



Japan Excellent, Inc.

**For Immediate Release
For Translation Purposes Only**

August 18, 2021

Japan Excellent, Inc. (TSE: 8987)
Shuichiro Kayama, Executive Director

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Japan Excellent Asset Management, Co., Ltd.

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Notice Concerning Transfer of Domestic Real Estate Trust Beneficiary Right
(Kowa Shirokanedai Building)

Japan Excellent, Inc. (hereinafter, “JEI”) hereby announces that JEI made a decision today regarding the transfer of a domestic real estate trust beneficiary right as described below.

1. Summary of Transfer

(1) Property Name	Kowa Shirokanedai Building
(2) Assets to Be Transferred	Trust beneficiary right in real estate
(3) Transfer price ^(Note 1) ^(Note 2)	¥5,400 million
(4) Book Value ^(Note 2) ^(Note 3)	¥4,638 million
(5) Difference Between Transfer Price and Book Value ^(Note 2) ^(Note 4) (3)-(4)	¥761 million
(6) Transferee	Please refer to “4. Details of the Transferee” below.
(7) Brokerage	No
(8) Date of Execution of Purchase Agreement	August 18, 2021
(9) Transfer Date (planned)	June 29, 2022
(10) Payment Date (planned)	June 29, 2022

Note 1: Excluding transfer costs, property taxes, and urban planning taxes settled, consumption taxes, and local consumption taxes, etc.

Note 2: Amounts are rounded down to the nearest million yen.

Note 3: “Book Value” refers to book value as of June 30, 2021.

Note 4: This is a reference value calculated to show the difference between the transfer price and book value as of June 30, 2021, and different from accounting gains or losses on sale.

Hereinafter, the above asset to be transferred shall be referred to as the “Property” or the “Property to Be Transferred.”



Japan Excellent, Inc.

2. Background of Transfer

JEI considers it important to manage its portfolio from a medium- and long-term perspective. This may necessitate the sale or replacement of properties if there is a concern over deterioration in their future competitiveness and earnings power.

JEI decided to transfer the Property considering that it would contribute to the medium- and long-term interests of investors for the following reasons:

- (1) The Property is over 40 years old and is expected to incur a large amount of work expenses in the future including expenses to repair its air-conditioning system.
- (2) It is expected that JEI will be able to acquire an alternative property from the Transferee of the Property, who is also the sponsor of the Property, from the asset recycling viewpoint as the sponsor looks toward future rebuilding.
- (3) Given the uncertain future leasing environment, realizing unrealized gains on the Property will help stabilize the level of future distributions.

The gain on the transfer of the Property will partially be used to pay distributions for the period ending June 30, 2022, and the remaining amount will be retained internally to be used for stabilizing future distributions.

3. Details of the Property to be Transferred

Property Name	Kowa Shirokanedai Building (Property #: I-9)				
Type of Specified Asset	Trust beneficiary right in real estate				
Trustee	Mizuho Trust & Banking Co., Ltd.				
Trust Period	May 24, 2005 to December 23, 2030				
Location (Address)	3-19-1 Shirokanedai, Minato-ku, Tokyo				
Use ^(Note 1)	Offices				
Appraisal Value	¥5,010 million				
Appraisal Date	August 1, 2021				
Appraiser	Japan Real Estate Institute				
Lease Summary					
Leasable Floor Space ^(Note 2)	5483.36m ²				
Leased Floor Space ^(Note 3)	5043.47 m ²				
Number of Tenants ^(Note 4)	1 (14)				
Monthly Rent ^(Note 5)	¥24,768,000				
Leaseholds and Security Deposits ^(Note 6)	¥252,884,000				
Occupancy Rates	End of June 2019	End of December 2019	End of June 2020	End of December 2020	End of June 2021
	100.0%	100.0%	100.0%	97.3%	92.0%

Note 1: The descriptions of “Use” are based on information in the land registry or the completion drawing.

Note 2: “Leasable Floor Space” indicates the area which is leasable as of June 30, 2021.

Note 3: “Leased Floor Space” indicates the area of the leasable floor space for which a lease agreement has been executed between the master lease company and end tenants and which is actually leased and indicates the area of the leased floor space on the lease agreement with the end tenants as of June 30, 2021.

Note 4: A master lease agreement has been executed with the master lease company. The “Number of Tenants,” therefore, is indicated as one with the total number of end tenants shown in the parentheses.

Note 5: “Monthly Rent” is the total of the monthly rents (excluding consumption taxes) indicated in the lease agreements (which set the amount of rent on a monthly basis) between the master lease company and end tenants as of June 30, 2021 (the amount includes common-area charges).

Note 6: “Leaseholds and Security Deposits” is the sum of the balance of leaseholds and security deposits received as of June 30, 2021 based on the lease agreements existing between the master lease company and end tenants as of the same date (excluding any portions that are not refundable).

4. Details of the Transferee

Company Name	Nippon Steel Kowa Real Estate Co., Ltd.
Location	1-8-1 Akasaka, Minato-ku, Tokyo



Japan Excellent, Inc.

Representative	Yasuhiko Imaizumi, President and CEO	
Capital	¥19,824 million (as of March 31, 2021)	
Net Assets	¥202,101 million (as of March 31, 2021)	
Total Assets	¥985,725 million (as of March 31, 2021)	
Main Business	Real estate business	
Established	March 24, 1997	
Major Shareholders and Shareholding Ratio	Nippon Steel Corporation (45.00%) The Dai-ichi Life Insurance Company, Limited (4.91%) Nippon Life Insurance Company (4.67%) UNIZO Holdings Company, Limited (4.39%) (As of March 31, 2021)	
Relationship with JEI/JEAM	Capital Relationship	As of June 30, 2021, the Transferee holds 71,560 units of JEI's investment units (5.3% of the total number of outstanding investment units). The Transferee also holds 4,860 shares of JEAM shares (54.0% of the total number of outstanding shares) and falls under the category of "related party" as defined in the Act on Investment Trusts and Investment Corporations (hereinafter, the "Investment Trust Act"). In addition, the Transferee falls under the category of "sponsor company" under the voluntary internal regulations for transactions with sponsor companies (hereinafter, the "Regulations for Transactions with Sponsor Companies") formulated by JEAM with the aim of eliminating potential conflicts of interest and thereby enabling it to perform appropriate asset management for JEI.
	Personnel Relationship	As of June 30, 2021, nine JEAM officers and employees are seconded from the Transferee.
	Business Relationship	In the fiscal period ended June 2021, JEI acquired BIZCORE JIMBOCHO from the Transferee. For details, please refer to "Notice Concerning Acquisition of Domestic Real Estate Trust Beneficiary Rights (BIZCORE JIMBOCHO)" dated May 26, 2021.
	Status as Related Party	The Transferee is not a related party of JEI. It is the parent company of JEAM.

5. Details of Brokerage

Not applicable.

6. Conflicts of Interest of JEAM with Regard to the Property

Nippon Steel Kowa Real Estate Co., Ltd., which is the Transferee of the Property, falls under the category of "related party" as defined in the Investment Trust Act and the category of "sponsor company" in the Regulations for Transactions with Sponsor Companies, which are internal rules of JEAM. Upon concluding an agreement with the Transferee which is the related party and sponsor company as described above, JEAM, in compliance with the Regulations, had the transaction approved at the meeting of its Compliance Committee, which includes outside experts, and had it deliberated and approved at a meeting of its Investment Committee.

7. Method of Settlement

The settlement is to be made at once when the Property is transferred.



Japan Excellent, Inc.

8. Outlook

Please refer to “Japan Excellent, Inc. Reports 30th Period Financial Results (From January 1, 2021 to June 30, 2021)” dated August 18, 2021 for the operating forecasts for the period ending December 31, 2021 (from July 1, 2021 to December 31, 2021) and the period ending June 30, 2022 (from January 1, 2022 to June 30, 2022).



Japan Excellent, Inc.

9. Appraisal Summary

Property Name	Kowa Shirokanedai Building
Appraisal Value	¥5,010 million
Appraiser	Japan Real Estate Institute
Appraisal Date	August 1, 2021

(In thousands of yen ^(Note 1))

Appraisal Item	Appraisal Value	Remarks, etc.
Income Approach Value	5,010,000	
Direct Capitalization Value	5,100,000	
Operating Revenue	363,097	
Gross Potential Revenue	383,821	Recorded by assessing potential rent and other stable medium- and long-term revenue
Vacancy Loss, etc.	20,724	Recorded by assessing the occupancy rate level that is stable over the medium- to long-term
Operating Expenses	119,501	
Maintenance and Management Fees Property Management Fees ^(Note 2)	37,617	Maintenance and management fees are recorded based on past results and the individual characteristics of the property in question referring to maintenance and management fees of comparable properties. Property management fees are recorded by referring to the contract terms and conditions and considering the rate of fees for comparable properties and individual characteristics of the property in question.
Utilities	24,980	Recorded based on past results and by taking into account the occupancy rate of leased rooms and other factors
Repair Costs	13,349	Recorded based on past results and by considering future management and operation plans, the level of repair costs of comparable properties, the annual average amount of repair and update costs stated in the engineering report, among other factors
Advertisement for Leasing, etc.	5,798	Recorded the annual average amount of costs needed for brokerage services, advertising, and so on, based on the notional turnover period of lessees
Tax and Public Dues	37,171	Recorded based on documents relating to taxes and public dues and the details of measures to adjust payments
Insurance	447	Recorded based on insurance premiums stated in insurance contracts, the rate of insurance premiums for comparable properties, and so on
Other Expenses	139	Recorded costs for AED and so forth
Net Operating Income	243,596	
Interest Income	2,761	Calculated by first assessing the number of months used to calculate leaseholds that is stable over the medium- and long-term based on the current lease terms and conditions and the number of months used to calculate leaseholds for new lease contracts, then estimating leaseholds to be received using the number of months obtained, and multiplying this amount by the occupancy rate and by a rate of return of investment. The rate of return of investment is assessed at 1.0% taking into account the levels of interest rates for both investment and fundraising and other factors
Capital Expenditures	32,290	Assessed by considering the level of capital expenditures of comparable properties, the age of the property, the annual average amount of repair and update costs stated in the engineering report, and other factors, based on the assumption that an equal amount of provision is set aside each term for the projected future expenditures
Net Cash Flow	214,067	
Cap Rate	4.2%	Assessed by increasing/decreasing the spread based on the location, conditions of the building, and other conditions of the property and by considering future uncertainty, yield of transactions in comparable properties, and so on
Discounted Cash Flow Value	4,920,000	
Discount Rate	4.0%	Assessed by referring to investment returns of transactions in comparable properties and comprehensively considering the individual



Japan Excellent, Inc.

			characteristics of the property in question
	Terminal Cap Rate	4.4%	Assessed by referring to returns of transactions in comparable properties and comprehensively considering the future trend of investment returns, risk of the property in question as an investment target, general forecasts of future economic growth rate, trends of real estate prices and rents, and other factors
	Cost Approach Value	5,410,000	
	Land Value	92.7%	
	Building Value	7.3%	

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

Note 2: Maintenance and management fees and property management fees of the Property 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 providing building management and property management services, impede efficient performance of duties by JEI, and/or negatively impact the interests of investors.



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[Attachments]

Appendix: Portfolio as of the End of Period Ending June 30, 2022 (Planned)

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[Appendix] Portfolio as of the End of Period Ending June 30, 2022 (Planned)

Area	Property #	Property Name	Date of Acquisition	Acquisition Price (In millions of yen) (Note 1)	Investment Ratio (%) (Note 2)	Investment Ratio by Area (%) (Note 2)
Area I: Tokyo's 6 Central Wards (Note 3)	I-1	Omori Bellport D	June 29, 2006	22,552	8.1	52.6
	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	6.4	
			February 5, 2013	10,289	3.7	
			Total	28,146	10.1	
	I-10	Daiba Garden City Building	February 4, 2011	11,000	4.0	
	I-12	HAMARIKYU INTERCITY	December 20, 2011	7,080	2.5	
			February 4, 2014	12,000	4.3	
			Total	19,080	6.9	
	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	2.4		
I-17	BIZCORE AKASAKA-MITSUKE	October 1, 2019	6,200	2.2		
I-18	BIZCORE JIMBOCHO	June 25, 2021	10,200	3.7		
Area II: Central Osaka, Central Nagoya, and Central Fukuoka (Note 4)	II-1	NHK Nagoya Housou-Center Building	June 27, 2006	4,300	1.5	5.8
			March 24, 2014	1,310	0.5	
			Total	5,610	2.0	
	II-3	Osaka Kogin Building (Land with Leasehold Interest)	February 5, 2013	1,770	0.6	
	II-4	GRAND FRONT OSAKA (South Building / Umekita Plaza)	February 3, 2020	4,868	1.8	
II-5	GRAND FRONT OSAKA (North Building)	February 3, 2020	3,982	1.4		
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	5.0	33.0
	III-2	Kowa Kawasaki Higashiguchi Building	June 27, 2006	10,976	4.0	
	III-3	JEI Hongo Building	June 29, 2006	5,400	1.9	
	III-5	Kawasaki Nisshincho Building	June 27, 2006	3,775	1.4	
			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	20,800	7.5	
	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	8.8	
III-13	Yokohama Bentendori Dai-ichi Seimei Building	June 15, 2018	640	0.2		
Area IV: Osaka, Nagoya, and Fukuoka Cities (excl. Area II), other government-decreed cities, etc.	IV-2	JEI Kyobashi Building	September 1, 2011	3,308	1.2	8.6
	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	
	Total				277,839	

Note 1: "Acquisition Price" is the acquisition value stated in the purchase agreement of each property (excluding consumption taxes). Amounts are



Japan Excellent, Inc.

rounded down to the nearest million yen.

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.