READING GUIDE

About the Survey

Survey time (rent, vacancy rate)
December 31 each year
(as of September 30 in 2022)

Subject buildings
Office buildings that were seeking tenants during the above period

Building class (area per floor)
Large-scale buildings: 200 tsubo or more
Medium/large-scale buildings: 100 to less than 200 tsubo
Medium-scale buildings: 50 to less than 100 tsubo
Small-scale buildings: 20 tsubo to less than 50 tsubo

*1 tsubo = 3.3 sq. m = 35.58 sq. feet

About the Terminology

Area per floor
The maximum leasable area on a standard office floor (3rd floor or higher) for each building

Rent (including common area maintenance (CAM) charge)
Average value of asking rent for each individual property

Vacancy rate
Ratio of currently vacant space to the total leasable space

Potential vacancy rate
Ratio of currently vacant space and space to be vacant by termination of the lease contract to the total leasable space

New supply
Total leasable floor space in new buildings completed during the data collection period
Creating a New Large-Scale Mixed-Use Building in Kyobashi, An Area with Artistic and Cultural DNA

In September 2024, the 28-story Toda Building will appear in the Kyobashi area, next to Ginza and Nihombashi near the Yagyu Exit of Tokyo Station. The development concept is “Art and Wellness.” Maintaining Kyobashi’s appeal as an area with artistic and cultural DNA, the lower levels will consist of cultural and retail facilities. The plaza and entrance lobby on 1F will serve as a venue for art events, while the halls and conference rooms on 4F will host a wide range of events focusing on arts and culture and the museum on 6F will present cutting-edge culture. The building will offer a new working style that brings office users and art together. Office floors with 721 tsubo per floor of column-free space occupy 8F onward. These spaces can be divided into six subsections to accommodate different floor area needs. The building will also be equipped with a business support facility available exclusively to office users, and there will be a cafeteria serving healthy food, a lounge, and rental meeting rooms on 13F. The rooftop will feature a garden providing a relaxation space where users can enjoy nature and greenery.

From a structural perspective, it will be a skyscraper building exceeding 150 meters in height that employs an unusual core wall base isolation structure. Within Japan, it will have best-in-class seismic capacity. In terms of the environment, it is pursuing the acquisition of multiple certifications, including ZEB Ready, LEED Gold, and CASBEE S-Rank, and it will support tenant companies’ carbon reduction management by introducing power from renewable energy sources. It will give rise to a comfortable, enjoyable workplace in Kyobashi that is seamlessly integrated into the neighborhood.

The Emergence of a New Business Area Integrating a 4.5-ha Urban Park into a 9-ha Station-front Site

Osaka Station is the largest terminal station in western Japan. Extending across 24 hectares to its north is the extensive Umekita District. In April 2013, Grand Front Osaka was developed there as an advanced development area; since then, attention has turned to development of Phase 2. The Phase 2 development district has an area of 9 hectares, with an urban park (tentative name: Umekita Park) to be established on around half of its site (approx. 4.5 hectares). This development, which aims to be a hub combining greenery and innovation, views the entire site as a single large green space. It will create the sense of an integrated space by linking the north and south blocks, with the park in the center. There will be two office towers (east tower and west tower) in the south block. Construction is scheduled for completion in November 2024. In conjunction with this development, there are also plans for a direct link with JR Osaka Station (new station).

The east tower will have office floors from 5F to 17F at around 480 tsubo per floor. It will support tenant functions for workers. Thanks to the terrace and dining lounge with views of the park and a café and workspace that can be used as a third place, it will offer comfortable, plentiful communication opportunities to employees who work in the building. In this way, a new business area combining urban functions and greenery will emerge.

Prepared in collaboration with TODA CORPORATION

Prepared in collaboration with MITSUBISHI ESTATE Co., Ltd.
Completion Timeline

2022-2026 Current as of January 31, 2023

- Scale refers to the number of floors above ground, and one floor refers to the standard floor area in tsubo.
- Abbreviations are used in some parts.
- Building/project names with asterisks (*) are tentative. The names, completion times, structure, etc. may change depending on the progress of future work.
- Abbreviations are used in some parts.

### 2022

1. **Feb** Sumitomo Fudosan Osaki Twin Bldg. East
   - Minato Ward / Konan 2
   - 26/B2 1,569

2. **Mar** JR Meguro MARC Bldg.
   - Minato Ward / Nishi-Shinjuku 2
   - 22/B2 1,524

3. **Jul** Kudan Kaikan Terrace
   - Chiyoda Ward / Kudan-Mizumachi 1
   - 11/B3 775

4. **Aug** Tokyo Midtown Yaeo, Yasuo Central Tower
   - Chuo Ward / Yaseo 2
   - 45/B4 1,267

### 2023

5. **Mar** Tokyo Midtown Redvelopment PJ.*
   - Minato Ward / Nishi 3
   - 42/B4 1,203

6. **Mar** Sumitomo Fudosan Shinjuku First Tower*
   - Shinjuku Ward / Nishi-Shinjuku 5
   - 33/B2 607

7. **Jun** Dogenzaka-dori
   - Shibuya Ward / Dogenzaka 2
   - 26/B1 526

8. **Jun** Tanach Tower
   - Minato Ward / Shibuya 5
   - 24/B2 794

9. **Jul** Azabudai Hills
   - Minato Ward / Azabudai 1
   - 65/B5 1,480

10. **Jul** Toranomon Hills Station Tower*
    - Minato Ward / Toranomon 2
    - 49/B4 1,000

11. **Nov** Shibuya Sakuragaoka P.J. A-1*
    - Shibuya Ward / Sakuragaoka
    - 39/B4 642

12. **Dec** Gotanda PJ.*
    - Shinagawa Ward / Nishi-Gotanda 8
    - 22/B3 969

### 2024

13. **Feb** SHINTORA YASUDA bldg.
    - Minato Ward / Shimbashi 4
    - 14/B2 450

14. **Mar** Harumi 7chome PJ.*
    - Chuo Ward / Harumi 3
    - 20/B2 530

15. **May** Akasaka Green Cross
    - Minato Ward / Akasaka 2
    - 26/B3 555

16. **May** Shibuya 7chome 7P.J.*
    - Shibuya Ward / Shibuya 2
    - 23/B4 450

17. **Aug** Akasaka Trust Tower
    - Minato Ward / Akasaka 2
    - 43/B3 1,024

18. **Sep** TODA BUILDING
    - Chuo Ward / Kyobashi 1
    - 26/B3 721

19. **Sep** Sumitomo Fudosan Osaki Twin Bldg. West*
    - Shinagawa Ward / Nishi-Gotanda 2
    - 14/B1 488

20. **Sep** Sendagaya Center Bldg.*
    - Shibuya Ward / Sendagaya
    - 4/B1 894

21. **Dec** Kasuga Bldg. PJ.*
    - Minato Ward / Shibay 5
    - 19/B3 580

### 2025

22. **Feb** Kojimachi Kosai Building
    - Chiyoda Ward / Kojimachi 5
    - 12/B2 689

23. **Feb** T-2 Project*
    - Minato Ward / Toranomon 2
    - 36/B2 1,054

24. **Mar** Yaeo 7chome East B*
    - Chuo Ward / Yaeo 1
    - 51/B4 755

25. **Mar** Takegawa Gateway City I North*
    - Minato Ward / Konan 2
    - 24/B3 1,500

26. **Mar** Takegawa Gateway City I South*
    - Minato Ward / Konan 2
    - 30/B3 1,090

27. **Mar** Shibuya 7chome P.J. S*
    - Minato Ward / Shibuya 1
    - 46/B3 1,049

28. **Jun** Toyosu 4-2 P.J. B*
    - Koto Ward / Toyosu 2
    - 15/B1 1,371

29. **Nov** Nishi-Shinjuku 7chome PJ.*
    - Shinjuku Ward / Nishi-Shinjuku 1
    - 23/B4 817

30. **Dec** Uchi-Kanda 7chome P.J.*
    - Chiyoda Ward / Uchikanda 1
    - 26/B3 684

### 2026

31. **Mar** Nihonbashi 7chome Central District C*
    - Chuo Ward / Nihonbashi 1
    - 52/B5 1,990

32. **Sep** Urban Renewal Step-up PJ.*
    - Shibuya Ward / Shibuya 1
    - 14/B2 750

33. **Oct** Iidabashi Sta. East Redevelopment*
    - Chiyoda Ward / Iidabashi 3
    - 26/B2 393

34. **Oct** Toranomon 7chome East District Redevel.*
    - Minato Ward / Toranomon 1
    - 24/B4 850

35. **Nov** Minato Ward / Takanawa 3
    - 26/B4 1,936

©Shobunsha
Change in Amount of New Supply

New Supply TOKYO

- Buildings of 100 tsubo (330 sq.m) or more per floor
- Leasable Floor Area of 20,000 tsubo (66,000 sq.m) or more
- 1 tsubo = 3.3 sq.m = 35.58 sq.ft.
- Abbreviations are used in some parts.

### 400,000 tsubo
- 1,322,314 sq.m
- 14,233,270 sq.ft.

### 300,000 tsubo
- 991,736 sq.m
- 10,674,953 sq.ft.

### 200,000 tsubo
- 661,157 sq.m
- 7,116,635 sq.ft.

### 100,000 tsubo
- 330,579 sq.m
- 3,558,618 sq.ft.

- OFFICE RENTDATA 2023
Both the vacancy rate and potential vacancy rate continue to trend upward, with the vacancy rate remaining at the 6% level, the highest level in the central five wards. Asking rents have started trending downward after peaking in 2020. A large volume of supply is expected in 2023 and 2025.

While both the vacancy rate and potential vacancy rate are trending upward, the pace of increase is slowing down. Asking rents remain flat at around the 23,000 yen/tsubo level. New supply will remain at a relatively low level for the next three years.

Both the vacancy rate and potential vacancy rate continue to trend upward since bottoming out in 2019. In addition to an increase in currently vacant floor area, especially in the seafront area, new buildings have been completed with vacancies, driving the vacancy rate up. Asking rents are starting to show signs of becoming flat.

While both the vacancy rate and potential vacancy rate continue to trend upward, the pace of increase is slowing down. Asking rents remain flat at around the 23,000 yen/tsubo level. New supply will remain at a relatively low level for the next three years.

While both the vacancy rate and potential vacancy rate continue to trend upward, the pace of increase is slowing down. Asking rents remain flat at around the 23,000 yen/tsubo level. New supply will remain at a relatively low level for the next three years.
Shibuya Ward

While the vacancy rate remains flat, the potential vacancy rate decreased considerably year on year. Asking rents remain at around the mid-24,000 yen/tsubo level. Since 2020, the vacancy rate and potential vacancy rate have continued to trend upward. The vacancy rate has recently reached the 5% level from a low level of less than 1% in 2019. Asking rents have remained flat at the 17,000 yen/tsubo level since peaking in 2020.

Shinagawa Ward / Ota Ward

Over the next three years, while new supply will remain at a low level in 2023, large supplies of around 80,000 tsubo in 2024 and around 30,000 tsubo in 2025 are expected.
The vacancy rate decreased to around the lower 2% level, reaching the lowest level since 2013 along with the potential vacancy rate, leading to a sense of scarcity in key areas. Due partly to the impact of recruitment starting for multiple buildings under construction, asking rents remain on a gradual upward trend.

The vacancy rate, which was at the 11% level in 2013, has continued to trend downward, reaching its lowest figure since 2013 in 2019. Since then, it has tended to remain at around 5%. There has been no significant change in the potential vacancy rate either. While asking rents are trending gradually upward, there is no widespread tendency for owners to revise their asking terms.

Creating a Next-generation Business Hub on a Main Street Near Sapporo Station

This building will be constructed at the entrance to Sapporo Station’s underground pedestrian zone, through which roughly 120,000 people pass each day. With shops and open areas from B1F to 1F, it will be a comfortable space where users feel the presence of natural light and greenery. Office floors will occupy 2F to 13F. Standard floors will occupy 3F to 13F.

A Redevelopment Project in Downtown Sendai, Creating Dynamism and Interaction

It is the first property in the Sendai City Center Redevelopment Project undertaken by the City of Sendai. It will be equipped with an innovation space, a co-working space, and conference rooms. A dedicated tenant lounge will support worker well-being. It will establish complementary facilities and functions to support the comfortable work of facility users, in collaboration with the Next-Generation Synchrotron Radiation Facility.
The vacancy rate continues to trend upward and recently reached the 5% level for the first time since 2016, but there are starting to be signs of a change in the upward trend in the potential vacancy rate. Asking rents have remained on a gradual upward trend since 2018, recently reaching their highest level in 2020, but there are starting to be signs of a change. Asking rents continue to trend upward, but revision of the asking terms has been limited to only some buildings. Ongoing new supply of 20,000 to 30,000 tsubo per year is projected.

**NAGoya City**

**Rent**

- Medium-scale buildings and larger (at least 50 tsubo per floor)

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**ENISHIO MEIEKI**

Realizing Harmonious Integration into the Surrounding Meieki Area Environment

This redevelopment project is under way in the area around Nagoya Station—the economic center of Chubu. Connecting directly to Nagoya Station’s underground mall, it is located at a mega-scale (city) and human-scale (neighborhood) hub. By applying computational design, it will deliver impressive exterior design, ensure an excellent view, and enhance comfort through insolation control.

**Hakata FD Business Center**

A New Building Appearing Midway between Two Leading Office Area, Tenjin and Hakata

This building will have earthquake resistance 1.25 times stronger than the standards stipulated in the Building Standards Act. It will implement best-in-class infectious disease countermeasures within Fukuoka City by installing Streamer Disinfection Units (disinfection units for A/C equipment in private areas) and incorporating both mechanical and natural ventilation.

**FUKUOKA**

**Rent**

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**Environmental Certifications**

- ZEB Oriented
- CASBEE Fukuoka (Rank A)
- BELG★★★★★

*Information was valid as of October 2022 and may differ from the actual conditions.

Prepared in collaboration with Fukuoka Jisho Co., Ltd.
The Appeal of Japan’s Business Environment

Japan External Trade Organization (JETRO) compiled the “JETRO Invest Japan Report 2022,” which is a comprehensive report on direct investments in Japan, for the purpose of providing information and reference materials to foreign and foreign-affiliated companies. This section provides a commentary based on the contents of the report.

Change in Foreign Direct Investment (FDI) Stocks in Japan

Although the FDI stock in Japan at the end of 2021 (asset and liability principle) was 40.5 trillion yen, increasing slightly by 0.8% year-on-year, it continued to mark a record-high. The ratio of FDI stock to GDP was 7.6%. [chart 1]

Amount of FDI Flow to Japan in 2021

When looking at the amount of FDI flow to Japan by industry, the amount for chemical and pharmaceutical products increased significantly to 1.5 trillion yen, followed by that for finance and insurance, which increased by 25.1% year-on-year to 0.9 trillion yen. [chart 2]

Change in Japan’s Business Environment

According to the “Survey on Business Operations of Foreign-affiliated Companies in Japan” conducted by JETRO between September and October 2021, improvements in the living and social environment, such as the “ease of living environment for foreign residents” and “ease of communicating in foreign languages in business,” were seen. On the other hand, questions on the business environment, such as the “ease of finding business partners” and “ease of raising funds,” received mixed responses of “improving” and “getting worse.” It is believed that the worsening of the “strictness and complexity in the immigration control system” is due to the border control measures implemented to prevent the spread of COVID-19.

When asking companies whether they reviewed or changed their business plans in Japan due to the spread of COVID-19, 38.8% said they have “not reviewed.” It was found that, when combined with the responses of “reviewed and determined that no changes were necessary,” approximately 60% of the companies that responded have continued their business plans in Japan. [chart 3]

Regarding the business environment in Japan that foreign-affiliated companies find attractive, “Japanese market size” came as the top response that was chosen by 63.4% of respondents, followed by “growth potential of the Japanese market” at 32.0%.

Support for Foreign Companies by JETRO

JETRO is providing services, including disseminating information on the Japanese market and support for establishment of offices in Japan and business expansion, to foreign companies eligible for support.

JETRO’s Programs Promoting Investments in Japan

1. Dissemination of information on Japanese business environment
   - Disseminating information via the “Investing in Japan” website
   - Providing various materials/brochures
   - Holding seminars for overseas companies

2. Research on the Japanese market/proposal of business strategies
   - Finding potential partners through business events, exhibitions and networking
   - Providing information on markets, regulations, etc.
   - Proposing market entry strategies
   - Introducing the departments in charge at central government ministries/agencies and local governments

3. Supporting setting up of business
   - Providing temporary offices
   - Providing advice on registration procedures and legal, labor, and tax affairs
   - Providing support in finding human resources and offices

4. Expansion of business with Japanese partners
   - Providing opportunities for business matching with Japanese companies
   - Providing support for collaboration with local governments
   - Providing support for secondary investment and business expansion
   - Providing support for formation of collaborative and cooperative projects through J-Bridge

JETRO’s Invest Japan website [https://www.jetro.go.jp/en/invest]
The following are some of the terms unique to the Japanese office rental market that you may find useful to know.

### Important Terms

#### Contracted Space

This term may apply to exclusive usable space, or to both exclusive usable space and a part of the common space.

#### Exclusive usable space

This term refers to the space used exclusively by the tenant; it is measured from wall center to wall center.

#### Common space

This term refers to space used in common by two or more tenants. It might include elevator halls, corridors, restrooms, kitchenettes, and the like.

#### Unit of Space

The official unit used to measure floor space is the square meter, but many property owners still use the older term “tsubo” in their floor plans and advertisements. (1 tsubo ≒ 3.3 sq. m, 10.58 sq. feet)

#### Deposit Money

The terms “Hoshokin” and “Shikkin” are both used to mean “deposit money.” Though they have slightly different meanings, they essentially refer to a sum which is paid to the owner as a non-interest deposit when signing the lease contract. Legally this money could be classified as “guarantee money” against any liability that the tenant might incur against his duties as a tenant.

#### Return Period

The deposit money will be returned to the tenant after the “surrender by the lessee of the leased premises to the lessor.” Any unpaid rent or damages recoverable from the lessee will first be deducted from the deposit, and the difference will be refunded.

#### Sum

As a normal rule, 10-12 month’s rent will be charged as deposit money.

#### Depreciation Fee

Owners of small-sized buildings often demand that tenants pay a depreciation fee. This is deducted as a percentage from the deposit (usually 10% to 20%) when the contract ends, and the deposit minus the fee is then returned to the lessee. The term “depreciation” is used here, but there is no direct relationship between the fee and building depreciation.

#### Rent

Beginning of Rent
In general, two periods are included in a term of the lease. The one is for interior finish work before a tenant moves in the leased premise, and the other is for restoration work. And rent starts on the beginning date of the term of the lease. A tenant is required to complete a restoration work by the termination of the term of the lease.

#### Payment of Rent

The common practice is to pay rent a month in advance, with the payment for the following month coming due at the end of the current month (between the 25th and the last day of the month).

#### Method of Payment

In general, bank transfers or postal transfer are the most common way to pay one’s rent.

#### Increases in Rent (Case of regular lease contract)

Three basic reasons for rent increases during the contract period or signing a new lease contract.

1. Taxes on the land or on the building itself have increased.
2. There has been a sharp increase in the general cost of living due to inflation, etc.
3. The rent is shown to be lower than rents for similar facilities in the same neighborhood.

Such increases can be implemented with the agreement of both parties.

#### Other Expenses

In addition to monthly rent and common area maintenance charges, the following expenses may be incurred. It will depend on the operating systems of the building and several reasons.

- Parking lot fees
- Gas charge
- Fees for the use of building signboards
- Electric charge
- Air-conditioning & heating
- Water charge, etc.

#### Common Area Maintenance (CAM) Charge

In most cases, a fee is charged monthly in addition to the actual rent. This fee is calculated on the basis of the running costs of the building; such as Electric Charge, Water Charge, Gas Charge, Cleaning Charge, Air-conditioning & Heating Charge for the common space such as entrance hall, elevator, toilet, etc. Generally the fee is between 3,000 yen and 7,000 yen per tsubo. Recently there have been cases of the common area maintenance (CAM) charges being included in the rent.

#### Lease Terms and Conditions

### Important Lease Conditions

Based on Article 35 of the Land and House Lease Law, Sanko Estate will explain lease terms and conditions in writing (“Important Lease Conditions”) prior to signing of the Lease agreement.

#### Repair Fees

The following types of repair fees are the most commonly encountered.

- Repairs on the building itself
- Repairs on office ceilings, walls, floors, and other structural members that are a part of the building itself
- Repairs for the common areas of the building
- Repairs for equipment and machinery

#### Obligations of the Property Owner

- To repair any partitions, fixtures, special-use equipment, or the like that the tenant has installed in the office. Check your contract carefully for any other obligations that may be faced by the tenant.

#### Interior Finish Work

A tenant is required to submit a plan of interior finish work in the leased premise to the building owner, and need to obtain the owner's consent in advance to avoid having troubles related with the body of the building.

#### Restoring to Original Condition

The lessee is under obligation to restore the leased premises to the original condition by the termination of the contract.

- To remove the tenant's improvements and to return the premises to their original condition by the termination of the contract. Under this lease, tenants wishing to terminate the contract are obliged to pay a penalty for cancellation of contract equivalent to 6 month's rent, as stipulated in the article.

#### Prohibitions, etc.

In general, the lessee may not:

1. Reassign the lease of the leased premises or sublet the leased premises in any form.
2. Assign or offer the leased premises as security to third parties including any of the rights under the contract.
3. Transfer any of the rights under the contract to any person other than the lessee through assignment of business, merger, or other such transactions.

In addition, without the lessor’s consent, the lessee may not co-occupy the leased premises with another persons/ party or use any name other than that of the lessee as the name of occupant. It may be permissible for the leased premises be co-occupied with the prior consent of the lessor if the other party is financially related to the lessee.

#### Cancellation Notice of Contract (Case of regular lease contract)

If the lessee desires to terminate the contract at any time during the term of the lease, it is stipulated that the lessee must present advance notice of cancellation to the lessor in the time designated by the lessor (usually within 6 months prior to the lessee’s expected day of the termination, with the need to restore to the original state). If the lessee wants to cancel the contract prior to contract notice, the lessee is obliged to pay a penalty for cancellation of contract equivalent to 6 month’s rent, as stipulated in the article of advance notice. However, in principle, early cancellation of a fixed-term lease contract is not possible.
In Japan, at the time of contracting for new space, it is maintaining the tenant's position and acting in the tenant's best interests in all negotiations. The agent represents the tenant only while diligently giving the tenant important advantages by ensuring that the regulations be confirmed with the lessor in advance, since each building has its own set of regulations.

Most buildings have their own “Administrative Regulations” concerning daily administration and management of the building such as opening and closing times (regular hours) of the building, regular air-conditioning and heating hours, use of the building beyond the regular hours, working hours of janitors, and stipulations concerning keys, etc. It is recommended that the regulations be confirmed with the lessor in advance, since each building has its own set of regulations.

Recently an increasing number of high-spec buildings are connecting to multiple substations. In some of them, power to the building's exclusive areas even if the supply from a substation is cut off. In contrast, office buildings with bi-directional power supply systems can continue to provide power to the building even if the supply from one substation is cut off.

In recent times, serviced offices have become available at a small deposit. “Serviced offices” typically refers to rental spaces that come equipped with the desks, chairs, and other furniture required in offices, along with internet access, conference rooms, and so forth. Many serviced offices also provide reception and secretarial services at the request of tenants. The advantage of serviced offices may be summed up as the ease with which tenants can move in and move out.

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1. Moving in is possible with lower initial costs than a standard rental office.
   - Small deposit
   - Office infrastructure such as communications-related services and utilities are already set up
   - Interior construction work is not required
2. Short interval between when the decision to move in is made and actual move in.
3. In the case of companies entering the Japanese market for the first time, it is often possible to use the serviced office’s address for company registration.
4. Depending on the vacancy conditions at the time, it may be possible to adjust the lease duration and leased floor area to suit the tenant’s needs.

In recent times, serviced offices have become available at a wide range of building types, from high-rises to medium/small-scale buildings, increasing the choices available to companies.

**Including co-working offices, shared offices, flexible offices, etc.