



Japan Excellent, Inc.

For Immediate Release

February 19, 2024

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

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Notice Concerning Transfer of Domestic Real Estate Trust Beneficiary Right
(JEI Hongo 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 (hereinafter “the Transfer”) as described below.

1. Summary of the 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	JEI Hongo Building	
(2) Property to Be Transferred	Trust beneficiary right in real estate	
(3) Planned Transfer Price ^{(Note 1) (Note 2)}	¥6,150 million	
	Phase 1: ¥2,460 million (quasi co-ownership 40%)	Phase 2: ¥3,690 million (quasi co-ownership 60%)
(4) Book Value ^{(Note 2)(Note 3)}	¥4,869 million	
(5) Difference between Planned Transfer Price and Book Value ^{(Note 2)(Note 4)} (3)-(4)	¥1,280 million	
(6) Transferee	Please refer to “4. Details of the Transferee” below.	
(7) Brokerage	Yes (Please refer to “5. Details of the Brokerage” below.)	
(8) Date of Execution of Purchase Agreement (planned)	February 20, 2024	
(9) Transfer Date (planned)	July 11, 2024	January 17, 2025
(10) Payment Date (planned)	July 11, 2024	January 17, 2025

Note 1: Not including transfer costs, property taxes, and urban planning taxes settled, consumption taxes, 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, 2023.

Note 4: This is a reference value calculated to show the difference between the transfer price and book value as of December 31, 2023, 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.”

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. The transfer was determined based on the above policy due to future growth potential being expected to be limited because of the location, and an expected increase in future repair and renewal construction expenses in light of the building being 33 years old.

The proceeds of the transfer of the Property are planned to be used for the acquisition of treasury investment units^(Note), repayment of loans and other uses to improve the cost of capital. The gain on the transfer of the Property will be used to pay distributions and be retained internally to be used for stabilizing distributions in future.

(Note) The acquisition of treasury investment units is planned to be implemented first using cash on hand.

3. Details of Property to Be Transferred

Property Name	JEI Hongo Building (Property #: III-3)				
Type of Specified Asset	Trust beneficiary right in real estate				
Trustee	Mitsubishi UFJ Trust & Banking Corporation				
Trust Period ^(Note 1)	(1) January 14, 2005 to June 30, 2026 (2) March 31, 2005 to June 30, 2026				
Location (Address)	2-38-16 Hongo, Bunkyo-ku, Tokyo				
Use ^(Note 2)	Office, stores, and parking				
Appraisal Value	¥4,510 million				
Appraisal Date	December 31, 2023				
Appraiser	Japan Valuers Co., Ltd.				
Lease Summary					
Leasable Floor Space ^(Note 3)	4,078.37m ²				
Leased Floor Space ^(Note 4)	4,078.37m ²				
Number of Tenants	4				
Monthly Rent ^(Note 5)	¥20,422,000				
Leaseholds and Security Deposits ^(Note 6)	¥162,820,000				
Occupancy Rates	End of December 2021	End of June 2022	End of December 2022	End of June 2023	End of December 2023
	86.9%	100.0%	100.0%	100.0%	100.0%

Note 1: The trust period as of today. Furthermore, the Property is made up of two trust beneficiary rights, and the date of establishment of the trust and the date of maturity of the trust are shown for each of these in (1) and (2).

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, 2023.

Note 4: “Leased Floor Space” indicates the area of the leasable floor space as of December 31, 2023 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, 2023 (the amount includes common-area charges but excludes those pertaining to parking).

Note 6: “Leaseholds and Security Deposits” is the sum of the balance of leaseholds and security deposits (excluding those pertaining to parking) received as of December 31, 2023 based on the lease agreements with the end tenants that exist as of the same day (excluding any portions that are not refundable).



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4. Details of Transferee

The transferee of the Property to Be Transferred is a domestic ordinary industrial company, but the overview of the transferee is not shown because consent for disclosure has not been obtained. There are no notable capital relationships, personal relationships or business relationships between JEI/JEAM and the transferee. Furthermore, the transferee, its related parties and affiliates are not related parties of JEI or JEAM.

5. Details of Brokerage

Company Name	Nippon Steel Kowa Real Estate Co., Ltd.	
Location	1-8-1 Akasaka, Minato-ku, Tokyo	
Name and Title of Representative	Masahiro Miwa, President and CEO	
Capital	¥19,824 million (as of September 30, 2023)	
Net Assets	¥273,307 million (as of September 30, 2023)	
Total Assets	¥1,155,657 million (as of September 30, 2023)	
Main Business	Real estate business	
Established	March 24, 1997	
Major Shareholders	Nippon Steel Corporation ML Estate Company, Limited The Dai-ichi Life Insurance Company, Limited Nippon Life Insurance Company	
Relationship with JEI/JEAM	Capital Relationship	As of December 31, 2023, the broker holds 134,427 units of JEI's investment units (10.0% 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 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, 2023, seven JEAM officers and employees are seconded from the broker.
	Business Relationship	JEI transferred the Kowa Kawasaki Nishiguchi Building to the broker in the fiscal period ended June 2023, acquired BIZCORE TSUKIJI and GRAND FRONT OSAKA (Umekita Plaza · South Building) and GRAND FRONT OSAKA (North Building) from the Broker in the fiscal period ended December 2023, and concluded a purchase agreement for the acquisition of OSAKI BRIGHT TOWER/OSAKI BRIGHT PLAZA with the broker. For details, please see "Notice Concerning Acquisition and



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		Transfer of Domestic Real Estate Trust Beneficiary Rights (Acquisition of BIZCORE TSUKIJI, Transfer of Kowa Kawasaki Nishiguchi Building and JEI Kyobashi Building)” dated June 29, 2023, “Notice Concerning Acquisition of Domestic Real Estate Trust Beneficiary Rights (OSAKI BRIGHT TOWER/OSAKI BRIGHT PLAZA)” dated August 17, 2023 and “Notice Concerning Acquisition of Co-ownership Interest of Domestic Real Estate Trust Beneficiary Rights (Additional Acquisition of Co-ownership Interests in GRAND FRONT OSAKA (Umekita Plaza · South Building) and GRAND FRONT OSAKA (North Building))” dated November 6, 2023.
	Status on Related Party	The broker is a related party of JEL. It is also the parent company of JEAM.
Brokerage Fee		¥30,750,000 (no including consumption taxes)

6. Conflicts of Interest of JEAM with Regard to Property to Be Transferred

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 35th Period Financial Results (From July 1, 2023 to December 31, 2023)” released today for the operating forecasts for the fiscal period ending June 30, 2024 (from January 1, 2024 to June 30, 2024) and the fiscal period ending December 31, 2024 (from July 1, 2024 to December 31, 2024).



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9. Appraisal Summary

Property Name	JEI Hongo Building
Appraisal Value	¥4,510 million
Appraiser	Japan Valuers Co., Ltd.
Appraisal Date	December 31, 2023

(In thousands of yen^(Note 1))

Appraisal Item	Appraisal Value	Remarks, etc.
Income Approach Value	4,510,000	
Direct Capitalization Value	4,640,000	
Operating Revenue	293,956	
Gross Potential Revenue	302,950	Recorded based on the rent and common-area charges indicated in the lease agreements as well as market levels.
Vacancy Loss, etc.	8,994	Recorded based on the current occupancy rate, market vacancy rate levels, etc.
Operating Expenses	76,774	
Maintenance and Management Fees Property Management Fees ^(Note 2)	26,187	Recorded based on the current agreement terms and actual amounts.
Utilities	17,782	Recorded based on actual amounts.
Repair Costs	5,659	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.	5,120	Recorded based on the current property management agreement terms, with reference to the new rent level, the replacement rate and the occupancy rate.
Taxes and Public Dues	20,452	Recorded based on the most recent amounts.
Insurance	383	Recorded as the most recent amounts.
Other Expenses	1,188	Recorded based on actual amounts.
Net Operating Income	217,181	
Interest Income	1,827	Recorded based on an investment yield of 1.0%
Capital Expenditures	28,824	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	190,185	
Discount Rate	4.1%	Recorded by factoring the net cash flow outlook and forecast fluctuation of sale prices into the discount rate, with reference to examples of yield of similar real estate.
Discount Cash Flow Value	4,380,000	
Discount Rate	3.9%	Recorded using a combination of a method factoring the individual characteristics of real estate into the yield of financial assets and a method determined by comparing with examples of similar real estate transactions, with reference to the results of real estate investor surveys conducted by the Japan Real Estate Institute for the purpose of hearing opinions on the investment decisions of real estate investors.
Terminal Cap Rate	4.3%	Recorded with consideration that earnings forecasts after the end of the analysis period are more uncertain than current earnings forecasts, and that there is a possibility of capital expenditures increasing as building age increases
Cost Approach Value	3,220,000	
Land Value	94.5%	
Building Value	5.5%	



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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 2025 (Planned)

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[Appendix] Portfolio as of the End of Period Ending June 2025 (Planned)(Note 1)

Classification	Property #	Property Name	Date of Acquisition	(Planned) Acquisition Price (yen, mil.) (Note 2)	Investment Ratio (%) (Note 3)	Investment Ratio by Area (%) (Note 3)
Area I: Tokyo's 6 Central Wards (Note 4)	I-1	Omori Bellport D	June 29, 2006	22,552	7.8	60.2
	I-2	Shiba 2-Chome Building	June 29, 2006	9,450	3.3	
	I-3	JEI Hamamatsucho Building	June 29, 2006	8,350	2.9	
	I-8	AKASAKA INTERCITY	October 26, 2007	17,857	6.2	
			February 5, 2013	10,289	3.6	
			Total	28,146	9.7	
	I-10	Daiba Garden City Building	February 4, 2011	11,000	3.8	
	I-12	HAMARIKYU INTERCITY	December 20, 2011	7,080	2.5	
			February 4, 2014	12,000	4.2	
			Total	19,080	6.6	
	I-14	Kowa Nishi-Shimbashi Building	March 28, 2013	3,931	1.4	
			August 1, 2017	7,500	2.6	
			Total	11,431	4.0	
	I-15	Mansard Daikanyama	July 1, 2016	11,420	4.0	
I-16	AKASAKA INTERCITY AIR	July 2, 2018	6,590	2.3		
I-17	BIZCORE AKASAKA-MITSUKE	October 1, 2019	6,200	2.1		
I-18	BIZCORE JIMBOCHO	June 25, 2021	10,200	3.5		
I-19	BIZCORE SHIBUYA	August 1, 2022	6,640	2.3		
I-20	BIZCORE TSUKIJI	July 4, 2023	9,800	3.4		
I-21	OSAKI BRIGHT TOWER/OSAKI BRIGHT PLAZA(Note 6)	April 26, 2024 (Scheduled)	13,100	4.5		
Area II: Central Osaka, Central Nagoya, and Central Fukuoka (Note 5)	II-1	NHK Nagoya Housou-Center Building	June 27, 2006	4,300	1.5	8.5
			March 24, 2014	1,310	0.5	
			Total	5,610	1.9	
	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	
			December 8, 2023	4,650	1.6	
			Total	9,518	3.3	
II-5	GRAND FRONT OSAKA (North Building)	February 3, 2020	3,982	1.4		
		December 8, 2023	3,650	1.3		
		Total	7,632	2.6		
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	4.8	22.8
	III-2	Kowa Kawasaki Higashiguchi Building	June 27, 2006	10,976	3.8	
	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	1.6	
	III-7	JEI Ryogoku Building	June 27, 2006	2,550	0.9	
	III-11	Core City Tachikawa	February 5, 2013	6,500	2.2	
III-12	Nisseki Yokohama Building	April 1, 2015	24,500	8.5		
III-13	Yokohama Bentendori Dai-ichi Seimei Building	June 15, 2018	640	0.2		
III-14	Shinyokohama Arena dori Building	March 31, 2023	2,077	0.7		
Area IV: Osaka, Nagoya, and Fukuoka (excl. Area II), other government-decreed cities, etc.	IV-3	JEI Hiroshima Hacchobori Building	May 22, 2012	2,760	1.0	8.5
	IV-4	SE Sapporo Building	March 1, 2013	5,500	1.9	
	IV-5	Aoba-dori Plaza	February 4, 2014	2,120	0.7	
	IV-6	Daiwa Minami-morimachi Building	February 4, 2014	4,410	1.5	
	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	0.5	
IV-10	Sapporo Otemachi Building	December 1, 2021	4,069	1.4		
Total				288,947	100.0	100.0



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- Note 1: Assumes the properties held as of today (February 19, 2024), in addition to the acquisition of OSAKI BRIGHT TOWER/OSAKI BRIGHT PLAZA (Please refer to “Notice Concerning Acquisition of Domestic Real Estate Trust Beneficiary Rights (OSAKI BRIGHT TOWER/OSAKI BRIGHT PLAZA)” dated August 17, 2023 for details) and the transfer of the Property. The list, however, may be subject to change in case of changes in the investment properties in the future.
- Note 2: “(Planned) 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 3: “Investment Ratio” and “Investment Ratio by Area” are rounded to the first decimal place.
- Note 4: “Tokyo’s 6 Central Wards” are Chiyoda, Chuo, Minato, Shinjuku, Shinagawa, and Shibuya wards.
- Note 5: “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.
- Note 6: For details, please refer to “Notice Concerning Acquisition of Domestic Real Estate Trust Beneficiary Rights (OSAKI BRIGHT TOWER/OSAKI BRIGHT PLAZA)” dated August 17, 2023.