



Japan Excellent, Inc.

Japan Excellent, Inc.

SEMI-ANNUAL REPORT

For the 6th Period
from January 1, 2009 to June 30, 2009

Putting Our Advantages to Work

Putting Our Advantages

Japan Excellent, Inc. (JEI) listed its units in the real estate investment trust market of the Tokyo Stock Exchange on June 27, 2006, and initiated operations on the same date. Since then, JEI has used the support of its group of sponsors, which are leading companies in real estate and finance, to invest mainly in office buildings in major urban areas, primarily Tokyo. Over the medium-to-long term, JEI will manage its portfolio with the fundamental policies of achieving steady asset expansion and stable revenue growth.

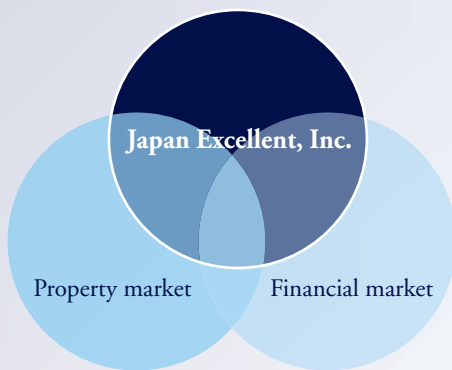
to Work

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Basic Strategies

Deploy the Comprehensive Strengths of Our Corporate Sponsors



JEI's sponsors are strong in both real estate and finance. Kowa Real Estate Co., Ltd., The Dai-ichi Mutual Life Insurance Company and Sekisui House, Ltd. have developed numerous office buildings and are experienced in the leasing and management of properties. These companies supply properties, human resources and expertise to JEI. Our sponsors from the financial industry include Mizuho Corporate Bank, Ltd. and Mizuho Trust and Banking Co., Ltd. They are part of the Mizuho Financial Group, which is one of Japan's three mega banking groups. We use the comprehensive strengths of our sponsors to steadily manage operations.

Stable Operations Centered on Metropolitan Tokyo Office Buildings



JEI invests primarily in office buildings. All properties in our portfolio at this time are office buildings. We primarily invest in Tokyo, where property leasing demand is strong. Currently, on an acquisition price basis 94 percent of our portfolio is in metropolitan Tokyo.

Portfolio

18 properties

Sixteen of the eighteen properties in JEI's portfolio are in metropolitan Tokyo.

Total leasable floor space

220,521.66m²

Generates stable revenues.

Acquisition price

181.0 billion yen

Steady portfolio expansion over the 3 years since JEI listed on the Tokyo Stock Exchange.

126 tenants

Tenant leasing risk is well dispersed.

Occupancy rate

98.5%

Stable at an extremely high level.

Profitability

Distribution per unit

15,802 yen

JEI has maintained stable distributions since listing its investment units.

NOI yield

5.4%

JEI is securing stable returns from its properties through efforts to generate internal growth despite the unstable real estate market.

Financial Stability

Ratings

A3, AA- (Moody's/R&I)

JEI maintains ratings from international rating agencies to provide high levels of transparency.

LTV ratio

48.9%

JEI's LTV compares favorably with its peers in the J-REIT market.

Financial Highlights

	6th Period January 1, 2009 to June 30, 2009	5th Period July 1, 2008 to December 31, 2008	4th Period January 1, 2008 to June 30, 2008	6th Period January 1, 2009 to June 30, 2009
	Millions of yen, except per unit data or where otherwise indicated			Thousands of U.S. dollars (Note 1)
Total revenues (Note 2).....	7,544	8,501	7,840	78,574
Operating income	3,278	4,000	3,432	34,145
Net income.....	2,442	3,155	2,661	25,434
Funds from operations (Note 3)	3,432	3,296	3,703	35,751
Net operating income (NOI) (Note 3).....	4,814	4,732	5,033	50,144
Total distribution	2,442	3,155	2,661	25,434
Total assets.....	195,145	195,929	206,079	2,032,344
Interest-bearing debt	95,500	95,500	105,500	994,584
Net assets	89,363	90,019	89,655	930,672
LTV (Loan to value) ratio (Note 3).....	48.9%	48.7%	51.2%	
Total number of outstanding investment units (units)	154,550	154,550	154,550	
Net assets per unit (Yen/\$).....	578,215	582,458	580,107	6,022
Distribution per unit (Yen/\$)	15,802	20,418	17,218	165
Funds from operations per unit (Yen/\$) (Note 3).....	22,211	21,331	23,963	231

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥96.02 = U.S.\$1.00, the approximate exchange rate on June 30, 2009.

2. Total revenues do not include consumption taxes.

3. Funds from operations: Net income (excluding Gain on sale of investment properties + Gain on exchange of investment properties) + Depreciation and amortization
Net operating income: (Rental business revenues - Property operating expenses) + Depreciation and amortization

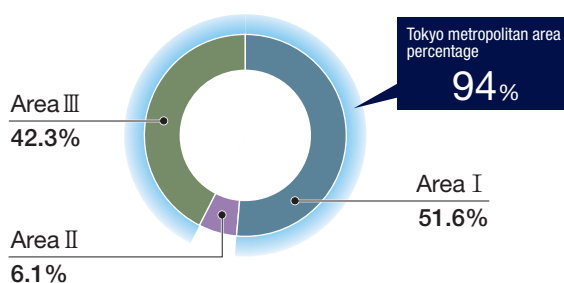
Loan to value ratio: Interest-bearing debt / Total assets

Funds from operations per unit: (Net income (excluding Gain on sale of investment properties + Gain on exchange of investment properties) + Depreciation and amortization) / Weighted average number of common units issued and outstanding during the period

Portfolio Highlights

As of June 30, 2009

Investment Areas (Acquisition price basis)



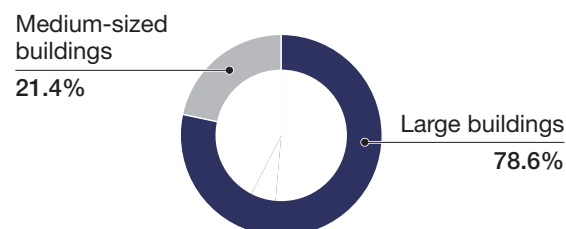
Note: Area I: Six central wards of Tokyo

Area II: Central Osaka, central Nagoya and central Fukuoka

Area III: Tokyo other than Area I, and its vicinity

For details see page 12.

By Property Size (Acquisition price basis)



Note:

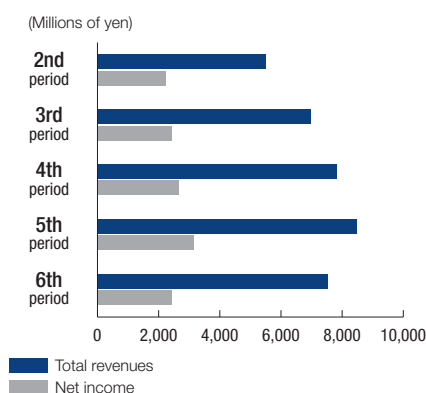
Large buildings: Floor areas of over 10,000 *tsubo** within Tokyo's 23 wards or over 4,000 *tsubo* outside Tokyo's 23 wards

Medium-sized buildings: Floor areas of 1,000 - 10,000 *tsubo* within Tokyo's 23 wards or 1,000 - 4,000 *tsubo* outside Tokyo's 23 wards

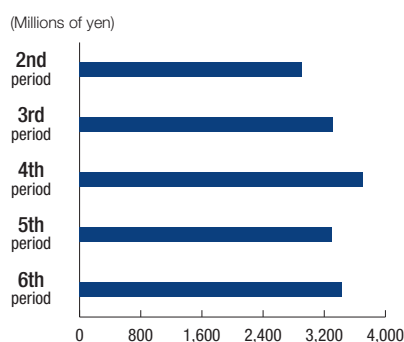
* 1 *tsubo* = 3.306m²

For details see page 12.

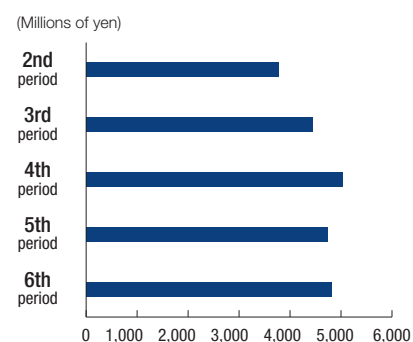
Total Revenues / Net Income



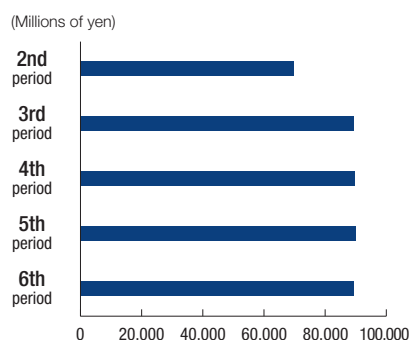
Funds from Operations



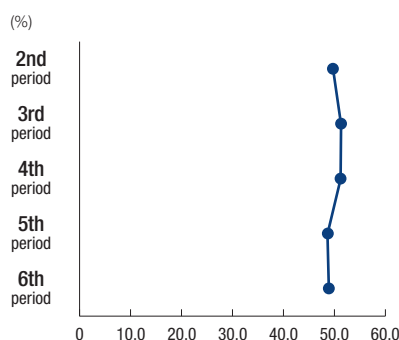
Net Operating Income (NOI)



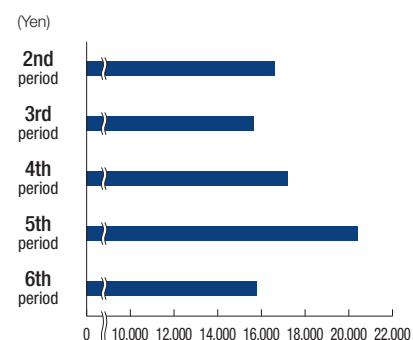
Net Assets



LTV (Loan to Value)



Distribution per Unit



Major Tenants

Name	Property	Leased Space (m ²)	Percentage of Total Leased Area
Toshiba Information Systems (Japan) Corporation	Kowa Kawasaki Higashiguchi Building	18,612.72	8.6
National Mutual Insurance Federation of Agricultural Cooperatives	Kowa Kawasaki Nishiguchi Building	18,206.18	8.4
Roche Diagnostics K.K.	Shiba 2-Chome Building	9,284.18	4.3
Fujitsu Social Science Laboratory Ltd.	Musashikosugi Tower Place	8,680.74	4.0
Fujitsu Network Solutions Ltd.	Kawasaki Nisshincho Building	7,259.45	3.3

Note: Major tenants are the portfolio's top five tenants in terms of total leased floor space. If a tenant leases space in multiple properties held by the investment corporation, floor space in such properties is included in the tenant's total leased floor space.

To Our Unitholders

In a challenging environment,
we achieved growth in real terms.



During the sixth period, the six months ended June 30, 2009, the office building leasing market remained particularly challenging as a result of deteriorating corporate performance following the global economic slowdown, with an increase in the vacancy rate and softening office rents throughout Japan.

In this environment, total revenues of Japan Excellent, Inc. (JEI) for the six months ended June 30, 2009 decreased 11.3 percent, or ¥957 million, compared with the previous period to ¥7,544 million. Operating income decreased 18.1 percent, or ¥722 million, to ¥3,278 million. Net income decreased 22.6 percent, or ¥713 million, to ¥2,442 million. Distribution per unit decreased ¥4,616 to ¥15,802. However, these decreases were the result of the sale of two properties during the previous period. Excluding this factor, JEI's portfolio of 18 properties as of June 30, 2009 generated real income growth of ¥94 million and a ¥614 increase in real distribution per unit.

In this challenging environment, we can take pride in our ability to achieve growth in real terms.

The current operating environment for J-REITs remains uncertain. We will continue to fully utilize the comprehensive leverage of our sponsors with strengths in both real estate and finance as we aim to achieve stable growth and maximum investor value from a medium-to-long-term perspective.

A handwritten signature in black ink that reads "C. Toda". The signature is written in a cursive, flowing style.

Executive Director, Japan Excellent, Inc.

Putting Our Advantages to Work

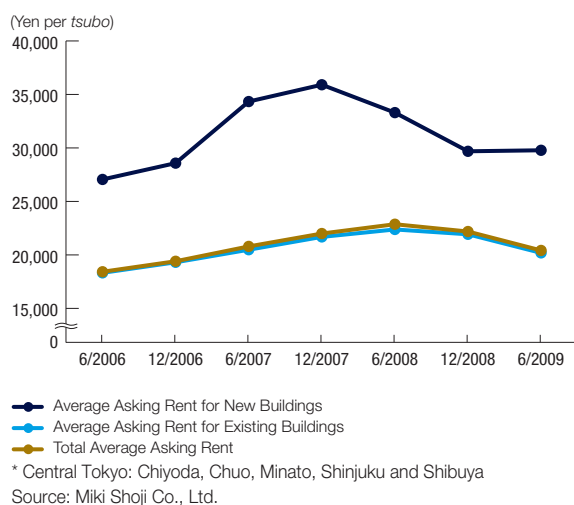
Stable Portfolio

JEI aims for steady cash flow by further enhancing property management efficiency based on stable rents that are unlikely to fall.

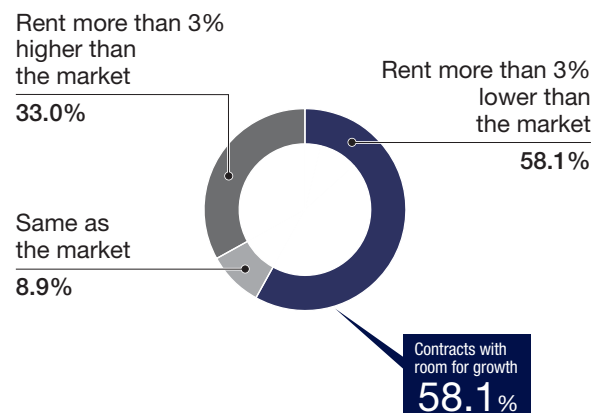
The global economic recession has resulted in a sharp decline in exports and a drop in corporate profits. In the office building leasing market, falling occupancy rates and rents have become evident throughout Japan as demand for office space continues to recede due to corporate cost-cutting and increasing pessimism about the economy and the real estate market.

In JEI's main investment area of Tokyo and its vicinity, rents for newly constructed buildings and high-end properties in central Tokyo generally dropped, also affecting low-to-mid-end properties in greater Tokyo to some degree. In addition, the occupancy rate was

Average Asking Rents in Central Tokyo*



Opportunity for Rent Increases (As of June 30, 2009)



directly impacted by the economic slowdown, deteriorating to the same level as in 2003 when it fell significantly due to an oversupply of office space.

In this environment, JEI achieved a 3.5 percent increase in average rent and a ¥61 million increase in rental income during its sixth period based on its portfolio of 18 properties as of June 30, 2009. We improved the occupancy rate by 3.3 percentage points compared with the end of the previous term to 98.5 percent, an extremely high level.

In implementing rent increases, our basic policy is to build good, long-term relationships with tenants, and we have entered into leases with reasonable rent levels when market rents were rising. As a result, during the recent downward phase in office building rents, we have still had leeway to adjust rents upward, and have secured agreements on rent increases by utilizing these good tenant relationships.

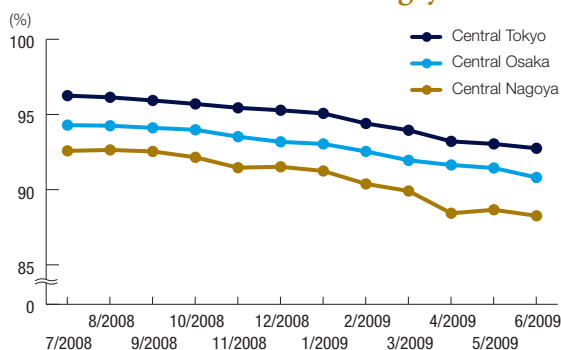
In addition, we maintained the tenant departure rate at an extremely low level of less than 1.7 percent by focusing on enhancing property management

quality and leasing properties with vacant space. We successfully raised the occupancy rate of the JEI Nishi-Honmachi Building, which had dropped due to renovation, to 96.1 percent.

Moreover, we are aggressively enhancing property management functions and services to raise tenant satisfaction while working to reduce building operating expenses. In particular, we maintained management quality and reduced property management costs for the JEI Nishi-Honmachi Building from April 2009 by introducing a group management system. At the NHK Nagoya Housou-Center Building, we contracted with a new property management company in July, further improving the property management level and reducing property management costs.

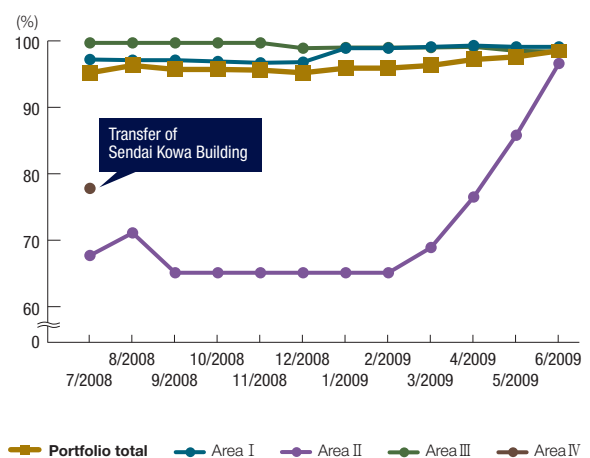
While the office building leasing market remains challenging, we will aim for steady cash flow by further enhancing maintenance efficiency based on our current rent levels, which are unlikely to fall.

Occupancy Rate in Central Tokyo, Central Osaka and Central Nagoya



Central Tokyo: Chiyoda, Chuo, Minato, Shinjuku and Shibuya
 Central Osaka: Umeda, Minami-Morimachi, Yodoyabashi / Honcho, Senba, Shinsaibashi / Namba, and Shin-Osaka
 Central Nagoya: Meieki, Fushimi, Sakae and Marunouchi
 Source: Miki Shoji Co., Ltd.

Occupancy Rate for JEI Properties



Note: For details see page 12.

External Growth Based on Accurate Market Evaluation

JEI's medium-term objective is a portfolio on the order of ¥300 billion through continued prudent investments and use of its powerful network.

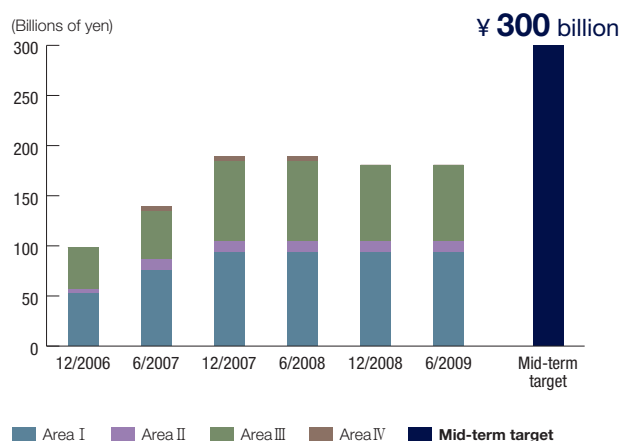
In the real estate investment market for office buildings, transactions are declining, the cap rate is rising and sales prices remain low due to conservative investment and lending by Japanese and overseas investors and banks since the aftereffects of the bankruptcy of Lehman Brothers in fall 2008.

Under these conditions, we will actively pursue investment opportunities at new properties centered on Tokyo and its vicinity by closely monitoring financial and capital trends while carrying out detailed consideration that emphasizes property competitiveness and profitability.

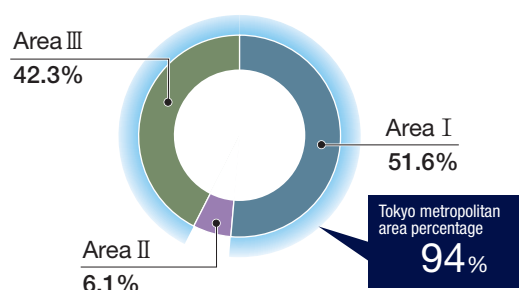
In finding opportunities to acquire properties, we will continue to fully utilize the comprehensive leverage of our sponsors with their experience in real estate and finance, and our information network.

In this way, we will work to soundly and steadily expand the scale of our portfolio toward our medium-term target of ¥300 billion on an acquisition price basis.

Asset Growth (Acquisition Price Basis)



Investment Areas (Acquisition Price Basis) (As of June 30, 2009)



Average age of buildings: **15.2 years**
Occupancy rate: **98.5%**

Note: For details see page 12.

Sound Financial Strategies

In this challenging environment for financing, JEI will smoothly refinance its debt based on its sound financial position, which it will focus on further reinforcing.

The changes in global financial conditions that occurred in 2008 continue to challenge investment in the real estate sector by financial institutions. The credit crunch has begun to ease for a number of reasons, including a public-private fund created in September 2009 as a safety net that will allow J-REITs to refinance. However, J-REITs continue to face a challenging environment for financing.

Under these conditions, a total of ¥25 billion in debt came due in the sixth period, but we smoothly implemented refinancing by maintaining good

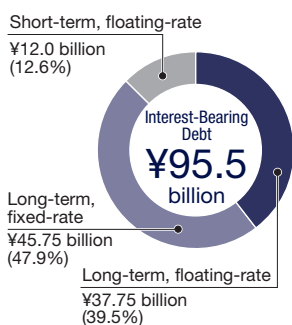
relationships with financial institutions based on our sound financial operation.

As a result, we maintained solid finances. The loan-to-value (LTV) ratio as of June 30, 2009 was 48.9 percent, and the ratio of long-term debt (including long-term debt due within one year) to total interest-bearing debt was 87.4 percent. The ratio of long-term, fixed-rate debt to total interest-bearing debt (minus long-term debt due within one year) was 42.8 percent, and the weighted-average interest rate was 1.46 percent.

JEI will continue to strengthen ties with financial institutions including its sponsor companies Mizuho Corporate Bank, Ltd. and The Dai-ichi Mutual Life Insurance Company. We will work to increase the ratio of long-term debt and diversify maturities as we focus on building a stable financial foundation.

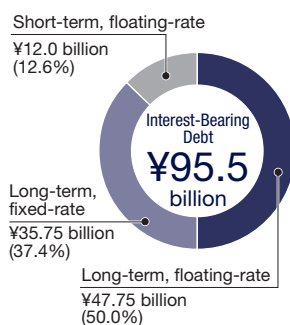
Balance of Interest-Bearing Debt

As of December 31, 2008



Ratio of long-term debt: **87.4%**
 Ratio of long-term, fixed-rate debt: **54.8%**
 LTV ratio: **48.7%**

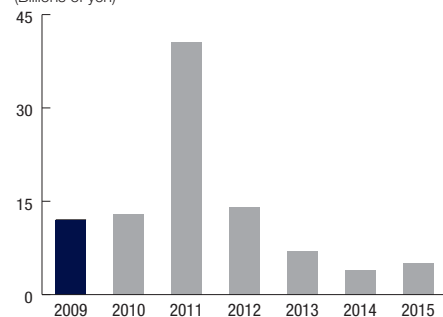
As of June 30, 2009



Ratio of long-term debt: **87.4%**
 Ratio of long-term, fixed-rate debt: **42.8%**
 LTV ratio: **48.9%**

Balance by Repayment Date and Average Interest Rate

(Billions of yen)



■ Long-term debt
 ■ Short-term debt

Average remaining debt term: **2.35 years**
 Average interest rate: **1.46%**
 (Included in the above, long-term: 1.52%)

Investment Strategy

JEI has built a portfolio centered on office buildings in major metropolitan areas that balances stable profitability and revenue growth.

JEI invests primarily in office buildings, and has set other usage at less than 10 percent of its portfolio. As of June 30, 2009, office buildings accounted for 100 percent of JEI's portfolio. JEI invests in urban properties, primarily in the central business districts of Tokyo, and is moving to further enhance the stability and profitability of its portfolio with a focus on strong tenant relationships, property scale and quality, and a balanced tenant mix.

Portfolio Composition Target by Usage

Usage*	Investment Ratio in Portfolio
Office buildings	90% or more
Others (commercial facilities, housing, etc.)	10% or less

* Usage of a building is defined as the usage to which more than 50% of the total floor space available for rental revenue of the asset is designated.

Portfolio Composition Target by Area

Target Investment Areas		Investment Ratio in Portfolio
Core areas (80% or more)		
Area I	Six 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 districts, etc.) Central Nagoya (Meieki, Fushimi, Sakae districts, etc.) Central Fukuoka (Tenjin, Hakata-Terminal peripheral districts, etc.)	50% or less of the core areas
Area III	Tokyo other than Area I, and its vicinity (Kanagawa, Saitama and Chiba prefectures)	50% or less of the core areas
Non-core areas		
Area IV	Osaka, Nagoya and Fukuoka other than Area II, and other government-ordinance designated cities, etc.	20% or less

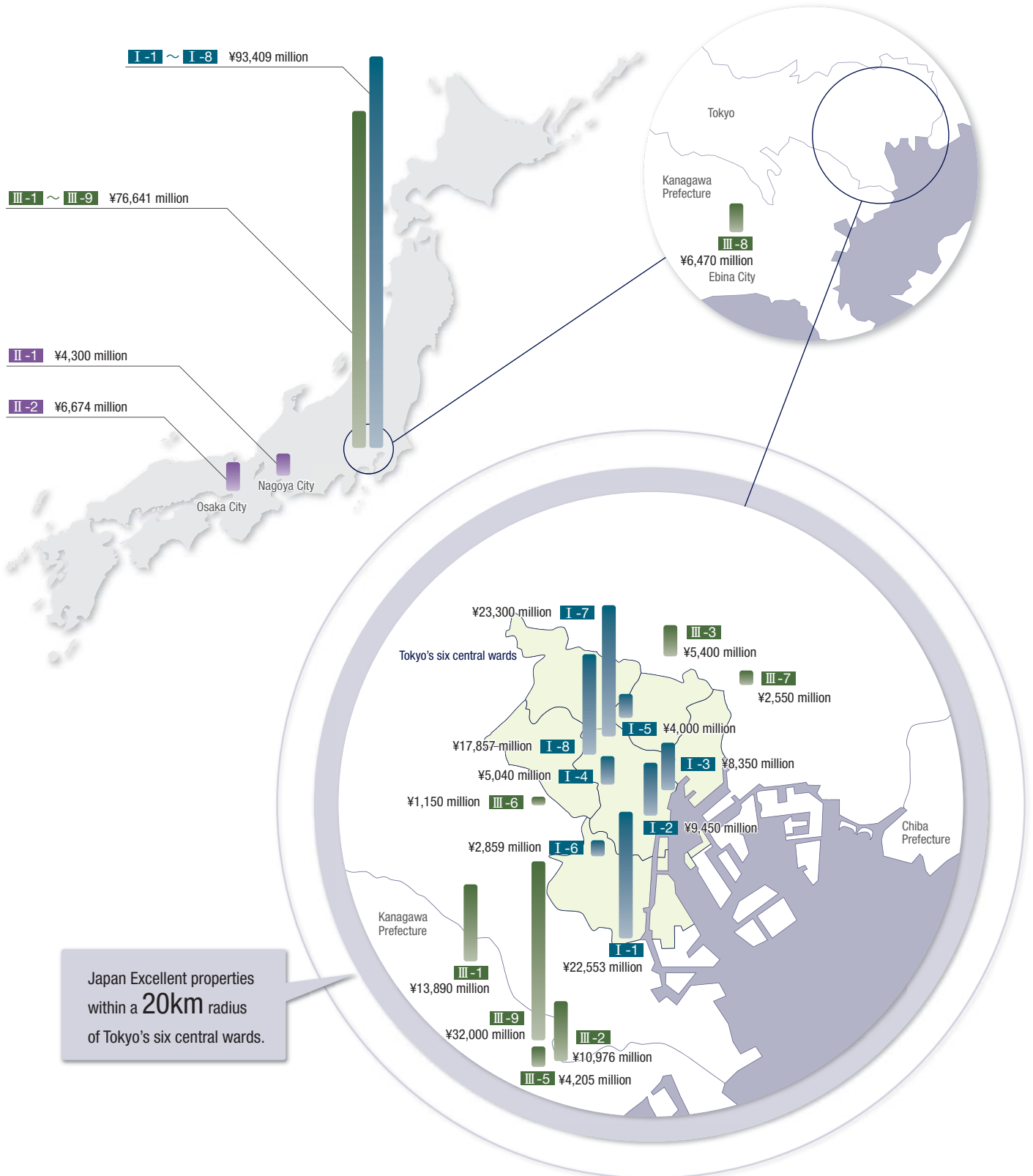
Portfolio with a Focus on Regional, Property Scale, and Tenant Mix Balance

Regional Balance	Property Scale Balance	Tenant Mix Balance
JEI recognizes that Area I is the top priority for its investment activities, but will also proactively invest in properties situated in Areas II and III. Through these initiatives, JEI expects to minimize the impact of any market fluctuations caused by changes in economic conditions and the concentration of large-scale development projects in major urban areas.	JEI pursues optimal portfolio development by effectively balancing its investment in large buildings*, which are believed to offer advantages and competitiveness in the real-estate market, and medium-sized buildings*, which are regarded as assets with high liquidity and stable rent levels.	JEI aims to minimize various risks related to tenants, such as tenants vacating the properties. To this end, JEI is endeavoring to optimize tenant mix and diversify risks by avoiding the over-concentration of the same kind of tenants or tenants from the same industries in its portfolio.

* JEI defines buildings located in the 23 wards of Tokyo with total floor space of approximately 33,058m² (10,000 *tsubo*) or larger as large buildings, and those with total floor space of 3,306m² (1,000 *tsubo*) or larger but smaller than 33,058m² as medium-sized buildings. For properties in all other areas, JEI defines buildings with total floor space of approximately 13,223m² (4,000 *tsubo*) or larger as large buildings, and those with total floor space of 3,306m² or larger but smaller than 13,223m² as medium-sized buildings.

Portfolio Map

(Length of bars indicates portfolio on an acquisition price basis. /
Figures have been rounded to the nearest million yen.)



Japan Excellent properties within a **20km** radius of Tokyo's six central wards.

	Area I	Area II	Area III
Total acquisition price (Millions of yen)	93,409	10,974	76,641
No. of properties	8	2	8

Portfolio

Property Number	Name	Investment Type	Year Built	Acquisition Price ¹ (Millions of yen)	Book Value (Millions of yen)	Appraisal Value (Millions of yen)
I-7	Akasaka Garden City	Trust	2006	23,300	23,156	22,400
I-1	Omori Bellport D	Trust	1996	22,553	22,422	25,560
I-8	AKASAKA INTERCITY	Trust	2005	17,857	17,738	14,400
I-2	Shiba 2-Chome Building	Trust	1994	9,450	9,340	11,600
I-3	JEI Hamamatsucho Building	Trust	1991	8,350	8,307	9,570
I-4	No. 32 Kowa Building	Trust	1979	5,040	5,014	5,592
I-5	No. 36 Kowa Building	Trust	1982	4,000	4,033	4,228
I-6	No. 28 Kowa Building	Trust	1975	2,859	2,848	3,590
Subtotal				93,409	92,859	96,940
II-2	JEI Nishi-Honmachi Building	Trust	1988	6,674	7,665	4,930
II-1	NHK Nagoya Housou-Center Building	Ownership	1991	4,300	4,217	5,210
Subtotal				10,974	11,882	10,140
III-9	Kowa Kawasaki Nishiguchi Building	Trust	1988	32,000	31,651	29,700
III-1	Musashikosugi Tower Place	Trust	1995	13,890	13,519	15,900
III-2	Kowa Kawasaki Higashiguchi Building	Trust	1988	10,976	10,616	10,800
III-8	Ebina Prime Tower	Trust	1995	6,470	6,515	5,480
III-3	JEI Hongo Building	Trust	1991	5,400	5,301	5,170
III-5	Kawasaki Nisshincho Building	Trust	1992	4,205	4,167	5,510
III-7	JEI Ryogoku Building	Trust	1996	2,550	2,473	2,224
III-6	No. 44 Kowa Building	Trust	1984	1,150	1,028	1,600
Subtotal				76,641	75,274	76,384
Total				181,023	180,016	183,464

- Notes: 1. Figures for "Acquisition Price" are sales prices recorded in sales agreements (excluding taxes). Amounts of less than one million yen are rounded.
2. Figures for "Total Floor Space" are for each entire building, including buildings in which JEI has acquired compartmentalized ownership or co-ownership.
3. Figures for "Investment Ratio" show the ratio of the acquisition price for each acquired property in proportion to the total acquisition price for all acquired properties in the portfolio. Figures are rounded to the first decimal place.

Total Floor Space ^a (m ²)	Total Leasable Floor Space (m ²)	Total Leased Space at End of Period (m ²)	Occupancy Rate at End of Period (%)	Revenue (Millions of yen)	NOI (Millions of yen)	Investment Ratio ^a (%)	PML
46,776.76	8,769.53	8,769.53	100.0	591	436	12.9	8.6
155,778.75	25,828.29	25,828.29	100.0	1,090	705	12.5	8.0
73,061.33	5,622.98	5,622.98	100.0	365	265	9.9	9.2
19,518.15	11,749.30	11,559.68	98.4	370	279	5.2	8.2
8,327.53	6,411.26	6,411.26	100.0	315	234	4.6	8.2
10,110.96	5,299.67	4,845.72	91.4	242	181	2.8	13.2
8,266.55	5,720.34	5,720.34	100.0	—	127	2.2	13.2
6,282.23	4,472.71	4,472.71	100.0	169	117	1.6	13.5
328,122.26	73,874.08	73,230.51	99.1	—	2,348	51.6	—
15,800.31	10,601.70	10,187.80	96.1	166	59	3.7	11.5
80,809.95	8,964.88	8,719.56	97.3	326	173	2.4	11.9
96,610.26	19,566.58	18,907.36	96.6	—	232	6.1	—
61,856.92	38,332.15	37,430.61	97.6	1,140	651	17.7	7.9
53,711.13	25,275.07	25,275.07	100.0	809	521	7.7	11.5
31,009.62	18,612.72	18,612.72	100.0	—	359	6.1	6.7
55,806.20	25,362.37	24,403.50	96.2	548	250	3.6	12.2
5,877.11	4,078.37	4,078.37	100.0	176	134	3.0	14.2
22,141.60	8,980.70	8,980.70	100.0	233	179	2.3	14.7
5,820.56	3,871.64	3,721.68	96.1	116	76	1.4	14.3
3,359.55	2,567.98	2,567.98	100.0	95	60	0.6	13.4
239,582.69	127,081.00	125,070.63	98.4	—	2,234	42.3	—
664,315.21	220,521.66	217,208.50	98.5	7,544	4,814	100.0	6.6

Main Properties



I -1

Omori Bellport D



I -2

Shiba 2-Chome Building



I -3

JEI Hamamatsucho Building



I -4

No. 32 Kowa Building

I-7

I -7

Akasaka Garden City



I -8

AKASAKA INTERCITY



I -5

No. 36 Kowa Building



I -6

No. 28 Kowa Building



II -1

NHK Nagoya
Housou-Center Building



II -2

JEI Nishi-Honmachi
Building



III -5

Kawasaki
Nisshincho Building



III -6

No. 44 Kowa
Building



III -7

JEI Ryogoku
Building



III - 1

Musashikosugi
Tower Place



III - 2

Kowa Kawasaki
Higashiguchi
Building



III - 3

JEI Hongo
Building



III - 8

Ebina Prime Tower



III - 9

Kowa Kawasaki
Nishiguchi Building

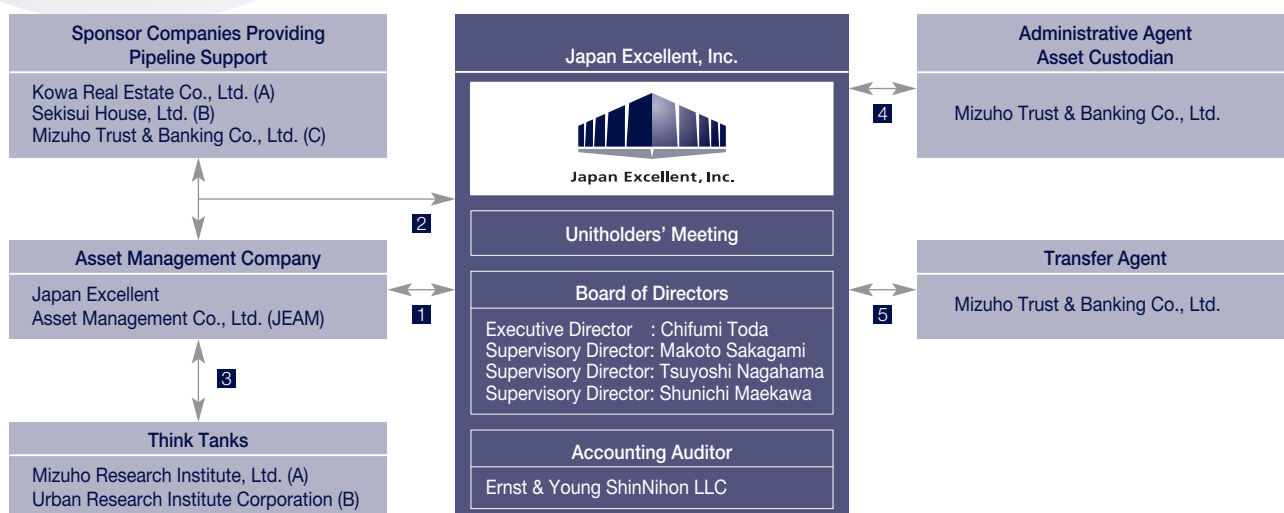
Management

Overview of Investment Corporation

Japan Excellent, Inc. (JEI) was established with the aim of managing investment in the form of specified assets under the Trust Law. The asset management company Japan Excellent Asset Management (JEAM) performs all the asset management.

JEAM is characterized by asset management that aims at securing steady earnings and stable growth of assets under management from a medium-to-long-term perspective. It accomplishes this by targeting investment properties in major metropolitan areas centering on the six central wards of Tokyo, investing 90 percent or more of the total portfolio in office buildings or real estate constructed on such sites, and investing in marketable securities, beneficiary trust rights and other assets that back the real estate.

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 (A) Agreement with Mizuho Research Institute for provision of market and other relevant information (B) Agreement with Urban Research Institute for provision of market and other relevant information
- 4 Agreement to entrust administrative duties and asset custody
- 5 Agreement to entrust administration of unitholders' register

Japan Excellent, Inc. Management Team

Chifumi Toda	Executive Director	February 1998 September 2000 July 2004 March 2009 November 2009	Manager, Namba branch, Industrial Bank of Japan, Limited General Manager, Mizuho Holdings, Inc. Executive Officer / General Manager, Building Business Sales Department, Kowa Real Estate Co., Ltd. President and Representative Director, Japan Excellent Asset Management Co., Ltd. (current) Executive Director, Japan Excellent, Inc. (current)
Makoto Sakagami	Supervisory Director	December 1990 July 2000 February 2006	Partner, Chuo Coopers & Lybrand Consulting Co., Ltd. (currently IBM Business Consulting Services K.K.) Established Makoto Sakagami Certified Public Accounting Office (current) Supervisory Director, Japan Excellent, Inc. (current)
Tsuyoshi Nagahama	Supervisory Director	April 1961 January 1972 February 2006	Entered the Ministry of Transport (currently Ministry of Land, Infrastructure, Transport and Tourism) Partner, Attorney at law, Anderson Mori and Rabinowitz (currently Anderson Mori & Tomotsune) Supervisory Director, Japan Excellent, Inc. (current)
Shunichi Maekawa	Supervisory Director	April 1978 April 1999 November 2007 April 2008	Entered Japan Real Estate Institute Professor, Faculty of Real Estate Sciences, Meikai University Supervisory Director, Japan Excellent, Inc. (current) Director, Land Information Center (current)

Overview of Asset Management Company

Company Outline

Corporate Name	Japan Excellent Asset Management Co., Ltd. (JEAM)	
Headquarters	1-9-20 Akasaka, Minato-ku, Tokyo	
Established	April 14, 2005	
Capital	¥450 million	
Shareholders	Kowa Real Estate Co., Ltd.	40.0%
	The Dai-ichi Mutual Life Insurance Company	20.0%
	Sekisui House, Ltd.	15.0%
	Morgan Stanley Capital K.K.	5.0%
	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%

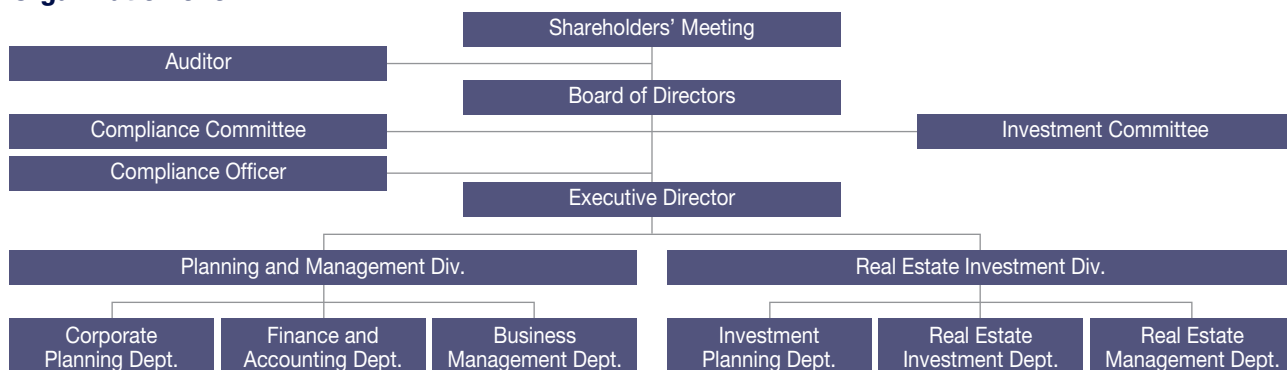
Officers	President	Chifumi Toda
	Director, Chief Operating Officer	Hiroshi Tabei
	Director, Chief Investment Officer	Naoki Fukuda
	Director (Non-executive)	Takashi Uchida
	Auditor (Non-executive)	Masatoshi Tamaru
	Compliance Officer	Michiro Ezaki
Business Operations	Financial Instrument Dealer	
	Investment Management Business: Director-General of Kanto Local Financial Bureau No. 331	
	Real Estate Agency License: Governor of Tokyo (1) No. 84511	
	Discretionary License: Minister of Land, Infrastructure, Transport and Tourism No. 44	

Note: The ratio stated in the table above represents the number of investment units held to the total number of outstanding investment units.

JEAM Management Team

Chifumi Toda	President	February 1998 September 2000 July 2004 March 2009 November 2009	Manager, Namba branch, Industrial Bank of Japan, Limited General Manager, Mizuho Holdings, Inc. Executive Officer / General Manager, Building Business Sales Department, Kowa Real Estate Co., Ltd. President and Representative Director, Japan Excellent Asset Management Co., Ltd. (current) Executive Director, Japan Excellent, Inc. (current)
Hiroshi Tabei	Director, Chief Operating Officer	October 2004 April 2008 April 2009	Advisor, ALC Advisory Division (Business Research Division), Mizuho Bank, Ltd. General Manager, Corporate Planning Division, Japan Excellent Asset Management Co., Ltd. (current) Director, Japan Excellent Asset Management Co., Ltd. (current)
Naoki Fukuda	Director, Chief Investment Officer	April 1998 April 2004 April 2006 April 2008	President, Dai-ichi Life Capital Properties, Inc. Deputy General Manager, Real Estate Planning Group, Real Estate Department, Dai-ichi Mutual Life Insurance Company President, Dai-ichi Life International (U.S.A.), Inc. Director, Chief Investment Officer, Japan Excellent Asset Management Co., Ltd. (current)
Takashi Uchida	Director (Non-executive)	August 2005 April 2006	Director, Japan Excellent Asset Management Co., Ltd. (current) Director and Managing Executive Officer, Sekisui House, Ltd. (current)
Masatoshi Tamaru	Auditor (Non-executive)	April 2004 April 2005 July 2007	Executive Officer, General Manager, Finance Control Department, Kowa Real Estate Co., Ltd. Supervisory Director, Japan Excellent Asset Management Co., Ltd. (current) Standing Auditor, Kowa Real Estate Co., Ltd. (current)
Michiro Ezaki	Compliance Officer	June 2001 April 2002 September 2005	Corporate Auditor, Auditing Department, Industrial Bank of Japan, Limited Chief Corporate Auditor, Internal Audit Division, Mizuho Corporate Bank, Ltd. Compliance Officer, Japan Excellent Asset Management Co., Ltd. (current)

Organization of JEAM



Performance Report

Summary of Selected Financial Data

	6th Period January 1, 2009 to June 30, 2009	5th Period July 1, 2008 to December 31, 2008	4th Period January 1, 2008 to June 30, 2008	6th Period January 1, 2009 to June 30, 2009
	Millions of yen, except per share data or where otherwise indicated			Thousands of U.S. dollars except per share data (Note 1)
Total revenues (Note 2).....	¥ 7,544	¥ 8,501	¥ 7,840	\$ 78,574
Rental business revenues	7,544	7,647	7,840	78,574
Operating expenses.....	4,266	4,500	4,408	44,429
Property operating expenses	3,720	3,910	3,849	38,746
Income before income taxes	2,443	3,156	2,662	25,445
Net income.....	2,442	3,155	2,661	25,434
Funds from operations (Note 3).....	3,432	3,296	3,703	35,751
Net operating income (NOI) (Note 3).....	4,814	4,732	5,033	50,144
Total distribution	2,442	3,155	2,661	25,434
Depreciation and amortization.....	990	995	1,042	10,316
Capital expenditures.....	267	799	530	2,780
Total assets.....	195,145	195,929	206,079	2,032,344
Interest-bearing debt	95,500	95,500	105,500	994,584
Net assets	89,363	90,019	89,655	930,672
Total number of outstanding investment units (units)	154,550	154,550	154,550	
Net assets per unit (Yen/\$)	578,215	582,458	580,107	6,022
Distribution per unit (Yen/\$)	15,802	20,418	17,218	165
Funds from operations per unit (Yen/\$) (Note 3).....	22,211	21,331	23,963	231
ROA (%) (Note 3)	1.2	1.6	1.3	
(Annualized rate) (%).....	(2.5)	(3.1)	(2.6)	
ROE (%) (Note 3)	2.7	3.5	3.0	
(Annualized rate) (%).....	(5.5)	(7.0)	(6.0)	
LTV (Loan to value) ratio (%) (Note 3).....	48.9	48.7	51.2	
Capital ratio (%).....	45.8	45.9	43.5	
Payout ratio (%) (Note 4)	99.9	100.0	100.0	
Number of days	181	184	182	
Number of investment properties (Note 5).....	18	18	20	
Number of tenants (Note 5)	126	127	131	
Total rentable area (m ²)	220,521	220,521	234,006	
Occupancy rate (Note 5).....	98.5	95.2	95.1	

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥96.02 = U.S. \$1.00, the approximate exchange rate on June 30, 2009.

2. Total revenues do not include consumption tax.

3. All valuations are calculated through the following formulas. The figures in parentheses are annualized based on the 6-month figures for the period.

ROA: $\text{Income before income taxes} / (\text{Initial total assets} + \text{Total assets at end of period}) \div 2$

ROE: $\text{Net income} / (\text{Initial net assets} + \text{Net assets at end of period}) \div 2$

Net operating income: $(\text{Rental business revenues} - \text{Property operating expenses}) + \text{Depreciation and amortization}$

Funds from operations: $\text{Net income (excluding Gain on sale of investment properties} + \text{Gain on exchange of investment properties)} + \text{Depreciation and amortization}$

Funds from operations per unit: $(\text{Net income (excluding Gain on sale of investment properties} + \text{Gain on exchange of investment properties)} + \text{Depreciation and amortization}) / \text{Weighted average number of common units issued and outstanding during the period}$

Loan to value ratio: $\text{Interest-bearing debt} / \text{Total assets}$

4. Payout ratio figures are calculated to one decimal place only.

5. Number of investment properties means units generally perceived to be one office building. Number of tenants means gross number of tenants by building.

Occupancy rate is the ratio of gross leased area to total rentable area at the end of the period.

Operating Environment and Results

During the sixth period, the global economic recession resulted in a sharp decline in exports and a drop in corporate profits. The Japanese economy remained severe with the rapid deterioration of business conditions in Japan, and a persistent downturn in employment and decreasing capital investment due to reduced corporate profits.

In the real estate investment market, increasing restraint by domestic and foreign investors slowed trading transactions, as the increase in the cap rate and the trend toward lower prices continued.

In the office building leasing market, rents continued to fall as poor earnings led to cost-cutting among tenants and economic sentiment remained pessimistic. Rents for high-end properties in central Tokyo generally dropped, affecting low-to-mid-end properties in greater Tokyo. In Osaka, Nagoya and other major regional cities, oversupply and declining demand for office space led to decreases in occupancy rates and rents. In Sendai, Fukuoka and other areas, occupancy rates and rents fell substantially in reaction to the deepening severity of regional economic conditions in addition to the already existing oversupply.

In this operating environment, JEI maintained the tenant departure rate* at an extremely low level of less than 1.7 percent by focusing on enhancing property management quality and leasing properties with vacant space, while successfully raising the occupancy rate of the JEI Nishi-Honmachi Building, which had dropped due to renovation, to 96.1 percent. As a result, the overall occupancy rate of JEI's properties remained extremely high at 98.5 percent, which was 3.3 percentage points higher than at the end of the previous term.

As of June 30, 2009, JEI's portfolio consisted of 18 properties with a total investment value of ¥181.0 billion on an acquisition price basis. Total rentable area for the portfolio was 220,521m² (66,707 *tsubo*), serving 126 tenants.

Overview of Performance

Total revenues for the six months ended June 30, 2009 decreased 11.3 percent, or ¥957 million, compared with the previous period to ¥7,544 million following the sale of two properties in the previous period. Operating income decreased 18.1 percent, or ¥722 million, to ¥3,278 million. Net income decreased 22.6 percent, or ¥713 million, to ¥2,442 million. Excluding the disposition factor of the properties sold in the previous period, JEI's 18 properties generated real growth in revenues and earnings of ¥94 million.

* The tenant departure rate is floor space for which tenants did not renew their lease at the end of its term or cancelled their lease during a period as a percentage of rentable area at the end of the previous period. Any increase in rentable area obtained through the acquisition of properties during a period increases the total rentable area used in the calculation. Any decrease in rentable area resulting from sale of properties during the period is not deducted from total rentable area.

Distribution for Current Period

Distribution per unit totaled ¥15,802. The payout ratio was therefore 99.9 percent.

	6th Period January 1, 2009 to June 30, 2009	5th Period July 1, 2008 to December 31, 2008	4th Period January 1, 2008 to June 30, 2008
Thousands of yen, except per share amounts			
Retained earnings.....	¥2,442,271	¥3,155,635	¥2,661,098
Undistributed earnings.....	72	33	56
Total distribution.....	2,442,199	3,155,601	2,661,041
(Total distribution per unit).....	(15,802)	(20,418)	(17,218)
Distribution of accumulated earnings.....	2,442,199	3,155,601	2,661,041
(Distribution of accumulated earnings per unit).....	(15,802)	(20,418)	(17,218)
Distribution in excess of accumulated earnings.....	—	—	—
(Per share).....	(—)	(—)	(—)

Unitholders' Capital

An overview of the issue of investment units is as follows.

Issue date	Remarks	Investment units outstanding		Paid-in capital		Notes
		Increase	Balance	Increase	Balance	
		Units		Millions of yen		
February 20, 2006	Initial capital (private)	400	400	¥ 200	¥ 200	Note 1
June 26, 2006	Public offering	128,000	128,400	64,230	64,430	Note 2
July 21, 2006	Third party	6,400	134,800	3,211	67,641	Note 3
July 11, 2007	Public offering	19,000	153,800	18,702	86,344	Note 4
August 8, 2007	Third party	750	154,550	738	87,083	Note 5

- Notes: 1. JEI was established with an issue of investment units priced at ¥500,000 per unit.
2. JEI issued new investment units through a public offering at a price of ¥520,000 per unit (underwriting price: ¥501,800 per unit) to raise capital primarily for the acquisition of properties following its listing on the Tokyo Stock Exchange.
3. JEI issued new investment units through a private placement at a price of ¥501,800 per unit to raise a portion of the capital required for the acquisition of properties.
4. JEI issued new investment units through a public offering at a price of ¥1,109,200 per unit (underwriting price: ¥984,360 per unit) to raise a portion of the capital required for the acquisition of properties during the second period.
5. JEI issued new investment units through a private placement at a price of ¥984,360 per unit to raise a portion of the capital required for the acquisition of properties during the second period.

Market Price of Units

High/Low (closing price) of units on the TSE:

	6th Period January 1, 2009 to June 30, 2009	5th Period July 1, 2008 to December 31, 2008	4th Period January 1, 2008 to June 30, 2008
Yen			
High.....	¥413,000	¥535,000	¥859,000
Low.....	298,000	254,000	501,000

Loans

Loans by lending institution as of June 30, 2009 are summarized below.

List of lenders

Lender	Outstanding debt at end of this period	Share	Long-term	Short-term
	Millions of yen		Millions of yen	
Mizuho Corporate Bank, Ltd.	¥30,500	31.9%	¥23,500	¥ 7,000
Mitsubishi UFJ Trust and Banking Corporation	17,800	18.6%	14,800	3,000
Sumitomo Mitsui Banking Corporation	9,200	9.6%	7,200	2,000
The Dai-ichi Mutual Life Insurance Company	8,000	8.4%	8,000	0
The Norinchukin Bank	7,000	7.3%	7,000	0
Mizuho Trust & Banking Co., Ltd.	6,500	6.8%	6,500	0
Aozora Bank, Ltd.	5,000	5.2%	5,000	0
Development Bank of Japan	4,000	4.2%	4,000	0
Chuo Mitsui Trust & Banking Co., Ltd.	3,000	3.1%	3,000	0
Sompo Japan Insurance Inc.	2,000	2.1%	2,000	0
Resona Bank, Ltd.	1,500	1.6%	1,500	0
Tokio Marine & Nichido Fire Insurance Co., Ltd.	1,000	1.0%	1,000	0
Total	¥95,500	100.0%	¥83,500	¥12,000

Short-term loans

Lender	Due on	Balance	Average interest rate (%) (Note 1)	Repayment method	Use of funds	Notes
		Millions of yen				
Mizuho Corporate Bank, Ltd.	September 30, 2009	¥ 7,000	1.0	Bullet payment	Repayment of loans	Unsecured / unguaranteed
Mitsubishi UFJ Trust and Banking Corporation	September 30, 2009	3,000	1.0			
Sumitomo Mitsui Banking Corporation	September 30, 2009	2,000	1.0			
Total short-term loans		¥12,000	1.0	—	—	—

Long-term debt due within 1 year

Lender	Due on	Balance	Average interest rate (%) (Note 1)	Repayment method	Use of funds	Notes
		Millions of yen				
The Norinchukin Bank	June 29, 2010	¥ 5,000	1.5	Bullet payment	Acquisition of real estate	Unsecured / unguaranteed
Mizuho Corporate Bank, Ltd.	June 29, 2010	3,000	1.5			
Mitsubishi UFJ Trust and Banking Corporation	June 29, 2010	3,000	1.5			
Aozora Bank, Ltd.	June 29, 2010	2,000	1.5			
Total long-term debt due within 1 year		¥13,000	1.5	—	—	—

Long-term loans (Note 3)

Lender	Due on	Balance Millions of yen	Average interest rate (%) (Note 1)	Repayment method	Use of funds	Notes
Mizuho Corporate Bank, Ltd.	June 29, 2011	¥ 5,000	1.5		Acquisition of real estate	
Mitsubishi UFJ Trust and Banking Corporation	June 29, 2011	3,500	1.5			
Resona Bank, Ltd.	June 29, 2011	1,000	1.5			
The Dai-ichi Mutual Life Insurance Company	June 29, 2011	3,000	2.0 (Note 2)			
Mizuho Corporate Bank, Ltd.	June 29, 2011	6,000	1.2			
Mitsubishi UFJ Trust and Banking Corporation	June 29, 2011	4,000	1.2		Repayment of loans	
Sumitomo Mitsui Banking Corporation	June 29, 2011	3,000	1.2			
Mizuho Trust & Banking Co., Ltd.	June 29, 2011	2,000	1.2			
Aozora Bank, Ltd.	November 29, 2011	3,000	1.4			
Chuo Mitsui Trust & Banking Co., Ltd.	November 29, 2011	3,000	1.4			
Mizuho Trust & Banking Co., Ltd.	November 29, 2011	3,000	1.4			
Sumitomo Mitsui Banking Corporation	November 29, 2011	2,000	1.4			
Mizuho Corporate Bank, Ltd.	November 29, 2011	1,000	1.4			
Mitsubishi UFJ Trust and Banking Corporation	November 29, 2011	1,000	1.4			
Mitsubishi UFJ Trust and Banking Corporation	July 31, 2012	2,300	1.0			
Sumitomo Mitsui Banking Corporation	July 31, 2012	2,200	1.0			
The Norinchukin Bank	July 31, 2012	2,000	1.0			
Resona Bank, Ltd.	July 31, 2012	500	1.0			
Mizuho Corporate Bank, Ltd.	July 31, 2012	2,500	2.0 (Note 2)			
Mizuho Trust & Banking Co., Ltd.	July 31, 2012	1,500	2.0 (Note 2)			
Sompo Japan Insurance Inc.	July 31, 2012	2,000	2.0 (Note 2)			
Tokio Marine & Nichido Fire Insurance Co., Ltd.	July 31, 2012	1,000	2.0 (Note 2)			
Mizuho Corporate Bank, Ltd.	June 28, 2013	6,000	1.3	Repayment of loans		
Mitsubishi UFJ Trust and Banking Corporation	June 28, 2013	1,000	1.3			
The Dai-ichi Mutual Life Insurance Company	July 31, 2014	2,000	2.3 (Note 2)	Acquisition of real estate		
Development Bank of Japan	July 31, 2014	2,000	2.3 (Note 2)			
The Dai-ichi Mutual Life Insurance Company	June 30, 2015	3,000	2.3 (Note 2)	Repayment of loans		
Development Bank of Japan	June 30, 2015	2,000	2.3 (Note 2)			
Total long-term loans		¥70,500	1.5	—	—	—
Total loans		¥95,500	1.5	—	—	—

Notes: 1. Average interest rate is a weighted average of interest rates on each loan contract as of the end of the period. In addition, JEI uses interest-rate swaps to mitigate the risk associated with variable interest rates. The weighted average is calculated after adjusting the interest rate for applicable loans for the effect of the interest-rate swap.

2. Fixed-rate loans

3. Annual maturities of long-term loans (excluding long-term loans due within one year) due after more than one year from the balance sheet date are listed below.

	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	5 to 10 years
	Millions of yen				
Amount borrowed	¥27,500	¥13,000	¥21,000	—	¥9,000

Bonds

JEI has submitted a shelf registration so that it can smoothly issue investment corporation bonds, but has not issued such bonds.

Capital Expenditures

Planned Capital Expenditures

Primary planned capital expenditures for properties in JEI's portfolio as of June 30, 2009 for renovation and other purposes are as follows. The planned construction expenditures below include the portion already recorded as expenses.

Name of property	Address	Objective	Estimated duration	Estimated amounts		
				Total amounts	Payment for the current period	Cumulative amount paid
Millions of yen						
Kowa Kawasaki Higashiguchi Building	Saiwai-ku, Kawasaki, Kanagawa Prefecture	Upgrade of uninterruptible power supply (UPS) in high-voltage electricity room	July 2009 to November 2009	¥15	—	—
Omori Bellport D	Shinagawa-ku, Tokyo	Upgrade of drainage pump	October 2009 to November 2009	11	—	—
NHK Nagoya Housou-Center Building	Higashi-ku, Nagoya	Upgrade of water tank	October 2009 to December 2009	13	—	—

Capital Expenditures for the Current Period

Construction requiring capital expenditures during the period ended June 30, 2009 for properties in JEI's portfolio as of June 30, 2009 is outlined below. Capital expenditures during the period ended December 31, 2008 totaled ¥267 million. The total of capital expenditures and repair expenses of ¥182 million during the period ended June 30, 2009 was ¥449 million.

Name of property	Address	Objective	Estimated duration	Expenditure
				Millions of yen
Kowa Kawasaki Nishiguchi Building	Saiwai-ku, Kawasaki, Kanagawa Prefecture	Asbestos removal (Second phase)	December 2008 to June 2009	¥119
No. 36 Kowa Building	Chiyoda-ku, Tokyo	Overhaul of air-conditioning on first and second floors	May 2009 to June 2009	17
Omori Bellport D	Shinagawa-ku, Tokyo	Overhaul of bathrooms on first and second floors	February 2009 to March 2009	12
Other buildings			—	117
Total				¥267

Cash Reserve for Capital Improvements

JEI formulates a long-term maintenance plan for each of its properties, and uses it as the basis for provisions to the cash reserve for capital improvements to cover major repairs and other future property issues, as outlined below.

	6th Period January 1, 2009 to June 30, 2009	5th Period July 1, 2008 to December 31, 2008
Millions of yen		
Reserve balance at the beginning of the period	¥254	¥282
Amount accumulated in the current period	—	—
Withdrawal from reserves in the current period	—	28
Amount carried forward	¥254	¥254

Trading Activities during the Current Period

Trading of Real Estate and Real Estate Held in Trust

None

Trading of Other Assets Including Total Amount and Transactions

Assets other than real estate, securitized assets and other assets principally consist of current bank deposits, including trust accounts.

Transactions with Related Parties and Transactions with Major Shareholders of Asset Management Company

Ongoing Transactions

None

Fees Paid for the Period from January 1, 2009 to June 30, 2009

Category	Total fees paid (A) (Millions of yen)	Description of transactions with related parties (Note 1)		
		Paid to	Amount of payment (B) (Millions of yen)	B/A
Maintenance expenses (Note 2)	¥1,148	Kowa Real Estate Co., Ltd.	¥400	34.9%
		Sekisui House, Ltd.	69	6.0%
Total	¥1,148		¥469	40.9%

Notes: 1. "Related parties" are defined as related parties of asset management companies under the asset management agreement with JEI as defined in Article 123 of Order for Enforcement of the Law Concerning Investment Trusts and Investment Corporations. "Major shareholders" are the major shareholders of asset management companies as defined in Article 29, Section 4, Paragraph 2 of the Financial Instruments and Exchange Law. During the period ended June 30, 2009, transactions with Kowa Real Estate Co., Ltd. and Sekisui House, Ltd. are as described above.

2. Maintenance expenses include construction management compensation associated with assets that have not been adjusted to reflect compensation and expenses related to project management.

3. Amounts do not include consumption or other taxes.

Financial Statements

For the six-month periods ended June 30, 2009 and December 31, 2008
with Report of Independent Auditors

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Report of Independent Auditors



Report of Independent Auditors

The Board of Directors and Unitholders
Japan Excellent, Inc.

We have audited the accompanying balance sheets of Japan Excellent, Inc. as of June 30, 2009 and December 31, 2008, and the related statements of income and retained earnings, changes in net assets, and cash flows for the six-month periods then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Japan Excellent, Inc. at June 30, 2009 and December 31, 2008, and the results of its operations and its cash flows for the six-month periods then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying financial statements with respect to the six-month period ended June 30, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2.

Ernst & Young ShinNihon LLC

September 18, 2009

Balance Sheets

As of June 30, 2009 and December 31, 2008

	As of June 30, 2009	As of December 31, 2008	As of June 30, 2009
	Thousands of yen		U.S. dollars (Note 2)
Assets			
Current assets:			
Cash and cash equivalents including trust accounts (Notes 4 and 5).....	¥ 13,841,046	¥ 14,208,501	\$ 144,147,536
Rental receivables.....	453,974	370,534	4,727,912
Derivative assets.....	—	545	—
Other current assets.....	186,509	119,941	1,942,396
Total current assets	14,481,529	14,699,521	150,817,844
Property and equipment (Note 6):			
Buildings and building improvements.....	3,254,086	3,251,136	33,889,672
Furniture and fixtures.....	363	363	3,784
Construction in progress.....	5,488	2,777	57,153
Buildings and building improvements for trust accounts.....	64,280,337	64,035,334	669,447,375
Machinery and equipment for trust accounts.....	409,186	393,541	4,261,460
Furniture and fixtures for trust accounts.....	32,194	24,427	335,288
Land for trust accounts.....	108,502,799	108,502,799	1,130,002,072
Less: accumulated depreciation.....	(5,032,923)	(4,042,346)	(52,415,362)
Net property and equipment	171,451,530	172,168,031	1,785,581,442
Investments and other assets:			
Leasehold rights.....	1,185,045	1,185,045	12,341,646
Leasehold rights for trust accounts.....	7,380,017	7,380,017	76,859,163
Investment in securities (Note 5).....	10,768	10,768	112,143
Security deposits.....	15,182	15,182	158,109
Long-term prepaid expenses.....	574,245	429,382	5,980,473
Other assets.....	47,370	41,984	493,336
Total investments and other assets	9,212,627	9,062,378	95,944,870
Total assets	¥195,145,686	¥195,929,930	\$2,032,344,156
Liabilities			
Current liabilities:			
Accounts payable - trade.....	¥ 523,422	¥ 766,906	\$ 5,451,171
Short-term loans (Note 7).....	25,000,000	25,000,000	260,362,424
Accounts payable - other.....	327,801	339,723	3,413,886
Unpaid consumption taxes.....	32,347	121,946	336,879
Derivative liabilities.....	79,328	21,380	826,164
Other current liabilities.....	270,710	209,883	2,819,305
Total current liabilities	26,233,608	26,459,838	273,209,829
Long-term liabilities:			
Long-term debt (Note 7).....	70,500,000	70,500,000	734,222,037
Security deposits from tenants.....	465,505	452,048	4,848,004
Security deposits from tenants for trust accounts.....	8,500,600	8,300,428	88,529,470
Derivative liabilities.....	82,835	198,604	862,686
Total long-term liabilities	79,548,940	79,451,080	828,462,197
Total liabilities	105,782,548	105,910,918	1,101,672,026
Net assets (Note 8):			
Unitholders' equity:			
Unitholders' capital.....	87,083,030	87,083,030	906,925,953
Units authorized: 2,000,000 units			
Units issued and outstanding: 154,550 units as of June 30, 2009 and December 31, 2008			
Retained earnings.....	2,442,271	3,155,635	25,435,027
Total unitholders' equity	89,525,301	90,238,665	932,360,980
Valuation and translation adjustments:			
Unrealized loss on deferred hedge transactions.....	(162,163)	(219,653)	(1,688,850)
Total valuation and translation adjustments	(162,163)	(219,653)	(1,688,850)
Total net assets	89,363,138	90,019,012	930,672,130
Total liabilities and net assets	¥195,145,686	¥195,929,930	\$2,032,344,156

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

Statements of Income and Retained Earnings

For the periods from January 1, 2009 to June 30, 2009
and from July 1, 2008 to December 31, 2008

	For the period from January 1, 2009 to June 30, 2009	For the period from July 1, 2008 to December 31, 2008	For the period from January 1, 2009 to June 30, 2009
	Thousands of yen		U.S. dollars (Note 2)
Revenues:			
Rental revenues (Note 11)	¥6,890,298	¥6,909,524	\$71,758,991
Other (Note 11)	654,437	738,009	6,815,633
Gain on sale of real estate (Note 12)	—	854,292	—
Total revenues	7,544,735	8,501,825	78,574,624
Operating expenses:			
Property operating expenses (Note 11).....	3,720,471	3,910,891	38,746,838
Asset management fees	418,130	443,596	4,354,608
Custodian fees.....	15,015	15,726	156,375
Administrative service fees.....	28,219	27,375	293,890
Compensation for directors.....	6,540	6,540	68,111
Other	77,701	96,721	809,221
Total operating expenses	4,266,076	4,500,849	44,429,043
Operating income	3,278,659	4,000,976	34,145,581
Other income:			
Refund of consumption taxes	11,665	—	121,482
Interest income	10,950	18,297	114,042
Other	55	13	586
Other expenses:			
Interest expense	707,446	702,689	7,367,694
Loan arrangement fees.....	150,624	121,654	1,568,676
Other	0	38,382	5
Income before income taxes	2,443,259	3,156,561	25,445,316
Income taxes: (Note 10)			
Current.....	1,023	981	1,656
Deferred	(2)	1	(17)
Net income	2,442,238	3,155,579	25,434,677
Retained earnings at beginning of period	33	57	350
Retained earnings at end of period	¥2,442,271	¥3,155,636	\$25,435,027

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

Statements of Changes in Net Assets

For the periods from January 1, 2009 to June 30, 2009
and from July 1, 2008 to December 31, 2008

	For the period from July 1, 2008 to December 31, 2008						
	Net assets						
	Unitholders' equity				Valuation and translation adjustments		
	Number of units in issue	Unitholders' capital	Retained earnings	Total unitholders' equity	Unrealized loss on deferred hedge transactions	Total valuation and translation adjustments	Total net assets
Thousands of yen							
Balance as of June 30, 2008	154,550	¥87,083,030	¥ 2,661,098	¥89,744,128	¥ (88,527)	¥ (88,527)	¥89,655,600
Changes during the fiscal period:							
Distributions from retained earnings ...	—	—	(2,661,042)	(2,661,042)	—	—	(2,661,042)
Net income	—	—	3,155,579	3,155,579	—	—	3,155,579
Changes in unrealized loss on deferred hedge transactions	—	—	—	—	(131,126)	(131,126)	(131,126)
Total changes during the fiscal period	—	—	494,537	494,537	(131,126)	(131,126)	363,412
Balance as of December 31, 2008	154,550	¥87,083,030	¥ 3,155,635	¥90,238,665	¥(219,653)	¥(219,653)	¥90,019,012

	For the period from January 1, 2009 to June 30, 2009						
	Net assets						
	Unitholders' equity				Valuation and translation adjustments		
	Number of units in issue	Unitholders' capital	Retained earnings	Total unitholders' equity	Unrealized loss on deferred hedge transactions	Total valuation and translation adjustments	Total net assets
Thousands of yen							
Balance as of December 31, 2008	154,550	¥87,083,030	¥ 3,155,635	¥90,238,665	¥(219,653)	¥(219,653)	¥90,019,012
Changes during the fiscal period:							
Distributions from retained earnings ...	—	—	(3,155,602)	(3,155,602)	—	—	(3,155,602)
Net income	—	—	2,442,238	2,442,238	—	—	2,442,238
Changes in unrealized loss on deferred hedge transactions	—	—	—	—	57,490	57,490	57,490
Total changes during the fiscal period	—	—	(713,364)	(713,364)	57,490	57,490	(655,874)
Balance as of June 30, 2009	154,550	¥87,083,030	¥ 2,442,271	¥89,525,301	¥(162,163)	¥(162,163)	¥89,363,138

	For the period from January 1, 2009 to June 30, 2009						
	Net assets						
	Unitholders' equity				Valuation and translation adjustments		
	Number of units in issue	Unitholders' capital	Retained earnings	Total unitholders' equity	Unrealized loss on deferred hedge transactions	Total valuation and translation adjustments	Total net assets
U.S. dollars (Note 2)							
Balance as of December 31, 2008	154,550	\$906,925,953	\$ 32,864,356	\$939,790,309	\$(2,287,582)	\$(2,287,582)	\$937,502,727
Changes during the fiscal period:							
Distributions from retained earnings ...	—	—	(32,864,006)	(32,864,006)	—	—	(32,864,006)
Net income	—	—	25,434,677	25,434,677	—	—	25,434,677
Changes in unrealized loss on deferred hedge transactions	—	—	—	—	598,732	598,732	598,732
Total changes during the fiscal period	—	—	(7,429,329)	(7,429,329)	598,732	598,732	(6,830,597)
Balance as of June 30, 2009	154,550	\$906,525,953	\$ 25,435,027	\$932,360,980	\$(1,688,850)	\$(1,688,850)	\$930,672,130

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

Statements of Cash Flows

For the periods from January 1, 2009 to June 30, 2009
and from July 1, 2008 to December 31, 2008

	For the period from January 1, 2009 to June 30, 2009	For the period from July 1, 2008 to December 31, 2008	For the period from January 1, 2009 to June 30, 2009
	Thousands of yen		U.S. dollars (Note 2)
Cash flows from operating activities			
Income before income taxes.....	¥ 2,443,259	¥ 3,156,561	\$ 25,445,316
Depreciation and amortization	990,609	995,423	10,316,694
Interest income.....	(10,950)	(18,297)	(114,042)
Interest expense.....	707,446	702,689	7,367,694
(Increase) decrease in rental receivables	(83,440)	49,588	(868,987)
(Increase) decrease in prepaid expenses.....	(50,328)	33,981	(524,136)
(Decrease) increase in accounts payable - trade.....	(84,221)	52,420	(877,119)
Decrease in accounts payable - other	(19,108)	(2,124)	(198,999)
Decrease in unpaid consumption taxes.....	(89,599)	(98,631)	(933,133)
Increase (decrease) in advances received	85,493	(1,950)	890,373
Increase in long-term prepaid expenses.....	(144,862)	(280,729)	(1,508,670)
Decrease in property and equipment for trust accounts due to sales.....	—	8,227,227	—
Other, net	(20,298)	4,161	(211,395)
Subtotal.....	3,724,001	12,820,319	38,783,596
Interest received.....	10,950	18,297	114,042
Interest paid	(732,090)	(615,628)	(7,624,353)
Income taxes paid.....	(2,190)	(3,659)	(22,808)
Net cash provided by operating activities.....	3,000,671	12,219,329	31,250,477
Cash flows from investing activities			
Purchases of property and equipment.....	(13,352)	(4,104)	(139,052)
Purchases of property and equipment for trust accounts	(421,089)	(982,849)	(4,385,430)
Proceeds from security deposits from tenants	21,933	285	228,420
Payments for security deposits to tenants.....	(8,475)	(25,151)	(88,266)
Proceeds from security deposits from tenants for trust accounts.....	472,706	112,235	4,922,993
Payments for security deposits to tenants for trust accounts	(272,535)	(863,980)	(2,838,308)
Net cash used in investing activities	(220,812)	(1,763,564)	(2,299,643)
Cash flows from financing activities			
Proceeds from short-term loans	12,000,000	12,000,000	124,973,964
Repayment for short-term loans	(12,000,000)	(49,000,000)	(124,973,964)
Proceeds from long-term debt.....	13,000,000	27,000,000	135,388,461
Repayment for long-term debt.....	(13,000,000)	—	(135,388,461)
Distributions to unitholders	(3,147,314)	(2,656,631)	(32,777,692)
Net cash used in financing activities.....	(3,147,314)	(2,656,631)	(32,777,692)
Net decrease in cash and cash equivalents.....	(367,455)	(2,200,866)	(3,826,858)
Cash and cash equivalents at beginning of period.....	14,208,501	16,409,367	147,974,394
Cash and cash equivalents at end of period.....	¥ 13,841,046	¥ 14,208,501	\$ 144,147,536

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

Notes to Financial Statements

For the periods from January 1, 2009 to June 30, 2009
and from July 1, 2008 to December 31, 2008

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 is owned 40% by Kowa Real Estate Co., Ltd., 20% by The Dai-ichi Mutual Life Insurance Company, 15% by Sekisui House, Ltd. and 25% by other corporations.

JEI was listed on the Tokyo Stock Exchange on June 27, 2006. As of June 30, 2009, JEI held 18 properties with 220,521 square meters of total leasable space and had leases with 126 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 herein as additional information. Amounts have been rounded to the nearest thousand yen in the accompanying financial statements and in the notes thereto, whereas amounts were truncated in the Japanese financial statements prepared in accordance with Japanese GAAP.

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥96.02 = U.S.\$1.00, the foreign exchange rate prevailing on June 30, 2009, has been used for translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled into U.S. dollars at that or any other rate.

3. Summary of Significant Accounting Policies

● Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits with banks, a negotiable certificate of deposit 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.

● Securities

The negotiable certificate of deposit, classified under other securities but with the same characteristics as a time deposit, is carried at cost. Cost is determined by the moving average method.

Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

● Property and equipment including trust accounts and trademark rights

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

Buildings	2 - 59 years
Building improvements	4 - 59 years
Machinery and equipment	7 - 16 years
Furniture and fixtures	4 - 10 years

Amortization of trademark rights is computed using the straight-line method over a period of 10 years.

● 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 11).

JEI capitalized 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 amounts for the periods from January 1, 2009 to June 30, 2009 and from July 1, 2008 to December 31, 2008 were ¥0 and ¥343 thousand, respectively.

● Revenue recognition

Rental revenues are generally recognized on an accrual basis over the life of each lease.

● Derivatives and hedge accounting

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

JEI deferred recognition of gains or losses resulting from changes in the fair value of interest-rate swap agreements because its interest-rate agreements met the criteria for deferred hedge accounting.

● 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. Cash and Cash Equivalents

Cash and cash equivalents including trust accounts in the accompanying balance sheets and cash and cash equivalents in the accompanying statements of cash flows at June 30, 2009 and December 31, 2008 consisted of the following:

	As of June 30, 2009	As of December 31, 2008	As of June 30, 2009
	Thousands of yen		U.S. dollars
Cash and cash deposits.....	¥ 2,253,964	¥ 1,279,525	\$ 23,473,906
Cash in trust and deposits in trust.....	11,587,082	11,428,976	120,673,630
Negotiable certificate of deposit.....	—	1,500,000	—
Cash and cash equivalents including trust accounts.....	¥13,841,046	¥14,208,501	\$144,147,536

5. Securities

(1) Investment in securities

Investment in securities at June 30, 2009 and December 31, 2008 consisted of the following:

	As of June 30, 2009	As of December 31, 2008	As of June 30, 2009
	Thousands of yen		U.S. dollars
Unlisted stock	¥10,768	¥10,768	\$112,143

As of June 30, 2009									
Name	Number of shares	Acquisition cost			Book value			Gain or loss on valuation	
		Unit price	Total price	Total price	Unit price	Total price	Total price	Total price	Total price
		Thousands of yen	U.S. dollars	U.S. dollars	Thousands of yen	U.S. dollars	Thousands of yen	U.S. dollars	
Unlisted stock									
NHK Nagoya Build Systems Co., Ltd.....	64	¥168	¥10,768	\$112,143	¥168	¥10,768	\$112,143	¥—	\$—
Total	64	¥168	¥10,768	\$112,143	¥168	¥10,768	\$112,143	¥—	\$—

As of December 31, 2008						
Name	Number of shares	Acquisition cost		Book value		Gain or loss on valuation
		Unit price	Total price	Unit price	Total price	Total price
		Thousands of yen				
Unlisted stock						
NHK Nagoya Build Systems Co., Ltd.....	64	¥168	¥10,768	¥168	¥10,768	¥—
Total	64	¥168	¥10,768	¥168	¥10,768	¥—

(2) Non-trading securities

Non-trading securities at June 30, 2009 and December 31, 2008 consisted of the following:

	As of June 30, 2009	As of December 31, 2008	As of June 30, 2009
	Thousands of yen		U.S. dollars
Negotiable certificate of deposit	¥—	¥1,500,000	\$—

6. Property and Equipment

Property and equipment at June 30, 2009 and December 31, 2008 consisted of the following:

	As of June 30, 2009			As of December 31, 2008			As of June 30, 2009		
	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value
	Thousands of yen						U.S. dollars		
Buildings and building improvements.....	¥ 3,254,086	¥ (227,013)	¥ 3,027,073	¥ 3,251,136	¥ (189,776)	¥ 3,061,360	\$ 33,889,672	\$ (2,364,223)	\$ 31,525,449
Furniture and fixtures ...	363	(75)	288	363	(48)	315	3,784	(782)	3,002
Buildings and building improvements for trust accounts	64,280,337	(4,724,326)	59,556,011	64,035,334	(3,786,792)	60,248,542	669,447,375	(49,201,482)	620,245,893
Machinery and equipment for trust accounts.....	409,186	(76,328)	332,858	393,541	(62,785)	330,756	4,261,460	(794,921)	3,466,539
Furniture and fixtures for trust accounts.....	32,194	(5,181)	27,013	24,427	(2,945)	21,482	335,288	(53,954)	281,334
Land for trust accounts.....	108,502,799	—	108,502,799	108,502,799	—	108,502,799	1,130,002,072	—	1,130,002,072
Construction in progress	5,488	—	5,488	2,777	—	2,777	57,153	—	57,153
Total	¥176,484,453	¥(5,032,923)	¥171,451,530	¥176,210,377	¥(4,042,346)	¥172,168,031	\$1,837,996,804	\$(52,415,362)	\$1,785,581,442

7. Short-Term Loans and Long-Term Debt

Short-term loans and long-term debt as of June 30, 2009 and December 31, 2008 consisted of the following:

	As of June 30, 2009		As of December 31, 2008		As of June 30, 2009
	Amount	Weighted-average interest rate	Amount	Weighted-average interest rate	Amount
	Thousands of yen				U.S. dollars
Short-term loans:					
Unsecured loans from banks due on March 31, 2009	¥ —	—	¥12,000,000	1.20333%	\$ —
Unsecured loans from banks due on September 30, 2009	12,000,000	1.03455%	—	—	124,973,964
Subtotal	12,000,000		12,000,000		124,973,964
Long-term debt due within one year:					
Unsecured loans from banks due on June 29, 2009	—	—	13,000,000	1.37644%	—
Unsecured loans from banks due on June 29, 2010	13,000,000	1.51391%	—	—	135,388,460
Subtotal	13,000,000		13,000,000		135,388,460
Long-term debt:					
Unsecured loans from banks due on June 29, 2010	—	—	13,000,000	1.55042%	—
Unsecured loans from banks due on June 29, 2011	9,500,000	1.51059%	9,500,000	1.57554%	98,937,720
Unsecured loans from an insurance company due on June 29, 2011	3,000,000	1.96625%	3,000,000	1.96625%	31,243,491
Unsecured loans from banks due on June 29, 2011	15,000,000	1.21091%	15,000,000	1.49250%	156,217,455
Unsecured loans from banks due on November 29, 2011	13,000,000	1.44455%	—	—	135,388,461
Unsecured loans from banks due on July 31, 2012	7,000,000	0.96091%	7,000,000	1.23583%	72,901,479
Unsecured loans from banks and insurance companies due on July 31, 2012	7,000,000	1.96907%	7,000,000	1.96907%	72,901,479
Unsecured loans from banks due on June 28, 2013	7,000,000	1.31091%	7,000,000	1.59250%	72,901,479
Unsecured loans from an insurance company due on July 31, 2014	2,000,000	2.25875%	2,000,000	2.25875%	20,828,994
Unsecured loans from a bank due on July 31, 2014	2,000,000	2.28417%	2,000,000	2.28417%	20,828,994
Unsecured loans from an insurance company and a bank due on June 30, 2015	5,000,000	2.27344%	5,000,000	2.27344%	52,072,485
Subtotal	70,500,000		70,500,000		734,222,037
Total	¥95,500,000		¥95,500,000		\$994,584,461

8. Net Assets

JEI issues only non-par value investment units in accordance with the Investment Trust Law.

JEI is required to maintain net assets of at least ¥50 million in accordance with the Investment Trust Law.

9. Per Unit Information

Net assets per unit were ¥578,215 (\$6,022) as of June 30, 2009 and ¥582,458 as of December 31, 2008. Net income per unit was ¥15,802 (\$165) for the period from January 1, 2009 to June 30, 2009 and ¥20,417 for the period from July 1, 2008 to December 31, 2008 and was computed based on the weighted-average number of units outstanding during the respective periods.

10. Income Taxes

JEI is subject to income taxes in Japan.

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

Details of significant components of deferred tax assets and liabilities as of June 30, 2009 and December 31, 2008 are summarized as follows:

	As of June 30, 2009	As of December 31, 2008	As of June 30, 2009
	Thousands of yen		U.S. dollars
Deferred tax assets:			
Accrued enterprise taxes.....	¥ 20	¥ 19	\$ 213
Unrealized loss on deferred hedge transactions.....	63,779	86,520	664,224
Gross deferred tax assets.....	63,799	86,538	664,437
Valuation reserve.....	(63,779)	(86,520)	(664,224)
Total deferred tax assets.....	¥ 20	¥ 19	\$ 213
Net deferred tax assets.....	¥ 20	¥ —	\$ 213
Deferred tax liabilities:			
Unrealized loss on deferred hedge transactions.....	¥ —	¥ 214	\$ —
Total deferred tax liabilities.....	—	214	—
Net deferred tax liabilities.....	¥ —	¥ 196	\$ —

A reconciliation of the differences between the statutory tax rate and the effective tax rate for the period from January 1, 2009 to June 30, 2009 and for the period from July 1, 2008 to December 31, 2008 is as follows:

	For the period from January 1, 2009 to June 30, 2009	For the period from July 1, 2008 to December 31, 2008
Statutory tax rate.....	39.33%	39.39%
Reconciliation:		
Deductible distributions paid.....	(39.31)	(39.38)
Other.....	0.02	0.02
Effective tax rate.....	0.04%	0.03%

11. Breakdown of Property Rental Business Revenues and Expenses

	For the period from January 1, 2009 to June 30, 2009	For the period from July 1, 2008 to December 31, 2008	For the period from January 1, 2009 to June 30, 2009
	Thousands of yen		U.S. dollars
Rental business revenues:	¥7,544,735	¥7,647,533	\$78,574,624
Rental revenues	6,890,298	6,909,524	71,758,991
Other	654,437	738,009	6,815,633
Property operating expenses:	3,720,471	3,910,891	38,746,838
Property management costs and fees	1,141,115	1,063,510	11,884,143
Utilities	685,227	759,128	7,136,295
Property and other taxes	540,854	560,697	5,632,719
Insurance	21,116	21,662	219,918
Repairs and maintenance	182,522	313,757	1,900,872
Depreciation	990,577	995,391	10,316,363
Other	159,060	196,746	1,656,528
Profit	¥3,824,264	¥3,736,642	\$39,827,786

12. Breakdown of Gain on Sale of Real Estate

Gain on sale of real estate for the period from January 1, 2009 to June 30, 2009 and for the period from July 1, 2008 to December 31, 2008 is as follows:

	For the period from January 1, 2009 to June 30, 2009	For the period from July 1, 2008 to December 31, 2008	For the period from January 1, 2009 to June 30, 2009
	Thousands of yen		U.S. dollars
Shuwa Iidabashi Building			
Proceeds from sale of real estate	¥—	¥4,580,000	\$—
Cost of sale of real estate	—	4,025,626	—
Other related sale expenses	—	140,936	—
Gain on sale of real estate	¥—	¥ 413,438	\$—
Sendai Kowa Building			
Proceeds from sale of real estate	¥—	¥4,814,600	\$—
Cost of sale of real estate	—	4,201,600	—
Other related sale expenses	—	172,146	—
Gain on sale of real estate	¥—	¥ 440,854	\$—

13. Leases

JEI leases properties on which rental revenues are earned. At June 30, 2009 and December 31, 2008, future lease revenues under non-cancelable operating leases are summarized as follows:

	As of June 30, 2009	As of December 31, 2008	As of June 30, 2009
	Thousands of yen		U.S. dollars
Due within one year.....	¥1,134,029	¥ 864,340	\$11,810,346
Due after one year	1,235,490	1,245,528	12,867,002
Total	¥2,369,519	¥2,109,868	\$24,677,348

14. Derivatives and Hedge Accounting

JEI has entered into certain interest-rate swap contracts with several Japanese financial institutions to hedge its variable-rate long-term debt obligations. JEI utilizes interest-rate swap contracts, which are derivative financial instruments, only for the purpose of mitigating future risk arising from fluctuation in interest rates, and does not enter into such transactions for speculative or trading purposes. JEI entered into such derivative transactions to hedge risk in accordance with its Articles of Incorporation and the established risk management policies of JEAM.

The following table summarizes the notional amount and the estimated fair value of the interest-related positions outstanding as of June 30, 2009:

	Notional amount	Estimated fair value (negative)	Notional amount	Estimated fair value (negative)
	Thousands of yen		U.S. dollars	
Interest-rate swap:				
Receive/floating and pay/fixed	¥16,750,000	¥(162,163)	\$174,442,824	\$(1,688,850)

15. Related Party Transactions

For the period from January 1, 2009 to June 30, 2009

(1) Major unitholders

Not applicable

(2) Directors and major individual unitholders

Not applicable

For the period from July 1, 2008 to December 31, 2008

(1) Major unitholders

Not applicable

(2) Directors and major individual unitholders

Name	Description of transaction	Amount	Amount	Account	Balance at the end of period	Balance at the end of period
		Thousands of yen	U.S. dollars		Thousands of yen	U.S. dollars
Junichi Tamura	Payment of asset management fees to JEAM	¥443,596	\$4,874,148	Accounts payable	¥274,677	\$3,018,091

16. 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 unappropriated retained earnings, shall be in excess of 90% of JEI's distributable income for the fiscal period as set forth in Section 67.15 of the Special Taxation Measures Law. Consequently, JEI set income available for distributions of dividends at ¥2,442,199,100 (\$25,434,275), the maximum integral multiple of the 154,550 units issued not exceeding unappropriated retained earnings at June 30, 2009. No cash distribution exceeding the income amount set forth in Section 33.1.4 of the bylaws of JEI shall be made.

On September 14, 2009, the Board of Directors approved a resolution to make a cash distribution of ¥15,802 (\$165) per unit aggregating to ¥2,442,199,100 (\$25,434,275) to unitholders of record as of June 30, 2009.

17. Significant Subsequent Events

Not applicable

Investor Information

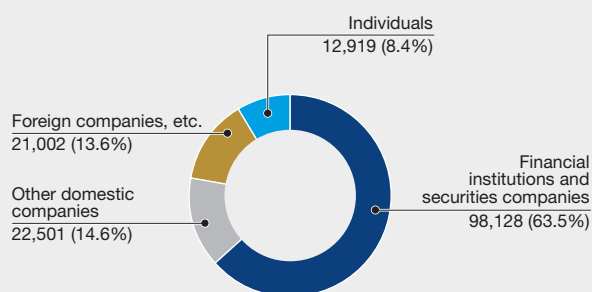
As of June 30, 2009

Name	Japan Excellent, Inc.	
Location	1-9-20 Akasaka, Minato-ku, Tokyo, Japan	
Established	February 20, 2006	
Fiscal Periods	Six months ending June 30 and December 31	
Unitholders	4,817	
Total Number of Common Units Issued	6th Period (From January 1, 2009 to June 30, 2009)	154,550
	5th Period (From July 1, 2008 to December 31, 2008)	154,550
Distributions	Confirmed distribution for the 6th Period (ended June 30, 2009) ¥15,802 per unit	

Major Unitholders

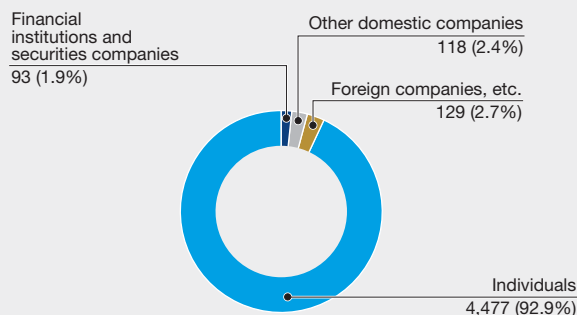
Name	Number of Units Held	Percentage of Total
Kowa Real Estate Co., Ltd.	14,312	9.26%
NikkoCiti Trust and Banking Corporation (Investment trust account)	13,242	8.57%
The Master Trust Bank of Japan, Ltd. (Trust account)	12,623	8.17%
Japan Trustee Services Bank, Ltd. (Trust account)	12,598	8.15%
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	11,578	7.49%
The Nomura Trust and Banking Co., Ltd. (Investment trust account)	6,304	4.08%
North Pacific Bank, Ltd.	4,590	2.97%
The Dai-ichi Mutual Life Insurance Company	4,132	2.67%
The Bank of Ikeda, Ltd.	3,711	2.40%
The Chugoku Bank, Ltd.	2,367	1.53%
Total	85,457	55.29%

Investment Units



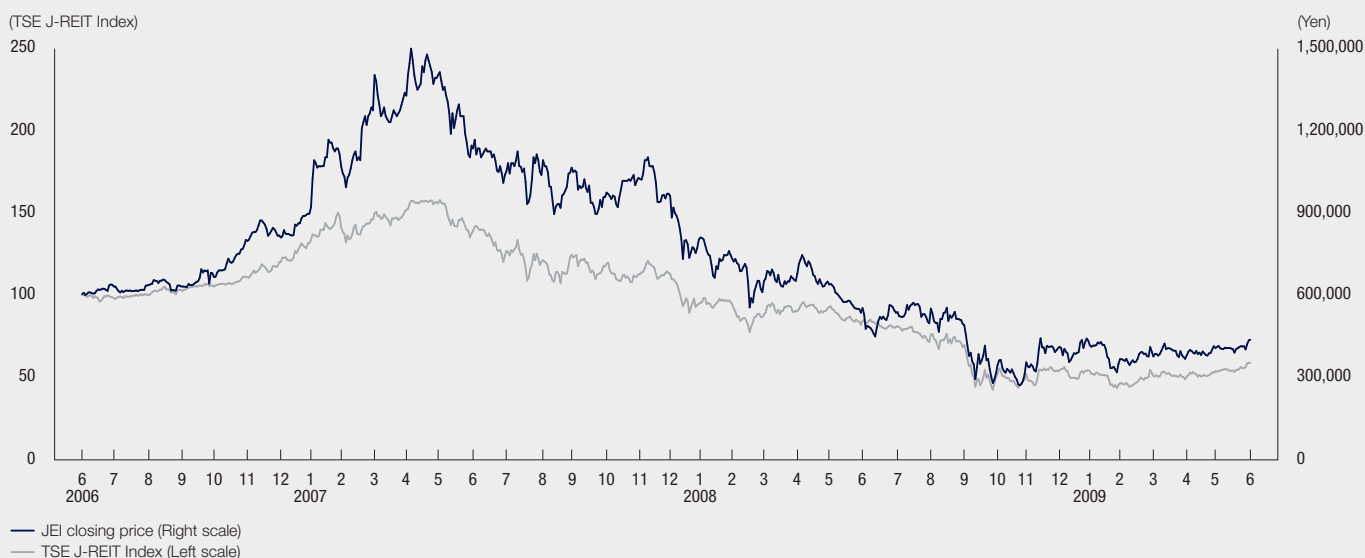
Total number of units issued: 154,550

Investors (Number of unitholders)



Total number of unitholders: 4,817

JEI Unit Performance Measured against TSE J-REIT Index



Disclaimer

This semi-annual report in English is a translation of an equivalent document prepared in the Japanese language and filed in Japan in accordance with the Financial Instruments and Exchange Law of Japan. This English translation was prepared solely for the convenience of readers outside Japan and should not be considered as a disclosure statement. The original Japanese document shall prevail in the event of any discrepancies or difference arising from the translations or interpretations contained in this English report. Estimates and projections for Japan Excellent, Inc.'s results of future operations contained in this English semi-annual report are forward-looking statements and are based on information currently available to us, and involve risks, uncertainties and assumptions.

Consequently, investors are cautioned not to place undue reliance on these estimates and projections for evaluating Japan Excellent, Inc. Should any of the risks or uncertainties materialize or should underlying assumptions prove incorrect, the actual results may differ substantially from these estimates and projections depending on numerous factors.

URL: <http://www.excellent-reit.co.jp/eng>
 TEL: 81-3-5575-3511
 E-mail: info@jeam.co.jp



Japan Excellent, Inc.

Address: 1-9-20 Akasaka, Minato-ku, Tokyo, Japan

<http://www.excellent-reit.co.jp/eng>

E-mail: info@jeam.co.jp