

2nd Survey on Members Regarding Actual
Condition of Private Equity Funds
【Summary Edition】

Association for Real Estate Securitization

Overview of the Survey

Survey organization: Association for Real Estate Securitization (ARES)

Survey target: Among the regular and supporting members of ARES (as of December 31, 2006), 209 companies excluding law firms, accounting firms, appraisal firms, certified tax accountant firms, etc.

Survey method: Entry of response on survey sheets (mail)

Survey time: As of the end of December 2006

Survey period: February ~ March 2007

Valid responses: 209 companies (Response rate: 100%)

Target of the Survey

The target of this survey is “private equity funds (asset management type)” managed by members of ARES (regular and supporting members) or its group companies.

【Not applicable as target of the survey】

-Publicly offered products [Soliciting application to obtain securities newly issued to unspecified and many (50 people or more) parties]

-Listed J-REIT

-Products stipulated under the Act on Securitization of Assets whose purpose is securitization of assets (If vehicles such as TMK are used for the purpose of asset management, they are subject to this survey)

-Products stipulated under the Real Estate Syndication Business Law/Real estate Specified Joint Enterprise Law

-CMBS, RMBS

-Company-owned real estate, etc. are set up as securities or real estate equities for the purpose of off-balance sheet financing

(Ex) Procure funds through disposal of core asset such as headquarters building as a formality

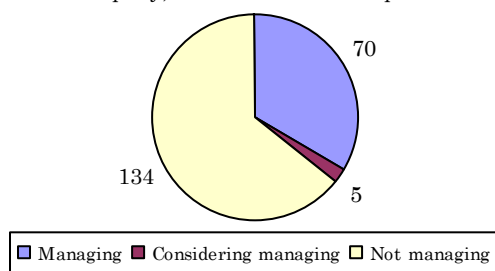
(Ex) Convenient utilization of SPC, etc. for the purpose of temporary fund procurement

Tabulation Results

1. Private equity fund management status at 209 companies excluding law firms, accounting firms, certified tax accountant firms and appraisal firms, etc. among regular members and supporting members of ARES (as of December 31, 2006) (hereafter, "Member companies, etc.") (Valid responses: 209 companies, 100%)

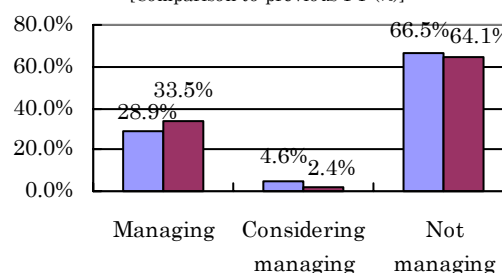
■ Managing	70 companies	(33.5%: Ratio among valid responses, same hereafter)
■ Considering managing	5 companies	(2.4%)
■ Not managing	134 companies	(64.1%)

1. Management status at member company, etc. (Number of companies)



1. Management status at member company, etc.

[Comparison to previous FY (%)]

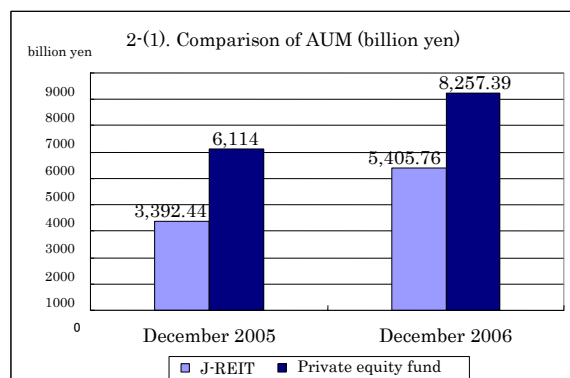


[Comments] About 33% of ARES members (including group companies, same hereafter) are managing private equity funds, a slight increase from the previous year. When including members that are considering management, about 36% of members are either managing or considering private equity funds.

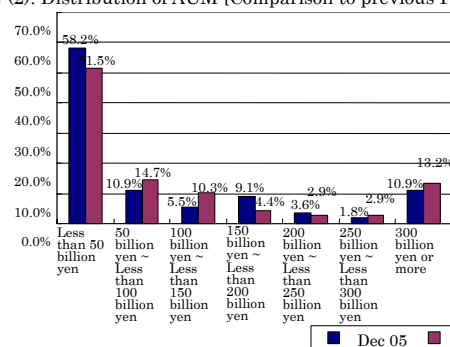
In addition, 34 companies managing J-REIT were included at the time of the survey, indicating a total of 104 companies when public offering and private offering are combined, meaning that almost half of the surveyed members are managing real estate funds.

2. Actual Conditions of Private Equity Fund Management at Member Companies, etc. (Valid responses: 70 companies)

■ Total # of funds	596 funds
■ Total AUM	8,257.4 billion yen ¹
■ Total # of properties owned	3,427 properties



2-(2). Distribution of AUM [Comparison to previous FY (%)]



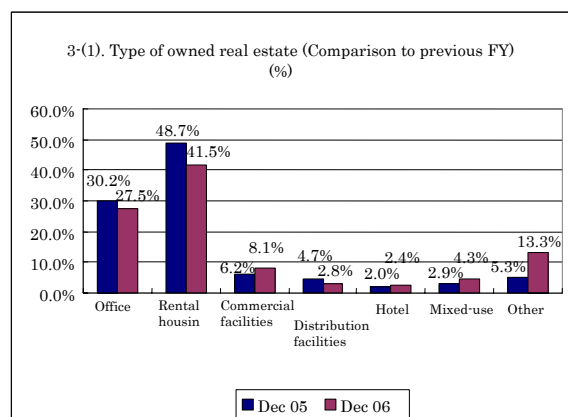
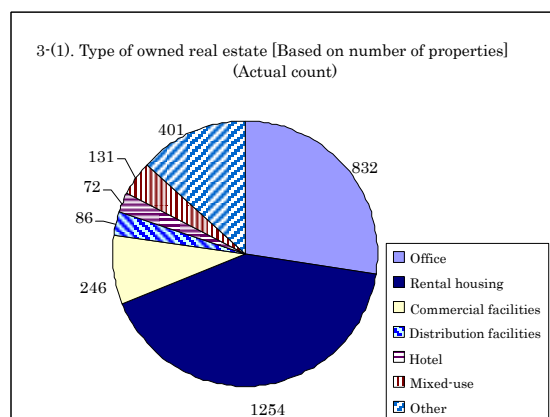
[Comments] As for the management status at 70 companies managing funds, it was found that the number of funds totaled 596, total AUM was at 8.2 trillion yen and 3,427 properties were owned. Notably, total AUM had expanded from the previous year, and the gap between J-REIT at the same point in time was about 2.8 trillion yen. It can be said that the market is posting a growth exceeding the J-REIT market that is hugely expanding in recent years. Also, while the majority of AUM at respective companies is less than 50 billion yen, the number of companies with AUM of 300 billion yen and above is increasing as well.

¹ In this survey, target companies increased by 15 companies due to the increase in member companies. The total AUM of the same target companies as those in the previous survey is 749.58 billion yen.

3. Type of real estate owned by private equity funds at member companies, etc. (Valid responses: 3,022 properties)

(1)Based on number of properties owned

■Office	832	(27.5%)
■Rental housing	1,254	(41.5%)
■Commercial facilities	246	(8.1%)
■Distribution facilities	86	(2.8%)
■Hotel	72	(2.4%)
■Mixed-use	131	(4.3%)
■Other	401	(13.3%)

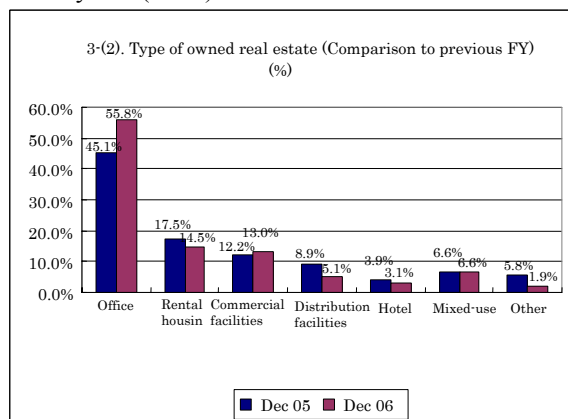
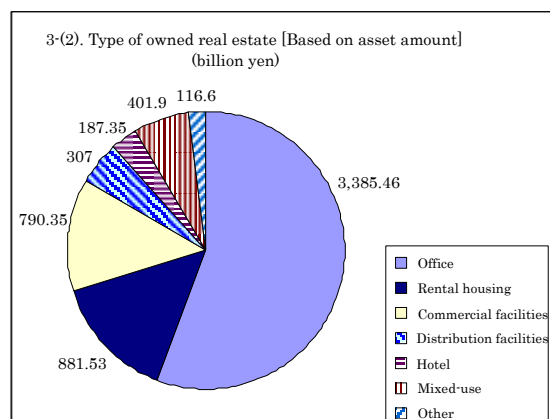


[Other use]

• Restaurant building • Retail-related building • Sports club • Land • Physical land that goes with lease right • Sectional ownership • Term leasehold interest for business • Nursing facility • Pay nursing home • Hospital • Golf course • Bowling alley

(2)Based on AUM

■Office	3,385.46 billion yen	(55.8%)
■Rental housing	881.53 billion yen	(14.5%)
■Commercial facilities	790.35 billion yen	(13.0%)
■Distribution facilities	307 billion yen	(5.1%)
■Hotel	187.35 billion yen	(3.1%)
■Mixed-use	401.9 billion yen	(6.6%)
■Other	116.6 billion yen	(1.9%)

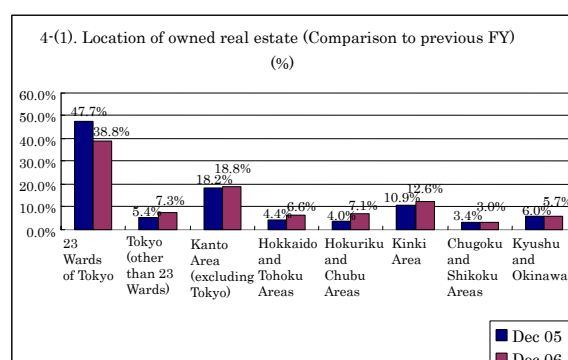
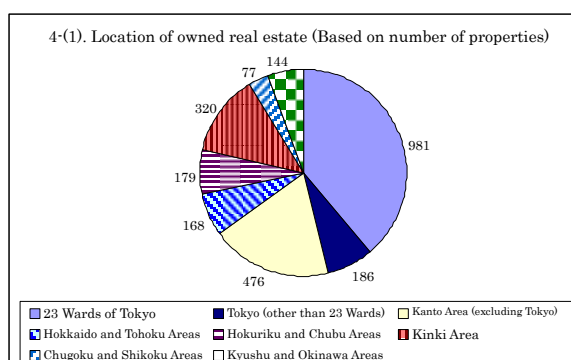


【Comment】 Observing the type of real estate owned in terms of number of properties, “rental housing” totals 1,254, comprising about 40% of the total, followed by “offices” comprising about 30%. However, in comparison to the previous year, uses like “commercial facilities,” “mixed-use” and “other” have increased, indicating a progression in diversification of types of properties. On the other hand, in terms of AUM, offices total around 3.4 trillion yen, comprising the majority, followed by “rental housing” totaling around 0.9 trillion yen and “commercial facilities” (about 0.8 trillion yen).

4. Location of real estate owned by private equity fund at member companies, etc. (Valid responses: 2,531 properties)

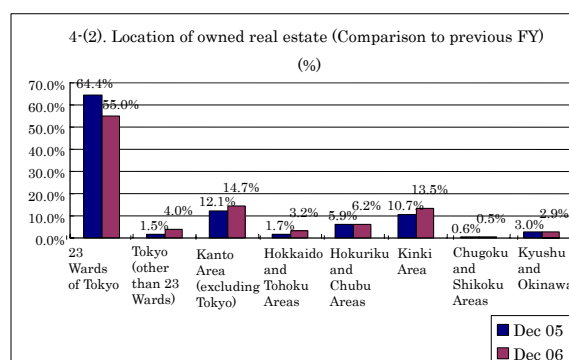
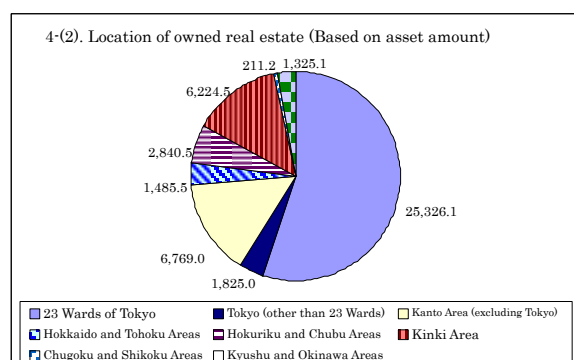
(1) Based on number of properties owned

■ 23 Wards of Tokyo	981	(38.8%)
■ Tokyo (excluding 23 Wards)	186	(7.3%)
■ Kanto area (excluding Tokyo)	476	(18.8%)
■ Hokkaido and Tohoku Areas	168	(6.6%)
■ Hokuriku and Chubu Areas	179	(7.1%)
■ Kinki Area	320	(12.6%)
■ Chugoku and Shikoku Areas	77	(3.0%)
■ Kyushu and Okinawa Areas	144	(5.7%)



(2) Based on AUM

■ 23 Wards of Tokyo	2,532.61 billion yen	(55.0%)
■ Tokyo (excluding 23 Wards)	182.5 billion yen	(4.0%)
■ Kanto area (excluding Tokyo)	676.9 billion yen	(14.7%)
■ Hokkaido and Tohoku Areas	148.55 billion yen	(3.2%)
■ Hokuriku and Chubu Areas	284.05 billion yen	(6.2%)
■ Kinki Area	622.45 billion yen	(13.5%)
■ Chugoku and Shikoku Areas	21.12 billion yen	(0.5%)
■ Kyushu and Okinawa Areas	132.51 billion yen	(2.9%)

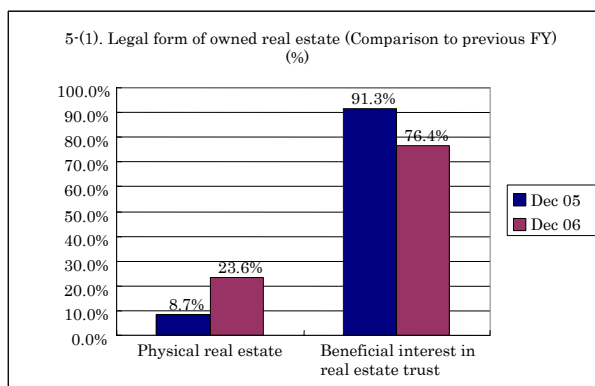
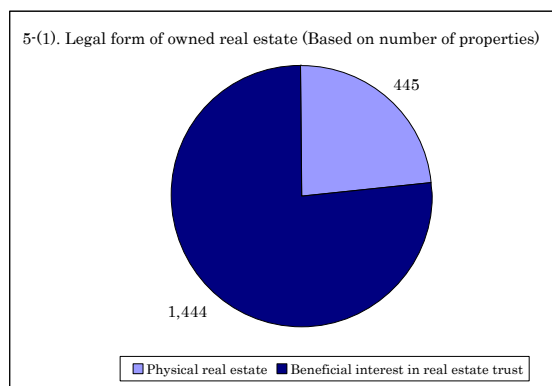


【Comments】 As for location of owned real estate (investment target area), the status quo is that the “23 Wards of Tokyo” comprise the majority, with number of properties comprising about 40% and AUM comprising about 55%. However, its shares have shrunk compared to the previous year, with the number of properties for the “23 Wards of Tokyo” decreasing from about 50% of the overall to 40%, and AUM declining from around 64% of the overall to about 55%. Investment in areas outside the 23 Wards of Tokyo has smoothly expanded over the year, both in terms of number of properties and AUM, indicating that the investment target area is further dispersing across the nation.

5. Legal form of private equity funds at member companies, etc. (Valid responses: 1,889 properties)

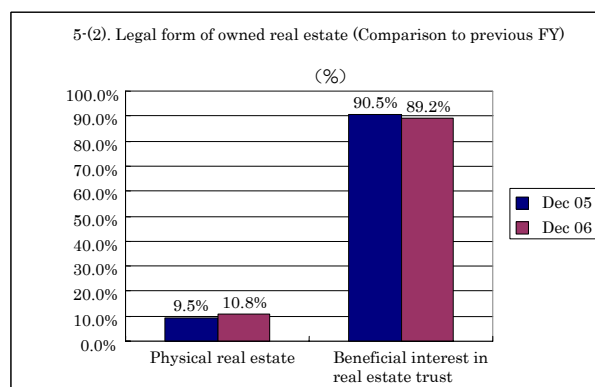
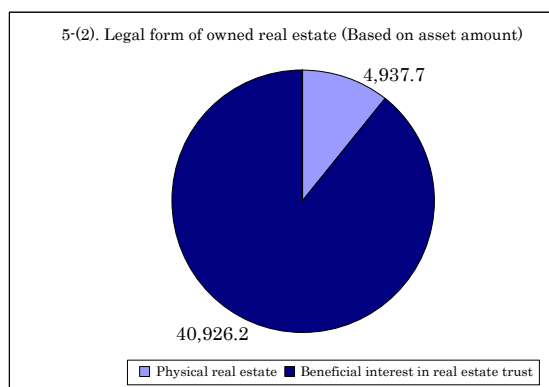
(1) Based on number of properties owned

■ Physical real estate	445	(23.6%)
■ Beneficial interest in trust	1,444	(76.4%)



(2) Based on AUM

■ Physical real estate	493.77 billion yen	(10.8%)
■ Beneficial interest in trust	4,092.62 billion yen	(89.2%)



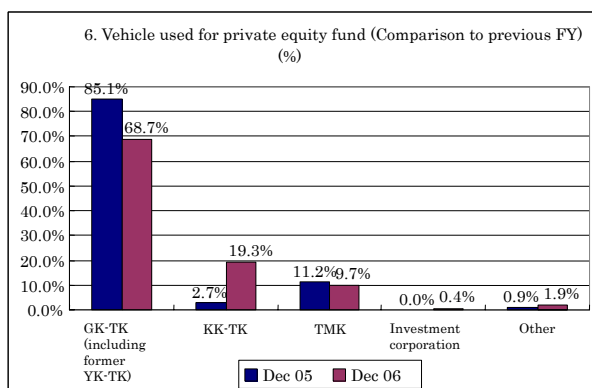
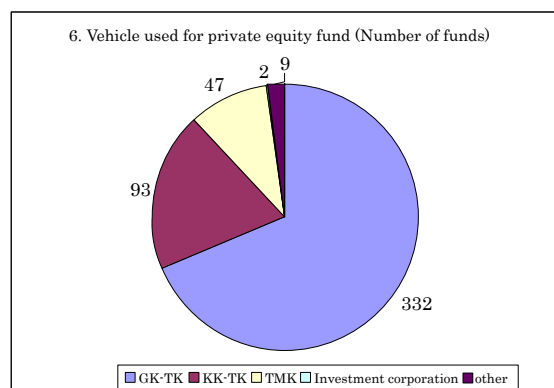
【Comments】 As for the legal form of real estate owned by private placement funds, “beneficial interest in trust” comprises a large majority. In terms of number of properties, it comprises three-fourths, and in terms of AUM, it comprises about 90% of the overall.

6. Vehicle used in private equity funds at member companies, etc. (Valid responses: 483 funds)

■ GK-TK	332 funds	(68.7%)
■ KK-TK	93 funds	(19.3%)
■ TMK	47 funds	(9.7%)
■ Investment	2 funds	(0.4%)
■ Other	9 funds	(1.9%)

〔Other vehicles〕

・ YK—subordinated loan ・ Foreign Limited Partnership



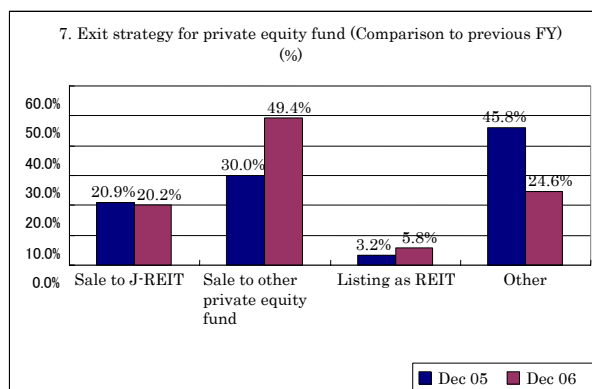
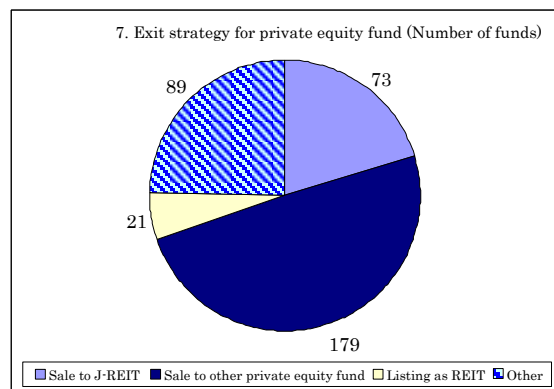
【Comments】 Following the enforcement of the Corporate Law, “GK-TK” including former YK-TK are used as vehicles for 332 funds, or around 70%, a majority, followed by “KK-TK” for 93 funds, or around 19%. Both combined comprise nearly 90%. In addition, “TMK” for the purpose of securitizing assets is not subject to this survey, and only “TMK” for the purpose of managing assets is included as a survey target. This “TMK” is used for 47 funds, comprising about 10%.

7. Exit strategy for private equity fund at member companies, etc. (Valid responses: 362 funds)

■Sale to J-REIT	73 funds	(20.2%)
■Sale to other private equity fund	179 funds	(49.4%)
■Listing as REIT	21 funds	(5.8%)
■Other	89 funds	(24.6%)

[Other strategies]

• Refinance • Give first refusal right to AM • Sale to individual • Sale to external party •
Sale to end user • Sale to business corporation • Sale to developer • Undecided



【Comments】 As for exit strategies, “sale to other private equity funds” comprise the majority, largely increasing from the previous year’s percentage of about 30%. “Sale to J-REIT” was about 20%. The total of funds whose exit strategies are sales to other funds comprised about 70%, a large majority.

Definitions of terms for this survey

(1) “Private equity fund”

“Private equity fund,” which is the target of this survey, refers to private offered type products whose purpose is asset management and are applicable to the following conditions:

- (a) Among real estate securitization products, a product in which financing from investors through vehicles is conducted through private offering
- (b) The definition of “real estate securitization” is financing through a vehicle conducted by a structure of securities issuance under the Securities and Exchange Law, as well as a structure involving forms other than securities issuance, such as non-recourse loans. An example of this is GK-TK scheme (including former YK-TK scheme).
- (c) In addition to “private offering” under the Securities and Exchange Law (limited number private offering, qualified investor private offering), a placement in which financing such as loans is received from relative or specific, limited number of investors, is included.
- (d) In principle, assets owned by the fund (vehicle) are physical real estate or beneficial interest in real estate trust. CMBS and RMBS are not subject to this questionnaire survey.
- (e) Fund (vehicle) must be domestic.

*Refer to previous page for “items not applicable as target of this survey”

(2) “Management”

“Management” in this survey indicates operating and managing of the fund (vehicle) (asset management). For example, the following players are considered fund managers.

- (A) Fund manager of Tokumei Kumiai (TK, anonymous association) under GK-TK Scheme (including former YK-TK scheme) [for the so-called Double SPC Format, vehicle for receiving TK investment from investors]
- (B) Investment trust managers (unlisted real estate investment trusts), etc. in investment corporation scheme under the Act on Securities Investment Trust and Securities Investment Corporations

(3) “Form of private equity fund”

“Discretionary type”: Fund manager has discretion over management

“Additional property acquisition type”: Some properties are specified at time of establishing the fund and soliciting investors, and additional properties are acquired by additional contributions by investors

“Specified property type”: Real estate owned by fund is specified throughout the period of the fund

(4) “Private equity fund management strategy”

“Core-type”: Fund that acquires relatively superior properties and focuses on income revenue, aiming for stable management. As a guide, a fund whose target return is about 3~8%.

“Opportunity type”: Acquisition targets are focused on inferior real estate such as those linked to bad loans. Fund aimed at capital gain, such as through sale after problems on the real estate are improved

through control of rights, large-scale repair, etc. As a guide, a fund whose target return is 12% or more. “Value-added type”: Fund that is in the middle of “core-type” and “opportunity-type.” As a guide, a fund whose target return is about 8~12%.

- In conducting this survey, preliminary interviews, etc. were conducted, and question items were limited to information disclosed by respective companies through press releases, etc. In addition, the survey takes a format in which respondents only need to answer items they can respond to, and does not go into specific details of individual funds. Therefore, the number of valid responses varies by question. Please take note that data other than this tabulation result is not disclosed.
- Information obtained through this survey has been tabulated and analyzed by two members of ARES’ secretariat (proper staff) under strict management. Response sheet originals and tabulated data, etc. are safely stored to ensure that responses from respective companies are not disclosed to external parties.