

Japan Credit Rating Agency, Ltd. (JCR) announces the following credit rating.

Japan Excellent, Inc. (security code: 8987)

<Affirmation>

Long-term Issuer Rating: AA-
Outlook: Stable
Bonds: AA-

Rationale

- (1) Japan Excellent, Inc. ("JEI") is a real estate investment corporation (J-REIT) that primarily invests in office buildings located in major metropolitan areas, mainly in Tokyo's six central wards. Japan Excellent Asset Management Co., Ltd. ("JEAM"), assuming its asset management, is sponsored by two core sponsors, NIPPON STEEL KOWA REAL ESTATE CO., LTD. ("NSKRE"; 54% ownership) and The Dai-ichi Life Insurance Company, Limited (26%), and also by THE DAI-ICHI BUILDING CO., LTD., SOHGO HOUSING CO., Ltd., Mizuho Bank, Ltd. and Mizuho Trust & Banking Co., Ltd., each having 5% ownership. Under this multi-sponsor structure, JEAM receives wide-ranging support from each of the sponsors for property acquisition, property management ("PM"), financial operations and human resources.
- (2) JEI's current portfolio consists of 32 properties with total acquisition price of 279.7 billion yen. As a result of promotion of improvement of quality of portfolio through asset replacement including transfer of properties since 2015, its profitability and overall unrealized gains ratio have improved. JEI's asset size has been flat over the past few years, reflecting its main asset strategy focused on replacement rather than external growth through new acquisition. Thanks partly to the acquisition in October 2019 of Bizcore Akasaka-mitsuke, which is newly built and has high traffic convenience, in the medium-sized office buildings BIZCORE series that are being developed by NSKRE, its moves towards enhancement of portfolio will progress going forward. It plans to promote asset replacement for the purpose of improving its portfolio on an ongoing basis, while working on external growth leveraging sponsor support. JCR will pay attention to the impact of the asset strategy on the progress of the portfolio's size expansion and diversification. The portfolio's occupancy rate has been remaining at a high level without any particular leaving of major tenants, and the average occupancy rate for the past 5 years standing at 99.0% shows the high and stable track record. Furthermore, it has increased the rent against the background of favorable market conditions. JCR sees that JEI's business performance will remain solid for the time being. Having LTV (interest-bearing debt/total assets) controlled at around 45% without any significant changes through property replacement, it continues financial management in consideration of stability. Taking the above into consideration, JCR affirmed the rating with Stable outlook.
- (3) The tenant leaving rate has been stable at a low level between 1% and 2%. JCR sees that the occupancy rate will remain at a high level for the time being in light of the PM system in cooperation with sponsors and their related companies and good relationships with tenants as well as favorable market for office buildings. The rent has been on the rise and the rent revenue will continue rising in the fiscal periods ending December 2019 and June 2020.
- (4) JEI has established a stable financial base mainly through borrowings from its sponsors Mizuho Bank, Dai-ichi Life Insurance and Mizuho Trust & Banking. As of June 30, 2019, average remaining years on interest-bearing debt stood at 4.6 years, which is long period, and the repayment amount for each period has well diversified. In addition, as the setting of commitment line amounting to 14 billion yen in total and other measures are reducing the availability risk, there are no significant concerns about the financial aspects.

Shigeo Sugiyama, Takanori Akiyama

Rating

Issuer: Japan Excellent, Inc.

<Affirmation>

Issue	Amount (bn)	Issue Date	Due Date	Coupon	Rating
bonds no.7	JPY 8.0	Mar. 10, 2014	Mar. 11, 2024	1.13%	AA-
bonds no.8	JPY 5.0	Sept. 9, 2015	Sept. 9, 2025	1.03%	AA-
bonds no.9	JPY 2.0	Oct. 27, 2016	Oct. 27, 2026	0.45%	AA-
bonds no.10	JPY 2.0	Dec. 20, 2016	Dec. 20, 2023	0.39%	AA-
bonds no.11	JPY 7.0	Apr. 25, 2017	Apr. 23, 2027	0.650%	AA-
bonds no.12	JPY 2.0	Apr. 20, 2018	Apr. 20, 2023	0.240%	AA-
bonds no.13	JPY 2.0	Apr. 20, 2018	Apr. 20, 2033	0.950%	AA-
bonds no.14	JPY 4.0	Aug. 10, 2018	Aug. 10, 2028	0.630%	AA-
bonds no.15	JPY 1.0	Sept. 10, 2019	Sept. 9, 2039	1.070%	AA-

Rating Assignment Date: October 29, 2019

The criteria used for identifying matters which serve as assumptions for the assessment of the credit status, and the criteria used for setting of grades indicating the results of the assessments of the credit status are published as "Types of Credit Ratings and Definitions of Rating Symbols" (January 6, 2014) in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).

Outline of methodology for determination of the credit rating is shown as "J-REIT" (July 3, 2017) in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).

Japan Credit Rating Agency, Ltd.

Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026

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JCR publishes its press releases regarding the rating actions both in Japanese and in English on the same day. In case that it takes time to translate rating rationale, JCR may publicize the summary version, which will be replaced by the full translated version within three business days. (Regarding Structured Finance products, JCR only publicize the summary version in English.)

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Information Disclosure Form
Japan Credit Rating Agency, Ltd.

Disclosure Required by Paragraph (a)(1)(ii) of Rule 17g-7

Issuer:	Japan Excellent, Inc.
Rating Publication Date:	October 31, 2019

1

The Symbol, Number, or Score in the Rating Scale used to Denote Credit Rating Categories and Notches and, the Identity of the Obligor or the Identity and a Description of the Security or Money Market Instrument as Required by Paragraph (a)(1)(ii)(A) of Rule 17g-7

- Please see the news release.

2

The version of the procedure or methodology used to determine the credit rating; as Required by Paragraph (a)(1)(ii)(B) of Rule 17g-7

- Please see the news release.

3

The Main Assumptions and Principles used in Constructing the Procedures and Methodologies used to Determine the Credit Rating as Required by Paragraph (a)(1)(ii)(C) of Rule 17g-7

- The credit rating methodology assumes, in principle, to be applied to assess the likelihood of a given debt payment in light of its issuer's condition and market environment, etc. in the relevant future. There is certain limitation, however, in the time horizon that the rating foresees
- The credit rating methodology assumes, in principle, that the factors posted in the below are particularly important for such likelihood to be determined, and that the rating determination is made by evaluating each of them not only quantitatively but also employing qualitative analyses.

A) Portfolios

The likelihood of a given debt payment is highly conditional to its issuer's portfolios - how they can be maintained/ enhanced into the future and thereby secure earnings and cash flows in adequacy and in a sustainable way.

B) Financial Grounds and Asset Quality

The likelihood of debt payment is highly dependent on the degree of the issuer's indebtedness and loss absorption capacity in terms of equity capital. Also notable is that a J-REIT might see a significant loss of financial grounds as a result of changes in value of the assets under its possession.

C) Liquidity Positions

The likelihood of debt payment is highly dependent on the adequacy of the issuer's cash and other sources of repayment (liquidity positions) including certainty of refinancing.

D) Related Parties' Status and Stance of Support/ Assistance for the Issuer

The likelihood of debt payment is affected one way or the other by the issuer's related parties such as sponsor, asset manager, guarantor, and the government of the issuer's business domicile, etc. - by their own conditions and/ or position of support/ assistance for the issuer.

E) Order of Seniority in Debt Payment

The likelihood of debt payment can be different between given debts of the same issuer. The likelihood of debt payment for an individual debt is dependent on the issuer's discretion, and/ or its rank relative to other debts of the same issuer in the order of seniority in principal/ interest payment which is determined by design as financial product or by laws, etc.

4 The Potential Limitations of the Credit Rating as Required by Paragraph (a)(1)(ii)(D) of Rule 17g-7

- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- The objective of the credit rating herewith presented does not include any concerns other than the likelihood of debt payment, such as risks of price changes, market liquidity, etc.
- The credit rating herewith presented is necessary to be reviewed along with possible changes of the issuer of rated objects in its business performance and/ or circumstances which include regulatory environment, and hence subject to possible alteration.

5 Information on the Uncertainty of the Credit Rating as Required by Paragraph (a)(1)(ii)(E) of Rule 17g-7

- The information used for the determination of credit rating as herewith presented is obtained by JCR from the issuer of rated objects and other sources that JCR trusts in terms of accuracy and reliability but possibly contains errors due to human, non-human or other causes. Consequently, the credit rating determined on the grounds of such information does not constitute, explicitly or implicitly, any representation or warrant of JCR on the information itself or any consequences of its use in terms of accuracy, relevance, timeliness, wholeness, market value, or usefulness for any specific purposes.

6 Use of Due Diligence Services of a Third Party in Taking the Rating Action as Required by Paragraph (a)(1)(ii)(F) of Rule 17g-7

- There is no use of any third-party due diligence service in the determination of the credit rating herewith presented.

7 Use of Servicer or Remittance Reports to Conduct Surveillance of the Credit Rating Required by Paragraph (a)(1)(ii)(G) of Rule 17g-7

- There is no use of any servicer or remittance report to conduct surveillance of the credit rating herewith presented.

8 The Types of Data Relied Upon for the Purpose of Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(H) of Rule 17g-7

- The information posted in the below, which includes data, is used for the determination of the credit rating herewith presented.

- A) Audited financial statements presented by the rating stakeholders
- B) Explanations of business performance, management plans, etc. presented by the rating stakeholders

9 Overall assessment of the Quality of Information Available and Considered in Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(I) of Rule 17g-7

- JCR holds its basic policies for securing the quality of information as a base of due diligence for the determination of credit ratings. The information used as a base for the determination of credit rating herewith presented satisfies such policies, which include the audit by an independent auditor, the publication by the issuer or some independent media or, otherwise, JCR analyst's scrutiny, etc.
- JCR sees no particular weakness in the quality of information used for the determination of the credit rating herewith presented as compared to the information used in other cases of the credit rating for comparable issuers or ratable objects.

10 Information Relating to Conflicts of Interest as Required by Paragraph (a)(1)(ii)(J) of Rule 17g-7

- JCR receives payment of compensation for the determination of the credit rating herewith presented from either one of those parties who are issuer, underwriter, depositor or sponsor.
- JCR received in the last fiscal year in the past payment of compensation from the same party for any kind of JCR's service other than the determination of credit rating, such as one in the ancillary business.

11 Explanation or Measure of the Potential Volatility of the Credit Rating as Required by Paragraph (a)(1)(ii)(K) of Rule 17g-7

A) Portfolios

The credit rating is subject to alteration if there is improvement or deterioration of quality, competitive strength and diversification in the issuer's portfolios, since its revenue, etc. may improve or deteriorate by the change in its investment strategies, tenants' preferences, competitive situation, or a technological innovation. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change in the portfolios is large.

B) Financial Grounds and Asset Quality

The credit rating is subject to alteration if the issuer increases/ decreases its debt/ capital or vice versa and thereby makes its individual debt payment liability less or more bearable and its loss absorption capacity into the future decreased or increased. Also, the changes in the quality of asset under the issuer's holding may affect the credit rating, since such changes could raise or lower the likelihood of future loss of the issuer's financial grounds. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change in the financial grounds and/ or asset quality is large.

C) Liquidity Positions

The credit rating is subject to alteration if there is a change in the issuer's financial management policy or in the relations with fund procurement sources and the change thereby makes its liquidity positions improve or deteriorate. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

D) Related Parties' Status and Stance of Support/ Assistance for the Issuer

The credit rating is subject to alteration if there is a change in the issuer's sponsor or asset manager, guarantor or other provider of credit enhancement, or the government of the issuer's business domicile,

or other related parties' own conditions and/ or position of support/ assistance for the issuer, and the change thereby makes its portfolios, financial grounds and/ or liquidity positions improve or deteriorate, and/ or making the effectiveness of guarantee and other credit enhancement improve or deteriorate. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large.

E) Order of Seniority in Debt Payment and Non-Payment Forgiven by Contract

The credit rating is subject to alteration if there is a change in the rated debt's status in the order of seniority relative to other debts caused by the improvement/ deterioration of the issuer's financial condition. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large. Also, in case of the financial products for which non-payment of interest/ principal is contractually permissible, the credit rating is subject to alteration if and when the likelihood of such non-payment is projected to increase or decrease. The resultant alteration of the credit rating could be by a notch but often as much as a few notches.

F) Rise and Fall in General Economy and Markets

The credit rating is subject to alteration if there is a rise/ fall in the general economy and/ or the markets, of e.g. real estate or interest rates, inducing the issuer's revenues/ expenses to increase/ decrease and vice versa, etc. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is exceptionally large.

G) Various Events

The credit rating is subject to alteration on occurrence of various events, such as change in the issuer's sponsor or asset manager, M&A and other organizational change, accident, violation of the law, litigation, legal/ regulatory change, natural disaster, etc., which are unforeseeable at the time when the credit rating is determined, causing a significant change on the issuer's business bases, financial grounds, etc. The resultant alteration of the credit rating could be by a notch but more often than not as much as a few notches.

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Information on the Content of the Credit Rating, Including the Historical Performance of the Credit Rating and the Expected Probability of Default and the Expected Loss in the Event of Default as Required by Paragraph (a)(1)(ii)(L) of Rule 17g-7

- Historical records of the credit rating herewith presented are posted in the end of this paper.
- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- Facts of the probability of default are posted as Form NRSRO Exhibit 1 on the JCR website under the URL:

<https://www.jcr.co.jp/en/service/company/regu/nrsro/>

13

Information on the Sensitivity of the Credit Rating to Assumptions Made as Required by Paragraph (a)(1)(ii)(M) of Rule 17g-7

A) Portfolios

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's portfolios and powers of earning or cash flow generation, etc. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of quality, competitive strength and diversification in the issuer's portfolios on some drastic change in the market environments, etc.

B) Financial Grounds and Asset Quality

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's financial grounds and asset quality. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but

possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's financial grounds and/ or asset quality on some drastic change in its portfolios.

C) Liquidity Risks

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's liquidity positions including certainty of refinancing. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's liquidity positions on some drastic change in its financial management policy or relations with fund procurement sources, etc.

D) Related Parties' Status and Stance of Support/ Assistance for the Issuer

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's sponsor or asset manager, guarantor or other providers of credit enhancement, the government of the issuer's business domicile or other related parties' status and stance of support/ assistance for the issuer. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if there is a major change on the part of related parties, such as replacement, disappearance, some drastic improvement/ deterioration of financial grounds/ balances, etc.

E) Rise and Fall in General Economy and Markets

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the prospects of general economy and markets of e.g. real estate or interest rates. JCR expects the change should be most likely by a notch but could be as much as a few notches, should the economy or the markets change so greatly.

14 Information on the Representations, Warranties, and Enforcement Mechanisms of an Asset-backed Security as Required by Paragraph (a)(1)(ii)(N) of rule 17g-7

- The credit rating herewith presented is not for an ABS product, and hence no relevant issue.

Japan Credit Rating Agency, Ltd.

Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026

The Historical Performance of the Credit Rating

Issuer Name	Issue Name	Publication Date	Rating	Outlook/Direction
Japan Excellent, Inc.	Issuer(Long-term)	July 3, 2013	AA-	Stable
Japan Excellent, Inc.	Issuer(Long-term)	September 10, 2014	AA-	Stable
Japan Excellent, Inc.	Issuer(Long-term)	October 2, 2015	AA-	Stable
Japan Excellent, Inc.	Issuer(Long-term)	October 7, 2016	AA-	Stable
Japan Excellent, Inc.	Issuer(Long-term)	October 24, 2017	AA-	Stable
Japan Excellent, Inc.	Issuer(Long-term)	October 31, 2018	AA-	Stable
Japan Excellent, Inc.	Bonds No.7	February 28, 2014	AA-	
Japan Excellent, Inc.	Bonds No.7	September 10, 2014	AA-	
Japan Excellent, Inc.	Bonds No.7	October 2, 2015	AA-	
Japan Excellent, Inc.	Bonds No.7	October 7, 2016	AA-	
Japan Excellent, Inc.	Bonds No.7	October 24, 2017	AA-	
Japan Excellent, Inc.	Bonds No.7	October 31, 2018	AA-	
Japan Excellent, Inc.	Bonds No.8	September 3, 2015	AA-	
Japan Excellent, Inc.	Bonds No.8	October 2, 2015	AA-	
Japan Excellent, Inc.	Bonds No.8	October 7, 2016	AA-	
Japan Excellent, Inc.	Bonds No.8	October 24, 2017	AA-	
Japan Excellent, Inc.	Bonds No.8	October 31, 2018	AA-	
Japan Excellent, Inc.	Bonds no.9	October 21, 2016	AA-	
Japan Excellent, Inc.	Bonds no.9	October 24, 2017	AA-	
Japan Excellent, Inc.	Bonds no.9	October 31, 2018	AA-	
Japan Excellent, Inc.	Bonds no.10	December 14, 2016	AA-	
Japan Excellent, Inc.	Bonds no.10	October 24, 2017	AA-	
Japan Excellent, Inc.	Bonds no.10	October 31, 2018	AA-	
Japan Excellent, Inc.	Bonds no.11	April 19, 2017	AA-	
Japan Excellent, Inc.	Bonds no.11	October 24, 2017	AA-	
Japan Excellent, Inc.	Bonds no.11	October 31, 2018	AA-	
Japan Excellent, Inc.	Bonds no.12	April 13, 2018	AA-	
Japan Excellent, Inc.	Bonds no.12	October 31, 2018	AA-	
Japan Excellent, Inc.	Bonds no.13	April 13, 2018	AA-	
Japan Excellent, Inc.	Bonds no.13	October 31, 2018	AA-	
Japan Excellent, Inc.	Bonds no.14	August 3, 2018	AA-	
Japan Excellent, Inc.	Bonds no.14	October 31, 2018	AA-	
Japan Excellent, Inc.	Bonds No.15	September 4, 2019	AA-	

Attestation Required by Paragraph (a)(1)(iii) of Rule 17g-7

I, Takanori Akiyama, have responsibility to this Rating Action and to the best of my knowledge:

- A) No part of the credit rating was influenced by any other business activities.
- B) The credit rating was based solely upon the merits of the obligor, security, or money market instrument being rated.
- C) The credit rating was an independent evaluation of the credit risk of the obligor, security, or money market instrument.

秋山 高範

Takanori Akiyama
Division Manager of Real Estate & REIT Division

Japan Credit Rating Agency, Ltd.
Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026