

July 26, 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 Domestic Real Estate Trust Beneficiary Rights (BIZCORE SHIBUYA)

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

(1) Property Name:	BIZCORE SHIBUYA (hereinafter the “Property”)
(2) Property to Be Acquired:	Trust beneficiary rights in real estate
(3) Planned Acquisition Price:	¥6,640,000,000 ^(Note 1)
(4) Date of Execution of Purchase Agreement:	July 27, 2022
(5) Scheduled Acquisition Date:	August 1, 2022
(6) Seller:	Nippon Steel Kowa Real Estate Co., Ltd. ^(Note 2)
(7) Brokerage:	None
(8) Funding for Acquisition:	Debt financing ^(Note 3) 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 seller, please refer to “3. Details of the Property to Be Acquired / (4) Overview of the Seller” later in this document.

(Note 3) For details of the debt financing, please refer to the press release “Notice Concerning Debt Financing” separately announced today.

2. Background of Acquisition

The BIZCORE series developed by Nippon Steel Kowa Real Estate Co., Ltd., a core sponsor of JEI, consists of medium-sized, high-grade office buildings that are competitive in terms of location and specifications. JEI positions the BIZCORE series as an ongoing pipeline from the company. Acquisition of the Property follows BIZCORE AKASAKA-MITSUKE and BIZCORE JIMBOCHO to mark JEI’s third acquisition from the series. For aspects that JEI recognized upon determining the acquisition of the Property, please refer to “(1) Evaluation of the Property to Be Acquired” in “3. Details of the Property to Be Acquired” below.

Acquisition of the Property has translated into accumulation of quality assets and also greater source of distributions for JEI.



3. Details of the Property to Be Acquired

(1) Evaluation of the Property to Be Acquired

A. Location

The Property offers high traffic convenience at an approximately four-minute walk from Shibuya Station on the Tokyo Metro Hanzomon Line, Ginza Line, and Fukutoshin Line, as well as the Tokyu Toyoko Line and Den-en-toshi Line, an approximately seven-minute walk from Shibuya Station on the JR Yamanote Line, Saikyo Line, and Shonan-Shinjuku Line, as well as the Keio Inokashira Line, and an approximately nine-minute walk from Omotesando Station on the Tokyo Metro Hanzomon Line, Ginza Line, and Chiyoda Line.

The area surrounding Shibuya Station where the Property is located has been demonstrating dramatically greater potential as an office district in terms of location with successive completion of large-scale redevelopment projects in recent years as well as several large redevelopment projects which are currently underway. The area is expected to continue developing as an office district in this manner and office demand there will likely be solid.

B. Building and Facilities

Designed as a property constituting part of the BIZCORE series of medium-sized, high-grade office buildings developed by Nippon Steel Kowa Real Estate Co., Ltd. the Property is equipped with specifications equivalent to most modern large office buildings.

The Property is equipped with an advanced office environment combined with superb seismic and business continuity capacity, including rental spaces equipped with a ceiling height of 2,800 mm on standard floors (with OA floor of 100 mm), grid-type system ceiling, office floor area of approximately 105 tsubos, floor load capacity of 500 kg/m², power outlet capacity of 60 VA/m² (expandable to 75 VA/m²), an individual air-conditioning system (eight zones), as well as an emergency supply warehouse, in addition to emergency power supply for up to 48 hours. In addition, as of the time of its completion, the Property is a green building certified as A rank in the CASBEE Certification for Buildings (Note).

(Note) Comprehensive Assessment System for Built Environment Efficiency (CASBEE) Certification for Buildings is a method for evaluating and rating the environmental performance of buildings and the built environment. The system is a comprehensive assessment of the environmental performance of buildings and the built environment from not only the aspects of reduction of environmental loads, such as energy conservation, resource conservation and recycling performance, but including also considerations for scenic aesthetics and such.

(2) Overview of the Property to Be Acquired

Property Name		BIZCORE SHIBUYA
Type of Specified Asset ^(Note 1)		Trust beneficiary rights in real estate
Trustee		Mizuho Trust & Banking Co., Ltd. (planned)
Trust Establishment Date		August 1, 2022 (planned)
Location	Lot Number ^(Note 2)	1-3-11 Shibuya, Shibuya-ku, etc.
	Address	1-3-15 Shibuya, Shibuya-ku, Tokyo
Use ^(Note 3)		Office and parking
Site Area	Land ^(Note 4)	713.62 m ²
	Building ^(Note 5)	3,835.11 m ²
Structure ^(Note 2)		S/RC with flat roof, B1/9F
Completion Date ^(Note 2)		January 17, 2020



Building Designer		Penta-Ocean Construction Co., Ltd. Headquarters First-Class Architect Office
Constructor		Penta-Ocean Construction Co., Ltd. Tokyo Building Construction Branch
Building Certification Agency		The Building Center of Japan
Type of Ownership (Note 6)	Land	Ownership
	Building	Ownership
Appraisal Value		¥6,950,000,000
Appraisal Date		July 1, 2022
Appraiser		The Tanizawa Sogo Appraisal Co., Ltd.
PML		5.4% (based on the Building Survey Report on PML Assessment prepared by Sompo Risk Management Inc.)
Collateral		None
Property Management Company (Note 7)		Nippon Steel Kowa Real Estate Co., Ltd.
Master Lease Company (Note 8)		Nippon Steel Kowa Real Estate Co., Ltd.
Other Relevant Information		None

(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 scheduled acquisition date.

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

(Note 3) The descriptions of "Use" are based on information in the registration record.

(Note 4) Indicated here is the total site area of land presented in the registration record.

(Note 5) Indicated here is the total floor area presented in the registration record.

(Note 6) The "Type of Ownership" indicates the type of rights held by the trustee for the Property.

(Note 7) Indicated here is the property management company that is planned to be hired after acquisition of the Property by JEI.

(Note 8) Indicated here is the master lease company that plans to lease the Property after acquisition of the Property by JEI. The type of master lease is a pass-through type.

(3) Tenant Summary

Leasable Floor Space (Note 1)	2,788.64 m ²			
Leased Floor Space (Note 1)(Note 2)	2,788.64 m ²			
Number of Tenants (Note 2)	1 (7)			
Monthly Rent (Note 3)	¥25,727 thousand			
Leaseholds and Security Deposits (Note 4)	¥291,014 thousand			
Occupancy Rates	End of December 2020	End of December 2021	End of June 2022	August 1, 2022 (scheduled)
	50.0%	87.5%	100.0%	100.0%

(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 shown in parentheses. "Leased Floor Space" is the floor space for which lease agreements are currently executed between the seller and the end tenants out of the leasable floor space.

(Note 3) The "Monthly Rent" amount (rounded down to the nearest thousand yen) is the sum (excluding consumption taxes, etc.) of the monthly rents (including common-area charges but excluding user fees for parking and other accompanying facilities) based on and indicated on the lease agreements executed with the end tenants.

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



(4) Overview 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, 2022)	
Net Assets	¥233,016 million (as of March 31, 2022)	
Total Assets	¥1,011,189 million (as of March 31, 2022)	
Main Business	Real estate business	
Established	March 24, 1997	
Major Shareholders	Nippon Steel Corporation ML Estate Company, Limited The Dai-ichi Life Insurance Company, Limited Nippon Life Insurance Company	
Relationship with JEI/JEAM	Capital Relationship	As of December 31, 2021, the seller holds 71,560 units of JEI's investment units (5.3% 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, 2022, eight JEAM officers and employees are seconded from the seller.
	Business Relationship	In the fiscal period ended June 30, 2022, JEI acquired equity interest in an anonymous association of Akasaka 2-chome Godo Kaisha that manages trust beneficiary rights in ARK Hills Front Tower (hereinafter the "Trust Beneficiary Rights") from the seller, and acquired a first right of refusal for the acquisition of the Trust Beneficiary Rights by agreement with the Godo Kaisha. For details, please refer to "Notice Concerning Acquisition of Equity Interest in an Anonymous Association" dated February 17, 2022, and "Notice Concerning Acquisition of a First Right of Refusal for ARK Hills Front Tower" dated May 10, 2022.
	Status as Related Party	The seller is not a related party of JEI. It is the parent company of JEAM.

(5) Status of Owners of Property

Status of Owners of Property	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) Overview of the Seller" above.	
Background/Reasons for Acquisition	Acquired for development purpose	
Date of Acquisition	January 17, 2020 (new construction)	
Acquisition Price	Not applicable, because a development property	



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(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., which is the seller and planned master lease company and property management company for the Property, 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 trust beneficiary right purchase agreement for the Property with said sponsor company, JEAM, in compliance with 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. In addition, Mizuho Trust & Banking Co., Ltd., which is the trustee for the Property, plans to appoint Nippon Steel Kowa Real Estate Co., Ltd. as the master lease company and the property management company for the Property, consigning the management operations for the Property along with leasing the building of the Property to said company. Upon such decision-making, JEAM has completed the procedures in compliance with the “Regulations for Transactions with Sponsor Companies” in the same manner as the purchase agreement.

4. Core Sponsor’s New Mid-Term Management Plan and Future External Growth

Nippon Steel Kowa Real Estate Co., Ltd., a core sponsor of JEI, launched a new mid-term management plan in April 2021. In the management plan, further strengthening and expansion of the office development and rental business is set as a key strategy, with plans for many development projects to be underway, mainly in central Tokyo. In particular, in the BIZCORE series of medium-sized, high-grade office buildings that the core sponsor has been developing since fiscal 2017, more than 10 properties are slated for completion/operation during the five-year period of the management plan, with the acquisition of sites and projects currently steadily underway due in part to high market needs. The property to be acquired this time marks JEI’s third acquisition from the series.

Considering that the BIZCORE series requires property owners capable of taking responsibility for quality control in management and operation and such in view of maintaining and promoting the brand offering, acquisition by JEI upon sale in the series by the core sponsor can be expected to continue. Additionally, discussions toward acquisition by JEI will be pursued for also the core sponsor’s portfolio properties other than the BIZCORE series and other properties as properties in the sponsor pipeline.

In this manner, JEI will strive for steady growth of distributions along with aiming to grow investment assets and secure stable revenue over the medium to long term through acquisition of properties with the pipeline linked to the core sponsor’s new mid-term management plan at the core.

5. Future Outlook

The impact of this transaction on the operating forecasts for the fiscal period ending December 31, 2022 (from July 1, 2022, to December 31, 2022) is considered negligible and there is no change to the forecasts.



6. Overview of Appraisal Report

Property Name	BIZCORE SHIBUYA
Appraisal Value	¥6,950 million
Appraiser	The Tanizawa Sogo Appraisal Co., Ltd.
Appraisal Date	July 1, 2022

(Thousands of yen ^(Note 1))

Appraisal Item	Appraisal Value	Remarks, etc.
Income Approach Value	6,950,000	
Direct Capitalization Value	7,220,000	
Operating Revenue	299,484	
Gross Potential Revenue	308,735	Recorded by assessing potential rent and other stable medium- and long-term revenue
Vacancy Loss, etc.	9,251	Recorded by assessing the occupancy rate level that is stable over the medium- to long-term
Operating Expenses	74,436	
Maintenance and Management Fees	28,854	Maintenance and management fees are assessed based on the actual results, similar cases, etc.
Property Management Fees ^(Note 2)		Property management fees are assessed based on the planned contract terms and conditions
Utility Costs	11,812	Assessed based on the actual results, similar cases, etc.
Repair Costs	1,410	Assessed based on the figures in the Engineering Report, similar cases, etc.
Advertisement for Leasing, etc.	6,360	Assessed the costs required for brokerage services, advertising, and lease contract renewal and recontract services, etc. based on the presumed turnover period of the lessee
Taxes and Public Dues	25,222	Recorded the actual amount based on documents relating to taxes and public dues
Insurance	476	Recorded the actual amount based on insurance documents
Other Expenses	299	Assessed based on the actual results, similar cases, etc.
Net Operating Income	225,047	
Interest Income	2,859	Assessed interest income with the yield on investment at 1.0%
Capital Expenditures	4,230	Assessed based on the figures in the Engineering Report, similar cases, etc.
Net Cash Flow	223,677	
Cap Rate	3.1%	Assessed by comparison with several transaction yields in neighborhood areas, similar areas in the same market area, etc., as well as by taking into account the projected fluctuations in future net cash flow, and by taking note of also the correlation with the discount rate
Discounted Cash Flow Value	6,830,000	
Discount Rate	3.2%	Assessed by deriving a base yield for office buildings using the build-up method based on the yields of financial instruments, etc., and by taking into account the risks specific to the property
Terminal Cap Rate	3.3%	Assessed based on the cap rate, while factoring in future uncertainties
Cost Approach Value	6,760,000	
Ratio of Land Value	77.0%	
Ratio of Building Value	23.0%	

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 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.



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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

* **Japan Excellent, Inc. Website:** <https://www.excellent-reit.co.jp/en/>



Revenue	¥297 million
Expenses (excluding depreciation)	¥69 million
NOI	¥228 million
NOI yield	3.4%
NOI yield after depreciation	2.9%

Assumptions for Income and Expense Outlook:

The above figures for “Revenue,” “Expenses,” and “NOI” are the annual averages of JEI’s estimated figures for the first five 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:

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

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 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 the Engineering Report.



[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	Omorii Bellport D	June 29, 2006	22,552	7.8	52.8
	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-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	6.6	
	I-13	Shintomicho Building	March 28, 2012	1,050	0.4	
	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	3.5		
I-19	BIZCORE SHIBUYA	August 1, 2022 (scheduled)	6,640	2.3		
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	5.6
			March 24, 2014	1,310	0.5	
			Total	5,610	1.9	
	II-3	Osaka Kogin Building (Land with Leasehold Interest)	February 5, 2013	1,770	0.6	
	II-4	GRAND FRONT OSAKA (Umekita Plaza - South Building)	February 3, 2020	4,868	1.7	
II-5	GRAND FRONT OSAKA (North Building)	February 3, 2020	3,982	1.4		
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	31.8
	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	7.2	
	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 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	1.1	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	0.5	
	IV-10	Sapporo Otemachi Building	December 1, 2021	4,069	1.4	
	Total				287,848	



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- (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, etc., “Central Nagoya” refers to the Meieki, Fushimi, and Sakae districts, etc., and “Central Fukuoka” refers to the Tenjin and Hakata Terminal Peripheral districts, etc.

