



Japan Excellent, Inc.

Eighteenth Period (ended June 2015)

Presentation Materials

August 18, 2015

(TSE:8987)



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I. Financial Highlights and Performance Forecasts



1. Financial Highlights of the 18th Period (Ended June 2015) Japan Excellent, Inc.

	17th Period (Dec. 2014)	18th Period (Jun. 2015)	Difference	(%)
Revenue	9,695 million yen	10,121 million yen	426 million yen	4.4%
Net Income	3,040 million yen	3,097 million yen	57 million yen	1.9%
Distributions per Unit	2,507 yen	2,554 yen	47 yen	1.9%
Total Outstanding Investment Units	1,212,750 units	1,212,750 units	-	-
Asset Size	265.4 billion yen	289.9 billion yen	24.5 billion yen	9.2%
Number of Properties	30 properties	31 properties	1 property	-
Average Occupancy Rate during the period	98.8%	98.5%	-0.3pt	-
Rental revenue	8,754 million yen	9,215 million yen	461 million yen	5.3%
NOI	6,172 million yen	6,374 million yen	202 million yen	3.3%
LTV (Total Assets)	48.2%	51.6% (After Public offering) 49.3%	3.4pt	-
Average interest rate	1.13%	0.95% (After Public offering) 0.98%	-0.18 pt	-
Average Remaining Period of Interest-Bearing Debt	3.60 years	2.87 years (After Public offering) 2.88 years	-0.73 years	-
Ratio of fixed interest rate	100%	81.0% (After Public offering) 85.1%	-19.0pt	-
NAV per unit	104,469 yen	108,508 yen	4,039 yen	3.9%
Unrealized profit/loss	-4,332 million yen	507 million yen	4,840 million yen	-

*Figures for "after public offering" in columns between LTV (Total Assets) to Ratio of fixed interest rate indicate figures as of the date of this document reflecting capital increase through public offering (including third-part allotment) and repayment of borrowings conducted after the end of the 18th fiscal period (June 30, 2015). The same shall apply hereinafter.

- ◆ Increase of revenue and income due to acquisition of Nisseki Yokohama Building at 24.5 billion yen
- ◆ Distributions per unit increased for the fourth consecutive period

External Growth

- ◆ Acquired a highly competitive large-scale property, Nisseki Yokohama Building
- ◆ Continued quality growth by realizing expansion of asset size and quality enhancement of the portfolio

Internal Growth

- ◆ Maintained high average occupancy rate during the period (98.8%)
- ◆ Rent is on a clear upward revision trend

Financial Strategy / Others

- ◆ Conducted 24.5 billion yen of bridge finance from Mizuho Bank, Ltd., the sponsor, agilely and strategically
- ◆ Conducted equity financing for approximately 6.5 billion yen through three consecutive years of public offering
- ◆ Unrealized profit/loss of the portfolio turned positive with improvement of around 5 billion yen

2. Financial Results of the 18th Period (Ended June 2015)

(unit: million yen)

	17th Period (Dec. 2014)	18th Period (Jun. 2015)	Difference	Initial forecast	Difference	Major factors for difference in comparison with the previous period
Revenue	9,695	10,121	425	9,575	546	(Revenue factors)
Rental revenue	8,754	9,215	(1) 461	8,729	(5) 486	(1) Nisseki Yokohama Building 492
Revenue for utilities expenses	866	815	-51	787	28	(1) Existing properties -30
Other revenue	74	89	15	57	31	(Expense factors)
Operating expenses	5,731	6,102	370	5,722	380	(2) Nisseki Yokohama Building 78
Expenses for rental operations	5,180	5,533	352	5,168	364	(2) Existing properties (Increase of leasing management fees, etc.) 81
Property management expenses	1,246	1,406	(2) 159	1,326	(6) 79	(3) Expensing of fixed property and city planning tax for properties acquired in the 16th period, etc. 38
Utilities expenses	1,118	1,153	34	1,047	105	(4) Nisseki Yokohama Building (for 3 months) 140
Taxes	753	791	(3) 38	799	-7	
Repairs and maintenance	176	171	-5	124	(7) 46	
Other expenses for rental operations	228	224	-4	228	-4	
(NOI)	6,172	6,374	201	6,048	326	
Depreciation	1,657	1,786	(4) 128	1,642	143	
Sales and administrative expenses	551	569	18	553	16	
Operating income	3,963	4,018	54	3,852	166	Major factors for difference in comparison with the initial forecast
Other expenses	926	922	-4	881	(8) 40	(Revenue factors)
Ordinary income	3,041	3,098	57	2,973	125	(5) Nisseki Yokohama Building 492
Net income	3,040	3,097	57	2,972	125	(5) Existing properties -6
						(Expense factors)
Total distributions	3,040	3,097	56	2,971	126	(6) Nisseki Yokohama Building 78
Total Outstanding Investment Units	1,212,750 units	1,212,750 units	-	-	-	(7) Additional repair and maintenance 34
Distributions per unit	2,507 yen	2,554 yen	47 yen	2,450 yen	104 yen	(8) Public offering related cost 30
						(8) Interest on borrowings in line with the acquisition of Nisseki Yokohama Building 19

3. Performance Forecasts

(unit: million yen)

	18th Period (Jun. 2015)	19th Period (Dec. 2015)		20th Period (Jun. 2016)	
	Result	Forecast	Vs. Previous	Forecast	Vs. Previous
Revenue	10,121	10,782	661	10,682	-99
Rental revenue	9,215	9,761	(1) 545	9,775	14
Revenue for utilities expenses	815	946	131	834	-112
Other revenue	89	74	-15	72	-1
Operating expenses	6,102	6,674	571	6,640	-33
Expenses for rental operations	5,533	6,058	525	6,057	-1
Property management expenses	1,406	1,437	(2) 31	1,476	38
Utilities expenses	1,153	1,322	169	1,229	-92
Taxes	791	821	(3) 29	892	(7) 70
Repairs and maintenance	171	332	(4) 161	332	0
Other expenses for rental operations	224	241	17	225	-16
(NOI)	6,374	6,626	252	6,526	-99
Depreciation	1,786	1,902	(5) 116	1,901	-1
Sales and administrative expenses	569	615	(6) 45	583	-31
Operating income	4,018	4,108	89	4,041	-66
Other expenses	922	948	26	932	-16
Ordinary income	3,098	3,161	62	3,111	-50
Net income	3,097	3,160	63	3,110	-50
Total distributions	3,097	3,161	63	3,110	-50
Total Outstanding Investment Units	1,212,750 units	1,264,450 units	51,700 units	1,264,450 units	-
Distributions per unit	2,554 yen	2,500 yen	-54 yen	2,460 yen	-40 yen

Factors in increase/decrease in the 19th period in comparison with the previous period		
(Revenue factors)		
(1)	Full-period contribution of Nisseki Yokohama Building	515
	Existing properties	29
(Expense factors)		
(2)	Nisseki Yokohama Building	90
	Existing properties (decrease of Leasing Management fees, etc.)	-59
(3)	Expensing of fixed property and city planning tax for properties acquired in the 16th period	29
(4)	Repair work including advance implementation	128
(5)	Nisseki Yokohama Building	139
(6)	Costs for reacquiring engineering reports, etc.	45

Factors in increase/decrease in the 20th period in comparison with the previous period		
(Expense factors)		
(7)	Expensing of fixed property and city planning tax for Nisseki Yokohama Building	61

II. Management Status and Policy



1. Public Offering Highlights

Overview of Public Offering

Outstanding Investment Units	51,700 units (including 4,700 units for over-allotment)
Offer price/ Issue price	129,675 yen / 125,419 yen
Total issue price	6,484 million yen (including 589 million yen for over-allotment)
Issuance approval date	June 24, 2015
Pricing date	July 6, 2015
Payment date	July 13, 2015 (primarily offering) August 12, 2015 (third-party allotment)

Offer Price

Offer price is more than **1.2 times of NAV per unit**

NAV per unit (End of 17th FP)	Offer price	Magnification
104,469 yen	129,675 yen	1.24 times

Offering Highlights

		End of 17th Period (Dec. 2014)		Nisseki Yokohama Building		After Public Offering	Change from the end of 17th period
Expansion of Asset Size	Total Acquisition Price (No. of properties)	265.4 billion yen (30 properties)	+	24.5 billion yen (1 property)	⇒	289.9 billion yen (31 properties)	+24.5 billion yen (+1 property)
Quality Improvement of Portfolio	NOI yield	4.6%	+	5.1% (Appraisal NOI yield)	⇒	4.7%*1	+0.04pt
	Ratio of top 10 tenants	30.8%			⇒	27.6%	-3.2pt
	Ratio of top 5 properties	47.1%			⇒	45.0%	-2.1pt
Increase of unitholder value	Ratio of large-scale properties	74.8%			⇒	76.9%	+2.1pt
	NAV per unit	104,469 yen		104,552 yen (after acquisition of Nisseki Yokohama Building)		105,405 yen*2	+936 yen +0.9%

*1 The figure for "NOI yield" in the "After public offering" column is calculated by adding NOI stated in Nisseki Yokohama Building's appraisal report at the time of the acquisition to the actual figure at the end of the 17th period. (Not an actual figure for the current period.)

*2 "NAV per unit" in the "After public offering" column is calculated using NAV obtained by adding the difference between the acquisition price and appraisal value of Nisseki Yokohama Building and the amount of unitholders' capital increased due to the public offering (including over-allotment) this time, to NAV at the end of the 17th period.

Property Acquisition (Nisseki Yokohama Building)

- ◆ Acquisition with NOI yield surpassing that of the portfolio average
- ◆ Securement of stability of revenue with long-term master lease agreement
- ◆ Acquisition without missing an opportunity with bridge finance from Mizuho Bank, Ltd., the sponsor

Acquisition date: April 1, 2015

Acquisition Price: 24.5 billion yen



Distribution per unit

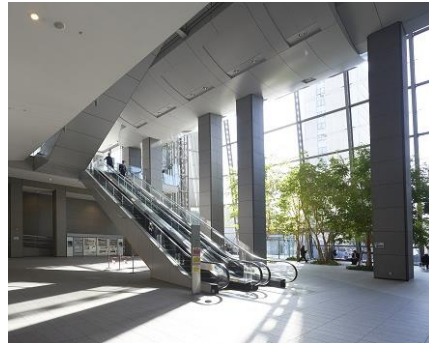
Forecast distributions for the 19th period ending December 2015 **increased ¥50** from the initial forecast of ¥2,450

19th Period (initial forecast)	19th Period (current forecast)	20th Period (new forecast)
2,450 yen	2,500 yen	2,460 yen

2. External Growth

(1) Newly Acquired Property

- ◆ Acquired a prime large property in the Tokyo metropolitan area on a negotiation basis using information provided by Mizuho Financial Group



◆ Superior competitiveness in terms of location, size and specifications

- Located in an area in Minato Mirai 21 with particularly high concentration of offices and abundant convenient facilities such as commercial buildings
- Situated a four-minute walk from Sakuragicho Station on the JR Keihin Tohoku Line, Negishi Line and Yokohama Line and Sakuragicho Station on the Yokohama Municipal Subway Line. Direct access to the entrance of the building is available from the pedestrian deck in front of the station. 6-minute walk from Minato Mirai Station on the Minato Mirai Line and has High traffic convenience
- High visibility large Tower Office with a total floor area of approximately 22,000 tsubos and standard floor area of approximately 470 tsubos.
- Highly BCP compatible with specifications such as a hybrid vibration control system, an emergency power generator, three-line spot network power reception and a heliport accommodating a helicopter weighing up to 5 tons

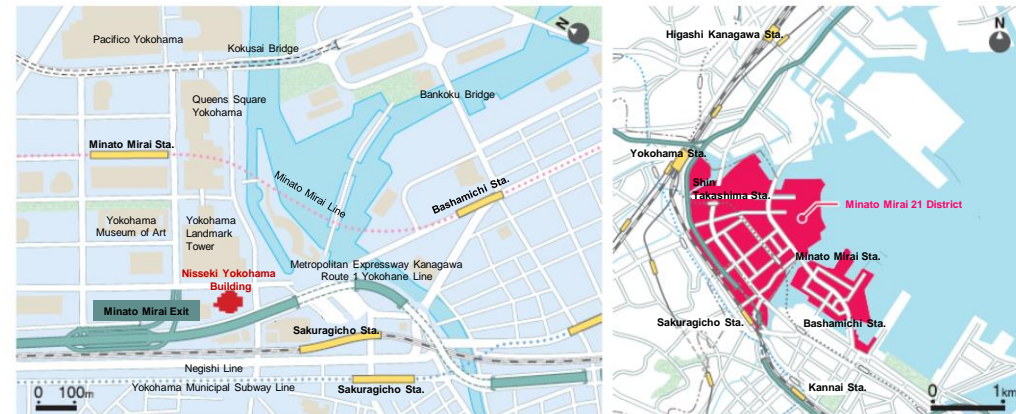
◆ Key business base for JX Group

- Serves as a key base of operations for the JX Group, one of Japan's top energy-related firms, and JX Group companies occupy a significant amount of space at the property as tenants.
- JX Nippon Real Estate Corporation, a JX Group company, serves as property manager and is responsible for management and operation, and through a long-term master lease agreement with the company, stable earnings are secured.

Nisseki Yokohama Building

Acquisition date	April 1, 2015		
Seller	(Not disclosed as consent from the seller has not been obtained.)		
Acquisition price	24,500 million yen		
JEI's estimated NOI yield	4.9%	Appraisal NOI yield	5.1%
Occupancy rate at the end of June 2015	95.9%	Total floor area	72,116.65 m ²
Location	1-1-8 Sakuragi-cho, Naka-ku, Yokohama-shi, Kanagawa		

* "JEI's estimated NOI yield" is the annual average of JEI's estimated figures for the first 5 years after acquisition, excluding special factors that may arise during the fiscal year of acquisition. (Not an actual figure for the current period.)



2. External Growth

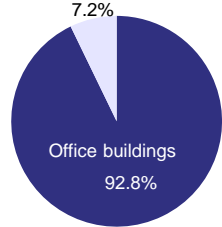
(2) Quality Portfolio

- ◆ Promoting focused investment in Tokyo metropolitan area as well as diversification of properties
- ◆ Established a quality portfolio with high growth potential and stability

Ratio of usage

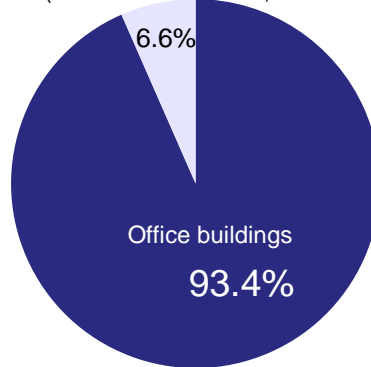
<as of the end of 17th Period (Dec. 2014)>

Other (HAMARIKYU INTERCITY)



Ratio of investment in office buildings
92.8%

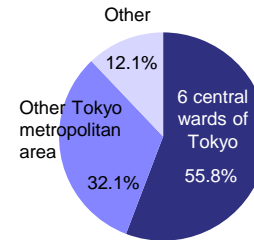
<after acquisition of Nisseki Yokohama Building>
Other (HAMARIKYU INTERCITY)



Ratio of investment in office buildings
93.4%

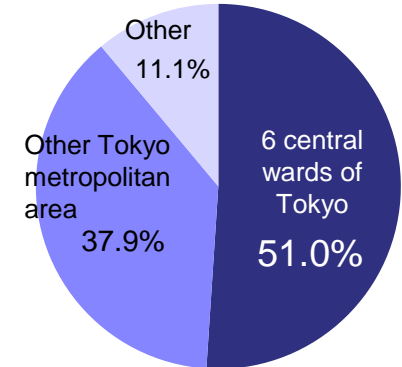
Ratio of area

<as of the end of 17th Period (Dec. 2014)>



Ratio of investment in the Tokyo*1 metropolitan area
87.9%

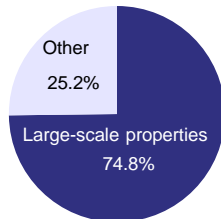
<after acquisition of Nisseki Yokohama Building>



Ratio of investment in the Tokyo*1 metropolitan area
88.9%

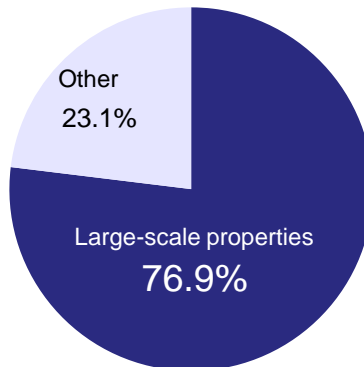
Ratio of large-scale properties

<as of the end of 17th Period (Dec. 2014)>



Ratio of large-scale*2 properties
74.8%

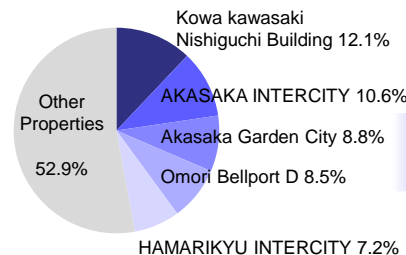
<after acquisition of Nisseki Yokohama Building>



Ratio of large-scale*2 properties
76.9%

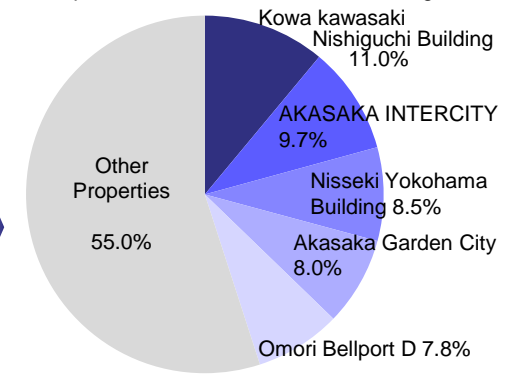
Ratio of top 5 properties

<as of the end of 17th Period (Dec. 2014)>



Ratio of top 5 properties
47.1%

<after acquisition of Nisseki Yokohama Building>



Ratio of top 5 properties
45.0%

*1 "Tokyo metropolitan area" indicates Tokyo and its surrounding areas (Kanagawa, Saitama and Chiba prefectures).

*2 "Large-scale properties" refers to properties with total floor area of 10,000 tsubos or more for the 23 wards of Tokyo, and of 4,000 tsubos or more for areas other than the 23 wards of Tokyo.

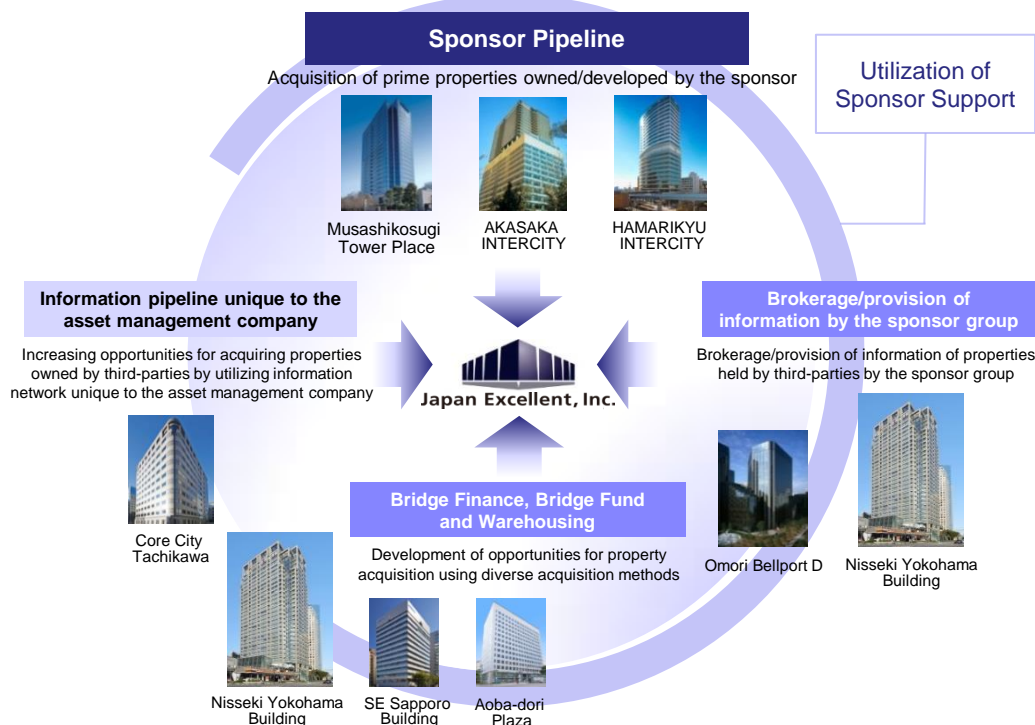
*3 The ratios in the pie charts above are ratios based on acquisition prices.

2. External Growth

(3) Diverse property acquisition channels and Sponsor Support

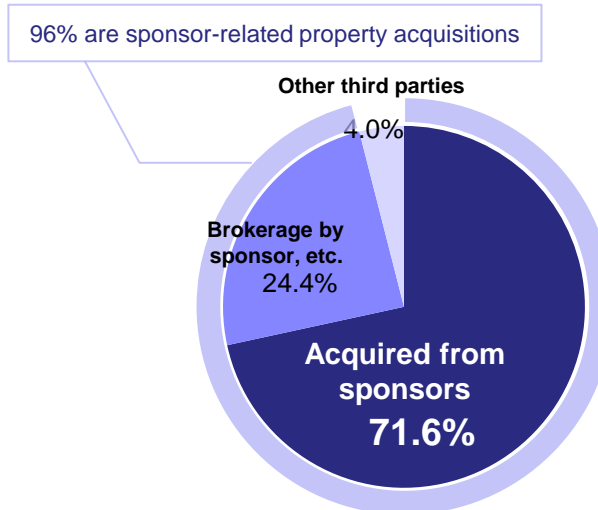
- ◆ With the **sponsor pipeline** as a main axis, possessed diverse acquisition channels utilizing networks unique to the asset management company, etc.
- ◆ Pursued **quality growth** by conducting strategic **property replacements** with the sponsor

Diverse acquisition channels and methods



Breakdown of sellers

(Based on acquisition prices, as of the end of the 18th period)

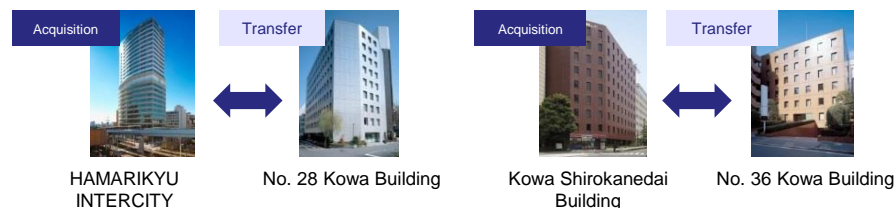


Strengthening of growth capability and profitability through property replacements



- ◆ Replace properties with limited growth potential with newly-constructed properties with high growth potential

- ◆ Replace buildings with a single tenant who is to relocate with multi-tenant buildings



[Reference]

Major Developments and Owned Properties of Core Sponsors*



* There are no plans to acquire the above properties as of the date of this document.

2. External Growth

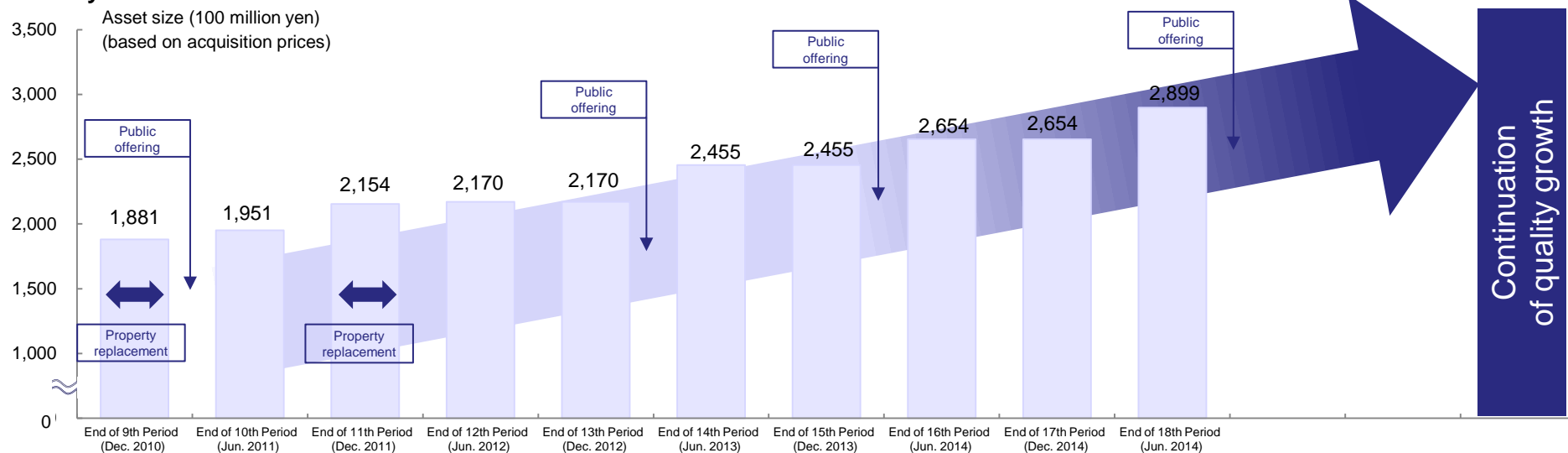
(4) History of External Growth and Future Strategies

Basic Policy for External Growth

- ◆ Acquire properties taking full advantage of having a sponsor capable of property development
- ◆ Plan to diversify risks by considering building size, area, tenants and age
- ◆ Work not only to increase quantity but also to enhance quality through property replacement, etc.

Aim for “quality growth” taking into consideration the growth potential and profitability of the portfolio

History of External Growth



Continuation of quality growth

◆ Acquisition of Nisseki Yokohama Building

Progress in expansion of portfolio size, enhancement of quality and diversification of risks



Build a quality portfolio by enhancing growth potential and profitability and improving building ages

◆ Consider property transfers*

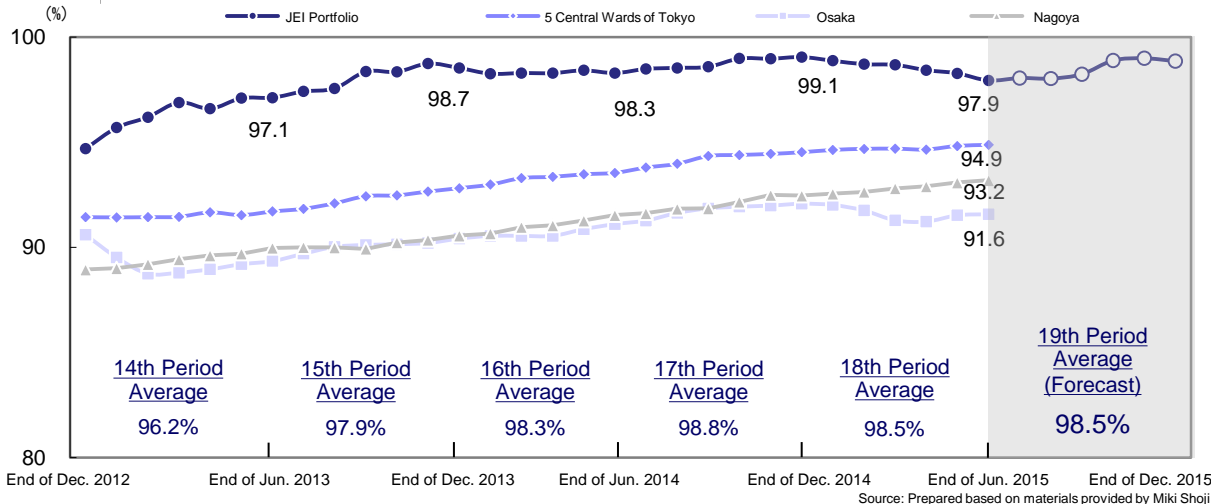
◆ Aim for acquisition of new prime properties and additional acquisition of co-ownership interest*

* Transfer of properties owned and acquisition of properties are yet to be determined, and thus the timing, prices, etc. have not been decided.

3. Internal Growth

(1) Occupancy Rates

Occupancy Rates*1 — Market and JEI Historical and Forecast

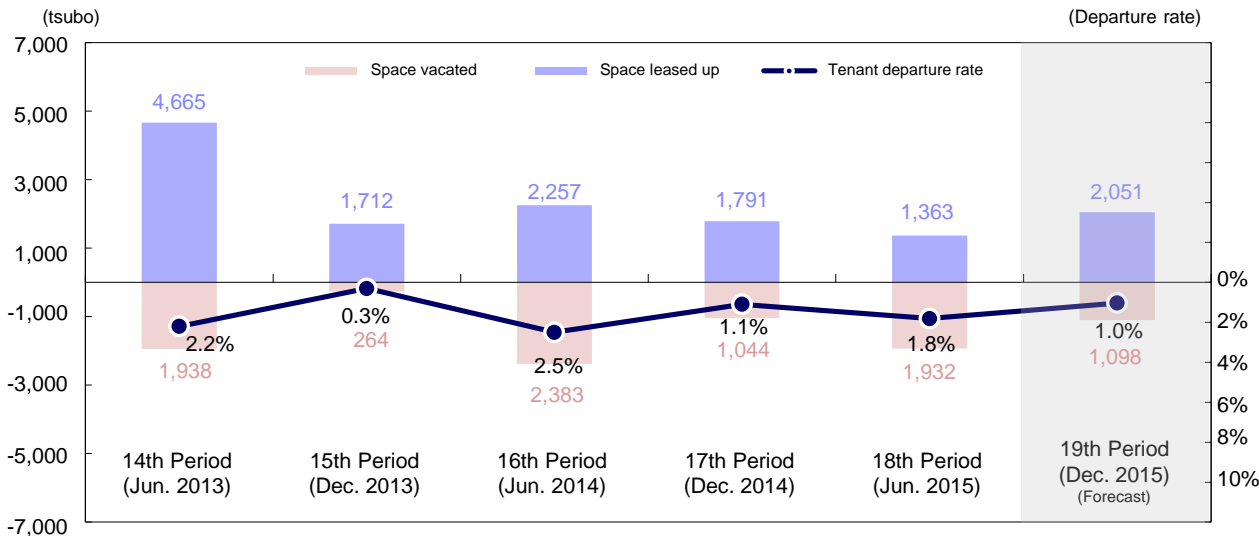


*1 When JEI concludes a free-rent agreement with a tenant, the rent which is to be paid during the contract period is standardized and posted with a penalty clause, etc. Thus occupancy rate based on cash flow is not prepared.

- ◆ Occupancy rate at the end of the 18th period remained at a high level exceeding 98%
- The high occupancy rate is expected to continue during the 19th period on average around 98%
- ◆ Properties with large changes in occupancy rates

	End of 17th Period	End of 18th Period
AKASAKA INTERCITY	97.3%	100.0%
Aoba-dori Plaza	88.1%	90.0%
Daiwa Minami-morimachi Building	95.7%	100.0%
Kowa Shirokanedai Building	100.0%	94.7%
NHK Nagoya Housou-Center Building	98.9%	90.4%
Kowa Kawasaki Nishiguchi Building	99.8%	95.6%
Pacific Square Sengoku	94.7%	86.9%

Tenant Departure Rates*2 and Spaces Leased Up and Vacated (Excluding Residences and Same-Building Relocations)



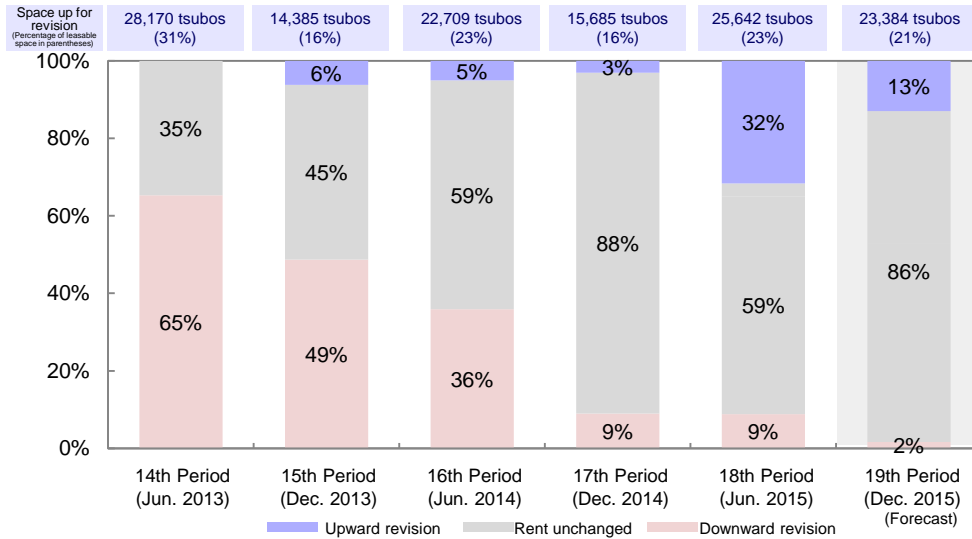
- ◆ The tenant departure rate in the 18th period was 1.8% and is expected to remain at 1.0%, also a low level in the 1% range in the 19th period
- ◆ With lease-ups exceeding departures in the 19th period, occupancy rate is expected to remain stable at a high level

*2 Tenant departure rate is calculated for the entire JEI portfolio as space vacated by tenants over the period as a percentage of total leased space as of the end of the previous period. In the case of additional acquisition during the period, tenant departure rate is calculated as space vacated by tenants over the period as a percentage of the sum of total leased space as of the end of the previous period and leased space of the 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.

3. Internal Growth

(2) Status of Rent Revisions

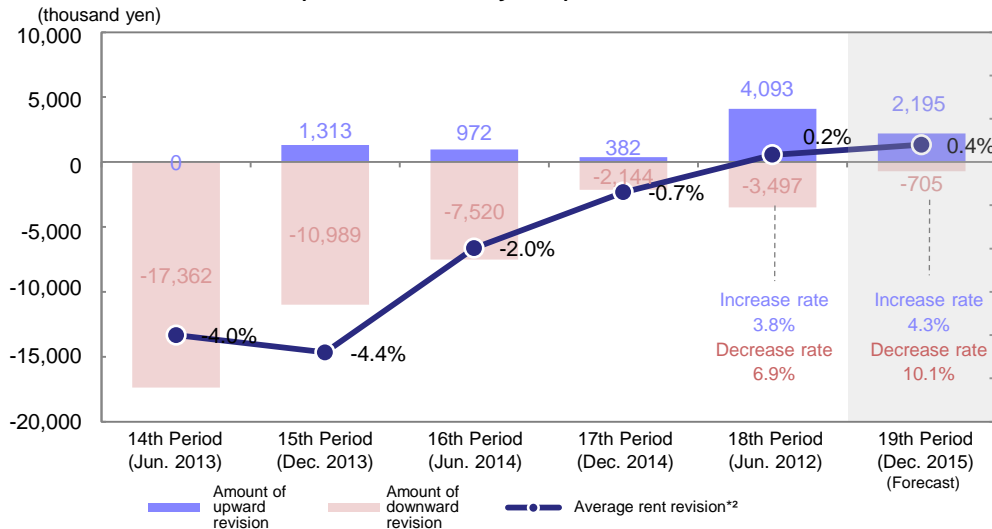
Historical Rent Revisions (based on leased floor space)



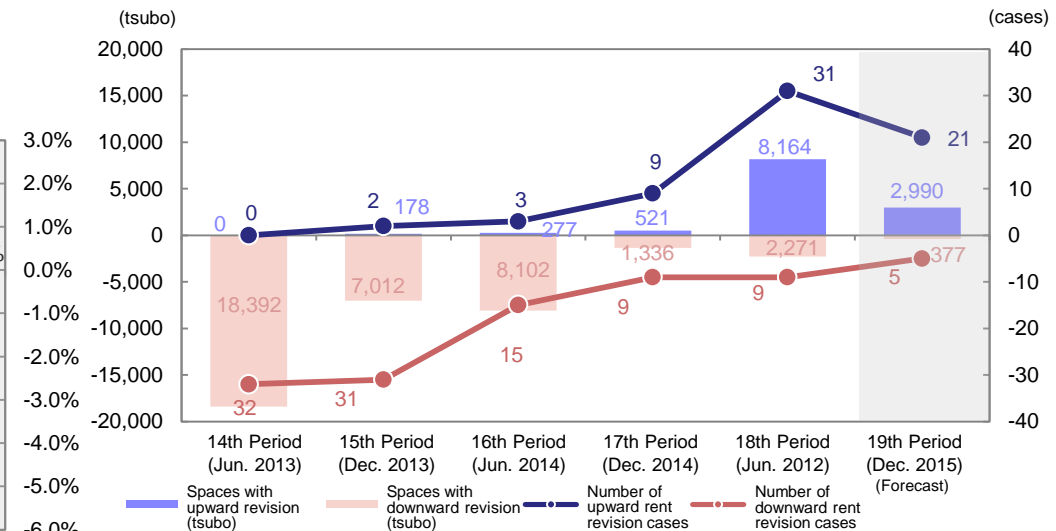
*1 The figures on this page do not include data of fixed rent master lease agreements.

- ◆ Rent revisions are on the upward trend from the 18th period
- ◆ Space with upward revision significantly exceeded space with downward revision in the 18th period
- ◆ The average rent revision rate rose to +0.2% in the 18th period. Further 0.4% increase is expected in the 19th period

Increased/Decreased Amount by Rent Revisions and Historical Revision Rates (based on monthly rent)




Number of Rent Revision Cases and Among Spaces Up for Revision*



*2 Percentage change including rent kept at previous levels.

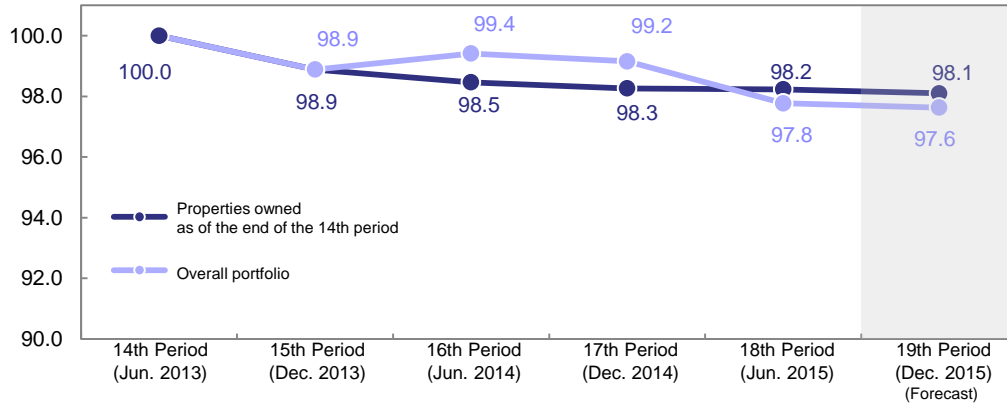
*3 This includes only upward revisions through negotiation with tenants and does not include scheduled upward revision. For the 15th and 16th periods, it differs from the area serving as a base for calculating the ratio of upward revisions in the "Historical Rent Revisions (based on leased floor space)".

3. Internal Growth

(3) Historical Rent Levels, Factors Affecting Rental Revenue and Status of Rent Gap  Japan Excellent, Inc.

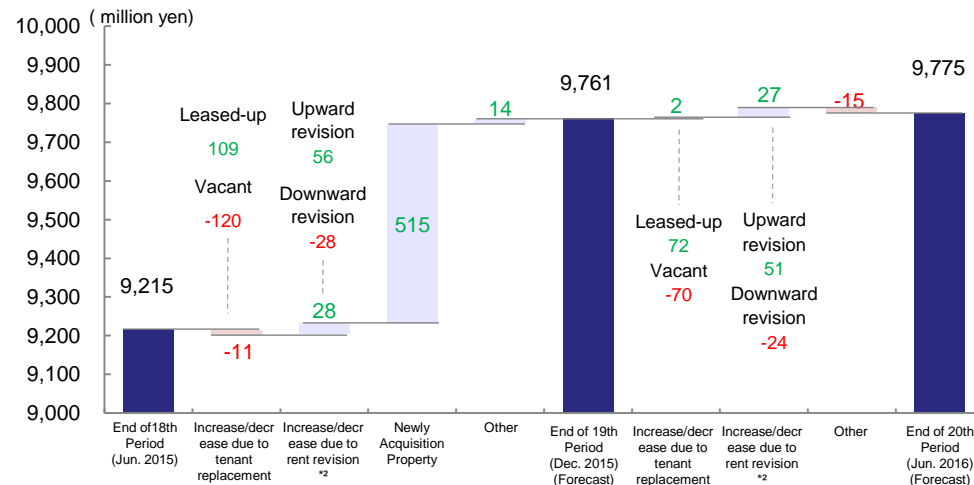
- ◆ Rent level remained almost unchanged
- ◆ Among factors for increase/decrease in rental revenues, net rent renewal is projected to be positive in the 19th period and lease-up/department and rent renewal are projected to be positive in the 20th period. Therefore, internal growth is expected to steadily progress
- ◆ Gradual improvement in rent gap is observed

■ Historical Rent Levels*1



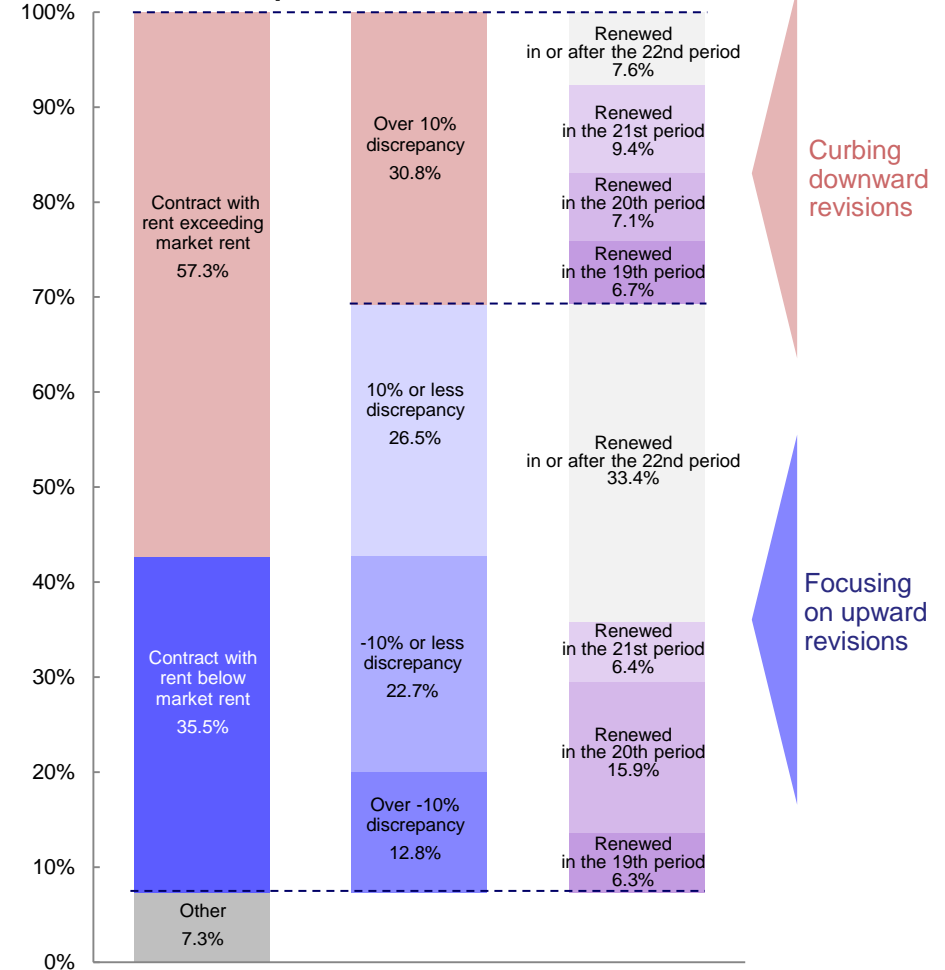
*1 Indexed with the average unit rent at the end of the 14th period set as 100. Rents are based on leased office space only.

■ Factors for Increase/Decrease in Rental Revenues (Forecast)



*2 "Increase/decrease due to rent revision" includes increase in rent revenue due to the ending of standardization of rent implemented along with free-rent, considering it as an increase due to revision.

■ Status of Rent Gap*3 (18th Period)



Curbing downward revisions

Focusing on upward revisions

*3 The ratio is based on total rent revenue. Discrepancy rate is at the end of the 18th period. "Other" refers to contracts related to land with leasehold interest, residential, etc.

3. Internal Growth

(4) Property Management and Administrative Measures

◆ Promoted enhancement of value of portfolio through strategic construction works, reduction of management costs, etc.

<Shiba 2-Chome Building>



◆ Work to improve radio wave reception environment

<JEI Hamamatsucho Building>



(After renewal)

◆ Renewal of elevator hall

<JEI Kyobashi Building>



(After renewal)

◆ Renewal of rest room and elevator hall

<Kowa Kawasaki Nishiguchi Building>



◆ Renewal of entrance*

<Kowa Kawasaki Higashiguchi Building>



◆ Renewal of corridor and elevator hall*

<SE Sapporo Building>



◆ Renewal of rest room, elevator hall and entrance*

<Musashi Kosugi Tower Place, Nisseki Yokohama Building, Pacific Square Sengoku and JEI Nishi-honmachi Building>



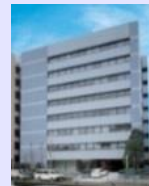
◆ Renovation of an air-conditioning system

<Kawasaki Nisshincho Building>



◆ Installation of LED lighting in common areas*
Installation of motion sensors

<Nisseki Yokohama Building, HAMARIKYU INTERCITY, JEI Hongo Building and other.>



◆ Installation of LED lighting in common areas*

Value enhancement work that contributes to increase in unit rent

Value enhancement work that advances progress in leasing

Maintenance/improvement in functions

Reduction of energy costs
Alleviation of environmental burden

* Works scheduled to be conducted in the 19th and 20th periods.

4. Financial Strategy

(1) Status of Financial Management

- ◆ Maintained to possess high ratings by continuing stable financial management
- ◆ Conducted management while balancing LTV by comprehensively judging the distribution level, etc.

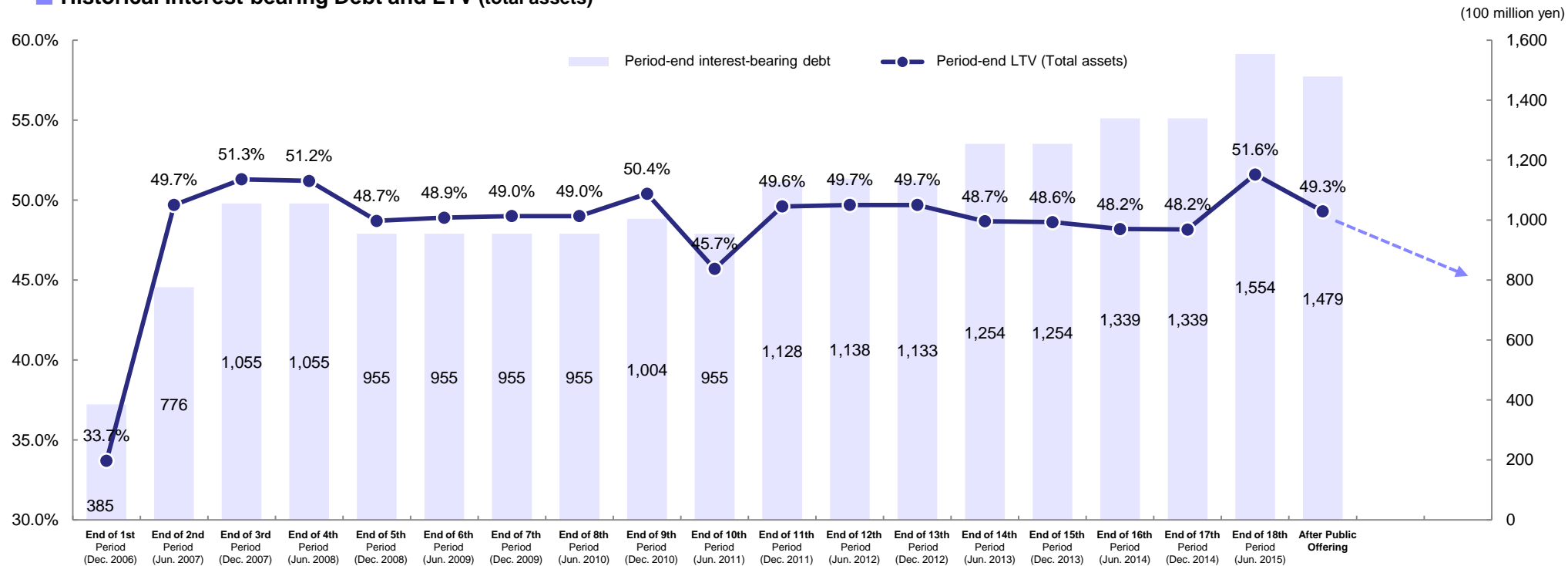
Financial Data Summary

	17th Period (Dec. 2014)	18th Period (Jun. 2015)	After Public Offering
LTV (total assets)	48.2%	51.6%	49.3%
Average interest rate	1.13%	0.95%	0.98%
Average remaining period of interest-bearing debt	3.60 years	2.87 years	2.88 years
Ratio of fixed interest rate	100.0%	81.0%	85.1%

Rating

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

Historical Interest-bearing Debt and LTV (total assets)

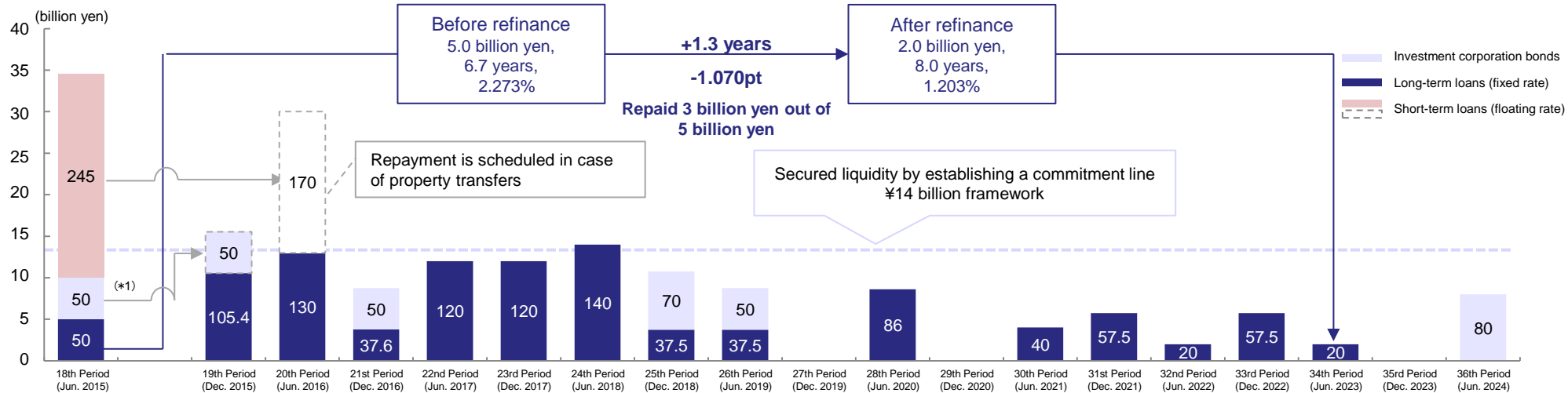


4. Financial Strategy

(2) Results of Financing Activities

- ◆ Conducted bridge finance under the sponsor support in order to agilely acquire Nisseki Yokohama Building
- ◆ In order to prepare for interest fluctuation risks, continued to extend average remaining period of interest-bearing debt and to work towards 100% conversion to fixed-interest rates

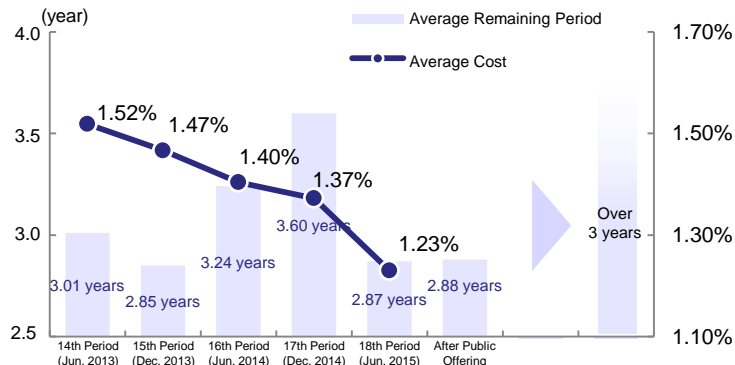
■ Status of Maturity Date Diversification (as of the date of this document)



*1 No. 2 Investment Corporate Bonds, which reached maturity on June 30, 2015, were redeemed with short-term loans as the timing overlapped with the public offering. The short-term loans are scheduled to be repaid by issuing investment corporate bonds again in the 19th period.

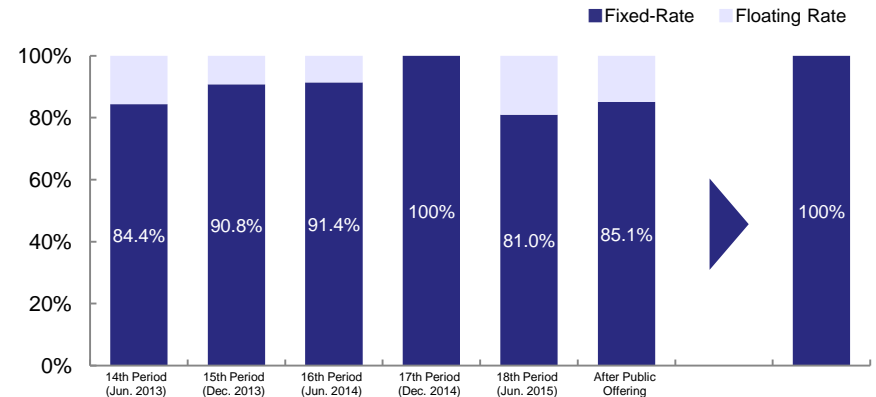
*2 Interest rates indicated here are the average interest rates during the period.

■ Historical Average Remaining Period of Interest-Bearing Debt and Financial Costs*3



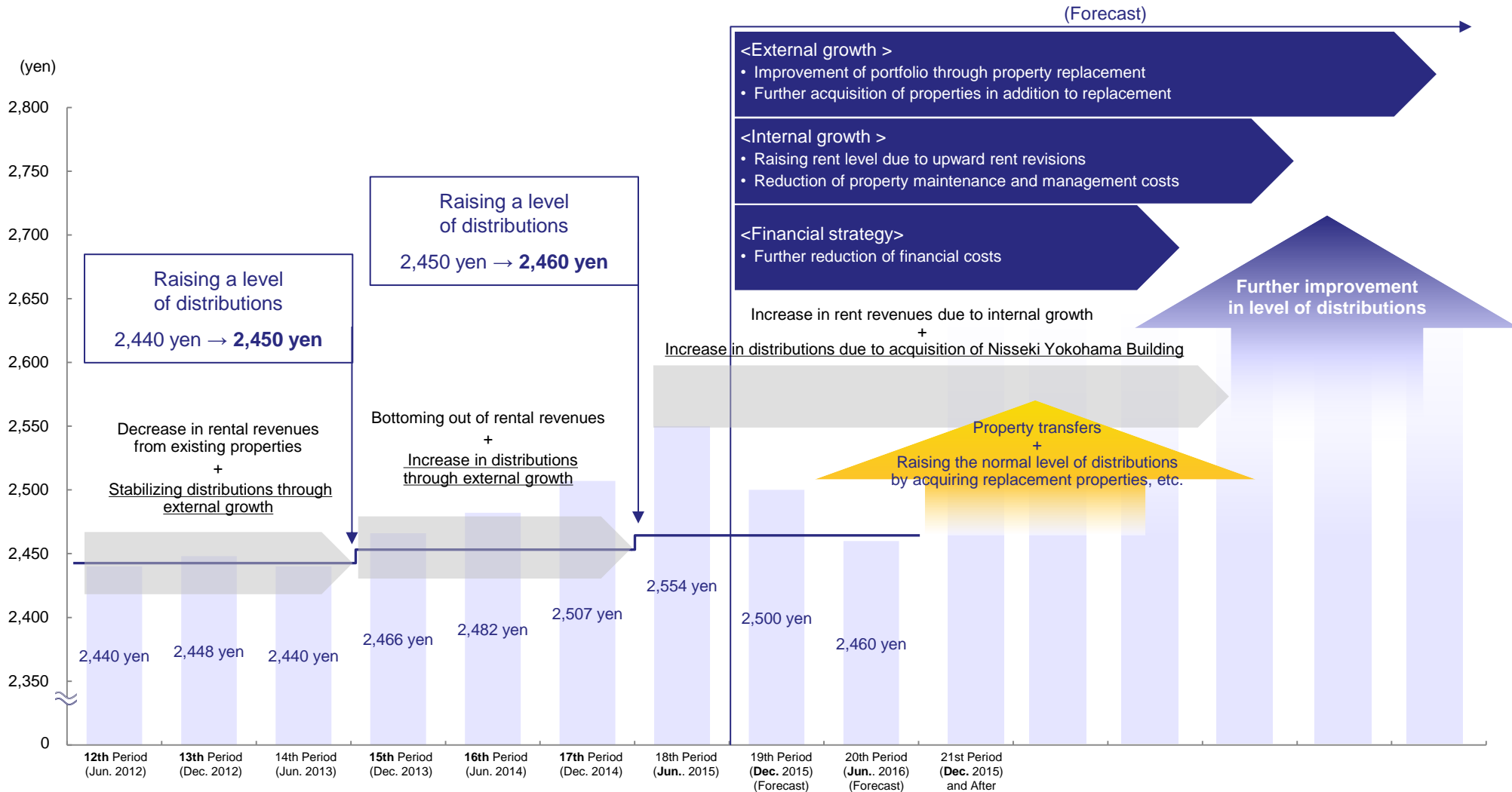
*3 "Financial costs" = (Interest expense + loan-related fees + interest expense on investment corporation bonds + amortization of investment corporation bond issuance costs) ÷ average remaining interest-bearing debt during the period.

■ Historical Fixed-Rate Percentage



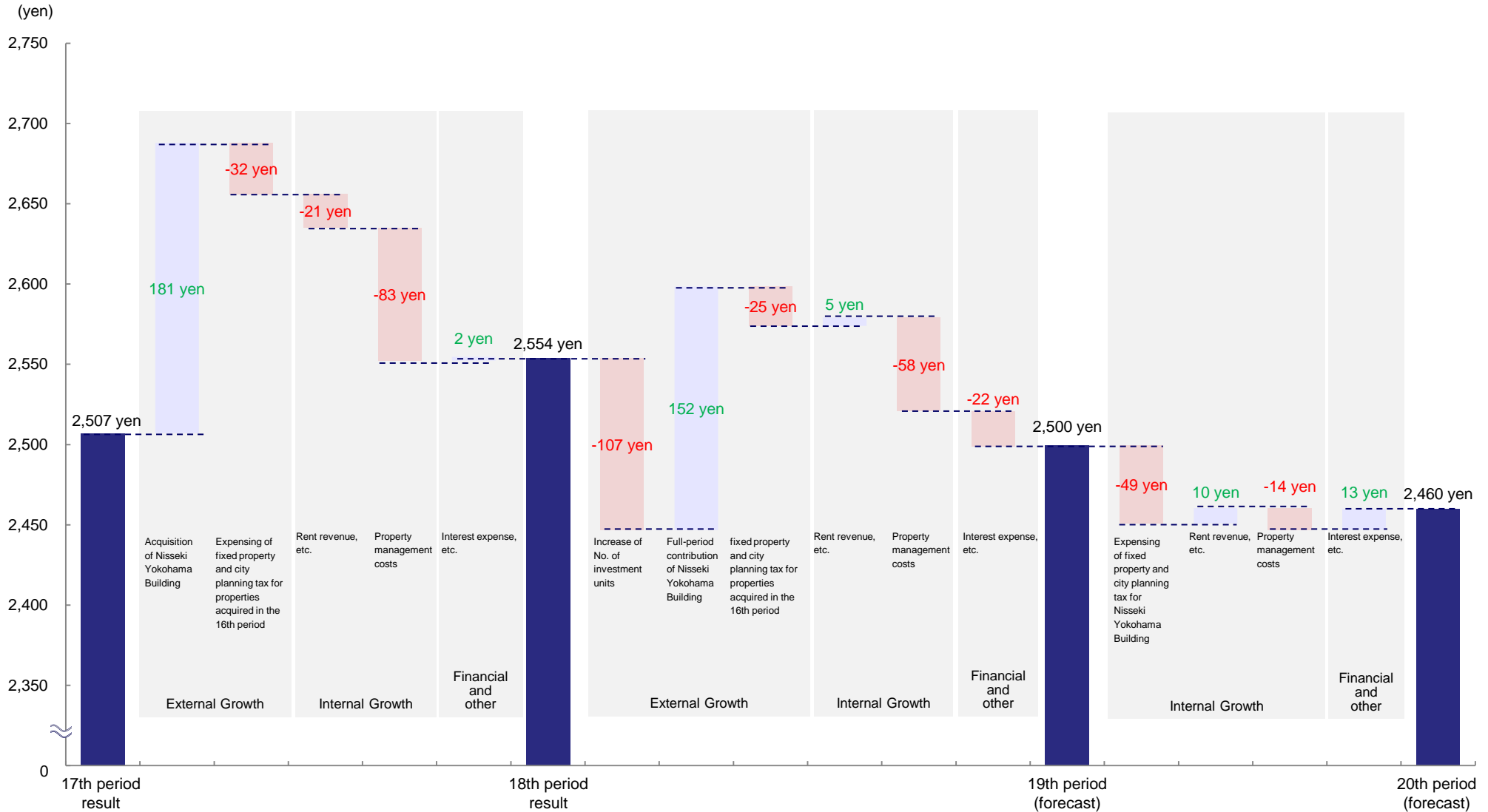
5. Actual Results and Forecast of Distributions per Unit and Future Policies

- ◆ Track record of having steadily increased the level of distributions while maintaining its stable level
- ◆ Aim to improve distributions per unit by replacing portfolio, further acquiring properties, making efforts to increase rents and reducing financial costs

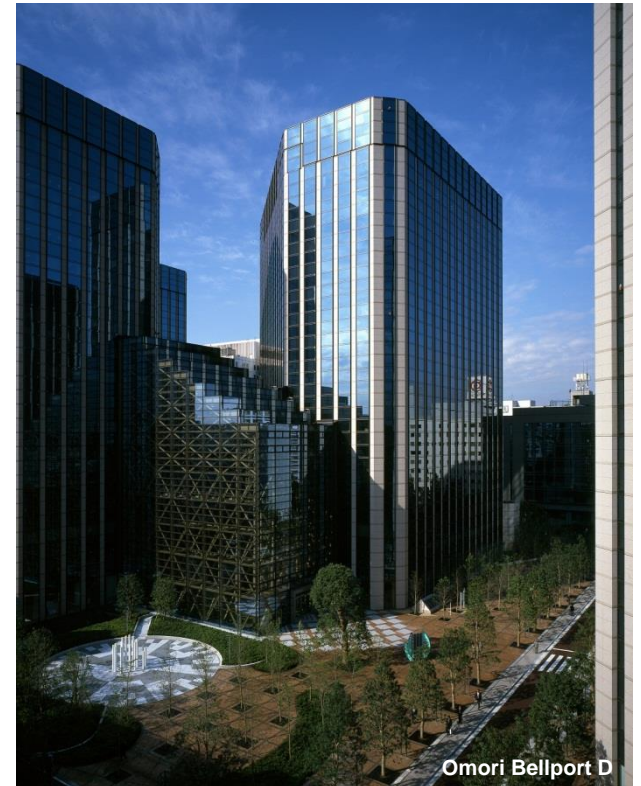


* A 5-for-1 split of investment units was implemented on January 1, 2014. In consideration of this split, the amount that is a fifth of the figure is indicated for distributions per unit for the 15th period and earlier periods prior to the split. Amounts are rounded down to the nearest whole number.

(Reference) Factors for Increase/Decrease in Distributions per Unit



III. What Makes Japan Excellent Inc. Excellent



1. Sponsor

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, 2015, manages 272 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

Management

Personnel



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. Portfolio

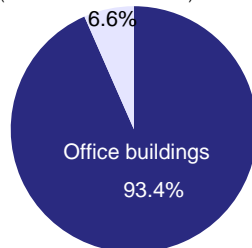
Usage

(Investment Policy)

Usage ^{*1}	Investment ratio in portfolio ^{*2}
Office buildings	90% or more
Other	10% or less

Ratio of investment in office buildings
93.4%

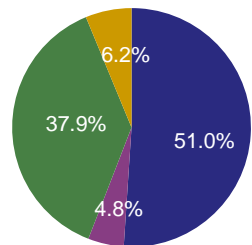
Other (HAMARIKYU INTERCITY)
6.6%



Ratio of investment in the Tokyo^{*3} metropolitan area
88.9%

Area

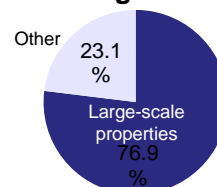
Area	Area I	Area II	Area III	Area IV
Total acquisition price	147,974 million yen	14,053 million yen	109,781 million yen	18,098 million yen
Number of properties	12 properties	3 properties	11 properties	5 properties



(Investment Policy)

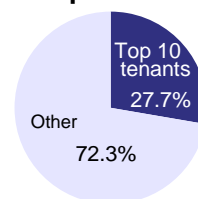
Target investment areas	Investment ratio in portfolio ^{*2}
Core areas	80% or more
■ Area I 6 central wards of Tokyo (Chiyoda, Chuo, Minato, Shinjuku, Shinagawa and Shibuya)	50% or more of the core areas
■ Area II Central Osaka (Umeda, Dojima, Nakanoshima, Yodoyabashi, Honmachi, etc.) Central Nagoya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

Large-Scale Properties^{*4}



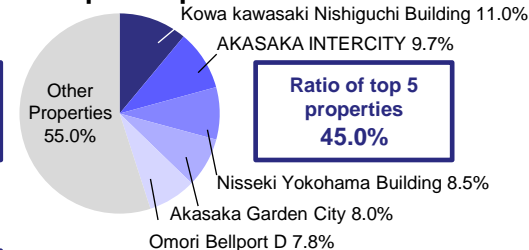
Ratio of large-scale properties
76.9%

Top 10 Tenants



Ratio of top 10 tenants
27.7%

Top 5 Properties



Ratio of top 5 properties
45.0%

End tenant name	Property Name	Total space leased (m ²)	Floor area ratio (%)
National Mutual Insurance Federation of Agricultural Cooperatives	Kowa Kawasaki Nishiguchi Building	20,549.29	5.7
Toshiba Information System (Japan) Corp.	Kowa Kawasaki Higashiguchi Building	18,612.72	5.1
Hitachi Urban Investment, Ltd.	Omori Bellport D	10,118.99	2.8
	Ebina Prime Tower		
	JEI Hiroshima Hacchobori Building		
SE Sapporo Building	SE Sapporo Building	10,118.99	2.8
Roche Diagnostics Japan K. K.	Shiba 2-chome Building	9,284.18	2.6
*5	*5	8,131.66	2.2
		7,286.83	2.0
		6,321.06	1.7
JACCS CO., LTD.	Ebina Prime Tower	5,540.02	1.5
Hitachi Zosen Corporation	Omori Bellport D	5,383.97	1.5
Total of top 10 tenants		100,589.02	27.7
Total of portfolio overall		363,047.49	100.0

*1 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.

*2 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.

*3 "Tokyo metropolitan area" indicates Tokyo and its surrounding areas (Kanagawa, Saitama and Chiba prefectures) (Area I and Area III).

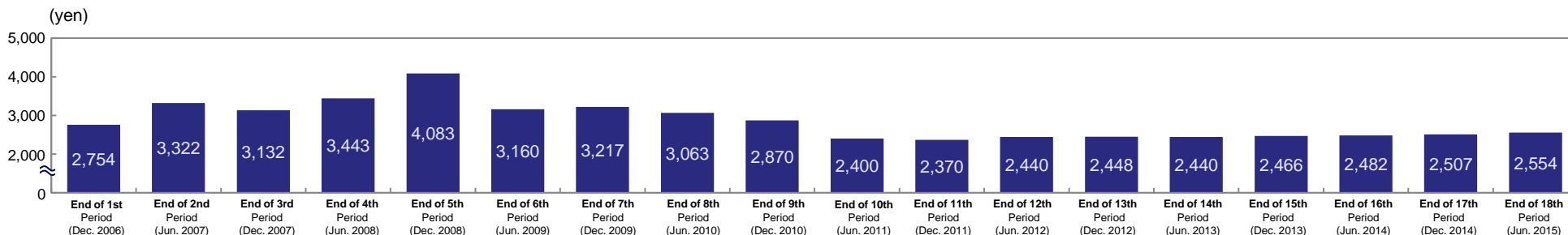
*4 "Large-scale properties" refers to properties with total floor area of 10,000 tsubo or more for the 23 wards of Tokyo, and of 4,000 tsubo or more for areas other than the 23 wards of Tokyo.

*5 End tenant names are not disclosed as we have not obtained consent, etc. from tenants.

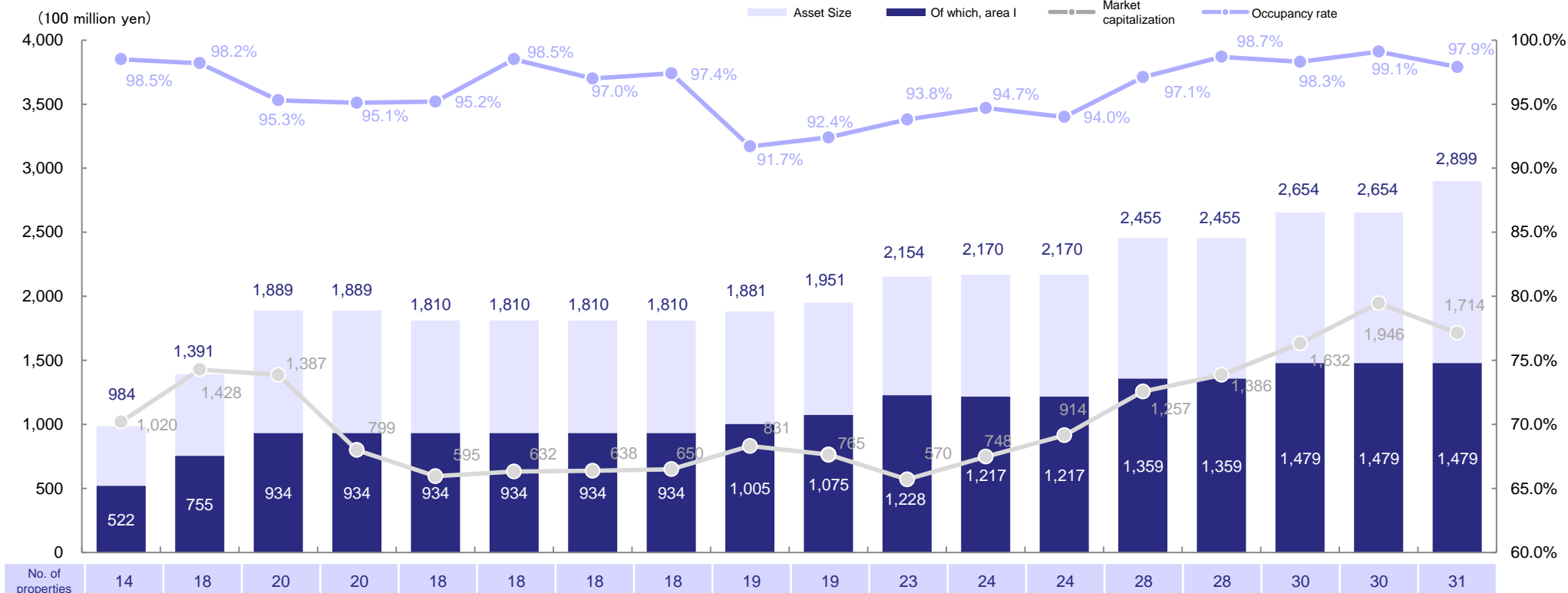
*6 The figures above indicate figures as of the end of the 18th period and the ratios are rounded to the first decimal place.

3. Track Record

Historical Distributions per Unit*1



Historical Asset Size, Occupancy Rate and Market Capitalization*2

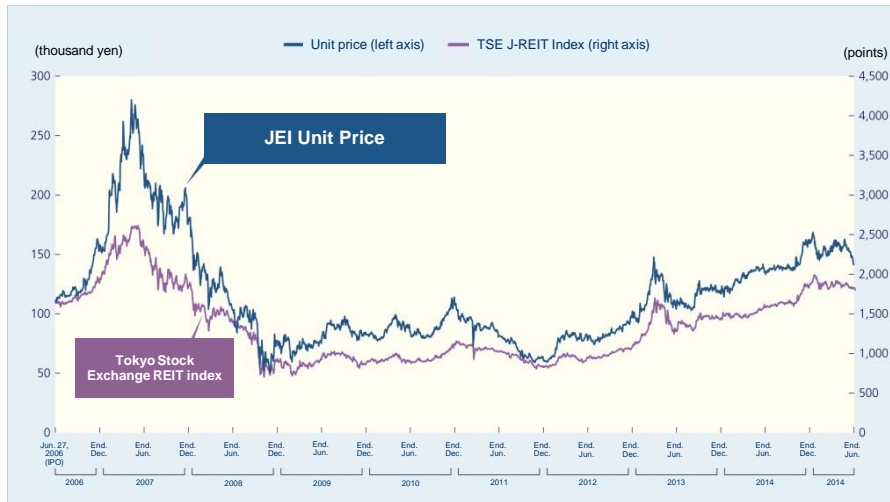


*1 JEI Implemented a 5-for-1 split of its investment units on January 1, 2014. Considering said split, Distributions per Unit from even before the 15th period are divided by 5. Figures are rounded down to the nearest whole number.

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

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

Unit Price and Tokyo Stock Exchange REIT Index



* 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	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	

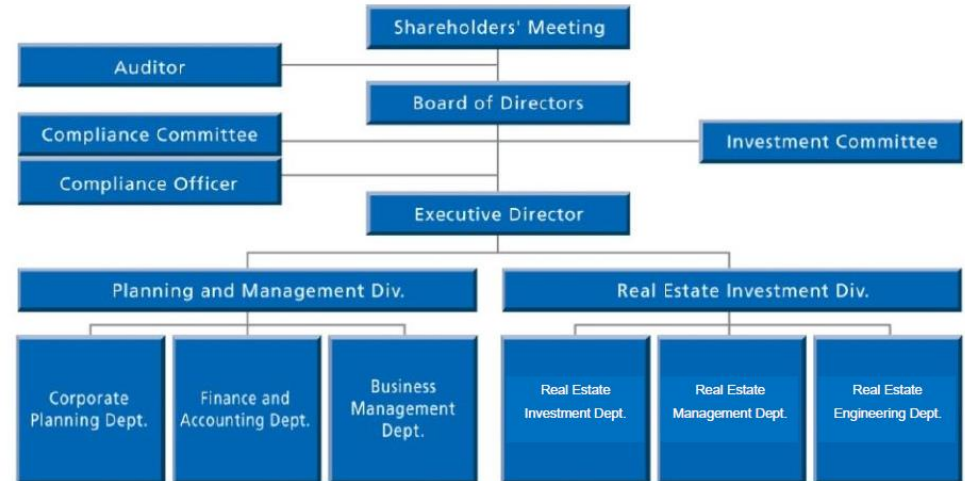
* Percentages in the above table are percentages of total outstanding shares.

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



5. Operation Structure of Japan Excellent Asset Management Co., Ltd.

■ Structure to Prevent Conflicts of Interest Due to Sponsor Formation



NIPPON STEEL KOWA REAL ESTATE

By your side, for life



The Dai-ichi Life Insurance

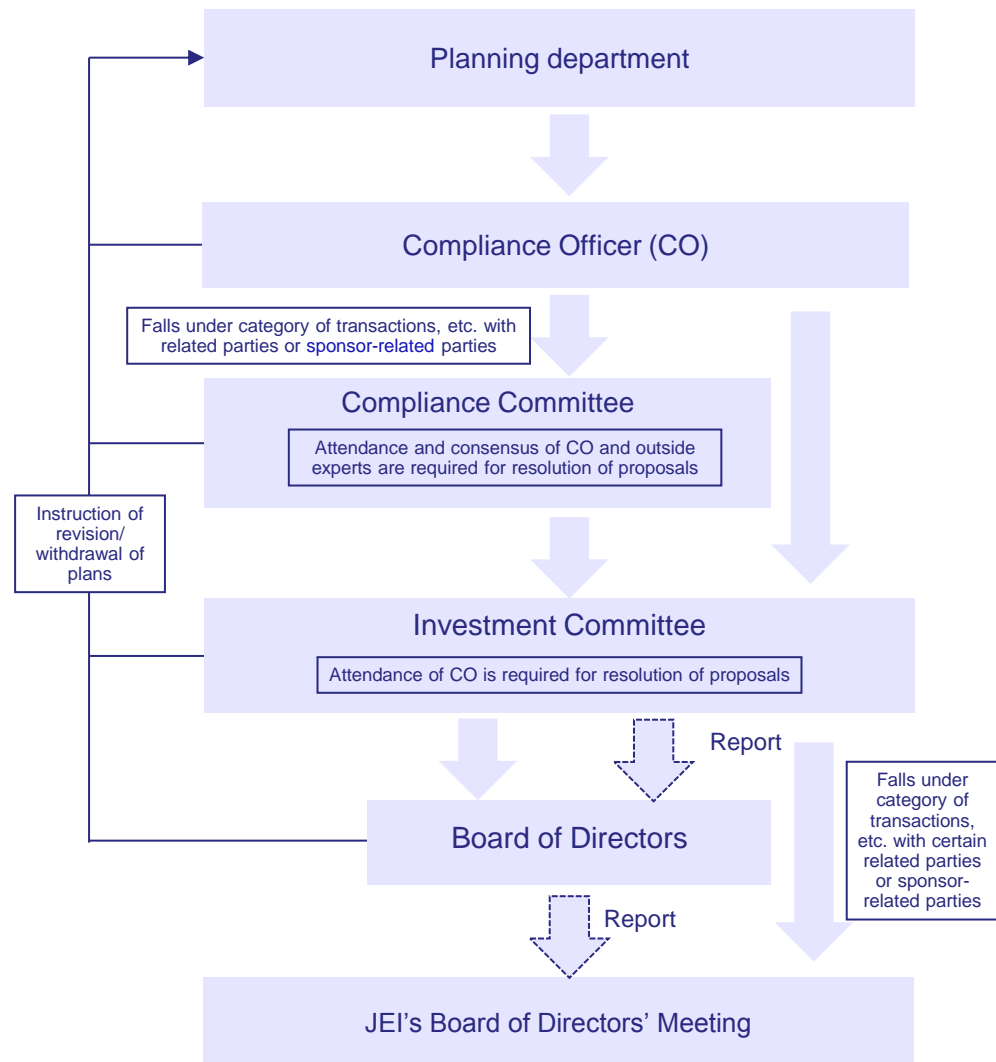
- ◆ Management structure which will not be affected by a specified sponsor due to mutual supervision of the two core sponsors
- ◆ The two core sponsors own 7.6% of JEI's investment units and the interest of unitholders and that of sponsors match (as of June 31, 2015)

■ 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	(The amount of ordinary income before deducting Management Fee II + the amount of depreciation) x 4.0%								

■ Flow of Decision-Making



6. Initiatives for Sustainability Measure

Development of Structure for Promoting Sustainability

- ◆ Establishment of the sustainability policy
Established basic policy in which Japan Excellent, Inc. and Japan Excellent Asset Management Co., Ltd. commit to work to reduce the environmental burden and to cooperate/collaborate with stakeholders, while recognizing the importance of consideration for the environment, society and governance (ESG).
- ◆ Structure for sustainability at the asset management company
Set up a sustainability council with President, Division Managers and others as key members in order to organizationally promote sustainability initiatives. Developed an internal structure which sets goals and regularly monitors the progress.

Continuous Participation in GRESB



- ◆ Benchmark established by leading global real estate investors with an aim to conduct strict and independent assessment of the sustainability performance of real estate portfolios
- ◆ The Asset Management Company has been participating in the benchmark survey since 2011 and intends to further enhance the evaluation by promoting structural development, energy-saving initiatives, etc.

Obtained Certificates for Environmental Performance

Office Taking Excellent Specific Global Warming Countermeasures



Top-Level Office

AKASAKA INTERCITY

- ◆ The Tokyo metropolitan government certifies offices with particularly advanced global warming countermeasures under several assessing items concerning the introduction of systems to promote CO2 reduction and the performance of buildings and equipment
- ◆ Out of properties owned by JEI, AKASAKA INTERCITY and Akasaka Garden City have been certified as “Top-Level Offices” (offices which have extremely advanced measures).
- ◆ Total emission reduction obligation ratio of specified green-house gas is halved for a “Top-Level Office”.



Top-Level Office

Akasaka Garden City

DBJ Green Building Certification



HAMARIKYU INTERCITY



- ◆ 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.

CASBEE for Market Promotion Certification



Kowa Nishi-shinbashi 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.

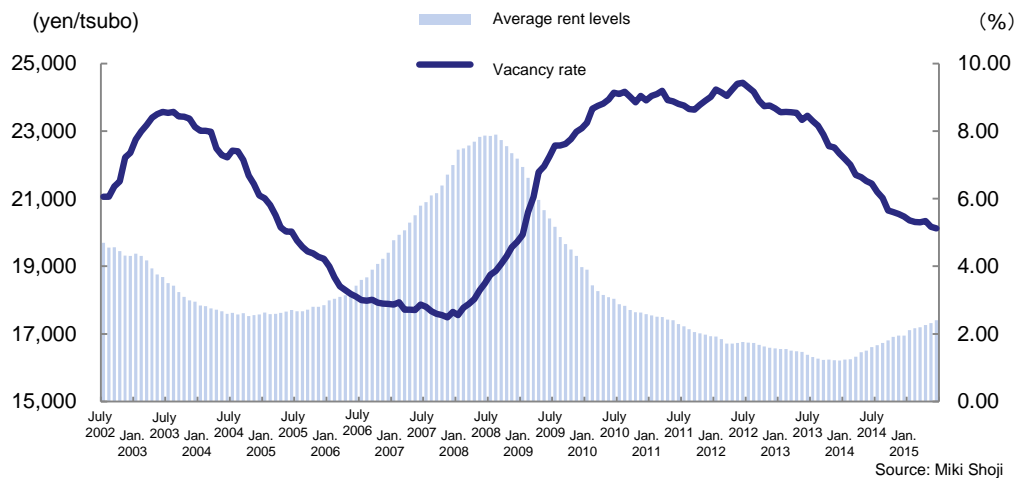
Reference Materials



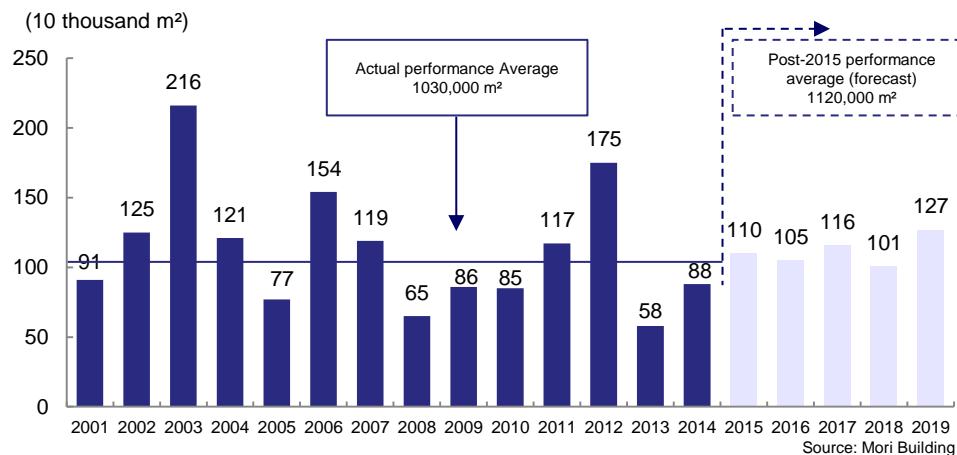
Management Discussion of Market Environment

- ◆ Improvement trend in vacancy rate continues and rent level is rising gradually due to improvement of supply-demand balance
- ◆ Real estate transaction prices are on the rise and investors' expected cap rates in major cities have continued to decline

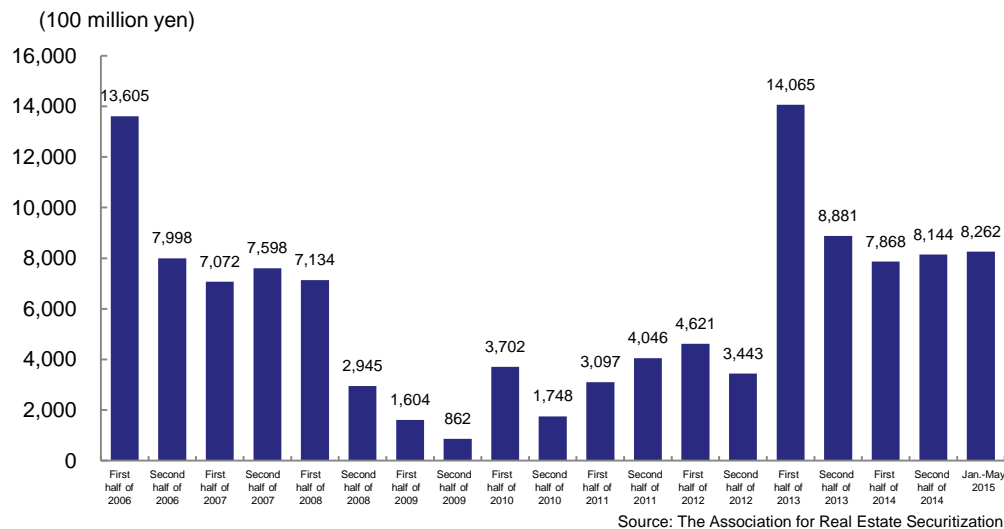
Historical Rent Levels and Vacancy Rate in 5 Central Wards of Tokyo



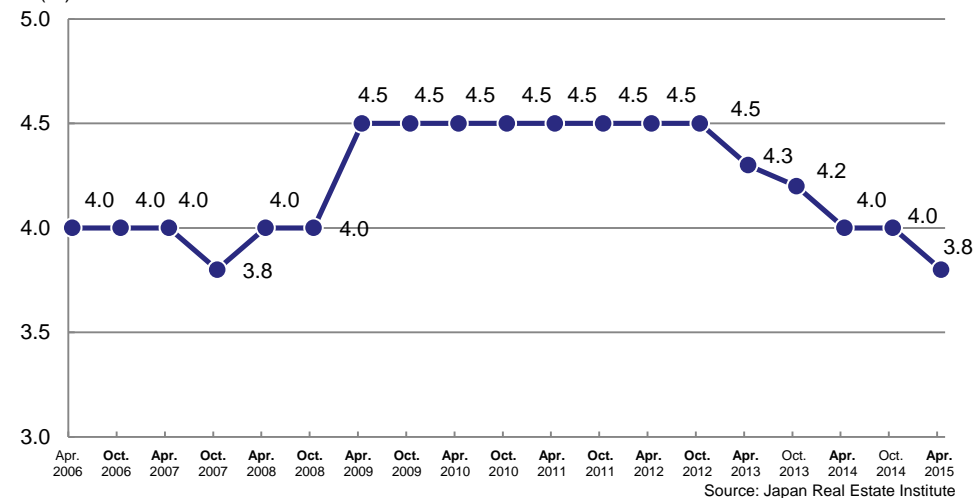
Historical New Office Supply Volume in 23 Wards of Tokyo



Historical Actual Real Estate Acquisitions by J-REITs



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



Revenue and Expenses by Property

(Unit: million yen)

	Area I												Area II			Area III												Area IV						Total
	I-1	I-2	I-3	I-4	I-7	I-8	I-9	I-10	I-11	I-12	I-13	I-14	II-1	II-2	II-3	III-1	III-2	III-3	III-5	III-6	III-7	III-8	III-9	III-10	III-11	III-12	IV-2	IV-3	IV-4	IV-5	IV-6			
	Omoji	Shiba 2-chome	Hamamatsu-cho	32 Kowa	Akasaka Garden City	AKASAKA INTERCITY	Kowa Shinjuku	Daiba Garden City Bldg.	35 Kowa	HAMARIKYU INTERCITY	Shintomi-cho	Kowa Nishi-Shinjushi	NHK Nagoya	Nishi-honmachi	Osaka Kogin Building (Land with Leasehold Interest)	Musashi-Kosugi	Kawasaki Higashi-Guchi	Hongo	Kawasaki Nishin-cho	44 Kowa	Ryogoku	Ebina	Kawasaki Nishi-Guchi	Sengoku	Core City Tachikawa	Nisseki Yokohama Building	Kyobashi	Hiroshima Hachio-bori	SE Sankyo	Aoba-dori Plaza	Daiba Minamimori			
Revenue from operations	932	372	203	252	370	554	168	335	-	727	72	-	366	208	83	786	-	-	190	87	99	426	943	63	298	537	184	142	359	172	196	10,121		
Rental revenue	867	372	191	235	344	498	147	335	-	673	65	-	-	184	83	688	-	-	187	75	87	361	851	44	292	492	167	129	275	151	174	9,215		
Other revenue	64	0	12	17	26	56	20	-	-	54	6	-	-	24	-	98	-	-	2	12	11	65	91	18	6	45	16	13	83	21	21	905		
Expenses from operations	482	123	108	102	168	284	78	124	-	379	36	-	249	138	44	396	-	-	115	43	60	366	614	33	146	318	101	74	228	89	88	5,533		
Property management	127	47	21	39	52	29	21	1	-	121	5	-	66	24	-	109	-	-	52	13	18	122	165	5	29	78	15	17	34	35	22	1,406		
Utilities	145	0	15	23	23	66	15	-	-	67	6	-	39	28	-	98	-	-	-	10	13	89	109	6	43	93	17	14	75	20	16	1,153		
Taxes	77	31	18	21	32	35	14	35	-	34	4	-	23	26	43	59	-	-	17	4	7	40	76	6	21	-	12	17	22	8	6	791		
Insurance	2	1	0	0	0	0	0	0	-	2	0	-	0	0	-	2	-	-	0	0	0	2	2	0	1	2	0	0	0	0	0	29		
Repair and maintenance	3	0	1	3	0	3	4	1	-	6	5	-	15	2	-	20	-	-	2	7	1	24	11	2	8	1	1	1	5	1	1	171		
Other expenses	3	2	14	2	2	65	1	1	-	3	0	-	34	2	0	6	-	-	1	1	1	9	9	1	1	2	1	1	2	2	1	195		
Depreciation	122	41	37	10	55	82	20	84	18	143	12	17	69	54	-	99	90	30	41	5	17	77	238	10	40	140	53	22	88	20	40	1,786		
Profits from operations	449	248	95	150	202	270	89	210	163	347	36	67	117	69	39	389	134	82	74	44	38	59	328	30	152	219	82	68	130	83	107	4,588		
NOI	572	290	132	161	258	353	110	294	182	491	48	84	186	124	39	489	225	112	116	50	55	137	567	40	193	359	135	90	218	104	148	6,374		
Number of operating days	181	181	181	181	181	181	181	181	181	181	181	181	181	181	181	181	181	181	181	181	181	181	181	181	181	91	181	181	181	181	181	181	181	
Acquisition price	22,552	9,450	8,350	7,430	23,300	28,146	4,705	11,000	8,280	19,080	1,750	3,931	5,610	6,673	1,770	13,890	10,976	5,400	4,725	1,150	2,550	6,470	32,000	1,620	6,500	24,500	3,308	2,760	5,500	2,120	4,410	289,907		

Compared with previous period	17th period NOI yield (annualized)																																	4.63%
	5.1%	6.2%	3.2%	4.4%	2.2%	2.5%	4.7%	5.4%	4.4%	5.2%	5.6%	4.3%	6.7%	3.8%	4.5%	7.1%	4.1%	4.2%	5.0%	8.8%	4.4%	4.3%	3.6%	5.1%	6.0%	5.9%	8.3%	6.6%	8.0%	9.9%	6.8%	4.63%		
	5.0%	6.1%	3.0%	4.6%	2.3%	2.7%	5.0%	5.3%	4.6%	5.3%	5.8%	4.4%	8.2%	3.8%	4.5%	7.3%	3.9%	4.3%	5.0%	11.3%	4.7%	3.4%	3.7%	2.8%	5.6%	-	8.1%	6.6%	7.9%	10.1%	6.7%	4.61%		
	16th period NOI yield (annualized)																																	4.61%
	Difference																																	0.02

Breakdown by Area

(Unit: million yen)

	Area I Total	Area II Total	Area III Total	Area IV Total
NOI	2,979	350	2,347	696
Acquisition price	147,974	14,053	109,781	18,098
18th period NOI yield (annualized)	4.1%	5.0%	4.9%	7.8%
17th period NOI yield (annualized)	4.1%	5.6%	4.7%	7.7%
Difference (pt)	0	-0.6	0.2	0.1

*1: Figures are rounded down to the nearest million.

*2: Ratios are rounded to the first decimal place. The total of year-on-year comparison is rounded to the second decimal place.

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

*4: Details concerning revenue and expenses for 35 Kowa, Kowa Nishishimbashi 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.

Overview of Period-end Appraisals

Summary of Period-end Appraisal Value

	17th Period (Dec. 2014)	18th Period (Jun. 2015)	Difference
Number of properties	30 properties	31 properties	1 property
Period-end appraisal value	251,560 million yen	280,110 million yen	28,550 million yen
Book value	255,892 million yen	279,602 million yen	23,709 million yen
Unrealized profit/loss	-4,332 million yen	507 million yen	4,840 million yen
Ratio of unrealized profit/loss ¹	-1.7%	0.2%	1.9pt

*1 "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

	17th Period (Dec. 2014)	18th Period (Jun. 2015)
Increase	23 properties	24 properties
Unchanged	4 properties	1 property
Decrease	3 properties	6 properties

*2 Increase/decrease breakdowns are shown in comparison with the previous fiscal period for each period. As to the property acquired in the 18th period (Nisseki Yokohama Building), comparison is made using the appraisal value, the cap rate and the mid- to long-term rent at the time of the acquisition.

*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,

*4 Osaka Kogin Building is not included in the mid- to long-term rent data.

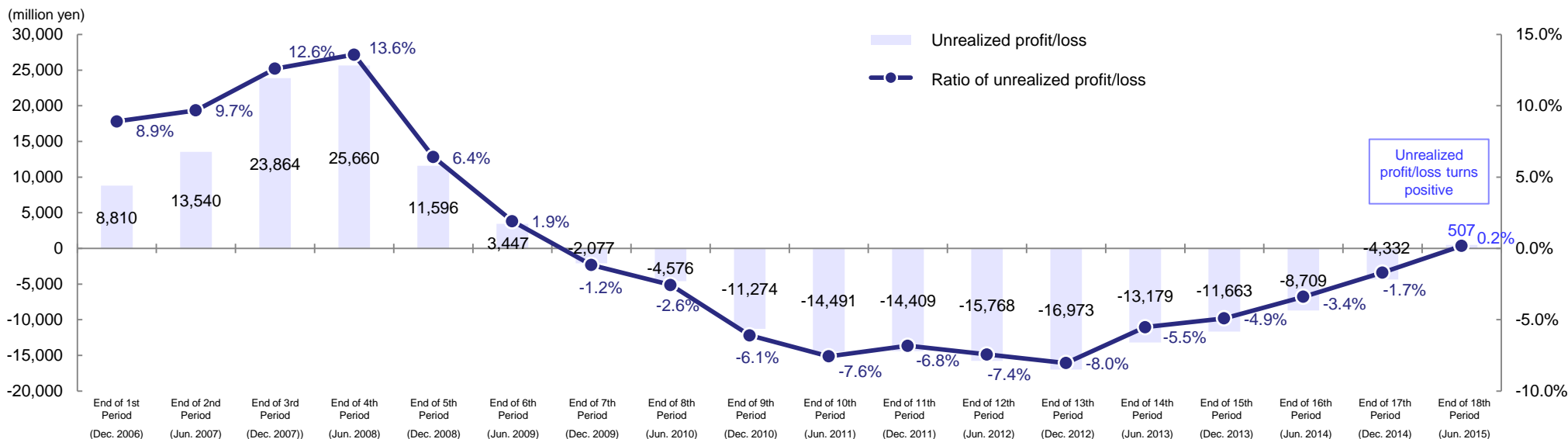
Status of Cap Rate

	17th Period (Dec. 2014)	18th Period (Jun. 2015)
Decline	25 properties	26 properties
Unchanged	5 properties	5 properties
Rise	0 properties	0 properties

Status of Mid- to Long-Term Rent

	17th Period (Dec. 2014)	18th Period (Jun. 2015)
Rise	2 properties	7 properties
Unchanged	16 properties	16 properties
Decline	11 properties	7 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 FP18 ③	Difference (②-③)		Direct reduction reduced yield		Difference (⑤-④) pt	Appraisal Organization	
				End of FP17 ①	End of FP18 ②		%			%	End of FP17 ④	End of FP18 ⑤			
I-1	I	Omori Bellport D	22,552	23,800	24,500	700	2.9%	21,272	3,227	15.2%	4.6%	4.5%	-0.1	Chuo Real Estate Appraisal Co., Ltd.	
I-2		Shiba 2-Chome Building	9,450	11,800	12,000	200	1.7%	8,996	3,003	33.4%	Office 4.6% Residence 5.0%	Office 4.4% Residence 4.9%	Office -0.1 Residence -0.1	Japan Real Estate Institute	
I-3		JEI Hamamatsucho Building	8,350	6,360	6,520	160	2.5%	8,380	-1,860	-22.2%	4.2%	4.1%	-0.1	Japan Real Estate Institute	
I-4		No. 32 Kowa Building	7,430	6,690	6,390	-300	-4.5%	7,363	-973	-13.2%	5.1%	5.1%	0.0	Chuo Real Estate Appraisal Co., Ltd.	
I-7		Akasaka Garden City	23,300	16,800	17,200	400	2.4%	22,488	-5,288	-23.5%	3.8%	3.7%	-0.1	Japan Real Estate Institute	
I-8		AKASAKA INTERCITY	28,146	25,200	24,400	-800	-3.2%	27,422	-3,022	-11.0%	3.6%	3.6%	0.0	Japan Real Estate Institute	
I-9		Kowa Shirokanedai Building	4,705	5,040	5,010	-30	-0.6%	4,833	176	3.7%	4.6%	4.6%	0.0	Japan Real Estate Institute	
I-10		Daiba Garden City Building	11,000	12,000	12,100	100	0.8%	10,385	1,714	16.5%	4.8%	4.7%	-0.1	Chuo Real Estate Appraisal Co., Ltd.	
I-11		No. 35 Kowa Building	8,280	9,320	9,320	0	0.0%	8,196	1,123	13.7%	4.1%	4.1%	0.0	Japan Real Estate Institute	
I-12		HAMARIKYU INTERCITY	19,080	21,400	22,100	700	3.3%	18,574	3,525	19.0%	4.1%	4.0%	-0.1	Japan Real Estate Institute	
I-13		Shintomicho Building	1,750	1,810	1,870	60	3.3%	1,770	99	5.6%	4.8%	4.6%	-0.2	Chuo Real Estate Appraisal Co., Ltd.	
I-14		Kowa Nishishinbashi Building	3,931	4,130	4,190	60	1.5%	3,830	359	9.4%	3.9%	3.8%	-0.1	Japan Real Estate Institute	
II-1		II	NHK Nagoya Housou-Center Building	5,610	5,550	5,590	40	0.7%	5,838	-248	-4.3%	5.5%	5.3%	-0.2	NHK Nagoya Housou-Center Building
II-2			JEI Nishi-honmachi Building	6,673	4,340	4,380	40	0.9%	7,312	-2,932	-40.1%	5.2%	5.1%	-0.1	DAIWA REAL ESTATE APPRAISAL Corporation
II-3	Osaka Kogin Building (land with leasehold interest)		1,770	1,890	1,990	100	5.3%	1,865	124	6.7%	4.2%	4.0%	-0.2	Japan Real Estate Institute	
III-1	III	Musashikosugi Tower Place	13,890	17,000	17,900	900	5.3%	12,682	5,217	41.1%	5.0%	4.8%	-0.2	Japan Real Estate Institute	
III-2		Kowa Kawasaki Higashiguchi Building	10,976	8,460	8,780	320	3.8%	9,757	-977	-10.0%	5.3%	5.2%	-0.1	Japan Valuers Co., Ltd.	
III-3		JEI Hongo Building	5,400	4,580	4,500	-80	-1.7%	5,108	-608	-11.9%	4.7%	4.6%	-0.1	Japan Valuers Co., Ltd.	
III-5		Kawasaki Nishincho Building	4,725	3,870	3,930	60	1.6%	4,454	-524	-11.8%	5.4%	5.3%	-0.1	Japan Valuers Co., Ltd.	
III-6		No. 44 Kowa Building	1,150	1,480	1,450	-30	-2.0%	1,003	446	44.5%	5.6%	5.6%	0.0	Japan Real Estate Institute	
III-7		JEI Ryogoku Building	2,550	2,160	2,200	40	1.9%	2,310	-110	-4.8%	5.2%	5.0%	-0.2	Chuo Real Estate Appraisal Co., Ltd.	
III-8		Ebina Prime Tower	6,470	3,740	3,770	30	0.8%	5,834	-2,064	-35.4%	6.0%	5.8%	-0.2	Japan Real Estate Institute	
III-9		Kowa Kawasaki Nishiguchi Building	32,000	24,900	25,000	100	0.4%	29,541	-4,541	-15.4%	5.1%	5.0%	-0.1	Japan Valuers Co., Ltd.	
III-10		Pacific Square Sengoku	1,620	1,430	1,400	-30	-2.1%	1,653	-253	-15.4%	4.8%	4.7%	-0.1	Chuo Real Estate Appraisal Co., Ltd.	
III-11		Core City Tachikawa	6,500	7,290	7,490	200	2.7%	6,311	1,178	18.7%	5.2%	5.1%	-0.1	Japan Real Estate Institute	
III-12		Nisseki Yokohama Building	24,500	24,600	25,200	600	2.4%	24,565	634	2.6%	4.7%	4.6%	-0.1	Japan Real Estate Institute	
IV-2		IV	JEI Kyobashi Building	3,308	4,010	4,030	20	0.5%	3,146	883	28.1%	5.7%	5.6%	-0.1	DAIWA REAL ESTATE APPRAISAL Corporation
IV-3	JEI Hiroshima Hacchobori Building		2,760	2,700	2,830	130	4.8%	2,685	144	5.4%	5.7%	5.5%	-0.2	Japan Real Estate Institute	
IV-4	SE Sapporo Building		5,500	6,120	6,200	80	1.3%	5,432	767	14.1%	5.8%	5.7%	-0.1	Chuo Real Estate Appraisal Co., Ltd.	
IV-5	Aoba-dori Plaza		2,120	2,890	3,030	140	4.8%	2,198	831	37.8%	5.8%	5.5%	-0.3	Japan Real Estate Institute	
IV-6	Daiwa Minamimoricho Building		4,410	4,800	4,840	40	0.8%	4,385	454	10.4%	5.2%	5.1%	-0.1	DAIWA REAL ESTATE APPRAISAL Corporation	
			Total	289,907	276,160	280,110	3,950	1.4%	279,602	507	0.2%	4.7%	4.6%	-0.1	-
Area I Total			147,974	144,350	145,600	1,250	0.9%	143,514	2,085	1.5%	4.2%	4.2%	-0.1	-	
Area II Total			14,053	11,780	11,960	180	1.5%	15,016	-3,056	-20.4%	5.2%	5.0%	-0.2	-	
Area III Total			109,781	99,510	101,620	2,110	2.1%	103,223	-1,603	-1.6%	5.0%	4.9%	-0.1	-	
Area IV Total			18,098	20,520	20,930	410	2.0%	17,847	3,082	17.3%	5.6%	5.5%	-0.1	-	
Grand Total			289,907	276,160	280,110	3,950	1.4%	279,602	507	0.2%	4.7%	4.6%	-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 17th and 18th period based on Japan Excellent's rules 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 Japan Excellent or the trustee.

*2 For the property acquired in the 18th period (Nisseki Yokohama Building), the figures stated in the appraisal report at time of each acquisition are deemed and indicated as figures at end of the 17th period.

*3 Total yield was calculated using weighted averages and rounding to the first decimal place.

Status of Third-Party Properties

- ◆ While mainly utilizing the sponsor pipeline, made acquisitions of **third-party properties***1 on a negotiation basis with the **high sourcing capability** of the asset management company
- ◆ Continuously pursued the possibility of additional acquisitions of **joint ownership properties**

■ Status of third-party property acquisitions

- ◆ Made selective investment in **competitive and rare properties** in the area by placing emphasis on high profitability, closeness to stations, high specifications and scale capable of attracting large tenants
- ◆ Contributed to the improvements in the portfolio's unrealized profit/loss as well as maintaining high profitability and occupancy rates after acquisitions



Nisseki Yokohama Building



Aoba-dori Plaza



Daiwa Minami-morimachi Building



SE Sapporo Building



Core City Tachikawa



Shintomicho Building



Pacific Square Sengoku



JEI Kyobashi Building

Acquisition period	Area	Property Name	Total floor area (m ²)	Acquisition price (million yen)	Expected NOI yield at time of acquisition	Actual NOI yield in the 18th period	Average occupancy rate since acquisition	Appraisal value (million yen)	Unrealized profit/loss (million yen)
Apr. 2015	Yokohama	Nisseki Yokohama Building	72,116.65	24,500	4.9%	4.9%*3	95.6%	25,200	634
Feb. 2014	Sendai	Aoba-dori Plaza	22,737.38	2,120	6.6%	9.1%*3	86.9%	3,030	831
Feb. 2014	Osaka	Daiwa Minami-morimachi Building	12,759.65	4,410	6.1%	6.5%*3	97.4%	4,840	454
Mar. 2013	Sapporo	SE Sapporo Building	23,644.22	5,500	7.2%	8.0%	99.3%	6,200	767
Feb. 2013	Tokyo	Core City Tachikawa	19,099.27	6,500	5.7%	6.0%	96.8%	7,490	1,178
Mar. 2012	Tokyo	Shintomicho Building	3,169.78	1,750	5.4%	5.6%	100.0%	1,870	99
Dec. 2011	Tokyo	Pacific Square Sengoku	4,017.44	1,620	6.7%	5.1%	92.6%	1,400	-253
Sep. 2011	Osaka	JEI Kyobashi Building	10,021.32	3,308	7.9%	8.3%	98.6%	4,030	883
Total				49,708	5.7%	6.0%	-	54,060	4,593

*1 "Third-party properties" refer to properties of which direct sellers are not the sponsor (including SPC in which the sponsor has more than half of its equities.)

*2 Third-party properties that were acquired after the 9th period are indicated. Additional acquisitions of co-ownership interest are not shown.

*3 For properties acquired in the 16th period, percentages indicated are calculated based on figures with expected fixed property and city planning tax added.

Statement of Income and Retained Earnings

(Unit: million yen)

	17th Period (Dec. 2014)	%	18th Period (Jun. 2015)	%	Compared with previous period	
					Difference	%
1. Revenue	9,695	100.0	10,121	100.0	425	4.4
Rental revenue	8,754		9,215		461	
Other rental revenue	941		905		-35	
2. Operating expenses	5,731	59.1	6,102	60.3	370	6.5
Property management expenses	1,246		1,406		159	
Utilities expenses	1,118		1,153		34	
Taxes	753		791		38	
Insurance	27		29		2	
Repairs and maintenance	176		171		-5	
Other expenses for rental operation	201		195		-6	
Depreciation	1,657		1,786		128	
Total operating expenses	5,180	53.4	5,533	54.7	352	6.8
Profits from operations	4,515	46.6	4,588	45.3	73	1.6
Asset management fees	409		415		6	
Other	141		153		11	
Operating income	3,963	40.9	4,018	39.7	54	1.4
3. Other income	4	0.0	2	0.0	-1	-33.3
Interest income	1		1		0	
Other	2		0		-1	
4. Other expenses	926	9.6	922	9.1	-4	-0.5
Interest expense	627		634		6	
Loan relating fees	143		105		-37	
Investment unit issuance	—		30		30	
Interest expense on investment corporation bonds	140		137		-2	
Amortization of investment corporation bond issuance costs	14		14		0	
Other	0		0		0	
Ordinary income	3,041	31.4	3,098	30.6	57	1.9
Net income before taxes	3,041	31.4	3,098	30.6	57	1.9
Income taxes – current	0		1		0	
Net income	3,040	31.4	3,097	30.6	57	1.9
Retained earnings brought forward	0		0		0	
Unappropriated retained earnings at the end of period	3,040		3,098		57	

* 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														
		17th Period (Dec. 2014)		18th Period (Jun. 2015)		Difference			17th Period (Dec. 2014)		18th Period (Jun. 2015)		Difference							
Assets			%		%		Liabilities			%		%								
I. Current assets						21,212	7.6	20,316	6.8	-896	I. Current liabilities									
Cash and deposits						5,591		2,472		-3,118	Operating accounts payable									
Cash and deposits in trust						14,542		15,974		1,431	Short-term loans									
Operating accounts receivable						891		867		-24	Investment corporation bonds maturing within a year									
Consumption tax receivable, etc.						—		801		801	Long-term loans due within a year									
Other						187		200		12	Other accounts payable									
II. Fixed assets						256,713	92.3	280,563	93.2	23,850	Accrued consumption taxes									
1. Property and equipment						246,786	88.8	270,495	89.9	23,709	Other									
Real Estate						7,908		7,947		38	II. Long-term liabilities									
Real Estate in trust						238,867		262,539		23,671	Investment corporation bonds									
Construction in progress						9		9		-0	Long-term loans									
2. Intangible assets						9,107	3.3	9,106	3.0	-0	Security deposits from tenants									
Leasehold rights						1,721		1,721		-	Security deposits from tenants in trust									
Leasehold rights in trust						7,380		7,380		-	Total liabilities									
Other						5		5		-0	147,008						52.9	169,890	56.4	22,881
3. Investments and other assets						820	0.3	961	0.3	141	Unitholders' equity									
Leasehold and security deposits						15		15		-	I. Unitholders' capital									
Long-term prepaid expenses						483		612		128	131,028						47.1	131,085	43.6	57
Other						321		334		12	1. Unitholders' capital									
III. Deferred assets						110	0.0	96	0.0	-14	127,950						46.0	127,950	42.5	-
Deferred investment corporation bond issuance costs						110		96		-14	2. Retained earnings									
											3,077							3,135		57
											Voluntary retained earnings (Reserve for reduction entry)									
											37						0.0	37	0.0	-
											Unappropriated retained earnings									
											3,040						1.1	3,098	1.0	57
Total assets						278,037	100.0	300,976	100.0	22,939	Total unitholders' equity									
											131,028						47.1	131,085	43.6	57
											Total liabilities and unitholders' equity									
											278,037						100.0	300,976	100.0	22,939

* 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)

18th Period (Jun. 2015)	
Classification	Amount
I. Cash flow from operating activities	3,751
Net income before taxes	3,098
Depreciation	1,786
Increase/decrease in consumption tax receivable, etc. and accrued consumption taxes	-1,234
Other	100
II. Cash flow from investing activities	-23,890
Purchase of property and equipment	-25,221
Net payments for security deposits	1,330
III. Cash flow from financing activities	18,452
Proceeds from short-term loans	54,000
Repayment of short-term loans	-24,500
Proceeds from long-term loans	2,000
Repayment of long-term loans	-5,000
Repayment of investment corporation bonds	-5,000
Repayment of issuance of investment units	-6
Distributions to unitholders	-3,041
IV. Net decrease in cash and cash equivalents	-1,686
V. Cash and cash equivalents at beginning of period	20,133
VI. Cash and cash equivalents at end of period	18,447

* Figures less than one million yen are rounded down.

■ Profit Distribution

(Unit: yen)

18th Period (Jun. 2015)	
Classification	Amount
Unappropriated retained earnings at the end of period	3,098,080,863
Distributions	3,097,363,500
(Distributions per investment unit)	(2,554)
Earnings carried over to next period	717,363
Outstanding investment units at the end of period	1,212,750 units

Financial Indicators

(Unit: million yen)

Financial indicators	Unit	14th Period (Jun. 2013)	15th Period (Dec. 2013)	16th Period (Jun. 2014)	17th Period (Dec. 2014)	18th Period (Jun. 2015)	Calculation method
EBITDA (Earnings before interest, tax and depreciation and amortization)	MN yen	4,793	5,090	5,420	5,467	5,657	Income before income taxes + (Interest expense + Interest expense on investment corporation bonds) + Depreciation and amortization
NOI (Net operating income)	MN yen	5,493	5,747	6,160	6,172	6,374	Rental revenue - rental expenses + Depreciation and amortization
FFO (Funds from operation)	MN yen	4,032	4,279	4,635	4,697	4,884	Net income + Depreciation and amortization - Net profit from sale of real estate
FFO per unit*1	yen	3,584	3,804	3,822	3,873	4,027	(Net income + Depreciation and amortization - Net profit from sale of real estate) / Number of outstanding investment units
AFFO (Adjusted funds from operation)	MNyen	3,460	3,504	4,076	4,282	4,093	FFO - Capital expenditures
AFFO Distribution payout ratio	%	79.3	79.2	73.8	71.0	75.7	(Total cash distribution amount ÷ AFFO) × 100
NAV (Net asset value)	MN yen	107,503	109,050	122,288	126,695	131,593	Period end total assets - Period end total liabilities - Period end real estate book value + Period end real estate appraisal value
NAV per unit*1	yen	95,579	96,955	100,835	104,469	108,508	NAV / Number of outstanding investment units
DSCR (Debt service coverage ratio)	times	6.3	6.3	6.9	7.1	7.3	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	1.1	1.1	1.1	1.1	Ordinary income / [(Period beginning total assets + period end total assets) / 2] × 100
(Reference) Annualized with following formula	%	(2.2)	(2.1)	(2.3)	(2.2)	(2.2)	Above x 365 days / Number of operating days
ROE	%	2.3	2.3	2.4	2.3	2.4	Net income / [(Period beginning net assets + period end net assets) / 2] × 100
(Reference) Annualized with following formula	%	(4.7)	(4.6)	(4.8)	(4.6)	(4.8)	Above x 365 days / Number of operating days
Equity to Total Assets	%	46.8	46.8	47.1	47.1	43.6	(Period end net assets / Period end total assets) × 100
LTV (based on period-end total assets)	%	48.7	48.6	48.2	48.2	51.6	(Period end interest-bearing debt / Period end total assets) × 100
LTV (based on period-end valuation gain/loss)	%	51.3	50.9	49.8	48.9	51.5	Period-end interest-bearing debt ÷ (Period-end total assets + Real estate valuation gain/loss) × 100
BPS (Book value per unit)*1	yen	107,297	107,324	108,017	108,042	108,089	Period end net assets / Number of outstanding investment units

*1 A 5-for-1 split of investment units was implemented on January 1, 2014. In consideration of this split, the amount that is a fifth of the figure is indicated for per-unit indicators in 15th period and earlier.

*2 Figures less than the unit are rounded down. Other ratios are rounded to the first decimal place.

Status of Interest-bearing Debt

Balance of Interest-bearing Debt (as of the end of 18th period)

Lender	Interest-bearing debts (million yen)	As a percentage of all borrowings
Mizuho Bank, Ltd.	52,565	40.3%
Mitsubishi UFJ Trust and Banking Corporation	18,315	14.0%
Development Bank of Japan Inc.	14,000	10.7%
Sumitomo Mitsui Banking Corporation	11,160	8.6%
Mizuho Trust & Banking Co., Ltd.	7,807	6.0%
The Norinchukin Bank	7,062	5.4%
The Dai-ichi Life Insurance Company, Limited	6,000	4.6%
Aozora Bank, Ltd.	2,970	2.3%
Resona Bank, Ltd.	2,900	2.2%
Sompo Japan Nipponkoa Insurance Inc.	2,500	1.9%
Sumitomo Mitsui Trust Bank, Limited	1,620	1.2%
Tokio Marine & Nichido Fire Insurance Co., Ltd.	1,500	1.2%
The Bank of Fukuoka, Ltd.	1,000	0.8%
Shinkin Central Bank	1,000	0.8%
Loan Total	130,400	

* Shaded areas refer to sponsor companies.

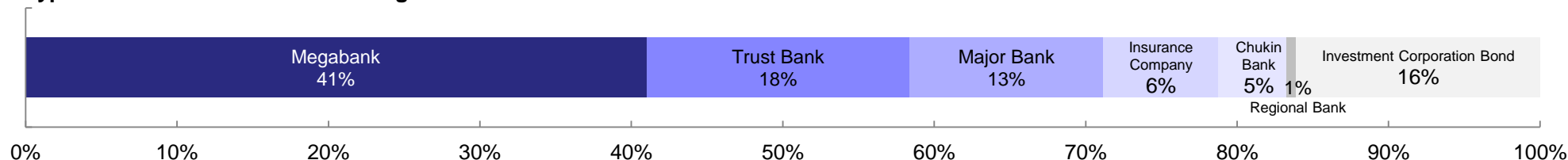
Status of Investment Corporation Bonds (as of the end of 18th period)

Investment Corporation Bond	Balance (million yen)	Period
3rd Series Unsecured Investment Corporation Bond	5,000	5 years
4th Series Unsecured Investment Corporation Bond	2,000	7 years
5th Series Unsecured Investment Corporation Bond	5,000	5 years
6th Series Unsecured Investment Corporation Bond	5,000	5 years
7th Series Unsecured Investment Corporation Bond	8,000	10 years
Investment Corporation Bond Total	25,000	

Status of Commitment Line (as of the end of 18th period)

Lender	Established amount (million yen)	Term
Mizuho Bank, Ltd.	6,000	From January 30, 2015 to January 28, 2016
Mitsubishi UFJ Trust and Banking Corporation	5,000	
Sumitomo Mitsui Banking Corporation	3,000	
Total Commitment Line	14,000	

Types of Lenders of Interest-bearing Debt



Owner Classification	Investment Units				
	17th Period (Dec. 2014)		18th Period (Jun. 2015)		Composition change (%)
	Number of units	Composition (%)	Number of units	Composition (%)	
Financial Institutions and Securities Companies	799,048	65.9	840,898	69.3	3.4 pt
Other Domestic Companies	125,700	10.4	115,816	9.5	-0.9 pt
Foreign Companies, etc.	203,507	16.8	172,588	14.2	-2.6 pt
Individuals	84,495	7.0	83,448	6.9	-0.1 pt
Total	1,212,750	100.0	1,212,750	100.0	-

Unitholders				
17th Period (Dec. 2014)		18th Period (Jun. 2015)		Composition change (%)
Number of unitholders	Composition (%)	Number of unitholders	Composition (%)	
137	1.7	135	1.7	0 pt
174	2.2	166	2.1	-0.1 pt
181	2.3	184	2.3	0 pt
7,425	93.8	7,363	93.8	0 pt
7,917	100.0	7,848	100.0	-

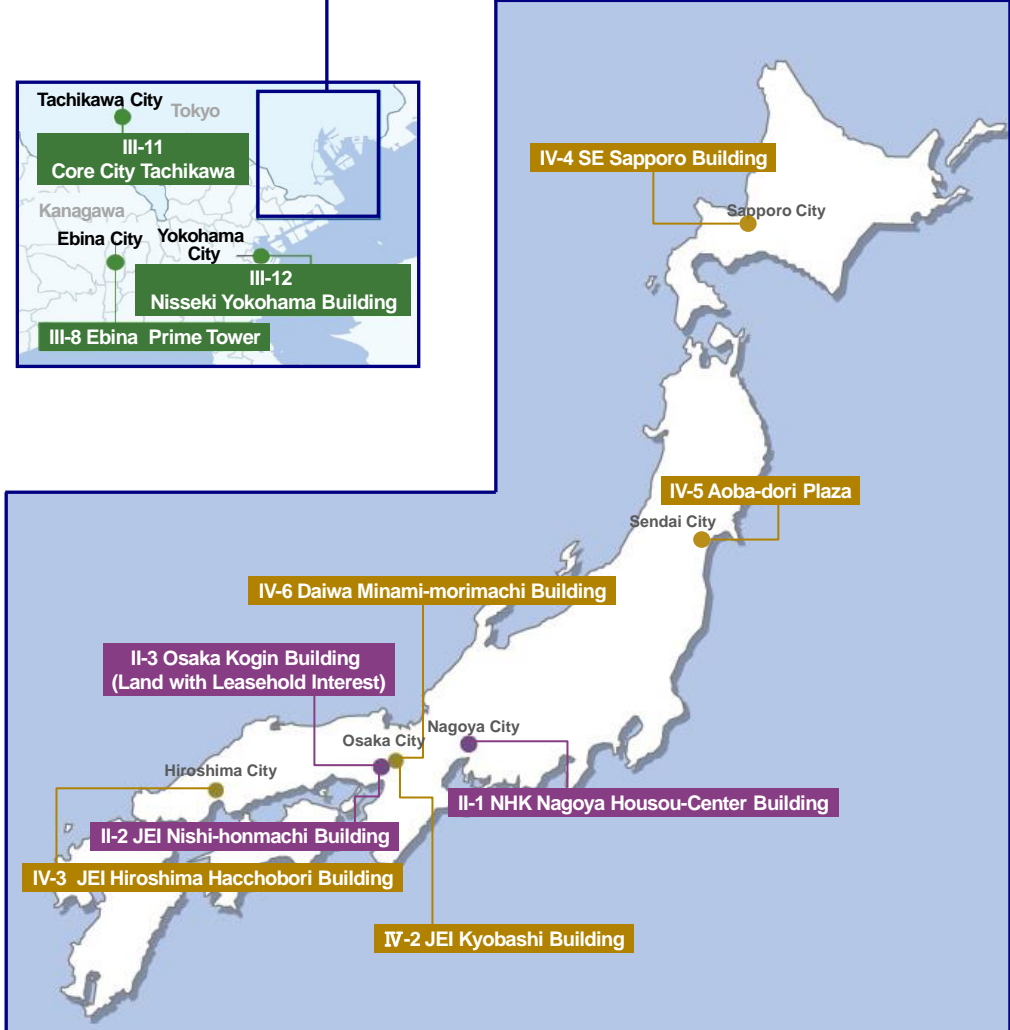
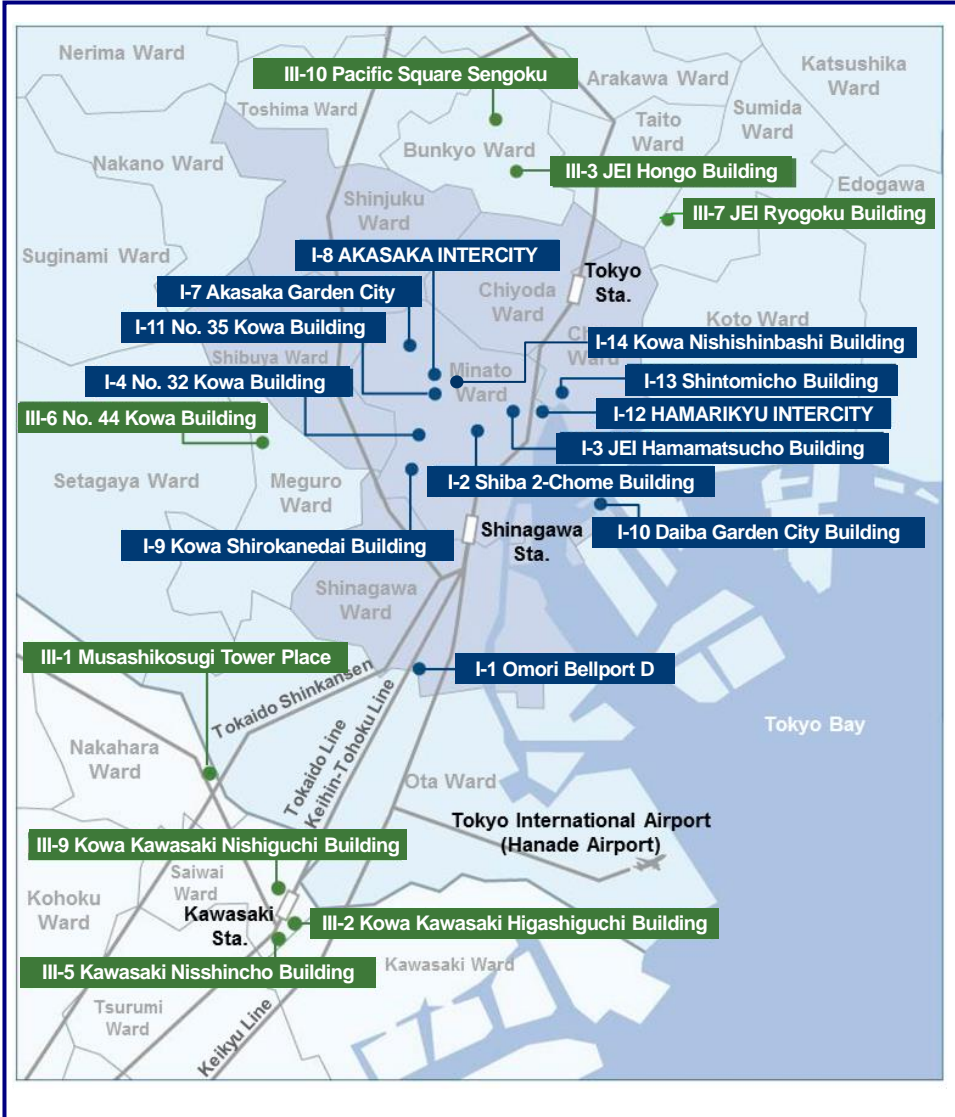
Ratio of investment units held by the 2 core sponsor companies: 7.6%

Rank	Name	Units	Composition ratio (%)
1	Japan Trustee Services Bank, Ltd. (Trust Account)	354,755	29.3
2	Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	87,948	7.3
3	The Master Trust Bank of Japan, Ltd. (Trust Account)	79,848	6.6
4	NIPPON STEEL KOWA REAL ESTATE CO., LTD.	71,560	5.9
5	The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	40,535	3.3
6	The Dai-ichi Life Insurance Company, Limited	20,660	1.7
7	STATE STREET BANK AND TRUST COMPANY 505223	17,564	1.4
8	NOMURA BANK (LUXEMBOURG) S. A.	12,538	1.0
9	RBC ISB A/C DUB Non-Resident – Treaty Rate	12,500	1.0
10	The Fuji Fire and Marine Insurance	12,400	1.0
Total		710,308	58.6

*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-4	I-7	I-8	I-9	I-10	I-11	I-12	I-13	I-14	II-1	II-2	II-3
Type	Office	Office	Office	Office	Office	Office	Office	Office	Office	Other	Office	Office	Office	Office	Office
Name	Omori Bellport D	Shiba 2-Chome Building	JEI Hamamatsucho Building	No. 32 Kowa Building	Akasaka Garden City	AKASAKA INTERCITY	Kowa Shirokanedai Building	Daiba Garden City Building	No. 35 Kowa Building	HAMARIKYU INTERCITY	Shintomicho Building	Kowa Nishishinbashi Building	NHK Nagoya Housou-Center Building	JEI Nishi-Honmachi Building	Osaka Kogin Building (land with leasehold interest)
															
Location	Minami-Oi, Shinagawa Ward, Tokyo	Shiba, Minato Ward, Tokyo	Hamamatsuch o, Minato Ward, Tokyo	Minami-Azabu, Minato Ward, Tokyo	Akasaka, Minato Ward, Tokyo	Akasaka, Minato Ward, Tokyo	Shirokanedai, Minato Ward, Tokyo	Daiba, Minato Ward, Tokyo	Akasaka, Minato Ward, Tokyo	Kaigan, Minato Ward, Tokyo	Irifune, Chuo Ward, Tokyo	Nishishinbashi, Minato Ward, Tokyo	Higashi Ward, Nagoya City, Aichi	Nishi Ward, Osaka City Osaka	Chuo Ward, Osaka City Osaka
Total floor area (㎡)	155,778.75	19,518.15	8,327.53	10,110.96	46,776.76	73,061.33	7,374.74	33,283.49	13,328.53	35,555.87	3,169.78	19,418.17	80,809.95	15,800.31	3,158.45 (site area for land)
Completion date	September 1996	March 1994	December 1991	March 1979	January 2006	January 2005	March 1978	December 2007	January 1980	March 2011	November 1990	July 1996	July 1991	February 1988	-
Acquisition price (MN yen)	22,552	9,450	8,350	7,430	23,300	28,146	4,705	11,000	8,280	19,080	1,750	3,931	5,610	6,673	1,770
Investment ratio (%)	7.8	3.3	2.9	2.6	8.0	9.7	1.6	3.8	2.9	6.6	0.6	1.4	1.9	2.3	0.6
Period-end Occupancy rate (%)	100.0	100.0	100.0	100.0	100.0	100.0	94.7	100.0	100.0	95.2	100.0	100.0	90.4	100.0	100.0
PML (%)	3.61	6.61	4.18	7.62	1.59	2.97	6.95	6.56	8.12	2.60	4.13	3.30	1.44	11.27	-

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

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

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, and is rounded to the first decimal place.

Portfolio Overview (2)

Property Number	III-1	III-2	III-3	III-5	III-6	III-7	III-8	III-9	III-10	III-11	III-12	IV-2	IV-3	IV-4	IV-5	IV-6
Type	Office	Office	Office	Office	Office	Office	Office	Office	Office	Office	Office	Office	Office	Office	Office	Office
Name	Musashikosugi Tower Place	Kowa Kawasaki Higashiguchi Building	JEI Hongo Building	Kawasaki Nisshincho Building	No. 44 Kowa Building	JEI Ryogoku Building	Ebina Prime Tower	Kowa Kawasaki Nishiguchi Building	Pacific Square Sengoku	Core City Tachikawa	Nisseki Yokohama Building	JEI Kyobashi Building	JEI Hiroshima Hacchobori Building	SE Sapporo Building	Aoba-dori Plaza	Daiwa Minami-morimachi Building
																
Location	Nakahara Ward, Kawasaki City, Kanagawa	Kawasaki Ward, Kawasaki City, Kanagawa	Hongo, Bunkyo Ward, Tokyo	Kawasaki Ward, Kawasaki City, Kanagawa	Higashiyama, Meguro Ward, Tokyo	Ryogoku, Sumida Ward, Tokyo	Chuo, Ebina City, Kanagawa	Saiwai Ward, Kawasaki City, Kanagawa	Honkomagome, Bunkyo Ward, Tokyo	Akebonocho, Tachikawa City, Tokyo	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
Total floor area (m ²)	53,711.13	31,009.62	5,877.11	22,141.60	3,359.55	5,820.56	55,806.20	61,856.92	4,017.44	19,099.27	72,116.65	10,021.32	9,919.93	23,644.22	22,737.38	12,759.65
Completion date	July 1995	April 1988	February 1991	April 1992	July 1984	August 1996	May 1995	February 1988	November 1992	December 1994	May 1997	April 1987	February 1999	March 1989	July 1996	January 1990
Acquisition price (MN yen)	13,890	10,976	5,400	4,725	1,150	2,550	6,470	32,000	1,620	6,500	24,500	3,308	2,760	5,500	2,120	4,410
Investment ratio (%)	4.8	3.8	1.9	1.6	0.4	0.9	2.2	11.0	0.6	2.2	8.5	1.1	1.0	1.9	0.7	1.5
Period-end Occupancy rate (%)	100.0	100.0	100.0	100.0	100.0	95.9	98.2	95.6	86.9	100.0	95.9	100.0	98.9	98.5	90.0	100.0
PML (%)	3.19	3.25	6.16	5.86	5.27	5.57	6.53	3.74	4.65	1.92	3.19	7.28	6.66	0.41	1.24	7.83

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

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

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, and is rounded to the first decimal place.