

Real Estate in Japan 2013



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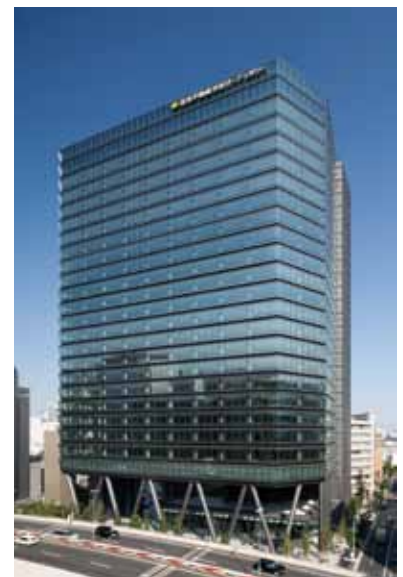
INTRODUCTION

Real Estate in Japan 2013

The real estate industry plays a large role in the creation and maintenance of living and urban environments comprised of residences, offices and other properties 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 2011 Financial Statements Statistics of Corporations by Industry was 18.66 million yen (6.68 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.

As global economic uncertainties continue, the promotion of growth strategies of the residential and urban categories as well as the enhancement of international competitiveness of major cities and the establishment of a high-quality stock of residences will be essential for regenerating the Japanese economy and enabling sustained growth.



In order to enhance the international competitiveness of major cities, we must make way for the development of cities where people, funds, information and such will be gathered from around the world through the promotion of urban regeneration.

On the other hand, initiatives for the advancement of city creation with excellent disaster prevention has become an important challenge with the lessons learned from the Great East Japan Earthquake. To enhance the international competitiveness of cities as well, we must work towards the development of safe and secure cities in hard as well as soft aspects such as through measures for commuters that would have difficulties returning home after disasters and furthering earthquake resistance of buildings.

Residences are playing an important role as a pillar of domestic demand. In order to adjust to the diversifying housing needs that are resulting from changes in household composition and lifestyles, there is a need to establish a high-quality stock of residences that are excellent in terms of earthquake resistance and environmental performance while repairing and rebuilding aged condominiums.

Environmental efforts are another important theme. There must be continued promotion of low-carbon urban development that is conscious of global warming measures alongside correspondence with the new energy-saving standard to be enforced in fiscal 2013.

As we witness the maturing of society and the economy and the advancing of globalization, we also are able to see that the roles expected of the real estate industry are growing further.



THE REAL ESTATE INDUSTRY TODAY

分譲 FOR-SALE PROPERTY

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. Meanwhile, though the actual supply of stand-alone houses is decreasing due to the slowdown of large-scale new town developments and such, the emergence of properties such as smart town properties with distinctive features can be seen.

Establishment of Laws for Consumer Protection

The following are some of the laws regarding the for-sale housing business. The purpose of these laws is to improve consumer protection and the quality of buildings.

[Building Lots and Buildings Transaction Business Law]

A broker's license under the Building Lots and Buildings Transaction Business Law is essential to be able to conduct for-sale housing business. In order to protect the purchaser and secure fair transactions, the law establishes regulations regarding the practices of 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.

[Housing Quality Assurance Act]

This law created a system for indicating housing performance and enhanced the defect liability system concerning new houses.

[Law to Secure Execution of Defect Warranty for Specific Housing]

This law made measures to secure resources utilizing insurance and deposits mandatory in order to make sure that parties such as the sellers of residences can effectively implement defect warranty.

開発 DEVELOPMENT

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 Business

Urban 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, "specific urban redevelopment emergency development areas" were designated and "international strategy comprehensive zones" selected to strengthen the international competitiveness of cities and to regenerate cities.

Upgrading of Fund Procurement in Development

Traditionally, securitization tended to focus on already operating real estate. However, securitization is now also being used in development projects (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 and limits the debt-burden risk by utilizing non-recourse loan without being impacted by the developer's own financial condition and limitations on fund raising. Recently, there have been cases of development-type securitization being utilized at urban redevelopment projects in regional cities.

流通

TRANSACTIONS

What are transactions?

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

Transaction Work

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

For Safe Transactions

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.

On the other hand, with the background of the spreading of information technology, there have been many problems involving the leaking of customer information and the buying/selling of personal information. In order to protect the privacy of Japanese citizens, the Personal Information Protection Law was implemented in April 2005. Real estate transaction market players must be aware of and strictly comply with guidelines on handling personal information.

Vitalizing the Transaction Market

The total number of existing homes is higher than the total number of households and the opportunity is becoming more ripe for further vitalization of the transaction market for existing homes. With the Basic Act for Housing, which was enacted in 2006, it was decided that the focus of the Japanese housing policy would transition from quantity to quality. As a doubling of the market for existing homes and the renovation market was included in the New Growth Strategy of 2010, the Ministry of Land, Infrastructure, Transport and Tourism has announced its “total plan for renovation of existing homes” which summarizes initiatives going forward as well as its recommendations through the Real Estate Transaction Market Vitalization Forum which considers specific measures.

賃貸 LEASING

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 sophistication of building functions. 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.

Changes in Supply of Buildings and the Sophistication of Needs

Floor space for launched office construction has been trending downwards since the bursting of the bubble. However, the needs of tenants are becoming more sophisticated. In addition to the focus on the latest IT equipment and energy-saving capabilities, emphasis has been placed on the earthquake resistance of buildings and BCP measures since the Great East Japan Earthquake.

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

HOUSING

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. Furthermore, in the mid-1950s, an explosive growth in the concentration of the population in major cities began to occur alongside the rapid economic growth and the ensuing remarkable growth in land demand sent land prices soaring, making the situation for housing even more severe. The Japan Housing Corporation (presently, the Urban Renaissance Agency) was launched in 1955 as the trump card for eliminating this housing problem and this led to the large supply of "danchi" which are residential districts that are the result of development of housing and housing land such as for construction of so-called "new towns" and the development of new city areas.

Today, the most prominent condominium complex is the "mansion" and there are many varieties being supplied that adapt to the changes in society, such as those targeting families, single persons, DINKs and seniors. Also, the earthquake resistance and energy-saving capabilities of stand-alone houses have been improving. Furthermore, urban development that takes into consideration security and disaster prevention to bring about excellent communities as well as developments of smart cities that are friendly to the Earth's environment and contribute to a low-carbon society are being advanced.



Danchi to Condominiums

The era of large supply that started in the 1950s lasted until the oil shock of 1973. The supply was initially dominated by that from the Japan Housing Corporation (presently, the Urban Renaissance Agency) but development by private enterprises such as railroad companies gradually increased. Condominium complexes dubbed "luxury mansions," which as a departure from danchi properties targeted a certain class of people, began to be supplied. The majority of these were established in downtown areas with elevators as well as parking lots, administrative offices, lobbies and restaurants on the first floor. In order to create a luxurious impression, fancy titles were given to the properties such as "mansion," "residence," "villa," "heights" and "heim."

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, and this developed a broad demand segment for condominiums. The Government Housing Loan Corporation (presently, the Japan Housing Finance Agency) began financing condominiums in 1970. As they became easier to purchase, condominiums very quickly became widely accepted.

However, 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. After this, as rights and management-related problems emerged that were not initially anticipated, the Law was revised in 1983.

Also, with the sudden massive increase in condominiums, disputes over the right to sunlight surfaced among community residents. As demands began to be made for the preparation of laws, the Building Standards Law was revised in 1976 with new regulations concerning sunshine added to the Law.

Development of Housing Areas Slow since Oil Shock

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

Large New Town Projects in Japan

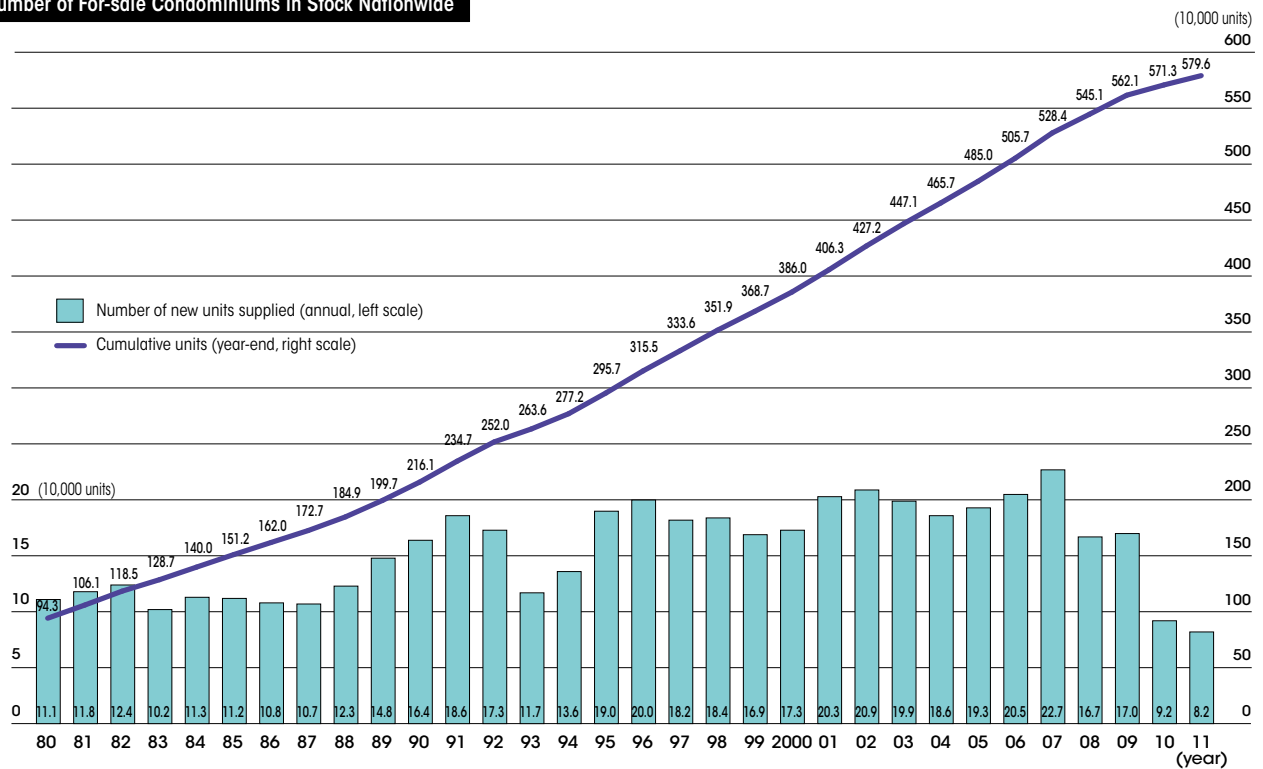
<Private Development>

Name	Address	Development Area	Project Period	Developer (At time of development)	Business Method
Ryokuendai New Town	Ishikaricho, Hokkaido	172ha	1990-2006	Sumitomo Realty and Development, Mitsubishi Estate	Development act
Izumi Park Town	Sendai City, Miyagi Prefecture	1,070ha	1972-1999	Mitsubishi Estate	Development act
Nishikigaoka New Town	Sendai City	211ha	1985-	Nishiki Estate	Development act
Izumi Village	Sendai City	174ha	1981-2005	Tokyu Land	Development act
Sumiyoshidai New Town	Sendai City	145ha	1974-1988	Nihon Jisho	Agreement with city
Itopia Natori	Natori City	109ha	1985-1993	Itochu Corporation	Development act
Yamada Industrial Park	Iwaki City, Fukushima Prefecture	143ha	1973-1995	Nihon Shintoshai Kaihatsu	Development act
Hatoyama New Town	Hatoyama-cho, Saitama Prefecture	140ha	1971-1997	Nihon Shintoshai Kaihatsu	Development act
Asumigaoka	Chiba City, Chiba Prefecture	314ha	1982-1996	Tokyu Land, Partnership	Land readjustment (association)
Lakeside Hill	Togane City	162ha	1975-2006	L Kakuei Corporation	Development act
Yukarigaoka New Town	Sakura City	150ha	1977-2004	Yamaman	Development act
Onaridai Kenkyu Gakuen Toshi	Chiba City and Yotsukaido City	121ha	1986-2003	Fujita, Tomen	Development act
Someino Mizukigaoka	Sakura City	110ha	1987-1994	Obayashi Corporation, Tokyu Land	Development act
Miharuno Tsubasa no Oka	Chiba City	34ha	1995-2003	Nomura Real Estate	Development act
Tama Denen Toshi	Machida City (Tokyo), Yokohama City, Kawasaki City and Yamato City (Kanagawa)	191,063ha	1959-2005	Tokyu, Tokyu Land, Partnership	Land readjustment (association)
Yurigaoka New Town	Nabari City, Mie Prefecture	158ha	1978-1990	Tak Realty	Development act
Mori no Machi	Tsu City	116ha	1998-2010	Sanko Real Estate	Development act
Asuka Green Hill Otsu	Otsu City and Kusatsu City, Shiga Prefecture	127ha	1980-1996	Tobishima Toshi Kaihatsu	Land readjustment (individual)
Katsurazaka New Town	Kyoto City, Kyoto Prefecture	148ha	1983-2008	Seiyo Kankyo Kaihasu, Yasuda Trust and Banking, The Japan Workers Housing Association, Rojyu Seikyo	Development act
Keihanna Science City (Seika and Nishikizu district)	Kizugawa City	125ha	1986-1996	Keihan Electric Railway, Nomura Real Estate, Mitsui Fudosan	Land readjustment (individual)
Inagawa Park Town	Inagawa Town, Hyogo Prefecture	215ha	1980-1996	Sohgo Housing, Takenaka, Mitsubishi Estate	Development act
Takaoyama Keyakizaka	Kawanishi City	131ha	1976-1996	Obayashi Corporation	Land readjustment (individual)

<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	738ha	1977-2002	(Former) Housing and Urban Development Corporation	Rezoning
Tsukuba Express Town	Yashio City/Misato City, Saitama Prefecture; Nagareyama City/Kashiwa City, Chiba Prefecture; Tsukuba City, Ibaraki Prefecture	1,886ha	1993~	Urban Renaissance Agency	Rezoning
Kashiwa North Central District	Kashiwa City, Chiba Prefecture	273ha	2000-2010	Chiba Prefecture	Rezoning
Koshigaya Lake Town	Koshigaya City, Saitama Prefecture	226ha	1999-	Urban Renaissance Agency	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)	2,861ha	1966-2008	Tokyo, (former) Housing and Urban Development Corporation	New housing business and rezoning
Kohoku New Town	Yokohama City, Kanagawa Prefecture	1,340ha	1974-2004	(Former) Housing and Urban Development Corporation	Rezoning
Senboku New Town	Sakai City	1,557ha	1965-1982	Osaka Prefecture	New housing business
Senri New Town	Suita City, Toyonaka City, Osaka Prefecture	1,160ha	1964-1969	Osaka Prefecture	New housing business
Kobe-Sanda International Park City	Kobe City and Sanda City, Hyogo Prefecture	1,853ha	1971-	(Former) Housing and Urban Development Corporation	New housing business and rezoning
International Culture Park City	Ibaraki City/Minoo City, Osaka Prefecture	743ha	1994~	Urban Renaissance Agency	Rezoning

Number of For-sale Condominiums in Stock Nationwide



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

Notes: 1. Number of new units supplied are derived from construction start statistics, etc. and based on completion.

2. The cumulative units are estimated based on the cumulative figures for new units supplied, etc.

3. 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.

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 supplied area of housing development continued to slide given the economic downturn resulting from the 1973 oil shock and such. The supply from private developers in recent years has dropped to about 20% of the peak level, centering on small-scale developments and redevelopments in city areas rather than large-scale development of housing areas.

Condominiums Grow Taller

The history of condominiums also correlates with the history of building higher. Following the completion of Mita Tsunamachi Park Mansion (19 floors; Minato Ward, Tokyo; Mitsui Fudosan) in 1971, there have been a

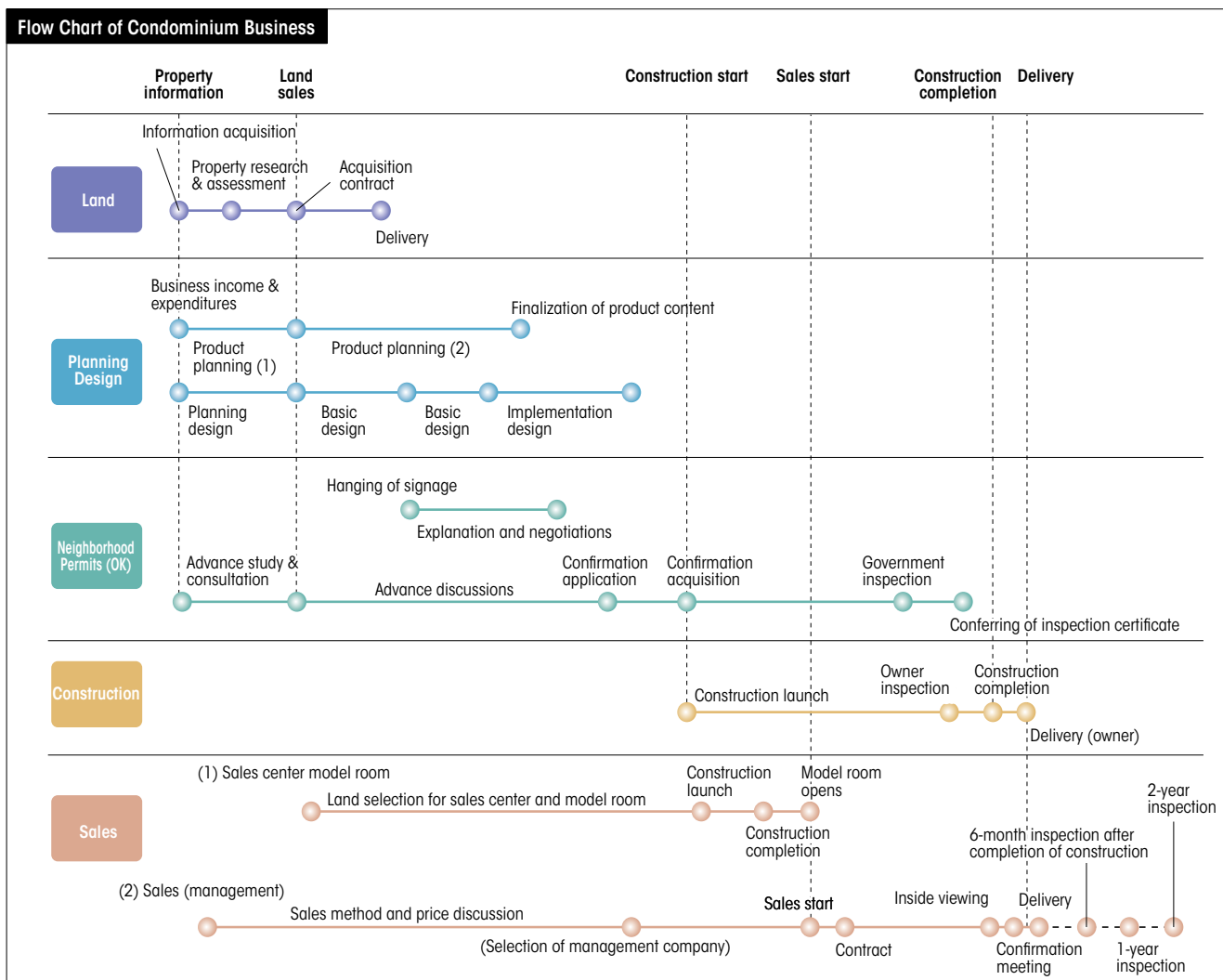
string of high-rise condominiums provided including the Yono House (21 floors; Saitama City, Saitama Prefecture; Sumitomo Realty & Development) in 1977, Bell Park City (36 floors; Miyakojima Ward, Osaka City; Mitsui Fudosan and Kanebo Real Estate) in 1987 and Sakuranomiya River City (41 floors; Miyakojima Ward, Osaka City; Matsushita Investment and Development, Kintetsu Real Estate and Obayashi Corporation) in 1992. Condominiums exceeding 50 stories also emerged in 1998 with the Lions Square Elza Tower 55 (55 floors; Kawaguchi City, Saitama; Daikyo) and the Century Park Tower (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 which was developed by Sumitomo Realty & Development. There has been substantial supply since.

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 and corporate housing as a means to restructure their businesses, redevelopment of areas in front

of stations as well as other factors. However, there are also developments that hit the beaks on buildings becoming higher as many of Tokyo's 23 wards have in recent years established restrictions on absolute height.

Old Condominiums being Rebuilt as





Stock Increases

An analysis of the supply of new condominiums in recent years (based on sales) reveals that massive supply continued (70,000 to 80,000 unit level) in the Tokyo metropolitan area from 1994 to 2006 due to the post-bubble decline in prices, locational return to central Tokyo, preferential tax breaks for purchasers of residential houses and such. However, due to factors such as the subsequent increase in prices and the impact of the financial crisis stemming from the subprime loan problem, supply fell to 44,000 units in 2008 and 36,000 units in 2009. In 2010 through 2012 the supply was 45,000 units. Meanwhile, the nationwide stock is already approximately 5.8 million units (end of 2011) and of this approximately 1 million units are more than 30 years old. 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.

Also, due to challenges that the new towns developed in the era of mass residential supply are facing such as the aging of buildings and decline and aging of the residents, there have been cases of redevelopment that match the needs of the modern age, and the focus is becoming greater here.

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 standalone houses in the suburbs to locations downtown. These trends and changes in lifestyles and tastes are diversifying the needs for condominiums. As a response to such

diversification of needs, there have been cases of development of condominium complexes with retail facilities on 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. Furthermore, as measures of disaster management which people are now more conscious of due to the 2011 Great East Japan Earthquake, there have been efforts at skyscraper condominiums to employ quake-absorbing structures and elevator solutions, provide emergency power and establish disaster management storehouses among other things.



CROSS AIR TOWER

Cross Air Tower, a large-scale tower condominium within Meguro-ku's largest redevelopment project, is a building constructed by Tokyu Land, Tokyu Corporation and two other companies as a type-2 urban redevelopment project in the Ohashi district implemented by the Tokyo Metropolitan Government with tenants moving in as of February 2013.

Cross Air Tower with 42 floors above ground and a total of 689 units boasts the single largest amount of units for a private-sector for-sale condominium in Meguro-ku since 1971.

Some of the characteristics of the property that can be mentioned include its role as a living base for an extensive area, while also providing various common use facilities and tenant services, responding to environmental concerns and being directly connected to the approximately 7,000m² Meguro Tenku Garden.

As a living base for an extensive area in Meguro-ku, urban-planning with harmony among retail, business and residential functions is progressing under this Ohashi district redevelopment, and Cross Air Tower contributes to playing the role of a key living base through tenants who offer facilities for public interest, such as Meguro Public Ohashi Library on the 9th floor and a retail facility on the 2nd floor.

Cross Air Tower utilized its economies of scale with 42 floors above ground and prepared on the 39th floor the "Executive Suite (premium guest room)," where guests can enjoy the cityscape views, in addition to the "View Lounge," where guests can enjoy a panoramic view of the urban scenery. Various common use facilities dedicated to tenants are prepared as well, such as "Fitness Room," "Party Room," "Meeting Room" and "Guest Suite" in addition to the "Kids Room" created by Bornelund, which sells children's goods from over 60 primarily U.S. and European based companies, all located on the 6th floor, as well as the "Community Lounge" on the 3rd floor. Furthermore, attentive service will be provided on a daily basis by posting a dedicated concierge.

The building heavily emphasizes consideration to the environment and has earned the highest assessment for all items in the Tokyo Apartment Environmental Performance Indication Program. As a measure against global warming, the building is prepared with a bicycle rental service providing electric bicycles for tenants and parking lots equipped with recharging pallets for recharging electric cars. In addition, 23.8% of the entire site area has undergone greening, including the rooftop, by planting trees and various plants around

PROPERTY OVERVIEW

Name	Cross Air Tower
Location	1-407-1 Ohashi, Meguro-ku, Tokyo
Site area	7,199.73m ²
Total floor area	83,647.28m ²
Total residential unit	689 units
Unit layout	Studio type (1R)~3LDK

the site area in an aim for urban-planning that harmonizes with the surrounding area.

Furthermore, a pedestrian deck that connects directly to Meguro Tenku Garden, an approximately 7,000m² garden area situated on top of the Tokyo Metropolitan Expressway Central Loop Route "Ohashi Junction," has been constructed. A "multipurpose space," where sport activities, etc. can be enjoyed, has also been established within the junction.

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 the system of special urban blocks, 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 Tokyo business

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

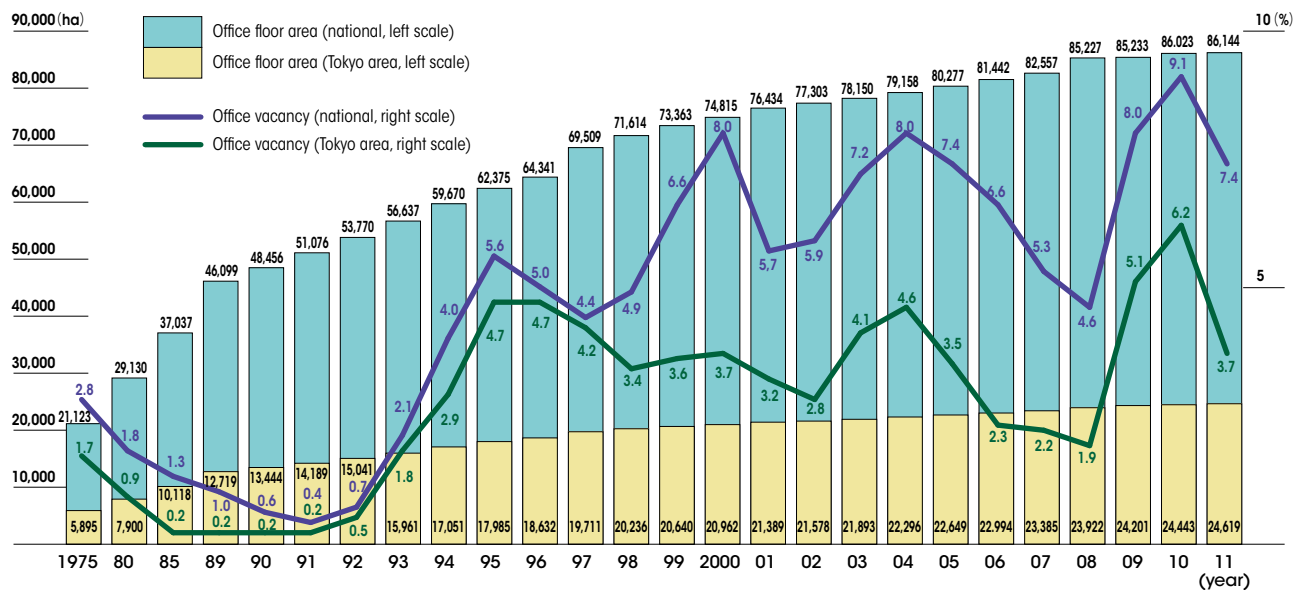
- Urban district redevelopment project
- Specific private redevelopment project
- Special model refinancing
- Approved city regeneration projects

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 2011 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.

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 (Nippon Building, etc.) and Kasumigaseki Building of Tokyo were simultaneously designated as the first special urban block. 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.

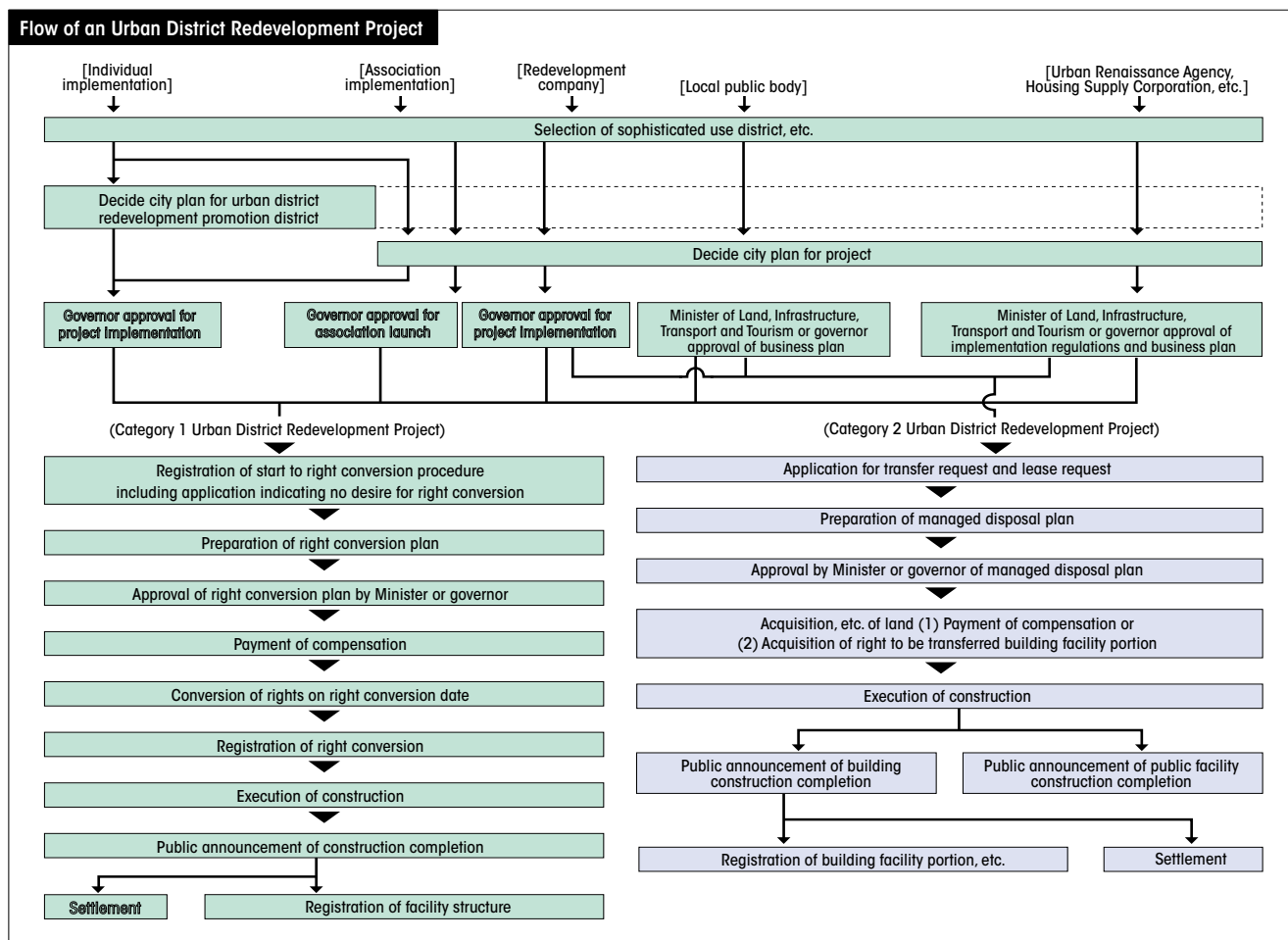
Era of Planar Redevelopment

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 building boom calming down. 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 special urban

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 special urban 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 (OBP), Yokohama Business Park (YBP) and Yebisu Garden Place. All of these projects drew attention as unprecedented multiuse 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 Tokyo waterfront subcenter to undergo significant revisions.

Legal Redevelopment and Voluntary Redevelopment

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

Legal redevelopment projects are urban redevelopment projects based on the City Redevelopment Law⁴ and these projects are executed as city planning projects. Urban redevelopment projects are implemented with the enforcement of laws and seek to improve the disaster prevention capabilities of buildings in cities, renew city functions and achieve sophisticated land use. Due to the enforcement of laws, there are strict requirements for this type of redevelopment including maintaining 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 special urban blocks and

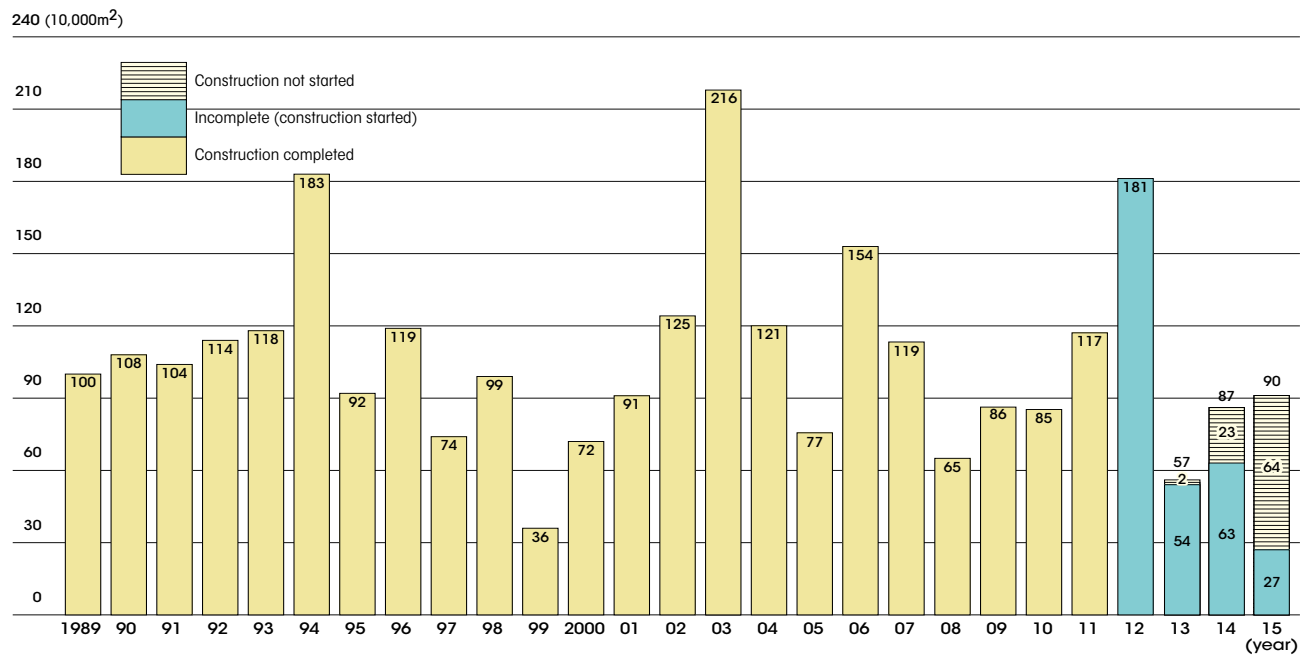
special building regulations including the comprehensive design system⁵, tax measures and subsidy measures.

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

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



Source: Prepared using the Major Office Building Market Trends Study for Tokyo (December 2010 Study) issued by Mori Building.

- Notes
1. Study covers new major office buildings with total office floor areas of at least 10,000m² in the 23 wards of Tokyo.
 2. Supply indicates the net supply of office floor area in major office buildings excluding that for non-office uses such as stores, residences and hotels.

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 System¹⁰ 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 and Progress of Development Projects

Redevelopment projects have a very high

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

Due to these expectations, the government came up with a number of measures between 1997 and 1998 to promote redevelopment projects within its economic measures and improve the business environment. These included application of the Urban Development Corporation (presently the Urban Renaissance Agency) and Organization for Promoting Urban Development to prepare a support infrastructure along with the creation of a system of approved redevelopment projects and a specific project participants system and establishment of measures to speed up and support redevelopment projects.

In 2001, the Urban Renaissance Headquarters was established in the cabinet with then Prime Minister Jinichiro Koizumi as its head, with the objective of promoting the fluidization of land and revitalization of Japan by developing the necessary urban renaissance platform and revitalizing cities. The headquarters reviewed systems without sanctuary. In 2002, through the establishment of the Urban Renaissance Special Measures Law, urgent city regeneration districts began. These are

critical and important districts designated by the central government as bases for city regeneration for city lots that should be developed. This paved the way for sale of land by the JNR Settlement Corporation and other developments, and an enormous amount of large office buildings were supplied to areas such as Shiodome, Shinagawa and Roppongi from 2002.

Many of the buildings in these areas have built multi-use developments that are not just office buildings but also include functions such as hotels and theaters. Even in 2007 and onwards, the areas have seen the completion of the Shinmaru Building, Tokyo Midtown, Akasaka Sacas, Marunouchi Park Building, Mitsubishi Ichigokan and many more.

Also, subject areas of urgent city regeneration districts expanded with the complete revision of the basic policies of city regeneration in 2011, and as of the end of the year, 65 districts with a total of about 6,810 hectares (designated as 1st to 6th levels) had been designated.

In addition, there has been a line of policies established for a new growth strategy in 2011, such as the partial revision of the Special Measures Act for Urban Renaissance, and the system of emergency development areas designated for urban reconstruction which designates especially effective areas while increasing international competitiveness, as well as the establishment of comprehensive zone system¹¹ with the Comprehensive Zone Law.

Establishment of the Committee for Disaster Prevention at Real Estate

State and local governments are promoting the creation of cities that are prepared for disasters, learning from the lessons of the Great East Japan Earthquake of 2011. In order for developers who provide buildings and condominiums to engage in the creation of safe and secure working and living environments, there is a need for increasing the quality of concrete aspects, such as earthquake resistance, energy-saving and barrier-free functions, while helping to construct systemic aspects such as sophisticated and city-wide disaster prevention functions and energy networks, with increased cooperation with a variety of entities in communities. More specifically, due to the need to cooperate with private and public sectors to respond to commuters that would have difficulties returning home after disasters, develop disaster prevention facilities

and establish disaster prevention plans in cooperation with communities, the Real Estate Companies Association of Japan established the Committee for Disaster Prevention at Real Estate in September 2011 and is deliberating on the measures. A report was compiled in April 2012.

[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, height 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 than 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, fire 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. Comprehensive Special Zone System

Based on the "New Growth Strategy: Revival Scenario for a Healthy Japan," this Comprehensive Zone Law packages special measures of regulation and taxation, fiscal and monetary support systems utilizing responsible regional strategies, the knowledge and funds of the private sector and perspectives of selection and focus of national policy to the maximum.

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
Akasaka and Roppongi Ark Hills	Minato Ward	5.6	March 1986	Partnership, Mori Building
Osaka Business Park	Osaka City	26.0	March 1990*	Osaka City, (former) Housing and Urban Development, Matsushita Investment and Development, Tokio Marine & Fire Insurance, etc.
Shinjuku Fukutoshin	Shinjuku Ward	56.0	June 1990*	Shinjuku Fuku-toshin Construction Corporation, Sumitomo Realty & Development, Tokyo Tatemono, Nomura Real Estate Development, Mitsui Fudosan, Keio Teito Electric Railway, etc.
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, Ryowa Development, Obayashi
Shinagawa Inter City	Minato Ward	4.0	December 1998	Kowa Real Estate, Sumitomo Life Insurance, Obayashi
Gate City Osaki	Shinagawa Ward	5.9	February 1999	Partnership, TEPCO, Osaki Land and Building, Mitsui Fudosan, Fuji Life, etc.
Tokyo Opera City	Shinjuku Ward	4.4	March 1999	Nippon Life Insurance, NTT Urban Development, Odakyu Department Store, Keio Corporation, etc.
Shibuya Mark City	Shibuya Ward	1.4	April 2000	Teito Rapid Transit Authority, Tokyu Corporation, Keio Corporation
Harumi Island Triton Square	Chuo Ward	14.2	September 2001	(Former) Urban Development Corporation, Sumitomo Corporation
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 Tatemono, Kintetsu Real Estate, Nippon Tochi-Tatemono 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
Omotesando Hills	Shibuya Ward	1.2	January 2006	Mori Building, Partnership
Olinas	Sumida Ward	2.7	March 2006	Tokyo Tatemono, Mitsui & Co., Shoei
Tokyo Midtown	Minato Ward	6.9	January 2007	Mitsui Fudosan, JA Kyosai, Meiji Yasuda Life Insurance, Sekisui House, Fukoku Mutual Life Insurance, Daido Life Insurance
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-ZENCHU (Central Union of Agricultural Co-operatives), Nippon Keidanren (Japan Business Federation), Nikkei Inc., Mitsubishi Estate, NTT Urban Development, Tokyo Tatemono, The Sankei Building, etc.
Marunouchi Park Building, Mitsubishi Ichigokan	Chiyoda Ward	1.2	April 2009	Mitsubishi Estate
Shibuya Hikarie	Shibuya Ward	0.9	April 2012	Client Council for Promotion of the Shibuya New Cultural District Development Project, Tokyu Corporation, Tokyo Metro, etc.
Nakano Central Park	Nakano Ward	16.8	May 2012	Tokyo Tatemono, Kajima Corporation, Shouei, Nippon Tochi-Tatemono, etc.
Ark Hills Sengokuyama Mori Tower	Minato Ward	2.0	August 2012	Mori Building
Otemachi Financial City	Chiyoda Ward	1.4	October 2012	Urban Renaissance Agency, Mitsubishi Estate, NTT Urban Development, Tokyo Tatemono, The Sankei Building

Note: Construction Completed indicates the month and year of completion of entire project or the grand opening. However, those marked with an "*" indicate the month and year of completion of the main structure.

Primary Facilities	Previous Use	Remarks
Office, retail	Auditorium	Specified district
Office, hotel, exhibit hall	Jail	Specified district
Office, hotel, TV studio, housing	Housing, retail, church, etc.	Category 1 urban district redevelopment project
Office, hotel, retail, multi-purpose hall	Warehouse (former army depot)	Land zoning adjustment project
Office, retail, hotel	Water purification center	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	Shipyards	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	Shipyards, 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, 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
Office, retail, cultural facility	Cultural hall	Special district for urban redevelopment, Special FAR district
Office, housing, retail	National Police Academy	Private urban redevelopment business plan
Office, retail, housing	Forestry Agency staff quarters	Category 1 urban district redevelopment project
Office, Retail, Medical Institution, etc.	Building, Auditorium	Category 1 urban district redevelopment project



DIVERCITY TOKYO

PROPERTY OVERVIEW

Name

DiverCity Tokyo

Location

Retail facility: 1-1-10 Aomi, Koto-ku, Tokyo
Office: 1-1-20 Aomi, Koto-ku, Tokyo

Site area

approx. 32,900m²

Total floor area

Retail facility and parking: approx.
140,200m²
Office: approx. 64,880m²

Grand open

April 19, 2012

Design

Buchan Group International Pty Ltd.

Construction

Retail facility and parking:
Sumitomo Mitsui Construction Co., Ltd.
Office: Kajima Corporation

In April 2012, Mitsui Fudosan celebrated the grand opening of "DiverCity Tokyo" in Aomi, Koto-ku, Tokyo.

DiverCity Tokyo is a multiuse facility comprised of commercial facility "DiverCity Tokyo Plaza" and "DiverCity Tokyo Office Tower." "DiverCity Tokyo Plaza" features 154 stores, including four stores opening for the first time in Japan, and three large entertainment facilities, including a facility opening for the first time in the world. In addition, it has one of the largest food courts in the area in "Tokyo Gourmet Stadium" and numerous restaurants rich in variety.

The facility takes the environment into consideration through measures such as the world's first solar-powered digital signage, greening of approximately 40% of the site area and installation of electric car battery chargers. It is also engaged in co-existent environmental activities such as the creation of a for-rent vegetable garden on the plaza rooftop where visitors can participate.

It is also equipped with services and facilities that cater not only to visitors from Japan, but also foreign tourists mainly from East Asia. It is planning for information services and facility signs in multiple languages, and is aggressively recruiting foreign employees with Chinese language skills.

Mitsui Fudosan believes a year after its opening that DiverCity Tokyo has contributed to

vitalization of the Tokyo Waterfront City Area, considering that visitors are migrating from the facility to nearby facilities such as AQUA City Odaiba and Fuji TV's head office building. In addition to inbound visitors from mainland China, we were able to confirm that a number of tourists from other Asian countries such as Hong Kong, Taiwan, Singapore, South Korea and Thailand also visited the facility.

Construction of DiverCity Tokyo began in 2010 and was completed in March 2012. Investment was conducted through a special purpose company jointly established by Daiwa House Industry, Sankei Building and Mitsui Fudosan as the project developer.

Regarding development, efforts were especially applied to investigating measures to reinforce inbound flow, such as plans to increase migration of nine floors of the Plaza (commercial tower), including the rooftop, and traffic lines that allow for smooth access between the office building tower and the retail spaces, etc. while also distinguishing the traffic lines between the two.

DiverCity Tokyo leverages its location in the Tokyo Waterfront City Area, one of the prominent tourist spots in Japan, and promotes the concept of "theater-oriented" urban space, with the aim to become a new Tokyo landmark that offers global information exchange and various experiences primarily to visitors from Japan and overseas.



SUMITOMO FUDOSAN SHINJUKU GRAND TOWER

Sumitomo Realty & Development held the grand opening of “Nishi Shinjuku 8-Chome Project,” a redevelopment project in which Sumitomo Realty & Development participated as a developer, on December 1, 2011. This large-scale project with aggregate gross floor area of 180,000m² and comprised of four facilities, an event hall building, residence building and commercial building centering on 40-story super high-rise office building “Sumitomo Fudosan Shinjuku Grand Tower,” is located in the area around Shinjuku Station, which was designated as an emergency urban revitalization district.

The super high-rise office building “Sumitomo Fudosan Shinjuku Grand Tower,” the core of this redevelopment project, is comprised of offices and residences. It features dynamic space structure, offices that purvey comfort and efficiency and is a high-performance building with the highest level of specifications in Japan with consideration given to security and safety that supports business continuity planning (BCP).

This building, which will become “the symbol of a new city,” is designed to convey presence and prestige, and the leasable space on a typical floor is contained in a wide-open astylar space where tenants can freely use a floor area of 800 tsubo. In addition, the building lessened the heat

island effect and improved the surrounding environment by creating 2,000m² of rooftop garden that utilizes natural power and establishing an open space of 4,000m² that is rich in greenery within the building site. A highly efficient electric ventilation system, featuring low CO₂ emissions, was introduced into the building. As one of the measures to create energy, photovoltaic panels were set up on the rooftop to supply power to a portion of common use spaces. These efforts realized an environmental performance equal to that of class S, the highest rank under the CASBEE.

Facilities supporting BCP in case of emergency are also fully prepared. The building is located on Musashino Plateau, which is free of liquefaction concerns, and its foundation structure allows the firm and stable ground to directly support the building. In addition to two active mass dampers on the rooftop, the building employs anti-earthquake and anti-sway steel sheet walls where the building can endure near-source earthquakes, long-period ground motion and sways from strong winds. It also supports blackout scenarios as it is equipped with a large emergency power generator allowing the building to operate normally for three days. Disaster prevention warehouses with temporary restrooms and emergency wells were implemented as well. As a result of

PROPERTY OVERVIEW

Name

Sumitomo Fudosan Shinjuku Grand Tower

Location

8-17-1 Nishishinjuku, Shinjuku-ku, Tokyo

Site area

19,636.98m²

Total floor area

180,024.51m²

Use

Office, residential building, etc.

Completion

December, 2011

DBJ Green Building Certification

Platinum

these efforts, Sumitomo Fudosan Shinjuku Grand Tower has been certified the highest rank of Platinum for DBJ Green Building Certification.

Sumitomo Fudosan Shinjuku Grand Tower not only pursues its functionality as a core building of the project, but it is also a high-spec building anticipating that 40 to 50 years into the future it will function as a regional disaster prevention base.



GRAND FRONT OSAKA

PROPERTY OVERVIEW

Name

Grand Front Osaka

Location

3 and 4 Ofuka-cho, Kita-ku,
Osaka City, Osaka

Site area

Umekita Plaza: approx. 9,920m²
South Tower: approx. 10,571m²
North Tower: approx. 22,680m²
Grand Front Osaka Owners Tower:
approx. 4,666m²

Total floor area

Umekita Plaza: approx. 10,571m²
South Tower: approx. 187,800m²
North Tower: approx. 295,100m²
Grand Front Osaka Owners Tower:
approx. 73,800m²

Use

Office, commercial facilities, Knowledge
Capital, hotel and service apartments,
condominiums, etc.

Completion

March, 2013

Developers

NTT Urban Development, Obayashi,
ORIX Real Estate, Kanden Fudosan,
Nippon Steel Kowa Real Estate, Sekisui
House, Takenaka Corporation, Tokyo
Tatemono, Nippon Tochi-Tatemono,
Hankyu Corporation, Sumitomo Mitsui
Trust Bank and Mitsubishi Estate

Grand Front Osaka, which was developed as a Phase 1 Development Area of (approximately 7ha) in Osaka Station North District, which is an area of approximately 24ha located in front of Umeda Station in Osaka and centering on Umeda Freight Station, is a redevelopment project that features functions such as "Knowledge Capital," offices, commercial facilities, a hotel and serviced apartments and condominiums.

Business partners of 12 companies are involved in the project and the city opened on April 26, 2013.

Some of the characteristics of the project worth mentioning include the aim of turning the Osaka Station North District into the gateway to Asia and the world, the project receiving designation as a national project based on public/private partnerships, the variety of urban functions it is accumulating, the open space rich in water and nature and the aggressive efforts in environmental symbiosis.

As a gateway to Asia, the project strives for growth and development through countless innovations and by establishing a hub for the accumulation and exchange of international information and human resources. In addition, the development, being driven through in-depth cooperation and coordination among administrative bodies, academic institutions, businesses and developers, has been designated as a "Priority Urban Renewal Zone," a "Special Urban Regeneration Business Plan" as well as a "CO₂ Reduction Model Plan."

Centering on the intellectual creative base called "Knowledge Capital," which is the city's core function, "Offices" that boast some of the largest scale in western Japan, "Shops & Restaurants" at which customers can enjoy getting away from the bustle of big cities, "InterContinental Osaka" locating in the Kansai region for the first time and "Grand Front Osaka Owner's Tower," a condominium reflected by luxury hotel design, are all available at the large-scale site of approximately 7ha.

The space also allows the transition of the four seasons to be experienced, despite being in the first class district of central Osaka, by establishing the approximately 10,000m² Umekita Plaza, which will be situated in front of Osaka Station, and vast gardens on the ground level and the ninth floor rooftop. As a building that takes environment into consideration through measures such as adopting a natural ventilation system, photovoltaic power generation and facilities with highly efficient heating methods, in addition to the aforementioned large-scale rooftop gardening and urban gardening, it has acquired class S under the CASBEE Osaka.

Grand Front Osaka will take on the role as an environmental showcase that leads to the realization of sustainable society by using its merit of developing and operating several city blocks as a whole to its advantage, advancing its efforts in both software (services) and hardware (facilities) aspects and widely transmitting the results to society.

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 time available for leisure and construction of resort facilities boomed including the emergence of large multi-use resorts with seaside 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 facility management companies filed for bankruptcy.

In response to these developments, recent years have seen the emergence of the resort regeneration business and new efforts to rebuild the resort business including the expansion of services focusing on facility management.



Resort Development Takes Off

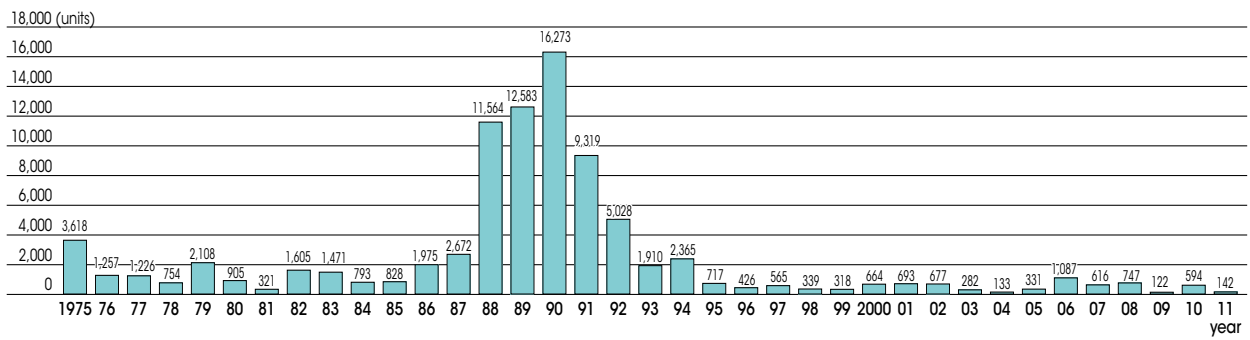
From the early 1960s, the general public once again was able to afford the luxury of leisure and steps were taken to develop tourist destinations throughout Japan. In particular, business groups centered on mass transit companies such as Tokyu and Seibu began development of comprehensive projects that included transport, vacation homes, hotels and sightseeing at famous resort areas 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 at this time 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 and End of Boom

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 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 (currently Japan Housing Finance Agency) 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.

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. Since 1995, the number of units sold per year has been 600 to 700 units at most. Also, due to the application of the Resort Law, many of the large resort facilities developed filed for bankruptcy from overinvestment caused by ill-conceived budget plans and unfounded prospects for customers. Many plans were therefore aborted before they could be carried out.

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 standalone housing in good natural environments such as agricultural and mountain villages and areas near cities.

On the other hand, resort services have begun to be provided in a variety of formats based on memberships. These steps include organizations and corporations 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 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.

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	Acquisition, Takeover, Support Companies, etc.
Sahoro Resort	Shintoku Town, Hokkaido	2,200	Seiyo Kankyo Kaihatsu (Sahoro Resort, SCM Leisure Development and Karikachi Kogen Development)	Ski hill, golf course and hotel	Kamori Kanko
Alpha Resort Tomamu	Shimukappu Village, Hokkaido	4,780	Sekihyo Seibaku	Golf course, ski hill, artificial lake, water chapel and hotel	Hoshino Resort
Appi Kogen Resort	Ashiro Town and Matsuo Village, Iwate Prefecture	2,500	Appi General Development (third sector)	Ski hill, hotel and pensions	Kamori Kanko
Resort Park Onikoube	Naruko Town, Miyagi Prefecture	1,000	Onikoube Kogen Kaihatsu (third sector)	Ski hill, golf course and hotel	Osaki City, Hotel Sun Valley
Myoko Pine Valley	Myoko Village, Niigata Prefecture	600	Myoko Pine Valley	Hotel, golf course and ski hill	APA Group
Gran-Deco Ski Resort	Kitashiobara Village, Fukushima Prefecture	338	Tokyu Group, Urabandai Deco Daira Kaihatsu (third sector)	Hotel, ski hill and tennis courts	
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	
Towa Nasu Highland	Nasu Town, Tochigi Prefecture	1,000	Towa Real Estate Development, Towa Nasu Resort Co., Ltd.	3,700 vacation lots, amusement parks, hotels and golf courses	
Yokohama Hakkeijima Sea Paradise	Yokohama City, Kanagawa Prefecture	24	Yokohama Hakkeijima	Marinas, amusement parks, aquariums and restaurants	
Karuizawa Sengataki	Karuizawa Town, Nagano Prefecture	690	Kokudo	5,200 vacation lots, hotels, golf course, tennis courts and, ski hill	Prince Hotel
Tateshina Certo Forest	Chino City, Nagano Prefecture	436	Kajima Resort	Tennis court, jogging road, restaurant, craft center, rental vacation homes, pool and hotel	
Tokyu Resort-Town Tateshina	Chino City, Nagano Prefecture	664	Tokyu Land	2,400 vacation lots, golf course, tennis courts, ski hill and hotel	
Tateshina Mitsui-no-mori	Chino City, Nagano Prefecture	470	Mitsui Fudosan	Vacation lots, hotel and golf course	
Uminoguchi Natural Villa	Minamimaki Village, Nagano Prefecture	700	Seiyo Kankyo Kaihatsu	Vacation lots, lodging facilities, tennis courts, pottery studios, music studio and golf course	Sogo / Seibu
Shima Spain Village	Isobe Town, Mie Prefecture	104	Kintetsu Corporation (JV)	Spanish village	
Nemu no Sato	Hamajima Town, Mie Prefecture	252	Yamaha Recreation	Golf course, marina and grass ski hill	Mitsui Fudosan
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	Royal Pines
Space World	Kitakyushu City, Fukuoka Prefecture	200	Space World (third sector)	Leisure facility with a space theme	Kamori Kanko
Huis Ten Bosch	Sasebo City, Nagasaki Prefecture	140	Huis Ten Bosch (third sector)	Marina, hotel, condominium and Dutch streetscape	HIS
Phoenix Seagaia Resort	Miyazaki City, Miyazaki Prefecture	135	Phoenix Resort	Hotel, international convention center, Ocean Dome, golf courses, condominiums and cottages, and tennis club	Ripplewood Holdings (currently RHJ International)
Miyakojima Tokyu Resort	Shimoji Town, Okinawa Prefecture	230	Tokyu Corporation	Marina, golf course and hotel	

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 124,000 companies with licenses based on the Building Lots and Buildings Transaction Business Law, 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.

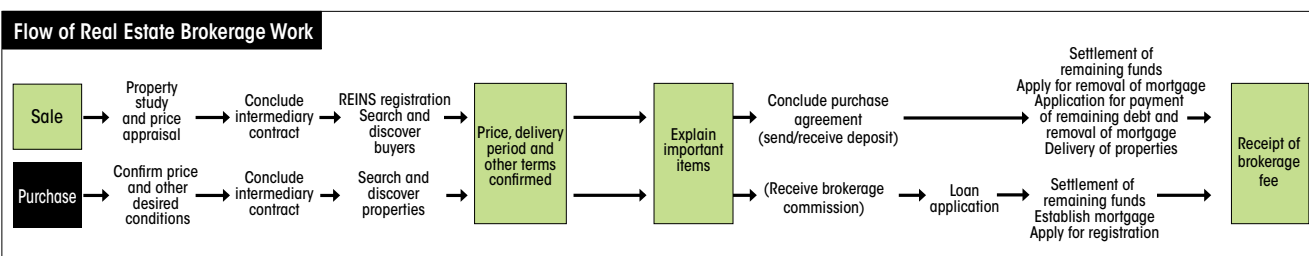
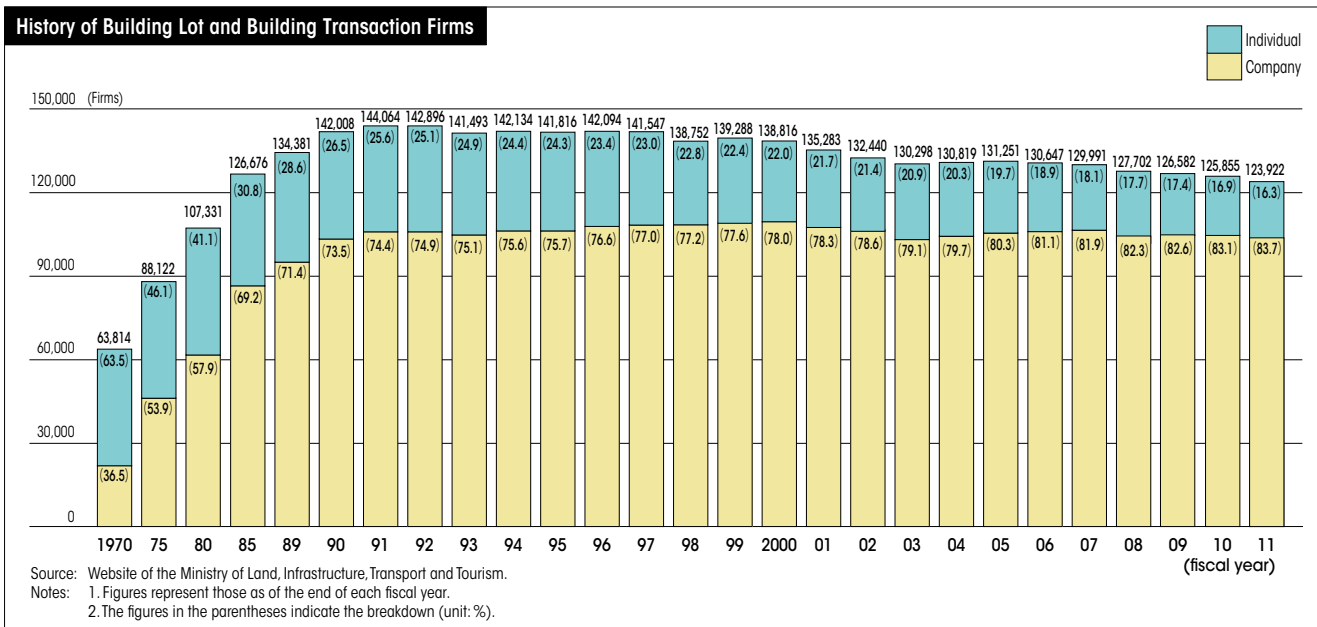


Modernization of Real Estate Transactions

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. 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.



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

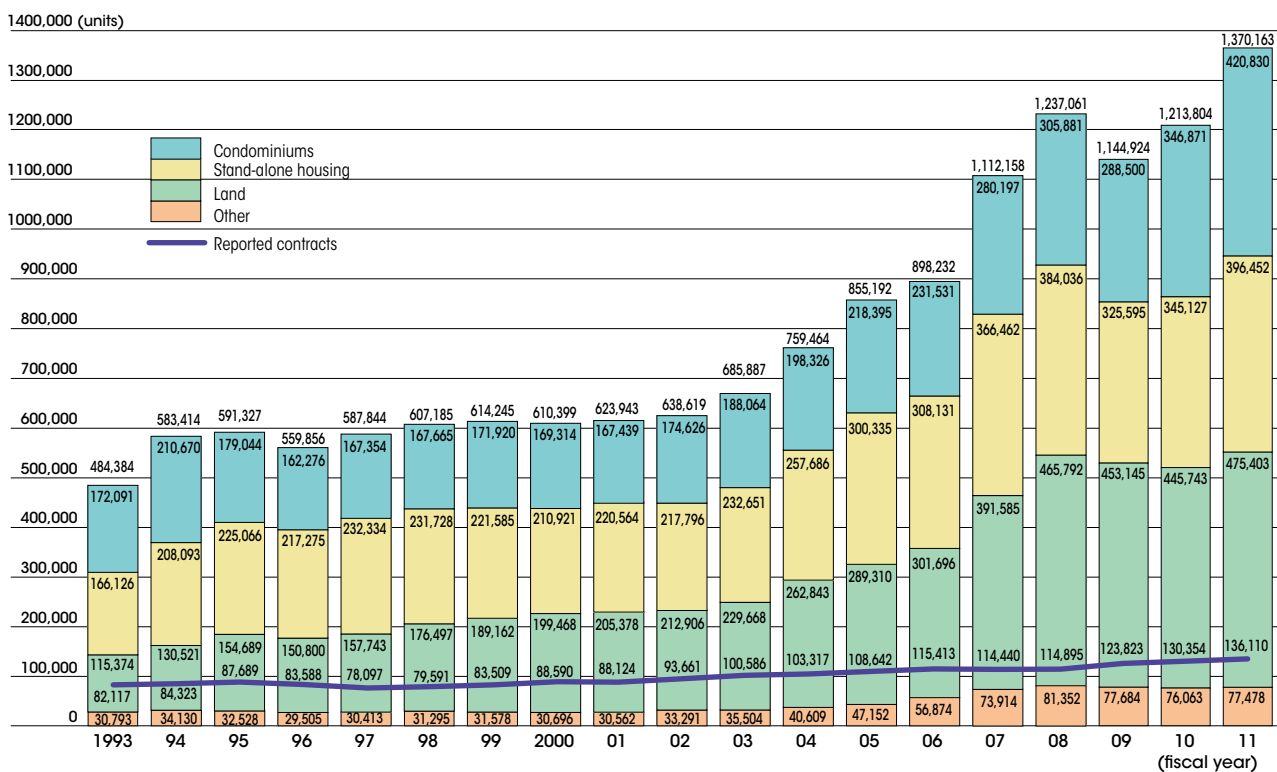
For this reason, in 1986, the Ministry of Construction (currently, Ministry of Land, Infrastructure, Transport and Tourism) established the Real Estate Information Network System (REINS) with the Real Estate Transaction Modernization Center Foundation in order to foster cooperation between information 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 1.37 million such contracts were newly registered with certified information network organizations in fiscal 2011. Of these, 136,000 contracts were signed and reported.

Status of Transaction Market for Existing Houses in the Tokyo Metropolitan Area

In fiscal 2011, there were 10,766 stand-alone houses contracted, the average contract price was 29.36 million yen (average land area: 148m²; average building area: 105 m²) and



Source: Utilization Status of Designated Transaction Organizations report 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.

the average building age was 19.4 years. For condominiums, there were 29,620 units contracted, the average contract price was 25.16 million yen (average unit price per m²: 386,600 yen; average area: 65 m²) and the average building age was 18.5 years.

In recent years, while the number of stand-alone houses contracted has stayed the same or has been slightly decreasing, the number of contracted condominiums is increasing, reflecting the increase in stock. The average contract price of stand-alone houses, reflecting the decline of land prices, has been declining with the exception of 2006 and 2007 when it increased, while that of condominiums increased to 25.45 million yen by 2007 from the bottom in 2001 and has remained flat since. Reflecting the increase in good-quality stock, the average building age of stand-alone houses increased by about five and a half years in the 15 years between 1996 and 2011, and that of condominiums increased by about two and a half years in the same period.

Utilization of the Internet

With the permeation and spread of the internet into society, the trend to use the internet in the real estate transaction sector has taken root.

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 new 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. Contract information 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.

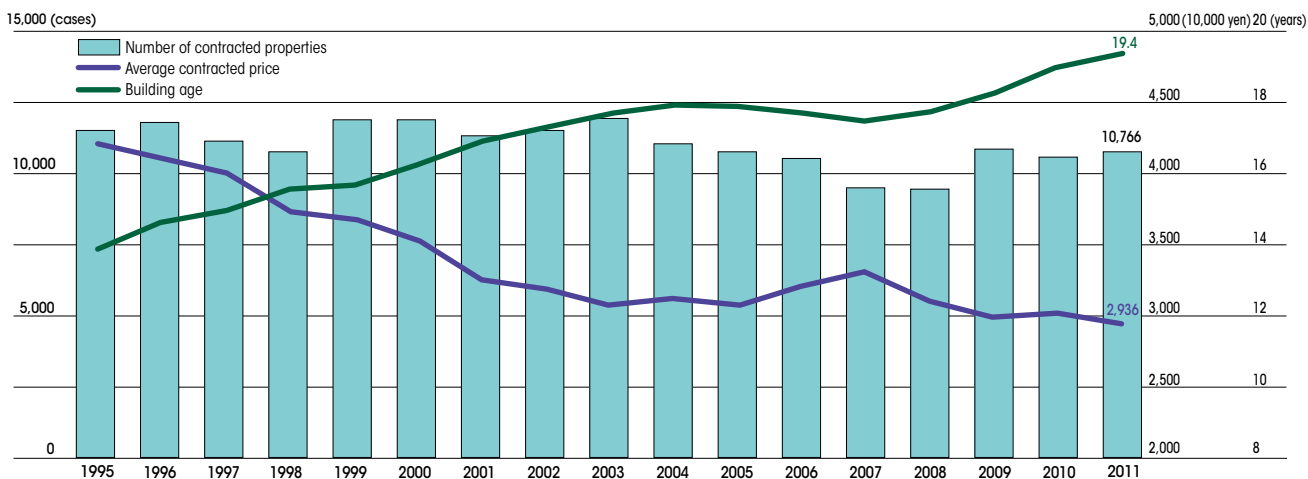
However, the truth is that contemplation for acquiring a specific property requires more detailed information than is available on the Internet and specialized knowledge about real estate transactions. In light of this, it is now even more important for real estate companies to properly face their customers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

skilled and knowledgeable concerning real estate transactions.

Vitalization of the Transaction Market for Existing Homes

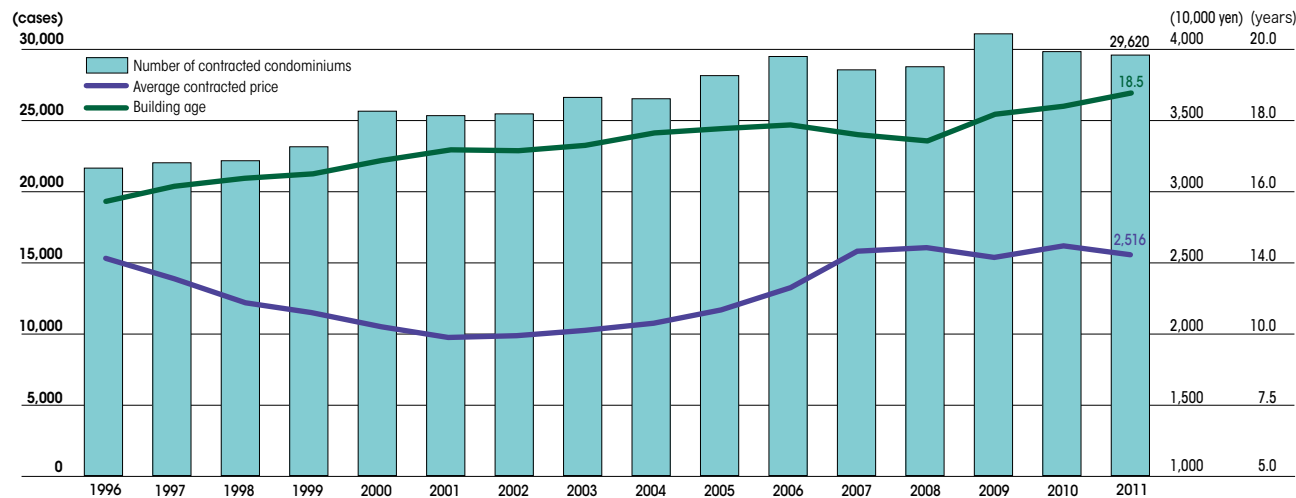
The Basic Act for Housing enacted in 2006 deals with the challenge of shifting the focus of housing policy from ensuring quantity to improving quality and the utilization of housing stock. With regard to the vitalization of the transaction market for existing homes, it is hoped firstly that plenty of information will be provided to consumers that are concerned about the quality and capacity of existing homes and that, as a premise, processes such as home inspections and home deficit insurance and warranty will become more widespread. Secondly, it is hoped that cooperation between involved businesses will be strengthened in order to promote reforms for the transaction of residences. Thirdly, it is hoped that the increase in the quality of homes by way of appropriate management and reforms will be recognized in the asset value of residences and that this will be reflected in prices.

Number of Contracted Stand-Alone Houses in the Tokyo Metropolitan Area, their Average Contracted Price and Building Age



Source: Based on "Trends in the Tokyo Metropolitan Area's Real Estate Transaction Market (Fiscal 2011)" by the Real Estate Information Network for East Japan.
 Note: The Tokyo metropolitan area is Tokyo, Kanagawa, Saitama and Chiba prefectures.

Number of Contracted Existing Condominiums in the Tokyo Metropolitan Area, their Average Contracted Price and Building Age



Source: Based on "Trends in the Tokyo Metropolitan Area's Real Estate Transaction Market (Fiscal 2011)" by the Real Estate Information Network for East Japan.
 Note: The Tokyo metropolitan area is Tokyo, Kanagawa, Saitama and Chiba prefectures.

OVERVIEW OF MAJOR REAL ESTATE SECTORS

REAL ESTATE SECURITIZATION

The history of real estate securitization is quite long and goes back to the mortgage securities 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 1994 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.

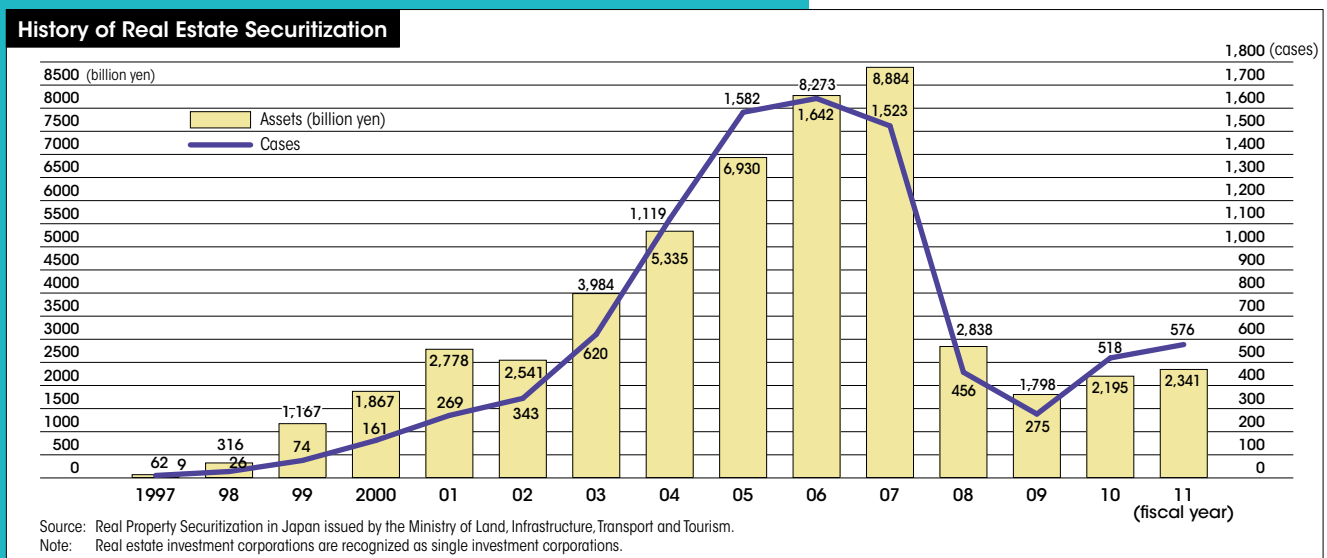
The progress of real estate securitization expanded investment opportunities by diversifying investment methods for real estate investors and a new opportunity formed for real estate companies as their business expanded from management and operation of real estate to the fee business market where they 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 market has since expanded, and the number of J-REITs listed was 37 and the market has grown to about 9 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 October 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 2.3 trillion yen in February 2009. Subsequently, investment unit prices (equivalent to stock prices) recovered as the financial market stabilized. Backing this price recovery was the establishment of the Real Estate Market Stabilization Fund led by the government to support the funding of investment corporations, the system reforms to realize mergers and the Bank of Japan's Asset Purchase Program launched in October 2010 as a comprehensive



J-REIT Structure

As of January 18, 2013

Name	Fund Characteristic	Month/Year of Listing	Number of Properties	Assets (100 million yen)	Sponsors
Nippon Building Fund	Dedicated to office buildings	Sept. 2001	68	9,216	Mitsui Fudosan, Sumitomo Life, etc.
Japan Real Estate	Dedicated to office buildings	Sept. 2001	60	7,824	Mitsubishi Estate, The Dai-ichi Mutual Life Insurance and Mitsui & Co
Japan Retail Fund	Dedicated to commercial facilities	Mar. 2002	76	7,200	Mitsubishi Corporation and UBS AG
ORIX JREIT	Comprehensive (centering on office buildings)	June 2002	70	3,559	ORIX
Japan Prime Realty	Multi-use (offices and commercial facilities in urban areas)	June 2002	59	3,920	Tokyo Tatemono, Taisei Corporation, Yasuda Real Estate, etc.
Premier	Multi-use (offices and residences)	Sept. 2002	54	1,965	NTT Urban Development, Ken Corporation, Sogoh Real Estate, etc.
Tokyu REIT	Multi-use (offices and commercial facilities)	Sept. 2003	26	1,997	Tokyu Corporation
Global One Real Estate	Dedicated to office buildings	Sept. 2003	9	1,569	Meiji Yasuda Life Insurance The Bank of Tokyo-Mitsubishi UFJ, Mitsubishi UFJ Trust and Banking, etc.
Nomura Real Estate Office Fund	Dedicated to office buildings	Dec. 2003	50	3,721	Nomura Real Estate Holdings
United Urban	Comprehensive (offices, residences, commercial facilities and hotels)	Dec. 2003	93	4,262	Marubeni, Kyokuto Securities
MORI TRUST Sogo Reit	Comprehensive (centering on office buildings)	Feb. 2004	15	2,953	Mori Trust, Parco, Sompō Japan Insurance etc.
Invincible Investment Corporation	Comprehensive (centering on residences, plus offices, etc.)	May 2004	78	772	GK Calliope and Big
Frontier Real Estate	Dedicated to commercial facilities	Aug. 2004	27	2,458	Mitsui Fudosan
Heiwa Real Estate REIT	Multi-use (offices and residences)	Mar. 2005	91	1,383	Heiwa Real Estate
Japan Logistics Fund	Dedicated to logistics facilities	May 2005	30	1,586	Mitsui & Co., Sumitomo Mitsui Banking Corporation, Kenedix etc.
Fukuoka Reit	Comprehensive (centering on commercial facilities)	June 2005	19	1,537	Fukuoka Jisho, Kyushu Electric Power, etc.
Kenedix Realty Investment Corporation	Comprehensive (centering on office buildings)	July 2005	83	2,924	Kenedix Asset Management, ITOCHU Corporation
Sekisui House SI Investment Corporation	Comprehensive (centering on residences)	July 2005	71	1,195	Sekisui House, Spring Investment
Ichigo Real Estate Investment Corporation	Comprehensive (offices, residences, commercial facilities, hotels, etc.)	Oct. 2005	66	1,043	Ichigo Group Holdings
Daiwa Office Investment Corporation	Dedicated to office buildings	Oct. 2005	39	3,200	Daiwa Securities Group
Hankyu REIT	Multi-use (centering on commercial facilities)	Oct. 2005	15	1,213	Hankyu Corporation
Starts Proceed	Dedicated to residences	Nov. 2005	76	383	Starts Amenity and Starts Corporation
Top REIT	Comprehensive (offices, commercial facilities and residences)	Mar. 2006	18	1,843	The Sumitomo Trust & Banking, Nippon Steel City Produce, Oji Real Estate
Daiwa House Residential Investment Corporation	Dedicated to residences	Mar. 2006	124	2,137	Daiwa House Industry
Japan Hotel REIT Investment Corporation	Dedicated to hotels	June 2006	28	1,309	Rockrise Sdn Bhd, Kyoritsu maintenance, etc.
Japan Rental Housing Investments	Dedicated to residences	June 2006	178	1,569	AppleRingo Holdings, etc.
Japan Excellent	Comprehensive (centering on office buildings)	June 2006	24	2,171	Nippon Steel Kowa Real Estate, Dai-ichi Mutual Life Insurance, Sekisui House, etc.
Nippon Accommodations Fund	Dedicated to residences	Aug. 2006	90	2,421	Mitsui Fudosan
MID REIT	Comprehensive (centering on office buildings)	Aug. 2006	11	1,600	MID Urban Development
Mori Hills REIT Investment Corporation	Comprehensive (centering on office + commercial facilities, residential)	Nov. 2006	9	2,108	Mori Building
Nomura Real Estate Residential Fund	Dedicated to residences	Feb. 2007	153	1,506	Nomura Real Estate Holdings
Industrial & Infrastructure Fund Investment Corporation	Multi-use (logistics facilities and infrastructure)	Oct. 2007	23	1,473	Mitsubishi Corporation, UBS AG
Advance Residence Investment Corporation	Dedicated to residences	Mar. 2010	190	3,679	Itochu Corporation, Itochu Property Development, Nippon Tochi-Tatemono, etc.
KENEDIX Residential Investment Corporation	Dedicated to residences	Apr. 2012	20	305	KENEDIX
Activia Properties Inc.	Multi-use (Offices + urban commercial facilities)	Jun. 2012	18	1,704	Tokyu Corporation
Daiwa House REIT Investment Corporation	Multi-use (Logistics facilities + commercial facilities)	Nov. 2012	24	1,145	Daiwa House Industry
GLP J-REIT	Dedicated to logistics facilities	Dec. 2012	30	2,087	GL Properties, GLP Capital, GLP Capital Japan 2 Private Limited

Source: Website of the Association for Real Estate Securitization

monetary easing measure and its inclusion of J-REITs as acquisition targets. The amount purchased by the Bank of Japan totals 111.1 billion yen as of the end of 2012. Also, April 2012 saw the first listing of a new REIT in four and a half years, and in fact four REITs were listed that year. The aggregate market value stood at 4.5 trillion yen as of the end of December 2012.

There are two types of REIT structures: 1) the "company" type, a structure in which funds (investment corporations) 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.

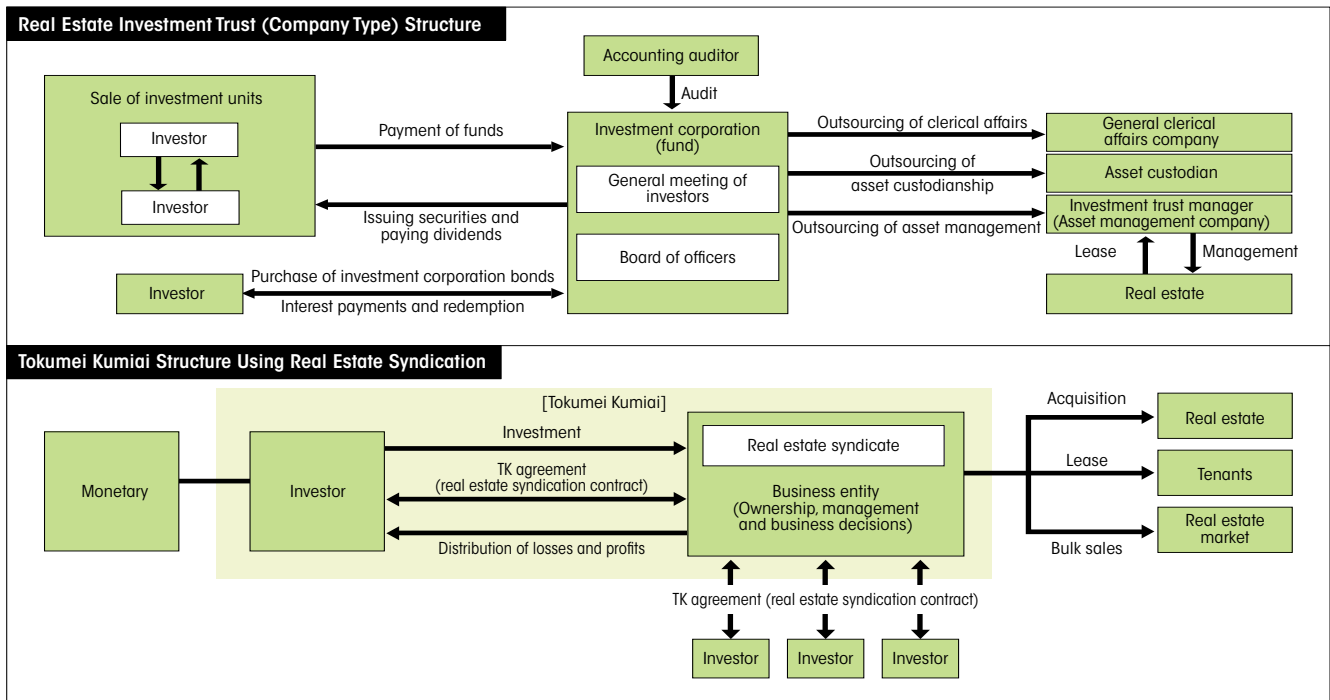
Investors have shown an interest in REITs as a new investment vehicle for diversifying their portfolio strategies and real estate companies have interpreted REITs to be a new business opportunity for selling, managing and operating real estate as a part of REIT management.

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.

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 associated with the structural transformation of the national economy.

In this case, real estate securitization is one of the methods for direct procurement of capital from the market by issuing investment securities backed by real estate or assets consisting of real estate or real estate backed debt (housing



loans, etc.).

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

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

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

The old SPC Law had many restrictions on the structure including rigid limits such as prohibiting the purchase of qualified assets with borrowings. Thus there were aspects that were difficult to apply to the securitization of assets like real estate that were highly commercial. As a result of the revision, the assets subject to monetization by the SPC were expanded from designated monetary debts, real estate and their beneficiary interests in trust to general property rights, and restrictions concerning the establishment and operation of SPCs were simplified and rationalized. Therefore, steps were taken to improve the convenience of the system. The significance of the SPC Law system is that it improves the financial constitution of the originator itself, realizes a high investment efficiency compared to owning real estate and

obtains new business chances by promoting real estate monetization. It is expected that the system will take root in step with reforms to the economic structure such as diversification of fund procurement methods, real estate management emphasizing cash flow, etc.

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.

Securitization with the said act means that there will be the influence from business other

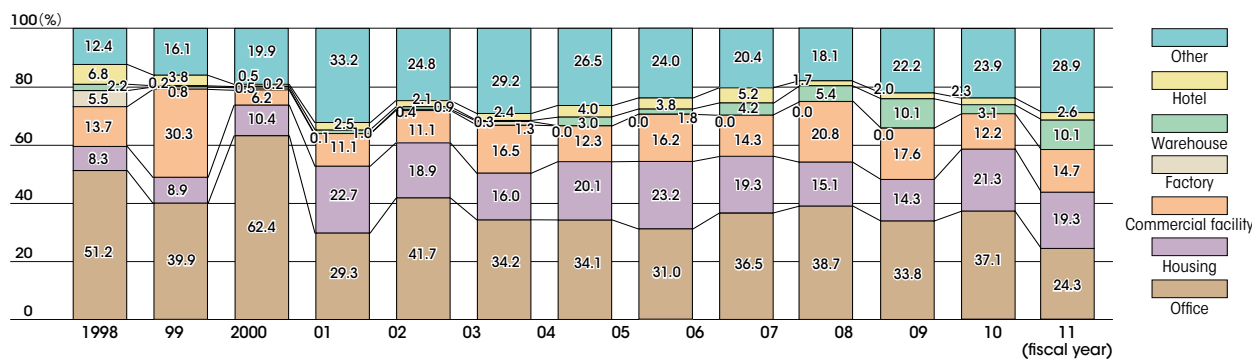
than securitization that the party conducts. As such, the difficulty of procuring funds from professional investors such as institutional investors that fear bankruptcies of businesses is pointed out as a disadvantage of the current system.

In order to resolve this disadvantage, revisions of laws whereby SPCs that own only real estate will be established and business will be entrusted to real estate syndicates, as in the SPC Law in (2) mentioned earlier, are being advanced (established at end of December 2012). In such cases, since the risk of bankruptcies of businesses will be separated, it is thought that procurement of funds from professional investors will become easier.

One reason for incorporating the same system as in the SPC Law into the act lends to the fact that it is often difficult in other methods of securitization to implement anti-seismic renovation, rebuild properties for greater earthquake resistance, establish nursing facilities and acquire properties sequentially. According to the Ministry of Land, Infrastructure, Transport and Tourism, this revision will lead to about five trillion yen of new investment in the coming 10 years and should also have a ripple effect of eight trillion yen on production and employment of about 440,000 persons.

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 448 cases of syndication with cumulative offerings of 1,929.8 billion yen between implementation in April

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.

1995 to March 2011, 423 cases with 1,884.1 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.

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 were 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/selfsoliciting 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.

Information Disclosure Imposed on Management Companies

The progress of real estate securitization has not been a cause of major change in the business of real estate companies. However, it should be noted that when it comes to entrusting management there are a few points that differ from ordinary business.

Though there are various methods of securitizing

real estate, all are similar in that funds are gathered from investor and the revenue of the relevant real estate is distributed (dividends). Therefore it is necessary for companies that manage the securitized real estate (in the case of real estate investment trusts, the asset management company) to periodically disclose revenue conditions to investors.

In normal management business, business reports are submitted to the owners of real estate, but in the case of securitized real estate, business reports are submitted to the asset management company. The content of the reports become the basis of disclosure material for investors, who have no direct contact with the company conducting management. Due also to such points, management that is more formalized and speedy compared to normal management at various points is demanded.

Formalizing means making business reports in the formats requested by the asset management company. Because asset management companies operate multiple real estate properties in many cases, they request business reports in their own unique formats (this may require submission via spreadsheet software such as Excel, or input of data to websites that only authorized persons can access). Management companies are therefore required to make reports in formats differing from those that are submitted to real estate owners.

Speed is a necessity in cases of incidents that have an impact on real estate revenues and asset management companies need to report the situation to investors. For example, if flooding or earthquakes have occurred at properties of real estate investment trusts, the impact will be disclosed by the following day. In as much as management of securitized real estate is concerned, a system that is able to provide speedy responses is required in addition to the normal periodic reports.

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.

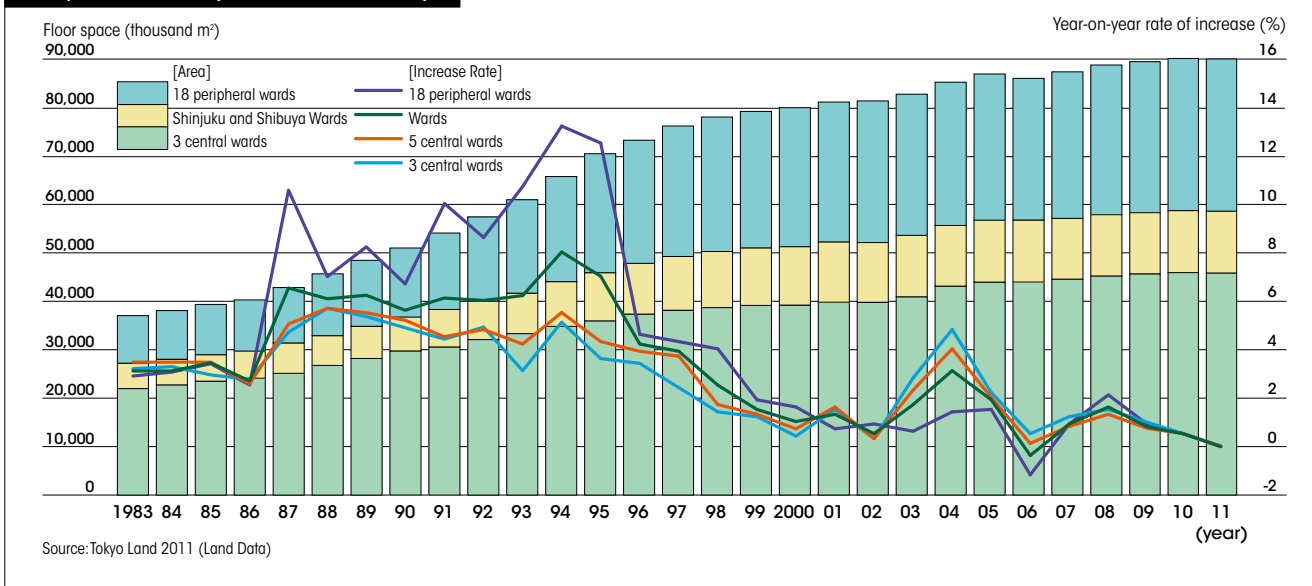
Overcome Post-Bubble Decline in the Market and "2003 Problem"

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.

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

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.

autumn 2008, and the vacancy rate in office buildings increased to 6-8% in 2009. In 2010-2011, 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.

Polarization Phenomenon at Rental Housing Markets

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.

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.

The Role of the Real Estate Industry

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.



Global warming caused by greenhouse gases in the atmosphere has had a negative impact on the ecologic system and the reduction of such 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 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 17th Conference of the Parties (COP17) held in Durban, South Africa in 2011, it was decided that the Kyoto Protocol, initially set to end in 2012, would be extended. Though Japan will not participate, it will voluntarily make an effort to curb emissions. Moreover, further debates took place at COP18 held in Doha, Qatar in 2012 given the Durban consensus which agreed to arrive at a new legal framework by 2015, and it was agreed that documents that are to be the base of negotiations will be created by COP20 in 2014.

In order to reduce CO₂ emissions further in Japan, the "Law Concerning the Rational Use of Energy" was amended and enforced in 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. It also obligated the submission of reports on energy-saving measures for new constructions or additional constructions for small and medium sized buildings starting in 2010.

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.

For such reasons, there are expectations for further environmental contributions such as the promotion of increased energy-saving performance for office buildings and condominiums, as well as the export of such know-how to overseas urban development.

Environmental Responsiveness of Newly Built 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 business hours, office automation movement due to the advancement of economic activities, and the progress of information technology.

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 released the fifth edition in 2008. In the revision for this edition, the level which in principle builders aim in constructing office buildings was made to exceed the "builders' standard of judgment" prescribed in the Energy Conservation Law by 10% or more (reduction of 10% or more with ERR, which is the primary energy consumption of all equipment). According to a follow-up survey targeting all members, 90% have met this criteria at buildings completed in 2010-2011 for which responses were given.

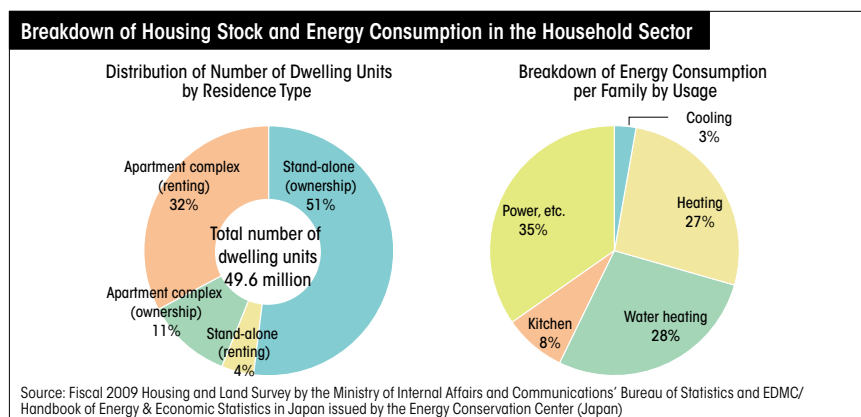
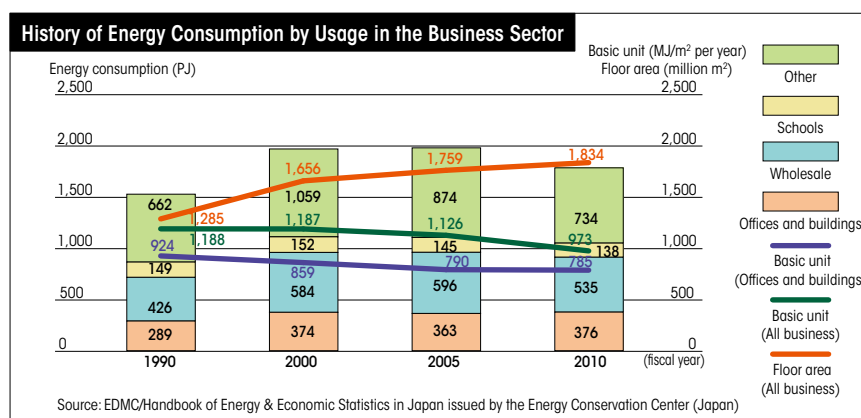
Also, though the total floor area of the business sector overall is trending upwards, the figure for the basic unit expressing the efficiency of buildings has continued to improve since 1990. Such figures also show us that the environmental performance of buildings is improving.

However, because energy consumption of office buildings varies widely depending on the tenants' business-types and amount of activity, it is important to build high-performance buildings while at the same time conduct cooperative efforts such as provision of know-how to tenants for promotion of environmental activities and energy conservation.

Environmental Measures at New For-Sale Condominiums

RECAJ formulated the Environmental Voluntary Action Plan for New Condominiums (EVAP) in February 2009. Under the basic policy of designing and planning for high environmental performance from the stages of construction to operation, the plan aims to provide facilities with better performance than that of the standard reference value of lifecycle CO₂ in "CASBEE 2008 edition," and according to the aforementioned survey all companies for which responses were received achieved this target.

In terms of energy consumption, about 60% of energy consumption at households (average of all stand-alone housing and apartment complexes) are for water heating



and cooling/heating. Also, because heating uses more energy than cooling, there is a focus on improving insulation of buildings. However, because apartment complexes excel in insulation and air tightness, and condominiums have only a small amount of surface space adjacent to outside, annual energy consumption per family can be held down around 70% of stand-alone housing. Even so, as it is certain that energy consumption is increasing year by year, energy-saving measures for condominiums must increase efficiency of water heating facilities, increase insulation, and improve energy-saving performance for household appliances and facilities, and the efficient use of these. 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.

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.

On the other hand, there are attempts to introduce renewable energy technologies including solar power generation, but there are various issues such as securing space

for installation and difficulties in forming a consensus when introducing them to existing for-sale condominiums.

Trends of Environmental Measures Following the Earthquake

The request for electricity conservation due to the nuclear power plant accident caused by the Great East Japan Earthquake brought about a change in the awareness of the environment and energy in business companies and citizens.

With this occasion, there have been debates concerning structural safety of buildings and there is an increased interest in BLC (Business and Living Continuity Plans). There is a need for the real estate industry to respond to such needs.

New Targets for Environmental Activities

Given the review of the energy conservation standards in April 2013 for the first time in 14 years, RECAJ is currently establishing new targets of environmental activities for office buildings and for-sale condominiums to be newly built and is also considering the formulation of new activity targets that would promote the sustainable urban development of member companies by incorporating energy independence, waste reduction and consideration towards biodiversity.



TOKYO SQUARE GARDEN

Tokyo Square Garden is an office building completed in March 2013 with Tokyo Tatemono as the project manager. It enjoys excellent accessibility as it is located at the center of the area surrounded by Tokyo Station, as well as the Ginza and Nihombashi areas, and is directly connected to Kyobashi Station.

The building is equipped with various functions appropriate for a landmark property that leads the reinforcement of Tokyo's international competitiveness, and regarding its environmental aspects, in particular, it has introduced advanced innovations in various areas of the building. As a result, the building was selected as one of the projects adopted for the First Model Project for Promoting CO₂ Reduction in Housing and Building in fiscal 2010 hosted by the Ministry of Land, Infrastructure, Transport and Tourism, as well as obtaining the highest rank of Platinum for DBJ Green Building Certification (plan certification).

Various measures are taken in order to ensure business continuity and security of office workers. The building ensures high security by adopting the spread foundation based on firm ground, and by setting a higher earthquake-resistant performance goal than that prescribed by law, while assuming an earthquake motion that is one and a quarter times larger than that required by the structural calculation standards for super high-rise buildings. The building realizes high earthquake-resistant capacity by adopting the concentrated seismic response control system in conjunction with the aforementioned

measures. There are also other various efforts such as emergency generators and emergency stockpiles taken into consideration in order to ensure business continuity and recovery even in times of disaster.

Efforts are particularly poured into the environmental aspects, where a green space called "Kyobashi no Oka," at 30m in height and approximately 3,000m² in area, is located on the lower levels. This supports the Tokyo Metropolitan Government's project, the Green Road Network, which is designed to lessen heat island effect.

In addition to utilizing renewable energy such as photovoltaic generation and a heat source system using natural thermal heat, the building aggressively utilizes various energy conservation technologies in the form of uniquely designed large eaves of approximately 1.8m in width, as well as in the indoor common use areas and dedicated use areas.

Furthermore, in addition to exhibiting various environmental measures, the building engages in area energy management by progressing establishment of "Kyobashi Environment Station," which will be the base to promote energy conservation in the area.

The building aims to achieve class S, which is the highest rank under the Comprehensive Assessment System for Built Environment Efficiency (CASBEE) standards for energy conservation, indoor comfort and impact on landscape. In addition, by introducing a variety of advanced environmental technologies, the building aims to reduce

PROPERTY OVERVIEW

Name	Tokyo Square Garden
Location	3-1-1, Kyobashi, Chuo-ku, Tokyo, etc.
Site area	8,131.39m ²
Total floor area	117,460.96m ²
Use	Office, store, clinic, meeting place, exhibition place, parking
Completion	March, 2013
DBJ Green Building Certification	Platinum (plan)
CASBEE	Class "S"
Project Management Company	Tokyo Tatemono Co., Ltd.

CO₂ emissions by about 45% (for office use) while maintaining a comfortable office environment, PAL (annual heat load in the building perimeter) by about 25% and ERR (energy reduction rate of the entire facility system) by about 39%. These efforts in PAL and ERR are part of a plan to achieve Stage 3, the highest grade specified by the Environmental Bureau of the Tokyo Metropolitan Government.



PROUD FUNABASHI

Nomura Real Estate Development is developing "Funabashi Morino City" jointly with Mitsubishi Corporation at a former factory site of Asahi Glass; it is a large site of 11ha that spreads across the front of Shin-Funabashi Station on the Tobu Noda Line in Funabashi City, Chiba Prefecture. Concentrated around Shin-Funabashi Station, it is city-planning that unifies residential buildings such as detached housing with condominium blocks (Block 1 to Block 5) and businesses for convenient daily living, and situates these in the vicinity of facilities such as Aeon Mall Funabashi, Aeon Town Shin-Funabashi and Funabashi General Hospital.

PROUD Funabashi, which applies to the condominium blocks, is separated into five areas from Block 1 to Block 5, and the units on Block 1 to Block 3 have already been sold. Block 4 is scheduled to be handed over in July 2014, and sales of units of Block 5 began in April 2013.

At PROUD Funabashi, various environmental measures are being implemented. It is proactively advancing its efforts by introducing "enecoQ," a service where power for the condominium units is purchased under lump-sum blanket contracts, and the entire energy needs of the condominium units are managed by combining natural energies, such as photovoltaic power generation, etc., with information and communication

technology (ICT). "enecoQ" is the industry's first next-generation standard energy management service jointly developed by Nomura Real Estate Development and FamilyNet Japan, and has received the Good Design Award as well.

The project also supports energy conservation and eco-life through "visualization," where electricity usage volume can be viewed at once on a live panel in each unit's living room, and electricity, gas and water usage volumes and volume of CO₂ emission reduction can be viewed at once at a dedicated website. In order to suppress concentrated use of electricity, electric car battery chargers and lighting in the common use areas are automatically controlled, and electricity fees and communication fees are reduced through power and internet services received under blanket contracts.

The project uses natural energy through a photovoltaic power generator installed on the building rooftop. The electricity from this generator is used in the common use areas, and the volume of generated power and CO₂ emission reduction can be confirmed on digital signage installed at the entrance.

In addition to the photovoltaic power generator being available for use during blackouts resulting from disasters and such, household power generators will also supply power and wireless LAN installed in the

PROPERTY OVERVIEW

Name	PROUD Funabashi
Location	1-811-2, etc. Kitahon-cho, Funabashi City, Chiba
Development area	approx. 112,325 m ²
Total floor area	PROUD Funabashi Block 1: 37,175.34m ² PROUD Funabashi Block 2: 25,788.58m ² PROUD Funabashi Block 3: 37,379.86m ² PROUD Funabashi Block 4: 24,730.79m ² PROUD Funabashi Block 5: 32,473.19m ² PROUD Funabashi Club House: 756.49m ²
Developer	Nomura Real Estate, Mitsubishi Corporation

common use areas will gather information in case of emergencies, disasters, etc.

PROUD Funabashi aims to realize an environmental-friendly condominium where environmental measures that support daily living and make everyday tasks convenient and comfortable will turn the entire city into one that is smart and highly functional, and perhaps lead the entire society into an eco-friendly future.

Roles the Real Estate Industry Should Take against Major Disasters

The Great East Japan Earthquake on March 11, 2011 inflicted significant damage primarily to the Tohoku (northern Japan) and Kanto regions. The earthquake caused tsunamis (tidal waves), which inundated towns along the coast, and many area residents who suffered the loss of their houses were forced to live in temporary dwellings. Livelihood rehabilitation of the sufferers and recovery of the affected areas should be the issues of top priority to be addressed by the entire country.

Moreover, it has become an important subject to learn from the Earthquake, reinforcing disaster prevention functions and creating safe and secure cities. The Ministry of Land, Infrastructure, Transport and Tourism amended the part of the Enforcement Ordinance of Construction Standard Law that specified the non-inclusion of storehouses for disaster prevention and mitigation, sections set apart for private power generators, etc. in the floor area ratio (enforced in September 2012), and the Tokyo Metropolitan Government has enacted an ordinance for people having difficulty returning home that codifies initiatives dealing with such people according to the roles of government, businesses and citizens (announced in March 2012; enforcement in April 2013).

1. Enhance Building Quality and Construct Networks of An Entire City

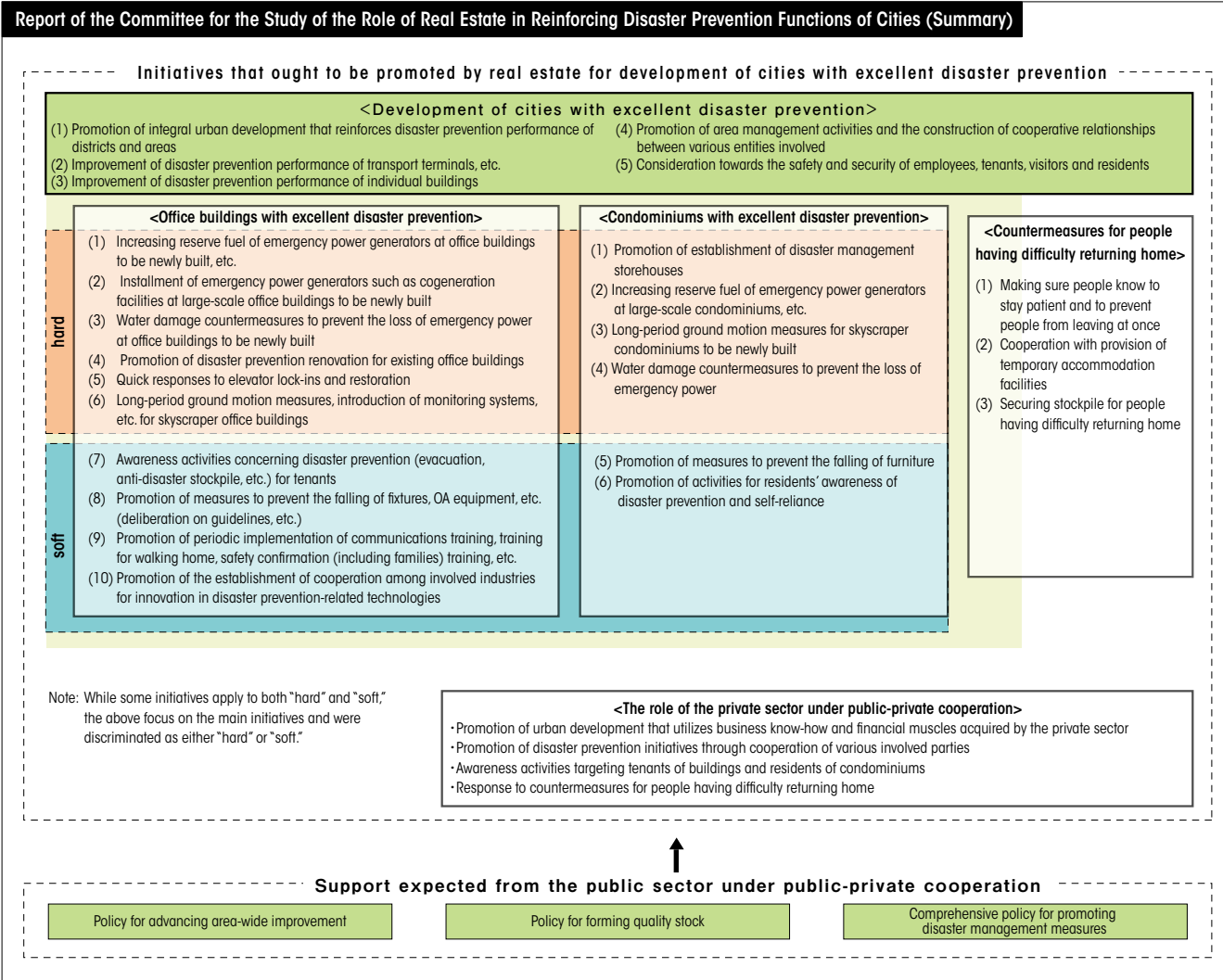
In the Tokyo metropolitan area, high-rise building structures had only slight damage from the Earthquake, proving their high earthquake-resistant performances. However, there were some areas that had such damages as tilting of buildings, primarily stand-alone houses, due to soil liquefaction. In addition, the paralyzed transportation systems on the day of the Earthquake left a massive number of people who found it difficult

to return home, and subsequent scheduled blackouts led to confusion as elevators, water supply and drainage equipment, railways, production facilities and other functions stopped operating.

Based on these facts, the national and local governments are promoting the creation of cities that are strong and resilient to disasters. In this endeavor, the real estate industry, which supplies buildings and condominiums, is specifically required to provide safe and secure working and living environment. To respond to such requirements, the industry must work to enhance building quality, such as earthquake resistance performance, capabilities to create/store/save energy, and barrier-free specifications. In addition, it is also an important issue to construct high disaster prevention functions and energy networks, etc. within an entire city by enhancing coordination with a variety of responsible organizations and relevant parties in the community and the society.

2. Investigate Issues on Disaster Prevention as Real Estate Industry

Joint implementation by the public and private sectors is required for such initiatives as creating countermeasures for people having difficulty returning home, establishing disaster prevention centers, and preparing disaster prevention plans for communities in unison. In this process of endeavors, the real estate industry needs to investigate what suggestions it should make. For this purpose, The Real Estate Companies Association of Japan (hereafter, the "Association") established the "Study Group on Disaster Prevention as Real Estate Industry" (chaired by Yasushi Aoyama, Professor, Meiji University Graduate School), which compiled a report



in April 2012 on such issues as “creation of cities that have excellent disaster prevention capabilities,” “enhancement of office buildings and for-sale condominiums” and “responses as real estate industry to people having difficulty returning home upon disaster, etc.”

3. Bolster Recovery through Such Endeavors as Reinforcing International Competitiveness of Cities

On the other hand, it is essential to vitalize the Japanese economy in order to support the victims and help recover the affected areas. To do

so, promoting growth strategy is indispensable, especially in the housing and urban enhancement areas. As such, it is required to promote reinforcement of international competitiveness of Tokyo, a global city, and other large cities while further enhancing their disaster prevention performances. On top of this, steady implementation is needed for such measures as forming a good stock of houses by supplying houses with excellent earthquake resistance and energy-saving performances and creating low carbon cities.

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 data 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 taller. *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	Dec. 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	Dec. 20, 2006	Nov. 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	Dec. 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	Dec. 20, 2006	Nov. 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	Apr. 1, 2008, Oct. 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

Initiatives to Eliminate Organized Crime Groups, Other Anti-Social Forces from Real Estate Transaction and Money Laundering

With an aim to eliminate boryokudan (organized crime groups) and other anti-social forces from corporate activities, the government compiled the Guideline for How Companies Prevent Damage from Anti-Social Forces in June 2007. Based on the Guidelines, a report titled "Initiatives to Eliminate Organized Crime Groups from Corporate Activities" was publicized in December 2010. Also, Tokyo and Okinawa Prefectures enforced local ordinances prohibiting companies from trading with organized crime groups in October 2011, which had led to further promotion of initiatives to eliminate organized crime groups throughout Japan.

The real estate industry groups set up a "Liaison Council for Preventing Transfer of Criminal Proceeds and Damage from Anti-Social Forces in the Real Estate Industry" (comprised of The Real Estate Companies Association of Japan (hereafter, the "Association"), four industry groups involved in real estate transaction (*) and The Real Estate Transaction Modernization Center Foundation) in December 2007, with an aim to appropriately respond to the enforcement of the Act on Prevention of Transfer of Criminal Proceeds and establish the relevant compliance system. The Council worked to encourage establishment of responsibility structures and prevention of damages.

Also, the four industry groups involved in real estate transaction took such measures as preparing model provisions concerning elimination of organized crime groups and other anti-social forces for real estate transaction contracts (brokerage contracts, sales contracts and lease housing contracts). The Association also prepared "example provisions for eliminating anti-social forces" in transaction contracts and lease contracts, in which its member companies are the sellers or the lessors, in September 2011 in consultation with the Ministry of Land, Infrastructure, Transport and Tourism and the National Police Agency, and requested its member companies to adopt the said provisions,

etc. Also in the same month, the "Central Liaison Council between the Real Estate Industry and Police for Eliminating Organized Crime Groups, Etc." (comprised of the Association, the four industry groups involved in real estate transaction, The Real Estate Transaction Modernization Center Foundation, the National Police Agency, the Ministry of Land, Infrastructure, Transport and Tourism, The National Center for the Elimination of Boryokudan, Lawyers, etc.) was established for the purpose of strengthening coordination between relevant governmental agencies and the real estate industry and promoting elimination of organized crime groups and other anti-social forces from real estate transactions. The Council is working to promote popularization of provisions for eliminating anti-social forces, planning training and lectures on the subject and information exchanges, etc.

Meanwhile, as part of the international community's anti-money laundering measures, the Act on Prevention of Transfer of Criminal Proceeds was fully enforced in March 2008, requiring entities in the building lots and buildings transaction business to make transaction confirmations, preparation and preservation of transaction records and report suspicious transactions when selling or buying buildings and when serving as a proxy or brokering transactions.

Also, with the enforcement of the partial revision of the Act on April 1, 2013, there will be such requirements as addition of items for confirmation in transactions, addition of the category for high-risk transactions, addition of measures for accuracy of transaction confirmations (effort for implementation of educational training), etc.

*Four industry groups involved in real estate transactions

National Federation of Real Estate Transaction Associations, All Japan Real Estate Federation, The Association of Real Estate Agents of Japan and Japan Association of Home Suppliers.

Trends in Accounting Standards Concerning the Real Estate Industry

In Japan, preparation and disclosure standards of financial statements for listed companies are set forth by the Accounting Standards Board of Japan (ASBJ), the body that sets the accounting standards. On the other hand, outside Japan an increasing number of countries are incorporating the International Financial Reporting Standards (IFRS) formulated by the International Accounting Standards Board (IASB). Currently, there is a debate within and outside the Business Accounting Council of the Financial Services Agency about how to respond appropriately to the IFRS.

Since accounting standards may impact not only accounting processes but also businesses themselves, trends of standards that have a significant impact on the real estate industry must be watched closely.

1. Moves with Regard to Adoption of IFRS

Ahead of Japan, the U.S. Financial Accounting Standards Board (FASB) and the IASB had made an agreement on the convergence of accounting standards known as the Norwalk Agreement in 2002, and with this the U.S. generally accepted accounting principles (US GAAP) has been moving towards convergence with the IFRS. Later, while countries around the globe were considering the adoption of the IFRS, the U.S. Securities and Exchange Commission (SEC) in November 2008 announced a roadmap to adopt the IFRS.

Meanwhile, in Japan as well, an agreement aimed at accelerating the convergence of accounting standards (the "Tokyo Agreement") has been made by the ASBJ and IASB. Also, the Business Accounting Council of the Financial Services Agency published its roadmap in its "Opinion on the Application of International Financial Reporting Standards (IFRS) in Japan (Interim Report)"(*1) in June 2009.

However, later, in the U.S., the SEC published a staff paper indicating a new approach with regard to the incorporation of the IFRS to the US GAAP. Also, discussions at the SEC have been delayed, though scheduled to be completed by December 2011, as to the final determination on the adoption of the IFRS to U.S. companies.

In Japan, with the June 2011 statements of Shozaburo Jimi who at the time was the Minister for Financial Services, there have been discussions primarily by the Business Accounting Council of the Financial Services Agency as to how the accounting standards should be in Japan. Deliberation on the IFRS is ongoing with the announcement of "Discussion concerning the Proper Response to IFRS (intermediate discussion paper)" in July 2012.

2. Major Accounting Standards Concerning the Real Estate Industry

Among major accounting standards, the real estate industry should closely monitor the outcome in the items concerning "leases," "investment property" and the "Scope of Consolidations."

Lease

In Japan, the lease accounting standards categorizes lease transactions into financial lease and operating lease (*3). Financial lease is processed as transaction while operating lease is processed as leasing.

On the other hand, the IFRS released an exposure draft in August 2010, proposing that the categories of operating leases and finance leases for accounting purposes should be abolished and that lease assets and lease liabilities of all leases should be presented on the balance

sheet as a rule. Many comments were given from various countries to the exposure draft after its release. The IASB plans to release a revised exposure in the first quarter of 2013 (January to March).

Investment property

In Japan, it is the rule that the amount where accumulated depreciation is deducted from the acquisition price must be presented on the balance sheet and that fair values and such must be noted according to the "Accounting Standards Concerning the Disclosure of the Fair Value, etc. of Rental Properties."

Meanwhile, in the IFRS, selection is applied between a cost model that is the same as in Japan and a fair value model wherein the fair value is presented on the balance sheet and valuation gain/loss are presented as periodic gain/loss.

Scope of consolidations

In Japan, revisions were made to the treatment of special purpose entities (SPE) in consolidated financial statements in March 2011. With regards to SPEs, the revisions removed the treatment of "supposedly not falling under the category of consolidated subsidiaries of investors of the SPE." Only in the case of originators (owners of underlying assets) will their subsidiaries not be considered SPEs. This regulation will be applied starting April 1, 2013.

*1 Main Content of Opinion on the Application of International Financial Reporting Standards (IFRS) in Japan (Interim Report)

1) Voluntary application of IFRS start from the fiscal period ending March 2010; 2) A decision on whether to start compulsory application from 2015 or 2016 will be determined by 2012.

*2 Main Content of Statements of Shozaburo Jimi, Former Minister for Financial Services

1) Mandatory application should not take place from the business year ending March 2015, at the very least; 2) A sufficient time period of five to seven years should be required for preparation if and after mandatory application is decided; 2) Remove the termination date of the treatment to allow the use of US GAAP for disclosure purposes in the interim, namely up to the business year ending on or before 31 March 2016, so that the firms will be able to continue their use of US GAAP.

*3 Financial Lease and Operating Lease

The basic requirements of a financial lease are that they may not be terminated early before the contract period ends and that the borrower bears both the cost and economic benefits (full payment), among other things. Leases other than financial leases are called operating leases.

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.

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
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 of reduced tax rate for registration license tax related to housing buildings; Raising of special deduction of real estate acquisition tax for new housing (10 million yen to 12 million yen); Reduction of stamp tax.	Establish 4 information network organizations (welfare corporations) nationwide; Revision to the Real Estate Syndication Act (when individuals with specialized knowledge or experience in investment are participating in the project, the application of regulations to protect general investors is exempted); Ministry of Construction issues its Real Estate Renovation Vision (future direction of the real estate industry and countering present issues including the promotion of IT and modernizing a transparent and fair investment market to meet the changes in the socio-economic structure); Building Lots and Buildings Transaction Business Law (extended the valid period of broker licenses from 3 to 5 years); The Real Estate Companies Association of Japan issues its 21st Century Vision and Corporate Code of Conduct; Sumitomo Realty & Development Chairman Shinichiro Takagi appointed chairman of the Japan Condominium Association.
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 hollowing 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).

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
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; Number of juvenile crimes rise	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; introducing regulations for developing and building non-city planning districts; promoting transparency and citizen participation in the city planning and decision system, etc.); Law for the Recycling of Construction Materials (segregation and dismantlement of construction materials and such; recycling of specified constructions materials; fully enacted May 2002).	Law for Promoting Appropriate Condominium Management (condominium manager and managerial chief 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; 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).	Growing popularity of large and tower condominiums; Start of real estate investment trusts; Creation of the investment consultant registration system; JICPA issues the "Audit Handling of Judgment on Decision to Forcefully Reduce Valuation of For-Sale Real Estate"; Integration of the Japan Home Builders Association and the Housing Industry Development Association to form the Japan Association of Home Suppliers.



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
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 (Urayasushi) opens, established in January by MLIT	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 floor area ratio of 1300%, urban proposal system, speeding up comprehensive design procedures, 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 begins 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 measures for the tax system for settlement at the time of inheritance concerning housing purchases and other funds, reduction of registration and license tax for registering retention of ownership of housing buildings, preferential measures for taxation standards, etc. for real estate acquisition tax on existing houses, etc.); 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).	Hikomichi Iwasa (President of Mitsui Fudosan) was inaugurated as the president of the Real Estate Companies Association of Japan; Tsukuba Express which can travel from Akihabara to Tsukuba in 45 minutes was opened in August; Trust in safety of buildings was shaken such as with the quake-resistance data falsification scandal and surfacing of deficiencies in checking functions of building construction; The Akihabara Dai Building, Nihonbashi Mitsui Tower and other buildings were completed; Vacancy rate in central Tokyo improves.

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 of measures to reduce ordinance concerning real property tax, etc. of commercial property, etc.; Extension and abolishment of preferential measures in relation to housing acquisition fund donations; Foundation of taxation system to promote quake-resistance renovation of existing homes; Extension of special measures for real estate acquisition tax related to the house and housing land.	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.	Extension of preferential measures on replacement of commercial property concerning land owned over the long term, etc. to land, buildings, etc.; Extension, etc. of special tax measures concerning city and regional regeneration projects; Securing effect of reduction of housing loan tax for residents moving into property in 2007 and 2008 in association with transfer of tax sources to individual residential tax; Extension of special measures for aggregation of profits and loss/deductions carried forward of loss on transfer accompanying replacement of residential properties; Extension of decreased tax rate of registration and license tax of houses and special measures to reduce stamp tax on purchase and sale agreement, etc. for real estate transactions; Extension of system of special deduction of 15 million yen concerning specified sector housing development projects.	Financial Instruments and Exchanges Law was enacted. Tokyo Midtown, Shin-Marunouchi Building, Kasumigaseki Common Gate and other buildings were completed.
2008	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.	Extension of decreased tax rate of registration and license tax of houses and special measures to reduce stamp tax on purchase and sale agreement, etc. for real estate transactions; Extension of system of special deduction of 15 million yen concerning specified sector housing development projects.	Law for Prevention of Transfer of Criminal Proceeds was enacted. Real estate companies went under in succession.

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
2009	H2N1 virus spreads from around springtime; 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"; "Tohoku Shinkansen" opens in December.
2011	Great East Japan Earthquake in March; Yen records highest post-war value in March; Inauguration of Noda Cabinet in September; World population hits 7 billion	Establishment of "Comprehensive Special Zone System"; Revision of Special Measures Act for Urban Renaissance (establishment of emergency development areas designated for urban reconstruction).	"Serviced Silver Home System" begins; Implementation of Registration System for Rental Housing Management Operator; Establishment of system for Flat 35S Eco Points and Recovery Support/Residence Eco Points.	Establishment of special measures for specific urban redevelopment emergency development areas; Establishment of special measures for international strategy comprehensive zones; Extension of the tax system for the promotion of construction of prime rental senior housing upon restructuring as targeting senior housing with services.	Complete opening of Kyushu Shinkansen Kagoshima Route; Keiji Kimura (President of Mitsubishi Estate) was inaugurated as the president of the Real Estate Companies Association of Japan; Adoption of "Five Principles of Removing Antisocial Forces such as Crime Syndicates from Real Estate Transaction."
2012	Tokyo Skytree, the world's highest free-standing tower (643m), opened in May; Summer Olympics held in London during July and August and Japan won 38 medals, its most ever; Inauguration of the 2nd Abe Cabinet in December	Partial revision of enforcement order of Special Measures Act for Urban Renaissance; Statistics for stock of buildings subject to special easing measures for extension announced; Buildings with new earthquake resistance standards becomes 67%.	Disaster Reconstruction Support and Eco Point System for Housing System starts accepting applications; Maximum of loan rate for Flat 35 lowered from 100% to 90%; Standard apartment contract revised; Law concerning the promotion of low-carbon cities established; First announcement of the real estate price index (residence); Formulation of total plan for renovation of existing homes; Compilation of proposals of Real Estate Transaction Market Vitalization Forum.	Extension of exceptions for replacement purchases of business assets in long-term ownership of land; Extension of exceptions for fixed asset tax reduction for newly constructed housing; Enhancement and extension of exceptions for donation of funds for acquisition of housing, etc. Establishment of special measures to promote Approved Energy-Saving Houses.	Terms for display of real estate advertisement, etc. changed; Existing homes allowed to display double price; Shibuya Hikarie and Tokyu Plaza Omotesando Harajuku completed.

Overview of Present Land and Housing Taxation

	Personal	Corporation																						
Acquisition	<p>○ Income tax (national tax) ○ Personal residential tax (local tax)</p> <p>•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).</p> <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>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	2013	10 years	20 million yen	1.0%	2 million yen	30 million yen	1.0%	3 million yen
	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																
	2013	10 years	20 million yen	1.0%	2 million yen	30 million yen	1.0%	3 million yen																
	<p>•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 2013.</p>																							
	<p>○ Real estate acquisition tax (municipal tax): 3% of real property tax assessment amount on housing or land purchasers (limited measure through March 2015) and extension prolonging of special measure on residential land taxation standard (1/2; limited measure through the end of March 2015) (*There are special reductions for the acquisition of certain houses and lots). *Refer to 10.</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): Taxed when having real estate registered (*Special reduction measures exist for certain houses).</p>																								
(inheritance)	<p>○ Inheritance tax (national tax): Taxation of 10-50% depending on the inheritance tax assessment amount.</p>																							
Ownership	<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>																							
	<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>																							
Transfer	<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%).</p> <p>*Special measure through the end of December 2013</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 2013 revisions:

1. Responses to consumption tax hike (measures concerning housing acquisitions, etc.)

1) Tax reduction for housing loan

Occupancy year	Deduction period	Loan limit	Deduction rate	Maximum deduction
April 2014 to December 2017	10 years	40 million yen	1.0%	4 million yen

*Maximum deduction from resident tax increased by 136,500 yen.

*For approved long-term high-quality housing and approved low-carbon housing, loan limit is 50 million yen and maximum deduction is 5 million yen.

*Current system is applied for loans from January to March of 2014 and loans associated with acquisitions with consumption tax that is not 8% or 10%.

- 2) Establishment of measures of assistance that will significantly ease the burden of the consumption tax hike
 - 3) 4-year extension and enhancement of special income tax deduction for when approved long-term high-quality houses are newly built, etc.
 - 4) Extension and enhancement of special income tax deduction for housing renovation work (earthquake resistance, energy conservation and barrier free work)
- 2. 2-year extension of urban renaissance promotion taxation system**
- 3. 2-year extension of special measures concerning urban district**

redevelopment projects

4. Discontinuation of special tax measures concerning plan to optimize business sites
5. Establishment of special measures to enhance the disaster prevention function of cities (special measures for buildings with city regeneration safety facilities)
6. Discontinuation of special measures for approved special buildings based on the Barrier Free Law
7. Establishment of special tax measures for aggregated city development projects
8. 2-year extension of special measures for registration and license tax for transaction, etc. of land
9. 2-year extension of special measures for registration and license tax as well as real estate acquisition tax for J-REITs, etc.
10. 5-year extension and enhancement of special measures for stamp tax on purchase and sale agreement, etc. for real estate transactions
11. 2-year extension of special measures for registration and license tax of houses
12. Extension of special measures for senior housing with services
13. Rationalization of application requirements of special taxation measures concerning the acquisition of existing houses

REAL ESTATE RELATED DATA

Land Use

History and Status of Land Use in Japan

(unit: 10,000ha; %)

Land Category Year	National						Three Major Metropolitan Areas						Local Areas					
	1985	2006	2007	2008	2009	2010	1985	2006	2007	2008	2009	2010	1985	2006	2007	2008	2009	2010
1. Agricultural land	548	476	473	471	469	467	73	61	60	59	59	58	476	415	414	412	410	409
	(14.5)	(12.6)	(12.5)	(12.5)	(12.4)	(12.4)	(13.6)	(11.4)	(11.2)	(11.0)	(11.0)	(10.8)	(14.7)	(12.8)	(12.8)	(12.7)	(12.6)	(12.6)
Farmland	538	468	465	463	461	459	72	61	60	59	58	58	466	407	406	404	403	401
	(14.2)	(12.4)	(12.3)	(12.3)	(12.2)	(12.2)	(13.4)	(11.4)	(11.2)	(11.0)	(10.8)	(10.8)	(14.4)	(12.6)	(12.5)	(12.5)	(12.4)	(12.4)
Pasture and mowing	10	8	8	8	8	8	0	0	0	0	0	0	10	8	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	2,508	2,508	2,507	2,507	323	316	316	315	315	315	2,207	2,193	2,193	2,193	2,192	2,192
	(67.0)	(66.4)	(66.4)	(66.4)	(66.3)	(66.3)	(60.3)	(58.8)	(58.8)	(58.8)	(58.6)	(58.7)	(68.1)	(67.6)	(67.6)	(67.6)	(67.6)	(67.6)
3. Wild fields	31	28	28	28	28	28	1	0	0	0	0	0	30	27	27	28	28	28
	(0.8)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.2)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(0.9)	(0.8)	(0.8)	(0.8)	(0.9)	(0.9)
4. Bodies of water	130	135	133	133	133	133	18	19	19	19	19	19	112	116	114	114	114	114
	(3.4)	(3.6)	(3.5)	(3.5)	(3.5)	(3.5)	(3.4)	(3.5)	(3.5)	(3.5)	(3.5)	(3.5)	(3.5)	(3.6)	(3.6)	(3.5)	(3.5)	(3.5)
5. Roads	107	133	134	135	135	136	23	28	28	28	28	28	84	105	106	107	107	108
	(2.8)	(3.5)	(3.5)	(3.6)	(3.6)	(3.6)	(4.3)	(5.2)	(5.2)	(5.2)	(5.2)	(5.2)	(2.6)	(3.2)	(3.3)	(3.3)	(3.3)	(3.3)
6. Residential land	151	185	187	188	189	190	52	61	61	62	62	62	99	124	125	126	127	128
	(4.0)	(4.9)	(4.9)	(5.0)	(5.0)	(5.0)	(9.5)	(11.4)	(11.4)	(11.5)	(11.5)	(11.5)	(3.1)	(3.8)	(3.9)	(3.9)	(3.9)	(3.9)
Housing lots	92	112	113	114	115	115	31	38	38	38	39	39	61	75	75	76	76	76
	(2.4)	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)	(5.8)	(7.1)	(7.1)	(7.1)	(7.3)	(7.3)	(1.9)	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)
Industrial sites	15	16	16	16	16	16	6	5	6	6	5	5.4	9	10	10	10	11	10.6
	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(1.1)	(0.9)	(1.1)	(1.1)	(0.9)	(1.0)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Other residential land	44	57	58	58	59	59	15	18	18	18	18	18	29	40	40	40	41	41
	(1.2)	(1.5)	(1.5)	(1.5)	(1.6)	(1.6)	(2.8)	(3.4)	(3.4)	(3.4)	(3.4)	(3.4)	(0.9)	(1.2)	(1.2)	(1.2)	(1.3)	(1.3)
7. Other	281	312	316	317	319	319	46	52	53	54	55	54	235	260	263	263	264	265
	(7.5)	(8.3)	(8.4)	(8.4)	(8.4)	(8.4)	(8.8)	(9.7)	(9.9)	(10.1)	(10.2)	(10.1)	(7.5)	(8.0)	(8.1)	(8.1)	(8.1)	(8.2)
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: %)

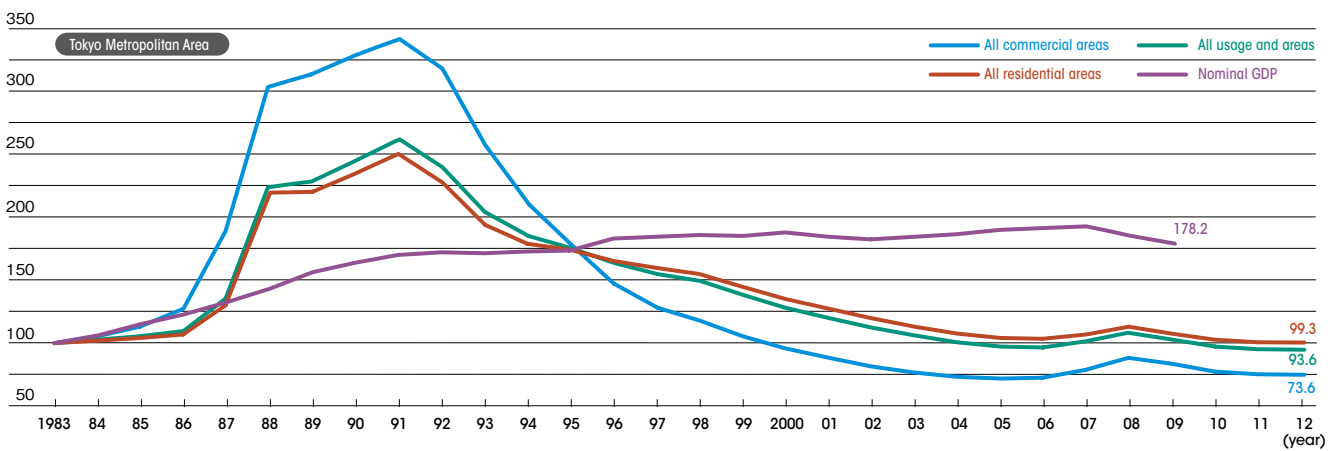
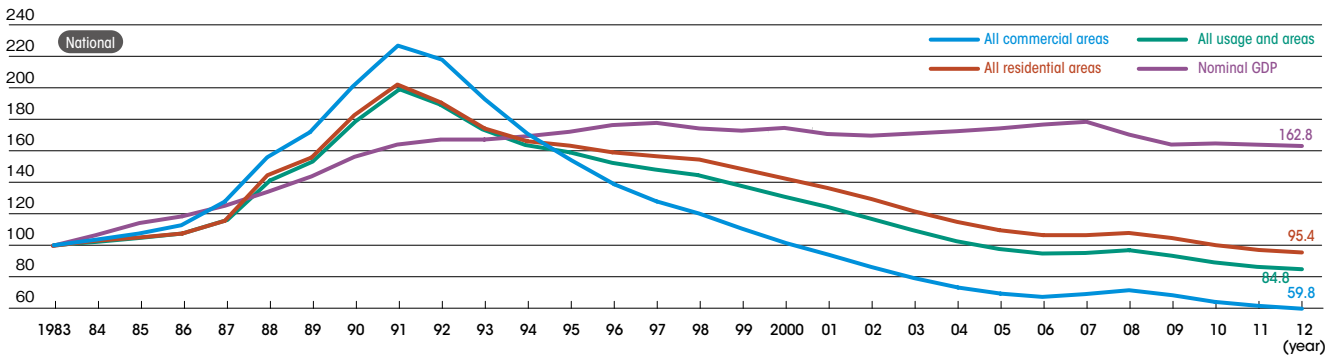
Usage, etc.	Study Year	1985	1990	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Residential	Tokyo metropolitan area	1.7	6.6	-3.3	-5.0	-2.9	-4.4	-7.3	-6.7	-5.8	-6.1	-5.6	-4.3	-2.4	0.7	4.8	1.6	-6.5	-3.0	-1.9	-1.0
	Osaka metropolitan area	3.0	56.1	-3.0	-3.9	-1.5	-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	-1.8	-1.0
	Nagoya metropolitan area	1.6	20.2	-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	-0.7	-0.2
	3 major metropolis average	2.0	22.0	-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	-1.7	-0.9
	Local average	2.4	11.4	-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	-3.7	-3.2
	National average	2.2	17.0	-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	-3.2	-2.5
Commercial	Tokyo metropolitan area	7.2	4.8	-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	-2.3	-0.9
	Osaka metropolitan area	5.0	46.3	-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	-2.6	-1.0
	Nagoya metropolitan area	2.7	22.4	-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	-1.1	-0.5
	3 major metropolis average	5.8	18.6	-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	-2.2	-0.8
	Local average	2.6	15.4	-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	-4.8	-4.1
	National average	3.8	16.7	-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	-4.0	-3.1
All usage	Tokyo metropolitan area	2.4	7.2	-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	-2.1	-1.0
	Osaka metropolitan area	3.2	53.9	-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	-2.1	-1.1
	Nagoya metropolitan area	1.7	19.9	-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	-0.9	-0.9
	3 major metropolis average	2.5	22.1	-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	-1.9	-1.0
	Local average	2.3	11.7	-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	-4.0	-3.4
	National average	2.4	16.6	-2.1	-2.5	-1.6	-2.2	-3.6	-3.6	-4.1	-5.0	-5.6	-5.2	-4.2	-2.4	-0.5	-1.2	-4.4	-3.7	-3.4	-2.7

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 1983 Is 100



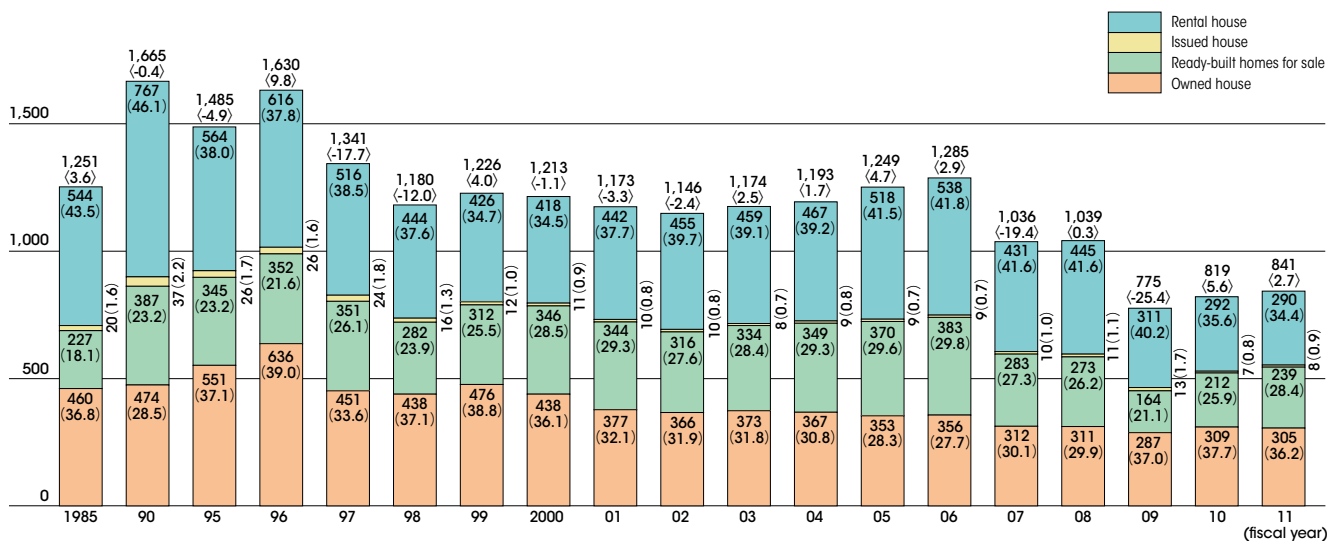
Source: Public Notice of Land Prices by the Ministry of Land, Infrastructure, Transport and Tourism; Annual Report on National Accounts, Annual Report on Prefectural Accounts and Quarterly Estimates of GDP by the Cabinet Office.

Notes: 1. The Tokyo Metropolitan Area GDP represents the sum of nominal prefectural GDP of Tokyo, Kanagawa, Saitama and Chiba Prefectures.
2. The nominal GDP and the Tokyo Metropolitan Area GDP represent figures for fiscal years, respectively.
3. The nominal GDP figures were calculated based on 93SNA (fixed-base method) until 1993 and based on 93SNA (chain-linking method) for 1994 and after.

Housing and Housing Lots

History of Housing Starts

2,000 (thousand units)

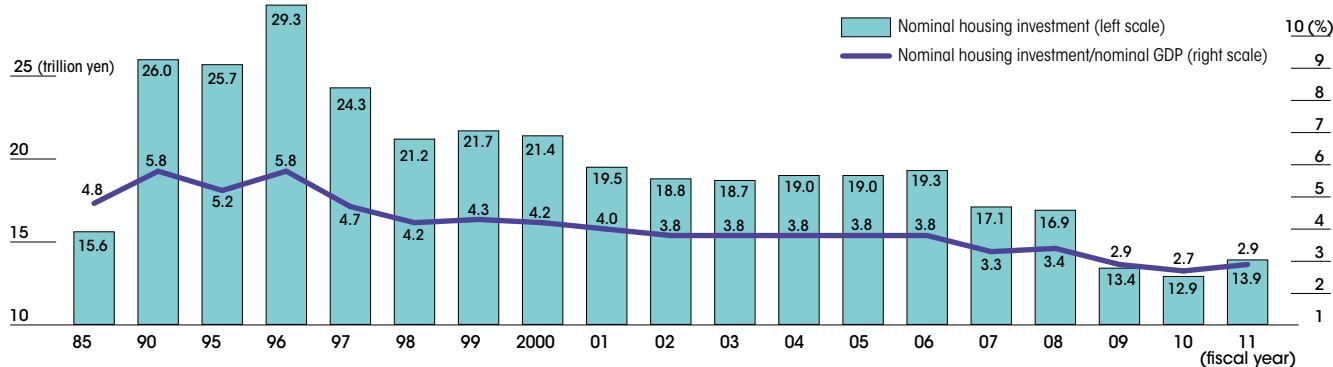


Source: Statistics on Construction-started Dwelling Houses issued by MLIT.

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

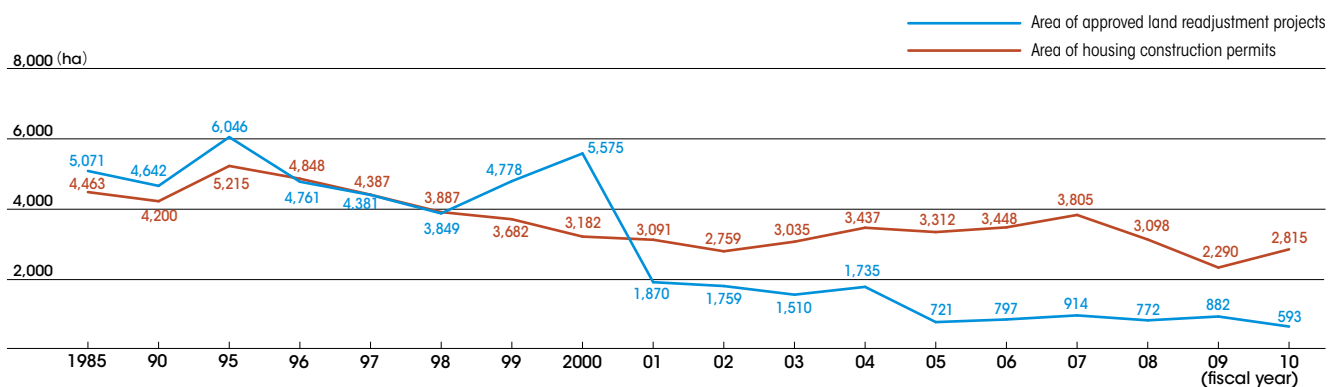
2. The figures in the parentheses represent the breakdown by usage (%). The figures on the graph in the parentheses are the year-on-year variation (%).

History of Housing Investment



Source: Prepared from the Annual Report on National Accounts 2011.

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

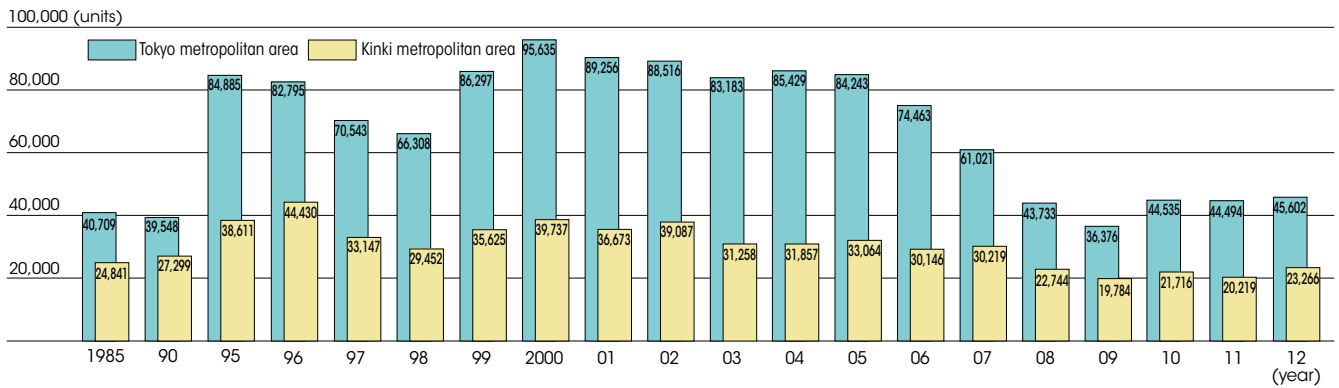


Source: Prepared from the White Paper on Land, Infrastructure and Transport in Japan (2012) issued by MLIT.

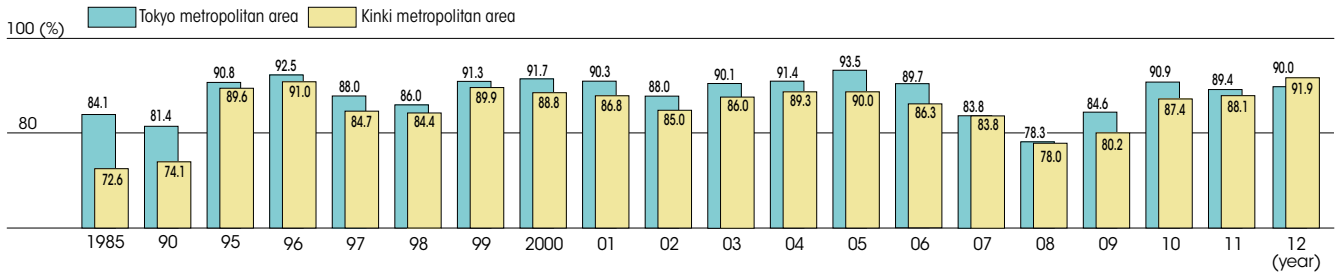
Notes: 1. The construction permit is the approval granted primarily for the objective of building a house based on the City Planning Law.

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.

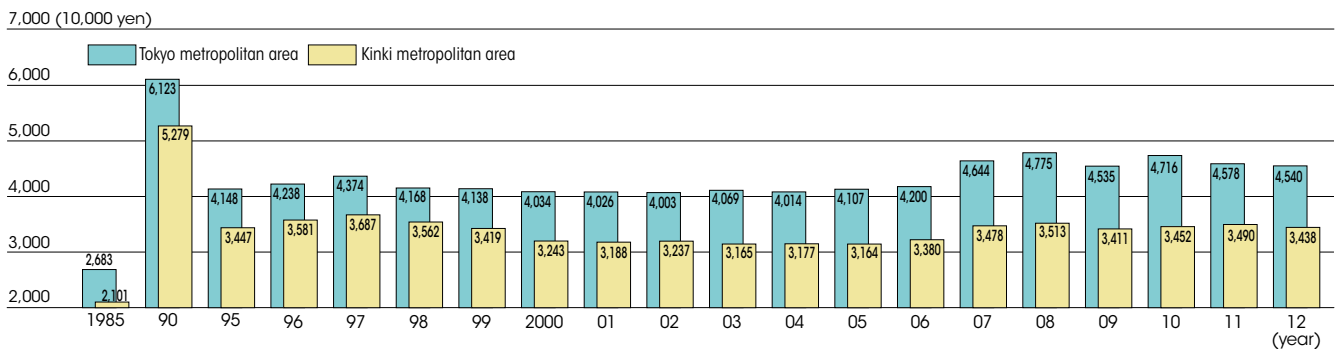
History of New Condominium Sales



History of New Condominium Annual Contracted Rates



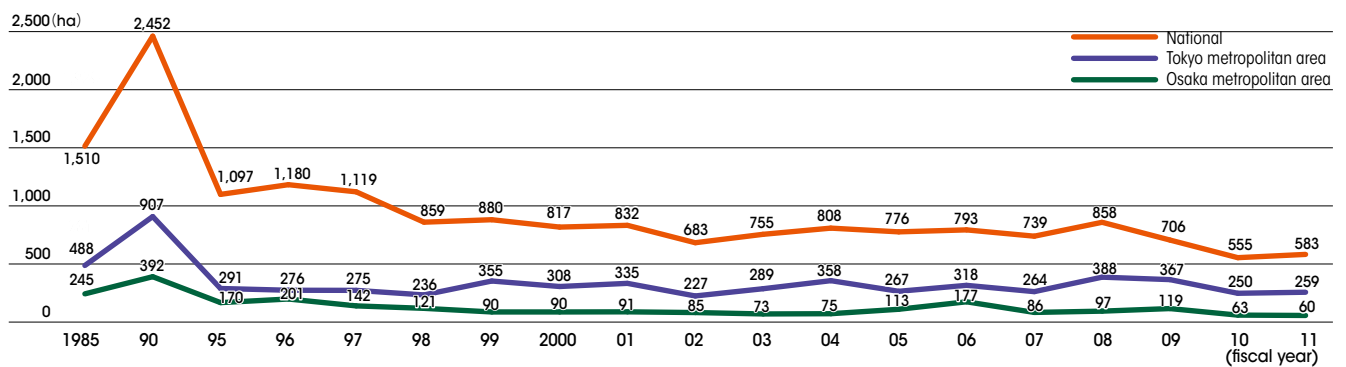
History of Average Price for New Condominium Units



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

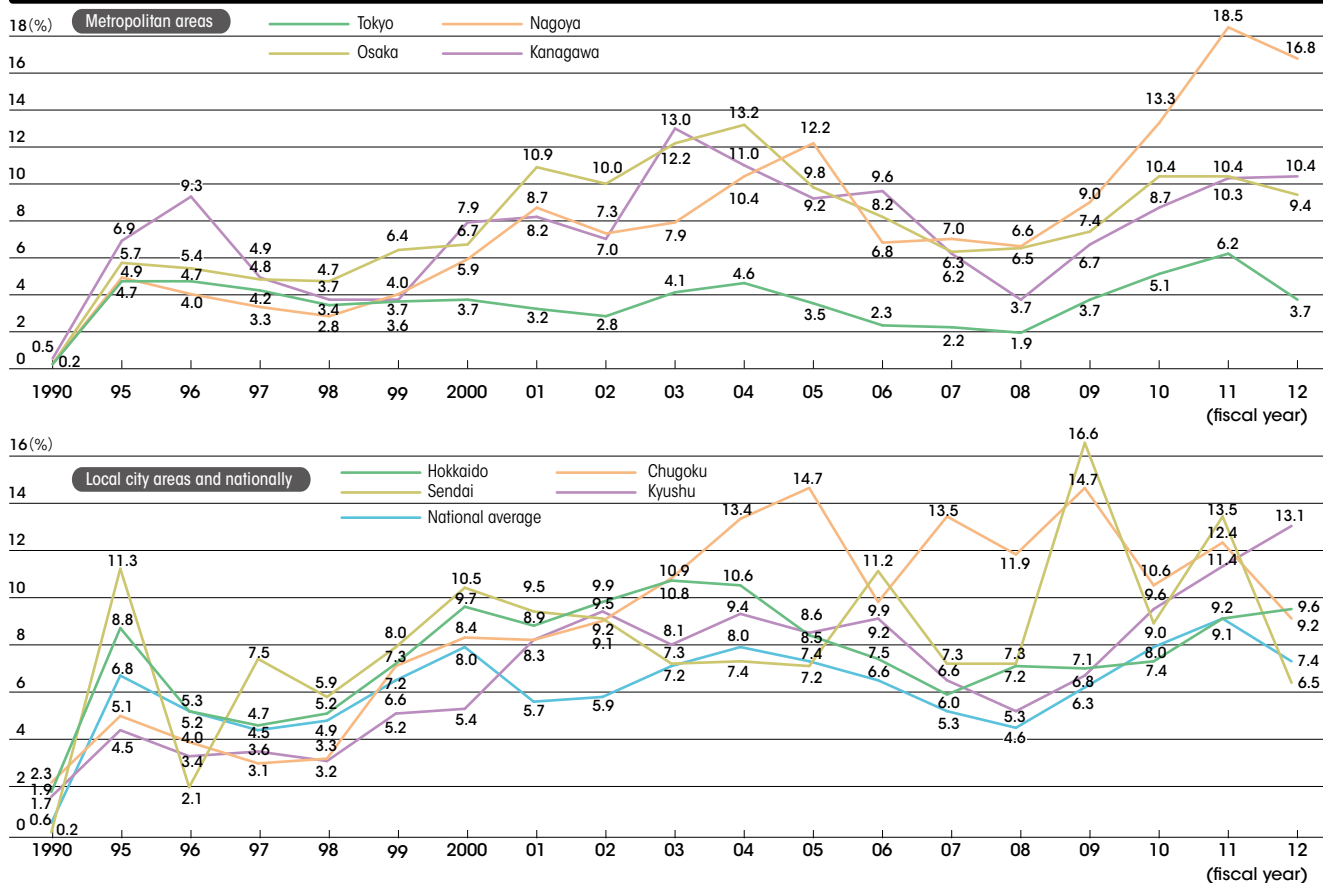
Offices

History of Floor Space for Launched Office Construction



Source: Prepared using Annual Statistical Report on Building Construction by Ministry of Land, Infrastructure, Transport and Tourism.
 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.

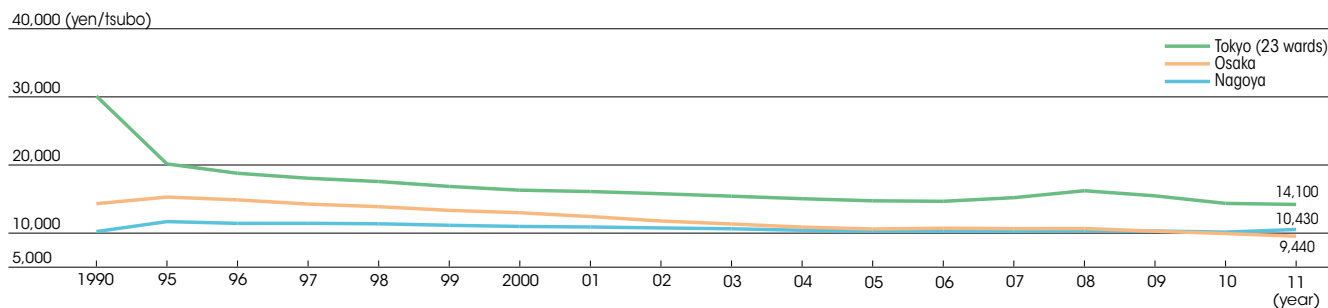
History of Office Building Vacancy Rates



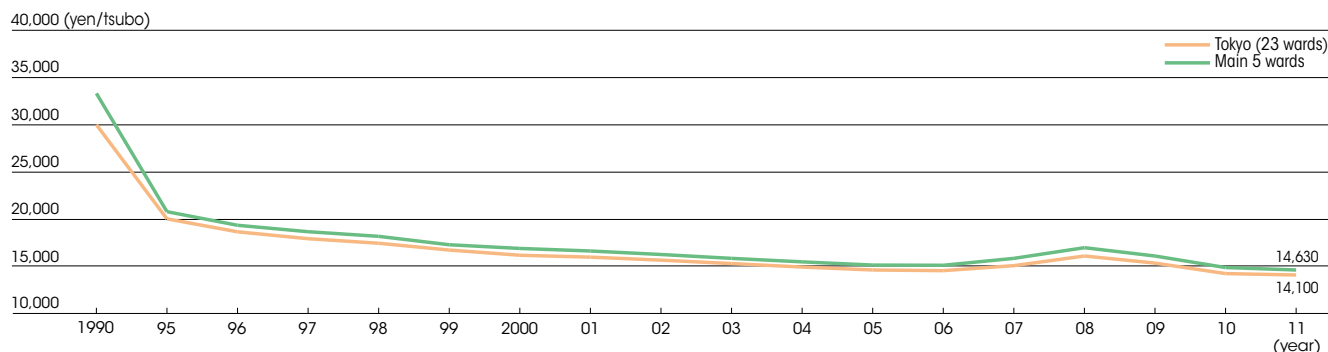
Source: Prepared using the Compilation of Building Fact-Finding Studies of the Japan Building Owners and Managers Association and the Compilation of Building Fact-Finding Studies (Tokyo) issued by the Tokyo Building Owners and Managers Association.

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 2011 and CREIS Japan by CBRE 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					2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
	1985	1986	1987	1988	1989											
Gross national assets	3,936	4,536	5,341	5,994	6,858	8,509	8,430	8,483	8,575	8,979	8,996	8,913	8,508	8,457	8,488	8,451
Valuation of real estate	1,320	1,578	2,014	2,203	2,538	2,036	1,945	1,871	1,824	1,808	1,839	1,880	1,870	1,786	1,750	1,711
	(34)	(35)	(38)	(37)	(37)	(24)	(23)	(22)	(21)	(20)	(20)	(21)	(22)	(21)	(21)	(20)
Housing	159	161	173	182	201	338	337	340	345	347	356	361	365	350	349	344
Non-housing buildings	156	160	169	181	201	213	211	212	212	212	214	216	218	209	209	210
Land	1,004	1,257	1,673	1,840	2,136	1,485	1,397	1,319	1,267	1,249	1,269	1,303	1,287	1,227	1,192	1,157
Financial assets	2,132	2,455	2,800	3,231	3,706	5,551	5,567	5,683	5,807	6,203	6,167	6,006	5,590	5,651	5,724	5,721

Source: The Cabinet Office's National Economic Statistics Report (2000) was used for 1985 – 1989 and the same for 1996 and after (2010 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 product.

Production by Industry and Gross Domestic Product

(unit: billion yen)

Category	Year		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
	1980	1985											
Real estate	22,654	32,358	53,964	53,517	53,576	53,788	54,042	55,365	55,721	56,013	56,879	56,890	56,728
Construction	22,506	25,381	34,005	32,331	31,667	31,200	29,018	29,547	29,385	28,091	26,948	26,198	26,448
Manufacturing	70,232	94,672	101,799	98,222	98,914	100,915	99,699	100,268	103,565	98,666	83,351	94,333	87,087
Service	28,063	46,390	101,765	101,155	100,853	100,656	88,433	90,731	94,012	94,580	91,541	91,266	90,994
Finance/Insurance	12,440	16,971	28,275	29,834	30,799	30,383	30,789	30,215	30,808	25,082	23,742	23,766	22,854
Total for all industries	249,050	333,678	500,387	495,207	494,519	499,252	500,608	503,291	509,559	496,705	467,336	478,775	468,345
(Reference) GDP	240,175	320,418	505,543	499,147	498,855	503,725	503,903	506,687	512,975	501,209	471,139	482,384	470,623

Source: The Cabinet Office's National Economic Statistics Report (2000) was used for 1980 and 1985 and the same (2010 version) for 1996 and after.

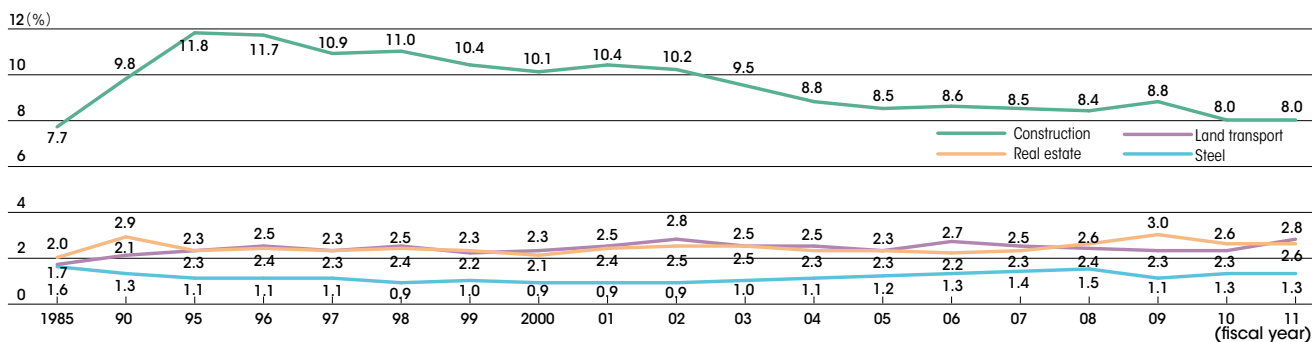
Notes: 1. The price indicated by producers is used for the production amounts of each industry. Therefore, they include indirect taxes, imputed interest, etc. and so the totals do not match the gross national product.

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)

Year	1985	1990	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
All industries	105,907	142,818	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	138,574	138,104
	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)
Real estate	2,153	4,150	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	3,663	3,571
	(2.0)	(2.9)	(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)	(2.6)	(2.6)
Construction	8,205	14,022	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	11,130	10,945
	(7.7)	(9.8)	(11.8)	(11.7)	(10.9)	(11.0)	(10.4)	(10.1)	(10.4)	(10.2)	(9.5)	(8.8)	(8.5)	(8.6)	(8.5)	(8.4)	(8.8)	(8.0)	(8.0)
Steel	1,689	1,895	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	1,821	1,806
	(1.6)	(1.3)	(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)	(1.3)	(1.3)
Land transport	1,804	3,009	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	3,302	3,857
	(1.7)	(2.1)	(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)	(2.3)	(2.8)

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

Year		1985	1990	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Ratio of operating profit to total capital (%)	All industries	4.3	4.6	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	2.7	2.7
	Real estate	3.9	4.2	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	2.3	2.7	2.4
	Construction	3.1	5.3	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	1.7	1.7
Operating profit/Total capital	Steel	3.5	7.3	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	2.3	1.1
	Land transport	4.4	4.7	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	2.7	2.8
Ratio of ordinary profit to total capital (%)	All industries	3.1	3.5	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	3.0	3.1
	Real estate	1.4	1.1	-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	1.9	2.0	1.9
	Construction	2.3	4.6	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	2.0	1.9
Ordinary profit/Total capital	Steel	1.1	5.6	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	2.4	1.5
	Land transport	2.4	3.5	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	1.9	2.3	2.5
Ratio of operating profit to sales (%)	All industries	2.8	3.5	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	2.8	2.8
	Real estate	9.4	11.5	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	9.3	12.1	11.7
	Construction	2.1	3.9	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	1.1	1.4	1.4
Operating profit/Sales	Steel	3.9	8.1	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	-0.7	2.8	1.3
	Land transport	3.8	5.1	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	4.0	4.4	4.1
Ratio of ordinary profit to sales (%)	All industries	2.0	2.7	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	3.2	3.3
	Real estate	3.3	3.1	-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	9.1	9.3
	Construction	1.6	3.4	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	1.3	1.6	1.6
Ordinary profit/Sales	Steel	1.3	6.1	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	2.9	1.7
	Land transport	2.1	3.8	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	3.8	3.7
Turnover of total capital (times)	All industries	1.54	1.31	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	0.96	0.95
	Real estate	0.42	0.37	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	0.25	0.22	0.21
	Construction	1.44	1.35	1.23	1.27	1.25	1.22	1.17	1.16	1.19	1.20	1.27	1.27	1.27	1.28	1.28	1.27	1.28	1.22	1.22
Sales/Total capital	Steel	0.88	0.90	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	0.71	0.83	0.85
	Land transport	1.16	0.92	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	0.61	0.61	0.68
Ratio of net worth to total capital (%)	All industries	17.7	19.1	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	35.6	34.9
	Real estate	8.0	8.1	3.5	6.0	-1.8	-8.4	5.7	14.6	7.2	14.3	11.0	20.7	17.5	32.1	27.0	24.6	13.0	25.4	27.4
	Construction	15.4	15.6	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	30.0	29.6
Net worth/Total capital	Steel	16.1	26.1	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	37.0	35.3
	Land transport	14.9	23.9	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	27.1	26.9

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 surplus and profit surplus) 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 surplus, profit surplus, etc.).

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

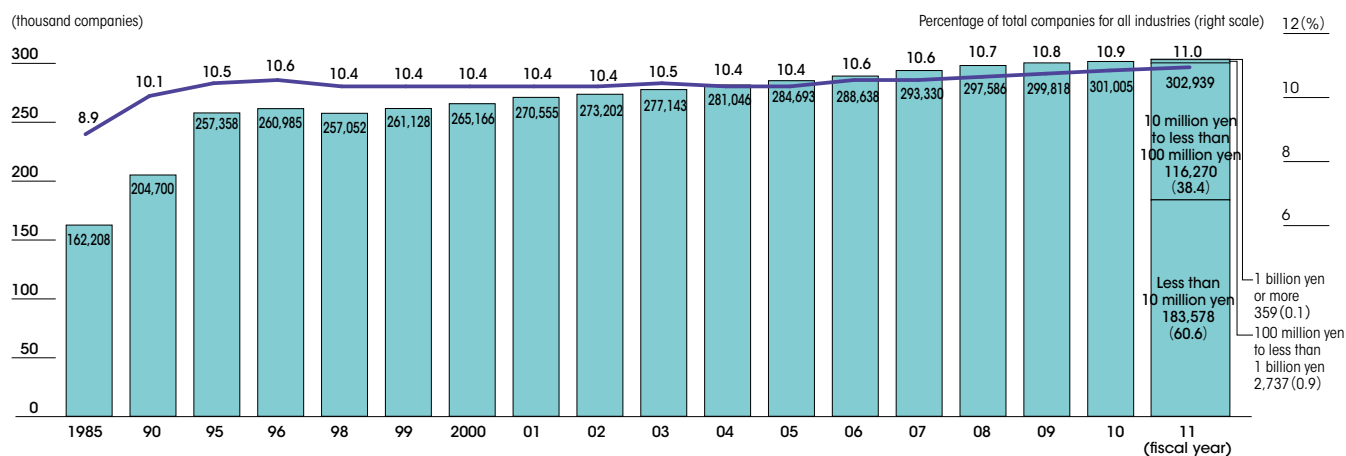
3. Operating profit is sales - (sales cost + sales expenses and general administrative expenses)

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 2011 is the breakdown by paid-in capital amount. The figures in the parentheses show the percentage of the total (unit: %).

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R e a l E s t a t e i n J a p a n 2 0 1 3

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