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 of Domestic Real Estate Trust Beneficiary Rights (BIZCORE AKASAKA MITSUKE)

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 regarding the acquisition of an asset, domestic real estate trust beneficiary rights, as described below.

1. Summary of Acquisition

(1) Property Name:	BIZCORE AKASAKA MITSUKE (hereinafter the "Property")
(2) Property to Be Acquired:	Trust beneficiary interest in real estate
(3) Planned Acquisition Price:	¥6,200,000,000 (Note 1)
(4) Planned Date of Execution of Purchase Agreement:	August 19, 2019
(5) Scheduled Acquisition Date:	October 1, 2019
(6) Seller:	Nippon Steel Kowa Real Estate Co., Ltd.
(7) Brokerage:	None
(8) Funding for Acquisition:	Debt financing (Note 2) and funds on hand
(9) Payment Method:	Lump-sum payment upon delivery

Note 1: Planned Acquisition Price does not include consumption tax, local consumption tax or fees required for the acquisition.
Note 2: For details of the debt financing, please refer to the press release "Notice Concerning Debt Financing" separately announced today.

2. Background of the Transaction

JEI positions as its new pipeline the BIZCORE series that consists of medium-sized, high grade office buildings developed by and sourced from Nippon Steel Kowa Real Estate Co., Ltd. that are competitive in locations and specifications. The Property would be the first asset that JEI acquires from the series.

For aspects that JEI recognized upon deciding the acquisition of the Property to Be Acquired, please refer to "(1) Evaluation of the Property to Be Acquired" in "3. Details of the Property to Be Acquired" below.

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3. Details of the Property to Be Acquired

(1) Evaluation of the Property to Be Acquired

A. Location

The Property offers high traffic convenience with access to six Tokyo Metro subway lines. It is directly connected to Akasaka Mitsuke station on Marunouchi and Ginza lines, approx. 2 minutes walk from Nagatacho station on Yurakucho, Hanzomon, and Nanboku lines, and 7 minutes walk from Akasaka station on Chiyoda line. Furthermore, located at the Akasaka Mitsuke intersection where Sotobori Dori and Aoyama Dori meet, the Property offers high visibility.

B. Building and Facilities

The Property is designed as a property constituting part of the BIZCORE series, a series of medium-sized high-grade office buildings that Nippon Steel Kowa Real Estate Co., Ltd. is developing. In terms of specifications, the Property is equivalent to most advanced large-sized office buildings. Furthermore, the Property offers smooth access routes, with direct connection between its basement and the underground path to Akasaka Mitsuke station.

The Property is equipped with advanced office environment and superb seismic and business continuity capacity —with a ceiling height on the standard floors of 2,800 mm (with OA floor of 100 mm), grid-type system ceiling, an office floor area of approx. 80 tsubos, a floor load capacity of 500 kg/m^2, power outlet capacity of 60 VA/m^2 (expandable to 75 VA/m^2), and individually-air-conditioned six zones on each floor. Furthermore, inside the offices are emergency supply warehouses available exclusively for the tenants.

(2) Overview of Property to Be Acquired

Property Name		BIZCORE AKASAKA MITSUKE
Type of Specified Asset (Note 1)		Trust beneficiary interest in real estate
Trustee		Mizuho Trust & Banking Co., Ltd.
Trust Establishment Date		October 1, 2019 (tentative)
Location	Lot Number (Note 2)	3-101-1 (and other lot numbers) Akasaka, Minato-ku, Tokyo
	Address	3-1-2 Akasaka, Minato-ku, Tokyo
Use (Note 3)		Office and parking
Site Area	Land (Note 4)	449.62 m^2
	Building (Note 5)	3,515.63 m^2
Structure (Note 2)		S/SRC with flat roof, B1/10F
Completion Date (Note 2)		March 11, 2019
Building Designer		Shimizu Corporation
Constructor		Shimizu Corporation
Building Certification Agency		The Building Center of Japan
Type of Ownership (Note 6)	Land	Ownership
	Building	Ownership
Appraisal Value		¥6,570,000,000
Appraisal Date		July 31, 2019
Appraiser		Japan Real Estate Institute
PML (Note 7)		8.41% (Based on the Building Survey Report on PML Assessment prepared by Sompo Risk Management Inc.)
Collateral		None
Property Management Company (Note 8)		Nippon Steel Kowa Real Estate Co., Ltd.
Master Lease Company (Note 9)		Nippon Steel Kowa Real Estate Co., Ltd.
Other Relevant Information		- Sectional surface rights have been established to part of the land of the Property for the purpose of constructing a

	structure facilitating the underground connecting passage between the Property and Akasaka-Mitsuke subway station with Tokyo Metro Co., Ltd. as the surface rights holder. - Given the part used for the said underground connecting passage, alleviation of floor-area ratio restriction (Building Standards Act, Article 53, Paragraph 14) is applied to the Property's building to be constructed. - An agreement concerning the management of the said underground connecting passage has been executed between the Seller and Tokyo Metro Co., Ltd. The said agreement will be succeeded by JEI upon transfer of the Property.

Note 1: Indicated here is the type of the Property to Be Acquired by JEI. A real property management and disposition trust agreement with the Property as the primary trust asset is planned to be executed between JEI, the Seller, and the Trustee on the acquisition date.

Note 2: The descriptions of "Lot Number," "Structure," and "Completion Date" are based on information in the land registry.

Note 3: The descriptions of "Use" are based on information in the land registry.

Note 4: Indicated here is the total site area of land for the entire site of the Property written in the land registry.

Note 5: Indicated here is the total floor area of the entire building written in the land registry.

Note 6: The "Type of Ownership" indicates the type of ownership for the Property to Be Acquired.

Note 7: "PML (Probable Maximum Loss)" indicates the extent of damage due to an earthquake that has more than 10% probability occurring within the assumed period of usage (50 years) in the ratio of forecasted amount of loss against the building replacement price.

Note 8: Indicated here is the property management company that is planned to be hired by JEI after acquisition of the Property

Note 9: Indicated here is the master lease company that plans to lease the Property after acquisition of the Property by JEI. A pass-through type master lease agreement will be concluded.

(3) Tenant Summary

Leasable Floor Space (Note 1)	2,387.43 m^2	
Leased Floor Space (Note 1) (Note 2)	1,856.89 m^2	
Number of Tenants (Note 2)	1(7)	
Monthly Rent (Note 3)	¥ 19,257 thousand	
Leaseholds and Security Deposits (Note 4)	¥219,536 thousand	
Occupancy Rates	End-July 2019	October 1, 2019 (scheduled)
	44.4%	77.8% (Note 5)

Note 1: "Leasable Floor Space" and "Leased Floor Space" are calculated excluding warehouses and other annexed constructions and accompanying facilities.

Note 2: A master lease agreement is planned to be executed with the above-mentioned master lease company with the said master lease company as the tenant. Therefore, the number of tenants is indicated as one with the total number of end tenants indicated in brackets. "Leased Floor Space" indicates the area for which a lease agreement has been concluded as of today between the master lease company and the end tenants out of the leasable floor space.

Note 3: The "Monthly Rent" amount (excluding consumption taxes and rounded to the nearest thousand) indicates the sum of the monthly rents indicated on the lease agreements executed between the master lease company and the end tenants. (The amount includes common-area charges but excludes user fees for parking and other accompanying facilities.)

Note 4: The "Leaseholds and Security Deposits" amount (rounded to the nearest thousand) indicates the balance of the leaseholds and security deposits to be paid by the end tenants in accordance with the lease agreement, excluding those for parking, warehouse and other accompanying facilities, after deducting any portions that are non-refundable.

Note 5: The number is calculated taking into account the end tenants with whom lease agreement has been executed.

(4) Details of the Seller

Company Name	Nippon Steel Kowa Real Estate Co., Ltd.
Location	1-8-1 Akasaka, Minato-ku, Tokyo
Representative	Yasuhiko Imaizumi, President and CEO
Capital	¥19,824 million (as of March 31, 2019)
Net Assets	¥165,263 million (as of March 31, 2019)
Total Assets	¥785,758 million (as of March 31, 2019)
Main Business	Real estate business

Established	March 24, 1997	
Major Shareholders	Nippon Steel Corporation The Dai-ichi Life Insurance Company, Limited Nippon Life Insurance Company UNIZO Holdings Company, Limited	
Relationship with JEI/JEAM	Capital Relationship	As of June 30, 2019, the seller holds 71,560 units of JEI's investment units (5.5% of the total number of outstanding investment units). The seller also holds 4,860 shares of JEAM's shares (54.0% of the total number of outstanding shares) and falls under the category of "related party" as defined in the Act on Investment Trusts and Investment Corporations (the "Investment Trusts Act"). In addition, the seller falls under the category of "sponsor company" under voluntary internal regulations for transactions with sponsor companies (the "Regulations for Transactions with Sponsor Companies") formulated by JEAM with the aim of eliminating potential conflicts of interest and thereby enabling it to perform efficient asset management for JEI.
	Personnel Relationship	As of June 30, 2019, six JEAM officers and employees are seconded from the Seller.
	Business Relationship	In the fiscal period ended December 2018, JEI acquired Akasaka Intercity Air from the seller. For details, please refer to "Notice Concerning Acquisition of Investment Asset (Akasaka Intercity Air)" dated June 27, 2018.
	Status as Related Party	The seller is not a related party of JEI. It is a parent company of JEAM.

(5) Status of Previous Owners

Status of Previous Owners	Current Owner/ Beneficiary	Previous Owner/ Beneficiary
Company Name	Nippon Steel Kowa Real Estate Co., Ltd.	Not applicable
Relationship with JEI/JEAM	Please refer to "(4) Details of the Seller" above.	
Background/Reasons for Acquisition	Acquired for development purpose	
Date of Acquisition	March 11, 2019 (new construction)	
Acquisition Price	Not applicable as the building will be developed	

(6) Details of Brokerage

Not applicable

(7) Conflicts of Interest of JEAM with regard to the Property to Be Acquired

Nippon Steel Kowa Real Estate Co., Ltd., the seller, falls under the category of "related party" as defined in the Investment Trusts Act and "sponsor company" in the "Regulations for Transactions with Sponsor Companies." Upon concluding the agreement with said related party and sponsor company, the Asset Management Company, in compliance with the said Regulations, has had the transaction approved at a meeting of its Compliance Committee, which includes outside experts, and deliberated and approved at a meeting of its Investment Committee.

(8) Impact on JEI's financial status in the event of its failure to fulfill the forward commitment etc.

The sale and purchase agreement concerning BIZCORE AKASAKA MITSUKE falls under the category of forward commitment etc. by investment corporations (Note) as defined in the Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc. Institutions published by Financial Services Agency. Furthermore, the said sale and purchase agreement stipulates that, in the event of breach of provisions of the said agreement either by JEI or the Seller, the other party may terminate the said agreement and demand an amount equivalent to 20% of the transfer price as a penalty. In deciding to acquire the Property, JEI carefully considered the amount needed for acquiring BIZCORE AKASAKA MITSUKE, adequacy of securitization in the form of trust beneficiary rights, the time period up to the delivery, and reliability of the funding method for acquisition, and deemed that its acquisition based on the above-described terms and conditions would contribute to increasing investor value.

Note: A forward commitment refers to a post-dated sale and purchase agreement to carry out payment for and delivery of the property after one month or later from the execution of the agreement or to similar agreements.

4. Outlook

For forecasted performance for the periods ending December 2019 (July 1, 2019–December 31, 2019) and ending June 2020 (January 1, 2020–June 30, 2020), please refer to the Reports 26th Period Financial Results (From January 1, 2019 to June 30, 2019)dated today.

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5. Appraisal Summary

Property Name	BIZCORE AKASAKA MITSUKE
Appraisal Value	¥6,570 million
Appraiser	Japan Real Estate Institute
Appraisal Date	July 31, 2019

(In thousands of yen(Note 1))

Appraisal Item	Appraisal Value	Remarks, etc.
Income Approach Value	6,570,000	
Direct Capitalization Value	6,740,000	
Operating Revenue	299,464	
Gross potential revenue	312,452	Calculated based on valuation of potential rent and other stable medium- and long-term revenue
Vacancy Loss, etc.	12,988	Calculated on the assumption of the occupancy rate level that is stable over the medium- to long-term
Operating Expenses	76,832	
Maintenance Property Management Fee (Note 2)	26,623	Maintenance fee is calculated by considering the individuality of the property, while referring to the maintenance fees of similar properties, and property management fee is calculated by considering the fee level and individuality of similar properties
Utilities	7,780	Calculated by considering the occupancy rates of the Property's office space while referring to utilities costs incurred at similar properties
Repair costs	1,308	Calculated by considering the future property management plan, costs incurred at similar properties, an annual average of repairs, maintenance and renewal costs as specified in the Engineering Report, etc.
Advertisement for leasing, etc.	5,142	Calculated annual average amount of costs required for brokerage service, advertisement, etc. estimated based on the presumed turnover period of the lessee
Tax and public dues	35,474	Assessed in reference to real estate tax based on documents relating to taxes and dues, levels of taxes and dues for similar properties, etc.
Insurance	327	Recorded in reference to insurance premium rates of similar properties, etc.
Other expenses	178	Recorded advertising and other expenses
Net Operating Income	222,632	
Interest Income	2,693	
Capital Expenditures	3,052	Assessed by taking into account the capital expenditure levels of similar properties, the building age and repair and replacement expenses stated in the Engineering Report, based on the assumption leveled reserve will be accumulated each fiscal period for the anticipated future expenditure
Net Cash Flow	222,273	
Cap Rate	3.3%	Assessed by adjusting the spread based on the property site, building or other conditions, while considering future uncertainties and transaction yields of similar properties
Discounted Cash Flow Value	6,390,000	
Discount Rate	3.1%	Assessed in reference to the investment yield, etc. of transactions of similar properties and comprehensively taking into account the individual characteristics of the property
Terminal Cap Rate	3.5%	Assessed 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 property as investment target, general forecasts of future economic growth and the trends in real estate prices and rent levels, etc.

Cost Approach Value		6,190,000	
	Land Value	82.9%	
	Building Value	17.1%	

Other matters noted by the appraiser in conducting appraisal	None

Note 1: Amounts are rounded to the nearest thousand yen.
Note 2: Maintenance and management fees and property management fees are indicated as a combined figure because individually reporting maintenance and management fees and property management fee levels would impact other transactions involving the companies entrusted with building management and property management, impede efficient performance of duties by JEI, and/or negatively impact investors' profits.

End of Document

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[Attachments]
Appendix 1: Income and Expense Outlook for the Property to Be Acquired
Appendix 2: Portfolio after Acquisition of the Property to Be Acquired
Appendix 3: Exterior View etc. of the Property to Be Acquired

JEI's website: https://www.excellent-reit.co.jp/en/

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[Appendix 1] Income and Expense Outlook for the Property to Be Acquired

Revenue	¥293 million
Expenses (excl. depreciation)	¥71 million
NOI	¥222 million
NOI yield	3.6%
Yield after depreciation	3.2%

Assumptions for Income and Expense Outlook:

The above figures for "Revenues," "Expenses," and "NOI" are the annual averages of JEI's estimated figures for the first 5 years after acquisition of the Property to Be Acquired by JEI, excluding special factors that may arise during the first fiscal year of the acquisition of the Property to Be Acquired. (i.e., not forecast for the current fiscal period).

NOI yield is the figure calculated with the following formula:

NOI yield = NOI / planned acquisition price

Yield after depreciation is the figure calculated with the following formula:

Yield after depreciation = (NOI - depreciation) / planned acquisition price

Furthermore, depreciation is calculated with the straight-line method for the useful life of the Property to Be Acquired, which is in the same manner applied to the other properties already owned by JEI, after considering various information including Engineering Report.

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[Appendix 2] Portfolio after Acquisition of the Property to Be Acquired

Area	Property #	Property Name	Date of Acquisition	(Planned) Acquisition Price (yen, mill.) (Note 1)	Investment Ratio (% of total portfolio) (Note 2)	Investment Ratio by Area (%) (Note 2)
Area I: Tokyo's 6 Central Wards (Note 3)	I-1	Omori Bellport D	June 29, 2006	22,552	8.1	50.3
	I-2	Shiba 2-Chome Building	June 29, 2006	9,450	3.4	
	I-3	JEI Hamamatsucho Building	June 29, 2006	8,350	3.0	
	I-8	AKASAKA INTERCITY	October 26, 2007	17,857	6.4	
			February 5, 2013	10,289	3.7	
			Total	28,146	10.1	
	I-9	Kowa Shirokanedai Building	December 24, 2010	4,705	1.7	
	I-10	Daiba Garden City Building	February 4, 2011	11,000	3.9	
	I-12	HAMARIKYU INTERCITY	December 20, 2011	7,080	2.5	
			February 4, 2014	12,000	4.3	
			Total	19,080	6.8	
	I-13	Shintomicho Building	March 28, 2012	1,750	0.6	
	I-14	Kowa Nishi-Shimbashi Building	March 28, 2013	3,931	1.4	
			August 1, 2017	7,500	2.7	
			Total	11,431	4.1	
	I-15	Mansard Daikanyama	July 1, 2016	11,420	4.1	
	I -16	AKASAKA INTERCITY AIR	July 2, 2018	6,590	2.4	
	I-17	BIZCORE AKASAKA MITSUKE	October 1, 2019 (scheduled)	6,200	2.2	
Area II: Central Osaka, Central Nagoya, and Central Fukuoka (Note 4)	II-1	NHK Nagoya Housou Center Building	June 27, 2006	4,300	1.5	5.0
			March 24, 2014	1,310	0.5	
			Total	5,610	2.0	
	II-2	JEI Nishi-Honmachi Building	March 28, 2007	6,673	2.4	
	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	5.0	36.7
	III-2	Kowa Kawasaki Higashiguchi Building	June 27, 2006	10,976	3.9	
	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	1.7	
	III-7	JEI Ryogoku Building	June 27, 2006	2,550	0.9	

	III-9	Kowa Kawasaki Nishiguchi Building	October 26, 2007	32,000	11.4	
	III-10	Pacific Square Sengoku	December 20, 2011	1,620	0.6	
	III-11	Core City Tachikawa	February 5, 2013	6,500	2.3	
	III-12	Nisseki Yokohama Building	April 1, 2015	24,500	8.8	
	III-13	Yokohama Bentendori Dai-ichi Seimei Building	June 15, 2018	640	0.2	
Area IV: Osaka, Nagoya and Fukuoka (excl. Area II), other government-decreed cities, etc.	IV-2	JEI Kyobashi Building	September 1, 2011	3,308	1.2	8.0
	IV-3	JEI Hiroshima Hacchobori Building	May 22, 2012	2,760	1.0	
	IV-4	SE Sapporo Building	March 1, 2013	5,500	2.0	
	IV-5	Aoba-dori Plaza	February 4, 2014	2,120	0.8	
	IV-6	Daiwa Minami-morimachi Building	February 4, 2014	4,410	1.6	
	IV-7	JEI Naha Building	December 7, 2015	1,380	0.5	
	IV-8	Hiroshima Dai-ichi Seimei OS Building	June 15, 2018	2,780	1.0	
Total				279,787	100.0	100.0

Note 1: "(Planned) Acquisition Price" is the acquisition value on the purchase agreement, excluding consumption taxes. Amounts are rounded down to the nearest specified unit.

Note 2: "Investment Ratio" and "Investment Ratio by Area" are rounded to the first decimal place.

Note 3: "Tokyo's 6 Central Wards" are Chiyoda, Chuo, Minato, Shinjuku, Shinagawa, and Shibuya Wards.

Note 4: "Central Osaka" refers to the Umeda, Dojima, Nakanoshima, Yodoyabashi, and Honmachi districts. "Central Nagoya" refers to the Meieki, Fushimi, and Sakae districts, and "Central Fukuoka" refers to the Tenjin and Hakata Terminal Peripheral districts.

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Appendix 3: Exterior View etc. of the Property to Be Acquired



