

VALUATION REPORT

10 February 2008

Prepared for

Waka XXXXXX

Prepared by

Takashi Yamaguchi (Appraiser)

Value Workers, Inc.

20-1-303 Kitamachi, Shinjuku, Tokyo, 162-0834, Japan

(Signature)

Pursuant to your request, I have prepared a summary report of a complete valuation for the subject property. The attached report details the scope of work, level of reporting, definition of value, valuation methodology, and pertinent data researched and analysed in the development of this valuation.

(Note)

The forecasts, projections, or operating estimates contained herein are based on current market conditions. These forecasts are, therefore, subject to changes with future conditions.

Certification

I certify to the best of my knowledge and belief that:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
4. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. My engagement in and compensation for this assignment were not contingent upon developing or reporting predetermined results, the amount of the value estimate, or a conclusion favouring the client.
6. My analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with IVS (International Valuation Standards).
7. I have the knowledge and experience to complete the assignment competently.
8. No one provided significant professional assistance to the person(s) signing this report.

Signature: _____

Date of certification: 10 February 2008

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SAMPLE

I. Final Opinion, Definition of Value, Effective Date, etc.

1. Final Opinion of Value, Definition of Value.

< Final Opinion of Value >

JPY 49,300,000.-

(In terms of cash)

(Excluding consumption tax)

GBP 235,322.-

(GBP1 = JPY209.50)

(Date of the rate: 01 Feb 2008)

< Type and Definition of Value >

For the purpose of this report, market value is defined as follows:

Market Value is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.

2. Effective Date of Valuation : 01 February 2008
3. Reasonable Exposure Time : Around 6 months
4. History of Subject Property :

According to the public registry book:

Subject building was constructed on 6 March 1999. Category of subject land changed from farmland to building site on the same date.

According to the registry book, Waka XXXXXX bought the subject property on 23 April 2003. According to her father, at that transaction, sale price was JPY55,600,000.

II. Scope of Work

This valuation is performed based on the following conditions.

1. I checked the location and area (sq.m.) of the subject property with the:
Public Registry Book

Property Tax Notice
Public Sectional Map
Registered Land Surveyed Map; and
Registered Building Drawings.

2. I conducted inspection on the subject property (exterior & Interior).
 3. I researched and analysed the real estate market in the comparable areas.
 4. I collected and examined a lot of recent sale comparable data in this area.
- (Additional contents are included in each section of this report)

SAMPLE

Ⅲ. Identification of the Property

Address : 1-2-3 GHY, DEF-city, Saitama-prefecture, Japan

1. Land

<Legal description> (sq.m.: square meter)

Lot Number	Category of Land	Area (sq.m.)
1-2-3 GHY, DEF-city, Saitama (埼玉県DEF市GHY一丁目2番3)	Building site	(Registered Area) 165.40
		Total 165.40

In this valuation, area of the land depends on: 165.40

2. Building

<Legal description> (sq.m.: square meter)

Location, House Number	Structure, Category	Area (sq.m.)
1-2-3 GHY, DEF-city, (DEF市GHY一丁目2番地3) House Number: 1-2-3 GHY (家屋番号: GHY一丁目2番3)	Steel framed 2 story building for a shop and dwelling with a slate roof	(Registered Area) 1F 118.74 2F 126.30
		Total 245.04

3. Description on the property tax notice

(sq.m., JPY)

		Area	Assessed value	Tax base	Rate	Tax/year
Land	Fixed property tax	165.40	13,470,340	2,245,056	1.4%	31,400
	City planning tax			4,490,112	0.3%	13,400
Bldg.	Fixed property tax	245.04	15,431,130	15,431,130	1.4%	216,000
	City planning tax			15,431,130	0.3%	46,200
			28,901,470			307,000

SAMPLE

IV. Property Right Valued

Land:

Ownership

Building:

Ownership (leased fee interest) [Occupant: Owner's parents]

V. Owner on the Registry Book

As of 01 February 2008

Land:

Waka XXXXXX 111-111 GHR, DEF, Saitama

Building:

Waka XXXXXX 111-111 GHR, DEF, Saitama

(Note:)

In Japan, registration of a real property is the setting up requirement (race type). The registration does not have a public-reliance effect.

Rights of possession of subject property

Written lease agreements do not exist.

In this valuation, following rights were presumed.

< 1F (shop) >

I heard the following information from Tadashi YYYYYY (father of Waka XXXXXX), and, I identified his right as the normal lease.

* When he and his wife opened the restaurant in 2003, rent was set at JPY300,000 per a month according to the advice of a real estate agent.

* After that, market condition deteriorated sharply, and many shops closed. Rent was lowered to 200,000 per a month.

* Now, they pay JPY160,000 per a month.

* He had not paid any non-refundable deposit or refundable deposit.

It is hard to identify their rights as the Temporary Tenancy, since they paid JPY26,000,000 for repair, installations, fixtures, etc.

It is hard to identify their rights as the Term Building Lease, because the lease agreement is not written in a notarial deed.

It is hard to identify their rights as the Loan for Use, since the rent is thought to be the market rent. It exceeds the property tax level.

Registered 1F area includes a stair area that is a devaluing factor of the rent.

Management and repair is owed to the lessee. That is also a devaluing factor of the rent.

Indicated Market Rent:

.. JPY208,450 /month .. See Sheet-V -1

Modified Indicated Rent (after M. fee & R. cost deduction):

.. JPY191,774 /month .. See Sheet-V -1

< 2F (dwelling) >

I heard the following information from Tadashi YYYYYYY (father of Waka XXXXXX), and, I identified his/her right as the loan for use ("Shiyou-Taishaku" in Japanese).

* When he and his wife opened the restaurant, another shopkeeper opposed them. Then he needed to watch the building. So he started to use the 2F.

* He agreed to move out of the 2F, when some severe troubles occur between lessor and lessee.

Entrance of the 2F is independent from the 1F.

Registered 2F area includes a stair area, a corridor area, and a veranda area. They are devaluing factors of the rent.

Indicated Market Rent:

.. JPY129,245 /month .. See Sheet-V -2

Modified Indicated Rent (after M. fee & R. cost deduction):

.. JPY118,905 /month .. See Sheet-V -2

< Tenant Fixtures, etc. >

I heard the following information from Tadashi YYYYYYY (father of Waka XXXXXX). I identified the tenant fixtures as trade fixtures. They are theirs.

* When he and his wife opened the restaurant, they paid JPY26,000,000 for repair, installations, fixtures, etc.

* In Japan, common format of lease agreement includes tenant fixture clause. It usually says that when lessee opens the shop, lessee may pay for the fixtures, and when the lease expires, lessee must remove them. He agreed to it.

(Notes)

In Japan, lease contract is valid without writing, and court protect it. In Japan, even without the registration of the lease contract, possession of the building is regarded as the setting up requirement (race type).

In Japan, when lessor offers the termination of lease, justifiable reason is needed. Justifiable reason is considerably high hurdle. In usual, termination by the lessor is difficult. It is fact of the matter that case laws had created.

In order to complement the justifiable reason, compensation for tenant removal is needed. In such case, even if lessee abandoned the right to demand for the lessor to buy the tenant fixtures on the lease agreement, lessor usually needs to pay it.

(Notes)

< Temporary tenancy >

Article 40 of the Land and Building Lease Law

Japanese Land and Building Lease Law protects lessee backed by its history. But, for obvious temporal lease, lessee protection is not needed (e.g. leasing for a temporal event). So, the Land and Building Lease Law is not applied to the Temporary tenancy.

< Term building lease ("Teiki-Tatemono-Chintaishaku" in Japanese) >

Article 38 of the Land and Building Lease Law

In this lease, the beginning and end of the lease must be clearly specified. At the specified expiration date, lease contract definitely ends. Renewal of the contract is not allowed. Lease agreement of the term building lease must be written in a notarial deed.

< Loan for use ("Shiyou-Taishaku" in Japanese) >

Article 593 of the Civil Code

A loan for use shall become effective when one of the parties receives a defined thing from the other party by promising that he/she will return the thing after he/she has gratuitously made use of and taken the profits of the same.

The borrower shall bear the ordinarily necessary costs of borrowed things.

Land and Building Lease Law is not applied to the loan for use.

If the parties have not specified the timing of the return and the purposes of the using and taking profits, the lender may demand the return of the borrowed things at any time.

VI. Date of Inspection and Report

01 February 2008 (Date of Inspection)

10 February 2008 (Date of Report)

VII. General Assumptions and Limiting Conditions

This valuation has been developed under the following general assumptions and limiting conditions:

1. Valuation of leased building and its site.

Subject land and building are occupied and used by the lessee. This valuation is developed under the condition that the properties are free of any rights other than ownership, lease, and Loan for use.

2. The area (size) of the land and building depend on the Public Registry Book.
3. The property is valued free and clear of any or all liens or encumbrances (unless otherwise stated).
4. The forecasts, projections, or operating estimates contained herein are based on current market conditions. These forecasts are, therefore, subject to changes with future conditions.
5. Physical test for checking hazardous materials, which may or may not be present on the properties, has not been performed. The value estimated in this report is predicated on the assumption that no hazardous materials are on or in the properties that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them.
6. Any unknown conditions existing at the time of inspection could alter the value. No responsibility is assumed for latent defects of any nature which may affect value, nor for any expertise required to disclose such conditions.
7. Valuer who performed this valuation has no present or prospective interest in the subject property. Compensation for the valuer is not contingent on the reporting of a predetermined value or direction in value that favours the cause of the client. This valuation is performed in a manner that is independent, impartial and objective.

VIII. Purpose and Intended Use of the Valuation

Purpose and Intended Use of this valuation is to assist the client in decision-making concerning the sale between relatives. (Tax effect considerations are not

IX. Intended User(s)

This report is intended for use only by the sale related parties.

X. Valuation Process

1. General Factors

< Economic conditions >

In Japan, poor economic conditions had continued about 1.5 decades since the collapse of the bubble economy (from 1991). Government had introduced various anti-deflation measures. Bank of Japan had continued ultra-low-interest rate policy. But, as a whole, Japanese economy had been under severe condition for a long time.

But recently flattening-off trend is becoming clearer. Stock price had hit the bottom in 2003 and then it turned up. Corporate activities also turned up.

Afterwards, US subprime loan problem came to light in the latter half of 2007, and its influence on the world economy is concerned, nowadays.

According to the “Cabinet Office Economy Watchers Survey” in January 2008, on the whole, the economy is recovering moderately.

< Land price trend >

Also, in real estate dealing market, after the collapse of the bubble economy, demand had diminished under the sluggish economy. Although the transition of land price differs with areas, decline trend continued for over ten years.

But recently flattening-off trend is becoming clear in the metropolitan areas. And there seems Mini-bubble-phenomenon in some particular areas.

According to the public survey of land price as of July 1, 2007, national average of residential land price declined by 0.7% per year, and commercial land price rose by 1.0% per year. The average land price seems to be ending its declination of 16 consecutive years.

Main cause of it is that the three metropolitan areas (Tokyo, Osaka, and Nagoya) where demands for condominiums and offices are steady have pushed up the average land price. Average land price of the commercial area of three areas rose by 10.4% per year. In Tokyo it rose by 17.2%, and in Osaka it rose by 10.4%. The land price began to rise in local core cities such as Sendai and Fukuoka. Land price deflation after the collapse of the bubble economy seems to be finished in these major areas.

On the other hand, in local areas, land price declined both in the commercial areas and residential areas, 15 years in a row. Decline trend is continuing still in these areas. Diversity became larger between measure areas and local areas.

One of the main factors of the land price rising in the three metropolitan areas is the huge investment money. Investment money concentrated on the real estates that would generate yield and gain. On the other hand, in local areas where populations are decreasing, yields could not be expected, so the investment money also could not be expected.

< Land price in this area >

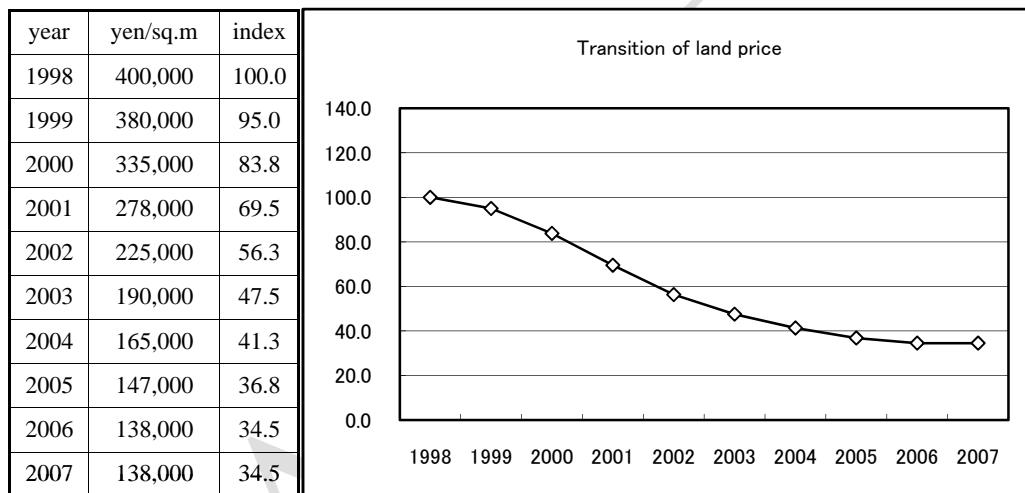
In this area, large decline of the land price had been continued after the collapse of the bubble economy.

In recent years, decline of land price enhanced people to buy the dwellings in central metropolitan area. Subject neighbourhood is located in an area that is relatively far from central metropolitan area. Demands for this area decreased.

In addition, in this area, population seems to have reached the ceiling, and aging society is progressing rapidly.

In this area, market condition is deteriorating. There are many vacant shops that are closing their shutters.

< Transition of Published land price near the subject property >



< Market trend of real estate investment such as J-REIT >

J-REIT (Japan Real Estate Investment Trust) was founded in 2001. New listing increased rapidly from 2005 to 2006, and the market price rose remarkably from the latter half of 2006 to the first half of 2007.

However, the US subprime loan problem came to light in June, 2007. The worldwide financial crisis occurred and the market changed into decline.

< Average Cap-Rates of newly purchased J-REIT properties >

The average Cap-Rates of Direct Capitalization Method that were used in the valuations of J-REIT's newly purchased properties in the past 3 years in Tokyo 23 wards are as follows.

<Residential Property>

Years old	Story	Number purchased	Sum of the purchase price	Sum of the evaluated values	Average Cap-Rates
under 10 years	under 20 story	437	¥779.9 billion	¥781.9 billion	4.93%

10 years or more	under 20 story	125	¥97.8 billion	¥99.2 billion	5.41%
under 10 years	20 story or more	8	¥99.6 billion	¥100.1 billion	4.63%
10 years or more	20 story or more	4	¥35.8 billion	¥35.9 billion	4.63%

< Condominium market trend >

According to the National Real Estate Information Centre, the average unit price of the new condominiums in Tokyo metropolitan area rose by 13.8% per year in 2007.

In Tokyo 23 wards it rose by 22.50%. In Tokyo Santama Area it rose by 11.6%. In Kanagawa Prefecture, it rose by 8.4%. In Saitama Prefecture, it rose by 9.3%. In Chiba Prefecture, it rose by 14.7%. In Ibaraki Prefecture, it rose by 11.5%.

2. General Condition of Community

< History of EFG City >

EFG City is located in the area 40km from Tokyo central area, 15km from NMKJ, and 20km from CHKJ City. Total area is 103.59 sq.km.

This city exists on the HJHG Tableland. It is an undulating area placed in the south of the Lake IOPOKL. The ILKOKL River and the DSKOKL River run through this city into Lake IOPOKL.

In middle ages, this city was a castle town. After the Meiji Restoration, Army base was settled. After the World War II, this city had been developing as a bedroom town of the Tokyo metropolitan area.

< Population >

EFG City was born in 1954. At that time, it had the population of 35,196 and the number of household of 6,838.

In 1965 to 1975, the population increased by 8% to 9% per year. After then, increasing rate declined, and in 2005 it decreased for the first time. Population of aged people is increasing.

Year	Population	Household	65 y.o. or more
1990/3/31	286,140	87,926	7.5%
1995/3/31	325,208	106,748	11.3%
2000/3/31	347,096	121,054	13.7%
2005/3/31	350,236	130,306	17.5%
2007/3/31	350,252	134,504	19.8%

< Transportation >

KOPL Line runs through the north part of this city and it has 5 stations. JR Sobu Line runs through the central part of this city and it has EFG Station. UIOPKL Line connects to the KOPL Line at the UIOPKL Station and it has 5 stations.

KOPL Bus Line, etc. run throughout this city. HKLKJ-KDFS Expressway runs through the south part of this city and EFG IC is located.

< Roads >

In the north part of this city, National road 296 runs through this city. In the south part of this city, HKLKJ-KDFS Expressway and National road 51 run through this city.

100% of the national roads and prefectural roads are paved. There are 3,948 city roads in the city. 71.7% of them are paved.

< Infrastructure >

(March 31, 2003)

Public water service: 329,726 users. (95%)

Public sewage service: 295,466 users. (89%)

City gas service: 92,146 users. (27%)

< Commercial Base >

Major shopping areas are located around the EFG station, QWE station, and YUT station. Around 80% of shops are located in these 3 areas.

There are 3 big shopping centres in this city; Sky Plaza (UIOPKL area), Lakepia YUT (YUT area), and Ito-Yokado (YUT area). Lakepia YUT exists close to the subject property.

< Trading area and Customers >

According to the Consumer Trend Research, this city is an independent commercial area in which over 60% of consumption is bought within this area.

In this city, gross sale amount was JPY131billion per year in 2002. In YUT area, it was JPY22billion.

< History of Land Development in this area >

The YUT station was situated at far northeast from current station in 1970. At that time, current station area was rice fields, vegetable fields, and woods.

Afterwards, under the following land readjustment projects, current appearance of the town was created.

Area	Project name	Term
------	--------------	------

ABCD 1,3,5-chome	YUT-station land readjustment project	1971 to 1982
ABCD 2,4,6-chome	YUT-south land readjustment project	1972 to 1983

3. Location and Transportation

Nearby railroad station:

YUT Station on the KOPL Line

Direction and distance (road line) from the nearby railroad station:

Northwest About 350 m

4. General Condition of Subject Neighbourhood

(1) Range

I identified the subject neighbourhood in the range below (within the 2 & 3 block, starting from the subject property).

[Northeast	About	100 m
	Southwest	About	200 m

(2) Characteristics of the Subject Neighbourhood

< Street condition >

Paved public road of 6m width is considered to be standard in this area, and arrangement and continuity of the streets are normal.

< Access >

Access to the nearby railroad station:	Normal
Access to the nearby shopping centre:	Good
Access to the public offices:	Normal

< Environmental conditions >

Subject neighbourhood is a commercial area where shops are located along the street.

< Standard use of land in the area >

Width of the road:	6m width public road
Standard lot size:	Around 200 square meters

Standard use: Site of a shop

< Future trend >

Few factors are observed which change the subject neighbourhood in the near future.

5. General Condition of Subject Property, and Zoning

The property-specific value factors of subject land are as follows.

(1) Street conditions

< Lot classification >

Corner lot

< Condition of the streets >

Direction	Width	Pavement	Classification	Ground height
Northeast	around 6.0m	Paved	Public road	Equal level
Northwest	around 6.0m	Paved	Private road	Equal level

(2) Lot conditions

< Topography >

Level

< Shape >

Close to square

< Dimensions >

Around 18 m X 18 m

(3) Lifeline

< Electric power service >

Served

< Public water service >

Served

< Public sewer service >

Served

< City gas service >

Served (LPG also served)

(4) Zoning Districts

< Designation as the City Planning Area >

Designated . . . Located in the: Urbanization Area

The City Planning Area is the place to which the city plan is designated and the City Planning Law and other related laws are applied. City planning can in principle only be carried out in a City Planning Area. The City Planning Area, whose purpose is to regulate city development and prevent urban sprawl, is divided into 2 areas: the Urbanization Area and the

Urbanization Control Area. The City Planning Areas that have not been divided are called the Undivided City Planning Area.

< Local Zoning Regulations >

Range: Whole subject land

Basic Zoning:

The subject property is located in an area designated as the:
Commercial Zone

This zone is targeted at the commercial areas in city-center, sub-city-center, and community central areas, etc. This zone is established to promote commercial environment for commercial and business services, etc.

<Building Restriction>

Maximum Building Coverage Ratio: 80 %

Maximum Floor Area Ratio: 400 % ... *

* Restriction by the front street width: Applied: MFAR=360%
(Article 52, 2nd clause of the Building Standards Law)

Minimum lot area: Not designated

Complementary Zoning:

The subject property is located in an area designated as the:

Fire Zone

Hight Zone is not designated.

(5) Present use of the land

Site of a shop (Spanish restaurant) & dwelling

(6) Subject Building

< Completion of construction >

March 6, 1999 (9.0 years old)

< Grade of materials and construction >

Italian characterized building

< Present use >

Shop (Spanish restaurant) & dwelling

< Maintenance and management >

Normal

< Degree of depreciation >

Normal

6. Highest and Best Use

< Highest and Best Use of the Land as though Vacant >

I think the Highest and Best Use of the subject land as though vacant is the use as a site of the shop & dwelling, same as the present use.

< Highest and Best Use of the Subject Property as Improved >

I think the Highest and Best Use of the subject property as improved is the use as a shop & dwelling, same as the present use.

SAMPLE

7. Application of Valuation Methods

In this valuation, I applied Cost Approach and Income Approach to estimate the value of subject property.

Market Approach is omitted because the subject property is unique among the comparables and not easy to compare in a whole property concept.

(Note)

In Japan we can hardly apply Direct Sales Comparison Method for built-up properties, except for condo-units, etc. This method is thought to be not so reliable in Japanese real estate business according to the short actual service life of buildings, the high price of land, and the highly-detailed zoning regulations.

A. Cost Approach

a. Land Value

I applied Market Approach and Income Approach to estimate the value of subject land.

(Note)

In built-up areas, we can hardly apply Cost Approach for lands. It is common also in other countries.

(1) Market Approach

I collected a lot of comparables of land transaction in the subject and comparable neighbourhoods. Then, I compared the subject land with the comparables from the viewpoint of market-specific value factors and property-specific value factors.

And I estimated the "Value indicated by the Market Approach" for:

.. JPY 125,000 per sq.m. .. See Sheet- I

(2) Income Approach (Land Residual Method)

On the assumption of construction of an office building for rent, land value was indicated by the land residual method.

All expense was deducted from all income which would be generated from the assumed improved property, and Net Operating Income (NOI) was indicated. Then NOI that belongs to the building was deducted from it, and NOI that belongs to the land was indicated. NOI that belongs to the land was divided by appropriate capitalization rate.

And I estimated the "Value indicated by the Income Approach" for:

.. JPY 185,000 per sq.m. .. See Sheet- II

(3) Reconciliation

Diversity resulted among indicated values.

Sales Comparison Method was applied with comparative study of many recent comparables. Various comparisons were performed suitably by checking the value factors. They are credible and reliable. So, the indicated value reflects the reality of the market at the effective date of the valuation.

The Value indicated by the Income Capitalization Method is the total present value of net return expected from the subject land in the future. It is considerably difficult to forecast the future NOI. However, it reflects the income-producing capacity in which the essence of the economic value is created. Therefore, it must be esteemed as a verification means of value.

I re-examined each stages of valuation process objectively and critically, and reconsidered the feature of the methods and data.

Gov. published land price was also taken into account. And I estimated the value of subject land to be:

Unit Value		Land Area		Land Value
.. 125,000 per sq.m.	X	165.40 sq.m.	≐	JPY 20,700,000.-

b. Reproduction cost of the subject building

Materials of the building, the grade of construction and the trend of the building costs were examined, and I estimated the subject building reproduction cost to be:

Japanese real estate market is now under the condition that is not easily foreseeable due to the economic uncertainty. In addition, as a result of the revision of the Building Standards Law in June 2007, building confirmation procedures stagnated.

Construction-cost-hike came to light in the latter half of 2007. Contractors' estimates soared by 10% to 20% until the end of 2007. One major factor is the price-hike of construction materials such as steel according to the increased demand in emerging economies such as China. Another major factor is the stagnated building confirmation. Since the number of constructions decreased sharply in a short term, contractors started to raise their charge to avoid their financial troubles.

In this valuation, although depending on the standard cost, cost hike is also taken into account, I estimated the reproduction cost as follows.

Unit Cost		Total Floor Area		Reproduction Cost
.. 166,000 per sq.m.	X	245.04 sq.m.	≐	JPY 40,700,000.-

c. Reproduction cost of the subject property

The land value indicated by (a.) were added to the reproduction cost of the subject building indicated by (b.), and I estimated the Reproduction cost of the subject property to be:

$$\dots 20,700,000.- + 40,700,000.- = \text{JPY } 61,400,000.-$$

d. Depreciation

Depreciated value (based on physical, functional, economical factor, which is estimated by the methods based on economic life and observation) was deducted from the reconstruction cost of the subject property, and I estimated the "Value indicated by the Cost Approach" to be...

$$\dots \text{JPY } 49,300,000.-$$

(Items)

Land value .. JPY 20,700,000.-

Building value .. JPY 28,600,000.-

<Calculation process>

Land .. Devaluation according to the unsuitable use: 0% is estimated
 20,700,000 X 100% ≐ JPY 20,700,000.-

Building .. Straight line method

Salvage value of frame: 10% is estimated

Salvage value of installations: 10% is estimated

skelton: 40,700,000 X 0.90 X (1 - 9.0 / 30) × 90%
 + 36,630,000 X 10% ≐ JPY 26,700,000.-

install.: 40,700,000 X 0.10 X (1 - 9.0 / 15) × 90%
 + 4,070,000 X 10% ≐ JPY 1,900,000.-

subtotal JPY 28,600,000.-

Devaluation based on observation: 0% is estimated

skelton: 26,700,000 X 100% ≐ JPY 26,700,000.-

install.: 1,900,000 X 100% ≐ JPY 1,900,000.-

subtotal JPY 28,600,000.-

Marketability as a combined property

Devaluation according to the combination: 0% is estimated

Land .. 20,700,000 X 100% ≐ JPY 20,700,000.-

Building .. 28,600,000 X 100% ≐ JPY 28,600,000.-

Total JPY 49,300,000.-

B. Income Approach (Direct Capitalization Method)

All expense was deducted from all income which would be generated from the subject property, and the Net Operating Income (NOI) was indicated. Then the NOI was capitalized by the appropriate capitalization rate.

And I estimated the "Value indicated by the Income Approach" to be...

.. JPY 49,700,000.- .. See Sheet-III

C. Income Approach (DCF Method)

The future income, expense, capital expenditures, etc. were analysed. And the future cash flow which subject property would generate was indicated. Then the Net Cash flow was discounted to the present value by the appropriate discount rate.

And I estimated the "Value indicated by the Income Approach" to be...

.. JPY 48,400,000.- .. See Sheet-IV

D. Reconciliation and Final Opinion of Value

As above mentioned,

Value indicated by Cost Approach:	JPY 49,300,000.-
Value indicated by Income Approach (Direct):	JPY 49,700,000.-
Value indicated by Income Approach (DCF):	JPY 48,400,000.-

Diversity resulted among indicated values.

Cost Approach was applied with comparative study of many recent land sales. Various comparisons were performed suitably by checking the value factors. They are credible and reliable. And building value was indicated by suitable calculation. So, the indicated value has reliability. This indicated value is respected in sales of owner occupied properties in Japan.

Income Approach indicates the total present value of net return expected from the subject property in the future. It is considerably difficult to forecast the future NOI or Net cash flow. However, it reflects the income-producing capacity in which the essence of the economic value is created. This indicated value is respected in sales of leased fee properties in Japan. Therefore, it must be

I re-examined each stages of valuation process objectively and critically, and reconsidered the feature of the methods and data. And, I estimated the value of the subject property to be:

.. JPY 49,300,000.-

Values were divided in proportion to the value indicated by Cost Approach.

Land value .. 49,300,000 X 20.7 ÷ 49.3 ≐ 20,700,000

Building value .. 49,300,000 X 28.6 ÷ 49.3 ≐ 28,600,000

(Excluding consumption tax)

SAMPLE

Land Sale Comparables Analysis

C o m p a r i s o n	Location		Category, size, date		Sale price (A)	Sale conditions (B)	Time adjustment (C)	Standardizing (D)	Market factors (E)	Adjusted sale price A × B × C × D × E	Adjusted price mean	Property factors	Indicated Land value	
	A	WES 3-chome, Sakura-shi	category	building site		180,055 JPY/sq.m.	100	97	100	100	144,342 JPY/sq.m.	114,000 JPY/sq.m.	110 100 ⑩	125,000 JPY/sq.m.
			size	361.00sq.m.			100	100	100	121				
			date	Jan 26,2006					①	②				
	B	WES 3-chome, Sakura-shi	category	building site		129,024 JPY/sq.m.	100	98	100	100	106,255 JPY/sq.m.	114,000 JPY/sq.m.	110 100 ⑩	125,000 JPY/sq.m.
			size	162.76sq.m.			100	100	100	119				
			date	Feb 18,2006					③	④				
C	WES 3-chome, Sakura-shi	category	building site		106,045 JPY/sq.m.	100	99	100	100	91,291 JPY/sq.m.	114,000 JPY/sq.m.	110 100 ⑩	125,000 JPY/sq.m.	
		size	268.00sq.m.			100	100	100	115					
		date	May 17,2006					⑤	⑥					
α	Gv. Published Land Price WES 1-chome, Sakura-shi	category	building site		138,000 JPY/sq.m.	—	100	100	100	— JPY/sq.m.	—	110 100 ⑩	104,000 JPY/sq.m.	
		size	144.00sq.m.				100	100	146					
		date	Jul 01,2007					⑦	⑧					
β		category				—	100	100	100	— JPY/sq.m.	—	110 100 ⑩	0 JPY/sq.m.	
		size					100	100	100					
		date	Jul 01,2007					⑨	⑩					

F a c t o r s	Property-specific value factors and standardizing (D)							Market-specific value factors (E)						Memo
	street	access	environ- ment	regulation	site	other	total	street	access	environ- ment	regulation	other	total	
	A	100/100	100/100	100/100	100/100	100/100	100/100	100/100 ①	100/100	100/101	100/120	100/100	100/100	100/121 ②
	B	100/100	100/100	100/100	100/100	100/100	100/100	100/100 ③	100/104	100/95	100/120	100/100	100/100	100/119 ④
	C	100/100	100/100	100/100	100/100	100/100	100/100	100/100 ⑤	100/100	100/100	100/115	100/100	100/100	100/115 ⑥
	α	100/100	100/100	100/100	100/100	100/100	100/100	100/100 ⑦	100/104	100/100	100/140	100/100	100/100	100/146 ⑧
	β	100/100	100/100	100/100	100/100	100/100	100/100	100/100 ⑨	100/100	100/100	100/100	100/100	100/100	100/100 ⑩
Sub.Li	100/100	100/100	100/100	100/100	110/100	100/100	110/100 ⑪	Memo						

Time adjustment	01 July 2005 ~ 30 June 2006	- 6.1%
	01 July 2006 ~ 30 June 2007	+ 0.0%
	01 July 2007 ~ 01 February 2008	+ 0.0%

Value Factors

			Comparable A	Comparable B	Comparable C	Published α	Published β	Subject Land	Memoranda
P r o p e r t y F a c t o r s	Street	Arrangement, Continuity							
		Pavement							
		Other							
	Access	Station, Bus stop							
		Shopping centre, City office							
		Other							
	Environment	Pollution, Noise							
		Residential, Commercial							
		Other							
	Administration	Maximum floor area ratio							
		Regulation factors							
		Other							
	Site	Corner lot, etc.						+ 10	corner lot
Shape									
Size									
Ground height									
Other									
Other									
M a r k e t F a c t o r s	Street	Arrangement, Continuity		+ 4		+ 4			
		Pavement							
		Other							
	Access	Station, Bus stop	+ 1	- 5					
		Shopping centre, City office							
		Other							
	Environment	Pollution, Noise							
		Living Env., Commercial Env.	+ 20	+ 20	+ 15	+ 40			
		Other							
	Administration	Maximum floor area ratio							
		Regulation factors							
		Other							
	Other								

Income Capitalization (Land Residual Procedure)

Sheet- II

1. Conditions of Lease

Conditions	Floor	Total Area	%	Rentable Area	Unit Rent	Rent / Month	R-Deposit	NR-Deposit	Site Area	165.40 m ²	Available Area	165.40 m ²	
	1F	130.00m ²	95.0%	123.50m ²	JPY 2,175/m ²	JPY 269,000	JPY 1,614,000	JPY 0	Structure	Steel framed shop & dwelling			
	2F	130.00m ²	95.0%	123.50m ²	JPY 1,458/m ²	JPY 180,000	JPY 360,000	JPY 360,000		Building Area		Total	390.00 m ²
	3F	130.00m ²	95.0%	123.50m ²	JPY 1,458/m ²	JPY 180,000	JPY 360,000	JPY 360,000			Building Value	JPY 63,300,000.-	
	4F								Memo In this sheet, new highest and best use building is assumed to be constructed.				
	5F												
	6F												
	7F												
	8F												
	9F												
B1F													
Sum	390.00m ²	95.0%	370.50m ²		JPY 629,000	JPY 2,334,000	JPY 720,000						

2. Calculation of Income

Items		Calculation Process
① Rent	JPY 7,548,000	JPY 629,000 × 12months
② Interest on Refundable deposit	JPY 70,020	JPY 2,334,000 × 3.0%
③ Interest on N-refundable deposit	JPY 132,911	(6years 3.0% Annual Amortization) JPY 720,000 × 0.184598
④ Parking lot fees	JPY 0	JPY 9,000 × 0 × 12months
⑤ Charges for Common area	JPY 0	
⑥ Total (① ~ ⑤)	JPY 7,750,931	

4. Calculation of Expense

Items		Calculation Process
① Cost of repair	JPY 387,547	JPY 7,750,931 × 0.05
② Management fee	JPY 226,440	JPY 7,548,000 × 0.03
③ P. Tax	JPY 44,800 (Actual)	
	JPY 538,000 (Estimate)	JPY 63,300,000 × 0.5 × 0.017
④ Insurance	JPY 63,300	JPY 63,300,000 × 0.001
⑤ C-loss-A.	JPY 0	
⑥ Vacancy loss	JPY 322,955	JPY 7,750,931 × 1 / 24
⑦ Replacement-A.	JPY 63,300	JPY 63,300,000 × 0.001
⑧ Other expense	JPY 0	
⑨ Other expense	JPY 0	
⑩ Total (① ~ ⑨)	JPY 1,646,342	Unit price / Site Expense Ratio JPY 9,954/m ² 21.2 %

3. Interest Rates

r : Basic Rate	5.5 %	g : Growth Rate	0.5 %
a : Frame (F.Value/B.Value)	80 %	na : Economic Life (Frame)	30.0 year
b : Installations (I.Value/B.Value)	20 %	nb : Economic Life (Install.)	15.0 year
		m : Construction term	0.5 year

5. NOI (Building)

Items	Building Value	Calculation Process
① Building Initial Investment	JPY 63,300,000	JPY 161,850/m ² × 390.00 m ² × (1 + 0.003)
② PI-increasing Amortization rate	0.0714850	Frame Installations 0.065191 × 80 % + 0.096661 × 20 %
③ Building NOI (①×②)	JPY 4,525,001	

6. Value indicated by Income Approach

(A) NOI (Income - Expense) = JPY 6,104,589.-

(B) NOI (Building) = JPY 4,525,001.-

(C) NOI (Land) (A) - (B) = JPY 1,579,588.-

(D) NOI (Land) ((0.96895 on account of construction term .. (rate) = JPY 1,530,542.-

Land Value: (D) ÷ 5.0 % ÷ (r-g) = JPY 30,600,000.-

(JPY 185,000/m²)

Income Capitalization (Direct Capitalization Method)

Sheet-III

1. Conditions of Lease

Conditions	Floor	Total Area	%	Rentable Area	Unit Rent	Rent / Month	C-Common Area	R-Deposit	Site Area	165.40 m ²	Available Area	165.40 m ²
	1F	118.74m ²	88.8%	105.40m ²	JPY 1,978/m ²	JPY 208,450	JPY 0	JPY 0	Structure	Steel framed shop & dwelling		
	2F	126.30m ²	77.2%	97.50m ²	JPY 1,326/m ²	JPY 129,245	JPY 0	JPY 0		Building Area	Total	245.04 m ²
	3F								Reconstruction Cost		JPY 40,700,000.-	
	4F									Memo		
	5F											
	6F											
	7F											
	8F											
	9F											
B1F												
Sum	245.04m ²	82.8%	202.90m ²		JPY 337,695		JPY 0	JPY 0				

2. Calculation of Income

Items		Calculation Process
① Contract /Market rents	JPY 4,052,340	JPY 337,695 × 12months
② Charges for Common area	JPY 0	JPY 0 × 12months
③ W/S/E /Other utilities	JPY 0	
④ Parking lot fees	JPY 0	JPY 40,000 × 0 × 12ヶ月
⑤ Other income	JPY 0	
	JPY 0	
⑥ Vacancy /Collection loss	-JPY 168,848	JPY 4,052,340 × 1 / 24
Operating income (① ~ ⑥)	JPY 3,883,492	

3. Calculation of Expenses

Items		Calculation Process
① M/Management	JPY 121,570	JPY 4,052,340 × 0.03
② W/Other utilities	JPY 0	
③ Cost of repair	JPY 202,617	JPY 4,052,340 × 0.05
④ P.M.fee	JPY 0	
⑤ L-commissions	JPY 0	
⑥ P. Tax	Land	JPY 44,800 Actual due
	Bldg	JPY 262,200 Actual due
	D.A.	JPY 0 Actual due
⑦ Insurance	JPY 40,700	JPY 40,700,000 × 0.001
⑧ Other expenses	JPY 0	
	JPY 0	
	JPY 0	
Operating expenses (① ~ ⑧)	JPY 671,887	

4. WACC

Cost of Equity	11.5 %	Weight of Equity	30 %
Cost of Debt (long term)	4.0 %	Weight of Debt	70 %
Weighted Average Cost of Capital	6.3 %		

Risk-free rate	1.5 %	Operating expense ratio: 17.3 %
Real estate premium	3.5 %	
Other risks	6.5 %	Cost of Equity 11.5 %

5. Net Operation Cash Flow

(A) Net Operating Income	=	JPY 3,211,605
(B) Interest on R-deposit 4.0%	=	JPY 0
(C) Levelled Capital Expenditure	=	JPY 81,047
(D) Net Operating Cash Flow	=	JPY 3,130,558

Indicated Value: (D) ÷ 6.3 % ≙ JPY 49,700,000.-

Income Capitalization (DCF Method)

Sheet-IV

(JPY)

Category	Year	1st year	2nd year	3rd year	4th year	5th year	6th year	7th year	8th year	9th year	10th year	10th year
Income												
Contract/Market rents		4,052,340	4,052,340	4,052,340	4,052,340	4,052,340	4,052,340	4,052,340	4,052,340	4,052,340	4,052,340	4,052,340
Charges for Common area		0	0	0	0	0	0	0	0	0	0	0
W/S/E/ Other utilities		0	0	0	0	0	0	0	0	0	0	0
Parking lot fees		0	0	0	0	0	0	0	0	0	0	0
Other income		0	0	0	0	0	0	0	0	0	0	0
Vacancy/Collection loss		-168,848	-168,848	-168,848	-168,848	-168,848	-168,848	-168,848	-168,848	-168,848	-168,848	-168,848
Total operating income	0	3,883,492	3,883,492	3,883,492	3,883,492	3,883,492	3,883,492	3,883,492	3,883,492	3,883,492	3,883,492	3,883,492
Expense												
Maintenance/Management		121,570	121,570	121,570	121,570	121,570	121,570	121,570	121,570	121,570	121,570	121,570
W/S/E/ Other utilities		0	0	0	0	0	0	0	0	0	0	0
Cost of repair		202,617	202,617	202,617	202,617	202,617	202,617	202,617	202,617	202,617	202,617	202,617
Property management fee		0	0	0	0	0	0	0	0	0	0	0
Leasing commissions		0	0	0	0	0	0	0	0	0	0	0
Property tax for Land		44,800	44,800	44,800	44,800	44,800	44,800	44,800	44,800	44,800	44,800	44,800
Property tax for Bldg		262,200	262,200	262,200	262,200	262,200	262,200	262,200	262,200	262,200	262,200	262,200
Property tax for D.A.		0	0	0	0	0	0	0	0	0	0	0
Insurance		40,700	40,700	40,700	40,700	40,700	40,700	40,700	40,700	40,700	40,700	40,700
Other expenses		0	0	0	0	0	0	0	0	0	0	0
Total operating expenses	0	671,887	671,887	671,887	671,887	671,887	671,887	671,887	671,887	671,887	671,887	671,887
Net operating income	0	3,211,605	3,211,605	3,211,605	3,211,605	3,211,605	3,211,605	3,211,605	3,211,605	3,211,605	3,211,605	3,211,605
Operating expense ratio		17.3%	17.3%	17.3%	17.3%	17.3%	17.3%	17.3%	17.3%	17.3%	17.3%	17.3%
Interest on R-deposit		0	0	0	0	0	0	0	0	0	0	0
Levelled capital expenditure		81,047	81,047	81,047	81,047	81,047	81,047	81,047	81,047	81,047	81,047	81,047
Net operating cash flow	0	3,130,558	3,130,558	3,130,558	3,130,558	3,130,558	3,130,558	3,130,558	3,130,558	3,130,558	3,130,558	3,130,558
Discount factor	1.0000000	0.9425071	0.8883196	0.8372475	0.7891117	0.7437433	0.7009833	0.6606818	0.6226972	0.5868965	0.5531541	0.5531541
PV of NOC	0	2,950,573	2,780,936	2,621,052	2,470,360	2,328,332	2,194,469	2,068,303	1,949,390	1,837,314	1,731,681	
Total PV of NOC	JPY 22,932,410.-									Resale value		47,432,700
PV of Reversion value	JPY 25,450,466.-									Sale costs 3.00%		1,422,981
Indicated Present value	JPY 48,400,000.- (Total PV of Net Income + PV of Reversion)									Demolition / T-removal		0
										Reversion		46,009,719
Discount rate	6.1%	Standard rate + Area + Bldg. age + Grade + State = Discount rate										
Terminal risk rate	0.5%	5.0% 1.0% 0.1% 0.0% 0.0% 6.1%										
(Discount rate is indicated by reflecting above premiums on the standard rate which derived from comparable sales data.)												

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Sheet-IV

Rent Comparables (Shops)

Sheet-V -1

No. on map	Agreed or not	Location	Nearby Station	to station on foot	Area		Use	Floor	Frame	Bldg. Story	Bldg. Age	Rent per month	Charge for Common Area	Total Rent per month	Total Rent per month per sq.m.	Refundable Deposit Deposit/Rent	
1	Agreed	WES 6-chome	ESS	12 min.	42.00sq.m	452.09sq.f.	shop	1F	S	2F	14 y.o.	JPY80,000	JPY0	JPY80,000	JPY1,905/sq.m.	JPY400,000	5.0 mo.
2	Agreed	WES 4-chome	ESS	8 min.	151.20sq.m	1,627.52sq.f.	shop	1F	S	2F	16 y.o.	JPY300,000	JPY0	JPY300,000	JPY1,984/sq.m.	JPY1,200,000	4.0 mo.
3	Offering	WES 4-chome	ESS	3 min.	138.83sq.m	1,494.37sq.f.	shop	1F	S	2F	21 y.o.	JPY243,810	JPY3,150	JPY246,960	JPY1,779/sq.m.	JPY731,429	3.0 mo.
4	Offering	WES 4-chome	ESS	3 min.	64.79sq.m	697.40sq.f.	shop	1F	S	2F	21 y.o.	JPY135,000	JPY3,150	JPY138,150	JPY2,132/sq.m.	JPY675,000	5.0 mo.
5	Offering	WES 4-chome	ESS	3 min.	75.66sq.m	814.40sq.f.	shop	2F	S	2F	21 y.o.	JPY106,667	JPY3,150	JPY109,817	JPY1,451/sq.m.	JPY320,000	3.0 mo.
6	Offering	WES 4-chome	ESS	3 min.	85.95sq.m	925.17sq.f.	shop	2F	S	2F	21 y.o.	JPY120,000	JPY3,150	JPY123,150	JPY1,433/sq.m.	JPY360,000	3.0 mo.
7	Offering	WES 4-chome	ESS	3 min.	76.19sq.m	820.11sq.f.	shop	2F	S	2F	21 y.o.	JPY105,714	JPY3,150	JPY108,864	JPY1,429/sq.m.	JPY317,143	3.0 mo.
8	Offering	WES 2-chome	ESS	8 min.	53.82sq.m	579.32sq.f.	shop	1F	W	2F	13 y.o.	JPY100,000	JPY0	JPY100,000	JPY1,858/sq.m.	JPY500,000	5.0 mo.
9	Offering	WES 2-chome	ESS	7 min.	32.50sq.m	349.83sq.f.	shop	1F	S	2F	17 y.o.	JPY75,000	JPY0	JPY75,000	JPY2,308/sq.m.	JPY225,000	3.0 mo.
10																	

No.	Agreed or not	Rent/sq.m.	Condition	Time adjust.	Standardizing	Market-specific	Adjusted Rent	Average	Property-specific	Indicated Rent	Rentable Area	Indicated Rent
3	Offering	1,779/sq.m.	95%	100%	100%	100%	1,690/sq.m.	1,691/sq.m.	110%	JPY1,860/sq.m.	112.07 sq.m.	JPY208,450.-
4	Offering	2,132/sq.m.	95%	100%	100%	2,025/sq.m.						
7	Offering	1,429/sq.m.	95%	100%	100%	1,358/sq.m.						

*Note.1 Registered 1F area includes a stair area which is a devaluing factor of the rent. Above figure exclude it.

*Note.2 Management and repair is owed to the lessee which is also a devaluing factor of the rent. Management fee and repair cost are around 8% of the rent on average. So I evaluated the following rent.

Indicated rent	M. fee & R. cost deduction	Modified indicated rent
JPY208,450	92.0%	JPY191,774.-

Rent Comparables (Dwellings)

Sheet-V -2

No. on map	Agreed or not	Location	Nearby Station	to station on foot	Area		Use	Floor	Frame	Bldg. Story	Bldg. Age	Rent per month	Charge for Common Area	Total Rent per month	Total Rent per month per sq.m.	Refundable Deposit Deposit/Rent	
11	Agreed	WESS 2-chome	ESS	4 min.	42.93sq.m	462.10sq.f.	dwelling	2F	S	2F	18 y.o.	JPY48,000	JPY0	JPY48,000	JPY1,118/sq.m.	JPY96,000	2.0 mo.
12	Agreed	WESS 2-chome	ESS	8 min.	54.64sq.m	588.14sq.f.	dwelling	2F	RC	3F	0 y.o.	JPY75,000	JPY3,700	JPY78,700	JPY1,440/sq.m.	JPY75,000	1.0 mo.
13	Agreed	WESS 1-chome	ESS	5 min.	44.30sq.m	476.85sq.f.	dwelling	1F	S	2F	17 y.o.	JPY49,000	JPY0	JPY49,000	JPY1,106/sq.m.	JPY98,000	2.0 mo.
14	Offering	WESS 2-chome	ESS	5 min.	40.00sq.m	430.56sq.f.	dwelling	2F	S	2F	19 y.o.	JPY57,000	JPY2,000	JPY59,000	JPY1,475/sq.m.	JPY114,000	2.0 mo.
15	Offering	WESS 3-chome	ESS	7 min.	48.10sq.m	517.75sq.f.	dwelling	2F	S	2F	21 y.o.	JPY58,000	JPY2,000	JPY60,000	JPY1,247/sq.m.	JPY116,000	2.0 mo.
16	Offering	WESS 1-chome	ESS	4 min.	57.00sq.m	613.55sq.f.	dwelling	2F	S	2F	16 y.o.	JPY60,000	JPY2,000	JPY62,000	JPY1,088/sq.m.	JPY60,000	1.0 mo.
17	Offering	WESS 3-chome	ESS	2 min.	42.67sq.m	459.30sq.f.	dwelling	1F	S	2F	16 y.o.	JPY64,000	JPY2,000	JPY66,000	JPY1,547/sq.m.	JPY128,000	2.0 mo.
18	Offering	WESS 1-chome	ESS	3 min.	51.75sq.m	557.04sq.f.	dwelling	2F	S	3F	5 y.o.	JPY72,000	JPY3,000	JPY75,000	JPY1,449/sq.m.	JPY144,000	2.0 mo.
19																	
20																	

No.	Agreed or not	Rent/sq.m.	Condition	Time adjust.	Standardizing	Market-specific	Adjusted Rent	Average	Property-specific	Indicated Rent	Rentable Area	Indicated Rent
11	Agreed	1,118/sq.m.	100%	100%	100%	102%	1,140/sq.m.	1,155/sq.m.	100%	JPY1,155/sq.m.	111.90 sq.m.	JPY129,245.-
14	Offering	1,475/sq.m.	100%	100%	80%	103%	1,215/sq.m.					
16	Offering	1,088/sq.m.	100%	100%	100%	102%	1,110/sq.m.					

*Note.1 Registered 2F area includes a stair area, a corridor area, and a veranda area. They are devaluing factors of the rent. Above figure exclude them.

*Note.2 Management and repair is owed to the lessee which is also a devaluing factor of the rent. Management fee and repair cost are around 8% of the rent on average. So I evaluated the following rent.

Indicated rent	M. fee & R. cost deduction	Modified indicated rent
JPY129,245	92.0%	JPY118,905.-

Since this report is a sample, following pages are intentionally excluded.

Kanto Area Map	.. App. 01
City Map (Land Comparables)	.. App. 02
City Map (Rents Comparables)	.. App. 03
Residential Map	.. App. 04
Aerial Photographs	.. App. 05
Topography Map	.. App. 06
Public Sectional Map	.. App. 07
Registered Land Surveyed Map	.. App. 08
Registered Building Drawings	.. App. 09
Copy of Public Registry Book	.. App. 10
Document of Building Confirmation	.. App. 11
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SAMPLE