

Asset Management Report for the 37th Period (Semi-Annual Report for the 37th Period)

From July 1, 2024, to December 31, 2024



Japan Excellent, Inc.

I. Greetings

To Our Unitholders

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

We hereby report the financial results of JEI for the 37th period (from July 1, 2024, to December 31, 2024).

In terms of the business environment, the timing of further policy interest rate hikes by the Bank of Japan has attracted considerable attention. In the real estate transaction market, there continued to be vigorous appetite for investment by domestic and overseas investors and transaction prices remain high. In the office building leasing market, vacancy rates are trending downward against the backdrop of strong office demand, and rents have gradually been trending upward.

Under such circumstances, in the 37th period, JEI recorded operating revenue of 12,752 million yen, operating income of 4,483 million yen, and net income of 3,742 million yen. Distribution per unit was 2,770 yen as initially forecast.

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, and in addition to promoting compliance, also disclosing information on the status of operations to unitholders in an accurate and easy-to-understand manner.

We kindly ask for your continued understanding and support.

II. Asset Management Report

1. Outline of Asset Management Operation

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

Fiscal period		33rd Period July 1, 2022, to December 31, 2022	34th Period January 1, 2023, to June 30, 2023	35th Period July 1, 2023, to December 31, 2023	36th Period January 1, 2024, to June 30, 2024	37th Period July 1, 2024, to December 31, 2024
Operating revenue	(Millions of yen)	10,699	13,823	10,857	11,460	12,752
(Rental revenues)	(Millions of yen)	(10,141)	(10,079)	(10,102)	(10,662)	(10,981)
Operating expenses	(Millions of yen)	6,567	9,346	6,191	6,624	8,268
(Property operating expenses)	(Millions of yen)	(5,944)	(5,972)	(5,561)	(5,979)	(6,007)
Operating income	(Millions of yen)	4,132	4,477	4,665	4,835	4,483
Ordinary income	(Millions of yen)	3,503	3,882	4,050	4,201	3,743
Net income	(Millions of yen)	3,502	3,881	4,049	4,200	3,742
Total assets	(Millions of yen)	294,540	287,045	294,823	304,049	295,338
(Period-on-period change)	(%)	(1.1)	(-2.5)	(2.7)	(3.1)	(-2.9)
Net assets	(Millions of yen)	150,218	150,354	150,659	149,114	149,074
(Period-on-period change)	(%)	(-0.2)	(0.1)	(0.2)	(-1.0)	(-0.0)
Unitholders' capital, net (Note 1)	(Millions of yen)	145,907	145,907	145,907	143,907	143,907
Total outstanding investment units	(units)	1,337,598	1,337,598	1,337,598	1,321,614	1,321,614
Net assets per unit	(yen)	112,304	112,406	112,634	112,827	112,797
Net income per unit (Note 2)	(yen)	2,618	2,901	3,027	3,159	2,832
Total distribution	(Millions of yen)	3,745	3,745	3,745	3,782	3,660
Distribution per unit	(yen)	2,800	2,800	2,800	2,862	2,770
(Profit distribution per unit)	(yen)	(2,800)	(2,800)	(2,800)	(2,862)	(2,770)
(Distribution in excess of earnings per unit)	(yen)	(-)	(-)	(-)	(-)	(-)
Return on assets (Note 3)	(%)	1.2	1.3	1.4	1.4	1.2
(Annualized rate)	(%)	(2.4)	(2.7)	(2.8)	(2.8)	(2.5)
Return on equity (Note 4)	(%)	2.3	2.6	2.7	2.8	2.5
(Annualized rate)	(%)	(4.6)	(5.2)	(5.3)	(5.6)	(5.0)
Capital ratio (Note 5)	(%)	51.0	52.4	51.1	49.0	50.5
(Period-on-period change)	(%)	(-0.6)	(1.4)	(-1.3)	(-2.1)	(1.4)
Payout ratio (Note 6)	(%)	107.0	96.5	92.5	90.0	97.8
Number of investment properties	(properties)	36	35	35	35	33
Number of tenants (Note 7)	(tenants)	617	611	622	603	606
Total leasable area (Note 8, 9)	(m ²)	337,389	306,717	314,925	319,258	295,884
Occupancy rate	(%)	93.0	96.5	97.9	98.4	99.0
Depreciation	(Millions of yen)	1,931	1,960	1,780	1,850	1,865
Capital expenditure	(Millions of yen)	1,188	1,404	1,418	1,317	1,513
Net operating income (NOI) (Note 10)	(Millions of yen)	6,128	6,067	6,321	6,533	6,839
Funds from operation (FFO) per unit (Note 11)	(yen)	3,665	3,634	3,837	4,026	4,187
FFO multiples (Note 12)	(times)	18.0	17.1	16.5	14.7	14.0
Debt service coverage ratio (DSCR) (Note 13)	(times)	12.8	14.1	14.5	14.0	10.8
Interest-bearing debt	(Millions of yen)	128,600	120,600	128,600	138,600	129,600
Loan-to-value (Note 14)	(%)	43.7	42.0	43.6	45.6	43.9
Number of days in operation	(days)	184	181	184	182	184

- (Note 1) The amount of unitholders' capital after subtracting any deduction from unitholders' capital is shown. This does not account for any deduction from unitholders' capital that is due to the implementation of distribution in excess of earnings related to the allowance for temporary difference adjustments.
- (Note 2) Net income per unit is calculated by dividing the net income by the weighted-average number of units outstanding during the six months period.
- (Note 3) Return on assets = Ordinary income / [(Period beginning total assets) + (Period end total assets) / 2] × 100
- (Note 4) Return on equity = Net income / [(Period beginning net assets) + (Period end net assets) / 2] × 100
- (Note 5) Capital ratio = Period end net assets / Period end total assets × 100
- (Note 6) Payout ratio = (Distribution per unit (not including distribution in excess of earnings per unit) / Net income per unit) × 100
(Figures are rounded to the first decimal place.)
For the 36th period, as buyback and cancellation of own investment units took place, the formula below was used to calculate the payout ratio.
Payout ratio = (Total distributions (not including distribution in excess of earnings) / Net income) × 100
- (Note 7) For number of tenants, when a tenant has multiple tenancies in the same property, it is counted as one tenant, and when in multiple properties, it is counted as multiple tenants. However, for properties in which the residential portion or the percentage of the interest owned by JEI is relatively low, the number of tenants indicates the number of master lease companies for the property, considering a master lease company as a tenant.
- (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, 2024, JEI settled its 37th period.

1) Business conditions and results

In the period under review (37th period ended December 31, 2024), the world economy continued its moderate growth, with inflation subsiding and interest rates being lowered. While the U.S. economy remained strong, a sense of stagnation developed in European economies. With regard to monetary policy, both the Federal Reserve Bank and the European Central Bank decided to lower their policy interest rates. The pace of the rate cuts differed, however, depending on economic conditions and prices, and uncertainty surrounding the timing of lowering policy interest rates remained.

In Japan, private consumption is recovering gradually and the economy remains largely firm with factors such as robust capital investment and increasing number of foreign visitors to Japan. Following the Bank of Japan's decision to raise policy interest rates in July 2024 while maintaining the framework of monetary easing, domestic interest rates have gradually risen. After that, in contrast to Western countries, where decreases in policy rates are anticipated, attention became focused on the timing of further policy interest rate hikes by the Bank of Japan after having assessed price trends and movement toward wage increases.

In terms of real estate transaction market trends for office properties, even though domestic interest rates were increasing, the acquisition appetite of investors within and outside of Japan continued to be strong and property prices largely remained at a high level. Under such circumstances, in addition to the partial sale of JEI Hongo Building in July to an external party, JEI sold Kowa Kawasaki Higashiguchi Building, which was leased in its entirety and potentially vulnerable to increasing repair and maintenance costs due to its age of 36 years, to a core sponsor along with Osaka Kogin Building (Land with Leasehold Interest) in December. As a result of these sales, JEI was able to qualitatively improve its portfolio from medium- to long-term perspectives. The gain on sale will be used to enhance JEI's financial strength, thereby supporting stable financial management. The proceeds from the sale will also be used for measures contributing to capital efficiency and enhancing unitholder value.

In the office building leasing market, vacancy rates in central Tokyo were gradually declining driven by the solid demand for relocation to expand office space and improve location and floor expansion within same building, against the backdrop of the office recovery trend after the pandemic subsided, the growing need to improve office environments to secure human resources, and the expansion of business activities. As a result, rent level is steadily increasing.

In such market conditions, JEI actively worked to attract new tenants and meet existing tenants' needs for additional floor space. As a result, the occupancy rate (Note 1) at the end of the period under review rose by 0.6 percentage points from the end of the previous period to 99.0%. In addition, JEI is actively raising rents in buildings that have filled vacancies and negotiating to raise rents with existing tenants. 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 279.4 billion yen and total leasable area of 295,883.72 m² (89,504.83 tsubos).

2) Fund procurement highlights

In the period under review, as interest rates rose gradually following the change in the Bank of Japan's monetary policy stance, JEI engaged in stable financial operations while curtailing increases in financial costs through measures such as reducing borrowings through careful management of cash reserves in light of property sales, etc. and reducing payment fees by changing syndicated loans to bi-lateral loans. In terms of fund procurement, JEI (1) converted the short-term bridge funding procured upon redemption of 8 billion yen in investment corporation bonds and 8.6 billion yen in short-term loans for the acquisition of GRAND FRONT OSAKA to long-term loans by issuing for refinancing investment corporation bonds (green bonds, term of 10 years, issued in July and October), (2) refinanced 5.27 billion yen of long-term loans that reached maturity in November for the same amount (fixed interest rate, average term of 5.2 years), and through (1) and (2) it procured 13.87 billion yen in total with fixed interest rate by diversifying maturity dates, increasing the ratio of fixed interest rates. In December, JEI used the proceeds from the sale of properties (Kowa Kawasaki Higashiguchi Building, Osaka Kogin Building (Land with Leasehold Interest)) to conduct an early repayment of 6 billion yen in short-term loans.

As a result, as of the end of the period under review, the average remaining period of interest-bearing debt (Note 2) at the end of the period under review was 4.6 years (extended by 0.6 years from the end of the previous period), and the loan-to-value ratio of total assets (total assets-based LTV) (Note 3) was 43.9% (down 1.7 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, 2024, JEI has been granted the following rating.

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

3) Sustainability initiatives

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

With regard to CO₂ emission intensity, JEI has set a medium-term target to reduce emission intensity by 46% by fiscal 2030 compared with fiscal 2013 (achieved target ahead of schedule) and a long-term target of net zero CO₂ emissions by fiscal 2050. To meet the targets, JEI has promoted a shift to LED lighting, air-conditioning equipment with excellent energy-saving performance, and carbon-free energy sources, such as “RE100” compatible electricity, at properties it owns. In order to reduce environmental impact, JEI has set targets to reduce energy consumption and water consumption intensities by 1% per year compared with the previous period, and over the medium to long term, to reduce average consumption and emission intensities by 5% or more when comparing the rates between fiscal 2015 and fiscal 2019 with the rates between fiscal 2020 and fiscal 2024. Furthermore, JEI has continuously promoted the acquisition of Green Building Certification and the number of certified properties now stands at 27, accounting for 88.3% of leasable area (as of December 31, 2024).

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

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

4) Financial results and distribution highlights

As a result of the management above, for the period under review, JEI posted 12,752 million yen in operating revenue, 4,483 million yen in operating income, 3,743 million yen in ordinary income, and 3,742 million yen in net income.

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

As a result, distribution per unit was 2,770 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 82 million yen of reserve for reduction entry from the sum of unappropriated retained earnings and reversal of reserve for reduction entry.

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

(3) Capital Increase

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

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

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

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

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

(Note 4) 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 5) 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 6) At JEI, there exist no investment units held by JEI (investment units without voting rights provided in Article 308-2 of the Corporate Law which will be applied mutatis mutandis pursuant to Article 94 of the Investment Trust Law) or cross-held investment units (investment units without voting rights provided in Article 160 of the Investment Trust Enforcement Ordinance) as of the end of the period under review.

[Market price of the investment securities]

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

Investment unit market price	Fiscal period (closing date)	33rd period (December 2022)	34th period (June 2023)	35th period (December 2023)	36th period (June 2024)	37th period (December 2024)
	Highest (yen)		139,400	130,700	141,100	130,400
Lowest (yen)		118,900	115,400	123,100	117,200	113,100

(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 2,770 yen.

Fiscal period	33rd period	34th period	35th period	36th period	37th period
Accounting period	July 1, 2022, to December 31, 2022	January 1, 2023, to June 30, 2023	July 1, 2023, to December 31, 2023	January 1, 2024, to June 30, 2024	July 1, 2024, to December 31, 2024
Unappropriated retained earnings at end of period (Thousands of yen)	3,502,198	3,881,374	4,049,775	4,200,539	3,742,997
Retained income (Thousands of yen)	–	136,100	304,500	418,080	82,289
Total cash distribution amount (Thousands of yen)	3,745,274	3,745,274	3,745,274	3,782,459	3,660,870
(Cash distributions per unit) (yen)	(2,800)	(2,800)	(2,800)	(2,862)	(2,770)
Of which, total profit distributions (Thousands of yen)	3,745,274	3,745,274	3,745,274	3,782,459	3,660,870
(Profit distribution per unit) (yen)	(2,800)	(2,800)	(2,800)	(2,862)	(2,770)
Of which, total refund of investment equity	–	–	–	–	–
(Refund of investment equity per unit)	(–)	(–)	(–)	(–)	(–)
Of total refund of investment equity, total distribution amount from reserve for temporary difference adjustments	–	–	–	–	–
(Of refund of investment equity per unit, distribution amount per unit from reserve for temporary difference adjustments)	(–)	(–)	(–)	(–)	(–)
Of total refund of investment equity, total distribution amount from distribution reducing unitholders' capital for tax purpose	–	–	–	–	–
(Of refund of investment equity per unit, distribution amount per unit from distribution reducing unitholders' capital for tax purpose)	(–)	(–)	(–)	(–)	(–)

(5) Policy and Issues on Future Investment Management

1) Outlook for business environment

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

In the office building leasing market, demand was strong due to factors such as the recovery in the percentage of employees commuting to the office and work-style reform prompting review of office functions by companies and such, and at present, it is expected that the vacancy rate will trend slightly downward. While newly concluded rents have begun trending upward with the spread of inflation, JEI believes that there is a reasonable chance that this upward trend will be maintained, even given the supply of new floor space in 2025.

2) Policy and issues on future investment management

A. External growth

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

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

B. Internal growth

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

C. Financial strategy

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

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

D. Sustainability initiatives, BCP measures, etc.

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

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

(6) Subsequent Events

Acquisition and Cancellation of Own Investment Units

JEI resolved the matters regarding acquisition of own investment units at the board of directors' meeting held on February 21, 2025, pursuant to the provisions of Article 80-2 of the Investment Trust Law as applied mutatis mutandis pursuant to the provisions of Article 80-5, Paragraph 2 of the Investment Trust Law described below. JEI decided to cancel all own investment units acquired on June 27, 2025, in the fiscal period ending June 2025 (38th period).

(i) Reason for acquisition of own investment units

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

(ii) Details of acquisition of own investment units

Total number of investment units to be acquired	35,000 (maximum)
Total amount of acquisition price	4,000 million yen (maximum)
Acquisition period	From February 25, 2025, to May 30, 2025
Acquisition method	Market purchase on the Tokyo Stock Exchange based on a discretionary transaction contract for acquisition of own stock with a securities company

(Reference Material)

1. Acquisition of Asset (ARK Hills Front Tower)

On February 21, 2025, JEI concluded a trust beneficiary interest purchase and sale agreement (the "Purchase Agreement") as described below.

<Overview of the Asset to Be Acquired>

Asset to be acquired	Trust beneficiary interest in real estate (Note 1)
Asset name	ARK Hills Front Tower
Location	2-23-1 Akasaka, Minato-ku, Tokyo
Planned acquisition price (Note 2)	17,250 million yen
Date of conclusion of agreement	February 21, 2025
Scheduled delivery date	April 15, 2025
Seller	Akasaka 2-chome Godo Kaisha

(Note 1) This refers to trust beneficiary interest in real estate for exclusive area of a building with compartmentalized ownership, co-ownership of the exclusive area, and the leasehold rights (co-ownership interest in the ownership).

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

(Note 3) The purchase agreement falls under "forward commitments, etc., by investment corporations (Note)" defined in the "Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc." established by the Financial Services Agency. Furthermore, the Purchase Agreement states that if there is a violation of the provisions of the Purchase Agreement by JEI or the Seller after the Purchase Agreement is concluded, the other party may cancel the agreement and claim an amount equivalent to 10% of the sales proceeds as a penalty. JEI has carefully considered the amount required for the acquisition, the period until delivery and the certainty of the acquisition financing method, and has decided to acquire the Asset to Be Acquired based on the judgment that, for each of the factors considered, executing the transaction under the above conditions will contribute to the enhancement of unitholder value..

* Referring to a postdated purchase and sales agreement under which payment and property delivery shall be made at least one month after the conclusion of the agreement, or any other agreement similar thereto.

2. Transfer of Asset (JEI Hamamatsucho Building)

On February 21, 2025, JEI concluded a trust beneficiary interest purchase and sale agreement (the “Purchase Agreement”), as described below.

<Overview of the Asset to be Transferred>

Asset to be transferred	Trust beneficiary interest in real estate	
Asset name	JEI Hamamatsucho Building	
Location	2-2-12 Hamamatsucho, Minato-ku, Tokyo	
Planned transfer price (Note 1)	Phase 1: 4,189 million yen (45% quasi co-ownership interest)	Phase 2: 5,120 million yen (55% quasi co-ownership interest)
Date of conclusion of agreement	February 21, 2025	
Scheduled delivery date	November 28, 2025	January 16, 2026
Transferee	Not disclosed (Note 2)	

(Note 1) 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.

(Note 2) The buyer of the asset to be transferred is a domestic special purpose company, but details are not disclosed as consent for disclosure has not been obtained from the seller.

2. Outline of the Investment Corporation

(1) Investment Units

Fiscal period	33rd As of December 31, 2022	34th As of June 30, 2023	35th As of December 31, 2023	36th As of June 30, 2024	37th As of December 31, 2024
Total number of units authorized	10,000,000 units	10,000,000 units	10,000,000 units	10,000,000 units	10,000,000 units
Total number of units issued and outstanding	1,337,598 units	1,337,598 units	1,337,598 units	1,321,614 units	1,321,614 units
Unitholders' capital, net (Note)	145,907 million yen	145,907 million yen	145,907 million yen	143,907 million yen	143,907 million yen
Number of unitholders	7,193 individuals	7,710 individuals	7,167 individuals	7,211 individuals	6,948 individuals

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

(2) Unitholders

Major unitholders as of December 31, 2024, are as follows:

Name	Address	Number of units held (Units)	Ratio of number of units held to outstanding investment units (%) (Note)
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	398,704	30.17
The Master Trust Bank of Japan, Ltd. (Trust Account)	1-8-1 Akasaka, Minato-ku, Tokyo	232,857	17.62
Nippon Steel Kowa Real Estate Co., Ltd.	1-8-1 Akasaka, Minato-ku, Tokyo	134,427	10.17
The Nomura Trust and Banking Co., Ltd. (Investment trust account)	2-2-2 Otemachi, Chiyoda-ku, Tokyo	59,277	4.49
The Dai-ichi Life Insurance Company, Limited	1-13-1 Yuraku-cho, Chiyoda-ku, Tokyo	20,660	1.56
STATE STREET BANK WEST CLIENT - TREATY 505234	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, U.S.A.	18,357	1.39
THE NOMURA TRUST AND BANKING CO., LTD. AS THE TRUSTEE OF REPURCHASE AG FUND 2024-09 (LIMITED OT FINANC IN RESALE RSTRCT)	2-2-2 Otemachi, Chiyoda-ku, Tokyo	15,526	1.17
STATE STREET BANK AND TRUST COMPANY 505103	ONE CONGRESS STREET, SUITE 1, BOSTON, MASSACHUSETTS	12,674	0.96
Japan Securities Finance Co., Ltd.	1-2-10 Nihonbashi-Kayabacho, Chuo-ku, Tokyo	10,277	0.78
JP MORGAN CHASE BANK 385794	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM	10,129	0.77
Total		912,888	69.07

(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, 2024 (Thousands of yen)
Executive Director (Note 2)	Shuichiro Kayama	President, Japan Excellent Asset Management Co., Ltd.	–
Supervisory Director	Eiji Takagi	Eiji Takagi Certified Public Accounting Office	1,800
Supervisory Director	Osamu Hirakawa	Adviser, Foreign Law Joint Venture, Anderson Mori & Tomotsune	1,800
Supervisory Director	Hiroaki Komatsu	Associate Professor, Faculty of Real Estate Sciences, Meikai University	1,800
Accounting Auditor	Ernst & Young ShinNihon LLC	–	18,200 (Note 3)

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

(Note 2) Shuichiro Kayama resigned on January 8, 2025, and Kazuhiro Ono, who was elected as substitute executive director at the general unitholders' meeting held on September 29, 2023, and assumed office on January 8, 2025.

(Note 3) The compensation or fee for the Accounting Auditor includes the fee for the audit of the English financial statements and the fee for non-audit services (the fee for the preparation of a comfort letter upon the issuance of the 21st series unsecured investment corporation bonds in July 2024 and the 22nd series unsecured investment corporation bonds in October 2024) in the amount of 5,000 thousand yen. There is no compensation or fee paid to those belonging to the same network as the Accounting Auditor.

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

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

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

Not applicable.

(4) Matters Concerning Directors and Officers Liability Insurance Agreement

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

Scope of the insured	Overview of the directors and officers liability insurance agreement
Executive Director and Supervisory Directors	<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, 2024, are as follows:

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

3. Investment Portfolio of the Investment Corporation

(1) Investment Portfolio by Area

Classification	Use	Area (Note 1)	36th Period (As of June 30, 2024)		37th Period (As of December 31, 2024)	
			Total acquisition price (Millions of yen) (Note 2)	Investment ratio in portfolio (%)	Total acquisition price (Millions of yen) (Note 2)	Investment ratio in portfolio (%)
Real estate property	Office building	Area I	11,010	3.6	11,006	3.7
		Area II	5,467	1.8	5,450	1.8
		Area IV	1,663	0.5	1,713	0.6
Trust beneficiary interest in real estate		Area I	151,390	49.8	151,128	51.2
		Area II	19,098	6.3	17,214	5.8
		Area III	64,765	21.3	51,672	17.5
		Area IV	22,881	7.5	23,124	7.8
Total			276,277	90.9	261,310	88.5
Equity interest in anonymous association (Note 3)			5,129	1.7	5,115	1.7
Deposits in bank and other assets			22,642	7.4	28,912	9.8
Total assets			304,049	100.0	295,338	100.0

(Note 1) Areas are classified as follows:

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

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

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

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

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

The same applies hereinafter.

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

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

(2) Major Properties

The principal properties (top ten properties in net book value) owned by JEI as of December 31, 2024, 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	26,501	11,021.03	11,021.03	100.0	5.3	Office building
Nisseki Yokohama Building	21,145	40,414.25	40,073.60	99.2	11.0	Office building
Omori Bellport D	20,183	25,828.29	25,697.26	99.5	7.9	Office building
HAMARIKYU INTERCITY	16,161	19,718.11	19,382.58	98.3	7.4	Office building
Osaki Bright Tower / Osaki Bright Plaza	12,866	5,930.27	5,880.70	99.2	(Note 4)	Office building
Musashikosugi Tower Place	12,210	24,928.37	24,928.37	100.0	7.3	Office building
Mansard Daikanyama	11,016	5,420.81	5,420.81	100.0	3.3	Office building
Kowa Nishi-Shimbashi Building	11,006	8,949.04	8,949.04	100.0	(Note 4)	Office building
Bizcore Jimbocho	9,862	5,261.75	5,261.75	100.0	(Note 4)	Office building
Bizcore Tsukiji	9,754	4,829.68	4,829.68	100.0	(Note 4)	Office building
Total	150,708	152,301.60	151,444.82	99.4	—	—

(Note 1) Leasable area refers to area available for lease of which ownership is attributable to JEI as of December 31, 2024. For properties with joint ownership (including quasi co-ownership of trust beneficiary interest), the figure is obtained by taking the leasable area of the entire property and factoring in the percentage of the interest owned by JEI, regarding the figure as JEI's leasable area.

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

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

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

(3) Portfolio Ownership Breakdown

Real estate properties and their forms of ownership as of December 31, 2024, are as follows:

Property No.	Property name	Location (Residential address)	Form of ownership	Appraisal value at end of period (Millions of yen) (Note)	Net book value (Millions of yen)
I-1	Omori Bellport D	6-26-3 Minami-Oi, Shinagawa-ku, Tokyo	Trust beneficiary interest in real estate	25,700	20,183
I-2	Shiba 2-Chome Building	2-6-1 Shiba, Minato-ku, Tokyo	Trust beneficiary interest in real estate	13,700	8,938
I-3	JEI Hamamatsucho Building	2-2-12 Hamamatsu-cho, Minato-ku, Tokyo	Trust beneficiary interest in real estate	8,780	7,900
I-8	AKASAKA INTERCITY	1-11-44 Akasaka, Minato-ku, Tokyo	Trust beneficiary interest in real estate	30,600	26,501
I-10	Daiba Garden City Building	2-3-5 Daiba, Minato-ku, Tokyo	Trust beneficiary interest in real estate	8,700	8,883
I-12	HAMARIKYU INTERCITY	1-9-1 and 15 Kaigan, Minato-ku, Tokyo	Trust beneficiary interest in real estate	29,100	16,161
I-14	Kowa Nishi-Shimbashi Building	2-1-1 Nishi-Shimbashi, Minato-ku, Tokyo	Real estate	12,500	11,006
I-15	Mansard Daikanyama	10-1 Sarugakucho, Shibuya-ku, Tokyo	Trust beneficiary interest in real estate	13,000	11,016
I-16	AKASAKA INTERCITY AIR	1-8-1 Akasaka, Minato-ku, Tokyo	Trust beneficiary interest in real estate	7,950	6,383
I-17	Bizcore Akasaka-mitsuke	3-1-2 Akasaka, Minato-ku, Tokyo	Trust beneficiary interest in real estate	5,890	6,090
I-18	Bizcore Jimbocho	3-9-2 Kanda-ogawamachi, Chiyoda-ku, Tokyo	Trust beneficiary interest in real estate	9,870	9,862
I-19	Bizcore Shibuya	1-3-15 Shibuya, Shibuya-ku, Tokyo	Trust beneficiary interest in real estate	7,090	6,586
I-20	Bizcore Tsukiji	4-6-4 Tsukiji, Chuo-ku, Tokyo	Trust beneficiary interest in real estate	10,200	9,754
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	12,866
Area I				196,480	162,135
II-1	NHK Nagoya Housou-Center Building	1-13-3 Higashi-Sakura, Higashi-ku, Nagoya-shi, Aichi	Real estate	6,370	5,450
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	10,200	9,601
II-5	GRAND FRONT OSAKA (North Building)	3-1 Ohbuka-cho, Kita-ku, Osaka-shi, Osaka	Trust beneficiary interest in real estate	7,740	7,613
Area II				24,310	22,664
III-1	Musashikosugi Tower Place	1-403 Kosugi-machi, Nakahara-ku, Kawasaki-shi, Kanagawa	Trust beneficiary interest in real estate	21,900	12,210
III-3	JEI Hongo Building	2-38-16 Hongo, Bunkyo-ku, Tokyo	Trust beneficiary interest in real estate	2,680	2,903
III-5	Kawasaki Nisshincho Building	7-1 Nisshin-cho, Kawasaki-ku, Kawasaki-shi, Kanagawa	Trust beneficiary interest in real estate	3,490	4,273
III-7	JEI Ryogoku Building	3-25-5 Ryogoku, Sumida-ku, Tokyo	Trust beneficiary interest in real estate	2,850	2,403
III-11	Core City Tachikawa	2-37-7 Akebono-cho, Tachikawa-shi, Tokyo	Trust beneficiary interest in real estate	10,200	5,923
III-12	Nisseki Yokohama Building	1-1-8 Sakuragicho, Naka-ku, Yokohama-shi, Kanagawa	Trust beneficiary interest in real estate	30,700	21,145
III-13	Yokohama Bentendori Dai-ichi Seimei Building	4-59 Bentendori, Naka-ku, Yokohama-shi Kanagawa	Trust beneficiary interest in real estate	767	737
III-14	Shin-Yokohama Arena-dori Building	3-7-7 Shin-Yokohama, Kohoku-ku, Yokohama-shi, Kanagawa	Trust beneficiary interest in real estate	2,170	2,076
Area III				74,757	51,672
IV-3	JEI Hiroshima Hacchobori Building	14-4 Hacchobori, Naka-ku, Hiroshima-shi, Hiroshima	Trust beneficiary interest in real estate	4,430	2,958
IV-4	SE Sapporo Building	1-1-2 Kitananajonishi, Kita-ku, Sapporo-shi, Hokkaido	Trust beneficiary interest in real estate	12,400	4,886
IV-5	Aoba-dori Plaza	3-2-1 Chuo, Aoba-ku, Sendai-shi, Miyagi	Trust beneficiary interest in real estate	4,490	2,395
IV-6	Daiwa Minami-morimachi Building	2-6, 2-chome Kita Tenjinbashi, Kita-ku, Osaka-shi, Osaka	Trust beneficiary interest in real estate	5,470	4,194
IV-7	JEI Naha Building	2-8-1 Kumoji, Naha-shi, Okinawa	Trust beneficiary interest in real estate	2,160	1,674
IV-8	Hiroshima Dai-ichi Seimei OS Building	1-2-21 Matoba-cho Minami-ku, Hiroshima-shi, Hiroshima	Trust beneficiary interest in real estate	3,760	2,807
IV-9	Senshin Building	1-6-27 Chuo, Aoba-ku, Sendai-shi, Miyagi	Real estate	1,580	1,713
IV-10	Sapporo Otemachi Building	4-5-1 Minami Ichijo Nishi, Chuo-ku, Sapporo-shi, Hokkaido	Trust beneficiary interest in real estate	4,571	4,207
Area IV				38,861	24,838
Total				334,408	261,310

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

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

Property No.	Property name	36th Period January 1, 2024, to June 30, 2024				37th Period July 1, 2024, to December 31, 2024			
		Total number of tenants (At end of period) (Note 1)	Occupancy rate (At end of period) (%)	Rental revenue (Interim) (Millions of yen)	Ratio of rental revenue to total rental revenues (%)	Total number of tenants (At end of period) (Note 1)	Occupancy rate (At end of period) (%)	Rental revenue (Interim) (Millions of yen)	Ratio of rental revenue to total rental revenues (%)
I-1	Omori Bellport D	24	99.5	877	8.2	23	99.5	871	7.9
I-2	Shiba 2-Chome Building	2 (Note 1)	99.2	380	3.6	2 (Note 1)	100.0	380	3.5
I-3	JEI Hamamatsucho Building	6	74.2	168	1.6	8	100.0	152	1.4
I-8	AKASAKA INTERCITY	17	93.0	584	5.5	17	100.0	578	5.3
I-10	Daiba Garden City Building	5	100.0	341	3.2	5	100.0	345	3.1
I-12	HAMARIKYU INTERCITY	12 (Note 1)	98.3	802	7.5	12 (Note 1)	98.3	815	7.4
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	277	2.6	10	100.0	358	3.3
I-16	AKASAKA INTERCITY AIR	1 (Note 1)	96.1	(Note 2)	(Note 2)	1 (Note 1)	100.0	(Note 2)	(Note 2)
I-17	Bizcore Akasaka-mitsuke	8	100.0	130	1.2	8	100.0	132	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	153	1.4	7	100.0	155	1.4
I-20	Bizcore Tsukiji	1	100.0	(Note 2)	(Note 2)	1	100.0	(Note 2)	(Note 2)
I-21	Osaki Bright Tower / Osaki Bright Plaza	1 (Note 1)	99.5	(Note 2)	(Note 2)	1 (Note 1)	99.2	(Note 2)	(Note 2)
Area I		107	97.5	–	–	108	99.6	–	–
II-1	NHK Nagoya Housou- Center Building	42	99.6	365	3.4	44	100.0	374	3.4
II-3	Osaka Kogin Building (Land with Leasehold Interest) (Note 3)	1 (Note 1)	100.0	104	1.0	–	–	101	0.9
II-4	GRAND FRONT OSAKA (Umekita Plaza South Building)	2 (Note 1)	91.8	(Note 2)	(Note 2)	2 (Note 1)	94.3	(Note 2)	(Note 2)
II-5	GRAND FRONT OSAKA (North Building)	5 (Note 1)	98.1	(Note 2)	(Note 2)	5 (Note 1)	99.4	(Note 2)	(Note 2)
Area II		50	97.8	–	–	51	98.6	–	–
III-1	Musashikosugi Tower Place	51	100.0	769	7.2	51	100.0	796	7.3
III-2	Kowa Kawasaki Higashiguchi Building (Note 3)	1	100.0	(Note 2)	(Note 2)	–	–	(Note 2)	(Note 2)
III-3	JEI Hongo Building	4	100.0	(Note 2)	(Note 2)	3	84.7	(Note 2)	(Note 2)
III-5	Kawasaki Nissincho Building	36	95.6	202	1.9	38	98.0	208	1.9
III-7	JEI Ryogoku Building	17	100.0	116	1.1	17	100.0	119	1.1
III-11	Core City Tachikawa	25	98.0	328	3.1	26	100.0	314	2.9
III-12	Nisseki Yokohama Building	51	99.8	1,210	11.4	51	99.2	1,211	11.0
III-13	Yokohama Bentendori Dai-ichi Seimei Building	13	100.0	42	0.4	13	100.0	42	0.4
III-14	Shin-Yokohama Arena-dori Building	11	91.1	63	0.6	11	76.6	72	0.7
Area III		209	99.2	–	–	210	98.5	–	–
IV-3	JEI Hiroshima Hacchobori Building	45	100.0	161	1.5	45	96.7	158	1.4
IV-4	SE Sapporo Building	43	100.0	442	4.1	42	100.0	444	4.0
IV-5	Aoba-dori Plaza	47	96.3	183	1.7	48	99.2	189	1.7
IV-6	Daiwa Minami- morimachi Building	10	100.0	193	1.8	10	100.0	196	1.8
IV-7	JEI Naha Building	18	100.0	88	0.8	18	98.1	92	0.8
IV-8	Hiroshima Dai-ichi Seimei OS Building	30	100.0	146	1.4	30	100.0	155	1.4
IV-9	Senshin Building	17	88.0	48	0.5	17	87.4	48	0.4
IV-10	Sapporo Otemachi Building	27	100.0	134	1.3	27	98.4	165	1.5
Area IV		237	99.0	–	–	237	98.6	–	–
Total		603	98.4	10,662	100.0	606	99.0	10,981	100.0

(Note 1) Total number of tenants indicates the number of end tenants in principle. When a tenant has multiple tenancies in the same property, it is counted as one tenant, and when in multiple properties, it is counted as multiple tenants. However, for properties in which the residential portion or the percentage of the interest owned by JEI is relatively low, the number of tenants indicates the number of master lease companies for the property, considering a master lease company as a tenant. In addition, for land with leasehold interest, the number of tenants is counted as one based on the lease agreement for the leased land.

(Note 2) Not disclosed, as consent for disclosure has not been obtained.

(Note 3) JEI completed transfer of Osaka Kogin Building (land with leasehold interest) and Kowa Kawasaki Higashiguchi Building on December 26, 2024.

(4) Securities Portfolio

The securities owned by JEI in its portfolio as of December 31, 2024, are as follows:

Name	Asset type	Quantity	Book value		Assessed value (Note 1)		Valuation gains/losses (Thousands of yen)	Remarks
			Unit price	Amount (Thousands of yen)	Unit price	Amount (Thousands of yen)		
Equity interest in anonymous association with Akasaka 2-chome Godo Kaisha as business operator	Equity interest in anonymous association	–	–	5,115,063	–	5,115,063	–	(Note 2)
Total		–	–	5,115,063	–	5,115,063	–	–

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

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

(5) Renewable Power Generation Facility

None

(6) Right to Operate Public Facility

None

(7) Other Assets

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

Classification	Type	Contract amount (Thousands of yen) (Note 1)		Fair value (Thousands of yen) (Note 2)
			Over one year	
Over-the-counter transaction	Interest rate swap transactions Floating interest rate receivable Fixed interest rate payable	24,100,000	12,350,000	–

(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 37th period (ended December 31, 2024). The values below include portions to be expensed for accounting purposes.

Property name	Location	Purpose	Schedule term	Estimated construction costs (Millions of yen)		
				Total	Payment for the six months ended December 31, 2024	Total of advance payment
NHK Nagoya Housou-Center Building	Nagoya-shi, Aichi	Update of central monitoring equipment and building multi-man-machine	From October 2023 To March 2025	92	—	—
HAMARIKYU INTERCITY	Minato-ku, Tokyo	Conversion to LED lighting in exclusively owned sections and common areas (Phase 1)	From January 2025 To June 2025	81	—	—
Nisseki Yokohama Building	Yokohama-shi, Kanagawa	Conversion to LED lighting in exclusively-owned sections (Phase 1)	From March 2025 To June 2025	72	—	—
Shin-Yokohama Arena-dori Building	Yokohama-shi, Kanagawa	Maintenance of rent rooms	From November 2024 To February 2025	61	—	—
Musashikosugi Tower Place	Kawasaki-shi, Kanagawa	Update of emergency elevators (Phase 2)	From December 2024 To March 2025	53	—	—
Kawasaki Nisshincho Building	Kawasaki-shi, Kanagawa	Renewal of emergency elevator control system	From April 2025 To June 2025	47	—	—
Musashikosugi Tower Place	Kawasaki-shi, Kanagawa	Renovation of exterior walls (low-rise)	From September 2024 To February 2025	47	—	—
SE Sapporo Building	Sapporo-shi, Hokkaido	Conversion to LED lighting in exclusively-owned sections (Phase 1)	From May 2025 To June 2025	37	—	—
HAMARIKYU INTERCITY	Minato-ku, Tokyo	Maintenance of parking equipment	From January 2025 To June 2025	37	—	—
NHK Nagoya Housou-Center Building	Nagoya-shi, Aichi	Update of elevators	From November 2023 To February 2025	34	—	—
Aoba-dori Plaza	Sendai-shi, Miyagi	Renewal of elevator control system (Phase 2)	From January 2025 To March 2025	32	—	—

(2) Capital Expenditures for the Six Months Ended December 31, 2024

The following table shows constructions conducted by JEI during the period ended December 31, 2024, and expensed as capital expenditures. Capital expenditures for the period ended December 31, 2024, were 1,513 million yen and, when combined with repairs and maintenance costs of 194 million yen classified as expenses in the period under review, the amount of constructions completed totaled 1,708 million yen.

Property name	Location	Purpose	Term	Amount Paid (Millions of yen)
AKASAKA INTERCITY	Minato-ku, Tokyo	Update of air-conditioning remote control	From September 2024 To December 2024	165
NHK Nagoya Housou-Center Building	Nagoya-shi, Aichi	Update of power generator (No. 2)	From November 2022 To September 2024	70
Core City Tachikawa	Tachikawa-shi, Tokyo	Conversion to LED lighting in exclusively-owned sections	From August 2024 To October 2024	59
Senshin Building	Sendai-shi, Miyagi	Repair of exterior walls	From December 2024 To December 2024	57
Musashikosugi Tower Place	Kawasaki-shi, Kanagawa	Update of emergency elevators (Phase 1)	From October 2024 To December 2024	53
JEI Naha Building	Naha-shi, Okinawa	Update related to multilevel parking lot drive parts	From December 2024 To December 2024	46
SE Sapporo Building	Sapporo-shi, Hokkaido	Update of power receiving and transforming equipment (Phase 2)	From November 2024 To November 2024	45
Nisseki Yokohama Building	Yokohama-shi, Kanagawa	Repair of exterior walls and such (Phase 4)	From March 2024 To August 2024	42
JEI Hiroshima Hacchobori Building	Hiroshima-shi, Hiroshima	Renovation of air-conditioning systems (Phase 7)	From April 2024 To July 2024	42
Shiba 2-Chome Building	Minato-ku, Tokyo	Repair of exterior walls (Phase 2)	From June 2024 To September 2024	34
Aoba-dori Plaza	Sendai-shi, Miyagi	Renewal of elevator control system (Phase 1)	From October 2024 To December 2024	32
Other constructions				862
Total				1,513

(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	33rd Period July 1, 2022, to December 31, 2022	34th Period January 1, 2023, to June 30, 2023	35th Period July 1, 2023, to December 31, 2023	36th Period January 1, 2024, to June 30, 2024	37th Period July 1, 2024, to December 31, 2024
Reserved funds at beginning of period	555	447	414	578	207
Increase	620	851	724	696	492
Decrease	729	884	560	1,067	388
Reserved funds at the end of period	447	414	578	207	311

5. Expenses and Liabilities

(1) Expenses Associated with Asset Management

(Unit: Thousands of yen)

Account	36th Period January 1, 2024, to June 30, 2024	37th Period July 1, 2024, to December 31, 2024
(a) Asset management fees	467,686	454,398
(b) Custodian fees	21,937	22,583
(c) Administrative service fees	40,550	41,584
(d) Compensation for directors	5,400	5,400
(e) Accounting auditor fees	12,000	12,000
(f) Other	97,478	110,500
Total	645,053	646,467

(2) Borrowings

Borrowings by each financing source as of the end of the 37th period (ended December 31, 2024) are as follows:

	Classification	Drawdown date	Balance at beginning of period (Thousands of yen)	Balance at end of period (Thousands of yen)	Average interest rate (%) (Note 1)	Maturity date	Repayment method	Use	Remarks
	Lender								
Short-term loans	Mizuho Bank, Ltd.	December 7, 2023	5,000,000	–	0.47156	December 6, 2024 (Note 3)	Lump-sum	Purchase of real estate	Unsecured and non-guaranteed
	Mizuho Bank, Ltd.	March 8, 2024	3,600,000	–	0.39545	February 28, 2025 (Note 4)		Redemption of existing investment corporation bonds	
	Mizuho Bank, Ltd.	April 26, 2024	8,000,000	–	0.49670	April 25, 2025 (Note 5)		Purchase of real estate	
Subtotal			16,600,000	–					
Long-term loans due within one year	Mizuho Bank, Ltd.	November 30, 2015	870,000	–	0.96275 (Note 2)	November 30, 2024	Lump-sum	Repayment of existing borrowing	Unsecured and non-guaranteed
	MUFG Bank, Ltd.		590,000	–					
	Sumitomo Mitsui Banking Corporation		350,000	–					
	Mizuho Trust & Banking Co., Ltd.		1,560,000	–					
	Resona Bank, Limited		1,000,000	–					
	Aozora Bank, Ltd.		750,000	–					
	The Bank of Fukuoka, Ltd.		150,000	–					
	Nippon Life Insurance Company	December 12, 2019	1,000,000	–	0.42000 (Note 2)	December 12, 2024			
	Mizuho Bank, Ltd.	September 30, 2022	2,000,000	2,000,000	0.56490	March 31, 2025			
	Mizuho Bank, Ltd.	June 29, 2018	3,700,000	3,700,000	0.67400 (Note 2)	June 30, 2025			
	MUFG Bank, Ltd.		1,000,000	1,000,000					
	Sumitomo Mitsui Banking Corporation		400,000	400,000					
	The Norinchukin Bank		1,000,000	1,000,000					
	Shinkin Central Bank		1,000,000	1,000,000					
	The Bank of Fukuoka, Ltd.		700,000	700,000					
	Resona Bank, Limited		200,000	200,000					
	Mizuho Bank, Ltd.	November 1, 2018	–	850,000	0.70600 (Note 2)	November 1, 2025			
	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	0.74205	November 29, 2025				
MUFG Bank, Ltd.		–	540,000						
Sumitomo Mitsui Banking Corporation		–	1,080,000						
Sumitomo Mitsui Trust Bank, Limited		–	1,620,000						
Subtotal			16,270,000	17,510,000					
Long-term loans	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	–					

Classification	Lender	Drawdown date	Balance at beginning of period (Thousands of yen)	Balance at end of period (Thousands of yen)	Average interest rate (%) (Note 1)	Maturity date	Repayment method	Use	Remarks
Long-term loans	Mizuho Bank, Ltd.	November 29, 2021	520,000	–	0.74205	November 29, 2025	Lump-sum	Repayment of existing borrowing	Unsecured and non-guaranteed
	MUFG Bank, Ltd.		540,000	–					
	Sumitomo Mitsui Banking Corporation		1,080,000	–					
	Sumitomo Mitsui Trust Bank, Limited		1,620,000	–					
	Mizuho Bank, Ltd.	September 29, 2017	2,200,000	2,200,000	0.83441 (Note 2)	March 31, 2026			
	MUFG Bank, Ltd.		1,750,000	1,750,000					
	Sumitomo Mitsui Banking Corporation		1,100,000	1,100,000					
	The Norinchukin Bank		850,000	850,000					
	Aozora Bank, Ltd.		500,000	500,000					
	Mizuho Bank, Ltd.	March 8, 2019	850,000	850,000	0.57100 (Note 2)				
	MUFG Bank, Ltd.		850,000	850,000					
	Mizuho Trust & Banking Co., Ltd.		600,000	600,000					
	The Norinchukin Bank		1,450,000	1,450,000					
	Development Bank of Japan Inc.	September 29, 2017	1,300,000	1,300,000	0.83071 (Note 2)	September 30, 2026			
	Mizuho Bank, Ltd.	June 29, 2018	1,300,000	1,300,000	0.79100 (Note 2)	December 30, 2026			
	MUFG Bank, Ltd.		1,000,000	1,000,000					
	Sumitomo Mitsui Banking Corporation		700,000	700,000					
	Sompo Japan Insurance Inc.	January 31, 2022	2,000,000	2,000,000	0.28000 (Note 2)	January 31, 2027			
	Tokio Marine & Nichido Fire Insurance Co., Ltd.		1,000,000	1,000,000					
	Sompo Japan Insurance Inc.	November 30, 2022	500,000	500,000	0.34000 (Note 2)	November 30, 2027			
	Tokio Marine & Nichido Fire Insurance Co., Ltd.		500,000	500,000					
	MUFG Bank, Ltd.	November 30, 2023	1,250,000	1,250,000	0.73205				
	MUFG Bank, Ltd.	November 29, 2024	–	590,000	1.08125 (Note 2)				
	Development Bank of Japan Inc.	January 31, 2020	2,000,000	2,000,000	0.68778 (Note 2)	July 31, 2028			
	The Bank of Fukuoka, Ltd.	November 29, 2024	–	150,000	1.17125 (Note 2)	November 30, 2028			
	Mizuho Bank, Ltd.	January 31, 2020	1,175,000	1,175,000	0.71200 (Note 2)	January 31, 2029			
	MUFG Bank, Ltd.		1,175,000	1,175,000					
Sumitomo Mitsui Banking Corporation	1,000,000		1,000,000						
Mizuho Trust & Banking Co., Ltd.	1,087,500		1,087,500						
The Norinchukin Bank	1,162,500		1,162,500						
The Dai-ichi Life Insurance Company Limited	1,000,000		1,000,000						
Sumitomo Mitsui Banking Corporation	November 30, 2023	3,640,000	3,640,000	0.77205	November 30, 2029				
Resona Bank, Limited	November 29, 2024	–	1,000,000	1.26375 (Note 2)					
Aozora Bank, Ltd.		–	750,000						

Classification	Drawdown date	Balance at beginning of period (Thousands of yen)	Balance at end of period (Thousands of yen)	Average interest rate (%) (Note 1)	Maturity date	Repayment method	Use	Remarks	
	Lender								
Long-term loans	Development Bank of Japan Inc.	June 30, 2021	2,000,000	2,000,000	0.55801 (Note 2)	December 30, 2029	Lump-sum	Repayment of existing borrowing	Unsecured and non-guaranteed
	Mizuho Bank, Ltd.	December 30, 2021	1,950,000	1,950,000	0.79490				
	MUFG Bank, Ltd.		2,000,000	2,000,000					
	Mizuho Trust & Banking Co., Ltd.		1,200,000	1,200,000					
	Resona Bank, Limited		600,000	600,000					
	Mizuho Bank, Ltd.	December 30, 2022	1,950,000	1,950,000	0.74160	January 31, 2030			
	MUFG Bank, Ltd.		2,000,000	2,000,000					
	Mizuho Trust & Banking Co., Ltd.		1,200,000	1,200,000					
	Resona Bank, Limited		600,000	600,000					
	Mizuho Bank, Ltd.	November 29, 2024	–	870,000	1.31444 (Note 2)	May 31, 2030			
	Mizuho Trust & Banking Co., Ltd.		–	1,560,000					
	The Dai-ichi Life Insurance Company Limited	June 30, 2021	2,000,000	2,000,000	0.65000 (Note 2)	June 28, 2030			
	The Norinchukin Bank	November 30, 2023	1,500,000	1,500,000	0.79205	November 29, 2030			
	Resona Bank, Limited		1,000,000	1,000,000					
	Aozora Bank, Ltd.		1,250,000	1,250,000					
	The Bank of Fukuoka, Ltd.		150,000	150,000					
	Sumitomo Mitsui Banking Corporation	November 29, 2024	–	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			
	Mizuho Bank, Ltd.	November 30, 2023	420,000	420,000	0.82205	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		71,330,000	69,090,000						
Total		104,200,000	86,600,000						

(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 July 31, 2024, and October 31, 2024.

(Note 4) The entire amount was repaid before maturity on July 31, 2024.

(Note 5) The entire amount was repaid before maturity on July 31, 2024, and December 30, 2024.

(3) Investment Corporation Bonds

The outstanding investment corporation bonds issued by JEI as of December 31, 2024, are as follows:

Classification	Issue	Issuance date	Balance at beginning of period (Thousands of yen)	Balance at end of period (Thousands of yen)	Interest rate (%)	Maturity date	Repayment method	Use	Remarks
Unsecured investment corporation bonds	8th series unsecured investment corporation bonds	September 9, 2015	5,000,000	5,000,000	1.03000	September 9, 2025	Lump-sum	(Note 1)	(Note 3)
	9th series unsecured investment corporation bonds	October 27, 2016	2,000,000	2,000,000	0.45000	October 27, 2026		(Note 2)	
	11th series unsecured investment corporation bonds	April 25, 2017	7,000,000	7,000,000	0.65000	April 23, 2027		(Note 1)	
	13th series unsecured investment corporation bonds	April 20, 2018	2,000,000	2,000,000	0.95000	April 20, 2033		(Note 2)	
	15th series unsecured investment corporation bonds	September 10, 2019	1,000,000	1,000,000	1.07000	September 9, 2039		(Note 1)	
	17th series unsecured investment corporation bonds	March 30, 2023	2,000,000	2,000,000	0.95000	March 30, 2032			
	18th series unsecured investment corporation bonds	December 19, 2023	2,000,000	2,000,000	1.32900	December 19, 2033		(Note 2)	
	20th series unsecured investment corporation bonds	February 8, 2024	2,400,000	2,400,000	1.39200	February 8, 2034			
	Subtotal		23,400,000	23,400,000					
Green bonds	14th series unsecured investment corporation bonds	August 10, 2018	4,000,000	4,000,000	0.63000	August 10, 2028	Lump-sum	(Note 1)	(Note 3)
	16th series unsecured investment corporation bonds	October 29, 2020	5,000,000	5,000,000	0.75000	October 29, 2035		(Note 2)	
	19th series unsecured investment corporation bonds	February 8, 2024	2,000,000	2,000,000	0.72400	February 8, 2029		(Note 1)	
	21st series unsecured investment corporation bonds	July 16, 2024	–	4,800,000	1.74000	July 14, 2034			
	22nd series unsecured investment corporation bonds	October 30, 2024	–	3,800,000	1.69600	October 13, 2034			
	Subtotal		11,000,000	19,600,000					
Total			34,400,000	43,000,000					

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

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

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

(4) Short-Term Investment Corporation Bonds

None

(5) Subscription Rights for New Investment Units

None

6. Condition of Investment Transactions

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

(Millions of yen)

Type of asset	Name of real estate property or asset-backed securities, etc.	Acquisition		Transfer			
		Acquisition date	Acquisition price (Note 1)	Transfer date	Transfer price (Note 1)	Net book value (Note 2)	Gain (loss) on transfer (Note 3)
Trust beneficiary interest in real estate	JEI Hongo Building (40.0% quasi co-ownership interest)	–	–	July 11, 2024	2,460	1,939	506
Trust beneficiary interest in real estate	Kowa Kawasaki Higashiguchi Building	–	–	December 26, 2024	9,250	10,862	-1,614
Trust beneficiary interest in real estate	Osaka Kogin Building (Land with Leasehold Interest)	–	–	December 26, 2024	3,050	1,865	1,183
Total		–	–	–	14,760	14,667	74

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

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

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

(2) Transactions of Other Assets

There were no applicable items during the period.

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

1) Real estate, etc.

Acquisition or transfer	Name of property	Type of asset	Acquisition/transfer date	Acquisition/transfer price (Millions of yen) (Note 1)	Appraisal value (Millions of yen)	Appraiser	Appraisal date
Transfer	JEI Hongo Building (40.0% quasi co-ownership interest)	Trust beneficiary interest in real estate	July 11, 2024	2,460	1,804 (Note 2)	Japan Valuers Co., Ltd.	December 31, 2023
Transfer	Kowa Kawasaki Higashiguchi Building	Trust beneficiary interest in real estate	December 26, 2024	9,250	9,230	Japan Valuers Co., Ltd.	December 1, 2024
Transfer	Osaka Kogin Building (Land with Leasehold Interest)	Trust beneficiary interest in real estate	December 26, 2024	3,050	3,040	Japan Real Estate Institute	December 1, 2024

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

(Note 2) Appraisal value for JEI Hongo Building indicates the amount obtained by multiplying the appraisal value for the entire property by 40%, which is the quasi co-ownership trust beneficiary interest subject to transfer.

2) Others

There were no applicable items during the period.

(4) Transactions with Interested Parties

1) Transactions

Classification	Acquisition price or disposal amount	
	Acquisition price	Disposal amount
Total amount	– million yen	14,760 million yen
Breakdown for transactions with interested parties		
Nippon Steel Kowa Real Estate Co., Ltd.	– million yen (–%)	12,300 million yen (83.3%)
Total	– million yen (–%)	12,300 million yen (83.3%)

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

2) Amounts of fees paid and other expenses

(Unit: Thousands of yen)

Classification	Total amount paid (A)	Breakdown of transactions with interested parties		B/A
		Paid to	Amount paid (B)	
Property management costs and fees	1,525,884	The Dai-ichi Building Co., Ltd.	498,587	32.7%
		Nippon Steel Kowa Real Estate Co., Ltd.	390,373	25.6%
		Sohgo Housing Co., Ltd.	105,915	6.9%
		Akasaka Intercity Management Co., Ltd.	25,673	1.7%
Real estate brokerage fees	12,300	Nippon Steel Kowa Real Estate Co., Ltd.	12,300	100.0%
Total	1,538,184	–	1,032,850	67.1%

(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, 2024.

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

Kowa Real Estate Facilities Co., Ltd.	352,214 thousand yen
The Dai-ichi Building Co., Ltd.	25,846 thousand yen
Nippon Steel Kowa Real Estate Co., Ltd.	14,068 thousand yen

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

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

7. Accounting

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

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

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

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

(2) Change in Depreciation Calculation Method

No changes were made during the period.

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

No changes were made during the period.

8. Others

(1) Notice

1) General unitholders' meeting
There were no applicable items during the period.

2) Board of directors' meeting
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, 2024 and June 30, 2024
with Independent Auditor's Report*

Japan Excellent, Inc.

Balance Sheets

As of December 31, 2024 and June 30, 2024

	As of December 31, 2024	As of June 30, 2024
	<i>(Thousands of yen)</i>	
Assets		
Current assets:		
Cash and cash equivalents including trust accounts (Note 5)	25,136,299	18,972,706
Rental receivables	431,773	385,997
Prepaid expenses and other current assets	398,812	418,188
Total current assets	<u>25,966,885</u>	<u>19,776,892</u>
Property and equipment (Note 8):		
Buildings and building improvements	8,808,108	8,634,902
Machinery and equipment	11,987	11,987
Furniture and fixtures	62,263	62,263
Land	10,609,617	10,609,617
Construction in progress	25,818	28,149
Buildings and building improvements for trust accounts	106,532,589	115,101,597
Machinery and equipment for trust accounts	1,448,607	1,393,036
Furniture and fixtures for trust accounts	301,141	273,260
Land for trust accounts	168,233,989	171,536,532
Construction in progress for trust accounts	76,336	107,058
Less: accumulated depreciation	<u>(38,574,795)</u>	<u>(40,664,692)</u>
Net property and equipment	<u>257,535,664</u>	<u>267,093,713</u>
Intangible assets:		
Leasehold rights	1,721,607	1,721,607
Leasehold rights for trust accounts	1,976,372	7,382,016
Software	2,544	2,832
Other intangible assets for trust accounts	77,176	80,274
Total intangible assets	<u>3,777,700</u>	<u>9,186,731</u>
Investments and other assets:		
Investment securities	5,201,804	5,216,573
Deferred tax assets	15	13
Security deposits	33,826	19,826
Long-term prepaid expenses	1,047,472	1,114,707
Other assets	1,595,681	1,503,720
Total investments and other assets	<u>7,878,800</u>	<u>7,854,840</u>
Deferred assets:		
Investment corporation bond issuance costs	179,174	137,546
Total deferred assets	<u>179,174</u>	<u>137,546</u>
Total assets	<u><u>295,338,225</u></u>	<u><u>304,049,723</u></u>

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

	As of December 31, 2024	As of June 30, 2024
	<i>(Thousands of yen)</i>	
Liabilities		
Current liabilities:		
Accounts payable – trade	1,334,331	1,065,656
Short-term loans <i>(Notes 9)</i>	—	16,600,000
Investment corporation bonds due within one year <i>(Notes 6 and 10)</i>	5,000,000	—
Long-term debt due within one year <i>(Notes 6 and 9)</i>	17,510,000	16,270,000
Accounts payable – other	460,291	479,164
Accrued expenses	221,276	164,127
Accrued corporation taxes	697	686
Accrued consumption taxes	721,451	191,485
Advances received	29,781	54,696
Other current liabilities	16,467	58
Total current liabilities	<u>25,294,298</u>	<u>34,825,875</u>
Long-term liabilities:		
Investment corporation bonds <i>(Notes 6 and 10)</i>	38,000,000	34,400,000
Long-term debt <i>(Notes 6 and 9)</i>	69,090,000	71,330,000
Security deposits from tenants	1,253,916	1,262,708
Security deposits from tenants for trust accounts	12,625,073	13,116,741
Total long-term liabilities	<u>120,968,990</u>	<u>120,109,449</u>
Total liabilities	<u>146,263,288</u>	<u>154,935,324</u>
Net assets <i>(Note 11)</i>		
Unitholders' equity:		
Unitholders' capital	147,907,649	147,907,649
Deduction from unitholders' capital	(3,999,850)	(3,999,850)
Unitholders' capital, net	<u>143,907,798</u>	<u>143,907,798</u>
Surplus		
Voluntary reserve		
Reserve for advanced depreciation of non-current assets	1,424,140	1,006,060
Retained earnings	3,742,997	4,200,539
Total surplus	<u>5,167,138</u>	<u>5,206,600</u>
Total unitholders' equity	<u>149,074,937</u>	<u>149,114,398</u>
Total net assets	<u>149,074,937</u>	<u>149,114,398</u>
Total liabilities and net assets	<u>295,338,225</u>	<u>304,049,723</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, 2024 to December 31, 2024
and from January 1, 2024 to June 30, 2024

	For the period from July 1, 2024 to December 31, 2024	For the period from January 1, 2024 to June 30, 2024
	<i>(Thousands of yen)</i>	
Revenues <i>(Note 14)</i> :		
Rental business revenues <i>(Note 16)</i>	10,012,087	9,912,846
Other <i>(Note 16)</i>	969,575	749,652
Gain on sales of real estate properties <i>(Notes 15 and 16)</i>	1,689,470	728,760
Dividend income from investment in anonymous association	81,167	68,879
Total revenues	<u>12,752,301</u>	<u>11,460,138</u>
Operating expenses <i>(Note 14)</i> :		
Property operating expenses <i>(Note 16)</i>	6,007,709	5,979,329
Loss on sales of real estate properties <i>(Notes 15 and 16)</i>	1,614,546	—
Asset management fees	454,398	467,686
Custodian fees	22,583	21,937
Administrative service fees	41,584	40,550
Compensation for directors	5,400	5,400
Other	122,500	109,478
Total operating expenses	<u>8,268,723</u>	<u>6,624,383</u>
Operating income	<u>4,483,578</u>	<u>4,835,754</u>
Other income:		
Interest income	1,565	114
Other	288	1,858
Other expenses:		
Interest expense	376,814	308,612
Loan arrangement fees	145,575	145,588
Interest expense on investment corporation bonds	196,093	157,762
Amortization of investment corporation bond issuance costs	13,963	12,688
Other	9,017	11,652
Ordinary income	<u>3,743,967</u>	<u>4,201,421</u>
Income before income taxes	3,743,967	4,201,421
Income taxes <i>(Note 13)</i> :		
Current	971	879
Deferred	(1)	2
Net income	<u>3,742,997</u>	<u>4,200,539</u>
Retained earnings at beginning of period	—	—
Retained earnings at end of period	<u>3,742,997</u>	<u>4,200,539</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, 2024 to December 31, 2024
and from January 1, 2024 to June 30, 2024

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

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

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

Japan Excellent, Inc.

Statements of Cash Flows

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

	For the period from July 1, 2024 to December 31, 2024	For the period from January 1, 2024 to June 30, 2024
	<i>(Thousands of yen)</i>	
Cash flows from operating activities		
Income before income taxes	3,743,967	4,201,421
Depreciation and amortization	1,866,254	1,851,086
Amortization of investment corporation bond issuance costs	13,963	12,688
Interest income	(1,565)	(114)
Interest expense	572,907	466,375
Decrease (increase) in rental receivables	(45,775)	(30,117)
Decrease (increase) in consumption taxes refundable	—	530,763
Decrease (increase) in prepaid expense	22,970	(65,552)
Increase (decrease) in accounts payable – trade	73,835	473,825
Increase (decrease) in accounts payable – other	(18,389)	17,724
Increase (decrease) in unpaid consumption taxes	529,965	191,485
Increase (decrease) in advances received	(24,915)	8,602
Decrease (increase) in long-term prepaid expenses	67,235	(182,649)
Decrease in property and equipment for trust accounts due to sale	9,249,003	524,323
Decrease in intangible assets for trust accounts due to sale	5,405,644	—
Other, net	(83,808)	(281,318)
Subtotal	21,371,293	7,718,546
Interest received	1,565	114
Interest paid	(515,759)	(463,816)
Income taxes paid	(686)	(700)
Net cash provided by (used in) operating activities	20,856,413	7,254,143
Cash flows from investing activities		
Proceeds from redemption of investment securities	14,768	29,098
Purchases of property and equipment	(200,427)	(333,840)
Purchases of property and equipment for trust accounts	(1,155,012)	(14,592,026)
Purchases of intangible assets	—	(2,880)
Purchases of intangible assets for trust accounts	—	(5,865)
Payments for lease and guarantee deposits	(14,000)	—
Proceeds from security deposits from tenants	20,814	42,482
Payments for security deposits to tenants	(29,606)	(1,590)
Proceeds from security deposits in trust accounts from tenants	645,433	963,108
Payments for security deposits in trust accounts to tenants	(1,137,100)	(155,066)
Net cash provided by (used in) investing activities	(1,855,130)	(14,056,579)
Cash flows from financing activities		
Proceeds from short-term loans	—	11,600,000
Repayment for short-term loans	(16,600,000)	—
Proceeds from long-term debt	5,270,000	5,500,000
Repayment for long-term debt	(6,270,000)	(3,500,000)
Proceeds from issuance of investment corporation bonds	8,544,407	4,370,940
Payments for redemption of investment corporation bonds	—	(8,000,000)
Payments for acquisition of treasury investment units	—	(1,999,890)
Distributions to unitholders	(3,782,097)	(3,744,747)
Net cash provided by (used in) financing activities	(12,837,690)	4,226,302
Net increase (decrease) in cash and cash equivalents	6,163,592	(2,576,133)
Cash and cash equivalents at beginning of period	18,972,706	21,548,840
Cash and cash equivalents at end of period <i>(Note 5)</i>	25,136,299	18,972,706

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

Japan Excellent, Inc.

Notes to Financial Statements

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

1. Organization

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

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

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

As of December 31, 2024, JEI held 33 properties with 295,883.72 square meters of total leasable space and had leases with 606 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, 2024 to December 31, 2024 was ¥0.

The capitalized amount for the period from January 1, 2024 to June 30, 2024 was ¥25,699 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, 2024 and June 30, 2024 consisted of the following:

	<u>As of</u> <u>December 31, 2024</u>	<u>As of</u> <u>June 30, 2024</u>
	<i>(Thousands of yen)</i>	
Cash and cash deposits	12,835,230	6,908,642
Cash and deposits in trust	12,301,069	12,064,063
Cash and cash equivalents including trust accounts	<u>25,136,299</u>	<u>18,972,706</u>

6. Financial Instruments

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

Overview

(1) Policy for Financial Instruments

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

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

(a) Market Risks (Interest rate fluctuation risk)

Borrowings and investment corporation bonds are primarily used to acquire properties or to refinance existing borrowings or bonds. Some of such debt were floating rate instruments and thus were exposed to the risk of interest rate fluctuations. Based on interest rate forecasts developed through constant financial market monitoring activities, JEI has concentrated on hedging against the risk of interest rate fluctuations principally using interest-rate swaps, through which a floating interest rate is swapped for a fixed interest rate, which finally led to 78.4% of existing borrowings being covered by a fixed interest rate swap for the entire maturity as of December 31, 2024. To reduce credit risk, derivative transactions (interest-rate swaps) are entered into exclusively with counterparties that are financial institutions with high credit ratings. For hedging accounting methods, hedging instruments, hedged items, hedging policies and methods for evaluation of the effectiveness of hedging activities, see "Derivatives and hedge accounting" under Summary of Significant Accounting Policies.

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

Borrowings and investment corporation bonds are exposed to liquidity risk. This risk is reduced through diversification of maturity dates and funding sources, and arrangement of commitment line agreements (as described in Note 9, "Short-Term Loans and Long-Term Debt," and there is no balance outstanding under the facility agreements as of December 31, 2024). 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 an anonymous association and exposed to credit risk of the issuer. JEI regularly evaluates the financial condition of the issuer, etc.

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

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

In addition, the contract value of derivative transactions, which is presented in Note 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, 2024 and June 30, 2024 of financial instruments and the differences between them. Please note that the following table does not include ownership interests in an anonymous association (Note B).

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

	As of December 31, 2024			As of June 30, 2024		
	Carrying value	Fair value (Note A)	Difference	Carrying value	Fair value (Note A)	Difference
			<i>(Thousands of yen)</i>			
(1) Investment corporation bonds due within one year (Note C)	5,000,000	5,007,510	7,510	—	—	—
(2) Long-term debt due within one year (Note C)	17,510,000	17,513,694	3,694	16,270,000	16,294,586	24,586
(3) Investment corporation bonds (Note C)	38,000,000	36,646,749	(1,353,251)	34,400,000	33,095,977	(1,304,023)
(4) Long-term debt (Note C)	69,090,000	68,568,987	(521,012)	71,330,000	71,036,332	(293,667)
Total liabilities	<u>129,600,000</u>	<u>127,736,940</u>	<u>(1,863,059)</u>	<u>122,000,000</u>	<u>120,426,896</u>	<u>(1,573,103)</u>
(5) Derivative transactions *	—	—	—	—	—	—

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

(Note A)

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

(1) Investment corporation bonds due within one year and (3) Investment corporation bonds
The fair value of investment corporation bonds issued by JEI is based on quoted market prices.

6. Financial Instruments (continued)

(2) Long-term debt due within one year and (4) Long-term debt

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

If the loan is part of long-term debt, in the case of floating-rate debt hedged by an interest-rate swap, the fair value is calculated in a similar manner using the total principal and interest amount, treated in combination with the interest-rate swap, given that the interest-rate swap is subject to the special treatment of interest-rate swaps under Japanese GAAP.

The fair value of long-term fixed-rate debt and long-term fixed-rate debt due within one year are calculated by applying a reasonably assumed interest rate as a discount rate, which was determined to be applicable for the borrowings under similar conditions.

(5) Derivative transactions

Please refer to Note 18, "Derivative Transactions."

(Note B)

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

The balance sheet amount for ownership interests in an anonymous association to which this treatment is applied is ¥5,115,063 thousand as of December 31, 2024. Investment securities, other than ownership interests in an anonymous association are omitted because they lack significance.

(Note C)

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

6. Financial Instruments (continued)

(Note D)

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

As of December 31, 2024						
	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
<i>(Thousands of yen)</i>						
Investment corporation bonds						
due within one year	5,000,000	—	—	—	—	—
Long-term debt						
due within one year	17,510,000	—	—	—	—	—
Investment corporation bonds	—	2,000,000	7,000,000	4,000,000	2,000,000	23,000,000
Long-term debt	—	14,450,000	5,840,000	2,150,000	19,740,000	26,910,000
Total	<u>22,510,000</u>	<u>16,450,000</u>	<u>12,840,000</u>	<u>6,150,000</u>	<u>21,740,000</u>	<u>49,910,000</u>
As of June 30, 2024						
	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
<i>(Thousands of yen)</i>						
Investment corporation bonds						
due within one year	—	—	—	—	—	—
Long-term debt						
due within one year	16,270,000	—	—	—	—	—
Investment corporation bonds	—	5,000,000	9,000,000	—	6,000,000	14,400,000
Long-term debt	—	17,660,000	7,300,000	2,250,000	8,600,000	35,520,000
Total	<u>16,270,000</u>	<u>22,660,000</u>	<u>16,300,000</u>	<u>2,250,000</u>	<u>14,600,000</u>	<u>49,920,000</u>

7. Investment and Rental Property

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

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

Carrying value			Fair value
As of July 1, 2024	Change during period (*2)	As of December 31, 2024	As of December 31, 2024
<i>(Thousands of yen)</i>			
276,277,612	(14,966,790)	261,310,821	335,948,000

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

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

B) Details of change during period:

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

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

C) Fair value

Fair value as of December 31, 2024 is JEI Hongo Building's transfer price, JEI Hamamatsucho Building's transfer price and for other properties, appraisal value provided by third-party real estate appraisers.

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

8. Property and Equipment

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

	As of December 31, 2024			As of June 30, 2024		
	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value
	<i>(Thousands of yen)</i>					
Buildings and building improvements	8,808,108	(3,007,591)	5,800,517	8,634,902	(2,867,941)	5,766,960
Machinery and equipment	11,987	(6,599)	5,387	11,987	(6,319)	5,668
Furniture and fixtures	62,263	(54,113)	8,149	62,263	(52,872)	9,391
Land	10,609,617	—	10,609,617	10,609,617	—	10,609,617
Construction in progress	25,818	—	25,818	28,149	—	28,149
Buildings and building improvements for trust accounts	106,532,589	(34,541,037)	71,991,551	115,101,597	(36,765,885)	78,335,711
Machinery and equipment for trust accounts	1,448,607	(766,969)	681,638	1,393,036	(771,217)	621,819
Furniture and fixtures for trust accounts	301,141	(198,484)	102,657	273,260	(200,456)	72,803
Land for trust accounts	168,233,989	—	168,233,989	171,536,532	—	171,536,532
Construction in progress for trust accounts	76,336	—	76,336	107,058	—	107,058
Total	296,110,459	(38,574,795)	257,535,664	307,758,405	(40,664,692)	267,093,713

9. Short-Term Loans and Long-Term Debt

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

	As of December 31, 2024		As of June 30, 2024	
	Amount	Weighted-average interest rate (*1)	Amount	Weighted-average interest rate (*1)
	<i>(Thousands of yen)</i>		<i>(Thousands of yen)</i>	
Short-term loans:				
Unsecured loans from a bank due on December 6, 2024	—	0.47156%	5,000,000	0.32719%
Unsecured loans from a bank due on February 28, 2025	—	0.39545%	3,600,000	0.36803%
Unsecured loans from a bank due on April 25, 2025	—	0.49670%	8,000,000	0.38861%
Subtotal	—		16,600,000	
Long-term debt due within one year:				
Unsecured loans from banks due on November 30, 2024	—	0.96275% (*2)	5,270,000	0.96275% (*2)
Unsecured loans from an insurance company due on December 12, 2024	—	0.42000% (*2)	1,000,000	0.42000% (*2)
Unsecured loans from a bank due on March 31, 2025	2,000,000	0.56490%	2,000,000	0.36404%
Unsecured loans from banks due on June 30, 2025	8,000,000	0.67400% (*2)	8,000,000	0.67400% (*2)
Unsecured loans from banks due on November 1, 2025	3,750,000	0.70600% (*2)	—	
Unsecured loans from banks due on November 29, 2025	3,760,000	0.74205%	—	
Subtotal	17,510,000		16,270,000	

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

Long-term debt:

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	—	0.74205%	3,760,000	0.45093%
Unsecured loans from banks due on March 31, 2026	6,400,000	0.83441% (*2)	6,400,000	0.83441% (*2)
Unsecured loans from banks due on March 31, 2026	3,750,000	0.57100% (*2)	3,750,000	0.57100% (*2)
Unsecured loans from a bank due on September 30, 2026	1,300,000	0.83071% (*2)	1,300,000	0.83071% (*2)
Unsecured loans from banks due on December 30, 2026	3,000,000	0.79100% (*2)	3,000,000	0.79100% (*2)
Unsecured loans from insurance companies due on January 31, 2027	3,000,000	0.28000% (*2)	3,000,000	0.28000% (*2)
Unsecured loans from insurance companies due on November 30, 2027	1,000,000	0.34000% (*2)	1,000,000	0.34000% (*2)
Unsecured loans from a bank due on November 30, 2027	1,250,000	0.73205%	1,250,000	0.44093%
Unsecured loans from a bank due on November 30, 2027	590,000	1.08125% (*2)	—	
Unsecured loans from a bank due on July 31, 2028	2,000,000	0.68778% (*2)	2,000,000	0.68778% (*2)
Unsecured loans from a bank due on November 30, 2028	150,000	1.17125% (*2)	—	
Unsecured loans from banks due on January 31, 2029	5,600,000	0.71200% (*2)	5,600,000	0.71200% (*2)
Unsecured loans from an insurance company due on January 31, 2029	1,000,000	0.77000% (*2)	1,000,000	0.77000% (*2)
Unsecured loans from a bank due on November 30, 2029	3,640,000	0.77205%	3,640,000	0.48093%
Unsecured loans from banks due on November 30, 2029	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	0.79490%	5,750,000	0.59404%
Unsecured loans from banks due on January 31, 2030	5,750,000	0.74160%	5,750,000	0.50919%
Unsecured loans from banks due on May 31, 2030	2,430,000	1.31444% (*2)	—	
Unsecured loans from an insurance company due on June 28, 2030	2,000,000	0.65000% (*2)	2,000,000	0.65000% (*2)
Unsecured loans from banks due on November 29, 2030	3,900,000	0.79205%	3,900,000	0.50093%
Unsecured loans from a bank due on May 30, 2031	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 banks due on November 28, 2031	1,980,000	0.82205%	1,980,000	0.53093%
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	<u>3,000,000</u>	<u>1.30000% (*2)</u>	<u>3,000,000</u>	<u>1.30000% (*2)</u>
Subtotal	<u>69,090,000</u>		<u>71,330,000</u>	
Total	<u>86,600,000</u>		<u>104,200,000</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, 2024 are as follows:

	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
	<i>(Thousands of yen)</i>					
Long-term debt	17,510,000	14,450,000	5,840,000	2,150,000	19,740,000	26,910,000

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, 2024, these commitment lines have never been utilized.

10. Investment Corporation Bonds

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

	As of December 31, 2024		As of June 30, 2024	
	Amount	Weighted-average interest rate	Amount	Weighted-average interest rate
	<i>(Thousands of yen)</i>		<i>(Thousands of yen)</i>	
Unsecured bond #8 due on September 9, 2025	5,000,000	1.03000%	5,000,000	1.03000%
Unsecured bond #9 due on October 27, 2026	2,000,000	0.45000%	2,000,000	0.45000%
Unsecured bond #11 due on April 23, 2027	7,000,000	0.65000%	7,000,000	0.65000%
Unsecured bond #13 due on April 20, 2033	2,000,000	0.95000%	2,000,000	0.95000%
Unsecured bond #14 due on August 10, 2028	4,000,000	0.63000%	4,000,000	0.63000%
Unsecured bond #15 due on September 9, 2039	1,000,000	1.07000%	1,000,000	1.07000%
Unsecured bond #16 due on October 29, 2035	5,000,000	0.75000%	5,000,000	0.75000%
Unsecured bond #17 due on March 30, 2032	2,000,000	0.95000%	2,000,000	0.95000%
Unsecured bond #18 due on December 19, 2033	2,000,000	1.32900%	2,000,000	1.32900%
Unsecured bond #19 due on February 8, 2029	2,000,000	0.72400%	2,000,000	0.72400%
Unsecured bond #20 due on February 8, 2034	2,400,000	1.39200%	2,400,000	1.39200%
Unsecured bond #21 due on July 14, 2034	4,800,000	1.74000%	—	—
Unsecured bond #22 due on October 30, 2034	3,800,000	1.69000%	—	—
Total	43,000,000		34,400,000	

10. Investment Corporation Bonds (continued)

The scheduled redemption amounts of investment corporation bonds as of December 31, 2024 are as follows:

	<u>1 year or less</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>	<u>3 to 4 years</u>	<u>4 to 5 years</u>	<u>Over 5 years</u>
			<i>(Thousands of yen)</i>			
Investment corporation bonds	5,000,000	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, 2024 and June 30, 2024 is as follows:

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

12. Per Unit Information

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

Net income per unit for the periods from July 1, 2024 to December 31, 2024 and from January 1, 2024 to June 30, 2024 was calculated based on the weighted-average number of units outstanding during the corresponding periods, (1,321,614 units) and (1,329,387 units), respectively.

Accordingly, net assets per unit were ¥112,797 as of December 31, 2024 and ¥112,827 as of June 30, 2024. Net income per unit was ¥2,832 for the period from July 1, 2024 to December 31, 2024 and ¥3,159 for the period from January 1, 2024 to June 30, 2024.

13. Income Taxes

JEI is subject to income taxes in Japan.

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

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

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

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

	For the period from July 1, 2024 to December 31, 2024	For the period from January 1, 2024 to June 30, 2024
Statutory tax rate	31.46%	31.46%
Reconciliation:		
Deductible distributions paid	(30.76%)	(28.32%)
Provision of reserve for reduction entry	(0.69%)	(3.13%)
Other	0.02%	0.01%
Effective tax rate	<u><u>0.03%</u></u>	<u><u>0.02%</u></u>

14. Breakdown of Revenues and Expenses

	For the period from July 1, 2024 to December 31, 2024	For the period from January 1, 2024 to June 30, 2024
	<i>(Thousands of yen)</i>	
Revenues:		
Rental business revenues		
Rental revenues	8,511,208	8,383,282
Common area revenues	1,212,606	1,247,237
Other rental revenues	288,273	282,326
Subtotal	<u>10,012,087</u>	<u>9,912,846</u>
Other		
Utilities revenues	751,292	645,481
Other revenues	218,283	104,170
Subtotal	<u>969,575</u>	<u>749,652</u>
Total rental revenues	<u>10,981,663</u>	<u>10,662,498</u>
Property operating expenses:		
Property management costs and fees	1,525,884	1,572,570
Utilities expenses	1,144,015	990,798
Property and other taxes	1,097,126	1,012,219
Insurance	28,200	24,316
Repairs and maintenance	194,783	387,685
Depreciation	1,865,966	1,850,305
Other	151,733	141,434
Total property operating expenses	<u>6,007,709</u>	<u>5,979,329</u>
Profit	<u>4,973,953</u>	<u>4,683,168</u>

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

	For the period from July 1, 2024 to December 31, 2024	For the period from January 1, 2024 to June 30, 2024
	<i>(Thousands of yen)</i>	
JEI Hongo Building		
Proceeds from sale of real estate	2,460,000	—
Cost of sales of real estate	1,939,777	—
Other related sale expenses	13,997	—
Gain on sale of real estate	<u>506,225</u>	<u>—</u>
	For the period from July 1, 2024 to December 31, 2024	For the period from January 1, 2024 to June 30, 2024
	<i>(Thousands of yen)</i>	
Osaka Kogin Building (Land with Leasehold Interest)		
Proceeds from sale of real estate	3,050,000	—
Cost of sales of real estate	1,865,264	—
Other related sale expenses	1,490	—
Gain on sale of real estate	<u>1,183,245</u>	<u>—</u>
	For the period from July 1, 2024 to December 31, 2024	For the period from January 1, 2024 to June 30, 2024
	<i>(Thousands of yen)</i>	
Kowa Kawasaki Higashiguchi Building		
Proceeds from sale of real estate	9,250,000	—
Cost of sales of real estate	10,862,238	—
Other related sale expenses	2,307	—
Loss on sale of real estate	<u>1,614,546</u>	<u>—</u>
	For the period from July 1, 2024 to December 31, 2024	For the period from January 1, 2024 to June 30, 2024
	<i>(Thousands of yen)</i>	
JEI Kyobashi Building		
Proceeds from sale of real estate	—	1,260,000
Cost of sales of real estate	—	524,323
Other related sale expenses	—	6,916
Gain on sale of real estate	<u>—</u>	<u>728,760</u>

16. Transactions with Major Unitholders

Transactions with major unitholders are as follows:

	For the period from July 1, 2024 to December 31, 2024	For the period from January 1, 2024 to June 30, 2024
	<i>(Thousands of yen)</i>	
Rental business revenues	113,013	116,397
Other	907	618
Gain on sales of real estate properties (Other related sale expenses)	1,183,245 (12,300)	(6,300) —
Property operating expenses	390,373	413,579
Loss on sales of real estate properties	1,614,546	—

17. Leases

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

	As of December 31, 2024	As of June 30, 2024
	<i>(Thousands of yen)</i>	
Due within one year	3,410,843	3,235,429
Due after one year	5,697,895	4,415,794
Total	9,108,738	7,651,223

18. Derivative Transactions

Derivative Transactions as of December 31, 2024

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

Not applicable.

(2) Transactions to which hedge accounting is applied:

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

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

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

In addition, since the swap and the long-term debt hedged by the swap are accounted for as a unit, the fair value of the swap is disclosed as part of the fair value of the hedged long-term debt in the fair value disclosure in Note 6, "Financial Instruments."

Derivative Transactions as of June 30, 2024

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

Not applicable.

(2) Transactions to which hedge accounting is applied:

The following are the contract values or values corresponding to the principal amount as stipulated by contracts as of June 30, 2024 for each hedge accounting method applied.

Hedge accounting method	Type of derivative transaction	Hedged item	Contract amount		Fair value	Method of calculating the fair value
				More than one year		
<i>(Thousands of yen)</i>						
Special treatment of interest-rate swaps	Interest-rate swap Receive floating, pay fixed	Long-term debt	29,370,000	16,100,000	*	/

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

In addition, since the swap and the long-term debt hedged by the swap are accounted for as a unit, the fair value of the swap is disclosed as part of the fair value of the hedged long-term debt in the fair value disclosure in Note 6, "Financial Instruments."

19. Related Party Transactions

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

(1) Parent Company and Major Corporate Unitholders

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

(2) Subsidiaries and Affiliated Companies

Not applicable.

(3) Sister Companies

Not applicable.

(4) Directors and Major Individual Unitholders

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

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

(1) Parent Company and Major Corporate Unitholders

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

(2) Subsidiaries and Affiliated Companies

Not applicable.

(3) Sister Companies

Not applicable.

(4) Directors and Major Individual Unitholders

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

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, 2024 to December 31, 2024

Information about products and services

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

Information about geographic area

(1) Revenues

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

(2) Property and equipment

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

Information about major clients

(Thousands of yen)

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

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

Information about products and services

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

Information about geographic area

(1) Revenues

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

(2) Property and equipment

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

Information about major clients

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 ¥3,660,870,780, which is the maximum integral multiple of the 1,321,614 units issued, but not exceeding ¥3,743,160,580 which is the amount of retained earnings at December 31, 2024.

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

On February 21, 2025, the Board of Directors approved a resolution to make a cash distribution of ¥2,770 per unit aggregating to ¥ 3,660,870,780 to unitholders of record as of December 31, 2024.

22. Revenue Recognition

(1) Breakdown of revenue from contracts with customers

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

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

(*1) Rent revenues subject to Accounting Standard for Lease Transactions (ASBJ Statement No. 13) and sales of real estate properties subject to Practical Guidelines on Accounting by Transferors for Securitization of Real Estate Using Special Purpose Companies (ASBJ Transferred Guidance No. 10) are excluded from “Revenue from contracts with customers” as such revenues are not subject to Accounting Standard for Revenue Recognition. Revenue from contracts with customers mainly represents revenues from the sale of real estate and utilities.

(*2) As sale of real estate is recorded as gain or loss on sales of real estate properties, etc. in the Statement of Income and Retained Earnings, the amount obtained by deducting cost of sale of real estate and other expenses related to sale from proceeds from sale of real estate is indicated for revenue from external customers. Furthermore, as JEI records gain on sales of real estate properties for revenues while recording loss on sales of real estate properties for operating expenses, the table above indicates the amount of gain on sales of real estate properties only.

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

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

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

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

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

As described in the Summary of Significant Accounting Policies.

22. Revenue Recognition(continued)

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

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

(a) Balance of contract assets and contract liabilities

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

(b) Transaction price allocated to remaining performance obligations

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

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

(a) Balance of contract assets and contract liabilities

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

22. Revenue Recognition(continued)

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

23. Significant Subsequent Event

Decision on acquisition and cancellation of own investment units

At the board meeting held on February 21, 2025, JEI resolved the matters regarding acquisition of its own investment units based on the provisions of Article 80-2 of the Investment Trusts Act, which are applied in replacement pursuant to the provisions of Article 80-5, paragraph 2 of the Investment Trusts Act. Furthermore, Pursuant to the resolution of the Board of Directors, which was held today, all the units JEI owns will be cancelled on June 27, 2025 (during the 38th Fiscal Period ending on June 30, 2025).

(1) Reasons behind acquisition of own investment units

Having considered the level of investment unit price, status of cash on hand, financial status, the market environment and other factors in a comprehensive manner, JEI has determined that increasing capital efficiency and return of profits to unitholders through acquisition and retirement of own investment units should lead to enhanced unitholder value over the medium to long term.

(2) Details of acquisition of own investment units

Total number of investment units that may be acquired	35,000 units (upper limit)
Total acquisition price	¥4,000,000 thousand (upper limit)
Acquisition period	From February 25, 2025 to May 30, 2025
Acquisition method	Market purchase at the Tokyo Stock Exchange based on a discretionary transaction contract concluded with a securities company

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, 2024, and the statements of income and retained earnings, changes in net assets, and cash flows for the six-month period then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024, and its financial performance and its cash flows for the six-month period then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Other Information

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

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

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

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

We have nothing to report in this regard.

Responsibilities of Management and Supervisory Director for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



Shape the future
with confidence

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

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

Fee-related Information

The fees for the audits of the financial statements of the Company and other services provided by us and other Ernst & Young member firms for the six-month period ended December 31, 2024, are presented in paragraph (3) titled “Officers” in Section 2 “Outline of the Investment Corporation” included in the Semi-Annual Report for the six-month period ended December 31, 2024, of the Company.

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

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

Ernst & Young ShinNihon LLC
Tokyo, Japan

March 26, 2025

櫻井 均

Hitoshi Sakurai
Designated Engagement Partner
Certified Public Accountant

齋木 夏生

Natsuki Saiki
Designated Engagement Partner
Certified Public Accountant