



Japan Excellent, Inc.

**For Immediate Release
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Japan Excellent, Inc. (TSE: 8987)
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**Notice Concerning Acquisition of Domestic Real Estate Trust Beneficiary Rights
(Sapporo Otemachi Building)**

Japan Excellent, Inc. (hereinafter “JEI”) hereby announces that Japan Excellent Asset Management Co., Ltd. (hereinafter “JEAM”), 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. Overview of Acquisition

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|--|---|
| (1) Property Name: | Sapporo Otemachi Building (hereinafter the “Property”) |
| (2) Property to Be Acquired: | Quasi-co-ownership interest of trust beneficiary rights in real estate (70.0%) |
| (3) Planned Acquisition Price: | ¥4,069,000,000 ^(Note 1) |
| (4) Date of Execution of Purchase Agreement: | November 26, 2021 |
| (5) Planned Acquisition Date: | December 1, 2021 |
| (6) Seller: | Not described, as the seller has not agreed with the disclosure. ^(Note2) |
| (7) Brokerage: | None |
| (8) Funding for Acquisition: | 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 seller, please refer to “3. Details of the Property to Be Acquired / (4) Overview of the Seller” later in this document.



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2. Background of Acquisition

JEI decided to acquire the Property to Be Acquired to enhance its portfolio based on the subject and policy of asset management stipulated by its Articles of Incorporation.

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.

3. Details of the Property to Be Acquired

(1) Evaluation of the Property to Be Acquired

A. Location

The Property is located a two-minute walk from Odori Station, with access to the Sapporo Municipal Subway Namboku Line, the Tozai Line, and the Toho Line, a one-minute walk from the Sapporo Streetcar Nishi-4-Chome Station, and along Minami Ichijo Avenue. It offers excellent access to the JR Sapporo Station and excellent traffic convenience.

B. Building and Facilities

The Property houses stores from the first basement floor to the first floor above ground and houses, offices, and clinics from the second to ninth floors. The reference floor area is about 220 tsubos, and the floor plan allows it to be divided into units as small as about 15 tsubos, enabling it to respond flexibly to the needs of tenants for leased floor space. It also has a mechanical parking facility for housing 99 vehicles and, combined with its rarity of location, it can respond to various tenant needs.

Although it has been 37 years since the Property was built, it has a sufficient competitive edge in the area and has maintained a high occupancy rate due to continuous maintenance work including renovation work of the common areas.



(2) Overview of the Property to Be Acquired

Property Name		Sapporo Otemachi Building
Type of Specified Asset ^(Note 1)		Trust beneficiary rights in real estate (quasi co-ownership)
Trustee		Mitsubishi UFJ Trust and Banking Corporation
Location	Lot Number ^(Note 2)	4-5-1, Minami Ichijo Nishi, Chuo-ku, Sapporo-shi, Hokkaido, etc.
	Address	4-5-1, Minami Ichijo Nishi, Chuo-ku, Sapporo-shi, Hokkaido
Use ^(Note 2)		Office, store and clinic
Site Area	Land ^(Note 3)	1,199.20 m ²
	Building ^(Note 4)	9,792.75 m ²
Structure ^(Note 2)		Steel-framed reinforced concrete structure with flat roof B1/10F
Completion Date ^(Note 2)		April 21, 1984
Building Designer		Tokyo Headquarters, Nikken Sekkei Ltd
Constructor		Sapporo Branch, KAJIMA CORPORATION
Building Certification Agency		Sapporo City
Type of Ownership ^(Note 5)	Land	Ownership
	Building	Ownership
Appraisal Value		¥4,235,000,000
Appraisal Date		November 1, 2021
Appraiser		Japan Real Estate Institute
PML		1.9% (based on the Building Survey Report on PML Assessment prepared by Sompo Risk Management Inc.)
Collateral		None
Property Management Company		XYMAX HOKKAIDO Corporation
Master Lease Company ^(Note 6)		XYMAX HOKKAIDO Corporation
Other Relevant Information		To provide for cases where all or a portion of the trust beneficiary rights for the Property are transferred, we plan to stipulate in the letter of agreement planned to be concluded between JEI, the seller and the trustee on the planned acquisition date that transfer requests to the seller from third parties shall be prioritized.

(Note 1) Indicated here is the type of the property to be acquired by JEI. The trust assets of this trust consist of all the land and buildings. Quasi co-ownership indicates joint ownership of trust beneficiary rights with other beneficiaries. The ratio of quasi-co-ownership interest of beneficiary rights acquired by JEI is 70%, and the seller will continue to own the remaining 30%.

(Note 2) The descriptions of “Lot Number,” “Use,” “Structure,” and “Completion Date” are based on information in the registration record.

(Note 3) Indicated here is the total site area of land presented in the registration record.

(Note 4) Indicated here is the total floor area presented in the registration record.

(Note 5) The “Type of Ownership” indicates the type of ownership held by the trustee. The trust assets of this trust consist of all the land and buildings.

(Note 6) The type of master lease is a pass-through type.



(3) Tenant Summary

Leasable Floor Space ^(Note 1)	4,694.00 m ²				
Leased Floor Space ^{(Note 1) (Note 2)}	4,624.62 m ²				
Number of Tenants ^(Note 2)	1 (27)				
Monthly Rent ^(Note 3)	¥18,511 thousand				
Leaseholds and Security Deposits ^(Note 4)	¥162,871 thousand				
Occupancy Rate	End of December 2017	End of December 2018	End of December 2019	End of December 2020	End of October 2021
	98.5%	100.0%	97.2%	100.0%	98.5%

(Note 1) The figure listed for “Leasable Floor Space” is the leasable floor space of the Property’s buildings multiplied by ratio of quasi-co-ownership interest of beneficiary rights acquired by JEI (70%). Furthermore, figures have been rounded to the second decimal place. Moreover, these figures do not include warehouses, parking facility, or machinery rooms.

(Note 2) A master lease agreement has been executed with the above-mentioned master lease company with the said master lease company as the tenant. The number of tenants is indicated as one with the total number of end tenants shown in the parentheses. Furthermore, the figure listed for “Leased Floor Space” is the floor space for which a lease agreement is currently executed between the master lease company and the end tenant multiplied by ratio of quasi-co-ownership interest of beneficiary rights acquired by JEI.

(Note 3) The figure listed for “Monthly Rent” is the total amount of the monthly lease listed in the lease agreement executed with the end tenant (includes common service fees but excludes usage fees for attached facilities such as parking facilities) multiplied by the ratio of quasi-co-ownership interest of beneficiary rights acquired by JEI (70%, rounded down to the nearest thousand yen).

(Note 4) The figure listed for “Leaseholds and Security Deposits ” is the balance of leaseholds and security deposits money (excluding those for parking, warehouse and other accompanying facilities) received in trust from the end tenant based on the lease agreement executed with the end tenant (in cases where balance contains unreturnable portions, the balance after deduction of such portions) multiplied by ratio of quasi-co-ownership interest of beneficiary rights acquired by JEI (70%, rounded down to the nearest thousand yen).

(4) Overview of the Seller

The seller is a general industrial corporation but it is not described here as it has not agreed to disclose its profile. There is no capital, personnel or business relationships worthy of special mention between the seller and JEI as well as JEAM. The seller as well as its affiliates are not a related party of JEI or JEAM.

(5) Status of Owners of Property

It is not an acquisition from a party that has special interest in JEI or JEAM.

(6) Overview of Brokerage

Not applicable.

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

Not applicable.

(8) Schedule of Acquisition

November 25, 2021: Decision on acquisition
 November 26, 2021: Execution of purchase agreement
 December 1, 2021: Delivery

4. Future Outlook

The impact of this transaction on the forecast performance for the periods ending December 2021 (from July 1, 2021 to December 31, 2021) and ending June 2022 (from January 1, 2022 to June 30, 2022) is considered negligible and there is no change to the forecasts.



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5. Overview of Appraisal Report

Property Name	Sapporo Otemachi Building
Appraisal Value	¥4,235 million
Appraiser	Japan Real Estate Institute
Appraisal Date	November 1, 2021



(Thousands of yen^(Note 1))

Appraisal Item	Appraisal Value	Remarks, etc.
Income Approach Value ^(Note 2)	6,050,000	
Direct Capitalization Value	6,130,000	
Operating Revenue	423,157	
Gross Potential Revenue	441,956	Recorded by assessing the receivable rent, etc. that is stable over the medium- to long-term.
Vacancy Loss, etc.	18,799	Recorded by assessing the occupancy rate level that is stable over the medium- to long-term.
Operating Expenses	134,573	
Maintenance and Management Fees Property Management Fees ^(Note 3)	37,412	Maintenance and management fees are recorded based on past results and the individual characteristics of the property in question referencing the maintenance and management fees of similar properties. Property management fees are recorded by considering factors such as fee levels and the individual characteristics of similar properties while referencing expected terms of the contract.
Utility costs	45,010	Recorded by considering the occupancy rate of leased rooms and other factors while referencing utility costs incurred at similar properties.
Repair Costs	9,195	Recorded by considering the future management and operation plans, the level of repair costs of similar properties, the annual average amount of repair and update costs stated in the engineering report, among other factors.
Advertisement for Leasing, etc.	4,716	Recorded the annual average amount of costs needed for brokerage services, advertising, etc., based on the notional turnover period of lessees.
Taxes and Public Dues	37,633	Recorded by referring to documents relating to taxes and public dues and the details of measures to adjust payments.
Insurance	607	Recorded, giving consideration to insurance premiums stated in insurance contracts, and the insurance premium rate of similar properties, etc.
Other Expenses	0	
Net Operating Income	288,584	
Interest Income	2,843	Assessed with the yield on investment at 1.0%
Capital Expenditures	21,830	Assessed by referring to the level of capital expenditures of comparable properties, the property age, the amount of repair and update costs stated in the engineering report, and other factors, based on the assumption that an equal amount of provision is set aside each term for the projected future expenditures.
Net Cash Flow	269,597	
Cap Rate	4.4%	Assessed by adjusting the spread based on the conditions of location and building, and other conditions of the property and by considering future uncertainty and returns of transactions in similar properties.
Discounted Cash Flow Value	5,970,000	
Discount Rate	4.0%	Assessed by referring to investment returns of transactions, etc. in similar properties and comprehensively considering the individual characteristics of the property in question.
Terminal Cap Rate	4.4%	Assessed by referring to returns of transactions in similar properties and comprehensively considering the future trend of investment returns, risk of the property in question as an investment target, general forecasts of future economic growth rate, trends of real estate prices and rents, and other factors.
Cost Approach Value ^(Note 2)	5,990,000	
Ratio of Land Value	89.2%	
Ratio of Building Value	10.8%	



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Other matters noted by the appraiser in conducting appraisal	None
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(Note 1) Amounts are rounded down to the nearest thousand yen.

(Note 2) The income approach value and the cost approach value correspond to all of the land and building of the Property and not the quasi-co-ownership interest of beneficiary rights acquired by JEI (equity ratio of 70%).

(Note 3) The maintenance and management fees and property management fees of the Property are indicated as a combined figure because individually disclosing maintenance and management fees and property management fee levels would impact other transactions involving the companies providing building management and property management services, impede efficient performance of duties by JEI, and/or negatively impact the interests of investors.

(End)

[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

* Japan Excellent, Inc. 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	¥275 million
Expenses (excluding depreciation)	¥90 million
NOI	¥185 million
NOI yield	4.6%
NOI yield after depreciation	3.7%

Assumptions for Income and Expense Outlook:

All the figures for “Revenue,” “Expenses,” and “NOI” above are annual averages based on estimations over the first five years for the property to be acquired (this is not forecast for the current fiscal period).

NOI yield is the figure calculated with the following formula:

$$\text{NOI yield} = \text{NOI} / \text{planned acquisition price}$$

NOI yield after depreciation is the figure calculated with the following formula:

$$\text{NOI yield after depreciation} = (\text{NOI} - \text{depreciation}) / \text{planned acquisition price}$$

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



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

Area	Property Number	Property Name	Date of Acquisition	(Planned) Acquisition Price (Millions of yen) (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	7.9	52.6
	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-8	AKASAKA INTERCITY	October 26, 2007	17,857	6.2	
			February 5, 2013	10,289	3.6	
			Total	28,146	9.8	
	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-12	HAMARIKYU INTERCITY	December 20, 2011	7,080	2.5	
			February 4, 2014	12,000	4.2	
			Total	19,080	6.7	
	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	2.6	
			Total	11,431	4.0	
I-15	Mansard Daikanyama	July 1, 2016	11,420	4.0		
I-16	AKASAKA INTERCITY AIR	July 2, 2018	6,590	2.3		
I-17	BIZCORE AKASAKA-MITSUKE	October 1, 2019	6,200	2.2		
I-18	BIZCORE JIMBOCHO	June 25, 2021	10,200	3.6		
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	
			March 24, 2014	1,310	0.5	
			Total	5,610	2.0	
	II-3	Osaka Kogin Building (Land)	February 5, 2013	1,770	0.6	
	II-4	GRAND FRONT OSAKA (Umekita Plaza of South Building)	February 3, 2020	4,868	1.7	
II-5	GRAND FRONT OSAKA (North Building)	February 3, 2020	3,982	1.4		



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Area	Property Number	Property Name	Date of Acquisition	(Planned) Acquisition Price (Millions of yen) (Note 1)	Investment Ratio (% of total portfolio) (Note 2)	Investment Ratio by Area (%) (Note 2)
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	32.0
	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-7	JEI Ryogoku Building	June 27, 2006	2,550	0.9	
	III-9	Kowa Kawasaki Nishiguchi Building	October 26, 2007	20,800	7.3	
	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	8.5	
III-13	Yokohama Benten-dori 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	9.7
	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	Aoba-dori Plaza	February 4, 2014	2,120	0.7	
	IV-6	Daiwa Minami-morimachi Building	February 4, 2014	4,410	1.5	
	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	
	IV-9	Senshin Building	November 13, 2019	1,580	0.6	
	IV-10	Sapporo Otemachi Building	December 1, 2021 (scheduled)	4,069	1.4	
	Total				286,613	

(Note 1) “(Planned) Acquisition Price” is the purchase price stated on the purchase agreement of each property (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

