

SEMI-ANNUAL REPORT FOR THE 2ND FISCAL PERIOD

January 1, 2007 - June 30, 2007

JAPAN EXCELLENT, INC.



Financial Highlights

Revenues:	5,505 mm yen
Operating income:	2,653 mm yen
Net income:	2,239 mm yen
Total assets:	156,291 mm yen
Net assets:	69,813 mm yen
Dividend pay out ratio:	100.0%
Dividend yield (annualized):	3.2%
Net assets per investment unit:	517,906 yen

Distribution

Distribution per unit:

16,614 yen

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Note: This photo is an image photograph and does not show any Japan Excellent, Inc. assets.

MESSAGE TO OUR UNITHOLDERS



Performance in the Second Fiscal Period

First, we would like to thank you, our unitholders, for your support of Japan Excellent, Inc. (JEI) and Japan Excellent Asset Management (JEAM).

JEI has enjoyed the robust support of our investors and related parties since listing on the real estate investment trust market of the Tokyo Stock Exchange on June 27, 2006. This has contributed to our steady business management and successful closing of accounts for the second fiscal period. The following is the management summary and accounts for the second fiscal period (January 1 – June 30, 2007).

JEI posted revenues of 5,505 million yen, income before income taxes of 2,240 million yen, net income of 2,239 million yen, and consequently distributed 16,614 yen per unit this fiscal period.

We also expanded our portfolio this fiscal period with the acquisition of four properties: Akasaka Garden City, JEI Nishi-Honmachi Building, Ebina Prime Tower, and Sendai Kowa Building to secure large buildings located in Tokyo's city center and to execute regional diversification. These acquisitions have polished our portfolio both in quality and balance, while at the same time have further enriched it. These acquisitions also demonstrated the continued active support of our three core sponsors with our first property to be acquired from Sekisui House Co., Ltd. for the

first time and continued acquisitions from Kowa Real Estate Co., Ltd. and The Dai-ichi Mutual Life Insurance Company. JEI further implemented measures to generate internal growth by increasing rental income and reducing costs, and, as a result, contributing to the increase in earnings.

On the other hand, these acquisitions financially brought the loan-to-value (LTV) of JEI to near 50%. Thus, the board of directors ratified a follow-on public offering of 19,000 units to prepare for further property acquisitions, issuing these units after the closing of the second fiscal period (follow-on offering on July 12, 2007). Moreover, the raising of capital to purchase the above four properties proceeded smoothly thanks to the cooperation of sponsor company, Mizuho Corporate Bank, and other financial institutions.

JEI was proactive this period in garnering a rating from Rating and Investment Information, Inc., conducted overseas IR, and hired an outside consultant to further define and to reinforce our internal management system and compliance structure.

Future Management of JEI and Our Portfolio

JEI follows a basic asset management policy of striving to manage a regional, property-size, and tenant-balanced portfolio, centering on office buildings in major metropolitan areas by pursuing a balance between steady profits and expansion, while maintaining the REIT characteristic of steady growth over the medium to long term.



Geographically, our greatest emphasis is on the so-called Six Central Wards of Tokyo – Minato, Chuo, Chiyoda, Shinjuku, Shibuya, and Shinagawa – which comprised 53% of our portfolio (acquisition base) at initial listing and 54% following our four most recent acquisitions – signifying a continued allocation of more than 50% of the portfolio.

JEI will continue to procure new properties through a core strategy of collaboration with sponsor companies, with the objectives of steadily achieving external growth and maintaining our asset expansion policy in the medium to long term, within the intense property acquisition environment that exists today. In addition to our three core sponsors being proactive in real estate development, they are firm believers in the need for balance sheet control, and as such, their supplying of properties to JEI can be expected in the future. Naturally, JEI insists on maintaining legal and regulatory compliance in any transactions with interested parties, and has set up a decision-making process that prevents any mispricing and unadvisable acquisitions from sponsors and other counter parties.

JEI will, of course, continue to proactively take steps to acquire properties from third parties by utilizing the networks of our sponsor companies. In fact, JEI's portfolio of eighteen properties as of the end of the second fiscal period shows that fifteen properties were acquired from sponsors, two properties from third parties using sponsor networks, and one property from another counter party.

As for management of portfolio properties, JEI emphasizes the improvement of tenant satisfaction, and therefore we believe it is our mission to manage properties so that the buildings are judged to be worthy of their rent levels, supporting us as we endeavor to increase rental income and reduce costs. This includes upgrading facilities and other steps as well.

As JEI grows its portfolio, it emphasizes a financial balance between short-term and long-term debt, and seeks to efficiently and flexibly raise capital while diversifying lenders and spreading out repayment periods. We also plan to simultaneously pursue the fixing of interest rates on borrowings due to a need to prepare for potential hikes in interest rates in the future.

Meanwhile, JEI is now in the process of implementing measures with support of an outside consultant regarding risk management and compliance to ensure that appropriate responses to environmental changes are made by JEI and JEAM. This is being done to ensure our timely and suitable response to changes in the environment surrounding REITs, such as the environment for acquiring properties and regarding finance, but also so that we abide with the Financial Instruments and Exchange Law scheduled to be implemented from September 2007. In this manner, JEI will continue to provide our investors with maximum value for their investment.



Junichi Tamura

Junichi Tamura

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



JAPAN EXCELLENT PROVIDES EXCELLENCE THROUGH SPONSOR SUPPORT AND A SOLID INVESTMENT POLICY

Following its initial establishment in February 2006, Japan Excellent, Inc. (JEI; Securities Code 8987) listed on the Real Estate Investment Trust Market of the Tokyo Stock Exchange on June 27, 2006, with a portfolio significantly weighted to office buildings and a clear two-pronged strategy.

1 JEI is committed to effectively applying the strengths of its respected core sponsors: Kowa Real Estate Co., Ltd., The Dai-ichi Mutual Life Insurance Co., Ltd., and Sekisui House, Co., Ltd. In addition to the application of the extensive real estate expertise of these companies, JEI has pipeline support arrangements with Kowa Real Estate Co., Ltd., Sekisui House, Ltd., and Mizuho Trust & Banking Co., Ltd.

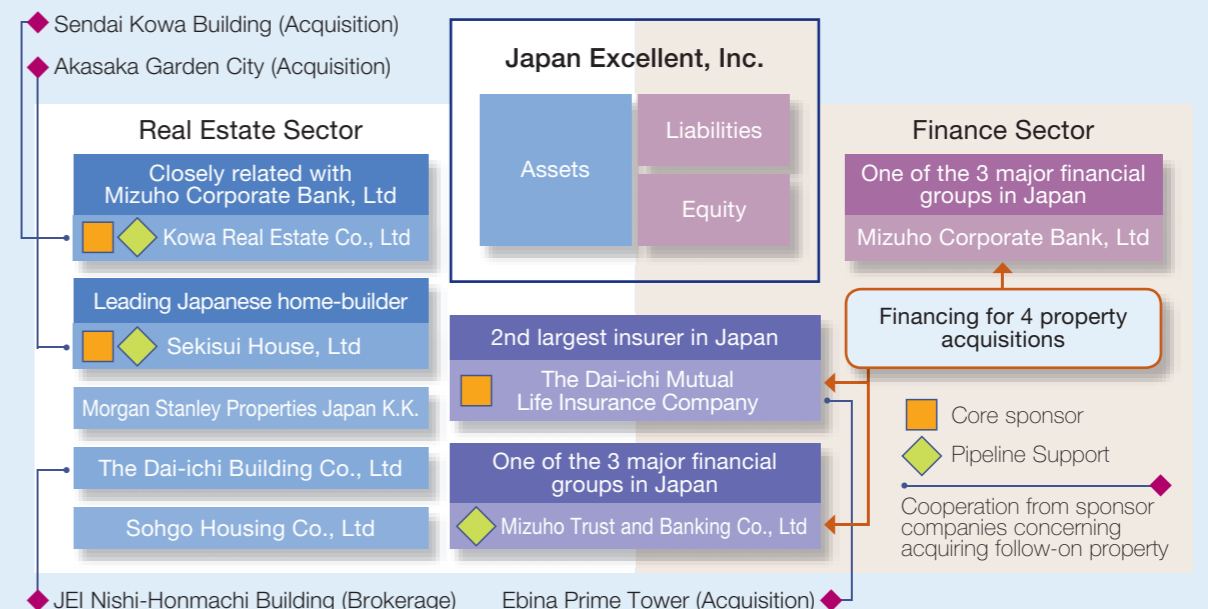
The acquisition of three of the four excellent properties this fiscal period sums up the power of this support.

2 JEI is committed to securing steady earnings, investing in office buildings centering on major metropolitan areas that include the Tokyo metropolitan area and government ordinance designated cities.

Specifically, JEI will achieve this through a strategy of balance in regions, properties, and tenants.

An External Growth Strategy Built Around Sponsors and Support

JEI is supported by a core group of sponsors and supporters that position it advantageously in the sourcing and managing of assets. The know-how and networks of these sponsors are applied to empower successful external growth through the detailed investment policy. The business of JEI's sponsors is not only limited to real estate but also extends to the financial sector, providing the REIT with the support necessary to secure properties as well as the power to finance them.



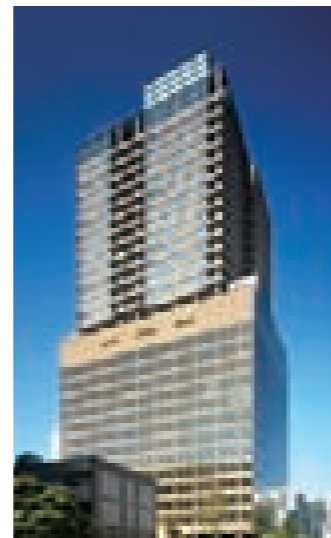
Note: The new name of Morgan Stanley Properties Japan K.K. is Morgan Stanley Capital K.K. as of December 1, 2007

The three core sponsors are also holders of proven development, investment, and management experience regarding office buildings. Their resumes are outlined below.



Kowa Real Estate Co., Ltd.

- ◆ Founded in 1952, Kowa Real Estate is a premier developer of office and condominium properties with more than 1,064 employees and close to 90 billion yen in annual sales as of the end of April 2007
- ◆ Kowa Real Estate maintains a very close relationship with Mizuho Corporate Bank, Ltd.
- ◆ Kowa Real Estate has been involved in some of Tokyo's representative office building projects over the past few years such as SHINAGAWA INTERCITY and AKASAKA INTERCITY



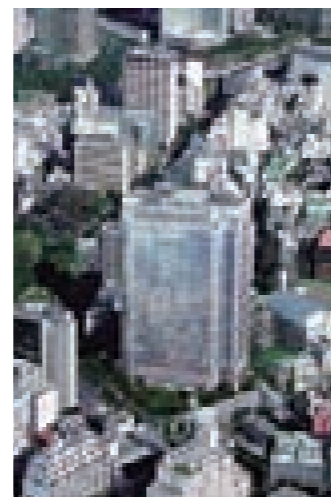
The Dai-ichi Mutual Life Insurance Company

- ◆ Founded in 1902, Dai-ichi is the second largest insurer in Japan with total assets of 33,600 billion yen as of the end of March 2007
- ◆ Dai-ichi has a robust history in leasing real estate and proactively manages its properties to ensure the provision of high-quality office space
- ◆ The representative office developments of the firm are Harumi Triton Square and Omori Bellport, which are de facto benchmarks in their respective districts



Sekisui House, Ltd.

- ◆ Sekisui House is a leading housing developer that also boasts a strong office and multi-use portfolio including Rokko Island City and Akasaka Garden City
- ◆ In the year ending January 2007, Sekisui House enjoyed net sales of 1,600 billion yen, operating income of 112 billion yen, and net income of 63 billion yen
- ◆ Founded in 1960, Sekisui House built 56,578 housing units during 2007 and has 16,664 employees as of April 1, 2007 – including 1,925 first-class registered and 2,232 second-class registered architects



A Portfolio of Stability and Expansion

JEI is committed to configuring a portfolio that optimally combines large- and medium-sized offices according to a geographic allocation in order to provide investors with stable growth and maximized user value. JEI has established a usage-based investment policy that has 90% or more of the portfolio's leasable area being invested in office buildings, with the remaining 10% or less being invested in commercial, residential, and other properties.

Usage Allocation (Note 1)	Ratio in Portfolio (Note 2)
Office building	90% or more
Others (commercial facilities, residential properties, etc.)	10% or less

- Note 1. Type of usage is defined as when more than 50% of the total floor space available for rent revenue of the asset fall under such type of usage
 Note 2. Ratio is determined using the acquisition price of assets

Geographic Breakdown of Targeted Investment Areas and Share of Portfolio

Targeted Investment Areas		Share of Portfolio (Note 1)
Core Areas		80% or more
Area I:	Six central wards of Tokyo – Chiyoda, Chuo, Minato, Shinjuku, Shinagawa, and Shibuya wards	50% or more of core areas
Area II:	Central Osaka City (Umeda, Dojima, Nakanoshima, Yodoyabashi, and Honmachi districts, etc.) Central Nagoya City (Meieki, Fushimi, and Sakae districts, etc.) Central Fukuoka City (Tenjin and Hakata Terminal Peripheral districts, etc.)	50% or less of core area
Area III:	Tokyo and surrounding area (Kanagawa, Saitama, and Chiba Prefectures) excluding Area I	50% or less of core area
Area IV:	Osaka, Nagoya, and Fukuoka Cities excluding Area II and government ordinance designated cities, etc.	20% or less

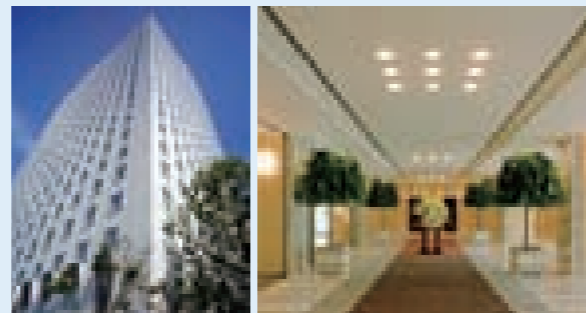
Note 1. Area II includes Central Osaka City generally referred to as the area within a ten-minute walk of Osaka Station (JR), Umeda Station (Hankyu Railway, Hanshin Railway, and Osaka City Subway), Yodoyabashi Station (Osaka City Subway) and Honmachi Station (Osaka City Subway); Central Nagoya City is within a ten-minute walk from Nagoya Station (JR, Nagoya City Subway, and Meitetsu Line), Fushimi Station (Nagoya City Subway), and Sakae Station (Nagoya City Subway and Meitetsu Line); and Central Fukuoka City is within a ten-minute walk from Hakata Station (JR and Fukuoka City Subway), Tenjin Station (Fukuoka City Subway), and Nishitetsu Fukuoka Station (Nishitetsu Line).

PORTFOLIO OVERVIEW

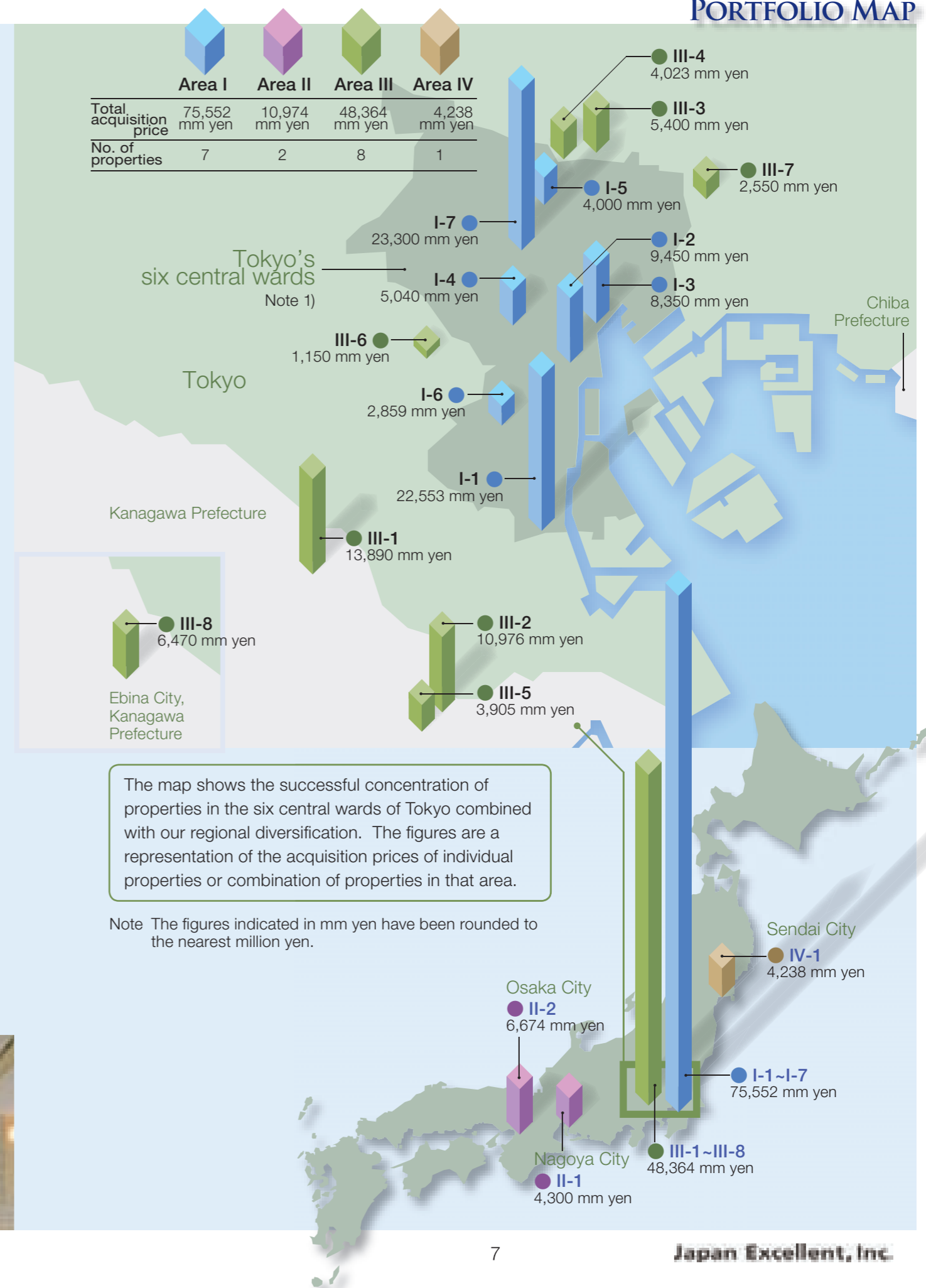
Property No.	Name	Location	Total Floor Area (m ²) (Note 1)	Completion (Note 2)	Acquisition Price (mm yen) (Note 3)	Appraisal Value (mm yen) (Note 4)	Investment Ratio (%) (Note 5)	PML (%) (Note 6)
I-7	Akasaka Garden City	Akasaka, Minato Ward, Tokyo	46,776.76	Jan 2006	23,300	23,300	16.7	8.6
I-1	Omori Bellport D	Minami-Oi, Shinagawa Ward, Tokyo	155,778.75	Sep 1996	22,553	23,230	16.2	8.0
I-2	Shiba 2-Chome Building	Shiba, Minato Ward, Tokyo	19,518.15	Mar 1994	9,450	11,700	6.8	8.2
I-3	Shuwa Daiichi Hamamatsucho Building	Hamamatsucho, Minato Ward, Tokyo	8,327.53	Dec 1991	8,350	8,910	6.0	8.2
I-4	No. 32 Kowa Building	Minami-Azabu, Minato Ward, Tokyo	10,110.96	Mar 1979	5,040	5,251	3.6	13.2
I-5	No. 36 Kowa Building	Sanbancho, Chiyoda Ward, Tokyo	8,266.55	Sep 1982	4,000	4,189	2.9	13.2
I-6	No. 28 Kowa Building	Nishi-Gotanda, Shinagawa Ward, Tokyo	6,282.23	Feb 1975	2,859	3,050	2.1	13.5
II-2	JEI Nishi-Honmachi Building (former Nishi-Honmachi Mitsui Building)	Nishi Ward, Osaka City, Osaka	15,800.31	Feb 1988	6,674	6,770	4.8	11.5
II-1	NHK Nagoya Housou-Center Building	Higashi Ward, Nagoya City, Aichi Prefecture	80,809.95	Jul 1993	4,300	5,230	3.1	11.9
III-1	Musashikosugi Tower Place	Nakahara Ward, Kawasaki City, Kanagawa Prefecture	53,711.13	Jul 1995	13,890	16,700	10.0	11.5
III-2	Kowa Kawasaki Higashiguchi Building	Kawasaki Ward, Kawasaki City, Kanagawa Prefecture	31,009.62	Apr 1988	10,976	11,060	7.9	6.7
III-8	Ebina Prime Tower	Chuo, Ebina City, Kanagawa Prefecture	52,733.59	May 1995	6,470	6,550	4.7	12.2
III-3	Hongo TS Building	Hongo, Bunkyo Ward, Tokyo	5,877.11	Feb 1991	5,400	5,470	3.9	14.2
III-4	Shuwa Iidabashi Building	Koraku, Bunkyo Ward, Tokyo	5,083.77	Oct 1988	4,023	4,190	2.9	12.9
III-5	Kawasaki Nisshincho Building	Kawasaki Ward, Kawasaki City, Kanagawa Prefecture	22,141.60	Apr 1992	3,905	4,830	2.8	14.7
III-7	Ryogoku Dai-ichi Life Building	Ryogoku, Sumida Ward, Tokyo	5,820.56	Aug 1996	2,550	2,572	1.8	14.3
III-6	No. 44 Kowa Building	Higashiyama, Meguro Ward, Tokyo	3,359.55	Jul 1984	1,150	1,350	0.8	13.4
IV-1	Sendai Kowa Building	Aoba Ward, Sendai City, Miyagi Prefecture	18,564.45	Aug 1979	4,238	4,303	3.0	9.2
Total			549,972.57		139,127	148,655	100.0	6.5

As of the end of June 30, 2007, the properties held by JEI are all office properties

- Note 1. Figures for "Total Floor Area" are the respective totals for the entire building, including buildings in which JEI has acquired sectional ownership or co-ownership.
2. Dates of "Completion" are the dates of new construction indicated in the registry.
3. Figures for "Acquisition Price" are sales prices recorded in sales agreements (excluding taxes) and have been rounded to the nearest million yen.
4. Figures for "Appraisal Value" are the values entered in the real estate appraisals prepared by the Japan Real Estate Institute, Chuo Real Estate Appraisal Co., Ltd., and HIRO & REAS network, Inc., based on the Articles of Incorporation of JEI and the rules of the Investment Trusts Association. The appraised value of real estate is only an indication of the opinion of those that conducted the valuation for the value of the subject real estate by a real estate appraiser who conducted the appraisal in accordance with the Law concerning Real Estate Appraisals (Law No. 152 in 1963 and ensuing revisions), real estate appraisal standards, etc.
5. "Investment Ratio" figures 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 and have been rounded to the first decimal place.
6. "PML" figures are based on the PML in the structural condition study report including the PML calculation report. The figures are no more than a representation of opinions indicated in the report and JEI does not guarantee the accuracy.



PORTFOLIO MAP

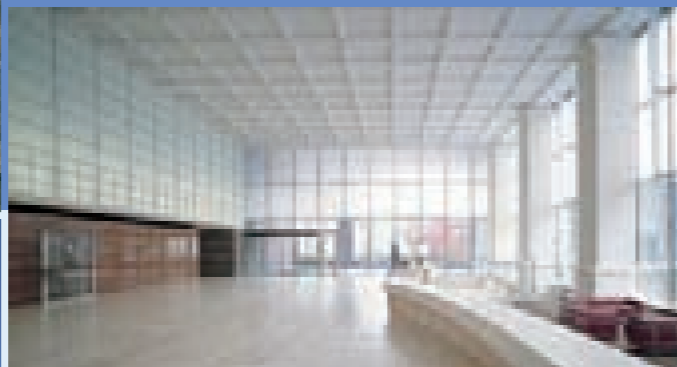


EXTERNAL GROWTH:

RESOLUTELY ATTAINING GROWTH THAT ADHERES TO INVESTMENT POLICY

The external growth strategy of JEI is focused on close collaboration with the sponsors of the asset management company and its effective application of staff proprietary networks.

The asset management team has established two specific goals for the second fiscal period: 1. Maintaining profitability while securing properties in metropolitan areas that will act as the core of the portfolio, and 2. Regional diversification. Achieving its carefully mapped external growth strategy with the acquisition of four large properties in the four investment areas designated by the J-REIT.



Address:	4-15-1 Akasaka, Minato Ward, Tokyo
Site area:	6,888.97m ² (co-ownership of 308,671.7536/1,000,000)
Total floor space:	46,776.76m ² (co-ownership of 6,432/10,000)
Floors:	19 (2 basement floors)
PML:	8.6%
Constructed:	January 31, 2006
Acquisition price:	23,300 mm yen
Annual NOI:	994 mm yen
NOI return:	4.3%
Asset form:	Trust beneficiary interest in real estate
Acquisition date:	March 28, 2007

AREA I-7

Akasaka Garden City

- ◆ Located in the central area of Akasaka, with excellent access to three subway stations: Akasaka-Mitsuke, Akasaka, and Aoyama-Itchome
- ◆ Extremely close proximity to embassies, leading corporate offices, and central governmental institutions
- ◆ A new landmark property enriching the quality and size of the JEI portfolio
- ◆ Boasts an excellent environment bordering the Imperial Garden
- ◆ A cutting-edge building with a ceiling height of 2,800mm and windows on three sides further increasing the sense of openness

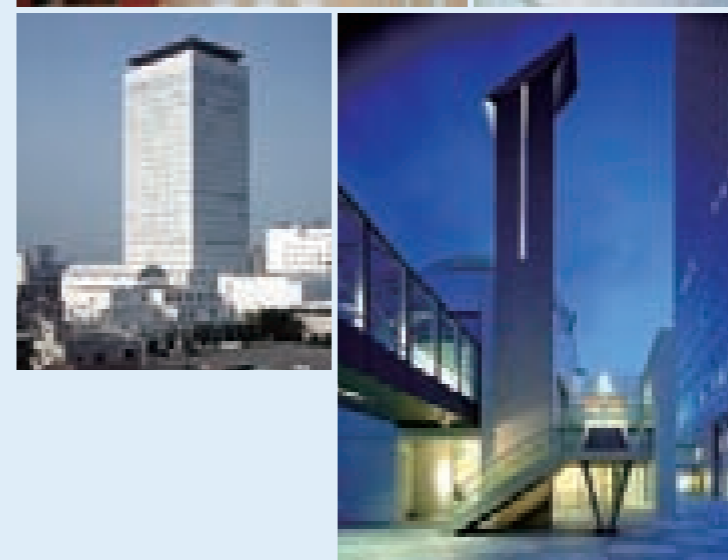
Minato Ward Tidbit: This ward stretches to East Shinagawa and Odaiba along the water front and is in the midst of a massive developmental transformation. It is one of the most international areas in Japan and is also known for a daytime population that far exceeds its nighttime population. The ward has a population of 176,781 (as of January 1, 2006), and a foreigner population of 19,920 as of the same date - a substantial share of the total population. It has 38,424 offices and a daytime working population of 778,174 people (as of March 27, 2007). This ward also features the benchmark Roppongi Hills and Tokyo Midtown developments along with its many embassies and government offices.

EXTERNAL GROWTH

AREA III-8

Ebina Prime Tower

- ◆ A strategic acquisition realizing a more enhanced presence in Area III of the investment strategy
- ◆ A self-contained "city" enjoying close proximity to Ebina Station
- ◆ A multi-use redevelopment with office, hotel, auditorium, and fitness center functions
- ◆ Ebina Station provides trackage to the Odakyu Odawara Line, Sagami Railway Line, and JR Sagami Line

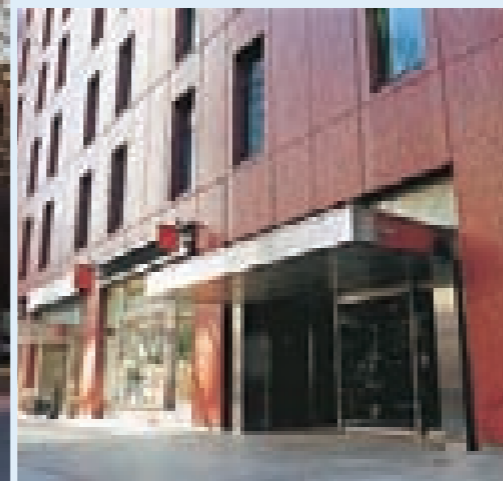


Address:	2-9-50 Chuo Ward, Ebina City, Kanagawa Prefecture
Site area:	12,008.62m ² (JEI co-ownership portion 70/100)
Total floor space:	52,733.59m ² (JEI co-ownership portion 70/100)
Floors:	Main tower: 25 (1 basement floor); fitness center: 3
PML:	12.2%
Constructed:	May 31, 1995
Acquisition price:	6,470 mm yen
Annual NOI:	494 mm yen
NOI return:	7.6%
Asset form:	Trust beneficiary interest in real estate
Acquisition date:	March 29, 2007

Ebina Tidbit: This city is an integral part of the Tokyo metropolitan area. Boasting excellent access to both Tokyo and Yokohama by train and expressway. The city has a population of 125,821 people (as of October 1, 2007), and has leading factories and an industrial park of the Tokyo metropolitan area.



Sendai Tidbit: This central economic and governmental city within the Tohoku region is a dynamic city with more than 1 million people, a gateway to Northern Japan, and home to leading medical and national universities. The city boasts a vibrant sports and entertainment scene with professional baseball and soccer teams, and a rich cultural history being home to one of the most famous summer festivals of Japan.



AREA II-2 JEI Nishi-Honmachi Building

- ◆ This property enjoys excellent access being a 2-minute walk to Honmachi Station on the Yotsubashi Line
- ◆ Proof of a strong proprietary property sourcing network extending beyond its sponsors
- ◆ An expansive feeling achieved with more than 1,000m² floor plates on each floor
- ◆ Partitionable floors and air-conditioning controls allow for each floor to be lent to up to ten different tenants

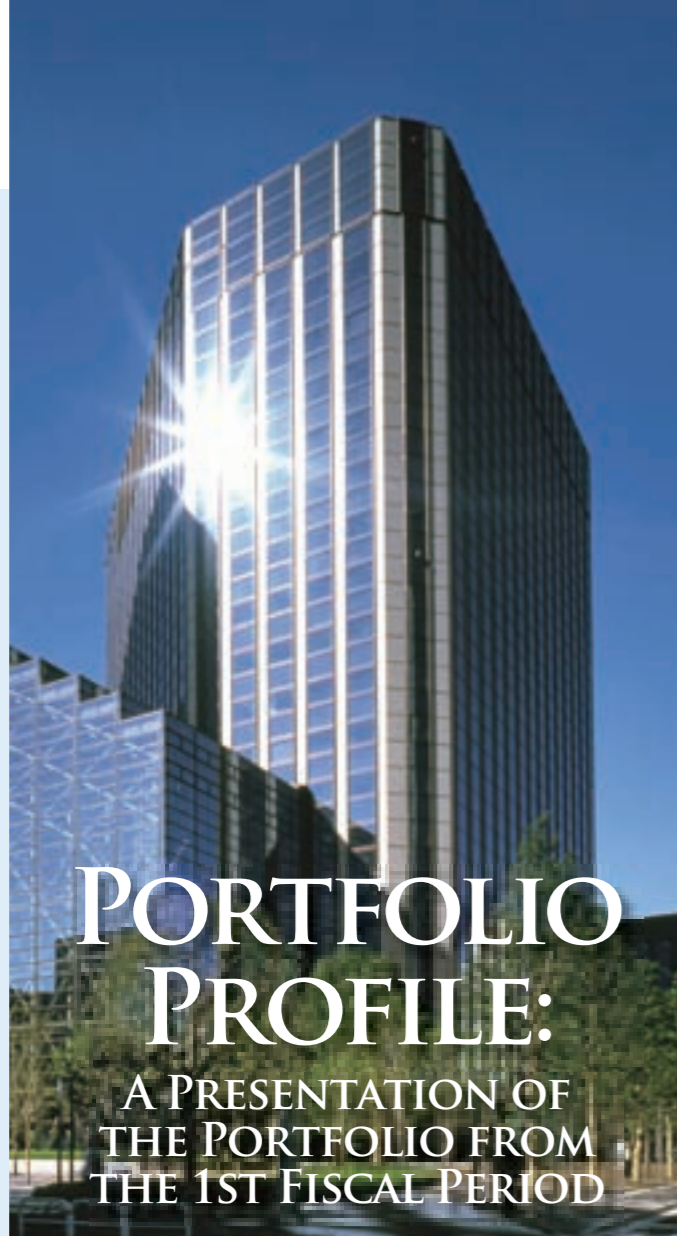
Osaka Tidbit: Osaka City, (located in the 2nd largest economically developed area in Japan, the Kansai Area) nucleus to the identically named prefecture, is home to 2,643,805 people (as of October 1, 2007) and has 11,903 people per km². The city has historically been known for its savvy merchants. The city has 59,581 companies as of October 1, 2006 and is home to the globally leading corporate groups of Panasonic, Sumitomo, and Sharp.

Address:	1-3-15 Awaza, Nishi Ward, Osaka City
Site area:	1,970.44m ²
Total floor space:	15,800.31m ²
Floors:	11 (1 basement floor)
PML:	11.5%
Constructed:	February 19, 1988
Acquisition price:	6,674 mm yen
Annual NOI:	455 mm yen
NOI return:	6.8%
Asset form:	Trust beneficiary interest in real estate
Acquisition date:	March 28, 2007

AREA IV-1 Sendai Kowa Building

- ◆ An excellent building location in central Sendai amidst commercial and governmental facilities
- ◆ A key example of the portfolio's geographical diversification strategy
- ◆ Proof positive of the strong property pipeline through the asset manager's sponsors
- ◆ An 8-minute walk from Sendai Station, a key Shinkansen and terminal station

Address:	2-4-1 Ichibancho, Aoba Ward, Sendai City, Miyagi Prefecture
Site area:	2,715.39m ² (co-ownership 85.244/100)
Total floor space:	18,564.45m ² (co-ownership 88.094/100)
Floors:	15 (2 basement floors)
PML:	9.2%
Constructed:	August 20, 1979
Acquisition price:	4,238 mm yen
Annual NOI:	342 mm yen
NOI return:	8.1%
Asset form:	Trust beneficiary interest in real estate
Acquisition date:	April 24, 2007



PORTFOLIO PROFILE:

A PRESENTATION OF THE PORTFOLIO FROM THE 1ST FISCAL PERIOD



AREA I-1 Omori Bellport D

- ◆ This property boasts excellent access to two key Shinkansen stations - Shinagawa and Tokyo
- ◆ This property is one of the core buildings in the landmark Bellport development of The Dai-ichi Mutual Life Insurance Company

Address:	6-26-3 Minami-Oi, Shinagawa Ward, Tokyo
Site area:	22,294.51m ²
Total floor space:	155,778.75m ²
Floors:	17 (3 basement floors)
PML:	8.0%
Constructed:	September 24, 1996
Asset form:	Trust beneficiary interests in real estate
Share of total rental income:	18.9%



AREA II-1 NHK Nagoya Housou-Center Building

- ◆ This property is located in the most vibrant commercial area in Nagoya
- ◆ A 4-minute walk to Nagoya Station

Address:	1-13-3 Higashisakura, Higashi Ward, Nagoya City, Aichi Prefecture
Site area:	7,927.36m ²
Total floor space:	80,809.95m ²
Floors:	22 (4 basement floors)
PML:	11.9%
Constructed:	July 3, 1991
Asset form:	Real estate
Share of total rental income:	6.3%

AREA I-2 Shiba 2-Chome Building

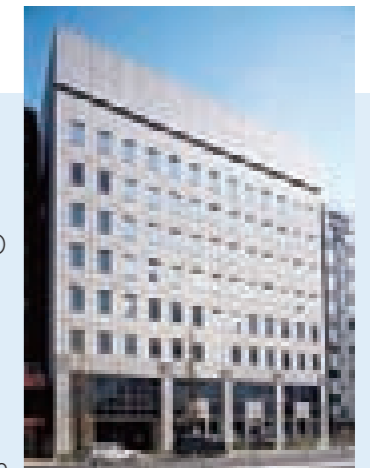
- ◆ A 2-minute walk from Shiba-Koen Station, a 7-minute ride to the Marunouchi CBD
- ◆ This property lies adjacent to Shiba Koen, one of the oldest parks in Japan



Address:	2-6-1 Shiba, Minato Ward, Tokyo
Site area:	3,355.00m ²
Total floor space:	19,518.15m ²
Floors:	12 (2 basement floors); residential: 14
PML:	8.2%
Constructed:	March 17, 1994
Asset form:	Trust beneficiary interests in real estate
Share of total rental income:	6.3%

AREA I-3 Shuwa Daiichi Hamamatsucho Building

- ◆ A 4-minute walk from Hamamatsucho Station, a 20-minute ride to the Tokyo International Airport
- ◆ This property is in close proximity to the vibrant emerging community of Shiodome



Address:	2-2-12 Hamamatsucho, Minato Ward, Tokyo
Site area:	1,102.48m ² (of which, 387.85m ² is leasehold land)
Total floor space:	8,327.53m ²
Floors:	8 (1 basement floor)
PML:	8.2%
Constructed:	December 16, 1991
Asset form:	Trust beneficiary interests in real estate
Share of total rental income:	5.0%

AREA I-4 No. 32 Kowa Building

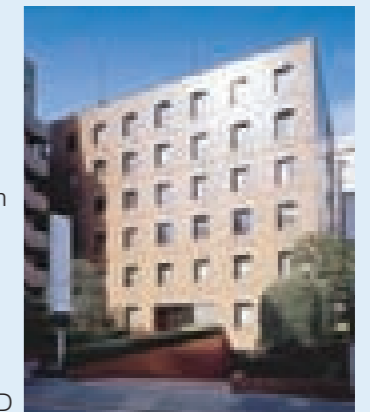
- ◆ A 3-minute walk from Hiroo Station
- ◆ This property is surrounded by embassies and prestigious private schools



Address:	5-2-32 Minami-Azabu, Minato Ward, Tokyo
Site area:	2,592.39m ²
Total floor space:	10,110.96m ²
Floors:	9 (1 basement floor)
PML:	13.2%
Constructed:	March 19, 1979
Asset form:	Trust beneficiary interests in real estate
Share of total rental income:	4.3%

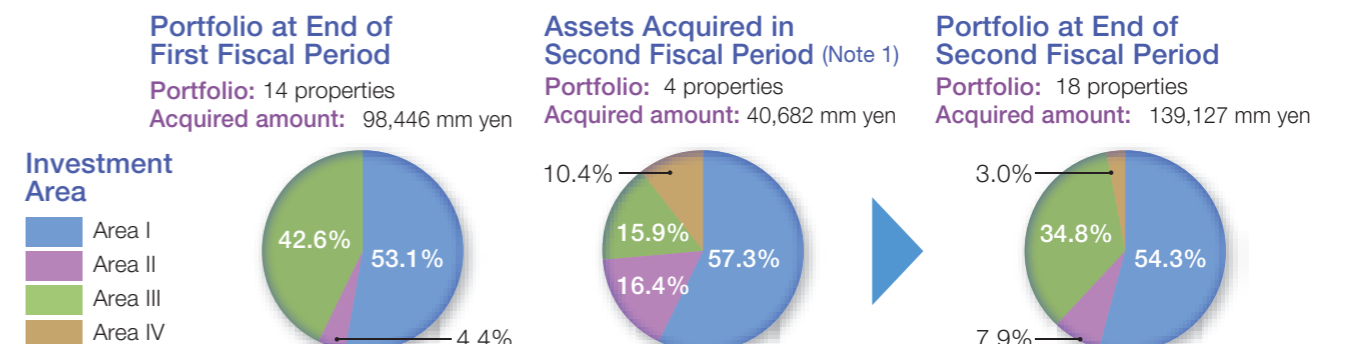
AREA I-5 No. 36 Kowa Building

- ◆ Located 1/4 mile from the Imperial Palace and lies amidst universities and embassies
- ◆ This property is 6 minutes by subway from Marunouchi CBD



Address:	5-19, Sanbancho Chiyoda Ward, Tokyo
Site area:	1,988.49m ²
Total floor space:	8,266.55m ²
Floors:	7 (1 basement floor)
PML:	13.2%
Constructed:	September 30, 1982
Asset form:	Trust beneficiary interests in real estate
Share of total rental income:	(Note 1)

Note 1. There are no disclosures for these properties due to the end tenants' rejection of granting the right to disclose for the corresponding figures.



Note 1. The percentage breakdowns for the Investment Area, Property Size, and Age are all based on the acquisition price.

PORTFOLIO PROFILE

AREA I-6

No. 28 Kowa Building

- ◆ A 3-minute walk from Gotanda Station on the Yamanote Line



Address:	2-20-1 Nishi Gotanda, Shinagawa Ward, Tokyo
Site area:	925.13m ²
Total floor space:	6,282.23m ²
Floors:	10 (1 basement floor)
PML:	13.5%
Constructed:	February 21, 1975
Asset form:	Trust beneficiary interests in real estate
Share of total rental income:	2.8%

AREA III-1

Musashikosugi Tower Place

- ◆ This property is immediately in front of Musashi-Kosugi Station which has trackages for 3 railway lines and easy access to Yokohama, Kawasaki, and Tokyo



Address:	1-403 Kosugimachi, Nakahara Ward, Kawasaki City, Kanagawa Prefecture
Site area:	8,329.62m ²
Total floor space:	53,711.13m ²
Floors:	23 (2 basement floors)
PML:	11.5%
Constructed:	July 15, 1995
Asset form:	Trust beneficiary interests in real estate
Share of total rental income:	14.3%

AREA III-4

Shuwa lidabashi Building

- ◆ This property enjoys phenomenal access to both Shinjuku and Marunouchi CBD
- ◆ Located in the lidabashi district, which is fast evolving into a very competitive district of central Tokyo



Address:	2-3-19 Koraku, Bunkyo Ward, Tokyo
Site area:	904.38m ²
Total floor space:	5,083.77m ²
Floors:	8 (1 basement floor)
PML:	12.9%
Constructed:	October 31, 1988
Asset form:	Trust beneficiary interests in real estate
Share of total rental income:	(P.13, Note 1)

AREA III-5

Kawasaki Nisshin-cho Building

- ◆ This property is close to Kawasaki Station, 20 minutes from Tokyo Station
- ◆ This property is a part of the quickly transforming commercial area of Kawasaki



Address:	7-1 Nisshincho, Kawasaki Ward, Kawasaki City, Kanagawa Prefecture
Site area:	3,673.94m ²
Total floor space:	22,141.60m ²
Floors:	15 (2 basement floors)
PML:	14.7%
Constructed:	April 24, 1992
Asset form:	Trust beneficiary interests in real estate
Share of total rental income:	3.8%

AREA III-2

Kowa Kawasaki Higashiguchi Building

- ◆ A 2-minute walk from Kawasaki Station
- ◆ This property is located in a rapidly metamorphosing district of the Tokyo metropolitan area

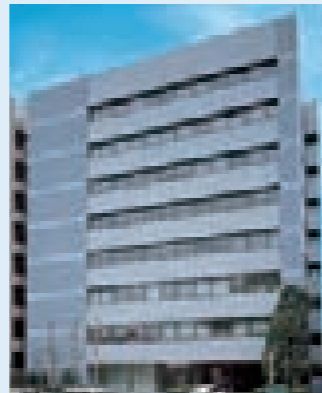


Address:	1-53 Nisshincho, Kawasaki Ward, Kawasaki City, Kanagawa Prefecture
Site area:	1,652.89m ²
Total floor space:	31,009.62m ²
Floors:	21 (3 basement floors)
PML:	6.7%
Constructed:	April 30, 1988
Asset form:	Trust beneficiary interests in real estate
Share of total rental income:	(Note 1)

AREA III-3

Hongo TS Building

- ◆ This property lies in close proximity to Hongo-sanchoe Station, a 7-minute ride from Tokyo Station

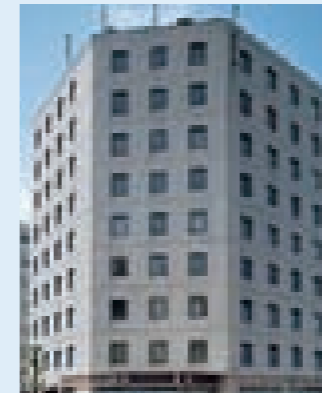


Address:	2-38-16 Hongo, Bunkyo Ward, Tokyo
Site area:	984.89m ²
Total floor space:	5,877.11m ²
Floors:	8 (1 basement floor)
PML:	14.2%
Constructed:	February 6, 1991
Asset form:	Trust beneficiary interests in real estate
Share of total rental income:	3.2%

AREA III-6

No. 44 Kowa Building

- ◆ An 8-minute walk from Nakameguro Station, located on the popular Yamate-Dori Ave.
- ◆ Close to an enormous development project that is expected to greatly raise the intrinsic value of the area

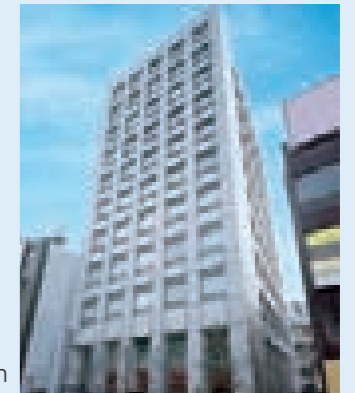


Address:	1-2-7 Higashiyama, Meguro Ward, Tokyo
Site area:	699.87m ²
Total floor space:	3,359.55m ²
Floors:	9
PML:	13.4%
Constructed:	July 31, 1984
Asset form:	Trust beneficiary interests in real estate
Share of total rental income:	1.6%

AREA III-7

Ryogoku Dai-ichi Life Building

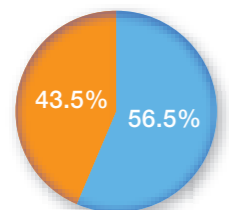
- ◆ This property is located in front of Ryogoku Station
- ◆ This property is in the Ryogoku area, home to the renowned Kokugikan sumo stadium



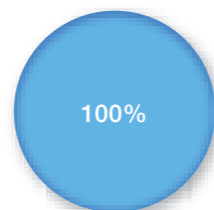
Address:	3-25-5 Ryogoku, Sumida Ward, Tokyo
Site area:	968.33m ²
Total floor space:	5,820.56m ²
Floors:	11 (2 basement floors)
PML:	14.3%
Constructed:	August 8, 1996
Asset form:	Trust beneficiary interests in real estate
Share of total rental income:	2.1%

Portfolio at End of First Fiscal Period
Portfolio: 14 properties

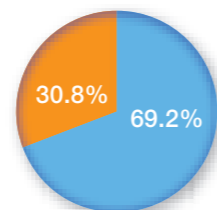
Property size
Large building
Medium-sized building



Assets Acquired in Second Fiscal Period
Portfolio: 4 properties



Portfolio at End of Second Fiscal Period
Portfolio: 18 properties

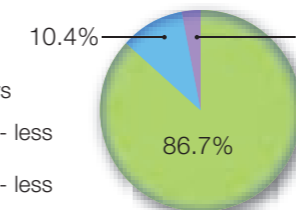


Note 1. The investment corporation defines "large buildings" in the 23 wards of Tokyo as buildings with a total floor area of 10,000 tsubo or more, and medium-size buildings as buildings with a total floor space of more than 1,000 tsubo but less than 10,000 tsubo. Large buildings outside of Tokyo's 23 wards are defined as those with a total floor area of 4,000 tsubo or more, and medium-sized buildings as those with 1,000 tsubo or more but less than 4,000 tsubo (1tsubo=3.3m²).

Portfolio at End of First Fiscal Period
Portfolio: 14 properties

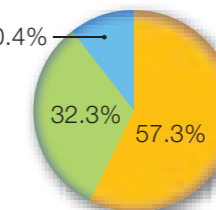
Age

- Less than 10 years
- 10 years or more - less than 20 years
- 20 years or more - less than 30 years
- More than 30 years.

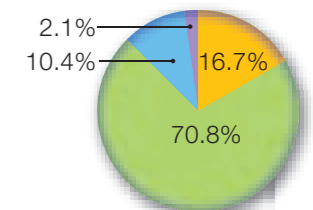


Average age of properties: 15.3 years
As of December 31, 2006

Assets Acquired in Second Fiscal Period
Portfolio: 4 properties



Portfolio at End of Second Fiscal Period
Portfolio: 18 properties



Average age: 13.8 years
As of June 30, 2007

Note 2. The percentage breakdowns for the Investment Area, Property Size, and Age are all based on the acquisition price.

INTERNAL GROWTH

ACHIEVED INTERNAL GROWTH

Japan Excellent, Inc. (JEI) has achieved internal growth through three vital strategies – cost reduction, value enhancement, and rental negotiations such as a continuous occupancy rate of 98% or higher, and an increase in rent income at an annual percentage rate of 2.2% (this ratio excludes the increase factors resulting from property acquisitions during this period).

A The asset manager has employed negotiation and bidding to reduce management fees at Omori Bellport D, NHK Nagoya Housou-Center Building, and other properties for a forecast total reduction of 40 mm yen per annum.

B JEI has also installed water conservation facilities at many portfolio buildings, which is anticipated to reduce costs by 8 mm yen annually.

C JEI is actively working to increase the value of properties and transforming these steps to obtain higher rental income.

D JEI has raised rents through contracting with parking lot operators to operate unused parking areas, which is expected to raise annual income growth by 10 mm yen per year, and by requesting new tenants to assent to increased rents and negotiating for higher rents when rental agreements expire.

EXAMPLE OF TRACK RECORD: SHUWA DAIICHI HAMAMATSUCHO BUILDING

1 Improved security

- Computerized security system

2 Improved convenience

- Automated entrances
- Mailbox renovations

3 Restroom facilities

- “Shower” toilets and hand dryers
- Water conserving auto flushing

4 Upgrade of 1st floor entrance

- Doorway to entrance hall
- Added first floor restroom



FINANCIAL STRATEGY

FINANCIAL POLICY

Japan Excellent, Inc. (JEI) is committed to drafting and executing financial strategies based on fine-tuned and flexible operations, by effectively applying the know-how of asset management staff experienced in finance, and utilizing the research of Mizuho Research Institute, Ltd. In line with its mission as a J-REIT, JEI will prudently manage the loan-to-value ratio at a conservative level and consider the implementation of equity finance at the appropriate timing, and with an eye on the balance of finance to enable flexible achievement of external growth.

FINANCIAL STANDING AS OF JUNE 30, 2007

Borrowings

At the end of the second fiscal period, JEI has borrowings of 77.6 billion yen from nine financial institutions including its sponsor, Mizuho Corporate Bank, Ltd., and continues to strive to diversify lenders.

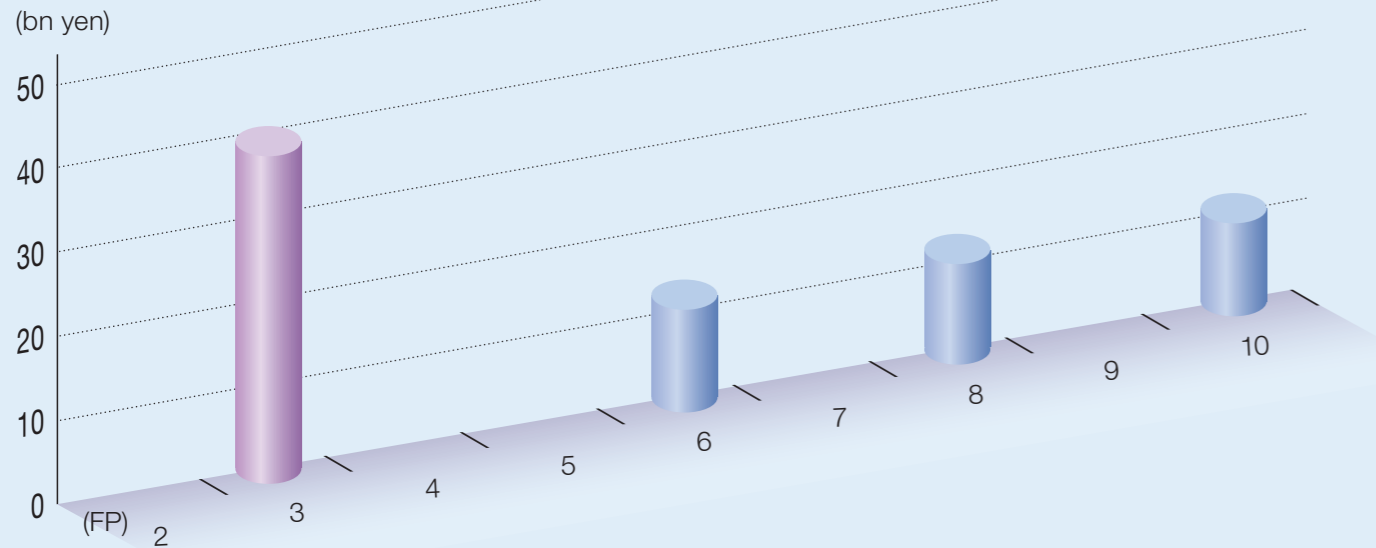
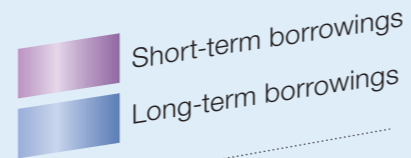
	Balance at End of First Fiscal Period (mm yen)	Share	Balance at End of Second Fiscal Period (mm yen)	Share
Mizuho Corporate Bank, Ltd.	9,000	23.4%	29,700	38.3%
Mitsubishi UFJ Trust and Banking Corporation	7,500	19.5%	17,900	23.1%
Sumitomo Mitsui Banking Corporation	2,000	5.2%	10,000	12.9%
The Norinchukin Bank	5,000	13.0%	5,000	6.4%
Aozora Bank, Ltd.	5,000	13.0%	5,000	6.4%
The Dai-ichi Mutual Life Insurance Company	3,000	7.8%	3,000	3.9%
Mizuho Trust & Banking Co., Ltd.	3,000	7.8%	3,000	3.9%
The Chuo Mitsui Trust and Banking Company, Limited	3,000	7.8%	3,000	3.9%
Resona Bank, Ltd.	1,000	2.6%	1,000	1.3%
Total	38,500	100.0%	77,600	100.0%

Sponsors are indicated with a ■

THE ASSET MANAGEMENT COMPANY

Spreading out of repayment periods for borrowings

JEI is also taking steps to reduce refinancing risks by decentralizing the repayment periods of borrowings.



Status of LTV

JEI continues to observe its LTV policy at a ceiling of 60% and desired scope of 35%-50%. As of the end of the second fiscal period, JEI had an LTV of 49.7%, up from 33.7% at the end of the first fiscal period in December 2006.

Ratings

Although JEI has not employed the issuance of bonds in the procurement of capital to date, it has taken an essential step toward bond issuance by obtaining ratings from the following rating agencies.

Rating Agency	Description (Outlook)
Moody's Investors Service	Issuer rating A2 (stable)
R&I	Issuer rating: AA- (stable)

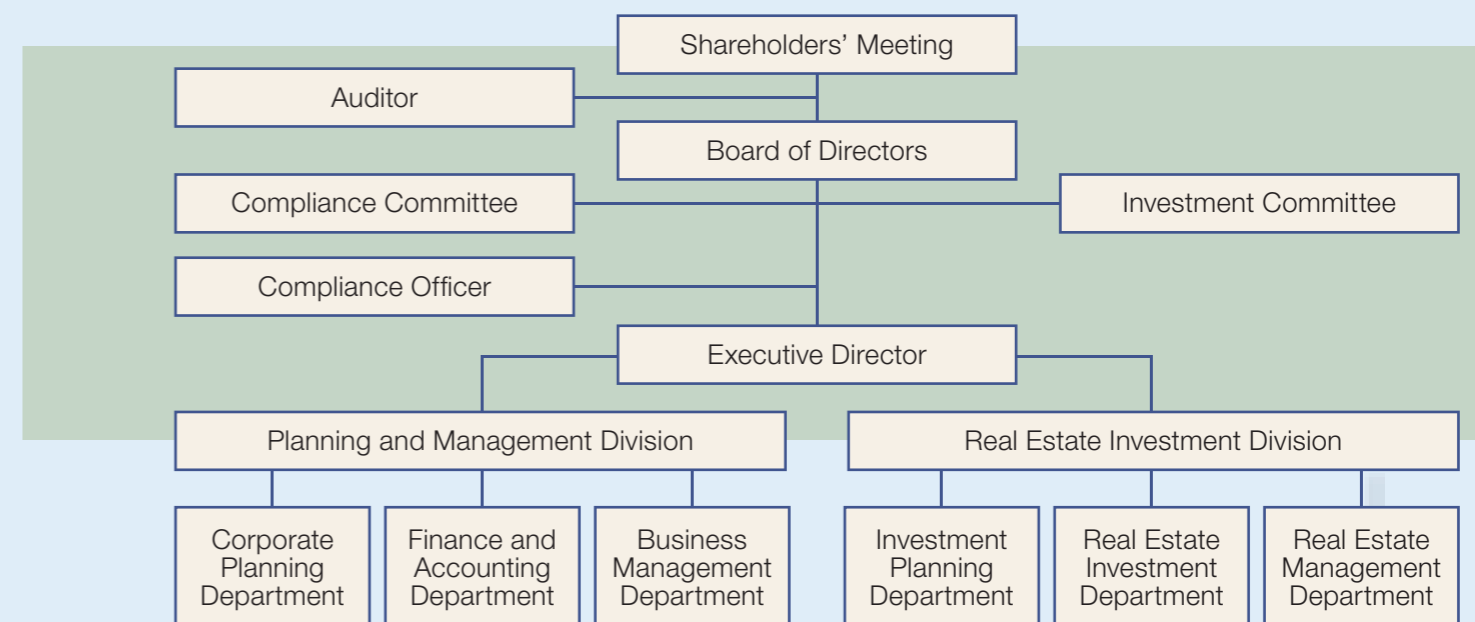
BREAKDOWN OF UNITHOLDERS



Company Outline	
Corporate Name	Japan Excellent Asset Management Co., Ltd.
Headquarters	1-9-20 Akasaka, Minato-ku, Tokyo
Established	April 14, 2005
Capital	450 mm yen
Shareholders	Kowa Real Estate Co., Ltd. 40.0%
	The Dai-ichi Mutual Life Insurance Company 20.0%
	Sekisui House, Ltd. 15.0%
	The Dai-ichi Building Co., Ltd. 5.0%
	Sohgo Housing Co., Ltd. 5.0%
	Morgan Stanley Properties Japan K.K. 5.0%
	Mizuho Corporate Bank, Ltd. 5.0%
Mizuho Trust & Banking Co., Ltd. 5.0%	
Others	President: Junichi Tamura
	Director of Planning & Management: Nobuyuki Tanabe
	Director of Real Estate Investment: Ryuichi Yamamoto
	Director (Non-executive): Takashi Uchida
	Auditor (Non-executive): Masatoshi Tamaru
	Compliance Officer: Michiro Ezaki
Business Operations	Asset management for Investment Corporation
	● Invest. Co. Asset Mgt. License: Prime Minister No. 61
	● Discretionary License: Minister of MLIT No. 44
	● Real Estate Agency License: Governor of Tokyo (1) No. 84511

Note 1. The new name of Morgan Stanley Properties Japan K.K. is Morgan Stanley Capital K.K. as of December 1, 2007

Organizational Chart of Asset Manager



ABOUT JAPAN EXCELLENT, INC.

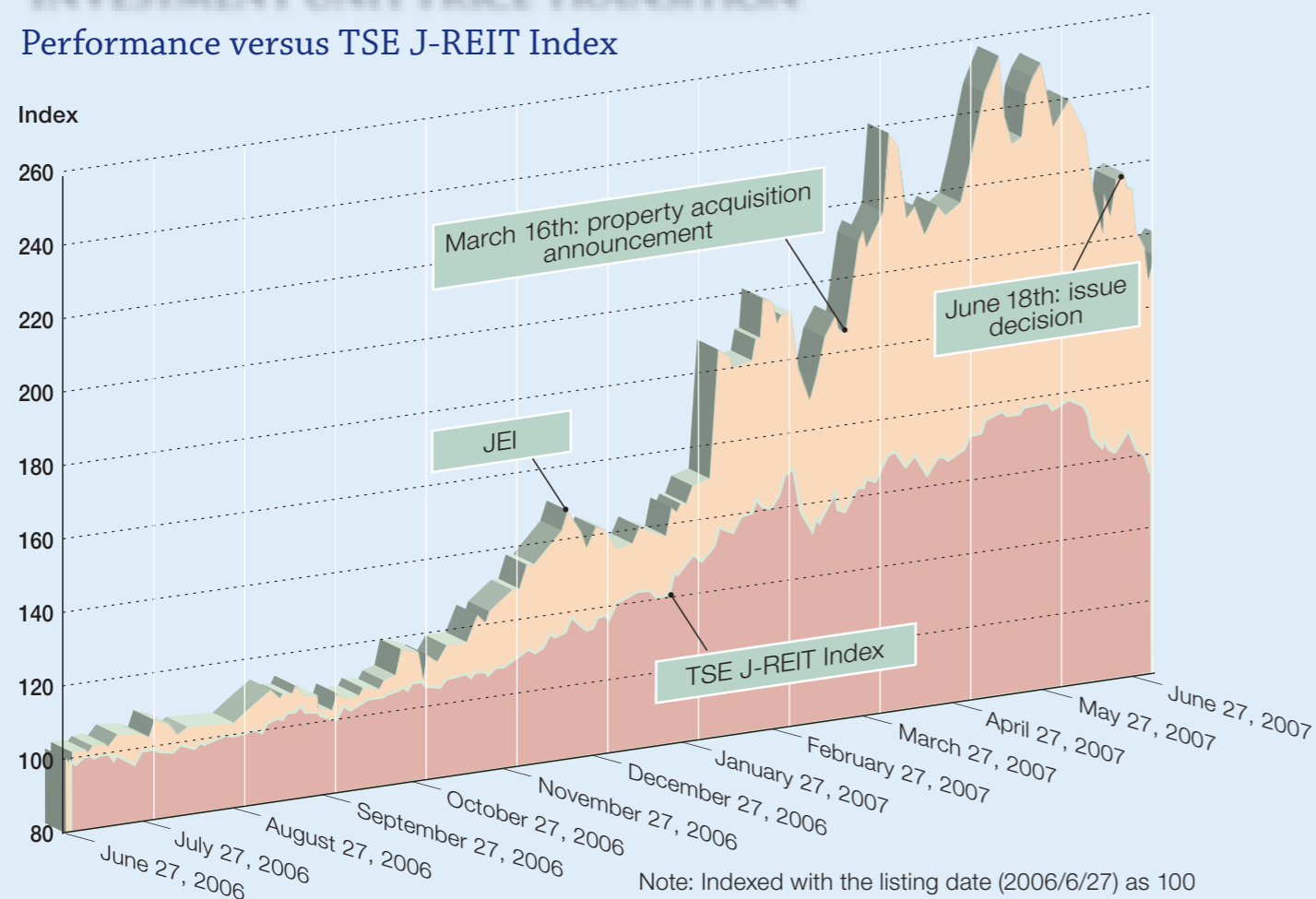


① Asset management agreement ② (A) Pipeline support agreement with Kowa Real Estate (B) Pipeline support agreement with Sekisui House (C) Pipeline support agreement with Mizuho Trust & Banking ③ (A) Agreement with Mizuho Research Institute for provision of market and other information (B) Agreement with Urban Research Institute for provision of market and other information ④ Agreement to entrust administrative duties and asset custody ⑤ Agreement to entrust administration of unitholders' register ⑥ New issue underwriting agreement

Note 1. Shunichi Maekawa assumed as Supervisory Director on November 1, 2007.

INVESTMENT UNIT PRICE TRANSITION

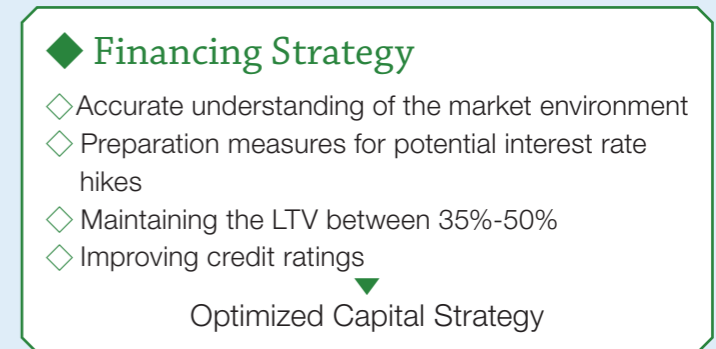
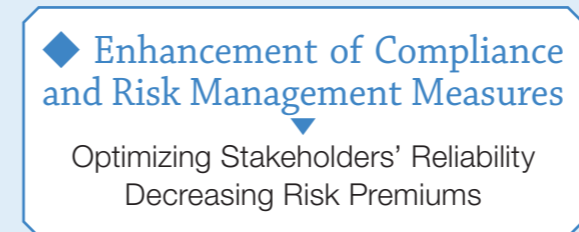
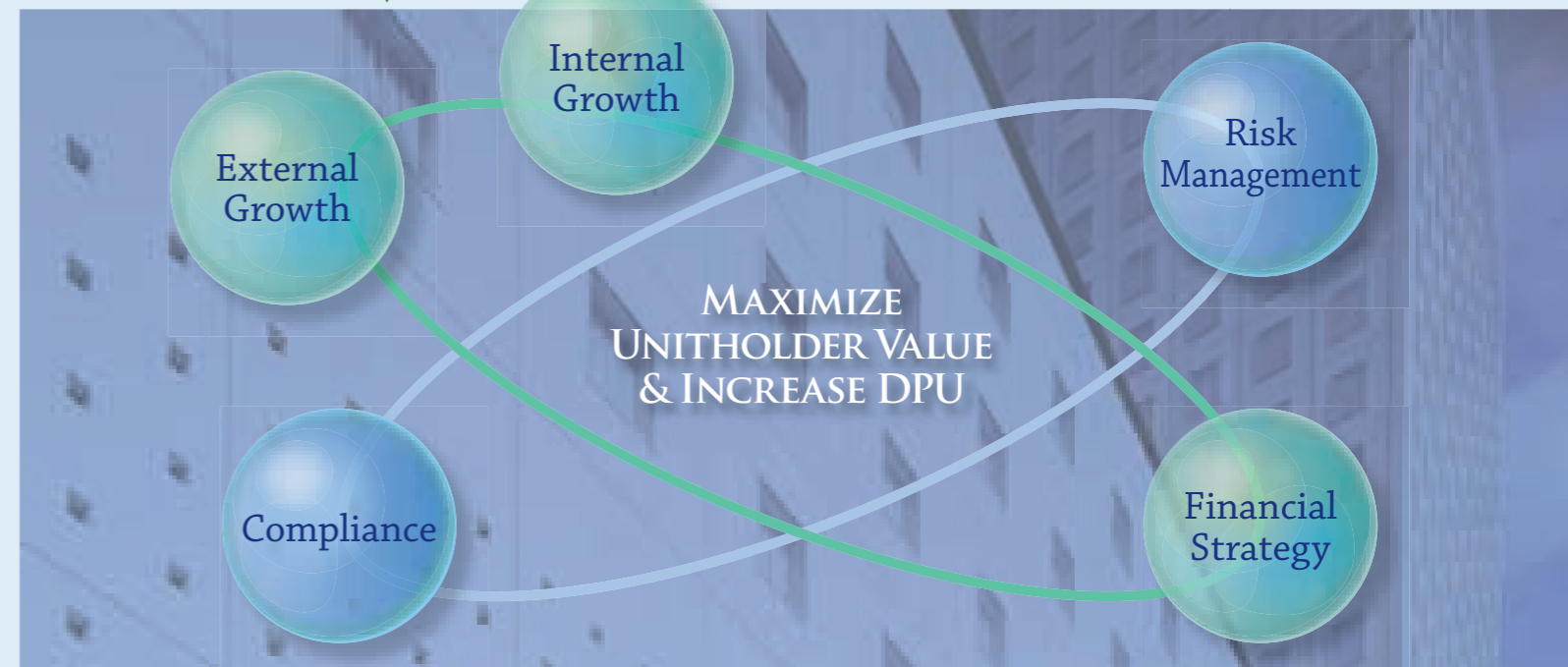
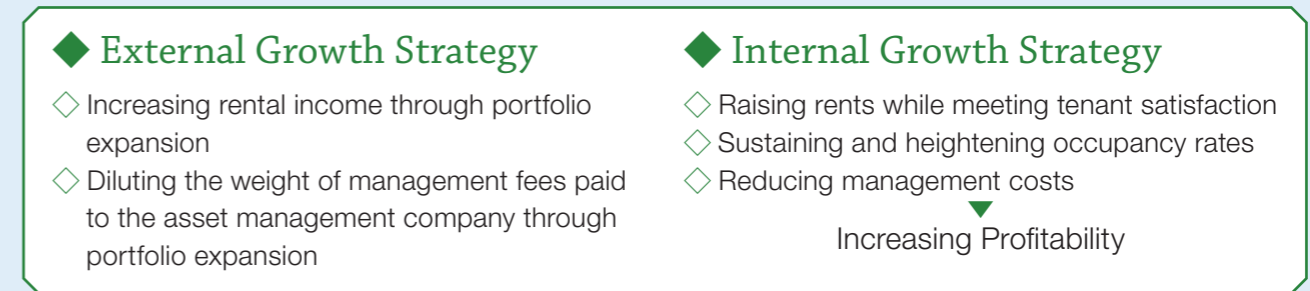
Performance versus TSE J-REIT Index



Note: Indexed with the listing date (2006/6/27) as 100

JAPAN EXCELLENT'S BASIC STRATEGY FOR FUTURE INVESTMENTS

- Our medium-to-long-term management target is steady growth in distributions
- Our goal is to increase both profitability and assets under management through a well-balanced plan, while also optimizing our capital strategy and improving corporate governance



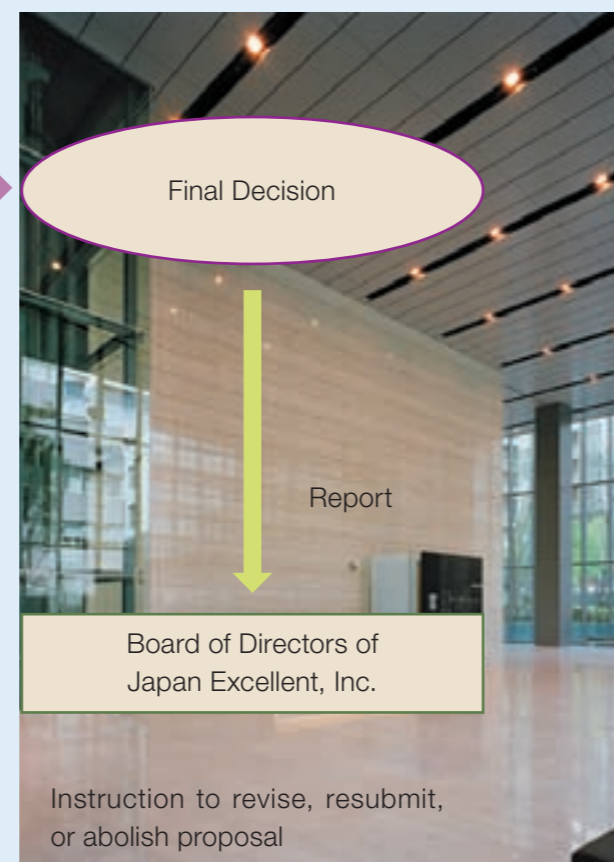
COMPLIANCE AND RISK MANAGEMENT

Japan Excellent, Inc. (JEI) takes compliance seriously and is solemnly committed to ensuring through its asset manager, Japan Excellent Asset Management (JEAM), that its transactions and operations are run in strict accordance with the governing laws including the Law concerning Investment Trusts and Investment Corporations and the Financial Instruments and Exchange Law. One of the methods that JEI has employed to ensure this compliance since its founding is to have the asset manager establish a transparent organization and responsibilities for the Compliance Officer and Compliance Committee.

The key to any compliance strategy is naturally in its enhancement. The close relationship with sponsors at JEI is achieved by the pipeline support agreements made with Kowa Real Estate Co., Ltd., Sekisui House, Ltd., and Mizuho Trust & Banking Co., Ltd. JEI also maintains strong ties with Morgan Stanley Properties Japan K.K. (name change to Morgan Stanley Capital K.K. as of December 1, 2007) and other JEAM sponsors as well. While this provides JEI with a distinct advantage in sourcing property information and contracting it also requires meticulous care and structure to ensure that it is paying what is recognized as a rational and fair value in the marketplace in the event of such interested party transactions.

JEAM has set an internal rule to restrict transactions, including the acquisition and disposition of assets, between JEI and interested parties such as the core sponsors of the asset management company. Under such internal rules, in principle, a purchase price of an asset which JEI acquires from interested parties should be no more than the appraisal value of such asset obtained from a real estate appraiser (the

Decision-making Flow of the Asset Manager for Buying and Selling Real Estate



“appraisal value”), and the sale price of an asset which JEI sells to interested parties should be no less than the appraisal value of such asset.

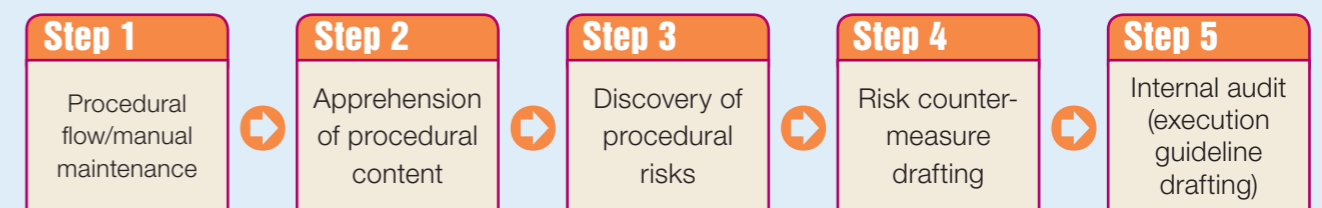
Consequently, JEI has established a clear decision-making flow to ensure to the best of its abilities that compliance and transparency are secured in its real estate transactions.

Proposals for decisions to buy or sell individual assets are submitted by the Real Estate Investment Department to the Compliance Officer (CO). The CO verifies that the said transaction is not in violation of the respective laws, regulations, and asset manager/REIT rules and contracts, along with generally accepted compliance practices. If no problems are found, the CO returns the proposal to the Real Estate Investment Department which then submits it to the Investment Committee. If the ensuing Investment Committee and Board of Directors’ examination reveals any issues with the proposal, they return it to the original department and the process is repeated, unless they have been instructed that the proposal is to be abolished. After approvals by the Investment Committee and Board of Directors are reported to the Board of Directors of JEI, final approval or rejection is determined. In this manner, a proposed investment or divestiture must be approved at several levels and can be rejected at multiple levels, allowing for numerous safeguards against decisions that would be detrimental to the interests of unitholders, for whom the REIT seeks to maximize value.

The CO and the CO’s team also conduct an internal operational audit once a year to ensure that decisions and operations are proceeding in compliance with laws, regulations, and asset manager/REIT rules. Further, with the implementation of the Financial Instruments and Exchange Law, the asset manager engaged the assignment of an outside consultant in November 2006, to examine the internal management system and provide advice for reinforcing the system.

This process is depicted in the chart below. The consultant further defined several risks and provided advice in drafting measures to counter risks, and the drafting of the guidelines for internal audits, etc. was completed in the beginning of the third fiscal period.

Further reinforcement of internal management system using outside consultant (commenced November 2006)



To ensure maximum value for our unitholders, JEI through its asset manager, has established the above steps to preclude interested parties and other transactions that are a detriment to JEI and hence to our stakeholders.

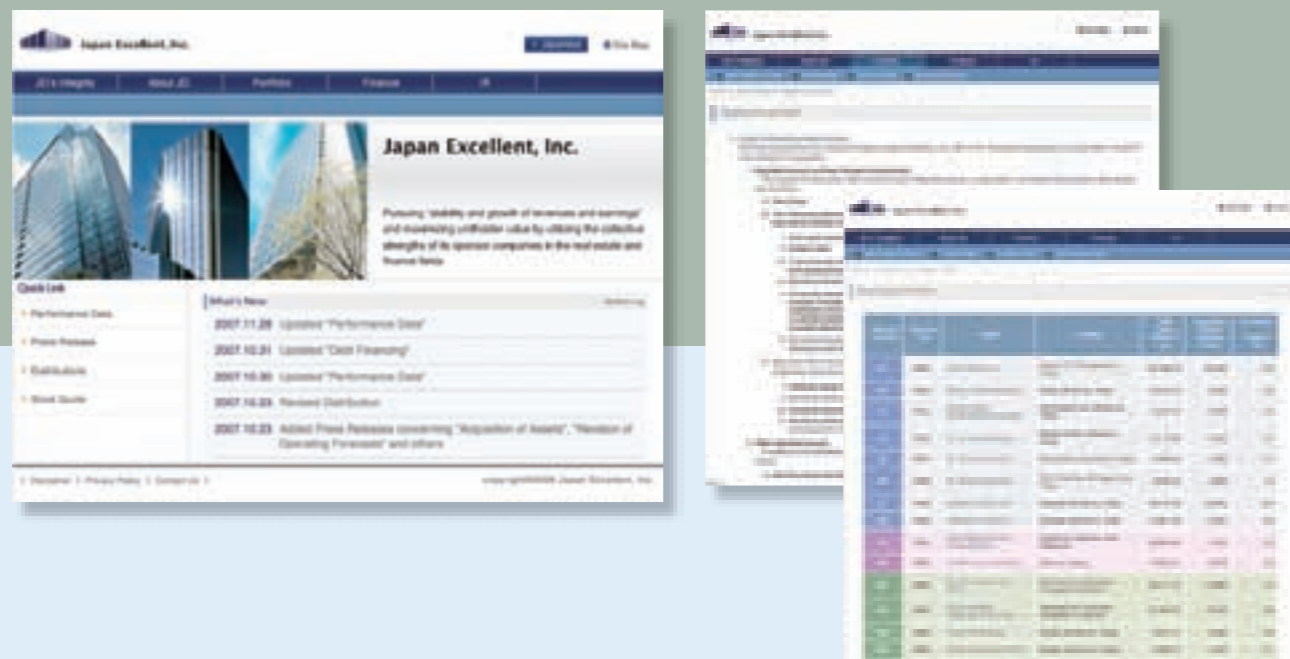
WEBSITE

Japan Excellent, Inc. (JEI) is committed to disclosing information in a timely manner. Our website is the best vehicle to do this, where information is provided through web releases, presentation documents, and the like.

The URL for the English website is <http://www.excellent-reit.co.jp/eng/>,

with disclosure documents at <http://www.excellent-reit.co.jp/eng/cms/disclosure.html>

and the portfolio covered from http://www.excellent-reit.co.jp/eng/portfolio/portfolio_01.html.



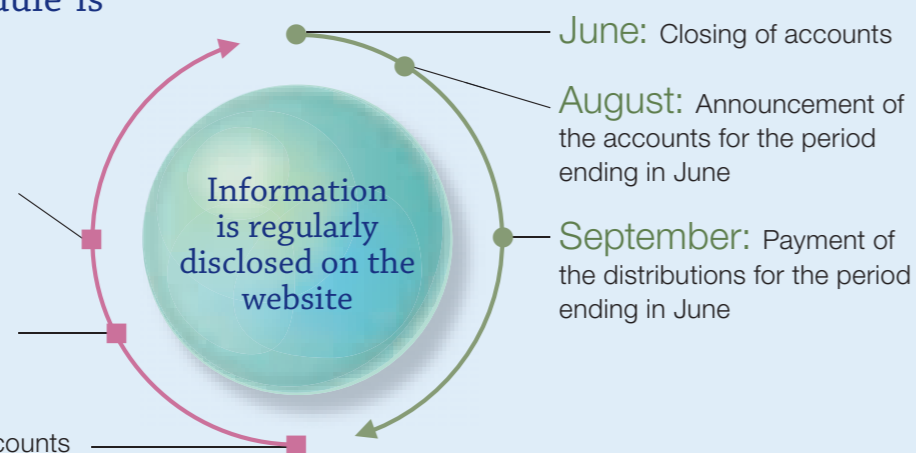
INFORMATION FOR INVESTORS

The annual IR schedule is as follows.

March: Payment of the distributions for the period ending in December

February: Announcement of the accounts for the period ending in December

December: Closing of accounts



PERFORMANCE REPORT

I. Overview of Asset Management

(1) Operating Performance

Fiscal Period	Calculation Period	First Fiscal Period	Second Fiscal Period
		February 20, 2006 - December 31, 2006	January 1, 2007 - June 30, 2007
Revenues	(mm yen)	4,751	5,505
Of which, rental revenues	(mm yen)	4,751	5,505
Operating expenses	(mm yen)	2,382	2,851
Of which, property operating expenses	(mm yen)	1,977	2,409
Operating income	(mm yen)	2,369	2,653
Income before Income taxes	(mm yen)	1,858	2,240
Net income	(mm yen)	1,856	2,239
Total assets	(mm yen)	114,199	156,291
Net assets	(mm yen)	69,329	69,813
Unitholders' capital	(mm yen)	67,641	67,641
Total investment units outstanding	(units)	134,800	134,800
Net assets per unit	(yen)	514,317	517,906
Net income per unit	(yen)	13,858	16,614
Total cash distributions	(mm yen)	1,856	2,239
Cash distributions per unit	(yen)	13,773	16,614
Of which, distributions of earnings per unit	(yen)	13,773	16,614
Of which, distributions in excess of earnings per unit	(yen)	(-)	(-)
ROA (Return on Assets) (Note 1)	(%)	2.0	1.7
ROE (Return on Equity) (Note 2)	(%)	2.8	3.2
Unitholders' equity ratio (Note 3)	(%)	60.7	44.7
Dividend payout ratio (Note 4)	(%)	99.9	100.0
Number of properties at end of period	(buildings)	14	18
Number of tenants at end of period	(tenants)	99	120
Total leasable floor space	(m ²)	135,264	190,051
Occupancy rate at end of period	(%)	98.5	98.2
Depreciation and amortization	(mm yen)	631	674
Capital expenditures	(mm yen)	155	182
NOI (Net Operating Income) (Note 5)	(mm yen)	3,405	3,770
FFO (Funds from Operations) per unit (Note 6)	(yen)	18,459	21,616
FFO ratio (Note 7)	(times)	21.1	24.3
Debt service coverage ratio (Note 8)	(times)	9.9	7.2
Interest-bearing debt	(mm yen)	38,500	77,600
LTV (Loan-to-Value) (Note 9)	(%)	33.7	49.7

(Note 1) $ROA = \text{Ordinary income} \div [(\text{Total assets at beginning of period} + \text{Total assets at end of period}) \div 2] \times 100$
The figures are rounded to the first decimal place.
June 27, 2006, is the date when asset management actually started and it is deemed the beginning of the first fiscal period.

(Note 2) $ROE = \text{Net income} \div [(\text{Net assets at beginning of period} + \text{Net assets at end of period}) \div 2] \times 100$
The figures are rounded to the first decimal place.
June 27, 2006, is the date when asset management actually started and it is deemed the beginning of the first fiscal period.

- (Note 3) Unitholders' equity ratio = Net assets at end of period ÷ Total assets at end of period × 100
The figures are rounded to the first decimal place.
- (Note 4) The figures are rounded down to the first decimal place.
- (Note 5) NOI = Rental revenues – Property operating expenses + Depreciation and amortization
- (Note 6) FFO per unit = (Net income + Depreciation and amortization) ÷ Total investment units outstanding
The figures are rounded down to the nearest whole number.
- (Note 7) FFO multiple = Investment unit price at end of period ÷ Annualized FFO per unit
The figures are rounded down to the first decimal place.
- (Note 8) Debt service coverage ratio = Net income before interest and income taxes ÷ Interest expenses
The figures are rounded to the first decimal place.
- (Note 9) LTV = Interest-bearing debt at end of period ÷ Total assets at end of period
The figures are rounded to the first decimal place.
- (Note 10) The calculation period for the first fiscal period of JEI was the 315 days from February 20, 2006, to December 31, 2006, but the operating period (period when asset management was actually conducted) was the 188 days from June 27, 2006, to December 31, 2006.

(2) Overview of Asset Management This Fiscal Period

Japan Excellent, Inc. (JEI) was established on February 20, 2006, by Japan Excellent Asset Management Co., Ltd. (JEAM) based on the Investment Trusts and Investment Corporations Law (ITL). Registration with the Kanto Local Finance Bureau was completed on March 15, 2006 (registration number: Director-General of Kanto Local Finance Bureau No. 52), and JEI was successfully listed on the Tokyo Stock Exchange's Real Estate Investment Trust section (securities code: 8987) on June 27, 2006. The settlement for the first fiscal period was conducted at the end of December 2006, and it was decided to distribute roughly all of the net income for the fiscal period. The distribution of earnings was 13,773 yen per unit.

JEI owned 14 office buildings as of the end of the first fiscal period, and acquired four more office buildings during this fiscal period (total acquisition price: 40,681.5 mm yen). The portfolio as of the end of the second fiscal period (real estate and real estate beneficiaries in trust) was eighteen office buildings (total acquisition price: 139,127 mm yen).

Management Environment and Performance

The office rental market has enjoyed a strong supply and demand environment, and performed strongly due to moves resulting from the integration and expansion of offices accompanying the economic recovery generating demand. In central Tokyo and its surrounding areas, rents of both new and continuing contracts are rising due to a seeming lack of supply.

The official land prices for 2007 on a national average (all uses) rose for the first time in sixteen years, and the real estate investment market experienced this rise most conspicuously in Tokyo and the other major cities. Private funds, J-REITs, and other entities continue to proactively invest in real estate, causing an even more intense competition over the acquisition of strong properties. The rises in real estate prices have led to an increasingly severe property acquisition environment.

In this environment, JEI effectively collaborated with the sponsors of the asset manager (Note 1) and used those relationships to enhance the portfolio and achieve the following: 1) Acquisition of large buildings located in the city center to be the core of the portfolio while also maintaining profitability, and 2) Promoting regional diversification by acquiring the four properties of Akasaka Garden City (acquisition price: 23,300 million yen), Ebina Prime Tower (acquisition price: 6,470 million yen), Sendai Kowa Building (acquisition price: 4,238 million yen) and JEI Nishi-Honmachi Building (acquisition price: 6,673.5 million yen) (Note 2). As a result, the assets under management as of the end of the second fiscal period totaled 18 office buildings with a total acquisition price of 139,127 million yen.

Management of the portfolio is conducted in accordance with the basic investment policy of JEI of pursuing a strong balance between steady earnings and expansion over the medium to long term, by primarily investing in office buildings in major metropolises.

As for internal growth, the greatest priority has been placed on improving earnings per share while improving the rental revenues from existing tenants and reducing costs. The asset manager and property managers are collaborating to achieve higher rental revenues at each property and negotiating with existing tenants with rental contracts felt to be far below present market levels. In these negotiations, we are calling for tenants to renew their agreements at appropriate rent levels based on market levels and property competitiveness.

Additionally, the property managers of each portfolio asset closely monitor and manage the buildings in a manner that ensures the understanding of end tenants (Note 3). While on one hand conducting negotiations to raise rents, JEI is also endeavoring to make beneficial investments (renovations) to meet specific tenant needs and raise tenant satisfaction.

Besides active application of energy conservation and management cost reduction measures in property management, JEI has implemented innovations to effectively use unused space in our properties. As a result, sublease contracts have been concluded with parking lot operators for three portfolio assets with low-use or unused parking lots and these agreements are bearing fruit by raising earnings.

(Note 1) Sponsor companies refer to the following eight companies that are shareholders of the asset manager: Kowa Real Estate Co., Ltd., The Dai-ichi Mutual Life Insurance Company, Sekisui House, Ltd., Dai-ichi Building Co., Ltd., Sohgo Housing Co., Ltd., Morgan Stanley Properties Japan K.K. (name change to Morgan Stanley Capital K.K. as of December 1, 2007), Mizuho Corporate Bank, Ltd., and Mizuho Trust & Banking Co., Ltd.

(Note 2) The name of this property was changed on March 28, 2007, from Nishi-Honmachi Mitsui Building to JEI Nishi-Honmachi Building (both names were used together through September 28, 2007). The name of JEI Nishi-Honmachi Building will be used hereinafter.

(Note 3) The end tenant is the lessee that has directly concluded a lease agreement with JEI, or the trust fiduciary (excluding master lessees) or sub-lessees that have concluded lease agreements with the master lessees.

Fund-raising Performance and an Overview of Fund Raising

During this fiscal period, JEI raised capital for the purpose of acquiring new properties on March 28, March 29, and April 24, 2007.

- 1) Acquired 27.7 billion yen (Loan A) and 7 billion yen (Loan B) short-term loans from Mizuho Corporate Bank, Ltd. (repayment date July 31, 2007; un-secured free and un-guaranteed free), and
- 2) Short-term borrowings of 10.4 billion yen and 8 billion yen from Mitsubishi UFJ Trust and Banking Corporation and Sumitomo Mitsui Banking Corporation using a (uncommitted) revolving credit facility agreement on April 24, 2007 (repayment date of July 31, 2007; collateral free and guarantee free).

Regarding 1), a total of 14 billion yen was repaid before maturity on April 24, 2007, with 7 billion yen of Loan A and 7 billion yen of Loan B repaid.

As a result, the total borrowings as of the end of the second fiscal period (June 30, 2007) were 39.1 billion yen in short-term borrowings and 38.5 billion yen in long-term borrowings for a total of 77.6 billion yen. Further, 50% of the total long-term borrowings have had the interest rate fixed through fixed interest loans and interest swaps.

Prior to listing on June 27, 2006, JEI obtained an issuer rating of A3 from Moody's Investors Service, which was raised to A2 on January 25, 2007, during this fiscal period. In addition, the Rating and Investment Information, Inc. (R&I) released an issuer rating of AA- on April 13, 2007.

The following are the ratings that have been acquired as of June 30, 2007.

	Moody's Investors Service	R&I
Issuer rating	A2	AA-
Outlook	Stable	Stable

Performance and Distribution Overview

As a result of the above management performance, JEI posted the following figures this fiscal period: Revenues of 5,505 million yen; operating income of 2,653 million yen; income before income taxes of 2,240 million yen, and net income of 2,239 million yen.

Due to the application of the special rule for corporate tax taxation (Special Taxation Measures Law Article 67-15), distributions on earnings are included in expenses. With this in mind, it was decided that the distribution per investment unit for this period would amount to the entire disposable profit at the end of this fiscal period minus fractions of less than one yen in distribution per investment unit. As a result, the distribution per investment unit for this fiscal period was set at 16,614 yen.

(3) Capital Raising

JEI did not raise capital this fiscal period, and there has been no change in the number of outstanding investment units or the unitholders' capital. The following table shows the number of outstanding units and unitholders' capital and variation for the current and preceding fiscal periods.

Payment Date	Description	No. of Outstanding Units		Total Equity (mm yen)		Remarks
		Variation	Total	Variation	Total	
February 20, 2006	Founded through private placement	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 allotment	6,400	134,800	3,211	67,641	(Note 3)

(Note 1) JEI was founded with an issue price of 500,000 per investment unit.

(Note 2) The issue price per investment unit was 520,000 yen (underwriting price: 501,800 yen) and the new investment units were issued through a public offering with the objective of raising capital to acquire properties purchased upon listing.

(Note 3) The issue price per investment unit was 501,800 yen and these new investment units were issued through a third-party allotment with the objective of applying some of the funds to the acquisition of new properties.

History of Investment Unit Price on the Tokyo Stock Exchange

Japan Excellent's investment securities are listed on the Real Estate Investment Trust section of the Tokyo Stock Exchange, and the high and low prices for each period are listed below based on the respective closing prices.

High and low investment unit prices by fiscal period	Fiscal Period Settlement Date	First Fiscal Period December 2006	Second Fiscal Period June 2007
High (yen)		815,000	1,400,000
Low (yen)		548,000	761,000

(Note) The high and low investment unit prices for each fiscal period are based on the closing prices on the Real Estate Investment Trust section of the Tokyo Stock Exchange.

(4) Distribution Results

The distribution per unit for the current (second) fiscal period is 16,614 yen, and the entire disposable profit as of the end of this fiscal period will be distributed, except for the fraction below one yen in distribution per unit that exists when the profit is divided by this distribution. This amount was reached to meet a special corporation tax measure that allows an investment corporation to deduct an amount equivalent to profit distributions from taxable income as an expense (Special Taxation Measures Law Article 67-15).

Period	First Fiscal Period	Second Fiscal Period
Accounting Period	February 20, 2006 – December 31, 2006	January 1, 2007 – June 30, 2007
Retained Earnings for this fiscal period	1,856,675,000 yen	2,239,620,000 yen
Undistributed earnings	75,000 yen	53,000 yen
Total cash distributions	1,856,600,000 yen	2,239,567,000 yen
(distribution per unit)	(13,773 yen)	(16,614 yen)
Of which, total profit distributions of earnings	1,856,600,000 yen	2,239,567,000 yen
(profit distribution)	(13,773 yen)	(16,614 yen)
Of which, refund of unitholders' capital	-	-
(refund of unitholders' capital per unit)	(-)	(-)

(5) Future Management Policy and Current Issues

Overview of Investment Environment

The tone of the recovery in the office leasing market in Tokyo and other centers of major metropolises has become conspicuous with both dropping vacancy rates and increasing difficulty in securing large floor areas. The trend of rents being hiked has become evident not only in large buildings in central city areas, but also in medium-sized buildings, and buildings in areas that surround them. However, there is also a clear difference emerging in the results depending on the hardware aspects of location, building, and facility grade, etc. and the software aspects such as tenant satisfaction with regard to management. The future trend is expected to be one of rents rising on properties with clear advantages in these areas, and the gap between these buildings and inferior buildings in these areas is widening.

As for the real estate investment market, there are no signs of the appetite for real estate investment slowing among private funds, J-REITs, and other players, reflecting the recovery trend in the office leasing market. The severe competition over blue-chip properties in major cities is expected to continue.

Future Management Policy and Current Issues

As for the acquisition of new properties, JEI will maintain its policy of expansion in portfolio size over the medium to long term, and will continue to acquire new properties during the next fiscal period and beyond, through a collaborative relationship with our sponsors in order to continue to achieve steady external growth.

As for the management of properties owned by JEI, as noted earlier, a full-fledged recovery is underway in the office leasing market, but the degree of that recovery differs considerably depending on the competitiveness of the area in which the property is located and the competitiveness of the property itself. With regard to the hardware aspects of the building and facilities, JEI puts high priority on the improvement of tenant satisfaction, which will be achieved by implementing measures to maintain appropriate maintenance and by raising the level of functions and the grades of units to more accurately ascertain tenant needs, which will only increase from this point forward.

Therefore, JEI will continue to work to improve both rent levels and cost reductions. JEI is convinced of the importance to implement the following measures, based on our foremost mission of achieving rent levels on each property that truly reflect the value of that building.

1) Improving the rent levels of existing tenants

The portfolio occupancy of JEI was at nearly full capacity as of June 30, 2007, at 98.2%, and the issues for the time being are maintaining the high occupancy level and a further hike in rent levels where the upward trend continues. Most of the contracts with existing tenants are standard 2-year lease agreements with renewals every two years (there are three fixed-period lease agreements as of June 30, 2007). JEI will determine the contracted rents that are distinctly different from present market levels and continue negotiations with those tenants to renew at appropriate levels given the market price and property competitiveness. JEI is focused on building strong relations with tenants in these negotiations by developing a mutual understanding through the proffering of comprehensive proposals that take into account not only rent levels but also contract periods, contract methods, etc.

2) Maintaining and improving management quality and reducing costs

The property managers of each of the properties owned by JEI provide building management attuned to the properties for which they are responsible, and that enable the maintenance of mutual understanding with tenants. As for management quality, on-site surveys are conducted periodically and efforts are constantly made to maintain and improve management quality by implementing measures successful at other properties in the portfolio. Concerning outsourcing cleaning costs and other charges, various measures to reduce unit prices without a drop-off in management quality have been taken with a well-balanced approach to both service quality and the outsourcing costs. JEI will continue to implement these measures as well as measures to conserve energy, which also contributes to reductions in utility costs, as well.

3) Implementing beneficial investments (renovations)

Naturally JEI will also analyze properties from a medium- to long-term perspective and initiate appropriate maintenance while implementing planned investments (renovations) to further improve tenant satisfaction. JEI will conduct corrective work upon property acquisition and then check building usage safety and convenience and enact further measures in areas where it is determined that safety and convenience require further enhancement.

Specifically, JEI is initiating major renovations at the Sendai Kowa Building and JEI Nishi-Honmachi Building, the properties it acquired this fiscal period, in the pursuit of increased quality. Regarding the Sendai Kowa Building, one of the terms established at the time of acquisition was the conducting of renovations by the seller, and primarily common area renovations such as the virtually comprehensive renewal of facilities and the entrance are currently in progress. These renovations are being conducted at the expense of the seller. In the case of the JEI Nishi-Honmachi Building, safety is being improved by removing asbestos, and steps are being taken to raise the grade of the building and further enhance convenience by installing office automation floors, etc. The asbestos was found within the ceiling of a dedicated tenant area and JEI will undertake the work while earnestly obtaining the understanding of tenants, as they will be required to relocate temporarily to other floors within the building.

As for financial strategy, JEI will work to efficiently and flexibly raise capital by diversifying lenders and spreading out repayment terms. This, in line with external growth, will be performed while taking into account the balance between short- and long-term loans. JEI also plans to pursue the fixing of interest rates on borrowings to prepare for any future rise in interest rates.

Meanwhile, the environment surrounding the REIT business is undergoing changes both in terms of real estate acquisition and financing. There are also a number of major systematic changes to the environment underway or already implemented, including the Financial Instruments and Exchange Law to be put into effect from September 2007, the revision of the Trust Law and Trust Business Law, the revision of real estate appraisal standards, and the system for executing new BIS regulations. In recognition of these changes, JEI and JEAM will work to ensure that appropriate steps are taken.

(6) Material Developments after Closing of Accounts

Issuance of New Investment Units through Public Offering (General Offering)

The board of directors on June 18, 2007, decided on the following issuance of new investment units, and the payment for the units was completed on July 11, 2007.

Number of new investment units issued: 19,000 units
Issue price (offer price): 1,019,200 yen per unit
Total issue price: 19,364,800,000 yen
Issue value (underwriting price): 984,360 yen per unit
Total issue value: 18,702,840,000 yen
Payment date: July 11, 2007
Distribution calculation start date: July 1, 2007

Issuance of New Investment Units through Third-party Allotment (Allotment to Third Party following Exercising of Green Shoe Option)

The board of directors on June 18, 2007, decided on the following issuance of new investment units through a third-party allotment, and payment was completed on August 8, 2007. As a result, the number of outstanding units following this issuance and that noted above is now 154,550 units and the total unitholders' capital is 87,083,030,000 yen.

Number of new investment units issued: 750 units
Issue value (underwriting price): 984,360 yen per unit
Total issue value: 738,270,000 yen
Allottee: Mizuho Securities Co., Ltd.
Payment date: August 8, 2007
Distribution calculation start date: July 1, 2007

Early Repayment of Borrowings

JEI repaid 20.7 billion yen in short-term borrowings from Mizuho Corporate Bank, Ltd. before maturity on July 24, 2007.

Borrowing of Funds (Refinancing)

JEI refinanced a short-term borrowing using an uncommitted revolving credit facility agreement issued by Mitsubishi UFJ Trust and Banking Corporation and one other company (repayment date: July 31, 2007; original borrowing amount: 18.4 billion yen) on July 31, 2007. As a result, effective the same day, JEI has borrowed 7 billion yen from Mitsubishi UFJ Trust and Banking Corporation and three other companies (repayment date: July 31, 2012), 7 billion yen from Mizuho Corporate Bank, Ltd. and three other companies (repayment date: July 31, 2012), and 4 billion yen from The Dai-ichi Mutual Life Insurance Company and one other company (repayment date: July 31, 2014).

II. Overview of Investment Corporation

1. Overview of Equity Capital

Period	First Fiscal Period (as of December 31, 2006)	Second Fiscal Period (as of June 30, 2007)
Number of issuable investment units	2,000,000 units	2,000,000 units
Total number of outstanding investment units	134,800 units	134,800 units
Total unitholders' capital	67,641 mm yen	67,641 mm yen
No. of unitholders	2,529	2,193

2. Information on Investment Units

The following are the primary unitholders as of June 30, 2007.

Name	Address	Units Owned	Ownership Ratio (%)
Kowa Real Estate Co., Ltd.	1-15-5 Minami Aoyama, Minato Ward, Tokyo	14,312	10.62
NikkoCiti Trust and Banking Corporation (investment trust account)	2-3-14 Higashi Shinagawa, Shinagawa Ward, Tokyo	8,471	6.28
Trust & Custody Services Bank, Ltd. (securities investment trust account)	Harumi Island Triton Square Office Tower Z, 1-8-12 Harumi, Chuo Ward, Tokyo	8,252	6.12
The Master Trust Bank of Japan, Ltd. (investment trust account)	2-11-3 Hamamatsucho, Minato Ward, Tokyo	7,863	5.83
Japan Trustee Services Bank, Ltd. (investment trust account)	1-8-11 Harumi, Chuo Ward, Tokyo	7,452	5.53
The Dai-ichi Mutual Life Insurance Company	1-13-1 Yurakucho, Chiyoda Ward, Tokyo	4,132	3.07
Hiroshima Bank, Ltd.	1-3-8 Kamiyacho, Naka Ward, Hiroshima City, Hiroshima Prefecture	4,012	2.98
Bank of Ikeda, Ltd.	2-1-11 Jonan, Ikeda City, Osaka Prefecture	3,432	2.55
The Bank of New York, Treaty JASDEC Account	Avenue Des Arts, 35 Kunstlaan, 1040 Brussels, Belgium	3,169	2.35
CB Hong Kong - CB Korea - Macquarie IMM Asian REIT Fund of Funds	4F Hanwha Bldg., 110 Sokong-dong, Chung-ku, Seoul, Korea	2,733	2.03
Total		63,828	47.35

(Note) Figures for Ownership Ratio have been rounded to the second decimal place.

3. Information on Board of Directors

Names of Directors during the Second Fiscal Period

Post	Name	Primary Concurrent Positions	Compensation during Concerned Operational Period
Executive Director	Junichi Tamura	President and Representative Director, Japan Excellent Asset Management Co., Ltd.	-
Supervisory Director	Makoto Sakagami	Sakagami CPA Office	4.69 mm yen
Supervisory Director	Tsuyoshi Nagahama	Partner, Anderson Mori & Tomotsune	
Supervisory Director	Yasuyuki Maeba (Note 1)	Deputy Branch Manager, Dexia Credit Local Tokyo Branch	
Accounting Auditor	Misuzu Audit Corporation (Note 2)	-	4.5 mm yen

(Note 1) Yasuyuki Maeba resigned as supervisory director from JEI as of January 31, 2007.

(Note 2) Misuzu Audit Corporation resigned from accounting auditor of JEI on July 31, 2007 and Ernst and Young ShinNihon was selected as the temporary accounting auditor from August 1, 2007 by JEI.

(Note 3) Neither the executive director nor the supervisory directors own investment units of JEI. There are cases where the supervisory directors are directors of corporations not indicated above, but in none of the cases including the above does an interest relationship exist with JEI.

Description of Non-Auditing Work for which JEI Pays Compensation to the Accounting Auditor

JEI has outsourced the following work not stipulated in Article 2-1 of the Certified Public Accountant (CPA) Law (Law No. 103 in 1948) (non-audit work) to the accounting auditor.

Non-audit Work Description	Amount
Compensation for audit of English financial statements	2.1 mm yen
Total	2.1 mm yen

Policy on Dismissal of Accounting Auditor and Decision to Not Re-employ

The board of directors shall examine the dismissal of an accounting auditor in accordance with stipulations of the Investment Trusts and Investment Corporation Law and examine the non re-employment of said party after thorough consideration of various circumstances.

4. Investment Trust Manager, Asset Custodian, and Administrative Agent

The investment trust manager, asset custodian, and administrative agent as of June 30, 2007 are as follows.

Description	Name
Investment trust manager (asset management company)	Japan Excellent Asset Management Co., Ltd.
Asset custodian	Mizuho Trust & Banking Co., Ltd.
Administrative agent (affairs regarding the management of the unitholders' list, administering of accounts and the institution, etc.)	Mizuho Trust & Banking Co., Ltd.

III. Overview of Assets Managed by JEI

1. Configuration of Japan Excellent's Portfolio

Asset Type	Usage	Area	First Fiscal Period (as of December 31, 2006)		Second Fiscal Period (as of June 30, 2007)	
			Total Assets under Management (mm yen) (Note 1)	Share of Portfolio (%) (Note 2)	Total Assets under Management (mm yen) (Note 1)	Share of Portfolio (%) (Note 2)
Real estate (Note 3)	Office	Area II (Note 4)	4,340	3.8	4,310	2.8
Trust beneficiary interests in real estate (Note 3)	Office	Area I (Note 4)	52,747	46.2	76,007	48.6
		Area II (Note 4)	-	-	6,928	4.4
		Area III (Note 4)	41,834	36.6	48,345	30.9
		Area IV (Note 4)	-	-	4,276	2.7
Total			98,921	86.6	139,868	89.5
Deposits and other assets			15,277	13.4	16,422	10.5
Total assets			114,199	100.0	156,291	100.0

(Note 1) The Total Assets under Management amount is the amount entered on the balance sheet as of the settlement date (the book value after depreciation for the real estate and trust beneficiary interests in real estate).

(Note 2) The figures for the Share of Portfolio have been rounded to the first decimal place.

(Note 3) Land leasehold rights owned with buildings are combined with the buildings and entered in the real estate and trust beneficiary interests in real estate rows.

(Note 4) The following are the divisions of area.

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

Area II: Central Osaka City (Umeda, Dojima, Nakanoshima, Yodoyabashi, Honmachi District, etc.), central Nagoya City (Meieki area, Fushimi, Sakae district, etc.), and central Fukuoka City (Tenjin, area in front of Hakata Station, etc.)

Area III: Tokyo excluding Area I and the area around Tokyo (Kanagawa, Saitama, and Chiba Prefectures)

Area IV: Osaka City, Nagoya City, and Fukuoka Cities excluding Area II and other ordinance-designated cities, etc.

2. Primary Assets under Management

An overview of the primary assets under management by JEI (top ten in terms of book value) as of June 30, 2007 is as follows.

Property Name	Book Value (mm yen)	Leasable Floor Space (m ²) (Note 1)	Leased Floor Space (m ²) (Note 2)	Occupancy (%) (Note 3)	Ratio of Rental Revenue (%) (Note 4)	Primary Usage
Akasaka Garden City	23,375	8,769.53	8,769.53	100.0	5.4	Office
Omori Bellport D	22,827	25,828.29	25,743.26	99.7	18.9	Office
Musashikosugi Tower Place	13,829	25,275.07	25,275.07	100.0	14.3	Office
Kowa Kawasaki Higashiguchi Building	10,893	18,612.72	18,612.72	100.0	9.9	Office
Shiba 2-Chome Building	9,464	11,749.30	11,559.68	98.4	6.3	Office
Shuwa Daiichi Hamamatsucho Building	8,370	6,411.26	6,411.26	100.0	5.0	Office
JEI Nishi-Honmachi Building	6,928	10,601.70	10,187.80	96.1	2.7	Office
Ebina Prime Tower	6,724	25,362.37	25,021.36	98.7	5.3	Office
Hongo TS Building	5,374	4,078.37	4,078.37	100.0	3.2	Office
No. 32 Kowa Building	5,046	5,365.72	5,365.72	100.0	4.3	Office
Total	112,835	142,054.33	141,024.77	99.3	75.4	

(Note 1) The area entered as leasable floor space is the leasable floor space of the portion acquired by JEI as of June 30, 2007, and is rounded to the second decimal place. For jointly owned properties, the figure entered is the leasable floor space of the entire jointly owned property multiplied by the percentage actually owned by JEI.

(Note 2) In the case of the leased floor space, it is rounded to the second decimal place and the area under the lease agreement with the end tenants as of June 30, 2007 is entered. For jointly owned properties, the figure entered is the leased floor space of the entire jointly owned property multiplied by the percentage actually owned by JEI.

(Note 3) The occupancy is the ratio of leased floor space to leasable floor space as of June 30, 2007, and is rounded to the first decimal place.

(Note 4) The ratio of rental revenue of each asset is rounded to the first decimal place.

3. Itemized Statement of Incorporated Real Estate and Other Assets

The following is an itemized statement of the real estate, etc. owned by JEI (real estate or trust beneficiary interests in real estate) as of June 30, 2007.

Property No.	Property Name	Address	Ownership Form	End-of-Period Appraisal (mm yen) (Note)	Book Value (mm yen)
I-1	Omori Bellport D	6-26-3 Minami-Oi, Shinagawa Ward, Tokyo	Trust beneficiary interests in real estate (TBIRE)	23,710	22,827
I-2	Shiba 2-Chome Building	2-6-1 Shiba, Minato Ward, Tokyo	TBIRE	12,200	9,464
I-3	Shuwa Daiichi Hamamatsucho Building	2-2-12 Hamamatsucho, Minato Ward, Tokyo	TBIRE	9,390	8,370
I-4	No. 32 Kowa Building	5-2-32 Minami-Azabu, Minato Ward, Tokyo	TBIRE	5,462	5,046
I-5	No. 36 Kowa Building	5-19 Sanbancho, Chiyoda Ward, Tokyo	TBIRE	4,235	4,062
I-6	No. 28 Kowa Building	2-20-1 Nishi-Gotanda, Shinagawa Ward, Tokyo	TBIRE	3,640	2,861
I-7	Akasaka Garden City	4-15-1 Akasaka, Minato Ward, Tokyo	TBIRE	23,500	23,375
Area I				82,137	76,007
II-1	NHK Nagoya Housou-Center Building	1-13-3 Higashi Sakura, Higashi Ward, Nagoya City, Aichi Prefecture	Real Estate	5,430	4,310
II-2	JEI Nishi-Honmachi Building	1-3-15 Awaza, Nishi Ward, Osaka City, Osaka Prefecture	TBIRE	6,760	6,928
Area II				12,190	11,239

Property No.	Property Name	Address	Ownership Form	End-of-Period Appraisal (mm yen) (Note)	Book Value (mm yen)
III-1	Musashikosugi Tower Place	1-403 Kosugimachi, Nakahara Ward, Kawasaki City, Kanagawa Prefecture	TBIRE	17,700	13,829
III-2	Kowa Kawasaki Higashiguchi Building	1-53 Nisshincho, Kawasaki Ward, Kawasaki City, Kanagawa Prefecture	TBIRE	11,130	10,893
III-3	Hongo TS Building	2-38-16 Hongo, Bunkyo Ward, Tokyo	TBIRE	5,490	5,374
III-4	Shuwa Iidabashi Building	2-3-19 Koraku, Bunkyo Ward, Tokyo	TBIRE	4,510	4,016
III-5	Kawasaki Nisshincho Building	7-1 Nisshincho, Kawasaki Ward, Kawasaki City, Kanagawa Prefecture	TBIRE	5,220	3,935
III-6	No. 44 Kowa Building	1-2-7 Higashiyama, Meguro Ward, Tokyo	TBIRE	1,610	1,033
III-7	Ryogoku Dai-ichi Life Building	3-25-5 Ryogoku, Sumida Ward, Tokyo	TBIRE	2,563	2,537
III-8	Ebina Prime Tower	2-9-50 Chuo, Ebina City, Kanagawa Prefecture	TBIRE	6,550	6,724
Area III				54,773	48,345
IV-1	Sendai Kowa Building	2-4-1 Ichibancho, Aoba Ward, Sendai City, Miyagi Prefecture	TBIRE	4,309	4,276
Area IV				4,309	4,276
Total				153,409	139,868

(Note) In accordance with the articles of incorporation of JEI and the rules designated by the Investment Trusts Association, the end-of-period appraisal values have been written in appraisal reports prepared with a pricing point of June 30, 2007, by appraisers of the Japan Real Estate Institute, Chuo Real Estate Appraisal Co., Ltd., or HIRO & REAS Network, Inc.

Property No.	Property Name	First Fiscal Period (February 20, 2006 - December 31, 2006)				Second Fiscal Period (January 1, 2007 - June 30, 2007)			
		No. of Tenants (end-of-period) (Note 1)	Occupancy (end-of-period) (%)	Rental Revenue (during period) (mm yen)	Share of Rental Revenue (%) (Note 2)	No. of Tenants (end-of-period) (Note 1)	Occupancy (end-of-period) (%)	Rental Revenue (during period) (mm yen)	Share of Rental Revenue (%) (Note 2)
I-1	Omori Bellport D	1	97.3	1,028	21.6	1	99.7	1,042	18.9
I-2	Shiba 2-Chome Building	2	98.4	351	7.4	2	98.4	346	6.3
I-3	Shuwa Daiichi Hamamatsucho Building	1	89.7	281	5.9	1	100.0	277	5.0
I-4	No. 32 Kowa Building	17	100.0	238	5.0	15	100.0	237	4.3
I-5	No. 36 Kowa Building	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
I-6	No. 28 Kowa Building	1	100.0	158	3.3	1	100.0	154	2.8
I-7	Akasaka Garden City	-	-	-	-	1	100.0	295	5.4
Area I		23	97.4	2,260	47.6	22	99.6	2,553	46.4
II-1	NHK Nagoya Housou-Center Building	39	97.6	358	7.5	39	98.0	349	6.3
II-2	JEI Nishi-Honmachi Building	-	-	-	-	1	96.1	150	2.7
Area II		39	97.6	358	7.5	40	96.9	500	9.1
III-1	Musashikosugi Tower Place	31	100.0	815	17.2	32	100.0	789	14.3
III-2	Kowa Kawasaki Higashiguchi Building	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
III-3	Hongo TS Building	1	100.0	182	3.8	1	100.0	176	3.2
III-4	Shuwa Iidabashi Building	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
III-5	Kawasaki Nisshincho Building	1	100.0	209	4.4	1	100.0	211	3.8
III-6	No. 44 Kowa Building	1	100.0	94	2.0	1	100.0	88	1.6
III-7	Ryogoku Dai-ichi Life Building	1	94.5	115	2.4	1	100.0	114	2.1
III-8	Ebina Prime Tower	-	-	-	-	19	98.7	291	5.3
Area III		37	99.7	2,132	44.9	57	99.6	2,360	42.9
IV-1	Sendai Kowa Building	-	-	-	-	1	77.8	91	1.7
Area IV		-	-	-	-	1	77.8	91	1.7
Total		99	98.5	4,751	100.0	120	98.2	5,505	100.0

(Note 1) The figure for the number of tenants is the total number of tenants on each property as of the end of each fiscal period. In the case of a master lease agreement, the number of tenants is entered as 'one.' When a single tenant leases multiple spaces, it is recognized as one tenant when this occurs on a single property, and as multiple tenants when it occurs on multiple properties.

(Note 2) The share of rental revenue is rounded to the first decimal place.

(Note 3) No figure is entered for said property because approval for disclosure has not been obtained from the end tenants.

4. Other Asset Information

Stocks and Investment Securities

Issue	No. of Stocks	Acquisition Price (1,000 yen)		Appraised Value (1,000 yen)		Latent Profit/Loss (1,000 yen)	Remarks
		Unit Price	Amount	Unit Price	Amount		
NHK Nagoya Build Systems Co., Ltd.	64	168	10,768	168	10,768	-	(Note)

(Note) The acquisition price is entered as the appraised value of said unlisted stocks.

Table of Specific Transaction Agreements and Market Values

Category	Type	Contract Amount (1,000 yen)		Market Value (1,000 yen) (Note 2)
		(Note 1)	Of which, more than 1 year (Note 1)	
Non-market transaction	Interest rate swap Floating interest and fixed interest	16,250,000	16,250,000	(67,776)

(Note 1) The indicated balance for the interest rate swap is indicated based on the assumed principal.

(Note 2) The appraisal is made at the amount calculated by the other party involved in said transaction based on the going rate of interest, etc.

IV. Capital Expenditures on Owned Real Estate

1. Planned Capital Expenditures

The following table indicates the primary planned capital expenditures as of June 30, 2007, for scheduled renovations, etc. to assets owned at the end of the second fiscal period by JEI. The following planned construction amounts include portions that will be treated as expenses for accounting purposes.

Property Name	Location	Objective	Planned Schedule	Planned Construction Amount (mm yen)		
				Total	Amount Paid This Period	Amount Already Paid
Shuwa Daiichi Hamamatsucho Building	Minato Ward, Tokyo	Upgrading of humidifier	November 2007 - December 2007	25	-	-
Shuwa Iidabashi Building	Bunkyo Ward, Tokyo	Upgrading of ventilation and humidifier	September 2007 - December 2007	47	-	-
No. 44 Kowa Building	Meguro Ward, Tokyo	Renovation of common areas	October 2007 - December 2007	24	-	-
JEI Nishi-Honmachi Building	Nishi Ward, Osaka City, Osaka Prefecture	Asbestos removal work (phase 1)	August 2007 - December 2007	178	-	-

2. Capital Expenditures during the Second Fiscal Period

The following is the construction work on assets under management as of the end of the second fiscal period that fall under capital expenditures conducted by JEI during the fiscal period ending in June 2007. Capital expenditures during this period were 182 million yen, and the total amount for construction work was 306 million yen when the preceding figure is combined with the 124 million yen in maintenance and repair costs classified as expenses in the period ended June 2007.

Property Name	Location	Objective	Schedule	Amount Paid (mm yen)
Shuwa Daiichi Hamamatsu Building	Minato Ward, Tokyo	Newly built first floor lavatory	December 2006 - January 2007	13
Omori Bellport D	Shinagawa Ward, Tokyo	Lavatory renovations	February 2007 - June 2007	45
Kawasaki Nisshincho Building	Kawasaki Ward, Kawasaki City, Kanagawa Prefecture	Upgrading of air conditioner fan coil and pipes (second fiscal period)	April 2007 - June 2007	16
Other construction				106
Total				182

3. Reserves for Maintenance and Repair Costs

JEI is applying maintenance and repair reserves to payment for major maintenance and repairs, etc. based on long-term maintenance and repair plans established for each property, and these funds are being accumulated from among depreciation and other surplus cash flow.

Category	First Fiscal Period (February 20, 2006 - December 31, 2006)	Second Fiscal Period (January 1, 2007 - June 30, 2007)
Balance of reserves from preceding fiscal period (mm yen)	-	164
Current reserves (mm yen)	164	67
Withdrawals from reserves (mm yen)	-	-
Amount carried forward (mm yen)	164	232

V. Expenses and Liabilities

1. Itemization of Management Expenses

(unit: thousand yen)

Category	First Fiscal Period (February 20, 2006 - December 31, 2006)	Second Fiscal Period (January 1, 2007 - June 30, 2007)
(a) Asset management fees	306,290	328,491
(b) Asset custodian outsourcing fee	8,975	7,435
(c) Administrative agent fee	18,014	14,541
(d) Director compensation	11,858	4,690
(e) Accounting auditor compensation	4,500	4,500
(f) Other expenses	54,513	83,014
Total	404,152	442,671

2. Borrowing Conditions

The following are the borrowing conditions for each financial institution as of the end of the second fiscal period (as of June 30, 2007).

Category	Lender	Loan Execution Date	Balance End of Previous Period (mm yen)	Balance End of This Period (mm yen)	Average Interest (%) (Note 1)	Repayment Date	Repayment Method	Usage	Description
Mitsubishi UFJ Trust and Banking Corporation	4/24/07	-	10,400						
Sumitomo Mitsui Banking Corporation		-	8,000						
Subtotal	-	-	-	39,100	0.87250	-	-	-	-

Category	Lender	Loan Execution Date	Balance End of Previous Period (mm yen)	Balance End of This Period (mm yen)	Average Interest (%) (Note 1)	Repayment Date	Repayment Method	Usage	Description
Long-term borrowings	Aozora Bank, Ltd.	6/29/06	3,000	3,000	1.35712	6/29/09			
	Chuo Mitsui Trust and Banking Co., Ltd.		3,000	3,000					
	Mizuho Trust & Banking Co., Ltd.		3,000	3,000					
	Sumitomo Mitsui Banking Corporation		2,000	2,000					
	Mizuho Corporate Bank, Ltd.		1,000	1,000					
	Mitsubishi UFJ Trust and Banking Corporation		1,000	1,000					
	The Norinchukin Bank	6/29/06	5,000	5,000	1.51077	6/29/10	One-time payment	For property acquisition funds	No collateral or guarantee
	Mizuho Corporate Bank, Ltd.		3,000	3,000					
	Mitsubishi UFJ Trust and Banking Corporation		3,000	3,000					
	Aozora Bank, Ltd.		2,000	2,000					
	Mizuho Corporate Bank, Ltd.		5,000	5,000					
	Mitsubishi UFJ Trust and Banking Corporation	6/29/06	3,500	3,500	1.49832	6/29/11			
	Resona Bank, Ltd.		1,000	1,000					
	The Dai-ichi Mutual Life Insurance Company		3,000	3,000					
	Subtotal	-	-	38,500	38,500	1.49131	-	-	-
Total	-	-	38,500	77,600	1.17951	-	-	-	-

(Note 1) The indicated average interest is the weighted average of the end-of-period balance with the borrowing interest rate for each loan agreement as of the end of the period, and has been rounded to the fifth decimal place. The weighted average after factoring in the benefits of the interest rate swap has been entered for the borrowings where interest rate swaps have been concluded to avoid the risk of interest variations.

(Note 2) This is a fixed-interest loan.

(Note 3) The following is the scheduled repayment amount within five years of the settlement date for the borrowings.

Category	Less than 1 year (mm yen)	1 year – Less than 2 years (mm yen)	2 years – Less than 3 years (mm yen)	3 years – Less than 4 years (mm yen)	4 years – Less than 5 years (mm yen)
Borrowings	39,100	13,000	13,000	12,500	-

3. Overview of Investment Corporation Bonds

Not applicable.

VI. Property Sale and Purchase Conditions during the Second Fiscal Period

1. Sale and Purchase Conditions of Real Estate and Asset-backed Securities

(unit: mm yen)

Asset Type	Property Name	Acquisition		Transfer			
		Acquisition Date	Acquisition Price (Note 1)	Transfer Date	Transfer Price	Book Value	Capital Gains
Trust beneficiary interests in real estate	Akasaka Garden City	March 28, 2007	23,300				
	JEI Nishi-Honmachi Building	March 28, 2007	6,674				
	Ebina Prime Tower	March 29, 2007	6,470				
	Sendai Kowa Building	April 24, 2007	4,238				
	Total		40,682				

(Note) The figure entered for the acquisition price (property transfer price entered in the agreement to transfer beneficiary interests in trust, etc.) is an amount that does not factor in the acquisition costs of the concerned property, etc. (brokerage fee, public charges, etc.), and figures have been rounded to the nearest million yen.

2. Other Asset Sale and Purchase Conditions

The primary assets other than the above property, asset-backed securities, etc. are bank deposits or bank deposits of property placed in trust.

3. Appraisal of Qualified Asset Values

Real estate, etc. (Note 1)

Acquisition or Transfer	Property Name	Type of Asset	Acquisition Date	Acquisition Price (mm yen) (Note 2)	Appraised Value of Qualified Asset (mm yen)
Acquisition	Akasaka Garden City	Trust beneficiary interests in real estate (TBIRE)	March 28, 2007	23,300	23,300
	JEI Nishi-Honmachi Building	TBIRE	March 28, 2007	6,674	6,770
	Ebina Prime Tower	TBIRE	March 29, 2007	6,470	6,550
	Sendai Kowa Building	TBIRE	April 24, 2007	4,238	4,303
Total				40,682	40,923

(Note 1) The appraisals of the values, etc. for the qualified assets above were conducted at the time of acquisition of the assets by Misuzu Audit Corporation based on Occupation Audit Committee Report No. 23 Investigation of Qualified Asset Prices for Investment Trusts and Investment Corporations of the Japanese Institute of Certified Public Accountants. In addition to the above appraised value, JEI has received appraisal reports for other items needed for determination of the actual concerned property such as property address and lot number.

(Note 2) The acquisition price figures (property transfer price entered in the agreement to transfer beneficiary interests in trust, etc.) do not factor in acquisition costs for the concerned property, etc. (brokerage fee, public charges, etc.) and figures have been rounded to the nearest million yen.

Other

There were no other transactions subject to appraisals during the subject period from January 1, 2007 – June 30, 2007.

4. Transactions with Interested Parties and Major Stockholders

Transactions

Category	Sale or Purchase Amount	
	Purchase Amount	Sale Amount
Total Amount	40,682 mm yen	- mm yen
	Of which, 34,008 mm yen are acquisitions from interested parties and major stockholders	Of which, - mm yen are sales to interested parties and major stockholders
Breakdown of transactions with interested parties and major stockholders		
Sekisui House, Ltd.	23,300 mm yen (57.3%)	- mm yen (-%)
The Dai-ichi Mutual Life Insurance Company	6,470 mm yen (15.9%)	- mm yen (-%)
Kowa Real Estate Co., Ltd.	4,238 mm yen (10.4%)	- mm yen (-%)
Total	34,008 mm yen (83.6%)	- mm yen (-%)

B. Amounts of Fees Paid

Category	Total Fees Paid (A)	Breakdown of Transactions with Interested Parties and Major Stockholders		B/A
		Paid To	Amount Paid (B)	
Maintenance and Management Fees (Note 2)	863,810,000 yen	Kowa Real Estate Co., Ltd.	247,722,000 yen	28.7%
		Sekisui House, Ltd.	24,532,000 yen	2.8%
Total	863,810,000 yen		272,254,000 yen	31.5%

(Note 1) The entries are for Kowa Real Estate Co., Ltd., The Dai-ichi Mutual Life Insurance Company, and Sekisui House, Ltd., with whom the asset manager had transactions this fiscal period and which fall under interested parties, etc. of the investment trust manager that has concluded an asset management agreement with JEI as stipulated in Article 20 of the Enforcement Rules for the Investment Trusts and Investment Corporation Law and major stockholders of the investment trust manager as defined in Article 9-3 of the Investment Trusts and Investment Corporation Law.

(Note 2) The maintenance and management fees include property management fees and construction management fees recorded as assets and not treated as expenses.

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

5. Existence of Transactions between the Asset Manager and Concurrent Operations of Said Manager

This entry is not applicable because the asset manager – JEAM – is not involved in securities, real estate brokerage, or real estate syndication businesses.

VII. Accounting

1. Conditions of Assets, Liabilities, Principal, and Profits/Losses

Please refer to Balance Sheet, Income Statement, Form of Changes to Investor Capital, Annotation Table, and Cash Distribution Calculation Form for information on the conditions of assets, liabilities, principal, and profits/losses noted later.

2. Changes in the Depreciation Calculation Method

Not applicable

3. Changes to the Real Estate Valuation Method

Not applicable

FINANCIAL STATEMENTS

VIII. Other

1. Notification

The following is an overview of the primary agreements concluded, changed, etc. with the approval of the board of directors of JEI during this fiscal period.

Date of Approval by Board of Directors	Approval Item	Description
January 25, 2007	Amendment to asset management agreement	Of the regulations governing criteria for handling operations outsourced to the asset manager, partial changes were made to the regulations governing further outsourcing to a third party

2. Other

When there is no particular indication, values below those indicated in this document have been cut off in the case of monetary amounts and rounded in the case of ratios (percentages).

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Report of Independent Auditors

The Board of Directors and Unitholders
Japan Excellent, Inc.

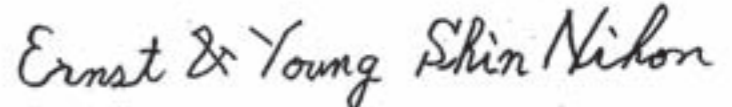
We have audited the accompanying balance sheet of Japan Excellent, Inc. as of June 30, 2007, and the related statements of income and retained earnings, changes in net assets, and cash flows for the six-month period then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The balance sheet of Japan Excellent, Inc. as of December 31, 2006, and the related statements of income and retained earnings, changes in net assets, and cash flows for the period from February 20, 2006 to December 31, 2006 were audited by other auditors whose report dated March 20, 2007 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 audit provides 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 June 30, 2007, and the results of its operations and its cash flows for the six-month period then ended in conformity with accounting principles generally accepted in Japan.

As described in Note 13, Japan Excellent, Inc. determined to issue new units and repay a loan.

The U.S. dollar amounts in the accompanying financial statements with respect to the six-month period ended June 30, 2007 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.



September 26, 2007

Japan Excellent, Inc.

Balance Sheets

As of June 30, 2007 and December 31, 2006

	As of June 30, 2007	As of December 31, 2006	As of June 30, 2007
	(Thousands of yen)		(U.S. dollars) (Note 2)
Assets			
Current assets:			
Cash and cash equivalents including trust accounts (Note 4)	¥ 15,319,710	¥ 13,119,877	\$ 124,277,684
Rental receivables	357,859	195,683	2,903,046
Consumption taxes refundable	518,641	1,765,147	4,207,357
Other current assets	86,645	32,671	702,892
Total current assets	<u>16,282,855</u>	<u>15,113,378</u>	<u>132,090,979</u>
Property and equipment (Note 6):			
Buildings and building improvements	3,204,845	3,198,296	25,998,581
Construction in progress	126	6,396	1,021
Buildings and building improvements for trust accounts	47,625,937	34,109,076	386,354,642
Machinery and equipment for trust accounts	380,957	315,648	3,090,429
Furniture and fixtures for trust accounts	4,771	2,147	38,709
Land for trust accounts	81,393,329	53,363,405	660,284,974
Construction in progress for trust accounts	210	-	1,704
Less: accumulated depreciation	(1,306,053)	(631,656)	(10,595,057)
Total property and equipment	<u>131,304,122</u>	<u>90,363,312</u>	<u>1,065,175,003</u>
Investments and other assets:			
Leasehold rights	1,185,045	1,185,045	9,613,409
Leasehold rights for trust accounts	7,380,017	7,380,017	59,868,717
Investment in securities (Note 5)	10,768	10,768	87,353
Security deposits	15,182	15,182	123,158
Long-term prepaid expenses	112,681	131,521	914,105
Other assets	545	576	4,420
Total investments and other assets	<u>8,704,238</u>	<u>8,723,109</u>	<u>70,611,162</u>
Total assets	<u>¥156,291,215</u>	<u>¥114,199,799</u>	<u>\$1,267,877,144</u>
Liabilities			
Current liabilities:			
Accounts payable – trade	¥ 447,648	¥ 472,372	\$ 3,631,441
Short-term loans (Note 7)	39,100,000	-	317,189,908
Accounts payable – other	308,346	299,964	2,501,390
Other current liabilities	26,978	26,636	218,855
Total current liabilities	<u>39,882,972</u>	<u>798,972</u>	<u>323,541,594</u>
Long-term liabilities:			
Long-term debt (Note 7)	38,500,000	38,500,000	312,322,544
Security deposits from tenants	516,494	483,185	4,189,943
Security deposits from tenants for trust accounts	7,510,209	4,919,047	60,924,867
Derivative liabilities	67,776	168,610	549,820
Total long-term liabilities	<u>46,594,479</u>	<u>44,070,842</u>	<u>377,987,174</u>
Total liabilities	<u>86,477,451</u>	<u>44,869,814</u>	<u>701,528,768</u>
Net assets (Note 8):			
Unitholders' equity:			
Unitholders' capital:			
Units authorized: 2,000,000 units	67,641,920	67,641,920	548,729,780
Units issued and outstanding: 134,800 units as of June 30, 2007 and December 31, 2006			
Retained earnings	2,239,620	1,856,675	18,168,416
Total unitholders' equity	<u>69,881,540</u>	<u>69,498,595</u>	<u>566,898,196</u>
Valuation and translation adjustments:			
Unrealized loss on deferred hedge transactions	(67,776)	(168,610)	(549,820)
Total valuation and translation adjustments	<u>(67,776)</u>	<u>(168,610)</u>	<u>(549,820)</u>
Total net assets	<u>69,813,764</u>	<u>69,329,985</u>	<u>566,348,376</u>
Total liabilities and net assets	<u>¥156,291,215</u>	<u>¥114,199,799</u>	<u>\$1,267,877,144</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 January 1, 2007 to June 30, 2007
and from February 20, 2006 to December 31, 2006

	For the period from January 1, 2007 to June 30, 2007	For the period from February 20, 2006 to December 31, 2006	For the period from January 1, 2007 to June 30, 2007
	(Thousands of yen)		(U.S. dollars) (Note 2)
Revenues:			
Rental revenues (Note 11)	¥5,069,179	¥4,335,709	\$41,122,566
Other (Note 11)	436,637	416,137	3,542,119
Total revenues	<u>5,505,816</u>	<u>4,751,846</u>	<u>44,664,685</u>
Operating expenses:			
Property operating expenses (Note 11)	2,409,279	1,977,987	19,544,732
Asset management fees	328,491	306,291	2,664,810
Custodian fees	7,435	8,975	60,316
Administrative service fees	14,542	18,014	117,964
Compensation for directors	4,690	11,858	38,047
Other operating expenses	87,514	59,014	709,938
Total operating expenses	<u>2,851,951</u>	<u>2,382,139</u>	<u>23,135,807</u>
Operating income	<u>2,653,865</u>	<u>2,369,707</u>	<u>21,528,878</u>
Other income:			
Refund of consumption taxes including interest	16,384	-	132,914
Interest income	7,975	5,017	64,699
Other	319	-	2,586
Other expenses:			
Interest expense	361,110	208,919	2,929,424
Loan arrangement fees	46,777	85,468	379,474
New unit issuance costs	30,126	62,916	244,388
IPO expenses	-	104,727	-
Organization costs	-	54,305	-
Other	1	1	6
Income before income taxes	<u>2,240,529</u>	<u>1,858,388</u>	<u>18,175,785</u>
Income taxes – current (Note 10)			
	965	1,750	7,824
Income taxes – deferred	19	(37)	155
Net income	<u>2,239,545</u>	<u>1,856,675</u>	<u>18,167,806</u>
Retained earnings at beginning of period	75	-	610
Retained earnings at end of period	<u>¥2,239,620</u>	<u>¥1,856,675</u>	<u>\$18,168,416</u>

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

Japan Excellent, Inc.

Statements of Changes in Net Assets

For the periods from January 1, 2007 to June 30, 2007
and from February 20, 2006 to December 31, 2006

For the period from February 20, 2006 to December 31, 2006						
Net assets						
Unitholders' equity			Valuation and translation adjustments			
Number of units	Unitholders' capital	Retained earnings	Total unitholders' equity	Unrealized loss on deferred hedge transactions	Total valuation and translation adjustments	Total net assets
<i>(Thousands of yen)</i>						
Balance as of February 20, 2006	–	–	–	–	–	–
Changes during the fiscal period:						
Issuance of new units	134,800	¥67,641,920	¥67,641,920	–	–	¥67,641,920
Net income	–	¥1,856,675	1,856,675	–	–	1,856,675
Changes in unrealized loss on deferred hedge transactions	–	–	–	¥(168,610)	¥(168,610)	(168,610)
Total changes during the fiscal period	–	67,641,920	69,498,595	(168,610)	(168,610)	69,329,985
Balance as of December 31, 2006	134,800	¥67,641,920	¥69,498,595	¥(168,610)	¥(168,610)	¥69,329,985
For the period from January 1, 2007 to June 30, 2007						
Net assets						
Unitholders' equity			Valuation and translation adjustments			
Number of units	Unitholders' capital	Retained earnings	Total unitholders' equity	Unrealized loss on deferred hedge transactions	Total valuation and translation adjustments	Total net assets
<i>(Thousands of yen)</i>						
Balance as of December 31, 2006	134,800	¥67,641,920	¥69,498,595	¥(168,610)	¥(168,610)	¥69,329,985
Changes during the fiscal period:						
Distributions from retained earnings	–	(1,856,600)	(1,856,600)	–	–	(1,856,600)
Net income	–	2,239,545	2,239,545	–	–	2,239,545
Changes in unrealized loss on deferred hedge transactions	–	–	–	100,834	100,834	100,834
Total changes during the fiscal period	–	382,945	382,945	100,834	100,834	483,779
Balance as of June 30, 2007	134,800	¥67,641,920	¥69,881,540	¥(67,776)	¥(67,776)	¥69,813,764
For the period from January 1, 2007 to June 30, 2007						
Net assets						
Unitholders' equity			Valuation and translation adjustments			
Number of units issued	Unitholders' capital	Retained earnings	Total unitholders' equity	Unrealized loss on deferred hedge transactions	Total valuation and translation adjustments	Total net assets
<i>(U.S. dollars) (Note 2)</i>						
Balance as of December 31, 2006	134,800	\$548,729,780	\$563,791,641	\$(1,367,815)	\$(1,367,815)	\$562,423,826
Changes during the fiscal period:						
Distributions from retained earnings	–	(15,061,251)	(15,061,251)	–	–	(15,061,251)
Net income	–	18,167,806	18,167,806	–	–	18,167,806
Changes in unrealized loss on deferred hedge transactions	–	–	–	817,995	817,995	817,995
Total changes during the fiscal period	–	3,106,555	3,106,555	817,995	817,995	3,924,550
Balance as of June 30, 2007	134,800	\$548,729,780	\$566,898,196	\$(549,820)	\$(549,820)	\$566,348,376

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

Japan Excellent, Inc.

Statements of Cash Flows

For the periods from January 1, 2007 to June 30, 2007
and from February 20, 2006 to December 31, 2006

	For the period from January 1, 2007 to June 30, 2007	For the period from February 20, 2006 to December 31, 2006	For the period from January 1, 2007 to June 30, 2007
	<i>(Thousands of yen)</i>	<i>(Thousands of yen)</i>	<i>(U.S. dollars) (Note 2)</i>
Cash flows from operating activities			
Income before income taxes	¥ 2,240,529	¥ 1,858,388	\$ 18,175,785
Depreciation and amortization	674,428	631,715	5,471,146
Amortization of new unit issuance costs	30,126	62,916	244,388
IPO expenses	–	104,727	–
Interest income	(7,975)	(5,017)	(64,699)
Interest expense	361,110	208,919	2,929,424
Increase in rental receivables	(162,175)	(195,683)	(1,315,612)
Decrease (increase) in consumption taxes refundable	1,246,506	(1,765,147)	10,111,996
Increase in prepaid expenses	(55,059)	(30,387)	(446,654)
Increase in accounts payable – trade	82,743	279,758	671,236
Increase in accounts payable – other	31,107	245,719	252,344
(Decrease) increase in advances received	(1,333)	17,649	(10,812)
Decrease (increase) in long-term prepaid expenses	18,839	(131,521)	152,829
Other, net	(14,842)	16,454	(120,400)
Subtotal	4,444,004	1,298,490	36,050,971
Interest received	9,186	3,806	74,523
Interest paid	(356,787)	(204,649)	(2,894,356)
Income taxes paid	(2,677)	(761)	(21,720)
Net cash provided by operating activities	4,093,726	1,096,886	33,209,418
Cash flows from investing activities			
Purchase of investment in securities	–	(10,768)	–
Purchases of property and equipment	(10,963)	(3,193,298)	(88,936)
Purchases of property and equipment for trust accounts	(41,687,477)	(87,632,905)	(338,180,228)
Purchases of intangible assets	(8)	(1,185,672)	(66)
Purchases of intangible assets for trust accounts	(108)	(7,379,908)	(877)
Payments for security deposits	–	(15,182)	–
Proceeds from security deposits from tenants	33,452	500,106	271,375
Payments of security deposits to tenants	(3,872)	(13,193)	(31,407)
Proceeds from security deposits from tenants for trust accounts	3,002,228	5,051,303	24,354,895
Payments of security deposits to tenants for trust accounts	(471,393)	(71,929)	(3,824,072)
Net cash used in investing activities	(39,138,141)	(93,951,446)	(317,499,316)
Cash flows from financing activities			
Proceeds from short-term loans	53,100,000	–	430,761,742
Repayment of short-term loans	(14,000,000)	–	(113,571,834)
Proceeds from long-term debt	–	38,500,000	–
Proceeds from issuance of new units	–	67,641,920	–
Payments for new unit issuance costs	(1,197)	(62,916)	(9,711)
Payments for IPO expenses	(161)	(104,567)	(1,303)
Distributions to unitholders	(1,854,394)	–	(15,043,351)
Net cash provided by financing activities	37,244,248	105,974,437	302,135,543
Net increase in cash and cash equivalents	2,199,833	13,119,877	17,845,645
Cash and cash equivalents at beginning of period	13,119,877	–	106,432,039
Cash and cash equivalents at end of period	¥ 15,319,710	¥ 13,119,877	\$ 124,277,684

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

Japan Excellent, Inc.

Notes to Financial Statements

For the periods from January 1, 2007 to June 30, 2007
and from February 20, 2006 to December 31, 2006

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 June 30, 2007, JEI held 18 properties with 190,051 square meters of total leasable space and had leases with 120 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 Securities 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 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 ¥123.27 = U.S.\$1.00, the foreign exchange rate prevailing on June 30, 2007, 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.

Investments in 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

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 5 years.

Organization costs and unit issuance costs

Organization costs and new unit issuance costs are charged to income as incurred.

Income taxes

Income taxes are accounted for on the basis of 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.

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).

For the period from January 1, 2007 to June 30, 2007, JEI capitalized the property-related taxes allocated to the sellers of properties to JEI at the time of acquisition of such properties for trust accounts.

The capitalized amounts for the periods from January 1, 2007 to June 30, 2007 and from February 20, 2006 to December 31, 2006 were ¥193,439 thousand and ¥339,095 thousand, respectively.

3. Summary of Significant Accounting Policies (continued)

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 interest-rate swap contracts to hedge variable rates for 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.

4. Cash and Cash Equivalents

Cash and cash equivalents including trust accounts in the accompanying balance sheets and cash and cash equivalents in the accompanying statements of cash flows at June 30, 2007 and December 31, 2006 consisted of the following:

	As of June 30, 2007	As of December 31, 2006	As of June 30, 2007
	<i>(Thousands of yen)</i>		<i>(U.S. dollars)</i>
Cash and cash deposits	¥ 5,223,560	¥ 5,978,072	\$ 42,374,948
Cash in trust and deposits in trust	10,096,150	7,141,805	81,902,736
Cash and cash equivalents	<u>¥15,319,710</u>	<u>¥13,119,877</u>	<u>\$124,277,684</u>

5. Investment in Securities

Investment in securities as of June 30, 2007 and December 31, 2006 was as follows:

	As of June 30, 2007	As of December 31, 2006	As of June 30, 2007
	<i>(Thousands of yen)</i>		<i>(U.S. dollars)</i>
Non-listed stock	¥10,768	¥10,768	\$87,353

6. Schedule of Property and Equipment

Property and equipment at June 30, 2007 and December 31, 2006 consisted of the following:

	As of June 30, 2007			As of December 31, 2006			As of June 30, 2007		
	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value
	<i>(Thousands of yen)</i>						<i>(U.S. dollars)</i>		
Buildings and structures	¥ 3,204,845	¥ (79,365)	¥ 3,125,480	¥ 3,198,296	¥ (43,117)	¥ 3,155,179	\$ 25,998,581	\$ (643,829)	\$ 25,354,752
Buildings and structures for trust accounts	47,625,937	(1,201,899)	46,424,038	34,109,076	(576,109)	33,532,967	386,354,642	(9,750,136)	376,604,506
Machinery and equipment for trust accounts	380,957	(24,450)	356,507	315,648	(12,372)	303,276	3,090,429	(198,342)	2,892,087
Furniture and fixtures for trust accounts	4,771	(339)	4,432	2,147	(58)	2,089	38,709	(2,750)	35,959
Land for trust accounts	81,393,329	-	81,393,329	53,363,405	-	53,363,405	660,284,974	-	660,284,974
Construction in progress	126	-	126	6,396	-	6,396	1,021	-	1,021
Construction in progress for trust accounts	210	-	210	-	-	-	1,704	-	1,704
Total	<u>¥132,610,175</u>	<u>¥(1,306,053)</u>	<u>¥131,304,122</u>	<u>¥90,994,968</u>	<u>¥(631,656)</u>	<u>¥90,363,312</u>	<u>\$1,075,770,060</u>	<u>\$(10,595,057)</u>	<u>\$1,065,175,003</u>

7. Short-Term Loans and Long-Term Debt

Short-term loans and long-term debt as of June 30, 2007 and December 31, 2006 consisted of the following:

	As of June 30, 2007		As of December 31, 2006		As of June 30, 2007
	Amount	Weighted- average interest rate	Amount	Weighted- average interest rate	Amount
	<i>(Thousands of yen)</i>		<i>(Thousands of yen)</i>		<i>(U.S. dollars)</i>
Short-term loans:					
Loans from banks due on July 31, 2007	¥39,100,000	0.87250%	-	-	\$317,189,908
Long-term debt					
Loans from banks due on June 29, 2009	13,000,000	1.35712%	¥13,000,000	0.96370%	105,459,560
Loans from banks due on June 29, 2010	13,000,000	1.51077%	13,000,000	1.02857%	105,459,560
Loans from banks due on June 29, 2011	9,500,000	1.49832%	9,500,000	0.96834%	77,066,602
Loans from an insurance company due on June 29, 2011	3,000,000	1.96625%	3,000,000	1.96625%	24,336,822
Subtotal	<u>38,500,000</u>		<u>38,500,000</u>		<u>312,322,544</u>
Total	<u>¥77,600,000</u>		<u>¥38,500,000</u>		<u>\$629,512,452</u>

8. Net Assets

JEI issues only non-par value investment units in accordance with the Investment Trust Law.

JEI is required to maintain net assets of at least ¥50 million in accordance with the Investment Trust Law.

9. Per Unit Information

Net assets per unit were ¥517,906 and ¥514,317 as of June 30, 2007 and December 31, 2006, respectively. Net income per unit was ¥16,614 and ¥13,858 for the periods from January 1, 2007 to June 30, 2007 and from February 20, 2006 to December 31, 2006, respectively, which were 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 taxable income for each fiscal period in order to meet the condition set forth in the Special Taxation Measures Law of Japan concerning the deductibility of cash dividends paid for income tax purposes.

Details of significant components of deferred tax assets and liabilities as of June 30, 2007 and December 31, 2006 are summarized as follows.

	As of June 30, 2007	As of December 31, 2006	As of June 30, 2007
	<i>(Thousands of yen)</i>		<i>(U.S. dollars)</i>
Deferred tax assets:			
Accrued enterprise taxes	¥ 18	¥ 37	\$ 146
Unrealized loss on deferred hedge transactions	26,697	66,415	216,573
Gross deferred tax assets	26,715	66,452	216,719
Valuation reserve	(26,697)	(66,415)	(216,573)
Total deferred tax assets	18	37	146
Net deferred tax assets	¥ 18	¥ 37	\$ 146

A reconciliation of the differences between the adjusted statutory tax rate and the effective tax rates for the period from January 1, 2007 to June 30, 2007 and for the period from February 20, 2006 to December 31, 2006 was as follows:

	For the period from January 1, 2007 to June 30, 2007	For the period from February 20, 2006 to December 31, 2006
Statutory tax rate	39.39%	39.39%
Reconciliation:		
Deductible distributions paid	(39.38)	(39.35)
Other	0.03	0.05
Effective tax rates	0.04%	0.09%

11. Breakdown of Property Rental Business Revenues and Expenses

	For the period from January 1, 2007 to June 30, 2007	For the period from February 20, 2006 to December 31, 2006	For the period from January 1, 2007 to June 30, 2007
	<i>(Thousands of yen)</i>		<i>(U.S. dollars)</i>
Rental business revenues:	¥5,505,816	¥4,751,846	\$44,664,685
Rental income	5,069,179	4,335,709	41,122,566
Other	436,637	416,137	3,542,119
Property operating expenses:	2,409,279	1,977,987	19,544,732
Property management costs and fees	859,980	712,749	6,976,392
Utilities	452,266	406,340	3,668,909
Property and other taxes	174,558	-	1,416,064
Insurance	19,063	13,790	154,644
Repairs and maintenance	124,121	120,178	1,006,901
Depreciation	674,396	631,656	5,470,889
Other	104,895	93,274	850,933
Profit	¥3,096,537	¥2,773,859	\$25,119,953

12. Related Party Transactions

JEI has entered into real estate lease agreements and purchase agreements for investment assets with Kowa Real Estate Co., Ltd. which owns 10% of the outstanding units of JEI.

In addition, JEI has entered into an asset management agreement and other transactions with Junichi Tamura who is the President of JEAM and Executive Director of JEI.

For the period from January 1, 2007 to June 30, 2007

(1) Major unitholders

Company name	Description of transaction	Amount <i>(Thousands of yen)</i>	Amount <i>(U.S. dollars)</i>	Account	Balance at the end of period <i>(Thousands of yen)</i>	Balance at the end of period <i>(U.S. dollars)</i>
Kowa Real Estate Co., Ltd.	Acquisition of real estate	¥4,238,000	\$34,379,817	-	-	-
	Property leasing	¥1,399,789	\$11,355,477	Advance received	¥ 801	\$ 6,495
				Security deposit	¥1,985,940	\$16,110,489
	Payment of property management costs and fees	¥ 245,054	\$ 1,987,947	Accounts payable – trade	¥ 67,539	\$ 547,894

12. Related Party Transactions (continued)

For the period from January 1, 2007 to June 30, 2007 (continued)

(2) Directors and major individual unitholders

Name	Description of transaction	Amount (Thousands of yen)	Amount (U.S. dollars)	Account	Balance at the end of period (Thousands of yen)	Balance at the end of period (U.S. dollars)
Junichi Tamura	Payment of asset management fees to JEAM	¥328,491	\$2,664,810	Accounts payable	¥216,850	\$1,759,147

For the period from February 20, 2006 to December 31, 2006

(1) Major unitholders

Company name	Description of transaction	Amount (Thousands of yen)	Account	Balance at the end of period (Thousands of yen)
Kowa Real Estate Co., Ltd.	Acquisition of real estate	¥22,875,000	—	—
	Property leasing	¥ 1,364,656	Advance received	¥ 147
	Payment of property management costs and fees	¥ 232,974	Security deposit	¥1,533,890
			Accounts payable – trade	¥ 40,740

(2) Directors and major individual unitholders

Name	Description of transaction	Amount (Thousands of yen)	Account	Balance at the end of period (Thousands of yen)
Junichi Tamura	Payment of asset management fees to JEAM	¥306,291	Accounts payable	¥184,708
	Payment of foundation arrangement fees to JEAM	¥ 50,000	—	—

13. Significant Subsequent Events

(1) Cash distribution

In accordance with Section 33.1.2 of the bylaws set forth by JEI for distributions of cash dividends, the amount of dividends payable is limited by the amount of income to an amount exceeding 90% of income available for distributions of dividends of JEI as set forth in Section 67.15 of the Special Taxation Measures Law. Consequently, JEI set income available for distributions of dividends at ¥2,239,567,200, the maximum integral multiple of the 134,800 units issued not exceeding unappropriated income at June 30, 2007. No cash distribution exceeding the income amount set forth in Section 33.1.4 of the bylaws of JEI shall be made.

On August 22, 2007, the Board of Directors approved a resolution to make a cash distribution of ¥16,614 per unit aggregating to ¥2,239,567,200 to unitholders of record as of June 30, 2007.

(2) Issuance of new units

On June 18, 2007, the Board of Directors approved a resolution to complete a public offering of new units as outlined below. JEI received payment on July 11, 2007 and August 8, 2007 for the said units which were issued in accordance with the conditions outlined below. As a result of the issuance of new units, JEI had unitholders' capital of ¥87,083 million (\$706,441 thousand) with 154,550 units in issue at August 8, 2007.

A. Issuance of new units through public offering

- (i) Method of issuance: Public offering
- (ii) Number of units issued: 19,000 units
- (iii) Issue price (offer price): ¥1,019,200 (\$8,268) per unit
- (iv) Total offer price: ¥19,365 million (\$157,093 thousand)
- (v) Proceeds per unit: ¥984,360 (\$7,985)
- (vi) Aggregate proceeds: ¥18,702 million (\$151,723 thousand)
- (vii) Payment date: July 11, 2007
- (viii) Beginning date of dividend calculation for new unitholders: July 1, 2007

B. Issuance of new units through allocation to a third party

- (i) Method of issuance: Allocation to a third party
- (ii) Number of units issued: 750 units
- (iii) Proceeds per unit: ¥984,360 (\$7,985) per unit
- (iv) Aggregate proceeds: ¥738 million (\$5,989 thousand)
- (v) Payment date: August 8, 2007
- (vi) Beginning date of dividend calculation for new unitholders: July 1, 2007
- (vii) Allottee: Mizuho Securities Co., Ltd.

13. Significant Subsequent Events (continued)

(3) Early repayment of a loan

On July 23, 2007, the Board of Directors approved a resolution to repay the following outstanding short-term loan on July 24, 2007 prior to its due date:

- (i) Total amount of the loan: ¥20,700 million (\$167,924 thousand)
- (ii) Lender: Mizuho Corporate Bank, Ltd.
- (iii) Interest rate: 0.87250% (from June 25, 2007 through July 24, 2007)
- (iv) Start of the loan period: March 28, 2007
- (v) Original due date: July 31, 2007

(4) Borrowing from financial institutions

On July 31, 2007, JEI borrowed ¥18,000 million from certain financial institutions for the repayment of short-term loans.

	Amount <i>(Thousands of yen)</i>	Amount <i>(U.S. dollars)</i>	Interest rate
Loans from banks and other due on July 31, 2012	¥ 7,000,000	\$ 56,785,917	1.11500%
Loans from banks and other due on July 31, 2012	7,000,000	56,785,917	1.96907%
Loans from an insurance company due on July 31, 2014	2,000,000	16,224,548	2.25875%
Loans from a bank due on July 31, 2014	2,000,000	16,224,548	2.28417%
Total	¥18,000,000	\$146,020,930	





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