

The Embassy of the Republic of Kenya in Japan
His Excellency Allan Mburu
Counselor
Head of Chancery

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Report (1)

Article 1 Basic Data

Clause 1 Concerning Owners of the Land and Buildings in Question

(1) Land address	owner's identity	size
Meguro Ward Yakumo 3 chome, 137 ban, 3	Ms. Taiko Kuriyama	135.53 square meters
Yakumo 3 chome, 137 ban 10	Ms. Taiko Kuriyama	290.40 square meters
Yakumo 3 chome, 135 ban 2	Mr. Nobuo Kuriyama	782.68 square meters
Yakumo 3 chome, 135 ban 3	Ms. Taiko Kuriyama	223.16 square meters

Combined size of the four land plots
(1431.77 square meters)

The above four land plots are those on which the embassy building and the ambassador's official residence stand. Therefore, their combined size is identical to that of the area now occupied by the embassy building, the residence and some space surrounding the two buildings. (Refer to Drawing 1)

Ms. Taiko Kuriyama and Mr. Nobuo Kuriyama inherited the land plots from their father Taizo Kuriyama on July 18, 2000.

(2) Buildings

Their owner is Mr. Nobuo Kuriyama. He inherited the buildings from Mr. Taizo Kuriyama on July 18, 2000.

(3) Please take note of the fact that Japan's Civil Code stipulates that land plots and buildings should be dealt with as separate, mutually independent real estates.

Clause 2 Concerning Prices of land Plots

- (1) Under Japan's official land price assessment system, the Japanese government annually assesses prices of land plots at selected locations nationwide as of January 1 with an eye to announcing their prices as government-endorsed reference data. This system is called the "Koji Kakaku Seido (literally translated as the Government-assessed Price Announcement System)". The government-assessed data is widely referred to as an important yardstick to help determine market prices of land plots to enable commercial transactions to be done in a fair manner.

The Block of Yakumo 3 Chome in Meguro Ward does not have any land plot whose price has been publicly assessed under the Government-assessed Price Announcement System. But data concerning the publicly assessed prices of the following two land plots, both located in the Block of Yakumo 4 Chome adjacent to the 3 Chome Block where the embassy is located, is available. The prices of the two plots were assessed as of January 1, 2009 under the Government-assessed Price Announcement System.

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|-------------------------|------------------------------|
| [1] Yakumo 4 Chome 5-20 | 756,000 yen per square meter |
| [2] Yakumo 4 Chome 1-19 | 761,000 yen per square meter |

- (2) Data available on the Internet shows that the owner of a 348.34-square-meter land plot in Yakumo 3 chome 10 ban is now offering to sell the plot at 248 million yen and soliciting would-be buyers. The number translates into a per-square-meter price of 711,948 yen.
- (3) Land prices in Japan generally began following a downward path from 2008.
- (4) Judging from all the above information, I recommend that the embassy recognize the per-square-meter price zone of 711,948 -761,000 yen as a fair yardstick in implementing its own real estate transaction.

Clause 3 Concerning Prices of Buildings

More than 20 years have elapsed since the two buildings, now used as the embassy building and the official residence, were constructed on September 16, 1988. The owner cannot demand a very high price for the two buildings because their value has depreciated with the passing of the time. Therefore, the current combined value of the two buildings is estimated at 20-30 million yen at best.

Clause 4 Concerning the combined price of the four land plots and the two buildings

- (1) I recommend that your embassy perceive the price range of 1,018,284,985 yen to 1,089,204,080 yen as a fair yardstick for the price range for the four land plots.
- (2) When the buildings' estimated value is added to the just mentioned range, the price range of 1,038,204,080 yen to 1,119,204,080 yen should be considered as a fair combined value of the land plots

and the two buildings.

Article 2 Parties to the Rental Contract

- 1 The owners of the four land plots and buildings are Ms. Taiko Kuriyama and Mr. Nobuo Kuriyama.
- 2 The contract which the government of the Republic of Kenya has concluded with real estate company Taiwa Ltd. managed by Ms. Taiko Kuriyama and two other relatives of hers only calls for renting the buildings to the Kenyan embassy.
- 3 This company was set up to manage its real estate holdings with Ms. Taiko Kuriyama, Mr. Nobuo Kuriyama and Ms. Hideko Kuriyama acting as its board directors. The firm's representative director is Ms. Taiko Kuriyama.
- 4 The existing rental contract does not authorize the Kenyan government to own the buildings. The contract allows it to hire the buildings to use them as the embassy building and the ambassador's official residence. As a result, it does not give the Kenyan government the legal right to rent the four land plots. Consequently, the contract does not give the Kenyan government an advantage when a price at which the land plots could be sold to the government is calculated and determined.

Article 3 Loan Transactions Ms. Taiko Kuriyama, Mr. Nobuo Kuriyama and Ms. Hideko Kuriyama Have Conducted with Banks

1. The registry book at the Meguro Ward branch office of the Tokyo Legal Affairs Bureau, a unit of the Justice Ministry, testifies to the following facts concerning the loan transactions the three persons have conducted with banks.

On September 30, 2004, the three persons took out a mortgage of up to 200 million yen by putting up the four land plots and the two buildings in question as collateral in a legitimate transaction with the Johnan Shinkin Bank.

On October 29, 2004, the bank bolstered the upper limit of borrowable money secured by these properties to 1.5 billion yen in a follow-up agreement with the three persons.

On March 15, 2006, the bank hiked the upper limit again to 1.74 billion yen in yet another follow-up agreement with the three.

On March 30, 2007, the bank implemented a third increase in the upper limit in an accord with the three, hiking it to 1.94 billion yen.

2. The three persons used to have transactions with Sumitomo Mitsui Banking Corp. But the trio and the bank discontinued their transactions on Oct. 29, 2004.

Article 4 Key Points of Cautions in Holding Negotiations to Buy Land Plots and Buildings

1. First of all, please keep in mind that the price zone of 1,038,204,080 yen to 1,119,204,080 yen should be deemed as a fair price range for the four land plots and the two buildings, as I have explained in (2) of Clause 4 of Article 1.
2. Ms. Kuriyama and the two others put up the land plots and buildings in question as collateral in taking out a mortgage of a large scale, thereby obtaining large loans. It appears that the combined size of the outstanding loans is now close to 1.94 billion yen. The three persons might have taken out the loans of this scale to finance operations of their real estate company and pay an inheritance tax that became due when they inherited the properties from their father, Mr. Taizo Kuriyama.
3. If the Kenyan government seeks to conclude a contract to purchase the four land plots and two buildings through talks with Ms. Kuriyama and the other two, it is a legal prerequisite that Ms. Kuriyama and the other two have to get the bank to agree to extinguish its lien over the properties. Obtaining the bank's consent for such an extinguishment requires that the three repay a large amount that could convince the bank to extinguish the lien.

What requires intense scrutiny and monitoring on the part of the embassy and relevant parties is whether Ms. Kuriyama and the other two will be able to repay such an amount and thereby get the bank to extinguish the lien.

4. A close relationship will likely spring up between the amount of money Ms. Kuriyama and the other two owe the bank and a price which the Kenyan government will agree to pay in implementing a purchase transaction involving the four land plots and the two buildings. Therefore, the Kenyan government needs to make careful decisions on the size of the price and proceed with relevant negotiations with the three persons wisely.
5. There is the possibility that Ms. Kuriyama and the two others will demand a considerably high price for the properties from the Kenyan government in order to repay the money they owe the bank.
6. How this matter will unfold depends on the manner of negotiations with the three persons. As a matter of course, it is impossible to know results of the negotiations beforehand. As a manner for pushing negotiations properly, I recommend that the Kenyan government contact the real estate company Taiwa to formally inform it of plans to buy the properties. Then, it is necessary to lead and convince Ms. Kuriyama and the two others to sell the properties to the Kenyan government at a price which it deems as appropriate.

Article 5 Appropriate Sequence of Events to Come

The following is my suggestions on how and in what order things should unfold down the track to

ensure that upcoming negotiations will produce the most satisfactory outcome for the Kenyan government.

1. The Kenyan government should firstly determine the price at which it would want to buy the properties.
2. It should then formulate policy guidelines for upcoming negotiations with the three, including an upper limit it could tolerate as the price for the properties.
3. It should thirdly kick off bargaining with the three persons.
4. Once negotiations produce a successful conclusion, the seller (the Kuriyamas) and the buyer (the Kenyan government) should sign a contract mandating the transfer of the ownership of the properties.
5. The seller and buyer should register the transfer of the ownership for the properties with the Japanese government, while all relevant parties – simultaneously – should take procedures for putting the fact of the extinguishment of the bank's lien over the properties on the Japanese government's registry book.
6. The transaction for the transfer of the ownership will be exempt from various Japanese taxes under the protection of the diplomatic privilege.