

Asset Management Report for 14th Period
(Semi-Annual Report for 14th Period)

From January 1, 2013 to June 30, 2013



Japan Excellent, Inc.

I. Greetings

To Our Unitholders

We would like to express our sincere gratitude for your continued support of Japan Excellent, Inc. (JEI) and Japan Excellent Asset Management Co., Ltd.

We hereby report the financial results of JEI for the 14th period (from January 1, 2013 to June 30, 2013).

JEI recorded total revenues of 8,418 million yen and net income of 2,598 million yen as performance for the period. The distribution per unit was the same level as the 13th period and the 12th period at 12,200 yen for continued stable distribution payout.

JEI has been expanding its asset size through capital increase by public offering in the 10th period and subsequent property acquisitions, and such efforts were continued into the 14th period with another capital increase by public offering to further promote expansion of asset size. Four properties, including AKASAKA INTERCITY, were acquired upon the capital increase by public offering and two properties, including Kowa Nishi-Shimbashi Building, were also acquired thereafter to acquire a total of six properties. Acquisition of the properties in a total amount of 28.5 billion yen, centering on downtown properties with high growth potential, led to ongoing steady growth.

In addition, focus on leasing up vacant space as early as possible, centering on properties at issue, and other efforts resulted in substantial improvement in the occupancy rate from 94.0% at the end of the 13th period to 97.1%.

About Future Asset Management

In the office building leasing market, in central Tokyo, office demand is growing and the vacancy rate is still on an improving trend.

With this perspective, JEI will closely coordinate with the property management companies more than ever before and endeavor to secure stable occupancy and enhance profitability of the portfolio over the medium- to long-term. At the same time, we will pursue opportunities to invest in excellent real estate properties for continued growth of the portfolio in view of achieving the immediate target of 300 billion yen and even greater expansion in asset size.

In terms of finance, we will continue our efforts in conducting stable financial operations by promoting conversion to fixed interest rates in preparation for the risk of interest rate rises, as well as striving to diversify maturity dates and minimize borrowing costs.

In addition, JEI remains committed to strict adherence to the Financial Instruments and Exchange Act and other laws and regulations to promote compliance, as well as to accurate and easy-to-understand disclosure of the status of our operations and asset management to our unitholders.

We kindly ask for your continued understanding and support.

Chifumi Toda
Executive Director, Japan Excellent, Inc.
President, Japan Excellent Asset Management Co., Ltd.

II. Asset Management Report

1. Outline of asset management operation

(1) Operating results and financial position of the Investment Corporation

Fiscal period		10th Period January 1, 2011 to June 30, 2011	11th Period July 1, 2011 to December 31, 2011	12th Period January 1, 2012 to June 30, 2012	13th Period July 1, 2012 to December 31, 2012	14th Period January 1, 2013 to June 30, 2013
Revenues	(Millions of yen)	7,337	7,085	7,740	7,599	8,418
(Rental revenues)	(Millions of yen)	7,034	7,085	7,587	7,597	8,409
Operating expenses	(Millions of yen)	4,117	4,116	4,400	4,427	4,871
(Property operating expenses)	(Millions of yen)	3,555	3,645	3,901	3,950	4,350
Operating income	(Millions of yen)	3,220	2,969	3,340	3,172	3,546
Ordinary income	(Millions of yen)	2,362	2,237	2,435	2,310	2,589
Net income	(Millions of yen)	2,313	2,236	2,434	2,309	2,598
Total assets	(Millions of yen)	209,142	227,249	228,818	228,020	257,613
(Period-on-period change) (Note 1)	(%)	(4.9)	(8.6)	(0.6)	(-0.3)	(12.9)
Net assets	(Millions of yen)	104,366	104,338	104,537	104,545	120,683
(Period-on-period change) (Note 1)	(%)	(16.9)	(0.0)	(0.1)	(0.0)	(15.4)
Unitholders' capital	(Millions of yen)	102,052	102,052	102,052	102,052	117,901
Outstanding investment units	(units)	188,650	188,650	188,650	188,650	224,950
Net assets per unit	(yen)	553,227	553,081	554,134	554,175	536,488
Net income per unit (Note 2)	(yen)	12,677	11,853	12,906	12,241	11,884
Total distribution	(Millions of yen)	2,263	2,236	2,301	2,309	2,744
Distribution per unit	(yen)	12,000	11,854	12,200	12,242	12,200
(Profit distribution per unit)	(yen)	12,000	11,854	12,200	12,242	12,200
(Distribution in excess of earnings per unit)	(yen)	(-)	(-)	(-)	(-)	(-)
Return on assets (Note 3)	(%)	1.2	1.0	1.1	1.0	1.1
(Annualized rate)	(%)	(2.3)	(2.0)	(2.1)	(2.0)	(2.2)
Return on equity (Note 4)	(%)	2.4	2.1	2.3	2.2	2.3
(Annualized rate)	(%)	(4.8)	(4.3)	(4.7)	(4.4)	(4.7)
Capital ratio (Note 5)	(%)	49.9	45.9	45.7	45.8	46.8
(Period-on-period change)	(%)	(5.1)	(-4.0)	(-0.2)	(0.1)	(1.0)
Payout ratio (Note 6)	(%)	97.8	100.0	94.5	100.0	105.6
Number of investment properties	(properties)	19	23	24	24	28
Number of tenants	(tenants)	109	124	136	134	152
Total leasable space	(m ²)	234,547	262,464	266,981	266,915	302,505
Occupancy rate	(%)	92.4	93.8	94.7	94.0	97.1
Depreciation	(Millions of yen)	1,080	1,156	1,260	1,284	1,433
Capital expenditure	(Millions of yen)	347	357	393	283	572

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Net operating income (NOI) (Note 7)	(Millions of yen)	4,559	4,595	4,946	4,932	5,493
Funds from operation (FFO) per unit (Note 8)	(yen)	16,391	17,982	18,780	19,050	17,924
FFO multiples (Note 9)	(times)	12.2	8.4	10.5	12.7	15.4
Debt service coverage ratio (DSCR) (Note 10)	(times)	4.5	4.3	4.2	4.0	4.4
Interest-bearing debt	(Millions of yen)	95,500	112,800	113,800	113,300	125,400
Loan-to-value (Note 11)	(%)	45.7	49.6	49.7	49.7	48.7
Number of days in operation	(days)	181	184	182	184	181

(Note 1) Period-on-period change of total assets and net assets are rounded down to one decimal place.

(Note 2) Net income per unit is calculated by dividing the net income by the weighted-average number of units outstanding during the six months period.

(Note 3) Return on assets = Ordinary income / [(Period beginning total assets) + (Period end total assets) / 2] × 100 (The ratio is rounded to one decimal place.)

(Note 4) Return on equity = Net income / [(Period beginning net assets) + (Period end net assets) / 2] × 100 (The ratio is rounded to one decimal place.)

(Note 5) Capital ratio = Period end net assets / Period end total assets × 100 (The ratio is rounded to one decimal place.)

(Note 6) Payout ratio = Total distribution / Net income × 100 (The ratio is rounded down to one decimal place.)

(Note 7) NOI = Rental revenues – Property operating expenses + Depreciation

(Note 8) FFO per unit = (Net income + Depreciation – Gain on sale real estate + Loss on sale of real estate) / Number of Outstanding investment units (The figure is rounded down to the whole number.)

(Note 9) FFO multiples = Period end investment unit price / Annualized FFO per unit (The rate is rounded down to one decimal place.)

(Note 10) DSCR = Net income before interest and taxes / (Interest expenses + Interest expense on investment corporation bonds) (The ratio is rounded one first decimal place.)

(Note 11) Loan-to-value = Period end interest-bearing debt / Period end total assets × 100 (The ratio is rounded to one decimal place.)

(2) Asset Management Development

Japan Excellent, Inc. (JEI) was founded on February 20, 2006 under the Law Concerning Investment Trusts and Investment Corporations of Japan (hereinafter referred to the “Investment Trust Law”). On March 15, 2006, it completed the corporate registration to the Kanto Finance Bureau (registration number 52, issued by the Head of the Kanto Local Finance Bureau) and listed on the Real Estate Investment Trust Section of the Tokyo Stock Exchange (Securities Code: 8987) on June 27, 2006. Since the listing, we have continued investment management primarily in office buildings with the aim of maintaining sound corporate growth and stable revenues from the medium- to long-term perspectives. On June 30, 2013, we settled our fourteenth period.

1) Business conditions and results

During the period, the Japanese economy saw monetary policies since the inauguration of a new administration yield such results as improvement in the export environment and rise in stock prices, leading to greater expectations for improvement in corporate performance and personal consumption. However, with uncertainty still in European and Chinese economic conditions and yet to be marked increase in employment and capital investment of domestic companies, impact on the real economy continues to be limited.

In the office building leasing market, with demand for relocation of offices for expansion or integration growing active, backed by economic recovery and expectations for improvement in corporate performance, the vacancy rate continues to be on a modest improving trend. In Osaka, although the vacancy rate rose at one point due to large volume of supply of office floor space in the Umeda/Nakanoshima district, movements have settled down with increase in demand. Concerning the rent level, while going through a mix of ups and downs in general but remaining roughly flat overall, signs of it turning around for some excellent buildings in central Tokyo and other factors suggest downward pressures on rent are easing.

Under these circumstances, JEI made progress in leasing up vacant space, centering on properties with low occupancy, resulting in the portfolio occupancy rate at the end of the period increasing from the previous period's 94.0% by 3.1 points to 97.1% in the period under review.

In the real estate investment market, with J-REITs newly listing and increasing capital by public offering one after another, transactions of investment properties increased. Among these, many of the transactions of properties regarded as being “large” and “excellent” were made between J-REITs and their sponsors. On the other hand, transactions of properties held by business companies were also occasionally found. At JEI, AKASAKA INTERCITY (additional), Osaka Kogin Building (Land with Leasehold Interest), Core City Tachikawa and SE Sankyo Building were acquired through the capital increase by public offering implemented in January 2013, and these were followed by acquisition of Kowa Nishi-Shimbashi Building and Kawasaki Nisshincho Building (additional).

The entire real estate portfolio of JEI at the end of the period was 28 properties in terms of the number of properties held, 245.5 billion yen in investment amount (on an acquisition price basis) and 302,505.42m² (91,507.88 tsubo) in total leasable space at a period-end occupancy rate of 97.1% (up 3.1 points compared with the previous period).

2) Fund raising highlights

During the period, JEI resolved to issue investment units by primary offering and to issue new investment units by third-party allotment and, through these issuances, procured 14.4 billion yen on January 30, 2013 and 1.4 billion yen on February 27, 2013 in funds, respectively. The funds procured through this issuance of new investment units and a 8.6 billion yen short-term loan based on a revolving credit facility taken out on March 1, 2013 were used as a portion of the payment for acquisition of specified assets.

In addition, a 4.0 billion yen short-term loan based on a revolving credit facility was taken out on March 28, 2013 to use as a portion of the payment for acquisition of Kowa Nishi-Shimbashi Building.

For refinancing long-term loans of 19.6 billion yen which matured on June 28, 2013, JEI borrowed long-term loans in the same amount (breakdown: 2 billion yen in 8-year fixed interest loan, 2.6 billion yen in 6-year and 7-month floating interest loan, 1 billion yen in 6-year and 7-month fixed interest loan, 11 billion yen in 5-year floating interest loan, 2 billion yen in 4-year and 5-month floating interest loan, and 1 billion yen in 4-year and 5-month fixed interest loan). As for floating interest loans (15.6 billion yen in total), we converted all of them from floating-rate debts to fixed-rate debts through interest rate swaps.

As a result, as of the end of the period, JEI had the average remaining debt maturity of interest-bearing debts at 3.01 years, long-term borrowing ratio at 100.0 percent, fixed rate ratio at 84.4 percent, and weighted average interest rate for loans purchased at 1.28 percent. Outstanding interest-bearing debts totaled 125.4 billion yen, 101.4 billion yen in long-term loans (including 8 billion yen in long-term loans due within one year) and 24 billion yen in investment corporation bonds. (The loan to value ratio to the total assets was 48.7 percent as of the end of the period.)

JEI has registered the issuance of investment corporation bonds for the purpose of dynamic arrangement of long-term funds as follows:

(Bond Issuance Registration Highlight)

Type	Estimated amount of issuance	Scheduled period for issuance
Investment corporation bond	100 billion yen	From February 9, 2012 to February 8, 2014

The ratings granted to JEI by the following rating agencies are shown below:

(Ratings as of June 30, 2013)

Credit rating agency	Issuer rating (outlook)	Individual debt issue rating (Note 1)
Japan Credit Rating Agency, Ltd. (JCR)	Long-term issuer rating AA- (Stable) (Note 2)	AA- (Note 2)
Rating and Investment Information, Inc. (R&I)	Issuer rating A+ (Stable) (Note 3)	A+ (Note 3)
Moody's Japan	Issuer rating A3 (Stable)	—

(Note 1) Ratings for unsecured investment corporation bonds (No.1 through No.4).

(Note 2) JEI newly received a long-term issuer rating and bonds rating from Japan Credit Rating Agency, Ltd. (JCR) on July 3, 2013.

(Note 3) Concerning the ratings received from Rating and Investment Information, Inc. (R&I), the issuer rating was changed from AA- (Negative) to A+ (Stable) and the bonds rating was changed from AA- to A+.

3) Financial results and distribution highlights

As a result of the above investments, JEI posted 8,418 million yen in total revenues, 3,546 million yen in operating income, 2,589 million yen in ordinary income and 2,598 million yen in net income for the period under review.

Concerning distributions in the period under review, by applying special provisions of the tax system on investment corporations (Section 67-15 of the Special Taxation Measures Law), as well as adding to unappropriated retained earnings the amount of reversal of a portion (146,020,766 yen) of the reserve for reduction entry that had been set aside by applying the “Special Provisions for Taxation in the Event of Advance Acquisition of Land, etc. in 2009 and 2010” under Section 66-2 of the Special Taxation Measures Law for the purpose of stabilizing the distribution level, JEI decided to distribute 2,744,390,000 yen, which is the integral multiple of the number of investment units issued and outstanding (224,950 units), as distribution of earnings. As a result, distribution per unit was 12,200 yen.

3) Capital Increase

JEI carried out additional capital increase by public offering (33,000 units) on January 30, 2013, followed by issuance of investment units by third-party allotment (3,300 units) as a result of exercise of a greenshoe option by Mizuho Securities Co., Ltd. (the lead manager of the primary offering) on February 27, 2013, raising a total amount of 15,848 million yen in funds. The outline of the changes in the number of investment units issued and outstanding and unitholders' capital is as follows:

Paid-up Date	Capital transaction	Capital transaction (units)		Unitholders' capital (Millions of yen)		Remarks
		Change	Balance	Change	Balance	
February 20, 2006	Private placement for incorporation	400	400	200	200	(Note 1)
June 26, 2006	Public offering	128,000	128,400	64,230	64,430	(Note 2)
July 21, 2006	Allocation of investment units to a third party	6,400	134,800	3,211	67,641	(Note 3)
July 11, 2007	Public offering	19,000	153,800	18,702	86,344	(Note 4)
August 8, 2007	Allocation of investment units to a third party	750	154,550	738	87,083	(Note 5)
January 31, 2011	Public offering	31,000	185,550	13,608	100,691	(Note 6)
February 28, 2011	Allocation of investment units to a third party	3,100	188,650	1,360	102,052	(Note 7)
January 30, 2013	Public offering	33,000	221,650	14,408	116,460	(Note 8)
February 27, 2013	Allocation of investment units to a third party	3,300	224,950	1,440	117,901	(Note 9)

(Note 1) JEI was incorporated through private placement at a price of 500,000 yen per unit.

(Note 2) New investment units were issued at an offer price of 520,000 yen per unit (issue price of 501,800 yen per unit) through a public offering in order to fund acquisition of new properties which were acquired at the time of the listing.

(Note 3) New investment units were issued at an issue price of 501,800 yen per unit through an allocation of investment units to a third party in order to partially fund new property acquisitions.

(Note 4) New investment units were issued at an offer price of 1,019,200 yen per unit (issue price of 984,360 yen per unit) through a public offering in order to partially repay debts procured to acquire properties in the second period.

(Note 5) New investment units were issued at an issue price of 984,360 yen per unit through an allocation of investment units to a third party in order to partially repay debts procured to acquire properties in the second period.

(Note 6) New investment units were issued at an offer price of 454,930 yen per unit (issue price of 438,984 yen per unit) through a public offering in order to repay short-term loans procured to acquire properties in the ninth period and to fund acquisition of a new property which was acquired in the tenth period.

(Note 7) New investment units were issued at an issue price of 438,984 yen per unit through an allocation of investment units to a third party in order to repay short-term loans procured to acquire new properties in the ninth period and to fund acquisition of a new property which was acquired in the tenth period.

(Note 8) New investment units were issued at an offer price of 451,425 yen per unit (issue price of 436,609 yen per unit) through a public offering in order to fund acquisition of new properties which were acquired at the fourteenth period.

(Note 9) New investment units were issued at an issue price of 436,609 yen per unit through an allocation of investment units to a third party in order to fund acquisition of properties acquired in the fourteenth period.

[Market price of the investment securities]

The period-on-period fluctuations in the highest and lowest (closing) prices of JEI's investment units listed on the Real Estate Investment Trust Section of the Tokyo Stock Exchange during each period is as follows:

Investment unit market price	Fiscal period (closing date)	10th period (June 2011)	11th period (December 2011)	12th period (June 2012)	13th period (December 2012)	14th period (June 2013)
	Highest (yen)	543,000	408,000	430,000	511,000	739,000
	Lowest (yen)	363,500	295,500	297,600	371,000	463,000

(Note) The highest and lowest prices of investment units refer to the closing prices on the Real Estate Investment Trust Section of the Tokyo Stock Exchange.

(4) Distributions Paid

Concerning distributions in the period under review (14th period), based on application of special provisions of the tax system on investment corporations (Section 67-15 of the Special Taxation Measures Law) and adding to unappropriated retained earnings the amount of reversal of the reserve for reduction entry, JEI decided to distribute 2,744,390,000 yen, which is the integral multiple of the number of investment units issued and outstanding (224,950 units), as distribution of earnings. As a result, distribution per unit was 12,200 yen.

Fiscal period	10th period	11th period	12th period	13th period	14th period
Accounting period	January 1, 2011 to June 30, 2011	July 1, 2011 to December 31, 2011	January 1, 2012 to June 30, 2012	July 1, 2012 to December 31, 2012	January 1, 2013 to June 30, 2013
Retained earnings at end of period (Thousands of yen)	2,314,032	2,236,262	2,434,824	2,309,504	2,598,369
Retained income (Thousands of yen)	50,232	5	133,294	51	—
Total cash distribution amount (Thousands of yen)	2,263,800	2,236,257	2,301,530	2,309,453	2,744,390
(Cash distributions per unit) (yen)	(12,000)	(11,854)	(12,200)	(12,242)	(12,200)
Of which, total profit distributions (Thousands of yen)	2,263,800	2,236,257	2,301,530	2,309,453	2,744,390
(Profit distribution per unit) (yen)	(12,000)	(11,854)	(12,200)	(12,242)	(12,200)
Total refund of investment equity	—	—	—	—	—
(Refund of investment per unit)	(—)	(—)	(—)	(—)	(—)

(5) Policy and Issues on Future Investment Management

1) Outlook for investment environment

In the Japanese economy ahead, there are growing expectations for economic recovery, such as increase in public investment and corporate capital investment as well as improvement in personal consumption and pickup in exports, due to the effects of monetary policies and economic measures. However, with uncertainty in the global economy remaining, rise in long-term interest rates, consumption tax hike trends, uncertainty over the sustainability of corporate earnings and personal consumption sentiment and other future trends need to be closely watched.

In the office building leasing market, with expectations for continued strong growth in office demand, the vacancy rate is expected to continue to be on an ongoing trend of improving, albeit gradually. In addition, with downward pressures on the rent level also easing, rent is forecast to start slowly turning around after hitting bottom, centering on large, excellent buildings

In the real estate investment market, given the still favorable fund procurement environment and also anticipation of high real estate transaction prices, the investment needs of J-REITs and other market players are forecast to increasingly grow. On the other hand, given expectations for future rise in real estate prices for sellers, the forecast is that the rush to sell will decrease and the volume of supply of, in particular, high-investment-grade properties to the real estate investment market will considerably decrease, and real estate transaction prices are thus expected to rise.

2) Policy and issues on future investment management

Amid delay in recovery in the office building leasing market, JEI expects earnings from the existing portfolio to turn around in the next period onward, because there are prospects of steady early narrowing of the rent gap and improvement of the occupancy rate through leasing up of vacant space as early as possible at low-occupancy properties and also because of full-period contribution of the newly-acquired properties. Going forward, we will endeavor to maintain and improve earnings of the entire portfolio by keeping and raising the rent level based on market trends and further improving the occupancy rate. Moreover, in order to maintain asset value and improve property competitiveness over the medium to long term, we will consistently implement additional strategic investment plans.

For external growth, we will continue to keep aiming for acquisition of competitive properties, including asset replacements, with well-balanced investments based on size, concentration and target area in mind to increase asset size and realize stable profitability in our portfolio over the medium- to long-term. To this end, we will continue enhancing further interaction and collaboration with sponsor companies and have our asset management company cultivate and refine property information sources in an effort to proactively gain access to market information and thereby keep seizing the right business opportunities. On a further note, of the properties acquired during the period, AKASAKA INTERCITY (additional), Osaka Kogin Building (Land with Leasehold Interest), Kowa Nishi-Shimbashi Building and SE Sankyo Building were acquisitions of properties from sponsors or through bridge funds from sponsors.

As for financial operations, the fund-raising environment is generally favorable for REITs. Still, we will consistently work on stable and sound financial operations to address future changes in situations in and outside Japan, through endeavoring to convert floating-rate debts to fixed-rate debts, diversify maturity dates, lengthen the remaining period of debts, ensure liquidity by renewing commitment lines and maintain appropriate ratio of interest-bearing debts.

(6) Subsequent Events

None

2. Outline of the Investment Corporation

(1) Investment unit

Fiscal period	10th As of June 30, 2011	11th As of December 31, 2011	12th As of June 30, 2012	13th As of December 31, 2012	14th As of June 30, 2013
Number of units authorized	2,000,000 units	2,000,000 units	2,000,000 units	2,000,000 units	2,000,000 units
Number of units issued and outstanding	188,650 units	188,650 units	188,650 units	188,650 units	224,950 units
Unitholders' capital	102,052 million yen	102,052 million yen	102,052 million yen	102,052 million yen	117,901 million yen
Number of unitholders	7,411 individuals	7,875 individuals	7,447 individuals	6,760 individuals	7,361 individuals

(2) Unitholders

Major unitholders as of June 30, 2013 are as follows:

Name	Address	Number of units held (Units)	Ratio of number of units held to outstanding investment units (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	1-8-11 Harumi, Chuo-ku, Tokyo	57,163	25.41
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3 Hamamatsu-cho, Minato-ku, Tokyo	17,773	7.90
NIPPON STEEL KOWA REAL ESTATE CO., LTD.	1-15-5 Minami Aoyama, Minato-ku, Tokyo	14,312	6.36
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	Harumi Island Toriton Square Office Tower Z, 1-8-12 Harumi, Chuo-ku, Tokyo	13,196	5.87
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	2-2-2 Otemachi, Chiyoda-ku, Tokyo	12,689	5.64
NOMURA BANK (LUXEMBOURG) S.A.	BATIMENT A, 33, RUE DE GASPERICH, L-5826, LUXEMBOURG	7,613	3.38
North Pacific Bank, LTD.	3-7 Odori-Nishi, Chuo-ku, Sapporo-shi, Hokkaido	4,197	1.87
The Dai-ichi Life Insurance Company, Limited	1-13-1 Yuraku-cho, Chiyoda-ku, Tokyo	4,132	1.84
The Chugoku Bank, LTD.	1-15-20 Marunouchi, Kita-ku, Okayama-shi, Okayama	2,881	1.28
STATE STREET BANK AND TRUST COMPANY 505223	P.O. BOX 351 BOSTON MASSACHUSETTS 02101 U.S.A.	2,743	1.22
Total		136,699	60.77

(Note) Ratio of number of units held to outstanding investment units is rounded to two decimal places.

(3) Officers

1) Directors and accounting auditor

Post	Name	Major additional post	Compensation or fee for the six months ended June 30, 2013 (Thousands of yen)
Executive Director	Chifumi Toda	President and Director, Japan Excellent Asset Management Co., Ltd.	—
Supervisory Director	Makoto Sakagami	Makoto Sakagami Certified Public Accounting Office	6,540
Supervisory Director	Tsuyoshi Nagahana	Advisor, Anderson, Mori & Tomotsune	
Supervisory Director	Shunichi Maekawa	Professor, Faculty of Real Estate, Meikai University	
Accounting Auditor	Ernst & Young ShinNihon LLC	—	17,500 (Note 2)

(Note 1) There is no investment unit of JEI held by the Executive Director nor the Supervisory Directors. Although Supervisory Directors may have additional posts in companies other than those listed above, there is no conflict of interests between those companies, including those listed above, and JEI.

(Note 2) The total amount of compensation or fee shown above is an estimated amount and includes the fee for the English financial statements audit and the fee for the preparation of a comfort letter and other services upon the issuance of new investment units in January 2013.

2) Policy on dismissal and discontinuation of re-election of accounting auditor

The board of directors of JEI shall deliberate dismissal of accounting auditor in accordance with the provisions set out in the Law Concerning Investment Trusts and Investment Corporations, and deliberate discontinuation of reelection based on circumstances in all respects.

(4) Name of Asset Management Company, Asset Custodian and Administrative Agents

Our asset management company, asset custodian and administrative agents as of June 30, 2013 are as follows:

Classification	Name
Asset management company	Japan Excellent Asset Management Co., Ltd.
Asset custodian	Mizuho Trust & Banking Co., Ltd.
Administrative agent (Transfer agent and other administrative work for accounting and institution operation)	Mizuho Trust & Banking Co., Ltd.
Administrative agent (Investment corporation bonds)	Mizuho Corporate Bank, Ltd. (Note)

(Note) Mizuho Corporate Bank, Ltd. merged with Mizuho Bank, Ltd. on July 1, 2013 and changed its trade name to Mizuho Bank, Ltd.

3. Investment Portfolio of the Investment Corporation

(1) Investment Portfolio by Area

Classification	Use	Area	13th Period (December 31, 2012)		14th Period (June 30, 2013)	
			Total acquisition price (Millions of yen) (Note 1)	Investment ratio in portfolio (%) (Note 2)	Total acquisition price (Millions of yen) (Note 1)	Investment ratio in portfolio (%) (Note 2)
Real estate property (Note 3)	Office	Area I (Note 4)	—	—	3,866	1.5
		Area II (Note 4)	4,484	2.0	4,514	1.8
Trust beneficiary interest in real estate (Note 3)		Area I (Note 4)	112,568	49.4	122,563	47.6
Area II (Note 4)		7,420	3.3	9,274	3.6	
Area III (Note 4)		73,616	32.3	80,160	31.1	
Area IV (Note 4)		6,096	2.7	11,546	4.5	
Trust beneficiary interest in real estate	Others	Area I (Note 4)	6,990	3.1	6,936	2.7
Total			211,177	92.6	238,861	92.7
Ownership interests in an anonymous association (Note 5)			207	0.1	—	—
Deposits in bank and other assets			16,634	7.3	18,751	7.3
Total assets			228,020	100.0	257,613	100.0

(Note 1) Total acquisition price is based on the amounts accounted for in the balance sheets as of the settlement date (amounts of real estate property and trust beneficiary interest in real estate are based on the book value after depreciations).

(Note 2) Investment ratio in portfolio is rounded to one decimal place.

(Note 3) Leasehold rights owned in combination with buildings and other structures are included in real estate property and trust beneficiary interest in real estate at the combined amount.

(Note 4) Areas are classified as follows:

Area I: Six central wards of Tokyo (Chiyoda, Chuo, Minato, Shinjuku, Shinagawa and Shibuya)

Area II: Central Osaka (Umeda, Dojima, Nakanoshima, Yodoyabashi, Honmachi, etc.), central Nagoya (Meieki, Fushimi, Sakae, etc.) and central Fukuoka (Tenjin, Hakata-ekimae, etc.)

Area III: Tokyo other than Area I, and its vicinity (Kanagawa, Saitama, and Chiba)

Area IV: Areas in Osaka, Nagoya and Fukuoka other than Area II, and other government designated cities.

(Note 5) This represents the ownership interests in an anonymous association managed by Polaire LLC.

(2) Major Property

The principal properties (top ten properties in net book value) owned by JEI as of June 30, 2013 are as follows:

Name	Book value (Millions of yen)	Leasable space (m ²) (Note 1)	Leased space (m ²) (Note 2)	Occupancy rate (%) (Note 3)	Ratio of rental revenue to total rental revenues (%) (Note 4)	Major use
Kowa Kawasaki Nishiguchi Building	30,012	38,375.66	38,205.96	99.6	11.1	Office
AKASAKA INTERCITY	27,654	11,021.04	10,132.00	91.9	6.7	Office
Akasaka Garden City	22,712	8,769.53	7,215.53	82.3	4.3	Office
Omori Bellport D	21,671	25,591.12	25,591.12	100.0	11.2	Office
Musashikosugi Tower Place	12,845	25,159.49	25,159.49	100.0	9.4	Office
Daiba Garden City Building	10,713	12,122.85	12,122.85	100.0	4.0	Office
Kowa Kawasaki Higashiguchi Building	10,066	18,612.72	18,612.72	100.0	(Note 5)	Office
Shiba 2-Chome Building	9,132	11,749.30	11,559.68	98.4	4.4	Office
JEI Hamamatsucho Building	8,340	6,411.26	6,411.26	100.0	3.0	Office
No. 35 Kowa Building	8,263	9,377.16	9,377.16	100.0	(Note 5)	Office
Total	161,412	167,190.13	164,387.77	98.3	62.7	—

(Note 1) Leasable space refers to space available for lease of which ownership is attributable to JEI as of June 30, 2013 and is rounded to two decimal places. For properties with joint ownership, the value is obtained by multiplying the total leasable space of the shared real estate by the percentage of the interest owned by JEI.

(Note 2) Leased space refers to space with lease contracts concluded with end tenants as of June 30, 2013 and is rounded to two decimal places. For properties with joint ownership, the value is obtained by multiplying the total leased space of the shared real estate by the percentage of the interest owned by JEI. The leased space of end tenants who terminated their lease arrangement but have not yet moved out as of the end of period is included in the leased space. This also applies to the calculations of occupancy rate in (Note 3) below and the total number of tenants in (Note 1) in (3) Portfolio Ownership Breakdown.

(Note 3) Occupancy rate is a percentage of total leased space to total leasable space as of June 30, 2013 and rounded to one decimal place.

(Note 4) Ratio of rental revenue to total rental revenues is rounded to one decimal place.

(Note 5) The values of Kowa Kawasaki Higashiguchi Building and No. 35 Kowa Building are not disclosed as consents on disclosure from the end tenants have not been obtained.

(3) Portfolio Ownership Breakdown

Real estate properties and their forms of ownership as of June 30, 2013 are as follows:

Property No.	Property name	Location (Residential address)	Form of ownership	Appraisal value at end of period (Millions of yen) (Note)	Net book value (Millions of yen)
I -1	Omori Bellport D	6-26-3 Minami-Oi, Shinagawa-ku, Tokyo	Trust beneficiary interest in real estate	23,150	21,671
I -2	Shiba 2-Chome Building	2-6-1 Shiba, Minato-ku, Tokyo	Trust beneficiary interest in real estate	11,000	9,132
I -3	JEI Hamatsucho Building	2-2-12 Hamamatsu-cho, Minato-ku, Tokyo	Trust beneficiary interest in real estate	7,470	8,340
I -4	No. 32 Kowa Building	5-2-32 Minami-Azabu, Minato-ku, Tokyo	Trust beneficiary interest in real estate	6,679	7,391
I -7	Akasaka Garden City	4-15-1 Akasaka, Minato-ku, Tokyo	Trust beneficiary interest in real estate	17,700	22,712
I -8	AKASAKA INTERCITY	1-11-44 Akasaka, Minato-ku, Tokyo	Trust beneficiary interest in real estate	24,500	27,654
I -9	Kowa Shirokanedai Building	3-19-1 Shirokanedai, Minato-ku, Tokyo	Trust beneficiary interest in real estate	4,970	4,883
I -10	Daiba Garden City Building	2-3-5 Daiba, Minato-ku, Tokyo	Trust beneficiary interest in real estate	12,080	10,713
I -11	No. 35 Kowa Building	1-14-14 Akasaka, Minato-ku, Tokyo	Trust beneficiary interest in real estate	9,150	8,263
I -12	HAMARIKYU INTERCITY	1-9-1 and 15 Kaigan, Minato-ku, Tokyo	Trust beneficiary interest in real estate	7,830	6,936
I -13	Shintomicho Building	3-10-9 Irifune, Chuo-ku, Tokyo	Trust beneficiary interest in real estate	1,820	1,799
I -14	Kowa Nishi-Shimbashi Building	2-1-1 Nishi-Shimbashi, Minato-ku, Tokyo	Real estate	4,050	3,866
Area I				130,399	133,365
II -1	NHK Nagoya Housou-Center Building	1-13-3 Higashi-Sakura, Higashi-ku, Nagoya-shi, Aichi	Real estate	4,190	4,514
II -2	JEI Nishi-Honmachi Building	1-3-15 Awaza, Nishi-ku, Osaka-shi, Osaka	Trust beneficiary interest in real estate	4,200	7,408
II -3	Osaka Kogin Building (Land with Leasehold Interest)	4-1-1 Koraibashi, Chuo-ku, Osaka-shi, Osaka	Trust beneficiary interest in real estate	1,770	1,865
Area II				10,160	13,789
III -1	Musashikosugi Tower Place	1-403 Kosugi-machi, Nakahara-ku, Kawasaki-shi, Kanagawa	Trust beneficiary interest in real estate	16,100	12,845
III -2	Kowa Kawasaki Higashiguchi Building	1-53 Nisshin-cho, Kawasaki-ku, Kawasaki-shi, Kanagawa	Trust beneficiary interest in real estate	8,350	10,066
III -3	JEI Hongo Building	2-38-16 Hongo, Bunkyo-ku, Tokyo	Trust beneficiary interest in real estate	4,560	5,192

III-5	Kawasaki Nisshincho Building	7-1 Nisshin-cho, Kawasaki-ku, Kawasaki-shi, Kanagawa	Trust beneficiary interest in real estate	3,560	4,587
III-6	No. 44 Kowa Building	1-2-7 Higashiyama, Meguro-ku, Tokyo	Trust beneficiary interest in real estate	1,530	977
III-7	JEI RYOGOKU BUILDING	3-25-5 Ryogoku, Sumida-ku, Tokyo	Trust beneficiary interest in real estate	2,138	2,355
III-8	Ebina Prime Tower	2-9-50 Chuo, Ebina-shi, Kanagawa	Trust beneficiary interest in real estate	3,690	6,006
III-9	Kowa Kawasaki Nishiguchi Building	66-2 Horikawa-cho, Saiwai-ku, Kawasaki-shi, Kanagawa	Trust beneficiary interest in real estate	24,500	30,012
III-10	Pacific Square Sengoku	2-29-24 Hon-Komagome, Bunkyo-ku, Tokyo	Trust beneficiary interest in real estate	1,589	1,666
III-11	Core City Tachikawa	2-37-7 Akebono-cho, Tachikawa-shi, Tokyo	Trust beneficiary interest in real estate	6,870	6,449
Area III				72,887	80,160
IV-2	JEI Kyobashi Building	2-2-48 Kata-machi, Tsushima-ku, Osaka-shi, Osaka	Trust beneficiary interest in real estate	3,520	3,285
IV-3	JEI Hiroshima Hacchobori Building	14-4 Hacchobori, Naka-ku, Hiroshima-shi, Hiroshima	Trust beneficiary interest in real estate	2,720	2,768
IV-4	SE Sankyo Building	1-1-2 Kitananajonishi Kita-ku, Sapporo-shi, Hokkaido	Trust beneficiary interest in real estate	5,996	5,492
Area IV				12,236	11,546
Total				225,682	238,861

(Note) Appraisal value at end of period indicates the appraisal value described in the real estate appraisal report prepared by real estate appraisers belonging to Japan Real Estate Institute, Chuo Real Estate Appraisal Co., Ltd., and Japan Valuers Co., Ltd. as of June 30, 2013 pursuant to the articles of incorporation of JEI and the regulations stipulated by the Investment Trusts Association, Japan. For properties with joint ownership in the current portfolio, the value is obtained by multiplying the total value of the shared real estate by the percentage of the interest owned by JEI or the trustee.

Property No.	Property name	13th Period July 1, 2012 to December 31, 2012				14th Period January 1, 2013 to June 30, 2013			
		Total number of tenants (At end of period) (Note 1)	Occupancy rate (At end of period) (%)	Rental revenue (Interim) (Millions of yen)	Ratio of rental revenue to total rental revenues (%) (Note 2)	Total number of tenants (At end of period) (Note 1)	Occupancy rate (At end of period) (%)	Rental revenue (Interim) (Millions of yen)	Ratio of rental revenue to total rental revenues (%) (Note 2)
I -1	Omori Bellport D	1	96.2	947	12.5	1	100.0	944	11.2
I -2	Shiba 2-Chome Building	2	100.0	371	4.9	2	98.4	372	4.4
I -3	JEI Hamamatsucho Building	1	100.0	254	3.4	1	100.0	253	3.0
I -4	No. 32 Kowa Building	1	92.4	271	3.6	1	100.0	249	3.0
I -7	Akasaka Garden City	1	100.0	401	5.3	1	82.3	364	4.3
I -8	AKASAKA INTERCITY	12	98.6	314	4.1	12	91.9	563	6.7
I -9	Kowa Shirokanedai Building	1	94.7	179	2.4	1	100.0	163	1.9
I -10	Daiba Garden City Building	1	100.0	338	4.5	1	100.0	338	4.0
I -11	No. 35 Kowa Building	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
I -12	HAMARIKYU INTERCITY	6	98.2	275	3.6	6	97.9	280	3.3
I -13	Shintomicho Building	9	100.0	72	1.0	9	100.0	71	0.9
I -14	Kowa Nishi-Shimbashi Building	-	-	(Note 3)	(Note 3)	6	100.0	(Note 3)	(Note 3)
Area I		36	98.0	-	-	42	97.5	-	-
II -1	NHK Nagoya Housou Center	30	96.8	305	4.0	30	96.6	301	3.6
II -2	JEI Nishi-Honmachi Building	1	95.7	205	2.7	1	98.6	218	2.6
II -3	Osaka Kogin Building (Land with Leasehold Interest)	-	-	-	-	1	100.0	67	0.8
Area II		31	96.2	-	-	32	98.0	-	-
III-1	Musashikosugi Tower Place	36	100.0	806	10.6	37	100.0	787	9.4
III-2	Kowa Kawasaki Higashiguchi	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
III-3	JEI Hongo Building	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
III-5	Kawasaki Nisshincho Building	1	66.6	88	1.2	1	96.3	165	2.0
III-6	No. 44 Kowa Building	1	100.0	91	1.2	1	100.0	90	1.1
III-7	JEI Ryogoku Building	1	84.0	102	1.3	1	100.0	100	1.2
III-8	Ebina Prime Tower	17	75.8	338	4.4	24	82.5	339	4.0
III-9	Kowa Kawasaki Nishiguchi Building	1	94.7	916	12.1	1	99.6	937	11.1
III-10	Pacific Square Sengoku	6	85.1	82	1.1	7	94.9	59	0.7
III-11	Core City Tachikawa	-	-	-	-	1	98.5	228	2.7
Area III		65	90.6	-	-	75	96.3	-	-
IV-2	JEI Kyobashi Building	1	96.2	182	2.4	1	100.0	180	2.2
IV-3	JEI Hiroshima Hacchobori Building	1	89.7	149	2.0	1	96.3	143	1.7

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IV-4	SE Sankyo Building	-	-	-	-	1	100.0	243	2.9
Area IV		2	93.2	-	-	3	99.1	-	-
Total		134	94.0	7,597	100.0	152	97.1	8,409	100.0

(Note 1) Total number of tenants indicates the total number of tenants in each property as of the end of each period. For properties for which master lease agreements have been concluded, the number of tenants is counted as one per property. When a tenant has multiple tenancies in the same property, it is counted as one tenant, and when in multiple properties, it is counted as multiple tenants. As for Osaka Kogin Building (Land with Leasehold Interest), total number of tenants is counted as one based on the lease agreement for the leased land.

(Note 2) Ratio of rental revenue to total rental revenues is rounded to one decimal place.

(Note 3) No. 35 Kowa Building, Kowa Nishi-Shimbashi Building, Kowa Kawasaki Higashiguchi and JEI Hongo Building are not disclosed as consents on disclosure from the end tenants have not been obtained.

(5) Other Assets

1) Contract amount and fair value of specified transactions and foreign exchange forwards transactions

Classification	Type	Contract amount (Thousands of yen) (Note 1)		Fair value (Thousands of yen) (Note 2)
			Over one year	
Over-the-counter transaction	Interest rate swap contracts	54,900,000	54,900,000	—
	Fixed interest rate payable Floating interest rate receivable			

(Note 1) Contract amount of swap is calculated based on notional principal.

(Note 2) Fair value is omitted for presentation as over-the-counter transactions meet requirements for special accounting under the Accounting Standard for Financial Instruments.

4. Capital Expenditures for Owned Properties

(1) Scheduled Capital Expenditures

The following table shows major items of scheduled capital expenditures for repairs and maintenance planned for the properties owned by JEI as of June 30, 2013. The values below include portions to be expensed for accounting purposes.

Property name	Location	Purpose	Schedule term	Estimated construction costs (Millions of yen)		
				Total	Payment for the six months ended June 30, 2013	Total of advance payment
Kowa Kawasaki Nishiguchi Building	Saiwai-ku, Kawasaki-shi	Renewal of canteens for office workers	From January 2013 To July 2013	194	—	—
Kowa Kawasaki Nishiguchi Building	Saiwai-ku, Kawasaki-shi	Renewal of air-conditioning systems (1st term)	From January 2013 To July 2013	167	—	—
JEI Hamamatsucho Building	Minato-ku, Tokyo	Renewal of air-conditioning systems (4th term)	From April 2013 To July 2013	82	—	—
SE Sankyo Building	Kita-ku, Sapporo-shi	Replacement of multi-level parking lot no. 3 pallet floorboard	From July 2013 To December 2013	42	—	—

(2) Capital Expenditures for the Six months Ended June 30, 2013

The following table shows constructions conducted by JEI during the period for properties it owned as of June 30, 2013 and expensed as capital expenditures. Capital expenditures for the period ended June 30 were 572 million yen and, when combined with repairs and maintenance costs of 109 million yen classified as expenses, the amount of constructions completed totaled 681 million yen.

Property name	Location	Purpose	Scheduled term	Amounts Paid (Millions of yen)
NHK Nagoya Housou Center Building	Higashi-ku, Nagoya-shi	Renewal of air-conditioning systems (5th term)	From June, 2012 To January 2013	87
JEI Hamatsucho Building	Minato-ku, Tokyo	Renewal of air-conditioning systems (3rd term)	From October 2012 To January 2013	80
Kowa Kawasaki Nishiguchi Building	Saiwai-ku, Kawasaki-shi	Renewal of canteens for office workers (1st term)	From December 2012 To February 2013	38
Omori Bellport D	Shinagawa-ku, Tokyo	Renewal of disaster prevention systems (1st term)	From January 2013 To March 2013	36
Other constructions			—	328
Total				572

(3) Reserved Funds for Long-term Repairs and Maintenance Plans

Based on our long-term repairs and maintenance plans developed for each property, JEI has set aside the following cash reserves, derived from depreciation and other excess cash flows, in order to fund large-scale repairs and maintenance and other construction.

(Unit: Millions of yen)

Item	10th Period January 1, 2011 to June 30, 2011	11th Period July 1, 2011 to December 31, 2011	12th Period January 1, 2012 to June 30, 2012	13th Period July 1, 2012 to December 31, 2012	12th Period January 1, 2013 to June 30, 2013
Reserved funds at beginning of period	259	251	299	267	281
Increase	5	48	14	14	25
Decrease	13	—	47	—	7
Reserved funds at the end of period	251	299	267	281	299

5. Expenses and Liabilities

(1) Expenses Associated with Asset Management

(Unit: Thousands of yen)

Account	13th Period July 1, 2012 to December 31, 2012	14th Period January 1, 2013 to June 30, 2013
(a) Asset management fees	358,309	370,459
(b) Custodian fees	17,317	17,261
(c) Administrative service fees	33,712	33,072
(d) Compensation for directors	6,540	6,540
(e) Accounting auditor fees	11,000	11,000
(f) Other	50,021	83,261
Total	476,900	521,594

(2) Borrowings

Borrowings by each financing source as of the end of the 14th period (ended June 30, 2013) are as follows:

Classification	Lender	Drawdown date	Balance at beginning of period (Thousands of yen)	Balance at end of period (Thousands of yen)	Average interest rate (%) (Note 1)	Maturity date	Repayment method	Use	Remarks
Short-term loans	Mizuho Trust & Banking Co., Ltd.	May 7, 2012	500,000	—	—	February 28, 2013	Lump-sum	Acquisition of real estate	Unsecured and unguaranteed
Sub Total			500,000	—	—	—	—	—	—
Long-term loans due within one year	Mizuho Corporate Bank, Ltd. (Note 3)	October 24, 2008	6,000,000	—	—	June 28, 2013	Lump-sum	Repayment of existing borrowing	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking		1,000,000	—					
	The Norinchukin Bank	June 29, 2010	3,100,000	3,100,000	0.98000	December 27, 2013			
	Mizuho Corporate Bank, Ltd. (Note 3)		1,800,000	1,800,000					
	Mitsubishi UFJ Trust and Banking		1,800,000	1,800,000					
	Mizuho Trust & Banking Co., Ltd.		1,300,000	1,300,000					
Sub Total			15,000,000	8,000,000	0.98000	—	—	—	—

	Classification	Drawdown date	Balance at beginning of period (Thousands of yen)	Balance at end of period (Thousands of yen)	Average interest rate (%) (Note 1)	Maturity date	Repayment method	Use	Remarks
	Lender								
Long-term loans (Note 4)	The Dai-ichi Life Insurance Company Limited	July 31, 2007	2,000,000	2,000,000	2.25875 (Note 2)	July 31, 2014	Lump-sum	Acquisition of real estate	Unsecured and unguaranteed
	Development Bank of Japan Inc.		2,000,000	2,000,000	2.28417 (Note 2)				
	Mitsubishi UFJ Trust and Banking	June 29, 2011	4,000,000	4,000,000	0.88000	December 29, 2014		Repayment of existing borrowing	
	Mizuho Corporate Bank, Ltd. (Note 3)		3,900,000	3,900,000					
	Mizuho Trust & Banking Co., Ltd.		2,400,000	2,400,000					
	Resona Bank, Ltd.		1,200,000	1,200,000					
	The Dai-ichi Life Insurance Company Limited	October 24, 2008	3,000,000	3,000,000	2.27344 (Note 2)	June 30, 2015			
	Development Bank of Japan Inc.		2,000,000	2,000,000					
	Mizuho Trust & Banking Co., Ltd.	November 29, 2011	1,620,000	1,620,000	1.13750 (Note 2)	November 30, 2015		Acquisition of real estate	
	Aozora Bank, Ltd.		1,620,000	1,620,000					
	Aozora Bank, Ltd.		650,000	650,000					
	Mizuho Corporate Bank, Ltd. (Note 3)		370,000	370,000					
	Sumitomo Mitsui Banking Corporation		280,000	280,000					
	Mizuho Corporate Bank, Ltd. (Note 3)		500,000	500,000					
	Mitsubishi UFJ Trust and Banking	January 31, 2012	500,000	500,000	1.14125 (Note 2)				
	Resona Bank, Ltd.		500,000	500,000					
	Aozora Bank, Ltd.		200,000	200,000					
	The Bank of Fukuoka		300,000	300,000					
	The Norinchukin Bank		2,000,000	2,000,000					
	Mizuho Trust & Banking Co., Ltd.	July 31, 2012	1,500,000	1,500,000	0.97125 (Note 2)				
	Resona Bank, Ltd.		500,000	500,000					
	Mitsubishi UFJ Trust and Banking		4,600,000	4,600,000					
	Mizuho Corporate Bank, Ltd. (Note 3)	June 29, 2011	4,400,000	4,400,000	1.36375 (Note 2)	June 29, 2016		Repayment of existing borrowing	
	Sumitomo Mitsui Banking Corporation		4,000,000	4,000,000					
	Sumitomo Mitsui Trust Bank, Limited		1,620,000	1,620,000					
	Sumitomo Mitsui Banking Corporation	November 29, 2011	1,080,000	1,080,000	1.24375 (Note 2)	November 29, 2016			
Mitsubishi UFJ Trust and Banking	540,000		540,000						
Mizuho Corporate Bank, Ltd. (Note 3)	520,000		520,000						
Mizuho Corporate Bank, Ltd. (Note 3)	January 31, 2012	2,000,000	2,000,000	1.24750 (Note 2)	January 31, 2017				
Mitsubishi UFJ Trust and Banking		1,500,000	1,500,000						
Sumitomo Mitsui Banking Corporation		1,500,000	1,500,000						
Mizuho Corporate Bank, Ltd. (Note 3)	July 31, 2012	1,500,000	1,500,000	1.03000 (Note 2)					
Mitsubishi UFJ Trust and Banking		1,300,000	1,300,000						

Long-term loans (Note 4)	Sumitomo Mitsui Banking Corporation		1,200,000	1,200,000		Lump-sum	Repayment of existing borrowing	Unsecured and unguaranteed		
	Sompo Japan Insurance Inc.		2,000,000	2,000,000	1.09734					
	Tokio Marine & Nichido Fire Insurance Co., Ltd.		1,000,000	1,000,000	(Note 2)					
	Development Bank of Japan Inc.	November 30, 2010	6,000,000	6,000,000	1.73875				November 30, 2017	
	Mizuho Corporate Bank, Ltd. (Note 3)	July 31, 2012	1,000,000	1,000,000	1.08375					
	Mitsubishi UFJ Trust and Banking		1,000,000	1,000,000						
	Sumitomo Mitsui Banking Corporation		1,000,000	1,000,000						
	Mizuho Corporate Bank, Ltd. (Note 3)	June 28, 2013	—	1,000,000	1.04550					
	Aozora Bank, Ltd.		—	500,000						
	Resona Bank, Ltd.		—	500,000						
	Sompo Japan Insurance Inc.		—	500,000						
	Tokio Marine & Nichido Fire Insurance Co., Ltd.		—	500,000						
	The Dai-ichi Life Insurance Company Limited	June 29, 2011	3,000,000	3,000,000	1.65125					June 29, 2018
	Mizuho Corporate Bank, Ltd. (Note 3)	June 28, 2013	—	5,000,000	0.81225					
	Mitsubishi UFJ Trust and Banking		—	2,000,000						
	Sumitomo Mitsui Banking Corporation		—	1,100,000						
	The Norinchukin Bank		—	1,000,000						
	Resona Bank, Ltd.		—	200,000						
	The Bank of Fukuoka		—	700,000						
	Shinkin Central Bank		—	1,000,000						
	Development Bank of Japan Inc.	January 31, 2012	2,000,000	2,000,000	1.60000				January 31, 2020	
Mizuho Corporate Bank, Ltd. (Note 3)	June 28, 2013	—	500,000	1.36400						
Mitsubishi UFJ Trust and Banking		—	500,000							
Sumitomo Mitsui Banking Corporation		—	1,000,000							
Mizuho Trust & Banking Co., Ltd.		—	600,000							
The Dai-ichi Life Insurance Company Limited		—	1,000,000							
Development Bank of Japan Inc.		—	2,000,000							
Sub Total		73,800,000	93,400,000	1.28575	—	—	—			
Total		89,300,000	101,400,000	1.26163	—	—	—			

(Note 1) The average interest rates are calculated using a weighted-average of the loan balance at the end of period by multiplying the interest rate of each loan agreement as of period-end, rounding to five decimal places. Borrowings hedged by interest rate swaps to avoid interest rate fluctuation risk are calculated using a weighted average rate adjusting the effect of the interest rate swaps.

(Note 2) The loans are fixed-rate loans (including loans with fixed-rate interest using interest rate swaps).

(Note 3) Mizuho Corporate Bank, Ltd. merged with Mizuho Bank, Ltd. on July 1, 2013 and changed its trade name to Mizuho Bank, Ltd.

(Note 4) The following table shows annual total amount of long-term loans (excluding those due within one year) for each year after the balance sheet date.

(Unit: Thousands of yen)

Classification	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Long-term loans	20,500,000	23,540,000	15,760,000	26,000,000	7,600,000

(3) Investment Corporation Bonds

The outstanding investment corporation bonds issued by JEI as of June 30, 2013 are as follows:

Issue	Issuance date	Balance at beginning of period (Thousands of yen)	Balance at end of period (Thousands of yen)	Interest rate (Note 1) (%)	Maturity date	Repayment method	Use	Remarks
1st series unsecured investment corporation bonds	March 11, 2010	12,000,000	12,000,000	1.52000	March 11, 2014	Lump-sum	(Note 2)	(Note 4)
2nd series unsecured investment corporation bonds	June 28, 2010	5,000,000	5,000,000	1.29000	June 26, 2015	Lump-sum	(Note 2)	(Note 4)
3rd series unsecured investment corporation bonds	November 4, 2011	5,000,000	5,000,000	1.01000	November 4, 2016	Lump-sum	(Note 3)	(Note 4)
4th series unsecured investment corporation bonds	November 4, 2011	2,000,000	2,000,000	1.40000	November 2, 2018	Lump-sum	(Note 3)	(Note 4)
Total		24,000,000	24,000,000	1.35583				

(Note 1) The interest rate indicated in the total column is calculated using a weighted average of the balance at the end of period by multiplying the loan interest rate of each investment corporation bond, rounding to five decimal places.

(Note 2) The funds were used for repaying existing borrowings.

(Note 3) The funds were used for acquiring new properties.

(Note 4) The bonds are with special pari passu conditions among specified investment corporation bonds.

(4) Short-Term Investment Corporation Bonds

JEI has no outstanding short-term investment corporation bonds as of June 30, 2013.

6. Condition of Investment Transactions

(1) Transactions of Property and Asset-Backed Securities, Etc.

(Unit: Millions of yen)

Type of assets	Name of property	Acquisition		Transfer			
		Acquisition date	Acquisition price (Note 1)	Transfer date	Transfer amount (Note 1)	Net book value	Gain (loss) on transfer (Note 2)
Trust beneficiary interest in real estate	AKASAKA INTERCITY (Additional Acquisition of Co- Ownership)	February 5, 2013	10,289	—	—	—	—
Trust beneficiary interest in real estate	Osaka Kogin Building (Land with Leasehold Interest)	February 5, 2013	1,770	—	—	—	—
Trust beneficiary interest in real estate	Core City Tachikawa	February 5, 2013	6,500	—	—	—	—
Trust beneficiary interest in real estate	SE Sankyo Building	March 1, 2013	5,500	—	—	—	—
Real Estate	Kowa Nishi-Shimbashi Building	March 28, 2013	3,931	—	—	—	—
Real Estate (Note 2)	Kawasaki Nisshincho Building (Additional Acquisition of Co-ownership Interest)	April 17, 2013	520	—	—	—	—
Total		—	28,510	—	—	—	—

(Note 1) The acquisition price is the amount that does not factor in the expenses required in the acquisition of the real estate, etc.

(brokerage fees, property and other taxes, etc.) and the transfer amount is the transfer amount of the real estate, etc. stated in the trust beneficiary interest transfer agreement, etc. However, concerning Osaka Kogin Building (Land with Leasehold Interest), the purchase price of the land stated in the trust beneficiary interest purchase agreement subject to conditions precedent (10,100,000,000 yen), less the amount equivalent to the key money pertaining to the leasehold interest in land that will be received from the lessee of the land (8,330,000,000 yen), is the amount (1,770,000,000 yen) calculated as the acquisition price. In addition, the amount is rounded to the nearest million yen.

(Note 2) Immediately after acquiring the co-ownership interest of Kawasaki Nisshincho Building, JEI additionally placed it in trust.

(2) Transactions of Other Assets

Other than those described above, major assets transacted are mainly bank deposits and bank deposits in trust.

(3) Appraisal and Research for Specified Asset Value, Etc.

1) Real estate, etc.

(Unit: Millions of yen)

Acquisition or transfer	Name of property	Type of assets	Acquisition date	Acquisition price (Note)	Appraisal value at end of period	Appraiser	Appraisal date
Acquisition	AKASAKA INTERCITY (Additional Acquisition of Co-Ownership)	Trust beneficiary interest in real estate	February 5, 2013	10,289	12,000	Japan Real Estate Institute	November 30, 2012
Acquisition	Osaka Kogin Building	Trust beneficiary	February 5, 2013	1,770	1,770	Japan Real Estate Institute	November 30, 2012

Asset Management Report for 14th period (Semi-Annual Report for 14th Period)

	(Land with Leasehold Interest)	interest in real estate					
Acquisition	Core City Tachikawa	Trust beneficiary interest in real estate	February 5, 2013	6,500	6,560	Japan Real Estate Institute	November 30, 2012
Acquisition	SE SANKYO BUILDING	Trust beneficiary interest in real estate	March 1, 2013	5,500	5,747	Chuo Real Estate Appraisal Co., Ltd.,	September 1, 2012
Acquisition	Kowa Nishi-Shimbashi Building	Real Estate	March 28, 2013	3,931	4,020	Japan Real Estate Institute	March 1, 2013
Acquisition	Kawasaki Nisshincho Building (Additional Acquisition of Co-ownership Interest)	Real Estate	April 17, 2013	520	511	Japan Real Estate Institute	March 1, 2013

(Note) The acquisition price is the purchase price of the property stated in the purchase agreement (excluding the amount equivalent to consumption taxes, etc.). However, concerning Osaka Kogin Building (Land with Leasehold Interest), the purchase price of the land stated in the trust beneficiary interest purchase agreement subject to conditions precedent (10,100,000,000 yen), less the amount equivalent to the key money pertaining to the leasehold interest in land that will be received from the lessee of the land (8,330,000,000 yen), is the amount (1,770,000,000 yen) calculated as the acquisition price. In addition, the amount is rounded to the nearest million yen.

2) Others

Of the transactions of JEI that are subject to research for specified assets value and other particulars under Section 201 of the Investment Trust Law, those other than what are described in 1) Real estate, etc. is researched and reported by Ernst & Young ShinNihon LLC.

Three interest rate swap contracts were subject to the research during the period from January 1, 2013 to June 30, 2013 and we have received the related research report from Ernst & Young ShinNihon LLC. In the research, Ernst & Young ShinNihon LLC is requested to report on the name of counterparty, currency, contractual interest rate, transaction term and other matters pertaining to the subject interest rate swap contracts.

(4) Transactions with Interested Parties or Major Shareholders

1) Transactions

There were no applicable items during the period.

2) Amounts of fees paid and other expenses

(Unit: Thousands of yen)

Classification	Total amount paid (A)	Breakdown of transactions with interested parties and major shareholders		B/A
		Paid to	Amount paid (B)	
Property management costs and fees (Note 2)	1,148,409	Nippon Steel Kowa Real Estate Co., Ltd.	439,109	38.2%
		Sekisui House, Ltd.	46,619	4.1%
Total	1,148,409	—	485,728	42.3%

(Note 1) Figures indicate fees paid to interested parties and major shareholders of asset management companies with whom JEI had transactions during the six months ended June 2013.

(Note 2) Property management costs and fees include construction management fees that were not expensed but capitalized in property management fees and expenses.

(Note 3) The amounts do not include consumption tax and other taxes.

(5) Transactions with Asset Management Company Concerning the Additional Businesses of the Asset Management Company

The Asset Management Company (Japan Excellent Asset Management Co., Ltd.) does not conduct any additional business falling under the categories of the type I financial instruments business, type II financial instruments business, building lots and buildings transaction business, or real estate specified joint enterprise, and had no applicable transactions.

7. Accounting

(1) Assets, Liabilities, Principal, and Profit and Loss

For assets, liabilities, principal, and profit and loss, please refer to the attached Balance Sheets, Statements of Income and Retained Earnings, Statements of Changes in Net Assets, Notes to Financial Statements and Distribution Information.

(2) Change in Depreciation Calculation Method

No changes were made during the period.

(3) Change in Asset Valuation Method

No changes were made during the period

8. Others

(1) Investment Trust Beneficiary Certificates Incorporated by JEI

There were no applicable items during the period.

(2) Scheduled Meetings

1) Unitholders' meeting

There were no applicable items during the period.

2) Board of directors meeting

Major issues related to the execution and modification of major contracts approved by the board of directors of JEI during the six months ended June 30, 2013 is summarized below.

Approval date	Approved agenda	Description
January 23, 2013	Conclusion of new investment units underwriting agreement (agreement for entrustment of general administrative duties concerning offering of investment units)	With issuance of new investment units, an underwriting agreement for the new investment units was concluded with Mizuho Securities Co., Ltd., Nomura Securities Co., Ltd., Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., SMBC Nikko Securities Inc. and Mito Securities Co., Ltd., entrusting them with general administrative duties concerning the offering of investment units.
February 14, 2013	Entrustment of general administrative duties concerning investment corporation bonds	The board of directors made a comprehensive resolution on investment corporation bonds to be issued in the period from February 15, 2013 to February 7, 2014. The board of directors approved the respective candidate general administrator for "administrative duties concerning offering of investment corporation bonds" and "administrative duties concerning acceptance of claims for exercise of rights and other inquiries from creditors of the investment corporation, and other administrative duties concerning investment corporation bonds during the period," and assigned decisions on all other necessary matters to the Executive Director.

(3) Other

Unless otherwise stated, monetary amounts have been rounded down and percentage figures have been rounded off to the nearest indicated unit in this Report.

Financial Statements

Japan Excellent, Inc.

*For the six-month periods ended
June 30, 2013 and December 31, 2012
with Independent Auditor's Report*



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Independent Auditor's Report

The Board of Directors
Japan Excellent, Inc.

We have audited the accompanying financial statements of Japan Excellent, Inc., which comprise the balance sheet as at June 30, 2013, and the related statements of income and retained earnings, changes in net assets, and cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. The purpose of an audit of the financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Japan Excellent, Inc. as at June 30, 2013, and its financial performance and cash flows for the six-month period then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying financial statements have been properly translated on the basis described in Note 2.

Ernst & Young ShinNihon LLC

September 20, 2013
Tokyo, Japan

Japan Excellent, Inc.

Balance Sheets

As of June 30, 2013 and December 31, 2012

	As of June 30, 2013	As of December 31, 2012	As of June 30, 2013
	<i>(Thousands of yen)</i>		<i>(U.S. dollars)</i> <i>(Note 2)</i>
Assets			
Current assets:			
Cash and cash equivalents including trust accounts <i>(Notes 4 and 5)</i>	¥ 16,632,393	¥ 15,325,266	\$ 168,634,221
Rental receivables	728,928	650,872	7,390,525
Consumption taxes refundable	397,252	—	4,027,701
Other current assets	211,552	161,309	2,144,909
Total current assets	17,970,125	16,137,447	182,197,356
Property and equipment <i>(Note 7):</i>			
Buildings and building improvements	4,757,565	3,812,634	48,236,494
Machinery and equipment	265	265	2,688
Furniture and fixtures	2,285	2,285	23,164
Land	3,022,576	—	30,645,604
Construction in progress	2,777	9,736	28,156
Buildings and building improvements for trust accounts	92,103,927	82,741,761	933,832,782
Machinery and equipment for trust accounts	454,947	431,629	4,612,662
Furniture and fixtures for trust accounts	101,813	81,727	1,032,268
Land for trust accounts	143,746,869	128,008,244	1,457,435,556
Construction in progress for trust accounts	76,475	63,315	775,373
Less: accumulated depreciation	(13,972,662)	(12,538,834)	(141,667,464)
Net property and equipment	230,296,837	202,612,762	2,334,957,283
Investments and other assets:			
Leasehold rights	1,185,045	1,185,045	12,015,055
Leasehold rights for trust accounts	7,380,017	7,380,017	74,825,274
Investment securities	—	207,614	—
Security deposits	15,181	15,181	153,926
Long-term prepaid expenses	417,599	331,457	4,233,996
Investment corporation bond issuance costs	52,312	66,004	530,386
Other assets	296,011	84,509	3,001,227
Total investments and other assets	9,346,165	9,269,827	94,759,864
Total assets	¥ 257,613,127	¥ 228,020,036	\$ 2,611,914,503

The accompanying notes are an integral part of these financial statements.

	As of June 30, 2013	As of December 31, 2012	As of June 30, 2013
	<i>(Thousands of yen)</i>		<i>(U.S. dollars) (Note 2)</i>
Liabilities			
Current liabilities:			
Accounts payable – trade	¥ 717,640	¥ 510,686	\$ 7,276,081
Short-term loans <i>(Notes 5 and 8)</i>	–	500,000	–
Investment corporation bonds due within one year <i>(Notes 5 and 9)</i>	12,000,000	–	121,666,836
Long-term debt due within one year <i>(Notes 5 and 8)</i>	8,000,000	15,000,000	81,111,224
Accounts payable – other	318,029	329,263	3,224,466
Unpaid consumption taxes	–	136,379	–
Other current liabilities	388,181	328,003	3,935,735
Total current liabilities	21,423,850	16,804,331	217,214,342
Long-term liabilities:			
Investment corporation bonds <i>(Notes 5 and 9)</i>	12,000,000	24,000,000	121,666,836
Long-term debt <i>(Notes 5 and 8)</i>	93,400,000	73,800,000	946,973,537
Security deposits from tenants <i>(Note 5)</i>	640,175	426,974	6,490,674
Security deposits from tenants for trust accounts <i>(Note 5)</i>	9,466,074	8,443,474	95,975,602
Total long-term liabilities	115,506,249	106,670,448	1,171,106,649
Total liabilities	136,930,099	123,474,779	1,388,320,991
Net assets (Note 10):			
Unitholders' equity:			
Unitholders' capital	117,901,291	102,052,384	1,195,389,750
Units authorized: 2,000,000 units			
Units issued and outstanding:			
224,950 units as of June 30, 2013 and			
188,650 units as of December 31, 2012			
Surplus			
Voluntary reserve			
Reserve for advanced depreciation of non-current assets	183,368	183,368	1,859,148
Retained earnings	2,598,369	2,309,505	26,344,614
Total surplus	2,781,737	2,492,873	28,203,762
Total unitholders' equity	120,683,028	104,545,257	1,223,593,512
Total net assets	120,683,028	104,545,257	1,223,593,512
Total liabilities and net assets	¥ 257,613,127	¥ 228,020,036	\$ 2,611,914,503

The accompanying notes are an integral part of these financial statements.

Japan Excellent, Inc.

Statements of Income and Retained Earnings

For the periods from January 1, 2013 to June 30, 2013
and from July 1, 2012 to December 31, 2012

	For the period from January 1, 2013 to June 30, 2013	For the period from July 1, 2012 to December 31, 2012	For the period from January 1, 2013 to June 30, 2013
	<i>(Thousands of yen)</i>		<i>(U.S. dollars) (Note 2)</i>
Revenues:			
Rental revenues <i>(Note 13)</i>	¥7,716,520	¥6,944,963	\$78,237,050
Other <i>(Note 13)</i>	692,993	652,843	7,026,191
Dividend income from investment in anonymous association	9,173	1,524	93,003
Total revenues	8,418,686	7,599,330	85,356,244
Operating expenses:			
Property operating expenses <i>(Note 13)</i>	4,350,117	3,950,122	44,105,408
Asset management fees	370,459	358,310	3,756,049
Custodian fees	17,261	17,317	175,012
Administrative service fees	33,073	33,712	335,319
Compensation for directors	6,540	6,540	66,309
Other	94,261	61,021	955,707
Total operating expenses	4,871,711	4,427,022	49,393,804
Operating income	3,546,975	3,172,308	35,962,440
Other income:			
Interest income	1,569	1,551	15,913
Other	1,506	5,677	15,270
Other expenses:			
Interest expense	598,529	595,132	6,068,433
Loan arrangement fees	140,900	96,054	1,428,569
New unit issuance costs	45,991	-	466,293
Interest expense on investment corporation bonds	161,407	163,993	1,636,495
Amortization of investment corporation bond issuance costs	13,692	13,692	138,819
Other	181	181	1,840
Ordinary income	2,589,350	2,310,484	26,253,174
Extraordinary income:			
Gain on donation of non-current assets	9,893	-	100,301
Income before income taxes	2,599,243	2,310,484	26,353,475
Income taxes <i>(Note 12)</i>:			
Current	917	1,088	9,299
Deferred	8	(1)	85
Net income	2,598,318	2,309,397	26,344,091
Retained earnings at beginning of period	51	108	523
Retained earnings at end of period	¥2,598,369	¥2,309,505	\$26,344,614

The accompanying notes are an integral part of these financial statements.

Japan Excellent, Inc.

Statements of Changes in Net Assets

For the periods from January 1, 2013 to June 30, 2013
and from July 1, 2012 to December 31, 2012

	For the period from July 1, 2012 to December 31, 2012								
	Net assets								
	Unitholders' equity								
	Number of units in issue	Surplus						Total unitholders' equity	Total net assets
		Unitholders' capital	Voluntary reserve		Retained earnings	Total surplus			
Reserve for advanced depreciation of non-current assets									
Balance as of June 30, 2012	188,650	¥102,052,384	¥ 50,181	¥ 2,434,825	¥ 2,485,006	¥104,537,390	¥104,537,390		
Changes during the fiscal period:									
Provision for reserve for reduction	-	-	133,187	(133,187)	-	-	-		
Distributions from retained earnings	-	-	-	(2,301,530)	(2,301,530)	(2,301,530)	(2,301,530)		
Net income	-	-	-	2,309,397	2,309,397	2,309,397	2,309,397		
Total changes during the fiscal period	-	-	133,187	(125,320)	7,867	7,867	7,867		
Balance as of December 31, 2012	<u>188,650</u>	<u>¥102,052,384</u>	<u>¥183,368</u>	<u>¥ 2,309,505</u>	<u>¥ 2,492,873</u>	<u>¥104,545,257</u>	<u>¥104,545,257</u>		

	For the period from January 1, 2013 to June 30, 2013								
	Net assets								
	Unitholders' equity								
	Number of units in issue	Surplus						Total unitholders' equity	Total net assets
		Unitholders' capital	Voluntary reserve		Retained earnings	Total surplus			
Reserve for advanced depreciation of non-current assets									
Balance as of December 31, 2012	188,650	¥102,052,384	¥183,368	¥ 2,309,505	¥ 2,492,873	¥104,545,257	¥104,545,257		
Changes during the fiscal period:									
Issuance of new units	36,300	15,848,907	-	-	-	15,848,907	15,848,907		
Distributions from retained earnings	-	-	-	(2,309,454)	(2,309,454)	(2,309,454)	(2,309,454)		
Net income	-	-	-	2,598,318	2,598,318	2,598,318	2,598,318		
Total changes during the fiscal period	-	15,848,907	-	288,864	288,864	16,137,771	16,137,771		
Balance as of June 30, 2013	<u>224,950</u>	<u>¥117,901,291</u>	<u>¥183,368</u>	<u>¥ 2,598,369</u>	<u>¥ 2,781,737</u>	<u>¥120,683,028</u>	<u>¥120,683,028</u>		

	For the period from January 1, 2013 to June 30, 2013								
	Net assets								
	Unitholders' equity								
	Number of units in issue	Surplus						Total unitholders' equity	Total net assets
		Unitholders' capital	Voluntary reserve		Retained earnings	Total surplus			
Reserve for advanced depreciation of non-current assets									
Balance as of December 31, 2012	188,650	\$1,034,699,223	\$1,859,148	\$ 23,415,846	\$ 25,274,994	\$1,059,974,217	\$1,059,974,217		
Changes during the fiscal period:									
Issuance of new units	36,300	160,690,527	-	-	-	160,690,527	160,690,527		
Distributions from retained earnings	-	-	-	(23,415,323)	(23,415,323)	(23,415,323)	(23,415,323)		
Net income	-	-	-	26,344,091	26,344,091	26,344,091	26,344,091		
Total changes during the fiscal period	-	160,690,527	-	2,928,768	2,928,768	163,619,295	163,619,295		
Balance as of June 30, 2013	<u>224,950</u>	<u>\$1,195,389,750</u>	<u>\$1,859,148</u>	<u>\$ 26,344,614</u>	<u>\$ 28,203,762</u>	<u>\$1,223,593,512</u>	<u>\$1,223,593,512</u>		

The accompanying notes are an integral part of these financial statements.

Japan Excellent, Inc.

Statements of Cash Flows

For the periods from January 1, 2013 to June 30, 2013
and from July 1, 2012 to December 31, 2012

	For the period from January 1, 2013 to June 30, 2013	For the period from July 1, 2012 to December 31, 2012	For the period from January 1, 2013 to June 30, 2013
	<i>(Thousands of yen)</i>		<i>(U.S. dollars) (Note 2)</i>
Cash flows from operating activities			
Income before income taxes	¥ 2,599,243	¥ 2,310,484	\$ 26,353,475
Depreciation and amortization	1,433,885	1,284,468	14,538,023
Amortization of investment corporation bond issuance costs	13,692	13,692	138,819
New unit issuance costs	45,991	–	466,293
Interest income	(1,569)	(1,551)	(15,913)
Interest expense	759,937	759,125	7,704,927
Increase in rental receivables	(78,055)	(111,530)	(791,393)
Increase in consumption taxes refundable	(397,252)	–	(4,027,701)
(Increase) decrease in prepaid expenses	(71,643)	33,510	(726,375)
Increase (decrease) in accounts payable – trade	84,318	(76,177)	854,889
Decrease in accounts payable – other	(9,370)	(49,164)	(95,002)
Decrease in unpaid consumption taxes	(136,379)	(18,723)	(1,382,733)
Increase (decrease) in advances received	78,472	(3,978)	795,624
(Increase) decrease in long-term prepaid expenses	(86,142)	54,371	(873,384)
Gain on donation of non-current assets	(9,893)	–	(100,301)
Other, net	(178,138)	(53,588)	(1,806,121)
Subtotal	4,047,097	4,140,939	41,033,127
Interest received	1,569	1,551	15,913
Interest paid	(776,179)	(751,221)	(7,869,605)
Income taxes paid	(5,196)	(1,397)	(52,682)
Net cash provided by operating activities	3,267,291	3,389,872	33,126,753
Cash flows from investing activities			
Purchases of investment securities	–	(211,309)	–
Proceeds from redemption of investment securities	196,305	3,695	1,990,315
Purchases of property and equipment	(3,968,886)	(46,314)	(40,240,152)
Purchases of property and equipment for trust accounts	(25,014,760)	(241,650)	(253,622,221)
Proceeds from security deposits from tenants	216,628	4,751	2,196,368
Payments for security deposits to tenants	(3,427)	(2,822)	(34,744)
Proceeds from security deposits from tenants for trust accounts	1,424,105	327,984	14,438,862
Payments for security deposits to tenants for trust accounts	(401,505)	(487,096)	(4,070,820)
Net cash used in investing activities	(27,551,540)	(652,761)	(279,342,392)
Cash flows from financing activities			
Proceeds from short-term loans	17,100,000	–	173,375,241
Repayment for short-term loans	(17,600,000)	(500,000)	(178,444,692)
Proceeds from long-term debt	19,600,000	14,000,000	198,722,498
Repayment for long-term debt	(7,000,000)	(14,000,000)	(70,972,321)
Proceeds from issuance of new units	15,848,907	–	160,690,527
Payments for new unit issuance costs	(45,991)	–	(466,293)
Distributions to unitholders	(2,311,540)	(2,295,600)	(23,436,481)
Net cash provided by (used in) financing activities	25,591,376	(2,795,600)	259,468,479
Net increase (decrease) in cash and cash equivalents	1,307,127	(58,489)	13,252,840
Cash and cash equivalents at beginning of period	15,325,266	15,383,755	155,381,381
Cash and cash equivalents at end of period	¥ 16,632,393	¥ 15,325,266	\$ 168,634,221

The accompanying notes are an integral part of these financial statements.

Japan Excellent, Inc.

Notes to Financial Statements

For the periods from January 1, 2013 to June 30, 2013
and from July 1, 2012 to December 31, 2012

1. Organization

Japan Excellent, Inc. (hereinafter, "JEI"), established on February 20, 2006 under the Law Concerning Investment Trusts and Investment Corporations of Japan (the "Investment Trust Law"), is a real estate investment corporation which primarily invests in office buildings.

JEI is externally managed by a licensed asset management company, Japan Excellent Asset Management ("JEAM"). JEAM is owned 45% by NIPPON STEEL KOWA REAL ESTATE CO., LTD., 20% by The Dai-ichi Life Insurance Company, Limited, 15% by Sekisui House, Ltd. and 20% by other corporations.

JEI was listed on the Tokyo Stock Exchange on June 27, 2006. As of June 30, 2013, JEI held 28 properties with 302,505 square meters of total leasable space and had leases with 152 tenants excluding residential tenants.

2. Basis of Presentation

JEI maintains its accounting records and prepares its financial statements in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), including provisions set forth in the Investment Trust Law, the Corporation Law of Japan, the Financial Instruments and Exchange Law of Japan and related regulations, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

The accompanying financial statements are a translation of the financial statements of JEI, which were prepared in accordance with Japanese GAAP and presented in the securities report of JEI filed with the Kanto Local Finance Bureau. In preparing the accompanying financial statements, certain reclassifications and modifications have been made for the convenience of readers outside Japan. In addition, the notes to the financial statements include information that might not be required under Japanese GAAP but is presented herein as additional information. Amounts have been rounded to the nearest thousand yen in the accompanying financial statements and in the notes thereto, whereas amounts were truncated in the Japanese financial statements prepared in accordance with Japanese GAAP.

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥98.63 = U.S.\$1.00, the foreign exchange rate prevailing on June 30, 2013, has been used for translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled into U.S. dollars at that or any other rate.

3. Summary of Significant Accounting Policies

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits with banks and short-term investments which are highly liquid, readily convertible into cash with an insignificant risk of price fluctuation and with an original maturity of three months or less.

Property and equipment including trust accounts and trademark rights

Depreciation is computed by the straight-line method over the estimated useful lives of the respective assets as follows:

Buildings	2 – 60 years
Building improvements	2 – 59 years
Machinery and equipment	7 – 16 years
Furniture and fixtures	3 – 10 years

Amortization of trademark rights is computed using the straight-line method over a period of 10 years.

Deferred assets

Investment corporation bond issuance costs are amortized using the straight-line method over the amortization periods.

New unit issuance costs are charged to income as incurred.

Income taxes

Income taxes are accounted for on the basis of taxable income for financial statement purposes. The asset and liability method is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities.

Consumption taxes

Consumption taxes received and paid are not included in the accompanying statements of income and retained earnings. Consumption tax related to properties, which has not been deducted, is included in the cost of the properties.

Property-related taxes

Principally, property-related taxes including property taxes, urban planning taxes and depreciable property taxes are imposed on a calendar-year basis and are expensed as property and other taxes (refer to Note 13).

3. Summary of Significant Accounting Policies (continued)

JEI capitalizes the property-related taxes allocated to the sellers of properties to JEI at the time of acquisition of such properties including trust accounts. The capitalized amount for the period from January 1, 2013 to June 30, 2013 was ¥210,444 thousand (\$2,133,676). No property-related taxes were capitalized for the period from July 1, 2012 to December 31, 2012.

Revenue recognition

Rental revenues are generally recognized on an accrual basis over the life of each lease.

Derivatives and hedge accounting

JEI utilizes interest-rate swap agreements as derivative financial instruments solely for the purpose of hedging its exposure to fluctuation in interest rates. JEI has entered into certain interest-rate swap contracts to hedge variable rates for its long-term debt obligations.

The corresponding interest-rate swap meets the criteria for the special hedge accounting treatment under Japanese GAAP, and it is therefore not recorded at fair value.

The amounts paid or received via the swap transaction are recognized as interest adjustments. An assessment of hedge effectiveness is omitted accordingly.

Properties in trust accounts

All assets and liabilities held in trust, for which real estate in possession of JEI was entrusted, and all earnings and expenses resulting from such trust, are properly reflected in the accompanying balance sheets and statements of income and retained earnings, respectively.

4. Cash and Cash Equivalents

Cash and cash equivalents including trust accounts in the accompanying balance sheets and cash and cash equivalents in the accompanying statements of cash flows at June 30, 2013 and December 31, 2012 consisted of the following:

	As of June 30, 2013	As of December 31, 2012	As of June 30, 2013
	<i>(Thousands of yen)</i>		<i>(U.S. dollars)</i>
Cash and cash deposits	¥ 3,600,763	¥ 3,596,805	\$ 36,507,785
Cash in trust and deposits in trust	13,031,630	11,728,461	132,126,436
Cash and cash equivalents including trust accounts	<u>¥16,632,393</u>	<u>¥15,325,266</u>	<u>\$168,634,221</u>

5. Financial Instruments

For the periods from January 1, 2013 to June 30, 2013 and from July 1, 2012 to December 31, 2012

Overview

(1) Policy for Financial Instruments

JEI borrows from banks, issues investment corporation bonds and issues investment units to procure funds required to grow its assets under management and to repay liabilities, based on the financial policy set forth by JEAM and the Company's Annual Funds Procurement Plan. When procuring funds by means of interest-bearing debt, matters such as seeking longer durations and maturities, securing fixed interest rates and diversifying maturity dates are taken into consideration to achieve a more stable financial situation and avoid the risk of future interest rate hikes. Surplus funds may be invested in deposits and safe, liquid financial assets and investment securities, but are, in principle, placed in deposits. Derivative transactions are used solely for the purpose of hedging against the risk of fluctuations in interest rates of borrowings and the like.

(2) Types of Financial Instruments, Related Risks and Risk Management System

(a) Market Risks (Interest Rate Fluctuation Risks)

Borrowings and investment corporation bonds are primarily used to acquire properties or to refinance existing borrowings. Some of such debt are floating rate instruments and thus are exposed to the risk of interest rate fluctuations. Based on interest rate forecasts developed through constant monitoring activities, JEI hedges against the risk of interest rate fluctuations using derivative transactions (interest-rate swaps), which swap a floating interest rate for a fixed interest rate. To reduce credit risk, derivative transactions (interest-rate swaps) are entered into exclusively with counterparties that are financial institutions having a high credit rating. For hedging accounting methods, hedging instruments, hedged items, hedging policies and methods for evaluation the effectiveness of hedging activities, see "Derivatives and hedge accounting" under Summary of Significant Accounting Policies.

(b) Liquidity Risk (the risk of being unable to procure funds required for repayments)

Borrowings and investment corporation bonds are exposed to liquidity risk. This risk is reduced by diversifying maturity dates and funding sources, executing commitment line agreements (as described in Note 8, "Short-Term Loans and Long-Term Debt," there is no balance outstanding under the facility agreements as of June 30, 2013), and liquidity risk is managed through the constant management of liquidity on hand.

5. Financial Instruments (continued)

(3) Supplementary Explanation of the Estimated Fair Value of Financial Instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in a different fair value.

Fair value of financial instruments

The following are carrying values and fair values as of June 30, 2013 and December 31, 2012 of financial instruments and the differences between them. When fair value is difficult to ascertain, it is excluded from the following table (Note 2).

	As of June 30, 2013			As of December 31, 2012			As of June 30, 2013		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
	<i>(Thousands of yen)</i>						<i>(U.S. dollars)</i>		
(1) Cash and cash deposits	¥ 3,600,763	¥ 3,600,763	¥ -	¥ 3,596,805	¥ 3,596,805	¥ -	\$ 36,507,785	\$ 36,507,785	\$ -
(2) Cash in trust and deposits in trust	13,031,630	13,031,630	-	11,728,461	11,728,461	-	132,126,436	132,126,436	-
Total assets	¥ 16,632,393	¥ 16,632,393	¥ -	¥ 15,325,266	¥ 15,325,266	¥ -	\$ 168,634,221	\$ 168,634,221	\$ -
(3) Short-term loans	¥ -	¥ -	¥ -	¥ 500,000	¥ 500,000	¥ -	\$ -	\$ -	\$ -
(4) Investment corporation bonds due within one year	12,000,000	12,086,400	86,400	-	-	-	121,666,836	122,542,837	876,001
(5) Long-term debt due within one year	8,000,000	8,000,000	-	15,000,000	15,000,000	-	81,111,224	81,111,224	-
(6) Investment corporation bonds	12,000,000	12,150,200	150,200	24,000,000	24,221,900	221,900	121,666,836	123,189,699	1,522,863
(7) Long-term debt	93,400,000	94,393,798	993,798	73,800,000	75,023,335	1,223,335	946,973,537	957,049,562	10,076,025
Total liabilities	¥ 125,400,000	¥ 126,630,398	¥ 1,230,398	¥ 113,300,000	¥ 114,745,235	¥ 1,445,235	\$ 1,271,418,433	\$ 1,283,893,322	\$ 12,474,889
(8) Derivative transactions *	¥ -	¥ -	¥ -	¥ -	¥ -	¥ -	\$ -	\$ -	\$ -

* The value of assets and liabilities arising from derivatives is shown at net value, with the amount in parentheses representing net liability position.

(Note 1)

Methods for calculating the fair value of financial instruments and matters related to derivatives transactions

Assets

- (1) Cash and cash deposits and
- (2) Cash in trust and deposits in trust

Carrying value approximates fair value because of the short maturities of these instruments.

5. Financial Instruments (continued)

Liabilities

- (3) Short-term loans,
- (5) Long-term debt due within one year and
- (7) Long-term debt

Where floating rates apply, fair value is based on book value. The fair value of such liabilities is considered to be close to book value because floating rates reflect market interest rates within a short period of time.

If the loan is part of long-term debt, in the case of floating-rate debt hedged by an interest-rate swap, the fair value is calculated in a similar manner using the total principal and interest amount, treated in combination with the interest-rate swap, given that the interest-rate swap is subject to the special treatment of interest-rate swaps under Japanese GAAP.

The fair value of long-term fixed-rate debt and long-term fixed-rate debt due within one year are calculated by discounting the combined value of principal and interest of the applicable long-term debt by a reasonable rate assuming the same amount were to be borrowed anew.

- (4) Investment corporation bonds due within one year and
- (6) Investment corporation bonds

The fair value of investment corporation bonds issued by JEI is based on quoted market prices.

- (8) Derivative transactions

Please refer to Note 15, "Derivative Transactions."

(Note 2)

Financial instruments for which fair value is deemed extremely difficult to determine

	As of June 30, 2013	As of December 31, 2012	As of June 30, 2013
	<i>(Thousands of yen)</i>		<i>(U.S. dollars)</i>
(1) Security deposits from tenants ^(*)	¥ 640,175	¥ 426,974	\$ 6,490,674
(2) Security deposits from tenants for trust accounts ^(*)	¥9,466,074	¥8,443,474	\$95,975,602

(*) Security deposits from tenants and security deposits from tenants for trust accounts in leased properties are not subject to fair value disclosure because such deposits have no market price. Moreover, it is difficult to calculate the actual period of time on deposit, namely, from the time the tenant moves in until the time the tenant vacates, and it is extremely difficult to rationally estimate cash flow.

5. Financial Instruments (continued)

(Note 3)

The scheduled redemption amounts date of financial assets after the balance sheet date

	As of June 30, 2013					
	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
	(Thousands of yen)					
Cash and cash deposits	¥ 3,600,763	¥ –	¥ –	¥ –	¥ –	¥ –
Cash in trust and deposits in trust	13,031,630	–	–	–	–	–
Total	¥16,632,393	¥ –	¥ –	¥ –	¥ –	¥ –

	As of June 30, 2013					
	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
	(U.S. dollars)					
Cash and cash deposits	\$ 36,507,785	\$ –	\$ –	\$ –	\$ –	\$ –
Cash in trust and deposits in trust	132,126,436	–	–	–	–	–
Total	\$168,634,221	\$ –	\$ –	\$ –	\$ –	\$ –

	As of December 31, 2012					
	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
	(Thousands of yen)					
Cash and cash deposits	¥ 3,596,805	¥ –	¥ –	¥ –	¥ –	¥ –
Cash in trust and deposits in trust	11,728,461	–	–	–	–	–
Total	¥15,325,266	¥ –	¥ –	¥ –	¥ –	¥ –

(Note 4)

The scheduled redemption amounts of borrowings, investment corporation bonds and other interest-bearing debt after the balance sheet date

	As of June 30, 2013					
	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
	(Thousands of yen)					
Short-term loans	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –
Investment corporation bonds due within one year	12,000,000	–	–	–	–	–
Long-term debt due within one year	8,000,000	–	–	–	–	–
Investment corporation bonds	–	5,000,000	–	5,000,000	–	2,000,000
Long-term debt	–	20,500,000	23,540,000	15,760,000	26,000,000	7,600,000
Total	¥20,000,000	¥25,500,000	¥23,540,000	¥20,760,000	¥26,000,000	¥ 9,600,000

5. Financial Instruments (continued)

	As of June 30, 2013					
	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
	<i>(U.S. dollars)</i>					
Short-term loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment						
corporation bonds						
due within one year	121,666,836	-	-	-	-	-
Long-term debt due						
within one year	81,111,224	-	-	-	-	-
Investment						
corporation bonds	-	50,694,515	-	50,694,515	-	20,277,806
Long-term debt	-	207,847,511	238,669,776	159,789,111	263,611,477	77,055,662
Total	\$202,778,060	\$258,542,026	\$238,669,776	\$210,483,626	\$263,611,477	\$ 97,333,468

	As of December 31, 2012					
	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
	<i>(Thousands of yen)</i>					
Short-term loans	¥ 500,000	¥ -	¥ -	¥ -	¥ -	¥ -
Long-term debt due						
within one year	15,000,000	-	-	-	-	-
Investment						
corporation bonds	-	12,000,000	5,000,000	5,000,000	-	2,000,000
Long-term debt	-	15,500,000	15,540,000	16,760,000	21,000,000	5,000,000
Total	¥15,500,000	¥27,500,000	¥20,540,000	¥21,760,000	¥21,000,000	¥ 7,000,000

6. Investment and Rental Property

For the periods from January 1, 2013 to June 30, 2013 and from July 1, 2012 to December 31, 2012

JEI owns rental office buildings and other properties in Tokyo and other regions for the purpose of generating rental income. The following is the carrying value and fair value as of June 30, 2013 and December 31, 2012 for such real estate for lease.

As of December 31, 2012	Carrying value		As of June 30, 2013	Fair value As of June 30, 2013
	Change during period ^(*)			
¥211,177,823	¥27,684,075		¥238,861,898	¥225,682,000
<i>(Thousands of yen)</i>				
As of December 31, 2012	Carrying value		As of June 30, 2013	Fair value As of June 30, 2013
Change during period ^(*)				
\$2,141,111,461	\$280,686,152		\$2,421,797,612	\$2,288,167,900
<i>(U.S. dollars)</i>				

6. Investment and Rental Property (continued)

As of June 30, 2012	Carrying value		As of December 31, 2012	Fair value As of December 31, 2012
	Change during period ^{(*)2}			
¥212,178,926	¥(1,001,103)		¥211,177,823	¥194,204,000

(Thousands of yen)

(Note 1)

Carrying value represents the acquisition cost less accumulated depreciation.

(Note 2)

(*1) Changes during period comprise increases of ¥10,260,613 thousand (\$104,031,362) related to the acquisition of AKASAKA INTERCITY (Additional acquisition of compartmentalized ownership), ¥3,877,473 thousand (\$39,313,326) related to the acquisition of Kowa Nishi-Shimbashi Building, ¥1,865,265 thousand (\$18,911,738) related to the acquisition of Osaka Kogin Building (Land with leasehold interest), ¥537,656 thousand (\$5,451,241) related to the acquisition of Kawasaki Nisshincho Building (Additional acquisition of co-ownership interest), ¥6,490,587 thousand (\$65,807,429) related to the acquisition of Core City Tachikawa, ¥5,552,239 thousand (\$56,293,608) related to the acquisition of SE Sankyo Building and a decrease of ¥1,433,828 thousand (\$14,537,445) for depreciation costs.

(*2) Changes during period comprise a decrease of ¥1,284,411 thousand for depreciation costs.

(Note 3)

Fair value as of June 30, 2013 and December 31, 2012 is appraisal value provided by third-party real estate appraisers.

7. Property and Equipment

Property and equipment at June 30, 2013 and December 31, 2012 consisted of the following:

	As of June 30, 2013			As of December 31, 2012			As of June 30, 2013		
	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value
	<i>(Thousands of yen)</i>						<i>(U.S. dollars)</i>		
Buildings and building improvements	¥ 4,757,565	¥ (588,678)	¥ 4,168,887	¥ 3,812,634	¥ (524,881)	¥ 3,287,753	\$ 48,236,494	\$ (5,968,549)	\$ 42,267,945
Machinery and equipment	265	(72)	193	265	(60)	205	2,688	(726)	1,962
Furniture and fixtures	2,285	(668)	1,617	2,285	(545)	1,740	23,164	(6,773)	16,391
Land	3,022,576	–	3,022,576	–	–	–	30,645,604	–	30,645,604
Construction in progress	2,777	–	2,777	9,736	–	9,736	28,156	–	28,156
Buildings and building improvements for trust accounts	92,103,927	(13,147,516)	78,956,411	82,741,761	(11,799,079)	70,942,682	933,832,782	(133,301,392)	800,531,390
Machinery and equipment for trust accounts	454,947	(190,383)	264,564	431,629	(175,202)	256,427	4,612,662	(1,930,271)	2,682,391
Furniture and fixtures for trust accounts	101,813	(45,345)	56,468	81,727	(39,067)	42,660	1,032,268	(459,753)	572,515
Land for trust accounts	143,746,869	–	143,746,869	128,008,244	–	128,008,244	1,457,435,556	–	1,457,435,556
Construction in progress for trust accounts	76,475	–	76,475	63,315	–	63,315	775,373	–	775,373
Total	¥ 244,269,499	¥ (13,972,662)	¥ 230,296,837	¥ 215,151,596	¥ (12,538,834)	¥ 202,612,762	\$ 2,476,624,747	\$ (141,667,464)	\$ 2,334,957,283

8. Short-Term Loans and Long-Term Debt

Short-term loans and long-term debt as of June 30, 2013 and December 31, 2012 consisted of the following:

	As of June 30, 2013		As of December 31, 2012		As of June 30, 2013
	Amount (Thousands of yen)	Weighted-average interest rate ^{(*)1}	Amount (Thousands of yen)	Weighted-average interest rate ^{(*)1}	Amount (U.S. dollars)
Short-term loans:					
Unsecured loans from a bank due on February 28, 2013	¥ –	–	¥ 500,000	0.68000%	\$ –
Subtotal	–		500,000		–
Long-term debt due within one year:					
Unsecured loans from banks due on June 28, 2013	–	–	7,000,000	1.02833%	–
Unsecured loans from banks due on December 27, 2013	8,000,000	0.98000%	8,000,000	1.05917%	81,111,224
Subtotal	8,000,000		15,000,000		81,111,224
Long-term debt:					
Unsecured loans from an insurance company due on July 31, 2014	2,000,000	2.25875% ^{(*)2}	2,000,000	2.25875% ^{(*)2}	20,277,806
Unsecured loans from a bank due on July 31, 2014	2,000,000	2.28417% ^{(*)2}	2,000,000	2.28417% ^{(*)2}	20,277,806
Unsecured loans from banks due on December 29, 2014	11,500,000	0.88000%	11,500,000	0.95917%	116,597,384
Unsecured loans from an insurance company and a bank due on June 30, 2015	5,000,000	2.27344% ^{(*)2}	5,000,000	2.27344% ^{(*)2}	50,694,515
Unsecured loans from banks due on November 30, 2015	4,540,000	1.13750% ^{(*)2}	4,540,000	1.13750% ^{(*)2}	46,030,619
Unsecured loans from banks due on November 30, 2015	2,000,000	1.14125% ^{(*)2}	2,000,000	1.14125% ^{(*)2}	20,277,806
Unsecured loans from banks due on November 30, 2015	4,000,000	0.97125% ^{(*)2}	4,000,000	0.97125% ^{(*)2}	40,555,612
Unsecured loans from banks due on June 29, 2016	13,000,000	1.36375% ^{(*)2}	13,000,000	1.36375% ^{(*)2}	131,805,738
Unsecured loans from banks due on November 29, 2016	3,760,000	1.24375% ^{(*)2}	3,760,000	1.24375% ^{(*)2}	38,122,275
Unsecured loans from banks due on January 31, 2017	5,000,000	1.24750% ^{(*)2}	5,000,000	1.24750% ^{(*)2}	50,694,515
Unsecured loans from banks due on January 31, 2017	4,000,000	1.03000% ^{(*)2}	4,000,000	1.03000% ^{(*)2}	40,555,612
Unsecured loans from insurance companies due on January 31, 2017	3,000,000	1.09734% ^{(*)2}	3,000,000	1.09734% ^{(*)2}	30,416,709
Unsecured loans from a bank due on November 30, 2017	6,000,000	1.73875% ^{(*)2}	6,000,000	1.73875% ^{(*)2}	60,833,418
Unsecured loans from banks due on November 30, 2017	3,000,000	1.08375% ^{(*)2}	3,000,000	1.08375% ^{(*)2}	30,416,709
Unsecured loans from banks due on November 30, 2017	2,000,000	1.04550% ^{(*)2}	–	–	20,277,806
Unsecured loans from insurance companies due on November 30, 2017	1,000,000	1.19212% ^{(*)2}	–	–	10,138,903
Unsecured loans from an insurance company due on June 29, 2018	3,000,000	1.65125% ^{(*)2}	3,000,000	1.65125% ^{(*)2}	30,416,709
Unsecured loans from banks due on June 30, 2018	11,000,000	0.81225% ^{(*)2}	–	–	111,527,932
Unsecured loans from a bank due on January 31, 2020	2,000,000	1.60000% ^{(*)2}	2,000,000	1.60000% ^{(*)2}	20,277,806
Unsecured loans from banks due on January 31, 2020	2,600,000	1.36400% ^{(*)2}	–	–	26,361,148
Unsecured loans from an insurance company due on January 31, 2020	1,000,000	1.31261% ^{(*)2}	–	–	10,138,903
Unsecured loans from a bank due on June 30, 2021	2,000,000	1.60750% ^{(*)2}	–	–	20,277,806
Subtotal	93,400,000		73,800,000		946,973,537
Total	¥101,400,000		¥ 89,300,000		\$ 1,028,084,761

(*1) The weighted-average interest rate is weighted by the balance of each borrowing at the end of the period and rounded to the nearest fifth decimal place. As for the borrowings, which were hedged by interest-rate swaps for the purpose of avoiding interest rate fluctuation risk, the swapped interest rates are used to calculate the weighted average of interest.

(*2) These are fixed-rate debt. (Fixed-rate debt by the interest-rate swaps agreement is included.)

8. Short-Term Loans and Long-Term Debt (continued)

The scheduled repayment amounts of long-term debt after the balance sheet date (excluding the long-term debt due within one year) are as follows:

	<u>1 to 2 years</u>	<u>2 to 3 years</u>	<u>3 to 4 years</u>	<u>4 to 5 years</u>	<u>Over 5 years</u>
	<i>(Thousands of yen)</i>				
Long-term debt	¥20,500,000	¥23,540,000	¥15,760,000	¥26,000,000	¥7,600,000
	<u>1 to 2 years</u>	<u>2 to 3 years</u>	<u>3 to 4 years</u>	<u>4 to 5 years</u>	<u>Over 5 years</u>
	<i>(U.S. dollars)</i>				
Long-term debt	\$207,847,511	\$238,669,776	\$159,789,111	\$263,611,477	\$77,055,662

JEI has commitment lines of ¥14,000 million (\$141,944 thousand) with three financial institutions to reduce refinancing risk and enhance financial stability. The full amount of such commitment lines was unused at June 30, 2013.

9. Investment Corporation Bonds

Details of total investment corporation bonds outstanding as of June 30, 2013 and December 31, 2012 are summarized as follows:

	<u>As of June 30, 2013</u>		<u>As of December 31, 2012</u>		<u>As of June 30, 2013</u>
	<u>Amount</u>	<u>Weighted-average interest rate</u>	<u>Amount</u>	<u>Weighted-average interest rate</u>	<u>Amount</u>
	<i>(Thousands of yen)</i>		<i>(Thousands of yen)</i>		<i>(U.S. dollars)</i>
Unsecured bond due on March 11, 2014	¥12,000,000	1.52000%	¥12,000,000	1.52000%	\$121,666,836
Unsecured bond due on June 26, 2015	5,000,000	1.29000%	5,000,000	1.29000%	50,694,515
Unsecured bond due on November 4, 2016	5,000,000	1.01000%	5,000,000	1.01000%	50,694,515
Unsecured bond due on November 2, 2018	2,000,000	1.40000%	2,000,000	1.40000%	20,277,806
Total	<u>¥24,000,000</u>		<u>¥24,000,000</u>		<u>\$243,333,672</u>

The scheduled redemption amounts of investment corporation bonds after the balance sheet date are as follows:

	<u>1 year or less</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>	<u>3 to 4 years</u>	<u>4 to 5 years</u>	<u>Over 5 years</u>
	<i>(Thousands of yen)</i>					
Investment corporation bonds	¥12,000,000	¥5,000,000	–	¥5,000,000	–	¥2,000,000
	<u>1 year or less</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>	<u>3 to 4 years</u>	<u>4 to 5 years</u>	<u>Over 5 years</u>
	<i>(U.S. dollars)</i>					
Investment corporation bonds	\$121,666,836	\$50,694,515	–	\$50,694,515	–	\$20,277,806

10. Net Assets

In accordance with the Investment Trust Law, JEI issues only non-par value investment units and maintains net assets of at least ¥50 million.

11. Per Unit Information

Net assets per unit were ¥536,488 (\$5,439) as of June 30, 2013 and ¥554,175 as of December 31, 2012. Net income per unit was ¥11,884 (\$120) for the period from January 1, 2013 to June 30, 2013 and ¥12,241 for the period from July 1, 2012 to December 31, 2012 and was computed based on the weighted-average number of units outstanding during the respective periods.

12. Income Taxes

JEI is subject to income taxes in Japan.

JEI's policy is to make dividend distributions in excess of 90% of distributable income for each fiscal period in order to meet the condition set forth in the Special Taxation Measures Law of Japan concerning the deductibility of cash dividends paid for income tax purposes.

Details of significant components of deferred tax assets and liabilities as of June 30, 2013 and December 31, 2012 are summarized as follows:

	As of June 30, 2013	As of December 31, 2012	As of June 30, 2013
	<i>(Thousands of yen)</i>		<i>(U.S. dollars)</i>
Deferred tax assets:			
Accrued enterprise taxes	¥15	¥24	\$154
Total deferred tax assets	15	24	154
Net deferred tax assets	¥15	¥24	\$154

A reconciliation of the differences between the statutory tax rate and the effective tax rate for the periods from January 1, 2013 to June 30, 2013 and from July 1, 2012 to December 31, 2012 is as follows:

	For the period from January 1, 2013 to June 30, 2013	For the period from July 1, 2012 to December 31, 2012
Statutory tax rate	36.59%	36.59%
Reconciliation:		
Deductible distributions paid	(38.63)	(36.57)
Other	2.08	0.03
Effective tax rate	0.04%	0.05%

13. Breakdown of Property Rental Business Revenues and Expenses

	For the period from January 1, 2013 to June 30, 2013	For the period from July 1, 2012 to December 31, 2012	For the period from January 1, 2013 to June 30, 2013
	<i>(Thousands of yen)</i>		<i>(U.S. dollars)</i>
Rental business revenues:			
Rental revenues	¥7,716,520	¥6,944,963	\$78,237,050
Other	692,993	652,843	7,026,191
Total rental business revenues	<u>8,409,513</u>	<u>7,597,806</u>	<u>85,263,241</u>
Property operating expenses:			
Property management costs and fees	1,136,773	1,006,078	11,525,628
Utilities	804,651	762,490	8,158,283
Property and other taxes	629,281	613,371	6,380,213
Insurance	23,915	22,198	242,470
Repairs and maintenance	109,881	86,140	1,114,069
Depreciation	1,433,828	1,284,411	14,537,445
Other	211,788	175,434	2,147,300
Total property operating expenses	<u>4,350,117</u>	<u>3,950,122</u>	<u>44,105,408</u>
Profit	<u>¥4,059,396</u>	<u>¥3,647,684</u>	<u>\$41,157,833</u>

14. Leases

JEI leases properties on which rental revenues are earned. At June 30, 2013 and December 31, 2012, future lease revenues under non-cancelable operating leases are summarized as follows:

	As of June 30, 2013	As of December 31, 2012	As of June 30, 2013
	<i>(Thousands of yen)</i>		<i>(U.S. dollars)</i>
Due within one year	¥ 590,411	¥ 8,462	\$ 5,986,110
Due after one year	734,191	413,670	7,443,896
Total	<u>¥1,324,602</u>	<u>¥422,132</u>	<u>\$13,430,006</u>

15. Derivative Transactions

Derivative Transactions as of June 30, 2013

(1) Hedge accounting not applied

Not applicable.

(2) Hedge accounting applied

The following are the contract values or values corresponding to the principal amount as stipulated by contract as of June 30, 2013 for each hedge accounting method applied.

Hedge accounting method	Type of derivative transaction	Hedged item	Contract amount		Fair value	Method of calculating the fair value	Contract amount		Fair value	Method of calculating the fair value
				More than one year				More than one year		
						<i>(Thousands of yen)</i>				
						<i>(U.S. dollars)</i>				
Special treatment of interest-rate swaps	Interest-rate swap Receive floating, pay fixed	Long-term debt	¥54,900,000	¥54,900,000	*	/	\$556,625,773	\$556,625,773	*	/

* Since the above interest-rate swap qualifies for hedge accounting and meets certain matching criteria, the swap is not recorded at fair value on the accompanying balance sheets, as described in the summary of significant accounting policies.

In addition, since the swap and the long-term debt hedged by the swap are accounted for as a unit, the fair value of the swap is disclosed as part of the fair value of the hedged long-term debt in the fair value disclosure in Note 5, "Financial Instruments."

Derivative Transactions as of December 31, 2012

(1) Hedge accounting not applied

Not applicable.

(2) Hedge accounting applied

The following are the contract values or values corresponding to the principal amount as stipulated by contract as of December 31, 2012 for each hedge accounting method applied.

Hedge accounting method	Type of derivative transaction	Hedged item	Contract amount		Fair value	Method of calculating the fair value
				More than one year		
<i>(Thousands of yen)</i>						
Special treatment of interest-rate swaps	Interest-rate swap Receive floating, pay fixed	Long-term debt	¥39,300,000	¥39,300,000	*	/

* Since the above interest-rate swap qualifies for hedge accounting and meets certain matching criteria, the swap is not recorded at fair value on the accompanying balance sheets, as described in the summary of significant accounting policies.

In addition, since the swap and the long-term debt hedged by the swap are accounted for as a unit, the fair value of the swap is disclosed as part of the fair value of the hedged long-term debt in the fair value disclosure in Note 5, "Financial Instruments."

16. Related Party Transactions

For the period from January 1, 2013 to June 30, 2013

- (1) Parent company and major corporate unitholders

Not applicable.

- (2) Affiliates

Not applicable.

- (3) Sister companies

Not applicable.

- (4) Directors and major individual unitholders

Name	Description of transaction	Amount		Account	Balance at the end of period	
		(Thousands of yen)	(U.S. dollars)		(Thousands of yen)	(U.S. dollars)
Chifumi Toda	Payment of asset management fees to JEAM	¥370,459	\$3,756,049	Accounts payable	¥242,991	\$2,463,660

For the period from July 1, 2012 to December 31, 2012

- (1) Parent company and major corporate unitholders

Not applicable.

- (2) Affiliates

Not applicable.

- (3) Sister companies

Not applicable.

- (4) Directors and major individual unitholders

Name	Description of transaction	Amount		Account	Balance at the end of period	
		(Thousands of yen)	(U.S. dollars)		(Thousands of yen)	(U.S. dollars)
Chifumi Toda	Payment of asset management fees to JEAM	¥358,310		Accounts payable	¥226,641	

17. Segment Information

For the periods from January 1, 2013 to June 30, 2013 and from July 1, 2012 to December 31, 2012

Since JEI has been engaged in the real-estate leasing business as a single segment, segment information has been omitted.

Information about products and services

Since revenues from external customers for a single segment of similar products and services accounted for more than 90% of total operating revenues, information about products and services has been omitted.

Information about geographic area

(1) Revenues

Since 100% of the total operating revenues were generated from external customers within Japan, geographical breakdown of revenues has been omitted.

(2) Property and equipment

Since 100% of total property and equipment on the balance sheet are located within Japan, geographical breakdown of such property and equipment has been omitted.

Information about major clients

Since no single external client represents 10% or more of JEI's total operating revenues, information about major clients has been omitted.

18. Distribution Information

In accordance with Section 33.1.2 of the bylaws set forth by JEI for distributions of cash dividends, the amount of dividends payable, which is limited by the amount of unappropriated retained earnings, shall be in excess of 90% of its distributable income for the fiscal period as set forth in Section 67.15 of the Special Taxation Measures Law.

Consequently, JEI set income available for distributions of dividends at ¥2,744,390,000 (\$27,825,104), which is the integral multiple of the 224,950 units issued as of June 30, 2013 after including a reversal of reserve for advanced depreciation of non-current assets in unappropriated retained earnings. No cash distribution exceeding the income amount set forth in Section 33.1.4 of the bylaws of JEI shall be made.

On August 13, 2013, the Board of Directors approved a resolution to make a cash distribution of ¥12,200 (\$124) per unit aggregating to ¥2,744,390,000 (\$27,825,104) to unitholders of record as of June 30, 2013.

19. Significant Subsequent Events

Not applicable.