

Asset Management Report for the 38th Period (Semi-Annual Report for the 38th Period)

From January 1, 2025, to June 30, 2025



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 38th period (from January 1, 2025, to June 30, 2025).

In the office building leasing market, vacancy rates are trending downward against the backdrop of strong office demand, and rents have gradually been trending upward. Meanwhile, in the real estate transaction market, there continues to be vigorous appetite for investment by domestic and overseas investors and transaction prices remain high.

Under such circumstances, in the 38th period, JEI recorded operating revenue of 11,447 million yen, operating income of 5,231 million yen, and net income of 4,451 million yen. Distribution per unit was 3,106 yen, up 336 yen from the previous fiscal period.

In order to maximize unitholder value, JEI will continue promoting initiatives that, from medium- to long-term perspectives, contribute to improving the portfolio quality and securing stable revenue. Finally, as always, JEI remains committed to strict adherence to the Financial Instruments and Exchange Act and other laws and regulations, as well as disclosing information on the status of operations to unitholders in an accurate and easy-to-understand manner.

We kindly ask for your continued understanding and support.

II. Asset Management Report

1. Outline of Asset Management Operation

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

Fiscal period		34th Period January 1, 2023, to June 30, 2023	35th Period July 1, 2023, to December 31, 2023	36th Period January 1, 2024, to June 30, 2024	37th Period July 1, 2024, to December 31, 2024	38th Period January 1, 2025, to June 30, 2025
Operating revenue	(Millions of yen)	13,823	10,857	11,460	12,752	11,447
(Rental revenues)	(Millions of yen)	(10,079)	(10,102)	(10,662)	(10,981)	(10,466)
Operating expenses	(Millions of yen)	9,346	6,191	6,624	8,268	6,216
(Property operating expenses)	(Millions of yen)	(5,972)	(5,561)	(5,979)	(6,007)	(5,557)
Operating income	(Millions of yen)	4,477	4,665	4,835	4,483	5,231
Ordinary income	(Millions of yen)	3,882	4,050	4,201	3,743	4,452
Net income	(Millions of yen)	3,881	4,049	4,200	3,742	4,451
Total assets	(Millions of yen)	287,045	294,823	304,049	295,338	295,765
(Period-on-period change)	(%)	(-2.5)	(2.7)	(3.1)	(-2.9)	(0.1)
Net assets	(Millions of yen)	150,354	150,659	149,114	149,074	145,865
(Period-on-period change)	(%)	(0.1)	(0.2)	(-1.0)	(-0.0)	(-2.2)
Unitholders' capital, net (Note 1)	(Millions of yen)	145,907	145,907	143,907	143,907	139,907
Total outstanding investment units	(units)	1,337,598	1,337,598	1,321,614	1,321,614	1,290,487
Net assets per unit	(yen)	112,406	112,634	112,827	112,797	113,031
Net income per unit (Note 2)	(yen)	2,901	3,027	3,159	2,832	3,403
Total distribution	(Millions of yen)	3,745	3,745	3,782	3,660	4,008
Distribution per unit	(yen)	2,800	2,800	2,862	2,770	3,106
(Profit distribution per unit)	(yen)	(2,800)	(2,800)	(2,862)	(2,770)	(3,106)
(Distribution in excess of earnings per unit)	(yen)	(-)	(-)	(-)	(-)	(-)
Return on assets (Note 3)	(%)	1.3	1.4	1.4	1.2	1.5
(Annualized rate)	(%)	(2.7)	(2.8)	(2.8)	(2.5)	(3.0)
Return on equity (Note 4)	(%)	2.6	2.7	2.8	2.5	3.0
(Annualized rate)	(%)	(5.2)	(5.3)	(5.6)	(5.0)	(6.1)
Capital ratio (Note 5)	(%)	52.4	51.1	49.0	50.5	49.3
(Period-on-period change)	(%)	(1.4)	(-1.3)	(-2.1)	(1.4)	(-1.2)
Payout ratio (Note 6)	(%)	96.5	92.5	90.0	97.8	90.0
Number of investment properties	(properties)	35	35	35	33	33
Number of tenants (Note 7)	(tenants)	611	622	603	606	610
Total leasable area (Note 8, 9)	(m ²)	306,717	314,925	319,258	295,884	302,341
Occupancy rate	(%)	96.5	97.9	98.4	99.0	98.9
Depreciation	(Millions of yen)	1,960	1,780	1,850	1,865	1,761
Capital expenditure	(Millions of yen)	1,404	1,418	1,317	1,513	1,436
Net operating income (NOI) (Note 10)	(Millions of yen)	6,067	6,321	6,533	6,839	6,670
Funds from operation (FFO) per unit (Note 11)	(yen)	3,634	3,837	4,026	4,187	4,219
FFO multiples (Note 12)	(times)	17.1	16.5	14.7	14.0	15.7
Debt service coverage ratio (DSCR) (Note 13)	(times)	14.1	14.5	14.0	10.8	10.9
Interest-bearing debt	(Millions of yen)	120,600	128,600	138,600	129,600	133,400
Loan-to-value (Note 14)	(%)	42.0	43.6	45.6	43.9	45.1
Number of days in operation	(days)	181	184	182	184	181

- (Note 1) The amount of unitholders' capital after subtracting any deduction from unitholders' capital is shown. This does not account for any deduction from unitholders' capital that is due to the implementation of distribution in excess of earnings related to the allowance for temporary difference adjustments.
- (Note 2) Net income per unit is calculated by dividing the net income by the weighted-average number of units outstanding during the six months period.
- (Note 3) Return on assets = Ordinary income / [(Period beginning total assets) + (Period end total assets) / 2] × 100
- (Note 4) Return on equity = Net income / [(Period beginning net assets) + (Period end net assets) / 2] × 100
- (Note 5) Capital ratio = Period end net assets / Period end total assets × 100
- (Note 6) Payout ratio = (Distribution per unit (not including distribution in excess of earnings per unit) / Net income per unit) × 100
(Figures are rounded to the first decimal place.)
For the 36th and 38th periods, as buyback and cancellation of own investment units took place, the formula below was used to calculate the payout ratio.
Payout ratio = (Total distributions (not including distribution in excess of earnings) / Net income) × 100
- (Note 7) For number of tenants, when a tenant has multiple tenancies in the same property, it is counted as one tenant, and when in multiple properties, it is counted as multiple tenants. However, for properties in which the residential portion or the percentage of the interest owned by JEI is relatively low, the number of tenants indicates the number of master lease companies for the property, considering a master lease company as a tenant.
- (Note 8) For properties with joint ownership (including quasi co-ownership of trust beneficiary interest; the same applies hereinafter), the figure is obtained by taking the leasable area of the entire property and factoring in the percentage of the interest owned by JEI, regarding the figure as JEI's leasable area. The same applies hereinafter.
- (Note 9) Spaces are rounded to the nearest specified unit. The same applies hereinafter.
- (Note 10) NOI = Rental revenues – Property operating expenses + Depreciation
- (Note 11) FFO per unit = (Net income + Depreciation – Gain on sale of real estate + Loss on sale of real estate + Impairment loss) / Total number of outstanding investment units (the figure is rounded down to the whole number).
- (Note 12) FFO multiples = Period end investment unit price / Annualized FFO per unit
- (Note 13) DSCR = (Net income before interest and taxes + Depreciation (*)) / (Interest expenses + Interest expense on investment corporation bonds)
* Includes depreciation except for property operating expenses.
- (Note 14) Loan-to-value = Period end interest-bearing debt / Period end total assets × 100

(2) Asset Management Development

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

Since the listing, JEI has continued investment management primarily in office buildings with the aim of maintaining sound corporate growth and stable revenues from the medium- to long-term perspectives. On June 30, 2025, JEI settled its 38th period.

1) Business conditions and results

In the period under review (38th period ended June 30, 2025), the outlook for the world economy grew even more uncertain due to factors such as the impact of U.S. tariff policies. With regard to monetary policy, both the Federal Reserve Bank and the European Central Bank decided to lower their policy interest rates. The pace of the rate cuts differed, however, depending on economic conditions and prices, and uncertainty surrounding the timing of lowering policy interest rates remained.

In Japan, private consumption continued its gradual recovery and the economy remains largely firm with factors such as robust capital investment and the increasing number of foreign visitors to Japan. Following the Bank of Japan’s decision to change course by raising policy interest rates while maintaining the framework of monetary easing, domestic interest rates continued to rise gradually. In contrast to Western countries, where decreases in policy rates are anticipated to continue, attention became focused on the timing of further policy interest rate hikes by the Bank of Japan after having assessed price trends and movement toward wage increases.

In terms of real estate transaction market trends for office properties, even though domestic interest rates were increasing, the acquisition appetite of investors within and outside of Japan continued to be strong and property prices largely remained at a high level. Under such circumstances, during the period under review, JEI completed the full sale of the JEI Hongo Building, which was partly sold to an external party in the previous period, in January, as well as concluding an agreement on the sale of the aging JEI Hamamatsucho Building in February. On the other hand, in April it acquired Ark Hills Front Tower based on preferential negotiation rights from a godo kaisha in which JEI has equity interest in an anonymous association. Though this asset replacement, JEI was able to improve its portfolio quality from medium- to long-term perspectives. The gain on sale will be used to enhance JEI’s financial strength, thereby supporting stable financial management and return to unitholders. Furthermore, based on its current capital costs, JEI used the proceeds from the sales of the Kowa Kawasaki Higashiguchi Building and Osaka Kogin Building (land with leasehold interest) sold in the previous period to carry out buyback and cancellation of 31,127 of its own investment units for a total of 3.99 billion yen as a measure contributing to increasing capital efficiency and enhancing unitholder value.

In the office building leasing market, vacancy rates in central Tokyo were gradually declining, driven by increased demand for relocation to expand office space and improve location and floor expansion within the same building, against the backdrop of the growing need to improve office environments to secure human resources and the expansion of business activities, along with a decline in new office supply due to labor shortages and soaring construction costs. As a result, the rent level is steadily increasing.

In such market conditions, JEI actively worked to attract new tenants and meet existing tenants’ needs for additional floor space. As a result, the occupancy rate (Note 1) at the end of the period under review remained at a high level at 98.9%, although it decreased by 0.1 percentage points from the end of the previous period. In addition, JEI has actively worked to raise the level of new rents when refilling vacancies and negotiating with existing tenants to increase their rent upon renewal of lease. As a result of these initiatives, the total number of properties owned and managed by JEI at the end of the period under review was 33 with a total acquisition price of 293.4 billion yen and total leasable area of 302,340.95 m² (91,458.14 tsubos).

2) Fund procurement highlights

In the period under review, as yen interest rates continued gradually rising, JEI engaged in stable financial operations while curtailing increases in financial costs through measures such as reducing borrowings through careful management of cash reserves in light of property sales, etc. and reducing payment fees by changing syndicated loans to bi-lateral loans. In terms of fund procurement, JEI decided to borrow a total of 16.0 billion yen: it procured 8.0 billion yen in short-term loans for the acquisition of Ark Hills Front Tower and decided to refinance 8.0 billion yen in long-term loans that reached maturity in June for the same amount (fixed interest rate: 6.3 billion yen, floating interest rate: 1.7 billion yen, average term of 4.6 years). In addition, it used the proceeds from the sale of properties, etc. to conduct repayment of 2.0 billion yen in long-term floating-interest loans and early repayment of 1.2 billion yen in short-term loans.

As a result, as of the end of the period under review, the average remaining period of interest-bearing debt (Note 2) was 4.3 years (shortened by 0.3 years from the end of the previous period) and the loan-to-value ratio of total assets (total assets-based LTV) (Note 3) was 45.1% (up 1.2 percentage points from the end of the previous period).

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

As of June 30, 2025, JEI has been granted the following rating.

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

3) Sustainability initiatives

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

With regard to CO₂ emission intensity, JEI has set a medium-term target to reduce emission intensity by 42% or more by fiscal 2030 compared with fiscal 2013 and a long-term target of net zero CO₂ emissions by fiscal 2050. To meet these targets, it has promoted a shift to LED lighting, air-conditioning equipment with excellent energy-saving performance, and carbon-free energy sources, such as “RE100” compatible electricity, at properties it owns. In order to reduce environmental impact, JEI has set targets to reduce energy consumption intensity by 7% or more by fiscal 2030 compared with fiscal 2023 and to prevent water consumption intensity from increasing by fiscal 2030, using fiscal 2023 as a baseline. Furthermore, JEI has continuously promoted the acquisition of Green Building Certification, and the number of certified properties now stands at 29, accounting for 87.7% of leasable area (as of June 30, 2025).

Such initiatives for sustainability by JEI earned high recognition. Specifically, in the 2024 GRESB Real Estate Assessment (Note 5), JEI received “Green Star” rating (Note 6) for the tenth consecutive year, as well as a “4 Star” rating in “GRESB Rating” (Note 7).

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

4) Financial results and distribution highlights

As a result of the management above, for the period under review, JEI posted 11,447 million yen in operating revenue, 5,231 million yen in operating income, 4,452 million yen in ordinary income, and 4,451 million yen in net income.

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

As a result, distribution per unit was 3,106 yen as JEI decided to distribute the entire amount (except for the portion of less than one yen per unit) of unappropriated retained earnings after subtracting 443 million yen of provision of reserve for reduction entry from the sum of unappropriated retained earnings and reversal of reserve for reduction entry.

- (Note 1) Occupancy rate is a percentage of total leased area to total leasable area of real estate or real estate in trust.
- (Note 2) Average remaining period of interest-bearing debt is calculated by applying a weighted average of the remaining period until the repayment date or redemption date of borrowings and investment corporation bonds at the end of the period to the balance of each interest-bearing debt, for all interest-bearing debt.
- (Note 3) Loan-to-value ratio of total assets = (Period end interest-bearing debt / Period end total assets) × 100
- (Note 4) The rating is for 8th series unsecured investment corporation bonds, 9th series unsecured investment corporation bonds, 11th series unsecured investment corporation bonds, 13th series unsecured investment corporation bonds, 14th series unsecured investment corporation bonds, 15th series unsecured investment corporation bonds, 16th series unsecured investment corporation bonds, 17th series unsecured investment corporation bonds, 18th series unsecured investment corporation bonds, 19th series unsecured investment corporation bonds, 20th series unsecured investment corporation bonds, 21st series unsecured investment corporation bonds, and 22nd series unsecured investment corporation bonds.
- (Note 5) A benchmark established by a European pension fund group that measures ESG considerations of real estate companies and management institutions which is used by major European, American, and Asian institutional investors for decision-making on investments.
- (Note 6) “Green Star” is given when a high evaluation with a score exceeding 50% is made in the two evaluation axes (“Management & Policy” and “Implementation & Measurement”).
- (Note 7) “GRESB Rating” is a rating of the overall score according to the global ranking, and “5 Star” is a rating given to the top 20% of participants, “4 Star” to the following 20% and so forth.
- (Note 8) The TCFD (Task Force on Climate-related Financial Disclosures) is an international initiative established in 2015 by the Financial Stability Board (FSB) at the request of the G20 to discuss climate-related issues to be addressed by the financial sector.

(3) Capital Increase

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

Paid-up Date	Capital transaction	Capital transaction (units)		Unitholders' capital, net (Millions of yen) (Note 1)		Remarks
		Change	Balance	Change	Balance	
April 28, 2022	Cancellation	-15,402	1,337,598	-1,999	145,907	(Note 2)
June 28, 2024	Cancellation	-15,984	1,321,614	-1,999	143,907	(Note 3)
June 27, 2025	Cancellation	-31,127	1,290,487	-3,999	139,907	(Note 4)

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

(Note 2) Acquisition of own investment units through market purchase on the Tokyo Stock Exchange based on a discretionary transaction contract with a securities company took place from February 18, 2022, to April 13, 2022. All 15,402 own investment units from the buyback were cancelled on April 28, 2022, based on the resolution passed at the board of directors' meeting of JEI held on April 18, 2022.

(Note 3) Acquisition of own investment units through market purchase on the Tokyo Stock Exchange based on a discretionary transaction contract with a securities company took place from February 20, 2024, to May 10, 2024. All 15,984 investment units from the buyback were cancelled on June 28, 2024, based on the resolution passed at the board of directors' meeting of JEI held on June 17, 2024.

(Note 4) Acquisition of own investment units through market purchase on the Tokyo Stock Exchange based on a discretionary transaction contract with a securities company took place from February 25, 2025, to May 30, 2025. All 31,127 own investment units from the buyback were cancelled on June 27, 2025, based on the resolution passed at the board of directors' meeting of JEI held on February 21, 2025.

(Note 5) At JEI, there exist no treasury investment units held by JEI (investment units without voting rights provided in Article 308-2 of the Corporate Law which will be applied mutatis mutandis pursuant to Article 94 of the Investment Trust Law) or cross-held investment units (investment units without voting rights provided in Article 160 of the Investment Trust Enforcement Ordinance) as of the end of the period under review.

[Market price of the investment securities]

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

Investment unit market price	Fiscal period (closing date)	34th period (June 2023)	35th period (December 2023)	36th period (June 2024)	37th period (December 2024)	38th period (June 2025)
	Highest (yen)		130,700	141,100	130,400	129,600
Lowest (yen)		115,400	123,100	117,200	113,100	117,300

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

(4) Distributions Paid

Concerning distributions in the period under review, JEI decided to distribute the entire amount (except for the portion of less than one yen per unit) of unappropriated retained earnings after subtracting reserve for reduction entry from the sum of unappropriated retained earnings and reversal of reserve for reduction entry along with the intention to have the amount of profit distribution deducted from its taxable income by application of the special provisions of the tax system on investment corporations (Section 67-15 of the Special Taxation Measures Law). As a result, distribution per unit was 3,106 yen..

Fiscal period	34th period	35th period	36th period	37th period	38th period
Accounting period	January 1, 2023, to June 30, 2023	July 1, 2023, to December 31, 2023	January 1, 2024, to June 30, 2024	July 1, 2024, to December 31, 2024	January 1, 2025, to June 30, 2025
Unappropriated retained earnings at end of period (Thousands of yen)	3,881,374	4,049,775	4,200,539	3,742,997	4,451,699
Retained income (Thousands of yen)	136,100	304,500	418,080	82,289	443,609
Total cash distribution amount (Thousands of yen)	3,745,274	3,745,274	3,782,459	3,660,870	4,008,252
(Cash distributions per unit) (yen)	(2,800)	(2,800)	(2,862)	(2,770)	(3,106)
Of which, total profit distributions (Thousands of yen)	3,745,274	3,745,274	3,782,459	3,660,870	4,008,252
(Profit distribution per unit) (yen)	(2,800)	(2,800)	(2,862)	(2,770)	(3,106)
Of which, total refund of investment equity	–	–	–	–	–
(Refund of investment equity per unit)	(–)	(–)	(–)	(–)	(–)
Of total refund of investment equity, total distribution amount from reserve for temporary difference adjustments	–	–	–	–	–
(Of refund of investment equity per unit, distribution amount per unit from reserve for temporary difference adjustments)	(–)	(–)	(–)	(–)	(–)
Of total refund of investment equity, total distribution amount from distribution reducing unitholders' capital for tax purpose	–	–	–	–	–
(Of refund of investment equity per unit, distribution amount per unit from distribution reducing unitholders' capital for tax purpose)	(–)	(–)	(–)	(–)	(–)

(5) Policy and Issues on Future Investment Management

1) Outlook for business environment

In the real estate transaction market, factors such as there continuing to be vigorous appetite for investment by market participants—even in an environment where domestic interest rates are expected to rise—suggest that there will be no especially significant changes in the market environment. However, going forward, JEI believes that there is a need to closely monitor changes in market participant trends based on domestic and international political, economic, and financial conditions, inflation and economic trends, changes in the Bank of Japan’s fiscal policy management stance, geopolitical risks, etc., and their impact on property prices even further.

In the office building leasing market, demand was strong due to factors such as review and expansion of office functions by companies with personnel recruitment, work-style reform, etc. in mind, and it is expected that the vacancy rate will continue trending downward. With regard to newly concluded rents and ongoing rents, it is anticipated that the upward trend will be maintained given the above office building leasing market conditions and the spread of inflation, and in 2025 and 2026, upward trend of rent revenue should be maintained.

2) Policy and issues on future investment management

A. External growth

JEI upholds a basic policy to acquire competitive properties by means of well-balanced investments based on size and area with the aim of expanding asset size over the medium to long term. To achieve this, it will continue to have the asset management company newly cultivate and refine property information sources in an effort to promptly gain access to market information on disposition of properties and thereby keep seizing the right business opportunities while maintaining a focus on cooperation with its sponsor companies.

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

B. Internal growth

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

C. Financial and capital strategy

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

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

With regard to surplus funds arising in the external growth process, JEI will continue to consider buyback and cancellation of its own investment units while keeping repayment of borrowings and capital costs in mind.

D. Sustainability initiatives, BCP measures, etc.

JEI adopts a basic policy of working to reduce the environmental burden and to cooperate/collaborate with stakeholders to achieve a sustainable society, deeming such as its corporate social responsibility. While continuing to pursue management that considers the environment, mainly around reducing CO₂ emissions, boosting energy use efficiency, and obtaining green building certifications, JEI will aim for better ESG evaluation for the entire portfolio through efforts to boost disaster prevention and security performance, and efforts to enhance tenant convenience and comfort.

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

(6) Subsequent Events
Not applicable.

2. Outline of the Investment Corporation

(1) Investment Units

Fiscal period	34th As of June 30, 2023	35th As of December 31, 2023	36th As of June 30, 2024	37th As of December 31, 2024	38th As of June 30, 2025
Total number of units authorized	10,000,000 units	10,000,000 units	10,000,000 units	10,000,000 units	10,000,000 units
Total number of units issued and outstanding	1,337,598 units	1,337,598 units	1,321,614 units	1,321,614 units	1,290,487 units
Unitholders' capital, net (Note)	145,907 million yen	145,907 million yen	143,907 million yen	143,907 million yen	139,907 million yen
Number of unitholders	7,710 individuals	7,167 individuals	7,211 individuals	6,948 individuals	6,761 individuals

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

(2) Unitholders

Major unitholders as of June 30, 2025, are as follows:

Name	Address	Number of units held (Units)	Ratio of number of units held to outstanding investment units (%) (Note)
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	377,040	29.22
The Master Trust Bank of Japan, Ltd. (Trust Account)	1-8-1 Akasaka, Minato-ku, Tokyo	235,458	18.25
Nippon Steel Kowa Real Estate Co., Ltd.	1-8-1 Akasaka, Minato-ku, Tokyo	134,427	10.42
The Nomura Trust and Banking Co., Ltd. (Investment trust account)	2-2-2 Otemachi, Chiyoda-ku, Tokyo	61,535	4.77
The Dai-ichi Life Insurance Company, Limited	1-13-1 Yuraku-cho, Chiyoda-ku, Tokyo	20,660	1.60
STATE STREET BANK WEST CLIENT - TREATY 505234	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, U.S.A.	18,665	1.45
STATE STREET BANK AND TRUST COMPANY 505103	ONE CONGRESS STREET, SUITE 1, BOSTON, MASSACHUSETTS	16,267	1.26
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	1-9-2 Otemachi, Chiyoda-ku, Tokyo	11,318	0.88
STATE STREET BANK AND TRUST COMPANY 505001	ONE CONGRESS STREET, SUITE 1, BOSTON, MASSACHUSETTS	10,877	0.84
Custody Bank of Japan, Ltd. (Trust Account 4)	1-8-12 Harumi, Chuo-ku, Tokyo	10,365	0.80
Total		896,612	69.48

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

(3) Officers

1) Directors and accounting auditor

Post	Name	Major additional post	Compensation or fee for the six months ended June 30, 2025 (Thousands of yen)
Executive Director	Kazuhiro Ono (Note 2)	Corporate Planning Department Manager, Japan Excellent Asset Management Co., Ltd.	–
Supervisory Director	Eiji Takagi	Eiji Takagi Certified Public Accounting Office	1,800
Supervisory Director	Osamu Hirakawa	Adviser, Foreign Law Joint Venture, Anderson Mori & Tomotsune	1,800
Supervisory Director	Hiroaki Komatsu	Professor, Faculty of Real Estate Sciences, Meikai University	1,800
Accounting Auditor	Ernst & Young ShinNihon LLC	–	19,625 (Note 3)

(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) Kazuhiro Ono was elected as substitute executive director at the general unitholders' meeting held on September 29, 2023, and assumed office on January 8, 2025.

(Note 3) The compensation or fee for the Accounting Auditor includes the fee for the audit of the English financial statements and the fee for non-audit services (fee for third-party guarantor services) in the amount of 7,625 thousand yen. There is no compensation or fee paid to those belonging to the same network as the Accounting Auditor.

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

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

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

Not applicable.

(4) Matters Concerning Directors and Officers Liability Insurance Agreement

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

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

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

JEI's asset management company, asset custodian, and administrative agents as of June 30, 2025, 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)	37th Period (As of December 31, 2024)		38th Period (As of June 30, 2025)	
			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	11,006	3.7	11,024	3.7
		Area II	5,450	1.8	5,541	1.9
		Area IV	1,713	0.6	1,711	0.6
Trust beneficiary interest in real estate		Area I	151,128	51.2	167,701	56.7
		Area II	17,214	5.8	17,217	5.8
		Area III	51,672	17.5	48,643	16.4
		Area IV	23,124	7.8	23,270	7.9
Total			261,310	88.5	275,111	93.0
Equity interest in anonymous association (Note 3)			5,115	1.7	–	–
Deposits in bank and other assets			28,912	9.8	20,654	7.0
Total assets			295,338	100.0	295,765	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). 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). 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). They are, however, not always in line with administrative districts.

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

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

The same applies hereinafter.

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

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

(2) Major Properties

The principal properties (top ten properties in net book value) owned by JEI as of June 30, 2025, 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	26,453	11,021.03	11,021.03	100.0	5.6	Office building
Nisseki Yokohama Building	20,967	40,414.24	40,338.94	99.8	11.7	Office building
Omori Bellport D	20,138	25,828.29	25,828.29	100.0	8.5	Office building
ARK Hills Front Tower	16,982	8,973.84	8,973.84	100.0	1.6	Office building
HAMARIKYU INTERCITY	16,152	19,718.11	19,475.39	98.8	7.9	Office building
Osaki Bright Tower / Osaki Bright Plaza	12,819	5,930.27	5,914.52	99.7	(Note 4)	Office building
Musashikosugi Tower Place	12,223	24,928.37	24,928.37	100.0	7.5	Office building
Kowa Nishi-Shimbashi Building	11,024	8,949.04	8,949.04	100.0	(Note 4)	Office building
Mansard Daikanyama	10,998	5,420.81	5,420.81	100.0	2.2	Office building
Bizcore Jimbocho	9,835	5,261.75	5,261.75	100.0	(Note 4)	Office building
Total	157,596	156,445.75	156,111.98	99.8	—	—

(Note 1) Leasable area refers to area available for lease of which ownership is attributable to JEI as of June 30, 2025. For properties with joint ownership (including quasi co-ownership of trust beneficiary interest), the figure is obtained by taking the leasable area of the entire property and factoring in the percentage of the interest owned by JEI, regarding the figure as JEI's leasable area.

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

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

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

(3) Portfolio Ownership Breakdown

Real estate properties and their forms of ownership as of June 30, 2025, are as follows:

Property No.	Property name	Location (Residential address)	Form of ownership	Appraisal value at end of period (Millions of yen) (Note)	Net book value (Millions of yen)
I-1	Omori Bellport D	6-26-3 Minami-Oi, Shinagawa-ku, Tokyo	Trust beneficiary interest in real estate	25,700	20,138
I-2	Shiba 2-Chome Building	2-6-1 Shiba, Minato-ku, Tokyo	Trust beneficiary interest in real estate	13,700	8,882
I-3	JEI Hamamatsucho Building	2-2-12 Hamamatsu-cho, Minato-ku, Tokyo	Trust beneficiary interest in real estate	8,760	7,885
I-8	AKASAKA INTERCITY	1-11-44 Akasaka, Minato-ku, Tokyo	Trust beneficiary interest in real estate	30,600	26,453
I-10	Daiba Garden City Building	2-3-5 Daiba, Minato-ku, Tokyo	Trust beneficiary interest in real estate	8,520	8,803
I-12	HAMARIKYU INTERCITY	1-9-1 and 15 Kaigan, Minato-ku, Tokyo	Trust beneficiary interest in real estate	29,300	16,152
I-14	Kowa Nishi-Shimbashi Building	2-1-1 Nishi-Shimbashi, Minato-ku, Tokyo	Real estate	12,700	11,024
I-15	Mansard Daikanyama	10-1 Sarugakucho, Shibuya-ku, Tokyo	Trust beneficiary interest in real estate	13,100	10,998
I-16	AKASAKA INTERCITY AIR	1-8-1 Akasaka, Minato-ku, Tokyo	Trust beneficiary interest in real estate	7,950	6,373
I-17	Bizcore Akasaka-mitsuke	3-1-2 Akasaka, Minato-ku, Tokyo	Trust beneficiary interest in real estate	5,900	6,078
I-18	Bizcore Jimbocho	3-9-2 Kanda-ogawamachi, Chiyoda-ku, Tokyo	Trust beneficiary interest in real estate	9,940	9,835
I-19	Bizcore Shibuya	1-3-15 Shibuya, Shibuya-ku, Tokyo	Trust beneficiary interest in real estate	7,260	6,566
I-20	Bizcore Tsukiji	4-6-4 Tsukiji, Chuo-ku, Tokyo	Trust beneficiary interest in real estate	10,200	9,730
I-21	Osaki Bright Tower / Osaki Bright Plaza	5-6-1 Kita-Shinagawa, Shinagawa-ku, Tokyo (Tower) 5-4-1 Kita-Shinagawa, Shinagawa-ku, Tokyo (Plaza)	Trust beneficiary interest in real estate	13,400	12,819
I-22	ARK Hills Front Tower	2-23-1 Akasaka, Minato-ku, Tokyo	Trust beneficiary interest in real estate	17,300	16,982
Area I				214,330	178,725
II-1	NHK Nagoya Housou-Center Building	1-13-3 Higashi-Sakura, Higashi-ku, Nagoya-shi, Aichi	Real estate	5,060	5,541
II-4	GRAND FRONT OSAKA (Umekita Plaza South Building)	4-1 Ohbuka-cho, Kita-ku, Osaka-shi, Osaka (Umekita Plaza) 4-20 Ohbuka-cho, Kita-ku, Osaka-shi, Osaka (South Building)	Trust beneficiary interest in real estate	10,500	9,601
II-5	GRAND FRONT OSAKA (North Building)	3-1 Ohbuka-cho, Kita-ku, Osaka-shi, Osaka	Trust beneficiary interest in real estate	8,170	7,615
Area II				23,730	22,759
III-1	Musashikosugi Tower Place	1-403 Kosugi-machi, Nakahara-ku, Kawasaki-shi, Kanagawa	Trust beneficiary interest in real estate	21,900	12,223
III-5	Kawasaki Nisshincho Building	7-1 Nisshin-cho, Kawasaki-ku, Kawasaki-shi, Kanagawa	Trust beneficiary interest in real estate	3,520	4,315
III-7	JEI Ryogoku Building	3-25-5 Ryogoku, Sumida-ku, Tokyo	Trust beneficiary interest in real estate	2,980	2,391
III-11	Core City Tachikawa	2-37-7 Akebono-cho, Tachikawa-shi, Tokyo	Trust beneficiary interest in real estate	10,200	5,881
III-12	Nisseki Yokohama Building	1-1-8 Sakuragicho, Naka-ku, Yokohama-shi, Kanagawa	Trust beneficiary interest in real estate	30,700	20,967
III-13	Yokohama Bentendori Dai-ichi Seimei Building	4-59 Bentendori, Naka-ku, Yokohama-shi Kanagawa	Trust beneficiary interest in real estate	827	732
III-14	Shin-Yokohama Arena-dori Building	3-7-7 Shin-Yokohama, Kohoku-ku, Yokohama-shi, Kanagawa	Trust beneficiary interest in real estate	2,180	2,132
Area III				72,307	48,643
IV-3	JEI Hiroshima Hacchobori Building	14-4 Hacchobori, Naka-ku, Hiroshima-shi, Hiroshima	Trust beneficiary interest in real estate	4,570	2,943
IV-4	SE Sapporo Building	1-1-2 Kitananajonishi, Kita-ku, Sapporo-shi, Hokkaido	Trust beneficiary interest in real estate	12,400	4,847
IV-5	Aoba-dori Plaza	3-2-1 Chuo, Aoba-ku, Sendai-shi, Miyagi	Trust beneficiary interest in real estate	4,490	2,446
IV-6	Daiwa Minami-morimachi Building	2-6, 2-chome Kita Tenjinbashi, Kita-ku, Osaka-shi, Osaka	Trust beneficiary interest in real estate	5,420	4,241
IV-7	JEI Naha Building	2-8-1 Kumoji, Naha-shi, Okinawa	Trust beneficiary interest in real estate	2,260	1,657
IV-8	Hiroshima Dai-ichi Seimei OS Building	1-2-21 Matoba-cho, Minami-ku, Hiroshima-shi, Hiroshima	Trust beneficiary interest in real estate	3,850	2,866
IV-9	Senshin Building	1-6-27 Chuo, Aoba-ku, Sendai-shi, Miyagi	Real estate	1,570	1,711
IV-10	Sapporo Otemachi Building	4-5-1 Minami Ichijo Nishi, Chuo-ku, Sapporo-shi, Hokkaido	Trust beneficiary interest in real estate	4,634	4,267
Area IV				39,194	24,981
Total				349,561	275,111

(Note) Appraisal value at end of period indicates the appraisal value described in the real estate appraisal report prepared by real estate appraisers belonging to Japan Real Estate Institute, Chuo Real Estate Appraisal Co., Ltd., Japan Valuers Co., Ltd., Daiwa Real Estate Appraisal Co., Ltd. and The Tanizawa Sogo Appraisal Co., Ltd. as of June 30, 2025, pursuant to the articles of incorporation of JEI and the regulations stipulated by the Investment Trusts Association, Japan. For properties with joint ownership (including quasi co-ownership of trust beneficiary interest), the figure is obtained by taking the value of the entire shared real estate and factoring in the percentage of the interest owned by JEI.

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

Property No.	Property name	37th Period July 1, 2024, to December 31, 2024				38th Period January 1, 2025, to June 30, 2025			
		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	23	99.5	871	7.9	24	100.0	893	8.5
I-2	Shiba 2-Chome Building	2 (Note 1)	100.0	380	3.5	2 (Note 1)	100.0	381	3.6
I-3	JEI Hamamatsucho Building	8	100.0	152	1.4	8	100.0	216	2.1
I-8	AKASAKA INTERCITY	17	100.0	578	5.3	17	100.0	585	5.6
I-10	Daiba Garden City Building	5	100.0	345	3.1	5	100.0	343	3.3
I-12	HAMARIKYU INTERCITY	12 (Note 1)	98.3	815	7.4	12 (Note 1)	98.8	822	7.9
I-14	Kowa Nishi-Shimbashi Building	5	100.0	(Note 2)	(Note 2)	5	100.0	(Note 2)	(Note 2)
I-15	Mansard Daikanyama	10	100.0	358	3.3	10	100.0	233	2.2
I-16	AKASAKA INTERCITY AIR	1 (Note 1)	100.0	(Note 2)	(Note 2)	1 (Note 1)	100.0	(Note 2)	(Note 2)
I-17	Bizcore Akasaka-mitsuke	8	100.0	132	1.2	8	100.0	136	1.3
I-18	Bizcore Jimbocho	8	100.0	(Note 2)	(Note 2)	8	100.0	(Note 2)	(Note 2)
I-19	Bizcore Shibuya	7	100.0	155	1.4	7	100.0	156	1.5
I-20	Bizcore Tsukiji	1	100.0	(Note 2)	(Note 2)	1	100.0	(Note 2)	(Note 2)
I-21	Osaki Bright Tower / Osaki Bright Plaza	1 (Note 1)	99.2	(Note 2)	(Note 2)	1 (Note 1)	99.7	(Note 2)	(Note 2)
I-22	ARK Hills Front Tower	—	—	—	—	8	100.0	172	1.6
Area I		108	99.6	—	—	117	99.8	—	—
II-1	NHK Nagoya Housou-Center Building	44	100.0	374	3.4	42	96.2	371	3.6
II-4	GRAND FRONT OSAKA (Umekita Plaza-South Building)	2 (Note 1)	94.3	(Note 2)	(Note 2)	2 (Note 1)	95.9	(Note 2)	(Note 2)
II-5	GRAND FRONT OSAKA (North Building)	5 (Note 1)	99.4	(Note 2)	(Note 2)	5 (Note 1)	98.1	(Note 2)	(Note 2)
Area II		51	98.6	—	—	49	96.8	—	—
III-1	Musashikosugi Tower Place	51	100.0	796	7.3	51	100.0	787	7.5
III-3	JEI Hongo Building	3	84.7	(Note 2)	(Note 2)	—	—	(Note 2)	(Note 2)
III-5	Kawasaki Nisshincho Building	38	98.0	208	1.9	40	100.0	212	2.0
III-7	JEI Ryogoku Building	17	100.0	119	1.1	17	100.0	118	1.1
III-11	Core City Tachikawa	26	100.0	314	2.9	26	100.0	320	3.1
III-12	Nisseki Yokohama Building	51	99.2	1,211	11.0	50	99.8	1,219	11.7
III-13	Yokohama Bentendori Dai-ichi Seimei Building	13	100.0	42	0.4	13	100.0	43	0.4
III-14	Shin-Yokohama Arena-dori Building	11	76.6	72	0.7	12	86.0	56	0.5
Area III		210	98.5	—	—	209	99.6	—	—
IV-3	JEI Hiroshima Hacchobori Building	45	96.7	158	1.4	46	97.3	159	1.5
IV-4	SE Sapporo Building	42	100.0	444	4.0	42	100.0	450	4.3
IV-5	Aoba-dori Plaza	48	99.2	189	1.7	49	98.8	190	1.8
IV-6	Daiwa Minami-morimachi Building	10	100.0	196	1.8	10	100.0	193	1.8
IV-7	JEI Naha Building	18	98.1	92	0.8	19	100.0	91	0.9
IV-8	Hiroshima Dai-ichi Seimei OS Building	30	100.0	155	1.4	29	100.0	157	1.5
IV-9	Senshin Building	17	87.4	48	0.4	16	69.0	47	0.4
IV-10	Sapporo Otemachi Building	27	98.4	165	1.5	24	78.5	137	1.3
Area IV		237	98.6	—	—	235	96.2	—	—
Total		606	99.0	10,981	100.0	610	98.9	10,466	100.0

- (Note 1) Total number of tenants indicates the number of end tenants in principle. When a tenant has multiple tenancies in the same property, it is counted as one tenant, and when in multiple properties, it is counted as multiple tenants. However, for properties in which the residential portion or the percentage of the interest owned by JEI is relatively low, the number of tenants indicates the number of master lease companies for the property, considering a master lease company as a tenant.
- (Note 2) Not disclosed, as consent for disclosure has not been obtained.
- (Note 3) JEI completed transfer of Hongo Building on January 17, 2025.

(4) Securities Portfolio

Not applicable.

(5) Renewable Power Generation Facility

None

(6) Right to Operate Public Facility

None

(7) Other Assets

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

Classification	Type	Contract amount (Thousands of yen) (Note 1)		Fair value (Thousands of yen) (Note 2)
			Over one year	
Over-the-counter transaction	Interest rate swap transactions Floating interest rate receivable Fixed interest rate payable	16,100,000	8,600,000	–

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

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

2) Shares

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

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

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

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

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

(Note 5) The assessed value of these unlisted shares states the book value.

3) Securities other than shares

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

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

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

4) Other assets

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

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

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

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

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

4. Capital Expenditures for Owned Properties

(1) Scheduled Capital Expenditures

The following table shows major items of scheduled capital expenditures for repairs and maintenance planned for the properties owned by JEI as of the end of the 38th period (ended June 30, 2025). The values below include portions to be expensed for accounting purposes.

Property name	Location	Purpose	Schedule term	Estimated construction costs (Millions of yen)		
				Total	Payment for the six months ended June 30, 2025	Total of advance payment
Shiba 2-Chome Building	Minato-ku, Tokyo	Update of absorption-type hot and chilled water generator	From September 2025 To December 2025	278	—	—
Nisseki Yokohama Building	Yokohama-shi, Kanagawa	Conversion to LED lighting in exclusively-owned sections (Phase 2)	From August 2025 To December 2025	116	—	—
Aoba-dori Plaza	Sendai-shi, Miyagi	Renewal of elevator control system (Phase 3)	From July 2025 To December 2025	61	—	—
Sapporo Otemachi Building	Sapporo-shi, Hokkaido	Maintenance of rent rooms	From October 2025 To December 2025	50	—	—
HAMARIKYU INTERCITY	Minato-ku, Tokyo	Conversion to LED lighting in exclusively-owned sections and common areas (Phase 2)	From July 2025 To December 2025	48	—	—
SE Sapporo Building	Sapporo-shi, Hokkaido	Conversion to LED lighting in exclusively-owned sections (Phase 2)	From November 2025 To December 2025	46	—	—
Shiba 2-Chome Building	Minato-ku, Tokyo	Repair of exterior walls (Phase 4)	From April 2025 To July 2025	38	—	—
SE Sapporo Building	Sapporo-shi, Hokkaido	Update of power receiving and transforming equipment (Phase 3)	From September 2025 To December 2025	37	—	—
Shiba 2-Chome Building	Minato-ku, Tokyo	Repair of exterior walls (Phase 3)	From February 2025 To July 2025	35	—	—
Hiroshima Dai-ichi Seimei OS Building	Hiroshima-shi, Hiroshima	Conversion to LED lighting in exclusively- owned sections (Phase 3)	From October 2025 To December 2025	33	—	—
Nisseki Yokohama Building	Yokohama-shi, Kanagawa	Replacement of steam header valve, etc.	From October 2025 To December 2025	32	—	—
Yokohama Bentendori Dai-ichi Seimei Building	Yokohama-shi, Kanagawa	Conversion to LED lighting in exclusively- owned sections (Phase 1)	From September 2025 To December 2025	14	—	—

(2) Capital Expenditures for the Six Months Ended June 30, 2025

The following table shows constructions conducted by JEI during the period ended June 30, 2025, and expensed as capital expenditures. Capital expenditures for the period ended June 30, 2025, were 1,436 million yen and, when combined with repairs and maintenance costs of 169 million yen classified as expenses in the period under review, the amount of constructions completed totaled 1,605 million yen.

Property name	Location	Purpose	Term	Amount Paid (Millions of yen)
NHK Nagoya Housou-Center Building	Nagoya-shi, Aichi	Update of central monitoring equipment and building multi-man-machine	From October 2023 To March 2025	92
HAMARIKYU INTERCITY	Minato-ku, Tokyo	Conversion to LED lighting in exclusively-owned sections and common areas (Phase 1)	From March 2025 To May 2025	72
Nisseki Yokohama Building	Yokohama-shi, Kanagawa	Conversion to LED lighting in exclusively-owned sections (Phase 1)	From May 2025 To June 2025	70
Shin-Yokohama Arena-dori Building	Yokohama-shi, Kanagawa	Maintenance of rent rooms	From November 2024 To February 2025	61
Musashikosugi Tower Place	Kawasaki-shi, Kanagawa	Update of emergency elevators (Phase 2)	From January 2025 To March 2025	53
Kawasaki Nisshincho Building	Kawasaki-shi, Kanagawa	Renewal of emergency elevator control system	From April 2025 To June 2025	47
Musashikosugi Tower Place	Kawasaki-shi, Kanagawa	Renovation of exterior walls (low-rise)	From October 2024 To February 2025	47
HAMARIKYU INTERCITY	Minato-ku, Tokyo	Maintenance of parking equipment	From January 2025 To June 2025	38
SE Sapporo Building	Sapporo-shi, Hokkaido	Conversion to LED lighting in exclusively-owned sections (Phase 1)	From May 2025 To June 2025	35
NHK Nagoya Housou-Center Building	Nagoya-shi, Aichi	Update of elevators	From September 2024 To January 2025	34
Aoba-dori Plaza	Sendai-shi, Miyagi	Renewal of elevator control system (Phase 2)	From January 2025 To March 2025	33
Other constructions				848
Total				1,436

(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	34th Period January 1, 2023, to June 30, 2023	35th Period July 1, 2023, to December 31, 2023	36th Period January 1, 2024, to June 30, 2024	37th Period July 1, 2024, to December 31, 2024	38th Period January 1, 2025, to June 30, 2025
Reserved funds at beginning of period	447	414	578	207	311
Increase	851	724	696	492	745
Decrease	884	560	1,067	388	854
Reserved funds at the end of period	414	578	207	311	202

5. Expenses and Liabilities

(1) Expenses Associated with Asset Management

(Unit: Thousands of yen)

Account	37th Period July 1, 2024, to December 31, 2024	38th Period January 1, 2025, to June 30, 2025
(a) Asset management fees	454,398	472,175
(b) Custodian fees	22,583	21,973
(c) Administrative service fees	41,584	40,324
(d) Compensation for directors	5,400	5,400
(e) Accounting auditor fees	12,000	12,000
(f) Other	110,500	107,411
Total	646,467	659,285

(2) Borrowings

Borrowings by each financing source as of the end of the 38th period (ended June 30, 2025) are as follows:

	Classification	Drawdown date	Balance at beginning of period (Thousands of yen)	Balance at end of period (Thousands of yen)	Average interest rate (%) (Note 1)	Maturity date	Repayment method	Use	Remarks
	Lender								
Short-term loans	Mizuho Bank, Ltd.	April 15, 2025	–	6,800,000	0.81375	April 15, 2026 (Note 3)	Lump-sum	Purchase of real estate	Unsecured and non-guaranteed
	Subtotal		–	6,800,000					
Long-term loans due within one year	Mizuho Bank, Ltd.	September 30, 2022	2,000,000	–	0.80455	March 31, 2025	Lump-sum	Repayment of existing borrowing	Unsecured and non-guaranteed
	Mizuho Bank, Ltd.	June 29, 2018	3,700,000	–	0.67400 (Note 2)	June 30, 2025			
	MUFG Bank, Ltd.		1,000,000	–					
	Sumitomo Mitsui Banking Corporation		400,000	–					
	The Norinchukin Bank		1,000,000	–					
	Shinkin Central Bank		1,000,000	–					
	The Bank of Fukuoka, Ltd.		700,000	–					
	Resona Bank, Limited		200,000	–					
	Mizuho Bank, Ltd.	November 1, 2018	850,000	850,000	0.70600 (Note 2)	November 1, 2025			
	MUFG Bank, Ltd.		850,000	850,000					
	Mizuho Trust & Banking Co., Ltd.		600,000	600,000					
	The Norinchukin Bank		1,450,000	1,450,000					
	Mizuho Bank, Ltd.	November 29, 2021	520,000	520,000	1.04368	November 29, 2025			
	MUFG Bank, Ltd.		540,000	540,000					
	Sumitomo Mitsui Banking Corporation		1,080,000	1,080,000					
	Sumitomo Mitsui Trust Bank, Limited		1,620,000	1,620,000					
	Mizuho Bank, Ltd.	September 29, 2017	–	2,200,000	0.83441 (Note 2)	March 31, 2026			
	MUFG Bank, Ltd.		–	1,750,000					
	Sumitomo Mitsui Banking Corporation		–	1,100,000					
	The Norinchukin Bank		–	850,000					
Aozora Bank, Ltd.	–		500,000						
Mizuho Bank, Ltd.	March 8, 2019	–	850,000	0.57100 (Note 2)	March 31, 2026				
MUFG Bank, Ltd.		–	850,000						
Mizuho Trust & Banking Co., Ltd.		–	600,000						
The Norinchukin Bank		–	1,450,000						
	Subtotal		17,510,000	17,660,000					
Long-term loans	Mizuho Bank, Ltd.	September 29, 2017	2,200,000	–	0.83441 (Note 2)	March 31, 2026	Lump-sum	Repayment of existing borrowing	Unsecured and non-guaranteed
	MUFG Bank, Ltd.		1,750,000	–					
	Sumitomo Mitsui Banking Corporation		1,100,000	–					
	The Norinchukin Bank		850,000	–					
	Aozora Bank, Ltd.		500,000	–					
	Mizuho Bank, Ltd.	March 8, 2019	850,000	–	0.57100 (Note 2)				
	MUFG Bank, Ltd.		850,000	–					
	Mizuho Trust & Banking Co., Ltd.		600,000	–					
	The Norinchukin Bank		1,450,000	–					

	Classification	Drawdown date	Balance at beginning of period (Thousands of yen)	Balance at end of period (Thousands of yen)	Average interest rate (%) (Note 1)	Maturity date	Repayment method	Use	Remarks
	Lender								
Long-term loans	Development Bank of Japan Inc.	September 29, 2017	1,300,000	1,300,000	0.83071 (Note 2)	September 30, 2026	Lump-sum	Repayment of existing borrowing	Unsecured and non-guaranteed
	Mizuho Bank, Ltd.	June 29, 2018	1,300,000	1,300,000	0.79100 (Note 2)	December 30, 2026			
	MUFG Bank, Ltd.		1,000,000	1,000,000					
	Sumitomo Mitsui Banking Corporation		700,000	700,000					
	Sompo Japan Insurance Inc.	January 31, 2022	2,000,000	2,000,000	0.28000 (Note 2)	January 31, 2027			
	Tokio Marine & Nichido Fire Insurance Co., Ltd.		1,000,000	1,000,000					
	Sompo Japan Insurance Inc.	November 30, 2022	500,000	500,000	0.34000 (Note 2)	November 30, 2027			
	Tokio Marine & Nichido Fire Insurance Co., Ltd.		500,000	500,000					
	MUFG Bank, Ltd.	November 30, 2023	1,250,000	1,250,000	1.03368				
	MUFG Bank, Ltd.	November 29, 2024	590,000	590,000	1.08125 (Note 2)				
	The Bank of Fukuoka, Ltd.	June 30, 2025	-	700,000	1.04727	June 30, 2028			
	Development Bank of Japan Inc.	January 31, 2020	2,000,000	2,000,000	0.68778 (Note 2)	July 31, 2028			
	The Bank of Fukuoka, Ltd.	November 29, 2024	150,000	150,000	1.17125 (Note 2)	November 30, 2028			
	Mizuho Bank, Ltd.	January 31, 2020	1,175,000	1,175,000	0.71200 (Note 2)	January 31, 2029			
	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					
	Shinkin Central Bank		June 30, 2025	-					
	Sumitomo Mitsui Banking Corporation	November 30, 2023	3,640,000	3,640,000	1.07368	November 30, 2029			
	Resona Bank, Limited	November 29, 2024	1,000,000	1,000,000	1.26375 (Note 2)				
	Aozora Bank, Ltd.		750,000	750,000					
	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	1,950,000	1.14426				
	MUFG Bank, Ltd.		2,000,000	2,000,000					
	Mizuho Trust & Banking Co., Ltd.		1,200,000	1,200,000					
	Resona Bank, Limited		600,000	600,000					
	Mizuho Bank, Ltd.	December 30, 2022	1,950,000	1,950,000	1.08507	January 31, 2030			
	MUFG Bank, Ltd.		2,000,000	2,000,000					
	Mizuho Trust & Banking Co., Ltd.		1,200,000	1,200,000					
	Resona Bank, Limited		600,000	600,000					
Mizuho Bank, Ltd.	November 29, 2024	870,000	870,000	1.31444 (Note 2)	May 31, 2030				
Mizuho Trust & Banking Co., Ltd.		1,560,000	1,560,000						

Classification	Drawdown date	Balance at beginning of period (Thousands of yen)	Balance at end of period (Thousands of yen)	Average interest rate (%) (Note 1)	Maturity date	Repayment method	Use	Remarks		
	Lender									
Long-term loans	The Dai-ichi Life Insurance Company Limited	June 30, 2021	2,000,000	2,000,000	0.65000 (Note 2)	June 28, 2030	Lump-sum	Repayment of existing borrowing	Unsecured and non-guaranteed	
	Resona Bank, Limited	June 30, 2025	–	200,000	1.49125 (Note 2)					
	Mizuho Bank, Ltd.		–	3,700,000	1.49598 (Note 2)					
	The Norinchukin Bank	November 30, 2023	1,500,000	1,500,000	1.09368	November 29, 2030				
	Resona Bank, Limited		1,000,000	1,000,000						
	Aozora Bank, Ltd.		1,250,000	1,250,000						
	The Bank of Fukuoka, Ltd.		150,000	150,000						
	Sumitomo Mitsui Banking Corporation	June 30, 2025	–	400,000	1.52772 (Note 2)	December 30, 2030				
	Sumitomo Mitsui Banking Corporation	November 29, 2024	350,000	350,000	1.39000 (Note 2)	May 30, 2031				
	Development Bank of Japan Inc.	June 30, 2022	2,000,000	2,000,000	1.08125 (Note 2)	June 30, 2031				
	The Norinchukin Bank	June 30, 2025	–	1,000,000	1.57125 (Note 2)					
	Mizuho Bank, Ltd.	November 30, 2023	420,000	420,000	1.12368	November 28, 2031				
	Mizuho Trust & Banking Co., Ltd.		1,560,000	1,560,000						
	Development Bank of Japan Inc.	April 26, 2024	2,000,000	2,000,000	1.39750 (Note 2)	April 26, 2032				Purchase of real estate
	Development Bank of Japan Inc.	May 31, 2024	3,500,000	3,500,000	1.60750 (Note 2)	May 31, 2033				Repayment of existing borrowing
	The Dai-ichi Life Insurance Company Limited	December 7, 2023	3,000,000	3,000,000	1.30000 (Note 2)	December 7, 2033				Purchase of real estate
Subtotal		69,090,000	65,940,000							
Total		86,600,000	90,400,000							

(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).

(Note 3) Borrowing of 8,000,000 thousand was conducted on April 15, 2025, and partial early repayment of 1,200,000 thousand yen was conducted on June 30, 2025.

(3) Investment Corporation Bonds

The outstanding investment corporation bonds issued by JEI as of June 30, 2025, 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	8th series unsecured investment corporation bonds	September 9, 2015	5,000,000	5,000,000	1.03000	September 9, 2025	Lump-sum	(Note 1)	(Note 3)
	9th series unsecured investment corporation bonds	October 27, 2016	2,000,000	2,000,000	0.45000	October 27, 2026		(Note 2)	
	11th series unsecured investment corporation bonds	April 25, 2017	7,000,000	7,000,000	0.65000	April 23, 2027		(Note 1)	
	13th series unsecured investment corporation bonds	April 20, 2018	2,000,000	2,000,000	0.95000	April 20, 2033		(Note 2)	
	15th series unsecured investment corporation bonds	September 10, 2019	1,000,000	1,000,000	1.07000	September 9, 2039		(Note 1)	
	17th series unsecured investment corporation bonds	March 30, 2023	2,000,000	2,000,000	0.95000	March 30, 2032			
	18th series unsecured investment corporation bonds	December 19, 2023	2,000,000	2,000,000	1.32900	December 19, 2033		(Note 2)	
	20th series unsecured investment corporation bonds	February 8, 2024	2,400,000	2,400,000	1.39200	February 8, 2034			
	Subtotal		23,400,000	23,400,000					
Green bonds	14th series unsecured investment corporation bonds	August 10, 2018	4,000,000	4,000,000	0.63000	August 10, 2028	Lump-sum	(Note 1)	(Note 3)
	16th series unsecured investment corporation bonds	October 29, 2020	5,000,000	5,000,000	0.75000	October 29, 2035		(Note 2)	
	19th series unsecured investment corporation bonds	February 8, 2024	2,000,000	2,000,000	0.72400	February 8, 2029		(Note 2)	
	21st series unsecured investment corporation bonds	July 16, 2024	4,800,000	4,800,000	1.74000	July 14, 2034		(Note 1)	
	22nd series unsecured investment corporation bonds	October 30, 2024	3,800,000	3,800,000	1.69600	October 13, 2034			
	Subtotal		19,600,000	19,600,000					
Total		43,000,000	43,000,000						

(Note 1) The funds were used for repaying existing borrowings.

(Note 2) The funds were used for redeeming existing investment corporation bonds.

(Note 3) The bonds are with special pari passu conditions among specified investment corporation bonds.

(4) Short-Term Investment Corporation Bonds

None

(5) Subscription Rights for New Investment Units

None

6. Condition of Investment Transactions

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

(Millions of yen)

Type of asset	Name of real estate property or asset-backed securities, etc.	Acquisition		Transfer			
		Acquisition date	Acquisition price (Note 1)	Transfer date	Transfer price (Note 1)	Net book value (Note 2)	Gain (loss) on transfer (Note 3)
Trust beneficiary interest in real estate	JEI Hongo Building (60.0% quasi co-ownership interest)	–	–	January 17, 2025	3,690	2,900	768
Trust beneficiary interest in real estate	ARK Hills Front Tower	April 25, 2025	17,250	–	–	–	–
Total		–	17,250	–	3,690	2,900	768

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

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

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

(2) Transactions of Other Assets

There were no applicable items during the period.

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

1) Real estate, etc.

Acquisition or transfer	Name of property	Type of asset	Acquisition/transfer date	Acquisition/transfer price (Millions of yen) (Note 1)	Appraisal value (Millions of yen)	Appraiser	Appraisal date
Transfer	JEI Hongo Building (60.0% quasi co-ownership interest)	Trust beneficiary interest in real estate	January 17, 2025	3,690	2,706 (Note 2)	Japan Valuers Co., Ltd.	December 31, 2023
Acquisition	ARK Hills Front Tower	Trust beneficiary interest in real estate	April 15, 2025	17,250	17,300	Japan Real Estate Institute	February 1, 2025

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

(Note 2) Appraisal value for JEI Hongo Building indicates the amount obtained by multiplying the appraisal value for the entire property by 60%, which is the quasi co-ownership trust beneficiary interest subject to transfer.

2) Others

There were no applicable items during the period.

(4) Transactions with Interested Parties

1) Transactions

Classification	Acquisition price or disposal amount	
	Acquisition price	Disposal amount
Total amount	17,250 million yen	3,690 million yen
Breakdown for transactions with interested parties		
Akasaka 2-chome Godo Kaisha	17,250 million yen (100%)	– million yen (–%)
Total	17,250 million yen (100%)	– million yen (–%)

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

2) Amounts of fees paid and other expenses

(Unit: Thousands of yen)

Classification	Total amount paid (A)	Breakdown of transactions with interested parties		B/A
		Paid to	Amount paid (B)	
Property management costs and fees	1,489,830	The Dai-ichi Building Co., Ltd.	522,238	35.1%
		Nippon Steel Kowa Real Estate Co., Ltd.	309,820	20.8%
		Sohgo Housing Co., Ltd.	111,398	7.5%
		Akasaka Intercity Management Co., Ltd.	27,526	1.8%
Real estate brokerage fees	18,450	Nippon Steel Kowa Real Estate Co., Ltd.	18,450	100.0%
Total	1,508,280	–	989,433	65.6%

(Note 1) Figures indicate fees paid to interested parties of the asset management company with whom JEI had direct transactions during the six months ended June 30, 2025.

(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.	354,389 thousand yen
The Dai-ichi Building Co., Ltd.	16,782 thousand yen
Nippon Steel Kowa Real Estate Co., Ltd.	8,697 thousand yen

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

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

7. Accounting

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

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

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

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

(2) Change in Depreciation Calculation Method

No changes were made during the period.

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

No changes were made during the period.

8. Others

(1) Notice

1) General unitholders' meeting

There were no applicable items during the period.

2) Board of directors' meeting

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

Approved date	Approved agenda	Summary
February 21, 2025	Entrustment of general administrative duties concerning investment corporation bonds	The board of directors made a comprehensive resolution on investment corporation bonds to be issued in the period from February 21, 2025, to February 8, 2026. The board of directors approved the respective candidate general administrator for "administrative duties concerning offering of investment corporation bonds" and "administrative duties concerning acceptance of claims for exercise of rights and other inquiries from holders on investment corporation bonds, and other administrative duties concerning investment corporation bonds during the period" and assigned decisions on all other necessary matters to the Executive Director.
February 21, 2025	Conclusion of discretionary transaction contract for services relating to market purchase of own investment units	The board of directors decided on matters related to acquiring own investment units during the acquisition period from February 25, 2025, to May 30, 2025. It approved the conclusion of a discretionary transaction contract with Mizuho Securities Co., Ltd. to acquire own investment units through market purchase, via which it will entrust services related to acquiring own investment units. The entrustment of the applicable services will end upon the termination of the purchase 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
June 30, 2025 and December 31, 2024
with Independent Auditor's Report*

Japan Excellent, Inc.

Balance Sheets

As of June 30, 2025 and December 31, 2024

	As of <u>June 30, 2025</u>	As of <u>December 31, 2024</u>
	<i>(Thousands of yen)</i>	
Assets		
Current assets:		
Cash and cash equivalents including trust accounts <i>(Note 5)</i>	15,632,533	25,136,299
Rental receivables	417,131	431,773
Prepaid expenses and other current assets	1,359,540	398,812
Total current assets	<u>17,409,204</u>	<u>25,966,885</u>
Property and equipment <i>(Note 8)</i> :		
Buildings and building improvements	9,051,705	8,808,108
Machinery and equipment	16,166	11,987
Furniture and fixtures	62,263	62,263
Land	10,609,617	10,609,617
Construction in progress	31,777	25,818
Buildings and building improvements for trust accounts	108,972,757	106,532,589
Machinery and equipment for trust accounts	1,528,472	1,448,607
Furniture and fixtures for trust accounts	311,547	301,141
Land for trust accounts	180,346,058	168,233,989
Construction in progress for trust accounts	87,585	76,336
Less: accumulated depreciation	<u>(39,678,904)</u>	<u>(38,574,795)</u>
Net property and equipment	<u>271,339,048</u>	<u>257,535,664</u>
Intangible assets:		
Leasehold rights	1,721,607	1,721,607
Leasehold rights for trust accounts	1,976,372	1,976,372
Software	2,256	2,544
Other intangible assets for trust accounts	74,078	77,176
Total intangible assets	<u>3,774,314</u>	<u>3,777,700</u>
Investments and other assets:		
Investment securities	86,741	5,201,804
Deferred tax assets	13	15
Security deposits	33,826	33,826
Long-term prepaid expenses	992,865	1,047,472
Other assets	1,964,564	1,595,681
Total investments and other assets	<u>3,078,011</u>	<u>7,878,800</u>
Deferred assets:		
Investment corporation bond issuance costs	164,585	179,174
Total deferred assets	<u>164,585</u>	<u>179,174</u>
Total assets	<u><u>295,765,165</u></u>	<u><u>295,338,225</u></u>

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

	As of June 30, 2025	As of December 31, 2024
	<i>(Thousands of yen)</i>	
Liabilities		
Current liabilities:		
Accounts payable – trade	1,094,560	1,334,331
Short-term loans <i>(Note 9)</i>	6,800,000	–
Investment corporation bonds due within one year <i>(Notes 6 and 10)</i>	5,000,000	5,000,000
Long-term debt due within one year <i>(Notes 6 and 9)</i>	17,660,000	17,510,000
Accounts payable – other	486,961	460,291
Accrued expenses	224,243	221,276
Accrued corporation taxes	691	697
Accrued consumption taxes	–	721,451
Advances received	40,121	29,781
Other current liabilities	10,017	16,467
Total current liabilities	<u>31,316,596</u>	<u>25,294,298</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>	65,940,000	69,090,000
Security deposits from tenants	1,180,214	1,253,916
Security deposits from tenants for trust accounts	13,462,490	12,625,073
Total long-term liabilities	<u>118,582,704</u>	<u>120,968,990</u>
Total liabilities	<u>149,899,300</u>	<u>146,263,288</u>
Net assets <i>(Note 11)</i>		
Unitholders' equity:		
Unitholders' capital	147,907,649	147,907,649
Deduction from unitholders' capital	<u>(7,999,752)</u>	<u>(3,999,850)</u>
Unitholders' capital, net	<u>139,907,896</u>	<u>143,907,798</u>
Surplus		
Voluntary reserve		
Reserve for advanced depreciation of non-current assets	1,506,268	1,424,140
Retained earnings	<u>4,451,699</u>	<u>3,742,997</u>
Total surplus	<u>5,957,967</u>	<u>5,167,138</u>
Total unitholders' equity	<u>145,865,864</u>	<u>149,074,937</u>
Total net assets	<u>145,865,864</u>	<u>149,074,937</u>
Total liabilities and net assets	<u>295,765,165</u>	<u>295,338,225</u>

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

Japan Excellent, Inc.

Statements of Income and Retained Earnings

For the periods from January 1, 2025 to June 30, 2025
and from July 1, 2024 to December 31, 2024

	For the period from January 1, 2025 to June 30, 2025	For the period from July 1, 2024 to December 31, 2024
	<i>(Thousands of yen)</i>	
Revenues <i>(Note 14)</i> :		
Rental business revenues <i>(Note 16)</i>	9,679,972	10,012,087
Other <i>(Note 16)</i>	786,519	969,575
Gain on sales of real estate properties <i>(Notes 15 and 16)</i>	768,656	1,689,470
Dividend income from investment in anonymous association	212,594	81,167
Total revenues	<u>11,447,742</u>	<u>12,752,301</u>
Operating expenses <i>(Note 14)</i> :		
Property operating expenses <i>(Note 16)</i>	5,557,221	6,007,709
Loss on sales of real estate properties <i>(Notes 15 and 16)</i>	—	1,614,546
Asset management fees	472,175	454,398
Custodian fees	21,973	22,583
Administrative service fees	40,324	41,584
Compensation for directors	5,400	5,400
Other	119,411	122,500
Total operating expenses	<u>6,216,507</u>	<u>8,268,723</u>
Operating income	<u>5,231,234</u>	<u>4,483,578</u>
Other income:		
Interest income	10,185	1,565
Other	355	288
Other expenses:		
Interest expense	406,161	376,814
Loan arrangement fees	145,514	145,575
Interest expense on investment corporation bonds	218,853	196,093
Amortization of investment corporation bond issuance costs	14,589	13,963
Other	4,060	9,017
Ordinary income	<u>4,452,596</u>	<u>3,743,967</u>
Income before income taxes	4,452,596	3,743,967
Income taxes <i>(Note 13)</i> :		
Current	895	971
Deferred	1	(1)
Net income	<u>4,451,699</u>	<u>3,742,997</u>
Retained earnings at beginning of period	—	—
Retained earnings at end of period	<u>4,451,699</u>	<u>3,742,997</u>

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

Japan Excellent, Inc.

Statements of Changes in Net Assets

For the periods from January 1, 2025 to June 30, 2025
and from July 1, 2024 to December 31, 2024

For the period from January 1, 2025 to June 30, 2025										
Net assets										
Unitholders' equity										
Surplus										
Number of units in issue	Unitholders' capital	Deduction from unitholders' capital	Unitholders' capital, net	Voluntary reserve	Retained earnings	Total surplus	Treasury investment units	Total unitholders' equity	Total net assets	
				Reserve for advanced depreciation of non-current assets						
<i>(Thousands of yen)</i>										
Balance as of December 31, 2024	1,321,614	147,907,649	(3,999,850)	143,907,798	1,424,140	3,742,997	5,167,138	—	149,074,937	149,074,937
Changes during the fiscal period:										
Provision of reserve for reduction entry	—	—	—	—	82,289	(82,289)	—	—	—	—
Reversal of reserve for reduction entry	—	—	—	—	(162)	162	—	—	—	—
Distributions from retained earnings	—	—	—	—	—	(3,660,870)	(3,660,870)	—	(3,660,870)	(3,660,870)
Net income	—	—	—	—	—	4,451,699	4,451,699	—	4,451,699	4,451,699
Acquisition of treasury investment units	—	—	—	—	—	—	—	(3,999,901)	(3,999,901)	(3,999,901)
Cancellation of treasury investment units	(31,127)	—	(3,999,901)	(3,999,901)	—	—	—	3,999,901	—	—
Total changes during the fiscal period	—	—	(3,999,901)	(3,999,901)	82,127	708,701	790,828	—	(3,209,073)	(3,209,073)
Balance as of June 30, 2025	1,290,487	147,907,649	(7,999,752)	139,907,896	1,506,268	4,451,699	5,957,967	—	145,865,864	145,865,864

For the period from July 1, 2024 to December 31, 2024									
Net assets									
Unitholders' equity									
Surplus									
Number of units in issue	Unitholders' capital	Deduction from unitholders' capital	Unitholders' capital, net	Voluntary reserve	Retained earnings	Total surplus	Total unitholders' equity	Total net assets	
				Reserve for advanced depreciation of non-current assets					
<i>(Thousands of yen)</i>									
Balance as of June 30, 2024	1,321,614	147,907,649	(3,999,850)	143,907,798	1,006,060	4,200,539	5,206,600	149,114,398	149,114,398
Changes during the fiscal period:									
Provision of reserve for reduction entry	—	—	—	—	418,080	(418,080)	—	—	—
Distributions from retained earnings	—	—	—	—	—	(3,782,459)	(3,782,459)	(3,782,459)	(3,782,459)
Net income	—	—	—	—	—	3,742,997	3,742,997	3,742,997	3,742,997
Total changes during the fiscal period	—	—	—	—	418,080	(457,541)	(39,461)	(39,461)	(39,461)
Balance as of December 31, 2024	1,321,614	147,907,649	(3,999,850)	143,907,798	1,424,140	3,742,997	5,167,138	149,074,937	149,074,937

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

Japan Excellent, Inc.

Statements of Cash Flows

For the periods from January 1, 2025 to June 30, 2025
and from July 1, 2024 to December 31, 2024

	For the period from January 1, 2025 to June 30, 2025	For the period from July 1, 2024 to December 31, 2024
	<i>(Thousands of yen)</i>	
Cash flows from operating activities		
Income before income taxes	4,452,596	3,743,967
Depreciation and amortization	1,761,878	1,866,254
Amortization of investment corporation bond issuance costs	14,589	13,963
Interest income	(10,185)	(1,565)
Interest expense	625,014	572,907
Decrease (increase) in rental receivables	14,642	(45,775)
Decrease (increase) in consumption taxes refundable	(297,923)	—
Decrease (increase) in prepaid expense	(73,196)	22,970
Increase (decrease) in accounts payable – trade	(432,175)	73,835
Increase (decrease) in accounts payable – other	26,717	(18,389)
Increase (decrease) in unpaid consumption taxes	(721,451)	529,965
Increase (decrease) in advances received	10,340	(24,915)
Decrease (increase) in long-term prepaid expenses	54,606	67,235
Decrease in property and equipment for trust accounts due to sale	2,900,026	9,249,003
Decrease in intangible assets for trust accounts due to sale	—	5,405,644
Other, net	(966,949)	(83,808)
Subtotal	7,358,530	21,371,293
Interest received	10,185	1,565
Interest paid	(622,047)	(515,759)
Income taxes paid	(697)	(686)
Net cash provided by (used in) operating activities	6,745,970	20,856,413
Cash flows from investing activities		
Proceeds from redemption of investment securities	5,115,063	14,768
Purchases of property and equipment	(217,527)	(200,427)
Purchases of property and equipment for trust accounts	(18,050,472)	(1,155,012)
Payments for lease and guarantee deposits	—	(14,000)
Proceeds from security deposits from tenants	2,084	20,814
Payments for security deposits to tenants	(75,786)	(29,606)
Proceeds from security deposits in trust accounts from tenants	1,309,931	645,433
Payments for security deposits in trust accounts to tenants	(472,515)	(1,137,100)
Net cash provided by (used in) investing activities	(12,389,222)	(1,855,130)
Cash flows from financing activities		
Proceeds from short-term loans	8,000,000	—
Repayment for short-term loans	(1,200,000)	(16,600,000)
Proceeds from long-term debt	7,000,000	5,270,000
Repayment for long-term debt	(10,000,000)	(6,270,000)
Proceeds from issuance of investment corporation bonds	—	8,544,407
Payments for acquisition of treasury investment units	(3,999,901)	—
Distributions to unitholders	(3,660,611)	(3,782,097)
Net cash provided by (used in) financing activities	(3,860,513)	(12,837,690)
Net increase (decrease) in cash and cash equivalents	(9,503,765)	6,163,592
Cash and cash equivalents at beginning of period	25,136,299	18,972,706
Cash and cash equivalents at end of period (Note 5)	15,632,533	25,136,299

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

Japan Excellent, Inc.

Notes to Financial Statements

For the periods from January 1, 2025 to June 30, 2025
and from July 1, 2024 to December 31, 2024

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. Due to the transfers of ownership by The Dai-ichi Life Insurance Company, Limited, THE DAI-ICHI BUILDING CO., LTD., and SOHGO HOUSING CO., Ltd., from June 25, 2025 to June 27, 2025, an ownership interest of 36% was acquired by Dai-ichi Life Holdings, Inc.

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

As of June 30, 2025, JEI held 33 properties with 302,340.95 square meters of total leasable space and had leases with 610 tenants excluding residential tenants.

2. Basis of Presentation

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

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

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

3. Summary of Significant Accounting Policies

Cash and cash equivalents

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

Investment securities

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

Property and equipment including trust accounts

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

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

Intangible assets

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

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

Deferred assets

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

Revenue recognition

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

- Sale of real estate, etc.

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

3. Summary of Significant Accounting Policies (continued)

- Utilities income

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

Income taxes

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

Consumption taxes

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

Property-related taxes

Principally, property-related taxes including property taxes, urban planning taxes and depreciable property taxes are imposed on a calendar-year basis and are expensed as property and other taxes (refer to Note 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 January 1, 2025 to June 30, 2025 was ¥44,571 thousand.

The capitalized amount for the period from July 1, 2024 to December 31, 2024 was ¥0.

Derivatives and hedge accounting

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

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

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

3. Summary of Significant Accounting Policies (continued)

Properties in trust accounts

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

4. New Accounting Standards Not Yet Applied

Accounting Standard for Leases, etc. • “Accounting Standard for Leases” (ASBJ Statement No. 34, September 13, 2024, ASBJ) • “Implementation Guidance on Accounting Standard for Leases” (ASBJ Guidance No. 33, September 13, 2024, ASBJ), etc.

(1) Overview

As part of its efforts to ensure consistency between Japanese GAAP and international accounting standards, the ASBJ reviewed the Accounting Standard for Leases to recognize assets and liabilities for all leases held by a lessee, with international accounting standards taken into consideration. Accordingly, the ASBJ issued the Accounting Standard for Leases, etc. that adopts only the key provisions of IFRS 16 that is based on the single accounting model. The revision aims to be simple and highly convenient, and to make it unnecessary to revise non-consolidated financial statements that apply IFRS 16 in the Accounting Standard for Leases, etc. Regarding the method for allocating the lease expenses in the lessee’s accounting treatment, using the same approach as IFRS 16, a single accounting model is applied for recording the depreciation associated with the right-of-use assets and the amount equivalent to the interest on the lease liabilities for all leases regardless of whether the lease is a finance lease or an operating lease.

(2) Scheduled date of application

To be applied effective from the beginning of the December 2027 period.

(3) Impact from the application of the accounting standard, etc.

The impact from the application of the “Accounting Standard for Leases,” etc. on the financial statements is currently under evaluation.

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 June 30, 2025 and December 31, 2024 consisted of the following:

	As of June 30, 2025	As of December 31, 2024
	<i>(Thousands of yen)</i>	
Cash and cash deposits	4,332,151	12,835,230
Cash and deposits in trust	11,300,382	12,301,069
Cash and cash equivalents including trust accounts	<u>15,632,533</u>	<u>25,136,299</u>

6. Financial Instruments

For the periods from January 1, 2025 to June 30, 2025 and from July 1, 2024 to December 31, 2024

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 74.1% of existing borrowings being covered by a fixed interest rate swap for the entire maturity as of June 30, 2025. 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," and there is no balance outstanding under the facility agreements as of June 30, 2025). Liquidity risk is also mitigated through the constant management of liquidity on hand.

6. Financial Instruments (continued)

(c) Credit Risk

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

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

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

In addition, the contract value of derivative transactions, which is presented in Note 18. “Derivative Transactions” does not represent the market risk attributable to derivative transactions.

Fair value of financial instruments

The following are carrying values and fair values as of June 30, 2025 and December 31, 2024 of financial instruments and the differences between them.

In addition, since “Cash and cash deposits”, “Cash and deposits in trust”, and “Short-term loans” are cash and due to be settled in a short period, and their fair values approximate their book values, the notes are omitted.

	As of June 30, 2025			As of December 31, 2024		
	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)	5,000,000	5,000,990	990	5,000,000	5,007,510	7,510
(2) Long-term debt due within one year (Note C)	17,660,000	17,690,961	30,961	17,510,000	17,513,694	3,694
(3) Investment corporation bonds (Note C)	38,000,000	36,131,625	(1,868,375)	38,000,000	36,646,749	(1,353,251)
(4) Long-term debt (Note C)	65,940,000	65,237,505	(702,494)	69,090,000	68,568,987	(521,012)
Total liabilities	126,600,000	124,061,081	(2,538,918)	129,600,000	127,736,940	(1,863,059)
(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.

6. Financial Instruments (continued)

(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 18, "Derivative Transactions."

(Note B)

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

The balance sheet amount for ownership interests in an anonymous association to which this treatment is applied is ¥0 as of June 30, 2025, and ¥5,115,063 thousand as of December 31, 2024.

Investment securities, other than ownership interests in an anonymous association are omitted because they lack significance.

(Note C)

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

6. Financial Instruments (continued)

(Note D)

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

As of June 30, 2025						
	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	5,000,000	—	—	—	—	—
Long-term debt						
due within one year	17,660,000	—	—	—	—	—
Investment corporation bonds	—	9,000,000	—	6,000,000	—	23,000,000
Long-term debt	—	7,300,000	3,540,000	9,750,000	23,520,000	21,830,000
Total	<u>22,660,000</u>	<u>16,300,000</u>	<u>3,540,000</u>	<u>15,750,000</u>	<u>23,520,000</u>	<u>44,830,000</u>
As of December 31, 2024						
	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	5,000,000	—	—	—	—	—
Long-term debt						
due within one year	17,510,000	—	—	—	—	—
Investment corporation bonds	—	2,000,000	7,000,000	4,000,000	2,000,000	23,000,000
Long-term debt	—	14,450,000	5,840,000	2,150,000	19,740,000	26,910,000
Total	<u>22,510,000</u>	<u>16,450,000</u>	<u>12,840,000</u>	<u>6,150,000</u>	<u>21,740,000</u>	<u>49,910,000</u>

7. Investment and Rental Property

For the periods from January 1, 2025 to June 30, 2025 and from July 1, 2024 to December 31, 2024

JEI owns rental office buildings and other properties in Tokyo and other regions for the purpose of generating rental income. The following is the carrying value and fair value as of June 30, 2025 and December 31, 2024 for such real estate for lease.

Carrying value			Fair value
As of January 1, 2025	Change during period (*2)	As of June 30, 2025	As of June 30, 2025
<i>(Thousands of yen)</i>			
261,310,821	13,800,285	275,111,106	350,111,000

Carrying value			Fair value
As of July 1, 2024	Change during period (*1)	As of December 31, 2024	As of December 31, 2024
<i>(Thousands of yen)</i>			
276,277,612	(14,966,790)	261,310,821	335,948,000

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

B) Details of change during period:

(*1) The decrease of ¥14,966,790 thousand during the period is mainly due to a decrease of ¥1,939,777 thousand related to the part disposal of JEI Hongo Building, a decrease of ¥1,865,264 thousand related to the disposal of Osaka Kogin Building (Land with Leasehold Interest), a decrease of ¥10,862,238 thousand related to the disposal of Kowa Kawasaki Higashiguchi Building, and a decrease of ¥1,865,966 thousand for depreciation costs.

(*2) The increase of ¥13,800,285 thousand during the period is mainly due to an increase of ¥17,003,878 thousand related to the acquisition of ARK Hills Front Tower, and a decrease of ¥2,900,026 thousand related to the part disposal of JEI Hongo Building, and a decrease of ¥1,761,590 thousand for depreciation costs.

C) Fair value

Fair value as of June 30, 2025 is JEI Hamamatsucho Building's transfer price and for other properties, appraisal value provided by third-party real estate appraisers.

Fair value as of December 31, 2024 is JEI Hongo Building's transfer price, JEI Hamamatsucho 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 June 30, 2025 and December 31, 2024 consisted of the following:

	As of June 30, 2025			As of December 31, 2024		
	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value
	<i>(Thousands of yen)</i>					
Buildings and building improvements	9,051,705	(3,153,175)	5,898,529	8,808,108	(3,007,591)	5,800,517
Machinery and equipment	16,166	(6,889)	9,277	11,987	(6,599)	5,387
Furniture and fixtures	62,263	(55,139)	7,123	62,263	(54,113)	8,149
Land	10,609,617	—	10,609,617	10,609,617	—	10,609,617
Construction in progress	31,777	—	31,777	25,818	—	25,818
Buildings and building improvements for trust accounts	108,972,757	(35,448,510)	73,524,247	106,532,589	(34,541,037)	71,991,551
Machinery and equipment for trust accounts	1,528,472	(811,572)	716,900	1,448,607	(766,969)	681,638
Furniture and fixtures for trust accounts	311,547	(203,616)	107,930	301,141	(198,484)	102,657
Land for trust accounts	180,346,058	—	180,346,058	168,233,989	—	168,233,989
Construction in progress for trust accounts	87,585	—	87,585	76,336	—	76,336
Total	311,017,952	(39,678,904)	271,339,048	296,110,459	(38,574,795)	257,535,664

9. Short-Term Loans and Long-Term Debt

Short-term loans and long-term debt as of June 30, 2025 and December 31, 2024 consisted of the following:

	As of June 30, 2025		As of December 31, 2024	
	Amount	Weighted-average interest rate (*1)	Amount	Weighted-average interest rate (*1)
	<i>(Thousands of yen)</i>		<i>(Thousands of yen)</i>	
Short-term loans:				
Unsecured loans from a bank due on April 15, 2026	6,800,000	0.81375%	—	
Subtotal	6,800,000		—	
Long-term debt due within one year:				
Unsecured loans from a bank due on March 31, 2025	—	0.80455%	2,000,000	0.56490%
Unsecured loans from banks due on June 30, 2025	—	0.67400% (*2)	8,000,000	0.67400% (*2)
Unsecured loans from banks due on November 1, 2025	3,750,000	0.70600% (*2)	3,750,000	0.70600% (*2)
Unsecured loans from banks due on November 29, 2025	3,760,000	1.04368%	3,760,000	0.74205%
Unsecured loans from banks due on March 31, 2026	6,400,000	0.83441% (*2)	—	
Unsecured loans from banks due on March 31, 2026	3,750,000	0.57100% (*2)	—	
Subtotal	17,660,000		17,510,000	

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

Long-term debt:

Unsecured loans from banks due on March 31, 2026	—	0.83441% (*2)	6,400,000	0.83441% (*2)
Unsecured loans from banks due on March 31, 2026	—	0.57100% (*2)	3,750,000	0.57100% (*2)
Unsecured loans from a bank due on September 30, 2026	1,300,000	0.83071% (*2)	1,300,000	0.83071% (*2)
Unsecured loans from banks due on December 30, 2026	3,000,000	0.79100% (*2)	3,000,000	0.79100% (*2)
Unsecured loans from insurance companies due on January 31, 2027	3,000,000	0.28000% (*2)	3,000,000	0.28000% (*2)
Unsecured loans from insurance companies due on November 30, 2027	1,000,000	0.34000% (*2)	1,000,000	0.34000% (*2)
Unsecured loans from a bank due on November 30, 2027	1,250,000	1.03368%	1,250,000	0.73205%
Unsecured loans from a bank due on November 30, 2027	590,000	1.08125% (*2)	590,000	1.08125% (*2)
Unsecured loans from a bank due on June 30, 2028	700,000	1.04727%	—	
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 a bank due on November 30, 2028	150,000	1.17125% (*2)	150,000	1.17125% (*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 June 29, 2029	1,000,000	1.10727%	—	
Unsecured loans from a bank due on November 30, 2029	3,640,000	1.07368%	3,640,000	0.77205%
Unsecured loans from banks due on November 30, 2029	1,750,000	1.26375% (*2)	1,750,000	1.26375% (*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	1.14426%	5,750,000	0.79490%
Unsecured loans from banks due on January 31, 2030	5,750,000	1.08507%	5,750,000	0.74160%
Unsecured loans from banks due on May 31, 2030	2,430,000	1.31444% (*2)	2,430,000	1.31444% (*2)
Unsecured loans from an insurance company due on June 28, 2030	2,000,000	0.65000% (*2)	2,000,000	0.65000% (*2)
Unsecured loans from a bank due on June 28, 2030	200,000	1.49125% (*2)	—	
Unsecured loans from a bank due on July 31, 2030	3,700,000	1.49598% (*2)	—	
Unsecured loans from banks due on November 29, 2030	3,900,000	1.09368%	3,900,000	0.79205%
Unsecured loans from a bank due on December 30, 2030	400,000	1.52772% (*2)	—	
Unsecured loans from a bank due on May 30, 2031	350,000	1.39000% (*2)	350,000	1.39000% (*2)
Unsecured loans from a bank due on June 30, 2031	2,000,000	1.08125% (*2)	2,000,000	1.08125% (*2)
Unsecured loans from a bank due on June 30, 2031	1,000,000	1.57125% (*2)	—	
Unsecured loans from banks due on November 28, 2031	1,980,000	1.12368%	1,980,000	0.82205%
Unsecured loans from a bank due on April 26, 2032	2,000,000	1.39750% (*2)	2,000,000	1.39750% (*2)
Unsecured loans from a bank due on May 31, 2033	3,500,000	1.60750% (*2)	3,500,000	1.60750% (*2)
Unsecured loans from an insurance company due on December 7, 2033	3,000,000	1.30000% (*2)	3,000,000	1.30000% (*2)
	<u>65,940,000</u>		<u>69,090,000</u>	
Subtotal				
Total	<u>90,400,000</u>		<u>86,600,000</u>	

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

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

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

The scheduled repayment amounts of long-term debt as of June 30, 2025 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	17,660,000	7,300,000	3,540,000	9,750,000	23,520,000	21,830,000

JEI has commitment lines of ¥14,000,000 thousand with three financial institutions to mitigate refinancing risk and enhance financial stability. As of June 30, 2025, these commitment lines have never been utilized.

10. Investment Corporation Bonds

Details of total investment corporation bonds outstanding as of June 30, 2025 and December 31, 2024 are summarized as follows:

	As of June 30, 2025		As of December 31, 2024	
	Amount	Weighted-average interest rate	Amount	Weighted-average interest rate
	<i>(Thousands of yen)</i>		<i>(Thousands of yen)</i>	
Unsecured bond #8 due on September 9, 2025	5,000,000	1.03000%	5,000,000	1.03000%
Unsecured bond #9 due on October 27, 2026	2,000,000	0.45000%	2,000,000	0.45000%
Unsecured bond #11 due on April 23, 2027	7,000,000	0.65000%	7,000,000	0.65000%
Unsecured bond #13 due on April 20, 2033	2,000,000	0.95000%	2,000,000	0.95000%
Unsecured bond #14 due on August 10, 2028	4,000,000	0.63000%	4,000,000	0.63000%
Unsecured bond #15 due on September 9, 2039	1,000,000	1.07000%	1,000,000	1.07000%
Unsecured bond #16 due on October 29, 2035	5,000,000	0.75000%	5,000,000	0.75000%
Unsecured bond #17 due on March 30, 2032	2,000,000	0.95000%	2,000,000	0.95000%
Unsecured bond #18 due on December 19, 2033	2,000,000	1.32900%	2,000,000	1.32900%
Unsecured bond #19 due on February 8, 2029	2,000,000	0.72400%	2,000,000	0.72400%
Unsecured bond #20 due on February 8, 2034	2,400,000	1.39200%	2,400,000	1.39200%
Unsecured bond #21 due on July 14, 2034	4,800,000	1.74000%	4,800,000	1.74000%
Unsecured bond #22 due on October 30, 2034	3,800,000	1.69000%	3,800,000	1.69000%
Total	<u>43,000,000</u>		<u>43,000,000</u>	

10. Investment Corporation Bonds (continued)

The scheduled redemption amounts of investment corporation bonds as of June 30, 2025 are as follows:

	<u>1 year or less</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>	<u>3 to 4 years</u>	<u>4 to 5 years</u>	<u>Over 5 years</u>
			<i>(Thousands of yen)</i>			
Investment corporation bonds	5,000,000	9,000,000	—	6,000,000	—	23,000,000

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.

Information on the cancellation of treasury investment units during the six-month period ended June 30, 2025 and December 31, 2024 is as follows:

	<u>Six-month period ended June 30, 2025</u>	<u>Six-month period ended December 31, 2024</u>
Total number of treasury investment units cancelled (units)	62,513	31,386
Total amount of cancellation (Thousands of yen)	7,999,752	3,999,850

12. Per Unit Information

Net assets per unit as of June 30, 2025 and December 31, 2024 were calculated based on the number of units outstanding as of each date, (1,290,487 units) and (1,321,614 units), respectively.

Net income per unit for the periods from January 1, 2025 to June 30, 2025 and from July 1, 2024 to December 31, 2024 was calculated based on the weighted-average number of units outstanding during the corresponding periods, (1,307,817 units) and (1,321,614 units), respectively.

Accordingly, net assets per unit were ¥113,031 as of June 30, 2025 and ¥112,797 as of December 31, 2024. Net income per unit was ¥3,403 for the period from January 1, 2025 to June 30, 2025 and ¥2,832 for the period from July 1, 2024 to December 31, 2024.

13. Income Taxes

JEI is subject to income taxes in Japan.

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

Details of significant components of deferred tax assets and liabilities as of June 30, 2025 and December 31, 2024 are summarized as follows:

	As of June 30, 2025	As of December 31, 2024
	<i>(Thousands of yen)</i>	
Deferred tax assets:		
Accrued enterprise taxes	13	15
Total deferred tax assets	<u>13</u>	<u>15</u>
Net deferred tax assets	<u><u>13</u></u>	<u><u>15</u></u>

A reconciliation of the differences between the statutory tax rate and the effective tax rate for the periods from January 1, 2025 to June 30, 2025 and from July 1, 2024 to December 31, 2024 is as follows:

	For the period from January 1, 2025 to June 30, 2025	For the period from July 1, 2024 to December 31, 2024
Statutory tax rate	31.46%	31.46%
Reconciliation:		
Deductible distributions paid	(28.32%)	(30.76%)
Provision of reserve for reduction entry	(3.13%)	(0.69%)
Other	0.01%	0.02%
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 January 1, 2025 to June 30, 2025	For the period from July 1, 2024 to December 31, 2024
	<i>(Thousands of yen)</i>	
Revenues:		
Rental business revenues		
Rental revenues	8,199,102	8,511,208
Common area revenues	1,190,024	1,212,606
Other rental revenues	290,845	288,273
Subtotal	<u>9,679,972</u>	<u>10,012,087</u>
Other		
Utilities revenues	643,389	751,292
Other revenues	143,130	218,283
Subtotal	<u>786,519</u>	<u>969,575</u>
Total rental revenues	<u>10,466,491</u>	<u>10,981,663</u>
Property operating expenses:		
Property management costs and fees	1,489,830	1,525,884
Utilities expenses	1,006,935	1,144,015
Property and other taxes	982,079	1,097,126
Insurance	25,713	28,200
Repairs and maintenance	169,660	194,783
Depreciation	1,761,590	1,865,966
Other	121,412	151,733
Total property operating expenses	<u>5,557,221</u>	<u>6,007,709</u>
Profit	<u>4,909,269</u>	<u>4,973,953</u>

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

	For the period from January 1, 2025 to June 30, 2025	For the period from July 1, 2024 to December 31, 2024
	<i>(Thousands of yen)</i>	
JEI Hongo Building		
Proceeds from sale of real estate	3,690,000	2,460,000
Cost of sales of real estate	2,900,026	1,939,777
Other related sale expenses	21,316	13,997
Gain on sale of real estate	<u>768,656</u>	<u>506,225</u>
	For the period from January 1, 2025 to June 30, 2025	For the period from July 1, 2024 to December 31, 2024
	<i>(Thousands of yen)</i>	
Osaka Kogin Building (Land with Leasehold Interest)		
Proceeds from sale of real estate	—	3,050,000
Cost of sales of real estate	—	1,865,264
Other related sale expenses	—	1,490
Gain on sale of real estate	<u>—</u>	<u>1,183,245</u>
	For the period from January 1, 2025 to June 30, 2025	For the period from July 1, 2024 to December 31, 2024
	<i>(Thousands of yen)</i>	
Kowa Kawasaki Higashiguchi Building		
Proceeds from sale of real estate	—	9,250,000
Cost of sales of real estate	—	10,862,238
Other related sale expenses	—	2,307
Loss on sale of real estate	<u>—</u>	<u>1,614,546</u>

16. Transactions with Major Unitholders

Transactions with major unitholders are as follows:

	For the period from January 1, 2025 to June 30, 2025	For the period from July 1, 2024 to December 31, 2024
	<i>(Thousands of yen)</i>	
Rental business revenues	17,659	113,013
Other	947	907
Gain on sales of real estate properties (Other related sale expenses)	— (18,450)	1,183,245 (12,300)
Property operating expenses	309,820	390,373
Loss on sales of real estate properties	<u>—</u>	<u>1,614,546</u>

17. Leases

JEI leases properties on which rental revenues are earned. At June 30, 2025 and December 31, 2024, future lease revenues under non-cancelable operating leases are summarized as follows:

	As of June 30, 2025	As of December 31, 2024
	<i>(Thousands of yen)</i>	
Due within one year	3,502,949	3,410,843
Due after one year	6,386,681	5,697,895
Total	<u>9,889,631</u>	<u>9,108,738</u>

18. Derivative Transactions

Derivative Transactions as of June 30, 2025

(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, 2025 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	16,100,000	8,600,000	*	/

* 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."

18. Derivative Transactions (continued)

Derivative Transactions as of December 31, 2024

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

Not applicable.

(2) Transactions to which hedge accounting is applied:

The following are the contract values or values corresponding to the principal amount as stipulated by contracts as of December 31, 2024 for each hedge accounting method applied.

Hedge accounting method	Type of derivative transaction	Hedged item	Contract amount		Fair value	Method of calculating the fair value
				More than one year		
<i>(Thousands of yen)</i>						
Special treatment of interest-rate swaps	Interest-rate swap Receive floating, pay fixed	Long-term debt	24,100,000	12,350,000	*	/

* 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."

19. Related Party Transactions

For the period from January 1, 2025 to June 30, 2025

(1) Parent Company and Major Corporate Unitholders

Company name	Description of transaction	Amount	Account	Balance at the end of period
		(Thousands of yen)		(Thousands of yen)
Akasaka 2-chome Godo Kaisha	Acquisition of real estate properties	17,250,000	—	—

(2) Subsidiaries and Affiliated Companies

Not applicable.

(3) Sister Companies

Not applicable.

(4) Directors and Major Individual Unitholders

Not applicable.

For the period from July 1, 2024 to December 31, 2024

(1) Parent Company and Major Corporate Unitholders

Company name	Description of transaction	Amount	Account	Balance at the end of period
		(Thousands of yen)		(Thousands of yen)
Nippon Steel Kowa Real Estate Co., Ltd.	Disposal of real estate properties	12,300,000	—	—

(2) Subsidiaries and Affiliated Companies

Not applicable.

(3) Sister Companies

Not applicable.

(4) Directors and Major Individual Unitholders

Name	Description of transaction	Amount	Account	Balance at the end of period
		(Thousands of yen)		(Thousands of yen)
Shuichiro Kayama	Payment of asset management fees to JEAM	454,398	Accounts payable	378,378

20. Segment Information

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

For the periods from January 1, 2025 to June 30, 2025

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.

For the periods from July 1, 2024 to December 31, 2024

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

(Thousands of yen)

Customer	Operating revenues	Related segment
Nippon Steel Kowa Real Estate Co., Ltd.	1,284,867	Real estate leasing business

21. Distribution Information

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

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

Consequently, JEI set income available for distributions of dividends at ¥4,008,252,622, which is the maximum integral multiple of the 1,290,487 units issued, but not exceeding ¥4,451,862,024 which is the amount of retained earnings at June 30, 2025.

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

On August 18, 2025, the Board of Directors approved a resolution to make a cash distribution of ¥3,106 per unit aggregating to ¥ 4,008,252,622 to unitholders of record as of June 30, 2025.

22. Revenue Recognition

(1) Breakdown of revenue from contracts with customers

For the period from January 1, 2025 to June 30, 2025

	Revenue from contracts with customers (*1)	Revenue from external customers
	<i>(Thousands of yen)</i>	
Sales of real estate properties	3,690,000	(*2)768,656
Utilities income	643,389	643,389
Other	—	10,035,697
Total	4,333,389	11,447,742

(*1)Rent revenues subject to Accounting Standard for Lease Transactions (ASBJ Statement No. 13) and sales of real estate properties subject to Practical Guidelines on Accounting by Transferors for Securitization of Real Estate Using Special Purpose Companies (ASBJ Transferred Guidance No. 10) 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)As sale of real estate is recorded as gain or loss on sales of real estate properties, etc. in the Statement of Income and Retained Earnings, the amount obtained by deducting cost of sale of real estate and other expenses related to sale from proceeds from sale of real estate is indicated for revenue from external customers.

For the period from July 1, 2024 to December 31, 2024

	Revenue from contracts with customers (*1)	Revenue from external customers
	<i>(Thousands of yen)</i>	
Sales of real estate properties	14,760,000	(*2)1,689,470
Utilities income	751,292	751,292
Other	—	10,311,538
Total	15,511,292	12,752,301

(*1)Rent revenues subject to Accounting Standard for Lease Transactions (ASBJ Statement No. 13) and sales of real estate properties subject to Practical Guidelines on Accounting by Transferors for Securitization of Real Estate Using Special Purpose Companies (ASBJ Transferred Guidance No. 10) 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)As sale of real estate is recorded as gain or loss on sales of real estate properties, etc. in the Statement of Income and Retained Earnings, the amount obtained by deducting cost of sale of real estate and other expenses related to sale from proceeds from sale of real estate is indicated for revenue from external customers. Furthermore, as JEI records gain on sales of real estate properties for revenues while recording loss on sales of real estate properties for operating expenses, the table above indicates the amount of gain on sales of real estate properties only.

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

For the periods from January 1, 2025 to June 30, 2025 and from July 1, 2024 to December 31, 2024

As described in the Summary of Significant Accounting Policies.

22. Revenue Recognition(continued)

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

For the period from January 1, 2025 to June 30, 2025

(a) Balance of contract assets and contract liabilities

	January 1, 2025 to June 30, 2025
	<i>(Thousands of yen)</i>
Claims arising from contracts with customers (At beginning of period)	301,180
Claims arising from contracts with customers (At end of period)	301,449
Contract assets (At beginning of period)	—
Contract assets (At end of period)	—
Contract liabilities (At beginning of period)	—
Contract liabilities (At end of period)	—

(b) Transaction price allocated to remaining performance obligations

As of June 30, 2025, the transaction price allocated to the remaining performance obligations for the sale of real estate is ¥9,310,000 thousand for the real estate for which a sale contract was executed on February 21, 2025. JEI expects to recognize revenue for such remaining performance obligations upon delivery of such real estate properties, which are expected to occur on November 28, 2025 and January 16, 2026. In accordance with Paragraph 19 of the Guidance on Accounting Standard for Revenue Recognition, JEI recognizes utility revenues at the amount it has the right to charge, because JEI has the right to receive from the customer the amount of consideration that directly corresponds to the value to the customer, the lessee, of the portion of the performance completed by the end of the fiscal period. Accordingly, JEI has applied the provisions of paragraph 80-22(2) of the Accounting Standard for Revenue Recognition and has not included in the notes the transaction price allocated to the remaining performance obligations.

For the period from July 1, 2024 to December 31, 2024

(a) Balance of contract assets and contract liabilities

	July 1, 2024 to December 31, 2024
	<i>(Thousands of yen)</i>
Claims arising from contracts with customers (At beginning of period)	256,262
Claims arising from contracts with customers (At end of period)	301,180
Contract assets (At beginning of period)	—
Contract assets (At end of period)	—
Contract liabilities (At beginning of period)	—
Contract liabilities (At end of period)	—

22. Revenue Recognition(continued)

(b) Transaction price allocated to remaining performance obligations

As of December 31, 2024, the transaction price allocated to the remaining performance obligations for the sale of real estate is ¥3,690,000 thousand for the real estate for which a sale contract was executed on February 20, 2024. JEI expects to recognize revenue for such remaining performance obligations upon delivery of such real estate properties, which is expected to occur on January 17, 2025. In accordance with Paragraph 19 of the Guidance on Accounting Standard for Revenue Recognition, JEI recognizes utility revenues at the amount it has the right to charge, because JEI has the right to receive from the customer the amount of consideration that directly corresponds to the value to the customer, the lessee, of the portion of the performance completed by the end of the fiscal period. Accordingly, JEI has applied the provisions of paragraph 80-22(2) of the Accounting Standard for Revenue Recognition and has not included in the notes the transaction price allocated to the remaining performance obligations.

23. Significant Subsequent Event

Not applicable.

Independent Auditor's Report

The Board of Directors
Japan Excellent, Inc.

The Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Japan Excellent, Inc. (the Company), which comprise the balance sheet as at June 30, 2025, and the statements of income and retained earnings, changes in net assets, and cash flows for the six-month period then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2025, 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, including those applicable to audits of financial statements of public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

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

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

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

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

We have nothing to report in this regard.

Responsibilities of Management and Supervisory Director for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.

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

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

Fee-related Information

The fees for the audits of the financial statements of the Company and other services provided by us and other EY member firms for the six-month period ended June 30, 2025 are presented in paragraph (3) titled “Officers” in Section 2 “Outline of the Investment Corporation” included in the Semi-Annual Report for the six-month period ended June 30, 2025, of the Company.

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

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

Ernst & Young ShinNihon LLC
Tokyo, Japan

September 24, 2025

Mika Nezu

Designated Engagement Partner
Certified Public Accountant

Natsuki Saiki

Designated Engagement Partner
Certified Public Accountant