

# Asset Management Report for the 36th Period (Semi-Annual Report for the 36th Period)

From January 1, 2024, to June 30, 2024



**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 36th period (from January 1, 2024, to June 30, 2024).

In terms of the business environment, due to the change in the Bank of Japan's policy management stance, there was a shift from negative interest to a world with interest rates. In the real estate transaction market, there is vigorous appetite for investment by market participants and transaction prices remain high; in the office building leasing market, vacancy rates are trending downward against the backdrop of strong office demand and rents are showing signs of increasing again after bottoming out.

Under such circumstances, in terms of external growth, JEI acquired the relatively new, large Osaki Bright Tower / Osaki Bright Plaza in April 2024 for 13.1 billion yen. On the other hand, it completed the transfer of JEI Kyobashi Building, which was announced in June 2023, in January 2024. The period-end asset size was 294.3 billion yen (also, equity interest in anonymous association of 5.23 billion yen), unrealized gain was 71.8 billion yen and ratio of unrealized gain was 26.0%.

In terms of internal growth, the period-end occupancy rate of the entire portfolio improved further from the 35th period's 97.9% to 98.4% as a result of steady refilling of vacancies. Furthermore, for rent revisions, upward rent revisions were better than planned.

On the financial front, JEI made efforts to curtail increases in financial costs through the utilization of long-term floating-rate loans based on short-term interest rates and such, as well as maintaining average borrowing periods and diversifying maturity dates by securing some long-term stabilization funds (10 years) through the issuance of investment corporation bonds. Additionally, JEI improved capital efficiency through the acquisition and cancellation of treasury investment units of around 2 billion yen.

As a result, in the 36th period, JEI recorded operating revenue of 11,460 million yen, operating income of 4,835 million yen, and net income of 4,200 million yen, all of which exceeded the initial plan. The improved revenue and effect of treasury investment unit cancellation will be returned to unitholders in the distribution per unit, which increased to 2,862 yen.

For ESG, for the purpose of continually reducing the environmental burden in real estate management, JEI established a new EMS Management Manual. It also reached and exceeded its CO<sub>2</sub> emissions reduction target of 46% for FY2030 well ahead of schedule, with emissions down 70.9% (on an intensity basis) in FY2023 compared with FY2013.

## About Future Asset Management

In the real estate transaction market, factors such as a continued vigorous appetite for investment by market participants suggest that there will be no especially significant changes in the market environment. However, going forward, JEI believes that there is a need to closely monitor changes in market participant trends based on global financial conditions and economic trends, changes in the Bank of Japan's fiscal policy management stance, etc., and their impact on property prices even further. It is also necessary to keep a broad eye on changes in the political, economic, and geopolitical situation, including the outcome of the U.S. presidential election this fall, policy management in various countries, and the situation in various regions amid ongoing conflict and rising tensions.

In terms of external growth, JEI has established a basic policy to aim to expand asset size over the medium to long term by acquiring competitive properties with the balance of investment size and area in mind. To achieve this, 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 present, given the financial and real estate environments, the policy is to pursue management that focuses on replacement while being increasingly conscious of capital efficiency and unitholder value improvement by selecting candidate properties to sell from the perspective of building age, area suitability, and profitability in order to enhance the quality and profitability of the portfolio while keeping the balance of equity capital and borrowings (LTV) in mind.

In the office building leasing market, demand was strong due to factors such as companies reviewing their office functions with the recovery in the percentage of employees commuting to the office, work-style reforms, etc., and at present, it is expected that the vacancy rate will trend moderately downward. While newly concluded rents have begun trending upward after hitting bottom, uncertainty remains about whether this upward trend can be maintained in response to the supply of new floor space in 2025. A full-fledged, vigorous recovery in rents is expected to take a little more time.

In terms of internal growth, the occupancy rate remained at a high level regarded as being more or less business as usual. Based on this, in order to further increase profitability by increasing rent revenue, JEI takes on the challenge of switching to a policy of actively and resolutely working to raise the level of new rents when refilling vacancies and negotiating with existing tenants to increase their rent upon contract renewal.

In terms of finance, as a basic policy, JEI will continue to procure funds while seeking to reduce financial costs with the ratio of fixed interest rates, remaining periods to maturity, and diversification of maturity dates in mind, thereby maintaining sound, stable financial operations. Furthermore, from the standpoint of maintaining and strengthening its financing base through diversification of fund procurement means, JEI will also work on new methods of funding, such as sustainable finance.

With regard to ESG, continuing to be positioned as the most important issue in management, JEI will seek to further evolve and deepen its initiatives through measures such as acquiring new environmental certifications, in addition to steadily carry out previous efforts.

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

We kindly ask for your continued understanding and support.

## II. Asset Management Report

### 1. Outline of Asset Management Operation

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

Fiscal period		32nd Period January 1, 2022, to June 30, 2022	33rd Period July 1, 2022, to December 31, 2022	34th Period January 1, 2023, to June 30, 2023	35th Period July 1, 2023, to December 31, 2023	36th Period January 1, 2024, to June 30, 2024
Operating revenue	(Millions of yen)	11,065	10,699	13,823	10,857	11,460
(Rental revenues)	(Millions of yen)	(10,267)	(10,141)	(10,079)	(10,102)	(10,662)
Operating expenses	(Millions of yen)	6,353	6,567	9,346	6,191	6,624
(Property operating expenses)	(Millions of yen)	(5,699)	(5,944)	(5,972)	(5,561)	(5,979)
Operating income	(Millions of yen)	4,711	4,132	4,477	4,665	4,835
Ordinary income	(Millions of yen)	4,102	3,503	3,882	4,050	4,201
Net income	(Millions of yen)	4,101	3,502	3,881	4,049	4,200
Total assets	(Millions of yen)	291,430	294,540	287,045	294,823	304,049
(Period-on-period change)	(%)	(-0.9)	(1.1)	(-2.5)	(2.7)	(3.1)
Net assets	(Millions of yen)	150,461	150,218	150,354	150,659	149,114
(Period-on-period change)	(%)	(-1.1)	(-0.2)	(0.1)	(0.2)	(-1.0)
Unitholders' capital, net (Note 1)	(Millions of yen)	145,907	145,907	145,907	145,907	143,907
Total outstanding investment units	(units)	1,337,598	1,337,598	1,337,598	1,337,598	1,321,614
Net assets per unit	(yen)	112,486	112,304	112,406	112,634	112,827
Net income per unit (Note 2)	(yen)	3,052	2,618	2,901	3,027	3,159
Total distribution	(Millions of yen)	3,745	3,745	3,745	3,745	3,782
Distribution per unit	(yen)	2,800	2,800	2,800	2,800	2,862
(Profit distribution per unit)	(yen)	(2,800)	(2,800)	(2,800)	(2,800)	(2,862)
(Distribution in excess of earnings per unit)	(yen)	(—)	(—)	(—)	(—)	(—)
Return on assets (Note 3)	(%)	1.4	1.2	1.3	1.4	1.4
(Annualized rate)	(%)	(2.8)	(2.4)	(2.7)	(2.8)	(2.8)
Return on equity (Note 4)	(%)	2.7	2.3	2.6	2.7	2.8
(Annualized rate)	(%)	(5.5)	(4.6)	(5.2)	(5.3)	(5.6)
Capital ratio (Note 5)	(%)	51.6	51.0	52.4	51.1	49.0
(Period-on-period change)	(%)	(-0.1)	(-0.6)	(1.4)	(-1.3)	(-2.1)
Payout ratio (Note 6)	(%)	91.3	107.0	96.5	92.5	90.0
Number of investment properties	(properties)	35	36	35	35	35
Number of tenants (Note 7)	(tenants)	585	617	611	622	603
Total leasable area (Note 8, 9)	(m <sup>2</sup> )	335,534	337,389	306,717	314,925	319,258
Occupancy rate	(%)	90.8	93.0	96.5	97.9	98.4
Depreciation	(Millions of yen)	1,937	1,931	1,960	1,780	1,850
Capital expenditure	(Millions of yen)	1,298	1,188	1,404	1,418	1,317
Net operating income (NOI) (Note 10)	(Millions of yen)	6,504	6,128	6,067	6,321	6,533
Funds from operation (FFO) per unit (Note 11)	(yen)	3,918	3,665	3,634	3,837	4,026
FFO multiples (Note 12)	(times)	15.5	18.0	17.1	16.5	14.7
Debt service coverage ratio (DSCR) (Note 13)	(times)	14.4	12.8	14.1	14.5	14.0
Interest-bearing debt	(Millions of yen)	125,600	128,600	120,600	128,600	138,600
Loan-to-value (Note 14)	(%)	43.1	43.7	42.0	43.6	45.6
Number of days in operation	(days)	181	184	181	184	182

- (Note 1) The amount of unitholders' capital after subtracting any deduction from unitholders' capital is shown. This does not account for any deduction from unitholders' capital that is due to the implementation of distribution in excess of earnings related to the allowance for temporary difference adjustments.
- (Note 2) Net income per unit is calculated by dividing the net income by the weighted-average number of units outstanding during the six months period.
- (Note 3) Return on assets = Ordinary income / [(Period beginning total assets) + (Period end total assets) / 2] × 100
- (Note 4) Return on equity = Net income / [(Period beginning net assets) + (Period end net assets) / 2] × 100
- (Note 5) Capital ratio = Period end net assets / Period end total assets × 100
- (Note 6) 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.)  
For the 32nd period and 36th period, as buyback and cancellation of own investment units took place, the formula below was used to calculate the payout ratio.  
Payout ratio = (Total distributions (not including distribution in excess of earnings) / Net income) × 100
- (Note 7) For number of tenants, when a tenant has multiple tenancies in the same property, it is counted as one tenant, and when in multiple properties, it is counted as multiple tenants. However, for properties in which the residential portion or the percentage of the interest owned by JEI is relatively low, the number of tenants indicates the number of master lease companies for the property, considering a master lease company as a tenant. In addition, for land with leasehold interest, the number of tenants is counted as one based on the lease agreement for the leased land.
- (Note 8) For properties with joint ownership (including quasi co-ownership of trust beneficiary interest; the same applies hereinafter), the figure is obtained by taking the leasable area of the entire property and factoring in the percentage of the interest owned by JEI, regarding the figure as JEI's leasable area. The same applies hereinafter.
- (Note 9) Spaces are rounded to the nearest specified unit. The same applies hereinafter.
- (Note 10) 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 Local Finance Bureau (registration number 52, issued by the Head of the Kanto Local Finance Bureau) and listed on the Real Estate Investment Trust Section of the Tokyo Stock Exchange (Securities Code: 8987) on June 27, 2006.

Since the listing, JEI has continued investment management primarily in office buildings with the aim of maintaining sound corporate growth and stable revenues from the medium- to long-term perspectives. On June 30, 2024, JEI settled its 36th period.

### 1) Business conditions and results

In the period under review (36th period ended June 30, 2024), in the world economy the effects of large rises in policy interest rates by European and U.S. financial authorities with the intention of curbing inflation were assessed, with varying results depending on the region. Several countries, including European nations, took the bold step of lowering interest rates with signs of an economic slowdown, but in the U.S., business sentiment continued to be unsettled due to employment conditions, price trends, etc. and uncertainty surrounding the timing of lowering policy interest rates remained.

In Japan, private consumption is recovering gradually and the economy remained largely firm with factors such as robust capital investment and increasing number of foreign visitors to Japan. Amid such, in March 2024 the Bank of Japan, having identified a rise in domestic prices and a trend toward increased wages, made a policy change while maintaining the framework of monetary easing: it lifted the negative interest rate management that had been in place for many years and abolished yield curve control. As a result, long-term interest rates rose gradually. After that, in contrast to Western countries, where decreases in policy rates are anticipated, attention became focused on the timing of future policy interest rate hikes by the Bank of Japan.

In terms of real estate transaction market trends for office properties, even though domestic interest rates were increasing, the acquisition appetite of investors within and outside of Japan continued to be strong and property prices largely remained at a high level. Under such circumstances, in the period under review JEI acquired Osaki Bright Tower / Osaki Bright Plaza, for which a core sponsor had made a forward commitment, for 13.1 billion yen. On the other hand, JEI decided on the sale of JEI Hongo Building for 6.15 billion yen, which significantly exceeded its appraisal value of 4.51 billion yen. As a result of this sale, JEI was able to qualitatively improve its portfolio from the perspective of building age, area competitiveness, and profitability. The gain on sale was used to enhance JEI’s financial strength, thereby supporting stable financial management, while 2 billion yen of the proceeds from the sale was allocated to buyback of own investment units and 3 billion yen was allocated to repayment of borrowings. The gains were therefore used for measures contributing to capital efficiency and enhancing unitholder value.

In the office building leasing market, there was concern about the large supply of new floor space in 2023, but vacancies were filled against the backdrop of stable demand after the market bottomed out, including companies relocating to improve their building grade, relocating due to reconstruction, expanding the floor area in their existing building, etc. based on factors such as the gradual office recovery trend after the pandemic subsided and new concepts driven by work-style reforms. As a result, the vacancy rate in Tokyo’s business districts (five central wards of Tokyo) has recently improved to the low 5% range (published by Miki Shoji Co., Ltd.). However, there is differentiation based on area, property-specific conditions, etc., and polarization is developing, such as leasing being a struggle for properties that are inferior in terms of conditions.

In addition, since the second half of last year, negotiations to raise rents have been increasing in buildings that have filled vacancies, and since November 2023, the average rent in Tokyo’s business districts (five central wards of Tokyo) has turned around and started to rise slightly after bottoming out.

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 294.3 billion yen and total leasable area of 319,257.60 m<sup>2</sup> (96,575.42 tsubos).

The occupancy rate (Note 1) at the end of the period under review rose to 98.4% as a result of contracts being steadily signed for vacancies.

## 2) Fund procurement highlights

In the period under review, as interest rates rose gradually following the change in the Bank of Japan's monetary policy stance, JEI engaged in stable financial operations while curtailing increases in financial costs through precise financing and active fund procurement, based on the status of property acquisition and sales. It procured funds totaling 21.5 billion yen through the following: (1) it borrowed 10 billion yen to partially fund the acquisition of Osaki Bright Tower / Osaki Bright Plaza, (2) it handled 8 billion yen of investment corporation bonds reaching maturity by issuing 4.4 billion yen of refinancing bonds (5-year: 2 billion yen, 10-year: 2.4 billion yen) and 3.6 billion yen of short-term bridge funding, and (3) refinancing 3.5 billion yen of borrowings that reached maturity (fixed interest rate, 9-year term). Of these funds, 8 billion yen of (1) was procured through a short-term loan devised to lower financing costs based on the gap between long-term and short-term interest rates, while 2 billion yen was procured through an 8-year long-term fixed-rate loan from the Development Bank of Japan in consideration of diversifying the future repayment schedule. In addition, with regard to the 4.4 billion yen of investment corporation bonds in (2), which are long-term funds that are favorable in terms of the proportion of debt financing, the issued amount was more than planned based on factors such as unitholder demand. For the 3.6 billion yen procured as short-term bridge funding, JEI issued 4.8 billion yen of refinancing bonds (10-year term) in July 2024, thereby refinancing it as long-term funds.

As a result, as of the end of the period under review, the average remaining period of interest-bearing debt (Note 2) at the end of the period under review was 4.0 years (shortened by 0.1 years from the end of the previous period), and the loan-to-value ratio of total assets (total assets-based LTV) (Note 3) was 45.6% (up 2.0 percentage points from the end of the previous period).

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

As of June 30, 2024, JEI has been granted the following rating.

Credit rating agency	Issuer rating (outlook)	Individual debt issue rating (Note 4)
Japan Credit Rating Agency, Ltd. (JCR)	Long-term issuer rating AA- (Stable)	AA-

## 3) Sustainability initiatives

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

With regard to CO<sub>2</sub> emission intensity, JEI has set a medium-term target to reduce emission intensity by 46% by fiscal 2030 compared with fiscal 2013 (achieved target ahead of schedule) and a long-term target of net zero CO<sub>2</sub> emissions by fiscal 2050. To meet the targets, JEI has promoted a shift to LED lighting, air-conditioning equipment with excellent energy-saving performance, and carbon-free energy sources, such as "RE100" compatible electricity, at properties it owns. In order to reduce environmental impact, JEI has set targets to reduce energy consumption and water consumption intensities by 1% per year compared with the previous period, and over the medium to long term, to reduce average consumption and emission intensities by 5% or more when comparing the rates between fiscal 2015 and fiscal 2019 with the rates between fiscal 2020 and fiscal 2024. Furthermore, JEI has continuously promoted the acquisition of Green Building Certification and the number of certified properties now stands at 25, accounting for 84.6% of leasable area (as of June 30, 2024; excluding land with leasehold interest). Furthermore, in March 2024, JEI established an Environmental Management System (EMS) operation manual.

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

In addition, JEI's asset management company Japan Excellent Asset Management Co., Ltd. (hereinafter, "JEAM") compiles the policy, initiatives and such of JEI and JEAM for each of the four items ("governance," "strategy," "risk management," and "metrics and targets") recommended by the Task Force on Climate-related Financial Disclosures (TCFD) (Note 8), implements qualitative and quantitative analyses on the financial impact of climate change and discloses them on JEI's website based on the TCFD recommendations for which JEAM expressed support in June 2021.

#### 4) Financial results and distribution highlights

As a result of the management above, for the period under review, JEI posted 11,460 million yen in operating revenue, 4,835 million yen in operating income, 4,201 million yen in ordinary income, and 4,200 million yen in net income.

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

As a result, distribution per unit was 2,862 yen as JEI decided to distribute the entire amount (except for the portion of less than one yen per unit) of unappropriated retained earnings after subtracting 418 million yen for reserve for reduction entry from unappropriated retained earnings.

- (Note 1) Occupancy rate is a percentage of total leased area to total leasable area of 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) Loan-to-value ratio of total assets = (Period end interest-bearing debt / Period end total assets) × 100
- (Note 4) The rating is for 8th series unsecured investment corporation bonds, 9th series unsecured investment corporation bonds, 11th series unsecured investment corporation bonds, 13th series unsecured investment corporation bonds, 14th series unsecured investment corporation bonds, 15th series unsecured investment corporation bonds, 16th series unsecured investment corporation bonds, 17th series unsecured investment corporation bonds, 18th series unsecured investment corporation bonds, 19th series unsecured investment corporation bonds, and 20th series unsecured investment corporation bonds.
- (Note 5) 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 6) “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 7) “GRESB Rating” is a rating of the overall score according to the global ranking, and “5 Star” is a rating given to the top 20% of participants, “4 Star” to the following 20% and so forth.
- (Note 8) The TCFD (Task Force on Climate-related Financial Disclosures) is an international initiative established in 2015 by the Financial Stability Board (FSB) at the request of the G20 to discuss climate-related issues to be addressed by the financial sector.



### (3) Capital Increase

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

Paid-up Date	Capital transaction	Capital transaction (units)		Unitholders' capital, net (Millions of yen) (Note 1)		Remarks
		Change	Balance	Change	Balance	
January 21, 2020	Public offering	43,000	1,348,700	7,213	147,186	(Note 2)
February 13, 2020	Third-party allotment	4,300	1,353,000	721	147,907	(Note 3)
April 28, 2022	Cancellation	-15,402	1,337,598	-1,999	145,907	(Note 4)
June 28, 2024	Cancellation	-15,984	1,321,614	-1,999	143,907	(Note 5)

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

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

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

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

(Note 5) Buyback of own investment units through market purchase on the Tokyo Stock Exchange based on a discretionary transaction contract with a securities company took place from February 20, 2024, to May 10, 2024. All 15,984 investment units from the buyback were cancelled on June 28, 2024, based on the resolution passed at the board of directors' meeting of JEI held on June 17, 2024.

(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 the period under review.

#### [Market price of the investment securities]

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

Investment unit market price	Fiscal period (closing date)	32nd period (June 2022)	33rd period (December 2022)	34th period (June 2023)	35th period (December 2023)	36th period (June 2024)
	Highest (yen)		136,600	139,400	130,700	141,100
Lowest (yen)		121,600	118,900	115,400	123,100	117,200

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

#### (4) Distributions Paid

Concerning distributions in the period under review, JEI decided to distribute the entire amount (except for the portion of less than one yen per unit) of unappropriated retained earnings with provision of reserve for reduction entry from unappropriated retained earnings along with the intention to have the amount of profit distribution deducted from its taxable income by application of the special provisions of the tax system on investment corporations (Section 67-15 of the Special Taxation Measures Law). As a result, distribution per unit was 2,862 yen.

Fiscal period	32nd period	33rd period	34th period	35th period	36th period
Accounting period	January 1, 2022, to June 30, 2022	July 1, 2022, to December 31, 2022	January 1, 2023, to June 30, 2023	July 1, 2023, to December 31, 2023	January 1, 2024, to June 30, 2024
Unappropriated retained earnings at end of period (Thousands of yen)	4,102,019	3,502,198	3,881,374	4,049,775	4,200,539
Retained income (Thousands of yen)	356,744	—	136,100	304,500	418,080
Total cash distribution amount (Thousands of yen)	3,745,274	3,745,274	3,745,274	3,745,274	3,782,459
(Cash distributions per unit) (yen)	(2,800)	(2,800)	(2,800)	(2,800)	(2,862)
Of which, total profit distributions (Thousands of yen)	3,745,274	3,745,274	3,745,274	3,745,274	3,782,459
(Profit distribution per unit) (yen)	(2,800)	(2,800)	(2,800)	(2,800)	(2,862)
Of which, total refund of investment equity (Refund of investment equity per unit)	— (—)	— (—)	— (—)	— (—)	— (—)
Of total refund of investment equity, total distribution amount from reserve for temporary difference adjustments	—	—	—	—	—
(Of refund of investment equity per unit, distribution amount per unit from reserve for temporary difference adjustments)	(—)	(—)	(—)	(—)	(—)
Of total refund of investment equity, total distribution amount from distribution reducing unitholders' capital for tax purpose	—	—	—	—	—
(Of refund of investment equity per unit, distribution amount per unit from distribution reducing unitholders' capital for tax purpose)	(—)	(—)	(—)	(—)	(—)

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

### 1) Outlook for business environment

In the real estate transaction market, factors such as there continuing to be vigorous appetite for investment by market participants suggest that there will be no especially significant changes in the market environment. However, going forward, JEI believes that there is a need to closely monitor changes in market participant trends based on global financial conditions and economic trends, changes in the Bank of Japan's fiscal policy management stance, etc. and their impact on property prices even further. It is also necessary to keep a wide eye on changes in the political, economic, and geopolitical situation ahead, including the outcome of the U.S. presidential election this fall, policy management in various countries, and the situation in various regions amid ongoing conflict and rising tensions.

In the office building leasing market, demand was strong due to factors such as the recovery in the percentage of employees commuting to the office and work-style reform prompting review of office functions by companies and such, and at present, it is expected that the vacancy rate will trend slightly downward. While newly concluded rents have begun trending upward after hitting bottom, uncertainty remains about whether this upward trend can be maintained in response to the supply of new floor space in 2025. A full-fledged, vigorous recovery in rents will likely take a little more time.

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

#### A. External growth

JEI upholds a basic policy to acquire competitive properties by means of well-balanced investments based on size and area with the aim of expanding asset size over the medium to long term. To achieve this, it 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 its sponsor companies.

At present, given the financial and real estate environments, the policy is to pursue management that focuses on replacement while being increasingly conscious of capital efficiency and unitholder value by selecting candidate properties to sell from the perspective of building age, area suitability, and profitability in order to enhance the quality and profitability of the portfolio while keeping the balance of equity and borrowings (LTV) in mind.

#### B. Internal growth

At JEI, the occupancy rate remains at a high level regarded as being more or less business as usual as a result of steady leasing activities. Based on this, in order to further increase profitability by increasing rent revenue, JEI has tackled the challenge of switching to a policy of actively and resolutely working to raise the level of new rents when refilling vacancies and negotiating with existing tenants to increase their rent upon renewal of lease.

#### C. Financial strategy

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

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

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

JEI adopts a basic policy of working to reduce the environmental burden and to cooperate/collaborate with stakeholders to achieve a sustainable society, deeming such as its corporate social responsibility. While continuing to pursue management that considers the environment, mainly around eliminating CO<sub>2</sub> emissions, obtaining green building certifications, and using sustainable finance, JEI will aim for better ESG evaluation for the entire portfolio through efforts to boost energy use efficiency and disaster prevention and security performance, and efforts to enhance tenant convenience and comfort.

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

## (6) Subsequent Events

There were no applicable items during the period.

(Reference Material)

### 1. Issuance of Investment Corporation Bonds

JEI issued investment corporation bonds on July 16, 2024, as described below.

#### <Overview of the Investment Corporation Bonds>

Name of investment corporation bonds	21st Series Unsecured Investment Corporation Bonds (also called 4th JEI Green Bonds)
Issuance date	July 16, 2024
Total amount of investment corporation bonds to be issued	4,800 million yen
Interest rate	1.740%
Maturity date	July 14, 2034
Use	To be allocated to the repayment of existing borrowing
Collateral	Unsecured / Non-guaranteed (Note)
Fiscal agent	Mizuho Bank, Ltd.

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

### 2. Early repayment of borrowings

JEI conducted early repayment of borrowings on July 31, 2024, as described below.

Early repayment amount	4,800 million yen	2,000 million yen
Early repayment date	July 31, 2024	
Repayment resource	Funds procured through investment corporation bonds and cash on hand	A part of proceeds from transfer of JEI Hongo Building

## 2. Outline of the Investment Corporation

### (1) Investment Units

Fiscal period	32nd As of June 30, 2022	33rd As of December 31, 2022	34th As of June 30, 2023	35th As of December 31, 2023	36th As of June 30, 2024
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	1,337,598 units	1,337,598 units	1,337,598 units	1,337,598 units	1,321,614 units
Unitholders' capital, net (Note)	145,907 million yen	145,907 million yen	145,907 million yen	145,907 million yen	143,907 million yen
Number of unitholders	7,556 individuals	7,193 individuals	7,710 individuals	7,167 individuals	7,211 individuals

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

### (2) Unitholders

Major unitholders as of June 30, 2024, are as follows:

Name	Address	Number of units held (Units)	Ratio of number of units held to outstanding investment units (%) (Note)
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	388,771	29.42
The Master Trust Bank of Japan, Ltd. (Trust Account)	1-8-1 Akasaka, Minato-ku, Tokyo	216,115	16.35
Nippon Steel Kowa Real Estate Co., Ltd.	1-8-1 Akasaka, Minato-ku, Tokyo	134,427	10.17
The Nomura Trust and Banking Co., Ltd. (Investment trust account)	2-2-2 Otemachi, Chiyoda-ku, Tokyo	58,489	4.43
The Dai-ichi Life Insurance Company, Limited	1-13-1 Yuraku-cho, Chiyoda-ku, Tokyo	20,660	1.56
STATE STREET BANK WEST CLIENT - TREATY 505234	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, U.S.A.	20,574	1.56
JP MORGAN CHASE BANK 385771	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM	14,636	1.11
SSBTC CLIENT OMNIBUS ACCOUNT	ONE CONGRESS STREET, SUITE 1, BOSTON, MASSACHUSETTS	14,576	1.10
JP MORGAN CHASE BANK 385781	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM	12,852	0.97
STATE STREET BANK AND TRUST COMPANY 505103	P.O. BOX 351 BOSTON MASSACHUSETTS 02101 U.S.A.	10,624	0.80
Total		891,724	67.47

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

### (3) Officers

#### 1) Directors and accounting auditor

Post	Name	Major additional post	Compensation or fee for the six months ended June 30, 2024 (Thousands of yen)
Executive Director	Shuichiro Kayama	President, Japan Excellent Asset Management Co., Ltd.	–
Supervisory Director	Eiji Takagi	Eiji Takagi Certified Public Accounting Office	1,800
Supervisory Director	Osamu Hirakawa	Adviser, Foreign Law Joint Venture, Anderson Mori & Tomotsune	1,800
Supervisory Director	Hiroaki Komatsu	Associate Professor, Faculty of Real Estate Sciences, Meikai University	1,800
Accounting Auditor	Ernst & Young ShinNihon LLC	–	20,225 (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 compensation or fee for the Accounting Auditor includes the fee for the audit of the English financial statements and the fee for non-audit services (the fee for the preparation of a comfort letter upon the issuance of the 19th series and 20th series unsecured investment corporation bonds in February 2024 and the fee for third-party assurance services) in the amount of 7,025 thousand yen. There is no compensation or fee paid to those belonging to the same network as the Accounting Auditor.

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

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

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

Not applicable.

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

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

Scope of the insured	Overview of the directors and officers liability insurance agreement
Executive Director and Supervisory Directors	(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. (Burden ratio of insurance premium) The entire amount is borne by JEI. (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.

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

JEI's asset management company, asset custodian, and administrative agents as of June 30, 2024, are as follows:

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

### 3. Investment Portfolio of the Investment Corporation

#### (1) Investment Portfolio by Area

Classification	Use	Area (Note 1)	35th Period (As of December 31, 2023)		36th Period (As of June 30, 2024)	
			Total acquisition price (Millions of yen) (Note 2)	Investment ratio in portfolio (%)	Total acquisition price (Millions of yen) (Note 2)	Investment ratio in portfolio (%)
Real estate property	Office building	Area I	10,959	3.7	11,010	3.6
		Area II	5,325	1.8	5,467	1.8
		Area IV	1,661	0.6	1,663	0.5
Trust beneficiary interest in real estate		Area I	138,887	47.1	151,390	49.8
		Area II	19,081	6.5	19,098	6.3
		Area III	64,975	22.0	64,765	21.3
		Area IV	23,487	8.0	22,881	7.5
Total			264,379	89.7	276,277	90.9
Equity interest in anonymous association (Note 3)			5,158	1.7	5,129	1.7
Deposits in bank and other assets			25,285	8.6	22,642	7.4
Total assets			294,823	100.0	304,049	100.0

(Note 1) Areas are classified as follows:

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

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

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

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

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

The same applies hereinafter.

(Note 2) Total acquisition price is based on the amounts accounted for in the balance sheets as of the settlement date (amounts of real estate property and trust beneficiary interest in real estate are based on the book value after depreciations).

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



## (2) Major Properties

The principal properties (top ten properties in net book value) owned by JEI as of June 30, 2024, are as follows.

Name	Book value (Millions of yen)	Leasable area (m <sup>2</sup> ) (Note 1)	Leased area (m <sup>2</sup> ) (Note 2)	Occupancy rate (%) (Note 3)	Ratio of rental revenue to total rental revenues (%)	Major use
AKASAKA INTERCITY	26,379	11,021.03	10,246.05	93.0	5.5	Office building
Nisseki Yokohama Building	21,309	40,414.25	40,338.95	99.8	11.4	Office building
Omori Bellport D	20,278	25,828.29	25,697.26	99.5	8.2	Office building
HAMARIKYU INTERCITY	16,252	19,718.11	19,388.80	98.3	7.5	Office building
Osaki Bright Tower / Osaki Bright Plaza	12,909	5,930.27	5,898.33	99.5	(Note 4)	Office building
Musashikosugi Tower Place	12,288	24,928.37	24,928.37	100.0	7.2	Office building
Mansard Daikanyama	11,024	5,420.81	5,420.81	100.0	2.6	Office building
Kowa Nishi-Shimbashi Building	11,010	8,949.04	8,949.04	100.0	(Note 4)	Office building
Kowa Kawasaki Higashiguchi Building	10,925	18,612.72	18,612.72	100.0	(Note 4)	Office building
Bizcore Jimbocho	9,885	5,261.75	5,261.75	100.0	(Note 4)	Office building
Total	152,264	166,084.64	164,742.08	99.2	—	—

(Note 1) Leasable area refers to area available for lease of which ownership is attributable to JEI as of June 30, 2024. For properties with joint ownership (including quasi co-ownership of trust beneficiary interest), the figure is obtained by taking the leasable area of the entire property and factoring in the percentage of the interest owned by JEI, regarding the figure as JEI's leasable area.

(Note 2) Leased area refers to the leased area stated in the lease contract concluded between JEI, the trust beneficiary, or the master lease company and the end tenant in principle. 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. For properties with joint ownership, the figure obtained by taking the leased area of the entire property and factoring in the percentage of the interest owned by JEI is indicated. The leased area of end tenants who terminated their lease arrangement but had not yet moved out as of the end of the period under review is included in the leased area. This also applies to any figure which is calculated based on "leased area" in this document. "End tenant" refers to a tenant (excluding master lease companies) renting a property directly or, in the case of a property with a master lease company, a sublessee who subleases the real estate from the master lease company.

(Note 3) Occupancy rate indicates the percentage of total leased area to total leasable area of each property or property in trust in principle. For Bizcore Jimbocho, the office portion of the section exclusively owned by JEI is centrally managed along with part of a section exclusively owned by another company that is used as offices. JEI's share of revenue and expenses is calculated by multiplying the revenue and expenses for the entire centrally managed section by the proportion of the section exclusively owned by it (irrespective of occupancy status). Therefore, there is not necessarily a correlation between occupancy rate and rental revenues for this property. Osaki Bright Tower / Osaka Bright Plaza is comprised of: (1) the tower building office section, (2) the tower building retail section, and (3) the plaza building. Since the occupancy rate for each section (or, in the case of the tower building office section, the part of the section exclusively owned by JEI) is calculated using the method described above, the figure indicates the weighted average, using the leasable area for each section as a basis. The portion of the tower building office section exclusively owned by JEI is centrally managed along with part of a section exclusively owned by another company. JEI's share of revenue and expenses is calculated by multiplying the revenue and expenses for the entire centrally managed section by a fixed ownership ratio (irrespective of occupancy status). Therefore, there is not necessarily a correlation between occupancy rate and rental revenues for this property.

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

### (3) Portfolio Ownership Breakdown

Real estate properties and their forms of ownership as of June 30, 2024, are as follows:

Property No.	Property name	Location (Residential address)	Form of ownership	Appraisal value at end of period (Millions of yen) (Note)	Net book value (Millions of yen)
I-1	Omori Bellport D	6-26-3 Minami-Oi, Shinagawa-ku, Tokyo	Trust beneficiary interest in real estate	25,700	20,278
I-2	Shiba 2-Chome Building	2-6-1 Shiba, Minato-ku, Tokyo	Trust beneficiary interest in real estate	13,700	8,947
I-3	JEI Hamamatsucho Building	2-2-12 Hamamatsu-cho, Minato-ku, Tokyo	Trust beneficiary interest in real estate	8,780	7,886
I-8	AKASAKA INTERCITY	1-11-44 Akasaka, Minato-ku, Tokyo	Trust beneficiary interest in real estate	30,700	26,379
I-10	Daiba Garden City Building	2-3-5 Daiba, Minato-ku, Tokyo	Trust beneficiary interest in real estate	9,240	8,936
I-12	HAMARIKYU INTERCITY	1-9-1 and 15 Kaigan, Minato-ku, Tokyo	Trust beneficiary interest in real estate	28,900	16,252
I-14	Kowa Nishi-Shimbashi Building	2-1-1 Nishi-Shimbashi, Minato-ku, Tokyo	Real estate	12,500	11,010
I-15	Mansard Daikanyama	10-1 Sarugakucho, Shibuya-ku, Tokyo	Trust beneficiary interest in real estate	13,500	11,024
I-16	AKASAKA INTERCITY AIR	1-8-1 Akasaka, Minato-ku, Tokyo	Trust beneficiary interest in real estate	8,280	6,399
I-17	Bizcore Akasaka-mitsuke	3-1-2 Akasaka, Minato-ku, Tokyo	Trust beneficiary interest in real estate	5,890	6,103
I-18	Bizcore Jimbocho	3-9-2 Kanda-ogawamachi, Chiyoda-ku, Tokyo	Trust beneficiary interest in real estate	9,870	9,885
I-19	Bizcore Shibuya	1-3-15 Shibuya, Shibuya-ku, Tokyo	Trust beneficiary interest in real estate	6,950	6,605
I-20	Bizcore Tsukiji	4-6-4 Tsukiji, Chuo-ku, Tokyo	Trust beneficiary interest in real estate	10,200	9,781
I-21	Osaki Bright Tower / Osaki Bright Plaza	5-6-1 Kita-Shinagawa, Shinagawa-ku, Tokyo (Tower) 5-4-1 Kita-Shinagawa, Shinagawa-ku, Tokyo (Plaza)	Trust beneficiary interest in real estate	13,500	12,909
Area I				197,710	162,401
II-1	NHK Nagoya Housou-Center Building	1-13-3 Higashi-Sakura, Higashi-ku, Nagoya-shi, Aichi	Real estate	6,350	5,467
II-3	Osaka Kogin Building (Land with Leasehold Interest)	4-1-1 Koraibashi, Chuo-ku, Osaka-shi, Osaka	Trust beneficiary interest in real estate	2,840	1,865
II-4	GRAND FRONT OSAKA (Umekita Plaza South Building)	4-1 Ohbuka-cho, Kita-ku, Osaka-shi, Osaka (Umekita Plaza) 4-20 Ohbuka-cho, Kita-ku, Osaka-shi, Osaka (South Building)	Trust beneficiary interest in real estate	9,880	9,599
II-5	GRAND FRONT OSAKA (North Building)	3-1 Ohbuka-cho, Kita-ku, Osaka City, Osaka	Trust beneficiary interest in real estate	7,700	7,633
Area II				26,770	24,565
III-1	Musashikosugi Tower Place	1-403 Kosugi-machi, Nakahara-ku, Kawasaki-shi, Kanagawa	Trust beneficiary interest in real estate	21,900	12,288
III-2	Kowa Kawasaki Higashiguchi Building	1-53 Nisshin-cho Kawasaki-ku, Kawasaki-shi, Kanagawa	Trust beneficiary interest in real estate	9,230	10,925
III-3	JEI Hongo Building	2-38-16 Hongo, Bunkyo-ku, Tokyo	Trust beneficiary interest in real estate	4,460	4,854
III-5	Kawasaki Nisshincho Building	7-1 Nisshin-cho, Kawasaki-ku, Kawasaki-shi, Kanagawa	Trust beneficiary interest in real estate	4,170	4,262
III-7	JEI Ryogoku Building	3-25-5 Ryogoku, Sumida-ku, Tokyo	Trust beneficiary interest in real estate	2,760	2,435
III-11	Core City Tachikawa	2-37-7 Akebono-cho, Tachikawa-shi, Tokyo	Trust beneficiary interest in real estate	10,200	5,868
III-12	Nisseki Yokohama Building	1-1-8 Sakuragi-cho, Naka-ku, Yokohama-shi, Kanagawa	Trust beneficiary interest in real estate	30,000	21,309
III-13	Yokohama Bentendori Dai-ichi Seimei Building	4-59 Bentendori, Naka-ku, Yokohama-shi, Kanagawa	Trust beneficiary interest in real estate	738	742
III-14	Shin-Yokohama Arena-dori Building	3-7-7 Shin-Yokohama, Kohoku-ku, Yokohama-shi, Kanagawa	Trust beneficiary interest in real estate	2,170	2,077
Area III				85,628	64,765
IV-3	JEI Hiroshima Hacchobori Building	14-4 Hacchobori, Naka-ku, Hiroshima-shi, Hiroshima	Trust beneficiary interest in real estate	4,340	2,900
IV-4	SE Sapporo Building	1-1-2 Kitananajonishi, Kita-ku, Sapporo-shi, Hokkaido	Trust beneficiary interest in real estate	11,900	4,909
IV-5	Aoba-dori Plaza	3-2-1 Chuo, Aoba-ku, Sendai-shi, Miyagi	Trust beneficiary interest in real estate	4,470	2,313
IV-6	Daiwa Minami-morimachi Building	2-6, 2-chome Kita, Tenjinbashi, Kita-ku, Osaka-shi, Osaka	Trust beneficiary interest in real estate	5,350	4,211
IV-7	JEI Naha Building	2-8-1 Kumoji, Naha-shi, Okinawa	Trust beneficiary interest in real estate	2,140	1,629
IV-8	Hiroshima Dai-ichi Seimei OS Building	1-2-21 Matoba-cho Minami-ku, Hiroshima-shi, Hiroshima	Trust beneficiary interest in real estate	3,680	2,779
IV-9	Senshin Building	1-6-27 Chuo, Aoba-ku, Sendai-shi, Miyagi	Real estate	1,580	1,663
IV-10	Sapporo Otemachi Building	4-5-1 Minami Ichijo Nishi, Chuo-ku, Sapporo-shi, Hokkaido	Trust beneficiary interest in real estate	4,571	4,138
Area IV				38,031	24,544
Total				348,139	276,277

(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, 2024, pursuant to the articles of incorporation of JEI and the regulations stipulated by the Investment Trusts Association, Japan. For properties with joint ownership (including quasi co-ownership of trust beneficiary interest), the figure is obtained by taking the value of the entire shared real estate and factoring in the percentage of the interest owned by JEI.

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

Property No.	Property name	35th Period July 1, 2023, to December 31, 2023				36th Period January 1, 2024, to June 30, 2024			
		Total number of tenants (At end of period) (Note 1)	Occupancy rate (At end of period) (%)	Rental revenue (Interim) (Millions of yen)	Ratio of rental revenue to total rental revenues (%)	Total number of tenants (At end of period) (Note 1)	Occupancy rate (At end of period) (%)	Rental revenue (Interim) (Millions of yen)	Ratio of rental revenue to total rental revenues (%)
I-1	Omori Bellport D	25	100.0	870	8.6	24	99.5	877	8.2
I-2	Shiba 2-Chome Building	2 (Note 1)	100.0	378	3.8	2 (Note 1)	99.2	380	3.6
I-3	JEI Hamamatsucho Building	5	61.2	159	1.6	6	74.2	168	1.6
I-8	AKASAKA INTERCITY	17	98.3	561	5.6	17	93.0	584	5.5
I-10	Daiba Garden City Building	4	91.0	337	3.3	5	100.0	341	3.2
I-12	HAMARIKYU INTERCITY	12 (Note 1)	98.8	769	7.6	12 (Note 1)	98.3	802	7.5
I-14	Kowa Nishi-Shimbashi Building	5	100.0	(Note 2)	(Note 2)	5	100.0	(Note 2)	(Note 2)
I-15	Mansard Daikanyama	10	97.4	280	2.8	10	100.0	277	2.6
I-16	AKASAKA INTERCITY AIR	1 (Note 1)	92.0	(Note 2)	(Note 2)	1 (Note 1)	96.1	(Note 2)	(Note 2)
I-17	Bizcore Akasaka-mitsuke	8	100.0	118	1.2	8	100.0	130	1.2
I-18	Bizcore Jimbocho	8	100.0	(Note 2)	(Note 2)	8	100.0	(Note 2)	(Note 2)
I-19	Bizcore Shibuya	7	100.0	148	1.5	7	100.0	153	1.4
I-20	Bizcore Tsukiji	1	100.0	(Note 2)	(Note 2)	1	100.0	(Note 2)	(Note 2)
I-21	Osaki Bright Tower / Osaki Bright Plaza	—	—	—	—	1 (Note 1)	99.5	(Note 2)	(Note 2)
Area I		105	96.3	—	—	107	97.5	—	—
II-1	NHK Nagoya Housou-Center Building	43	96.8	367	3.6	42	99.6	365	3.4
II-3	Osaka Kogin Building (Land with Leasehold Interest)	1 (Note 1)	100.0	98	1.0	1 (Note 1)	100.0	104	1.0
II-4	GRAND FRONT OSAKA (Umekita Plaza South Building)	2 (Note 1)	93.6	(Note 2)	(Note 2)	2 (Note 1)	91.8	(Note 2)	(Note 2)
II-5	GRAND FRONT OSAKA (North Building)	5 (Note 1)	97.6	(Note 2)	(Note 2)	5 (Note 1)	98.1	(Note 2)	(Note 2)
Area II		51	96.8	—	—	50	97.8	—	—
III-1	Musashikosugi Tower Place	51	100.0	739	7.3	51	100.0	769	7.2
III-2	Kowa Kawasaki Higashiguchi Building	1	100.0	(Note 2)	(Note 2)	1	100.0	(Note 2)	(Note 2)
III-3	JEI Hongo Building	4	100.0	(Note 2)	(Note 2)	4	100.0	(Note 2)	(Note 2)
III-5	Kawasaki Nisshincho Building	35	94.4	203	2.0	36	95.6	202	1.9
III-7	JEI Ryogoku Building	17	100.0	116	1.1	17	100.0	116	1.1
III-11	Core City Tachikawa	25	100.0	320	3.2	25	98.0	328	3.1
III-12	Nisseki Yokohama Building	49	99.8	1,187	11.8	51	99.8	1,210	11.4
III-13	Yokohama Bentendori Dai-ichi Seimei Building	13	100.0	42	0.4	13	100.0	42	0.4
III-14	Shin-Yokohama Arena-dori Building	12	100.0	69	0.7	11	91.1	63	0.6
Area III		207	99.4	—	—	209	99.2	—	—
IV-2	JEI Kyobashi Building (Note 3)	22	100.0	38	0.4	—	—	4	0.0
IV-3	JEI Hiroshima Hacchobori Building	45	100.0	149	1.5	45	100.0	161	1.5
IV-4	SE Sapporo Building	43	100.0	450	4.5	43	100.0	442	4.1
IV-5	Aoba-dori Plaza	47	96.3	181	1.8	47	96.3	183	1.7
IV-6	Daiwa Minami-morimachi Building	10	100.0	193	1.9	10	100.0	193	1.8
IV-7	JEI Naha Building	18	100.0	90	0.9	18	100.0	88	0.8
IV-8	Hiroshima Dai-ichi Seimei OS Building	29	98.7	147	1.5	30	100.0	146	1.4
IV-9	Senshin Building	17	88.0	45	0.5	17	88.0	48	0.5
IV-10	Sapporo Otemachi Building	28	100.0	136	1.3	27	100.0	134	1.3
Area IV		259	98.9	—	—	237	99.0	—	—
Total		622	97.9	10,102	100.0	603	98.4	10,662	100.0

- (Note 1) Total number of tenants indicates the number of end tenants in principle. When a tenant has multiple tenancies in the same property, it is counted as one tenant, and when in multiple properties, it is counted as multiple tenants. However, for properties in which the residential portion or the percentage of the interest owned by JEI is relatively low, the number of tenants indicates the number of master lease companies for the property, considering a master lease company as a tenant. In addition, for land with leasehold interest, the number of tenants is counted as one based on the lease agreement for the leased land.
- (Note 2) Not disclosed, as consent for disclosure has not been obtained.
- (Note 3) JEI completed transfer of JEI Kyobashi Building on January 22, 2024.

#### (4) Securities Portfolio

The securities owned by JEI in its portfolio as of June 30, 2024, are as follows:

Name	Asset type	Quantity	Book value		Assessed value (Note 1)		Valuation gains/losses (Thousands of yen)	Remarks
			Unit price	Amount (Thousands of yen)	Unit price	Amount (Thousands of yen)		
Equity interest in anonymous association with Akasaka 2-chome Godo Kaisha as business operator	Equity interest in anonymous association	—	—	5,129,831	—	5,129,831	—	(Note 2)
Total		—	—	5,129,831	—	5,129,831	—	—

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

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

#### (5) Renewable Power Generation Facility

None

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

None

## (7) Other Assets

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

Classification	Type	Contract amount (Thousands of yen) (Note 1)		Fair value (Thousands of yen) (Note 2)
			Over one year	
Over-the-counter transaction	Interest rate swap transactions Floating interest rate receivable Fixed interest rate payable	29,370,000	16,100,000	—

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

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

### 2) Shares

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

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

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

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

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

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

### 3) Securities other than shares

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

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

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

### 4) Other assets

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

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

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

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

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

## 4. Capital Expenditures for Owned Properties

### (1) Scheduled Capital Expenditures

The following table shows major items of scheduled capital expenditures for repairs and maintenance planned for the properties owned by JEI as of the end of the 36th period (ended June 30, 2024). 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, 2024	Total of advance payment
AKASAKA INTERCITY	Minato-ku, Tokyo	Update of air- conditioning remote control	From September 2024 To December 2024	175	—	—
NHK Nagoya Housou- Center Building	Nagoya-shi, Aichi	Update of power generator (No. 2)	From October 2022 To September 2024	70	—	—
Core City Tachikawa	Tachikawa- shi, Tokyo	Conversion to LED lighting in exclusively- owned sections	From August 2024 To November 2024	58	—	—
Senshin Building	Sendai-shi, Miyagi	Repair of exterior walls	From July 2024 To November 2024	56	—	—
Musashikosugi Tower Place	Kawasaki-shi, Kanagawa	Update of emergency elevators (Phase 1)	From October 2024 To December 2024	53	—	—
Sapporo Otemachi Building	Sapporo-shi, Hokkaido	Replacement of mechanical parking lot parts	From October 2023 To November 2024	50	—	—
JEI Naha Building	Naha-shi, Okinawa	Update related to multilevel parking lot drive parts	From November 2024 To December 2024	44	—	—
SE Sapporo Building	Sapporo-shi, Hokkaido	Update of power receiving and transforming equipment (Phase 2)	From October 2024 To October 2024	44	—	—
Nisseki Yokohama Building	Yokohama- shi, Kanagawa	Repair of exterior walls and such (Phase 4)	From March 2024 To August 2024	41	—	—
JEI Hiroshima Hacchobori Building	Hiroshima-shi, Hiroshima	Renovation of air- conditioning systems (Phase 7)	From April 2024 To July 2024	40	—	—
Omori Bellport D	Shinagawa-ku, Tokyo	Conversion to LED lighting in exclusively-owned sections (Phase 1)	From November 2024 To December 2024	40	—	—
Shiba 2-Chome Building	Minato-ku, Tokyo	Repair of exterior walls (Phase 2)	From June 2024 To August 2024	34	—	—
Aoba-dori Plaza	Sendai-shi, Miyagi	Renewal of elevator control system (Phase 1)	From October 2024 To December 2024	31	—	—

## (2) Capital Expenditures for the Six Months Ended June 30, 2024

The following table shows constructions conducted by JEI during the period ended June 30, 2024, and expensed as capital expenditures. Capital expenditures for the period ended June 30, 2024, were 1,317 million yen and, when combined with repairs and maintenance costs of 387 million yen classified as expenses in the period under review, the amount of constructions completed totaled 1,704 million yen.

Property name	Location	Purpose	Term	Amount Paid (Millions of yen)
Kowa Kawasaki Higashiguchi Building	Kawasaki-shi, Kanagawa	Update of lower floor and upper floor elevators (Phase 3)	From May 2023 To January 2024	157
Musashikosugi Tower Place	Kawasaki-shi, Kanagawa	Update of upper floor elevators (Phase 3)	From January 2024 To June 2024	103
NHK Nagoya Housou-Center Building	Nagoya-shi, Aichi	Update of emergency power generator (No. 1)	From April 2022 To February 2024	84
NHK Nagoya Housou-Center Building	Nagoya-shi, Aichi	Update of elevators (Phase 3)	From September 2023 To January 2024	64
JEI Hiroshima Hacchobori Building	Hiroshima-shi, Hiroshima	Renovation of air-conditioning systems (Phase 6)	From September 2023 To January 2024	56
NHK Nagoya Housou-Center Building	Nagoya-shi, Aichi	Renovation of security system	From March 2024 To March 2024	42
Other constructions				807
Total				1,317

## (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	32nd Period January 1, 2022, to June 30, 2022	33rd Period July 1, 2022, to December 31, 2022	34th Period January 1, 2023, to June 30, 2023	35th Period July 1, 2023, to December 31, 2023	36th Period January 1, 2024, to June 30, 2024
Reserved funds at beginning of period	298	555	447	414	578
Increase	1,123	620	851	724	696
Decrease	866	729	884	560	1,067
Reserved funds at the end of period	555	447	414	578	207



## 5. Expenses and Liabilities

### (1) Expenses Associated with Asset Management

(Unit: Thousands of yen)

Account	35th Period July 1, 2023, to December 31, 2023	36th Period January 1, 2024, to June 30, 2024
(a) Asset management fees	457,823	467,686
(b) Custodian fees	21,393	21,937
(c) Administrative service fees	40,398	40,550
(d) Compensation for directors	4,200	5,400
(e) Accounting auditor fees	12,000	12,000
(f) Other	94,057	97,478
Total	629,872	645,053

### (2) Borrowings

Borrowings by each financing source as of the end of the 36th period (ended June 30, 2024) are as follows:

	Classification	Drawdown date	Balance at beginning of period (Thousands of yen)	Balance at end of period (Thousands of yen)	Average interest rate (%) (Note 1)	Maturity date	Repayment method	Use	Remarks
	Lender								
Short-term loans	Mizuho Bank, Ltd.	December 7, 2023	5,000,000	5,000,000	0.32719	December 6, 2024	Lump-sum	Purchase of real estate	Unsecured and non-guaranteed
	Mizuho Bank, Ltd.	March 8, 2024	—	3,600,000	0.36803	February 28, 2025		Redemption of existing investment corporation bonds	
	Mizuho Bank, Ltd.	April 26, 2024	—	8,000,000	0.38861	April 25, 2025		Purchase of real estate	
Subtotal			5,000,000	16,600,000					
Long-term loans due within one year	Development Bank of Japan Inc.	November 30, 2017	3,500,000	—	0.68431 (Note 2)	May 31, 2024	Lump-sum	Repayment of existing borrowing	Unsecured and non-guaranteed
	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, Limited		1,000,000	1,000,000					
	Aozora Bank, Ltd.		750,000	750,000					
	The Bank of Fukuoka, Ltd.		150,000	150,000					
	Nippon Life Insurance Company	December 12, 2019	1,000,000	1,000,000	0.42000 (Note 2)	December 12, 2024			
	Mizuho Bank, Ltd.	September 30, 2022	—	2,000,000	0.36404	March 31, 2025			
	Mizuho Bank, Ltd.	June 29, 2018	—	3,700,000	0.67400 (Note 2)	June 30, 2025			
	MUFG Bank, Ltd.		—	1,000,000					
	Sumitomo Mitsui Banking Corporation		—	400,000					
	The Norinchukin Bank		—	1,000,000					
	Shinkin Central Bank		—	1,000,000					
The Bank of Fukuoka, Ltd.	—		700,000						
Resona Bank, Limited	—	200,000							
Subtotal			9,770,000	16,270,000					

	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	Mizuho Bank, Ltd.	September 30, 2022	2,000,000	—	0.36404	March 31, 2025	Lump-sum	Repayment of existing borrowing	Unsecured and non-guaranteed
	Mizuho Bank, Ltd.	June 29, 2018	3,700,000	—	0.67400 (Note 2)	June 30, 2025			
	MUFG Bank, Ltd.		1,000,000	—					
	Sumitomo Mitsui Banking Corporation		400,000	—					
	The Norinchukin Bank		1,000,000	—					
	Shinkin Central Bank		1,000,000	—					
	The Bank of Fukuoka, Ltd.		700,000	—					
	Resona Bank, Limited		200,000	—					
	Mizuho Bank, Ltd.		November 1, 2018	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.	November 29, 2021	520,000	520,000	0.45093	November 29, 2025			
	MUFG Bank, Ltd.		540,000	540,000					
	Sumitomo Mitsui Banking Corporation		1,080,000	1,080,000					
	Sumitomo Mitsui Trust Bank, Limited		1,620,000	1,620,000					
	Mizuho Bank, Ltd.	September 29, 2017	2,200,000	2,200,000	0.83441 (Note 2)	March 31, 2026			
	MUFG Bank, Ltd.		1,750,000	1,750,000					
	Sumitomo Mitsui Banking Corporation		1,100,000	1,100,000					
	The Norinchukin Bank		850,000	850,000					
	Aozora Bank, Ltd.	March 8, 2019	500,000	500,000	0.57100 (Note 2)				
	Mizuho Bank, Ltd.		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					
	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					
	Sompo Japan Insurance Inc.	January 31, 2022	2,000,000	2,000,000	0.28000 (Note 2)	January 31, 2027			
Tokio Marine & Nichido Fire Insurance Co., Ltd.	1,000,000		1,000,000						
Sompo Japan Insurance Inc.	November 30, 2022	500,000	500,000	0.34000 (Note 2)	November 30, 2027				
Tokio Marine & Nichido Fire Insurance Co., Ltd.		500,000	500,000						
MUFG Bank, Ltd.	November 30, 2023	1,250,000	1,250,000	0.44093					
Development Bank of Japan Inc.	January 31, 2020	2,000,000	2,000,000	0.68778 (Note 2)	July 31, 2028				
Mizuho Bank, Ltd.		1,175,000	1,175,000	0.71200 (Note 2)	January 31, 2029				

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	MUFG Bank, Ltd.	January 31, 2020	1,175,000	1,175,000	0.71200 (Note 2)	January 31, 2029	Lump-sum	Repayment of existing borrowing	Unsecured and non-guaranteed
	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)				
	Sumitomo Mitsui Banking Corporation	November 30, 2023	3,640,000	3,640,000	0.48093	November 30, 2029			
	Development Bank of Japan Inc.	June 30, 2021	2,000,000	2,000,000	0.55801 (Note 2)	December 30, 2029			
	Mizuho Bank, Ltd.	December 30, 2021	1,950,000	1,950,000	0.59404				
	MUFG Bank, Ltd.		2,000,000	2,000,000					
	Mizuho Trust & Banking Co., Ltd.		1,200,000	1,200,000					
	Resona Bank, Limited		600,000	600,000					
	Mizuho Bank, Ltd.	December 30, 2022	1,950,000	1,950,000	0.50919	January 31, 2030			
	MUFG Bank, Ltd.		2,000,000	2,000,000					
	Mizuho Trust & Banking Co., Ltd.		1,200,000	1,200,000					
	Resona Bank, Limited		600,000	600,000					
	The Dai-ichi Life Insurance Company Limited	June 30, 2021	2,000,000	2,000,000	0.65000 (Note 2)	June 28, 2030			
	The Norinchukin Bank	November 30, 2023	1,500,000	1,500,000	0.50093	November 29, 2030			
	Resona Bank, Limited		1,000,000	1,000,000					
	Aozora Bank, Ltd.		1,250,000	1,250,000					
	The Bank of Fukuoka, Ltd.		150,000	150,000					
Development Bank of Japan Inc.	June 30, 2022	2,000,000	2,000,000	1.08125 (Note 2)	June 30, 2031				
Mizuho Bank, Ltd.	November 30, 2023	420,000	420,000	0.53093	November 28, 2031				
Mizuho Trust & Banking Co., Ltd.		1,560,000	1,560,000						
Development Bank of Japan Inc.	April 26, 2024	—	2,000,000	1.39750 (Note 2)	April 26, 2032	Purchase of real estate			
Development Bank of Japan Inc.	May 31, 2024	—	3,500,000	1.60750 (Note 2)	May 31, 2033	Repayment of existing borrowing			
The Dai-ichi Life Insurance Company Limited	December 7, 2023	3,000,000	3,000,000	1.30000 (Note 2)	December 7, 2033	Purchase of real estate			
Subtotal		75,830,000	71,330,000						
Total		90,600,000	104,200,000						

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								
Short-term loans	Mizuho Bank, Ltd.	December 7, 2023	5,000,000	5,000,000	0.32719	December 6, 2024	Lump-sum	Purchase of real estate	Unsecured and non-guaranteed
	Mizuho Bank, Ltd.	March 8, 2024	—	3,600,000	0.36803	February 28, 2025		Redemption of existing investment corporation bonds	
	Mizuho Bank, Ltd.	April 26, 2024	—	8,000,000	0.38861	April 25, 2025		Purchase of real estate	
Subtotal			5,000,000	16,600,000					
Long-term loans due within one year	Development Bank of Japan Inc.	November 30, 2017	3,500,000	—	0.68431 (Note 2)	May 31, 2024	Lump-sum	Repayment of existing borrowing	Unsecured and non-guaranteed
	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, Limited		1,000,000	1,000,000					
	Aozora Bank, Ltd.		750,000	750,000					
	The Bank of Fukuoka, Ltd.		150,000	150,000					
	Nippon Life Insurance Company		December 12, 2019	1,000,000					
	Mizuho Bank, Ltd.	September 30, 2022	—	2,000,000	0.36404	March 31, 2025			
	Mizuho Bank, Ltd.	June 29, 2018	—	3,700,000	0.67400 (Note 2)	June 30, 2025			
	MUFG Bank, Ltd.		—	1,000,000					
	Sumitomo Mitsui Banking Corporation		—	400,000					
	The Norinchukin Bank		—	1,000,000					
	Shinkin Central Bank		—	1,000,000					
The Bank of Fukuoka, Ltd.	—		700,000						
Resona Bank, Limited	—		200,000						
Subtotal			9,770,000	16,270,000					

	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	Mizuho Bank, Ltd.	September 30, 2022	2,000,000	—	0.36404	March 31, 2025	Lump-sum	Repayment of existing borrowing	Unsecured and non-guaranteed
	Mizuho Bank, Ltd.	June 29, 2018	3,700,000	—	0.67400 (Note 2)	June 30, 2025			
	MUFG Bank, Ltd.		1,000,000	—					
	Sumitomo Mitsui Banking Corporation		400,000	—					
	The Norinchukin Bank		1,000,000	—					
	Shinkin Central Bank		1,000,000	—					
	The Bank of Fukuoka, Ltd.		700,000	—					
	Resona Bank, Limited		200,000	—					
	Mizuho Bank, Ltd.		November 1, 2018	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.	November 29, 2021	520,000	520,000	0.45093	November 29, 2025			
	MUFG Bank, Ltd.		540,000	540,000					
	Sumitomo Mitsui Banking Corporation		1,080,000	1,080,000					
	Sumitomo Mitsui Trust Bank, Limited		1,620,000	1,620,000					
	Mizuho Bank, Ltd.	September 29, 2017	2,200,000	2,200,000	0.83441 (Note 2)	March 31, 2026			
	MUFG Bank, Ltd.		1,750,000	1,750,000					
	Sumitomo Mitsui Banking Corporation		1,100,000	1,100,000					
	The Norinchukin Bank		850,000	850,000					
	Aozora Bank, Ltd.	March 8, 2019	500,000	500,000	0.57100 (Note 2)				
	Mizuho Bank, Ltd.		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					
	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					
	Sompo Japan Insurance Inc.	January 31, 2022	2,000,000	2,000,000	0.28000 (Note 2)	January 31, 2027			
Tokio Marine & Nichido Fire Insurance Co., Ltd.	1,000,000		1,000,000						
Sompo Japan Insurance Inc.	November 30, 2022	500,000	500,000	0.34000 (Note 2)	November 30, 2027				
Tokio Marine & Nichido Fire Insurance Co., Ltd.		500,000	500,000						
MUFG Bank, Ltd.	November 30, 2023	1,250,000	1,250,000	0.44093					
Development Bank of Japan Inc.	January 31, 2020	2,000,000	2,000,000	0.68778 (Note 2)	July 31, 2028				
Mizuho Bank, Ltd.		1,175,000	1,175,000	0.71200 (Note 2)	January 31, 2029				

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	MUFG Bank, Ltd.	January 31, 2020	1,175,000	1,175,000	0.71200 (Note 2)	January 31, 2029	Lump-sum	Repayment of existing borrowing	Unsecured and non-guaranteed
	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)				
	Sumitomo Mitsui Banking Corporation	November 30, 2023	3,640,000	3,640,000	0.48093	November 30, 2029			
	Development Bank of Japan Inc.	June 30, 2021	2,000,000	2,000,000	0.55801 (Note 2)	December 30, 2029			
	Mizuho Bank, Ltd.	December 30, 2021	1,950,000	1,950,000	0.59404				
	MUFG Bank, Ltd.		2,000,000	2,000,000					
	Mizuho Trust & Banking Co., Ltd.		1,200,000	1,200,000					
	Resona Bank, Limited		600,000	600,000					
	Mizuho Bank, Ltd.	December 30, 2022	1,950,000	1,950,000	0.50919	January 31, 2030			
	MUFG Bank, Ltd.		2,000,000	2,000,000					
	Mizuho Trust & Banking Co., Ltd.		1,200,000	1,200,000					
	Resona Bank, Limited		600,000	600,000					
	The Dai-ichi Life Insurance Company Limited	June 30, 2021	2,000,000	2,000,000	0.65000 (Note 2)	June 28, 2030			
	The Norinchukin Bank	November 30, 2023	1,500,000	1,500,000	0.50093	November 29, 2030			
	Resona Bank, Limited		1,000,000	1,000,000					
	Aozora Bank, Ltd.		1,250,000	1,250,000					
	The Bank of Fukuoka, Ltd.		150,000	150,000					
Development Bank of Japan Inc.	June 30, 2022	2,000,000	2,000,000	1.08125 (Note 2)	June 30, 2031				
Mizuho Bank, Ltd.	November 30, 2023	420,000	420,000	0.53093	November 28, 2031				
Mizuho Trust & Banking Co., Ltd.		1,560,000	1,560,000						
Development Bank of Japan Inc.	April 26, 2024	—	2,000,000	1.39750 (Note 2)	April 26, 2032	Purchase of real estate			
Development Bank of Japan Inc.	May 31, 2024	—	3,500,000	1.60750 (Note 2)	May 31, 2033	Repayment of existing borrowing			
The Dai-ichi Life Insurance Company Limited	December 7, 2023	3,000,000	3,000,000	1.30000 (Note 2)	December 7, 2033	Purchase of real estate			
Subtotal		75,830,000	71,330,000						
Total		90,600,000	104,200,000						

(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, 2024, 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	—	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)	
	11th series unsecured investment corporation bonds	April 25, 2017	7,000,000	7,000,000	0.65000	April 23, 2027		(Note 2)	
	13th series unsecured investment corporation bonds	April 20, 2018	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)	
	17th series unsecured investment corporation bonds	March 30, 2023	2,000,000	2,000,000	0.95000	March 30, 2032		(Note 3)	
	18th series unsecured investment corporation bonds	December 19, 2023	2,000,000	2,000,000	1.32900	December 19, 2033			
	20th series unsecured investment corporation bonds	February 8, 2024	—	2,400,000	1.39200	February 8, 2034			
		Subtotal		29,000,000	23,400,000				
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			
	19th series unsecured investment corporation bonds	February 8, 2024	—	2,000,000	0.72400	February 8, 2029		(Note 3)	
		Subtotal		9,000,000	11,000,000				
	Total		38,000,000	34,400,000					

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

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

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

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

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

None

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

None

## 6. Condition of Investment Transactions

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

(Millions of yen)

Type of asset	Name of real estate property or asset-backed securities, etc.	Acquisition		Transfer			
		Acquisition date	Acquisition price (Note 1)	Transfer date	Transfer price (Note 1)	Net book value (Note 2)	Gain (loss) on transfer (Note 3)
Trust beneficiary interest in real estate	JEI Kyobashi Building (20.0% quasi co-ownership interest)	—	—	January 22, 2024	1,260	524	728
Trust beneficiary interest in real estate	Osaki Bright Tower / Osaki Bright Plaza	April 26, 2024	13,100	—	—	—	—
Total		—	13,100	—	1,260	524	728

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

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

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

### (2) Transactions of Other Assets

There were no applicable items during the period.

### (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 1)	Appraisal value (Millions of yen)	Appraiser	Appraisal date
Transfer	JEI Kyobashi Building (20.0% quasi co-ownership interest)	Trust beneficiary interest in real estate	January 22, 2024	1,260	800 (Note 2)	Daiwa Real Estate Appraisal Co., Ltd.	June 1, 2023
Acquisition	Osaki Bright Tower / Osaki Bright Plaza	Trust beneficiary interest in real estate	April 26, 2024	13,100	13,500	Chuo Real Estate Appraisal Co., Ltd.	August 1, 2023

(Note 1) The acquisition/transfer price is the purchase price amount of the property stated in the purchase agreement (excluding the amount equivalent to consumption taxes, etc.).

(Note 2) Appraisal value for JEI Kyobashi Building indicates the amount obtained by multiplying the appraisal value for the entire property by 20%, which is the quasi co-ownership trust beneficiary interest subject to transfer.

#### 2) Others

There were no applicable items during the period.



#### (4) Transactions with Interested Parties

##### 1) Transactions

Classification	Acquisition price or disposal amount	
	Acquisition price	Disposal amount
Total amount	13,100 million yen	1,260 million yen
Breakdown for transactions with interested parties		
Nippon Steel Kowa Real Estate Co., Ltd.	13,100 million yen (100.0%)	— million yen (—%)
Total	13,100 million yen (100.0%)	— million yen (—%)

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

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

(Unit: Thousands of yen)

Classification	Total amount paid (A)	Breakdown of transactions with interested parties		B/A
		Paid to	Amount paid (B)	
Property management costs and fees	1,572,570	The Dai-ichi Building Co., Ltd.	511,275	32.5%
		Nippon Steel Kowa Real Estate Co., Ltd.	413,579	26.3%
		Sohgo Housing Co., Ltd.	111,439	7.1%
		Akasaka Intercity Management Co., Ltd.	25,705	1.6%
Real estate brokerage fees	6,300	Nippon Steel Kowa Real Estate Co., Ltd.	6,300	100.0%
Total	1,578,870	—	1,068,299	67.7%

(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, 2024.

(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.	363,192 thousand yen
Nippon Steel Kowa Real Estate Co., Ltd.	15,289 thousand yen
The Dai-ichi Building Co., Ltd.	8,677 thousand yen

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

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

## 7. Accounting

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

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

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

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

### (2) Change in Depreciation Calculation Method

No changes were made during the period.

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

No changes were made during the period.

## 8. Others

### (1) Notice

#### 1) General unitholders' meeting

There were no applicable items during the period.

#### 2) Board of directors' meeting

The following table summarizes the major conclusion or change of agreements, etc. that were approved at the board of directors' meeting during the period.

Approved date	Approved agenda	Summary
February 19, 2024	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 19, 2024, to February 18, 2025. 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 holders of investment corporation bonds, 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, 2024 and December 31, 2023  
with Independent Auditor's Report*

# Japan Excellent, Inc.

## Balance Sheets

As of June 30, 2024 and December 31, 2023

	As of <u>June 30, 2024</u>	As of <u>December 31, 2023</u>
	<i>(Thousands of yen)</i>	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents including trust accounts (Note 4)	18,972,706	21,548,840
Rental receivables	385,997	355,880
Prepaid expenses and other current assets	418,188	892,057
Total current assets	<u>19,776,892</u>	<u>22,796,778</u>
Property and equipment (Note 7):		
Buildings and building improvements	8,634,902	8,308,380
Machinery and equipment	11,987	11,987
Furniture and fixtures	62,263	62,263
Land	10,609,617	10,609,617
Construction in progress	28,149	21,416
Buildings and building improvements for trust accounts	115,101,597	111,609,483
Machinery and equipment for trust accounts	1,393,036	1,382,270
Furniture and fixtures for trust accounts	273,260	264,147
Land for trust accounts	171,536,532	161,880,603
Construction in progress for trust accounts	107,058	95,485
Less: accumulated depreciation	(40,664,692)	(39,052,919)
Net property and equipment	<u>267,093,713</u>	<u>255,192,736</u>
Intangible assets:		
Leasehold rights	1,721,607	1,721,607
Leasehold rights for trust accounts	7,382,016	7,382,016
Software	2,832	733
Other intangible assets for trust accounts	80,274	83,373
Total intangible assets	<u>9,186,731</u>	<u>9,187,730</u>
Investments and other assets:		
Investment securities	5,216,573	5,245,671
Deferred tax assets	13	15
Security deposits	19,826	19,826
Long-term prepaid expenses	1,114,707	932,057
Other assets	1,503,720	1,327,899
Total investments and other assets	<u>7,854,840</u>	<u>7,525,470</u>
Deferred assets:		
Investment corporation bond issuance costs	137,546	121,174
Total deferred assets	<u>137,546</u>	<u>121,174</u>
Total assets	<u><u>304,049,723</u></u>	<u><u>294,823,890</u></u>

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

	<b>As of</b> <b>June 30, 2024</b>	<b>As of</b> <b>December 31, 2023</b>
	<i>(Thousands of yen)</i>	
<b>Liabilities</b>		
Current liabilities:		
Accounts payable – trade	1,065,656	1,261,692
Short-term loans <i>(Notes 5 and 8)</i>	16,600,000	5,000,000
Investment corporation bonds due within one year <i>(Notes 5 and 9)</i>	—	8,000,000
Long-term debt due within one year <i>(Notes 5 and 8)</i>	16,270,000	9,770,000
Accounts payable – other	479,164	464,979
Accrued expenses	164,127	161,568
Accrued corporation taxes	686	700
Accrued consumption taxes	191,485	—
Advances received	54,696	46,093
Other current liabilities	58	55,740
Total current liabilities	<u>34,825,875</u>	<u>24,760,774</u>
Long-term liabilities:		
Investment corporation bonds <i>(Notes 5 and 9)</i>	34,400,000	30,000,000
Long-term debt <i>(Notes 5 and 8)</i>	71,330,000	75,830,000
Security deposits from tenants	1,262,708	1,221,816
Security deposits from tenants for trust accounts	13,116,741	12,352,276
Total long-term liabilities	<u>120,109,449</u>	<u>119,404,092</u>
Total liabilities	<u>154,935,324</u>	<u>144,164,866</u>
<b>Net assets</b> <i>(Note 10)</i>		
Unitholders' equity:		
Unitholders' capital	147,907,649	147,907,649
Deduction from unitholders' capital	(3,999,850)	(1,999,960)
Unitholders' capital, net	<u>143,907,798</u>	<u>145,907,689</u>
Surplus		
Voluntary reserve		
Reserve for advanced depreciation of non-current assets	1,006,060	701,559
Retained earnings	4,200,539	4,049,775
Total surplus	<u>5,206,600</u>	<u>4,751,334</u>
Total unitholders' equity	<u>149,114,398</u>	<u>150,659,023</u>
Total net assets	<u>149,114,398</u>	<u>150,659,023</u>
Total liabilities and net assets	<u>304,049,723</u>	<u>294,823,890</u>

# Japan Excellent, Inc.

## Statements of Income and Retained Earnings

For the periods from January 1, 2024 to June 30, 2024  
and from July 1, 2023 to December 31, 2023

	<b>For the period from January 1, 2024 to June 30, 2024</b>	<b>For the period from July 1, 2023 to December 31, 2023</b>
	<i>(Thousands of yen)</i>	
Revenues <i>(Note 13)</i> :		
Rental business revenues <i>(Note 15)</i>	9,912,846	9,300,104
Other <i>(Note 15)</i>	749,652	801,987
Gain on sales of real estate properties <i>(Note 14 and 15)</i>	728,760	697,348
Dividend income from investment in anonymous association	68,879	57,668
Total revenues	<u>11,460,138</u>	<u>10,857,108</u>
Operating expenses <i>(Note 13)</i> :		
Property operating expenses <i>(Note 15)</i>	5,979,329	5,561,502
Asset management fees	467,686	457,823
Custodian fees	21,937	21,393
Administrative service fees	40,550	40,398
Compensation for directors	5,400	4,200
Other	109,478	106,057
Total operating expenses	<u>6,624,383</u>	<u>6,191,374</u>
Operating income	<u>4,835,754</u>	<u>4,665,734</u>
Other income:		
Interest income	114	95
Other	1,858	523
Other expenses:		
Interest expense	308,612	274,137
Loan arrangement fees	145,588	164,716
Interest expense on investment corporation bonds	157,762	159,374
Amortization of investment corporation bond issuance costs	12,688	12,544
Other	11,652	4,881
Ordinary income	<u>4,201,421</u>	<u>4,050,698</u>
Income before income taxes	4,201,421	4,050,698
Income taxes <i>(Note 12)</i> :		
Current	879	925
Deferred	2	(1)
Net income	<u>4,200,539</u>	<u>4,049,775</u>
Retained earnings at beginning of period	—	—
Retained earnings at end of period	<u>4,200,539</u>	<u>4,049,775</u>

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

# Japan Excellent, Inc.

## Statements of Changes in Net Assets

For the periods from January 1, 2024 to June 30, 2024  
and from July 1, 2023 to December 31, 2023

For the period from January 1, 2024 to June 30, 2024										
Net assets										
Unitholders' equity										
Surplus										
Number of units in issue	Unitholders' capital	Deduction from unitholders' capital	Unitholders' capital, net	Voluntary reserve	Retained earnings	Total surplus	Treasury investment units	Total unitholders' equity	Total net assets	
				Reserve for advanced depreciation of non-current assets						
<i>(Thousands of yen)</i>										
Balance as of December 31, 2023	1,337,598	147,907,649	(1,999,960)	145,907,689	701,559	4,049,775	4,751,334	—	150,659,023	150,659,023
Changes during the fiscal period:										
Provision of reserve for reduction entry	—	—	—	—	304,500	(304,500)	—	—	—	—
Distributions from retained earnings	—	—	—	—	—	(3,745,274)	(3,745,274)	—	(3,745,274)	(3,745,274)
Net income	—	—	—	—	—	4,200,539	4,200,539	—	4,200,539	4,200,539
Acquisition of treasury investment units	—	—	—	—	—	—	—	(1,999,890)	(1,999,890)	(1,999,890)
Cancellation of treasury investment units	(15,984)	—	(1,999,890)	(1,999,890)	—	—	—	1,999,890	—	—
Total changes during the fiscal period	(15,984)	—	(1,999,890)	(1,999,890)	304,500	150,764	455,265	—	(1,544,625)	(1,544,625)
Balance as of June 30, 2024	1,321,614	147,907,649	(3,999,850)	143,907,798	1,006,060	4,200,539	5,206,600	—	149,114,398	149,114,398

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

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

# Japan Excellent, Inc.

## Statements of Cash Flows

For the periods from January 1, 2024 to June 30, 2024  
and from July 1, 2023 to December 31, 2023

	<b>For the period from January 1, 2024 to June 30, 2024</b>	<b>For the period from July 1, 2023 to December 31, 2023</b>
	<i>(Thousands of yen)</i>	
<b>Cash flows from operating activities</b>		
Income before income taxes	4,201,421	4,050,698
Depreciation and amortization	1,851,086	1,781,540
Amortization of investment corporation bond issuance costs	12,688	12,544
Interest income	(114)	(95)
Interest expense	466,375	433,512
Decrease (increase) in rental receivables	(30,117)	(19,209)
Decrease (increase) in consumption taxes refundable	530,763	(530,763)
Decrease (increase) in prepaid expense	(65,552)	98,490
Increase (decrease) in accounts payable – trade	473,825	(354,838)
Increase (decrease) in accounts payable – other	17,724	(25,419)
Increase (decrease) in unpaid consumption taxes	191,485	(841,781)
Increase (decrease) in advances received	8,602	(10,055)
Decrease (increase) in long-term prepaid expenses	(182,649)	(193,868)
Decrease in property and equipment for trust accounts due to sale	524,323	1,598,865
Other, net	(281,318)	(25,301)
Subtotal	7,718,546	5,974,318
Interest received	114	95
Interest paid	(463,816)	(432,256)
Income taxes paid	(700)	(667)
Net cash provided by (used in) operating activities	7,254,143	5,541,488
<b>Cash flows from investing activities</b>		
Proceeds from redemption of investment securities	29,098	18,973
Purchases of investment securities	–	(42,012)
Purchases of property and equipment	(333,840)	(188,859)
Purchases of property and equipment for trust accounts	(14,592,026)	(19,137,033)
Purchases of intangible assets	(2,880)	–
Purchases of intangible assets for trust accounts	(5,865)	–
Payments for lease and guarantee deposits	–	(796)
Proceeds from security deposits from tenants	42,482	17,711
Payments for security deposits to tenants	(1,590)	(4,644)
Proceeds from security deposits in trust accounts from tenants	963,108	831,148
Payments for security deposits in trust accounts to tenants	(155,066)	(470,970)
Other, net	–	(434)
Net cash provided by (used in) investing activities	(14,056,579)	(18,976,915)
<b>Cash flows from financing activities</b>		
Proceeds from short-term loans	11,600,000	5,000,000
Proceeds from long-term debt	5,500,000	13,770,000
Repayment for long-term debt	(3,500,000)	(10,770,000)
Proceeds from issuance of investment corporation bonds	4,370,940	1,984,391
Payments for redemption of investment corporation bonds	(8,000,000)	(2,000,000)
Payments for acquisition of treasury investment units	(1,999,890)	–
Distributions to unitholders	(3,744,747)	(3,744,811)
Net cash provided by (used in) financing activities	4,226,302	4,239,579
Net increase (decrease) in cash and cash equivalents	(2,576,133)	(9,195,847)
Cash and cash equivalents at beginning of period	21,548,840	30,744,687
Cash and cash equivalents at end of period <i>(Note 4)</i>	18,972,706	21,548,840

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



# Japan Excellent, Inc.

## Notes to Financial Statements

For the periods from January 1, 2024 to June 30, 2024  
and from July 1, 2023 to December 31, 2023

### 1. Organization

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

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

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

As of June 30, 2024, JEI held 35 properties with 319,257.60 square meters of total leasable space and had leases with 603 tenants excluding residential tenants.

### 2. Basis of Presentation

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

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

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

**3. Summary of Significant Accounting Policies**

***Cash and cash equivalents***

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

***Investment securities***

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

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

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

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

***Intangible assets***

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

Software	5 years
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***Deferred assets***

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

***Revenue recognition***

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

- Sale of real estate, etc.

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

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

- Utilities income

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

#### ***Income taxes***

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

#### ***Consumption taxes***

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

#### ***Property-related taxes***

Principally, property-related taxes including property taxes, urban planning taxes and depreciable property taxes are imposed on a calendar-year basis and are expensed as property and other taxes (refer to Note 13).

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

The capitalized amount for the period from January 1, 2024 to June 30, 2024 was ¥25,699 thousand.

The capitalized amount for the period from July 1, 2023 to December 31, 2023 was ¥22,162 thousand.

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

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

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

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

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

#### *Properties in trust accounts*

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

### 4. Cash and Cash Equivalents

Cash and cash equivalents including trust accounts in the accompanying balance sheets and cash and cash equivalents in the accompanying statements of cash flows at June 30, 2024 and December 31, 2023 consisted of the following:

	<u>As of</u> <u>June 30, 2024</u>	<u>As of</u> <u>December 31, 2023</u>
	<i>(Thousands of yen)</i>	
Cash and cash deposits	6,908,642	10,466,806
Cash and deposits in trust	12,064,063	11,082,033
Cash and cash equivalents including trust accounts	<u>18,972,706</u>	<u>21,548,840</u>

### 5. Financial Instruments

**For the periods from January 1, 2024 to June 30, 2024 and from July 1, 2023 to December 31, 2023**

#### *Overview*

#### (1) Policy for Financial Instruments

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

## 5. Financial Instruments (continued)

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

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

Borrowings and investment corporation bonds are primarily used to acquire properties or to refinance existing borrowings or bonds. Some of such debt were floating rate instruments and thus were exposed to the risk of interest rate fluctuations. Based on interest rate forecasts developed through constant financial market monitoring activities, JEI has concentrated on hedging against the risk of interest rate fluctuations principally using interest-rate swaps, through which a floating interest rate is swapped for a fixed interest rate, which finally led to 67.8% of existing borrowings being covered by a fixed interest rate swap for the entire maturity as of June 30, 2024. To reduce credit risk, derivative transactions (interest-rate swaps) are entered into exclusively with counterparties that are financial institutions with high credit ratings. For hedging accounting methods, hedging instruments, hedged items, hedging policies and methods for evaluation of the effectiveness of hedging activities, see “Derivatives and hedge accounting” under Summary of Significant Accounting Policies.

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

Borrowings and investment corporation bonds are exposed to liquidity risk. This risk is reduced through diversification of maturity dates and funding sources, and arrangement of commitment line agreements (as described in Note 8, “Short-Term Loans and Long-Term Debt,” and there is no balance outstanding under the facility agreements as of June 30, 2024). Liquidity risk is also mitigated through the constant management of liquidity on hand.

#### (c) Credit Risk

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

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

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

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

## 5. Financial Instruments (continued)

### *Fair value of financial instruments*

The following are carrying values and fair values as of June 30, 2024 and December 31, 2023 of financial instruments and the differences between them. Please note that the following table does not include ownership interests in an anonymous association (Note B). In addition, since “Cash and cash deposits”, “Cash and deposits in trust”, and “Short-term loans” are cash and due to be settled in a short period, and their fair values approximate their book values, the notes are omitted.

	As of June 30, 2024			As of December 31, 2023		
	Carrying value	Fair value (Note A)	Difference	Carrying value	Fair value (Note A)	Difference
	<i>(Thousands of yen)</i>					
(1) Investment corporation bonds due within one year (Note C)	—	—	—	8,000,000	8,012,360	12,360
(2) Long-term debt due within one year (Note C)	16,270,000	16,294,586	24,586	9,770,000	9,810,581	40,581
(3) Investment corporation bonds (Note C)	34,400,000	33,095,977	(1,304,023)	30,000,000	29,279,348	(720,652)
(4) Long-term debt (Note C)	71,330,000	71,036,332	(293,667)	75,830,000	75,749,777	(80,222)
Total liabilities	<u>122,000,000</u>	<u>120,426,896</u>	<u>(1,573,103)</u>	<u>123,600,000</u>	<u>122,852,067</u>	<u>(747,932)</u>
(5) Derivative transactions *	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

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

(Note A)

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

- (1) Investment corporation bonds due within one year and (3) Investment corporation bonds  
The fair value of investment corporation bonds issued by JEI is based on quoted market prices.
- (2) Long-term debt due within one year and (4) Long-term debt  
Where floating rates apply, book value is generally considered appropriate as fair value. The fair value of such liabilities is considered to approximate book value, since floating rates reflect market interest rates within a short period of time.  
If the loan is part of long-term debt, in the case of floating-rate debt hedged by an interest-rate swap, the fair value is calculated in a similar manner using the total principal and interest amount, treated in combination with the interest-rate swap, given that the interest-rate swap is subject to the special treatment of interest-rate swaps under Japanese GAAP. The fair value of long-term fixed-rate debt and long-term fixed-rate debt due within one year are calculated by applying a reasonably assumed interest rate as a discount rate, which was determined to be applicable for the borrowings under similar conditions.
- (5) Derivative transactions  
Please refer to Note 17, “Derivative Transactions.”

## 5. Financial Instruments (continued)

(Note B)

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

*The balance sheet amount for ownership interests in an anonymous association to which this treatment is applied is ¥5,129,831 thousand as of June 30, 2024. Investment securities, other than ownership interests in an anonymous association are omitted because they lack significance.*

(Note C)

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

(Note D)

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

	As of June 30, 2024					
	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
	(Thousands of yen)					
Investment corporation bonds due within one year	—	—	—	—	—	—
Long-term debt due within one year	16,270,000	—	—	—	—	—
Investment corporation bonds	—	5,000,000	9,000,000	—	6,000,000	14,400,000
Long-term debt	—	17,660,000	7,300,000	2,250,000	8,600,000	35,520,000
Total	16,270,000	22,660,000	16,300,000	2,250,000	14,600,000	49,920,000
	As of December 31, 2023					
	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
	(Thousands of yen)					
Investment corporation bonds due within one year	8,000,000	—	—	—	—	—
Long-term debt due within one year	9,770,000	—	—	—	—	—
Investment corporation bonds	—	5,000,000	2,000,000	7,000,000	4,000,000	12,000,000
Long-term debt	—	17,510,000	14,450,000	5,250,000	2,000,000	36,620,000
Total	17,770,000	22,510,000	16,450,000	12,250,000	6,000,000	48,620,000

## 6. Investment and Rental Property

For the periods from January 1, 2024 to June 30, 2024 and from July 1, 2023 to December 31, 2023

JEI owns rental office buildings and other properties in Tokyo and other regions for the purpose of generating rental income. The following is the carrying value and fair value as of June 30, 2024 and December 31, 2023 for such real estate for lease.

Carrying value			Fair value
As of January 1, 2024	Change during period (*2)	As of June 30, 2024	As of June 30, 2024
<i>(Thousands of yen)</i>			
264,379,734	11,897,878	276,277,612	349,829,000

  

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

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

B) Details of change during period:

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

(\*2) The increase of ¥11,897,878 thousand during the period is mainly due to an increase of ¥12,932,411 thousand related to the acquisition of Osaki Bright Tower / Osaki Bright Plaza, and a decrease of ¥524,323 thousand related to the disposal of JEI Kyobashi Building, and a decrease of ¥1,850,305 thousand for depreciation costs.

C) Fair value

Fair value as of June 30, 2024 is JEI Hongo Building's transfer price and for other properties, appraisal value provided by third-party real estate appraisers.

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



## 7. Property and Equipment

Property and equipment at June 30, 2024 and December 31, 2023 consisted of the following:

	As of June 30, 2024			As of December 31, 2023		
	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value
	<i>(Thousands of yen)</i>					
Buildings and building improvements	8,634,902	(2,867,941)	5,766,960	8,308,380	(2,733,064)	5,575,316
Machinery and equipment	11,987	(6,319)	5,668	11,987	(5,985)	6,001
Furniture and fixtures	62,263	(52,872)	9,391	62,263	(49,076)	13,186
Land	10,609,617	—	10,609,617	10,609,617	—	10,609,617
Construction in progress	28,149	—	28,149	21,416	—	21,416
Buildings and building improvements for trust accounts	115,101,597	(36,765,885)	78,335,711	111,609,483	(35,341,781)	76,267,701
Machinery and equipment for trust accounts	1,393,036	(771,217)	621,819	1,382,270	(730,868)	651,402
Furniture and fixtures for trust accounts	273,260	(200,456)	72,803	264,147	(192,142)	72,004
Land for trust accounts	171,536,532	—	171,536,532	161,880,603	—	161,880,603
Construction in progress for trust accounts	107,058	—	107,058	95,485	—	95,485
Total	307,758,405	(40,664,692)	267,093,713	294,245,656	(39,052,919)	255,192,736

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

Short-term loans and long-term debt as of June 30, 2024 and December 31, 2023 consisted of the following:

	As of June 30, 2024		As of December 31, 2023	
	Amount	Weighted-average interest rate (*1)	Amount	Weighted-average interest rate (*1)
	<i>(Thousands of yen)</i>		<i>(Thousands of yen)</i>	
Short-term loans:				
Unsecured loans from a bank due on December 6, 2024	5,000,000	0.32719%	5,000,000	0.25665%
Unsecured loans from a bank due on February 28, 2025	3,600,000	0.36803%	—	
Unsecured loans from a bank due on April 25, 2025	8,000,000	0.38861%	—	
Subtotal	16,600,000		5,000,000	
Long-term debt due within one year:				
Unsecured loans from a bank due on May 31, 2024	—	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 a bank due on March 31, 2025	2,000,000	0.36404%	—	
Unsecured loans from banks due on June 30, 2025	8,000,000	0.67400% (*2)	—	
Subtotal	16,270,000		9,770,000	

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

Long-term debt:

Unsecured loans from a bank due on March 31, 2025	—	0.36404%	2,000,000	0.27239%
Unsecured loans from banks due on June 30, 2025	—	0.67400% (*2)	8,000,000	0.67400% (*2)
Unsecured loans from banks due on November 1, 2025	3,750,000	0.70600% (*2)	3,750,000	0.70600% (*2)
Unsecured loans from banks due on November 29, 2025	3,760,000	0.45093%	3,760,000	0.40151%
Unsecured loans from banks due on March 31, 2026	6,400,000	0.83441% (*2)	6,400,000	0.83441% (*2)
Unsecured loans from banks due on March 31, 2026	3,750,000	0.57100% (*2)	3,750,000	0.57100% (*2)
Unsecured loans from a bank due on September 30, 2026	1,300,000	0.83071% (*2)	1,300,000	0.83071% (*2)
Unsecured loans from banks due on December 30, 2026	3,000,000	0.79100% (*2)	3,000,000	0.79100% (*2)
Unsecured loans from insurance companies due on January 31, 2027	3,000,000	0.28000% (*2)	3,000,000	0.28000% (*2)
Unsecured loans from insurance companies due on November 30, 2027	1,000,000	0.34000% (*2)	1,000,000	0.34000% (*2)
Unsecured loans from a bank due on November 30, 2027	1,250,000	0.44093%	1,250,000	0.39000%
Unsecured loans from a bank due on July 31, 2028	2,000,000	0.68778% (*2)	2,000,000	0.68778% (*2)
Unsecured loans from banks due on January 31, 2029	5,600,000	0.71200% (*2)	5,600,000	0.71200% (*2)
Unsecured loans from an insurance company due on January 31, 2029	1,000,000	0.77000% (*2)	1,000,000	0.77000% (*2)
Unsecured loans from a bank due on November 30, 2029	3,640,000	0.48093%	3,640,000	0.43000%
Unsecured loans from a bank due on December 30, 2029	2,000,000	0.55801% (*2)	2,000,000	0.55801% (*2)
Unsecured loans from banks due on December 30, 2029	5,750,000	0.59404%	5,750,000	0.50239%
Unsecured loans from banks due on January 31, 2030	5,750,000	0.50919%	5,750,000	0.44074%
Unsecured loans from an insurance company due on June 28, 2030	2,000,000	0.65000% (*2)	2,000,000	0.65000% (*2)
Unsecured loans from banks due on November 29, 2030	3,900,000	0.50093%	3,900,000	0.45000%
Unsecured loans from a bank due on June 30, 2031	2,000,000	1.08125% (*2)	2,000,000	1.08125% (*2)
Unsecured loans from banks due on November 28, 2031	1,980,000	0.53093%	1,980,000	0.48000%
Unsecured loans from a bank due on April 26, 2032	2,000,000	1.39750% (*2)	—	
Unsecured loans from a bank due on May 31, 2033	3,500,000	1.60750% (*2)	—	
Unsecured loans from an insurance company due on December 7, 2033	3,000,000	1.30000% (*2)	3,000,000	1.30000% (*2)
Subtotal	<u>71,330,000</u>		<u>75,830,000</u>	
Total	<u>104,200,000</u>		<u>90,600,000</u>	

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

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

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

The scheduled repayment amounts of long-term debt as of June 30, 2024 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	16,270,000	17,660,000	7,300,000	2,250,000	8,600,000	35,520,000

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, 2024, these commitment lines have never been utilized.

## 9. Investment Corporation Bonds

Details of total investment corporation bonds outstanding as of June 30, 2024 and December 31, 2023 are summarized as follows:

	As of June 30, 2024		As of December 31, 2023	
	Amount	Weighted-average interest rate	Amount	Weighted-average interest rate
	<i>(Thousands of yen)</i>		<i>(Thousands of yen)</i>	
Unsecured bond #7 due on March 11, 2024	—	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 #11 due on April 23, 2027	7,000,000	0.65000%	7,000,000	0.65000%
Unsecured bond #13 due on April 20, 2033	2,000,000	0.95000%	2,000,000	0.95000%
Unsecured bond #14 due on August 10, 2028	4,000,000	0.63000%	4,000,000	0.63000%
Unsecured bond #15 due on September 9, 2039	1,000,000	1.07000%	1,000,000	1.07000%
Unsecured bond #16 due on October 29, 2035	5,000,000	0.75000%	5,000,000	0.75000%
Unsecured bond #17 due on March 30, 2032	2,000,000	0.95000%	2,000,000	0.95000%
Unsecured bond #18 due on December 19, 2033	2,000,000	1.32900%	2,000,000	1.32900%
Unsecured bond #19 due on February 8, 2029	2,000,000	0.72400%	—	
Unsecured bond #20 due on February 8, 2034	2,400,000	1.39200%	—	
Total	<u>34,400,000</u>		<u>38,000,000</u>	

The scheduled redemption amounts of investment corporation bonds as of June 30, 2024 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	—	5,000,000	9,000,000	—	6,000,000	14,400,000

## 10. Net Assets

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

Information on the cancellation of treasury investment units during the six-month period ended June 30, 2024 and December 31, 2023 is as follows:

	<b>Six-month period ended June 30, 2024</b>	<b>Six-month period ended December 31, 2023</b>
Total number of treasury investment units cancelled (units)	31,386	15,402
Total amount of cancellation (Thousands of yen)	3,999,850	1,999,960

## 11. Per Unit Information

Net assets per unit as of June 30, 2024 and December 31, 2023 were calculated based on the number of units outstanding as of each date, (1,321,614 units) and (1,337,598 units), respectively.

Net income per unit for the periods from January 1, 2024 to June 30, 2024 and from July 1, 2023 to December 31, 2023 was calculated based on the weighted-average number of units outstanding during the corresponding periods, (1,329,387 units) and (1,337,598 units), respectively.

Accordingly, net assets per unit were ¥112,827 as of June 30, 2024 and ¥112,634 as of December 31, 2023. Net income per unit was ¥3,159 for the period from January 1, 2024 to June 30, 2024 and ¥3,027 for the period from July 1, 2023 to December 31, 2023.

## 12. Income Taxes

JEI is subject to income taxes in Japan.

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

Details of significant components of deferred tax assets and liabilities as of June 30, 2024 and December 31, 2023 are summarized as follows:

	<b>As of June 30, 2024</b>	<b>As of December 31, 2023</b>
	<i>(Thousands of yen)</i>	
Deferred tax assets:		
Accrued enterprise taxes	13	15
Total deferred tax assets	13	15
Net deferred tax assets	13	15

## 12. Income Taxes(continued)

A reconciliation of the differences between the statutory tax rate and the effective tax rate for the periods from January 1, 2024 to June 30, 2024 and from July 1, 2023 to December 31, 2023 is as follows:

	<b>For the period from January 1, 2024 to June 30, 2024</b>	<b>For the period from July 1, 2023 to December 31, 2023</b>
Statutory tax rate	31.46%	31.46%
Reconciliation:		
Deductible distributions paid	(28.32%)	(29.09%)
Provision of reserve for reduction entry	(3.13%)	(2.36%)
Other	0.01%	0.01%
Effective tax rate	<u>0.02%</u>	<u>0.02%</u>

## 13. Breakdown of Revenues and Expenses

	<b>For the period from January 1, 2024 to June 30, 2024</b>	<b>For the period from July 1, 2023 to December 31, 2023</b>
	<i>(Thousands of yen)</i>	
Revenues:		
Rental business revenues		
Rental revenues	8,383,282	7,789,883
Common area revenues	1,247,237	1,240,277
Other rental revenues	282,326	269,943
Subtotal	<u>9,912,846</u>	<u>9,300,104</u>
Other		
Utilities revenues	645,481	697,257
Other revenues	104,170	104,729
Subtotal	<u>749,652</u>	<u>801,987</u>
Total rental revenues	<u>10,662,498</u>	<u>10,102,091</u>
Property operating expenses:		
Property management costs and fees	1,572,570	1,490,876
Utilities expenses	990,798	1,053,798
Property and other taxes	1,012,219	960,846
Insurance	24,316	20,644
Repairs and maintenance	387,685	115,762
Depreciation	1,850,305	1,780,440
Other	141,434	139,133
Total property operating expenses	<u>5,979,329</u>	<u>5,561,502</u>
Profit	<u>4,683,168</u>	<u>4,540,588</u>

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

	<b>For the period from January 1, 2024 to June 30, 2024</b>	<b>For the period from July 1, 2023 to December 31, 2023</b>
	<i>(Thousands of yen)</i>	
JEI Kyobashi Building		
Proceeds from sale of real estate	1,260,000	—
Cost of sales of real estate	524,323	—
Other related sale expenses	6,916	—
Gain on sale of real estate	<u>728,760</u>	<u>—</u>
	<b>For the period from January 1, 2024 to June 30, 2024</b>	<b>For the period from July 1, 2023 to December 31, 2023</b>
	<i>(Thousands of yen)</i>	
Pacific Square Sengoku		
Proceeds from sale of real estate	—	2,300,000
Cost of sales of real estate	—	1,598,865
Other related sale expenses	—	3,785
Gain on sale of real estate	<u>—</u>	<u>697,348</u>

#### 15. Transactions with Major Unitholders

Transactions with major unitholders are as follows:

	<b>For the period from January 1, 2024 to June 30, 2024</b>	<b>For the period from July 1, 2023 to December 31, 2023</b>
	<i>(Thousands of yen)</i>	
Rental business revenues	116,397	110,032
Other	618	831
Gain on sales of real estate properties (Other related sale expenses)	(6,300)	—
Property operating expenses	<u>413,579</u>	<u>383,406</u>

#### 16. Leases

JEI leases properties on which rental revenues are earned. At June 30, 2024 and December 31, 2023, future lease revenues under non-cancelable operating leases are summarized as follows:

	<b>As of June 30, 2024</b>	<b>As of December 31, 2023</b>
	<i>(Thousands of yen)</i>	
Due within one year	3,235,429	3,421,972
Due after one year	4,415,794	4,626,978
Total	<u>7,651,223</u>	<u>8,048,950</u>

## 17. Derivative Transactions

### Derivative Transactions as of June 30, 2024

(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, 2024 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	29,370,000	16,100,000	*	/

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

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

### Derivative Transactions as of December 31, 2023

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

Not applicable.

(2) Transactions to which hedge accounting is applied:

The following are the contract values or values corresponding to the principal amount as stipulated by contracts as of December 31, 2023 for each hedge accounting method applied.

Hedge accounting method	Type of derivative transaction	Hedged item	Contract amount		Fair value	Method of calculating the fair value
				More than one year		
<i>(Thousands of yen)</i>						
Special treatment of interest-rate swaps	Interest-rate swap Receive floating, pay fixed	Long-term debt	29,370,000	24,100,000	*	/

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

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

## 18. Related Party Transactions

For the period from January 1, 2024 to June 30, 2024

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

Company name	Description of transaction	Amount	Account	Balance at the end of period
		(Thousands of yen)		(Thousands of yen)
Nippon Steel Kowa Real Estate Co., Ltd.	Acquisition of real estate properties	13,100,000	—	—

### (2) Subsidiaries and Affiliated Companies

Not applicable.

### (3) Sister Companies

Not applicable.

### (4) Directors and Major Individual Unitholders

Name	Description of transaction	Amount	Account	Balance at the end of period
		(Thousands of yen)		(Thousands of yen)
Shuichiro Kayama	Payment of asset management fees to JEAM	467,686	Accounts payable	395,944

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

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

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

### (2) Subsidiaries and Affiliated Companies

Not applicable.

### (3) Sister Companies

Not applicable.

### (4) Directors and Major Individual Unitholders

Name	Description of transaction	Amount	Account	Balance at the end of period
		(Thousands of yen)		(Thousands of yen)
Shuichiro Kayama	Payment of asset management fees to JEAM	457,823	Accounts payable	386,036



## **19. Segment Information**

**For the periods from January 1, 2024 to June 30, 2024 and from July 1, 2023 to December 31, 2023**

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

### ***Information about products and services***

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

### ***Information about geographic area***

#### **(1) Revenues**

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

#### **(2) Property and equipment**

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

### ***Information about major clients***

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

## **20. Distribution Information**

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

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

Consequently, JEI set income available for distributions of dividends at ¥3,782,459,268, which is the maximum integral multiple of the 1,321,614 units issued, but not exceeding ¥4,200,539,721, which is the amount of retained earnings at June 30, 2024.

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

On August 19, 2024, the Board of Directors approved a resolution to make a cash distribution of ¥2,862 per unit aggregating to ¥ 3,782,459,268 to unitholders of record as of June 30, 2024.

## 21. Revenue Recognition

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

For the period from January 1, 2024 to June 30, 2024

	Revenue from contracts with customers *	Revenue from external customers
	<i>(Thousands of yen)</i>	
Sales of real estate properties	1,260,000	728,760
Utilities income	645,481	645,481
Other	—	10,085,895
Total	1,905,481	11,460,138

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

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

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

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

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

For the periods from January 1, 2024 to June 30, 2024 and from July 1, 2023 to December 31, 2023

As described in the Summary of Significant Accounting Policies.

## 21. Revenue Recognition(continued)

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

For the period from January 1, 2024 to June 30, 2024

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

	January 1, 2024 to June 30, 2024
	<i>(Thousands of yen)</i>
Claims arising from contracts with customers (At beginning of period)	250,440
Claims arising from contracts with customers (At end of period)	256,262
Contract assets (At beginning of period)	—
Contract assets (At end of period)	—
Contract liabilities (At beginning of period)	—
Contract liabilities (At end of period)	—

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

As of June 30, 2024, the transaction price allocated to the remaining performance obligations for the sale of real estate is ¥6,150,000 thousand for the real estate for which a sale contract was executed on February 20, 2024. JEI expects to recognize revenues for such remaining performance obligations upon delivery of such real estate properties, which are expected to occur on July 11, 2024 and January 17, 2025. In accordance with Paragraph 19 of the Guidance on Accounting Standard for Revenue Recognition, JEI recognizes utility revenues at the amount it has the right to charge, because JEI has the right to receive from the customer the amount of consideration that directly corresponds to the value to the customer, the lessee, of the portion of the performance completed by the end of the fiscal period. Accordingly, JEI has applied the provisions of paragraph 80-22(2) of the Accounting Standard for Revenue Recognition and has not included in the notes the transaction price allocated to the remaining performance obligations.

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

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

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

## **21. Revenue Recognition(continued)**

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

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

## **22. Significant Subsequent Event**

Not applicable.

## Independent Auditor's Report

The Board of Directors  
Japan Excellent, Inc.

### *The Audit of the Financial Statements*

#### **Opinion**

We have audited the accompanying financial statements of Japan Excellent, Inc. (the Company), which comprise the balance sheet as at June 30, 2024, 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, 2024, and its financial performance and its cash flows for the six-month period then ended in accordance with accounting principles generally accepted in Japan.

#### **Basis for Opinion**

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

#### **Other Information**

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

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

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

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

We have nothing to report in this regard.

## **Responsibilities of Management and Supervisory Director for the Financial Statements**

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

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

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

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

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

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

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

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

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

### ***Fee-related Information***

The fees for the audits of the financial statements of the Company and other services provided by us and other Ernst & Young member firms for the six-month period ended June 30, 2024, are presented in paragraph (3) titled “Officers” in Section 2 “Outline of the Investment Corporation” included in the Semi-Annual Report for the six-month period ended June 30, 2024, of the Company.

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

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

Ernst & Young ShinNihon LLC  
Tokyo, Japan

September 25, 2024

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Hitoshi Sakurai  
Designated Engagement Partner  
Certified Public Accountant

齋木 夏生

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Natsuki Saiki  
Designated Engagement Partner  
Certified Public Accountant