

# Asset Management Report for the 35th Period

## (Semi-Annual Report for the 35th Period)

From July 1, 2023, to December 31, 2023



**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 35th period (from July 1, 2023, to December 31, 2023).

In terms of external growth, as replacement properties for Kowa Kawasaki Nishiguchi Building and JEI Kyobashi Building, the transfers of which were announced in June 2023, JEI acquired in July 2023 Bizcore Tsukiji, the fourth acquisition from the Bizcore series of medium-sized, high-grade office buildings developed by Nippon Steel Kowa Real Estate Co., Ltd., a core sponsor, and decided on acquisition of the relatively new, large Osaki Bright Tower / Osaki Bright Plaza in April 2024. In addition, in December 2023, JEI additionally acquired interest in GRAND FRONT OSAKA, a property already in the portfolio, from Nippon Steel Kowa Real Estate Co., Ltd. The period-end asset size was 281.9 billion yen (also, equity interest in anonymous association of 5.23 billion yen), unrealized gain was 72.1 billion yen and ratio of unrealized gain was 27.3%.

In terms of internal growth, the period-end occupancy rate of the entire portfolio increased from the 34th period's 96.5% to 97.9% as a result of successful steady refilling of vacancies. For rent revisions, too, upward rent revisions were better than planned and downward rent revisions decreased by half compared with the previous period.

On the financial front, JEI sought reduction of financial costs through utilization of long-term floating-rate loans and such, as well as extension of borrowing periods and diversification of maturity dates through timely issuance of investment corporation bonds to specific investors.

As a result, in the 35th period, JEI recorded operating revenue of 10,857 million yen, operating income of 4,665 million yen, net income of 4,049 million yen, and distribution per unit of 2,800 yen as initially planned.

For ESG, in the 2023 GRESB Real Estate Assessment, JEI received "Green Star" for the ninth consecutive year and "5 Star" for the fourth consecutive year. In addition, following on from the previous year, JEI ranked first in the Japan Listed Office category.

## About Future Asset Management

In the real estate transaction market, factors such as there continuing to be vigorous appetite for investment by market participants suggest that it will remain largely steady. However, JEI believes that there is a need to closely monitor the Bank of Japan's stance changes and the trends of long-term interest rates even further and, at the same time, keep an eye on also changes in the political, economic and geopolitical situation ahead.

In terms of external growth, JEI will work to acquire competitive properties with the balance of investment size and area in mind with the aim of expanding asset size over the medium to long term. JEI will continue to have the asset management company newly cultivate and refine property information sources in an effort to promptly gain access to market information on disposition of properties and thereby keep seizing the right business opportunities while maintaining a focus on cooperation with sponsor companies. In addition, in order to enhance the quality of the portfolio, the policy is to focus on heading toward implementing measures such as replacement while being increasingly conscious of capital efficiency by selecting candidate properties to sell from the perspective of building age, area suitability and profitability.

In the office building leasing market, while starting to gain momentum for even large floor space with the recovery in the percentage of employees commuting to the office and work-style reform prompting review of office functions by companies and such, full-fledged recovery in office demand is expected to take a little more time given the state of entrenchment of remote work, possibility of even further consolidation among mainly large companies, planned supply of new floor space for 2025, etc. Such lead to a conservative outlook that "vacancy rates will remain within a somewhat unchanged range and newly concluded rents will show movements of possibly hitting bottom" for the next year. Under such circumstances, conditions, such as location, environmental performance and comfort, are expected to further increase in weight in response to the thinking on "new work styles," leading to increasingly further polarization by the superiority/inferiority in terms of such conditions.

In terms of internal growth, with the occupancy rate returning to the level regarded as being business as usual, the policy is to conduct negotiations with the focus, which has been on emphasis on occupancy rate, shifted toward emphasis on earnings upon refilling vacancies and contract renewals/revisions.

In terms of finance, JEI will keep up operations with financial stability in mind while seeking to reduce financial costs with the ratio of fixed interest rates, remaining periods to maturity and diversification of maturity dates in mind. Furthermore, from the standpoint of maintaining and strengthening financing base through diversification of fund procurement means, JEI will work on environmentally or socially conscious or new methods of funding, including sustainable finance.

With regard to ESG, continuing to be positioned as the most important issue in management, JEI will seek to further evolve and deepen its initiatives by setting new KPIs and such, in addition to steadily carrying out previous efforts.

Finally, as always, JEI remains committed to strict adherence to the Financial Instruments and Exchange Act and other laws and regulations, and in addition to promoting compliance, also disclosing information on the status of operations to unitholders in an accurate and easy-to-understand manner.

We kindly ask for your continued understanding and support.

*Asset Management Report for the 35th Period (Semi-Annual Report for the 35th Period)*

## II. Asset Management Report

### 1. Outline of Asset Management Operation

#### (1) Operating Results and Financial Position of the Investment Corporation

Fiscal period		31st Period July 1, 2021, to December 31, 2021	32nd Period January 1, 2022, to June 30, 2022	33rd Period July 1, 2022, to December 31, 2022	34th Period January 1, 2023, to June 30, 2023	35th Period July 1, 2023, to December 31, 2023
Operating revenue	(Millions of yen)	10,666	11,065	10,699	13,823	10,857
(Rental revenues)	(Millions of yen)	(10,666)	(10,267)	(10,141)	(10,079)	(10,102)
Operating expenses	(Millions of yen)	6,180	6,353	6,567	9,346	6,191
(Property operating expenses)	(Millions of yen)	(5,563)	(5,699)	(5,944)	(5,972)	(5,561)
Operating income	(Millions of yen)	4,485	4,711	4,132	4,477	4,665
Ordinary income	(Millions of yen)	3,846	4,102	3,503	3,882	4,050
Net income	(Millions of yen)	3,846	4,101	3,502	3,881	4,049
Total assets	(Millions of yen)	293,960	291,430	294,540	287,045	294,823
(Period-on-period change)	(%)	(-0.0)	(-0.9)	(1.1)	(-2.5)	(2.7)
Net assets	(Millions of yen)	152,206	150,461	150,218	150,354	150,659
(Period-on-period change)	(%)	(-0.1)	(-1.1)	(-0.2)	(0.1)	(0.2)
Unitholders' capital, net (Note 1)	(Millions of yen)	147,907	145,907	145,907	145,907	145,907
Total outstanding investment units	(units)	1,353,000	1,337,598	1,337,598	1,337,598	1,337,598
Net assets per unit	(yen)	112,495	112,486	112,304	112,406	112,634
Net income per unit (Note 2)	(yen)	2,842	3,052	2,618	2,901	3,027
Total distribution	(Millions of yen)	3,846	3,745	3,745	3,745	3,745
Distribution per unit	(yen)	2,843	2,800	2,800	2,800	2,800
(Profit distribution per unit)	(yen)	(2,843)	(2,800)	(2,800)	(2,800)	(2,800)
(Distribution in excess of earnings per unit)	(yen)	(—)	(—)	(—)	(—)	(—)
Return on assets (Note 3)	(%)	1.3	1.4	1.2	1.3	1.4
(Annualized rate)	(%)	(2.6)	(2.8)	(2.4)	(2.7)	(2.8)
Return on equity (Note 4)	(%)	2.5	2.7	2.3	2.6	2.7
(Annualized rate)	(%)	(5.0)	(5.5)	(4.6)	(5.2)	(5.3)
Capital ratio (Note 5)	(%)	51.8	51.6	51.0	52.4	51.1
(Period-on-period change)	(%)	(-0.0)	(-0.1)	(-0.6)	(1.4)	(-1.3)
Payout ratio (Note 6)	(%)	100.0	91.3	107.0	96.5	92.5
Number of investment properties	(properties)	36	35	36	35	35
Number of tenants (Note 7)	(tenants)	587	585	617	611	622
Total leasable area (Note 8, 9)	(m <sup>2</sup> )	341,070	335,534	337,389	306,717	314,925
Occupancy rate	(%)	93.1	90.8	93.0	96.5	97.9
Depreciation	(Millions of yen)	1,891	1,937	1,931	1,960	1,780
Capital expenditure	(Millions of yen)	1,305	1,298	1,188	1,404	1,418
Net operating income (NOI) (Note 10)	(Millions of yen)	6,994	6,504	6,128	6,067	6,321
Funds from operation (FFO) per unit (Note 11)	(yen)	4,240	3,918	3,665	3,634	3,837
FFO multiples (Note 12)	(times)	15.8	15.5	18.0	17.1	16.5
Debt service coverage ratio (DSCR) (Note 13)	(times)	13.2	14.4	12.8	14.1	14.5
Interest-bearing debt	(Millions of yen)	125,600	125,600	128,600	120,600	128,600
Loan-to-value (Note 14)	(%)	42.7	43.1	43.7	42.0	43.6
Number of days in operation	(days)	184	181	184	181	184

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- (Note 1) The amount of unitholders' capital after subtracting any deduction from unitholders' capital is shown. This does not account for any deduction from unitholders' capital that is due to the implementation of distribution in excess of earnings related to the allowance for temporary difference adjustments.
- (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)  $\text{Return on assets} = \text{Ordinary income} / [(\text{Period beginning total assets}) + (\text{Period end total assets}) / 2] \times 100$
- (Note 4)  $\text{Return on equity} = \text{Net income} / [(\text{Period beginning net assets}) + (\text{Period end net assets}) / 2] \times 100$
- (Note 5)  $\text{Capital ratio} = \text{Period end net assets} / \text{Period end total assets} \times 100$
- (Note 6)  $\text{Payout ratio} = (\text{Distribution per unit (not including distribution in excess of earnings per unit)} / \text{Net income per unit}) \times 100$   
(Figures are rounded to the first decimal place.)  
For the 32nd period, as buyback and cancellation of own investment units took place, the formula below was used to calculate the payout ratio.  
 $\text{Payout ratio} = (\text{Total distributions (not including distribution in excess of earnings)} / \text{Net income}) \times 100$
- (Note 7) For number of tenants, 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. However, for properties in which the residential portion or the percentage of the interest owned by JEI is relatively low, the number of tenants indicates the number of master lease companies for the property, considering a master lease company as a tenant. In addition, for land with leasehold interest, the number of tenants is counted as one based on the lease agreement for the leased land.
- (Note 8) For properties with joint ownership (including quasi co-ownership of trust beneficiary interest; the same applies hereinafter), the figure is obtained by taking the leasable area of the entire property and factoring in the percentage of the interest owned by JEI, regarding the figure as JEI's leasable area. The same applies hereinafter.
- (Note 9) Spaces are rounded to the nearest specified unit. The same applies hereinafter.
- (Note 10)  $\text{NOI} = \text{Rental revenues} - \text{Property operating expenses} + \text{Depreciation}$
- (Note 11)  $\text{FFO per unit} = (\text{Net income} + \text{Depreciation} - \text{Gain on sale of real estate} + \text{Loss on sale of real estate} + \text{Impairment loss}) / \text{Total number of outstanding investment units (the figure is rounded down to the whole number)}$
- (Note 12)  $\text{FFO multiples} = \text{Period end investment unit price} / \text{Annualized FFO per unit}$
- (Note 13)  $\text{DSCR} = (\text{Net income before interest and taxes} + \text{Depreciation} (*)) / (\text{Interest expenses} + \text{Interest expense on investment corporation bonds})$   
\* Includes depreciation except for property operating expenses.
- (Note 14)  $\text{Loan-to-value} = \text{Period end interest-bearing debt} / \text{Period end total assets} \times 100$

## (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 (Law No. 198 of 1951, as amended; hereinafter referred to as the “Investment Trust Law”). On March 15, 2006, it completed the corporate registration to the Kanto Local 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, JEI has 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 December 31, 2023, JEI settled its 35th period.

### 1) Business conditions and results

In the period under review (35th period ended December 31, 2023), the world economy saw long-term interest rates take a downturn with the large and rapid rises in policy interest rates by European and U.S. financial authorities with the intention of curbing inflation stalling, but concerns over future economic slowdown and state of uncertainty over the timing of reduction of policy interest rates and such continued.

In Japan, the economy remained largely firm with factors such as robust capital investment and increasing number of foreign visitors to Japan, along with private consumption recovering gradually as there was no longer the impact of COVID-19. Amid such, long-term market interest rates rose moderately as the Bank of Japan indicated its stance of assessing domestic price and wage developments for policy changes while maintaining the framework of monetary easing, leading to growing attention on when the stance will change ahead.

In the real estate transaction market trends for office properties, although there was a point in which there was not as much action taken by certain overseas investors, mainly European and U.S., the acquisition appetite of investors within and outside of Japan continued to be strong due to the favorable fund procurement environment, differences in interest rates in Japan and abroad, depreciation of the yen and other factors, making the property acquisition environment still severe. Under such circumstances, JEI made additional acquisition of GRAND FRONT OSAKA (Umekita Plaza South Building) and GRAND FRONT OSAKA (North Building) (acquisition price: 8.3 billion yen in total), and decided on acquisition of Osaki Bright Tower / Osaki Bright Plaza (Note 1) (acquisition price: 13.1 billion yen), each from Nippon Steel Kowa Real Estate Co., Ltd., a sponsor.

In the office building leasing market, with the emerging increase in positive relocations for better location, upgrading, extension, etc. for the purpose of increasing the percentage of employees commuting to the office, restoring corporate performance, securing human resources, etc. with the reclassification of COVID-19 to Class V Infectious Disease, and with the recent new supply having passed the peak, among other factors, the vacancy rate in Tokyo’s business districts (five central wards of Tokyo) was in the low to mid 6% range (published by Miki Shoji Co., Ltd.) and then continued to be on a slightly downward trend since July 2023. Rents, too, started trending toward bottoming out gradually, leading to newly concluded rents turning around, albeit slightly, in December 2023 for the first time in 41 months (published by Miki Shoji Co., Ltd.).

The total number of properties owned and managed by JEI at the end of the period under review was 35 with a total acquisition price of 281.9 billion yen and total leasable area of 314,924.82 m<sup>2</sup> (95,264.76 tsubos).

The occupancy rate (Note 2) at the end of the period under review improved to 97.9% as a result of making progress in refilling vacancies, such as those at Musashikosugi Tower Place, which was laden with substantial vacancies.

### 2) Fund procurement highlights

In the period under review, of the 8.3 billion yen in funds for the additional acquisition of GRAND FRONT OSAKA in December, 5.0 billion yen was procured through a short-term loan devised to lower financing costs by making use of the gap between long-term and short-term interest rates, while the remaining 3.0 billion yen was procured through a long-term fixed-rate loan in the form of a green loan (borrowing period of 10 years), along with issuing 10-year investment corporation bonds in the amount of 2.0 billion yen for the investment corporation bonds of the same amount due for redemption, and thereby procuring long-term funds that would be favorable in terms of the proportion of debt financing. In addition, with the loans of 10.77 billion yen due for repayment in November, JEI sought to reduce financial costs by utilizing long-term floating interest rates (average borrowing period of 6.5 years) and such.

As a result, as of the end of the period under review, the average remaining period of interest-bearing debt (Note 3) was 4.1 years (extended by 0.3 years from the end of the previous period) and the loan-to-value ratio of total assets (total assets-based LTV) (Note 4) was 43.6% (up 1.6 points from the end of the previous period) due to taking out loans upon the additional acquisition of GRAND FRONT OSAKA.

In addition, JEI continues to have commitment lines with a credit limit of 14.0 billion yen to reduce refinancing risk and enhance stability for fund procurement, etc.

As of December 31, 2023, JEI has been granted the following rating.

Credit rating agency	Issuer rating (outlook)	Individual debt issue rating (Note 5)
Japan Credit Rating Agency, Ltd. (JCR)	Long-term issuer rating AA- (Stable)	AA-

### 3) Sustainability initiatives

JEI has worked to reduce the environmental burden and to cooperate/collaborate with stakeholders to achieve a sustainable society through corporate social responsibility, while recognizing the importance of consideration for the environment, society and governance (ESG) in the real estate investment management business.

With regard to CO<sub>2</sub> emission intensity, JEI has set a medium-term target to reduce emission intensity by 46% by fiscal 2030 compared with fiscal 2013 (achieved target ahead of schedule) and a long-term target of net zero CO<sub>2</sub> emissions by fiscal 2050. To meet the targets, JEI has promoted a shift to LED lighting, air-conditioning equipment with excellent energy-saving performance, and carbon-free energy sources, such as “RE100” compatible electricity, at properties it owns. In order to reduce environmental impact, JEI has set targets to reduce energy consumption and water consumption intensities by 1% per year compared with the previous period, and over the medium to long term, to reduce average consumption and emission intensities by 5% or more when comparing the rates between fiscal 2015 and fiscal 2019 with the rates between fiscal 2020 and fiscal 2024. Furthermore, JEI has continuously promoted the acquisition of Green Building Certification and the number of certified properties now stands at 27, accounting for 90.1% of leasable area (as of December 31, 2023; excluding land with leasehold interest). In October 2023, JEI set also a target to maintain the percentage of Green Building certified properties at 90% or more (based on leasable area and excluding land with leasehold interest).

Such initiatives for sustainability by JEI earned high recognition. Specifically, in the 2023 GRESB Real Estate Assessment (Note 6), JEI received “Green Star” rating (Note 7) for the ninth consecutive year, as well as “5 Star,” the highest rating in “GRESB Rating” (Note 8), for the fourth consecutive year.

In addition, JEI’s asset management company Japan Excellent Asset Management Co., Ltd. (hereinafter, “JEAM”) compiles the policy, initiatives and such of JEI and JEAM for each of the four items (“governance,” “strategy,” “risk management,” and “metrics and targets”) recommended by the Task Force on Climate-related Financial Disclosures (TCFD) (Note 9), implements qualitative and quantitative analyses on the financial impact of climate change and discloses them on JEI’s website based on the TCFD recommendations for which JEAM expressed support in June 2021.

### 4) Financial results and distribution highlights

As a result of the management above, for the period under review, JEI posted 10,857 million yen in operating revenue, 4,665 million yen in operating income, 4,050 million yen in ordinary income, and 4,049 million yen in net income.

Concerning distributions in the period under review, JEI intended to have the amount of profit distribution deducted from its taxable income by application of the special provisions of the tax system on investment corporations (Section 67-15 of the Special Taxation Measures Law), and conducted a reserve for reduction entry under the special provisions of the tax system in the case of the replacement of specified assets (Section 65-7 of the Special Taxation Measures Law).

As a result, distribution per unit was 2,800 yen as JEI decided to distribute the entire amount (except for the portion of less than one yen per unit) of unappropriated retained earnings after subtracting 304 million yen for reserve for reduction entry from unappropriated retained earnings.

- (Note 1) As the scheduled date of acquisition of Osaki Bright Tower / Osaki Bright Plaza is April 26, 2024, the sale and purchase agreement concerning the acquisition of the property falls under the category of “forward commitment, etc.\* by investment corporations” as defined in the “Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc.” published by the Financial Services Agency. In addition, a real estate appraisal report has been obtained for the property from Chuo Real Estate Appraisal Co., Ltd. with December 31, 2023, as the appraisal date, according to which the appraisal value as of said date is 13,500 million yen.
- \* A forward commitment, etc. refers to a postdated sale and purchase agreement under which payment and property delivery shall be made at least one month after the conclusion of the agreement, or any other agreement similar thereto.
- (Note 2) Occupancy rate is a percentage of total leased area to total leasable area of real estate or real estate in trust.
- (Note 3) Average remaining period of interest-bearing debt is calculated by applying a weighted average of the remaining period until the repayment date or redemption date of borrowings and investment corporation bonds at the end of the period to the balance of each interest-bearing debt, for all interest-bearing debt.
- (Note 4)  $\text{Loan-to-value ratio of total assets} = (\text{Period end interest-bearing debt} / \text{Period end total assets}) \times 100$
- (Note 5) The rating is for 7th series unsecured investment corporation bonds, 8th series unsecured investment corporation bonds, 9th series unsecured investment corporation bonds, 11th series unsecured investment corporation bonds, 13th series unsecured investment corporation bonds, 14th series unsecured investment corporation bonds, 15th series unsecured investment corporation bonds, 16th series unsecured investment corporation bonds, 17th series unsecured investment corporation bonds, and 18th series unsecured investment corporation bonds.
- (Note 6) A benchmark established by a European pension fund group that measures ESG considerations of real estate companies and management institutions which is used by major European, American, and Asian institutional investors for decision-making on investments.
- (Note 7) “Green Star” is given when a high evaluation with a score exceeding 50% is made in the two evaluation axes (“Management & Policy” and “Implementation & Measurement”).
- (Note 8) “GRESB Rating” is a rating of the overall score according to the global ranking, and “5 Star” is a rating given to the top 20% of participants, “4 Star” to the following 20% and so forth.
- (Note 9) The TCFD (Task Force on Climate-related Financial Disclosures) is an international initiative established in 2015 by the Financial Stability Board (FSB) at the request of the G20 to discuss climate-related issues to be addressed by the financial sector.

### (3) Capital Increase

The outline of the changes in the total number of outstanding investment units and unitholders' capital, net, for the most recent five years up to the end of the period under review are as follows:

Paid-up Date	Capital transaction	Capital transaction (units)		Unitholders' capital, net (Millions of yen) (Note 1)		Remarks
		Change	Balance	Change	Balance	
January 21, 2020	Public offering	43,000	1,348,700	7,213	147,186	(Note 2)
February 13, 2020	Third-party allotment	4,300	1,353,000	721	147,907	(Note 3)
April 28, 2022	Cancellation	-15,402	1,337,598	-1,999	145,907	(Note 4)

(Note 1) The amount of unitholders' capital after subtracting any deduction from unitholders' capital is shown. This does not account for any deduction from unitholders' capital that is due to the implementation of distribution in excess of earnings related to the allowance for temporary difference adjustments.

(Note 2) New investment units were issued at an issue price of 173,355 yen per unit (purchase price of 167,754 yen per unit) through a public offering in order to repay debts procured to acquire properties and partially fund property acquisitions.

(Note 3) New investment units were issued at a purchase price of 167,754 yen per unit through third-party allotment in order to partially fund future acquisitions of specified assets or partially fund repayment of loans.

(Note 4) Buyback of own investment units through market purchase on the Tokyo Stock Exchange based on a discretionary transaction contract with a securities company took place from February 18, 2022, to April 13, 2022. All 15,402 own investment units from the buyback were cancelled on April 28, 2022, based on the resolution passed at the board of directors' meeting of JEI held on April 18, 2022.

(Note 5) At JEI, there exist no investment units held by JEI (investment units without voting rights provided in Article 308-2 of the Corporate Law which will be applied mutatis mutandis pursuant to Article 94 of the Investment Trust Law) or cross-held investment units (investment units without voting rights provided in Article 160 of the Investment Trust Enforcement Ordinance) as of the end of the period under review.

#### [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)	31st period (December 2021)	32nd period (June 2022)	33rd period (December 2022)	34th period (June 2023)	35th period (December 2023)
	Highest (yen)	158,400	136,600	139,400	130,700	141,100
	Lowest (yen)	132,800	121,600	118,900	115,400	123,100

(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, JEI decided to distribute the entire amount (except for the portion of less than one yen per unit) of unappropriated retained earnings with provision of reserve for reduction entry from unappropriated retained earnings along with the intention to have the amount of profit distribution deducted from its taxable income by application of the special provisions of the tax system on investment corporations (Section 67-15 of the Special Taxation Measures Law). As a result, distribution per unit was 2,800 yen.

Fiscal period	31st period	32nd period	33rd period	34th period	35th period
Accounting period	July 1, 2021, to December 31, 2021	January 1, 2022, to June 30, 2022	July 1, 2022, to December 31, 2022	January 1, 2023, to June 30, 2023	July 1, 2023, to December 31, 2023
Unappropriated retained earnings at end of period (Thousands of yen)	3,846,920	4,102,019	3,502,198	3,881,374	4,049,775
Retained income (Thousands of yen)	341	356,744	—	136,100	304,500
Total cash distribution amount (Thousands of yen)	3,846,579	3,745,274	3,745,274	3,745,274	3,745,274
(Cash distributions per unit) (yen)	(2,843)	(2,800)	(2,800)	(2,800)	(2,800)
Of which, total profit distributions (Thousands of yen)	3,846,579	3,745,274	3,745,274	3,745,274	3,745,274
(Profit distribution per unit) (yen)	(2,843)	(2,800)	(2,800)	(2,800)	(2,800)
Of which, total refund of investment equity	—	—	—	—	—
(Refund of investment equity per unit)	(—)	(—)	(—)	(—)	(—)
Of total refund of investment equity, total distribution amount from reserve for temporary difference adjustments	—	—	—	—	—
(Of refund of investment equity per unit, distribution amount per unit from reserve for temporary difference adjustments)	(—)	(—)	(—)	(—)	(—)
Of total refund of investment equity, total distribution amount from distribution reducing unitholders' capital for tax purpose	—	—	—	—	—
(Of refund of investment equity per unit, distribution amount per unit from distribution reducing unitholders' capital for tax purpose)	(—)	(—)	(—)	(—)	(—)

## **(5) Policy and Issues on Future Investment Management**

### **1) Outlook for business environment**

In the real estate transaction market, factors such as there continuing to be vigorous appetite for investment by market participants suggest that it will remain largely steady. However, JEI believes that there is a need to closely monitor the Bank of Japan's stance changes and the trends of long-term interest rates even further and, at the same time, keep an eye on also changes in the political, economic and geopolitical situation ahead.

In the office building leasing market, while starting to gain momentum for even large floor space with the recovery in the percentage of employees commuting to the office and work-style reform prompting review of office functions by companies and such, full-fledged recovery in office demand is expected to take a little more time given the state of entrenchment of remote work, possibility of even further consolidation among mainly large companies, planned supply of new floor space for 2025, etc. In Tokyo's business districts (five central wards of Tokyo), factors such as new supply for 2024 falling below the historical average suggest that vacancy rates will remain within a somewhat unchanged range and newly concluded rents will show movements of possibly hitting bottom. However, office building conditions, such as location, environmental performance and comfort, are expected to further increase in weight from the perspective of work-style reform, securing human resources, etc., leading to increasingly further polarization by the superiority/inferiority in terms of such conditions.

### **2) Policy and issues on future investment management**

#### **A. External growth**

JEI will work to acquire competitive properties by means of well-balanced investments based on size and area with the aim of expanding asset size over the medium to long term. JEI will continue to have the asset management company newly cultivate and refine property information sources in an effort to promptly gain access to market information on disposition of properties and thereby keep seizing the right business opportunities while maintaining a focus on cooperation with sponsor companies.

In addition, in order to enhance the quality of the portfolio, the policy is to focus on heading toward implementing measures such as replacement while being increasingly conscious of capital efficiency by selecting candidate properties to sell from the perspective of building age, area suitability and profitability.

#### **B. Internal growth**

At JEI, the occupancy rate returned to the level regarded as being business as usual as the impact of the departure of a large tenant has been resolved as a result of steady leasing activities in collaboration with the sponsors, property management companies and brokerage companies. With that, the policy is to conduct negotiations with the focus, which has been on emphasis on occupancy rate, shifted toward emphasis on earnings upon refilling vacancies and contract renewals/revisions while monitoring leasing market conditions.

#### **C. Financial strategy**

JEI will consistently work on stable and sound financial operations by continuing to procure funds based on a basic policy of seeking to reduce financial costs with the ratio of fixed interest rates, remaining periods to maturity and diversification of maturity dates in mind. In addition, JEI will work on new procurement methods such as green finance and sustainability finance from the perspective of maintaining and strengthening its procurement base through diversification of fund procurement means.

JEI will set the upper limit of total assets-based LTV at 60% and manage it at around 35% to 50%.

#### **D. Sustainability initiatives, BCP measures, etc.**

JEI adopts a basic policy of working to reduce the environmental burden and to cooperate/collaborate with stakeholders to achieve a sustainable society, deeming such as its corporate social responsibility. JEI will continue to aim for better ESG evaluation for the entire portfolio through efforts to boost energy use efficiency and disaster prevention and security performance, and efforts to enhance tenant convenience and comfort.

In addition, for BCP measures, JEI has put a system in place for minimizing damage and facilitating rapid recovery in addressing the recently mounting interest in seismic performance of buildings. Furthermore, JEI has positioned meeting the new earthquake-resistance standards or possessing equivalent or superior seismic performance stipulated as a condition of selection for acquisition of properties. Additionally, in preparation for contingencies such as a natural disaster or large-scale power failure, crisis management procedures and a business continuity plan have been created for implementing organizational and agile response.

## (6) Subsequent Events

### Buyback of Own Investment Units

JEI resolved the matters regarding buyback of its investment units at the board of directors' meeting held on February 19, 2024, based on the provisions of Article 80-2 of the Investment Trust Law applied mutatis mutandis pursuant to the provisions of Article 80-5, Paragraph 2 of the Investment Trust Law, as described below.

JEI plans to cancel all the investment units bought back in the fiscal period ending June 30, 2024 (36th period).

#### (i) Reason for buyback of own investment units

After comprehensively taking into account the level of JEI's investment unit price, financial status, the market environment, etc., JEI has judged that enhancing capital efficiency and conducting return to unitholders through buyback and cancellation of its investment units will lead to improvement of unitholder value over the medium to long term.

#### (ii) Details of buyback of own investment units

Total number of own investment units to be bought back	18,000 units (maximum)
Total amount of buyback price	2,000 million yen (maximum)
Buyback period	From February 20, 2024, to May 10, 2024
Buyback method	Market purchase on the Tokyo Stock Exchange based on a discretionary transaction contract for buyback of own investment units with a securities company

(Reference Material)

1. Transfer of Asset (JEI Hongo Building)

On February 19, 2024, JEI decided to conclude a transaction agreement for trust beneficiary interest in real estate on February 20, 2024, as described below.

<Overview of the Asset to Be Transferred>

Asset to be transferred	Trust beneficiary interest in real estate	
Name of property	JEI Hongo Building	
Location	2-38-16 Hongo, Bunkyo-ku, Tokyo	
Planned transfer price (Note 1)	Phase 1: 2,460 million yen (40% quasi co-ownership interest)	Phase 2: 3,690 million yen (60% quasi co-ownership interest)
Date of execution of agreement	February 20, 2024	
Scheduled handover date	July 11, 2024	January 17, 2025
Transferee	Not disclosed (Note 2)	

(Note 1) Planned transfer price is the transaction price for the trust beneficiary interest, excluding the amount equivalent to transfer-related expenses, property taxes, and urban planning taxes settled, and the amount equivalent to consumption taxes.

(Note 2) The transferee of the asset to be transferred is a domestic general industrial corporation, but the details of the transferee are not disclosed as consent for disclosure has not been obtained from the transferee.

2. Issuance of Investment Corporation Bonds

JEI issued investment corporation bonds on February 8, 2024, as described below.

<Overview of the Investment Corporation Bonds>

Name of investment corporation bonds	19th Series Unsecured Investment Corporation Bonds (also called 3rd JEI Green Bonds)	20th Series Unsecured Investment Corporation Bonds
Issuance date	February 8, 2024	
Total amount of investment corporation bonds to be issued	2,000 million yen	2,400 million yen
Interest rate	0.724%	1.392%
Maturity date	February 8, 2029	February 8, 2034
Use	To be allocated to the redemption of investment corporation bonds	
Collateral	Unsecured / Non-guaranteed (Note)	
Fiscal agent	Mizuho Bank, Ltd.	

(Note) The bonds have special pari passu conditions among specified investment corporation bonds.

## 2. Outline of the Investment Corporation

### (1) Investment Units

Fiscal period	31st As of December 31, 2021	32nd As of June 30, 2022	33rd As of December 31, 2022	34th As of June 30, 2023	35th As of December 31, 2023
Total number of units authorized	10,000,000 units	10,000,000 units	10,000,000 units	10,000,000 units	10,000,000 units
Total number of units issued and outstanding	1,353,000 units	1,337,598 units	1,337,598 units	1,337,598 units	1,337,598 units
Unitholders' capital, net (Note)	147,907 million yen	145,907 million yen	145,907 million yen	145,907 million yen	145,907 million yen
Number of unitholders	6,978 individuals	7,556 individuals	7,193 individuals	7,710 individuals	7,167 individuals

(Note) The amount of unitholders' capital after subtracting any deduction from unitholders' capital is shown. This does not account for any deduction from unitholders' capital that is due to the implementation of distribution in excess of earnings related to the allowance for temporary difference adjustments.

### (2) Unitholders

Major unitholders as of December 31, 2023, are as follows:

Name	Address	Number of units held (Units)	Ratio of number of units held to outstanding investment units (%) (Note)
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	396,722	29.66
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3 Hamamatsu-cho, Minato-ku, Tokyo	206,181	15.41
Nippon Steel Kowa Real Estate Co., Ltd.	1-8-1 Akasaka, Minato-ku, Tokyo	134,427	10.05
The Nomura Trust and Banking Co., Ltd. (Investment trust account)	2-2-2 Otemachi, Chiyoda-ku, Tokyo	58,584	4.38
The Dai-ichi Life Insurance Company, Limited	1-13-1 Yuraku-cho, Chiyoda-ku, Tokyo	20,660	1.54
STATE STREET BANK WEST CLIENT - TREATY 505234	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, U.S.A.	20,613	1.54
JP MORGAN CHASE BANK 385781	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM	14,832	1.11
JP MORGAN CHASE BANK 385771	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM	14,088	1.05
SSBTC CLIENT OMNIBUS ACCOUNT	ONE CONGRESS STREET, SUITE 1, BOSTON, MASSACHUSETTS	12,085	0.90
STATE STREET BANK AND TRUST COMPANY 505103	P.O. BOX 351 BOSTON MASSACHUSETTS 02101 U.S.A.	10,221	0.76
Total		888,413	66.42

(Note) Ratio of number of units held to outstanding investment units is rounded to the second decimal place.

### (3) Officers

#### 1) Directors and accounting auditor

Post	Name	Major additional post	Compensation or fee for the six months ended December 31, 2023 (Thousands of yen)
Executive Director	Shuichiro Kayama	President, Japan Excellent Asset Management Co., Ltd.	—
Supervisory Director	Eiji Takagi	Eiji Takagi Certified Public Accounting Office	1,800
Supervisory Director	Osamu Hirakawa	Adviser, Foreign Law Joint Venture, Anderson Mori & Tomotsune	1,800
Supervisory Director	Hiroaki Komatsu (Note 2)	Associate Professor, Faculty of Real Estate Sciences, Meikai University	600
Accounting Auditor	Ernst & Young ShinNihon LLC	—	15,700 (Note 3)

(Note 1) There are no investment units of JEI held by either the Executive Director or the Supervisory Directors. Although Supervisory Directors may have additional posts in companies other than those listed above, there are no conflicts of interest between those companies, including those listed above, and JEI.

(Note 2) Hiroaki Komatsu was elected as Supervisory Director at the 11th general unitholders' meeting held on September 29, 2023, and assumed office on November 1, 2023.

(Note 3) The compensation or fee for the Accounting Auditor includes the fee for the audit of the English financial statements and the fee for non-audit services (the fee for the preparation of a comfort letter upon the issuance of the 18th series unsecured investment corporation bonds in December 2023) in the amount of 2,500 thousand yen. There is no compensation or fee paid to those belonging to the same network as the Accounting Auditor.

#### 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 Investment Trust Law, and deliberate discontinuation of re-election based on circumstances in all respects.

#### 3) Matters concerning compensation agreement between directors, etc. and Investment Corporation

Not applicable.

### (4) Matters Concerning Directors and Officers Liability Insurance Agreement

JEI has concluded the directors and officers liability insurance agreement as follows:

Scope of the insured	Overview of the directors and officers liability insurance agreement
Executive Director and Supervisory Directors	<p>(Overview of insured event covered by the insurance) Compensation payment, dispute costs, etc. incurred by the insured as a result of a damage compensation claim arising from an act performed by the insured based on his or her position will be covered.</p> <p>(Burden ratio of insurance premium) The entire amount is borne by JEI.</p> <p>(Measures to ensure the appropriateness of the execution of duties of directors and officers) Damages and losses incurred by the insured for an act which was performed acknowledging that such is a criminal act or violation of laws and regulations will not be covered by the insurance.</p>

### **(5) Asset Management Company, Asset Custodian, and Administrative Agents**

JEI's asset management company, asset custodian, and administrative agents as of December 31, 2023, 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 Bank, Ltd.

### 3. Investment Portfolio of the Investment Corporation

#### (1) Investment Portfolio by Area

Classification	Use	Area (Note 1)	34th Period (As of June 30, 2023)		35th Period (As of December 31, 2023)	
			Total acquisition price (Millions of yen) (Note 2)	Investment ratio in portfolio (%)	Total acquisition price (Millions of yen) (Note 2)	Investment ratio in portfolio (%)
Real estate property	Office building	Area I	10,946	3.8	10,959	3.7
		Area II	5,336	1.9	5,325	1.8
		Area IV	1,662	0.6	1,661	0.6
Trust beneficiary interest in real estate		Area I	129,543	45.1	138,887	47.1
Area II		10,747	3.7	19,081	6.5	
Area III		66,463	23.2	64,975	22.0	
Area IV		23,447	8.2	23,487	8.0	
Total			248,146	86.4	264,379	89.7
Equity interest in anonymous association (Note 3)			5,177	1.8	5,158	1.7
Deposits in bank and other assets			33,721	11.7	25,285	8.6
Total assets			287,045	100.0	294,823	100.0

(Note 1) 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.).

\* Central Osaka refers to the areas within about a 10-minute walk of Osaka Station (JR), Osaka-Umeda Station (Hankyu Railway, Hanshin Electric Railway), Umeda Station (Osaka Metro), Yodoyabashi Station (Osaka Metro), or Honmachi Station (Osaka Metro), respectively. Central Nagoya refers to the areas within about a 10-minute walk of Nagoya Station (JR, Nagoya City Subway, and Nagoya Railroad), Fushimi Station (Nagoya City Subway), or Sakae Station (Nagoya City Subway and Nagoya Railroad), respectively. Central Fukuoka refers to the areas within about a 10-minute walk of Hakata Station (JR and Fukuoka City Subway), Tenjin Station (Fukuoka City Subway), and Nishitetsu Fukuoka Station (Nishi-Nippon Railroad), respectively. They are, however, not always in line with administrative districts.

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.

The same applies hereinafter.

(Note 2) 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 3) Equity interest in an anonymous association with Akasaka 2-chome Godo Kaisha as the business operator.



## (2) Major Properties

The principal properties (top ten properties in net book value) owned by JEI as of December 31, 2023, are as follows.

Name	Book value (Millions of yen)	Leasable area (m <sup>2</sup> ) (Note 1)	Leased area (m <sup>2</sup> ) (Note 2)	Occupancy rate (%) (Note 3)	Ratio of rental revenue to total rental revenues (%)	Major use
AKASAKA INTERCITY	26,363	11,021.03	10,833.54	98.3	5.6	Office building
Nisseki Yokohama Building	21,540	40,414.25	40,338.95	99.8	11.8	Office building
Omori Bellport D	20,340	25,828.29	25,828.29	100.0	8.6	Office building
HAMARIKYU INTERCITY	16,360	19,718.11	19,477.37	98.8	7.6	Office building
Musashikosugi Tower Place	12,264	24,928.37	24,928.37	100.0	7.3	Office building
Mansard Daikanyama	11,058	5,420.80	5,278.27	97.4	2.8	Office building
Kowa Nishi-Shimbashi Building	10,959	8,949.04	8,949.04	100.0	(Note 4)	Office building
Kowa Kawasaki Higashiguchi Building	10,856	18,612.72	18,612.72	100.0	(Note 4)	Office building
Bizcore Jimbocho	9,913	5,261.75	5,261.75	100.0	(Note 4)	Office building
Bizcore Tsukiji	9,808	4,829.68	4,829.68	100.0	(Note 4)	Office building
Total	149,465	164,984.04	164,337.98	99.6	—	—

(Note 1) Leasable area refers to area available for lease of which ownership is attributable to JEI as of December 31, 2023. For properties with joint ownership (including quasi co-ownership of trust beneficiary interest), the figure is obtained by taking the leasable area of the entire property and factoring in the percentage of the interest owned by JEI, regarding the figure as JEI's leasable area.

(Note 2) Leased area refers to area with lease contracts or master lease agreements that guarantee a certain amount of fixed rent payment concluded with end tenants as of December 31, 2023. For properties with joint ownership, the figure is obtained by taking the leased area of the entire property and factoring in the percentage of the interest owned by JEI, regarding the figure as JEI's leased area. For properties which are used for profit by the master lease company, leased area refers to the portion used, and the figures indicate area which can be reasonably calculated based on the lease agreement on the master leasing. The leased area 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 area. This also applies to any figure which is calculated based on "leased area" in this document.

(Note 3) Occupancy rate is a percentage of total leased area to total leasable area of real estate or real estate in trust.

(Note 4) Not disclosed, as consent for disclosure has not been obtained.

### (3) Portfolio Ownership Breakdown

Real estate properties and their forms of ownership as of December 31, 2023, 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	25,700	20,340
I-2	Shiba 2-Chome Building	2-6-1 Shiba, Minato-ku, Tokyo	Trust beneficiary interest in real estate	13,700	8,968
I-3	JEI Hamamatsucho Building	2-2-12 Hamamatsu-cho, Minato-ku, Tokyo	Trust beneficiary interest in real estate	9,450	7,915
I-8	AKASAKA INTERCITY	1-11-44 Akasaka, Minato-ku, Tokyo	Trust beneficiary interest in real estate	30,700	26,363
I-10	Daiba Garden City Building	2-3-5 Daiba, Minato-ku, Tokyo	Trust beneficiary interest in real estate	9,660	9,011
I-12	HAMARIKYU INTERCITY	1-9-1 and 15 Kaigan, Minato-ku, Tokyo	Trust beneficiary interest in real estate	28,700	16,360
I-14	Kowa Nishi-Shimbashi Building	2-1-1 Nishi-Shimbashi, Minato-ku, Tokyo	Real estate	12,500	10,959
I-15	Mansard Daikanyama	10-1 Sarugakuchō, Shibuya-ku, Tokyo	Trust beneficiary interest in real estate	13,500	11,058
I-16	AKASAKA INTERCITY AIR	1-8-1 Akasaka, Minato-ku, Tokyo	Trust beneficiary interest in real estate	8,260	6,411
I-17	Bizcore Akasaka-mitsuke	3-1-2 Akasaka, Minato-ku, Tokyo	Trust beneficiary interest in real estate	6,200	6,111
I-18	Bizcore Jimbocho	3-9-2 Kanda-ogawamachi, Chiyoda-ku, Tokyo	Trust beneficiary interest in real estate	9,900	9,913
I-19	Bizcore Shibuya	1-3-15 Shibuya, Shibuya-ku, Tokyo	Trust beneficiary interest in real estate	6,950	6,624
I-20	Bizcore Tsukiji	4-6-4 Tsukiji, Chuo-ku, Tokyo	Trust beneficiary interest in real estate	10,200	9,808
Area I				185,420	149,847
II-1	NHK Nagoya Housou-Center Building	1-13-3 Higashi-Sakura, Higashi-ku, Nagoya-shi, Aichi	Real estate	6,320	5,325
II-3	Osaka Kogin Building (Land with Leasehold Interest)	4-1-1 Koraibashi, Chuo-ku, Osaka-shi, Osaka	Trust beneficiary interest in real estate	2,840	1,865
II-4	GRAND FRONT OSAKA (Umekita Plaza South Building)	4-1 Ohbuka-cho, Kita-ku, Osaka City, Osaka (Umekita Plaza) 4-20 Ohbuka-cho, Kita-ku, Osaka City, Osaka (South Building)	Trust beneficiary interest in real estate	9,740	9,592
II-5	GRAND FRONT OSAKA (North Building)	3-1 Ohbuka-cho, Kita-ku, Osaka City, Osaka	Trust beneficiary interest in real estate	7,550	7,623
Area II				26,450	24,407
III-1	Musashikosugi Tower Place	1-403 Kosugi-machi, Nakahara-ku, Kawasaki-shi, Kanagawa	Trust beneficiary interest in real estate	22,200	12,264
III-2	Kowa Kawasaki Higashiguchi Building	1-53 Nisshin-cho Kawasaki-ku, Kawasaki-shi, Kanagawa	Trust beneficiary interest in real estate	9,710	10,856
III-3	JEI Hongo Building	2-38-16 Hongo, Bunkyo-ku, Tokyo	Trust beneficiary interest in real estate	4,510	4,869
III-5	Kawasaki Nisshincho Building	7-1 Nisshin-cho, Kawasaki-ku, Kawasaki-shi, Kanagawa	Trust beneficiary interest in real estate	4,250	4,249
III-7	JEI Ryogoku Building	3-25-5 Ryogoku, Sumida-ku, Tokyo	Trust beneficiary interest in real estate	2,760	2,466
III-11	Core City Tachikawa	2-37-7 Akebono-cho, Tachikawa-shi, Tokyo	Trust beneficiary interest in real estate	10,200	5,895
III-12	Nisseki Yokohama Building	1-1-8 Sakuragi-cho, Naka-ku, Yokohama-shi, Kanagawa	Trust beneficiary interest in real estate	30,000	21,540
III-13	Yokohama Bentendori Dai-ichi Seimei Building	4-59 Bentendori, Naka-ku, Yokohama-shi, Kanagawa	Trust beneficiary interest in real estate	733	748
III-14	Shin-Yokohama Arena-dori Building	3-7-7 Shin-Yokohama, Kohoku-ku, Yokohama-shi, Kanagawa	Trust beneficiary interest in real estate	2,170	2,083
Area III				86,533	64,975
IV-2	JEI Kyobashi Building	2-2-48 Kata-machi, Tsushima-ku, Osaka-shi, Osaka	Trust beneficiary interest in real estate	784	525
IV-3	JEI Hiroshima Hacchobori Building	14-4 Hacchobori, Naka-ku, Hiroshima-shi, Hiroshima	Trust beneficiary interest in real estate	4,310	2,877
IV-4	SE Sapporo Building	1-1-2 Kitananajonishi, Kita-ku, Sapporo-shi, Hokkaido	Trust beneficiary interest in real estate	11,200	4,994
IV-5	Aoba-dori Plaza	3-2-1 Chuo, Aoba-ku, Sendai-shi, Miyagi	Trust beneficiary interest in real estate	4,520	2,297
IV-6	Daiwa Minami-morimachi Building	2-6, 2-chome Kita Tenjinbashi, Kita-ku, Osaka-shi, Osaka	Trust beneficiary interest in real estate	5,340	4,227
IV-7	JEI Naha Building	2-8-1 Kumoji, Naha-shi, Okinawa	Trust beneficiary interest in real estate	2,090	1,651
IV-8	Hiroshima Dai-ichi Seimei OS Building	1-2-21 Matoba-cho Minami-ku, Hiroshima-shi, Hiroshima	Trust beneficiary interest in real estate	3,650	2,755
IV-9	Senshin Building	1-6-27 Chuo, Aoba-ku, Sendai-shi, Miyagi	Real estate	1,650	1,661
IV-10	Sapporo Otemachi Building	4-5-1 Minami Ichijo Nishi, Chuo-ku, Sapporo-shi, Hokkaido	Trust beneficiary interest in real estate	4,564	4,157
Area IV				38,108	25,149
Total				336,511	264,379

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(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., Japan Valuers Co., Ltd., Daiwa Real Estate Appraisal Co., Ltd. and The Tanizawa Sogo Appraisal Co., Ltd. as of December 31, 2023, pursuant to the articles of incorporation of JEI and the regulations stipulated by the Investment Trusts Association, Japan. For properties with joint ownership (including quasi co-ownership of trust beneficiary interest), the figure is obtained by taking the value of the entire shared real estate and factoring in the percentage of the interest owned by JEI.

The leasing business at each office building invested by JEI is as follows:

Property No.	Property name	34th Period January 1, 2023, to June 30, 2023				35th Period July 1, 2023, to December 31, 2023			
		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 (%)	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 (%)
I-1	Omori Bellport D	25	100.0	810	8.0	25	100.0	870	8.6
I-2	Shiba 2-Chome Building	2 (Note 1)	100.0	377	3.7	2 (Note 1)	100.0	378	3.8
I-3	JEI Hamamatsucho Building	5	61.2	123	1.2	5	61.2	159	1.6
I-8	AKASAKA INTERCITY	17	95.6	517	5.1	17	98.3	561	5.6
I-10	Daiba Garden City Building	3	91.0	330	3.3	4	91.0	337	3.3
I-12	HAMARIKYU INTERCITY	12 (Note 1)	98.1	747	7.4	12 (Note 1)	98.8	769	7.6
I-14	Kowa Nishi-Shimbashi Building	5	100.0	(Note 2)	(Note 2)	5	100.0	(Note 2)	(Note 2)
I-15	Mansard Daikanyama	10	97.4	229	2.3	10	97.4	280	2.8
I-16	AKASAKA INTERCITY AIR	1 (Note 1)	81.5	(Note 2)	(Note 2)	1 (Note 1)	92.0	(Note 2)	(Note 2)
I-17	Bizcore Akasaka-mitsuke	7	88.9	130	1.3	8	100.0	118	1.2
I-18	Bizcore Jimbocho	8	100.0	(Note 2)	(Note 2)	8	100.0	(Note 2)	(Note 2)
I-19	Bizcore Shibuya	7	100.0	146	1.5	7	100.0	148	1.5
I-20	Bizcore Tsukiji	—	—	—	—	1	100.0	(Note 2)	(Note 2)
Area I		102	95.3	—	—	105	96.3	—	—
II-1	NHK Nagoya Housou-Center Building	41	96.5	373	3.7	43	96.8	367	3.6
II-3	Osaka Kogin Building (Land with Leasehold Interest)	1 (Note 1)	100.0	98	1.0	1 (Note 1)	100.0	98	1.0
II-4	GRAND FRONT OSAKA (Umekita Plaza South Building)	2 (Note 1)	94.0	(Note 2)	(Note 2)	2 (Note 1)	93.6	(Note 2)	(Note 2)
II-5	GRAND FRONT OSAKA (North Building)	5 (Note 1)	98.1	(Note 2)	(Note 2)	5 (Note 1)	97.6	(Note 2)	(Note 2)
Area II		49	97.0	—	—	51	96.8	—	—
III-1	Musashikosugi Tower Place	49	92.3	698	6.9	51	100.0	739	7.3
III-2	Kowa Kawasaki Higashiguchi Building	1	100.0	(Note 2)	(Note 2)	1	100.0	(Note 2)	(Note 2)
III-3	JEI Hongo Building	4	100.0	(Note 2)	(Note 2)	4	100.0	(Note 2)	(Note 2)
III-5	Kawasaki Nisshincho Building	30	91.6	186	1.9	35	94.4	203	2.0
III-7	JEI Ryogoku Building	18	100.0	116	1.2	17	100.0	116	1.1
III-10	Pacific Square Sengoku (Note 3)	10	100.0	62	0.6	—	—	0	0.0
III-11	Core City Tachikawa	25	100.0	330	3.3	25	100.0	320	3.2
III-12	Nisseki Yokohama Building	45	98.4	1,218	12.1	49	99.8	1,187	11.8
III-13	Yokohama Bentendori Dai-ichi Seimei Building	13	100.0	42	0.4	13	100.0	42	0.4
III-14	Shin-Yokohama Arena-dori Building	12	100.0	24	0.2	12	100.0	69	0.7
Area III		207	97.1	—	—	207	99.4	—	—
IV-2	JEI Kyobashi Building	22	100.0	187	1.9	22	100.0	38	0.4
IV-3	JEI Hiroshima Hacchobori Building	43	93.4	146	1.5	45	100.0	149	1.5
IV-4	SE Sapporo Building	43	100.0	438	4.4	43	100.0	450	4.5
IV-5	Aoba-dori Plaza	47	96.3	188	1.9	47	96.3	181	1.8
IV-6	Daiwa Minami-morimachi Building	10	100.0	192	1.9	10	100.0	193	1.9
IV-7	JEI Naha Building	18	100.0	86	0.9	18	100.0	90	0.9
IV-8	Hiroshima Dai-ichi Seimei OS Building	29	100.0	147	1.5	29	98.7	147	1.5
IV-9	Senshin Building	15	76.8	48	0.5	17	88.0	45	0.5
IV-10	Sapporo Otemachi Building	26	97.4	135	1.3	28	100.0	136	1.3
Area IV		253	97.5	—	—	259	98.9	—	—
Total		611	96.5	10,079	100.0	622	97.9	10,102	100.0

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- (Note 1) Total number of tenants indicates the number of end tenants in principle. 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. However, for properties in which the residential portion or the percentage of the interest owned by JEI is relatively low, the number of tenants indicates the number of master lease companies for the property, considering a master lease company as a tenant. In addition, for land with leasehold interest, the number of tenants is counted as one based on the lease agreement for the leased land.
- (Note 2) Not disclosed, as consent for disclosure has not been obtained.
- (Note 3) JEI completed transfer of Pacific Square Sengoku on July 3, 2023.

#### (4) Securities Portfolio

The securities owned by JEI in its portfolio as of December 31, 2023, are as follows:

Name	Asset type	Quantity	Book value		Assessed value (Note 1)		Valuation gains/losses (Thousands of yen)	Remarks
			Unit price	Amount (Thousands of yen)	Unit price	Amount (Thousands of yen)		
Equity interest in anonymous association with Akasaka 2-chome Godo Kaisha as business operator	Equity interest in anonymous association	—	—	5,158,930	—	5,158,930	—	(Note 2)
Total		—	—	5,158,930	—	5,158,930	—	—

(Note 1) The assessed value states the book value.

(Note 2) The asset under management is trust beneficiary interest in ARK Hills Front Tower.

#### (5) Renewable Power Generation Facility

None

#### (6) Right to Operate Public Facility

None

## (7) 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 transactions Floating interest rate receivable Fixed interest rate payable	29,370,000	24,100,000	—

(Note 1) Contract amount of swap transactions 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.

### 2) Shares

Name (Note 1)	Number of shares	Acquisition price (Thousands of yen) (Note 4)		Assessed value (Thousands of yen) (Note 5)		Valuation gains/losses	Remarks
		Unit price	Amount	Unit price	Amount		
KMO Corporation	1,615 shares	50	81,577	50	81,577	—	—

(Note 1) With the acquisition of GRAND FRONT OSAKA (North Building) (part of trust beneficiary interest in real estate), JEI purchased 1,615 common shares of KMO Corporation, an entity that conducts facility management and business development for Knowledge Capital (Note 2), and acquired the restitution rights of funds (Note 3) of Knowledge Capital's funds. Moreover, said common shares may not be transferred separately from quasi co-ownership of the trust beneficiary interest in GRAND FRONT OSAKA (North Building).

(Note 2) Knowledge Capital, a center for industry-academia collaboration, is one of the main uses of GRAND FRONT OSAKA (North Building).

(Note 3) The details of the restitution rights of Knowledge Capital's funds are recorded below under "3) Securities other than shares"

(Note 4) Acquisition price includes the costs of acquisition.

(Note 5) The assessed value of these unlisted shares is stated as the book value.

### 3) Securities other than shares

Asset type (Note 1)	Quantity	Book value (Thousands of yen)		Assessed value (Thousands of yen) (Note 2)		Valuation gains/losses	Remarks
		Unit price	Amount	Unit price	Amount		
Restitution rights of funds	1	—	5,163	—	5,163	—	—

(Note 1) With the acquisition of GRAND FRONT OSAKA (North Building) (part of trust beneficiary interest in real estate), JEI acquired the restitution rights of funds of Knowledge Capital's funds. Moreover, said restitution rights may not be transferred separately from quasi co-ownership of the trust beneficiary interest in GRAND FRONT OSAKA (North Building).

(Note 2) The assessed value of the restitution rights of funds states the book value.

### 4) Other assets

Asset type (Note 1)	Quantity	Book value (Thousands of yen)		Assessed value (Thousands of yen) (Note 2)		Valuation gains/losses	Remarks
		Unit price	Amount	Unit price	Amount		
Restitution rights of funds	1	—	888	—	888	—	—

(Note 1) With the acquisition of GRAND FRONT OSAKA (Umekita Plaza·South Building) and GRAND FRONT OSAKA (North Building), JEI acquired restitution rights of funds concerning GRAND FRONT OSAKA TMO General Incorporated Association, which runs businesses related to the revitalization of the area centering on GRAND FRONT OSAKA, the improvement of the environment and the formation of communities.

(Note 2) The assessed value of the restitution rights of funds states the book value.

## (8) Status of JEI's Properties by Country and Region

None for JEI's properties are in countries or regions other than Japan.

#### 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 the end of the 35th period (ended December 31, 2023). 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 December 31, 2023	Total of advance payment
Kowa Kawasaki Higashiguchi Building	Kawasaki-shi, Kanagawa	Update of lower floor and upper floor elevators (Phase 3)	From December 2023 To January 2024	152	—	—
Musashikosugi Tower Place	Kawasaki-shi, Kanagawa	Update of upper floor elevators (Phase 3)	From January 2024 To June 2024	103	—	—
NHK Nagoya Housou- Center Building	Nagoya-shi, Aichi	Update of emergency power generator (No. 1)	From April 2022 To February 2024	84	—	—
NHK Nagoya Housou- Center Building	Nagoya-shi, Aichi	Update of elevators (Phase 3)	From September 2023 To January 2024	77	—	—
JEI Hiroshima Hacchobori Building	Hiroshima-shi, Hiroshima	Renovation of air- conditioning systems (Phase 6)	From September 2023 To January 2024	55	—	—
Kowa Kawasaki Higashiguchi Building	Kawasaki-shi, Kanagawa	Painting of inside of exterior walls around rooftop	From January 2024 To June 2024	45	—	—
NHK Nagoya Housou- Center Building	Nagoya-shi, Aichi	Renovation of security system	From January 2024 To June 2024	44	—	—
HAMARIKYU INTERCITY	Minato-ku, Tokyo	Conversion to LED lighting in exclusively-owned sections (Phase 1)	From January 2024 To June 2024	31	—	—

## (2) Capital Expenditures for the Six Months Ended December 31, 2023

The following table shows constructions conducted by JEI during the period ended December 31, 2023, and expensed as capital expenditures. Capital expenditures for the period ended December 31, 2023, were 1,418 million yen and, when combined with repairs and maintenance costs of 115 million yen classified as expenses in the period under review, the amount of constructions completed totaled 1,533 million yen.

Property name	Location	Purpose	Term	Amount Paid (Millions of yen)
Kowa Kawasaki Higashiguchi Building	Kawasaki-shi, Kanagawa	Update of lower floor and upper floor elevators (Phase 1 and Phase 2)	From May 2023 To October 2023	291
Musashikosugi Tower Place	Kawasaki-shi, Kanagawa	Update of upper floor elevators (Phase 1 and Phase 2)	From April 2023 To September 2023	155
Omori Bellport D	Shinagawa-ku, Tokyo	Update of cooling tower	From July 2023 To December 2023	63
NHK Nagoya Housou-Center Building	Nagoya-shi, Aichi	Update of elevators (Phase 2)	From October 2022 To August 2023	62
Nisseki Yokohama Building	Yokohama-shi, Kanagawa	Repair of exterior walls and such (Phase 3)	From August 2023 To December 2023	42
Omori Bellport D	Shinagawa-ku, Tokyo	Update of air-conditioning automatic control equipment (Phase 4 and Phase 5)	From September 2023 To December 2023	40
Musashikosugi Tower Place	Kawasaki-shi, Kanagawa	Conversion to LED lighting in exclusively-owned sections (Phase 2)	From July 2023 To December 2023	31
JEI Naha Building	Naha-shi, Okinawa	Conversion to LED lighting in exclusively-owned sections (Phase 1)	From October 2023 To December 2023	20
Yokohama Bentendori Dai-ichi Seimei Building	Yokohama-shi, Kanagawa	Partition-related in exclusively-owned sections	From November 2023 To December 2023	9
Other constructions				700
Total				1,418

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

Based on the 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, maintenance and other construction.

(Unit: Millions of yen)

Item	31st Period July 1, 2021, to December 31, 2021	32nd Period January 1, 2022, to June 30, 2022	33rd Period July 1, 2022, to December 31, 2022	34th Period January 1, 2023, to June 30, 2023	35th Period July 1, 2023, to December 31, 2023
Reserved funds at beginning of period	380	298	555	447	414
Increase	1,217	1,123	620	851	724
Decrease	1,299	866	729	884	560
Reserved funds at the end of period	298	555	447	414	578



## 5. Expenses and Liabilities

### (1) Expenses Associated with Asset Management

(Unit: Thousands of yen)

Account	34th Period January 1, 2023, to June 30, 2023	35th Period July 1, 2023, to December 31, 2023
(a) Asset management fees	458,964	457,823
(b) Custodian fees	21,917	21,393
(c) Administrative service fees	40,530	40,398
(d) Compensation for directors	5,100	4,200
(e) Accounting auditor fees	11,000	12,000
(f) Other	132,762	94,057
Total	670,275	629,872

### (2) Borrowings

Borrowings by each financing source as of the end of the 35th period (ended December 31, 2023) are as follows:

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								
Short-term loans	Mizuho Bank, Ltd.	December 7, 2023	—	5,000,000	0.25665	December 6, 2024	Lump-sum	Purchase of real estate	Unsecured and non-guaranteed
Subtotal			—	5,000,000					
Long-term loans due within one year	Mizuho Bank, Ltd.	November 30, 2015	420,000	—	0.84375 (Note 2)	November 30, 2023	Lump-sum	Repayment of existing borrowing	Unsecured and non-guaranteed
	MUFG Bank, Ltd.		250,000	—					
	Sumitomo Mitsui Banking Corporation		140,000	—					
	Mizuho Trust & Banking Co., Ltd.		1,560,000	—					
	The Norinchukin Bank		1,500,000	—					
	Resona Bank, Ltd.		500,000	—					
	Aozora Bank, Ltd.		750,000	—					
	The Bank of Fukuoka, Ltd.		150,000	—					
	MUFG Bank, Ltd.	November 30, 2017	1,000,000	—	0.64801 (Note 2)	May 31, 2024			
	Sumitomo Mitsui Banking Corporation		3,500,000	—					
	Resona Bank, Ltd.		500,000	—					
	Aozora Bank, Ltd.		500,000	—					
	Development Bank of Japan Inc.		3,500,000	3,500,000	0.68431 (Note 2)				
	Mizuho Bank, Ltd.	November 30, 2015	—	870,000	0.96275 (Note 2)	November 30, 2024			
	MUFG Bank, Ltd.		—	590,000					
	Sumitomo Mitsui Banking Corporation		—	350,000					
	Mizuho Trust & Banking Co., Ltd.		—	1,560,000					
	Resona Bank, Ltd.		—	1,000,000					
	Aozora Bank, Ltd.		—	750,000					
The Bank of Fukuoka, Ltd.	—		150,000						
Nippon Life Insurance Company	December 12, 2019	—	1,000,000	0.42000 (Note 2)	December 12, 2024				
Subtotal			14,270,000	9,770,000					

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	Classification	Drawdown date	Balance at beginning of period	Balance at end of period	Average interest rate (%)	Maturity date	Repayment method	Use	Remarks
	Lender		(Thousands of yen)	(Thousands of yen)	(Note 1)				
Long-term loans	Mizuho Bank, Ltd.	November 30, 2015	870,000	—	0.96275 (Note 2)	November 30, 2024	Lump-sum	Repayment of existing borrowing	Unsecured and non-guaranteed
	MUFG Bank, Ltd.		590,000	—					
	Sumitomo Mitsui Banking Corporation		350,000	—					
	Mizuho Trust & Banking Co., Ltd.		1,560,000	—					
	Resona Bank, Ltd.		1,000,000	—					
	Aozora Bank, Ltd.		750,000	—					
	The Bank of Fukuoka, Ltd.		150,000	—					
	Nippon Life Insurance Company	December 12, 2019	1,000,000	—	0.42000 (Note 2)	December 12, 2024			
	Mizuho Bank, Ltd.	September 30, 2022	2,000,000	2,000,000	0.27239	March 31, 2025			
	Mizuho Bank, Ltd.	June 29, 2018	3,700,000	3,700,000	0.67400 (Note 2)	June 30, 2025			
	MUFG Bank, Ltd.		1,000,000	1,000,000					
	Sumitomo Mitsui Banking Corporation		400,000	400,000					
	The Norinchukin Bank		1,000,000	1,000,000					
	Shinkin Central Bank		1,000,000	1,000,000					
	The Bank of Fukuoka, Ltd.		700,000	700,000					
	Resona Bank, Ltd.		200,000	200,000					
	Mizuho Bank, Ltd.	November 1, 2018	850,000	850,000	0.70600 (Note 2)	November 1, 2025			
	MUFG Bank, Ltd.		850,000	850,000					
	Mizuho Trust & Banking Co., Ltd.		600,000	600,000					
	The Norinchukin Bank		1,450,000	1,450,000					
	Mizuho Bank, Ltd.	November 29, 2021	520,000	520,000	0.40151	November 29, 2025			
	MUFG Bank, Ltd.		540,000	540,000					
	Sumitomo Mitsui Banking Corporation		1,080,000	1,080,000					
	Sumitomo Mitsui Trust Bank, Limited		1,620,000	1,620,000					
	Mizuho Bank, Ltd.	September 29, 2017	2,200,000	2,200,000	0.83441 (Note 2)	March 31, 2026			
	MUFG Bank, Ltd.		1,750,000	1,750,000					
	Sumitomo Mitsui Banking Corporation		1,100,000	1,100,000					
	The Norinchukin Bank		850,000	850,000					
	Aozora Bank, Ltd.		500,000	500,000					
	Mizuho Bank, Ltd.	March 8, 2019	850,000	850,000	0.57100 (Note 2)				
MUFG Bank, Ltd.	850,000		850,000						
Mizuho Trust & Banking Co., Ltd.	600,000		600,000						
The Norinchukin Bank	1,450,000		1,450,000						
Development Bank of Japan Inc.	September 29, 2017	1,300,000	1,300,000	0.83071 (Note 2)	September 30, 2026				
Mizuho Bank, Ltd.	June 29, 2018	1,300,000	1,300,000	0.79100 (Note 2)	December 30, 2026				
MUFG Bank, Ltd.		1,000,000	1,000,000						
Sumitomo Mitsui Banking Corporation		700,000	700,000						

	Classification	Drawdown date	Balance at beginning of period	Balance at end of period	Average interest rate (%)	Maturity date	Repayment method	Use	Remarks
	Lender		(Thousands of yen)	(Thousands of yen)	(Note 1)				
Long-term loans	Sompo Japan Insurance Inc.	January 31, 2022	2,000,000	2,000,000	0.28000 (Note 2)	January 31, 2027	Lump-sum	Repayment of existing borrowing	Unsecured and non-guaranteed
	Tokio Marine & Nichido Fire Insurance Co., Ltd.		1,000,000	1,000,000					
	Sompo Japan Insurance Inc.	November 30, 2022	500,000	500,000	0.34000 (Note 2)	November 30, 2027			
	Tokio Marine & Nichido Fire Insurance Co., Ltd.		500,000	500,000					
	MUFG Bank, Ltd.	November 30, 2023	—	1,250,000	0.39000				
	Development Bank of Japan Inc.	January 31, 2020	2,000,000	2,000,000	0.68778 (Note 2)	July 31, 2028			
	Mizuho Bank, Ltd.		1,175,000	1,175,000	0.71200 (Note 2)	January 31, 2029			
	MUFG Bank, Ltd.		1,175,000	1,175,000					
	Sumitomo Mitsui Banking Corporation		1,000,000	1,000,000					
	Mizuho Trust & Banking Co., Ltd.		1,087,500	1,087,500					
	The Norinchukin Bank		1,162,500	1,162,500	0.77000 (Note 2)				
	The Dai-ichi Life Insurance Company Limited		1,000,000	1,000,000					
	Sumitomo Mitsui Banking Corporation	November 30, 2023	—	3,640,000	0.43000	November 30, 2029			
	Development Bank of Japan Inc.	June 30, 2021	2,000,000	2,000,000	0.55801 (Note 2)	December 30, 2029			
	Mizuho Bank, Ltd.	December 30, 2021	1,950,000	1,950,000	0.50239				
	MUFG Bank, Ltd.		2,000,000	2,000,000					
	Mizuho Trust & Banking Co., Ltd.		1,200,000	1,200,000					
	Resona Bank, Ltd.		600,000	600,000					
	Mizuho Bank, Ltd.	December 30, 2022	1,950,000	1,950,000	0.44074	January 31, 2030			
	MUFG Bank, Ltd.		2,000,000	2,000,000					
	Mizuho Trust & Banking Co., Ltd.		1,200,000	1,200,000					
	Resona Bank, Ltd.		600,000	600,000					
	The Dai-ichi Life Insurance Company Limited	June 30, 2021	2,000,000	2,000,000	0.65000 (Note 2)	June 28, 2030			
	The Norinchukin Bank	November 30, 2023	—	1,500,000	0.45000	November 29, 2030			
	Resona Bank, Ltd.		—	1,000,000					
	Aozora Bank, Ltd.		—	1,250,000					
	The Bank of Fukuoka, Ltd.		—	150,000					
Development Bank of Japan Inc.	June 30, 2022	2,000,000	2,000,000	1.08125 (Note 2)	June 30, 2031				
Mizuho Bank, Ltd.	November 30, 2023	—	420,000	0.48000	November 28, 2031				
Mizuho Trust & Banking Co., Ltd.		—	1,560,000						
The Dai-ichi Life Insurance Company Limited	December 7, 2023	—	3,000,000	1.30000 (Note 2)	December 7, 2033	Lump-sum	Purchase of real estate	Unsecured and non-guaranteed	
Subtotal			68,330,000	75,830,000					
Total			82,600,000	90,600,000					

(Note 1) Average interest rate is calculated by applying a weighted average to the loan balance during the period. Borrowings hedged by interest rate swaps to avoid interest rate fluctuation risk are calculated by applying a weighted average rate in consideration of the effect of the interest rate swaps.

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

### (3) Investment Corporation Bonds

The outstanding investment corporation bonds issued by JEI as of December 31, 2023, are as follows:

Classification	Issue	Issuance date	Balance at beginning of period (Thousands of yen)	Balance at end of period (Thousands of yen)	Interest rate (%)	Maturity date	Repayment method	Use	Remarks
Unsecured investment corporation bonds	7th series unsecured investment corporation bonds	March 10, 2014	8,000,000	8,000,000	1.13000	March 11, 2024	Lump-sum	(Note 1)	(Note 4)
	8th series unsecured investment corporation bonds	September 9, 2015	5,000,000	5,000,000	1.03000	September 9, 2025		(Note 2)	
	9th series unsecured investment corporation bonds	October 27, 2016	2,000,000	2,000,000	0.45000	October 27, 2026		(Note 3)	
	10th series unsecured investment corporation bonds	December 20, 2016	2,000,000	—	0.39000	December 20, 2023		(Note 2)	
	11th series unsecured investment corporation bonds	April 25, 2017	7,000,000	7,000,000	0.65000	April 23, 2027		(Note 3)	
	13th series unsecured investment corporation bonds	April 20, 2018	2,000,000	2,000,000	0.95000	April 20, 2033		(Note 2)	
	15th series unsecured investment corporation bonds	September 10, 2019	1,000,000	1,000,000	1.07000	September 9, 2039		(Note 3)	
	17th series unsecured investment corporation bonds	March 30, 2023	2,000,000	2,000,000	0.95000	March 30, 2032		(Note 2)	
	18th series unsecured investment corporation bonds	December 19, 2023	—	2,000,000	1.32900	December 19, 2033		(Note 3)	
	Subtotal		29,000,000	29,000,000					
Green bonds	14th series unsecured investment corporation bonds	August 10, 2018	4,000,000	4,000,000	0.63000	August 10, 2028	Lump-sum	(Note 2)	(Note 4)
	16th series unsecured investment corporation bonds	October 29, 2020	5,000,000	5,000,000	0.75000	October 29, 2035			
	Subtotal		9,000,000	9,000,000					
Total			38,000,000	38,000,000					

(Note 1) The funds were used for redeeming existing investment corporation bonds and repaying existing borrowings.

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

(Note 3) The funds were used for redeeming existing investment corporation bonds.

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

### (4) Short-Term Investment Corporation Bonds

None

### (5) Subscription Rights for New Investment Units

None

## 6. Condition of Investment Transactions

### (1) Transactions of Property, Asset-Backed Securities, Etc. and Infrastructure Assets, Etc., and Infrastructure-Related Assets

(Millions of yen)

Type of asset	Name of real estate property or asset-backed securities, etc.	Acquisition		Transfer			
		Acquisition date	Acquisition price (Note 1)	Transfer date	Transfer price (Note 1)	Net book value (Note 2)	Gain (loss) on transfer (Note 3)
Trust beneficiary interest in real estate	Pacific Square Sengoku	—	—	July 3, 2023	2,300	1,598	697
Trust beneficiary interest in real estate	Bizcore Tsukiji	July 4, 2023	9,800	—	—	—	—
Trust beneficiary interest in real estate	GRAND FRONT OSAKA (Umekita Plaza·South Building) (2.3% co-ownership interest)	December 8, 2023	4,650	—	—	—	—
Trust beneficiary interest in real estate	GRAND FRONT OSAKA (North Building) (2.3% co-ownership interest)	December 8, 2023	3,650	—	—	—	—
Total		—	18,100	—	2,300	1,598	697

(Note 1) The acquisition/transfer price indicates the amount excluding related expenses (brokerage fee, taxes, etc.) required for the acquisition/transfer of the real estate property or asset-backed securities, etc., and is the purchase amount of the real estate property or asset-backed securities, etc. stated in the purchase agreement.

(Note 2) Net book value at the time of transfer is indicated.

(Note 3) Gain (loss) on transfer indicates the amount obtained by deducting net book value and other transfer expenses from transfer price.

### (2) Transactions of Other Assets

Type of asset	Purchase		Sale		Period-end balance	
	Quantity	Amount (Thousands of yen) (Note)	Quantity	Amount (Thousands of yen)	Quantity	Amount (Thousands of yen) (Note)
Shares	782 shares	39,100	—	—	1,615 shares	80,750
Restitution rights of funds	—	2,530	—	—	—	5,225
Total	782 shares	41,630	—	—	1,615 shares	85,975

(Note) The purchase and period-end balance amounts are the amounts stated in the purchase agreement.

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

#### 1) Real estate, etc.

Acquisition or transfer	Name of property	Type of asset	Acquisition/transfer date	Acquisition/transfer price (Millions of yen) (Note)	Appraisal value (Millions of yen)	Appraiser	Appraisal date
Transfer	Pacific Square Sengoku	Trust beneficiary interest in real estate	July 3, 2023	2,300	1,550	Chuo Real Estate Appraisal Co., Ltd.	December 31, 2022
Acquisition	Bizcore Tsukiji	Trust beneficiary interest in real estate	July 4, 2023	9,800	10,200	Japan Real Estate Institute	June 1, 2023
Acquisition	GRAND FRONT OSAKA (Umekita Plaza·South Building) (2.3% co-ownership interest)	Trust beneficiary interest in real estate	December 8, 2023	4,650	4,690	Japan Valuers Co., Ltd.	October 1, 2023
Acquisition	GRAND FRONT OSAKA (North Building) (2.3% co-ownership interest)	Trust beneficiary interest in real estate	December 8, 2023	3,650	3,660	Japan Valuers Co., Ltd.	October 1, 2023

(Note) The acquisition/transfer price is the purchase price amount of the property stated in the purchase agreement (excluding the amount equivalent to consumption taxes, etc.).

#### 2) Securities

Acquisition or transfer	Transaction date	Type	Name	Quantity (Shares)	Transaction price (Millions of yen) (Note 1)	Investigated value of specified asset (Millions of yen) (Note 2)
Acquisition	December 8, 2023	Shares	KMO Corporation	782	39	39
Acquisition	December 8, 2023	Restitution rights of funds	Knowledge Capital	—	2	2

(Note 1) The transaction price is the purchase price amount stated in the purchase agreement.

(Note 2) With respect to transactions that require an investigation of the value of securities for specified assets pursuant to Article 201, Paragraph 2 of the Investment Trust Law, the investigation of value is conducted by Ernst & Young ShinNihon LLC in accordance with the Professional Practice Guidelines 4400 “Practical Guidelines on the Agreed-Upon Procedures” and the Professional Practice Guidelines 4460 “Practical Guidelines on the Agreed-Upon Procedures for the Investigation of Values, etc., of Specified Assets of Investment Trusts and Investment Corporations” issued by The Japanese Institute of Certified Public Accountants, and JEI is notified of the results of such investigation of value.

#### 3) Transactions of other assets

Acquisition or transfer	Transaction date	Type	Name	Transaction price (Millions of yen) (Note 1)	Investigated value of specified asset (Millions of yen) (Note 2)
Acquisition	December 8, 2023	Restitution rights of funds	GRAND FRONT OSAKA TMO General Incorporated Association	0	0

(Note 1) The transaction price is the purchase price amount stated in the purchase agreement.

(Note 2) With respect to transactions that require an investigation of the value of restitution rights of funds for specified assets pursuant to Article 201, Paragraph 2 of the Investment Trust Law, the investigation of value is conducted by Ernst & Young ShinNihon LLC in accordance with the Professional Practice Guidelines 4400 “Practical Guidelines on the Agreed-Upon Procedures” and the Professional Practice Guidelines 4460 “Practical Guidelines on the Agreed-Upon Procedures for the Investigation of Values, etc., of Specified Assets of Investment Trusts and Investment Corporations” issued by The Japanese Institute of Certified Public Accountants, and JEI is notified of the results of such investigation of value.

#### 4) Others

For those transactions conducted by JEI of which are transactions of assets that require investigation of the value and such in accordance with Article 201 of the Investment Trust Law, JEI entrusts the investigation to Ernst & Young ShinNihon LLC.

During the period under review from July 1, 2023, to December 31, 2023, there were two transactions of purchase of securities and one transaction of purchase of monetary claims that were transactions subject to such investigation, and JEI has received a report on factual findings of agreed-upon procedures from Ernst & Young ShinNihon LLC for the transactions.

For the securities purchase transactions, JEI entrusted the investigation of the name, quantity, matters necessary to identify trust's assets in trust, and other details pertaining to the securities.

For the monetary claims transactions, JEI entrusted the investigation of the type of monetary claim, creditors' and debtors' names and addresses, status of establishment of collateral, and other details pertaining to the monetary claims.

The investigation is not part of the financial statement audits and is not a guarantee of the appropriateness of the value or internal management systems.

#### (4) Transactions with Interested Parties

##### 1) Transactions

Classification	Acquisition price or disposal amount	
	Acquisition price	Disposal amount
Total amount	18,100 million yen	2,300 million yen
Breakdown for transactions with interested parties		
Nippon Steel Kowa Real Estate Co., Ltd.	18,100 million yen (100.0%)	— million yen (—%)
Total	18,100 million yen (100.0%)	— million yen (—%)

(Note) Interested parties refers to the interested parties of the asset management company, which has concluded an asset management agreement with JEI as prescribed in Article 123 of the Investment Trust Enforcement Order and Section 26, Paragraph 1, Item 27 of the Regulations for Management Reports Concerning Investment Trusts and Investment Corporations of the Investment Trusts Association, Japan.

##### 2) Amounts of fees paid and other expenses

(Unit: Thousands of yen)

Classification	Total amount paid (A)	Breakdown of transactions with interested parties		B/A
		Paid to	Amount paid (B)	
Property management costs and fees	1,490,876	The Dai-ichi Building Co., Ltd.	535,136	35.9%
		Nippon Steel Kowa Real Estate Co., Ltd.	383,406	25.7%
		Sohgo Housing Co., Ltd.	102,763	6.9%
		Akasaka Intercity Management Co., Ltd.	23,676	1.6%
Total	1,490,876	—	1,044,982	70.1%

(Note 1) Figures indicate fees paid to interested parties of the asset management company with whom JEI had direct transactions during the six months ended December 31, 2023.

(Note 2) Other than the Total amount paid indicated above, the following payments were made for maintenance and repair work, etc. which were ordered to interested parties during the period.

Kowa Real Estate Facilities Co., Ltd.	254,739 thousand yen
The Dai-ichi Building Co., Ltd.	16,625 thousand yen
Nippon Steel Kowa Real Estate Co., Ltd.	15,390 thousand yen

#### (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.

The data for the previous period in Balance Sheets, Statements of Income and Retained Earnings, Statements of Changes in Net Assets, Notes to Financial Statements and Distribution Information are for reference, and not subject to the audit by a financial auditor pursuant to the provisions of Article 130 of the Investment Trust Law in the period under review.

In addition, Statements of Cash Flows is not subject to the audit by a financial auditor pursuant to the provisions of Article 130 of the Investment Trust Law and has thus not been audited by a financial auditor (accounting auditor).

### (2) Change in Depreciation Calculation Method

No changes were made during the period.

### (3) Change in Asset and Infrastructure Assets, Etc. Valuation Method

No changes were made during the period

## 8. Others

### (1) Notice

#### 1) General unitholders' meeting

The 11th general unitholders' meeting of JEI was held on September 29, 2023. The following table summarizes the major matters approved at the unitholders' meeting.

Agenda	Summary
Partial amendment to the Articles of Incorporation	The Articles of Incorporation was amended as follows: <ul style="list-style-type: none"><li>With the enforcement of the amended provisions stipulated in Item 3 of the Supplementary Provisions of the Act on Arrangement of Relevant Acts Incidental to Enforcement of the Act Partially Amending the Companies Act (Act No. 71 of 2019) on September 1, 2022, amendment of the Articles of Incorporation to the effect that reference documents for general meetings of unitholders, etc. shall be provided in electronic format is deemed to have occurred. In order to clarify this point, JEI newly established a provision to that effect in the Articles of Incorporation.</li><li>With the introduction of electronic provision measures, JEI newly established a related provision in order to limit the scope of matters described in the documents to be delivered to unitholders who have requested the delivery of documents to the scope stipulated in the Regulation for Enforcement of the Act on Investment Trusts and Investment Corporations.</li></ul>
Election of one executive director	Shuichiro Kayama was elected as an executive director. The term of his office is two years from November 1, 2023.
Election of one substitute executive director	Kazuhiro Ono was elected as a substitute executive director.
Election of three supervisory directors	Eiji Takagi, Osamu Hirakawa, and Hiroaki Komatsu were elected as supervisory directors. The term of their office is two years from November 1, 2023.

#### 2) Board of directors' meeting

There were no applicable items during the period.

### (2) Disclosure of Investment Trust Beneficiary Certificates Incorporated by JEI

There were no applicable items during the period.

### (3) Disclosure of Juridical Persons Owning Overseas Real Estate and Status of the Owned Real Estate

There were no applicable items during the period.

### (4) 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  
December 31, 2023 and June 30, 2023  
with Independent Auditor's Report*

# Japan Excellent, Inc.

## Balance Sheets

As of December 31, 2023 and June 30, 2023

	As of December 31, 2023	As of June 30, 2023
	<i>(Thousands of yen)</i>	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents including trust accounts (Note 4)	21,548,840	30,744,687
Rental receivables	355,880	336,670
Prepaid expenses and other current assets	892,057	457,513
Total current assets	22,796,778	31,538,871
Property and equipment (Note 7):		
Buildings and building improvements	8,308,380	8,194,210
Machinery and equipment	11,987	6,253
Furniture and fixtures	62,263	62,263
Land	10,609,617	10,609,617
Construction in progress	21,416	7,891
Buildings and building improvements for trust accounts	111,609,483	107,815,908
Machinery and equipment for trust accounts	1,382,270	1,361,005
Furniture and fixtures for trust accounts	264,147	245,933
Land for trust accounts	161,880,603	148,137,279
Construction in progress for trust accounts	95,485	65,561
Less: accumulated depreciation	(39,052,919)	(37,543,965)
Net property and equipment	255,192,736	238,961,958
Intangible assets:		
Leasehold rights	1,721,607	1,721,607
Leasehold rights for trust accounts	7,382,016	7,382,016
Software	733	1,833
Other intangible assets for trust accounts	83,373	80,579
Total intangible assets	9,187,730	9,186,036
Investments and other assets:		
Investment securities	5,245,671	5,222,632
Deferred tax assets	15	13
Security deposits	19,826	19,029
Long-term prepaid expenses	932,057	738,188
Other assets	1,327,899	1,260,880
Total investments and other assets	7,525,470	7,240,744
Deferred assets:		
Investment corporation bond issuance costs	121,174	118,110
Total deferred assets	121,174	118,110
Total assets	294,823,890	287,045,722

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

	As of December 31, 2023	As of June 30, 2023
	<i>(Thousands of yen)</i>	
<b>Liabilities</b>		
Current liabilities:		
Accounts payable – trade	1,261,692	1,338,161
Short-term loans <i>(Notes 5 and 8)</i>	5,000,000	—
Investment corporation bonds due within one year <i>(Notes 5 and 9)</i>	8,000,000	10,000,000
Long-term debt due within one year <i>(Notes 5 and 8)</i>	9,770,000	14,270,000
Accounts payable – other	464,979	486,371
Accrued expenses	161,568	160,313
Accrued corporation taxes	700	667
Accrued consumption taxes	—	841,781
Advances received	46,093	56,148
Other current liabilities	55,740	5,587
Total current liabilities	<u>24,760,774</u>	<u>27,159,032</u>
Long-term liabilities:		
Investment corporation bonds <i>(Notes 5 and 9)</i>	30,000,000	28,000,000
Long-term debt <i>(Notes 5 and 8)</i>	75,830,000	68,330,000
Security deposits from tenants	1,221,816	1,208,748
Security deposits from tenants for trust accounts	12,352,276	11,993,418
Total long-term liabilities	<u>119,404,092</u>	<u>109,532,167</u>
Total liabilities	<u>144,164,866</u>	<u>136,691,199</u>
<b>Net assets</b> <i>(Note 10)</i>		
Unitholders' equity:		
Unitholders' capital	147,907,649	147,907,649
Deduction from unitholders' capital	<u>(1,999,960)</u>	<u>(1,999,960)</u>
Unitholders' capital, net	<u>145,907,689</u>	<u>145,907,689</u>
Surplus		
Voluntary reserve		
Reserve for advanced depreciation of non-current assets	701,559	565,459
Retained earnings	<u>4,049,775</u>	<u>3,881,374</u>
Total surplus	<u>4,751,334</u>	<u>4,446,834</u>
Total unitholders' equity	<u>150,659,023</u>	<u>150,354,523</u>
Total net assets	<u>150,659,023</u>	<u>150,354,523</u>
Total liabilities and net assets	<u>294,823,890</u>	<u>287,045,722</u>

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

# Japan Excellent, Inc.

## Statements of Income and Retained Earnings

For the periods from July 1, 2023 to December 31, 2023  
and from January 1, 2023 to June 30, 2023

	For the period from July 1, 2023 to December 31, 2023	For the period from January 1, 2023 to June 30, 2023
	<i>(Thousands of yen)</i>	
Revenues <i>(Note 13)</i> :		
Rental business revenues <i>(Note 15)</i>	9,300,104	9,274,240
Other <i>(Note 15)</i>	801,987	805,286
Gain on sales of real estate properties <i>(Note 14 and 15)</i>	697,348	3,683,632
Dividend income from investment in anonymous association	57,668	60,370
Total revenues	10,857,108	13,823,530
Operating expenses <i>(Note 13)</i> :		
Property operating expenses <i>(Note 15)</i>	5,561,502	5,972,173
Loss on sales of real estate properties <i>(Note 14 and 15)</i>	—	2,703,576
Asset management fees	457,823	458,964
Custodian fees	21,393	21,917
Administrative service fees	40,398	40,530
Compensation for directors	4,200	5,100
Other	106,057	143,762
Total operating expenses	6,191,374	9,346,024
Operating income	4,665,734	4,477,505
Other income:		
Interest income	95	87
Other	523	505
Other expenses:		
Interest expense	274,137	291,393
Loan arrangement fees	164,716	133,371
Interest expense on investment corporation bonds	159,374	153,249
Amortization of investment corporation bond issuance costs	12,544	12,995
Other	4,881	4,826
Ordinary income	4,050,698	3,882,261
Income before income taxes	4,050,698	3,882,261
Income taxes <i>(Note 12)</i> :		
Current	925	884
Deferred	(1)	2
Net income	4,049,775	3,881,374
Retained earnings at beginning of period	—	—
Retained earnings at end of period	4,049,775	3,881,374

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

# Japan Excellent, Inc.

## Statements of Changes in Net Assets

For the periods from July 1, 2023 to December 31, 2023  
and from January 1, 2023 to June 30, 2023

For the period from July 1, 2023 to December 31, 2023								
Net assets								
Unitholders' equity								
Surplus								
Voluntary reserve								
Reserve for advanced depreciation of non-current assets								
Number of units in issue	Unitholders' capital	Deduction from unitholders' capital	Unitholders' capital, net	Retained earnings	Total surplus	Total unitholders' equity	Total net assets	
(Thousands of yen)								
Balance as of June 30, 2023	1,337,598	147,907,649	(1,999,960)	145,907,689	565,459	3,881,374	4,446,834	150,354,523
Changes during the fiscal period:								
Provision of reserve for reduction entry	—	—	—	—	136,100	(136,100)	—	—
Distributions from retained earnings	—	—	—	—	—	(3,745,274)	(3,745,274)	(3,745,274)
Net income	—	—	—	—	—	4,049,775	4,049,775	4,049,775
Total changes during the fiscal period	—	—	—	—	136,100	168,400	304,500	304,500
Balance as of December 31, 2023	1,337,598	147,907,649	(1,999,960)	145,907,689	701,559	4,049,775	4,751,334	150,659,023

For the period from January 1, 2023 to June 30, 2023								
Net assets								
Unitholders' equity								
Surplus								
Voluntary reserve								
Reserve for advanced depreciation of non-current assets								
Number of units in issue	Unitholders' capital	Deduction from unitholders' capital	Unitholders' capital, net	Retained earnings	Total surplus	Total unitholders' equity	Total net assets	
(Thousands of yen)								
Balance as of December 31, 2022	1,337,598	147,907,649	(1,999,960)	145,907,689	808,535	3,502,198	4,310,733	150,218,422
Changes during the fiscal period:								
Reversal of reserve for reduction entry	—	—	—	—	(243,076)	243,076	—	—
Distributions from retained earnings	—	—	—	—	—	(3,745,274)	(3,745,274)	(3,745,274)
Net income	—	—	—	—	—	3,881,374	3,881,374	3,881,374
Total changes during the fiscal period	—	—	—	—	(243,076)	379,176	136,100	136,100
Balance as of June 30, 2023	1,337,598	147,907,649	(1,999,960)	145,907,689	565,459	3,881,374	4,446,834	150,354,523

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

# Japan Excellent, Inc.

## Statements of Cash Flows

For the periods from July 1, 2023 to December 31, 2023  
and from January 1, 2023 to June 30, 2023

	For the period from July 1, 2023 to December 31, 2023	For the period from January 1, 2023 to June 30, 2023
	<i>(Thousands of yen)</i>	
<b>Cash flows from operating activities</b>		
Income before income taxes	4,050,698	3,882,261
Depreciation and amortization	1,781,540	1,961,548
Amortization of investment corporation bond issuance costs	12,544	12,995
Interest income	(95)	(87)
Interest expense	433,512	444,642
Decrease (increase) in rental receivables	(19,209)	86,801
Decrease (increase) in consumption taxes refundable	(530,763)	94,779
Decrease (increase) in prepaid expense	98,490	(135,539)
Increase (decrease) in accounts payable – trade	(354,838)	(74,024)
Increase (decrease) in accounts payable – other	(25,419)	47,602
Increase (decrease) in unpaid consumption taxes	(841,781)	841,781
Increase (decrease) in advances received	(10,055)	10,736
Decrease (increase) in long-term prepaid expenses	(193,868)	108,861
Decrease in property and equipment for trust accounts due to sale	1,598,865	21,837,292
Decrease in intangible assets for trust accounts due to sale	—	1,889
Other, net	(25,301)	(134,366)
Subtotal	5,974,318	28,987,176
Interest received	95	87
Interest paid	(432,256)	(439,977)
Income taxes paid	(667)	(679)
Net cash provided by (used in) operating activities	5,541,488	28,546,607
<b>Cash flows from investing activities</b>		
Proceeds from redemption of investment securities	18,973	63,661
Purchases of investment securities	(42,012)	—
Purchases of property and equipment	(188,859)	(149,380)
Purchases of property and equipment for trust accounts	(19,137,033)	(3,246,198)
Purchases of intangible assets for trust accounts	—	(26,625)
Payments for lease and guarantee deposits	(796)	—
Proceeds from security deposits from tenants	17,711	6,213
Payments for security deposits to tenants	(4,644)	(37,181)
Proceeds from security deposits in trust accounts from tenants	831,148	774,466
Payments for security deposits in trust accounts to tenants	(470,970)	(1,265,597)
Other, net	(434)	—
Net cash provided by (used in) investing activities	(18,976,915)	(3,880,641)
<b>Cash flows from financing activities</b>		
Proceeds from short-term loans	5,000,000	—
Repayment for short-term loans	—	(3,000,000)
Proceeds from long-term debt	13,770,000	—
Repayment for long-term debt	(10,770,000)	(5,000,000)
Proceeds from issuance of investment corporation bonds	1,984,391	1,984,414
Payments for redemption of investment corporation bonds	(2,000,000)	(2,000,000)
Distributions to unitholders	(3,744,811)	(3,745,416)
Net cash provided by (used in) financing activities	4,239,579	(11,761,001)
Net increase (decrease) in cash and cash equivalents	(9,195,847)	12,904,964
Cash and cash equivalents at beginning of period	30,744,687	17,839,723
Cash and cash equivalents at end of period (Note 4)	21,548,840	30,744,687

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

# Japan Excellent, Inc.

## Notes to Financial Statements

For the periods from July 1, 2023 to December 31, 2023  
and from January 1, 2023 to June 30, 2023

### 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 was originally owned 45% by NIPPON STEEL KOWA REAL ESTATE CO., LTD., 20% by The Dai-ichi Life Insurance Company, Limited, 15% by Sekisui House, Co., LTD., and 20% by other corporations. Due to the transfer of ownership by Sekisui House, Co., LTD., on May 12, 2014, ownership interests of 9% and 6% were each acquired by NIPPON STEEL KOWA REAL ESTATE CO., LTD., and The Dai-ichi Life Insurance Company, Limited, respectively.

JEI was listed on the Tokyo Stock Exchange on June 27, 2006.

As of December 31, 2023, JEI held 35 properties with 314,924.82 square meters of total leasable space and had leases with 622 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 here in as additional information.

The amounts have been rounded down to the nearest thousand yen in the accompanying financial statements in accordance with the financial statements originally prepared in Japanese and filed with the regulatory authorities in Japan.



### **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.

#### ***Investment securities***

Available-for-sale securities without market value are stated at cost determined by the moving average method. For ownership interests in an anonymous association, JEI adopts the method of factoring in the net amount of anonymous association income (loss) in proportion to its ownership interests.

#### ***Property and equipment including trust accounts***

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

Buildings and building improvements	2 – 62 years
Machinery and equipment	6 – 16 years
Furniture and fixtures	3 – 15 years

#### ***Intangible assets***

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

Software	5 years
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#### ***Deferred assets***

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

#### ***Revenue recognition***

The content of main performance obligations related to revenue arising from contracts with customers of the Company and the normal timing for satisfying such performance obligations (the normal timing for recognizing revenue) are as follows:

- Sale of real estate, etc.

Sale of real estate properties: The Company recognizes revenue from the sale of real estate properties when the purchaser, as the customer, obtains control of the real estate property by fulfilling the delivery obligations stipulated in the contract for the sale of real estate property.

### **3. Summary of Significant Accounting Policies (continued)**

- **Utilities income**

Utilities income: The Company recognizes utilities income based on the supply of electricity, water, etc. to the lessee as the customer, in accordance with the terms of the real estate lease contract and related agreements. Of utilities income, in the case that the Company determines it is an agent for utilities income, the utilities income is recognized as income at the net amount received as charges for electricity, gas, etc. supplied by other parties, less the amount paid to such other parties.

#### ***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).

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 July 1, 2023 to December 31, 2023 was ¥22,162 thousand.

The capitalized amount for the period from January 1, 2023 to June 30, 2023 was ¥6,050 thousand.

#### ***Derivatives and hedge accounting***

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

Each corresponding interest-rate swap is not required to be re-measured to fair value, because it meets the criteria for the special hedge accounting treatment under Japanese GAAP, which JEI applies to each interest-rate swap agreement.

Under this special hedge accounting treatment, the differentials paid or received under the swap agreements are recognized and included in interest expense of the hedged loans, and the interest-rate swaps are not required to be measured at fair value separately. For interest-rate swaps that meet the specific criteria for the special accounting treatment, assessments of hedge effectiveness are not performed.

### 3. Summary of Significant Accounting Policies (continued)

#### *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 December 31, 2023 and June 30, 2023 consisted of the following:

	<u>As of</u> <u>December 31, 2023</u>	<u>As of</u> <u>June 30, 2023</u>
	<i>(Thousands of yen)</i>	
Cash and cash deposits	10,466,806	20,308,437
Cash and deposits in trust	11,082,033	10,436,250
Cash and cash equivalents including trust accounts	<u>21,548,840</u>	<u>30,744,687</u>

### 5. Financial Instruments

**For the periods from July 1, 2023 to December 31, 2023 and from January 1, 2023 to June 30, 2023**

#### *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 JEI's Annual Funding Procurement Plan. When procuring funds by means of interest-bearing debt, matters such as seeking longer durations and maturities, securing fixed interest rates over the entire term of the instrument in order to benefit from the recent favorable financial environment with low 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 fixed-rate term deposits. Derivative transactions are used solely for the purpose of hedging against the risk of fluctuations in interest rates of borrowings and investment corporation bonds.

## 5. Financial Instruments (continued)

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

#### (a) Market Risks (Interest rate fluctuation risk)

Borrowings and investment corporation bonds are primarily used to acquire properties or to refinance existing borrowings or bonds. Some of such debt were floating rate instruments and thus were exposed to the risk of interest rate fluctuations. Based on interest rate forecasts developed through constant financial market monitoring activities, JEI has concentrated on hedging against the risk of interest rate fluctuations principally using interest-rate swaps, through which a floating interest rate is swapped for a fixed interest rate, which finally led to 74.3% of existing borrowings being covered by a fixed interest rate swap for the entire maturity as of December 31, 2023. To reduce credit risk, derivative transactions (interest-rate swaps) are entered into exclusively with counterparties that are financial institutions with high credit ratings. For hedging accounting methods, hedging instruments, hedged items, hedging policies and methods for evaluation of the effectiveness of hedging activities, see “Derivatives and hedge accounting” under Summary of Significant Accounting Policies.

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

Borrowings and investment corporation bonds are exposed to liquidity risk. This risk is reduced through diversification of maturity dates and funding sources, and arrangement of commitment line agreements (as described in Note 8, “Short-Term Loans and Long-Term Debt,” and there is no balance outstanding under the facility agreements as of December 31, 2023). Liquidity risk is also mitigated through the constant management of liquidity on hand.

#### (c) Credit Risk

Investment securities represent ownership interests in an anonymous association and exposed to credit risk of the issuer. JEI regularly evaluates the financial condition of the issuer, etc.

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

Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in a different fair value.

In addition, the contract value of derivative transactions, which is presented in Note 17. “Derivative Transactions” does not represent the market risk attributable to derivative transactions.

## 5. Financial Instruments (continued)

### *Fair value of financial instruments*

The following are carrying values and fair values as of December 31, 2023 and June 30, 2023 of financial instruments and the differences between them. Please note that the following table does not include ownership interests in an anonymous association (Note B).

In addition, since “Cash and cash deposits”, “Cash and deposits in trust”, and “Short-term loans” are cash and due to be settled in a short period, and their fair values approximate their book values, the notes are omitted.

	As of December 31, 2023			As of June 30, 2023		
	Carrying value	Fair value (Note A)	Difference	Carrying value	Fair value (Note A)	Difference
	<i>(Thousands of yen)</i>					
(1) Investment corporation bonds due within one year (Note C)	8,000,000	8,012,360	12,360	10,000,000	10,045,242	45,242
(2) Long-term debt due within one year (Note C)	9,770,000	9,810,581	40,581	14,270,000	14,313,142	43,142
(3) Investment corporation bonds (Note C)	30,000,000	29,279,348	(720,652)	28,000,000	27,535,253	(464,747)
(4) Long-term debt (Note C)	75,830,000	75,749,777	(80,222)	68,330,000	68,596,416	266,416
Total liabilities	123,600,000	122,852,067	(747,932)	120,600,000	120,490,053	(109,946)
(5) Derivative transactions *	—	—	—	—	—	—

\*The value of assets and liabilities arising from derivative transactions is shown at net value.

(Note A)

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

- (1) Investment corporation bonds due within one year and (3) Investment corporation bonds  
The fair value of investment corporation bonds issued by JEI is based on quoted market prices.
- (2) Long-term debt due within one year and (4) Long-term debt  
Where floating rates apply, book value is generally considered appropriate as fair value. The fair value of such liabilities is considered to approximate book value, since 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 applying a reasonably assumed interest rate as a discount rate, which was determined to be applicable for the borrowings under similar conditions.
- (5) Derivative transactions  
Please refer to Note 17, “Derivative Transactions.”

## 5. Financial Instruments (continued)

(Note B)

*Of investment securities, for ownership interests in an anonymous association, the fair value is calculated by applying the treatment stipulated in Paragraph 24-16 of the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31 issued on June 17, 2021). No notes are provided on matters prescribed in Paragraph 4 (1) of the Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19 issued on March 31, 2020).*

*The balance sheet amount for ownership interests in an anonymous association to which this treatment is applied is ¥5,158,930 thousand as of December 31, 2023. Investment securities, other than ownership interests in an anonymous association are omitted because they lack significance.*

(Note C)

*Security deposits from tenants and Security deposits from tenants for trust accounts are omitted because they lack significance.*

(Note D)

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

As of December 31, 2023						
	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)					
Investment corporation bonds						
due within one year	8,000,000	—	—	—	—	—
Long-term debt						
due within one year	9,770,000	—	—	—	—	—
Investment corporation bonds	—	5,000,000	2,000,000	7,000,000	4,000,000	12,000,000
Long-term debt	—	17,510,000	14,450,000	5,250,000	2,000,000	36,620,000
Total	17,770,000	22,510,000	16,450,000	12,250,000	6,000,000	48,620,000

  

As of June 30, 2023						
	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)					
Investment corporation bonds						
due within one year	10,000,000	—	—	—	—	—
Long-term debt						
due within one year	14,270,000	—	—	—	—	—
Investment corporation bonds	—	—	5,000,000	9,000,000	—	14,000,000
Long-term debt	—	16,270,000	17,660,000	7,300,000	1,000,000	26,100,000
Total	24,270,000	16,270,000	22,660,000	16,300,000	1,000,000	40,100,000

## 6. Investment and Rental Property

**For the periods from July 1, 2023 to December 31, 2023 and from January 1, 2023 to June 30, 2023**

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 December 31, 2023 and June 30, 2023 for such real estate for lease.

Carrying value			Fair value
As of July 1, 2023	Change during period (*2)	As of December 31, 2023	As of December 31, 2023
<i>(Thousands of yen)</i>			
248,146,162	16,233,571	264,379,734	338,627,000

  

Carrying value			Fair value
As of January 1, 2023	Change during period (*1)	As of June 30, 2023	As of June 30, 2023
<i>(Thousands of yen)</i>			
268,467,759	(20,321,596)	248,146,162	324,568,000

A) Carrying value represents the acquisition cost less accumulated depreciation.

B) Details of change during period:

(\*1) The decrease of ¥20,321,596 thousand during the period is mainly due to an increase of ¥2,093,066 thousand related to the acquisition of Shin-Yokohama Arena-dori Building, and a decrease of ¥1,031,803 thousand related to the disposal of Shintomicho Building, a decrease of ¥18,750,487 thousand related to the disposal of Kowa Kawasaki Nishiguchi Building, a decrease of ¥2,126,568 thousand related to the part disposal of JEI Kyobashi Building, and a decrease of ¥1,960,448 thousand for depreciation costs.

(\*2) The increase of ¥16,233,571 thousand during the period is mainly due to an increase of ¥9,835,214 thousand related to the acquisition of Bizcore Tsukiji, an increase of ¥4,657,733 thousand related to the acquisition of GRAND FRONT OSAKA (Umekita Plaza • South Building) (Additional acquisition of co-ownership interest), an increase of ¥3,657,521 thousand related to the acquisition of GRAND FRONT OSAKA (North Building) (Additional acquisition of co-ownership interest), and a decrease of ¥1,598,865 thousand related to the disposal of Pacific Square Sengoku, and a decrease of ¥1,780,440 thousand for depreciation costs.

C) Fair value

Fair value as of December 31, 2023 is JEI Kyobashi Building's transfer price, JEI Hongo Building's transfer price and for other properties, appraisal value provided by third-party real estate appraisers.

Fair value as of June 30, 2023 is Pacific Square Sengoku's transfer price, JEI Kyobashi Building's transfer price and for other properties, appraisal value provided by third-party real estate appraisers.

## 7. Property and Equipment

Property and equipment at December 31, 2023 and June 30, 2023 consisted of the following:

	As of December 31, 2023			As of June 30, 2023		
	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value
	<i>(Thousands of yen)</i>					
Buildings and building improvements	8,308,380	(2,733,064)	5,575,316	8,194,210	(2,605,261)	5,588,949
Machinery and equipment	11,987	(5,985)	6,001	6,253	(5,573)	679
Furniture and fixtures	62,263	(49,076)	13,186	62,263	(45,281)	16,982
Land	10,609,617	—	10,609,617	10,609,617	—	10,609,617
Construction in progress	21,416	—	21,416	7,891	—	7,891
Buildings and building improvements for trust accounts	111,609,483	(35,341,781)	76,267,701	107,815,908	(34,013,706)	73,802,202
Machinery and equipment for trust accounts	1,382,270	(730,868)	651,402	1,361,005	(693,252)	667,752
Furniture and fixtures for trust accounts	264,147	(192,142)	72,004	245,933	(180,889)	65,043
Land for trust accounts	161,880,603	—	161,880,603	148,137,279	—	148,137,279
Construction in progress for trust accounts	95,485	—	95,485	65,561	—	65,561
Total	294,245,656	(39,052,919)	255,192,736	276,505,923	(37,543,965)	238,961,958

## 8. Short-Term Loans and Long-Term Debt

Short-term loans and long-term debt as of December 31, 2023 and June 30, 2023 consisted of the following:

	As of December 31, 2023		As of June 30, 2023	
	Amount	Weighted-average interest rate (*1)	Amount	Weighted-average interest rate (*1)
	(Thousands of yen)		(Thousands of yen)	
Short-term loans:				
Unsecured loans from a bank due on December 6, 2024	5,000,000	0.25665%	—	
Subtotal	5,000,000		—	
Long-term debt due within one year:				
Unsecured loans from banks due on November 30, 2023	—	0.84375% (*2)	5,270,000	0.84375% (*2)
Unsecured loans from banks due on November 30, 2023	—	0.64801% (*2)	5,500,000	0.64801% (*2)
Unsecured loans from a bank due on May 31, 2024	3,500,000	0.68431% (*2)	3,500,000	0.68431% (*2)
Unsecured loans from banks due on November 30, 2024	5,270,000	0.96275% (*2)	—	
Unsecured loans from an insurance company due on December 12, 2024	1,000,000	0.42000% (*2)	—	
Subtotal	9,770,000		14,270,000	



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

Long-term debt:

Unsecured loans from banks due on November 30, 2024	—	0.96275% (*2)	5,270,000	0.96275% (*2)
Unsecured loans from an insurance company due on December 12, 2024	—	0.42000% (*2)	1,000,000	0.42000% (*2)
Unsecured loans from a bank due on March 31, 2025	2,000,000	0.27239%	2,000,000	0.26919%
Unsecured loans from banks due on June 30, 2025	8,000,000	0.67400% (*2)	8,000,000	0.67400% (*2)
Unsecured loans from banks due on November 1, 2025	3,750,000	0.70600% (*2)	3,750,000	0.70600% (*2)
Unsecured loans from banks due on November 29, 2025	3,760,000	0.40151%	3,760,000	0.39785%
Unsecured loans from banks due on March 31, 2026	6,400,000	0.83441% (*2)	6,400,000	0.83441% (*2)
Unsecured loans from banks due on March 31, 2026	3,750,000	0.57100% (*2)	3,750,000	0.57100% (*2)
Unsecured loans from a bank due on September 30, 2026	1,300,000	0.83071% (*2)	1,300,000	0.83071% (*2)
Unsecured loans from banks due on December 30, 2026	3,000,000	0.79100% (*2)	3,000,000	0.79100% (*2)
Unsecured loans from insurance companies due on January 31, 2027	3,000,000	0.28000% (*2)	3,000,000	0.28000% (*2)
Unsecured loans from insurance companies due on November 30, 2027	1,000,000	0.34000% (*2)	1,000,000	0.34000% (*2)
Unsecured loans from a bank due on November 30, 2027	1,250,000	0.39000%	—	
Unsecured loans from a bank due on July 31, 2028	2,000,000	0.68778% (*2)	2,000,000	0.68778% (*2)
Unsecured loans from banks due on January 31, 2029	5,600,000	0.71200% (*2)	5,600,000	0.71200% (*2)
Unsecured loans from an insurance company due on January 31, 2029	1,000,000	0.77000% (*2)	1,000,000	0.77000% (*2)
Unsecured loans from a bank due on November 30, 2029	3,640,000	0.43000%	—	
Unsecured loans from a bank due on December 30, 2029	2,000,000	0.55801% (*2)	2,000,000	0.55801% (*2)
Unsecured loans from banks due on December 30, 2029	5,750,000	0.50239%	5,750,000	0.49919%
Unsecured loans from banks due on January 31, 2030	5,750,000	0.44074%	5,750,000	0.44349%
Unsecured loans from an insurance company due on June 28, 2030	2,000,000	0.65000% (*2)	2,000,000	0.65000% (*2)
Unsecured loans from banks due on November 29, 2030	3,900,000	0.45000%	—	
Unsecured loans from a bank due on June 30, 2031	2,000,000	1.08125% (*2)	2,000,000	1.08125% (*2)
Unsecured loans from banks due on November 28, 2031	1,980,000	0.48000%	—	
Unsecured loans from an insurance company due on December 7, 2033	3,000,000	1.30000% (*2)	—	
Subtotal	75,830,000		68,330,000	
Total	90,600,000		82,600,000	

(\*1)The weighted-average interest rate is weighted-average figures during the period. As for the borrowings hedged by interest-rate swaps for the purpose of mitigating interest rate fluctuation risk, the fixed interest rates after entering into the interest rate swap transactions are used to calculate the weighted-average interest rate.

(\*2)These are fixed-rate debt (incl. fixed-rate debt through each interest-rate swap agreement).

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

The scheduled repayment amounts of long-term debt as of December 31, 2023 are as follows:

	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>					
Long-term debt	9,770,000	17,510,000	14,450,000	5,250,000	2,000,000	36,620,000

JEI has commitment lines of ¥14,000,000 thousand with three financial institutions to mitigate refinancing risk and enhance financial stability. As of December 31, 2023, these commitment lines have never been utilized.

## 9. Investment Corporation Bonds

Details of total investment corporation bonds outstanding as of December 31, 2023 and June 30, 2023 are summarized as follows:

	As of December 31, 2023		As of June 30, 2023	
	Amount	Weighted-average interest rate	Amount	Weighted-average interest rate
	<i>(Thousands of yen)</i>		<i>(Thousands of yen)</i>	
Unsecured bond #7 due on March 11, 2024	8,000,000	1.13000%	8,000,000	1.13000%
Unsecured bond #8 due on September 9, 2025	5,000,000	1.03000%	5,000,000	1.03000%
Unsecured bond #9 due on October 27, 2026	2,000,000	0.45000%	2,000,000	0.45000%
Unsecured bond #10 due on December 20, 2023	—	0.39000%	2,000,000	0.39000%
Unsecured bond #11 due on April 23, 2027	7,000,000	0.65000%	7,000,000	0.65000%
Unsecured bond #13 due on April 20, 2033	2,000,000	0.95000%	2,000,000	0.95000%
Unsecured bond #14 due on August 10, 2028	4,000,000	0.63000%	4,000,000	0.63000%
Unsecured bond #15 due on September 9, 2039	1,000,000	1.07000%	1,000,000	1.07000%
Unsecured bond #16 due on October 29, 2035	5,000,000	0.75000%	5,000,000	0.75000%
Unsecured bond #17 due on March 30, 2032	2,000,000	0.95000%	2,000,000	0.95000%
Unsecured bond #18 due on December 19, 2033	2,000,000	1.32900%	—	
Total	<u>38,000,000</u>		<u>38,000,000</u>	

The scheduled redemption amounts of investment corporation bonds as of December 31, 2023 are as follows:

	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>					
Investment corporation bonds	8,000,000	5,000,000	2,000,000	7,000,000	4,000,000	12,000,000

## 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 ¥50,000 thousand.

Information on the cancellation of treasury investment units during the six-month period ended December 31, 2023 and June 30, 2023 is as follows:

	Six-month period ended December 31, 2023	Six-month period ended June 30, 2023
Total number of treasury investment units cancelled (units)	15,402	15,402
Total amount of cancellation (Thousands of yen)	1,999,960	1,999,960

## 11. Per Unit Information

Net assets per unit as of December 31, 2023 and June 30, 2023 were calculated based on the number of units outstanding as of each date, (1,337,598 units) and (1,337,598 units), respectively.

Net income per unit for the periods from July 1, 2023 to December 31, 2023 and from January 1, 2023 to June 30, 2023 was calculated based on the weighted-average number of units outstanding during the corresponding periods, (1,337,598 units) and (1,337,598 units), respectively.

Accordingly, net assets per unit were ¥112,634 as of December 31, 2023 and ¥112,406 as of June 30, 2023. Net income per unit was ¥3,027 for the period from July 1, 2023 to December 31, 2023 and ¥2,901 for the period from January 1, 2023 to June 30, 2023.

## 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 December 31, 2023 and June 30, 2023 are summarized as follows:

	As of December 31, 2023	As of June 30, 2023
	(Thousands of yen)	
Deferred tax assets:		
Accrued enterprise taxes	15	13
Total deferred tax assets	15	13
Net deferred tax assets	15	13

## 12. Income Taxes(continued)

A reconciliation of the differences between the statutory tax rate and the effective tax rate for the periods from July 1, 2023 to December 31, 2023 and from January 1, 2023 to June 30, 2023 is as follows:

	<b>For the period from July 1, 2023 to December 31, 2023</b>	<b>For the period from January 1, 2023 to June 30, 2023</b>
Statutory tax rate	31.46%	31.46%
Reconciliation:		
Deductible distributions paid	(29.09%)	(30.35%)
Provision of reserve for reduction entry	(2.36%)	(1.10%)
Other	0.01%	0.01%
Effective tax rate	<u>0.02%</u>	<u>0.02%</u>

## 13. Breakdown of Revenues and Expenses

	<b>For the period from July 1, 2023 to December 31, 2023</b>	<b>For the period from January 1, 2023 to June 30, 2023</b>
	<i>(Thousands of yen)</i>	
Revenues:		
Rental business revenues		
Rental revenues	7,789,883	7,776,941
Common area revenues	1,240,277	1,223,070
Other rental revenues	269,943	274,228
Subtotal	<u>9,300,104</u>	<u>9,274,240</u>
Other		
Utilities revenues	697,257	681,096
Other revenues	104,729	124,190
Subtotal	<u>801,987</u>	<u>805,286</u>
Total rental revenues	<u>10,102,091</u>	<u>10,079,527</u>
Property operating expenses:		
Property management costs and fees	1,490,876	1,525,027
Utilities expenses	1,053,798	1,149,170
Property and other taxes	960,846	1,036,895
Insurance	20,644	21,609
Repairs and maintenance	115,762	139,029
Depreciation	1,780,440	1,960,448
Other	139,133	139,992
Total property operating expenses	<u>5,561,502</u>	<u>5,972,173</u>
Profit	<u>4,540,588</u>	<u>4,107,354</u>

#### 14. Breakdown of Gain or Loss on Sales of Real Estate Properties

	<b>For the period from July 1, 2023 to December 31, 2023</b>	<b>For the period from January 1, 2023 to June 30, 2023</b>
	<i>(Thousands of yen)</i>	
Pacific Square Sengoku		
Proceeds from sale of real estate	2,300,000	—
Cost of sales of real estate	1,598,865	—
Other related sale expenses	3,785	—
Gain on sale of real estate	697,348	—
	<b>For the period from July 1, 2023 to December 31, 2023</b>	<b>For the period from January 1, 2023 to June 30, 2023</b>
	<i>(Thousands of yen)</i>	
Shintomicho Building		
Proceeds from sale of real estate	—	1,860,000
Cost of sales of real estate	—	1,031,830
Other related sale expenses	—	30,304
Gain on sale of real estate	—	797,865
	<b>For the period from July 1, 2023 to December 31, 2023</b>	<b>For the period from January 1, 2023 to June 30, 2023</b>
	<i>(Thousands of yen)</i>	
Kowa Kawasaki Nishiguchi Building		
Proceeds from sale of real estate	—	16,050,000
Cost of sales of real estate	—	18,750,487
Other related sale expenses	—	3,089
Loss on sale of real estate	—	2,703,576
	<b>For the period from July 1, 2023 to December 31, 2023</b>	<b>For the period from January 1, 2023 to June 30, 2023</b>
	<i>(Thousands of yen)</i>	
JEI Kyobashi Building		
Proceeds from sale of real estate	—	5,040,000
Cost of sales of real estate	—	2,126,568
Other related sale expenses	—	27,664
Gain on sale of real estate	—	2,885,767

## 15. Transactions with Major Unitholders

Transactions with major unitholders are as follows:

	<b>For the period from July 1, 2023 to December 31, 2023</b>	<b>For the period from January 1, 2023 to June 30, 2023</b>
	<i>(Thousands of yen)</i>	
Rental business revenues	110,032	110,032
Other	831	480
Gain on sales of real estate properties (Other related sale expenses)	—	(53,100)
Property operating expenses	383,406	466,798
Loss on sales of real estate properties	—	2,703,576

## 16. Leases

JEI leases properties on which rental revenues are earned. At December 31, 2023 and June 30, 2023, future lease revenues under non-cancelable operating leases are summarized as follows:

	<b>As of December 31, 2023</b>	<b>As of June 30, 2023</b>
	<i>(Thousands of yen)</i>	
Due within one year	3,421,972	2,663,020
Due after one year	4,626,978	4,873,661
Total	8,048,950	7,536,681

## 17. Derivative Transactions

### Derivative Transactions as of December 31, 2023

- (1) Transactions to which hedge accounting is not applied:

Not applicable.

- (2) Transactions to which hedge accounting is applied:

The following are the contract values or values corresponding to the principal amount as stipulated by contracts as of December 31, 2023 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		
			(Thousands of yen)			
Special treatment of interest-rate swaps	Interest-rate swap Receive floating, pay fixed	Long-term debt	29,370,000	24,100,000	*	

\* Since the above interest-rate swap meets the criteria for the special hedge accounting treatment under Japanese GAAP and therefore qualifies for hedge accounting, the swap is not revalued 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 June 30, 2023

- (1) Transactions to which hedge accounting is not applied:

Not applicable.

- (2) Transactions to which hedge accounting is applied:

The following are the contract values or values corresponding to the principal amount as stipulated by contracts as of June 30, 2023 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		
			(Thousands of yen)			
Special treatment of interest-rate swaps	Interest-rate swap Receive floating, pay fixed	Long-term debt	34,640,000	29,370,000	*	

\* Since the above interest-rate swap meets the criteria for the special hedge accounting treatment under Japanese GAAP and therefore qualifies for hedge accounting, the swap is not revalued 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."

## 18. Related Party Transactions

**For the period from July 1, 2023 to December 31, 2023**

### (1) Parent Company and Major Corporate Unitholders

Company name	Description of transaction	Amount	Account	Balance at the end of period
		(Thousands of yen)		(Thousands of yen)
Nippon Steel Kowa Real Estate Co., Ltd.	Acquisition of real estate properties	18,100,000	—	—

### (2) Subsidiaries and Affiliated Companies

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)		(Thousands of yen)
Shuichiro Kayama	Payment of asset management fees to JEAM	457,823	Accounts payable	386,036

**For the period from January 1, 2023 to June 30, 2023**

### (1) Parent Company and Major Corporate Unitholders

Company name	Description of transaction	Amount	Account	Balance at the end of period
		(Thousands of yen)		(Thousands of yen)
Nippon Steel Kowa Real Estate Co., Ltd.	Disposal of real estate properties	16,050,000	—	—

### (2) Subsidiaries and Affiliated Companies

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)		(Thousands of yen)
Shuichiro Kayama	Payment of asset management fees to JEAM	458,964	Accounts payable	387,094



## **19. Segment Information**

**For the periods from July 1, 2023 to December 31, 2023 and from January 1, 2023 to June 30, 2023**

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.

## **20. 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 retained earnings at end of period, 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.

JEI determined to distribute the whole amount obtained by deducting the provision of reserve for reduction entry due to the transfer of real estate properties in accordance with Section 65.7 of the Special Taxation Measures Law from unappropriated surplus.

Consequently, JEI set income available for distributions of dividends at ¥3,745,274,400, which is the maximum integral multiple of the 1,337,598 units issued, but not exceeding ¥4,049,775,243, which is the amount of retained earnings at December 31, 2023.

No cash distribution exceeding the income amount set forth in Section 33.1.4 of the bylaws of JEI shall be made.

On February 19, 2024, the Board of Directors approved a resolution to make a cash distribution of ¥2,800 per unit aggregating to ¥ 3,745,274,400 to unitholders of record as of December 31, 2023.

## 21. Revenue Recognition

### (1) Breakdown of revenue from contracts with customers

For the period from July 1, 2023 to December 31, 2023

	Revenue from contracts with customers *	Revenue from external customers
	<i>(Thousands of yen)</i>	
Sales of real estate properties	—	697,348
Utilities income	697,257	697,257
Other	—	9,462,503
Total	697,257	10,857,108

\* Rent revenues subject to Accounting Standard for Lease Transactions (ASBJ Statement No. 13) and sales of real estate properties subject to Practical Guidelines on Accounting by Transferors for Securitization of Real Estate Using Special Purpose Companies (the Accounting System Committee Statement No. 15 of the Japanese Institute of Certified Public Accountants (JICPA)) are excluded from “Revenue from contracts with customers” as such revenues are not subject to Accounting Standard for Revenue Recognition. Revenue from contracts with customers mainly represents revenues from the sale of real estate and utilities.

For the period from January 1, 2023 to June 30, 2023

	Revenue from contracts with customers (*1)	Revenue from external customers
	<i>(Thousands of yen)</i>	
Sales of real estate properties	22,950,000	(*2)3,683,632
Utilities income	681,096	681,096
Other	—	9,458,801
Total	23,631,096	13,823,530

(\*1) Rent revenues subject to Accounting Standard for Lease Transactions (ASBJ Statement No. 13) are excluded from “Revenue from contracts with customers” as such revenues are not subject to Accounting Standard for Revenue Recognition. Revenue from contracts with customers mainly represents revenues from the sale of real estate and utilities.

(\*2) As sale of real estate is recorded as gain or loss on sales of real estate properties, etc. in the Statement of Income and Retained Earnings, the amount obtained by deducting cost of sale of real estate and other expenses related to sale from proceeds from sale of real estate is indicated for revenue from external customers. Furthermore, as JEI records gain on sales of real estate properties for revenues while recording loss on sales of real estate properties for operating expenses, the table above indicates the amount of gain on sales of real estate properties only.

### (2) Information that provides a basis for understanding revenue from contracts with customers

For the periods from July 1, 2023 to December 31, 2023 and from January 1, 2023 to June 30, 2023

As described in the Summary of Significant Accounting Policies.

## 21. Revenue Recognition(continued)

- (3) Information about the relationship between the fulfillment of performance obligations under contracts with customers and cash flows arising from those contracts, and the amount and timing of revenue expected to be recognized in subsequent periods from contracts with customers that existed at the end of the current period

For the period from July 1, 2023 to December 31, 2023

### (a) Balance of contract assets and contract liabilities

	July 1, 2023 to December 31, 2023
	<i>(Thousands of yen)</i>
Claims arising from contracts with customers (At beginning of period)	258,230
Claims arising from contracts with customers (At end of period)	250,440
Contract assets (At beginning of period)	—
Contract assets (At end of period)	—
Contract liabilities (At beginning of period)	—
Contract liabilities (At end of period)	—

### (b) Transaction price allocated to remaining performance obligations

As of December 31, 2023, the transaction price allocated to the remaining performance obligations for the sale of real estate is ¥1,260,000 thousand for the real estate for which a sale contract was executed on June 30, 2023. JEI expects to recognize revenue for such remaining performance obligations upon delivery of such real estate properties, which is expected to occur on January 22, 2024. In accordance with Paragraph 19 of the Guidance on Accounting Standard for Revenue Recognition, JEI recognizes utility revenues at the amount it has the right to charge, because JEI has the right to receive from the customer the amount of consideration that directly corresponds to the value to the customer, the lessee, of the portion of the performance completed by the end of the fiscal period. Accordingly, JEI has applied the provisions of paragraph 80-22(2) of the Accounting Standard for Revenue Recognition and has not included in the notes the transaction price allocated to the remaining performance obligations.

For the period from January 1, 2023 to June 30, 2023

### (a) Balance of contract assets and contract liabilities

	January 1, 2023 to June 30, 2023
	<i>(Thousands of yen)</i>
Claims arising from contracts with customers (At beginning of period)	263,261
Claims arising from contracts with customers (At end of period)	258,230
Contract assets (At beginning of period)	—
Contract assets (At end of period)	—
Contract liabilities (At beginning of period)	—
Contract liabilities (At end of period)	—

## 21. Revenue Recognition(continued)

### (b) Transaction price allocated to remaining performance obligations

As of June 30, 2023, the transaction prices allocated to the remaining performance obligations for the sale of real estate are ¥2,300,000 thousand and ¥1,260,000 thousand for the real estate for which sale contracts were executed on February 10, 2023 and June 30, 2023. JEI expects to recognize revenues for such remaining performance obligations upon delivery of such real estate properties, which are expected to occur on July 3, 2023 and January 22, 2024. In accordance with Paragraph 19 of the Guidance on Accounting Standard for Revenue Recognition, JEI recognizes utility revenues at the amount it has the right to charge, because JEI has the right to receive from the customer the amount of consideration that directly corresponds to the value to the customer, the lessee, of the portion of the performance completed by the end of the fiscal period. Accordingly, JEI has applied the provisions of paragraph 80-22(2) of the Accounting Standard for Revenue Recognition and has not included in the notes the transaction price allocated to the remaining performance obligations.

## 22. Significant Subsequent Event

### *Decision on acquisition of own investment units*

At the board meeting held on February 19, 2024, JEI resolved the matters regarding acquisition of its own investment units based on the provisions of Article 80-2 of the Investment Trusts Act, which are applied in replacement pursuant to the provisions of Article 80-5, paragraph 2 of the Investment Trusts Act. Furthermore, JEI plans to retire the entirety of own investment units it will have acquired by the end of the six-month period ending June 2024.

### (1) Reasons behind acquisition of own investment units

Having considered the level of investment unit price, status of cash on hand, financial status, the market environment and other factors in a comprehensive manner, JEI has determined that increasing capital efficiency and return of profits to unitholders through acquisition and retirement of own investment units should lead to enhanced unitholder value over the medium to long term.

### (2) Details of acquisition of own investment units

Total number of investment units that may be acquired	18,000 units (upper limit)
Total acquisition price	¥2,000,000 thousand (upper limit)
Acquisition period	From February 20, 2024 to May 10, 2024
Acquisition method	Market purchase at the Tokyo Stock Exchange based on a discretionary transaction contract concluded with a securities company

## Independent Auditor's Report

The Board of Directors  
Japan Excellent, Inc.

### *The Audit of the Financial Statements*

#### **Opinion**

We have audited the accompanying financial statements of Japan Excellent, Inc. (the Company), which comprise the balance sheet as at December 31, 2023, and the statements of income and retained earnings, changes in net assets, and cash flows for the six-month period then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023, and its financial performance and its cash flows for the six-month period then ended in accordance with accounting principles generally accepted in Japan.

#### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Other Information**

The other information comprises the information included in the Semi-Annual Report that contains audited financial statements but does not include the financial statements and our auditor's report thereon. Management is responsible for preparation and disclosure of the other information. The Supervisory Director is responsible for overseeing the Company's reporting process of the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **Responsibilities of Management and Supervisory Director 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 such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Supervisory Director is responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the financial statements is not expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.

We communicate with the Executive Director regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Executive Director with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

### **Fee-related Information**

The fees for the audits of the financial statements of the Company and other services provided by us and other EY member firms for the six-month period ended December 31, 2023, are presented in paragraph (3) titled “Officers” in Section 2 “Outline of the Investment Corporation” included in the Semi-Annual Report for the six-month period ended December 31, 2023, of the Company.

### **Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Ernst & Young ShinNihon LLC  
Tokyo, Japan

March 19, 2024

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Hitoshi Sakurai  
Designated Engagement Partner  
Certified Public Accountant

八幡 正博

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Masahiro Yawata  
Designated Engagement Partner  
Certified Public Accountant