

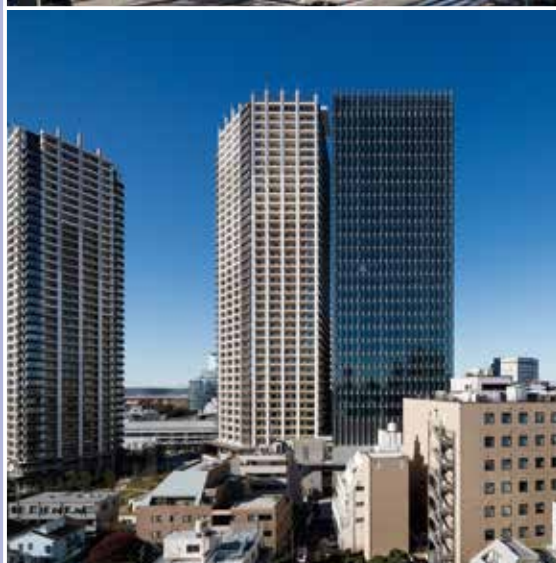


2018



Real Estate in Japan

Cities · Land · Housing



Code of Conduct

The Real Estate Companies Association of Japan

— Creating New Value for the Economy and Society —

Japan's declining population, falling birthrate and aging society are all having major impacts on our economy and society. New issues such as increasing internationalization and global environmental problems also need to be addressed.

In this context, Japan's real estate industry has a social responsibility to create new value to contribute to the economy and society. It is expected to supply high-quality buildings and housing, and help make people's daily lives—whether at home, work, or play—more comfortable and affluent. As a cornerstone of domestic demand, the industry should also help drive national economic growth.

Based on this mission, members of the Real Estate Companies Association of Japan pursue their activities in accordance with the principles below.

1. Creating Attractive Cities

Members will help create safe, stable, comfortable and appealing cities; renew urban areas through forming quality housing stock and advanced business infrastructure; create dynamic environments rich in amenities; and work to maintain and enhance their value from both a hard and soft perspective so that they may be passed down to the future generations as high-quality assets.

2. Customer-Focused Activities and Management

The provision of "Customer First" management is best served by supporting the lifestyle pursuits of customers in meeting their ever diversifying and increasingly unique needs with an enhanced selection of products and services, and also in providing accurate information while maintaining high ethical standards and acquiring greater expertise.

3. Environmental Harmony

Members will work sustainably in order to integrate economic and environmental goals and create harmony through the realization of low-carbon cities. Members will also implement business in a manner that considers global and local environments through energy conservation, waste reduction and increased recycling.

4. International Perspective

In addition to opening the Japanese real estate market internationally, members will strive to make Japanese cities globally appealing through developing first-class cities and regions that will attract international talent, capital and information.

5. Rigorous Compliance

Members shall conduct fair business activities based on corporate social responsibility, ensure rigorous compliance by respecting consumer protection laws, eliminate anti-social forces and strive to act in an enlightened manner with respect to human rights issues.

Please refer to the list of Member Companies: <http://www.fdk.or.jp/en/member.html>

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Real Estate in Japan

Real Estate in Japan 2018

INTRODUCTION

The real estate industry plays a major role in the creation and development of living and urban environments such as housing and office buildings, which are the foundation of residents' lives and corporate activities. It supports Japan's economic growth through the supply of high-quality houses and condominiums, the revitalization of cities and regions, the development, management, and operation of office buildings and commercial facilities, real estate securitization, and other business.

According to the Annual Report on National Accounts, the real estate industry represents over 10% of Japan's gross domestic product (GDP). In addition, according to the 2015 Financial Statistics of Corporations, the real estate industry is characterized by high productivity per capita compared to other industries, with the added value per employee being ¥16.51 million (vs. ¥7.25 million for all industries), indicating that it occupies a vital position within Japan's economy.

Japan's economic and social structures are making a full-fledged transformation as the nation's birthrate is falling and its society aging while the working-age population is shrinking. In order to realize an affluent lifestyle for citizens and achieve sustained economic growth under these circumstances, it is essential to improve productivity, generate positive economic cycles and increase the GDP.

Cities are places where people both live and conduct business. Major urban centers in particular are key drivers of economic growth, and as competition between cities grows more fierce, it



is necessary to continue developing Japan's major cities so that they can compete on the international stage.

For this, the public and private sectors must raise their collaboration to new levels in order to construct cities that are most conducive to business on a global level and that generate innovation by attracting personnel, assets, corporations and information from around the world. On the other hand, as work styles and values change and new technologies such as AI and IoT begin to be utilized, the standards for cities may shift, requiring urban planning which anticipates the changing of times.

What's more, in order to resolve social issues such as the declining population, it is necessary to pursue urban planning that will promote

"Dynamic Engagement of All Citizens" that enables women, the elderly and people of all kinds to participate actively in society. Through redevelopment and rebuilding projects, Japan must aim to promote urban living and facilitate commuting, provide more child-care facilities, and develop regional communities as well as leverage urban planning to create a society that enables an affluent lifestyle and environments where multiple generations can live in comfort.

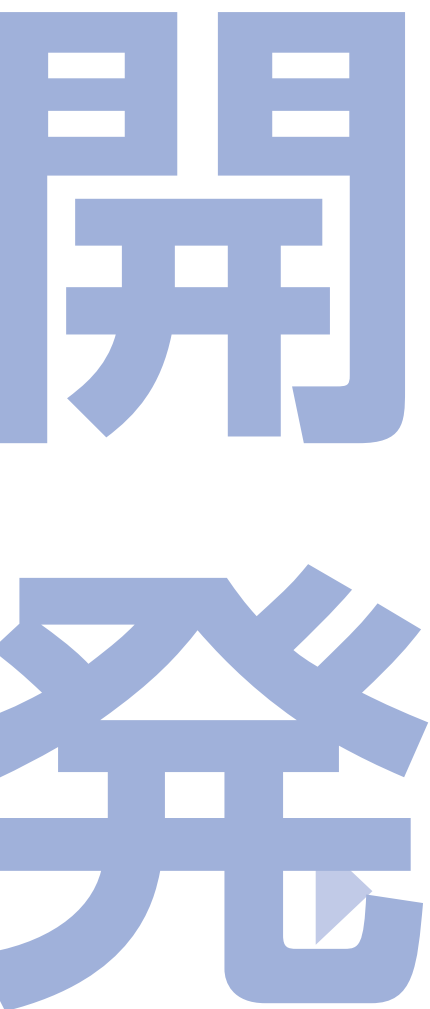
With regard to housing, it is necessary to supply high-quality housing that accommodates needs which are diversifying in accordance with demographic and lifestyle changes. Moreover, a shift in emphasis from quantity to quality is required, with the update of existing housing stock still being inadequate. In order to move away from the conventional "housing ladder"

mentality and create sustainable homes, it is important to form high-quality, usable stock by replacing and renovating aging condominiums, which will play a vital role in both the new housing and existing housing markets.

In addition, it is important to move forward with safe, stable urban planning in terms of both facilities and services through sustainable, eco-friendly development, area management, and disaster prevention initiatives, with the aim of improving the environmental performance of cities and housing.

As the context in which Japan exists undergoes a major transformation and people's values change, the real estate industry, as a key driver of the economy, is expected to play an increasingly large role in urban planning.





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 acquisition of development and construction permits the actual construction will begin and continue until completion.

Promoting Urban Regeneration Business

Urban redevelopment 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. The Act on Special Measures Concerning Urban Reconstruction was enacted in 2002, creating a new framework for special urban planning cases, financial support, etc. In addition, in 2011, the government designated Urban Renaissance Urgent Redevelopment Areas and selected International Strategic Comprehensive Special Zones with the aim of enhancing cities' international competitiveness and promoting urban renewal.

Furthermore, the Act on National Strategic Special Zones was enacted in 2013, based on the objective of promoting the formation of international economic activity hubs. Thus far, 10 zones have been designated and 264 businesses certified. In the third phase of designations in 2016, Hiroshima Prefecture, Imabari City in Ehime Prefecture, Kita-Kyushu City, and Chiba City, which expands the size of the designated Tokyo area, were designated. In 2017, a total of 52 projects including changes were certified.

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 loans 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.

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 related to lifestyle 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, since the rebuilding of old condominiums has been seen as important with there being more than a million condominiums built under the old seismic code, the Act on Facilitation of Reconstruction of Condominiums which stipulated the procedure of reconstruction was put into effect in 2002 as well as a Condominium Lot Selling System in 2014 in an aim to support reconstructions.

Though the actual supply of stand-alone houses is decreasing due to the slowdown of large-scale new town developments and the like, the emergence of properties with distinctive features, such as smart houses, 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 ensure that parties such as the sellers of residences can effectively implement defect warranty.

What is for-sale property?

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



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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 logistics 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.

In addition to the ongoing separation of real estate ownership and management based on development of real estate securitization and the like, as operation becomes increasingly complex, there are more and more cases of tasks being outsourced to companies that perform asset management and operation on behalf of real estate investors, property management and operation on behalf of real estate owners, and so forth.

Changes in Supply of Buildings and the Sophistication of Needs

Floor space for launched office construction has been at an average of close to 800ha per year compared to the period following the bursting of the bubble but decreased due to the slowdown of the actual economy in 2010 and the impact of the IT and the foreign funds bubble, though it has subsequently been on a recovery trend. 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 Business Continuity Plan 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.

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.

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, because of increasing 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. It is necessary to comply with these laws and carry out business in accordance with these guidelines when engaging in real estate transactions.

Vitalizing the Transaction Market

The total number of existing homes is higher than the total number of households and conditions are improving for further vitalization of the transaction market for existing housing. When the Basic Act for Housing was enacted in 2006, it was decided that the focus of the Japanese housing policy would transition from quantity to quality. The Basic Plans for Living was formulated in 2016 in an aim to double the existing transaction market for housing. In addition, the Growth Strategy 2017 approved by the cabinet in June 2017 also includes measures to promote the sale of existing housing.

Moreover, the market environment is being developed in order to facilitate transactions of existing homes. For example, the revised Real Estate Brokerage Act enacted in May 2016 makes it mandatory for housing agents to include whether or not an inspection of the building has been conducted and a summary of the inspection results in their explanation of important matters or delivery of a written document when signing a brokerage agreement, explaining important matters or concluding transaction agreements. Also, in 2017 the Anshin R Jyutaku System was created in which marks are granted under the government's participation to existing residences with qualities such as earthquake resistance which appropriately provide information regarding renovations in line with consumer needs, etc.

What are transactions?

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

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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, housing supply was deficient by 4.2 million units at the end of the war. In the mid-1950s, an explosive growth in the population concentrated in major cities began to occur alongside Japan's rapid economic growth. The ensuing increase 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 it began to supply "danchi" or apartment complexes en masse. These danchi spawned residential districts and led to the construction of so-called "new towns" and the development of new city areas.

Today, the most prominent condominium complex is the "mansion" and many varieties — such as those targeting families, single persons, DINKs and seniors — have become available in response to Japan's changing society. The earthquake resistance and energy saving capabilities of stand-alone houses have also been improved as security and disaster prevention measures play a greater role in urban development. "Excellent communities" and "smart cities" that are environmentally friendly and contribute to a low-carbon society are also being advanced.



Danchi to Condominiums

The era of large supply that started in the 1950s lasted until the first oil shock of 1973. While the Japan Housing Corporation initially dominated the market, an increasing number of private enterprises such as railroad companies began to supply condominium complexes dubbed "luxury mansions" targeting a certain clientele, a distinct departure from so-called danchi properties. The majority of these were located in downtown areas and featured elevators as well as 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. This developed a broad demand segment for condominiums. The Government Housing Loan Corporation (presently the Japan Housing Finance Agency) began financing condominiums in 1970 and condominiums very quickly became widely accepted.

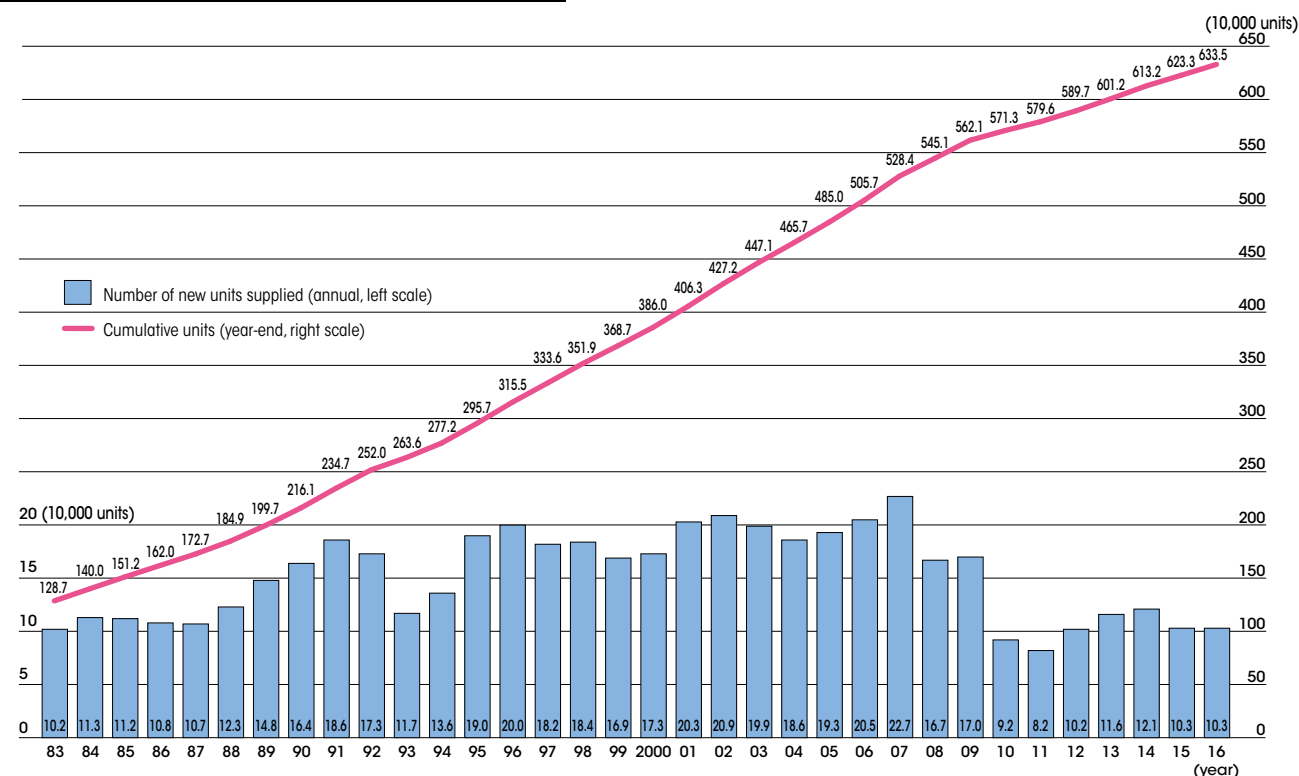
However, as the supply of for-sale condominiums increased, the problem of how to manage and operate the common areas of condominiums emerged. Part of the Sectional Ownership Law established in 1962 was amended, and revisions were made in 1983 which integrated exclusive elements and right to use the grounds, streamlined registration, enhanced the management system, etc.

The sudden massive increase in condominiums also saw disputes over the right to sunlight surface among community residents. The Building Standards Law was revised in 1976 with new regulations concerning sunshine added in line with consumer demand for further protection.

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 regulations such as guidelines on housing lot development were issued. The increase in requirements for bearing expenses for public developments and the prolonging of projects generated a rise in the cost of development. 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.

Number of For-sale Condominiums in Stock Nationwide



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

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

2. 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.

As a result of these developments, it became very difficult for developers to secure profitability. After hitting the peak in 1972, the supply area of housing development continued to slide given the economic downturn resulting from the 1973 oil shock and other factors. In recent years supply from private developers 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. With the completion of Mita Tsunamachi Park Mansion (19 floors; Minato Ward, Tokyo; Mitsui Fudosan) in 1971, a string of high-rise condominiums were released including Yono House (21 floors; Chuo Ward, Saitama City, Saitama Prefecture; Sumitomo Realty & Development) in 1976; 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 such as City Tower Osaka, a 50-floor condominium that opened in December 2003 in Chuo Ward, Osaka City, developed by Sumitomo Realty & Development. There has been substantial supply ever 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 emerging from companies selling off factories and corporate housing as a means to restructure their businesses, the redevelopment of areas in front of stations and other factors. However, many of Tokyo's 23 wards have in recent years established restrictions on absolute height, slowing down the trend of building higher.

Old Condominiums being Rebuilt as Stock Increases

An analysis of the supply of new condominiums in recent years (based on completions) reveals that massive supply continued (at the 200,000 unit level) in the Tokyo metropolitan area from

1995 to 2007 due to the post-bubble decline in prices, the resulting locational return to central Tokyo, and the revived popularity of condominiums due to low interest rates, preferential tax breaks for purchasers of residential houses, etc. However, due to factors such as the subsequent increase in prices and the impact of the financial crisis triggered by the subprime loan problem, supply fell to 167,000 units in 2008. In 2010 through 2016, the supply was around 100,000 units. Meanwhile, the nationwide stock is already approximately 6.3 million units (end of 2016), of which approximately 1.04 million units were built before 1981 based on the old seismic code. A major issue for the real estate industry is how to maintain or update these appropriately so that they can be kept or improved as high-quality housing stock.

Not only do these older condominiums have inferior earthquake resistance, but in many cases earthquake-resistance upgrading is difficult because the buildings also have infrastructure problems (e.g., they have no elevators or renovating the piping system is difficult). There is no solution other than to rebuild them.

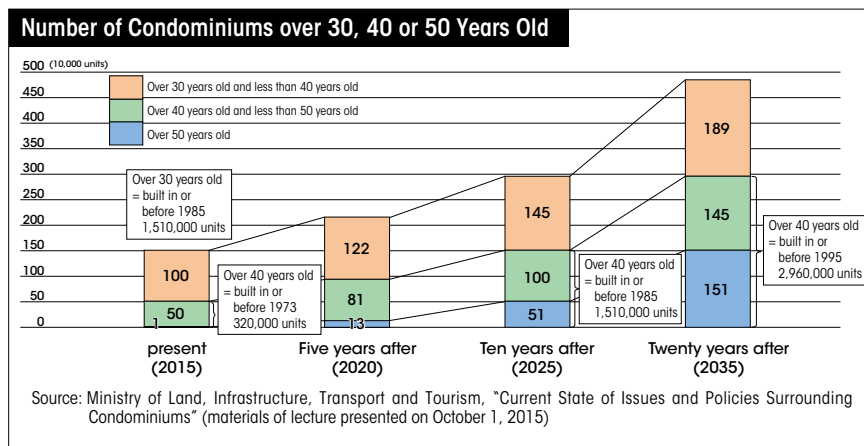
However, not much progress is being made in rebuilding aging condominiums. Reasons include difficulties in forming a consensus and

deciding who will bear the rebuilding costs. With regard to the former, the Ministry of Land, Infrastructure, Transport and Tourism formulated the Act on Facilitation of Reconstruction of Condominiums, which has made it possible to proceed with condominium rebuilding with a majority vote, provided that at least four-fifths of those voting on the resolution are in favor. Based on changes in the law since they were constructed, however, many of the aging condominiums have become "existing non-conforming buildings" that do not conform to current size requirements, which makes it even more difficult to form a consensus to rebuild them.

Regarding the latter, condominium unit owners cannot usually afford the costs required to tear down existing buildings and the costs required to construct new condominiums.

Most condominiums that have been rebuilt to date have adopted the method of constructing a larger condominium than the existing one such as by making use of unused areas and bearing the costs by selling the reserved floor area to developers and the like, but this approach cannot be used for condominiums with no extra area.

Therefore, as a new option for renewing aging condominiums, a Condominium Lot Selling System was established in December 2014 for selling off land by removing it from the condominium based on an 80% majority vote. As a result of this system, it is expected that there will be more and more cases of sold lots being used for retail facilities and other purposes, not just for condominiums. Moreover, municipalities have formulated and begun implementing guidelines for relaxing volume regulations in special



cases, which may be used when reconstructing condominiums that have been recognized as insufficiently earthquake resistant. With a view to prevent disasters in the event of an earthquake (i.e., save lives), these new programs would be applied to the most urgent cases of condominiums with "structure resistance deficiency," and it is expected that rebuilding will be encouraged for deteriorating condominiums with outdated earthquake resistance.

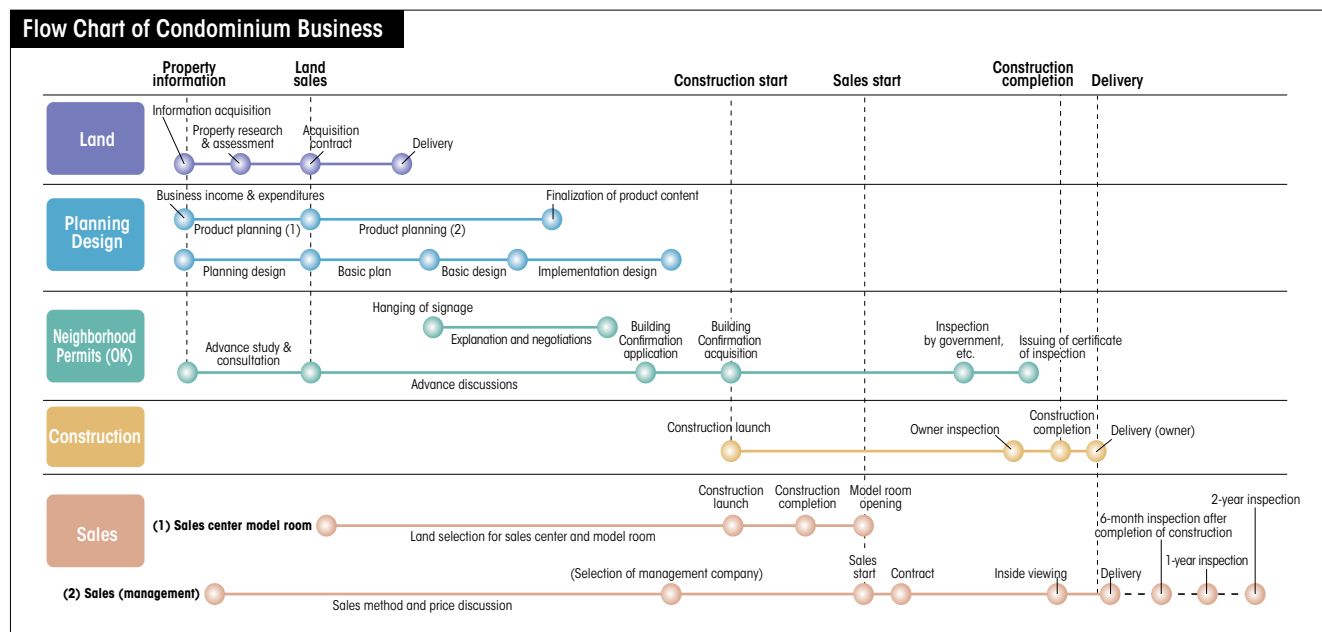
Diversifying Household Supply

With the advent of a serious decline in the birth-rate and the super-aging of society, the segment of the population buying condominiums has expanded from the traditional family segment to include DINKs, singles, retired individuals seeking to change their residences from standalone houses in the suburbs to downtown locations, etc. These trends and changes in lifestyles and tastes are diversifying the needs for condominiums. Various kinds of senior accommodation,

such as serviced housing for elderly people, are also being provided.

In response to these diverse needs, condominiums in various size ranges are being supplied and various options are offered such as condominiums with commercial facilities being developed on large-scale sites, large-scale condominiums equipped with communal facilities such as party rooms and guest rooms, green condominiums that focus on energy conservation and environmental harmony, and condominiums developed with a variety of designs.

Efforts regarding disaster prevention measures such as base isolation and damping structures, securing of emergency power supply, setting up warehouses with stockpiles in the event of a disaster, etc. have also become of greater concern since the Great East Japan Earthquake of 2011. Furthermore, the use of long-term ground motion countermeasures for high-rise condominiums is progressing.



NOMURA REAL ESTATE DEVELOPMENT MUSASHI-KOGANEI STATION SOUTH GATE DISTRICT 2 TYPE I URBAN REDEVELOPMENT PROJECT (TENTATIVE NAME)



Property Overview

Site area:

14,155.17 m²

Total floor area:

108,357.52 m²

Structure:

26 above ground, 2 below,
1 penthouse floor

Main uses:

Residences, shops,
childcare support facilities,
parking, etc.

Residential units:

Around 720

Completion:

Scheduled for May 2020

Nomura Real Estate is participating in the Musashi-Koganei Station South Gate District 2 Type 1 Urban Redevelopment Project (tentative name), a redevelopment based on the concept of “Koganei life”—a neighborhood to live in, spend time in and enjoy. Koganei life refers to the pleasure of living in Koganei, an area rich in nature, which this project seeks to draw out and enhance. The facilities to be built will become the nucleus of the south gate of Musashi-Koganei Station in an aim to create a new lifestyle and activity in the community.

Nomura Real Estate has acquired approximately 90% of the residential and commercial footprint of this redevelopment project in front of Musashi-Koganei Station as well as Proud Tower in the adjacent District 1, completed in 2008, and is deploying its complex development expertise to revitalize the whole area and enhance its appeal in the ever-developing Musashi-Koganei area.

The redevelopment offers plenty of leisure space, including greenery, a rooftop plaza, a spring running east-west through Koganei and an interior and exterior design based on the Kokubunji cliff line and forest. It will include a community square connected to the festival court in District 1 where residents can gather. By establishing a street from this square through the site, it aims to improve movement in the area. In order to make community life more convenient, Nomura Real Estate is planning everyday service facilities such as retail for floors one through four, especially

restaurants and shops where local residents can relax, take their time and interact.

For the lower floors of the commercial facilities, it is planning to utilize the public space of the community square to create a zone focused on food for everyday life as well as introduce fashion and general stores for multiple generations that the area lacks. In addition, Nomura is working to improve the convenience and appeal of the whole area by creating community-based facilities that encourage use by and interaction between multiple generations. Furthermore, it improves disaster preparedness and security by making the entire area non-flammable and adding disaster preparedness facilities.

The eaves of floors two to four form a gently sloping green, creating a continuous surface from the ground up. This has been recognized as an effort for sustainable maintenance and management that creates an environment contributing to biodiversity and using nature’s circularity, and has acquired ABINC (biodiversity-promoting facility) certification.

In the future, by organizing exchange events in the community square for residents and visitors and making the fourth-floor roof area a platform for childcare, Nomura Real Estate will continue to work to stimulate the area with this redevelopment as the core.

OVERVIEW OF MAJOR REAL ESTATE SECTORS

URBAN REDEVELOPMENT (URBAN RENEWAL)

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.

Spurred by the creation of the special urban block system in 1961, the easing of absolute fixed height limits between 1965 and 1975, and so forth, private companies also began undertaking ambitious redevelopment projects.

In recent years, Urban Regeneration measures have been hammered out by the government to heighten the appeal of cities and their international competitiveness, such as activities relating to Special Districts for Urban Regeneration and National Strategic Special Zones, and the urban development projects of the private sector are receiving proactive support.



From Post-War Recovery to Building Boom

After the war, major cities eagerly readjusted their zonings to promote recovery from the disasters of the war, thanks to which streets in urban downtown areas were developed to a certain extent. However, the construction of buildings by private companies in the late 1940s and early 1950s was still in its infancy due to a conspicuous lack of funds and materials.

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, but it was in the late 1950s that the first building boom occurred, against the backdrop of the post-Korean War Jinmu Economy. Although banks' assessment of the real estate industry was poor, and the procurement of funds remained difficult, the building business took off as the system of Construction Cooperation Funds—via which funds for construction were obtained from companies that planned to enter buildings as tenants once they were completed—became commonplace.

Throughout the late 1950s and early 1960s, a number of Mitsubishi Estate buildings were completed as well as a series of company buildings for financial institutions and newspapers located on national land they had been granted, forming most of the Tokyo business district covering Yurakucho, Marunouchi, and Otemachi.

In the late 1960s and early 1970s, there was a dramatic relaxing of regulations limiting building heights thanks to the creation of the Special Urban Block Area System¹ in 1961 and the introduction of FAR Regulations² in 1963, leading to a wave of large-scale developments. Simultaneously designated as the first special urban block in 1964, Tokyo's Tokiwabashi Redevelopment (Nippon Building, etc.) and Kasumigaseki Building were completed one after another in 1968. At the time, they were respectively the largest building and first skyscraper in the East. Also in 1968, the preparation of infrastructure on the former site of Tokyo's Yodobashi Water Purification Plant was completed, the land was sold to the private sector, and construction of Shinjuku's new downtown area of skyscrapers began.

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 certain role in building and supplying buildings and stores in the mid-1950s,

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
- City regeneration and development project

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

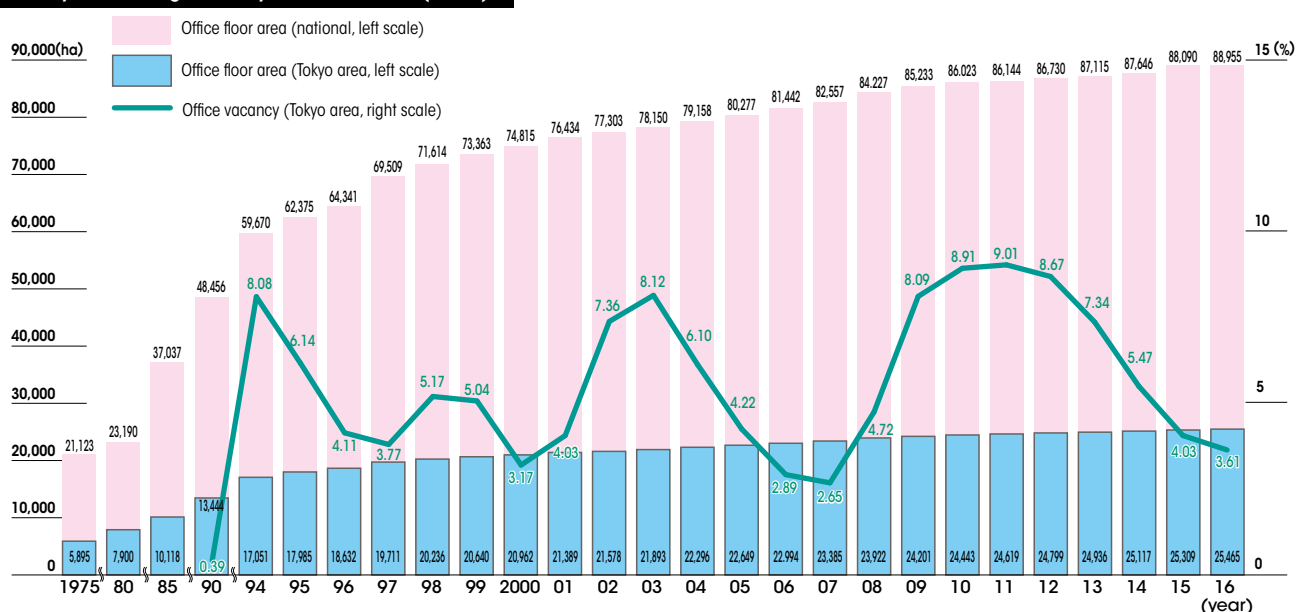
- Urban district redevelopment project
- Specific private redevelopment project
- Special model refinancing
- Approved city regeneration projects

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
- Comprehensive Special Zones system
- National Strategic Special Zones special case system

History of Building Vacancy and Floor Area (Stock)



Source: Miki Shoji Co., Ltd., "Office Data," Summary of Investigation on Fixed Asset Price, etc. Issued by the Ministry of Internal Affairs and Communications.

Notes: 1. Figures as of December each year.

2. (1) Stock is the total floor area of wooden house offices and banks (as well as shops starting from 1997) and non-wooden house offices, stores and department stores. 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.

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 public infrastructure.

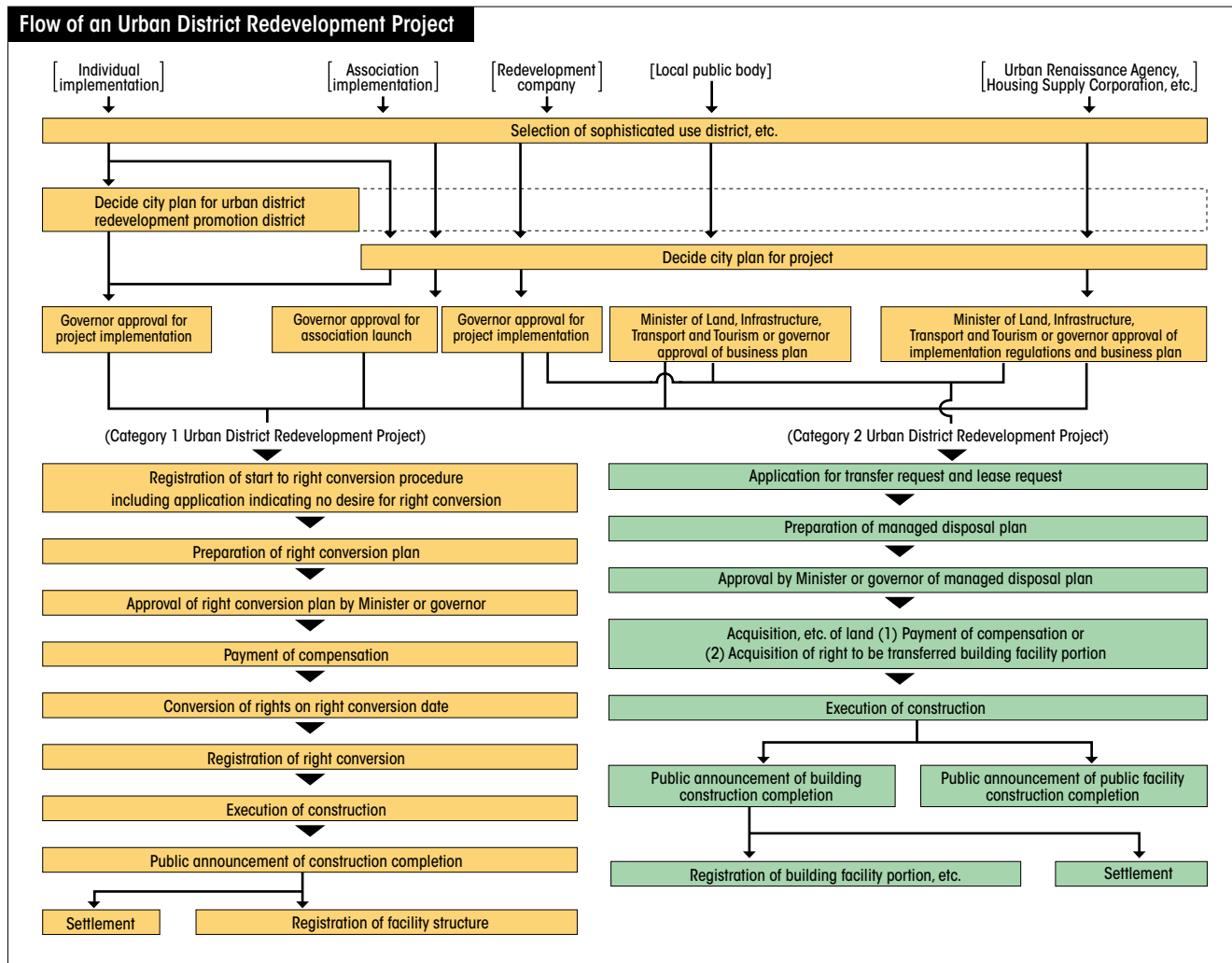
Era of Planar Redevelopment

Upon entering the mid-1970s following the oil shocks, there was a slowdown in the concentration of industries and people in major cities, and the building boom also calmed 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 project representative 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 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) and Yokohama Business Park (YBP). All of these projects drew attention as unprecedented multi-use developments in Japan. However, with the headlong rush into the Heisei recession (in the early 1990s) emerged unprecedentedly 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 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.

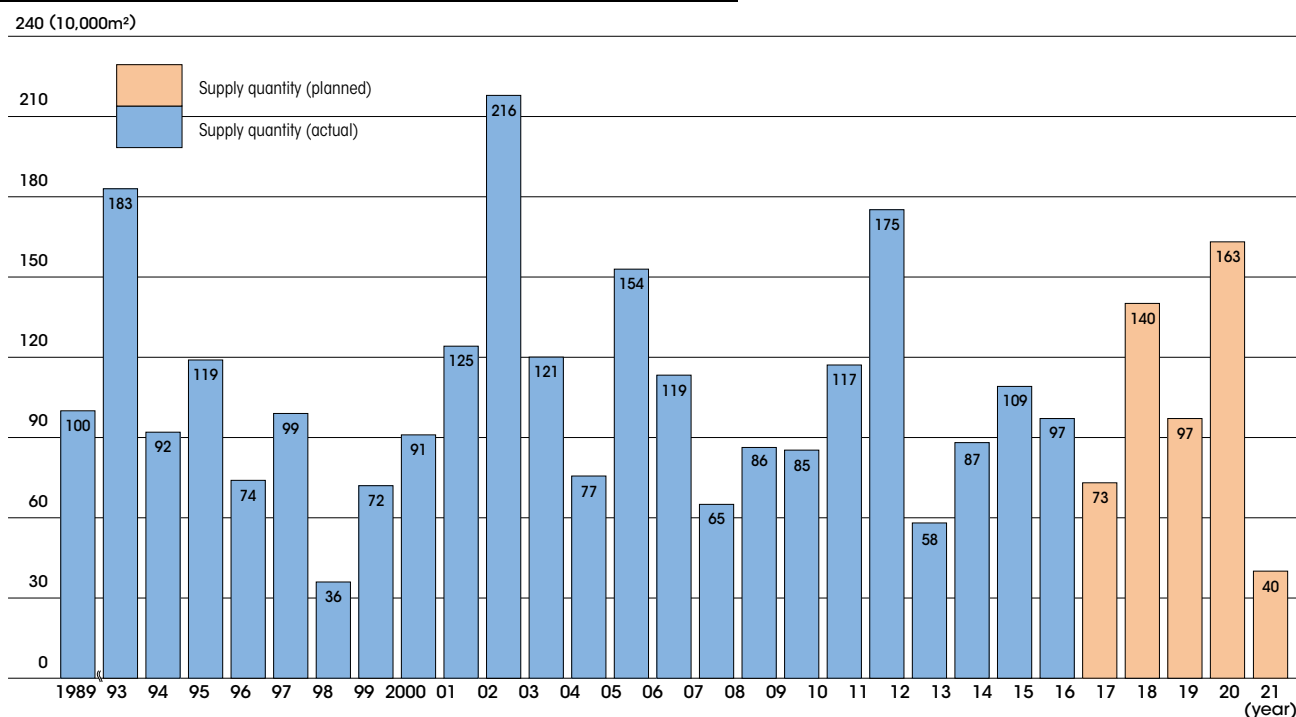
Voluntary redevelopment is generally the unification of divided lots, conversion of land use (former factory sites, etc.) to redevelop areas including the construction of public facilities.

In 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.

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



Source: Mori Building, Market Trends Survey for Large-Scale Office Buildings in Tokyo's 23 Wards (published April 2017).

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.

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 has caused a conspicuous outflow of the residential population from city centers, a phenomenon notably accelerated by the construction rush of office buildings, especially during the period of soaring land prices. 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. In addition, many of those working in city centers resided in suburbs spread over a broad area extending into surrounding prefectures and were forced to endure long commutes. Thus, it became difficult for these people to have a leisurely, satisfying lifestyle.

The promotion of residence in city centers not only leads to a regeneration of communities in the city but also relieves those working in city centers from prolonged commutes, enabling them to use that time for activities that provide them with personal fulfillment. In part because

the collapse of land prices in city centers made it possible to supply housing downtown, the government has 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 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 comprehensive building design system 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.

Spurred by the various deregulation measures and the fall in land prices, the nighttime population of the three central wards has continued to recover, reaching 370,000 people by 2010.

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.

As a result, the government came up with a number of measures to promote redevelopment projects as part of its economic measures from 1997 through 1998. These initiatives aimed at improving the business environment included the development of a system for deploying the Urban Development Corporation (presently the Urban Renaissance Agency) and Organization for Promoting Urban Development and the establishment of measures to support the rapid implementation of redevelopment projects, such as the creation of a redevelopment project approval system and a specified project participant system.

In 2001, the Urban Renaissance Headquarters was established in the Cabinet with then Prime Minister Junichiro Koizumi as its head. With the objective of promoting the fluidization of land by developing the required urban renaissance

base and revitalizing cities, thereby leading to the revitalization of Japan, the organization was tasked with conducting a root-and-branch review of various systems. In 2002, through the establishment of the Urban Renaissance Special Measures Law, urgent urban regeneration districts began. These are critical and important districts designated by the central government as bases for urban regeneration for city lots that should be developed. This paved the way for sale of land by the JNR Settlement Corporation and after that, large-scale redevelopments in Shiodome, Shinagawa, Roppongi, and elsewhere have been since undertaken, and an enormous number of large office buildings supplied.

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 Shin-Marunouchi Building, Tokyo Midtown, Akasaka Sacas, Marunouchi Park Building, Mitsubishi Ichigokan and many more.

In addition, following complete revision of basic urban regeneration policies in 2011 and further partial revision in 2014, the range of areas deemed urgent urban regeneration districts expanded; as of August 2017, 53 districts with a total of about 8,592 hectares had been designated.

International Competitiveness of Cities

Because of economic globalization, the industrial global competitiveness of cities has become a national development focus. In order to compete effectively with major world cities such as New York, London and other Asian

cities, whose progress has been remarkable, it is necessary for Japan's cities to look ahead and build appealing districts that will attract international talent, capital, and information.

In 2011, the Special Measures Act for Urban Renaissance was partially revised, and the specific urban redevelopment urgent development area system was set up designating regions where strengthening global competitiveness would be particularly effective as "specific urban redevelopment urgent development areas," and a Comprehensive Special Zone system was set up via the Comprehensive Special Zone Act.

Furthermore, the National Strategic Special Zones Act was enacted in 2013, based on the objective of promoting the development of international economic activity hubs, and efforts are being made to enhance the international competitiveness of cities.

[Endnotes]

1. Special Urban Block Area

Districts designated by the City Planning Law 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 12-10 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 Design System by Lot Size

A comprehensive 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.

SUMITOMO REALTY & DEVELOPMENT NISHI-SHINJUKU 6-CHOME PROJECT



Property Overview

Location:

6-666 Nishi-Shinjuku, Shinjuku, Tokyo

Site area:

Approx. 5,616 m²

Total floor area:

Approx. 61,321 m²

Main uses:

Offices, residences (102 units)

Building size:

34 floors above ground,
2 floors underground,
2 equipment floors

Structure:

Steel-frame
(mid-story seismic isolation structure)

Completion:

June 2019 (scheduled)

This project is located in Tokyo's sub center, Nishi-Shinjuku, which is in the vicinity of Japan's busiest railway station of Shinjuku Station and continues to develop as one of Japan's leading business centers. However, the site was densely-packed with 34 wooden houses, old buildings and small intricate streets, and was exposed to risks of disasters and crime.

Sumitomo Realty & Development is sophisticating the land use of this Nishi-Shinjuku 6-chome district by the redevelopment of skyscrapers combining offices and residences to form a convenient business environment suitable to Nishi-Shinjuku. In addition, Sumitomo has also enhanced the district's urban disaster prevention functions by making the buildings non-flammable and earthquake-resistant, supporting town construction having resistance to disasters.

In 2010, Sumitomo completed Shinjuku Central Park City (total floor area: 153,463 m², a mixed-use project of residences (842 units), office and retail) in Nishi-Shinjuku 6-chome district, on the adjacent block of the current project. Since their conceptual stage, these two projects have been viewed as an integrated development with a joint floor area of 214,784 m², featuring a continuous,

comprehensive landscape, with the utilization of exterior elements such as pedestrian flow and greenery.

This project plans to construct a 160 meter-high, 34-floor building with a total floor area of approximately 61,321 m², consisting of offices and residences designed to fit the Nishi-Shinjuku sub center. Placing offices on upper floors and residences on lower floors, this project will be a fusion of the Nishi-Shinjuku style workplace and urban dwellings satisfying a variety of residential demands.

A seismic isolation layer is adopted to ensure safety and security for office workers and inhabitants. A triple power supply backup system is installed to cover BCP considerations. The office entrance is designed as a temporary evacuation facility for stranded commuters during a disaster. In addition, the premises include public open spaces to enhance disaster prevention functions of the area, such as sidewalk style spaces where pedestrians can safely walk and another unity of 1,000 m² open public spaces. These spaces will serve as a place of relaxation during normal days, and a place for shelter during emergencies. Finally, the plan contributes to the community by widening roads and creating open spaces integrated with the adjacent children's playground with greenery where the four seasons can be enjoyed.

Major Private City Redevelopment Projects

Name	Address	Development Area (ha)	Construction Completed	Main Developer, Participating Companies, etc.
Osaka Business Park	Osaka City	26.0	Mar. 1990*	Osaka City, (former) Housing and Urban Development, Matsushita Investment and Development, Tokio Marine & Fire Insurance, etc.
Shinjuku Fukutoshin	Shinjuku Ward	56.0	Jun. 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	Mar. 1991	Nomura Real Estate Development
Tennozu Isle	Shinagawa Ward	20.0	Jun. 1992*	Voluntary Council of Landowners, Mitsubishi Corporation, Ube Industries, etc.
Shin Umeda City	Osaka City	4.2	Mar. 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
Yokohama Landmark Tower	Yokohama City	3.8	Jun. 1993	Mitsubishi Estate
Setagaya Business Square	Setagaya Ward	2.1	Nov. 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	Oct. 1994	Sapporo Breweries
Canal City Hakata	Fukuoka City	4.2	Apr. 1996	Fukuoka Jisho, Organization for Promoting Urban Development
Shinagawa Inter City	Minato Ward	4.0	Dec. 1998	Kowa Real Estate, Sumitomo Life Insurance, Obayashi Corporation
Gate City Osaki	Shinagawa Ward	5.9	Feb. 1999	Partnership, TEPCO, Osaki Land and Building, Mitsui Fudosan, Fuji Life, etc.
Tokyo Opera City	Shinjuku Ward	4.4	Mar. 1999	Nippon Life Insurance, NTT Urban Development, Odakyu Department Store, Keio Corporation, etc.
Harumi Island Triton Square	Chuo Ward	14.2	Sept. 2001	(Former) Urban Development Corporation, Sumitomo Corporation
Izumi Garden	Minato Ward	3.2	Jul. 2002	Partnership, Sumitomo Realty & Development, Mori Building
Marunouchi Building	Chiyoda Ward	1.0	Sept. 2002	Mitsubishi Estate
Shiodome Sio-Site	Minato Ward	30.7	Jan. 2003*	Dentsu, Nippon Television Network Corporation, Matsushita Electric Works, etc.
Shinagawa Grand Commons	Minato and Shinagawa Wards	5.3	Mar. 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	Apr. 2003	Partnership, Mori Building
Marunouchi oazo	Chiyoda Ward	2.4	Sept. 2004	Mitsubishi Estate, Nippon Life Insurance, Marunouchi Hotel, Chuo Fudosan
Olinas	Sumida Ward	2.7	Mar. 2006	Tokyo Tatemono, Mitsui & Co., Shoen
Tokyo Midtown	Minato Ward	6.9	Jan. 2007	Mitsui Fudosan, JA Kyosai, Meiji Yasuda Life Insurance, Sekisui House, Fuku Mutual Life Insurance, Daido Life Insurance
Shin-Marunouchi Building	Chiyoda Ward	1.0	Apr. 2007	Mitsubishi Estate
akasaka Sacas	Minato Ward	3.3	Mar. 2008	Tokyo Broadcasting System Television, Mitsui Fudosan
Otemachi 1-chome Area Redevelopment Project	Chiyoda Ward	1.5	Apr. 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	Apr. 2009	Mitsubishi Estate
Shibuya Hikarie	Shibuya Ward	0.9	Apr. 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	Aug. 2012	Mori Building
Otemachi Financial City	Chiyoda Ward	1.4	Oct. 2012	Urban Renaissance Agency, Mitsubishi Estate, NTT Urban Development, Tokyo Tatemono, The Sankei Building
Grand Front Osaka	Osaka City	3.8	Mar. 2013	Mitsubishi Estate, NTT Urban Development, Obayashi Corporation, ORIX Real Estate, Kanden Fudosan, Nippon Steel City Produce, etc.
Abeno Harukas	Osaka City	2.8	Mar. 2014	Kintetsu Corporation
Otemachi Tower	Chiyoda Ward	1.1	Apr. 2014	Tokyo Tatemono
Toranomon Hills	Minato Ward	1.7	May 2014	Mori Building
Iidabashi Grand Bloom	Chiyoda Ward	2.5	Jun. 2014	Mitsui Fudosan, Maeda Corporation, Kajima Corporation
Nihonbashi/Muromachi East District Development Project	Chuo Ward	1.0	Oct. 2014	Mitsui Fudosan, Chiba Bank, Sobu, Wakamoto, Isetan Mitsukoshi, Kiya Building, Furukawa, Ninben, etc.
Futako Tamagawa rise	Setagaya Ward	3.1	Apr. 2015	Tokyu Corporation, Tokyu Land Corporation
Tokyo Nihombashi Tower	Chuo Ward	0.8	Oct. 2015	Sumitomo Realty & Development
Zuttocity	Amagasaki, Hyogo Prefecture	8.4	Apr. 2016	Nomura Real Estate Development, JR West Real Estate & Development Company, Haseko Corporation
Tokyo Garden Terrace Kioicho	Chiyoda Ward	3.0	May 2016	Seibu Properties
Sumitomo Fudosan Roppongi Grand Tower	Minato Ward	2.7	Oct. 2016	Sumitomo Fudosan, etc.
Otemachi 1-1 Plan	Chiyoda Ward	1.6	Feb. 2017	Mitsubishi Estate, JX Holdings
GINZA SIX	Chuo Ward	1.4	Feb. 2017	Partnership, Mori Building, J. Front Retailing, L Real Estate, Sumitomo Corporation
AKASAKA INTERCITY AIR	Minato Ward	1.6	Sept. 2017	Nippon Steel Kowa Real Estate

Note: Construction Completed indicates the month and year of the completion of entire project or the grand opening. However, those marked with an asterisk (*) indicate the month and year of completion of the main structure.
Projects completed in and after 1989 are listed.

Primary Facilities	Previous Use	Remarks
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	Shipyard	Specified housing land improvement project
Office, hotel, retail	Shipyard	Urban Renaissance Urgent Redevelopment Area
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, 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, 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
Office, retail, housing	Plant	Specified district
Office, housing, hotel, retail	State-owned land (former Defense Agency)	Redevelopment district plan
Office, retail	Office, retail	Specified district, special floor area ratio district system
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
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
Office, retail, knowledge capital, housing, etc.	Station	Special district for urban development
Department store, office, hotel	Department store	Special district for urban development
Office, hotel, retail, etc.	Bank, office, etc.	Otemachi, Marunouchi, and Yurakucho District Plan, Tokyo Urban Planning Special District for Urban Renaissance
Office, housing, hotel, retail, conference, etc.	Low-rise housing, etc.	Loop Line No. 2 Shimbashi/Toranomon Redevelopment Project Building III
Office, retail facility, housing, church	Hospital	Redevelopment Promotion Area
Office, retail, apartment housing, etc.	Office, etc.	Special district for urban development
Office, retail, housing, etc.	Amusement park, etc.	Redevelopment Promotion Area
Office, retail, multi-purpose hall, etc.	Office, etc.	Special district for urban development
Station building, retail, housing, etc.	Former confectionery plant	Certified as "Amagasaki Smart Community"
Office, hotel, conference hall, housing, etc.	Akasaka Prince Hotel	Chiyoda Ward Urban Project Master Plan, Kioicho-Minami District Plan
Office, housing, retail, etc.	Office, hotel, etc.	Urban Renaissance Urgent Improvement District, Roppongi 1-chome-Higashi District Category 1 Urban District Redevelopment Project
Office, retail, serviced apartments, area heating and cooling facilities, etc.	Office, bank, etc.	Special district for urban redevelopment
Retail, office, cultural and exchange facility, community air-conditioning facility, parking lot	Department store, building, etc.	Category 1 urban district redevelopment project
Office, housing, meeting facility, retail, medical and child-minding facility	Building, etc.	Category 1 urban district redevelopment project

OVERVIEW OF NATIONAL STRATEGIC SPECIAL ZONES

About National Strategic Special Zones

National Strategic Special Zones are a system whose purpose is to enhance Japan's industrial competitiveness, form global economic activity hubs, and vitalize various regions by focusing on promoting socio-economic structural change through bold regulatory and institutional reforms.

Enacted in 2013, the National Strategic Special Zones Act is positioned as a central pillar of the strategic growth that is the "third arrow" of Abenomics. It opens up a way through Japan's "bedrock regulations" by providing regulatory easing and tax-related privileges exclusively in the international strategic special zones specified by the government, which will in turn lead to economic growth.

In the National Strategic Special Zones, special regulatory measures are permitted in eleven fields (urban renewal/urban planning, tourism, education, recruitment, medicine, agriculture, forestry, fishery, etc.), and in May 2014, six zones were designated in the first phase: the Tokyo area (Tokyo Prefecture, Kanagawa Prefecture, Narita City in Chiba Prefecture), the Kansai area (Osaka Prefecture, Hyogo Prefecture, and Kyoto Prefecture), Niigata City in Niigata Prefecture, Yabu City in Hyogo Prefecture, Fukuoka City in Fukuoka Prefecture, and Okinawa Prefecture.

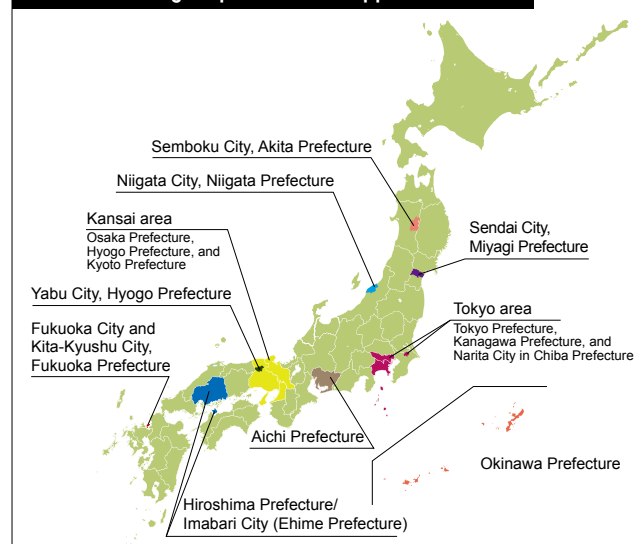
Additional zones were designated in the second phase on August 28, 2015 (Semboku City in Akita Prefecture, Sendai City in Miyagi Prefecture, and Aichi Prefecture), and in the third phase in January 2016 (Hiroshima Prefecture, Imabari City in Ehime Prefecture, Kita-Kyushu City, which was added to Fukuoka City, and Chiba City, which expanded the designated Tokyo area), bringing the total to ten zones nationwide.

Turning the Tokyo Area into a Global Business Hub

In the Tokyo area in particular, with the 2020 Tokyo Olympic and Paralympic Games in mind, the objective is to form a global business hub that will attract capital, talent, and companies from around the world by developing the world's most business-friendly environment and create new, internationally competitive business via start-ups and innovation in fields such as drug development and trials of near-future technology. Based on 26 regulatory reforms, 88 projects have been approved. Projects involving private-sector companies include efforts being undertaken in the Hibiya district to develop a base for enhancing

the area's capacity to collaborate with businesses in order to nurture venture companies and to promote arts and culture in collaboration with Hibiya Park and others, based on special measures under the Special Measures Act for Urban Renaissance relating to approval of private-sector urban renewal project plans. In addition, in the Takeshiba district, based on special measures under the City Planning Law, efforts are under way involving integrated development of a private-sector facility equipped with content industry-oriented training facilities and the Tokyo Metropolitan Industrial Trade Center, along with development of a residential environment suited to non-Japanese workers, including serviced apartments and the like. In the Yaesu district, two skyscraper buildings are being constructed and work is progressing on the development of international medical facilities for non-Japanese users, a large-scale bus terminal, and an international convention center, while in the Nishi-Shinjuku 2-chome district, a vast atrium space is being developed that will help enhance its appeal as a tourist destination, in collaboration with area management of the Shinjuku sub-center.

National Strategic Special Zones Approved to Date



Tokyo Area Policies

Target Districts	Objective	Policy Issues	Basic Project-Related Items (Special Projects Expected to be Implemented and Related Regulatory Reforms)
Tokyo Prefecture, Kanagawa Prefecture, Ichikawa City and Narita City (Chiba Prefecture)	With the 2020 Tokyo Olympic and Paralympic Games in mind, the objective is to form a global business hub that will attract capital, talent, and companies from around the world by developing the world's most business-friendly environment and create new, internationally competitive business via start-ups and innovation in fields such as drug development and trials of near-future technology.	<ol style="list-style-type: none"> Promoting the influx of global companies, talent, capital, etc. Ensuring workforce diversity, including promotion of employment opportunities for women. Promoting innovation (start-ups, etc.) and forming a hub for drug development, etc. Developing a living environment that supports the business community, including foreign residents. Enhancing Tokyo's international-caliber urban/transportation capacities in view of the Olympics and Paralympics. 	<p><Urban renewal/urban planning></p> <ul style="list-style-type: none"> Development of buildings contributing to formation of global business hub (floor area ratio) Creating dynamic neighborhoods in the city (area management) Supplying accommodations adapted to needs of foreign residents (Inns and Hotels Act) <p><Employment/labor></p> <ul style="list-style-type: none"> Developing employment conditions for global companies, etc. (employment conditions) Revising residence qualifications to encourage influx of diverse foreign workers (domestic support, business startup) <p><Health care></p> <ul style="list-style-type: none"> Provision of health care to foreigners (foreign physicians) Creation of industries related to preventive health care and cutting-edge medicine (hospital beds, foreign physicians, special medical care coverage) Cultivation of international health care professionals (medical schools, hospital beds, foreign physicians, fixed-term employment) Implementing remote medical care guidelines <p><Childcare></p> <ul style="list-style-type: none"> Implementing childcare worker exam in specific regions (regional childcare workers) Establishing daycare facilities in urban parks in order to resolve lack of childcare spaces (urban park daycares) <p><Use of historic buildings></p> <ul style="list-style-type: none"> Comprehensive post-convention activities in conjunction with MICE events (traditional Japanese houses, etc.) <p><Other></p> <ul style="list-style-type: none"> Streamlining and expediting incorporation procedures (making documents available in English, setting up centralized contact points, etc.) System to verify near-future technology such as drones and automated vehicles in urban areas, etc.

Source: Prime Minister's Office website.

Development of Global Business Hub Based on National Strategic Special Zones (Tokyo Prefecture)

A Special measures under City Planning Law, etc.

- 1 Otemachi 1-chome
- 2 Otemachi (Joban Bridge)
- 3 Nihonbashi Kabutocho-Kayabacho 1-chome
- 4 Yaesu 1-chome 6
- 5 Yaesu 2-chome 1
- 6 Yaesu 2-chome center
- 7 Yurakucho Station area
- 8 Hibiya
- 9 Toranomon 1- and 2-chome
- 10 Toranomon 1-chome
- 11 New Hibiya Line station
- 12 Toranomon 4-chome
- 13 Atago
- 14 Toranomon/Azabudai
- 15 Roppongi 5-chome
- 16 Takeshiba
- 17 Shibaura 1-chome
- 18 Mita 3- and 4-chome
- 19 Shinagawa Station area
- 20 Rinkai Fukutoshin/Ariake
- 21 Former Haneda Airport site
- 22 Nishi-Shinjuku 1-chome
- 23 North Yaesu 1-chome
- 24 Central Nihonbashi 1-chome
- 25 Eastern Nihonbashi 1-chome
- 26 South Yaesu 2-chome
- 27 Former Toshima Ward office
- 28 Hamamatsu-cho 2-chome
- 29 Kabukicho 1-chome
- 30 Minami-Ikebukuro 2-chome C
- 31 Akasaka 2-chome
- 32 Tokyo International Airport Zone 2

B Special measures under Road Act relating to area management

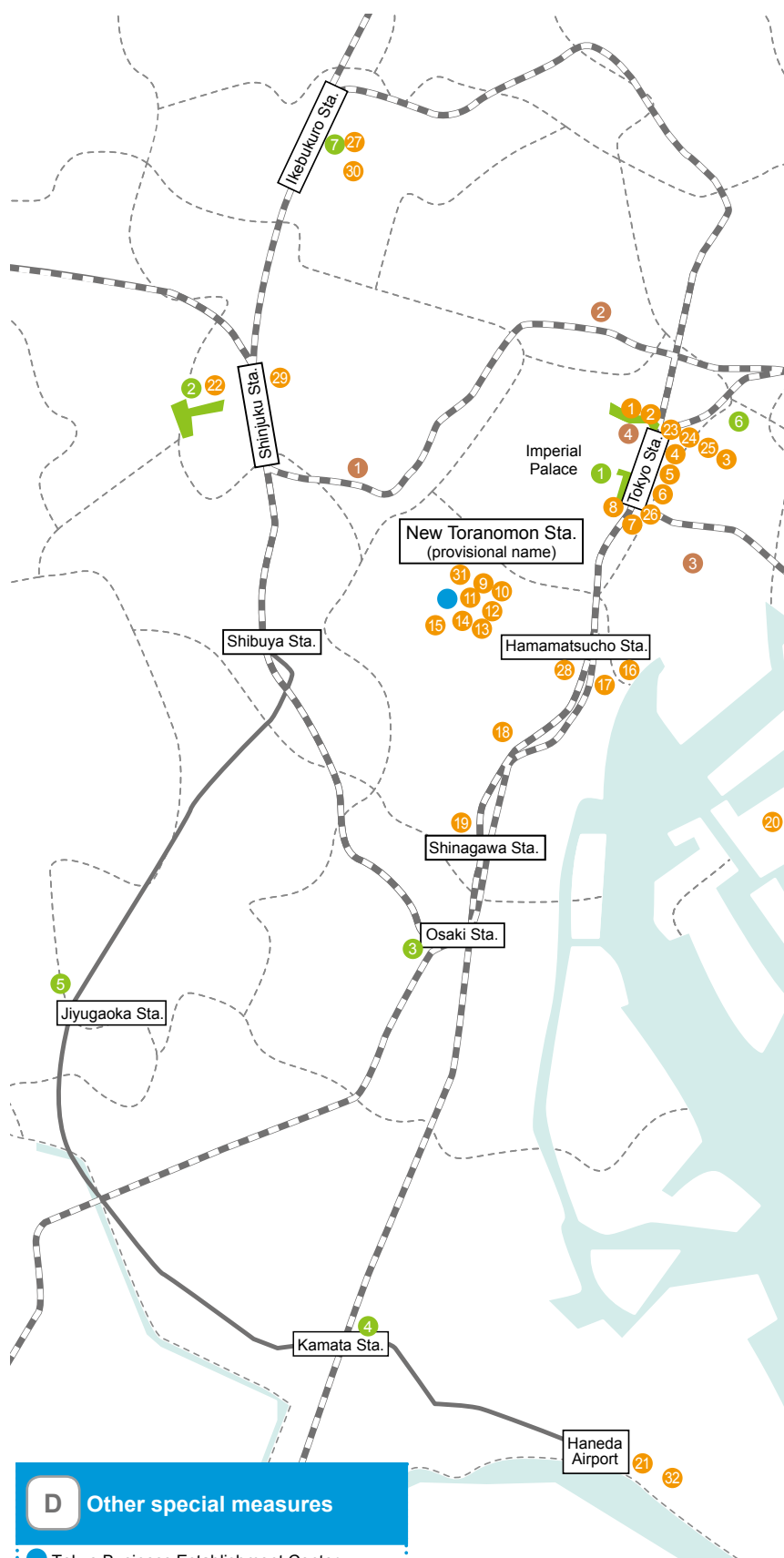
- 1 Marunouchi Naka-dori Street, etc.
- 2 Streets around Shinjuku Fukutoshin (Tochomae)
- 3 Streets around Osaki Station (Yumesanbashi)
- 4 Streets around Kamata Station
- 5 Streets around Jiyugaoka Station
- 6 Nihonbashi Naka-dori Street / Edo Sakura-dori Street
- 7 Ikebukuro East Exit Green Odori Street

C Special measures relating to foreign physicians

- 1 Keio University Hospital
- 2 Juntendo University Hospital
- 3 St. Luke's International Hospital
- 4 St. Luke's MediLocus

D Other special measures

- Tokyo Business Establishment Center
- Tokyo Employment Consultation Center



Source: Prime Minister's Office website, Tokyo Metropolitan Government website.

(as of December 15, 2017)

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 guaranteed equality between the owner and renter.

History of Office Buildings

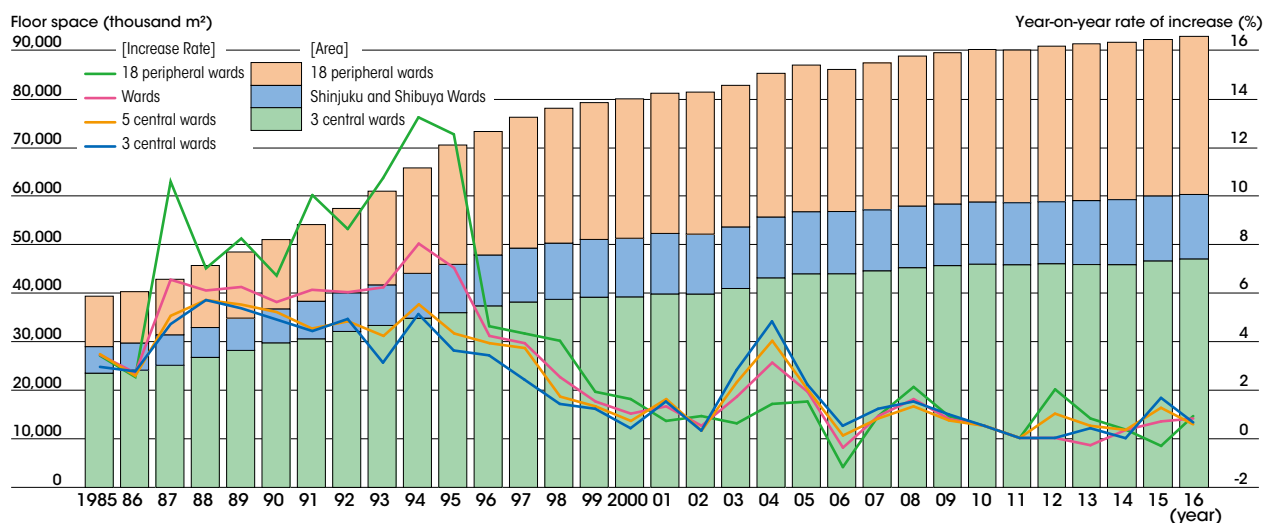
The history of office buildings in Japan began with the Mitsubishi Ichigokan completed in 1894. This was followed by the building of red brick Western style buildings at both ends of Babasakimon Road and thus the creation of the first Western style business avenue. In 1914, the Mitsubishi Nijyuichigokan, full of modern facilities, was completed, marking 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 building market has developed remarkably as a result of responding to this demand.

Overcoming Post-Bubble Market Decline and the "2003 Problem"

After the collapse of the bubble economy, the leasing office building market faced severe conditions for a long time due to lowered rents stemming from economic stagnation and an increasing rate of vacancy. However, 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 and large-scale buildings that satisfied the so-called

History of Office Floor Space in the Wards of Tokyo



conditions of 'close, new and large' to meet the needs of IT-related companies and foreign-affiliated financial institutions to expand rented areas 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 (large supply of office buildings). In tandem with business recovery in major companies, however, 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. has also had a severe impact on Japan's real economy from autumn 2008 and the vacancy rate in office buildings increased to 6-8% in 2009. In 2010 to 2012, the figure was around 9%, but it has since recovered, reaching the 3% level in 2017.

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, especially J-REITs. Therefore, property management and asset management have recently become entrenched, 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 can be roughly divided into two categories. The first includes the creation of a management plan, setting of rent levels, 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

Ongoing Supply in the Logistics Market

The supply of large-scale advanced logistics facilities is on the rise with the expanding e-commerce market and flourishing 3PL (third party logistics) business. Foreign firms entered the Japanese market in 2002 and domestic real estate companies followed one after the other.

There are mainly two types of advanced logistics facilities, namely the multi-tenant type which leases to multiple companies and the build-to-suit type which is developed for and leased to a particular company. With the recent increase of demand, there has been an increase in cases where multi-tenant type logistics facilities are used not merely as distribution warehouses but also as production plants, data centers, studios and such.

The specifications of these properties have also become increasingly sophisticated to meet the new needs. More logistics facilities are adopting quake-absorbing structures, installing emergency generators and other BCP measures, using LED lighting in the facilities in consideration for the environment and establishing resting facilities, cafeterias, nurseries, etc. for the employees of tenant companies.

Meanwhile, establishing "smart" logistics sites such as through no-man operation or automation is a matter of importance for logistics facilities that urgently need human resources. Initiatives are not limited to hardware aspects; for example, Mitsui Fudosan has established MFLP ICT LABO which displays the ICT-related equipment that can be utilized at logistics sites within the logistics facilities it operates.



other operations including the setting of rent to determine the profitability of real estate and the selection of tenants.

New Trends in Renovations Aligned with Changing Needs

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 and rental housing along with competitive properties with the latest facilities prove popular, older buildings that are not competitive are suffering from greater vacancy periods, and polarization similar to that found in other markets can be seen.

Going forward, 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 changes in the business environment such as

the falling birthrate, aging society, and declining working population and create products adapted to the diversification of needs among companies and general consumers.

In addition, adaptive measures such as remodeling and renovations that raise market competitiveness as a means to raise the asset values of existing stock and conversions that form new markets are becoming important, and more active efforts are being devoted to these kinds of initiatives.

Diversification of Assets Such as Retail and Hotel

The assets owned and managed by companies continue to grow more diverse. As for retail facilities, with the abolition of the Large Scale Retail Store Law in 2000, large-scale shopping centers have sprung up one after another in suburban areas. Maintaining the competitiveness of these facilities requires a high degree of specialization in areas such as development, tenant leasing, operation/management, and renovation, and major real estate companies are moving in to address these needs.

In the hotel business, the number of large-scale mixed-use developments that incorporate hotels has been increasing since 1978. The most frequently seen business models are the management contract (MC) system, whereby the hotel owner outsources management to a subsidiary or the like with management expertise, and the franchise contract (FC) system, whereby brand license and management expertise are received from a leading international hotel or the like.

MITSUBISHI ESTATE LOGIPORT KAWASAKI BAY

Property Overview

Site area:

134,832.22 m²
Total floor area:

296,798.74 m²
Structure:

5 floors above ground

Completion:

Scheduled for May 31, 2019



LOGIPORT Kawasaki Bay, being developed by LaSalle investment Management, Mitsubishi Estate, and NIPPO, is one of Japan's largest five-story multi-tenant logistics facilities with a site area of 134,832 m² and a total floor area of 296,798 m². Located in Kawasaki City, Kawasaki Ward and 1.5 km from the Higashi-Ogishima exit on the Bayshore Route of the Metropolitan Expressway, it offers excellent access to Tokyo and Yokohama, which are major areas of consumption. With close proximity to Kawasaki Port and easy access to major expressways through the Bayshore Route of the Metropolitan Expressway, the location of LOGIPORT Kawasaki Bay also benefits from convenient connection to a broad area. In addition, because the vicinity is exclusively industrial, the facility can operate 24 hours a day, enabling agile logistics management. In 2023, Higashi-Ogishima-Mizuecho Route will be completed and is expected to further improve transit convenience.

LOGIPORT Kawasaki Bay's two rampways enable vehicles to reach each floor, and the loading dock type warehouses on floor one to four and the traditional flat floor type warehouses on the top floor accommodate a wide range of tenant needs. The facility can be divided into a minimum of 2,740 m² per lot. Freezing and refrigerating facilities are available upon request. The developers also plan to install a parking lot with standby space for 128 large-size vehicles and parking space for 916 regular-size vehicles. The building is equipped with LED lighting and emergency generators that can provide 72 hours of power.

Mitsubishi Estate (MEC) is in charge of the development while sharing asset management responsibilities with LaSalle Investment Management. MEC plans to engage in other similar developments to continue to add to its credentials in advanced logistics facility development.

TOKYU LAND CORPORATION

CAMPUS VILLAGE SHIINAMACHI



Property Overview

Access:

7-minute walk from Higashi-Nagasaki Station on the Seibu Ikebukuro Line,
9-minute walk from Shiinamachi Station,
10-minute walk from Ochiai-Minami-Nagasaki Station on the Toei Oedo Line

Site area:

1,573.88 m²

Structure:

Reinforced concrete, 6 floors,
167 rooms

Total floor area:

3,182.82 m²

Room layouts:

11.05-12.87 m²



Residences that offer safety, security and a new lifestyle to the next generation of students

Tokyu Land is developing new student residences called Campus Villages that offer safety, security and a new lifestyle to the next generation of students. These are operated by Tokyu Fudosan Holdings Group's National Students Information Center. By handling everything from development to management and operation, Tokyu Fudosan Holdings Group aims to create residences that reassure not only the students moving in but also their guardians.

The first one, Campus Village Shiinamachi, is located near multiple train lines, offering good access both to school and to every part of the city center. It contains communal living rooms, kitchens and a cafeteria as well as living rooms and kitchens with designs unique to each floor and, except for the girls-only floor, these areas can also be utilized by non-residents. As for security, locks on the entrances, each floor and each room provide three layers for full safety and peace of mind. Each room is fully furnished, from furniture to free internet, keeping initial costs down.

Tokyu Land began leasing Campus Village Shiinamachi at the end of last October and currently expects to fill around 90%, exceeding predictions. It believes this reflects the unprecedented nature of these student residences made possible by the expertise of the developer, offering students and guardians safe and secure services and cafeteria-based community formation.

Tokyu Land is currently working on a second location in collaboration with ITOCHU Urban Community, provisionally named the Kita Ward Shimo 3-Chome Project, with completion scheduled for January 2019. In addition, the first Kansai location, Campus Village Kyoto Nishi-Kyogoku (provisional name), is scheduled to be completed in February 2019.

Based on the concept of creating and offering lifestyles that transcend buildings and objects, Tokyu Land aims to develop this business into annual sales of around 10 billion yen by 2020, and will continue to use its Group synergy to understand and respond to the needs of students and guardians.

OVERVIEW OF MAJOR REAL ESTATE SECTORS

REAL ESTATE TRANSACTIONS

The real estate transaction (brokering) business involves the brokering of land and buildings through buying, selling and leasing. The capital requirement is small and there are strong local characteristics and elements. 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 123,000 companies with licenses based on the Building Lots and Buildings Transaction Business Law, but most of these are small and medium-sized companies specialized in brokering. Most of their work involves acting as intermediaries 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 sales agents 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 Law. 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, including: (1) increase in housing stock including owner occupied homes used for a long period, (2) 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.

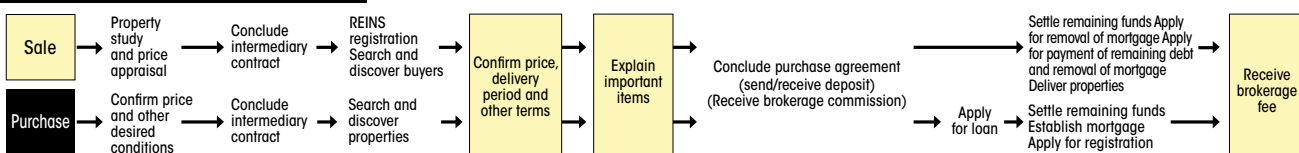
Establishment of the Real Estate Modernization Center Foundation

In 1978, a study group formed by the Ministry of Construction (presently the Ministry of Land, Infrastructure, Transport and Tourism) and private companies issued a report entitled, "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 system, 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 conclusion. The broker contract sought to clarify a situation apt to cause trouble due to the contractual relationship being traditionally unclear.

Flow of Real Estate Brokerage Work



The 1980 revision to the law sought to overcome this situation by requiring documentation for certain items concerning the contents 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 consisting of eight bodies in the real estate industry, including RECA 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.

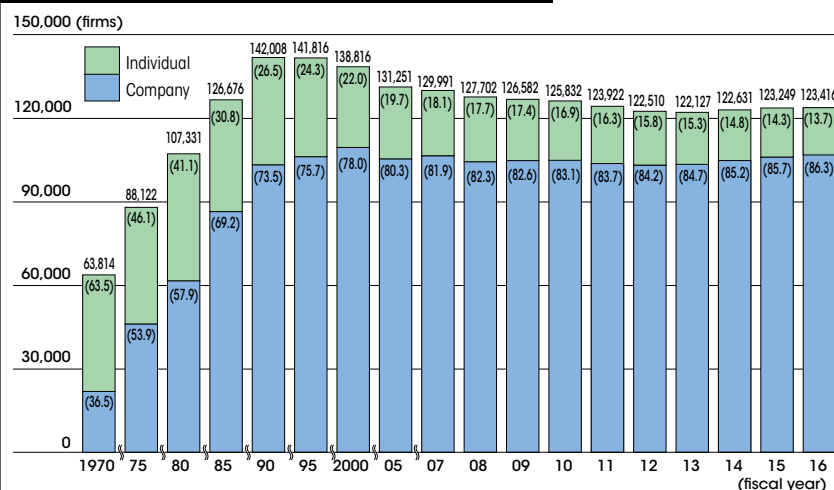
As a result, there are now over 100 certified information network organizations nationwide working to move the real estate transaction system one step closer to the sharing of information and networking of companies.

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 (presently the Ministry of Land, Infrastructure, Transport and Tourism) established the Real Estate Information Network System (REINS) with the Real Estate Transaction Modernization Center Foundation (now known as the Real Estate Transaction Promotion Center) to foster cooperation between information network organizations. On the other hand, with the implementation of dedicated exclusive broker contracts from 1990, transactions based on these contracts required the broker to register with an information network organization designated by the then Minister of Construction. 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/

History of Building Lot and Building Transaction Firms



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

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

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

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.

In 1998, as shown in the graph on the next page, new registrations at certified information network organizations exceeded 600,000, and this figure rose significantly from 2003, doubling to around 1.24 million by 2008. New registrations have generally continued on an upward trend ever since, and there were approx. 1.62 million in 2016.

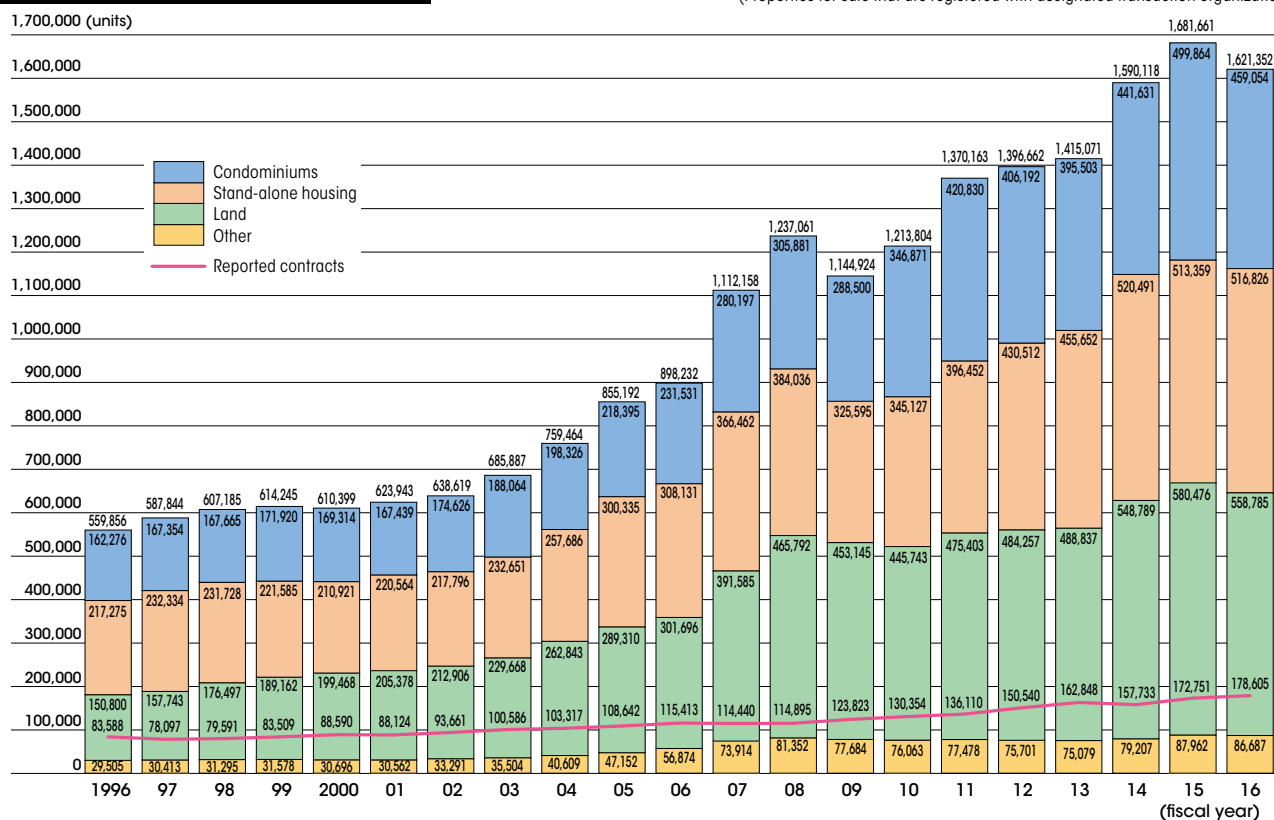
Status of Transaction Market for Existing Houses in the Tokyo Metropolitan Area

As shown in the graph on page 31, in fiscal 2016, there were 13,036 stand-alone houses contracted, the average contract price was ¥30.35 million (average land area: 148.43 m²; average building area: 105.59 m²), and the average building age was 20.89 years. For condominiums, there were 37,446 units contracted, the average contract price was ¥30.78 million (average unit price per m²: 484,300 yen; average area: 63.54 m²), and the average building age was 20.38 years.

Looking at changes in recent years, the number of contracted units has increased for both stand-alone houses and condominiums, reflecting the increase in stock. The average price of stand-alone houses decreased up until 2003, reflecting a decline in land prices, and then increased temporarily in 2006 and 2007 but has roughly remained around ¥30 million since 2003. Average condominium prices, on the other hand, increased to ¥25.45 million in 2007 from their low point in 2001, remained stable, then rose again in 2013. The average condominium price reached ¥30.78 million, reaching the ¥30 million level for the first time in 22 years. Reflecting the increase in high-quality stock, the average building age increased by around 6 years for stand-alone

Market Trends for Real Estate Transactions

(Properties for sale that are registered with designated transaction organizations)



Source: Utilization Status of Designated Transaction Organizations report by the Real Estate Transaction Modernization Center (Public Interest Incorporated Foundation).

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

2. This includes duplicated registrations of general intermediaries.

houses and around 4 years for condominiums during the 20-year period from 1996 to 2016.

Establishment and Development of Internet Utilization

Trends to use the internet in the real estate transaction sector have taken root due to the permeation and spread of such technology within society.

In addition to information provided by real estate companies through their websites, various information sites exist on the Internet that leverage the strengths and distinctive characteristics of the bodies behind them, such as industry organization sites like the Real Estate Japan website or listings sites that provide real estate advertising services.

Since 2006, the Ministry of Land, Infrastructure, Transport and Tourism has also provided 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 is supposed to help general consumers understand real estate transaction market prices.

Moreover, as part of a move toward further developing IT use in order to promote existing

home transactions, in 2014, the Ministry of Land, Infrastructure, Transport and Tourism prepared its basic vision of a system for easy collection of information required for real estate transactions (information regarding past transactions, nearby environment, etc.) spread across various locations so that information of higher quality can be provided to consumers (comprehensive real estate database). Full-fledged operation is targeted for 2018 following test runs and such.

With the aim of improving the functionality of REINS, vitalizing real estate transactions, and protecting and enhancing consumers' profits, a status management function was introduced in 2016 (the transaction status is now a mandatory input item for properties offered via exclusive agency listing or exclusive right-to-sell listing). It is indicated with either "for sale," "purchase offer received in writing," or "temporarily taken off market by the seller," and sellers are able to directly check how their properties have been listed in REINS. Along with this, with the aim of providing comprehensive information to consumers as well as distinguishing existing housing that has good features and is well maintained, it is now possible to list optional information on housing features and quality on

REINS, which is input using check boxes.

Besides property advertising and information provision systems, the use of IT for subsequent contract-related tasks is also being implemented. Non-face-to-face handling of Explanation of Important Matters documents using IT was reviewed in 2014, based on the Intensive Action Plan for Regulatory and Institutional Reform to Expand Utilization of IT (approved by the IT Strategic Headquarters in December 2013). Following social experiments, full-fledged operation began in October 2017 for rental transactions. Social experiments will continue to be carried out regarding transactions between companies so that it can be deliberated further. Transactions between individuals will be deliberated in light of the conditions of the full-fledged operation for rental transactions and the results of deliberations for transactions between companies through the social experiments.

In addition, consideration should be given to making it legally possible to issue contract-related documents as well via electronic means as long as the consumer consents to it since this may reduce the costs involved in producing and issuing hard copies.

Vitalization of the Transaction Market for Existing Homes

In 2006, a new Basic Act for Housing was executed and Japan's housing policy changed from a focus on quantity to a focus on quality. The Ministry of Land, Transport, Infrastructure, Transport, and Tourism put together the Comprehensive Plan for Renovation of Existing Homes and Proposal of the Real Estate Transaction Market Vitalization Forum in 2012, the Report of the Research Committee on Promoting Existing Home Transaction and Use in 2013 and the Existing Home Transaction Market Roundtable Report in 2015. Furthermore, The Basic Plans for Living was formulated in 2016 in an aim to expand the existing transaction market for housing, and the Growth Strategy 2017 approved by the cabinet in 2017 also includes measures to promote the market.

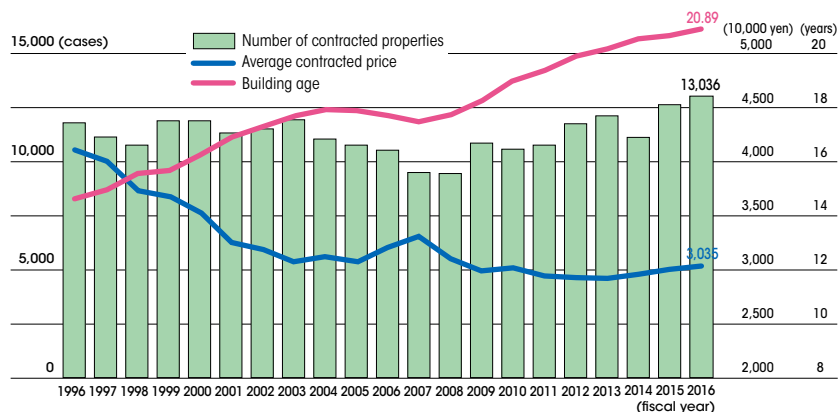
With regard to the vitalization of the transaction market for existing homes, there is a need for sufficient information to be provided to consumers who are concerned about the quality and features of existing homes and for processes such as inspections and home deficit insurance and warranties for the purpose of avoiding risk to become more widespread.

With the introduction of the Existing Home Transaction Deficit Insurance System in 2010 and the mandating of explanations of matters concerning inspections when brokering due to the revision of the Real Estate Brokerage Act (to be enacted in April 2018), utilizations of inspections are being promoted as are existing home transaction deficit insurances utilizing the results of inspections. There are also initiatives by some real estate companies to establish their own insurance systems apart from the existing home transaction deficit insurance.

Also, in 2017 a system (Anshin R Jyutaku System) was created in which marks are granted by trade associations under the government's participation to existing residences with earthquake resistance that have been inspected and for which information regarding renovations, etc. are appropriately provided. Use of the marks will start from April 2018.

It is also necessary to promote renovations related to housing transactions. Various initiatives are underway in this regard, such as support for the efforts of business partnership committees aimed at the one-stop provision of related services, the creation of a registration system for housing renovation trade associations as well as tax measures such as tax breaks on mortgages and exemptions from

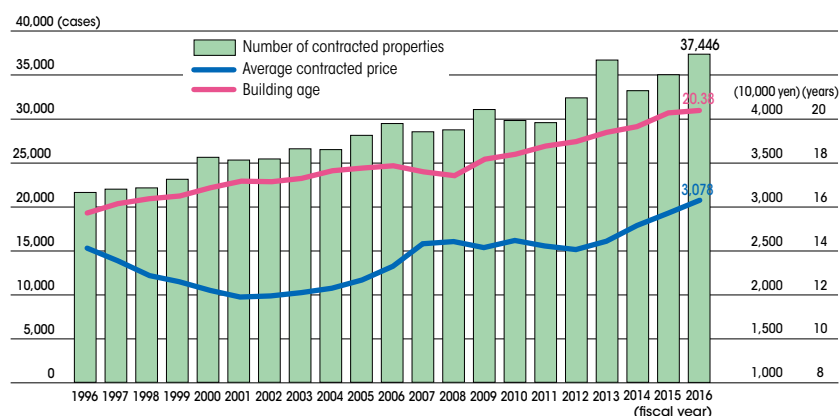
Number of Contracted Stand-Alone Houses in the Tokyo Metropolitan Area, Average Contracted Price and Building Age



Source: Based on "Trends in the Tokyo Metropolitan Area's Real Estate Transaction Market (Fiscal 2016)" by the Real Estate Information Network for East Japan (Public Interest Incorporated Foundation).

Note: The Tokyo metropolitan area is Tokyo, Kanagawa, Saitama and Chiba prefectures.

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



Source: Based on "Trends in the Tokyo Metropolitan Area's Real Estate Transaction Market (Fiscal 2016)" by the Real Estate Information Network for East Japan (Public Interest Incorporated Foundation).

Note: The Tokyo metropolitan area is Tokyo, Kanagawa, Saitama and Chiba prefectures.

gift tax in cases where work is conducted to enhance earthquake-proofing after acquiring an existing home and special tax measures relating to the housing resale business (registration and license tax, real estate acquisition tax).

Thirdly, it is necessary to revise assessment practices, which evaluate the market value of existing stand-alone homes as zero on the transaction market after about 20 or 25 years due to depreciation over time, and ensure that increases in the quality of housing due to proper management and renovations will be recognized in the asset value of residences and appropriately reflected in transaction prices and collateral evaluation by financial institutions.

In 2014, guidelines relating to improving building assessments for existing stand-alone homes were formulated; covering assessment of value that focuses on the essential function

of housing as a place for people to live (use value) using the cost method, these presented improvements and refinements to how assessments are conducted based on an approach that captures the use value according to the conditions of the individual home and adjusts depreciation accordingly. In 2015, the Points of Note Concerning Assessment of Existing Stand-Alone Housing relating to real estate appraisal prices were formulated to reflect these guidelines and the Stand-Alone Housing Assessment Standards Manual (Real Estate Transaction Promotion Center) was revised.

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. 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

(1) Real Estate Investment Trusts

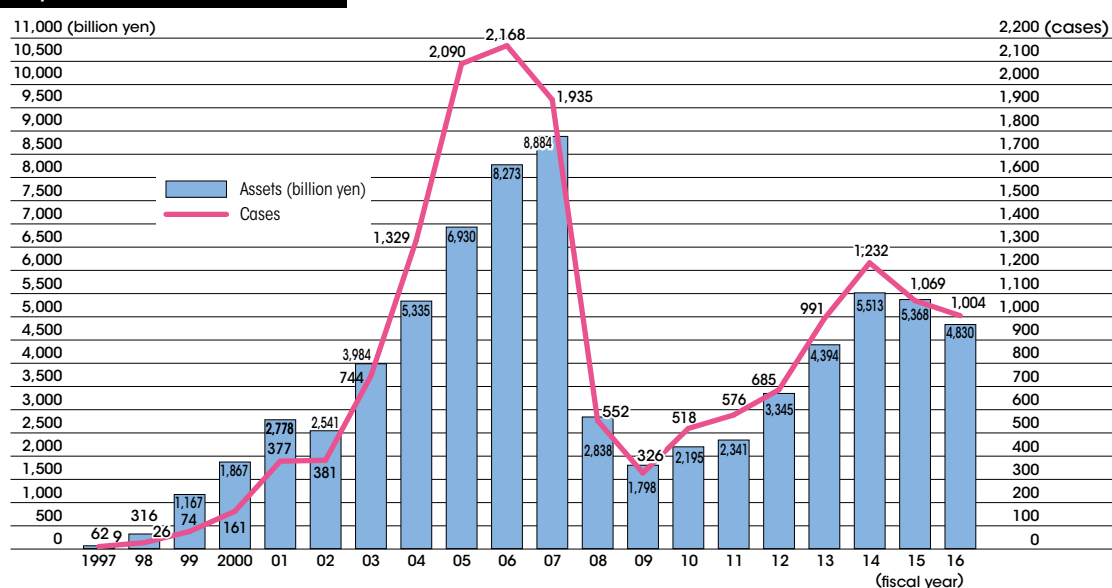
Investment trusts are a financial vehicle in which funds are gathered from many investors and managed by investment professionals and earnings are distributed to investors. Traditionally, the primary vehicle managed in this structure was limited to investment securities.

However, based on a partial amendment of the Act on Investment Trusts and Investment Corporations in 2000, real estate was recognized as an investment vehicle for trusts, and in September 2001, the first two real estate investment trusts (J-REITs) were listed on the Tokyo Stock Exchange. As this shows, it is possible for J-REITs to raise funds from investors by means of listing, which is the biggest difference between them and other securitization methods.

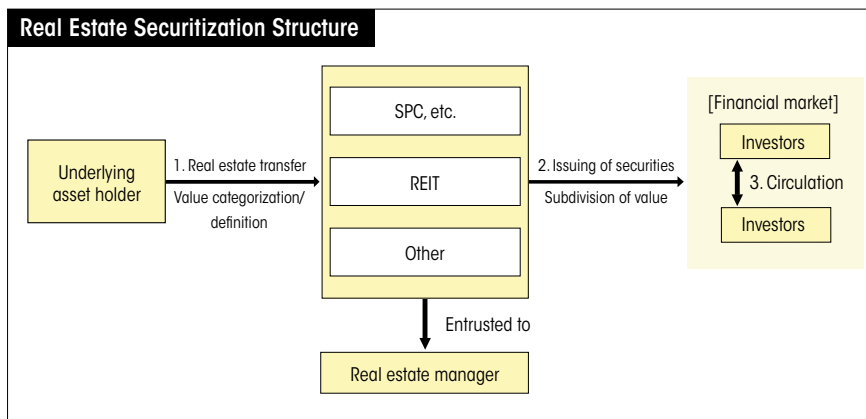
The J-REIT market continued to grow steadily, but buffeted by the global financial crisis caused by the collapse of Lehman Brothers and so on in October 2008, the market was sluggish for a time, with some J-REIT investment corporations going bankrupt for the first time ever. After that, however, the market recovered, thanks to the stabilization of financial markets, system reforms to enable mergers, the Bank of Japan's creation of an asset purchase program in 2010 that acquired J-REITs, and substantial monetary easing measures implemented by Bank of Japan Governor Kuroda, who was appointed in 2013.

Furthermore, in 2010, unlisted REITs (private placement REITs) aimed at specific investors such as pension plans and institutional investors began

History of Real Estate Securitization



Source: Real Property Securitization in Japan issued by the Ministry of Land, Infrastructure, Transport and Tourism.
Note: Real estate investment corporations are recognized as single investment corporations.



operation as well. One of the reasons for the appearance of private placement REITs was the large fluctuation in investment unit prices (equivalent to share prices) that occur with listed REITs.

Even though investment is performed for the purpose of generating stable revenue in the form of rental revenue, listed REIT prices vary based on trends in the securities market, which has no direct relationship with the real estate market, and there are many institutional investors who feel this is a disadvantage. Private placement REITs, on the other hand, are unlisted, so the investment unit price is calculated based on the appraisal value of the real estate at the end of the period. In other words, private placement REITs are an investment product whose unit price is determined based on real estate market conditions, in which prices fluctuate less than in the securities market.

With the expansion of the J-REIT market, investment targets are becoming more diversified. In November 2014, a specialized health care facility fund focusing on investment in seniors residences and hospitals was listed. By the end of 2017, there were 59 listed investment corporations on the J-REIT market, including three funds specializing in health care facilities, with a total market value that had increased to more than 11 trillion yen. Furthermore, by the end of 2017, 23 trusts had begun operation on the private placement REIT market, including some that invest solely in land with leasehold interests, which are not found in publicly listed REITs.

While it is not part of the real estate market as such, another example of the diversification of investment targets is the new infrastructure fund market, which primarily focuses on investments in renewable energy and the like, including solar power plants, and uses the same structure as J-REITs. The market was launched in 2015 and two funds had been listed by the end of 2016.

(2) Asset Monetization Securitization

The Law on Securitization of Specified 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. In this case, real estate securitization based on the SPC Law 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 any remaining profit is paid to the investors in preferred equity securities in the form of dividends.

Furthermore, a portion of the SPC Law was revised in May 2000. 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. As for securitization based on the SPC Law, it is necessary to submit an asset monetization plan indicating

the method of securitization and so forth and to conduct activities in accordance with the details indicated in the plan. If the plan changes, the approval of concerned parties such as investors is required. Thus, securitization based on the SPC Law is often employed in cases where the target property has been specified.

(3) Real Estate Syndication

Real estate syndication is when multiple investors jointly invest in real estate to own and manage the real estate and obtain earnings from it. In the past, there were cases in the real estate syndication business that resulted in harm to investors, so in April 1995, the Real Estate Specified Joint Enterprise Act was enacted with the primary aim of protecting investors.

Under this method of investment, in order to protect investors, licensed companies that meet the criteria with respect to capital and personnel qualifications may raise funds from investors. However, investors will also be influenced by any business other than securitization conducted by the operators. 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, in 2013, similar to item 2 in SPC Law above, a legal revision was enacted that establishes SPCs that own only real estate and entrusts operations to real estate syndicates. In such cases, since the risk of bankruptcies of businesses is separated, it is thought that procurement of funds from professional investors will become easier.

A further revision was made in 2017, making implementation possible through notification alone in cases where only qualified special investors such as institutional investors are targeted. This revision also established a small-scale real estate special joint business system. As the name implies, this system is limited to small businesses, with the maximum investment is ¥1 million per person and maximum total investment ¥100 million with the exception of special investors. Also, whereas permission was required before, only registration is now required, and the capital standard of companies was eased, making it possible to implement the business even with more than ¥10 million. Furthermore, there is no longer any limit on the size of business. Contracts can now be granted online and so-called crowd funding is also made possible.

As such, the 2017 revision makes it possible to be utilized by many real estate companies including regional operators. However, since there are regulations such as regarding composition of personnel required for the protection of investors, performing this business will require organizational reviews and securing of personnel.

(4) Impact of Securitization on the Real Estate Business

In March 2016, the Ministry of Land, Infrastructure, Transport and Tourism set a growth target that calls for assets such as J-REITs to increase to 30 trillion yen by 2020 through the use of various securitization methods. It is therefore highly likely that the market will grow further.

Due to the existence of various securitization methods, it is possible, for example, for real estate development companies to not just diversify their buyers; by embarking on securitization

themselves, they can also seek to stabilize their profits through conducting after-sales management and securitization operation. However, since securitization is based on raising funds from investors, its operation is impacted by laws such as the Financial Instruments and Exchange Act. In the case of J-REITs in particular, management or brokerage companies may be subject to insider trading regulations, so care must be taken with regard to information management.



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 was subsequently developed as a villa area, and the development of resorts continued in areas such as Karuizawa, Nasu, and Unzen, which were primarily established by foreigners. Upon entering the Showa era in the mid-1920s, resort hotels were repeatedly developed in national parks including Nikko and Hakone.

Since 1975, with the proliferation of the five-day workweek, the leisure time of citizens increased and large multi-use resorts such as seaside marinas and ski resorts with lodging facilities started to appear and there was a resort development boom. However, the Heisei recession then struck, drastically lowering the volume of the formerly booming resort condominiums and some facility management companies went bankrupt.

In recent year, measures for the demand from the increasing foreign visitors are being advanced.



The Resort Law and Development

From the beginning of the 1960s, four destinations across Japan began to be developed as Japanese citizens started to have more leisure time. Companies like Tokyu and Seibu led the way in resort development, paving the way for hotels, transportation and vacation houses. Large and small real estate companies launched businesses selling land for vacation homes in the respective resort areas around this time, starting with the Nasu area.

From the mid-1970s, the resort development boom re-emerged backed by the five-day workweek and transition to an economy driven by domestic demand. It was during this period that manufacturers, trading companies and others started to join in the developments of resorts alongside real estate companies. Large multi-use resorts including ski slopes, golf courses, marinas and large-scale hotels were born on large development lots from a few hundred to 1,000ha.

Then the Law for Development of Comprehensive Resort Areas (the Resort Law) was established in 1987 which accelerated these developments. This Law sought to comprehensively develop land of tens of thousands of hectares through private-public collaborations all over the country. Resort development had become the centerpiece in promoting local areas. The Government Housing Loan Corporation (presently the Japan Housing Finance Agency) also began providing loans for second homes in the same year and resort development became active all across Japan.

The Bursting of the Bubble and New Trends in the Resort Business

The Heisei depression or "bursting of the bubble" changed the situation. Resort condominiums sold a record 160 million units across Japan in 1990, but this decreased to just 1,900 units three years later in 1993. Since 1995, 600 or 700 units have been sold per year at most. Also, many large resort facilities that had been developed under the application of the Resort Law filed for bankruptcy as the number of customers and revenue/expenditure plans fell short of forecasts. In many cases, leading real estate companies and others took over the operations. Recently there have been new developments of revitalization such as restoring past resort lots with the increase of inbound demand.

A look at the current situation of resorts shows that foreign tourists account for a large portion of demand. Enhanced measures to attract foreign tourists had been incorporated into the Tourism-based Country Promotion Basic Act established in 2006 and the Tourism-based Country Promotion Basic Plan established in 2007 (revised in 2017).

In addition, in 2013 Tokyo was chosen to host the 2020 Olympic and Paralympic Games and foreign tourists continued to be on the rise, reaching 28 million in 2017 and approaching the 40 million goal for 2020.

Economic and Regional Revitalization using Inbound Demand

One of Japan's current internal growth strategies involves efforts to become a tourism-based country. In 2013 the Action Program to Realize a Tourism-based Country was established as the government's one-year action plan. The program has since been reviewed yearly. The 2017 version incorporated the bold opening of public facilities and infrastructure as well as the development and strengthening of tourism management personnel. Of great importance to these is the approach to the demand from foreign tourists. Strengthening measures to promote of Japanese tourism and enhancement of medical institutions to be able to handle emergencies from foreign tourists are emphasized. With this, the Japan Tourism Agency established the Handbook for Inbound Tourism in March 2015 to assist operators and local governments supporting local tourism in an effort to promote long stays of foreign tourists.

Innovation and Luxury Hotel Development

Recently the supply of various facilities supporting resorts such as lodging facilities are diversifying. Existing resort hotels are being renovated and rebranded in preparation for the incorporation of demand from the increasing foreign tourists. Diversification can also be seen in newly developed lodging facilities such as with resort hotels that allow pets and renovations of townhouses.

While there had been few genuine luxury hotels in Japan targeting affluent customers, in recent years, real estate companies have been seeking to attract luxury resort hotels, primarily from

overseas. Foreign brand hotels are opening one after the other in resort areas across Japan.

As the number of luxury hotels from foreign brands increases as do foreign visitors, more hotels are being developed through utilization of the nature and regional characteristics of Japan. It is not rare for newly supplied hotels to not only use natural landscapes and environments but also revive historic structures that had existed on the sites, carry on building designs or otherwise make use of local culture. Such developments of hotels that harmonize with Japanese culture and history can be said to be characteristic of the recent resort market.



Recent Major Hotel Projects

Property Name	Developer	Location	Number of guestrooms	Opening (scheduled)	Comments
Haimurubushi	Mitsui Fudosan	Taketomi-cho, Yaeyama-gun, Okinawa	148	Mar. 2016	Opening of new guestroom building (10 rooms)*
Halekulani Okinawa	Mitsui Fudosan	Onna-son, Kunigami-gun, Okinawa	360	Summer 2019	
Suiran, a Luxury Collection Hotel, Kyoto	Mori Trust	Ukyo-ku, Kyoto	39	Mar. 2015	
IRAPH SUI, a Luxury Collection Hotel	Mori Trust	Miyako-shi, Okinawa	60	2018	
JW Marriott Hotel Nara	Mori Trust	Nara-shi, Nara	150	Spring 2020	
Sezoko Okinawa Project	Mori Trust	Motobu-cho, Kunigami-gun, Okinawa	More than 400	Spring 2020	Opening of timeshare resort and hotel by Hilton
Tokyu Harvest Club Nasu Retreat	Tokyu Land	Nasu-machi, Nasu-gun, Tochigi	12	Oct. 2017	
Hyatt Regency Seragaki Island Okinawa	Tokyu Land, NTT Urban Development, Milial Resort Hotels	Onna-son, Kunigami-gun, Okinawa	approx. 340	Aug. 2018	
Tokyu Harvest Club Karuizawa & Viala	Tokyu Land	Karuizawa-machi, Kitasaku-gun, Nagano	176	Summer 2018	
Regina Resort Izu Murin	Tokyo Tatemono Resort	Ito-shi, Shizuoka	8	Mar. 2016	
Regina Resort Karuizawa Mikageyosui	Tokyo Tatemono Resort	Karuizawa-machi, Kitasaku-gun, Nagano	26	Jul. 2016	
Regina Resort Tateshina	Tokyo Tatemono Resort	Chino-shi, Nagano	23	May 2017	
Regina Resort Kyu Karuizawa	Tokyo Tatemono Resort	Karuizawa-machi, Kitasaku-gun, Nagano	26	Nov. 2017	
Former Shimizu Elementary School Development Project	NTT Urban Development	Higashiyama-ku, Kyoto	approx. 50	Summer 2019	School lot development plan by Kyoto City
Former Shirakawa Elementary School (Former Awada Elementary School) Utilization	Sumitomo Corporation	Higashiyama-ku, Kyoto	approx. 200	2021	School lot development plan by Kyoto City

OVERVIEW OF MAJOR REAL ESTATE SECTORS

INTERNATIONALIZATION

With regard to overseas business development in the real estate industry, some major Japanese real estate companies had already begun operations in Western countries by the late 1960s. Although overseas operations were downsized due to the collapse of the bubble economy, since 2010 major general real estate companies have once again been developing business in various regions including Asia, North America, and Europe. The opening of new markets by leveraging advances and managerial know-how cultivated in Japan, as well as ongoing growth-oriented development, is steadily continuing.

In recent years, inbound business development to attract international investors to the Japanese real estate market and foreign tourists has also become more active.

The Development of Economic Globalization

In 1973, Japan switched to a floating exchange rate system, which triggered the development of economic globalization such as the movement of capital and labor beyond the country's borders. Subsequently, thanks to the ongoing strength of the yen, more and more companies have ventured overseas and in recent years there has also been an increase in corporate overseas real estate acquisition. Although there was a temporary reduction after the global financial crisis, these activities are now growing again.

The fact that the domestic population has passed its peak and it is becoming hard to envision future market expansion has been mentioned as a reason for Japanese companies moving ahead with overseas development. In light of this, real estate industry companies, in addition to pursuing development in major Western cities with large markets, have recently been developing business in Asia, where there continues to be population increase and economic growth.

Government Initiatives

In recent years the government has taken a proactive approach to pursuing business in other, fast-growing countries (especially in Asia) that are important to Japan's continued growth. In April 2013, the Ministry of Land, Infrastructure, Transport and Tourism created a new International Affairs Division in the Land Economy and Construction and Engineering Industry Bureau to support the overseas development of real estate and construction companies. In August of the same year, it published the Global Business Strategy for the Real Estate Market. In terms of its basic approach to overseas (outbound) development, this strategy states the need to enhance competitiveness through rapidly entering emerging markets and pursuing diverse real estate business models. It also states the need for collaborative initiatives with general contractors, trading companies, etc.

Outbound Business Development

The Japanese real estate industry had advanced overseas to some cities such as in Europe and the U.S., although this had been mostly limited to acquisitions of office buildings in big cities of developed countries such as New York and London. Regarding developing countries, it had been difficult for the real estate industry which is responsible for urban planning to make entry due to barriers such as the various regulations and uncertain political situations as well as due to the fact that the market had yet to mature and income levels were not yet at an appropriate level.



Later, with further globalization, in addition to the acquisition of office buildings there has been participation in complex developments of commercial facilities, residences and such in Western countries as the global economy recovered and continued to expand. Also, given the rapid market expansion in East and Southeast Asian countries along with urbanization and economic growth, overseas advancements have become more active. There have been cases of entry through complex development of office buildings, commercial facilities, residences and such with the need for various functions and services centering on quality housing and high-performance offices.

Inbound Business Development

Inbound business development to attract international investors to the Japanese real estate market and bring in foreign tourists has also become more active in recent years. Inbound

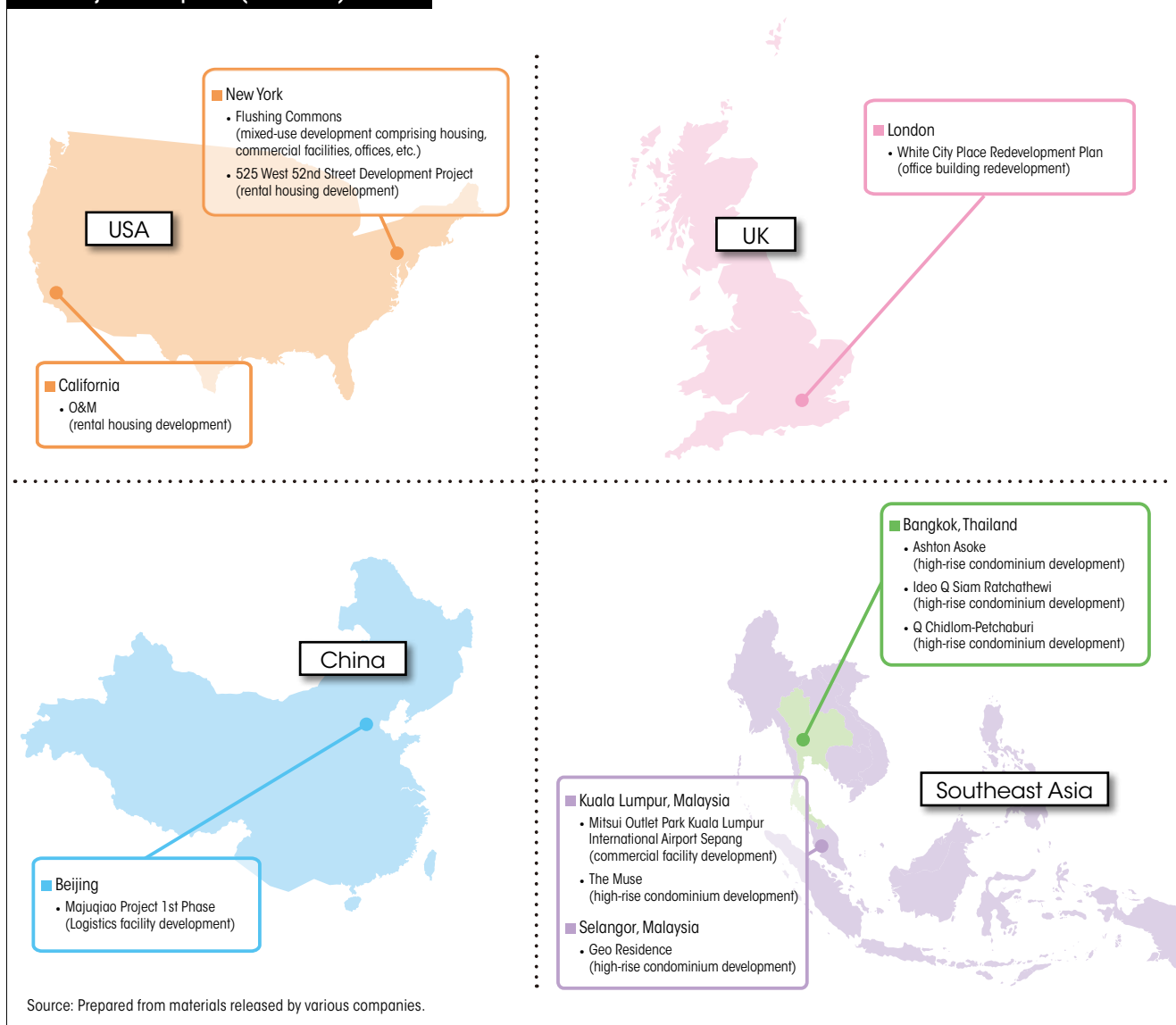
business initiatives to encourage not only direct investment in domestic real estate but also the entry of foreign companies due to the enhanced competitiveness of major cities, and increases in tourist numbers, etc. are important measures for Japan.

There have been more active efforts aimed at making Japan a tourism-based country—for example, in 2007, the Tourism Nation Promotion Basic Law was enacted, and in 2008, the Japan Tourism Agency was launched. In 2017, the number of foreign visitors to Japan reached a record level at over 28.09 million people, and the government doubled its 2020 target to 40 million. Meanwhile, in December 2013, National Strategic Special Zones were created with the goal of fostering the development of international economic activity hubs, and the government is making efforts to create special zones aimed at setting up international business environments

and forming international innovation centers in fields such as medicine in order to attract global capital and talent.

Some private-sector companies are also moving to identify commercial opportunities related to overseas tourists and the entry of foreign companies into Japan. In state-of-the-art downtown office buildings, not only are disaster prevention and environmental features becoming more sophisticated, but multilingual clinics and the like are also being provided to help businesspeople of various nationalities working there feel more comfortable. In addition, in commercial facilities and other locations popular with foreign visitors to Japan, efforts are being made to meet tourist demands from a variety of perspectives such as providing multilingual services within the facilities and holding trade shows aimed at travel agencies from Asian countries.

Main Projects Completed (Scheduled) in 2017



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, the effects of various environmental issues, such as global warming, are being felt across a range of economic activities, from the planning and design of houses and buildings to development, management, and disposal, and real estate associations and companies are voluntarily setting targets and eagerly pushing forward with initiatives.

It is also essential to move forward with countermeasures in collaboration with the various stakeholders involved in the real estate industry. The many affected parties such as tenants, condominium associations, and general users need to work together to preserve the global environment.

Furthermore, since the life cycles of houses and buildings span decades, it is necessary to form quality stock by providing buildings that have high environmental performance based on a medium- to long-term perspective. Another important topic is working to develop a market in which buildings with high environmental performance will be assessed appropriately.

Efforts Related to the Global and Japanese Environments

Global warming due to increases in atmospheric greenhouse gases has caused various problems such as climate change and the accompanying impact on the ecosystem, making the reduction of greenhouse gases an important issue. In recognition of this, the United Nations established the U.N. Framework Convention on Climate Change (COP), which is held annually, as a venue for countries to discuss global warming. The 23rd edition of the convention, COP23, held in Bonn, German, in 2017, debated efforts to keep temperature rises within 1.5°C compared to pre-industrial times, even below 2°C, and for countries to revise their nationally determined contributions every five years, in order to meet the goals of the Paris Agreement, which was adopted at COP21 and applies to 2020 and beyond. With regard to targets for the real estate industry, the nationally determined contribution proposed by Japan calls for an approximately 40% reduction in greenhouse gas emissions by 2030 in both the business and household sectors, using 2013 as a baseline. A domestic initiative inspired by this, the Act for the Improvement of Energy Saving Performance of Buildings (Building Energy Conservation Act), which is a regulatory measure for homes and other buildings, was partially enacted in April 2016 (floor area ratio special measures, indication system, etc.), and fully enacted in April 2017 (mandatory compliance system, notification system, etc.). Under this act, compliance with energy conservation standards will become mandatory for large-scale buildings (2000 m² or more) starting in April 2017, while compliance with these standards will gradually be made mandatory for non-large-scale houses and buildings as well through 2020.

Environment-Related Impact and Obligations of the Real Estate Industry

Energy consumption increased throughout the 1990s centering on the household sector and business sectors. People have become more conscious of saving energy since the Great East Japan Earthquake in 2011, but the rate of increase from fiscal 1973 to fiscal 2015 was 0.8 times in the industrial sector and 1.7 times in the transport sector, while the increase

of 2.4 times in the business sector and 1.9 times in the household sector. As a result, when it comes to the impact of the real estate industry on the environment, reducing energy consumption and reducing CO₂ emissions at the same time have become pressing issues. The real estate industry can make an extremely significant contribution to achieving national targets relating to CO₂ emission reduction in the medium to long term (by 2030, by 2050, etc.). In addition to adapting to the regulations in the Building Energy Conservation Act mentioned above, it is necessary to realize and promote the spread of state-of-the-art housing and buildings, such as Zero Energy Buildings (ZEBs) and Zero Energy Houses (ZEHs).

Other important issues in the development and management of real estate include alleviating the heat island effect accompanying urbanization, reducing business-related waste emissions and final disposal amounts, and preserving biodiversity. In addition to their own business activities, real estate companies need to fulfill their duties with respect to various social issues such as environmental problems by supplying high-quality, high-performance rental buildings and condominiums.

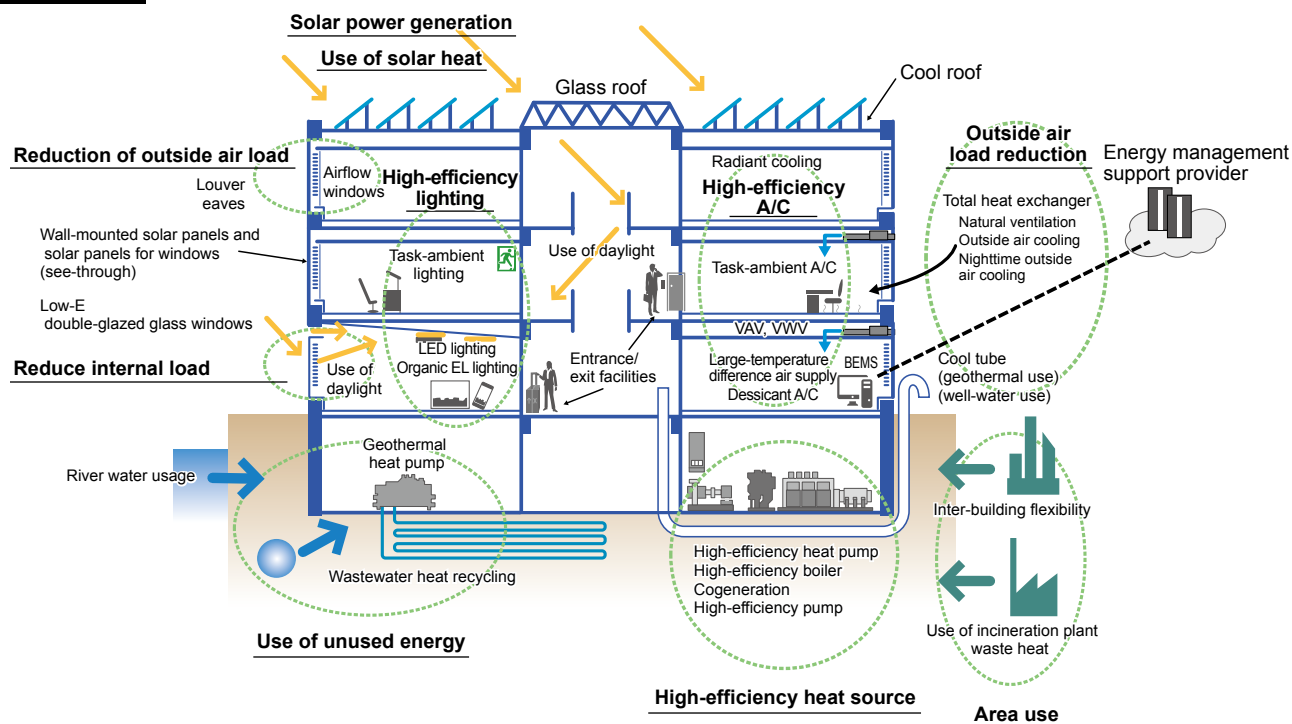
Real Estate Industry Environment Implementation Plan

RECAJ formulated a Voluntary Action Plan on the Environment for the Real Estate Industry in 1997 that set targets to be achieved by 2012 with respect to energy consumption, waste emissions, etc., and it has subsequently achieved these targets while revising the plan.

In March 2013, it formulated the Real Estate Industry Environment Implementation Plan aimed at 2020, which included setting new targets based on national trends and other factors. This action plan, which was revised in December 2014 and March 2016, sets targets for 2030. For the purpose of setting targets, the real estate industry is divided into three areas: new office building development, new condominium development, and companies' own business activities. For each area, targets are set relating to energy consumption as well as to improving energy autonomy, reducing waste, preserving biodiversity, and so forth.

In terms of reducing energy consumption in particular, the plan sets

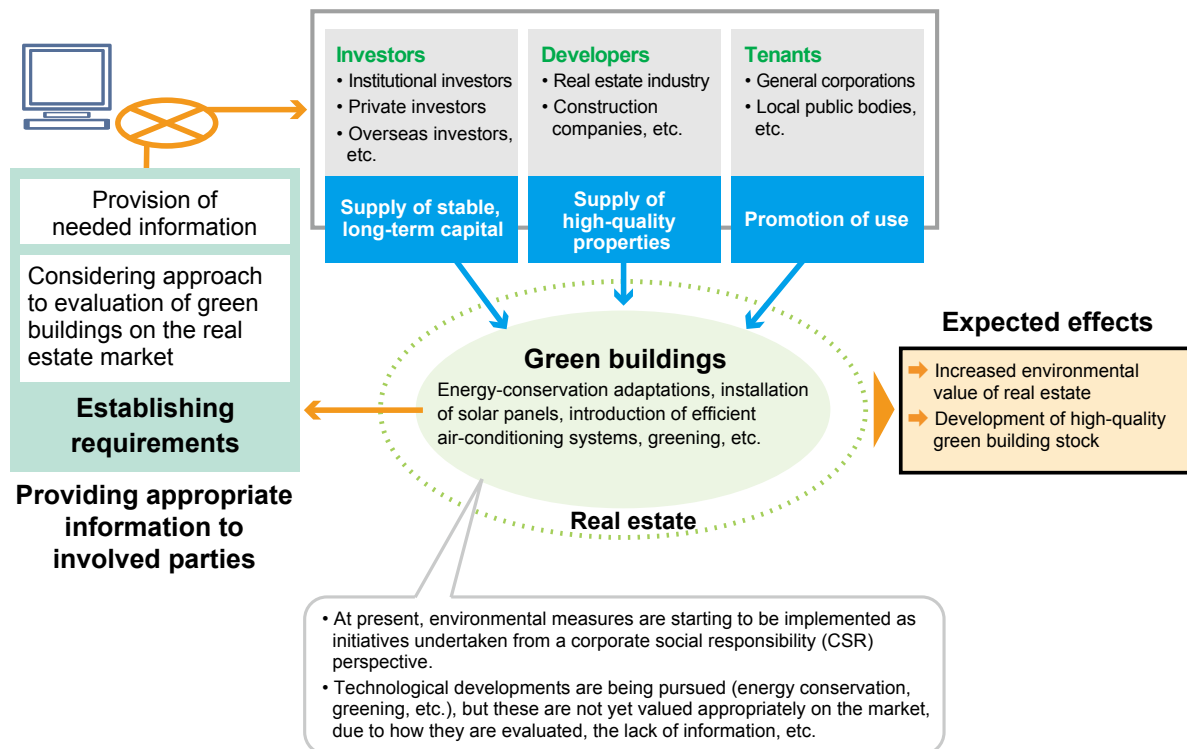
Image of ZEB



Source: created based on Sustainable Open Innovation Symposium website

Image of Environmental Value-Oriented Real Estate Market

Market participants involved in green buildings



Source: Created based on the Green Building Online Portal website



quantitative targets for the environmental specifications and performance of new office buildings and new condominiums (outside air performance, energy-saving performance of equipment, etc.) and ensures consistency with the approach to standards in the Building Energy Conservation Act. In addition, the Implementation Plan not only specifies quantitative targets—it also promotes various initiatives. Going forward, the real estate industry needs to contribute to addressing environmental issues by steadily carrying out the Implementation Plan and verifying its progress.

Aiming to Implement Cutting-Edge Initiatives

Realizing and Promoting the Spread of ZEB/ZEHs

In terms of cutting-edge initiatives in the real estate industry, national policy targets include aiming to realize ZEBs for new public buildings and the like by 2020 and for new buildings in general by 2030 and aiming to achieve ZEHs by 2020 for new standard housing and by 2030 for new housing in general. In 2015, a committee was formed to develop a road-map aimed at achieving these. In addition to general principles such as defining what kind of buildings and houses will be considered as ZEB/ZEH, this committee is developing measures to be tackled through collaboration between the government, industry groups, and private-sector companies, such as introducing incentives to promote the spread of ZEB/ZEHs. Based on these kinds of national considerations and policies, it is important for related industry groups and private-sector companies to pursue cutting-edge initiatives aimed at realizing ZEBs and ZEHs, as well as accelerating the implementation of these initiatives by proactively communicating and sharing information.

Active Use of Evaluation/Certification System and Development of Green Building Market

In order for businesses in the real estate industry to continuously supply state-of-the-art buildings, it is necessary to develop a market in which these buildings are appreciated by users and are suitably cost-effective. To achieve this, real estate companies need to share information about the environmental performance of the houses and buildings they develop with tenants, condominium buyers, etc., and provide indicators so that these users will select housing and buildings with a high level of environmental performance. By sharing information on green buildings in this way, parties involved in the real estate industry can promote the development of a market in which the environmental value of real estate is assessed appropriately and promote the formation of high-quality stock.

With regards to systems for evaluating and certifying the environmental performance of housing and buildings, besides national systems such as housing performance indication system or BELS, there are also systems run by private-sector organizations and the like, including CASBEE, LEED, and the DBJ Green Building Certification system. Which system to use depends on the choice of the individual company, but regardless of the decision, it is necessary to actively use an evaluation and certification system suited to the characteristics of the buildings it develops and the people with whom the information will be shared and to pass on information to tenants, housing buyers, and the like.

Addressing Population Decline and the Aging of Society

Going forward, a major issue for Japan's economy and society as well as its real estate industry will be addressing its declining population, falling birthrate, and aging society.

The total population of Japan has been decreasing since reaching a peak of about 128.05 million in 2010. By 2020, it is projected to drop by 3% over the 10 years to around 124.1 million, and by 2040 it is projected to drop by 17% to around 107.27 million. The total number of households nationwide is also expected to reach a peak in 2019 (approx. 53.07 million) then fall below 50 million in 2035.

In addition to the declining population, the aging of society is accelerating. The proportion of the total population represented by the elderly (age 65+) reached 25.1% in 2013 and is projected to increase to 29.1% in 2020 and 36.1% in 2040. Even in major metropolitan areas, aging is expected to advance in the future.

Due to these demographic changes, the role of the real estate industry is also beginning to change significantly. With the aim of addressing the falling birthrate, there is a need to develop an environment that makes it easier for younger people to start a family and feel comfortable about having and raising children, such as housing near business areas that shortens commuting times and housing that enables multiple generations to live together. Also, with regard to housing, an absolute decline in demand is anticipated based on the decline in population, and given changes in family structure, there will be a need for housing planning that addresses diverse needs by focusing on future changes in household structure.

Addressing the aging of society is a particularly significant issue and there is a growing need for housing for older people, such as the serviced elderly housing (known as *sakoku* in Japanese) that first appeared in 2011. Aimed

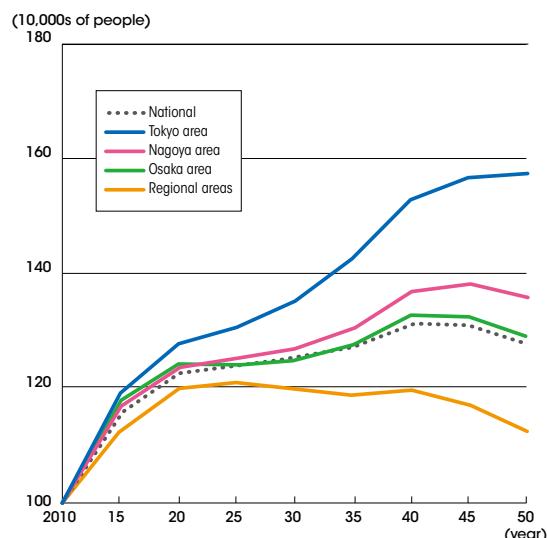
at providing residences for seniors, serviced elderly housing is rental housing that, in addition to having barrier-free facilities, offers access to support services such as care and treatment as needed. The state is providing institutional support, and as of the end of 2017, the supply had reached 225,374 units.

Furthermore, in recent years, the increase in vacant houses has become a social issue. There are already around 8.2 million vacant houses nationwide (as of the end of 2013), and if the number of vacant houses that are not managed appropriately keeps rising as Japanese society continues to age and the population continues to decline, it could have a negative impact on various issues such as disaster preparedness and the attractiveness of neighborhoods. As a result, the state is working on countermeasures, such as enacting the Vacant Houses Special Measures Act in February 2015 and making compulsory elimination of vacant houses possible if they pose a risk to public safety. It is therefore expected that this problem will be addressed through a combination of appropriate management and effective utilization.

The declining population, falling birthrate, and aging of society will have a major impact on urban planning. To date, urban planning in Japan has been conducted in the context of population growth, with cities tending to expand. As a result, issues such as advancing urban sprawl and hollowing out of city centers have occurred.

As a means of addressing these issues, attention is turning to "compact cities" that keep urban areas as compact as possible in accordance with the population size. The creation of compact cities by redeveloping retail facilities, housing, and so forth in city centers should, in addition to increasing accessibility for people with reduced mobility such as the elderly through measures that enable people to live closer to their workplace, upgrading of the public transportation network, etc., help reduce the financial burden on municipalities by cutting urban infrastructure maintenance costs. Moreover, with the inclusion of the Location Optimization Plan System in the revised Act on Special Measures Concerning Urban Reconstruction enacted in August 2014, it has become possible for municipalities aiming to be compact cities to receive subsidies, tax breaks, and so forth. By designating "housing promotion zones" and "urban service promotion zones" that bring together medical and welfare facilities, retail facilities, etc., it is possible to promote the relocation of various facilities toward city centers.

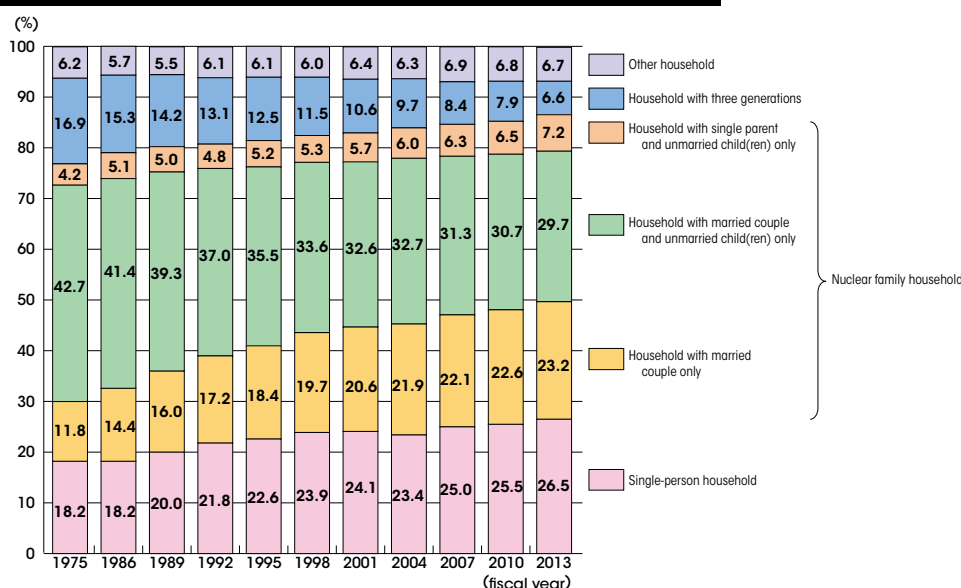
Change in Population of Elderly Aged 65 or More (2010 as 100)



Source: (Through 2040) Average calculations from the National Institute of Population and Social Security Research's "Population Projections for Japan by Region" (calculated in March 2013); (2045 and 2050) provisional calculations by the Ministry of Land, Infrastructure, Transport and Tourism Policy Bureau.

Meanwhile, as the population declines, the use of public real estate is also becoming a pressing issue. Considerations have started to be given to using public real estate whose maintenance and management costs have become an issue by means of PPP (provision of public services through public-private partnerships) and PFI (application of private-sector funds and expertise to construction and management of public facilities) projects. This is being aggressively promoted in the government's Japan Revitalization Strategy, which aims to expand the PPP/PFI market to 21 trillion yen by 2022; with the aim of reaching this target, the strategy includes a management rights system for public facilities such as airports, educational facilities, and public housing.

Annual Breakdown of Total Number of Households by Household Structure



Source: The Ministry of Health, Labour, and Welfare, "Status of Households Viewed as a Graph".

TOKYO TATEMONO
GRAPES TSUJIDO NISHI-KAIGAN

Property Overview
Location:

2-12-2 Tsujido Nishi-Kaigan, Fujisawa,
Kanagawa Prefecture

Structure:

Reinforced concrete,
5 floors above ground

Residential units:

158

Completion:

August 2016

Organization:

Developer/owner: Tokyo Tatemono Co., Ltd.

Master Lessee: Tokyo Tatemono Senior
Life Support Co., Ltd.

Other facilities in the building:

In-home care support center,
visiting care center,
commuting care center

**Service provider/operator of
above care facilities:**

Tsukui Corporation

Total cost:

Undisclosed

A space for the elderly to enjoy active lives in safety and health

In this era of low birthrates and aging of the population, Tokyo Tatemono is developing Grapes, serviced housing for the elderly. In addition to the living quality of the housing, Tokyo Tatemono is working with nursing care providers and medical institutions to offer reliable services when residents require care, providing a space where they can stay involved in the community and continue to enjoy active lives in safety and health.

Grapes Tsujido Nishi-Kaigan, which opened in 2016, is serviced housing for the elderly that Tokyo Tatemono developed as part of the Urban Renaissance Agency's (UR) housing complex revitalization project. In light of the aging of housing complexes and their inhabitants, UR aims to revitalize areas by developing elderly facilities integrated with parks, stores, nursery schools and other facilities, and Tokyo Tatemono was selected as the private operator to build serviced housing for the elderly based on its track record of facilities open to the community.

This time, in addition to the basic criteria of housing for healthy and active senior citizens as well as those who require care, it

aims to add value through various activities such as multi-generation exchanges with the neighboring nursery school and interaction with surrounding residences, businesses and commercial facilities.

Not only is it located near the ocean in Shonan with the abundant nature of Tsujido Nishi-Kaigan, it is also adjacent to a large commercial facility with a variety of uses and well within reach of Tokyo and Yokohama stations as well as other parts of the cities. Tsukui Corporation, which manages the facility, provides information, lifestyle support and health management services to all residents along with nursing care insurance and a range of other care services.

This facility is based not on one company building everything from scratch but instead on tapping into the existing community such as the local housing association, while fostering a new community in collaboration with regional resources such as the neighboring nursery school and nearby residents, businesses and commercial facilities, and, rather than necessitating moving to a more rural area, providing comprehensive care in an urban continuing care retirement community (CCRC).

Urban Planning and the Utilization of AI, IoT and Other New Technologies

The economic and social structures of Japan are making a full-fledged transformation as the nation's birthrate is falling and its society aging while the working-age population is shrinking. In order to deal with these challenges and realize continued growth, productivity must be increased and innovation brought forth. AI (artificial intelligence), IoT (internet of things), big data and other new technologies are entering the spotlight as effective tools in dealing with these matters.

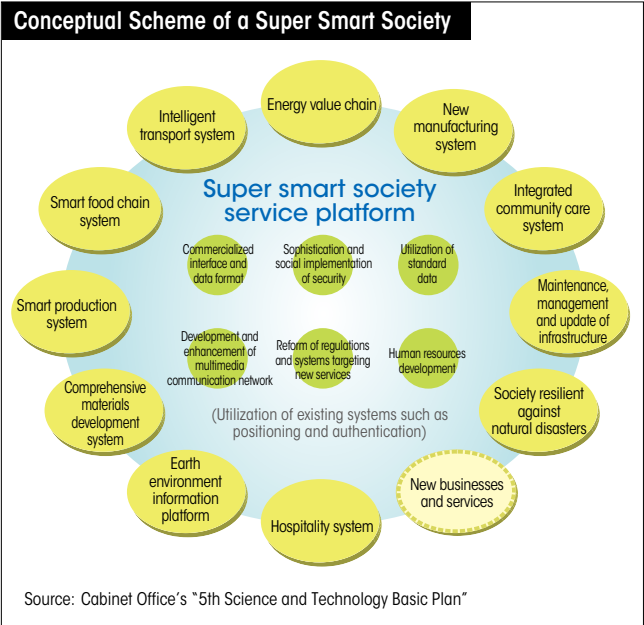
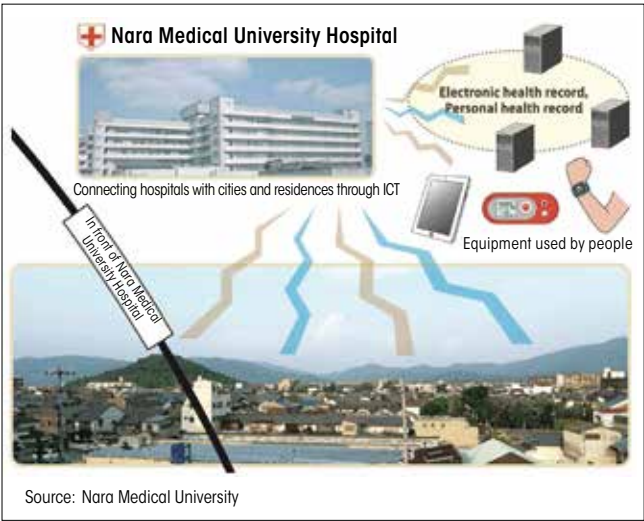
Utilization of such new technologies are being given primacy in political and industrial spheres as well, and the realization of Society 5.0 (a super smart society which utilizes innovation) is being promoted.

By sharing knowledge and information in a cross-cutting manner beyond individual industries and business types, Society 5.0 provides just the right amount of necessary things and services according to diverse needs. This is expected to create a more affluent society as everybody is able to receive good-quality services.

Amidst such developments, the real estate industry is implementing demonstration experiments utilizing ICT technology in order to further improve cities' disaster prevention capabilities and safety in its urban planning. Also, bases to support venture firms are being established as spaces for the generation of open innovation while systems are being developed in which startup companies can deepen relationships through shared offices and co-working spaces.

On the other hand, while it had been common for staff to gather at offices and work together, more companies are introducing telecommuting for workplace reform aimed at increasing productivity as well as for work-life balance. Offices that can accommodate these new and flexible work styles are being established as well.

In the field of housing, new technologies are being introduced in model rooms of for-sale condominiums such as with introduction of properties using AI and promotions utilizing VR and AR. Services which allow buyers to realistically experience and consider



Fields Related to ICT Technology Development and Urban Planning			
Change in technologies		Field	Component technologies (examples) of AI, IoT, big data, etc.
AI IoT BD	Development of automation through sensors, IT, etc.	Transportation	<ul style="list-style-type: none"> Automatic operation Automatic logistics and delivery services Care sharing
	Provision of added value through smart technology	Housing	<ul style="list-style-type: none"> Smart homes Smart crime and disaster prevention Energy saving and generation
	Evolution of remote communication	Living	<ul style="list-style-type: none"> Medical care: Monitoring telemedicine through wearable devices Household affairs and child care: Housekeeping robots and remote watching Leisure and community: Multi-language guides, automatic translation and smart hotels
	Increase of use of personal data	Jobs and work styles	<ul style="list-style-type: none"> Distance learning Telecommuting and shared offices RPA (robotic process automation) i-construction WELL Building (improvement of health, comfort and intellectual productivity)
	Facilitation of big data matching		
	Change in transportation		
	Greater efficiency in production		
	Place and hours of work		
	Greater efficiency in services		
	Open innovation		
	Permeation of a sharing economy		

MITSUI FUDOSAN WORKSTYLING PROJECT



WORKSTYLING locations:

URBAN

WORKSTYLING Kasumigaseki
WORKSTYLING Shinjuku
WORKSTYLING Osaki
WORKSTYLING Shinagawa
WORKSTYLING Shibuya
WORKSTYLING Ikebukuro
WORKSTYLING Shiodome
WORKSTYLING Toyosu
WORKSTYLING Hamamatsucho
WORKSTYLING Akihabara
WORKSTYLING Yaesu
WORKSTYLING Omotesando

SUBURBAN

WORKSTYLING Yokohama
WORKSTYLING Funabashi
WORKSTYLING Tachikawa
WORKSTYLING Kaihin-Makuhari
WORKSTYLING Machida
WORKSTYLING Kashiwa
WORKSTYLING Shin-Yokohama
WORKSTYLING Omiya

REGIONAL

WORKSTYLING Sendai
WORKSTYLING Hiroshima
WORKSTYLING Hakata
WORKSTYLING Umeda
WORKSTYLING Nagoya
WORKSTYLING Sapporo

(As of the end of March 2018)



Solutions to realize new ways of working

In April 2017, Mitsui Fudosan launched the WORKSTYLING Project to help realize a new way of working by providing multi-site shared offices for corporate clients. In response to the growing need in many companies for co-working spaces and satellite offices, this is a shared office service offering workers a wide variety of work place choices meeting their working style or life stage needs while they remain a member of a company, as well as addressing the challenge of ensuring a high level of security and bearing installation and operating costs.

The employees of WORKSTYLING's corporate clients can all use the offices with a pay-as-you-go system, and can search and reserve conference rooms using a dedicated online app. WORKSTYLING offers a framework that supports corporate clients and their employees in workplace reform by increasing convenience and productivity. For example, since this application enables centralized management of the entrance and exit history of users, corporate clients can manage the attendance of workers working outside of the company.

In October 2017, the WORKSTYLING Project: Multi-site shared office-based workplace reform won the Japan Institute of Design Promotion's 2017 Good Design Award in the Awareness Improvement and Management Methods for Industry category in

recognition of its appropriate response to social change as well as the precise needs of large companies as a service of great social significance.

In April 2018, this service will become WORKSTYLING SHARE and a new service, WORKSTYLING FLEX, will be introduced promoting an even more flexible way of working. In light of companies' diversifying business and management environments, this new service will offer flexible serviced offices for corporate clients to realize a new way of working. With easily modified plans, it provides office spaces not limited by purpose, number of people or length of period. Moreover, with WORKSTYLING FLEX as a hub and by using the nationwide network of WORKSTYLING SHARE, clients can achieve more flexible, productive and efficient work-styles.

In addition to WORKSTYLING, Mitsui Fudosan will also launch "BASE Q," a business collaboration hub to support the creation of new industries, on the sixth floor of TOKYO MIDTOWN HIBIYA, which had its grand opening on March 29 and aims to work with Hibiya Park and nearby theaters and cinemas to spread arts and culture. This will be a place of interaction between venture companies, NPOs, the business development personnel of large companies, creators and others seeking to create new value and solve social issues. Mitsui Fudosan supports large companies in achieving results through open innovation as well as the growth of venture companies and the revitalization of the Japanese economy.

the products are starting to be introduced. Also, next-generation smart houses that use energy efficiently, control home appliances and facilities and even manage the health of residents are being developed. There are also residences equipped with AI speakers.

Moreover, smart cities are being developed which can comprehensively control the energy of condominiums, offices and city blocks while providing various services for living such as watching over, caring for and supporting

the health of the elderly, and demonstration experiments aimed realizing smart communities adjusted to aged societies are underway.

In this way, various initiatives are being advanced through the utilization of new technologies to realize affluent residential lives and establish business environments with an eye on the possibility that new technologies like AI and IoT may permeate all areas of society and that the structures of cities may change significantly.

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. Rehabilitation of the sufferers' livelihoods and recovery of the affected areas are top priorities to be addressed by the entire country.

Moreover, an important lesson was learned from the earthquake: to reinforce disaster prevention functions and create safe and secure cities. As such, the Ministry of Land, Infrastructure, Transport and Tourism amended part of the Enforcement Ordinance of Construction Standard Law that specified the non-inclusion of storehouses for disaster prevention and mitigation and that sections be set apart for private power generators, etc. in the floor area ratio (enforced in September 2012). The Tokyo Metropolitan

Report of the Committee for the Study of the Role of the Real Estate Industry in Reinforcing Disaster Prevention Functions of Cities (Summary)

Initiatives that ought to be promoted by the real estate industry for development of cities with excellent disaster prevention

<Development of cities with excellent disaster prevention>			
(1) Promotion of integral urban development that reinforces disaster prevention performance of districts and areas		(4) Promotion of area management activities and the construction of cooperative relationships between various entities involved	
(2) Improvement of disaster prevention performance of transport terminals, etc.		(5) Consideration of the safety and security of employees, tenants, visitors and residents	
(3) Improvement of disaster prevention performance of individual buildings			
<Office buildings with excellent disaster prevention>		<Condominiums with excellent disaster prevention>	
Hard	(1) Increasing reserve fuel of emergency power generators at office buildings to be newly built, etc.	(1) Promotion of establishment of disaster management storehouses	<Countermeasures for people having difficulty returning home>
	(2) Installment of emergency power generators such as cogeneration facilities at large-scale office buildings to be newly built	(2) Increasing reserve fuel of emergency power generators at large-scale condominiums, etc.	
	(3) Water damage countermeasures to prevent the loss of emergency power at office buildings to be newly built	(3) Long-period ground motion measures for skyscraper condominiums to be newly built	
	(4) Promotion of disaster prevention renovation for existing office buildings	(4) Water damage countermeasures to prevent the loss of emergency power	
	(5) Quick responses to elevator lock-ins and restoration		
	(6) Long-period ground motion measures, introduction of monitoring systems, etc. for skyscraper office buildings		
Soft	(7) Awareness activities concerning disaster prevention (evacuation, anti-disaster stockpile, etc.) for tenants	(5) Promotion of measures to prevent the falling of furniture	(1) Making sure people know to stay patient and to prevent people from leaving at once
	(8) Promotion of measures to prevent the falling of fixtures, OA equipment, etc. (deliberation on guidelines, etc.)	(6) Promotion of activities for residents' awareness of disaster prevention and self-reliance	
	(9) Promotion of periodic implementation of communications training, training for walking home, safety confirmation (including families) training, etc.		
	(10) Promotion of the establishment of cooperation among involved industries for innovation in disaster prevention-related technologies		

Note: While some initiatives are both "hard" and "soft," the above have been classified as either "hard" or "soft" according to their main initiatives.

<The role of the private sector under public-private cooperation>

- Promotion of urban development that utilizes business know-how and financial muscle acquired by the private sector
- Promotion of disaster prevention initiatives through cooperation of various involved parties
- Awareness activities targeting tenants of buildings and residents of condominiums
- Response to countermeasures for people having difficulty returning home

Support expected from the public sector under public-private cooperation

Policy for advancing area-wide improvement

Policy for forming quality stock

Comprehensive policy for promoting disaster prevention measures

Government also enacted an ordinance for people having difficulty returning home that codifies initiatives dealing with such people for government, businesses and citizens (announced in March 2012; enforced in April 2013).

1. Enhance Building Quality and Construct Networks of Entire City

In the Tokyo metropolitan area, high-rise building structures had only slight damage from the earthquake, proving their high earthquake-resistant performance. However, there were some areas in which buildings tilted (primarily stand-alone houses) due to soil liquefaction. In addition, 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 occurrences, national and local governments are promoting the creation of strong cities that are resilient to disasters.

As part of this endeavor, the real estate industry, which supplies buildings and condominiums, is specifically required to provide safe and secure working and living environments. 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 important to construct high-grade disaster prevention functions and energy networks, etc. within an entire city by enhancing coordination with responsible organizations and relevant parties within the community and 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 in unison for communities. As part of this process, the real estate industry needs to investigate what suggestions it should make. For this purpose, in November 2011 The Real Estate Companies Association of Japan established the "Committee for the Study of the Role of the Real Estate Industry in Reinforcing Disaster Prevention Functions of Cities" (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

It is also essential to revitalize the Japanese economy in order to support the victims and help the affected areas recover. To achieve this, it is necessary to promote enhancing the global competitiveness of major cities while further improving their disaster prevention capability as well as steadily implement measures such as forming a good stock of houses by supplying houses with excellent earthquake resistance and energy-saving qualities and planning eco-friendly, low-carbon cities.

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

With an aim to eliminate boryokudan (organized crime groups) and other anti-social forces from corporate activities, the government compiled the Guidelines 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 published in December 2010. Tokyo and Okinawa Prefecture also enforced local ordinances prohibiting companies from trading with organized crime groups in October 2011, which has 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 Promotion Center (formerly the Real Estate Transaction Modernization Center) in December 2007 with an aim to appropriately respond to the enforcement of the Act on Prevention of Transfer of Criminal Proceeds and establish a relevant compliance system. The Council worked to encourage establishment of responsibility structures and prevention of damages.

In September 2011, 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 Promotion Center, which was formerly known as 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, information exchanges, etc.

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

Meanwhile, with the ongoing globalization of economic and financial services in today's society, international cooperation to prevent money laundering is essential. Collaborative efforts in this regard are being undertaken by various countries, along with standardization of recommendations made by the FATF (Financial Action Task Force), an inter-governmental body that combats money laundering.

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.

In April 2013, partial revisions to the act were enacted, which require steps such as the addition of items for confirmation in transactions, addition of the category for high-risk transactions, and addition of measures for accuracy of transaction confirmations (effort for implementation of educational training).

Furthermore, with the revision to the act in 2014 and the governmental and ministerial ordinance revision in 2015, requirements were put in place such as clarification of the method for judging whether a transaction request is suspicious, enhanced system development efforts for specified businesses, identity verification method when ID documents with no photo

are used, a method for verifying the person who has substantial control of a juridical person, stringent verification procedures at the time of transactions involving foreign PEPs (politically exposed persons), 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.



Political, Social and Economic Events; Real Estate-Related Policy

Year	Political, Social and 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 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 or less; 39% to 32.5% for more than ¥40 million to ¥80 million or less); Reduction in focused corporate tax rate (very short period 30% to 15%, short period 20% to 10% and general 10% to 5%); Enlargement of special measure for taxation standard on land acquisition (registration license tax 50/100 to 40/100 and real estate acquisition tax 2/3 to 1/2).	Hold general meeting of International Real Estate Federation in Tokyo; Chairman Tsuboi of the Real Estate Companies Association of Japan suddenly passes away and Mitsui Fudosan President Junichiro Tanaka assumes the chairmanship.
1997	Consumption tax rate raised; Failure of the Hokkaido Takushoku Bank and Yamaichi Securities; Opening of the Trans-Tokyo Bay Highway.	Act on Promotion of Improvement of Disaster Control Districts in Populated Urban Districts (creation of a system for planning the improvement area of disaster prevention districts and improvement associations for disaster prevention zones); Revision to the City Planning Law and Building Standards Law (creation of zones for attracting high-rise housing and rationalization of FAR rules for condominiums and other joint housing); Creation of a type of sophisticated use zone for upgrading functions; Creation of a general design system by lot size; Creation of mini lot readjustments.	New General Land Policy Promotion Outline (proclaimed that the new objective of land policy would shift from suppressing land prices to efficient land use; Aim to invigorate land transactions); Revision to the GHLC Law (extended the preferential interest rate terms and repayment period for loans when buying certain existing housing); Bring transparency, simplicity and speed to procedure for approving use conversion for agricultural land.	Reduction and deferment of burden from the perspective of balancing the burden standard of real property tax, etc.; <Revisions to reduce the burden when acquiring housing in line with the increase in consumption tax rate to 5%> Enlargement of housing acquisition promotion tax system and phased reduction in residing years (maximum of ¥1.8 million in 1997, ¥1.7 million in 1998, ¥1.6 million in 1999 and ¥1.5 million 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 to ¥12 million); 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.

Year	Political, Social and Economic Events	Land Planning, City Planning, Architectural Regulations, etc.	Land and Housing Policy	Land and Housing Taxation	Real Estate Industry News
1998	Nagano Olympics; Financial Reconstruction Law, etc.; Act on Emergency Measures for Early Strengthening of Financial Functions; Nationalization of the Long-Term Credit Bank of Japan and the Nippon Credit Bank.	Revision to the City Planning Law (expansion of the area for which district plans can be established within urbanization adjustment districts, diversification of special use districts, etc.); Revision to the Building Standards Law (a. Establishing rules for the performance of building standards, b. Rationalization of rules concerning sunlight, etc., c. Opening of structure confirmation and inspection business to private sector, etc.; Revision to the City Redevelopment Law and Law on the Loaning of Urban Development Funds expansion of cities subject to the establishment of city redevelopment policies, creation of a system for participants in special projects and creation of a system for certifying redevelopment projects); Law on Improvement and Vitalization in City Center (promotion of comprehensive and integrated measures based on the improvement of city areas and activating commerce utilizing the creativity of the area, in order to activate city centers that are 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 or less and 32.5% for more than ¥60 million); Elimination of weighted tax on very short-term ownership by corporations; Non-application of short-term and general ownership categories (through 2000); Abolishment of restrictions on including interests on loans when corporations acquire land as expenses; Creation of system for carrying forward deduction of capital losses on residential property; Application of measures to reduce real estate acquisition taxes and real property taxes on second homes.	Law on Securitization of Specified Assets by Special Purpose Companies (SPC Law).
1999	Criticality accident in Tokaimura, Ibaraki; Mergers or business mergers between major banks, etc.; Response to Y2K.	Revision to the Act concerning Lending of Urban Development Funds (smoothing the capital raising process; enhancing measures for efficiently using land with low use or non-use; improving and enhancing redevelopment methods); Promoting efficient use of former factory sites (circular from the City Bureau and Housing Bureau Chiefs).	Special Provisions Law concerning Promotion of the Supply of Good Quality Leased Housing (creation of fixed-term leasehold rights and enforcement in 2000); Housing Quality Assurance Law (requirement of 10-year warranty and enforcement in 2000).	Creation of new housing loan deduction system (deduction period of 15 years, etc.); Enhancement of system for carrying forward deduction of capital losses for residential property; Improvement of special exception to cash gift for acquiring housing; Reduction in tax rate on personal long-term ownership transfer income tax (uniform 26%); Improvement in special measure for registration and license tax; Enhancement of special measures for real estate acquisition tax related to the house and its lot.	Launch of the Housing & Urban Development Corporation; Real estate monetization and securitization; Internet transactions take off.
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 rises.	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 dismantling of construction materials and such; recycling of specified construction 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 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 by MLIT in January.	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 take on a portion of the original functions.	Creation of new housing loan deduction system (deduction rate of 1%; borrowing limit of ¥50 million; deduction period of 10 years); Enhancement of donation tax on house acquisition funds (tax exempt limit of ¥5.5 million); 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; Korea/Japan World Cup held; "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 (conferal 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.
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.

Year	Political, Social and Economic Events	Land Planning, City Planning, Architectural Regulations, etc.	Land and Housing Policy	Land and Housing Taxation	Real Estate Industry News
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, is abolished and instead, the Japan Housing Finance Agency, an independent administrative institution, is established to support and supplement loans for the housing fund; Kubota Corporation, a machinery manufacturer, announces to the public that employees working at Kubota's factory have 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 spreads 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).	Hiromichi Iwasa (President of Mitsui Fudosan) inaugurated as the president of the Real Estate Companies Association of Japan; Tsukuba Express which cuts travel from Akihabara to Tsukuba in 45 minutes is opened in August; Trust in safety of buildings is shaken 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 completed; Vacancy rate in central Tokyo improves.
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 is enacted. Three urban development laws 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 reveals 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 reaches 40 in December and the aggregate market value increases to about ¥5 trillion.
2007	Inauguration of the Fukuda Cabinet in September.	The Law to Revise Portions of the Urban Rejuvenation Law is enacted. Law to Secure Execution of Defect Warranty for Specific Housing is enacted.	Japan Housing Finance Agency 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 concerning specified sector housing development projects.	Financial Instruments and Exchanges Law enacted. Tokyo Midtown, Shin-Marunouchi Building, Kasumigaseki Common Gate and other buildings completed.

Year	Political, Social and Economic Events	Land Planning, City Planning, Architectural Regulations, etc.	Land and Housing Policy	Land and Housing Taxation	Real Estate Industry News
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) approved at a Cabinet meeting.	Emergency Measures for Activation of Housing/Real Estate Market 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 concerning specified sector housing development projects.	Law for Prevention of Transfer of Criminal Proceeds enacted. Real estate companies successively go under.
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 announced. Emergency Economic Countermeasures for Future Growth and Security announced. Eco-point system for housing established. New Growth Strategy (basic policies) announced.	Tax Reduction System for Housing Loans extended and expanded, Tax Reduction System for Long-term Excellent Houses established, etc.; Special income tax deduction for barrier free and energy conservation renovations of existing houses established; Tax rate for registration license tax related to real estate transactions left unchanged; Special measures to arouse demand for land during the economic recovery established.	Real Estate Market Stabilization Fund established. Both land prices that were published and land prices according to surveys by prefectures decrease nationwide. The number of new housing constructions falls under 1 million units to 780,000 units for the first time in 42 years. Completion of construction of 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 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) 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 wins 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 Tokyo Plaza Omotesando Harajuku completed.

Year	Political, Social and Economic Events	Land Planning, City Planning, Architectural Regulations, etc.	Land and Housing Policy	Land and Housing Taxation	Real Estate Industry News
2013	Introduction of Special Reconstruction Income Tax (until 2037) in January; Prime Minister Abe declares intent to participate in TPP negotiations in March; Tokyo selected as host of the 2020 Summer Olympics/ Paralympics in September; in October, it is decided to raise consumption tax to 8% starting 2014.	Passage of National Strategic Special Zone Law; Passage of Industrial Competitiveness Enhancement Act; Passage of Basic Law of National Land Enhancement;	Ministry of Land, Infrastructure, Transport, and Tourism formulates Inspection Guidelines for Existing Housing; City of Tokyo implements Special Development Zones to Advance Fire Resistance and creates housing subsidy system; Amendment to the Real Estate Specified Joint Enterprise Act passed; Revised Seismic Retrofitting Promotion Law passed; Implementation of 100% financing for Flat 35 mortgages, and further lowering of Flat 35S interest rate; Finalization of Japan Revitalization Strategy.	Measures accompanying consumption tax rate hike (relating to home buying, etc.); Extension of the Urban Renewal Promotion Tax system; Creation of special exceptions in order to strengthen disaster-prevention capacity of cities; Creation of tax system-related preferential measures for intensive urban development projects; Extension and expansion of special exceptions for stamp tax on real estate transaction contracts.	City of Osaka opens Grand Front Osaka redevelopment of former Umeda Freight Station site; Completion of Otemachi Tower; Japan Association of Home Suppliers and National Federation of Housing Industry Associations merge to form the National Housing Industry Association.
2014	Consumption tax increased to 8% in April; Basic Policies for Economic and Fiscal Management (Big-Boned Policy) approved by Cabinet in June; Bank of Japan approves additional monetary easing in October; Postponement of next consumption tax hike announced in November; Third Abe Cabinet inaugurated in December.	Implementation of Law to Revise Portions of the Special Measures Act for Urban Renaissance; Passage of City, People, and Job Creation Act; Passage of Law to Revise Portions of the Local Revitalization Act; Implementation of Law to Revise Portions of the Basic Act on Disaster Control Measures; Passage of Law to Revise Portions of the Act on Sediment Disaster Countermeasures for Sediment Disaster Prone Areas; Passage of Vacant Houses Special Measures Act.	Publication of Individual Residence Rental Promotion Investigative Committee report; Formulation of Real Estate Information Stock System Basic Plan; Publication of Guidelines for Application of Health Care REITs; Finalization of revised Japan Revitalization Strategy; Formulation of Japan Construction and Real Estate Industry Strategy Based on Market Analysis by International Region; Passage of Vacant Houses Special Measures Act; Implementation of revised Act on Facilitation of Reconstruction of Condominiums.	Extension of system for carrying forward transfer losses in cases of residential property replacement, etc.; Extension of system for carrying forward transfer losses on specified residential properties; Extension of measures to reduce fixed asset tax for newly constructed housing; Extension of measures to reduce registration license tax for registering ownership of certified long-life quality housing; Extension of measures to reduce real estate acquisition tax on housing and land.	Abeno Harukas is completed, becoming the tallest building in Japan; Completion of construction of Toranomon Hills; Passage of revised Building Lots and Buildings Transactions Act.
2015	Battleship Island and others granted World Cultural Heritage Status in July; Third Abe Cabinet is reshuffled and adopts the slogan "A Society with 100 Million Active Citizens" in October; In December, the LDP agrees with the Komeito to introduce a reduced tax rate with the raising of the consumption tax rate to 10%; In December, an agreement is adopted at COP21.	Passage of the Act on Improvement of Energy Consumption Performance of Buildings; Changes to National Spatial Strategies approved by Cabinet.	Publication of Existing Home Market Vitalization Round Table report; Passage of bill proposing partial amendment of the Act on National Strategic Special Zones and Act on Special Districts for Structural Reform; The number of certified low-carbon houses surpasses 9,000 units; Start of pilot program to provide Explanation of Important Matters documents using IT.	Extension of special measures on replacement of commercial property concerning land owned over the long term; Extension of measures to adjust burden of real property tax on land; Extension of urban renaissance promotion taxation system; Enhancement of special measures relating to National Strategic Special Zones; Enhancement and expansion of special measures relating to donations of funds for housing purchases, etc.	Opening of Hokuriku Shinkansen line between Nagano and Kanazawa; Change of terminology to "real estate transaction specialist" based on enactment of partial amendment to Building Lots and Buildings Transaction Business Act; Real Estate Transaction Modernization Center Foundation changes name to Real Estate Transaction Promotion Center; MIPI held in Japan for the first time; Completion of Dai Nagoya Building.

Year	Political, Social and Economic Events	Land Planning, City Planning, Architectural Regulations, etc.	Land and Housing Policy	Land and Housing Taxation	Real Estate Industry News
2016	<p>In January, the individual number (My Number) system is launched</p> <p>In February, the Bank of Japan introduces negative inflation</p> <p>In April, the 2016 Kumamoto earthquakes occur</p> <p>In May, the G7 Ise-Shima Summit is held</p> <p>In May, raising of the consumption tax to 10% is postponed</p> <p>Starting with the May House of Councillors election, the voting age is lowered to 18</p> <p>In August and September, the Rio Olympics and Paralympics are held</p> <p>In August, the 3rd Abe Cabinet is reshuffled</p> <p>In November, the Paris Agreement comes into effect</p>	<p>Partial revision of Special Measures Act for Urban Renaissance (extension of approval application period for private urban redevelopment business plans, etc.).</p> <p>Establishment of system to ease floor area ratio restrictions, especially when developing lodging facilities.</p>	<p>New Basic Plan for Housing (National Plan) approved at Cabinet meeting.</p> <p>Real Estate Brokerage Act revised to promote building inspection activities.</p>	<p>Extension of measures to reduce fixed asset tax for newly constructed housing.</p> <p>Extension and expansion of special measures relating to National Strategic Special Zones.</p> <p>Establishment of special measures to reduce incidence of vacant homes.</p> <p>Establishment of special measures for cases involving renovation of homes to accommodate three generations in the same household.</p>	<p>Hokkaido Shinkansen (Shin-Aomori to Shin-Hakodate-Hokuto).</p> <p>Privatization of Kansai International Airport and Osaka International Airport.</p> <p>Development of IT-related services (IoT, real estate technology, etc.).</p> <p>IT-based statement pilot program: 564 cases in 1 year.</p>
2017	<p>In January, Donald Trump was inaugurated as President of the United States of America;</p> <p>The first Premium Friday was implemented on February 24;</p> <p>In March, the Action Plan for the Realization of Work Style Reform was compiled;</p> <p>The House of Representatives elections were held in October;</p> <p>In November, the Abe Cabinet was inaugurated for the fourth time, many in the manufacturing industry were discovered to be tampering with data, and the problem of land with unknown owners gained attention.</p>	<p>Flexible operations contrived for Redevelopment Promotion Areas;</p> <p>Revision of Urban Green Space Conservation Act, City Parks Act, Productive Green Space Act, etc.;</p> <p>Clarification of delivery box capacity exclusion;</p> <p>Technical advice regarding introduction of new packages for the realization of joint contribution in multiple private urban development projects given to local public organizations.</p>	<p>Removal of ban on Explanation on Important Matters using IT systems (lease contracts).</p>	<p>Extension of exceptions for replacement purchases of business assets relating to long-term ownership of land;</p> <p>Extension of urban renaissance promotion taxation system;</p> <p>Expansion of tax reforms that will help stimulate the existing housing market;</p> <p>Revision of local taxation (fixed assets, etc.) relating to residential high-rise buildings (tower blocks).</p>	<p>Masanobu Komoda (President of Mitsui Fudosan) inaugurated as the president of the Real Estate Companies Association of Japan;</p> <p>Expansion of the sharing economy;</p> <p>Some roadside land prices in Tokyo and Ginza reach record levels.</p> <p>GINZA SIX and AKASAKA INTERCITY AIR open.</p>

Overview of Present Land and Housing Taxation

	Personal	Corporation																		
Acquisition	<div>○ Income tax (national tax) ○ Personal residential tax (local tax)</div> <div>• The Housing loan tax deduction system: If taking out a mortgage to buy a house, for a 10-year period 1% of the mortgage balance at the end of each year is deducted from income tax. If deduction from income tax is not possible, a portion will be deducted from residence tax.</div> <table><tr><th>Applicable Tax Rate</th><th>Maximum Loan Amount Covered by Deduction*2</th><th>Deduction Rate</th><th>Deduction Period</th><th>Maximum Amount Deducted from Income Tax*2</th><th>Maximum Amount Deducted from Residence Tax</th><th>Main Requirements</th></tr><tr><td>8% or 10%</td><td>¥40 million (¥50 million)</td><td rowspan="2">1.0%</td><td rowspan="2">10 years</td><td>¥4 million (¥5 million)</td><td>¥136,500 per year</td><td rowspan="2">1) Floor space must be 50 m² or more 2) Loan repayment period must be 10 years or more</td></tr><tr><td>Person other than the above*1</td><td>¥20 million (¥30 million)</td><td>¥2 million (¥3 million)</td><td>¥97,500 per year</td></tr></table> <div>*1 Applied in cases where housing is acquired based on application of the 5% consumption tax rate and in cases where existing housing is acquired via a transaction between individuals.</div> <div>*2 Figures in parentheses are for long-life quality housing and low-carbon housing.</div> <div>• 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 2017.*1</div>		Applicable Tax Rate	Maximum Loan Amount Covered by Deduction*2	Deduction Rate	Deduction Period	Maximum Amount Deducted from Income Tax*2	Maximum Amount Deducted from Residence Tax	Main Requirements	8% or 10%	¥40 million (¥50 million)	1.0%	10 years	¥4 million (¥5 million)	¥136,500 per year	1) Floor space must be 50 m ² or more 2) Loan repayment period must be 10 years or more	Person other than the above*1	¥20 million (¥30 million)	¥2 million (¥3 million)	¥97,500 per year
	Applicable Tax Rate	Maximum Loan Amount Covered by Deduction*2	Deduction Rate	Deduction Period	Maximum Amount Deducted from Income Tax*2	Maximum Amount Deducted from Residence Tax	Main Requirements													
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	Person other than the above*1	¥20 million (¥30 million)			¥2 million (¥3 million)	¥97,500 per year														
	○ Real estate acquisition tax (municipal tax): 3% of real property tax assessment amount on housing or land purchasers (limited measure through March 2018)*1 and extension prolonging special measures on residential land taxation standards (1/2; limited measure through the end of March 2018)*1 .																			
	○ Stamp tax (national tax): Taxation in accordance with contract amount on the preparation of sales contracts, etc. (*Special reduction measures exist for real estate transaction contracts).																			
	○ Registration and license tax (national tax): Taxed when registering real estate (*Special reduction measures exist for certain houses).																			
	(Inheritance)	○ Inheritance tax (national tax): Taxation of 10-55% depending on the inheritance tax assessment amount.																		
		(Gift) <div>○ Gift tax (national tax): There are special tax exemption cases if gift funds for purchasing a home are received from a lineal ascendant (temporary measure until the end of December 2021)</div>																		
	Ownership	○ 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).																		
○ 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).																				
○ Land value tax (national tax): Annual tax of 0.15% on valuation amount under inheritance tax law levied on landowners and leaseholders *Application has been suspended for the time being (from 1998).																				
Transfer	<div>○ Income tax (national tax and capital gains)</div> <div>○ Personal residential tax (local tax and capital gains):</div> <div>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%*2 + residential tax 5%).</div> <div>2) Superior transfer after long-term ownership *1: The following applies to capital gains on specific land owned for more than 5 years. 14% on a portion ¥20 million or less (income tax 10%*2 + residential tax 4%) 20% on a portion more than ¥20 million (income tax 15%*2 + residential tax 5%). *Special measure through the end of December 2019</div> <div>3) Transfer of residential property: After subtracting the special deduction of ¥30 million on capital gains from residential land and buildings owned for more than 10 years; 14% on a portion ¥60 million or less (income tax 10%*2 + residential tax 4%); 20% on a portion more than ¥60 million (income tax 15%*2 + residential tax 5%).</div>	<div>○ Corporation tax (national tax) *1: Only corporation tax regardless of possession period *Special measure through the end of March 2020</div> <div>○ Corporate inhabitant tax (municipal tax)</div> <div>○ Corporate enterprise tax (municipal tax)</div> <div>4) Short-term transfer: 39% of capital gains on capital gains from land owned for 5 years or less (income tax 30%*2 + residential tax 9%). However, 20% for transfers to the State, etc. (income tax 15%*2 + residential tax 5%).</div>																		

*1: Item for which an extension of the applicable period is expected based on 2018 tax system revisions (see next page).

*2: From 2013 to 2037, a reconstruction tax of 2.1% will be added to the calculated tax amount.

The following revisions are anticipated regarding the land and housing tax system in the 2018 revisions

■ Land Tax System

1. 3-year extension of measures to adjust burden of real property tax on land
2. 3-year extension of exceptions for real estate acquisition tax concerning land and residential buildings
3. 2-year extension of exceptions for stamp tax on real estate transaction contracts
4. 3-year extension of system of special deduction of ¥15 million concerning specified sector housing development projects

■ Urban Tax System

1. 2-year extension of exceptions relating to National Strategic Special Zones
2. 2-year extension of exceptions for International Strategy Comprehensive Special Zones
3. Establishment of measures to support countermeasures for low-usage and unused land in cities
4. 2-year extension of special measures for the establishment of urban functions for the realization of urban reconstruction
5. Enhancement of consumption tax exemption system for foreign tourists
6. 3-year extension of special measures concerning rainwater storage permeating facilities

■ Housing Tax System

1. 2-year extension of measures to reduce fixed asset tax for newly constructed housing
2. 2-year extension of exemptions for purchasing and selling residential properties
3. 2-year extension of exceptions for real estate acquisition tax concerning acquisition of housing and housing lots
4. 2-year extension of special measures for purchase and resale of housing
5. 2-year extension of exceptions for long-life quality housing
6. 2-year extension of exceptions for certified low-carbon houses
7. 2-year extension of exceptions concerning the promotion of rebuilding aged condominiums, etc.
8. 2-year extension of exceptions concerning earthquake resistance, energy saving, impediment removal and long-term quality renovations, etc.



Real Estate-Related Data

Land Prices

History of Year-on-Year Changes in Published Land Prices

(unit: %)

Study Year		1985	1990	1995	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Residential	Usage, etc.	1.7	6.6	-2.9	-3.0	-6.4	-6.8	-5.8	-5.9	-5.6	-4.7	-3.2	-0.9	3.6	5.5	-4.4	-4.9	-1.7	-1.6	-0.7	0.7	0.5	0.6	0.7
	Tokyo metropolitan area	3.0	56.1	-1.9	-1.5	-5.2	-6.1	-6.7	-8.6	-8.8	-8.0	-5.2	-1.6	1.8	2.7	-2.0	-4.8	-2.4	-1.3	-0.9	-0.1	0.0	0.1	0.0
	Osaka metropolitan area	1.6	20.2	-4.0	-0.8	-3.3	-1.8	-1.9	-4.4	-5.6	-4.9	-3.3	-1.3	1.7	2.8	-2.8	-2.5	-0.6	-0.4	0.0	1.1	0.8	0.8	0.6
	Nagoya metropolitan area	2.0	22.0	-2.8	-2.2	-5.7	-5.9	-5.6	-6.5	-6.5	-5.7	-3.7	-1.2	2.8	4.3	-3.5	-4.5	-1.8	-1.3	-0.6	0.5	0.4	0.5	0.5
	3 major metropolis average	2.4	11.4	-0.3	-0.6	-1.9	-2.3	-2.8	-4.0	-5.1	-5.7	-5.4	-4.2	-2.7	-1.8	-2.8	-3.8	-3.6	-3.3	-2.5	-1.5	-1.1	-0.7	-0.4
	National average	2.2	17.0	-1.6	-1.4	-3.8	-4.1	-4.2	-5.2	-5.8	-5.7	-4.6	-2.7	0.1	1.3	-3.2	-4.2	-2.7	-2.3	-1.6	-0.6	-0.4	-0.2	0.0
Commercial	Tokyo metropolitan area	7.2	4.8	-15.4	-8.2	-10.1	-9.6	-8.0	-7.4	-5.8	-4.5	-2.5	1.0	9.4	12.2	-6.1	-7.3	-2.5	-1.9	-0.5	1.7	2.0	2.7	3.1
	Osaka metropolitan area	5.0	46.3	-15.3	-6.8	-9.6	-11.3	-11.0	-11.3	-10.2	-8.8	-5.0	0.8	8.3	7.2	-3.3	-7.4	-3.6	-1.7	-0.5	1.4	1.5	3.3	4.1
	Nagoya metropolitan area	2.7	22.4	-12.7	-6.2	-11.2	-7.3	-5.6	-8.1	-8.0	-6.0	-3.3	0.9	7.8	8.4	-5.9	-6.1	-1.2	-0.8	-0.3	1.8	1.4	2.7	2.5
	3 major metropolis average	5.8	18.6	-14.8	-7.5	-10.2	-9.6	-8.3	-8.5	-7.1	-5.8	-3.2	1.0	8.9	10.4	-5.4	-7.1	-2.5	-1.6	-0.5	1.6	1.8	2.9	3.3
	Local average	2.6	15.4	-5.5	-5.1	-6.8	-7.0	-7.0	-8.1	-8.7	-8.7	-7.5	-5.5	-2.8	-1.4	-4.2	-5.3	-4.8	-4.3	-3.3	-2.1	-1.4	-0.5	-0.1
	National average	3.8	16.7	-10.0	-6.1	-8.1	-8.0	-7.5	-8.3	-8.0	-7.4	-5.6	-2.7	2.3	3.8	-4.7	-6.1	-3.8	-3.1	-2.1	-0.5	0.0	0.9	1.4
All usage	Tokyo metropolitan area	2.4	7.2	-5.0	-3.9	-7.1	-7.4	-6.4	-6.4	-5.9	-4.9	-3.2	-0.7	4.6	6.7	-4.7	-5.4	-1.9	-1.7	-0.6	0.9	0.9	1.1	1.3
	Osaka metropolitan area	3.2	53.9	-4.0	-2.3	-5.9	-6.9	-7.4	-9.1	-9.1	-8.3	-5.4	-1.4	2.7	3.4	-2.3	-5.3	-2.7	-1.5	-0.9	0.2	0.3	0.8	0.9
	Nagoya metropolitan area	1.7	19.9	-5.6	-1.9	-4.9	-3.0	-2.8	-5.3	-6.1	-5.3	-3.5	-1.0	2.8	3.8	-3.5	-3.3	-0.8	-0.6	-0.1	1.2	0.9	1.3	1.1
	3 major metropolis average	2.5	22.1	-4.8	-3.2	-6.4	-6.6	-6.1	-6.9	-6.8	-5.9	-3.9	-0.9	3.8	5.3	-3.8	-5.0	-2.0	-1.5	-0.6	0.7	0.7	1.1	1.1
	Local average	2.3	11.7	-1.2	-1.7	-3.0	-3.4	-3.8	-5.0	-6.0	-6.5	-6.0	-4.6	-2.8	-1.8	-3.2	-4.2	-3.9	-3.6	-2.8	-1.7	-1.2	-0.7	-0.3
	National average	2.4	16.6	-3.0	-2.4	-4.6	-4.9	-4.9	-5.9	-6.4	-6.2	-5.0	-2.8	0.4	1.7	-3.5	-4.6	-3.0	-2.6	-1.8	-0.6	-0.3	0.1	0.4

Source: Public Notice of Land Prices, Ministry of Land, Infrastructure, Transport and Tourism.

Notes: 1. For each year, the change rate is the simple average of standard land price change rates since the previous year.

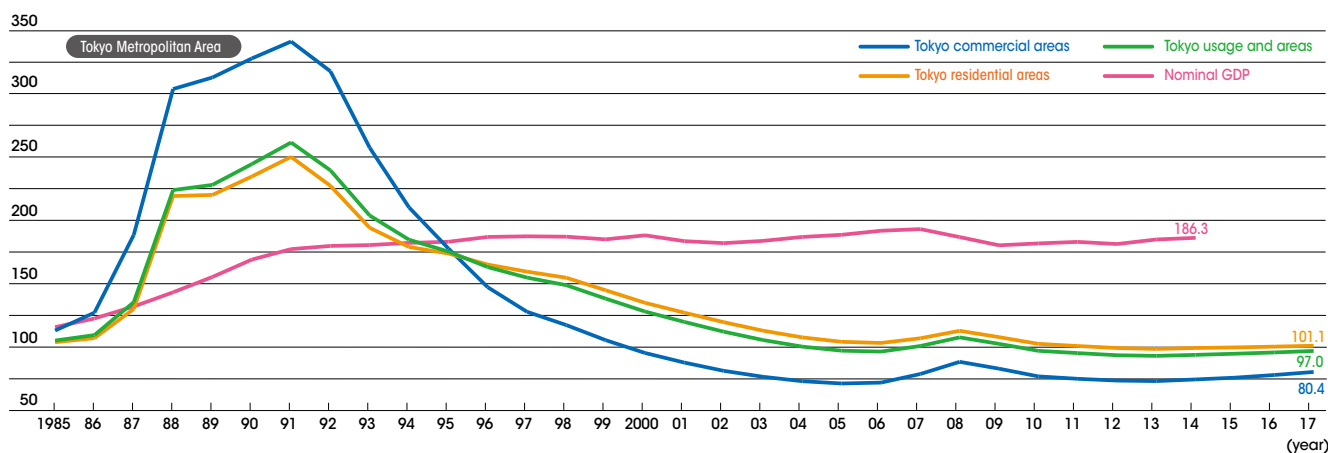
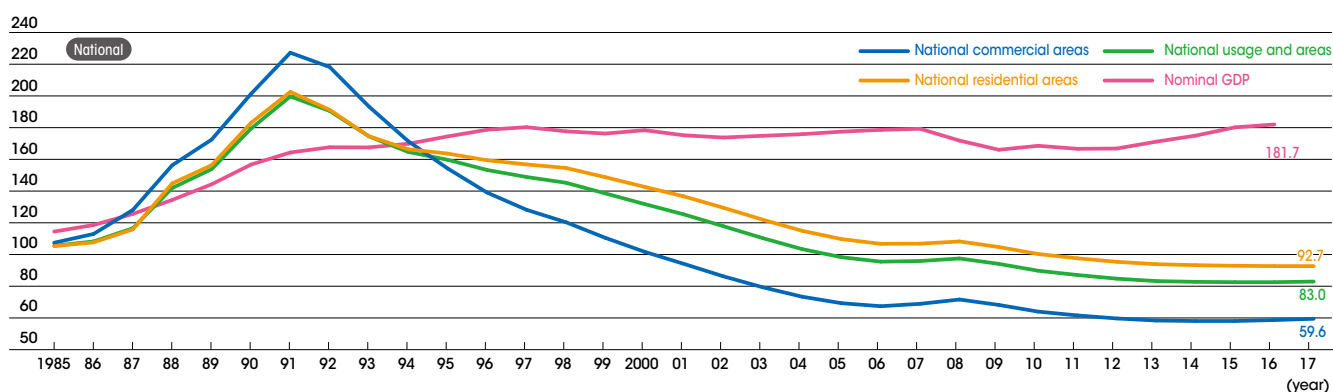
2. Land areas are divided as follows

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 with 1983 as 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.

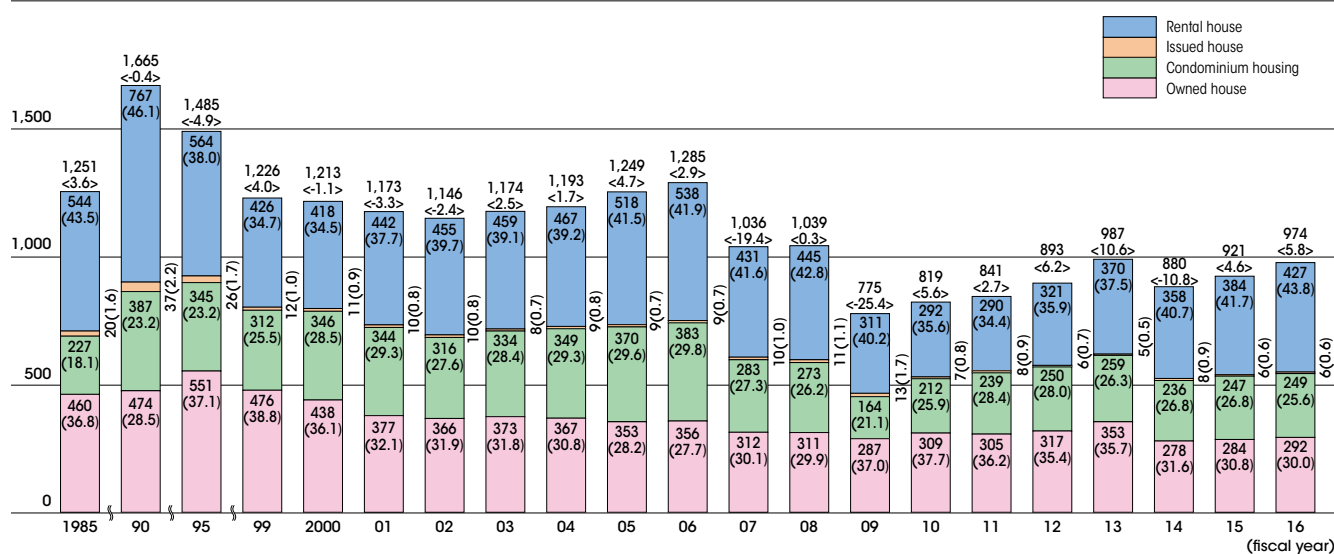
2. The nominal GDP and the Tokyo Metropolitan Area GDP represent figures for respective fiscal years.

3. The nominal GDP figures were calculated based on 93SNA (fixed-base method) until 1993 and based on 08SNA (chain-linking method) for 1994 and after.

Housing and Housing Lots

History of Housing Starts

2,000 (thousand units)



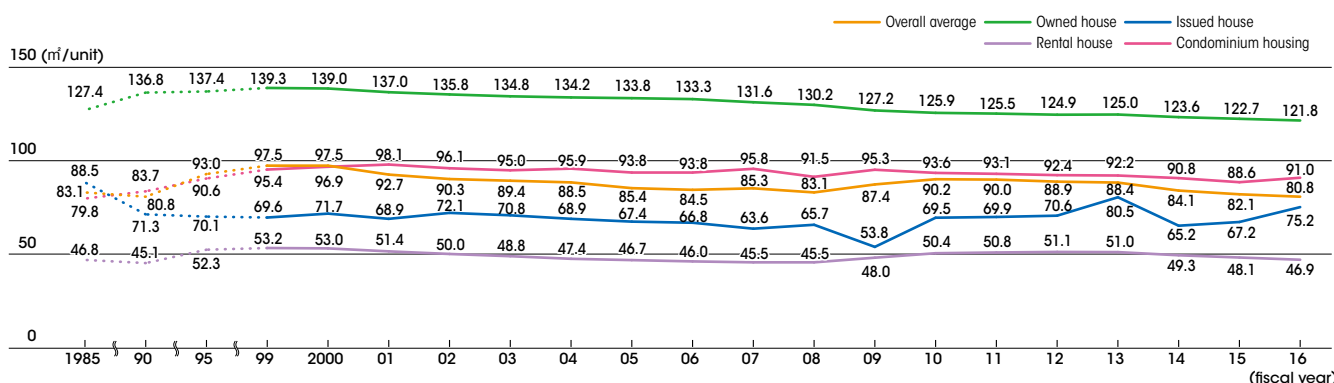
Source: Statistics on Construction-started Dwelling Houses issued by MLIT.

Notes: 1. Owner-occupied housing is housing that the owner constructs for the purpose of residing there. Leased housing is housing that the owner constructs for the purpose of leasing it. Issued housing is housing that a company, government agency, school, or the like constructs for the purpose of having its employees, staff, teachers, etc., reside there. Condominium housing is housing constructed for selling as ready-built housing or lots.

2. There may be discrepancies in the totals due to rounding.

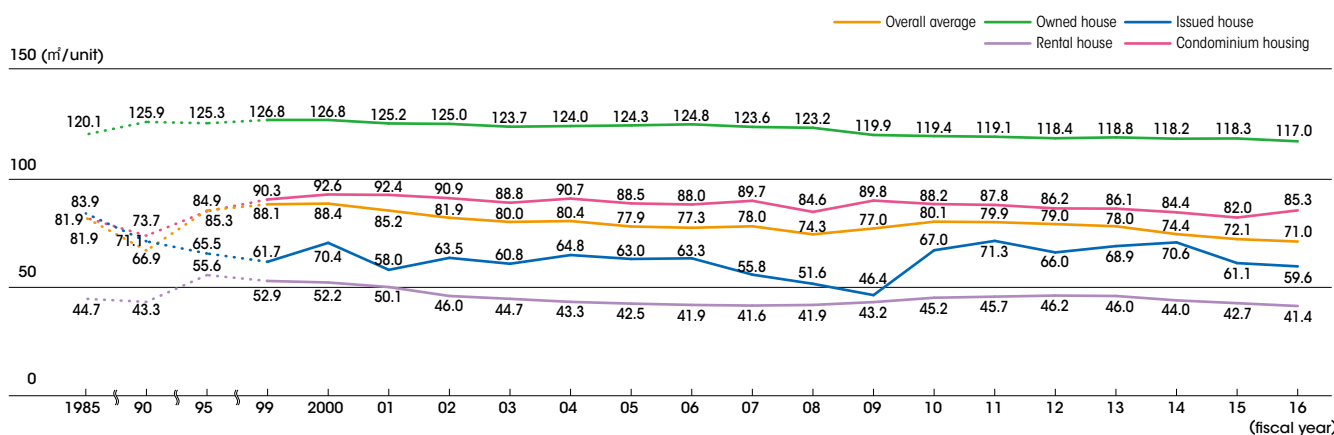
3. The figures in parentheses represent the breakdown by usage (%). The figures on the graph in parentheses are year-on-year variation (%).

History of Floor Space per Unit for New Housing Starts (by Overall Average and Use)



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

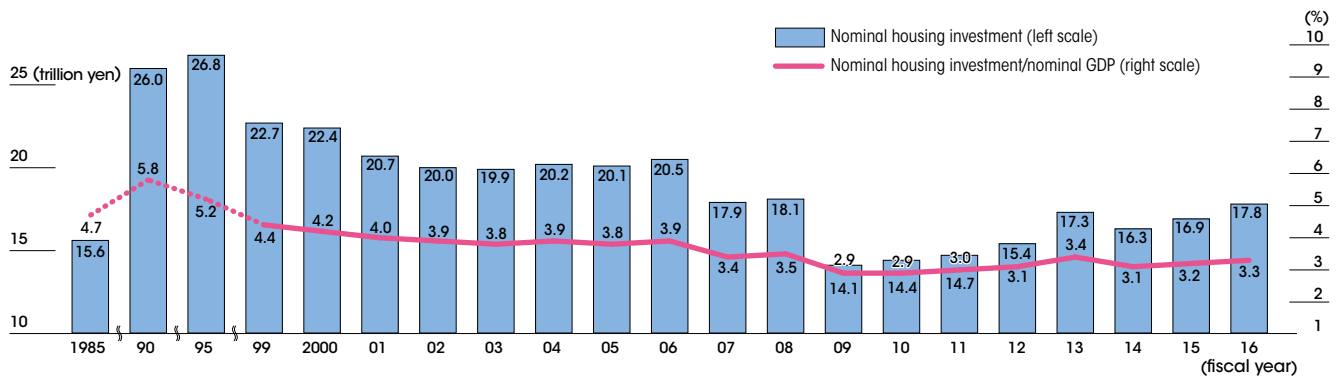
History of Floor Space per Unit for New Housing Starts (Tokyo Area: by Overall Average and Use)



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

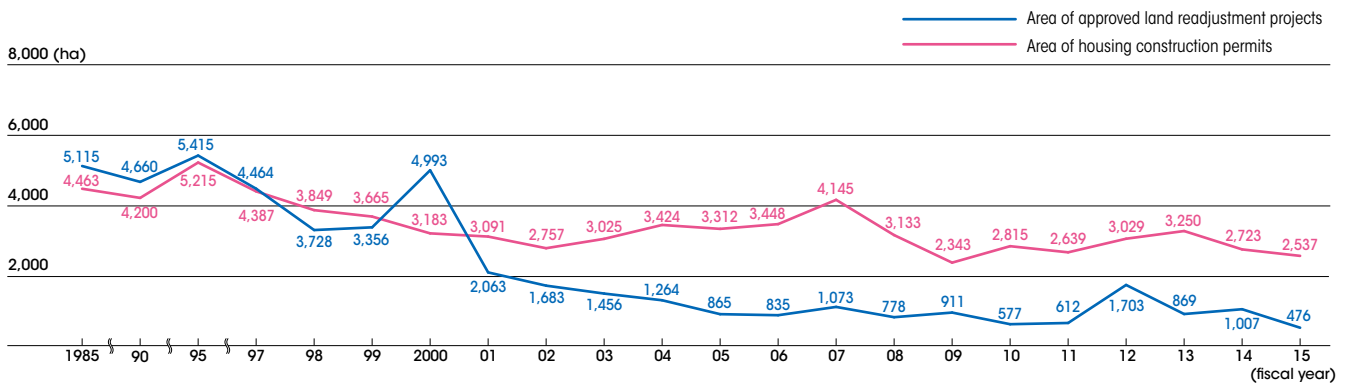
Note: Tokyo area = Tokyo, Kanagawa, Saitama, and Chiba prefectures

History of Housing Investment



Source: Prepared from the Annual Report on National Accounts 2016.

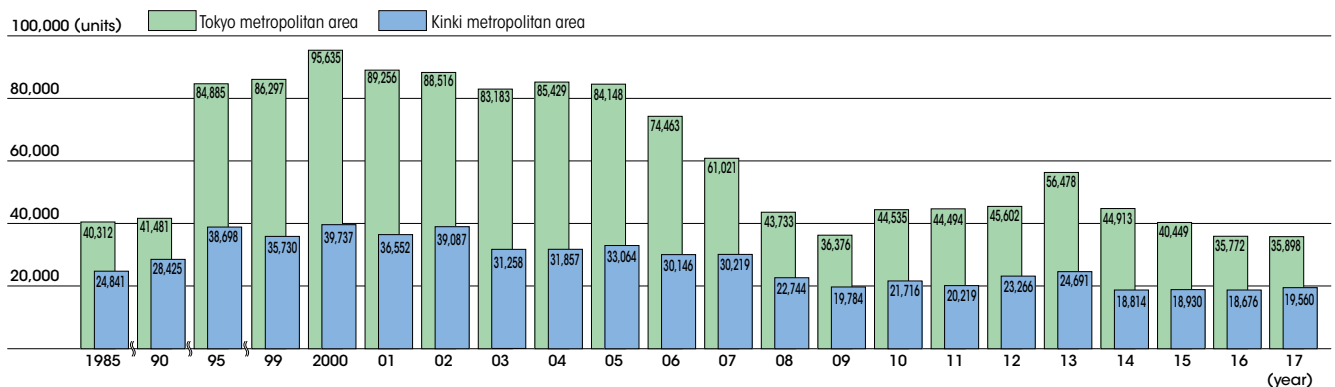
History of Housing Construction Permits and Area of Approved Land Readjustment Projects



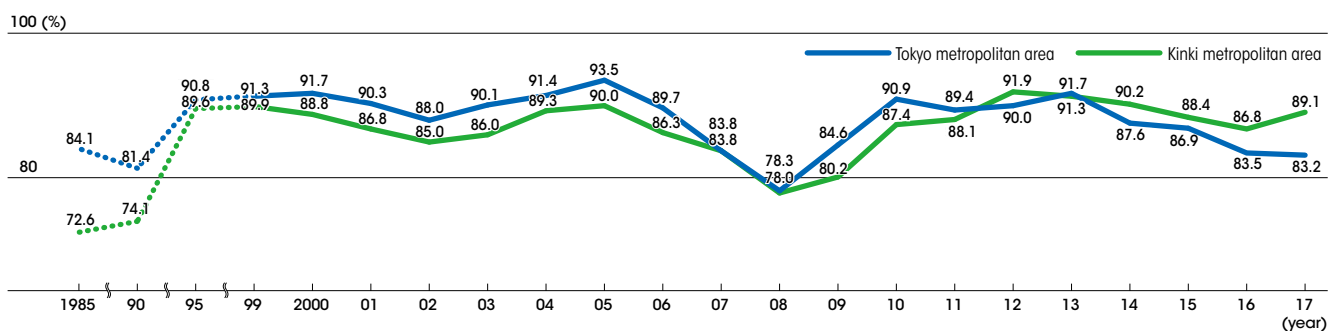
Source: Prepared from "the Land Readjustment Annual Report" (2015 version) by MLIT.

- 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.

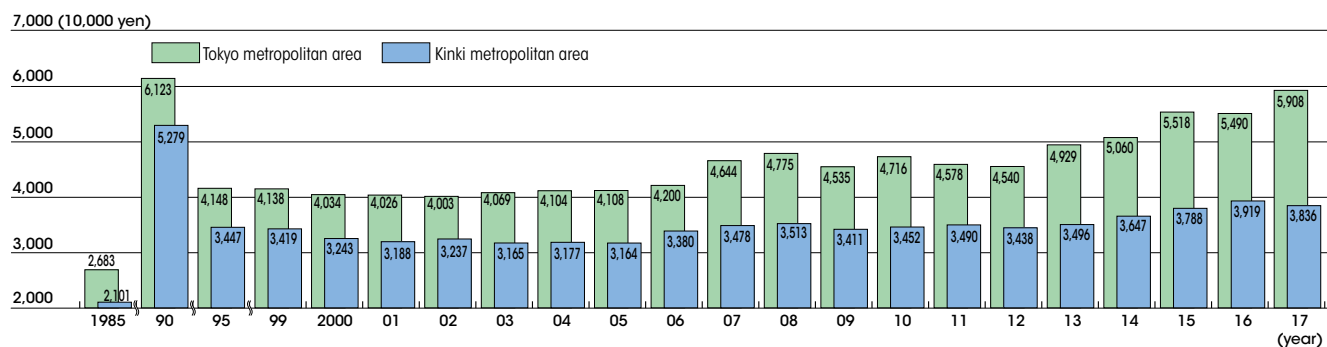
History of New Condominium Sales



History of New Condominium Annual Contracted Rates



History of Average Price for New Condominium Units

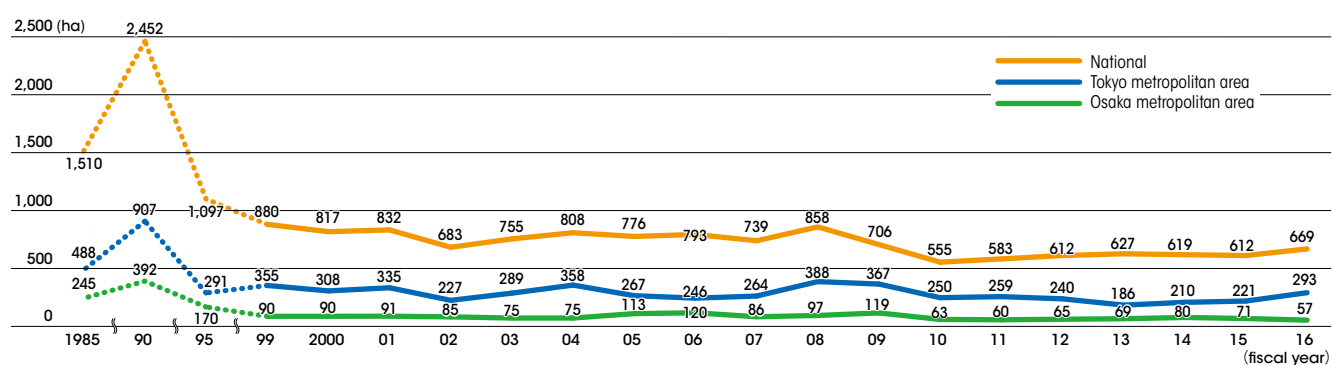


Source: Prepared using Condominium Market Trends for the Tokyo Metropolitan Area and Condominium Market Trends for the Kinki Metropolitan Area issued by the Real Estate Economic Institute Co., Ltd.

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



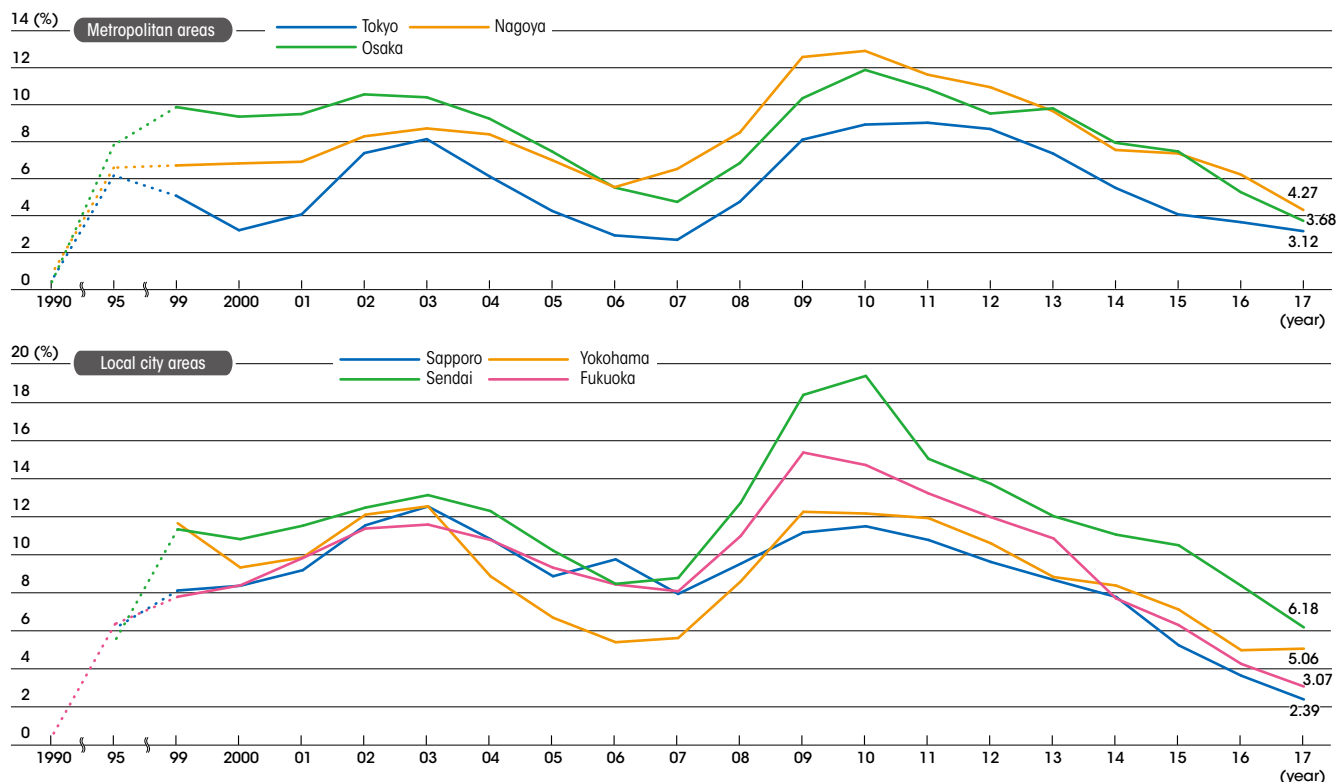
Source: Prepared using Annual Statistical Report on Building Construction by Ministry of Land, Infrastructure, Transport and Tourism.

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.

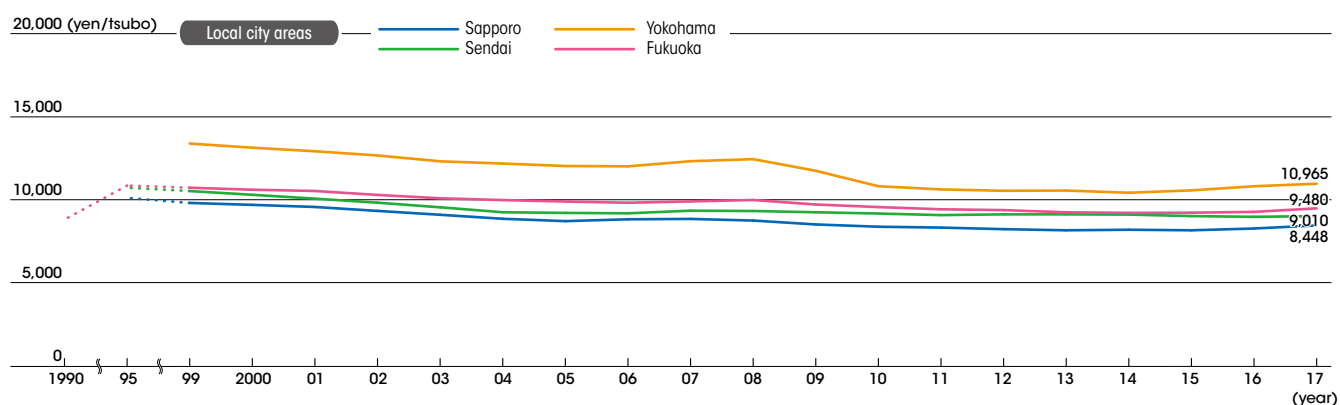
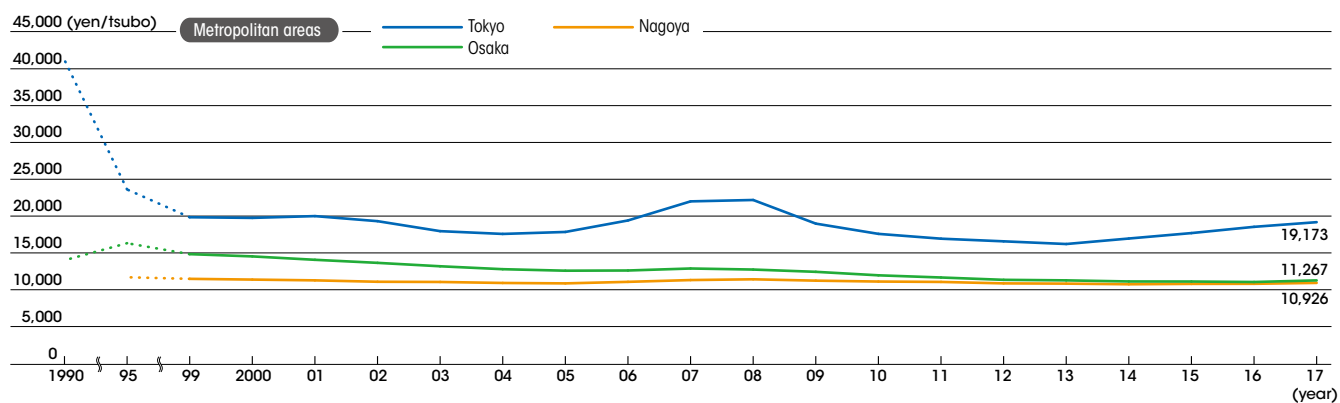
History of Office Building Vacancy Rates



Source: Miki Shoji Co., Ltd., "Office Data."

Notes: 1. Figures as of December each year.

History of Asking Rent



Source: Miki Shoji Co., Ltd., "Office Data."

Notes: 1. The areas covered in Tokyo are Chiyoda Ward, Chuo Ward, Minato Ward, Shinjuku Ward, and Shibuya Ward.

2. The buildings covered are buildings with a standard floor space of 100+ tsubo in Tokyo and buildings with a total floor space of 1,000+ tsubo in Osaka, 500+ tsubo in Nagoya, 100+ tsubo in Sapporo, 300+ tsubo in Sendai, 500+ tsubo in Yokohama, and 1,000+ tsubo in Fukuoka.

Others

Valuation of Real Estate in Gross National Assets

(unit: trillion yen)

Category	Year	1985	1990	1995	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Gross national assets		4,377	7,936	8,650	9,195	9,091	8,930	8,807	8,794	8,876	9,241	9,289	9,168	8,795	8,693	8,708	8,693	8,906	9,458	9,919	10,204	10,497
Valuation of real estate		1,360	2,897	2,436	2,227	2,147	2,045	1,955	1,883	1,823	1,804	1,832	1,870	1,858	1,775	1,738	1,698	1,666	1,667	1,683	1,690	1,721
		(31)	(37)	(28)	(24)	(24)	(23)	(22)	(21)	(21)	(20)	(20)	(20)	(21)	(20)	(20)	(20)	(19)	(18)	(17)	(17)	(16)
Housing		152	208	340	360	363	359	357	360	363	365	374	379	382	365	363	357	351	362	370	369	368
Non-housing buildings		148	212	217	206	205	199	194	192	190	188	189	189	188	178	175	172	167	169	170	170	170
Land		1,060	2,477	1,879	1,661	1,579	1,487	1,404	1,331	1,270	1,251	1,269	1,302	1,288	1,232	1,200	1,169	1,148	1,136	1,143	1,151	1,183
Financial assets		2,593	4,456	5,213	5,879	5,837	5,777	5,746	5,792	5,915	6,271	6,266	6,071	5,699	5,713	5,767	5,792	6,034	6,557	6,978	7,247	7,495

Source: The Cabinet Office's "National Economic Statistics Report (Benchmark Year: 2000)" (2009 version) was used for 1985 – 1993 and the "National Economic Statistics Report (Benchmark Year: 2011)" (2016 version) was used for 1994 and after.

Notes: 1. Revisions to the counts were done by tracing back the data from 1992 onward and so the premise of these figures differs from that of 1989 and earlier.

2. The figures in parentheses show the percent of gross national product.

Production by Industry and Gross Domestic Product

(unit: billion yen)

Category	Year	1985	1990	1995	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Real estate		30,728	43,051	50,537	53,301	54,138	53,672	53,216	53,221	53,738	54,571	56,203	57,092	58,107	59,310	59,531	59,528	59,372	59,889	60,128	60,590	61,168
Construction		25,008	43,439	39,790	37,040	36,215	34,537	32,441	31,208	30,233	29,186	29,159	27,552	26,416	25,437	23,984	24,093	24,485	26,779	28,470	29,301	29,725
Manufacturing		91,304	117,316	120,296	116,773	118,815	111,158	107,757	108,803	111,135	113,448	113,879	117,376	111,580	93,721	104,239	96,639	97,663	97,799	101,394	110,223	113,337
Service		—	—	15,766	17,109	16,580	16,255	16,117	15,614	15,011	14,350	14,419	14,560	13,802	13,388	12,847	12,451	11,858	12,345	12,648	12,372	12,865
Finance/Insurance		17,592	30,827	25,477	25,376	25,637	28,028	30,127	31,298	30,966	31,192	30,336	30,358	25,326	24,238	24,115	23,110	22,442	23,055	22,808	23,187	22,462
Total for all industries		335,834	457,242	508,932	521,679	527,527	520,636	515,965	515,825	521,213	525,651	527,032	531,843	519,829	488,955	499,136	488,958	492,361	500,101	509,927	527,502	534,292
(Reference) GDP		325,402	442,781	512,542	519,652	526,706	523,005	515,986	515,401	520,965	524,133	526,880	531,688	520,716	489,501	500,354	491,409	494,957	503,176	513,876	531,986	538,446

Source: The Cabinet Office's "National Economic Statistics Report (Benchmark Year: 2000)" was used for 1985 – 1993 and the "National Economic Statistics Report (Benchmark Year: 2011)" (2016 version) was used for 1994 and after.

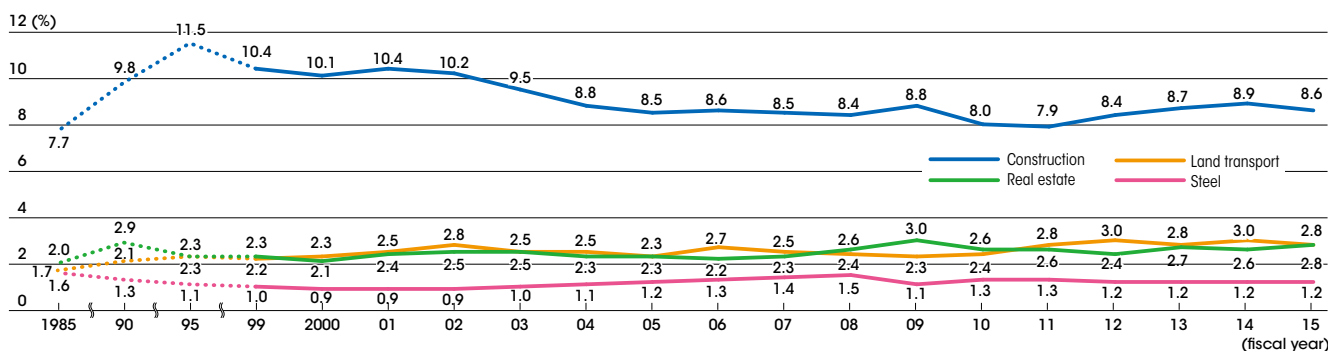
Notes: 1. The price indicated by producers is used for the production amounts of each industry. Therefore, they include indirect taxes, imputed interest, etc. and so the totals do not match the gross national product.

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 onward so the premise of these figures differs from that of 1985 and earlier.

History of Sales Share by Industry



(unit: 10 billion yen)

Fiscal Year	1985	1990	1995	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
All industries	105,907 (100.0)	142,818 (100.0)	148,470 (100.0)	138,346 (100.0)	143,503 (100.0)	133,821 (100.0)	132,680 (100.0)	133,467 (100.0)	142,036 (100.0)	150,812 (100.0)	156,643 (100.0)	158,017 (100.0)	150,821 (100.0)	136,802 (100.0)	138,574 (100.0)	138,105 (100.0)	137,541 (100.0)	140,916 (100.0)	144,784 (100.0)	143,153 (100.0)
Real estate	2,153 (2.0)	4,150 (2.9)	3,402 (2.3)	3,237 (2.3)	2,991 (2.1)	3,186 (2.4)	3,348 (2.5)	3,363 (2.5)	3,325 (2.3)	3,450 (2.3)	3,386 (2.2)	3,709 (2.3)	3,867 (2.6)	4,098 (3.0)	3,663 (2.6)	3,571 (2.6)	3,268 (2.4)	3,770 (2.7)	3,698 (2.6)	3,938 (2.8)
Construction	8,205 (7.7)	14,022 (9.8)	17,003 (11.5)	14,437 (10.4)	14,455 (10.1)	13,935 (10.4)	13,545 (10.2)	12,746 (9.5)	12,480 (8.8)	12,886 (8.5)	13,499 (8.6)	13,502 (8.5)	12,628 (8.4)	12,070 (8.8)	11,130 (8.0)	10,945 (7.9)	11,499 (8.4)	12,250 (8.7)	12,851 (8.9)	12,271 (8.6)
Steel	1,689 (1.6)	1,895 (1.3)	1,575 (1.1)	1,330 (1.0)	1,246 (0.9)	1,222 (0.9)	1,251 (0.9)	1,294 (1.0)	1,560 (1.1)	1,841 (1.2)	1,986 (1.3)	2,191 (1.4)	2,252 (1.5)	1,572 (1.1)	1,821 (1.3)	1,806 (1.3)	1,627 (1.2)	1,705 (1.2)	1,773 (1.2)	1,652 (1.2)
Land transport	1,804 (1.7)	3,009 (2.1)	3,352 (2.3)	3,049 (2.2)	3,303 (2.3)	3,334 (2.5)	3,703 (2.8)	3,399 (2.5)	3,530 (2.3)	3,514 (2.3)	4,222 (2.7)	3,980 (2.5)	3,603 (2.4)	3,212 (2.3)	3,302 (2.4)	3,857 (2.8)	4,116 (3.0)	3,929 (2.8)	4,299 (3.0)	4,067 (2.8)

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

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

History of Administrative Indices by Industry Type

Year		1985	1990	1995	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Ratio of operating profit to total capital (%)	All industries	4.3	4.6	2.7	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	2.8	3.2	3.5	3.5
	Real estate	3.9	4.2	1.6	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	2.6	2.3	3.0	3.0
	Construction	3.1	5.3	2.7	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	2.5	3.2	4.3	4.8
Operating profit/Total capital	Steel	3.5	7.3	2.7	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	-0.1	2.7	3.6	1.9
	Land transport	4.4	4.7	3.1	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	3.2	3.1	3.2	4.1
Ratio of ordinary profit to total capital (%)	All industries	3.1	3.5	2.0	1.6	2.1	2.8	2.3	2.5	2.9	3.5	3.9	4.0	4.0	2.5	2.5	3.0	3.1	3.4	4.0	4.2	4.3
	Real estate	1.4	1.1	-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	2.5	2.3	3.0	2.8
	Construction	2.3	4.6	2.5	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	3.1	3.7	4.8	5.2
Ordinary profit/Total capital	Steel	1.1	5.6	1.1	-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	0.7	3.5	4.5	2.7
	Land transport	2.4	3.5	1.4	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	3.0	3.2	3.3	4.1
Ratio of operating profit to sales (%)	All industries	2.8	3.5	2.4	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	2.9	3.5	3.7	3.9
	Real estate	9.4	11.5	7.5	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	9.9	11.0	12.6	11.6
	Construction	2.1	3.9	2.2	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	2.0	2.4	3.2	3.9
Operating profit/Sales	Steel	3.9	8.1	3.6	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	-0.1	3.2	4.1	2.3
	Land transport	3.8	5.1	4.5	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	4.4	4.9	4.8	6.1
Ratio of ordinary profit to sales (%)	All industries	2.0	2.7	1.8	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	3.5	4.2	4.5	4.8
	Real estate	3.3	3.1	-0.3	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	9.5	10.9	12.6	10.9
	Construction	1.6	3.4	2.1	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	2.4	2.8	3.7	4.2
Ordinary profit/Sales	Steel	1.3	6.1	1.5	-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	0.8	4.1	5.1	3.2
	Land transport	2.1	3.8	2.0	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	4.1	5.0	5.0	6.1
Turnover of total capital (times)	All industries	150.5	125.0	110.4	105.2	107.7	109.6	107.6	107.4	108.4	110.5	112.2	112.7	116.7	107.5	95.2	95.8	93.9	95.6	92.3	92.3	89.9
	Real estate	39.4	34.3	22.0	18.1	24.9	24.3	26.2	27.9	27.1	28.9	29.0	27.1	29.9	26.1	24.5	22.0	20.9	25.6	20.6	23.4	25.9
	Construction	140.4	125.1	121.3	124.2	117.8	117.8	121.7	123.6	128.5	127.7	126.1	126.3	129.5	129.2	130.4	123.3	121.0	126.3	128.5	128.7	123.7
Sales/Total capital	Steel	89.0	87.0	74.1	65.2	70.8	69.8	68.2	70.4	76.3	87.1	92.9	93.0	99.9	105.2	71.9	82.0	84.8	79.2	84.9	87.3	83.9
	Land transport	113.1	88.4	67.7	67.0	61.5	65.0	66.0	67.8	65.2	65.2	60.8	62.9	73.4	67.5	60.5	61.7	67.9	71.4	64.1	65.7	67.8
Ratio of net worth to total capital (%)	All industries	17.7	19.1	18.9	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	37.4	37.6	38.9	40.0
	Real estate	8.0	8.1	3.5	-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	28.5	31.2	35.7	33.1
	Construction	15.4	15.6	18.4	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	32.9	31.4	34.5	36.6
Net worth/Total capital	Steel	16.1	26.1	26.1	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	35.7	38.3	40.8	41.8
	Land transport	14.9	23.9	18.9	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	30.2	32.6	32.6	33.5

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 on 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.

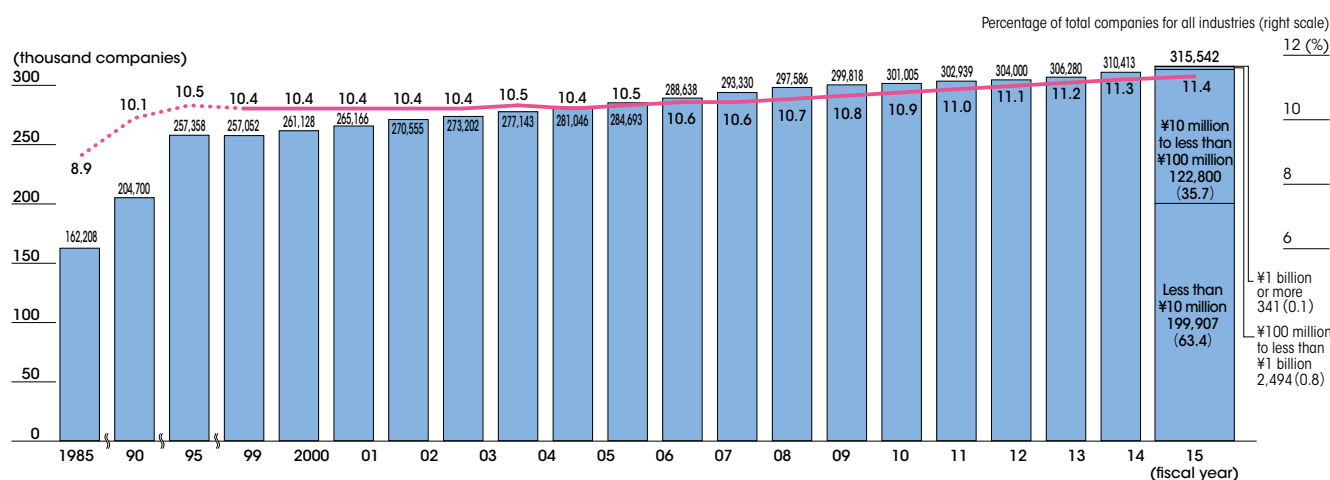
3. Operating profit is sales - (sales cost + sales expenses and general administrative expenses)

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 2014 is the breakdown by paid-in capital amount. The figures in parentheses show the percentage of the total (unit: %).

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Included Properties

■ Cover (counterclockwise from upper right)

- Setagaya Nakamachi Project (Tokyu Land Corporation)
- Tokyo Midtown Hibiya (Mitsui Fudosan)
- Sumitomo Fudosan Azabujuban Building (Sumitomo Realty & Development)
- Brillia Towers Meguro (Tokyo Tatemono, Funenkousha)
- Otemachi Hotoria (Mitsubishi Estate)
- Abeno Harukas (Kintetsu Real Estate)
- Landport Takatsuki (Nomura Real Estate Development)

■ Introduction (p. 4, 5)

- City Tower Nagamachi Shintoshin (Sumitomo Realty & Development)
- Ginza Six (Ginza 6-10 District Urban Redevelopment Partnership)
- Hibiya Parkfront (Tokyu Land Corporation)
- PROUD CITY Ota-Rokugo (Nomura Real Estate Development)

*In alphabetical order

■ Housing (p. 10)

- The Parkhouse Nishi Shinjuku Tower 60 (Mitsubishi Estate)

■ Urban Development (Urban Renewal) (p. 14)

- Akasaka Intercity Air (Nippon Steel Kowa Real Estate)

■ Leasing (p. 25)

- Logicross Atsugi (Mitsubishi Estate)

■ Resorts (p. 35, 36)

- Tokyu Harvest Club Nasu Retreat (Tokyu Land Corporation)
- Regina-Resort Kyukaruizawa (Tokyo Tatemono Resort)

■ Internationalization (p. 37)

- Feringastrasse 10-12 (Mitsubishi Estate)

■ Urban Planning and the Utilization of AI, IoT and Other New Technologies (p. 44)

- Workstyling Kasumigaseki (Mitsui Fudosan)

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