

Asset Management Report for the 31st Period

(Semi-Annual Report for the 31st Period)

From July 1, 2021 to December 31, 2021



Japan Excellent, Inc.

I. Greetings

To Our Unitholders

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

We hereby report the financial results of JEI for the 31st period (from July 1, 2021, to December 31, 2021).

During the 31st period, in August, we decided to sell Kowa Shirokanedai Building, an old property, to our sponsor Nippon Steel Kowa Real Estate and announced a policy to stabilize future distribution by utilizing the gain on sale. We then acquired Sapporo Otemachi Building (70% equity interest) located in central Sapporo City to increase revenue.

On the leasing front, the period-end occupancy rate of the entire portfolio resulted at 93.1% as the leasing market was slower than expected due to the impact of the COVID-19 pandemic while departures of large tenants were seen. Furthermore, for rent revision, we realized upward rent revision of +4.6% for 4.2% of the area subject to rent revision while making flexible responses by comprehensively taking tenants' business conditions into account.

On the financial front, we strived to enhance asset efficiency through acquisition of Sapporo Otemachi Building entirely with funds on hand. In addition, we realized lower interest rates by changing to floating rates, extension of remaining period of debt, and diversification of repayment dates through refinancing of long-term loans by means of green syndicated loans, a first of such by an office J-REIT.

As a result, in the 31st period, JEI recorded operating revenue of 10,666 million yen, operating income of 4,485 million yen, and net income of 3,846 million yen, while distribution per unit decreased by 95 yen from the previous period to 2,843 yen.

In addition, after entering the current period (the 32nd period), we have decided on the following three additional measures, taking into account the impact of the stagnation of the leasing market due to the spread of the Omicron variant: (1) acquisition of ARK Hills FRONT TOWER (49% equity interest in anonymous association), (2) sale of Shintomicho Building, an old property, to a third party, and (3) implementation of JEI's first buyback of investment units in view of the current level of the investment unit price. The decision was made with an aim to enhance unitholder value over the medium to long term while further increasing revenue and strengthening the financial base for stable distribution.

Furthermore, for ESG, we made progress in various initiatives including establishment of a medium- to long-term target for CO₂ emissions reduction (46% reduction of CO₂ emission intensity by FY2030 compared with FY2013) and reduction of CO₂ emissions through a shift in electricity source at seven properties. In addition, in the 32nd period, we announced the recognition, policy, promotion system, etc. concerning climate change for each of the four items ("governance", "strategy", "risk management", "indicators and targets") recommended by the Task Force on Climate-Related Financial Disclosures (TCFD) based on the TCFD recommendations, with regard to climate change responses.

About Future Asset Management

In the real estate transaction market, while transaction prices are expected to remain steady for the time being backed by factors such as vigorous appetite for investment by market participants, JEI will continue to set the sponsor pipeline as the main source of property acquisition and advance talks with the sponsor. At the same time, JEI intends to earnestly work on acquisition from third parties as well.

In the office building leasing market, while there are trends of office consolidation and such mainly among large companies and an outlook of an increase in supply of new office floors in central Tokyo from 2023 onwards, there is a further revitalization of economic activity in general, the emergence of moves to review office functions with an eye to the post-COVID society and such. These factors are assumed to bring conflicting effects on each other, and it is expected that the vacancy rate will remain range-bound for the time being and newly concluded rents will soften due to owners' priority stance for occupancy.

Under such circumstances, JEI believes that, as indicated by the increasing number of relocation aimed at improving the location and building grade, large buildings with superior location and performance owned by JEI will easily fit into the new office strategy, and thus attract demand as core offices.

As to the policy on leasing activities for the time being, JEI will place utmost priority on "early refilling of vacated floors" and "prevention of departure" of existing tenants. Especially with the vacated floors, JEI will work to achieve early refilling of vacated floors by cooperating with sponsors, setting flexible conditions taking into account the level of difficulty by property and other efforts.

As for rent renewal, while shifting to a basic stance of prioritizing prevention of tenant departures, JEI will also flexibly attempt upward rent revision on the upturn in the situation.

In terms of finance, JEI will strive to conduct stable and sound financial management based on its basic policy of continuing to reduce financing costs, fixing the interest rates of loans, extending borrowing periods, and diversifying maturity dates. Furthermore, from the standpoint of maintaining and strengthening financing base through diversification of fund procurement means, JEI will work on environmentally conscious or new methods of funding including sustainability finance.

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

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

We kindly ask for your continued understanding and support.

Asset Management Report for the 31st Period (Semi-Annual Report for the 31st Period)

II. Asset Management Report

1. Outline of Asset Management Operation

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

Fiscal period		27th Period July 1, 2019, to December 31, 2019	28th Period January 1, 2020, to June 30, 2020	29th Period July 1, 2020, to December 31, 2020	30th Period January 1, 2021, to June 30, 2021	31st Period July 1, 2021, to December 31, 2021
Operating revenue	(Millions of yen)	10,890	12,717	11,043	10,567	10,666
(Rental revenues)	(Millions of yen)	(10,890)	(11,013)	(10,729)	(10,567)	(10,666)
Operating expenses	(Millions of yen)	7,978	6,426	6,119	5,977	6,180
(Property operating expenses)	(Millions of yen)	(5,906)	(5,697)	(5,487)	(5,355)	(5,563)
Operating income	(Millions of yen)	2,912	6,290	4,924	4,590	4,485
Ordinary income	(Millions of yen)	2,247	5,631	4,291	3,976	3,846
Net income	(Millions of yen)	2,246	5,631	4,290	3,975	3,846
Total assets	(Millions of yen)	288,790	293,532	294,004	293,970	293,960
(Period-on-period change)	(%)	(0.9)	(1.6)	(0.2)	(-0.0)	(-0.0)
Net assets	(Millions of yen)	142,377	152,133	152,418	152,335	152,206
(Period-on-period change)	(%)	(-1.0)	(6.9)	(0.2)	(-0.1)	(-0.1)
Unitholders' capital (Note 1)	(Millions of yen)	139,972	147,907	147,907	147,907	147,907
Total outstanding investment units	(units)	1,305,700	1,353,000	1,353,000	1,353,000	1,353,000
Net assets per unit	(yen)	109,042	112,441	112,652	112,590	112,495
Net income per unit (Note 2)	(yen)	1,720	4,179	3,171	2,938	2,842
Total distribution	(Millions of yen)	3,810	4,004	4,059	3,975	3,846
Distribution per unit	(yen)	2,918	2,960	3,000	2,938	2,843
(Profit distribution per unit)	(yen)	(1,841)	(2,960)	(3,000)	(2,938)	(2,843)
(Distribution in excess of earnings per unit)	(yen)	(1,077)	(-)	(-)	(-)	(-)
(Note 3)						
Return on assets (Note 4)	(%)	0.8	1.9	1.5	1.4	1.3
(Annualized rate)	(%)	(1.6)	(3.9)	(2.9)	(2.7)	(2.6)
Return on equity (Note 5)	(%)	1.6	3.8	2.8	2.6	2.5
(Annualized rate)	(%)	(3.1)	(7.7)	(5.6)	(5.3)	(5.0)
Capital ratio (Note 6)	(%)	49.3	51.8	51.8	51.8	51.8
(Period-on-period change)	(%)	(-1.0)	(2.5)	(0.0)	(-0.0)	(-0.0)
Payout ratio (Note 7)	(%)	107.0	71.1	94.6	100.0	100.0
Number of investment properties	(properties)	33	35	34	35	36
Number of tenants (Note 8)	(tenants)	200	193	191	187	587
Total leasable area (Note 9, 10)	(m ²)	345,940	332,702	331,112	336,375	341,070
Occupancy rate	(%)	99.6	99.6	98.0	96.4	93.1
Depreciation	(Millions of yen)	1,929	1,946	1,824	1,847	1,891
Capital expenditure	(Millions of yen)	1,726	806	1,127	1,547	1,305
Net operating income (NOI) (Note 11)	(Millions of yen)	6,913	7,263	7,066	7,059	6,994
Funds from operation (FFO) per unit (Note 12)	(yen)	4,367	4,341	4,287	4,303	4,240
FFO multiples (Note 13)	(times)	20.3	14.4	15.0	18.3	15.8
Debt service coverage ratio (DSCR) (Note 14)	(times)	9.4	17.0	13.9	13.2	13.2
Interest-bearing debt	(Millions of yen)	129,600	125,600	125,600	125,600	125,600
Loan-to-value (Note 15)	(%)	44.9	42.8	42.7	42.7	42.7
Number of days in operation	(days)	184	182	184	181	184

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

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

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

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

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

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

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

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

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

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

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

(Note 8) Number of tenants indicates the number of end tenants in each property as of the end of each period in principle, starting from the 31st period. 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, ① for the residential portion of Shiba 2-Chome Building and HAMARIKYU INTERCITY, the number of tenants is counted as one, considering the master lease company as the tenant, since the importance of each end tenant is low, and ② for the properties in which real estate is co-owned or trust beneficiary rights are quasi-co-owned, and in which the percentage of JEI's ownership or quasi-co-ownership is low (AKASAKA INTERCITY AIR, GRAND FRONT OSAKA (Umekita Plaza, South Building) and GRAND FRONT OSAKA (North Building)), the number of tenants indicates the number of the master lease companies considering the master lease company as a tenant, since the importance of each tenant is low. In addition, the number of tenants for ③ Osaka Kogin Building (land with leasehold interest) is counted as one based on the lease agreement for the leased land.

(Note 9) For properties with joint ownership (including quasi co-ownership of trust beneficiary interest), a figure obtained by multiplying the leasable area of the entire property by the ownership ratio (As for AKASAKA INTERCITY AIR, GRAND FRONT OSAKA (Umekita Plaza/South Building), and GRAND FRONT OSAKA (North Building), a figure obtained by multiplying the ratio of co-ownership interests held by the trustee by the ratio of quasi co-ownership of trust beneficiary interest held by JEI.) is indicated as JEI's leasable area. The same applies hereinafter.

(Note 10) Spaces are rounded to the nearest specified unit. The same applies hereinafter.

(Note 11) NOI = Rental revenues – Property operating expenses + Depreciation

(Note 12) 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 13) FFO multiples = Period end investment unit price / Annualized FFO per unit

(Note 14) DSCR = (Net income before interest and taxes + Depreciation (*)) / (Interest expenses + Interest expense on investment corporation bonds)

* Includes depreciation except for property operating expenses.

(Note 15) Loan-to-value = Period end interest-bearing debt / Period end total assets × 100

(2) Asset Management Development

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

Since the listing, JEI has continued investment management primarily in office buildings with the aim of maintaining sound corporate growth and stable revenues from the medium- to long-term perspectives. On December 31, 2021, JEI settled its 31st period.

1) Business conditions and results

In the 31st period (ended December 2021), although the world economy moved towards recovery reflecting the steady progress of COVID-19 vaccination in major countries in Europe and the U.S., additional measures to boost the economy, etc., infections by a more contagious COVID-19 variant have been spreading again, and thus the situation requires careful attention to the restrictions on economic activities to prevent infection.

In the U.S., interest rates have been rising sharply due to the expectation that the pace of interest rate hikes by the U.S. Federal Reserve Board (FRB) will speed up because of concerns about inflation against the backdrop of the recent improvement in economic indicators, the rise in the consumer price index and such.

In Japan, the impact of COVID-19 has been a concern with possible resurgence of infections due to new variants in the future, and the outlook remains uncertain. However, the GDP growth rate for July to September stood at 1.2% year on year, indicating a recovery trend. Concerning the domestic finance market, although it has remained calm as the Bank of Japan has maintained the ongoing monetary easing stance, careful attention should continue to be paid to future changes.

In the real estate transaction market, the acquisition appetite of investors within and outside of Japan has remained strong as the favorable fund procurement environment has continued backed by policies for monetary easing, differences in interest rates in Japan and abroad being maintained and such. Under such circumstances, JEI acquired Sapporo Otemachi Building (acquisition price: 4.06 billion yen) in December 2021.

In the office building leasing market, there have been moves to decrease the floor space reflecting the needs for more efficiency and consolidation in view of promoting telework and reducing fixed cost under the COVID-19 pandemic.

On the other hand, there have been more contracts due to floor expansion within the same building, relocation for larger space, improvements in building grade, etc. The vacancy rate in the five central wards of Tokyo published by Miki Shoji Co., Ltd. showed a slower pace of increase compared with the first half of 2021, and the vacancy rate as of the end of December 2021 stood at 6.3%, only up 0.1 points from the end of June 2021.

The average unit rent has shifted downward since August 2020, and that for December 2021 dropped by 2.7% compared with that for June 2021. Under such circumstance, the occupancy rate (Note 1) at the end of the period under review was 93.1%, down 3.3 points from the end of the previous period, because of the impact of stalled leasing activities due to the declaration of a state of emergency, etc.

The total number of properties owned and managed by JEI at the end of the period under review was 36 with a total acquisition price of 286.6 billion yen and total leasable area of 341,069.62 m² (103,173.56 tsubos).

2) Fund procurement highlights

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

In the 31st period, JEI acquired Sapporo Otemachi Building for 4.06 billion yen in December 2021 as part of expansion of the asset size. The acquisition was made entirely using cash on hand in order to improve asset efficiency. Furthermore, from November to the end of December 2021, JEI refinanced long-term loans of 9.51 billion yen in total that had matured with long-term loans (3.76 billion yen for borrowing period of 4 years and 5.75 billion yen for borrowing period of 8 years) through a syndication with green loans, the first of such for an office REIT, after newly establishing a green finance framework.

As a result, as of the end of the 31st period, the average remaining period of interest-bearing debt (Note 2) was 4.4 years (unchanged from the end of the previous period), the period-end average interest-bearing debt interest rate (Note 3) was 0.73% (down 0.01 points from the end of the previous period), and the loan-to-value ratio of total assets (total assets-based LTV) (Note 4) was 42.7% (unchanged from the end of the previous period).

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

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

(Ratings as of December 31, 2021)

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

3) Sustainability initiatives

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

With regard to CO₂ emission intensity, in October 2021, JEI set a new target to reduce emission intensity by 46% by fiscal 2030 compared with fiscal 2013. To meet the target, JEI has promoted a shift to LED lighting, air-conditioning equipment with excellent energy-saving performance, and carbon-free energy sources including "RE100" compatible electricity and other electricity derived from renewable energy at properties it owns. In order to reduce our 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 23, accounting for 84.7% of leasable area (as of December 31, 2021; excluding land with leasehold interest).

Such initiatives for sustainability by JEI earned high recognition, specifically a seventh consecutive "Green Star" rating (Note 7) in the Global Real Estate Sustainability Benchmark (GRESB) (Note 6) Real Estate Assessment conducted in 2021, as well as a second consecutive "5 Star," the highest rating in "GRESB Rating" (Note 8). Furthermore, JEI has been a constituent of the MSCI Japan ESG Select Leaders Index (Note 9) since May 2021.

In addition, JEI's asset management company Japan Excellent Asset Management Co., Ltd. (hereinafter, "JEAM") compiled the policy, initiatives and such of JEI and JEAM for each of the four items ("governance", "strategy", "risk management", "indicators and targets") recommended by the Task Force on Climate-Related Financial Disclosures (TCFD) (Note 10) based on the TCFD recommendations for which it expressed support in June 2021, and disclosed them on JEI's website in February 2022.

4) Financial results and distribution highlights

As a result of the management above, for the period under review, JEI posted 10,666 million yen in operating revenue, 4,485 million yen in operating income, 3,846 million yen in ordinary income, and 3,846 million yen in net income.

Concerning distributions in the period under review, JEI determined to distribute the entirety of unappropriated retained earnings (except for the portion of less than one yen per unit) to deduct the amount of profit distribution from its taxable income by applying the special provisions of the tax system on investment corporations (Section 67-15 of the Special Taxation Measures Law). As a result, distribution per unit was 2,843 yen.

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

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

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

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

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

- (Note 6) A benchmark established by a European pension fund group that measures ESG considerations of real estate companies and management institutions which is used by major European, American, and Asian institutional investors for decision-making on investments.
- (Note 7) “Green Star” is given when a high evaluation with a score exceeding 50% is made in the two evaluation axes (“Management Policy” and “Implementation & Measurement”).
- (Note 8) “GRESB Rating” is a rating of the overall score according to the global ranking, and “5 Star” is a rating given to the top 20% of participants, “4 Star” to the following 20% and so forth.
- (Note 9) The MSCI Japan ESG Select Leaders Index is an index consisting of companies that have high Environmental, Social and Governance performance selected from among the constituents of the MSCI Japan IMI Top 700 Index. The Index has been selected as one of the ESG indices for passive investment by the Government Pension Investment Fund (GPIF).
- (Note 10) The TCFD (Task Force on Climate-related Financial Disclosures) is an international initiative established in 2015 by the Financial Stability Board (FSB) at the request of the G20 to discuss climate-related issues to be addressed by the financial sector.

(3) Capital Increase

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

Paid-up Date	Capital transaction	Capital transaction (units)		Unitholders' capital (Millions of yen) (Note 1)		Remarks
		Change	Balance	Change	Balance	
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)

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

(Note 2) New investment units were issued at an issue price of 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) 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 31st period.

[Market price of the investment securities]

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

Investment unit market price	Fiscal period (closing date)	27th period (December 2019)	28th period (June 2020)	29th period (December 2020)	30th period (June 2021)	31st period (December 2021)
	Highest (yen)	189,600	200,600	127,900	163,300	158,400
	Lowest (yen)	159,600	75,400	110,600	120,000	132,800

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

(4) Distributions Paid

Concerning distributions in the period under review, JEI determined to distribute the entirety of unappropriated retained earnings (except for the portion of less than one yen per unit) to deduct the amount of profit distribution from its taxable income by applying the special provisions of the tax system on investment corporations (Section 67-15 of the Special Taxation Measures Law). As a result, distribution per unit was 2,843 yen.

Fiscal period	27th period	28th period	29th period	30th period	31st period
Accounting period	July 1, 2019, to December 31, 2019	January 1, 2020, to June 30, 2020	July 1, 2020, to December 31, 2020	January 1, 2021, to June 30, 2021	July 1, 2021, to December 31, 2021
Unappropriated retained earnings at end of period (Thousands of yen)	2,246,223	5,631,594	4,291,443	3,975,882	3,846,920
Retained income (Thousands of yen)	469	220,475	232,443	768	341
Total cash distribution amount (Thousands of yen)	3,810,032	4,004,880	4,059,000	3,975,114	3,846,579
(Cash distributions per unit) (yen)	(2,918)	(2,960)	(3,000)	(2,938)	(2,843)
Of which, total profit distributions (Thousands of yen)	2,403,793	4,004,880	4,059,000	3,975,114	3,846,579
(Profit distribution per unit) (yen)	(1,841)	(2,960)	(3,000)	(2,938)	(2,843)
Of which, total refund of investment equity	1,406,238	—	—	—	—
(Refund of investment equity per unit)	(1,077)	(—)	(—)	(—)	(—)
Of total refund of investment equity, total distribution amount from reserve for temporary difference adjustments	1,406,238	—	—	—	—
(Of refund of investment equity per unit, distribution amount per unit from reserve for temporary difference adjustments)	(1,077)	(—)	(—)	(—)	(—)
Of total refund of investment equity, total distribution amount from distribution reducing unitholders' capital for tax purpose	—	—	—	—	—
(Of refund of investment equity per unit, distribution amount per unit from distribution reducing unitholders' capital for tax purpose)	(—)	(—)	(—)	(—)	(—)

(5) Policy and Issues on Future Investment Management

1) Outlook for business environment

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

In the office building leasing market, while there are movements by tenants to reduce costs, streamline and consolidate, an increase in supply of new office floors from 2023 onwards and such, it is thought that a further revitalization of economic activity in general, the emergence of moves to review office functions with an eye to post-COVID society and such will bring conflicting effects on each other. As such, the vacancy rate is expected to remain range-bound for the time being and newly concluded rents are expected to soften due to owners' priority stance for occupancy.

However, since the outlook is uncertain with concerns over the impact of resurgence of infections due to new variants, future trends should be closely monitored.

2) Policy and issues on future investment management

A. External growth

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

B. Internal growth

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

As to properties with vacancies at present or with expected vacancies, JEI will focus on filling those vacancies at an early stage by collaborating with the sponsor, setting flexible terms and conditions taking into account the difficulties, etc. for each property, etc. As for rent revision, although JEI will respond in a flexible manner to prioritize prevention of tenant move-outs, JEI is to review such stance in an agile manner once the environment turns for the better.

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

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

C. Financial strategy

JEI will consistently work on stable and sound financial operations by continuing to procure funds based on the basic policy to fix interest rates of loans, extend borrowing periods, and diversify maturity dates while continuing to reduce interest rates. In addition, JEI will work on new procurement methods such as green bonds and 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%. Furthermore, JEI will conduct financial operations that emphasize stability by reducing refinancing risks through diversification of maturity dates of interest-bearing debt.

D. Sustainability initiatives

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

(6) Subsequent Events

Buyback of own investment units

JEI resolved the buyback of its investment units at the meeting of the Board of Directors held on February 17, 2022, based on Article 80-2 of the Investment Trust Law applied by replacing the term and phrase pursuant to the provisions of Article 80-5, Paragraph 2 of the Investment Trust Law.

JEI plans to cancel all the investment units bought back in the fiscal period ending June 30, 2022 (32nd period).

(i) Reason for buyback of own investment units

After comprehensively taking into account the level of JEI's investment unit price, financial status, the market environment, etc., JEI has judged that enhancing capital efficiency and conducting return to unitholders through buyback and cancellation of its investment units will lead to improvement of unitholder value over the medium to long term.

(ii) Details of buyback of own investment units

Total number of own investment units to be bought back	18,000 units (maximum)
Total amount of buyback price	2,000 million yen (maximum)
Buyback period	From February 18, 2022, to April 13, 2022
Buyback method	Market purchase on the Tokyo Stock Exchange based on a discretionary transaction contract for buyback of own investment units with a securities company.

(Reference Material)

1. Conclusion of an anonymous association equity interest purchase agreement

JEI decided to conclude an anonymous association equity interest purchase agreement on February 18, 2022, as follows.

< Overview of the Asset to Be Acquired >

Property to be acquired	Equity interest in an anonymous association that will manage a trust beneficiary right in real estate, etc.
Name of property	Equity interests in anonymous association Akasaka 2-chome Godo Kaisha (Note 1)
Real estate (trust asset)	ARK Hills Front Tower
Location of real estate (trust asset)	2-23-1 Akasaka, Minato-ku, Tokyo
Planned acquisition price (Note 2)	5,230 million yen (49% equity interest in anonymous association)
Scheduled acquisition date	May 11, 2022
Seller	Nippon Steel Kowa Real Estate Co., Ltd.

(Note 1) Equity interests in anonymous association under the anonymous association agreement with Akasaka 2-chome Godo Kaisha as the business operator.

(Note 2) Planned acquisition price is the acquisition price, excluding acquisition-related expenses and consumption taxes.

2. Transfer of Asset (Shintomicho Building)

JEI concluded a transaction agreement for trust beneficiary interest on February 17, 2022, as follows.

<Overview of the Asset to Be Transferred>

Asset to be transferred	Trust beneficiary interest in real estate	
Name of property	Shintomicho Building	
Location	3-10-9 Irifune, Chuo-ku, Tokyo	
Planned transfer price (Note)	① 1,240,000,000 yen (quasi co-ownership 40%)	② 1,860,000,000 yen (quasi co-ownership 60%)
Date of conclusion of agreement	February 17, 2022	
Planned transfer date	July 22, 2022	January 26, 2023
Transferee	Hulic Co., Ltd.	

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

3. Borrowing of Funds

JEI concluded a loan agreement on January 26, 2022, as described below to allot funds to the repayment of an existing borrowing.

< Overview of Borrowing>

Lender	Sompo Japan Insurance Inc. Tokio Marine & Nichido Fire Insurance Co., Ltd.
Loan amount	3,000,000,000 yen
Interest rate	0.28000%
Drawdown date	January 31, 2022
Principal repayment date	January 31, 2027
Principal repayment method	To be repaid in full on the principal repayment date
Collateral	Unsecured / Non-guaranteed

2. Outline of the Investment Corporation

(1) Investment Units

Fiscal period	27th As of December 31, 2019	28th As of June 30, 2020	29th As of December 31, 2020	30th As of June 30, 2021	31st As of December 31, 2021
Total number of units authorized	10,000,000 units	10,000,000 units	10,000,000 units	10,000,000 units	10,000,000 units
Total number of units issued and outstanding	1,305,700 units	1,353,000 units	1,353,000 units	1,353,000 units	1,353,000 units
Unitholders' capital (Note)	139,972 million yen	147,907 million yen	147,907 million yen	147,907 million yen	147,907 million yen
Number of unitholders	6,046 individuals	6,746 individuals	6,914 individuals	6,797 individuals	6,978 individuals

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

(2) Unitholders

Major unitholders as of December 31, 2021, are as follows:

Name	Address	Number of units held (Units)	Ratio of number of units held to outstanding investment units (%)
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	330,485	24.43
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3 Hamamatsu-cho, Minato-ku, Tokyo	228,871	16.92
Nippon Steel Kowa Real Estate Co., Ltd.	1-8-1 Akasaka, Minato-ku, Tokyo	71,560	5.29
Custody Bank of Japan, Ltd. (Securities Investment Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	49,984	3.69
The Nomura Trust and Banking Co., Ltd. (Investment trust account)	2-2-2 Otemachi, Chiyoda-ku, Tokyo	40,702	3.01
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd	1-9-2 Otemachi, Chiyoda-ku, Tokyo	36,232	2.68
STATE STREET BANK WEST CLIENT - TREATY 505234	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, U.S.A.	20,938	1.55
The Dai-ichi Life Insurance Company, Limited	1-13-1 Yuraku-cho, Chiyoda-ku, Tokyo	20,660	1.53
SSBTC CLIENT OMNIBUS ACCOUNT	ONE LINCOLN STREET, BOSTON MA USA 02111	19,328	1.43
JP MORGAN CHASE BANK 385781	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM	16,512	1.22
Total		835,272	61.73

(3) Officers

1) Directors and accounting auditor

Post	Name	Major additional post	Compensation or fee for the six months ended December 31, 2021 (Thousands of yen)
Executive Director	Shuichiro Kayama	President, Japan Excellent Asset Management Co., Ltd.	–
Supervisory Director	Shunichi Maekawa	Part-time Lecturer, Faculty of Modern Management, Sugiyama Jogakuen University	5,520
Supervisory Director	Eiji Takagi	Eiji Takagi Certified Public Accounting Office	
Supervisory Director	Osamu Hirakawa	Advisor, Anderson, Mori & Tomotsune	
Accounting Auditor	Ernst & Young ShinNihon LLC	–	12,200 (Note 2)

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

(Note 2) The total amount of compensation or fee shown above is an estimated amount and includes the amount paid as compensation for auditing during the 31st period (11,000 thousand yen) and the fee for the English financial statements audit.

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

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

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

Not applicable.

(4) Matters Concerning Directors and Officers Liability Insurance Agreement

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

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

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

JEI's asset management company, asset custodian, and administrative agents as of December 31, 2021, are as follows:

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

3. Investment Portfolio of the Investment Corporation

(1) Investment Portfolio by Area

Classification	Use	Area (Note 1)	30th Period (As of June 30, 2021)		31st Period (As of December 31, 2021)	
			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	10,936	3.7	10,904	3.7
		Area II	5,428	1.8	5,369	1.8
		Area IV	1,625	0.6	1,619	0.6
Trust beneficiary interest in real estate		Area I	131,012	44.6	130,640	44.4
Area II		10,757	3.7	10,737	3.7	
Area III		84,292	28.7	84,040	28.6	
Area IV		21,061	7.2	25,298	8.6	
Total			265,113	90.2	268,610	91.4
Deposits in bank and other assets			28,856	9.8	25,349	8.6
Total assets			293,970	100.0	293,960	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).

(2) Major Properties

The principal properties (top ten properties in net book value) owned by JEI as of December 31, 2021, are as follows.

Name	Book value (Millions of yen)	Leasable area (m ²) (Note 1)	Leased area (m ²) (Note 2)	Occupancy rate (%) (Note 3)	Ratio of rental revenue to total rental revenues (%)	Major use
AKASAKA INTERCITY	26,540	11,021.03	10,539.80	95.6	5.9	Office building
Nisseki Yokohama Building	22,296	40,440.72	40,440.72	100.0	11.3	Office building
Omori Bellport D	20,554	25,801.66	25,801.66	100.0	8.6	Office building
Kowa Kawasaki Nishiguchi Building	19,046	24,944.17	24,279.42	97.3	5.9	Office building
HAMARIKYU INTERCITY	16,902	19,718.11	18,786.01	95.3	6.9	Office building
Musashikosugi Tower Place	12,241	25,043.93	16,174.54	64.6	7.0	Office building
Mansard Daikanyama	11,151	5,420.80	3,940.58	72.7	2.1	Office building
Kowa Nishi-Shimbashi Building	10,904	8,949.04	8,949.04	100.0	(Note 4)	Office building
Kowa Kawasaki Higashiguchi Building	10,689	18,612.72	18,612.72	100.0	(Note 4)	Office building
Bizcore Jimbocho	10,017	5,261.75	3,812.22	72.5	(Note 4)	Office building
Total	160,345	185,213.93	171,336.71	92.5	—	—

(Note 1) Leasable area refers to area available for lease of which ownership is attributable to JEI as of December 31, 2021. For properties with joint ownership, the value is obtained by multiplying the total leasable area of the shared property by the percentage of the interest owned by JEI, regarding the figure as JEI's leasable area.

(Note 2) Leased area refers to area with lease contracts or master lease agreements that guarantee a certain amount of fixed rent payment concluded with end tenants as of December 31, 2021. For properties with joint ownership, the value is obtained by multiplying the total leased area of the property by the percentage of the co-ownership interest owned by JEI, regarding the figure as JEI's leased area. For properties which are used for profit by the master lease company, leased area refers to the portion used, and the figures indicate area which can be reasonably calculated based on the lease agreement on the master leasing. The leased area of end tenants who terminated their lease arrangement but have not yet moved out as of the end of period is included in the leased area. This also applies to any figure which is calculated based on "leased area" in this document.

(Note 3) Occupancy rate is a percentage of total leased area to total leasable area as of December 31, 2021.

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

(3) Portfolio Ownership Breakdown

Real estate properties and their forms of ownership as of December 31, 2021, are as follows:

Property No.	Property name	Location (Residential address)	Form of ownership	Appraisal value at end of period (Millions of yen) (Note)	Net book value (Millions of yen)
I-1	Omori Bellport D	6-26-3 Minami-Oi, Shinagawa-ku, Tokyo	Trust beneficiary interest in real estate	25,900	20,554
I-2	Shiba 2-Chome Building	2-6-1 Shiba, Minato-ku, Tokyo	Trust beneficiary interest in real estate	14,000	8,979
I-3	JEI Hamamatsucho Building	2-2-12 Hamamatsu-cho, Minato-ku, Tokyo	Trust beneficiary interest in real estate	9,450	8,037
I-8	AKASAKA INTERCITY	1-11-44 Akasaka, Minato-ku, Tokyo	Trust beneficiary interest in real estate	31,400	26,540
I-9	Kowa Shirokanedai Building	3-19-1 Shirokanedai, Minato-ku, Tokyo	Trust beneficiary interest in real estate	5,070	4,734
I-10	Daiba Garden City Building	2-3-5 Daiba, Minato-ku, Tokyo	Trust beneficiary interest in real estate	10,100	9,335
I-12	HAMARIKYU INTERCITY	1-9-1 and 15 Kaigan, Minato-ku, Tokyo	Trust beneficiary interest in real estate	27,200	16,902
I-13	Shintomicho Building	3-10-9 Irifune, Chuo-ku, Tokyo	Trust beneficiary interest in real estate	2,090	1,737
I-14	Kowa Nishi-Shimbashi Building	2-1-1 Nishi-Shimbashi, Minato-ku, Tokyo	Real estate	14,100	10,904
I-15	Mansard Daikanyama	10-1 Sarugakucho, Shibuya-ku, Tokyo	Trust beneficiary interest in real estate	14,000	11,151
I-16	AKASAKA INTERCITY AIR	1-8-1 Akasaka, Minato-ku, Tokyo	Trust beneficiary interest in real estate	8,080	6,485
I-17	Bizcore Akasaka-mitsuke	3-1-2 Akasaka, Minato-ku, Tokyo	Trust beneficiary interest in real estate	6,800	6,163
I-18	Bizcore Jimbocho	3-9-2 Kanda-ogawamachi, Chiyoda-ku, Tokyo	Trust beneficiary interest in real estate	10,300	10,017
Area I				178,490	141,545
II-1	NHK Nagoya Housou-Center Building	1-13-3 Higashi-Sakura, Higashi-ku, Nagoya-shi, Aichi	Real estate	6,220	5,369
II-3	Osaka Kogin Building (Land with Leasehold Interest)	4-1-1 Koraibashi, Chuo-ku, Osaka-shi, Osaka	Trust beneficiary interest in real estate	2,570	1,865
II-4	GRAND FRONT OSAKA (Umekita Plaza South Building)	4-1 Ohbuka-cho, Kita-ku, Osaka City, Osaka (Umekita Plaza) 4-20 Ohbuka-cho, Kita-ku, Osaka City, Osaka (South Building)	Trust beneficiary interest in real estate	5,050	4,874
II-5	GRAND FRONT OSAKA (North Building)	3-1 Ohbuka-cho, Kita-ku, Osaka City, Osaka	Trust beneficiary interest in real estate	3,850	3,997
Area II				17,690	16,107
III-1	Musashikosugi Tower Place	1-403 Kosugi-machi, Nakahara-ku, Kawasaki-shi, Kanagawa	Trust beneficiary interest in real estate	21,400	12,241
III-2	Kowa Kawasaki Higashiguchi Building	1-53 Nisshin-cho Kawasaki-ku, Kawasaki-shi, Kanagawa	Trust beneficiary interest in real estate	10,600	10,689
III-3	JEI Hongo Building	2-38-16 Hongo, Bunkyo-ku, Tokyo	Trust beneficiary interest in real estate	4,630	4,937
III-5	Kawasaki Nisshincho Building	7-1 Nisshin-cho, Kawasaki-ku, Kawasaki-shi, Kanagawa	Trust beneficiary interest in real estate	4,720	4,161
III-7	JEI Ryogoku Building	3-25-5 Ryogoku, Sumida-ku, Tokyo	Trust beneficiary interest in real estate	2,670	2,363
III-9	Kowa Kawasaki Nishiguchi Building	66-2 Horikawa-cho, Saiwai-ku, Kawasaki-shi, Kanagawa	Trust beneficiary interest in real estate	16,400	19,046
III-10	Pacific Square Sengoku	2-29-24 Hon-Komagome, Bunkyo-ku, Tokyo	Trust beneficiary interest in real estate	1,490	1,608
III-11	Core City Tachikawa	2-37-7 Akebono-cho, Tachikawa-shi, Tokyo	Trust beneficiary interest in real estate	9,680	6,008
III-12	Nisseki Yokohama Building	1-1-8 Sakuragi-cho, Naka-ku, Yokohama-shi, Kanagawa	Trust beneficiary interest in real estate	32,400	22,296
III-13	Yokohama Bentendori Dai-ichi Seimei Building	4-59 Bentendori, Naka-ku, Yokohama-shi, Kanagawa	Trust beneficiary interest in real estate	704	687
Area III				104,694	84,040
IV-2	JEI Kyobashi Building	2-2-48 Kata-machi, Tsushima-ku, Osaka-shi, Osaka	Trust beneficiary interest in real estate	3,990	2,726
IV-3	JEI Hiroshima Hacchobori Building	14-4 Hacchobori, Naka-ku, Hiroshima-shi, Hiroshima	Trust beneficiary interest in real estate	4,070	2,637
IV-4	SE Sapporo Building	1-1-2 Kitananajonishi, Kita-ku, Sapporo-shi, Hokkaido	Trust beneficiary interest in real estate	9,190	5,110
IV-5	Aoba-dori Plaza	3-2-1 Chuo, Aoba-ku, Sendai-shi, Miyagi	Trust beneficiary interest in real estate	4,560	2,226
IV-6	Daiwa Minami-morimachi Building	2-6, 2-chome Kita Tenjimbashi, Kita-ku, Osaka-shi, Osaka	Trust beneficiary interest in real estate	5,170	4,182
IV-7	JEI Naha Building	2-8-1 Kumoji, Naha-shi, Okinawa	Trust beneficiary interest in real estate	2,080	1,533
IV-8	Hiroshima Dai-ichi Seimei OS Building	1-2-21 Matoba-cho Minami-ku, Hiroshima-shi, Hiroshima	Trust beneficiary interest in real estate	3,430	2,807
IV-9	Senshin Building	1-6-27 Chuo, Aoba-ku, Sendai-shi, Miyagi	Real estate	1,680	1,619
IV-10	Sapporo Otemachi Building	4-5-1 Minami Ichijo Nishi, Chuo-ku, Sapporo-shi, Hokkaido	Trust beneficiary interest in real estate	4,368	4,074
Area IV				38,538	26,917
Total				339,412	268,610

(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 December 31, 2021, pursuant to the articles of incorporation of JEI and the regulations stipulated by the Investment Trusts Association, Japan. For properties with joint ownership in the current portfolio, the value is obtained by multiplying the total value of the shared real estate by the percentage of the interest owned by JEI or the trustee.

Property No.	Property name	30th Period January 1, 2021, to June 30, 2021				31st Period July 1, 2021, to December 31, 2021			
		Total number of tenants (At end of period) (Note 1)	Occupancy rate (At end of period) (%)	Rental revenue (Interim) (Millions of yen)	Ratio of rental revenue to total rental revenues (%)	Total number of tenants (At end of period) (Note 1)	Occupancy rate (At end of period) (%)	Rental revenue (Interim) (Millions of yen)	Ratio of rental revenue to total rental revenues (%)
I-1	Omori Bellport D	1	100.0	914	8.7	23	100.0	920	8.6
I-2	Shiba 2-Chome Building	2	99.2	373	3.5	2 (Note 1)	100.0	373	3.5
I-3	JEI Hamamatsucho Building	1	100.0	244	2.3	4	100.0	244	2.3
I-8	AKASAKA INTERCITY	13	100.0	633	6.0	12	95.6	629	5.9
I-9	Kowa Shirokanedai Building	1	92.0	169	1.6	15	94.7	174	1.6
I-10	Daiba Garden City Building	1	82.6	341	3.2	2	82.6	325	3.1
I-12	HAMARIKYU INTERCITY	1	98.6	773	7.3	7 (Note 1)	95.3	739	6.9
I-13	Shintomicho Building	11	100.0	74	0.7	11	100.0	76	0.7
I-14	Kowa Nishi-Shimbashi Building	1	100.0	(Note 2)	(Note 2)	5	100.0	(Note 2)	(Note 2)
I-15	Mansard Daikanyama	7	72.7	253	2.4	7	72.7	228	2.1
I-16	AKASAKA INTERCITY AIR	1	100.0	(Note 2)	(Note 2)	1 (Note 1)	99.8	(Note 2)	(Note 2)
I-17	Bizcore Akasaka-mitsuke	1	100.0	153	1.5	8	100.0	153	1.4
I-18	Bizcore Jimbocho	1	100.0	(Note 2)	(Note 2)	5	72.5	(Note 2)	(Note 2)
Area I		42	96.3	-	-	102	94.3	-	-
II-1	NHK Nagoya Housou-Center Building	33	94.8	373	3.5	35	93.0	349	3.3
II-3	Osaka Kogin Building (Land with Leasehold Interest)	1	100.0	89	0.8	1 (Note 1)	100.0	89	0.8
II-4	GRAND FRONT OSAKA (Umekita Plaza · South Building)	2	98.4	(Note 2)	(Note 2)	2 (Note 1)	97.6	(Note 2)	(Note 2)
II-5	GRAND FRONT OSAKA (North Building)	5	97.2	(Note 2)	(Note 2)	5 (Note 1)	98.2	(Note 2)	(Note 2)
Area II		41	96.4	-	-	43	95.6	-	-
III-1	Musashikosugi Tower Place	39	100.0	797	7.5	37	64.6	747	7.0
III-2	Kowa Kawasaki Higashiguchi Building	1	100.0	(Note 2)	(Note 2)	1	100.0	(Note 2)	(Note 2)
III-3	JEI Hongo Building	1	73.8	(Note 2)	(Note 2)	4	86.9	(Note 2)	(Note 2)
III-5	Kawasaki Nisshincho Building	1	58.3	137	1.3	14	67.3	131	1.2
III-7	JEI Ryogoku Building	1	100.0	112	1.1	18	100.0	110	1.0
III-9	Kowa Kawasaki Nishiguchi Building	1	100.0	642	6.1	22	97.3	630	5.9
III-10	Pacific Square Sengoku	1	100.0	61	0.6	10	100.0	61	0.6
III-11	Core City Tachikawa	1	97.8	320	3.0	24	98.4	312	2.9
III-12	Nisseki Yokohama Building	1	100.0	1,202	11.4	45	100.0	1,203	11.3
III-13	Yokohama Bentendori Dai-ichi Seimei Building	1	100.0	41	0.4	13	100.0	41	0.4
Area III		48	96.0	-	-	188	90.4	-	-
IV-2	JEI Kyobashi Building	1	100.0	185	1.8	21	100.0	189	1.8
IV-3	JEI Hiroshima Hacchobori Building	1	98.4	153	1.5	43	98.4	158	1.5
IV-4	SE Sapporo Building	1	99.3	419	4.0	43	100.0	422	4.0
IV-5	Aoba-dori Plaza	49	96.0	187	1.8	48	77.0	169	1.6
IV-6	Daiwa Minami-morimachi Building	1	100.0	194	1.8	10	100.0	194	1.8
IV-7	JEI Naha Building	1	89.4	77	0.7	18	100.0	82	0.8
IV-8	Hiroshima Dai-ichi Seimei OS Building	1	95.2	141	1.3	28	96.3	141	1.3
IV-9	Senshin Building	1	94.3	51	0.5	16	92.0	50	0.5
IV-10	Sapporo Otemachi Building	-	-	-	-	27	98.5	21	0.2
Area IV		56	97.6	-	-	254	96.5	-	-
Total		187	96.4	10,567	100.0	587	93.1	10,666	100.0

(Note 1) Total number of tenants indicates the number of end tenants in principle, starting from the 31st period. 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, ① for the residential portion of Shiba 2-Chome Building and HAMARIKYU INTERCITY, the total number of tenants is counted as one, considering the master lease company as the tenant, since the importance of each end tenant is low, and ② for the properties in which real estate is co-owned or trust beneficiary rights are quasi-co-owned, and in which the percentage of JEI's ownership or quasi-co-ownership is low (AKASAKA INTERCITY AIR, GRAND FRONT OSAKA (Umekita Plaza, South Building) and GRAND FRONT OSAKA (North Building)), the total number of tenants indicates the number of the master lease companies considering the master lease company as a tenant, since the importance of each tenant is low. In addition, the total number of tenants for ③ Osaka Kogin Building (land with leasehold interest) is counted as one based on the lease agreement for the leased land. The total number of tenants for the 30th period indicates the total number of tenants in each property as of the end of each period. For properties for which master lease agreements have been concluded, the number of tenants is counted as one per property. When a tenant has multiple tenancies in the same property, it is counted as one tenant, and when in multiple properties, it is counted as multiple tenants. As for Osaka Kogin Building (Land with Leasehold Interest), total number of tenants is counted as one based on the lease agreement for the leased land.

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

(4) Securities Portfolio

None

(5) Renewable Power Generation Facility

None

(6) Right to Operate Public Facility

None

(7) Other Assets

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

Classification	Type	Contract amount (Thousands of yen) (Note 1)		Fair value (Thousands of yen) (Note 2)
			Over one year	
Over-the-counter transaction	Interest rate swap transactions	40,390,000	34,640,000	-
	Floating interest rate receivable			
	Fixed interest rate payable			

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

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

2) Shares

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

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

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

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

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

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

3) Securities other than shares

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

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

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

4) Other Assets

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

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

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

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

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

4. Capital Expenditures for Owned Properties

(1) Scheduled Capital Expenditures

The following table shows major items of scheduled capital expenditures for repairs and maintenance planned for the properties owned by JEI as of the end of the 31st period (ended December 31, 2021). The values below include portions to be expensed for accounting purposes.

Property name	Location	Purpose	Schedule term	Estimated construction costs (Millions of yen)		
				Total	Payment for the six months ended December 31, 2021	Total of advance payment
JEI Ryogoku Building	Sumida-ku, Tokyo	Renovation of air-conditioning systems (Phase 2)	From July 2021 To March 2022	199	—	—
Kowa Shirokanedai Building	Minato-ku, Tokyo	Renovation of air-conditioning systems (Phase 2)	From March 2022 To May 2022	119	—	—
Kowa Nishi-Shimbashi Building	Minato-ku, Tokyo	Update of hot and cold water generator	From March 2022 To May 2022	71	—	—
Kowa Kawasaki Higashiguchi Building	Kawasaki-shi, Kanagawa	Renovation of seals around exterior walls (Phase 2)	From January 2022 To June 2022	67	—	—
NHK Nagoya Housou-Center Building	Nagoya-shi, Aichi	Conversion to LED lighting in office sections (Phase 2)	From August 2021 To February 2022	62	—	—
JEI Hiroshima Hacchobori Building	Hiroshima-shi, Hiroshima	Renovation of air-conditioning systems (Phase 3)	From January 2022 To June 2022	61	—	—
Omori Bellport D	Shinagawa-ku, Tokyo	Update of heat source equipment (Phase 3)	From August 2021 To March 2022	59	—	—
Omori Bellport D	Shinagawa-ku, Tokyo	Update of automatic air-conditioning control equipment (Phase 3)	From October 2021 To January 2022	46	—	—
SE Sapporo Building	Sapporo-shi, Hokkaido	Renovation of multi-level parking lot	From May 2022 To June 2022	37	—	—
JEI Hiroshima Hacchobori Building	Hiroshima-shi, Hiroshima	Update of air-conditioning drainage pipes	From January 2022 To June 2022	32	—	—
NHK Nagoya Housou-Center Building	Nagoya-shi, Aichi	Update of elevators	From June 2021 To March 2022	31	—	—
Yokohama Bentendori Dai-ichi Seimei Building	Yokohama-shi, Kanagawa	Update of elevators	From January 2022 To June 2022	18	—	—
Yokohama Bentendori Dai-ichi Seimei Building	Yokohama-shi, Kanagawa	Update of outdoor-air processing units	From January 2022 To June 2022	10	—	—
Yokohama Bentendori Dai-ichi Seimei Building	Yokohama-shi, Kanagawa	Conversion to LED lighting in common spaces	From January 2022 To June 2022	8	—	—

(2) Capital Expenditures for the Six Months Ended December 31, 2021

The following table shows constructions conducted by JEI during the period ended December 31, 2021, and expensed as capital expenditures. Capital expenditures for the period ended December 31, 2021, were 1,305 million yen and, when combined with repairs and maintenance costs of 160 million yen classified as expenses in the period under review, the amount of constructions completed totaled 1,465 million yen.

Property name	Location	Purpose	Term	Amount Paid (Millions of yen)
Kowa Shirokanedai Building	Minato-ku, Tokyo	Renovation of air-conditioning systems (Phase 1)	From October 2021 To December 2021	114
Kowa Kawasaki Higashiguchi Building	Kawasaki-shi, Kanagawa	Update of gondola equipment	From October 2021 To December 2021	84
JEI Hiroshima Hacchobori Building	Hiroshima-shi, Hiroshima	Renovation of air-conditioning systems (Phase 2)	From September 2021 To November 2021	68
JEI Ryogoku Building	Sumida-ku, Tokyo	Update of emergency generator	From August 2021 To December 2021	65
Kowa Kawasaki Higashiguchi Building	Kawasaki-shi, Kanagawa	Renovation of seals around exterior walls (Phase 1)	From July 2021 To December 2021	57
SE Sapporo Building	Sapporo-shi, Hokkaido	Update of extra-high voltage substation (Phase 1)	From July 2020 To December 2021	55
Nisseki Yokohama Building	Yokohama-shi, Kanagawa	Repair of rooftop, exterior walls, etc. (Phase 1)	From February 2021 To August 2021	45
Kawasaki Nisshincho Building	Kawasaki-shi, Kanagawa	Renovation of seals around exterior walls (Phase 1)	From August 2021 To December 2021	41
SE Sapporo Building	Sapporo-shi, Hokkaido	Renovation of multi-level parking lot	From November 2021 To December 2021	37
Kowa Kawasaki Higashiguchi Building	Kawasaki-shi, Kanagawa	Update of lighting in exclusively-owned sections and update of guide lights (Phase 1)	From October 2021 To December 2021	35
JEI Naha Building	Naha-shi, Okinawa	Renovation of exterior wall (north side)	From October 2021 To December 2021	34
Shiba 2-Chome Building	Minato-ku, Tokyo	Renovation of exterior wall	From February 2021 To July 2021	31
JEI Naha Building	Naha-shi, Okinawa	Renewal of elevators	From October 2021 To December 2021	29
Yokohama Bentendori Dai-ichi Seimei Building	Yokohama-shi, Kanagawa	Update of substation (Phase 2)	From November 2021 To December 2021	16
Other constructions				587
Total				1,305

(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	27th Period July 1, 2019, to December 31, 2019	28th Period January 1, 2020, to June 30, 2020	29th Period July 1, 2020, to December 31, 2020	30th Period January 1, 2021, to June 30, 2021	31st Period July 1, 2021, to December 31, 2021
Reserved funds at beginning of period	284	300	473	250	380
Increase	899	1,553	260	963	1,217
Decrease	884	1,380	484	834	1,299
Reserved funds at the end of period	300	473	250	380	298

5. Expenses and Liabilities

(1) Expenses Associated with Asset Management

(Unit: Thousands of yen)

Account	30th Period January 1, 2021, to June 30, 2021	31st Period July 1, 2021, to December 31, 2021
(a) Asset management fees	454,816	457,209
(b) Custodian fees	21,880	21,877
(c) Administrative service fees	40,427	40,331
(d) Compensation for directors	5,580	5,520
(e) Accounting auditor fees	11,000	11,000
(f) Other	87,788	81,568
Total	621,492	617,507

(2) Borrowings

Borrowings by each financing source as of the end of the 31st period (ended December 31, 2021) are as follows:

Classification	Lender	Drawdown date	Balance at beginning of period (Thousands of yen)	Balance at end of period (Thousands of yen)	Average interest rate (%) (Note 1)	Maturity date	Repayment method	Use	Remarks
Long-term loans due within one year	Mizuho Bank, Ltd.	November 29, 2016	520,000	—	0.41204	November 29, 2021	Lump-sum	Repayment of existing borrowing	Unsecured and non-guaranteed
	MUFG Bank, Ltd.		540,000	—					
	Sumitomo Mitsui Banking Corporation		1,080,000	—					
	Sumitomo Mitsui Trust Bank Limited		1,620,000	—					
	Mizuho Bank, Ltd.	December 29, 2014	1,950,000	—	0.81875 (Note 2)	December 30, 2021			
	MUFG Bank, Ltd.		2,000,000	—					
	Mizuho Trust & Banking Co., Ltd.		1,200,000	—					
	Resona Bank, Ltd.		600,000	—					
	Sompo Japan Insurance Inc.	January 31, 2017	2,000,000	2,000,000	0.35000 (Note 2)	January 31, 2022			
	Tokio Marine & Nichido Fire Insurance Co., Ltd.		1,000,000	1,000,000					
	Development Bank of Japan Inc.	July 31, 2014	2,000,000	2,000,000	1.15417 (Note 2)	June 30, 2022			
	Mizuho Bank, Ltd.	September 30, 2020	—	2,000,000	0.28208	September 30, 2022			
	Sompo Japan Insurance Inc.	November 30, 2017	—	500,000	0.35000 (Note 2)	November 30, 2022			
	Tokio Marine & Nichido Fire Insurance Co., Ltd.		—	500,000					
	Mizuho Bank, Ltd.	December 29, 2014	—	1,950,000	0.93625 (Note 2)	December 30, 2022			
MUFG Bank, Ltd.	—		2,000,000						
Mizuho Trust & Banking Co., Ltd.	—		1,200,000						
Resona Bank, Ltd.	—		600,000						
Subtotal			14,510,000	13,750,000					

Classification	Lender	Drawdown date	Balance at beginning of period (Thousands of yen)	Balance at end of period (Thousands of yen)	Average interest rate (%) (Note 1)	Maturity date	Repayment method	Use	Remarks
Long-term loans	Mizuho Bank, Ltd.	September 30, 2020	2,000,000	—	0.28208	September 30, 2022	Lump-sum	Repayment of existing borrowing	Unsecured and non-guaranteed
	Sompo Japan Insurance Inc.	November 30, 2017	500,000	—	0.35000 (Note 2)	November 30, 2022			
	Tokio Marine & Nichido Fire Insurance Co., Ltd.		500,000	—					
	Mizuho Bank, Ltd.	December 29, 2014	1,950,000	—	0.93625 (Note 2)	December 30, 2022			
	MUFG Bank, Ltd.		2,000,000	—					
	Mizuho Trust & Banking Co., Ltd.		1,200,000	—					
	Resona Bank, Ltd.		600,000	—					
	Development Bank of Japan Inc.	June 30, 2015	2,000,000	2,000,000	1.20250 (Note 2)	June 30, 2023			
	The Dai-ichi Life Insurance Company Limited	June 29, 2018	3,000,000	3,000,000	0.46000 (Note 2)				
	Mizuho Bank, Ltd.	November 30, 2015	420,000	420,000	0.84375 (Note 2)	November 30, 2023			
	MUFG Bank, Ltd.		250,000	250,000					
	Sumitomo Mitsui Banking Corporation		140,000	140,000					
	Mizuho Trust & Banking Co., Ltd.		1,560,000	1,560,000					
	The Norinchukin Bank		1,500,000	1,500,000					
	Resona Bank, Ltd.		500,000	500,000					
	Aozora Bank, Ltd.		750,000	750,000					
	The Bank of Fukuoka, Ltd.		150,000	150,000					
	MUFG Bank, Ltd.	November 30, 2017	1,000,000	1,000,000	0.64801 (Note 2)				
	Sumitomo Mitsui Banking Corporation		3,500,000	3,500,000					
	Resona Bank, Ltd.		500,000	500,000					
	Aozora Bank, Ltd.		500,000	500,000					
	Development Bank of Japan Inc.		3,500,000	3,500,000	0.68431 (Note 2)	May 31, 2024			
	Mizuho Bank, Ltd.	November 30, 2015	870,000	870,000	0.96275 (Note 2)	November 30, 2024			
	MUFG Bank, Ltd.		590,000	590,000					
	Sumitomo Mitsui Banking Corporation		350,000	350,000					
	Mizuho Trust & Banking Co., Ltd.		1,560,000	1,560,000					
	Resona Bank, Ltd.		1,000,000	1,000,000					
	Aozora Bank, Ltd.		750,000	750,000					
	The Bank of Fukuoka, Ltd.		150,000	150,000					
	Nippon Life Insurance Company	December 12, 2019	1,000,000	1,000,000	0.42000 (Note 2)	December 12, 2024			
Mizuho Bank, Ltd.	June 29, 2018	3,700,000	3,700,000	0.67400 (Note 2)	June 30, 2025				
MUFG Bank, Ltd.		1,000,000	1,000,000						
Sumitomo Mitsui Banking Corporation		400,000	400,000						
The Norinchukin Bank		1,000,000	1,000,000						
Shinkin Central Bank		1,000,000	1,000,000						
The Bank of Fukuoka, Ltd.		700,000	700,000						
Resona Bank, Ltd.		200,000	200,000						

Classification	Lender	Drawdown date	Balance at beginning of period (Thousands of yen)	Balance at end of period (Thousands of yen)	Average interest rate (%) (Note 1)	Maturity date	Repayment method	Use	Remarks
Long-term loans	Mizuho Bank, Ltd.	November 1, 2018	850,000	850,000	0.70600 (Note 2)	November 1, 2025	Lump-sum	Repayment of existing borrowing	Unsecured and non-guaranteed
	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	0.38727	November 29, 2025			
	MUFG Bank, Ltd.		—	540,000					
	Sumitomo Mitsui Banking Corporation		—	1,080,000					
	Sumitomo Mitsui Trust Bank Limited		—	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.		500,000	500,000					
	Mizuho Bank, Ltd.	March 8, 2019	850,000	850,000	0.57100 (Note 2)				
	MUFG Bank, Ltd.		850,000	850,000					
	Mizuho Trust & Banking Co., Ltd.		600,000	600,000					
	The Norinchukin Bank		1,450,000	1,450,000					
	Development Bank of Japan Inc.	September 29, 2017	1,300,000	1,300,000	0.83071 (Note 2)	September 30, 2026			
	Mizuho Bank, Ltd.	June 29, 2018	1,300,000	1,300,000	0.79100 (Note 2)	December 30, 2026			
	MUFG Bank, Ltd.		1,000,000	1,000,000					
	Sumitomo Mitsui Banking Corporation		700,000	700,000					
	Development Bank of Japan Inc.	January 31, 2020	2,000,000	2,000,000	0.68778 (Note 2)	July 31, 2028			
	Mizuho Bank, Ltd.		1,175,000	1,175,000					
	MUFG Bank, Ltd.		1,175,000	1,175,000					
	Sumitomo Mitsui Banking Corporation		1,000,000	1,000,000					
	Mizuho Trust & Banking Co., Ltd.		1,087,500	1,087,500					
	The Norinchukin Bank		1,162,500	1,162,500					
	The Dai-ichi Life Insurance Company Limited		1,000,000	1,000,000					
	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	0.48727	December 30, 2029			
MUFG Bank, Ltd.	—		2,000,000						
Mizuho Trust & Banking Co., Ltd.	—		1,200,000						
Resona Bank, Ltd.	—		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				
Subtotal		73,090,000	73,850,000						
Total		87,600,000	87,600,000						

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

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

(3) Investment Corporation Bonds

The outstanding investment corporation bonds issued by JEI as of December 31, 2021, are as follows:

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

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

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

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

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

(4) Short-Term Investment Corporation Bonds

None

(5) Subscription Rights for New Investment Units

None

6. Condition of Investment Transactions

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

(Millions of yen)

Type of asset	Property name	Acquisition		Transfer			
		Acquisition date	Acquisition Price (Note)	Transfer date	Transfer price	Net book value	Gain (loss) on transfer
Trust beneficiary interest in real estate	Sapporo Otemachi Building (quasi co-ownership interest 70.0%)	December 1, 2021	4,069	—	—	—	—
Total		—	4,069	—	—	—	—

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

(2) Transactions of Other Assets

None

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

1) Real estate, etc.

Acquisition or transfer	Name of property	Type of asset	Acquisition/transfer date	Acquisition/transfer price (Millions of yen) (Note)	Appraisal value (Millions of yen)	Appraiser	Appraisal date
Acquisition	Sapporo Otemachi Building (quasi co-ownership interest 70.0%)	Trust beneficiary interest in real estate	December 1, 2021	4,069	4,235	Japan Real Estate Institute	November 1, 2021

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

2) Others

None

(4) Transactions with Interested Parties

1) Transactions

None

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	1,425,948	The Dai-ichi Building Co., Ltd.	505,392	35.4%
		Nippon Steel Kowa Real Estate Co., Ltd.	504,646	35.4%
		Sohgo Housing Co., Ltd.	106,089	7.4%
		Akasaka Intercity Management Co., Ltd.	20,908	1.5%
Total	1,425,948	—	1,137,037	79.7%

(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 December 31, 2021.

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

Kowa Real Estate Facilities Co., Ltd. 409,382 thousand yen

The Dai-ichi Building Co., Ltd. 23,499 thousand yen

Nippon Steel Kowa Real Estate Co., Ltd. 15,095 thousand yen

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

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

7. Accounting

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

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

(2) Change in Depreciation Calculation Method

No changes were made during the period.

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

No changes were made during the period

8. Others

(1) Notice

1) General unitholders' meeting

The tenth general unitholders' meeting of JEI was held on September 30, 2021. The following table summarizes the major matters approved at the unitholders' meeting.

Agenda	Summary
Partial amendment to the Articles of Incorporation	The Articles of Incorporation was amended as follows: <ul style="list-style-type: none">Establishment of new provisions setting forth that the provision concerning "Deemed Votes in Favor" prescribed in Article 93, Paragraph 1 of the Investment Trust Law and Article 13, Paragraph 1 of the current Articles of Incorporation shall not be applied to important agendas that have significant impact on the interests of unitholders and the governance structure of JEI, for which submission of opposing agendas is difficult by nature, for the purpose of more directly and accurately reflecting the intentions of the unitholders.Implementation of required amendments to maintain consistency with relevant laws and regulations with the revisions to the application of the Accounting Standard for Fair Value Measurement and the Accounting Standards for Financial Instruments.Replacement of Japanese calendar with Gregorian calendar to indicate the calendar year except for indication of decree number; simplification of the Articles of Incorporation by deleting articles and clauses established at incorporation which have become redundant; and other necessary changes.
Election of one executive director	Shuichiro Kayama was elected as an executive director. The term of his office is two years from November 1, 2021.
Election of one substitute executive director	Hiroshi Tabei was elected as a substitute executive director.
Election of three supervisory directors	Shunichi Maekawa, Eiji Takagi, and Osamu Hirakawa were elected as supervisory directors. The term of their office is two years from November 1, 2021.

2) Board of directors' meeting

There were no applicable items during the period.

(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
December 31, 2021 and June 30, 2021
with Independent Auditor's Report*



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Independent Auditor's Report

The Board of Directors
Japan Excellent, Inc.

Opinion

We have audited the accompanying financial statements of Japan Excellent, Inc. (the Company), which comprise the balance sheet as at December 31, 2021, and the statements of income and retained earnings, changes in net assets, and cash flows for the six-month period then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021, and its financial performance and its cash flows for the six-month period then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Responsibilities of Management and Supervisory Director for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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



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

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

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

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

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

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



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Ernst & Young ShinNihon LLC
Tokyo, Japan

March 16, 2022

佐藤 賢治

Kenji Sato
Designated Engagement Partner
Certified Public Accountant

八幡 正博

Masahiro Yawata
Designated Engagement Partner
Certified Public Accountant

Japan Excellent, Inc.

Balance Sheets

As of December 31, 2021 and June 30, 2021

	As of December 31, 2021	As of June 30, 2021
	<i>(Thousands of yen)</i>	
Assets		
Current assets:		
Cash and cash equivalents including trust accounts (Note 5)	22,553,580	26,017,997
Rental receivables	310,297	294,323
Consumption taxes refundable	—	88,018
Prepaid expenses and other current assets	274,282	336,986
Total current assets	<u>23,138,159</u>	<u>26,737,327</u>
Property and equipment (Note 8):		
Buildings and building improvements	7,775,453	7,749,590
Machinery and equipment	6,253	6,253
Furniture and fixtures	59,934	59,934
Land	10,609,617	10,609,617
Construction in progress	1,396	1,396
Buildings and building improvements for trust accounts	118,571,048	116,993,567
Machinery and equipment for trust accounts	1,175,883	1,101,196
Furniture and fixtures for trust accounts	299,524	293,163
Land for trust accounts	159,396,690	155,755,010
Construction in progress for trust accounts	14,087	13,360
Less: accumulated depreciation	(38,466,049)	(36,575,302)
Net property and equipment	<u>259,443,838</u>	<u>256,007,787</u>
Intangible assets:		
Leasehold rights	1,721,607	1,721,607
Leasehold rights for trust accounts	7,382,016	7,382,016
Software	5,133	6,233
Other intangible assets for trust accounts	63,514	2,550
Total intangible assets	<u>9,172,272</u>	<u>9,112,408</u>
Investments and other assets:		
Investment securities	44,729	44,729
Deferred tax assets	2	26
Security deposits	19,029	19,029
Long-term prepaid expenses	860,678	824,794
Other assets	1,140,629	1,070,376
Total investments and other assets	<u>2,065,069</u>	<u>1,958,956</u>
Deferred assets:		
Investment corporation bond issuance costs	141,235	154,092
Total deferred assets	<u>141,235</u>	<u>154,092</u>
Total assets	<u><u>293,960,575</u></u>	<u><u>293,970,571</u></u>

	As of December 31, 2021	As of June 30, 2021
	<i>(Thousands of yen)</i>	
Liabilities		
Current liabilities:		
Accounts payable – trade	1,592,910	1,618,995
Long-term debt due within one year <i>(Notes 6 and 9)</i>	13,750,000	14,510,000
Accounts payable – other	461,921	474,398
Accrued expenses	155,047	151,765
Accrued corporation taxes	638	1,119
Accrued consumption taxes	301,987	–
Advances received	40,673	74,940
Other current liabilities	–	7,268
Total current liabilities	<u>16,303,178</u>	<u>16,838,488</u>
Long-term liabilities:		
Investment corporation bonds <i>(Notes 6 and 10)</i>	38,000,000	38,000,000
Long-term debt <i>(Notes 6 and 9)</i>	73,850,000	73,090,000
Security deposits from tenants	1,185,270	1,199,012
Security deposits from tenants for trust accounts	12,415,766	12,507,748
Total long-term liabilities	<u>125,451,036</u>	<u>124,796,760</u>
Total liabilities	<u>141,754,215</u>	<u>141,635,249</u>
Net assets <i>(Note 11)</i>		
Unitholders' equity:		
Unitholders' capital	147,907,649	147,907,649
Surplus		
Voluntary reserve		
Reserve for advanced depreciation of non-current assets	451,790	451,790
Retained earnings	3,846,920	3,975,882
Total surplus	<u>4,298,711</u>	<u>4,427,673</u>
Total unitholders' equity	<u>152,206,360</u>	<u>152,335,322</u>
Total net assets	<u>152,206,360</u>	<u>152,335,322</u>
Total liabilities and net assets	<u>293,960,575</u>	<u>293,970,571</u>

Japan Excellent, Inc.

Statements of Income and Retained Earnings

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

	For the period from July 1, 2021 to December 31, 2021	For the period from January 1, 2021 to June 30, 2021
	<i>(Thousands of yen)</i>	
Revenues (<i>Note 14</i>):		
Rental business revenues	9,883,583	9,845,709
Other	782,710	722,082
Total revenues	<u>10,666,294</u>	<u>10,567,792</u>
Operating expenses (<i>Note 14</i>):		
Property operating expenses	5,563,185	5,355,733
Asset management fees	457,209	454,816
Custodian fees	21,877	21,880
Administrative service fees	40,331	40,427
Compensation for directors	5,520	5,580
Other	92,568	98,788
Total operating expenses	<u>6,180,693</u>	<u>5,977,226</u>
Operating income	<u>4,485,600</u>	<u>4,590,565</u>
Other income:		
Interest income	159	181
Other	650	402
Other expenses:		
Interest expense	318,005	327,031
Loan arrangement fees	156,455	118,123
Interest expense on investment corporation bonds	151,969	149,430
Amortization of investment corporation bond issuance costs	12,856	12,856
Other	286	6,951
Ordinary income	<u>3,846,838</u>	<u>3,976,756</u>
Income before income taxes	<u>3,846,838</u>	<u>3,976,756</u>
Income taxes (<i>Note 13</i>):		
Current	662	1,147
Deferred	23	(26)
Net income	<u>3,846,152</u>	<u>3,975,635</u>
Retained earnings at beginning of period	<u>768</u>	<u>247</u>
Retained earnings at end of period	<u><u>3,846,920</u></u>	<u><u>3,975,882</u></u>

Japan Excellent, Inc.

Statements of Changes in Net Assets

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

For the period from July 1, 2021 to December 31, 2021

	Net assets							
	Unitholders' equity							
	Surplus							
	Number of units in issue	Unitholders' capital	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, 2021	1,353,000	147,907,649	451,790	3,975,882	4,427,673	152,335,322	152,335,322	
Changes during the fiscal period:								
Distributions from retained earnings	—	—	—	(3,975,114)	(3,975,114)	(3,975,114)	(3,975,114)	
Net income	—	—	—	3,846,152	3,846,152	3,846,152	3,846,152	
Total changes during the fiscal period	—	—	—	(128,961)	(128,961)	(128,961)	(128,961)	
Balance as of December 31, 2021	1,353,000	147,907,649	451,790	3,846,920	4,298,711	152,206,360	152,206,360	

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

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

Japan Excellent, Inc.

Statements of Cash Flows

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

	For the period from July 1, 2021 to December 31, 2021	For the period from January 1, 2021 to June 30, 2021
	<i>(Thousands of yen)</i>	
Cash flows from operating activities		
Income before income taxes	3,846,838	3,976,756
Depreciation and amortization	1,892,278	1,848,574
Amortization of investment corporation bond issuance costs	12,856	12,856
Interest income	(159)	(181)
Interest expense	469,975	476,462
Decrease (increase) in rental receivables	(15,973)	31,441
Decrease (increase) in consumption taxes refundable	88,018	(88,018)
Decrease (increase) in prepaid expense	63,108	(124,165)
Increase (decrease) in accounts payable – trade	129,623	(193,389)
Increase (decrease) in accounts payable – other	(11,189)	(950)
Increase (decrease) in unpaid consumption taxes	301,987	(119,228)
Increase (decrease) in advances received	(34,266)	(97,827)
Decrease (increase) in long-term prepaid expenses	(35,883)	(1,265)
Other, net	(78,323)	(145,266)
Subtotal	6,628,891	5,575,798
Interest received	159	181
Interest paid	(466,693)	(479,810)
Income taxes paid	(1,119)	(584)
Net cash provided by (used in) operating activities	6,161,237	5,095,584
Cash flows from investing activities		
Purchases of property and equipment	(23,152)	(85,519)
Purchases of property and equipment for trust accounts	(5,522,084)	(11,264,469)
Proceeds from security deposits from tenants	42,401	12,585
Payments for security deposits to tenants	(56,143)	(14,458)
Proceeds from security deposits in trust accounts from tenants	532,575	769,843
Payments for security deposits in trust accounts to tenants	(624,557)	(458,489)
Net cash provided by (used in) investing activities	(5,650,961)	(11,040,506)
Cash flows from financing activities		
Proceeds from long-term debt	9,510,000	4,000,000
Repayment for long-term debt	(9,510,000)	(4,000,000)
Distributions to unitholders	(3,974,693)	(4,059,480)
Net cash provided by (used in) financing activities	(3,974,693)	(4,059,480)
Net increase (decrease) in cash and cash equivalents	(3,464,417)	(10,004,401)
Cash and cash equivalents at beginning of period	26,017,997	36,022,399
Cash and cash equivalents at end of period <i>(Note 5)</i>	22,553,580	26,017,997

Japan Excellent, Inc.

Notes to Financial Statements

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

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 December 31, 2021, JEI held 36 properties with 341,069.62 square meters of total leasable space and had leases with 587 tenants excluding residential tenants.

2. Basis of Presentation

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

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

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

3. Summary of Significant Accounting Policies

Cash and cash equivalents

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

Investment securities

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

Property and equipment including trust accounts

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

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

Intangible assets

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

Software	5 years
----------	---------

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.

Sales 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.

- 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

3. Summary of Significant Accounting Policies (continued)

Income taxes

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

Consumption taxes

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

Property-related taxes

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

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 July 1, 2021 to December 31, 2021 was ¥1,962 thousand.

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

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. Changes in Accounting Policies

(1) Application of Accounting Standard for Revenue Recognition

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) ,etc. from the beginning of the fiscal period ended December 31, 2021, and recognized revenue at the amount expected to be received in exchange for the promised goods or services when control of the goods or services is transferred to the customer. The effect of this change on the financial statements is immaterial.

In accordance with the transitional treatment outlined in Paragraph 89-3 of Accounting Standard for Revenue Recognition, the note related to the Revenue Recognition for the previous fiscal period is not presented

(2) Application of Accounting Standard for Fair Value Measurement

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) from the beginning of the fiscal period ended December 31, 2021, and in accordance with the transitional treatments outlined in Paragraph 19 of Accounting Standard for Fair Value Measurement and Paragraph 44-2 of Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the new accounting policies outlined by Accounting Standard for Fair Value Measurement will be applied prospectively.

The effect of this change on the financial statements is immaterial.

5. Cash and Cash Equivalents

Cash and cash equivalents including trust accounts in the accompanying balance sheets and cash and cash equivalents in the accompanying statements of cash flows at December 31, 2021 and June 30, 2021 consisted of the following:

	<u>As of December 31, 2021</u>	<u>As of June 30, 2021</u>
	<i>(Thousands of yen)</i>	
Cash and cash deposits	7,457,720	9,677,336
Cash and deposits in trust	15,095,859	16,340,661
Cash and cash equivalents including trust accounts	<u>22,553,580</u>	<u>26,017,997</u>

6. Financial Instruments

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

Overview

(1) Policy for Financial Instruments

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

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

(a) Market Risks (Interest rate fluctuation risk)

Borrowings and investment corporation bonds are primarily used to acquire properties or to refinance existing borrowings or bonds. Some of such debt were floating rate instruments and thus were exposed to the risk of interest rate fluctuations. Based on interest rate forecasts developed through constant financial market monitoring activities, JEI has concentrated on hedging against the risk of interest rate fluctuations principally using interest-rate swaps, through which a floating interest rate is swapped for a fixed interest rate, which finally led to 90.8% of existing borrowings being covered by a fixed interest rate swap for the entire maturity as of December 31, 2021. To reduce credit risk, derivative transactions (interest-rate swaps) are entered into exclusively with counterparties that are financial institutions with high credit ratings. For hedging accounting methods, hedging instruments, hedged items, hedging policies and methods for evaluation of the effectiveness of hedging activities, see "Derivatives and hedge accounting" under Summary of Significant Accounting Policies.

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

Borrowings and investment corporation bonds are exposed to liquidity risk. This risk is reduced through diversification of maturity dates and funding sources, and arrangement of commitment line agreements (as described in Note 9, "Short-Term Loans and Long-Term Debt," there is no balance outstanding under the facility agreements as of December 31, 2021). Liquidity risk is also mitigated through the constant management of liquidity on hand.

6. Financial Instruments (continued)

(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 16. “Derivative Transactions” is not an exact representation of market risk attributable to derivative transactions.

Fair value of financial instruments

The following are carrying values and fair values as of December 31, 2021 and June 30, 2021 of financial instruments and the differences between them.

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 December 31, 2021			As of June 30, 2021		
	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)	—	—	—	—	—	—
(2) Long-term debt due within one year (Note C)	13,750,000	13,803,225	53,225	14,510,000	14,554,118	44,118
(3) Investment corporation bonds (Note C)	38,000,000	38,215,545	215,545	38,000,000	38,160,172	160,172
(4) Long-term debt (Note C)	73,850,000	74,622,233	772,233	73,090,000	74,230,931	1,140,931
Total liabilities	<u>125,600,000</u>	<u>126,641,003</u>	<u>1,041,003</u>	<u>125,600,000</u>	<u>126,945,222</u>	<u>1,345,222</u>
(5) Derivative transactions *	—	—	—	—	—	—

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

(Note A)

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

- (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 16, “Derivative Transactions.”

6. Financial Instruments (continued)

(Note B)

Investment securities, Security deposits from tenants and Security deposits from tenants for trust accounts are omitted because they lack significance.

(Note C)

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

As of December 31, 2021						
	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						
due within one year	—	—	—	—	—	—
Long-term debt						
due within one year	13,750,000	—	—	—	—	—
Investment corporation bonds	—	4,000,000	8,000,000	5,000,000	2,000,000	19,000,000
Long-term debt	—	15,770,000	9,770,000	15,510,000	14,450,000	18,350,000
Total	<u>13,750,000</u>	<u>19,770,000</u>	<u>17,770,000</u>	<u>20,510,000</u>	<u>16,450,000</u>	<u>37,350,000</u>
As of June 30, 2021						
	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
<i>(Thousands of yen)</i>						
Investment corporation bonds						
due within one year	—	—	—	—	—	—
Long-term debt						
due within one year	14,510,000	—	—	—	—	—
Investment corporation bonds	—	2,000,000	10,000,000	—	5,000,000	21,000,000
Long-term debt	—	13,750,000	14,270,000	14,270,000	13,900,000	16,900,000
Total	<u>14,510,000</u>	<u>15,750,000</u>	<u>24,270,000</u>	<u>14,270,000</u>	<u>18,900,000</u>	<u>37,900,000</u>

7. Investment and Rental Property

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

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 December 31, 2021 and June 30, 2021 for such real estate for lease.

Carrying value			Fair value	
As of July 1, 2021	Change during period (*2)	As of December 31, 2021	As of December 31, 2021	
<i>(Thousands of yen)</i>				
265,113,962	3,497,015	268,610,977	340,752,000	

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

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

B) Details of change during period:

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

(*2) The increase of ¥3,497,014 thousand during the period is mainly due to an increase of ¥4,077,449 thousand related to the acquisition of Sapporo Otemachi Building, and a decrease of ¥1,891,178 thousand for depreciation costs.

C) Fair value

Fair value as of December 31, 2021 is Kowa Shirokanedai Building's transfer price, Shintomicho Building's transfer price and for other properties, appraisal value provided by third-party real estate appraisers.

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

8. Property and Equipment

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

	As of December 31, 2021			As of June 30, 2021		
	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value
	<i>(Thousands of yen)</i>					
Buildings and building improvements	7,775,453	(2,242,031)	5,533,421	7,749,590	(2,124,502)	5,625,087
Machinery and equipment	6,253	(4,765)	1,488	6,253	(4,495)	1,757
Furniture and fixtures	59,934	(33,857)	26,077	59,934	(29,708)	30,226
Land	10,609,617	—	10,609,617	10,609,617	—	10,609,617
Construction in progress	1,396	—	1,396	1,396	—	1,396
Buildings and building improvements for trust accounts	118,571,048	(35,387,454)	83,183,593	116,993,567	(33,670,916)	83,322,650
Machinery and equipment for trust accounts	1,175,883	(601,377)	574,505	1,101,196	(561,488)	539,708
Furniture and fixtures for trust accounts	299,524	(196,563)	102,960	293,163	(184,191)	108,971
Land for trust accounts	159,396,690	—	159,396,690	155,755,010	—	155,755,010
Construction in progress for trust accounts	14,087	—	14,087	13,360	—	13,360
Total	<u>297,909,888</u>	<u>(38,466,049)</u>	<u>259,443,838</u>	<u>292,583,089</u>	<u>(36,575,302)</u>	<u>256,007,787</u>

9. Short-Term Loans and Long-Term Debt

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

	As of December 31, 2021		As of June 30, 2021	
	Amount	Weighted-average interest rate (*1)	Amount	Weighted-average interest rate (*1)
	<i>(Thousands of yen)</i>		<i>(Thousands of yen)</i>	
Long-term debt due within one year:				
Unsecured loans from banks due on November 29, 2021	—	0.41204%	3,760,000	0.42738%
Unsecured loans from banks due on December 30, 2021	—	0.81875% (*2)	5,750,000	0.81875% (*2)
Unsecured loans from insurance companies due on January 31, 2022	3,000,000	0.35000% (*2)	3,000,000	0.35000% (*2)
Unsecured loans from a bank due on June 30, 2022	2,000,000	1.15417% (*2)	2,000,000	1.15417% (*2)
Unsecured loans from a bank due on September 30, 2022	2,000,000	0.28208%	—	—
Unsecured loans from insurance companies due on November 30, 2022	1,000,000	0.35000% (*2)	—	—
Unsecured loans from banks due on December 30, 2022	<u>5,750,000</u>	0.93625% (*2)	<u>—</u>	—
Subtotal	<u>13,750,000</u>		<u>14,510,000</u>	

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

Long-term debt:

Unsecured loans from a bank due on September 30, 2022	—		2,000,000	0.28176%
Unsecured loans from insurance companies due on November 30, 2022	—		1,000,000	0.35000% (*2)
Unsecured loans from banks due on December 30, 2022	—		5,750,000	0.93625% (*2)
Unsecured loans from a bank due on June 30, 2023	2,000,000	1.20250% (*2)	2,000,000	1.20250% (*2)
Unsecured loans from an insurance company due on June 30, 2023	3,000,000	0.46000% (*2)	3,000,000	0.46000% (*2)
Unsecured loans from banks due on November 30, 2023	5,270,000	0.84375% (*2)	5,270,000	0.84375% (*2)
Unsecured loans from banks due on November 30, 2023	5,500,000	0.64801% (*2)	5,500,000	0.64801% (*2)
Unsecured loans from a bank due on May 31, 2024	3,500,000	0.68431% (*2)	3,500,000	0.68431% (*2)
Unsecured loans from banks due on November 30, 2024	5,270,000	0.96275% (*2)	5,270,000	0.96275% (*2)
Unsecured loans from an insurance company due on December 12, 2024	1,000,000	0.42000% (*2)	1,000,000	0.42000% (*2)
Unsecured loans from banks due on June 30, 2025	8,000,000	0.67400% (*2)	8,000,000	0.67400% (*2)
Unsecured loans from banks due on November 1, 2025	3,750,000	0.70600% (*2)	3,750,000	0.70600% (*2)
Unsecured loans from banks due on November 29, 2025	3,760,000	0.38727%	—	
Unsecured loans from banks due on March 31, 2026	6,400,000	0.83441% (*2)	6,400,000	0.83441% (*2)
Unsecured loans from banks due on March 31, 2026	3,750,000	0.57100% (*2)	3,750,000	0.57100% (*2)
Unsecured loans from a bank due on September 30, 2026	1,300,000	0.83071% (*2)	1,300,000	0.83071% (*2)
Unsecured loans from banks due on December 30, 2026	3,000,000	0.79100% (*2)	3,000,000	0.79100% (*2)
Unsecured loans from a bank due on July 31, 2028	2,000,000	0.68778% (*2)	2,000,000	0.68778% (*2)
Unsecured loans from banks due on January 31, 2029	5,600,000	0.71200% (*2)	5,600,000	0.71200% (*2)
Unsecured loans from an insurance company due on January 31, 2029	1,000,000	0.77000% (*2)	1,000,000	0.77000% (*2)
Unsecured loans from a bank due on December 30, 2029	2,000,000	0.55801% (*2)	2,000,000	0.55801% (*2)
Unsecured loans from banks due on December 30, 2029	5,750,000	0.48727%	—	
Unsecured loans from an insurance company due on June 28, 2030	2,000,000	0.65000% (*2)	2,000,000	0.65000% (*2)
Subtotal			<u>73,850,000</u>	<u>73,090,000</u>
Total			<u><u>87,600,000</u></u>	<u><u>87,600,000</u></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).

The scheduled repayment amounts of long-term debt as of December 31, 2021 are as follows:

	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
	<i>(Thousands of yen)</i>					
Long-term debt	13,750,000	15,770,000	9,770,000	15,510,000	14,450,000	18,350,000

JEI has commitment lines of ¥14,000,000 thousand with three financial institutions to mitigate refinancing risk and enhance financial stability. As of December 31, 2021, these commitment lines have never been utilized.

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10. Investment Corporation Bonds

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

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

The scheduled redemption amounts of investment corporation bonds as of December 31, 2021 are as follows:

	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
	<i>(Thousands of yen)</i>					
Investment corporation bonds	—	4,000,000	8,000,000	5,000,000	2,000,000	19,000,000

11. 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.

12. Per Unit Information

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

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

Accordingly, net assets per unit were ¥112,495 as of December 31, 2021 and ¥112,590 as of June 30, 2021. Net income per unit was ¥2,842 for the period from July 1, 2021 to December 31, 2021 and ¥2,938 for the period from January 1, 2021 to June 30, 2021.

13. Income Taxes

JEI is subject to income taxes in Japan.

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

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

	As of December 31,2021	As of June 30,2021
	<i>(Thousands of yen)</i>	
Deferred tax assets:		
Accrued enterprise taxes	2	26
Total deferred tax assets	<u>2</u>	<u>26</u>
Net deferred tax assets	<u><u>2</u></u>	<u><u>26</u></u>

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

	For the period from July 1, 2021 to December 31, 2021	For the period from January 1, 2021 to June 30, 2021
Statutory tax rate	31.46%	31.46%
Reconciliation:		
Deductible distributions paid	(31.46%)	(31.45%)
Other	<u>0.02%</u>	<u>0.02%</u>
Effective tax rate	<u><u>0.02%</u></u>	<u><u>0.03%</u></u>

14. Breakdown of Revenues and Expenses

	For the period from July 1, 2021 to December 31, 2021	For the period from January 1, 2021 to June 30, 2021
	<i>(Thousands of yen)</i>	
Revenues:		
Rental business revenues		
Rental revenues	8,282,650	8,248,679
Common area revenues	1,330,321	1,331,991
Other rental revenues	270,611	265,038
Subtotal	9,883,583	9,845,709
Other		
Utilities revenues	652,213	582,002
Other revenues	130,496	140,080
Subtotal	782,710	722,082
Total rental revenues	10,666,294	10,567,792
Property operating expenses:		
Property management costs and fees	1,553,766	1,504,097
Utilities expenses	867,102	759,875
Property and other taxes	940,823	934,741
Insurance	21,364	20,903
Repairs and maintenance	160,180	158,083
Depreciation	1,891,178	1,847,474
Other	128,769	130,558
Total property operating expenses	5,563,185	5,355,733
Profit	5,103,108	5,212,058

(Change in presentation method)

To make financial statement presentation clearer and more in line with the actual situation, the Investment Corporation has decided to include "Management association expenses", "Consumables expenses", and "Brokerage fees", which were previously included in "Other" to "Property management costs and fees".

As a result, 110,783 thousands yen included in "Other" in the previous fiscal period has been reclassified as "Property management costs and fees".

15. Leases

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

	As of December 31, 2021	As of June 30, 2021
	<i>(Thousands of yen)</i>	
Due within one year	2,200,461	1,959,773
Due after one year	3,181,003	3,462,341
Total	5,381,465	5,422,115

16. Derivative Transactions

Derivative Transactions as of December 31, 2021

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

Not applicable.

(2) Transactions to which hedge accounting is applied:

The following are the contract values or values corresponding to the principal amount as stipulated by contracts as of December 31, 2021 for each hedge accounting method applied.

Hedge accounting method	Type of derivative transaction	Hedged item	Contract amount		Fair value	Method of calculating the fair value
				More than one year		
<i>(Thousands of yen)</i>						
Special treatment of interest-rate swaps	Interest-rate swap Receive floating, pay fixed	Long-term debt	40,390,000	34,640,000	*	/

* 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 6, "Financial Instruments."

Derivative Transactions as of June 30, 2021

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

Not applicable.

(2) Transactions to which hedge accounting is applied:

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

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

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

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

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17. Related Party Transactions

For the period from July 1, 2021 to December 31, 2021

- (1) Parent Company and Major Corporate Unitholders

Not applicable.

- (2) Subsidiaries and Affiliated Companies

Not applicable.

- (3) Sister Companies

Not applicable.

- (4) Directors and Major Individual Unitholders

Name	Description of transaction	Amount	Account	Balance at the end of period
		(Thousands of yen)		(Thousands of yen)
Shuichiro Kayama	Payment of asset management fees to JEAM	457,209	Accounts payable	383,000

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

- (1) Parent Company and Major Corporate Unitholders

Not applicable.

- (2) Subsidiaries and Affiliated Companies

Not applicable.

- (3) Sister Companies

Not applicable.

- (4) Directors and Major Individual Unitholders

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

18. Segment Information

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

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.

19. Distribution Information

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

Consequently, JEI set income available for distributions of dividends at ¥3,846,579,000, which is the maximum integral multiple of the 1,353,000 units issued, but not exceeding ¥3,846,920,332 which is the amount of retained earnings at December 31, 2021.

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

On February 17, 2022, the Board of Directors approved a resolution to make a cash distribution of ¥2,843 per unit aggregating to ¥3,846,579,000 to unitholders of record as of December 31, 2021.

20. Revenue Recognition

(1) Breakdown of revenue from contracts with customers

For the period from July 1, 2021 to December 31, 2021

	Revenue from contracts with customers *	Revenue from external customers
	<i>(Thousands of yen)</i>	
Sales of real estate properties *2	—	—
Utilities income	652,213	652,213
Other	—	10,014,080
Total	652,213	10,666,294

* Rent revenues subject to Accounting Standard for Lease Transactions (ASBJ Statement No. 13) 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 period from July 1, 2021 to December 31, 2021

As described in the Summary of Significant Accounting Policies.

(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 July 1, 2021 to December 31, 2021

(a) Balance of contract assets and contract liabilities

	July 1, 2021 to December 31, 2021
	<i>(Thousands of yen)</i>
Claims arising from contracts with customers (At beginning of period)	219,470
Claims arising from contracts with customers (At end of period)	233,782
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 December 31, 2021, the total transaction price allocated to the remaining performance obligations for the sale of real estate is 5,400,000 thousand yen for the real estate for which a sale contract was executed on August 18, 2021. JEI expects to recognize revenue for such remaining performance obligations upon delivery of such real estate properties, which is expected to occur on June 29, 2022. 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 year. 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.

21. Significant Subsequent Event

For the six months ended 31 December 2021

Decision on acquisition of own investment units

At the board meeting held on 17 February 2022, JEI resolved the matters regarding acquisition of its own

investment units based on the provisions of Article 80-2 of the Investment Trusts Act, which are applied in

replacement pursuant to the provisions of Article 80-5, paragraph 2 of the Investment Trusts Act. Furthermore, JEI plans to retire the entirety of own investment units it will have acquired by the end of the six-month period ending June 2022.

(1) Reasons behind acquisition of own investment units

Having considered the level of investment unit price, status of cash on hand, financial status, the market

environment and other factors in a comprehensive manner, JEI has determined that increasing capital efficiency and return of profits to unitholders through acquisition and retirement of own investment units should lead to enhanced unitholder value over the medium to long term.

(2) Details of acquisition of own investment units

Total number of investment units that may be acquired	18,000 units (upper limit)
Total acquisition price	2,000 thousand yen (upper limit)
company Acquisition period	18 February 2022 to 13 April 2022
Acquisition method	Market purchase at the Tokyo Stock Exchange based on a discretionary transaction contract concluded with a securities company