



**Financial Results  
for the First Six Months  
Ended May 31, 2014**

**Tosei Corporation**

Securities Code:

Tokyo Stock Exchange, First Section : 8923

Singapore Exchange, Mainboard : S2D

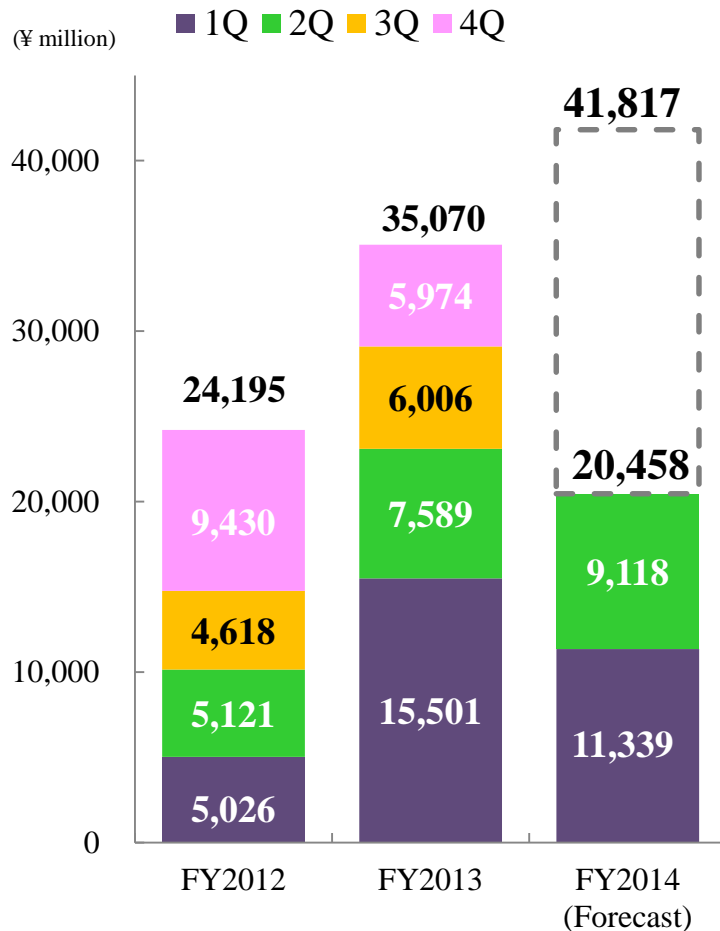
- **I. Overview of Results for the First Six Months Ended May 31, 2014** – P3  
(Noboru Hirano, Senior Executive Officer and CFO)
  
- **II. Tosei's View of the Operating Environment and Business Development for the Fiscal Year Ending November 30, 2014** – P19  
(Seiichiro Yamaguchi, President and CEO)

# I . Overview of Results for the First Six Months Ended May 31, 2014

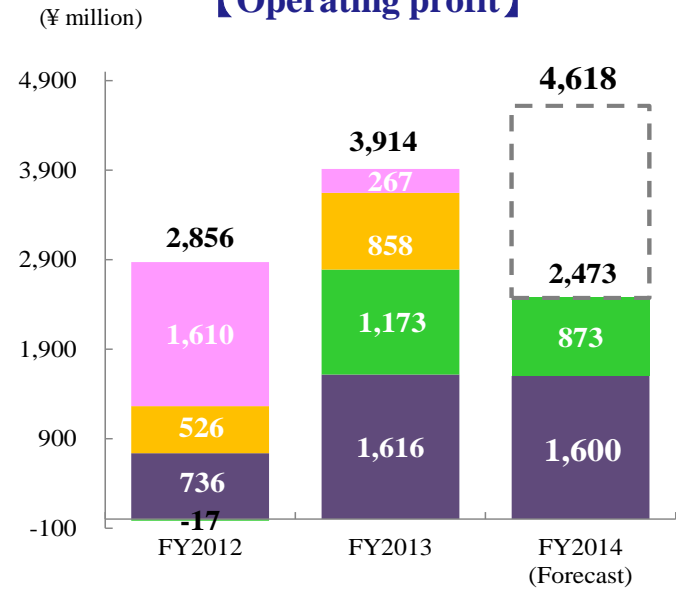
# FY2014 First Six Months/Full Year Forecasts - Highlights

- ◆ Revenue ¥20.4 billion (down 11.4% yr/yr)
- ◆ Operating profit ¥2.4 billion (down 10.2% yr/yr)
- ◆ Profit for the year ¥1.2 billion (down 11.9% yr/yr)
- ◆ Both revenue and profit go according to plan

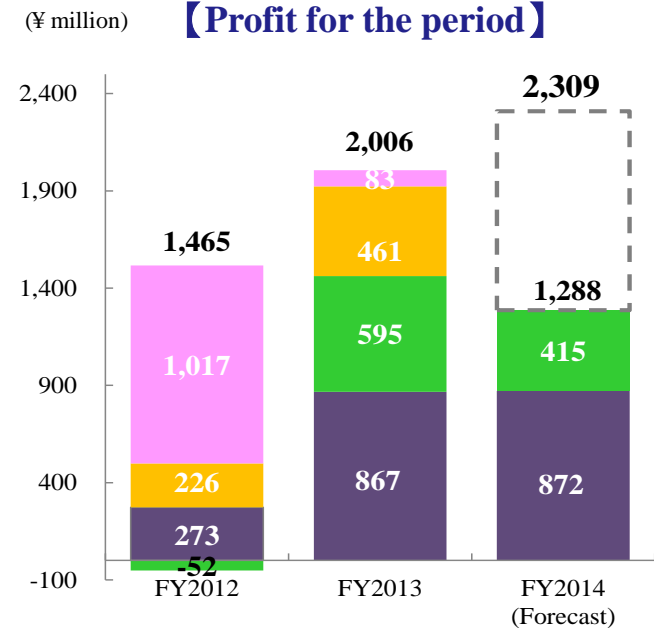
## 【Revenue】



## 【Operating profit】



## 【Profit for the period】



# Overview of Consolidated Financial Results for Six Months Ended May 31, 2014

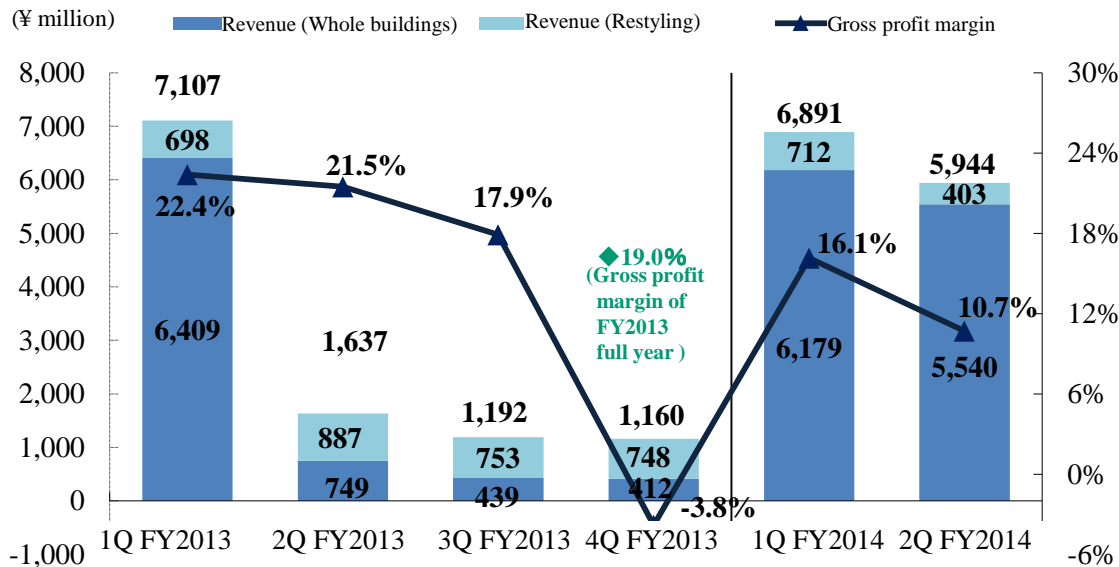
(¥ million)

	Six months ended May 31, 2013		Six months ended May 31, 2014		yr/yr change	
		%		%		%
<b>Revenue</b>	23,090	100.0	20,458	100.0	-2,632	-11.4
<b>Cost of revenue</b>	17,665	76.5	15,903	77.7	-1,762	-10.0
<b>Gross profit</b>	5,425	23.5	4,554	22.3	-870	-16.0
<b>Selling, general and administrative expenses, etc.</b>	2,681	11.6	2,148	10.5	-533	-19.9
<b>Operating profit</b>	2,754	11.9	2,473	12.1	-280	-10.2
<b>Finance income/costs (net)</b>	-367	-	-373	-	-5	-7.7
<b>Profit before tax</b>	2,387	10.3	2,100	10.3	-286	-12.0
<b>Income tax expense</b>	924	-	812	-	-112	-12.1
<b>Profit for the period</b>	1,462	6.3	1,288	6.3	-174	-11.9
<b>Comprehensive income for the period</b>	1,468	6.4	1,289	6.3	-179	-12.2
<b>EPS (¥)</b>	32.02		26.68		-5.34	-16.7
<b>ROE (%)</b>	5.4		4.2		-1.2P	
<b>ROA (%)</b>	2.3		1.7		-0.6P	

※The sales expenses relating to the Revitalization and Development Businesses which used to be included in cost of revenue are charged to SG&A expenses from this period, FY2014. For comparison, the figures for the previous fiscal year are restatements in line with the partial changes in accounting policies. (The amounts of each project segments are same as above.)

- ◆ Whole buildings: Sold 13 buildings including income-generating offices such as “Shinjuku building” or “Otsuka 4 chome building”, condominiums and 4 pieces of lands as “Shinjuku 6 chome tochi”
- ◆ Restyling: Sold 30 units in 10 properties including “Hilltop Yokohamanegishi” etc

## Revenues/Gross Profit Margin



(¥ million)	FY2013		FY2014	
	Half-year	Full year	Half-year	Full year (forecast)
Revenue	8,745	11,098	12,835	26,093
Gross profit	1,943	2,112	1,748	4,529
Operating profit	1,496	1,398	1,269	3,206

\*The gross profit is net of Cost of Revenues including the following write-down amounts under LCM:  
 FY2013: -284 millions

## Major Properties Sold/Being Sold



Shinjuku Building



Otsuka 4 chome Building

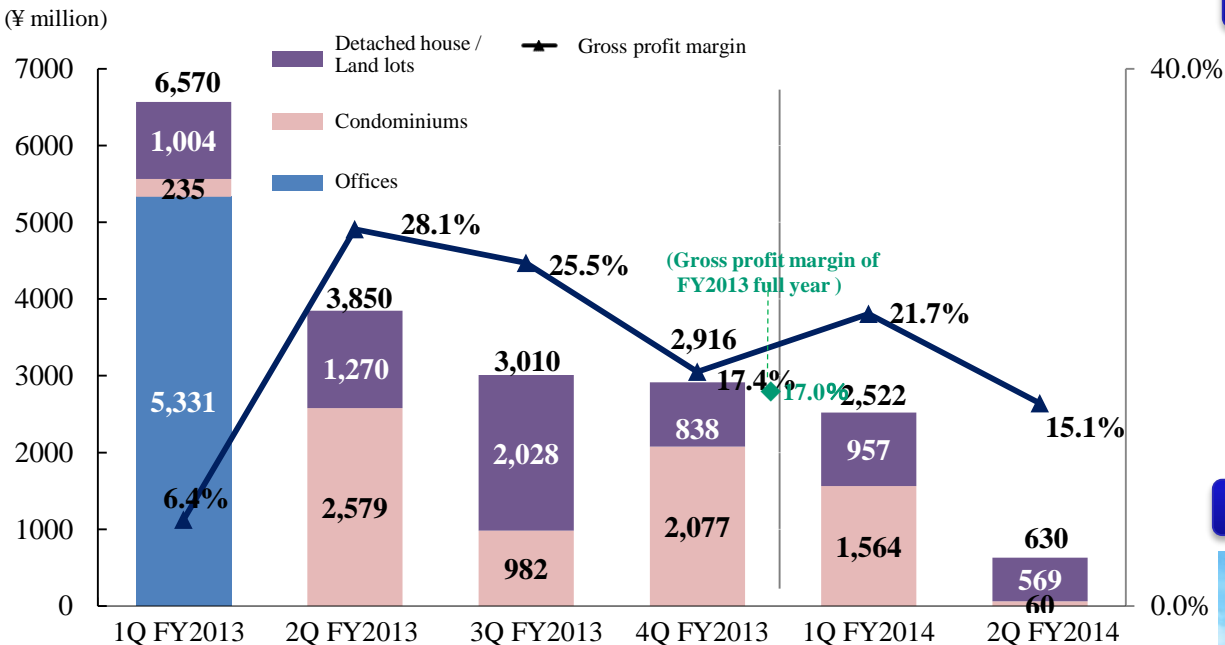


Hilltop Yokohamanegishi (Restyling)

# Development Business

- ◆ Concentrated on new condominiums and detached houses due to strong demands
- ◆ Completed the sale of “THE Palms Nihonbashi Kodenmacho (33 units)” and 28 detached houses at “THE Palms court Yokohama Hakuraku” etc(in 7 projects)

## Revenue / Gross Profit Margin



(¥ million)	FY2013		FY2014	
	Half-year	Full year	Half-year	Full year (forecast)
Revenue	10,420	16,347	3,153	7,419
Gross profit	1,502	2,779	643	1,287
Operating profit	702	1,447	289	493

\*The revenues include internal transactions.

## Major Properties Sold/Bring Sold

### Condominiums



THE Palms Nihonbashi Kodenmacho (Sold out)

### Detached Houses



THE Palms Court Yokohama Hakuraku



# Acquisitions in Revitalization and Development Businesses

## Acquisition Amount and Inventories

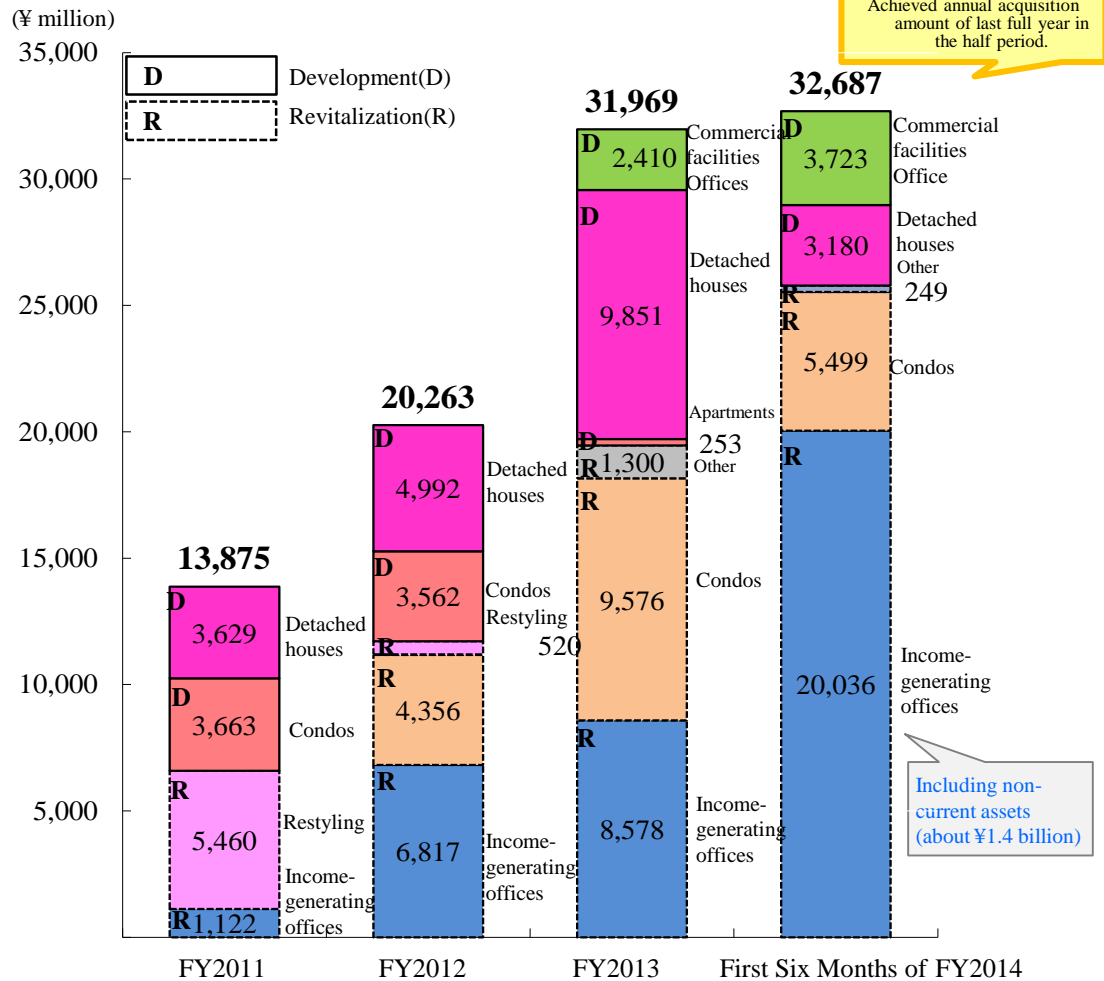
◆ **Revitalization Business: 20 Properties-11 office properties\*, 7 income-generating apt buildings, 2 land lots**

\*including 1 non-current asset

◆ **Development Business: 8 properties-1 commercial facility, 7 detached house projects**

Trends in Annual Acquisition Amounts  
(delivery basis and expected revenues)

Breakdown of Inventories  
(Trends in Expected Disposition Values)



✓ To acquisition high-yield properties, development lands for office buildings and commercial facilities close to the station in suburb considering features or yieldability in that area



Tama Centre Building



Kinshicho Building

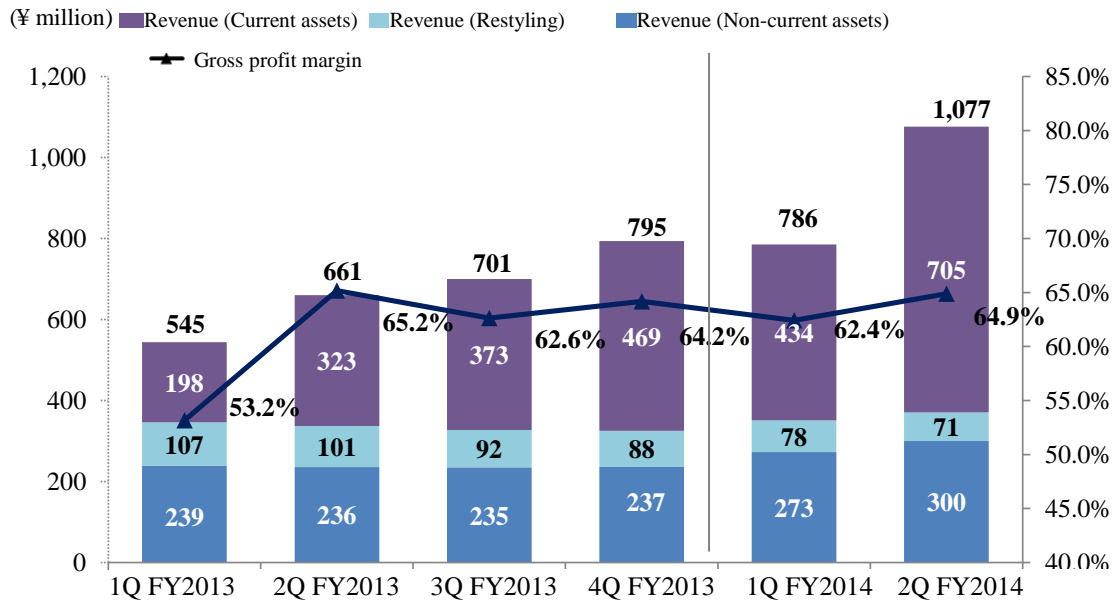
	(¥ million)		
	As of the end of FY2012	As of the end of FY2013	As of May 31, 2014
Office buildings	18,595	18,497	32,683
Condo/Apt buildings	23,476	22,709	22,448
Detached houses	7,701	13,225	14,929
Other	354	393	3
<b>TOTAL</b>	<b>50,127</b>	<b>54,825</b>	<b>70,064</b>

\* The acquired properties whose deliveries are completed; figures are presented in expected disposition values.



- ◆ Although sold 12 properties in inventory, acquired new 16 income-generating offices and rental condominiums
- ◆ Rent income increased as acquisitions of income-generating office and residential building accelerated

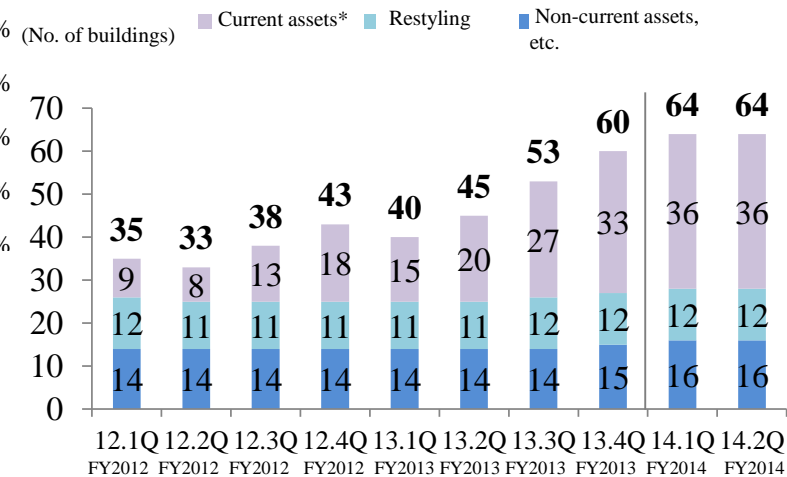
## Revenues / Gross Profit Margin



(¥ million)	FY2013		FY2014	
	Half-year	Full year	Half-year	Full year (forecast)
Revenue	1,207	2,703	1,863	3,274
Gross profit	721	1,671	1,189	2,028
Operating profit	685	1,590	1,151	1,953

## Breakdown of Properties Held by Tosei

**Office and commercial buildings:** 30  
**apartments:** 29  
**Other:** 5



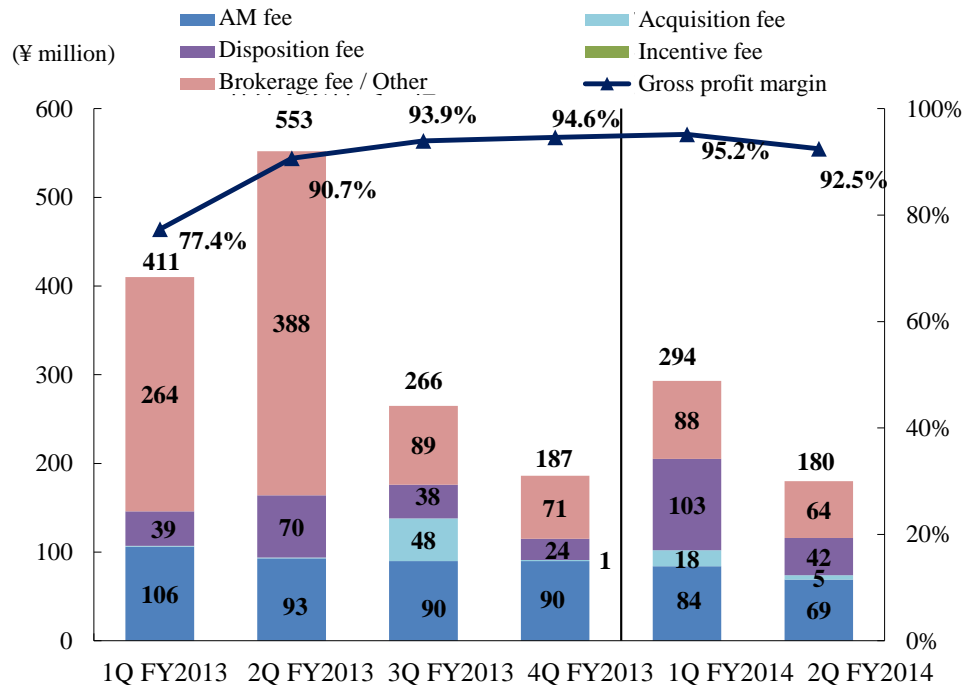
\*Includes income-generating properties only

\*The revenue includes internal transactions

◆ AUM increased due to new AM & CRE contracts (+¥98.6 billion\*<sup>1</sup>), but decreased due to property dispositions (-¥41.1 billion).

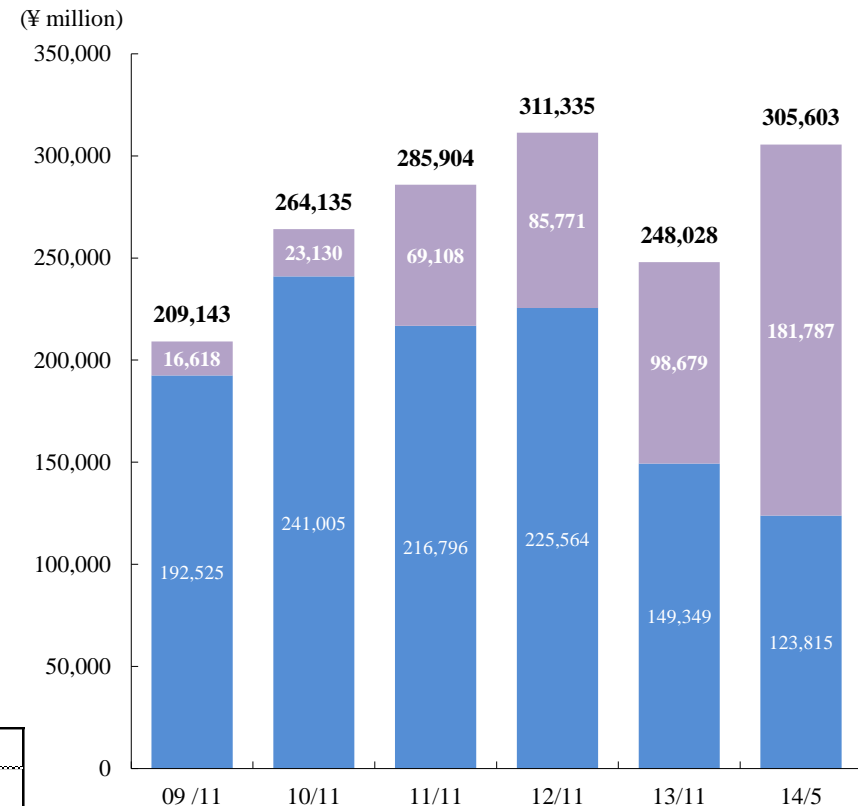
◆ Brokerage fees, etc. related to property dispositions contributed to growth in revenue.

## Revenues / Gross Profit Margin



(¥ million)	FY2013		FY2014	
	Half-year	Full year	Half-year	Full year (forecast)
Revenue	965	1,419	475	1,092
Gross profit	820	1,248	447	1,021
Operating profit	541	669	108	305

## Balance of Assets Under Management \*2



※1 Out of additional 986 billion yen, 839 billion yen which was part of a former CRE contract added on as we obtained the asset evaluation of a subject property this year. Hence, the actual amount of increase by new contracts was 147 billion yen. Further, there is no effort on the revenue due to the increase of the balance of CRE contract.

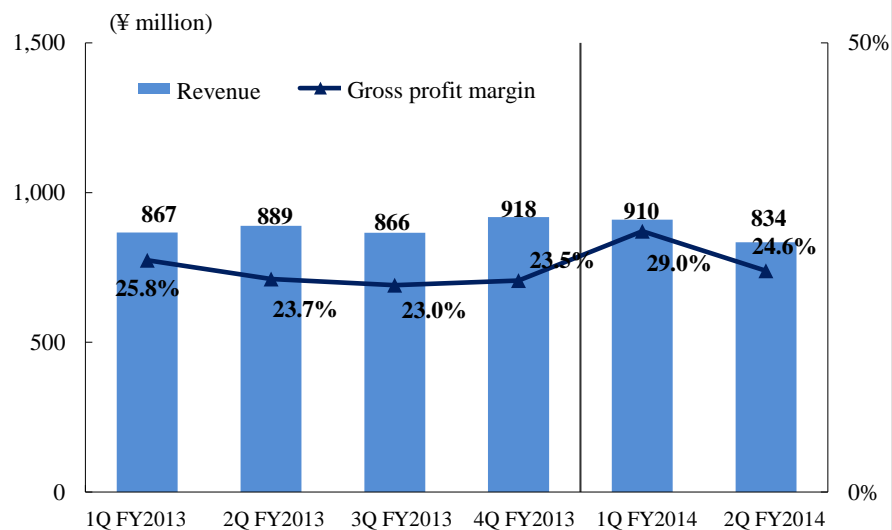
※2The purple portion indicates the assets under consulting agreements of CRE. CRE is methods of investing in and managing corporate real estate efficiently to maximize long-term enterprise value. By undertaking CRE, Tosei conducts comprehensive consulting services from the views of real estate professional.

\* The revenue includes internal transactions.

## Property Management Business

- ◆ Improvement in the profit margin and new property management contracts contributed to the stable income of business.

### Revenues / Gross Profit Margin

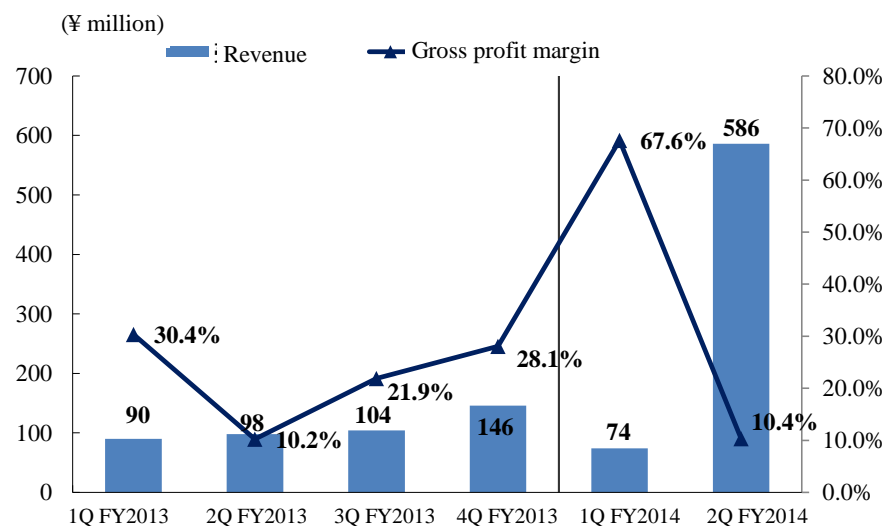


(¥ million)	FY2013		FY2014	
	Half-year	Full year	Half-year	Full year (forecast)
Revenue	1,757	3,541	1,745	3,750
Gross profit	434	850	469	909
Operating profit	68	123	146	156

## Alternative Investment Business

- ◆ Drastically expanded sales by real estate acquired through like-kind exchanges.

### Revenues / Gross Profit Margin



(¥ million)	FY2013		FY2014	
	Half-year	Full year	Half-year	Full year (forecast)
Revenue	189	440	661	722
Gross profit	37	101	111	132
Operating profit	26	73	117	69

### ◆ Revenue and Current earning by TRI

\* The revenue include internal transactions.

(¥ million)	FY2013		FY2014	
	Six months	Full-year	Six months	Full-year (forecast)
Revenue	476	1,286	698	1,391
Ordinary income	36	168	106	134
Net profit	17	100	76	81

### <The Number of Properties Under Management>

\* The revenue include internal transactions.

	1Q FY2013	2Q FY2013	3Q FY2013	4Q FY2013	1Q FY2014	2Q FY2014
Office building management	313	324	328	343	348	350
Condo/Apt management	215	215	204	203	205	201
TOTAL	528	539	532	546	553	551

# Summary of Balance Sheet (Consolidated) I. – Assets -

(¥ million)

	End of Nov. 2013	Decrease	Increase	End of Feb. 2014	Decrease	Increase	End of May 2014	6 months YTD	
								Decrease	Increase
<b>Total Assets</b>	<b>71,283</b>	<b>4,560</b>		<b>75,843</b>	<b>8,766</b>		<b>84,609</b>	<b>+13,326</b>	
Cash and cash equivalents	14,711	50		14,762	-173		14,589	A	-122
Inventories (properties)	38,040	7,741	11,892	42,191	6,337	14,088	49,942	B	14,078
Investment properties/PPE	16,008	543	1,095	16,560	44	7	16,524	C	587
Other assets	2,522	-193		2,328	1,224		3,553	+1,031	

## A : Change in cash and cash equivalents

- Cash and cash equivalents decreased by ¥122 million from the previous year-end and stay firm.

## C : Investment properties/PPE

- Investment properties and PPE increased by ¥516 million from the previous year-end.

## B : Change in inventory

Inventory increased by ¥11.9 billion from the previous year-end as purchase of properties substantially exceeded sales.

		(¥ million)	1Q FY2014		2Q FY2014		2QYTD	
Increase Factor	Acquisitions		10,316		12,549		22,865	
	Construction/value up		1,075		1,539		2,614	
	Others		500				500	
Decrease Factor	Dispositions	-7,741		-6,337		-14,078		
	LCM							
	Others							
Total		-7,741	11,892	-6,337	14,088	-14,078	25,980	

# Summary of Balance Sheet (Consolidated) II. – Liability/Equity-T

(¥ million)

	End of Nov. 2013	Decrease	Increase	End of Feb. 2014	Decrease	Increase	End of May 2014	6 months YTD	
								Decrease	Increase
<b>Total Liabilities /Equity</b>	<b>71,283</b>		<b>4,560</b>	<b>75,843</b>		<b>8,766</b>	<b>84,609</b>	<b>+13,326</b>	
<b>Borrowings</b>	<b>35,036</b>	<b>9,574</b>	<b>14,583</b>	<b>40,046</b>	<b>4,845</b>	<b>11,994</b>	<b>47,195</b>	<b>14,419</b>	<b>26,578</b>
<b>Current borrowings</b>	<b>7,587</b>	<b>3,777</b>	<b>3,965</b>	<b>7,774</b>	<b>1,514</b>	<b>1,887</b>	<b>8,148</b>	<b>5,291</b>	<b>5,853</b>
<b>Non-current borrowings</b>	<b>27,449</b>	<b>5,796</b>	<b>10,618</b>	<b>32,271</b>	<b>3,331</b>	<b>10,106</b>	<b>39,046</b>	<b>9,127</b>	<b>20,724</b>
<b>Other Liabilities</b>	<b>6,154</b>		<b>-935</b>	<b>5,218</b>		<b>1,200</b>	<b>6,419</b>		<b>+265</b>
<b>Equity</b>	<b>30,092</b>		<b>486</b>	<b>30,578</b>		<b>416</b>	<b>30,995</b>		<b>+902</b>
<b>Equity Ratio (%)</b>	<b>42.2</b>		<b>-1.9</b>	<b>40.3</b>		<b>-3.7</b>	<b>36.6</b>		<b>-5.6</b>

## A : Change in borrowings

• As the borrowings to finance property acquisitions exceeded the repayment of borrowings by sales, The debt balance increased by ¥12.1 billion from the end of the previous fiscal year.

• ¥20.8 billion of new borrowings (LTV: 84%) Incurred to finance acquisition of 28 properties (book value : ¥23.8 billion)

\*including 1 non-current asset (book value: about 1 billion)

Current	Increase	<b>New Borrowings</b>		<b>744</b>
		Non-current → Current Portion		5,108
		Other (refinance, etc.)		
Decrease	Decrease	<b>Repayments upon Disposition</b>	<b>- 3,486</b>	
		Other repayments (refin/maturity)	- 1,167	
		Conversion to non-current borrowings	- 638	
Non-current	Increase	<b>New Borrowings</b>		<b>20,087</b>
		Other (refinance, etc.)		
		Conversion to non-current borrowings		638
Decrease	Decrease	<b>Repayments upon Disposition</b>	<b>- 3,815</b>	
		Other repayments (refin/maturity)	- 204	
		Non-current → Current Portion	- 5,108	
TOTAL			<b>- 14,418</b>	<b>26,577</b>

## B: Change in Equity

• Total equity increased by ¥900 million from the end of the previous fiscal year, in consequence of the increase in retained earnings, and dividend payments.

# Inventories (Breakdown)

(¥ million)

<b>Balance of Inventories As of May 31, 2014</b>	<b>(80properties) 49,942</b>
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<b>Total Expected Disposition Value</b>	<b>70,064</b>
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## Breakdown of Inventories

Property type	Inventories				Expected disposition values		Total expected disposition value
	Revitalization (incl. Alternative Investment)	No. of properties	Development	No. of properties	Revitalization (incl. Alternative Investment)	Development	
Office buildings	21,091	24	3,182	3	26,549	6,133	32,683
Condo/Apt buildings	17,961	28	176	1	22,195	252	22,448
Detached houses	-	(-)	7,527	24	-	14,929	14,929
Other	3	(-)	-	(-)	3	-	3
<b>TOTAL</b>	<b>39,056</b>	<b>52</b>	<b>10,886</b>	<b>28</b>	<b>48,749</b>	<b>21,315</b>	<b>70,064</b>

\* The expected disposition values above are based on Tosei's estimate of revenue corresponding to the properties currently in the inventories. These are calculated using information available as of May 31, 2014. Actual amounts may vary significantly from the estimates, due to various factors.

\* The inventories above represent carrying amount as of May 31 2014 and may increase due to such factors as value-up investments and construction costs.

# Inventories (Expected Disposition Values)

- ◆ Inventories (expected revenue) increased by ¥15 billion from the previous year-end due to a progress of purchases
- ◆ Office buildings exceeded condominiums for the first time in five years after 2009

(¥ million)

	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014 (As of May 31)
<b>Office buildings</b>	60,487	31,264	22,251	15,206	18,595	18,497	32,683
<b>Condo/Apt buildings</b>	14,327	12,844	30,589	26,627	23,476	22,709	22,448
<b>Detached houses</b>	—	—	558	3,727	7,701	13,225	14,929
<b>Other</b>	1,672	479	220	1,021	354	393	3
<b>TOTAL</b>	<b>76,487</b>	<b>44,588</b>	<b>53,620</b>	<b>46,581</b>	<b>50,127</b>	<b>54,825</b>	<b>70,064</b>

\*As of the fiscal year end unless otherwise indicated.



# Summary of Cash Flow Statements (Consolidated)

(¥ million)

	Six months ended May 31, 2013[A]	Six months ended May 31, 2014[B]	yr/yr change [B]-[A]
<b>Cash flows from/used in operating activities</b>	<b>5,819</b>	<b>※1 -9,545</b>	<b>-15,364</b>
Profit before tax	2,387	2,100	-286
Depreciation expense	86	90	4
Increase/Decrease in inventories	3,747	-11,344	-92
Other, net	-401	-392	9
<b>Cash flows from/used in investing activities</b>	<b>90</b>	<b>-1,780</b>	<b>-1,870</b>
Increase/Decrease in PPE	-1	-8	-7
Increase/Decrease in investment properties	-152	-1,094	-941
Other, net	244	-676	-921
<b>Cash flows from/used in financing activities</b>	<b>-2,363</b>	<b>※2 11,202</b>	<b>13,566</b>
Increase/Decrease in borrowings	-1,727	12,159	13,887
Cash dividends paid	-273	-383	-110
Interest expenses paid	-361	-571	-210
Other, net	-0	-0	-
<b>Increase/Decrease in cash and cash equivalents</b>	<b>3,546</b>	<b>-122</b>	<b>-3,668</b>
Cash and cash equivalent at beginning of period	9,410	14,711	5,301
Effect of exchange rate change on cash and cash equivalents	12	-0	-12
<b>Cash and cash equivalent at end of period</b>	<b>12,969</b>	<b>14,589</b>	<b>1,619</b>

## Cash Flows from Operating Activities \*1

Cash flow from operating activities was -¥9.5 billion, due mainly to -¥11.3 billion increase in inventories.

## Cash Flows used in Financing Activities\*2

Cash flow from financing activities was +¥11.2 billion, due primarily to ¥12.1 billion net increase in borrowings resulted from property disposition, -¥3.8 billion of cash dividends paid, and -¥570 million on of interest expenses paid.

## I. Revenue and Cost of Revenue

(¥ million, %)

Revenue	Six months ended May 31, 2013		Six months ended May 31, 2014		yr/yr change	
		%		%		%
<b>TOTAL</b>	<b>23,090</b>	<b>100.0</b>	<b>20,458</b>	<b>100.0</b>	<b>-2,632</b>	<b>-11.4</b>
Revitalization	8,745	37.9	12,835	62.7	4,090	46.8
Development	10,420	45.1	3,153	15.4	-7,267	-69.7
Rental	1,207	5.2	1,863	9.1	656	54.3
Fund and Consulting	965	4.2	475	2.3	-490	-50.8
Property Management	1,757	7.6	1,745	8.5	-11	-0.7
Alternative Investment	189	0.8	661	3.2	471	249.4
Internal Transactions	-194	-	-275	-	-81	-
Cost of revenue	Six months ended May 31, 2013		Six months ended May 31, 2014		yr/yr change	
		%		%		%
<b>TOTAL</b>	<b>17,665</b>	<b>76.5</b>	<b>15,903</b>	<b>77.7</b>	<b>-1,762</b>	<b>-10.0</b>
Revitalization	6,801	77.8	11,086	86.4	4,285	63.0
Development	8,918	85.6	2,509	79.6	-6,409	-71.9
Rental	485	40.2	673	36.1	187	38.6
Fund and Consulting	144	15.0	27	5.9	-116	-80.8
Property Management	1,322	75.3	1,275	73.1	-46	-3.5
Alternative Investment	151	80.1	549	83.2	398	262.6
Internal Transactions	-159	-	-219	-	-60	-

## II. Gross Profit and Operating Profit

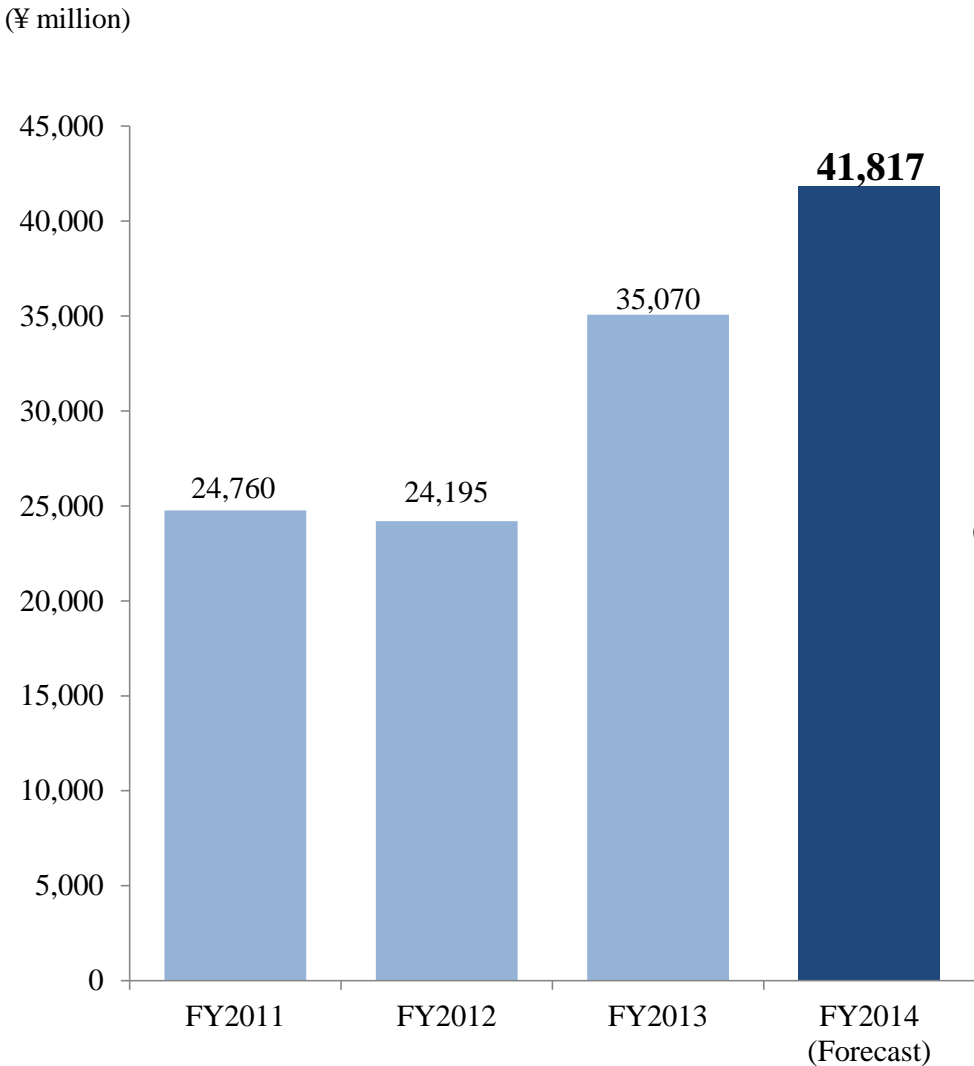
(¥ million, %)

Gross profit	Six months ended May 31, 2013		Six months ended May 31, 2014		yr/yr change	
		%		%		%
<b>TOTAL</b>	<b>5,425</b>	<b>23.5</b>	<b>4,554</b>	<b>22.3</b>	<b>-870</b>	<b>-16.0</b>
Revitalization	1,943	22.2	1,748	13.6	-194	-10.0
Development	1,502	14.4	643	20.4	-858	-57.1
Rental	721	59.8	1,189	63.9	468	64.9
Fund and Consulting	820	85.0	447	94.1	-373	-45.5
Property Management	434	24.7	469	26.9	35	8.1
Alternative Investment	37	19.9	111	16.8	73	196.3
Internal Transactions	-35	-	-56	-	-21	-
Operating profit	Six months ended May 31, 2013		Six months ended May 31, 2014		yr/yr change	
		%		%		%
<b>TOTAL</b>	<b>2,754</b>	<b>11.9</b>	<b>2,473</b>	<b>12.1</b>	<b>-280</b>	<b>-10.2</b>
Revitalization	1,496	17.1	1,269	9.9	-227	-15.2
Development	702	6.7	289	9.2	-412	-58.8
Rental	685	56.8	1,151	61.8	466	68.0
Fund and Consulting	541	56.0	108	22.8	-432	-80.0
Property Management	68	3.9	146	8.4	78	114.6
Alternative Investment	26	14.2	117	17.7	90	337.3
Corporate expenses, etc.	-766	-	-609	-	157	-

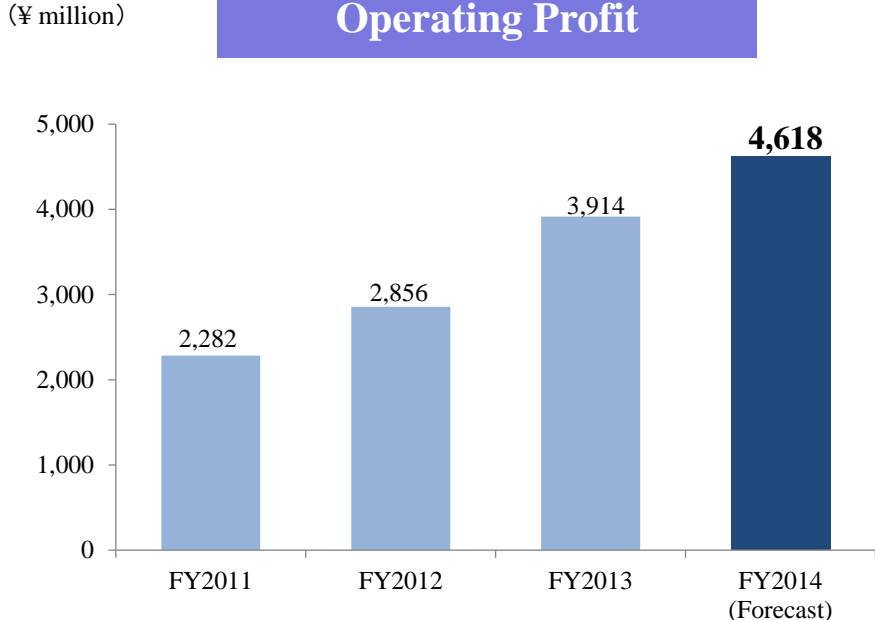
## Ⅱ. Tosei's View of the Operating Environment and Business Development for FY 2014

# Forecasts for FY2014 – Revenue/ Profit Summary-

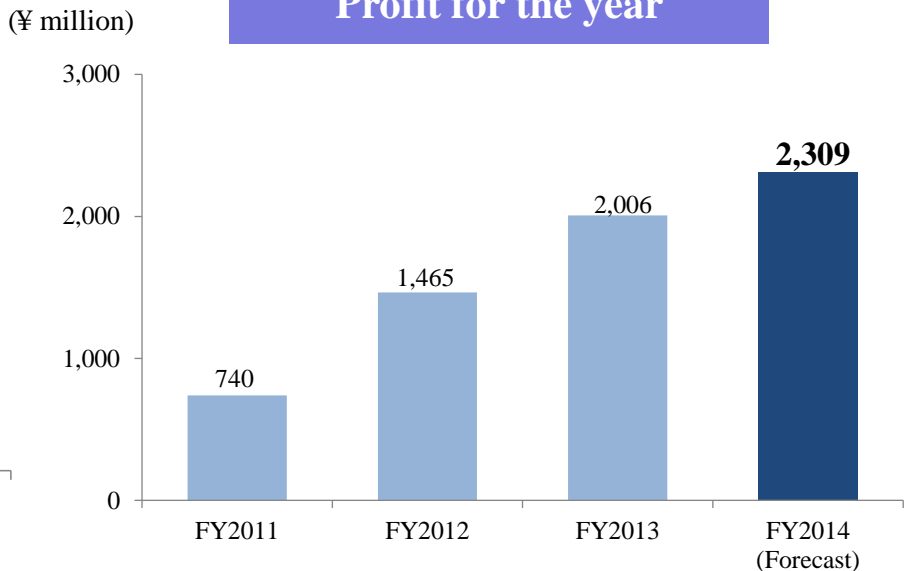
## Revenue



## Operating Profit




## Profit for the year



# Forecasts for FY2014 –Segment Summary-

(¥ million)

	FY2012		FY2013 [A]		FY2014 [B]		yr/yr change [B]-[A]	
		%		%		%		%
<b>Revenue</b>	24,195	100.0	35,070	100.0	41,817	100.0	6,747	19.2
Revitalization	5,980	24.7	11,098	31.6	※ <sup>2</sup> 26,093	62.4	14,995	135.1
Development	11,259	46.5	16,347	46.6	7,419	17.7	-8,928	-54.6
Rental	2,510	10.4	2,703	7.7	3,274	7.8	571	21.1
Fund and Consulting	799	3.3	1,419	4.0	1,092	2.6	-327	-23.1
Property Management	3,500	14.5	3,541	10.1	3,750	9.0	208	5.9
Alternative Investment	844	3.5	440	1.3	※ <sup>2</sup> 722	1.7	282	64.1
Internal transactions	-698	-	-481	-	-535	-	-54	-
<b>Gross profit</b>	6,113	25.3	8,678	24.7	9,831	23.5	1,153	13.3
Revitalization	624	10.4	2,112	※ <sup>1</sup> 19.0	4,529	※ <sup>1</sup> 17.4	2,416	114.4
Development	2,422	21.5	2,779	※ <sup>1</sup> 17.0	1,287	※ <sup>1</sup> 17.4	-1,492	-53.7
Rental	1,481	59.0	1,671	61.8	2,028	61.9	357	21.4
Fund and Consulting	738	92.3	1,248	88.0	1,021	93.5	-227	-18.2
Property Management	812	23.2	850	24.0	909	24.2	59	7.0
Alternative Investment	119	14.2	101	23.1	132	18.4	31	30.9
Corporate expenses, etc.	-84	-	-86	-	-78	-	8	-
<b>Operating profit</b>	2,856	11.8	3,914	11.2	4,618	11.0	703	18.0
Revitalization	273	4.6	1,398	12.6	3,206	12.3	1,808	129.3
Development	2,197	19.5	1,447	8.9	493	6.7	-953	-65.9
Rental	1,340	53.4	1,590	58.8	1,953	59.6	362	22.8
Fund and Consulting	181	22.7	669	47.2	305	28.0	-364	-54.4
Property Management	-11	-0.3	122	3.5	156	4.2	32	26.5
Alternative Investment	82	9.8	73	16.6	69	9.6	-3	-5.4
Corporate expenses, etc.	-1,207	-	-1,392	-	-1,566	-	-177	-
<b>Finance income/costs (net)</b>	-638	-	-692	-	-818	-	-125	18.2
<b>Profit before tax</b>	2,218	9.2	3,222	9.2	3,800	9.1	578	17.9
Income tax expenses	753	-	1,215	-	1,491	-	275	22.7
<b>Profit for the period/year</b>	1,465	6.1	2,006	5.7	2,309	5.5	302	15.1

 : Gross profit margin/  
Operating margin

\*1 Gross profits of Revitalization and Development Business

The sales expenses relating to the Revitalization and Development Businesses which used to be included in cost of revenues are charged to SG&A expenses from this period, FY2014.

\*2 Forecast for FY2014 of Revitalization and Alternative Investment Business: Although, there were few amendments on the revenue and operating profit, there is no effort on the total revenue.



Abenomics  
 Tokyo Olympics  
 Upward of the office leasing market  
 High demand for newly built residential

Growth of J-REIT & fund market  
 Rising a building cost  
 Intensified competition of the site acquisition

## Real estate investment market

- ➡ Activated a transaction due to amid improvements in the financing environment
- ➡ Active real estate acquisitions by J-JEIT
- ➡ Expecting high profitability due to a recovery of the real-estate market
- ➡ Rising the occupancy rate and rental especially in the office leasing Market
- ⬅ Shortage of large-scale properties

## Market for End users

- ➡ Demand for detached house and condominium remained firm after the Lehman crisis
- ➡ Detached house
  - Less affected by the rising building cost
  - Enable a small-scale land to develop
- ⬅ Condominium
  - Rising building cost/ labor shortage
  - Increase in the price of land acquisition

To future funds origination, expanding revitalization business and purchasing properties.

From the view point of the risk management, appointing end-use-targeted properties as a key business domains.

To obtain particularly those exceeding ¥1-5 billion in value

To focus on detached houses business due to a small affected by the rising building cost



## Office

## Condominium

### Rental market

**Occupancy rate & rental fee are on the upward trend**

- The average vacancy rate in Tokyo's 5 business wards is at 6.6% and its on the upward trend.
- The vacancy rate of middle & small-scale offices is stable(8-9%)
- Despite the average rate in Tokyo's 5 business wards is at a price of less than 17,000 yen, it slightly recovered.
- A supply of large-scale offices is likely to be 1.05 million square meter per year which as same as the past average rate

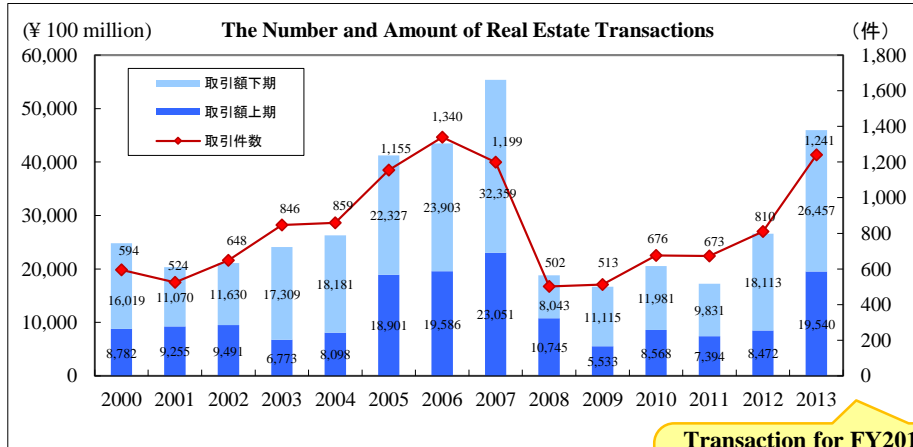
**Occupancy rate grow steadily but the rental remain flat in greater Tokyo area**

- Population and a number of the households appear to be a rise in greater Tokyo area
- The employment income stay flat and the rental remain flat (J-REIT)
- The occupancy rate stay firm at over 95% (J-REIT)
- A new supply of single room has been rising since 2011

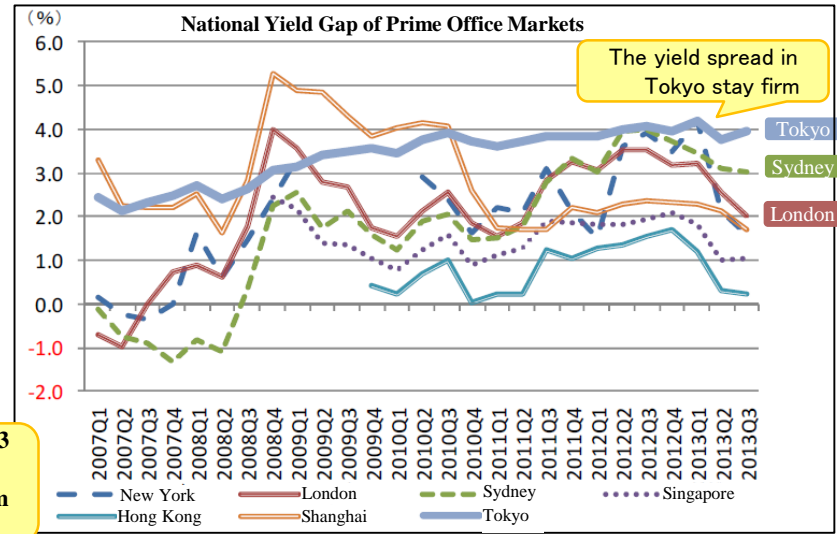
### Trading market

**Activate a transaction due to the improvement of a financing environment**

- Acquisition of properties by J-REIT and listed companies recover up to the second highest level following on 2007 (5.5 trillions in 2007→4.6 trillions in 2013)
- The bank loans for real estate companies and J-REIT are good
- Purchases by the public pension and the Bank of Japan were successful, and the REIT index increased in stock value significantly. Properties acquisition cost of J-REIT accomplished at 2.2 trillions in 2013 due to the improvement of a financing environment



Transaction for FY2013 was trillion which increased 73% from the previous year



## New condominiums and detached houses

A consumption tax rise have little impact on the market due to a housing acquisition support by the government

- Housing benefits and home loan tax breaks etc

**The supply-demand of new condominiums remains firm. On the other hand, land costs, construction costs experienced a sharp price increase, there was a concern of the impact of price movements.**

- Due to the last minute demand in the first half of 2014, a downturn was forecasted, but instead contracts were being signed at a rate of over 70%, with strong demand and a bullish market.
- Although the adverse impact on the costs due to the high expense of building and construction, gross prices were being held down by way of adjusting reduction of area.

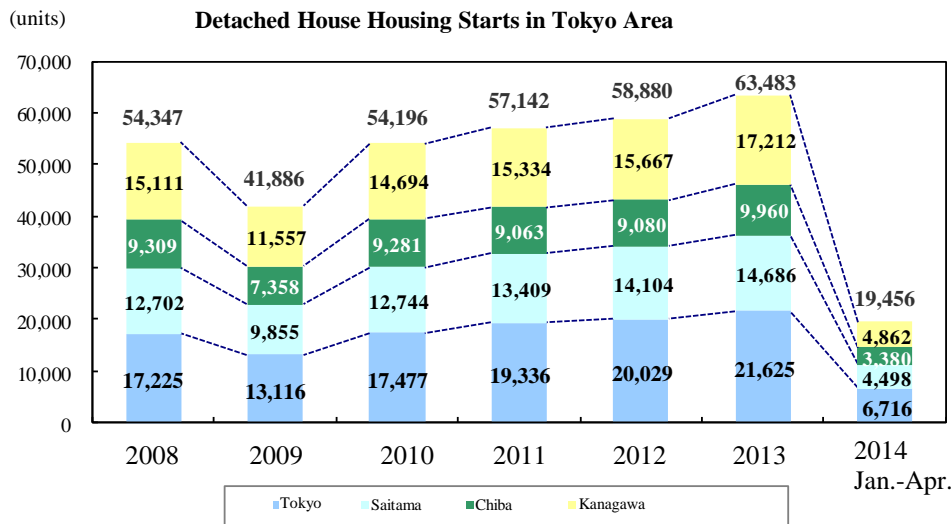
**Demands for new detached houses stay firm with less affected by arising building costs**

- Construction of houses has recovered reaching its lowest in 2009, with demand in 2014 looking healthy.

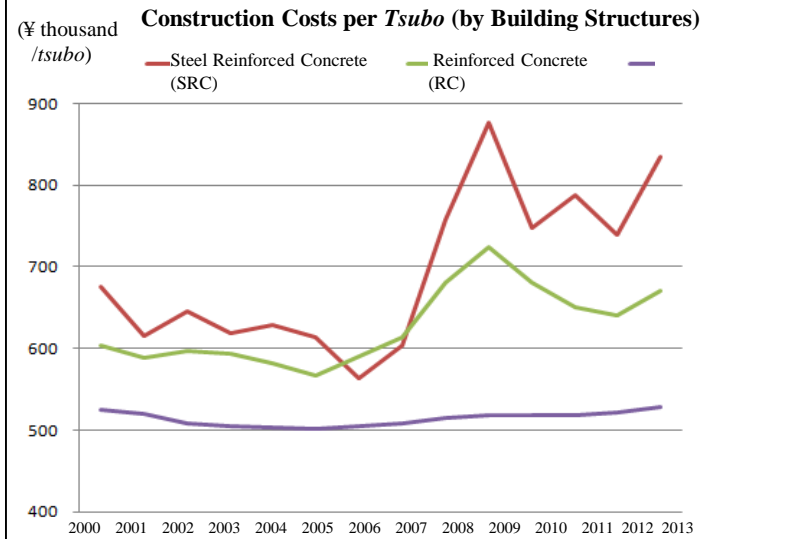
## Pre-owed condominiums

**Housing renovation market has been expanded, however, there was increasing competition in the market due to an increase in the number of businesses.**

- Due to increasing prices for new condominiums, there was a revaluation on the properties, and business activity increased. (Number of contracted units: 31,000 units in 2012-36,000 units in 2013)
- Tax break and expansion of housing loans by financial institution, in addition consumers are open to pre-owed condominiums (Improve a tax break of housing loan (renovation), preferential registration license tax etc)
- New evaluation standards set up by a Ministry of Land to stimulate the market (To review a procedure of conformance by a nongovernment organization for pre-owed condominiums without certifications and advance the diffusion of inspections)
- The price increased for the period starting from June 2013 to February 2014 and it's currently stable.



Source: Ministry of Land, Infrastructure, Transport and Tourism



Source: Ministry of Land, Infrastructure, Transport and Tourism

# FY 2014 Revitalization Business

## 【Task recognition】

- The market is active situation but a shortage of large-scale transactions which is over 2 billion
- The market trends to overheat (CAP rate downturn)

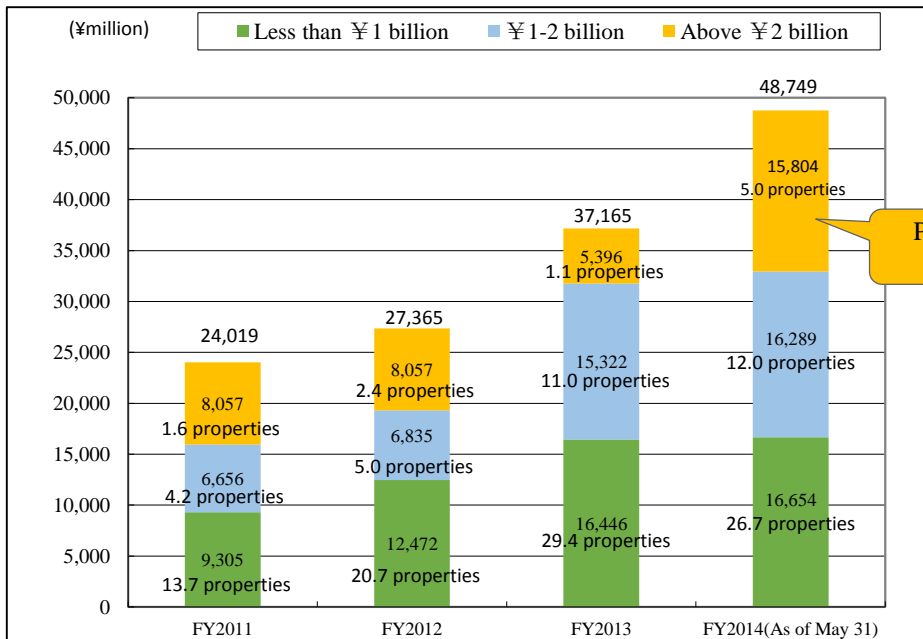
◆ To strengthen a purchasing the first-line properties observing a market trends with a wealth of information and exit strategies, especially for large-scale properties which are above 20 billions yen.

- To obtain high-yield properties close to the station in suburb (Inagekaigan building, Tama center building, Fujimi condominiums)
- To obtain high-yield properties with leasehold (Shinjuku 6 chome building)
- To obtain properties and utilize our own unique solutions ( Value up or leasing)



Leasehold property (Shinjuku 6 chome building)

### <Revitalization Business> Breakdown of Inventories (Trends in Expected Disposition Values)



Acquisition properties close to the station in suburb



Inagekaigan building



Saitama fujimi apartment

# FY 2014 Development Business

## 【Task recognition】

- Large land for development: The acquisition was difficult due to a price rise in a competitive market
- Whole building development: Rising building costs and limitation in price movement for condominiums

◆ From the point of view of the risk management, the end user-targeting market is one of our significant portfolio due to a strong demand during the financial crisis. Shifting to the detached houses development against the backdrop of rising building cost and shortage of sites.

- To pursue two lines of business, small developments in city center and large scale developments in suburbs
- Stay firm without any affection by economic ups and downs
- Business turnover rate

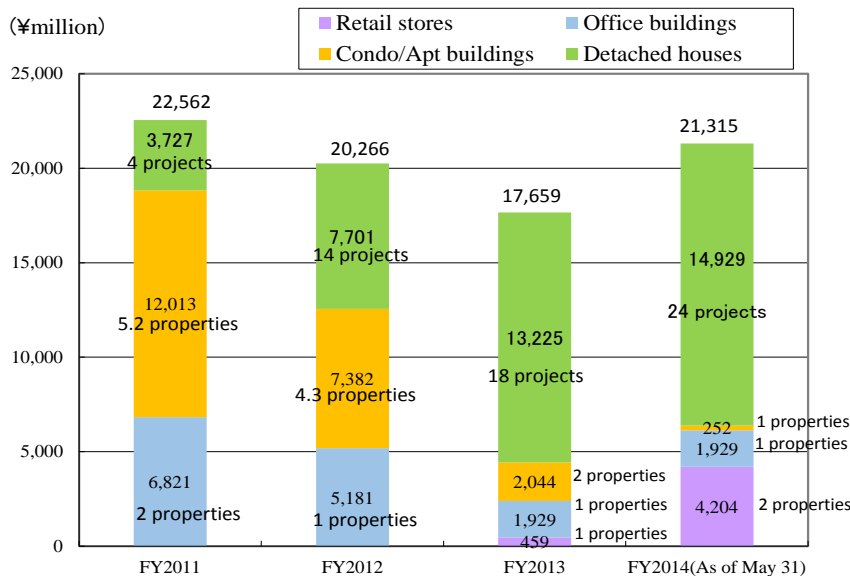
◆ To evaluate the value of development contracts including locations and scales with multihued development powers. Development of commercial facilities has resumed for the first time in 5 years.



T'S BRIGHTIA Tsunashima

### <Development Business>

#### Breakdown of Inventories (Trends in Expected Disposition Values)



Undertake apartment developments as a part of expansion of development business in addition to restarting commercial facility development. Apartment with 29 units targeting for single and DINKS has been under development.  
(estimated date of completion in September, 2014)

To study the investment in ASEAN members by Tosei Singapore Pte Ltd

To pursue a marketing for investment properties in ASEAN members based in Singapore



**Decided the first investment property to be in Malaysia**



Hampshire Residence(Residential)

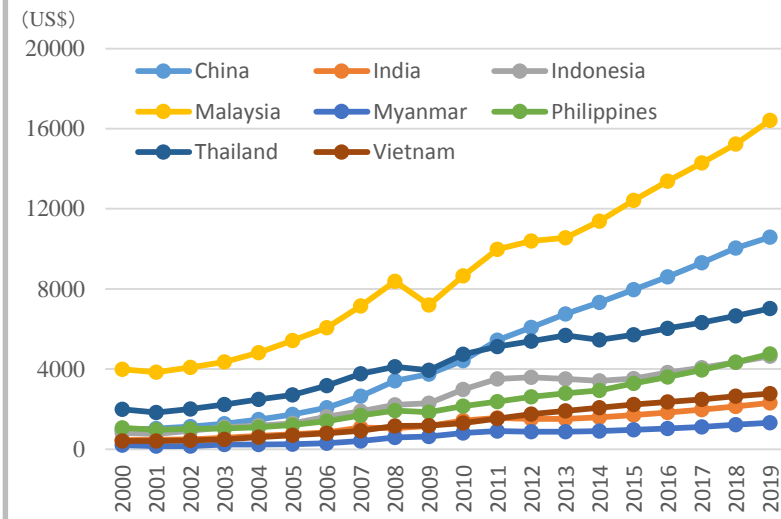
## Objective

To acquire offices and condominiums in the central area for studying property management business in overseas to start revitalization business or development business in Asia countries in the future.

## Why Malaysia?

- ① **Stable growth**  
⇒ Carrying a low risk of crash as maintain GDP growth rate of 5% and GDP and stable population growth (current population 29 millions)
- ② **High transparency of real estate information**  
⇒ To have an accurate baseline of registration and past records
- ③ **Actively to attract foreign investors**  
⇒ Active real-estate transaction among foreign investors in spite of the limitations. Low volatility and the price fluctuation stable.
- ④ **Nearby Singapore**  
⇒ Many benefits of administrative operation

## 【GDP per capita in Asia and ASEAN regional】



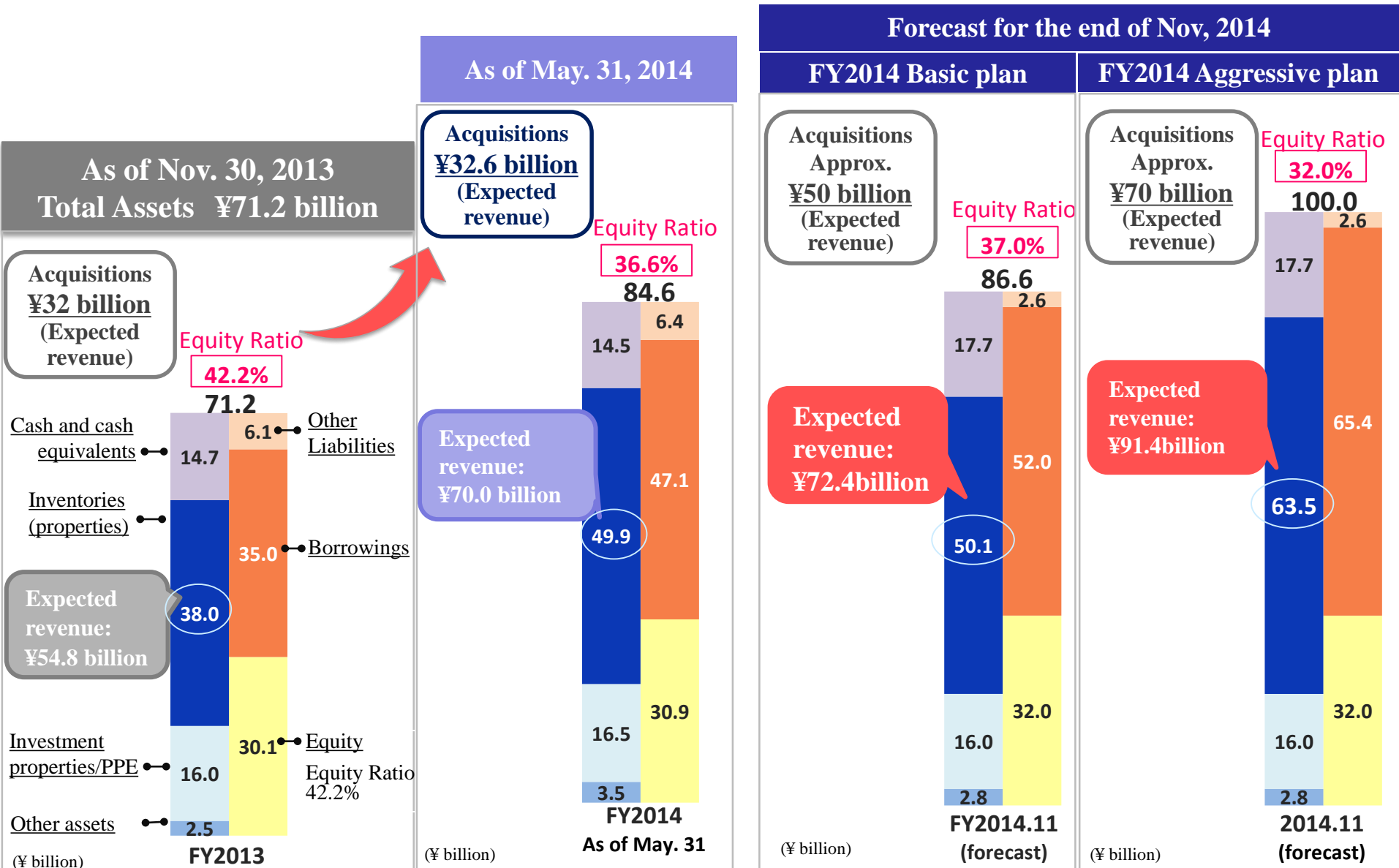
Source: IMF

(Forecast)



# FY 2014 Balance sheet Simulation

◆ The purchase progress smoothly and the balance sheet essentially remained above basic plan



## Current Share Price

[1] Market capitalization (As of July 1, 2014)	[2] Net Book Value (As of May 31, 2014)	[1] ÷ [2] PBR (As of July 1, 2014)		PER (Forecast)
¥36.3billion	¥31.0billion	<u>1.17</u>	Market capitalization recover times 1.17 from the book value	<u>15.70</u>
Stock price (As of July 1, 2014)	Book Value Per Share (As of May 31, 2014)			
¥751.00	¥641.93			

## Transition of dividends

	FY2010	FY2011	FY2012	FY2013	FY2014 (forecast)
Annual Dividends Per Share (¥)	* 5.00	* 5.00	* 6.00	8.00	10.00
Ratio of earnings to dividends(%)	51.3	30.4	18.7	18.6	20.9

\*The Company split its shares by 100 for 1, effective July 1, 2013. As for the dividends per share are restatements in line with the stock split from the FY2010.



<Reference Materials>  
I . Introduction of Tosei  
Tosei Group Overview

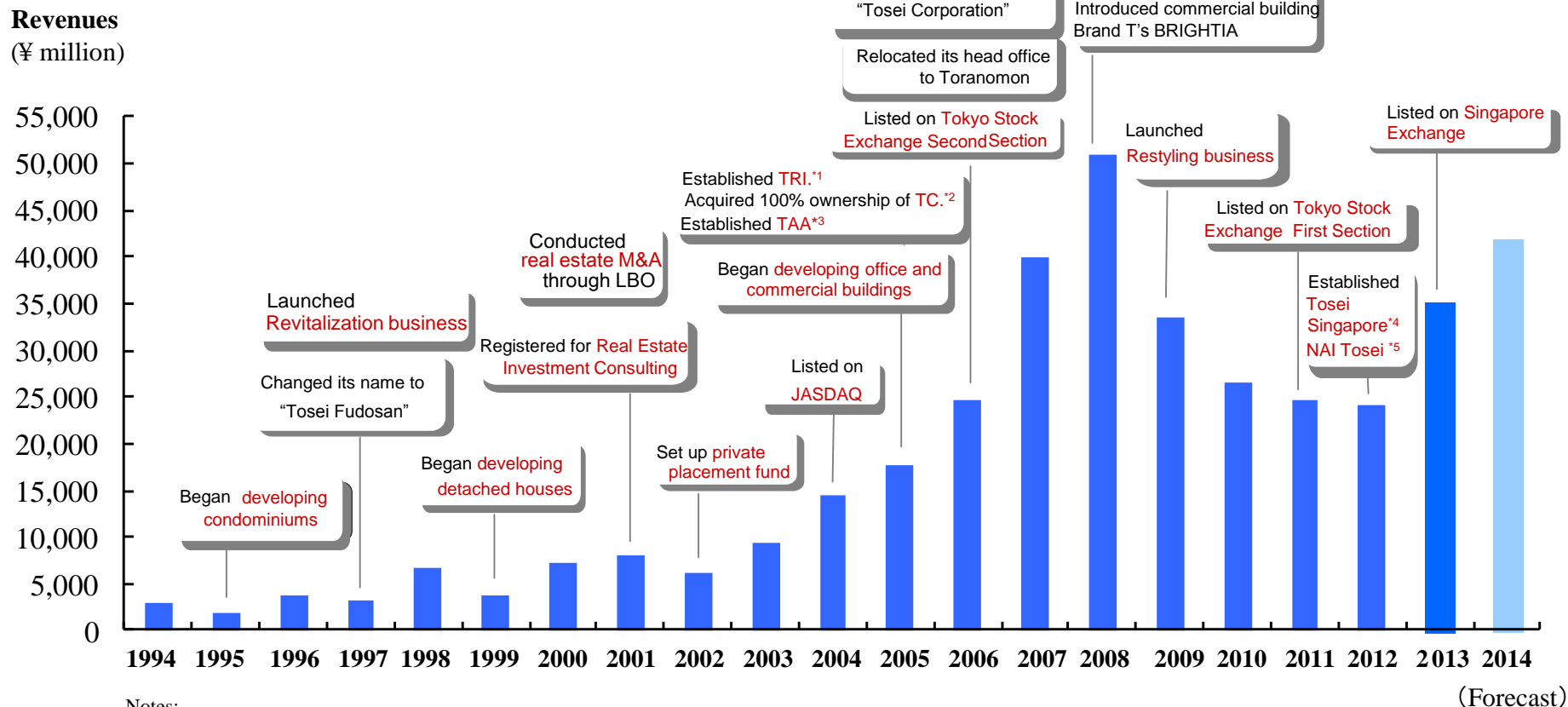
<b>Company name</b>	TOSEI CORPORATION		
<b>Address</b>	4-2-3 Toranomom, Minato-ku, Tokyo		
<b>Date established</b>	February 2, 1950		
<b>Paid-in Capital</b>	¥6,421,390 thousand		
<b>Representative</b>	Seiichiro Yamaguchi, President and CEO		
<b>Fiscal year-end</b>	November 30		
<b>Stock listing</b>	Tokyo Stock Exchange, First Section (8923) Singapore Exchange, Mainboard (S2D)		
<b>Share status</b>	<ul style="list-style-type: none"> <li>■ Total outstanding shares 48,284,000 shares</li> <li>■ Number of shareholders 8,522</li> <li>■ Shareholder composition                             <ul style="list-style-type: none"> <li>▪ Individuals/Other 48.62% (23,473,397 shares)</li> <li>▪ Financial institutions 16.56% (7,997,300 shares)</li> <li>▪ Securities companies 13.45% (6,494,400 shares)</li> <li>▪ Foreign companies 18.17% (8,773,313 shares)</li> <li>▪ Other companies 3.20% (1,545,590 shares)</li> </ul> </li> </ul>		
<b>Employees</b>	118(Non-consolidated) 227 (Consolidated)		
<b>Main affiliated companies</b>	Tosei Community Co., Ltd. Tosei Revival Investment Co., Ltd. Tosei Asset Advisors, Inc.		Tosei Singapore Pte. Ltd. NAI Tosei Japan, Inc.

# History of Tosei Corporation

**1950: Established Yukari Kogyo Co., Ltd, the predecessor of Tosei Corporation**

**1983: Tosei Building Co., Ltd.**

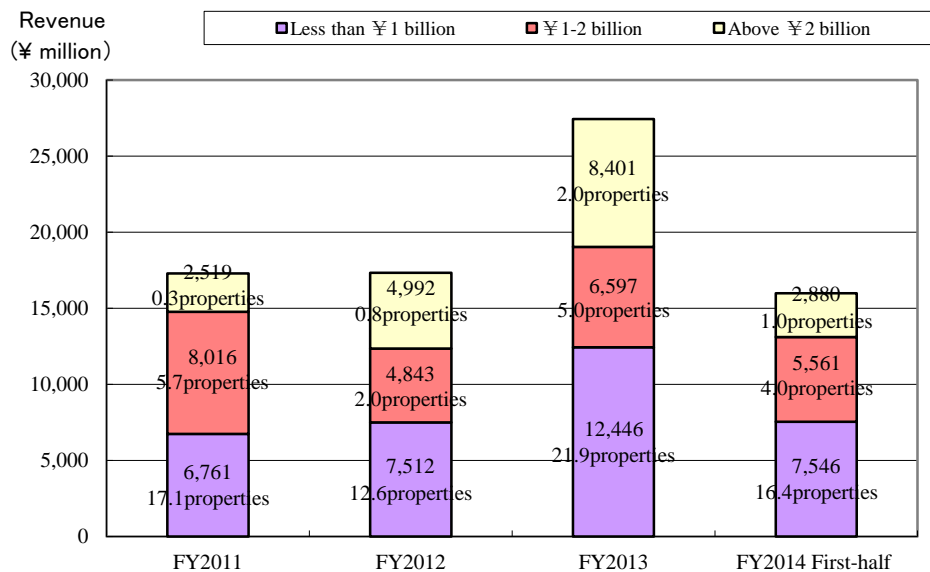
**1994: Mr. Seiichiro Yamaguchi assumed the role of President and CEO.**



Notes:

1. TRI: Tosei Revival Investment Co., Ltd.
2. TC: Tosei Community Co., Ltd.
3. TAA: Tosei Asset Advisors, Inc. (Name changed from Tosei REIT Advisors, Inc. in April 2008)
4. Tosei Singapore: Tosei Singapore Pte. Ltd.
5. NAI Tosei: NAI Tosei Japan, Inc.

## Breakdown by Property Size



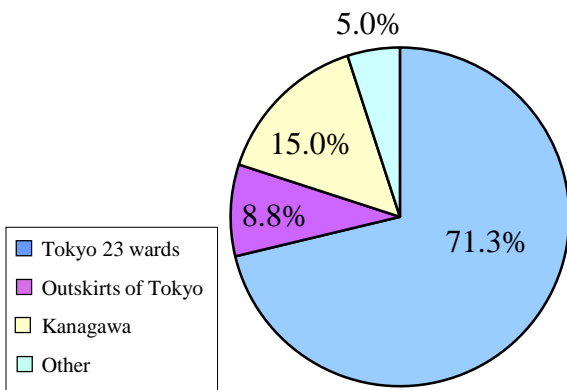
➤ In the first-half of FY2014, in addition to the properties under ¥1 billion whose demand was relatively firm, Tosei also sold 5 properties above ¥1 billion, in the backdrop of the recovery in the real estate market.

\*Reason for fractional number of property:  
The condominium buildings and detached houses are counted as each project being one property. However, for those that were sold over two or more periods, we counted fractional unit for each period in proportion to the revenue recorded during such period.

	FY2011		FY2012		FY2013		FY2014 First-half		Inventories as of May 31, 2014
	Revenue (¥ million)	# of properties	Revenue (¥ million)	# of properties	Revenue (¥ million)	# of properties	Revenue (¥ million)	# of properties	
Above ¥2 billion	2,519	0.3	4,992	0.8	8,401	2.0	2,880	1.0	8.0
¥1-2 billion	8,016	5.7	4,843	2.0	6,597	5.0	5,561	4.0	15.0
Less than ¥1 billion	6,761	17.1	7,512	12.6	12,446	21.9	7,546	16.4	44.9
<b>TOTAL</b>	<b>17,297</b>	<b>23.1</b>	<b>17,348</b>	<b>15.4</b>	<b>27,445</b>	<b>28.9</b>	<b>15,988</b>	<b>21.4</b>	<b>67.9</b>

## Properties Held in Inventories

- Most of them are located in Tokyo's 23 wards.  
The total number of properties in inventory as of , 2014 was 80, of which, 57 properties (about 71.3%) are located in the 23 wards of Tokyo.

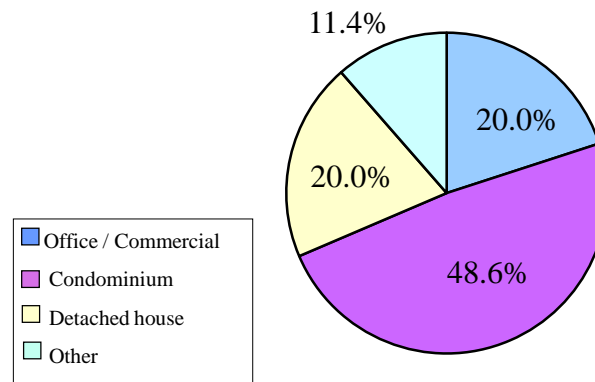


Property Type	No. of Properties	%
Tokyo's 23 wards	57	71.3%
Outskirts of Tokyo	7	8.8%
Kanagawa	12	15.0%
Other	4	5.0%
<b>Total</b>	<b>80</b>	<b>100.0%</b>

## Properties Sold

- The main focus was on residential properties.  
In the 1<sup>st</sup>-half of FY2014, we mainly sold condominiums and detached houses including those in Restyling business (“Restyling properties”).

\* Condominiums, detached houses, and Restyling properties are counted as 1 unit per property.



Property Type	No. of Propertie	%
Office/Commercial	7	20.0%
Condominiums	17	48.6%
Detached Houses	7	20.0%
Other	4	11.4%
<b>Total</b>	<b>35</b>	<b>100.0%</b>

<Reference Material>

II . Real Estate Market Conditions

## Office Building in Stock<sup>※1</sup>

**No. of Buildings:** 56,149

**Gross Floor Area:** 33.03 million *tsubo*

## Apartment Building in Stock<sup>※2</sup>

**No. of Buildings:**<sup>※3</sup> 68,454  
(1 million units<sup>\*4</sup>)

**Gross Floor Area:**<sup>※5</sup> 21.18 million *tsubo*  
(69.89 million m<sup>2</sup>)

## Market Size for Revitalization Business

**No. of Buildings:** Approx.124,600

**Gross Floor Area:**<sup>\*5</sup> Approx.54.20 million *tsubo*

➤ Tokyo's 23 wards continue to be by far the largest for revitalization business.

\*1 The number of properties and the gross floor area of "Offices, shops, and department stores" included under the "Non-wooden properties" as of Jan. 1, 2011, which has been disclosed by the Tokyo Metropolitan Government Bureau of Taxation.

\*2 Refers to apartments and rental condominiums located in the 23 wards of Tokyo, and does not include those for sales purposes.

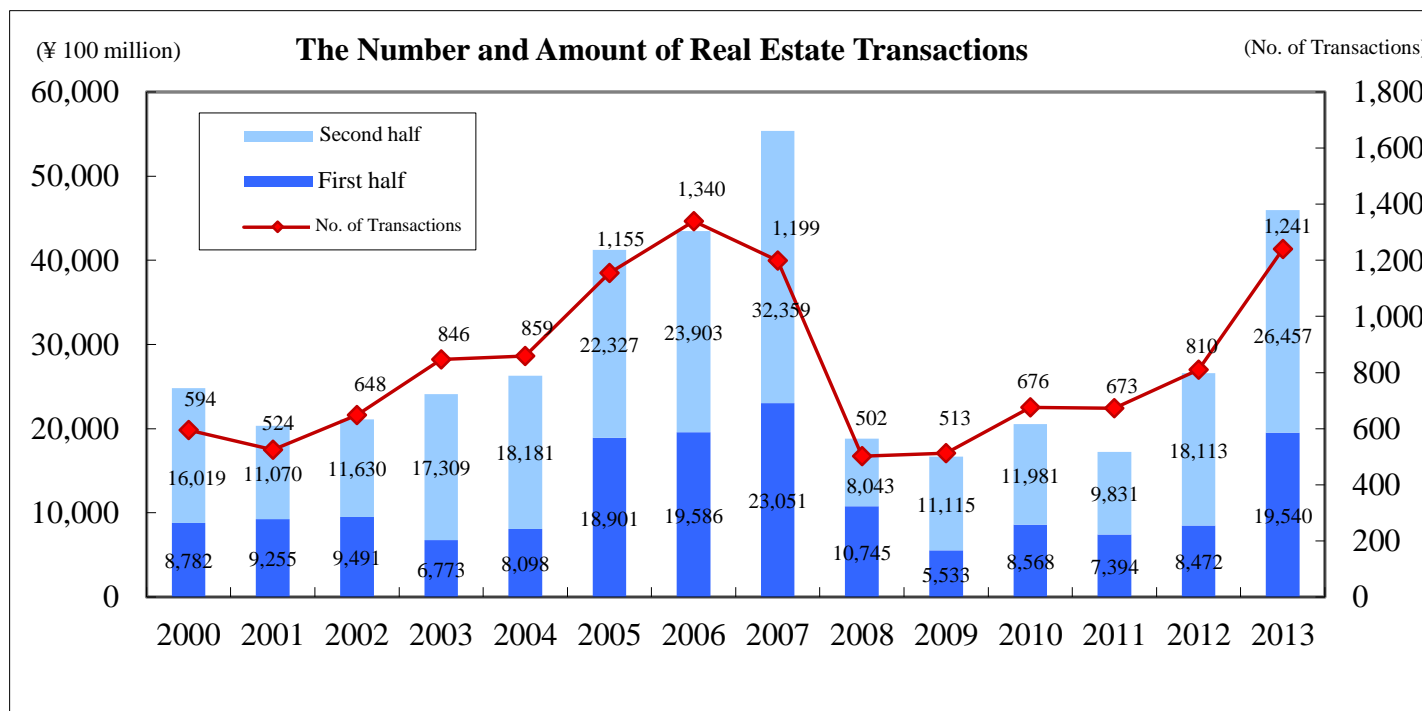
\*3 Sourced from "Results of condominium survey" (as of Aug. 1, 2011) disclosed by the Tokyo Metropolitan Government Bureau of Urban Development in March 2012.

\*4 Estimated based on the "Results of condominium survey" disclosed in March 2012.

\*5 Estimated based on the "Results of condominium survey 2009" disclosed by the Tokyo Metropolitan Government Bureau of Urban Development.



# Real Estate Transactions by Listed Companies

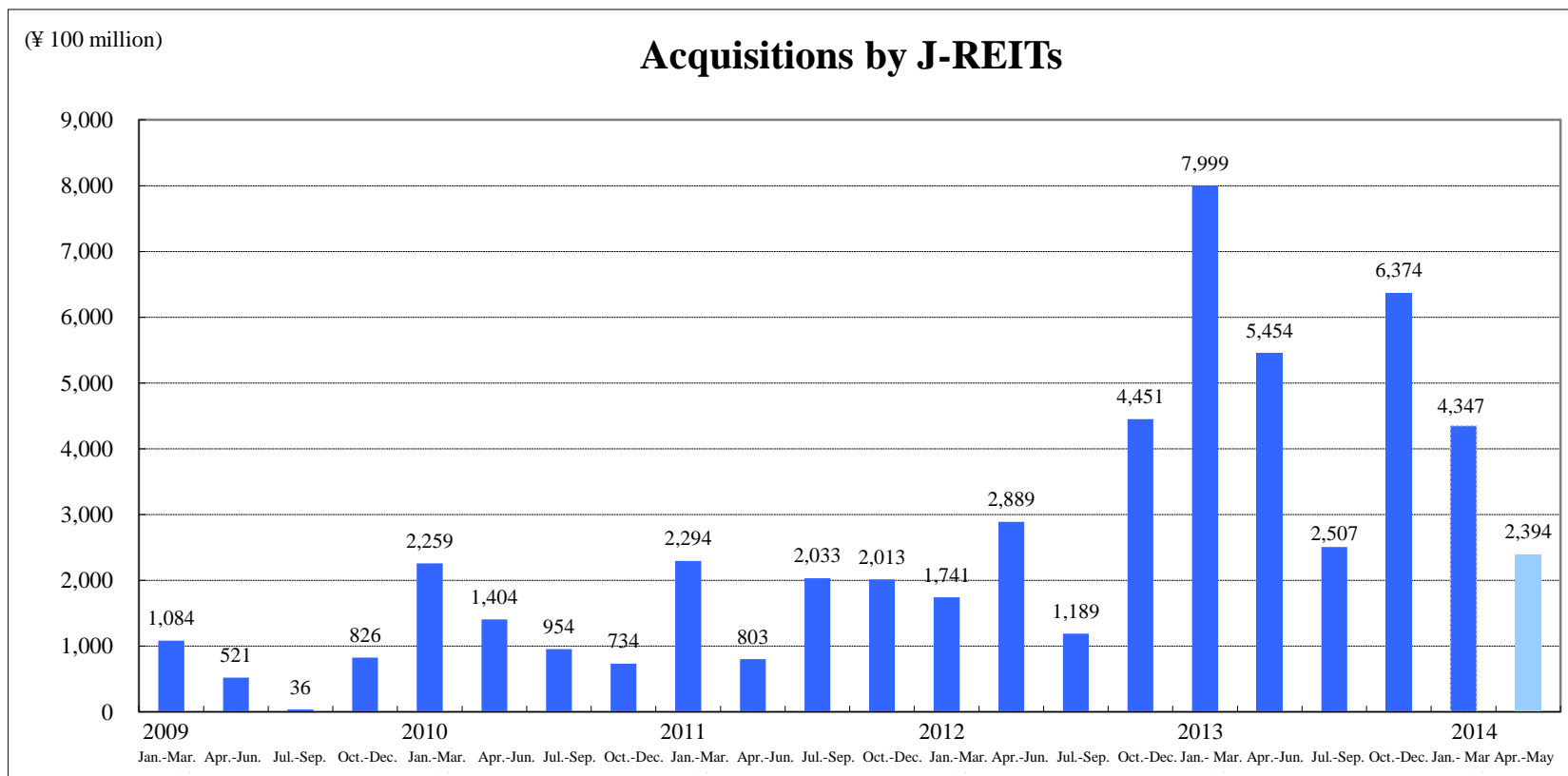


	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total amount	24,801	20,325	21,121	24,082	26,279	41,228	43,489	54,484	18,585	16,648	20,549	17,225	26,689	45,997
# of Properties	594	524	648	846	859	1,155	1,340	1,199	502	513	676	673	823	1,241
Avg. Value	41.8	38.8	32.6	28.5	30.6	35.7	32.5	45.4	37.0	32.5	30.4	25.6	32.4	37.1

Source: Urban Research Institute Corporation

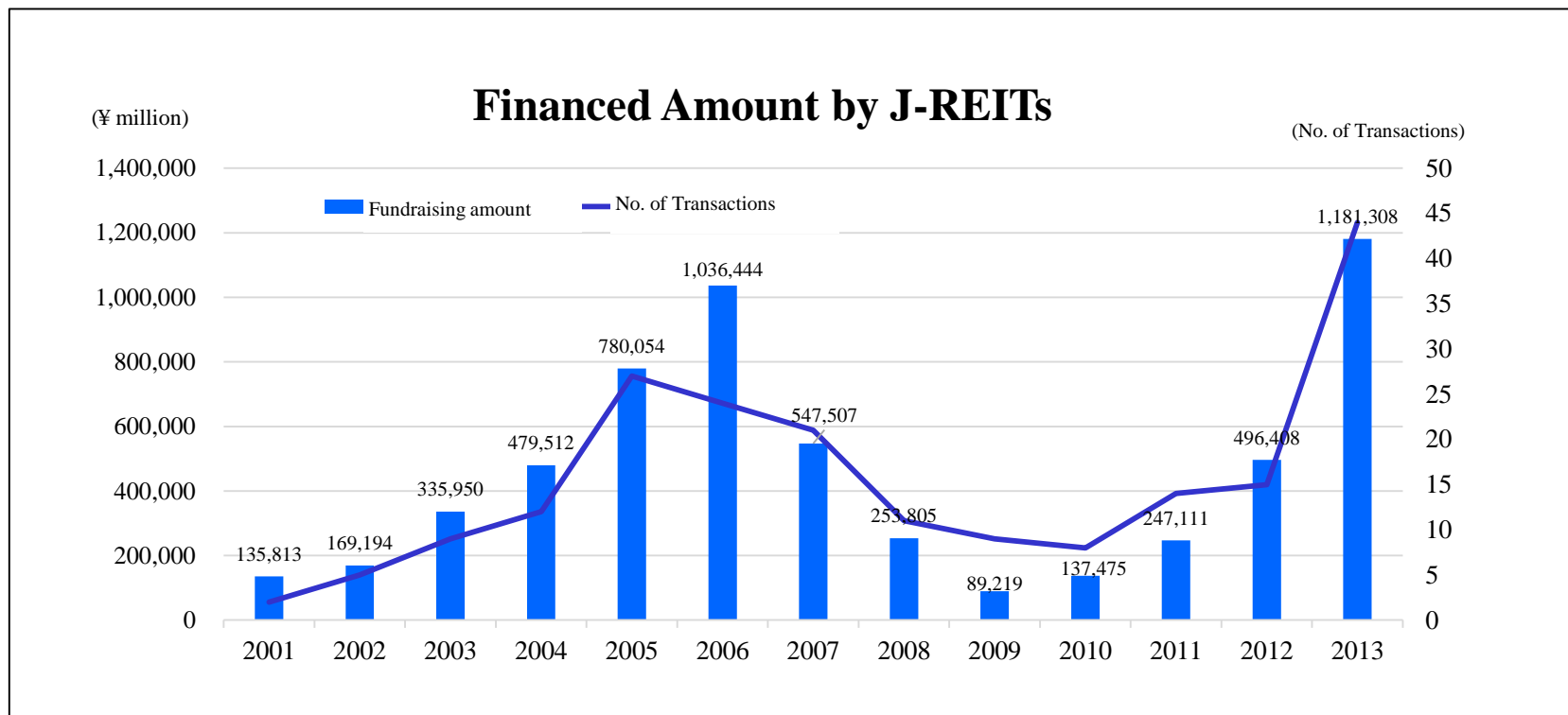
**The number of transactions in FY2013 totaled 1,241, amounting to ¥4,599 billion(up 73% year-on-year).**

**Largely contributed by domestic real estate funds and increase in property acquisitions by foreign investors, the real estate transaction amount recovered in the second place of 2007, which is the pre-Lehman Crisis era.**



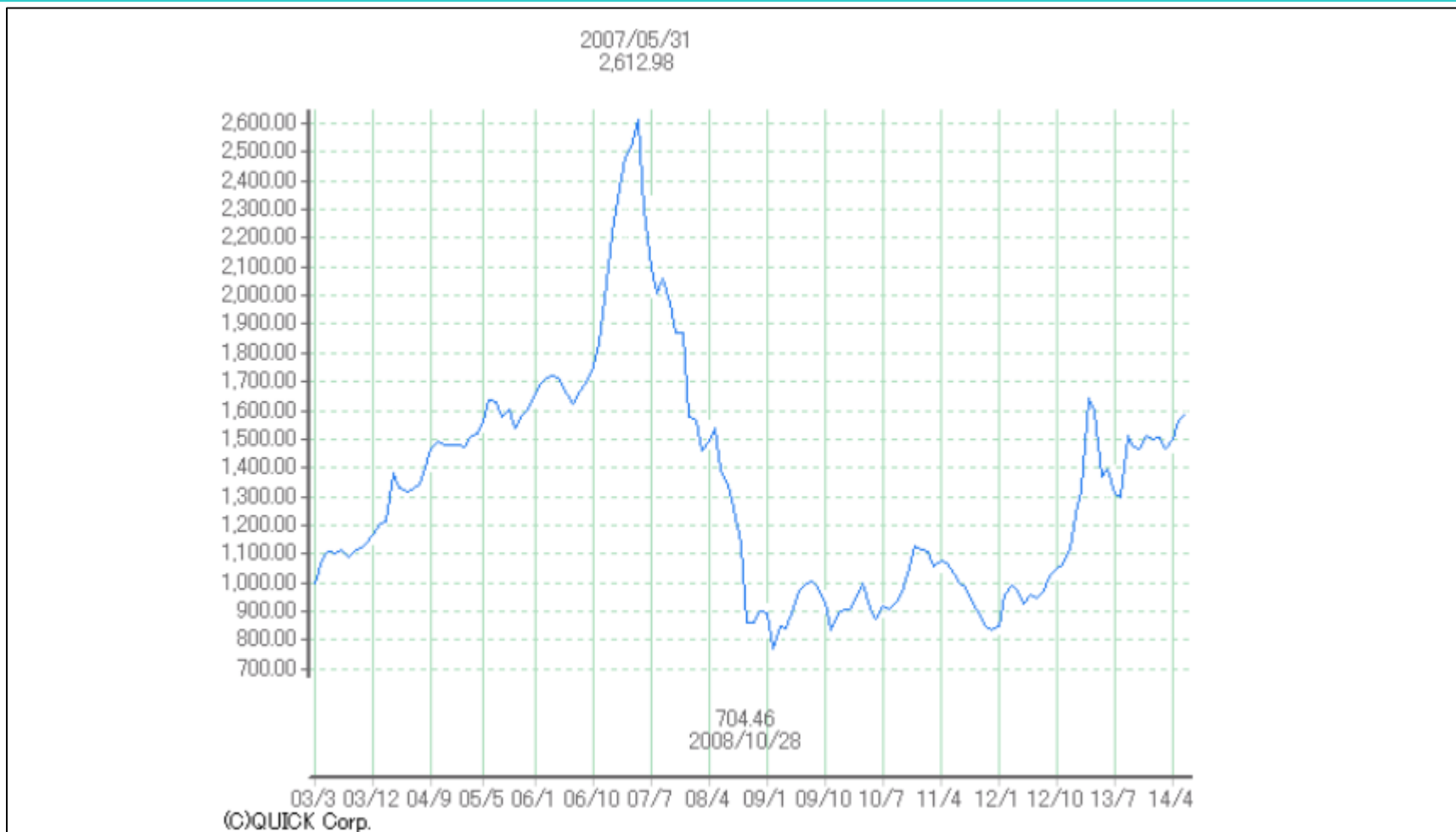
Source : ARES

The acquisition by IPOs and additional equity funding has been active due to an incensement of REIT stock prices and the improved financing environment. The acquisitions by J-REITs during FY2013 reached ¥2,233 billion doubled that of the previous year (¥1,027 billion).



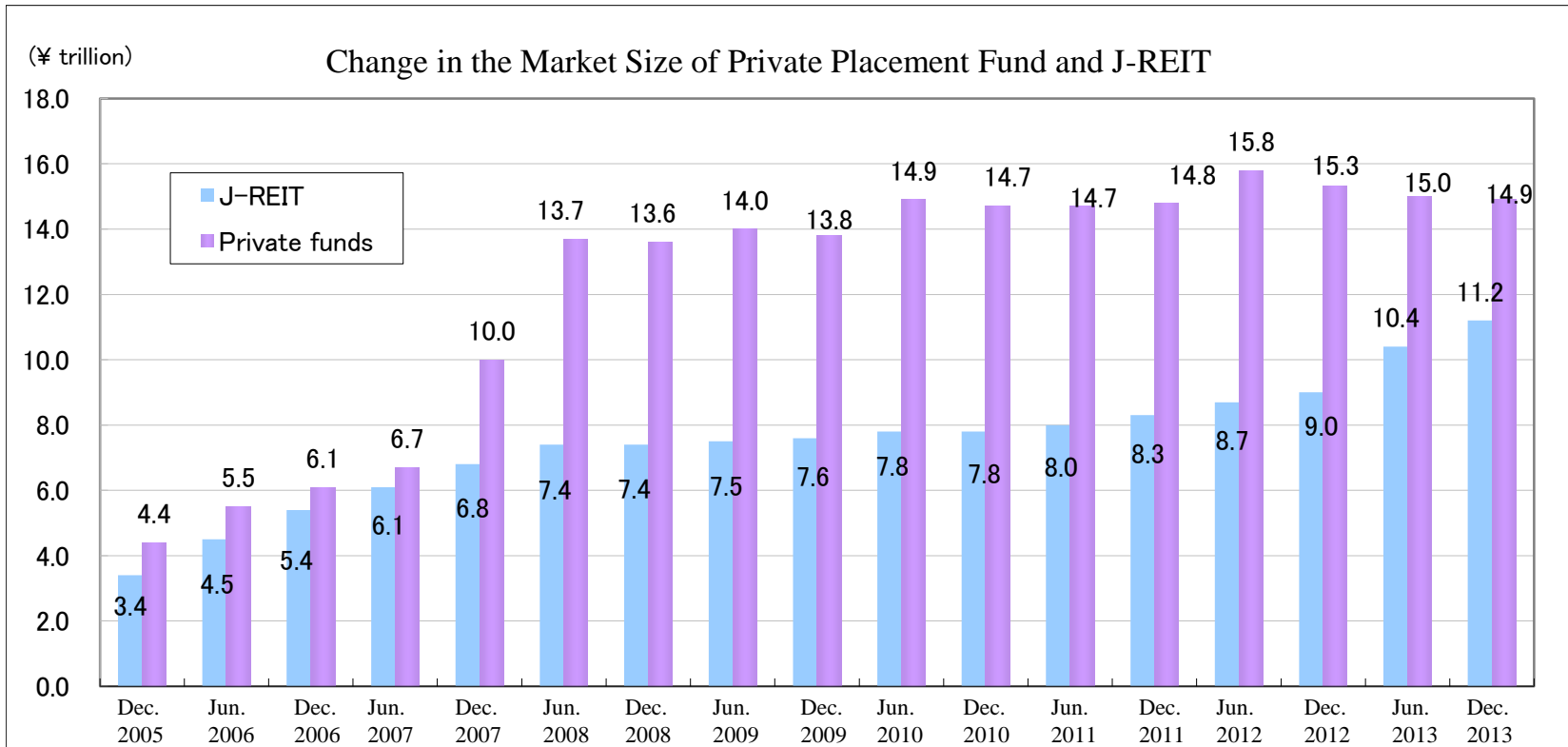
Source: ARES

**The total financed amount by J-REIT was over 1 trillion (44 cases) which was a record levels since the founding of J-REIT as there were active IPOs and additional equity funding, supported by improved financing environment. Recent achievement of IPO was ¥278 billion (4 cases) in 2012 and ¥522 billion(7 cases) in 2013.**



Source: Tokyo Stock Exchange

**TSE REIR Index temporarily-declined in March, 2014, however, remaining on the upward trend in April onwards and reaching 1565.2 point in the end of May, 2014 which was the highest price for the year-to-date.**



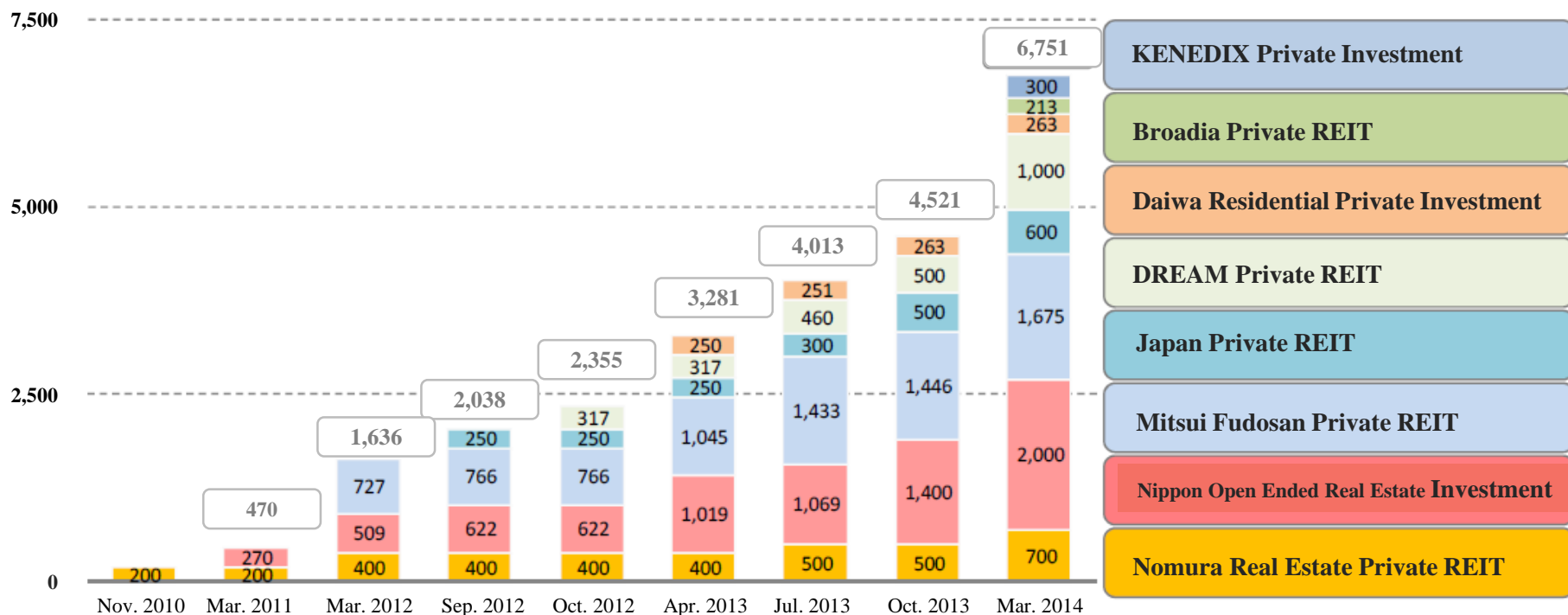
Source: Sumitomo Mitsui Trust Research Institute

The market size of private placement funds as of December 31, 2013 totaled ¥14.9 trillion which was -¥600 billion from the amount in June 30, 2013 due to an active sale of properties by existing funds in the strong market. As for J-REIT, a market has been growing till now. Total of market size for real estate fund was ¥27.3 trillion as of December 31, 2013 including the J-REIT's ¥11.2 trillion, ¥14.9 trillion of private placement funds shown in the above chart and ¥1.2 trillion\* as allocated to domestic real estate in the global funds, the overall market size has been larger than the previous year's ¥26.5 trillion.

\*The figures are not provided in the above chart

# Working Balance of Private Placement REIT

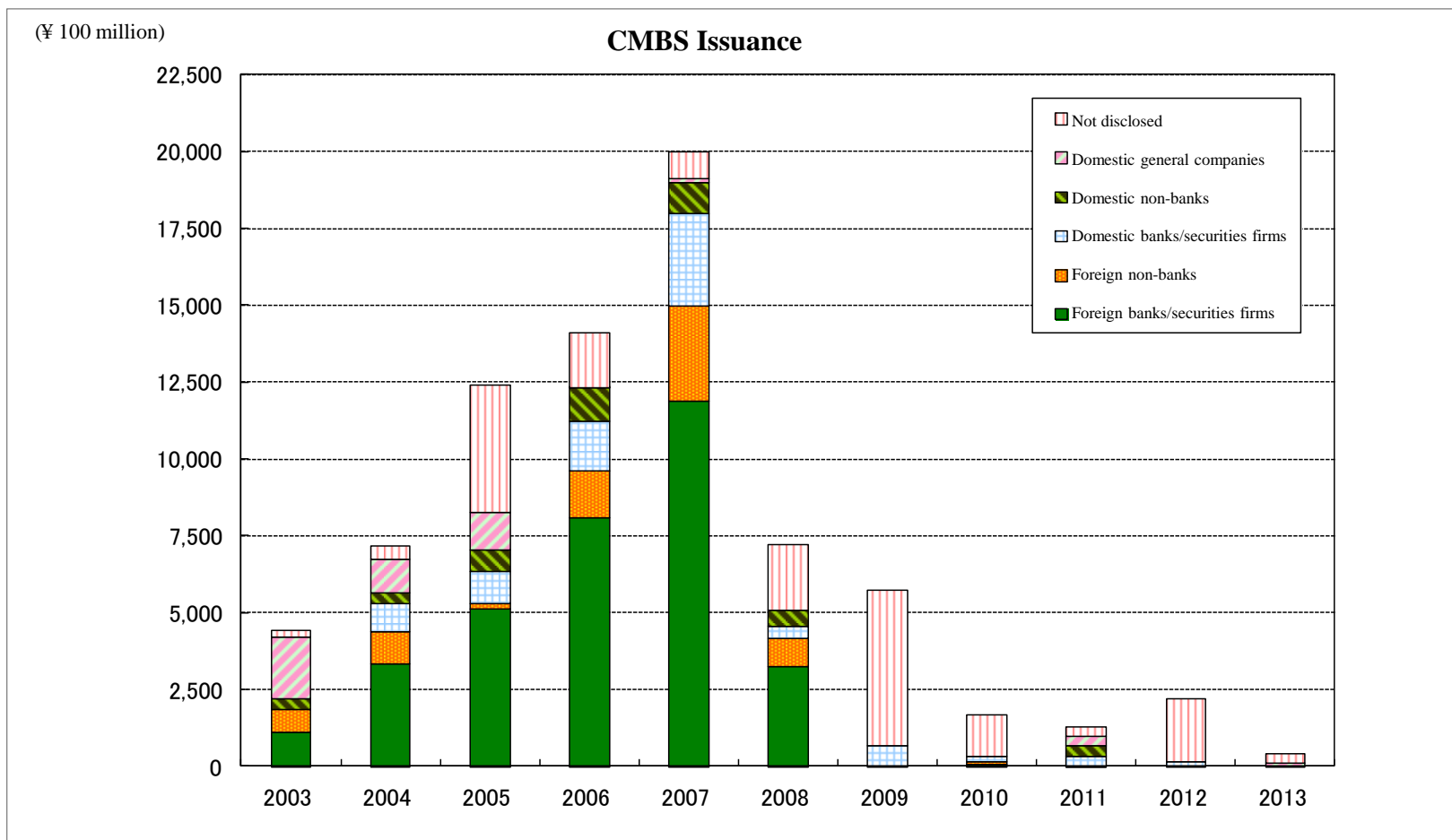
(¥ 100 million)



Note) Described the latest published assets not reflecting a track record of acquisition without any information of total assets value or acquisition fee.

Source: Sumitomo Mitsui Trust Research Institute

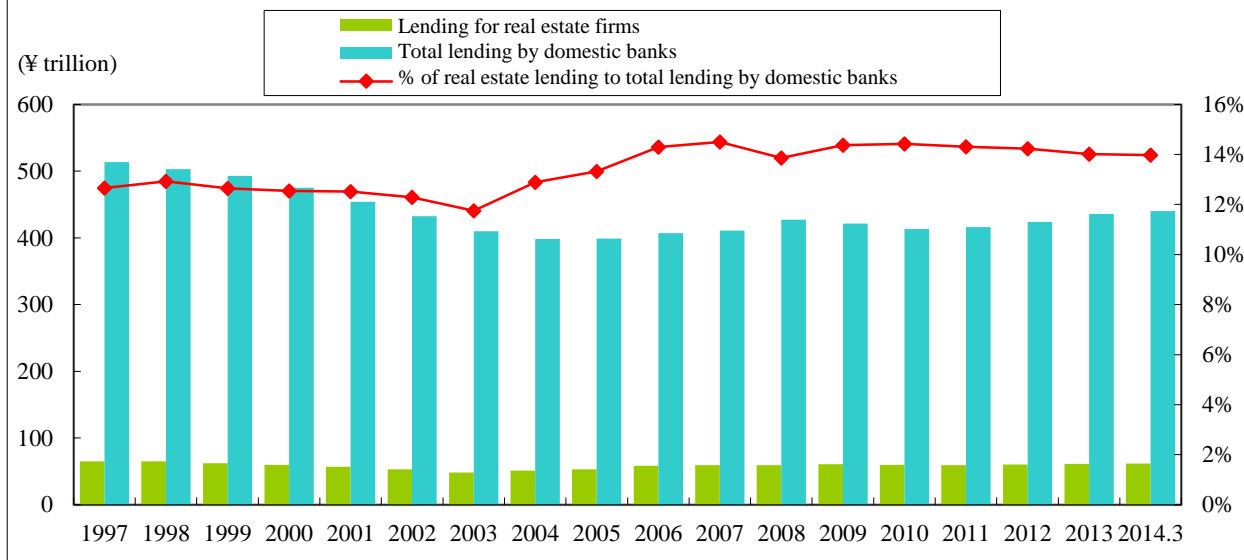
Domestic private placement REIT has been rising assets smoothly since November, 2010 as a commencement date of operations. As of the end of October, 2013, total ¥452 billion (6 issues) turned over and then added 2 issues and additional acquisition by existing investment corporation, the working balance of private placement was ¥675 billion (8 issues) in March, 2014 and expecting further expansion of the market.



Source: Daiwa Institute of Research

The issuance of CMBS peaked at ¥1,900 billion in 2007 but fell sharply to approx. ¥720 billion in 2008, mainly due to a withdrawal of foreign non-recourse loan lenders. The continued default and downgrading of existing loans kept investors away from the market, and declined values in non-recourse loans lowered motivations of financial institutions to issue CMBS. Due to these factors, the CMBS issuance has been on a decreasing trend, and in 2013, it became ¥43.4 billion, the lowest in the past 10 years.

## Bank Lending for Real Estate Firms



Year	Total lending by domestic banks	Lending for real estate firms	%
1997	¥513.7 trillion	¥65.0 trillion	12.7%
2003	¥ 409.9 trillion	¥48.2 trillion	11.8%
2010	¥413.2 trillion	¥59.6 trillion	14.4%
2011	¥416.2 trillion	¥59.6 trillion	14.3%
2012	¥423.9 trillion	¥60.3 trillion	14.2%
2013	¥435.9 trillion	¥61.1 trillion	14.0%
Mar. 2014	¥440.1 trillion	¥61.5 trillion	14.0%

Source: Prepared by Tosei based on the report published by Bank of Japan

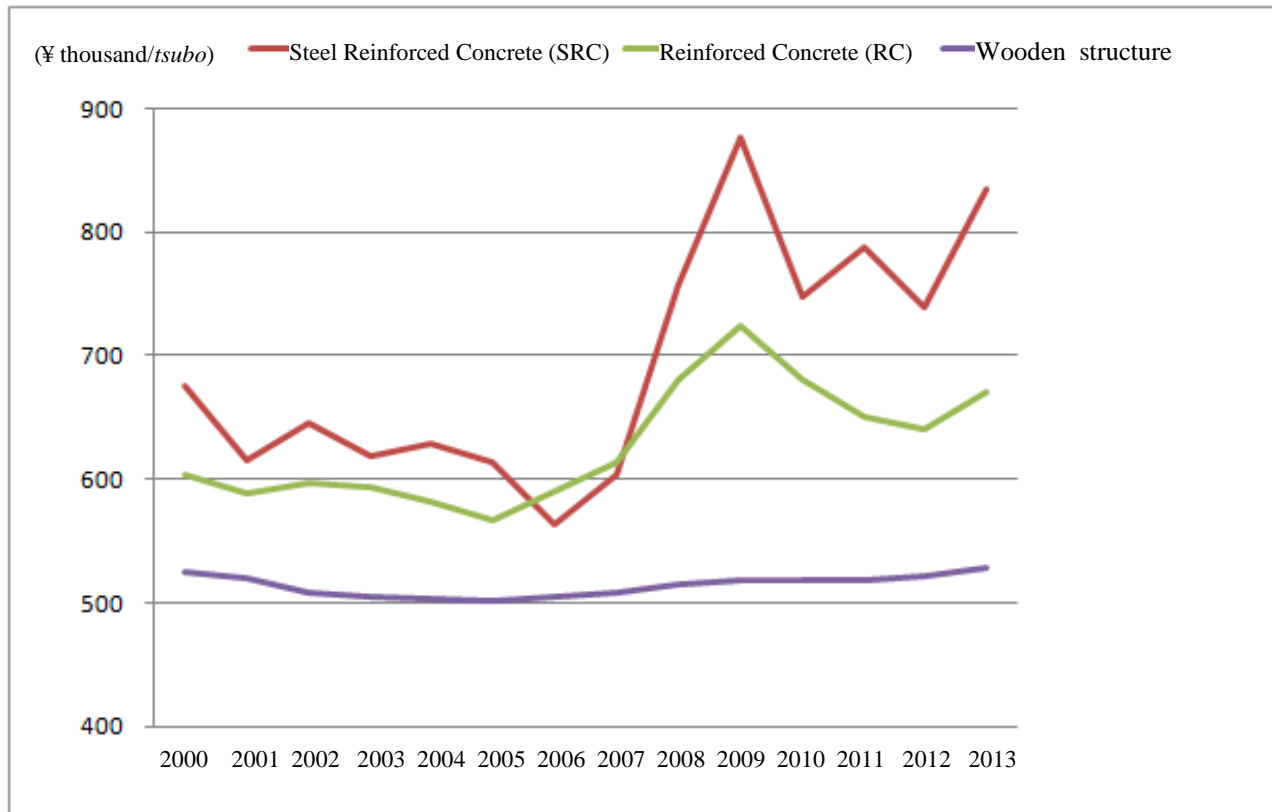
The balance of lending by domestic banks to real estate firms peaked at ¥65.0 trillion in 1997 and decreased to ¥48.2 trillion in 2003, however, the recovery trend continued afterward.

After 2010, both the balance of total lending and the lending for real estate firms slightly trended upward, and the real estate lending amounted to ¥61.5 trillion in March 2014.

While corporate capital demands in general stayed low, the lending for real estate firms remained high at 14.0% of the total lending of ¥440.1 trillion by domestic banks.



# Construction Costs per *Tsubo* (by Building Structures)

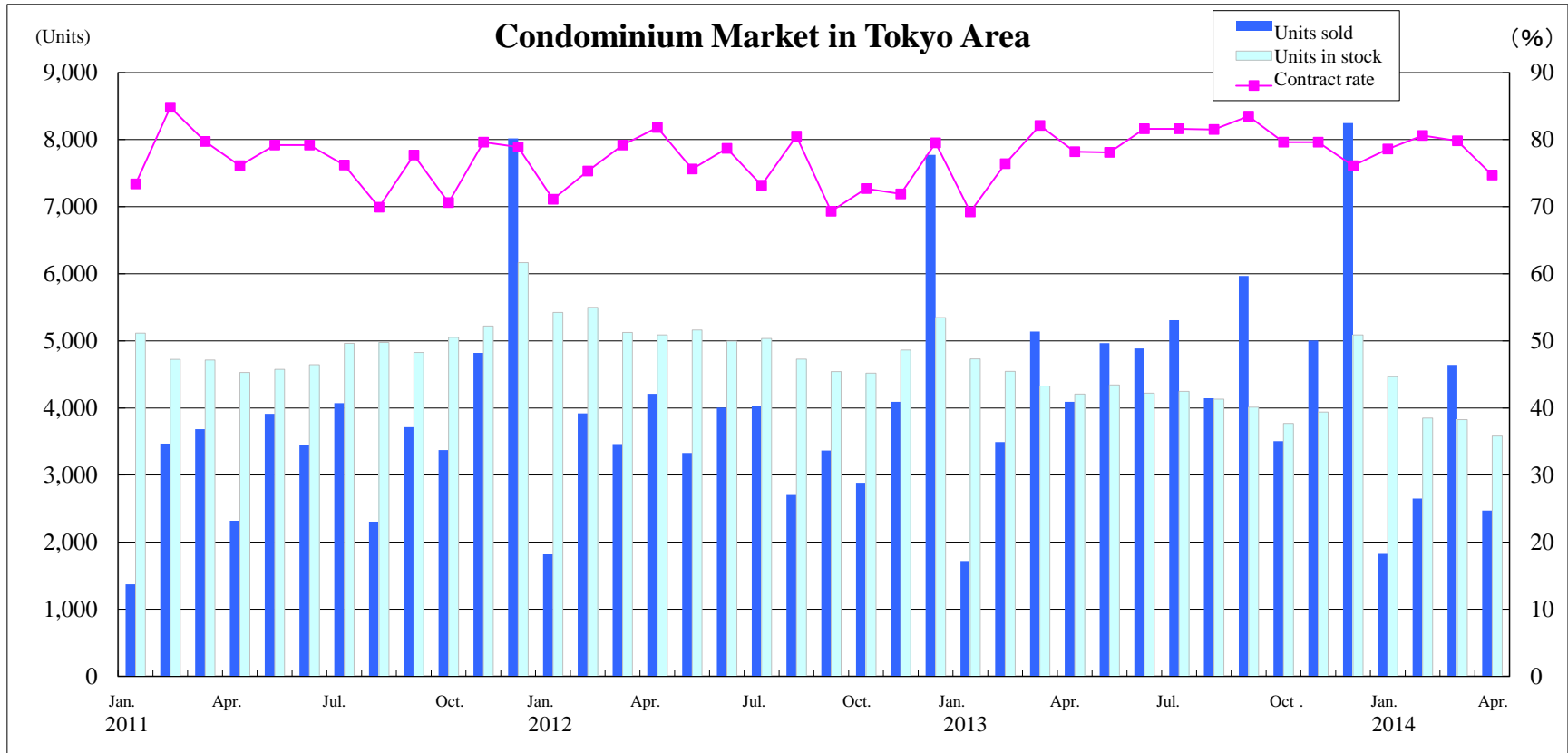


(¥ thousand/*tsubo*)

Years	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
SRC	675.4	615.2	645.4	619.4	628.5	613.9	563.7	603.4	757.5	877.0	748.5	788.4	738.5	834.2
RC	603.8	588.1	596.8	593.6	582.4	567.0	590.5	614.5	681.5	724.1	680.8	651.2	641.3	670.9
Wood	525.7	519.8	508.0	505.1	503.0	502.4	505.5	508.0	515.9	517.8	517.6	518.4	521.3	528.2

Source: Ministry of Land, Infrastructure, Transport and Tourism

The construction costs for SRC and RC structured office and condominium buildings are in increase trends since 2007, due to yen depreciation as well as raise in labor costs attributed to the reconstruction demand after the Great East Japan Earthquake and subsequent shortage of manpower. The construction demand is expected to continuously raise with the acceleration in developments of public projects and building constructions supported by the effect of Abenomics policies, as well as infrastructure improvement in preparation for the coming Olympic Games.



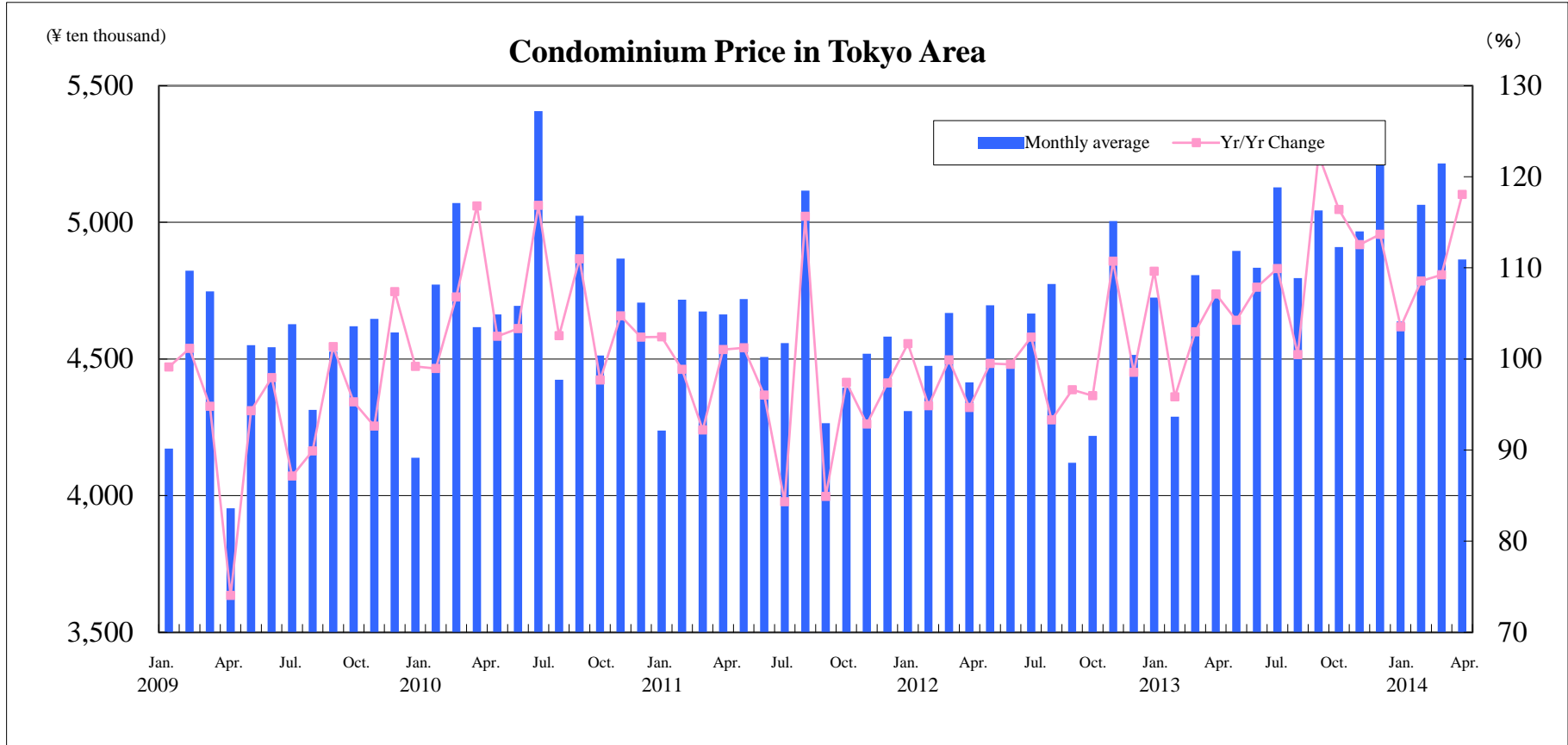
## Condominium Supply in Tokyo Area

Forecast as of Dec. 31, 2013

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014*
Total supply %	83,183	85,429	84,148	74,463	61,021	43,733	36,376	44,535	44,499	45,602	56,476	56,000
yr/yr change	-6.0	2.7	-1.5	-11.5	-18.1	-28.3	-16.8	22.4	-0.1	2.5	23.8	-0.8

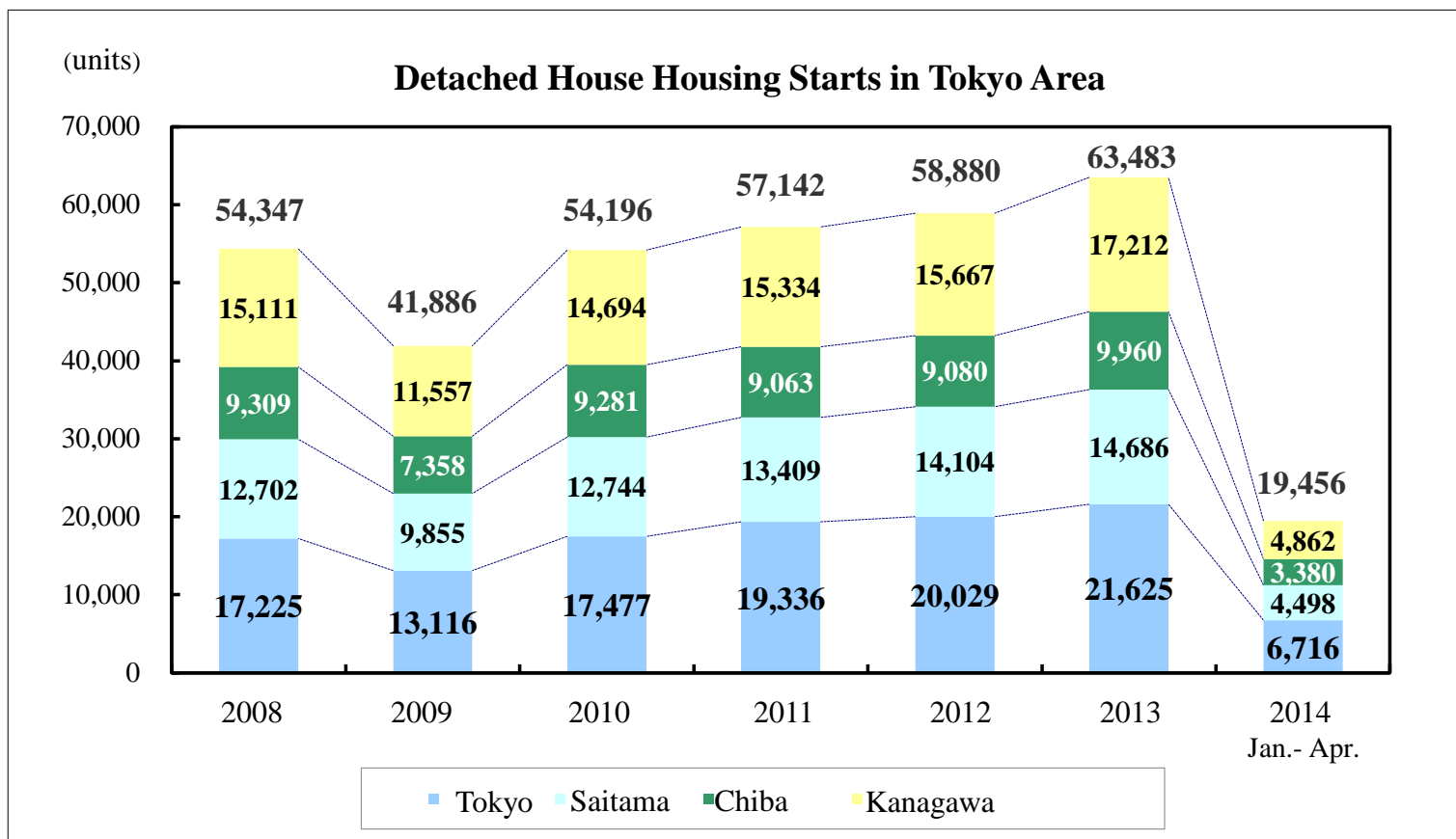
Source: Real Estate Economic Institute Co., Ltd

The contract rate has remained strong at above 70% which is viewed as an indicator of favorable market condition. On the other hand, the number of condominium supply for the period from January to April in 2014 was a little bit below previous year as stock properties accelerated selling due to high demand in 2013. In 2014, it is expected to 56,000 units which remain unchanged from the previous year.



Source: Real Estate Economic Institute Co., Ltd

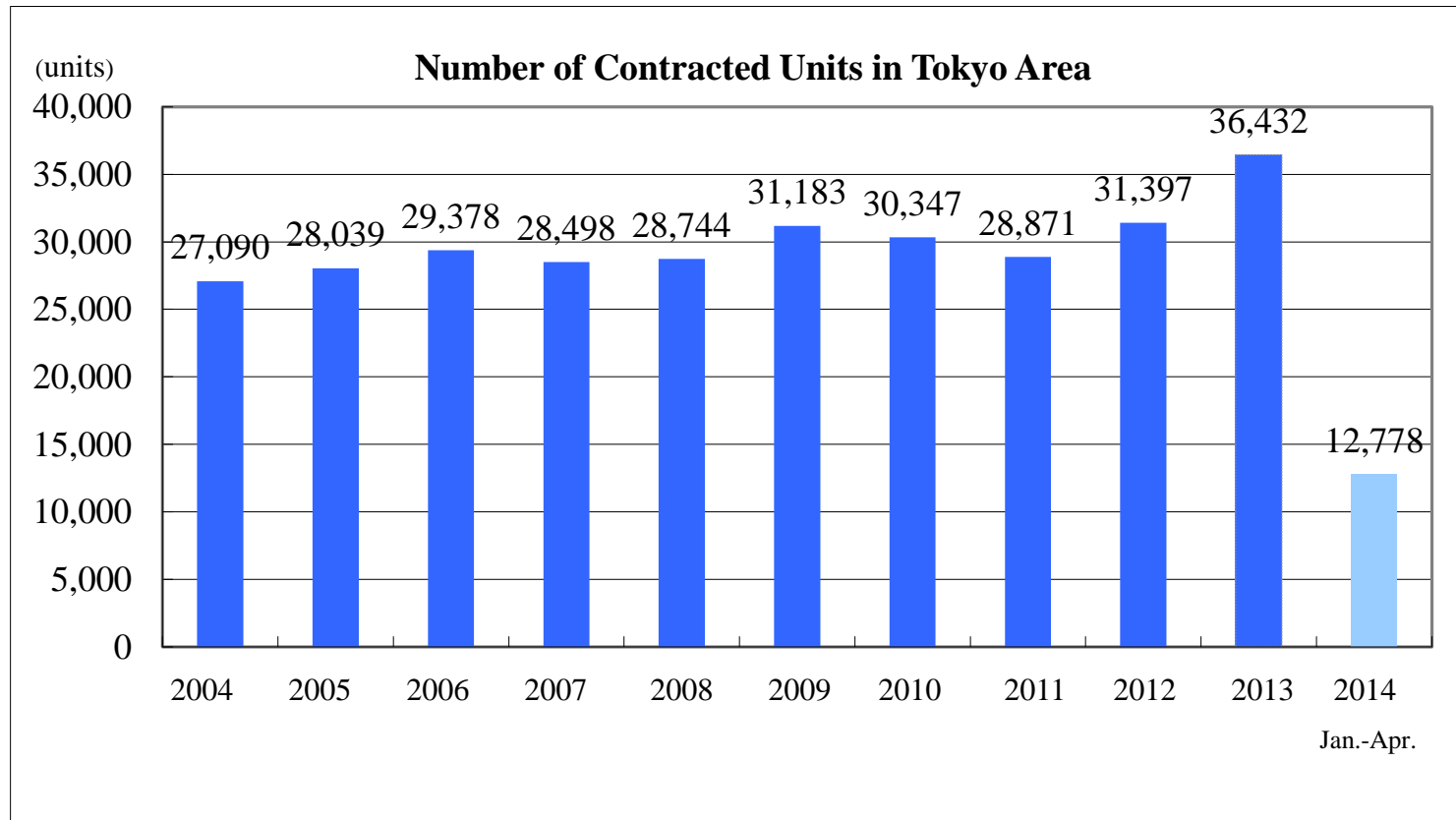
The condominium price in Tokyo area picked up in 2010 after bottomed in 2009, however, it had been on a downward trend after 2011 and rebounded since 2013 supported by Abenomics, especially those properties which are supersized, super high-rise and redevelopment close to the station and a price of newly build condominium stay firm at around ¥50 million. Although land and building costs upward trend, the market likely to be stable due to a flexible price setting.



Source: Ministry of Land, Infrastructure, Transport and Tourism

The housing starts of detached houses in Tokyo area has been recovering since 2009.

With the boom in selling in 2013, increased a number of supplies and constructions expanded at 63,483 which is up 7.8% year-on-year, however, period from January to April 2014 was a slightly less than same period last year effected the reduction by last-minute demand.

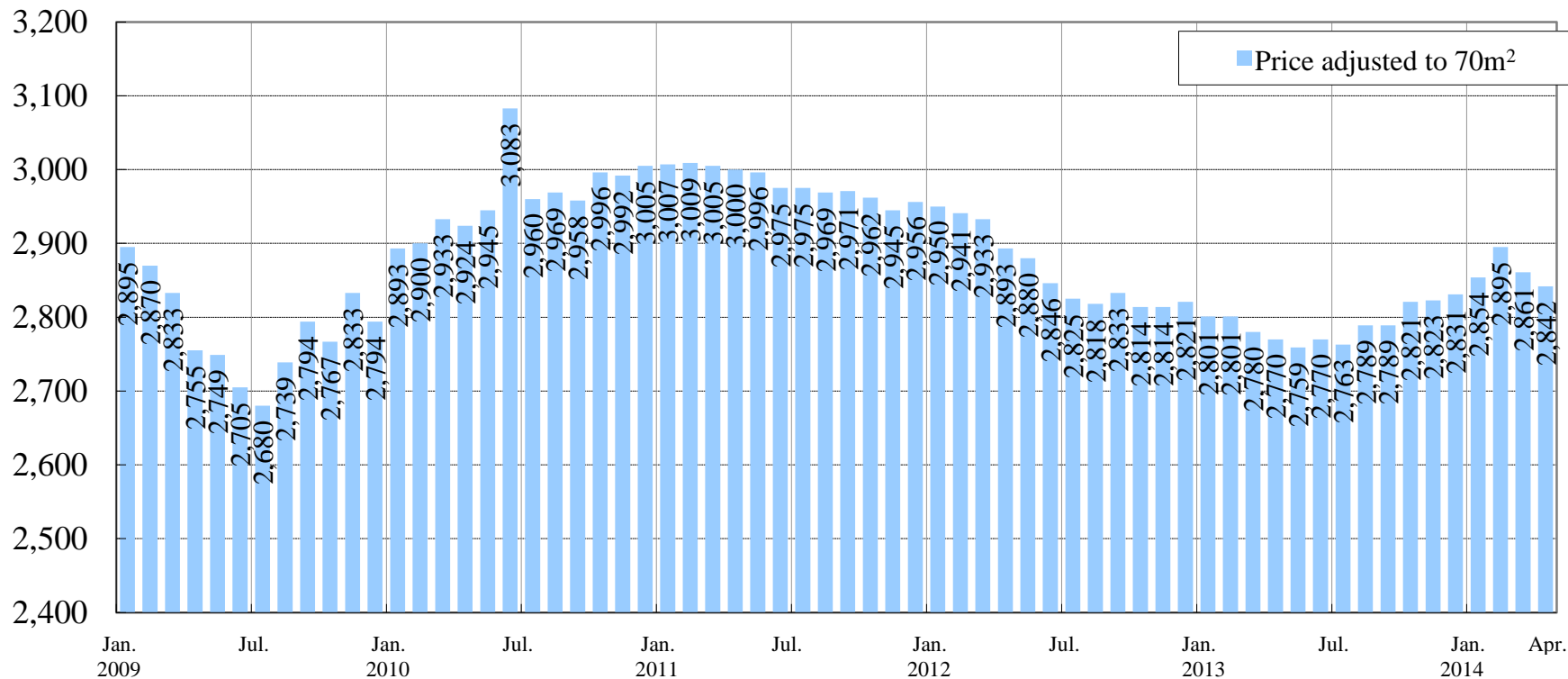


Source; Prepared by Tosei based on the date published by Real Estate Information Network System for East Japan

Factors such as the improvement of legal systems to promote housing distribution and reasonable prices as compared with the newly-built, and annual sale of over 30,000 units was recorded in both 2009 and 2010. It decreased in 2011 due to the Great East Japan Earthquake but rebounded in 2012. It decreased 10% compared with same period last year in April, 2014, however, the accumulated amount from January to April was stable.

## Price of Pre-owned Condominiums Adjusted to 70m<sup>2</sup>

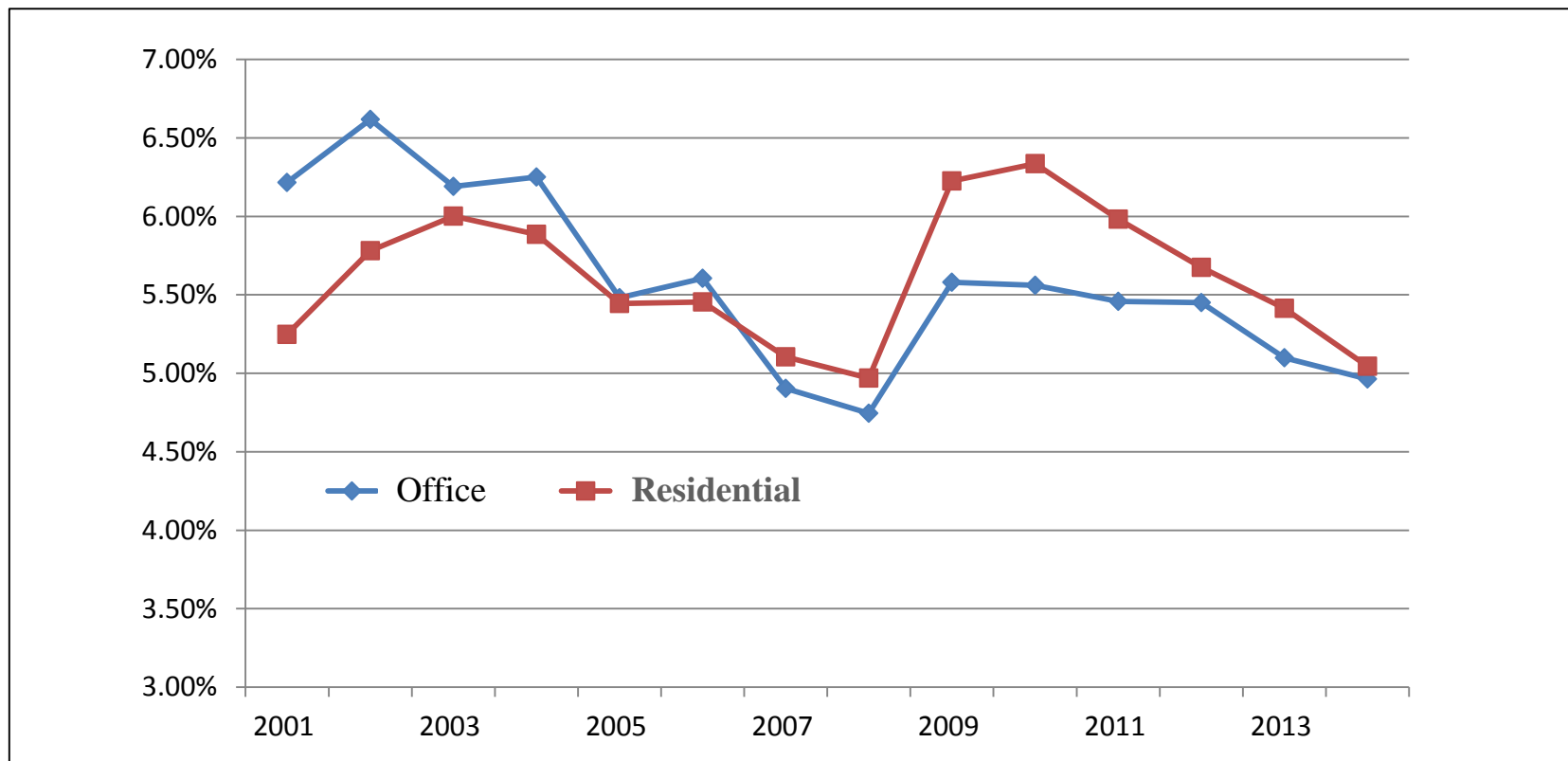
(¥ ten thousand)



Source: Tokyo Kantei Co., Ltd

The price of pre-owned condominiums (adjusted to 70m<sup>2</sup>) bottomed in the middle of 2009 and continued to increase until February 2011. It had again moved downward until May, 2013. The falling trend had reversed in May, 2013 and it has been trending upward since then.

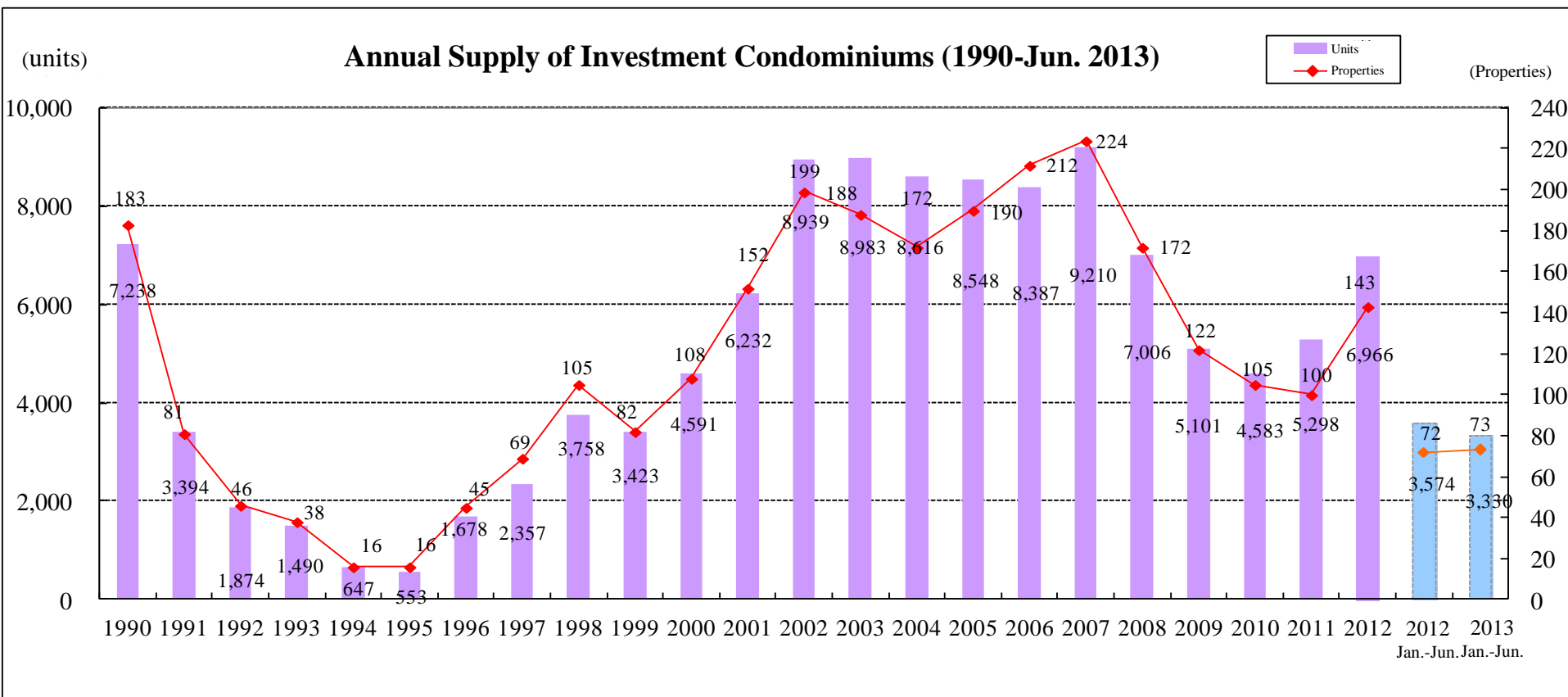
# NOI Yield of Acquisition by J-REIT (Average rate in 23 wards)



Source: Prepared by Tosei based on announced presentations by J-REITs

**NOI yield of acquisition by J-REIT(average rate in 23 wards) bottomed in 2008, then both office and residential increased till 2010 and continue to be decreased after 2010. As of the end of March 2014, office was 4.96% and residential was 5.04% due to an increase of acquisition costs.**

# Supply of Investment Condominiums

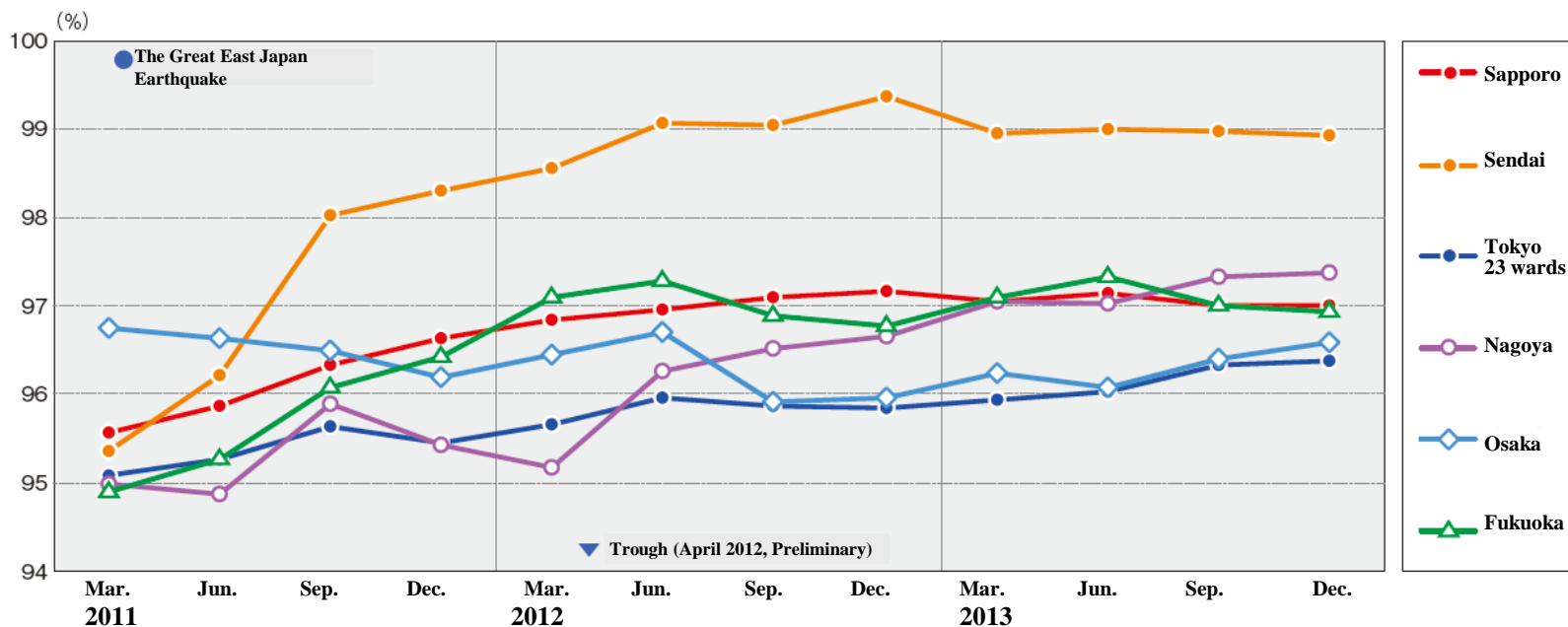


Source: Real Estate Economic Institute Co., Ltd

The supply increased steadily until 2003, backed by extremely low interest rates, resurgent popularity of residing in central Tokyo, and also by acquisitions by funds seeking rental income. However, a slow period started in 2004, and the supply largely dropped toward 2010. It started to recover again from 2011 and the supply in the first-half of 2013 was 73 properties, 3,300 condominiums in total which was almost same as the previous year.



## Average Occupancy Rate of Apartments Owned by J-REIT in Major 6 Cities

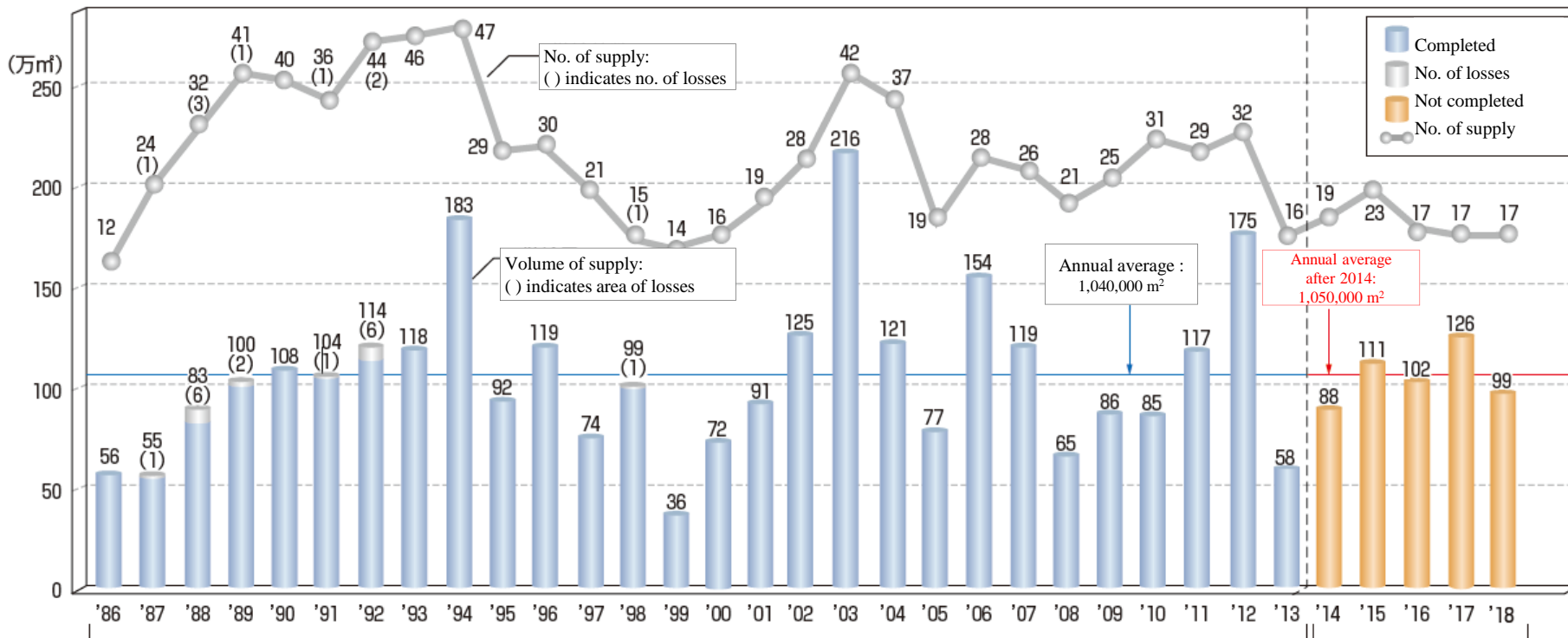


Source: Mizuho Trust & Banking Co., Ltd

The occupancy rates in all 6 cities started to rise in March 2010, and they have been staying above 95% since June 2012.

## Supply of Large-sized Office\* in Tokyo's 23 wards

\* The offices larger than 10,000 m<sup>2</sup> of gross floor area



Source: Mori Building Co., Ltd

<1986 -2013 >

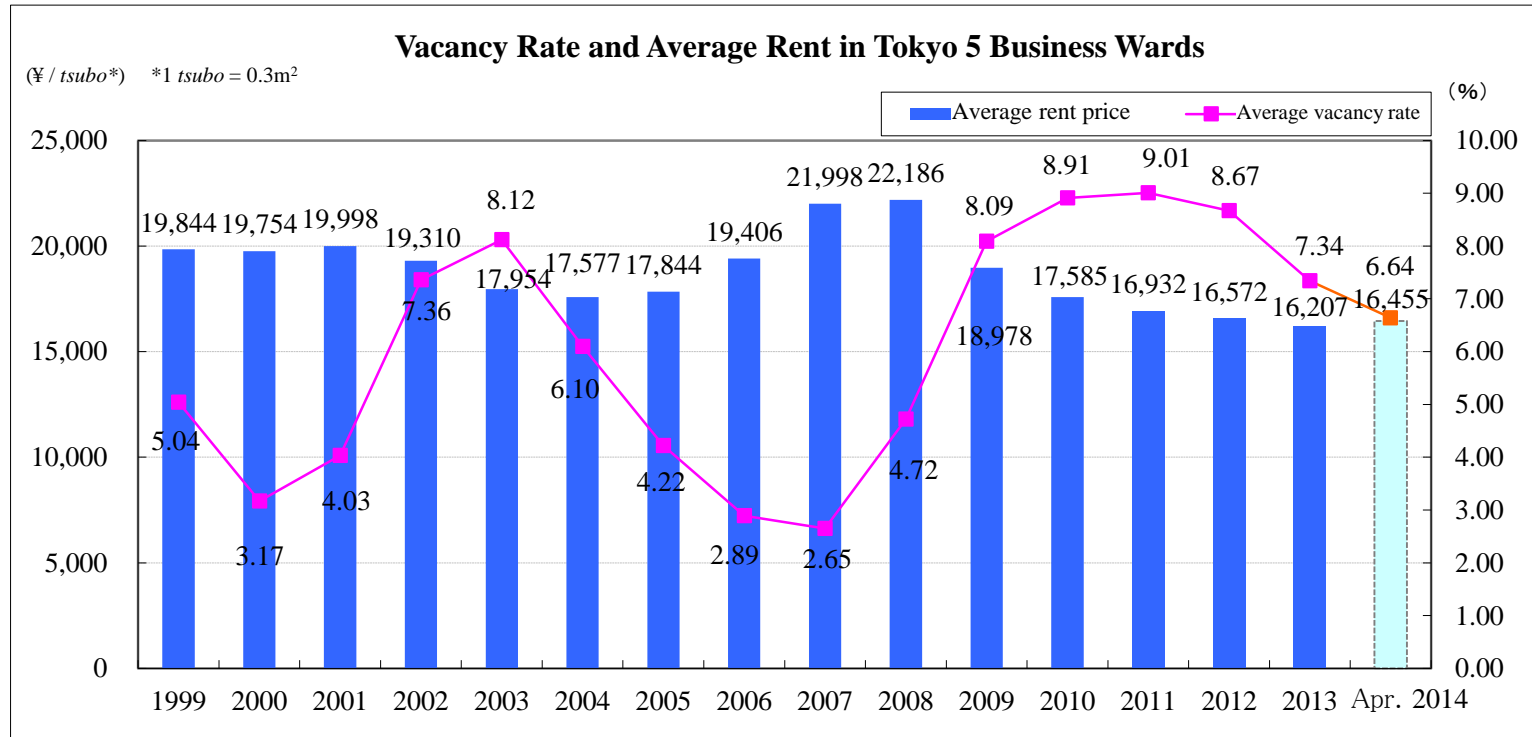
- 1) No. of supply: 816
- 2) No. of losses: 9
- 3) Total supply volume: 29,020,000m<sup>2</sup>
- 4) Total loss volume: 170,000m<sup>2</sup>
- 5) Existing stock volume: 28,850,000m<sup>2</sup>

<2014 -2018 >

- 1) No. of supply: 93
- 2) Total supply volume: 5,260,000m<sup>2</sup>

The supply of large-sized office totaled 580,000 m<sup>2</sup> in 2013. The annual supplies from 2014 to 2018 will likely be 1,050,000 m<sup>2</sup> which is almost same as the average after 1986.

The results of survey conducted by Mori Building Co., Ltd.  
(As of Dec. 2013)  
Properties survey:  
Office buildings with more than 10,000m<sup>2</sup> of gross floor areas  
No. of buildings in stock: 807  
Gross Floor Area: 28,850,000m<sup>2</sup>  
(8,727,125 tsubo)



Source: Prepared by Tosei based on the date published by Mitsuki Shoji Co., Ltd

The average vacancy rate of Tokyo's 5 business wards has been on a gradual recovery as the large supplies of newly-built office buildings were mostly absorbed. It recorded 6.64% as of April, 2014.

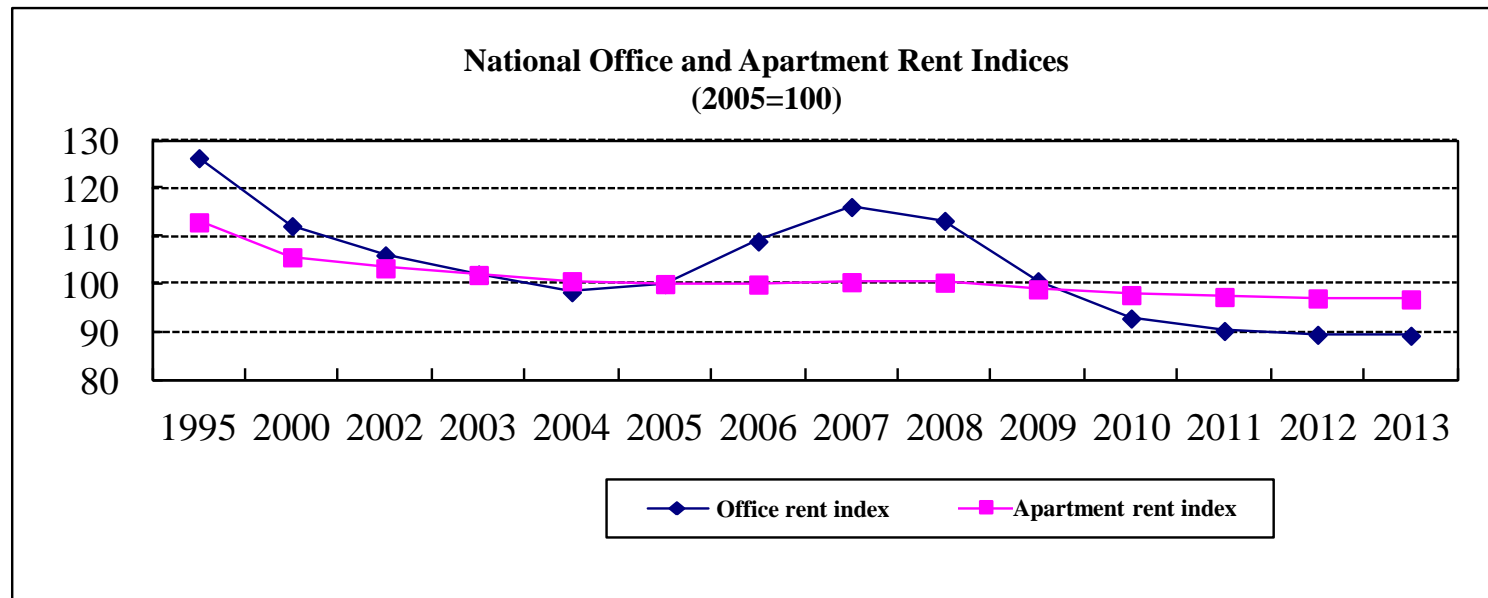
The average asking rent was at ¥16,455 and it increased slightly for the fourth month running since January 2014. With the rental increasing of newly buildings and high demand for existing large scale office, it showing a sign of recovery.

The results of survey conducted by Miki Shoji Co., Ltd.  
(As of Ap.30, 2014)

Properties Surveyed:

Major leased office buildings in Tokyo's 5 business wards with more than 100 tsubo (330m<sup>2</sup>) of typical floor area

No. of Buildings in Stock:	2,635
Gross Floor Area:	12,021,771 tsubo
Leased Floor Area:	7,118,179 tsubo ①
Vacant Floor Area:	472,757 tsubo ②
Vacancy Rate:	② ÷ ① = 6.64%

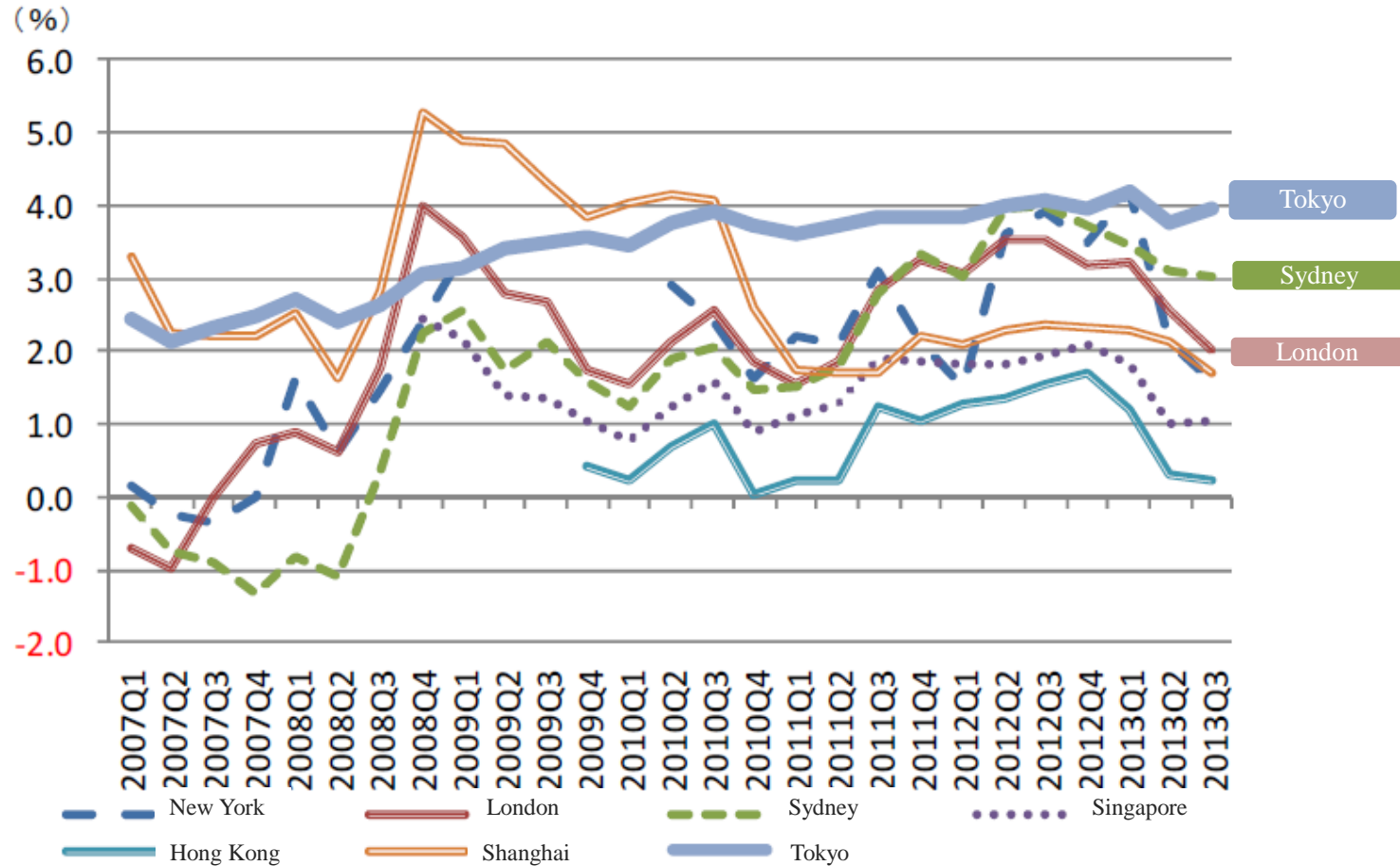


※As of September 2013

Source: Japan Real Estate Institute

The national office rent index of 2013 was 89.2 (-0.2% from the previous year) and the apartment rent index was 96.8% (-0.2%), both continued to decline. However, the downward trend of Tokyo area's office rent index has already been reversed, and the office rent indices across the country are expected to bottom from now.

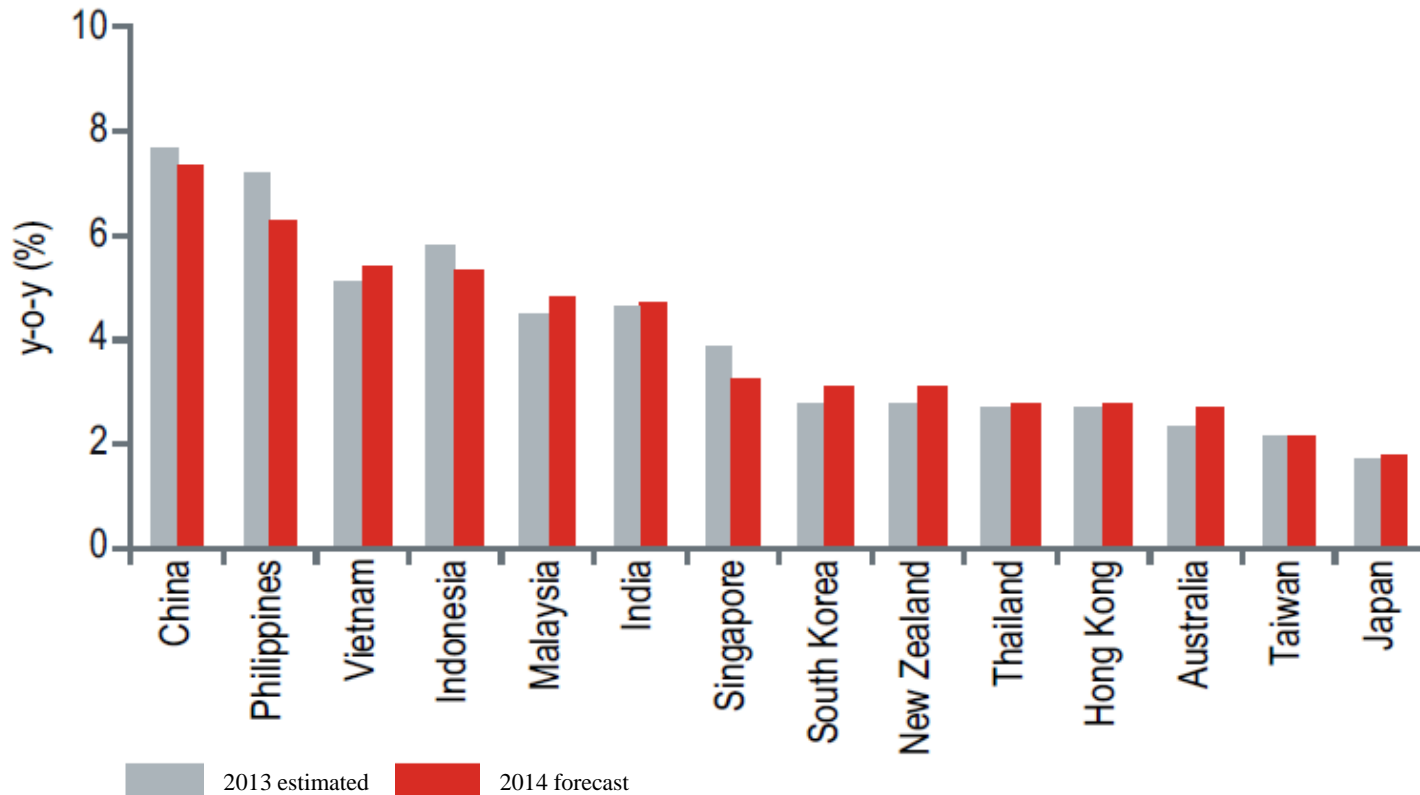
# National Yield Gap of Prime Office Markets



Source: Sumitomo Mitsui Trust Research Institute

The yield gap of Sydney and London head for a fall due to a rising of yield of government bonds in major nations outside Japan. Tokyo has been maintaining a stable ratio as compared with other global cities in the world and it is widely watched as an attractive city.

# GDP Growth Rate in Asia-Pacific Region

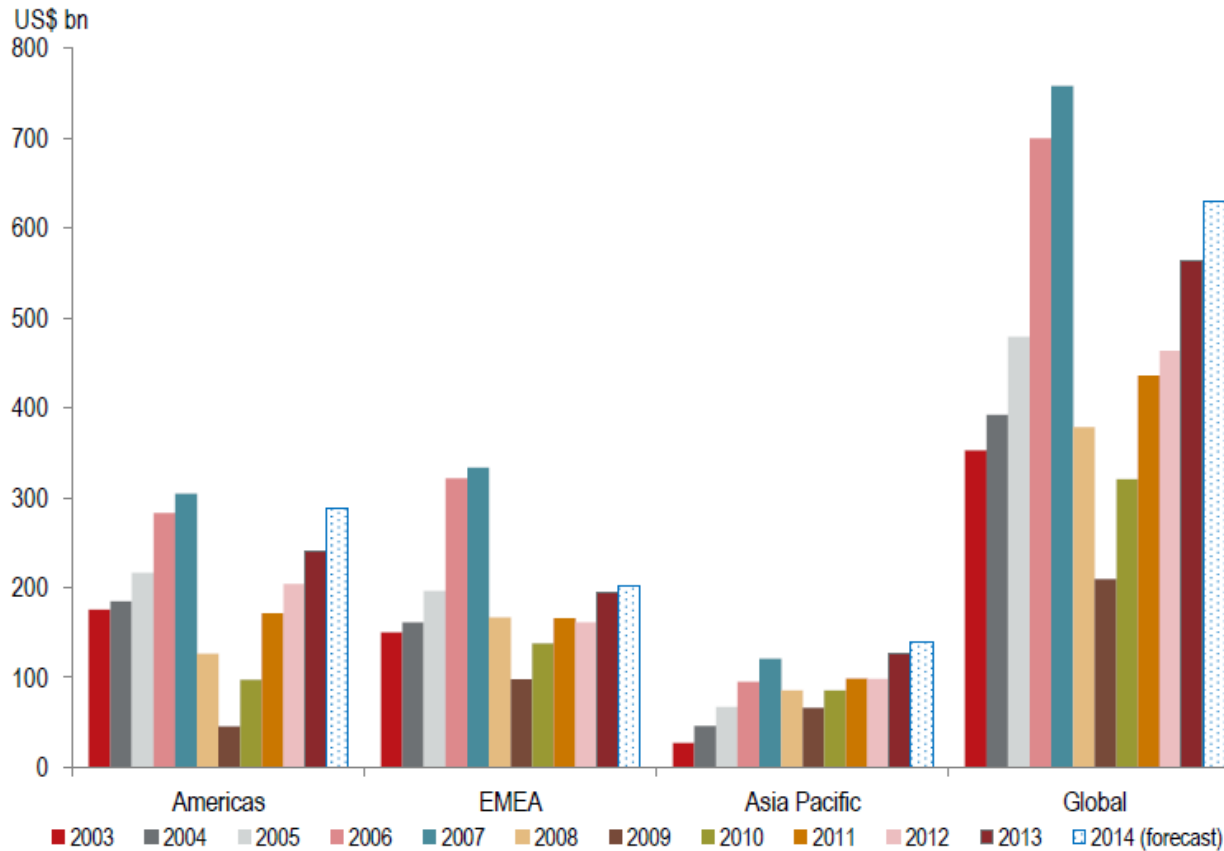


Source: Oxford Economics, February 2014

Source: Jones Lang LaSalle

Driven by China and Philippines who has been attaining the high growth rate in the Asia-pacific region. The GDP in Asia is growing steadily as a whole, but the growth rate varies depending on the country. The Japanese GDP will continuously increase in FY2014, and such trend of year-on-year increase is expected to be seen in other Asian countries as well.

## Transaction Amount in Direct Investment in Commercial Properties by Region



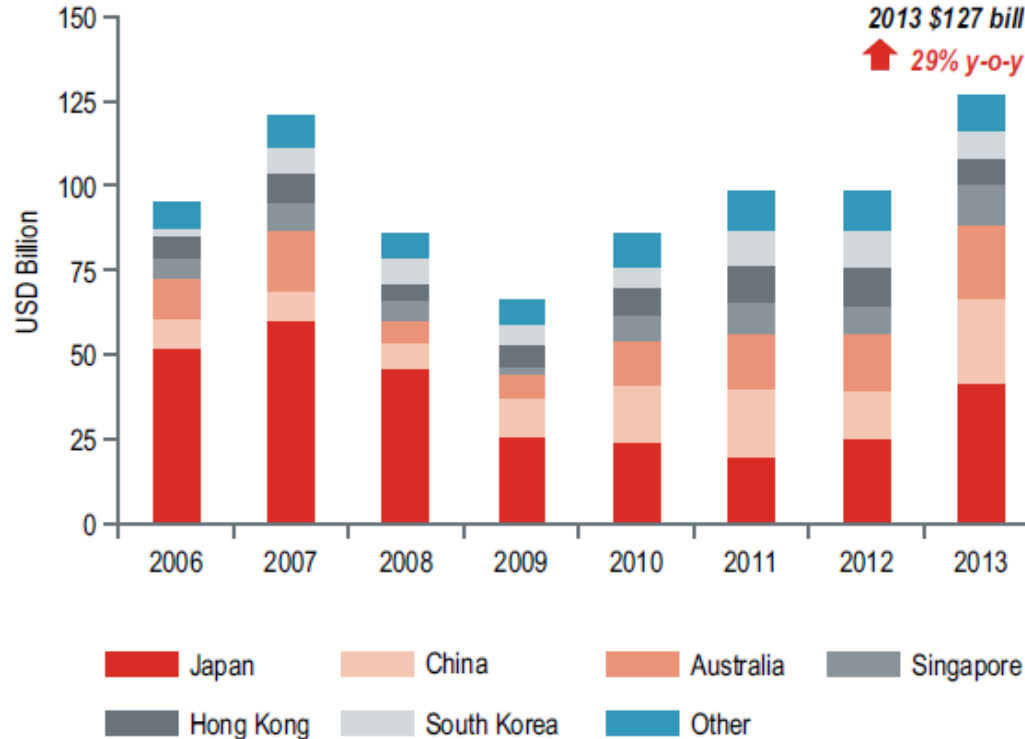
EMEA: Europe, the Middle East and Africa

Source: Jones Lang LaSalle

The amount for investments in the Asia-pacific accounts for approximately 20% of the total amount invested in global markets, and it has still been increasing since 2009 after hitting the bottom.

In FY2013, the total amount invested in commercial facilities across the world is expected to total US\$563 billion (up 21% year-on-year) and the annual transaction amount for FY2014 is likely to be US\$650 billion which is up 15% over the previous year.

## Amount of Direct Investment in Commercial Properties by Country



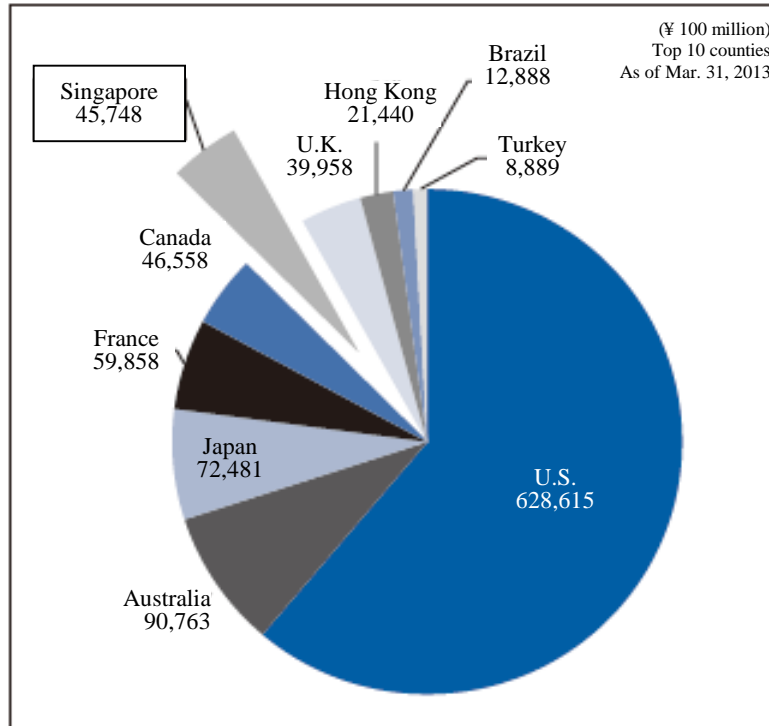
Figures refer to transactions over USD 5 million in office, retail, hotels and industrial

Source: Jones Lang LaSalle (Real Estate Intelligence Service)

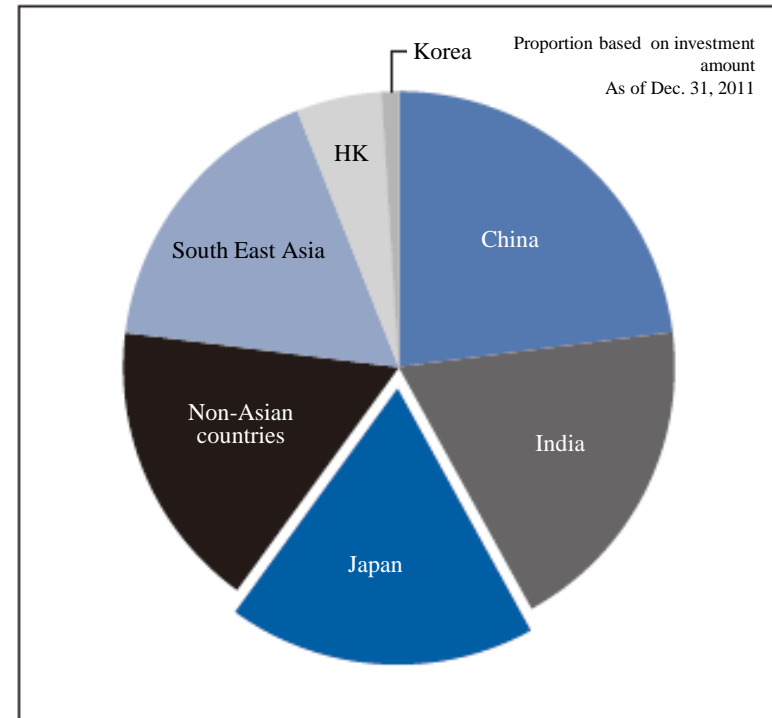
The total investment in commercial properties in the Asia-Pacific Region in 2013 amounted to US\$127 billion, Japan ranked at the top accounting for nearly one-third of the total amount which increased 67% compared with the previous fiscal year (more than twice from the amount in 2012 on a yen basis). Acquisitions by both domestic and offshore funds as well as by J-REITs have been the contribution.



## REIT Status in Each Country (Market Cap and no. of different stocks)



## Investment Destinations of Singapore REITs



Source: Mizuho Trust & Banking Co., Ltd. / Real Estate Securitization Handbook 2013

# of different stocks As of Mar. 31, 2013	Japan	U.S.	Australia	France	Canada	Singapore	U.K.	Hong Kong	Brazil	Turkey
	39	180	46	36	34	30	24	8	100	27

Source: Mizuho Trust & Banking Co., Ltd / Real Estate Securitization Handbook 2013

The size of Singapore REIT is rather small, with the market capitalization of 4.5 trillion yen. However, it has been stepping up its investment destinations to overseas markets ever since it was first launched, and Japanese real estate accounts for 18% of their total investment amount. The acquisitions of Japanese real estate by S-REITs amounted to ¥70 billion in 2013, and as evidenced by the IPO by S-REIT specialized in Japanese commercial facilities, Japan has become one of their major investment destinations now.

**Thank you.**



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