

# APPRAISAL REPORT

February 10, 2006

Prepared for

ABCD K.K.

Prepared by

(Signature)

Takashi Yamaguchi (Appraiser)

Value Workers, Inc.

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

Pursuant to your request, I have prepared a summary report of a complete appraisal 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 analyzed in the development of this appraisal.

(Notes)

1. This appraisal was developed to estimate the real estate value, not business value, according to the client's purpose, that is, for reference to the client's long-term financial projection.
2. Above mentioned financial projection is to be examined under the premises of "disposal in the form of vacant lot", "sale of improved property" and "sale of business". This appraisal was performed to evaluate the value under the premise of sale of improved property.

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Sheet 1                      Land Sales Data sheet

Area Map, Residential Map, Public Sectional Map, Building Drawings, Photos, etc.

Certification

-1-. Final Opinion, Definition of Value, Effective Date of Appraisal

< Final Opinion of Value >

Value in case of sale of land and buildings

JPY 1,706,300,000.-

(In terms of cash, not including consumption tax)

< Definition of Value >

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

The most probable price which a property should bring in a competitive and open market, under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus.

Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated.
2. Both parties are well-informed or well-advised, and acting in what they consider their best interests.
3. A reasonable time is allowed for exposure in the open market.
4. Payment is made in terms of cash or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

< Reasonable Exposure Time >

Over three years.

< Effective Date of Appraisal >

February 10, 2006

< Opinion for the possibility of sale >

In Japan, economic depression had continued after the collapse of bubble economy. In these days, recovery trend is appearing clearly. But, as a whole, local industrial real estate markets are still stagnating.

In industrial parks near the subject plant, there are many lots which could not get any buyer for a long time and are repeating price reductions.

Since the subject buildings have unique formations, I think, the potential buyers may be limited for a little number.

I evaluated above value only for reference, because the subject property might have such value only when it gets the buyers who want to use them in the same way as current manner. I think that the possibility of such a successful sale is low under the premise of sale of improved real estate. (If under the premise of sale of business, transfer would be more successful, I think.)

## -2-. Scope of Work

This appraisal is performed based on the following conditions.

1. This report is a Limited Report in compliance with the Uniform Standards of Professional Appraisal Practice inasmuch as the omission of the income approach and market approach. I think the income approach would be hypothetical under the assumptions of this appraisal, since the transfer of business is not premised. Also, I think the market approach would not be reliable in this case, because the plants' formations are respectively unique and not easy to compare in a whole property concept.
2. This appraisal was developed to estimate the real estate value, not business value, according to the client's assignment. So, in this appraisal, subject financial statements were not examined.
3. I conducted on-site inspection on the subject plant.
4. I collected and examined many comparable sales data of industrial properties in the comparable areas.

## -3-. History of Subject Property

After built as a plant, subject property has not been transferred to any other entities (except for business combination).

-4-. Identification of the Property

(1) Land

Address: 996 ABC, ABC City, Niigata, Japan

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

Lot Number	Category of Lands	Area (sq.m.)
		(Registered Area)
996 ABC, ABC City	Building site	6,338.30
997 ABC, ABC City	Building site	25,154.50
998 ABC, ABC City	Building site	10,003.00
		Total 41,495.80

(2) Buildings

<Legal description>

House Number	Structure, Category	Area (sq.m.)
		(Registered Area)
Bldg-A 996-1	Reinforced concrete, Steel-frame. Zincified flat steel roof. 2-story. Factory building	1F 5,008.10 2F 2,141.20
Bldg-B Annex-1	Steel-frame. Zincified flat steel roof. 1-story. Warehouse.	1F 1,577.40
Bldg-C Annex-2	Steel-frame. Zincified flat steel roof. 1-story. Warehouse.	1F 1,606.25
Bldg-D Annex-3	Steel-frame. Zincified flat steel roof. 1-story. Warehouse.	1F 749.00
Bldg-E Annex-4	Steel-frame. Zincified flat steel roof. 1-story. Warehouse.	1F 334.75
Bldg-F Annex-5	Steel-frame. Zincified flat steel roof. 1-tory. Machine house.	1F 770.00
		Total 12,186.70

-5-. Property Right appraised, Owner on the Registry Book

< Property Right appraised >

Land:

Fee simple [Occupant: ABCD K.K.]

Buildings:

Fee simple [Occupant: ABCD K.K.]

< Owner registered on the registry book > (As of February 10, 2006)

Land:

Owner: ABCD K.K. (Address: 123 XYZ, XYZ City, Niigata, Japan)

Buildings:

Owner: ABCD K.K. (Address: 123 XYZ, XYZ City, Niigata, Japan)

-6-. Date of On-site inspection and Report

February 10, 2006 (Date of on-site inspection)

February 10, 2006 (Date of Report)

-7-. General Assumptions and Limiting Conditions

This appraisal report has been made with the following general assumptions and limiting conditions:

1. This appraisal is developed to estimate the real estate value, not business value premised on transfer of business, according to the client's assignment.
2. In this report, installations, equipments, machineries, personal properties and intangible assets are not included in the subject property, according to the client's assignment.
3. Subject land and buildings are occupied and used by the owner. This appraisal is developed under the condition that the properties are free of any rights other than ownership. (Properties are appraised free and clear of any or all liens or encumbrances.)
4. In this report, sizes of land and buildings are depending on the registered sizes.
5. In recent years, industrial real estate dealing market is stagnating in Japan, especially in local areas. The forecasts, projections, or operating estimates contained herein are based on current market conditions anticipated the

continuing depression. These forecasts are, therefore, subject to changes with future conditions.

6. 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.
7. 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.
8. Appraiser who performed this appraisal has no present or prospective interest in the subject property. Compensation for the appraiser is not contingent on the reporting of a predetermined value or direction in value that favors the cause of the client. This appraisal is performed in a manner that is independent, impartial and objective.

-8-. Purpose, Intended Use of the Appraisal, Intended User(s)

Purpose and Intended Use of this appraisal is for reference to the client's long term financial projection, and definition of value is the fair market value. This appraisal is intended for the use of the client only.

## -9-. Valuing Process

### 1. General factors which affect value of real estate

#### < Economic conditions >

In Japan, economic depression had continued over 1.5 decades after the collapse of bubble economy (1990). Government had introduced various anti-deflation measures. Bank of Japan had continued ultra-low-interest rate policy.

Recently, stock price has hit the bottom and the flattening-off trend is appearing clearly. According to the “Cabinet Office Economy Watchers Survey” in February 2006, “Japanese economy is picking up now”.

#### < Land price trend >

Also, real estate dealing market had stagnated after the collapse of bubble economy.

According to the public survey of land price as of July 1, 2005, national average of land price declined by 4.2% per year. Declining trend has continued for 14 consecutive years.

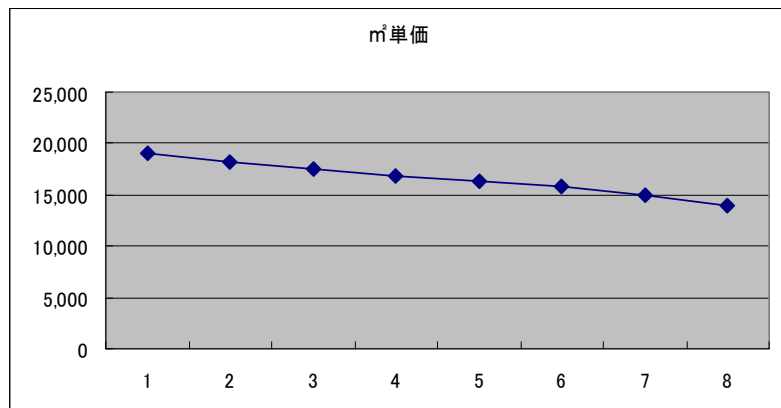
But lately, in three major metropolitan area (Tokyo, Osaka and Nagoya), rate of decline diminished distinctively. And in the central areas of these areas, land price seems to have bottomed out.

Demands for offices and expansion of investment for real estates are regarded as the main factors of the recovery.

But in local areas, real estate markets are still stagnating. There seem variances among areas. (Subject property is located in a local area.)

#### Transition of Gov. published land price (Industrial land near the subject plant)

year	yen/sq.m.
1998	19,100
1999	18,200
2000	17,500
2001	16,900
2002	16,400
2003	15,800
2004	14,900
2005	14,000





## 2. Location and Means of Transportation

Nearby railroad station:

ABC station of the ABC-Railroad

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

East of the station: about 15 km

Other means of transportation:

ABC I.C. of the ABC free way: about 25 km

## 3. General Condition of Subject Neighborhood

### (1) Range

I identified the subject neighborhood within the area of ABC industrial park where subject property is located.

### (2) Characteristics of the subject neighborhood

#### < Street condition >

Paved public road is ordinal in this area, and the level of arrangement and continuity of these roads are normal.

#### < Access >

Access to the nearby railroad station: Not good

Access to the nearby shopping center: Not good

Access to the public offices: Not good

#### < Environmental conditions >

Subject neighborhood is an industrial area where large plants are gathering.

#### < Standard use of land in the area >

Width of the road: 13m width public road.

Standard lot size: Around 40,000 sq.m.

Standard use: Site of factory

< Future trend >

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

#### 4. General Condition of Subject Property, and Zoning

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

##### (1) Street conditions

< Lot classification >

Lot which fronts to two roads

< Road condition >

Direction	Width	Pavement	Classification	Ground height
East side	13.0m	Paved	Public road	Equal level
West side	8.5m	Paved	Public road	Equal level

##### (2) Lot conditions

< Topography >

Level

< Shape >

Close to rectangle

< Dimensions >

150 m X 280 m

##### (3) Lifeline

Electric power service:	Served
Public water service:	Served
Industrial water service:	Not served
Public sewer service:	Not served
City gas service:	Not served

##### (4) Present use of the land

Site of a factory

The property-specific value influences of subject buildings are as follows.

< Completion of construction >

Bldg-A (factory)	April, 1989
Bldg-A (factory- extension)	August, 1998

Bldg-B (warehouse) August, 1998  
Bldg-C (warehouse) August, 1998  
Bldg-D (warehouse) September, 1992  
Bldg-E (warehouse) October, 1989  
Bldg-F (machine house) August, 1998

< Grade of materials and construction >

Middle grade

< Present use >

Buildings of a factory and storages

< Maintenance and management >

Normal

< Degree of depreciation >

Normal

## Zoning

< Designation of the City Planning Zone >

Designated as Urbanizable Zone

< Other zoning regulations >

Range: Whole subject land

Zoning:

Existing in an area designated as Exclusive Industrial Zone.

Building restriction:

Maximum Building Coverage Ratio: 80%

Maximum Floor Area Ratio: 200% \*

\* Restriction according to the road width: Not applied.

(Article 52, 2nd clause of the Building Standard Law)

## 5. 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 plant.

< Highest and Best Use of the property as improved >

I think the Highest and Best Use of the subject property as improved is the use

as a plant.

## 6. Application of Appraisal Methods

In this appraisal, I applied the Cost Approach to estimate the value of subject property. Market Approach is omitted because the subject plants' formation is quite unique and not easy to compare in a whole property concept. Also, Income Approach is omitted because the transfer of business is not premised in this case.

### A. Application of the Cost Approach

#### (1) Land value

##### (i) Sales Comparison Approach for land value

I collected many comparable sales data within the subject and the comparable neighborhoods. Then, I chose some suitable data. And I made time adjustment to make them reliable data.

I compared the subject land with the comparables from the viewpoint of market-specific value influences and property-specific value influences, and estimated the unit value of subject land as below.

: JPY 10,400 /sq.m. (See attached sheet 1)

##### (ii) Land value

I reexamined each stages of appraisal process objectively and critically, and reconsidered the feature of the methods and data.

Gov. published land price was also taken into account (based on the Land Price Publication Law). And I estimated the value of subject land as below.

: 10,400 / sq.m. X 41,495.80 sq.m. = JPY 431,600,000. -

#### (2) Reproduction cost of subject buildings

Materials of the buildings, the grade of construction and the trend of the building costs were examined, and I estimated the subject buildings' reproduction cost as follows.

	Construction cost		Time adjustment		Estimated unit cost
Bldg-A	111,247 / sq.m.	X	0.67	≒	75,000 / sq.m.

Bldg-A	195,983	/ sq.m.	X	0.95	≒	186,000	/ sq.m.
Bldg-B	110,856	/ sq.m.	X	0.95	≒	105,000	/ sq.m.
Bldg-C	73,838	/ sq.m.	X	0.95	≒	70,000	/ sq.m.
Bldg-D	212,026	/ sq.m.	X	0.80	≒	170,000	/ sq.m.
Bldg-E	140,726	/ sq.m.	X	0.95	≒	134,000	/ sq.m.
Bldg-F	97,762	/ sq.m.	X	0.95	≒	93,000	/ sq.m.

	Unit cost			Size		Reproduction cost
Bldg-A	172,000	/ sq.m.	X	1,429.86	sq.m.	≒ JPY 1,229,700,000.-
Bldg-B	105,000	/ sq.m.	X	315.48	sq.m.	≒ JPY 165,600,000.-
Bldg-C	70,000	/ sq.m.	X	321.25	sq.m.	≒ JPY 112,400,000.-
Bldg-D	170,000	/ sq.m.	X	149.80	sq.m.	≒ JPY 127,300,000.-
Bldg-E	134,000	/ sq.m.	X	66.95	sq.m.	≒ JPY 44,900,000.-
Bldg-F	93,000	/ sq.m.	X	154.00	sq.m.	≒ JPY 71,600,000.-
Total amount						JPY 1,751,500,000.-

(3) Reproduction cost of the subject property as improved

The Reproduction cost of subject buildings indicated in (2) were added to the Land value indicated in (1), and I estimated the Reproduction cost of the subject property as improved to be JPY 2,183,100,000.-.

(4) Depreciation and the value indicated by the Cost Approach

Physical, functional and economic impairments which were 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 JPY 1,706,300,000.-

(Land: JPY 431,600,000.- Buildings: JPY 1,274,700,000.-)

<Calculation process>

Land: Above estimated value is adopted: JPY 431,600,000. -

Building: Strait line method is adopted. Salvage value is estimated to be zero.

Economic life is anticipated to be 30 years.

	Reproduction cost	Depreciation	Current value
Bldg-A	1,229,700,000	× ( 1 - 7.5 / 30 ) ÷	JPY 922,300,000.-
Bldg-B	165,600,000	× ( 1 - 7.5 / 30 ) ÷	JPY 124,200,000.-
Bldg-C	112,400,000	× ( 1 - 7.5 / 30 ) ÷	JPY 84,300,000.-
Bldg-D	127,300,000	× ( 1 - 13.5 / 30 ) ÷	JPY 70,000,000.-
Bldg-E	44,900,000	× ( 1 - 16.5 / 30 ) ÷	JPY 20,200,000.-
Bldg-F	71,600,000	× ( 1 - 7.5 / 30 ) ÷	JPY 53,700,000.-
		Total amount	JPY 1,274,700,000.-

#### B. Value in case of sale of land and buildings (for reference)

As above mentioned,

Value indicated by the Cost Approach is estimated to be JPY 1, 706,300,000.-

(Land: JPY 431,600,000.- Buildings: JPY 1,274,700,000.-)

It is evaluated by focusing on the costs.

I estimated the reconstruction cost of subject property as improved, and deducted from it the depreciated value based on physical, functional and external factors.

In valuing process, many data are adopted and utilized appropriately. Indicated value reflects market condition, and is reliable. Then I concluded the value opinion in case of sale of land and buildings for JPY 1, 706,300,000.-

(Note)

1. This appraisal is developed to estimate the real estate value, not business value, according to the client's assignment.
2. The forecasts, projections, or operating estimates contained herein are based on current market conditions, anticipated the continuing depression. These forecasts are, therefore, subject to changes with future conditions.

# LAND SALES DATA SHEET

Sheet 1-1

Comparison	Location	Category, Size, Date	Sale price (A)	Sale Conditions (B)	Time adjustment (C)	Standardizing (D)	Market influences (E)	A × B × C × D × E	Standard price	Property influences	Indicated Value			
	A	ABC, XX-City	category building site size 53,482.30m <sup>2</sup> date 01/11/2003	12,540 JPY/m <sup>2</sup>	$\frac{100}{100}$	$\frac{83}{100}$	$\frac{100}{104}$ ①	$\frac{100}{100}$ ②	10,008 JPY/m <sup>2</sup>	10,100 JPY/m <sup>2</sup>	$\frac{103}{100}$ ⑪	10,400 JPY/m <sup>2</sup>		
B	ABC, XX-City	category building site size 48,255.60m <sup>2</sup> date 09/29/2004	17,882 JPY/m <sup>2</sup>	$\frac{100}{100}$	$\frac{91}{100}$	$\frac{100}{103}$ ③	$\frac{100}{150}$ ④	10,532 JPY/m <sup>2</sup>						
C	ABC, XX-City	category building site size 50,000.00m <sup>2</sup> date 05/29/2003	18,244 JPY/m <sup>2</sup>	$\frac{100}{100}$	$\frac{84}{100}$	$\frac{100}{104}$ ⑤	$\frac{100}{150}$ ⑥	9,824 JPY/m <sup>2</sup>						
$\alpha$	Gov. Published Land Price No.9-1, XX-City	category building site size 25,125m <sup>2</sup> date 01/01/2005	14,000 JPY/m <sup>2</sup>	—	$\frac{93}{100}$	$\frac{100}{104}$ ⑦	$\frac{100}{131}$ ⑧	— JPY/m <sup>2</sup>	—	$\frac{103}{100}$ ⑪	9,800 JPY/m <sup>2</sup>			
		category size date 01/01/2005	— JPY/m <sup>2</sup>	—	$\frac{93}{100}$	$\frac{100}{100}$ ⑨	$\frac{100}{100}$ ⑩	— JPY/m <sup>2</sup>	—	$\frac{103}{100}$ ⑪	0 JPY/m <sup>2</sup>			
Factors	Property-specific value influences and standardizing (D)							Market-specific value influences (E)						Memoranda
	Road	Accessi- bility	Environ- ment	Administ- ration	Site	Other	total	Road	Accessi- bility	Environ- ment	Administ- ration	Other	Total	
	A	$\frac{100}{100}$	$\frac{100}{100}$	$\frac{100}{100}$	$\frac{100}{100}$	$\frac{100}{104}$	$\frac{100}{100}$	$\frac{100}{104}$ ①	$\frac{100}{100}$	$\frac{100}{100}$	$\frac{100}{100}$	$\frac{100}{100}$	$\frac{100}{100}$	$\frac{100}{100}$ ②
	B	$\frac{100}{100}$	$\frac{100}{100}$	$\frac{100}{100}$	$\frac{100}{100}$	$\frac{100}{103}$	$\frac{100}{100}$	$\frac{100}{103}$ ③	$\frac{100}{100}$	$\frac{100}{115}$	$\frac{100}{130}$	$\frac{100}{100}$	$\frac{100}{100}$	$\frac{100}{150}$ ④
	C	$\frac{100}{100}$	$\frac{100}{100}$	$\frac{100}{100}$	$\frac{100}{100}$	$\frac{100}{104}$	$\frac{100}{100}$	$\frac{100}{104}$ ⑤	$\frac{100}{100}$	$\frac{100}{115}$	$\frac{100}{130}$	$\frac{100}{100}$	$\frac{100}{100}$	$\frac{100}{150}$ ⑥
	$\alpha$	$\frac{100}{100}$	$\frac{100}{100}$	$\frac{100}{100}$	$\frac{100}{100}$	$\frac{100}{104}$	$\frac{100}{100}$	$\frac{100}{104}$ ⑦	$\frac{100}{100}$	$\frac{100}{105}$	$\frac{100}{125}$	$\frac{100}{100}$	$\frac{100}{100}$	$\frac{100}{131}$ ⑧
	$\beta$	$\frac{100}{100}$	$\frac{100}{100}$	$\frac{100}{100}$	$\frac{100}{100}$	$\frac{100}{100}$	$\frac{100}{100}$	$\frac{100}{100}$ ⑨	$\frac{100}{100}$	$\frac{100}{100}$	$\frac{100}{100}$	$\frac{100}{100}$	$\frac{100}{100}$	$\frac{100}{100}$ ⑩
Sub.L.	$\frac{100}{100}$	$\frac{100}{100}$	$\frac{100}{100}$	$\frac{100}{100}$	$\frac{103}{100}$	$\frac{100}{100}$	$\frac{103}{100}$ ⑪	(Memoranda)						

Time ajastment      January/01/2003    ~    December/31/2003    - 4.0%  
                                  January/01/2004    ~    December/31/2004    - 5.7%  
                                  January/01/2005    ~    February/10/2006    - 7.5%



# TABLE OF FACTORS

			A	B	C	$\alpha$	$\beta$	Subject	Memoranda
P r o p e r t y  F a c t o r s	Road condition	Width. Continuity							
		Pavement							
		Other condition							
	Accessibility	To station, bus stop							
		To shopping center							
		To others							
	Environment	Pollution, Noise							
		Residential environment							
		Other environment							
	Administration	Floor area ratio							
		Administrative restriction							
		Other condition							
Site condition	Corner lot, etc.	+ 4	+ 3	+ 4	+ 4		+ 3		
	Irregular shape								
	Lot size								
	Difference of ground level								
	Other condition								
Other condition									
M a r k e t  F a c t o r s	Road condition	Width. Continuity							
		Pavement							
		Other condition							
	Accessibility	To station, bus stop							
		To central metropolitan area		+ 5	+ 5	+ 5			A new free way I.C. is to open in 2007.
		To I.C. of free way		+ 10	+ 10				B and C are near to the I.C. and the ABC residential area.
	Environment	Pollution, Noise							
		Recruitment of workers		+ 10	+ 10	+ 5			B and C are served with
		Industrial water supply, sewage		+ 20	+ 20	+ 20			Industrial water and sewage.
	Administration	Floor area ratio							
		Administrative restriction							
		Other condition							
Site condition	Corner lot, etc.								
	Irregular shape								
	Lot size								
	Difference of ground level								
	Other condition								
Other condition									

Since this report is a sample, City map, Residential map, Public sectional map, Building drawings, Photos, etc. are intentionally excluded.

## 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 favoring the client.
6. My analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice.
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: *Eakashi Yamaguchi*

Date of certification: February 10, 2006