

Real Estate in Japan 2011



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.

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INTRODUCTION

Real Estate in Japan 2011

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.

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 2009 Financial Statements Statistics of Corporations by Industry was 18.53 million yen (6.41 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.

It is becoming increasingly important to realize growth strategies in the residential and urban areas, such as increasing the international competitiveness of metropolitan cities or building housing stocks that are of good quality so that the Japanese economy is to be able to follow the track of a full-fledged recovery and secure sustainable growth.

In order to strengthen the international competitiveness of cities, there is a need to develop Japanese metropolitan cities so that they become attractive bases in which companies and highly competent employees from across the globe would like to work. Currently, the establishment of new measures such as "Emergency development areas designated for urban reconstruction" (tentative name) or an "Internationally strategic system for establishing comprehensive investment zones" (tentative name) are under discussion. In addition, it is vital that the development of the real estate investment market, which involves further revitalization of the J-REIT market, a driver of urban redevelopment projects, etc., provides a way out from asset deflation and contributes to the reconstruction and growth of the Japanese economy.

In recent years, measures against global environmental problems are being promoted at a national level. For example, the Japanese government has begun activities towards achieving its medium-term goal to reduce greenhouse gases. In the midst of such a trend, the real estate industry is expected to fulfill its role as a leader in the reduction of CO₂ amongst the private sector of Japan. Furthermore, in future, the industry is expected

to disseminate environmental and building technology, as well as urban development expertise to foreign countries. Under such circumstances, there is a need to further advance low carbon urban development and at the same time, strive to enhance both environmental and economic activities while gaining the understanding and cooperation of citizens, including purchasers of housing and tenants, let alone business companies.

As is evident, the real estate industry plays an extremely important role in the enhancement of the lives of citizens and in the development of the Japanese economy.



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DEVELOPMENT

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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. In 2011, it is projected that new measures such as emergency development areas designated for urban reconstruction (tentative name) or an internationally strategic system for establishing comprehensive investment zones (tentative name) will be established to strengthen the international competitiveness of cities and to regenerate cities.

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.

THE REAL ESTATE INDUSTRY TODAY

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 2010 was about 45,000 units, a year-on-year increase of around 22%. The average for-sale condominium price is now 47.16 million yen per unit, an increase for the first time in two years.

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.

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FOR-SALE PROPERTY

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.

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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.

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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

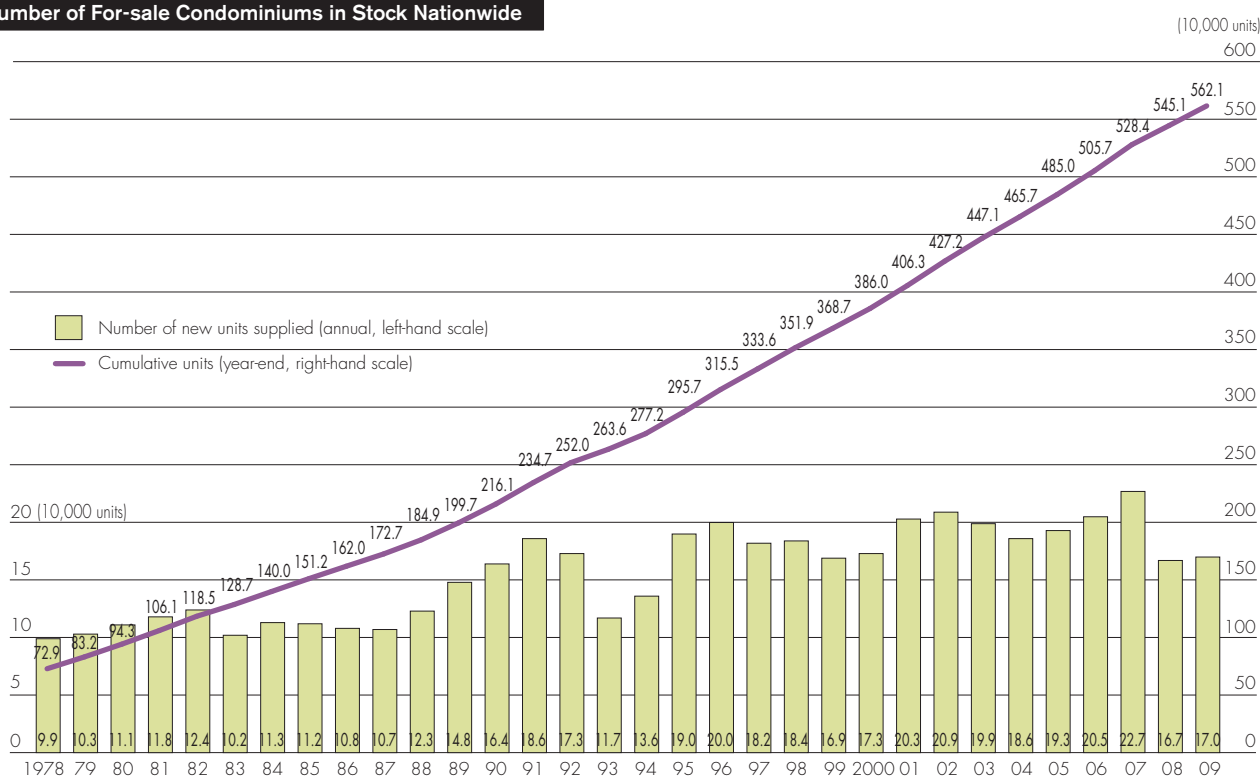
The current mainstream steel reinforced concrete apartments that were built prior to World War II are called Dojunkai apartments. The Dojunkai was a foundation established following the Great Kanto Earthquake to help victims in need of shelter. It was an external body of the Interior Ministry and was 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 only with houses made of

Number of For-sale Condominiums in Stock Nationwide



Source: "Zenkoku no Bunjo Manshon Sutokku Kosu (Number of For-sale Condominiums in Stock Nationwide)" (May 2010) by the Ministry of Land, Infrastructure, Transport and Tourism

Notes: 1. The cumulative units are estimated based on the cumulative figures for new units supplied, etc.

2. Condominiums as described here are buildings at least three stories in height, sold after subdivision, jointly built, steel reinforced concrete, steel-framed reinforced concrete and steel structured housing.

wood, bamboo and paper up to then. The dining/kitchen format was newly developed for the apartments; 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 condominium complexes that were 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 offices, 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 in 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 Standards Law was revised in 1976 with new regulations added to the Law.

Emergence of 100 Million Yen Condominiums

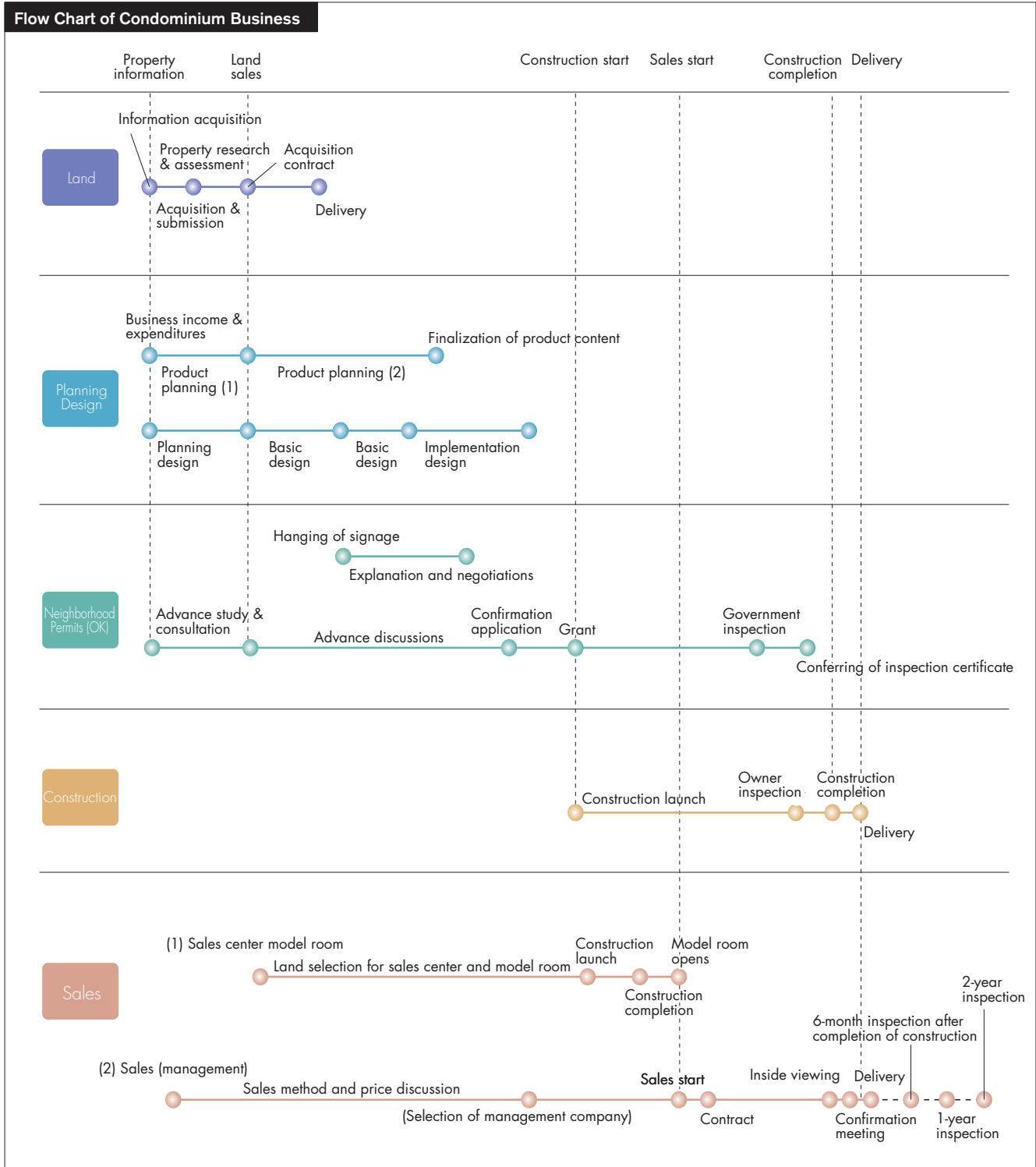
In Japan, 100 million yen condominiums are called "okushon," a shortening of the Japanese words for 100 million (oku) and condominium (manshon). These okushon started to be supplied from the late 1970s. There was also a dramatic improvement in the basic performance of housing from the early 1980s. Among ordinary family-targeted units, condominiums with all electric appliances emerged. Some

condominiums used skip floors for their entries to give a standalone 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 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 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.

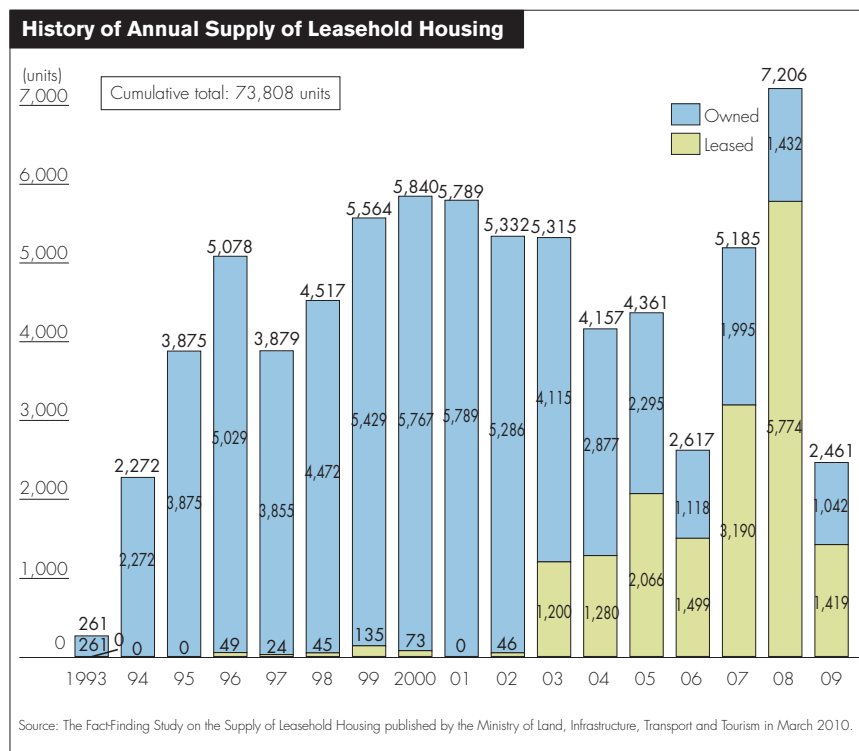
Lately there has been a conspicuous trend of moving back to the center of Tokyo reflected in the recent boom of ultra skyscraper condominiums that has emerged from companies selling off factories as a means to restructure their businesses, the sale of land by the JNR Settlement Corporation, redevelopment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

Cumulative Supply of Condominiums About 5.62 Million Units

In recent years, it has become difficult to implement large housing land developments in the Tokyo metropolitan area. Thus, 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 186,000 units added to the market in 1991. While the supply volume showed a temporary decline due to the impact of the recession in 1993 and 1994, an increase was once again witnessed (propelled



forward by the decrease in housing taxes) and until 2006, the supply has fluctuated around 180,000 to 200,000 units a year. The supply dropped to 167,000 units in 2008 after peaking at 227,000 units in 2007. The stock is already 5.62 million units (2009, completed construction base) and 830,000 units are more than 30 years old, with this number expecting to climb over 1 million units in 2011 due to 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 are 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

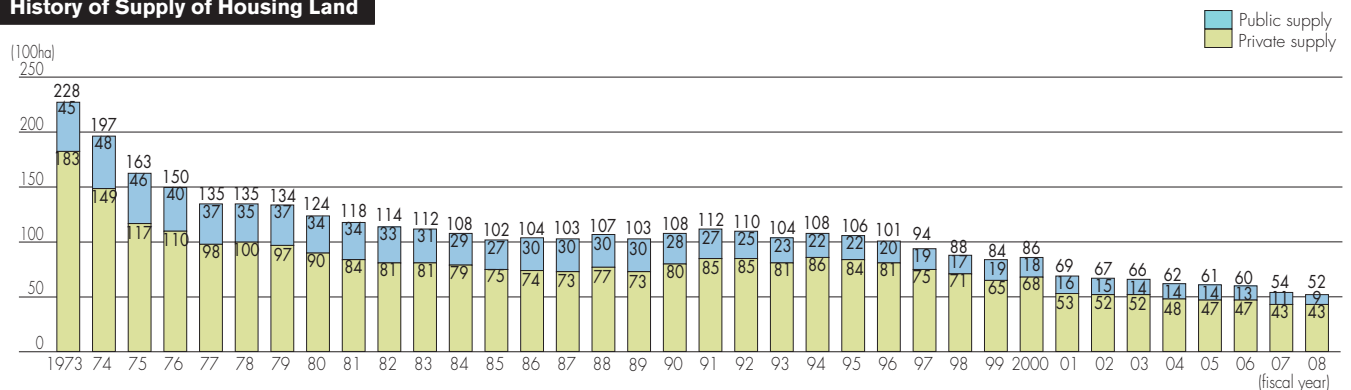
The pioneering new town development projects in Japan occurred prior to World War II and include Takarazuka (Hyogo Prefecture) and Denen Chofu (Tokyo), but these types of developments did not begin in earnest until after the war.

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 non-railway real estate companies 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

History of Supply of Housing Land



Source: Compiled from statistics of the Ministry of Land, Infrastructure, Transport and Tourism

Notes: 1. Public supply: Housing supplied through projects of local public housing agencies, local public housing corporations, government corporations (Urban Development Corporation and Japan Regional Development Corporation), etc.
2. Private supply: Housing supply through development permits granted to private housing developers and land rezoning projects of individuals, associations, etc.

Large New Town Projects in 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 Shintoshi Kaihatsu	Development act
Hatoyama New Town	Hatoyama-cho, Saitama Prefecture	140ha	1971-1997	Nihon Shintoshi Kaihatsu	Development act
Asumigaoka	Chiba City, Chiba Prefecture	313ha	1969-	Tokyu Land, Partnership	Land readjustment (association)
Lakeside Hill	Togane City	154ha	1976-	I 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
Kiminomori	Oami Shirasato Town, Togane City	108ha	1982-	I 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	Project Period	Developer (At time of development)	Business 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	Rezoning
Chiba New Town	Funabashi City, Inzai Machi, Shirai Machi, etc.	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/Mino 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
Koshigaya Lake Town	Koshigaya City, Saitama Prefecture	225ha	1999-	Urban Renaissance Agency	Rezoning

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" Japan 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 20% 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 readjustment projects³ 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.

[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 11,400 districts comprising about 340,000 hectares have been redistributed within a land planning organization project and this amounts to about one-third of all municipalities nationwide (as of March 31, 2008). 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.





Case Study • PROUD SEASON HANAKOGANEI

Nomura Real Estate Development developed PROUD SEASON Hanakoganei as a single-unit housing project with a total of 250 units in a favorable location, five-minutes walk from Hanakoganei Station on the Seibu Shinjuku Line in nature-abundant Musashino. Since units went on sale in May 2010, 193 of the 250 units have been contracted.

PROUD SEASON Hanakoganei has received high praise as a large-scale housing complex close to the station, rare in the Tokyo metropolitan area. Retaining the trees that were there from before and preserving the area as an green with nature, the project was developed as an environmentally-friendly, and a safety and security conscious project. In order to shape the community not only from the perspective of town creation, differentiation from other properties is being promoted through the construction of a communal clubhouse, the establishment of an estate management union and so forth.

Nomura Real Estate Development began procedures for Kodaira City's town planning regulations in April 2008 and received development permission in September of the same year. It commenced reclamation work in November 2008 and started the first stage of construction in November 2009. Development

and construction was handled by the company's Housing Construction Division and marketing by the Residential Marketing Division.

For the landscaping of the town, special consideration was given to park planning and the layout and design of roads and pedestrian paths. Much time was spent on obtaining consent from governmental bodies concerning the future management and costs for facilities, planting plans and interlocking concrete pavements for parks as well as planting trees along developing roads. It was possible to build condominiums in certain parts of the development area, but a plan for only single houses was adopted after considering the effects on the local community and the environment. Along with this, taking on a district plan and establishing a mechanism to preserve a future living environment with the cooperation of the government, the plan was successfully realized.

Since going on sale, PROUD SEASON Hanakoganei has received so many applications that lotteries had to be organized. Given this, Nomura Real Estate Development plans further constructions and sales. For those residents who have purchased, Nomura will proactively engage in building a better community and increasing satisfaction.

PROPERTY OVERVIEW

Name	PROUD SEASON Hanakoganei
Location	1-846-21, Hanakoganei, Kodaira City, Tokyo
Planned completion	May 2011
Structure	Wooden construction (2x4); 2 floors above ground
Site area	120.10m ² ~124.34m ²
Total residential units	250 units
Unit layout	3LDK~4LDK
Sales	Nomura Real Estate Development
Design / Construction	Tokyu Construction Co., Ltd. and Seibu Construction Co., Ltd.

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 their 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 Area¹ of 1961 and the FAR Regulations² of 1963. 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

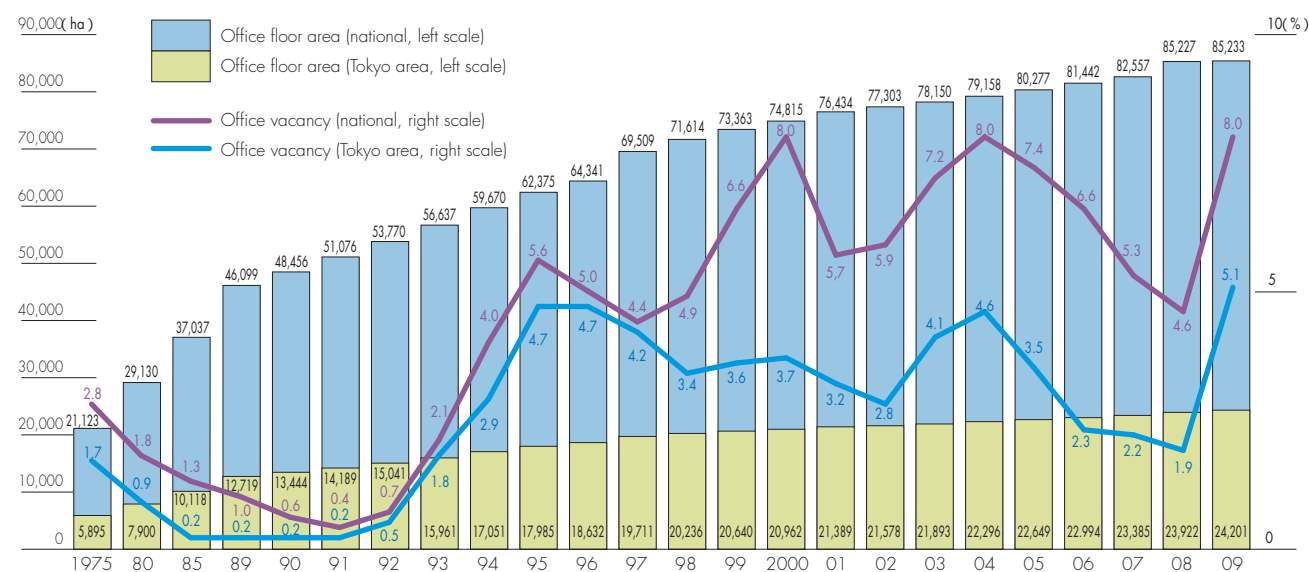
Urban Planning and Building Regulation Promotion Measures

- Specific 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 2008 issued by the Ministry of Internal Affairs and Communications.

- Notes:
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.
 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

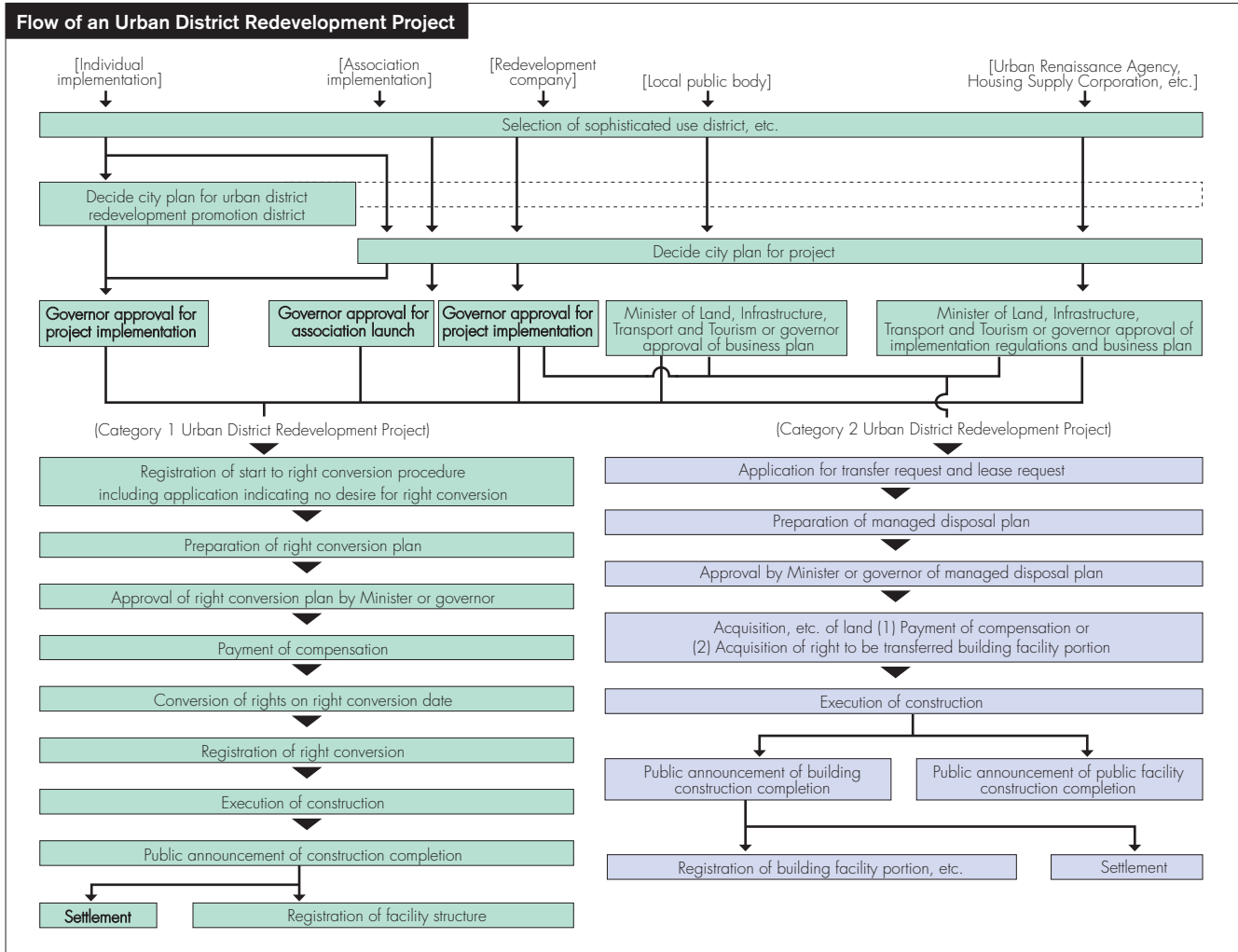
Upon entering the mid-1970s, the oil shocks

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

such as the secondary city center projects on the Tokyo bayside to undergo significant revisions.

Legal Redevelopment and Voluntary Redevelopment

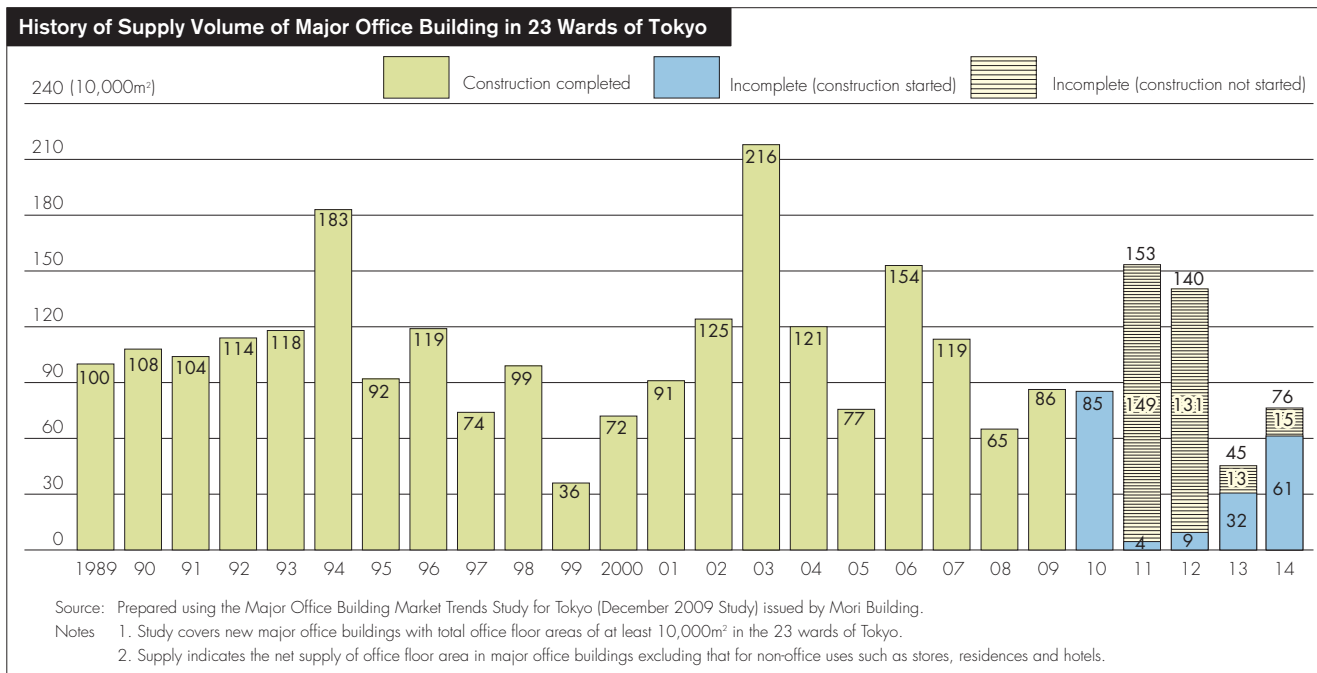
There are two types of city redevelopment projects: legal redevelopment and voluntary redevelopment.

Legal redevelopment projects are urban redevelopment projects based on the City Redevelopment Law⁴ and these projects are executed under the Grant and Subsidy System 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 occurrence 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 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 360,000 people in 2009.

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

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 Tatemona, 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 Osaka	Shinagawa Ward	5.9	February 1999	Partnership, TEPCO, Osaka 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
Izumi Garden	Minato Ward	3.2	July 2002	Partnership, Sumitomo Realty & Development, Mori Building
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 Tatemona, Kintetsu Real Estate, Nippon Tochi-Tatemona Hanbai, Total Housing
Roppongi Hills	Minato Ward	11.0	April 2003	Partnership, Mori Building
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	Mori Building, Partnership
Olinas	Sumida Ward	2.7	March 2006	Tokyo Tatemona, 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
Otemachi 1-chome Area Redevelopment Project	Chiyoda Ward	1.5	April 2009	JA-ZENCHO (Central Union of Agricultural Co-operatives), Nippon Keidanren (Japan Business Federation), Nikkei Inc., Mitsubishi Estate, NTT Urban Development, Tokyo Tatemona, The Sankei Building, etc.
Marunouchi Park Building, Mitsubishi Ichigokan	Chiyoda Ward	1.2	April 2009	Mitsubishi Estate

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, hotel, housing, museum, etc.	Auditorium, housing	Category 1 urban district 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
Office, conference hall, retail	Joint public offices	Private urban redevelopment business plan, Special District for Redevelopment
Office, retail, museum	Office, retail	Special district for urban redevelopment, Special FAR district

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 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 2010, a total of 65 areas with a total of about 6,612 hectares (designated as 1st to 6th levels) have been designated as urgent city regeneration districts¹¹. 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 attracted the attention of many people.

Shin-Marunouchi Building and Tokyo Midtown, akasaka Sacas and Otemachi 1-chome Area Redevelopment Project;

completed in, 2007, 2008 and 2009 respectively have not only office functions but also retail facilities, hotels, international conference centers and other facilities.

[Endnotes]

1. Special Urban Block Area

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 Standards Law are not applied and unique FARs, eight restrictions and wall plane locations are designated for said blocks (Article 8 of the City Planning Law and Article 60 of the Building Standards Law).

2. FAR Regulations

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 Standards 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. City Redevelopment Law (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 Standards 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 Standards 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.



Case Study • EAST MUROMACHI MITSUI BUILDING

Under the concept of “preserving and revitalizing the past while creating the future” Mitsui Fudosan is promoting the Nihonbashi Revitalization Program that aims to revitalize and create new appeal in the Nihonbashi area as a cooperative public, private and community initiative. The core development is the Nihonbashi East Muromachi District Development Project, a collaborative reconstruction operation which will integrally develop five blocks (blocks A to E) encompassing a total site area of approximately 11,900m². In October 2010, the East Muromachi Mitsui Building (COREDO Muromachi) was completed in block B. Following this, demolition work began on some buildings in blocks A, C and D. New buildings in these districts are scheduled to be completed by the end of 2013 and the construction of all buildings including those in block E are scheduled to be completed in 2014.

The East Muromachi Mitsui Building (22 floors above ground and 4 floors below), the first in this project, is separated largely into three sections. The upper section (floors 10 to 21) is comprised of high-standard office floors and the lower section (floors B1 to 7) is referred to as COREDO Muromachi, which includes 25 restaurants and shops (floors B1 to 4) and Nihonbashi Mitsui Hall (floors 5 to 7). At the entrance of the B1 floor is the Nihonbashi Information Desk, with a concierge, providing town and vicinity information. Between floors 8 and 9 is an intermediate machine room floor that serves to supply electricity to other blocks. On floors B4 to B2, which are

underground parking spaces connecting to other blocks, are heating and cooling facilities that also service the surrounding blocks.

Even under the severe market conditions, the upper section of the East Muromachi Mitsui Building was able to secure full occupancy by the time of its completion. Furthermore, businesses with long histories moved into the commercial section, making the tenant lineup one which is in accordance to the basic concept of the Nihonbashi Revitalization Program – inheriting the culture and traditions of Japan while transmitting a new kind of appeal. The number of those coming to Nihonbashi is gradually increasing with the adjustments of operating hours as well as with the establishment of the modern shibai theater, Nihonbashi Mitsui Hall, contributing to solve the issue of attracting customers to Nihonbashi after work hours and on weekends.

Mitsui Fudosan began promoting the Nihonbashi East Muromachi District Development Project in 2003, a project to revitalize Nihonbashi, a central location in various fields during the Edo period, as a town with its own unique regional appeal. The goals of the project are to implement the urban planning proposals of landowners, advance integral development of the five blocks and to promote the harmony and prosperous coexistence of the old town with the new facilities. Mitsui Fudosan will continue to expand its ever-evolving future-conscious urban development together with the local communities.



PROPERTY OVERVIEW

Name

East Muromachi Mitsui Building

Location

2-2-1, Nihonbashi Muromachi, Chuo Ward, Tokyo

Completed

October 1, 2010

Structure

Steel structure, partially steel-reinforced concrete/ferroconcrete; 22 floors above ground and 4 floors below, 2 penthouse floors

Site area

Approx. 2,454m²

Total floor area

Approx. 41,000m²

Coordinating architect

NIHON SEKKEI, Inc.

Design

Norihiko Dan and Associates

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 five-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.

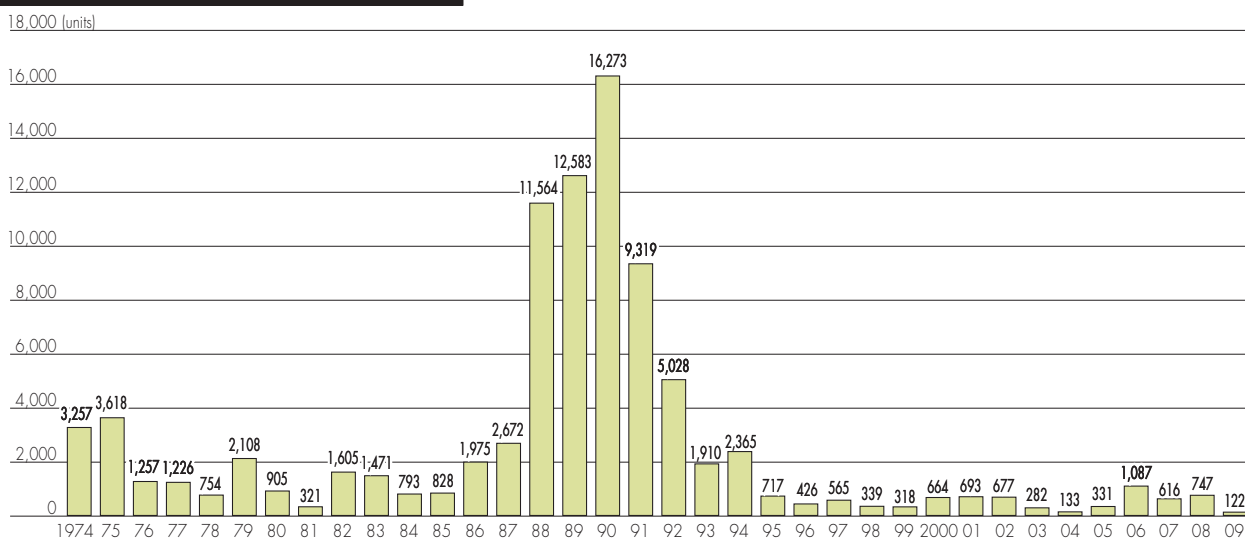
Responding to Increasing Time Off and Diversifying Needs

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 Pacific region.

Establishment of the Resort Law

These developments were further spurred by the establishment of the Law for Development of Comprehensive Resort Areas¹, the so-called "Resort Law" 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

History of Resort Condominium Sales (National)



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

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. The first project approved under the Resort Law was the massive resort destination Seagaia (Miyazaki Prefecture) but it led to 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 1995. The Association actively conducts fact-finding studies on resort development and operations, as well as researching and proposing resort policies. These activities were taken over by the Real Estate Companies Association of Japan in 2007.

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 and there is a large number of baby boomers who consider living in the country or having a second home upon retirement. 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 was 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.

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	Shimukappu 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)	Spanish 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



Case Study ●

TOKYU HARVEST CLUB ARIMA ROKUSAI

TOKYU HARVEST CLUB VIALA ANNEX ARIMA ROKUSAI

Tokyu Land Corporation opened Tokyu Harvest Club Arima Rokusai and Tokyu Harvest Club VIALA Annex Arima Rokusai on March 27, 2010, in the Arima area of Kobe City, Japan's oldest hot spring destination. The building has six floors above ground and four floors below, 134 guest rooms, a hot spring and is complete with various additional facilities.

The Tokyu Harvest Club is a resort hotel operated on a membership system in which hotel rooms are owned by multiple owners (12 owners per room in Arima Rokusai). Members receive 30 vouchers per year which can also be used at the 22 other Tokyu Harvest Club hotels in Japan. Being able to own resorts all across Japan without the burden of management is a merit.

While Tokyu Harvest Club had been established mainly in eastern Japan, Tokyu Harvest Club Arima Rokusai was launched as a flagship of

the Kinki region (western Japan) at Arima Onsen, renown as a leading hot springs spot in Japan.

The Tokyu Harvest Club Arima Rokusai supplies stable and high quality spring water unique to Arima from the property, and provides an abundance of room plans such as rooms which allow pets.

The VIALA Annex Arima Rokusai, an integrated facility built with the Tokyu Harvest Club Arima Rokusai, shares restaurants and the main hot spring area with Tokyu Harvest Club Arima Rokusai and customers can enjoy high quality services with large rooms and a dedicated lounge.

Tokyu Land Corporation will continue to target those who were previously unaware of membership-based resort hotels who seek a high-level and high-quality resort life.

PROPERTY OVERVIEW

Name

- Tokyu Harvest Club Arima Rokusai
- Tokyu Harvest Club VIALA Annex Arima Rokusai

Location

- Arima Town Kita Ward, Kobe City, Hyogo Prefecture

Opened

- March 27, 2010

Structure

- Steel-reinforced concrete and partial steel structure

Site area

- 11,879m²

Total floor area

- 23,652.1m²

Guest rooms

- 134

Guest room area

- Tokyu Harvest Club Arima Rokusai: 33-76m²
- Tokyu Harvest Club VIALA Annex 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.

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 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 existing 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 Buildings 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 as well as small and medium-sized players.

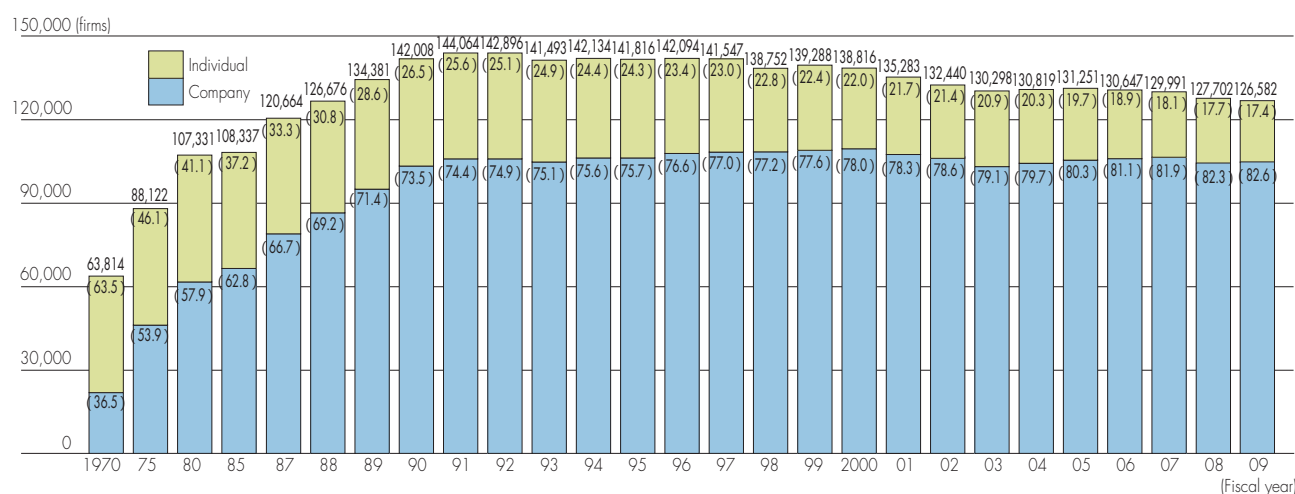
The Real Estate Transaction Modernization Center Foundation Established

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 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.

Average Number of Employees per Office (Private)

	Average Number of Employees per Office	Number of Offices	Breakdown (100.0%)	Breakdown of Share of Real Estate Business	Number of Employees	Breakdown (100.0%)	Breakdown of Share of Real Estate Business
All Industries	9.7	5,869,395			56,935,841		
Real Estate	3.2	320,474	5.5	100%	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	18,726		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	

History of Building Lot and Building Transaction Firms



Source: Website of the Ministry of Land, Infrastructure, Transport and Tourism.

Notes: 1. Figures represent those as of the end of each fiscal year.

2. The figures in the parentheses indicate the breakdown (unit: %).

Legal System for Broker Contracting System

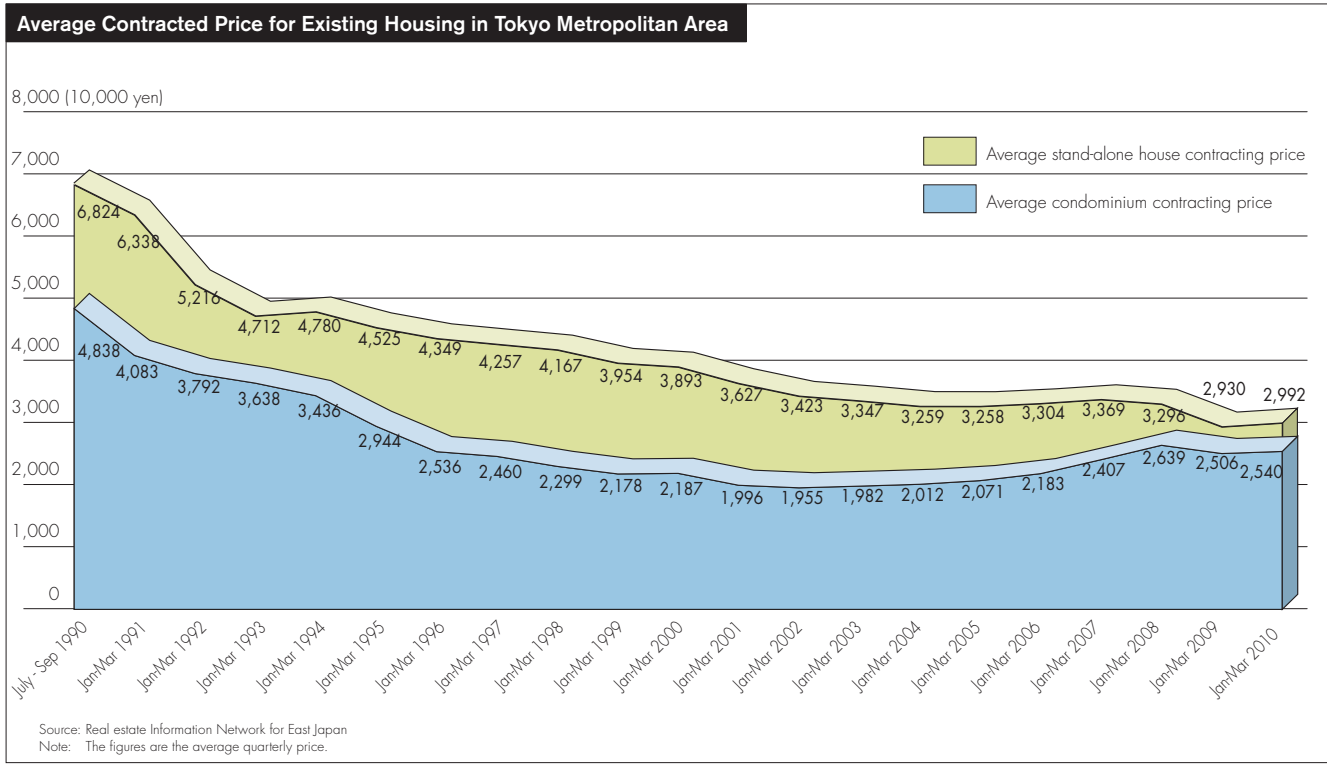
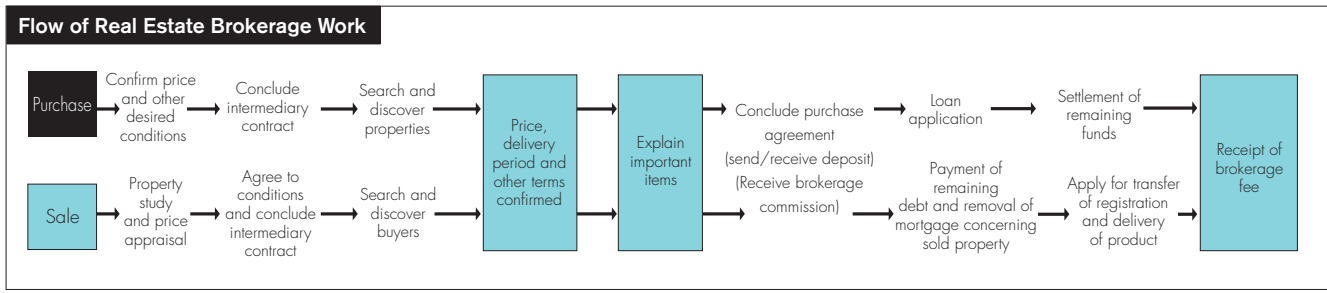
Real estate transaction intermediation, or brokering, involves a party taking a position between the two parties to the sale or lease transaction and acting to bring the contract to a conclusion. The broker contract sought to clarify a situation apt to cause trouble due to the contractual relationship 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

For this reason, 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 then 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 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 1.23 million such contracts were newly registered with certified information network organizations in fiscal 2008. Of these, a little over 110,000 contracts were signed.

From when the certified information network organizations began in May 1990 to 2002, the average contract price

for existing housing dropped 60% for condominiums due in part to the prolonged slump in land prices and the massive supply of new condominiums at suppressed prices. However, this number began to increase since then and it increased 35% by 2008. Stand-alone housing prices decreased around 50% until 2005 but increased slightly until 2007. However, both prices decreased slightly after that, although starting from 2010, they have slightly increased.

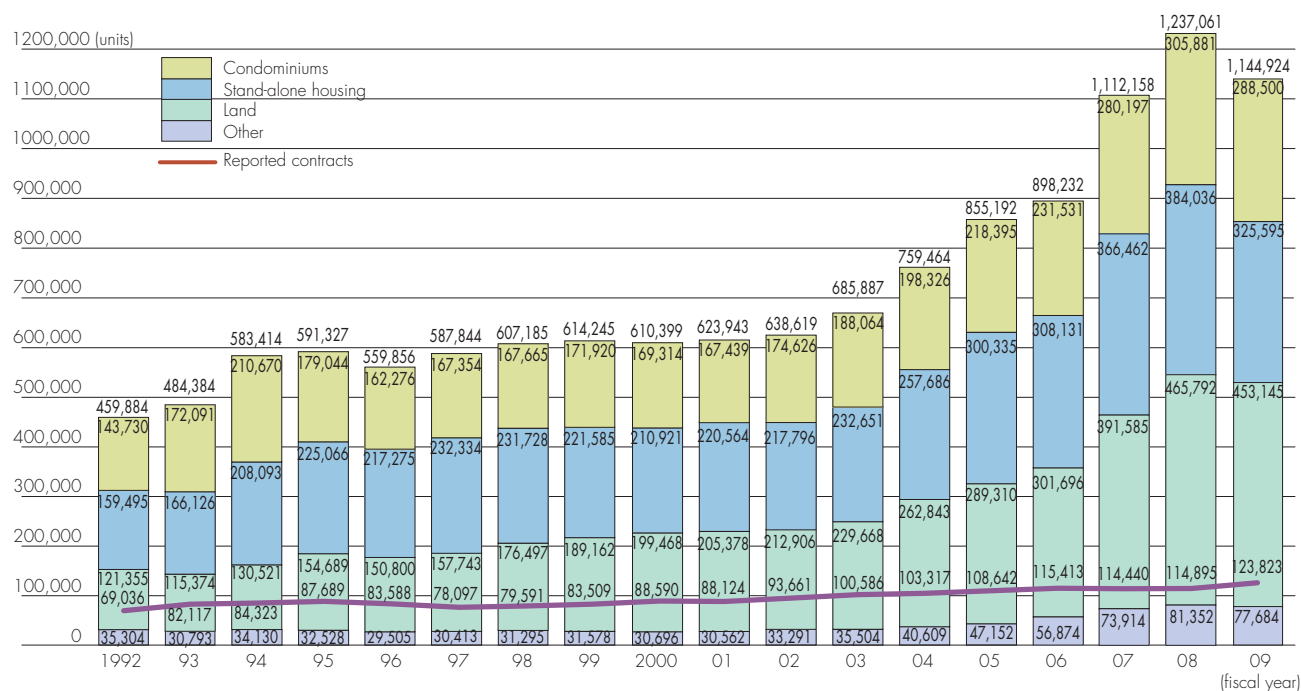
On the other hand, there are expectations for greater choice among consumers with the spread of greater quantities of high quality housing meeting their needs. Thus there are expectations that this market will grow rather than decrease. The government also introduced a housing performance indication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

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.

Notes: 1. This is a compilation of registration and contract information of designated transaction organizations.

2. This includes duplicated registrations of general intermediaries.

etc.) of REINs was provided 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. A general broker contract is a contract in which the client can ask multiple companies to broker a deal. An 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. A 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 Japanese 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

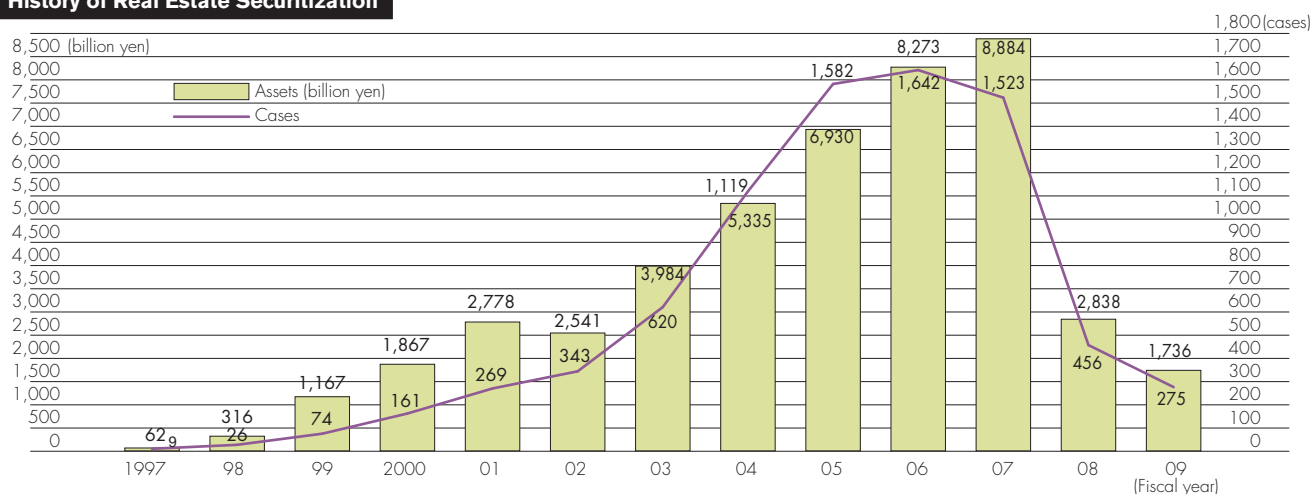
Real Estate Investment Trusts

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 2010 was 35 and the market has grown to about 8 trillion yen in total assets under management. Meanwhile, wild fluctuation has been seen in aggregated market value in recent years. It had 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. It has recovered to 3.7 trillion yen as of the end of 2010.

There are two types of REIT structures: 1)

History of Real Estate Securitization



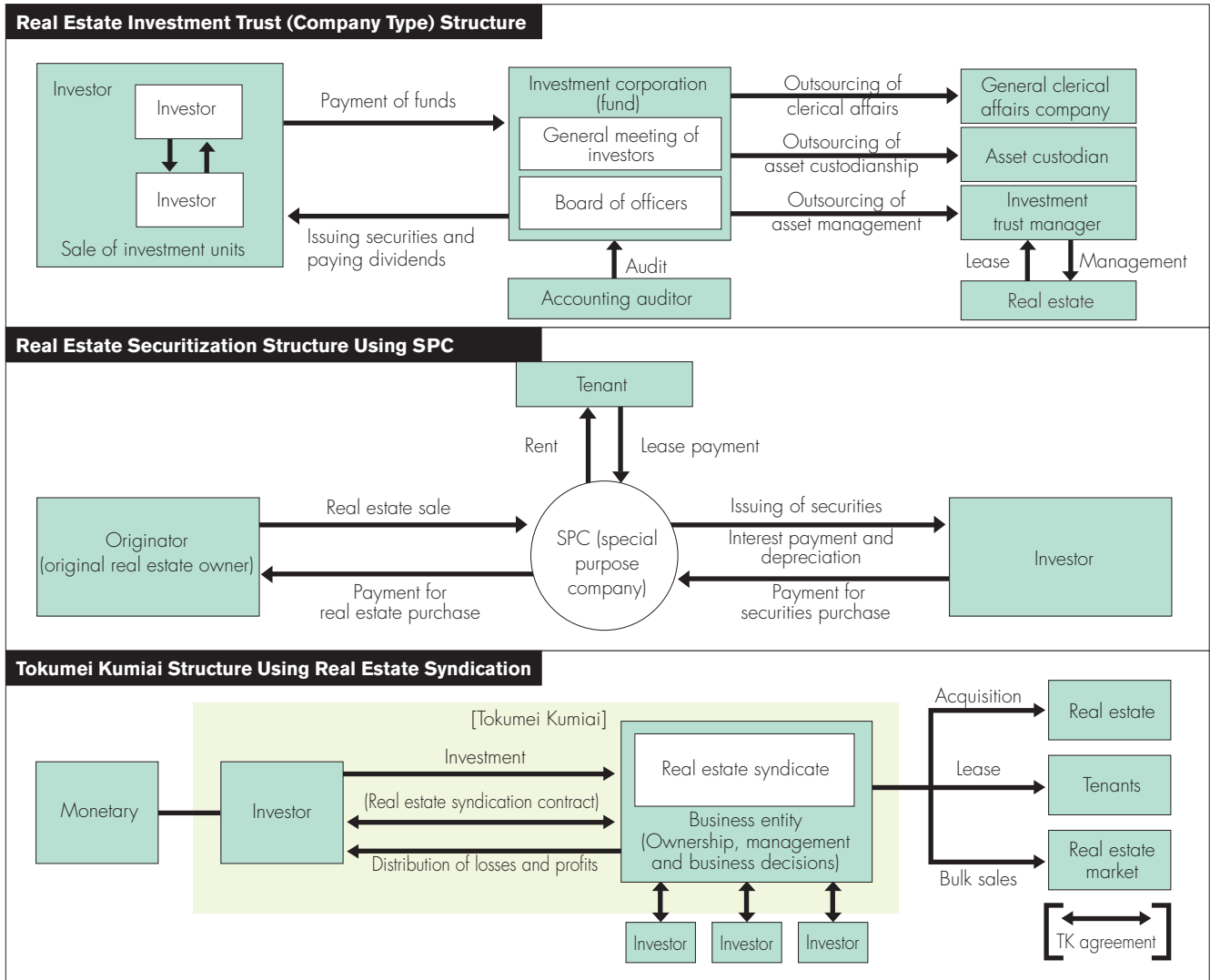
Source: Real Property Securitization in Japan issued by the Ministry of Land, Infrastructure, Transport and Tourism.

Note: Real estate investment corporations are recognized as single investment corporations.

J-REIT Structure

Name	Fund Characteristic	Month/Year of Listing	Number of Properties	Assets (100 billion yen)	Sponsors
Nippon Building Fund	Dedicated to office buildings	Sept. 2001	59	7,795	Mitsui Fudosan, Sumitomo Life, etc.
Japan Real Estate	Dedicated to office buildings	Sept. 2001	55	6,439	Mitsubishi Estate, The Dai-ichi Mutual Life Insurance and Mitsui & Co
Japan Retail Fund	Dedicated to commercial facilities	Mar. 2002	59	6,243	Mitsubishi Corporation and UBS AG
ORIX JREIT	Comprehensive (centering on office buildings)	June 2002	52	3,027	ORIX
Japan Prime Realty	Multi-use (offices and commercial facilities in urban areas)	June 2002	55	3,346	Tokyo Tatemono, Taisei Corporation, Yasuda Real Estate, etc.
Premier	Multi-use (offices and residences)	Sept. 2002	47	1,515	Ken Corporation, NTT Urban Development, etc.
Tokyu REIT	Multi-use (offices and commercial facilities)	Sept. 2003	25	1,947	Tokyu Corporation and Tokyu Land
Global One Real Estate	Dedicated to office buildings	Sept. 2003	7	1,303	The Bank of Tokyo-Mitsubishi UFJ, Mitsubishi UFJ Trust and Banking Meiji Yasuda Life Insurance, etc.
Nomura Real Estate Office Fund	Dedicated to office buildings	Dec. 2003	51	3,761	Nomura Real Estate Holdings
United Urban	Comprehensive (offices, residences, commercial facilities and hotels)	Dec. 2003	87	2,199	Marubeni, Credit Suisse First Boston Principal Investments Ltd., Tokyo Branch, etc.
MORI TRUST Sogo Reit	Comprehensive (centering on office buildings)	Feb. 2004	13	2,943	Mori Trust, Parco, etc.
Invincible Investment Corporation	Comprehensive (centering on residences, plus offices, etc.)	May 2004	55	705	The LCP Group L.P., Kokuto Securities, Nisshin Fudosan, etc.
Frontier Real Estate	Dedicated to commercial facilities	Aug. 2004	22	2,068	Mitsui Fudosan
Heiwa Real Estate REIT	Multi-use (offices and residences)	Mar. 2005	90	1,437	Heiwa Real Estate
Japan Logistics Fund	Dedicated to logistics facilities	May 2005	28	1,432	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	16	1,209	Fukuoka Jisho, Kyushu Electric Power, etc.
Kenedix Realty Investment Corporation	Comprehensive (centering on office buildings)	July 2005	67	2,358	Kenedix Asset Management, ITOCHU Corporation
Sekisui House SI Investment Corporation	Comprehensive (centering on residences and commercial facilities)	July 2005	53	999	Sekisui House, Spring Investment
FC Residential	Comprehensive (residences, hotels, etc.)	Oct. 2005	19	234	Fund Creation
Daiwa Office Investment Corporation	Dedicated to office buildings	Oct. 2005	33	2,782	Daiwa Securities Group
Hankyu REIT	Multi-use (centering on commercial facilities)	Oct. 2005	15	1,213	Hankyu Corporation
Starts Proceed	Comprehensive (centering on residences)	Nov. 2005	76	383	Starts Amenity and Starts Corporation
Japan Hotel and Resort	Dedicated to hotels	Feb. 2006	8	851	MLQ Investors
Top REIT	Comprehensive (offices, commercial facilities and residences)	Mar. 2006	15	1,750	The Sumitomo Trust & Banking, Nippon Steel City Produce, Oji Real Estate
JAPAN OFFICE Investment Corporation	Multi-use (centering on office buildings)	Mar. 2006	53	1,157	Ichigo Trust
BLife	Multi-use (residences and commercial facilities)	Mar. 2006	124	1,915	Daiwa House Industry, Morimoto, etc.
Nippon Hotel Fund	Dedicated to hotels and resort facilities	June 2006	17	402	Creative Renovation Group Japan, Kyoritsu Maintenance, Kyokuto Securities, Shin Nippon Air Technologies, etc.
Japan Rental Housing Investments	Dedicated to residences (centering on Tokyo metropolitan area)	June 2006	185	1,530	AppleRingo Investments B.V.
Japan Excellent	Office building management (centering on central Tokyo)	June 2006	19	1,881	Kowa Real Estate, Dai-ichi Mutual Life Insurance, Sekisui House, etc.
Nippon Accommodations Fund	Dedicated to residences (centering on Tokyo metropolitan area)	Aug. 2006	63	1,870	Mitsui Fudosan
MID REIT	Comprehensive (centering on office buildings)	Aug. 2006	12	1,611	MID Urban Development
Mori Hills REIT Investment Corporation	Comprehensive (centering on office + commercial facilities, residential)	Nov. 2006	13	2,119	Mori Building
Nomura Real Estate Residential Fund	Dedicated to residences	Feb. 2007	145	1,344	Nomura Real Estate Holdings
Industrial & Infrastructure Fund Investment Corporation	Dedicated to real estate for industrial use	Oct. 2007	10	958	Mitsubishi Corporation, UBS AG
Advance Residence Investment Corporation	Dedicated to residences	Mar. 2010	183	3,467	Itochu Corporation, Itochu Property Development, Nippon Tochi-Tatemono, etc.

Source: Website of the Association for Real Estate Securitization (ARES).



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.

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 further preparation of indices to assist investors in making their decisions and various other measures to overcome the recent financial crisis are needed and anticipated.

Moreover, the Bank of Japan established an "Asset Purchase Program" as part of its "Comprehensive Monetary Easing Policy" and plans to purchase around 50 billion yen worth of J-REITs by the end of 2011.

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.).

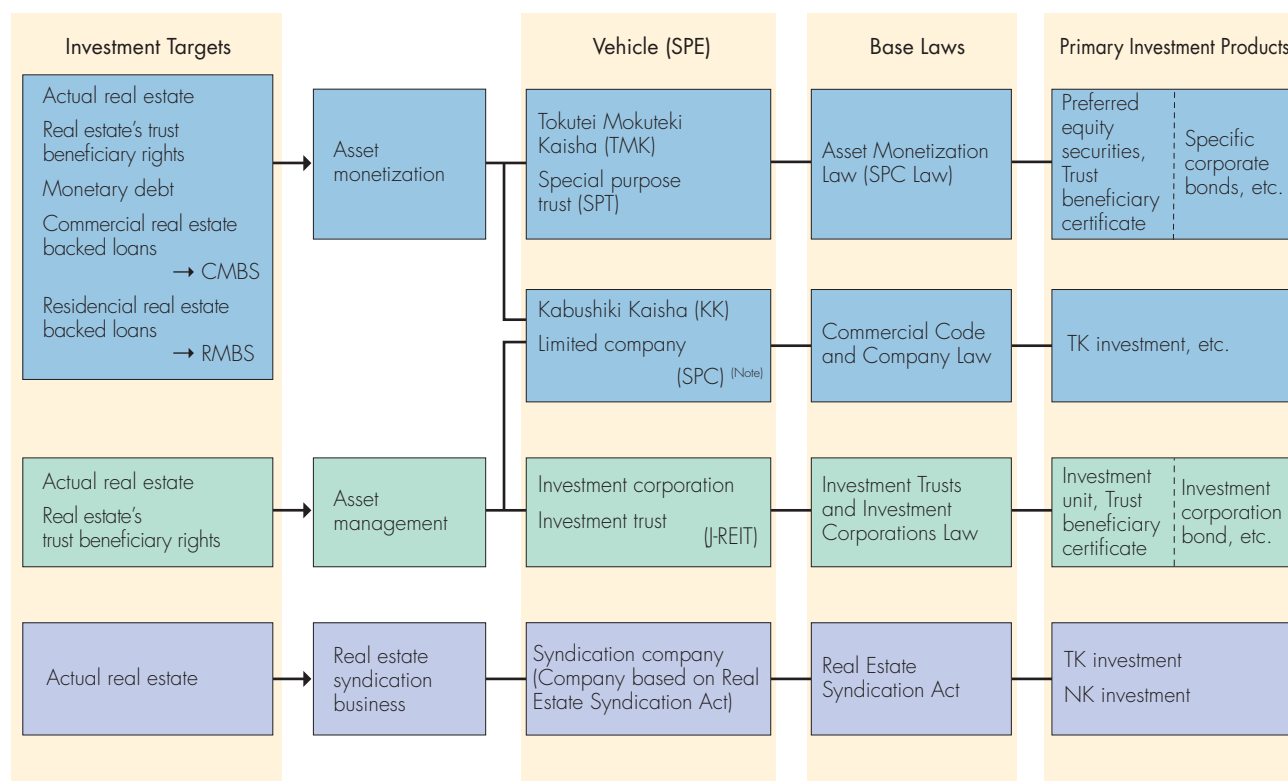
The following illustrates the actual flow of funds and the relationship with real estate:

- 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

Classification of Real Estate Securitization Products



Note: Companies already established as limited liability companies at the time the Corporate Law was implemented will continue to exist as KKKs under the law.
Prepared by ARES

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

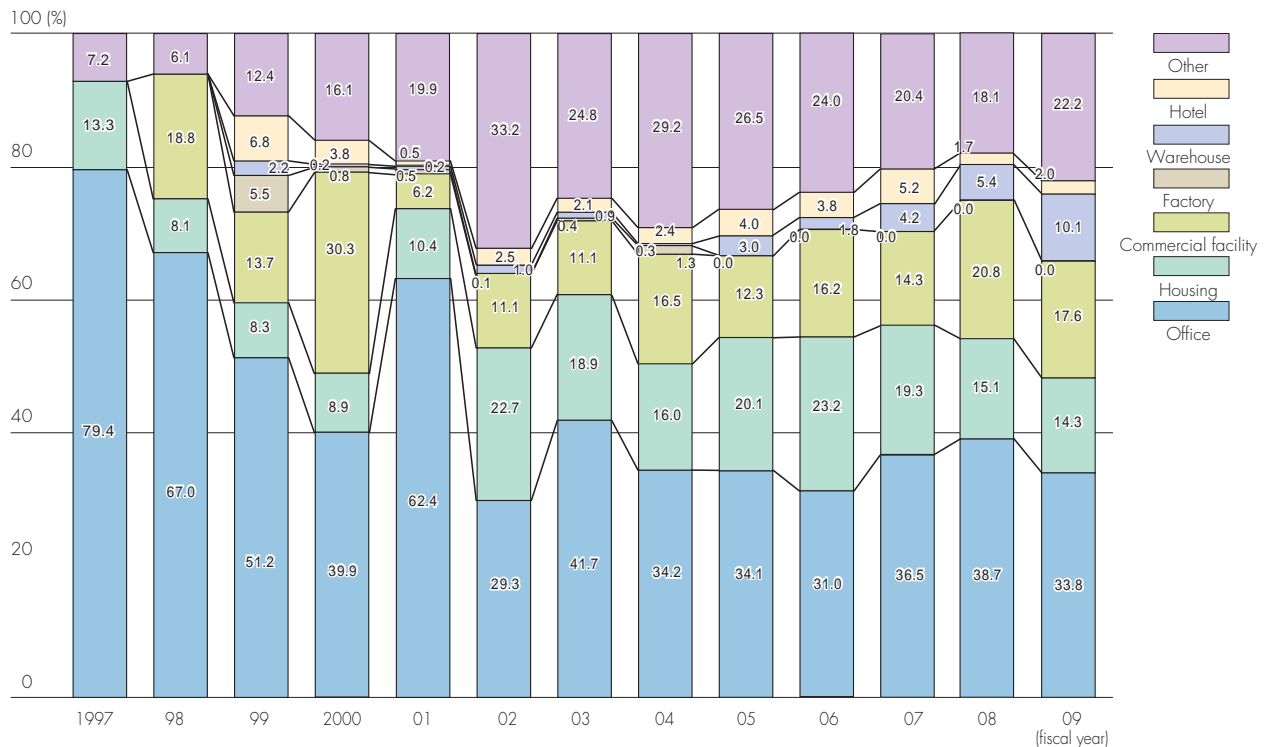
the participants are professional investors. The Real Estate Syndication Act covers five types of contracts consisting of nin-i kumiai, tokumei kumiai, lease, contractual products based on foreign laws and products based on other governmental legislation. Of the 404 cases of syndication with cumulative offerings of 1,776 billion yen between implementation on April 1995 to March 2010, 379 cases with 1,730.2 billion yen in offerings used the tokumei kumiai method, which proves that performance grew centering on the tokumei kumiai method.

Businesses Related to REITs

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.

Breakdown of Securitized Real Estate Assets by Usage



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

Notes: 1. The following describes what is included in "Others." *Usage other than offices, housing, commercial facilities, plants, warehouses and hotels (parking lots, training facilities, etc.)

*Subject real estate is used for multiple usages *That for multiple properties with differing usages

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

3. Preliminary figures are used for the breakdown in fiscal 2008.

Asset Custodians

Asset custodians conduct the custodianship of investment corporation assets and do so in a manner separate from their own 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.

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 the 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.

The Alternative Dispute Resolution (ADR) system for the financial sector designed to enhance user protection was implemented on October 1, 2010.

*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.

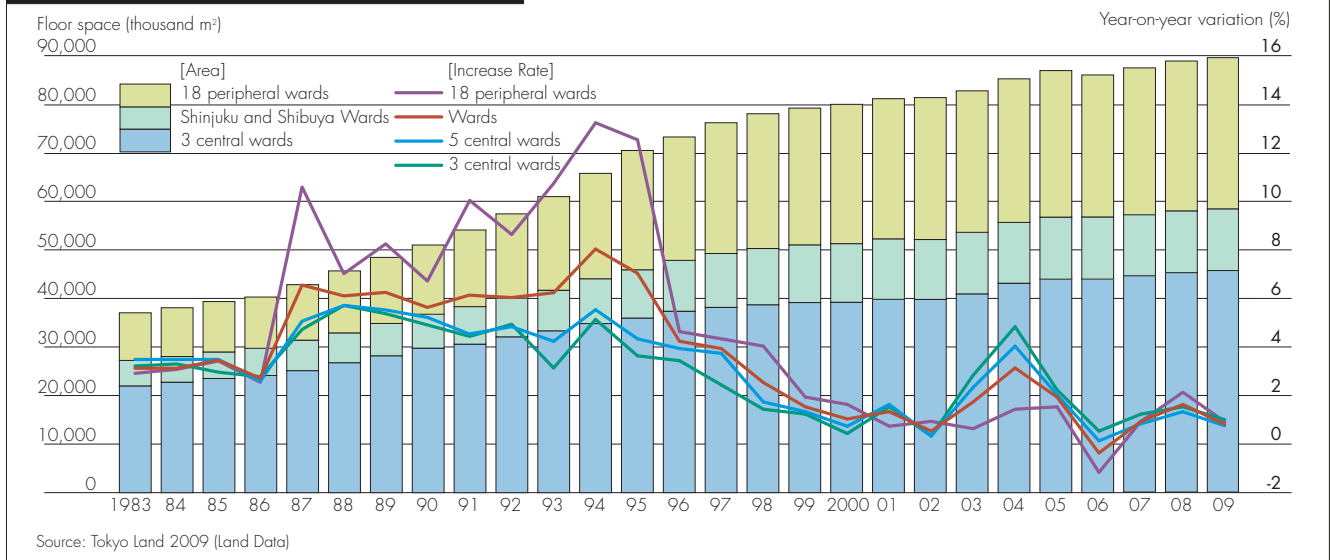
Although many rental buildings burned and were lost during the awful events of World War II (1941-1945), the full-fledged construction of rental buildings took off with the recovery beginning in 1950 after derequisition of the buildings remaining from the war and revision of the Rent Control Act. This was supported by the booming building demand resulting from the high growth period beginning in 1955 and the rental buildings market has been developed remarkably 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 an increasing rate of vacancy. However, the vacancy in five wards in central Tokyo recovered from the 7-8% level in 1993-1994 to 3-4% in 2000-2001. Among others, an improvement tendency was found in newly-built large-scale buildings that satisfy the so-called conditions of 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 the bursting of the information technology bubble and the 2003 problem. In tandem with business recovery in major companies, however, the vacancy improved to around 3% in 2006-2007 and rents were raised in central Tokyo.

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.

However, a global recession triggered by the subprime loan problem in the U.S. also had a severe impact on Japan's real economy since autumn 2008, and the vacancy rate in office buildings increased to 6-8% in 2009. In 2010, the figure was around 9%.

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 the 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 that incorporates 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 rate caused by the 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 also 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.



PROPERTY OVERVIEW

Name

■ Grapes Asakusa

Location

■ 2-34-7, Asakusa,
Taito Ward, Tokyo

Completed

■ December 2009

Opened

■ February 2010

Structure

■ Reinforced concrete; 14 floors
above ground and 1 below

Site area

■ 693.74m²

Total floor area

■ 6,212.59m²

Total residential units

■ 99 units

Unit layout

■ A living/dining room and kitchen
with one or two bedrooms

Developer

■ Tokyo Tatemono Co., Ltd.

Case Study • GRAPES ASAKUSA

Tokyo Tatemono completed construction of the rental apartment for the elderly, Grapes Asakusa, in December 2009 located adjacent to Senso-ji Temple and a five-minute walk from Asakusa Station, very convenient for living. The building was opened to residents in February 2010. As of March 2011, almost 80% of the units have lifetime contracts.

Japan is on its way to becoming an extremely aged society, and there is growing demand for residences where healthy elderly people can live and feel secure. In developing Grapes Asakusa, Tokyo Tatemono used its know-how from its city center rental apartment named Apartments and its condominium Brillia.

During the planning stage of Grapes Asakusa, surveys and workshops were held and a hearing of over 2,500 seniors was conducted.

Based on the needs revealed, a thorough series of discussions was held with professional care giving company Yasashiite, and development with a balance of the facilities and the services commenced. The dual realization of ease of care and living comfort was difficult to achieve, but Tokyo Tatemono aimed to create a space which would be favorable for both independent elderly persons and caregivers who will actually be living there from a perspective emphasizing care giving and by considering things such as the number of hand rails, depth of the baths and width of the halls.

The building has 14 floors above ground and one floor below. Floor B1 has an assembly room, floor 1 dispensing pharmacy, day service and a home care office, and on floor

2 are internist and orthopedic clinics. Floors 3 to 14 constitute the actual residences. The building operates a round-the-clock manned control system together with Yasashiite, and also operates a front desk service, a regular visiting service and consultation services regarding livelihood and care for residents and family members. There is no lump sum payment upon moving in, and it is a facility very convenient for elderly persons with the securing of residents' rights with lifetime building lease contracts and the such.

Tokyo Tatemono intends to use the know-how acquired from Grapes Asakusa and deliberate on providing residences which fit the needs of residents and their families in the future, after gaining a solid understanding of the market for residences for the elderly.



Case Study • LA TOUR DAIKANYAMA

Sumitomo Realty & Development's La Tour Daikanyama was developed in the leading trend-setting area of Daikanyama, which boasts historic residential areas such as Nanpeidai, Uguisudani and Hachiyamacho. Construction started in April 2008.

Though located in the heart of Tokyo, La Tour Daikanyama enjoys a rare spacious lot of 5,000 tsubos (16,500m²) and has been built as a large-scale low-rise rental condominium with an average floor space of 240m² in its 139 units, realizing its plan for comfortable living spaces. By placing the dwelling units around the inner courtyard, a resort-like atmosphere is staged. A concierge desk (with English capabilities) provides hotel-like services 24-hours a day. In addition, the five-layer security ensures the safety and privacy of residents, and there a free shuttle bus service is provided to an international school.

The site is the former lot of Evergreen Park Homes, a luxury rental apartment estate with a history of over 50 years. The new exterior design blends

the condominiums into their surroundings by making use of the trees and pre-existing stone walls. Every detail of the interior, from flooring to door knobs, has been completed with the utmost consideration and luxury. Security is extensive, with 79 security cameras within and without the building, a security guard at the front gate 24 hours a day and a system where visitors can only enter with permission from residents.

Even among its 17 La Tour condominiums, Sumitomo Realty & Development positions La Tour Daikanyama as a flagship property of premier quality, and it is highly valued within the company. The residents praise it as having a different appeal from skyscraper condominiums.

With the scheduled completion of its Nishi-Shinjuku 8-Chome Project this year as well as upcoming developments in the Minato Ward area, Sumitomo Realty & Development will continue projects focused on the city center, an area in which it excels.

PROPERTY OVERVIEW

Name

■ La Tour Daikanyama

Location

■ 13-1, Uguisudani-cho, Shibuya Ward, Tokyo

Completed

■ October 1, 2010

Structure

■ Steel reinforced concrete; 7 floors above ground and 1 below

Site area

■ 15,723.11m²

Total floor area

■ 49,987.99m²

Total residential units

■ 139 units

Unit layout

■ 2 to 5 bedrooms with guestroom

Design

■ NIKKEN SEKKEI Ltd.

Construction

■ Nishimatsu Construction Co., Ltd.

OVERVIEW OF MAJOR REAL ESTATE SECTORS

Environmental Measures

Until now, the nation has worked in concert to establish various measures to confront changes in the global environment that are accelerating yearly. The fact is, however, that the deterioration of the global environment is progressing at a faster pace than these measures.

In the real estate industry, global warming measures such as energy conservation and measures to prevent the heat island phenomena, as well as waste disposal and recycling have been positioned as urgent issues, and many companies have set reduction targets and devoted themselves to moving forward with such measures.

Activities of the real estate industry are diverse and include conceptualization, planning and design; development and building; residential unit sales; building leasing management and maintenance; secondhand sales; and dismantling and disposal. Each of these operations has many counterparts, including vendors, tenants, condominium owners' associations and general users. Thus, there is also a need for discussion and collaboration with these interested parties when conducting environmental measures. Another important theme that arises out of the fact that the life cycles of buildings are decades long is the need to provide buildings that have high environmental performance based on a medium- to long-term perspective and to build a stock with a small environmental load.



Countering Environmental Issues in Japan and the World

Both energy and natural resources are essential for civilization to continue to develop. However, the energy consumption of advanced nations grows annually and has placed an enormous load on the global environment. In particular, global warming caused by greenhouse gases in the atmosphere has had a negative impact on the ecologic system and has led to the recognition that "the reduction of greenhouse gases" is a vital issue.

Based on this view, the United Nations Framework Convention on Climate Change

(UNFCCC) (abbreviation: Framework Convention on Climate Change (FCCC)) was adopted in 1992 at the United Nations Conference on Environment and Development (Earth Summit). The FCCC established the basic policy for stabilizing the volume of greenhouse gasses in the atmosphere as well as measures to prevent the various problems generated by climate change. The 3rd Conference of the Parties (COP3) held in Kyoto in 1997 saw the adoption of the Kyoto Protocol, which placed emissions reduction objectives on greenhouse gasses in advanced countries, with the Protocol taking effect in 2005.

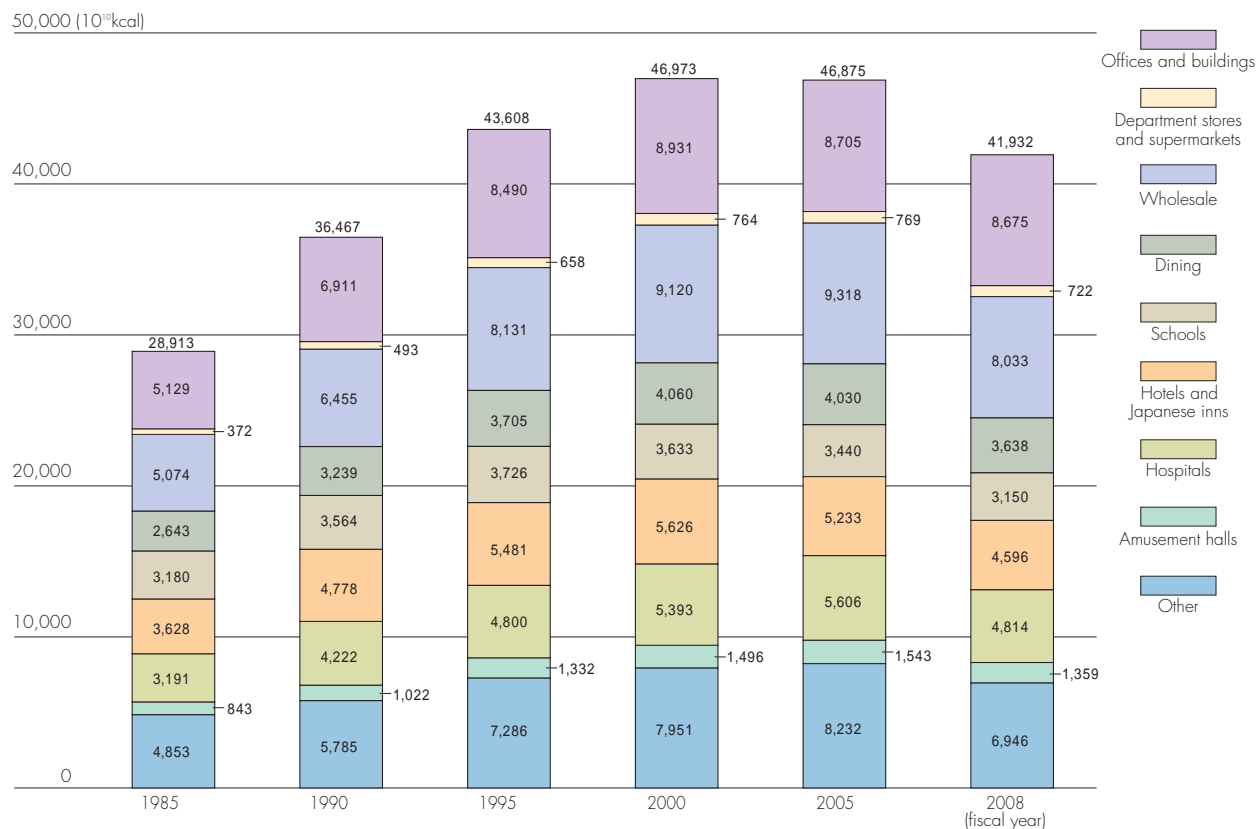
At the 16th Conference of the Parties (COP16) held in 2010, a resolution was passed among Conference parties that they would "establish goals to reduce the emission of greenhouse gases compared to 1990 by somewhere between 25% to 40%" and that they would "establish a framework for assisting measures to reduce the greenhouse gas emission of developing countries."

About one-third of CO₂ emissions in Japan are reported to be from the construction industry. This, combined with the impact real estate development has on the ecologic system, makes it vital for the real estate industry to counter global environmental issues.

Environmental Responsiveness of Office Buildings

In recent years, CO₂ emission volumes of the private sector, which is the business sector and household sector combined, have significantly increased. In the business sector, causes behind this include the increase of floor areas used in office buildings, etc., extension of working or

History of Energy Consumption by Business Type in the Business Sector



Source: EDMC/Handbook of Energy & Economic Statistics in Japan (2009 edition) issued by the Energy Conservation Center (Japan)

business hours, office automation movement due to the advancement of economic activities, and the progress of information technology. In order to reduce CO₂ emissions arising from such factors, the "Law Concerning the Rational Use of Energy" was amended and enforced in April 2009. The revised Law introduced obligations of energy management on a company-by-company basis for the working place, such as offices, among other measures, in order to enhance energy conservation measures in the business sector.

Furthermore, the Tokyo metropolitan government became the first in the country to introduce obligations to reduce CO₂ emission volume and an emissions trading system by enforcing "A New System based on Amendments made to the Tokyo Metropolitan Ordinance on Environment for Protection of Resident Health and Safety" in April 2009.

Under such circumstances, the Real Estate Companies Association of Japan (RECAJ) formulated a "Voluntary Environmental Action Plan for the Real Estate Industry" (VAP) in 1997 and has revised it several times

since then. In 2008, RECAJ established the fifth edition of the VAP which indicated energy conservation performance targets for member companies in terms of energy conservation performance at new office buildings which exceeded that of standards set by the government. Furthermore, in order to secure sustainable economic growth, it is absolutely necessary to further promote urban and regional regeneration and other measures to enhance our international competitiveness. Due to this, "co-existence of the economy and environment" is vital. Based on this basic awareness, the VAP indicates as vital issues the continuous preparation and accumulation of energy consumption data for office buildings, etc., measures for suppressing the environmental load in the medium to long term and the examination of their effects, etc.

Voluntary Environmental Action Plan of RECAJ

The recent market for new for-sale condominiums has been very severe, as evidenced by a rapid drop in the number of new housing starts due to the impact from the deterioration of the real economy that

has accompanied the financial crisis, among other factors. Even within these conditions, companies remain convinced that the tackling of environmental issues is a vital theme.

In fiscal 2009, the Japanese housing sector (all housing arrived at by totaling the sum of condominiums and detached housing) had CO₂ emissions totaling 162 million tons, a figure roughly 30% more than the base reference year of 1990. Reasons for this include the increase in households, the growing size of household appliances and diversification. The energy consumption volume of the housing sector is also increasing, with fiscal 2009 posting a figure about 1.2 times that of fiscal 1990.

In the case of condominiums, annual energy consumption per household can be suppressed to about 70% that of detached housing. Reasons for this include the high insulation and hermetic qualities of condominiums, since the area in contact with outside air is smaller. Still, it is irrefutable that energy consumption is increasing annually and energy conservation measures for condominiums require the installation of high efficiency water heating facilities,

improvement of insulation performance, improvement of energy conservation performance for household appliances and facilities, and the efficient use of these.

However, once a for-sale condominium is sold, the operating body becomes the condominium owners' association and it must deal with a number of problems while respecting and representing the opinions of all residents. Therefore, developers are required not only to plan and build condominiums with superior environmental performance but to provide information on environmental measures to prospective owners and the condominium owners' association.

Local governments have also become more proactive in establishing measures. In 2005, the Tokyo metropolitan government launched the Condominium Environmental Performance Indication system, which requires the developers of large new condominium projects to submit building environmental plans and to implement environmentally friendly measures.

Under such circumstances, RECAJ established the Environmental Voluntary Action Plan for New Condominiums (EVAP) in 2009. The EVAP seeks to quantify and visualize various processes based on the realization that it is important to promote energy conservation and CO₂ reduction with the developers and

residents working together as two wheels of the efforts. The EVAP also includes numerical targets.

Some environmental measures recently being carried out for new for-sale condominiums include the proactive introduction of superior energy-saving facilities such as high efficiency water heaters, as well as the introduction of renewable energy systems, such as solar energy generators and wind generation. Furthermore, in order to raise the energy conservation awareness of residents, facilities which help them visualize emissions are being introduced, while projects to support energy conservation activities of residents are being carried out by developers.

Strengthening Partnerships at the Private Sector Level such as through Information Sharing

Given the heightening awareness of the private sector concerning environmental measures, RECAJ established the "Working Group on Countermeasures for Global Environmental Issues" (headed by Toshiharu Ikaga, professor of Keio University) in September 2009 comprised of members from industry, government and academia. The Working Group conducted research over several times and in April 2010, formulated an action plan positioning 2010 as the "First

Year of Building Low Carbon Cities." In view of reviews of Japan's energy conservation standards that are to be conducted coming forward, etc., the Group is carrying forward discussions towards establishing new environmental performance targets for new office buildings by 2011 and for new for-sale condominiums by 2012.

Furthermore, "biodiversity," which is the maintenance of harmonious relationships with the living species of the earth, is receiving attention. In 2010, a voluntary program aiming to share information and share experiences involving participation from the private sector centering the business community such as the Nippon Keidanren (Japan Business Federation) and the Japan Chamber of Commerce and Industry, was established under the name of "Private Sector Engagement Initiative on Biodiversity." RECAJ also became a member that year.

Although global environmental measures are vital issues for those of us in the real estate industry, they must also be accomplished alongside economic growth. We believe that a critical theme for future environmental measures is accumulating objective and rational proof of the environmental and economic impact and effects of activities we have carried out.





Case Study • PARK HOUSE KICHIOJI OIKOS

Mitsubishi Estate developed the environment-friendly condominium "Park House Kichijoji OIKOS" in Kichijoji, a highly popular residential area in Tokyo.

In this day and age where eco-conscious efforts are expected from various angles, the development of OIKOS incorporated cutting-edge CO₂ technology such as exterior thermal insulation and insulated wooden sash in order to contribute to CO₂ emission reduction at the home-level.

In 2008, the Mitsubishi Estate Group established MEC eco LIFE to conduct research on the environment and on building design in relation to the residential business. This prompted the beginning of the Eco condominium project of Mitsubishi Estate's Residential Development Group (currently Mitsubishi Jisho Residence). "Park House Kichijoji OIKOS" is a new type of apartment building not only equipped with eco-friendly functions but also serving to review living styles in

existing condominiums, developed with the lineup of Mitsubishi Jisho Residence, MEC eco LIFE, Iida Archship Studio (design) and Maeda Corporation (construction).

The development of OIKOS began with the two central concepts of "eco" and "new condominium lifestyle," two elements of design and construction which are difficult to balance. The result was a condominium with a freshness not found in other condominiums; completed with a unique exterior, a fair-faced concrete interior and innovative low-CO₂ technology represented by its exterior thermal insulation. It had the effect of widening the possibilities of product development in Mitsubishi Estate's residential business.

Mitsubishi Jisho Residence will continue to emphasize environment-friendly functions in its development of residential real estate and it plans to explore the possibilities of future projects with MEC eco LIFE as it inspects the development and sale results of Park House OIKOS.

PROPERTY OVERVIEW

Name

■ Park House Kichijoji OIKOS

Location

■ 2-24-6 Naka-machi,
Musashino City, Tokyo

Completed

■ October 29, 2010

Structure

■ Reinforced concrete
(4 floors above ground)

Site area

■ 361.29m²

Total floor area

■ 703.24m²

Total residential units

■ 9 units

Unit layout

■ A living/dining room and a kitchen
with one bedroom (basic plan)

Design

■ Iida Archship Studio

Construction

■ Maeda Corporation

LAND AND HOUSING POLICIES

Year	Political, Social and the Economic Events	Land Planning, City Planning, Architectural Regulations, etc.	Land and Housing Policy	Land and Housing Taxation	Real Estate Industry News
1995	The Great Hanshin-Awaji (Kobe) Earthquake; Sarin gas attack by the Aum cult; Sharp appreciation of the yen to below 100 yen per dollar	Act on Special Measures concerning Reconstruction of Urban Districts Damaged by Disaster (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 Standards Law (rationalization of FAR restrictions in accordance with the width of road in front, rationalization of road setback rules); City Park Law Enforcement.	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.).	<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.).	Revision to the Building Lots and Buildings Transaction Business 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].
1996	Act on Special Measures concerning Promotion of Disposal of Claims and Debts of Specific Jusen Companies General elections based on the single-seat constituency system	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).	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 100m ²); Focused Emergency Plan for Reducing Housing Construction Costs (dramatic review of the Building Standards 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).	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 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).	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.
1997	Consumption tax rate raised; Failure of the Hokkaido Takushoku Bank and Yamaichi Securities; Opening of the Trans-Tokyo Bay Highway	Act on Promotion of Improvement of Disaster Control Districts in Populated Urban Districts (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 Standards 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.	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.	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 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.	

Year	Political, Social and the Economic Events	Land Planning, City Planning, Architectural Regulations, etc.	Land and Housing Policy	Land and Housing Taxation	Real Estate Industry News
1998	Nagano Olympics; Financial Reconstruction Law, etc., Act on Emergency Measures for Early Strengthening of Financial Functions; Nationalization of the Long-Term Credit Bank of Japan and the Nippon Credit Bank	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 Standards 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 following out).	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.	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.	Law on Securitization of Specified Assets by Special Purpose Companies (SPC Law).
1999	Criticality accident in Tokaimura, Ibaraki; Mergers or business mergers between major banks, etc.; Response to Y2K	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).	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	Prime Minister Obuchi passes away; Miyake Island erupts, floods in the Tokai region; Turmoil in the U.S. presidential elections;	Revision to the City Planning Law and Building Standards 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;	Law for Promoting Appropriate Condominium Management (condominium manager qualification system and condominium management company registration system; enforcement in 2001).	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 2-year extension of application period;	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";

Year	Political, Social and the Economic Events	Land Planning, City Planning, Architectural Regulations, etc.	Land and Housing Policy	Land and Housing Taxation	Real Estate Industry News
2000 (cont.)	Number of juvenile crimes rise	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).		Phased reduction of real property tax on land (75% in fiscal 2001 and 70% in fiscal 2002); 3-year extension of special measures on land transaction tax (1/3 for registration license tax and 1/2 for real estate acquisition tax).	Integration of the Japan Home Builders Association and the Housing Industry Development Association to form the Japan Association of Home Suppliers.
2001	Inauguration of the Koizumi Cabinet which upheld structural reform; September 11 attacks in the U.S.; Anti-terrorism Special Measures Law enacted; Universal Studio Japan (Osaka prefecture) and Disney Sea (Urayasu-shi) opens	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.	Enforcement of Law for Securing Dependable Residences of the Elderly; Establishment of the 8th Housing Construction 5-Year Plan; Decision to abolish the Government Housing Loan Corporation within 5 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.	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); 3-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 Tanaka serving as chairman (chairman of the Real Estate Companies Association); Real estate investment trusts are listed.
2002	Prime Minister Koizumi visits North Korea to normalize diplomatic relations; Holding of the Korea/Japan World Cup; "Prompt Countermeasures to Deflation" formulated	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 Standards 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; Revision to the Law for Smoothing Condominium Reconstruction and revision to Sectional Ownership Law.	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.

Year	Political, Social and the Economic Events	Land Planning, City Planning, Architectural Regulations, etc.	Land and Housing Policy	Land and Housing Taxation	Real Estate Industry News
2003	Iraq War; Second Koizumi Cabinet	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).	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	Athens Olympics; Second reshuffled cabinet of the Koizumi Cabinet; Occurrence of major natural disasters including a wave of typhoons hitting Japan, the Mid Niigata Prefecture Earthquake, and earthquakes and tsunamis in the ocean off Sumatra Island	Finalization of Urban Renaissance Projects (phases 7 and 8); Enhancement of community regeneration measures and town creation subsidies; Establishment of 3 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).	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.
2005	Aichi Expo held; LDP wins the Lower House elections in September by an overwhelming majority, followed by the enactment of the Postal Service Privatization Act; Princess Nori marries	Toward activation of urban areas in local regions, discussion on review of 3 urban development laws began to intensify.	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; 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.	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)	Hiromichi 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, Nihonbashi Mitsui Tower and other buildings were completed. Vacancy rates in central Tokyo improved.

Year	Political, Social and the Economic Events	Land Planning, City Planning, Architectural Regulations, etc.	Land and Housing Policy	Land and Housing Taxation	Real Estate Industry News
2006	Zero-interest rate policy lifted in July; Inauguration of the Abe Cabinet in September	In the wake of the quake-resistance data falsification scandal, the Law to Revise Portions of the Building Standards Law, etc. to Secure Safety of Buildings was enacted. Three urban development laws were enacted.	Basic Act for Housing was enacted.	Reduction and extension of preferential measures for land and building related transaction taxes (registration and license tax, real estate acquisition tax); 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.	Prefectural land price research revealed that the prices of both residential land and commercial land in 3 major metropolitan areas rose for the first time in 16 years. The number of listed REITs reached 40 in December and the aggregate market value increased to about 5 trillion yen.
2007	Inauguration of the Fukuda Cabinet in September	The Law to Revise Portions of the Urban Rejuvenation Law was enacted. Law to Secure Execution of Defect Warranty for Specific Housing was enacted.	Japan Housing Finance Agency was inaugurated.	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;	Financial Instruments and Exchanges Law was enacted. Tokyo Midtown, Shin-Marunouchi Building, Kasumigaseki Common Gate and other buildings were completed.
2008	Beijing Olympics; Inauguration of the Aso Cabinet; Effects of the financial crisis stemming from the U.S. subprime loan problem spread across the globe	National Sustainability Plan (national plan) was approved by a Cabinet meeting.	Emergency Measures for Activation of Housing/Real Estate Market were announced. Law for the Promotion of the Spread of Long-term Excellent Houses was enacted. Act for Partial Revision of the Act concerning the Rational Use of Energy was enacted.	Foundation of special measures for real estate acquisition tax in relation to non-residential housing; 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).	Law for Prevention of Transfer of Criminal Proceeds was enacted. Real estate companies went under in succession.
2009	H2N1 virus spreads from around spring-time; Citizen judge system begins in May; DPJ wins the Lower House elections by an overwhelming majority in August; change of government for the first time in 16 years; Inauguration of the Hatoyama Cabinet in September; Inauguration of the Consumer Affairs Agency in September	National spatial strategy (regional plan) approved by the minister.	Policy Package to Address Economic Crisis was announced. Emergency Economic Countermeasures for Future Growth and Security were announced. Eco-point system for housing was established. New Growth Strategy (basic policies) was announced.	Tax Reduction System for Housing Loans was extended and expanded, Tax Reduction System for Long-term Excellent Houses was established, etc.; Special income tax deduction for barrier free and energy conservation renovations of existing houses was established; Tax rate for registration license tax related to real estate transactions was left unchanged; Special measures to arouse demand for land during the economic recovery were established.	Real Estate Market Stabilization Fund was established. Both land prices that were published and land prices according to surveys by prefectures decreased nationwide. The number of new housing construction fell under 1 million units to 780,000 units for the first time in 42 years. Completion of construction for Mitsubishi Ichigokan.
2010	Inauguration of the Kan Cabinet in June; Bank of Japan announces its "Comprehensive Monetary Easing Policy" in October	Low Carbon City Development Guidance created (MLIT).	Increased the interest-rate reduction from "Flat 35S"; "MLIT Growth Strategy" announced "New Growth Strategy" announced; "Three-Step Economic Measures for the Realization of the New Growth Strategy" announced.	Expansion of measures for exemption of donation tax for housing purchases and other funds, etc.; Extension of special measures concerning donations of funds for housing purchases, etc. in the tax system for settlement at the time of inheritance, etc.; Extension of exceptions for fixed asset tax reduction for newly constructed housing	Completion of construction for Coredo Muromachi, Yuito, etc.; RECAJ formulates the "RECAJ Action Plan for Low Carbon City Development" and "Future Urban Development Strategy" for the Growth of the Housing and Urban Development Sectors."

Recovery from the Great East Japan Earthquake

Occurance of the earthquake and tsunami

A strong earthquake shook Japan at 2:46 p.m. of March 11, 2011. Its epicenter was at the bottom of the sea, about 130km east-southeast of Oshika Peninsula, Miyagi Prefecture. According to the Japan Meteorological Agency, the depth of the epicenter was 24km and the earthquake's magnitude was 9.0, making it the world's fourth largest earthquake since 1900. The quake shook a vast area and strong jolts were felt even in Tokyo 500 km from the epicenter.

The earthquake caused tsunamis in various places, especially along the Pacific coast of Japan. Parts of the Tohoku region were hit by massive tsunamis of over 10 meters. Coastal regions of Iwate, Miyagi and Fukushima prefectures were especially devastated and nearly all of those dead or missing were from these areas. According to the Metropolitan Police Department, the number of those dead is over 14,000 and the number of those missing has exceeded 11,000 nationwide, and about 130,000 survivors are left with no option but to live as evacuees (as of April 25).

In the Tokyo metropolitan area, though a phenomena known as liquefaction in which soft land becomes liquified occurred at costal landfills, there was practically no damage done to the actual structures of condominiums and office buildings. Most systems of transportation had recovered by the day after the earthquake and the overall damage was limited.

The accidents at Fukushima Daiichi Nuclear Power Plant and their effects

The Tokyo Electric Power Company's Fukushima Daiichi Nuclear Power Plant (at Okuma and Futaba, Fukushima Prefecture) sustained heavy damage from a massive tsunami triggered by the earthquake such as in losing its cooling functions. The lives of Japanese citizens and the activity in the economy were severely impacted by the accidents, with residents of peripheral areas ordered to evacuate, negative rumors spreading concerning agriculture and various other fields, and the rolling blackouts* necessitated by the significant reduction of electrical power supply.

Impact on real estate business

Though there were worries of large delays in construction due to such matters as material shortages, condominium marketing activities have generally resumed following the quake. At one point, commercial facilities were suspending their businesses due to the rolling blackouts, and there was a movement especially among foreign firms to move their offices away from the Tokyo area for worries regarding the nuclear power plant accidents, aftershocks and the like, but things are calming down and are about to return to normal.

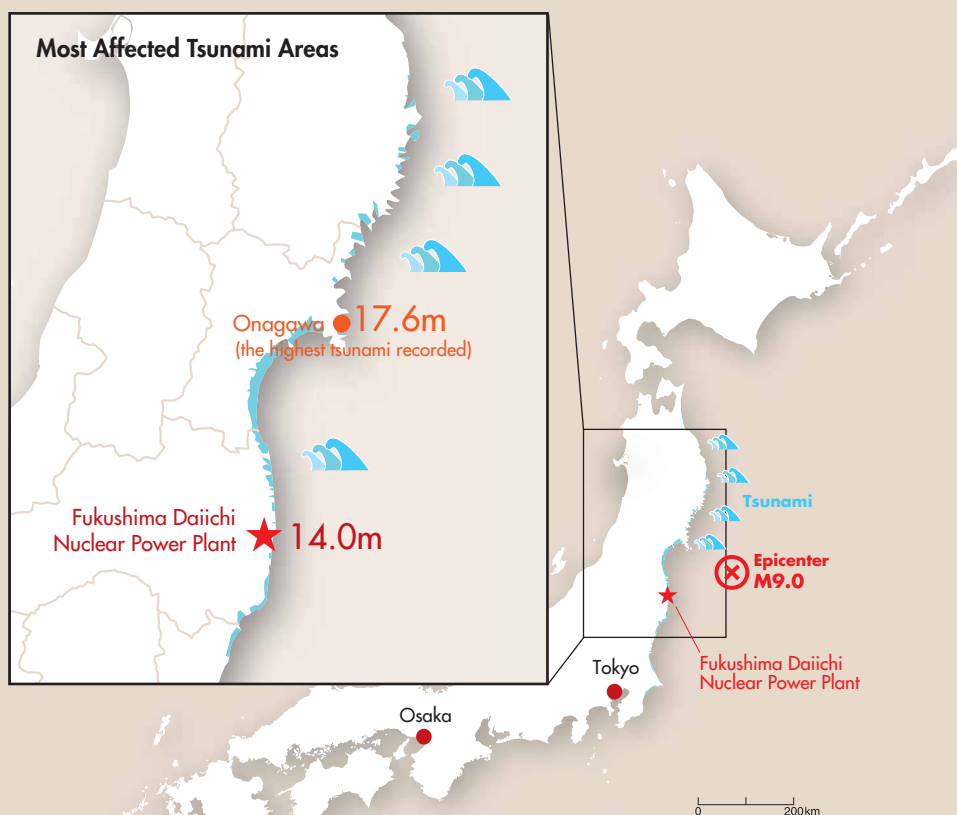
Recovering from the damage

As more than a month has passed since the quake and recovery efforts are moving forward, full-fledged deliberations on reconstruction have also begun. The government established the "Reconstruction Design Council" on April 11 and has held discussions on visions of reconstruction concerning such matters as future town planning in the affected areas. As for the real estate industry, it is involved in conducting various activities such as contributing to the construction of temporary housing, providing materials and contributing with donations. There are positive expectations for the role the industry will play in rebuilding towns and providing residences in future reconstruction efforts.

Additionally, facing the problem of electric power shortages expected for summer in the Tokyo metropolitan area, electricity conservation efforts on a national level are being pursued in order to avoid rolling blackouts which significantly impact the lives of citizens and economic activity. The Real Estate Companies Association of Japan is also advancing these efforts such as through formulating voluntary action plans for member companies as guidelines for electricity conservation.

*Rolling blackouts

A process in which, when the demand for electricity is expected to exceed its supply, electricity supply is suspended by region for a few hours at a time as a means to prevent unexpected massive blackouts.



Source: Asahi Shimbun (March 29, 2011)
Source: Map of Tsunami Affected Areas (Geospatial Information Authority of Japan)

We express our heartfelt gratitude for the condolences and support such as through donations of over 130 nations and regions, nearly 40 international organizations, numerous nongovernmental organizations and people all over the world.

Revisions to 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. With the occurrence of these incidents, the Ministry is conducting the following to prevent reoccurrence, 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 Standards Law, etc. to Secure Safety of Buildings	Building Standards Law	June 21, 2006	June 20, 2007	<ul style="list-style-type: none"> *Requiring structural calculation reviews (peer checks) for buildings with a certain height or greater *Requiring an intermediate inspection for apartments 3 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 indemnity 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 *Penalties have been strengthened for when a certificate is issued without confirming the safety of the structure using structural calculations, and 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 Business Law	June 21, 2006	June 20, 2007	<ul style="list-style-type: none"> *In regard to the explanation of material matters, whether or not the seller has subscribed to insurance regarding the execution of defect warranty 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	November 28, 2008	<ul style="list-style-type: none"> *New formation of the categories of structural design first class architect and facility 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 Standards 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 20, 2006	November 28, 2008	<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 Warranty 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 warranty liability *Designation of housing defect warranty liability insurance corporation *Development of house-related dispute settlement system pertaining to insurance policy

Formulation of the System Related to Acquisition of Housing

The “New Growth Strategy” is a strategy that is being presented in steps by the government in order to help the Japanese economy follow the track of a full-fledged recovery.

Under this strategy, one of measures to stimulate household demand, which is a major driver of the economy, known as the Eco Point System for Housing was implemented beginning from December 2009. Furthermore, “Large reduction of interest rates of the high quality housing acquisition support system (Flat 35S)” was implemented beginning from February 2010 (will be extended and expanded due to the supplementary budget of fiscal 2010, etc.). The Eco Point System for Housing is a system for issuing points for new constructions or renovations implemented to build eco houses.

A maximum of 320,000 points (around 320,000 yen) is issued for 1 newly constructed residence and can be exchanged with gift certificates, or applied to expenses for additional construction.

In addition, the “Large reduction of interest rates of the high quality housing acquisition support system (Flat 35S)” measure involves a reduction of 1% of the annual borrowing rate for the first 10 years from the borrowing rates of “Flat 35S” (formerly, it was a reduction of 0.3% from the annual interest rate for the first 10 years).

This measure is applicable to acquisition of housing which satisfies one or more of the following 4 standards: “earthquake-resistance standard,” “energy-saving standard,” “barrier-free standard” and “durability/variability standard.”

Overview of the Eco Point System for Housing

	Applicable Standards	Number of Points Issued	Period of the Construction Applicable	Application Period of Points	Deadline for Exchanging Points	Products, etc. which can be Exchanged for Points
New Construction	(1) A home which fulfills the Top Runner standards in the Energy Conservation Law	*300,000 points per residence *320,000 points if solar heating system is installed	Construction started between December 8, 2009 and December 31, 2011 (however, limited to construction completed after January 28, 2010)	*For stand-alone housing: Until June 30, 2012 *For apartment complexes, etc.: Until December 31, 2012 for buildings with 10 floors or less *Until December 31, 2013 for buildings with more than 11 floors		*Energy-saving/ Environmentally-friendly products *Locally-produced products of all prefectures in Japan *Locally-produced products of national brands *Gift certificates/prepaid cards *Local gift certificates *Donation to an organization which carries out environmental conservation activities *Application to expenses for implementing additional constructions
	(2) A wooden house which fulfills energy conservation standards (1999 standards)					
	(3) Installation of a solar heating system *1					
Renovation	A. Insulation retrofitting of windows	*Maximum of 300,000 points per residence *2,000~100,000 points depending on the content of construction	Construction started between January 1, 2010 to December 31, 2011 (however, limited to construction completed on or after January 28, 2010). Moreover, for installations of residential facilities which are implemented alongside insulation retrofitting of windows, external walls, etc., issuance is possible only for constructions that are started on or after January 1, 2011.	Until March 31, 2012	March 31, 2014	
	B. Insulation retrofitting of external walls, roof/ceiling or floors					
	C. Barrier-free renovations *2					
	D. Installation of a solar heating system *3					
	E. Installation of water-saving toilets *4					
	F. Installation of highly-insulated bathtubs *5					

*1 Installation of solar heating system in housing that falls under (1) or (2) for constructions that are started on or after January 1, 2011.

*2-5 For constructions that are implemented together with A. or B.

Overview of Present Land and Housing Taxation

	Personal	Corporation																																						
Acquisition (inheritance)	<p>○ Income tax (national tax) ○ Personal residential tax (local tax)</p> <ul style="list-style-type: none"> • The Housing loan tax deduction system: the amount calculated from the year-end balance of a home loan is deducted from the income tax amount (refer to the table below). In the event that the housing loan deduction is greater than the income tax amount during the deduction period, the amount unable to be deducted from the income tax amount is deducted from the personal residential tax of the following fiscal year (with a ceiling of the lower of either an amount equivalent to 5% of the total taxable income amount for that year or 97,500 yen). 																																							
	<table border="1"> <thead> <tr> <th rowspan="2">Occupancy Year</th> <th rowspan="2">Deduction Period</th> <th colspan="3">Housing Loan Tax Deduction System</th> <th colspan="3">Special Measures Regarding Approved Long-Term, High-Quality Housing (200-year housing) Loan Tax Deduction System</th> </tr> <tr> <th>Limit of Outstanding Housing Loan Payable, etc. at Year End</th> <th>Deduction Rate</th> <th>Maximum Deduction</th> <th>Limit of Outstanding Housing Loan Payable, etc. at Year End</th> <th>Deduction Rate</th> <th>Maximum Deduction</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>10 years</td> <td>40 million yen</td> <td>1.0%</td> <td>4 million yen</td> <td>50 million yen</td> <td>1.2%</td> <td>6 million yen</td> </tr> <tr> <td>2012</td> <td>10 years</td> <td>30 million yen</td> <td>1.0%</td> <td>3 million yen</td> <td>40 million yen</td> <td>1.0%</td> <td>4 million yen</td> </tr> <tr> <td>2013</td> <td>10 years</td> <td>20 million yen</td> <td>1.0%</td> <td>2 million yen</td> <td>30 million yen</td> <td>1.0%</td> <td>3 million yen</td> </tr> </tbody> </table>		Occupancy Year	Deduction Period	Housing Loan Tax Deduction System			Special Measures Regarding Approved Long-Term, High-Quality Housing (200-year housing) Loan Tax Deduction System			Limit of Outstanding Housing Loan Payable, etc. at Year End	Deduction Rate	Maximum Deduction	Limit of Outstanding Housing Loan Payable, etc. at Year End	Deduction Rate	Maximum Deduction	2011	10 years	40 million yen	1.0%	4 million yen	50 million yen	1.2%	6 million yen	2012	10 years	30 million yen	1.0%	3 million yen	40 million yen	1.0%	4 million yen	2013	10 years	20 million yen	1.0%	2 million yen	30 million yen	1.0%	3 million yen
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<ul style="list-style-type: none"> • Transfer losses accompanying the disposal or replacement of residential property deducted from income and carried forward for 3 years. • Recognized as deductions carried forward for 3 years according to calculations of profits and losses during the year the transfer was made as well as income tax and residential tax. This covers transfers through the end of December 2011. 																																								
<p>○ Real estate acquisition tax (municipal tax): 3% of real property tax assessment amount on housing or land purchasers (limited measure through March 2012) and extension prolonging of special measure on residential land taxation standard (1/2; limited measure through the end of March 2012) (*There are special reductions for the acquisition of certain houses and lots).</p>																																								
<p>○ Stamp tax (national tax): Taxation in accordance with contract amount on the preparation of sales contracts, etc.</p>																																								
<p>○ Registration and license tax (national tax): Taxation of 1% of the real property tax assessment amount when registering change of ownership due to sales or purchase of land (limited measure through the end of March 2011, raised gradually thereafter) (*Special reduction measures exist for certain houses).</p>																																								
Ownership	<p>○ Inheritance tax (national tax): Taxation of 10-50% depending on the inheritance tax assessment amount.</p>																																							
	<p>○ Fixed asset tax (local tax): Annual tax of 1.4% of the real property tax assessment amount levied on owners of land and buildings (there are certain measures for adjusting the burden).</p>																																							
	<p>○ City planning tax (local tax): Annual tax of 0.3% of the valuation amount of fixed asset tax that is levied on land and building owners in city districts (same as above).</p>																																							
Transfer	<p>○ 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)].</p>																																							
	<p>○ Income tax (national tax and capital gains)</p> <p>○ Personal residential tax (local tax and capital gains):</p> <p>1) 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% + residential tax 5%).</p> <p>2) Superior transfer after long-term ownership: The following applies to capital gains on specific land owned for more than 5 years. 14% on the portion 20 million yen or less (income tax 10% + residential tax 4%) 20% on the portion more than 20 million yen (income tax 15% + residential tax 5%) *Special measure through the end of March 2011</p> <p>3) 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% + residential tax 4%); 20% on the portion more than 60 million yen (income tax 15% + residential tax 5%)</p>	<p>○ Corporation tax (national tax): Only corporation tax regardless of possession period *Special measure through the end of December 2013</p> <p>○ Corporate inhabitant tax (municipal tax)</p> <p>○ Corporate enterprise tax (municipal tax)</p> <p>4) Short-term transfer: 39% of capital gains on capital gains from land owned for 5 years or less (income tax 30% + residential tax 9%). However, 20% for transfers to the State, etc. (income tax 15% + residential tax 5%)</p>																																						

The following revisions are anticipated regarding the land and housing tax system in the 2011 revisions:

<I. City-Related>

1. Establishment of a special measure for taxation for revitalization of metropolitan cities, etc.

A. Under the "Emergency development areas designated for urban reconstruction" (tentative name) planned to be established after revising the Special Measures Act for Urban Renaissance, special measures are to be established for corporation tax, income tax, registration and license tax, real estate acquisition tax, fixed asset tax and city planning tax applicable to private companies which carry out urban reconstruction businesses that are certified by the Ministry of Land, Infrastructure, Transport and Tourism by March 31, 2013.

B. 2-year extension of the applicable period of the urban renaissance promotion tax system.

*Special measure for tax system to promote urban regeneration (additional depreciation deduction, reduction of the registration and license tax rate and tax base deduction for the real estate acquisition tax) will be abolished with the expiry of its applicable period (March 31, 2011)

2. Establishment of a special measure pertaining to "internationally strategic comprehensive special zones" (tentative name)

A. Under the "internationally strategic comprehensive special zones", a system is to be established where a company designated by a local public organization by March 31, 2014 which has acquired facilities, etc. over a certain size to carry out a certified business and has used it for the said business, is allowed to select between special depreciation of the acquisition price, or a tax deduction.

B. Under the "internationally strategic comprehensive special zones", a system is to be established where an entity designated by a local public organization by March 31, 2014 which carries out a business, etc. stated in the certified plan which is applicable under special measures for regulations, etc., is allowed to conduct a certain amount of income deduction for 5 years after the date of the said designation.

*A. and B. are applicable by option.

3. 2-year extension of exceptions for tax base of real estate acquisition tax for J-REITs, etc.

4. 2-year extension of special measures for the tax system pertaining to commercial land optimization plans, etc.

5. 2-year extension of exceptions pertaining to city redevelopment businesses, etc.

6. 2-year extension of special measures pertaining to certified special buildings based on the Barrier Free Law, etc.

<II. Housing-related>

1. 2-year extension of measure to reduce registration and license taxes for ownership retention registration of residential houses, etc.

2. 2-year extension of measure to reduce stamp duties for real estate purchase agreements, etc.

3. 2-year extension of tax reduction on investments in barrier free and energy conservation renovations of existing houses, etc.

4. 2-year extension of special measures pertaining to elderly housing with services provided (tentative name), etc.

5. Relaxation of tax exemption measure in the event that a donation of funds for housing purchases, etc. is received from a lineal ascendant

Trends in Accounting Standards Concerning the Real Estate Industry

Preparation and disclosure standards of financial statements for listed companies are set forth by the body that sets the accounting standards of each respective country. (In Japan's case, they are set forth by the Accounting Standards Board of Japan (ASBJ).)

Recently, the international trend of incorporating the International Financial Reporting Standards (IFRS) formulated and adopted by the International Accounting Standards Board (IASB) is accelerating. In Japan, the possibility of adopting the IFRS is also becoming a newfound reality and there are even some companies which have commenced voluntary application starting from the fiscal period ending March 2010. It is said that Japanese companies will not only need to adjust their accounting procedures to comply with these new standards, but that their businesses will also undergo far-reaching changes. Various discussions are currently being made concerning items that significantly impact the real estate industry, making it necessary to keep track of future trends.

1. Convergence and Adoption of IFRS

In August 2007, the ASBJ announced that it had made an agreement with IASB to work towards accelerating the convergence of accounting standards. Known as the Tokyo Agreement, it calls for convergence of the two different standards of the two bodies, which are the Japanese accounting standards (Japanese GAAP) and the IFRS, by June 2011. Ahead of this, the U.S. had made a similar convergence agreement known as the Norwalk Agreement in October 2002. In August 2008, the U.S. Securities and Exchange Commission (SEC) announced a roadmap draft to adopt the IFRS (withdrew the option of early application in a statement

made in February 2010). In view of this announcement, in Japan, the Business Accounting Council of the Financial Services Agency published its "Opinion on the Application of International Financial Reporting Standards (IFRS) in Japan (Interim Report)." The Council proposed that voluntary application of IFRS start from the fiscal period ending March 2010 and that a decision on whether to start compulsory application from 2015 or 2016 be determined by 2012. Partly in view of the contents of the opinion paper, the ASBJ announced a Project Plan. The latest Project Plan can be viewed at the ASBJ website (https://www.asb.or.jp/asb/asb_e/asbj/pressrelease/pressrelease_20090902_e.pdf)

2. Major Accounting Standards Concerning the Real Estate Industry to Be Converged (ASBJ Project)

Of projects that the ASBJ is working on to converge, the "Scope of Consolidations," "Leases" and "Financial Statement Presentation" are major items that are expected to have a significant impact on the real estate industry.

Concerning the "Scope of Consolidations," the ASBJ published its "Discussion Paper on Treatment of Special Purpose Entities and Related Matters in Consolidated Financial Statements" in February 2009. Issues under discussion include "treatment of special purpose entities (SPE)...in consolidated financial statements," scope or method of disclosure, "definition of control and application of the control criterion," and "types of entities subject to consolidation," among others. In particular, with regards to SPEs, it suggests that the treatment "do not fall under the category of consolidated subsidiaries of investors of the SPE" be eliminated.

Accounting Standards to Be Applied in Financial Statements Ending March 2011 (Excerpts of Major Items)

Name of Accounting Standard	Application Period	Content of Accounting Standard
The Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9)	Application starts with the business year that begins after April 1, 2010	Eliminates the last-in first-out method from the choice of measurement methods of inventories.
The Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Statement No.17)	Application starts with the consolidated accounting year and business year that begins after April 1, 2010	Disclosure of segment information based on the management approach. Disclosure of product and service information, regional information and principle client information as information related to segment information.
The Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No.25)	Application starts with consolidated financial statements for the end of the consolidated accounting year that ends after March 31, 2011	Presentation of comprehensive income and other comprehensive income. Accounting statement formats for presenting comprehensive income (dual accounting statement method and single accounting statement method).
The Accounting Standard for Asset Retirement Obligations (ASBJ Statement No. 18) and the Guidance on Accounting Standard for Asset Retirement Obligations (ASBJ Guidance No. 21)	Application starts with the business year that begins after April 1, 2010	For the asset retirement expense for the asset retirement obligation, the asset retirement obligation shall be posted as a liability and the same amount shall be added to the book value of the tangible fixed asset concerned.

Furthermore, aside from the convergence issue, in September 2010, an exposure draft was published stating that "in the event the said SPE's operations are carried out appropriately in line with its purposes, it is presumed that the said SPE does not fall under the category of subsidiary of the company which transferred the assets."

With regards to "Leases," the ASBJ published its "Discussion Paper on Accounting for Leases" in December 2010. In Japan, "Rental Property" are to comply with lease accounting standards and the lender is required to note information concerning its fair value, etc. In exposure drafts of the IASB and the Financial Accounting Standards Board (FASB) of the U.S., discussions are being carried forward concerning their differences since a proposal is being made to exclude the said type of property from the scope of leasing standards in the event they are measured using fair value.

Concerning "Financial Statement Presentation" the ASBJ published its "Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No.25)" in June 2010, which sets forth provisions on the presentation of comprehensive income and other comprehensive income. In the Statement, comprehensive income is defined as the variation in stockholders' equity identified in financial statements of the reporting entity over a specified

period that is not attributable to direct transactions with parties who have an interest in the stockholders' equity of that entity. The draft stipulates that comprehensive income must be presented both in individual financial statements and consolidated financial statements. Furthermore, in terms of the types of accounting statements, it stipulates that entities must choose between one of two choices. The first choice is presentation of these figures in an income statement, which includes calculations of net income, and a statement of comprehensive income, which includes calculations of comprehensive income (dual accounting statement method). The second choice is presentation in only one accounting statement (either the income statement or statement of comprehensive income; single accounting statement method). Of the items that comprise net income, it also stipulates how to prepare notes on the recycling amount for the portion included in other comprehensive income either for the fiscal period under review, or for past fiscal periods.

Other projects whose directions of deliberations require scrutiny are "Revenue Recognition" (including construction contracts, etc.), among others.

REAL ESTATE RELATED DATA

Land Use

History and Status of Land Use in Japan

(unit: 10,000ha, %)

Land Category	National						Three Major Metropolitan Areas						Local Areas					
	1985	2004	2005	2006	2007	2008	1985	2004	2005	2006	2007	2008	1985	2004	2005	2006	2007	2008
1. Agricultural land	548	481	478	476	473	471	73	62	61	61	60	59	476	420	417	415	414	412
	(14.5)	(12.7)	(12.6)	(12.6)	(12.5)	(12.5)	(13.6)	(11.5)	(11.4)	(11.4)	(11.2)	(11.0)	(14.7)	(13.0)	(12.9)	(12.8)	(12.8)	(12.7)
Farmland	538	473	470	468	465	463	72	61	61	61	60	59	466	412	409	407	406	404
	(14.2)	(12.5)	(12.4)	(12.4)	(12.3)	(12.3)	(13.4)	(11.4)	(11.4)	(11.4)	(11.2)	(11.0)	(14.4)	(12.7)	(12.6)	(12.6)	(12.5)	(12.5)
Pasture and mowing	10	8	8	8	8	8	0	0	0	0	0	0	10	7	8	8	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	2,509	2,510	2,509	2,508	2,508	323	316	316	316	316	315	2,207	2,193	2,194	2,193	2,193	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)	(67.6)	(67.7)	(67.6)	(67.6)	(67.6)
3. Wild fields	31	27	28	28	28	28	1	1	1	0	0	0	30	26	27	27	27	28
	(0.8)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.2)	(0.2)	(0.2)	(0.0)	(0.0)	(0.0)	(0.9)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)
4. Bodies of water	130	133	134	135	133	133	18	19	19	19	19	19	112	114	115	116	114	114
	(3.4)	(3.5)	(3.5)	(3.6)	(3.5)	(3.5)	(3.4)	(3.5)	(3.5)	(3.5)	(3.5)	(3.5)	(3.5)	(3.5)	(3.5)	(3.6)	(3.6)	(3.5)
5. Roads	107	131	132	133	134	135	23	27	27	28	28	28	84	104	105	105	106	107
	(2.8)	(3.5)	(3.5)	(3.5)	(3.5)	(3.6)	(4.3)	(5.0)	(5.0)	(5.2)	(5.2)	(5.2)	(2.6)	(3.2)	(3.2)	(3.2)	(3.3)	(3.3)
6. Residential land	151	183	185	185	187	188	52	31	61	61	61	62	99	122	124	124	125	126
	(4.0)	(4.8)	(4.9)	(4.9)	(4.9)	(5.0)	(9.5)	(11.4)	(11.4)	(11.4)	(11.4)	(11.5)	(3.1)	(3.8)	(3.8)	(3.8)	(3.9)	(3.9)
Housing lots	92	110	112	112	113	114	31	37	37	38	38	38	61	73	74	75	75	76
	(2.4)	(2.9)	(3.0)	(3.0)	(3.0)	(3.0)	(5.8)	(6.9)	(6.9)	(7.1)	(7.1)	(7.1)	(1.9)	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)
Industrial sites	15	15	16	16	16	16	6	6	5	5	6	6	9	11	10	10	10	10
	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(1.1)	(1.1)	(0.9)	(0.9)	(1.1)	(1.1)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Other housing	44	56	57	57	58	58	15	18	18	18	18	18	29	39	39	40	40	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	316	312	312	316	317	46	51	52	52	53	54	235	264	261	260	263	263
	(7.5)	(8.4)	(8.3)	(8.3)	(8.4)	(8.4)	(8.8)	(9.5)	(9.7)	(9.7)	(9.9)	(10.1)	(7.5)	(8.1)	(8.1)	(8.0)	(8.1)	(8.1)
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: %)

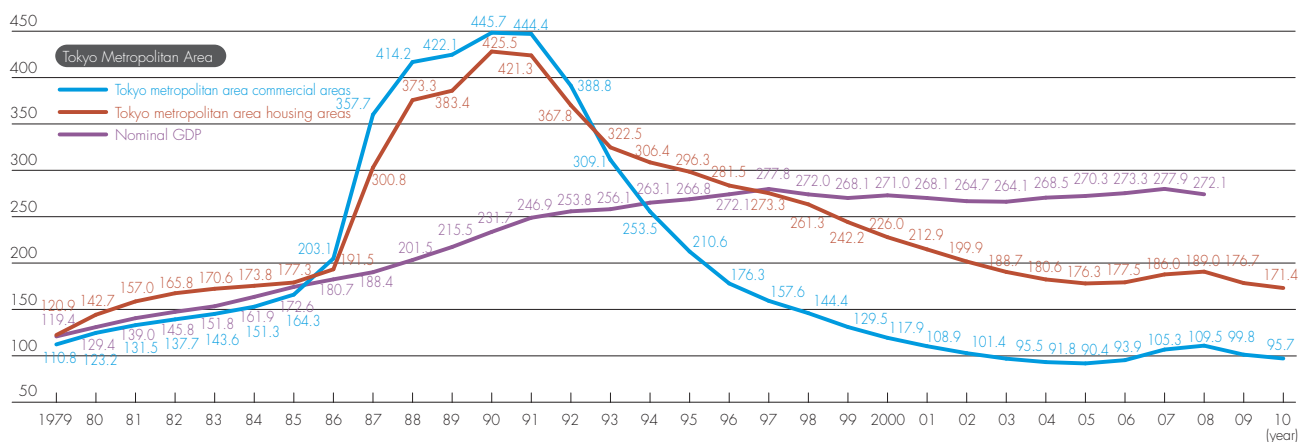
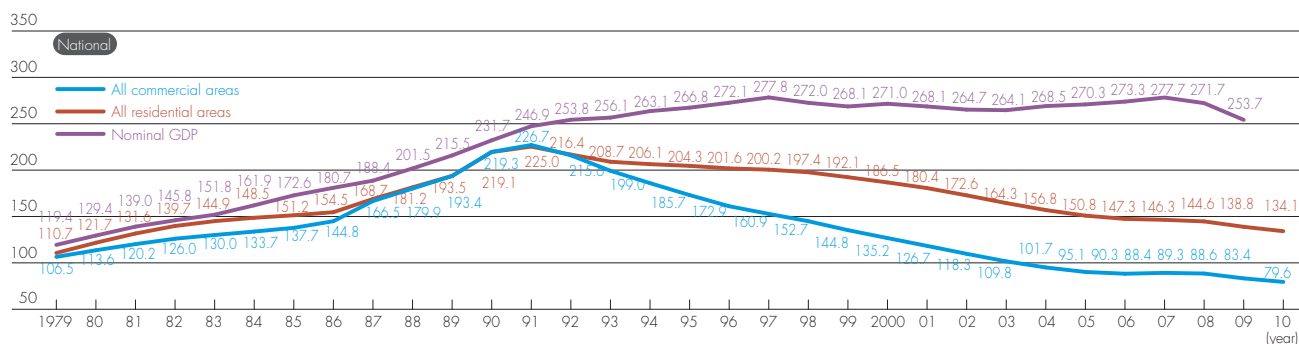
Usage, etc.	Study Year	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Residential land area	Tokyo metropolitan area	2.7	11	-1.0	-12.7	-12.3	-5.0	-3.3	-5.0	-2.9	-4.4	-7.3	-6.7	-5.8	-6.1	-5.6	-4.3	-2.4	0.7	4.8	1.6	-6.5	-3.0
	Osaka metropolitan area	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	-4.5	-3.6
	Nagoya metropolitan area	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	-4.2	-1.3
	3 major metropolis average	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	-5.6	-2.9
	Local average	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	-3.4	-3.6
	National average	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	-4.0	-3.4
Commercial land area	Tokyo metropolitan area	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	-1.5	3.9	12.1	4.0	-8.9	-4.1
	Osaka metropolitan area	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	-10.8	-10.3	-7.6	-3.3	3.6	8.0	2.8	-7.1	-5.3
	Nagoya metropolitan area	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	-7.3	-2.9
	3 major metropolis average	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	-8.2	-4.2
	Local average	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	-4.9	-4.8
	National average	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	-5.9	-4.6
Average for all uses	Tokyo metropolitan area	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	-6.9	-3.3
	Osaka metropolitan area	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	-5.0	-4.0
	Nagoya metropolitan area	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	-4.9	-1.8
	3 major metropolis average	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	-6.1	-3.2
	Local average	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	-3.8	-3.9
	National average	7.2	13.7	3.1	-3.8	-4.3	-2.3	-2.1	-2.5	-1.5	-2.2	-3.6	-3.6	-4.1	-5.0	-5.6	-5.2	-4.2	-2.4	-0.5	-1.2	-4.4	-3.7

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 2009 Prefectural Land Price Survey issued by the Land and Water Resource Bureau of MLIT.

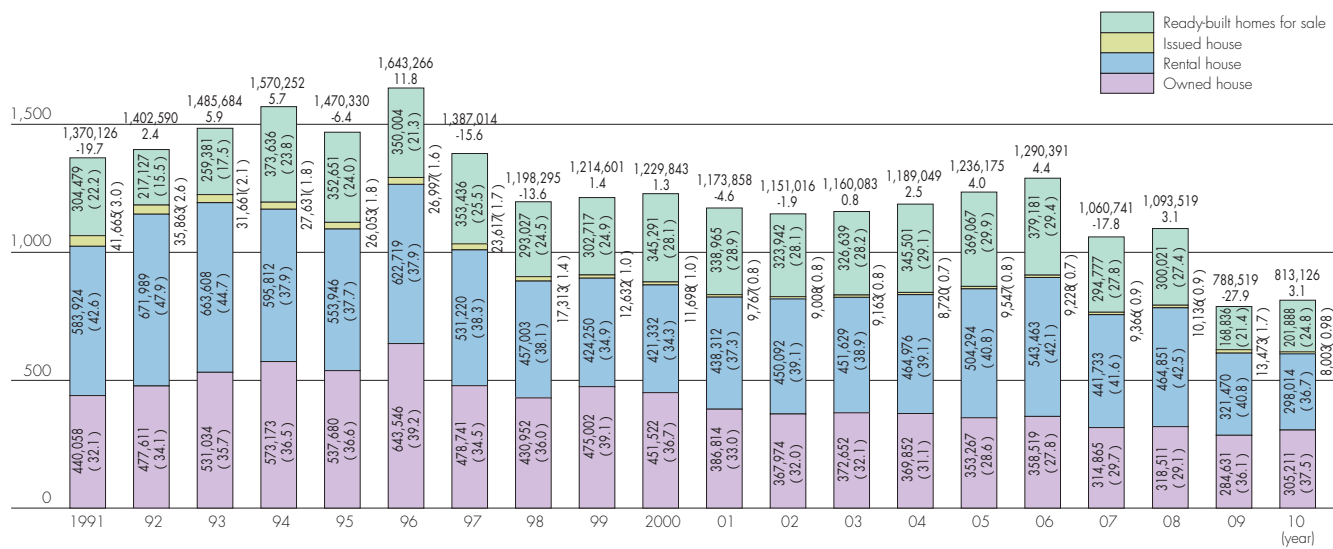
Notes: 1. The residential and commercial land values were calculated by setting the prefectural land price survey in 1977 as 100 and then indexing the respective years against that.

2. The nominal GDP was set as 100 in 1977 and the respective years' figures were indexed against that. Figures until 1993 are based on 68SNA and those for 1994 and after are based on 93SNA.

Housing and Housing Lots

History of Housing Starts

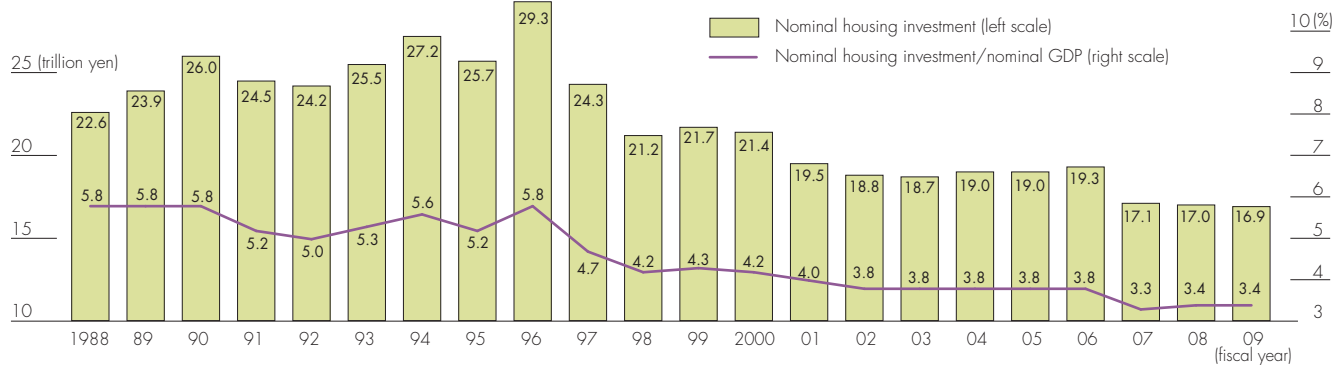
2,000 (thousand units)



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

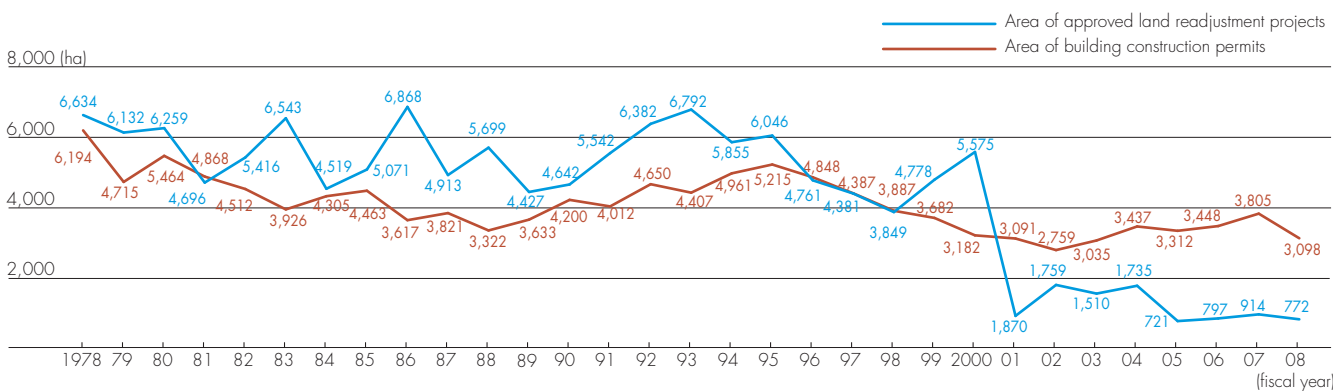
Notes: 1. There are parts where the total doesn't match due to rounding.
2. The figures in the parentheses represent the breakdown by usage (%). The figures on the graph in the parentheses are the year-on-year variation (%).

History of Housing Investment



Source: Prepared from the Annual Report on National Accounts 2009.

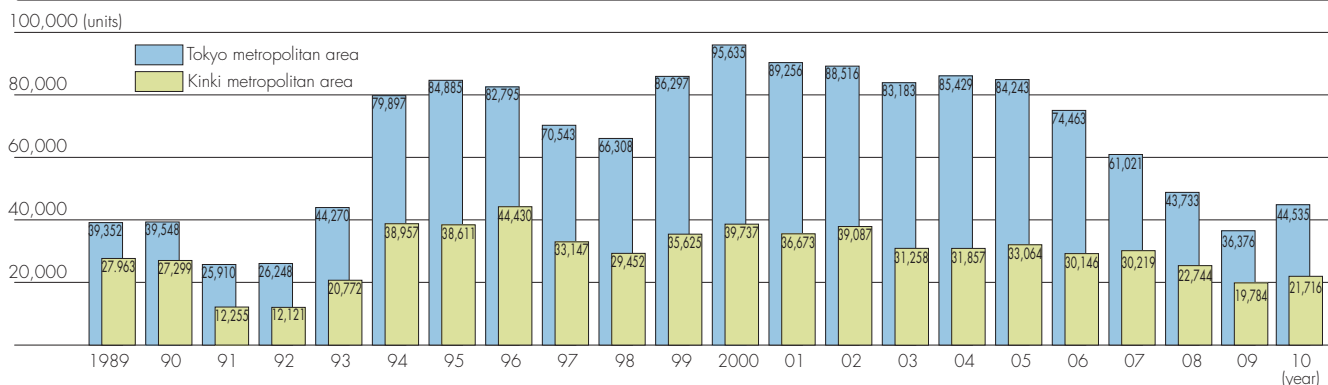
History of Housing Construction Permits and Area of Approved Land Readjustment Projects



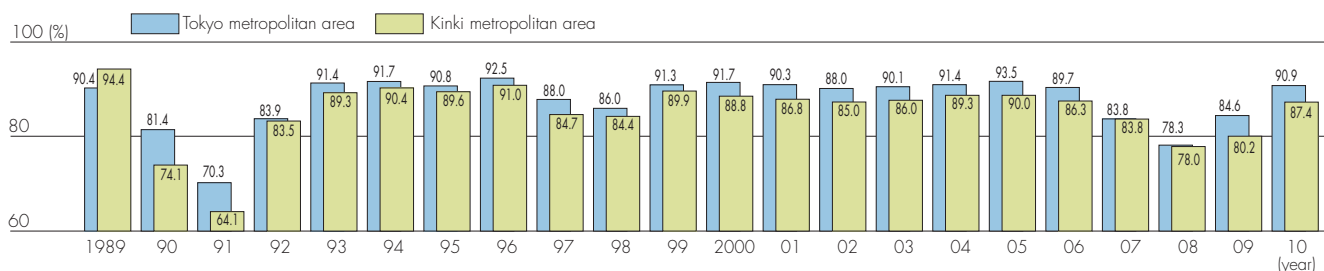
Source: Prepared from the White Paper on land, Infrastructure and Transport in Japan [2009] issued by MLIT.

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 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.

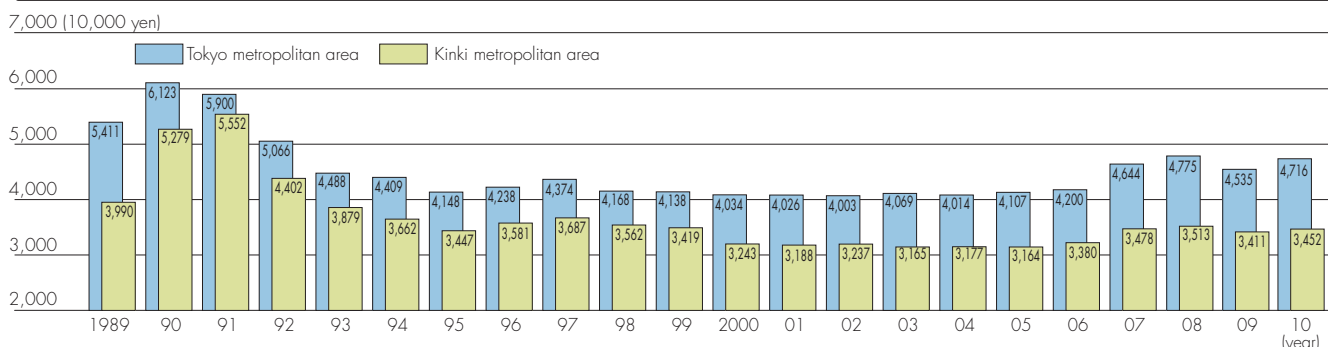
History of New Condominium Sales



History of New Condominium Annual Contracted Rates



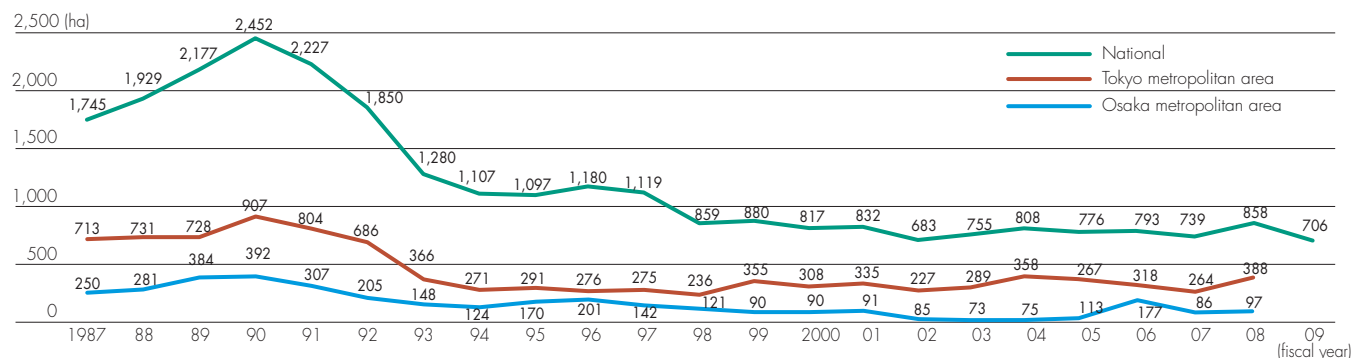
History of Average Price for New Condominium Units



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.

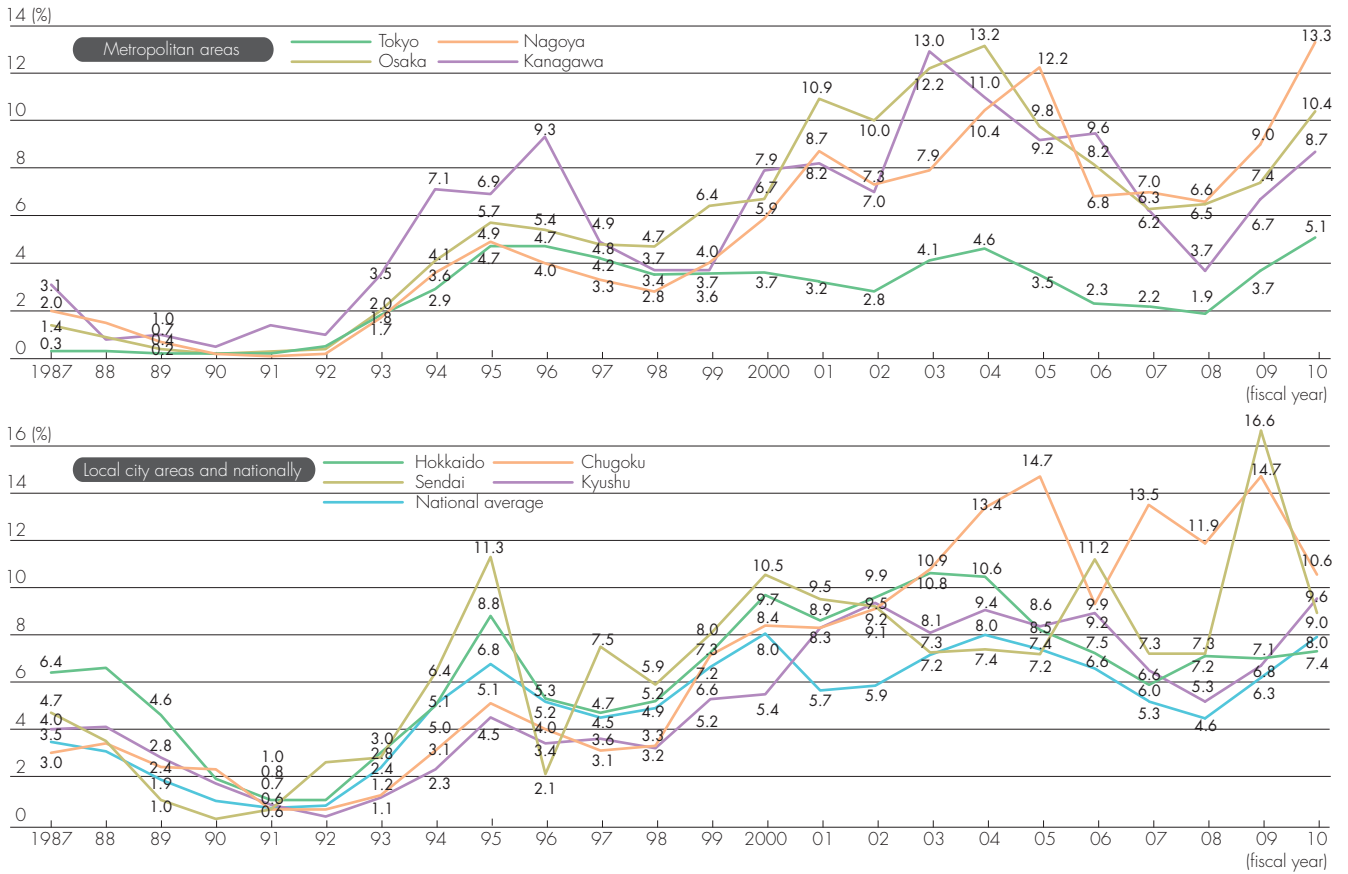
Offices

History of Floor Space for Launched Office Construction



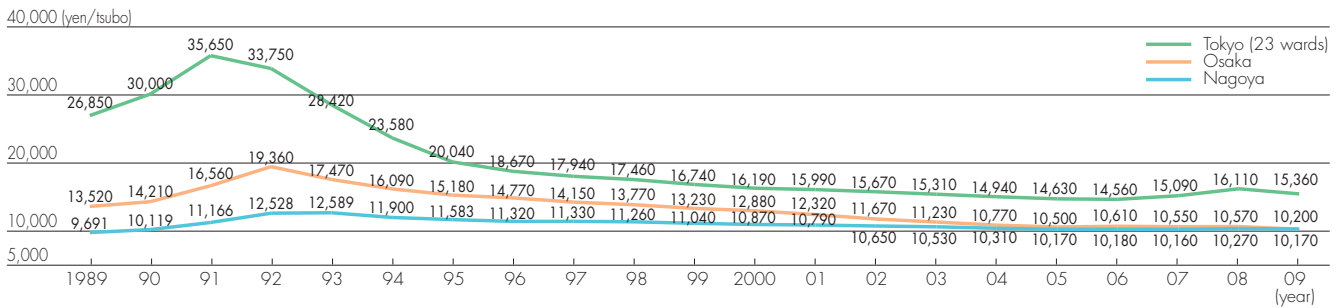
Source: Prepared using the Annual Construction Statistics Report issued by MLIT.
 Notes: 1. This is a compilation of offices by usage that have filed construction reports based on Article 15-1 of the Building Standards Law.
 2. Lump presentation of the scheduled construction start month in the filed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

History of Office Building Vacancy

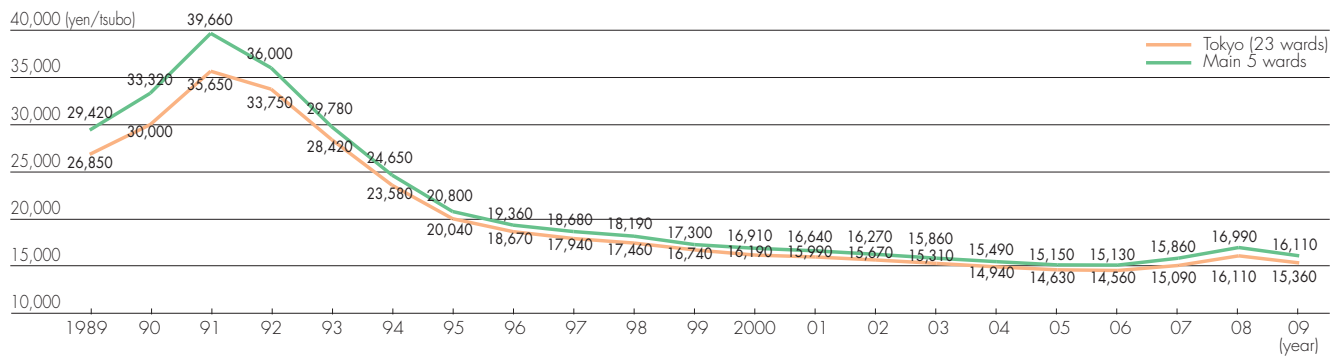


Source: Prepared using the Compilation of Building Fact-Finding Studies of the Japan Building Owners and Managers Association and the Compilation of Building Fact-Finding Studies (Tokyo) issued by the Tokyo Building Owners and Managers Association.
 Note: The studies are as of April 1 of each year and 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 2009 of CB Richard Ellis Research Institute K.K.
 Notes: 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 gains on investment from deposits (gains on investment were calculated as 6%)
 Real rent = [Deposit x return 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)

Category	Year	1985	1986	1987	1988	1989	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Gross national assets		3,936	4,536	2,341	5,994	6,858	8,247	8,347	8,325	8,513	8,387	8,194	8,011	8,013	8,128	8,516	8,539	8,447	8,016
Valuation of real estate		1,320	1,578	2,014	2,203	2,538	2,293	2,261	2,182	2,106	2,026	1,928	1,837	1,762	1,721	1,708	1,739	1,777	1,750
		(34)	(35)	(38)	(37)	(37)	(28)	(27)	(26)	(25)	(24)	(24)	(23)	(22)	(21)	(20)	(20)	(21)	(22)
Housing		159	161	173	182	201	249	253	249	247	247	242	239	239	243	245	251	252	254
Non-housing buildings		156	160	169	181	201	242	244	240	238	237	232	229	230	239	241	245	249	261
Land		1,004	1,257	1,673	1,840	2,136	1,802	1,764	1,693	1,621	1,542	1,454	1,369	1,293	1,239	1,222	1,243	1,276	1,235
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	6,062	6,034	5,886	5,459

Source: The Cabinet Office's National Economic Statistics Report (2000) was used for 1985 – 1989 and the same for 1996 (2009 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	2007	2008
Real estate	22,654	32,358	55,090	56,335	56,592	56,662	57,864	58,826	59,311	59,639	59,841	60,100	60,465	61,292	61,806
Construction	22,508	25,381	41,126	41,566	39,329	38,133	37,130	35,538	33,893	32,333	32,954	31,861	31,849	31,444	30,924
Manufacturing	70,232	94,672	117,193	118,969	113,708	110,125	111,439	104,084	101,272	102,757	105,410	107,877	107,766	109,090	102,279
Service	28,063	46,390	92,583	95,554	97,475	97,263	102,604	103,675	103,861	104,500	105,135	107,733	110,695	113,822	114,036
Finance/Insurance	12,440	16,971	31,391	32,080	29,613	30,218	30,445	31,916	33,482	34,141	33,648	34,940	35,207	34,317	29,395
Total for all industries	249,050	333,678	472,256	481,911	470,740	464,405	468,062	461,336	456,455	455,640	460,259	465,356	467,176	471,953	456,846
(Reference) GDP	240,175	320,418	505,012	515,644	504,905	497,629	502,990	497,720	491,312	490,294	498,328	501,734	507,365	515,520	505,112

Source: The Cabinet Office's National Economic Statistics Report (2000) was used for 1980 and 1985 and the same (2009 version) for 1996 and after.

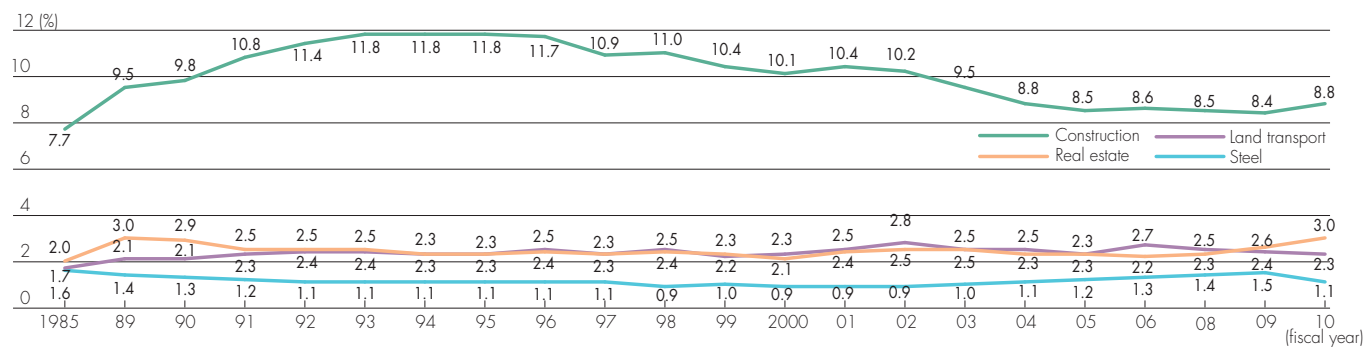
Notes: 1. The price indicated by producers is used for the production amounts of each industry. Therefore, they include indirect taxes, imputed interest, etc. and so the totals do not match the gross national product.

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)

	89	90	91	92	93	94	95	96	97	98	99	2000	01	02	03	04	05	06	07	08	09 (fiscal year)
All industries	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	150,820	136,802
	(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)	(100.0)
Real estate	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	3,867	4,098
	(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)	(2.6)	(3.0)
Construction	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	12,628	12,070
	(9.5)	(9.8)	(10.8)	(11.4)	(11.8)	(11.8)	(11.7)	(11.7)	(10.9)	(11.0)	(10.4)	(10.1)	(10.4)	(10.2)	(9.5)	(8.8)	(8.5)	(8.6)	(8.5)	(8.4)	(8.8)
Steel	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	2,252	1,572
	(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)	(1.5)	(1.1)
Land transport	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	3,603	3,212
	(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)	(2.4)	(2.3)

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

(unit: trillion yen)

		1985	1990	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
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	2.1	1.9
	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	3.4	2.3	2.2
	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	2.0	1.3	1.4
Operating profit/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	8.7	5.9	-0.5
	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	2.5	2.4
	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	2.5	2.2
Ratio of ordinary profit to total capital (%)	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	2.0	1.6
	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	1.7	1.7
	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	8.6	5.7	-0.4
Ordinary profit/Total capital	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	2.0	1.8
	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	1.9	2.0
	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	8.8	9.2
Ratio of operating profit to sales (%)	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	1.0	1.0
	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	8.6	5.7	-0.6
	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	3.7	3.9
Operating profit/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	2.4	2.3
	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	7.6	7.5
	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	1.3	1.2
Ratio of ordinary profit to sales (%)	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	8.6	5.5	-0.6
	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	3.0	3.1
	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	1.06	0.95
Turnover of total capital (times)	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	0.26	0.24
	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	1.28	1.28	1.28	1.27	1.30
	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	1.01	1.04	0.72
Sales/Total capital	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	0.67	0.60
	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	33.9	34.5
	Real estate	8.0	8.1	4.0	3.2	3.5	6.0	-18	-8.4	5.7	14.6	7.2	14.3	11.0	20.7	17.5	32.1	27.0	24.6	13.0
Ratio of net worth to total capital (%)	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	29.0	30.6
	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	38.1	37.5	37.5
	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	26.2	26.4

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 credit 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 credit 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 credit side of the balance sheet.

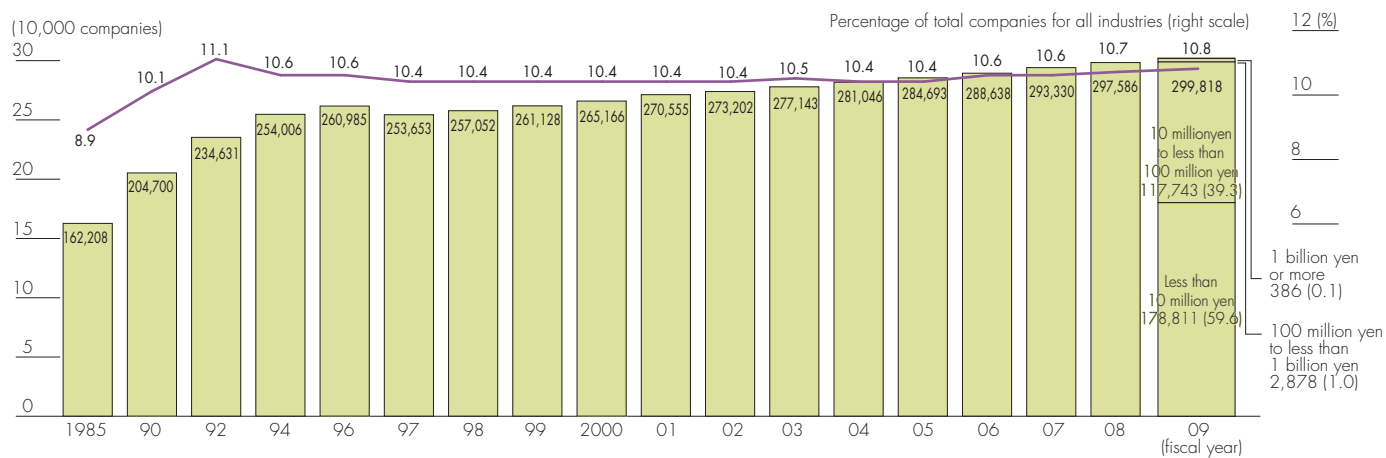
3. Operating profit is sales - (sales cost + sales expenses and general administrative expenses)

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



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 2008 is the breakdown by paid-in capital amount. The figures in the parentheses show the percentage of the total (unit: %).

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