



Japan Excellent, Inc.

For Immediate Release  
February 17, 2022

Japan Excellent, Inc. (TSE: 8987)  
Shuichiro Kayama, Executive Director

Asset Management Company:  
Japan Excellent Asset Management, Co., Ltd.

Representative:  
Shuichiro Kayama, President

Contact:  
Kazue Horikawa  
General Manager, Corporate Planning Dept.  
TEL: +81-3-5412-7911

### Notice Concerning Acquisition of Equity Interest in an Anonymous Association

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, equity interest in an Anonymous Association, as described below.

#### 1. Overview of Acquisition

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|---|---|
| (1) Property to be Acquired:                    | Equity interest in an Anonymous Association that will manage a trust beneficiary right in real estate, etc. (hereinafter the “Trust Beneficiary Right”) |
| (2) Property Name:                              | Equity interests in Anonymous Association Akasaka 2-chome Godo Kaisha <sup>(Note 1)</sup>   |
| (3) Real Estate (Trust Asset):                  | ARK Hills Front Tower (hereinafter the “Property”)  |
| (4) Planned Acquisition Price:                  | ¥5,230,000,000  |
| (5) Date of Execution of Acquisition Agreement: | February 18, 2022   |
| (6) Scheduled Acquisition Date:                 | May 11, 2022  |
| (7) Seller:                                     | Nippon Steel Kowa Real Estate Co., Ltd. <sup>(Note 2)</sup>   |
| (8) Brokerage:                                  | None  |
| (9) Funding for Acquisition:                    | Funds on hand   |
| (10) Payment Method:                            | Lump-sum payment upon delivery  |

(Note 1) Right of an Anonymous Association for equity in an Anonymous Association under an Anonymous Association agreement with Akasaka 2-chome Godo Kaisha (hereinafter “Seller”) as the business operator (hereinafter “Anonymous Association Equity”). For details of the Anonymous Association agreement, please refer to “3. Details of the Property to Be Acquired (1) Details of the Anonymous Association Equity” described later in this document.

(Note 2) For details of the Seller, please refer to “3. Details of the Property to Be Acquired (6) Details of the Seller” described later in this document.



## 2. Background of the Transaction

JEI is scheduled to sell the Kowa Shirokanedai Building and Shintomicho Building (hereinafter “Properties to Be Transferred”)<sup>(Note 1)</sup>, and has made a decision to acquire the Property to Be Acquired from the sponsor, Nippon Steel Kowa Real Estate Co., Ltd., as an alternative property. Acquisition is made in the form of equity investment in an Anonymous Association as JEI intends to acquire a new asset around the time of transfer of the Properties to Be Transferred. Taking the acquisition of the Property to Be Acquired as an opportunity, JEI expects to acquire the Trust Beneficiary Right or the Property<sup>(Note 2)</sup> in the future.

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

(Note 1) For details of the transfer of the Kowa Shirokanedai Building, please refer to the “Notice Concerning Transfer of Domestic Real Estate Trust Beneficiary Right (Kowa Shirokanedai Building)” announced on August 18, 2021. For details of the transfer of the Shintomicho Building, please refer to the “Notice Concerning Transfer of Domestic Real Estate Trust Beneficiary Right (Shintomicho Building)” announced today.

(Note 2) Subsequent to the acquisition of the Property to Be Acquired by JEI, JEI and the Seller are scheduled to agree on the good faith discussion by the Seller with the Anonymous Partner to have the Anonymous Partner grant a first right of refusal concerning the Trust Beneficiary Right to JEI.

## 3. Details of the Property to Be Acquired

### (1) Details of the Anonymous Association Equity Interest

- (a) Business Operator: Akasaka 2-chome Godo Kaisha  
 (b) Equity Investment Amount: ¥2,489 million  
 (c) Details of the Anonymous Association: Details of the Anonymous Association business that JEI is to invest in through acquisition of part of the Anonymous Association Equity Interest is as stated below.

#### Summary of the Balance Sheet:

(As of July 31, 2021)	
Anonymous Association Business	
Real Estate Trust Beneficiary Interests, etc. <small>(Note 1)</small> ¥12,016 million	Non-recourse Loan ¥7,150 million
	Other Liabilities ¥744 million
Other Assets ¥1,179 million	Net Assets (Anonymous Association Equity Interest, etc.) ¥5,301 million <sup>(Note 2)</sup>
(Total Assets: ¥13,194 million)	(Total Liabilities and Net Assets: ¥13,194 million)

(Note 1) Real estate trust beneficiary right etc., includes origination costs, etc. Real estate appraisal value for the Property is ¥17,800 million.

(Note 2) Seller is the only anonymous partner in the Anonymous Association business, and JEI is scheduled to acquire 49% of the Anonymous Association equity interest held by the Seller at ¥5,230 million.

Fiscal Periods: Six months between August 1 and January 31 the following year, and between February 1 and July 31.

Distribution of profits and losses: The business operator will distribute the profits and losses arising during each fiscal period to the Anonymous Association<sup>(Note)</sup>.

(Note) Profits and losses for the fiscal period to which the date of execution of the transaction belongs will be distributed to the Seller up to the day before the date of execution of the transaction, and to JEI and the Seller corresponding to the ratio of equity investment from the date of execution of the transaction.

### (2) Details of the Investee (Business Operator) under Anonymous Association Agreement

Name	Akasaka 2-chome Godo Kaisha
Head Office Location	Tokyo Kyodo Accounting Office, 3-1-1 Marunouchi, Chiyoda-ku, Tokyo
Matters concerning Employees	Engagement Partner: General Incorporated Association Akasaka 2-chome Executive Officer: Yohei Sekiguchi



Capital	¥100,000 (as of February 17, 2022)	
Main Business	<ol style="list-style-type: none"> <li>1. Acquisition, holding, disposal, leasing, and management of real estate trust beneficiary rights;</li> <li>2. Acquisition, holding and disposal of real estate trust beneficiary rights;</li> <li>3. Other businesses incidental or related to the businesses stated in each of the preceding items.</li> </ol>	
Established	February 28, 2012	
Employees	General Incorporated Association Akasaka 2-chome (Equity holding ratio: 100%) (As of February 17, 2022)	
Relationship with JEI and JEAM	Capital Relationship	There is no capital relationship with JEI or JEAM to be noted. As of today, the parent company of JEAM, Nippon Steel Kowa Real Estate Co., Ltd., holds 100% of the Anonymous Association Equity Interests.
	Personnel Relationship	There are no personnel relationship with JEI or JEAM to be noted.
	Business Relationship	There is no business relationship with JEI or JEAM to be noted. A subsidiary of the Nippon Steel Kowa Real Estate Co., Ltd., Kowa Real Estate Investment Advisors, Co., Ltd., is entrusted with the asset management business from Akasaka 2-chome Godo Kaisha.
	Status as Related Party	Not a related party of JEI. Related party of JEAM as a consolidated subsidiary of its parent company Nippon Steel Kowa Real Estate Co., Ltd.

### (3) Evaluation of the Property

#### A. Location

The Property offers excellent access to multiple Tokyo Metro subway lines, located four minutes on foot from Tameike Sanno Station on Tokyo Metro Ginza Line and Namboku Line and Roppongi 1-chome Station on Tokyo Metro Namboku Line; seven minutes on foot from Akasaka Station on Tokyo Metro Chiyoda Line. It also offers high visibility, situated along Roppongi Dori.

Akasaka area where the Property is located is an international neighborhood with a concentration of foreign embassies and foreign corporations.

#### B. Building and Facilities

The Property is a complex facility consisting of office, residential, commercial, and car parking facilities. The Trust Asset regarding the Trust Beneficiary Right involves the office space and car parking and corresponding right to use the grounds (co-ownership rights and right of mutual use under contract).

Standard floor for the office space is about 300-tsubo and regular-shaped, and can be divided. It offers convenience and comfort with a ceiling height of 2,800mm, OA floor of 100mm, and 95Va/m<sup>2</sup> power capacity, as well as a rooftop garden for exclusive use by the tenants.

It is also environment-friendly, achieving high energy-saving credentials with the use of Low-e glass and LED lights.

### (4) Overview of the Trust Asset

Property Name		ARK Hills Front Tower
Type of Asset <sup>(Note 1)</sup>		Trust beneficiary right
Trustee		Mitsubishi UFJ Trust and Banking Corporation
Trust Establishment Date		May 11, 2012
Trust Expiry Date		May 31, 2027
Location	Lot Number <sup>(Note 2)</sup>	2302-1 Akasaka 2-chome, Minato-ku, Tokyo and other
	Address	23-1 Akasaka 2-chome, Minato-ku, Tokyo
Use <sup>(Note 3)</sup>		Office, car parking, machine room



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Area	Land <sup>(Note 4)</sup>	2,000.32m <sup>2</sup>
	Building <sup>(Note 5)</sup>	24,207.77m <sup>2</sup>
Structure <sup>(Note 2)</sup>		Steel-framed structure and steel-framed reinforced concrete structure with flat roof B1/22F
Completion Date <sup>(Note 2)</sup>		January 24, 2011
Building Designer		Basic Design: Mori Building Co., Ltd., Plantec Architects, Inc., Yamashita Sekkei, Inc., Kenchiku Setsubi Sekkei Kenkyusho Execution Design, Supervision: Taisei Corporation, Kenchiku Setsubi Sekkei Kenkyusho Design Manager: Plantec Architects, Inc., Yamashita Sekkei, Inc.
Constructor		Taisei Corporation
Building Certification Agency		The Building Center of Japan
Type of Ownership <sup>(Note 6)</sup>	Land <sup>(Note 7)</sup>	Ownership (Co-ownership)
	Building <sup>(Note 8)</sup>	Compartmentalized ownership (partial co-ownership)
Appraisal Value		¥17,800,000,000
Appraisal Date		February 1, 2022
Appraiser		Japan Real Estate Institute
PML		1.8% (Based on the Building Survey Report on PML Assessment prepared by Sompo Risk Management Inc.)
Collateral		Lender for the Seller has established a right of pledge for the Trust Beneficiary Right, and a mortgage agreement with suspensive conditions were executed regarding the Trust Asset real estate with the Lender as the mortgagee and with termination of the trust as the suspensive condition. With respect to the mortgage loan with the Seller as the borrower (above-stated pledge and secured claim in the mortgage agreement with suspensive conditions), refinance is scheduled to be performed prior to the acquisition of the Anonymous Association Equity Interests by JEI, and a similar pledge is to be established and a similar mortgage agreement with suspensive conditions is to be executed upon refinancing.
Property Management Company <sup>(Note 9)</sup>		Nippon Steel Kowa Real Estate Co., Ltd., other
Master Lease Company <sup>(Note 10)</sup>		Nippon Steel Kowa Real Estate Co., Ltd.
Other Relevant Information		<p>1. For the office section on the 18th floor of the Property, an agreement has been executed between the Trustee and other Co-owners”, which sets forth that (i) each Co-owner (including the Trustee) shall not make a request for partition of property in co-ownership; and (ii) if a co-owner is to transfer its interest to a party other than another co-owner, a notice shall be given to other co-owners, and other co-owners who intend to acquire such interest must be added to the counterparties of transfer negotiation.</p> <p>2. For the car parking section on the 1st and the 3rd to 5th floor of the Property, an agreement has been executed between the Trustee and other Co-owners that the co-owners shall not make a request for partition of property in co-ownership.</p> <p>3. The Trust Beneficiary Rights Purchase and Sale Agreement between the Seller and the person who initially created a trust for the Trust Beneficiary Rights sets forth that where the Seller is to sell or otherwise dispose of the Trust Beneficiary Rights, or the Trustee is to consider the sale of or otherwise dispose of the Trust Asset (“Sale, etc.” hereinafter in this paragraph), that person shall be notified of such fact, and if that person has intent</p>



	to acquire, he or she shall be added to the counterparties of the Sale, etc., and be treated in good faith.
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- (Note 1) The type of asset held by the Seller.
- (Note 2) The descriptions of “Lot Number,” “Structure,” and “Completion Date” are based on information in the land registry for the entire building.
- (Note 3) “Use” indicates the use of the space exclusively-owned or co-owned by the Trustee based on the indication on the land registry.
- (Note 4) The total area for the site of the Property indicated on the land registry is stated.
- (Note 5) The total area for the entire building indicated on the land registry is stated.
- (Note 6) “Type of Ownership” indicates the type of ownership by the Trustee. “Compartmentalized ownership” means ownership of exclusively-owned spaces of a compartmentalized ownership building.
- (Note 7) The Property’s site area consists of 27 parcels. The Trustee has the co-ownership (co-ownership ratio: 133,053/151,449) of 19 parcels (1,514.49m<sup>2</sup>). There is no right of site pertaining to the Property site, and the management regulations stipulate that, the compartmentalized owners may mutually use sections of the site owned by other compartmentalized owners free of charge.
- (Note 8) The Trustee owns office sections of the 2nd, 13th to 17th, and 19th to 21st floors, and co-owns the office section of the 18th floor (co-ownership ratio: 47,258/100,845). Total floor area for the office section is 8,752.25m<sup>2</sup>. In addition, the Trustee co-owns car parking section of the 1st, and 3rd to 5th floors (floor area: 2,710.35m<sup>2</sup>) (co-ownership ratio: 901,005/1,244,803), and the machine room section of basement floor (floor area: 28.12m<sup>2</sup>).
- (Note 9) For property management services for the exclusive section of the Trust Asset, Nippon Steel Kowa Real Estate Co., Ltd. is entrusted with management of the office section and machine room section, and the co-owner is entrusted with the management of the car parking section.
- (Note 10) The Master Lease Company is leasing the office and machine room space of the exclusive section of the Trust Asset for sub-leasing purposes. For the car parking section, the Trustee is not a party to the lease agreement concluded with tenants and grants the authority to the co-owner to lease on its own and receives rents corresponding to the equity interest as compensation for usage income based on such right.

#### (5) Tenant Summary

Leasable Floor Space <sup>(Note 1)</sup>	8,974.07m <sup>2</sup>				
Leased Floor Space <sup>(Note 1)</sup> (Note 2)	7,463.94m <sup>2</sup>				
Number of Tenants <sup>(Note 3)</sup>	5				
Monthly Rent <sup>(Note 4)</sup>	Not disclosed				
Security Deposits and Guarantees <sup>(Note 4)</sup>	Not disclosed				
Occupancy Rate	End of December 2017	End of December 2018	End of December 2019	End of December 2020	End of December 2022
	100.0%	100.0%	100.0%	94.4%	83.2%

- (Note 1) “Leasable Floor Space” and “Leased Floor Space” are calculated excluding warehouses and other annexed constructions and accompanying facilities, and space for the 18th floor [and the car parking section] are calculated by multiplying the actual area by the co-ownership ratio of the Trustee. The figures are rounded at the second decimal point. Car parking and machine room sections are exclusive section of the Trust Asset, but are excluded from the calculation as accompanying facilities. The same applies hereafter in this section.
- (Note 2) Part of the Property is under own company use by the master lease company (16th floor, 345.69m<sup>2</sup>. Hereinafter the “master lease company’s own use portion”), and “Leased Floor Space” of the Leasable Floor Space is calculated by adding the master lease company’s own use portion to the total Leased Floor Space indicated on the lease agreement executed between the master lease company and the end tenant.
- (Note 3) Total number of tenants as of January 31, 2022 (including the master lease company’s own use portion). For the car parking section in the exclusive section of the Trust Asset, the Trustee is not a party to the lease agreement concluded with tenants, and grants the authority to the co-owner to lease on its own, and the co-owner is leasing the space to end tenants. The number of end tenants for the car parking section is not disclosed due to an unavoidable reason as consent from the co-owner has not been obtained.
- (Note 4) The figure is not disclosed as the consent by the co-owner, etc., has not been obtained.

#### (6) 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 September 30, 2021)
Net Assets	¥225,690 million (as of September 30, 2021)



Total Assets	¥1,028,176 million (as of September 30, 2021)	
Main Business	Real estate business	
Established	March 24, 1997	
Major Shareholders (Ownership Ratio)	Nippon Steel Corporation (45.00%) ML Estate Company, Limited (11.90%) The Dai-ichi Life Insurance Company, Limited (4.91%) Nippon Life Insurance Company (4.67%) (As of September 30, 2021)	
Relationship with JEI/JEAM	Capital Relationship	As of December 31, 2021, the Seller holds 71,560 units of JEI's investment unit (5.3% of the total number of outstanding units). The Seller also holds 4,860 shares of JEAM (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 its 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 proper asset management for JEI.
	Human Relationship	As of December 31, 2021, eight JEAM officers and employees are seconded from the Seller.
	Business relationship	In the fiscal period ended June 2021, JEI acquired BIZCORE JIMBOCHO from the Seller. For details, please refer to the "Notice Concerning Acquisition of Domestic Real Estate Trust Beneficiary Rights (BIZCORE JIMBOCHO)" dated May 26, 2021.
	Status as Related Party	Not a related party of JEI. It is the parent company of JEAM.

(7) Details of Brokerage  
Not applicable.

(8) Conflicts of Interest of JEAM with regard to the Property to be Acquired  
Nippon Steel Kowa Real Estate Co., Ltd., which is the Seller of the Anonymous Association Equity Interests and the master lease company and the property management company for the office section, 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 Anonymous Association Equity Interest purchase agreement (the "Purchase Agreement") with said sponsor company, JEAM, 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.

4. Financing Impact on JEI in the Event of Failure of Fulfillment of Forward Commitment, etc.  
The Purchase Agreement falls under "forward commitments, etc., by investment corporations<sup>(Note)</sup>" defined in the "Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc." established by the Financial Services Agency. The Purchase Agreement sets forth that in the event of a violation of provisions in the Purchase Agreement by JEI or the Seller after the conclusion of its conclusion



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the non-violating party may terminate the Purchase Agreement and claim an amount equivalent to 20% of the Acquisition as penalty. Provided, however, as equity capital is to be used for funding the acquisition, there is little concern over funding risk, etc., and the likelihood of significant financing impact on JEI arising from a penalty is deemed to be extremely low.

(Note) Referring to a postdated purchase and sales agreement under which payment and property delivery shall be made at least one month after the conclusion of the agreement, or any other agreement similar thereto.

## 5. Outlook

For the impact of said acquisition on JEI's operating results for the periods ending June 2022 (from January 1, 2022 to June 30, 2022) and ending December 2022 (from July 1, 2022 to December 31, 2022), please refer to the "Notice Concerning Financial Report for the Fiscal Period ending December 2021 (REIT)" separately announced today.





6. Overview of Appraisal Report

Property Name	ARK Hills Front Tower
Appraisal Value	¥17,800 million
Appraiser	Japan Real Estate Institute
Appraisal Date	February 01, 2022

(Thousands of yen<sup>(Note 1)</sup>)

Appraisal Item	Appraisal Value	Remarks, etc.
Income Approach Value <sup>(Note 2)</sup>	17,800,000	
Direct Capitalization Price	18,000,000	
Operating Revenue	892,503	
Gross Potential Revenue	Not disclosed <sup>(Note 3)</sup>	
Vacancy Loss, etc.		
Operating Expenses	285,933	
Maintenance and Management Fees	Not disclosed <sup>(Note 3)</sup>	
Property Management Fees		
Utility costs		
Repair costs		
Advertisement for Leasing, etc.		
Taxes and Public Dues		
Insurance		
Other Expenses		
Net Operating Income	606,570	
Interest Income	Not disclosed <sup>(Note 3)</sup>	
Capital Expenditures	37,484	Assessed with the figures based on the Engineering Report and a repair reserve fund, etc.
Net Cash Flow	577,131	
Cap Rate	3.2%	Assessed by adjusting the spread based on the conditions of location and building, and other conditions of the property to the base yield for the district and by considering future uncertainties and returns of transactions in similar properties.
Discounted Cash Flow Value	17,500,000	
Discount Rate	2.8%	Estimated by comprehensively considering the uniqueness of the target property, with reference to investment returns for similar properties, etc.
Terminal Cap Rate	3.4%	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	17,800,000	
Ratio of Land Value	83.2%	
Ratio of Building Value	16.8%	

Other matters noted by the appraiser in conducting appraisal	For reporting of maintenance and management fees, property management fees, advertisement for leasing, etc., and insurance, existing agreement terms are referenced if there is an existing agreement, and the terms of scheduled agreement is also referenced if there is a scheduled agreement or
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	quote, etc.
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Note 1: Amounts are rounded to the nearest thousand yen.

Note 2: The income approach value and the cost approach value are values corresponding to the Trustee's equity interest in the land and building.

Note 3: The operating revenue, etc., is not disclosed as the consent by the co-owner, etc., has not been obtained.

End

[Attachments]

Appendix 1: Income and Expense Outlook for the Property to be Acquired

Appendix 2: Exterior View, etc. of the Property to be Acquired

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

Expected Dividend Yield	3.2%
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“Expected Dividend Yield” above is calculated by dividing the expected dividend amount on an ongoing basis calculated by JEAM based on the Business Operator’s management plan by the planned acquisition price (not the forecast for the current fiscal period). The “Expected Dividend Yield” has been calculated based on certain assumptions and may fluctuate due to factors including change in the income and expenses of the Trust Beneficiary Asset, change in expenses concerning the Anonymous Association business, level of interest rates, and other factors.

