

Asset Management Report for the 39th Period (Semi-Annual Report for the 39th Period)

From July 1, 2025, to December 31, 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 39th period (from July 1, 2025, to December 31, 2025).

In the office building leasing market, vacancy rates are trending downward against the backdrop of strong office demand, and rents have 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 39th period, JEI recorded operating revenue of 11,672 million yen, operating income of 5,157 million yen, and net income of 4,350 million yen. As a result, distribution per unit for the 39th period was 3,036 yen.

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		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	39th Period July 1, 2025, to December 31, 2025
Operating revenue	(Millions of yen)	10,857	11,460	12,752	11,447	11,672
(Rental revenues)	(Millions of yen)	(10,102)	(10,662)	(10,981)	(10,466)	(11,115)
Operating expenses	(Millions of yen)	6,191	6,624	8,268	6,216	6,515
(Property operating expenses)	(Millions of yen)	(5,561)	(5,979)	(6,007)	(5,557)	(5,799)
Operating income	(Millions of yen)	4,665	4,835	4,483	5,231	5,157
Ordinary income	(Millions of yen)	4,050	4,201	3,743	4,452	4,351
Net income	(Millions of yen)	4,049	4,200	3,742	4,451	4,350
Total assets	(Millions of yen)	294,823	304,049	295,338	295,765	291,192
(Period-on-period change)	(%)	(2.7)	(3.1)	(-2.9)	(0.1)	(-1.5)
Net assets	(Millions of yen)	150,659	149,114	149,074	145,865	146,208
(Period-on-period change)	(%)	(0.2)	(-1.0)	(-0.0)	(-2.2)	(0.2)
Unitholders' capital, net (Note 1)	(Millions of yen)	145,907	143,907	143,907	139,907	139,907
Total outstanding investment units	(units)	1,337,598	1,321,614	1,321,614	1,290,487	1,290,487
Net assets per unit	(yen)	112,634	112,827	112,797	113,031	113,297
Net income per unit (Note 2)	(yen)	3,027	3,159	2,832	3,403	3,371
Total distribution	(Millions of yen)	3,745	3,782	3,660	4,008	3,917
Distribution per unit	(yen)	2,800	2,862	2,770	3,106	3,036
(Profit distribution per unit)	(yen)	(2,800)	(2,862)	(2,770)	(3,106)	(3,036)
(Distribution in excess of earnings per unit)	(yen)	(-)	(-)	(-)	(-)	(-)
Return on assets (Note 3)	(%)	1.4	1.4	1.2	1.5	1.5
(Annualized rate)	(%)	(2.8)	(2.8)	(2.5)	(3.0)	(2.9)
Return on equity (Note 4)	(%)	2.7	2.8	2.5	3.0	3.0
(Annualized rate)	(%)	(5.3)	(5.6)	(5.0)	(6.1)	(5.9)
Capital ratio (Note 5)	(%)	51.1	49.0	50.5	49.3	50.2
(Period-on-period change)	(%)	(-1.3)	(-2.1)	(1.4)	(-1.2)	(0.9)
Payout ratio (Note 6)	(%)	92.5	90.0	97.8	90.0	90.1
Number of investment properties	(properties)	35	35	33	33	33
Number of tenants (Note 7)	(tenants)	622	603	606	610	598
Total leasable area (Note 8, 9)	(m ²)	314,925	319,258	295,884	302,341	300,200
Occupancy rate	(%)	97.9	98.4	99.0	98.9	98.3
Depreciation	(Millions of yen)	1,780	1,850	1,865	1,761	1,789
Capital expenditure	(Millions of yen)	1,418	1,317	1,513	1,436	1,559
Net operating income (NOI) (Note 10)	(Millions of yen)	6,321	6,533	6,839	6,670	7,104
Funds from operation (FFO) per unit (Note 11)	(yen)	3,837	4,026	4,187	4,219	4,364
FFO multiples (Note 12)	(times)	16.5	14.7	14.0	15.7	17.2
Debt service coverage ratio (DSCR) (Note 13)	(times)	14.5	14.0	10.8	10.9	10.0
Interest-bearing debt	(Millions of yen)	128,600	138,600	129,600	133,400	127,600
Loan-to-value (Note 14)	(%)	43.6	45.6	43.9	45.1	43.8
Number of days in operation	(days)	184	182	184	181	184

- (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) 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 December 31, 2025, JEI settled its 39th period.

1) Business conditions and results

In the period under review (39th period ended December 31, 2025), despite concerns over the impact of U.S. tariff policies on the Japanese economy, private consumption continued its gradual recovery and the economy remained largely firm with factors such as robust capital investment and the increasing number of foreign visitors to Japan. The Bank of Japan is raising policy interest rates in stages while maintaining the stance of monetary easing, and domestic interest rates continued to rise gradually. Attention continues to be focused on the trend of policy interest rates by the Bank of Japan while assessing price trends and sustainability of 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 partial sale of JEI Hamamatsucho Building in November for which a sale contract was concluded in the previous period. In addition, JEI sold Senshin Building in December, which continued to have unrealized losses in addition to low cap rate caused by the aging of the building and the low occupancy rate. On the other hand, it acquired ownership interest in Bizcore Jimbocho in September and Urawa SH Building in October. Through this asset replacement, JEI was able to improve its portfolio from a medium- to long-term perspective. The gain on sale will be used to enhance JEI’s financial strength, thereby supporting stable financial management and return to unitholders. Furthermore, JEI used the proceeds from the sale for the repayment of short-term loans procured upon the acquisition of Ark Hills Front Tower, which was acquired in the previous period.

In the office building leasing market, vacancy rates in central Tokyo continued to decline, 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 upward trend of rent level is accelerating.

In such market conditions, JEI appropriately 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 98.3%, although it decreased by 0.6 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, negotiate with existing tenants to increase their rent upon renewal of lease, and optimize management quality and management costs. 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 290.5 billion yen and total leasable area of 300,200.04 m² (90,810.51 tsubos).

2) Fund procurement highlights

In the period under review, as yen interest rates continued gradually rising, JEI aimed to achieve 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 acquisitions and sales, etc. and reducing payment fees by changing syndicated loans to bi-lateral loans. In terms of fund procurement, JEI borrowed a total of 12.5 billion yen: it procured 5.0 billion yen in short-term loans for redemption of the same amount of investment corporation bonds that reached maturity in September and refinanced 7.5 billion yen in long-term loans that reached maturity in November for the same amount (fixed interest rate, average term of 4.0 years). In addition, it used the proceeds from the sale of properties, etc. to conduct early repayment of 6.8 billion yen in short-term loans procured in the previous period.

As a result, as of the end of the period under review, the average remaining period of interest-bearing debt (Note 2) was 4.2 years (shortened by 0.1 years from the end of the previous period) and the loan-to-value ratio of total assets (total assets-based LTV) (Note 3) was 43.8% (down 1.3 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 December 31, 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 2023 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 87.5% of leasable area (as of December 31, 2025).

Such initiatives for sustainability by JEI earned high recognition. Specifically, in the 2025 GRESB Real Estate Assessment (Note 5), JEI received “Green Star” rating (Note 6) for the eleventh 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 11,672 million yen in operating revenue, 5,157 million yen in operating income, 4,351 million yen in ordinary income, and 4,350 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 3,036 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 433 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 = $(\text{Period end interest-bearing debt} / \text{Period end total assets}) \times 100$
- (Note 4) The rating is for 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)	35th period (December 2023)	36th period (June 2024)	37th period (December 2024)	38th period (June 2025)	39th period (December 2025)
	Highest (yen)		141,100	130,400	129,600	136,600
Lowest (yen)		123,100	117,200	113,100	117,300	133,000

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

(4) Distributions Paid

Concerning distributions in the period under review, JEI 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 3,036 yen..

Fiscal period	35th period	36th period	37th period	38th period	39th period
Accounting period	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	July 1, 2025, to December 31, 2025
Unappropriated retained earnings at end of period (Thousands of yen)	4,049,775	4,200,539	3,742,997	4,451,699	4,350,996
Retained income (Thousands of yen)	304,500	418,080	82,289	443,609	433,240
Total cash distribution amount (Thousands of yen)	3,745,274	3,782,459	3,660,870	4,008,252	3,917,918
(Cash distributions per unit) (yen)	(2,800)	(2,862)	(2,770)	(3,106)	(3,036)
Of which, total profit distributions (Thousands of yen)	3,745,274	3,782,459	3,660,870	4,008,252	3,917,918
(Profit distribution per unit) (yen)	(2,800)	(2,862)	(2,770)	(3,106)	(3,036)
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 further 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 fiscal policy management stance of central banks, geopolitical risks, etc., and their impact on property prices even further.

In the office building leasing market, demand remained strong due to factors such as review and expansion of office functions by companies against the backdrop of the progress in personnel recruitment, work-style reform, etc., 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 accelerate with the above office building leasing market conditions and the spread of inflation, and in 2026 and 2027, 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 seize the right business opportunities while maintaining a focus on cooperation with its sponsor companies.

Given the current financial and real estate environments, the policy is to enhance the quality of the portfolio while keeping the balance of equity and borrowings (LTV) in mind. Specifically, JEI will pursue management aiming to further increase capital efficiency and unitholder value by selecting candidate properties to sell from the perspective of profitability, and area suitability.

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, with an aim to further increase profitability by increasing rent revenue, JEI will tackle the challenge of actively and resolutely working to raise rents in newly concluded lease agreements and negotiating with existing tenants to increase their rent upon renewal of lease, while taking also the current situation of inflation into account.

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.

As BCP measures, JEI has put a system in place for minimizing damage and facilitating rapid recovery to address the recently mounting interest in seismic performance of buildings. 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. Furthermore, 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.

(Reference Material)

1. Acquisition of Asset (Aqua Town Naya-bashi)

On February 20, 2026, JEI concluded a real estate trust beneficiary interest purchase and sale agreement as described below.

<Overview of the Asset to Be Acquired>

Asset to be acquired	Trust beneficiary interest in real estate
Asset name	Aqua Town Naya-bashi
Location	5-33-10 Meiki, Nakamura-ku, Nagoya-shi, Aichi (business facility building) 5-33-21 Meiki, Nakamura-ku, Nagoya-shi, Aichi (residential building)
Planned acquisition price (Note)	6,000 million yen
Date of conclusion of agreement	February 20, 2026
Scheduled delivery date	February 27, 2026
Seller	GK Orient No. 1

(Note) Planned acquisition price does not include consumption tax, local consumption tax or fees required for the acquisition.

2. Acquisition of Asset (Additional acquisition of ownership interest in AKASAKA INTERCITY AIR)

On February 20, 2026, JEI concluded a real estate trust beneficiary interest purchase and sale agreement as described below.

<Overview of the Asset to Be Acquired>

Asset to be acquired	Trust beneficiary interest in real estate (quasi co-ownership) (Note 1)
Asset name	AKASAKA INTERCITY AIR
Location	1-8-1 Akasaka, Minato-ku, Tokyo
Planned acquisition price (Note 2)	5,545 million yen
Date of conclusion of agreement	February 20, 2026
Scheduled delivery date	March 19, 2026
Seller	Nippon Steel Kowa Real Estate Co., Ltd.

(Note 1) The trust asset is the co-ownership interest in the Exclusively-Owned Space and the co-ownership interest in the site and common area corresponding to it. Quasi co-ownership indicates joint ownership of trust beneficiary interests with other beneficiaries. The quasi co-ownership interest to be acquired by JEI is 13,065,600/598,616,700. The combined ownership ratio with the existing quasi-co-ownership interest (ratio: 17,510,400/598,616,700) will be 30,576,000/598,616,700.

(Note 2) Planned acquisition price does not include consumption tax, local consumption tax or fees required for the acquisition.

3. Transfer of Asset (BIZCORE AKASAKA-MITSUKE)

On February 20, 2026, JEI concluded a real estate trust beneficiary interest purchase and sale agreement as described below.

<Overview of the Asset to be Transferred>

Asset to be transferred	Trust beneficiary interest in real estate
Asset name	BIZCORE AKASAKA-MITSUKE
Location	3-1-2 Akasaka, Minato-ku, Tokyo
Planned transfer price (Note)	6,450 million yen
Date of conclusion of agreement	February 20, 2026
Scheduled delivery date	July 3, 2026
Transferee	Nippon Steel Kowa Real Estate Co., Ltd.

(Note) Planned transfer price does not include fees related to the transfer, the JEI share of the real estate tax and city planning tax, the consumption tax or the local consumption tax.

2. Outline of the Investment Corporation

(1) Investment Units

Fiscal period	35th As of December 31, 2023	36th As of June 30, 2024	37th As of December 31, 2024	38th As of June 30, 2025	39th As of December 31, 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	1,321,614 units	1,321,614 units	1,290,487 units	1,290,487 units
Unitholders' capital, net (Note)	145,907 million yen	143,907 million yen	143,907 million yen	139,907 million yen	139,907 million yen
Number of unitholders	7,167 individuals	7,211 individuals	6,948 individuals	6,761 individuals	6,515 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 December 31, 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	388,840	30.13
The Master Trust Bank of Japan, Ltd. (Trust Account)	1-8-1 Akasaka, Minato-ku, Tokyo	232,529	18.02
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	61,387	4.76
The Dai-ichi Life Insurance Company, Limited	1-13-1 Yuraku-cho, Chiyoda-ku, Tokyo	20,660	1.60
STATE STREET BANK AND TRUST COMPANY 505001	ONE CONGRESS STREET, SUITE 1, BOSTON, MASSACHUSETTS	18,334	1.42
STATE STREET BANK AND TRUST COMPANY 505103	ONE CONGRESS STREET, SUITE 1, BOSTON, MASSACHUSETTS	17,179	1.33
JP MORGAN CHASE BANK 385781	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM	17,115	1.33
JPMorgan Securities Japan Co., Ltd.	2-7-3 Marunouchi, Chiyoda-ku, Tokyo	13,983	1.08
Custody Bank of Japan, Ltd. (Trust Account 4)	1-8-12 Harumi, Chuo-ku, Tokyo	10,168	0.79
Total		914,622	70.87

(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 December 31, 2025 (Thousands of yen)
Executive Director	Kazuhiro Ono (Note 3)	–	– (Note 2)
Executive Director	Masahiro Sato (Note 4)	Director & Chief Financial Officer and General Manager, Finance and Accounting Department, Japan Excellent Asset Management Co., Ltd.	– (Note 2)
Supervisory Director	Eiji Takagi	Eiji Takagi Certified Public Accounting Office	1,800
Supervisory Director	Osamu Hirakawa (Note 5)	Adviser, Foreign Law Joint Venture, Anderson Mori & Tomotsune	1,200
Supervisory Director	Hiroaki Komatsu	Professor, Faculty of Real Estate Sciences, Meikai University	1,800
Supervisory Director	Mika Narahashi (Note 6)	Partner Attorney, TH Sogo Law Office Outside Director, Kandenko Co., Ltd.	600
Accounting Auditor	Ernst & Young ShinNihon LLC	–	13,200 (Note 7)

(Note 1) There are no investment units of JEI held by either the Executive Directors 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) Executive Directors have not received compensation or fee from JEI.

(Note 3) Kazuhiro Ono resigned as Executive Director on October 31, 2025.

(Note 4) Masahiro Sato was elected as Executive Director at the 12th general unitholders' meeting held on September 29, 2025, and assumed office on November 1, 2025.

(Note 5) Osamu Hirakawa resigned as Supervisory Director on October 31, 2025.

(Note 6) Mika Narahashi was elected as Supervisory Director at the 12th general unitholders' meeting held on September 29, 2025, and assumed office on November 1, 2025.

(Note 7) The compensation or fee for the Accounting Auditor includes the fee for the audit of the English financial statements in the amount of 1,200 thousand yen. The compensation or fee for non-audit services paid to Ernst & Young Tax Co. which belongs to the same network as the Accounting Auditor was 8,281 thousand yen.

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

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

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

Not applicable.

(4) Matters Concerning Directors and Officers Liability Insurance Agreement

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

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

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

JEI's asset management company, asset custodian, and administrative agents as of December 31, 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)	38th Period (As of June 30, 2025)		39th Period (As of December 31, 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	11,024	3.7	11,045	3.8
		Area II	5,541	1.9	5,453	1.9
		Area IV	1,711	0.6	–	–
Trust beneficiary interest in real estate		Area I	167,701	56.7	164,580	56.5
		Area II	17,217	5.8	17,169	5.9
		Area III	48,643	16.4	50,404	17.3
		Area IV	23,270	7.9	23,391	8.0
Total			275,111	93.0	272,046	93.4
Deposits in bank and other assets			20,654	7.0	19,145	6.6
Total assets			295,765	100.0	291,192	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).

(2) Major Properties

The principal properties (top ten properties in net book value) owned by JEI as of December 31, 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	26,403	11,021.03	11,021.03	100.0	5.6	Office building
Nisseki Yokohama Building	21,008	40,414.24	40,338.94	99.8	11.5	Office building
Omori Bellport D	20,047	25,828.29	25,828.29	100.0	8.2	Office building
ARK Hills Front Tower	16,942	8,973.84	8,973.84	100.0	3.8	Office building
HAMARIKYU INTERCITY	16,108	19,718.11	19,155.83	97.1	7.5	Office building
Osaki Bright Tower / Osaki Bright Plaza	12,774	5,930.27	5,914.52	99.7	(Note 4)	Office building
Musashikosugi Tower Place	12,110	24,928.37	24,928.37	100.0	7.3	Office building
Kowa Nishi-Shimbashi Building	11,045	8,949.04	8,949.04	100.0	(Note 4)	Office building
Mansard Daikanyama	10,952	5,420.81	5,420.81	100.0	2.6	Office building
Bizcore Jimbocho	10,449	5,592.40	5,592.40	100.0	(Note 4)	Office building
Total	157,844	156,776.40	156,123.07	99.6	—	—

(Note 1) Leasable area refers to area available for lease of which ownership is attributable to JEI as of December 31, 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 December 31, 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	25,900	20,047
I-2	Shiba 2-Chome Building	2-6-1 Shiba, Minato-ku, Tokyo	Trust beneficiary interest in real estate	13,800	9,178
I-3	JEI Hamamatsucho Building	2-2-12 Hamamatsu-cho, Minato-ku, Tokyo	Trust beneficiary interest in real estate	4,818	4,320
I-8	AKASAKA INTERCITY	1-11-44 Akasaka, Minato-ku, Tokyo	Trust beneficiary interest in real estate	30,700	26,403
I-10	Daiba Garden City Building	2-3-5 Daiba, Minato-ku, Tokyo	Trust beneficiary interest in real estate	8,380	8,723
I-12	HAMARIKYU INTERCITY	1-9-1 and 15 Kaigan, Minato-ku, Tokyo	Trust beneficiary interest in real estate	29,500	16,108
I-14	Kowa Nishi-Shimbashi Building	2-1-1 Nishi-Shimbashi, Minato-ku, Tokyo	Real estate	12,700	11,045
I-15	Mansard Daikanyama	10-1 Sarugakucho, Shibuya-ku, Tokyo	Trust beneficiary interest in real estate	13,900	10,952
I-16	AKASAKA INTERCITY AIR	1-8-1 Akasaka, Minato-ku, Tokyo	Trust beneficiary interest in real estate	7,970	6,357
I-17	Bizcore Akasaka-mitsuke	3-1-2 Akasaka, Minato-ku, Tokyo	Trust beneficiary interest in real estate	5,910	6,065
I-18	Bizcore Jimbocho	3-9-2 Kanda-ogawamachi, Chiyoda-ku, Tokyo	Trust beneficiary interest in real estate	10,600	10,449
I-19	Bizcore Shibuya	1-3-15 Shibuya, Shibuya-ku, Tokyo	Trust beneficiary interest in real estate	7,330	6,551
I-20	Bizcore Tsukiji	4-6-4 Tsukiji, Chuo-ku, Tokyo	Trust beneficiary interest in real estate	10,400	9,703
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	12,774
I-22	ARK Hills Front Tower	2-23-1 Akasaka, Minato-ku, Tokyo	Trust beneficiary interest in real estate	17,700	16,942
Area I				213,008	175,626
II-1	NHK Nagoya Housou-Center Building	1-13-3 Higashi-Sakura, Higashi-ku, Nagoya-shi, Aichi	Real estate	5,100	5,453
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	10,600	9,574
II-5	GRAND FRONT OSAKA (North Building)	3-1 Ohbuka-cho, Kita-ku, Osaka-shi, Osaka	Trust beneficiary interest in real estate	8,410	7,594
Area II				24,110	22,623
III-1	Musashikosugi Tower Place	1-403 Kosugi-machi, Nakahara-ku, Kawasaki-shi, Kanagawa	Trust beneficiary interest in real estate	22,900	12,110
III-5	Kawasaki Nisshincho Building	7-1 Nisshin-cho, Kawasaki-ku, Kawasaki-shi, Kanagawa	Trust beneficiary interest in real estate	3,520	4,331
III-7	JEI Ryogoku Building	3-25-5 Ryogoku, Sumida-ku, Tokyo	Trust beneficiary interest in real estate	3,070	2,382
III-11	Core City Tachikawa	2-37-7 Akebono-cho, Tachikawa-shi, Tokyo	Trust beneficiary interest in real estate	10,200	5,867
III-12	Nisseki Yokohama Building	1-1-8 Sakuragicho, Naka-ku, Yokohama-shi, Kanagawa	Trust beneficiary interest in real estate	31,600	21,008
III-13	Yokohama Bentendori Dai-ichi Seimei Building	4-59 Bentendori, Naka-ku, Yokohama-shi Kanagawa	Trust beneficiary interest in real estate	844	746
III-14	Shin-Yokohama Arena-dori Building	3-7-7 Shin-Yokohama, Kohoku-ku, Yokohama-shi, Kanagawa	Trust beneficiary interest in real estate	2,200	2,133
III-15	Urawa SH Building	4-26-15 Kishi-cho, Urawa-ku, Saitama-shi, Saitama	Trust beneficiary interest in real estate	1,800	1,824
Area III				76,134	50,404
IV-3	JEI Hiroshima Hacchobori Building	14-4 Hacchobori, Naka-ku, Hiroshima-shi, Hiroshima	Trust beneficiary interest in real estate	4,680	2,957
IV-4	SE Sapporo Building	1-1-2 Kitananajonishi, Kita-ku, Sapporo-shi, Hokkaido	Trust beneficiary interest in real estate	12,700	4,876
IV-5	Aoba-dori Plaza	3-2-1 Chuo, Aoba-ku, Sendai-shi, Miyagi	Trust beneficiary interest in real estate	4,670	2,492
IV-6	Daiwa Minami-morimachi Building	2-6, 2-chome Kita Tenjinbashi, Kita-ku, Osaka-shi, Osaka	Trust beneficiary interest in real estate	5,440	4,221
IV-7	JEI Naha Building	2-8-1 Kumoji, Naha-shi, Okinawa	Trust beneficiary interest in real estate	2,290	1,634
IV-8	Hiroshima Dai-ichi Seimei OS Building	1-2-21 Matoba-cho, Minami-ku, Hiroshima-shi, Hiroshima	Trust beneficiary interest in real estate	3,930	2,908
IV-10	Sapporo Otemachi Building	4-5-1 Minami Ichijo Nishi, Chuo-ku, Sapporo-shi, Hokkaido	Trust beneficiary interest in real estate	4,641	4,301
Area IV				38,351	23,391
Total				351,603	272,046

(Note) Appraisal value at end of period indicates the appraisal value described in the real estate appraisal report prepared by real estate appraisers belonging to Japan Real Estate Institute, Chuo Real Estate Appraisal Co., Ltd., Japan Valuers Co., Ltd., Daiwa Real Estate Appraisal Co., Ltd. and The Tanizawa Sogo Appraisal Co., Ltd. as of December 31, 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	38th Period January 1, 2025, to June 30, 2025				39th Period July 1, 2025, to December 31, 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	24	100.0	893	8.5	24	100.0	907	8.2
I-2	Shiba 2-Chome Building	2 (Note 1)	100.0	381	3.6	2 (Note 1)	100.0	381	3.4
I-3	JEI Hamamatsucho Building	8	100.0	216	2.1	8	100.0	220	2.0
I-8	AKASAKA INTERCITY	17	100.0	585	5.6	17	100.0	626	5.6
I-10	Daiba Garden City Building	5	100.0	343	3.3	4	91.0	419	3.8
I-12	HAMARIKYU INTERCITY	12 (Note 1)	98.8	822	7.9	12 (Note 1)	97.1	830	7.5
I-14	Kowa Nishi-Shimbashi Building	5	100.0	(Note 2)	(Note 2)	5	100.0	(Note 2)	(Note 2)
I-15	Mansard Daikanyama	10	100.0	233	2.2	10	100.0	291	2.6
I-16	AKASAKA INTERCITY AIR	1 (Note 1)	100.0	(Note 2)	(Note 2)	1 (Note 1)	87.7	(Note 2)	(Note 2)
I-17	Bizcore Akasaka-mitsuke	8	100.0	136	1.3	7	88.9	134	1.2
I-18	Bizcore Jimbocho	8	100.0	(Note 2)	(Note 2)	8	100.0	(Note 2)	(Note 2)
I-19	Bizcore Shibuya	7	100.0	156	1.5	7	100.0	163	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)	99.7	(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	8	100.0	421	3.8
Area I		117	99.8	–	–	115	98.3	–	–
II-1	NHK Nagoya Housou-Center Building	42	96.2	371	3.6	43	97.0	369	3.3
II-4	GRAND FRONT OSAKA (Umekita Plaza-South Building)	2 (Note 1)	95.9	(Note 2)	(Note 2)	2 (Note 1)	98.6	(Note 2)	(Note 2)
II-5	GRAND FRONT OSAKA (North Building)	5 (Note 1)	98.1	(Note 2)	(Note 2)	5 (Note 1)	96.1	(Note 2)	(Note 2)
Area II		49	96.8	–	–	50	97.0	–	–
III-1	Musashikosugi Tower Place	51	100.0	787	7.5	51	100.0	807	7.3
III-3	JEI Hongo Building (Note 3)	–	–	(Note 2)	(Note 2)	–	–	–	–
III-5	Kawasaki Nisshincho Building	40	100.0	212	2.0	40	100.0	217	2.0
III-7	JEI Ryogoku Building	17	100.0	118	1.1	17	100.0	126	1.1
III-11	Core City Tachikawa	26	100.0	320	3.1	25	100.0	318	2.9
III-12	Nisseki Yokohama Building	50	99.8	1,219	11.7	50	99.8	1,282	11.5
III-13	Yokohama Bentendori Dai-ichi Seimei Building	13	100.0	43	0.4	13	100.0	44	0.4
III-14	Shin-Yokohama Arena-dori Building	12	86.0	56	0.5	13	84.8	60	0.5
III-15	Urawa SH Building	–	–	–	–	5	100.0	(Note 2)	(Note 2)
Area III		209	99.6	–	–	214	99.6	–	–
IV-3	JEI Hiroshima Hacchobori Building	46	97.3	159	1.5	45	93.0	158	1.4
IV-4	SE Sapporo Building	42	100.0	450	4.3	43	95.7	447	4.0
IV-5	Aoba-dori Plaza	49	98.8	190	1.8	48	99.1	191	1.7
IV-6	Daiwa Minami-morimachi Building	10	100.0	193	1.8	10	100.0	197	1.8
IV-7	JEI Naha Building	19	100.0	91	0.9	19	100.0	95	0.9
IV-8	Hiroshima Dai-ichi Seimei OS Building	29	100.0	157	1.5	29	100.0	156	1.4
IV-9	Senshin Building (Note 4)	16	69.0	47	0.4	–	–	36	0.3
IV-10	Sapporo Otemachi Building	24	78.5	137	1.3	25	88.4	178	1.6
Area IV		235	96.2	–	–	219	96.6	–	–
Total		610	98.9	10,466	100.0	598	98.3	11,115	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.

(Note 4) JEI completed transfer of Senshin Building on December 19, 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	13,970,000	7,220,000	–

(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 39th period (ended December 31, 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 December 31, 2025	Total of advance payment
Shiba 2-Chome Building	Minato-ku, Tokyo	Update of heat source equipment	From February 2026 To April 2026	203	–	–
Nisseki Yokohama Building	Yokohama-shi, Kanagawa	Conversion to LED lighting in exclusively-owned sections (Phase 3)	From February 2026 To May 2026	161	–	–
SE Sapporo Building	Sapporo-shi, Hokkaido	Conversion to LED lighting in exclusively-owned sections (Phase 3)	From April 2026 To June 2026	76	–	–
Sapporo Otemachi Building	Sapporo-shi, Hokkaido	Maintenance of rent rooms on 1st floor	From November 2025 To March 2026	72	–	–
Omori Bellport D	Shinagawa-ku, Tokyo	Conversion to LED lighting in exclusively-owned sections (Phase 4)	From April 2026 To June 2026	54	–	–
NHK Nagoya Housou- Center Building	Nagoya-shi, Aichi	Update of upper floor elevators (No. 10)	From January 2026 To March 2026	52	–	–
NHK Nagoya Housou- Center Building	Nagoya-shi, Aichi	Update of upper floor elevators (No. 9)	From April 2026 To June 2026	52	–	–
HAMARIKYU INTERCITY	Minato-ku, Tokyo	Conversion to LED lighting in exclusively-owned sections and common areas (Phase 3)	From January 2026 To June 2026	47	–	–
JEI Ryogoku Building	Sumida-ku, Tokyo	Repair of exterior walls (Phase 1)	From March 2026 To May 2026	42	–	–
Daiwa Minami- morimachi Building	Osaka-shi, Osaka	Renovation of toilet (Phase 1)	From October 2025 To February 2026	39	–	–
Aoba-dori Plaza	Sendai-shi, Miyagi	Renewal of elevator control system (Phase 4)	From January 2026 To March 2026	33	–	–
Kowa Nishi-Shimbashi Building	Minato-ku, Tokyo	Conversion to LED lighting in exclusively-owned sections (Phase 7)	From May 2026 To June 2026	30	–	–

(2) Capital Expenditures for the Six Months Ended December 31, 2025

The following table shows constructions conducted by JEI during the period ended December 31, 2025, and expensed as capital expenditures. Capital expenditures for the period ended December 31, 2025, were 1,559 million yen and, when combined with repairs and maintenance costs of 165 million yen classified as expenses in the period under review, the amount of constructions completed totaled 1,724 million yen.

Property name	Location	Purpose	Term	Amount Paid (Millions of yen)
Shiba 2-Chome Building	Minato-ku, Tokyo	Update of absorption 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	128
Aoba-dori Plaza	Sendai-shi, Miyagi	Renewal of elevator control system (Phase 3)	From July 2025 To November 2025	63
HAMARIKYU INTERCITY	Minato-ku, Tokyo	Conversion to LED lighting in exclusively-owned sections and common areas (Phase 2)	From August 2025 To December 2025	49
SE Sapporo Building	Sapporo-shi, Hokkaido	Conversion to LED lighting in exclusively-owned sections (Phase 2)	From November 2025 To December 2025	47
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	38
Hiroshima Dai-ichi Seimei OS Building	Hiroshima-shi, Hiroshima	Conversion to LED lighting in exclusively-owned sections (Phase 3)	From November 2025 To December 2025	38
Nisseki Yokohama Building	Yokohama-shi, Kanagawa	Update of system core server, etc. for central monitoring equipment (Phase 2)	From November 2025 To December 2025	36
Shiba 2-Chome Building	Minato-ku, Tokyo	Repair of exterior walls (Phase 3)	From January 2025 To July 2025	35
Kawasaki Nisshincho Building	Kawasaki-shi, Kanagawa	Renovation of heat storage tank (Phase 5)	From October 2025 To December 2025	31
Yokohama Bentendori Dai-ichi Seimei Building	Yokohama-shi, Kanagawa	Conversion to LED lighting in exclusively-owned sections (Phase 1)	From October 2025 To December 2025	16
Other constructions				757
Total				1,559

(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	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	39th Period July 1, 2025, to December 31, 2025
Reserved funds at beginning of period	414	578	207	311	202
Increase	724	696	492	745	504
Decrease	560	1,067	388	854	457
Reserved funds at the end of period	578	207	311	202	250

5. Expenses and Liabilities

(1) Expenses Associated with Asset Management

(Unit: Thousands of yen)

Account	38th Period January 1, 2025, to June 30, 2025	39th Period July 1, 2025, to December 31, 2025
(a) Asset management fees	472,175	476,532
(b) Custodian fees	21,973	22,003
(c) Administrative service fees	40,324	39,800
(d) Compensation for directors	5,400	5,400
(e) Accounting auditor fees	12,000	12,000
(f) Other	107,411	110,258
Total	659,285	665,994

(2) Borrowings

Borrowings by each financing source as of the end of the 39th period (ended December 31, 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	–	0.80176	April 15, 2026 (Note 3)	Lump-sum	Purchase of real estate	Unsecured and non-guaranteed
	Mizuho Bank, Ltd.	September 8, 2025	–	5,000,000	0.80848	September 8, 2026		Redemption of existing investment corporation bonds	
Subtotal			6,800,000	5,000,000					
Long-term loans due within one year	Mizuho Bank, Ltd.	November 1, 2018	850,000	–	0.70600 (Note 2)	November 1, 2025	Lump-sum	Repayment of existing borrowing	Unsecured and non-guaranteed
	MUFG Bank, Ltd.		850,000	–					
	Mizuho Trust & Banking Co., Ltd.		600,000	–					
	The Norinchukin Bank		1,450,000	–					
	Mizuho Bank, Ltd.	November 29, 2021	520,000	–	1.10166	November 29, 2025			
	MUFG Bank, Ltd.		540,000	–					
	Sumitomo Mitsui Banking Corporation		1,080,000	–					
	Sumitomo Mitsui Trust Bank, Limited		1,620,000	–					
	Mizuho Bank, Ltd.	September 29, 2017	2,200,000	2,200,000	0.83441 (Note 2)	March 31, 2026			
	MUFG Bank, Ltd.		1,750,000	1,750,000					
	Sumitomo Mitsui Banking Corporation		1,100,000	1,100,000					
	The Norinchukin Bank		850,000	850,000					
	Aozora Bank, Ltd.		500,000	500,000					
	Mizuho Bank, Ltd.	March 8, 2019	850,000	850,000	0.57100 (Note 2)				
	MUFG Bank, Ltd.		850,000	850,000					
	Mizuho Trust & Banking Co., Ltd.		600,000	600,000					
	The Norinchukin Bank		1,450,000	1,450,000					
	Development Bank of Japan Inc.	September 29, 2017	–	1,300,000	0.83071 (Note 2)	September 30, 2026			
	Mizuho Bank, Ltd.	June 29, 2018	–	1,300,000	0.79100 (Note 2)	December 30, 2026			
	MUFG Bank, Ltd.		–	1,000,000					
Sumitomo Mitsui Banking Corporation	–		700,000						
Subtotal			17,660,000	14,450,000					
Long-term loans	Development Bank of Japan Inc.	September 29, 2017	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	–	0.79100 (Note 2)	December 30, 2026			
	MUFG Bank, Ltd.		1,000,000	–					
	Sumitomo Mitsui Banking Corporation		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	1.09807				
MUFG Bank, Ltd.	November 29, 2024	590,000	590,000	1.08125 (Note 2)					

	Classification	Drawdown date	Balance at beginning of period (Thousands of yen)	Balance at end of period (Thousands of yen)	Average interest rate (%) (Note 1)	Maturity date	Repayment method	Use	Remarks
	Lender								
Long-term loans	MUFG Bank, Ltd.	November 28, 2025	–	1,390,000	1.60063 (Note 2)	May 31, 2028	Lump-sum	Repayment of existing borrowing	Unsecured and non-guaranteed
	The Bank of Fukuoka, Ltd.	June 30, 2025	700,000	700,000	1.04981	June 30, 2028			
	Development Bank of Japan Inc.	January 31, 2020	2,000,000	2,000,000	0.68778 (Note 2)	July 31, 2028			
	MUFG Bank, Ltd.	August 29, 2025	–	1,000,000	1.48875 (Note 2)	August 31, 2028			
	The Bank of Fukuoka, Ltd.	November 29, 2024	150,000	150,000	1.17125 (Note 2)	November 30, 2028			
	Sumitomo Mitsui Banking Corporation	November 28, 2025	–	1,620,000	1.69500 (Note 2)				
	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	1,000,000	1,000,000	1.10981	June 29, 2029			
	Sumitomo Mitsui Banking Corporation	November 30, 2023	3,640,000	3,640,000	1.13807	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	1.22072				
	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			
	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 Trust & Banking Co., Ltd.	November 4, 2025	–	600,000	1.82508 (Note 2)	January 31, 2030			
	Mizuho Bank, Ltd.	November 28, 2025	–	1,370,000	1.90791 (Note 2)				
	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					
	Sumitomo Mitsui Banking Corporation	November 28, 2025	–	1,080,000	1.94750 (Note 2)	June 28, 2030			
The Dai-ichi Life Insurance Company Limited	June 30, 2021	2,000,000	2,000,000	0.65000 (Note 2)					
Resona Bank, Limited	June 30, 2025	200,000	200,000	1.49125 (Note 2)					
Mizuho Bank, Ltd.		3,700,000	3,700,000	1.49598 (Note 2)	July 31, 2030				

Classification	Lender	Drawdown date	Balance at beginning of period (Thousands of yen)	Balance at end of period (Thousands of yen)	Average interest rate (%) (Note 1)	Maturity date	Repayment method	Use	Remarks
Long-term loans	The Norinchukin Bank	November 30, 2023	1,500,000	1,500,000	1.15807	November 29, 2030	Lump-sum	Repayment of existing borrowing	Unsecured and non-guaranteed
	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	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	1,000,000	1.57125 (Note 2)				
	The Norinchukin Bank	November 4, 2025	–	1,450,000	1.87875 (Note 2)	October 31, 2031			
	Mizuho Bank, Ltd.	November 30, 2023	420,000	420,000	1.18807	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			65,940,000	70,150,000					
Total			90,400,000	89,600,000					

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

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

(Note 3) The entire amount was repaid before maturity on November 28, 2025 and December 30, 2025.

(3) Investment Corporation Bonds

The outstanding investment corporation bonds issued by JEI as of December 31, 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	–	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		(Note 2)	
	18th series unsecured investment corporation bonds	December 19, 2023	2,000,000	2,000,000	1.32900	December 19, 2033			
	20th series unsecured investment corporation bonds	February 8, 2024	2,400,000	2,400,000	1.39200	February 8, 2034			
		Subtotal		23,400,000	18,400,000				
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 1)	
	21st series unsecured investment corporation bonds	July 16, 2024	4,800,000	4,800,000	1.74000	July 14, 2034			
	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	38,000,000					

(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	BIZCORE JIMBOCHO (additional acquisition of compartmentalized ownership)	September 29, 2025	660	–	–	–	–
Trust beneficiary interest in real estate	Urawa SH Building	October 31, 2025	1,760	–	–	–	–
Trust beneficiary interest in real estate	JEI Hamamatsucho Building (45.0% quasi co-ownership interest)	–	–	November 28, 2025	4,189	3,535	557
Real estate	Senshin Building	–	–	December 19, 2025	1,711	1,708	(49)
Total		–	2,420	–	5,900	5,243	507

(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
Acquisition	BIZCORE JIMBOCHO (additional acquisition of compartmentalized ownership)	Trust beneficiary interest in real estate	September 29, 2025	660	617	The Tanizawa Sogo Appraisal Co., Ltd.	September 1, 2025
Acquisition	Urawa SH Building	Trust beneficiary interest in real estate	October 31, 2025	1,760	1,800	Japan Real Estate Institute	October 1, 2025
Transfer	JEI Hamamatsucho Building (45.0% quasi co-ownership interest)	Trust beneficiary interest in real estate	November 28, 2025	4,189	3,951 (Note 2)	Japan Real Estate Institute	December 31, 2024
Transfer	Senshin Building	Real estate	December 19, 2025	1,711	1,570	The Tanizawa Sogo Appraisal Co., Ltd.	June 30, 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 Hamamatsucho Building indicates the amount obtained by multiplying the appraisal value for the entire property by 45%, which is the quasi co-ownership trust beneficiary interest subject to transfer.

2) Others

For transactions conducted by JEI, JEI entrusts the investigation of transactions to Ernst & Young ShinNihon LLC for transactions that require investigation of the value of specified assets, etc., in accordance with Article 201 of the Investment Trust Law.

During the period under review from July 1, 2025, to December 31, 2025, there was one interest rate swap transaction that was subject to such investigation, and we have received an agreed-upon procedural implementation report from Ernst & Young ShinNihon LLC. In addition, regarding the interest rate swap transactions, JEI entrusted investigations into the name, quantity, contract value, transaction periods, and other details pertaining to the over-the-counter derivative transactions.

Furthermore, this investigation is not part of the financial statement audits and does not ensure the reasonableness of prices or internal management systems.

(4) Transactions with Interested Parties

1) Transactions

There were no applicable items during the period.

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	1,579,242	Nippon Steel Kowa Real Estate Co., Ltd.	317,580	20.1%
		Akasaka Intercity Management Co., Ltd.	26,116	1.7%
Real estate brokerage fees	20,947	Nippon Steel Kowa Real Estate Co., Ltd.	20,947	100.0%
Total	1,600,190	—	364,643	22.8%

(Note 1) Figures indicate fees paid to interested parties of the asset management company with whom JEI had direct transactions during the six months ended December 31, 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.

Nippon Steel Kowa Real Estate Facilities Co., Ltd. 245,975 thousand yen

Nippon Steel Kowa Real Estate Co., Ltd. 4,974 thousand yen

Nihon Sekkei, Inc. 4,029 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

The 12th General Meeting of Unitholders was held on September 29, 2025. The following table summarizes the matters approved at the general meeting of unitholders.

Proposal	Summary
Partial Amendment of the Articles of Incorporation	The Articles of Incorporation was amended on the following matters. <ul style="list-style-type: none">With regard to the number of executive directors and supervisory directors, in order to strike a balance between the number of directors necessary for proper operation of JEI and the burden of an increase in the number of directors, JEI will make an amendment to set an upper limitIn order to allow investments to be made based on the Small and Medium-Sized Enterprise Cooperatives Act and the Shinkin Bank Act to receive loans from credit unions and shinkin banks, JEI will add such investments to its investment target.Establishment of merger fee in the asset management fee.
Appointment of one Executive Director	Masahiro Sato was appointed as Executive Director. The term of office is two years from November 1, 2025.
Appointment of one Substitute Executive Director	Osamu Inagaki was appointed as Substitute Executive Director
Appointment of three Supervisory Directors	Eiji Takagi, Hiroaki Komatsu and Mika Narahashi were appointed as Supervisory Directors. Their term of office is two years from November 1, 2025.

2) Board of directors' meeting

There were no applicable items during the period.

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

There were no applicable items during the period.

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

There were no applicable items during the period.

(4) Other

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

Financial Statements

Japan Excellent, Inc.

*For the six-month periods ended
December 31, 2025 and June 30, 2025
with Independent Auditor's Report*

Japan Excellent, Inc.

Balance Sheets

As of December 31, 2025 and June 30, 2025

	<u>As of</u> <u>December 31, 2025</u>	<u>As of</u> <u>June 30, 2025</u>
	<i>(Thousands of yen)</i>	
Assets		
Current assets:		
Cash and cash equivalents including trust accounts (Note 5)	15,018,724	15,632,533
Rental receivables	448,903	417,131
Prepaid expenses and other current assets	434,709	1,359,540
Total current assets	<u>15,902,337</u>	<u>17,409,204</u>
Property and equipment (Note 8):		
Buildings and building improvements	8,665,554	9,051,705
Machinery and equipment	6,253	16,166
Furniture and fixtures	57,196	62,263
Land	9,292,709	10,609,617
Construction in progress	27,436	31,777
Buildings and building improvements for trust accounts	109,569,475	108,972,757
Machinery and equipment for trust accounts	1,522,090	1,528,472
Furniture and fixtures for trust accounts	318,475	311,547
Land for trust accounts	180,463,245	180,346,058
Construction in progress for trust accounts	22,051	87,585
Less: accumulated depreciation	<u>(40,777,903)</u>	<u>(39,678,904)</u>
Net property and equipment	<u>269,166,584</u>	<u>271,339,048</u>
Intangible assets:		
Leasehold rights	1,721,607	1,721,607
Leasehold rights for trust accounts	1,087,004	1,976,372
Software	1,968	2,256
Other intangible assets for trust accounts	70,980	74,078
Total intangible assets	<u>2,881,560</u>	<u>3,774,314</u>
Investments and other assets:		
Investment securities	86,741	86,741
Deferred tax assets	18	13
Security deposits	33,826	33,826
Long-term prepaid expenses	913,989	992,865
Other assets	2,056,226	1,964,564
Total investments and other assets	<u>3,090,802</u>	<u>3,078,011</u>
Deferred assets:		
Investment corporation bond issuance costs	150,874	164,585
Total deferred assets	<u>150,874</u>	<u>164,585</u>
Total assets	<u>291,192,160</u>	<u>295,765,165</u>

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

	As of December 31, 2025	As of June 30, 2025
	<i>(Thousands of yen)</i>	
Liabilities		
Current liabilities:		
Accounts payable – trade	1,730,695	1,094,560
Short-term loans <i>(Note 9)</i>	5,000,000	6,800,000
Investment corporation bonds due within one year <i>(Notes 6 and 10)</i>	2,000,000	5,000,000
Long-term debt due within one year <i>(Notes 6 and 9)</i>	14,450,000	17,660,000
Accounts payable – other	511,851	486,961
Accrued expenses	225,175	224,243
Accrued corporation taxes	722	691
Accrued consumption taxes	430,051	—
Advances received	42,543	40,121
Other current liabilities	4,299	10,017
Total current liabilities	<u>24,395,340</u>	<u>31,316,596</u>
Long-term liabilities:		
Investment corporation bonds <i>(Notes 6 and 10)</i>	36,000,000	38,000,000
Long-term debt <i>(Notes 6 and 9)</i>	70,150,000	65,940,000
Security deposits from tenants	1,134,418	1,180,214
Security deposits from tenants for trust accounts	<u>13,303,793</u>	<u>13,462,490</u>
Total long-term liabilities	<u>120,588,212</u>	<u>118,582,704</u>
Total liabilities	<u>144,983,552</u>	<u>149,899,300</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>(7,999,752)</u>
Unitholders' capital, net	<u>139,907,896</u>	<u>139,907,896</u>
Surplus		
Voluntary reserve		
Reserve for advanced depreciation of non-current assets	1,949,714	1,506,268
Retained earnings	<u>4,350,996</u>	<u>4,451,699</u>
Total surplus	<u>6,300,710</u>	<u>5,957,967</u>
Total unitholders' equity	<u>146,208,607</u>	<u>145,865,864</u>
Total net assets	<u>146,208,607</u>	<u>145,865,864</u>
Total liabilities and net assets	<u>291,192,160</u>	<u>295,765,165</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 July 1, 2025 to December 31, 2025
and from January 1, 2025 to June 30, 2025

	For the period from July 1, 2025 to December 31, 2025	For the period from January 1, 2025 to June 30, 2025
	<i>(Thousands of yen)</i>	
Revenues <i>(Note 14)</i> :		
Rental business revenues <i>(Note 16)</i>	10,096,655	9,679,972
Other <i>(Note 16)</i>	1,018,803	786,519
Gain on sales of real estate properties <i>(Notes 15 and 16)</i>	557,194	768,656
Dividend income from investment in anonymous association	—	212,594
Total revenues	<u>11,672,653</u>	<u>11,447,742</u>
Operating expenses <i>(Note 14)</i> :		
Property operating expenses <i>(Note 16)</i>	5,799,809	5,557,221
Loss on sales of real estate properties <i>(Note 15)</i>	49,243	—
Asset management fees	476,532	472,175
Custodian fees	22,003	21,973
Administrative service fees	39,800	40,324
Compensation for directors	5,400	5,400
Other	122,258	119,411
Total operating expenses	<u>6,515,047</u>	<u>6,216,507</u>
Operating income	<u>5,157,605</u>	<u>5,231,234</u>
Other income:		
Interest income	17,027	10,185
Refund of property taxes	18,800	—
Other	1,548	355
Other expenses:		
Interest expense	475,497	406,161
Loan arrangement fees	140,235	145,514
Interest expense on investment corporation bonds	204,907	218,853
Amortization of investment corporation bond issuance costs	13,710	14,589
Other	8,641	4,060
Ordinary income	<u>4,351,990</u>	<u>4,452,596</u>
Income before income taxes	4,351,990	4,452,596
Income taxes <i>(Note 13)</i> :		
Current	999	895
Deferred	(5)	1
Net income	<u>4,350,996</u>	<u>4,451,699</u>
Retained earnings at beginning of period	—	—
Retained earnings at end of period	<u>4,350,996</u>	<u>4,451,699</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 July 1, 2025 to December 31, 2025
and from January 1, 2025 to June 30, 2025

For the period from July 1, 2025 to December 31, 2025									
Net assets									
Unitholders' equity									
Surplus									
Voluntary reserve									
Reserve for advanced depreciation of non-current assets									
Number of units in issue	Unitholders' capital	Deduction from unitholders' capital	Unitholders' capital, net	Reserve for advanced depreciation of non-current assets	Retained earnings	Total surplus	Total unitholders' equity	Total net assets	
<i>(Thousands of yen)</i>									
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
Changes during the fiscal period:									
Provision of reserve for reduction entry	—	—	—	—	443,609	(443,609)	—	—	—
Reversal of reserve for reduction entry	—	—	—	—	(162)	162	—	—	—
Distributions from retained earnings	—	—	—	—	—	(4,008,252)	(4,008,252)	(4,008,252)	(4,008,252)
Net income	—	—	—	—	—	4,350,996	4,350,996	4,350,996	4,350,996
Total changes during the fiscal period	—	—	—	—	443,446	(100,703)	342,743	342,743	342,743
Balance as of December 31, 2025	1,290,487	147,907,649	(7,999,752)	139,907,896	1,949,714	4,350,996	6,300,710	146,208,607	146,208,607

For the period from January 1, 2025 to June 30, 2025									
Net assets									
Unitholders' equity									
Surplus									
Voluntary reserve									
Reserve for advanced depreciation of non-current assets									
Number of units in issue	Unitholders' capital	Deduction from unitholders' capital	Unitholders' capital, net	Reserve for advanced depreciation of non-current assets	Retained earnings	Total surplus	Treasury investment units	Total unitholders' equity	Total net 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
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)
Net income	—	—	—	—	—	4,451,699	4,451,699	—	4,451,699
Acquisition of treasury investment units	—	—	—	—	—	—	—	(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)
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

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

Japan Excellent, Inc.

Statements of Cash Flows

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

	For the period from July 1, 2025 to December 31, 2025	For the period from January 1, 2025 to June 30, 2025
	<i>(Thousands of yen)</i>	
Cash flows from operating activities		
Income before income taxes	4,351,990	4,452,596
Depreciation and amortization	1,789,297	1,761,878
Amortization of investment corporation bond issuance costs	13,710	14,589
Interest income	(17,027)	(10,185)
Interest expense	680,404	625,014
Decrease (increase) in rental receivables	(31,772)	14,642
Decrease (increase) in consumption taxes refundable	297,923	(297,923)
Decrease (increase) in prepaid expense	25,603	(73,196)
Increase (decrease) in accounts payable – trade	189,971	(432,175)
Increase (decrease) in accounts payable – other	22,340	26,717
Increase (decrease) in unpaid consumption taxes	430,051	(721,451)
Increase (decrease) in advances received	2,422	10,340
Decrease (increase) in long-term prepaid expenses	78,876	54,606
Decrease in property and equipment due to sale	1,708,260	—
Decrease in property and equipment for trust accounts due to sale	2,645,940	2,900,026
Decrease in intangible assets for trust accounts due to sale	889,367	—
Other, net	503,014	(966,949)
Subtotal	13,580,376	7,358,530
Interest received	17,027	10,185
Interest paid	(679,472)	(622,047)
Income taxes paid	(691)	(697)
Net cash provided by (used in) operating activities	12,917,239	6,745,970
Cash flows from investing activities		
Proceeds from redemption of investment securities	—	5,115,063
Purchases of property and equipment	(112,971)	(217,527)
Purchases of property and equipment for trust accounts	(3,405,960)	(18,050,472)
Proceeds from security deposits from tenants	20,402	2,084
Payments for security deposits to tenants	(66,197)	(75,786)
Proceeds from security deposits in trust accounts from tenants	320,094	1,309,931
Payments for security deposits in trust accounts to tenants	(478,791)	(472,515)
Net cash provided by (used in) investing activities	(3,723,424)	(12,389,222)
Cash flows from financing activities		
Proceeds from short-term loans	5,000,000	8,000,000
Repayment for short-term loans	(6,800,000)	(1,200,000)
Proceeds from long-term debt	8,510,000	7,000,000
Repayment for long-term debt	(7,510,000)	(10,000,000)
Payments for redemption of investment corporation bonds	(5,000,000)	—
Payments for acquisition of treasury investment units	—	(3,999,901)
Distributions to unitholders	(4,007,624)	(3,660,611)
Net cash provided by (used in) financing activities	(9,807,624)	(3,860,513)
Net increase (decrease) in cash and cash equivalents	(613,809)	(9,503,765)
Cash and cash equivalents at beginning of period	15,632,533	25,136,299
Cash and cash equivalents at end of period <i>(Note 5)</i>	15,018,724	15,632,533

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

Japan Excellent, Inc.

Notes to Financial Statements

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

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 December 31, 2025, JEI held 33 properties with 300,200.04 square meters of total leasable space and had leases with 598 tenants excluding residential tenants.

2. Basis of Presentation

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

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

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

3. Summary of Significant Accounting Policies

Cash and cash equivalents

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

Investment securities

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

Property and equipment including trust accounts

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

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

Intangible assets

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

Software	5 years
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Deferred assets

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

Revenue recognition

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

- Sale of real estate, etc.

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

3. Summary of Significant Accounting Policies (continued)

- Utilities income

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

Income taxes

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

Consumption taxes

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

Property-related taxes

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

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

The capitalized amount for the period from July 1, 2025 to December 31, 2025 was ¥2,341 thousand.

The capitalized amount for the period from January 1, 2025 to June 30, 2025 was ¥44,571 thousand.

Derivatives and hedge accounting

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

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

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

3. Summary of Significant Accounting Policies (continued)

Properties in trust accounts

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

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

	<u>As of</u> <u>December 31, 2025</u>	<u>As of</u> <u>June 30, 2025</u>
	<i>(Thousands of yen)</i>	
Cash and cash deposits	3,783,487	4,332,151
Cash and deposits in trust	11,235,236	11,300,382
Cash and cash equivalents including trust accounts	<u>15,018,724</u>	<u>15,632,533</u>

6. Financial Instruments

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

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 77.3% of existing borrowings being covered by a fixed interest rate swap for the entire maturity as of December 31, 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 December 31, 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 December 31, 2025 and June 30, 2025 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 December 31, 2025			As of June 30, 2025		
	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 B)	2,000,000	1,985,894	(14,106)	5,000,000	5,000,990	990
(2) Long-term debt due within one year (Note B)	14,450,000	14,465,783	15,783	17,660,000	17,690,961	30,961
(3) Investment corporation bonds (Note B)	36,000,000	33,204,658	(2,795,341)	38,000,000	36,131,625	(1,868,375)
(4) Long-term debt (Note B)	70,150,000	68,438,802	(1,711,197)	65,940,000	65,237,505	(702,494)
Total liabilities	122,600,000	118,095,138	(4,504,861)	126,600,000	124,061,081	(2,538,918)
(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)

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

(Note C)

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

		As of December 31, 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	2,000,000		—	—	—	—	—
Long-term debt							
due within one year	14,450,000		—	—	—	—	—
Investment corporation bonds	—	7,000,000	4,000,000	2,000,000	—	23,000,000	
Long-term debt	—	5,840,000	6,860,000	20,740,000	21,430,000	15,280,000	
Total	<u>16,450,000</u>	<u>12,840,000</u>	<u>10,860,000</u>	<u>22,740,000</u>	<u>21,430,000</u>	<u>38,280,000</u>	
		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>	

7. Investment and Rental Property

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

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

Carrying value			Fair value
As of July 1, 2025	Change during period (*2)	As of December 31, 2025	As of December 31, 2025
<i>(Thousands of yen)</i>			
275,111,106	(3,064,929)	272,046,177	352,445,500

Carrying value			Fair value
As of January 1, 2025	Change during period (*1)	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

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

B) Details of change during period:

(*1) 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.

(*2) The decrease of ¥3,064,929 thousand during the period is mainly due to an increase of ¥645,398 thousand related to the acquisition of BIZCORE JIMBOCHO (Additional acquisition of co-ownership interest), an increase of ¥1,826,639 thousand related to the acquisition of Urawa SH Building, and a decrease of ¥3,535,308 thousand related to the part disposal of JEI Hamamatsucho Building, a decrease of ¥1,708,260 thousand related to the disposal of Senshin Building, and a decrease of ¥1,789,009 thousand for depreciation costs.

C) Fair value

Fair value as of December 31, 2025 is JEI Hamamatsucho Building's transfer price, BIZCORE AKASAKA MITSUKE's transfer price and for other properties, appraisal value provided by third-party real estate appraisers.

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.

8. Property and Equipment

Property and equipment at December 31, 2025 and June 30, 2025 consisted of the following:

	As of December 31, 2025			As of June 30, 2025		
	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value
	<i>(Thousands of yen)</i>					
Buildings and building improvements	8,665,554	(3,213,216)	5,452,338	9,051,705	(3,153,175)	5,898,529
Machinery and equipment	6,253	(5,940)	312	16,166	(6,889)	9,277
Furniture and fixtures	57,196	(51,927)	5,269	62,263	(55,139)	7,123
Land	9,292,709	—	9,292,709	10,609,617	—	10,609,617
Construction in progress	27,436	—	27,436	31,777	—	31,777
Buildings and building improvements for trust accounts	109,569,475	(36,443,072)	73,126,403	108,972,757	(35,448,510)	73,524,247
Machinery and equipment for trust accounts	1,522,090	(851,974)	670,116	1,528,472	(811,572)	716,900
Furniture and fixtures for trust accounts	318,475	(211,771)	106,703	311,547	(203,616)	107,930
Land for trust accounts	180,463,245	—	180,463,245	180,346,058	—	180,346,058
Construction in progress for trust accounts	22,051	—	22,051	87,585	—	87,585
Total	309,944,487	(40,777,903)	269,166,584	311,017,952	(39,678,904)	271,339,048

9. Short-Term Loans and Long-Term Debt

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

	As of December 31, 2025		As of June 30, 2025	
	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	—	0.80176%	6,800,000	0.81375%
Unsecured loans from a bank due on September 8, 2026	5,000,000	0.80848%	—	
Subtotal	5,000,000		6,800,000	
Long-term debt due within one year:				
Unsecured loans from banks due on November 1, 2025	—	0.70600% (*2)	3,750,000	0.70600% (*2)
Unsecured loans from banks due on November 29, 2025	—	1.10166%	3,760,000	1.04368%
Unsecured loans from banks due on March 31, 2026	6,400,000	0.83441% (*2)	6,400,000	0.83441% (*2)
Unsecured loans from banks due on March 31, 2026	3,750,000	0.57100% (*2)	3,750,000	0.57100% (*2)
Unsecured loans from a bank due on September 30, 2026	1,300,000	0.83071% (*2)	—	
Unsecured loans from banks due on December 30, 2026	3,000,000	0.79100% (*2)	—	
Subtotal	14,450,000		17,660,000	

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

Long-term debt:

Unsecured loans from a bank due on September 30, 2026	—	0.83071% (*2)	1,300,000	0.83071% (*2)
Unsecured loans from banks due on December 30, 2026	—	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	1.09807%	1,250,000	1.03368%
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 May 31, 2028	1,390,000	1.60063% (*2)	—	
Unsecured loans from a bank due on June 30, 2028	700,000	1.04981%	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 August 31, 2028	1,000,000	1.48875% (*2)	—	
Unsecured loans from a bank due on November 30, 2028	150,000	1.17125% (*2)	150,000	1.17125% (*2)
Unsecured loans from a bank due on November 30, 2028	1,620,000	1.69500% (*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	1.10981%	1,000,000	1.10727%
Unsecured loans from a bank due on November 30, 2029	3,640,000	1.13807%	3,640,000	1.07368%
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	1.22072%	5,750,000	1.14426%
Unsecured loans from banks due on January 31, 2030	5,750,000	1.15676%	5,750,000	1.08507%
Unsecured loans from a bank due on January 31, 2030	600,000	1.82508% (*2)	—	
Unsecured loans from a bank due on January 31, 2030	1,370,000	1.90791% (*2)	—	
Unsecured loans from banks due on May 31, 2030	2,430,000	1.31444% (*2)	2,430,000	1.31444% (*2)
Unsecured loans from a bank due on May 31, 2030	1,080,000	1.94750% (*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)	200,000	1.49125% (*2)
Unsecured loans from a bank due on July 31, 2030	3,700,000	1.49598% (*2)	3,700,000	1.49598% (*2)
Unsecured loans from banks due on November 29, 2030	3,900,000	1.15807%	3,900,000	1.09368%
Unsecured loans from a bank due on December 30, 2030	400,000	1.52772% (*2)	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)	1,000,000	1.57125% (*2)
Unsecured loans from a bank due on October 31, 2031	1,450,000	1.87875% (*2)	—	
Unsecured loans from banks due on November 28, 2031	1,980,000	1.18807%	1,980,000	1.12368%
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)
Subtotal	<u>70,150,000</u>		<u>65,940,000</u>	
Total	<u>89,600,000</u>		<u>90,400,000</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 December 31, 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	14,450,000	5,840,000	6,860,000	20,740,000	21,430,000	15,280,000

JEI has commitment lines of ¥14,000,000 thousand with three financial institutions to mitigate refinancing risk and enhance financial stability. As of December 31, 2025, these commitment lines have never been utilized.

10. Investment Corporation Bonds

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

	As of December 31, 2025		As of June 30, 2025	
	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	—	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>38,000,000</u>		<u>43,000,000</u>	

10. Investment Corporation Bonds (continued)

The scheduled redemption amounts of investment corporation bonds as of December 31, 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>			
Investment corporation bonds	2,000,000	7,000,000	4,000,000	2,000,000	—	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 December 31, 2025 and June 30, 2025 is as follows:

	Six-month period ended December 31, 2025	Six-month period ended June 30, 2025
Total number of treasury investment units cancelled (units)	62,513	62,513
Total amount of cancellation (Thousands of yen)	7,999,752	7,999,752

12. Per Unit Information

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

Net income per unit for the periods from July 1, 2025 to December 31, 2025 and from January 1, 2025 to June 30, 2025 was calculated based on the weighted-average number of units outstanding during the corresponding periods, (1,290,487 units) and (1,307,817 units), respectively.

Accordingly, net assets per unit were ¥113,297 as of December 31, 2025 and ¥113,031 as of June 30, 2025. Net income per unit was ¥3,371 for the period from July 1, 2025 to December 31, 2025 and ¥3,403 for the period from January 1, 2025 to June 30, 2025.

13. Income Taxes

JEI is subject to income taxes in Japan.

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

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

	As of December 31, 2025	As of June 30, 2025
	<i>(Thousands of yen)</i>	
Deferred tax assets:		
Accrued enterprise taxes	18	13
Total deferred tax assets	18	13
Net deferred tax assets	18	13

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

	For the period from July 1, 2025 to December 31, 2025	For the period from January 1, 2025 to June 30, 2025
Statutory tax rate	31.46%	31.46%
Reconciliation:		
Deductible distributions paid	(28.32%)	(28.32%)
Provision of reserve for reduction entry	(3.13%)	(3.13%)
Other	0.01%	0.01%
Effective tax rate	0.02%	0.02%

14. Breakdown of Revenues and Expenses

	For the period from July 1, 2025 to December 31, 2025	For the period from January 1, 2025 to June 30, 2025
	<i>(Thousands of yen)</i>	
Revenues:		
Rental business revenues		
Rental revenues	8,615,695	8,199,102
Common area revenues	1,180,934	1,190,024
Other rental revenues	300,025	290,845
Subtotal	<u>10,096,655</u>	<u>9,679,972</u>
Other		
Utilities revenues	755,224	643,389
Other revenues	263,579	143,130
Subtotal	<u>1,018,803</u>	<u>786,519</u>
Total rental revenues	<u>11,115,458</u>	<u>10,466,491</u>
Property operating expenses:		
Property management costs and fees	1,579,242	1,489,830
Utilities expenses	1,104,826	1,006,935
Property and other taxes	1,009,732	982,079
Insurance	25,125	25,713
Repairs and maintenance	165,179	169,660
Depreciation	1,789,009	1,761,590
Other	126,692	121,412
Total property operating expenses	<u>5,799,809</u>	<u>5,557,221</u>
Profit	<u>5,315,649</u>	<u>4,909,269</u>

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

	For the period from July 1, 2025 to December 31, 2025	For the period from January 1, 2025 to June 30, 2025
	<i>(Thousands of yen)</i>	
JEI Hamamatsucho Building		
Proceeds from sale of real estate	4,189,500	—
Cost of sales of real estate	3,535,308	—
Other related sale expenses	96,997	—
Gain on sale of real estate	<u>557,194</u>	<u>—</u>
	For the period from July 1, 2025 to December 31, 2025	For the period from January 1, 2025 to June 30, 2025
	<i>(Thousands of yen)</i>	
Senshin Building		
Proceeds from sale of real estate	1,711,000	—
Cost of sales of real estate	1,708,260	—
Other related sale expenses	51,982	—
Gain on sale of real estate	<u>49,243</u>	<u>—</u>
	For the period from July 1, 2025 to December 31, 2025	For the period from January 1, 2025 to June 30, 2025
	<i>(Thousands of yen)</i>	
JEI Hongo Building		
Proceeds from sale of real estate	—	3,690,000
Cost of sales of real estate	—	2,900,026
Other related sale expenses	—	21,316
Gain on sale of real estate	<u>—</u>	<u>768,656</u>

16. Transactions with Major Unitholders

Transactions with major unitholders are as follows:

	For the period from July 1, 2025 to December 31, 2025	For the period from January 1, 2025 to June 30, 2025
	<i>(Thousands of yen)</i>	
Rental business revenues	30,075	17,659
Other	2,563	947
Gain on sales of real estate properties (Other related sale expenses)	(20,947)	(18,450)
Property operating expenses	<u>317,580</u>	<u>309,820</u>

17. Leases

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

	As of December 31, 2025	As of June 30, 2025
	<i>(Thousands of yen)</i>	
Due within one year	3,481,634	3,502,949
Due after one year	6,475,051	6,386,681
Total	9,956,686	9,889,631

18. Derivative Transactions

Derivative Transactions as of December 31, 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 December 31, 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	13,970,000	7,220,000	*	/

* 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 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."

19. Related Party Transactions

For the period from July 1, 2025 to December 31, 2025

(1) Parent Company and Major Corporate Unitholders

Not applicable.

(2) Subsidiaries and Affiliated Companies

Not applicable.

(3) Sister Companies

Not applicable.

(4) Directors and Major Individual Unitholders

Not applicable.

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.

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 July 1, 2025 to December 31, 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 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.

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 ¥3,917,918,532, which is the maximum integral multiple of the 1,290,487 units issued, but not exceeding ¥4,351,158,966 which is the amount of retained earnings at December 31, 2025.

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

On February 20, 2026, the Board of Directors approved a resolution to make a cash distribution of ¥3,036 per unit aggregating to ¥ 3,917,918,532 to unitholders of record as of December 31, 2025.

22. Revenue Recognition

(1) Breakdown of revenue from contracts with customers

For the period from July 1, 2025 to December 31, 2025

	Revenue from contracts with customers (*1)	Revenue from external customers
	<i>(Thousands of yen)</i>	
Sales of real estate properties	1,711,000	(*2)557,194
Utilities income	755,224	755,224
Other	—	10,360,234
Total	2,466,224	11,672,653

(*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.

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.

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

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

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 July 1, 2025 to December 31, 2025

(a) Balance of contract assets and contract liabilities

	July 1, 2025 to December 31, 2025
	<i>(Thousands of yen)</i>
Claims arising from contracts with customers (At beginning of period)	301,449
Claims arising from contracts with customers (At end of period)	298,818
Contract assets (At beginning of period)	—
Contract assets (At end of period)	—
Contract liabilities (At beginning of period)	—
Contract liabilities (At end of period)	—

(b) Transaction price allocated to remaining performance obligations

As of December 31, 2025, the transaction price allocated to the remaining performance obligations for the sale of real estate is ¥5,120,500 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 property, which is expected to occur on 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 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)	—

22. Revenue Recognition(continued)

(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.

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 December 31, 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 December 31, 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 December 31, 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 December 31, 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

March 25, 2026

Mika Nezu

Designated Engagement Partner
Certified Public Accountant

Natsuki Saiki

Designated Engagement Partner
Certified Public Accountant