



Japan Excellent, Inc.

**For Immediate Release**

February 17, 2022

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

**Asset Management Company:**  
Japan Excellent Asset Management, Co., Ltd.

**Representative:**  
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**Notice Concerning Transfer of Domestic Real Estate Trust Beneficiary Right  
(Shintomicho 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

As described in items (3), (9) and (10) below, the property will be transferred in two phases, and the entire property will be transferred at the completion of the second phase.

(1) Property Name	Shintomicho Building	
(2) Assets to Be Transferred	Trust beneficiary right in real estate	
(3) Transfer Price <sup>(Notes 1)(Note 2)</sup>	¥3,100 million	
	Phase 1: ¥1,240 million (quasi co-ownership 40%)	Phase 2: ¥1,860 million (quasi co-ownership 60%)
(4) Book Value <sup>(Note 2)(Note 3)</sup>	¥1,737 million	
(5) Difference between Transfer Price and Book Value <sup>(Note 2)(Note 4)</sup> (3)-(4)	¥1,363 million	
(6) Transferee	Please refer to “4. Details of the Transferee” below.	
(7) Brokerage	Please refer to “5. Details of the Brokerage” below.	
(8) Date of Execution of Purchase Agreement	February 17, 2022	
(9) Transfer Date (planned)	July 22, 2022	January 26, 2023
(10) Payment Date (planned)	July 22, 2022	January 26, 2023

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 December 31, 2021.

Note 4: This is a reference value calculated to show the difference between the transfer price and book value as of December 31, 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.”



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## 2. Background of Transfer

JEI considers it important to manage its portfolio from a medium- to long-term perspective. This may necessitate the sale or replacement of properties if there is a concern over deterioration in their future competitiveness or 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: that the Property is over 30 years old and is expected to incur a large amount of work expenses in the future including repairment of external walls; and that, 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 Property to be Transferred

Property Name	Shintomicho Building (Property #: I-13)				
Type of Specified Asset	Trust beneficiary right in real estate				
Trustee	Mitsubishi UFJ Trust & Banking Corporation				
Trust Period	September 30, 2012 to March 27, 2022 <sup>(Note 1)</sup>				
Location (Address)	3-10-9 Irifune, Chuo-ku, Tokyo				
Use <sup>(Note 2)</sup>	Retail outlets and offices				
Appraisal Value	¥2,090 million				
Appraisal Date	February 1, 2022				
Appraiser	Chuo Real Estate Appraisal Co., Ltd.				
Lease Summary					
Leasable Floor Space <sup>(Note 3)</sup>	2,378.54m <sup>2</sup>				
Leased Floor Space <sup>(Note 4)</sup>	2,378.54m <sup>2</sup>				
Number of Tenants	11				
Monthly Rent <sup>(Note 5)</sup>	¥10,489,000				
Leaseholds and Security Deposits <sup>(Note 6)</sup>	¥88,402,000				
Occupancy Rates	End of December 2019	End of June 2020	End of December 2020	End of June 2021	End of December 2021
	100.0%	100.0%	100.0%	100.0%	100.0%

Note 1: The trust period as of today. JEI plans to agree with the trustee for extension of the trust period up to the Transfer Date.

Note 2: The descriptions of "Use" are based on information in the land registry.

Note 3: "Leasable Floor Space" indicates the area which is leasable as of December 31, 2021.

Note 4: "Leased Floor Space" indicates the area of the leasable floor space as of December 31, 2021 for which a lease agreement has been executed with the end tenants.

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) with the end tenants as of December 31, 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 December 31, 2021 based on the lease agreements with the end tenants that exist as of the same day (excluding any portions that are not refundable).

## 4. Details of Transferee

Company Name	Hulic Co., Ltd.
Location	7-3 Nihonbashi Odenmachi, Chuo-ku, Tokyo
Representative	Manabu Yoshidome, President, Representative Director



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Capital	¥111,609 million (as of December 31, 2021) (consolidated)	
Net Assets	¥638,332 million (as of December 31, 2021) (consolidated)	
Total Assets	¥2,207,325 million (as of December 31, 2021) (consolidated)	
Established	March 1957	
Main Business	Real estate business	
Major Shareholders and Shareholding Ratio	The Master Trust Bank of Japan, Ltd. (trust account) (8.15%) Meiji Yasuda Life Insurance Company (6.21%) Sompo Japan Insurance Inc. (5.51%) Tokyo Tatemono Co., Ltd. (5.31%) (As of December 31, 2021)	
Relationship with JEI/JEAM	Capital Relationship	Not applicable.
	Personnel Relationship	
	Business Relationship	
	Status on Related Party	

#### 5. Details of Brokerage

Company Name	Nippon Steel Kowa Real Estate Co., Ltd.	
Location	1-8-1 Akasaka. Minato-ku, Tokyo	
Representative	Yasuhiko Imaizumi, President and CEO	
Capital	¥19,824 million (as of September 30, 2021)	
Net Assets	¥225,690 million (as of September 30, 2021)	
Total Assets	¥1,028,176 million (as of September 30, 2021)	
Major Business	Real estate business	
Established	March 24, 1997	
Brokerage Fee	¥46,500,000 (excluding consumption taxes, etc.)	
Major Shareholders and Shareholding Ratio	Nippon Steel Corporation (45.00%) ML Estate Company, Limited (11.90%) The Dai-Ichi Life Insurance Company, Ltd. (4.91%) Nippon Life Insurance Company (4.67%) (As of September 30, 2021)	
Relationship with JEI/JEAM	Capital Relationship	As of December 31, 2021, the broker holds 71,560 units of JEI's investment units (5.3% of the total number of outstanding investment units). The broker also holds 4,860 shares of JEAM's 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 (the "Investment Trusts Act"). In addition, the broker falls under the category of "sponsor company" under voluntary internal regulations for transactions with sponsor companies (the "Regulations for Transactions with Sponsor Companies") formulated by JEAM with



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		the aim of eliminating potential conflicts of interest and thereby enabling it to perform appropriate asset management for JEI.
	Personnel Relationship	As of December 31, 2021, eight JEAM officers and employees are seconded from the broker.
	Business Relationship	In the period ended June 2021, JEI acquired BIZCORE JIMBOCHO from the broker. For details, please refer to “Notice Concerning Acquisition of Domestic Real Estate Trust Beneficiary Rights (BIZCORE JIMBOCHO)” dated May 26, 2021.
	Status on Related Party	The broker is not a related party of JEI. It is the parent company of JEAM.

#### 6. Conflicts of Interest of JEAM with Regard to Property to Be Acquired

Nippon Steel Kowa Real Estate Co., Ltd., which is the broker of the transaction, 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. In concluding the agreement with said related party and sponsor company, JEAM, in compliance with 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.

#### 7. Method of Settlement

The settlements are to be made at once on each of the transfer dates.

#### 8. Outlook

Please refer to “Japan Excellent, Inc. Reports 31<sup>st</sup> Period Financial Results (From July 1, 2021 to December 31, 2021)” released today for the operating forecasts for the period ending June 30, 2022 (from January 1, 2022 to June 30, 2022) and the period ending December 31, 2022 (from July 1, 2022 to December 31, 2022) that incorporate the impact of the transfer.



## 9. Appraisal Summary

Property Name	Shintomicho Building
Appraisal Value	¥2,090 million
Appraiser	Chuo Real Estate Appraisal Co., Ltd.
Appraisal Date	February 1, 2022

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

Appraisal Item	Appraisal Value	Remarks, etc.
Income Approach Value	2,090,000	
Direct Capitalization Value	2,060,000	
Operating Revenue	138,244	
Gross Potential Revenue	145,055	Gross potential revenue is recorded based on the rent and common-area charges indicated in the lease agreements as well as in consideration of the level of the rent and common-area charges of comparable properties.
Vacancy Loss, etc.	6,811	Recorded by assessing the occupancy rate level that is stable over the medium- and long-term period.
Operating Expenses	40,639	
Maintenance and Management Fees Property Management Fees <sup>(Note 2)</sup>	14,038	Maintenance and management fees are recorded based on the current contract terms in the building maintenance agreement, with consideration of the past results and the level of the fees of comparable properties. Property management fees are recorded based on the current contract terms in the property management agreement, with consideration of the level of fees of comparable properties.
Utilities	10,160	Recorded based on the past results and with reference to the level of expenses of comparable properties.
Repair Costs	6,361	Recorded as the annual average of the minor repair costs, which is the annual average of the costs for minor repairs stated in the engineering report that are expected to be incurred in the future.
Advertisement for Leasing, etc.	505	Recorded based on the current property management agreement terms, with reference to the level of the expenses of the comparable properties and in consideration of the notional turnover period (average turnover period) of lessees.
Taxes and Public Dues	9,191	Recorded as the most recent amounts.
Insurance	256	Recorded as the most recent amounts.
Other Expenses	128	Recorded based on the current agreement terms, past results, etc.
Net Operating Income	97,605	
Interest Income	704	Calculated by first assessing the number of months used to calculate the leasehold deposits for new lease contracts based on the current lease terms and conditions and the leasehold deposits for comparable properties, which is then multiplied by the presumed occupancy rate and the investment yield that is assumed to be 1.0%.
Capital Expenditures	13,883	Recorded as the annual average of the major repair costs and facilities renewal expenditures, which are the annual average of the costs for major repairs and facilities renewal expenditures stated in the engineering report that are expected to be incurred in the future.
Net Cash Flow	84,426	
Discount Rate	4.1%	Assessed by referring to investment returns of transactions in comparable properties and to individual characteristics of the property in question including location conditions, building specifications and relation of rights.
Discount Cash Flow Value	2,100,000	
Discount Rate	3.9%	The Discount Rate is assessed based on the regular investment returns on properties in the area, with individual characteristics of the property in question taken into consideration including location conditions, size,
Terminal Cap Rate	4.3%	



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			building specifications and form of tenants. The Terminal Cap Rate is assessed with the risk of asset value deterioration taken into consideration that can take place by the time of sale of the property.
Cost Approach Value		1,580,000	
Land Value		86.1%	
Building Value		13.9%	

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 are indicated as a combined figure because individually reporting maintenance and management fee 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 the interests of investors.



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[Attachments]

Appendix: Portfolio as of the End of Period Ending June 30, 2023 (Planned)

**Japan Excellent, Inc. Website:** <https://www.excellent-reit.co.jp/>



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[Appendix] Portfolio as of the End of Period Ending June 2023 (Planned)

The list below is prepared based on the properties in the portfolio as of the end of the period ending December 2021, with the assumptions of completion of the transfer of the domestic real estate trust beneficiary right of Kowa Shirokanedai Building (please refer to the “Notice Concerning Transfer of Domestic Real Estate Trust Beneficiary Right (Kowa Shirokanedai Building)” dated August 18, 2021) and of completion of transfer of the domestic real estate trust beneficiary right of the property that is the subject of this notice. The list, however, may be subject to change in case of changes in the investment properties in the future.

Area	Property #	Property Name	Date of Acquisition	Acquisition Price (yen, mil.) (Note 1)	Investment Ratio (%) (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	51.5
	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	10.0	
	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-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	3.6		
<b>Area II:</b> Central Osaka, Central Nagoya, and Central Fukuoka (Note 4)	II-1	NHK Nagoya Hosou-Center Building	June 27, 2006	4,300	1.5	
			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 (Umekita Plaza, South Building)	February 3, 2020	4,868	1.7	
II-5	GRAND FRONT OSAA (North Building)	February 3, 2020	3,982	1.4		
<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	5.0	32.7
	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 Nisshincho 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	20,800	7.4	
	III-10	Pacific Square Sengoku	December 20, 2011	1,620	0.6	
III-11	Core City Tachikawa	February 5, 2013	6,500	2.3		





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	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	10.0
	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	
	IV-10	Sapporo Otemachi Building	December 1, 2021	4,069	1.5	
<b>Total</b>				280,158	100.0	100.0

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