Asset Management Report for 11th Period

(Semi-Annual Report for 11th Period)

From July 1, 2011 to December 31, 2011

Japan Excellent, Inc.

I. Greetings

To Our Unitholders

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

We have announced our financial results for the eleventh period started July 1, 2011 and ended December 31, 2011.
JEI recorded total revenues of 7,085 million yen and net income of 2,236 million yen. Distribution per unit exceeded our forecast at the beginning of the period and marked 11,854 yen.
JEI resumed property acquisitions in the second half of 2010 and has implemented various property acquisitions and replacements for improved profitability and competitiveness. During the period, we acquired HAMARIKYU INTERCITY and other three properties in the amount of approximately 20.3 billion yen in total.

About Future Asset Management

In the office leasing market, demand is rising for office buildings that are highly resistant to earthquakes and other damages due to the effect of the Great East Japan Earthquake, although the overall market conditions continue to be weak facing uncertainty in the economic outlook.
Japan Excellent, Inc. (JEI) will not only strive to improve the portfolio return through asset replacements and other means, but also make further investments toward the medium- to long-term expansion of the asset base in a manner that will ensure optimal balance in terms of investment size, return, and geographic area.
In financing, we will continue to strive for stable and sound financial operation through, among others, lengthening borrowing spans, converting floating-rate debts to fixed-rate debts, and diversifying maturity dates.
JEI will continue, as before, to promote our compliance system through strict conformance with the Financial Instruments and Exchange Act and other applicable laws and regulations. In addition, we will be always paying attention to provide information about our financial conditions and asset management performance to our unitholders in an accurate and straightforward manner.
We kindly ask for your continued cooperation and support.

Chifumi Toda
Executive Director, Japan Excellent, Inc.
President, Japan Excellent Asset Management Co., Ltd.

II. Asset Management Report

1. Outline of Asset Management Operation

(1) Operating results and financial position of the Investment Corporation

Fiscal period Accounting term		7th period From July 1, 2009 to December 31, 2009	8th period From January 1, 2010 to June 30, 2010	9th period From July 1, 2010 to December 31, 2010	10th period From January 1, 2011 to June 30, 2011	11th period From July 1, 2011 to December 31, 2011
Revenues	(Millions of yen)	7,494	7,302	7,094	7,337	7,085
(Rental revenues)	(Millions of yen)	7,494	7,302	7,094	7,034	7,085
Operating expenses	(Millions of yen)	4,145	4,050	4,040	4,117	4,116
(Property operating expenses)	(Millions of yen)	3,577	3,516	3,494	3,555	3,645
Operating income	(Millions of yen)	3,349	3,252	3,053	3,220	2,969
Ordinary income	(Millions of yen)	2,486	2,367	2,219	2,362	2,237
Net income	(Millions of yen)	2,485	2,366	2,218	2,313	2,236
Total assets	(Millions of yen)	195,040	194,710	199,186	209,142	227,249
(Period-on-period change)	(%)	(–0.1)	(–0.1)	(2.2)	(4.9)	(8.6)
Net assets	(Millions of yen)	89,450	89,389	89,272	104,366	104,338
(Period-on-period change)	(%)	(0.1)	(0.0)	(–0.1)	(16.9)	(0.0)
Unitholders' capital	(Millions of yen)	87,083	87,083	87,083	102,052	102,052
Outstanding investment units	(Units)	154,550	154,550	154,550	188,650	188,650
Net assets per unit	(Yen)	578,780	578,387	577,629	553,227	553,081
Net income per unit (Note 1)	(Yen)	16,084	15,314	14,353	12,677	11,853
Total distribution	(Millions of yen)	2,485	2,366	2,218	2,263	2,236
Distribution per unit	(Yen)	16,085	15,315	14,353	12,000	11,854
(Profit distribution per unit)	(Yen)	16,085	15,315	14,353	12,000	11,854
(Distribution in excess of earnings per unit)	(Yen)	(–)	(–)	(–)	(–)	(–)
Return on assets (Note 2)	(%)	1.3	1.2	1.1	1.2	1.0
(Annualized rate)		(2.5)	(2.5)	(2.2)	(2.3)	(2.0)
Return on equity (Note 3)	(%)	2.8	2.6	2.5	2.4	2.1
(Annualized rate)		(5.5)	(5.3)	(4.9)	(4.8)	(4.3)
Capital ratio (Note 4)	(%)	45.9	45.9	44.8	49.9	45.9
(Period-on-period change)	(%)	(0.1)	(0.0)	(–1.1)	(5.1)	(–4.0)
Payout ratio (Note 5)	(%)	100.0	100.0	99.9	97.8	100.0
Number of investment properties	(Properties)	18	18	19	19	23
Number of tenants	(Tenants)	126	124	108	109	124
Total leasable space	(m^2)	220,521	220,474	228,177	234,547	262,464
Occupancy rate	(%)	97.0	97.4	91.7	92.4	93.8
Depreciation	(Millions of yen)	990	992	993	1,080	1,156
Capital expenditure	(Millions of yen)	134	248	328	347	357
Net operating income (NOI) (Note 6)	(Millions of yen)	4,907	4,778	4,593	4,559	4,595
Funds from operation (FFO) per unit (Note 7)	(Yen)	22,494	21,737	20,780	16,391	17,982
FFO multiples (Note 8)	(Times)	9.2	9.6	13.0	12.2	8.4

Debt service coverage ratio (DSCR) (Note 9)	(Times)	4.5	4.4	4.3	4.5	4.3
Interest-bearing debt	(Millions of yen)	95,500	95,500	100,400	95,500	112,800
Loan-to-value (Note 10)	(%)	49.0	49.0	50.4	45.7	49.6
Number of days in operation	(Days)	184	181	184	181	184

(Note 1) Net income per unit is calculated by dividing net income by the weighted-average number of units outstanding during the six months period.

(Note 2) Return on assets = Ordinary income / [(Period beginning total assets) + (Period end total assets) / 2] × 100 (The ratio is rounded to one decimal place.)

(Note 3) Return on equity = Net income / [(Period beginning net assets) + (Period end net assets) / 2] × 100 (The ratio is rounded to one decimal place.)

(Note 4) Capital ratio = Period end net assets / Period end total assets × 100 (The ratio is rounded to one decimal place.)

(Note 5) Payout ratio = Total distribution / Net income × 100 (The ratio is rounded down to one decimal place.)

(Note 6) NOI = Rental revenues – Property operating expenses + Depreciation

(Note 7) FFO per unit = (Net income + Depreciation – Gain on sale of real estate + Loss on sale of real estate) / Number of outstanding investment units (The figure is rounded down to the whole number.)

(Note 8) FFO multiples = Period end investment unit price / Annualized FFO per unit (The rate is rounded down to one decimal place.)

(Note 9) DSCR = Net income before interest and taxes / (Interest expenses + Interest expense on investment corporation bonds) (The ratio is rounded to one decimal place.)

(Note 10) Loan-to-value = Period end interest-bearing debt / Period end total assets × 100 (The ratio is rounded to one decimal place.)

(2) Asset management development

Japan Excellent, Inc. (JEI) was founded on February 20, 2006 in accordance with the Law Concerning Investment Trusts and Investment Corporations of Japan (hereinafter referred to as the "Investment Trust Law"). On March 15, 2006, it completed the corporate registration to the Kanto Finance Bureau (registration number 52, issued by the Head of the Kanto Local Finance Bureau) and listed on the Real Estate Investment Trust Section of the Tokyo Stock Exchange (Securities Code: 8987) on June 27, 2006.

Since the listing, we have continued investment management primarily in office buildings with the aim to maintain sound corporate growth and stable revenues based on the medium- and long-term perspectives. On December 31, 2011, we settled our eleventh period.

1) Business Conditions and Results

The domestic economy during the period showed a slight recovery from the effect of the Great East Japan Earthquake, yet it has been facing uncertainties primarily due to the impact of European financial crisis, progressive yen appreciation and prolonged deflation.

In the office leasing market, an increase in demand for office buildings highly equipped with quake-resistant and fire-prevention features are observed. However, the demand and supply in general has shown a back and forth state on the fear of remaining economic uncertainties. In the Tokyo metropolitan area, demand for office building is generally weak with only a few exceptional areas and the vacancy rate, which had once shown a sign of slight recovery, remains at the same unfavorable level. Besides, the rent level in the market has not recovered yet. In Osaka and Nagoya areas, a buoyant pickup in demand has recently been seen, however, the trend of declining rent prices continues in conjunction with the projections suggesting a shrinking demand in the future office leasing market.

Despite these harsh business conditions, JEI recorded improved average occupancy rate of 93.8 percent from 92.5 percent of the previous period for the entire holding properties, as a result of proactive leasing activities focusing on improvement-required properties in Akasaka and Kawasaki areas through closely working with our property management companies and office leasing intermediaries. In building management and operation, we strived for more efficient building operation, by reducing commissioned service fees including facility maintenance fees and reviewing PM fees, primarily for the key properties which need well-balanced profit and expenditure.

In the real estate investment market, the Great East Japan Earthquake caused a stagnant trading for a certain period of time. However, the effect on the overall market remained limited. Consequently trading for real estate investment trusts (REITs) resumed and turned to a pick up trend. JEI acquired four properties – MID Kyobashi Building (scheduled to operate under a new name, JEI Kyobashi Building from March 2012), No. 35 Kowa Building, HAMARIKYU INTERCITY, Pacific Square Sengoku – during the period from September to December of 2011.

The entire asset portfolio held by JEI as of the end of the period recorded 23 properties in the investment amount of 215.4 billion yen (on the acquisition price basis) with total leasable space of 262,464.32m^2 (79,395.46 tsubo) at a 93.8 percent of occupancy rate (an increase of 1.4 percentage points from the last period) as of the end of the period.

2) Fund Raising Highlight

We have made efforts consistently since the previous term to raise funds, focusing on lengthening of interest bearing debts, diversification of maturity dates and conversion of

floating-rate debts to fixed-rate debts.

JEI issued the third investment corporation bond (5-year) in the amount of 5 billion yen and the fourth investment corporation bond (7-year) in the amount of 2 billion yen on November 4, 2011 and entered into a short-term loan of 1.3 billion yen on a revolving credit line basis on November 25, 2011 to apply to part of funds for the acquisition of No. 35 Kowa Building. This short-term loan was refinanced to a long-term loan in the same amount (4-year with floating interest rate) on November 29, 2011.

On December 20, 2011, JEI entered into a short-term loan of 9 billion yen on a revolving credit line basis to apply to part of funds for the acquisitions of HAMARIKYU INTERCITY and Pacific Square Sengoku.

For refinancing of a long-term loan of 7 billion yen (floating interest rate) which matured on November 29, 2011, JEI managed to enter into long-term loan in the same amount (of which 3.24 billion yen was for 4-year floating interest loan and 3.76 billion yen was for 5-year floating interest loan).

As for the above floating interest loans (totaled 8.3 billion yen), we promoted the conversion of floating-rate debts to fixed-rate debts through interest rate swaps.

As a result, as of the end of the period, the average remaining debt maturity of interest bearing debts became 2.92 years, long-term borrowing ratio was 92.0 percent, fixed rate ratio was 62.3 percent and weighted average interest rate for loans purchased recorded 1.31 percent. Outstanding interest bearing debts totaled 112.8 billion yen, of which 9 billion yen was for short-term loans, 79.8 billion yen was for long-term loans (including those of 14 billion yen with the maturity of less than one year) and 24 billion yen was for investment corporation bonds (loan to value for the total assets was 49.6 percent as of the end of the period).

JEI has registered the issuance of investment corporation bonds for the purpose of dynamic arrangement of long-term funds as follows:

(Bond Issuance Registration Highlight)

Type	Estimated amount of issuance	Scheduled period for issuance
Investment corporation bond	100 billion yen	From February 9, 2012 to February 8, 2014

The ratings for JEI provided by the following rating agencies are shown below:

(Ratings as of December 31, 2011)

	Moody's Japan	Rating and Investment Information, Inc. (R&I)
Issuer rating (outlook)	A3 (Stable)(Note 1)	AA- (Stable)
Individual debt issue rating(Note 2)	-	AA-

(Note 1) On July 7, 2011, the rating was upgraded from Negative to Stable.

(Note 2) Ratings for unsecured investment corporation bonds (No.1 through No.4).

3) Financial Results and Distribution Highlight

As a result of the above investments, JEI recorded 7,085 million yen in total revenues, 2,969 million yen in operating income, 2,237 million yen in ordinary income and 2,236 million yen in net income for the period under review.

As for distributions, JEI determined to distribute all retained earnings at the end of period, rounding down the portion less than 1 yen of distribution per investment unit, with the intent to include the amount of profit distributions in deductible expenses by applying Special Measure Concerning Taxation for Corporation Tax (Section 67-15 of the Act on Special Measures Concerning Taxation). As a result, JEI determined the amount of distribution per unit to be 11,854 yen.

(3) Capital Increase

JEI had no changes in the number of outstanding investment units for the period under review. The outline of the changes is as follows:

Paid-up date	Capital transaction	Outstanding investment units (Units)		Unitholders' capital (Millions of yen)		Remarks
		Change	Balance	Change	Balance	
February 20, 2006	Private placement for corporation	400	400	200	200	(Note 1)
June 26, 2006	Public offering	128,000	128,400	64,230	64,430	(Note 2)
July 21, 2006	Allocation of investment units to a 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	Allocation of investment units to a third party	750	154,550	738	87,083	(Note 5)
January 31, 2011	Public offering	31,000	185,550	13,608	100,691	(Note 6)
February 28, 2011	Allocation of investment units to a third party	3,100	188,650	1,360	102,052	(Note 7)

(Note 1) JEI was incorporated through private placement at a price of 500,000 yen per unit.

(Note 2) New investment units were issued at a price of 520,000 yen per unit (subscription price of 501,800 yen per unit) through a public offering in order to raise funds for purchasing new properties which were acquired at the time of the listing.

(Note 3) New investment units were issued at a price of 501,800 yen per unit through an allocation of investment units to a third party in order to apply to certain part of funds for new property acquisitions.

(Note 4) New investment units were issued at a price of 1,019,200 yen per unit (subscription price of 984,360 yen per unit) through a public offering in order to refund certain part of debts procured to acquire properties in the second period.

(Note 5) New investment units were issued at a price of 984,360 yen per unit through an allocation of investment units to a third party in order to refund certain part of debts procured to acquire properties in the second period.

(Note 6) New investment units were issued at a price of 454,930 yen per unit (subscription price of 438,984 yen per unit) through a public offering in order to refund certain short-term loans procured to acquire properties in the ninth period and to raise funds to acquire a new property which was acquired in the tenth period.

(Note 7) New investment units were issued at a price of 438,984 yen per unit through an allocation of investment units to a third party in order to refund the short-term loans procured to acquire new properties in the ninth period and to raise funds to acquire a new property which was acquired in the tenth period.

[Market price of the investment securities]

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

	Fiscal period (Closing date)	7th period (December 2009)	8th period (June 2010)	9th period (December 2010)	10th period (June 2011)	11th period (December 2011)
Investment unit market price	Highest (Yen)	490,000	496,500	570,000	543,000	408,000
	Lowest (Yen)	388,000	386,500	397,000	363,500	295,500

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

(4) Distribution Paid

The distributions for the eleventh fiscal period were determined to be 11,854 yen per unit. The Investment Corporation has determined to distribute all retained earnings at the end of period, rounding down the portion less than 1 yen of distribution per investment unit, with the intent to apply the special treatment of income taxes under the Special Taxation Measures Law (Section 67.15 of the Special Taxation Measures Law) in which the amount equivalent to distributions from profits is deducted from taxable corporate income as a deductible expense.

Fiscal period	7th period	8th period	9th period	10th period	11th period
Accounting term	From July 1, 2009 to December 31, 2009	From January 1, 2010 to June 30, 2010	From July 1, 2010 to December 31, 2010	From January 1, 2011 to June 30, 2011	From July 1, 2011 to December 31, 2011
Retained earnings at the end of period (Thousands of yen)	2,486,006	2,366,962	2,218,333	2,314,032	2,236,262
Retained earnings (Thousands of yen)	69	29	76	50,232	5
Total profit distributions (Thousands of yen)	2,485,936	2,366,933	2,218,256	2,263,800	2,236,257
(Distributions per unit) (Yen)	(16,085)	(15,315)	(14,353)	(12,000)	(11,854)
Total profit distributions (Thousands of yen)	2,485,936	2,366,933	2,218,256	2,263,800	2,236,257
(Profit distribution per unit) (Yen)	(16,085)	(15,315)	(14,353)	(12,000)	(11,854)
Total refund of investment equity	–	–	–	–	–
(Refund of investment per unit)	(–)	(–)	(–)	(–)	(–)

(5) Policy and issues on future investment management

1) Outlook for Investment Environment

An economic recovery is now considered to come later than the initial projection as the Chinese economy, once a driving factor for the global growth, is decelerating and the European debt crisis deepens. While the US growth is expected for a turnaround, a facilitated pace of domestic recovery in the coming months is also expected on the back of restored supply chains and boosted demand regarding the earthquake restoration. However, a fundamental upturn generated by buoyant exports is not expected to come anytime soon due to the impact of the downturn in the overseas economies.

In the office leasing market in the Tokyo metropolitan area, the forecasts indicate a weakened demand for a little while given the delayed economic upbeat. The vacancy rate is expected to keep back and forth and the rent level may further take time towards a turnaround. In Osaka and Nagoya areas, amid extended trend in moderate supply and demand due to scheduled supply of major office buildings, a drastic revitalization of the market is expected to come even later.

In the real estate investment market, easing trend of fund-raising conditions and investor needs can be expected to continue, giving rise to active trading. To realize this, further revitalization of the office leasing market and elimination of the gap in target prices and interest yield between sellers and buyers are considered to serve significantly.

2) Policy and Issues on Future Investment Management

Amid a delay in recovery in the office leasing market, JEI works to earn more profits from our

overall asset portfolio through replacement of assets and other appropriate measures. We will strive for realizing more efficient property management operation to improve the profitability, focusing on retaining new tenants as early as possible, particularly for properties which need well-balanced profit and expenditure such as Ebina Prime Tower and Kawasaki Nissincho Building. In addition, we will consistently implement additional strategic investment plans to maintain the asset value and improve competitive position of our properties on the medium- to long-term basis.

For external growth, we will plan and implement well-balanced investments based on the size, profitability and target area to increase asset size and realize stable profitability in our portfolio on the medium- to long-term basis. To this end, we will continue enhancing further interaction and collaboration with sponsor companies, have our asset management companies to cultivate and refine property information sources, and seek business opportunities with efforts to proactively gain access to market information.

As for the financial environment, we recognize that the fund-raising conditions in the real estate investment industry are generally favorable despite concerns over the market environment in the near term due to deepening European financial crisis and other factors. Based on this perspective, we will consistently work on stable financial operation through diversifying financing sources including issuance of investment corporation bonds, diversifying maturity dates, lengthening borrowing spans, converting floating-rate debts to fixed-rate debts, and maintaining liquidity through establishment of commitment lines.

(6) Subsequent events

None.

2. Outline of the Investment Corporation

(1) Investment unit

Fiscal period	7th period As of December 31, 2009	8th period As of June 30, 2010	9th period As of December 31, 2010	10th period As of June 30, 2011	11th period As of December 31, 2011
Number of units authorized	2,000,000 units	2,000,000 units	2,000,000 units	2,000,000 units	2,000,000 units
Number of units issued and outstanding	154,550 units	154,550 units	154,550 units	188,650 units	188,650 units
Unitholders' capital	87,083 million yen	87,083 million yen	87,083 million yen	102,052 million yen	102,052 million yen
Number of unitholders	4,734 individuals	5,469 individuals	5,495 individuals	7,411 individuals	7,875 individuals

(2) Unitholders

Major unitholders as of December 31, 2011 are as follows:

Name	Address	Number of units owned (Units)	Ratio of number of units owned to outstanding investment units (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	1-8-11 Harumi, Chuo-ku, Tokyo	37,572	19.92
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	2-2-2 Otemachi, Chiyoda-ku, Tokyo	14,337	7.60
Kowa Real Estate Co., Ltd.	1-15-5 Minami-Aoyama, Minato-ku, Tokyo	14,312	7.59

Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	Harumi Island Toriton Square Office Tower Z, 1-8-12 Harumi, Chuo-ku, Tokyo	12,565	6.66
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3 Hamamatsu-cho, Minato-ku, Tokyo	7,905	4.19
North Pacific Bank, LTD.	3-7 Odori-Nishi, Chuo-ku, Sapporo-shi, Hokkaido	4,590	2.43
The Dai-ichi Life Insurance Company, Limited	1-13-1 Yuraku-cho, Chiyoda-ku, Tokyo	4,132	2.19
NOMURA BANK (LUXEMBOURG) S.A.	Batiment A, 33, Rue de Gasperich, L-5826, Luxembourg	3,776	2.00
The Chugoku Bank, LTD.	1-15-20 Marunouchi, Kita-ku, Okayama-shi, Okayama	3,511	1.86
Trust & Custody Services Bank, Ltd. (Money Trust Account, Taxable)	Harumi Island Toriton Square Office Tower Z, 1-8-12 Harumi, Chuo-ku, Tokyo	2,277	1.21
Total		104,977	55.65

(Note) Ratio of number of units owned to outstanding investment units is rounded to two decimal places.

(3) Officers

1) Directors and accounting auditor

Post	Name	Major additional post	Compensation or fee for the six months ended December 31, 2011 (Thousands of yen)
Executive Director	Chifumi Toda	President and Director, Japan Excellent Asset Management Co., Ltd.	–
Supervisory Director	Makoto Sakagami	Makoto Sakagami Certified Public Accounting Office	6,540
Supervisory Director	Tsuyoshi Nagahama	Advisor, Anderson, Mori & Tomotsune	
Supervisory Director	Shunichi Maekawa	Professor, Faculty of Real Estate, Meikai University	
Accounting Auditor	Ernst & Young ShinNihon LLC	–	17,700 (Note 2)

(Note 1) There is no investment unit of JEI held by the Executive Director nor the Supervisory Directors. Although Supervisory Directors may have additional post in other company than listed above, there is no conflict of interests between those companies including listed above and JEI.

(Note 2) The total compensation shown above is an estimated amount and includes fees for English financial statement audit and for the preparation of a comfort letter and other services in relation to the issuance of investment corporation bonds in November 2011.

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

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

(4) Name of asset management company, asset custodian and administrative agents

Our asset management company, asset custodian and administrative agents as of December 31, 2011 are as follows:

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

3. Investment Portfolio of the Investment Corporation

(1) Investment portfolio by area

Classification	Use	Area	10th period (As of June 30, 2011)		11th period (As of December 31, 2011)	
			Acquisition price (Millions of yen) (Note 1)	Investment ratio in portfolio (%) (Note 2)	Acquisition price (Millions of yen) (Note 1)	Investment ratio in portfolio (%) (Note 2)
Real estate property (Note3)	Offices	Area II (Note 4)	4,309	2.0	4,377	1.9
Trust beneficiary interest in real estate (Note 3)		Area I (Note 4)	106,116	50.7	114,242	50.3
		Area II (Note 4)	7,508	3.6	7,461	3.3
		Area III (Note 4)	73,521	35.2	74,629	32.8
		Area IV (Note 4)	–	–	3,395	1.5
Trust beneficiary interest in real estate	Others	Area I (Note 4)	–	–	7,096	3.1
Total			191,455	91.5	211,203	92.9
Deposits in bank and other assets			17,687	8.5	16,046	7.1
Total assets			209,142	100.0	227,249	100.0

(Note 1) Acquisition price is based on the amounts accounted for in the balance sheets as of the closing date (amounts of real estate and trust beneficiary interest in real estate are based on the book value after adjusting depreciations).

(Note 2) Investment ratio in portfolio is rounded to one decimal place.

(Note 3) Leasehold rights held combined with buildings and other structures are indicated in real estate property and trust beneficiary interest in real estate at the combined amount.

(Note 4) Areas are classified as follows:

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

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

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

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

(2) Major Property

The principal properties (top ten properties in net book value) held by JEI as of December 31, 2011 are as follows:

Name of real property	Net book value (Millions of yen)	Leasable space (m^2) (Note 1)	Leased floor space (m^2) (Note 2)	Occupancy rate (%) (Note 3)	Ratio of rental revenue to total rental revenues (%) (Note 4)	Major use
Kowa Kawasaki Nishiguchi Building	30,637	38,332.15	35,491.28	92.6	12.5	Offices
Akasaka Garden City	22,876	8,769.53	7,215.53	82.3	5.0	Offices
Omori Bellport D	21,949	25,828.29	25,828.29	100.0	14.5	Offices
AKASAKA INTERCITY	17,535	5,622.98	5,622.98	100.0	4.4	Offices
Musashikosugi Tower Place	13,099	25,217.28	25,217.28	100.0	11.2	Offices
Daiba Garden City Building	10,961	12,122.85	12,122.85	100.0	4.8	Offices
Kowa Kawasaki Higashiguchi Building	10,309	18,612.72	18,612.72	100.0	(Note 5)	Offices
Shiba 2-Chome Building	9,210	11,749.30	11,464.86	97.6	5.3	Offices
No. 35 Kowa Building	8,317	9,377.16	9,377.16	100.0	(Note 5)	Offices
JEI Hamamatsucho Building	8,259	6,411.26	6,411.26	100.0	4.2	Offices
Total	153,156	162,043.52	157,364.21	97.1	69.1	–

(Note 1) Leasable space refers to space available for lease of which ownership is attributable to JEI as of December 31, 2011 and is rounded to two decimal places. If the property is a joint ownership property, the value is obtained after multiplying the total leasable space of the shared real estate by the percentage of the interest owned by JEI.

(Note 2) Leased floor space refers to space with lease agreements with end tenants as of December 31, 2011 and is rounded to two decimal places. If the property is a joint ownership property, the value is obtained after multiplying the total leased floor space of the shared real estate by the percentage of the interest owned by JEI. The leased floor space of end tenants who terminated their lease agreement but not yet removed as of the end of period is included in the leased floor space. This also applies to the calculations of occupancy rate in (Note 3) below and the total number of tenants in (Note 1) in (3) Portfolio ownership breakdown.

(Note 3) Occupancy rate is a percentage of total leased floor space to total leasable space as of December 31, 2011 and rounded to one decimal place.

(Note 4) Ratio of rental revenue to total rental revenues is rounded to one decimal place.

(Note 5) The values of Kowa Kawasaki Higashiguchi Building and No. 35 Kowa Building are undisclosed because the consent from the tenants has not been obtained.

(3) Portfolio Ownership Breakdown

Real estate properties and their forms of ownership as of December 31, 2011 are as follows:

Property No.	Name of real property	Location (Displayed address)	Form of ownership	Appraisal value at the end of period (Millions of yen) (Note 1)	Net book value (Millions of yen)
I-1	Omori Bellport D	6-26-3 Minami-Oi, Shinagawa-ku, Tokyo	Trust beneficiary interest in real estate	24,040	21,949
I-2	Shiba 2-Chome Building	2-6-1 Shiba, Minato-ku, Tokyo	Trust beneficiary interest in real estate	10,800	9,210
I-3	JEI Hamamatsucho Building	2-2-12 Hamamatsu-cho, Minato-ku, Tokyo	Trust beneficiary interest in real estate	7,930	8,259
I-4	No. 32 Kowa Building	5-2-32 Minami-Azabu, Minato-ku, Tokyo	Trust beneficiary interest in real estate	7,031	7,404
I-6	No. 28 Kowa Building (Note 2)	2-20-1 Nishi-Gotanda, Shinagawa-ku, Tokyo	Trust beneficiary interest in real estate	2,820	2,802
I-7	Akasaka Garden City	4-15-1 Akasaka, Minato-ku, Tokyo	Trust beneficiary interest in real estate	18,200	22,876
I-8	AKASAKA INTERCITY	1-11-44 Akasaka, Minato-ku, Tokyo	Trust beneficiary interest in real estate	12,600	17,535
I-9	Kowa Shirokanedai Building	3-19-1 Shirokanedai, Minato-ku, Tokyo	Trust beneficiary interest in real estate	5,200	4,924
I-10	Daiba Garden City Building	2-3-5 Daiba, Minato-ku, Tokyo	Trust beneficiary interest in real estate	11,660	10,961
I-11	No. 35 Kowa Building	1-14-14 Akasaka, Minato-ku, Tokyo	Trust beneficiary interest in real estate	9,100	8,317
I-12	HAMARIKYU INTERCITY	1-9-1 and 15 Kaigan, Minato-ku, Tokyo	Trust beneficiary interest in real estate	7,320	7,096
Area I				116,701	121,338
II-1	NHK Nagoya Housou Center Building	1-13-3 Higashi-Sakura, Higashi-ku, Nagoya-shi, Aichi	Real estate	4,320	4,377
II-2	JEI Nishi-Honmachi Building	1-3-15 Awaza, Nishi-ku, Osaka-shi, Osaka	Trust beneficiary interest in real estate	4,220	7,461
Area II				8,540	11,839
III-1	Musashikosugi Tower Place	1-403 Kosugi-machi, Nakahara-ku, Kawasaki-shi, Kanagawa	Trust beneficiary interest in real estate	16,400	13,099
III-2	Kowa Kawasaki Higashiguchi Building	1-53 Nisshin-cho, Kawasaki-ku, Kawasaki-shi, Kanagawa	Trust beneficiary interest in real estate	8,380	10,309
III-3	JEI Hongo Building	2-38-16 Hongo, Bunkyo-ku, Tokyo	Trust beneficiary interest in real estate	5,010	5,239
III-5	Kawasaki Nisshincho Building	7-1 Nisshin-cho, Kawasaki-ku, Kawasaki-shi, Kanagawa	Trust beneficiary interest in real estate	4,380	4,083
III-6	No. 44 Kowa Building	1-2-7 Higashiyama, Meguro-ku, Tokyo	Trust beneficiary interest in real estate	1,570	999
III-7	JEI Ryogoku Building	3-25-5 Ryogoku, Sumida-ku, Tokyo	Trust beneficiary interest in real estate	2,191	2,395
III-8	Ebina Prime Tower	2-9-50 Chuo, Ebina-shi, Kanagawa	Trust beneficiary interest in real estate	3,590	6,187
III-9	Kowa Kawasaki Nishiguchi Building	66-2 Horikawa-cho, Saiwai-ku, Kawasaki-shi, Kanagawa	Trust beneficiary interest in real estate	24,800	30,637
III-10	Pacific Square Sengoku	2-29-24 Hon-Komagome, Bunkyo-ku, Tokyo	Trust beneficiary interest in real estate	1,702	1,677
Area III				68,023	74,629
IV-2	MID Kyobashi Building	2-2-48 Kata-machi, Miyakojima-ku, Osaka-shi, Osaka	Trust beneficiary interest in real estate	3,530	3,395
Area IV				3,530	3,395
Total				196,794	211,203

(Note 1) Appraisal value at the end of period indicates the appraisal value described in the real estate appraisal report prepared by a real estate appraiser belonging to Japan Real Estate Institute, Chuo Real Estate Appraisal Co., Ltd., and Japan Valuers Co., Ltd. as of December 31, 2011 based on the articles of incorporation of JEI and

the regulations stipulated by the Investment Trusts Association, 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 JEI or the trustee.

(Note 2) This property will be transferred to KW Emerald Specific Purpose Company as of February 29, 2012 based on the agreement dated January 24, 2012 (based on the information available as of January 31, 2012). Hereinafter, the same note shall apply to this property.

Property No.	Name of real property	10th period From January 1, 2011 to June 30, 2011				11th period From July 1, 2011 to December 31, 2011			
		Total number of tenants (At the end of period) (Note 1)	Occupancy rate (At the end of period) (%)	Rental revenues (For the period) (Millions of yen)	Ratio of rental revenue to total rental revenues (%) (Note 2)	Total number of tenants (At the end of period) (Note 1)	Occupancy rate (At the end of period) (%)	Rental revenues (For the period) (Millions of yen)	Ratio of rental revenue to total rental revenues (%) (Note 2)
I-1	Omori Bellport D	1	99.7	1,020	14.5	1	100.0	1,028	14.5
I-2	Shiba 2-Chome Building	2	100.0	373	5.3	2	97.6	372	5.3
I-3	JEI Hamamatsucho Building	1	100.0	295	4.2	1	100.0	295	4.2
I-4	No. 32 Kowa Building	1	96.4	277	3.9	1	97.4	276	3.9
I-6	No. 28 Kowa Building	1	95.3	138	2.0	1	100.0	120	1.7
I-7	Akasaka Garden City	1	82.3	516	7.3	1	82.3	357	5.0
I-8	AKASAKA INTERCITY	12	83.9	306	4.4	13	100.0	312	4.4
I-9	Kowa Shirokanedai Building	1	100.0	197	2.8	1	100.0	205	2.9
I-10	Daiba Garden City Building	1	100.0	276	3.9	1	100.0	338	4.8
I-11	No. 35 Kowa Building	–	–	–	–	1	100.0	(Note 3)	(Note 3)
I-12	HAMARIKYU INTERCITY	–	–	–	–	4	87.2	15	0.2
Area I		21	96.6			27	97.1		
II-1	NHK Nagoya Housou Center Building	31	89.4	297	4.2	32	90.6	291	4.1
II-2	JEI Nishi-Honmachi Building	1	97.1	227	3.2	1	90.0	229	3.2
Area II		32	93.6			33	90.3		
III-1	Musashikosugi Tower Place	36	100.0	799	11.4	36	100.0	796	11.2
III-2	Kowa Kawasaki Higashiguchi Building	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
III-3	JEI Hongo Building	1	100.0	172	2.5	1	100.0	174	2.5
III-5	Kawasaki Nisshincho Building	1	100.0	225	3.2	1	96.7	223	3.2
III-6	No. 44 Kowa Building	1	99.1	90	1.3	1	99.1	91	1.3
III-7	JEI Ryogoku Building	1	98.1	106	1.5	1	100.0	109	1.5
III-8	Ebina Prime Tower	14	69.0	295	4.2	15	69.3	323	4.6
III-9	Kowa Kawasaki Nishiguchi Building	1	85.6	912	13.0	1	92.6	886	12.5
III-10	Pacific Square Sengoku	–	–	–	–	6	100.0	5	0.1
Area III		56	89.4			63	91.6		
IV-2	MID Kyobashi Building	–	–	–	–	1	96.3	124	1.8
Area IV		–	–			1	96.3		
Total		109	92.4	7,034	100.0	124	93.8	7,085	100.0

(Note 1)Total number of tenants indicates total number of tenants in each property as of the end of each period. A property entered into a master lease agreement is counted as one tenant. A tenant who has multiple tenancies in one property is counted as one tenant. A tenant who has tenancies in multiple properties is counted as one tenant for each property.
(Note 2) Ratio of rental revenue to total rental revenues is rounded to one decimal place.
(Note 3) The values of Kowa Kawasaki Higashiguchi Building and No. 35 Kowa Building are undisclosed because the consent from the end tenants has not been obtained.

(4) Other Assets

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

Classification	Type	Contract amount (Thousands of yen) (Note 1)		Fair value (Thousands of yen) (Note 2)
			More than one year	
Over-the-counter transaction	Interest rate swap contracts with floating-rate to fixed-rate interest	21,300,000	21,300,000	–

(Note 1) Contract amount of swap is calculated based on notional principal.
(Note 2) Fair value is omitted for presentation because over-the-counter transactions meet requirements for special accounting under the Accounting Standard for Financial Instruments.

4. Capital Expenditures for Holding Properties

(1) Scheduled capital expenditures

The following table shows major planned capital expenditures associated with planned maintenance and repair for the properties held by JEI as of December 31, 2011. The values below include those to be expensed for accounting purposes.

Name of real property	Location	Purpose	Scheduled term	Estimated construction costs (Millions of yen)		
				Total	Payment for the six months ended December 31, 2011	Total of advance payment
NHK Nagoya Housou Center Building	Higashi-ku, Nagoya-shi	Air-conditioning system renewal construction (4th term)	From August 2011 to May 2012	115	–	–
JEI Hamamatsucho Building	Minato-ku, Tokyo	Air-conditioning system renewal construction (2nd term)	From April 2012 to June 2012	82	–	–
JEI Hongo Building	Bunkyo-ku, Tokyo	Air-conditioning system renewal construction (3rd term)	From January 2012 to June 2012	37	–	–

(2) Capital expenditures for the six months ended December 31, 2011

The following table shows constructions completed during the period and to be expensed as capital expenditure pertaining to our portfolio held as of December 31, 2011. During the period, the amount of constructions completed totaled 454 million yen, composed of 357 million yen of capital expenditure and 96 million yen of maintenance and repair classified as an expense for the six months ended December 31, 2011.

Name of real property	Location	Purpose	Scheduled term	Amounts paid (Millions of yen)
Kowa Shirokanedai Building	Minato-ku, Tokyo	Bathroom renewal construction	From December 2010 to August 2011	93
NHK Nagoya Housou Center Building	Higashi-ku, Nagoya-shi	Air-conditioning system renewal construction (3rd term)	From September 2010 to December 2011	92
JEI Hamamatsucho Building	Minato-ku, Tokyo	Air-conditioning system renewal construction (1st term)	From September 2011 to December 2011	77
Other constructions			–	94
Total				357

(3) Reserved funds for long-term maintenance and repair plan

JEI has reserved funds for maintenance and repair as below to appropriate for future expenditures on large-scale maintenance and repair, taking out from depreciation and other excess cash flow based on our long-term maintenance and repair plan developed for each property. (Millions of yen)

Item	7th period From July 1, 2009 to December 31, 2009	8th period From January 1, 2010 to June 30, 2010	9th period From July 1, 2010 to December 31, 2010	10th period From January 1, 2011 to June 30, 2011	11th period From July 1, 2011 to December 31, 2011
Reserved funds at the beginning of period	254	254	254	259	251
Increase	–	–	5	5	48
Decrease	–	–	–	13	–
Reserved funds at the end of period	254	254	259	251	299

5. Expenses and Liabilities

(1) Expenses associated with asset management

(Thousands of yen)

Account	10th Period From January 1, 2011 to June 30, 2011	11th Period From July 1, 2011 to December 31, 2011
(a) Asset management fees	428,085	337,980
(b) Custodian fees	15,243	15,939
(c) Administrative service fees	29,058	33,092
(d) Compensation for directors	6,540	6,540
(e) Accounting auditor fees	11,500	11,500
(f) Other	70,894	65,436
Total	561,321	470,489

(2) Borrowings

Borrowings by each financing source as of the end of the 11th period (ended December 31, 2011) are as follows:

Classification	Lender	Borrowing date	Balance at the beginning of period (Thousands of yen)	Balance at the end of period (Thousands of yen)	Average interest rate (%) (Note 1)	Maturity date	Repayment method	Use	Remarks
Short-term loans	Mizuho Corporate Bank, Ltd.	December 20, 2011	–	4,000,000	0.68000	January 31, 2012	Lump-sum	For acquisition of real estate	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		–	3,000,000					
	Sumitomo Mitsui Banking Corporation		–	2,000,000					
Subtotal			–	9,000,000	0.68000	–	–	–	–
Long-term debt due within one year	Aozora Bank, Ltd.	June 29, 2009	1,615,384	–	–	November 29, 2011	Lump-sum	For repayment of other borrowing	Unsecured and unguaranteed
	The Chuo Mitsui Trust and Banking Company, Limited		1,615,384	–					
	Mizuho Trust & Banking Co., Ltd.		1,615,384	–					
	Sumitomo Mitsui Banking Corporation		1,076,923	–					
	Mizuho Corporate Bank, Ltd.		538,461	–					
	Mitsubishi UFJ Trust and Banking Corporation		538,461	–					
	Mitsubishi UFJ Trust and Banking Corporation	July 31, 2007	–	2,300,000	0.68643	July 31, 2012			
	Sumitomo Mitsui Banking Corporation		–	2,200,000					
	The Norinchukin Bank		–	2,000,000					
	Resona Bank, Ltd.		–	500,000					
	Mizuho Corporate Bank, Ltd.	July 31, 2007	–	2,500,000	1.96907 (Note 2)				
	Mizuho Trust & Banking Co., Ltd.		–	1,500,000					
	Sompo Japan Insurance Inc.		–	2,000,000					
	Tokio Marine & Nichido Fire Insurance Co., Ltd.		–	1,000,000					
Subtotal			7,000,000	14,000,000	1.32775	–	–	–	–
Long-term debt (Note3)	Mitsubishi UFJ Trust and Banking Corporation	July 31, 2007	2,300,000	–	–	July 31, 2012	Lump-sum	For repayment of other borrowing	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation		2,200,000	–					
	The Norinchukin Bank		2,000,000	–					
	Resona Bank, Ltd.		500,000	–					
	Mizuho Corporate Bank, Ltd.	July 31, 2007	2,500,000	–	–				
	Mizuho Trust & Banking Co., Ltd.		1,500,000	–					
	Sompo Japan Insurance Inc.		2,000,000	–					
	Tokio Marine & Nichido Fire Insurance Co., Ltd.		1,000,000	–					
	Mizuho Corporate Bank, Ltd.	October 24, 2008	6,000,000	6,000,000	1.03643	June 28, 2013			
	Mitsubishi UFJ Trust and Banking Corporation		1,000,000	1,000,000					
	The Norinchukin Bank	June 29, 2010	3,100,000	3,100,000	1.08643	December 27, 2013			
	Mizuho Corporate Bank, Ltd.		1,800,000	1,800,000					
	Mitsubishi UFJ Trust and Banking Corporation		1,800,000	1,800,000					
	Mizuho Trust & Banking Co., Ltd.		1,300,000	1,300,000					

Classification	Lender	Borrowing date	Balance at the beginning of period (Thousands of yen)	Balance at the end of period (Thousands of yen)	Average interest rate (%) (Note 1)	Maturity date	Repayment method	Use	Remarks
Long-term debt (Note 4)	The Dai-ichi Life Insurance Company, Limited	July 31, 2007	2,000,000	2,000,000	2.25875 (Note 2)	July 31, 2014	Lump-sum	For acquisition of real estate	Unsecured and unguaranteed
	Development Bank of Japan Inc.		2,000,000	2,000,000	2.28417 (Note 2)				
	Mitsubishi UFJ Trust and Banking Corporation	June 29, 2011	4,000,000	4,000,000	0.98643	December 29, 2014		For repayment of other borrowing	
	Mizuho Corporate Bank, Ltd.		3,900,000	3,900,000					
	Mizuho Trust & Banking Co., Ltd.		2,400,000	2,400,000					
	Resona Bank, Ltd.		1,200,000	1,200,000					
	The Dai-ichi Life Insurance Company, Limited	October 24, 2008	3,000,000	3,000,000	2.27344 (Note 2)	June 30, 2015			
	Development Bank of Japan Inc.		2,000,000	2,000,000					
	Mizuho Trust & Banking Co., Ltd.	November 29, 2011	–	1,620,000	1.13750	November 30, 2015			
	Aozora Bank, Ltd.		–	1,620,000					
	Aozora Bank, Ltd.		–	650,000				For acquisition of real estate	
	Mizuho Corporate Bank, Ltd.		–	370,000					
	Sumitomo Mitsui Banking Corporation		–	280,000					
	Mitsubishi UFJ Trust and Banking Corporation	June 29, 2011	4,600,000	4,600,000	1.36375 (Note 2)	June 29, 2016		For repayment of other borrowing	
	Mizuho Corporate Bank, Ltd.		4,400,000	4,400,000					
	Sumitomo Mitsui Banking Corporation		4,000,000	4,000,000					
	The Chuo Mitsui Trust and Banking Company, Limited	November 29, 2011	–	1,620,000	1.24375	November 29, 2016			
	Sumitomo Mitsui Banking Corporation		–	1,080,000					
	Mitsubishi UFJ Trust and Banking Corporation		–	540,000					
	Mizuho Corporate Bank, Ltd.		–	520,000					
	Development Bank of Japan Inc.	November 30, 2010	6,000,000	6,000,000	1.73875 (Note 2)	November 30, 2017			
	The Dai-ichi Life Insurance Company, Limited	June 29, 2011	3,000,000	3,000,000	1.65125 (Note 2)	June 29, 2018			
Subtotal			71,500,000	65,800,000	1.37841	–	–	–	–
Total			78,500,000	88,800,000	1.29964	–	–	–	–

(Note 1) The average interest rates are calculated using a weighted-average of the loan balance at the end of period by multiplying the interest rate of each loan agreement as of period-end, rounding to five decimal places. Borrowings hedged by interest rate swaps to avoid interest rate fluctuation risk are calculated using a weighted-average rate adjusting the effect of the interest rate swaps.

(Note 2) The loans are fixed-rate loans.

(Note 3) The following table shows the total long-term debt maturing each year after the balance sheet date (excluding the portion due within one year).

(Thousands of yen)

Classification	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Long-term debt	15,000,000	15,500,000	9,540,000	16,760,000	9,000,000

(3) Investment Corporation Bonds

Investment corporation bonds issued as of December 31, 2011 are as follows:

Issue	Issuance date	Balance at the beginning of period (Thousands of yen)	Balance at the end of period (Thousands of yen)	Interest rate (Note 1) (%)	Maturity date	Repayment method	Use	Remarks
1st series unsecured investment corporation bonds	March 11, 2010	12,000,000	12,000,000	1.52000	March 11, 2014	Lump-sum	(Note 2)	(Note 3)
2nd series unsecured investment corporation bonds	June 28, 2010	5,000,000	5,000,000	1.29000	June 26, 2015	Lump-sum	(Note 2)	(Note 3)
3rd series unsecured investment corporation bonds	November 4, 2011	–	5,000,000	1.01000	November 4, 2016	Lump-sum	(Note 2)	(Note 3)
4th series unsecured investment corporation bonds	November 4, 2011	–	2,000,000	1.40000	November 2, 2018	Lump-sum	(Note 2)	(Note 3)
Total		17,000,000	24,000,000	1.35583				

(Note 1) The interest rate indicated in the total column is calculated using a weighted-average of the balance at the end of period by multiplying the loan interest rate of each investment corporation bond, rounding to five decimal places.

(Note 2) The funds were appropriated to repayments of borrowings.

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

(4) Short-term investment corporation bonds

JEI has no outstanding short-term investment corporation bonds as of December 31, 2011.

6. Condition of Investment Transactions

(1) Transactions of property and asset-backed securities, etc.

(Millions of yen)

Type of assets	Name of real property	Acquisition		Transfer			
		Acquisition date	Acquisition price (Note)	Transfer date	Transfer amount	Net book value	Gain (loss) on transfer
Trust beneficiary interest in real estate	MID Kyobashi Building	September 1, 2011	3,308	–	–	–	–
Trust beneficiary interest in real estate	No. 35 Kowa Building	November 25, 2011	8,280	–	–	–	–
Trust beneficiary interest in real estate	HAMARIKYU INTERCITY	December 20, 2011	7,080	–	–	–	–
Trust beneficiary interest in real estate	Pacific Square Sengoku	December 20, 2011	1,620	–	–	–	–
		–	20,288	–	–	–	–

(Note) The acquisition price indicates each contracted amount of the property in each purchase agreement or trust beneficiary interest transfer agreement excluding related expenses (brokerage fee, taxes, etc.).

(2) Transactions of other assets

Other assets than property or asset-backed securities, etc. above are mainly bank deposits and bank deposits in trust.

(3) Appraisal and research for specified asset value, etc.

1) Real estate, etc.

(Millions of yen)

Acquisition or transfer	Property name	Type of assets	Acquisition date	Acquisition price (Note 2)	Research value of specified asset (Note 1)
Acquisition	MID Kyobashi Building	Trust beneficiary interest in real estate	September 1, 2011	3,308	3,530

(Note 1) The research for specified asset value, etc. shown above was conducted by Ernst & Young ShinNihon LLC at the time of acquisition in accordance with the Japanese Institute of Certified Public Accountants (JICPA) Industry Audit Committee Report No. 23, "Price Research of Specified Assets Held by Investment Trusts and Investment Corporations." In addition, JEI received a research report containing matters necessary for the identification of the property, such as the location and the lot number of the property.

(Note 2) The acquisition price indicates each contracted amount of the property in each purchase agreement or trust beneficiary interest transfer agreement excluding related expenses (brokerage fee, taxes, etc.), rounding to the million yen.

(Millions of yen)

Acquisition or transfer	Property name	Type of assets	Acquisition date	Acquisition price (Note 1)	Property appraisal value (Note 2)	Property appraiser	Valuation date
Acquisition	No. 35 Kowa Building	Trust beneficiary interest in real estate	November 25, 2011	8,280	8,960	Japan Real Estate Institute	July 1, 2011
Acquisition	HAMARIKYU INTERCITY	Trust beneficiary interest in real estate	December 20, 2011	7,080	7,320	Japan Real Estate Institute	December 1, 2011
Acquisition	Pacific Square Sengoku	Trust beneficiary interest in real estate	December 20, 2011	1,620	1,702	Chuo Real Estate Appraisal Co., Ltd.	November 30, 2011

(Note 1) The acquisition price indicates each contracted amount of the property in each purchase agreement or trust beneficiary interest transfer agreement excluding related expenses (brokerage fee, taxes, etc.), rounding to the million yen.

(Note 2) Under the amendment of Section 201 of the Investment Trust Law enacted on November 24, 2011, real estate appraisal is required instead of research for specified asset value, etc. when a specified asset (limited to land or buildings or rights or assets related thereto that are specified by a Cabinet Order) is acquired or transferred.

2) Other

Transactions of JEI that are subject to research for specified asset value, etc. under Section 201 of the Investment Trust Law other than those listed in 1) Real estate, etc. above are researched and reported by Ernst & Young ShinNihon LLC.

Three interest rate swap contracts were subject to the research during the period from July 1, 2011 to December 31, 2011 and we have received the related research report from Ernst & Young ShinNihon LLC. In the research, Ernst & Young ShinNihon LLC is supposed to report on the name of counterparty, currency, contractual interest rate, transaction term and other matters pertaining to the subject interest rate swap contracts.

(4) Transactions with interested parties and major shareholders

1) Transactions

Classification	Acquisition price or disposal amount	
	Acquisition price	Disposal amount
Total amount	20,288 million yen Acquisition price from interested parties and major shareholders 15,360 million yen (75.7%)	– million yen Disposal amount to interested parties and major shareholders – million yen (–%)
Breakdown for transactions with interested parties and major shareholders		
Kowa Real Estate Co., Ltd.	15,360 million yen (75.7%)	– million yen (–%)
Total	15,360 million yen (75.7%)	– million yen (–%)

(Note 1) Above transactions indicate transactions made between interested parties and major shareholders for the six months ended December 31, 2011. "Interested parties" means the interested parties related to the asset management company of JEI as prescribed in Section 26, Paragraph 1, Item 27 of the Regulations for Management Reports Concerning Investment Trusts and Investment Corporations of the Investment Trusts Association, Japan. "Major shareholders" means the major shareholders as defined in Section 29-4, Paragraph 2 of the Financial Instruments and Exchange Act.

(Note 2) In addition to the transactions listed above, JEI received an adjustment of 61 million yen from Kowa Real Estate Co., Ltd. in relation to No. 35 Kowa Building.

2) Amounts of fees paid and other expenses

(Thousands of yen)

Classification	Total amount paid (A)	Breakdown of transactions with interested parties and major shareholders		B/A
		Paid to	Amount paid (B)	
Property management costs and fees (Note 2)	1,020,747	Kowa Real Estate Co., Ltd.	361,419	35.4%
		Sekisui House, Ltd.	47,376	4.6%
Total	1,020,747	–	408,795	40.0%

(Note 1) Figures indicate fees paid to interested parties and major shareholders of asset management companies with whom JEI had transactions during the six months ended December 2011.

(Note 2) Property management costs and fees include construction management fees that were not expensed but capitalized in property management fees and expenses.

(Note 3) The amounts do not include consumption tax and other taxes.

(5) Transactions with asset management companies concerning the additional businesses of the asset management companies

The Asset Management Company (Japan Excellent Asset Management Co., Ltd.) does not run any additional businesses classified in the type I financial instruments business, type II financial instruments business, building lots and buildings transaction business, or real estate specified joint enterprise and did not have applicable transactions.

7. Accounting

(1) Assets, liabilities, principal, and profit and loss

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

(2) Change in depreciation calculation method

No changes were made during the period.

(3) Change in asset valuation method

No changes were made during the period.

8. Others

(1) Investment trust beneficiary certificates incorporated by JEI

Not applicable during the period.

(2) Scheduled meetings

1) Unitholders' meeting

The 4th unitholders' meeting of JEI was held on October 20, 2011. The following table summarizes the major matters approved by the unitholders' meeting.

Proposal	Summary
Partial amendments to the articles of incorporation	The articles of incorporation was amended as follows: • Necessary changes to reflect the amendment of the enforcement order for the Special Taxation Measures Law, which provides the requirements for the application of the special provisions for taxation on investment corporations prescribed in the Special Taxation Measures Law, pertaining to the requirement that the offering of investment units shall be carried out mainly in Japan. • Changes to provide special rules concerning the period in which a resolution on the election of substitute officers is effective. • Necessary changes to reflect the amendment of the Special Taxation Measures Law that changed the requirements for the reduction of registration and license tax imposed on the registration of the ownership change of real estate. • Necessary changes to enable JEI to invest in quotas calculated pursuant to the Act on Promotion of Global Warming Countermeasures and other similar items or emission allowances, caps, etc. • Necessary changes to reflect the change of the definition of the amount of asset under management that is used as a basis for the calculation of the asset management fee I, which is one of the fees paid by JEI to the asset management company. • Necessary changes to enable the asset management company to bear part of expenses for processing the administrative works outsourced from JEI to the asset management company. • Other changes in the texts for the alteration and clarification of expression and changes in the wording necessary for the rearrangement of the texts.

Election of one executive director	Chifumi Toda was elected as an executive director. The term of his office is two years from November 1, 2011.
Election of one substitute executive director	Miki Naito was elected as a substitute executive director.
Election of three supervisory directors	Makoto Sakagami, Tsuyoshi Nagahama, and Shunichi Maekawa were elected as supervisory directors. The term of their office is two years from November 1, 2011.

2) Board of directors meeting

Outline of major contracts to be entered into or revised which were approved by the board of directors of JEI during the six months ended December 31, 2011 is as follows:

Approval date	Approved agenda	Description
August 12, 2011	Entering into revised agreement for ongoing asset management agreement	Provisions on fees for the outsourcing of business from the Investment Corporation to the Asset Management Company were partially revised.

(3) Other

Figures less than unit indicated in each statement have been rounded down for amounts and rounded for ratio unless otherwise indicated in this Report.

Financial Statements

Japan Excellent, Inc.

For the six-month periods ended
December 31, 2011 and June 30, 2011
with Report of Independent Auditors

ERNST & YOUNG

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Report of Independent Auditors

The Board of Directors
Japan Excellent, Inc.

We have audited the accompanying financial statements of Japan Excellent, Inc., which comprise the balance sheets as of December 31, 2011 and June 30, 2011, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Japan Excellent, Inc. at December 31, 2011 and June 30, 2011, 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 December 31, 2011 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

March 26, 2012

Japan Excellent, Inc.

Balance Sheets

As of December 31, 2011 and June 30, 2011

	As of December 31, 2011	As of June 30, 2011	As of December 31, 2011
	(Thousands of yen)		*(U.S. dollars) (Note 2)*
Assets			
Current assets:			
Cash and cash equivalents including trust accounts *(Notes 4 and 5)*	¥ 14,708,786	¥ 16,496,792	$ 189,229,202
Rental receivables	453,875	375,348	5,839,123
Consumption taxes refundable	227,660	193,373	2,928,850
Other current assets	118,216	114,170	1,520,856
Total current assets	15,508,537	17,179,683	199,518,031
Property and equipment *(Note 7)*:			
Buildings and building improvements	3,605,649	3,492,109	46,386,840
Machinery and equipment	265	265	3,411
Furniture and fixtures	1,850	833	23,796
Construction in progress	12,233	14,508	157,375
Buildings and building improvements for trust accounts	81,146,718	72,203,216	1,043,956,226
Machinery and equipment for trust accounts	416,916	416,916	5,363,644
Furniture and fixtures for trust accounts	76,706	74,837	986,829
Land for trust accounts	127,497,971	115,651,435	1,640,267,222
Less: accumulated depreciation	(10,120,288)	(8,964,177)	(130,197,962)
Net property and equipment	202,638,020	182,889,942	2,606,947,381
Investments and other assets:			
Leasehold rights	1,185,045	1,185,045	15,245,656
Leasehold rights for trust accounts	7,380,017	7,380,017	94,944,253
Security deposits	15,182	15,181	195,313
Long-term prepaid expenses	355,240	362,835	4,570,180
Investment corporation bond issuance costs	93,387	61,015	1,201,431
Other assets	73,787	68,427	949,281
Total investments and other assets	9,102,658	9,072,520	117,106,114
Total assets	¥227,249,215	¥209,142,145	$ 2,923,571,526

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

	As of December 31, 2011	As of June 30, 2011	As of December 31, 2011
	(Thousands of yen)		*(U.S. dollars) (Note 2)*
Liabilities			
Current liabilities:			
Accounts payable – trade	¥ 583,762	¥ 583,196	$ 7,510,131
Short-term loans *(Notes 5 and 8)*	9,000,000	–	115,785,411
Long-term debt due within one year *(Notes 5 and 8)*	14,000,000	7,000,000	180,110,639
Accounts payable – other	303,706	342,674	3,907,186
Provision for loss on disaster	56	16,430	720
Other current liabilities	271,276	257,942	3,489,977
Total current liabilities	24,158,800	8,200,242	310,804,064
Long-term liabilities:			
Investment corporation bonds *(Notes 5 and 9)*	24,000,000	17,000,000	308,761,096
Long-term debt *(Notes 5 and 8)*	65,800,000	71,500,000	846,520,005
Security deposits from tenants *(Note 5)*	415,626	421,646	5,347,046
Security deposits from tenants for trust accounts *(Note 5)*	8,535,962	7,653,840	109,815,535
Total long-term liabilities	98,751,588	96,575,486	1,270,443,682
Total liabilities	122,910,388	104,775,728	1,581,247,746
Net assets *(Note 10)*:			
Unitholders' equity:			
Unitholders' capital:			
Units authorized: 2,000,000 units			
Units issued and outstanding: 188,650 units as of December 31, 2011 and June 30, 2011	102,052,384	102,052,384	1,312,908,586
Surplus			
Voluntary reserve			
Reserve for advanced depreciation of non-current assets	50,181	–	645,580
Retained earnings	2,236,262	2,314,033	28,769,614
Total surplus	2,286,443	2,314,033	29,415,194
Total unitholders' equity	104,338,827	104,366,417	1,342,323,780
Total net assets	104,338,827	104,366,417	1,342,323,780
Total liabilities and net assets	¥ 227,249,215	¥ 209,142,145	$ 2,923,571,526

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

Japan Excellent, Inc.

Statements of Income and Retained Earnings

For the periods from July 1, 2011 to December 31, 2011
and from January 1, 2011 to June 30, 2011

	For the period from July 1, 2011 to December 31, 2011	For the period from January 1, 2011 to June 30, 2011	For the period from July 1, 2011 to December 31, 2011
	(Thousands of yen)		*(U.S. dollars) (Note 2)*
Revenues:			
Rental revenues *(Note 13)*	¥6,569,425	¥6,565,051	$84,515,957
Other *(Note 13)*	515,944	469,836	6,637,638
Gain on sale of real estate *(Note 14)*	–	302,618	–
Total revenues	7,085,369	7,337,505	91,153,595
Operating expenses:			
Property operating expenses *(Note 13)*	3,645,610	3,555,973	46,900,935
Asset management fees	337,980	428,085	4,348,130
Custodian fees	15,940	15,243	205,068
Administrative service fees	33,093	29,059	425,740
Compensation for directors	6,540	6,540	84,137
Other	76,936	82,394	989,794
Total operating expenses	4,116,099	4,117,294	52,953,804
Operating income	2,969,270	3,220,211	38,199,791
Other income:			
Interest income	1,841	1,798	23,690
Gain on adjustment for property rental business profit	61,354	–	789,322
Other	12,829	5,201	165,045
Other expenses:			
Interest expense	551,628	541,561	7,096,720
Loan arrangement fees	101,837	146,481	1,310,134
New unit issuance costs	–	43,953	–
Interest expense on investment corporation bonds	136,523	122,359	1,756,380
Amortization of investment corporation bond issuance costs	11,128	9,846	143,164
Other	6,846	129	88,069
Ordinary income	2,237,332	2,362,881	28,783,381
Extraordinary losses:			
Loss on disaster	64	47,933	823
Income before income taxes	2,237,268	2,314,948	28,782,558
Income taxes *(Note 12)*:			
Current	1,062	987	13,658
Deferred	(4)	5	(47)
Net income	2,236,210	2,313,956	28,768,947
Retained earnings at beginning of period	52	77	667
Retained earnings at end of period	¥2,236,262	¥2,314,033	$28,769,614

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

Japan Excellent, Inc.

Statements of Changes in Net Assets

For the periods from July 1, 2011 to December 31, 2011 and from January 1, 2011 to June 30, 2011

For the period from January 1, 2011 to June 30, 2011

	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, 2010	154,550	¥ 87,083,030	¥ 2,218,333	¥ 89,301,363	¥ (28,771)	¥ (28,771)	¥ 89,272,592
Changes during the fiscal period:							
Issuance of new units	34,100	14,969,354	–	14,969,354	–	–	14,969,354
Distributions from retained earnings	–	–	(2,218,256)	(2,218,256)	–	–	(2,218,256)
Net income	–	–	2,313,956	2,313,956	–	–	2,313,956
Changes in unrealized loss on deferred hedge transactions	–	–	–	–	28,771	28,771	28,771
Total changes during the fiscal period	34,100	14,969,354	95,700	15,065,054	28,771	28,771	15,093,825
Balance as of June 30, 2011	188,650	¥ 102,052,384	¥ 2,314,033	¥ 104,366,417	¥ –	¥ –	¥ 104,366,417

For the period from July 1, 2011 to December 31, 2011

	Net assets						
	Unitholders' equity						
			Surplus				
			Voluntary reserve				
	Number of units in issue	Unitholders' capital	Reserve for advanced depreciation of non-current assets	Retained earnings	Total surplus	Total unitholders' equity	Total net assets
				(Thousands of yen)			
Balance as of June 30, 2011	188,650	¥ 102,052,384	¥ –	¥ 2,314,033	¥ 2,314,033	¥ 104,366,417	¥ 104,366,417
Changes during the fiscal period:							
Provision for reserve for reduction	–	–	50,181	(50,181)	–	–	–
Distributions from retained earnings	–	–	–	(2,263,800)	(2,263,800)	(2,263,800)	(2,263,800)
Net income	–	–	–	2,236,210	2,236,210	2,236,210	2,236,210
Total changes during the fiscal period	–	–	50,181	(77,771)	(27,590)	(27,590)	(27,590)
Balance as of December 31, 2011	188,650	¥ 102,052,384	¥ 50,181	¥ 2,236,262	¥ 2,286,443	¥ 104,338,827	¥ 104,338,827

For the period from July 1, 2011 to December 31, 2011

	Net assets						
	Unitholders' equity						
			Surplus				
			Voluntary reserve				
	Number of units in issue	Unitholders' capital	Reserve for advanced depreciation of non-current assets	Retained earnings	Total surplus	Total unitholders' equity	Total net assets
				(U.S. dollars) (Note 2)			
Balance as of June 30, 2011	188,650	$ 1,312,908,586	$ –	$ 29,770,137	$ 29,770,137	$ 1,342,678,723	$ 1,342,678,723
Changes during the fiscal period:							
Provision for reserve for reduction	–	–	645,580	(645,580)	–	–	–
Distributions from retained earnings	–	–	–	(29,123,890)	(29,123,890)	(29,123,890)	(29,123,890)
Net income	–	–	–	28,768,947	28,768,947	28,768,947	28,768,947
Total changes during the fiscal period	–	–	645,580	(1,000,523)	(354,943)	(354,943)	(354,943)
Balance as of December 31, 2011	188,650	$ 1,312,908,586	$ 645,580	$ 28,769,614	$ 29,415,194	$ 1,342,323,780	$ 1,342,323,780

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

Japan Excellent, Inc.

Statements of Cash Flows

For the periods from July 1, 2011 to December 31, 2011
and from January 1, 2011 to June 30, 2011

	For the period from July 1, 2011 to December 31, 2011	For the period from January 1, 2011 to June 30, 2011	For the period from July 1, 2011 to December 31, 2011
	(Thousands of yen)		*(U.S. dollars) (Note 2)*
Cash flows from operating activities			
Income before income taxes	¥ 2,237,268	¥ 2,314,948	$ 28,782,558
Depreciation and amortization	1,156,168	1,080,842	14,874,153
Amortization of investment corporation bond issuance costs	11,128	9,846	143,164
(Decrease) increase in provision for loss on disaster	(16,374)	16,430	(210,652)
New unit issuance costs	–	43,953	–
Interest income	(1,841)	(1,798)	(23,690)
Interest expense	688,151	663,920	8,853,100
(Increase) decrease in rental receivables	(78,527)	57,638	(1,010,251)
Increase in consumption taxes refundable	(34,286)	(193,373)	(441,098)
(Increase) decrease in prepaid expenses	(12,180)	17,725	(156,692)
(Decrease) increase in accounts payable – trade	(29,064)	44,862	(373,905)
(Decrease) increase in accounts payable – other	(44,199)	9,192	(568,623)
Decrease in unpaid consumption taxes	–	(4,816)	–
(Decrease) increase in advances received	(8,978)	33,366	(115,505)
Decrease (increase) in long-term prepaid expenses	7,595	(100,440)	97,704
Decrease in property and equipment for trust accounts due to sale	–	3,995,580	–
Other, net	4,203	(24,333)	54,073
Subtotal	3,879,064	7,963,542	49,904,336
Interest received	1,841	1,798	23,690
Interest paid	(672,394)	(691,629)	(8,650,379)
Income taxes paid	(995)	(950)	(12,811)
Net cash provided by operating activities	3,207,516	7,272,761	41,264,836
Cash flows from investing activities			
Purchases of property and equipment	(34,787)	(130,421)	(447,534)
Purchases of property and equipment for trust accounts	(20,830,784)	(11,394,014)	(267,988,988)
Proceeds from security deposits from tenants	681	8,804	8,766
Payments for security deposits to tenants	(6,701)	(15,404)	(86,216)
Proceeds from security deposits from tenants for trust accounts	1,154,787	701,662	14,856,391
Payments for security deposits to tenants for trust accounts	(272,665)	(907,360)	(3,507,851)
Net cash used in investing activities	(19,989,469)	(11,736,733)	(257,165,432)
Cash flows from financing activities			
Proceeds from short-term loans	10,300,000	–	132,509,970
Repayment for short-term loans	(1,300,000)	(4,900,000)	(16,724,559)
Proceeds from long-term debt	8,300,000	27,500,000	106,779,879
Repayment for long-term debt	(7,000,000)	(27,500,000)	(90,055,320)
Issuance of new units	–	14,969,355	–
Proceeds from issuance of investment corporation bonds	7,000,000	–	90,055,320
Payments for investment corporation bond issuance costs	(43,500)	–	(559,629)
Payments for new unit issuance costs	–	(43,953)	–
Distributions to unitholders	(2,262,553)	(2,216,574)	(29,107,845)
Net cash provided by financing activities	14,993,947	7,808,828	192,897,816
Net (decrease) increase in cash and cash equivalents	(1,788,006)	3,344,856	(23,002,780)
Cash and cash equivalents at beginning of period	16,496,792	13,151,936	212,231,982
Cash and cash equivalents at end of period	¥ 14,708,786	¥ 16,496,792	$ 189,229,202

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

Japan Excellent, Inc.

Notes to Financial Statements

For the periods from July 1, 2011 to December 31, 2011
and from January 1, 2011 to June 30, 2011

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 45% by Kowa Real Estate Co., Ltd., 20% by The Dai-ichi Life Insurance Company, Limited, 15% by Sekisui House, Ltd. and 20% by other corporations.

JEI was listed on the Tokyo Stock Exchange on June 27, 2006. As of December 31, 2011, JEI held 23 properties with 262,464 square meters of total leasable space and had leases with 124 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 ¥77.73 = U.S.$1.00, the foreign exchange rate prevailing on December 31, 2011, 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.

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 – 60 years
Building improvements	2 – 59 years
Machinery and equipment	7 – 16 years
Furniture and fixtures	3 – 10 years

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

Deferred assets

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

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 13).

JEI capitalizes the property-related taxes allocated to the sellers of properties to JEI at the time of acquisition of such properties including trust accounts. The capitalized amounts for the periods from July 1, 2011 to December 31, 2011 and from January 1, 2011 to June 30, 2011 were ¥15,667 thousand ($201,560) and ¥66,033 thousand, respectively.

3. Summary of Significant Accounting Policies (continued)

Provision for loss on disaster

Provision for loss on disaster is recorded at the amount estimated as of December 31, 2011 and June 30, 2011 to provide for possible repair and recovery costs arising from the Great East Japan Earthquake.

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.

The corresponding interest-rate swap meets the criteria for the special hedge accounting treatment under Japanese GAAP, and it is therefore not recorded at fair value.

The amounts paid or received via the swap transaction are recognized as interest adjustments. An assessment of hedge effectiveness is omitted accordingly.

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.

(Additional information)

Effective July 1, 2011, JEI adopted the Accounting Standard for Accounting Changes and Error Corrections (Accounting Standards Board of Japan (hereinafter referred to as the ASBJ) Statement No. 24, December 4, 2009) and the Guidance on Accounting Standard for Accounting Changes and Error Corrections (ASBJ Guidance No. 24, December 4, 2009).

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 December 31, 2011 and June 30, 2011 consisted of the following:

	As of December 31, 2011	As of June 30, 2011	As of December 31, 2011
	(Thousands of yen)		*(U.S. dollars)*
Cash and cash deposits	¥ 2,940,334	¥ 5,560,049	$ 37,827,527
Cash in trust and deposits in trust	11,768,452	10,936,743	151,401,675
Cash and cash equivalents including trust accounts	¥14,708,786	¥16,496,792	$189,229,202

5. Financial Instruments

For the periods from July 1, 2011 to December 31, 2011 and from January 1, 2011 to June 30, 2011

Overview

(1) Policy for Financial Instruments

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

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

(a) Market Risks (Interest Rate Fluctuation Risks)

Borrowings and investment corporation bonds are primarily used to acquire properties or to refinance existing borrowings. Some of such debt are floating rate instruments and thus are exposed to the risk of interest rate fluctuations. Based on interest rate forecasts developed through constant monitoring activities, JEI hedges against the risk of interest rate fluctuations using derivative transactions (interest-rate swaps), which swap a floating interest rate for a fixed interest rate. To reduce credit risk, derivative transactions (interest-rate swaps) are entered into exclusively with counterparties that are financial institutions having a high credit rating. For hedging accounting methods, hedging instruments, hedged items, hedging policies and methods for evaluation the effectiveness of hedging activities, see "Derivatives and hedge accounting" under Summary of Significant Accounting Policies.

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

Borrowings and investment corporation bonds are exposed to liquidity risk. This risk is reduced by diversifying maturity dates and funding sources, and liquidity risk is managed through the constant management of liquidity on hand.

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

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in a different fair value.

5. Financial Instruments (continued)

Fair value of financial instruments

The following are carrying values and fair values as of December 31, 2011 and June 30, 2011 of financial instruments and the differences between them. When fair value is difficult to ascertain, it is excluded from the following table (Note 2).

	As of December 31, 2011			As of June 30, 2011			As of December 31, 2011		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
	(Thousands of yen)						*(U.S. dollars)*		
(1) Cash and cash deposits	¥ 2,940,334	¥ 2,940,334	¥ –	¥ 5,560,049	¥ 5,560,049	¥ –	$ 37,827,527	$ 37,827,527	$ –
(2) Cash in trust and deposits in trust	11,768,452	11,768,452	–	10,936,743	10,936,743	–	151,401,675	151,401,675	–
Total assets	¥ 14,708,786	¥ 14,708,786	¥ –	¥ 16,496,792	¥ 16,496,792	¥ –	$ 189,229,202	$ 189,229,202	$ –
(3) Short-term loans	¥ 9,000,000	¥ 9,000,000	¥ –	¥ –	¥ –	¥ –	$ 115,785,411	$ 115,785,411	$ –
(4) Long-term debt due within one year	14,000,000	14,039,015	39,015	7,000,000	7,000,000	–	180,110,639	180,612,561	501,922
(5) Investment corporation bonds	24,000,000	24,188,000	188,000	17,000,000	17,187,400	187,400	308,761,096	311,179,725	2,418,629
(6) Long-term debt	65,800,000	66,178,742	378,742	71,500,000	71,710,990	210,990	846,520,005	851,392,541	4,872,536
Total liabilities	¥ 112,800,000	¥ 113,405,757	¥ 605,757	¥ 95,500,000	¥ 95,898,390	¥ 398,390	$ 1,451,177,151	$ 1,458,970,238	$ 7,793,087
(7) Derivative transactions *	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –	$ –	$ –	$ –

* The value of assets and liabilities arising from derivatives is shown at net value, with the amount in parentheses representing net liability position.

(Note 1)

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

Assets

(1) Cash and cash deposits and

(2) Cash in trust and deposits in trust

Carrying value approximates fair value because of the short maturities of these instruments.

Liabilities

(3) Short-term loans,

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

(6) Long-term debt

Where floating rates apply, fair value is based on book value. The fair value of such liabilities is considered to be close to book value because floating rates reflect market interest rates within a short period of time.

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

The fair value of long-term fixed-rate debt and long-term fixed-rate debt due within one year are calculated by discounting the combined value of principal and interest of the applicable long-term debt by a reasonable rate assuming the same amount were to be borrowed anew.

5. Financial Instruments (continued)

(5) Investment corporation bonds

The fair value of investment corporation bonds issued by JEI is based on quoted market prices.

(7) Derivative transactions

Please refer to Note 16, "Derivative Transactions."

(Note 2)

Financial instruments for which fair value is deemed extremely difficult to determine

		As of December 31, 2011	As of June 30, 2011	As of December 31, 2011
		(Thousands of yen)		*(U.S. dollars)*
(1)	Security deposits from tenants *	¥ 415,626	¥ 421,646	$ 5,347,046
(2)	Security deposits from tenants for trust accounts *	¥8,535,962	¥7,653,840	$109,815,535

* Security deposits from tenants and security deposits from tenants for trust accounts in leased properties are not subject to fair value disclosure because such deposits have no market price. Moreover, it is difficult to calculate the actual period of time on deposit, namely, from the time the tenant moves in until the time the tenant vacates, and it is extremely difficult to rationally estimate cash flow.

(Note 3)

Planned redemption amounts after settlement date of financial assets

	As of December 31, 2011					
	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
	(Thousands of yen)					
Cash and cash deposits	¥ 2,940,334	¥ –	¥ –	¥ –	¥ –	¥ –
Cash in trust and deposits in trust	11,768,452	–	–	–	–	–
Total	¥14,708,786	¥ –	¥ –	¥ –	¥ –	¥ –

	As of December 31, 2011					
	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
	(U.S. dollars)					
Cash and cash deposits	$ 37,827,527	$ –	$ –	$ –	$ –	$ –
Cash in trust and deposits in trust	151,401,675	–	–	–	–	–
Total	$189,229,202	$ –	$ –	$ –	$ –	$ –

	As of June 30, 2011					
	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
	(Thousands of yen)					
Cash and cash deposits	¥ 5,560,049	¥ –	¥ –	¥ –	¥ –	¥ –
Cash in trust and deposits in trust	10,936,743	–	–	–	–	–
Total	¥16,496,792	¥ –	¥ –	¥ –	¥ –	¥ –

5. Financial Instruments (continued)

(Note 4)

Planned redemption amounts after settlement date of borrowings, investment corporation bonds and other interest-bearing debt

	As of December 31, 2011					
	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
	(Thousands of yen)					
Short-term loans	¥ 9,000,000	¥ –	¥ –	¥ –	¥ –	¥ –
Long-term debt due within one year	14,000,000	–	–	–	–	–
Investment corporation bonds	–	–	12,000,000	5,000,000	5,000,000	2,000,000
Long-term debt	–	15,000,000	15,500,000	9,540,000	16,760,000	9,000,000
Total	¥23,000,000	¥15,000,000	¥27,500,000	¥14,540,000	¥21,760,000	¥11,000,000

	As of December 31, 2011					
	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
	(U.S. dollars)					
Short-term loans	$115,785,411	$ –	$ –	$ –	$ –	$ –
Long-term debt due within one year	180,110,639	–	–	–	–	–
Investment corporation bonds	–	–	154,380,548	64,325,228	64,325,228	25,730,091
Long-term debt	–	192,975,685	199,408,208	122,732,536	215,618,166	115,785,411
Total	$295,896,050	$192,975,685	$353,788,756	$187,057,764	$279,943,394	$141,515,502

	As of June 30, 2011					
	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
	(Thousands of yen)					
Short-term loans	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –
Long-term debt due within one year	7,000,000	–	–	–	–	–
Investment corporation bonds	–	–	12,000,000	5,000,000	–	–
Long-term debt	–	21,000,000	8,000,000	20,500,000	13,000,000	9,000,000
Total	¥ 7,000,000	¥21,000,000	¥20,000,000	¥25,500,000	¥13,000,000	¥ 9,000,000

6. Investment and Rental Property

For the periods from July 1, 2011 to December 31, 2011 and from January 1, 2011 to June 30, 2011

JEI owns rental office buildings and other properties in Tokyo and other regions for the purpose of generating rental income. The following is the carrying value and fair value as of December 31, 2011 and June 30, 2011, for such real estate for lease.

Carrying value			Fair value
As of June 30, 2011	**Change during period** (*1)	**As of December 31, 2011**	**As of December 31, 2011**
	(Thousands of yen)		
¥191,455,003	¥19,748,079	¥211,203,082	¥196,794,000

6. Investment and Rental Property (continued)

Carrying value			Fair value
As of June 30, 2011	**Change during period** (*1)	**As of December 31, 2011**	**As of December 31, 2011**
(U.S. dollars)			
$2,463,077,360	$254,059,930	$2,717,137,290	$2,531,763,798

Carrying value			Fair value
As of December 31, 2010	**Change during period** (*2)	**As of June 30, 2011**	**As of June 30, 2011**
(Thousands of yen)			
¥185,054,616	¥6,400,387	¥191,455,003	¥176,964,000

(Note 1)

Carrying value represents the acquisition cost less accumulated depreciation.

(Note 2)

(*1) Changes during period comprise increases of ¥8,324,100 thousand ($107,089,939) related to the acquisition of No.35 Kowa Building, ¥7,105,754 thousand ($91,415,861) related to the acquisition of HAMARIKYU INTERCITY, ¥3,431,797 thousand ($44,150,231) related to the acquisition of MID Kyobashi Building, ¥1,680,304 thousand ($21,617,188) related to the acquisition of Pacific Square Sengoku, and a decrease of ¥1,156,110 thousand ($14,873,420) for depreciation costs.

(*2) Changes during period comprise an increase of ¥11,115,110 thousand related to the acquisition of Daiba Garden City Building and decreases of ¥3,995,580 thousand related to the disposition of No. 36 Kowa Building and ¥1,080,785 thousand for depreciation costs.

(Note 3)

Fair value as of December 31, 2011 and June 30, 2011 is appraisal value provided by third-party real estate appraisers.

7. Property and Equipment

Property and equipment at December 31, 2011 and June 30, 2011 consisted of the following:

	As of December 31, 2011			As of June 30, 2011			As of December 31, 2011		
	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	¥ 3,605,649	¥ (426,972)	¥ 3,178,677	¥ 3,492,109	¥ (383,323)	¥ 3,108,786	$ 46,386,840	$ (5,493,012)	$ 40,893,828
Machinery and equipment	265	(36)	229	265	(24)	241	3,411	(460)	2,951
Furniture and fixtures	1,850	(312)	1,538	832	(251)	582	23,796	(4,017)	19,779
Construction in progress	12,233	–	12,233	14,508	–	14,508	157,375	–	157,375
Buildings and building improvements for trust accounts	81,146,718	(9,518,760)	71,627,958	72,203,216	(8,425,877)	63,777,339	1,043,956,226	(122,459,280)	921,496,946
Machinery and equipment for trust accounts	416,916	(146,202)	270,714	416,916	(132,091)	284,825	5,363,644	(1,880,897)	3,482,747
Furniture and fixtures for trust accounts	76,706	(28,006)	48,700	74,838	(22,611)	52,227	986,829	(360,296)	626,533
Land for trust accounts	127,497,971	–	127,497,971	115,651,434	–	115,651,434	1,640,267,222	–	1,640,267,222
Total	¥ 212,758,308	¥ (10,120,288)	¥ 202,638,020	¥ 191,854,118	¥ (8,964,177)	¥ 182,889,942	$2,737,145,343	$ (130,197,962)	$2,606,947,381

8. Short-Term Loans and Long-Term Debt

Short-term loans and long-term debt as of December 31, 2011 and June 30, 2011 consisted of the following:

	As of December 31, 2011		As of June 30, 2011		As of December 31, 2011
	Amount	Weighted-average interest rate	Amount	Weighted-average interest rate	Amount
	(Thousands of yen)		*(Thousands of yen)*		*(U.S. dollars)*
Short-term loans:					
Unsecured loans from banks due on January 31, 2012	¥ 9,000,000	0.68000%	¥ –	–	$ 115,785,411
Subtotal	9,000,000		–		115,785,411
Long-term debt due within one year:					
Unsecured loans from banks due on November 29, 2011	–	–	7,000,000	1.34000%	–
Unsecured loans from banks due on July 31, 2012	7,000,000	0.68643%	–	–	90,055,320
Unsecured loans from banks and insurance companies due on July 31, 2012	7,000,000	1.96907%	–	–	90,055,319
Subtotal	14,000,000		7,000,000		180,110,639
Long-term debt:					
Unsecured loans from banks due on July 31, 2012	–	–	7,000,000	0.69000%	–
Unsecured loans from banks and insurance companies due on July 31, 2012	–	–	7,000,000	1.96907%	–
Unsecured loans from banks due on June 28, 2013	7,000,000	1.03643%	7,000,000	1.04000%	90,055,320
Unsecured loans from banks due on December 27, 2013	8,000,000	1.08643%	8,000,000	1.09000%	102,920,366
Unsecured loans from an insurance company due on July 31, 2014	2,000,000	2.25875%	2,000,000	2.25875%	25,730,091
Unsecured loans from a bank due on July 31, 2014	2,000,000	2.28417%	2,000,000	2.28417%	25,730,091
Unsecured loans from banks due on December 29, 2014	11,500,000	0.98643%	11,500,000	0.99103%	147,948,025
Unsecured loans from an insurance company and a bank due on June 30, 2015	5,000,000	2.27344%	5,000,000	2.27344%	64,325,228
Unsecured loans from banks due on November 30, 2015	4,540,000	1.13750%	–	–	58,407,307
Unsecured loans from banks due on June 29, 2016	13,000,000	1.36375%	13,000,000	1.36375%	167,245,594
Unsecured loans from banks due on November 29, 2016	3,760,000	1.24375%	–	–	48,372,572
Unsecured loans from a bank due on November 30, 2017	6,000,000	1.73875%	6,000,000	1.73875%	77,190,274
Unsecured loans from an insurance company due on June 29, 2018	3,000,000	1.65125%	3,000,000	1.65125%	38,595,137
Subtotal	65,800,000		71,500,000		846,520,005
Total	¥ 88,800,000		¥ 78,500,000		$ 1,142,416,055

9. Investment Corporation Bonds

Details of total investment corporation bonds outstanding as of December 31, 2011 and June 30, 2011 are summarized as follows:

	As of December 31, 2011		As of June 30, 2011		As of December 31, 2011
	Amount	Weighted-average interest rate	Amount	Weighted-average interest rate	Amount
	(Thousands of yen)		*(Thousands of yen)*		*(U.S. dollars)*
Unsecured bond due on March 11, 2014	¥12,000,000	1.52000%	¥12,000,000	1.52000%	$154,380,548
Unsecured bond due on June 26, 2015	5,000,000	1.29000%	5,000,000	1.29000%	64,325,228
Unsecured bond due on November 4, 2016	5,000,000	1.01000%	–	–	64,325,228
Unsecured bond due on November 2, 2018	2,000,000	1.40000%	–	–	25,730,092
Total	¥24,000,000		¥17,000,000		$308,761,096

10. Net Assets

In accordance with the Investment Trust Law, JEI issues only non-par value investment units and maintains net assets of at least ¥50 million.

11. Per Unit Information

Net assets per unit were ¥553,081 ($7,115) as of December 31, 2011 and ¥553,227 as of June 30, 2011. Net income per unit was ¥11,853 ($152) for the period from July 1, 2011 to December 31, 2011 and ¥12,677 for the period from January 1, 2011 to June 30, 2011 and was computed based on the weighted-average number of units outstanding during the respective periods.

12. Income Taxes

JEI is subject to income taxes in Japan.

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

Details of significant components of deferred tax assets and liabilities as of December 31, 2011 and June 30, 2011 are summarized as follows:

	As of December 31, 2011	As of June 30, 2011	As of December 31, 2011
	(Thousands of yen)		*(U.S. dollars)*
Deferred tax assets:			
Accrued enterprise taxes	¥22	¥19	$286
Total deferred tax assets	22	19	286
Net deferred tax assets	¥22	¥19	$286

A reconciliation of the differences between the statutory tax rate and the effective tax rate for the periods from July 1, 2011 to December 31, 2011 and from January 1, 2011 to June 30, 2011 is as follows:

	For the period from July 1, 2011 to December 31, 2011	For the period from January 1, 2011 to June 30, 2011
Statutory tax rate	39.33%	39.33%
Reconciliation:		
Deductible distributions paid	(39.31)	(38.46)
Other	0.03	(0.82)
Effective tax rate	0.05%	0.05%

13. Breakdown of Property Rental Business Revenues and Expenses

	For the period from July 1, 2011 to December 31, 2011	For the period from January 1, 2011 to June 30, 2011	For the period from July 1, 2011 to December 31, 2011
	(Thousands of yen)		*(U.S. dollars)*
Rental business revenues:			
Rental revenues	¥6,569,425	¥6,565,051	$84,515,957
Other	515,944	469,836	6,637,638
Total rental business revenues	7,085,369	7,034,887	91,153,595
Property operating expenses:			
Property management costs and fees	1,014,099	1,033,212	13,046,428
Utilities	627,237	552,926	8,069,434
Property and other taxes	556,563	561,760	7,160,213
Insurance	21,817	21,687	280,677
Repairs and maintenance	96,459	92,630	1,240,945
Depreciation	1,156,111	1,080,785	14,873,420
Other	173,324	212,973	2,229,818
Total property operating expenses	3,645,610	3,555,973	46,900,935
Profit	¥3,439,759	¥3,478,914	$44,252,660

14. Breakdown of Gain on Sale of Real Estate

Gain on sale of real estate for the period from January 1, 2011 to June 30, 2011 is as follows:

	For the period from January 1, 2011 to June 30, 2011
	(Thousands of yen)
No. 36 Kowa Building	
Proceeds from sale of real estate	¥4,300,000
Cost of sale of real estate	3,995,580
Other related sale expenses	1,803
Gain on sale of real estate	¥ 302,617

15. Leases

JEI leases properties on which rental revenues are earned. At December 31, 2011 and June 30, 2011, future lease revenues under non-cancelable operating leases are summarized as follows:

	As of December 31, 2011	As of June 30, 2011	As of December 31, 2011
	(Thousands of yen)		*(U.S. dollars)*
Due within one year	¥ 703,710	¥ 619,095	$ 9,053,258
Due after one year	362,902	661,873	4,668,748
Total	¥1,066,612	¥1,280,968	$13,722,006

16. Derivative Transactions

Derivative Transactions as of December 31, 2011

(1) Hedge accounting not applied

Not applicable.

(2) Hedge accounting applied

The following are the contract values or values corresponding to the principal amount as stipulated by contract as of the settlement date for each hedge accounting method applied.

Hedge accounting method	Type of derivative transaction	Hedged item	Contract amount	More than one year	Fair value	Method of calculating the fair value	Contract amount	More than one year	Fair value	Method of calculating the fair value
			(Thousands of yen)				*(U.S. dollars)*			
Special treatment of interest-rate swaps	Interest-rate swap Receive floating, pay fixed	Long-term debt	¥21,300,000	¥21,300,000	*		$274,025,473	$274,025,473	*	

* Since the above interest-rate swap qualifies for hedge accounting and meets certain matching criteria, the swap is not recorded at fair value on the accompanying balance sheets, as described in the summary of significant accounting policies.

In addition, since the swap and the long-term debt hedged by the swap are accounted for as a unit, the fair value of the swap is disclosed as part of the fair value of the hedged long-term debt in the fair value disclosure in Note 5, “Financial Instruments.”

Derivative Transactions as of June 30, 2011

(1) Hedge accounting not applied

Not applicable.

(2) Hedge accounting applied

The following are the contract values or values corresponding to the principal amount as stipulated by contract as of the settlement date for each hedge accounting method applied.

Hedge accounting method	Type of derivative transaction	Hedged item	Contract amount	More than one year	Fair value	Method of calculating the fair value
			(Thousands of yen)			
Special treatment of interest-rate swaps	Interest-rate swap Receive floating, pay fixed	Long-term debt	¥13,000,000	¥13,000,000	*	

* Since the above interest-rate swap qualifies for hedge accounting and meets certain matching criteria, the swap is not recorded at fair value on the accompanying balance sheets, as described in the summary of significant accounting policies.

In addition, since the swap and the long-term debt hedged by the swap are accounted for as a unit, the fair value of the swap is disclosed as part of the fair value of the hedged long-term debt in the fair value disclosure in Note 5, “Financial Instruments.”

17. Related Party Transactions

For the period from July 1, 2011 to December 31, 2011

(1) Parent company and major corporate unitholders

Not applicable.

(2) Affiliates

Not applicable.

(3) Sister companies

Not applicable.

(4) Directors and major individual unitholders

Name	Description of transaction	Amount		Account	Balance at the end of period	
		(Thousands of yen)	*(U.S. dollars)*		*(Thousands of yen)*	*(U.S. dollars)*
Chifumi Toda	Payment of asset management fees to JEAM	¥337,980	$4,348,130	Accounts payable	¥214,971	$2,765,608

For the period from January 1, 2011 to June 30, 2011

(1) Parent company and major corporate unitholders

Not applicable.

(2) Affiliates

Not applicable.

(3) Sister companies

Not applicable.

(4) Directors and major individual unitholders

Name	Description of transaction	Amount	Account	Balance at the end of period
		(Thousands of yen)		*(Thousands of yen)*
Chifumi Toda	Payment of asset management fees to JEAM	¥428,085	Accounts payable	¥264,984

18. Segment Information

For the period from July 1, 2011 to December 31, 2011 and from January 1, 2011 to June 30, 2011

Since JEI has been engaged in the real-estate leasing business as a single segment, segment information has been omitted.

Information about products and services

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

Information about geographic area

(1) Revenues

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

(2) Property and equipment

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

Information about major clients

Since no single external client represents 10% or more of JEI's total operating revenues, information about major clients has been omitted.

19. 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 its 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 ¥2,236,257,100 ($28,769,550), which is the maximum integral multiple of the 188,650 units issued not exceeding unappropriated retained earnings at December 31, 2011. No cash distribution exceeding the income amount set forth in Section 33.1.4 of the bylaws of JEI shall be made.

On February 14, 2012, the Board of Directors approved a resolution to make a cash distribution of ¥11,854 ($153) per unit aggregating to ¥2,236,257,100 ($28,769,550) to unitholders of record as of December 31, 2011.

20. Significant Subsequent Events

Disposition of property

The following property was sold.

1.	Type of asset sold	Trust Property
2.	Asset name	No. 28 Kowa Building
3.	Location	2-20-1, Nishigotanda, Shinagawa-ku, Tokyo
4.	Selling price	¥2,960 million ($38,081 thousand) (Note)
5.	Delivery date	February 29, 2012
6.	Purchaser	KW Emerald Specific Purpose Company

(Note) The selling price does not include fees related to the sale, proportional JEI share of the applicable real estate tax and city planning tax, and consumption tax.