



# Japan Excellent, Inc.

Eleventh Period (ended December 2011)

Presentation Materials

February 15, 2012



# Table of Contents

## I. Highlights from the Period

- 1. Topics p. 3
- 2. Financial Results p. 4

## II. Results and Approach Moving Forward

- 1. Management Discussion of the Environment p. 6
- 2. External Growth
  - (1) Past property acquisitions p. 7
  - (2) Overview of newly acquired property – HAMARIKYU INTERCITY p. 8
  - (3) Overview of transferred property (No. 28 Kowa Building) / newly acquired property (Pacific Square Sengoku) p. 9
  - (4) Future external growth targets p. 10
- 3. Internal Growth
  - (1) Maintain and raise occupancy rates p. 11
  - (2) Rent levels and rental revenue p. 12
  - (3) Progress status of efforts in high priority areas and properties / cost reduction efforts p. 13
- 4. Financial Strategy
  - (1) Achievements: Continued progress on financial stabilization p. 14
  - (2) Financial policy and status of interest-bearing debts p. 15
- 5. Performance Forecasts p. 16

## Reference Materials

- Revenue, Expenses and NOI Yield by Property p. 18
- Portfolio Appraisal Value p. 19
- Statement of Income and Retained Earnings p. 20
- Balance Sheet p. 21
- Balance of Interest Bearing Debt by Source of Financing p. 22
- Statements of Cash Flow and Profit Distributions p. 23
- Financial Indicators p. 24
- Unitholders p. 25
- Portfolio Overview p. 26
- What Makes Japan Excellent, Inc. Unique p. 29
- Unit Price Performance and Overview of Japan Excellent Asset Management Co., Ltd. p. 30

- n The data was prepared for the purpose of providing information and is not intended for the use of offering, soliciting or selling investments in the specified product.
- n Future forecasts are included in the contents of this data, but such descriptions do not guarantee future business results, financial conditions or management results, etc. of Japan Excellent, Inc.
- n Neither Japan Excellent, Inc. nor Japan Excellent Asset Management Co., Ltd. guarantee the accuracy or integrity of the information provided in this data, nor do they bear responsibility for updating the information listed in this data. Please note that the contents may be modified or repealed without any advance notice.
- n Quoting, copying and transferring all or a part of the contents of this data is prohibited without prior approval.

## I. Highlights from the Period

---



# 1. Topics

## 1. Portfolio expansion through property acquisitions including HAMARIKYU INTERCITY and quality improvement through asset replacement

- ∅ We acquired 7 properties (¥38.3 billion in total) during the past year including the acquisition of HAMARIKYU INTERCITY (¥7,080 million) and Pacific Square Sengoku (¥1,620 million) in December 2011 and the portfolio size increased by approximately 17% on a net basis for the same period. (\*1)
- ∅ We improved the competitiveness of the portfolio by replacing a property with limited growth potential with a newly constructed prime property.

## 2. Steady recovery in occupancy rate and maintenance/improvement of profitability by cost reduction

- ∅ In the 11th period, with continued progress from the last period on securing new leases for existing properties, combined with the decline in the tenant departure rate, JEI occupancy rate recovered faster than the market average occupancy rate (\*3).
- ∅ Company-wide cost rationalization in the areas of sales and administrative expenses and others resulted in improved profitability.

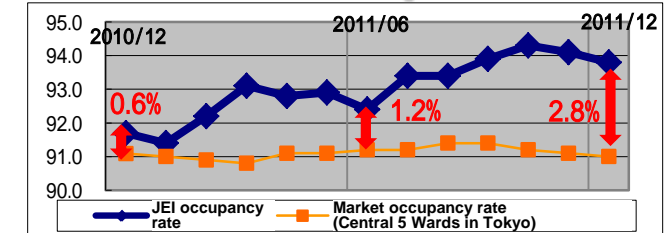
## 3. Continued progress on achieving higher percentage of fixed-rate debts with longer maturity dates and promotion of financial stability by establishing a commitment line of credit

- ∅ We made a continued progress on achieving higher percentage of fixed-rate debts vs. floating-rate debts with longer maturity dates through the issuance of new debts totaling ¥17.3 billion including the issuance of investment corporation bonds.
- ∅ We promoted financial stability by establishing a commitment line of credit for a total amount of ¥14 billion.

### Promotion of asset size expansion and asset replacement

	Number of properties	Acquisition	Transfer	Total Acquisition Price	Change %
End of 8th Period	18			¥181,023mn	-
End of 9th Period	19	2		¥188,118mn	3.9%
End of 10th Period	19	1	1	¥195,118mn	3.7%
Post Acquisitions (*2)	22	4	1	¥212,547mn	8.9%

### JEI occupancy rate improved faster than the market average



### Financial stability improved further

	End of 10th Period	12th Period (after refinancing at end of Jan.)	Change
Average remaining interest-bearing debt maturity	3.16years	3.28years	0.12years
Ratio of fixed-rate debts	57.6%	70.3%	12.7%

**+ A commitment line of credit (¥14 billion) established**

The amount of distributions per investment unit for the 11th period (ended December 2011) amounted to **¥11,854** exceeding the initial forecast.

(\*1) After the acquisition of HAMARIKYU INTERCITY and Pacific Square Sengoku and the transfer of No. 28 Kowa Building.

(\*2) The phrase "Post Acquisitions" refers to the point in time when the acquisition and transfer of all these properties have been completed.

(\*3) Source: Survey compiled by Miki Shoji

## 2. Financial Results

(Unit: million yen)

	10 <sup>th</sup> Period	11 <sup>th</sup> Period	Difference
Revenue from rental operations	7,034	7,146 (*1)	111
Rental revenue	6,432	6,486 (*1)	53
Revenue for utilities expenses	438	482	43
Other rental revenue	163	177	14
Expenses from rental operations	3,555	3,645	89
Property management fees	1,033	1,014	-19
Utilities expenses	552	627	74
Taxes	561	556	-5
Repairs and maintenance	92	96	3
Other expenses for rental operations	234	195	-39
Depreciation	1,080	1,156	75
Profits from rental operations	3,478	3,501 (*1)	22
Sales and administrative expenses	561	470	-90
Capital gain on sale of real estate	302	-	-302
Other income	6	14 (*1)	7
Other expenses	864	807	-56
Income before income taxes	2,362	2,237	-125
Extraordinary loss	47	0	-47
Net income	2,313	2,236	-77
Provision for reserve for advanced depreciation	50	-	-50
Total distributions	2,263	2,236	-27
Distribution per unit (yen)	12,000	11,854	-146

(1)

(2)

3-i

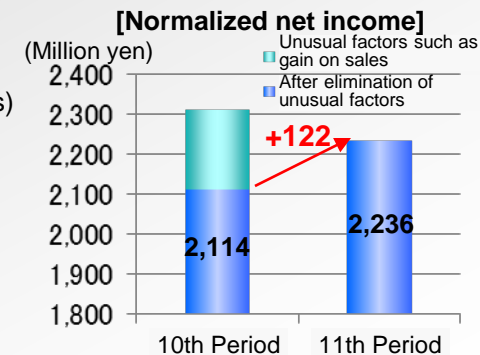
3-ii

3-iii

### Comparisons to the Previous Period

- Profits from rental operations **increased by ¥22 million as compared with the previous period** due to the full-period contribution of properties acquired in the 10th period and the contribution of properties acquired in the 11th period.
- Sales and administrative expenses decreased by ¥90 million due to the reduction of asset management fees, among others.
- Decline in earnings due to the occurrence of unusual factors that were present in the 10th period (Impact on earnings: -¥199 million)

i) Capital gain on sale of real estate	-¥302 million	-¥302 million
ii) PO-related expenses	-¥56 million	+¥56 million
iii) Repair expenses incurred due to the Great East Japan Earthquake	-¥47 million	+¥47 million
Total impact on earnings		-¥199 million



- Since net income for the 10th period after elimination of unusual factors was ¥2,114 million (¥2,313 million - ¥199 million), net income for the 11th period increased by ¥122 million (¥646 per investment unit) from the previous period on a normalized basis.

### Major Differentiators to the Initial Forecast

	Initial Forecast	Results	Difference	(Unit: million yen)	
Net income	2,150	2,236	85		
Distributions (yen)	11,400	11,854	454		
	Initial forecast	Results	Difference	Impact on earnings	As distributions (yen)
Rental revenue	6,429	6,486	56	56	300
Property management fees	1,027	1,014	-13	13	70
Repair expenses	115	96	-19	19	100
Total other				85	454

Net income increased as compared with the initial forecast as we achieved rent renewals for several properties that were more favorable than the initial forecast.

(\*1) In relation to the change in the timing of the acquisition of No. 35 Kowa Building, the lost revenue attributable to the delay for the period from October 3, 2011 to November 24, 2011 was compensated by and received from the seller as "adjustment proceeds," which were recognized in other income for accounting purposes. However, in the above table, said adjustment proceeds are included in rental revenue for the 11th period rather than in other income. Therefore, the figures of rental revenue, revenue and profit from rental operations for the 11th period are different from those stated for accounting purposes. The same note applies to these figures presented in p. 12 and p. 16.

(\*2) Amounts are rounded down.

## II. Results and Approach Moving Forward



# 1. Management Discussion of the Environment

## Office Leasing Market, Real Estate Investment Market, Financial Markets

### Office Leasing Market

- ∅ Vacancy rates are currently flat after a period of recovery and are expected to experience ups and downs in a narrow range for some time due partly to the uncertain economic conditions.
- ∅ Rents continue to decline and rebound is not expected soon, though they are considered to be nearing bottom.

### Real Estate Investment Market

- ∅ The availability of real estate finance is good and investors' appetite is maintained. However, the supply of excellent properties that are considered qualifying in terms of size and acquisition price is limited.
- ∅ Investors' anticipated yields remain flat in many areas.

### Financial Markets

- ∅ Deflationary pressures in the Japanese economy are expected to last for a long time and the Bank of Japan's benchmark policy rate is expected to remain at low levels going forward.
- ∅ Although uncertainties remain in the financial market due to the rising financial instability in Europe, we do not expect a significant rise in the long-term interest rate in the near term.

## 2. External Growth

### (1) Past property acquisitions

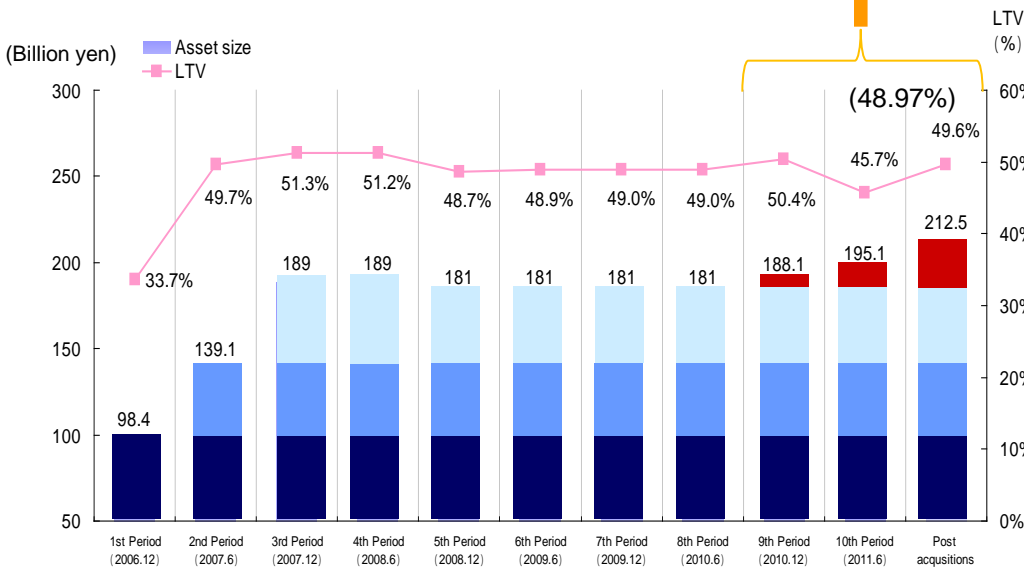
Since the 2H of 2010, we have completed various property acquisitions and replacements for improved profitability and competitiveness

- Ø They are mainly large properties with excellent location sourced from the sponsor, but mid-size highly profitable properties sourced from third parties are also included.
- Ø The fully vacant No. 36 Kowa Building and the 36-year-old No. 28 Kowa Building were transferred to the sponsor, while we acquired more competitive properties.
- Ø We acquired 7 properties before and after the public stock offering in January 2011. As a result the asset size increased by ¥31.5 billion (on a net basis), contributing to the revenue maintenance/improvement.

[Asset acquisitions since listing]

[Status of external growth since the 2H of 2010]

(Unit: million yen)



Period	Date of Transaction	Property Name	Seller/ buyer	Location	Acquisition	Transfer	Balance
End of 8th Period							181,023
9th Period	2010/10	No. 32 Kowa Building (additional acquisition)	Sponsor	Minato-ku	2,390		183,413
	2010/12	Kowa Shiokanedai Building	Sponsor	Minato-ku	4,705		188,118
10th Period	2011/02	Daiba Garden City Building	Sponsor	Minato-ku	11,000		199,118
	2011/02	No. 36 Kowa Building	Sponsor	Chiyoda-ku		4,000	195,118
11th Period	2011/09	MID Kyobashi Building	3rd party	Osaka City	3,308		198,426
	2011/11	No. 35 Kowa Building	Sponsor	Minato-ku	8,280		206,706
	2011/12	HAMARIKYU INTERCITY	Sponsor	Minato-ku	7,080		213,786
12th Period	2011/12	Pacific Square Sengoku	3rd party	Bunkyo-ku	1,620		215,406
		No. 28 Kowa Building	Sponsor	Shinagawa-ku		2,859	212,547
					Increase	Decrease	Net increase
					38,383	6,859	31,524

**Portfolio expansion and quality improvement was achieved through the acquisition of a wide variety of properties and timely asset replacement**

(\*1) Expressed in terms of acquisition price as of the end of each period

(\*2) The post acquisitions LTV (estimate) is calculated on the basis that the sales proceeds from the transfer of No. 28 Kowa Building remain as cash on hand and that they have been used to repay debts. The figure without parentheses 49.6% represents the former case and the figure in parentheses (48.97%) represents the latter.

(\*3) The "Seller/buyer" column indicates the attribute of the seller or the buyer. "Sponsor" means the sponsor of the asset management company and specific purpose companies in which the sponsor has a tokumei kumiai investment interest.



## 2. External Growth

### (2) Overview of newly acquired property – HAMARIKYU INTERCITY



Distant view from Hamarikyū Gardens



Office entrance



Residence



This property

#### Newly constructed prime property with long-term competitiveness

**[Location]** Blessed with a combination of the convenience of urban location and an abundance of nature in the bayside area

- Accessible to 3 stations (including Hamamatsucho Station) and 6 railway lines in total that are directly linked to major business centers such as Tokyo, Roppongi, Shinjuku, Shinagawa, and Haneda. In addition, transportation access to the Shinkansen and Haneda Airport is also convenient.
- Neighborhood attractions include Hamarikyū Gardens, theaters and hotels facing the bayside area. This is a location blessed with a rare combination of the convenience of urban location and an open natural environment.

**[Building]** State-of-the-art specifications including disaster-proof and environment-conscious features in addition to high quality office space

- The office floors are not only highly functional but also have excellent views and lighting including an over 300 tsubo floor space without pillars with a ceiling height of 2,900 mm and outdoor “refresh terraces” that are directly accessible from the offices.
- Residential floors are equipped with a reception area, lounge, and athletic gym for the exclusive use of the residents.
- The property has adopted disaster-proof and environment-conscious features including a hybrid quake-damping structure, quake-resistant design that is expected to withstand long-period earthquake ground motion, a power backup system using remote substations, district heating and cooling, photovoltaic power generation, etc.

**Newly constructed, rare property with high competitiveness to meet both office and residential needs**

**We decided to acquire (\*1) this property as one of the core properties in the portfolio as it is expected to generate stable income over a long-term period**

(\*1) JEI has acquired 40% co-ownership interest in the trust beneficiary interest in HAMARIKYU INTERCITY.

(\*2) NOI yield is calculated based on the estimated annual average NOI for the first 5 years by excluding the effect of special circumstances that may arise during the year of acquisition.

## 2. External Growth

### (3) Overview of transferred property (No. 28 Kowa Building) / newly acquired property (Pacific Square Sengoku)

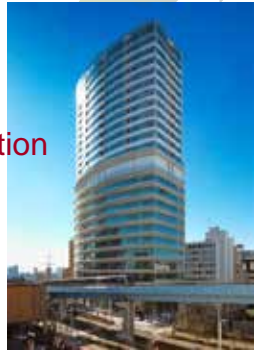
#### Portfolio quality improvement through asset replacement

- Ø Portfolio quality improvement through asset replacement by taking advantage of the development capability of the sponsor
- Ø The replacement aimed at achieving a higher proportion of larger and newer properties in the portfolio to secure long-term competitiveness
- Ø JEI also recognized a gain on sale (¥153 million) as a result of this transaction.

Japan Excellent, Inc.



[No. 28 Kowa Building]  
Limited long-term  
growth potential  
as it is  
36 years old



**Increasing competitiveness of the portfolio through asset replacement with the sponsor while taking into consideration the level of LTV**



Transfer



KOWA REAL ESTATE

Sponsor with extensive development experience

[HAMARIKYU INTERCITY]  
Newly constructed property developed and leased by Kowa Real Estate

	HAMARIKYU INTERCITY	No. 28 Kowa Building
Total floor area	35,555.87m <sup>2</sup>	6,282.23m <sup>2</sup>
Built	March 2011	February 1975

#### Acquisition of Pacific Square Sengoku

- Ø Conveniently located only a 1-minute walk from Sengoku Station on the Toei Subway Line (10 minutes to Otemachi).
- Ø The supply-demand balance in the neighborhood is tight due to limited office supply.
- Ø As the property is dividable to smaller rentable spaces (40 tsubo at a minimum), it can meet the relocation needs of community-based, smaller companies and highly cost-conscious tenants.



**We expect stable demand for and an above-average NOI yield from the property**

**We decided to acquire this property as a property to support current profitability**

(\*1) NOI yield is calculated based on the annual estimates by excluding the effect of special circumstances that may arise during the year of acquisition.



Acquisition price	¥1,620 million
Appraisal value	¥1,702 million
NOI yield	6.7% (*1)
Location	2-29-24, Honkomagome, Bunkyo-ku, Tokyo
Total floor area	4,017.44m <sup>2</sup>
Structure/No. of floors	SRC, B1/9F
Built	November 6, 1992
Acquisition date	December 20, 2011
Seller	Mercury LLC

Japan Excellent, Inc.

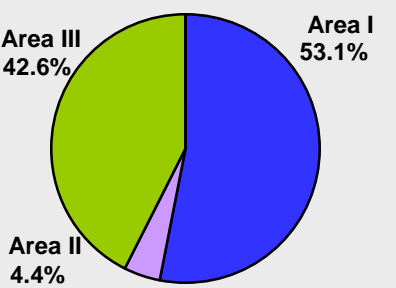
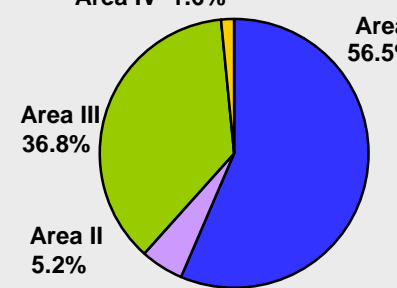
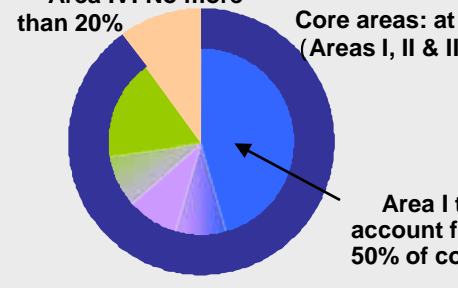
## 2. External Growth

### (4) Future external growth targets

#### Growth policy

- ∅ [Expansion] We hold fast to the mid-term target of achieving an asset size of ¥300 billion by continuing acquisitions from both the sponsor and third parties.
- ∅ [Quality improvement] We will look for asset replacement opportunities particularly among the properties we included in the portfolio at the time of initial listing in order to improve the overall yield of the portfolio, thereby improving the profitability of the portfolio.
- ∅ [Revenue growth] We will strive to achieve a stable growth in the distribution levels through the combination of external and internal growth.

#### [Changes in the portfolio composition and future targets]

Category	End of 1 <sup>st</sup> Period (As of December 31, 2006)	Post acquisitions (As of March 2012)	Investment policy/target
Asset size	¥98.4 billion	¥212.5 billion	Asset size mid-term target (*1)
Number of properties	14	22	¥300 billion
Areas (*2)			
Percentage of large buildings (*3)	56%	75.4%	
Average age	14.8 years	17.4 years (*4)	

(\*1) Targets as of the date of this document. May not be achievable depending on future events and market environment factors.

(\*2) Please refer to p. 29 for the definition of Areas I through IV.

(\*3) JEI defines a large building as a building with a total floor area of 10,000 tsubo or more in the case of a building located within 23 Wards in Tokyo and a building with a total floor area of 4,000 tsubo or more in the case of a building located outside 23 Wards in Tokyo.

(\*4) The post-acquisition average age shown above represents a theoretical value as of March 1, 2012 calculated by adding the effect of the transfer of No. 28 Kowa Building.

# 3. Internal Growth

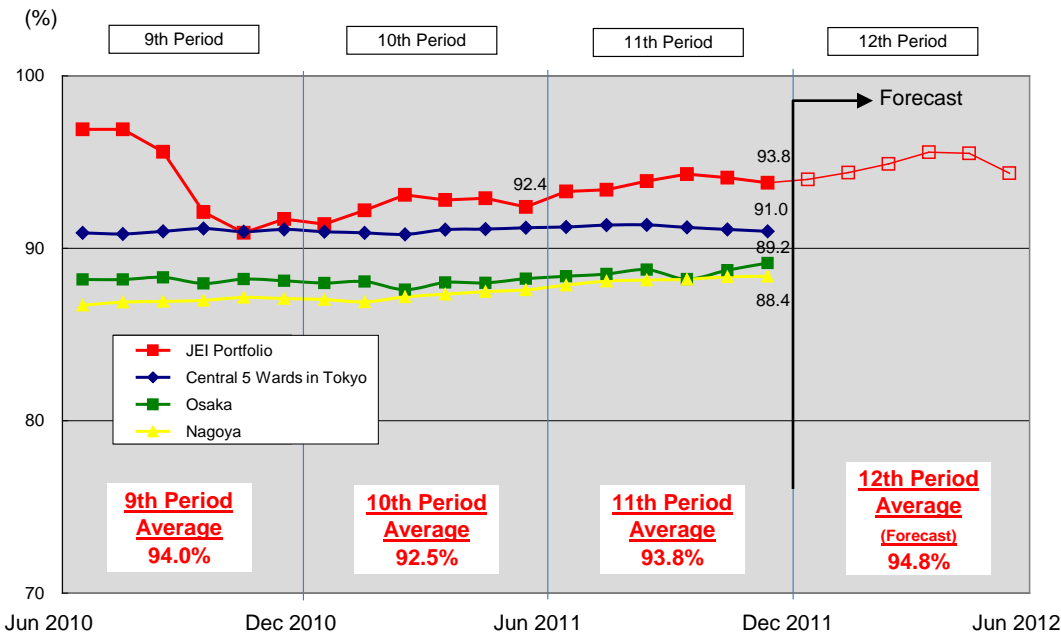
## (1) Maintain and raise occupancy rates

### Historical and forecasted occupancy rates

#### Portfolio occupancy rate rose steadily

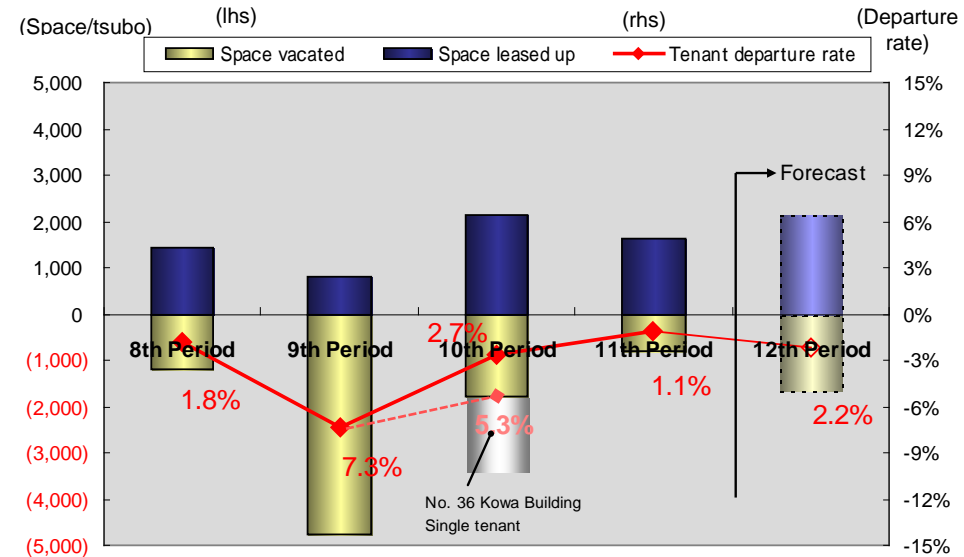
- Ø In the 11th period, the tenant departure rate further declined to 1.1% as compared with the previous period, while we acquired a highly occupied property and found new tenants for vacancies in the Akasaka and Kawasaki areas. The average occupancy rate increased from 92.5% for the 10th period to 93.8% for the 11th period (up 1.3%).
- Ø In the 12th period, we expect that occupancy rates will improve particularly for Akasaka Garden City and Ebina Prime Tower and the tenant departure rate will remain at low levels. As a result, the portfolio occupancy rate is expected to be stable.

Occupancy Rates—Market and JEI Historical and Forecasted



Source: Prepared based on data from Miki Shoji

Tenant Departure Rates and Space Leased Up and Vacated Historical and Forecasted



(\* Tenant departure rate is calculated for the entire JEI portfolio as space vacated by tenants over the period as a percentage of total leased space as of the end of the previous period. In the case of additional acquisition during the period, tenant departure rate is calculated as space vacated by tenants over the period as a percentage of the sum of total leased space as of the end of the previous period and leased space of the newly acquired property. In the case of a sale of a property during the period, leased space of the sold property is not subtracted from the total leased space as of the end of the previous period, and thus, the original formula (space vacated by tenants over the period as a percentage of total leased space as of the end of the previous period) applies.

# 3. Internal Growth

## (2) Rent levels and rental revenue

### Rent revisions—historical and forecasted / Average rent levels and market rents—historical and forecasted

#### ○ Pace of decline in the average rent will be slower

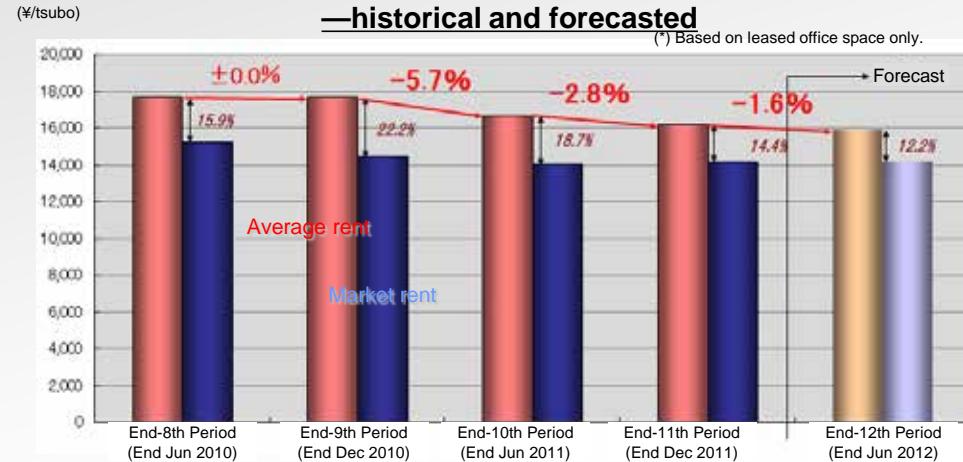
In the 11th period, the percentage of rent cuts in the total rent revisions was approximately 30%. As a result, the average rent of our portfolio declined by a smaller margin of 2.8% as compared with the previous period. In the 12th period, the trend of rent revisions will continue to be on a path to recovery and the average rent is expected to decline by an even narrower margin of 1.6%. The gap with market rents will also narrow steadily.

#### Rent Revisions—Historical and Forecasted

	Space up for revision * Percentage of leasable space in parentheses	Rent hikes Amount of upward revision	Rent unchanged	Rent cuts Amount of downward revision	Average revision
10th Period	24,224 tsubo ( 34% )	0%	37%	63%	-8.9%
11th Period	14,628 tsubo ( 18% )	0%	68%	31%	-4.9%
12th Period (forecast)	21,487 tsubo ( 28% )	26%	45%	28%	-3.5%

(\*) Average rent revision: Average percentage change including rent kept at previous levels

#### Portfolio Average and Market Rent Levels —historical and forecasted



### Total rental revenue—historical and forecasted

#### ○ 11th Period: Up 0.8% from the previous period

Total rental revenue increased slightly from the previous period as the decline in average rent was offset by the effect of increasing occupancy rate and property acquisitions.

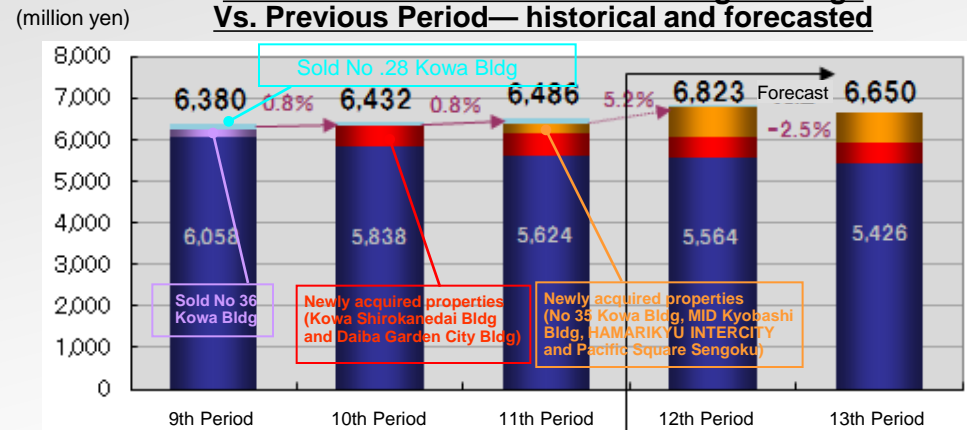
#### ○ 12th Period: Up 5.2% from the previous period

Total rental revenue is expected to start rising again despite the sale of No. 28 Kowa Building as the properties newly acquired in the previous period will contribute to total revenue on a full-period basis.

#### ○ 13th Period: Down 2.5% from the previous period

The rental revenue trend is expected to be flat. We conservatively estimate the leasing up of the vacancy created after the expected relocation of a major tenant and consider the effect of the resulting decline in revenue.

#### Total Rental Revenue and Percentage Change Vs. Previous Period— historical and forecasted



■ = Existing properties (excluding No. 36 and No. 28 Kowa Bldg.)

# 3. Internal Growth

## (3) Progress status of efforts in high priority areas and properties / cost reduction efforts

### Efforts to maintain profitability in high priority areas/properties

#### 1. Akasaka and Kawasaki Areas

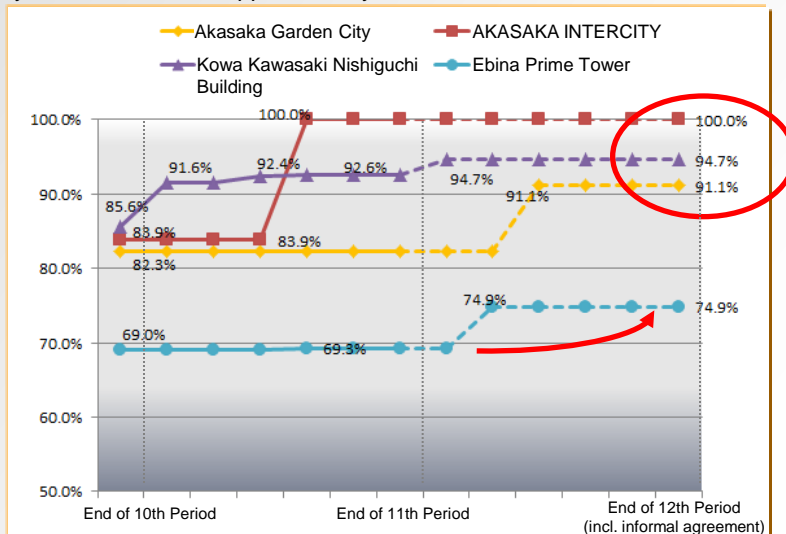
- Akasaka Garden City, AKASAKA INTERCITY, and Kowa Kawasaki Nishiguchi Building were running at 80% occupancy levels (at the end of the 10th period). **The occupancy rates of all of them recovered to 90% or more** as we secured new lease agreements.

#### 2. Kawasaki Nisshincho Building

- In response to a proposed relocation of a large tenant, we started leasing activities in advance and **have secured indication to enter into a lease agreement from prospective tenants for a total leasing area of approximately 300 tsubo (189 tsubo attributable to our ownership interest)**. Specific lease terms are under negotiation with them.

#### 3. Ebina Prime Tower

- After the relocation of a large tenant, we secured new leases with 4 tenants for a total leasing area of 782 tsubo (547 tsubo attributable to our ownership interest). As a result, the occupancy rate rose from 67.7% **to 74.9% (up 7.2%)**.
- We made steady efforts to cut property management costs (PM fees, building maintenance cost).
- We expect that the property will switch back to profitability from the 12th period and NOI yield will recover to approximately 3%.



### Cost reduction efforts

#### 1. Basic approach to cost reduction

- All sales and administrative expenses including asset management fees, fees for general administration services are subject to cost reduction efforts.
- Efforts are made on the premise that lower costs should not result in limited/lower property management service contents and levels.
- For high priority properties such as Kawasaki Nisshincho Building and Ebina Prime Tower, the operations are thoroughly reviewed and rationalized.

#### 2. Major items subject to cost reduction efforts

- Asset management fees
- Fees for general administration services
- Trust fees
- PM fees, etc.

**The targeted amount of cost reduction results for the 13th period (ending December 2012) is ¥210 million (equivalent to distributions of approximately ¥1,100 per investment unit).**

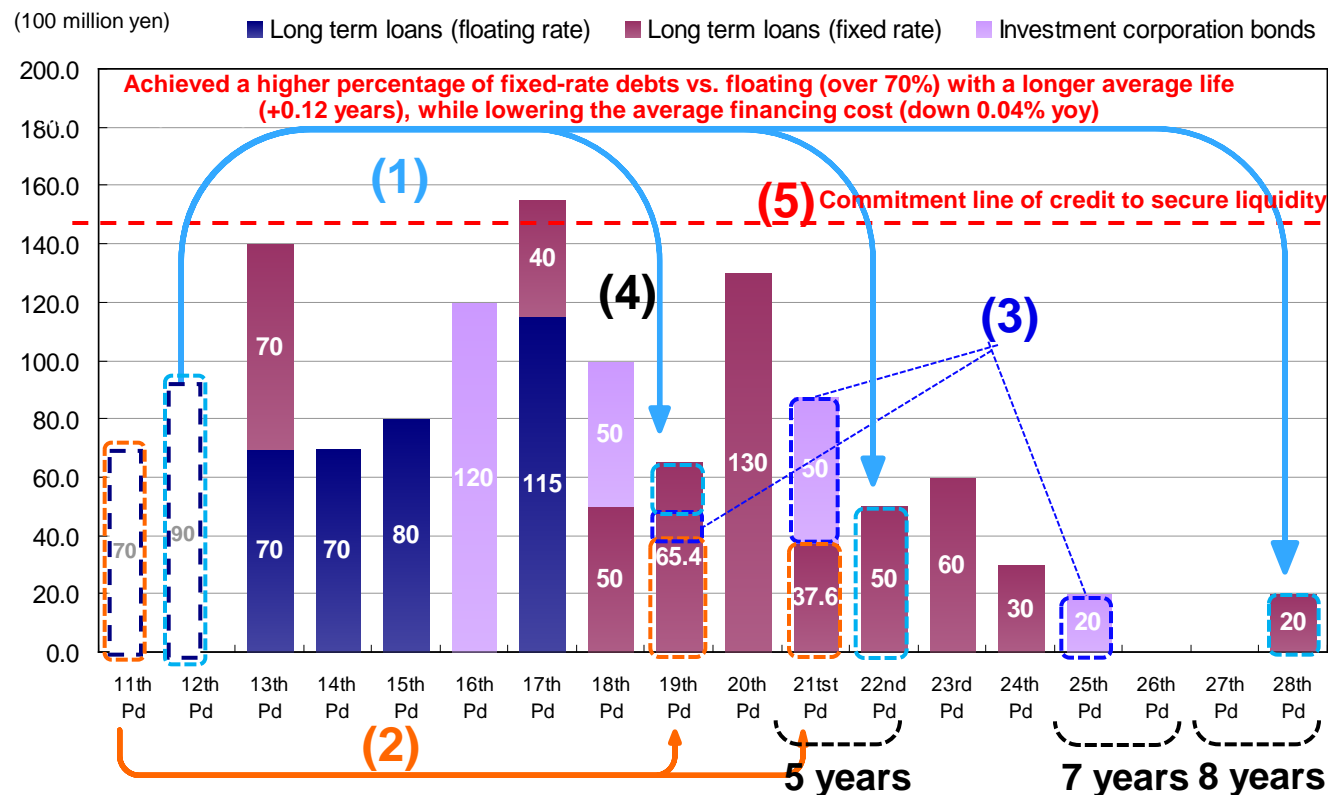
# 4. Financial Strategy

## (1) Achievements : Continued progress on financial stabilization

### Continued promotion of financial stabilization

- Achieved a higher percentage of fixed-rate debts vs. floating-rate debts with longer and more diversified maturity dates, while limiting costs
- Financing sources are further diversified including issuance of investment corporation bonds and loans from financial institutions that we did not bank with before.
- Establishment of a commitment line of credit for a total amount of ¥14 billion (as of January 31, 2012) for further promotion of financial stability.

### [Interest bearing debts balance by maturity]



### [Financial achievements]

- (1) Conversion of short term loans arranged for acquisition financing to **fixed-interest bearing long term loans** (January 2012) (¥9 billion in total; **8-year ¥2 billion, 5-year ¥5 billion**, and 3.8-year ¥2 billion loans)
- (2) Refinancing and conversion of an existing floating-interest bearing loan (¥7 billion) to a **fixed-interest bearing loan** using an interest rate swap.
- (3) **Investment corporation bonds (7-year ¥2 billion and 5-year ¥5 billion bonds)** issued and used for the acquisition of No. 35 Kowa Building together with a long term fixed-interest bearing loan (4-year ¥1.3 billion)
- (4) **Financing sources were further diversified** by borrowing newly from the **Bank of Fukuoka**.
- (5) A **commitment line of credit** for a total amount of **¥14 billion** newly established to further promote financial stability by securing short-term liquidity

# 4. Financial Strategy

## (2) Financial policy and status of interest-bearing debts

### <Financial policy> Stable financial management and maintenance/improvement of financial flexibility

- ∅ Promotion of a higher percentage of fixed-rate debts vs. floating (including investment corporation bond issuance)
- ∅ Debts to have longer and more diversified maturity dates
- ∅ Financial management with conservative LTV levels (35-50% as a general rule)

### [Interest Bearing Debt]

(Unit: million yen)

	10 <sup>th</sup> Period (Jun. 30, 2011)	After refinancing (Jan. 31, 2012)	Change
Interest bearing debt	95,500	112,800	+ 17,300
Short term loans (*1)	0 (0.0%)	0 (0.0%)	-
Long term loans (*1)	78,500 (100.0%)	88,800 (100.0%)	+ 10,300
Investment corporation bonds	17,000	24,000	+ 7,000
Period-end LTV (total assets)	45.66%	49.64% (48.97%)(*2)	+ 3.98% (+ 3.31%)
Fixed rate percentage	57.6%	70.3%	+ 12.7%
Average rate at period-end	1.40%	1.36%	- 0.04%
Short term loans	-	-	-
Long term loans	1.39%	1.36%	- 0.03%
Investment corporation bonds	1.45%	1.36%	- 0.09%
Average remaining debt maturity	3.16 years	3.28 years	+ 0.12 years

(\*1) In parentheses as a percentage of total borrowings

(\*2) Estimates calculated based on the assumption that proceeds pertaining to No. 28 Kowa Building scheduled for sale in February 2012 (¥2,960 million) have been used for the repayment of debts (representing the effective remaining capacity for new asset acquisitions)

### ☪ Credit rating status as of February 15, 2012

Rating agency	Rating (outlook)
Moody's Japan	Issuer rating: A3 (stable)
R&I	Issuer rating: AA- (stable) Individual debt issue rating: AA- (*)

(\*) Ratings for unsecured investment corporation bonds (No.1 through No. 4)

- ┆ The rating outlook by Moody's improved from **A3 Negative to Stable** as of July 7, 2011.
- ┆ R&I renewed their previous evaluation of issuer rating as **AA- (stable)** on November 9, 2011.
- ┆ R&I also renewed their previous evaluation of individual debt issue rating as **AA-** for investment corporation bonds issued in November 2011 (¥7 billion yen in total).

### ☪ Commitment line of credit (newly established)

- ┆ A commitment line of credit for a total amount of **¥14 billion** newly established (Mizuho Corporate Bank, Mitsubishi UFJ Trust and Banking Corporation, Sumitomo Mitsui Banking Corporation)
- ┆ To secure short-term liquidity to reduce risks associated with refinance of loans and redemption of investment corporation bonds.
  - ▷ **Improved financial stability**



## 5. Performance Forecasts

(Unit: million yen)

	11 <sup>th</sup> Period	12 <sup>th</sup> Period		13 <sup>th</sup> Period	
	Actual	Forecast	Vs. Previous	Forecast	Vs. Previous
Revenue	7,146	7,488	342	7,387	-100
Rental revenue	6,486	6,823	(1)336	6,650	(5) -172
Revenue for utilities expenses	482	485	2	562	76
Other rental revenue	177	180	2	174	-5
Expenses from rental operations	3,645	3,876	231	3,842	-33
Property management fees	1,014	1,027	13	948	-79
Utilities expenses	627	618	-9	697	79
Repairs and maintenance	96	195	(2) 98	74	-120
(NOI)	4,657	4,855	198	4,796	-58
Depreciation	1,156	1,243	87	1,251	8
Profits from rental operations	3,501	3,612	110	3,544	-67
Sales and administrative expenses	470	491	20	471	-19
Capital gain on sales of real estate	-	153	(3)153	-	-153
Operating income	3,030	3,274	244	3,073	-201
Other expenses	807	918	(4)110	879	-39
Income before income taxes	2,237	2,364	127	2,201	-163
Net income	2,236	2,363	127	2,200	-163

Provision/reversal of reserve for advanced depreciation	-	61		-101	
Total distributions	2,236	2,301		(6) 2,301	
Distributions per unit (yen)	11,854	12,200	346	12,200	0

Reserve for advanced depreciation	50	111		10	
-----------------------------------	----	-----	--	----	--

### Outline of performance forecasts

#### [12<sup>th</sup> Period]

- (1) Revenue increase due to the acquisition of properties in the 11th period (approximately ¥20 billion)
- (2) Increase in repairs and maintenance expenses due to major repair works such as exterior wall refurbishment
- (3) A gain on sale of ¥153 million (part of which (¥61 million) is accounted for as the provision for reserve for advanced depreciation)
- (4) Increase in interest expense due to the increase in debts raised to finance asset growth and increase in other expenses due to the establishment of a commitment line of credit, among others

<Provision for reserve for advanced depreciation>

10th Period: A provision of ¥50 million was recognized out of a gain on sale of ¥302 million pertaining to the sale of No.36 Kowa Building

12nd Period: A provision of ¥61 million (estimate) to be recognized out of a gain of sale of ¥153 million pertaining to the sale of No. 28 Kowa Building

12nd Period: The balance of reserve for advanced depreciation is expected to be ¥111 million (estimate) at closing

#### [13<sup>th</sup> Period]

- (5) The rental revenue trend is expected to be flat.  
We conservatively estimate the leasing up of the vacancy created after the expected relocation of a major tenant and consider the effect of the resulting decline in revenue.
- (6) A reversal of provision for reserve for advanced depreciation is expected

(\*1) In relation to the change in the timing of the acquisition of No. 35 Kowa Building, the lost revenue attributable to the delay for the period from October 3, 2011 to November 24, 2011 was compensated by and received from the seller as "adjustment proceeds," which were recognized in other income for accounting purposes. However, in the table to the left, said adjustment proceeds are included in rental revenue for the 11th Period rather than in other income. Therefore, the figures of rental revenue, NOI, and revenue and profit from rental operations for the 11th Period are different from those stated for accounting purposes.

# Reference Materials



Daiba Garden City Building

# Revenue, Expenses and NOI Yield by Property

(Unit: million yen)

11 <sup>th</sup> Period	Area I											Area II		Area III										Area IV	Total
	I-1	I-2	I-3	I-4	I-6	I-7	I-8	I-9	I-10	I-11	I-12	II-1	II-2	III-1	III-2	III-3	III-5	III-6	III-7	III-8	III-9	III-10	IV-2		
	Omori	Shiba 2-chome	Hama-matsu-cho	32 Kowa	28 Kowa	Akasaka Garden City	AKASAKA INTERCITY	Kowa Shiro-kanedai	Daiba Garden City Building	35 Kowa	HAMARIKYU INTERCITY	NHK Nagoya	Nishi-Honmachi	Musashi-Kosugi	Kawasaki Higashi-guchi	Hongo	Kawasaki Nisshin-cho	44 Kowa	Ryogoku	Ebina	Kawasaki Nishi-guchi	Sengoku	Kyobashi		
Revenue	1,028	372	295	276	120	357	312	205	338	-	15	291	229	796	-	174	223	91	109	323	886	5	124	7,085	
Rental revenue	975	371	282	260	111	338	282	185	338	-	15	-	207	702	-	163	221	81	99	279	802	4	115	6,569	
Other revenue	53	0	13	15	9	19	30	20	-	-	0	-	21	94	-	10	1	10	9	44	83	0	8	515	
Operating expenses	501	123	114	92	53	159	146	86	87	-	13	191	150	368	-	71	87	38	56	334	605	3	57	3,645	
Property management	139	45	22	35	18	46	17	22	1	-	3	52	42	108	-	22	33	14	18	136	147	0	10	1,014	
Utilities	136	0	15	17	11	18	31	13	-	-	1	25	23	76	-	7	-	7	9	59	105	0	8	627	
Property taxes	84	32	19	22	8	34	19	15	-	-	0	21	29	62	-	10	16	5	7	46	80	0	0	556	
Insurance	2	1	0	0	0	0	0	0	0	-	0	0	0	2	-	0	0	0	0	2	3	0	0	21	
Repair and maintenance	8	5	13	3	0	-	0	11	0	-	-	18	2	10	-	1	0	1	1	5	6	0	0	96	
Other expenses	4	1	15	3	1	3	36	1	1	-	0	29	3	13	-	2	1	1	1	10	13	0	1	173	
Depreciation and amortization	124	38	28	10	11	55	41	21	84	6	9	43	48	94	91	28	35	7	16	73	247	2	35	1,156	
Total rental income	527	248	181	183	66	197	166	119	250	36	2	99	79	428	169	102	136	53	53	-11	280	1	66	3,439	
NOI	651	286	209	194	78	253	208	140	334	43	11	142	127	522	260	130	172	60	69	62	528	4	102	4,595	
Number of operating days	184	184	184	184	184	184	184	184	184	37	12	184	184	184	184	184	184	184	184	184	184	12	122		
Acquisition price	22,553	9,450	8,350	7,430	2,859	23,300	17,857	4,705	11,000	8,280	7,080	4,300	6,674	13,890	10,976	5,400	4,205	1,150	2,550	6,470	32,000	1,620	3,308	215,406	

Compared with previous period	11th period NOI yield (annualized)	6.0%	5.0%	5.2%	5.5%	2.2%	2.3%	5.9%	6.0%	5.1%	4.9%	6.6%	3.8%	7.5%	4.7%	4.8%	8.1%	10.5%	5.4%	1.9%	3.3%	7.9%	9.3%	4.6%
	5.7%	6.0%	5.0%	5.2%	5.5%	2.2%	2.3%	5.9%	6.0%	5.1%	4.9%	6.6%	3.8%	7.5%	4.7%	4.8%	8.1%	10.5%	5.4%	1.9%	3.3%	7.9%	9.3%	4.6%
	5.9%	6.0%	5.3%	5.2%	6.5%	3.5%	2.4%	6.4%	6.2%	-	-	6.9%	3.6%	7.5%	5.6%	5.1%	8.2%	10.7%	5.3%	1.6%	3.5%	-	-	4.8%
	-0.2%	0.0%	-0.3%	0.0%	-1.0%	-1.3%	-0.1%	-0.5%	-0.2%	-	-	-0.3%	0.2%	0.0%	-0.9%	-0.3%	-0.1%	-0.2%	0.1%	0.3%	-0.2%	-	-	-0.2%

Notes: 1. Figures are rounded down to the nearest million. "Acquisition price" are rounded off less than one million yen.

2. Ratios are rounded to the nearest decimal point.

3. The NOI yield for each property shown is annualized. (NOI yield = Annualized NOI / acquisition price)

4. Details concerning revenue and expenses for 35 Kowa and Kawasaki Higashiguchi are not released because we are not able to receive authorization from tenants.

5. Details concerning rental revenue for NHK Nagoya are not released because we are not able to receive authorization from the business partner.

6. The NOI yield total for 10th period is shown on the ground of possession of 19 properties at the end of 10th period and does not include 36 Kowa, which was sold on Feb. 4, 2011.

## [Breakdown by Area]

	Area I total	Area II total	Area III total	Area IV total
NOI	2,411	270	1,811	102
Acquisition price	122,864	10,974	78,261	3,308
11th period NOI yield (annualized)	4.4%	4.9%	4.7%	9.3%
10th period NOI yield (annualized)	4.8%	4.9%	4.9%	-
Difference	-0.4%	0.0%	-0.2%	-

# Portfolio Appraisal Value

(Unit: million yen)

Property number	Area	Name	Evaluation	Acquisition price	Appraisal value		Difference ([2]-[1])		Book Value at end of FP11 [3]	Difference ([2]-[3])		Direct reduction Reduced yield		Difference ([5]-[4]) %	Appraisal organization
					End of FP10 [1]	End of FP11 [2]		%			%	End of FP10 [4]	End of FP11 [5]		
I-1	I	Omori Bellport D		22,553	24,480	24,040	-440	-1.8%	21,949	2,091	9.5%	5.0%	5.1%	0.1%	Chuo Real Estate Appraisal Co., Ltd.
I-2		Shiba 2-Chome Building		9,450	10,600	10,800	200	1.9%	9,210	1,590	17.3%	Office 5.0% Residence 5.6%	Office 4.9% Residence 5.6%	Office -0.1% Residence 0.0%	Japan Real Estate Institutel
I-3		JEI Hamamatsucho Building		8,350	8,370	7,930	-440	-5.3%	8,259	-329	-4.0%	4.6%	4.6%	0.0%	Japan Real Estate Institutel
I-4		No. 32 Kowa Building		7,430	6,934	7,031	97	1.4%	7,404	-373	-5.0%	5.7%	5.7%	0.0%	Chuo Real Estate Appraisal Co., Ltd.
I-6		No. 28 Kowa Building (*3)		2,859	2,750	2,820	70	2.5%	2,802	18	0.6%	5.7%	5.6%	-0.1%	Japan Real Estate Institutel
I-7		Akasaka Garden City		23,300	18,000	18,200	200	1.1%	22,876	-4,676	-20.4%	4.2%	4.1%	-0.1%	Japan Real Estate Institutel
I-8		AKASAKA INTERCITY		17,857	12,900	12,600	-300	-2.3%	17,535	-4,935	-28.1%	4.0%	3.9%	-0.1%	Japan Real Estate Institutel
I-9		Kowa Shirokanedai Building		4,705	5,090	5,200	110	2.2%	4,924	276	5.6%	5.2%	5.1%	-0.1%	Japan Real Estate Institutel
I-10		Daiba Garden City Building		11,000	11,470	11,660	190	1.7%	10,961	699	6.4%	5.2%	5.2%	0.0%	Chuo Real Estate Appraisal Co., Ltd.
II-1		II	NHK Nagoya Housou Center Building		4,300	4,410	4,320	-90	-2.0%	4,377	-57	-1.3%	5.7%	5.8%	0.1%
II-2	JEI Nishi-Honmachi Building			6,674	4,390	4,220	-170	-3.9%	7,461	-3,241	-43.4%	5.4%	5.4%	0.0%	Japan Real Estate Institutel
III-1	III	Musashikosugi Tower Place		13,890	16,300	16,400	100	0.6%	13,099	3,301	25.2%	5.4%	5.4%	0.0%	Japan Real Estate Institutel
III-2		Kowa Kawasaki Higashiguchi Building		10,976	8,330	8,380	50	0.6%	10,309	-1,929	-18.7%	5.1%	5.1%	0.0%	Japan Valuers Co., Ltd.
III-3		JEI Hongo Building		5,400	4,990	5,010	20	0.4%	5,239	-229	-4.4%	4.7%	4.7%	0.0%	Japan Valuers Co., Ltd.
III-5		Kawasaki Nisshincho Building		4,205	4,930	4,380	-550	-11.2%	4,083	297	7.3%	5.6%	5.6%	0.0%	Japan Real Estate Institutel
III-6		No. 44 Kowa Building		1,150	1,520	1,570	50	3.3%	999	571	57.2%	6.0%	5.9%	-0.1%	Japan Real Estate Institutel
III-7		JEI Ryogoku Building		2,550	2,140	2,191	51	2.4%	2,395	-204	-8.5%	5.7%	5.7%	0.0%	Chuo Real Estate Appraisal Co., Ltd.
III-8		Ebina Prime Tower		6,470	3,960	3,590	-370	-9.3%	6,187	-2,597	-42.0%	6.4%	6.4%	0.0%	Japan Real Estate Institutel
III-9		Kowa Kawasaki Nishiguchi Building		32,000	25,400	24,800	-600	-2.4%	30,637	-5,837	-19.1%	5.1%	5.1%	0.0%	Japan Valuers Co., Ltd.
<b>Total</b>				<b>195,118</b>	<b>176,964</b>	<b>175,142</b>	<b>-1,822</b>	<b>-1.0%</b>	<b>190,714</b>	<b>-15,572</b>	<b>-8.2%</b>	-	-	-	-
I-11	I	No. 35 Kowa Building		8,280	-	9,100	-	-	8,317	783	9.4%	-	4.2%	-	Japan Real Estate Institutel
I-12		HAMARIKYU INTERCITY		7,080	-	7,320	-	-	7,096	224	3.2%	-	4.7%	-	Japan Real Estate Institutel
III-10	III	Pacific Square Sengoku		1,620	-	1,702	-	-	1,677	25	1.5%	-	5.3%	-	Chuo Real Estate Appraisal Co., Ltd.
IV-2	IV	MID Kyobashi Building		3,308	-	3,530	-	-	3,395	135	4.0%	-	6.0%	-	Japan Real Estate Institutel
<b>Total</b>				<b>215,406</b>	<b>176,964</b>	<b>196,794</b>	-	-	<b>211,203</b>	<b>-14,409</b>	<b>-6.8%</b>	<b>5.0%</b>	<b>5.0%</b>	<b>0.0%</b>	-

Area I Total	122,864	100,594	116,701	16,107	16.0%	121,338	-4,637	-3.8%	4.8%	4.7%	-0.1%	-
Area II Total	10,974	8,800	8,540	-260	-3.0%	11,839	-3,299	-27.9%	5.6%	5.6%	0.0%	-
Area III Total	78,261	67,570	68,023	453	0.7%	74,629	-6,606	-8.9%	5.3%	5.3%	0.0%	-
Area IV Total	3,308	-	3,530	-	-	3,395	135	4.0%	-	6.0%	-	-

Notes: 1. Total yield by area was calculated using weighted averages and rounding to the nearest decimal point.

2. "Appraisal value" includes the appraisal value described in the real estate appraisal report made by a real estate appraiser belonging to Japan Real Estate Institute, Chuo Real Estate Appraisal, and Japan Valuers as of end of 10<sup>th</sup> and 11<sup>th</sup> period based on Japan Excellent's rules and the regulations stipulated by the Investment Trusts Association of Japan. When there is a joint ownership property in the current portfolio, its value is obtained after multiplying the total value of the shared real estate by the percentage of the interest owned by Japan Excellent or the trustee.
3. No. 28 Kowa Building will be transferred by February 29, 2012.

# Statement of Income and Retained Earnings

(Unit: million yen)

	10th period	%	11th period	%	Difference	Difference by %
1. Revenue	7,337	100.0	7,085	100.0	-252	- 3.4
Rental revenue	6,565		6,569		4	
Other rental revenue	469		515		46	
Capital gain on sale of real estate	302		-		-302	
2. Operating expenses	4,117	56.1	4,116	58.1	-1	+ 0.0
Property management cost and fees	1,033		1,014		-19	
Utilities	552		627		74	
Property taxes	561		556		-5	
Insurance	21		21		0	
Repairs and maintenance	92		96		3	
Other	212		173		-39	
Depreciation	1,080		1,156		75	
Total operating expenses	3,555		3,645		89	+ 2.5
Total rental income	3,478		3,439		-39	- 1.1
Asset management fees	428		337		-90	
Other	133		132		0	
Operating income	3,220	43.9	2,969	41.9	-250	- 7.8
3. Other income	6	0.1	76	1.1	69	+ 986.3
Interest income	1		1		0	
Other	5		74		68	
4. Other expenses	864	11.8	807	11.4	-56	- 6.5
Interest expense	541		551		10	
Loan relating fees	146		101		-44	
Interest expense on Investment Corporation Bonds	122		136		14	
Amortization of Investment Corporation Bond Issuance Costs	9		11		1	
Other	44		6		-37	
Income before income taxes	2,362	32.2	2,237	31.6	-125	- 5.3
5. Extraordinary loss	47	0.7	0	0.0	-47	
Loss on disaster	47		0		-47	-
Net income before taxes	2,314	31.5	2,237	31.6	-77	- 3.4
Income taxes-current	0		1		0	
Income taxes-deferred	0		-0		-0	
Net income	2,313	31.5	2,236	31.6	-77	- 3.4
Retained earnings at beginning of period	0		0		-0	
Retained earnings at end of period	2,314		2,236		-77	

Note: Figures under one million yen are rounded down. Ratios are rounded to the nearest decimal point.

# Balance Sheet

(Unit: million yen)

Assets					Liabilities and unitholders' equity						
	10th period		11th period		Difference		10th period		11th period		Difference
Assets		%		%		Liabilities		%		%	
I. Current assets	17,179	8.2	15,508	6.8	-1,671	I. Current liabilities	8,200	3.9	24,158	10.6	15,958
Cash and cash equivalents	5,560		2,940		-2,619	Accounts payable-trade	583		583		0
Cash and cash equivalents (as trust accounts)	10,936		11,768		831	Short-term debt	7,000		23,000		16,000
Rental receivables	375		453		78	Accounts payable-other	342		303		-38
Other	307		345		38	Unpaid consumption taxes	-		-		-
						Provision for loss on diaster	16		0		-16
II. Fixed assets	191,901	91.8	211,647	93.2	19,745	Other	257		271		13
1. Property and equipment	182,889	87.5	202,638	89.2	19,748	II. Long-term liabilities	96,575	46.2	98,751	43.5	2,176
Real estate	3,109		3,180		70	Investment corporation bond	17,000		24,000		7,000
Real estate (as trust accounts)	179,765		199,445		19,679	Long-term debt	71,500		65,800		-5,700
Construction in progress	14		12		-2	Security deposits from tenants	421		415		-6
2. Intangible assets	8,565	4.1	8,565	3.8	-0	Security deposits from tenants (as trust accounts)	7,653		8,535		882
Leasehold rights	1,185		1,185		-	Total liabilities	104,775	50.1	122,910	54.1	18,134
Leasehold rights (as trust accounts)	7,380		7,380		-	Unitholders' equity					
Other	0		0		-0	I. Unitholders' capital	104,366	49.9	104,338	45.9	-27
3. Investments and other assets	445	0.2	443	0.2	-2	1. Unitholders' capital	102,052	48.8	102,052	44.9	-
Security deposits	15		15		-	2. Retained earnings	2,314		2,286		-27
Long-term prepaid expenses	362		355		-7	Voluntary retained earnings (Reserve for advanced depreciation)	-	0.0	50	0.0	50
Other	67		73		5	Unappropriated retained earnings	2,314	1.1	2,236	1.0	-77
III. Deferred assets	61	0.0	93	0.0	32	Total unitholders' equity	104,366	49.9	104,338	45.9	-27
Deferred Investment Corporation Bond Issuance Costs	61		93		32	Total liabilities and unitholders' equity	209,142	100.0	227,249	100.0	18,107
Total assets	209,142	100.0	227,249	100.0	18,107						

Note: Figures under one million yen are rounded down. Ratios are rounded to the nearest decimal point.

## Balance of Interest Bearing Debt by Source of Financing (as of the end of January 2012)

(Unit: million yen)

Lenders	Interest-Bearing Debts	As a percentage of all borrowings	As a percentage of all interest-bearing debt
Mizuho Corporate Bank, Ltd.	21,990	24.8%	19.5%
Mitsubishi UFJ Trust and Banking Corporation	16,240	18.3%	14.4%
Development Bank of Japan Inc.	12,000	13.5%	10.6%
Sumitomo Mitsui Banking Corporation	9,060	10.2%	8.0%
The Dai-ichi Life Insurance Company, Limited	8,000	9.0%	7.1%
Mizuho Trust & Banking Co., Ltd.	6,820	7.7%	6.0%
The Norinchukin Bank	5,100	5.7%	4.5%
Aozora Bank, Ltd.	2,470	2.8%	2.2%
Resona Bank, Ltd.	2,200	2.5%	2.0%
Sompo Japan Insurance Inc.	2,000	2.3%	1.8%
Chuo Mitsui Trust and Banking Co., Ltd.	1,620	1.8%	1.4%
Tokio Marine & Nichido Fire Insurance Co., Ltd.	1,000	1.1%	0.9%
The Bank of Fukuoka, Ltd.	300	0.3%	0.3%
<b>Loan Total</b>	<b>88,800</b>	<b>100.0%</b>	<b>(78.7%)</b>
1st Series Unsecured Investment Corporation Bond	12,000	/	10.7%
2nd Series Unsecured Investment Corporation Bond	5,000		4.4%
3rd Series Unsecured Investment Corporation Bond	5,000		4.4%
4th Series Unsecured Investment Corporation Bond	2,000		1.8%
<b>Investment Corporation Bond Total</b>	<b>24,000</b>		<b>(21.3%)</b>
<b>Interest-Bearing Debt Total</b>	<b>112,800</b>		<b>100.0%</b>

← New borrowings started from January 2012

■ : Sponsor companies of the asset management company.

# Statements of Cash Flow and Profit Distributions

## n Cash flow statement

(Unit: million yen)

Classification	Amount
I. Cash flow from operating activities	3,207
Income before income taxes	2,237
Depreciation and amortization	1,156
Interest expense	-670
Other	484
II. Cash flow from investing activities	-19,989
Purchases of property and equipment	-20,865
Net payments for security deposits	876
III. Cash flow from financing activities	14,993
Proceeds from short-term debt	10,300
Repayment of short-term debt	-1,300
Proceeds from long-term debt	8,300
Repayment of long-term debt	-7,000
Proceeds from issuance of investment corporation bonds	7,000
Payments for investment corporation bond issuance costs	-43
Distributions to unitholders	-2,262
IV. Net increase in cash and cash equivalents	-1,788
V. Cash and cash equivalents at beginning of period	16,496
VI. Cash and cash equivalents at end of period	14,708

Note: Figures under one million yen are rounded down.

## n Profit distribution

(Unit: yen)

Classification	Amount
Retained earnings at the end of period	2,236,262,102
Distributions	2,236,257,100
(Distributions per investment unit)	11,854
Earnings carried over to next period	5,002
Outstanding investment units at the end of period	188,650 units



# Financial Indicators

Financial indicators	Calculation method	Unit	10th period	11th period
EPS (Earnings per share)	Net income / total units outstanding	yen	12,677	11,853
EBIT (Earnings before interest and tax)	Earnings before taxes + (Interest expense + Interest expense on Investment Corporation Bonds)	MM yen	2,978	2,925
EBITDA (Earnings before interest, tax and depreciation and amortization)	Earnings before taxes + (Interest expense + Interest expense on Investment Corporation Bonds) + Depreciation and amortization	MM yen	4,059	4,081
NOI (Net operating income)	Rental revenue - rental expenses + Depreciation and amortization	MM yen	4,559	4,595
NCF (Net cash flow)	NOI - Capital expenditures	MM yen	4,212	4,238
FFO (Funds from operation)	Net income + Depreciation and amortization - Net profit of disposal	MM yen	3,092	3,392
FFO per unit	(Net income + Depreciation and amortization - Net profit of disposal) / Total units outstanding	yen	16,391	17,982
DSCR (Debt service coverage ratio) (1)	Cash flow before interest and taxes / (Interest expense + Interest expense on Investment Corporation Bonds) * Cash flow before interest and taxes = Net income before interest and taxes + Depreciation and amortization	multiple	6.1	5.9
DSCR (Debt service coverage ratio) (2)	Net income before interest and taxes / (interest expense + Interest expense on Investment Corporation Bonds)	multiple	4.5	4.3
ROA	Income before income taxes / [(Period beginning total assets + period end total assets) / 2] x 100	%	1.2	1.0
(Reference) Annualized with following formula	Above x 365 days / Number of operating days	%	2.3	2.0
ROE	Net income / [(Period beginning net assets + period end net assets) / 2] x 100	%	2.4	2.1
(Reference) Annualized with following formula	Above x 365 days / Number of operating days	%	4.8	4.3
Equity to Total Assets	(Period end net assets / Period end total assets) x 100	%	49.9	45.9
LTV (loan-to-value)	(Period end interest-bearing debt / Period end total assets) x 100	%	45.7	49.6
BPS (Book value per unit)	Period end net assets / Number of outstanding investment units	yen	553,227	553,081
Distribution payout ratio	Total cash distribution amount / net income x 100	%	97.8	100.0

Note: Figures less than the unit are rounded down. Distribution payout ratio is rounded down to the nearest decimal place. Other ratios are rounded to the nearest decimal place.

# Unitholders

Owner classification	Investment units					Unitholders				
	10th period (Jun. 2011)		11th period (Dec. 2011)		Composition change (%)	10th period (Jun. 2011)		11th period (Dec. 2011)		Composition change (%)
	Number of units	Composition (%)	Number of units	Composition (%)		Number of unitholders	Composition (%)	Number of unitholders	Composition (%)	
Financial institutions and securities companies	119,309	63.2	115,889	61.4	-1.8	119	1.6	110	1.4	-0.2
Other domestic companies	25,598	13.6	24,890	13.2	-0.4	177	2.4	185	2.3	0.0
Foreign companies, etc.	22,292	11.8	20,772	11.0	-0.8	108	1.5	100	1.3	-0.2
Individuals	21,451	11.4	27,099	14.4	3.0	7,007	94.5	7,480	95.0	0.4
<b>Total</b>	<b>188,650</b>	<b>100.0</b>	<b>188,650</b>	<b>100.0</b>	<b>-</b>	<b>7,411</b>	<b>100.0</b>	<b>7,875</b>	<b>100.0</b>	<b>-</b>

**Ratio of investment units held by the 3 sponsor companies: 10.9 %**

Rank	Name	(Units)	Composition ratio (%)
1	Japan Trustee Services Bank, Ltd. (Trust account)	37,572	19.9
2	The Nomura Trust and Banking Co., Ltd. (Investment trust account)	14,337	7.6
3	Kowa Real Estate Co., Ltd.	14,312	7.6
4	Trust & Custody Services Bank, Ltd. (Securities investment trust account)	12,565	6.7
5	The Master Trust Bank of Japan, Ltd. (Trust account)	7,905	4.2
6	North Pacific Bank, LTD.	4,590	2.4
7	The Dai-ichi Life Insurance Company, Limited	4,132	2.2
8	NOMURA BANK (LUXENBOURG) S.A.	3,776	2.0
9	The Chugoku Bank, LTD.	3,511	1.9
10	Trust & Custody Services Bank, Ltd. (Cash in trust taxable account)	2,277	1.2
<b>Total</b>		<b>104,977</b>	<b>55.6</b>

: Sponsor companies of the asset management company

Note: Ratios are rounded to the nearest decimal place.

# Portfolio Overview

Property number	Type	Name	Location	Total Floor Area (m <sup>2</sup> )	Completion Date *1	Acquisition Price *2 (MM Yen)	Investment Ratio (%)	PML *4 (%)
I-1	Office	Omori Bellport D	Minami-Oi, Shinagawa Ward, Tokyo	155,778.75	September, 1996	22,553	10.6	8.0
I-2	Office	Shiba 2-Chome Building	Shiba, Minato Ward, Tokyo	19,518.15	March, 1994	9,450	4.4	8.2
I-3	Office	JEI Hamamatsucho Building	Hamamatsucho, Minato Ward, Tokyo	8,327.53	December, 1991	8,350	3.9	8.2
I-4	Office	No. 32 Kowa Building	Minami-Azabu, Minato Ward, Tokyo	10,110.96	March, 1979	7,430	3.5	13.2
I-7	Office	Akasaka Garden City	Akasaka, Minato Ward, Tokyo	46,776.76	January, 2006	23,300	11.0	8.6
I-8	Office	AKASAKA INTERCITY	Akasaka, Minato Ward, Tokyo	73,061.33	January, 2005	17,857	8.4	9.2
I-9	Office	Kowa Shirokanedai Building	Shirokanedai, Minato Ward, Tokyo	7,374.74	March, 1978	4,705	2.2	14.6
I-10	Office	Daiba Garden City Building	Daiba, Minato Ward, Tokyo	33,283.49	December, 2007	11,000	5.2	7.8
I-11	Office	No. 35 Kowa Building	Akasaka, Minato Ward, Tokyo	13,328.53	January, 1980	8,280	3.9	12.9
I-12	Other	HAMARIKYU INTERCITY	Kaigan, Minato Ward, Tokyo	35,555.87	March, 2011	7,080	3.3	8.3
Subtotal				403,116.11	-	120,005	56.5	-
II-1	Office	NHK Nagoya Housou-Center Building	Higashi Ward, Nagoya City, Aichi	80,809.95	July, 1991	4,300	2.0	11.9
II-2	Office	JEI Nishi-Honmachi Building	Nishi Ward, Osaka City, Osaka	15,800.31	February, 1988	6,674	3.1	11.5
Subtotal				96,610.26	-	10,974	5.2	-
III-1	Office	Musashikosugi Tower Place	Nakahara Ward, Kawasaki City, Kanagawa	53,711.13	July, 1995	13,890	6.5	11.5
III-2	Office	Kowa Kawasaki Higashiguchi Building	Kawasaki Ward, Kawasaki City, Kanagawa	31,009.62	April, 1988	10,976	5.2	6.7
III-3	Office	JEI Hongo Building	Hongo, Bunkyo Ward, Tokyo	5,877.11	February, 1991	5,400	2.5	14.2
III-5	Office	Kawasaki Nisshincho Building	Kawasaki Ward, Kawasaki City, Kanagawa	22,141.60	April, 1992	4,205	2.0	14.7
III-6	Office	No. 44 Kowa Building	Higashiyama, Meguro Ward, Tokyo	3,359.55	July, 1984	1,150	0.5	13.4
III-7	Office	JEI Ryogoku Building	Ryogoku, Sumida Ward, Tokyo	5,820.56	August, 1996	2,550	1.2	14.3
III-8	Office	Ebina Prime Tower	Chuo, Ebina City, Kanagawa	55,806.20	May, 1995	6,470	3.0	12.2
III-9	Office	Kowa Kawasaki Nishiguchi Building	Saiwai Ward, Kawasaki City, Kanagawa	61,856.92	February, 1988	32,000	15.1	7.9
III-10	Office	Pacific Square Sengoku	Honkomagome, Bunkyo Ward, Tokyo	4,017.44	Novemver, 1992	1,620	0.8	13.3
Subtotal				243,600.13	-	78,261	36.8	-
-2	Office	MID Kyobashi Building	Miyakojima Ward, Osaka City, Osaka	10,021.32	April, 1987	3,308	1.6	8.9
Subtotal				10,021.32	-	3,308	1.6	-
<b>Total</b>				<b>753,347.82</b>	<b>-</b>	<b>212,547</b>	<b>100.0</b>	<b>6.2</b>

- Notes: 1. "Completion Date" is as of the time of initial construction described in the register.  
2. "Acquisition Price" is the price recorded in sales agreements (excluding consumption tax). Amounts of less than one million yen are rounded.  
3. "Investment Ratio" shows a ratio of the acquisition price for each property, and is rounded to the nearest decimal place.  
4. "PML" total covers the entire portfolio.  
5. This table contains information on portfolio after the completion of transfer of No. 28 Kowa Building dated February 29, 2012.

# Portfolio Overview

Area I				
				
I-7 Akasaka Garden City	I-1 Omori Bellport D	I-8 AKASAKA INTERCITY	I-10 Daiba Garden City Building	I-2 Shiba 2-Chome Building
				
I-3 JEI Hamamatsucho Building	I-11 No. 35 Kowa Building	I-4 No. 32 Kowa Building	I-12 HAMARIKYU INTERCITY	I-9 Kowa Shirokanedai Building

Notes: Listed in order of area and acquisition price.

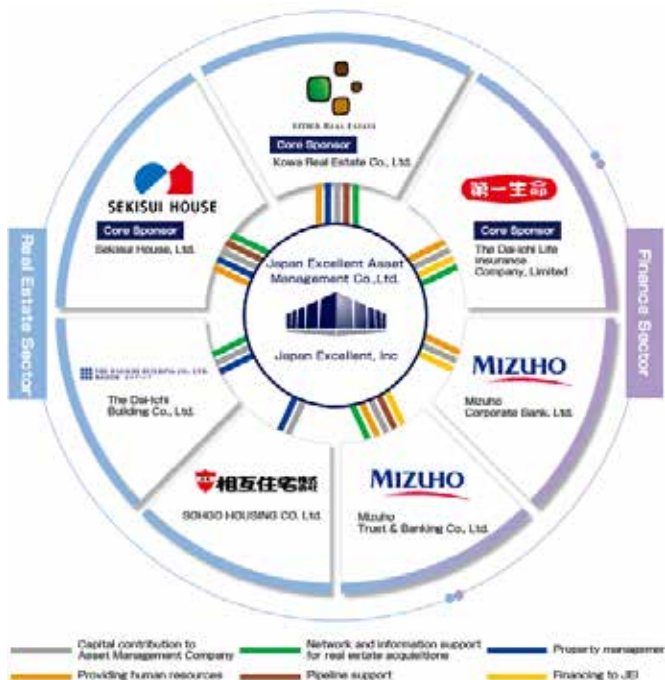
# Portfolio Overview

Area II		Area III									
											
II-2	JEI Nishi-Honmachi Building	II-1	NHK Nagoya Housou-center Building	III-9	Kowa Kawasaki Nishiguchi Building	III-1	Musashikosugi Tower Place	III-2	Kowa Kawasaki Higashiguchi Building	III-8	Ebina Prime Tower
Area III										Area IV	
											
III-3	JEI Hongo Building	III-5	Kawasaki Nisshincho Building	III-7	JEI Ryogoku Building	III-10	Pacific Square Sengoku	III-6	No. 44 Kowa Building	IV-2	MID Kyobashi Building

Note: Listed in order of area and acquisition price.

# What Makes Japan Excellent Inc. Unique

☞ Access to the comprehensive capabilities of sponsor companies having strengths in both real estate and finance.



## Kowa Real Estate Co., Ltd.

A real estate company with a close relationship with Mizuho Corporate Bank that develops and manages office buildings and luxury residences in central Tokyo.



## The Dai-ichi Life Insurance Company, Limited

One of Japan's top class life insurance companies. As of March 31, 2011, manages 287 office buildings and other investment properties nationwide.



## Sekisui House, Ltd.

One of Japan's top class homebuilders. Boasts a track record in large-scale urban development projects, too. Developed Akasaka Garden City and Honmachi Garden City.



☞ JEI invests mainly in office buildings in metropolitan areas and operates its portfolio balancing revenue stability and expansion.

Usage (Note 1)	Investment ratio in portfolio (Note 2)
Office buildings	More than 90%
Other (Commercial facilities, residential, etc.)	Less than 10%

Target investment areas		Investment ratio in portfolio (Note 2)
Core areas		80% or more
Area I	6 central wards of Tokyo (Chiyoda, Chuo, Minato, Shinjuku, Shinagawa and Shibuya)	50% or more of the core areas
Area II	Central Osaka (Umeda, Dojima, Nakanoshima, Yodoyabashi, Honmachi, etc.) Central Nagoya (Meieki, Fushimi, Sakae, etc.) Central Fukuoka (Tenjin, Hakata-ekimae, etc.)	50% or less of the core areas
Area III	Tokyo other than Area I, and its vicinity (Kanagawa, Saitama and Chiba)	50% or less of the core areas
Area IV	Areas in Osaka, Nagoya and Fukuoka other than Area II and other government designated cities	20% or less

- Note: 1. Usage is determined based on the majority share of space for rental for each asset related to real estate. The total acquisition cost of the concerned asset related to real estate is incorporated in the acquisition price by said usage.
2. This refers to the total acquisition cost of the asset related to real estate for each usage against the total acquisition cost for the portfolio overall.

# Unit Price Performance and Overview of Japan Excellent Asset Management Co., Ltd.

## Unit price and Tokyo Stock Exchange REIT index

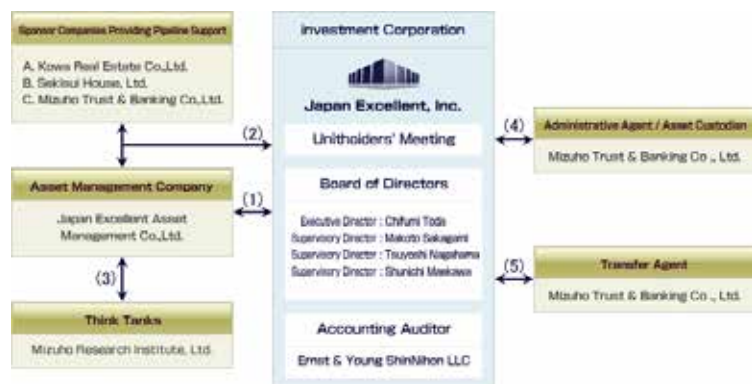


## Overview of Japan Excellent Asset Management

Company Outline	
Corporate Name	Japan Excellent Asset Management Co., Ltd.
Headquarter	1-9-20 Akasaka, Minato-ku, Tokyo
Established	April 14, 2005
Capital	450 million yen
Shareholders	Kowa Real Estate Co., Ltd. 45.0%
	The Dai-ichi Life Insurance Company, Limited 20.0%
	Sekisui House, Ltd. 15.0%
	The Dai-ichi Building Co., Ltd. 5.0%
	Sohgo Housing Co., Ltd. 5.0%
	Mizuho Corporate Bank, Ltd. 5.0%
	Mizuho Trust & Banking Co., Ltd. 5.0%
Business Operations	Financial Instrument Dealer

Note: Percentages in the above table are percentages of total outstanding shares.

## Organization



- (1) Asset management agreement
- (2) A. Pipeline support agreement with Kowa Real Estate  
B. Pipeline support agreement with Sekisui House  
C. Pipeline support agreement with Mizuho Trust & Banking
- (3) Agreement with Mizuho Research Institute for provision of market and other information
- (4) Agreement to entrust administrative duties and asset custody
- (5) Agreement to entrust administrative of unitholders' register

## Outline and Organization of JEAM

