

November 12, 2019

Japan Excellent, Inc. (TSE: 8987)  
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Notice concerning Acquisition of Domestic Real Estate  
(Senshin 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 regarding the acquisition of domestic real estate as described below.

1. Summary of Acquisition

- |  |   |
|--|---|
| (1) Property Name:                                   | Senshin Building (hereinafter referred to as the “Property”)                        |
| (2) Property to Be Acquired:                         | Real estate   |
| (3) Planned Acquisition Price:                       | ¥1,580,000,000 <sup>(Note1)</sup>   |
| (4) Planned Date of Execution of Purchase Agreement: | November 12, 2019   |
| (5) Scheduled Acquisition Date:                      | November 13, 2019   |
| (6) Seller:  | Not described, as the seller has not agreed with the disclosure. <sup>(Note2)</sup> |
| (7) Brokerage:                                       | Yes   |
| (8) Funding for Acquisition:                         | Funds on hand   |
| (9) Payment Method:                                  | Lump-sum payment upon delivery  |

Note1: Planned Acquisition Price does not include consumption tax, local consumption tax or fees required for the acquisition.

Note 2: The profile of the seller is as described later in (4) Details of the Seller; 3. Details of the Property to Be Acquired.

2. Background of Acquisition

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

For aspects that JEI recognized upon deciding the acquisition of the Property to Be Acquired, please refer to “(1) Evaluation of the Property to Be Acquired” in “3. Details of the Property to Be Acquired” below.

### 3. Details of the Property to Be Acquired

#### (1) Evaluation of the Property to Be Acquired

##### A. Location

Situated at the center of Sendai, Miyagi Prefecture, the property is a building with rare value given its traffic convenience of being located five minutes by walk from JR Sendai Sta., where Shinkansen bullet trains depart and arrive, as well as from Sendai Sta. of Sendai Subway and three minutes from Aoba-dori Sta. of JR Senseki Line in addition to its visibility as it faces a main street (Hirose-dori Avenue)

##### B. Building and Facilities

The Property houses offices and stores in the first to ninth floors. The reference floor area is about 80 tsubos and its floor plan allows to divide it into as small as about 8 tsubos, enabling to respond flexibly to a wide range of rentable area needs. It also has a mechanical parking facility for housing 32 vehicles and, combined with its accessibility on foot from Sendai Sta., a rarity, it can respond to various tenant needs.

It has been many years since the building was constructed, but it does not require major repair works for the time being as it has been subject to continuous maintenance work including replacement of air conditioning system and repair of exterior walls over the past several years. The building has a competitive edge in an area crowded with relatively old and small- to medium-sized buildings and has been maintaining a high occupancy rate.

#### (2) Overview of Property to Be Acquired

Property Name		Senshin Building
Type of Specified Asset <sup>(Note 1)</sup>		Real estate
Location	Lot Number <sup>(Note 2)</sup>	1-727 (and other lot numbers), Chuo, Aoba-ku, Sendai, Miyagi Prefecture
	Address	1-6-27, Chuo, Aoba-ku, Sendai, Miyagi Prefecture
Use <sup>(Note 3)</sup>		Office, stores, and parking
Site Area	Land <sup>(Note 4)</sup>	416.68 m <sup>2</sup>
	Building <sup>(Note 5)</sup>	2,766.22 m <sup>2</sup>
Structure <sup>(Note 2)</sup>		S/SRC with flat roof, B1/9F
Completion Date <sup>(Note 2)</sup>		October 8, 1984
Building Designer		Tohoku Design & Planning Lab Co., Ltd.
Constructor		Takenaka Corporation



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Building Certification Agency		Sendai City
Type of Ownership (Note 6)	Land	Ownership
	Building	Ownership
Appraisal Value		¥1,670,000,000
Appraisal Date		October 1, 2019
Appraiser		The Tanizawa Sogo Appraisal Co., Ltd.
PML (Note 7)		2.87% (Based on the Building Survey Report on PML Assessment prepared by Sompo Risk Management Inc.)
Collateral		None
Property Management Company		The Dai-ichi Building Co., Ltd.
Master Lease Company (Note 8)		The Dai-ichi Building Co., Ltd.
Other Relevant Information		Not applicable

Note 1: Indicated here is the type of the Property to Be Acquired by JEI.

Note 2: The descriptions of "Lot Number," "Structure," and "Completion Date" are based on information in the land registry.

Note 3: The descriptions of "Use" are based on information in the land registry.

Note 4: Indicated here is the total site area of land for the entire site of the Property written in the land registry.

Note 5: Indicated here is the total floor area of the entire building written in the land registry.

Note 6: The "Type of Ownership" indicates the type of ownership for the Property to Be Acquired.

Note 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.

Note 8: A pass-through type master lease agreement will be concluded.

### (3) Tenant Summary

Leasable Floor Space (Note 1)	2,170.47 m <sup>2</sup>				
Leased Floor Space (Note 1)(Note 2)	2,137.42 m <sup>2</sup>				
Number of Tenants (Note 2)	1 (16)				
Monthly Rent (Note 3)	¥7,215 thousand				
Leaseholds and Security Deposits (Note 4)	¥45,339 thousand				
Occupancy Rates	End of June 2016	End of June 2017	End of June 2018	End of June 2019	End of October 2019
	96.9%	100.0%	100.0%	100.0%	98.5%

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 indicated in brackets. "Leased Floor Space" indicates the area for which a lease agreement has been concluded as of today between the master lease company and the end tenants out of the leasable floor space.

Note 3: The "Monthly Rent" amount (excluding consumption taxes and rounded down to the nearest thousand) indicates the sum of the monthly rents indicated on the lease agreements (including common service fees but excluding user fees for parking and other accompanying facilities) executed between the master lease company and the end tenants.

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

### (4) Details of the Seller

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

Asset Management Company. The seller as well as its affiliates are not a related party of JEI or the Asset Management Company.

(5) Status of Previous Owners

It is not an acquisition from a party that has special interest in JEI or the Asset Management Company.

(6) Details of Brokerage

There is no capital, personnel or business relationships worthy of special mention between the brokerage and JEI as well as the Asset Management Company. The brokerage as well as its affiliates are not a related party of JEI or the Asset Management Company.

(7) Conflicts of Interest of the Asset Management Company with regard to the Property to Be Acquired

The Dai-ichi Building Co., Ltd., which is the property management company and master lease company falls under the category of “sponsor company” under voluntary internal regulations for transactions with sponsor companies. Upon concluding the agreement with the said sponsor company, the Asset Management Company, 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.

(8) Schedule of Acquisition

November 12, 2019: Decision on acquisition

November 12, 2019: Execution of purchase agreement

November 13, 2019: Delivery

4. Outlook

The impact of this transaction on the forecast performance for the periods ending December 2019 (July 1, 2019–December 31, 2019) and ending June 2020 (January 1, 2020–June 30, 2020) is considered negligible and there is no change to the forecasts.



## 5. Appraisal Summary

Property Name	Senshin Building
Appraisal Value	¥1,670 million
Appraiser	The Tanizawa Sogo Appraisal Co., Ltd.
Appraisal Date	October 1, 2019

(In thousands of yen <sup>(Note 1)</sup>)

Appraisal Item	Appraisal Value	Remarks, etc.
Income Approach Value	1,670,000	
Direct Capitalization Value	1,740,000	
Operating Revenue	112,552	
Gross potential revenue	120,538	Calculated based on valuation of potential rent and other stable medium- and long-term revenue
Vacancy Loss, etc.	7,986	Calculated on the assumption of an occupancy rate level that is stable over the medium- to long-term
Operating Expenses	31,587	
Maintenance Property Management Fee <sup>(Note 2)</sup>	10,252	Maintenance fee is calculated by considering the individuality of the property, while referring to the performance for the past fiscal year and the maintenance fees of similar properties. Property management fee is calculated by considering the fee level and individuality of similar properties while referring to the expected terms of the contract.
Utilities	9,897	Calculated by considering the occupancy rates of the Property's office space while referring to utilities costs incurred at similar properties
Repair costs	2,275	Calculated by considering the future property management plan, costs incurred at similar properties, the annual average of repairs, maintenance and renewal costs as specified in the Engineering Report, etc.
Advertisement for leasing, etc.	756	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	7,724	Calculated based on the materials related to the tax and public dues
Insurance	117	Recorded in reference to insurance premium based on the insurance contract and insurance premium rates of similar properties, etc.
Other expenses	562	Recorded lease charge, the residents' association membership fee, etc.
Net Operating Income	80,966	
Interest Income	575	Assessed with the yield on investment at 1.0%
Capital Expenditures	4,875	Assessed 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 leveled reserve will be accumulated each fiscal period for the anticipated future expenditure
Net Cash Flow	76,666	
Cap Rate	4.4%	Assessed by adjusting the spread based on the property site, building or other conditions, while considering future uncertainties and transaction yields of similar properties
Discounted Cash Flow Value	1,640,000	
Discount Rate	4.5%	Assessed 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	4.6%	Assessed 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



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			trends in real estate prices and rent levels, etc.
Cost Approach Value		1,220,000	
Land Value		80.7%	
Building Value		19.3%	
Other matters noted by the appraiser in conducting appraisal	None		

Note 1: Amounts are rounded down to the nearest thousand yen.

Note 2: Maintenance and management fees and property management fees are indicated as a combined figure because individually reporting maintenance and management fees and property management fee levels would impact other transactions involving the companies entrusted with building management and property management, impede efficient performance of duties by JEI, and/or negatively impact investors' profits.



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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

\* URL of JEI's website: <https://www.excellent-reit.co.jp/en/>



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

Revenue	¥113 million
Expenses (excl. depreciation)	¥31 million
NOI	¥81 million
NOI yield	5.2%
Yield after depreciation	4.3%

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 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 Engineering Report.





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

Area	Property #	Company Name	Date of Acquisition	(Planned) Acquisition Price (yen, mill.)(Note 1)	Investment Ratio (% of total portfolio) (Note 2)	Investment Ratio by Area (%) (Note 2)
<b>Area I</b> Tokyo's 6 Central Wards (Note 3)	I-1	Omori Bellport D	June 29, 2006	22,552	8.0	50.0
	I-2	Shiba 2-Chome Building	June 29, 2006	9,450	3.4	
	I-3	JEI Hamamatsucho Building	June 29, 2006	8,350	3.0	
	I-8	AKASAKA INTERCITY	October 26, 2007	17,857	6.3	
			February 5, 2013	10,289	3.7	
			Total	28,146	10.0	
	I-9	Kowa Shiokanedai Building	December 24, 2010	4,705	1.7	
	I-10	Daiba Garden City Building	February 4, 2011	11,000	3.9	
	I-12	HAMARIKYU INTERCITY	December 20, 2011	7,080	2.5	
			February 4, 2014	12,000	4.3	
			Total	19,080	6.8	
	I-13	Shintomicho Building	March 28, 2012	1,750	0.6	
	I-14	Kowa Nishi-Shimbashi Building	March 28, 2013	3,931	1.4	
			August 1, 2017	7,500	2.7	
			Total	11,431	4.1	
	I-15	Mansard Daikanyama	July 1, 2016	11,420	4.1	
	I-16	AKASAKA INTERCITY AIR	July 2, 2018	6,590	2.3	
	I-17	BIZCORE AKASAKA MITSUKE	October 1, 2019	6,200	2.2	
<b>Area II</b> Central Osaka Central Nagoya Central Fukuoka <sup>(Note 4)</sup>	II-1	NHK Nagoya Housou Center Building	June 27, 2006	4,300	1.5	5.0
			March 24, 2014	1,310	0.5	
			Total	5,610	2.0	
	II-2	JEI Nishi-Honmachi Building	March 28, 2007	6,673	2.4	
	II-3	Osaka Kogin Building (Land with Leasehold Interest)	February 5, 2013	1,770	0.6	
<b>Area III</b> 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	36.5
	III-2	Kowa Kawasaki Higashiguchi Building	June 27, 2006	10,976	3.9	
	III-3	JEI Hongo Building	June 29, 2006	5,400	1.9	
	III-5	Kawasaki Nishincho 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-9	Kowa Kawasaki Nishiguchi Building	October 26, 2007	32,000	11.4	
	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	8.7	
	III-13	Yokohama Bentendori Dai-ichi Seimei Building	June 15, 2018	640	0.2	
<b>Area IV</b> Osaka, Nagoya and Fukuoka (excl. Area II), other government-decreed cities, etc.	IV-2	JEI Kyobashi Building	September 1, 2011	3,308	1.2	8.5
	IV-3	JEI Hiroshima Hacchobori Building	May 22, 2012	2,760	1.0	
	IV-4	SE Sapporo Building	March 1, 2013	5,500	2.0	
	IV-5	Aoba-dori Plaza	February 4, 2014	2,120	0.8	
	IV-6	Daiwa Minami-morimachi Building	February 4, 2014	4,410	1.6	
	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	
	<b>Total</b>			281,367	100.0	100.0

Note 1: "(Planned) Acquisition Price" is the acquisition value on the purchase agreement, excluding consumption taxes. Amounts are rounded down to the nearest specified unit.

Note 2: "Investment Ratio" and "Investment Ratio by Area" are rounded to the first decimal place.

Note 3: "Tokyo's 6 Central Wards" are Chiyoda, Chuo, Minato, Shinjuku, Shinagawa, and Shibuya wards.

Note 4: "Central Osaka" refers to the Umeda, Dojima, Nakanoshima, Yodoyabashi, and Honmachi districts. "Central Nagoya" refers to the Meieki, Fushimi, and Sakae districts, and "Central Fukuoka" refers to the Tenjin and Hakata Terminal Peripheral districts.



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

