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If you have sold or transferred all your shares in **株式会社ニラク・ジー・シー・ホールディングス Niraku GC Holdings, Inc.***, you should at once hand this circular to the purchaser(s) or the transferee(s), or to the licensed securities dealer or other registered institution in securities, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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NIRAKU GC HOLDINGS
株式会社ニラク・ジー・シー・ホールディングス
NIRAKU GC HOLDINGS, INC.*
(Incorporated in Japan with limited liability)
(Stock Code: 1245)

**MAJOR TRANSACTION
IN RELATION TO DISPOSAL OF PROPERTIES**

A letter from the Board is set out on pages 5 to 9 of this circular.

* for identification purpose only

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DEFINITIONS

In this circular, the following expressions shall have the following meanings unless the context otherwise requires:

”Announcement”	the announcement of the Company dated 29 October 2019 in relation to the Disposal;
“associate(s)”	has the meaning as ascribed thereto under the Listing Rules;
“Board”	the board of the Director(s);
“Company”	NIRAKU GC HOLDINGS, INC.* (株式会社ニラク・ジー・シー・ホールディングス), which is a stock company* (株式会社) incorporated in Japan with limited liability, the shares of which are listed on the Main Board of the Stock Exchange;
“Completion”	completion of the Disposal;
“connected person(s)”	has the meaning as ascribed thereto under the Listing Rules;
“Consideration”	the consideration of ¥1,985 million (inclusive of 10% value added tax) (equivalent to approximately HK\$144.2 million) for the sale and purchase of the Properties;
“controlling shareholder”	has the meaning as ascribed thereto under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Disposal”	the sale of the Properties contemplated under the Sale and Purchase Agreement;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“JPY”, “¥” or “Yen”	Japanese Yen, the lawful currency of Japan;
“Latest Practicable Date”	22 November 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Lease Agreement”	the lease agreement entered into between the Tenant and the Purchaser;

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules;
“Percentage Ratios”	has the meaning ascribed to it in Rule 14.07 of the Listing Rules;
“Properties”	<p>Land of Nos. 204-2 and 26 other tracts, Mukaigawara, Koriyama-shi, Fukushima with total area of 5,313.85 tsubo* (approximately 17,566.42 square meters);</p> <p>Building with its location of Nos. 253, 211-1, 252-1, 254, 255 Mukaigawara, Koriyama-shi, Fukushima with total floor area of 512.45 tsubo (approximately 1,694.04 square meters);</p> <p>Land of Nos. 239-1 and other 3 tracts, Mukaigawara, Koriyama-shi, Fukushima with total area of 575.34 tsubo (approximately 1,901.94 square meters);</p> <p>Building with its location of Nos. 240-1 Mukaigawara, Koriyama-shi, Fukushima with total floor area of 70.99 tsubo (approximately 234.71 square meters);</p>
“Purchaser”	Daichi Bussan Co., Ltd.* (株式会社大地物産), a company incorporated in Japan with limited liability and is principally engaged in real estate development and investment business;
“Sale and Purchase Agreement”	the agreement for sale and purchase of the Properties entered into between the Vendor and the Purchaser on 29 October 2019;
“Share(s)”	common share(s)* (普通株式) in the share capital of our Company;
“Shareholder(s)”	the duly registered holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning as ascribed thereto under the Listing Rules;
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs;

DEFINITIONS

“Taniguchi Consortium”	Mr. Hisanori TANIGUCHI (谷口久徳), a controlling Shareholder, an Executive Director, our Chief Executive Officer and our Chairman of the Board and a group of (1) natural persons, namely Mr. Tatsuo TANIGUCHI (谷口龍雄), Mr. Masataka TANIGUCHI (谷口晶貴), Mr. Yoshihiro TEI (鄭義弘) [#] (also known as Mr. JEONG Jungwung), Mr. Mitsuhiro TEI (鄭允碩), Mr. Motohiro TEI (鄭元碩), Ms. Eijun TEI (鄭盈順), Ms. Rika TEI (鄭理香) and Ms. Noriko KANESHIRO (金城徳子), each being a family member of our Chairman; and (2) corporate entities, namely Jukki Limited* (有限會社十起), Densho Limited* (有限會社伝承), Echo Limited* (有限會社エコー), Daiki Limited* (有限會社大喜), Hokuyo Kanko Limited* (有限會社北陽観光) and KAWASHIMA Co., Ltd.* (株式会社KAWASHIMA), each being an entity controlled by the family members of our Chairman. Each member of the Taniguchi Consortium is an associate of, and a person acting in concert (as defined under the Takeovers Code) with, our Chairman of the Board and is a controlling shareholder;
“Tenant”	Niraku Corporation, a company incorporated in Japan with limited liability and a wholly-owned subsidiary of the Company as at the date of this circular, which is principally engaged in pachinko hall operation;
“tsubo”	a Japanese unit of area equal to approximately 3.31 square metres;
“Vendor”	Nexia Inc., a company incorporated in Japan with limited liability and an indirectly wholly-owned subsidiary of the Company as at the date of this circular, which is principally engaged in real estate management and investment company;
“%”	per cent.

(*) The English titles marked with “*” are unofficial English translations of the Japanese titles of natural persons, legal persons, governmental authorities, institutions, laws, rules, regulations and other entities for which no official English translation exists. These titles are for identification purpose only.

([#]) The Japanese names marked with “#” are Japanese aliases* (通称名) adopted by non-Japanese residents in Japan as a second legal name which, upon registration under the Order for Enforcement of the Residential Basic Book Act* (住民基本台帳法施行規則) (Ministry of Home Affairs Regulation No. 35 of 1999) of Japan, may be used with legal force and recorded in their resident certificate* (住民票) and residential basics book card* (住民基本台帳カード). Unless otherwise marked with “#”, names of natural persons shown in this circular are legal names recorded in their passports or travel documents.

DEFINITIONS

In this circular, certain amounts denominated in ¥ are translated into HK\$ at the exchange rate shown below, but such conversions shall not be construed as representations that amounts in ¥ were or may have been converted into HK\$ at such rate or any other exchange rates or at all: ¥1 = HK\$0.07262.

NIRAKU GC HOLDINGS

株式会社ニラク・ジー・シー・ホールディングス
NIRAKU GC HOLDINGS, INC.*

(Incorporated Japan with limited liability)

(Stock Code: 1245)

Executive Directors:

Mr. Hisanori TANIGUCHI (*Chairman*)
Mr. Akinori OHISHI
Mr. Masataka WATANABE

Registered Office:

1-1-39 Hohaccho
Koriyama-shi, Fukushima,
Japan 963-8811

Non-executive Director:

Mr. Hiroshi BANNAI

*Principal Place of Business
in Hong Kong:*

805B, 8/F,
Tsim Sha Tsui Centre
66 Mody Road,
Tsim Sha Tsui
Kowloon, Hong Kong

Independent Non-executive Directors:

Mr. Hiroaki MORITA
Mr. Michio MINAKATA
Mr. Yoshihiro KOIZUMI
Mr. Kuraji KUTSUWATA

29 November 2019

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION IN RELATION TO DISPOSAL OF PROPERTIES

1. INTRODUCTION

On 29 October 2019 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which the Vendor will sell and the Purchaser will purchase the Properties for a consideration of ¥1,985 million (inclusive of 10% value added tax) (equivalent to approximately HK\$144.2 million). Upon completion of the Disposal, the Tenant and the Purchaser entered into the Lease Agreement for the continuous operation of pachinko hall by the Tenant at the Properties after the Disposal.

The Disposal constitutes a major transaction for the Company under the Listing Rules.

LETTER FROM THE BOARD

As the Company has received from the Taniguchi Consortium, which is interested in 821,280,460 Shares as at the Latest Practicable Date, a written Shareholder's approval approving the Disposal pursuant to Rule 14.44(2) of the Listing Rules, the Company will not convene any general meeting to approve the Disposal.

The purpose of this circular is to provide you with, amongst other things, further information in relation to the Disposal and other information in compliance with the requirements of the Listing Rules.

2. SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are set out below:

Date	:	29 October 2019
Vendor	:	Nexia Inc., an indirectly wholly-owned subsidiary of the Company
Purchaser	:	Daichi Bussan Co., Ltd.* (株式会社大地物産) (1-16-1 Saikon, Koriyama City, Fukushima Prefecture)

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Purchaser and Mr. Yasuhito Ohhara, its ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its connected persons.

Properties to be disposed of	:	Land of Nos. 204-2 and 26 other tracts, Mukaigawara, Koriyama-shi, Fukushima with total area of 5,313.85 tsubo (approximately 17,566.42 square meters)
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Building with its location of Nos. 253, 211-1, 252-1, 254, 255 Mukaigawara, Koriyama-shi, Fukushima with total floor area of 512.45 tsubo (approximately 1,694.04 square meters)

(together, the Bijyutukan-Dori store)

Land of Nos. 239-1 and other 3 tracts, Mukaigawara, Koriyama-shi, Fukushima with total area of 575.34 tsubo (approximately 1,901.94 square meters)

Building with its location of No. 240-1 Mukaigawara, Koriyama-shi, Fukushima with total floor area of 70.99 tsubo (approximately 234.71 square meters)

(together, the Gust Mukaigawara store)

LETTER FROM THE BOARD

Consideration : ¥1,985 million (inclusive of 10% value added tax)
(equivalent to approximately HK\$144.2 million)

The preliminary valuation of the Properties is approximately ¥1,665 million (equivalent to approximately HK\$120.9 million).

The Properties are used to secure banking facilities with four Japanese banks namely Sumitomo Mitsui Banking Corporation, Mizuho Bank, Ltd., The Toho Bank, Ltd. and The Fukushima Bank, Ltd., in favour of the Company. The security has been released on Completion.

The Consideration was determined after arm's length negotiation between the Vendor and the Purchaser with reference to the rental yield for leasing of the Property, the recent transactions of similar types of properties in the market and the preliminary valuation of the Properties indicated by an independent property valuer.

Terms of payment : Lump-sum payment as of 27 November 2019

Completion : Completion took place on 27 November 2019

Upon completion of the Disposal, the Tenant and the Purchaser entered into the Lease Agreement for the continuous operation of pachinko hall by the Tenant at the Properties after the Disposal.

The Directors, including the independent non-executive directors, consider that the entering into of the Lease Agreement will not have any material adverse impact on the earnings and assets and liabilities of the Group.

The terms of the Sale and Purchase Agreement were arrived at by the Vendor and the Purchaser after arm's length negotiation. The Directors, including the independent non-executive Directors, consider that the terms of the Sale and Purchase Agreement are on normal commercial terms, fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole.

3. REASONS FOR AND BENEFITS OF THE DISPOSAL

The Bijyutukan-Dori store is currently occupied by the Tenant for pachinko hall operation, and the Gust Mukaigawara store is leased to Skylark Co., an independent third party, for a monthly rent of ¥820,000 (exclusive of value added tax) (equivalent to approximately HK\$59,500) for restaurant operation. The net profits (before and after tax)

LETTER FROM THE BOARD

attributable to the Gust Mukaigawara store for the two years ended 31 March 2018 and 2019 are approximately ¥9.8 million and ¥9.8 million (equivalent to approximately HK\$0.7 million and HK\$0.7 million). The Group acquired the Properties at ¥882 million (equivalent to approximately HK\$64.1 million) on 15 October 2009. The unaudited carrying value of the Property was approximately ¥786 million (equivalent to approximately HK\$57.1 million) as at 30 September 2019.

The Directors believe that the Disposal represents a good opportunity for the Company to realise the value of the Properties at a reasonable price and the proceeds from the Disposal will improve the financial position and increase the general working capital of the Group.

4. FINANCIAL EFFECT OF THE DISPOSAL

Based on, inter alia, the Consideration, the unaudited carrying value of the Properties as at 30 September 2019, and the related expenses for the Disposal, the Group currently expects to record a gain on disposal of approximately ¥1,194 million (equivalent to approximately HK\$86.7 million) upon Completion.

Save as disclosed above, the Disposal will not have any material adverse impact on the earnings and assets and liabilities of the Group.

5. USE OF PROCEEDS

The net proceeds arising from the Disposal of approximately ¥1,525 million (equivalent to approximately HK\$110.7 million) (after deducting tax and other expenses in relation to the Disposal) will be used for repaying bank loans of the Group.

6. INFORMATION OF THE GROUP AND THE PURCHASER

The Group is principally engaged in the business of pachinko hall operation.

To the knowledge of the Directors, the Purchaser is principally engaged in real estate development and investment business.

7. GENERAL

As one of the applicable percentages (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal is more than 25% but less than 75%, the Disposal constitutes a major transaction for the Company and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholders or any of their respective associates have a material interest in the Disposal, thus no Shareholders are required to abstain from voting for the resolution if the Company were to convene an extraordinary general meeting to approve the Disposal. The Taniguchi Consortium, the controlling shareholder group of the

LETTER FROM THE BOARD

Company, which is interested in 821,280,460 Shares, representing approximately 68.7% of issued Shares as at the date of this circular, has approved the Disposal by a written Shareholders' approval pursuant to Rule 14.44(2) of the Listing Rules in lieu of a resolution to be passed at a general meeting of the Company.

8. RECOMMENDATION

For the reasons set out above, the Directors consider that the terms of the Disposal are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors would recommend the Shareholders to vote in favour of the resolution if the Company were to convene an extraordinary general meeting for the approval of the Disposal.

9. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,

For and on behalf of the Board of

NIRAKU GC HOLDINGS, INC.*

株式会社ニラク・ジー・シー・ホールディングス

Hisanori TANIGUCH

Chairman, Executive Director and Chief Executive Officer

1. FINANCIAL INFORMATION

The audited consolidated financial statements of the Group for the three financial years ended 31 March 2017, 2018 and 2019, including the independent auditors' report thereon and the notes thereto, have been disclosed in the respective annual reports of the Company. The auditor of the Company has not issued any qualified opinion on the Group's consolidated financial statements for the three financial years ended 31 March 2017, 2018 and 2019.

The annual reports of the Company for the three financial years ended 31 March 2017, 2018 and 2019; and the interim results announcement for the period ended 30 September 2019 are published on the websites of HKEXnews (<http://www.hkexnews.hk>) and the Company (<http://www.ngch.co.jp/en/>) respectively.

Quick links

- (i) for the year ended 31 March 2017 (pages 46 to 106)
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2017/0529/ltn20170529281.pdf>)
- (ii) for the year ended 31 March 2018 (pages 43 to 108)
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0606/ltn20180606747.pdf>)
- (iii) for the year ended 31 March 2019 (pages 43 to 112)
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0605/ltn20190605635.pdf>)
- (iv) for the six months ended 30 September 2019 (pages 2 to 19)
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/1122/2019112200949.pdf>)

2. INDEBTEDNESS

As at 30 September 2019, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the total indebtedness of the Group amounted to approximately ¥50,867 million, details of which are set out below:

	<i>¥ million</i>
Non-current portion	
Bank loans	2,813
Syndicated loans	8,128
Lease liabilities	<u>32,699</u>
	43,640
Current portion	
Bank loans	1,048
Syndicated loans	3,392
Lease liabilities	<u>2,787</u>
	<u>7,227</u>
Total borrowings	<u><u>50,867</u></u>

Borrowings

As at 30 September 2019, being the latest practicable date for ascertaining certain information relating to this indebtedness statement, the Group had outstanding consolidated bank borrowings (after intra-group elimination) of approximately ¥15,381 (equivalents to HK\$1,117.0 million) comprising bank loans of approximately ¥3,861 million and syndicated loans of approximately ¥11,520 million.

The borrowings under sales and leaseback arrangements with a third party lessor amounted to ¥2,413 million. These sales and leaseback arrangements included sell of certain leasehold improvements and pachislot machines at an aggregate consideration of ¥2,801 million and lease-back to the Group for a total lease payment of ¥2,979 million covering the periods ranged between 24 months to 84 months. During the lease period, the group cannot transfer or pledge to any party the relevant leasehold improvements and pachislot machines. For leasehold improvement, the Group has an option to renew for a further term of 1 year on the 20th of the preceding month before the end of each lease term at no cost.

Pledge of assets

As at 30 September 2019, total borrowings are pledged by certain assets and their carrying values are show as below:

	<i>¥ million</i>
Property, plant and equipment	10,803
Investment properties	640
Deposits and other receivables	<u>179</u>
	<u><u>11,622</u></u>

Loan facilities

As at 30 September 2019, the Group has undrawn borrowing facilities of ¥1,350 million (equivalent to HK\$98.0 million) which is expired over 1 year and under floating interest rate.

Lease liabilities

As at 30 September 2019, the Group had lease liabilities of ¥35,486 million. Assets arranged under finance leases represent buildings for pachinko and pachislot halls, pachinko and pachislot machines, and gaming machines for amusement arcades.

Commitments

As at 30 September 2019, the Group has ¥188 million capital expenditure commitments for purchase of property, plant and equipment that had contracted but not provided for.

Financial guarantee

As at 30 September 2019, the Group had not provided any guarantee to any party.

Save as aforesaid and apart from intra-group liabilities, the Group did not, as at 30 September 2019, have any material outstanding (i) debt securities, whether issued and outstanding, authorised or otherwise created but unissued, or term loans, whether guaranteed, unguaranteed, secured (whether the security is provided by the Group or by third parties) or unsecured; (ii) other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, whether guaranteed, unguaranteed, secured or unsecured; (iii) mortgage or charges; or (iv) guarantees or other contingent liabilities.

3. WORKING CAPITAL STATEMENT

Taking into account the financial resources available to the Group, including internally generated funds and available banking facilities of the Group, the Directors, after due and careful enquiry, are of the opinion that the Group has sufficient working capital for its present requirements, that is for at least 12 months from the date of publication of this circular, in the absence of unforeseeable circumstances, such as any event of force majeure occurs including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2019, being the date on which the latest published audited consolidated financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The pachinko industry remains difficult with markets shrinking across the entire industry, more pachinko hall operators are experiencing management difficulties and a trend toward closing of pachinko halls. It is believed that this declining trend will continue for the time being, with no immediate solutions to resolve market-wide issues such as unveil new markets of younger people and prevent departure of existing players.

Furthermore, in the future, the pachinko industry will likely be confronted with other issues further constraining its profitability, such as change of gambling property for gaming machine due to the revision of gaming machine regulations, the increase in consumption tax, and measures to protect against gambling dependency following the lifting of casino restrictions, among others.

Given this industry environment, for the pachinko hall business, the Group has further promoted the implementation of sales policies necessary for achieving continuous profitable growth and cost efficiency, in compliance with various regulations, while at the same time striving to provide a gaming environment that meets the needs of diverse fans as an important sales strategy. As a result, despite the ongoing severity of the situation the pachinko industry as a whole is facing — such as the market shift following changes of machine standards regulations and the decrease in sales (gross pay-in) that has accompanied this shift — the Group has successfully maintained the sales scale and has achieved an expansion of customer visits.

Despite the macro environment of pachinko industry is seen to be severe, the Group regards this market phenomenon as an opportunity for our future growth, and will focus on areas with existing pachinko halls where the Group can demonstrate its strengths. The Group intends to establish a foundation for future growth through opening of new halls seeking opportunity for acquisitions of other halls and allying with business partners.

Apart from continuously configurate products to accommodate the characteristics of each region, improve the gaming environment and customer service, the Group will also work to enhance our overall organisation by implementing cost efficiency plan and work in unity to create halls that win the support of customers.

The Group will continue to position the establishment of a solid business foundation as our most important management issue by actively and intensively investing management resources in the domestic business, centered on the pachinko business.

The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this circular received from JLL Morii Valuation and Advisory K.K., an independent valuer, in connected with its valuation as at 30 September 2019 of the Properties.



APPRAISAL REPORT

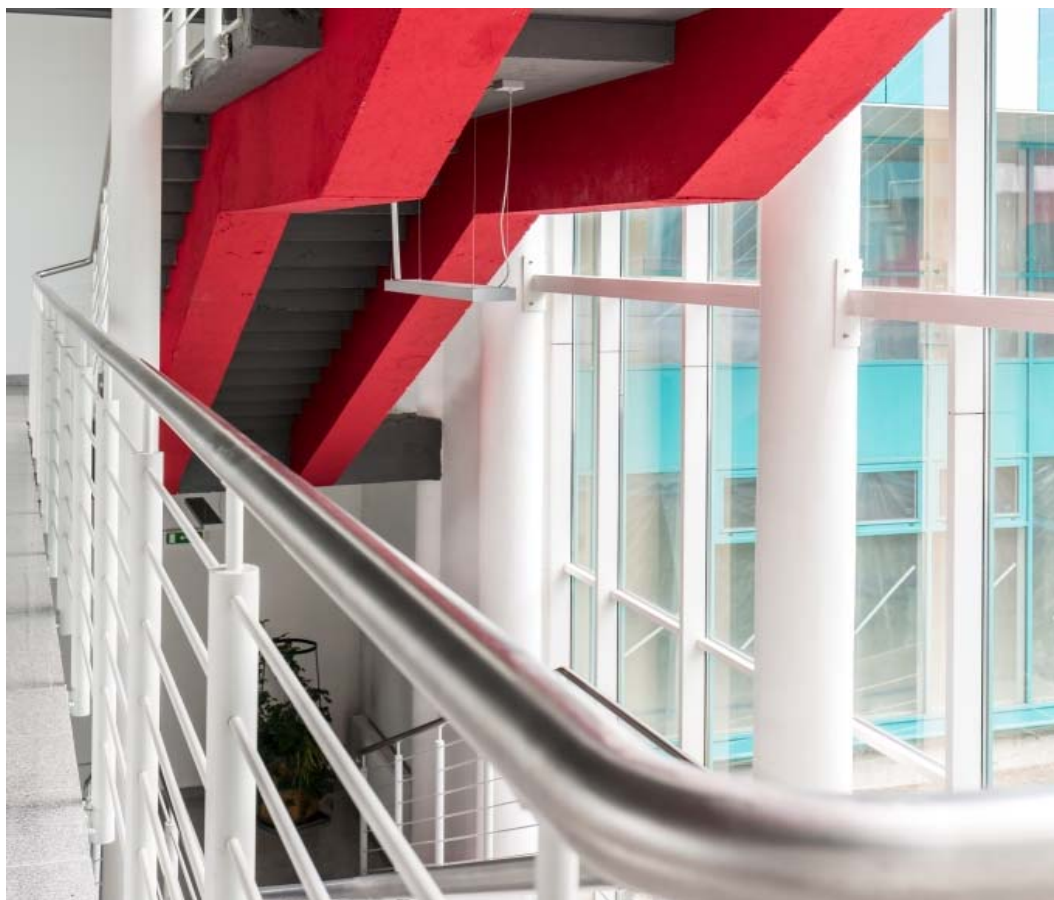
Gusto Koriyama-Mukaigawara

Date of Issue 30 September 2019

Report Number 19-0766

(Client)

NIRAKU CORPORATION





Gusto Koriyama-Mukaigawara

We hereby provide you with the appraisal report as requested by you.

JLL Morii Valuation & Advisory K.K.
Member of Japan Association of Real Estate Appraisers
Yusen Kayabacho Bldg. 8F, 1-8-3 Nihonbashi Kayabacho,
Chuo-ku, Tokyo
Makoto Nagano
President and Representative Director




Takatsugu Honma
Licensed Real Estate Appraiser



The appraisal herein has been duly conducted in the fair manner with the integrity and the best conscience appropriate for a professional notwithstanding the appraiser's or other related party's interests, if any, and any other considerable factors.

Preface

1. This real estate appraisal report (hereinafter, the "Report") has been prepared by JLL Morii Valuation & Advisory K.K. (established 1948, hereinafter, "JLL Morii") by its licensed real estate appraisers and assistant real estate appraisers (hereinafter, the "appraisers") in keeping with their expertise and conscience, in accordance with the Act on Real Estate Appraisal (Act No. 152 of 1963, hereinafter, the "Act") and the International Valuation Standards.
2. JLL Morii warrants that the Report is issued after a fair and objective review, and both JLL Morii and its appraisers shall keep information that becomes known to them in the course of this work in strict confidence.
3. The Report's content and the appraised value thereby arrived at are valid only insofar as the assumptions specified below and the conditions of the investigation indicated in the text apply.
 - a. Inspection of rights relationships and contractual relationships and the survey of the physical status of the Properties are undertaken on the basis of the official register and any registered maps, as well as information provided by you. We do not make any explicit or implicit guarantees with respect to such rights relationships, contractual relationships or physical status of the Properties.
 - b. Confirmation of the subject property is done by survey of the exterior to the extent possible by visual inspection. With respect to soil contamination, buried properties, buried cultural properties, asbestos, building interior defects etc., it is assumed that none exists other than those described in this appraisal. JLL Morii shall assume no responsibility in the event such presence is established in the future.
 - c. The appraised value indicated as the conclusion of this work by no means guarantee the actual transaction value at the date of value or in the future.
4. The Report has been prepared by the named appraiser with the normal duty of care, however the responsibility for the Report shall be borne by JLL Morii.
5. A copy of the Report will be held at JLL Morii for a period of five years pursuant to legal provisions.
6. If parts of the Report are to be quoted or used for any purpose other than the original purpose, please consult with JLL Morii in advance and obtain consent in writing.
7. If the original copy of the Report has been prepared in Japanese, JLL Morii shall not be responsible for its content that has been translated into any other language.
8. Any disputes that may arise from this Report shall be subject to the laws of Japan, and shall be referred to the Tokyo District Court as the court of first instance.

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- Appendix 8 : DCF Method Estimate Table
- Appendix 9 : DCF Method Cash Flow Table

Report

1. Appraised Value

Market value for the subject property as of 04 July 2019 is as shown below.

Appraised Value
(Market value)

JPY135,000,000

- The appraised value above is based on the conditions mentioned in Conditions of the appraisal.
- The appraised value as stated above is effective as at the Date of Appraisal.

2. Description of the Subject Property

2.1. Land

Land		
Location and tract #	(Registered)	Nos. 239-1 and 3 other tracts, Mukaigawara, Koriyama-shi, Fukushima-ken (See Appendix 2: <i>Description of Land</i> for details.)
Use	(Registered / Actual)	Building Site / Building Site
Area	(Registered)	Total 1,901.94 sq m
Holder of the title	NEXIA Co.,Ltd. *NEXIA Co., Ltd is a group business of the client, NIRAKU Co., Ltd. (the same hereinafter)	

2.2. Building

Building	
Location	No. 240-1, Mukaigawara, Koriyama-shi, Fukushima-ken
Building number	No. 240-1
Structure	Wood frame structure, alloy plating steel sheet roof, 1 story
Floor area	Total 234.71 sq m
Holder of the title	NEXIA Co.,Ltd.

3. Basic Particulars of the Assignment

3.1. Basic Particulars of the Assignment

3.1.1. Subject property

The subject property is a 1-story rental retail building (Gusto Koriyama-Mukaigawara), located to the northeast of “Koriyama“ Station on the JR Tohoku Main Line.

3.1.2. Property Type and Interest

Type: Commercial Land - Property Held For Owner Occupation
Interest: Tenant-occupied Building and its Site

3.1.3. Value to be appraised

Market value

3.1.4. Date of Valuation

04 July 2019

3.1.5. Date of the Appraisal

30 September 2019 (being the effective date of the valuation)

3.1.6. Conditions of the Appraisal

3.1.6.1. Conditions for the subject identification

As is

3.1.6.2. Assumptions

None in particular

3.1.6.3. Conditions for scope of work

- Determinants of value subject to the coverage: Factors related to soil contamination, asbestos, PCBs, and border.
- Scope of work: Research to be limited to confirmation of existence of statutory regulations and its content.
- Handling of the scope of work upon appraisal: They will be excluded from determinants of value in the analysis.

Above conditions are judged not to damage the interests of those who refer to this appraisal as those who refer to this appraisal shall make judgements by their own as to whether or not those factors may influence value, based on the research, assessments, and results involving determinants of value by the clients etc.

3.1.6.4. Other

None in particular

3.2. Purpose of Request of Appraisal and Range of Report Users , etc

3.2.1. Purpose of Request of Appraisal

Reference for the sale of the subject property

3.2.2. Background for requesting the appraisal

The client is considering the sale of the subject property, and needs to assess the fair value of the subject property in the marketplace, which has resulted in its appraisal request.

3.2.3. Recipient of the Report other than the Client

None

3.2.4. Disclosure of Appraisal Value

None

3.2.5. Publication of Appraisal Value

Yes

3.2.6. Necessity of approval for expansion of report users after the issuance of the report

If the appraisal value is announced or disclosure is expanded after the report is issued, approval of the real estate appraiser responsible for this analysis and the company will be required with a written request of approval prior to such announcement or disclosure.

3.3. Relationships between the purpose and the conditions of the appraisal and value to be appraised and between the type of documents

The appraisal assignment, conducted for the purpose and under the conditions mentioned above, is intended to estimate the fair value of the subject property in the market. Therefore, the value to be appraised is "Market Value".

3.4. Interests Held by Appraisers and Appraisal Firms Involved

3.4.1. Interests in the subject property held by appraisers and appraisal firms involved

None

3.4.2. Relationships among the client, appraisers and appraisal firms involved

None

3.4.3. Relationships among the entities to which the report is submitted, appraisers and appraisal firms involved

None

3.5. Unknown factors regarding the appraisal assignment and research conducted

None in particular.

4. Identification of the subject property

4.1. Physical Identification

4.1.1. Site inspection

Date of site inspection: 04 July 2019

Appraisers who inspected the subject: Takatsugu Honma (Qualification: member of Japan Association of Real Estate Appraisers with over 2 of years' experience in valuation of commercial properties in Japan)

Accompanied by: Mr. Shudo Kanai, NIRAKU CORPORATION (Owner)

4.1.2. Data used for identification

Certificates of registration, Floor plan, Official lot map, Lease agreement, etc.

4.1.3. Areas inspected

Land: Entire site, boundaries, etc.

Building: Retail store areas

4.1.4. Reasons for the areas that could not be inspected and measures taken

The back of house areas etc., could not be inspected because they are currently occupied and tenants' consent could not be obtained. Since the specifications of these areas can be reasonably assumed based on the building plans, etc., it is judged not to affect the analysis.

4.1.5. Particulars verified

Location, Shape, Size, Boundaries, Occupancy, etc.

4.1.6. Confirmation and result of identification

It has been confirmed that the state of the subject property is generally as it appears in the data.

4.1.7. Quantities Adopted in the Valuation

Land : Registration

Building : Registration

Net Rentable Area : The lease agreement, provided

4.2. Identification of the Property Interest

4.2.1. Identification of Lease Agreement

The subject property is leased by a lessor NEXIA Co., Ltd, which owns the subject land and building, to an end-tenant, and lease agreement is in place.

Agreement	
Lessee	Skylark Co., Ltd.
Lease type	Building lease agreement
Purpose of use	Restaurant
Size of rent area	281.28 sq m
Lease tenure	For 15 years starting from 22 September 2002 * This lease tenure has been renewed under same condition as of the valuation date.
Rent	JPY 820,000 per month (JPY 9,637 per tsubo)
Deposit	JPY 5,000,000 (Approximately 6 months rent)
Special Agreement and others	<ul style="list-style-type: none"> ■ Other than the deposit, guarantee money of JPY 30,000,000 is deposited to the lessor, and the lessor is to reimburse the amount to the lessee every month in 180 equal instalments for 15 years. ■ Taxes and public dues on the subject property is to be borne by the lessor, whereas utility expenses (electricity, gas, water), town association fee, sanitation expenses, expenses that arises for community resident, and sales activity related membership fees etc., are to be borne by the lessee regardless of the name. ■ Repair and maintenance cost of the subject property is to be borne by the lessee. ■ Lessee may cancel the contract with 6-month prior notice, and with payment of amount equal to deposit/guarantee as penalty.

4.2.2. Data used for identification

The lease agreement provided

5. General Factors Analysis

5.1. Recent Economic Developments

According to the monthly report issued in June 2019 by the Cabinet Office, the Japanese economy is recovering at a moderate pace while weakness in exports and industrial production continues. Concerning short-term prospects, weakness remains for the time being, but the economy is expected to continue recovering, supported by the effects of the policies, while employment and income situation is improving. However, further attention should be given to the effects of situations over trade issues on the world economy, while the prospect of the Chinese economy, the uncertainty of situations and policies in overseas economies and the effects of fluctuations in the financial and capital markets also need attention.

The trends in the main economic indicators are as shown below.

5.1.1. GDP Trend

The nationwide real economic growth for 1Q 2019 announced by the Cabinet Office increased 0.5% q-o-q, or it grew by 2.1% on an annualized basis.

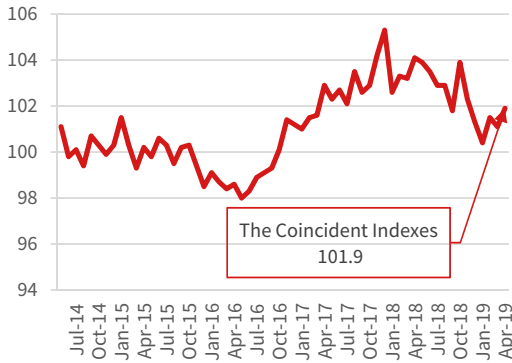


Source: Cabinet Office

5.1.2. Diffusion Index and Consumer Price Index

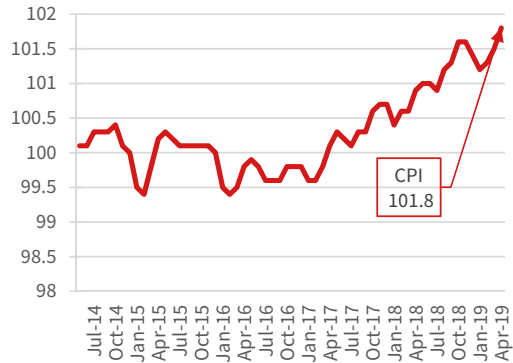
The Coincident Index of the business condition announced by the Cabinet Office for April 2019 recorded 101.9 (Y2015=100), showing +0.8 percentage points of change from the previous month. Nationwide CPI excluding fresh food for May 2019 recorded 101.8(Y2015=100). This equals to 0.8 % of increase year-on-year.

■ Diffusion Index (2015 = 100)



Source: Cabinet Office

■ Consumer Price Index (2015 = 100)



Source: Ministry of Internal Affairs and Communications

5.1.3. Stock Price Index and the Exchange Rate

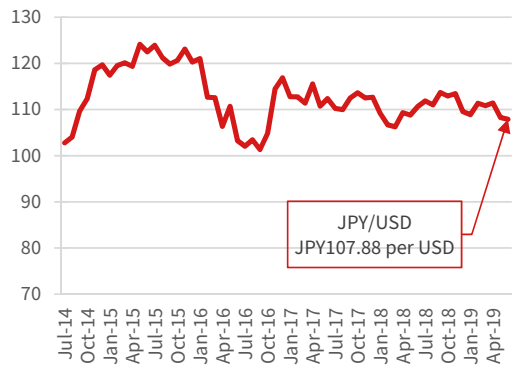
The Nikkei 225 average on the Tokyo Stock Exchange for June 2019 ended at JPY 21,275.92, showing +3.3% change m-on-m or -4.6% y-on-y. On the currency market, the exchange rate for the Japanese Yen versus the US dollar was JPY107.88 at the end of June 2019.

■ Nikkei 225 Average Stock Price



Source: Tokyo Stock Exchange

■ Exchange Rate (Tokyo Market)



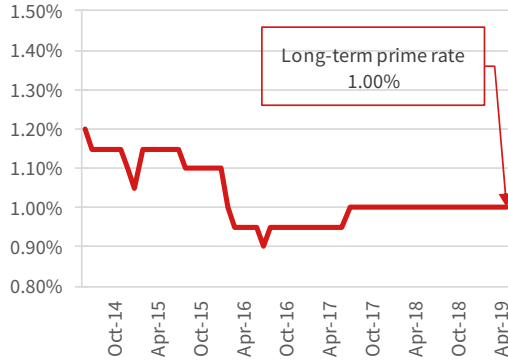
Source: Bank of Japan

5.1.4. Long-term Prime Rate and Short-term Prime Rate

Long-term prime rate as of May 2019 was 1.00 %, unchanged from the previous month.

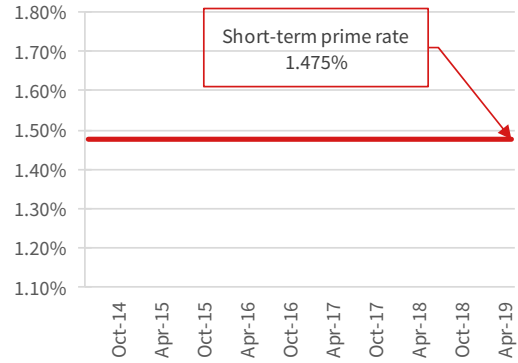
On the other hand, short-term prime rate as of May 2019 was 1.475 %, which also remained the same from the previous month.

■ Long-term Prime Rate



Source: Bank of Japan

■ Short-term Prime Rate



Source: Bank of Japan

5.2. Real Estate Market Trends

5.2.1. Land Price Trend as of January, 2019

The national average land price across sectors as of January 2019 increased for the fourth consecutive year and its pace of increase accelerated in the past three years. Looking at the trend by sector, the residential land price continuously increased for two years in a row, while the commercial land price also increased for the four consecutive years and the industrial land price rose for the three straight years. In the three major urban regions, all the sectors strengthened their pace of increase. Other than three major urban regions, both the land price across sectors and the residential land price in the non-urban regions increased for the first time in 27 years since 1992. In the non-urban regions, both the commercial and industrial land price rose for the second consecutive year with their pace of increase accelerated. The land price grew across sectors in four cities including Sapporo, Sendai, Hiroshima and Fukuoka, also showed stronger growth. Other than four cities above mentioned, the land price recovered in the non-urban regions as the commercial land price unchanged this year after declining over the years since 1993, while the industrial land price turned around and picked up for the first time in 27 years since 1992.

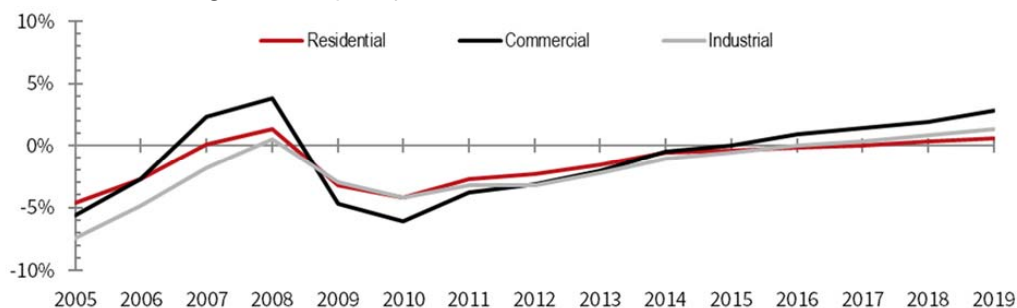
■ Residential land Price

The residential demand remained steady, particularly in the areas where the convenient public transportation and better living environment are available, underpinned by the ongoing low interest rate as well as the government aid for home buyers, while the improvement in the job market and the salary level sustained. The residential land price recovery accelerated across the nation with the annual growth at 0.6%, which was the second consecutive year of increase, also its pace was strengthened from the previous year.

■ Commercial land Price

Office vacancy generally continued declining with increasing rent, due to the office expansion and relocation for the improvement of office environment complying with the government's work-style reforms, while we saw the improvement of the corporate performance backed by the economic recovery. Thanks to increasing foreign and local visitors as well as the improving public transport and vibrancy due to the infrastructure improvement and proceeding redevelopment projects, the demand for retail store and hotel new openings remained strong in the center of major cities. In addition to the rising profitability as a commercial land, preferable financing condition backed by the easy monetary policy encouraged corporates to invest in real estate. Hence the commercial land price continued steady across the nation with average annual growth at 2.8%. This was the fourth consecutive year of increase and its pace of increase accelerated for the three straight years.

■ Land Price Change across Japan by Sector (nationwide)



■ Land Price Change by Sector (As of January, 2019)

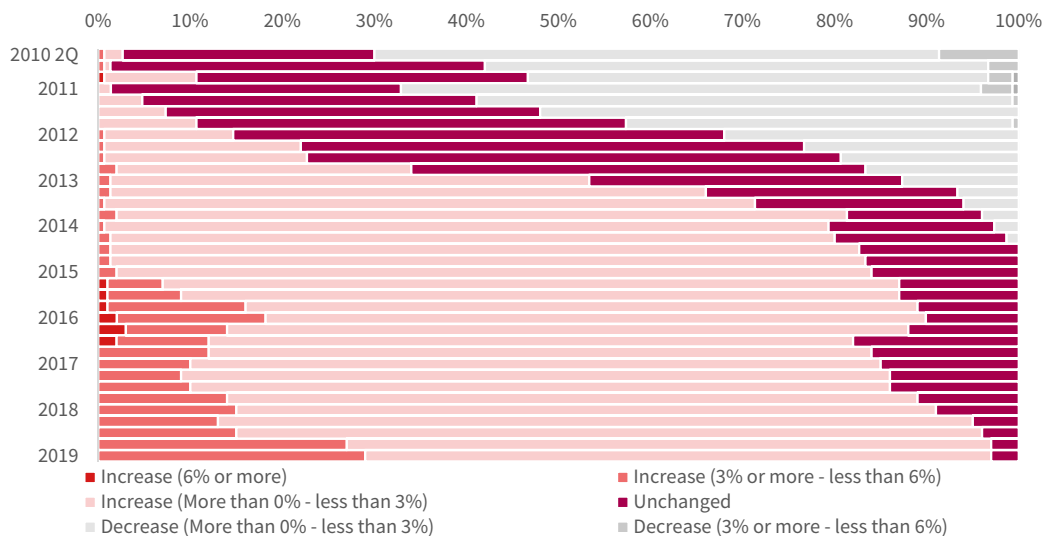
	Residential		Commercial		Industrial	
Nationwide	0.6%	(0.3%↑)	2.8%	(0.9%↑)	1.3%	(0.5%↑)
Greater Tokyo	1.3%	(0.3%↑)	4.7%	(1.0%↑)	2.4%	(0.1%↑)
Greater Osaka	0.3%	(0.2%↑)	6.4%	(1.7%↑)	2.0%	(0.7%↑)
Greater Nagoya	1.2%	(0.4%↑)	4.7%	(1.4%↑)	0.6%	(0.4%↑)
Other Regions	0.2%	(0.3%↑)	1.0%	(0.5%↑)	0.8%	(0.6%↑)

Source: Ministry of Land, Infrastructure, Transport and Tourism

5.2.2. Intensively Used Land Price Trends

The Ministry of Land, Infrastructure, Transport and Tourism issues the Land Value LOOK Report, which tracks the trend of the value of intensively used land in major cities of Japan every quarter, covering 43 areas in the Greater Tokyo, 25 areas in the Greater Osaka, 9 areas in the Greater Nagoya and 23 areas in the major regional cities, a total of 100 areas.

According to the report in Q1 2019, the number of areas where the land value increased was 97 (97 in Q1 2018), unchanged was 3 (3 in Q1), and declined was 0 (0 in Q1).

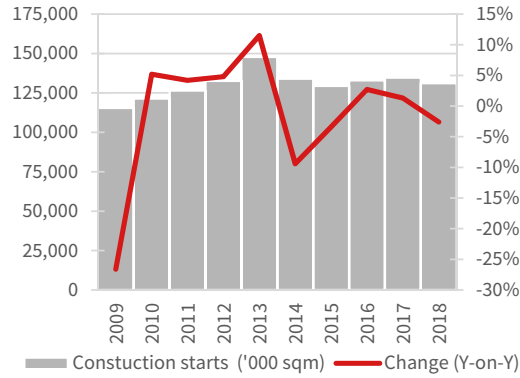


Source: the Ministry of Land, Infrastructure, Transport and Tourism

5.2.3. Building Start and Construction Cost Deflator

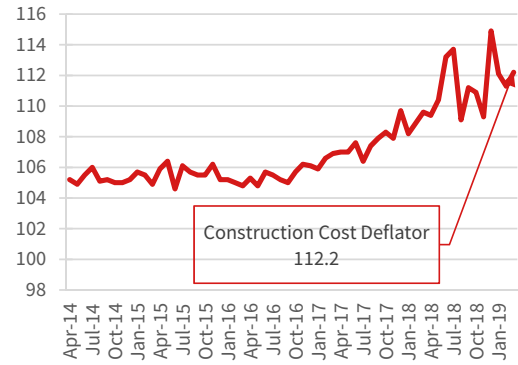
According to the Ministry of Land, Infrastructure, Transport and Tourism, the nationwide construction starts in 2018 was 131,149,000 sq m (2.6% decrease y-on-y). On the other hand, the construction cost deflator in March 2019 was 112.2 (Y2011=100), which indicated +2.4% points y-on-y.

■ Building Start Trend



Source: the Ministry of Land, Infrastructure, Transport and Tourism

■ Construction Cost Deflator



Source: the Ministry of Land, Infrastructure, Transport and Tourism

6. Area / Neighborhood Analysis

6.1. Area Summary

6.1.1. Description of Koriyama-shi, Fukushima-ken

Koriyama-shi is located in the center of Nakadori of Fukushima-ken, and is designated as a core city. The city is extended from east to west of Ou Mountains, with its west side located on the south bank of Lake Inawashiro which is located to the Sea of Japan side, and its east side reaches Abukuma upland.

Downtown area is situated in between Utsunomiya-shi of Tochigi-ken and Sendai-shi of Miyagi-ken, and is connected to both cities by Tohoku Shinkansen, Tohoku Main Line, Tohoku expressway, and National Road Route 4. Further, the city has access to Aizuwakamatsu-shi and Niigata-shi in the west and Iwaki-shi in the east by Banetsu expressway, Banetsu-saisen (west line), Banetsu-tosen (east line) and National Road Route 49. Located at the cross road of transportation in east Japan, the city developed as a hub of economy, inland industry, logistics and transportation. Koriyama urban area is being formed with its second largest population and economy in the Tohoku area.

Given such characteristics of being a hub, the city also functions as an information distributing center of Fukushima-ken and is referred to as “mercantile city” and “economic prefectural capital”.

Koriyama station serving as a junction station, both people and goods gathered and as a result, Koriyama-shi became the largest city of Fukushima-ken with the introduction of municipal system in Taisho era. During the postwar rapid economic growth period, many companies from Keihin industrial zone moved into the area and ties with Kanto area was strengthened.

■ Population

	2015	2016	2017	2018	2019
Koriyama-shi	329,122	325,826	335,413	334,295	332,737
Fukushima-ken	1,935,142	1,911,933	1,896,758	1,877,876	1,859,220

■ Number of households

	2015	2016	2017	2018	2019
Koriyama-shi	135,416	138,678	140,101	140,891	141,719
Fukushima-ken	729,671	738,755	743,730	746,003	749,144

Source : Dated January 1/ Statistics Division, Bureau of Planning and Coordination of Fukushima-ken

6.2. Market Characteristic of Subject Property

6.2.1. Market area

The market area for the purchase and sale market is broadly defined to be commercial areas in prefectural capitals and core cities in each local region, with highly competitive substitution in commercial areas in Koriyama-shi.

The market area for the rental market is defined in the same way as in the purchase and sale market.

6.2.2. Market participants

■ Purchase and sale market

(Buyer's attribute and behaviour)

International/domestic public/private funding sources, institutional investors such as life insurance companies, and major real estate companies operating commercial facilities, business companies and private investors are the prospective buyers. Main buyers tend to make investment decisions based on the current NOI, projections of income and expenses, the rate of return, marketability, and the costs for funding. Real estate companies operating commercial facilities as well as developers and construction companies considering purchase of existing buildings for redevelopment are also prospective buyers and they tend to make investment decisions based on the current NOI, projections of income and expenses, the rate of return, marketability, costs for funding and profitability of investment on redevelopment project.

(Marker trend)

Although the steadiness of the real estate market has not largely changed due to the impact provided by the negative interest rate policy, etc., the preferred selling prices still remain very high. Selling prices of properties with prime locations in the suburban cities tend to show an increase and interest rates are on a declining trend. Against this backdrop, some of those on the demand side are displaying a cautious attitude.

■ Rental market

(Tenant's attribute and behaviour)

On the demand side are companies considering opening new stores in the subject area as the end-tenants. Main tenants tend to select properties based on the conditions of the site and the situation of competing properties, taking into consideration their rent affordability.

(Market trend)

In both the Greater Tokyo area and regional areas there is a steady demand for commercial facilities with prime locations and competitive advantages, and their rents are stable.

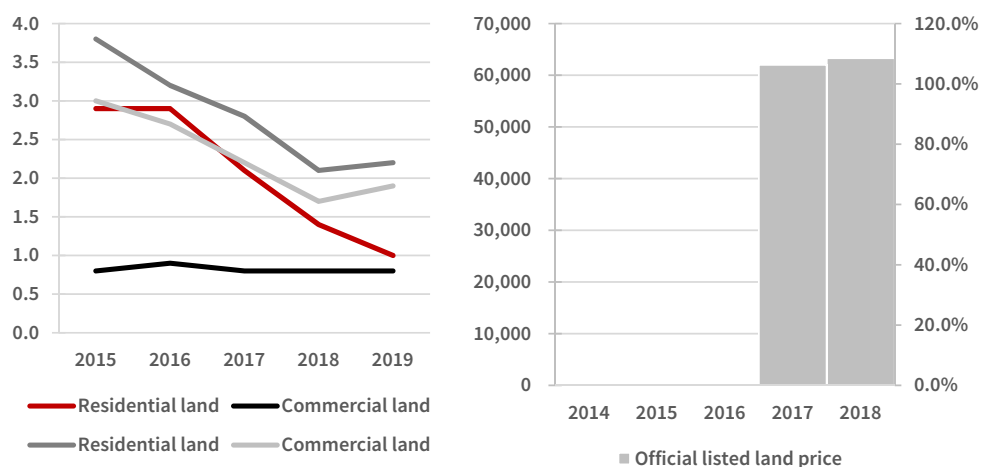
On the other hand, both asking rents and contract rents are declining for commercial facilities that are less competitive; and their vacancy rates are remaining at a high level.

6.2.3. Land Price Trends in the Market Area

The latest figure of residential properties in Fukushima-ken in 2019 increased by 1.0% year-on-year, and that of commercial properties increased by 0.8% year-on-year. Latest figure of residential properties in Koriyama-shi in 2019 increased by 2.2% year-on-year and that of commercial properties increased by 1.9% year-on-year.

In addition, the latest figure of Prefectural land price survey point “Pre. Koriyama 5-4” in similar areas, showed an increase of 2.1% year-on-year in 2018.

The Prefectural land price survey point had been renewed to the above point in 2017.



	Fukushima-ken (Change, YoY)		Koriyama-shi (Change, YoY)		Prefectural land price survey point “Pre. Koriyama 5-4”	
	Residential land	Commercial land	Residential land	Commercial land	Value(JPY)	Change
2019	+1.0	+0.8	+2.2	+1.9	-	-
2018	+1.4	+0.8	+2.1	+1.7	63,300	+2.1
2017	+2.1	+0.8	+2.8	+2.2	62,000	-
2016	+2.9	+0.9	+3.2	+2.7	-	-
2015	+2.9	+0.8	+3.8	+3.0	-	-

Source: Ministry of Land, Infrastructure, Transport and Tourism

6.3. Neighborhood

Neighborhood	
Boundaries	An area approximately 50m west of the subject property alongside an arterial road which the subject property has frontage on its north side.
Characteristics	Roadside commercial area with heavy traffic where retail stores are located.
Frontage	Approximately 25m-wide public road with sidewalks on both sides
Transportation access	Approximately 1,000m northeast of “Koriyama“ Station on the JR Tohoku Main Line.
Environment	<p>Topography : Almost flat</p> <p>Water supply : Public system available</p> <p>Sewerage : Public sewage available</p> <p>Gas : None</p> <p>Hazardous/aversive facility : None in particular</p>
Administrative factors	<p>City Planning Area</p> <p>Urbanization Promotion Area</p> <p>Zoning : Industrial Area</p> <p>Designated building cover ratio (“BCR”) : 60%</p> <p>Designated floor area ratio (“FAR”) : 200%</p> <p>Fireproof / Quasi-fireproof Area : Quasi-fireproof Area</p> <p>Other restrictions : None in particular</p>
Future outlook	Nothing identified that would affect the composition of the neighborhood, and the neighborhood’s character is expected to remain as is.
Standard use	Judged to be a site for a low-rise retail store based on characteristics and future projection of the neighborhood.
Standard lot	An inside lot with shape of rectangle and size of approximately 500 sq. m

7. Analysis of the Subject Property

7.1. Land Description

Land Description	
Current Use	Subject property is used as a low-rise retail building
Frontage	3-Street lot North : Approximately 25m Public road (Article 42-1-1) South : Approximately 9m Public road (Article 42-1-1) East : Approximately 25m Public road (Article 42-1-1)
Transportation access	Approximately 1,000m northeast of “Koriyama“ Station on the JR Tohoku Main Line.
Environment	Similar to the standard lot in the neighborhood.
Administrative factor	Designated BCR (70.00%, Corner alleviation) , Designated FAR (200.00%) Similar to the standard lot in the neighborhood in other aspects.
Site	Area (Registered) Total 1,901.94 sq m Frontage : Approximately 45m Depth : Approximately 35m Shape : Almost trapezoid Topography : Almost flat Site level : Height difference of approximately 1.5m in the north side and east side, and approximately 1m difference in the south side.(Subject property is high.)
Buried cultural treasures	:Designated. The subject area falls under a remain, “Mukaigawara Iseki”. However, according to the hearing conducted with the department in charge, test excavation was conducted in 1996 at Koriyama city’s cost. Therefore, we have judged that the probability of further excavation being conducted is low. Therefore, we have concluded that this factor does not influence determinants of value in this analysis.
Soil contamination	Whether the property is designated as an area requiring measures under Act for Controlling Soil Contamination or as an area requiring notification upon changing its character. : Not designated However, according to the material provided by the client, “Result of soil investigation conducted upon building a new store, Rakuza Rakuichi Koriyama Bijutsukan-dori ten (dated October 2001)” prepared by Sinkyo-tisui, Company, it is stated that “out of substances detected during the soil testing, detected amounts of each of the substance except for fluorine were all either within or slightly above environmental quality standards. As for fluorine, it was detected in all areas of testing and its detected amounts exceeded environmental quality standard. Although the detected substance was a sort that could also exist in the natural world, in this case, it needs to be noted that factories handling chemical substances existed in the neighbourhood of the subject area of investigation in the past and continue to exist, and that the subject area of investigation itself had been used as chemical factory in the past. Further, according to the existing data, lead, mercury, and their chemical compounds had been detected from the soils of the neighbourhood with amounts exceeding quality standard. Based on these facts, it had been assumed that contaminated substances could be detected from the area through the investigation. As suspected, fluorine and

Land Description	
	<p>lead, the heavy metal, were detected with amount above environmental standard.”</p> <p>As per mentioned in the conditions for scope of work, this factor is eliminated from determinants of values in this analysis.</p> <p>The above conclusion only indicates the existence/non-existence of signs of soil contamination that are found within the scope of our normal research, and it does not prove that there is no risk of soil contamination.</p>
Subsoil objects	<p>Based on the appraiser’s original research conducted which include objective information, hearings and appearance inspection at the site, it is assumed that there exist no subsoil objects. Therefore, this factor is excluded from determinants of value in the analysis.</p> <p>The above conclusion only indicates the existence/non-existence of signs of subsoil objects that are found within the scope of our normal research, and it does not prove that there is no risk of subsoil objects.</p>
Borders	<p>According to the hearing with the department in charge, borders of the subject property are confirmed.</p> <p>Further, based on the site inspection and hearings conducted, three sides of the subject property are surrounded by public roads and water channels. Adjacent areas are owned by the same owner, and therefore there are no boarder disputes. No serious crossing of boarders that may impact on its value has been admitted as far as the site inspection.</p> <p>However, as per mentioned in the conditions for scope of work, this factor is eliminated from determinants of values in this analysis.</p> <p>Further, the above conclusion only indicates the existence/non-existence of signs of the crossing of borders that are found within the scope of our normal research, and it does not prove that there is no risk.</p>
Other	None

7.2. Building Description

Building Description				
Date of construction	5 September 2002 (Registered) , 17-year-old			
Structure	Wood framed structure			
Stories	1 story			
Use	Retail store			
Floor area	Floor	GFA *1	NRA *2	Main use
	1F	234.71 sq m	281.28 sq m	Retail
	Total	234.71 sq m	281.28 sq m	
	*1: GFA is based on the Registration. *2: NRA is based on the lease agreement provided.			
Building plan and design plan, etc.	Details are shown in the attachment Building Plan.			
Designer	Daiwa House Industry Co., Ltd. Fukushima-branch			
Contractor	Daiwa House Industry Co., Ltd. Fukushima-branch			
Grade	Standard			
Maintenance	The subject property is 17-year-old. There is ordinary wear and tear, but the maintenance is in good condition.			
Conformity with surrounding environment	The subject property is a low-rise rental retail building and matched the standard use in the neighborhood. Therefore, the subject building generally conforms to the surrounding environment.			
Hazardous materials	Judging from the hearing conducted, use of the building, its structure, and year of construction, it is judged that there is no serious issue in terms of use of Asbestos and PCBs. As per mentioned in the conditions for scope of work, this factor is eliminated from determinants of values in this analysis. The above conclusion only indicates the existence/non-existence of signs of hazardous substances that are found within the scope of our normal research, and it does not prove that there is no risk of hazardous substances.			
Seismic adequacy	Considering from the year of building construction, it is judged that the building was constructed conforming to the new seismic adequacy standard. Therefore, this factor is excluded from determinants of value in the analysis.			
Legal compliance	Building Permission Certificate : Confirmed Building Inspection Certificate : Basically confirmed As per above, building inspection certificate was confirmed. Together with the result of site inspection and research conducted by local administrations, it is considered that legal conformity is guaranteed. (Based on the original research by the appraiser)			
Other	None			

7.3. Building and its Site Description

Building and its Site Description																	
Balance between Building and its Site	<p>BCR: Effective 12.81% < Permitted 70.00% FAR: Effective 12.49% < Permitted 200.00%</p> <p>The subject building does not fully utilize its permitted FAR. Although many of the buildings in the surrounding are low-rise buildings, etc., the utilization rate of the subject property is far too low. Although the building is efficiently located within the site, efficiency of site use is not being maximized.</p>																
Leasing Status	<p>Subject property is a single tenant property and lease agreement is in place. Rent level etc., are judged to be almost in line with the market rent level. The details of the lessee, Skylark Co., Ltd are as follow; *The company name, Skylark Co., Ltd has been changed to Skylark Holdings Co., Ltd, in July 2018.</p> <table border="0"> <tr> <td style="padding-right: 20px;">Company Name</td> <td>Skylark Holdings Co., Ltd.</td> </tr> <tr> <td>Corporate headquarter</td> <td>1-25-8, Nishikubo, Musashino-shi, Tokyo (Mitaka-3rd-Office)</td> </tr> <tr> <td>Capital</td> <td>JPY 3,634,000,000</td> </tr> <tr> <td>Date founded</td> <td>4 April 1962</td> </tr> <tr> <td>Representative</td> <td>Tani Makoto, Representative director and chairman</td> </tr> <tr> <td>Number of employees</td> <td>Full-time employee 6,283 Crew 104,165 (As of 31 December 2018)</td> </tr> <tr> <td>Main business</td> <td>Food service business, and other related businesses</td> </tr> <tr> <td>Number of stores</td> <td>3,167 (Domestic group) (As of 30 June 2019)</td> </tr> </table>	Company Name	Skylark Holdings Co., Ltd.	Corporate headquarter	1-25-8, Nishikubo, Musashino-shi, Tokyo (Mitaka-3 rd -Office)	Capital	JPY 3,634,000,000	Date founded	4 April 1962	Representative	Tani Makoto, Representative director and chairman	Number of employees	Full-time employee 6,283 Crew 104,165 (As of 31 December 2018)	Main business	Food service business, and other related businesses	Number of stores	3,167 (Domestic group) (As of 30 June 2019)
Company Name	Skylark Holdings Co., Ltd.																
Corporate headquarter	1-25-8, Nishikubo, Musashino-shi, Tokyo (Mitaka-3 rd -Office)																
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Date founded	4 April 1962																
Representative	Tani Makoto, Representative director and chairman																
Number of employees	Full-time employee 6,283 Crew 104,165 (As of 31 December 2018)																
Main business	Food service business, and other related businesses																
Number of stores	3,167 (Domestic group) (As of 30 June 2019)																
Competitiveness of the Subject Property	<p>The nearest station is “Koriyama” Station on the JR Tohoku Main Line. The subject property is located at an approximately 13-minute walk from this station. It is located close to a crossing of arterial roads with heavy traffic. Location-wise, and its visibility and ability to pull in customers are high. The site is a 3-street lot, larger than the standard lot.</p> <p>Based on the above, the competitiveness of the subject property in terms of location/site is average.</p> <p>The building analysis is as mentioned in the earlier section. The subject property is a low-rise rental retail store. Its maintenance is up to date and enough parking spaces are secured to cover the needs of the building of its size. Further, the building covers necessary functions required by prospective tenants. However, its utilization of permitted FAR is extremely low while certain level of intensive use is deemed reasonable for the property considering its high potential in terms of location, although it is in the roadside commercial area. Therefore, question remains as to whether the subject property is fully leveraging on its scarcity value.</p> <p>Based on the above, the competitiveness of the subject in terms of building features is average.</p>																

The subject property is used entirely as a family restaurant. Its tenant is Skylark holdings Co., Ltd. Rent of the store is in a reasonable level in comparison with standard market rent. Skylark holdings Co., Ltd is a company listed on the first section of the Tokyo Stock Exchange, and has tenant credibility.

Based on the above, the competitiveness of the subject property in terms of contract and tenant is slightly superior.

Both land and building are owned by the same entity, and there is no factor which inhibits marketability and competitiveness of the subject.

Taking into account all of the above, we have concluded that the competitiveness of the subject property is judged to be slightly superior.

7.4. Highest and Best Use as Improved

Highest and Best Use as Improved	
Highest and Best Use as Vacant Land	<p>Considering the characteristics of neighbourhood and the subject property and the future forecast, the highest and best use as vacant land is judged as below.</p> <p>Site for low-rise retail store</p>
Highest and Best Use as Improved	<p>Although the subject property matches the environment, the subject building does not conform to the site. However, its current use is the highest and best use as improved, and the level of non-conformity in terms of highest and best use of the land is limited.</p> <p>Therefore, the highest and best use as improved is judged as below.</p> <p>Continuing use as a low-rise rental retail store</p>

8. Application of Valuation Approaches

8.1. General Directions

The subject property is identified as a Tenant-occupied Building and its Site, and the cost approach and income approach are applied to conclude value. In addition, the sales comparison approach for building and its site as a whole is not applicable due to lack of sufficient sales comparables.

8.2. Cost Approach

The cost approach value is determined by deducting the necessary depreciation from the replacement cost at the date of valuation.

The process of estimation is shown in Appendix 4: *Cost Approach Value Estimate Table*.

8.2.1. Replacement Cost

The replacement cost of the site and the building are estimated, to which the incidental expense is added to assess the subject's replacement cost.

8.2.1.1. Land (Vacant Land)

The vacant land value is estimated by applying the sales comparison approach, with reference to the benchmark value. The process of the estimation is shown in Appendix 5: *Land Value Estimate Table*.

Sales comparison approach value and Benchmark value	
Sales comparison approach value of the standard lot	JPY 85,400 per sq. m
Benchmark value	JPY 67,300 per sq. m

(Benchmarked to Prefectural land price survey point : Pre. Koriyama 5-4)

In this analysis, the standard value of the standard lot has been estimated at JPY 85,400 per sq. m, putting emphasis on the sales comparison approach value which reflects the actual state of the market, although there is a difference between the sales comparison approach value and the benchmark value.

The value of the subject land is assessed by multiplying the amount of land areas by the unit value which is estimated by adjusting for the attributes of the subject site. The basis for adjustment for the subject's attributes is as follows.

Item	Adjustment	Basis for adjustment
Large Size	- 10%	Judging by the relation between unit price and total value
3-Street Lot	+ 5%	Based on an increase in efficiency of use
Difference in Height	- 2%	Based on a decrease in efficiency of use
Multiple	93%	

8.2.1.2. Building

We have estimated the value of the building by comparing with construction costs of similar buildings. As for structures, estimated the value by comparing with acquisition value of similar buildings.

8.2.1.3. Incidental Expenses

Incidental expenses are estimated by considering the following:

- Direct cost related to land such as acquisition fee, a development application fee and property tax, etc.
- Direct cost to building such as design/ supervision fee, building certificate application fee and registration fee, etc.
- Cost to building and its site such as financing cost and the equivalent amount of development risk, etc.

8.2.2. Depreciation

8.2.2.1. Depreciation for Land

No depreciation is deducted for land.

8.2.2.2. Depreciation for Building

The depreciation value of the building etc.,(building and structures) is assessed by applying both useful life depreciation and observation depreciation.

As for useful life depreciation, we classify the components of the building into the building frame, the finishing and the installation, then assesses each depreciation rate considering age and remained economic useful life. Residual rate at the end of useful life is estimated at 0%. As for observation depreciation, we conclude that there is no adjustment considering physical depreciation confirmed upon site inspection and competitiveness of the subject property in the market..

8.2.2.3. Depreciation for Incidental Expense

Estimated the depreciation rate to be 100% as a result of assessing depreciation value of incidental expenses.

8.2.2.4. Depreciation as Improved

Estimated the depreciation rate as a whole, understanding the subject property's level of divergence in terms of the highest and best use.

8.2.3. Cost Approach Value

Deducting the depreciation from the replacement cost assessed as above, we have estimated the cost approach value of the subject property as follows.

Replacement Cost		Depreciation		Cost Approach Value
JPY 220,011,640	–	JPY 84,929,329	≒	JPY 135,000,000

Cost Approach Value	JPY 135,000,000	
Land	JPY 120,800,000	(89%)
Building	JPY 12,900,000	(10%)
Structure	JPY 1,300,000	(1%)

■ The values of the land and the building etc., shown above, were obtained through allocating cost approach value based on the ratio of land value / building value etc., before depreciation as a whole.

8.3. Income Approach

The value estimate (income value) is derived by calculating the total sum of the present value for the expected future net cash flow for the subject property. The income approach value is estimated using the direct capitalization and DCF method.

The direct capitalization method derives a net cash flow (“NCF”) of a single year, and capitalizes this with a capitalization rate to estimate value.

The DCF method aggregates a NCF of each year for multiple consecutive terms and reversionary value discounted to present value depending on their timing. Materials provided by representative of the client which have been used in the income approach are shown below:

Title	Name in the Report	Date of issue, etc.
Property Tax/City Planning Tax Rolls	Property tax amounts	2019

8.3.1. Subject's New Market Rent

Before application of the income approach, the subject's new market rent is assessed. This affects cash flow forecasts in the DCF method, and the NCF for a single year, discount rate, capitalization rate, terminal capitalization rate, etc. in the direct capitalization method.

8.3.1.1. Rent Comparables

The contract/asking rents for competing properties in the surrounding area are as follows (including partial estimates). It was challenging to gather samples of suburban retail stores that would serve as suitable comparables. Unit price of rent has been assessed by referring to below comparables, especially paying attention to the size of buildings in comparison to the size of lands.

#	Signed/ Asking	Location	Nearest Station	Completed	GFA *1	Stories *2	Contract area *3	Unit Rent (Y/Tb)	Deposit/ Key Money (months)
Subject	-	Mukaigawara, Koriyama-shi, Fukushima-ken	JR Tohoku Main Line "Koriyama" Station (13min)	Sep-02	D	C	B	-	-
1	2019 1Q	2-chome,Asahi, Koriyama-shi, Fukushima-ken	JR Tohoku Main Line "Koriyama" Station (38min)	Mar-86	NA	C	C	12,200	3 / 0
2	2019 2Q	1-chome,Asakakitai, Koriyama- shi, Fukushima-ken	JR Tohoku Main Line "Asakanagamori" Station (39min)	Sep-04	NA	C	B	8,500	5 / 1
3	Asking	1-chome,Ekimae, Koriyama-shi, Fukushima-ken	JR Tohoku Main Line "Koriyama" Station (4min)	Oct-02	NA	C	B	11,100	3 / 0
4	Asking	2-chome,Yokozuka, Koriyama- shi, Fukushima-ken	JR Tohoku Main Line "Koriyama" Station (19min)	Dec-11	NA	C	B	10,300	3 / 1

*1 S : Over 1,000 Tb, A : 500 — 1,000 Tb, B : 300 — 500 Tb, C : 100 — 300 Tb, D : 100 Tb or less

*2 A : 3F or higher, B : 2F, C : 1F, D : B1F or below

*3 S : Over 500 Tb, A : 100 — 500 Tb, B : 30 — 100 Tb, C : 30 Tb or less

8.3.1.2. Subject's New Market Rent

Based on the above comparables, the actual contract and asking rents of the subject property, and interviews with real estate brokers, we have estimated the medium- to long-term average stabilized rent (including CAM) of the subject property as below, paying special attention to the sizes etc., of building against the size of lands. Deposits (refundable one-off payments) and key money (one-off payment regarded as advance payment of rent) are also estimated based on similar considerations.

#	Use	New Rent	Of which CAM	Deposit	Key money (Amortization)
1	New market rent for the subject property (Retail)	JPY 9,637 per Tb	JPY 0 per Tb	6 months	0 month

8.3.2. Forecast of Inflation

Along with the new market rent, we make projections of cash flow in the DCF method, and changes in prices which affect the NCF for a single year in the direct capitalization method, discount rate, capitalization rate, terminal capitalization rate, etc.

In calculating an estimate of the projected changes in prices, we account for future forecasts for GDP growth, GDP deflators and rent index trends, as well as historical rent indexes to arrive at the following estimates.

Forecast of Inflation	
Short-term forecast (1 - 3 years)	± 0.0%
Mid-term forecast (4 - 10 years)	± 0.0%
Long-term forecast (after 11years)	± 0.0%

8.3.3. Rates and Yields

8.3.3.1. Capitalization Rate

The capitalization rate used in the direct capitalization method and the discount rate, the terminal capitalization rate used in the DCF method have been estimated as below.

In this analysis, the capitalization rate of the subject property was assessed as follow by referring to below listed actual transactions. Potential of the market area of the subject property, competitiveness in terms of location/site conditions, building specification, rent type, contract condition, quality of tenant, and property interest etc., as well as forecast of variation of net operating income was taken into consideration.

*JPY M

#	Signed/ Asking	Address	Completion	GFA (sq m)	NRA (sq m)	Transaction Price*	Per sqm*	Purchaser	NOI Cap Rate	NCF Cap Rate
1	Oct-17	Aoba-ku, Sendai-shi, Miyagi-ken	Mar-98	73,187	737	333	451,956.0	J-REIT	5.5%	4.7%
2	Apr-19	Izumi-ku, Sendai-shi, Miyagi-ken	Oct-95	43,344	46,249	9,920	214,491.0	NA	6.6%	6.3%
3	Jun-18	Kashimamachi, Kamimashiki gun, Kumamoto-ken	Sep-05	92,869	101,132	14,500	143,376.0	TMK	5.4%	5.2%
4	Feb-18	Ichiriyama, Ootsu-shi, Shiga-ken	Oct-08	62,918	62,918	8,100	128,740.0	J-REIT	6.2%	5.8%
5	Jan-16	Showa-cho, Nakakoma- gun, Yamanasiken	Mar-11	66,418	66,418	8,389	126,306.0	J-REIT	6.3%	6.0%
6	Jan-18	Chuo-ku, Kumamoto-shi, Kumamoto-ken	Oct-08	18,083	11,158	2,120	190,003.0	J-REIT	6.8%	6.3%
7	Jan-18	Barajima, Akita-shi, Akita- ken	Apr-94	NA	8,416	840	99,809.0	J-REIT	6.7%	6.7%

Capitalization Rate

6.0%

8.3.3.2. Discount Rate

It is difficult to obtain third party market data with regard to discount rate. For the purpose of valuation we adopt the following three methodologies to determine the discount rate for the subject property.

8.3.3.2.1. Adding Risk Premiums to the Base Rate

This methodology applies various influential factors specific to the subject property, such as investment risks including illiquidity, management issues and its level of security as an asset, to interest rates of several financial assets such as government bonds in order to make appropriate adjustments. The quantity of risk caused by those factors varies depending on characteristic of property such as location, building age, specifications, property use, type of ownership, term of building lease, etc. We estimated respective risk premium to be added to the base rate (discount rate of typical A-class office building in Tokyo CBD calculated by adding risk premium of real estate investment to interest rate for risk-free government bond) caused by differences in those characteristic of the subject property and summed them up to arrive at the discount rate to be applied to the subject property as follows:

Item	Rate	Reference
Base rate	2.1%	-
Use	1.2%	Suburban Retail
Location	2.3%	Mukaigawara, Koriyama-shi, Fukushima-ken
Building age	0.2%	Approximately 17 years old
Specification	0.0%	Matches market demand
Size of exclusive area	0.0%	Matches market demand
Leases	0.0%	No issues
Rights	0.0%	Fee simple
Other	0.0%	No issues
Total	5.8%	

8.3.3.2.2. Band of Investment Method

This method derives the discount rate by calculating the weighted average of the financing components for the investments, debt and equity, with the discount rate for each factor. This report estimates the debt yield, loan-to-value (LTV), and internal rate of return (IRR) for the subject property and similar properties based on interviews with investors as the market participants, and derived the discount rate as shown below.

$$\begin{array}{rcccccc}
 \text{Debt yield} & & \text{LTV} & & \text{IRR} & & (1 - \text{LTV}) & & \text{Discount rate} \\
 1.5\% & & \times 60\% & + & 11.0\% \sim 13.0\% & \times & 40\% & \doteq & 5.3\% \sim 6.1\%
 \end{array}$$

8.3.3.2.3. Extracting Yield Rate from Capitalization Rate

This method derives the discount rate from the capitalization rate estimated as above, adjusting not only for projected NCF change in DCF analysis but also for factors that affect the NCF used in the direct capitalization method.

Factors	Impact on NCF
Expected change in NCF	±0.0%
Spread between NCF in direct capitalization and NCF in DCF analysis	-0.2%
Total	-0.2%

$$R \text{ (Capitalization rate)} \quad g \text{ (Growth rate)} \quad Y \text{ (Discount rate)}$$

$$6.0\% \quad + \quad (-0.2\%) \quad = \quad 5.8\%$$

8.3.3.2.4. Discount Rate

The discount rate determined by the methodologies above all includes various issues to be concerned. However, the approach takes property-specific factors into consideration and is reflective of the expected return of the market surrounding the subject property. We have made a comparison of the three discount rates obtained from three methodologies and conclude the discount rate to be adopted for the discounted cash flow method as follows.

Discount Rate	5.8%
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8.3.3.3. Terminal Capitalization Rate

The terminal capitalization rate is the capitalization rate at maturity of the holding period (the end of year 10), and is estimated as below by combining the capitalization rate as at the date of valuation, term risk (change in the neighborhood and building age), spread between the NCF applied in the direct capitalization method and that of year 11, and expected change in NCFs after the maturity of the holding period.

Terminal Capitalization Rate	6.1%
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8.3.4. Direct Capitalization Method

8.3.4.1. NCF

The NCF is estimated by deducting total expenses from the gross income. The process of estimation is shown in Appendix 6 : *NCF Estimate Table and Forecast Variables* and Appendix 7: *Direct Capitalization Estimate Table*.

The assumptions regarding this estimate are as follows:

- The stabilized NCF, which focuses on the mid-/long-term profitability of the subject property, is applied in this analysis;
- The spread between the projected change in NCF of the DCF method and the NCF applied in the direct capitalization method is incorporated in the capitalization rate;
- The tenant turnover is estimated at retail: 10 years based on the past performance of the subject property and similar properties;
- As stated in the forecast inflation section, the expected change in prices is assumed to be $\pm 0.0\%$.

8.3.4.2. Capitalization Rate

As stated in the capitalization rate section earlier in the report.

8.3.4.3. Direct Capitalization Value

By applying the above capitalization rate to the net cash flow, we have estimated the direct capitalization value as follows.

NCF	Capitalization Rate	Emergency Repair Cost	Direct Capitalization Value
JPY 8,136,962	÷ 6.0%	− JPY 0	≒ JPY 136,000,000

**Direct Capitalization Value
(Per net rentable area)**

**JPY 136,000,000
(JPY 484,000 per sq m)**

8.3.5. DCF METHOD

The DCF Method discounts anticipated future net cash flow and a reversionary value to a present value at a chosen yield and add them up to estimate a value indication.

Please refer to Appendix 6 : *NCF Estimate Table and Forecast Variables*, Appendix 8: *DCF Method Estimate Table* and Appendix 9: *DCF Method Cash Flow Table* for details.

The assumptions regarding the estimates are as follows:

- The analysis period is set at 10 years based on the typical holding period for real estate investors;
- The tenant turnover is estimated as in the direct capitalization method;
- We assume the NCF will stabilize at the end of projection period in line with tenant turnover
- As stated in the forecast inflation section, the expected change in prices is assumed at $\pm 0.0\%$;
- Cost of sales is estimated at 2% of selling price.

8.3.5.1. Sum of Present Value of NCF for the Holding Period

Please refer to Appendix 6 : *NCF Estimate Table and Forecast Variables*

8.3.5.2. Present Value of Net Terminal Value

NCF in year 11 is capitalized with the terminal capitalization rate from which cost of sale is deducted, which is then multiplied with a present value factor to estimate the present value of net sales proceeds.

8.3.5.3. DCF Value

Based on above analysis, we have estimated the DCF value as below.

Sum of present value of NCF for the holding period	Present value of net terminal value	Emergency Repair Cost	DCF Value
JPY 60,133,615	+ JPY 74,382,501	- JPY 0	≐ JPY 135,000,000

**DCF Value
(Per net rentable area)**

**JPY 135,000,000
(JPY 480,000 per sq m)**

8.3.1. Income Approach Value

Direct capitalization value	JPY 136,000,000
DCF Value	JPY 135,000,000

Two value estimates are derived as above.

The value estimate using the direct capitalization method capitalizes a single-year NCF by the capitalization rate. It is a simple method as the only variables are the single-year NOI and capitalization rate, but on the other hand, it is difficult to reflect the discrepancies in the single-year NCF and the factors which underlie changes in expected NCF. In the analysis, expected changes in NCF and future risks in relation to the single-year NCF adopted are incorporated in the capitalization rate.

The value estimate using the DCF method is value based on explicit future scenarios regarding changes in cash flow and exit, and therefore relies on the accuracy of such predictions and their effects on future cash flow.

In the analysis, projectable change in NCF has been appropriately reflected in the cash flow.

Based on the above, the income approach value using the DCF method is judged to be more convincing. Therefore, we have concluded that the DCF value should be preferred and estimated the income approach value as follows.

Income Approach Value (Per net rentable area)	JPY 135,000,000 (JPY 480,000 per sq m)
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9. Reconciliation and Conclusion of value

9.1. Reconsideration of the Value Estimates

The value estimates shown below have been obtained, and the values are reconsidered to determine our confidence and conclude valuation.

Cost Approach Value	JPY 135,000,000
Income Approach Value	JPY 135,000,000

The cost approach focuses on cost. For assessment of replacement cost, the sales comparison approach has been applied for land, with sufficient reference to the benchmark price. As for the building and structures, construction costs, etc. of similar buildings were used as a reference. We estimated the incidental expenses taking into account the market condition of various expenses for land and building etc., There is no depreciation for land, and a combination of useful life and observed depreciation is used to assess depreciation of the building etc.,. As for the incidental expenses, we depreciate in terms of the period to hold its usefulness.

In addition, we have estimated considering the marketability as a building and its site.

The cost approach value derived as above is an empirical value supported by sufficient data.

The income approach value mainly focuses on profitability. In the analysis, both the direct capitalization method and DCF method are used to estimate value.

Valuation derived using the direct capitalization method used NCF based on mid- to long-term income producing capability, and is considered objective and realistic. The capitalization rate is derived from market transactions to reflect current market conditions.

In the DCF analysis, a NCF for each year is estimated using the cash flow table, reflecting changes in income and expenses over the next 11-year period.

The discount rate is derived by using 3 methods. The terminal capitalization rate is estimated by adding future risk premiums to the capitalization rate as at the date of valuation.

In the analysis, the DCF value is more heavily weighted in indicating the income approach value because the change in NCFs can be appropriately predicted; however, the value is generally verified by the direct capitalization value.

Further, the following issues are considered:

- Appropriateness of selection, evaluation and use of data
- Appropriateness of use of the basic principles that underlie value of real estate
- Appropriateness of factor analyses
- Appropriateness of judgments regarding adjustments in applying each approach
- Consistency of judgments of factors that affect value common to each approach
- Appropriateness of the relationship between unit price and aggregate value

9.2. Judgments Regarding the Level of Conviction of each Value Estimate

The subject property is a rental retail building, and major prospective buyers focus on income producing capabilities of properties. Therefore, the income approach value is judged to reflect the actual state of the market more accurately.

9.3. Appraised Value

Therefore, we consider the income approach value to be of primary relevance, while the cost approach value has been used as reference, and we have concluded the value of the subject property as of the date of valuation as follows.

Appraised Value (Per net rentable area)	JPY135,000,000 (JPY 480,000 per sqm)
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- The appraised value as stated above is effective as at the Date of Appraisal.

Additional Statements

1. If obligation to return deposit is assumed by the new buyer upon transaction, it is appropriate that the purchase price deducts such deposit from the appraised value. Construction cooperation money has been paid to the lessor by the lessee as deposit and has been reimbursed over the 20 years. It is common that such construction cooperation money gets settled upon the sale. Therefore, we have conducted the appraisal based on the assumption that this does not get succeeded by the buyer.
2. The appraised value does not include consumption tax and local consumption tax which will be levied upon the transaction.
3. Division of Roles

	Name of Appraisal Firm	Name of Appraiser	Sign and Seal	Scope of Work
Assignee	JLL Morii Valuation & Advisory K.K.	Takatsugu Honma	✓	Preparation and application of all appraisal procedures.
		Yasuhiro Takebe		Screening of the assignment
		Hiroaki Honda		Review of appraisal report
Business Alliance	None			

Appendix 1 : Summary of the Appraisal etc.

Gusto Koriyama-Mukaigawara

GENERAL DESCRIPTION			
Property Location	239-1 and other tracts, Mukaigawara, Koriyama-shi, Fukushima-ken		
Property Type	Retail store		
Type / Interest	Commercial Land / Tenant-occupied Building and its Site		
Site	Area	1,901.94 sqm (Registered)	
Improvement(s)	Bldg. Structure	W 1F	
	Date of Completion	2002	
	Gross Floor Area (GFA)	234.71 sqm	
	Net Rentable Area (NRA)	281.28 sqm	
APPRAISED VALUE			
JPY 135,000,000		Value to be appraised	Market Value
		Date of Valuation	04 July 2019
INDICATED VALUE BY EACH APPRAISAL METHOD			
Cost Approach			
JPY 135,000,000		Land	JPY 120,800,000 89%
		Building	JPY 12,900,000 10%
		Structure	JPY 1,300,000 1%
Direct Capitalization Method			
JPY 136,000,000		Net Operating Income (NOI)	JPY 8,271,202
		Operating Expense Ratio	14.2%
		Net Cash Flow (NCF)	JPY 8,136,962
		Emergency Repair Cost	JPY 0
		Capitalization Rate	6.0%
Discount Cash Flow			
JPY 135,000,000		Monthly Rent (incl. CAM)	Market Rent
		Retail	JPY 9,637 per tsubo
		Holding Period	10-year
		Present Value of NCF (10 years)	JPY 60,133,615
		Present Value of Net Residual Value	JPY 74,382,501
		Emergency Repair Cost	JPY 0
		Discount Rate	5.8%
		Terminal Cap Rate	6.1%

Appendix 2 : Description of Land

Gusto Koriyama-Mukaigawara

Location	Tract #	Use (Registered/Actual)	Registered Area (sq m)	Holder of the Title
Mukaigawara, Koriyama-shi, Fukushima-ken	239-1	Building Site / Building Site	227.72	NEXIA Co.,Ltd.
Same as above	240-1	Building Site / Building Site	445.93	Same as above
Same as above	241	Building Site / Building Site	512.42	Same as above
Same as above	242-1	Building Site / Building Site	715.87	Same as above
		Total	1,901.94	

Appendix 3: Current Rent Roll

Gusto Koriyama-Mukaigawara

Floor	Unit	Tenant *	Type	Occupancy	Use	Net Rentable Area (NRA)		Contract Term		Monthly Rent		CAM		Monthly Rent with CAM		Security Deposit		Cf.
						sqm	tsubo	Start	End	JPY	/tsubo	JPY	/tsubo	JPY	/tsubo	JPY	month	
1		C	S	Occupied	Retail	281.28	85.09	22-Sep-17	21-Sep-32	820,000	9,637	0	0	820,000	9,637	5,000,000	6	
Total						281.28	85.09	-	-	820,000	-	0	-	820,000	-	5,000,000	-	
(Leased)						281.28	85.09	-	-	820,000	-	0	-	820,000	-	5,000,000	-	
(Vacant)						0.00	0.00	-	-	0	-	0	-	0	-	0	-	

* Based on the the lease agreement

Comment

- * Tenant / C: Corporation, I: Individual
- * Type of Lease Agreement / S: Standard, F: Fixed-term
- * One Tsubo(Tb) is roughly equivalent to 3.3059 sqm.

Appendix 4 : Cost Approach Value Estimate Table

Gusto Koriyama-Mukaigawara

Cost Approach Value		Unit:JPY	
Cost Approach Value	135,000,000	(A. Replacement Cost - B. Accrued Depreciation)	
		220,011,640	84,929,329
Land	120,800,000	Cost Approach Value × Ratio	*1
		135,000,000	89%
Building	12,900,000	135,000,000	10%
Structure	1,300,000	135,000,000	1%

A. Replacement Cost

Item	Estimated Amount	Basic of Estimation			
Land (i)	151,000,000	Land Unit Value × Land Area			
		JPY 79,400 per sqm	1,901.94 sqm		
Building (ii) *2	37,600,000	Construction Cost × Gross Floor Area			
		JPY 160,000 per sqm	234.71 sqm		
Structure (xvi)	11,411,640	Assessed by using Value of similar properties as reference.			
Incidental Cost (iii) *3	20,000,000	(i) + (ii) + (xvi) × Incidental Cost Rate			
		151,000,000	37,600,000	11,411,640	10.0%
Total Replacement Cost(iv)	220,011,640	(i) + (ii) + (iii) + (xvi)			

B. Accrued Depreciation

Item	Estimated Amount	Basic of Estimation			
Land Depreciation (v)	0	No depreciation has been recognized.			
Building Depreciation (vi)	21,458,857	Estimated by depreciation method by economic life and method by observation.(x) + (xi)			
1) Depreciation Method by Economic Useful Life		Replacement Cost × Ratio × (1-Residual Rate) × ($\frac{\text{Elapsed Year} *4}{\text{Useful Economic Life}}$)			
Frame (vii)	6,392,000	37,600,000	40.0%	100.0%	$\frac{17 \text{ years}}{40 \text{ years}}$
Finish (viii)	5,478,857	37,600,000	30.0%	100.0%	$\frac{17 \text{ years}}{35 \text{ years}}$
Installation (ix)	9,588,000	37,600,000	30.0%	100.0%	$\frac{17 \text{ years}}{20 \text{ years}}$
Total Depreciation (x)	21,458,857	(vii) + (viii) + (ix)			
2) Depreciation Method by Observation		(ii) - (x) × Depreciation Rate			
Depreciation (xi)	0	37,600,000	21,458,857	0.0%	
Structure Depreciation (xvii)	9,699,894	Estimated by depreciation method by economic life			
Incidental Cost Depreciation (xii)	20,000,000	(iii) × Depreciation Rate * Estimated the depreciation rate to be 100% as a result of assessing depreciation value of incidental expenses.			
		20,000,000	100.0%		
Subtotal of Depreciation (xiii)	51,158,751	(v) + (vi) + (xii) + (xvii)			
		0	21,458,857	20,000,000	9,699,894
Building and its site (xiv)	33,770,578	(iv) - (xiii) × Adjustment rate			
		220,011,640	51,158,751	20.0%	
		Reason for adjustment Estimated based on the subject's deviation from its highest and best use.			
Accrued Depreciation (xv)	84,929,329	(xiii) + (xiv)			

[Remarks]

*1 Allocated the cost approach value by the ratio of land value and building value.

*2 Estimated by comparison with construction costs of similar buildings.

*3 Incidental expenses are estimated by considering the following:

- Direct cost related to land such as acquisition fee, a development application fee and property tax, etc.
- Direct cost to building such as design/ supervision fee, building certificate application fee and registration fee, etc.
- Cost to building and its site such as financing cost and the equivalent amount of development risk, etc.

*4 Estimated with the age and remaining useful economic life of each building component.

Appendix 5 : Land Value Estimate Table

Gusto Koriyama-Mukaigawara

Outline of the Property

	Subject Property	Standard Lot in Neighborhood	Sales Comp 1	Sales Comp 2	Sales Comp 3	Prefectural Land Price Survey Point (Pre. Koriyama 5-4)
Location	239-1 and other tracts, Mukaigawara, Koriyama-shi, Fukushima-ken		Kaisei 3-chome, Koriyama-shi, Fukushima-ken	Tsurumidan 3-chome, Koriyama-shi, Fukushima-ken	Kaisei 5-chome, Koriyama-shi, Fukushima-ken	7-1 and other tracts, Haga 1-chome, Koriyama-shi, Fukushima-ken
Nearest Station	JR Tohoku Main Line "Koriyama" Station 1,000m	JR Tohoku Main Line "Koriyama" Station 1,000m	JR Tohoku Main Line "Koriyama" Station 3,600m	JR Tohoku Main Line "Koriyama" Station 3,100m	JR Tohoku Main Line "Koriyama" Station 3,800m	JR Tohoku Main Line "Koriyama" Station 1,000m
Type			Improved	Improved	Improved	As vacant land
Area	1,901.94m ²	500.00m ²	701.36m ²	2,584.07m ²	1,300.31m ²	2,099m ²
Shape	Almost Trapezoid	Rectangular	Rectangular	Irregular	Almost Rectangular	Rectangular
Frontage	3-Street Lot	Inside Lot	Corner Lot	2-Street Lot	Corner Lot	Inside Lot
Main Road	N 25.0m Public road	N 25.0m Public road	S 13.5m Public road	N 16.0m Public road	E 15.0m Public road	W 18.0m Public road
Other Road	S 9m, E 25m	-	E 5.5m	S 3.7m	S 4.5m	-
Zoning	I	I	NC	NC	NC	2R
Designated BCR	60%	60%	80%	80%	80%	60%
Designated FAR	200%	200%	200%	200%	200%	200%
Permitted FAR	200%	200%	200%	200%	200%	200%
Circumstances			None	None	None	-

Transaction Description

Date of Transaction		Sep-17	Nov-17	Jun-17	Jul-18
Transaction Price		72,962 per sqm	67,924 per sqm	75,367 per sqm	63,300 per sqm

Comparison

Circumstances Adj.		100 / 100	100 / 100	100 / 100	100 / -
Time Adj.		103.7 / 100	103.5 / 100	104.4 / 100	102.1 / 100
Use Adj.		100 / 100	100 / 100	100 / 100	100 / -
Standardization Adj.		100 / 103	100 / 92	100 / 103	100 / 100
		3 Corner Lot 0 SB/Private road 0 Standard 0 Rectangular 0 Other	2 2-Street Lot 0 SB/Private road -5 Large Size -5 Irregular 0 Other	3 Corner Lot 0 SB/Private road 0 Standard 0 Almost Rectangular 0 Other	0 Inside Lot 0 SB/Private road 0 Standard 0 Rectangular 0 Other
Regional Factors		100 / 87	100 / 90	100 / 88	100 / 96
		-6 Width etc. -7 Distance from the station etc. 0 Surrounding environment 0 Public regulations etc. 0 Other	-5 Width etc. -5 Distance from the station etc. 0 Surrounding environment 0 Public regulations etc. 0 Other	-5 Width etc. -7 Distance from the station etc. 0 Surrounding environment 0 Public regulations etc. 0 Other	-4 Width etc. 0 Distance from the station etc. 0 Surrounding environment 0 Public regulations etc. 0 Other
Calculated Value		84,434 per sqm	84,905 per sqm	86,808 per sqm	67,322 per sqm
Reasons Supporting Estimate of Sales Comparison Value and Benchmark Value	3 comps in the neighborhood and substitution area are applied. Each comp is considered adjusted properly. The sales comparison approach value of the standard lot is assessed as above using the average of the 3 comps, which is added to specific factors to the subject to calculate the estimate of the subject as below.	85,400 per sqm			67,300 per sqm
Adjustment for Attributes of the Subject		93 / 100		-10 Large Size +5 3-Street Lot -2 Difference in Height	Same as left
Vacant Land Value of Subject Property (Unit Price)		79,400 per sqm			62,600 per sqm

Appendix 6 : NCF Estimate Table and Forecast Variables

Gusto Koriyama-Mukaigawara

Item	Basis for adjustment		
	Direct Capitalization Method NCF	DCF Method NCF in year 1	Forecast Variables
Rental Income, CAM Charge	Estimated for the rental space by multiplying the estimated medium- to long-term stabilized new market rent by the amount of the rentable area.	Estimated based on the terms of the current lease, reflecting the projected tenant turnover within the year.	The gap between the current rent and the market rent is expected to be diminished during tenant turnover, and the figure is estimated to be flat thereafter.
Parking Rent	Not included assuming it is included in rent income.	Since there is no other income item in particular, this is not included.	Not included during the projection period.
Utilities	Since the tenant pay the cost, this is not included.	Since the tenant pay the cost, this is not included.	Since the tenant pay the cost, this is not included.
Key Money	Not included based on the current lease and the market level.	Not included based on the current agreement.	Not included during the projection period.
Renewal Charge Income	Not included based on the current contract and the market practice.	Not included based on the current agreement.	Not included during the projection period.
Other Income	Since no other income item is assumed in particular, this is not included.	Since no other income item is assumed in particular, this is not included.	Not included during the projection period.
Potential Gross Income			
Vacancy Loss (-)	Estimated based on the vacancy levels and their future trends in the market, asking conditions, and competitiveness of the subject property, etc.	Estimated as in the direct capitalization method.	Estimated to be a flat rate during the projection period.
Allowance for Collection Loss (-)	Secured by the deposit thus not included.	Secured by deposit thus not included.	Not included during the projection period.
Operating Revenue			

Item	Basis for adjustment		
	Direct Capitalization Method NCF	DCF Method NCF in year 1	Forecast Variables
Repair Cost	Since the tenant pay the cost, this is not included.	Since the tenant pay the cost, this is not included.	Not included during the projection period.
Maintenance Cost	Since the tenant pay the cost, this is not included.	Since the tenant pay the cost, this is not included.	Not included during the projection period.
Utilities	Since the tenant pay the cost, this is not included.	Since the tenant pay the cost, this is not included.	Not included during the projection period.
Property Management Fee	Based on the property type, this is not included.	Estimated as in the direct capitalization method.	Estimated to be flat during the projection period.
Property Tax (Land and Building)	Estimated based on the actual property tax amount, taking into account the probable change upon tax reassessment in the future.	Land and Building: Estimated based on the actual property tax amount.	Land: Estimated to be flat during the holding period and year 11. Building: Depreciation of 7.5% upon reassessment of property tax every 3 years is projected.
Property Tax (Depreciable Asset)	Since there is no other expense item in particular, this is not included.	Since there is no other income item in particular, this is not included.	Not included during the projection period.
Insurance Fee	Estimated based on the ratio against the building replacement cost, with reference to the actual amount for similar properties.	Estimated as in the direct capitalization method.	Estimated to be flat during the projection period.
Leasing Fee	Estimated based on the annual newly occupied area upon tenant turnover, market rent under a new lease and the occupancy rate. No special advertisement expense is included, due to the competitiveness of the subject property.	Estimated as in the direct capitalization method.	Estimated based on the newly occupied area projected for each year.
Other Expenses	Since there is no other expense item in particular, this is not included.	Estimated as in the direct capitalization method.	Estimated to be flat during the projection period.
Operating Expenses			
Net Operating Income			
Interest on Deposit (+)	Effective deposits are estimated based on the current deposit balance and market practices. The return on effective deposits is included, assuming the fund would be deposited as refundable reserves. The rate of return is estimated based on the long-term yield.	The effective deposit is estimated based on the current lease status, reflecting the changes caused by the tenant turnover projected over the next one year. The return on effective deposits is included, assuming the fund would be deposited as refundable reserves. The rate of return is estimated at 0.2% based on the short-term yield.	The rate of return on investment during the projection period is estimated based on the short-term yield. The rate of return on investment for year 11 is estimated based on the long-term yield.
Capital Expenditure (-)	With reference to the repair and renovation cost of similar properties, the repair and renovation cost is estimated to be 0.7% of building replacement cost, 70% of which is included as capital expenditure in the report.	Estimated as in the direct capitalization method.	Estimated to be flat during the projection period.
Net Cash Flow			

Appendix 7 : Direct Capitalization Estimate Table

Gusto Koriyama-Mukaigawara

Unit : JPY			
Net Cash Flow A	Capitalization Rate B	Emergency Repair Costs C	Direct Capitalization Value A/B-C
8,136,962	6.0%	0	136,000,000 (JPY 484,000 per sqm)
Rental Income	9,840,148	See below for the unit price.	
CAM Charges	0	See below for the unit price.	
Parking Rent	0	See below for the unit price.	
Key Money	0	Occupancy rate is reflected.	
Renewal Charge Income	0	Occupancy rate is reflected.	
Utilities	0	Monthly revenue per rentable area Y0 / Tb	
Motorcycle Parking	0	-	
Other Income	0	-	
Potential Gross Income	9,840,148		
Vacancy Loss (-)	196,803	See below for the vacancy rate.	
Operating Revenue	9,643,345		
Repair Cost	0	Cost per rentable area Y0/Tb	
Maintenance Cost	0	Monthly cost per rentable area Y0/Tb	
Utilities	0	Monthly cost per rentable area Y0/Tb	
Property Management Fee	600,000	Y 50,000/month The equivalent of EGI × 6.2%	
Property Tax (Land)	589,323	Based on actual amounts.	
Property Tax (Building)	27,259	Based on actual amounts.	
Property Tax (Depreciable Asset)	0	Based on actual amounts.	
Insurance Fee	75,200	Based on the replacement cost . The equivalent of the replacement cost 0.20%	
Leasing Fee	80,361	Estimated based on the annual newly occupied area upon tenant turnover.	
Operating Expenses	1,372,143	Operating expense ratio 14.2%	
Net Operating Income	8,271,202	NOI yield 6.1%	
Interest on Deposit (+)	50,000	Rate of return on deposit 1.0% Effective Deposit Total 5,000,000	
Capital Expenditure (-)	184,240	Cost per rentable area Y2,165/Tb Based on the replacement cost. The equivalent of the replacement cost 0.49%	
Net Cash Flow	8,136,962		

Assumption

Category	NRA (tsubo, car)	JPY/tsubo	Rent		Vacancy Rate	Deposit (mos)	Turnover (yr)
			Rent	CAM			
Retail	85.09	9,637	9,637	0	2.0%	6.0	10.0
Car Parking	0	0	-	-	0.0%	0.0	-

Comment

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Appendix 8 : DCF Method Estimate Table

Gusto Koriyama-Mukaigawara

Discount Rate	5.8%									Unit : JPY
1	2						3	4		
Present Value of NCF (10 years)	A NCF for Year-11	B Terminal Cap Rate	C Terminal Value (10 year hold)	D Selling Expense 2.0%	E Net Residual Value (C - D)	F Present Value Factor	G Present Value of Net Residual Value (E × F)	Emergency Repair Costs	DCF Value (1 + 2 - 3)	
60,133,615 45%	8,136,962	6.1%	133,392,813	2,667,856	130,724,957	0.5690	74,382,501 55%	0	135,000,000 (JPY480,000 per sqm)	

Item	Unit: JPY Volatility: %	1 Jul-20	2 Jul-21	3 Jul-22	4 Jul-23	5 Jul-24	6 Jul-25	7 Jul-26	8 Jul-27	9 Jul-28	10 Jul-29	11
Rental Income		9,840,015	9,840,030	9,840,044	9,840,059	9,840,074	9,840,089	9,840,104	9,840,118	9,840,133	9,840,148	9,840,148
CAM Charges		0	0	0	0	0	0	0	0	0	0	0
Parking Rent		0	0	0	0	0	0	0	0	0	0	0
Key Money		0	0	0	0	0	0	0	0	0	0	0
Renewal Charge Income		0	0	0	0	0	0	0	0	0	0	0
Utilities		0	0	0	0	0	0	0	0	0	0	0
Motorcycle Parking		0	0	0	0	0	0	0	0	0	0	0
Other Income		0	0	0	0	0	0	0	0	0	0	0
Potential Gross Income		9,840,015	9,840,030	9,840,044	9,840,059	9,840,074	9,840,089	9,840,104	9,840,118	9,840,133	9,840,148	9,840,148
Vacancy	Room	196,800	196,801	196,801	196,801	196,801	196,802	196,802	196,802	196,803	196,803	196,803
Loss (-)	Parking	0	0	0	0	0	0	0	0	0	0	0
		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Operating Revenue		9,643,214	9,643,229	9,643,243	9,643,258	9,643,272	9,643,287	9,643,301	9,643,316	9,643,330	9,643,345	9,643,345
Repair Cost		0	0	0	0	0	0	0	0	0	0	0
		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Maintenance Cost		0	0	0	0	0	0	0	0	0	0	0
		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Utilities		0	0	0	0	0	0	0	0	0	0	0
		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Property Management Fee		600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000
		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Property Tax (Land)		589,323	589,323	589,323	589,323	589,323	589,323	589,323	589,323	589,323	589,323	589,323
		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Property Tax (Building)		34,442	34,442	31,859	31,859	31,859	29,469	29,469	29,469	27,259	27,259	27,259
		0.0%	0.0%	-7.5%	0.0%	0.0%	-7.5%	0.0%	0.0%	-7.5%	0.0%	0.0%
Property Tax (Depreciable Asset)		0	0	0	0	0	0	0	0	0	0	0
		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Insurance Fee		75,200	75,200	75,200	75,200	75,200	75,200	75,200	75,200	75,200	75,200	75,200
		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Leasing Fee		80,361	80,361	80,361	80,361	80,361	80,361	80,361	80,361	80,361	80,361	80,361
		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
		0	0	0	0	0	0	0	0	0	0	0
		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
		0	0	0	0	0	0	0	0	0	0	0
		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Operating Expenses		1,379,326	1,379,326	1,376,743	1,376,743	1,376,743	1,374,354	1,374,354	1,374,354	1,372,143	1,372,143	1,372,143
Operating Expense Ratio		14.3%	14.3%	14.3%	14.3%	14.3%	14.3%	14.3%	14.3%	14.2%	14.2%	14.2%
Net Operating Income		8,263,888	8,263,903	8,266,500	8,266,515	8,266,529	8,268,933	8,268,948	8,268,962	8,271,187	8,271,202	8,271,202
Interest on Deposit (+)		10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	50,000
Effective Deposit Total		5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Capital Expenditure (-)		184,240	184,240	184,240	184,240	184,240	184,240	184,240	184,240	184,240	184,240	184,240
Net Cash Flow		8,089,648	8,089,663	8,092,260	8,092,275	8,092,289	8,094,693	8,094,708	8,094,722	8,096,947	8,096,962	8,136,962
Present Value Factor		0.9452	0.8934	0.8444	0.7981	0.7543	0.7130	0.6739	0.6370	0.6020	0.5690	
Present Value of NCF		7,646,335	7,227,305	6,833,105	6,458,445	6,104,014	5,771,516	5,455,024	5,156,338	4,874,362	4,607,171	

Comment

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Appendix 9 : DCF Method Cash Flow Table

Gusto Koriyama-Mukaigawara

Unit: JPY

	1 Jul-20	2 Jul-21	3 Jul-22	4 Jul-23	5 Jul-24	6 Jul-25	7 Jul-26	8 Jul-27	9 Jul-28	10 Jul-29	11
Inflation Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Total											
Gross Rental Income incl. CAM	9,840,015	9,840,030	9,840,044	9,840,059	9,840,074	9,840,089	9,840,104	9,840,118	9,840,133	9,840,148	9,840,148
Vacancy Loss	196,800	196,801	196,801	196,801	196,801	196,802	196,802	196,802	196,803	196,803	196,803
Vacancy Loss Rate	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Net Rental Income incl. CAM	9,643,214	9,643,229	9,643,243	9,643,258	9,643,272	9,643,287	9,643,301	9,643,316	9,643,330	9,643,345	9,643,345
Cash Flow of Each Type											
Retail											
Gross Rental Income incl. CAM	9,840,015	9,840,030	9,840,044	9,840,059	9,840,074	9,840,089	9,840,104	9,840,118	9,840,133	9,840,148	9,840,148
Rental Income incl. CAM (JPY/tsubo)	9,637	9,637	9,637	9,637	9,637	9,637	9,637	9,637	9,637	9,637	9,637
Rental Income (JPY/tsubo)	9,637	9,637	9,637	9,637	9,637	9,637	9,637	9,637	9,637	9,637	9,637
CAM Charges (JPY/tsubo)	0	0	0	0	0	0	0	0	0	0	0
New Rent incl. CAM (JPY/tsubo)	9,637	9,637	9,637	9,637	9,637	9,637	9,637	9,637	9,637	9,637	9,637
Volatility	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
New CAM Charges (JPY/tsubo)	0	0	0	0	0	0	0	0	0	0	0
Passing Rent incl. CAM (JPY/tsubo)	9,637	9,637	9,637	9,637	9,637	9,637	9,637	9,637	9,637	9,637	9,637
Volatility	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Passing CAM Charges (JPY/tsubo)	0	0	0	0	0	0	0	0	0	0	0
Turnover Rate	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Vacancy Loss	196,800	196,801	196,801	196,801	196,801	196,802	196,802	196,802	196,803	196,803	196,803
Vacancy Loss Rate	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%



APPRAISAL REPORT

NIRAKU Bijyutsukan-dori

Date of Issue 30 September 2019
Report Number 19-0765

(Client)
NIRAKU CORPORATION





NIRAKU Bijyutsukan-dori

We hereby provide you with the appraisal report as requested by you.

JLL Morii Valuation & Advisory K.K.
Member of Japan Association of Real Estate Appraisers
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Makoto Nagano
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Takatsugu Homma

Takatsugu Homma
Licensed Real Estate Appraiser



The appraisal herein has been duly conducted in the fair manner with the integrity and the best conscience appropriate for a professional notwithstanding the appraiser's or other related party's interests, if any, and any other considerable factors.

Preface

1. This real estate appraisal report (hereinafter, the “Report”) has been prepared by JLL Morii Valuation & Advisory K.K. (established 1948, hereinafter, “JLL Morii”) by its licensed real estate appraisers and assistant real estate appraisers (hereinafter, the “appraisers”) in keeping with their expertise and conscience, in accordance with the Act on Real Estate Appraisal (Act No. 152 of 1963, hereinafter, the “Act”) and the International Valuation Standards.
2. JLL Morii warrants that the Report is issued after a fair and objective review, and both JLL Morii and its appraisers shall keep information that becomes known to them in the course of this work in strict confidence.
3. The Report's content and the appraised value thereby arrived at are valid only insofar as the assumptions specified below and the conditions of the investigation indicated in the text apply.
 - a. Inspection of rights relationships and contractual relationships and the survey of the physical status of the Properties are undertaken on the basis of the official register and any registered maps, as well as information provided by you. We do not make any explicit or implicit guarantees with respect to such rights relationships, contractual relationships or physical status of the Properties.
 - b. Confirmation of the subject property is done by survey of the exterior to the extent possible by visual inspection. With respect to soil contamination, buried properties, buried cultural properties, asbestos, building interior defects etc., it is assumed that none exists other than those described in this appraisal. JLL Morii shall assume no responsibility in the event such presence is established in the future.
 - c. The appraised value indicated as the conclusion of this work by no means guarantee the actual transaction value at the date of value or in the future.
4. The Report has been prepared by the named appraiser with the normal duty of care, however the responsibility for the Report shall be borne by JLL Morii.
5. A copy of the Report will be held at JLL Morii for a period of five years pursuant to legal provisions.
6. If parts of the Report are to be quoted or used for any purpose other than the original purpose, please consult with JLL Morii in advance and obtain consent in writing.
7. If the original copy of the Report has been prepared in Japanese, JLL Morii shall not be responsible for its content that has been translated into any other language.
8. Any disputes that may arise from this Report shall be subject to the laws of Japan, and shall be referred to the Tokyo District Court as the court of first instance.

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Report

1. Appraised Value

Market value for the subject property as of 04 July 2019 is as shown below.

Appraised Value (Market value)	JPY1,530,000,000
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- The appraised value above is based on the conditions mentioned in Conditions of the appraisal.
- The appraised value as stated above is effective as at the Date of Appraisal.

2. Description of the Subject Property

2.1. Land

Land		
Location and tract #	(Registered)	Nos. 204-2 and 26 other tracts, Mukaigawara, Koriyama-shi, Fukushima-ken (See Appendix 2: <i>Description of Land</i> for details.)
Use	(Registered / Actual)	Building Site / Building Site
Area	(Registered)	Total 17,566.42 sq m
Holder of the title	NEXIA Co., Ltd. * NEXIA Co., Ltd is a group business of the client, NIRAKU Co., Ltd. (the same hereinafter)	

2.2. Building

Building	
Location	No.253,211-1,252-1,254,255 Mukaigawara, Koriyama-shi, Fukushima-ken
Building number	253
Structure	Steel framed structure, galvanized sheet roof, 1 story
Floor area	Total 1,674.44 sq m
Holder of the title	NEXIA Co., Ltd.

Attached building	Number #1
Use	Office
Structure	Lightweight steel framed structure, galvanized sheet roof, 1 story
Floor area	Total 19.60 sq m

3. Basic Particulars of the Assignment

3.1. Basic Particulars of the Assignment

3.1.1. Subject property

The subject property is a 1-story owner-occupied retail building (NIRAKU Bijyutsukan-dori), located to the northeast of “Koriyama“ Station on the JR Tohoku Main Line.

3.1.2. Property Type and Interest

Type: Commercial Land - Property Held For Owner Occupation
Interest: Owner-occupied Building and its Site

3.1.3. Value to be appraised

Market value

3.1.4. Date of Valuation

04 July 2019

3.1.5. Date of the Appraisal

30 September 2019 (being the effective date of the valuation)

3.1.6. Conditions of the Appraisal

3.1.6.1. Conditions for the subject identification

As is

3.1.6.2. Assumptions

None in particular

3.1.6.3. Conditions for scope of work

- Determinants of value subject to the coverage: Factors related to soil contamination, asbestos, PCBs, and border.

- Scope of work: Research to be limited to confirmation of existence of statutory regulations and its content.

- Handling of the scope of work upon appraisal: They will be excluded from determinants of value in the analysis.

Above conditions are judged not to damage the interests of those who refer to this appraisal as those who refer to this appraisal shall make judgements by their own as to whether or not those factors may influence value, based on the research, assessments, and results involving determinants of value by the clients etc.

3.1.6.4. Other

None in particular

3.2. Purpose of Request of Appraisal and Range of Report Users , etc

3.2.1. Purpose of Request of Appraisal

Reference for the sale of the subject property

3.2.2. Background for requesting the appraisal

The client is considering the sale of the subject property, and needs to assess the fair value of the subject property in the marketplace, which has resulted in its appraisal request.

3.2.3. Recipient of the Report other than the Client

None

3.2.4. Disclosure of Appraisal Value

None

3.2.5. Publication of Appraisal Value

Yes

3.2.6. Necessity of approval for expansion of report users after the issuance of the report

If the appraisal value is announced or disclosure is expanded after the report is issued, approval of the real estate appraiser responsible for this analysis and the company will be required with a written request of approval prior to such announcement or disclosure.

3.3. Relationships between the purpose and the conditions of the appraisal and value to be appraised and between the type of documents

The appraisal assignment, conducted for the purpose and under the conditions mentioned above, is intended to estimate the fair value of the subject property in the market. Therefore, the value to be appraised is "Market Value".

3.4. Interests Held by Appraisers and Appraisal Firms Involved

3.4.1. Interests in the subject property held by appraisers and appraisal firms involved

None

3.4.2. Relationships among the client, appraisers and appraisal firms involved

None

3.4.3. Relationships among the entities to which the report is submitted, appraisers and appraisal firms involved

None

3.5. Unknown factors regarding the appraisal assignment and research conducted

None in particular.

4. Identification of the subject property

4.1. Physical Identification

4.1.1. Site inspection

Date of site inspection: 04 July 2019

Appraisers who inspected the subject: Takatsugu Honma (Qualification: member of Japan Association of Real Estate Appraisers with over 2 of years' experience in valuation of commercial properties in Japan)

Accompanied by: Mr. Shudo Kanai, NIRAKU CORPORATION (Owner)

4.1.2. Data used for identification

Certificates of registration, Floor plan, Official lot map, Building plan, etc.

4.1.3. Areas inspected

Land: Entire site, boundaries, etc.

Building: Retail store on the 1st floor and back of house area etc.

4.1.4. Particulars verified

Location, Shape, Size, Boundaries, Occupancy, etc.

4.1.5. Confirmation and result of identification

It has been confirmed that the state of the subject property is generally as it appears in the data.

4.1.6. Quantities Adopted in the Valuation

Land : Registration

Building : Registration

Net Rentable Area : Registration (assuming leasing)

4.2. Identification of the Property Interest

The subject property is owner-occupied as at the time of valuation, and there is no right attached that may restrict the usufructuary right.

4.2.1. Data used for identification

Certificate of registration

5. General Factors Analysis

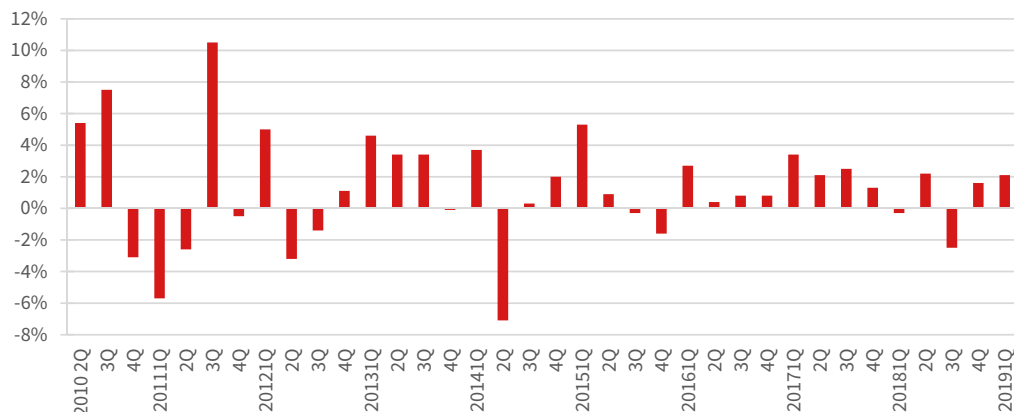
5.1. Recent Economic Developments

According to the monthly report issued in June 2019 by the Cabinet Office, the Japanese economy is recovering at a moderate pace while weakness in exports and industrial production continues. Concerning short-term prospects, weakness remains for the time being, but the economy is expected to continue recovering, supported by the effects of the policies, while employment and income situation is improving. However, further attention should be given to the effects of situations over trade issues on the world economy, while the prospect of the Chinese economy, the uncertainty of situations and policies in overseas economies and the effects of fluctuations in the financial and capital markets also need attention.

The trends in the main economic indicators are as shown below.

5.1.1. GDP Trend

The nationwide real economic growth for 1Q 2019 announced by the Cabinet Office increased 0.5% q-o-q, or it grew by 2.1% on an annualized basis.

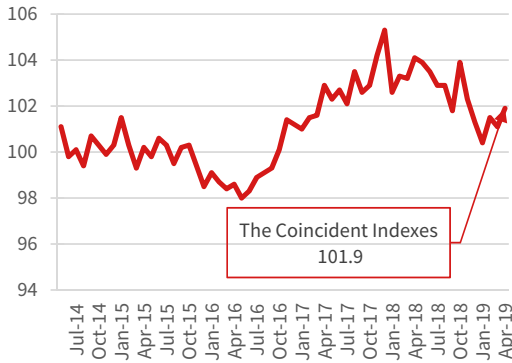


Source: Cabinet Office

5.1.2. Diffusion Index and Consumer Price Index

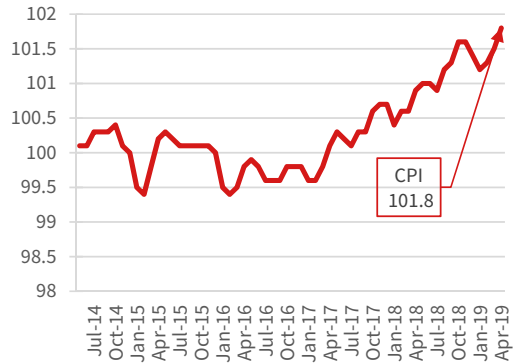
The Coincident Index of the business condition announced by the Cabinet Office for April 2019 recorded 101.9 (Y2015=100), showing +0.8 percentage points of change from the previous month. Nationwide CPI excluding fresh food for May 2019 recorded 101.8(Y2015=100). This equals to 0.8 % of increase year-on-year.

■ Diffusion Index (2015 = 100)



Source: Cabinet Office

■ Consumer Price Index (2015 = 100)



Source: Ministry of Internal Affairs and Communications

5.1.3. Stock Price Index and the Exchange Rate

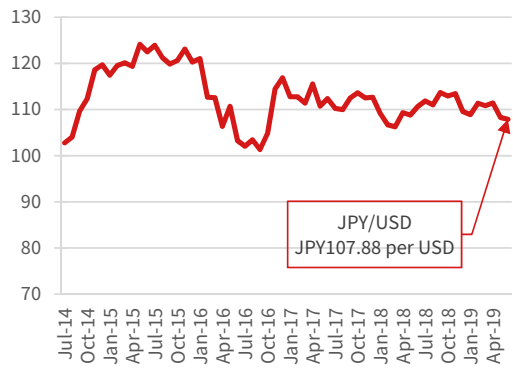
The Nikkei 225 average on the Tokyo Stock Exchange for June 2019 ended at JPY 21,275.92, showing +3.3% change m-on-m or -4.6% y-on-y. On the currency market, the exchange rate for the Japanese Yen versus the US dollar was JPY107.88 at the end of June 2019.

■ Nikkei 225 Average Stock Price



Source: Tokyo Stock Exchange

■ Exchange Rate (Tokyo Market)



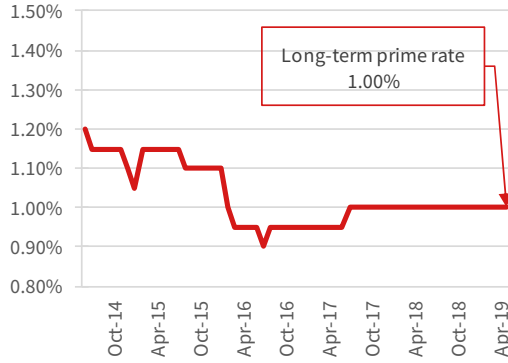
Source: Bank of Japan

5.1.4. Long-term Prime Rate and Short-term Prime Rate

Long-term prime rate as of May 2019 was 1.00 %, unchanged from the previous month.

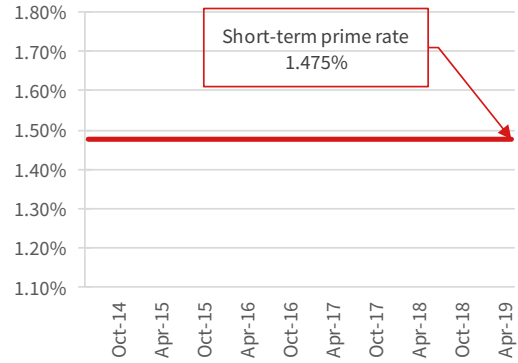
On the other hand, short-term prime rate as of May 2019 was 1.475 %, which also remained the same from the previous month.

■ Long-term Prime Rate



Source: Bank of Japan

■ Short-term Prime Rate



Source: Bank of Japan

5.2. Real Estate Market Trends

5.2.1. Land Price Trend as of January, 2019

The national average land price across sectors as of January 2019 increased for the fourth consecutive year and its pace of increase accelerated in the past three years. Looking at the trend by sector, the residential land price continuously increased for two years in a row, while the commercial land price also increased for the four consecutive years and the industrial land price rose for the three straight years. In the three major urban regions, all the sectors strengthened their pace of increase. Other than three major urban regions, both the land price across sectors and the residential land price in the non-urban regions increased for the first time in 27 years since 1992. In the non-urban regions, both the commercial and industrial land price rose for the second consecutive year with their pace of increase accelerated. The land price grew across sectors in four cities including Sapporo, Sendai, Hiroshima and Fukuoka, also showed stronger growth. Other than four cities above mentioned, the land price recovered in the non-urban regions as the commercial land price unchanged this year after declining over the years since 1993, while the industrial land price turned around and picked up for the first time in 27 years since 1992.

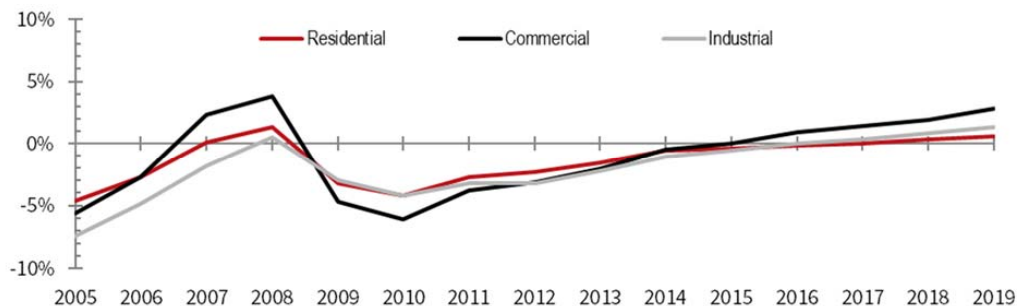
■ Residential land Price

The residential demand remained steady, particularly in the areas where the convenient public transportation and better living environment are available, underpinned by the ongoing low interest rate as well as the government aid for home buyers, while the improvement in the job market and the salary level sustained. The residential land price recovery accelerated across the nation with the annual growth at 0.6%, which was the second consecutive year of increase, also its pace was strengthened from the previous year.

■ Commercial land Price

Office vacancy generally continued declining with increasing rent, due to the office expansion and relocation for the improvement of office environment complying with the government's work-style reforms, while we saw the improvement of the corporate performance backed by the economic recovery. Thanks to increasing foreign and local visitors as well as the improving public transport and vibrancy due to the infrastructure improvement and proceeding redevelopment projects, the demand for retail store and hotel new openings remained strong in the center of major cities. In addition to the rising profitability as a commercial land, preferable financing condition backed by the easy monetary policy encouraged corporates to invest in real estate. Hence the commercial land price continued steady across the nation with average annual growth at 2.8%. This was the fourth consecutive year of increase and its pace of increase accelerated for the three straight years.

■ Land Price Change across Japan by Sector (nationwide)



■ Land Price Change by Sector (As of January, 2019)

	Residential		Commercial		Industrial	
Nationwide	0.6%	(0.3%↑)	2.8%	(0.9%↑)	1.3%	(0.5%↑)
Greater Tokyo	1.3%	(0.3%↑)	4.7%	(1.0%↑)	2.4%	(0.1%↑)
Greater Osaka	0.3%	(0.2%↑)	6.4%	(1.7%↑)	2.0%	(0.7%↑)
Greater Nagoya	1.2%	(0.4%↑)	4.7%	(1.4%↑)	0.6%	(0.4%↑)
Other Regions	0.2%	(0.3%↑)	1.0%	(0.5%↑)	0.8%	(0.6%↑)

Source: Ministry of Land, Infrastructure, Transport and Tourism

5.2.2. Intensively Used Land Price Trends

The Ministry of Land, Infrastructure, Transport and Tourism issues the Land Value LOOK Report, which tracks the trend of the value of intensively used land in major cities of Japan every quarter, covering 43 areas in the Greater Tokyo, 25 areas in the Greater Osaka, 9 areas in the Greater Nagoya and 23 areas in the major regional cities, a total of 100 areas.

According to the report in Q1 2019, the number of areas where the land value increased was 97 (97 in Q1 2018), unchanged was 3 (3 in Q1), and declined was 0 (0 in Q1).

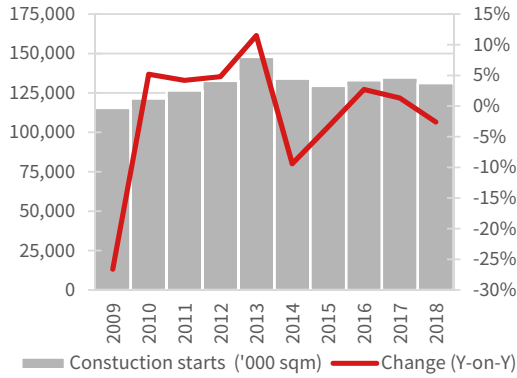


Source: the Ministry of Land, Infrastructure, Transport and Tourism

5.2.3. Building Start and Construction Cost Deflator

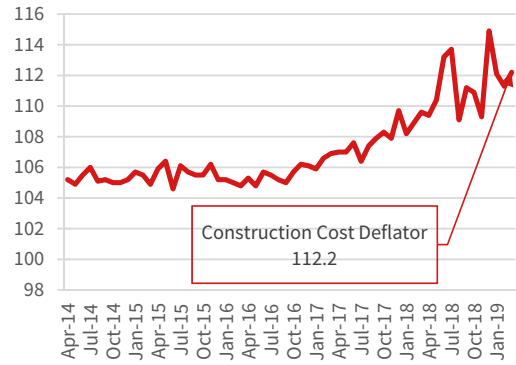
According to the Ministry of Land, Infrastructure, Transport and Tourism, the nationwide construction starts in 2018 was 131,149,000 sq m (2.6% decrease y-on-y). On the other hand, the construction cost deflator in March 2019 was 112.2 (Y2011=100), which indicated +2.4% points y-on-y.

■ Building Start Trend



Source: the Ministry of Land, Infrastructure, Transport and Tourism

■ Construction Cost Deflator



Source: the Ministry of Land, Infrastructure, Transport and Tourism

6. Area / Neighborhood Analysis

6.1. Area Summary

6.1.1. Description of Koriyama-shi, Fukushima-ken

Koriyama-shi is located in the center of Nakadori of Fukushima-ken, and is designated as a core city. The city is extended from east to west of Ou Mountains, with its west side located on the south bank of Lake Inawashiro which is located to the Sea of Japan side, and its east side reaches Abukuma upland.

Downtown area is situated in between Utsunomiya-shi of Tochigi-ken and Sendai-shi of Miyagi-ken, and is connected to both cities by Tohoku Shinkansen, Tohoku Main Line, Tohoku expressway, and National Road Route 4. Further, the city has access to Aizuwakamatsu-shi and Niigata-shi in the west and Iwaki-shi in the east by Banetsu expressway, Banetsu-saisen (west line), Banetsu-tosen (east line) and National Road Route 49. Located at the cross road of transportation in east Japan, the city developed as a hub of economy, inland industry, logistics and transportation. Koriyama urban area is being formed with its second largest population and economy in the Tohoku area.

Given such characteristics of being a hub, the city also functions as an information distributing center of Fukushima-ken and is referred to as “mercantile city” and “economic prefectural capital”.

Koriyama station serving as a junction station, both people and goods gathered and as a result, Koriyama-shi became the largest city of Fukushima-ken with the introduction of municipal system in Taisho era. During the postwar rapid economic growth period, many companies from Keihin industrial zone moved into the area and ties with Kanto area was strengthened.

6.1.2. Population and Number of households

■ Population

	2015	2016	2017	2018	2019
Koriyama-shi	329,122	325,826	335,413	334,295	332,737
Fukushima-ken	1,935,142	1,911,933	1,896,758	1,877,876	1,859,220

■ Number of households

	2015	2016	2017	2018	2019
Koriyama-shi	135,416	138,678	140,101	140,891	141,719
Fukushima-ken	729,671	738,755	743,730	746,003	749,144

Source : Dated January 1/ Statistics Division, Bureau of Planning and Coordination of Fukushima-ken

6.2. Market Characteristic of Subject Property

6.2.1. Market area

The market area for the purchase and sale market is broadly defined to be commercial areas in prefectural capitals and core cities in each local region, with highly competitive substitution in commercial areas in Koriyama-shi..

The market area for the rental market is defined in the same way as in the purchase and sale market.

6.2.2. Market participants

■ Purchase and sale market

(Buyer's attribute and behaviour)

Main buyers would be companies considering opening new retail store etc., in the area, and such prospective buyers tend to make investment decisions placing emphasis on location, competitor's situation, maintenance and design of the building, and asset value of the property, etc. while taking into consideration the business profitability and the cost for launching new store.

Real estate companies operating commercial facilities as well as developers and construction companies considering purchase of existing buildings for redevelopment are also prospective buyers and they tend to make investment decisions based on the current NOI, projections of income and expenses, the rate of return, marketability, costs for funding and profitability of investment on redevelopment project.

(Market trend)

Although the steadiness of the real estate market has not largely changed due to the impact provided by the negative interest rate policy, etc., the preferred selling prices still remain very high. Selling prices of properties with prime locations in the suburban cities tend to show an increase and interest rates are on a declining trend. Against this backdrop, some of those on the demand side are displaying a cautious attitude.

■ Rental market

(Tenant's attribute and behaviour)

On the demand side are companies considering opening new stores in the subject area as the end-tenants. Main tenants tend to select properties based on the conditions of the site and the situation of competing properties, taking into consideration their rent affordability.

(Market trend)

In both the Greater Tokyo area and regional areas there is a steady demand for large size commercial facilities with prime locations and competitive advantages, and their rents are stable.

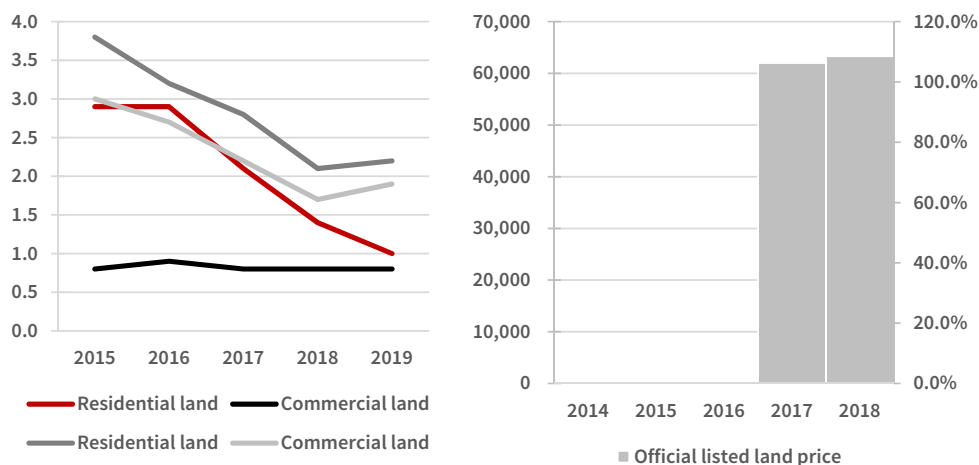
On the other hand, both asking rents and contract rents are declining for commercial facilities that are less competitive; and their vacancy rates are remaining at a high level.

6.2.3. Land Price Trends in the Market Area

The latest figure of residential properties in Fukushima-ken in 2019 increased by 1.0% year-on-year, and that of commercial properties increased by 0.8% year-on-year. Latest figure of residential properties in Koriyama-shi in 2019 increased by 2.2% year-on-year and that of commercial properties increased by 1.9% year-on-year.

In addition, the latest figure of Prefectural land price survey point “Pre. Koriyama 5-4” in similar areas, showed an increase of 2.1% year-on-year in 2018.

The Prefectural land price survey point had been renewed to the above point in 2017.

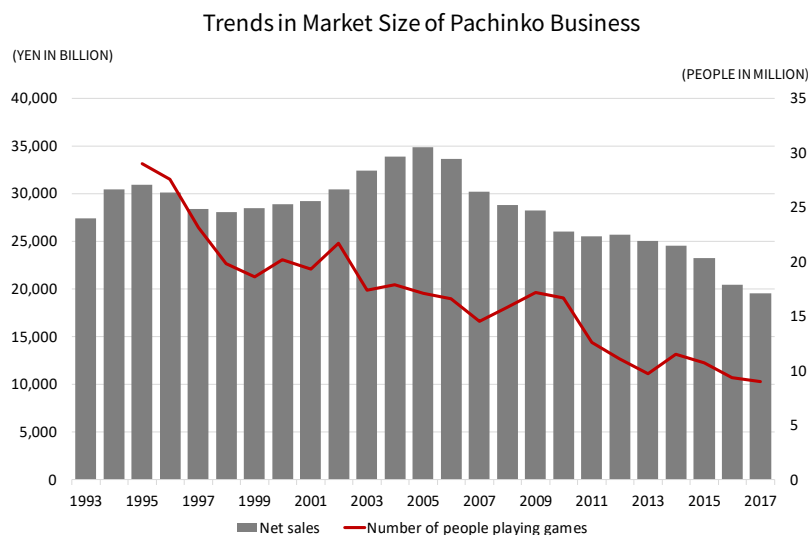


	Fukushima-ken (Change, YoY)		Koriyama-shi (Change, YoY)		Prefectural land price survey point “Pre. Koriyama 5-4”	
	Residential land	Commercial land	Residential land	Commercial land	Value(JPY)	Change
2019	+1.0	+0.8	+2.2	+1.9	-	-
2018	+1.4	+0.8	+2.1	+1.7	63,300	+2.1
2017	+2.1	+0.8	+2.8	+2.2	62,000	-
2016	+2.9	+0.9	+3.2	+2.7	-	-
2015	+2.9	+0.8	+3.8	+3.0	-	-

Source: Ministry of Land, Infrastructure, Transport and Tourism

6.2.4. Trends in pachinko business

Overview of pachinko parlor operation	<p>A pachinko parlor is a store where machines such as pachinko and pachislot, etc. are installed for customers to play games, and customers exchange steel balls, etc. that they win with prizes. A pachinko parlor is also known as a “pachinko hall”, “pachinko parlor” or “<i>Pachiya</i>”.</p> <p>The operation of pachinko parlor in Japan is legally defined as an Adults Entertainment Business, specified as “an operation to install equipment for customers to play games that could arouse the gambling spirit” in Article 2-1-4 of the Act on Control and Improvement of Amusement Business, etc. (hereinafter, “Entertainment Business Law”). Game coins for pachinko, etc. are regulated under the Ordinance for Enforcement of the Act on Control and Improvement of Amusement Business, which is an act of National Public Safety Commission. Under this regulation, as of January 2019, a steel ball for pachinko is set at worth JPY4.32- or less, and a coin for pachislot is set at worth JPY21.6- or less (including consumption tax).</p>
Regulations for pachinko parlor openings	<p>Store openings of pachinko parlors are regulated by zoning rules under the City Planning Act, and at the same time they are also regulated by prefectural governments’ ordinances, which specify distance requirements from facilities which protect children, elderly and people with disabilities such as schools, welfare facilities, and hospitals, and ban a 24h operation. In addition, there are municipalities which regulate store opening that are more strict than those of prefectural governments.</p> <p>Entertainment facilities which install pachinko are required to obtain a business permit from police before establishing facilities.</p>
Market size	<p>According to “Leisure White Paper 2018”, the number of people playing pachinko in 2017 is 9 million, with net sales (charge for rental steel balls/coins) of JPY19.54 trillion, showing a decline in net sales for the 5 consecutive years. The sales peaked in 2005 at JPY34.862 trillion, and have been on a declining trend thereafter. The main cause for drop in net sales is a decrease in the number of people playing pachinko. The number has been declining year by year due to the increased diversification in entertainment options available, defection of customers resulting from diminished gambling factor due to revision of law, and increased social attention towards pachinko addictions. The latest figure of number of people playing pachinko in 2017 was 9 million people, about 30% of what it was in 1995, 29 million people. On the other hand, the net sales per customer, calculated by dividing net sales by the number of customers, hit an all-time high of approximately JPY2.58 million in 2013 and the average of 2.1 million yen has been maintained ever since. This indicates that the main customers have changed from light to heavy users.</p>



Source: “Leisure White Paper 2018”(Japan Productivity Center)

The ratio of people playing pachinko by area

The ratio of people playing pachinko by area in 2017 is as shown below (Descending order).

The Southern Tohoku region has a high rate of 15% or more.

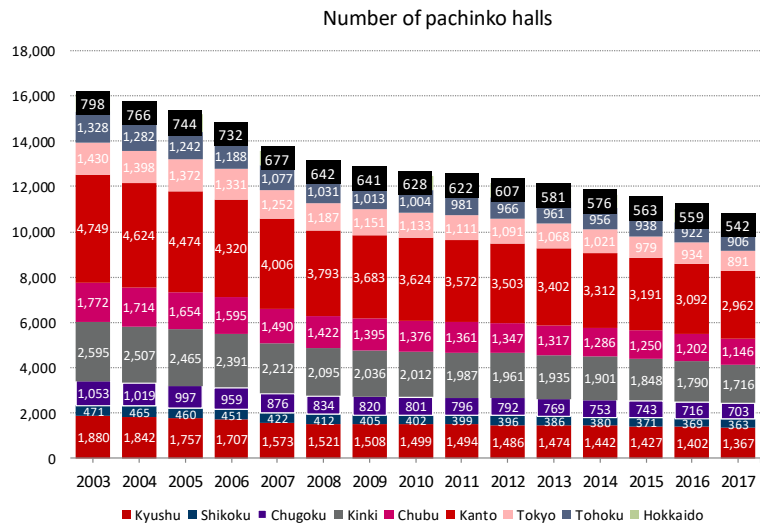
Area	The ratio of people playing pachinko(%)	Area	The ratio of people playing pachinko(%)
Southern Tohoku region	15.8	Nagano/Yamanashi	8.8
Shizuoka	12.8	Northern Kanto region	8.8
Chugoku region	11.6	Hokkaido	8.6
Hokuriku region	11.3	Northern Tohoku region	8.3
Shikoku region	11.1	Chiba	8.2
Oita/Miyazaki/Kagoshima	11.1	Tokyo	7.7
Nagasaki/Saga/Kumamoto	10.4	Okinawa	7.7
Aichi	9.7	Shiga/Kyoto	7.5
Mie/Nara/Wakayama	9.5	Saitama	7.5
Osaka	9.0	Gifu	7.1
Kanagawa	9.0	Nigata	4.5
Fukuoka	8.9	Hyogo	3.1

Source: “Leisure White Paper 2018” (Japan Productivity Center)

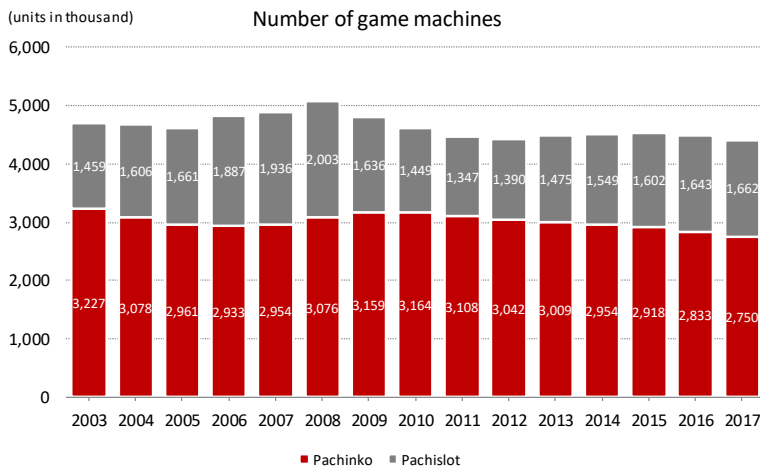
Number of pachinko halls and game machines installed

According to the document released by Zennichi Yuren (All-Japan game business federation), the trends in the number of pachinko halls and game machines are as follow. The number of pachinko halls has been declining since 1996 for 22 consecutive years and the number of pachinko game machines has declined for 7 consecutive years. Further, the number of slot machines has turned to decrease for the first time in 8 years. According to “Leisure White Paper 2016・2018”, average store size has grown as a result of number of small to medium size stores declining greatly and large-scale stores opening in various areas. Average number of pachinko machines per store exceeds 400. Most of the new launches are of companies seeking expansion and oligopolization, and are backed by supplies of vacant stores available due to increase of owners pulling out of business.

【Number of pachinko halls】



【Number of game machines】



Source : Zennichi Yuren

Management indicator

According to 2018 TKC Management Indicators (Fiscal Year ended December 31, 2017), management indicators of profit-making companies in the pachinko business are as shown below. Compared to other service businesses, the marginal profit ratio and labor's share are at a lower level.

Net sales	Annual sales	JPY 1,886,028,000
	Year-over-year	89.5 %
Labor cost	Marginal profit ratio	21.8 %
	Labor share	30.1 %
	Yearly labor cost per person	JPY 3,350,000
Profitability	Ordinary income (per year)	JPY 53,822,000
	Recurring profit margin	2.9 %
	Ordinary income to total assets	4.8 %
Debt capacity	Equity ratio	49.6 %
	Gearing ratio	68.9 %
	Equity capital	JPY 554,332,000
	Redemption period (years)	1.8 years
	Interest coverage ratio	4.0 times
	Operating income before amortization (annual)	JPY 118,622,000

※Number of companies: 153; Average number of employees: 37

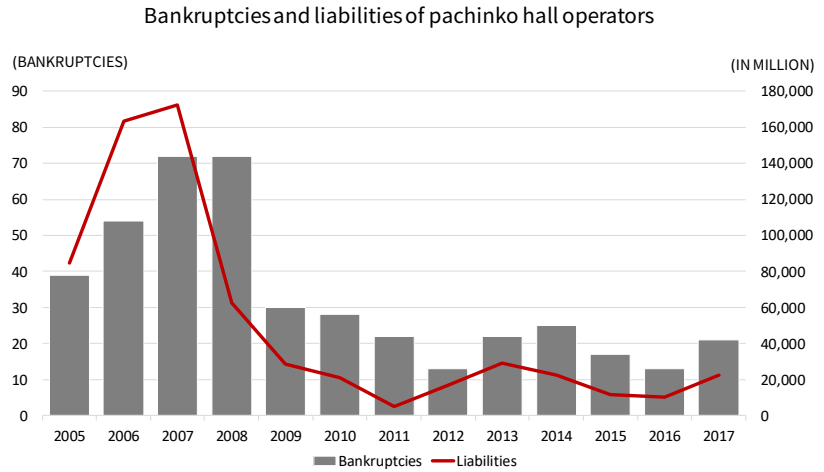
Source: TKC Corporation

※ Calculation of management indicators

1. Management indicator for net sales		
No.	Item	Formula
1	Net sales (in thousand yen)	
2	Year-over-year net sales comparison (in thousand yen)	$= \frac{\text{Net sales for the year}}{\text{Net sales for the previous year}} \times 100$
2. Management indicator for profit allocation		
No.	Item	Formula
3	Marginal profit ratio (%)	$= \frac{\text{Marginal profit}}{\text{Net sales}} \times 100$
4	Labor's share	$= \frac{\text{Labor cost}}{\text{Marginal profit}} \times 100$
5	Labor cost per person (per month)(in thousand yen)	$= \frac{\text{Labor cost} / 12}{\text{Average number of employees}}$
3. Management indicator for profitability		
No.	Item	Formula
6	Ordinary income (in thousand yen)	
7	Recurring profit margin (%)	$= \frac{\text{Ordinary income}}{\text{Net sales}} \times 100$
8	Ordinary income to total assets (%)	$= \frac{\text{Ordinary income}}{\text{Total assets}} \times 100$
4. Management indicator for debt capacity		
No.	Item	Formula
9	Equity ratio(%)	$= \frac{\text{Equity capital}}{\text{Total capital}} \times 100$
10	Gearing ratio(%)	$= \frac{\text{Interest-bearing debt}}{\text{Equity capital}} \times 100$
11	Equity capital (yen in thousands)	$= \text{Net assets (in total)} - \text{Stock acquisition right}$
12	Redemption period (years)	$= \frac{\text{Interest-bearing debt} - \text{Working capital} - \text{Cash and deposits}}{\text{Ordinary income} - \text{Income taxes} + \text{Depreciation allowance}} \times 100$
13	Interest coverage ratio (times)	$= \frac{\text{Operating income} + \text{Interest and dividends income received}}{\text{Interest and discount paid}} \times 100$
14	Operating income before amortization (yen in thousands)	$= \text{Operating income} + \text{Total depreciation allowance}$

(*)3)Interest-bearing debt includes short-term borrowing, current portion of long-term borrowings, and long-term borrowings, but excludes bills discounted.

Trends in bankruptcy According to the data by Teikoku Databank, Ltd., there were 21 bankruptcies of pachinko hall operators in 2017, with liabilities totaling JPY22,219 million. Compared to the 2008 peak over the last 10 years (72 bankruptcies), the number of bankruptcies dropped to about one-third.



Source : Teikoku Databank, Ltd.

6.3. Neighborhood

Neighborhood	
Boundaries	An area alongside an arterial road which the subject property has frontage on its north side, approximately 120m to the east and approximately 180m to the west from the subject property.
Characteristics	Roadside commercial area with heavy traffic where retail stores are located.
Frontage	Approximately 25m-wide public road with sidewalks on both sides
Transportation access	Approximately 800m northeast of “Koriyama” Station on the JR Tohoku Main Line.
Environment	<p>Topography : Almost flat</p> <p>Water supply : Public system available</p> <p>Sewerage : Public sewage available</p> <p>Gas : None</p> <p>Hazardous/aversive facility : None in particular</p>
Administrative factors	<p>City Planning Area Urbanization Promotion Area</p> <p>Zoning : Industrial Area</p> <p>Designated building cover ratio (“BCR”) : 60%</p> <p>Designated floor area ratio (“FAR”) : 200%</p> <p>Fireproof / Quasi-fireproof Area : Quasi-fireproof Area</p> <p>Other restrictions : None in particular</p>
Future outlook	Nothing identified that would affect the composition of the neighborhood, and the neighborhood’s character is expected to remain as is.
Standard use	Judged to be a site for a low-rise retail store based on characteristics and future projection of the neighborhood.
Standard lot	An inside lot with shape of rectangle and size of approximately 500 sq. m

7. Analysis of the Subject Property

7.1. Land Description

Land Description	
Current Use	Subject property is used as a low-rise retail store
Frontage	3-Street lot North : Approximately 25m Public road (Article 42-1-1) South : Approximately 9m Public road (Article 42-1-1) West : Approximately 6m Public road (Article 42-1-1)
Transportation access	Approximately 800m northeast of “Koriyama” Station on the JR Tohoku Main Line.
Environment	Similar to the standard lot in the neighborhood.
Administrative factor	Designated BCR (60.00%) , Designated FAR (200.00%) Similar to the standard lot in the neighbourhood in other aspects.
Site	Area (Registered) Total 17,566.42 sq m Frontage : Approximately 300m Depth : Approximately 70m Shape : Almost trapezoid Topography : Almost flat Site level : Height difference of approximately 1.5m in the north side, and approximately 1m difference in the west side and south side.(Subject property is high.)
Buried cultural treasures	Designated. The subject area falls under a remain, “Mukaigawara Iseki”. However, according to the hearing conducted with the department in charge, test excavation was conducted in 1996 at Koriyama city’s cost. Therefore, we have judged that the probability of further excavation being conducted is low. Therefore, we have concluded that this factor does not influence determinants of value in this analysis.
Soil contamination	Whether the property is designated as an area requiring measures under Act for Controlling Soil Contamination or as an area requiring notification upon changing its character. : <input type="checkbox"/> Not designated However, according to the material provided by the client, “Result of soil investigation conducted upon building a new store, Rakuza Rakuichi Koriyama Bijutsukan-dori ten (dated October 2001)” prepared by Sinkyo-tisui, Company, it is stated that “out of substances detected during the soil testing, detected amounts of each of the substance except for fluorine were all either within or slightly above environmental quality standards. As for fluorine, it was detected in all areas of testing and its detected amounts exceeded environmental quality standard. Although the detected substance was a sort that could also exist in the natural world, in this case, it needs to be noted that factories handling chemical substances existed in the neighbourhood of the subject area of investigation in the past and continue to exist, and that the subject area of investigation itself had been used as chemical factory in the past. Further, according to the existing data, lead, mercury, and their chemical compounds had been detected from the soils of the neighbourhood with amounts exceeding quality standard. Based on these facts, it had been assumed that contaminated substances could be

Land Description	
	<p>detected from the area through the investigation. As suspected, fluorine and lead, the heavy metal, were detected with amount above environmental standard.”</p> <p>As per mentioned in the conditions for scope of work, this factor is eliminated from determinants of values in this analysis.</p> <p>The above conclusion only indicates the existence/non-existence of signs of soil contamination that are found within the scope of our normal research, and it does not prove that there is no risk of soil contamination.</p>
Subsoil objects	<p>Based on the appraiser’s original research conducted which include objective information, hearings and appearance inspection at the site, it is assumed that there exist no subsoil objects. Therefore, this factor is excluded from determinants of value in the analysis.</p> <p>The above conclusion only indicates the existence/non-existence of signs of subsoil objects that are found within the scope of our normal research, and it does not prove that there is no risk of subsoil objects.</p>
Borders	<p>According to the hearing with the department in charge, borders of the subject property are confirmed.</p> <p>Further, based on the site inspection and hearings conducted, three sides of the subject property are surrounded by public roads and water channels. Adjacent areas are owned by the same owner, and therefore there are no boarder disputes. No serious crossing of boarders that may impact on its value has been admitted as far as the site inspection.</p> <p>However, as per mentioned in the conditions for scope of work, this factor is eliminated from determinants of values in this analysis.</p> <p>Further, the above conclusion only indicates the existence/non-existence of signs of the crossing of borders that are found within the scope of our normal research, and it does not prove that there is no risk.</p>
Other	None

7.2. Building Description

Building Description																	
Date of construction	1 November 2001 (Registered) , 18-year-old																
Structure	Steel framed structure																
Stories	1 stories																
Use	Entertainment facility																
Floor area	<p>【Main Building】</p> <table border="1"> <thead> <tr> <th>Floor</th> <th>GFA *1</th> <th>Main use</th> </tr> </thead> <tbody> <tr> <td>1F</td> <td>1,674.44 sq m</td> <td>Entertainment facility</td> </tr> <tr> <td>Total</td> <td>1,674.44 sq m</td> <td></td> </tr> </tbody> </table> <p>【Accessory Building】</p> <table border="1"> <thead> <tr> <th>Floor</th> <th>GFA *1</th> <th>Main use</th> </tr> </thead> <tbody> <tr> <td>No.1</td> <td>19.60 sq m</td> <td>Office</td> </tr> </tbody> </table> <p>Grand total 1,694.04 sq m (Main and accessory buildings)</p> <p>*1: GFA is based on the Registration.</p>		Floor	GFA *1	Main use	1F	1,674.44 sq m	Entertainment facility	Total	1,674.44 sq m		Floor	GFA *1	Main use	No.1	19.60 sq m	Office
Floor	GFA *1	Main use															
1F	1,674.44 sq m	Entertainment facility															
Total	1,674.44 sq m																
Floor	GFA *1	Main use															
No.1	19.60 sq m	Office															
Building plan and design plan, etc.	Details are shown in the attachment Building Plan.																
Designer	TANSEISHA Co., Ltd. first-class architect office																
Contractor	TANSEISHA Co., Ltd.																
Key specifications	Pachinko machine : 400 machines Pachislot machine : 160 machines Parking lot : for 529 cars																
Grade	Standard																
Maintenance	The subject property is 18-year-old. There is ordinary wear and tear, but the maintenance is in good condition.																
Conformity with surrounding environment	The subject property is a low-rise retail store and matched the standard use in the neighbourhood. Therefore, the subject building generally conforms to the surrounding environment.																
Hazardous materials	Judging from the hearing conducted, use of the building, its structure, and year of construction, it is judged that there is no serious issue in terms of use of Asbestos and PCBs. As per mentioned in the conditions for scope of work, this factor is eliminated from determinants of values in this analysis. The above conclusion only indicates the existence/non-existence of signs of hazardous substances that are found within the scope of our normal research, and it does not prove that there is no risk of hazardous substances.																
Seismic adequacy	Considering from the year of building construction, it is judged that the building was constructed conforming to the new seismic adequacy standard. Therefore, this factor is excluded from determinants of value in the analysis.																
Legal compliance	Building Permission Certificate : Confirmed Building Inspection Certificate : Basically confirmed As per above, building inspection certificate was confirmed. Together with the result of site inspection and research conducted by local administrations, it is considered that legal conformity is guaranteed. (based on the original research by real estate appraiser)																
Other	None																

7.3. Building and its Site Description

Building and its Site Description	
Balance between Building and its Site	<p>BCR: Effective 8.88% < Permitted 60.00% (upon construction) FAR: Effective 8.76% < Permitted 200.00% (upon construction)</p> <p>Although the subject property does not fully utilize its permitted FAR, it matches the standard use of the neighbourhood and the building is efficiently located within the site. Further, subject property secures sufficient space for parking lot, and taking into account the use of the subject property, spacious parking lot is considered not to become a negative factor. Therefore, the efficiency of site use is maximized.</p>
Competitiveness of the Subject Property	<p>The nearest station is “Koriyama” Station on the JR Tohoku Main Line. The subject property is located at an approximately 10-minute walk from this station. Its frontage road has a heavy traffic and its visibility and ability to pull in customers are high. The site is a 3-street lot, larger than the standard lot. Based on the above, the competitiveness of the subject property in terms of location/site is average.</p> <p>The building analysis is as mentioned in the earlier section. The subject property is a low-rise owner-occupied retail store. Its maintenance is up to date, and there are enough parking spaces secured to cover the needs of the building of its size and the building covers necessary functions required by prospective tenants. Although prospective tenant will be limited for its large size, considering its prime location demands for re-tenanting can be well expected. Based on the above, the competitiveness of the subject in terms of building features is average.</p> <p>Both land and building are owned by the same entity, and there is no factor which inhibits marketability and competitiveness of the subject.</p> <p>Taking into account all of the above, we have concluded that the competitiveness of the subject property is judged to be average.</p>

7.4. Highest and Best Use as Improved

Highest and Best Use as Improved	
Highest and Best Use as Vacant Land	<p>Considering the characteristics of neighbourhood and the subject property and the future forecast, the highest and best use as vacant land is judged as below.</p> <p>Site for low-rise retail store</p>
Highest and Best Use as Improved	<p>The subject property matches the environment, and the subject building conforms to the site and is consistent with the highest and best use. Therefore, the highest and best use as improved is judged as below.</p> <p>Continuing use as a low-rise retail store</p>

8. Application of Valuation Approaches

8.1. General Directions

The subject property is identified as an Owner-occupied Building and its Site, and the cost approach and income approach are applied to conclude value. The sales comparison approach for building and its site as a whole is not applicable due to lack of sufficient sales comparables.

8.2. Cost Approach

The cost approach value is determined by deducting the necessary depreciation from the replacement cost at the date of valuation.

The process of estimation is shown in Appendix 3: *Cost Approach Value Estimate Table*.

8.2.1. Replacement Cost

The replacement cost of the site and the building are estimated, to which the incidental expense is added to assess the subject's replacement cost.

8.2.1.1. Land (Vacant Land)

The vacant land value is estimated by applying the sales comparison approach, with reference to the benchmark value. The process of the estimation is shown in Appendix 4: *Land Value Estimate Table*.

Sales comparison approach value and Benchmark value	
Sales comparison approach value of the standard lot	JPY 86,000 per sq. m
Benchmark value	JPY 68,000 per sq. m

(Benchmarked to Prefectural land price survey point : Pre. Koriyama 5-4)

In this analysis, the standard value of the standard lot has been estimated at JPY 86,000 per sq. m, putting emphasis on the sales comparison approach value which reflects the actual state of the market, although there is a difference between the sales comparison approach value and the benchmark value.

The value of the subject land is assessed by multiplying the amount of land areas by the unit value which is estimated by adjusting for the attributes of the subject site. The basis for adjustment for the subject's attributes is as follows.

Item	Adjustment	Basis for adjustment
Large Size	- 20%	Judging by the relation between unit price and total value
3-Street Lot	+ 3%	Based on an increase in efficiency of use
Difference in Height	- 2%	Based on a decrease in efficiency of use
Multiple	81%	

8.2.1.2. Building

We have estimated the value of the building by comparing with construction costs of similar buildings. As for structures, we have estimated the value by comparing with acquisition value of similar buildings.

8.2.1.3. Incidental Expense (Entrepreneurial Profit and Other Costs)

Incidental expenses are estimated by considering the following:

- Direct cost related to land such as acquisition fee, a development application fee and property tax, etc.
- Direct cost to building such as design/ supervision fee, building certificate application fee and registration fee, etc.
- Cost to building and its site such as financing cost and the equivalent amount of development risk, etc.

8.2.2. Depreciation

8.2.2.1. Depreciation for Land

No depreciation is deducted for land.

8.2.2.2. Depreciation for Building

The depreciation value of the building etc.,(building and structures) is assessed by applying both useful life depreciation and observation depreciation.

As for useful life depreciation, we classify the components of the building into the building frame, the finishing and the installation, then assesses each depreciation rate considering age and remained economic useful life. Residual rate at the end of useful life is estimated at 0%. As for observation depreciation, we conclude that there is no adjustment considering physical depreciation confirmed upon site inspection and competitiveness of the subject property obtained through market analysis.

8.2.2.3. Depreciation for Incidental Expense

Depreciation rate is estimated based on the useful life for the building (economic useful life of the building frame).

8.2.2.4. Depreciation as Improved

No depreciation is recognized for the subject property as improved because the subject property is maintained in the highest and best use.

8.2.3. Cost Approach Value

Deducting the depreciation from the replacement cost assessed as above, we have estimated the cost approach value of the subject property as follows.

Replacement Cost		Depreciation		Cost Approach Value
JPY 1,956,398,520	–	JPY 425,865,811	≐	JPY 1,530,000,000

Cost Approach Value	JPY 1,530,000,000	
Land	JPY 1,377,000,000	(90%)
Building	JPY 138,000,000	(9%)
Structure	JPY 15,000,000	(1%)

The values of the land and the building etc., shown above were obtained through allocating cost approach value based on the ratio of land value / building value etc., before depreciation as a whole.

8.3. Income Approach

Although the subject property is an owner-occupied land and building, the value is estimated assuming it will be leased. The value estimate (income value) is derived by calculating the total sum of the present value for the expected future net cash flow for the subject property. The income approach value is estimated using the direct capitalization.

The direct capitalization method derives a net cash flow (“NCF”) of a single year, and capitalizes this with a capitalization rate to estimate value.

8.3.1. Subject’s New Market Rent

Before application of the income approach, the subject’s new market rent which affects the capitalization rate of net cash flow for a single year in the direct capitalization method is assessed.

8.3.1.1. Rent Comparables

The contract/asking rents for competing properties in the surrounding area are as follows (including partial estimates).

(Retail)

#	Signed/ Asking	Location	Completed	GFA *1	Stories *2	Contract area *3	Unit Rent (Y/Tb)
Subject	-	Mukaigawara, Koriyama-shi, Fukushima-ken	Nov-01	A	C	S	-
1	NA	Kanazawa-shi, Ishikawa-ken	2014	B	C	A	17,900
2	NA	Nobeoka-shi, Miyazaki-ken	2013	B	C	A	16,600
3	NA	Otsuka-cho, Mie-ken	NA	B	C	A	16,400
4	NA	Kobe-shi, Hyogo-ken	2014	B	C	A	16,000

*1 S : Over 1,000 Tb, A : 500 — 1,000 Tb, B : 300 — 500 Tb, C : 100 — 300 Tb, D : 100 Tb or less

*2 A : 3F or higher, B : 2F, C : 1F, D : B1F or below

*3 S : Over 500 Tb, A : 100 — 500 Tb, B : 30 — 100 Tb, C : 30 Tb or less

8.3.1.2. Subject's New Market Rent

Based on the above comparables, and interviews with real estate brokers, etc., we have estimated the medium- to long-term average stabilized rent (including CAM) of the subject property as below. Deposits (refundable one-off payments) and key money (one-off payment regarded as advance payment of rent) are also estimated based on similar considerations.

#	Use	New Rent	Of which CAM	Deposit	Key money (Amortization)
1	New market rent for the subject property (Retail)	JPY 16,000 per Tb	JPY 0 per Tb	6 months	0 month

8.3.2. Forecast of Inflation

Along with the new market rent, we assess the expected changes in prices that affect net cash flow for a single year in the direct capitalization method and the capitalization rate.

In assessing estimated change in prices, we account for future forecasts for GDP growth, GDP deflators and rent index trends, as well as historical rent indexes to arrive at the following estimates.

Forecast of Inflation	
Short-term forecast (1 - 3 years)	± 0.0%
Mid-term forecast (4 - 10 years)	± 0.0%
Long-term forecast (after 11years)	± 0.0%

8.3.3. Rates and Yields

8.3.3.1. Capitalization Rate

The capitalization rate has been estimated as below referring to the capitalization rate of similar property, hearing with real estate investors, and various indexes published.

Capitalization Rate	7.5%
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8.3.4. Direct Capitalization Method

8.3.4.1. NCF

The NCF is estimated by deducting total expenses from the gross income. The process of estimation is shown in Appendix 5 : *NCF Estimate Table and Forecast Variables* and Appendix 6: *Direct Capitalization Estimate Table*.

The assumptions regarding this estimate are as follows:

- The tenant turnover is estimated at 15 years for retail store based on the past performance of the subject property and similar properties;
- As stated in the forecast inflation section, the expected change in prices is assumed to be $\pm 0.0\%$.

8.3.4.2. Capitalization Rate

As stated in the capitalization rate section earlier in the report.

8.3.4.3. Direct Capitalization Value

By applying the above capitalization rate to the net cash flow, we have estimated the direct capitalization value as follows.

NCF	Capitalization Rate	Emergency Repair Cost	Direct Capitalization Value
JPY 84,835,209	÷ 7.5%	− JPY 0	≒ JPY 1,130,000,000

**Direct Capitalization Value
(Per net rentable area)**

**JPY 1,130,000,000
(JPY 667,000 per sq m)**

9. Reconciliation and Conclusion of value

9.1. Reconsideration of the Value Estimates

The value estimates shown below have been obtained, and the values are reconsidered to determine our confidence and conclude valuation.

Cost Approach Value	JPY 1,530,000,000
Income Approach Value	JPY 1,130,000,000

The cost approach focuses on cost. For assessment of replacement cost, the sales comparison approach has been applied for land, with sufficient reference to the benchmark price. As for the building and structures, the construction costs, etc. of similar buildings has been taken into account to estimate the replacement cost. We estimate the incidental expenses taking into account the market condition of various expenses for land and building etc., There is no depreciation for land, and a combination of useful life and observed depreciation is used to assess depreciation of the building etc., As for the incidental expenses, we depreciate in terms of the period to hold its usefulness.

In addition, we have estimated considering the marketability as a building and its site.

The cost approach value derived as above is an empirical value supported by sufficient data.

The income approach value mainly focuses on profitability. In the analysis, the direct capitalization method is used to estimate value.

Net operating income derived from assessment of income approach value using in direct capitalization method is estimated through referring to actual figures of similar properties. Further, the capitalization rate is estimated through “comparison with similar properties”, reflecting current market conditions.

As subject property is an owner-occupied retail building, and includes multiple assumptions upon assessment of net operating income, reliability of the income approach value is relatively low.

Further, the following issues are considered:

- Appropriateness of selection, evaluation and use of data
- Appropriateness of use of the basic principles that underlie value of real estate
- Appropriateness of factor analyses
- Appropriateness of judgments regarding adjustments in applying each approach
- Consistency of judgments of factors that affect value common to each approach
- Appropriateness of the relationship between unit price and aggregate value

9.2. Judgments Regarding the Level of Conviction of each Value Estimate

The subject property is an owner-occupied retail building and major prospective tenants, companies etc., considering opening new stores, are judged to make investment decisions based on cost required for opening new stores and asset value of the subject property. Therefore, the value which reflects actual state of the market is judged to be cost approach value.

9.3. Appraised Value

Therefore, we consider the cost approach value to be of primary relevance, while the income approach value has been used as reference, and we have concluded the value of the subject property as of the date of valuation as follows..

Appraised Value (Total floor area)	JPY1,530,000,000 (JPY 903,000 per sqm)
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- The appraised value as stated above is effective as at the Date of Appraisal.

Additional Statements

1. If obligation to return deposit is assumed by the new buyer upon transaction, it is appropriate that the purchase price deducts such deposit from the appraised value.
2. The appraised value does not include consumption tax and local consumption tax which will be levied upon the transaction.
3. Division of Roles

	Name of Appraisal Firm	Name of Appraiser	Sign and Seal	Scope of Work
Assignee	JLL Morii Valuation & Advisory K.K.	Takatsugu Honma	✓	Preparation and application of all appraisal procedures.
		Yasuhiro Takebe		Screening of the assignment
		Hiroaki Honda		Review of appraisal report
Business Alliance	None			

Appendix 1 : Summary of the Appraisal etc.

NIRAKU Bijyutsukan-dori

GENERAL DESCRIPTION			
Property Location	204-2 and other tracts, Mukaigawara, Koriyama-shi, Fukushima-ken		
Property Type	Entertainment facility		
Type / Interest	Commercial Land / Owner-occupied Building and its Site		
Site	Area	17,566.42 sqm (Registered)	
Improvement(s)	Bldg. Structure	S 1F	
	Date of Completion	2001	
	Gross Floor Area (GFA)	1,694.04 sqm	
	Net Rentable Area (NRA)	1,694.04 sqm	
APPRAISED VALUE			
JPY 1,530,000,000		Value to be appraised	Market Value
		Date of Valuation	04 July 2019
INDICATED VALUE BY EACH APPRAISAL METHOD			
Cost Approach			
JPY 1,530,000,000	Land	JPY 1,377,000,000	90%
	Building	JPY 138,000,000	9%
	Structure	JPY 15,000,000	1%
Direct Capitalization Method			
JPY 1,130,000,000	Net Operating Income (NOI)	JPY 86,488,096	
	Operating Expense Ratio	10.3%	
	Net Cash Flow (NCF)	JPY 84,835,209	
	Emergency Repair Cost	JPY 0	
	Capitalization Rate	7.5%	

Appendix 2 : Description of Land

NIRAKU Bijyutsukan-dori

Location	Tract #	Use (Registered/Actual)	Registered Area (sq m)	Holder of the Title
Mukaigawara, Koriyama-shi, Fukushima-ken	204-2	Building Site / Building Site	1,151.80	NEXIA Co.,Ltd.
Same as above	206-2	Building Site / Building Site	145.81	Same as above
Same as above	207-2	Building Site / Building Site	69.64	Same as above
Same as above	210-2	Building Site / Building Site	27.48	Same as above
Same as above	211-1	Building Site / Building Site	155.55	Same as above
Same as above	243-1	Building Site / Building Site	591.36	Same as above
Same as above	244-1	Building Site / Building Site	904.20	Same as above
Same as above	245-1	Building Site / Building Site	332.31	Same as above
Same as above	246	Building Site / Building Site	512.39	Same as above
Same as above	247	Building Site / Building Site	512.39	Same as above
Same as above	248-1	Building Site / Building Site	373.67	Same as above
Same as above	249-1	Building Site / Building Site	416.51	Same as above
Same as above	250	Building Site / Building Site	512.39	Same as above
Same as above	251-1	Building Site / Building Site	970.78	Same as above
Same as above	252-1	Building Site / Building Site	1,004.90	Same as above
Same as above	253	Building Site / Building Site	1,280.49	Same as above
Same as above	254	Building Site / Building Site	1,008.26	Same as above
Same as above	255	Building Site / Building Site	1,008.26	Same as above
Same as above	256	Building Site / Building Site	1,008.26	Same as above
Same as above	257	Building Site / Building Site	1,008.26	Same as above
Same as above	258	Building Site / Building Site	1,008.26	Same as above
Same as above	259	Building Site / Building Site	1,008.26	Same as above
Same as above	260	Building Site / Building Site	1,008.26	Same as above
Same as above	261	Building Site / Building Site	1,058.67	Same as above
Same as above	323-1	Building Site / Building Site	369.27	Same as above
Same as above	326-1	Building Site / Building Site	25.08	Same as above
Same as above	327-3	Building Site / Building Site	93.91	Same as above
		Total	17,566.42	

Appendix 3 : Cost Approach Value Estimate Table

NIRAKU Bijyutsukan-dori

Cost Approach Value		Unit:JPY	
Cost Approach Value	1,530,000,000	(A. Replacement Cost - B. Accrued Depreciation)	
		1,956,398,520	425,865,811
Land	1,377,000,000	Cost Approach Value × Ratio	*1
		1,530,000,000	90%
Building	138,000,000	1,530,000,000	9%
Structure	15,000,000	1,530,000,000	1%

A. Replacement Cost

Item	Estimated Amount	Basic of Estimation			
Land (i)	1,220,000,000	Land Unit Value × Land Area			
		JPY 69,700 per sqm	17,566.42 sqm		
Building (ii) *2	305,000,000	Construction Cost × Gross Floor Area			
		JPY 180,000 per sqm	1,694.04 sqm		
Structure (xvi)	105,398,520	Assessed by using Value of similar properties as reference.			
Incidental Cost (iii) *3	326,000,000	(i) + (ii) + (xvi) × Incidental Cost Rate			
		1,220,000,000	305,000,000	105,398,520	20.0%
Total Replacement Cost(iv)	1,956,398,520	(i) + (ii) + (iii) + (xvi)			

B. Accrued Depreciation

Item	Estimated Amount	Basic of Estimation			
Land Depreciation (v)	0	No depreciation has been recognized.			
Building Depreciation (vi)	184,307,143	Estimated by depreciation method by economic life and method by observation. ((x) + (xi))			
1) Depreciation Method by Economic Useful Life		Replacement Cost × Ratio × (1 - Residual Rate) × ($\frac{\text{Elapsed Year} \times 4}{\text{Useful Economic Life}}$)			
Frame (vii)	54,900,000	305,000,000	40.0%	100.0%	$\frac{18 \text{ years}}{40 \text{ years}}$
Finish (viii)	47,057,143	305,000,000	30.0%	100.0%	$\frac{18 \text{ years}}{35 \text{ years}}$
Installation (ix)	82,350,000	305,000,000	30.0%	100.0%	$\frac{18 \text{ years}}{20 \text{ years}}$
Total Depreciation (x)	184,307,143	(vii) + (viii) + (ix)			
2) Depreciation Method by Observation		(ii) - (x) × Depreciation Rate			
Depreciation (xi)	0	305,000,000	184,307,143	0.0%	
Structure Depreciation (xvii)	94,858,668	Estimated by depreciation method by economic life			
Incidental Cost Depreciation (xii)	146,700,000	(iii) × Depreciation Rate * $\frac{\text{Elapsed Year} \times 4}{\text{Useful Economic Life}}$	*Depreciation rate is estimated based on the useful life for the building (economic useful life of the building frame).		
		326,000,000	45.0%		
Subtotal of Depreciation (xiii)	425,865,811	(v) + (vi) + (xii) + (xvii)			
		0	184,307,143	146,700,000	94,858,668
Building and its site (xiv)	0	(iv) - (xiii) × Adjustment rate			
		1,956,398,520	425,865,811	0.0%	
		Reason for adjustment As the building, which matches its site and the environment, is in the highest and best use, no depreciation has been recognized.			
Accrued Depreciation (xv)	425,865,811	(xiii) + (xiv)			

【Remarks】

*1 Allocated the cost approach value by the ratio of land value and building value.

*2 Estimated by comparison with construction costs of similar buildings.

*3 Incidental expenses are estimated by considering the following:

- Direct cost related to land such as acquisition fee, a development application fee and property tax, etc.
- Direct cost to building such as design/ supervision fee, building certificate application fee and registration fee, etc.
- Cost to building and its site such as financing cost and the equivalent amount of development risk, etc.

*4 Estimated with the age and remaining useful economic life of each building component.

Appendix 4 : Land Value Estimate Table

NIRAKU Bijyutsukan-dori

Outline of the Property

	Subject Property	Standard Lot in Neighborhood	Sales Comp 1	Sales Comp 2	Sales Comp 3	Prefectural Land Price Survey Point (Pre. Koriyama 5-4)
Location	204-2 and other tracts, Mukaigawara, Koriyama-shi, Fukushima-ken		Kaisei 3-chome, Koriyama-shi, Fukushima-ken	Tsurumidan 3-chome, Koriyama-shi, Fukushima-ken	Kaisei 5-chome, Koriyama-shi, Fukushima-ken	7-1 and other tracts, Haga 1-chome, Koriyama-shi, Fukushima-ken
Nearest Station	JR Tohoku Main Line "Koriyama" Station 800m	JR Tohoku Main Line "Koriyama" Station 800m	JR Tohoku Main Line "Koriyama" Station 3,600m	JR Tohoku Main Line "Koriyama" Station 3,100m	JR Tohoku Main Line "Koriyama" Station 3,800m	JR Tohoku Main Line "Koriyama" Station 1,000m
Type			Improved	Improved	Improved	As vacant land
Area	17,566.42m ²	500.00m ²	701.36m ²	2,584.07m ²	1,300.31m ²	2,099m ²
Shape	Almost Trapezoid	Rectangular	Rectangular	Irregular	Almost Rectangular	Rectangular
Frontage	3-Street Lot	Inside Lot	Corner Lot	2-Street Lot	Corner Lot	Inside Lot
Main Road	N 25.0m Public road	N 25.0m Public road	S 13.5m Public road	N 16.0m Public road	E 15.0m Public road	W 18.0m Public road
Other Road	S 9m, W 6m	-	E 5.5m	S 3.7m	S 4.5m	-
Zoning	I	I	NC	NC	NC	2R
Designated BCR	60%	60%	80%	80%	80%	60%
Designated FAR	200%	200%	200%	200%	200%	200%
Permitted FAR	200%	200%	200%	200%	200%	200%
Circumstances			None	None	None	-

Transaction Description

Date of Transaction		Sep-17	Nov-17	Jun-17	Jul-18
Transaction Price		72,962 per sqm	67,924 per sqm	75,367 per sqm	63,300 per sqm

Comparison

Circumstances Adj.		100 / 100	100 / 100	100 / 100	100 / -
Time Adj.		103.7 / 100	103.5 / 100	104.4 / 100	102.1 / 100
Use Adj.		100 / 100	100 / 100	100 / 100	100 / -
Standardization Adj.		100 / 103	100 / 92	100 / 103	100 / 100
		3 Corner Lot 0 SB/Private road 0 Standard 0 Rectangular 0 Other	2 2-Street Lot 0 SB/Private road -5 Large Size -5 Irregular 0 Other	3 Corner Lot 0 SB/Private road 0 Standard 0 Almost Rectangular 0 Other	0 Inside Lot 0 SB/Private road 0 Standard 0 Rectangular 0 Other
Regional Factors		100 / 87	100 / 89	100 / 87	100 / 95
		-6 Width etc. -7 Distance from the station etc. 0 Surrounding environment 0 Public regulations etc. 0 Other	-5 Width etc. -6 Distance from the station etc. 0 Surrounding environment 0 Public regulations etc. 0 Other	-5 Width etc. -8 Distance from the station etc. 0 Surrounding environment 0 Public regulations etc. 0 Other	-4 Width etc. -1 Distance from the station etc. 0 Surrounding environment 0 Public regulations etc. 0 Other
Calculated Value		84,434 per sqm	85,859 per sqm	87,806 per sqm	68,031 per sqm
Reasons Supporting Estimate of Sales Comparison Value and Benchmark Value	3 comps in the neighborhood and substitution area are applied. Each comp is considered adjusted properly. The sales comparison approach value of the standard lot is assessed as above using the average of the 3 comps, which is added to specific factors to the subject to calculate the estimate of the subject as below.	86,000 per sqm			68,000 per sqm
Adjustment for Attributes of the Subject		81 / 100		-20 Large Size +3 3-Street Lot -2 Difference in Height	Same as left
Vacant Land Value of Subject Property (Unit Price)		69,700 per sqm			55,100 per sqm

Appendix 5 : NCF Estimate Table and Forecast Variabl

NIRAKU Bijutsukan-dori

Item	Basis for adjustment
	Direct Capitalization Method NCF
Rental Income, CAM Charge	Estimated for the rental space by multiplying the estimated medium- to long-term stabilized new market rent by the amount of the rentable area.
Parking Rent	Not included assuming it is included in rent income.
Utilities	Not included assuming the burden of tenant.
Key Money	Not included based on the current lease and the market level.
Renewal Charge Income	Not included based on the current contract and the market practice.
Other Income	Since no other income item is assumed in particular, this is not included.
Potential Gross Income	
Vacancy Loss (-)	Estimated based on the vacancy levels and their future trends in the market, asking conditions, and competitiveness of the subject property, etc.
Allowance for Collection Loss (-)	Secured by the deposit thus not included.
Operating Revenue	
Repair Cost	With reference to the repair and renovation cost of similar properties, the repair and renovation cost is estimated to be 1.0% of building replacement cost, 30% of which is included as repair cost in the report.
Maintenance Cost	Since the tenant pay the cost, this is not included.
Utilities	Since the tenant pay the cost, this is not included.
Property Management Fee	Assessed by using actual result of similar properties as reference.
Property Tax (Land and Building)	Estimated based on the actual property tax amount, taking into account the probable change upon tax reassessment in the future.
Property Tax (Depreciable Asset)	Estimated based on the actual amounts.
Insurance Fee	Estimated based on the ratio against the building replacement cost, with reference to the actual amount for similar properties.
Leasing Fee	Assessed by taking into account the timing of tenant turnover.
Other Expenses	Since there is no other expense item in particular, this is not included.
Operating Expenses	
Net Operating Income	
Interest on Deposit (+)	Effective deposits are estimated based on the current deposit balance and market practices. The return on effective deposits is included, assuming the fund would be deposited as refundable reserves. The rate of return is estimated based on the long-term yield.
Capital Expenditure (-)	With reference to the repair and renovation cost of similar properties, the repair and renovation cost is estimated to be 1.0% of building replacement cost, 70% of which is included as capital expenditure in the report.
Net Cash Flow	

Appendix 6 : Direct Capitalization Estimate Table

NIRAKU Bijyutsukan-dori

Unit : JPY			
Net Cash Flow A	Capitalization Rate B	Emergency Repair Costs C	Direct Capitalization Value A/B-C
84,835,209	7.5%	0	1,130,000,000 (JPY 667,000 per sqm)
Rental Income	98,390,400	See below for the unit price.	
CAM Charges	0	See below for the unit price.	
Parking Rent	0	See below for the unit price.	
Key Money	0	Occupancy rate is reflected.	
Renewal Charge Income	0	Occupancy rate is reflected.	
Utilities	0	Monthly revenue per rentable area Y0 / Tb	
Motorcycle Parking	0	-	
Other Income	0	-	
Potential Gross Income	98,390,400		
Vacancy Loss (-)	1,967,808	See below for the vacancy rate.	
Operating Revenue	96,422,592		
Repair Cost	915,000	Cost per rentable area Y1,786/Tb	
Maintenance Cost	0	Monthly cost per rentable area Y0/Tb	
Utilities	0	Monthly cost per rentable area Y0/Tb	
Property Management Fee	1,200,000	Y 100,000/month The equivalent of EGI × 1.2%	
Property Tax (Land)	5,443,026	Based on actual amounts.	
Property Tax (Building)	1,634,305	Based on actual amounts.	
Property Tax (Depreciable Asset)	53,984	Based on actual amounts.	
Insurance Fee	152,500	Based on the replacement cost. The equivalent of the replacement cost 0.05%	
Leasing Fee	535,681	Estimated based on the annual newly occupied area upon tenant turnover.	
Operating Expenses	9,934,496	Operating expense ratio 10.3%	
Net Operating Income	86,488,096	NOI yield 7.7%	
Interest on Deposit (+)	482,113	Rate of return on deposit 1.0% Effective Deposit Total 48,211,296	
Capital Expenditure (-)	2,135,000	Cost per rentable area Y4,166/Tb Based on the replacement cost. The equivalent of the replacement cost 0.70%	
Net Cash Flow	84,835,209		

Assumption

Category	NRA (tsubo, car)	JPY/tsubo			Vacancy Rate	Deposit (mos)	Turnover (yr)
		Rent	CAM				
Retail	512.45	16,000	16,000	0	2.0%	6.0	15.0
Car Parking	0	0	-	-	0.0%	0.0	-

Comment

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1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquires, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

As at 30 September 2019, the interests and short positions of the Directors and the chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register as required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 to the Listing Rules were as follows:

	Capacity/Nature of interest	Total	Approximate % of shareholding
Hisanori TANIGUCHI (谷口久徳)	Beneficial owner; interest of controlled corporation ⁽¹⁾	225,560,460 common Shares	18.86%
Hiroshi BANNAI (坂内弘)	Beneficial owner	216,000 common Shares	0.02%

Notes:

- The interests held by Hisanori TANIGUCHI (谷口久徳) shown above include the 214,060,460 Shares held in his own name for his own benefit and the 11,500,000 Shares held by Densho Limited* (有限會社伝承), a company collectively wholly-owned by his children, the voting rights of which are exercisable by him.
- All interests stated are long positions.
- There were 1,195,850,460 Shares in issue as at 30 September 2019.

Save as disclosed above, as at 30 September 2019, none of the Directors and chief executive of the Company had or were deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the

SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or required to be recorded in the register to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

3. LITIGATION

As at the Latest Practicable Date, none of the members of the Group were engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

4. DIRECTORS' SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which will not expire or be determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation).

5. COMPETING INTERESTS OF DIRECTORS AND CLOSE ASSOCIATES

As at the Latest Practicable Date, to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, none of the Directors and their respective close associates were considered to have any interest in businesses which competes or was likely to compete, whether directly or indirectly, with the business of the Group that need to be disclosed pursuant to Rule 8.10 of the Listing Rules.

6. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been, since 31 March 2019 (being the date to which the latest published audited consolidated financial statements of the Company were made up), acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group.

As at the Latest Practicable Date, none of the Directors were materially interested in any contract or arrangement entered into by any member of the Group subsisting at such date and which was significant in relation to the business of the Group.

7. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has provided its advice for inclusion in this circular:

Name	Qualification
JLL Morii Valuation & Advisory K.K.	Independent professional property valuer

JLL Morii Valuation & Advisory K.K. has given and has not withdrawn its written consent to the issue of this circular with the inclusion of extracts of its report and the reference to its name in the form and context in which they appear.

As at the Latest Practicable Date, JLL Morii Valuation & Advisory K.K. was not interested beneficially or otherwise in any shares or securities in any of subsidiaries or associated corporation (within the meaning of Part XV of the SFO) of the Company and did not have any rights, whether legally enforceable or not, or option to subscribe for or to nominate persons to subscribe for any Shares or securities in any of subsidiaries or associated corporations of the Company nor did they have any interests, either direct or indirect, in any assets which have been, since 31 March 2019 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

8. MATERIAL CONTRACTS

The following material contracts (not being contracts entered into in the ordinary course of business) had been entered into by the Group after the date of two years before the date of Announcement and up to and including the Latest Practicable Date:

(i) Investment in a subsidiary

On 20 November 2017, the Company acquired 100% of the issued share capital of Dream Games Singapore Pte. Ltd. and its subsidiaries (“Dream Games”) at a cash consideration of ¥1,870 million. Dream Games is engaged in the operation of entertainment and amusement facilities in Cambodia and Vietnam. The acquisition represents a strategic opportunity for the Group to establish its leading presence in gaming and entertainment industry in Southeast Asia and broaden the types of entertainment provided by the Group.

(ii) Interest in an associate

On 8 November 2018, a wholly-owned subsidiary of the Group entered into an agreement to subscribe for 20,000 shares, representing 40% equity interests, of a newly incorporated Hong Kong entity, Yes! E-Sports Asia Holdings Limited (“YEAH”) at a cash consideration of USD40,000. YEAH is established to be a hub for developing and expanding the e-Sports business in Asia.

In addition to the capital contribution, the Group has also entered a loan agreement with YEAH to provide it with a US\$3,200,000 loan (equivalent to approximately ¥354 million) with interest rate at 4% per annum. The loan was provided on 15 November 2018 and is repayable every six months by instalments over four years. The Group has the right to demand for full repayment by the time YEAH has surplus funds (defined as any amount of funds, including cash and cash equivalents, in excess of debt or debt-like liabilities such as lease obligations) that exceed US\$3,200,000 principal amount of the loan.

YEAH is a private company and there is no quoted market price. There is no contingent liability relating to the Group's interest in the associate.

(iii) Acquisition of properties in Fukushima-ken

On 5 February 2019, the wholly-owned subsidiary of the Group entered into a sale and purchase agreement with a third party vendor, GAIA Co., Ltd., to acquire the properties located at Omachi 2-chome, Koriyama-shi, Fukushima-ken, Japan, at a cash consideration of ¥3.768 billion (inclusive of a 8% value added tax) (equivalent to approximately HK\$268.8 million). The properties are suitable for operating a relatively large-scale pachinko hall and through this strategic acquisition, the Group would be able to ensure our competitive advantage within the area.

(iv) Disposal of properties

On 29 October 2019 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which the Vendor will sell and the Purchaser will purchase the Properties for a consideration of ¥1,985 million (inclusive of 10% value added tax) (equivalent to approximately HK\$144.2 million).

9. GENERAL

- (a) The address of the registered office of the Company is 1-1-39 Hohaccho, Koriyama-shi, Fukushima, Japan 963-8811 and the principal place of business in Hong Kong is at 805B, 8/F, Tsim Sha Tsui Centre, 66 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong.
- (b) The joint company secretaries of the Company are Ms. YIU Wai Man Karen, who is a member of the Hong Kong Institute of Certified Public Accountants and Ms. NG Sau Mei, who is a fellow member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.
- (c) The branch share registrar and the transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17/F Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

- (d) In case of inconsistency, the English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during the following business hours (i.e. from 9:30 a.m. to 12:30 p.m. and from 2:30 p.m. to 5:30 p.m.) on any weekday (Saturdays and public holidays excepted) for 14 days from the date of this circular unless (i) a tropical cyclone warning signal number 8 or above is hoisted; or (ii) a black rainstorm warning signal is issued :

- (a) the articles of incorporation of the Company;
- (b) the material contracts referred to under the paragraph headed “Material Contracts” in this Appendix III;
- (c) the annual reports of the Company for the three years ended 31 March 2017, 31 March 2018 and 31 March 2019;
- (d) the valuation report on the Properties prepared by JLL Morii Valuation & Advisory K.K. as set out in Appendix II to this circular; and
- (e) this circular.