Real estate investment utilizing securitization schemes is conducted in various countries, but there are differences among their securitization systems. Japan’s major real estate securitization schemes are explained below, providing overviews of the following five items.

(1) Tokutei Mokuteki Kaisha (TMK)
(2) GK-TK
(3) J-REIT
(4) Real Estate Specified Joint Enterprise (silent partnership type)
(5) Real Estate Specified Joint Enterprise (special business type)

Real estate securitization techniques are a useful method to realize effective utilization of real estate and help accumulate a stock of high-quality real estate as well as to promote vitalization of the real estate market through an inflow of funds, as they divide an investment size into small lots and provide instruments that meet a variety of investor needs, thereby creating new investment opportunities in real estate.

It has only been ten years or so since real estate securitization techniques became available in the Japanese real estate market. During that period, however, the real estate business in Japan has undergone a drastic change through utilization of these real estate securitization techniques. In recent years, real estate business operations are being promoted by taking advantage of many real estate securitization techniques.

Moreover, aside from utilizing the techniques, markets specific to real estate securitization have been formed, including J-REITs (the Japanese version of real estate investment trusts) and real estate private funds.

The following pages present overviews of the major real estate securitization schemes in Japan.
Overview of the Tokutei Mokuteki Kaisha (TMK) Scheme

In this scheme, the originator (original asset owner) sells its specified assets to a tokutei mokuteki kaisha (specific purpose company) (TMK), and the TMK works to raise funds by issuing asset-backed securities that are backed by cash flows from the underlying assets and by the value of the assets.

Management and disposition of the assets must be entrusted to outside trust companies and other entities (including companies entrusted with management and disposition of specified assets and trust banks).

Asset securitization plans must be prepared.

● Tokutei Mokuteki Kaisha (TMK) ●

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<td>Specified equity</td>
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Entrustment of management and disposition of specified assets / entrustment of investment management operations

Companies entrusted with management and disposition of specified assets / investment management companies, etc.
Real Estate Securitization

Overview of the GK-TK Scheme
This is the typical real estate securitization scheme other than the legally established schemes (TMKs and investment corporations).
In this scheme, assets under management are made into real estate beneficial interests in trust, and a limited liability company is used for the TMK as a securitization vehicle. Funds are raised through silent partnership equity investment by investors, combined with borrowings from financial institutions as needed.
The name of the GK-TK scheme comes from the initials of Godo-Kaisha (limited liability company) and Tokumei-Kumiai (silent partnership).
Assets under management are composed of beneficial interests in trust alone.
### Overview of the J-REIT Scheme

The Act on Investment Trusts and Investment Corporations (Investment Trusts Act) provides the investment trust system and the investment corporation system. The investment trust system is called the contract type investment trust, and the investment corporations system is also referred to as the corporate type investment trust. It is commonly called the real estate investment trust (J-REIT) when the trust invests mainly in real estate, etc.

In this scheme, investors invest their monies in an investment corporation, a corporate entity established for the purpose of managing assets, and an asset management company entrusted by the investment corporation manages the monies by investing them primarily in specified assets (real estate).

Funds can be procured from a wide range of investors by listing the investment units issued by the investment corporation.

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</table>

#### Financial institutions
- Lending
- Principal and interest purchase

#### Financial institutions, etc.
- Principal and interest

#### Investors
- Equity investment
- Dividend

**Entrustment of asset management**

**Asset management company**
Overview of the Real Estate Specified Joint Enterprise Scheme (Silent Partnership Type)
The Real Estate Specified Joint Enterprise Act covers such contract types as the voluntary association type based on Article 667 of the Civil Code, the silent partnership type based on Article 535 of the Commercial Code, and the lease type. Of these types, the silent partnership type is a scheme in which investors (business participants) invest monies in the silent partnership, and the real estate specified joint enterprise operator (the business operator of the silent partnership) uses the invested monies to acquire real estate. The operator distributes the earnings obtained from managing the real estate to investors.
Overview of Real Estate Specified Joint Enterprise Scheme (Special Business Type)

On December 20, 2013, the Act on the Partial Amendment to the Real Estate Specified Joint Enterprise Act was enforced, with provisions that determine the measures and arrangements required to allow a special purpose company (SPC), that satisfies certain requirements, to conduct the special businesses of a bankruptcy-remote real estate specified joint enterprise. The special businesses that are bankruptcy-remote real estate specified joint enterprises represent the real estate specified joint enterprise that uses a scheme in which an SPC dedicated to conducting real estate specified joint enterprise is established and investors invest in the SPC so that the impact of other businesses is eliminated (made bankruptcy-remote).

● Real Estate Specified Joint Enterprise (Special Business Type) ●