

**Our View on Supreme Court Ruling  
on Metropolitan Area Condominium Inheritance Tax Taxation**

Yesterday, the Supreme Court ruled in a case (the "Ruling") that challenged the legality of a decision by the Regional Taxation Bureau to revalue the inheritance tax assessed value of condominiums in the Tokyo metropolitan area using an appraisal (actual value) as "another reasonable method" instead of using the roadside land price valuation method prescribed by the National Tax Agency Basic Instructions on Evaluation of Assets, and to impose additional taxation. We have received inquiries about the impact on our business as a result of this decision.

In our Real Estate Fund Business, we provide the real estate fractional ownership investment products (the "Products") that can invest in real estate in prime locations in central Tokyo from 10 million yen per unit by utilizing the trust function of FPG Trust, a consolidated subsidiary of the Company.

Our Products has been well received by many investors, namely wealthy individuals, due to its merits not only limited to its primary purpose of asset management, but also an ability to be utilized as a gift or inheritance asset at the same time, as well as the integrated operation and management that only a trust can provide, eliminating the need for complicated and time-consuming work.

With regard to the Ruling, the issue was whether or not it was appropriate for the Regional Taxation Bureau to apply the exception to the National Tax Agency Basic Instructions on Evaluation of Assets 6, "The value of property for which valuation in accordance with the provisions of this notice is deemed significantly inappropriate shall be valued in accordance with the instructions of the Commissioner of the National Tax Agency," and in the case in this question, the Supreme Court found the application of the exception claimed by the Regional Taxation Bureau to be legitimate, judging that the use of the roadside land price valuation based on individual circumstances such as the purchase of real estate with a large amount of borrowing "would cause an unacceptable imbalance between the taxpayer and other taxpayers and would be contrary to the fairness of the tax burden". It is our understanding that the legality of the disposition by the National Taxation Bureau was recognized in this peculiar case where excessive measures were taken to reduce the amount of inheritance tax to zero.

As a preliminary step to the above conclusion, the Ruling states," Since it is a matter of public knowledge that the Valuation Notice stipulates the general method of valuation of inherited

property and that the taxation authorities uniformly conduct valuations in accordance with this method, it is not appropriate for the taxation authorities to determine the value of the inherited property of a particular person only by a value that exceeds the value assessed by the method stipulated in the Valuation Notice. Even if such value does not exceed the market value as an objective exchange value, it should be illegal as a violation of the above principle of equality, unless there is a reasonable reason," the court acknowledged that the conventional method of valuation by roadside land price is the principle.

In this regard, we believe that the conclusion of the Ruling will not have a significant impact on our business to extent that customers utilize our Products within the scope of appropriate purposes.