

AES POLICIES

Philosophical Basis for AES's Policies

AES's policies are born out of our recognition that to be successful, particularly in the embryonic stages of a transaction, it is essential to recognize that there are many Japanese issues to resolve, what those issues are, and how to address them. Literally, every stage of a transaction from making the offer, to structuring the deal, to knowing whether or not compliance with Japanese laws may adversely effect the seller, etc., involve a multitude of serious issues that impact the transaction. In AES's experience, to be effective, the buyer interacting with a Japanese owner or financial institution must possess an extensive understanding of Japanese real estate, tax and transactional laws, and a keen awareness and understanding of Japanese business practices and cultural issues.

Attempting to move forward without a thorough knowledge of all these Japanese issues is akin to the Charge of the Light Brigade. Unfortunately and unnecessarily, most U.S. businessmen disregard their lack of understanding and attempt, with almost no success, to conduct business with the Japanese. AES believes that to maximize it's potential profitability, it can only rely on itself to successfully conclude transactions of Japanese-owned properties offered by AES to American buyers.

Japanese Issues and the American Buyer

In Japan, real estate transactions are subjected to many different laws and regulations, including separate prefectural and municipal ordinances. There are literally hundreds of statutes, rules, regulations and court precedents on which Japan's real estate system is based. In order to be effective, profitable, and risk-free, astute buyers employ appropriate experts to deal with these rules and their implications. It is equally essential that buyers possess at least a rudimentary knowledge of the Japanese system and business culture in order to engage in a meaningful dialog with the seller's representatives and the retained professional experts as well. Few, if any, American investors or their representatives possess an understanding of the Japanese system adequate to meet the tasks attendant to the successful completion of even the most straightforward transaction.

The myriad of peculiarities of the Japanese business culture are widely recognized, and equally misunderstood. Nevertheless, most U.S. businessmen disregard their lack of understanding and attempt, with little or no success, to conduct business with the Japanese. The problems that result are not limited to the well-published inadvertent insults destroying a business relationship. Nightmares of business failures due to such faux pas abound. More significant is that most non-Japanese businessmen are unfamiliar with Japanese pricing strategies, due diligence methods, approval hierarchies, and business communications, i.e., the language of conducting business with the Japanese. For unknown reasons, however, the admitted uninformed continue to blindly pursue business opportunities in Japan pausing only to momentarily wonder about the reasons behind their frustrations and failures.

Investor Perceptions — Erroneous and Valid Paradigms

American buyers have repeatedly failed in their attempts to acquire Japanese properties. They seldom pass the initial offering phase because they repeatedly make the same mistakes. The reason is that American investors have a false impression of Japanese sellers, their reasons for selling, and the reasons why they don't sell. (See the [Featured Article](#) for an illustrated example.) The conventionally accepted U.S. buyer's paradigm is erroneous. The perceived stereotype comprises the following three false illusions:

- Japanese owners are forced to sell their properties at substantial losses to avoid bankruptcy.
- Japanese-owned U.S. properties offered for sale are beginning to flood the market.
- Sellers will refuse to sell if the offering price is lower than their unreasonable expectations.

This widely-adopted paradigm upon which American businessmen have based their acquisition strategies is terribly flawed. It is founded on misunderstandings and misinterpretations. The new and valid paradigm put forward by AES consists of the following, reality-based facts:

- Japanese owners are not forced, or under pressure to sell their properties.
- Sellers will sell if the sale relieves them of all encumbrances.
- Sellers will sell if losses are minimized and tolerable.
- Japanese cultural and business issues must be understood and applied.

Transaction Procedures and Engagement

AES stands ready to service your needs with unequalled quality at a cost well below what you would budget to accomplish the same tasks. AES has assembled an unrivaled combination of talent and expertise for its resource pool. Our team consists of several major firms and personnel in the U.S. and Japan who are well versed in every aspect of business necessary to accomplish your stated goal of successfully completing the real estate transaction. Significant benefits to your group can also be derived from AES's unique flexibility and versatility. Other general service companies are confined to their own organizational structure and must allocate assignments based on territories and internal politics. With AES, only after a client's objectives are defined, do we select a team with the special expertise necessary to address the particular needs and requirements attendant to achieving the Client's objectives. This is an evolutionary process that begins with analysis and phases into management and the eventual consummation of a transaction. Each phase may involve a different team with a specific focus. AES's large resource pool affords it the unusual capability of drawing talent with specific expertise to accomplish specific tasks. Throughout the process, AES maintains close liaison with the client and its transaction counterpart while coordinating the overall process.

AES prefers engagements based on cost-plus-commissions. In this regard, advance payment for anticipated expenses is required, as is payment of all costs and expenses advanced. Commissions are charged as a function of the size of the transaction, and are usually payable in progress payments with the majority of the commission paid through the close of escrow for the transaction.

The actual terms and conditions of an association with AES will, of course, be individually structured to suit the objectives of the Client.