

Name:

Citadines Tokyo Shinjuku

Location:

Shinjuku, Shinjuku Ward, Tokyo

Site area:

901.25m²

Structure:

Reinforced concrete structure;
12 floors above ground (1 basement floor)

Guest rooms:

160

Room size:

25~31m²

Room types:

Studio Double, Studio Twin,
Studio Executive Double,
Studio Executive Twin and Studio Premier

Design:

KKS Group

Supervision:

Mitsubishi Jisho Sekkei, Inc.

Construction:

Kajima Corporation

LAND and HOUSING POLICIES

Year	Land Planning, City Planning, Architectural Regulations, etc.	Land and Housing Policy
1995	<p>Special Measures Law for Earthquake Disaster Prevention (special exceptions for land readjustment business in disaster areas, etc.); Revised City Planning Law (creation of a district planning system for town promotion); Revised Urban Redevelopment Law (improvement of implementation requirements for city redevelopment projects, etc.); Revised Building Standard Law (rationalization of FAR restrictions in accordance with the width of road in front, rationalization of road setback rules); City Park Law Enforcement Ordinance and Enforcement Rules Revisions (food provisions, earthquake resistant water tanks, broadcasting facilities and heliports which are part of city park facilities were added to the list of items subject to national subsidies); Promotion of the Earthquake Proof Act for Retrofit of Buildings.</p>	<p>Execution of emergency safety checks at affected buildings; Revision to the Large City Law (creation of projects to supply joint housing to city centers, deregulation of enforcement requirements for projects to improve housing districts); Law on Rebuilding, etc. Sectional Ownership Buildings in Disaster Areas (possible to ratify rebuilding with 80% or more of voting rights approving such in the event a property completely collapses in a major disaster); Establishment of Design Guidelines for Housing in an Aging Society (installing hand rails, eliminating different levels, etc.).</p>
1996	<p>Revision to the Law for the Improvement of the Areas along Trunk Roads (enhancing the roadside improvement planning system, transferring roadside improvement rights, etc.; added roadside district planning and district planning districts to the requirements for implementation districts and such of city area redevelopment projects).</p>	<p>7th Housing Construction 5-Year Plan (7.3 million houses, half of all houses, meet guidance living standards; Goal of average housing floor area of 100m²); Focused Emergency Plan for Reducing Housing Construction Costs (dramatic review of the Building Standard Law, smoothing the importing of housing, overseas materials and overseas components, etc.); Revision to the GHLC Law (strengthening policy guidance function by applying different interest rates according to housing structures when loaning to certain new houses).</p>
1997	<p>Act for Densely Inhabited Areas Improvement for Disaster Mitigation (creation of a system for planning the improvement area of disaster prevention districts and improvement associations for disaster prevention zones); Revision to the City Planning Law and Building Standard Law (creation of zones for attracting high rise housing and rationalization of FAR rules for condominiums and other joint housing); Creation of a type of sophisticated use zone for upgrading functions; Creation of a general design system by lot size; Creation of mini lot readjustments.</p>	<p>New General Land Policy Promotion Outline (proclaimed that the new objective of land policy would shift from suppressing land prices to efficient land use; Aim to invigorate land transactions); Revision to the GHLC Law (extended the preferential interest rate terms and repayment period for loans when buying certain existing housing); Bring transparency, simplicity and speed to procedure for approving use conversion for agricultural land.</p>
1998	<p>Revision to the City Planning Law (expansion of the area for which district plans can be established within urbanization adjustment districts, diversification of special use districts, etc.); Revision to the Building Standard Law (a. Establishing rules for the performance of building standards, b. Rationalization of rules concerning sunlight, etc., c. Opening of structure confirmation and inspection business to private sector, etc.); Revision to the City Redevelopment Law and Law on the Loaning of Urban Development Funds (expansion of cities subject to the establishment of city redevelopment policies, creation of a system for participants in special projects and creation of a system for certifying redevelopment projects); Law on Improvement and Vitalization in City Center (promotion of comprehensive and integrated measures based on the improvement of city areas and activating commerce utilizing the creativity of the area, in order to activate city centers that are hollowing out).</p>	<p>Law Promoting the Building of Superior Suburban Housing (promoting the building of superior houses in agricultural towns and suburbs); Revision to the Agricultural Land Law (transferred authority to approve change of agricultural land of 4ha or less to the governor); Revision to the National Land Law (transfer to a system for reporting after the fact and creation of emphasized districts); Emergency measures to expand housing investment.</p>

Year	Land and Housing Taxation	Real Estate Industry News
1995	<p><Revisions to counter the drop in land prices> Special extraordinary taxation standard for real property tax, etc.; Reduction of personal long-term transfer tax (39% to 32.5% for 40 million yen or less); Partial reduction of land value tax (Reduction in half of parking lots that must be attached, etc.).</p>	<p>Revision to the Building Lots and Buildings Transaction Law [a. Requirement of registration with information network organization certified property information of an exclusive broker contract; b. Clarification of legal standing of information network organizations and supervision by minister; c. Extension of valid license period (3 years to 5 years), Abolishment of certain reporting items; and d. Abolishment of testing qualifications for the testing of brokers, partial test exemption of individuals who have passed certain courses].</p>
1996	<p>Reduction of land value tax rate (0.3% to 0.15%); Enlargement of measure to adjust burden of real property tax; Reduction of personal long-term transfer tax (32.5% to 26% for 40 million yen or less; 39% to 32.5% for more than 40 million yen to 80 million yen or less); Reduction in focused corporate tax rate (very short period 30% to 15%), short period 20% to 10% and general 10% to 5%); Enlargement of special measure for taxation standard on land acquisition (registration license tax 50/100 to 40/100 and real estate acquisition tax 2/3 to 1/2).</p>	<p>Hold general meeting of International Real Estate Federation in Tokyo; Chairman Tsuboi of the Real Estate Companies Association of Japan suddenly passes away and Mitsui Fudosan President Junichiro Tanaka assumes the chairmanship.</p>
1997	<p>Reduction and deferment of burden from the perspective of balancing the burden standard of real property tax, etc.; <Revisions to reduce the burden when acquiring housing in line with the increase in consumption tax rate to 5%> Enlargement of housing acquisition promotion tax system and phased reduction in residing years (maximum of 1.8 million yen in 1997, 1.7 million yen in 1998, 1.6 million yen in 1999 and 1.5 million yen in 2000 and 2001); Halving of reduced tax rate for registration license tax related to housing buildings; Raise of special deduction of real estate acquisition tax for new housing (10 million yen to 12 million yen); Reduction of stamp tax.</p>	<p>Establish information network organizations (welfare corporations) nationwide; Revision to the Real Estate Syndication Act (when individuals with specialized knowledge or experience in investment are participating in the project, the application of regulations to protect general investors is exempted); Ministry of Construction issues its Real Estate Renovation Vision (future direction of the real estate industry and countering present issues including the promotion of IT and modernizing a transparent and fair investment market to meet the changes in the socio-economic structure); Building Lots and Buildings Transaction Business Law (extended the valid period of broker licenses from 3 to 5 years); The Real Estate Companies Association of Japan issues its 21st Century Vision and Corporate Code of Conduct; Sumitomo Realty & Development Chairman Shinichiro Takagi appointed chairman of the Japan Condominium Association.</p>
1998	<p>Suspension of land tax taxation; Reduction of personal long-term transfer taxation (26% for 60 million yen or less and 32.5% for more than 60 million yen); Elimination of weighted tax on very short-term ownership by corporations; Non-application of short-term and general ownership categories (through 2000); Abolishment of restrictions on including interests on loans when corporations acquire land as expenses; Creation of system for carrying forward deduction of capital losses on residential property; Application of measures to reduce real estate acquisition taxes and real property taxes on second homes.</p>	<p>Law on Securitization of Specified Assets by Special Purpose Companies (SPC Law).</p>

Year	Land Planning, City Planning, Architectural Regulations, etc.	Land and Housing Policy
1999	Revision to the Act concerning Lending of Urban Development Funds (smoothing the capital raising process; enhancing measures for efficiently using land with low use or non-use; improving and enhancing redevelopment methods); Promoting efficient use of former factory sites (circular from the City Bureau and Housing Bureau Chiefs).	Special Provisions Law concerning Promotion of the Supply of Good Quality Leased Housing (creation of fixed-term leasehold rights and enforcement in 2000); Housing Quality Assurance Law (requirement of 10 year warranty and enforcement in 2000).
2000	Revision to the City Planning Law and Building Standard Law (enhancing the master plan; reviewing the demarcation and development permit system; enhancing the system for securing a good environment; introducing the new system for re-adjusting existing city areas; introducing regulations for developing and building non-city planning districts; promoting transparency and citizen participation in the city planning and decision system, etc.); Law for the Recycling of Construction Materials (segregation and dismantlement of construction materials and such; recycling of specified constructions materials; fully enacted May 2002).	Law for Promoting Appropriate Condominium Management (condominium manager qualification system and condominium management company registration system; enforcement in 2001).
2001	Launching of Urban Renaissance Headquarters (led by the prime minister); Finalization of urban regeneration project (phases 1 through 3); Emergency measures for promoting city development investment by the private sector; Direction of emergency system reforms for urban renaissance; Report of the urban renaissance regeneration strategy team; Establishment of new city creation vision for Tokyo by Tokyo Metropolitan Government; Establishment of City Planning Operational Guidelines.	Law for Securing Dependable Residences of the Elderly (enforcement in 2001); Establishment of the Eighth Housing Construction 5-Year Plan; Decision to abolish the Government Housing Loan Corporation within five years; Abolish the Housing & Urban Development Corporation by fiscal 2003 and have a new independent administrative corporation established to succeed a portion of the original functions.
2002	Creation of the Special Measures Act for Urban Renaissance; Designation of the urban renaissance emergency improvement district (total of 44 districts in phases 1 and 2 totaling about 5,700ha); Revision to the Urban Redevelopment Law (conferral of enforcement function for private condemnation, etc.); Revision to the Building Standard Law and City Planning Law (maximum FAR to 1,300%, city planning proposal system, speeding up of general design procedure, etc.); Abolishment of the Industry (factory) Restrictions Law; Deregulation of the environmental impact assessment ordinance procedure (Tokyo); Flexibility in obligation to provide parking spaces (Tokyo); Finalization of Urban Renaissance Project (phase 4).	Passage of the Soil Contamination Countermeasures Law; Establishment of Law for Smoothing Condominium Reconstruction and revision to Sectional Ownership Law.
2003	Finalization of Urban Renaissance Project (phases 5 and 6); Designation of urban renaissance emergency improvement districts (phase 3); <Total of 53 districts in phases 1 to 3>; Start of operations by city regeneration fund investment corporation.	Launch of securitization support business by Government Housing Loan Corporation (acquisition type).
2004	Finalization of Urban Renaissance Projects (phases 7 and 8); Enhancement of community regeneration measures and town creation subsidies; Establishment of three landscaping and greenery laws including the Landscape Law.	Revision to Condominium Management Rules; Partial enforcement of the Personal Information Protection Law; Launch of the securitization support business by the Government Housing Finance Corporation (warranty type).

Reference materials: "50 Year History of the Construction Ministry," "40 Year History of the Government Housing Loan Corporation" and "Japanese Land: Its History and Present Circumstances" (edited by the Land Institute of Japan), etc.
 (Note) The occurrences in each year are not in order and the transfer tax rate for individuals includes the residential tax rate.

Year	Land and Housing Taxation	Real Estate Industry News
1999	Creation of new housing loan deduction system (deduction period of 15 years, etc.); Enhancement of system for carrying forward deduction of capital losses for residential property; Improvement of special exception to cash gift for acquiring housing; Reduction in tax rate on personal long-term ownership transfer income tax (uniform 26%); Improvement in special measure for registration and license tax; Enhancement of special measures for real estate acquisition tax related to the house and its lot.	Launch of the Housing & Urban Development Corporation; Real estate monetization and securitization; Taking off of Internet transactions.
2000	Half-year extension of the housing loan deduction system (up to taking up residence in June 2001); Improvement in floor area requirements of special real property tax measures for new housing and two year extension of application period; Phased reduction of real property tax on land (75% in fiscal 2000 and 2001 and 70% in fiscal 2002); Three year extension of special measures on land transaction tax (1/3 for registration license tax and 1/2 for real estate acquisition tax).	Growing popularity of large and tower condominiums; Start of real estate investment trusts; Creation of the investment consultant registration system; JICPA issues the "Audit Handling of Judgment on Decision to Forcefully Reduce Valuation of For-Sale Real Estate"; Integration of the Japan Home Builders Association and the Housing Industry Development Association to form the Jukyoren.
2001	Creation of new housing loan deduction system (deduction rate of 1%; borrowing limit of 50 million yen; deduction period of 10 years); Enhancement of donation tax on house acquisition funds (tax exempt limit of 5.5 million yen); Creation of rental housing supply promotion tax for elderly housing (5 years and 40% premium depreciation); Three year extension of the special taxation on transfer income of personal general long-term ownership (26% (20% income tax and 6% residential tax)); Enhancement of collection grace period system for special land ownership tax; Creation of measures to reduce transaction taxes on real estate securitization (SPC and investment corporation); Reduction in capital gains tax on listed real estate investment securities for individuals.	Integration of the Real Estate Companies Association and the Japan Condominium Association with Junichiro Takagi serving as chairman (chairman of the Real Estate Companies Association); Universal Studios Japan (Osaka City) and DisneySea (Urayasu City) open; Real estate investment trusts are listed.
2002	Reduction in registration license tax on sale of existing buildings (25/1000); Expansion of collection grace period measures for special land holding tax (allow change to exempted land and transfer); Abolish maximum tax rate of 39% for tax on personal general long-term ownership transfer income (taxation suspended).	Rebuilt Marunouchi Building opens; caretta shiodome, the first wave of Shiodome's redevelopment opens.
2003	Reduction in registration and license tax rate (sale, etc. 10/1000); Suspension of levying of special land holding ownership tax (ownership and acquisition on or after January 1, 2003); Creation of settlement taxation system at time of inheritance; Abolishment of business office tax (new or expanded portion); Creation of urban renaissance promotion tax system.	Shinichiro Takagi becomes chairman of the Real Estate Companies Association (chairman of Sumitomo Land and Realty); Roppongi Hills opens.
2004	Creation of measures to reduce ordinance concerning real property tax and city planning tax of commercial property, etc.; Rebuilding of taxation system for capital gains from personal land transfers; Extension of suspension period for application of taxation system on land transfers by companies; Extension of system for reducing home loan taxation (phased contraction through 2008).	Construction completed on COREDO Nihonbashi and Marunouchi OAZO; Growth in housing loans issued by private financial institutions; Repeated release of skyscraper condominiums and progression of population's return to residing in city centers.

Year	Land Planning, City Planning, Architectural Regulations, etc.	Land and Housing Policy
2005	Toward activation of urban areas in local regions, discussion on review of three urban development laws began to intensify.	<p>The Government Housing Loan Corporation, which engaged in direct financing utilizing the government fund, was abolished and instead, the Japan Housing Finance Agency, an independent administrative institution, was established to support and supplement loans for the housing fund.</p> <p>Kubota Corporation, a machinery manufacturer, announced to the public that employees working at Kubota's factory had been suffering health problems caused by asbestos. Based on the fact that a lot of asbestos is used for architectural and other materials, anxiety about health in relation to asbestos has spread to the general public.</p>
2006	<p>In the wake of the quake-resistance data falsification scandal, the Law to Revise Portions of the Building Standard Law, etc. to Secure Safety of Buildings was enacted.</p> <p>Three urban development laws were enacted.</p>	Basic Act for Housing was enacted.
2007	<p>The Law to Revise Portions of the Urban Rejuvenation Law was enacted.</p> <p>Law to Secure Execution of Defect Liability for Specific Housing was enacted.</p>	Japan Housing Finance Agency was inaugurated.
2008	National Sustainability Plan (national plan) was approved by a Cabinet meeting.	Emergency Measures for Activation of Housing/Real Estate Market were announced.

Year	Land and Housing Taxation	Real Estate Industry News
2005	<p>Extension of the scope to apply various preferential measures for taxation related to existing homes (mortgage tax reduction system; preferential measure for replacement of residential properties; preferential measure for taxation system to make adjustments upon inheritance in relation to funds to buy housing, etc.); reduction of tax rate of registration and license tax for ownership retention registration of residential houses; preferential measure for tax base of real estate acquisition tax in relation to existing homes); Extension and enhancement of urban renaissance promotion taxation system; Review of system to postpone collection of special landholding tax; Required taxation measure in relation to term leasehold interest (clarification of handling of lump-sum payments)</p>	<p>Hikomichi Iwasa (President of Mitsui Fudosan) was inaugurated as the president of the Real Estate Companies Association of Japan. The Tsukuba Express connecting Akihabara and Tsukuba in 45 minutes was opened in August. Trust in safety of buildings was shaken since the quake-resistance data falsification scandal was discovered and inadequacy of checking functions through construction confirmation was revealed. The Akihabara Dai Building, Mitsui Tower and other buildings were completed. Vacancy rates in central Tokyo improved.</p>
2006	<p>Reduction and extension of preferential measures for land and building-related transaction tax (registration and license tax, real estate acquisition tax); Extension of regulation reduced-payment measures for fixed asset tax, etc. of business districts, etc.; Extension and abolishment of preferential measures in relation to housing acquisition fund donations; Foundation of taxation system to promote quake-resistance renovation of existing homes; Extension of preferential measures for real estate acquisition tax in relation to housing and residential land</p>	<p>Prefectural land price research revealed that the prices of both residential land and commercial land in three major metropolitan areas rose for the first time in sixteen years. The number of listed REITs reached forty in December and the aggregate market value increased to about 5 trillion yen.</p>
2007	<p>Extension of preferential measures for replacement of business property, shifting from land for long-term ownership, etc. to land and building, etc.; Extension, etc. of preferential measures for taxation in relation to city and area rejuvenation business; Securing effect of reduction of housing loan tax for residents moving into property in 2007 and 2008 in association with transfer of tax sources to individual residential tax; Extension of preferential measures of aggregation of profit and loss as well as the carrying forward of transfer loss accompanied by replacement of residential properties; Extension of reduced tax rate for registration and license tax of housing and preferential measures to reduce stamp tax for written contracts for sale of real estate, etc.; Extension of special reduction of 15 million yen in relation to special housing development business, etc.</p>	<p>Financial Instruments and Exchanges Law was enacted. Tokyo Midtown, Shin-Marunouchi Building, Kasumigaseki Common Gate and other buildings were completed.</p>
2008	<p>Extension, etc. of special measures for registration license tax of land; Foundation of special measures for real estate acquisition tax in relation to non-residential housing; Extension of special measures for cash gift for acquiring housing under the settlement taxation system at time of inheritance; Extension of real estate acquisition tax in relation to acquisition of housing and housing land; Foundation of special measures concerning long-term excellent houses; Foundation of tax system to promote energy saving remodeling of housing (income tax and fixed asset tax)</p>	<p>Law for Prevention of Transfer of Criminal Proceeds was enacted. Real estate companies went under in succession.</p>

Movement to Revise the Building Standards Law to Secure Safety of Buildings

The incidents involving the falsification of earthquake resistance data became public with the announcement of the Ministry of Land, Infrastructure, Transport and Tourism on November 17, 2005. The whole incident began with a first class architect falsifying the earthquake resistance strength in the structural calculation sheets required for the construction confirmation inspections and it eventually developed into a huge incident that shook the foundations of the reliability of the housing and real estate industries.

The Ministry is conducting the following to prevent recurrence: working to secure safety of structures through a drastic review of the overall construction confirmation system and also proceeding with revisions to related laws focused on preventing the recurrence of the falsification of earthquake resistance information and securing the safety of consumers.

Essentials of Legal Revisions in Response to Falsifying Earthquake Resistance Data				
Revised Law	Law Name	Promulgation Date	Execution Date	Essentials
Law to Revise Portions of the Building Standard Law, etc. to Secure Safety of Buildings	Building Standard Law	June 21, 2006	June 20, 2007	<ul style="list-style-type: none"> *Requiring structural design reviews (peer checks) for buildings with a certain height or greater *Requiring of an intermediate inspection for apartments three stories or taller *Extended the construction confirmation period from 21 days or less to 35 days or less and to up to 70 days or less for buildings with complex structural calculations *Total adherence to information disclosure by designated confirmation inspection agencies *Reinforced the designation requirements for designated confirmation inspection agencies including liability capability and human resources level, reinforced the instructional and supervision areas including giving specific governmental administrative bodies the right to conduct on-site inspections, and optimizing the designated confirmation work *Strengthening the penalties for violations of material factual regulations on earthquake resistance standards, etc.
	Architects' Law	June 21, 2006	June 20, 2007	<ul style="list-style-type: none"> *When an architect confirms the safety of a building through structural calculations, the architect is required to confer the certificate on the client. The architect is forbidden from lending his name to a non-architect. *When a certificate is issued without confirming the safety of the structure using structural calculations, the penalties have been strengthened for when an architect has another architect or non-architect use his name
	Construction Business Act	June 21, 2006	December 20, 2006	<ul style="list-style-type: none"> *The conclusion of a contracting agreement for construction must have its details entered in writing.
	Building Lots and Buildings Transaction Law	June 21, 2006	June 20, 2007	<ul style="list-style-type: none"> *In regards to the explanation of material matters, whether or not the seller has subscribed to insurance regarding the execution of defect collateral liability of the seller for housing prior to the conclusion of the contract has been made a legal obligation. *In the case of items that can impact purchasing decisions in real estate transactions, punishment has been strengthened for willful neglect to confer facts and misrepresentation of material items
Law to Revise Portions of the Architects' Law	Architects' Law	December 20, 2006	Within 2 years from the promulgation date	<ul style="list-style-type: none"> *New formation of the category of structural design first class architect *Architects, etc. working at architectural offices will be required to take courses registered with the Minister of Land, Infrastructure, Transport and Tourism and revision to the qualifications for taking certification tests in various areas such as people taking the architects' test being required to have graduated from college and to have taken and passed certain architectural courses while in college
	Building Standard Law	December 20, 2006	June 20, 2007	<ul style="list-style-type: none"> *Requiring legal compliance checks by structural design first class architects and equipment design first class architects in the case of certain structures
	Construction Business Act	December 23, 2006	Within 2 years from the promulgation date	<ul style="list-style-type: none"> *Total subcontracting of for-sale condominiums and other projects where the client and end users differ to be prohibited *Construction requiring management engineers that are recipients of qualification certificates to be assigned to the site expanded to include material private construction on schools, hospitals, etc.
Law to Secure Execution of Defect Liability for Specific Housing		May 30, 2007	April 1, 2008, October 1, 2009*	<ul style="list-style-type: none"> *Requiring measures to secure monetary capacity utilizing the schemes of insurance and deposition in order to secure seller of houses, to execute defect liability *Designation of housing defect liability insurance corporation *Development of house-related dispute settlement system pertaining to insurance policy *The stipulations concerning the designation of the housing defect liability insurance corporation and the development of a special dispute settlement system will be executed on April 1, 2008 and the stipulations concerning requiring measures to secure monetary capacity in an aim to implement defect liability for sellers of newly-built houses will be executed on October 1, 2009.

Transformation from the Government Housing Loan Corporation of Japan to the Japan Housing Finance Agency

The 162nd ordinary session of the Diet passed the Housing Finance Support Agency Law and issued it in July 2005. The Government Housing Loan Corporation will be abolished on April 1, 2007 based on this law and its rights and obligations will be succeeded by the Housing Finance Support Agency that is to be established. The main business of the Agency is securitization support services to support provision of home mortgage loans with long-term fixed interest rates by private financial institutions. Additionally, the Agency addresses housing loan insurance to promote smooth provision of private housing loans, provision of information related to housing, and loan business that is important in terms of policy but cannot be readily handled by private financial institutions. In regard to direct financing, the direct financing of housing funds is being abolished in principle and thus the Agency conducts financing that is important in terms of policy but cannot be readily handled by private financial institutions, which include disaster restoration housing loans, financing for reconstruction in crowded city blocks, and financing for rental housing for families raising children and/or caring for elderly.

[Flat 35] S (High quality housing acquisition support system)

Special measure for borrowing rate of interest is taken, when applicants for [Flat 35] acquires high-quality housing that satisfies one of the following standards: "energy-saving standard," "barrier-free standard," "earthquake-resistance standard" and "durability/variability standard."

[Flat 35] S (Resale housing type)

Special measure for borrowing rate of interest is taken, when acquiring resale housing equipped with specified performance concerning energy-saving standard and barrier-free standard (including cases where renovations that satisfy the standards are to be conducted after acquisition).

(The system has been improved starting from January 5, 2009, as a part of "Measures to Counter Difficulties in People's Daily Lives (announced by a joint meeting of the Government and Ruling Parties Council on New Economic Countermeasures and the Ministerial Meeting on Economic Measures on October 30, 2008)" and "Emergency Measures for Activation of the Housing/Real Estate Market (announced by the Ministry of Land, Infrastructure, Transport and Tourism on December 15, 2008)")

Overview of Present Land and Housing Taxation (Fiscal 2008)

	Personal	Corporation
Acquisition (inheritance)	<ul style="list-style-type: none"> Income tax (national tax) Housing loan deduction system: An amount calculated from the year-end balance of a home loan (ceiling of 20 million yen) is a deduction based on selecting either deducted for ten years from the income tax amount / (deduction amount: 1% for 1st-6th years and 0.5% for 7th-10th years); or deducted for fifteen years from the income tax amount/(deduction amount: 0.6% for 1st-10th years and 0.4% for 11th-15th years); this applies to individuals who take up residence through the end of December 2008 Capital losses from exchange of residential property are deducted from income for three years. (covers transfers through the end of December 2009) Real estate acquisition tax (municipal tax): 3% of real property assessment amount on real estate or land purchasers (limited measure through March 2009) and extension prolonging of special measure on residential land taxation standard (1/2; limited measure through the end of March 2009) (*there are special reductions for the acquisition of certain houses and lots). Stamp tax (national tax): Taxation in accordance with contract amount on the preparation, etc. of sales contract. Registration and license tax (national tax): Taxation of 1% of the real property assessment amount when registering change of ownership due to sales or purchase of land (limited measure through the end of March 2008) (*special reduction measures exist for certain houses**). Inheritance tax (national tax): Taxation of 10-50% depending on the inheritance tax assessment amount. As for the tax exempt limit of 25 million yen related to the integrated inheritance and donation tax systems, this has been expanded to 35 million yen as a special measure related to house purchasing funds and the age requirement of the party making the donation was removed (65 or older; limited measure through the end of 2009) 	
Ownership	<ul style="list-style-type: none"> Fixed assets tax (local tax): Annual tax of 1.4% of the real property assessment amount levied on owners of land and buildings (there are certain measures for adjusting the burden). City planning tax (local tax): Annual tax of 0.3% of the valuation amount of fixed assets that is levied on land and building owners in city districts (same as above). Land value tax (national tax): Annual tax of 0.15% on valuation amount under inheritance tax law levied on landowners and leaseholders. [*Application has been suspended for the time being (from 1998)]. 	
Transfer	<ul style="list-style-type: none"> Income tax (national tax and capital gains) Personal residents tax (local tax and capital gains) General transfer after long-term ownership: Uniform tax rate of 20% on capital gains of land owned for more than 5 years (income tax 15% + residents tax 5%). Superior transfer after long-term ownership: The following applies to capital gains on specific land owned for more than five years. 14% on the portion 20 million yen or less (income tax 10% + residents tax 4%) 20% on the portion more than 20 million yen (income tax 15% + residents tax 5%) [*Special measure through the end of March 2009] Transfer of residential property: After subtracting the special deduction of 30 million yen on capital gains from residential land and buildings owned for more than 10 years; 14% on the portion 60 million yen or less (income tax 10% + residents tax 4%); 20% on the portion more than 60 million yen (income tax 15% + residents tax 5%) 	<ul style="list-style-type: none"> Corporation tax (national tax): Only corporation tax regardless of possession period [*Special measure through the end of December 2008] Corporate inhabitants tax (municipal tax) Corporate enterprise tax (municipal tax) <p>Short-term transfer: 39% of capital gains on capital gains from land owned for 5 years or less (income tax 30% + residents tax 9%). However, 20% for transfers to the State, etc. (income tax 15% + residents tax 5%)</p>

In relation to the special measures mentioned in the above table, the following revisions are anticipated regarding the land and housing tax system in the 2009 tax revisions.

I. Activation of Housing Investment and Improvement of Housing Standard

1. Extension, improvement, etc. of Mortgage Tax Reduction System

(1) The applicable period of mortgage tax reductions (December 31, 2008) will be extended five years and the deduction periods, etc. will be as follows (income tax).

Occupancy Year	Deduction Period	Limited Amount of Outstanding of Housing Loan Payable, etc. at Year-end	Deduction Rate	Maximum Amount of Deduction
2009	10 years	50 million yen	1.0%	5 million yen
2010	10 years	50 million yen	1.0%	5 million yen
2011	10 years	40 million yen	1.0%	4 million yen
2012	10 years	30 million yen	1.0%	3 million yen
2013	10 years	20 million yen	1.0%	2 million yen

(2) Relaxation of applicable requirements for mortgage tax reductions (requirements for one's own residence).

(3) Foundation of special measures for individual inhabitants tax with mortgage tax reductions.

2. Foundation of special measures regarding long-term high-quality housing (what is called 200-year housing)

(1) Foundation of tax break on housing loans in relation to long-term high-quality housing

(a) The following indicates the deduction period, etc. when acquiring a newly-built house or certified long-term high-quality house that has not been used after construction to be used as residence, which is a house falling under the category of the certified long-term high-quality houses stipulated in the Law Concerning Promotion of Spread of Long-term High-quality Housing and fulfills certain conditions, during the period between 2009 and 2013 (income tax).

(b) Foundation of special measures for individual inhabitants tax with mortgage tax reductions.

Occupancy Year	Deduction Period	Limited Amount of Outstanding of Housing Loan Payable, etc. at Year-end	Deduction Rate	Maximum Amount of Deduction
2009	10 years	50 million yen	1.2%	6 million yen
2010	10 years	50 million yen	1.2%	6 million yen
2011	10 years	50 million yen	1.2%	6 million yen
2012	10 years	40 million yen	1.0%	4 million yen
2013	10 years	30 million yen	1.0%	3 million yen

(2) Foundation of tax deduction on investment into long-term high-quality housing

- Five-year extension and improvement of taxation system to promote earthquake-resistance renovation of existing homes
- Foundation of special deduction of income tax amount when conducting barrier-free renovation and energy-saving renovation of existing homes
- Five-year extension of taxation system to promote energy-saving renovation and taxation system to promote barrier-free renovation of existing homes
- Two-year extension of the reduced tax rate for registration and license tax of housing and special measures to reduce stamp tax for written contracts for sale of real estate, etc.

II. Activation of Land Transactions and Promotion of Urban and Regional Redevelopment

- Three-year extension of special measures for replacement of business property, shifting from land for long-term ownership, etc. to land and buildings, etc.
- No-change in registration and license tax rate concerning sales, etc. of land (the tax rate will remain 1% in fiscal 2009 and fiscal 2010 without change)
- Foundation of special measures to intensively boost demand for land during the period for economic recovery

(1) Foundation of the special system to deduct 10 million yen from long-term ownership transfer income of land, etc. acquired in 2009 and 2010 (a) When an individual transfers land, etc. in Japan that was acquired during the period from January 1, 2009 to December 31, 2010 and owned for more than five years as of January 1 of the concerned year, 10 million yen will be deducted from the amount of income gained through the concerned transfer (the amount of the concerned income gained through the concerned transfer, when the amount of the concerned income is less than 10 million yen). (b) The special deduction described in above (a) will also apply to the case of corporations.

(2) In the cases where a company to which special measure taxation was offered when it initially acquired land, etc. in 2009 and 2010 acquires land, etc. in Japan within the period between January 1, 2009 and December 31, 2010, and submitted the notification form to notify that it will become eligible for this special measure taxation by the submission deadline of the final return for the business year in which the acquisition date falls, when the company sells other land, etc. it owns within ten years after the date of completion of the business year in which the acquisition date falls, reduced value entry shall be available concerning land, etc. that was initially acquired. In this case, the ceiling shall be the amount equivalent to 80% of the gain from the sale of the other land, etc. (the amount equivalent to 60% if the initially acquired land, etc. was acquired during the period from January 1, 2010 to December 31, 2010). (Note) When land, etc. is inventory asset, it will not be subject to this special measure as in the case of special measures in other taxation.

- Two-year extension, etc. of special measures for taxation regarding city and area rejuvenation projects
- Three-year extension of the special measures for real estate acquisition tax regarding land and housing
- Two-year extension of exceptions for real estate acquisition tax regarding real estate that J-REITs and SPCs acquire
- Three-year extension, etc. of regulation reduced-payment measures for fixed asset tax, etc. in relation to business districts, etc.
- Five-year extension of the special measures for reduced tax rates for an individual's income gained through transfer of long-term high-quality property
- Five-year extension of the suspension period taxation on land transfer income by companies, etc.
- Three-year extension of the special deduction of 15 million yen for special private companies engaged in residential land development, etc.
- Two-year extension of special measures for various taxation system concerning private companies engaged in urban development, etc.
- Foundation of tax-exempt measures for real estate acquisition tax upon completion of trust when inheritance, etc. occurs to a consignor and beneficiary during the trust period when inheritance, etc. occurs to a consignor and beneficiary during the trust period

Addressing the Global Environmental Problem

The year 2008 marked the year in which the first phase of pledges began under the Kyoto Protocol, as well as the year in which the G8 Toyako Summit was held in Japan. Thus, the year could almost be coined the First Year of the Environmental Era. The members of the Toyako Summit voiced that “the countries of the world will share the objective of halving greenhouse gas emissions throughout the world by the year 2050.” Japan, as the chair of the summit, is expected to take a central role in seeking to achieve this long-term objective. It is now essential for bodies at all levels – the world, individual countries, local governments, companies and the people – to concretely address the global warming problem.

How Japan is Addressing the Problem

In Japan, there has been consistent progress in specifically addressing the environment over time. These efforts began with the Global Warming Prevention Plan established by the Ministry of Land, Infrastructure, Transport and Tourism (then Ministry of Construction) in 1990 and continued with the Basic Environment Law in November 1993, the Global Warming Countermeasure Promotion Law in 1998, and the Green Purchasing Law and the Basic Law for Establishing the Recycle-based Society in 2000.

Moreover, the proposed revision to the Law Concerning the Rational Use of Energy (Energy Conservation Law) was passed in May 2008. Many different levels of the government, not only at the national level but also prefectural and local government bodies, are steadily examining a variety of environmental measures.

In the construction and real estate industry, the Organization for Economic Co-operation and Development (OECD) launched the Sustainable Building Program in 1997, and the Institute for Building Environment and Energy Conservation (IBEC) launched the Certification Standard for Environment Symbiotic Housing and began the certification system in 1998. In 1999, the Next Generation Energy Conservation Standard was established. Furthermore, in June 2000, five construction and building related bodies established the Global Environment Construction Charter and pledged measures to address the five targets of “long life, symbiosis with nature, energy conservation, resource conservation and circulation and succession.” Industry measures for preventing global warming began to be active and implemented on a full scale with the Ministry of Land, Infrastructure, Transport and Tourism’s establishment in 2001 of the Comprehensive Assessment System for Building Environmental Efficiency (CASBEE), a standard for generally assessing environmental measures, and the full enforcement of the Construction Recycling Law in 2002.

Voluntary Environmental Action Plan for the Real Estate Industry

The Real Estate Companies Association of Japan has been proactively working to reduce CO₂ emissions in the real estate industry since 1997 when it first established the Voluntary Environmental Action Plan for the Real Estate Industry.

The Plan was repeatedly revised since it was first established and the Association published the fifth edition of the Voluntary Environmental Action Plan for the Real Estate Industry in March 2008. The Plan indicated the basic awareness that the “co-existence of the economy and environment” is vital, and that urban and rural revitalization that improve international competitiveness and a supply of quality housing in which true of uence can be felt and experienced are indispensable for achieving the sustainable growth of Japan. Based on this position, the Association established the first concrete numerical targets for the energy conservation performance of new office buildings and established the primary energy consumption unit target for buildings used by one’s own company as 5% less than 1990. The Plan also established details on an array of countermeasures possible during development and presented various advanced cases of measures. The Plan also presented proactive measures for preventing global warming when buildings are being operated. These include collaborating with tenants and

members of other industries and utilizing the latest knowledge and technologies.

The Association plans to conduct measures for suppressing the environmental burden in the medium to long term and to examine their effects. These measures include the continuous preparation and accumulation of energy consumption data for buildings, reinforcing collaboration among related parties, cooperating with the establishment of common guidelines for the building industry and examining proactive and effective application methods and methods for developing real estate in a manner that is symbiotic, or co-existent, with the environment.

Of these, the Japan Building Owners and Managers Association established the Operation and Management Guidelines for Office Buildings in June 2008 as the common environmental guidelines for the building industry. With the integration of these Guidelines and the aforementioned Plan of the Association, the industry assumed the role of firmly defining industry targets as well as the specific operational and improvement measures for achieving these targets. Presently, the foundation for supporting promotion of the environment in office buildings has been established and the measures of each company are taking shape and moving forward.

Eco-Guide on Residences

The Association is also planning to establish a new Voluntary Action Plan for the Environment for new for-sale condominiums during fiscal 2008. In line with this, the operations and home-oriented sectors of the real estate industry plan to play an even more central role in reducing CO₂ over the medium to long term towards the prevention of global warming through further collaboration with the tenants of office buildings and customers who are buying condominiums.

There will also be a need for the Japanese government to proactively establish specific incentives and a new legal system for promoting the adoption of environmental measures among private companies. It is essential not only for industry, government and academia to proactively work from their respective positions towards this goal, but it is also vital for these three segments to work together and establish a vision worthy of the new era that promotes both the economy and the environment while grasping the changes in the era and deepening the linkage and collaboration of their knowledge.

The fifth edition of the Voluntary Action Plan for the Environment of the Association is available for perusal on our website (http://www.fdk.or.jp/k_environment/pdf/assess5.pdf).

Key Categories of the Association’s Environmental Action Targets

1. Reduction of CO₂ Emissions by the Real Estate Industry

A. Content of targets and action that the industry will tackle voluntarily and centrally

- 1) Reducing CO₂ emissions at the design stage of buildings and other facilities
- 2) Reducing CO₂ emissions related to spatial development
- 3) Reducing CO₂ emissions in buildings used by one’s company

B. Content of targets and action that the industry will take in collaboration with related parties

- 1) Promoting the suppression of CO₂ emissions related to the use of buildings and other facilities
- 2) Reducing CO₂ emissions related to development, construction and disposal

2. Reducing Waste Disposal Levels of the Real Estate Industry

A. Content of targets and action that the industry will tackle voluntarily and centrally

B. Content of targets and action that the industry will take in collaboration with related parties, etc.

*Please see the website of the Real Estate Companies Association of Japan for details on each category, numerical targets and other information (http://www.fdk.or.jp/k_environment/pdf/assess5.pdf).

REAL ESTATE RELATED DATA

Land Use

History and Status of Land Use in Japan

(unit: 10,000ha, %)

Land Category Year Category	National						Three Major Metropolitan Areas						Local Areas					
	1985	2002	2003	2004	2005	2006	1985	2002	2003	2004	2005	2006	1985	2002	2003	2004	2005	2006
1. Agricultural land	548	484	482	481	478	476	73	62	62	62	61	61	476	422	420	420	417	415
Farmland	(14.5)	(12.8)	(12.8)	(12.7)	(12.6)	(12.6)	(13.6)	(11.5)	(11.5)	(11.5)	(11.4)	(11.4)	(14.7)	(13.0)	(13.0)	(13.0)	(12.9)	(12.8)
Pasture and mowing	538	477	474	473	470	468	72	61	62	61	61	61	466	415	413	412	409	407
	(14.2)	(12.6)	(12.6)	(12.5)	(12.4)	(12.4)	(13.4)	(11.4)	(11.4)	(11.4)	(11.4)	(11.4)	(14.4)	(12.8)	(12.8)	(12.7)	(12.6)	(12.6)
	10	7	8	8	8	8	0	0	0	0	0	0	10	7	7	7	8	8
	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
2. Forest	2,530	2,510	2,509	2,509	2,510	2,509	323	316	316	316	316	316	2,207	2,194	2,193	2,193	2,194	2,193
	(67.0)	(66.4)	(66.4)	(66.4)	(66.4)	(66.4)	(60.3)	(58.8)	(58.8)	(58.8)	(58.8)	(58.8)	(68.1)	(67.7)	(67.7)	(67.6)	(67.7)	(67.6)
3. Wild fields	31	26	26	27	28	28	1	1	1	1	1	0	30	26	25	26	27	27
	(0.8)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.0)	(0.9)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)
4. Bodies of water	130	135	134	133	134	135	18	19	19	19	19	19	112	116	115	114	115	116
	(3.4)	(3.6)	(3.6)	(3.5)	(3.5)	(3.6)	(3.4)	(3.5)	(3.5)	(3.5)	(3.5)	(3.5)	(3.5)	(3.6)	(3.6)	(3.5)	(3.5)	(3.6)
5. Roads	107	130	131	131	132	133	23	27	27	27	27	28	84	103	104	104	105	105
	(2.8)	(3.4)	(3.4)	(3.5)	(3.5)	(3.5)	(4.3)	(5.0)	(5.0)	(5.0)	(5.0)	(5.2)	(2.6)	(3.2)	(3.2)	(3.2)	(3.2)	(3.2)
6. Residential land	151	181	182	183	185	185	52	60	60	31	61	61	99	121	121	122	124	124
Housing lots	(4.0)	(4.8)	(4.8)	(4.8)	(4.9)	(4.9)	(9.5)	(11.2)	(11.2)	(11.4)	(11.4)	(11.4)	(3.1)	(3.7)	(3.7)	(3.8)	(3.8)	(3.8)
Industrial sites	92	109	110	110	112	112	31	37	37	37	37	38	61	72	73	73	74	75
Other housing	(2.4)	(2.9)	(2.9)	(2.9)	(3.0)	(3.0)	(5.8)	(6.9)	(6.9)	(6.9)	(6.9)	(7.1)	(1.9)	(2.2)	(2.2)	(2.3)	(2.3)	(2.3)
	15	17	16	15	16	16	6	6	6	6	5	5	9	11	10	11	10	10
	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(1.1)	(1.1)	(1.1)	(1.1)	(0.9)	(0.9)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
	44	56	57	56	57	57	15	18	18	18	18	18	29	38	39	39	39	40
	(1.2)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(2.8)	(3.4)	(3.4)	(3.4)	(3.4)	(3.4)	(0.9)	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)
7. Other	281	313	316	316	312	312	46	52	52	51	52	52	235	260	264	264	261	260
	(7.5)	(8.3)	(8.3)	(8.4)	(8.3)	(8.3)	(8.8)	(9.7)	(9.7)	(9.5)	(9.7)	(9.7)	(7.5)	(8.0)	(8.0)	(8.1)	(8.1)	(8.0)
Total	3,778	3,779	3,779	3,779	3,779	3,779	536	537	537	537	537	537	3,242	3,242	3,242	3,242	3,242	3,242
	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)

Source: "Land Use Fact Finding Study" issued by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT).

Notes: 1. Roads include ordinary roads, agricultural roads and forest roads. 2. The numbers were calculated by MLIT based on various existing statistics. 3. Percentage of total area for each region is indicated in the parentheses. 4. The district categories are defined as follows: Three major metropolitan areas: Saitama, Chiba, Tokyo, Kanagawa, Gifu, Aichi, Mie, Kyoto, Osaka, Hyogo and Nara for a total of 11 prefectures; Local areas: Areas outside of the three major metropolitan areas.

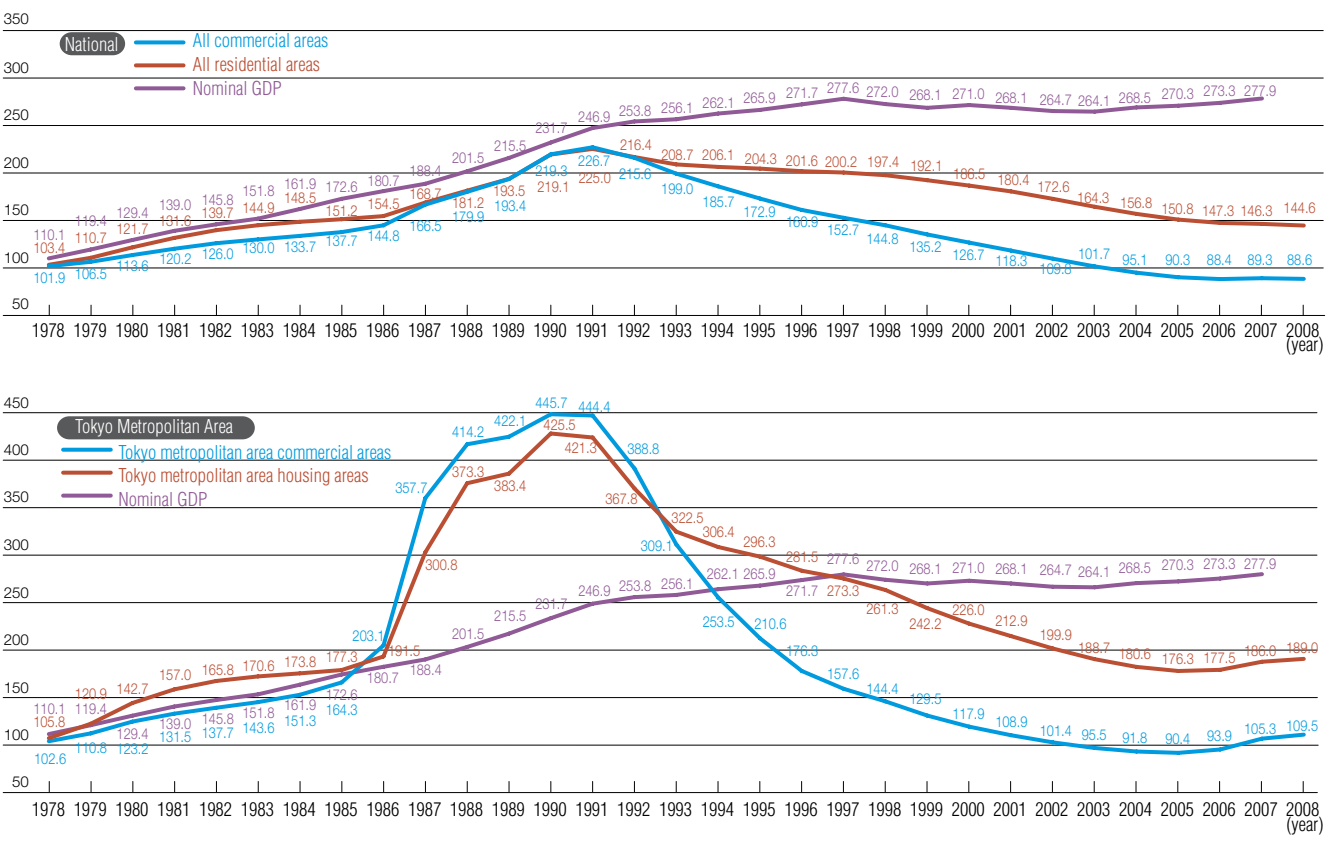
Land Prices

Standard Land Prices (Prefectural Land Price Study) vs. Year-on-Year Change (unit: %)

Study Year Usage, etc	Study Year																						
	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	
Residential land area	Tokyo metropolitan area	57.1	24.1	2.7	11.0	-1.0	-12.7	-12.3	-5.0	-3.3	-5.0	-2.9	-4.4	-7.3	-6.7	-5.8	-6.1	-5.6	-4.3	-2.5	0.7	4.8	1.6
	Osaka metropolitan area	5.7	26.9	37.3	48.2	-15.3	-22.8	-12.1	-3.5	-3.0	-3.9	-1.5	-2.7	-6.2	-6.5	-7.5	-8.9	-8.9	-6.8	-3.7	0.0	2.9	1.0
	Nagoya metropolitan area	2.4	13.0	14.8	23.7	6.1	-7.8	-7.6	-4.6	-3.4	-2.9	-1.0	-1.1	-3.4	-1.6	-2.4	-5.3	-5.6	-3.9	-2.5	-0.1	2.4	1.5
	3 major metropolis average	33.6	23.3	13.7	22.3	-4.2	-14.9	-11.6	-4.5	-3.2	-4.4	-2.2	-3.4	-6.4	-6.0	-5.9	-6.8	-6.6	-5.0	-2.8	0.4	4.0	1.4
	Local average	1.0	2.0	4.6	10.1	5.2	0.3	-0.7	-0.1	-0.1	-0.4	-0.2	-0.8	-1.5	-1.8	-2.5	-3.4	-4.3	-4.4	-4.1	-3.1	-2.3	-2.1
National average	9.2	7.4	6.8	13.2	2.7	-3.8	-3.6	-1.2	-0.9	-1.3	-0.7	-1.4	-2.7	-2.9	-3.3	-4.3	-4.8	-4.6	-3.8	-2.3	-0.7	-1.2	
Commercial land area	Tokyo metropolitan area	76.1	15.8	1.9	5.6	-0.3	-12.5	-20.5	-18.0	-16.9	-16.3	-10.6	-8.4	-10.3	-9.0	-7.6	-6.9	-5.8	-3.9	-1.6	3.9	12.1	4.0
	Osaka metropolitan area	19.9	36.4	36.1	39.7	-8.9	-23.1	-21.4	-16.7	-16.4	-13.1	-7.8	-7.3	-10.6	-11.3	-11.0	-10.3	-7.6	-3.3	3.6	8.0	2.8	
	Nagoya metropolitan area	7.0	20.1	16.8	26.7	4.3	-12.0	-12.6	-12.2	-11.6	-10.6	-7.3	-6.9	-11.4	-6.5	-6.1	-8.8	-7.6	-5.2	-2.1	2.4	7.2	1.9
	3 major metropolis average	52.2	21.3	11.9	16.6	-1.7	-15.0	-19.5	-16.8	-16.0	-14.6	-9.4	-7.9	-10.6	-9.2	-8.2	-8.2	-7.3	-5.0	-2.1	3.6	10.4	3.3
	Local average	2.2	3.5	6.0	12.1	5.4	-1.0	-3.0	-2.8	-3.3	-3.9	-3.4	-4.2	-5.2	-5.2	-5.9	-6.8	-7.4	-7.1	-6.1	-4.3	-2.6	-2.5
National average	15.0	8.0	7.5	13.4	3.4	-4.9	-7.7	-6.7	-6.9	-6.9	-5.1	-5.2	-6.6	-6.3	-6.6	-7.2	-7.4	-6.5	-5.0	-2.1	1.0	-0.8	
Average for all uses	Tokyo metropolitan area	57.5	22.6	3.5	10.5	-0.6	-12.1	-13.8	-7.9	-6.6	-7.6	-4.8	-5.3	-8.1	-7.4	-6.5	-6.6	-6.0	-4.5	-2.5	1.3	6.3	2.1
	Osaka metropolitan area	7.9	27.0	35.6	45.7	-13.3	-21.7	-13.3	-6.1	-5.6	-5.7	-2.7	-3.5	-6.9	-7.4	-8.1	-9.2	-9.3	-7.2	-3.9	0.4	3.5	1.2
	Nagoya metropolitan area	3.0	12.8	14.7	23.3	5.9	-8.1	-8.1	-5.9	-4.9	-4.4	-2.3	-2.4	-5.2	-2.8	-3.6	-6.1	-6.1	-4.4	-2.6	0.1	3.1	1.4
	3 major metropolis average	34.4	22.4	13.9	21.5	-3.2	-14.2	-12.7	-7.1	-6.0	-6.5	-3.8	-4.4	-7.3	-6.7	-6.6	-7.3	-7.0	-5.3	-2.9	0.9	5.1	1.7
	Local average	1.3	2.3	5.0	10.9	5.5	0.1	-1.1	-0.6	-0.8	-1.1	-0.9	-1.5	-2.3	-2.6	-3.3	-4.3	-5.1	-5.2	-4.7	-3.5	-2.4	-2.3
National average	9.7	7.4	7.2	13.7	3.1	-3.8	-4.3	-2.3	-2.1	-2.5	-1.6	-2.2	-3.6	-3.6	-4.1	-5.0	-5.6	-5.2	-4.2	-2.4	-0.5	-1.2	

Source: Prefectural Land Price Survey issued by MLIT.
 Notes: 1. The fluctuation rate is the land price change of each year between July 1 of one year and July 1 of the next year. 2. Land areas are divided as follows:
 Tokyo metropolitan area: All existing city areas and suburban improved areas according to the Tokyo Metropolitan Area Improvement Law.
 Osaka metropolitan area: All existing city areas and suburban improved areas according to the Kinki Metropolitan Area Adjustment Law.
 Nagoya metropolitan area: All city improvement areas according to the Chubu Metropolitan Area Adjustment Law.

History of Standard Land Price and Nominal GDP when 1977 is 100

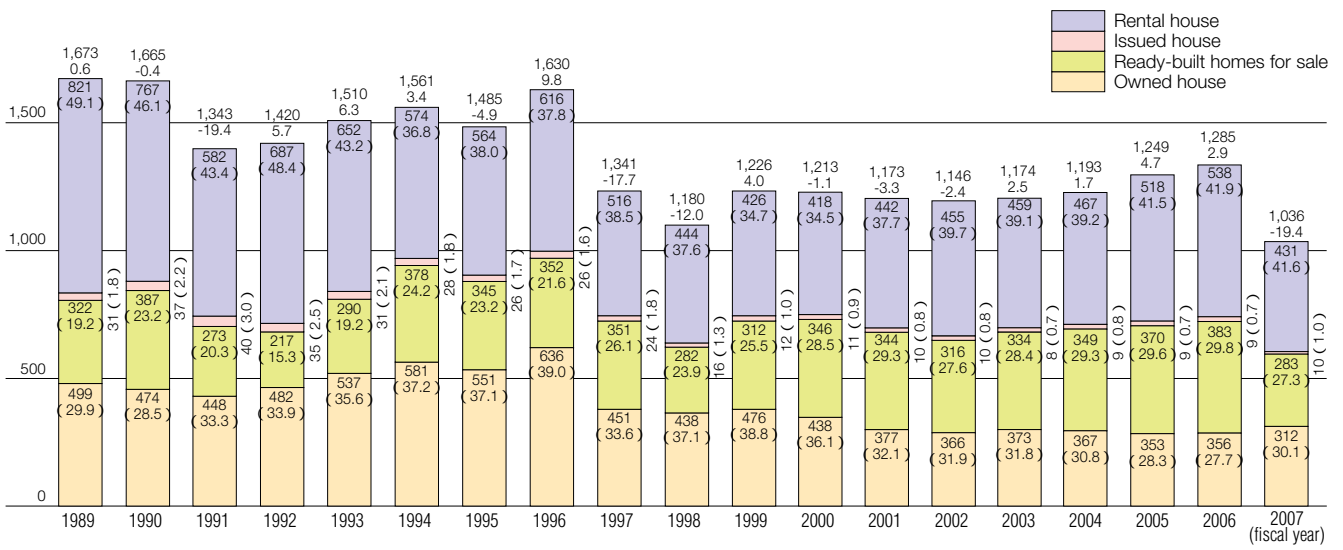


Source: Prepared from the Recent Land Price Trends based on the 2008 Prefectural Land Price Survey issued by the Land and Water Resource Bureau of MLIT.
 Notes: 1. The residential and commercial land values were calculated by setting the prefectural land price survey for the prefectures in 1977 as 100 and then indexing the respective years against that.
 2. The nominal GDP was set as 100 in 1977 and the respective years figures indexed against that. Figures until 2003 are based on 68SNA and those for 2004 and after are based on 93SNA.

Housing and Housing Lots

History of Housing Starts

2,000 (thousand units)

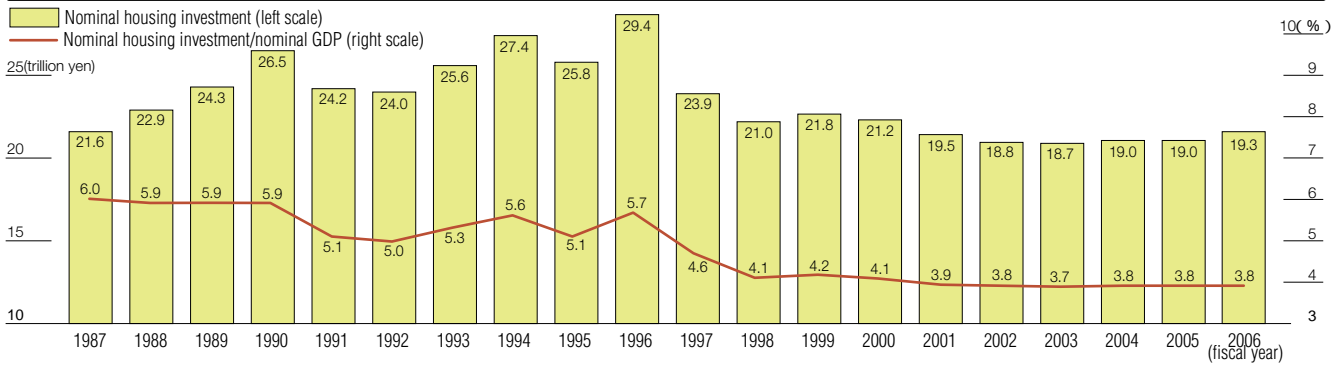


Source: Statistics on Construction-started Dwelling Houses issued by MLIT.

Notes: 1. There are parts where the total doesn't match due to rounding up and off.

2. The figures in the parentheses represent the breakdown by usage (%). The figures on the graph in the parentheses are the year-on-year variation (%).

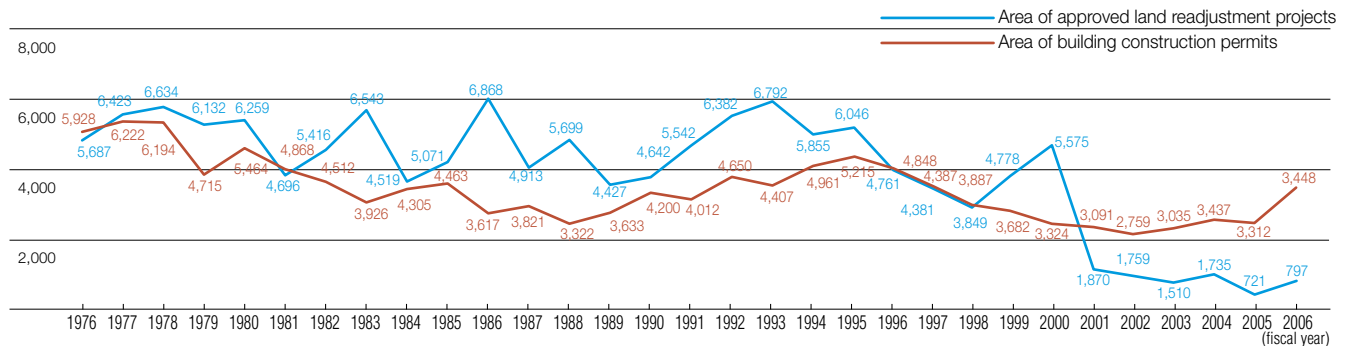
History of Housing Investment



Source: Prepared from the Annual Report on National Accounts 2008.

History of Housing Construction Permits and Area of Approved Land Readjustment Projects

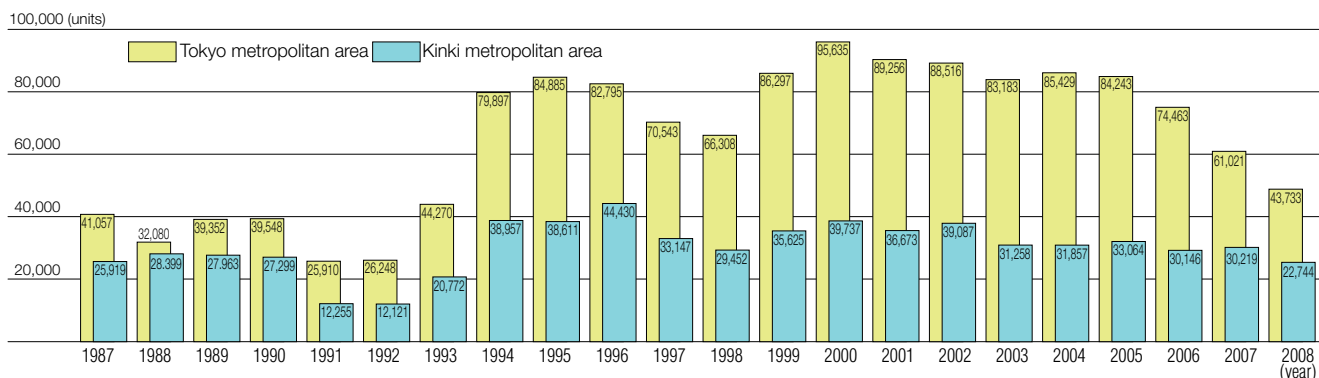
10,000 (ha)



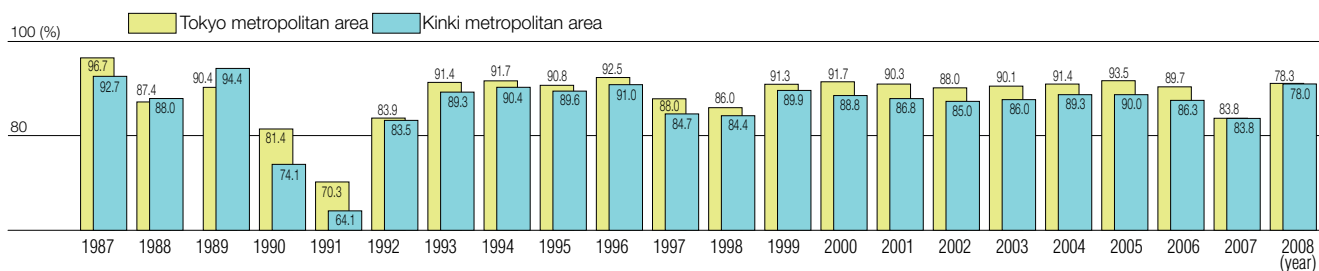
Source: Prepared from the White Paper on Land, Infrastructure and Transport in Japan (2008) issued by MLIT.

Notes: 1. The construction permit is the approval granted primarily for the objective of building a house based on the City Planning Law. 2. The area of approved land readjustment projects represents the total for individuals, joint projects, associations, public bodies, government agencies, the Housing and Urban Development Corporation (present Urban Renaissance Agency) Japan Regional Development Corporation (present Organization for Small & Medium Enterprises and Regional Innovation, JAPAN and Urban Renaissance Agency) and the Local Housing Supply Corporation.

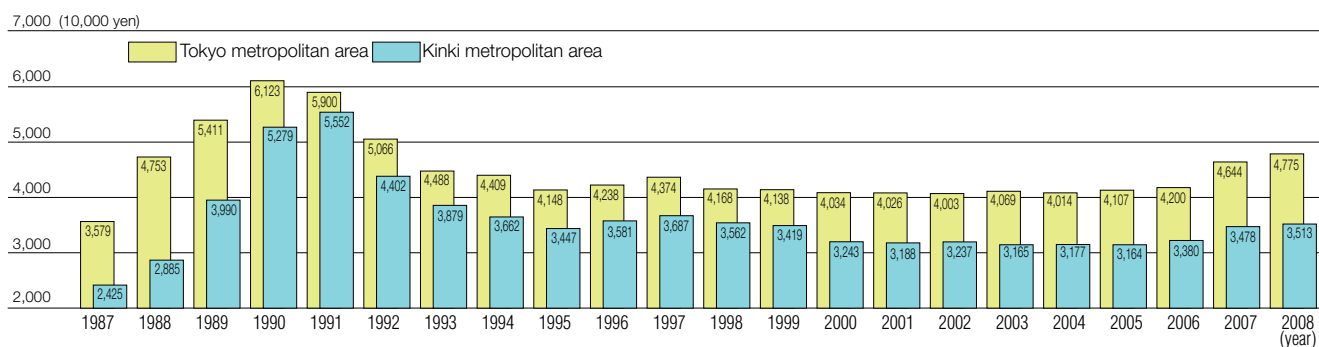
History of New Condominium Sales



History of New Condominium Annual Contracted Rates



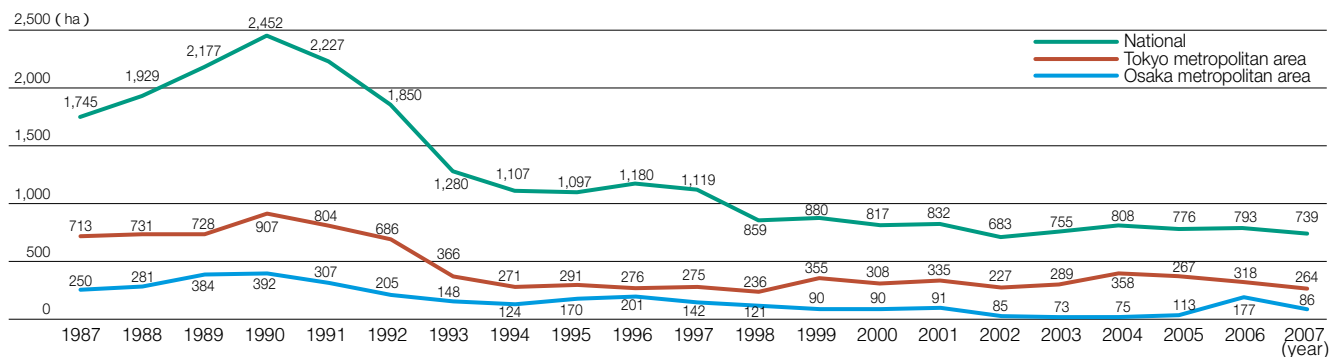
History of Average Price for New Condominium Units



Source: Prepared using National Condominium Market Trends issued by the Japan Real Estate Economic Institute. Note: Tokyo metropolitan area: Tokyo, Kanagawa, Chiba and Saitama; Kinki metropolitan area: Osaka, Hyogo, Kyoto, Nara, Shiga and Wakayama.

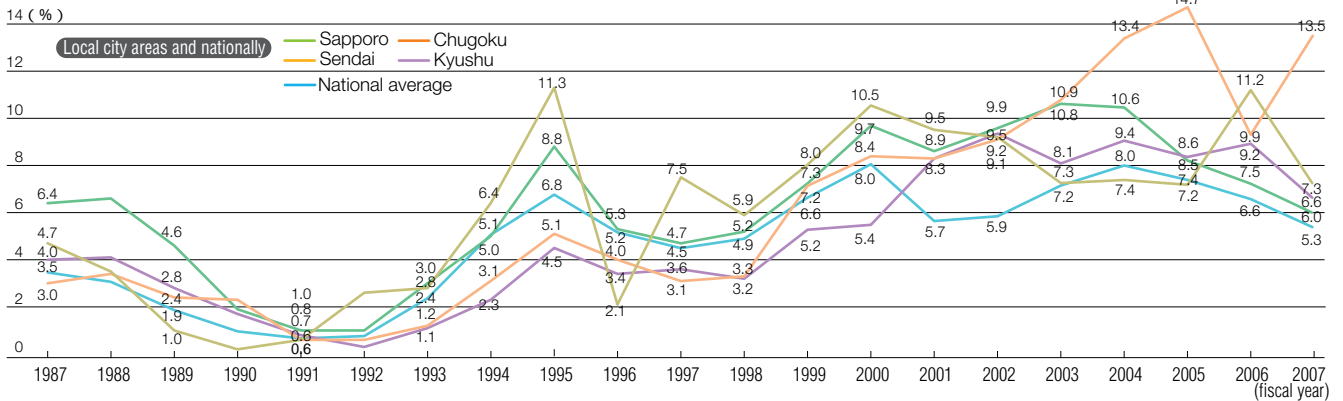
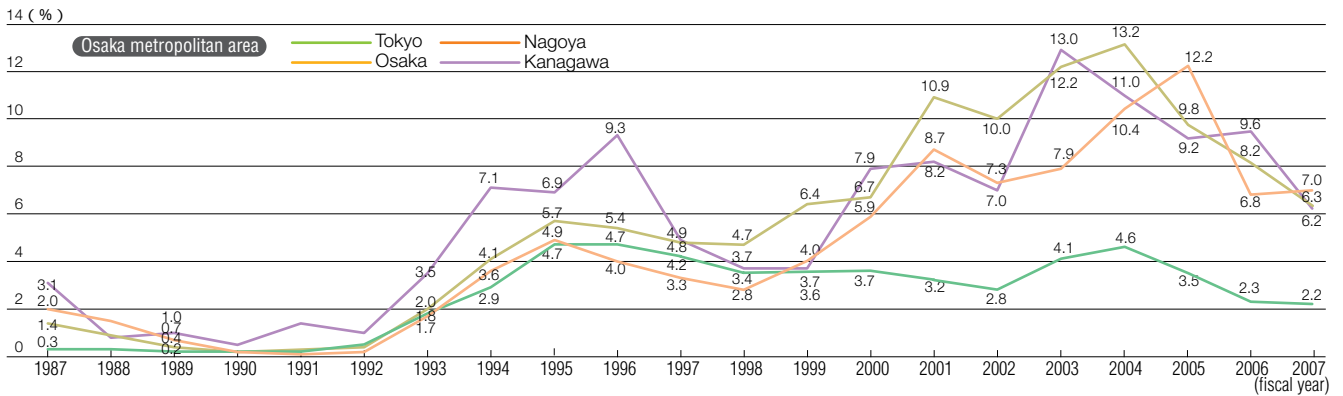
Offices

History of Floor Space for Launched Office Construction



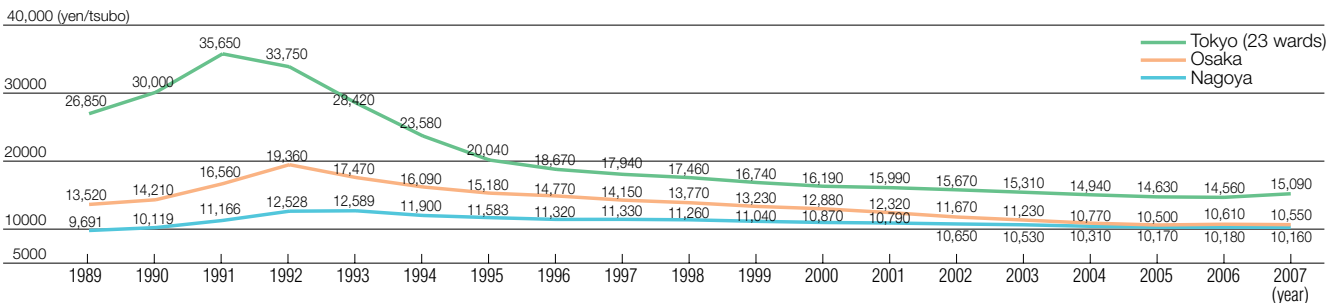
Source: Prepared using the Annual Construction Statistics Report issued by MLIT.
 Notes: This is a compilation of offices by usage that have filed construction reports based on Article 15-1 of the Building Standards Law.
 2. Lump presentation of the scheduled construction start month in the filed construction report.
 3. Tokyo metropolitan area: Tokyo, Kanagawa, Chiba and Saitama; Osaka metropolitan area: Osaka, Kyoto and Hyogo.

History of Office Building Vacancy

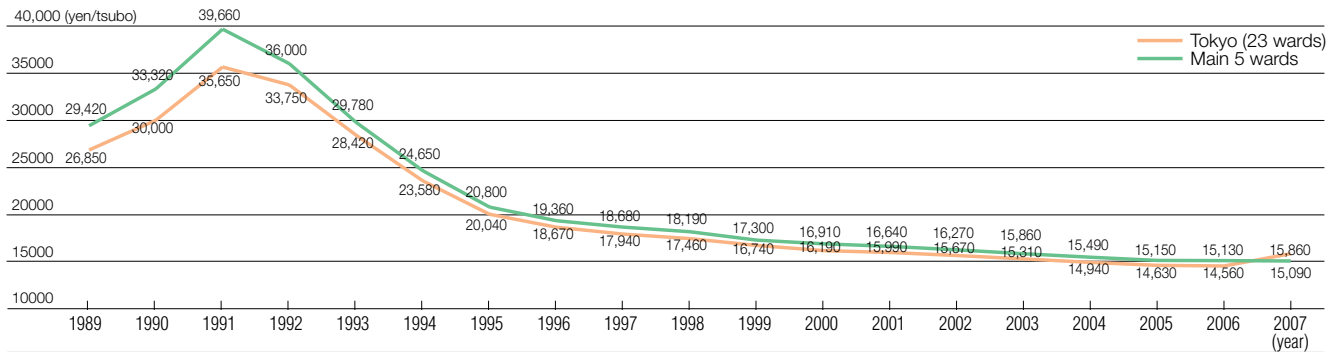


Source: Prepared using the Compilation of Building Fact-Finding Studies of the Japan Building Owners and Managers Association and the Compilation of Building Fact-Finding Studies (Tokyo) issued by the Tokyo Building Owners and Managers Association.
 Note: The studies are as of April 1 of each year and 1998-2000 of the Tokyo Building Owners and Managers Association are not reflected in the national averages as the studies were separate from the Japan Building Owners and Managers Association. They became the same study again in 2001.

History of New Real Rents of Offices in Three Major Metropolitan Areas



History of New Real Rents of Offices in Tokyo



Source: Prepared using the Real Estate White Papers 2008 of K.K. Ikoma Data Service System.
 Note: 1. Main 5 wards are Chiyoda, Chuo, Minato, Shinjuku and Shibuya.
 2. Real rents: This was calculated to make a uniform comparison of rental conditions for rents for one net tsubo including operating revenues from deposits (operating revenues were calculated as 6%)
 Real rent = (Deposit x operating rate (6% annually) x 1/12 months + rent)/(100% - common expense rate) *Common expense rate is the ratio of common expense area in the contracted area.

Other

Valuation of Real Estate in Gross National Assets

(unit: trillion yen)

Year	1985	1986	1987	1988	1989	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Gross national assets	3,936	4,536	5,341	5,994	6,858	8,287	8,385	8,363	8,549	8,421	8,225	8,038	8,042	8,150	8,530	8,562
Valuation of real estate	1,320	1,578	2,014	2,203	2,538	2,322	2,288	2,210	2,132	2,049	1,951	1,857	1,781	1,739	1,734	1,730
	(34)	(35)	(38)	(37)	(37)	(28)	(27)	(26)	(25)	(24)	(24)	(23)	(22)	(21)	(20)	(20)
Housing	159	161	173	182	201	262	265	261	258	257	252	247	247	250	248	252
Non-housing buildings	156	160	169	181	201	256	258	254	251	249	244	240	240	248	247	250
Land	1,004	1,257	1,673	1,840	2,136	1,804	1,759	1,695	1,623	1,543	1,455	1,370	1,294	1,241	1,239	1,228
Financial assets	2,132	2,455	2,800	3,231	3,706	5,250	5,353	5,414	5,687	5,636	5,547	5,466	5,546	5,684	6,094	6,060

Source: The Cabinet Office's National Economic Statistics Report (2000) was used for 1985 – 1989 and the same for 1996 and on (2008 version).

Notes: 1. Revisions to the counts were done by tracing back the data from 1992 and on and so the premise of these figures differs from that of 1989 and earlier.
2. The figures in the parentheses show the percent of gross national assets.

Production by Industry and Gross Domestic Product

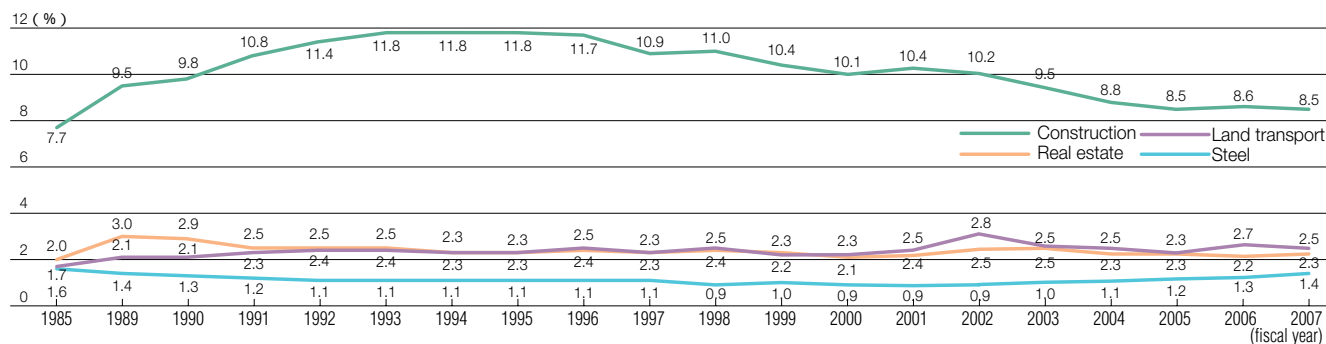
(unit: billion yen)

Year	1980	1985	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Real estate	22,654	32,358	54,403	55,965	56,531	56,662	57,864	58,826	59,311	59,639	59,841	60,100	60,460
Construction	22,506	25,381	41,126	41,566	39,329	38,133	37,130	35,538	33,893	32,333	32,954	31,861	32,148
Manufacturing	70,232	94,672	117,193	118,969	113,708	110,125	111,439	104,084	101,272	102,757	105,410	107,876	108,602
Service	28,063	46,390	92,563	95,554	97,475	97,263	102,604	103,675	103,861	104,500	105,135	107,773	108,760
Finance/Insurance	12,440	16,971	31,391	32,080	29,613	30,218	30,445	31,902	33,482	34,141	33,648	34,939	35,128
Total for all industries	249,050	333,678	523,678	535,040	525,582	519,599	522,978	516,910	513,050	511,935	516,981	522,494	524,570
(Reference) Gross domestic product	240,175	320,418	504,262	515,249	504,843	497,629	502,990	497,720	491,312	490,294	498,328	503,844	511,877

Source: The Cabinet Office's National Economic Statistics Report (2000) was used for 1980 and 1985 and the same (2008 version) for 1996 and after.

Notes: 1. The price indicated by producers is used for the production amounts of each industry. Therefore, they include indirect taxes, imputed interest, etc. and so the totals do not match the gross national product. 2. The total value also includes government service producers outside of each industry and non-profit private service producers for households. 3. The production amount for the real estate industry also includes imputed rents (imputed rents are the recording of amounts equivalent to rent as the production amount of an individual proprietorship to the gross production amount based on the judgment that the homeowner is involved in the home leasing business). 4. Revisions to the counts were done by tracing back the data from 1993 and after, and so the premise of these figures differs from that of 1985 and earlier.

History of Sales Share by Industry



(unit: 10 billion yen)

Fiscal	1985	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
All industries	105,907	130,785	142,818	147,477	146,506	143,911	143,898	148,469	144,838	146,742	138,134	138,346	143,503	133,821	132,680	133,467	142,036	150,812	156,643	158,017
	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)
Real estate	2,153	3,902	4,150	3,759	3,596	3,596	3,286	3,402	3,546	3,367	3,309	3,237	2,991	3,186	3,348	3,363	3,325	3,450	3,386	3,709
	(2.0)	(3.0)	(2.9)	(2.5)	(2.5)	(2.5)	(2.3)	(2.3)	(2.4)	(2.3)	(2.4)	(2.3)	(2.1)	(2.4)	(2.5)	(2.5)	(2.3)	(2.3)	(2.2)	(2.3)
Construction	8,205	12,452	14,022	15,898	16,768	17,007	16,958	17,003	16,988	16,019	15,192	14,437	14,455	13,935	13,545	12,746	12,480	12,886	13,499	13,502
	(7.7)	(9.5)	(9.8)	(10.8)	(11.4)	(11.8)	(11.8)	(11.8)	(11.7)	(10.9)	(11.0)	(10.4)	(10.1)	(10.4)	(10.2)	(9.5)	(8.8)	(8.5)	(8.6)	(8.5)
Steel	1,689	1,766	1,895	1,834	1,678	1,527	1,517	1,574	1,538	1,556	1,297	1,330	1,246	1,222	1,251	1,294	1,560	1,841	1,986	2,191
	(1.6)	(1.4)	(1.3)	(1.2)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(0.9)	(1.0)	(0.9)	(0.9)	(0.9)	(1.0)	(1.1)	(1.2)	(1.3)	(1.4)
Land transport	1,804	2,763	3,009	3,337	3,461	3,464	3,360	3,352	3,663	3,346	3,447	3,049	3,303	3,334	3,703	3,399	3,530	3,514	4,222	3,980
	(1.7)	(2.1)	(2.1)	(2.3)	(2.4)	(2.4)	(2.3)	(2.3)	(2.5)	(2.3)	(2.5)	(2.2)	(2.3)	(2.5)	(2.8)	(2.5)	(2.5)	(2.3)	(2.7)	(2.5)

Source: Prepared using the Monthly Finance Review: Annual Special on For-Profit Corporation Statistics issued by the Ministry of Finance.

Note: The figures in the parentheses represent the share (%) versus the sales of all industries.

History of Administrative Indices by Industry Type

		1985	1990	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Ratio of operating profit to total capital (%)	All industries	4.3	4.6	2.5	2.5	2.7	2.7	2.5	1.9	2.3	2.9	2.4	2.6	3.0	3.4	3.6	3.6	3.7
	Real estate	3.9	4.2	1.5	1.6	1.6	1.2	1.2	1.3	1.9	2.1	2.5	2.6	2.0	2.3	2.7	3.0	3.3
Operating profit	Construction	3.1	5.3	4.1	3.2	2.7	2.7	2.1	1.9	1.7	1.8	1.6	1.5	1.8	2.2	2.0	2.2	2.1
	Total capital	Steel	3.5	7.3	0.6	1.4	2.7	2.6	3.0	0.8	1.6	3.0	1.0	2.4	4.5	9.1	10.7	9.6
	Land transport	4.4	4.7	3.5	2.8	3.1	3.1	2.8	2.4	2.6	2.8	2.2	3.1	2.9	3.1	3.3	3.4	3.3
Ratio of ordinary profit to total capital (%)	All industries	3.1	3.5	1.6	1.7	2.0	2.1	2.1	1.6	2.1	2.8	2.3	2.5	2.9	3.5	3.9	4.0	4.0
	Real estate	1.4	1.1	-0.5	-0.5	-0.1	-0.5	-0.1	0.2	0.8	1.3	1.6	2.0	1.4	1.8	2.0	2.8	2.8
Ordinary profit	Construction	2.3	4.6	3.5	2.9	2.5	2.5	2.1	2.0	1.8	1.9	1.6	1.6	2.0	2.3	2.1	2.4	2.2
	Total capital	Steel	1.1	5.6	-0.4	-0.5	1.1	1.4	1.7	-0.3	0.6	2.0	0.2	1.6	3.7	8.5	10.2	9.7
	Land transport	2.4	3.5	1.5	1.0	1.4	1.6	1.3	1.2	1.4	1.6	1.1	2.1	2.1	2.2	2.7	2.9	2.9
Ratio of operating profit to sales (%)	All industries	2.8	3.5	2.2	2.3	2.4	2.4	2.3	1.8	2.1	2.6	2.2	2.4	2.8	3.1	3.2	3.1	3.1
	Real estate	9.4	11.5	6.9	7.8	7.5	5.1	6.2	7.0	7.9	8.6	9.7	9.6	7.5	8.1	9.1	11.0	11.0
Operating profit	Construction	2.1	3.9	3.2	2.6	2.2	2.1	1.7	1.5	1.4	1.6	1.4	1.3	1.4	1.7	1.5	1.7	1.6
	Total capital	Steel	3.9	8.1	0.9	2.0	3.6	3.6	4.0	1.3	2.3	4.3	1.4	3.4	5.9	10.2	11.1	9.9
	Land transport	3.8	5.1	4.8	4.1	4.5	4.3	4.1	3.6	4.3	4.2	3.3	4.6	4.4	4.8	5.4	5.5	4.5
Ratio of ordinary profit to sales (%)	All industries	2.0	2.7	1.4	1.5	1.8	1.9	1.9	1.5	1.9	2.5	2.1	2.3	2.7	3.1	3.4	3.5	3.4
	Real estate	3.3	3.1	-2.4	-2.1	-0.3	-2.2	-0.4	1.3	3.4	5.3	6.1	7.1	5.2	6.5	6.8	10.2	9.2
Ordinary profit	Construction	1.6	3.4	2.8	2.3	2.1	2.0	1.7	1.6	1.5	1.6	1.4	1.3	1.6	1.8	1.7	1.8	1.7
	Total capital	Steel	1.3	6.1	-0.6	-0.7	1.5	1.9	2.3	-0.5	0.9	2.9	0.2	2.3	4.9	9.6	10.6	10.0
	Land transport	2.1	3.8	2.1	1.5	2.0	2.2	1.8	1.9	2.3	2.4	1.7	3.0	3.3	3.4	4.4	4.6	3.9
Turnover of total capital (times)	All industries	1.54	1.31	1.13	1.11	1.12	1.12	1.12	1.04	1.08	1.11	1.07	1.06	1.09	1.11	1.14	1.14	1.17
	Real estate	0.42	0.37	0.22	0.21	0.22	0.23	0.20	0.18	0.25	0.24	0.26	0.27	0.27	0.28	0.29	0.27	0.30
Sales	Construction	1.44	1.35	1.28	1.23	1.23	1.27	1.25	1.22	1.17	1.16	1.19	1.20	1.27	1.27	1.27	1.28	1.29
	Total capital	Steel	0.88	0.90	0.70	0.71	0.74	0.73	0.75	0.64	0.69	0.69	0.67	0.69	0.76	0.89	0.97	0.97
	Land transport	1.16	0.92	0.73	0.67	0.69	0.73	0.69	0.67	0.62	0.66	0.66	0.68	0.66	0.66	0.61	0.63	0.73
Ratio of net worth to total capital (%)	All industries	17.7	19.1	19.3	19.0	18.9	19.9	19.9	19.2	22.3	25.7	25.2	27.4	28.3	29.8	30.1	32.8	33.5
	Real estate	8.0	8.1	4.0	3.2	3.5	6.0	-1.8	-8.4	5.7	14.6	7.2	14.3	11.0	20.7	17.5	32.1	27.0
Net worth	Construction	15.4	15.6	18.4	18.2	18.4	18.4	20.3	21.4	22.6	21.2	22.0	24.8	27.1	28.9	26.4	29.4	29.3
	Total capital	Steel	16.1	26.1	27.1	27.2	26.1	27.7	27.8	27.4	28.3	29.9	27.9	30.2	32.5	36.1	38.7	38.8
	Land transport	14.9	23.9	18.2	17.0	18.9	19.3	20.1	17.7	20.8	20.7	19.8	22.4	22.5	22.9	27.1	24.3	25.0

Source: Prepared using the Monthly Finance Review: Annual Special on For-Profit Corporation Statistics issued by the Ministry of Finance.

Notes: 1. Total capital is the total of liabilities indicated in the creditor side of the balance sheet (notes payable, accounts payable, accrued payments, corporate bonds, borrowings, allowances, reserves, etc.) and capital (paid-in capital, capital reserves and profit reserves) until 2006. From 2007, it is liabilities indicated on the creditor side of the balance sheet and net assets (total of paid-in capital, capital reserves, profit reserves, etc.).

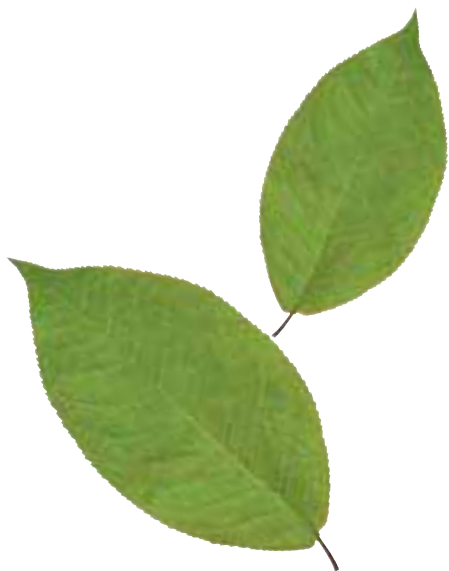
2. Net worth is the total amount for the capital section on the creditor side of the balance sheet.

3. Operating profit is sales - (sales cost + sales expenses and general administrative expenses)

4. Ordinary profit is operating profit + (non-operating revenues - non-operating expenses)

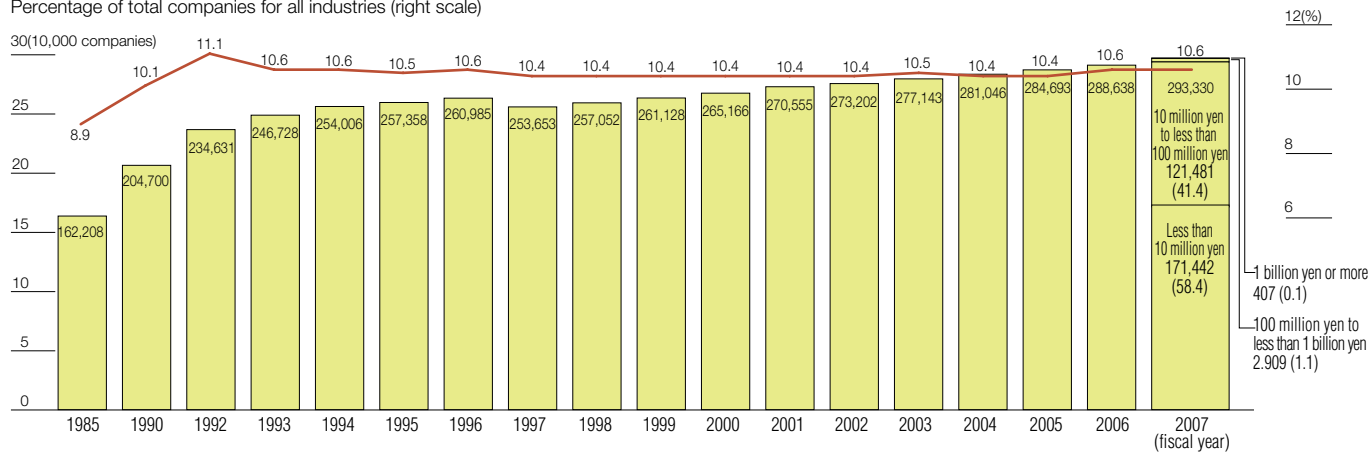
*Non-operating revenues are interest received, discounts, investment security interest, received dividends, capital gains from investment securities, etc.

*Non-operating expenses are interest paid, discounts, corporate bond interest, amortization of bond issue discount, capital losses from investment securities, etc.



History of Number of Real Estate Companies

Percentage of total companies for all industries (right scale)



Source: Monthly Finance Review: Annual Special on For-Profit Corporation Statistics issued by the Ministry of Finance.

Notes: 1. Corporations are unlimited partnerships (gomei kaisha), limited partnerships (goshi kaisha), joint stock corporations (kabushiki kaisha) and limited corporations (yugen kaisha) with head offices in Japan.
 2. The figure for fiscal 2006 is the breakdown by paid-in capital amount. The figures in the parentheses show the percentage of the total (unit: %).



List of Figures

History of Cumulative Condominium Supply (Completed Construction Based).....	11
Flow Chart of Condominium Business.....	12
History of Annual Supply of Leasehold Housing.....	13
History of Supply of Housing Land.....	14
Large New Town Projects of Japan.....	15
Primary Systems for Promoting Urban Redevelopment.....	20
History of Building Vacancy and Floor Area (Stock).....	20
Flow of an Urban District Redevelopment Project.....	21
Major Private City Redevelopment Projects.....	22
History of Supply Volume of Major Office Buildings in 23 Wards of Tokyo.....	24
History of Resort Condominium Sales (National).....	27
Major Resort Projects of Japan.....	27
Average Number of Employees per Office (Private).....	30
History of Building Lot and Building Transaction Firms.....	30
Flow of Real Estate Brokerage Work.....	31
Average Contracted Price for Existing Housing in Tokyo Metropolitan Area.....	31
Market Trends for Existing Housing.....	32
History of Real Estate Securitization.....	33
J-REIT Structure.....	34
Real Estate Investment Trust (Company Type) Structure.....	35
Real Estate Securitization Structure Using SPC.....	35
Tokumei Kumiai Structure Using Real Estate Syndication.....	35
Classification of Real Estate Securitization Products.....	36
Breakdown of Securitized Real Estate Assets by Usage.....	36
History of Office Floor Space in the Wards of Tokyo.....	38
Essentials of the Legal Revisions in Response to Falsifying Earthquake Resistance Data.....	47
History and Status of Land Use in Japan.....	50
Standard Land Prices (Prefectural Land Price Study) vs. Year-on-Year Change.....	51
History of Standard Land Price and Nominal GDP when 1977 is 100.....	51
History of Housing Starts.....	52
History of Housing Investment.....	52
History of Housing Construction Permits and Area of Approved Land Readjustment Projects.....	52
History of New Condominium Sales.....	53
History of New Condominium Annual Contracted Rates.....	53
History of Average Price for New Condominium Units.....	53
History of Floor Space for Launched Office Construction.....	53
History of Office Building Vacancy.....	54
History of New Real Rents of Offices in Three Major Metropolitan Areas.....	54
History of New Real Rents of Offices in Tokyo.....	54
Valuation of Real Estate in Gross National Assets.....	55
Production by Industry and Gross Domestic Product.....	55
History of Sales Share by Industry.....	55
History of Administrative Indices by Industry Type.....	56
History of Number of Real Estate Companies.....	57



Real Estate in Japan 2009

● **Published:** May 18, 2009 (Japanese version on February 28, 2009)

● **Publisher:** The Real Estate Companies Association of Japan

Head office: Kasumigaseki Building 7th floor, 3-2-5 Kasumigaseki, Chiyoda Ward, Tokyo 100-6007 Tel. 03-3581-9421 Fax. 03-3581-7530

Osaka office: Sumitomo Nakanoshima Building 2nd floor, 3-2-18 Nakanoshima, Kita Ward, Osaka City 530-0005 Tel. 06-6448-7460 Fax. 06-6448-3507

Nagoya office: Nagoya Sanko Building 11th floor, 3-21-7 Meieki, Nakamura Ward, Nagoya City 450-0002 Tel. 052-571-8050 Fax. 052-561-5872

Website: <http://www.fdk.or.jp>

● **Translation and editing:** Transpacific Enterprises

Any duplication without receiving express permission from the Real Estate Companies Association of Japan is expressly forbidden.

● **Photo sources:** Asahi Kasei Homes Corporation, ORIX Corporation, Sumitomo Realty & Development Co., Ltd., Sekisui House, Ltd., Sohgo Real Estate Co., Ltd., Tokyu Land Corporation, Tokyo Tatemono Co., Ltd., Misawa Homes Co., Ltd., Mitsui Fudosan Co., Ltd., Mitsubishi Estate Co., Ltd. and Mori Trust Co., Ltd.

Creating Value in the 21st Century

社団法人 不動産協会

The Real Estate Companies Association of Japan