Japan Excellent, Inc.

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For Translation Purposes Only

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Japan Excellent, Inc. (TSE: 8987)
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Notice Concerning Acquisition and Leasing of Investment Asset (Nisseki Yokohama Building)

Japan Excellent, Inc. (hereinafter "JEI") hereby announces that Japan Excellent Asset Management Co., Ltd. (hereinafter "Asset Management Company"), to which JEI entrusts asset management, made a decision today as described below regarding the acquisition and leasing of an asset.

1. Summary of Acquisition

(1) Property Name: Nisseki Yokohama Building (hereinafter "Property" or "Property to be Acquired")
(2) Property to be Acquired: Trust beneficiary interest in real estate
(3) Planned Acquisition Price: ¥24,500 million
(4) Scheduled Date of Execution of Purchase Agreement: March 27, 2015
(5) Scheduled Acquisition Date: April 1, 2015
(6) Seller: Not disclosed as consent from the seller has not been obtained.
(7) Funds for Acquisition: Proceeds from issuance of new investment units (Note), debt financing (Note) or funds on hand (scheduled)
(8) Method of Payment: Lump-sum payment upon delivery

(Note) Funds to be procured through the issuance of new investment units as outlined in "Notice Concerning Filing of Shelf Registration Statement for Issuance of Investment Units" released today will be applied to the repayment of borrowings in line with the acquisition of this property. For details of the borrowings, please refer to "Notice Concerning Debt Financing," separately announced.

2. Background of Acquisition

JEI has decided to acquire the Property in order to enhance its portfolio pursuant to the investment targets and policies of asset management stipulated in its Articles of Incorporation. For the factors JEI has taken into account in reaching the decision to acquire the Property, please refer to the "Evaluation of the Property to be Acquired" column for this property in the section immediately following titled "3. Details of the Property to be Acquired." Furthermore, in selecting tenants for the asset to be acquired, in addition to creditworthiness and ability to pay rent, the existence of associations with anti-social forces or organizations or members thereof or similar affiliations will be investigated, and if the investigation reveals no such inappropriate associations or affiliations, the Asset Management Company of JEI will, in accordance with tenant selection standards, select appropriate tenants.

3. Details of the Property to be Acquired

(1) Evaluation of the Property to be Acquired

A. Location

Minato Mirai 21, the area in which the property is located, is Yokohama's base for international exchange featuring convention centers and boasts an abundance of office buildings, commercial complexes, hotels, cultural facilities and urban residences – it features a rare concentration of commerce, residence and culture.

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Furthermore, there are numerous large-scale and relatively new office buildings, and the area is home to headquarters of major domestic companies as well as the head Japan offices of foreign firms. Given the high concentration of business and ease of transportation access, it is highly competitive as an office area.

The property is situated a four-minute walk from Sakuragicho Station on the JR Keihin Tohoku Line, Negishi Line and Yokohama Line and Sakuragicho on the Yokohama Municipal Subway Line. Direct access to the entrance of the building is available from the pedestrian deck in front of the station. The property is also a six-minute walk from Minato Mirai Station on the Yokohama Minatomirai Railway, and is very near the entrance to the expressway. Access to major metropolitan business centers as well as the Shinkansen and Haneda Airport is excellent.

B. Building Facilities

The property is a large-scale building comprising 30 floors above ground and 2 floors below ground and has a total floor area of approximately 22,000 tsubos with a standard area per floor of approximately 470 tsubos. The property features a distinct, symbolic façade, lending it high visibility. The atrium in the entrance is extremely spacious, encompassing the 1st below-ground floor through the 4th floor and featuring a soaring ceiling, making the space well-lit and giving it an air of refinement. It incorporates an open space on the 1st floor, a multi-purpose hall, rental meeting rooms and dining establishments on the top floor for tenants, enhancing tenant convenience, and with individual air conditioning systems for six subdivisions on standard floors, it meets various tenant needs.

Furthermore, the structure provides superior earthquake resistance through the incorporation of a hybrid aseismic system, a heliport accommodating a helicopter weighing up to 5 tons, an emergency power generator, and three-line spot network power reception, giving the property the specifications necessary to satisfy corporate business contingency plans in the event of a disaster.

C. Other

The property serves as a key base of operations for the JX Group, one of Japan's top energy-related firms, and JX Group companies occupy a significant amount of space at the property as tenants. Furthermore, JX Nippon Real Estate Corporation, a JX Group company, serves as property manager and is responsible for management and operation, and through several long-term master lease agreements, is achieving stable earnings.

(2) Overview of the Property to be Acquired

Property Name		Nisseki Yokohama Building
Type of Specified Asset[1]		Trust beneficiary interest in real estate
Trustee		Mitsubishi UFJ Trust and Banking Corporation
Trust Establishment Date		January 31, 2008
Maturity Date of Trust[2]		March 31, 2025 (scheduled)
Location	Lot Number[3]	1-105-2 Sakuragi-cho, Naka-ku, Yokohama-shi, Kanagawa and other 2 lots
	Address[4]	1-1-8 Sakuragi-cho, Naka-ku, Yokohama-shi, Kanagawa
Use[3]		Office, retail, parking, gas station and public hall
Site Area[3]	Land	6,637.16m^2
	Building[5]	72,116.65 m^2
Structure[3]		S/SRC, Flat-roofed, B2/30F
Completion Date[3]		May 28, 1997
Building Designer		Nihon Sekkei, Inc.
Constructor		Shimizu Corporation
Building Certification Agency		Yokohama City
Type of Ownership[6]	Land	Ownership
	Building	Ownership
Appraisal Value		¥24,600 million (JPY24,600,000,000)
Appraisal Date		March 3, 2015
Appraiser		Japan Real Estate Institute
PML[7]		3.19% (Based on the Building Survey Report on PML Assessment produced by Sompo Japan Nipponkoa Risk Management, Inc.)

Collateral	None[8]
Property Management Company[8]	JX Nippon Real Estate Corporation
Master Lease Company[9]	JX Nippon Real Estate Corporation
Other Relevant Information	1. A pedestrian deck connecting Sakuragicho Station occupies a portion of the lot on which the property is located, and sectional surface rights have been established by Yokohama City for the purpose of installation and maintenance. 2. Construction of the property has been conducted after having obtained overall design authorization pursuant to Article 59-2 of the Building Standards Law. With regard to a portion of the 4th floor of the property, procedures for change in usage pursuant to the Building Standards Law have not been performed. Concerning the change, on the premise that in actuality the requirements of the Building Standards Law and related laws and regulations are fulfilled, an application for a change to the construction plan related to the authorization in overall design has been submitted to Yokohama City, and authorization was received on April 3, 2013.

Notes

1. The type of asset to be acquired by JEI
2. On the scheduled acquisition date, a real estate management disposal trust change agreement will be concluded and the trust period will be extended.
3. The descriptions of "Lot Number," "Structure," and "Completion Date" are based on the indications on the land registry, and "Use" is based on the indication on the land registry or the completion drawing
4. Concerning "Location (residence indication)," the everyday usage of the location is indicated.
5. The total site area of floors of the building written in the land registry is indicated here.
6. "Form of ownership" indicates the form of ownership of Mitsubishi UFJ Trust and Banking Corporation for the asset scheduled to be acquired.
7. "PML (Probable Maximum Loss)"is the percentage of loss which will not exceed 90% against building replacement price, should the greatest earthquake that has a 10% probability occurring within the average useful life of a building of 50 years occur.
8. The collateral will be released as of the scheduled acquisition date by JEI
9. The property manager and master lease company as of the date of this notice are indicated, and will continue to be entrusted with property management duties following the acquisition of the property by JEI. With regard to the master lease agreement, please refer to (3) Tenant Summary (Note 4) below.

(3) Tenant Summary

Leasable Floor Space[1]	41,138.18 m^2				
Leased Floor Space[1]	37,774.33 m^2				
Number of Tenants	1[1,4]				
Monthly Rent	¥148,898 thousand[2]				
Leaseholds and Security Deposits	¥1,368,684 thousand[3]				
Occupancy Rate	December 31, 2010	December 31, 2011	December 31, 2012	December 31, 2013	December 31, 2014
	90.5%	88.8%	72.4%	89.6%	91.8%

Notes

1. A master lease agreement between the trustee and the master lease company, with the master lease company as the lessee, has been concluded, and there is one tenant. The leased floor space indicated is as of January 31, 2015.
2. The figure for "Monthly Rent" is the total (not including consumption and other taxes) of monthly rents (including common area expenses, but excluding fees for use of parking and other attached facilities), as of January 31, 2015, set forth in the lease agreements concluded between the master lease company and tenants. Fractions less than one thousand yen are rounded down.
3. The figure for "Leaseholds and Security Deposits" shows the balance, as of January 31, 2015, of leaseholds and security deposits deposited by tenants (not including those pertaining to parking and other attached facilities and the amount which the lessor is not obligated to return). Fractions less than one thousand yen are rounded down.
4. New master lease agreements will be concluded between the trustee and the master lease company following acquisition of the property by JEI.

(4) Details of the Seller

The seller is a special purpose company in Japan. However, details of the seller are not disclosed as the consent of the seller has not been obtained. There is no capital relationship, personnel relationship or business relationship to describe between JEI, the Asset Management Company and said seller. Said seller and its related parties/related companies are not related parties of JEI or the Asset Management Company.

(5) Status of Previous Owners

The acquisition of the Property to be Acquired is not from a person with a special interest relationship with JEI/the Asset Management Company.

(6) Details of Brokerage

Not applicable.

(7) Conflicts of Interest of JEAM Relating to the Property to be Acquired

Not applicable.

(8) Acquisition Schedule

March 27, 2015 – Decision within JEI to acquire asset
March 27, 2015 – Execution of the purchase agreement
April 1, 2015 – Handover date (scheduled)

4. Outlook

With regard to forecast operating results for the fiscal period ending June 2015 (January 1, 2015 – June 30, 2015) and the fiscal period ending December 2015 (July 1, 2015 – December 31, 2015), the impact of the acquisition of this property, the impact of the success or failure of transfer of other properties currently under consideration, and the impact in the event of the issuance of new investment units as outlined in "Notice Concerning Filing of Shelf Registration Statement for Issuance of Investment Units" released separately today are currently under consideration and notice will be issued once a determination is made.

JEI appropriately controls LTV within the normal range and works to maintain and enhance distributions per unit, and the impact of the acquisition of this property, transfer of other owned properties or the issuance of investment units on performance or distributions per unit for the fiscal period ending June 2015 and the fiscal period ending December 2015 will, if conditions remain unchanged, be minimal.

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5. Appraisal Summary

Property Name	Nisseki Yokohama Building
Appraisal Value	¥24,600 million
Appraiser	Japan Real Estate Institute
Appraisal Date	March 3, 2015

(Millions of yen[1])

Appraisal Item	Appraisal Value	Remarks, etc.
Income Approach Value	24,600	
Direct Capitalization Value	24,900	
Operating Revenue	2,265	
Gross potential revenue	2,347	Calculated based on valuation of potential rent and other stable medium- and long-term revenue
Vacancy Loss, etc.	81	Estimated on the assumption of the occupancy rate level that is stable over a medium to long term
Operating Expenses	1,015	
Maintenance Property management fees[2]	318	Calculated considering the individuality of the property, while referring to the scheduled property management fees, property management fees of similar properties, and the actual fees of past years
Utilities	374	Assumed by taking into account the occupancy rate, etc. of the rental spaces, based on the actual results of past years
Repair costs	47	Calculated considering the actual fees of past years, maintenance and operational plan, the fees of similar properties and an annual average of repairs, maintenance and renewal costs as specified in the engineering report
Advertisement for leasing, etc.	11	In accordance with the terms of the trust agreement, calculated based on the presumed turnover period of the lessee
Tax and public dues	250	Recorded based on the tax base for fiscal 2014, etc.
Insurance	8	Recorded in reference to the estimated insurance premiums and insurance premium rates of similar properties, etc.
Other expenses	3	Recorded event and community charges, etc. as other expenses
Net Operating Income	1,250	
Interest Income	29	Estimated profit through management by setting the management yield at 2.0%
Capital Expenditures	111	Estimated by taking into account the capital expenditure levels of similar properties, the building age and annual average repair and replacement expenses stated in the engineering report, based on the assumption that the reserve is made averagely each year
Net Cash Flow	1,168	
Cap Rate	4.7%	Assessed by adjusting the spread based on the property's site, building or other conditions, while considering future uncertainties and transaction yields of similar properties
Discounted Cash Flow Value	24,300	
Discount Rate	4.5%	Estimated in reference to the investment yield, etc. of transactions of similar properties and comprehensively taking into account the individual characteristics of the subject property
Terminal Cap Rate	4.9%	Estimated in reference to the transaction yield, etc. of similar properties and comprehensively taking into account the future trends of the investment yield, risks of the subject property as investment target, general forecasts of future economic growth and the trends in real estate prices and rent levels, etc.
Cost Approach Value	23,900	
Land Value	52.1%	
Building Value	47.9%	

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Other matters noted by the appraiser in conducting appraisal	None

Notes

1. Amounts are rounded to the nearest million yen.
2. Through the individual reporting of maintenance and management fees and property management fee standards, other transactions involving the companies entrusted with building management and property management may be impacted, efficient performance of duties by JEI may be impeded, or investor profits may be negatively impacted, and as such maintenance and management fees and property management fees are indicated as a combined figure.

(End)

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Appendix:
1. Property Income and Expense Outlook
2. Portfolio Overview after Acquisition of the Property to be Acquired
3. External View of the Property to be Acquired

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(Appendix 1) Property Income and Expense Outlook

(Millions of yen)

	Nisseki Yokohama Building
Revenues	2,220
Expenses (excluding depreciation)	1,021
Net Operating Income (NOI)	1,198

Assumptions for Income and Expense Outlook

The above figures are the average of annual estimates for the first 5 years for the additional interest in the Property to be acquired by JEI excluding special circumstances that may arise during the year of the acquisition (i.e., not forecast for the current fiscal period).

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(Appendix 2) Portfolio Overview after Acquisition of the Property to be Acquired

Area	Property #	Property Name	Date of Acquisition	Acquisition Price[1] (mn yen)	Investment Ratio[2] (% of total portfolio)	Investment Ratio by Area[2] (%)
Area I Tokyo's 6 Central Wards[3]	I-1	Omori Bellport D	June 29, 2006	22,552	7.8	51.0
	I-2	Shiba 2-Chome Building	June 29, 2006	9,450	3.3	
	I-3	JEI Hamamatsucho Building	June 29, 2006	8,350	2.9	
	I-4	No. 32 Kowa Building	June 27, 2006	5,040	1.7	
			October 29, 2010	2,390	0.8	
			Total	7,430	2.6	
	I-7	Akasaka Garden City	March 28, 2007	23,300	8.0	
	I-8	AKASAKA INTERCITY	October 26, 2007	17,857	6.2	
			February 5, 2013	10,289	3.5	
			Total	28,146	9.7	
	I-9	Kowa Shirokanedai Building	December 24, 2010	4,705	1.6	
	I-10	Daiba Garden City Building	February 4, 2011	11,000	3.8	
	I-11	No. 35 Kowa Building	November 25, 2011	8,280	2.9	
	I-12	HAMARIKYU INTERCITY	December 20, 2011	7,080	2.4	
			February 4, 2014	12,000	4.1	
			Total	19,080	6.6	
	I-13	Shintomicho Building	March 28, 2012	1,750	0.6	
	I-14	Kowa Nishi-Shimbashi Building	March 28, 2013	3,931	1.4	
Area II Central Osaka, Central Nagoya, Central Fukuoka[4]	II-1	NHK Nagoya Housou Center Building	June 27, 2006	4,300	1.5	4.8
			March 24, 2014	1,310	0.5	
			Total	5,610	1.9	
	II-2	JEI Nishi-Honmachi Building	March 28, 2007	6,673	2.3	
	II-3	Osaka Kogin Building (Land with Leasehold Interest)	February 5, 2013	1,770	0.6	
Area III Tokyo (excl. Area I) and areas surrounding Tokyo (Kanagawa, Saitama and Chiba prefectures)	III-1	Musashikosugi Tower Place	June 27, 2006	13,890	4.8	37.9
	III-2	Kowa Kawasaki Higashiguchi Building	June 27, 2006	10,976	3.8	
	III-3	JEI Hongo Building	June 29, 2006	5,400	1.9	
	III-5	Kawasaki Nisshincho Building	June 27, 2006	3,775	1.3	
			November 30, 2006	130	0.0	
			October 17, 2008	300	0.1	
			April 17, 2013	520	0.2	
			Total	4,725	1.6	
	III-6	No. 44 Kowa Building	June 27, 2006	1,150	0.4	
	III-7	JEI Ryogoku Building	June 27, 2006	2,550	0.9	
	III-8	Ebina Prime Tower	March 29, 2007	6,470	2.2	
	III-9	Kowa Kawasaki Nishiguchi Building	October 26, 2007	32,000	11.0	
	III-10	Pacific Square Sengoku	December 20, 2011	1,620	0.6	
	III-11	Core City Tachikawa	February 5, 2013	6,500	2.2	
	III-12	Nisseki Yokohama Building	Due on April 1, 2015	24,500	8.5	
Area IV Osaka, Nagoya and Fukuoka (excl. Area II) and other government-decreed cities, etc.	IV-2	JEI Kyobashi Building	September 1, 2011	3,308	1.1	6.2
	IV-3	JEi Hiroshima Hacchobori Building	May 22, 2012	2,760	1.0	
	IV-4	SE Sapporo Building	March 1, 2013	5,500	1.9	
	IV-5	Aobadori Plaza	February 4, 2014	2,120	0.7	
	IV-6	Daiwa Minamimoricho Building	February 4, 2014	4,410	1.5	
Total				289,907	100.0	100.0

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Notes

1. “Acquisition Price” is the acquisition value on the purchase agreement, excluding consumption tax, etc. Amounts are rounded to the nearest million yen.
2. “Investment Ratio” and “Investment Ratio by Area” are rounded to the first decimal place.
3. “Tokyo’s 6 Central Wards” is Chiyoda, Chuo, Minato, Shinjuku, Shinagawa, and Shibuya Wards.

4. “Central Osaka” is the Umeda, Dojima, Nakanoshima, Yodoyabashi, and Honmachi districts, “Central Nagoya” is the Meieki, Fushimi, Sakae districts, and “Central Fukuoka” is the Tenjin and Hakata Terminal Peripheral districts.

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(Appendix 3) External View of the Property to be Acquired









