

Japan Excellent, Inc.

SEMI-ANNUAL REPORT

For the 7th Period
from July 1, 2009 to December 31, 2009



Solid Management for Stable Growth

Profile

Japan Excellent, Inc. (JEI) listed its units in the real estate investment trust market of the Tokyo Stock Exchange on June 27, 2006, and initiated operations on the same date. Since then, JEI has used the support of its group of sponsors, which are leading companies in real estate and finance, to invest mainly in office buildings in major urban areas, primarily Tokyo. Over the medium-to-long term, JEI will manage its portfolio with the fundamental policies of achieving steady asset expansion and stable revenue growth.





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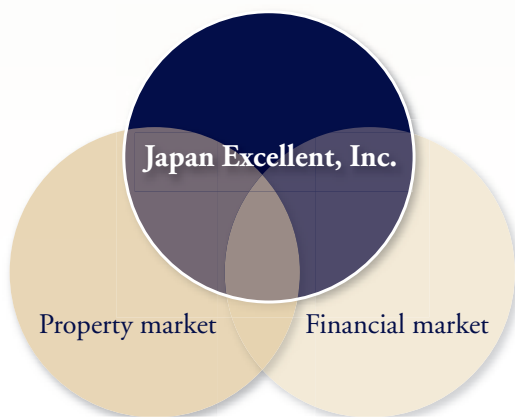
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JEI Snapshot

Basic Strategies

Deploy the Comprehensive Strengths of Our Corporate Sponsors

JEI's sponsors are strong in both real estate and finance. Kowa Real Estate Co., Ltd., The Dai-ichi Life Insurance Company, Limited and Sekisui House, Ltd. have developed numerous office buildings and are experienced in the leasing and management of properties. These companies supply properties, human resources and expertise to JEI. Our sponsors from the financial industry include Mizuho Corporate Bank, Ltd. and Mizuho Trust and Banking Co., Ltd. They are part of the Mizuho Financial Group, which is one of Japan's three mega banking groups. We use the comprehensive strengths of our sponsors to steadily manage operations.



Stable Operations Centered on Metropolitan Tokyo Office Buildings



JEI invests primarily in office buildings. All properties in our portfolio at this time are office buildings. We primarily invest in Tokyo, where property leasing demand is strong. Currently, on an acquisition price basis 94 percent of our portfolio is in metropolitan Tokyo.

Portfolio

18 properties

Sixteen of the eighteen properties in JEI's portfolio are in metropolitan Tokyo.

Total leasable floor space

220,521.66m²

Generates stable revenues.

Acquisition price

181.0
billion yen

Steady portfolio expansion over the 3 years since JEI listed on the Tokyo Stock Exchange.

126 tenants

Tenant leasing risk is well dispersed.

Occupancy rate

97.0%

Stable at a very high level.

Profitability

Distribution per unit

16,085
yen

JEI has maintained stable distributions since listing its investment units.

NOI yield

5.4%

JEI is securing stable returns from its properties through efforts to generate internal growth despite the unstable real estate market.

Financial Stability

Ratings

A3, AA-
(Moody's/R&I)

JEI maintains ratings from international rating agencies to provide high levels of transparency.

LTV ratio

49.0%

JEI's LTV compares favorably with its peers in the J-REIT market.

Financial Highlights

	7th Period July 1, 2009 to December 31, 2009	6th Period January 1, 2009 to June 30, 2009	5th Period July 1, 2008 to December 31, 2008	7th Period July 1, 2009 to December 31, 2009
	Millions of yen, except per unit data or where otherwise indicated			Thousands of U.S. dollars (Note 1)
Total revenues (Note 2).....	¥ 7,494	¥ 7,544	¥ 8,501	\$ 81,402
Operating income.....	3,349	3,278	4,000	36,375
Net income.....	2,485	2,442	3,155	27,000
Funds from operations (Note 3).....	3,476	3,432	3,296	37,760
Net operating income (NOI) (Note 3).....	4,907	4,814	4,732	53,296
Total distribution.....	2,485	2,442	3,155	27,000
Total assets.....	195,040	195,145	195,929	2,118,390
Interest-bearing debt.....	95,500	95,500	95,500	1,037,254
Net assets.....	89,450	89,363	90,019	971,549
LTV (Loan to value) ratio (Note 3).....	49.0%	48.9%	48.7%	
Total number of outstanding investment units (units).....	154,550	154,550	154,550	
Net assets per unit (Yen/\$).....	578,780	578,215	582,458	6,286
Distribution per unit (Yen/\$).....	16,085	15,802	20,418	175
Funds from operations per unit (Yen/\$) (Note 3).....	22,494	22,211	21,331	244

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥92.07 = U.S.\$1.00, the approximate exchange rate on December 31, 2009.

2. Total revenues do not include consumption taxes.

3. Funds from operations: Net income (excluding Gain on sale of investment properties + Gain on exchange of investment properties) + Depreciation and amortization
Net operating income: (Rental business revenues - Property operating expenses) + Depreciation and amortization

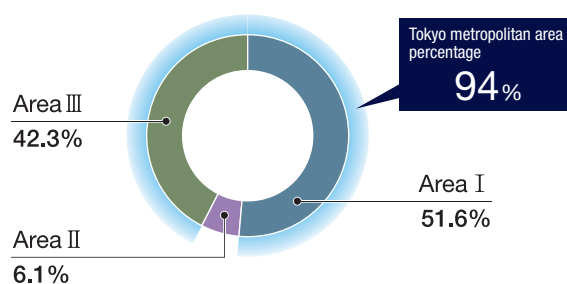
Loan to value ratio: Interest-bearing debt / Total assets

Funds from operations per unit: (Net income (excluding Gain on sale of investment properties + Gain on exchange of investment properties) + Depreciation and amortization) / Weighted average number of common units issued and outstanding during the period

Portfolio Highlights

As of December 31, 2009

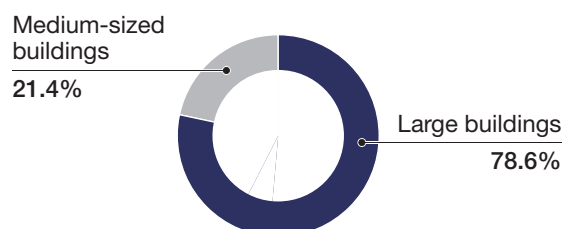
Investment Areas (Acquisition price basis)



Note: Area I: Six central wards of Tokyo
Area II: Central Osaka, central Nagoya and central Fukuoka
Area III: Tokyo other than Area I, and its vicinity

For details see page 10.

By Property Size (Acquisition price basis)



Note:

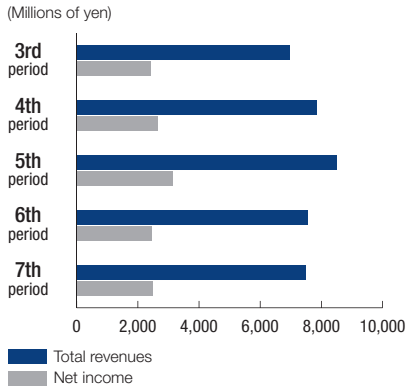
Large buildings: Floor areas of over 10,000 *tsubo** within Tokyo's 23 wards or over 4,000 *tsubo* outside Tokyo's 23 wards

Medium-sized buildings: Floor areas of 1,000 - 10,000 *tsubo* within Tokyo's 23 wards or 1,000 - 4,000 *tsubo* outside Tokyo's 23 wards

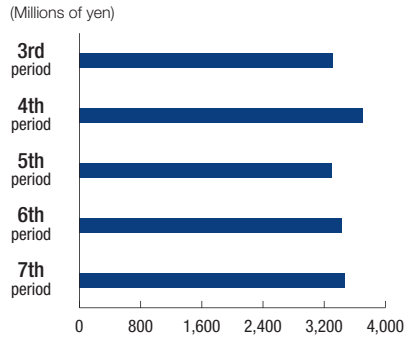
* 1 *tsubo* = 3.306m²

For details see page 10.

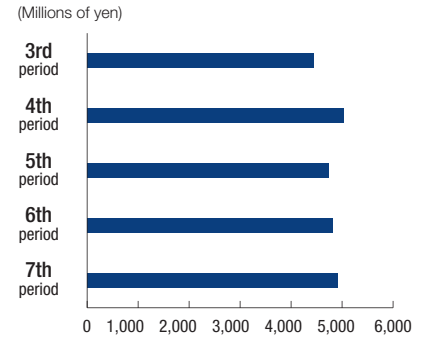
Total Revenues / Net Income



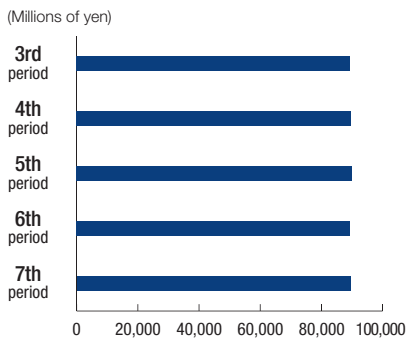
Funds from Operations



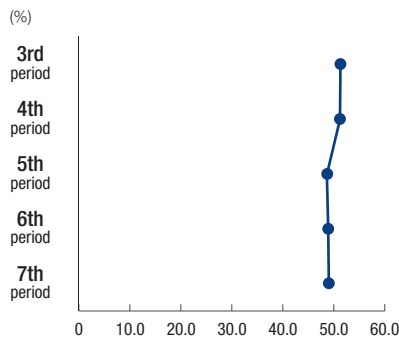
Net Operating Income (NOI)



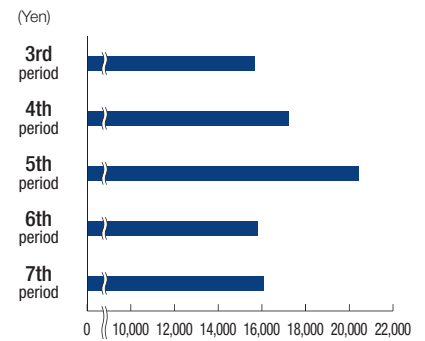
Net Assets



LTV (Loan to Value) Ratio



Distribution per Unit



Major Tenants

Name	Property	Leased Space (m ²)	Percentage of Total Leased Area
Toshiba Information Systems (Japan) Corporation	Kowa Kawasaki Higashiguchi Building	18,612.72	8.7
National Mutual Insurance Federation of Agricultural Cooperatives	Kowa Kawasaki Nishiguchi Building	18,206.18	8.5
Roche Diagnostics K.K.	Shiba 2-Chome Building	9,284.18	4.3
Fujitsu Social Science Laboratory Ltd.	Musashikosugi Tower Place	8,680.74	4.1
Fujitsu Network Solutions Ltd.	Kawasaki Nisshincho Building	7,259.45	3.4

Note: Major tenants are the portfolio's top five tenants in terms of total leased floor space. If a tenant leases space in multiple properties held by the investment corporation, floor space in such properties is included in the tenant's total leased floor space.

To Our Unitholders

Based on solid management,
we are poised for stable growth
over the medium-to-long term.



Overview of 7th Period Results

Solid management delivered an increase in profits despite the harsh environment.

During the 7th Period, the six-month period ended December 31, 2009, as the large-scale fiscal measures implemented by nations across the globe gradually took effect, the global recession bottomed out and a moderate recovery followed. Japan's economy, however, remained in a deflationary phase as the employment environment worsened and personal consumption stagnated. As a result, the economy as a whole experienced only a subdued recovery.

In the office leasing market, vacancy rates rose in most areas and office rents declined as tenants cut costs and reduced office space.

Amid such an environment, Japan Excellent, Inc. (JEI) focused on releasing vacated space. As a result, our portfolio occupancy rate stood at a high 97.0 percent at the end of the period and we achieved rental revenue of a level comparable to that of the previous period.

In the 7th Period, total revenue declined slightly but profits rose. Specifically, total revenue was ¥7,494

million yen (down ¥50 million, or 0.7 percent, compared to the previous period), operating income was ¥3,349 million (up ¥70 million, or 2.1 percent), net income totaled ¥2,485 million (up ¥43 million, or 1.8 percent) and distributions per unit were ¥16,085 (up ¥283).

We attribute our ability to increase profits amid such a harsh environment to the solid earnings base JEI enjoys—a source of our competitive strength.

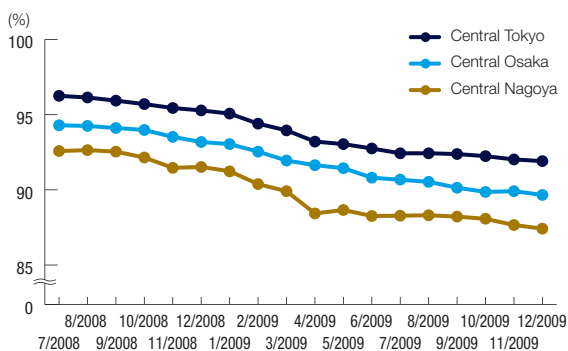
The Market Environment Looking Forward

We expect the Tokyo office building environment to enter a gentle recovery phase.

The economy is in a recovery phase, as the worst of the global financial crisis is behind us and economic indicators in the US show signs of recovery following Asia and other emerging markets. Japan's economy also appears to be headed toward a gentle recovery phase led by exporters, despite downside risks such as deterioration in the employment situation and prolonged deflation.

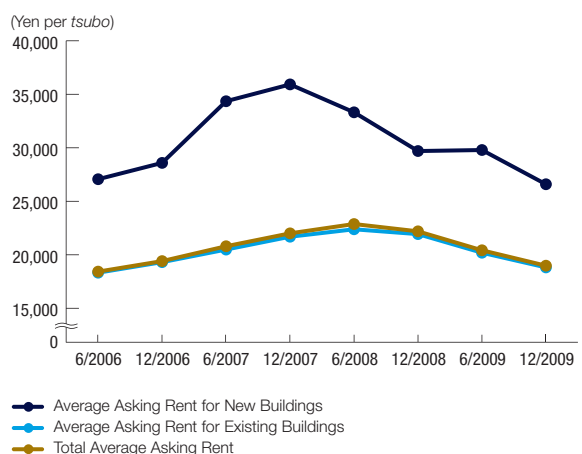
We forecast the Tokyo office building leasing market will gradually bottom out as the pace of rent declines slows, mainly at prime properties such as large

Occupancy Rate in Central Tokyo, Central Osaka and Central Nagoya



Central Tokyo: Chiyoda, Chuo, Minato, Shinjuku and Shibuya
 Central Osaka: Umeda, Minami-Morimachi, Yodoyabashi / Honcho, Senba, Shinsaibashi / Namba, and Shin-Osaka
 Central Nagoya: Meieki, Fushimi, Sakae and Marunouchi
 Source: Miki Shoji Co., Ltd.

Average Asking Rents in Central Tokyo*



* Central Tokyo: Chiyoda, Chuo, Minato, Shinjuku and Shibuya
 Source: Miki Shoji Co., Ltd.

buildings in the city center. In Osaka and Nagoya, however, we believe tenant demand will remain weak and expect market rents to continue to trend downward.

In the real estate investment market for office buildings, we forecast increased activity as investors gain easier access to funding and a consensus develops for a bottom in the leasing market.

Our Internal Growth Strategy

Keep occupancy rates high and generate stable earnings.

We expect the office building leasing market to continue to be soft. That said, we at JEI plan to leverage our competitive edge in terms of the location and grade of buildings we own to maintain occupancy rates by setting rents at appropriate levels.

Furthermore, on the property operations and management side, we will strive to improve cost efficiencies through the periodic evaluation of property managers and other measures. Moreover, we plan to enhance our competitiveness over the medium-to-long term by making additional strategic investments aimed

at enhancing tenant satisfaction as a means of maintaining asset value and enhancing the competitiveness of our properties.

Our External Growth Strategy

Leverage information gathered by our sponsors to make selective investments in quality properties.

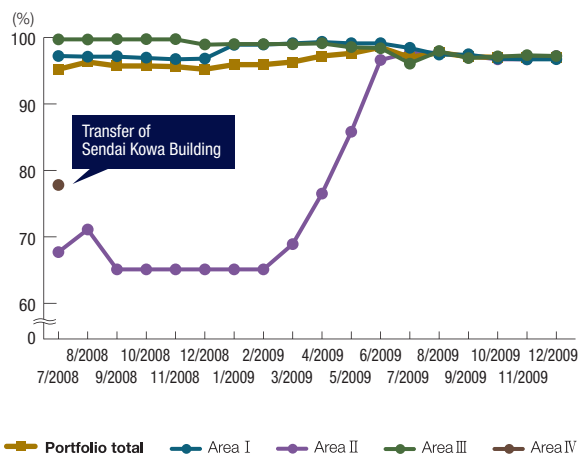
At JEI, we are targeting an asset scale of ¥300 billion on an acquisition price basis over the medium term. We plan to actively acquire properties mainly in the Tokyo metropolitan area. We expect the investment environment to improve and plan to make selective investments in quality properties by leveraging one of JEI's strengths—the powerful networks of information our sponsors can access.

Our Financial Strategy

Take steps to further stabilize our funding base.

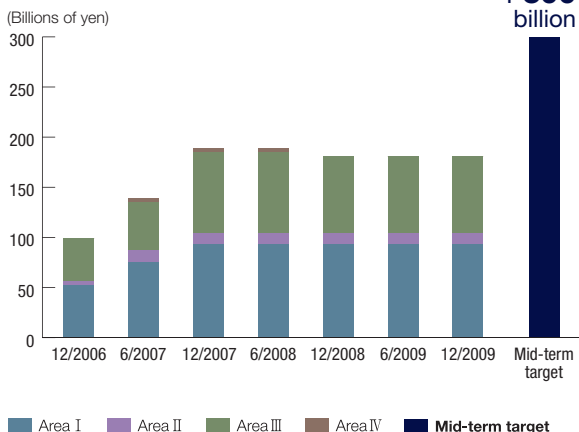
In our view, the financing environment for J-REITs has gradually normalized since the middle of 2009.

Occupancy Rate for JEI Properties



Note: For details see page 12.

Asset Growth (Acquisition Price Basis)



However, as long as uncertainties remain about the outlook for Japan's economy, we must remain vigilant.

For that reason, we at JEI recently issued investment corporation bonds (¥12 billion issuance of 4-year bonds paid in March 11, 2010) and prepaid ¥12 billion in short-term loans as part of efforts to stabilize our finances by restructuring our debt portfolio with greater weighting on longer maturities and fixed rates and diversifying financing instruments. We will strengthen ties with financial institutions including Mizuho Corporate Bank, Ltd., and aim to further stabilize our funding base by continuing a shift to longer-term borrowings and an evenly distributed maturity schedule and diversifying our lender base.

Forecasts and Our Basic Approach Moving Forward

While the immediate-term environment remains harsh, continue solid management and aim for growth over the medium-to-long term.

The environment for office buildings appears to be bottoming out mainly in the Tokyo metropolitan area,

but we cannot yet become optimistic, and assume rental revenues will decline slightly.

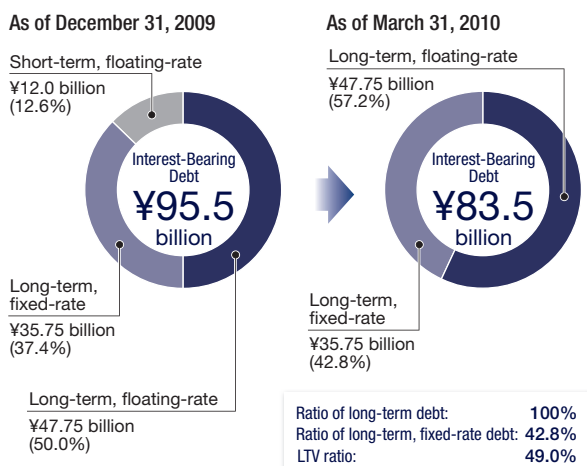
In the 8th Period, we forecast operating revenue of ¥7,305 million, operating income of ¥3,160 million, net income of ¥2,318 million and distributions per unit of ¥15,000. In the 9th Period, we forecast operating revenue of ¥7,213 million, operating income of ¥3,072 million, net income of ¥2,163 million and distributions per unit of ¥14,000.

At JEI, we aim to achieve stable growth and to maximize unitholder value over the medium-to-long term by staying the course in terms of solid management of the portfolio while we seek to fully utilize the overall capabilities of our sponsors, who have strength in both real estate and finance.

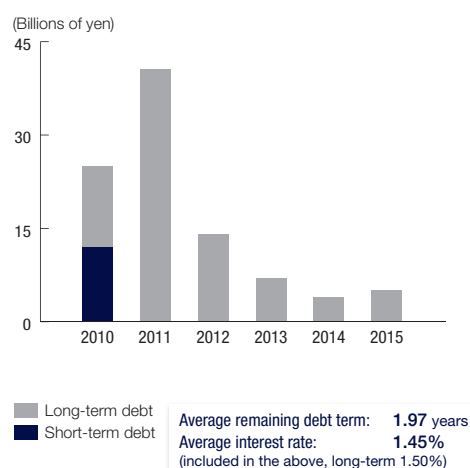


Chifumi Toda
Executive Director, Japan Excellent, Inc.

Balance of Interest-Bearing Debt



Balance by Repayment Date and Average Interest Rate



Investment Strategy

JEI has built a portfolio centered on office buildings in major metropolitan areas that balances stable profitability and revenue growth.

JEI invests primarily in office buildings, and has set other usage at less than 10 percent of its portfolio. As of December 31, 2009, office buildings accounted for 100 percent of JEI's portfolio. JEI invests in urban properties, primarily in the central business districts of Tokyo, and is moving to further enhance the stability and profitability of its portfolio with a focus on strong tenant relationships, property scale and quality, and a balanced tenant mix.

Portfolio Composition Target by Usage

Usage*	Investment Ratio in Portfolio
Office buildings	90% or more
Others (commercial facilities, housing, etc.)	10% or less

* Usage of a building is defined as the usage to which more than 50% of the total floor space available for rental revenue of the asset is designated.

Portfolio Composition Target by Area

Target Investment Areas		Investment Ratio in Portfolio
Core areas (80% or more)		
Area I	Six central wards of Tokyo (Chiyoda, Chuo, Minato, Shinjuku, Shinagawa and Shibuya)	50% or more of the core areas
Area II	Central Osaka (Umeda, Dojima, Nakanoshima, Yodoyabashi, Honmachi districts, etc.) Central Nagoya (Meieki, Fushimi, Sakae districts, etc.) Central Fukuoka (Tenjin, Hakata-Terminal peripheral districts, etc.)	50% or less of the core areas
Area III	Tokyo other than Area I, and its vicinity (Kanagawa, Saitama and Chiba prefectures)	50% or less of the core areas
Non-core areas		
Area IV	Osaka, Nagoya and Fukuoka other than Area II, and other government-ordinance designated cities, etc.	20% or less

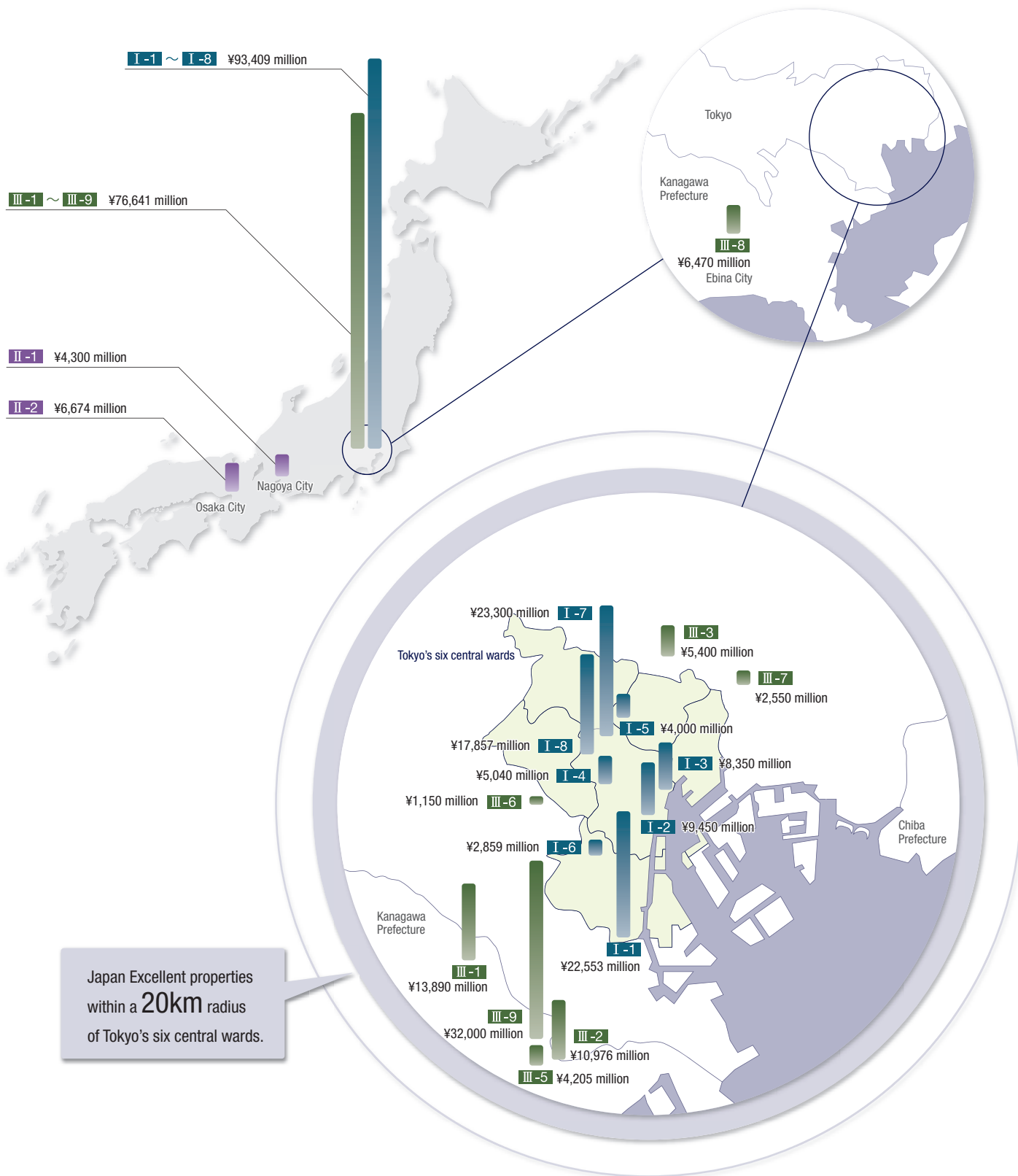
Portfolio with a Focus on Regional, Property Scale, and Tenant Mix Balance

Regional Balance	Property Scale Balance	Tenant Mix Balance
JEI recognizes that Area I is the top priority for its investment activities, but will also proactively invest in properties situated in Areas II and III. Through these initiatives, JEI expects to minimize the impact of any market fluctuations caused by changes in economic conditions and the concentration of large-scale development projects in major urban areas.	JEI pursues optimal portfolio development by effectively balancing its investment in large buildings*, which are believed to offer advantages and competitiveness in the real-estate market, and medium-sized buildings*, which are regarded as assets with high liquidity and stable rent levels.	JEI aims to minimize various risks related to tenants, such as tenants vacating the properties. To this end, JEI is endeavoring to optimize tenant mix and diversify risks by avoiding the over-concentration of the same kind of tenants or tenants from the same industries in its portfolio.

* JEI defines buildings located in the 23 wards of Tokyo with total floor space of approximately 33,058m² (10,000 *tsubo*) or larger as large buildings, and those with total floor space of 3,306m² (1,000 *tsubo*) or larger but smaller than 33,058m² as medium-sized buildings. For properties in all other areas, JEI defines buildings with total floor space of approximately 13,223m² (4,000 *tsubo*) or larger as large buildings, and those with total floor space of 3,306m² or larger but smaller than 13,223m² as medium-sized buildings.

Portfolio Map

(Length of bars indicates portfolio on an acquisition price basis. / Figures have been rounded to the nearest million yen.)



Japan Excellent properties within a 20km radius of Tokyo's six central wards.

	Area I	Area II	Area III
Total acquisition price (Millions of yen)	93,409	10,974	76,641
No. of properties	8	2	8

Portfolio

Property Number	Name	Investment Type	Year Built	Acquisition Price ¹ (Millions of yen)	Book Value (Millions of yen)	Appraisal Value (Millions of yen)
I-7	Akasaka Garden City	Trust	2006	23,300	23,100	21,900
I-1	Omori Bellport D	Trust	1996	22,553	22,327	24,830
I-8	AKASAKA INTERCITY	Trust	2005	17,857	17,698	13,800
I-2	Shiba 2-Chome Building	Trust	1994	9,450	9,314	11,600
I-3	JEI Hamamatsucho Building	Trust	1991	8,350	8,279	8,940
I-4	No. 32 Kowa Building	Trust	1979	5,040	5,002	5,478
I-5	No. 36 Kowa Building	Trust	1982	4,000	4,023	4,242
I-6	No. 28 Kowa Building	Trust	1975	2,859	2,837	3,560
Subtotal				93,409	92,582	94,350
II-2	JEI Nishi-Honmachi Building	Trust	1988	6,674	7,624	4,780
II-1	NHK Nagoya Housou-Center Building	Ownership	1991	4,300	4,191	4,960
Subtotal				10,974	11,815	9,740
III-9	Kowa Kawasaki Nishiguchi Building	Trust	1988	32,000	31,418	27,500
III-1	Musashikosugi Tower Place	Trust	1995	13,890	13,447	15,900
III-2	Kowa Kawasaki Higashiguchi Building	Trust	1988	10,976	10,541	10,300
III-8	Ebina Prime Tower	Trust	1995	6,470	6,453	5,140
III-3	JEI Hongo Building	Trust	1991	5,400	5,281	5,160
III-5	Kawasaki Nisshincho Building	Trust	1992	4,205	4,138	5,320
III-7	JEI Ryogoku Building	Trust	1996	2,550	2,459	2,198
III-6	No. 44 Kowa Building	Trust	1984	1,150	1,025	1,480
Subtotal				76,641	74,767	72,998
Total				181,023	179,165	177,088

Notes: 1. Figures for "Acquisition Price" are sales prices recorded in sales agreements (excluding taxes). Amounts of less than one million yen are rounded.
2. Figures for "Total Floor Space" are for each entire building, including buildings in which JEI has acquired compartmentalized ownership or co-ownership.
3. Figures for "Investment Ratio" show the ratio of the acquisition price for each acquired property in proportion to the total acquisition price for all acquired properties in the portfolio. Figures are rounded to the first decimal place.

Total Floor Space ² (m ²)	Total Leasable Floor Space (m ²)	Total Leased Space at End of Period (m ²)	Occupancy Rate at End of Period (%)	Revenue (Millions of yen)	NOI (Millions of yen)	Investment Ratio ³ (%)	PML
46,776.76	8,769.53	8,769.53	100.0	559	461	12.9	8.6
155,778.75	25,828.29	25,101.25	97.2	1,073	682	12.5	8.0
73,061.33	5,622.98	5,622.98	100.0	372	269	9.9	9.2
19,518.15	11,749.30	11,370.05	96.8	372	278	5.2	8.2
8,327.53	6,411.26	6,411.26	100.0	317	246	4.6	8.2
10,110.96	5,299.67	4,398.25	83.0	226	166	2.8	13.2
8,266.55	5,720.34	5,720.34	100.0	—	120	2.2	13.2
6,282.23	4,472.71	4,009.77	89.6	151	107	1.6	13.5
328,122.26	73,874.08	71,403.43	96.7	—	2,333	51.6	—
15,800.31	10,601.70	10,601.70	100.0	254	148	3.7	11.5
80,809.95	8,964.88	8,415.96	93.9	323	191	2.4	11.9
96,610.26	19,566.58	19,017.66	97.2	—	339	6.1	—
61,856.92	38,332.15	36,907.69	96.3	1,135	697	17.7	7.9
53,711.13	25,275.07	24,003.14	95.0	788	521	7.7	11.5
31,009.62	18,612.72	18,612.72	100.0	—	340	6.1	6.7
55,806.20	25,362.37	24,649.59	97.2	528	242	3.6	12.2
5,877.11	4,078.37	4,078.37	100.0	178	131	3.0	14.2
22,141.60	8,980.70	8,980.70	100.0	233	176	2.3	14.7
5,820.56	3,871.64	3,871.64	100.0	108	67	1.4	14.3
3,359.55	2,567.98	2,475.00	96.4	94	56	0.6	13.4
239,582.69	127,081.00	123,578.85	97.2	—	2,234	42.3	—
664,315.21	220,521.66	213,999.94	97.0	7,494	4,907	100.0	6.6

Main Properties



I-1 Omori Bellport D



I-2 Shiba 2-Chome Building



I-3 JEI Hamamatsucho Building



I-4 No. 32 Kowa Building



I-5

No. 36 Kowa Building



I-6

No. 28 Kowa Building



I-7

Akasaka Garden City



I-8

AKASAKA INTERCITY



II-1

NHK Nagoya
Housou-Center Building



II-2

JEI Nishi-Honmachi
Building

III-6

No. 44 Kowa Building



III-5

Kawasaki
Nisshincho Building



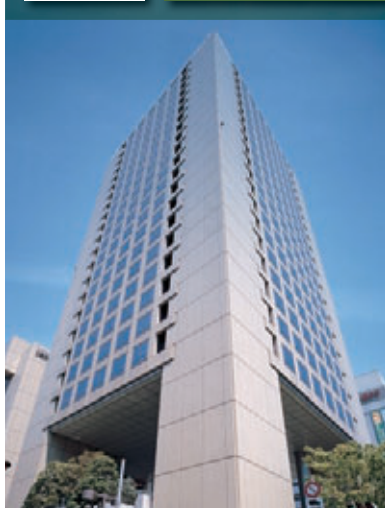
III-7

JEI Ryogoku Building

Main Properties

Ⅲ-2

Kowa Kawasaki
Higashiguchi Building



Ⅲ-1

Musashikosugi
Tower Place

Ⅲ-3

JEI Hongo Building



Ⅲ-8

Ebina Prime Tower



Ⅲ-9

Kowa Kawasaki
Nishiguchi Building

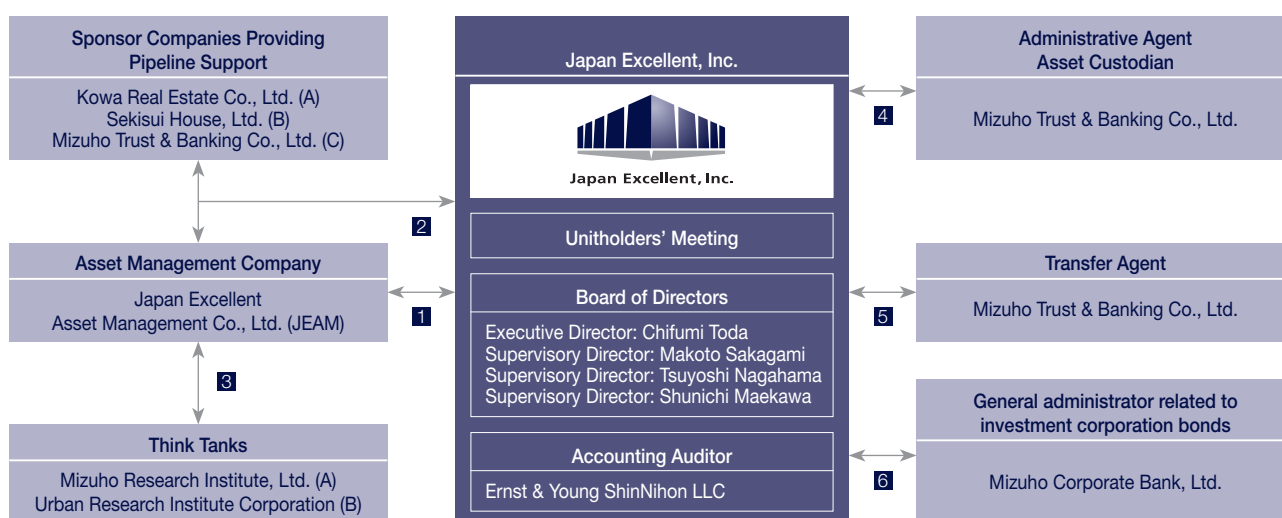
Management

Overview of Investment Corporation

Japan Excellent, Inc. (JEI) was established with the aim of managing investment in the form of specified assets under the Trust Law. The asset management company Japan Excellent Asset Management (JEAM) performs all the asset management.

JEAM is characterized by asset management that aims at securing steady earnings and stable growth of assets under management from a medium-to-long-term perspective. It accomplishes this by targeting investment properties in major metropolitan areas centering on the six central wards of Tokyo, investing 90 percent or more of the total portfolio in office buildings or real estate constructed on such sites, and investing in marketable securities, beneficiary trust rights and other assets that back the real estate.

Organization



- 1 Asset management agreement
- 2 (A) Pipeline support agreement with Kowa Real Estate
(B) Pipeline support agreement with Sekisui House
(C) Pipeline support agreement with Mizuho Trust & Banking
- 3 (A) Agreement with Mizuho Research Institute for provision of market and other relevant information
(B) Agreement with Urban Research Institute for provision of market and other relevant information
- 4 Agreement to entrust administrative duties and asset custody
- 5 Agreement to entrust administration of unitholders' register
- 6 Fiscal, issuing and paying agency agreement related to the first issuance of unsecured investment corporation bonds

Japan Excellent, Inc. Management Team

Chifumi Toda	Executive Director	February 1998 September 2000 July 2004 March 2009 November 2009	Manager, Namba branch, Industrial Bank of Japan, Limited General Manager, Mizuho Holdings, Inc. Executive Officer / General Manager, Building Business Sales Department, Kowa Real Estate Co., Ltd. President and Representative Director, Japan Excellent Asset Management Co., Ltd. (current) Executive Director, Japan Excellent, Inc. (current)
Makoto Sakagami	Supervisory Director	December 1990 July 2000 February 2006	Partner, Chuo Coopers & Lybrand Consulting Co., Ltd. (currently IBM Business Consulting Services K.K.) Established Makoto Sakagami Certified Public Accounting Office (current) Supervisory Director, Japan Excellent, Inc. (current)
Tsuyoshi Nagahama	Supervisory Director	April 1961 January 1972 February 2006	Entered the Ministry of Transport (currently Ministry of Land, Infrastructure, Transport and Tourism) Partner, Attorney at law, Anderson Mori and Rabinowitz (currently Anderson Mori & Tomotsune) Supervisory Director, Japan Excellent, Inc. (current)
Shunichi Maekawa	Supervisory Director	April 1978 April 1999 November 2007 April 2008	Entered Japan Real Estate Institute Professor, Faculty of Real Estate Sciences, Meikai University Supervisory Director, Japan Excellent, Inc. (current) Director, Land Information Center (current)

Overview of Asset Management Company

Company Outline

Corporate Name	Japan Excellent Asset Management Co., Ltd. (JEAM)	
Headquarters	1-9-20 Akasaka, Minato-ku, Tokyo	
Established	April 14, 2005	
Capital	¥450 million	
Shareholders	Kowa Real Estate Co., Ltd.	40.0%
	The Dai-ichi Life Insurance Company, Limited	20.0%
	Sekisui House, Ltd.	15.0%
	Morgan Stanley Capital K.K.	5.0%
	The Dai-ichi Building Co., Ltd.	5.0%
	Sohgo Housing Co., Ltd.	5.0%
	Mizuho Corporate Bank, Ltd.	5.0%
	Mizuho Trust & Banking Co., Ltd.	5.0%

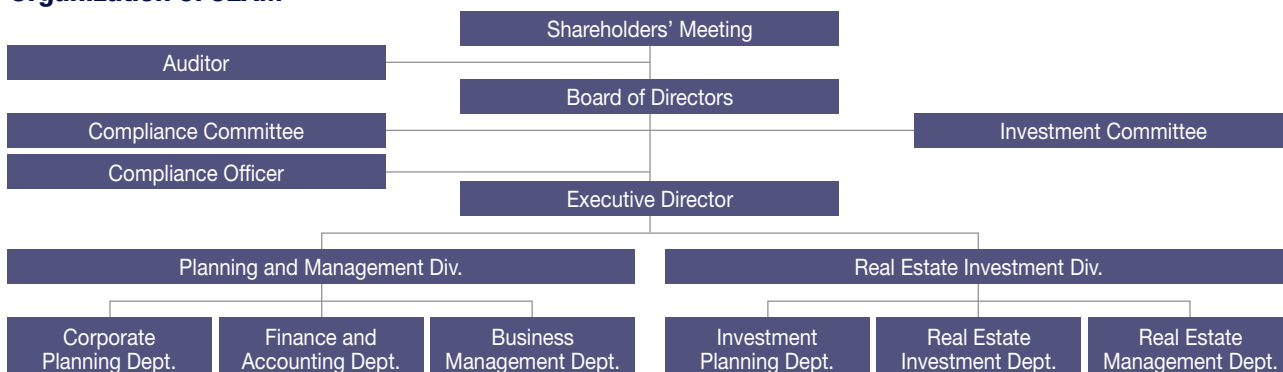
Officers	President	Chifumi Toda
	Director, Chief Operating Officer	Hiroshi Tabei
	Director, Chief Investment Officer	Naoki Fukuda
	Director (Non-executive)	Takashi Uchida
	Auditor (Non-executive)	Masatoshi Tamaru
Business Operations	Compliance Officer	Michiro Ezaki
	Financial Instrument Dealer Investment Management Business: Director-General of Kanto Local Financial Bureau No. 331 Real Estate Agency License: Governor of Tokyo (1) No. 84511 Discretionary License: Minister of Land, Infrastructure, Transport and Tourism No. 44	

Note: The ratio stated in the table above represents the number of investment units held to the total number of outstanding investment units.

JEAM Management Team

Chifumi Toda	President	February 1998 September 2000 July 2004 March 2009 November 2009	Manager, Namba branch, Industrial Bank of Japan, Limited General Manager, Mizuho Holdings, Inc. Executive Officer / General Manager, Building Business Sales Department, Kowa Real Estate Co., Ltd. President and Representative Director, Japan Excellent Asset Management Co., Ltd. (current) Executive Director, Japan Excellent, Inc. (current)
Hiroshi Tabei	Director, Chief Operating Officer	October 2004 April 2008 April 2009	Advisor, ALC Advisory Division (Business Research Division), Mizuho Bank, Ltd. General Manager, Corporate Planning Division, Japan Excellent Asset Management Co., Ltd. (current) Director, Japan Excellent Asset Management Co., Ltd. (current)
Naoki Fukuda	Director, Chief Investment Officer	April 1998 April 2004 April 2006 April 2008	President, Dai-ichi Life Capital Properties, Inc. Deputy General Manager, Real Estate Planning Group, Real Estate Department, Dai-ichi Mutual Life Insurance Company President, Dai-ichi Life International (U.S.A.), Inc. Director, Chief Investment Officer, Japan Excellent Asset Management Co., Ltd. (current)
Takashi Uchida	Director (Non-executive)	August 2005 April 2006	Director, Japan Excellent Asset Management Co., Ltd. (current) Director and Managing Executive Officer, Sekisui House, Ltd. (current)
Masatoshi Tamaru	Auditor (Non-executive)	April 2004 April 2005 July 2007	Executive Officer, General Manager, Finance Control Department, Kowa Real Estate Co., Ltd. Supervisory Director, Japan Excellent Asset Management Co., Ltd. (current) Standing Auditor, Kowa Real Estate Co., Ltd. (current)
Michiro Ezaki	Compliance Officer	June 2001 April 2002 September 2005	Corporate Auditor, Auditing Department, Industrial Bank of Japan, Limited Chief Corporate Auditor, Internal Audit Division, Mizuho Corporate Bank, Ltd. Compliance Officer, Japan Excellent Asset Management Co., Ltd. (current)

Organization of JEAM



Performance Report

Summary of Selected Financial Data

	7th Period July 1, 2009 to December 31, 2009	6th Period January 1, 2009 to June 30, 2009	5th Period July 1, 2008 to December 31, 2008	7th Period July 1, 2009 to December 31, 2009
	Millions of yen, except per share data or where otherwise indicated			Thousands of U.S. dollars except per share data (Note 1)
Total revenues (Note 2).....	¥ 7,494	¥ 7,544	¥ 8,501	\$ 81,402
Rental business revenues.....	7,494	7,544	7,647	81,402
Operating expenses.....	4,145	4,266	4,500	45,026
Property operating expenses.....	3,577	3,720	3,910	38,854
Income before income taxes.....	2,486	2,443	3,156	27,011
Net income.....	2,485	2,442	3,155	27,000
Funds from operations (Note 3).....	3,476	3,432	3,296	37,760
Net operating income (NOI) (Note 3).....	4,907	4,814	4,732	53,296
Total distribution.....	2,485	2,442	3,155	27,000
Depreciation and amortization.....	990	990	995	10,759
Capital expenditures.....	134	267	799	1,455
Total assets.....	195,040	195,145	195,929	2,118,390
Interest-bearing debt.....	95,500	95,500	95,500	1,037,254
Net assets.....	89,450	89,363	90,019	971,549
Total number of outstanding investment units (units).....	154,550	154,550	154,550	
Net assets per unit (Yen/\$).....	578,780	578,215	582,458	6,286
Distribution per unit (Yen/\$).....	16,085	15,802	20,418	175
Funds from operations per unit (Yen/\$) (Note 3).....	22,494	22,211	21,331	244
ROA (%) (Note 3).....	1.3	1.2	1.6	
(Annualized rate) (%).....	(2.5)	(2.5)	(3.1)	
ROE (%) (Note 3).....	2.8	2.7	3.5	
(Annualized rate) (%).....	(5.6)	(5.5)	(7.0)	
LTV (Loan to value) ratio (%) (Note 3).....	49.0	48.9	48.7	
Capital ratio (%).....	45.9	45.8	45.9	
Payout ratio (%) (Note 4).....	100.0	99.9	100.0	
Number of days.....	184	181	184	
Number of investment properties (Note 5).....	18	18	18	
Number of tenants (Note 5).....	126	126	127	
Total rentable area (m ²).....	220,521	220,521	220,521	
Occupancy rate (Note 5).....	97.0	98.5	95.2	

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥92.07 = U.S. \$1.00, the approximate exchange rate on December 31, 2009.

2. Total revenues do not include consumption tax.

3. All valuations are calculated through the following formulas. The figures in parentheses are annualized based on the 6-month figures for the period.

ROA: $\text{Income before income taxes} / (\text{Initial total assets} + \text{Total assets at end of period}) \div 2$

ROE: $\text{Net income} / (\text{Initial net assets} + \text{Net assets at end of period}) \div 2$

Net operating income: $\text{Rental business revenues} - \text{Property operating expenses} + \text{Depreciation and amortization}$

Funds from operations: $\text{Net income (excluding Gain on sale of investment properties} + \text{Gain on exchange of investment properties)} + \text{Depreciation and amortization}$

Funds from operations per unit: $(\text{Net income (excluding Gain on sale of investment properties} + \text{Gain on exchange of investment properties)} + \text{Depreciation and amortization}) / \text{Weighted average number of common units issued and outstanding during the period}$

Loan to value ratio: $\text{Interest-bearing debt} / \text{Total assets}$

4. Payout ratio figures are calculated to one decimal place only.

5. Number of investment properties means units generally perceived to be one office building. Number of tenants means gross number of tenants by building.

Occupancy rate is the ratio of gross leased area to total rentable area at the end of the period.

Operating Environment and Results

During the 7th Period, the six-month period ended December 31, 2009, as the large-scale fiscal measures implemented by nations across the globe gradually took effect, the global recession bottomed out and a moderate recovery followed. Japan's economy, however, remained in a deflationary phase as the employment environment worsened and personal consumption stagnated. As a result, the economy as a whole experienced only a subdued recovery.

In the office leasing market, vacancy rates rose in most areas and office rents declined as deteriorating corporate earnings forced tenants to cut costs and reduce office space. In the Tokyo metropolitan area, the overall vacancy rate rose and rents continued to decline in high-end and mid-to-low-end properties, alike. In the Osaka and Nagoya metropolitan areas, new supply came on line as tenants reduced space, disrupting the balance between supply and demand, resulting in a prolonged decline in market rents.

Amid such a harsh environment, JEI worked closely with its property managers to swiftly release vacated space. As a result, our portfolio occupancy rate stood at a high 97.0 percent at the end of the period.

Furthermore, on the property operations and management side, we continued to improve cost efficiencies through efforts including calling for tenders to make air conditioning improvements aimed at upgrading building performance and driving down running costs.

As of the end of the period, JEI owned a portfolio of 18 properties (no change from the previous period) with a total investment value of ¥181 billion (on an acquisition price basis), having 220,521 m² (66,707 *tsubo*) in aggregate leasable space and housing 126 tenants.

Overview of Performance

In the 7th Period, total revenue declined slightly but profits rose. Specifically, total revenue was ¥7,494 million yen (down ¥50 million, or 0.7 percent, compared to the previous period), operating income was ¥3,349 million (up ¥70 million, or 2.1 percent) and net income totaled ¥2,485 million (up ¥43 million, or 1.8 percent).

Distribution for Current Period

Distribution per unit totaled ¥16,085. The payout ratio was therefore 100.0 percent.

	7th Period July 1, 2009 to December 31, 2009	6th Period January 1, 2009 to June 30, 2009	5th Period July 1, 2008 to December 31, 2008
Thousands of yen, except per share amounts			
Retained earnings	¥2,486,006	¥2,442,271	¥3,155,635
Undistributed earnings	69	72	33
Total distribution	2,485,936	2,442,199	3,155,601
(Total distribution per unit)	(16,085)	(15,802)	(20,418)
Distribution of accumulated earnings	2,485,936	2,442,199	3,155,601
(Distribution of accumulated earnings per unit)	(16,085)	(15,802)	(20,418)
Distribution in excess of accumulated earnings	—	—	—
(Per share)	(—)	(—)	(—)

Unitholders' Capital

An overview of the issue of investment units is as follows.

Issue date	Remarks	Investment units outstanding		Paid-in capital		Notes
		Increase	Balance	Increase	Balance	
		Units		Millions of yen		
February 20, 2006	Initial capital (private)	400	400	¥ 200	¥ 200	Note 1
June 26, 2006	Public offering	128,000	128,400	64,230	64,430	Note 2
July 21, 2006	Third party	6,400	134,800	3,211	67,641	Note 3
July 11, 2007	Public offering	19,000	153,800	18,702	86,344	Note 4
August 8, 2007	Third party	750	154,550	738	87,083	Note 5

Notes: 1. JEI was established with an issue of investment units priced at ¥500,000 per unit.

2. JEI issued new investment units through a public offering at a price of ¥520,000 per unit (underwriting price: ¥501,800 per unit) to raise capital primarily for the acquisition of properties following its listing on the Tokyo Stock Exchange.

3. JEI issued new investment units through a private placement at a price of ¥501,800 per unit to raise a portion of the capital required for the acquisition of properties.

4. JEI issued new investment units through a public offering at a price of ¥1,109,200 per unit (underwriting price: ¥984,360 per unit) to raise a portion of the capital required for the acquisition of properties during the second period.

5. JEI issued new investment units through a private placement at a price of ¥984,360 per unit to raise a portion of the capital required for the acquisition of properties during the second period.

Market Price of Units

High/Low (closing price) of units on the TSE:

	7th Period July 1, 2009 to December 31, 2009	6th Period January 1, 2008 to June 30, 2008	5th Period July 1, 2008 to December 31, 2008
Yen			
High	¥490,000	¥413,000	¥535,000
Low	388,000	298,000	254,000

Loans

Loans by lending institution as of December 31, 2009 are summarized below.

List of lenders

Lender	Outstanding debt at end of this period	Share	Long-term	Short-term
	Millions of yen		Millions of yen	
Mizuho Corporate Bank, Ltd.	¥30,500	31.9%	¥23,500	¥ 7,000
Mitsubishi UFJ Trust and Banking Corporation	17,800	18.6%	14,800	3,000
Sumitomo Mitsui Banking Corporation	9,200	9.6%	7,200	2,000
The Dai-ichi Mutual Life Insurance Company (Note 4)	8,000	8.4%	8,000	0
The Norinchukin Bank	7,000	7.3%	7,000	0
Mizuho Trust & Banking Co., Ltd.	6,500	6.8%	6,500	0
Aozora Bank, Ltd.	5,000	5.2%	5,000	0
Development Bank of Japan	4,000	4.2%	4,000	0
Chuo Mitsui Trust & Banking Co., Ltd.	3,000	3.1%	3,000	0
Sompo Japan Insurance Inc.	2,000	2.1%	2,000	0
Resona Bank, Ltd.	1,500	1.6%	1,500	0
Tokio Marine & Nichido Fire Insurance Co., Ltd.	1,000	1.0%	1,000	0
Total	¥95,500	100.0%	¥83,500	¥12,000

Short-term loans

Lender	Due on	Balance	Average interest rate (%) (Note 1)	Repayment method	Use of funds	Notes
		Millions of yen				
Mizuho Corporate Bank, Ltd.	September 30, 2009	¥ 7,000	1.0	Bullet payment	Repayment of loans	Unsecured / unguaranteed
Mitsubishi UFJ Trust and Banking Corporation	September 30, 2009	3,000	1.0			
Sumitomo Mitsui Banking Corporation	September 30, 2009	2,000	1.0			
Total short-term loans		¥12,000	1.0	—	—	—

Long-term debt due within 1 year

Lender	Due on	Balance	Average interest rate (%) (Note 1)	Repayment method	Use of funds	Notes
		Millions of yen				
The Norinchukin Bank	June 29, 2010	¥ 5,000	1.5	Bullet payment	Acquisition of real estate	Unsecured / unguaranteed
Mizuho Corporate Bank, Ltd.	June 29, 2010	3,000	1.5			
Mitsubishi UFJ Trust and Banking Corporation	June 29, 2010	3,000	1.5			
Aozora Bank, Ltd.	June 29, 2010	2,000	1.5			
Total long-term debt due within 1 year		¥13,000	1.5	—	—	—

Long-term loans (Note 3)

Lender	Due on	Balance Millions of yen	Average interest rate (%) (Note 1)	Repayment method	Use of funds	Notes
Mizuho Corporate Bank, Ltd.	June 29, 2011	¥ 5,000	1.5			
Mitsubishi UFJ Trust and Banking Corporation	June 29, 2011	3,500	1.5		Acquisition of real estate	
Resona Bank, Ltd.	June 29, 2011	1,000	1.5			
The Dai-ichi Mutual Life Insurance Company (Note 4)	June 29, 2011	3,000	2.0 (Note 2)			
Mizuho Corporate Bank, Ltd.	June 29, 2011	6,000	1.1			
Mitsubishi UFJ Trust and Banking Corporation	June 29, 2011	4,000	1.1			
Sumitomo Mitsui Banking Corporation	June 29, 2011	3,000	1.1			
Mizuho Trust & Banking Co., Ltd.	June 29, 2011	2,000	1.1			
Aozora Bank, Ltd.	November 29, 2011	3,000	1.5		Repayment of loans	
Chuo Mitsui Trust & Banking Co., Ltd.	November 29, 2011	3,000	1.5			
Mizuho Trust & Banking Co., Ltd.	November 29, 2011	3,000	1.5			
Sumitomo Mitsui Banking Corporation	November 29, 2011	2,000	1.5			
Mizuho Corporate Bank, Ltd.	November 29, 2011	1,000	1.5			
Mitsubishi UFJ Trust and Banking Corporation	November 29, 2011	1,000	1.5			
Mitsubishi UFJ Trust and Banking Corporation	July 31, 2012	2,300	1.0	Bullet payment		Unsecured / unguaranteed
Sumitomo Mitsui Banking Corporation	July 31, 2012	2,200	1.0			
The Norinchukin Bank	July 31, 2012	2,000	1.0			
Resona Bank, Ltd.	July 31, 2012	500	1.0			
Mizuho Corporate Bank, Ltd.	July 31, 2012	2,500	2.0 (Note 2)			
Mizuho Trust & Banking Co., Ltd.	July 31, 2012	1,500	2.0 (Note 2)		Acquisition of real estate	
Sompo Japan Insurance Inc.	July 31, 2012	2,000	2.0 (Note 2)			
Tokio Marine & Nichido Fire Insurance Co., Ltd.	July 31, 2012	1,000	2.0 (Note 2)			
Mizuho Corporate Bank, Ltd.	June 28, 2013	6,000	1.2		Repayment of loans	
Mitsubishi UFJ Trust and Banking Corporation	June 28, 2013	1,000	1.2			
The Dai-ichi Mutual Life Insurance Company (Note 4)	July 31, 2014	2,000	2.2 (Note 2)		Acquisition of real estate	
Development Bank of Japan	July 31, 2014	2,000	2.2 (Note 2)			
The Dai-ichi Mutual Life Insurance Company (Note 4)	June 30, 2015	3,000	2.3 (Note 2)		Repayment of loans	
Development Bank of Japan	June 30, 2015	2,000	2.3 (Note 2)			
Total long-term loans		¥70,500	1.5	—	—	—
Total loans		¥95,500	1.4	—	—	—

Notes: 1. Average interest rate is a weighted average of interest rates on each loan contract as of the end of the period. In addition, JEI uses interest-rate swaps to mitigate the risk associated with variable interest rates. The weighted average is calculated after adjusting the interest rate for applicable loans for the effect of the interest-rate swap.

2. Fixed-rate loans

3. Annual maturities of long-term loans (excluding long-term loans due within one year) due after more than one year from the balance sheet date are listed below.

4. From April 1, 2010, The Dai-ichi Mutual Life Insurance Company became The Dai-ichi Life Insurance Company, Limited.

	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	5 to 10 years
	Millions of yen				
Amount borrowed.....	¥40,500	¥14,000	¥7,000	¥4,000	¥5,000

Bonds

JEI has submitted a shelf registration so that it can smoothly issue investment corporation bonds, but has not issued such bonds.

Capital Expenditures

Planned Capital Expenditures

Primary planned capital expenditures for properties in JEI's portfolio as of December 31, 2009 for renovation and other purposes are as follows. The planned construction expenditures below include the portion already recorded as expenses.

Name of property	Address	Objective	Estimated duration	Estimated amounts		
				Total amounts	Payment for the current period	Cumulative amount paid
Millions of yen						
Omori Bellport D	Shinagawa-ku, Tokyo	Upgrade central monitoring equipment	September 2009 to April 2010	¥60	—	—
NHK Nagoya Housou-Center Building	Higashi-ku, Nagoya	Upgrade central monitoring equipment	March 2009 to March 2010	50	—	—
Kowa Kawasaki Higashiguchi Building	Kawasaki-ku, Kawasaki, Kanagawa Prefecture	Improve automatic fire alarm equipment	August 2009 to March 2010	42	—	—

Capital Expenditures for the Current Period

Construction requiring capital expenditures during the period ended December 31, 2009 for properties in JEI's portfolio as of December 31, 2009 is outlined below. Capital expenditures during the period ended December 31, 2009 totaled ¥134 million. The total of capital expenditures and repair expenses of ¥142 million during the period ended December 31, 2009 was ¥276 million.

Name of property	Address	Objective	Estimated duration	Expenditure
Millions of yen				
Kowa Kawasaki Higashiguchi Building	Kawasaki-ku, Kawasaki, Kanagawa Prefecture	Upgrade uninterruptible power supply (UPS) in high voltage room	December 2009 to December 2009	¥ 10
NHK Nagoya Housou-Center Building	Higashi-ku, Nagoya	Upgrade water tank	September 2009 to December 2009	9
Other buildings			—	113
Total				¥134

Cash Reserve for Capital Improvements

JEI formulates a long-term maintenance plan for each of its properties, and uses it as the basis for provisions to the cash reserve for capital improvements to cover major repairs and other future property issues, as outlined below.

	7th Period July 1, 2009 to December 31, 2009	6th Period January 1, 2009 to June 30, 2009
Millions of yen		
Reserve balance at the beginning of the period	¥254	¥254
Amount accumulated in the current period	—	—
Withdrawal from reserves in the current period.....	—	—
Amount carried forward.....	¥254	¥254

Trading Activities during the Current Period

Trading of Real Estate and Real Estate Held in Trust

None

Trading of Other Assets Including Total Amount and Transactions

Assets other than real estate, securitized assets and other assets principally consist of current bank deposits, including trust accounts.

Transactions with Related Parties and Transactions with Major Shareholders of Asset Management Company

Ongoing Transactions

None

Fees Paid for the Period from July 1, 2009 to December 31, 2009

Category	Total fees paid (A) (Millions of yen)	Description of transactions with related parties (Note 1)		
		Paid to	Amount of payment (B) (Millions of yen)	B/A
Maintenance expenses (Note 2)	¥1,068	Kowa Real Estate Co., Ltd.	¥396	37.1%
		Sekisui House, Ltd.	34	3.2%
Total	¥1,068		¥430	40.3%

Notes: 1. "Related parties" are defined as related parties of asset management companies under the asset management agreement with JEI as defined in Article 123 of Order for Enforcement of the Law Concerning Investment Trusts and Investment Corporations. "Major shareholders" are the major shareholders of asset management companies as defined in Article 29, Section 4, Paragraph 2 of the Financial Instruments and Exchange Law. During the period ended June 30, 2009, transactions with Kowa Real Estate Co., Ltd. and Sekisui House, Ltd. are as described above.

2. Maintenance expenses include construction management compensation associated with assets that have not been adjusted to reflect compensation and expenses related to project management.

3. Amounts do not include consumption or other taxes.

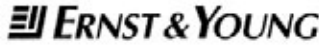
Financial Statements

For the six-month periods ended December 31, 2009 and June 30, 2009
with Report of Independent Auditors

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Report of Independent Auditors



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Report of Independent Auditors

The Board of Directors and Unitholders
Japan Excellent, Inc.

We have audited the accompanying balance sheets of Japan Excellent, Inc. as of December 31, 2009 and June 30, 2009, and the related statements of income and retained earnings, changes in net assets, and cash flows for the six-month periods then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Japan Excellent, Inc. at December 31, 2009 and June 30, 2009, and the results of its operations and its cash flows for the six-month periods then ended in conformity with accounting principles generally accepted in Japan.

As described in Note 16, Significant Subsequent Events, Japan Excellent, Inc. issued unsecured bonds and resolved to repay short-term loans prior to their due date.

The U.S. dollar amounts in the accompanying financial statements with respect to the six-month period ended December 31, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2.

Ernst & Young ShinNihon LLC

March 25, 2010

A member firm of Ernst & Young Global Limited

Balance Sheets

As of December 31, 2009 and June 30, 2009

	As of December 31, 2009	As of June 30, 2009	As of December 31, 2009
	Thousands of yen		U.S. dollars (Note 2)
Assets			
Current assets:			
Cash and cash equivalents including trust accounts (Note 4)	¥ 14,691,160	¥ 13,841,046	\$ 159,565,112
Rental receivables	467,058	453,974	5,072,853
Other current assets	168,511	186,509	1,830,251
Total current assets	15,326,729	14,481,529	166,468,216
Property and equipment (Note 6):			
Buildings and building improvements	3,264,543	3,254,086	35,457,188
Furniture and fixtures	662	363	7,186
Construction in progress	5,488	5,488	59,605
Buildings and building improvements for trust accounts	64,382,651	64,280,337	699,279,369
Machinery and equipment for trust accounts	409,185	409,186	4,444,286
Furniture and fixtures for trust accounts	55,172	32,194	599,236
Land for trust accounts	108,502,799	108,502,799	1,178,481,579
Construction in progress for trust accounts	3,360	—	36,495
Less: accumulated depreciation	(6,023,500)	(5,032,923)	(65,423,046)
Net property and equipment	170,600,360	171,451,530	1,852,941,898
Investments and other assets:			
Leasehold rights	1,185,045	1,185,045	12,871,129
Leasehold rights for trust accounts	7,380,017	7,380,017	80,156,585
Investment in securities (Note 5)	10,768	10,768	116,954
Security deposits	15,182	15,182	164,893
Long-term prepaid expenses	468,857	574,245	5,092,400
Other assets	53,248	47,370	578,347
Total investments and other assets	9,113,117	9,212,627	98,980,308
Total assets	¥195,040,206	¥195,145,686	\$2,118,390,422
Liabilities			
Current liabilities:			
Accounts payable - trade	¥ 472,913	¥ 523,422	\$ 5,136,451
Short-term loans (Note 7)	25,000,000	25,000,000	271,532,530
Accounts payable - other	351,764	327,801	3,820,617
Unpaid consumption taxes	94,279	32,347	1,023,986
Derivative liabilities	40,020	79,328	434,672
Other current liabilities	220,459	270,710	2,394,466
Total current liabilities	26,179,435	26,233,608	284,342,722
Long-term liabilities:			
Long-term debt (Note 7)	70,500,000	70,500,000	765,721,734
Security deposits from tenants	448,904	465,505	4,875,686
Security deposits from tenants for trust accounts	8,382,851	8,500,600	91,048,671
Derivative liabilities	78,483	82,835	852,423
Total long-term liabilities	79,410,238	79,548,940	862,498,514
Total liabilities	105,589,673	105,782,548	1,146,841,236
Net assets (Note 8):			
Unitholders' equity:			
Unitholders' capital:			
Units authorized: 2,000,000 units			
Units issued and outstanding: 154,550 units as of December 31, 2009 and June 30, 2009	87,083,030	87,083,030	945,835,017
Retained earnings	2,486,006	2,442,271	27,001,264
Total unitholders' equity	89,569,036	89,525,301	972,836,281
Valuation and translation adjustments:			
Unrealized loss on deferred hedge transactions	(118,503)	(162,163)	(1,287,095)
Total valuation and translation adjustments	(118,503)	(162,163)	(1,287,095)
Total net assets	89,450,533	89,363,138	971,549,186
Total liabilities and net assets	¥195,040,206	¥195,145,686	\$2,118,390,422

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

Statements of Income and Retained Earnings

For the periods from July 1, 2009 to December 31, 2009
and from January 1, 2009 to June 30, 2009

	For the period from July 1, 2009 to December 31, 2009	For the period from January 1, 2009 to June 30, 2009	For the period from July 1, 2009 to December 31, 2009
	Thousands of yen		U.S. dollars (Note 2)
Revenues:			
Rental revenues (Note 11).....	¥6,886,689	¥6,890,298	\$74,798,405
Other (Note 11)	608,029	654,437	6,603,981
Total revenues	7,494,718	7,544,735	81,402,386
Operating expenses:			
Property operating expenses (Note 11).....	3,577,299	3,720,471	38,854,123
Asset management fees	423,891	418,130	4,604,003
Custodian fees.....	14,960	15,015	162,487
Administrative service fees	28,290	28,219	307,267
Compensation for directors	6,540	6,540	71,033
Other	94,637	77,701	1,027,882
Total operating expenses	4,145,617	4,266,076	45,026,795
Operating income.....	3,349,101	3,278,659	36,375,591
Other income:			
Refund of property taxes	—	11,665	—
Interest income	2,743	10,950	29,791
Other	603	55	6,552
Other expenses:			
Interest expense	701,727	707,446	7,621,664
Loan arrangement fees	163,780	150,624	1,778,866
Other.....	1	0	8
Income before income taxes.....	2,486,939	2,443,259	27,011,396
Income taxes (Note 10)			
Current	1,004	1,023	10,905
Deferred	1	(2)	11
Net income.....	2,485,934	2,442,238	27,000,480
Retained earnings at beginning of period	72	33	784
Retained earnings at end of period.....	¥2,486,006	¥2,442,271	\$27,001,264

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

Statements of Changes in Net Assets

For the periods from July 1, 2009 to December 31, 2009
and from January 1, 2009 to June 30, 2009

For the period from January 1, 2009 to June 30, 2009							
Net assets							
Unitholders' equity				Valuation and translation adjustments			
Number of units in issue	Unitholders' capital	Retained earnings	Total unitholders' equity	Unrealized loss on deferred hedge transactions	Total valuation and translation adjustments	Total net assets	
Thousands of yen							
Balance as of December 31, 2008	154,550	¥87,083,030	¥ 3,155,635	¥90,238,665	¥(219,653)	¥(219,653)	¥90,019,012
Changes during the fiscal period:							
Distributions from retained earnings...	—	—	(3,155,602)	(3,155,602)	—	—	(3,155,602)
Net income.....	—	—	2,442,238	2,442,238	—	—	2,442,238
Changes in unrealized loss on deferred hedge transactions	—	—	—	—	57,490	57,490	57,490
Total changes during the fiscal period	—	—	(713,364)	(713,364)	57,490	57,490	(655,874)
Balance as of June 30, 2009	154,550	¥87,083,030	¥ 2,442,271	¥89,525,301	¥(162,163)	¥(162,163)	¥89,363,138

For the period from July 1, 2009 to December 31, 2009							
Net assets							
Unitholders' equity				Valuation and translation adjustments			
Number of units in issue	Unitholders' capital	Retained earnings	Total unitholders' equity	Unrealized loss on deferred hedge transactions	Total valuation and translation adjustments	Total net assets	
Thousands of yen							
Balance as of June 30, 2009	154,550	¥87,083,030	¥ 2,442,271	¥89,525,301	¥(162,163)	¥(162,163)	¥89,363,138
Changes during the fiscal period:							
Distributions from retained earnings...	—	—	(2,442,199)	(2,442,199)	—	—	(2,442,199)
Net income.....	—	—	2,485,934	2,485,934	—	—	2,485,934
Changes in unrealized loss on deferred hedge transactions	—	—	—	—	43,660	43,660	43,660
Total changes during the fiscal period	—	—	43,735	43,735	43,660	43,660	87,395
Balance as of December 31, 2009	154,550	¥87,083,030	¥ 2,486,006	¥89,569,036	¥(118,503)	¥(118,503)	¥89,450,533

For the period from July 1, 2009 to December 31, 2009							
Net assets							
Unitholders' equity				Valuation and translation adjustments			
Number of units in issue	Unitholders' capital	Retained earnings	Total unitholders' equity	Unrealized loss on deferred hedge transactions	Total valuation and translation adjustments	Total net assets	
U.S. dollars (Note 2)							
Balance as of June 30, 2009	154,550	\$945,835,017	\$ 26,526,244	\$972,361,261	\$(1,761,305)	\$(1,761,305)	\$970,599,956
Changes during the fiscal period:							
Distributions from retained earnings...	—	—	(26,525,460)	(26,525,460)	—	—	(26,525,460)
Net income.....	—	—	27,000,480	27,000,480	—	—	27,000,480
Changes in unrealized loss on deferred hedge transactions	—	—	—	—	474,210	474,210	474,210
Total changes during the fiscal period	—	—	475,020	475,020	474,210	474,210	949,230
Balance as of December 31, 2009	154,550	\$945,835,017	\$ 27,001,264	\$972,836,281	\$(1,287,095)	\$(1,287,095)	\$971,549,186

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

Statements of Cash Flows

For the periods from July 1, 2009 to December 31, 2009
and from January 1, 2009 to June 30, 2009

	For the period from July 1, 2009 to December 31, 2009	For the period from January 1, 2009 to June 30, 2009	For the period from July 1, 2009 to December 31, 2009
	Thousands of yen		U.S. dollars (Note 2)
Cash flows from operating activities			
Income before income taxes	¥ 2,486,939	¥ 2,443,259	\$ 27,011,396
Depreciation and amortization	990,621	990,609	10,759,435
Interest income.....	(2,743)	(10,950)	(29,791)
Interest expense	701,727	707,446	7,621,664
Increase in rental receivables	(13,083)	(83,440)	(142,104)
Increase in prepaid expenses.....	(3,761)	(50,328)	(40,851)
Decrease in accounts payable – trade	(17,003)	(84,221)	(184,673)
Increase (decrease) in accounts payable – other	17,204	(19,108)	186,853
Increase (decrease) in unpaid consumption taxes	61,931	(89,599)	672,655
(Decrease) increase in advances received	(66,764)	85,493	(725,140)
Decrease (increase) in long-term prepaid expenses	105,388	(144,862)	1,144,647
Other, net.....	16,237	(20,298)	176,360
Subtotal	4,276,693	3,724,001	46,450,451
Interest received	2,743	10,950	29,791
Interest paid.....	(685,618)	(732,090)	(7,446,710)
Income taxes paid	(721)	(2,190)	(7,827)
Net cash provided by operating activities	3,593,097	3,000,671	39,025,705
Cash flows from investing activities			
Purchases of property and equipment	(1,465)	(13,352)	(15,906)
Purchases of property and equipment for trust accounts	(171,448)	(421,089)	(1,862,153)
Purchases of intangible fixed assets.....	(281)	—	(3,052)
Proceeds from security deposits from tenants	—	21,933	—
Payments for security deposits to tenants.....	(16,601)	(8,475)	(180,307)
Proceeds from security deposits from tenants for trust accounts.....	474,198	472,706	5,150,406
Payments for security deposits to tenants for trust accounts	(591,946)	(272,535)	(6,429,309)
Net cash used in investing activities	(307,543)	(220,812)	(3,340,321)
Cash flows from financing activities			
Proceeds from short-term loans	12,000,000	12,000,000	130,335,614
Repayment for short-term loans	(12,000,000)	(12,000,000)	(130,335,614)
Proceeds from long-term debt.....	—	13,000,000	—
Repayment for long-term debt.....	—	(13,000,000)	—
Distributions to unitholders	(2,435,440)	(3,147,314)	(26,452,046)
Net cash used in financing activities	(2,435,440)	(3,147,314)	(26,452,046)
Net increase (decrease) in cash and cash equivalents	850,114	(367,455)	9,233,338
Cash and cash equivalents at beginning of period	13,841,046	14,208,501	150,331,774
Cash and cash equivalents at end of period.....	¥ 14,691,160	¥ 13,841,046	\$ 159,565,112

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

Notes to Financial Statements

For the periods from July 1, 2009 to December 31, 2009
and from January 1, 2009 to June 30, 2009

1. Organization

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

JEI is externally managed by a licensed asset management company, Japan Excellent Asset Management ("JEAM"). JEAM is owned 40% by Kowa Real Estate Co., Ltd., 20% by The Dai-ichi Mutual Life Insurance Company, 15% by Sekisui House, Ltd. and 25% by other corporations.

JEI was listed on the Tokyo Stock Exchange on June 27, 2006. As of December 31, 2009, JEI held 18 properties with 220,521 square meters of total leasable space and had leases with 126 tenants excluding residential tenants.

2. Basis of Presentation

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

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

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥92.07 = U.S.\$1.00, the foreign exchange rate prevailing on December 31, 2009, has been used for translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled into U.S. dollars at that or any other rate.

3. Summary of Significant Accounting Policies

● Cash and cash equivalents

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

● Securities

Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

● Property and equipment including trust accounts and trademark rights

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

Buildings	2 - 59 years
Building improvements	4 - 59 years
Machinery and equipment	7 - 16 years
Furniture and fixtures	4 - 10 years

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

● 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 11).

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. For the periods from July 1, 2009 to December 31, 2009 and from January 1, 2009 to June 30, 2009, no property-related taxes were capitalized.

● Revenue recognition

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

● Derivatives and hedge accounting

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

JEI deferred recognition of gains or losses resulting from changes in the fair value of interest-rate swap agreements because its interest-rate agreements met the criteria for deferred hedge accounting.

● 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, 2009 and June 30, 2009 consisted of the following:

	As of December 31, 2009	As of June 30, 2009	As of December 31, 2009
	Thousands of yen		U.S. dollars
Cash and cash deposits.....	¥ 3,027,658	¥ 2,253,964	\$ 32,884,300
Cash in trust and deposits in trust	11,663,502	11,587,082	126,680,812
Cash and cash equivalents including trust accounts.....	¥14,691,160	¥13,841,046	\$159,565,112

5. Securities

(1) Investment in securities

Investment in securities at December 31, 2009 and June 30, 2009 consisted of the following:

	As of December 31, 2009	As of June 30, 2009	As of December 31, 2009
	Thousands of yen		U.S. dollars
Unlisted stock.....	¥10,768	¥10,768	\$116,954

Name	Number of shares	As of December 31, 2009							
		Acquisition cost			Book value			Gain or loss on valuation	
		Unit price	Total price	Total price	Unit price	Total price	Total price	Total price	Total price
		Thousands of yen	U.S. dollars	U.S. dollars	Thousands of yen	U.S. dollars	U.S. dollars	Thousands of yen	U.S. dollars
Unlisted stock									
NHK Nagoya Build Systems Co., Ltd.	64	¥168	¥10,768	\$116,954	¥168	¥10,768	\$116,954	¥—	\$—
Total	64	¥168	¥10,768	\$116,954	¥168	¥10,768	\$116,954	¥—	\$—

Name	Number of shares	As of June 30, 2009				
		Acquisition cost		Book value		Gain or loss on valuation
		Unit price	Total price	Unit price	Total price	Total price
		Thousands of yen				
Unlisted stock						
NHK Nagoya Build Systems Co., Ltd.	64	¥168	¥10,768	¥168	¥10,768	¥—
Total	64	¥168	¥10,768	¥168	¥10,768	¥—

6. Property and Equipment

Property and equipment at December 31, 2009 and June 30, 2009 consisted of the following:

	As of December 31, 2009			As of June 30, 2009			As of December 31, 2009		
	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value
	Thousands of yen						U.S. dollars		
Buildings and building improvements	¥ 3,264,543	¥ (264,342)	¥ 3,000,201	¥ 3,254,086	¥ (227,013)	¥ 3,027,073	\$ 35,457,188	\$ (2,871,101)	\$ 32,586,087
Furniture and fixtures...	662	(111)	551	363	(75)	288	7,186	(1,202)	5,984
Construction in progress	5,488	—	5,488	5,488	—	5,488	59,605	—	59,605
Buildings and building improvements for trust accounts	64,382,651	(5,660,442)	58,722,209	64,280,337	(4,724,326)	59,556,011	699,279,369	(61,479,766)	637,799,603
Machinery and equipment for trust accounts.....	409,185	(90,104)	319,081	409,186	(76,328)	332,858	4,444,286	(978,654)	3,465,632
Furniture and fixtures for trust accounts.....	55,172	(8,501)	46,671	32,194	(5,181)	27,013	599,236	(92,323)	506,913
Land for trust accounts.....	108,502,799	—	108,502,799	108,502,799	—	108,502,799	1,178,481,579	—	1,178,481,579
Construction in progress for trust accounts.....	3,360	—	3,360	—	—	—	36,495	—	36,495
Total	¥176,623,860	¥(6,023,500)	¥170,600,360	¥176,484,453	¥(5,032,923)	¥171,451,530	\$1,918,364,944	\$(65,423,046)	\$1,852,941,898

7. Short-Term Loans and Long-Term Debt

Short-term loans and long-term debt as of December 31, 2009 and June 30, 2009 consisted of the following:

	As of December 31, 2009		As of June 30, 2009		As of December 31, 2009
	Amount	Weighted-average interest rate	Amount	Weighted-average interest rate	Amount
	Thousands of yen		Thousands of yen		U.S. dollars
Short-term loans:					
Unsecured loans from banks due on September 30, 2009	¥ —	—	¥12,000,000	1.03455%	\$ —
Unsecured loans from banks due on September 30, 2010	12,000,000	1.07364%	—	—	130,335,614
Subtotal	12,000,000		12,000,000		130,335,614
Long-term debt due within one year:					
Unsecured loans from banks due on June 29, 2010	13,000,000	1.49485%	13,000,000	1.51391%	141,196,916
Subtotal	13,000,000		13,000,000		141,196,916
Long-term debt:					
Unsecured loans from banks due on June 29, 2011	9,500,000	1.47669%	9,500,000	1.51059%	103,182,362
Unsecured loans from an insurance company due on June 29, 2011	3,000,000	1.96625%	3,000,000	1.96625%	32,583,904
Unsecured loans from banks due on June 29, 2011	15,000,000	1.13545%	15,000,000	1.21091%	162,919,518
Unsecured loans from banks due on November 29, 2011	13,000,000	1.52364%	13,000,000	1.44455%	141,196,916
Unsecured loans from banks due on July 31, 2012	7,000,000	0.88545%	7,000,000	0.96091%	76,029,108
Unsecured loans from banks and insurance companies due on July 31, 2012	7,000,000	1.96907%	7,000,000	1.96907%	76,029,108
Unsecured loans from banks due on June 28, 2013	7,000,000	1.23545%	7,000,000	1.31091%	76,029,108
Unsecured loans from an insurance company due on July 31, 2014	2,000,000	2.25875%	2,000,000	2.25875%	21,722,602
Unsecured loans from a bank due on July 31, 2014	2,000,000	2.28417%	2,000,000	2.28417%	21,722,602
Unsecured loans from an insurance company and a bank due on June 30, 2015	5,000,000	2.27344%	5,000,000	2.27344%	54,306,506
Subtotal	70,500,000		70,500,000		765,721,734
Total	¥95,500,000		¥95,500,000		\$1,037,254,264

8. Net Assets

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

9. Per Unit Information

Net assets per unit were ¥578,781 (\$6,286) as of December 31, 2009 and ¥578,215 as of June 30, 2009. Net income per unit was ¥16,085 (\$175) for the period from July 1, 2009 to December 31, 2009 and ¥15,802 for the period from January 1, 2009 to June 30, 2009 and was computed based on the weighted-average number of units outstanding during the respective periods.

10. 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, 2009 and June 30, 2009 are summarized as follows:

	As of December 31, 2009	As of June 30, 2009	As of December 31, 2009
	Thousands of yen		U.S. dollars
Deferred tax assets:			
Accrued enterprise taxes.....	¥ 19	¥ 20	\$ 211
Unrealized loss on deferred hedge transactions	46,607	63,779	506,214
Gross deferred tax assets	46,626	63,799	506,425
Valuation reserve.....	(46,607)	(63,779)	(506,214)
Total deferred tax assets	19	20	211
Net deferred tax assets	¥ 19	¥ 20	\$ 211

A reconciliation of the differences between the statutory tax rate and the effective tax rate for the periods from July 1, 2009 to December 31, 2009 and from January 1, 2009 to June 30, 2009 is as follows:

	For the period from July 1, 2009 to December 31, 2009	For the period from January 1, 2009 to June 30, 2009
Statutory tax rate.....	39.33%	39.33%
Reconciliation:		
Deductible distributions paid	(39.31)	(39.31)
Other.....	0.02	0.02
Effective tax rate.....	0.04%	0.04%

11. Breakdown of Property Rental Business Revenues and Expenses

	For the period from July 1, 2009 to December 31, 2009	For the period from January 1, 2009 to June 31, 2009	For the period from July 1, 2009 to December 31, 2009
	Thousands of yen		U.S. dollars
Rental business revenues:			
Rental revenues	¥6,886,689	¥6,890,298	\$74,798,405
Other	608,029	654,437	6,603,981
Total rental business revenues	7,494,718	7,544,735	81,402,386
Property operating expenses:			
Property management costs and fees	¥1,066,242	¥1,141,115	\$11,580,775
Utilities	648,642	685,227	7,045,100
Property and other taxes	542,202	540,854	5,889,017
Insurance	21,500	21,116	233,520
Repairs and maintenance	142,858	182,522	1,551,628
Depreciation	990,577	990,577	10,758,953
Other	165,278	159,060	1,795,130
Total property operating expenses	3,577,299	3,720,471	38,854,123
Profit	¥3,917,419	¥3,824,264	\$42,548,263

12. Leases

JEI leases properties on which rental revenues are earned. At December 31, 2009 and June 30, 2009, future lease revenues under non-cancelable operating leases are summarized as follows:

	As of December 31, 2009	As of June 30, 2009	As of December 31, 2009
	Thousands of yen		U.S. dollars
Due within one year	¥1,128,389	¥1,134,029	\$12,255,767
Due after one year	671,295	1,235,490	7,291,141
Total	¥1,799,684	¥2,369,519	\$19,546,908

13. Derivatives and Hedge Accounting

JEI has entered into certain interest-rate swap contracts with several Japanese financial institutions to hedge its variable rate long-term debt obligations. JEI utilizes interest-rate swap contracts, which are derivative financial instruments, only for the purpose of mitigating future risk arising from fluctuation in interest rates, and does not enter into such transactions for speculative or trading purposes. JEI entered into such derivative transactions to hedge risk in accordance with its Articles of Incorporation and the established risk management policies of JEAM.

The following table summarizes the notional amount and the estimated fair value of the interest-related positions outstanding as of December 31, 2009:

	Notional amount	Estimated fair value (negative)	Notional amount	Estimated fair value (negative)
	Thousands of yen		U.S. dollars	
Interest-rate swap:				
Receive/floating and pay/fixed	¥16,750,000	¥(118,503)	\$181,926,795	\$(1,287,095)

14. Related Party Transactions

For the period from July 1, 2009 to December 31, 2009

(1) Major unitholders

Not applicable

(2) Directors and major individual unitholders

Name	Description of transaction	Amount	Amount	Account	Balance at the end of period	Balance at the end of period
		Thousands of yen	U.S. dollars		Thousands of yen	U.S. dollars
Chifumi Toda	Payment of asset management fees to JEAM	¥423,891	\$4,604,003	Accounts payable	¥259,814	\$2,821,913

For the period from January 1, 2009 to June 30, 2009

(1) Major unitholders

Not applicable

(2) Directors and major individual unitholders

Not applicable

15. Distribution Information

In accordance with Section 33.1.2 of the bylaws set forth by JEI for distributions of cash dividends, the amount of dividends payable, which is limited by the amount of unappropriated retained earnings, shall be in excess of 90% of its distributable income for the fiscal period as set forth in Section 67.15 of the Special Taxation Measures Law. Consequently, JEI set income available for distributions of dividends at ¥2,485,936,750 (\$27,000,508), the maximum integral multiple of the 154,550 units issued not exceeding unappropriated retained earnings at December 31, 2009. No cash distribution exceeding the income amount set forth in Section 33.1.4 of the bylaws of JEI shall be made.

On February 12, 2010, the Board of Directors approved a resolution to make a cash distribution of ¥16,085 (\$175) per unit aggregating to ¥2,485,936,750 (\$27,000,508) to unitholders of record as of December 31, 2009.

16. Significant Subsequent Events

(1) Issuance of unsecured bonds

At the board meeting held on February 12, 2010, it was resolved that JEI would issue unsecured bonds in the amount of ¥12,000 million with coupon of 1.52% due 2014. Receipt of the proceeds of such issue was completed on March 11, 2010. JEI intends to use the proceeds to repay the short-term loans.

(2) Early repayment of loans

On March 19, 2010, the Executive Director resolved to repay the following outstanding short-term loans on March 31, 2010 prior to their due date:

1. Total amount of loans	¥12,000 million
2. Lender	Mizuho Corporate Bank, Ltd. Mitsubishi UFJ Trust and Banking Corporation Sumitomo Mitsui Banking Corporation
3. Interest rate	1.05545% (from February 26, 2010 through March 31, 2010)
4. Start of the loan period	September 30, 2009
5. Original due date	September 30, 2010

Investor Information

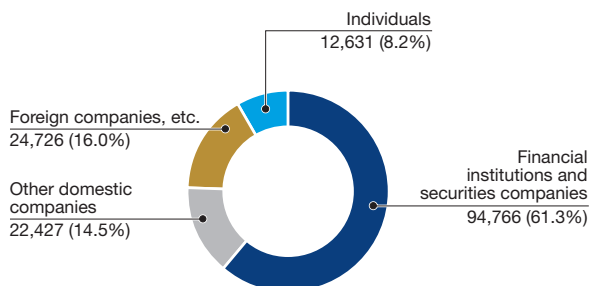
As of December 31, 2009

Name	Japan Excellent, Inc.	
Location	1-9-20 Akasaka, Minato-ku, Tokyo, Japan	
Established	February 20, 2006	
Fiscal Periods	Six months ending June 30 and December 31	
Unitholders	4,734	
Total Number of Common Units Issued	7th Period (From July 1, 2009 to December 31, 2009)	154,550
	6th Period (From January 1, 2009 to June 30, 2009)	154,550
Distributions	Confirmed distribution for the 7th Period (ended December 31, 2009) ¥16,085 per unit	

Major Unitholders

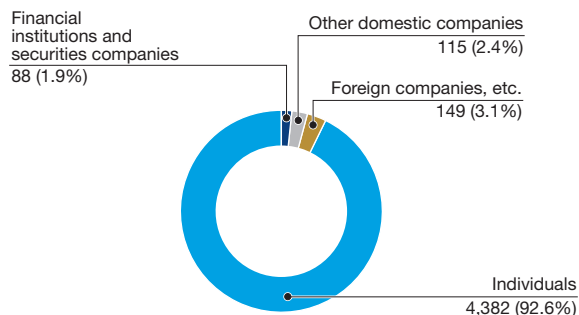
Name	Number of Units Held	Percentage of Total
Japan Trustee Services Bank, Ltd. (Trust account)	16,385	10.60%
Kowa Real Estate Co., Ltd.	14,312	9.26%
NikkoCiti Trust and Banking Corporation (Investment trust account)	12,503	8.09%
The Master Trust Bank of Japan, Ltd. (Trust account)	11,391	7.37%
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	10,259	6.64%
The Nomura Trust and Banking Co., Ltd. (Investment trust account)	7,398	4.79%
North Pacific Bank, Ltd.	4,590	2.97%
The Dai-ichi Life Insurance Company, Limited	4,132	2.67%
The Bank of Ikeda, Ltd.	3,711	2.40%
The Chugoku Bank, Ltd.	2,145	1.39%
Total	86,826	56.18%

Investment Units



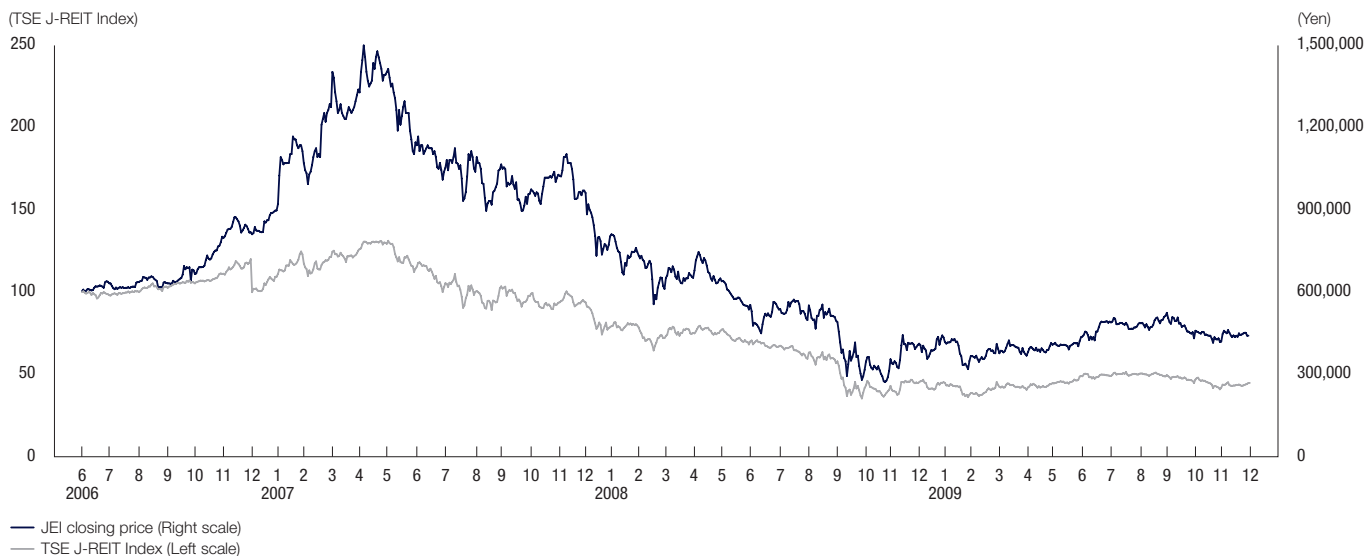
Total number of units issued: 154,550

Investors (Number of unitholders)



Total number of unitholders: 4,734

JEI Unit Performance Measured against TSE J-REIT Index



* June 30, 2006 is used as the base 100 index.

Disclaimer

This semi-annual report in English is a translation of an equivalent document prepared in the Japanese language and filed in Japan in accordance with the Financial Instruments and Exchange Law of Japan. This English translation was prepared solely for the convenience of readers outside Japan and should not be considered as a disclosure statement. The original Japanese document shall prevail in the event of any discrepancies or difference arising from the translations or interpretations contained in this English report. Estimates and projections for Japan Excellent, Inc.'s results of future operations contained in this English semi-annual report are forward-looking statements and are based on information currently available to us, and involve risks, uncertainties and assumptions.

Consequently, investors are cautioned not to place undue reliance on these estimates and projections for evaluating Japan Excellent, Inc. Should any of the risks or uncertainties materialize or should underlying assumptions prove incorrect, the actual results may differ substantially from these estimates and projections depending on numerous factors.

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