Japan Excellent, Inc.

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Japan Excellent, Inc. (TSE: 8987)
Hidehiko Ogawa, Executive Director

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

Representative:
Hidehiko Ogawa, President

Contact:
Kazue Horikawa
General Manager, Corporate Planning Dept.

TEL: +81-3-5412-7911

Notice Concerning Transfer of Asset and Termination of Lease as well as Acquisition of Assets (Transfer of "Ebina Prime Tower" and Acquisition of "Hiroshima Dai-ichi Seimei OS Building" and "Yokohama Bentendori Dai-ichi Seimei Building")

Japan Excellent, Inc. (hereinafter "JEI") announces that Japan Excellent Asset Management Co., Ltd. (hereinafter "Asset Management Company"), to which JEI entrusts asset management, today decided to transfer and acquire assets (hereinafter the "Transaction") as described below.
JEI also announces that the lease agreement of the Property to be Transferred will be teminated in the Transaction.

1. Summary of the Transaction

(1) Property to be Transferred

(1) Property Name	Ebina Prime Tower
(2) Property to be Transferred	Trust beneficiary interest in real estate
(3) Transfer Value (Note 1)	¥5,600 million
(4) Assumed Book Value (Note 2) (Note 3)	¥5,670 million
(5) Amount of Difference between Transfer Value and Assumed Book Value: (3)-(4) (Note 2) (Note 4)	-¥70 million
(6) Date of Execution of Transfer Agreement	June 13, 2018
(7) Date of Transfer	June 15, 2018
(8) Transferee	Ebina Chuo GK
(9) Use of Proceeds from the Transfer	Funds for acquiring properties and cash on hand

(Note 1) Transfer value does not include fees related to the transfer, the JEI share of the real estate tax and city planning tax, the consumption tax or the local consumption tax.
(Note 2) Amounts are rounded down to the nearest million yen.
(Note 3) "Assumed book value" is the assumed book value as at the date of transfer of the property (June 15, 2018).
(Note 4) These are reference figures calculated as the difference between transfer value and assumed book value and differ from gain (loss) on transfer in accounting.

Hereinafter, the above property to be transferred is referred to as the "Property to be Transferred."

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(2) Properties to be Acquired

(1) Property Name	Hiroshima Dai-ichi Seimei OS Building	Yokohama Bentendori Dai-ichi Seimei Building
(2) Property to be Acquired	Trust beneficiary interest in real estate	
(3) Planned Acquisition Price (Note)	¥2,780 million	¥640 million
(4) Planned Date of Execution of Purchase Agreement	June 13, 2018	
(5) Scheduled Acquisition Date	June 15, 2018	
(6) Seller	The Dai-ichi Life Insurance Company, Limited	
(7) Funding for Acquisition	Cash on hand (part of proceeds from the transfer)	
(8) Payment Method	Lump-sum payment upon delivery	

(Note) Planned Acquisition Price does not include consumption tax, local consumption tax or fees required for the acquisition.

Hereinafter, the above properties to be acquired are referred to as the "Two Properties to be Acquired."

2. Background of the Transaction

JEI is promoting a strategy to enhance profitability and strengthen the structure of its portfolio through the replacement of properties with unrealized losses and not-so-profitable properties in addition to the replacement of relatively-aged properties in light of the recent brisk real estate market conditions.
As for Ebina Prime Tower, JEI considered implementing transfer and asset replacement based on the above strategy as the property has a large amount of unrealized losses and future growth is limited due to its locational characteristics.
While multiple parties expressed interest in purchasing Ebina Prime Tower, JEI was approached by The Dai-ichi Life Insurance Company, Limited ("Dai-ichi Life Insurance") which offered to sell Hiroshima Dai-ichi Seimei OS Building and Yokohama Bentendori Dai-ichi Seimei Building.
Ebina Prime Tower is expected to be transferred at a price exceeding the period-end appraisal value (¥4,340 million) upon considering the acquisition and transfer as well as improvement of portfolio quality and increase in NAV that can be realized with the improvement of unrealized losses. Therefore, JEI decided to implement the Transaction. (For details of the change in NAV per unit and unrealized profit/loss due to the Transactions, please refer to "Change in financial indicators, etc. due to the Transaction" below).
For aspects that JEI recognized upon deciding the acquisition of the Two Properties to be Acquired, please refer to "Evaluation of the Property to be Acquired" in "4. Details of the Acquisition" below.

Change in financial indicators, etc. due to the Transaction (Note)

	Before the Transaction	After the Transaction	Difference
NAV per Unit	¥131,899	¥133,150	+¥1,251
Unrealized Profit/Loss	¥28,287 million	¥29,921 million	+¥1,634 million

(Note) The methods of calculation are as follows:

NAV per Unit

Before the Transaction: NAV per unit as at the end of the 23rd period (Ended Dec. 2017)

After the Transaction: The figures for Before the Transaction, plus the "amount of difference between appraisal value and the planned acquisition price" (divided by the number of investment units outstanding) of the Two Properties to be Acquired, minus the "amount of difference between appraisal value and book value" (divided by the number of investment units outstanding) of the Property to be Transferred as at the end of the 23rd period.

Unrealized Profit/Loss

Before the Transaction: Unrealized profit/loss as at the end of the 23rd period (Ended Dec. 2017)

After the Transaction: The figures for Before the Transaction, plus the "amount of difference between appraisal value and the planned acquisition price" of the Two Properties to be Acquired, minus the "amount of difference between appraisal value and book value" of the Property to be Transferred as at the end of the 23rd period.

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3. Overview of Transfer and Termination of Lease

(1) Overview of the Property to be Transferred and Lease

Property Name		Ebina Prime Tower (Property Number: III-8)
Type of Specified Asset		Trust beneficiary interest in real estate
Trustee		Mizuho Trust & Banking Co., Ltd.
Trustee Period		From March 29, 2007 to June 30, 2026
Location (Address)		2-9-50 Chuo, Ebina-shi, Kanagawa Prefecture
Use (Note 1)		Office, hotel, hall, retail and gym
Structure (Note 1)		Office, hotel, hall and retail: S/RC/SRC, B1/25F Gym: SRC, 3F
Site Area (Note 1)	Land	12,008.62 m^2
	Building (Total Floor Space)	55,806.20 m^2
Type of Ownership (Note 2)	Land	Ownership (co-ownership)
	Building	Compartmentalized ownership (co-ownership)/Ownership (co-ownership)
Completion Date (Note 1)		May 31, 1995
Acquisition Price		¥6,470 million
Appraisal Value		¥4,340 million
Appraisal Date		April 1, 2018
Appraiser		Japan Real Estate Institute
PML (Note 3)		6.53% (Based on the Building Survey Report on PML Assessment prepared by Sompo Risk Management & Healthcare Inc.)
Collateral		None
Leasable Floor Space (Note 4)		25,256.43 m^2
Leased Floor Space (Note 5)		24,530.70 m^2
Total number of Tenants		38
Monthly Rent (Note 6)		¥56,956 thousand
Leasehold and Security Deposit (Note 7)		¥409,844 thousand
Occupancy Rate (Note 8)		97.1%

(Note 1) The descriptions of "Use," "Structure," "Site Area" and "Completion Date" are based on the indications on the land registry or the completion drawing.
The property consists of two buildings. As for the building in which JEI holds compartmentalized ownership (office, hotel, hall and retail), the area of the exclusively-owned space owned by JEI through the trustee is 44,371.35 m^2 and the ratio of co-ownership interest is 70/100. On the other hand, the other building (gym) (3,072.61 m^2) is co-owned at a ratio of 70/100.

(Note 2) "Type of ownership" indicates the type of ownership owned by the trustee.

(Note 3) "PML (Probable Maximum Loss)" indicates the extent of damage due to an earthquake that has more than 10% probability occurring within the assumed period of usage (50 years) in the ratio of forecasted amount of loss against the building replacement price.

(Note 4) "Leasable Floor Space" indicates the floor space leasable as of April 30, 2018 out of the area calculated by multiplying the total leasable floor space of the co-owned exclusive space by the ratio of the co-ownership interest (70/100).

(Note 5) "Leased floor space" refers to space, among the leasable floor space", that is actually leased under lease agreement concluded between JEI, the trustee or the master lease company and the end tenant. The figure is, in principle, the leased floor space indicated in the lease agreements with the end tenants as of April 30, 2018. For properties which are used for profit by the master lease company, leased floor space includes the portion used and the figures indicate space which can be reasonably calculated based on the lease agreement on the master leasing. The leased floor space of end tenants who terminated their lease arrangement but have not yet moved out as of April 30, 2018 is included in the leased space. This also applies to any figure which is calculated based on "leased floor space" in this document.

(Note 6) "Monthly Rent" is, in principle, the total of monthly rents (including common area expenses but excluding fees for use of parking and other attached facilities), as of April 30, 2018, indicated in the lease agreements (agreements which set forth rents to be paid every month. For the portion which is leased to the master lease company under a master lease agreement stipulating rents in types other than path-through type, however, the said master lease agreement shall apply) concluded between JEI, the trustee or the master lease company and the end tenants, multiplied by the ratio of the co-ownership interest (70/100).

(Note 7) "Leaseholds and Security Deposits" is, in principle, the total of the balance (the amount which the lessor is not obligated to return), as of April 30, 2018, of leaseholds and security deposits from lessees, based on the lease agreements (For the portion which is leased to the master lease company under a master lease agreement stipulating rents in types other than path-through type, however, the said master lease agreement shall apply.) concluded between JEI, the trustee or the master lease company and the end tenants as of April 30, 2018, multiplied by the ratio of the co-ownership interest (70/100).

(Note 8) Occupancy rate is a percentage of total leased floor space to total leasable floor space of real estate in trust as of April 30, 2018.

(2) Detail of Transferee

Company Name	Ebina Chuo GK	
Location of Headquarters	C/o Akasaka International Accounting Co., Ltd., 1-1-8 Moto-Akasaka, Minato-ku, Tokyo	
Person in charge of execution of duties	Tsutomu Ikeda	
Capital	¥1 million (as of May 10, 2018)	
Equity Holders	Not disclosed as consent has not been obtained from the Transferee	
Established	May 10, 2018	
Relationship with JEI / JEAM	Capital Relationship	Not applicable
	Personnel Relationship	Not applicable
	Business Relationship	During the fiscal period ended December 31, 2017 (from July 1, 2017 to December 31, 2017), there was no asset acquisition or transfer transaction between the Transferee and JEI or JEAM.
	Status as Related Party	The Transferee is not a related party of JEI or JEAM.

(3) Details of Brokerage

The broker is a domestic corporation but details are not disclosed as consent for disclosure has not been obtained. There is no capital relationship, personnel relationship or business relationship to describe between JEI, JEAM and said broker. Said broker and its related parties/related companies are not related parties of JEI or JEAM.

(4) Conflicts of Interest of JEAM

Ebina Chuo GK, the transferee, and the broker, do not fall under the category of a "related party" as defined in the Investment Trust Act, or as a "sponsor company" under the "Regulations for Transactions with Sponsor Companies," which are voluntary internal regulations formulated by JEAM.

4. Details of the Acquisition

(1) Hiroshima Dai-ichi Seimei OS Building

① Evaluation of Property to be Acquired

A Location

The property is a 6-minute walk from Hiroshima Station on the JR Sanyo Line and Sanyo Shinkansen Line where redevelopment is progressing in the surrounding area in recent years and is in a location that is convenient especially for companies that use the Shinkansen. Furthermore, it is a 2-minute walk from Inarimachi tram stop on the Hiroshima Electric Railway and the location offers excellent access to office and commercial areas such as Hacchobori and Kamiyacho where JEI Hiroshima Hacchobori Building owned by JEI is located. In addition, the property has high visibility as it faces a municipal road which is approximately 50 m wide stretching to the southwest direction from Hiroshima Station.

B Building Facilities

The property has offices from the 1st basement floor to the 12th floor above ground. It has a standard floor area of approximately 190 tsubos, which can be divided into smaller spaces starting from 30 tsubos and is able to meet the requirements of tenants concerning leased floor space in a flexible manner. In addition, it has a mechanical parking lot that can accommodate 66 vehicles and features a rare combination of being located within walking distance from Hiroshima Station and able to meet various needs from tenants.

Although the property is 29 years old, renovation work of the common area and each facility are implemented continuously and the property is highly competitive as an office building.

② Overview of Property to be Acquired

Property Name		Hiroshima Dai-ichi Seimei OS Building
Type of Specified Asset (Note 1)		Trust beneficiary interest in real estate
Trustee (Note 2)		Mizuho Trust & Banking Co., Ltd. (scheduled)
Trust Establishment Date (Note 2)		June 15, 2018 (scheduled)
Maturity Date of Trust (Note 2)		May 31, 2028 (scheduled)
Location	Lot Number (Note 2)	1-2-4 Matobacho, Minami-ku, Hiroshima-shi, Hiroshima Prefecture and other
	Address	1-2-21 Matobacho, Minami-ku, Hiroshima-shi, Hiroshima Prefecture
Use (Note 3)		Office, retail and parking
Site Area	Land (Note 4)	1,338.38 m^2
	Building (Note 5)	10,696.54 m^2
Structure (Note 2)		SRC/S with flat roof, B1/12F
Completion Date (Note 2)		March 7, 1989
Building Designer		Shimizu Corporation
Constructor		Shimizu Corporation
Building Certification Agency		Hiroshima City
Type of Ownership (Note 6)	Land	Ownership
	Building	Ownership
Appraisal Value		¥3,000,000,000
Appraisal Date		April 1, 2018
Appraiser		Japan Real Estate Institute
PML (Note 7)		9.89% (Based on the Building Survey Report on PML Assessment prepared by Sompo Risk Management & Healthcare Inc.)
Collateral		None
Property Management Company (Note 8)		The Dai-ichi Building Co., Ltd.
Master Lease Company (Note 9)		The Dai-ichi Building Co., Ltd.
Other Relevant Information		Not applicable

(Note 1) "Type of Specified Asset" indicates the type of property to be acquired by JEI. JEI, the seller and the trustee will enter into a real estate management/disposition trust agreement to establish a trust whose trust property primarily consists of the property by the scheduled acquisition date.
(Note 2) The descriptions of "Lot Number," "Structure," and "Completion Date" are based on information in the land registry.
(Note 3) The descriptions of "Use" are based on information in the land registry.
(Note 4) The total land area in the land registry is indicated.
(Note 5) The total site area of floors of the building written in the land registry is indicated here. Construction of the property has been conducted after having obtained overall design authorization pursuant to Article 59-2 of the Building Standards Law.
(Note 6) "Type of Ownership" indicates the type of ownership of the Property to be Acquired.
(Note 7) "PML (Probable Maximum Loss)" indicates the extent of damage due to an earthquake that has more than 10% probability occurring within the assumed period of usage (50 years) in the ratio of forecasted amount of loss against the building replacement price.
(Note 8) "Property Management Company" indicates the name of the property management company to which JEI plans to entrust property management for the Property to be Acquired after the acquisition.
(Note 9) "Master Lease Company" indicates the name of the master lease company to which JEI plans to lease the Property to be Acquired after the acquisition. A pass-through type master lease agreement will be concluded.

③ Status of Lease, etc. (Note 1)

Leasable Floor Space (Note 2)	7,529.52 m^2				
Leased Floor Space (Note 2)	7,529.52 m^2				
Number of Tenants	1				
Monthly Rent (Note 3)	¥20,471 thousand				
Leaseholds and Security Deposits (Note 4)	¥174,155 thousand				
Occupancy Rate	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017
	97.6%	98.2%	97.5%	98.9%	98.9%

(Note 1) Status of lease as of June 13, 2018 as well as the lease agreement scheduled to be concluded with the master lease company described in ② above on June 15, 2018 and lease agreement with Dai-ichi Life Insurance, the seller, (please refer to (5) Lease Agreement with the Seller) are assumed.

(Note 2) Figures for “Leasable Floor Space” and “Leased Floor Space” both exclude attached facilities such as parking and warehouse.

(Note 3) The figure for “Monthly Rent” is the total (not including consumption and other taxes) of monthly rents (including common area expenses, but excluding fees for use of parking, storage and other attached facilities) set forth in the lease agreements concluded with end-user tenants. Fractions less than one thousand yen are rounded down.

(Note 4) The figure for “Leaseholds and Security Deposits” shows the balance of leaseholds and security deposits deposited by tenants (not including those pertaining to parking, storage and other attached facilities and the amount which the lessor is not obligated to return). Fractions less than one thousand yen are rounded down.

(2) Yokohama Bentendori Dai-ichi Seimei Building

① Evaluation of Property to be Acquired

A Location

The property is a 6-minute walk from Kannai Station on the JR Negishi Line and the Yokohama Municipal Subway Line and a 3-minute walk from Bashamichi Station on the Minato Mirai Line and is situated in the Kannai area which is one of the major office areas in Yokohama City and where Kanagawa Prefectural Government and Yokohama City Hall are located. The relocation project of Yokohama City Hall is currently in progress near Bashamichi Station, which is the closest station from the property, and further development is expected in the location. In addition, the property is located at a corner lot along “Kannai Odori Street,” a prefectural road which is approximately 25 m wide and has high visibility.

B Building Facilities

The property has offices from the 1st to 9th floors. It has a standard floor area of approximately 72 tsubos and a regular-shaped space, which can be divided into two leasable spaces. In addition, it has a mechanical parking lot that can accommodate 22 vehicles.

Although the property is 31 years old, maintenance of each facility is implemented continuously and it is highly competitive in the area with a large number of relatively old medium and small size office buildings.

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② Overview of Property to be Acquired

Property Name		Yokohama Bentendori Dai-ichi Seimei Building
Type of Specified Asset (Note 1)		Trust beneficiary interest in real estate
Trustee (Note 1)		Mizuho Trust & Banking Co., Ltd. (scheduled)
Trust Establishment Date (Note 1)		June 15, 2018 (scheduled)
Maturity Date of Trust (Note 1)		May 31, 2028 (scheduled)
Location	Lot Number (Note 2)	4-59 Bentendori, Naka-ku, Yokohama-shi, Kanagawa Prefecture and other
	Address	4-59 Bentendori, Naka-ku, Yokohama-shi, Kanagawa Prefecture
Use (Note 3)		Office, parking and retail
Site Area	Land (Note 4)	429.75 m^2
	Building (Note 5)	2,934.55 m^2
Structure (Note 2)		S with flat roof, 9F
Completion Date (Note 2)		December 11, 1986
Building Designer		Nihon Kensetsu Co. Ltd.
Constructor		Nihon Kensetsu Co. Ltd.
Building Certification Agency		Yokohama City
Type of Ownership (Note 6)	Land	Ownership
	Building	Ownership
Appraisal Value		¥659,000,000
Appraisal Date		April 1, 2018
Appraiser		Japan Real Estate Institute
PML (Note 7)		5.92% (Based on the Building Survey Report on PML Assessment prepared by Sompo Risk Management & Healthcare Inc.)
Collateral		None
Property Management Company (Note 8)		The Dai-ichi Building Co., Ltd.
Master Lease Company (Note 9)		The Dai-ichi Building Co., Ltd.
Other Relevant Information		With regard to the fire protection facility of the property, inspection certificate based on the Fire Service Act has not been confirmed but it has been notified that the facility complies with the standards of the Fire Service Act through the notification of completion inspection results of fire protection facilities, etc. dated December 13, 1986 prepared by the fire marshal at Yokohama City Naka Fire Station based on the Yokohama City Ordinance.

(Note 1) "Type of Specified Asset" indicates the type of property to be acquired by JEI. JEI, the seller and the trustee will enter into a real estate management/disposition trust agreement to establish a trust whose trust property primarily consists of the property by the scheduled acquisition date.
(Note 2) The descriptions of "Lot Number," "Structure," and "Completion Date" are based on the indications on the land registry, and "Structure" indicates that of the entire building.
(Note 3) The descriptions of "Use" are based on information in the land registry.
(Note 4) The total land area in the land registry is indicated.
(Note 5) The total site area of floors of the building written in the land registry is indicated here.
(Note 6) "Type of Ownership" indicates the type of ownership of the Property to be Acquired.
(Note 7) "PML (Probable Maximum Loss)" indicates the extent of damage due to an earthquake that has more than 10% probability occurring within the assumed period of usage (50 years) in the ratio of forecasted amount of loss against the building replacement price.
(Note 8) "Property Management Company" indicates the name of the property management company to which JEI plans to entrust property management for the Property to be Acquired after the acquisition.
(Note 9) The master lease company to which JEI plans to lease the property after the acquisition by JEI is indicated. A pass-through type master lease agreement will be concluded.

③ Status of Lease, etc. (Note 1)

Leasable Floor Space (Note 2)	2,119.49 m^2				
Leased Floor Space (Note 2)	2,119.49 m^2				
Total Number of Tenants	1				
Monthly Rent (Note 3)	¥5,735 thousand				
Leaseholds and Security Deposits (Note 3)	¥55,523 thousand				
Occupancy Rate	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017
	100.0%	94.1%	94.1%	88.7%	100.0%

(Note 1) Status of lease as of June 13, 2018 as well as the lease agreement scheduled to be concluded with the master lease company described in ② above on June 15, 2018 and lease agreement with Dai-ichi Life Insurance, the seller, (please refer to (5) Lease Agreement with the Seller) are assumed.

(Note 2) Figures for "Leasable Floor Space" and "Leased Floor Space" (both excluding attached facilities such as parking and warehouse) are as of June 13, 2018.

(Note 3) The figure for "Monthly Rent" is the total (not including consumption and other taxes) of monthly rents (including common area expenses, but excluding fees for use of parking, storage and other attached facilities), as of June 13, 2018, set forth in the lease agreements concluded with end-user tenants. Fractions less than one thousand yen are rounded down.

(Note 4) The figure for "Leaseholds and Security Deposits" shows the balance, as of June 13, 2018, of leaseholds and security deposits deposited by tenants (not including those pertaining to parking, storage and other attached facilities and the amount which the lessor is not obligated to return). Fractions less than one thousand yen are rounded down.

(3) Details of the Seller

Company Name	The Dai-ichi Life Insurance Company, Limited	
Location	1-13-1 Yurakucho, Chiyoda-ku, Tokyo	
Representative	Seiji Inagaki, President	
Capital	¥60.0 billion (as of March 31, 2018)	
Net Assets	¥2,888,259 million (as of March 31, 2018)	
Total Assets	¥36,339,190 million (as of March 31, 2018)	
Main Business	Life Insurance Business	
Established	April 1, 2016	
Major Shareholders	Dai-ichi Life Holdings, Inc. 100% (as of March 31, 2018)	
Relationship with JEI/JEAM	Capital Relationship	As of December 31, 2017, the seller holds 20,660 units of JEI's investment units (1.582% of the total number of outstanding investment units). The seller also holds 2,340 shares of JEAM's shares (26.0% 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 seller 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 efficient asset management for JEI.
	Personnel Relationship	As of December 31, 2017, five JEAM officers and employees are dispatched by the Seller.
	Business Relationship	During the fiscal period ended December 31, 2017, there was no asset acquisition or transfer transaction between the seller and JEI or JEAM.
	Status as Related Party	The seller is not a related party of JEI. It is a major shareholder of JEAM.

(4) Status of Previous Owners

① Hiroshima Dai-ichi Seimei OS Building

Status of Previous Owners	Current Owner/ Beneficiary	Previous Owner	Owner before Previous Owner
Company Name	The Dai-ichi Life Insurance Company, Limited	Dai-ichi Life Holdings, Inc.	Not applicable
Relationship with JEI/JEAM	Please refer to "(3) Details of the Seller" above.	Sole parent company of the current owner	
Background/Reasons for Acquisition	To inherit the building through a company split to make the previous owner an insurance holding company	Acquired for development and investment management purposes	
Date of Acquisition	October 1, 2016	March 7, 1989 (new construction) Part of the ownership interest was acquired on July 13, 2007	
Acquisition Price	Not applicable as the building will be inherited	Not applicable	

② Yokohama Bentendori Dai-ichi Seimei Building

Status of Previous Owners	Current Owner/ Beneficiary	Previous Owner	Owner before Previous Owner
Company Name	The Dai-ichi Life Insurance Company, Limited	Dai-ichi Life Holdings, Inc.	Not applicable
Relationship with JEI/JEAM	Please refer to "(3) Details of the Seller" above.	Sole parent company of the current owner	
Background/Reasons for Acquisition	To inherit the building through a company split to make the previous owner an insurance holding company	Acquired for development and investment management purposes	
Date of Acquisition	October 1, 2016	December 11, 1986 (new construction)	
Acquisition Price	Not applicable as the building will be inherited		

(5) Lease Agreement with the Seller

Dai-ichi Life Insurance, the sponsor and seller, is using part of the Two Properties to be Acquired and is scheduled to conclude the following lease agreement to continue to occupy the properties even after they are acquired by JEI.

For details of the lessee, please refer to "(3) Details of Seller" above.

	Hiroshima Dai-ichi Seimei OS Building	Yokohama Bentendori Dai-ichi Seimei Building
Lessee	The Dai-ichi Life Insurance Company, Limited	
Date of Execution of Agreement	June 15, 2018 (scheduled)	
Type of Agreement	Standard building lease agreement	
Term of Agreement	From June 15, 2018 to June 14, 2020 (renewed automatically for 2 years after the term)	
Leased Floor Space	2,409.63 m^2	239.85 m^2
Contract Rent	Not disclosed (Note 2)	

(Note 1) JEI is scheduled to grant the authority to lease the properties to the master lease companies of the Two Properties to be Acquired through the trustee and the agreement will actually be concluded by each master lease company.
(Note 2) The rent is not disclosed as consent for disclosure has not been obtained from the lessee.

(6) Details of Brokerage

The broker is a domestic corporation but details are not disclosed as consent for disclosure has not been obtained. There is no capital relationship, personnel relationship or business relationship to describe between JEI, JEAM and said broker. Said broker and its related parties/related companies are not related parties of JEI or JEAM.

(7) Conflicts of Interest of JEAM with regard to the Two Properties to be Acquired

Dai-ichi Life Insurance, the seller and lessee, and The Dai-ichi Building Co., Ltd., which will serve as the property management company and the master lease company, fall under the category of "related party" as defined in the Investment Trusts Act and "sponsor company" in the "Regulations for Transactions with Sponsor Companies." Upon concluding the agreement with said related party and sponsor company, the Asset Management Company, in compliance with the 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.

5. Schedule of the Transaction

June 13, 2018 Decision within JEI to transfer and acquire assets

June 13, 2018 Execution of transfer and acquisition agreement

June 15, 2018 Due date of handover

6. Method of Settlement

The settlement is planned to be made in one payment at the time of the transfer of the Property to be Transferred and acquisition of the Two Properties to be Acquired.

7. Outlook

Since the impact of the Transaction on the forecasts of operating results for the fiscal periods ending June 2018 (January 1, 2018 - June 30, 2018) and December 2018 (July 1, 2018 - December 31, 2018) is minimal, there is no revision to the forecast.

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8. Appraisal Summary of the Two Properties to be Acquired and Property to be Transferred

(1) Properties to be Acquired

Property Name	Hiroshima Dai-ichi Seimei OS Building
Appraisal Value	¥3,000,000,000
Appraiser	Japan Real Estate Institute
Appraisal Date	April 1, 2018

(thousands of yen (Note 1))

Appraisal Item	Appraisal Value	Remarks, etc.
Income Approach Value	3,000,000	
Direct Capitalization Value	3,040,000	
Operating Revenue	281,546	
Gross potential revenue	291,430	Calculated based on valuation of potential rent and other stable medium- and long-term revenue
Vacancy Loss, etc.	9,884	Calculated on the assumption of the occupancy rate level that is stable over the medium to long term
Operating Expenses	104,246	
Maintenance Property Management Fee (Note 2)	36,013	Maintenance fee is calculated by considering the individuality of the property, while referring to the actual fees of past years and maintenance fees of similar properties, and property management fee is calculated by considering the fee level and individuality of similar properties, while referring to the scheduled terms of contract
Utilities	26,300	Assumed by taking into account the occupancy rate, etc. of the rental spaces, based on the actual results of past years
Repair costs	12,382	Calculated by referring to the actual fees of past years and considering the fee level of similar properties and an annual average of repairs, maintenance and renewal costs as specified in the engineering report
Advertisement for leasing, etc.	2,209	Calculated annual average amount of costs required for brokerage service, advertisement, etc. estimated based on the presumed turnover period of the lessee
Tax and public dues	26,297	Recorded based on materials on the relationship of tax and public dues
Insurance	1,045	Recorded in reference to the insurance premium based on insurance contract and insurance premium rates of similar properties, etc.
Other expenses	0	
Net Operating Income	177,300	
Interest Income	1,845	Assessed profit through management by setting the management yield at 1.0%
Capital Expenditures	30,340	Assessed by taking into account the capital expenditure levels of similar properties, the building age and repair and replacement expenses stated in the engineering report, based on the assumption the reserve is made on average each fiscal period
Net Cash Flow	148,805	
Cap Rate	4.9%	Assessed by adjusting the spread based on the subject property's site, building or other conditions, while considering future uncertainties and transaction yields of similar properties
Discounted Cash Flow Value	2,960,000	
Discount Rate	4.7%	Assessed in reference to the investment yield, etc. of transactions of similar properties and comprehensively taking into account the individual characteristics of the property
Terminal Cap Rate	5.1%	Assessed in reference to the transaction yield, etc. of similar properties and comprehensively taking into account the future trends of the investment yield, risks of the property as investment target, general forecasts of future economic growth and the trends in real estate prices and rent levels, etc.
Cost Approach Value	2,570,000	
Land Value	57.3%	
Building Value	42.7%	

Other matters noted by the appraiser in conducting appraisal	None

(Note 1) Amounts are rounded to the nearest thousand yen.

(Note 2) Through the individual reporting of maintenance and management fees and property management fee standards, other transactions involving the companies entrusted with building management and property management may be impacted, efficient performance of duties by JEI may be impeded, or investor profits may be negatively impacted. Therefore, maintenance and management fees and property management fees are indicated as a combined figure.

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Property Name	Yokohama Bentendori Dai-ichi Seimei Building
Appraisal Value	¥659,000,000
Appraiser	Japan Real Estate Institute
Appraisal Date	April 1, 2018

(thousands of yen (Note 1))

Appraisal Item	Appraisal Value	Remarks, etc.
Income Approach Value	659,000	
Direct Capitalization Value	666,000	
Operating Revenue	80,293	
Gross potential revenue	82,891	Recorded by assessing the potential rent and other revenue that is stable over the medium to long term
Vacancy Loss, etc.	2,598	Recorded by assessing the occupancy rate level that is stable over the medium to long term
Operating Expenses	38,872	
Maintenance Property Management Fee (Note 2)	16,700	Maintenance fee is calculated by considering the individuality of the property, while referring to the actual fees of past years and maintenance fees of similar properties, and property management fee is calculated by considering the fee level and individuality of similar properties, while referring to the scheduled terms of contract
Utilities	9,180	Assumed by taking into account the occupancy rate, etc. of the rental spaces, based on the actual results of past years
Repair costs	4,101	Calculated by referring to the actual fees of past years and considering the fee level of similar properties and an annual average of repairs, maintenance and renewal costs as specified in the engineering report
Advertisement for leasing, etc.	631	Calculated annual average amount of costs required for brokerage service, advertisement, etc. estimated based on the presumed turnover period of the lessee
Tax and public dues	7,444	Recorded based on materials on the relationship of tax and public dues
Insurance	296	Recorded in reference to the insurance premium based on insurance contract and insurance premium rates of similar properties, etc.
Other expenses	520	Recorded road occupancy fee, etc.
Net Operating Income	41,421	
Interest Income	620	Assessed profit through management by setting the management yield at 1.0%
Capital Expenditures	10,050	Assessed by taking into account the capital expenditure levels of similar properties, the building age and repair and replacement expenses stated in the engineering report, based on the assumption the reserve is made on average each fiscal period
Net Cash Flow	31,991	
Cap Rate	4.8%	Assessed by adjusting the spread based on the subject property's site, building or other conditions, while considering future uncertainties and transaction yields of similar properties
Discounted Cash Flow Value	651,000	
Discount Rate	4.6%	Assessed in reference to the investment yield, etc. of transactions of similar properties and comprehensively taking into account the individual characteristics of the property
Terminal Cap Rate	5.0%	Assessed in reference to the transaction yield, etc. of similar properties and comprehensively taking into account the future trends of the investment yield, risks of the property as investment target, general forecasts of future economic growth and the trends in real estate prices and rent levels, etc.
Cost Approach Value	734,000	
Land Value	70.6%	
Building Value	29.4%	

Other matters noted by the appraiser in conducting appraisal	None

(Note 1) Amounts are rounded to the nearest thousand yen

(Note 2) Through the individual reporting of maintenance and management fee and property management fee standards, other transactions involving the companies entrusted with building management and property management may be impacted, efficient performance of duties by JEI may be impeded, or investor profits may be negatively impacted. Therefore, maintenance and management fees and property management fees are indicated as a combined figure.

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(2) Property to be Transferred

Property Name	Ebina Prime Tower
Appraisal Value	¥4,340,000,000
Appraiser	Japan Real Estate Institute
Appraisal Date	April 1, 2018

(thousands of yen (Note 1))

Appraisal Item	Appraisal Value	Remarks, etc.
Income Approach Value	4,340,000	
Direct Capitalization Value	4,360,000	
Operating Revenue	852,544	
Gross potential revenue	892,150	Recorded by assessing the potential rent and other revenue that is stable over the medium to long term
Vacancy Loss, etc.	39,606	Recorded by assessing the occupancy rate level that is stable over the medium to long term
Operating Expenses	544,857	
Maintenance Property Management Fee (Note 2)	251,948	Maintenance fee is calculated by considering the individuality of the property, while referring to the actual fees of past years and maintenance fees of similar properties, and property management fee is calculated by considering the fee level and individuality of similar properties, while referring to the scheduled terms of contract
Utilities	166,000	Assumed by taking into account the occupancy rate, etc. of the rental spaces, based on the actual results of past years
Repair costs	36,534	Calculated by referring to the actual fees of past years and considering the fee level of similar properties and an annual average of repairs, maintenance and renewal costs as specified in the engineering report
Advertisement for leasing, etc.	4,839	Calculated annual average amount of costs required for brokerage service, advertisement, etc. estimated based on the presumed turnover period of the lessee
Tax and public dues	80,343	Recorded based on materials on the relationship of tax and public dues
Insurance	3,193	Recorded in reference to the insurance premium based on insurance contract and insurance premium rates of similar properties, etc.
Other expenses	2,000	Recorded lease expenses, etc.
Net Operating Income	307,687	
Interest Income	4,023	Assessed profit through management by setting the management yield at 1.0%
Capital Expenditures	85,247	Assessed by taking into account the capital expenditure levels of similar properties, the building age and repair and replacement expenses stated in the engineering report, based on the assumption the reserve is made on average each fiscal period
Net Cash Flow	226,463	
Cap Rate	5.2%	Assessed by adjusting the spread based on the subject property's site, building or other conditions, while considering future uncertainties and transaction yields of similar properties
Discounted Cash Flow Value	4,320,000	
Discount Rate	5.0%	Assessed in reference to the investment yield, etc. of transactions of similar properties and comprehensively taking into account the individual characteristics of the property
Terminal Cap Rate	5.4%	Assessed in reference to the transaction yield, etc. of similar properties and comprehensively taking into account the future trends of the investment yield, risks of the property as investment target, general forecasts of future economic growth and the trends in real estate prices and rent levels, etc.
Cost Approach Value	4,260,000	
Land Value	33.4%	
Building Value	66.6%	

Other matters noted by the appraiser in conducting appraisal	None

(Note 1) Amounts are rounded to the nearest thousand yen

(Note 2) Through the individual reporting of maintenance and management fee and property management fee standards, other transactions involving the companies entrusted with building management and property management may be impacted, efficient performance of duties by JEI may be impeded, or investor profits may be negatively impacted. Therefore, maintenance and management fees and property management fees are indicated as a combined figure.

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Appendix:

(1) Income and Expense Outlook of the Two Properties to be Acquired
(2) Portfolio Overview after the Transaction
(3) External View of the Two Properties to be Acquired

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(Appendix 1) Income and Expense Outlook of the Two Properties to be Acquired

	Hiroshima Dai-ichi Seimei OS Building	Yokohama Bentendori Dai-ichi Seimei Building
Revenues	¥276 million	¥79 million
Expenses (excluding depreciation)	¥100 million	¥38 million
Net Operating Income (NOI)	¥175 million	¥40 million
NOI Yield	6.3%	6.4%
Yield After Depreciation	4.1%	4.8%

Assumptions for Income and Expense Outlook

The above figures for "Revenues," "Expenses" and "NOI" are the annual averages of JEI's estimated figures for the first 5 years after acquisition of the Two Properties to be Acquired by JEI, excluding special factors that may arise during the first fiscal year of the acquisition of the Two Properties to be Acquired. (i.e., not forecast for the current fiscal period).

NOI Yield is the figure calculated by the following formula:

NOI Yield = NOI yield / Planned acquisition price

Yield After Depreciation is the figure calculated by the following formula:

Yield After Depreciation = (NOI - Depreciation) / Planned acquisition price

Furthermore, depreciation is calculated based on the straight-line method corresponding to the useful life, which is in the same manner applied for properties already owned by JEI, after considering various information such as engineering report.

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(Appendix 2) Portfolio Overview after the Transaction

Area	Property #	Property Name	Date of Acquisition	(Planned) Acquisition Price (mn yen) (Note 1)	Investment Ratio (% of total portfolio) (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	8.4	47.9
	I-2	Shiba 2-Chome Building	June 29, 2006	9,450	3.5	
	I-3	JEI Hamamatsucho Building	June 29, 2006	8,350	3.1	
	I-8	AKASAKA INTERCITY	October 26, 2007	17,857	6.7	
			February 5, 2013	10,289	3.9	
			Total	28,146	10.5	
	I-9	Kowa Shirokanedai Building	December 24, 2010	4,705	1.8	
	I-10	Daiba Garden City Building	February 4, 2011	11,000	4.1	
	I-12	HAMARIKYU INTERCITY	December 20, 2011	7,080	2.7	
			February 4, 2014	12,000	4.5	
			Total	19,080	7.1	
	I-13	Shintomicho Building	March 28, 2012	1,750	0.7	
	I-14	Kowa Nishi-Shimbashi Building	March 28, 2013	3,931	1.5	
			August 1, 2017	7,500	2.8	
			Total	11,431	4.3	
	I-15	Mansard Daikanyama	July 1, 2016	11,420	4.3	
Area II Central Osaka, Central Nagoya, Central Fukuoka (Note 4)	II-1	NHK Nagoya Housou Center Building	June 27, 2006	4,300	1.6	5.3
			March 24, 2014	1,310	0.5	
			Total	5,610	2.1	
	II-2	JEI Nishi-Honmachi Building	March 28, 2007	6,673	2.5	
	II-3	Osaka Kogin Building (Land with Leasehold Interest)	February 5, 2013	1,770	0.7	
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	5.2	38.5
	III-2	Kowa Kawasaki Higashiguchi Building	June 27, 2006	10,976	4.1	
	III-3	JEI Hongo Building	June 29, 2006	5,400	2.0	
	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	1.8	
	III-7	JEI Ryogoku Building	June 27, 2006	2,550	1.0	
	III-9	Kowa Kawasaki Nishiguchi Building	October 26, 2007	32,000	12.0	
	III-10	Pacific Square Sengoku	December 20, 2011	1,620	0.6	
	III-11	Core City Tachikawa	February 5, 2013	6,500	2.4	
	III-12	Nisseki Yokohama Building	April 1, 2015	24,500	9.2	
	III-13	Yokohama Bentendori Dai-ichi Seimei Building	June 15, 2018 (Scheduled)	640	0.2	
Area IV Osaka, Nagoya and Fukuoka (excl. Area II) and other government-decreed cities, etc.	IV-2	JEI Kyobashi Building	September 1, 2011	3,308	1.2	8.3
	IV-3	JEI Hiroshima Hacchobori Building	May 22, 2012	2,760	1.0	
	IV-4	SE Sapporo Building	March 1, 2013	5,500	2.1	
	IV-5	Aoba-dori Plaza	February 4, 2014	2,120	0.8	
	IV-6	Daiwa Minami-morimachi Building	February 4, 2014	4,410	1.7	
	IV-7	JEI Naha Building	December 7, 2015	1,380	0.5	
	IV-8	Hiroshima Dai-ichi Seimei OS Building	June 15, 2018 (Scheduled)	2,780	1.0	
Total				266,997	100.0	100.0

(Note 1) "(Planned) Acquisition Price" is the acquisition value on the purchase agreement, excluding consumption tax, etc. Amounts are rounded down to the nearest specified unit.
(Note 2) "Investment Ratio" and "Investment Ratio by Area" are rounded to the first decimal place.
(Note 3) "Tokyo's 6 Central Wards" is Chiyoda, Chuo, Minato, Shinjuku, Shinagawa, and Shibuya Wards.
(Note 4) "Central Osaka" is the Umeda, Dojima, Nakanoshima, Yodoyabashi, and Honmachi districts, "Central Nagoya" is the Meieki, Fushimi, Sakae districts, and "Central Fukuoka" is the Tenjin and Hakata Terminal Peripheral districts.

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(Appendix 3) External View of the Two Properties to be Acquired

(1) Hiroshima Dai-ichi Seimei OS Building





(2) Yokohama Bentendori Dai-ichi Seimei Building



