

the change in the investment real estate. When necessary, the operator may solicit new investment.

- (e) If mandated in the contract, the operator shall sell all the real estate prior to the expiry of the contract and distribute the sales proceeds to each investor.

As of the end of March 2003, there have been thirteen variation contracts utilizing monetary investments via TK agreements; however, so far none of the underlying real-estate assets have been replaced or new real estate added.

4. Products Prior to Implementation of the Real-Estate Syndication Act

Prior to implementation of the Syndication Act, Nini Kumiai and lease products were available as real-estate small lot products. The Syndication Act provided for the creation of TK products. However, trust products, which were the mainstay of real-estate small-lot products prior to implementation of the Syndication Act, were not made subject to the Syndication Act, as trust products were regulated by the Trust Law and Trust Business Law.

(1) Real-Estate Small-Lot Investment Products

The history of collective real-estate investment products in Japan dates back to March 1987 when Mitsui Real Estate Sales sold a real-estate small lot product using a trust structure with allocated ownership interests. The structure was as follows: the developer entrusted the property to a trust bank who managed and operated the property as the trustee, typically by leasing the property back to the developer; the beneficiary rights were sold

to investors by the developer (usually through a securities company); and the income from the leases, minus expenses and trust fees, were paid as dividends to the investors. Subsequently, products with overseas real estate as the underlying assets appeared, as did other products utilizing Nini Kumiai. Eventually the annual value of real-estate small-lot products sold rose from 38.7 billion yen in 1987 to 187.8 billion yen in 1990; however, the value sold has declined since 1992 in line with the decline of the Japanese real-estate market. All of these products were designed with the individual investor in mind (see Figure 4-9).

An analysis of the market from 1987 to March 1995 reveals that 159 products utilized domestic real estate as the underlying asset (domestic products), representing a total investment of 587.5 billion yen. In the same period, 67 products utilized overseas real estate as the underlying asset (overseas products), representing 184.9 billion yen. The overseas products established local overseas corporations as a part of their structures.

Figure 4-9 Value Syndicated and Number of Products for Syndicated Real-Estate Investments (as of March 2003)

Unit: 100 million yen, the number in () represents the number of products

Calendar year	Total							Overseas	JNR Settlement Corporation's Real-estate Conversion Loans
	Japan								
			Nini Kumiai	TK	Lease	Trust			
1987	387 (13)	222 (8)	0 (0)	0 (0)	12 (1)	210 (7)	165 (5)	0 (0)	
1988	755 (29)	441 (20)	0 (0)	0 (0)	26 (2)	415 (18)	314 (9)	0 (0)	
1989	1,556 (57)	1,125 (42)	82 (2)	0 (0)	167 (6)	876 (34)	431 (15)	0 (0)	
1990	1,878 (55)	1,178 (38)	71 (2)	0 (0)	398 (12)	709 (24)	700 (17)	2,750 (1)	
1991	1,357 (27)	1,230 (17)	131 (4)	0 (0)	513 (11)	586 (2)	126 (10)	720 (1)	
1992	779 (15)	715 (11)	340 (4)	0 (0)	177 (4)	198 (3)	64 (4)	2,870 (1)	
1993	616 (16)	599 (12)	245 (4)	0 (0)	236 (6)	118 (2)	17 (4)	749 (1)	
1994	373 (13)	343 (10)	128 (5)	0 (0)	15 (4)	200 (1)	30 (3)	270 (1)	
January - March 1995	22 (1)	22 (1)	22 (1)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	
Sum total before implementation	7,724 (226)	5,875 (159)	1,019 (22)	0 (0)	1,544 (46)	3,312 (91)	1,849 (67)	7,359 (5)	
April - December 1995	29 (3)	29 (3)	0 (0)	1 (1)	28 (2)	0 (0)	0 (0)	0 (0)	
1996	246 (6)	246 (6)	105 (1)	114 (3)	27 (2)	0 (0)	0 (0)	0 (0)	
1997	117 (5)	117 (5)	71 (2)	46 (3)	0 (0)	0 (0)	0 (0)	0 (0)	
1998	180 (7)	180 (7)	0 (0)	180 (7)	0 (0)	0 (0)	0 (0)	0 (0)	
1999	930 (13)	930 (13)	32 (2)	899 (11)	0 (0)	0 (0)	0 (0)	0 (0)	
2000	711 (16)	711 (16)	0 (0)	711 (16)	0 (0)	0 (0)	0 (0)	0 (0)	
2001	1,414 (29)	1,414 (29)	0 (0)	1,414 (29)	0 (0)	0 (0)	0 (0)	0 (0)	
2002	1,410 (16)	1,410 (16)	0 (0)	1,410 (16)	0 (0)	0 (0)	0 (0)	0 (0)	
January - March 2003	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	
Sum total after implementation	5,036 (95)	5,036 (95)	207 (5)	4,774 (86)	55 (4)	0 (0)	0 (0)	0 (0)	
Cumulative Total	12,760 (321)	10,911 (254)	1,226 (27)	4,774 (86)	1,600 (50)	3,312 (91)	1,849 (67)	7,359 (5)	

Notes: 1. After (before) implementation indicates after (before) implementation of the Real-Estate Syndication Act in April 1995.

2. Businesses that no longer fall under the Real-Estate Syndication Act due to blanket sales of subject real estate and such are removed from these statistics.

3. In the case of calendar year amounts, the 10 million yen place is rounded.

Prepared using the "Real-Estate Syndication Product Supply Trends Study" of ARES

An analysis of similar domestic products by structure reveals that the trust structure amounted to 331.2 billion yen at placement value or 56% of the total market. This is followed by the lease structure amounting to 154.4 billion yen and the Nini Kumiai structure accounting for 101.9 billion yen of investment.

The Syndication Act of April 1995 placed regulations on Nini Kumiai and lease products (but not the trust products).

(2) Real-Estate Conversion Loan Investment Products

Real-estate conversion loan investment products, otherwise known as convertible mortgages, utilize a structure where real-estate owners borrow funds from investors at very low interest rates over a long period (monetary loan for consumption contract). After a specified period of time the holders of the convertible mortgage may convert the loan into an ownership interest in the underlying real estate.

The JNR Settlement Corporation used this format. There were five JNR conversion loan products, representing invested funds of 735.9 billion yen.

Figure 4-10 Value Syndicated and Cumulative Value Syndicated for Syndicated Real-Estate Investment Products (Calendar Year)

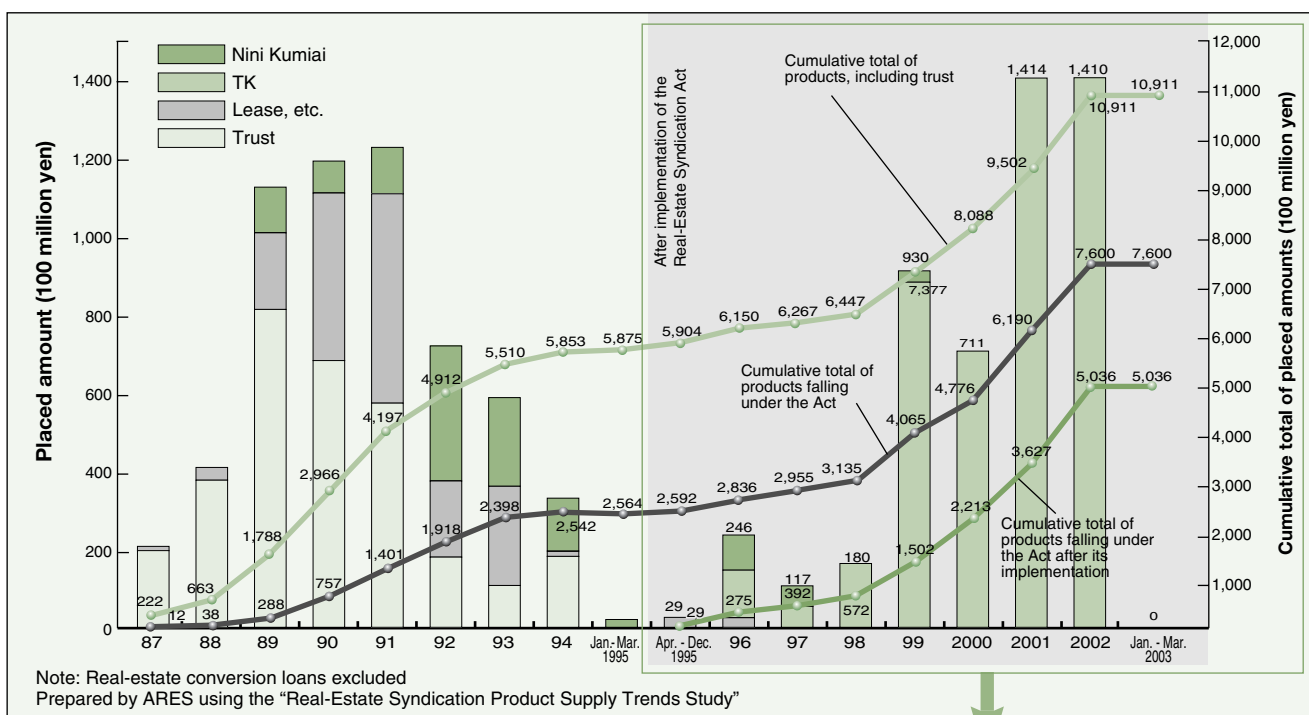


Figure 4-11 Value Syndicated and Cumulative Value Syndicated after Implementation of the Real-Estate Syndication Act

