



Japan Excellent, Inc.

**For Immediate Release  
For Translation Purposes Only**

August 6, 2010

Japan Excellent, Inc.(TSE: 8987)  
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**Notice Concerning the Acquisition of Investment Asset**  
**(Execution of Agreement for Additional Acquisition**  
**of Co-ownership of No. 32 Kowa Building)**

Japan Excellent, Inc. (hereinafter, “JEI” or the “Investment Corporation”) announces its decision on the additional acquisition of investment asset. Brief details are as follows.

**1. Summary of Acquisition**

Acquisition of Investment Asset	Real estate
Property Name	No. 32 Kowa Building (the “Property”) (Additional Acquisition of 30% of co-ownership)
Acquisition Price	¥2,390 million
Date of Execution of Purchase Agreement	August 6, 2010
Scheduled Acquisition Date	December 24, 2010
Seller	Kowa Real Estate Co., Ltd.
Planned Funding for Acquisition	Cash in hand and debt financing
Planned Method of Acquisition	As of August 6, 2010, JEI holds a trust beneficial interest in 70% co-ownership of the “Property, for which Mizuho Trust and Banking Co., Ltd. (“Mizuho Trust Bank”) has been acting as the trustee. As soon as the additional acquisition is completed, JEI will entrust the acquired co-ownership to Mizuho Trust Bank additionally and hold it as a trust beneficial interest. The additional acquisition brings JEI to hold the sole ownership of the Property thorough the trust.

**2. Background of Acquisition**

JEI is acquiring the additional co-ownership in 30% pursuant to investment targets and policies stipulated under its Articles of Incorporation. The factors JEI is taking into account in the acquisition of the co-ownership are as follows:

(1) Improving the effectiveness of asset management and enhancing asset values

JEI acquires sole ownership which will contribute the effective management and enhancing asset value by this transaction.

(2) Location

This property is located in Minami-Azabu area, which is known by good environment with high-end residences, embassies and schools. The area also contains green area including Arisugawa memorial park.

The property makes a boast of the traffic convenience and rarity value in the area.

Many tenants regard this area as a prestigious zone but quite a few office buildings are located, thus JEI appreciates its potential for tenant needs.

(3) Building Facilities

The property stands out from the surrounding area and has a wide frontage along Gaien-nishidori Avenue.

Rentable space on each floor is 395 tsubo (2-3rd floor) or 199-205 tsubo (4-9th floor). It contains garden on 4th floor.

This property was renovated on 2003 and still has enough competitiveness.

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

(1) Overview of the Property to be Acquired

Property Name		No. 32 Kowa Building
Type of Specified Asset <sup>1</sup>		Real estate
Location	Lot Number <sup>2</sup>	5-3 Minami-Azabu, Minato-ku, Tokyo
	Address	5-2-32 Minami-Azabu, Minato-ku, Tokyo
Use <sup>2</sup>		Offices
Site Area <sup>2,3</sup>	Land	2,592.39 m <sup>2</sup>
	Building	10,110.96 m <sup>2</sup>
Structure <sup>2</sup>		SRC, B1/9F
Completion Date <sup>2</sup>		March 19, 1979
Building Engineer		NIHON SEKKEI, Inc.
Constructor		Obayashi Corporation
Building Inspection Agency		Minato-ku
Type of Ownership <sup>4</sup>	Land	Co-ownership (JEI ownership ratio: 30/100)
	Building	Co-ownership (JEI ownership ratio: 30/100)
Appraisal Value		¥2,544 million
Appraisal Date		June 30, 2010
Appraiser		Chuo Real Estate Appraisal Co., Ltd.
PML <sup>5</sup>		13.2% (Based upon the Building Survey: Report on PML Assessment produced by Takenaka Corporation)
Collateral		None
Property Management Company <sup>6</sup>		Kowa Real Estate Co., Ltd
Other Relevant Information		It is not clear if procedure about the retaining wall under the Building Standards Law is accomplished.

Notes

1. The type of asset acquired in future by JEI.
2. "Lot Number," "Site Area," "Structure" and "Completion Date" are based on information in the land registry. Data for "Use" is as shown in the land registry or drawing showing how a building will look when completed.
3. Figures for "Site Area" indicate the entire lot for the land and the entire floor space of the building.
4. Under "Type of Ownership," data shown is for the co-ownership to be acquired additionally by JEI.



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5. Probable Maximum Loss (PML) indicates the ratio of the estimated total cost associated with fully restoring a property after damage by an earthquake to the total reconstruction cost of the property, on the assumption that such an earthquake is of a significant scale expected to occur once every 475 years (with a 10% probability of occurrence every 50 years).
6. The “Property Management Company” refers to the currently entrusted property management company. Mizuho Trust Bank and the Seller have reached an agreement regarding properties in co-ownership. With the additional acquisition of the co-ownership, JEI will succeed the position of the seller in the management entrusting agreement, but such regal relationship shall be extinguished due to a merger after that JEI will entrust the acquired co-ownership to Mizuho Trust Bank and hold it as a trust beneficial interest.

## (2) Tenant Summary

Leasable Floor Space	2,271.29 m <sup>2(1)</sup>
Leased Floor Space	1,844.38 m <sup>2(2)</sup>
Number of Tenants	13
Monthly Rent	¥13,293,000 <sup>(3)</sup>
Leasehold and Security Deposit	¥136,232,000 <sup>(4)</sup>
Occupancy Rate	81.2% (as of June 30, 2010)

### Notes

1. Figure indicates the total leasable area of the co-owned compartmentalized portion multiplied by the ratio of the co-ownership acquired (30/100).
2. Figure indicates the total leased area of the co-owned compartmentalized portion multiplied by the ratio of the co-ownership acquired (30/100).
3. The figure for “Monthly Rent” shows the total (not including consumption and other taxes), as of June 30, 2010, of monthly rents (including common area expenses, but excluding fees for use of parking and other attached facilities) agreed upon in the lease agreements concluded with end-user tenants for the co-owned compartmentalized portion multiplied by the ratio of the co-ownership acquired (30/100).
4. The figure for “Leaseholds and Security Deposits” shows the balance, as of June 30, 2010, of leaseholds and security deposits collected from end tenants, multiplied by the ratio of the co-ownership acquired (30/100).

## 4. Details of the Seller

Company Name	Kowa Real Estate Co., Ltd.
Location of Headquarters	1-15-5, Minamiaoyama, Minato-ku, Tokyo
Representative	Tetsuo Narukawa, President
Capital (as of April 30, 2010)	¥19.8 billion
Major Shareholders (as of April 30, 2010)	Nippon Steel City Produce, Inc. The Dai-ichi Life Insurance Company, Limited Nippon Life Insurance Company Jowa Holdings Company, Limited
Main Business	Real estate business
Relationship with JEI / Asset Management Company	
Capital Relationship	As of August 6, 2010, the Seller holds 9.26% of the total number of JEI’s outstanding investment units, and also holds 40% of total number of the Asset Management Company’s outstanding shares.  The Seller does not fall under the category of a “related party” as defined in the Law Concerning Investment Trusts and Investment Corporations (the “Investment Trust Law”). However, the Seller is categorized as a sponsor company under voluntary internal regulations for transactions with sponsor companies (the “Regulations for Transactions with Sponsor Companies”) formulated by the Asset Management Company with the aim of eliminating potential conflicts of interest and thereby enabling it to perform efficient asset management for JEI.
Personnel Relationship	As of August 6, 2010, the Seller dispatches 8 peoples to the



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	Asset Management Company.
Business Relationship	In the 8 <sup>th</sup> fiscal period (January 1, 2010 to June 30, 2010), there were no asset acquisition or sale transactions with JEI or the Asset Management Company.

**5. Status of Previous Owner**

	Current Owner/Beneficiary	Previous Owner/Beneficiary
Company Name	Kowa Real Estate Co., Ltd.	-
Relationship with JEI or the Asset Management Company	Please refer to the column “Relationship with JEI / the Asset Management Company” in “4 Details of the Seller” above.	-
Acquisition Background/Rationale	Development purposes.	-
Date of Acquisition	Construction completed on March, 1979.	-
Acquisition Price	-	-

**6. Conflicts of Interest of Asset Management Company Relating to Asset to be Acquired**

In connection with the prospective asset acquisition discussed herein, the Seller, Kowa Real Estate Co., Ltd., falls under the category of a sponsor company as defined in the Regulations for Transactions with Sponsor Companies. Accordingly, upon concluding an agreement with Kowa Real Estate Co., Ltd., the Asset Management Company, in compliance with the aforementioned regulations, has performed the following procedures (“procedures required under in the Regulations for Transactions with Sponsor Companies”): (1) obtained approval at a meeting of its Compliance Committee, which includes outside experts; (2) obtained approval at a meeting of its Investment Committee; (3) presented the transaction for deliberation and resolution at a meeting of its Board of Directors.

**7. Intermediary Details**

Not applicable.

**8. Method of Settlement**

The settlement is planned to be made at once when the transaction is made.

**9. Acquisition Schedule**

August 6, 2010	Decision within JEI to acquire asset
August 6, 2010	Scheduled contract date
December 24, 2010	Scheduled handover date

**10. Financing Impact on the Investment Corporation in the Event of Failure of Fulfillment of Forward Commitment, etc.**

The Purchase Agreement for the asset to be purchased (the “Purchase Agreement”) falls under the forward commitment, etc.<sup>1</sup> defined in the “Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc.” established by the Financial Services Agency (as finally amended in June 2010) by the Investment Corporation.

Under the Purchase Agreement, it is provided that the other party may terminate the Purchase



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Agreement and also claim the penalty payment equivalent to 20% of the purchase price of the property targeted by such terminated agreement, if the Investment Corporation or the Seller violates any of the provisions of the Purchase Agreement.

(Note 1) This means any postdated purchase agreement under which the payment and the delivery of the target property shall be made after a lapse of one month or more after the execution of such agreement or any other similar agreement.

## **11. Outlook**

Impact of the acquisition of the co-ownership on the JEI's expected operating results for the ninth fiscal period (July 1, 2010 to December 31, 2010) shall be nominal. Accordingly, JEI has not changed its forecast. The forecast of operating results for the tenth fiscal period (January 1, 2011 to June 30, 2011) is scheduled to be released in the financial report (*kessan tanshin*) dated August 13, 2010.

### Reference Attachments

- (1) Appraisal Summary
- (2) Property Income and Expense Outlook
- (3) Portfolio Overview after Acquisition
- (4) External View of Property



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(Reference 1)

Appraisal Summary

I-4 No. 32 Kowa Building

(Millions of yen)

Appraiser	Chuo Real Estate Appraisal Co., Ltd.
Appraisal Date	June 30, 2010
Appraised Value <sup>(note)</sup>	7,900
Income Approach Value	7,900
Direct Capitalization Value	8,137
Total Revenue	662
Rent	696
Other Revenue	2
Total Expenses	186
Net Operating Income	477
Interest Income, etc.	10
Capital Expenditures	23
Net Cash Flow	464
Cap Rate	5.7%
Discounted Cash Flow Value	7,900
Discount Rate	5.4%
Terminal Cap Rate	6.2%
Summation Value	5,239
Land Value/Land %	4,878/93.1%
Building Value/Building %	361/6.9%

Note

Figure for "Appraised Value" shows the price for entire building (after the additional acquisition). The appraised value for the co-ownership additionally acquired is 2,544 million yen in consideration of merit for sole owner.

(Reference 2)

Property Income and Expense Outlook

(Millions of yen)

Revenues	573
Expenses	173
Net Operating Income (NOI)	399

Assumptions for Income and Expense Outlook

1. The above figures are annual estimates based upon JEI's co-ownership including the additional acquisition excluding special circumstances that may arise during the year of the acquisition.
2. The figure for revenue assumes an occupancy rate of 93.1% as a weighted average for leasing units and excludes parking and other attached facilities.

(Reference 3)

Portfolio Overview after Acquisition

Area	Property #	Property name	Date of acquisition	Acquisition price <sup>1</sup> (mn yen)	Investment ratio <sup>2</sup> (% of total portfolio)	Investment ratio by area (%)
Area I: Tokyo's 6 central Wards <sup>3</sup>	I-1	Omori Bellport D	June 29, 2006	22,553	12.3	52.2
	I-2	Shiba 2-Chome Building	June 29, 2006	9,450	5.2	
	I-3	JEI Hamamatsucho Building	June 29, 2006	8,350	4.6	
	I-4	No. 32 Kowa Building	June 27, 2006	5,040	2.7	
			December 24, 2010 (scheduled)	2,390	1.3	
			Total	7,430	4.1	
	I-5	No. 36 Kowa Building	June 27, 2006	4,000	2.2	
	I-6	No. 28 Kowa Building	June 27, 2006	2,859	1.6	
	I-7	Akasaka Garden City	March 28, 2007	23,300	12.7	
I-8	AKASAKA INTERCITY	October 26, 2007	17,857	9.7		
Area II: Central Osaka, Central Nagoya, Central Fukuoka <sup>4</sup>	II-1	NHK Nagoya Housou-Center Building	June 27, 2006	4,300	2.3	6.0
	II-2	JEI Nishi-Honmachi Building	March 28, 2007	6,674	3.6	
Area III: Tokyo excl. Area I plus area surrounding Tokyo (Kanagawa, Saitama and Chiba prefectures)	III-1	Musashikosugi Tower Place	June 27, 2006	13,890	7.6	41.8
	III-2	Kowa Kawasaki Higashiguchi Building	June 27, 2006	10,976	6.0	
	III-3	JEI Hongo Building	June 29, 2006	5,400	2.9	
	III-5	Kawasaki Nisshincho Building	June 27, 2006	3,775	2.1	
			November 30, 2006	130	0.1	
			October 17, 2008	300	0.2	
			Total	4,205	2.3	
	III-6	No. 44 Kowa Building	June 27, 2006	1,150	0.6	
	III-7	JEI Ryogoku Building	June 27, 2006	2,550	1.4	
III-8	Ebina Prime Tower	March 29, 2007	6,470	3.5		
III-9	Kowa Kawasaki Nishiguchi Building	October 26, 2007	32,000	17.4		
Total				183,413	100.0	100.0

(Note 1) "Acquisition price" is the acquisition value on the purchasing contract, excluding consumption taxes, etc. The numerical value is rounded to the nearest millions of yen.

(Note2) "Investment Ratio" and "Investment Ratio by Area" are rounded to the first decimal place.

(Note3) Tokyo's six central wards is Chiyoda, Chuo, Minato, Shinjuku, Shinagawa, and Shibuya Wards.

(Note4) Central Osaka is the Umeda, Dojima, Nakanojima, Yodoyabashi, and Honmachi districts, Central Nagoya is the Meieki, Fushimi, Sakae districts, and central Fukuoka is the Tenjin and Hakata Terminal Peripheral districts.



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(Reference 4)

External View of Property

