



# Japan Excellent, Inc.

Twenty-Fourth Period (ended June 2018)

Presentation Materials

August 17, 2018



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# Continuous Quality Growth of Office REIT in Tokyo Metropolitan Area

## Internal Growth

- Maintained high occupancy rates with the sponsors' cooperation
  - Average occupancy rate over the past 5 years: **98.8%**

- Continuous stable growth of rental revenue

Historical rental revenue (Unit: million yen)



## External Growth

- Continuously acquired large-scale properties in central Tokyo with high specifications mainly by utilizing the sponsor pipeline

- Percentage of properties acquired from the sponsor in the portfolio: **78.1%** \*1

Percentage of sponsor-related property acquisitions: **95.7%** \*1

## Financial Strategy

- Established a solid financial base supported by megabank sponsors

- Ratings: **AA-** (JCR), **A+** (R&I), **A3** (Moody's)

- Ratio of fixed interest rates: **96.3%**

- LTV: **44.4%**

### Sponsors

**The Dai-ichi Building Co., Ltd.**  
**SOHGO HOUSING CO., Ltd.**

Leading companies in the PM industry

### Core sponsor

**NIPPON STEEL KOWA REAL ESTATE CO., LTD.**

Major real estate developer closely-related with Mizuho Financial Group

### Core sponsor

**The Dai-ichi Life Insurance Company, Limited**

One of the largest owners of office buildings in Japan

### Sponsors

**Mizuho Bank, Ltd.**  
**Mizuho Trust & Banking Co., Ltd.**

Megabank

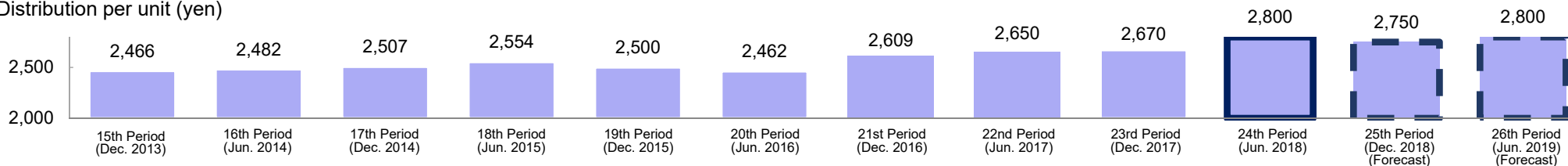
## Established a quality portfolio with high growth potential and stability

### Centering on office buildings and properties in central Tokyo\*1 \*2

Number of properties	Asset size	Ratio of investment in office buildings	Ratio of large-scale properties	Ratio of investment in the Tokyo metropolitan area	Ratio of investment in six central wards of Tokyo
<b>31 properties</b>	<b>273.5 billion yen</b>	<b>93.0%</b>	<b>73.1%</b>	<b>86.7%</b>	<b>49.2%</b>

## Stable distribution records

Distribution per unit (yen)

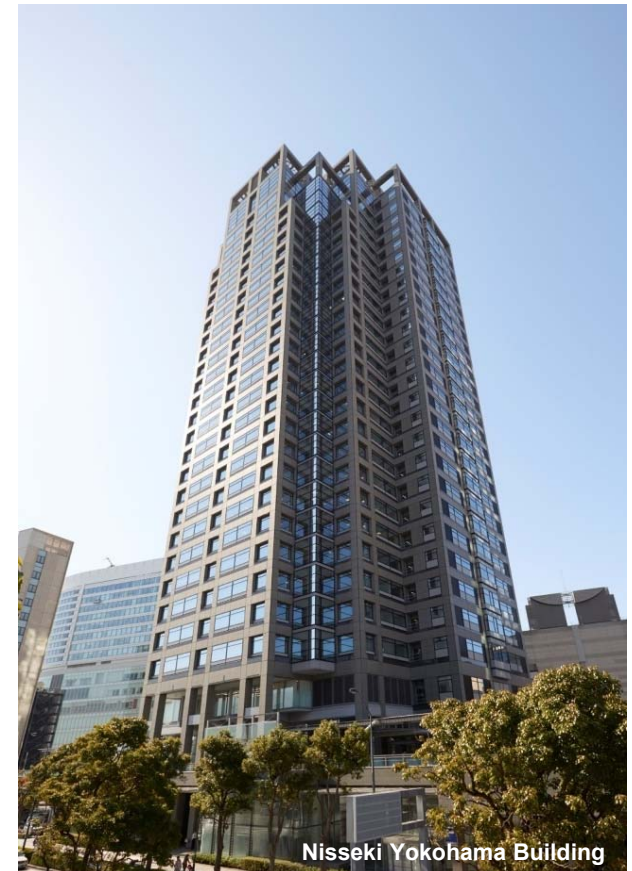


\*1 The figures are those after the acquisition of AKASAKA INTERCITY AIR.

\*2 Please refer to notes on p.29 for definitions of the figures above.

# I. Financial Results and Performance Forecasts

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# 1. Highlights of the 24th Period (Ended June 2018)

## External Growth

- ◆ Improved the portfolio through asset replacement
    - Transferred Ebina Prime Tower
    - Acquired 2 properties from the sponsor
  - ◆ Acquired a large cutting-edge building from the sponsor
    - AKASAKA INTERCITY AIR (6.59 billion yen)
- \* Acquired on July 2, 2018

■ Effect of asset replacement	Unrealized profit*1 <b>+1.54</b> billion yen	NAV per unit*1 <b>+1,186</b> yen
■ Percentage of the portfolio's unrealized profit*1	<b>+14.8%</b>	Change from FP23 <b>+3.8%</b>
■ Increase in profits through acquisition of AKASAKA INTERCITY AIR	Profits from operations (The 25th period Forecast)	<b>112</b> million yen

## Distribution per unit

FP23: 2,670 yen  
**FP24: 2,800 yen**  
+130 yen (+4.9%)  
from FP23

Change from forecast at  
beginning of period  
±0 yen

## Internal Growth

- ◆ Upward rent revisions were steady;  
monthly rent saw a record-high level of increase
- ◆ Occupancy rate remained at a high level;  
period-end occupancy rate marked a record-high

■ Upward rent revision	Ratio of rent revised upward (area basis) <b>66.2%</b>	Rate of upward rent revision <b>+4.6%</b>
■ Increased amount of monthly rent*2	Change from FP23 <b>+27</b> million yen	<b>(+1.9%)</b>
■ Period-end occupancy rate		<b>99.6%</b>

## NAV per unit

FP23: 131,899 yen  
**FP24: 138,787 yen**  
+6,888 yen (+5.2%)  
from FP23

## Financial Strategy

- ◆ Continued to promote the extension of the remaining period loans and reduction of financial costs
  - Issued JEI's first 15-year investment corporation bonds
- ◆ Issued the first green bonds by an office-focused J-REIT \* Issued in August 2018
  - Aiming to promote ESG initiatives and expand the investor base

■ Average remaining period	<b>4.8</b> years	Change from FP23 <b>+0.4</b> years
■ Average interest rate	<b>0.80%</b>	Change from FP23 <b>-0.05pt</b>

\*1 For details, please refer to the notes on page 14.

\*2 Impact of properties acquired and transferred in the 24th Period are excluded.

## 2. Actual Results and Forecast of Distributions per Unit

- ◆ With improved portfolio quality through asset replacement, distributions per unit steady grew to realize 2,800 yen.
- ◆ Stable growth of distributions to continue backed by strong internal growth and financial strategy

### Asset replacement strategy

NAV per unit

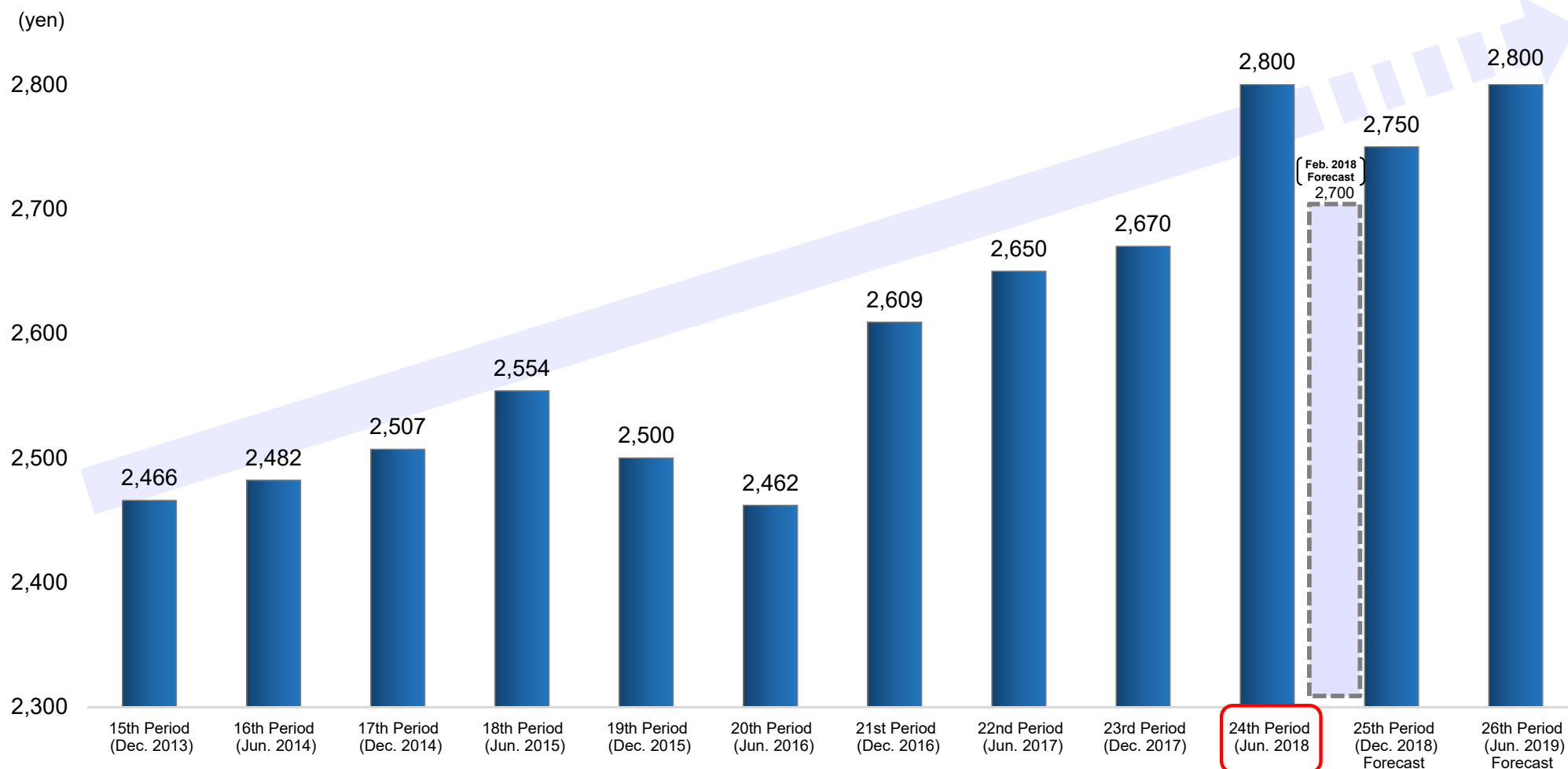
(End of FP22nd ) 125,100 yen ➤ (End of FP24th ) 138,787 yen

LTV

46.4% ➤ 44.4%

+10.9%

Of which, portion attributable to asset replacement\*1  
+3.3%



\*1 For further detail, please see notes on p.15.

# 3. Financial Results of the 24th Period (Ended June 2018)

## (1) Comparison with the Previous Period

◆ DPU was 2,800 yen (up 130 yen from the previous period) as a result of the significantly increased revenue from existing properties, reduction of financial costs and reversal of reserve for reduction entry despite having some effects from asset replacement.

	23rd Period (Dec. 2017) Result	24th Period (Jun. 2018) Result	Difference		Balance	DPU conversion (yen)	
Revenue	11,085	10,535	-549	■ External growth	20	15	Kowa Nishi-Shimbashi Building
Rental revenue	9,851	9,692	-159	Increase in profit after depreciation of properties acquired in the 23rd Period	14		Hiroshima OS Building Yokohama Bentendori Building
Revenue for utilities expenses	857	746	-111	Increase in profit after depreciation of properties acquired in the 24th Period	6		Shiba 2-Chome Building: (Ending of free rent period) 210
Other revenue	96	97	0	■ Internal Growth (existing properties)	242	185	Other existing properties: Departure and lease-up: -8
Gain on sale	279	-	-279	Rental revenue	265	203	Rent revisions: 61
Operating expenses	6,565	6,509	-55	Other	-23	-17	
Expenses for rental operations	5,931	5,754	-177	Increase in utilities revenue/expenses	26		Leasing management fee upon renewal, etc.
Property management expenses	1,441	1,476	34	Increase in other revenue	1		Increase due to revaluation of fixed property and city planning tax
Utilities expenses	1,122	996	-125	Increase in property management expenses	-96		
Taxes	939	932	-6	Increase in taxes	-20		
Repairs and maintenance	202	160	-42	Decrease in repairs and maintenance	43		Decrease in management fees due to asset transfer: 25
Other expenses for rental operations	252	262	9	Increase in depreciation	-6		
(NOI)	6,847	6,707	-140	Increase in other expenses for rental operations	-15		Reduction of interest payment by refinancing: 29
Depreciation	1,972	1,926	-46	Decrease in sales and administrative expenses	44		Reduction of loans in line with asset transfer in the 23rd Period: 39
Loss on transfer	-	165	165	■ Finance	132	101	
Sales and administrative expenses	634	590	-44	Decrease in interest expense	63		Reduction of loans in line with asset transfer in the 23rd Period: 39
Operating income	4,519	4,025	-493	Decrease in loan relating fees	76		Absence of loan relating fees in the 23rd Period, etc.
Non-operating expenses	818	686	-132	Increase in other non-operating expenses	-6		
Ordinary income	3,701	3,340	-360	■ Sale of Properties	-756	-579	
Net income	3,700	3,339	-360	Decrease in profit after depreciation of properties transferred in the 23rd Period	-266		Akasaka Garden City/No. 44 Kowa Building
Provision (-) and reversal (+) of reserve for reduction entry	-214	316	530	Decrease in profit after depreciation of properties transferred in the 24th Period	-45		
Total distributions	3,486	3,655	169	Gain/loss on sale	-444		Ebina Prime Tower
Distributions per unit (yen)	2,670	2,800	130	■ Provision/reversal of reserve for reduction entry	530	406	
				Absence of provision in the 23rd Period	214		Absence of gain on transfer in the 23rd Period: -279
				Reversal in the 24th Period	316		Akasaka Garden City: -608
							No. 44 Kowa Building: 887
				<b>Total</b>	<b>169</b>	<b>130</b>	Recording of loss on transfer in the 24th Period: (Ebina Prime Tower) -165

\* Balance after reversal of reserve for reduction entry: 158 million yen



# 3. Financial Results of the 24th Period (Ended June 2018)

## (2) Comparison with the Forecast

◆ DPU stood at 2,800 yen as initially forecast with increased reversal of reserve for reduction entry

				(unit: million yen)			
	24th Period (Jun. 2018) forecast	24th Period (Jun. 2018) Result	Difference	Factors	Balance	DPU conversion (yen)	
Revenue	10,511	10,535	23	<b>External growth</b>	6	4	Hiroshima OS Building Yokohama Bentendori Building
Rental revenue	9,691	9,692	0	Increase in profit after depreciation of properties acquired in the 24th Period	6		
Revenue for utilities expenses	739	746	6	<b>Internal Growth (existing properties)</b>	53	40	Departure and lease-up: 9 Rent revisions: 1
Other revenue	80	97	16	Rental revenue	16	12	
Operating expenses	6,343	6,509	166	Other	37	28	
Expenses for rental operations	5,760	5,754	-5	Increase in utilities revenue/expenses	2		
Property management expenses	1,454	1,476	21	Increase in other revenue	14		Leasing management fee upon renewal, etc.
Utilities expenses	987	996	9	Increase in property management expenses	-33		
Taxes	916	932	16	Decrease in repairs and maintenance	72		Change in some of repair work schedules, etc.
Repairs and maintenance	228	160	-68	Increase in depreciation	-1		
Other expenses for rental operations	256	262	6	Increase in other expenses for rental operations	-9		
(NOI)	6,668	6,707	38	Increase in sales and administrative expenses	-7		
Depreciation	1,917	1,926	8	<b>Finance</b>	-17	-13	Issuance of investment corporation bonds (Partial advance refinancing of bonds maturing in the 25th Period), etc.
Loss on transfer	-	165	165	Increase in interest expense	-4		
Sales and administrative expenses	583	590	7	Increase in loan relating fees	-5		
Operating income	4,168	4,025	-142	Increase in other non-operating expenses	-7		
Non-operating expenses	669	686	17	<b>Sale of Properties</b>	-201	-154	Ebina Prime Tower
Ordinary income	3,500	3,340	-159	Decrease in profit after depreciation of properties transferred in the 24th Period	-36		
Net income	3,499	3,339	-159	Gain/loss on sale	-165		
Reversal of reserve for reduction entry	156	316	159	<b>Provision/reversal of reserve for reduction entry</b>	159	122	
Total distributions	3,655	3,655	0	Reversal in the 24th Period	159		
Distributions per unit (yen)	2,800	2,800	0	<b>Total</b>	0	0	

\* Balance after reversal of reserve for reduction entry: 158 million yen

# 4. Performance Forecasts

## (1) 25th Period (Ending December 2018)

◆ Without reversal of reserve for reduction entry, DPU to be 2,750 yen with external growth, increased revenue from existing properties and absence of loss on transfer in the previous period.

	24th Period (Jun. 2018) Result	25th Period (Dec. 2018) forecast	Difference		Balance	DPU conversion (yen)	
Revenue	10,535	10,626	91				
Rental revenue	9,692	9,749	57	■ External growth	144	110	Hiroshima OS Building Yokohama Bentendori Building
Revenue for utilities expenses	746	794	48	Increase in profit after depreciation of properties acquired in the 23rd Period	32		AKASAKA INTERCITY AIR
Other revenue	97	82	-14	Increase in profit after depreciation of properties acquired in the 24th Period	112		
Operating expenses	6,509	6,352	-157	■ Internal Growth (existing properties)	12	9	Departure and lease-up of tenants: 49 Rent revisions: 45
Expenses for rental operations	5,754	5,740	-13	Rental revenue	86	66	
Property management expenses	1,476	1,328	-147	Other	-73	-56	Absence of leasing management fee upon renewal in the 24th Period, etc.
Utilities expenses	996	1,016	19	Increase in utilities revenue/expenses	22		
Taxes	932	896	-35	Decrease in other revenue	-17		Increase due to revaluation of fixed property and city planning tax
Repairs and maintenance	160	316	156	Decrease in property management expenses	79		
Other expenses for rental operations	262	262	0	Increase in taxes	-19		Increase due to revaluation of fixed property and city planning tax
(NOI)	6,707	6,805	98	Increase in repairs and maintenance	-105		Expensing of fixed property and city planning tax for a property acquired in the 23rd Period (Kowa Nishi-Shimbashi Building)
Depreciation	1,926	1,919	-6	Increase in depreciation	-13		
Loss on transfer	165	-	-165	Decrease in other expenses for rental operations	1		
Sales and administrative expenses	590	611	20	Increase in sales and administrative expenses	-20		Change in some of repair work schedules, etc.
Operating income	4,025	4,274	248	■ Finance	2	1	
Non-operating expenses	686	683	-2	Decrease in interest expense	1		
Ordinary income	3,340	3,591	251	Decrease in loan relating fees	3		
Net income	3,339	3,590	251	Increase in other non-operating expenses	-2		
Reversal of reserve for reduction entry	316	-	-316	■ Sale of Properties	92	70	Ebina Prime Tower
Total distributions	3,655	3,590	-65	Decrease in profit after depreciation of properties transferred in the 23rd Period	-73		
Distributions per unit (yen)	2,800	2,750	-50	Absence of loss of transfer in the 23rd Period	165		
				■ Provision/reversal of reserve for reduction entry	-316	-242	
				Absence of reversal in the 23rd Period	-316		
				<b>Total</b>	<b>-65</b>	<b>-50</b>	

# 4. Performance Forecasts

## (2) 26th Period (Ending June 2019)

◆ DPU expected to be 2,800 yen (up 50 yen/1.8% from the previous period) with continuation of trend of upward rent revision and decrease in interest rates

				(unit: million yen)		
	25th Period (Dec. 2018) forecast	26th Period (Jun. 2019) forecast	Difference	Factors	Balance	DPU conversion (yen)
Revenue	10,626	10,589	-37	■ Internal Growth (existing properties)	18	14
Rental revenue	9,749	9,757	7	Rental revenue	7	5
Revenue for utilities expenses	794	739	-54	Other	11	9
Other revenue	82	92	10	Increase in utilities revenue/expenses	9	
Operating expenses	6,352	6,295	-56	Increase in other revenue	10	
Expenses for rental operations	5,740	5,700	-40	Increase in property management expenses	-64	
Property management expenses	1,328	1,393	64	Increase in taxes	-32	
Utilities expenses	1,016	952	-63	Decrease in repairs and maintenance	78	
Taxes	896	929	32	Increase in depreciation	-20	
Repairs and maintenance	316	238	-78	Decrease in other expenses for rental operations	15	
Other expenses for rental operations	262	247	-15	Decrease in sales and administrative expenses	16	
(NOI)	6,805	6,828	22	■ Finance	46	35
Depreciation	1,919	1,939	20	Decrease in interest expense	26	
Sales and administrative expenses	611	594	-16	Decrease in loan relating fees	14	
Operating income	4,274	4,293	18	Decrease in other non-operating expenses	4	
Non-operating expenses	683	637	-46	<b>Total</b>	<b>65</b>	<b>50</b>
Ordinary income	3,591	3,657	65			
Net income	3,590	3,656	65			
Total distributions	3,590	3,655	65			
Distributions per unit (yen)	2,750	2,800	50			

Departure and lease-up of tenants: 1  
Rent revisions: 12

Leasing management fee upon renewal, etc.

Increase due to revaluation of fixed property and city planning tax: -15  
Expensing of fixed property and city planning tax for properties acquired in the 24th and 25th Periods: -16  
(Hiroshima OS Building, Yokohama Bentendori Building, AKASAKA INTERCITY AIR)

Reduction of interest payment by refinancing, etc.

Memo

## II. Management Status and Policy

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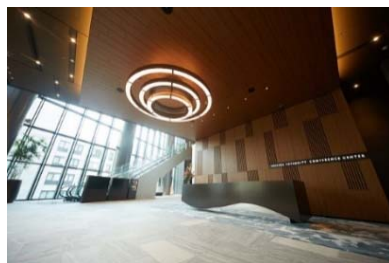


# 1. External Growth

## (1) Newly Acquired Property (25th Period)

◆ As part of the asset replacement strategy, acquired a large cutting-edge building developed by Nippon Steel Kowa Real Estate, the sponsor

### AKASAKA INTERCITY AIR



#### Large cutting-edge building with excellent accessibility and environment

- Highly convenient as it is directly connected to Tameike-Sanno Station on the Tokyo Metro Ginza Line and Namboku Line
- Excellent environment with a large-scale green space of over 5,000 m<sup>2</sup>
- Over 200 meters in height, a new, 38-storied landmark in the Akasaka area

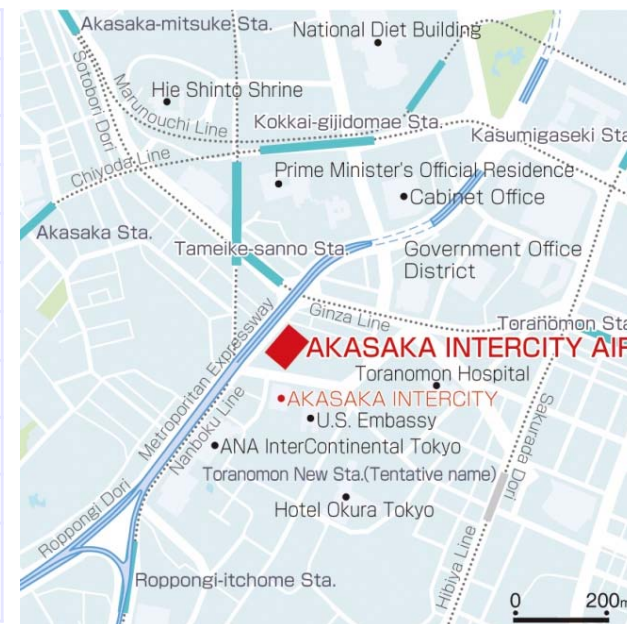
#### Advanced specifications and a comfortable working environment

- Approximately 780 tsubos of standard floor office space as well as advanced specifications such as a ceiling height of 2,850 mm and LED lights
- Comfortable working environment fully equipped with a conference hall and medical and childcare facilities

#### Excellent aseismic performance and high business continuity in case of a disaster

- Aseismic performance considering a safety factor 1.5 times higher than that in the Building Standards Act, employing advanced three types of anti-seismic devices, etc.
- High business continuity in case of disaster with an emergency power generator (200 hours) that has high seismic resistance

Location	1-8-1 Akasaka, Minato-ku, Tokyo		
Total floor area*1	176,536.75 m <sup>2</sup>		
Completion date	August 31, 2017		
Acquisition price	6,590 million yen		
Appraisal value	7,180 million yen		
Acquisition date	July 2, 2018		
Seller	Nippon Steel Kowa Real Estate Co., Ltd.		
NOI yield*2	3.6%	Yield after depreciation*2	3.0%
Appraisal NOI yield	3.5%		
Occupancy rate	98.5% (As of end of May 2018)		
Preferential negotiating rights	When co-owners or quasi co-owners intend to transfer the ownership interest, JEI holds the right to negotiate prior to third parties, in principle.		



\*1 Total floor area of the entire building is indicated. JEI holds 2.9184% of exclusively-owned space excluding residence space, through trust.

\*2 Calculated based on the assumed revenue and expenses for the first 5 years after acquisition, excluding special factors that may arise during the fiscal year of acquisition.

# 1. External Growth

## (2) Asset Replacement

◆ Implemented asset replacement by newly acquiring 2 properties from Dai-ichi Life Insurance, the sponsor. Enhanced portfolio profitability and improved unrealized profit.

### Acquisition

#### Hiroshima Dai-ichi Seimei OS Building

Location	1-2-21 Matobacho, Minami-ku, Hiroshima-shi, Hiroshima
Total floor area*1	10,696.54 m <sup>2</sup>
Completion date	March 7, 1989
Acquisition price	2,780 million yen
Appraisal value	3,000 million yen
Acquisition date	June 15, 2018
Seller	The Dai-ichi Life Insurance Company, Limited
NOI yield*1	6.3%
Yield after depreciation*1	4.1%
Appraisal NOI yield	6.4%
Occupancy rate (As of end of June)	100%



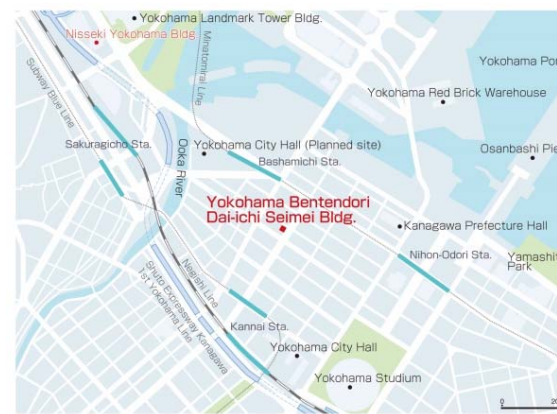
### Transfer

#### Ebina Prime Tower

Location	Ebina-shi, Kanagawa
Transfer price	5,600 million yen
Appraisal value	4,340 million yen
Unrealized profit/loss at end of FP23	-1,395 million yen
Gain/loss on transfer	-165 million yen
Completion date	May 1995
Date of transfer	June 15, 2018
Transferee	Ebina Chuo GK

#### Yokohama Bentendori Dai-ichi Seimei Building

Location	4-59 Bentendori, Naka-ku, Yokohama-shi, Kanagawa
Total floor area*1	2,934.55 m <sup>2</sup>
Completion date	December 11, 1986
Acquisition price	640 million yen
Appraisal value	659 million yen
Acquisition date	June 15, 2018
Seller	The Dai-ichi Life Insurance Company, Limited
NOI yield*1	6.4%
Yield after depreciation*1	4.8%
Appraisal NOI yield	6.5%
Occupancy rate (As of end of June)	100%



### Effect of asset replacement

Unrealized profit*2	<b>+1.54 billion yen</b>
NAV per unit*3	<b>+1,186 yen (+0.9%)</b>
Enhancement of profitability	
Yield after depreciation*4	
Transferred asset	Acquired assets(Average)
<b>2.5 %</b>	<b>&gt; 4.2 %</b>

\*1 Calculated based on the assumed revenue and expenses for the first 5 years after acquisition, excluding special factors that may arise during the fiscal year of acquisition.

\*2 Calculated using unrealized profit/loss (difference between appraisal value and book value) for the transferred asset as of the end of the fiscal period immediately preceding the fiscal period in which the transfer was implemented and unrealized profit/loss for the acquired assets as of the end of the 24th Period.

\*3 The amount of "increase in unrealized profit" per unit is indicated. The ratio shows the increase rate in comparison with NAV per unit at the end of the 23rd Period.

\*4 For the transferred asset, the actual result of the 24th Period is indicated.

# 1. External Growth

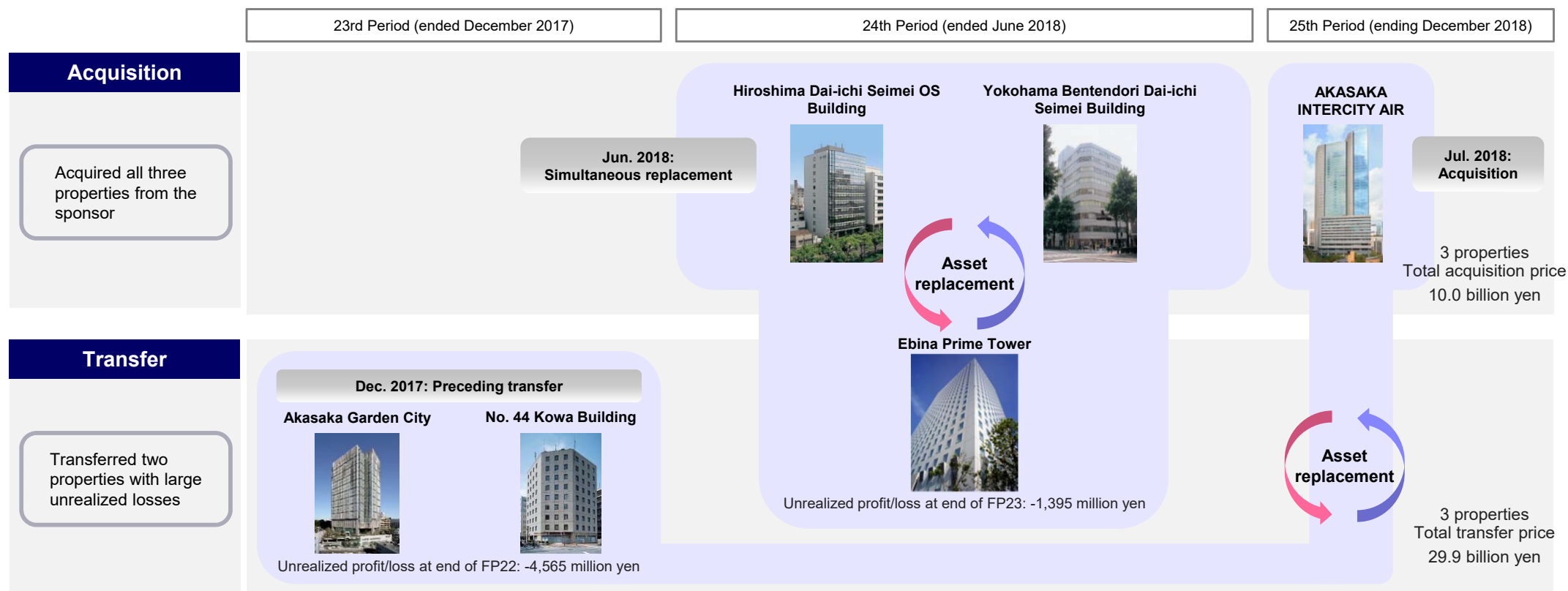
## (3) Effect of Asset Replacement

◆ Realized improvement of portfolio quality and increase in NAV through asset replacement in December 2017 and onward

### ■ Effect of asset replacement



### ■ Overview of asset replacement



\*1 1 Calculated using unrealized profit/loss (difference between appraisal value and book value) for the transferred assets as of the end of the fiscal period immediately preceding the fiscal period in which the transfer was implemented and unrealized profit/loss for the acquired assets (excluding AKASAKA INTERCITY AIR which was acquired in the 25th Period) as of the end of the 24th Period.

\*2 The amount of "increase in unrealized profit" per unit is indicated. The ratio shows the increase rate in comparison with NAV per unit at the end of the 22nd Period.



# 1. External Growth

## (4) Major Development Cases and Portfolio of Sponsor



Nippon Steel  
Kowa  
Real Estate

Office



Reconstruction project of  
Nittetsu Nihonbashi Building  
Scheduled for completion  
in March 2019



Nippon Steel Kowa  
Real Estate

Mixed-use development  
composed of retail and  
residential etc.

一生のパートナー

第一生命

Operating approx. 290  
investment real estate,  
primarily office buildings,  
across Japan

Kowa Nishi-Shimbashi  
Building



2013: Acquired 27%  
2017: Acquired 52%

AKASAKA INTERCITY



2007: Acquired 25%  
2013: Acquired 24%

Mansard Daikanyama



2016:  
Acquired 100%

HAMARIKYU  
INTERCITY



2011: Acquired 40%  
2014: Acquired 60%

AKASAKA  
INTERCITY AIR



2018:  
Acquired 2.9%

**BIZCORE**

Medium-scale high-grade office building  
Ongoing development also in Shibuya and Kanda under BIZCORE series

BIZCORE AKASAKA-MITSUKE

Scheduled for completion  
in March 2019

BIZCORE TSUKIJI

Scheduled for completion  
in July 2019

BIZCORE JIMBOCHO  
Completed Nov. 2017



AKASAKA INTERCITY AIR  
2017



HAMARIKYU  
INTERCITY  
2011



Mansard  
Daikanyama  
2009



NAGOYA  
INTERCITY  
2008



AKASAKA  
INTERCITY  
2005



SHINAGAWA  
INTERCITY  
1998



Kowa Nishi-Shimbashi  
Building  
1997



Kowa Nakamachidori Building  
(retail)



KARA BLANC  
(residential)



Shibaura Renasite  
(Mixed-use development property  
composed of university,  
office and hotel)



Art Village Osaki



LOGIFRONT Koshigaya I (logistics)  
Scheduled for completion in February 2019



MEGURO CENTRAL SQUARE  
and Brillia Towers Meguro



Resold by eyeing redevelopment



No. 44  
Kowa Building



No. 35  
Kowa Building



No. 32  
Kowa Building

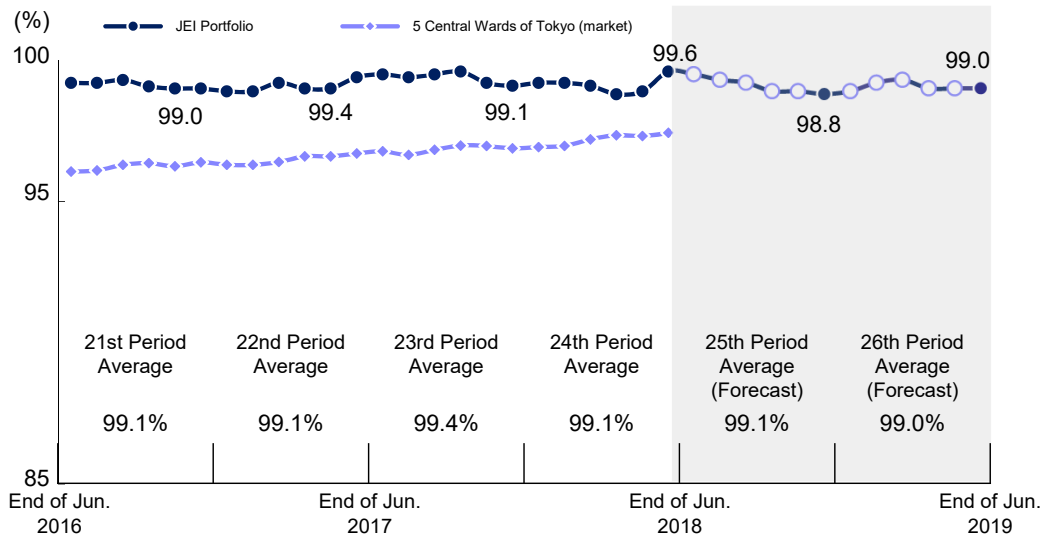


No. 28  
Kowa Building

# 2. Internal Growth

## (1) Status of Rent ① (Departure and Lease-up)

### Historical occupancy rate

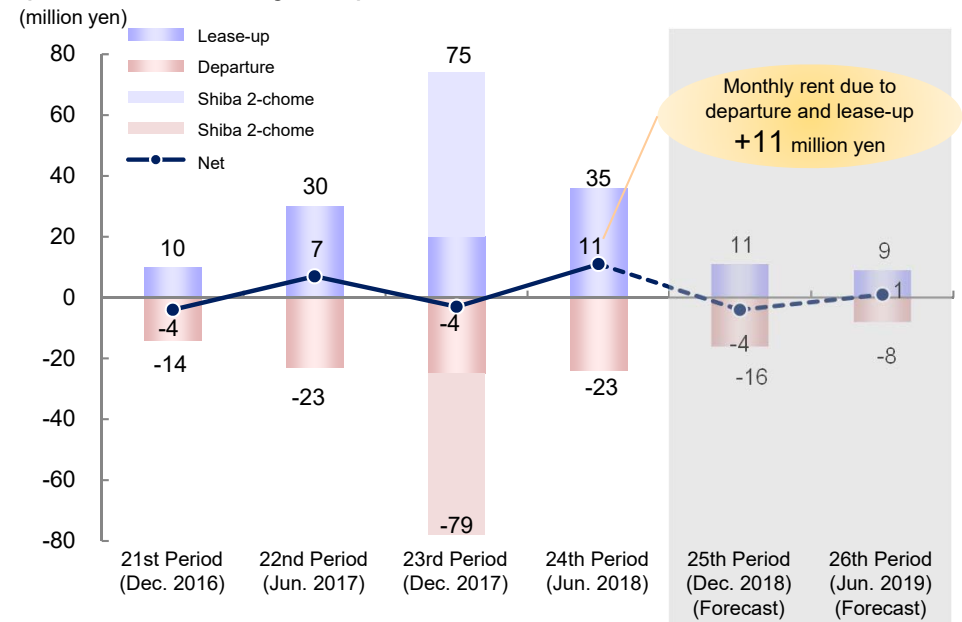


- ◆ Occupancy rate remained high at the 99% range. Tenant departure rate remained at a low level of the 1% range.
- ◆ Increase/decrease of monthly rent due to departure and lease-up by tenants remaining stable.

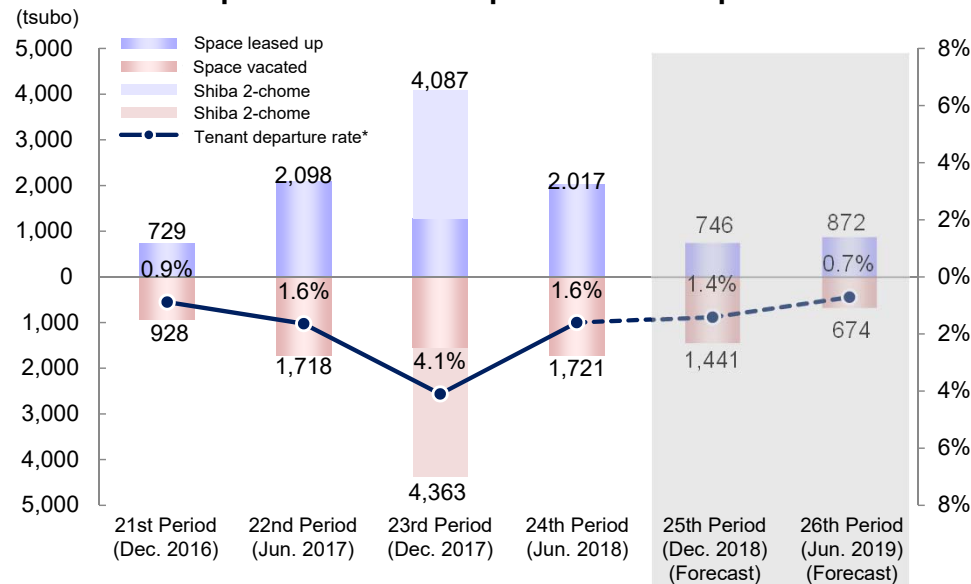
### Reasons for Lease-up

Reason for moving in/ floor expansion	Floor expansion within same building	Establishment of new base	Expansionary relocation	Grade up	Relocation for consolidation	Other	Total
Number of cases	8	4	4	1	1	5	23
Percentage	35%	17%	17%	4%	4%	22%	100%

### Increase/Decrease of Rent Due to Departure and Lease-up (based on monthly rent)\*1



### Tenant Departure Rate and Spaces Leased Up and Vacated\*1\*2



\*1 Figures for spaces leased up and vacated as well as increase/decrease of rent for the 23 Period include Shiba 2-Chome Building. Figures for residential properties are excluded.

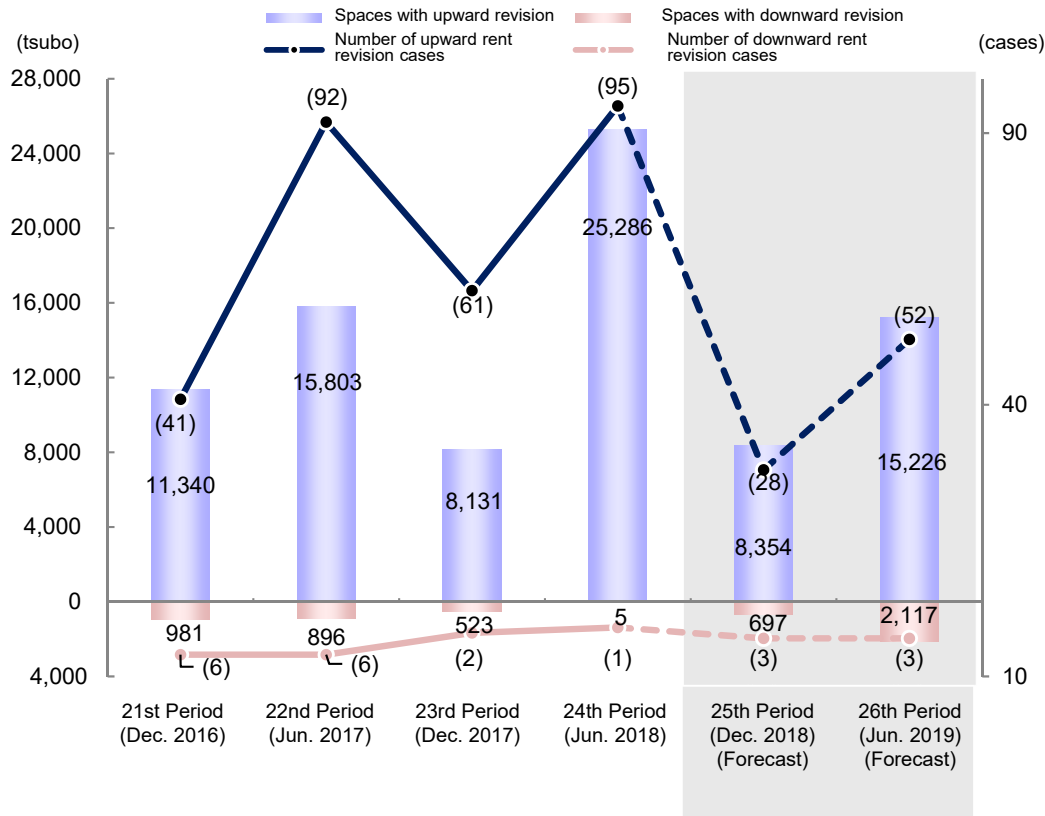
\*2 Figures are calculated for the entire JEI portfolio as space vacated by tenants over the period as a percentage of total leased space as of the end of the previous period. In the case of additional acquisition during the period, tenant departure rate is calculated as space vacated by tenants over the period as a percentage of the sum of total leased space as of the end of the previous period and leased space of the additionally acquired property. In the case of a sale of a property during the period, leased space of the sold property is not subtracted from the total leased space as of the end of the previous period and thus the original formula (space vacated by tenants over the period as a percentage of total leased space as of the end of the previous period) applies.

## 2. Internal Growth

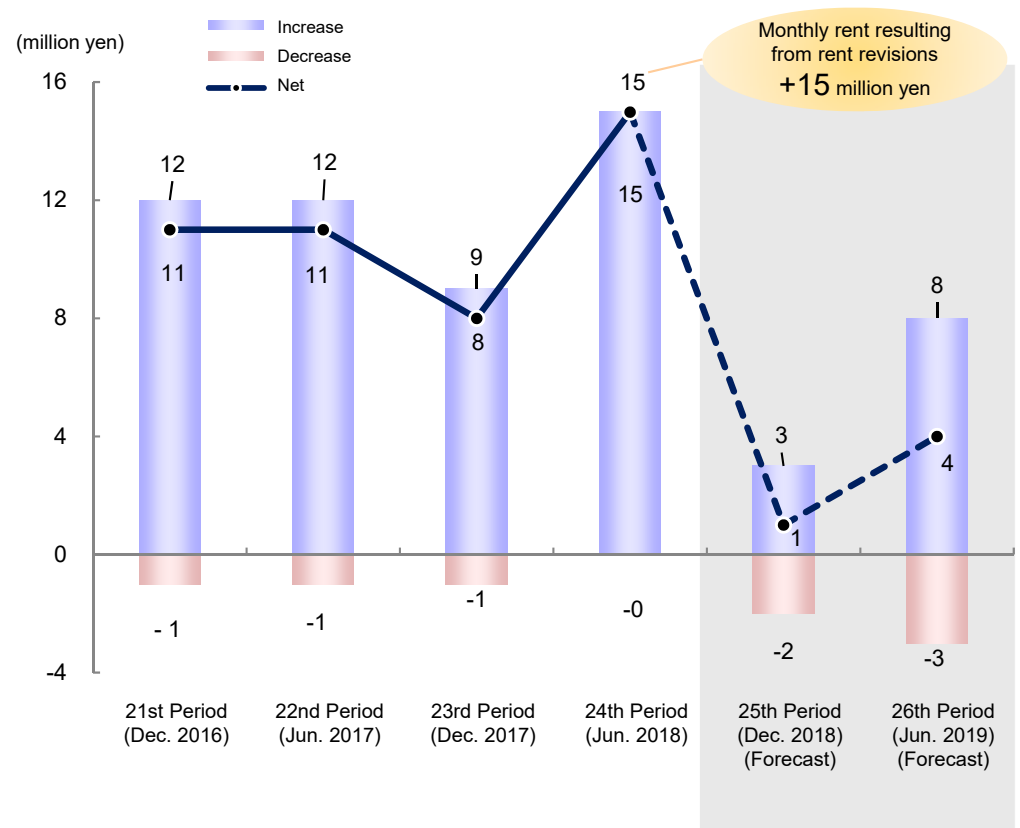
### (1) Status of Rent ② (Rent revision)

- ◆ Rent was revised upward for 25,000 tsubos (approximately 25% of the entire leased space of about 103,000 tsubos). Upward revision rate increased by 4.6% and the rent revision rate was at 2.9%, maintaining its high level.
- ◆ Monthly rent increased by 15 million yen due to rent revisions or by 27 million yen combined with lease-up and departure, showing a record-high growth (up 1.9% from the 23rd Period).

■ Number of Rent Revision Cases and Among Spaces Up for Revision\*1



■ Increase/Decrease in Rent Due to Rent Revisions (based on monthly rent)\*1



Ratio of area with upward rent revision (cases)	46.2%	63.6%	40.9%	66.2%	41.6%	46.7%
	(41.8%)	(52.9%)	(47.7%)	(45.9%)	(26.9%)	(28.3%)
Area subject to rent revision (cases)	24,526	24,836	19,875	38,223	20,068	32,569
	(98)	(174)	(128)	(207)	(104)	(184)

Upward revision rate	7.1%	6.1%	9.3%	4.6%	3.4%	3.8%
Downward revision rate	5.7%	8.3%	10.8%	13.6%	15.6%	9.1%
Rent revision rate*2	2.9%	2.9%	2.9%	2.9%	0.5%	0.9%

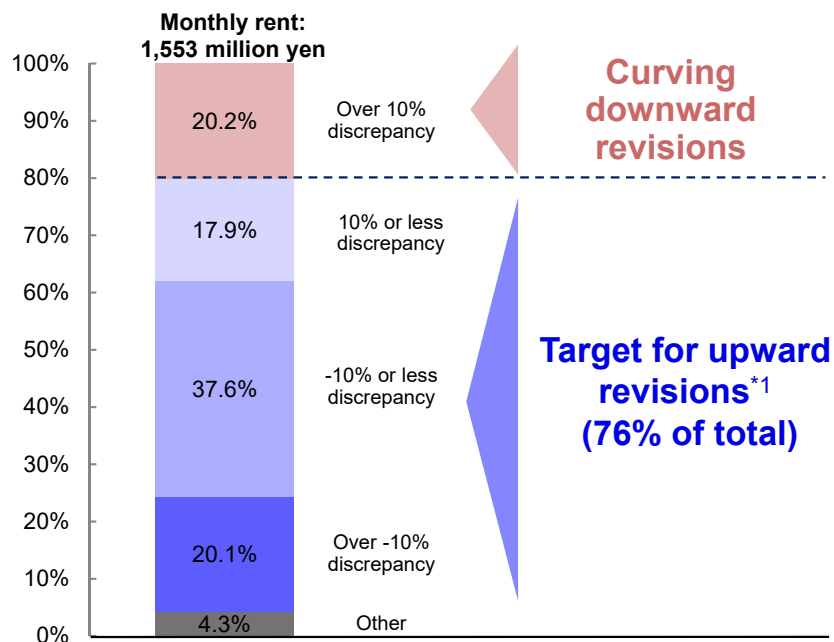
\*1 The figures do not include the data of those under fixed rent master lease agreements or of residences.

\*2 Figures are average rent revision rate including contract renewal at the same rent

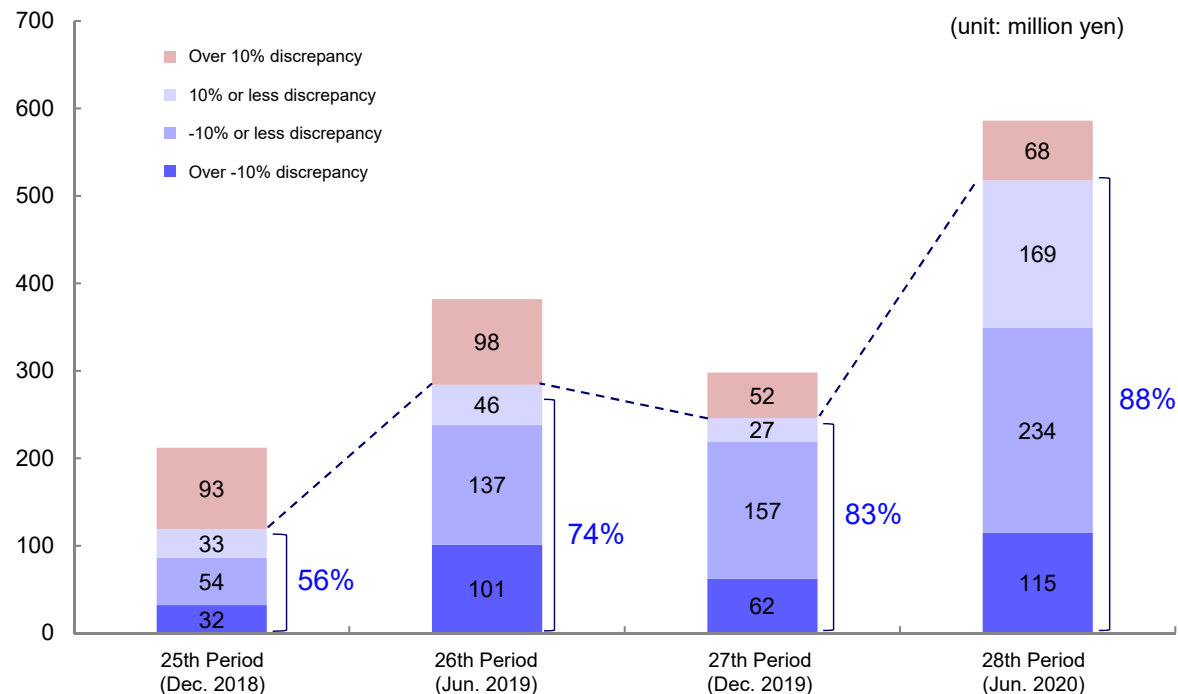
# 2. Internal Growth

## (2) Status of Rent Gap and Unit Rent Levels

### ■ Status of Rent Gap

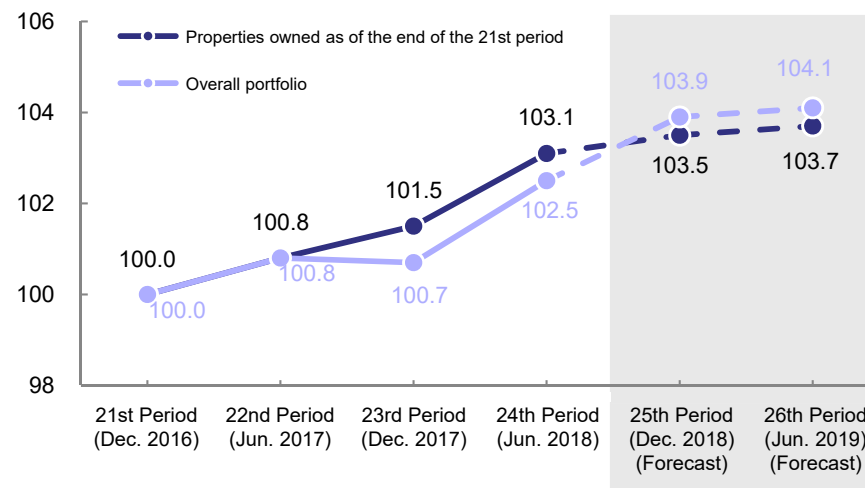


### ■ Monthly Rent by Renewal Period



- ◆ The rent gap was at -2.8%. There is still room for upward revisions.
- ◆ Target tenants for upward revision accounts for 60% to 80% among those for rent renewal in and after the 25th Period and thus internal growth is expected to continue.

### ■ Historical Rent Levels\*2



\*1 Target tenants for upward rent revisions refers to contracts with rent below market rent and contracts with rent gap of 10% or less discrepancy.

\*2 Indexed with the average unit rent at the end of the 21st period set as 100. The average unit rent is weighted average by leased office space  
 Properties owned at the end of the 21st Period are properties continuously owned from the end of the 21st Period among those owned at the end of the 24th Period.

## 2. Internal Growth

### (3) Measures to Improve Balance/ Value-added Renovations

- ◆ The rate of increase for rent revenue and average unit rent at properties for which value-added renovations have been completed is higher than the average rate of increase for all properties.

- ◆ By acquiring Omori Bellport Heating and Cooling Medium Supply Facility from a local heating and cooling company (\*5), improved property's balance through cost reduction.

#### ■ Recent Major Value-Added Renovations

(Completed renovations)

Property name	Investment amount	Completion of renovation*1	Main areas renovated	Rate increase of rent revenue (per period)*2	Rate increase of unit rent (per period)*2
JEI Naha Building	53 million yen	21st Period	Restrooms, hallways and elevator hall	3.2%	2.9%
JEI Nishi-honmachi Building	25 million yen	21st Period	Inside of 1F rental room	2.3%	4.5%
JEI Kyobashi Building	35 million yen	21st Period	Restrooms and hallways	3.4%	-0.4%
SE Sapporo Building	177 million yen	22nd Period	Restrooms, hallways and elevator hall	4.2%	4.4%
Kowa Kawasaki Nishiguchi Building	378 million yen	23rd Period	Restrooms, hallways, elevator hall and entrance	1.3%	1.1%
Total/average	668 million yen	-	-	2.3%	2.1%

Average of all properties (Actual result of existing properties) *3	0.7%	1.0%
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(Ongoing renovations)

Property name	Investment amount	Completion of renovation	Main areas renovated
NHK Nagoya Housou-Center Building*4	253 million yen	26th Period (Jun. 2019)	Restrooms and office pantries



#### ■ Acquisition of Omori Bellport Heating and Cooling Medium Supply Facility

Acquisition target	25.43% equivalent of co-ownership interest held by JEI in the facility supplying heating and cooling mediums to the entire portion of Omori Bellport		
Acquisition price	73 million yen	Acquisition date	April 30, 2018

Effect on cost reduction (annual)

29 million yen\*6

Effect on improvement of NOI yield

+0.13pt

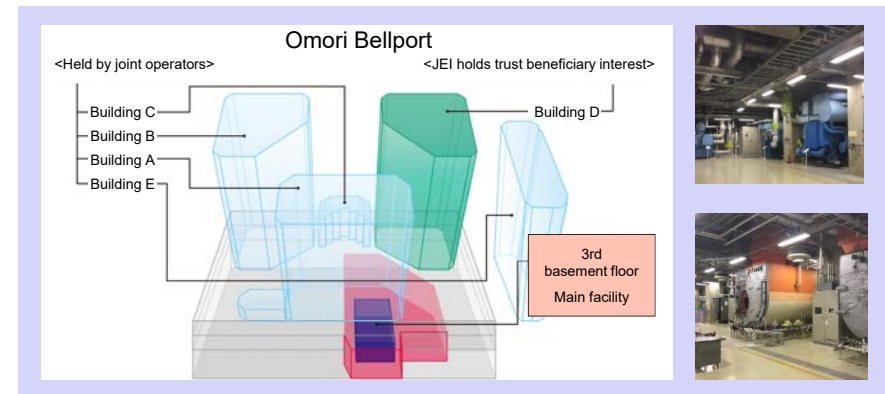
#### Expenses before acquisition

Heating costs paid to the local heating and cooling company



#### Expenses after acquisition

Operating expenses, repair costs, taxes and public dues, etc. of the acquired heating and cooling medium supply facility



\*1 The period when the main section has been completed is indicated.

\*2 The per-period rate of increase from completion of renovation to the 24th Period for each property is indicated.

\*3 The rate of increase (per period) from the 21st Period to the 24th Period for properties owned as of the end of the 21st Period (excluding those transferred in or before the 24th Period) is indicated.

\*4 Investment amount and completion of renovation is as is currently planned.

\*5 Local heating and cooling company refers to companies that supply heating and cooling mediums such as cold water and steam used for heating, air-conditioning and hot water supply to buildings within a certain area from heat supply facilities (local heating and cooling plants) through regional conduits.

\*6 The difference in expenses before and after the acquisition (average of 5-year forecast) is indicated. Moreover, the increase in depreciation due to investments for renewing facilities and decrease in expenses due to energy saving are taken into consideration upon calculation of expenses after the acquisition.

# 3. Financial Strategy

## (1) Performance of Financing Activities

◆ Realized reduction of interest costs while extending average remaining period by issuing super-long term bonds (15 years) and refinancing.

### ■ The 24th Period

- Refinanced 4 billion yen of investment corporation bonds (April 2018)\*1 and 14 billion yen of loans (June 2018)

\*1 Procured in advance to partially fund redemption of 7 billion yen of investment corporation bonds (to be redeemed in November 2018).

Issued JEI's longest-ever (15 years) super-long term investment corporation bonds (2 billion yen, interest rate: 0.95%).

**Effect on reduction of interest**  
26.1 million yen/period  
(20 yen in terms of DPU)

	Amount (billion yen)	Before refinancing		After refinancing		Difference	
		Term	Interest rate	Term	Interest rate	Term	Interest rate
Investment corporation bonds	4.0	5.5 years	0.73%	10 years	0.60%	+4.5 years	-0.13pt
Loans	14.0	5.4 years	0.99%	6.9 years	0.65%	+1.5 years	-0.34pt
Average	-	5.42 years	0.93%	7.59 years	0.64%	+2.2 years	-0.29pt

### ■ The 25th Period

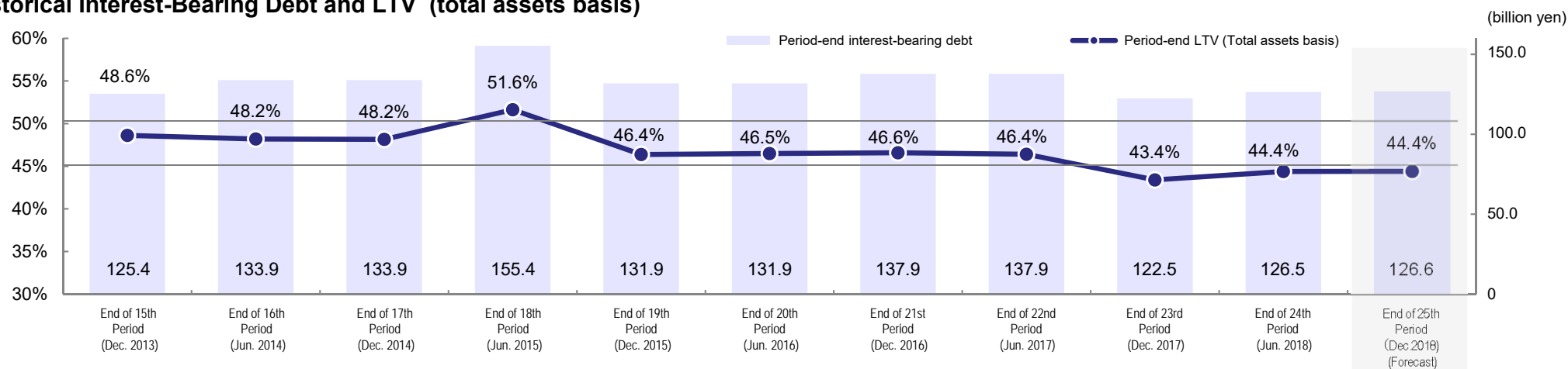
- New loans alongside the acquisition of AKASAKA INTERCITY AIR (July 2018)  
Issuance of green bonds (August 2018)

Loans	Amount (billion yen)	Term	Interest rate
	2.0	1.0 years	0.25%

Green bonds	Amount (billion yen)	Term	Interest rate
	4.0	10.0 years	0.63%

\*2 The amount after partial repayment using proceeds from the issuance of green bonds is indicated.  
(Initial loan amount: 6 billion yen)

### ■ Historical Interest-Bearing Debt and LTV (total assets basis)



### ■ Change in Major Financial Data

	23rd end (Dec. 2017)	24th end (Jun. 2018)	Difference
LTV (total assets basis)	43.4%	44.4%	+1.0pt
LTV (market value basis)	39.5%	39.2%	-0.3pt
Ratio of fixed interest rate	96.2%	96.3%	+0.1pt
Average remaining period of interest-bearing debt	4.4 years	4.8 years	+0.4 Years
Financial costs*3	1.12%	1.11%	-0.01pt
Period end average interest rate of interest-bearing debt	0.85%	0.80%	-0.05pt
Period end balance of interest-bearing debt	122.5 billion yen	126.5 billion yen	+4.0 billion yen

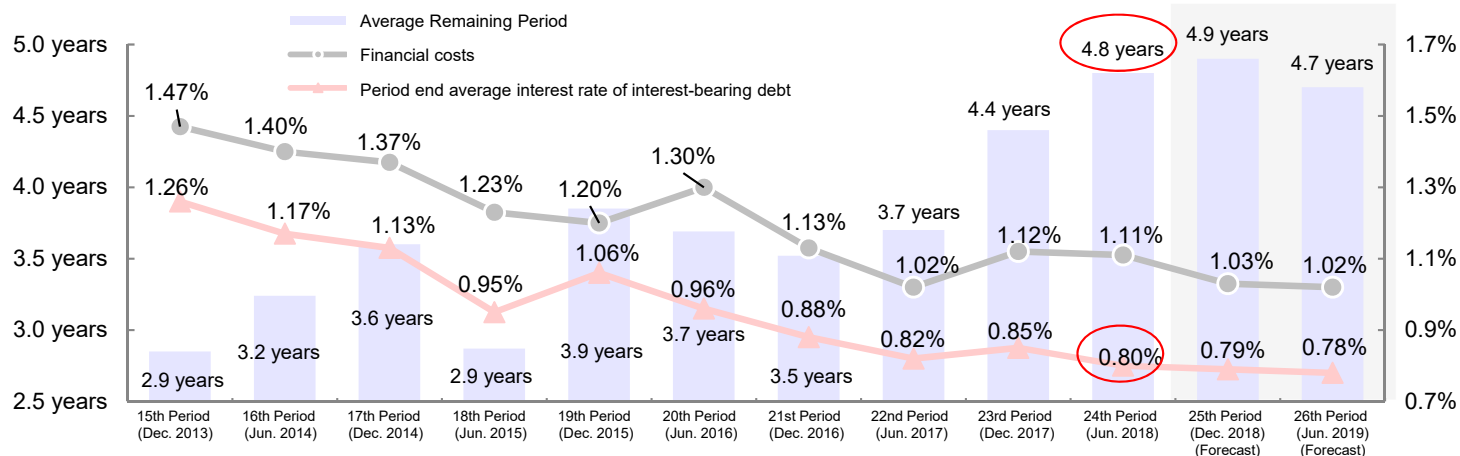
\*3 "Financial costs" = (Interest expense + loan-related fees + interest expense on investment corporation bonds + amortization of investment corporation bond issuance costs) / average remaining interest-bearing debt during the period.

# 3. Financial Strategy

## (2) Status of Financial Management

◆ Financial cost is expected to continue declining as a result of refinancing

### Historical Average Remaining Period of Interest-Bearing Debt and Financial Costs\*



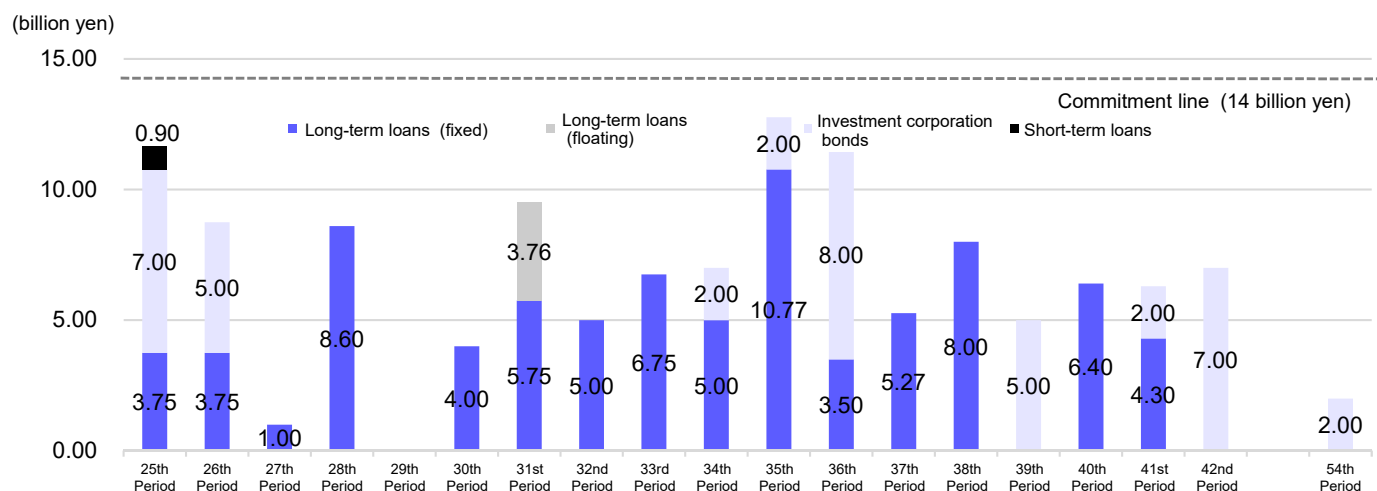
\* "Financial costs" = (Interest expense + loan-related fees + interest expense on investment corporation bonds + amortization of investment corporation bond issuance costs) / average remaining interest-bearing debt during the period.

### Interest rate on debt scheduled to be repaid/redeemed

	25th Period	26th Period	27th Period	28th Period	Total
Repayment and redemption amount	11.6 billion yen	8.7 billion yen	1.0 billion yen	8.6 billion yen	30.0 billion yen
Average interest rate	0.7%	0.6%	0.3%	1.3%	0.82%

\* Effect of reduction of interest rate on each fiscal period (25th Period to 28th Period) assuming refinancing was made with an average interest rate of 0.65%, which was the actual results for refinancing in the 24th Period, is 25.5 million yen/period (20 yen/unit in terms of DPU) on average.

### Status of Repayment Amount in Each Period and Maturity Date Diversification (as of end of 24th Period)



### Rating

Rating agency	Rating (outlook)
Japan Credit Rating Agency (JCR)	Long-term issuer rating: <b>AA-</b> (stable)
Rating and Investment Information (R&I)	Issuer rating: <b>A+</b> (stable)
Moody's Japan	Issuer rating: <b>A3</b> (stable)

# 3. Financial Strategy

## (3) Issuance of Green Bonds (the 25th Period)

- ◆ Issued the first green bonds\*1 by an office-focused J-REIT to allocate the fund for acquisition of AKASAKA INTERCITY AIR, aiming to promote ESG initiatives and expand the investor base.
- ◆ Fund procurement through Green Loans\*2 is also under discussion.

\*1 Green Bonds are a type of bond instrument issued by issuers such as corporations, funds and municipal governments to finance Eligible Green Projects. The issuance of Green Bonds must adhere to International Capital Market Association's (ICMA) Green Bond Principles.

\*2 Green Loans are those which third-party evaluation organizations have stated as being loans compliant with Green Loan Principles.

### Overview of green bond issuance

Name	14th Series Unsecured Investment Corporation Bonds (also called JEI Green Bond)
Issuance date	August 10, 2018
Total issued amount	4.0 billion yen

Term	10 years
Interest rate	0.63% per year
Use of funds	Part of funds for repayment of short-term loans taken out in line with the acquisition of AKASAKA INTERCITY AIR



### Structure of green bonds

- Green bond framework

**【Use of Proceeds】**

Acquisition of Eligible Green Projects\*3 or refinancing of borrowings required in the acquisition of the Projects

**【Maximum issuance amount】**

The amount of debt calculated by multiplying the book value of Eligible Green Projects by LTV (The Debts of Eligible Green Projects).

**【Reporting】**

Announcement of status of Eligible Green Projects/Debt of the Projects as well as CO2 emissions, etc. of Eligible Green Projects.

- Evaluation by external organization concerning issuance of green bonds

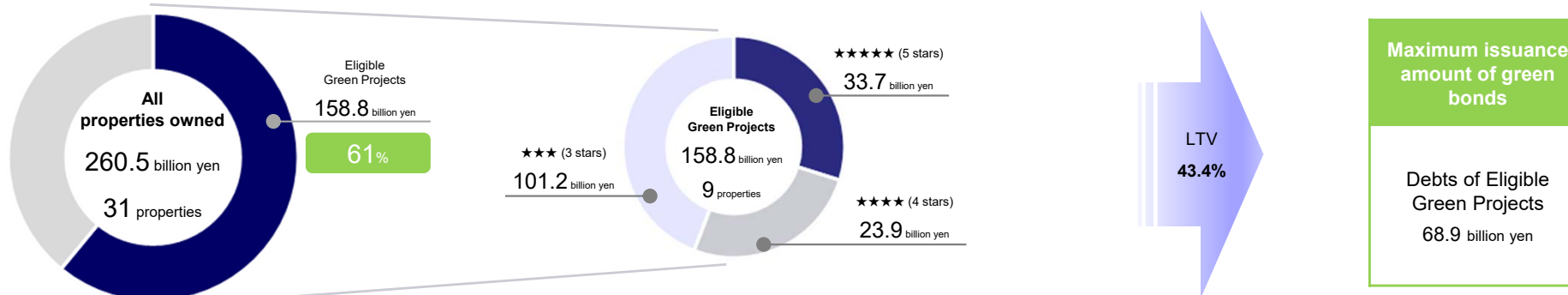
Has obtained a second-party opinion from Sustainalytics, an international ESG rating agency, for the eligibility as green bonds.



\*3 Eligible Green Projects are assets that have received or scheduled to receive one of the following certifications within the previous 2 years as of the payment date upon issuance of green bonds among the specified assets owned by JEI.

1) DBJ Green Building Certification: 5, 4 or 3 stars 2) CASBEE Certification: S, A or B+ rank

### Maximum issuance amount of green bonds\*4



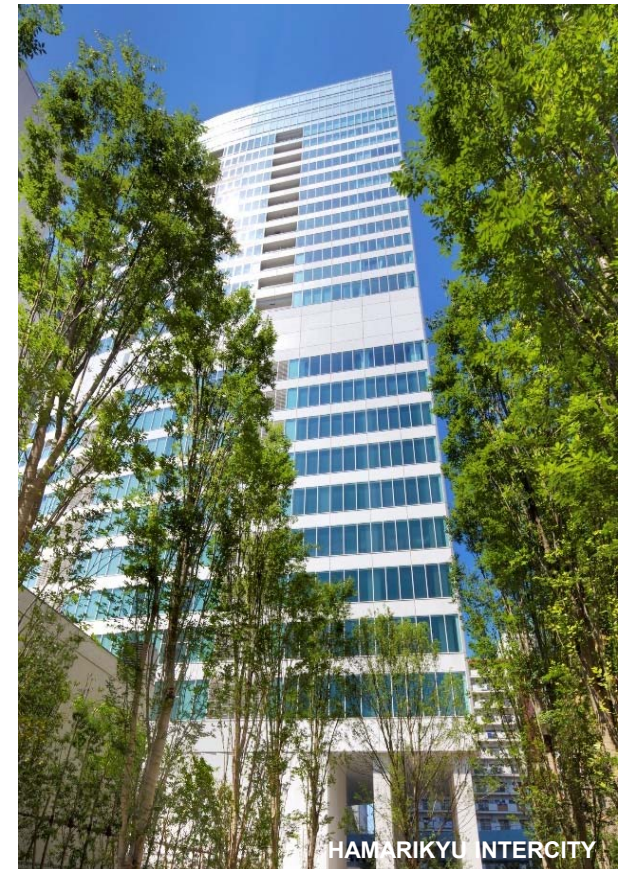
\*4 Calculated based on the book value (acquisition price for properties acquired in January 2018 onwards) and the ratio of interest-bearing debt (total assets-based LTV) as of the end of the immediately preceding fiscal period (December 31, 2017), which had been finalized as of the issuance of green bonds (August 10, 2018), rounded down to the nearest specified unit.



Memo

### III. Features of Japan Excellent Inc.

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# 1. Sponsors

## Sponsor companies with strong capabilities in property supply, management and leasing

Robust property pipeline supported by excellent sponsors



**Japan Excellent, Inc.**  
Japan Excellent Asset Management Co., Ltd.

Provision of property acquisition opportunities that will enable continuous expansion of the asset size

Stabilization of revenue and enhancement of property competitiveness with strong property management and leasing capabilities

### Core Sponsors



#### Nippon Steel Kowa Real Estate Co., Ltd.

Established through the integration of Nippon Steel City Produce and Kowa Real Estate, a real estate company with balanced operation of its office building business centering on central Tokyo and its residential business.

Property Brokerage Personnel Management

By your side, for life



#### The Dai-ichi Life Insurance Company, Limited

One of Japan's top class life insurance companies. As of March 31, 2018, manages 286 office buildings and other investment properties nationwide.

Property Loans Personnel



Mizuho Bank, Ltd.

Loans Personnel



Mizuho Trust & Banking Co., Ltd.

Loans Brokerage Personnel



The Dai-ichi Building Co., Ltd.

Brokerage Personnel Management



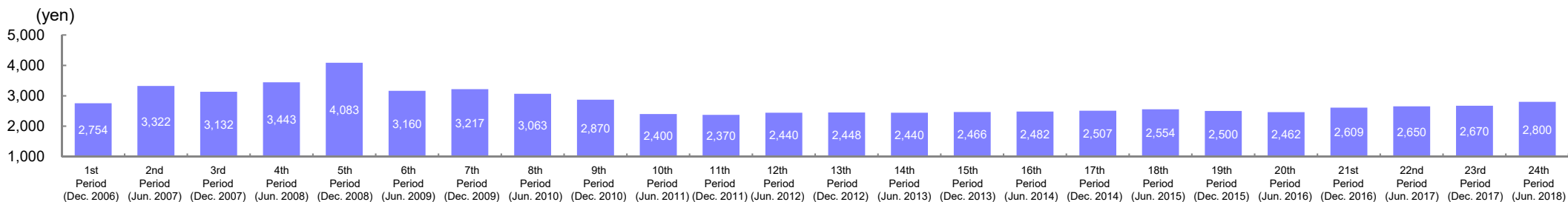
Sohgo Housing Co., Ltd.

Management

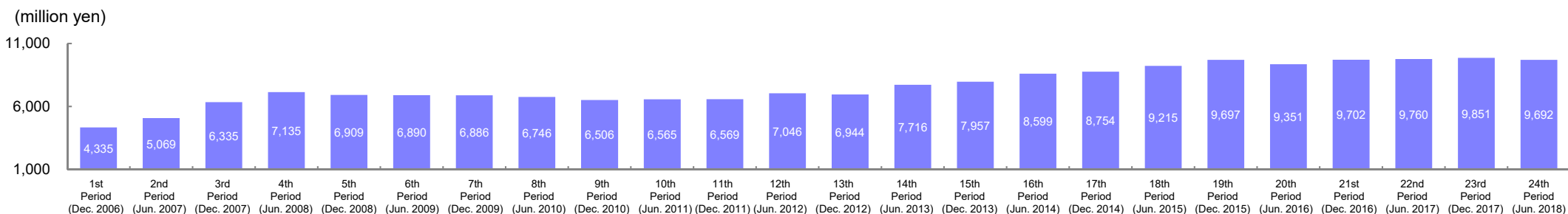
Achievements : Property Supply of properties Loans Loans Brokerage Brokerage for third-party properties Personnel Supply of personnel Management Management of JEI's properties

# 2. Track Record (1)

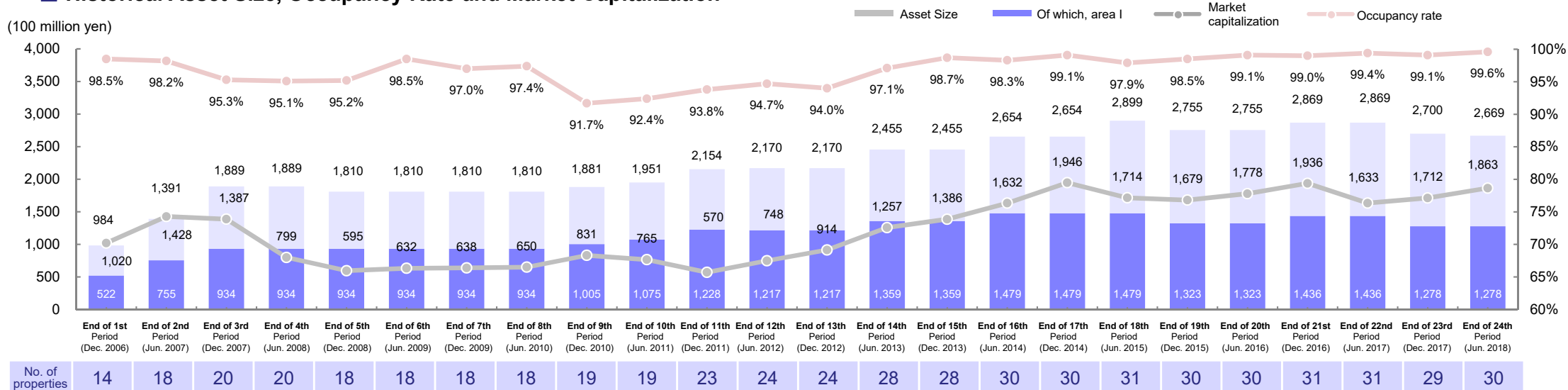
## Historical Distributions per Unit\*1



## Historical Rental Revenue



## Historical Asset Size, Occupancy Rate and Market Capitalization\*2

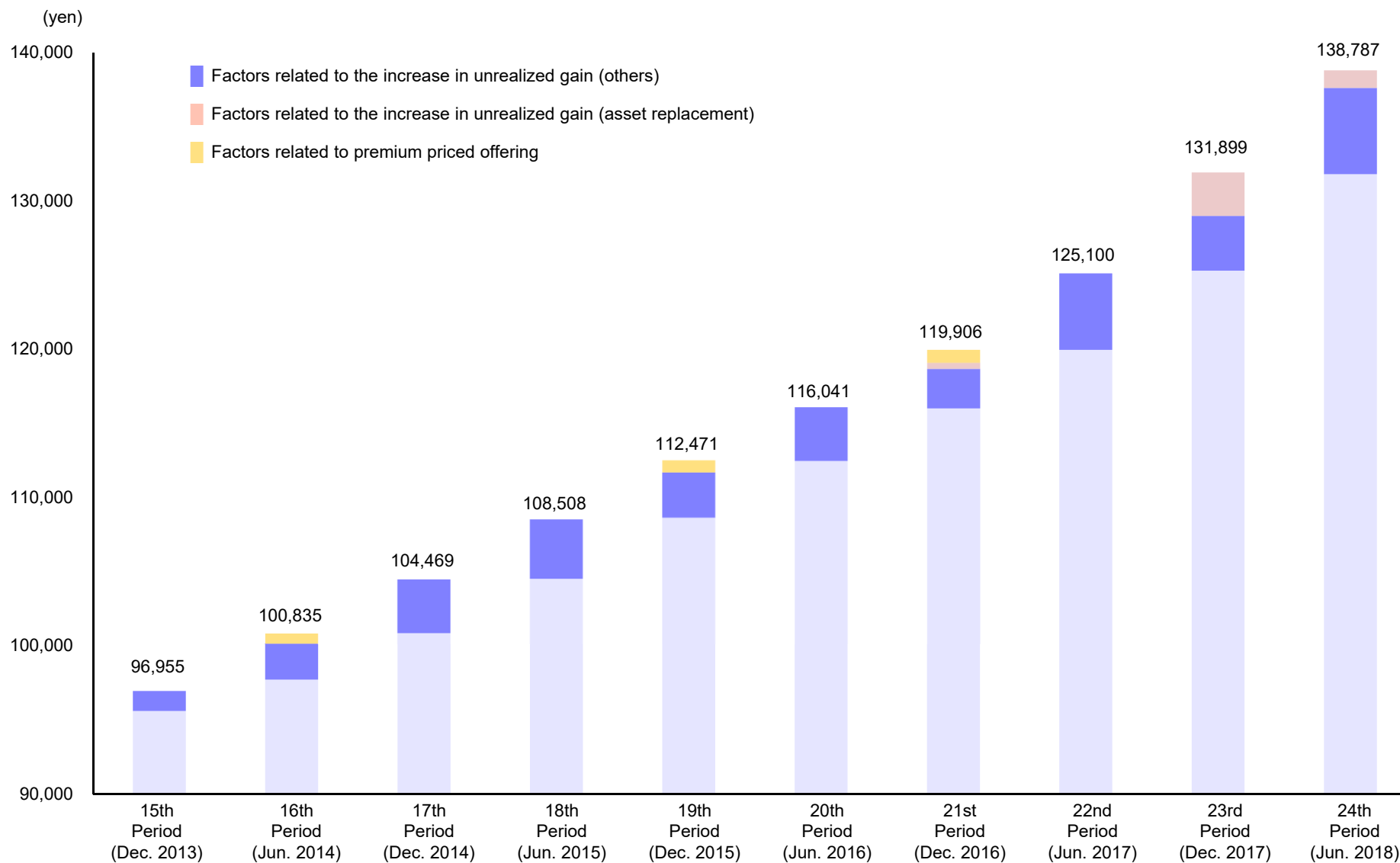


\*1 JEI Implemented a 5-for-1 split of its investment units on January 1, 2014. Considering said split, Distributions per Unit from even before the 15th period are divided by 5. Figures are rounded down to the nearest whole number.

\*2 Market capitalization indicates the market capitalization as of the end of each fiscal period.

## 2. Track Record (2)

### NAV per unit



\*1 JEI implemented a 5-for-1 split of its investment units on January 1, 2014. Considering said split, the figure for the 15th Period is divided by 5. Figures are rounded down to the nearest whole number.

\*2 Factors related to the increase in unrealized gain (others), Factors related to the increase in unrealized gain (asset replacement) and Factors related to premium priced offering are calculated as follows.

Factors related to premium priced offering: (Unitholders' capital per unit as of the end of the fiscal period in which public offering was conducted) – (Unitholders' capital per unit as of the end of the fiscal period preceding the fiscal period in which public offering was conducted)

Factors related to the increase in unrealized gain (asset replacement): Amount of unrealized gain increased due to asset replacement / Number of investment units outstanding.

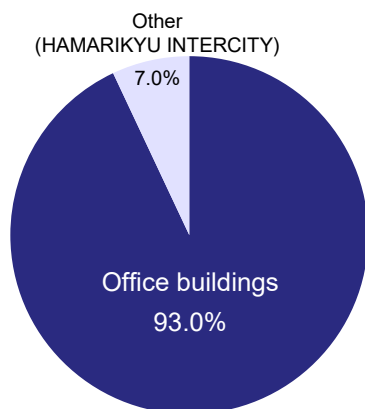
Factors related to the increase in unrealized gain (others): Increase/decrease in unrealized gain (excluding the increase in unrealized gain due to asset replacement) / Number of investment units outstanding

# 3. Portfolio (1)

## Usage

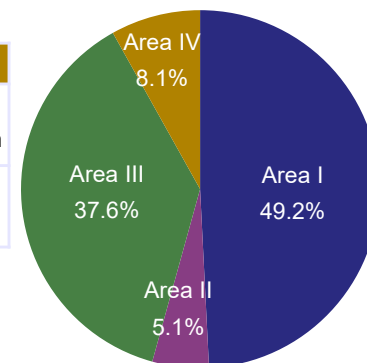
### (Investment Policy)

Usage <sup>*1</sup>	Investment ratio in portfolio <sup>*2</sup>
Office buildings	90% or more
Other	10% or less



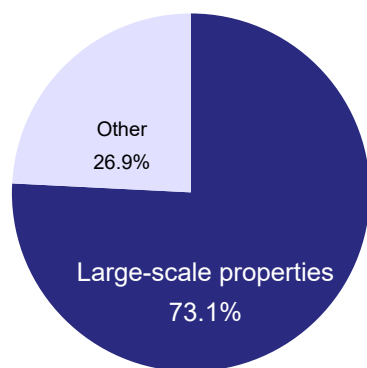
## Area

Area	Area I	Area II	Area III	Area IV
Total acquisition price	134.4 billion yen	14.0 billion yen	102.8 billion yen	22.2 billion yen
Number of properties	11 properties	3 properties	10 properties	7 properties

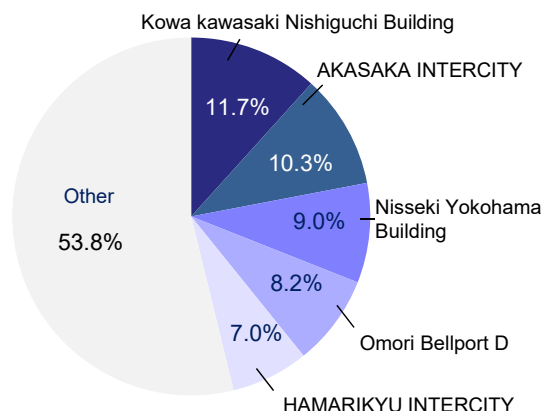


Ratio of investment in the Tokyo<sup>\*4</sup> metropolitan area  
86.7%

## Large-Scale Properties<sup>\*3</sup>



## Top 5 Properties



Ratio of top 5 properties  
46.2%

## (Investment Policy)

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

<sup>\*1</sup> Usage is determined based on the majority share of leasable space for each asset related to real estate. The total acquisition cost of the concerned asset related to real estate is incorporated into the acquisition price by said usage.

<sup>\*2</sup> This refers to the ratio of total acquisition cost of the asset related to real estate for each usage or area against the total acquisition cost of the overall portfolio.

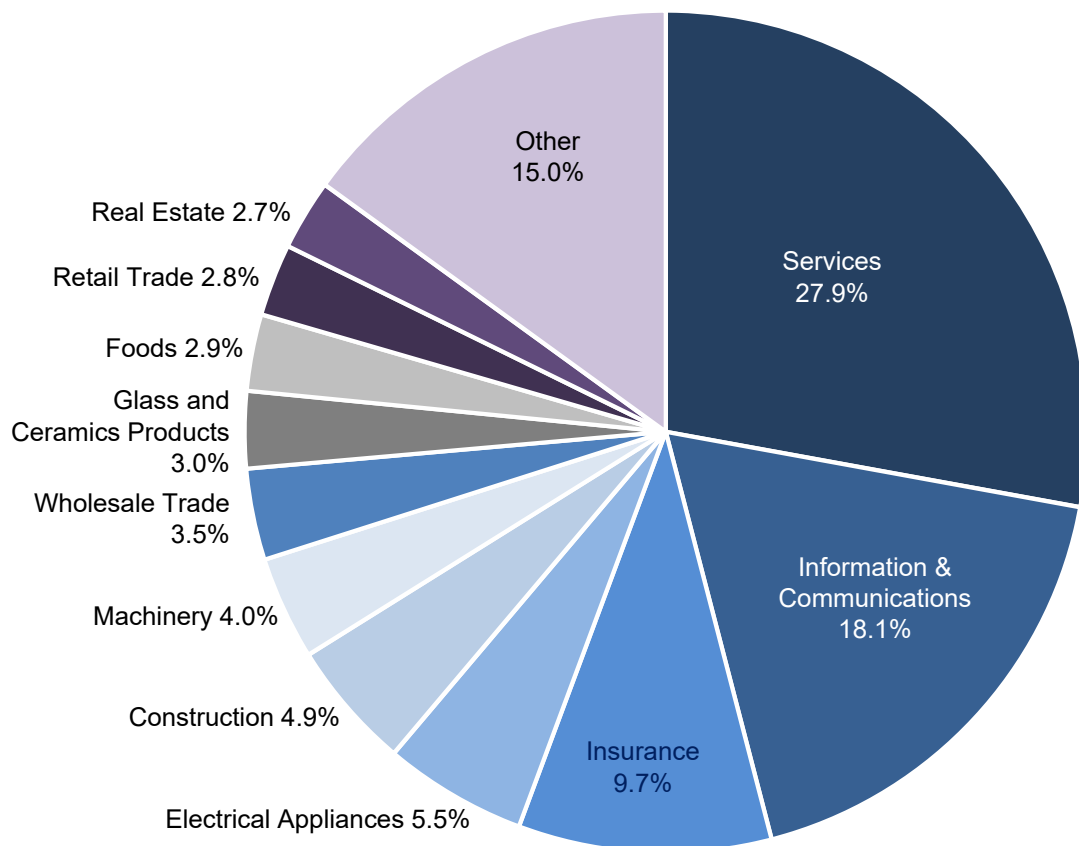
<sup>\*3</sup> "Large-scale properties" refers to properties with total floor area of 10,000 tsubo or more for the 23 wards of Tokyo, and of 4,000 tsubo or more for areas other than the 23 wards of Tokyo.

<sup>\*4</sup> "Tokyo metropolitan area" indicates Tokyo and its surrounding areas (Kanagawa, Saitama and Chiba prefectures) (Area I and Area III).

<sup>\*5</sup> The above figures are the figures after the acquisition of AKASAKA INTERCITY AIR, and the ratio is rounded to the first decimal place based on the acquisition price.

## 3. Portfolio (2)

### ■ Type of Industry of Tenants\*1



\*1 Asset management company categorized and created above industry category along with "TOPIX 33 Sector Indices."

\*2 Ratio stated above is rounded to the first decimal place based on leaseable space as of the end of the 24th period.

### ■ Top 10 Tenants

End tenant name	Property Name	Total space leased (m <sup>2</sup> )	Floor area ratio (%)
National Mutual Insurance Federation of Agricultural Cooperatives	Kowa Kawasaki Nishiguchi Building	21,553.79	6.3
Toshiba Information System (Japan) Corp.	Kowa Kawasaki Higashiguchi Building	18,612.72	5.5
Hitachi Urban Investment, Ltd.	Omori Bellport D	10,449.47	3.1
	Yokohama Bentendori Dai-ichi Seimei Building		
	JEI Hiroshima Hacchobori Building		
Haseko Corporation	SE Sapporo Building	9,284.18	2.7
	Shiba 2-Chome Building		
	*3		
*3	*3	8,968.71	2.6
*3	*3	7,286.83	2.1
*3	*3	6,572.84	1.9
Hitachi Zosen Corporation	Omori Bellport D	5,383.97	1.6
*3	HAMARIKYU INTERCITY	4,243.04	1.2
*3	*3	4,078.37	1.2
Total of top 10 end tenants		96,433.92	28.4
Total of portfolio overall		339,817.08	100.0

\*3 End tenant names and property names are not disclosed as we have not obtained consent, etc. from tenants.

\*4 The figures above are as of the end of the 24th period.

## GRESB Real Estate Assessment



- ◆ Received **“Green Star,”** the highest rating in the Global Real Estate Sustainability Benchmark (GRESB) Real Estate Assessment conducted in 2017, for the third consecutive year
- ◆ Also received the highest rating of **“5-Star”** in **“GRESB Rating,”** a five-grade evaluation system based on comprehensive scores, for the **second consecutive year.**
- “Global Real Estate Sustainability Benchmark (GRESB)” is a benchmark established by European pension fund groups to measure real estate companies and management institutions’ consideration to sustainability and is used in cases such as when major European and Asian institutional investors select investment targets.
- “Green Star” is given when a high evaluation with a score exceeding 50% is made in the two evaluation axis (“Management Policy” and “Implementation & Measurement”). “GRESB Rating” is a rating of the overall score according to the global ranking and “5 Star” is given to the top 20% of the participants.

## Environment

## Environmental initiatives

### Obtained environmental certification and evaluation

Obtained environmental certification for over 50% (based on leasable-space) of the portfolio

#### DBJ Green Building Certification

- ◆ Development Bank of Japan Inc. selects and certifies buildings for the purpose of promoting real estate properties that demonstrate environmentally friendly building features, security measures, disaster prevention measures and take into account societal demands from various stakeholders surrounding the properties.

Properties with the best environmental & social awareness

Properties with exceptionally high environmental & social awareness

Properties with excellent environmental & social awareness



AKASAKA INTERCITY AIR



AKASAKA INTERCITY



Nisseki Yokohama Building



- Omori Bellport D
- HAMARIKYU INTERCITY
- Kowa Kawasaki Nishiguchi Building
- Kowa Kawasaki Higashiguchi Building
- Kowa Nishi-shimbashi Building
- Musashikosugi Tower Place

#### Office Implementing Excellent Specific Global Warming Countermeasures

Semi-Top-Level Office



AKASAKA INTERCITY

- ◆ The Tokyo metropolitan government certifies offices with particularly advanced global warming countermeasures as “Office Taking Excellent Specific Global Warming Countermeasures”
- ◆ Total emission reduction obligation ratio of specified green-house gas was reduced by 3/4 for a “Semi-Top-Level Office.”

#### CASBEE for Market Promotion Certification



Kowa Nishi-shimbashi Building



Rank A

- ◆ A system established under the leadership of the Ministry of Land, Infrastructure, Transport and Tourism to appropriately identify and evaluate properties with high environmental value that have high environmental performance and are well managed.



## Reduction of environmental burden and system of promotion

Aiming to save energy and reduce CO<sub>2</sub> emissions by promoting the introduction of facilities contributing to energy saving in real estate under management.

### ◆ Introduction of energy saving facilities

Nisseki Yokohama Building



Conversion to LED lighting at common space and exclusive space on some floors

Shiba 2-chome building



HAMARIKYU INTERCITY



Conversion to LED lighting at common space

SE Sapporo Building



### ◆ Sustainability promotion system of the asset management company

- Continuously monitoring the status by periodically monitoring the amount of used energy, CO<sub>2</sub> emission, used water and waste.
- Establishing a sustainability committee composed of main members including the executive director and establishing an in-house system for setting targets and periodically monitoring the status of efforts to systematically promote sustainability efforts.

## Social

## Social initiatives

### Partnership and collaboration with stakeholders

#### Tenants

##### Tenant satisfaction survey

JEI has worked to raise tenant satisfaction by conducting questionnaire surveys of tenants and office workers and utilizing the results to improve property management, etc.

##### Initiatives for safety and security

We are advancing initiatives for the safety and security of tenants and visitors (Examples of initiatives)

- ◇ Introduction of an earthquake damage assessment system (AKASAKA INTERCITY and Kowa Nishi-Shimbashi Building)
- ◇ Establishment of emergency cabinets inside elevators
- ◇ Storage of portable toilets, lanterns, etc. to provide to tenants in case of emergencies

#### Social contribution

##### Eco-cap campaign

The asset management company carries out an activity to collect plastic bottle caps and give them to the NPO "Cap Bank Promotion Network." While promoting recycling of caps and reduction of CO<sub>2</sub> emissions, they also send vaccines to children in developing countries using the proceeds from the recycling of caps.

#### Local communities

##### Promotion of exchanges

We periodically hold concerts in the common spaces of office buildings and support the activities of communities by helping to hold various events.

[Yoga classes]



Omori Bellport D

[Concerts]



AKASAKA INTERCITY



NHK Nagoya Housou-Center Building

##### Support in case of disasters

As Hiroshima Prefecture, where two of the JEI's properties are located, suffered extensive damage from the torrential rain brought by 2018 Typhoon No. 7 and rain front, the asset management company donated disaster relief money through Japanese Red Cross Society's Hiroshima Branch in July 2018.

# 4. ESG Initiatives (3)

## Governance

### Governance initiatives

#### Established Structure to Prevent Conflicts of Interests from Sponsor Formation



Nippon Steel Kowa Real Estate

By your side, for life



The Dai-ichi Life Insurance

- ◆ Management structure which will not be affected by a specified sponsor due to mutual supervision of the two core sponsors
- ◆ The two core sponsors own 7.1% of JEI's investment units and the interest of unitholders and that of sponsors match (as of June 30, 2018)

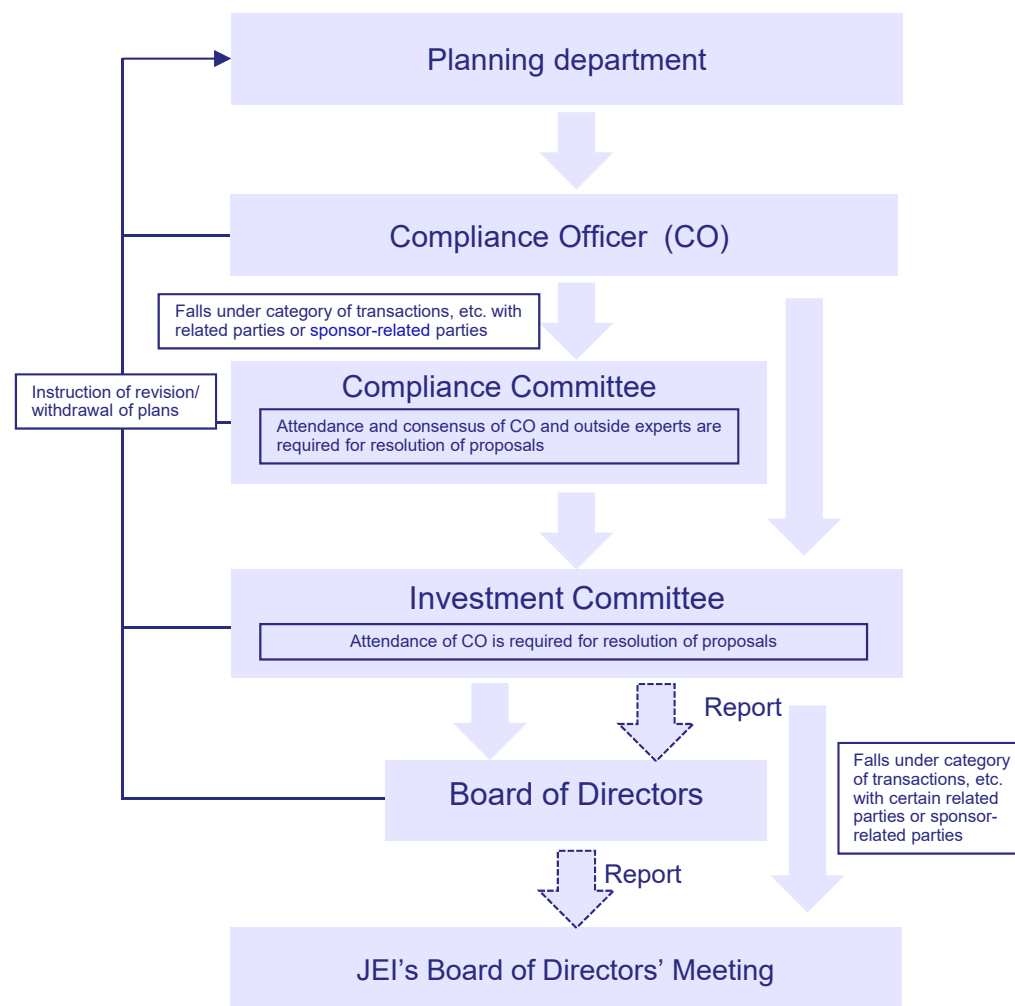
#### Management Fee Structure

- ◆ In addition to management fees linked to the size of managed assets, management fees linked to revenue are also introduced
- ◆ A fee for property acquisitions/sales is not adopted

	Calculation method								
Asset management fees I	<p>The amount of JEI's assets under management (every 3 months) multiplied by the following fee rates x (the actual number of days within the relevant calculation period / 365)</p> <table border="1"> <thead> <tr> <th>Assets under management</th> <th>Fee rates</th> </tr> </thead> <tbody> <tr> <td>Portion up to ¥100 billion</td> <td>0.25%</td> </tr> <tr> <td>Portion over ¥100 billion up to ¥200 billion</td> <td>0.15%</td> </tr> <tr> <td>Portion over ¥200 billion</td> <td>0.05%</td> </tr> </tbody> </table>	Assets under management	Fee rates	Portion up to ¥100 billion	0.25%	Portion over ¥100 billion up to ¥200 billion	0.15%	Portion over ¥200 billion	0.05%
Assets under management	Fee rates								
Portion up to ¥100 billion	0.25%								
Portion over ¥100 billion up to ¥200 billion	0.15%								
Portion over ¥200 billion	0.05%								
Asset management fees II	<p>(The amount of ordinary income before deducting Management Fee II + the amount of depreciation) x 4.0%</p>								

#### Flow of Decision-Making

The asset management company has an established governance system in which a compliance committee which includes outside experts deliberates on conflict of interest and other legal matters and such in the decision-making process concerning certain transactions between JEI and affiliates of the sponsors.



# 5. Structure of JEI / Overview of Japan Excellent Asset Management Co., Ltd.

## Unit Price and Tokyo Stock Exchange REIT Index



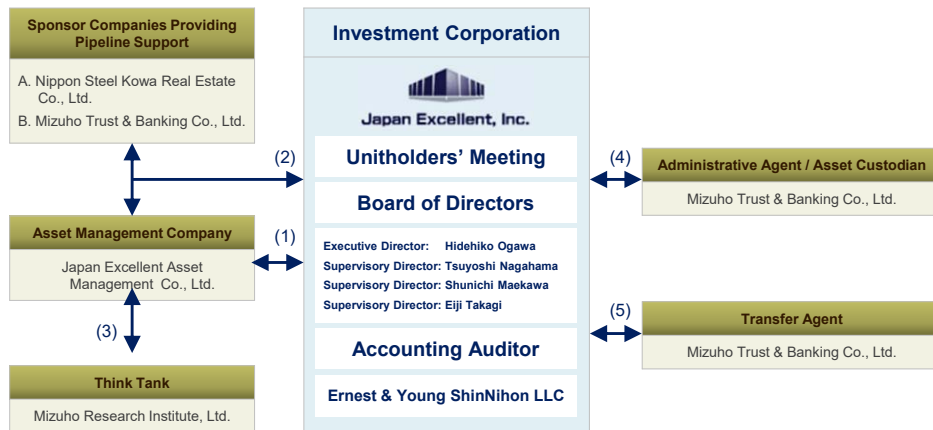
\*1 Unit prices for December 25, 2013 and earlier are divided by 5.

## Overview of Japan Excellent Asset Management

Headquarters	1-15-9 Minamiaoyama, Minato Ward, Tokyo	
Established	April 14, 2005	
Capital	450 million yen	
Shareholders*2	Nippon Steel Kowa Real Estate Co., Ltd.	54.0%
	The Dai-ichi Life Insurance Company, Limited	26.0%
	The Dai-ichi Building Co., Ltd.	5.0%
	Sohgo Housing Co., Ltd.	5.0%
	Mizuho Bank, Ltd.	5.0%
Business Operations	Mizuho Trust & Banking Co., Ltd.	5.0%
	Financial Instrument Dealer	

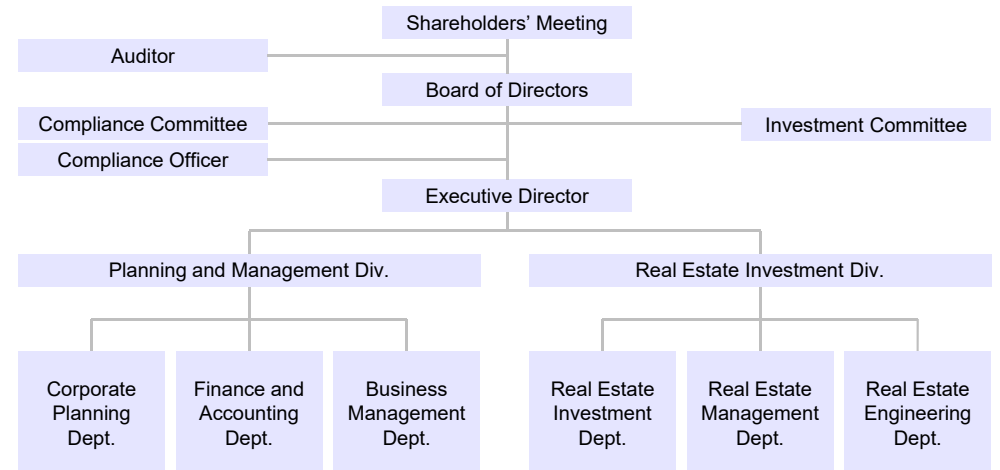
\*2 Percentages in the above table are percentages of total outstanding shares.

## Organization of JEI



- (1) Asset Management agreement
- (2) A. Pipeline support agreement with NIPPON STEEL KOWA REAL ESTATE  
B. Pipeline support agreement with Mizuho Trust & Banking
- (3) Agreement with Mizuho Research Institute to provide market and other information
- (4) Agreement to entrust administrative duties and asset custody
- (5) Agreement to entrust administration of unitholders' register

## Outline and Organization of JEAM

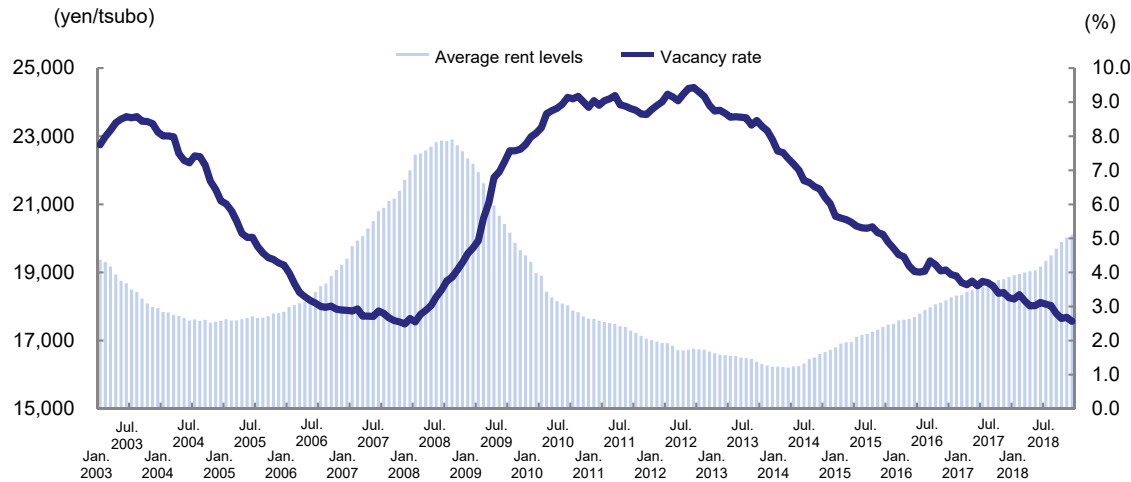


## Reference Materials

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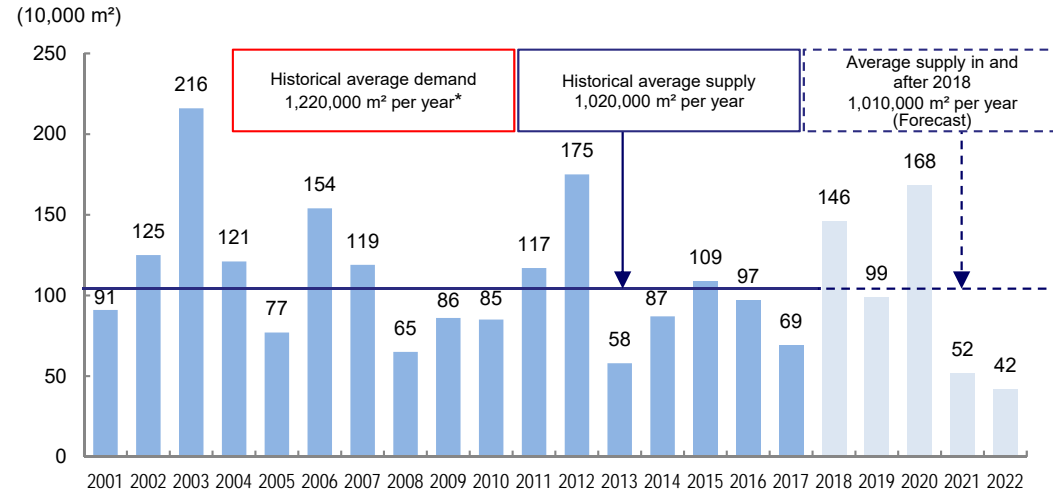


## Historical Rent Levels and Vacancy Rate in 5 Central Wards of Tokyo



Source: Miki Shoji Co., Ltd.

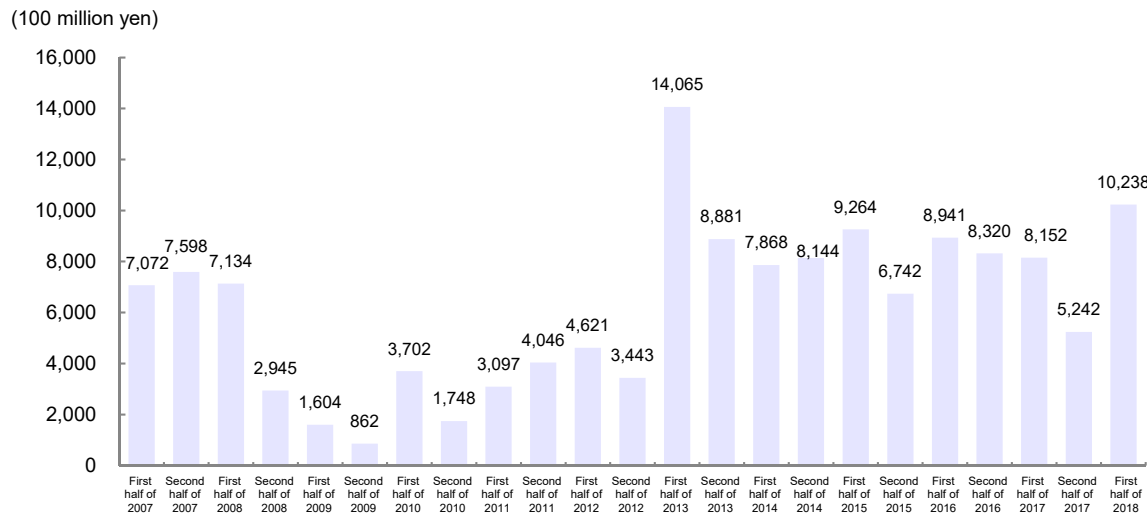
## Historical New Office Supply Volume in 23 Wards of Tokyo



\* Annual average of net absorption (area offered as of the beginning of each fiscal period - area offered as of the end of each fiscal period + area of newly completed buildings in each fiscal period) in 2013 to 2018.

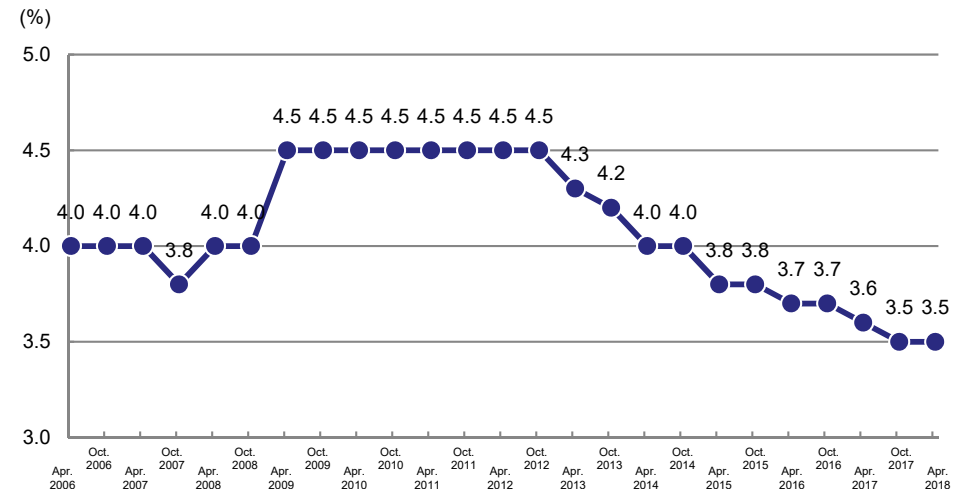
Source: Supply: Mori Building Co., Ltd. Demand: Sanko Estate Co., Ltd.

## Historical Actual Real Estate Acquisitions by J-REITs



Source: The Association for Real Estate Securitization

## Historical Expected Transaction Cap Rate for Class A Buildings (Marunouchi and Otemachi areas in Tokyo)



Source: Japan Real Estate Institute

# Revenue and Expenses by Property

(Unit: million yen)

	Area I															Area II			Area III													Area IV								Other	Total
	I-1	I-2	I-3	I-8	I-9	I-10	I-12	I-13	I-14	I-15	II-1	II-2	II-3	III-1	III-2	III-3	III-5	III-7	III-8	III-9	III-10	III-11	III-12	III-13	IV-2	IV-3	IV-4	IV-5	IV-6	IV-7	IV-8										
	Omori	Shiba 2-Chrome	Hanabusa-cho	AKASAKA INTERCITY	Kowa Shirokasedai	Daiba Garden City Bldg.	HAWARIKYU INTERCITY	Shinomi-cho	Kowa Nishi-Shimbashi	Mansard Dakanjama	NHK Nagoya	Nishi-honmachi	Osaka Koin Building (land with leased interest)	Musashi-Kosugi	Kawasaki Higashi-Guchi	Hongo	Kawasaki Nishi-cho	Ryugoku	Ebina	Kawasaki Nishi-Guchi	Sengoku	Core City Tachikawa	Nisseki Yokohama	Yokohama Bentencho Dai-4th	Kyobashi	Hiroshima Hachio-bori	SE Sapporo	Aoba-dori Plaza	Dawa Minamimachi	Maia	Hiroshima Dai-4th Seimei OS										
Revenue from operations	937	368	228	572	168	335	736	71	-	292	363	208	88	806	-	-	208	107	390	951	55	318	1,125	3	179	147	384	191	197	79	12	-	10,535								
Rental revenue	878	367	216	530	152	335	685	65	-	273	-	184	88	727	-	-	206	97	334	860	48	307	1,029	3	163	134	300	170	178	68	11	-	9,692								
Other revenue	58	0	11	42	15	0	51	6	-	18	-	24	-	78	-	-	2	9	56	90	6	11	96	0	16	12	83	20	19	10	0	-	843								
Expenses from operations	471	135	106	273	91	126	419	30	-	132	252	136	46	393	-	-	109	61	317	579	32	134	732	1	86	76	220	94	83	48	8	28	5,754								
Property management	132	47	18	34	25	1	133	5	-	36	68	25	-	110	-	-	42	20	107	146	5	34	161	0	15	18	33	33	22	8	1	-	1,476								
Utilities	110	0	11	46	9	-	63	4	-	21	30	24	-	74	-	-	-	9	65	88	5	38	166	-	12	13	76	18	14	7	1	-	996								
Taxes	78	31	18	35	15	36	53	4	-	28	25	26	45	65	-	-	17	7	55	75	6	21	120	-	12	17	23	17	13	4	-	-	932								
Insurance	1	0	0	0	0	0	2	0	-	0	0	0	-	1	-	-	0	0	1	2	0	1	3	0	0	0	0	0	0	0	0	-	25								
Repair and maintenance	7	5	3	6	18	2	11	1	-	4	16	1	-	23	-	-	5	3	5	3	1	2	5	-	3	1	2	0	2	2	-	-	160								
Non-operating expenses	6	1	17	61	1	1	8	0	-	1	34	1	0	5	-	-	0	1	8	6	1	1	12	0	1	1	1	1	0	4	0	28	237								
Depreciation	134	49	36	87	21	85	146	12	29	39	75	57	-	112	82	30	42	19	73	255	11	35	261	0	39	23	81	22	29	19	6	-	1,926								
Profits (loss) from operations	465	232	122	299	76	208	317	41	230	159	111	72	41	412	166	84	99	46	73	372	22	184	393	2	93	70	163	96	114	30	4	-28	4,781								
NOI	599	282	159	386	97	293	464	54	259	199	186	129	41	525	248	115	142	65	146	628	34	219	654	2	133	94	245	119	144	50	10	-28	6,707								
Acquisition price	22,552	9,450	8,350	28,146	4,705	11,000	19,080	1,750	11,431	11,420	5,610	6,673	1,770	13,890	10,976	5,400	4,725	2,550	6,470	32,000	1,620	6,500	24,500	640	3,308	2,760	5,500	2,120	4,410	1,380	2,780	-	273,467								

## NOI yield

24th period	5.4%	6.0%	3.8%	2.8%	4.2%	5.4%	4.9%	6.2%	4.6%	3.5%	6.7%	3.9%	4.8%	7.6%	4.6%	4.3%	6.1%	5.2%	5.0%	4.0%	4.3%	6.8%	5.4%	10.3%	8.1%	6.9%	9.0%	11.3%	6.6%	7.4%	8.2%	-	5.0%
23rd period	4.9%	1.7%	3.5%	2.8%	4.9%	5.3%	4.9%	6.0%	4.9%	3.3%	6.8%	3.8%	4.5%	7.9%	5.3%	4.0%	5.5%	5.2%	5.9%	3.7%	4.4%	6.4%	5.3%	-	7.8%	6.8%	8.4%	9.8%	6.5%	6.9%	-	-	4.6%
Difference (Pt)	0.5	4.3	0.3	0	-0.7	0.1	0	0.2	-0.3	0.2	-0.1	0.1	0.3	-0.3	-0.7	0.3	0.6	0	-0.9	0.3	-0.1	0.4	0.1	-	0.3	0.1	0.6	1.5	0.1	0.5	-	-	0.4

## NOI yield after depreciation

24th period	4.2%	5.0%	3.0%	2.1%	3.3%	3.8%	3.4%	4.8%	4.1%	2.8%	4.0%	2.2%	4.8%	6.0%	3.1%	3.2%	4.2%	3.7%	2.5%	2.3%	2.9%	5.7%	3.2%	7.4%	5.7%	5.1%	6.0%	9.2%	5.2%	4.5%	3.3%	-	3.6%
23rd period	3.8%	0.7%	2.6%	2.2%	4.0%	3.8%	3.4%	4.6%	4.3%	2.6%	4.3%	2.1%	4.5%	6.3%	3.8%	2.9%	3.7%	3.7%	3.6%	2.1%	3.0%	5.4%	3.2%	-	4.4%	5.1%	5.4%	7.6%	5.2%	4.1%	-	-	3.3%
Difference (Pt)	0.4	4.3	0.4	-0.1	-0.7	0	0	0.2	-0.2	0.2	-0.3	0.1	0.3	-0.3	-0.7	0.3	0.5	0	-1.1	0.2	-0.1	0.3	0	-	1.3	0	0.6	1.6	0	0.4	-	-	0.3

\*1 Figures are rounded down to the nearest million yen.

\*2 Ratios are rounded to the first decimal place.

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

\*4 Details concerning revenue and expenses for Kowa Nishi-Shimbashi Building, Kawasaki Higashiguchi and JEI Hongo Building are not disclosed because we have not received consent from end tenants.

\*5 Details concerning rental revenue for NHK Nagoya are not disclosed because we have not received consent from the business partner.

\*6 Expenses indicated in "Other" indicate adjustment amount for the properties transferred in the previous fiscal period.

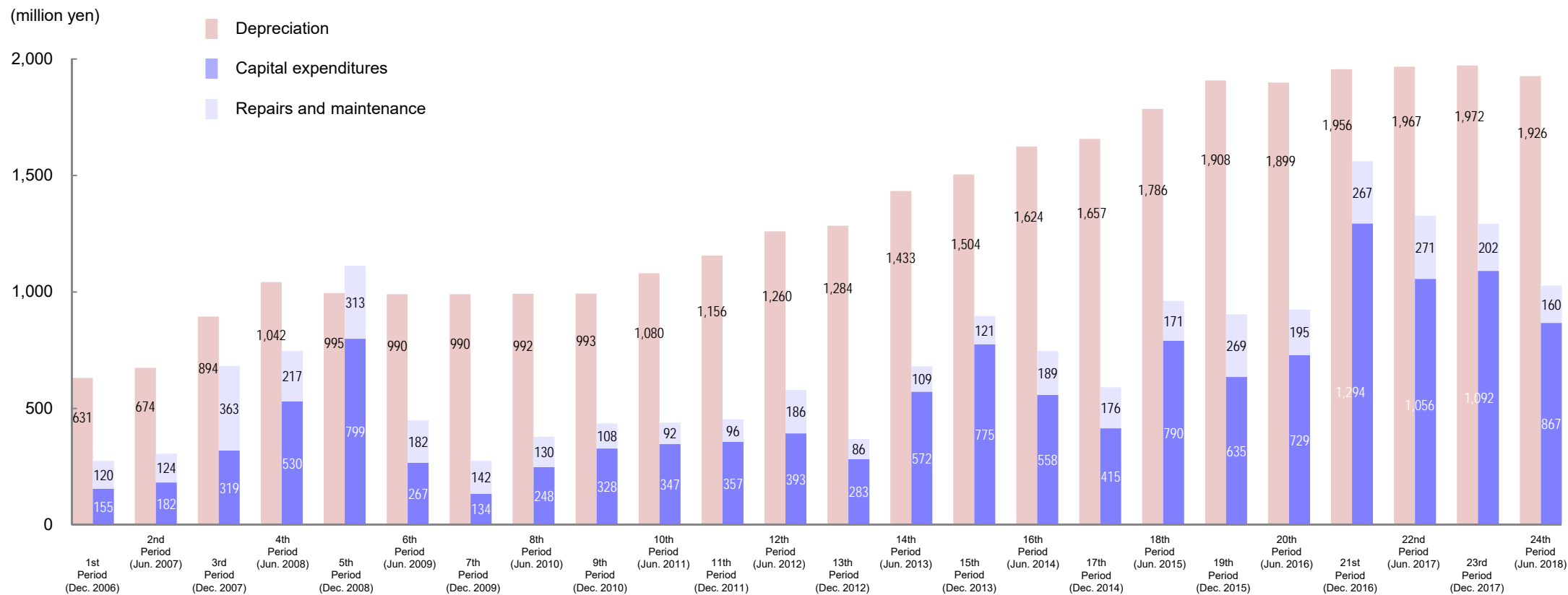
\*7 Yields for the 23rd Period (total/breakdown by area) indicate actual results including properties transferred in the 23rd Period.

## Breakdown by Area

(Unit: million yen)

	Area I Total	Area II Total	Area III Total	Area IV Total
NOI	2,796	358	2,784	797
Acquisition price	127,884	14,053	109,271	22,258
24th period NOI yield (annualized)	4.4%	5.1%	5.2%	8.2%
23rd period NOI yield (annualized)	3.8%	5.1%	5.2%	7.7%
Difference (pts)	0.6	0.0	0.0	0.5

## History of Expenses for Repairs and Maintenance and Depreciation



## Capital expenditures/Depreciation

24.6%	27.0%	35.7%	50.9%	80.3%	27.0%	13.5%	25.0%	33.0%	32.1%	30.9%	31.2%	22.0%	39.9%	51.5%	34.4%	25.0%	44.2%	33.3%	38.4%	66.2%	53.7%	55.4%	45.0%
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# Overview of Period-end Appraisals

## Summary of Period-end Appraisal Value

	23rd Period (Dec. 2017)	24th Period (Jun. 2018)	Difference
Number of properties	29 properties	30 properties	1 property
Period-end appraisal value	284,560 million yen	290,609 million yen	6,049 million yen
Book value	256,272 million yen	253,180 million yen	-3,091 million yen
Unrealized profit/loss	28,287 million yen	37,428 million yen	9,140 million yen
Ratio of unrealized profit/loss <sup>*1</sup>	11.0%	14.8%	3.8pts

\*1 "Ratio of unrealized profit/loss ratio" is calculated by dividing unrealized profit/loss at the end of each fiscal period by book value.

## Number of Properties with Increase/Decrease in Appraisal Value

	23rd Period (Dec. 2017)	24th Period (Jun. 2018)
Increase	23 properties	24 properties
Unchanged	4 properties	4 properties
Decrease	2 properties	2 properties

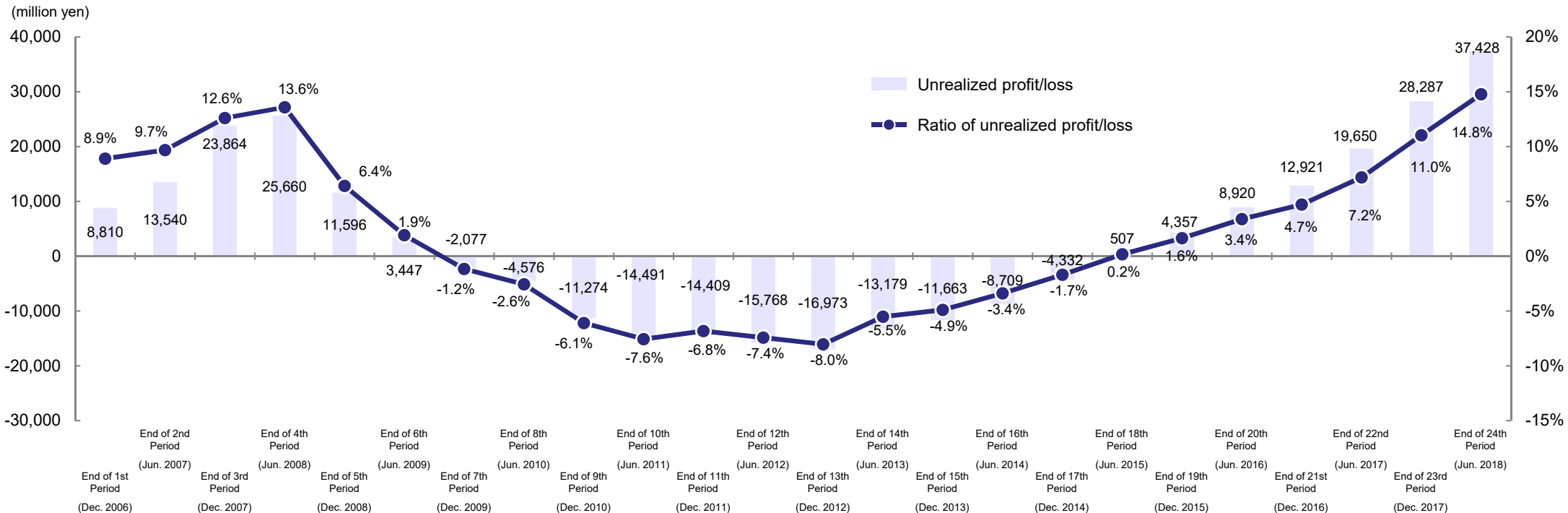
\*2 Increase/decrease breakdowns are shown in comparison with the previous fiscal period for each period.

\*3 As to the cap rate and the mid- to long-term rent for Shiba 2- Chome Building, comparison is made only for the office portion.

## Status of Cap Rate

	23rd Period (Dec. 2017)	24th Period (Jun. 2018)
Decline	18 properties	21 properties
Unchanged	11 properties	9 properties
Rise	0 properties	0 properties

## Historical Unrealized Profit/Loss and Ratio of Unrealized Profit/Loss





# Period-end Appraisal Value

(Unit: million yen)

Property Number	Area	Name	Acquisition Price	Period-end Appraisal Value		Difference (②-①)		Book Value at end of FP24 ③	Difference (②-③)		Direct reduction reduced yield		Difference (⑤-④) pt	Appraisal Organization	
				End of FP23 ①	End of FP24 ②		%			%	End of FP23 ④	End of FP24 ⑤			Office
I-1	I	Omori Bellport D	22,552	25,700	25,900	200	0.8%	21,047	4,852	23.1%	4.2%	4.1%	-0.1	Chuo Real Estate Appraisal Co., Ltd.	
I-2		Shiba 2-Chome Building	9,450	12,000	12,300	300	2.5%	9,126	3,173	34.8%	Office 4.0%	Office 3.9%	Office -0.1	Japan Real Estate Institute	
I-3		JEI Hamamatsucho Building	8,350	7,680	7,950	270	3.5%	8,189	-239	-2.9%	Residence 4.6%	Residence 4.5%	Residence -0.1	Japan Real Estate Institute	
I-8		AKASAKA INTERCITY	28,146	26,700	27,500	800	3.0%	27,065	434	1.6%	3.8%	3.7%	-0.1	Japan Real Estate Institute	
I-9		Kowa Shirokanedai Building	4,705	5,090	5,090	0	0.0%	4,748	341	7.2%	3.3%	3.2%	-0.1	Japan Real Estate Institute	
I-10		Daiba Garden City Building	11,000	11,500	11,000	-500	-4.3%	9,896	1,103	11.1%	4.5%	4.5%	0.0	Japan Real Estate Institute	
I-12		HAMARIKYU INTERCITY	19,080	22,400	23,600	1,200	5.4%	17,817	5,782	32.5%	4.4%	4.3%	-0.1	Chuo Real Estate Appraisal Co., Ltd.	
I-13		Shintomicho Building	1,750	2,050	2,070	20	1.0%	1,769	300	17.0%	3.7%	3.6%	-0.1	Japan Real Estate Institute	
I-14		Kowa Nishi-shimbashi Building	11,431	12,000	12,500	500	4.2%	11,045	1,454	13.2%	4.3%	4.2%	-0.1	Chuo Real Estate Appraisal Co., Ltd.	
I-15		Mansard Daikanyama	11,420	12,200	12,900	700	5.7%	11,365	1,534	13.5%	3.5%	3.4%	-0.1	Japan Real Estate Institute	
II-1		II	NHK Nagoya Housou-Center Building	5,610	5,720	5,850	130	2.3%	5,626	223	4.0%	3.4%	3.3%	-0.1	Japan Real Estate Institute
II-2			JEI Nishi-honmachi Building	6,673	4,700	4,960	260	5.5%	7,138	-2,178	-30.5%	4.7%	4.7%	0.0	DAIWA REAL ESTATE APPRAISAL Corporation
II-3			Osaka Kogin Building (land with leasehold interest)	1,770	2,200	2,260	60	2.7%	1,865	394	21.1%	4.7%	3.5%	-0.1	Japan Real Estate Institute
III-1		III	Musashikosugi Tower Place	13,890	20,700	21,100	400	1.9%	12,639	8,460	66.9%	3.6%	3.5%	-0.1	Japan Real Estate Institute
III-2			Kowa Kawasaki Higashiguchi Building	10,976	9,650	9,690	40	0.4%	9,414	275	2.9%	4.3%	4.2%	-0.1	Japan Real Estate Institute
III-3	JEI Hongo Building		5,400	4,750	4,790	40	0.8%	5,056	-266	-5.3%	4.8%	4.8%	0.0	Japan Valuers Co., Ltd.	
III-5	Kawasaki Nisshincho Building		4,725	4,230	4,570	340	8.0%	4,320	249	5.8%	4.3%	4.3%	0.0	Japan Valuers Co., Ltd.	
III-7	JEI Ryogoku Building		2,550	2,250	2,290	40	1.8%	2,249	40	1.8%	4.9%	4.9%	0.0	Japan Valuers Co., Ltd.	
III-9	Kowa Kawasaki Nishiguchi Building		32,000	25,800	25,900	100	0.4%	29,188	-3,288	-11.3%	4.7%	4.6%	-0.1	Chuo Real Estate Appraisal Co., Ltd.	
III-10	Pacific Square Sengoku		1,620	1,300	1,300	0	0.0%	1,640	-340	-20.7%	4.7%	4.6%	-0.1	Japan Valuers Co., Ltd.	
III-11	Core City Tachikawa		6,500	8,340	8,590	250	3.0%	6,177	2,412	39.0%	4.4%	4.3%	-0.1	Chuo Real Estate Appraisal Co., Ltd.	
III-12	Nisseki Yokohama Building		24,500	27,600	28,400	800	2.9%	23,703	4,696	19.8%	4.5%	4.4%	-0.1	Japan Real Estate Institute	
III-13	Yokohama Bentendori Dai-ichi Seimei Building		640	659	659	0	0.0%	660	-1	-0.2%	4.1%	4.0%	-0.1	Japan Real Estate Institute	
IV-2	IV		JEI Kyobashi Building	3,308	4,230	4,250	20	0.5%	2,899	1,350	46.6%	4.8%	4.8%	0.0	Japan Real Estate Institute
IV-3			JEI Hiroshima Hacchobori Building	2,760	3,410	3,460	50	1.5%	2,600	859	33.0%	5.2%	5.2%	0.0	DAIWA REAL ESTATE APPRAISAL Corporation
IV-4			SE Sapporo Building	5,500	7,450	7,960	510	6.8%	5,213	2,746	52.7%	5.0%	4.9%	-0.1	Japan Real Estate Institute
IV-5		Aoba-dori Plaza	2,120	3,690	3,880	190	5.1%	2,195	1,684	76.7%	5.2%	5.1%	-0.1	Chuo Real Estate Appraisal Co., Ltd.	
IV-6		Daiwa Minamimoricho Building	4,410	5,240	5,170	-70	-1.3%	4,251	918	21.6%	4.9%	4.8%	-0.1	Japan Real Estate Institute	
IV-7		JEI Naha Building	1,380	1,640	1,720	80	4.9%	1,419	300	21.1%	4.6%	4.6%	0.0	DAIWA REAL ESTATE APPRAISAL Corporation	
IV-8		Hiroshima Dai-ichi Seimei OS Building	2,780	3,000	3,000	0	0.0%	2,844	155	5.5%	5.5%	5.4%	-0.1	Japan Real Estate Institute	
			<b>Total</b>	266,997	283,879	290,609	6,730	2.4%	253,180	37,428	14.8%	4.9%	4.9%	0.0	Japan Real Estate Institute
<b>Area I Total</b>			127,884	137,320	140,810	3,490	2.5%	122,073	18,736	15.3%	4.2%	4.1%	-0.1	-	
<b>Area II Total</b>			14,053	12,620	13,070	450	3.6%	14,631	-1,561	-10.7%	3.8%	3.7%	-0.1	-	
<b>Area III Total</b>			102,801	105,279	107,289	2,010	1.9%	95,051	12,237	12.9%	4.5%	4.4%	-0.1	-	
<b>Area IV Total</b>			22,258	28,660	29,440	780	2.7%	21,425	8,014	37.4%	4.4%	4.4%	0.0	-	
<b>Grand Total</b>			266,997	283,879	290,609	6,730	2.4%	253,180	37,428	14.8%	4.2%	4.1%	-0.1	-	

\*1 "Appraisal value" includes the appraisal value described in the real estate appraisal report made by a real estate appraiser belonging to Japan Real Estate Institute, Chuo Real Estate Appraisal, Japan Valuers and Daiwa Real Estate Appraisal Corporation as of the end of the 23rd and 24th period based on Japan Excellent's rules and the regulations stipulated by the Investment Trusts Association, Japan.

\*2 For the properties acquired in the 24th Period (Yokohama Bentendori Dai-ichi Seimei Building, Hiroshima Dai-ichi Seimei OS Building), the figures stated in the appraisal report at the time of acquisition are deemed as figures at end of the 23rd Period and indicated.

\*3 Total direct reduction reduced yield by area was calculated using weighted averages and rounding to the first decimal place.

# Statement of Income and Retained Earnings

(Unit: million yen)

	23rd Period (Dec. 2017)	(%)	24th Period (Jun. 2018)	(%)	Compared with previous period	
					Difference	(%)
<b>1. Revenue (A)</b>	11,085	100.0	10,535	100.0	-549	-5.0
Rental revenue	9,851		9,692		-159	
Other rental revenue	954		843		-111	
Total rental revenue (a)	10,806	97.5	10,535	100.0	-270	-2.5
Gain on sale of real estate, etc.	279		—		-279	
<b>2. Operating expenses (B)</b>	6,565	59.2	6,509	61.8	-55	-0.9
Property management expenses	1,441		1,476		34	
Utilities expenses	1,122		996		-125	
Taxes	939		932		-6	
Insurance	26		25		0	
Repairs and maintenance	202		160		-42	
Non-operating expenses for rental operation	226		237		10	
Depreciation	1,972		1,926		-46	
Total operating expenses (b)	5,931	53.5	5,754	54.6	-177	-3.0
Profits from operation (a)-(b)	4,874	44.0	4,781	45.4	-93	-1.9
Loss on sales of real estate etc	—		165		165	
Asset management fees	457		431		-25	
Other	176		158		-18	
<b>3. Operating income (A)-(B)</b>	4,519	40.8	4,025	38.2	-493	-10.9
<b>4. Non-operating income</b>	0	0.0	0	0.0	0	17.1
<b>5. Non-operating expenses</b>	818	7.4	686	6.5	-132	-16.2
Interest expense	442		376		-65	
Loan relating fees	221		145		-76	
Interest expense on investment corporation bonds	140		142		2	
Amortization of investment corporation bond issuance costs	14		15		0	
Other	0		5		5	
<b>6. Ordinary income</b>	3,701	33.4	3,340	31.7	-360	-9.8
<b>7. Net income before taxes</b>	3,701	33.4	3,340	31.7	-360	-9.8
<b>8. Income taxes – current</b>	0		0		0	
<b>9. Net income</b>	3,700	33.4	3,339	31.7	-360	-9.8
<b>10. Retained earnings brought forward</b>	0		—		0	
<b>11. Unappropriated retained earnings at the end of period</b>	3,700		3,339		-360	

\* Figures under one million yen are rounded down. Ratios are rounded to the first decimal place.

# Balance Sheet

(Unit: million yen)

Assets						Liabilities and Unitholders' Equity					
	23rd Period (Dec. 2017)		24th Period (Jun. 2018)		Difference		23rd Period (Dec. 2017)		24th Period (Jun. 2018)		Difference
<b>(Assets)</b>		%		%		<b>(Liabilities)</b>		%		%	
I. Current assets	24,239	8.6	29,995	10.5	5,756	I. Current liabilities	28,625	10.1	22,208	7.8	-6,416
Cash and deposits	7,486		13,652		6,165	Operating accounts payable	1,627		1,154		-472
Cash and deposits in trust	16,104		15,606		-497	Short-term loans	900		900		—
Operating accounts receivable	456		394		-61	Investment corporation bonds due within a year	7,000		12,000		5,000
Consumption tax receivable	—		82		82	Long-term loans due within a year	17,750		7,500		-10,250
Other	191		259		67	Other accounts payable	445		423		-22
II. Fixed assets	257,822	91.4	254,859	89.4	-2,963	Accrued consumption taxes	677		—		-677
1. Property and equipment	247,163	87.6	244,072	85.6	-3,091	Other	225		230		5
Real Estate	14,881		14,936		55	II. Long-term liabilities	109,638	38.9	119,012	41.8	9,374
Real Estate in trust	232,171		229,016		-3,154	Investment corporation bonds	29,000		28,000		-1,000
Construction in progress	111		119		8	Long-term loans	67,850		78,100		10,250
2. Intangible assets	9,108	3.2	9,108	3.2	-0	Security deposits from tenants	1,084		1,104		19
Leasehold rights	1,721		1,721		—	Security deposits from tenants in trust	11,703		11,808		104
Leasehold rights in trust	7,382		7,382		—	<b>Total liabilities</b>	<b>138,263</b>	<b>49.0</b>	<b>141,221</b>	<b>49.5</b>	<b>2,957</b>
Other	4		4		-0	<b>(Net assets)</b>					
3. Investments and other assets	1,550	0.5	1,678	0.6	128	I. Unitholders' equity	143,933	51.0	143,786	50.5	-146
Leasehold and security deposits	15		15		—	1. Unitholders' capital	139,972	49.6	139,972	49.1	—
Long-term prepaid expenses	796		877		80	2. Retained earnings	3,960		3,813		-146
Other	738		786		47	Voluntary retained earnings (Reserve for reduction entry)	260	0.1	474	0.2	214
III. Deferred assets	135	0.0	153	0.1	17	Unappropriated retained earnings	3,700	1.3	3,339	1.2	-360
Investment corporation bond issuance costs	135		153		17	<b>Total net assets</b>	<b>143,933</b>	<b>51.0</b>	<b>143,786</b>	<b>50.5</b>	<b>-146</b>
<b>Total assets</b>	<b>282,197</b>	<b>100.0</b>	<b>285,008</b>	<b>100.0</b>	<b>2,810</b>	<b>Total liabilities and net assets</b>	<b>282,197</b>	<b>100.0</b>	<b>285,008</b>	<b>100.0</b>	<b>2,810</b>

\* Figures under one million yen are rounded down. Ratios are rounded to the first decimal place.

# Statements of Cash Flow and Profit Distributions

## ■ Cash Flow Statement

(Unit: million yen)

24th Period (Jun. 2018)	
Classification	Amount
I. Cash flow from operating activities	9,920
Net income before taxes	3,340
Depreciation	1,926
Sale of fixed assets	5,670
Other	-1,017
II. Cash flow from investing activities	-4,733
Purchase of property and equipment	-4,857
Net payments for security deposits	124
III. Cash flow from financing activities	480
Proceeds from long-term loans	14,000
Repayment of long-term loans	-14,000
Proceeds from issuance of investment corporation bonds	3,966
Distributions to unitholders	-3,485
IV. Net increase/ decrease in cash and cash equivalents	5,667
V. Cash and cash equivalents at beginning of period	23,591
VI. Cash and cash equivalents at end of period	29,258

\*Figures are rounded down to the nearest million yen.

## ■ Profit Distribution

(Unit: yen)

24th Period (Jun. 2018)	
Classification	Amount
Unappropriated retained earnings at the end of period	3,339,461,762
Reversal of reserve for reduction entry	316,498,238
Distributions	3,655,960,000
(Distributions per investment unit)	(2,800)
Earnings carried over to next period	-
Total number of outstanding investment units at the end of period	1,305,700 units

# Financial Indicators

(Unit: million yen)

Financial indicators	Unit	20th Period (Jun. 2016)	21st Period (Dec. 2016)	22nd Period (Jun. 2017)	23rd Period (Dec. 2017)	24th Period (Jun. 2018)	Calculation method
EBITDA (Earnings before interest, tax and depreciation and amortization)	MN yen	5,711	5,998	5,989	6,256	5,785	Income before income taxes + (Interest expense + Interest expense on investment corporation bonds) + Depreciation and amortization
NOI (Net operating income)	MN yen	6,467	6,760	6,719	6,847	6,707	Rental revenue - rental expenses + Depreciation and amortization
FFO (Funds from operation)	MN yen	5,012	5,363	5,427	5,394	5,430	Net income + Depreciation and amortization - Net profit from sale of real estate
FFO per unit	yen	3,964	4,107	4,156	4,131	4,159	(Net income + Depreciation and amortization - Net profit from sale of real estate) / Number of outstanding investment units at the end of period
AFFO (Adjusted funds from operation)	MNYen	4,283	4,068	4,370	4,301	4,563	FFO - Capital expenditures
AFFO Distribution payout ratio	%	72.7	83.7	79.2	81.0	80.1	(Total cash distribution amount / AFFO) × 100
NAV (Net asset value)	MN yen	146,729	156,562	163,343	172,221	181,215	Period end total assets - Period end total liabilities + Real estate valuation gain/loss)
NAV per unit	yen	116,041	119,906	125,100	131,899	138,787	NAV / Total number of outstanding investment units at the end of period
DSCR (Debt service coverage ratio)	times	8.2	9.4	10.7	10.7	11.1	Cash flow before interest / (Interest expense + Interest expense on investment corporation bonds) (Note) Cash flow before interest = Net income before interest and taxes + Depreciation and amortization
ROA	%	1.1	1.2	1.2	1.3	1.2	Ordinary income / [(Period beginning total assets + period end total assets) / 2] × 100
(Reference) Annualized with following formula	%	(2.2)	(2.3)	(2.4)	(2.5)	(2.4)	Above x 365 days / Number of operating days
ROE	%	2.3	2.4	2.4	2.6	2.3	Net income / [(Period beginning net assets + period end net assets) / 2] × 100
(Reference) Annualized with following formula	%	(4.5)	(4.8)	(4.9)	(5.1)	(4.7)	Above x 365 days / Number of operating days
Equity to Total Assets	%	48.6	48.5	48.4	51.0	50.5	(Period end net assets / Period end total assets) × 100
LTV (total assets basis)	%	46.5	46.6	46.4	43.4	44.4	(Period end interest-bearing debt / Period end total assets) × 100
LTV (market value basis)	%	45.1	44.6	43.5	39.5	39.2	(Period-end interest-bearing debt / (Period-end total assets + Real estate valuation gain/loss)) × 100
BPS (Book value per unit)	yen	108,987	110,010	110,050	110,234	110,122	Period end net assets / Total number of outstanding investment units at the end of period

\* Figures are rounded down to the nearest whole number. Ratios are rounded to the first decimal place.

# Status of Interest-bearing Debt

## Balance of Interest-bearing Debt (as of the end of 24th period)

Lender	Interest-bearing debts (million yen)	As a percentage of all borrowings
Mizuho Bank, Ltd.	16,685	19.3%
MUFG Bank, Ltd.	13,005	15.0%
Development Bank of Japan Inc.	12,800	14.8%
Sumitomo Mitsui Banking Corporation	8,270	9.6%
Mizuho Trust & Banking Co., Ltd.	7,807	9.0%
The Norinchukin Bank	7,412	8.6%
The Dai-ichi Life Insurance Company, Limited	6,000	6.9%
Resona Bank, Ltd.	3,400	3.9%
Sompo Japan Nipponkoa Insurance Inc.	2,500	2.9%
Aozora Bank, Ltd.	2,500	2.9%
Sumitomo Mitsui Trust Bank, Limited	1,620	1.9%
Tokio Marine & Nichido Fire Insurance Co., Ltd.	1,500	1.7%
The Bank of Fukuoka, Ltd.	1,000	1.2%
Shinkin Central Bank	1,000	1.2%
Nippon Life Insurance Company	1,000	1.2%
<b>Loan Total</b>	<b>86,500</b>	<b>100.0%</b>

\* Shaded areas refer to sponsor companies.

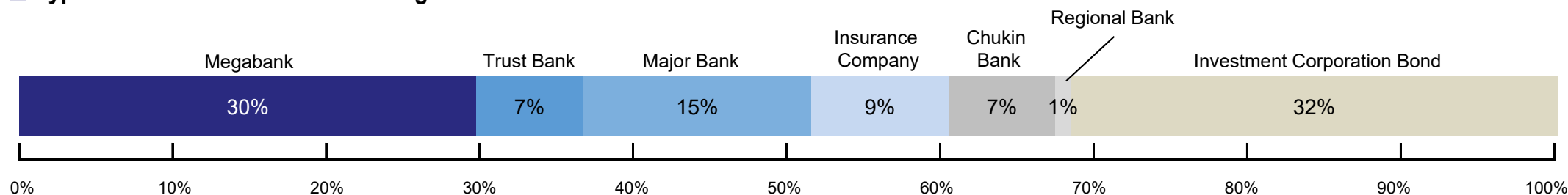
## Status of Investment Corporation Bonds (as of the end of 24th period)

Investment Corporation Bond	Maturity date	Balance (million yen)	Interest rate	Period
4th Series Unsecured Investment Corporation Bond	Nov. 2, 2018	2,000	1.40%	7 years
5th Series Unsecured Investment Corporation Bond	Nov. 2, 2018	5,000	0.46%	5 years
6th Series Unsecured Investment Corporation Bond	Mar. 11, 2019	5,000	0.46%	5 years
7th Series Unsecured Investment Corporation Bond	Mar. 11, 2024	8,000	1.13%	10 years
8th Series Unsecured Investment Corporation Bond	Sept. 9, 2025	5,000	1.03%	10 years
9th Series Unsecured Investment Corporation Bond	Oct. 27, 2026	2,000	0.45%	10 years
10th Series Unsecured Investment Corporation Bond	Dec. 20, 2023	2,000	0.39%	7 years
11th Series Unsecured Investment Corporation Bond	Apr. 23, 2027	7,000	0.65%	10 years
12th Series Unsecured Investment Corporation Bond	Apr. 20, 2023	2,000	0.24%	5 years
13th Series Unsecured Investment Corporation Bond	Apr. 20, 2033	2,000	0.95%	15 years
<b>Investment Corporation Bond Total</b>		<b>40,000</b>		

## Status of Commitment Line (as of the end of 24th period)

Lender	Established amount (million yen)	Term
Mizuho Bank, Ltd.	6,000	From January 30, 2018 to January 29, 2019
MUFG Bank, Ltd.	5,000	
Sumitomo Mitsui Banking Corporation	3,000	
<b>Total Commitment Line</b>	<b>14,000</b>	

## Types of Lenders for Interest-bearing Debt



Owner Classification	Investment Units				Composition change
	23rd Period (Dec. 2017)		24th Period (Jun. 2018)		
	Number of units	Composition (%)	Number of units	Composition (%)	
Financial Institutions and Securities Companies	935,604	71.7%	908,531	69.6%	-2.1pt
Other Domestic Companies	112,627	8.6%	110,385	8.5%	-0.1pt
Foreign Companies, etc.	183,388	14.0%	218,624	16.7%	2.7pt
Individuals	74,081	5.7%	68,160	5.2%	-0.5pt
<b>Total</b>	<b>1,305,700</b>	<b>100.0%</b>	<b>1,305,700</b>	<b>100.0%</b>	<b>–</b>

Unitholders				
23rd Period (Dec. 2017)		24th Period (Jun. 2018)		Composition change
Number of unitholders	Composition (%)	Number of unitholders	Composition (%)	
157	2.0%	159	2.2%	0.2pt
163	2.1%	149	2.1%	0pt
178	2.3%	185	2.6%	0.3pt
7,182	93.5%	6,696	93.1%	-0.4pt
<b>7,680</b>	<b>100.0%</b>	<b>7,189</b>	<b>100.0%</b>	<b>–</b>

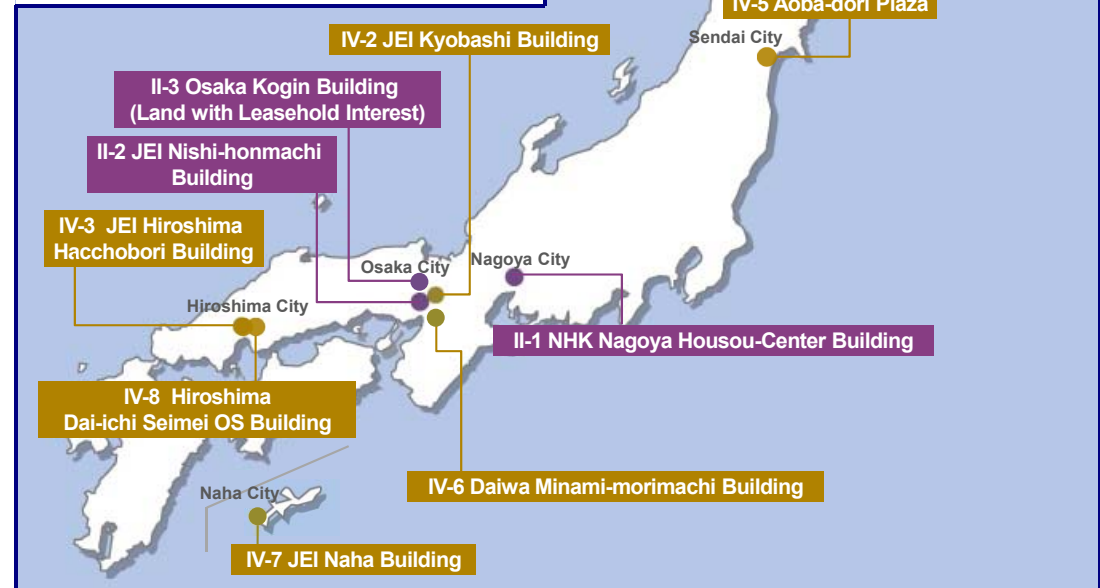
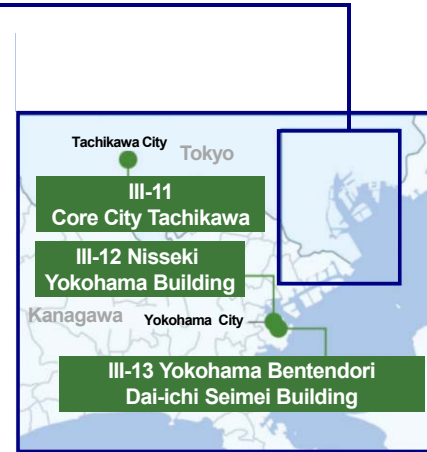
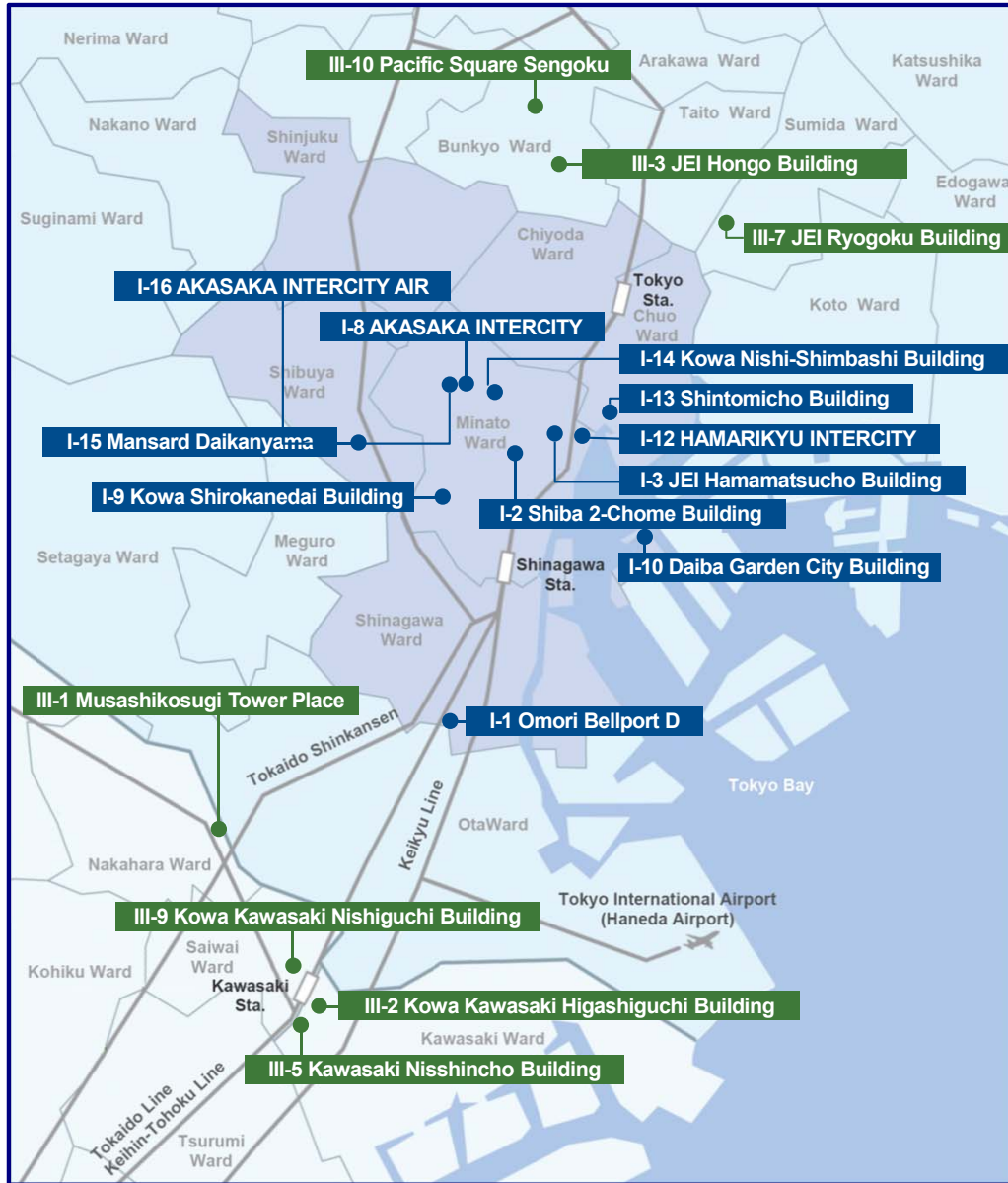
**Ratio of investment units held by the 2 core sponsor companies: 7.1%**

Rank	Name	Units	Composition ratio (%)
1	Japan Trustee Services Bank, Ltd. (Trust Account)	329,034	25.2%
2	The Master Trust Bank of Japan, Ltd. (Trust Account)	179,937	13.8%
3	Nippon Steel Kowa Real Estate Co., Ltd.	71,560	5.5%
4	Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	65,381	5.0%
5	The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	52,914	4.1%
6	The Dai-ichi Life Insurance Company, Limited	20,660	1.6%
7	DFA International Real Estate Securities Portfolio	17,393	1.3%
8	State Street Bank - West Client – Treaty 505234	17,329	1.3%
9	State Street Bank and Trust Company	15,824	1.2%
10	State Street Bank - West Pension Fund Clients - Exempt 505233	14,317	1.1%
<b>Total</b>		<b>784,349</b>	<b>60.1%</b>

\*1 Shaded area in the above top 10 unitholders' list indicates sponsors.

\*2 Ratios are rounded to the first decimal place.

# Portfolio Map





# Portfolio Overview (1)

Property Number	I-1	I-2	I-3	I-8	I-9	I-10	I-12	I-13	I-14	I-15	I-16
Type	Office	Office	Office	Office	Office	Office	Other	Office	Office	Office	Office
Name	Omori Bellport D	Shiba 2-Chome Building	JEI Hamamatsucho Building	AKASAKA INTERCITY	Kowa Shirokanedai Building	Daiba Garden City Building	HAMARIKYU INTERCITY	Shintomicho Building	Kowa Nishi-Shimbashi Building	Mansard Daikanyama	AKASAKA INTERCITY AIR
											
Location	Minami-Oi, Shinagawa Ward, Tokyo	Shiba, Minato Ward, Tokyo	Hamamatsucho, Minato Ward, Tokyo	Akasaka, Minato Ward, Tokyo	Shirokanedai, Minato Ward, Tokyo	Daiba, Minato Ward, Tokyo	Kaigan, Minato Ward, Tokyo	Irifune, Chuo Ward, Tokyo	Nishishinbashi, Minato Ward, Tokyo	Sarugakucho, Shibuya Ward, Tokyo	Akasaka, Minato Ward, Tokyo
Total floor area (m <sup>2</sup> )	155,778.75	19,518.15	8,327.53	73,061.33	7,374.74	33,283.49	35,555.87	3,169.78	19,418.17	8,402.51	176,536.75
Completion date	September 1996	March 1994	December 1991	January 2005	March 1978	December 2007	March 2011	November 1990	July 1996	December 2009	August 2017
Acquisition date	June 2006	June 2006	June 2006	1. Oct. 2007 2. Feb. 2013	December 2010	February 2011	1. Dec. 2011 2. Feb. 2014	March 2012	1. Mar. 2013 2. Aug. 2017	July 2016	July 2018
Acquisition price (MN yen)	22,552	9,450	8,350	28,146	4,705	11,000	19,080	1,750	11,431	11,420	6,590
Investment ratio (%)	8.2	3.5	3.1	10.3	1.7	4.0	7.0	0.6	4.2	4.2	2.4
Period-end Occupancy rate (%)	100.0	98.4	100.0	100.0	95.5	100.0	100.0	100.0	100.0	100.0	98.5
PML (%)	3.61	6.61	4.18	2.97	6.95	6.56	2.60	4.13	3.30	5.74	0.66

\*1 "Completion Date" is as of the time of initial construction described in the register.

\*2 "Acquisition Price" is the price recorded in sales agreements (excluding consumption tax). Figures are rounded down to the nearest million yen.

However, for Osaka Kogin Building (land with leasehold interest), the acquisition price is calculated as the land purchase price specified in the relevant trust beneficiary interest transfer agreement subject to conditions precedent minus the amount equivalent to the key money pertaining to the leasehold interest in land, which will be received from the lessee of the land.

\*3 "Investment Ratio" shows a ratio of the acquisition price for each property to total acquisition price, and is rounded to the first decimal place.

\*4 Information on properties owned after the acquisition of AKASAKA INTERCITY AIR (as of July 2, 2018) is indicated. Period-end occupancy rate of AKASAKA INTERCITY AIR indicates that as of the end of May 2018.

# Portfolio Overview (2)

Property Number	II-1	II-2	II-3	III-1	III-2	III-3	III-5	III-7	III-9	III-10
Type	Office	Office	Office	Office	Office	Office	Office	Office	Office	Office
Name	NHK Nagoya Housou-Center Building	JEI Nishi-Honmachi Building	Osaka Kogin Building (land with leasehold interest)	Musashikosugi Tower Place	Kowa Kawasaki Higashiguchi Building	JEI Hongo Building	Kawasaki Nisshincho Building	JEI Ryogoku Building	Kowa Kawasaki Nishiguchi Building	Pacific Square Sengoku
										
Location	Higashi Ward, Nagoya City, Aichi	Nishi Ward, Osaka City, Osaka	Chuo Ward, Osaka City, Osaka	Nakahara Ward, Kawasaki City, Kanagawa	Kawasaki Ward, Kawasaki City, Kanagawa	Hongo, Bunkyo Ward, Tokyo	Kawasaki Ward, Kawasaki City, Kanagawa	Ryogoku, Sumida Ward, Tokyo	Saiwai Ward, Kawasaki City, Kanagawa	Honkomagome, Bunkyo Ward, Tokyo
Total floor area (m <sup>2</sup> )	80,809.95	15,800.31	3,158.45 (site area for land)	53,711.13	31,009.62	5,877.11	22,141.60	5,820.56	61,856.92	4,017.44
Completion date	July 1991	February 1988	-	July 1995	April 1988	February 1991	April 1992	August 1996	February 1988	November 1992
Acquisition date	1. Jun. 2006 2. Mar. 2014	March 2007	February 2013	June 2006	June 2006	June 2006	1. Jun. 2006 2. Nov. 2006 3. Oct. 2008 4. Apr. 2013	June 2006	October 2007	December 2011
Acquisition price (MN yen)	5,610	6,673	1,770	13,890	10,976	5,400	4,725	2,550	32,000	1,620
Investment ratio (%)	2.1	2.4	0.6	5.1	4.0	2.0	1.7	0.9	11.7	0.6
Period-end Occupancy rate (%)	98.9	96.9	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
PML (%)	1.44	11.27	-	3.19	3.25	6.16	5.86	5.57	3.74	4.65

\*1 "Completion Date" is as of the time of initial construction described in the register.

\*2 "Acquisition Price" is the price recorded in sales agreements (excluding consumption tax). Figures are rounded down to the nearest million yen.

However, for Osaka Kogin Building (land with leasehold interest), the acquisition price is calculated as the land purchase price specified in the relevant trust beneficiary interest transfer agreement subject to conditions precedent minus the amount equivalent to the key money pertaining to the leasehold interest in land, which will be received from the lessee of the land.

\*3 "Investment Ratio" shows a ratio of the acquisition price for each property to total acquisition price, and is rounded to the first decimal place.

\*4 Information on properties owned after the acquisition of AKASAKA INTERCITY AIR (as of July 2, 2018) is indicated. Period-end occupancy rate of AKASAKA INTERCITY AIR indicates that as of the end of May 2018.

# Portfolio Overview (3)

Property Number	III-11	III-12	III-13	IV-2	IV-3	IV-4	IV-5	IV-6	IV-7	IV-8
Type	Office	Office	Office	Office	Office	Office	Office	Office	Office	Office
Name	Core City Tachikawa	Nisseki Yokohama Building	Yokohama Bentendori Dai-ichi Seimei Building	JEI Kyobashi Building	JEI Hiroshima Hacchoori Building	SE Sapporo Building	Aoba-dori Plaza	Daiwa Minami-morimachi Building	JEI Naha Building	Hiroshima Dai-ichi Seimei OS Building
										
Location	Akebonocho, Tachikawa City, Tokyo	Naka Ward, Yokohama City, Kanagawa	Naka Ward, Yokohama City, Kanagawa	Miyakojima Ward, Osaka City, Osaka	Naka Ward, Hiroshima City, Hiroshima	Kita Ward, Sapporo City, Hokkaido	Aoba Ward, Sendai City, Miyagi	Kita Ward, Osaka City, Osaka	Kumoji, Naha City, Okinawa	Minami Ward, Hiroshima City, Hiroshima
Total floor area (m <sup>2</sup> )	19,099.27	72,116.15	2,934.55	10,021.32	9,919.93	23,644.22	22,737.38	12,759.65	4,371.94	10,696.54
Completion date	December 1994	May 1997	December 1986	April 1987	February 1999	March 1989	July 1996	January 1990	June 1990	March 1989
Acquisition date	February 2013	April 2015	June 2018	September 2011	May 2012	March 2013	February 2014	February 2014	December 2015	June 2018
Acquisition price (MN yen)	6,500	24,500	640	3,308	2,760	5,500	2,120	4,410	1,380	2,780
Investment ratio (%)	2.4	9.0	0.2	1.2	1.0	2.0	0.8	1.6	0.5	1.0
Period-end Occupancy rate (%)	100.0	98.8	100.0	100.0	100.0	100.0	99.4	100.0	100.0	100.0
PML (%)	1.92	3.19	5.92	7.28	6.66	0.41	1.24	7.83	3.47	9.89

\*1 "Completion Date" is as of the time of initial construction described in the register.

\*2 "Acquisition Price" is the price recorded in sales agreements (excluding consumption tax). Figures are rounded down to the nearest million yen.

However, for Osaka Kogin Building (land with leasehold interest), the acquisition price is calculated as the land purchase price specified in the relevant trust beneficiary interest transfer agreement subject to conditions precedent minus the amount equivalent to the key money pertaining to the leasehold interest in land, which will be received from the lessee of the land.

\*3 "Investment Ratio" shows a ratio of the acquisition price for each property to total acquisition price, and is rounded to the first decimal place.

\*4 Information on properties owned after the acquisition of AKASAKA INTERCITY AIR (as of July 2, 2018) is indicated. Period-end occupancy rate of AKASAKA INTERCITY AIR indicates that as of the end of May 2018.