

The Rise and Fall of the Land Myth in Japan

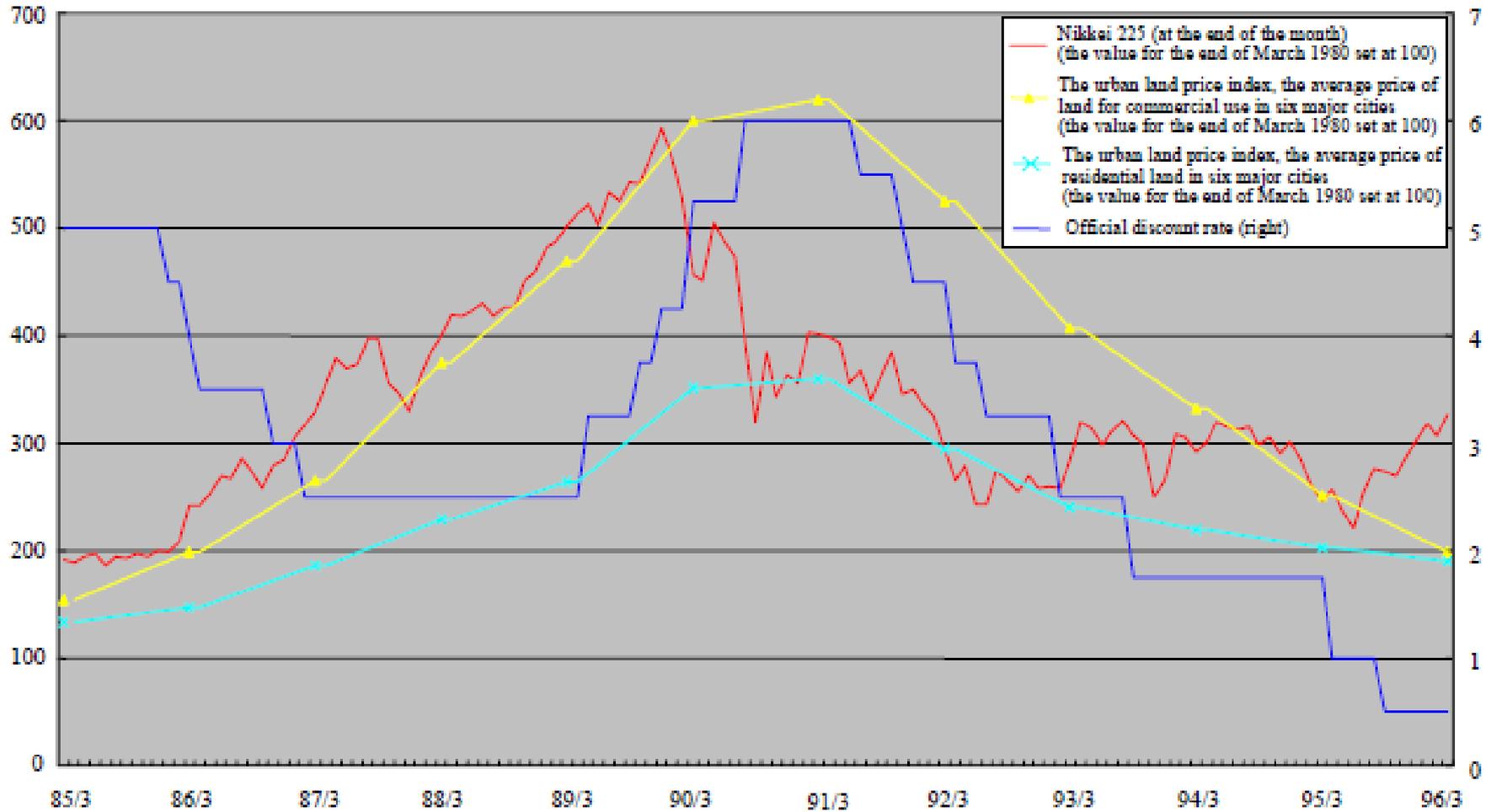
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Definition of Asset Values

$$\text{asset value} = \frac{\text{profit}}{\text{long-term interest rate} + \text{risk premium}}$$

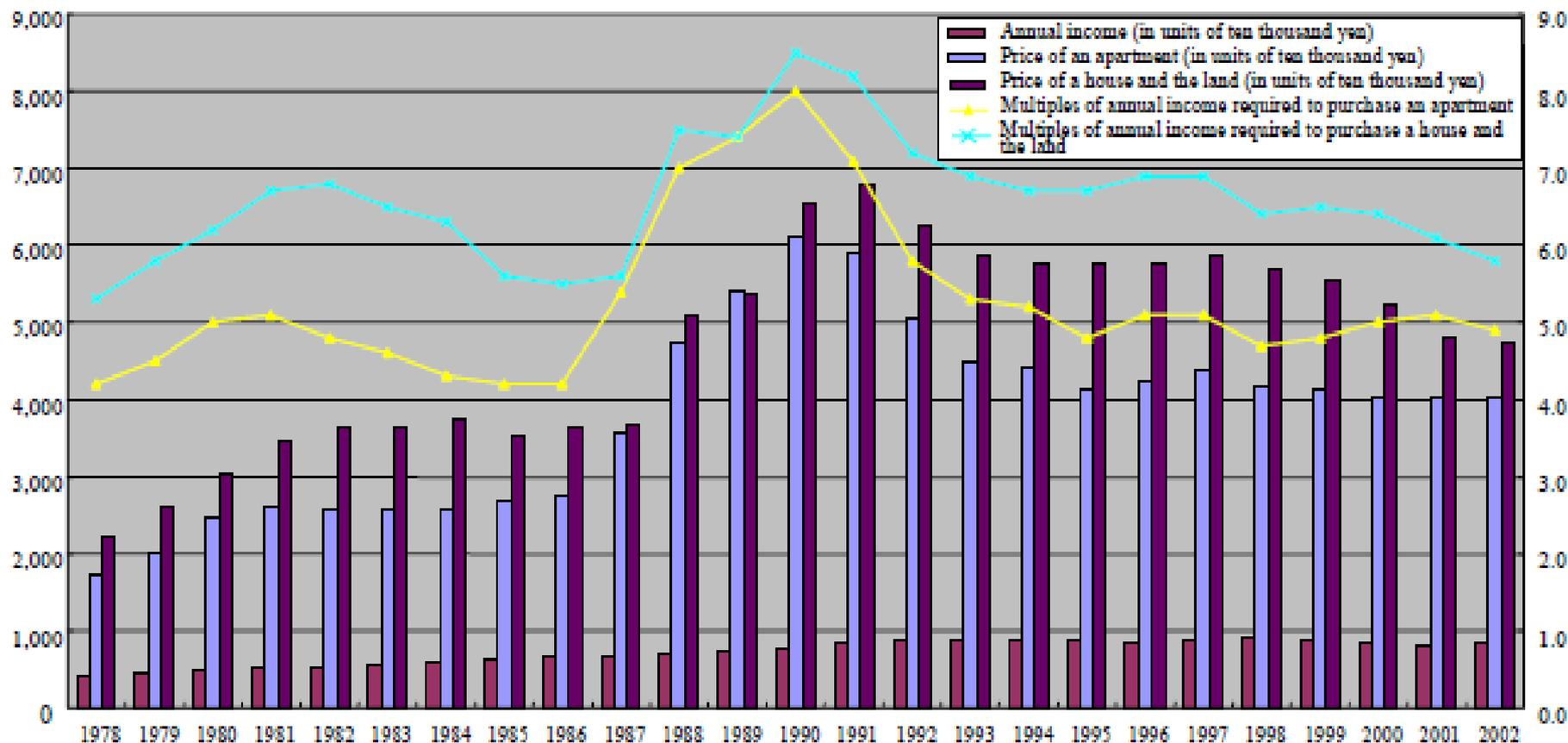
Reference 9: Share prices and land prices



Reference 10: Multiples of annual income required to purchase a home in the metropolitan area

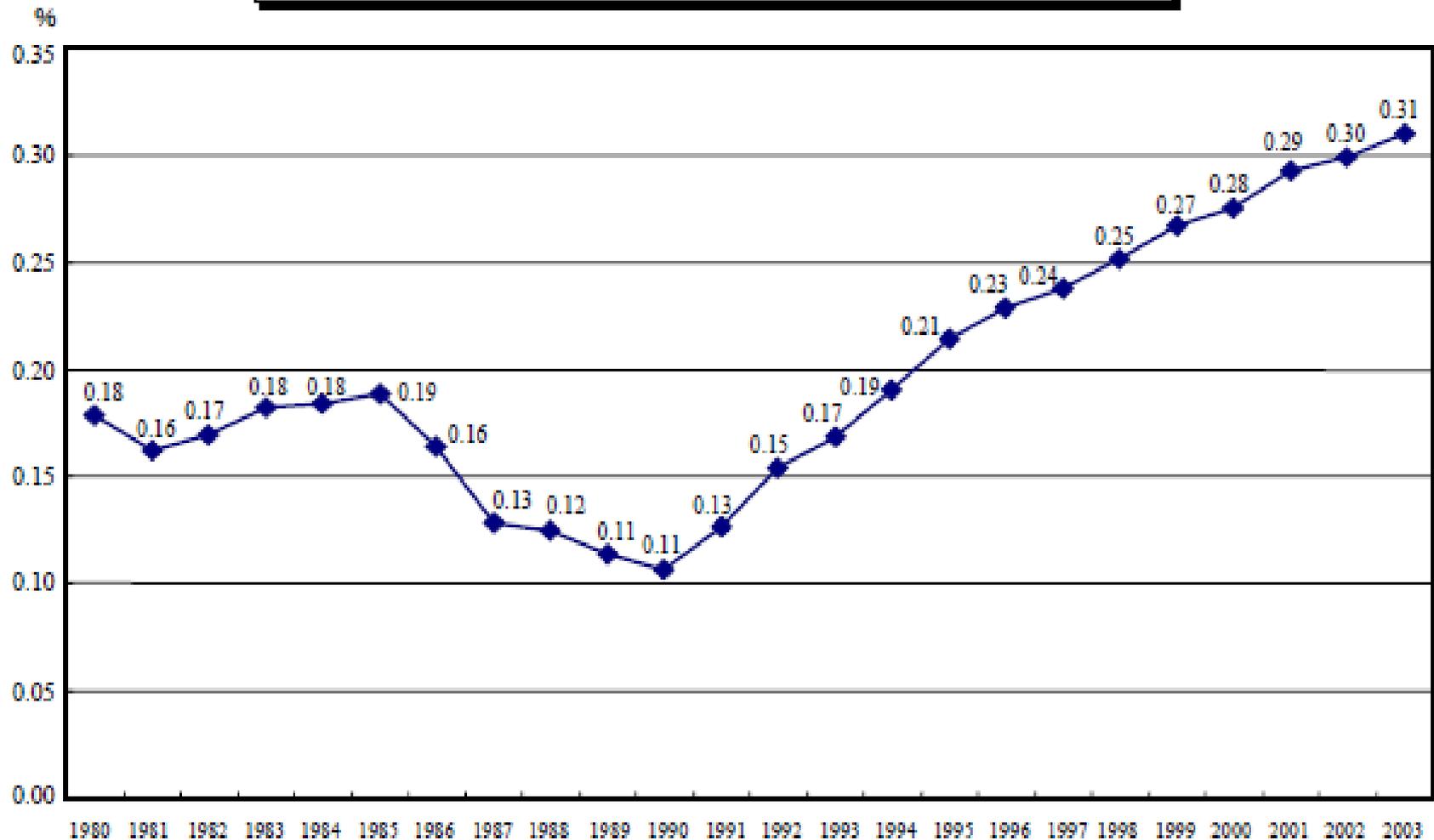
(in units of ten thousand yen)

(Multiples)



Nationwide Apartment Market by Real Estate Economic Institute Co., Ltd.
and the saving survey of the Ministry of Internal Affairs and Communications

Reference 8: Effective fixed property tax rate in Japan



Note : The effective tax rate was calculated by dividing fixed property tax revenue by the total market value of land.

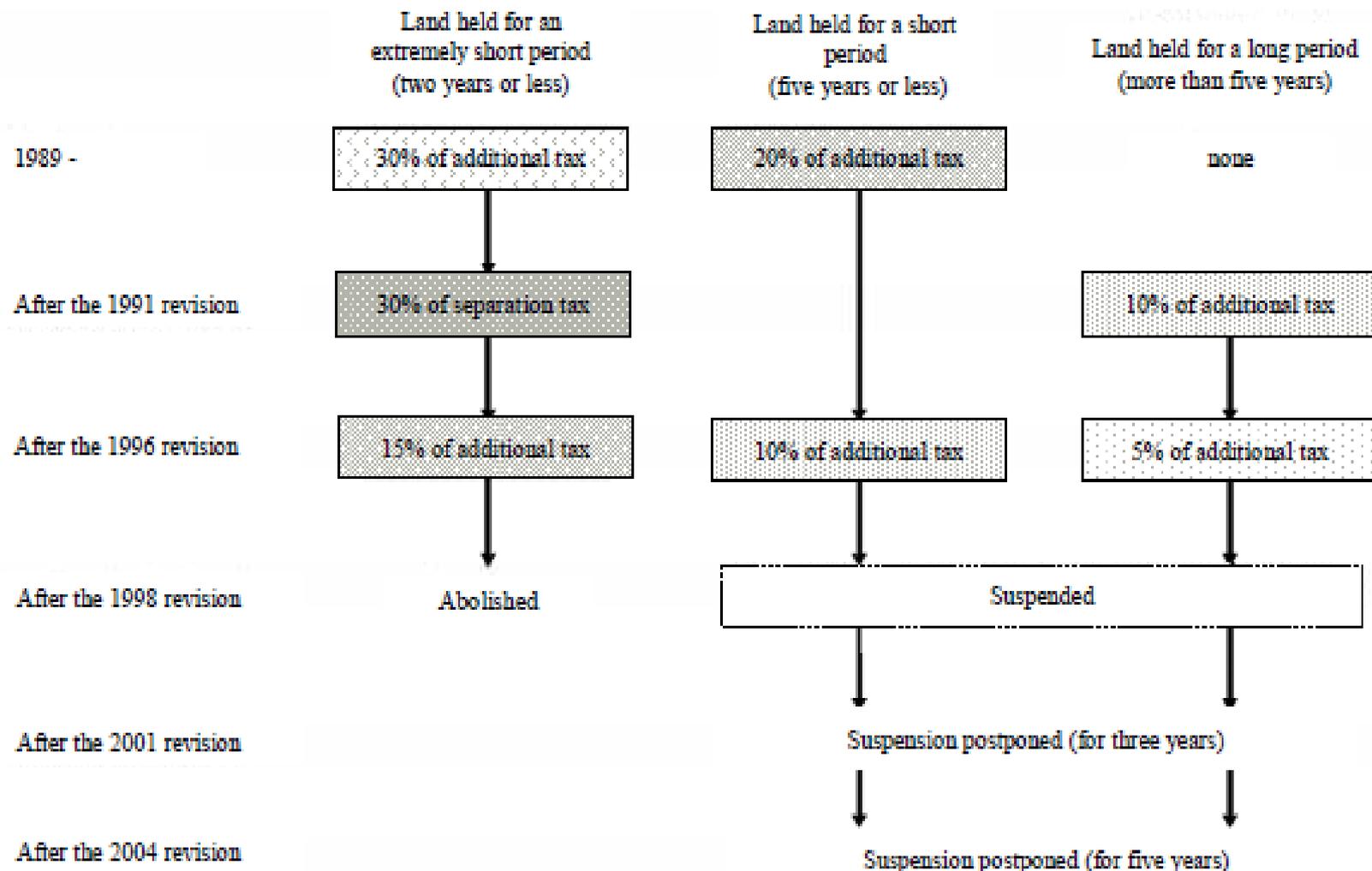
The total market value of land is indicated as "land asset" of the private sector in national economic accounting by the Cabinet Office, the Government of Japan.

The revenue from fixed property tax on land is stated as settled value in the local tax data by the Ministry of Internal Affairs and Communications.

Land Tax System Reform

- Establishment of Land Value Tax (January 1992)
- Higher Capital Gains Tax
 - Individuals: Raising tax on capital gains from land held for more than five years (1991)
 - Companies: Raising tax on capital gains from land held for a very short period (two years or fewer) (1991)
- Rationalizing Land Appraisals for Inheritance Tax Purposes (1992)
- Revision of Exceptions for Inheritance Tax and Fixed Property Tax of Agricultural Land in Urban Areas (1994)
- Measures Against Tax Avoidance Using Land (1992)

Reference 13: Changes in additional taxation for companies on capital gains generated by land



Note: Additional taxes are not imposed in the case of transfers of land to create high-quality residential land.

End of Land Myth and Deflation

End of Land Myth and Deflation

- The Myth Vanished
- Bank Changed Their Loan Policy
- The Use of Discount Value Method

The Rapid Decline in Land Price Created Deflation

- Delay of Change Tax Law
- Bad Coordination Between Monetary Policy and Fiscal Policy, Including Tax Policy