

**For Immediate Release
For Translation Purposes Only**

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**Notice Concerning Acquisition of Investment Asset
(Additional Acquisition of Ownership Interest, etc. of Kowa Nishi-Shimbashi Building)**

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 as described below regarding the additional acquisition of an asset.

1. Summary of Acquisition

(1) Property Name	Kowa Nishi-Shimbashi Building (hereinafter the “Property”) (Provided that JEI will additionally acquire compartmentalized ownership and ownership interest in the land and building of the Property (the “ownership interest, etc.”), which is described in detail in “3. Details of the Property to be Acquired” below and referred to hereinafter as the “Ownership Interest, etc.” or the “Property to be Acquired.”)
(2) Property to be Acquired	Real Estate
(3) Planned Acquisition Price	¥7,500 million (JPY7,500,000,000) ^(Note 1)
(4) Planned Date of Execution of Purchase Agreement	July 26, 2017
(5) Scheduled Acquisition Date	August 1, 2017
(6) Seller	Nippon Steel Kowa Real Estate Co., Ltd.
(7) Funding for Acquisition	Debt financing ^(Note 2)
(8) 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 Acquisition

JEI has decided to acquire the Property in order to enhance its portfolio in accordance with the investment targets and policies of asset management stipulated in its Articles of Incorporation. For aspects that JEI recognized upon deciding the acquisition, please refer to “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 approximately a four-minute walk from Toranomon Station on the Tokyo Metro Ginza line and also accessible to Uchisaiwaicho Station on the Toei Subway line, Kasumigaseki Station on the Tokyo Metro lines, Shinbashi Station on the JR lines and the new station on the Tokyo Metro Hibiya Line (service scheduled to start in 2020) currently under construction. In addition to this convenience of transportation, the Property enjoys high visibility as it stands along the main street (Atagoshita-dori Street) and faces roads in all four directions. These characteristics provide the Property with a unique value in terms of location. The area around Toranomon enjoys solid demand for office spaces as it is adjacent to Nagatacho and Kasumigaseki, which are central districts of political circles and national government agencies. Moreover, redevelopment projects of offices buildings are completed or under way in the neighborhood of the Property, and steady demand is expected to continue into the future in light of the enhanced functions as an office area. Accordingly, JEI believes the Property will contribute to the improvement in profitability of the entire portfolio.

B Building Facilities

The Property has a wide and open entrance facing the main street. The standard floor of the office sections JEI will acquire has a space of approximately 230 tsubos without pillars, and adopts a system ceiling. The building is equipped with six elevators, including an emergency elevator and an elevator for residential sections. For building management, features such as around-the-clock unmanned security in addition to full-time manned services can sufficiently address tenant needs, and should allow the Property to operate at stable occupancy.

(2) Overview of the Property to be Acquired

Property Name		Kowa Nishi-Shimbashi Building
Type of Specified Asset ¹		Real estate
Location	Lot Number ²	2-301-1, Nishi Shimbashi, Minato-ku, Tokyo and others
	Address	2-1-1 Nishi Shimbashi, Minato-ku, Tokyo
Use ³		Office
Site Area	Land ⁴	2,492.53 m ²
	Building ⁵	19,418.17 m ²
Structure ²		S/SRC with flat roof, B2/16F
Completion Date ²		July 31, 1996
Building Designer		Nihon Sekkei, Inc.
Constructor		Hazama Corporation
Building Certification Agency		Tokyo Metropolitan Government
Type of Ownership ⁶	Land	Ownership (with partial co-ownership)
	Building	Compartmentalized ownership (co-ownership)
Appraisal Value		¥7,820 million (JPY7,820,000,000)
Appraisal Date		June 1, 2017
Appraiser		Japan Real Estate Institute
PML ⁷		3.30% (Based on the Building Survey Report on PML Assessment prepared by Sampo Risk Management & Healthcare Inc.)
Collateral		None
Property Management Company ⁸		Nippon Steel Kowa Real Estate Co., Ltd.
Master Lease Company ⁹		Nippon Steel Kowa Real Estate Co., Ltd.

<p>Other Relevant Information</p>	<ol style="list-style-type: none"> 1. The management regulations for the Property stipulate that, if a compartmentalized owner of the Property intends to transfer the Property, the administrator shall be able to purchase it at a value appraised by an independent appraiser that is not a related party of the administrator. Further, pursuant to the terms of the agreement with the Seller, if JEI or the Seller intends to transfer the Property, it is a requirement to notify the other party of the intention and negotiate a sale with the other party on a first refusal basis for a maximum period of 30 days if the other party desires to purchase the Property. 2. The site of the Property comprises multiple land lots, and part of the boundaries of such land lots remains to be confirmed. 3. The compartmentalized owners of the Property mutually use gratis the units of the site owned by other compartmentalized owners. 4. The road on the west side of the Property is a city planning road with a finalized plan for widening the road. However, even if the project is finalized, the site area of the Property's land will not decrease.
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Notes

1. The type of the property to be acquired by JEI.
2. The descriptions of "Lot Number," "Structure," and "Completion Date" are based on the indications on the land registry, and "Structure" indicates that of the entire building.
3. The description of "Use" is based on the indication on the registry or the completion drawing. The use of the entire building including the Property to be Acquired is for office, apartment and parking lot, but only the use of the exclusive spaces to be acquired by JEI is indicated in the column.
4. The total site area of land for the entire site of the Property written in the land registry is indicated here (including 108.62 m² of road portion). JEI will acquire ownership of the part of the site (6 parcels totaling 389.42 m²) and co-ownership interest of ownership of another part of the site (6 parcels totaling 938.04 m²) (co-ownership ratio varies from parcel to parcel). The ratio of (a) the total figure (1,327.46 m²) obtained by multiplying the area of parcels of which ownership JEI will acquire and the area of parcels of which co-ownership interest JEI will acquire this time by the ownership ratio to be acquired to (b) the entire site area (2,383.91 m² excluding road portion) is 55.7% (rounded to the first decimal place. The same applies hereinafter.). The ratio of (b) the total figure (2,025.10 m²) obtained by multiplying the area of parcels JEI will own and the area of which ownership interest JEI will own after the additional acquisition of the Ownership Interest, etc. by the ownership ratio of area owned by JEI to (a) the abovementioned entire site area will be 84.9%.
5. The total floor area of the entire building written in the land registry is indicated here. Of this total floor space, JEI will acquire co-ownership interest in the exclusive sections (13,238.09m²) of the office spaces on the first basement through the 15th floor and its annex building (warehouse for 113.27m²). The ratio of co-ownership interest JEI will additionally acquire this time is 52.2%. The ratio of co-ownership JEI will own after the additional acquisition of the Ownership Interest, etc. will be, combined with ownership ratio JEI already owns, 79.3%.
6. The "Type of Ownership" indicates the type of ownership of the Property to be Acquired. Furthermore, "compartmentalized ownership" means ownership of exclusively-owned spaces of a compartmentalized ownership building.
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.
8. The property management company as of the date of this release, with whom JEI plans to continue entrusting property management services after the acquisition by JEI is indicated.
9. The master lease company to which JEI plans to lease the property after the acquisition by JEI is indicated. A pass-through type master lease agreement will be concluded.

(3) Tenant Summary

Leasable Floor Space ¹	5,897.97 m ²				
Leased Floor Space ¹	5,897.97 m ²				
Number of Tenants ²	5				
Monthly Rent ³	-				
Leaseholds and Security Deposits ³	-				
Occupancy Rate	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017
	100%	100%	100%	100%	100%

Notes

1. The figures have been calculated by multiplying the leasable floor space and the leased floor space of the exclusive spaces to be acquired by JEI (both excluding the annex building and annex facility such as a warehouse) by the ratio of co-ownership interest (52.2%) to be acquired by JEI, respectively.
2. The figure indicates the number of tenants who entered into lease agreements with the seller as of June 30, 2017.
3. The figures for "Monthly Rent" and "Leaseholds and Security Deposits" are not disclosed as the consent of other co-owners on disclosure has not been obtained.

(4) Details of the Seller

Company Name	Nippon Steel Kowa Real Estate Co., Ltd.	
Location	1-15-5 Minami-Aoyama, Minato-ku, Tokyo	
Representative	Mikito Nagai, President	
Capital (as of March 31, 2017)	¥19.8 billion	
Net Assets (as of March 31, 2017)	¥132,684 million	
Total Assets (as of March 31, 2017)	¥639,434 million	
Main Business	Real estate business	
Established	March 24, 1997	
Major Shareholders (as of March 31, 2017)	Nippon Steel & Sumitomo Metal Corporation The Dai-ichi Life Insurance Company, Limited Nippon Life Insurance Company UNIZO Holdings Company, Limited (as of March 31, 2017)	
Relationship with JEI/JEAM	Capital Relationship	As of June 30, 2017, the Seller holds 71,560 units of JEI's investment units (5.5% of the number of investment units outstanding). The Seller also holds 4,860 shares of the Asset Management Company (JEAM) (54.0% of the number of shares outstanding) and falls under the category of a "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 a sponsor related company under voluntary internal regulations for transactions with sponsor related companies (the "Regulations for Transactions with Sponsor Related 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, 2017, ten JEAM officers and employees have been dispatched by the Seller.
	Business Relationship	During the 22nd Fiscal Period (January 1, 2017 to June 30, 2017), there was no asset acquisition or sale transaction between the Seller and JEI or JEAM.
	Status as Related Party	Not applicable.

(5) Status of Previous Owners

Status of Previous Owners	Current Owner	Previous Owner
Company Name	Nippon Steel Kowa Real Estate Co., Ltd.	Parties not falling within the scope of related parties
Relationship with JEI/JEAM	Please refer to “(4) Details of the Seller” above.	-
Background/Reasons for Acquisition	Acquired for development and investment management purposes	-
Date of Acquisition	Acquired the land (excluding a portion) for development in December 1981, and subsequently acquired equity interest in the land and the building several times through December 2016.	-
Acquisition Price	Current Owner acquired approximately 1.2% co-ownership interest in the exclusive area of the office portion that it additionally acquired from the co-owners this time in December 2016. For the said portion acquired, the figure is not disclosed as the consent of the seller on disclosure has not been obtained. For other portions acquired, the figures are not disclosed as the current owner has owned them for more than one year.	-

(6) Details of Brokerage
Not applicable.

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

The Seller (Nippon Steel Kowa Real Estate Co., Ltd.), which will also serve as the property management company and the master lease company, 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 transaction agreement with said related party and 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. With the additional acquisition this time, JEI plans to conclude a new master lease/property management agreement, and plans to appoint Nippon Steel Kowa Real Estate Co., Ltd. as the property management company/master lease company for the asset JEI will own (including the portion it has already owned) in the Property and to consign its management operations as well as to lease the exclusive sections. JEAM has made this decision by completing the procedures in the same manner pursuant to the Regulations for Transactions with Sponsor Companies.

(7) Acquisition Schedule

July 26, 2017	Decision within JEI to acquire the Property
July 26, 2017	Execution of the purchase agreement
August 1 2017	Delivery of the Property

4. Outlook

Since the scheduled acquisition date of the Property to be Acquired is August 1, 2017, there is no impact on the operating results for the fiscal period ended June 2017 (January 1, 2017 – June 30, 2017). Furthermore, since the impact on the forecast operating results for the fiscal period ending December 2017 (July 1, 2017

– December 31, 2017) is minimal, there is no revision to the forecast.

5. Appraisal Summary

Property name	Kowa Nishi-Shimbashi Building
Appraisal Value	¥7,820 million
Appraiser	Japan Real Estate Institute
Appraisal Date	June 1, 2017

(Thousands of yen¹)

Appraisal Item	Appraisal Value	Remarks, etc.
Income Approach Value	7,820,000	Estimated by correlating Direct Capitalization Value and Discounted Cash Flow Value
Direct Capitalization Value	7,890,000	
Operating Revenue	468,535	
Gross potential revenue	493,177	Calculated by evaluating potential rent and other stable medium- and long-term revenue based on current average rent and other revenue, level of new rent and other revenue, and attribution of current lessee, etc.
Vacancy Loss	24,642	Estimated on the assumption of the occupancy rate level that is stable over a medium to long term based on occupancy status or supply-demand trend of similar real estate that fall under the relationship of substitution competition or other relationship with the property, and the property's past occupancy status and its future trend
Operating Expenses	175,881	
Maintenance Property management fees ²	60,846	Maintenance fee is calculated by considering the individuality of the property, while referring to the actual fees of past years and maintenance fees of similar properties, and property management fee is calculated by considering the fee level and individuality of similar properties, while referring to the scheduled terms of contract
Utilities	32,687	Assumed by taking into account the occupancy rate, etc. of the rental spaces, based on the actual results of past years
Repair costs	5,160	Calculated by referring to the actual fees of past years and considering maintenance and operational plan, the fee level of similar properties and an annual average of repairs, maintenance and renewal costs as specified in the engineering report
Advertisement for leasing, etc.	7,492	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	69,172	Recorded based on the tax base for fiscal 2017
Insurance	524	Recorded in reference to the insurance premium based on insurance contract and insurance premium rates of similar properties, etc.
Other expenses	0	
Net Operating Income	292,654	
Interest Income	3,484	Estimated profit through management by setting the management yield at 1.0%
Capital Expenditures	12,024	Estimated 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 the reserve is made on average each fiscal period

	Net Cash Flow	284,114	
	Cap Rate	3.6%	Assessed by adjusting the spread based on the subject property's site, building or other conditions, while considering future uncertainties and transaction yields of similar properties
	Discounted Cash Flow Value	7,740,000	
	Discount Rate	3.2%	Estimated 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	3.8%	Estimated 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	8,620,000	
	Land Value	86.0%	
	Building Value	14.0%	

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

(Note 2) Through the individual reporting of maintenance and management fees and property management fee standards, other transactions involving the companies entrusted with building management and property management may be impacted, efficient performance of duties by JEI may be impeded, or investor profits may be negatively impacted. Therefore, maintenance and management fees and property management fees are indicated as a combined figure.

(End)

Appendix:

- (1) Property Income and Expense Outlook
- (2) Portfolio Overview after Acquisition of the Property to be Acquired
- (3) External View of the Property to be Acquired

Japan Excellent, Inc. Website: www.excellent-reit.co.jp/eng/

(Appendix 1) Property Income and Expense Outlook

(millions of yen)

Revenues	464 million
Expenses (excluding depreciation)	166 million
Net Operating Income (NOI)	297 million
NOI Yield	4.0%
Yield After Depreciation	3.4%

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 acquisition. (i.e., not forecast for the current fiscal period).

NOI Yield is the figure calculated by the following formula:

$$\text{NOI Yield} = \text{NOI yield} / \text{Planned acquisition price}$$

Yield After Depreciation is the figure calculated by the following formula:

$$\text{Yield After Depreciation} = (\text{NOI} - \text{Depreciation}) / \text{Planned acquisition price}$$

Furthermore, depreciation is calculated based on the straight-line method corresponding to the useful life, which is in the same manner applied for properties already owned by JEI, after considering various information such as engineering report.

(Appendix 2) Portfolio Overview after Acquisition of the Property to be Acquired

Area	Property #	Property Name	Date of Acquisition	(Planned) Acquisition Price ¹ (mn yen)	Investment Ratio ² (% of total portfolio)	Investment Ratio by Area ² (%)
Area I Tokyo's 6 Central Wards ³	I-1	Omori Bellport D	June 29, 2006	22,552	7.7	51.3
	I-2	Shiba 2-Chome Building	June 29, 2006	9,450	3.2	
	I-3	JEI Hamamatsucho Building	June 29, 2006	8,350	2.8	
	I-7	Akasaka Garden City	March 28, 2007	23,300	7.9	
	I-8	AKASAKA INTERCITY	October 26, 2007	17,857	6.1	
			February 5, 2013	10,289	3.5	
			Total	28,146	9.6	
	I-9	Kowa Shirokanedai Building	December 24, 2010	4,705	1.6	
	I-10	Daiba Garden City Building	February 4, 2011	11,000	3.7	
	I-12	HAMARIKYU INTERCITY	December 20, 2011	7,080	2.4	
			February 4, 2014	12,000	4.1	
			Total	19,080	6.5	
	I-13	Shintomicho Building	March 28, 2012	1,750	0.6	
	I-14	Kowa Nishi-Shimbashi Building	March 28, 2013	3,931	1.3	
			Due on August 1, 2017	7,500	2.5	
Area II Central Osaka, Central Nagoya, Central Fukuoka ⁴	II-1	NHK Nagoya Housou Center Building	June 27, 2006	4,300	1.5	4.8
			March 24, 2014	1,310	0.4	
			Total	5,610	1.9	
	II-2	JEI Nishi-Honmachi Building	March 28, 2007	6,673	2.3	
	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	4.7	37.3
	III-2	Kowa Kawasaki Higashiguchi Building	June 27, 2006	10,976	3.7	
	III-3	JEI Hongo Building	June 29, 2006	5,400	1.8	
	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-6	No. 44 Kowa Building	June 27, 2006	1,150	0.4	
	III-7	JEI Ryogoku Building	June 27, 2006	2,550	0.9	
	III-8	Ebina Prime Tower	March 29, 2007	6,470	2.2	
	III-9	Kowa Kawasaki Nishiguchi Building	October 26, 2007	32,000	10.9	
	III-10	Pacific Square Sengoku	December 20, 2011	1,620	0.6	
	III-11	Core City Tachikawa	February 5, 2013	6,500	2.2	
Area IV Osaka, Nagoya and Fukuoka (excl. Area II) and other government-decreed cities, etc.	III-12	Nisseki Yokohama Building	April 1, 2015	24,500	8.3	6.6
	IV-2	JEI Kyobashi Building	September 1, 2011	3,308	1.1	
	IV-3	JEI Hiroshima Hacchobori Building	May 22, 2012	2,760	0.9	
	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	
Total				294,497	100.0	100.0

Notes

- “(Planned) Acquisition Price” is the acquisition value on the purchase agreement, excluding consumption tax, etc. Amounts are rounded down to the nearest specified unit.
- “Investment Ratio” and “Investment Ratio by Area” are rounded to the first decimal place.
- “Tokyo's 6 Central Wards” is Chiyoda, Chuo, Minato, Shinjuku, Shinagawa, and Shibuya Wards.
- “Central Osaka” is the Umeda, Dojima, Nakanoshima, Yodoyabashi, and Honmachi districts, “Central Nagoya” is the Meieki, Fushimi, Sakae districts, and “Central Fukuoka” is the Tenjin and Hakata Terminal Peripheral districts.

(Appendix 3) External View of the Property to be Acquired

