



## Fifth Period

(ended December 2008)

## Presentation Material

February 17, 2009

# Japan Excellent, Inc.



ジャパン エクセレント アセットマネジメント株式会社

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# I. Highlights for the 5<sup>th</sup> period



# 1. Highlights

## Improvement in occupancy rate

- Focused on leasing vacant space in Nishi-honmachi and Akasaka GC
- Maintained low evacuation / cancellation rates (1.5%).

|                    | <June 2008> |   | <December 2008> |   | <June 2009 (projection)> |
|--------------------|-------------|---|-----------------|---|--------------------------|
| Overall portfolio  | 95.1%       | → | 95.2%           | → | 98.1%                    |
| JEI Nishi-honmachi | 44.5%       | → | 44.5%           | → | 85.1%                    |
| Akasaka GC         | 82.3%       | → | 82.3%           | → | 100.0%                   |

## Increase in rent revenue

※Based on portfolio of 18 properties at end of period

- Rent revenue increased 62 million yen due to lease renewals with rent increase and leasing of vacant space

|                 | <June 2008>       |   | <December 2008>   |   | <June 2009 (projected)> |
|-----------------|-------------------|---|-------------------|---|-------------------------|
| Rental revenues | 6,636 million yen | → | 6,698 million yen | → | 6,762 million yen       |
|                 |                   |   | (+62 million yen) |   | (+64 million yen)       |

## Portfolio improvement through the sale of two assets

- Reacting to the changes in market conditions, sold the Shuwa Iidabashi and Sendai Kowa Building were promptly sold (a profit on sales of 854 million yen).
- As a result, the competitiveness of the portfolio improved.

|                                 | <after sale of two assets> | (Reference) 20 assets before sales |
|---------------------------------|----------------------------|------------------------------------|
| Tokyo metropolitan area* ratio  | 93.9% (+2.0%)              | 91.9%                              |
| Average age of building         | 14.7 years (-0.4 years)    | 15.1 years                         |
| Occupancy rate at end of period | 95.2% (+1.9%)              | 93.3%                              |

\*We identify the "Tokyo metropolitan area" as the total of Areas I and III.

\*Figures in parentheses indicate the difference if the two properties had been kept.

## Financial stability through repayment of debt and extension of maturities

- 10 billion yen was repaid before maturity, and reduced LTV ratio.

LTV ratio 51.2%→48.7%

- 27 billion yen out of the 39 billion yen in short-term loans were refinanced as long-term loans.

Long-term loan ratio 53.5% → 87.4%

Distributions were ¥20,418 (an increase of ¥3,200) due to internal growth / debt repayment, and sales of assets.

## 2. Financial results

(Units: millions of yen)

|                                | Jun. 2008 | Dec. 2008 | Difference |
|--------------------------------|-----------|-----------|------------|
| 1. Revenue                     | 7,840     | 8,501     | 661        |
| Rental revenue                 | 7,135     | 6,909     | ▲ 226      |
| Revenue from sale of assets    | 0         | 854       | 854        |
| 2. Operating expenses          | 4,408     | 4,500     | 92         |
| Operating expenses             | 3,849     | 3,910     | 61         |
| (NOI)                          | 5,033     | 4,732     | ▲ 301      |
| Profits from rental operations | 3,990     | 3,736     | ▲ 254      |
| Operating income               | 3,432     | 4,000     | 568        |
| 3. Other income                | 17        | 18        | 0          |
| 4. Other expenses              | 788       | 862       | 74         |
| Income before income taxes     | 2,662     | 3,156     | 494        |
| Net income                     | 2,661     | 3,155     | 494        |
| NOI yield                      | 5.2%      | 5.2%      | —          |
| Occupancy rate                 | 95.1%     | 95.2%     | 0.1%       |

### <Comparison of actual results to projections>

(Units: millions of yen)

|                            | Projection<br>(Announced 15 Aug. 2008) | Actual results | Difference |
|----------------------------|--|----------------|------------|
| Revenue                    | 8,507                                  | 8,501          | ▲ 5        |
| Operating income           | 3,928                                  | 4,000          | 72         |
| Income before income taxes | 3,014                                  | 3,156          | 141        |
| Net income                 | 3,013                                  | 3,155          | 141        |

(Note) Figures have been rounded down to the nearest one million yen.

NOI returns for the period ended Dec. 2008 are displayed on the basis of 18 properties held at the end of the period.

### Increase in Revenues and Profits

- Increase revenue of 661 million yen and increased profit of 494 million yen mainly through the sale of properties.

Profits from sale of Shuwa Iidabashi Building and Sendai Kowa Building  
Increased revenues: 854 million yen      Increased profits: 854 million yen

Decrease in rent revenue due to sale of the above two properties  
Decreased revenues: 312 million yen      Decreased profits: 205 million yen

- Increase revenue of 118 million yen and decreased profits of 155 million yen, but there was both an increase in revenue and profits after special factors(\*) were deducted.

(Units: millions of yen)

|                            | FP4   | FP5   | Difference |
|----------------------------|-------|-------|------------|
| 1. Revenue                 | 7,446 | 7,565 | 118        |
| rent revenue               | 6,769 | 6,832 | 63         |
| 2. Operating expenses      | 4,202 | 4,402 | 200        |
| Operating expenses         | 3,648 | 3,830 | 181        |
| Repairs and maintenance    | 209   | 310   | 101        |
| Taxes                      | 427   | 524   | 97         |
| NOI                        | 4,779 | 4,713 | ▲ 65       |
| Operating income           | 3,797 | 3,735 | ▲ 62       |
| Income before income taxes | 2,473 | 2,317 | ▲ 155      |
| Net income                 | 2,472 | 2,316 | ▲ 155      |

(\*) Special factors

Asbestos removal expenses of Kawasaki Nishiguchi building 74  
Expenses for property and city planning taxes for properties acquired in 2007. 97

### Increase in profits of 141 million yen

- Total revenue were roughly as expected.
- Profits were up due to a decrease in repair costs (50 million yen) and a decrease in interest expenses (72 million yen).

## II. 5<sup>th</sup> Period Results and Future Strategies



# 1. Business environment

Economic conditions / Office building leasing market / Real estate investment market / Financial market

## Economic conditions

- Due to the global credit crunch, demand has dropped significantly. Major industries have been forced to make large adjustments in production and employment. The economy has seen substantial deterioration.
- The keys to domestic economic recovery, influenced by the global economy, is the creation of effective demand through financial measures in each country, and the extent of how far the yen appreciates. However, it is expected that the economy will not reach a bottom out until the second-half of 2009, at earliest.

## Office building leasing market

### <General conditions for this period>

- The office building leasing market in the Tokyo metropolitan area, especially in Central Tokyo has seen rent decreases for high-rent properties. Even properties in the mid- to low price range have seen some decrease.
- Other than the Tokyo metropolitan area, oversupply has led to rising vacancy rates and a decrease in rent level situations varying on area, location, and property grades.

### <Prospects>

- It is expected that the trend in rent decrease will continue for high-rent properties in the Tokyo metropolitan area as well as properties in local areas.
- There is a possibility that there will be rent decreases in less competitive properties in the mid- to low price range in the Tokyo metropolitan area.

## Real estate investment market

### <General conditions for this period>

- Real estate transactions are decreasing with rises in cap rates and lowered sales prices, including office properties in the Tokyo metropolitan area, due to conservative investment and financial behavior in risk assets by investors as well as financial institutions.

### <Prospects>

- It will take a certain period for the economic and financial environment to recover. Further increase in cap rates and sales prices decrease is expected. Class A office properties may become undervalued as well.

## Financial market

### <General conditions for this period>

- Market interest rates have drastically dropped through emergency measures by the Bank of Japan.
- Domestic financial institutions have become more conservative in financing, and have been applying stricter loan conditions due to their deteriorating capital-asset ratio caused by the stock market plunge.

### <Prospects>

- It is expected that the market interest rate will stay low for the time being while the deflation continues. However, the loosening fiscal discipline of governments is harmful to markets and a risk in increase in long-term interest rates is inherent.
- The financial behavior of domestic financial institutions is expected to remain tight.

## 2. Future strategies

### <Economic environment>

#### Real estate investment market

- Real estate transactions are decreasing at a fast pace, while cap rates are rising, and sales prices clearly dropping.
- Even class A office properties may become undervalued.

#### Office building rental market

- As the actual economy and corporate earnings worsen, tenants' ability to pay office rent is decreasing. Outside of the Tokyo metropolitan area, there are increases in vacancies and decrease in rent
- There is a slow trend in asking rents in high-rent properties in the Tokyo metropolitan area as well as in some of the properties in the mid- to low price range.

#### Financial market

- Market interest rates remain low.
- The financial behavior for domestic financial institutions are strongly effected by the economic conditions and stock prices will remain conservative for the time being.

### <Administration strategies>

#### External growth

- We will take a conservative stance for acquisitions of assets. (We will continue to keep growth asset-size target for the mid term as 300 billion yen).
- However, the environment for acquiring class-A office properties is upturning and we will continue our stance to acquire new assets. When considering acquisitions of assets, we will undergo a more strict due diligence process, and will set high benchmarks for investment returns.

#### Internal growth

- We will continue to improve occupancy rates and increase rent revenue by adequately perceiving market changes .
- We will strengthen our relationship with tenants through implementing management quality, as well as filling the gap between our current rents and market rents.
- We will continue to promote improvements and standardization of property management duties while continuing actions to increase profits from the cost side by improving efficiency of management and administration.

#### Financial strategy

- Promoting the extension of borrowing periods, spreading out of maturities, and diversification of lenders.

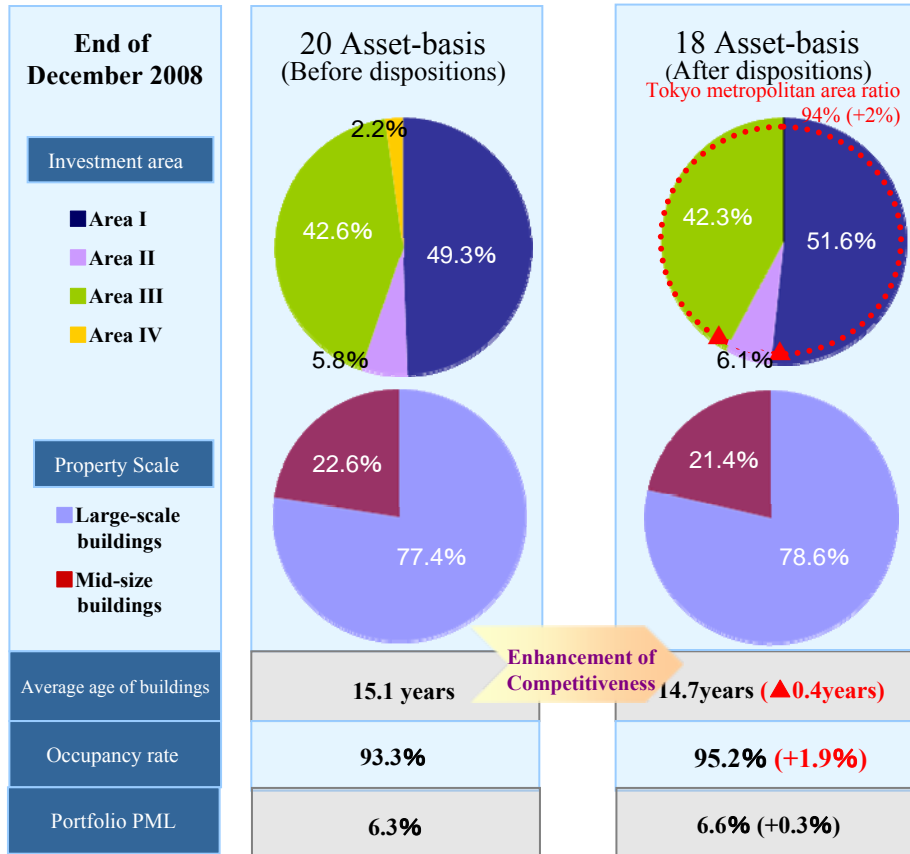
**Maintain stable distribution by building a strong portfolio / financial position that is not vulnerable to the changing business environment and steady internal growth.**



### 3. External Growth

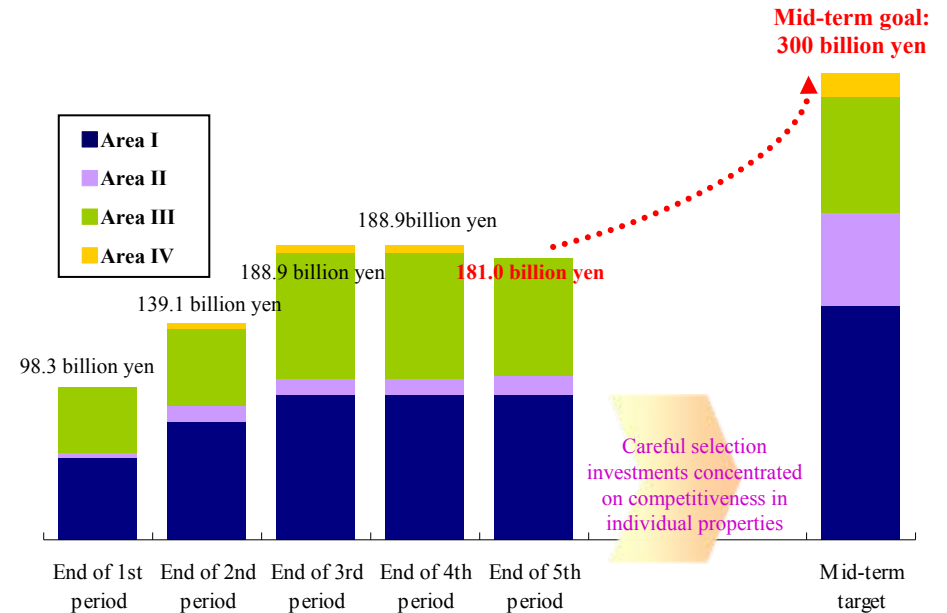
#### Portfolio at End of Period

- Perceiving the changes in real estate market conditions, we have sold two assets, the Shuwa Iidabashi Building (Jul.'08) and the Sendai Kowa Building (Aug. '08). As a result, posted profits of 854 million yen.
- Because a downturn in profitability was expected, the portfolio is now more competitive than before. (see pie charts below)
- Raised the percentage of assets located in the Tokyo metropolitan area 【Area I + III】 to 94%.



#### Future external growth policies

- While maintaining our mid-term goal of expanding our asset size to 300 billion yen, for the time being, we will undergo a more strict process when selecting properties, focusing on the profitability of the assets.
- Make investments after more conservative screening in terms of location and profitability, and pursue properties which have more additional returns over our criterial rates calculated based on the location and quality of the targeted properties.
- Seek opportunities to acquire additional shares of co-investment properties (acquired more shares from our partner in the Kawasaki Nisshincho Building).



# 4. Internal growth

## (1) Occupancy rate

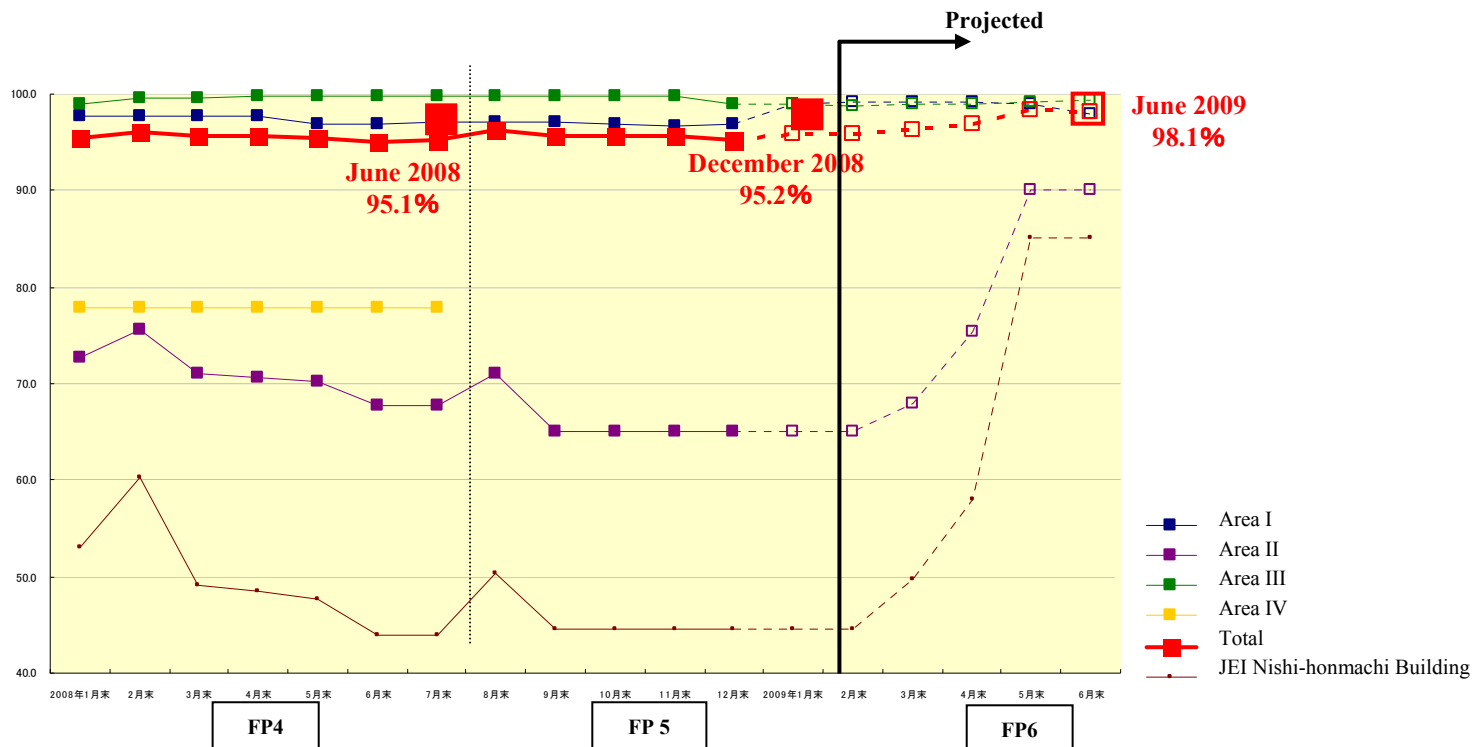
### Current Occupancy rate and its prospects

- Tenant evacuations and cancellation were low this period at **1.5%**, due to quality screening at time of leasing and good tenant relations. Very few incentives for tenants to evacuate or return space due to the divergence of current rent and market rent.
- We expect occupancy rates to rise to **98.1%** at the end of the 6th period (June 2009), through lease up at the JEI Nishi-honmachi Building and Akasaka GC.

### Details of Occupancy by Area

- Area I ... Leasing up at Akasaka GC completed in Jan. 2009.
- Area II ... Raised the occupancy rate at JEI Nishi-honmachi Building (End of Jun. 2008: 44.5%, end of Dec.2008: 67% (\*1), end of Jun. 2009 (forecast): 85%)
- Area III ... Maintained a high occupancy rate, including Kawasaki area (Dec. 2008: 98.9%)
- Area IV ... Sold Sendai Kowa Building, which had a low occupancy rate

(\*1) Includes tenants who have turned in applications, but have yet to move in.



# 4. Internal growth

## (2) Rent renewals / Tenant change

### Increase in rental income

#### <Rent renewals>

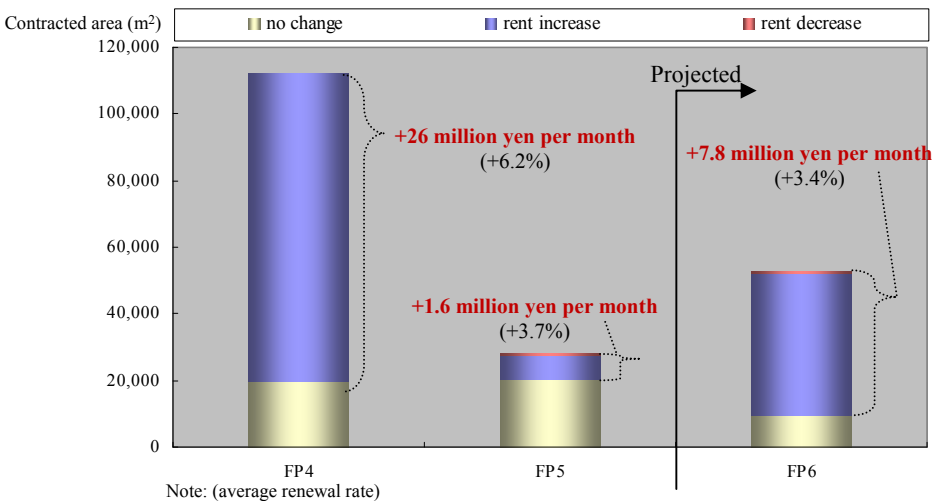
➤ There was an increased revenue of 1.6 million yen/month with rent renewals this period. The ratio of contracts with room for increases in revenue for this period continued to maintain at a high level of **75%**, thereby securing **134 million yen/month**, a desperate amount from the market rent fees. A **monthly increase in income of 7.8 million yen** is projected for the sixth period (of which concluded agreements account for 3.5 million yen/month).

#### <New tenants / Tenant changes>

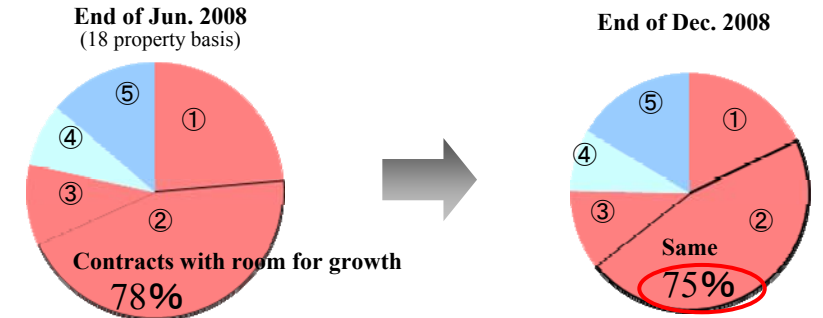
➤ There was a decrease in rent revenue of 3.7 million yen/month due to tenant changes this period, but with the lease up at the JEI Nishi-honmachi and the Akasaka GC in the sixth period, we project an increase in revenue (concluded agreements: 26 million yen/month) of 41 million yen/month (new tenants: +61 million yen, vacating tenants: -19 million yen).

#### <Rent renewals (including renewal during the contract term)>

#### <New tenants / tenant changes>



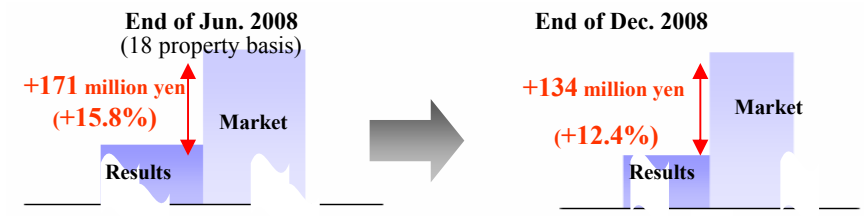
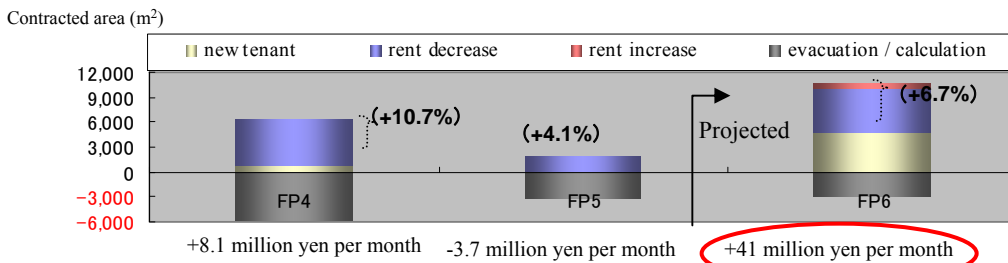
(1) More than 20% lower than the market (2) Between 10~20% lower than the market (3) 3~10% lower than the market (4) Same as the market (5) More than 3% higher than the market



Note: (Average renewal rate)  
 "New tenants": Excluded from calculation of average rate of renewal because there were vacant rooms at time of acquisition.

#### <Transitions of tenants>

#### <Change in rent deviation between current rents and market rents>



Note: Numbers based on contracted area. Also, excludes homes, hotels and sports clubs

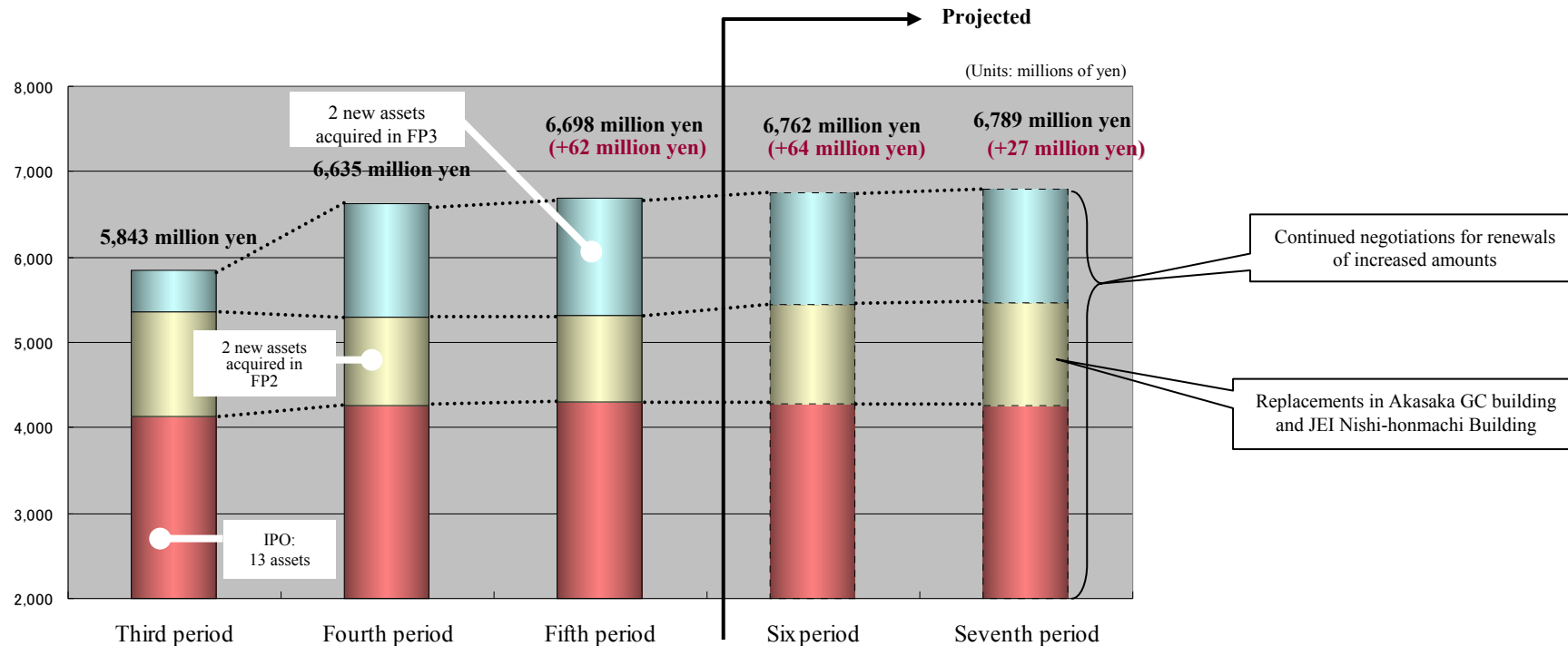
## 4. Internal growth

### (3) Rent revenues

#### Total rent revenue is expected to continually increase

- The fifth period (ended Dec. 2008) saw a revenue **increase of 62 million yen** compared to the previous period.
- A rise in vacancy rate and a fall in market rents is forecasted for future office building lease market, but a continued increase in rent revenue is expected from a rise in the occupancy rate and increased rent fees.

#### <Changes in total rent revenues (18 asset basis)>



## 4. Internal growth

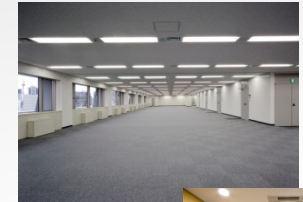
### (4) Property management

#### Measures to increase revenue

- Performed **upgrading construction** after accurately assessing the needs for each property in order to improve the competitiveness of properties in the mid-to long term.
  - Improved office spaces by raising ceiling heights and along with removing asbestos and upgrading common space.
- Effective usage of unused space
  - Completed construction of office space on the top floor of Ebina Prime Tower.
  - Subleasing of parking spaces



↓ Renewal of JEI Nishi-honmachi Building



Smoking area →



#### Measures to improve tenant satisfaction

- Took measures to **improve quality of management** in cooperation with the property management companies
  - Took important actions such as creating a system for contacting and following up on tenants in case of accident or emergency.
  - Constructed a system to check administrative specifications regularly.
- **Provided tenant services** that accurately meet needs.
  - Added smoking area after high demand from tenants.
  - Periodically hold events such as classical concerts by local students and music groups as a part of social and regional contributions.

↓ Smoking area in Musashi Kosugi Tower Place



← Music Event in Omori Bell Port and NHK Nagoya Building

#### Measures for reducing operation and management costs

- Continually taking measures to **reduce costs of external contracting**
  - Introduced group management
- Measures to **conserve energy**
  - Introduced new device to save water
  - Start to look into energy conservation in properties we hold in response to growing societal needs in the future.

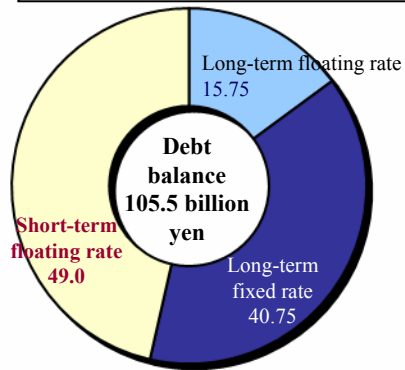
# 5. Financial strategies

## (1) Results

### Promote compression of debt and the diversification of maturities

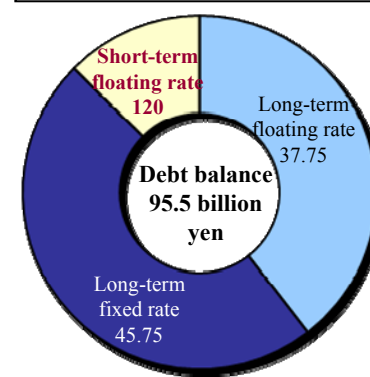
- Of the 49 billion yen in short-term debts that were due in Oct. 2008, 10 billion yen was repaid before maturity, reducing the total assets LTV to 48.7%.
- Of the 39 billion yen remaining after repayments before the deadline, 12 billion yen was renewed in short-term debts from financial institutions, while the remaining 27 billion yen were converted to long-term debts.

End of 4<sup>th</sup> Period (ended June '08)



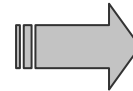
- Ratio of long-term debt: 53.5%
- Ratio of long-term fixed rate debt: 72.1%
- Total assets LTV: 51.2%

End of 5<sup>th</sup> Period (ended Dec. '08)

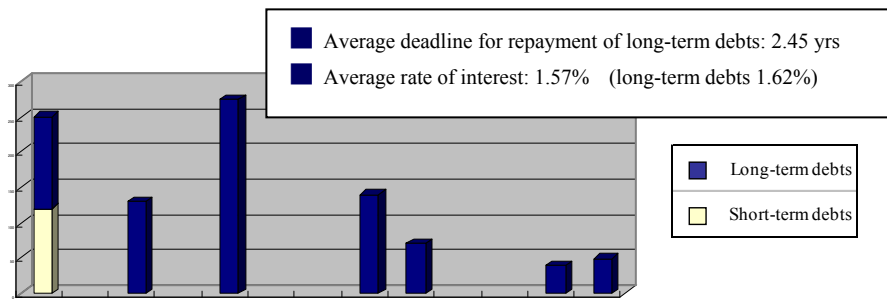


- Ratio of long-term debt: 87.4%
- Ratio of long-term fixed rate debt: 54.8%
- Total assets LTV: 48.7%

[Changes in debt situation]



### <Balance of debts based on repayment deadline>



### <Breakdown according to financial institution and renewals >

| Name of financial institution              | Short-term loans | Long-term loans |
|--|------------------|-----------------|
| Mizuho Corporate Bank, Ltd.                | 6                | 12              |
| Mitsubishi UFJ Trust and Banking           | 3                | 5               |
| Mitsui Sumitomo Banking Corporation        | 2                | 3               |
| The Dai-ichi Mutual Life Insurance Company |                  | 3               |
| Mizuho Trust & Banking Co., Ltd.           | 1                | 2               |
| Development Bank of Japan Inc.             |                  | 2               |
| <b>Total</b>                               | <b>12</b>        | <b>27</b>       |

(Unit : billion yen)

# 5. Financial strategies

## (2) Policies

### Stable financial administration

- Promote the extension of debt and diversify repayment deadlines
- Operation of stable LTV level (35%~50%)
- Promote diversification of financial institution (Currently, the investment corporation borrows from 12 financial institutions, including its sponsor company, Mizuho Corporate Bank.)

• The following investment corporation bonds have been shelf registered for supplying mobile, long-term funds.

#### <Summary of Shelf registrations>

| Type                         | Possible amount of issue | Projected period of issue        |
|------------------------------|--------------------------|----------------------------------|
| Investment Corporation Bonds | 100 billion yen          | From Jan.7, 2008 to Jan. 6, 2010 |

#### <Credit ratings as of Dec. 31, 2008>

| Rating organization                           | Outlook            |
|---|--------------------|
| Moody's Investors Service                     | A2 (Stable) (Note) |
| Rating and Investment Information, Inc. (R&I) | AA-(Stable)        |

\* Moody's announced on January 15, 2009, that the outlook for JEI will be placed on review for a possible downgrade.

## 6. Portfolio appraisal value

### Appraised value at the end of Dec. 2008

| Property number | Area | Name                                    | Evaluation | Acquisition price | Calculated price at end of period |                | Difference (②-①) |        | Book Value at end of FP5 ③ | Difference (②-③) |              | Direct reduction              | Reduced yield                 | Difference (⑤-④)              |
|-----------------|------|---|------------|-------------------|-----------------------------------|----------------|------------------|--------|----------------------------|------------------|--------------|-------------------------------|-------------------------------|-------------------------------|
|                 |      |   |            |                   | End of FP4 ①                      | End of FP5 ②   | (Note)           | %      |                            | %                | End of FP4 ④ | End of FP5 ⑤                  | %                             |                               |
| I-1             | I    | Omori Bellport D                        |            | 22,553            | 26,080                            | <b>26,560</b>  | 480              | 1.8%   | 22,509                     | <b>4,051</b>     | 18.0%        | 4.9%                          | 4.9%                          | 0.0%                          |
| I-2             |      | Shiba 2-Chome Building                  |            | 9,450             | 13,200                            | <b>12,200</b>  | ▲ 1,000          | -7.6%  | 9,373                      | <b>2,827</b>     | 30.2%        | Office 5.1%<br>Residence 5.2% | Office 5.2%<br>Residence 5.6% | Office 0.1%<br>Residence 0.4% |
| I-3             |      | JEI Hamamatsucho Building               |            | 8,350             | 10,300                            | <b>10,200</b>  | ▲ 100            | -1.0%  | 8,334                      | <b>1,866</b>     | 22.4%        | 4.4%                          | 4.5%                          | 0.1%                          |
| I-4             |      | No. 32 Kowa Building                    |            | 5,040             | 5,797                             | <b>5,762</b>   | ▲ 35             | -0.6%  | 5,016                      | <b>746</b>       | 14.9%        | 5.8%                          | 5.8%                          | 0.0%                          |
| I-5             |      | No. 36 Kowa Building                    |            | 4,000             | 4,450                             | <b>4,398</b>   | ▲ 52             | -1.2%  | 4,026                      | <b>372</b>       | 9.2%         | 5.1%                          | 5.2%                          | 0.1%                          |
| I-6             |      | No. 28 Kowa Building                    |            | 2,859             | 4,210                             | <b>3,710</b>   | ▲ 500            | -11.9% | 2,856                      | <b>854</b>       | 29.9%        | 5.5%                          | 5.7%                          | 0.2%                          |
| I-7             |      | Akasaka Garden City                     |            | 23,300            | 25,300                            | <b>23,200</b>  | ▲ 2,100          | -8.3%  | 23,207                     | <b>▲ 7</b>       | 0.0%         | 4.1%                          | 4.2%                          | 0.1%                          |
| I-8             |      | AKASAKA INTERCITY                       |            | 17,857            | 18,400                            | <b>15,800</b>  | ▲ 2,600          | -14.1% | 17,779                     | <b>▲ 1,979</b>   | -11.1%       | 3.9%                          | 3.9%                          | 0.0%                          |
| II-1            | II   | NHK Nagoya Broadcasting Center Building |            | 4,300             | 5,660                             | <b>5,140</b>   | ▲ 520            | -9.2%  | 4,249                      | <b>891</b>       | 21.0%        | 5.0%                          | 5.5%                          | 0.5%                          |
| II-2            |      | JEI Nishi-honmachi Building             |            | 6,674             | 7,040                             | <b>5,450</b>   | ▲ 1,590          | -22.6% | 7,700                      | <b>▲ 2,250</b>   | -29.2%       | 5.2%                          | 5.4%                          | 0.2%                          |
| III-1           | III  | Musashikosugi Tower Place               |            | 13,890            | 18,400                            | <b>16,400</b>  | ▲ 2,000          | -10.9% | 13,603                     | <b>2,797</b>     | 20.6%        | 4.7%                          | 5.2%                          | 0.5%                          |
| III-2           |      | Kowa Kawasaki Higashiguchi Building     |            | 10,976            | 11,500                            | <b>11,200</b>  | ▲ 300            | -2.6%  | 10,692                     | <b>508</b>       | 4.8%         | 4.7%                          | 4.9%                          | 0.2%                          |
| III-3           |      | JEI Hongo Building                      |            | 5,400             | 5,540                             | <b>5,410</b>   | ▲ 130            | -2.3%  | 5,318                      | <b>92</b>        | 1.7%         | 4.5%                          | 4.6%                          | 0.1%                          |
| III-5           |      | Kawasaki Nisshincho Building            |            | 4,205             | 5,880                             | <b>5,750</b>   | ▲ 130            | -2.2%  | 4,198                      | <b>1,552</b>     | 37.0%        | 5.1%                          | 5.5%                          | 0.4%                          |
| III-6           |      | No. 44 Kowa Building                    |            | 1,150             | 1,840                             | <b>1,680</b>   | ▲ 160            | -8.7%  | 1,037                      | <b>643</b>       | 62.0%        | 5.5%                          | 6.0%                          | 0.5%                          |
| III-7           |      | JEI Ryogoku Building                    |            | 2,550             | 2,560                             | <b>2,450</b>   | ▲ 110            | -4.3%  | 2,490                      | <b>▲ 40</b>      | -1.6%        | 5.5%                          | 5.5%                          | 0.0%                          |
| III-8           |      | Ebina Prime Tower                       |            | 6,470             | 6,580                             | <b>5,820</b>   | ▲ 760            | -11.6% | 6,582                      | <b>▲ 762</b>     | -11.6%       | 5.7%                          | 6.2%                          | 0.5%                          |
| III-9           |      | Kowa Kawasaki Nishiguchi Building       |            | 32,000            | 32,600                            | <b>31,200</b>  | ▲ 1,400          | -4.3%  | 31,755                     | <b>▲ 555</b>     | -1.7%        | 4.7%                          | 4.9%                          | 0.2%                          |
| Area I Total    |      |   |            | 93,409            | 107,737                           | <b>101,830</b> | ▲ 5,907          | -5.5%  | <b>93,104</b>              | <b>8,726</b>     | 9.4%         | 4.6%                          | 4.7%                          | 0.1%                          |
| Area II Total   |      |   |            | 10,974            | 12,700                            | <b>10,590</b>  | ▲ 2,110          | -16.6% | <b>11,950</b>              | <b>▲ 1,360</b>   | -11.4%       | 5.1%                          | 5.5%                          | 0.3%                          |
| Area III Total  |      |   |            | 76,641            | 84,900                            | <b>79,910</b>  | ▲ 4,990          | -5.9%  | <b>75,678</b>              | <b>4,232</b>     | 5.6%         | 4.8%                          | 5.1%                          | 0.3%                          |
| Grand Total     |      |   |            | 181,023           | 205,337                           | <b>192,330</b> | ▲ 13,007         | -6.3%  | 180,733                    | <b>11,596</b>    | 6.4%         | 4.6%                          | 4.9%                          | 0.3%                          |

\*Calculations for reduced yield by area were made using weighted averages and rounding off to the second decimal point.

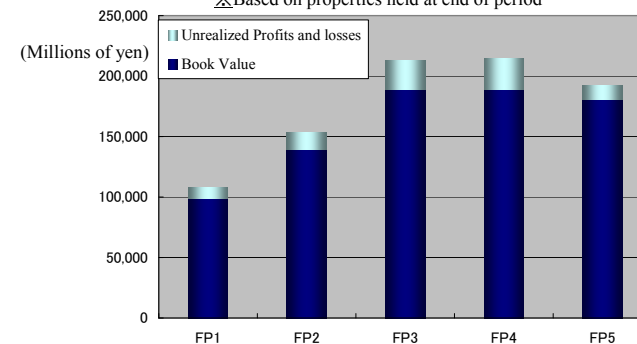
Calculated price at end of period (appraised value of real estate) 192.330 billion yen  
(Compared to previous term: -13.007 billion yen -6.3%)

Unrealized profit 11.496 billion yen

- The appraised value of Area II, including Osaka and Nagoya, fell 16.6%, while Areas I and III (Tokyo metropolitan area) fell 5.6%.
- The lost value through a rise in reduced yield was around -7 billion yen (about 54% of the whole), while the lost value through a downward revision in assumed NOI was around -6 billion yen (about 46% of the whole).

### <Changes in unrealized profits and losses>

※Based on properties held at end of period





# 7. Forecast

## Main factors for forecast for the coming year

### 6<sup>th</sup> Fiscal Period (ending Jun. 2009)

~ In comparison to the 5<sup>th</sup> fiscal period~

➤ Factors from sold properties income in the 5<sup>th</sup> Period

Net income this period: -808 million yen (- 5,230 yen / unit)

➤ Factors for decrease in net income (unit: millions of yen)

(Operating revenue: -15)

- Increase in rent revenue through increase in occupancy rate at JEI Nishi-honmachi, etc. +64
- Decrease in revenue for utilities expenses - 66

(NOI: +43)

- Decrease in utilities expenses +102
- Decrease in repair costs, etc. +114
- Increase in property management fees -108
- Increase in subcontracting costs -42

(Ordinary profits: -106)

- Decrease in financing costs -77

### 7<sup>th</sup> Fiscal Period (ending Dec. 2009)

~In comparison to the 6<sup>th</sup> fiscal period~

(Operating revenue: +98)

(unit: millions of yen)

- Increase in rental revenue +27
- Increase in revenue for utilities expenses +71

(NOI: +47)

- Increase in utilities expenses -118
- Increase in repair costs, etc. -27
- Decrease in property management fees +85
- Decrease in subcontracting costs +8

(Ordinary profits: -0)

- Increase in financing costs -11

#### <6<sup>th</sup> fiscal period> ~Compared with previous announcement~

- Reduced operating revenue by reversing the increase in occupancy rate for the JEI Nishi-honmachi -95
- Costs to remove asbestos from Kowa Kawasaki Nishiguchi -67
- Decrease in financing costs +62

| Current forecasts<br>(unit: millions of yen) | FP5          |  |                           | FP6           |                          | FP7           |                          |
|--|--------------|--|---------------------------|---------------|--------------------------|---------------|--------------------------|
|  | Results<br>① | Revenues/<br>Expenditures<br>from asset sales<br>② | 18 property<br>basis<br>③ | Forecast<br>④ | Difference<br>(④-③)<br>⑥ | Forecast<br>⑤ | Difference<br>(⑤-④)<br>⑦ |
| Revenue                                      | 8,501        | 936  | 7,565                     | 7,549         | ▲ 15                     | 7,647         | 98                       |
| Rent revenue                                 | 6,771        | 73   | 6,698                     | 6,762         | ▲ 64                     | 6,789         | 27                       |
| Utilities                                    | 704          | 5  | 699                       | 632           | ▲ 66                     | 703           | 71                       |
| Revenue from sales of assets                 | 854          | 854  | 0                         | 0             | 0                        | 0             | 0                        |
| NOI  | 4,732        | 18   | 4,713                     | 4,757         | ▲ 43                     | 4,804         | 47                       |
| Operating income                             | 4,000        | 807  | 3,193                     | 3,171         | ▲ 21                     | 3,183         | 11                       |
| Income before income taxes                   | 3,156        | 808  | 2,348                     | 2,242         | ▲ 106                    | 2,241         | ▲ 0                      |
| Net income                                   | 3,155        | 808  | 2,347                     | 2,241         | ▲ 106                    | 2,240         | ▲ 0                      |
| Distributions per unit                       | ¥20,418      | ¥5,230   | ¥15,188                   | ¥14,500       | (¥688)                   | ¥14,500       | ¥0                       |

|                            | FP6<br>(ending June 2009) |                  |            |
|----------------------------|---------------------------|------------------|------------|
|                            | Previous<br>announcement  | Current Forecast | Difference |
| Revenue                    | 7,682                     | 7,549            | ▲ 132      |
| Operating income           | 3,342                     | 3,171            | ▲ 171      |
| Income before income taxes | 2,350                     | 2,242            | ▲ 108      |
| Net income                 | 2,349                     | 2,241            | ▲ 108      |
| Distributions per unit     | 15,200 円                  | 14,500 円         | ▲ 700 円    |

(Note 1) Revenue from sale of properties. Total revenue from sales of 2 assets.

(Note 2) Amounts less than the unit are rounded down.

# Reference material



# Profit and loss statement

(Unit: millions of yen)

|  | Period 4 | %     | Period 5 | %     | Difference | Difference by % |
|--|----------|-------|----------|-------|------------|-----------------|
| 1. Revenue                               | 7,840    | 100.0 | 8,501    | 100.0 | 661        | + 8.4           |
| Rental Revenue                           | 7,135    |       | 6,909    |       | ▲ 226      |                 |
| Other rental revenue                     | 704      |       | 738      |       | 33         |                 |
| Revenue from sales of assets             | -        |       | 854      |       | 854        |                 |
| 2. Operating expenses                    | 4,408    | 56.2  | 4,500    | 52.9  | 92         | + 2.1           |
| Property management fees                 | 1,257    |       | 1,063    |       | ▲ 194      |                 |
| Utilities                                | 672      |       | 759      |       | 86         |                 |
| Taxes                                    | 457      |       | 560      |       | 103        |                 |
| Insurance                                | 23       |       | 21       |       | ▲ 1        |                 |
| Repairs and maintenance                  | 217      |       | 313      |       | 96         |                 |
| Other                                    | 179      |       | 196      |       | 17         |                 |
| Depreciation                             | 1,042    |       | 995      |       | ▲ 47       |                 |
| Total operating expenses                 | 3,849    |       | 3,910    |       | 61         | + 1.6           |
| Total Rental Income                      | 3,990    |       | 3,736    |       | ▲ 254      | ▲ 6.0           |
| Asset Management fees                    | 436      |       | 443      |       | 7          |                 |
| Other                                    | 122      |       | 146      |       | 24         |                 |
| Operating income                         | 3,432    | 43.8  | 4,000    | 47.1  | 568        | + 16.6          |
| 3. Other income                          | 17       | 0.2   | 18       | 0.2   | 0          | + 2.9           |
| interest income                          | 15       |       | 18       |       | 2          |                 |
| other                                    | 2        |       | 0        |       | ▲ 2        |                 |
| 4. Other expenses                        | 788      | 10.1  | 862      | 10.2  | 74         | + 9.5           |
| interest expenses                        | 686      |       | 702      |       | 16         |                 |
| loan arrangement fees                    | 67       |       | 121      |       | 54         |                 |
| other                                    | 33       |       | 38       |       | 4          |                 |
| Income before income taxes               | 2,662    | 33.9  | 3,156    | 37.1  | 494        | + 18.6          |
| Net income before taxes                  | 2,662    | 33.9  | 3,156    | 37.1  | 494        | + 18.6          |
| Income taxes- current                    | 1        |       | 0        |       | ▲ 0        |                 |
| Income taxes- deferred                   | 0        |       | 0        |       | ▲ 0        |                 |
| Net income                               | 2,661    | 33.9  | 3,155    | 37.1  | 494        | + 18.6          |
| Retained earnings at beginning of period | 0        |       | 0        |       | ▲ 0        |                 |
| Retained earnings at end of period       | 2,661    |       | 3,155    |       | 494        |                 |

\*Figures under 1 million yen are rounded down.

- Main factor in increase of revenue and profits this period → Revenue from sales of two real estate properties (854 million yen)

(Unit: millions of yen)

|                                | Shuwa Iidabashi | Sendai Kowa | Total |
|--------------------------------|-----------------|-------------|-------|
| Revenue from asset sales       | 4,580           | 4,814       | 9,394 |
| Book value at end of period    | 4,025           | 4,201       | 8,227 |
| Expenses associated with sales | 140             | 172         | 313   |
| Profits from asset sales       | 413             | 440         | 854   |

- Reason for decrease in revenue and profits from rentals → Sale of two real estate properties
- Property management fees
  - Reduction in leasing commission fees
- Utilities expenses
  - Increase due to seasonal factors
- Taxes
  - Property tax on properties purchased in 2007 calculated 100% from this period (50% in the fourth period)
- Repair and construction expenses
  - Large repair works such as asbestos removal from Kawasaki Nishiguchi
- Finance related expenses
  - Fees related to refinancing

# Revenue and expenditure by property

(Unit: millions of yen)

|                               | 14 properties acquired in FP1 |               |             |         |         |         |            |                |                        |       |           |                     |         |         | 4 properties acquired in FP2 |                |       |        | 2 properties acquired in FP3 |                      | Total of 14 properties | Total of 4 properties | Total of 2 properties | Grand total |
|-------------------------------|-------------------------------|---------------|-------------|---------|---------|---------|------------|----------------|------------------------|-------|-----------|---------------------|---------|---------|------------------------------|----------------|-------|--------|------------------------------|----------------------|------------------------|-----------------------|-----------------------|-------------|
|                               | Omori                         | Shiba 2-chome | Hamatsu-cho | 32 Kowa | 36 Kowa | 28 Kowa | NHK Nagoya | Musashi-kosugi | Kawasaki Higashi-guchi | Hongo | Iidabashi | Kawasaki Nishin-cho | 44 Kowa | Ryogoku | Akasaka Intercity            | Nishi-honmachi | Ebina | Sendai | Akasaka Intercity            | Kawasaki Nishi-machi |                        |                       |                       |             |
| Revenue                       | 1,096                         | 366           | 315         | 252     | -       | 171     | 323        | 838            | -                      | 178   | -         | 225                 | 97      | 119     | 463                          | 130            | 563   | 79     | 374                          | 1,241                | 4,794                  | 1,237                 | 1,615                 | 7,647       |
| Rental revenue                | 1,035                         | 365           | 300         | 238     | -       | 152     | -          | 708            | -                      | 163   | -         | 224                 | 83      | 108     | 432                          | 116            | 483   | 74     | 339                          | 1,066                | 4,396                  | 1,106                 | 1,406                 | 6,909       |
| Other revenue                 | 60                            | 1             | 15          | 14      | -       | 18      | -          | 130            | -                      | 14    | -         | 1                   | 13      | 11      | 30                           | 14             | 80    | 5      | 34                           | 174                  | 398                    | 130                   | 209                   | 738         |
| Operating expenses            | 521                           | 134           | 134         | 76      | -       | 63      | 182        | 387            | -                      | 64    | -         | 93                  | 43      | 63      | 145                          | 229            | 384   | 69     | 148                          | 763                  | 2,170                  | 828                   | 912                   | 3,910       |
| Property management fees      | 152                           | 50            | 22          | 29      | -       | 22      | 57         | 112            | -                      | 14    | -         | 35                  | 16      | 20      | 26                           | 43             | 147   | 15     | 14                           | 166                  | 650                    | 233                   | 180                   | 1,063       |
| Utilities                     | 148                           | 0             | 17          | 12      | -       | 15      | 28         | 90             | -                      | 10    | -         | -                   | 9       | 11      | 24                           | 20             | 85    | 12     | 35                           | 151                  | 429                    | 143                   | 186                   | 759         |
| Taxes                         | 84                            | 31            | 17          | 14      | -       | 8       | 21         | 59             | -                      | 9     | -         | 15                  | 4       | 7       | 32                           | 27             | 47    | 22     | 19                           | 77                   | 333                    | 129                   | 97                    | 560         |
| Insurance                     | 2                             | 1             | 0           | 0       | -       | 0       | 0          | 3              | -                      | 0     | -         | 0                   | 0       | 0       | 0                            | 0              | 2     | 0      | 0                            | 3                    | 13                     | 4                     | 4                     | 21          |
| Repair and maintenance        | 8                             | 12            | 34          | 3       | -       | 4       | 8          | 21             | -                      | 1     | -         | 7                   | 0       | 4       | -                            | 68             | 11    | 4      | 0                            | 107                  | 120                    | 84                    | 108                   | 313         |
| Other expenses                | 5                             | 2             | 13          | 2       | -       | 1       | 28         | 9              | -                      | 2     | -         | 1                   | 2       | 1       | 4                            | 24             | 10    | 1      | 35                           | 21                   | 97                     | 42                    | 57                    | 196         |
| Depreciation and amortization | 119                           | 36            | 27          | 14      | 11      | 11      | 37         | 91             | 85                     | 25    | 3         | 33                  | 10      | 16      | 55                           | 44             | 77    | 13     | 41                           | 236                  | 525                    | 191                   | 277                   | 995         |
| Total rental income           | 574                           | 232           | 181         | 175     | 113     | 107     | 140        | 450            | 299                    | 113   | -8        | 131                 | 54      | 56      | 317                          | -98            | 179   | 9      | 225                          | 477                  | 2,624                  | 409                   | 703                   | 3,736       |
| NOI                           | 693                           | 268           | 208         | 190     | 125     | 119     | 177        | 541            | 385                    | 139   | -4        | 165                 | 65      | 73      | 373                          | -54            | 257   | 23     | 267                          | 713                  | 3,150                  | 600                   | 981                   | 4,732       |
| Number of operating days      | 184                           | 184           | 184         | 184     | 184     | 184     | 184        | 184            | 184                    | 184   | 3         | 184                 | 184     | 184     | 184                          | 184            | 184   | 59     | 184                          | 184                  |                        |                       |                       |             |
| Acquisition price             | 22,552                        | 9,450         | 8,350       | 5,040   | 4,000   | 2,859   | 4,300      | 13,890         | 10,976                 | 5,400 | 4,023     | 4,205               | 1,150   | 2,550   | 23,300                       | 6,673          | 6,470 | 4,238  | 17,857                       | 32,000               | 98,745                 | 40,681                | 49,857                | 189,284     |

|                          |      |       |       |      |      |      |       |      |      |      |        |       |       |      |      |       |       |       |      |       |      |       |       |       |
|--------------------------|------|-------|-------|------|------|------|-------|------|------|------|--------|-------|-------|------|------|-------|-------|-------|------|-------|------|-------|-------|-------|
| 5th period NOI yield (1) | 6.1% | 5.6%  | 5.0%  | 7.5% | 6.2% | 8.3% | 8.2%  | 7.7% | 7.0% | 5.1% | -15.0% | 8.1%  | 11.2% | 5.7% | 3.2% | -1.6% | 7.9%  | 3.4%  | 3.0% | 4.4%  | 6.6% | 3.2%  | 3.9%  | 5.2%  |
| 5th period NOI yield (2) | 6.1% | 5.6%  | 5.0%  | 7.5% | 6.2% | 8.3% | 8.2%  | 7.7% | 7.0% | 5.1% | -15.0% | 8.1%  | 11.2% | 5.7% | 3.2% | -1.6% | 7.9%  | 3.4%  | 3.0% | 4.4%  | 6.6% | 3.2%  | 3.9%  | 5.2%  |
| 4th period NOI yield (1) | 5.8% | 6.4%  | 5.7%  | 7.5% | 5.2% | 8.0% | 8.3%  | 7.7% | 5.9% | 5.1% | 4.7%   | 8.3%  | 11.1% | 5.4% | 3.1% | -1.7% | 9.3%  | 7.5%  | 3.0% | 5.4%  | 6.4% | 3.8%  | 4.5%  | 5.4%  |
| 4th period NOI yield (2) | 5.8% | 6.4%  | 5.7%  | 7.5% | 5.2% | 8.0% | 8.3%  | 7.7% | 5.9% | 5.1% | 4.7%   | 8.3%  | 11.1% | 5.4% | 3.0% | -2.1% | 8.6%  | 6.9%  | 2.9% | 5.2%  | 6.4% | 3.4%  | 4.3%  | 5.2%  |
| Difference (1)           | 0.3% | -0.8% | -0.7% | 0.0% | 1.0% | 0.3% | -0.1% | 0.0% | 1.1% | 0.0% | -19.7% | -0.2% | 0.1%  | 0.3% | 0.1% | 0.1%  | -1.4% | -4.1% | 0.0% | -1.0% | 0.2% | -0.6% | -0.6% | -0.2% |
| Difference (2)           | 0.3% | -0.8% | -0.7% | 0.0% | 1.0% | 0.3% | -0.1% | 0.0% | 1.1% | 0.0% | -19.7% | -0.2% | 0.1%  | 0.3% | 0.2% | 0.5%  | -0.7% | -3.5% | 0.1% | -0.8% | 0.2% | -0.2% | -0.4% | 0.0%  |

(Note 1) Figures are rounded down to the nearest million. Ratios are rounded to the second decimal point.

(Note 2) The NOI yield for each property shown is annualized. (NOI yield = Annualized NOI ÷ acquisition price)

(Note 3) Total NOI yield is calculated the weighted average of acquisition prices depending on the period of ownership.

(Note 4) The NOI yield is calculated by posting as an expense an amount equivalent to the property and taxes posted at the time of acquisition.

(Note 5) Details concerning revenue and expenses for 36 Kowa, Kawasaki Higashiguchi and Iidabashi are not released because we are not able to receive authorization from tenants.

(Note 6) The total NOI yield for FP5 is shown based on the 18 properties owned at the end of Dec.2008.

## 1. Burden of property and city planning taxes in accounting base numbers

14 properties acquired in Period 1: FP 4 100% FP5 100%

6 properties acquired in FP2 and onward: FP 4 none FP5 50%

## 2. 100% burden of property and city planning taxes

# Balance sheet

(Unit: million of yen)

| Assets  |         |       |         |       | Liabilities and unitholders' equity |  |         |       |         |       |            |
|---|---------|-------|---------|-------|-------------------------------------|--|---------|-------|---------|-------|------------|
|   | FP4     |       | FP5     |       | Difference                          |  | FP4     |       | FP5     |       | Difference |
|   |         | %     |         | %     |                                     |  |         | %     |         | %     |            |
| Assets  |         |       |         |       |                                     | Liabilities  |         |       |         |       |            |
| I. Current assets                             | 16,996  | 8.2   | 14,699  | 7.5   | ▲ 2,297                             | I. Current liabilities                             | 63,282  | 30.7  | 26,459  | 13.5  | ▲ 36,822   |
| Cash and cash equivalents                     | 3,892   |       | 1,279   |       | ▲ 2,612                             | Accounts payable-trade                             | 571     |       | 766     |       | 195        |
| Cash and cash equivalents (as trust accounts) | 12,517  |       | 11,428  |       | ▲ 1,088                             | Accounts payable-other                             | 336     |       | 339     |       | 3          |
| Rental receivables                            | 420     |       | 370     |       | ▲ 49                                | Unpaid consumption taxes                           | 220     |       | 121     |       | ▲ 98       |
| Other   | -       |       | 1,500   |       | 1,500                               | Short-term debt                                    | 62,000  |       | 25,000  |       | ▲ 37,000   |
| II. Fixed assets                              | 189,083 | 91.8  | 181,230 | 92.5  | ▲ 7,852                             | Other  | 153     |       | 231     |       | 77         |
| 1. Property and equipment                     | 180,259 | 87.5  | 172,168 | 87.9  | ▲ 8,091                             | II. Long-term liabilities                          | 53,141  | 25.8  | 79,451  | 40.6  | 26,309     |
| Real estate                                   | 3,087   |       | 3,061   |       | ▲ 26                                | Long-term debt                                     | 43,500  |       | 70,500  |       | 27,000     |
| Real estate (as trust accounts)               | 177,170 |       | 169,103 |       | ▲ 8,066                             | Security deposits from tenants                     | 476     |       | 452     |       | ▲ 24       |
| Construction in progress                      | 1       |       | 2       |       | 1                                   | Security deposits from tenants (as trust accounts) | 9,052   |       | 8,300   |       | ▲ 751      |
| 2. Intangible assets                          | 8,565   | 4.2   | 8,565   | 4.4   | ▲ 0                                 | Other  | 112     |       | 198     |       | 85         |
| Leasehold rights                              | 1,185   |       | 1,185   |       | -                                   | Total liabilities                                  | 116,424 | 56.5  | 105,910 | 54.1  | ▲ 10,513   |
| Leasehold rights (as trust accounts)          | 7,380   |       | 7,380   |       | -                                   | Unitholders' equity                                |         |       |         |       |            |
| Other   | 0       |       | 0       |       | ▲ 0                                 | I. Unitholders' capital                            | 89,744  | 43.5  | 90,238  | 46.0  | 494        |
| 3. Investments and other assets               | 257     | 0.1   | 496     | 0.2   | 239                                 | 1. Unitholders' capital                            | 87,083  | 42.3  | 87,083  | 44.4  | 0          |
| Investment in securities                      | 10      |       | 10      |       | -                                   | 2. Retained earnings                               | 2,661   |       | 3,155   |       | 494        |
| Security deposits                             | 15      |       | 15      |       | -                                   | Unappropriated retained earnings                   | 2,661   | 1.3   | 3,155   | 1.6   | 494        |
| Long-term prepaid expenses                    | 148     |       | 429     |       | 280                                 | II. Valuation and translation adjustment           | ▲ 88    | ▲ 0.0 | ▲ 219   | ▲ 0.1 | ▲ 131      |
| Other   | 83      |       | 41      |       | ▲ 41                                | Loss on differed hedge                             | ▲ 88    |       | ▲ 219   |       | ▲ 131      |
| Total assets                                  | 206,079 | 100.0 | 195,929 | 100.0 | ▲ 10,149                            | Total unitholders' equity                          | 89,655  | 43.5  | 90,019  | 45.9  | 363        |
|   |         |       |         |       |                                     | Total liabilities and unitholders' equity          | 206,079 | 100.0 | 195,929 | 100.0 | ▲ 10,149   |

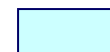
- Decrease in current assets  
-due to repayments of debts before maturity -918
- Decrease in fixed assets  
-due to sale of two properties -8,227  
  Shuwa Idabashi Building -4,025  
  Sendai Kowa Building -4,201
- Liabilities  
  Decrease due to repayments before maturity -10,000

\* Figures under 1 million yen are rounded down. Ratios are rounded to the second decimal point.

# List of lenders

(Unit: millions of yen)

|   | Outstanding debt at end of fourth period | Share  | Outstanding debt at end of this period | Share  | Long-term | Short-term |
|---|--|--------|--|--------|-----------|------------|
| Mizuho Corporate Bank, Ltd.                     | 34,500                                   | 32.7%  | 29,500                                 | 30.9%  | 23,500    | 6,000      |
| Mitsubishi UFJ Trust and Banking                | 19,800                                   | 18.8%  | 17,800                                 | 18.6%  | 14,800    | 3,000      |
| Sumitomo Mitsui Banking Corporation             | 12,200                                   | 11.6%  | 9,200                                  | 9.6%   | 7,200     | 2,000      |
| The Dai-ichi Mutual Life Insurance Company      | 5,000                                    | 4.7%   | 8,000                                  | 8.4%   | 8,000     | 0          |
| Mizuho Trust & Banking Co., Ltd.                | 9,500                                    | 9.0%   | 7,500                                  | 7.9%   | 6,500     | 1,000      |
| The Norinchukin Bank                            | 7,000                                    | 6.6%   | 7,000                                  | 7.3%   | 7,000     | 0          |
| Aozora Bank, Ltd.                               | 8,000                                    | 7.6%   | 5,000                                  | 5.2%   | 5,000     | 0          |
| Development Bank of Japan                       | 2,000                                    | 1.9%   | 4,000                                  | 4.2%   | 4,000     | 0          |
| Chuo Mitsui Trust and Banking                   | 3,000                                    | 2.8%   | 3,000                                  | 3.1%   | 3,000     | 0          |
| Sompo Japan Insurance Inc.                      | 2,000                                    | 1.9%   | 2,000                                  | 2.1%   | 2,000     | 0          |
| Resona Bank, Ltd.                               | 1,500                                    | 1.4%   | 1,500                                  | 1.6%   | 1,500     | 0          |
| Tokio Marine & Nichido Fire Insurance Co., Ltd. | 1,000                                    | 0.9%   | 1,000                                  | 1.0%   | 1,000     | 0          |
| Total   | 105,500                                  | 100.0% | 95,500                                 | 100.0% | 83,500    | 12,000     |



Sponsor companies of the asset management company

# Cash flow statement / Profit distribution

## <Cash flow statement>

(Units: millions of yen)

| Classification                                      | Amount   |
|---|----------|
| I. Cash flow from operating activities              | 12,219   |
| Income before income taxes                          | 3,156    |
| Depreciation and amortization                       | 995      |
| Decrease in unpaid consumption taxes                | △ 98     |
| Interest expense                                    | △ 597    |
| Proceeds from sale of fixed assets                  | 8,227    |
| Other   | 536      |
| II. Cash flow from investing activities             | △ 1,763  |
| Purchases of property and equipment                 | △ 986    |
| Net payments for security deposits                  | △ 776    |
| III. Cash flow from financing activities            | △ 12,656 |
| Proceeds from short-term loans                      | 12,000   |
| Repayment of short-term loans                       | △ 49,000 |
| Proceeds from long-term debt                        | 27,000   |
| Distributions to unitholders                        | △ 2,656  |
| IV. Net Decrease in cash and cash equivalents       | △ 2,200  |
| V. Cash and cash equivalents at beginning of period | 16,409   |
| VI. Cash and cash equivalents at end of period      | 14,208   |

(Note) Figures under 1 million yen are rounded down.

## <Profit distribution>

(Units: yen)

|                                      |               |
|--------------------------------------|---------------|
| Retained earnings at end of period   | 3,155,635,502 |
| Distributions                        | 3,155,601,900 |
| (Distributions per investment unit)  | 20,418        |
| Earnings carried over to next period | 33,602        |
| Outstanding investment units         | 154550 units  |

|  |       |
|--|-------|
| • Proceeds from sale of fixed assets                   |       |
| Shuwa Idabashi Building                                | 4,025 |
| Sendai Kowa Building                                   | 4,201 |
| • Purchases of property and equipment                  |       |
| Capital expenditures                                   | ▲ 686 |
| Acquiring extra shares in Kawasaki Nisshincho Building | ▲ 300 |

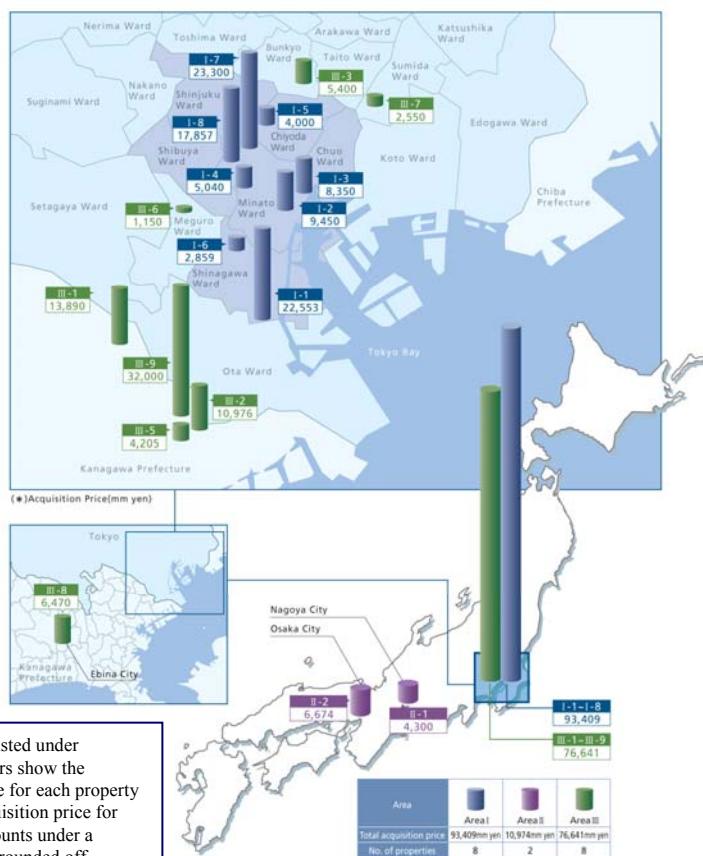
# Financial measures

| Financial measure   | Calculation  | Unit     | FP4     | FP5     |
|---|--|----------|---------|---------|
| <b>EPS (Earnings per share)</b>   | Net income / total units outstanding   | yen      | 17,217  | 20,417  |
| <b>EBIT (Earnings before interest and tax)</b>                                  | Earnings before taxes + Interest • Discount amount   | MM yen   | 3,348   | 3,859   |
| <b>EBITDA (Earnings before interest, tax and depreciation and amortization)</b> | Earnings before taxes + Interest • Discount amount + Depreciation and amortization               | MM yen   | 4,391   | 4,854   |
| <b>NOI (Net operating income)</b>   | Lease revenue - lease expenses + Depreciation and amortization                                   | MM yen   | 5,033   | 4,732   |
| <b>NCF (Net cash flow)</b>  | NOI-Capital Expenditures   | MM yen   | 4,502   | 4,201   |
| <b>FFO per unit</b>   | FFO / Total units outstanding  | yen      | 23,963  | 21,331  |
| <b>DSCR (Debt service coverage ratio)</b>                                       | Net income before interest tax   | multiple | 4.9     | 5.5     |
| <b>ROA</b>  | Income before income taxes / [(Period beginning total assets + period end total assets) / 2]*100 | %        | 1.3     | 1.6     |
| <b>(Reference) Annualized with following formula</b>                            | Above* 366 days/ number of operating days  | %        | 2.6     | 3.1     |
| <b>ROE</b>  | Net income / [(net assets  | %        | 3.0     | 3.5     |
| <b>(Reference) Annualized with following formula</b>                            | Above* 366 days/ number of operating days  | %        | 6.0     | 7.0     |
| <b>Equity / Total Assets</b>  | (Period end net assets / period end total assets) * 100  | %        | 43.5    | 45.9    |
| <b>LTV (loan-to-value)</b>  | (Period end interest-bearing debt / period end total assets) * 100                               | %        | 51.2    | 48.7    |
| <b>BPS (Book value per unit)</b>  | Period end net assets / number of outstanding investment units                                   | yen      | 580,107 | 582,458 |
| <b>Distribution payout ratio</b>  | Total cash distribution amount / net income * 100  | %        | 100.0   | 100.0   |



# Portfolio overview

## ■ Portfolio map



(Note) Values listed under property numbers show the acquisition price for each property or the total acquisition price for each area. Amounts under a million yen are rounded off.

## ■ List of portfolio

| Property No. | Building Type | Name                                | Location  | Total Floor Area (m <sup>2</sup> ) | Completion | Acquisition Price (mm yen) | Appraisal Value (mm yen) | Investment Ratio(%) | PML (%) |
|--------------|---------------|-------------------------------------|---|------------------------------------|------------|----------------------------|--------------------------|---------------------|---------|
| I-7          | Office        | Akasaka Garden City                 | Akasaka, Minato Ward, Tokyo                       | 46,776.76                          | Jan 2006   | 23,300                     | 23,200                   | 12.9                | 8.6     |
| I-1          | Office        | Omori Bellport D                    | Minami-Oi, Shinagawa Ward, Tokyo                  | 155,778.75                         | Sep 1996   | 22,553                     | 26,560                   | 12.5                | 8.0     |
| I-8          | Office        | AKASAKA INTERCITY                   | Akasaka, Minato Ward, Tokyo                       | 73,061.33                          | Jan 2005   | 17,857                     | 15,800                   | 9.9                 | 9.2     |
| I-2          | Office        | Shiba 2-Chome Building              | Shiba, Minato Ward, Tokyo                         | 19,518.15                          | Mar 1994   | 9,450                      | 12,200                   | 5.2                 | 8.2     |
| I-3          | Office        | JEI Hamamatsucho Building           | Hamamatsucho, Minato Ward, Tokyo                  | 8,327.53                           | Dec 1991   | 8,350                      | 10,200                   | 4.6                 | 8.2     |
| I-4          | Office        | No. 32 Kowa Building                | Minami-Azabu, Minato Ward, Tokyo                  | 10,110.96                          | Mar 1979   | 5,040                      | 5,762                    | 2.8                 | 13.2    |
| I-5          | Office        | No. 36 Kowa Building                | Sanbancho, Chiyoda Ward, Tokyo                    | 8,266.55                           | Sep 1982   | 4,000                      | 4,398                    | 2.2                 | 13.2    |
| I-6          | Office        | No. 28 Kowa Building                | Nishi-Gotanda, Shinagawa Ward, Tokyo              | 6,282.23                           | Feb 1975   | 2,859                      | 3,710                    | 1.6                 | 13.5    |
| Subtotal     |               |                                     |   | 328,122.26                         | —          | 93,409                     | 101,830                  | 51.6                | —       |
| II-2         | Office        | JEI Nishi-Honmachi Building         | Nishi Ward, Osaka City, Osaka                     | 15,800.31                          | Feb 1988   | 6,674                      | 5,450                    | 3.7                 | 11.5    |
| II-1         | Office        | NHK Nagoya Housou-Center Building   | Higashi Ward, Nagoya City, Aichi Prefecture       | 80,809.95                          | Jul 1991   | 4,300                      | 5,140                    | 2.4                 | 11.9    |
| Subtotal     |               |                                     |   | 96,610.26                          | —          | 10,974                     | 10,590                   | 6.1                 | —       |
| III-9        | Office        | Kowa Kawasaki Nishiguchi Building   | Saiwai Ward, Kawasaki City, Kanagawa Prefecture   | 61,856.92                          | Feb 1988   | 32,000                     | 31,200                   | 17.7                | 7.9     |
| III-1        | Office        | Musashikosugi Tower Place           | Nakahara Ward, Kawasaki City, Kanagawa Prefecture | 53,711.13                          | Jul 1995   | 13,890                     | 16,400                   | 7.7                 | 11.5    |
| III-2        | Office        | Kowa Kawasaki Higashiguchi Building | Kawasaki Ward, Kawasaki City, Kanagawa Prefecture | 31,009.62                          | Apr 1988   | 10,976                     | 11,200                   | 6.1                 | 6.7     |
| III-8        | Office        | Ebina Prime Tower                   | Chuo, Ebina City, Kanagawa Prefecture             | 55,806.20                          | May 1995   | 6,470                      | 5,820                    | 3.6                 | 12.2    |
| III-3        | Office        | JEI Hongo Building                  | Hongo, Bunkyo Ward, Tokyo                         | 5,877.11                           | Feb 1991   | 5,400                      | 5,410                    | 3.0                 | 14.2    |
| III-5        | Office        | Kawasaki Nishincho Building         | Kawasaki Ward, Kawasaki City, Kanagawa Prefecture | 22,141.60                          | Apr 1992   | 4,205                      | 5,750                    | 2.3                 | 14.7    |
| III-7        | Office        | JEI Ryogoku Building                | Ryogoku, Sumida Ward, Tokyo                       | 5,820.56                           | Aug 1996   | 2,550                      | 2,450                    | 1.4                 | 14.3    |
| III-6        | Office        | No. 44 Kowa Building                | Higashiyama, Meguro Ward, Tokyo                   | 3,359.55                           | Jul 1984   | 1,150                      | 1,680                    | 0.6                 | 13.4    |
| Subtotal     |               |                                     |   | 239,582.69                         | —          | 76,641                     | 79,910                   | 42.3                | —       |
| Total        |               |                                     |   | 664,315.21                         | —          | 181,023                    | 192,330                  | 100.0               | 6.6     |

(Note 1) "Acquisition price" is the price recorded in sales agreements (excluding consumption tax). Amounts of less than one million yen are rounded.

(Note 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 HIRO & REAS Network as of the end of the 5th fiscal period (Dec.31, 2008) based on the this corporation'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 this corporation or the trustee.

(Note 3) "Total floor area" shows a total of the floor space of the building or the trust building represented in the register (excluding the accessory building, etc.) When the building or the trust building is an exclusive part of the comparted-ownership building, the floor space of the whole building is described.

(Note 4) "Construction date" includes the time of initial construction described in the register.

(Note 5) "Investment ratio" shows a ratio of the acquisition price for each property, and less than a tenth is rounded.

(Note 6) "PML" is based on the PML description in the building examination report including the PML calculation report. The relevant description just shows a reporter's view and this investment corporation does not guarantee the accuracy of the content.

# Portfolio overview

## Area I



### I-8 AKASAKA INTERCITY

Address: 1-11-44 Akasaka, Minato Ward, Tokyo  
 Site Area: 8,019.87㎡  
 Total Floor Space: 73,061.33㎡  
 Structure: S, SRC  
 Floors: 29 (3basement floors)  
 Constructed: January 28, 2005



I-1 Omori Bellport D



I-2 Shiba 2-Chome Building



I3 JEI Hamamatsucho Building



### I-7 Akasaka Garden City

Address: 4-15-1 Akasaka, Minato Ward, Tokyo  
 Site Area: 6,888.97㎡  
 Total Floor Space: 46,776.76㎡  
 Structure: S, RC, SRC  
 Floors: 19 (2basement floors)  
 Constructed: January 31, 2006



I-4 No.32 Kowa Building



I-5 No.36 Kowa Building



I-6 No.28 Kowa Building

# Portfolio overview

## Area II



II-1 NHK Naoya Housou-Center Building



II-2 JEI Nishi-Honmachi Building

## Area III



III-1 Musashikosugi Tower Place



III-6 No.44 Kowa Building



III-2 Kowa Kawasaki Higashiguchi Building



III-7 JEI Ryogoku Building



III-3 JEI Hongo Building



III-8 Ebina Prime Tower



III-5 Kawasaki Nisshincho Building



III-9 Kowa Kawasaki Nishiguchi Building


# Investors

| Owner classification                            | Investment units |                 |                 |                 |            | Investors             |                 |                       |                 |            |
|---|------------------|-----------------|-----------------|-----------------|------------|-----------------------|-----------------|-----------------------|-----------------|------------|
|   | FP4 (Jun.2008)   |                 | FP5 (Dec.2008)  |                 | Change (%) | FP4(Jun. 2008)        |                 | FP5(Dec.2008)         |                 | Change (%) |
|   | Number of units  | Composition (%) | Number of units | Composition (%) |            | Number of unitholders | Composition (%) | Number of unitholders | Composition (%) |            |
| Financial institutions and securities companies | 102,528          | 66.3            | 100,966         | 65.3            | -1.0       | 133                   | 3.2             | 105                   | 2.3             | -0.9       |
| Other domestic companies                        | 20,934           | 13.5            | 21,886          | 14.2            | 0.6        | 99                    | 2.4             | 116                   | 2.6             | 0.2        |
| Foreign companies, etc.                         | 21,833           | 14.1            | 20,089          | 13.0            | -1.1       | 105                   | 2.5             | 122                   | 2.7             | 0.2        |
| Individuals                                     | 9,255            | 6.0             | 11,609          | 7.5             | 1.5        | 3,833                 | 91.9            | 4,172                 | 92.4            | 0.5        |

Ratio of investment shares held by the 4 sponsor companies: 13.3%

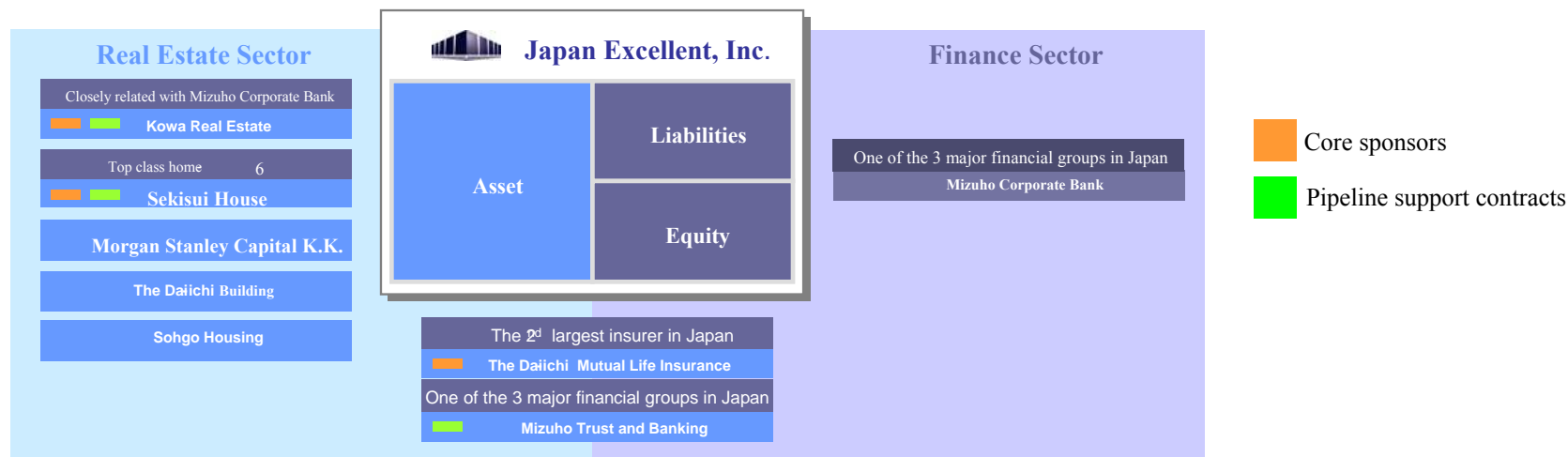
| Name  | (units) | Composition ratio (%) |
|---|---------|-----------------------|
| Kowa Real Estate  | 14,312  | 9.3                   |
| NikkoCiti Trust and Banking Corporation (Investment trust account)        | 12,887  | 8.3                   |
| The Master Trust Bank of Japan, Ltd. (Trust account)                      | 12,851  | 8.3                   |
| Trust & Custody Services Bank, Ltd. (Securities investment trust account) | 12,806  | 8.3                   |
| Japan Trustee Services Bank, Ltd. (Trust account)                         | 12,016  | 7.8                   |
| The Nomura Trust and Banking Co., Ltd. (Investment trust account)         | 5,920   | 3.8                   |
| North Pacific Bank, LTD.  | 4,590   | 3.0                   |
| The Dai-ichi Mutual Life Insurance Company                                | 4,132   | 2.7                   |
| The Bank of IKEDA, Ltd.   | 3,711   | 2.4                   |
| The Chugoku Bank, LTD.  | 3,517   | 2.3                   |
| Total   | 86,742  | 56.1                  |

(Note) Ratios are rounded to the second decimal place.

 Sponsor companies of the asset management company

# Overview of Investment Corporation

- Japan Excellent, Inc. aims to maximize shareholders' value by "utilizing and combining the comprehensive capabilities of sponsor companies with strength in real estate and finance" and "seeking the stability and expansion of revenues."



- JEI will invest mainly in office buildings in metropolitan areas and operate its portfolio balancing revenue stability and expansion.

More than 90% of the portfolio is invested in office buildings.

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

(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.

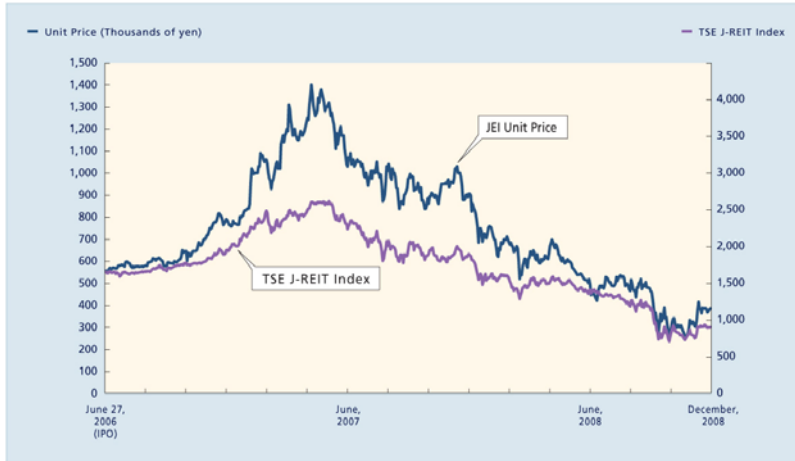
(Note 2) This refers to the total acquisition cost of the asset related to real estate for each usage against the total acquisition cost for the portfolio overall.

Have the highly concentrated core area at 80% or higher with office buildings and set a carefully detailed investment ratio for the core area.

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

# Unit price performance / Overview of Asset Management Companies

## Investment Unit Price and TSE J-REIT INDEX



## Company Outline

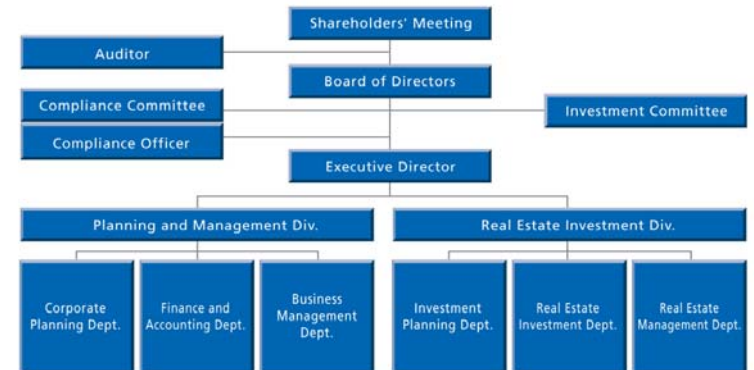
|                     |  |                  |
|---------------------|--|------------------|
| Corporate Name      | Japan Excellent Asset Management Co., Ltd.   |                  |
| Headquarter         | 1-9-20 Akasaka, Minato-ku, Tokyo   |                  |
| Established         | April 14, 2005   |                  |
| Capital             | 450 Million Yen  |                  |
| Shareholders        |  |                  |
|                     | Kowa Real Estate Co., Ltd.   | 40.0%            |
|                     | The Dai-ichi Mutual Life Insurance Company   | 20.0%            |
|                     | Sekisui House Ltd.   | 15.0%            |
|                     | The Dai-ichi Building Co., Ltd.  | 5.0%             |
|                     | Sohgo Housing Co., Ltd.  | 5.0%             |
|                     | Morgan Stanley Capital K.K.  | 5.0%             |
|                     | Mizuho Corporate Bank, Ltd.  | 5.0%             |
|                     | Mizuho Trust & Banking Co., Ltd.   | 5.0%             |
| Officers            |  |                  |
|                     | President  | Junichi Tamura   |
|                     | Director of Planning & Management  | Nobuyuki Tanabe  |
|                     | Director of Real Estate Investment   | Naoki Fukuda     |
|                     | Director (Non-executive)   | Takashi Uchida   |
|                     | Auditor (Non-executive)  | Masatoshi Tamaru |
|                     | Compliance Officer   | Michiro Ezaki    |
| Business Operations | Financial Instrument Dealer<br>Investment Management Business: Director-General of Kanto Local Financial Bureau No. 331<br>Discretionary License: Minister of MLIT No. 44<br>Real Estate Agency License: Governor of Tokyo(1)No. 84511 |                  |

## 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

## Outline and Organization of JEAM



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