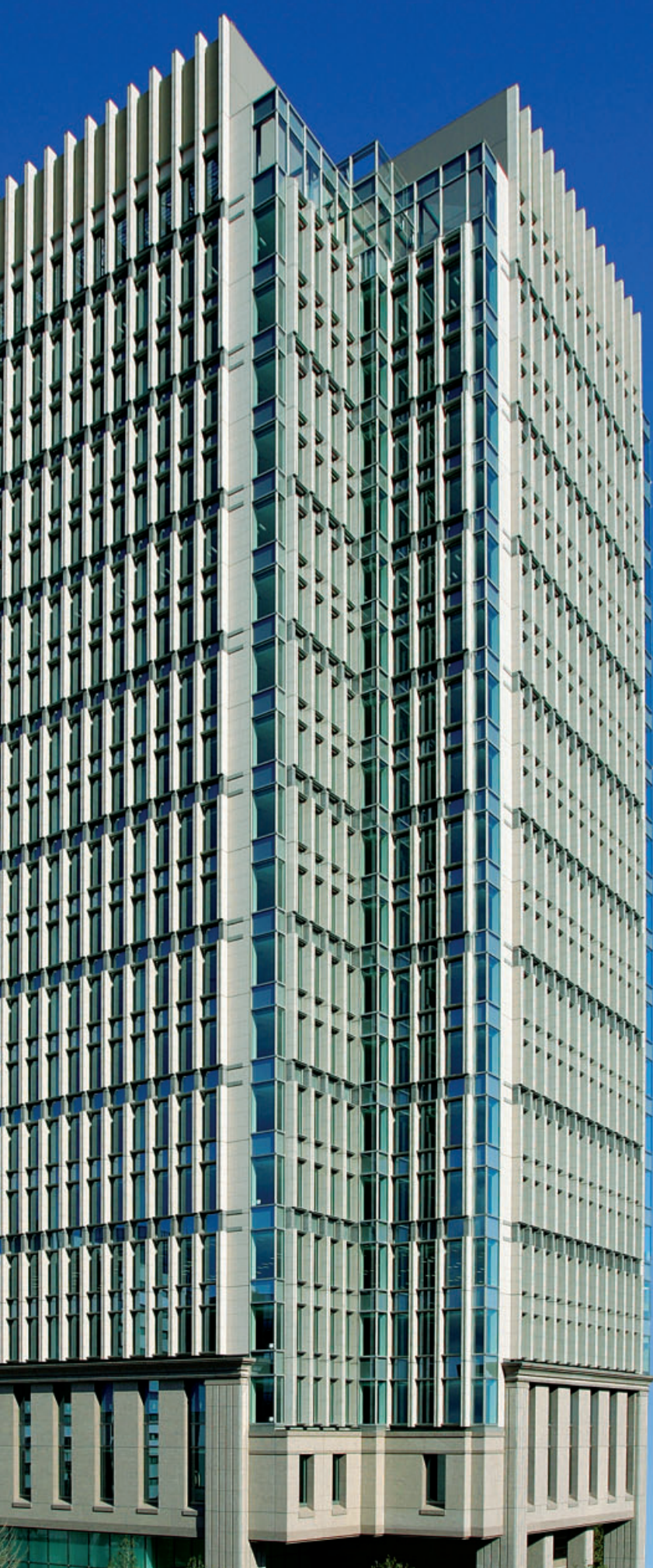


JAPAN EXCELLENT, INC. SEMI-ANNUAL REPORT

FOR THE 4TH FISCAL PERIOD
From January 1, 2008 to June 30, 2008





Committed to maximizing investor value

Japan Excellent is committed to making the best use of the strengths of its sponsors

- Sponsors with robust finance strength
- Sponsors with robust real estate strength

Office buildings in major metropolitan areas are the main assets in the portfolio

- Investment target (breakdown by use (Note))
- Office buildings: 90% or more
Other: 10% or less

Note: Please see later sections for details on sponsors and portfolio management.

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Operating Results

Distribution per unit:

¥17,218

Revenues:	¥7,840	million
Operating income:	¥3,432	million
Net income:	¥2,661	million
Total assets:	¥206,079	million
Net assets:	¥89,655	million
Net assets per investment unit:	¥580,107	

Financial Highlights

Revenues (million yen)

1st fiscal period	4,751
2nd fiscal period	5,505
3rd fiscal period	6,982
4th fiscal period	7,840

Net income (million yen)

1st fiscal period	1,856
2nd fiscal period	2,239
3rd fiscal period	2,420
4th fiscal period	2,661

Distribution per unit (yen)

1st fiscal period	13,773
2nd fiscal period	16,614
3rd fiscal period	15,663
4th fiscal period	17,218

Total assets (million yen)

1st fiscal period	114,199
2nd fiscal period	156,291
3rd fiscal period	205,486
4th fiscal period	206,079

Topics

- Topic 1** | Given the changes in the business environment, we have decided to sell two properties to strengthen the competitiveness of the overall portfolio. In the two years since listing, our assets scale has expanded from 98.3 billion yen (portfolio at IPO: 14 properties) to 180.7 billion yen (18 properties).
- Topic 2** | By raising rents through renegotiations, this fiscal period also witnessed a steady growth in rental revenues. Total rental revenues for the fourth fiscal period rose 3.0% (6.1% on an annual basis) compared with the third fiscal period, excluding the growth factor from additional property acquisition (portfolio at IPO: 14 properties).

Message to Our Unitholders

Executive Director,
Japan Excellent, Inc.

President,
Japan Excellent Asset Management Co., Ltd.

Junichi Tamura



Profile

April 1976	Entered Industrial Bank of Japan, Limited
May 1998	General Manager, Equity Research Department, IBJ Securities Co., Ltd.
June 1999	Executive Director, IBJ Securities
June 2000	General Manager, Corporate Planning Department, Shinko Securities Co., Ltd.
June 2003	General Manager, Corporate Business Promoting & Planning Department, Shinko Securities
April 2004	Executive Officer and General Manager, Corporate Business Promoting & Planning Department, Shinko Securities
April 2005	President and Representative Director, Japan Excellent Asset Management Co., Ltd.
February 2006	Executive Director, Japan Excellent, Inc.

Performance in the Fourth Fiscal Period

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

Since our IPO in the real estate investment trust market of the Tokyo Stock Exchange on June 27, 2006, JEI has primarily invested in office buildings, with our objective being to steadily grow in asset size and maximize unitholder value from a medium- to long-term perspective.

We have just concluded our fourth fiscal period, which ran from January 1, 2008, to June 30, 2008. I would like to review our business and the financial results for the fiscal period.

JEI posted revenues of 7,840 million yen, income before income taxes of 2,662 million yen, and net income of 2,661 million yen in the fourth fiscal period. As a result, we were able to distribute 17,218 yen per investment unit to our unitholders. Since the listing, revenues, net income, and the distribution per investment unit have steadily increased.

Revenues for this fiscal period increased 12.3% from the previous fiscal period. This is attributable to the full contribution from the two properties (AKASAKA INTERCITY and Kowa Kawasaki Nishiguchi Building) acquired from one of our core sponsors, Kowa Real Estate Co., Ltd., during the third fiscal period, and to the rent increase of 6.1% per annum for the 14 properties initially in our portfolio, which offset the decrease in rent revenue due to the repair work for JEI Nishi-Honmachi Building. The rent increase was carried out in close collaboration with our prominent property managers, while at the same time we worked to maintain and improve the level of satisfaction of tenants.

In prompt response to the changes in the real estate market environment, this fiscal period we decided to sell Shuwa Iidabashi Building and Sendai Kowa Building in order to strengthen our portfolio. After the sale of these two properties, our portfolio will be 18 office buildings with a total acquisition price of 180.7 billion yen.

As to financial activities, JEI submitted a shelf registration for its investment corporation bonds, and increased the fixed interest rate portion to 72% (as of the end of the fourth fiscal period) of the total amount of our long-term borrowings to further enhance its financial stability.

Investment Policy

JEI maintains a consistent investment policy of investing mainly in office buildings located in the major metropolitan areas, while considering the balance of region, property size, and tenants. We pursue both stability and expansion of profits in order to realize the steady, medium- to long-term growth which is expected of REIT investments.

Our greatest geographic emphasis is on the six central wards of Tokyo — Chiyoda, Chuo, Minato, Shinjuku, Shibuya and Shinagawa. Properties located in these six wards accounted for 53% of the total portfolio at the IPO, and 52% at the end of the fourth fiscal period (after the sale of the aforementioned two properties), maintaining a level of over 50%.

Considering the latest investment environment, where the rent is peaking out in some high-grade office buildings in the Tokyo metropolitan area and vacancy rates are going up in many regional cities, we are convinced of the need for implementing more prudent investment strategies.

Based on the recognition of this market environment, we will continue to implement our policy of expanding the portfolio over the medium- to long-term, and continue to acquire assets provided by our sponsors as a core strategy. We will also continue to seek opportunities to acquire properties from third parties. While all three of the core sponsors of JEI are actively involved in the real estate development business, they recognize the need for off-balancing their assets after development projects have been completed. Thus, JEI expects continued contribution of properties from its sponsors in the foreseeable future.

As of the end of the fourth fiscal period, of the 18 properties that JEI owns after the sale of the two properties, 15 were acquired from the sponsors, and two acquired from third parties utilizing the networks of the sponsors. Based on our view of the intensifying competitiveness among properties, we will continue to emphasize the improvement of the quality of our property management and enforce effective additional investments in the properties in order to increase rent revenues and improve tenant satisfaction.

As for financial strategies, we plan to implement an efficient and dynamic strategy to raise capital for external growth, including the floating of investment corporation bonds, as

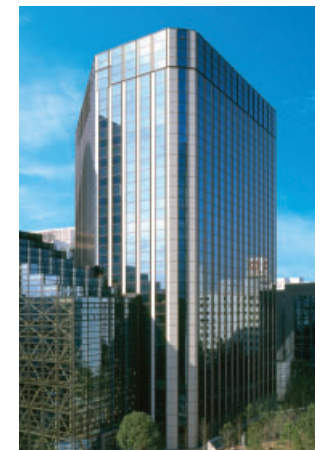
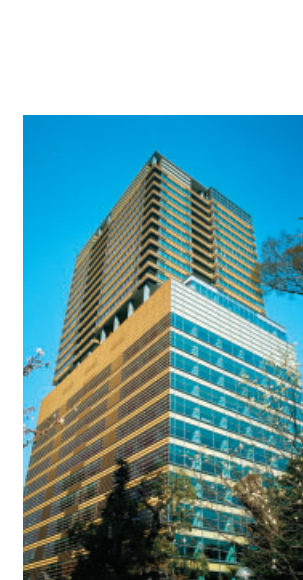
well as to take steps to diversify lenders and repayment periods, and maintain a balance between short- and long-term borrowings. We also intend to increase the portion of fixed-rate borrowings in order to mitigate the risk of rising interest rates in the future.

The real estate and financial environments as well as the regulatory systems surrounding the J-REIT business are undergoing dramatic changes, which include the enforcement of the Financial Instruments and Exchange Law in September 2007. JEI and JEAM will continue to cope with these environmental changes promptly and effectively.

A handwritten signature in black ink that reads "J. Tamura".

Junichi Tamura

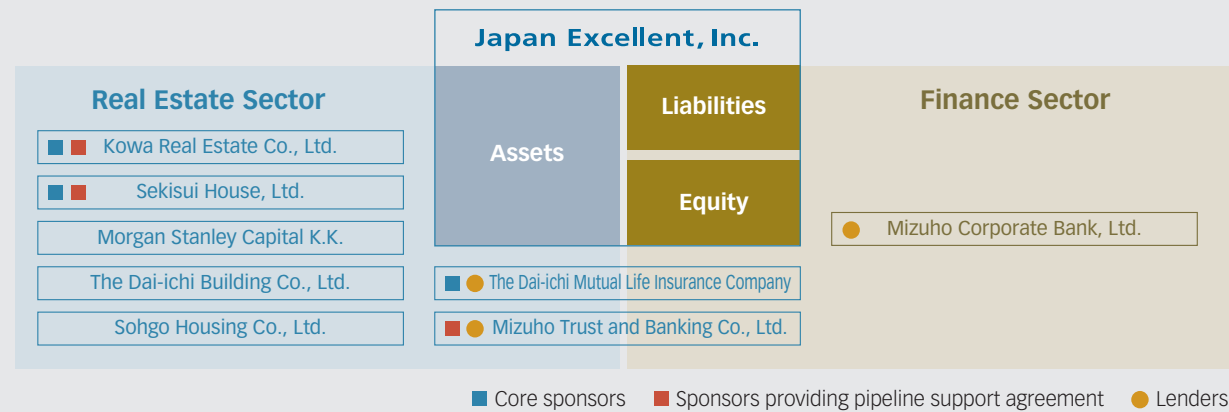
Executive Director, Japan Excellent, Inc.
President, Japan Excellent Asset Management Co., Ltd.



Strengths of Japan Excellent, Inc.

Collective support from sponsor companies with strengths in real estate and finance

With sponsors engaging in a wide range of real estate businesses and sponsors with extensive financial expertise, JEI is able to maximize unitholder value by combining their comprehensive strengths.



Core sponsor companies with extensive track records in development, investment, and asset management of office buildings (Note 1)

Core Sponsor Kowa Real Estate Co., Ltd.

- Mizuho Corporate Bank's close partner in real estate
- Comprehensively engages in construction, maintenance, and management operations of state of the art office buildings centered in the Tokyo metropolitan area
- Prime development projects include SHINAGAWA INTERCITY (Note 2) and AKASAKA INTERCITY (Note 3).





SHINAGAWA INTERCITY AKASAKA INTERCITY

Core Sponsor The Dai-ichi Mutual Life Insurance Company

- Extensive experience and an established track record in the real estate leasing business
- Actively supplies high-quality office space and property management
- Sophisticated risk-control abilities demonstrated by longstanding asset management experience
- Prime development projects include Harumi Triton Square (Note 2) and Omori Bellport (Note 3).





HARUMI TRITON SQUARE OMORI BELLPORT

Core Sponsor Sekisui House, Ltd.

- A leading home-builder in Japan with an established track record in large-scale urban development business
- Prime development projects include Rokko Island City (Kobe) (Note 2) and Akasaka Garden City (Note 3).





ROKKO ISLAND CITY AKASAKA GARDEN CITY

(Note 1) JEAM considers Kowa Real Estate Co., Ltd., The Dai-ichi Mutual Life Insurance Company and Sekisui House, Ltd. as its core sponsors.
 (Note 2) Currently, there are no plans to acquire this property.
 (Note 3) JEI currently owns a part of this property.

Investment Strategy

Portfolio centering on office buildings in major metropolitan areas*, balanced revenue stability, and expansion

* Major metropolitan areas refer to the metropolis of Tokyo and its vicinity (Kanagawa, Saitama and Chiba Prefectures) as well as government-ordinance designated cities.

JEI invests 90% or more of its portfolio in office buildings. As of June 30, 2008, all of the assets in the portfolio were office buildings. Target investment areas are the major metropolitan areas centering on the six central wards of Tokyo. JEI will strengthen its portfolio with a focus on regional, property scale, and tenant mix balance.

Portfolio composition by type of usage

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

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

Target investment areas

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

Portfolio with a focus on regional, property scale, and tenant mix balance

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

* JEI defines buildings located in the 23 wards of Tokyo with total floor space of approximately 33,058 m² or larger as large-scale buildings, and those with total floor space between 3,306 m² and 33,057 m² as medium-sized buildings. For properties in all other areas, JEI defines buildings in such areas with total floor space of approximately 13,223 m² or larger as large-scale buildings, and those with total floor space between 3,306 m² and 13,222 m² as medium-sized buildings.

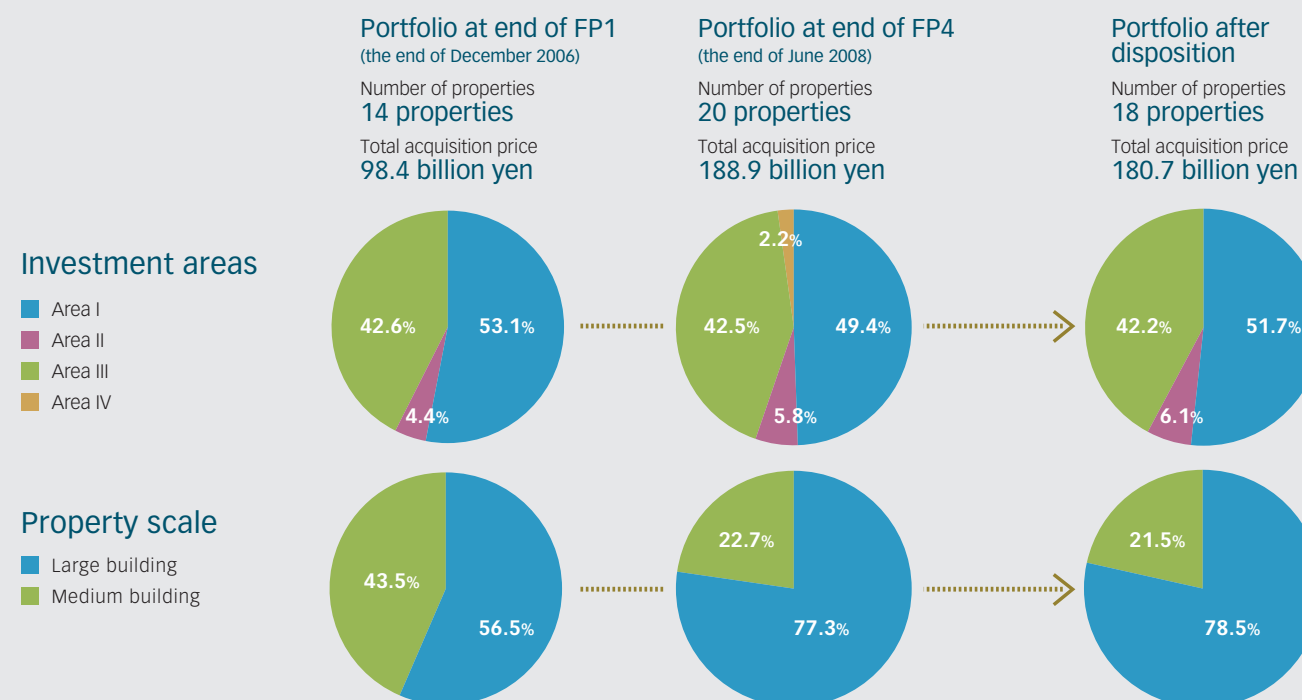
External Growth

Expanding the portfolio while responding to changes in the real estate investment environment

The asset size of the portfolio expanded from 98.3 billion yen (14 properties) to 180.7 billion yen (18 properties after the sale of two properties) during the two years after listing. We will ensure steady management of the assets, with the target of expanding asset size to 300.0 billion yen within 5 years of the IPO (Note 1).



(Note 1) This is the current target, with the possibility that the target may not be achieved due to future events or to the market environment.
 (Note 2) "After disposition" is defined as the portfolio (20 properties, total acquisition value: 188.9 billion yen) at the end of the fourth fiscal period (June 30, 2008), from which Shuwa Iidabashi Building and Sendai Kowa Building are excluded.

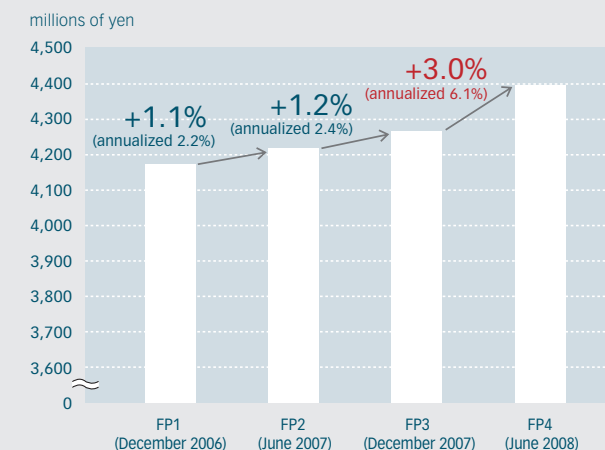


Internal Growth

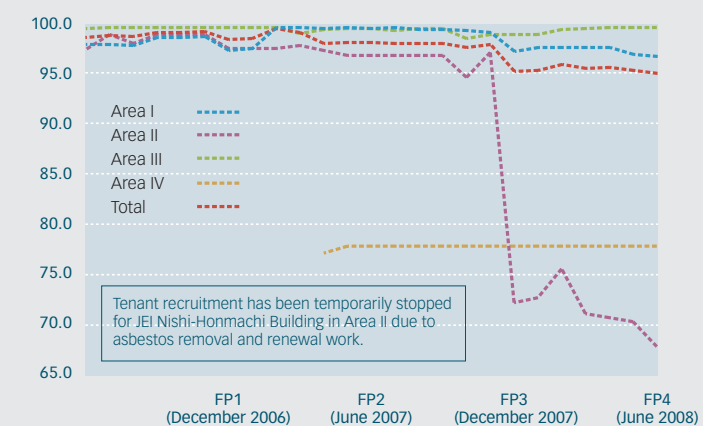
A steady growth of rent revenues through rent renewal negotiations

Total rents of the portfolio at IPO (14 properties) increased by 3.0% (annualized: 6.1%) from the previous period.

Transition of total rents (total rent of the portfolio at IPO: 14 properties)



Track record of occupancy rate



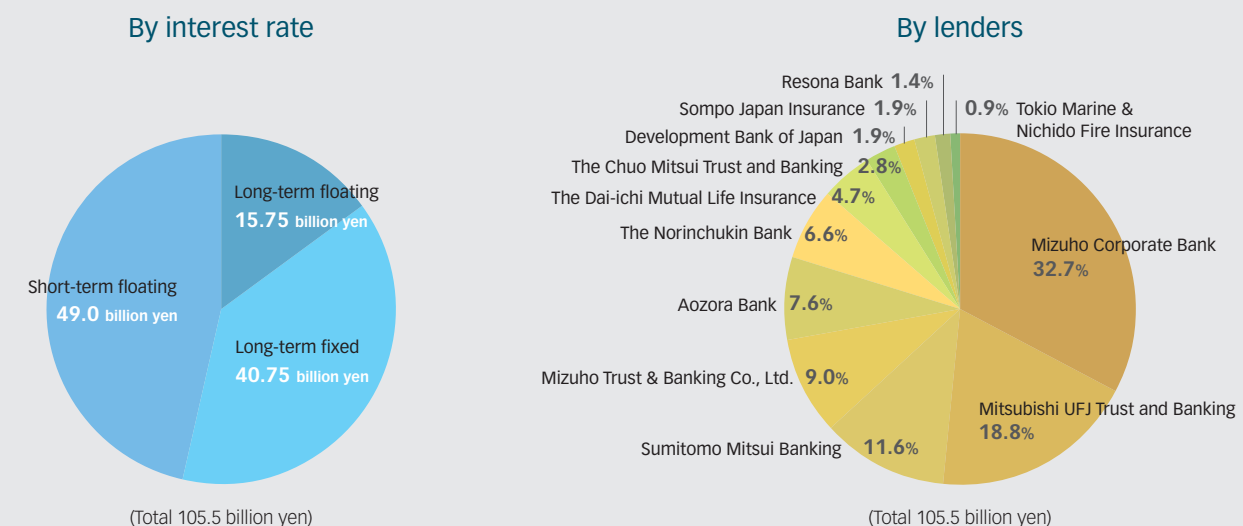
(Note) Total rent includes service fees, but does not include other revenues. The number of days for the first fiscal period has been adjusted as one-half of a year for the total rents.

Financial Strategies

Grasping the trend of declining market interest rates, and promoting fixed interest rates on borrowing

As of June 30, 2008, JEI borrows a total of 105.5 billion yen (including 49.0 billion yen borrowed from its sponsors) from 12 financial institutions, including its sponsor company, Mizuho Corporate Bank, Ltd.

Breakdown of outstanding loans



Portfolio Roster

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	25,300	12.3	8.6
I-1	Omori Bellport D	Minami-Oi, Shinagawa Ward, Tokyo	155,778.75	Sep 1996	22,553	26,080	11.9	8.0
I-8	AKASAKA INTERCITY	Akasaka, Minato Ward, Tokyo	73,061.33	Jan 2005	17,857	18,400	9.4	9.2
I-2	Shiba 2-Chome Building	Shiba, Minato Ward, Tokyo	19,518.15	Mar 1994	9,450	13,200	5.0	8.2
I-3	JEI Hamamatsucho Building (Note 7) (former Shuwa Daiichi Hamamatsucho Building)	Hamamatsucho, Minato Ward, Tokyo	8,327.53	Dec 1991	8,350	10,300	4.4	8.2
I-4	No. 32 Kowa Building	Minami-Azabu, Minato Ward, Tokyo	10,110.96	Mar 1979	5,040	5,797	2.7	13.2
I-5	No. 36 Kowa Building	Sanbancho, Chiyoda Ward, Tokyo	8,266.55	Sep 1982	4,000	4,450	2.1	13.2
I-6	No. 28 Kowa Building	Nishi-Gotanda, Shinagawa Ward, Tokyo	6,282.23	Feb 1975	2,859	4,210	1.5	13.5
Subtotal			328,122.26	-	93,409	107,737	49.4	-
II-2	JEI Nishi-Honmachi Building	Nishi Ward, Osaka City, Osaka	15,800.31	Feb 1988	6,674	7,040	3.5	11.5
II-1	NHK Nagoya Housou-Center Building	Higashi Ward, Nagoya City, Aichi Prefecture	80,809.95	Jul 1991	4,300	5,660	2.3	11.9
Subtotal			96,610.26	-	10,974	12,700	5.8	-
III-9	Kowa Kawasaki Nishiguchi Building	Saiwai Ward, Kawasaki City, Kanagawa Prefecture	61,856.92	Feb 1988	32,000	32,600	16.9	7.9
III-1	Musashikosugi Tower Place	Nakahara Ward, Kawasaki City, Kanagawa Prefecture	53,711.13	Jul 1995	13,890	18,400	7.3	11.5
III-2	Kowa Kawasaki Higashiguchi Building	Kawasaki Ward, Kawasaki City, Kanagawa Prefecture	31,009.62	Apr 1988	10,976	11,500	5.8	6.7
III-8	Ebina Prime Tower	Chuo, Ebina City, Kanagawa Prefecture	55,806.20	May 1995	6,470	6,580	3.4	12.2
III-3	JEI Hongo Building (Note 6) (former Hongo TS Building)	Hongo, Bunkyo Ward, Tokyo	5,877.11	Feb 1991	5,400	5,540	2.9	14.2
III-4	Shuwa Iidabashi Building (Sold on July 4, 2008)	Koraku, Bunkyo Ward, Tokyo	5,083.77	Oct 1988	4,023	4,940	2.1	12.9
III-5	Kawasaki Nishshincho Building	Kawasaki Ward, Kawasaki City, Kanagawa Prefecture	22,141.60	Apr 1992	3,905	5,880	2.1	14.7
III-7	JEI Ryogoku Building (Note 6) (former Ryogoku Dai-ichi Life Building)	Ryogoku, Sumida Ward, Tokyo	5,820.56	Aug 1996	2,550	2,560	1.3	14.3
III-6	No. 44 Kowa Building	Higashiyama, Meguro Ward, Tokyo	3,359.55	Jul 1984	1,150	1,840	0.6	13.4
Subtotal			244,666.46	-	80,364	89,840	42.5	-
IV-1	Sendai Kowa Building (Sold on August 29, 2008)	Aoba Ward, Sendai City, Miyagi Prefecture	18,564.45	Aug 1979	4,238	4,208	2.2	9.2
Total			687,963.43	-	188,984	214,485	100.0	6.3

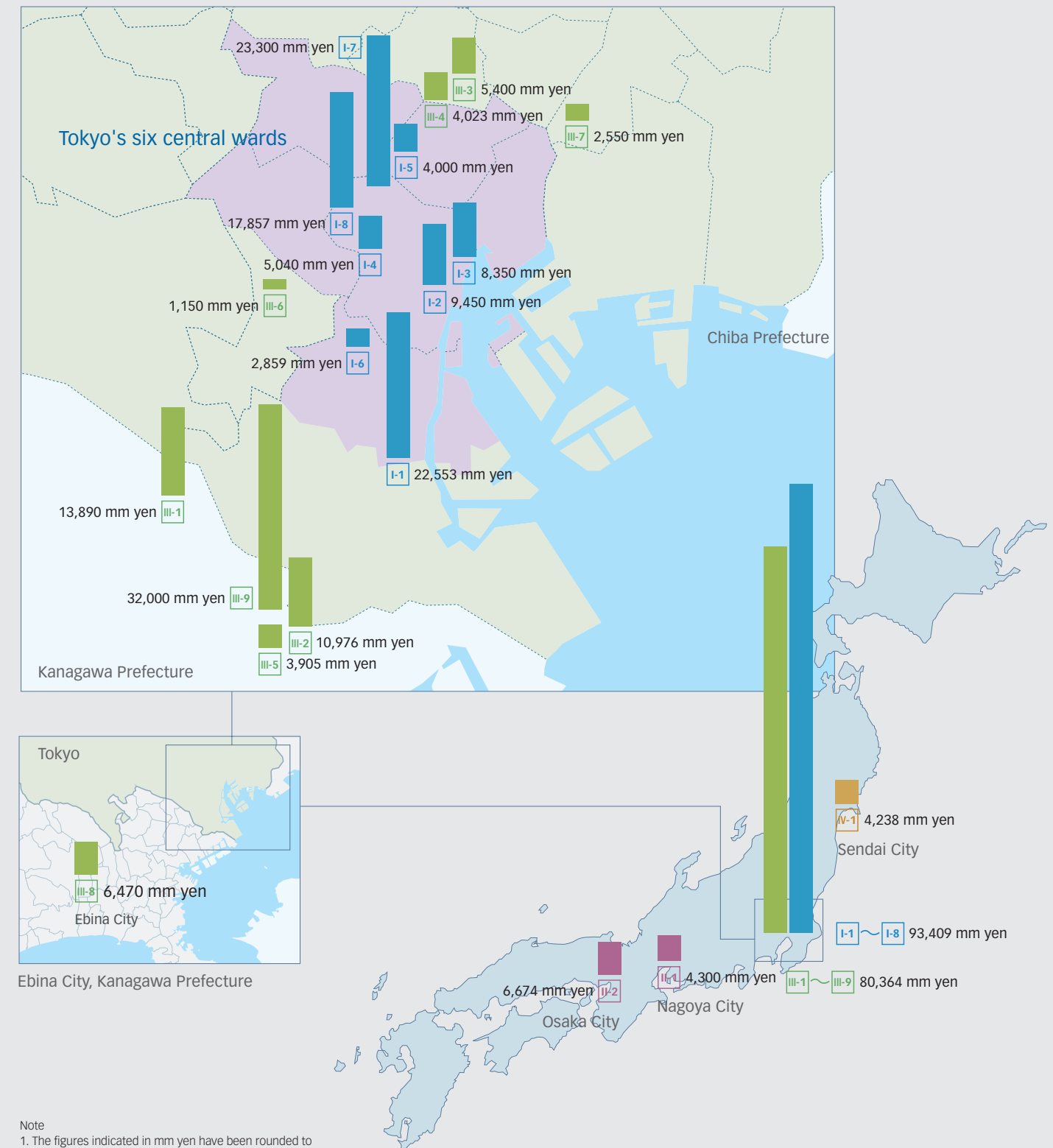
The main usage for the assets in the portfolio is 100% office buildings.

Note

- "Total Floor Area" is the total floor area of the building or the building in trust (excluding the area of accessory buildings) listed on the registry. If the building or the building in trust is a proprietary part of a compartmentalized ownership, the total area is listed.
- "Completion" is the newly built date on the registry.
- Figures for "Acquisition Price" are prices recorded in sales agreements (excluding taxes). Amounts of less than one million yen are rounded.
- "Appraisal Value" at the end of FP4 refers to the appraisal value listed on the real estate value report prepared by the real estate appraiser of Japan Real Estate Institute, Chuo Real Estate Appraisal Co., Ltd., and Hiro & Reas network, Inc. at the end of the fourth fiscal period.
- "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. Figures are rounded to the first decimal place.
- "PML" figures are based on the PML in the structural condition study report, which includes the PML calculation report. The figures are no more than a representation of opinions indicated in the report and JEI does not guarantee their accuracy.
- Shuwa Daiichi Hamamatsucho Building and Ryogoku Dai-ichi Life Building were renamed JEI Hamamatsucho Building and JEI Ryogoku Building respectively on July 1, 2008, while Hongo TS Building was renamed JEI Hongo Building on September 1, 2008.

Portfolio Map

Portfolio map: Length of bars indicates acquisition price



Note

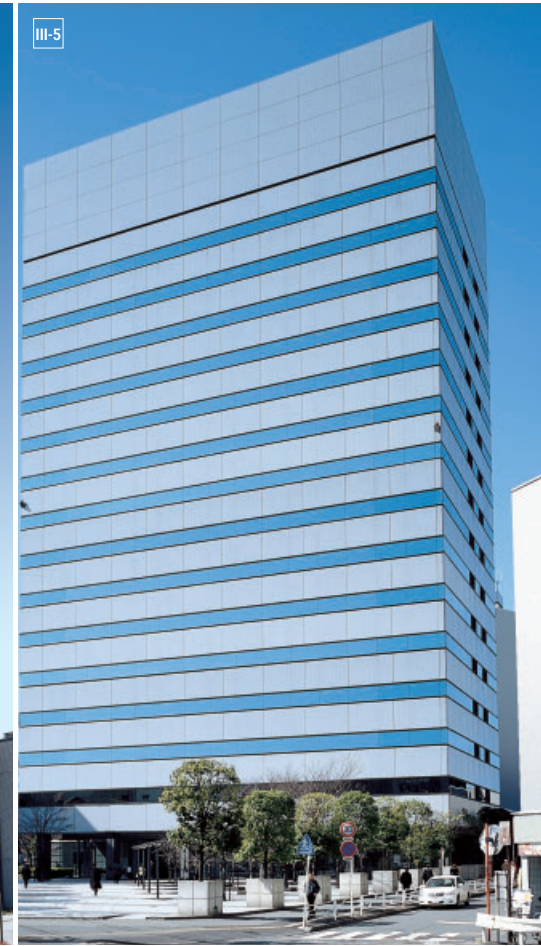
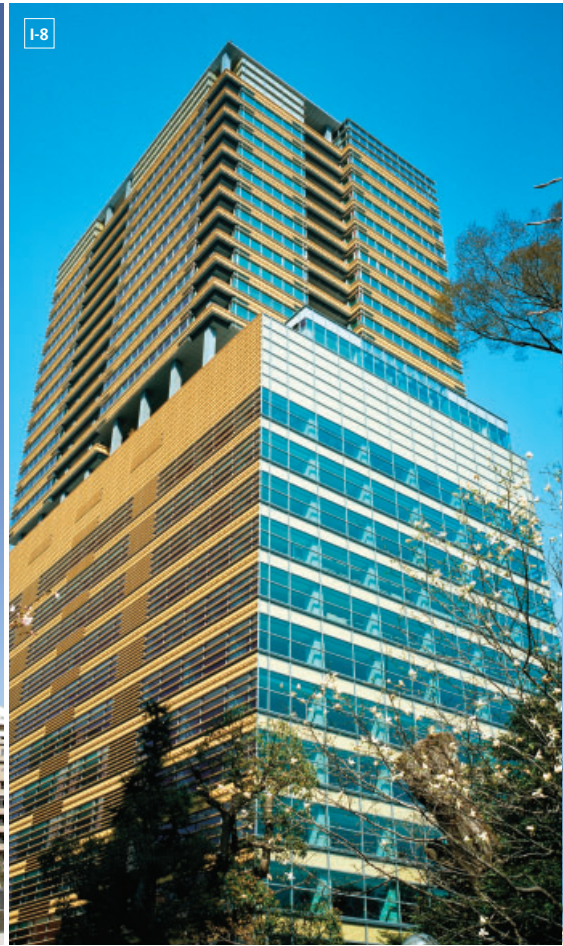
- The figures indicated in mm yen have been rounded to the nearest million yen.
- The portfolio map shown above represents the portfolio as of the end of the fourth fiscal period (June 30, 2008), including Shuwa Iidabashi Building (sold on July 4, 2008) and Sendai Kowa Building (sold on August 29, 2008).

	Area I	Area II	Area III	Area IV
Total acquisition price	93,409 mm yen	10,974 mm yen	80,364 mm yen	4,238 mm yen
No. of properties	8	2	9	1

Main Properties

I-1 Omori Bellport D I-7 Akasaka Garden City I-8 AKASAKA INTERCITY
I-5 No. 36 Kowa Building I-2 Shiba 2-Chome Building I-4 No. 32 Kowa Building

II-1 NHK Nagoya Housou-Center Building III-1 Musashikosugi Tower Place III-5 Kawasaki Nisshincho Building
II-2 JEI Nishi-Honmachi Building III-2 Kowa Kawasaki Higashiguchi Building III-9 Kowa Kawasaki Nishiguchi Building



Overview of Japan Excellent, Inc.

Overview of unitholders' capital

Period	1st Fiscal Period (as of December 31, 2006)	2nd Fiscal Period (as of June 30, 2007)	3rd Fiscal Period (as of December 31, 2007)	4th Fiscal Period (as of June 30, 2008)
Number of issuable investment units	2,000,000 units	2,000,000 units	2,000,000 units	2,000,000 units
Total number of outstanding investment units	134,800 units	134,800 units	154,550 units	154,550 units
Total unitholders' capital	67,641 million yen	67,641 million yen	87,083 million yen	87,083 million yen
No. of unitholders	2,529	2,193	3,708	4,170

Information on investment units

The following are the primary unitholders as of June 30, 2008.

Name	Address	Units Owned	Ownership Ratio (%)
Kowa Real Estate Co., Ltd.	1-15-5 Minami Aoyama, Minato Ward, Tokyo	14,312	9.26
Trust & Custody Services Bank, Ltd. (securities investment trust account)	Harumi Island Triton Square Office Tower Z, 1-8-12 Harumi, Chuo Ward, Tokyo	11,851	7.67
Japan Trustee Services Bank, Ltd. (investment trust account)	1-8-11 Harumi, Chuo Ward, Tokyo	11,628	7.52
NikkoCiti Trust and Banking Corporation (investment trust account)	Citi Group Center 2-3-14 Higashi Shinagawa, Shinagawa Ward, Tokyo	11,450	7.41
The Master Trust Bank of Japan, Ltd. (investment trust account)	2-11-3 Hamamatsucho, Minato Ward, Tokyo	9,491	6.14
North Pacific Bank, Ltd.	3-11 Odori-Nishi, Chuo Ward, Sapporo, Hokkaido	4,573	2.96
The Nomura Trust and Banking Co., Ltd. (investment trust account)	2-2-2 Otemachi, Chiyoda Ward, Tokyo.	4,138	2.68
The Dai-ichi Mutual Life Insurance Company	1-13-1 Yurakucho, Chiyoda Ward, Tokyo	4,132	2.67
Bank of Ikeda, Ltd.	2-1-11 Jonan, Ikeda City, Osaka	3,711	2.40
JPMorgan Chase Goldman Sachs Trust JASDEC Lending Account	Goldman Sachs and Co. 180 Maiden Lane, New York, NY 10038 U.S.A.	3,211	2.08
	Total	78,497	50.79

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

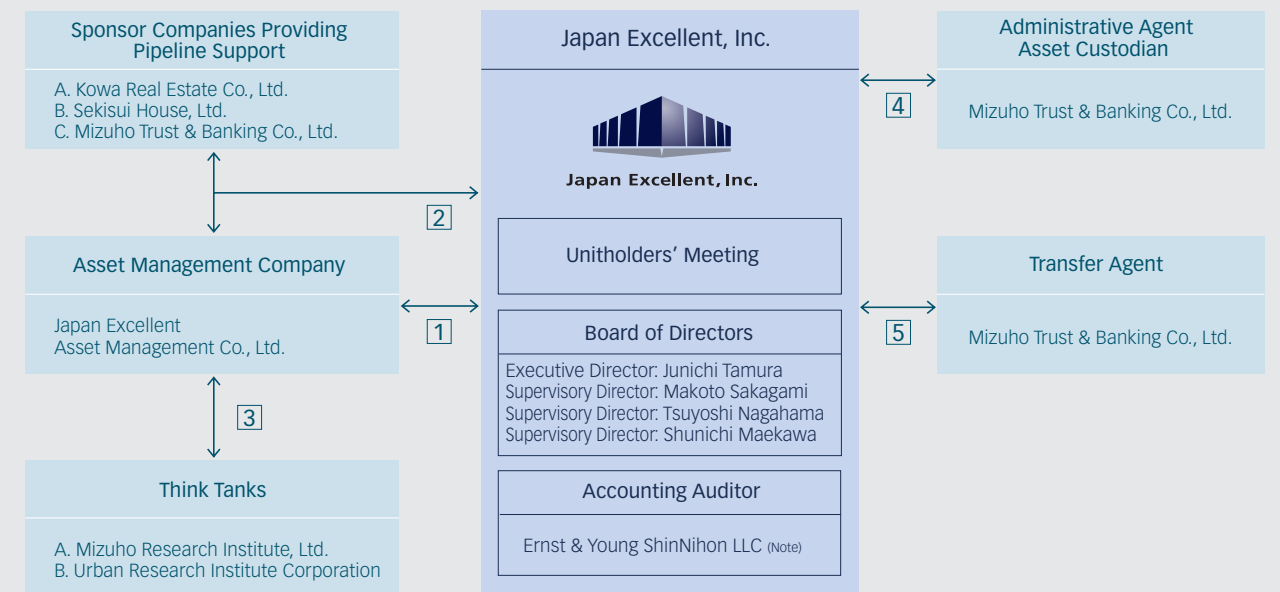
Information on board of directors

Name	Post	Primary Concurrent Positions	Compensation during Relevant Operational Period
Junichi Tamura	Executive Director	President and Representative Director, Japan Excellent Asset Management Co., Ltd.	-
Makoto Sakagami	Supervisory Director	Sakagami CPA Office	
Tsuyoshi Nagahama	Supervisory Director	Partner, Anderson Mori & Tomotsune	6,540 thousand yen
Shunichi Maekawa	Supervisory Director	Professor, Faculty of Real Estate Sciences, Meikai University	
Ernst & Young ShinNihon (Note 2)	Accounting Auditor	-	13,700 thousand yen

(Note 1) Neither the Executive Director nor the Supervisory Directors own investment units of JEI. While a Supervisory Director may concurrently hold a position as director of corporations not indicated above, in neither these positions nor in the above directorships does an interest relationship exist with JEI.

(Note 2) Ernst & Young ShinNihon has changed its corporate name to Ernst & Young ShinNihon LLC as of July 1, 2008, after becoming a Limited Liability Auditing Firm. The total amount of auditors' compensation mentioned above is an estimate, including the auditing fee for English financial statements.

Organization



1 Asset management agreement

2 (A) Pipeline support agreement with Kowa Real Estate (B) Pipeline support agreement with Sekisui House (C) Pipeline support agreement with Mizuho Trust & Banking

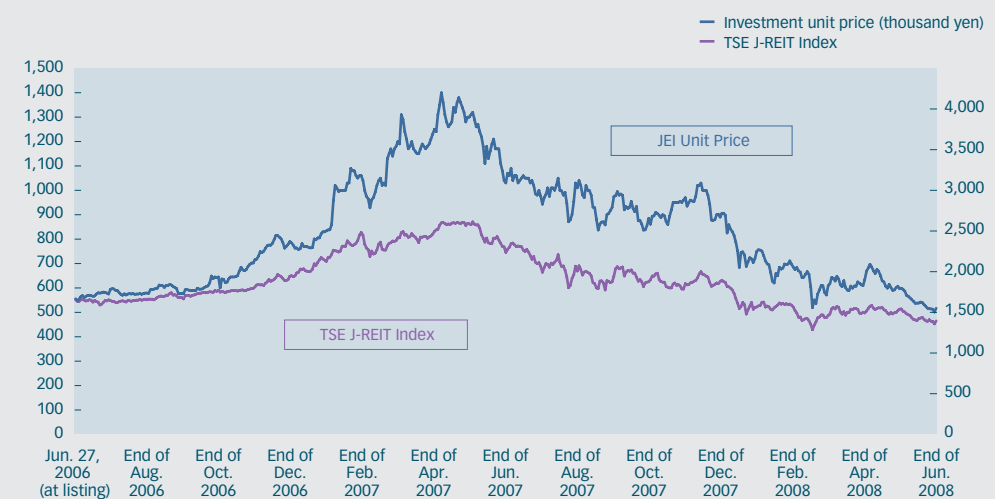
3 (A) Agreement with Mizuho Research Institute for provision of market and other relevant information (B) Agreement with Urban Research Institute for provision of market and other relevant information

4 Agreement to entrust administrative duties and asset custody

5 Agreement to entrust administration of unitholders' register

(Note) Ernst & Young ShinNihon has changed its corporate name to Ernst & Young ShinNihon LLC as of July 1, 2008, after becoming a Limited Liability Auditing Firm.

Investment unit performance & TSE J-REIT index



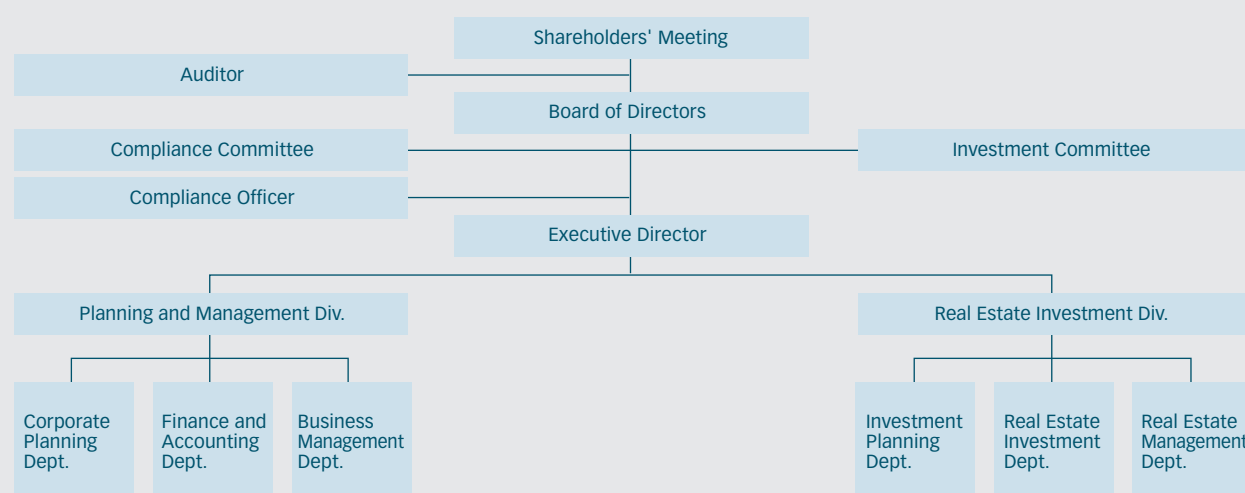
Overview of Asset Management Company

Outline

Corporate Name	Japan Excellent Asset Management Co., Ltd.	
Headquarters	1-9-20 Akasaka, Minato-ku, Tokyo	
Established	April 14, 2005	
Capital	450 Million 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 Capital K.K.	5.0%
	Mizuho Corporate Bank, Ltd.	5.0%
	Mizuho Trust & Banking Co., Ltd.	5.0%
Business Operations	Financial Instrument Dealer Investment Management Business: Director-General of Kanto Local Financial Bureau No. 331 Real Estate Agency License: Governor of Tokyo (1) No. 84511 Discretionary License: Minister of MLIT No. 44	

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

Organization



Financial Statements

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Report of Independent Auditors

The Board of Directors and Unitholders
Japan Excellent, Inc.

We have audited the accompanying balance sheets of Japan Excellent, Inc. as of June 30, 2008 and December 31, 2007, and the related statements of income and retained earnings, changes in net assets, and cash flows for the six-month periods then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Japan Excellent, Inc. at June 30, 2008 and December 31, 2007, and the results of its operations and its cash flows for the six-month periods then ended in conformity with accounting principles generally accepted in Japan.

As described in Note 15, Japan Excellent, Inc. determined to dispose of its properties and also complete early repayment of a loan.

The U.S. dollar amounts in the accompanying financial statements with respect to the six-month period ended June 30, 2008 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 18, 2008

Japan Excellent, Inc.

Balance Sheets

As of June 30, 2008 and December 31, 2007

	As of June 30, 2008	As of December 31, 2007	As of June 30, 2008
	(Thousands of yen)		(U.S. dollars) (Note 2)
Assets			
Current assets:			
Cash and cash equivalents including trust accounts (Note 4)	¥ 16,409,367	¥ 14,586,906	\$ 154,194,393
Rental receivables	420,122	546,118	3,947,773
Consumption taxes refundable	-	669,083	-
Derivative assets	6,330	-	59,486
Other current assets	160,823	127,993	1,511,210
Total current assets	<u>16,996,642</u>	<u>15,930,100</u>	<u>159,712,862</u>
Property and equipment (Note 6):			
Buildings and building improvements	3,240,198	3,219,074	30,447,268
Furniture and fixtures	363	-	3,414
Construction in progress	1,739	126	16,338
Buildings and building improvements for trust accounts	65,556,671	65,049,362	616,018,330
Machinery and equipment for trust accounts	383,743	382,373	3,605,933
Furniture and fixtures for trust accounts	18,675	6,593	175,488
Land for trust accounts	114,300,880	114,300,604	1,074,054,502
Construction in progress for trust accounts	-	210	-
Less: accumulated depreciation	(3,242,515)	(2,200,053)	(30,469,041)
Net property and equipment	<u>180,259,754</u>	<u>180,758,289</u>	<u>1,693,852,232</u>
Investments and other assets:			
Leasehold rights	1,185,045	1,185,045	11,135,546
Leasehold rights for trust accounts	7,380,017	7,380,017	69,348,025
Investment in securities (Note 5)	10,768	10,768	101,184
Security deposits	15,182	15,182	142,658
Long-term prepaid expenses	148,653	175,542	1,396,852
Derivative assets	46,992	-	441,568
Other assets	36,598	31,213	343,906
Total investments and other assets	<u>8,823,255</u>	<u>8,797,767</u>	<u>82,909,739</u>
Total assets	<u>¥206,079,651</u>	<u>¥205,486,156</u>	<u>\$1,936,474,833</u>
Liabilities			
Current liabilities:			
Accounts payable – trade	¥ 571,646	¥ 753,529	\$ 5,371,604
Short-term loans (Note 7)	62,000,000	49,000,000	582,597,256
Accounts payable – other	336,334	280,475	3,160,445
Unpaid consumption taxes	220,578	-	2,072,708
Derivative liabilities	26,567	-	249,644
Other current liabilities	127,050	115,592	1,193,854
Total current liabilities	<u>63,282,175</u>	<u>50,149,596</u>	<u>594,645,511</u>
Long-term liabilities:			
Long-term debt (Note 7)	43,500,000	56,500,000	408,757,752
Security deposits from tenants	476,914	466,672	4,481,426
Security deposits from tenants for trust accounts	9,052,173	8,866,066	85,060,825
Derivative liabilities	94,279	211,254	885,918
Other long-term liabilities	18,510	-	173,934
Total long-term liabilities	<u>53,141,876</u>	<u>66,043,992</u>	<u>499,359,855</u>
Total liabilities	<u>116,424,051</u>	<u>116,193,588</u>	<u>1,094,005,366</u>
Net assets (Note 8):			
Unitholders' equity:			
Unitholders' capital:			
Units authorized: 2,000,000 units	87,083,030	87,083,030	818,295,715
Units issued and outstanding: 154,550 units as of June 30, 2008 and December 31, 2007			
Retained earnings	2,661,098	2,420,792	25,005,625
Total unitholders' equity	<u>89,744,128</u>	<u>89,503,822</u>	<u>843,301,340</u>
Valuation and translation adjustments:			
Unrealized loss on deferred hedge transactions	(88,528)	(211,254)	(831,873)
Total valuation and translation adjustments	<u>(88,528)</u>	<u>(211,254)</u>	<u>(831,873)</u>

Total net assets	89,655,600	89,292,568	842,469,467
Total liabilities and net assets	<u>¥206,079,651</u>	<u>¥205,486,156</u>	<u>\$1,936,474,833</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, 2008 to June 30, 2008
and from July 1, 2007 to December 31, 2007

	For the period from January 1, 2008 to June 30, 2008	For the period from July 1, 2007 to December 31, 2007	For the period from January 1, 2008 to June 30, 2008
	(Thousands of yen)		(U.S. dollars) (Note 2)
Revenues:			
Rental revenues (Note 11)	¥7,135,748	¥6,335,265	\$67,052,695
Other (Note 11)	704,917	647,070	6,623,923
Total revenues	<u>7,840,665</u>	<u>6,982,335</u>	<u>73,676,618</u>
Operating expenses:			
Property operating expenses (Note 11)	3,849,842	3,437,912	36,175,928
Asset management fees	436,367	369,975	4,100,420
Custodian fees	15,684	12,240	147,379
Administrative service fees	27,201	24,648	255,605
Compensation for directors	6,540	5,100	61,455
Other	72,697	76,679	683,111
Total operating expenses	<u>4,408,331</u>	<u>3,926,554</u>	<u>41,423,898</u>
Operating income	<u>3,432,334</u>	<u>3,055,781</u>	<u>32,252,720</u>
Other income:			
Refund of consumption taxes including interest	2,067	2,625	19,430
Interest income	15,720	13,885	147,715
Other	7	257	65
Other expenses:			
Interest expense	686,658	533,711	6,452,345
Loan arrangement fees	67,451	76,270	633,819
New unit issuance costs	-	40,747	-
Other	33,989	1	319,388
Income before income taxes	<u>2,662,030</u>	<u>2,421,819</u>	<u>25,014,378</u>
Income taxes – current (Note 10)	1,004	1,086	9,432
Income taxes – deferred	4	(6)	38
Net income	<u>2,661,022</u>	<u>2,420,739</u>	<u>25,004,908</u>
Retained earnings at beginning of period	76	53	717
Retained earnings at end of period	<u>¥2,661,098</u>	<u>¥2,420,792</u>	<u>\$25,005,625</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, 2008 to June 30, 2008
and from July 1, 2007 to December 31, 2007

For the period from July 1, 2007 to December 31, 2007							
Net assets							
Unitholders' equity			Valuation and translation adjustments				
Number of units in issue	Unitholders' capital	Retained earnings	Total unitholders' equity	Unrealized loss on deferred hedge transactions	Total valuation and translation adjustments	Total net assets	
(Thousands of yen)							
Balance as of June 30, 2007	134,800	¥67,641,920	¥ 2,239,620	¥69,881,540	¥ (67,776)	¥ (67,776)	¥69,813,764
Changes during the fiscal period:							
Issuance of new units	19,750	19,441,110	-	19,441,110	-	-	19,441,110
Distributions from retained earnings	-	-	(2,239,567)	(2,239,567)	-	-	(2,239,567)
Net income	-	-	2,420,739	2,420,739	-	-	2,420,739
Changes in unrealized loss on deferred hedge transactions	-	-	-	-	(143,478)	(143,478)	(143,478)
Total changes during the fiscal period	19,750	19,441,110	181,172	19,622,282	(143,478)	(143,478)	19,478,804
Balance as of December 31, 2007	<u>154,550</u>	<u>¥87,083,030</u>	<u>¥ 2,420,792</u>	<u>¥89,503,822</u>	<u>¥(211,254)</u>	<u>¥(211,254)</u>	<u>¥89,292,568</u>
For the period from January 1, 2008 to June 30, 2008							
Net assets							
Unitholders' equity			Valuation and translation adjustments				
Number of units in issue	Unitholders' capital	Retained earnings	Total unitholders' equity	Unrealized loss on deferred hedge transactions	Total valuation and translation adjustments	Total net assets	
(Thousands of yen)							
Balance as of December 31, 2007	154,550	¥87,083,030	¥ 2,420,792	¥89,503,822	¥(211,254)	¥(211,254)	¥89,292,568
Changes during the fiscal period:							
Distributions from retained earnings	-	-	(2,420,716)	(2,420,716)	-	-	(2,420,716)
Net income	-	-	2,661,022	2,661,022	-	-	2,661,022
Changes in unrealized loss on deferred hedge transactions	-	-	-	-	122,727	122,727	122,727
Total changes during the fiscal period	-	-	240,306	240,306	122,727	122,727	363,032
Balance as of June 30, 2008	<u>154,550</u>	<u>¥87,083,030</u>	<u>¥ 2,661,098</u>	<u>¥89,744,128</u>	<u>¥(88,527)</u>	<u>¥(88,527)</u>	<u>¥89,655,600</u>
For the period from January 1, 2008 to June 30, 2008							
Net assets							
Unitholders' equity			Valuation and translation adjustments				
Number of units in issue	Unitholders' capital	Retained earnings	Total unitholders' equity	Unrealized loss on deferred hedge transactions	Total valuation and translation adjustments	Total net assets	
(U.S. dollars) (Note 2)							
Balance as of December 31, 2007	154,550	\$818,295,715	\$ 22,747,538	\$841,043,253	\$(1,985,101)	\$(1,985,101)	\$839,058,152
Changes during the fiscal period:							
Distributions from retained earnings	-	-	(22,746,822)	(22,746,822)	-	-	(22,746,822)
Net income	-	-	25,004,908	25,004,908	-	-	25,004,908
Changes in unrealized loss on deferred hedge transactions	-	-	-	-	1,153,228	1,153,228	1,153,228
Total changes during the fiscal period	-	-	2,258,086	2,258,086	1,153,228	1,153,228	3,411,314
Balance as of June 30, 2008	<u>154,550</u>	<u>\$818,295,715</u>	<u>\$ 25,005,624</u>	<u>\$843,301,339</u>	<u>\$ (831,873)</u>	<u>\$ (831,873)</u>	<u>\$842,469,466</u>

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

Japan Excellent, Inc.
Statements of Cash Flows

For the periods from January 1, 2008 to June 30, 2008
and from July 1, 2007 to December 31, 2007

	For the period from January 1, 2008 to June 30, 2008	For the period from July 1, 2007 to December 31, 2007	For the period from January 1, 2008 to June 30, 2008
	<i>(Thousands of yen)</i>		<i>(U.S. dollars) (Note 2)</i>
Cash flows from operating activities			
Income before income taxes	¥ 2,662,030	¥ 2,421,819	\$ 25,014,378
Depreciation and amortization	1,042,494	894,032	9,796,036
Amortization of new unit issuance costs	-	40,747	-
Interest income	(15,720)	(13,885)	(147,715)
Interest expense	686,658	533,711	6,452,345
Decrease (increase) in rental receivables	125,996	(188,259)	1,183,947
Decrease (increase) in consumption taxes refundable	669,083	(150,442)	6,287,193
Increase in prepaid expenses	(52,413)	(9,771)	(492,508)
(Decrease) increase in accounts payable – trade	(164,026)	246,623	(1,541,306)
Increase (decrease) in accounts payable – other	48,115	(3,884)	452,125
Increase in unpaid consumption taxes	220,578	-	2,072,708
Increase in advances received	576	10,544	5,413
Decrease (increase) in long-term prepaid expenses	26,889	(62,861)	252,672
Other, net	34,828	(61,728)	327,266
Subtotal	5,285,088	3,656,646	49,662,554
Interest received	15,720	13,885	147,715
Interest paid	(696,752)	(454,211)	(6,547,195)
Income taxes paid	(3,188)	(3,059)	(29,951)
Net cash provided by operating activities	4,600,868	3,213,261	43,233,123
Cash flows from investing activities			
Purchases of property and equipment	(23,288)	(14,752)	(218,829)
Purchases of property and equipment for trust accounts	(538,497)	(50,274,542)	(5,060,113)
Proceeds from security deposits from tenants	22,624	7,453	212,589
Payments for security deposits to tenants	(12,382)	(57,275)	(116,353)
Proceeds from security deposits from tenants for trust accounts	519,036	2,054,486	4,877,239
Payments for security deposits to tenants for trust accounts	(332,928)	(698,629)	(3,128,434)
Net cash used in investing activities	(365,435)	(48,983,259)	(3,433,901)
Cash flows from financing activities			
Proceeds from short-term loans	-	49,000,000	-
Repayment for short-term loans	-	(39,100,000)	-
Proceeds from long-term debt	-	18,000,000	-
Issuance of new units	-	19,441,110	-
Payments for new unit issuance costs	-	(65,687)	-
Distributions to unitholders	(2,412,972)	(2,238,229)	(22,674,047)
Net cash (used in) provided by financing activities	(2,412,972)	45,037,194	(22,674,047)
Net increase (decrease) in cash and cash equivalents	1,822,461	(732,804)	17,125,175
Cash and cash equivalents at beginning of period	14,586,906	15,319,710	137,069,218
Cash and cash equivalents at end of period	¥ 16,409,367	¥ 14,586,906	\$ 154,194,393

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

Japan Excellent, Inc.

Notes to Financial Statements

For the periods from January 1, 2008 to June 30, 2008
and from July 1, 2007 to December 31, 2007

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, 2008, JEI held 20 properties with 234,006 square meters of total leasable space and had leases with 131 tenants excluding residential tenants.

2. Basis of Presentation

JEI maintains its accounting records and prepares its financial statements in accordance with accounting principles generally accepted in Japan (“Japanese GAAP”), including provisions set forth in the Investment Trust Law, the Corporation Law of Japan, the Financial Instruments and Exchange Law of Japan, 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 the financial statements include information that might not be required under Japanese GAAP but is presented herein as additional information. Amounts have been rounded to the nearest thousand yen in the accompanying financial statements and in the notes thereto whereas amounts were truncated in the Japanese financial statements prepared in accordance with Japanese GAAP.

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥106.42 = U.S.\$1.00, the foreign exchange rate prevailing on June 30, 2008, 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 and trademark rights

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

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

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

Unit issuance costs

New unit issuance costs are charged to income as incurred.

Income taxes

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

Consumption taxes

Consumption taxes received and paid are not included in the accompanying statements of income and retained earnings.

Property-related taxes

Principally, property-related taxes including property taxes, urban planning taxes and depreciable property taxes are imposed on a calendar-year basis and are expensed as property and other taxes (refer to Note 11).

JEI capitalized the property-related taxes allocated to the sellers of properties to JEI at the time of acquisition of such properties including trust accounts. The capitalized amounts for the periods from January 1, 2008 to June 30, 2008 and from July 1, 2007 to December 31, 2007 were ¥0 and ¥35,951 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 certain interest-rate swap contracts to hedge variable rates for its long-term debt obligations.

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

Properties in trust accounts

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

4. Cash and Cash Equivalents

Cash and cash equivalents including trust accounts in the accompanying balance sheets and cash and cash equivalents in the accompanying statements of cash flows at June 30, 2008 and December 31, 2007 consisted of the following:

	As of June 30, 2008	As of December 31, 2007	As of June 30, 2008
	<i>(Thousands of yen)</i>		<i>(U.S. dollars)</i>
Cash and cash deposits	¥ 3,892,158	¥ 2,440,880	\$ 36,573,557
Cash in trust and deposits in trust	12,517,209	12,146,026	117,620,836
Cash and cash equivalents	<u>¥16,409,367</u>	<u>¥14,586,906</u>	<u>\$154,194,393</u>

5. Investment in Securities

Investment in securities at June 30, 2008 and December 31, 2007 consisted of the following:

	As of June 30, 2008	As of December 31, 2007	As of June 30, 2008
	<i>(Thousands of yen)</i>		<i>(U.S. dollars)</i>
Unlisted stock	¥10,768	¥10,768	\$101,184

5. Investment in Securities (continued)

As of June 30, 2008									
Name	Number of shares	Acquisition cost			Book value			Gain or loss on valuation	
		Unit price	Total price	Total price	Unit price	Total price	Total price	Total price	Total price
		(Thousands of yen)	(U.S. dollars)	(Thousands of yen)	(U.S. dollars)	(Thousands of yen)	(U.S. dollars)	(Thousands of yen)	(U.S. dollars)
Unlisted stock									
NHK Nagoya Build Systems Co., Ltd.	64	¥168	¥10,768	\$101,184	¥168	¥10,768	\$101,184	¥ -	\$ -
Total	64	¥168	¥10,768	\$101,184	¥168	¥10,768	\$101,184	¥ -	\$ -

As of December 31, 2007						
Name	Number of shares	Acquisition cost		Book value		Gain or loss on valuation
		Unit price	Total price	Unit price	Total price	Total price
		(Thousands of yen)				
Unlisted stock						
NHK Nagoya Build Systems Co., Ltd.	64	¥168	¥10,768	¥168	¥10,768	¥ -
Total	64	¥168	¥10,768	¥168	¥10,768	¥ -

6. Property and Equipment

Property and equipment at June 30, 2008 and December 31, 2007 consisted of the following:

	As of June 30, 2008			As of December 31, 2007			As of June 30, 2008		
	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value
	(Thousands of yen)						(U.S. dollars)		
Buildings and building improvements	¥ 3,240,198	¥ (152,793)	¥ 3,087,405	¥ 3,219,074	¥ (115,854)	¥ 3,103,220	\$ 30,447,268	\$ (1,435,754)	\$ 29,011,514
Furniture and fixtures	363	(21)	342	-	-	-	3,414	(195)	3,219
Buildings and building improvements for trust accounts	65,556,671	(3,038,372)	62,518,299	65,049,362	(2,046,300)	63,003,062	616,018,330	(28,550,760)	587,467,570
Machinery and equipment for trust accounts	383,743	(49,875)	333,868	382,373	(37,142)	345,232	3,605,933	(468,666)	3,137,267
Furniture and fixtures for trust accounts	18,675	(1,454)	17,221	6,593	(757)	5,835	175,488	(13,666)	161,822
Land for trust accounts	114,300,880	-	114,300,880	114,300,604	-	114,300,604	1,074,054,502	-	1,074,054,502
Construction in progress	1,739	-	1,739	126	-	126	16,338	-	16,338
Construction in progress for trust accounts	-	-	-	210	-	210	-	-	-
Total	¥183,502,269	¥(3,242,515)	¥180,259,754	¥182,958,342	¥(2,200,053)	¥180,758,289	\$1,724,321,273	\$(30,469,041)	\$1,693,852,232

7. Short-Term Loans and Long-Term Debt

Short-term loans and long-term debt as of June 30, 2008 and December 31, 2007 consisted of the following:

	As of June 30, 2008		As of December 31, 2007		As of June 30, 2008
	Amount	Weighted-average interest rate	Amount	Weighted-average interest rate	Amount
	(Thousands of yen)		(Thousands of yen)		(U.S. dollars)
Short-term loans:					
Unsecured loans from banks due on October 24, 2008	¥ 49,000,000	0.95917%	¥ 49,000,000	1.04667%	\$460,439,767
Subtotal	49,000,000		49,000,000		460,439,767
Long-term debt due within in one year:					
Unsecured loans from banks due on June 29, 2009	13,000,000	1.39779 %	-	-	122,157,489
Subtotal	13,000,000		-		122,157,489
Long-term debt:					
Unsecured loans from banks due on June 29, 2009	-	-	13,000,000	1.43420%	-
Unsecured loans from banks due on June 29, 2010	13,000,000	1.56821 %	13,000,000	1.58785%	122,157,489
Unsecured loans from banks due on June 29, 2011	9,500,000	1.60718%	9,500,000	1.59975%	89,268,934
Unsecured loans from an insurance company due on June 29, 2011	3,000,000	1.96625%	3,000,000	1.96625%	28,190,190
Unsecured loans from banks due on July 31, 2012	7,000,000	1.18667%	7,000,000	1.20000%	65,777,110
Unsecured loans from banks and insurance companies due on July 31, 2012	7,000,000	1.96907%	7,000,000	1.96907%	65,777,110
Unsecured loans from an insurance company due on July 31, 2014	2,000,000	2.25875%	2,000,000	2.25875%	18,793,460
Unsecured loans from a bank due on July 31, 2014	2,000,000	2.28417%	2,000,000	2.28417%	18,793,460
Subtotal	43,500,000		56,500,000		408,757,753
Total	¥105,500,000		¥105,500,000		\$991,355,009

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 ¥580,107 as of June 30, 2008 and ¥577,758 as of December 31, 2007. Net income per unit was ¥17,217 for the period from January 1, 2008 to June 30, 2008 and ¥15,784 for the period from July 1, 2007 to December 31, 2007 and was computed based on the weighted-average number of units outstanding during the respective periods.

10. Income Taxes

JEI is subject to income taxes in Japan.

JEI's policy is to make dividend distributions in excess of 90% of 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 as of June 30, 2008 and December 31, 2007 are summarized as follows:

	As of June 30, 2008	As of December 31, 2007	As of June 30, 2008
	<i>(Thousands of yen)</i>		<i>(U.S. dollars)</i>
Deferred tax assets:			
Accrued enterprise taxes	¥ 20	¥ 24	\$ 187
Unrealized loss on deferred hedge transactions	47,601	83,213	447,298
Gross deferred tax assets	47,621	83,237	447,485
Valuation reserve	(47,601)	(83,213)	(447,298)
Total deferred tax assets	20	24	187
Net deferred tax assets	¥ -	¥ 24	\$ -
Deferred tax liabilities:			
Unrealized loss on deferred hedge transactions	¥ 21,003	¥ -	\$197,365
Total deferred tax liabilities	21,003	-	197,365
Net deferred tax liabilities	¥ 20,983	¥ -	\$197,178

10. Income Taxes (continued)

A reconciliation of the differences between the statutory tax rate and the effective tax rate for the period from January 1, 2008 to June 30, 2008 and for the period from July 1, 2007 to December 31, 2007 is as follows:

	For the period from January 1, 2008 to June 30, 2008	For the period from July 1, 2007 to December 31, 2007
Statutory tax rate	39.39%	39.39%
Reconciliation:		
Deductible distributions paid	(39.37)	(39.37)
Other	0.02	0.02
Effective tax rate	0.04%	0.04%

11. Breakdown of Property Rental Business Revenues and Expenses

	For the period from January 1, 2008 to June 30, 2008	For the period from July 1, 2007 to December 31, 2007	For the period from January 1, 2008 to June 30, 2008
	<i>(Thousands of yen)</i>		<i>(U.S. dollars)</i>
Rental business revenues:	¥7,840,666	¥6,982,335	\$73,676,617
Rental revenues	7,135,748	6,335,265	67,052,695
Other	704,918	647,070	6,623,922
Property operating expenses:	3,849,843	3,437,912	36,175,928
Property management costs and fees	1,257,523	1,083,074	11,816,602
Utilities	672,143	613,617	6,315,947
Property and other taxes	457,502	330,655	4,299,020
Insurance	23,409	22,082	219,967
Repairs and maintenance	217,246	363,094	2,041,404
Depreciation	1,042,463	894,000	9,795,738
Other	179,557	131,390	1,687,250
Profit	¥3,990,823	¥3,544,423	\$37,500,689

12. Leases

JEI leases properties on which rental revenues are earned. At June 30, 2008 and December 31, 2007, future lease revenues under non-cancelable operating leases are summarized as follows:

	For the period from January 1, 2008 to June 30, 2008	For the period from July 1, 2007 to December 31, 2007	For the period from January 1, 2008 to June 30, 2008
	<i>(Thousands of yen)</i>		<i>(U.S. dollars)</i>
Due within one year	¥ 864,340	¥ 864,339	\$ 8,121,965
Due after one year	1,677,698	2,109,868	15,764,877
Total	¥2,542,038	¥2,974,207	\$23,886,842

13. Derivatives and Hedge Accounting

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

The following table summarizes the notional amounts and the estimated fair value of the interest-related positions outstanding as of June 30, 2008:

	Notional amount	Estimated fair value (negative)	Notional amount	Estimated fair value (negative)
	<i>(Thousands of yen)</i>		<i>(U.S. dollars)</i>	
Interest-rate swap:				
Receive/floating and pay/fixed	¥26,750,000	¥ (67,524)	\$251,362,526	\$ (634,508)

14. Related Party Transactions

For the period from January 1, 2008 to June 30, 2008

(1) Major unitholders

Not applicable.

(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	¥436,367	\$4,100,420	Accounts payable	¥268,836	\$2,526,183

For the period from July 1, 2007 to December 31, 2007

(1) Major unitholders

Not applicable.

(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	¥369,975	\$3,241,128	Accounts payable	¥229,765	\$2,012,835

15. 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 and is equivalent 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 ¥2,661,041,900 (\$25,005,092), the maximum integral multiple of the 154,550 units issued not exceeding unappropriated income at June 30, 2008. No cash distribution exceeding the income amount set forth in Section 33.1.4 of the bylaws of JEI shall be made.

On August 15, 2008, the Board of Directors approved a resolution to make a cash distribution of ¥17,218 (\$162) per unit aggregating to ¥2,661,041,900 (\$25,005,092) to unitholders of record as of June 30, 2008.

(2) Dispositions of properties

The following properties were transferred.

(a) Shuwa Idabashi Building

1. Sales price	¥4,580,000 thousand (Note)
2. Type of assets sold	Trust
3. Contract date	June 27, 2008
4. Delivery date	July 4, 2008
5. Buyer	Sumitomo Realty & Development Co., Ltd.

(b) Sendai Kowa Building

1. Sales price	¥4,814,600 thousand (Note)
2. Type of assets sold	Trust
3. Contract date	July 10, 2008
4. Delivery date	August 29, 2008
5. Buyer	Aoba Special Purpose Company

(Note) Transfer value does not include fees related to the transfer, adequate JEI share of the real estate tax and city planning tax, and consumption tax.

(3) Early repayment of a loan

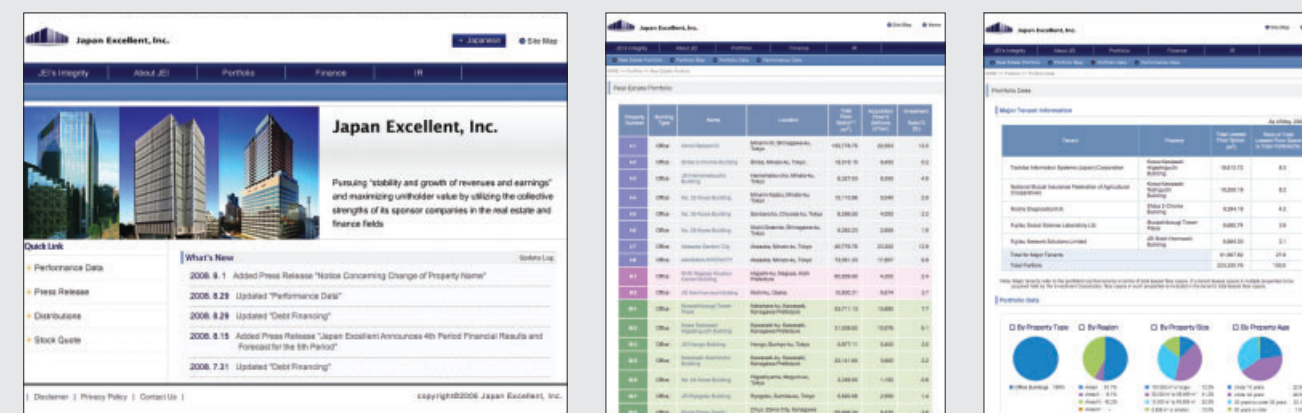
On July 24, 2008, the Board of Directors approved a resolution to repay the following outstanding partial short-term loan on July 31, 2008 prior to its due date:

1. Total amount of the loan	¥49,000,000 thousand
2. Amount of Repayment	¥5,880,000 thousand
3. Lender	Mizuho Corporate Bank, Ltd. Mitsubishi UFJ Trust and Banking Corporation Sumitomo Mitsui Banking Corporation Mizuho Trust & Banking Co., Ltd. Aozora Bank, Ltd.
4. Start of the loan period	October 26, 2007
5. Original due date	October 24, 2008

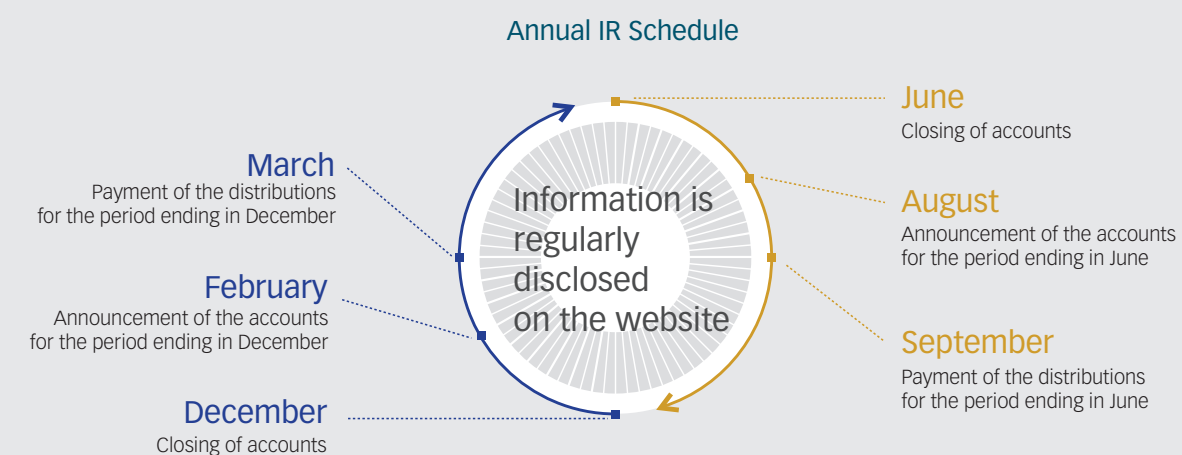
Website

Japan Excellent, Inc. (JEI) is committed to disclosing information in a timely manner. Our website is the best vehicle to do this, and information is provided through press 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 at http://www.excellent-reit.co.jp/eng/portfolio/portfolio_01.html



Information for Investors



Disclaimer

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Japan Excellent, Inc.

Address: 1-9-20 Akasaka, Minato Ward, Tokyo, Japan

<http://www.excellent-reit.co.jp/eng>

E-mail: info@jeam.co.jp