

Asset Management Report for the 30th Period (Semi-Annual Report for the 30th Period)

From January 1, 2021 to June 30, 2021



Japan Excellent, Inc.

I. Greetings

To Our Unitholders

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

We hereby report the financial results of JEI for the 30th period (from January 1, 2021, to June 30, 2021).

During the 30th period, we acquired Bizcore Jimbocho in the Bizcore series of medium-sized high-end office buildings developed by sponsor Nippon Steel Kowa Real Estate, and decided to sell Kowa Shirokanedai Building, an old property, in the 32nd period, which is two periods ahead.

On the leasing front, the period-end occupancy rate of the entire portfolio resulted at 96.4% as the leasing market was less active than assumed. Furthermore, for rent revision, we realized upward rent revision of +6.0% for 10.5% of the area subject to rent revision while responding flexibly by comprehensively taking tenant conditions into account.

On the financial front, JEI strived to enhance asset efficiency through cash management such as acquisition of Bizcore Jimbocho entirely with funds on hand and release of security deposit. In addition, JEI realized lower interest rates, extension of remaining period of debt, and diversification of repayment dates through refinancing of long-term loans.

As a result, in the 30th period, JEI recorded operating revenue of 10,567 million yen, operating income of 4,590 million yen, and net income of 3,975 million yen, while distribution per unit decreased by 62 yen from the previous period to 2,938 yen.

Furthermore, for ESG, JEI made progress in various initiatives including declaration of support for the TCFD and efforts toward zero CO₂ emissions through a shift in electricity source at three owned properties, and achieved inclusion in the MSCI Japan ESG Select Leaders Index.

About Future Asset Management

In the real estate transaction market, although transaction prices are expected to remain steady for the time being backed by factors such as vigorous appetite for investment by market participants, JEI believes that there is a need to closely monitor the impacts of the COVID-19 and investor trends brought about by changes in the economic environment.

Under such environment, JEI will work to acquire competitive properties by means of well-balanced investments based on size and target area with an aim to expand the asset size over the medium to long term. While mainly utilizing cooperation with sponsors, JEI will have the asset management company newly cultivate and refine sources of property information in an effort to seize the right business opportunities. At the same, with an aim to improve its portfolio over the medium to long term, JEI will continue to consider sales of old properties and properties with concerns over future decline in competitiveness on the assumption that they will be replaced.

In the office building leasing market, with vacancy rates rising gradually, we think there is a need for continued close monitoring of matters that could have an impact on future office demand such as the revitalization of economic activities in general thanks to vaccination progress and the emergence of concrete trends related to review of office functions, among other factors. Under such circumstances, JEI will continue to make efforts to capture the needs of tenants in a timely manner by further strengthening finely-tuned relationships with existing tenants. As to properties with vacancies at present or with expected vacancies, JEI will focus on early refilling by cooperating with sponsors and setting flexible conditions taking into account the level of difficulty depending on the property. As to rent renewal, JEI's policy is to attempt upward rent revision dynamically on the upturn in environment while placing top priority on prevention of departures by comprehensively taking tenant conditions into account.

In terms of finance, JEI will strive to conduct stable and sound financial management based on its basic policy of continuing to reduce financing costs, fixing the interest rates of loans, extending borrowing periods, and diversifying maturity dates.

In regard to ESG, JEI intends to strive to further evolve and deepen its initiatives by taking on challenges in new areas, such as carbon neutrality and expansion of disclosure of non-financial information in line with TCFD recommendations, in addition to ongoing efforts in order to further accelerate our initiatives.

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

We kindly ask for your continued understanding and support.

II. Asset Management Report

1. Outline of Asset Management Operation

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

Fiscal period		26th Period January 1, 2019, to June 30, 2019	27th Period July 1, 2019, to December 31, 2019	28th Period January 1, 2020, to June 30, 2020	29th Period July 1, 2020, to December 31, 2020	30th Period January 1, 2021, to June 30, 2021
Operating revenue (Rental revenues)	(Millions of yen) (Millions of yen)	10,668 (10,668)	10,890 (10,890)	12,717 (11,013)	11,043 (10,729)	10,567 (10,567)
Operating expenses (Property operating expenses)	(Millions of yen) (Millions of yen)	6,349 (5,747)	7,978 (5,906)	6,426 (5,697)	6,119 (5,487)	5,977 (5,355)
Operating income	(Millions of yen)	4,318	2,912	6,290	4,924	4,590
Ordinary income	(Millions of yen)	3,691	2,247	5,631	4,291	3,976
Net income	(Millions of yen)	3,690	2,246	5,631	4,290	3,975
Total assets (Period-on-period change)	(Millions of yen) (%)	286,172 (0.3)	288,790 (0.9)	293,532 (1.6)	294,004 (0.2)	293,970 (-0.0)
Net assets (Period-on-period change)	(Millions of yen) (%)	143,822 (0.1)	142,377 (-1.0)	152,133 (6.9)	152,418 (0.2)	152,335 (-0.1)
Unitholders' capital (Note 1)	(Millions of yen)	139,972	139,972	147,907	147,907	147,907
Total outstanding investment units	(units)	1,305,700	1,305,700	1,353,000	1,353,000	1,353,000
Net assets per unit	(yen)	110,149	109,042	112,441	112,652	112,590
Net income per unit (Note 2)	(yen)	2,826	1,720	4,179	3,171	2,938
Total distribution	(Millions of yen)	3,691	3,810	4,004	4,059	3,975
Distribution per unit (Profit distribution per unit) (Distribution in excess of earnings per unit) (Note 3)	(yen) (yen) (yen)	2,827 (2,827) (-)	2,918 (1,841) (1,077)	2,960 (2,960) (-)	3,000 (3,000) (-)	2,938 (2,938) (-)
Return on assets (Note 4) (Annualized rate)	(%) (%)	1.3 (2.6)	0.8 (1.6)	1.9 (3.9)	1.5 (2.9)	1.4 (2.7)
Return on equity (Note 5) (Annualized rate)	(%) (%)	2.6 (5.2)	1.6 (3.1)	3.8 (7.7)	2.8 (5.6)	2.6 (5.3)
Capital ratio (Note 6) (Period-on-period change)	(%) (%)	50.3 (-0.1)	49.3 (-1.0)	51.8 (2.5)	51.8 (0.0)	51.8 (-0.0)
Payout ratio (Note 7)	(%)	100.0	107.0	71.1	94.6	100.0
Number of investment properties	(properties)	31	33	35	34	35
Number of tenants	(tenants)	204	200	193	191	187
Total leasable area (Note 8, 9)	(m ²)	343,830	345,940	332,702	331,112	336,375
Occupancy rate	(%)	99.4	99.6	99.6	98.0	96.4
Depreciation	(Millions of yen)	1,935	1,929	1,946	1,824	1,847
Capital expenditure	(Millions of yen)	1,285	1,726	806	1,127	1,547
Net operating income (NOI) (Note 10)	(Millions of yen)	6,856	6,913	7,263	7,066	7,059
Funds from operation (FFO) per unit (Note 11)	(yen)	4,309	4,367	4,341	4,287	4,303
FFO multiples (Note 12)	(times)	18.2	20.3	14.4	15.0	18.3
Debt service coverage ratio (DSCR) (Note 13)	(times)	12.5	9.4	17.0	13.9	13.2
Interest-bearing debt	(Millions of yen)	126,600	129,600	125,600	125,600	125,600
Loan-to-value (Note 14)	(%)	44.2	44.9	42.8	42.7	42.7
Number of days in operation	(days)	181	184	182	184	181

(Note 1) Unitholders' capital does not account for the changes in unitholders' capital due to the implementation of distribution in excess of earnings related to the allowance for temporary difference adjustments, etc.

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

(Note 3) Distribution in excess of earnings per unit in the 27th period is from reserve for temporary difference adjustments.

(Note 4) Return on assets = Ordinary income / [(Period beginning total assets) + (Period end total assets) / 2] × 100

(Note 5) Return on equity = Net income / [(Period beginning net assets) + (Period end net assets)/ 2] × 100

(Note 6) Capital ratio = Period end net assets / Period end total assets × 100

(Note 7) Payout ratio = (Distribution per unit (not including distribution in excess of earnings per unit) / Net income per unit) × 100
(Figures are rounded to the first decimal place.)

As new investment units were issued in the 28th period, the formula below was used to calculate the amount.

Payout ratio = (Total distributions (not including distribution in excess of earnings / Net income) × 100

In addition, when accounting for reversal of allowance for temporary difference adjustments with the following formula, the payout ratio is 94.8%.

(Total distributions (not including distribution in excess of earnings) / (Net income – Reversal of allowance for temporary difference adjustments)) × 100

(Note 8) For properties with joint ownership (including quasi co-ownership of trust beneficiary interest), a figure obtained by multiplying the leasable area of the entire property by the ownership ratio (As for AKASAKA INTERCITY AIR, GRAND FRONT OSAKA (Umekita Plaza/South Building), and GRAND FRONT OSAKA (North Building), a figure obtained by multiplying the ratio of co-ownership interests held by the trustee by the ratio of quasi co-ownership of trust beneficiary interest held by JEI.) is indicated as JEI's leasable area. The same applies hereinafter.

(Note 9) Spaces are rounded to the nearest specified unit. The same applies hereinafter.

(Note 10) NOI = Rental revenues – Property operating expenses + Depreciation

(Note 11) FFO per unit = (Net income + Depreciation – Gain on sale of real estate + Loss on sale of real estate + Impairment loss) / Total number of outstanding investment units (the figure is rounded down to the whole number).

(Note 12) FFO multiples = Period end investment unit price / Annualized FFO per unit

(Note 13) DSCR = (Net income before interest and taxes + Depreciation (*)) / (Interest expenses + Interest expense on investment corporation bonds)

* Includes depreciation except for property operating expenses.

(Note 14) Loan-to-value = Period end interest-bearing debt / Period end total assets × 100

(2) Asset Management Development

Japan Excellent, Inc. (JEI) was founded on February 20, 2006, under the Law Concerning Investment Trusts and Investment Corporations of Japan (Law No. 198 of 1951, as amended; hereinafter referred to as the “Investment Trust Law”). On March 15, 2006, it completed the corporate registration to the Kanto Finance Bureau (registration number 52, issued by the Head of the Kanto Local Finance Bureau) and listed on the Real Estate Investment Trust Section of the Tokyo Stock Exchange (Securities Code: 8987) on June 27, 2006.

Since the listing, JEI has continued investment management primarily in office buildings with the aim of maintaining sound corporate growth and stable revenues from the medium- to long-term perspectives. On June 30, 2021, JEI settled its 30th period.

1) Business conditions and results

In the 30th period (ended June 2021), although the world economy moved towards recovery reflecting the steady progress of COVID-19 vaccination in major countries in Europe and the U.S., additional measures to boost the economy, etc., and the degree of recovery vary depending on the country. As some regions are seeing the resurgence of COVID-19, there is a concern that suppression of economic activities to prevent the spread of the infection could cause a downturn in the economy, and thus the situation requires careful attention.

In the U.S., 10-year government bonds have become highly volatile, evidenced by their sharp fall sharply after turning upward, due to the mixture of concerns over inflation against the backdrop of the current improvement in economic indicators, the rise in the consumer price index, etc. and concerns over economic slowdown over the medium to long term, etc.

In Japan, since the Bank of Japan has firmly maintained its monetary-easing stance while keeping a close eye on the real economy, the yield on over-10-year government bonds has hovered around zero despite a rising trend in volatility.

In the real estate transaction market, the acquisition appetite of investors within and outside of Japan has remained strong as the favorable fund procurement environment has continued backed by policies for monetary easing, differences in interest rates in Japan and abroad being maintained and such. Therefore, the acquisition environment remained severe, seeing intense competition for prime properties for sale, etc. Under such circumstance, JEI acquired Bizcore Jimbocho (acquisition price: 10.2 billion yen) in June 2021 from Nippon Steel Kowa Real Estate Co., Ltd., the core sponsor.

In the office building leasing market, there has been an increase in cancellation for reasons such as promotion of telework under the COVID-19 pandemic and reduction of fixed cost due to deterioration of corporate earnings. The vacancy rate in the five central wards of Tokyo published by Miki Shoji Co., Ltd. showed an upward trend, standing at 6.2% as of the end of June 2021, up 1.7 points from the end of December 2020. The average unit rent has shifted downward since August 2020, and that for June 2021 dropped by 3.8% compared with that for December 2020. Under such circumstance, the occupancy rate (Note 1) at the end of the period under review was 96.4%, down 1.6 points from the end of the previous period, because of the impact of stalled leasing activities due to the declaration of a state of emergency, etc.

The total number of properties owned and managed by JEI at the end of the period under review was 35 with a total acquisition price of 282.5 billion yen and total leasable area of 336,375.40 m² (101,753.56 tsubos).

2) Fund procurement highlights

JEI will work on stable and sound financial operations over the medium to long term with a basic policy of procuring funds for the long term at fixed interest rates.

In the 30th period, JEI acquired Bizcore Jimbocho for 10.2 billion yen in June as part of expansion of the asset size. The acquisition was made entirely using cash on hand in order to improve asset efficiency. Furthermore, at the end of June, JEI refinanced long-term loans of 4.0 billion yen that had matured with long-term loans (borrowing period of 8.8 years, 4.0 billion yen).

As a result, as of the end of the 30th period, the average remaining period of interest-bearing debt (Note 2) was 4.4 years (shortened by 0.2 years from the end of the previous period), the period-end average interest-bearing debt interest rate (Note 3) was 0.74% (down 0.03 points from the end of the previous period), and the loan-to-value ratio of total assets (total assets-based LTV) (Note 4) was 42.7% (unchanged from the end of the previous period).

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

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

(Ratings as of June 30, 2021)

Credit rating agency	Issuer rating (outlook)	Individual debt issue rating (Note 5)
Japan Credit Rating Agency, Ltd. (JCR)	Long-term issuer rating AA- (Stable)	AA-
Moody's Japan	Issuer rating A3 (Stable)	—

3) Sustainability initiatives

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

In order to reduce our environmental impact, JEI has set targets to reduce energy consumption, CO₂ emission and water consumption intensities by 1% per year compared with the previous period, and over the medium to long term we aim to reduce average consumption and emission intensities by 5% or more when comparing the rates between fiscal 2015 and fiscal 2019 with the rates between fiscal 2020 and fiscal 2024. To meet such targets, JEI has promoted upgrading of properties by adopting LED lighting and air-conditioning equipment with excellent energy-saving performance. Furthermore, JEI has continuously promoted the acquisition of DBJ Green Building Certification and the number of certified properties now stands at 21, accounting for 82.7% of leasable area (as of June 30, 2021; excluding land with leasehold interest). In addition, JEI has sequentially pressed ahead with switching of electric power sources of properties it owns to reduce CO₂ emissions from use of electricity, and has already done so at Nisseki Yokohama Building, Shiba 2-Chome Building and Daiwa Minami-morimachi Building.

Such initiatives for sustainability by JEI earned high recognition, specifically a sixth consecutive “Green Star” rating (Note 7) in the Global Real Estate Sustainability Benchmark (GRESB) (Note 6) Real Estate Assessment conducted in 2020, as well as “5 Star” in “GRESB Rating” (Note 8). Furthermore, inclusion in MSCI Japan ESG Select Leaders Index (Note 9) was decided in May 2021.

Furthermore, in June 2021, JEI's asset management company Japan Excellent Asset Management Co., Ltd. (hereinafter, “JEAM”) expressed support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) (Note 10), joined the TCFD Consortium (Note 11), and signed the Principles for Financial Action for the 21st Century (Note 12).

4) Financial results and distribution highlights

As a result of the management above, for the period under review, JEI posted 10,567 million yen in operating revenue, 4,590 million yen in operating income, 3,976 million yen in ordinary income, and 3,975 million yen in net income.

Concerning distributions in the period under review, JEI determined to distribute the entirety of unappropriated retained earnings (except for the portion of less than one yen per unit) to deduct the amount of profit distribution from its taxable income by applying the special provisions of the tax system on investment corporations (Section 67-15 of the Special Taxation Measures Law). As a result, distribution per unit was 2,938 yen.

(Note 1) Occupancy rate is a percentage of total leased area to total leasable area of each real estate or real estate in trust.

(Note 2) Average remaining period of interest-bearing debt is calculated by applying a weighted average of the remaining period until the repayment date or redemption date of borrowings and investment corporation bonds at the end of the period to the balance of each interest-bearing debt, for all interest-bearing debt.

(Note 3) Period-end average interest-bearing debt interest rate is calculated by applying a weighted average of interest at the end of the period under review to the balance of each interest-bearing debt, for all interest-bearing debt.

(Note 4) Loan-to-value ratio of total assets = (Period end interest-bearing debt / Period end total assets) × 100

(Note 5) The rating is for 7th series unsecured investment corporation bonds, 8th series unsecured investment corporation bonds, 9th series unsecured investment corporation bonds, 10th series unsecured investment corporation bonds, 11th series unsecured investment corporation bonds, 12th series unsecured investment corporation bonds, 13th series unsecured investment corporation bonds, 14th series unsecured investment corporation bonds, 15th series unsecured investment corporation bonds and 16th series unsecured investment corporation bonds.

(Note 6) A benchmark established by a European pension fund group that measures ESG considerations of real estate companies and management institutions which is used by major European, American, and Asian institutional investors for decision-making on investments.

- (Note 7) “Green Star” is given when a high evaluation with a score exceeding 50% is made in the two evaluation axes (“Management Policy” and “Implementation & Measurement”).
- (Note 8) “GRESB Rating” is a rating of the overall score according to the global ranking, and “5 Star” is given to the top 20% of participants, “4 Star” to the following 20% and so forth.
- (Note 9) The MSCI Japan ESG Select Leaders Index is an index consisting of companies that have high Environmental, Social and Governance performance selected from among the constituents of the MSCI Japan IMI Top 700 Index. The Index has been selected as one of the ESG indices for passive investment by the Government Pension Investment Fund (GPIF).
- (Note 10) The TCFD (Task Force on Climate-related Financial Disclosures) is an international initiative established in 2015 by the Financial Stability Board (FSB) at the request of the G20 to discuss climate-related issues to be addressed by the financial sector.
- (Note 11) The TCFD Consortium was established in May 2019 as a Japanese forum for companies and financial institutions, etc. supporting the TCFD recommendations (report published by TCFD in June 2017) to discuss effective disclosure and engagement to link disclosed information to appropriate investment decisions implemented by financial institutions and other organizations.
- (Note 12) The Principles for Financial Action for the 21st Century was established in October 2011, based on the recommendations of the Expert Committee on Environment and Finance of the Central Environment Council, by drafting committee with participation of various financial institutions as the action guidelines of financial institutions who seek to fulfill their roles and responsibilities in shaping a sustainable society.

(3) Capital Increase

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

Paid-up Date	Capital transaction	Capital transaction (units)		Unitholders' capital (Millions of yen) (Note 1)		Remarks
		Change	Balance	Change	Balance	
July 11, 2016	Public offering	37,500	1,301,950	5,034	139,469	(Note 2)
August 10, 2016	Third-party allotment	3,750	1,305,700	503	139,972	(Note 3)
January 21, 2020	Public offering	43,000	1,348,700	7,213	147,186	(Note 4)
February 13, 2020	Third-party allotment	4,300	1,353,000	721	147,907	(Note 5)

(Note 1) Does not account for the changes in unitholders' capital due to the implementation of distribution in excess of earnings related to the allowance for temporary difference adjustments.

(Note 2) New investment units were issued at an issue price of 138,742 yen per unit (purchase price of 134,259 yen per unit) through a public offering in order to partially repay debts procured to acquire properties.

(Note 3) New investment units were issued at a purchase price of 134,259 yen per unit through third-party allotment in order to partially fund future acquisitions of specified assets or partially fund repayment of loans.

(Note 4) New investment units were issued at an issue price of 173,355 yen per unit (purchase price of 167,754 yen per unit) through a public offering in order to repay debts procured to acquire properties and partially fund property acquisitions.

(Note 5) New investment units were issued at a purchase price of 167,754 yen per unit through third-party allotment in order to partially fund future acquisitions of specified assets or partially fund repayment of loans.

(Note 6) At JEI, there exist no investment units held by JEI (investment units without voting rights provided in Article 308-2 of the Corporate Law which will be applied mutatis mutandis pursuant to Article 94 of the Investment Trust Law) or cross-held investment units (investment units without voting rights provided in Article 160 of the Investment Trust Enforcement Ordinance) as of the end of 30th period.

[Market price of the investment securities]

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

Investment unit market price	Fiscal period (closing date)	26th period (June 2019)	27th period (December 2019)	28th period (June 2020)	29th period (December 2020)	30th period (June 2021)
	Highest (yen)	164,500	189,600	200,600	127,900	163,300
	Lowest (yen)	147,600	159,600	75,400	110,600	120,000

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

(4) Distributions Paid

Concerning distributions in the period under review, JEI determined to distribute the entirety of unappropriated retained earnings (except for the portion of less than one yen per unit) to deduct the amount of profit distribution from its taxable income by applying the special provisions of the tax system on investment corporations (Section 67-15 of the Special Taxation Measures Law). As a result, distribution per unit was 2,938 yen.

Fiscal period	26th period	27th period	28th period	29th period	30th period
Accounting period	January 1, 2019, to June 30, 2019	July 1, 2019, to December 31, 2019	January 1, 2020, to June 30, 2020	July 1, 2020, to December 31, 2020	January 1, 2021, to June 30, 2021
Unappropriated retained earnings at end of period (Thousands of yen)	3,691,310	2,246,223	5,631,594	4,291,443	3,975,882
Retained income (Thousands of yen)	97	469	220,475	232,443	768
Total cash distribution amount (Thousands of yen)	3,691,213	3,810,032	4,004,880	4,059,000	3,975,114
(Cash distributions per unit) (yen)	(2,827)	(2,918)	(2,960)	(3,000)	(2,938)
Of which, total profit distributions (Thousands of yen)	3,691,213	2,403,793	4,004,880	4,059,000	3,975,114
(Profit distribution per unit) (yen)	(2,827)	(1,841)	(2,960)	(3,000)	(2,938)
Of which, total refund of investment equity (Refund of investment equity per unit)	— (—)	1,406,238 (1,077)	— (—)	— (—)	— (—)
Of total refund of investment equity, total distribution amount from reserve for temporary difference adjustments	—	1,406,238	—	—	—
(Of refund of investment equity per unit, distribution amount per unit from reserve for temporary difference adjustments)	(—)	(1,077)	(—)	(—)	(—)
Of total refund of investment equity, total distribution amount from distribution reducing unitholders' capital for tax purpose	—	—	—	—	—
(Of refund of investment equity per unit, distribution amount per unit from distribution reducing unitholders' capital for tax purpose)	(—)	(—)	(—)	(—)	(—)

(5) Policy and Issues on Future Investment Management

1) Outlook for business environment

In the real estate transaction market, although transaction prices are expected to remain high for the time being backed by factors such as vigorous appetite for investment by market participants, we believe that there is a need to closely monitor the impacts of COVID-19 and changes in the environment brought about by changes in economic conditions, etc.

In the office building leasing market, the present office demand is expected to decrease to a certain degree due to tenants' movements to reduce costs, streamline and consolidate. As such, the vacancy rate is likely to moderately rise eyeing the increase in new supply in 2023, and thus new contract rent is expected to trend downward.

However, because waiting demand for offices can be also expected to surface along with the gradual receding of the excessive 'wait-and-see' attitude of tenants after the turn of the year due to rejuvenation of economic activities in all fields as a result of the progress in vaccination rollout, there appears to be specific moves upon reviewing the role of office and such. Therefore, it becomes necessary to carefully assess those trends.

2) Policy and issues on future investment management

A. External growth

JEI will work to acquire competitive properties by means of well-balanced investments based on size and area while gradually shifting its focus from asset replacement to expansion of asset size for external growth. JEI will continue to have the asset management company newly cultivate and refine property information sources in an effort to promptly gain access to market information on disposition of properties and thereby keep seizing the right business opportunities while maintaining a focus on cooperation with sponsor companies. At the same time, in order to improve its portfolio over the medium to long term, JEI will consider disposition of properties that are old or are likely to lose competitiveness in the future, assuming replacement.

B. Internal growth

JEI will continue to make efforts to capture the needs of existing tenants in a timely manner by further strengthening finely-tuned relationships.

As to properties with vacancies at present or with expected vacancies, JEI will focus on filling those vacancies at an early stage by collaborating with the sponsor, setting flexible terms and conditions taking into account the difficulties, etc. for each property, etc. As for rent revision, while prioritizing prevention of tenant move-outs by comprehensively considering tenant business conditions and such, JEI is to flexibly negotiate upward rent revision and quickly shift the policy towards upward rent revision once the environment turns for the better.

Over the medium to long term, JEI aims to enhance earnings of the entire portfolio and improve its ESG evaluation by making additional strategic investments to maintain asset value and improve property competitiveness while considering energy conservation and BCP measures.

Concerning the requests from tenants in light of the impact of COVID-19, JEI will discuss support individually while continuing to carefully listen and hold discussions.

C. Financial strategy

JEI will consistently work on stable and sound financial operations by continuing to procure funds based on the basic policy to fix interest rates of loans, extend borrowing periods, and diversify maturity dates while continuing to reduce interest rates. In addition, JEI will consider new procurement methods such as green bonds and sustainability loans from the perspective of maintaining and strengthening its financial base through diversification of fund procurement means.

JEI will set the upper limit of total assets-based LTV at 60% and manage it at around 35% to 50%. Furthermore, JEI will conduct financial operations that emphasize stability by reducing refinancing risks through diversification of maturity dates of interest-bearing debt.

D. Sustainability initiatives

JEI will work to reduce the environmental burden and to cooperate/collaborate with stakeholders to achieve a sustainable society, deeming such as its corporate social responsibility.

(6) Subsequent Events

Not applicable.

(Reference Material)

1. Transfer of Asset (Kowa Shirokanedai Building)

JEI concluded a transaction agreement for trust beneficiary interest on August 18, 2021, as follows.

<Overview of the Asset to Be Transferred>

Asset to be transferred	Trust beneficiary interest in real estate
Name of asset	Kowa Shirokanedai Building
Location	3-19-1 Shirokanedai, Minato-ku, Tokyo
Planned transfer price (Note)	5,400,000,000 yen
Date of conclusion of agreement	August 18, 2021
Transfer date	June 29, 2022
Transferee	Nippon Steel Kowa Real Estate Co., Ltd.

(Note) Planned transfer price is the transfer value of trust beneficiary interest, excluding transfer-related expenses, property taxes, city planning taxes settled and consumption taxes.

2. Outline of the Investment Corporation

(1) Investment Units

Fiscal period	26th As of June 30, 2019	27th As of December 31, 2019	28th As of June 30, 2020	29th As of December 31, 2020	30th As of June 30, 2021
Total number of units authorized	10,000,000 units	10,000,000 units	10,000,000 units	10,000,000 units	10,000,000 units
Total number of units issued and outstanding	1,305,700 units	1,305,700 units	1,353,000 units	1,353,000 units	1,353,000 units
Unitholders' capital	139,972 million yen	139,972 million yen	147,907 million yen	147,907 million yen	147,907 million yen
Number of unitholders	6,393 individuals	6,046 individuals	6,746 individuals	6,914 individuals	6,797 individuals

(Note) Does not account for the changes in unitholders' capital due to the implementation of distribution in excess of earnings related to the allowance for temporary difference adjustments.

(2) Unitholders

Major unitholders as of June 30, 2021, are as follows:

Name	Address	Number of units held (Units)	Ratio of number of units held to outstanding investment units (%)
Custody Bank of Japan, Ltd. (Trust Account) (Note)	1-8-12 Harumi, Chuo-ku, Tokyo	325,781	24.08
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3 Hamamatsu-cho, Minato-ku, Tokyo	219,062	16.19
Nippon Steel Kowa Real Estate Co., Ltd.	1-8-1 Akasaka, Minato-ku, Tokyo	71,560	5.29
Custody Bank of Japan, Ltd. (Securities Investment Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	63,088	4.66
The Nomura Trust and Banking Co., Ltd. (Investment trust account)	2-2-2 Otemachi, Chiyoda-ku, Tokyo	52,053	3.85
The Dai-ichi Life Insurance Company, Limited	1-13-1 Yuraku-cho, Chiyoda-ku, Tokyo	20,660	1.53
STATE STREET BANK WEST CLIENT - TREATY 505234	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, U.S.A.	19,774	1.46
SSBTC CLIENT OMNIBUS ACCOUNT	ONE LINCOLN STREET, BOSTON MA USA 02111	19,354	1.43
Custody Bank of Japan, Ltd. (Trust account 7)	1-8-12 Harumi, Chuo-ku, Tokyo	18,936	1.40
Nomura Securities Co., Ltd.	13-1, Nihonbashi, 1-chome, Chuo-ku, Tokyo, 1038011, Japan	17,987	1.33
Total		828,255	61.22

(3) Officers

1) Directors and accounting auditor

Post	Name	Major additional post	Compensation or fee for the six months ended June 30, 2021 (Thousands of yen)
Executive Director	Shuichiro Kayama	President, Japan Excellent Asset Management Co., Ltd.	–
Supervisory Director	Shunichi Maekawa	Part-time Lecturer, Faculty of Modern Management, Sugiyama Jogakuen University	5,580
Supervisory Director	Eiji Takagi	Eiji Takagi Certified Public Accounting Office	
Supervisory Director	Osamu Hirakawa	Advisor, Anderson, Mori & Tomotsune	
Accounting Auditor	Ernst & Young ShinNihon LLC	–	16,851 (Note 2)

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

(Note 2) The total amount of compensation or fee shown above is an estimated amount and includes the amount paid as compensation for auditing during the 30th period (11,000 thousand yen), the fee for the English financial statements audit and third-party assurance engagements.

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

The board of directors of JEI shall deliberate dismissal of accounting auditor in accordance with the provisions set out in the Investment Trust Law, and deliberate discontinuation of re-election based on circumstances in all respects.

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

Not applicable.

(4) Matters Concerning Directors and Officers Liability Insurance Agreement

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

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

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

JEI's asset management company, asset custodian, and administrative agents as of June 30, 2021, are as follows:

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

3. Investment Portfolio of the Investment Corporation

(1) Investment Portfolio by Area

Classification	Use (Note 1)	Area (Note 2)	29th Period (As of December 31, 2020)		30th Period (As of June 30, 2021)	
			Total acquisition price (Millions of yen) (Note 3)	Investment ratio in portfolio (%)	Total acquisition price (Millions of yen) (Note 3)	Investment ratio in portfolio (%)
Real estate property	Office building	Area I	10,960	3.7	10,936	3.7
		Area II	5,467	1.9	5,428	1.8
		Area IV	1,632	0.6	1,625	0.6
Trust beneficiary interest in real estate		Area I	104,208	35.4	131,012	44.6
Area II		10,772	3.7	10,757	3.7	
Area III		84,149	28.6	84,292	28.7	
Area IV		21,094	7.2	21,061	7.2	
Trust beneficiary interest in real estate	Others (commercial facilities, residence, etc.)	Area I	17,178	5.8	—	—
Total			255,463	86.9	265,113	90.2
Deposits in bank and other assets			38,540	13.1	28,856	9.8
Total assets			294,004	100.0	293,970	100.0

(Note 1) With the amendment to the Asset Management Guidelines for JEAM (on June 28, 2021), concerning “usage” in investment ratio by usage, the usage is now determined not only based on the ratio of leasable area for each real estate and the entire real estate securities but also by taking into consideration the ratio of rental revenue, etc. In light of the amendment, the usage of HAMARIKYU INTERCITY has been changed from others (commercial facilities, residence, etc.) to office building. The same applies hereinafter.

(Note 2) Areas are classified as follows:

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

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

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

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

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

The same applies hereinafter.

(Note 3) Total acquisition price is based on the amounts accounted for in the balance sheets as of the settlement date (amounts of real estate property and trust beneficiary interest in real estate are based on the book value after depreciations).

(2) Major Properties

The principal properties (top ten properties in net book value) owned by JEI as of June 30, 2021, are as follows.

Name	Book value (Millions of yen)	Leasable area (m ²) (Note 1)	Leased area (m ²) (Note 2)	Occupancy rate (%) (Note 3)	Ratio of rental revenue to total rental revenues (%)	Major use
AKASAKA INTERCITY	26,603	11,021.03	11,021.03	100.0	6.0	Office building
Nisseki Yokohama Building	22,426	40,440.72	40,440.72	100.0	11.4	Office building
Omori Bellport D	20,653	25,801.66	25,801.66	100.0	8.7	Office building
Kowa Kawasaki Nishiguchi Building	19,206	24,944.17	24,944.17	100.0	6.1	Office building
HAMARIKYU INTERCITY	17,030	19,718.11	19,433.75	98.6	7.3	Office building
Musashikosugi Tower Place	12,339	25,043.93	25,043.93	100.0	7.5	Office building
Mansard Daikanyama	11,170	5,420.80	3,940.58	72.7	2.4	Office building
Kowa Nishi-Shimbashi Building	10,936	8,949.04	8,949.04	100.0	(Note 4)	Office building
Kowa Kawasaki Higashiguchi Building	10,612	18,612.72	18,612.72	100.0	(Note 4)	Office building
Bizcore Jimbocho	10,046	5,261.75	5,261.75	100.0	(Note 4)	Office building
Total	161,025	185,213.93	183,449.35	99.0	—	—

(Note 1) Leasable area refers to area available for lease of which ownership is attributable to JEI as of June 30, 2021. For properties with joint ownership, the value is obtained by multiplying the total leasable area of the shared property by the percentage of the interest owned by JEI, regarding the figure as JEI's leasable area.

(Note 2) Leased area refers to area with lease contracts or master lease agreements that guarantee a certain amount of fixed rent payment concluded with end tenants as of June 30, 2021. For properties with joint ownership, the value is obtained by multiplying the total leased area of the property by the percentage of the co-ownership interest owned by JEI, regarding the figure as JEI's leased area. For properties which are used for profit by the master lease company, leased area refers to the portion used, and the figures indicate area which can be reasonably calculated based on the lease agreement on the master leasing. The leased area of end tenants who terminated their lease arrangement but have not yet moved out as of the end of period is included in the leased area. This also applies to any figure which is calculated based on "leased area" in this document.

(Note 3) Occupancy rate is a percentage of total leased area to total leasable area as of June 30, 2021.

(Note 4) The values for Kowa Nishi-Shimbashi Building and Kowa Kawasaki Higashiguchi Building are not disclosed as consent for disclosure of rent from the end tenants has not been obtained; and that for Bizcore Jimbocho is not disclosed as consent for disclosure of rent from the owner of other exclusively owned space conducting centralized management has not been obtained.

(3) Portfolio Ownership Breakdown

Real estate properties and their forms of ownership as of June 30, 2021, are as follows:

Property No.	Property name	Location (Residential address)	Form of ownership	Appraisal value at end of period (Millions of yen) (Note)	Net book value (Millions of yen)
I-1	Omori Bellport D	6-26-3 Minami-Oi, Shinagawa-ku, Tokyo	Trust beneficiary interest in real estate	25,900	20,653
I-2	Shiba 2-Chome Building	2-6-1 Shiba, Minato-ku, Tokyo	Trust beneficiary interest in real estate	13,600	8,962
I-3	JEI Hamamatsucho Building	2-2-12 Hamamatsu-cho, Minato-ku, Tokyo	Trust beneficiary interest in real estate	9,060	8,062
I-8	AKASAKA INTERCITY	1-11-44 Akasaka, Minato-ku, Tokyo	Trust beneficiary interest in real estate	30,200	26,603
I-9	Kowa Shirokanedai Building	3-19-1 Shirokanedai, Minato-ku, Tokyo	Trust beneficiary interest in real estate	5,010	4,638
I-10	Daiba Garden City Building	2-3-5 Daiba, Minato-ku, Tokyo	Trust beneficiary interest in real estate	10,100	9,416
I-12	HAMARIKYU INTERCITY	1-9-1 and 15 Kaigan, Minato-ku, Tokyo	Trust beneficiary interest in real estate	25,900	17,030
I-13	Shintomicho Building	3-10-9 Irifune, Chuo-ku, Tokyo	Trust beneficiary interest in real estate	2,210	1,749
I-14	Kowa Nishi-Shimbashi Building	2-1-1 Nishi-Shimbashi, Minato-ku, Tokyo	Real estate	13,700	10,936
I-15	Mansard Daikanyama	10-1 Sarugakucho, Shibuya-ku, Tokyo	Trust beneficiary interest in real estate	13,700	11,170
I-16	AKASAKA INTERCITY AIR	1-8-1 Akasaka, Minato-ku, Tokyo	Trust beneficiary interest in real estate	7,780	6,503
I-17	Bizcore Akasaka-mitsuke	3-1-2 Akasaka, Minato-ku, Tokyo	Trust beneficiary interest in real estate	6,630	6,176
I-18	Bizcore Jimbocho	3-9-2 Kanda-ogawamachi, Chiyoda-ku, Tokyo	Trust beneficiary interest in real estate	10,300	10,046
Area I				174,090	141,948
II-1	NHK Nagoya Housou-Center Building	1-13-3 Higashi-Sakura, Higashi-ku, Nagoya-shi, Aichi	Real estate	6,170	5,428
II-3	Osaka Kogin Building (Land with Leasehold Interest)	4-1-1 Koraibashi, Chuo-ku, Osaka-shi, Osaka	Trust beneficiary interest in real estate	2,470	1,865
II-4	GRAND FRONT OSAKA (Umekita Plaza- South Building)	4-1 Ohbuka-cho, Kita-ku, Osaka City, Osaka (Umekita Plaza) 4-20 Ohbuka-cho, Kita-ku, Osaka City, Osaka (South Building)	Trust beneficiary interest in real estate	5,050	4,882
II-5	GRAND FRONT OSAKA (North Building)	3-1 Ohbuka-cho, Kita-ku, Osaka City, Osaka	Trust beneficiary interest in real estate	3,850	4,009
Area II				17,540	16,185
III-1	Musashikosugi Tower Place	1-403 Kosugi-machi, Nakahara-ku, Kawasaki-shi, Kanagawa	Trust beneficiary interest in real estate	21,500	12,339
III-2	Kowa Kawasaki Higashiguchi Building	1-53 Nisshin-cho Kawasaki-ku, Kawasaki-shi, Kanagawa	Trust beneficiary interest in real estate	10,600	10,612
III-3	JEI Hongo Building	2-38-16 Hongo, Bunkyo-ku, Tokyo	Trust beneficiary interest in real estate	4,650	4,941
III-5	Kawasaki Nisshincho Building	7-1 Nisshin-cho, Kawasaki-ku, Kawasaki-shi, Kanagawa	Trust beneficiary interest in real estate	4,680	4,127
III-7	JEI Ryogoku Building	3-25-5 Ryogoku, Sumida-ku, Tokyo	Trust beneficiary interest in real estate	2,660	2,319
III-9	Kowa Kawasaki Nishiguchi Building	66-2 Horikawa-cho, Saiwai-ku, Kawasaki-shi, Kanagawa	Trust beneficiary interest in real estate	16,400	19,206
III-10	Pacific Square Sengoku	2-29-24 Hon-Komagome, Bunkyo-ku, Tokyo	Trust beneficiary interest in real estate	1,490	1,616
III-11	Core City Tachikawa	2-37-7 Akebono-cho, Tachikawa-shi, Tokyo	Trust beneficiary interest in real estate	9,460	6,026
III-12	Nisseki Yokohama Building	1-1-8 Sakuragi-cho, Naka-ku, Yokohama-shi, Kanagawa	Trust beneficiary interest in real estate	31,200	22,426
III-13	Yokohama Bentendori Dai-ichi Seimei Building	4-59 Bentendori, Naka-ku, Yokohama-shi, Kanagawa	Trust beneficiary interest in real estate	682	675
Area III				103,322	84,292
IV-2	JEI Kyobashi Building	2-2-48 Kata-machi, Tsushima-ku, Osaka-shi, Osaka	Trust beneficiary interest in real estate	4,420	2,767
IV-3	JEI Hiroshima Hacchobori Building	14-4 Hacchobori, Naka-ku, Hiroshima-shi, Hiroshima	Trust beneficiary interest in real estate	3,940	2,582
IV-4	SE Sapporo Building	1-1-2 Kitananajonishi, Kita-ku, Sapporo-shi, Hokkaido	Trust beneficiary interest in real estate	9,160	5,066
IV-5	Aoba-dori Plaza	3-2-1 Chuo, Aoba-ku, Sendai-shi, Miyagi	Trust beneficiary interest in real estate	4,460	2,194
IV-6	Daiwa Minami-morimachi Building	2-6, 2-chome Kita Tenjinbashi, Kita-ku, Osaka-shi, Osaka	Trust beneficiary interest in real estate	5,190	4,167
IV-7	JEI Naha Building	2-8-1 Kumoji, Naha-shi, Okinawa	Trust beneficiary interest in real estate	2,020	1,462
IV-8	Hiroshima Dai-ichi Seimei OS Building	1-2-21 Matoba-cho Minami-ku, Hiroshima-shi, Hiroshima	Trust beneficiary interest in real estate	3,330	2,820
IV-9	Senshin Building	1-6-27 Chuo, Aoba-ku, Sendai-shi, Miyagi	Real estate	1,690	1,625
Area IV				34,210	22,687
Total				329,162	265,113

(Note) Appraisal value at end of period indicates the appraisal value described in the real estate appraisal report prepared by real estate appraisers belonging to Japan Real Estate Institute, Chuo Real Estate Appraisal Co., Ltd., Japan Valuers Co., Ltd., Daiwa Real Estate Appraisal Co., Ltd. and The Tanizawa Sogo Appraisal Co., Ltd. as of June 30, 2021, pursuant to the articles of incorporation of JEI and the regulations stipulated by the Investment Trusts Association, Japan. For properties with joint ownership in the current portfolio, the value is obtained by multiplying the total value of the shared real estate by the percentage of the interest owned by JEI or the trustee.

Property No.	Property name	29th Period July 1, 2020, to December 31, 2020				30th Period January 1, 2021, to June 30, 2021			
		Total number of tenants (At end of period) (Note 1)	Occupancy rate (At end of period) (%)	Rental revenue (Interim) (Millions of yen)	Ratio of rental revenue to total rental revenues (%)	Total number of tenants (At end of period) (Note 1)	Occupancy rate (At end of period) (%)	Rental revenue (Interim) (Millions of yen)	Ratio of rental revenue to total rental revenues (%)
I-1	Omori Bellport D	1	100.0	921	8.6	1	100.0	914	8.7
I-2	Shiba 2-Chome Building	2	100.0	373	3.5	2	99.2	373	3.5
I-3	JEI Hamamatsucho Building	1	100.0	245	2.3	1	100.0	244	2.3
I-8	AKASAKA INTERCITY	13	100.0	615	5.7	13	100.0	633	6.0
I-9	Kowa Shirokanedai Building	1	97.3	180	1.7	1	92.0	169	1.6
I-10	Daiba Garden City Building	1	100.0	331	3.1	1	82.6	341	3.2
I-12	HAMARIKYU INTERCITY	1	98.6	759	7.1	1	98.6	773	7.3
I-13	Shintomicho Building	11	100.0	74	0.7	11	100.0	74	0.7
I-14	Kowa Nishi-Shimbashi Building	1	93.2	(Note 2)	(Note 2)	1	100.0	(Note 2)	(Note 2)
I-15	Mansard Daikanyama	9	94.1	312	2.9	7	72.7	253	2.4
I-16	AKASAKA INTERCITY AIR	1	100.0	(Note 2)	(Note 2)	1	100.0	(Note 2)	(Note 2)
I-17	Bizcore Akasaka-mitsuke	1	100.0	153	1.4	1	100.0	153	1.5
I-18	Bizcore Jimbocho	-	-	-	-	1	100.0	(Note 2)	(Note 2)
Area I		43	98.8	-	-	42	96.3	-	-
II-1	NHK Nagoya Housou-Center Building	35	98.8	382	3.6	33	94.8	373	3.5
II-2	JEI Nishi-Honmachi Building (Note 3)	-	-	2	0.0	-	-	-	-
II-3	Osaka Kogin Building (Land with Leasehold Interest)	1	100.0	89	0.8	1	100.0	89	0.8
II-4	GRAND FRONT OSAKA (Umekita Plaza · South Building)	2	98.0	(Note 2)	(Note 2)	2	98.4	(Note 2)	(Note 2)
II-5	GRAND FRONT OSAKA (North Building)	5	97.6	(Note 2)	(Note 2)	5	97.2	(Note 2)	(Note 2)
Area II		43	98.6	-	-	41	96.4	-	-
III-1	Musashikosugi Tower Place	39	100.0	813	7.6	39	100.0	797	7.5
III-2	Kowa Kawasaki Higashiguchi Building	1	100.0	(Note 2)	(Note 2)	1	100.0	(Note 2)	(Note 2)
III-3	JEI Hongo Building	1	100.0	(Note 2)	(Note 2)	1	73.8	(Note 2)	(Note 2)
III-5	Kawasaki Nisshincho Building	1	65.3	204	1.9	1	58.3	137	1.3
III-7	JEI Ryogoku Building	1	100.0	117	1.1	1	100.0	112	1.1
III-9	Kowa Kawasaki Nishiguchi Building	1	100.0	648	6.0	1	100.0	642	6.1
III-10	Pacific Square Sengoku	1	100.0	60	0.6	1	100.0	61	0.6
III-11	Core City Tachikawa	1	100.0	319	3.0	1	97.8	320	3.0
III-12	Nisseki Yokohama Building	1	100.0	1,193	11.1	1	100.0	1,202	11.4
III-13	Yokohama Bentendori Dai-ichi Seimei Building	1	100.0	42	0.4	1	100.0	41	0.4
Area III		48	97.4	-	-	48	96.0	-	-
IV-2	JEI Kyobashi Building	1	98.9	187	1.7	1	100.0	185	1.8
IV-3	JEI Hiroshima Hacchobori Building	1	94.2	154	1.4	1	98.4	153	1.5
IV-4	SE Sapporo Building	1	100.0	411	3.8	1	99.3	419	4.0
IV-5	Aoba-dori Plaza	50	99.4	193	1.8	49	96.0	187	1.8
IV-6	Daiwa Minami-morimachi Building	1	100.0	198	1.8	1	100.0	194	1.8
IV-7	JEI Naha Building	1	91.3	76	0.7	1	89.4	77	0.7
IV-8	Hiroshima Dai-ichi Seimei OS Building	1	97.2	140	1.3	1	95.2	141	1.3
IV-9	Senshin Building	1	92.8	49	0.5	1	94.3	51	0.5
Area IV		57	97.8	-	-	56	97.6	-	-
Total		191	98.0	10,729	100.0	187	96.4	10,567	100.0

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

(Note 2) Rental revenue (interim) and ratio of rental revenue to total rental revenues for Kowa Nishi-Shimbashi Building, Kowa Kawasaki Higashiguchi Building, and JEI Hongo Building are not disclosed as consent for disclosure of rent from the end tenants has not been obtained; those for AKASAKA INTERCITY AIR, GRAND FRONT OSAKA (Umekita Plaza-South Building), and GRAND FRONT OSAKA (North Building) are not disclosed as consent for disclosure of rent from the co-owners has not been obtained; and those for Bizcore Jimbocho are not disclosed as consent for disclosure of rent from the owner of other exclusively owned space conducting centralized management has not been obtained.

(Note 3) JEI completed transfer of JEI Nishi-Honmachi Building on July 3, 2020.

(4) Securities Portfolio

None

(5) Renewable Power Generation Facility

None

(6) Right to Operate Public Facility

None

(7) Other Assets

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

Classification	Type	Contract amount (Thousands of yen) (Note 1)		Fair value (Thousands of yen) (Note 2)
			Over one year	
Over-the-counter transaction	Interest rate swap transactions	46,140,000	40,390,000	—
	Floating interest rate receivable			
	Fixed interest rate payable			

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

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

2) Shares

Name (Note 1)	Number of shares	Acquisition price (Thousands of yen) (Note 4)		Assessed value (Thousands of yen) (Note 5)		Valuation gains/losses	Remarks
		Unit price	Amount	Unit price	Amount		
KMO Corporation	833 shares	50	42,069	50	42,069	—	—

(Note 1) With the acquisition of GRAND FRONT OSAKA (North Building) (part of trust beneficiary interest in real estate), JEI purchased 833 common shares of KMO Corporation, an entity that conducts facility management and business development for Knowledge Capital (Note 2), and acquired the restitution rights of funds (Note 3) of Knowledge Capital's funds. Moreover, said common shares may not be transferred separately from quasi co-ownership of the trust beneficiary interest in GRAND FRONT OSAKA (North Building).

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

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

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

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

3) Securities other than shares

Asset type (Note 1)	Quantity	Book value (Thousands of yen)		Assessed value (Thousands of yen) (Note 2)		Valuation gains/losses	Remarks
		Unit price	Amount	Unit price	Amount		
Restitution rights of funds	1	—	2,659	—	2,659	—	—

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

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

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4) Other Assets

Asset type (Note 1)	Quantity	Book value (Thousands of yen)		Assessed value (Thousands of yen) (Note 2)		Valuation gains/losses	Remarks
		Unit price	Amount	Unit price	Amount		
Restitution rights of funds	1	—	454	—	454	—	—

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

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

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

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

4. Capital Expenditures for Owned Properties

(1) Scheduled Capital Expenditures

The following table shows major items of scheduled capital expenditures for repairs and maintenance planned for the properties owned by JEI as of the end of the 30th period (ended June 30, 2021). The values below include portions to be expensed for accounting purposes.

Property name	Location	Purpose	Schedule term	Estimated construction costs (Millions of yen)		
				Total	Payment for the six months ended June 30, 2021	Total of advance payment
Kowa Shirokanedai Building	Minato-ku, Tokyo	Renovation of air-conditioning systems (Phase 1)	From October 2021 To December 2021	122	—	—
Kowa Kawasaki Higashiguchi Building	Kawasaki-shi, Kanagawa	Update of gondola equipment	From April 2021 To December 2021	81	—	—
Shiba 2-Chome Building	Minato-ku, Tokyo	Renovation of exterior walls	From January 2021 To December 2021	75	—	—
JEI Ryogoku Building	Sumida-ku, Tokyo	Update of emergency generator	From October 2021 To December 2021	63	—	—
JEI Hiroshima Hacchobori Building	Hiroshima-shi, Hiroshima	Renovation of air-conditioning systems (Phase 2)	From October 2021 To December 2021	62	—	—
Kowa Kawasaki Higashiguchi Building	Kawasaki-shi, Kanagawa	Renovation of emergency elevators	From July 2021 To December 2021	61	—	—
Kowa Kawasaki Higashiguchi Building	Kawasaki-shi, Kanagawa	Renovation of seals around exterior walls (Phase 1)	From July 2021 To December 2021	56	—	—
SE Sapporo Building	Sapporo-shi, Hokkaido	Update of extra-high voltage substation (Phase 1)	From August 2020 To December 2021	48	—	—
Omori Bellport D	Shinagawa-ku, Tokyo	Update of automatic air conditioning control equipment (Phase 3)	From August 2021 To December 2021	45	—	—
Nisseki Yokohama Building	Yokohama-shi, Kanagawa	Repair of rooftop, exterior walls, etc. (Phase 1)	From February 2021 To August 2021	43	—	—
Kawasaki Nisshincho Building	Kawasaki-shi, Kanagawa	Renovation of heat storage tank (Phase 1)	From October 2021 To December 2021	41	—	—
Shiba 2-Chome Building	Minato-ku, Tokyo	Renovation of multi-level parking lot	From August 2021 To December 2021	40	—	—
Kawasaki Nisshincho Building	Kawasaki-shi, Kanagawa	Renovation of seals around exterior walls (Phase 1)	From August 2021 To December 2021	40	—	—
SE Sapporo Building	Sapporo-shi, Hokkaido	Renovation of multi-level parking lot	From November 2021 To December 2021	36	—	—
JEI Naha Building	Naha-shi, Okinawa	Renovation of exterior wall (north side)	From October 2021 To December 2021	36	—	—
Kowa Kawasaki Higashiguchi Building	Kawasaki-shi, Kanagawa	Update of lighting in exclusively-owned sections and update of guide lights (Phase 1)	From July 2021 To December 2021	34	—	—
JEI Naha Building	Naha-shi, Okinawa	Renewal of elevators	From October 2021 To December 2021	29	—	—
Yokohama Bentendori Dai-ichi Seimei Building	Yokohama-shi, Kanagawa	Update of substation (Phase 2)	From November 2021 To November 2021	14	—	—

(2) Capital Expenditures for the Six Months Ended June 30, 2021

The following table shows constructions conducted by JEI during the period ended June 30, 2021, and expensed as capital expenditures. Capital expenditures for the period ended June 30, 2021, were 1,547 million yen and, when combined with repairs and maintenance costs of 158 million yen classified as expenses in the period under review, the amount of constructions completed totaled 1,705 million yen.

Property name	Location	Purpose	Term	Amount Paid (Millions of yen)
Kowa Kawasaki Nishiguchi Building	Kawasaki-shi, Kanagawa	Renovation of air-conditioning systems (Phase 4)	From July 2020 To June 2021	271
Kowa Kawasaki Higashiguchi Building	Kawasaki-shi, Kanagawa	Renovation of air-conditioning systems (Phase 4)	From January 2021 To June 2021	247
JEI Ryogoku Building	Sumida-ku, Tokyo	Renovation of air-conditioning systems (Phase 1)	From January 2021 To June 2021	150
Kowa Kawasaki Higashiguchi Building	Kawasaki-shi, Kanagawa	Renovation of restrooms (Phase 3)	From January 2021 To June 2021	123
JEI Hiroshima Hacchobori Building	Hiroshima-shi, Hiroshima	Renovation of air-conditioning systems (Phase 1)	From April 2021 To June 2021	68
Omori Bellport D	Shinagawa-ku, Tokyo	Update of heat source equipment (Phase 2)	From August 2020 To March 2021	57
SE Sapporo Building	Sapporo-shi, Hokkaido	Renovation of multi-level parking lot	From May 2021 To June 2021	38
Omori Bellport D	Shinagawa-ku, Tokyo	Update of extra-high voltage substation (Phase 2)	From August 2020 To March 2021	37
Kowa Kawasaki Higashiguchi Building	Kawasaki-shi, Kanagawa	Update of ancillary buildings and facilities in line with renovation of restrooms	From January 2021 To June 2021	35
Shintomicho Building	Chuo-ku, Tokyo	Renewal of elevator control system	From December 2020 To June 2021	30
Other constructions			–	484
Total				1,547

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

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

(Unit: Millions of yen)

Item	26th Period January 1, 2019, to June 30, 2019	27th Period July 1, 2019, to December 31, 2019	28th Period January 1, 2020, to June 30, 2020	29th Period July 1, 2020, to December 31, 2020	30th Period January 1, 2021, to June 30, 2021
Reserved funds at beginning of period	290	284	300	473	250
Increase	411	899	1,553	260	963
Decrease	417	884	1,380	484	834
Reserved funds at the end of period	284	300	473	250	380

5. Expenses and Liabilities

(1) Expenses Associated with Asset Management

(Unit: Thousands of yen)

Account	29th Period July 1, 2020, to December 31, 2020	30th Period January 1, 2021, to June 30, 2021
(a) Asset management fees	470,777	454,816
(b) Custodian fees	21,847	21,880
(c) Administrative service fees	40,065	40,427
(d) Compensation for directors	5,580	5,580
(e) Accounting auditor fees	11,000	11,000
(f) Other	82,428	87,788
Total	631,698	621,492

(2) Borrowings

Borrowings by each financing source as of the end of the 30th period (ended June 30, 2021) are as follows:

Classification	Lender	Drawdown date	Balance at beginning of period (Thousands of yen)	Balance at end of period (Thousands of yen)	Average interest rate (%) (Note 1)	Maturity date	Repayment method	Use	Remarks
Long-term loans due within one year	Development Bank of Japan Inc.	June 28, 2013	2,000,000	—	1.60750 (Note 2)	June 30, 2021	Lump-sum	Repayment of existing borrowing	Unsecured and non-guaranteed
	The Dai-ichi Life Insurance Company Limited	July 31, 2014	2,000,000	—	0.98834 (Note 2)				
	Mizuho Bank, Ltd.	November 29, 2016	520,000	520,000	0.42738	November 29, 2021			
	MUFG Bank, Ltd.		540,000	540,000					
	Sumitomo Mitsui Banking Corporation		1,080,000	1,080,000					
	Sumitomo Mitsui Trust Bank Limited	December 29, 2014	1,620,000	1,620,000	0.81875 (Note 2)	December 30, 2021			
	Mizuho Bank, Ltd.		1,950,000	1,950,000					
	MUFG Bank, Ltd.		2,000,000	2,000,000					
	Mizuho Trust & Banking Co., Ltd.		1,200,000	1,200,000					
	Resona Bank, Ltd.	January 31, 2017	600,000	600,000	0.35000 (Note 2)	January 31, 2022			
	Sompo Japan Insurance Inc.		—	2,000,000					
	Tokio Marine & Nichido Fire Insurance Co., Ltd.		—	1,000,000					
	Development Bank of Japan Inc.	July 31, 2014	—	2,000,000	1.15417 (Note 2)	June 30, 2022			
Subtotal			13,510,000	14,510,000					

Classification	Lender	Drawdown date	Balance at beginning of period (Thousands of yen)	Balance at end of period (Thousands of yen)	Average interest rate (%) (Note 1)	Maturity date	Repayment method	Use	Remarks
Long-term loans	Sompo Japan Insurance Inc.	January 31, 2017	2,000,000	—	0.35000 (Note 2)	January 31, 2022	Lump-sum	Repayment of existing borrowing	Unsecured and non-guaranteed
	Tokio Marine & Nichido Fire Insurance Co., Ltd.		1,000,000	—					
	Development Bank of Japan Inc.	July 31, 2014	2,000,000	—	1.15417 (Note 2)	June 30, 2022			
	Mizuho Bank, Ltd.	September 30, 2020	2,000,000	2,000,000	0.28176	September 30, 2022			
	Sompo Japan Insurance Inc.	November 30, 2017	500,000	500,000	0.35000 (Note 2)	November 30, 2022			
	Tokio Marine & Nichido Fire Insurance Co., Ltd.		500,000	500,000					
	Mizuho Bank, Ltd.	December 29, 2014	1,950,000	1,950,000	0.93625 (Note 2)	December 30, 2022			
	MUFG Bank, Ltd.		2,000,000	2,000,000					
	Mizuho Trust & Banking Co., Ltd.		1,200,000	1,200,000					
	Resona Bank, Ltd.		600,000	600,000					
	Development Bank of Japan Inc.	June 30, 2015	2,000,000	2,000,000	1.20250 (Note 2)	June 30, 2023			
	The Dai-ichi Life Insurance Company Limited	June 29, 2018	3,000,000	3,000,000	0.46000 (Note 2)				
	Mizuho Bank, Ltd.	November 30, 2015	420,000	420,000	0.84375 (Note 2)	November 30, 2023			
	MUFG Bank, Ltd.		250,000	250,000					
	Sumitomo Mitsui Banking Corporation		140,000	140,000					
	Mizuho Trust & Banking Co., Ltd.		1,560,000	1,560,000					
	The Norinchukin Bank		1,500,000	1,500,000					
	Resona Bank, Ltd.		500,000	500,000					
	Aozora Bank, Ltd.		750,000	750,000					
	The Bank of Fukuoka, Ltd.		150,000	150,000					
	MUFG Bank, Ltd.	November 30, 2017	1,000,000	1,000,000	0.64801 (Note 2)	November 30, 2023			
	Sumitomo Mitsui Banking Corporation		3,500,000	3,500,000					
	Resona Bank, Ltd.		500,000	500,000					
	Aozora Bank, Ltd.		500,000	500,000					
	Development Bank of Japan Inc.		3,500,000	3,500,000	0.68431 (Note 2)	May 31, 2024			
	Mizuho Bank, Ltd.	November 30, 2015	870,000	870,000	0.96275 (Note 2)	November 30, 2024			
	MUFG Bank, Ltd.		590,000	590,000					
	Sumitomo Mitsui Banking Corporation		350,000	350,000					
	Mizuho Trust & Banking Co., Ltd.		1,560,000	1,560,000					
	Resona Bank, Ltd.		1,000,000	1,000,000					
Aozora Bank, Ltd.	750,000		750,000						
The Bank of Fukuoka, Ltd.	150,000		150,000						

	Classification		Drawdown date	Balance at beginning of period (Thousands of yen)	Balance at end of period (Thousands of yen)	Average interest rate (%) (Note 1)	Maturity date	Repayment method	Use	Remarks
	Lender									
Long-term loans	Nippon Life Insurance Company	December 12, 2019	1,000,000	1,000,000	0.42000 (Note 2)	December 12, 2024	Lump-sum	Repayment of existing borrowing	Unsecured and non-guaranteed	
	Mizuho Bank, Ltd.	June 29, 2018	3,700,000	3,700,000	0.67400 (Note 2)	June 30, 2025				
	MUFG Bank, Ltd.		1,000,000	1,000,000						
	Sumitomo Mitsui Banking Corporation		400,000	400,000						
	The Norinchukin Bank		1,000,000	1,000,000						
	Shinkin Central Bank		1,000,000	1,000,000						
	The Bank of Fukuoka, Ltd.		700,000	700,000						
	Resona Bank, Ltd.		200,000	200,000						
	Mizuho Bank, Ltd.		November 1, 2018	850,000						850,000
	MUFG Bank, Ltd.	850,000		850,000						
	Mizuho Trust & Banking Co., Ltd.	600,000		600,000						
	The Norinchukin Bank	1,450,000		1,450,000						
	Mizuho Bank, Ltd.	September 29, 2017	2,200,000	2,200,000	0.83441 (Note 2)	March 31, 2026				
	MUFG Bank, Ltd.		1,750,000	1,750,000						
	Sumitomo Mitsui Banking Corporation		1,100,000	1,100,000						
	The Norinchukin Bank		850,000	850,000						
	Aozora Bank, Ltd.		500,000	500,000						
	Mizuho Bank, Ltd.	March 8, 2019	850,000	850,000	0.57100 (Note 2)					
	MUFG Bank, Ltd.		850,000	850,000						
	Mizuho Trust & Banking Co., Ltd.		600,000	600,000						
	The Norinchukin Bank		1,450,000	1,450,000						
	Development Bank of Japan Inc.	September 29, 2017	1,300,000	1,300,000	0.83071 (Note 2)	September 30, 2026				
	Mizuho Bank, Ltd.	June 29, 2018	1,300,000	1,300,000	0.79100 (Note 2)	December 30, 2026				
	MUFG Bank, Ltd.		1,000,000	1,000,000						
	Sumitomo Mitsui Banking Corporation		700,000	700,000						
	Development Bank of Japan Inc.	January 31, 2020	2,000,000	2,000,000	0.68778 (Note 2)	July 31, 2028				
Mizuho Bank, Ltd.	1,175,000		1,175,000							
MUFG Bank, Ltd.	1,175,000		1,175,000							
Sumitomo Mitsui Banking Corporation	1,000,000		1,000,000							
Mizuho Trust & Banking Co., Ltd.	1,087,500		1,087,500							
The Norinchukin Bank	1,162,500		1,162,500							
The Dai-ichi Life Insurance Company Limited	1,000,000		1,000,000	0.77000 (Note 2)						
Development Bank of Japan Inc.	June 30, 2021		—	2,000,000			0.55801 (Note 2)	December 30, 2029		
The Dai-ichi Life Insurance Company Limited	June 30, 2021	—	2,000,000	0.65000 (Note 2)	June 28, 2030					
	Subtotal		74,090,000	73,090,000						
	Total		87,600,000	87,600,000						

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

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

(3) Investment Corporation Bonds

The outstanding investment corporation bonds issued by JEI as of June 30, 2021, are as follows:

Classification	Issue	Issuance date	Balance at beginning of period (Thousands of yen)	Balance at end of period (Thousands of yen)	Interest rate (%)	Maturity date	Repayment method	Use	Remarks
Unsecured investment corporation bonds	7th series unsecured investment corporation bonds	March 10, 2014	8,000,000	8,000,000	1.13000	March 11, 2024	Lump-sum	(Note 1)	(Note 4)
	8th series unsecured investment corporation bonds	September 9, 2015	5,000,000	5,000,000	1.03000	September 9, 2025		(Note 2)	
	9th series unsecured investment corporation bonds	October 27, 2016	2,000,000	2,000,000	0.45000	October 27, 2026		(Note 3)	
	10th series unsecured investment corporation bonds	December 20, 2016	2,000,000	2,000,000	0.39000	December 20, 2023		(Note 2)	
	11th series unsecured investment corporation bonds	April 25, 2017	7,000,000	7,000,000	0.65000	April 23, 2027		(Note 2)	
	12th series unsecured investment corporation bonds	April 20, 2018	2,000,000	2,000,000	0.24000	April 20, 2023		(Note 3)	
	13th series unsecured investment corporation bonds		2,000,000	2,000,000	0.95000	April 20, 2033		(Note 3)	
	15th series unsecured investment corporation bonds	September 10, 2019	1,000,000	1,000,000	1.07000	September 9, 2039		(Note 2)	
	Sub Total			29,000,000	29,000,000				
Green bonds	14th series unsecured investment corporation bonds	August 10, 2018	4,000,000	4,000,000	0.63000	August 10, 2028	Lump-sum	(Note 2)	(Note 4)
	16th series unsecured investment corporation bonds	October 29, 2020	5,000,000	5,000,000	0.75000	October 29, 2035			
	Sub Total			9,000,000	9,000,000				
Total			38,000,000	38,000,000					

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

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

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

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

(4) Short-Term Investment Corporation Bonds

None

(5) Subscription Rights for New Investment Units

None

6. Condition of Investment Transactions

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

(Millions of yen)

Type of asset	Property name	Acquisition		Transfer			
		Acquisition date	Acquisition Price (Note)	Transfer date	Transfer price	Net book value	Gain (loss) on transfer
Trust beneficiary interest in real estate	Bizcore Jimbocho	June 25, 2021	10,200	—	—	—	—
Total		—	10,200	—	—	—	—

(Note) The acquisition price indicates the amount excluding related expenses (brokerage fee, taxes, etc.) required for the acquisition, and is the purchase amount of real estate stated in the trust beneficiary interest purchase agreement.

(2) Transactions of Other Assets

None

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

1) Real estate, etc.

Acquisition or transfer	Name of property	Type of asset	Acquisition/transfer date	Acquisition/transfer price (Millions of yen) (Note)	Appraisal value (Millions of yen)	Appraiser	Appraisal date
Acquisition	Bizcore Jimbocho	Trust beneficiary interest in real estate	June 25, 2021	10,200	10,300	The Tanizawa Sogo Appraisal Co., Ltd.	April 1, 2021

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

2) Others

None

(4) Transactions with Interested Parties

1) Transactions

Classification	Acquisition price or disposal amount	
	Acquisition price	Disposal amount
Total amount	10,200 million yen	- million yen
Breakdown for transactions with interested parties		
Nippon Steel Kowa Real Estate Co., Ltd.	10,200 million yen (100.0%)	- million yen (-%)
Total	10,200 million yen (100.0%)	- million yen (-%)

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

2) Amounts of fees paid and other expenses

(Unit: Thousands of yen)

Classification	Total amount paid (A)	Breakdown of transactions with interested parties		B/A
		Paid to	Amount paid (B)	
Property management costs and fees	1,393,314	The Dai-ichi Building Co., Ltd.	494,414	35.5%
		Nippon Steel Kowa Real Estate Co., Ltd.	481,745	34.6%
		Sohgo Housing Co., Ltd.	110,616	7.9%
		Akasaka Intercity Management Co., Ltd.	20,387	1.5%
Total	1,393,314	—	1,107,164	79.5%

(Note 1) Figures indicate fees paid to interested parties of the asset management company with whom JEI had direct transactions during the six months ended June 30, 2021.

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

Kowa Real Estate Facilities Co., Ltd.	208,001 thousand yen
Nihon Sekkei Co., Ltd.	32,955 thousand yen
Nippon Steel Kowa Real Estate Co., Ltd.	26,973 thousand yen
The Dai-ichi Building Co., Ltd.	11,939 thousand yen

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

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

7. Accounting

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

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

(2) Change in Depreciation Calculation Method

No changes were made during the period.

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

No changes were made during the period

8. Others

(1) Notice

1) General unitholders' meeting

There were no applicable items during the period.

2) Board of directors' meeting

Of the major contracts entered or amended, etc. by the board of directors' meeting during the 30th period, the following table summarizes the major items.

Date of approval by board	Matters approved	Summary
February 17, 2021	Entrustment of general administrative duties concerning investment corporation bonds	The board of directors made a comprehensive resolution on investment corporation bonds to be issued in the period from February 17, 2021 to February 8, 2022. The board of directors approved the respective candidate general administrator for "administrative duties concerning offering of investment corporation bonds" and "administrative duties concerning acceptance of claims for exercise of rights and other inquiries from creditors of the investment corporation, and other administrative duties concerning investment corporation bonds during the period," and assigned decisions on all other necessary matters to the Executive Director.

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

There were no applicable items during the period.

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

There were no applicable items during the period.

(4) Other

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

Financial Statements

Japan Excellent, Inc.

*For the six-month periods ended
June 30, 2021 and December 31, 2020
with Independent Auditor's Report*

Independent Auditor's Report

The Board of Directors
Japan Excellent, Inc.

Opinion

We have audited the accompanying financial statements of Japan Excellent, Inc. (the Company), which comprise the balance sheet as at June 30, 2021, and the statements of income and retained earnings, changes in net assets, and cash flows for the six-month period then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2021, and its financial performance and its cash flows for the six-month period then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Responsibilities of Management and Supervisory Director for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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



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

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

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

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

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

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



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working world

Ernst & Young ShinNihon LLC
Tokyo, Japan

September 15, 2021

佐藤賢治

Kenji Sato
Designated Engagement Partner
Certified Public Accountant

八幡正博

Masahiro Yawata
Designated Engagement Partner
Certified Public Accountant

Japan Excellent, Inc.

Balance Sheets

As of June 30, 2021 and December 31, 2020

	As of June 30, 2021	As of December 31, 2020
	<i>(Thousands of yen)</i>	
Assets		
Current assets:		
Cash and cash equivalents including trust accounts <i>(Notes 4 and 5)</i>	26,017,997	36,022,399
Rental receivables	294,323	325,765
Consumption taxes refundable	88,018	—
Prepaid expenses and other current assets	336,986	210,063
Total current assets	<u>26,737,327</u>	<u>36,558,228</u>
Property and equipment <i>(Note 7)</i> :		
Buildings and building improvements	7,749,590	7,698,591
Machinery and equipment	6,253	6,253
Furniture and fixtures	59,934	59,934
Land	10,609,617	10,609,617
Construction in progress	1,396	1,396
Buildings and building improvements for trust accounts	116,993,567	113,248,694
Machinery and equipment for trust accounts	1,101,196	1,030,829
Furniture and fixtures for trust accounts	293,163	293,163
Land for trust accounts	155,755,010	148,021,777
Construction in progress for trust accounts	13,360	115,225
Less: accumulated depreciation	(36,575,302)	(34,727,920)
Net property and equipment	<u>256,007,787</u>	<u>246,357,561</u>
Intangible assets:		
Leasehold rights	1,721,607	1,721,607
Leasehold rights for trust accounts	7,382,016	7,382,016
Software	6,233	7,333
Other intangible assets for trust accounts	2,550	2,644
Total intangible assets	<u>9,112,408</u>	<u>9,113,601</u>
Investments and other assets:		
Investment securities <i>(Note 5)</i>	44,729	44,729
Deferred tax assets	26	—
Security deposits	19,029	19,029
Long-term prepaid expenses	824,794	823,528
Other assets	1,070,376	921,016
Total investments and other assets	<u>1,958,956</u>	<u>1,808,304</u>
Deferred assets:		
Investment corporation bond issuance costs	154,092	166,949
Total deferred assets	<u>154,092</u>	<u>166,949</u>
Total assets	<u><u>293,970,571</u></u>	<u><u>294,004,645</u></u>

	As of June 30, 2021	As of December 31, 2020
	<i>(Thousands of yen)</i>	
Liabilities		
Current liabilities:		
Accounts payable – trade	1,618,995	1,674,407
Long-term debt due within one year <i>(Notes 5 and 8)</i>	14,510,000	13,510,000
Accounts payable – other	474,398	466,577
Accrued expenses	151,765	155,114
Accrued corporation taxes	1,119	584
Accrued consumption taxes	–	119,228
Advances received	74,940	172,768
Other current liabilities	7,268	–
Total current liabilities	<u>16,838,488</u>	<u>16,098,680</u>
Long-term liabilities:		
Investment corporation bonds <i>(Notes 5 and 9)</i>	38,000,000	38,000,000
Long-term debt <i>(Notes 5 and 8)</i>	73,090,000	74,090,000
Security deposits from tenants <i>(Note 5)</i>	1,199,012	1,200,885
Security deposits from tenants for trust accounts <i>(Note 5)</i>	12,507,748	12,196,393
Total long-term liabilities	<u>124,796,760</u>	<u>125,487,278</u>
Total liabilities	<u>141,635,249</u>	<u>141,585,958</u>
Net assets <i>(Note 10)</i>		
Unitholders' equity:		
Unitholders' capital	147,907,649	147,907,649
Surplus		
Voluntary reserve		
Reserve for advanced depreciation of non-current assets	451,790	219,594
Retained earnings	3,975,882	4,291,443
Total surplus	<u>4,427,673</u>	<u>4,511,037</u>
Total unitholders' equity	<u>152,335,322</u>	<u>152,418,687</u>
Total net assets	<u>152,335,322</u>	<u>152,418,687</u>
Total liabilities and net assets	<u>293,970,571</u>	<u>294,004,645</u>

Japan Excellent, Inc.

Statements of Income and Retained Earnings

For the periods from January 1, 2021 to June 30, 2021
and from July 1, 2020 to December 31, 2020

	For the period from January 1, 2021 to June 30, 2021	For the period from July 1, 2020 to December 31, 2020
	<i>(Thousands of yen)</i>	
Revenues <i>(Note 14)</i> :		
Rental business revenues	9,845,709	9,998,859
Other	722,082	730,694
Gain on sales of real estate properties <i>(Note 15)</i>	—	314,238
Total revenues	<u>10,567,792</u>	<u>11,043,792</u>
Operating expenses <i>(Note 14)</i> :		
Property operating expenses	5,355,733	5,487,364
Asset management fees	454,816	470,777
Custodian fees	21,880	21,847
Administrative service fees	40,427	40,065
Compensation for directors	5,580	5,580
Other	98,788	93,428
Total operating expenses	<u>5,977,226</u>	<u>6,119,062</u>
Operating income	<u>4,590,565</u>	<u>4,924,730</u>
Other income:		
Interest income	181	136
Other	402	403
Other expenses:		
Interest expense	327,031	336,430
Loan arrangement fees	118,123	141,088
Interest expense on investment corporation bonds	149,430	139,556
Amortization of investment corporation bond issuance costs	12,856	12,276
Other	6,951	4,751
Ordinary income	<u>3,976,756</u>	<u>4,291,167</u>
Income before income taxes	3,976,756	4,291,167
Income taxes <i>(Note 13)</i> :		
Current	1,147	605
Deferred	(26)	—
Net income	<u>3,975,635</u>	<u>4,290,562</u>
Retained earnings at beginning of period	<u>247</u>	<u>881</u>
Retained earnings at end of period	<u>3,975,882</u>	<u>4,291,443</u>

Japan Excellent, Inc.

Statements of Changes in Net Assets

For the periods from January 1, 2021 to June 30, 2021
and from July 1, 2020 to December 31, 2020

For the period from January 1, 2021 to June 30, 2021

	Net assets						
	Unitholders' equity						
	Number of units in issue	Unitholders' capital	Surplus			Total unitholders' equity	Total net assets
			Reserve for advanced depreciation of non-current assets	Retained earnings	Total surplus		
<i>(Thousands of yen)</i>							
Balance as of December 31, 2020	1,353,000	147,907,649	219,594	4,291,443	4,511,037	152,418,687	152,418,687
Changes during the fiscal period:							
Provision of reserve for reduction entry	—	—	232,196	(232,196)	—	—	—
Distributions from retained earnings	—	—	—	(4,059,000)	(4,059,000)	(4,059,000)	(4,059,000)
Net income	—	—	—	3,975,635	3,975,635	3,975,635	3,975,635
Total changes during the fiscal period	—	—	232,196	(315,561)	(83,364)	(83,364)	(83,364)
Balance as of June 30, 2021	1,353,000	147,907,649	451,790	3,975,882	4,427,673	152,335,322	152,335,322

For the period from July 1, 2020 to December 31, 2020					
Net assets					
Unitholders' equity					
Unitholders' capital					
Deduction from unitholders' capital					
Number of units in issue	Unitholders' capital	Allowance for temporary difference adjustment	Total deduction from unitholders' capital	Unitholders' capital, net	
<i>(Thousands of yen)</i>					
Balance as of June 30, 2020	1,353,000	147,907,649	(1,406,238)	(1,406,238)	146,501,410
Changes during the fiscal period:					
Provision of reserve for reduction entry	—	—	—	—	—
Distributions from retained earnings	—	—	—	—	—
Reversal of reserve for temporary difference adjustment	—	—	1,406,238	1,406,238	1,406,238
Net income	—	—	—	—	—
Total changes during the fiscal period	—	—	1,406,238	1,406,238	1,406,238
Balance as of December 31, 2020	1,353,000	147,907,649	—	—	147,907,649

For the period from July 1, 2020 to December 31, 2020					
Net assets					
Unitholders' equity					
Surplus					
Voluntary reserve	Retained earnings	Total surplus	Total unitholders' equity	Total net assets	
<i>(Thousands of yen)</i>					
Balance as of June 30, 2020	—	5,631,594	5,631,594	152,133,005	152,133,005
Changes during the fiscal period:					
Provision of reserve for reduction entry	219,594	(219,594)	—	—	—
Distributions from retained earnings	—	(4,004,880)	(4,004,880)	(4,004,880)	(4,004,880)
Reversal of reserve for temporary difference adjustment	—	(1,406,238)	(1,406,238)	—	—
Net income	—	4,290,562	4,290,562	4,290,562	4,290,562
Total changes during the fiscal period	219,594	(1,340,151)	(1,120,556)	285,682	285,682
Balance as of December 31, 2020	219,594	4,291,443	4,511,037	152,418,687	152,418,687

Japan Excellent, Inc.

Statements of Cash Flows

For the periods from January 1, 2021 to June 30, 2021
and from July 1, 2020 to December 31, 2020

	For the period from January 1, 2021 to June 30, 2021	For the period from July 1, 2020 to December 31, 2020
	<i>(Thousands of yen)</i>	
Cash flows from operating activities		
Income before income taxes	3,976,756	4,291,167
Depreciation and amortization	1,848,574	1,825,686
Amortization of investment corporation bond issuance costs	12,856	12,276
Interest income	(181)	(136)
Interest expense	476,462	475,986
Decrease (increase) in rental receivables	31,441	3,125
Decrease (increase) in consumption taxes refundable	(88,018)	—
Decrease (increase) in prepaid expense	(124,165)	(23,890)
Increase (decrease) in accounts payable – trade	(193,389)	(68,139)
Increase (decrease) in accounts payable – other	(950)	(88,063)
Increase (decrease) in unpaid consumption taxes	(119,228)	(414,325)
Increase (decrease) in advances received	(97,827)	2,422
Decrease (increase) in long-term prepaid expenses	(1,265)	95,783
Decrease in property and equipment for trust accounts due to sale	—	1,036,839
Other, net	(145,266)	(54,835)
Subtotal	<u>5,575,798</u>	<u>7,093,897</u>
Interest received	181	136
Interest paid	(479,810)	(467,492)
Income taxes paid	(584)	(586)
Net cash provided by (used in) operating activities	<u>5,095,584</u>	<u>6,625,954</u>
Cash flows from investing activities		
Purchases of property and equipment	(85,519)	(16,478)
Purchases of property and equipment for trust accounts	(11,264,469)	(600,013)
Payments for lease and guarantee deposits	—	(848)
Proceeds from security deposits from tenants	12,585	47,550
Payments for security deposits to tenants	(14,458)	(44,414)
Proceeds from security deposits in trust accounts from tenants	769,843	596,892
Payments for security deposits in trust accounts to tenants	(458,489)	(361,834)
Net cash provided by (used in) investing activities	<u>(11,040,506)</u>	<u>(379,145)</u>
Cash flows from financing activities		
Repayment for short-term loans	—	(5,000,000)
Proceeds from long-term debt	4,000,000	2,000,000
Repayment for long-term debt	(4,000,000)	(2,000,000)
Proceeds from issuance of investment corporation bonds	—	4,965,000
Distributions to unitholders	(4,059,480)	(4,004,794)
Net cash provided by (used in) financing activities	<u>(4,059,480)</u>	<u>(4,039,794)</u>
Net increase (decrease) in cash and cash equivalents	(10,004,401)	2,207,014
Cash and cash equivalents at beginning of period	<u>36,022,399</u>	<u>33,815,385</u>
Cash and cash equivalents at end of period (Note 4)	<u>26,017,997</u>	<u>36,022,399</u>

Japan Excellent, Inc.

Notes to Financial Statements

For the periods from January 1, 2021 to June 30, 2021
and from July 1, 2020 to December 31, 2020

1. Organization

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

JEI is externally managed by a licensed asset management company, Japan Excellent Asset Management (“JEAM”). JEAM was originally owned 45% by NIPPON STEEL KOWA REAL ESTATE CO., LTD., 20% by The Dai-ichi Life Insurance Company, Limited, 15% by Sekisui House, Co., LTD., and 20% by other corporations. Due to the transfer of ownership by Sekisui House, Co., LTD., on May 12, 2014, ownership interests of 9% and 6% were each acquired by NIPPON STEEL KOWA REAL ESTATE CO., LTD., and The Dai-ichi Life Insurance Company, Limited, respectively.

JEI was listed on the Tokyo Stock Exchange on June 27, 2006. As of June 30, 2021, JEI held 35 properties with 336,375.40 square meters of total leasable space and had leases with 187 tenants excluding residential tenants.

2. Basis of Presentation

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

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

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

3. Summary of Significant Accounting Policies

Cash and cash equivalents

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

Investment securities

Available-for-sale securities without market value are stated at cost determined by the moving average method.

Property and equipment including trust accounts

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

Buildings and building improvements	2 – 60 years
Machinery and equipment	6 – 16 years
Furniture and fixtures	3 – 15 years

Intangible assets

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

Software	5 years
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Deferred assets

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

Income taxes

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

Consumption taxes

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

Property-related taxes

Principally, property-related taxes including property taxes, urban planning taxes and depreciable property taxes are imposed on a calendar-year basis and are expensed as property and other taxes (refer to Note 14).

3. Summary of Significant Accounting Policies (continued)

JEI capitalizes the property-related taxes allocated to the sellers of properties to JEI at the time of acquisition of such properties including trust accounts.

The capitalized amount for the period from January 1, 2021 to June 30, 2021 was ¥16,585 thousand.

No property-related taxes were capitalized for the period from July 1, 2020 to December 31, 2020.

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 against fluctuation risk in interest rates. JEI has therefore entered into certain interest-rate swap contracts in order to hedge the risk of variable rates for its long-term debt obligations.

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

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

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, 2021 and December 31, 2020 consisted of the following:

	As of June 30, 2021	As of December 31, 2020
	<i>(Thousands of yen)</i>	
Cash and cash deposits	9,677,336	19,651,182
Cash and deposits in trust	16,340,661	16,371,216
Cash and cash equivalents including trust accounts	<u>26,017,997</u>	<u>36,022,399</u>

5. Financial Instruments

For the periods from January 1, 2021 to June 30, 2021 from July 1, 2020 to December 31, 2020

Overview

(1) Policy for Financial Instruments

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

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

(a) Market Risks (Interest rate fluctuation risk)

Borrowings and investment corporation bonds are primarily used to acquire properties or to refinance existing borrowings or bonds. Some of such debt were floating rate instruments and thus were exposed to the risk of interest rate fluctuations. Based on interest rate forecasts developed through constant financial market monitoring activities, JEI has concentrated on hedging against the risk of interest rate fluctuations principally using interest-rate swaps, through which a floating interest rate is swapped for a fixed interest rate, which finally led to 95.4% of existing borrowings being covered by a fixed interest rate swap for the entire maturity as of June 30, 2021. To reduce credit risk, derivative transactions (interest-rate swaps) are entered into exclusively with counterparties that are financial institutions with high credit ratings. For hedging accounting methods, hedging instruments, hedged items, hedging policies and methods for evaluation of the effectiveness of hedging activities, see "Derivatives and hedge accounting" under Summary of Significant Accounting Policies.

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

Borrowings and investment corporation bonds are exposed to liquidity risk. This risk is reduced through diversification of maturity dates and funding sources, and arrangement of commitment line agreements (as described in Note 8, "Short-Term Loans and Long-Term Debt," there is no balance outstanding under the facility agreements as of June 30, 2021). Liquidity risk is also mitigated through the constant management of liquidity on hand.

5. Financial Instruments (continued)

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

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

Fair value of financial instruments

The following are carrying values and fair values as of June 30, 2021 and December 31, 2020 of financial instruments and the differences between them. When fair value is extremely difficult to ascertain, it is excluded from the following table (Note B).

	As of June 30, 2021			As of December 31, 2020		
	Carrying value	Fair value (Note A)	Difference	Carrying value	Fair value (Note A)	Difference
	<i>(Thousands of yen)</i>					
(1) Cash and cash deposits	9,677,336	9,677,336	—	19,651,182	19,651,182	—
(2) Cash and deposits in trust	16,340,661	16,340,661	—	16,371,216	16,371,216	—
Total assets	<u>26,017,997</u>	<u>26,017,997</u>	<u>—</u>	<u>36,022,399</u>	<u>36,022,399</u>	<u>—</u>
(3) Short-term loans (Note C)	—	—	—	—	—	—
(4) Investment corporation bonds due within one year (Note C)	—	—	—	—	—	—
(5) Long-term debt due within one year (Note C)	14,510,000	14,554,118	44,118	13,510,000	13,567,552	57,552
(6) Investment corporation bonds (Note C)	38,000,000	38,160,172	160,172	38,000,000	38,127,360	127,360
(7) Long-term debt (Note C)	73,090,000	74,230,931	1,140,931	74,090,000	75,380,152	1,290,152
Total liabilities	<u>125,600,000</u>	<u>126,945,222</u>	<u>1,345,222</u>	<u>125,600,000</u>	<u>127,075,065</u>	<u>1,475,065</u>
(8) Derivative transactions *	—	—	—	—	—	—

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

(Note A)

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

Assets

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

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

5. Financial Instruments (continued)

Liabilities

(3) Short-term loans

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

(5) Long-term debt due within one year and

(7) Long-term debt

Where floating rates apply, book value is generally considered appropriate as fair value. The fair value of such liabilities is considered to approximate book value, since floating rates reflect market interest rates within a short period of time.

If the loan is part of long-term debt, in the case of floating-rate debt hedged by an interest-rate swap, the fair value is calculated in a similar manner using the total principal and interest amount, treated in combination with the interest-rate swap, given that the interest-rate swap is subject to the special treatment of interest-rate swaps under Japanese GAAP. The fair value of long-term fixed-rate debt and long-term fixed-rate debt due within one year are calculated by applying a reasonably assumed interest rate as a discount rate, which was determined to be applicable for the borrowings under similar conditions.

(4) Investment corporation bonds due within one year and

(6) Investment corporation bonds

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

(8) Derivative transactions

Please refer to Note 17, "Derivative Transactions."

(Note B)

- *Financial instruments for which fair value is deemed extremely difficult to determine*
The fair values of investment securities, security deposits from tenants and security deposits from tenants for trust accounts are as follows:

	As of June 30, 2021	As of December 31, 2020
	<i>(Thousands of yen)</i>	
① Investment securities*	44,729	44,729
② Security deposits from tenants**	1,199,012	1,200,885
③ Security deposits from tenants for trust accounts**	12,507,748	12,196,393

* Investment securities are not subject to fair value disclosure, since such financial instruments have no market price and measuring their fair value is considered extremely difficult.

** Security deposits from tenants and security deposits for trust accounts from tenants in leased properties are not subject to fair value disclosure, since such deposits have no market price. Furthermore, due to their characteristics, it is extremely difficult to estimate the fair value of security deposits in advance because of the uncertainty of the timing when the tenant vacates. As a result, it is therefore impossible to rationally estimate the exact cash flow from such security deposits.

5. Financial Instruments (continued)

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

As of June 30, 2021						
	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
	(Thousands of yen)					
Cash and cash deposits	9,677,336	—	—	—	—	—
Cash and deposits in trust	16,340,661	—	—	—	—	—
Total	26,017,997	—	—	—	—	—

As of December 31, 2020						
	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
	(Thousands of yen)					
Cash and cash deposits	19,651,182	—	—	—	—	—
Cash and deposits in trust	16,371,216	—	—	—	—	—
Total	36,022,399	—	—	—	—	—

(Note C)

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

As of June 30, 2021						
	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
	(Thousands of yen)					
Short-term loans	—	—	—	—	—	—
Investment corporation bonds due within one year	—	—	—	—	—	—
Long-term debt due within one year	14,510,000	—	—	—	—	—
Investment corporation bonds	—	2,000,000	10,000,000	—	5,000,000	21,000,000
Long-term debt	—	13,750,000	14,270,000	14,270,000	13,900,000	16,900,000
Total	14,510,000	15,750,000	24,270,000	14,270,000	18,900,000	37,900,000

As of December 31, 2020						
	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
	(Thousands of yen)					
Short-term loans	—	—	—	—	—	—
Investment corporation bonds due within one year	—	—	—	—	—	—
Long-term debt due within one year	13,510,000	—	—	—	—	—
Investment corporation bonds	—	—	4,000,000	8,000,000	5,000,000	21,000,000
Long-term debt	—	13,750,000	15,770,000	9,770,000	11,750,000	23,050,000
Total	13,510,000	13,750,000	19,770,000	17,770,000	16,750,000	44,050,000

6. Investment and Rental Property

For the periods from January 1, 2021 to June 30, 2021 from July 1, 2020 to December 31, 2020

JEI owns rental office buildings and other properties in Tokyo and other regions for the purpose of generating rental income. The following is the carrying value and fair value as of June 30, 2021 and December 31, 2020 for such real estate for lease.

Carrying value			Fair value
As of January 1, 2021	Change during period (*1)	As of June 30, 2021	As of June 30, 2021
<i>(Thousands of yen)</i>			
255,463,830	9,650,132	265,113,962	329,552,000

Carrying value			Fair value
As of July 1, 2020	Change during period (*2)	As of December 31, 2020	As of December 31, 2020
<i>(Thousands of yen)</i>			
257,186,710	(1,722,880)	255,463,830	318,162,000

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

B) Details of change during period:

(*1) The increase of ¥9,650,132 thousand during the period is mainly due to an increase of ¥10,051,592 thousand related to the acquisition of BIZCORE Jimbocho, and a decrease of ¥1,847,474 thousand for depreciation costs.

(*2) The decrease of ¥1,722,880 thousand during the period is mainly due to a decrease of ¥1,036,839 thousand related to the disposal of JEI Nishi-Honmachi Building and a decrease of ¥1,824,586 thousand for depreciation costs.

C) Fair value

Fair value as of June 30, 2021 is Kowa Shirokanedai Building's transfer price and for other properties, appraisal value provided by third-party real estate appraisers.

Fair value as of December 31, 2020 is appraisal value provided by third-party real estate appraisers.

7. Property and Equipment

Property and equipment at June 30, 2021 and December 31, 2020 consisted of the following:

	As of June 30, 2021			As of December 31, 2020		
	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value
	<i>(Thousands of yen)</i>					
Buildings and building improvements	7,749,590	(2,124,502)	5,625,087	7,698,591	(2,007,160)	5,691,431
Machinery and equipment	6,253	(4,495)	1,757	6,253	(4,224)	2,028
Furniture and fixtures	59,934	(29,708)	30,226	59,934	(25,558)	34,375
Land	10,609,617	—	10,609,617	10,609,617	—	10,609,617
Construction in progress	1,396	—	1,396	1,396	—	1,396
Buildings and building improvements for trust accounts	116,993,567	(33,670,916)	83,322,650	113,248,694	(31,995,824)	81,252,869
Machinery and equipment for trust accounts	1,101,196	(561,488)	539,708	1,030,829	(523,993)	506,836
Furniture and fixtures for trust accounts	293,163	(184,191)	108,971	293,163	(171,158)	122,004
Land for trust accounts	155,755,010	—	155,755,010	148,021,777	—	148,021,777
Construction in progress for trust accounts	13,360	—	13,360	115,225	—	115,225
Total	292,583,089	(36,575,302)	256,007,787	281,085,482	(34,727,920)	246,357,561

8. Short-Term Loans and Long-Term Debt

Short-term loans and long-term debt as of June 30, 2021 and December 31, 2020 consisted of the following:

	As of June 30, 2021		As of December 31, 2020	
	Amount	Weighted-average interest rate (*1)	Amount	Weighted-average interest rate (*1)
	<i>(Thousands of yen)</i>		<i>(Thousands of yen)</i>	
Long-term debt due within one year:				
Unsecured loans from a bank due on June 30, 2021	—	1.60750% (*2)	2,000,000	1.60750% (*2)
Unsecured loans from an insurance company due on June 30, 2021	—	0.98834% (*2)	2,000,000	0.98834% (*2)
Unsecured loans from banks due on November 29, 2021	3,760,000	0.42738%	3,760,000	0.42083%
Unsecured loans from banks due on December 30, 2021	5,750,000	0.81875% (*2)	5,750,000	0.81875% (*2)
Unsecured loans from insurance companies due on January 31, 2022	3,000,000	0.35000% (*2)	—	0.35000% (*2)
Unsecured loans from a bank due on June 30, 2022	2,000,000	1.15417% (*2)	—	1.15417% (*2)
Subtotal	14,510,000		13,510,000	

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

Long-term debt:

Unsecured loans from insurance companies due on January 31, 2022	—	0.35000% (*2)	3,000,000	0.35000% (*2)
Unsecured loans from a bank due on June 30, 2022	—	1.15417% (*2)	2,000,000	1.15417% (*2)
Unsecured loans from a bank due on September 30, 2022	2,000,000	0.28176%	2,000,000	0.26586%
Unsecured loans from insurance companies due on November 30, 2022	1,000,000	0.35000% (*2)	1,000,000	0.35000% (*2)
Unsecured loans from banks due on December 30, 2022	5,750,000	0.93625% (*2)	5,750,000	0.93625% (*2)
Unsecured loans from a bank due on June 30, 2023	2,000,000	1.20250% (*2)	2,000,000	1.20250% (*2)
Unsecured loans from an insurance company due on June 30, 2023	3,000,000	0.46000% (*2)	3,000,000	0.46000% (*2)
Unsecured loans from banks due on November 30, 2023	5,270,000	0.84375% (*2)	5,270,000	0.84375% (*2)
Unsecured loans from banks due on November 30, 2023	5,500,000	0.64801% (*2)	5,500,000	0.64801% (*2)
Unsecured loans from a bank due on May 31, 2024	3,500,000	0.68431% (*2)	3,500,000	0.68431% (*2)
Unsecured loans from banks due on November 30, 2024	5,270,000	0.96275% (*2)	5,270,000	0.96275% (*2)
Unsecured loans from an insurance company due on December 12, 2024	1,000,000	0.42000% (*2)	1,000,000	0.42000% (*2)
Unsecured loans from banks due on June 30, 2025	8,000,000	0.67400% (*2)	8,000,000	0.67400% (*2)
Unsecured loans from banks due on November 1, 2025	3,750,000	0.70600% (*2)	3,750,000	0.70600% (*2)
Unsecured loans from banks due on March 31, 2026	6,400,000	0.83441% (*2)	6,400,000	0.83441% (*2)
Unsecured loans from banks due on March 31, 2026	3,750,000	0.57100% (*2)	3,750,000	0.57100% (*2)
Unsecured loans from a bank due on September 30, 2026	1,300,000	0.83071% (*2)	1,300,000	0.83071% (*2)
Unsecured loans from banks due on December 30, 2026	3,000,000	0.79100% (*2)	3,000,000	0.79100% (*2)
Unsecured loans from a bank due on July 31, 2028	2,000,000	0.68778% (*2)	2,000,000	0.68778% (*2)
Unsecured loans from banks due on January 31, 2029	5,600,000	0.71200% (*2)	5,600,000	0.71200% (*2)
Unsecured loans from an insurance company due on January 31, 2029	1,000,000	0.77000% (*2)	1,000,000	0.77000% (*2)
Unsecured loans from a bank due on December 30, 2029	2,000,000	0.55801% (*2)	—	
Unsecured loans from an insurance company due on June 28, 2030	2,000,000	0.65000% (*2)	—	
	<u>73,090,000</u>		<u>74,090,000</u>	
Subtotal				
	<u>87,600,000</u>		<u>87,600,000</u>	
Total				

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

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

The scheduled repayment amounts of long-term debt as of June 30, 2021 are as follows:

	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
	<i>(Thousands of yen)</i>					
Long-term debt	14,510,000	13,750,000	14,270,000	14,270,000	13,900,000	16,900,000

JEI has commitment lines of ¥14,000,000 thousand with three financial institutions to mitigate refinancing risk and enhance financial stability. As of June 30, 2021, these commitment lines have never been utilized.

9. Investment Corporation Bonds

Details of total investment corporation bonds outstanding as of June 30, 2021 and December 31, 2020 are summarized as follows:

	As of June 30, 2021		As of December 31, 2020	
	Amount	Weighted-average interest rate	Amount	Weighted-average interest rate
	<i>(Thousands of yen)</i>		<i>(Thousands of yen)</i>	
Unsecured bond #7 due on March 11, 2024	8,000,000	1.13000%	8,000,000	1.13000%
Unsecured bond #8 due on September 9, 2025	5,000,000	1.03000%	5,000,000	1.03000%
Unsecured bond #9 due on October 27, 2026	2,000,000	0.45000%	2,000,000	0.45000%
Unsecured bond #10 due on December 20, 2023	2,000,000	0.39000%	2,000,000	0.39000%
Unsecured bond #11 due on April 23, 2027	7,000,000	0.65000%	7,000,000	0.65000%
Unsecured bond #12 due on April 20, 2023	2,000,000	0.24000%	2,000,000	0.24000%
Unsecured bond #13 due on April 20, 2033	2,000,000	0.95000%	2,000,000	0.95000%
Unsecured bond #14 due on August 10, 2028	4,000,000	0.63000%	4,000,000	0.63000%
Unsecured bond #15 due on September 9, 2039	1,000,000	1.07000%	1,000,000	1.07000%
Unsecured bond #16 due on October 29, 2035	5,000,000	0.75000%	5,000,000	0.75000%
Total	38,000,000		38,000,000	

The scheduled redemption amounts of investment corporation bonds as of June 30, 2021 are as follows:

	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
	<i>(Thousands of yen)</i>					
Investment corporation bonds	—	2,000,000	10,000,000	—	5,000,000	21,000,000

10. Net Assets

In accordance with the Investment Trust Law, JEI issues only non-par value investment units and maintains net assets of at least ¥50,000 thousand.

11. Allowance for Temporary Difference Adjustment

For the Period from January 1,2021 to June 30, 2021

None

For the Period from July 1,2020 to December 31, 2020

(1) Reason for recording reserve, related assets, initial difference and reserve amount

(Thousands of yen)

Related assets	Reason for recording reserve	Initial difference	Balance as of July 1, 2020	Reserve	Reversal	Balance as of December 31, 2020	Reason for reversal
Buildings and building improvements for trust accounts Land for trust accounts	Impairment loss	1,406,238	1,406,238	—	1,406,238	—	Sale of relevant asset

(2) Method of reversal

Impairment loss

Upon sale, the corresponding amount was reversed.

12. Per Unit Information

Net assets per unit as of June 30, 2021 and December 31, 2020 were calculated based on the number of units outstanding as of each date, (1,353,000 units) and (1,353,000 units), respectively.

Net income per unit for the periods from January 1, 2021 to June 30, 2021 and July 1, 2020 to December 31, 2020 was calculated based on the weighted-average number of units outstanding during the corresponding periods, (1,353,000 units) and (1,353,000 units), respectively.

Accordingly, net assets per unit were ¥112,590 as of June 30, 2021 and ¥112,652 as of December 31, 2020. Net income per unit was ¥2,938 for the period from January 1, 2021 to June 30, 2021 and ¥3,171 for the period from July 1, 2020 to December 31, 2020.

13. Income Taxes

JEI is subject to income taxes in Japan.

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

Details of significant components of deferred tax assets and liabilities as of June 30, 2021 and December 31, 2020 are summarized as follows:

	As of June 30, 2021	As of December 31, 2020
	<i>(Thousands of yen)</i>	
Deferred tax assets:		—
Accrued enterprise taxes	26	—
Total deferred tax assets	26	—
Net deferred tax assets	26	—

A reconciliation of the differences between the statutory tax rate and the effective tax rate for the periods from January 1, 2021 to June 30, 2021 and July 1, 2020 to December 31, 2020 is as follows:

	For the period from January 1, 2021 to June 30, 2021	For the period from July 1, 2020 to December 31, 2020
Statutory tax rate	31.46%	31.46%
Reconciliation:		
Deductible distributions paid	(31.45%)	(29.76%)
Reversal of reserve for reduction entry	—	(1.70%)
Other	0.02%	0.01%
Effective tax rate	0.03%	0.01%

14. Breakdown of Revenues and Expenses

	For the period from January 1, 2021 to June 30, 2021	For the period from July 1, 2020 to December 31, 2020
	<i>(Thousands of yen)</i>	
Revenues:		
Rental business revenues		
Rental revenues	8,248,679	8,484,786
Common area revenues	1,331,991	1,249,688
Other rental revenues	265,038	264,384
Subtotal	<u>9,845,709</u>	<u>9,998,859</u>
Other		
Utilities revenues	582,002	654,642
Other revenues	140,080	76,052
Subtotal	<u>722,082</u>	<u>730,694</u>
Total rental revenues	<u>10,567,792</u>	<u>10,729,554</u>
Property operating expenses:		
Property management costs and fees	1,393,314	1,371,601
Utilities expenses	759,875	831,159
Property and other taxes	934,741	919,625
Insurance	20,903	20,494
Repairs and maintenance	158,083	282,172
Depreciation	1,847,474	1,824,586
Other	241,341	237,725
Total property operating expenses	<u>5,355,733</u>	<u>5,487,364</u>
Profit	<u>5,212,058</u>	<u>5,242,190</u>

15. Breakdown of Gain or Loss on Sales of Real Estate Properties

	For the period from January 1, 2021 to June 30, 2021	For the period from July 1, 2020 to December 31, 2020
	<i>(Thousands of yen)</i>	
JEI Nishi-Honmachi Building		
Proceeds from sale of real estate	—	1,351,500
Cost of sales of real estate	—	1,036,839
Other related sale expenses	—	421
Gain on sale of real estate	—	<u>314,238</u>

16. Leases

JEI leases properties on which rental revenues are earned. At June 30, 2021 and December 31, 2020, future lease revenues under non-cancelable operating leases are summarized as follows:

	As of June 30, 2021	As of December 31, 2020
	<i>(Thousands of yen)</i>	
Due within one year	1,959,773	1,965,230
Due after one year	3,462,341	3,316,667
Total	5,422,115	5,281,898

17. Derivative Transactions

Derivative Transactions as of June 30, 2021

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

Not applicable.

(2) Transactions to which hedge accounting is applied:

The following are the contract values or values corresponding to the principal amount as stipulated by contracts as of June 30, 2021 for each hedge accounting method applied.

Hedge accounting method	Type of derivative transaction	Hedged item	Contract amount		Fair value	Method of calculating the fair value
				More than one year		
<i>(Thousands of yen)</i>						
Special treatment of interest-rate swaps	Interest-rate swap Receive floating, pay fixed	Long-term debt	46,140,000	40,390,000	*	/

* Since the above interest-rate swap meets the criteria for the special hedge accounting treatment under Japanese GAAP and therefore qualifies for hedge accounting, the swap is not revalued at fair value on the accompanying balance sheets, as described in the summary of significant accounting policies.

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

Derivative Transactions as of December 31, 2020

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

Not applicable.

(2) Transactions to which hedge accounting is applied:

The following are the contract values or values corresponding to the principal amount as stipulated by contracts as of December 31, 2020 for each hedge accounting method applied.

Hedge accounting method	Type of derivative transaction	Hedged item	Contract amount		Fair value	Method of calculating the fair value
				More than one year		
<i>(Thousands of yen)</i>						
Special treatment of interest-rate swaps	Interest-rate swap Receive floating, pay fixed	Long-term debt	46,140,000	40,390,000	*	/

* Since the above interest-rate swap meets the criteria for the special hedge accounting treatment under Japanese GAAP and therefore qualifies for hedge accounting, the swap is not revalued at fair value on the accompanying balance sheets, as described in the summary of significant accounting policies.

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

18. Related Party Transactions

For the period from January 1, 2021 to June 30, 2021

(1) Parent Company and Major Corporate Unitholders

Not applicable.

(2) Subsidiaries and Affiliated Companies

Not applicable.

(3) Sister Companies

Not applicable.

(4) Directors and Major Individual Unitholders

Name	Description of transaction	Amount	Account	Balance at the end of period
		<i>(Thousands of yen)</i>		<i>(Thousands of yen)</i>
Shuichiro Kayama	Payment of asset management fees to JEAM	454,816	Accounts payable	384,298

For the period from July 1, 2020 to December 31, 2020

(1) Parent Company and Major Corporate Unitholders

Not applicable.

(2) Subsidiaries and Affiliated Companies

Not applicable.

(3) Sister Companies

Not applicable.

(4) Directors and Major Individual Unitholders

Name	Description of transaction	Amount	Account	Balance at the end of period
		<i>(Thousands of yen)</i>		<i>(Thousands of yen)</i>
Shuichiro Kayama	Payment of asset management fees to JEAM	470,777	Accounts payable	399,036

19. Segment Information

For the periods from January 1, 2021 to June 30, 2021 from July 1, 2020 to December 31, 2020

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

Information about products and services

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

Information about geographic area

(1) Revenues

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

(2) Property and equipment

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

Information about major clients

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

20. Distribution Information

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

Consequently, JEI set income available for distributions of dividends at ¥3,975,114,000, which is the maximum integral multiple of the 1,353,000 units issued, but not exceeding ¥3,975,882,133, which is the amount of retained earnings at June 30, 2021.

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

On August 18, 2021, the Board of Directors approved a resolution to make a cash distribution of ¥2,938 per unit aggregating to ¥3,975,114,000 to unitholders of record as of June 30, 2021.

21. Accounting Standards Issued But Not Yet Applied

As of June 30, 2021, JEI has not yet applied the following accounting standards and their implementation guidance.

- (1) Accounting Standard for Revenue Recognition and its Implementation Guidance
 - “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (“ASBJ”) Statement No.29, March 31, 2020)
 - “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 26, 2021)
 - “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020)
 - (a) Overview
 - Conducting a joint project to clarify the comprehensive principles for recognizing revenues, the International Accounting Standards Board (“IASB”) and the Financial Accounting Standards Board (“FASB”) in the U.S. issued “Revenue from Contracts with Customers” (IFRS 15 by IASB and Topic 606 by FASB) in May 2014. IFRS 15 became effective from fiscal periods beginning on or after January 1, 2018 and Topic 606 became effective from fiscal periods beginning after December 15, 2017. Under these circumstances, ASBJ also developed a comprehensive accounting standard for revenue recognition and issued a new standard together with its implementation guidance.
 - As a basic policy for the development of the new standard, ASBJ determined to adopt the core principles of IFRS 15 in order to enhance comparability of financial statements, which is one of the benefits of consistency with IFRS 15. In addition, for any item to be considered arising from business practices in Japan, alternative treatments shall be added to the extent that comparability is not impaired.
 - (b) Scheduled date of application
 - JEI will apply the aforementioned standard and guidance from the beginning of the fiscal period ending December 31, 2021.
 - (c) Effect of application of the new accounting standard
 - The effect of application of the aforementioned standard on JEI’s financial statements is currently under evaluation.
- (2) Accounting Standard for Fair Value Measurement and its Implementation Guidance
 - “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019)
 - “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019)
 - “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021)
 - “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020)
 - (a) Overview
 - Developing accounting standards for fair value measurement, IASB and FASB issued new common fair value measurement in May 2011 (IFRS 13 by IASB and update to Topic 820 by FASB). IFRS 13 became effective from fiscal periods beginning on or after January 1, 2013 and Topic 820 became effective from fiscal periods beginning after December 15, 2011. Under these circumstances, ASBJ also developed an accounting standard for fair value measurement and issued a new standard together with its implementation guidance.

As a basic policy for the development of the new standard, ASBJ determined to generally adopt all the principles of IFRS 13 in order to enhance comparability of financial statements among domestic and overseas companies, by applying the consistent measurement methods. However, for any item to be considered arising from business practices in Japan, other treatment for the item shall be determined to the extent that comparability is not impaired.

(b) Scheduled date of application

JEI will apply the aforementioned standard and guidance from the beginning of the fiscal period ending December 31, 2021.

(c) Effect of application of the new accounting standard

The effect of application of the aforementioned standard on JEI's financial statements is currently under evaluation.

22. Significant Subsequent Event

Not applicable.