



Japan Excellent, Inc.

**For Immediate Release
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
(OSAKI BRIGHT TOWER/OSAKI BRIGHT PLAZA)**

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 assets (domestic real estate trust beneficiary rights) as described below.

1. Overview of Acquisition

(1) Property Name:	OSAKI BRIGHT TOWER/OSAKI BRIGHT PLAZA (hereinafter OSAKI BRIGHT TOWER is referred to as the “Tower,” OSAKI BRIGHT PLAZA as the “Plaza” and both properties collectively as the “Property.”)
(2) Property to Be Acquired:	Trust beneficiary rights in real estate related to the Property
(3) Planned Acquisition Price:	¥13,100,000,000 ^(Note 1)
(4) Scheduled Date of Execution of Purchase Agreement:	August 18, 2023
(5) Scheduled Acquisition Date:	April 26, 2024
(6) Seller:	Nippon Steel Kowa Real Estate Co., Ltd. ^(Note 2)
(7) Brokerage:	None
(8) Funding for Acquisition:	Debt financing and funds on hand (planned)
(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.

2. Background of Acquisition

The Property is a high-grade office building owned by Nippon Steel Kowa Real Estate Co., Ltd., a core sponsor of JEI, and a sponsor pipeline-supported acquisition following BIZCORE TSUKIJI acquired in July 2023 as a replacement asset for Kowa Kawasaki Nishiguchi Building and JEI Kyobashi Building, whose transfers were decided in June 2023. For aspects that JEI recognized upon determining the acquisition of the Property, please refer to “3. Details of the Property to Be Acquired / (1) Evaluation of the Property to Be Acquired” below.

Acquisition of the Property is expected to translate into accumulation of quality assets and thereby improve portfolio quality 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 five-minute walk from Osaki Station on the JR Yamanote Line, Saikyo Line, and Shonan-Shinjuku Line, as well as the Rinkai Line.

B. Building and Facilities

The rental office spaces of the Tower are equipped with an advanced office environment including a ceiling height of 2,800 mm on standard floors (with OA floor of 100 mm), office floor area of approximately 589 tsubos on standard floors, floor load capacity of 500 kg/m², power outlet capacity of 60 VA/m² (expandable to 100 VA/m²), an individual air-conditioning system and emergency power supply.

(2) Overview of the Property to Be Acquired

Property Name		OSAKI BRIGHT TOWER/OSAKI BRIGHT PLAZA
Type of Specified Asset ^(Note 1)		Trust beneficiary rights in real estate
Trustee		Sumitomo Mitsui Trust Bank, Limited (planned)
Trust Establishment Date		April 26, 2024 (planned)
Location	Lot Number ^(Note 2)	[Tower] 5-565-1 Kita-Shinagawa, Shinagawa-ku, Tokyo [Plaza] 5-569 Kita-Shinagawa, Shinagawa-ku, Tokyo
	Address	[Tower] 5-6-1 Kita-Shinagawa, Shinagawa-ku, Tokyo [Plaza] 5-4-1 Kita-Shinagawa, Shinagawa-ku, Tokyo
Use ^(Note 3)		[Tower] Retail and office [Plaza] Retail
Site Area	Land ^(Note 4)	[Tower] 7,813.22 m ² [Plaza] 3,711.54 m ²
	Building ^(Note 5)	[Tower] 89,234.27 m ² [Plaza] 4,084.84 m ²
Structure ^(Note 2)		[Tower] S, S/RC, RC with flat roof, B2/31F [Plaza] S with flat roof, 2F
Completion Date ^(Note 2)		[Tower] April 1, 2015 [Plaza] April 17, 2015
Building Designer		[Tower] Nihon Sekkei, Inc. [Plaza] Nihon Sekkei, Inc.

Constructor		[Tower] Taisei Corporation Tokyo Branch [Plaza] Fujiki Komuten Co., Ltd. Tokyo Branch
Building Certification Agency		[Tower] The Building Center of Japan [Plaza] The Building Center of Japan
Type of Ownership (Note 6)	Land	[Tower] Ownership (right of site ratio: approx. 10.36%) [Plaza] Ownership (right of site ratio: 8%)
	Building	[Tower] Compartmentalized ownership and compartmentalized co-ownership [Plaza] Compartmentalized co-ownership
Appraisal Value		¥13,500,000,000
Appraisal Date		August 1, 2023
Appraiser		Chuo Real Estate Appraisal Co., Ltd.
PML		1.7% (based on the Building Survey Report on PML Assessment prepared by Sampo Risk Management Inc.)
Collateral		None
Master Lease Company (Note 7)		Mitsui Fudosan Co., Ltd.
Other Relevant Information		<ol style="list-style-type: none"> 1. In the co-owners' agreement pertaining to the retail section of the Tower and the co-owners' agreement pertaining to the Plaza, it is stipulated that when any co-owner of the Tower or Plaza transfers co-ownership interests, etc., in principle, the other co-owners of the property pertaining to such co-ownership interests, etc. will be notified in writing and, if they so desire, will be given priority over third parties in discussions. 2. Each unit owner of the Tower has agreed to notify in writing the major end tenants of the Tower in the event of transfer of compartmentalized ownership, and to give them priority over third parties in discussions if they so desire. 3. The office section of the Tower to be acquired by JEI through the Trustee is managed together with the other exclusive areas, and the revenue and expenses attributable to JEI are prorated according to the ownership ratio (5,821,743/56,349,493) agreed in consideration of the price of areas given to owners of rights that existed before the project in exclusive areas managed together.

(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 for the sections subject to the acquisition.

(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 for the entire building.

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

(Note 7) The type of master lease is a pass-through type.

(3) Tenant Summary

Leasable Floor Space (Note 1)	5,930.27 m ²			
Leased Floor Space (Note 1)	5,881.44 m ²			
Number of Tenants (Note 2)	1 (16)			
Monthly Rent (Note 3)	Not disclosed			
Leaseholds and Security Deposits (Note 3)	Not disclosed			
Occupancy Rates	End of December 2021	End of June 2022	End of December 2022	End of June 2023
	99.4%	99.2%	99.2%	99.2%

(Note 1) The figure listed for "Leasable Floor Space" is the total of the leased floor space in the master lease agreements for the Tower and Plaza as of the end of June 2023 multiplied by the ratios of ownership interest subject to acquisition by JEI. Furthermore, the figure listed for "Leased Floor Space" is the total of the floor space for which lease agreements executed between the master lease company and the end tenant for the Tower and Plaza are within the lease period as of the end of June 2023 multiplied by the ratios of ownership interest subject to acquisition by JEI.



(Note 2) Since a master lease agreement has been executed, the number of tenants is indicated as one with the total number of end tenants shown in parentheses. If one tenant is leasing multiple rental spaces, that tenant is calculated as one if the spaces are within one property and as one for each property if the spaces are in multiple properties.

(Note 3) This is not disclosed as the consent by the tenant, co-owner, etc. has not been obtained.

(4) Overview of the Seller

Company Name	Nippon Steel Kowa Real Estate Co., Ltd.	
Location	1-8-1 Akasaka, Minato-ku, Tokyo	
Representative	Masahiro Miwa, President and CEO	
Capital	¥19,824 million (as of March 31, 2023)	
Net Assets	¥256,607 million (as of March 31, 2023)	
Total Assets	¥1,119,893 million (as of March 31, 2023)	
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 June 30, 2023, the seller holds 134,427 units of JEI's investment units (10.0% 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 Investment Trusts Act. In addition, the seller falls under the category of "sponsor company" under 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, 2023, eight JEAM officers and employees are seconded from the seller.
	Business Relationship	JEI transferred Kowa Kawasaki Nishiguchi Building to the seller in the fiscal period ended June 30, 2023, and acquired BIZCORE TSUKIJI from the seller in the fiscal period ending December 31, 2023. For details, please refer to "Notice Concerning Acquisition and Transfer of Domestic Real Estate Trust Beneficiary Rights (Acquisition of BIZCORE TSUKIJI, Transfer of Kowa Kawasaki Nishiguchi Building and JEI Kyobashi Building)" dated June 29, 2023.
	Status as Related Party	The seller is a related party of JEI. It is also 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	[Tower] April 1, 2015 (new construction) [Plaza] April 17, 2015 (new construction)	
Acquisition Price	Not applicable, because a development property	



(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 of the property to be acquired, 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 to be acquired 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.

(8) Financial Impact on JEI if the Forward Commitment Cannot be Executed, etc.

The sales agreement falls under a “forward commitment by an investment corporation^(Note)” specified in the Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc. established by the Financial Services Agency. Furthermore, if there is a violation of the provisions of the sales agreement by JEI or the seller after the agreement is concluded, the sales agreement states that the other party may cancel the agreement and claim an amount equivalent to 20% of the sales proceeds as a penalty. In addition, the sales agreement states that the execution of the sale is conditional upon the procurement of funds in full to cover the payment of the purchase price, etc. In the event such procurement is not completed, JEI may cancel the sales agreement. JEI has carefully considered the amount required for the acquisition, the probability of conversion to trust beneficiary rights, the period until delivery and the certainty of the acquisition financing method, and has decided to acquire the property based on the judgment that, for each of the factors considered, executing the transaction under the above conditions will contribute to the enhancement of unitholder value.

(Note) A postdated sales agreement stipulating payment and delivery of the property one month or more after conclusion of the agreement, or a similar agreement thereto.

4. Future Outlook

There is no impact on the operating forecasts for the fiscal period ending December 31, 2023 (from July 1, 2023, to December 31, 2023) as the scheduled acquisition date for the property to be acquired is April 26, 2024. Please refer to “Japan Excellent, Inc. Reports 34th Period Financial Results (From January 1, 2023 to June 30, 2023)” released today for the operating forecasts for the fiscal period ending June 30, 2024 (from January 1, 2024, to June 30, 2024).



5. Overview of Appraisal Report

Property Name	OSAKI BRIGHT TOWER/OSAKI BRIGHT PLAZA
Appraisal Value	¥13,500 million
Appraiser	Chuo Real Estate Appraisal Co., Ltd.
Appraisal Date	August 1, 2023

(Thousands of yen ^(Note 1))

Appraisal Item	Appraisal Value	Remarks, etc.
Income Approach Value	13,500,000	
Direct Capitalization Value	13,600,000	
Operating Revenue	Not disclosed (Note 2)	
Gross Potential Revenue		
Vacancy Loss, etc.		
Operating Expenses		
Maintenance and Management Fees		
Property Management Fees		
Utility Costs		
Repair Costs		
Advertisement for Leasing, etc.		
Taxes and Public Dues		
Insurance		
Other Expenses		
Net Operating Income		453,911
Interest Income	5,624	Assessed interest income with the yield on investment at 1.0%
Capital Expenditures	26,036	Recorded taking into account the figures in the Engineering Report and the repair reserve
Net Cash Flow	433,499	
Cap Rate	3.2%	Assessed with the method using a comparison with transactions of similar properties as the standard while also incorporating the method that factors in individual characteristics of the real estate in the yields on financial assets
Discounted Cash Flow Value	13,400,000	
Discount Rate	3.0%	Set based on the cap rate and by taking into account the current economic growth rate and market trend forecasts as well as risk premiums related to the risk of price declines due to building deterioration over time, future market fluctuation, etc.
Terminal Cap Rate	3.4%	
Cost Approach Value	10,600,000	
Ratio of Land Value	76.6%	
Ratio of Building Value	23.4%	

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 operating revenue, etc. are not disclosed as the consent by the tenant, co-owner, etc. has not been obtained.



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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/>



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

NOI	¥455 million
NOI yield	3.5%
NOI yield after depreciation	2.8%

Assumptions for Income and Expense Outlook:

The above figure for “NOI” is the annual average 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	Omori Bellport D	June 29, 2006	22,552	7.9	60.8
	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	6.7	
	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	
	I-19	BIZCORE SHIBUYA	August 1, 2022	6,640	2.3	
	I-20	BIZCORE TSUKIJI	July 4, 2023	9,800	3.4	
	I-21	OSAKI BRIGHT TOWER/OSAKI BRIGHT PLAZA	April 26, 2024	13,100	4.6	
	Area II: Central Osaka, Central Nagoya, and Central Fukuoka (Note 4)	II-1	NHK Nagoya Housou-Center Building	June 27, 2006	4,300	
March 24, 2014				1,310	0.5	
Total				5,610	2.0	
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	4.9	
	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	1.7	
	III-7	JEI Ryogoku Building	June 27, 2006	2,550	0.9	
	III-11	Core City Tachikawa	February 5, 2013	6,500	2.3	
	III-12	Nisseki Yokohama Building	April 1, 2015	24,500	8.6	
	III-13	Yokohama Bentendori Dai-ichi Seimei Building	June 15, 2018	640	0.2	
	III-14	Shinyokohama Arena dori Building	March 31, 2023	2,077	0.7	
	Area IV: Osaka, Nagoya and Fukuoka (excl. Area II), other government-decreed cities, etc.	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	4,069	1.4	
Total				286,047	100.0	100.0



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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.



[Appendix 3] Exterior View, Etc. of the Property to Be Acquired



OSAKI BRIGHT TOWER



OSAKI BRIGHT PLAZA

