Japan Excellent, Inc.

Japan Excellent, Inc.

Twenty-Sixth Period (ended June 2019)
Presentation Materials

August 20, 2019



(TSE: 8987)

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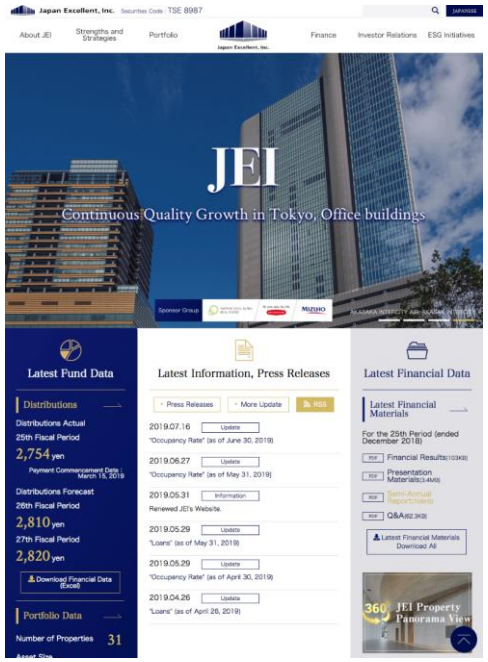
Please visit JEI's revamped website.



(URL) **https://www.excellent-reit.co.jp/en/**

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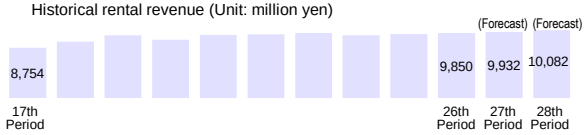
Continuous Quality Growth of Office REIT in Tokyo Metropolitan Area

Japan Excellent, Inc.

Internal Growth

- Maintained high occupancy rates with sponsors' support
  - Average occupancy rate over the past 5 years: **99.0%**
- 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: **78.5%**
  - Percentage of sponsor-related property acquisitions: **95.8%**

Financial Strategy

- Established a solid financial base supported by megabank sponsors
  - Ratings: **AA-** (JCR), **A3** (Moody's)
  - Average remaining period of interest-bearing debt: **89.9%**
  - LTV: **44.2%**

Sponsors	Core sponsor	Core sponsor	Sponsors
The Dai-ichi Building Co., Ltd. **SOHGO HOUSING CO., Ltd.**	**Nippon Steel Kowa Real Estate Co., Ltd.**	**The Dai-ichi Life Insurance Company, Limited**	**Mizuho Bank, Ltd.** **Mizuho Trust & Banking Co., Ltd.**
Leading companies in the PM industry	Major real estate developer closely-related with Mizuho Financial Group	One of the largest owners of office buildings in Japan	Megabank

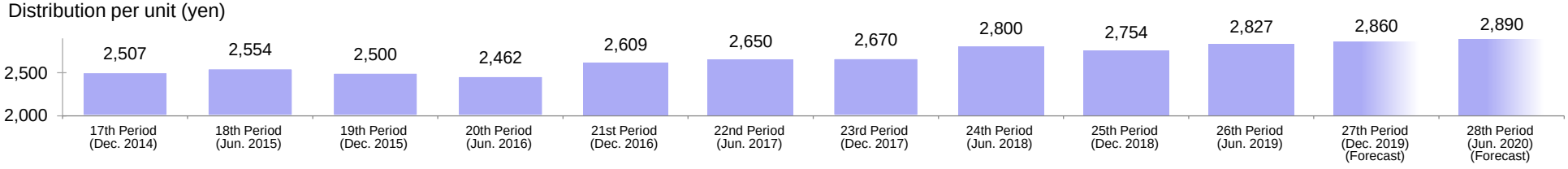
Established a quality portfolio with high growth potential and stability

Centering on office buildings and properties in central Tokyo[*1]

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
32 properties	**279.7 billion yen**	**93.2%**	**71.4%**	**87.0%**	**50.3%**

Stable distribution records

Distribution per unit (yen)



[*1] Figures after the acquisition of BIZCORE AKASAKA-MITSUKE are shown.

[*2] Please refer to notes on p.28 for definitions of the figures above.

I. Financial Results and Performance Forecasts



1. Highlights of the 26th Period (Ended June 2019)

Japan Excellent, Inc.

External Growth

- To acquire BIZCORE AKASAKA-MITSUKE for 6.2 billion yen (planned for October 1)

  First case of acquisition from the BIZCORE series of Nippon Steel Kowa Real Estate Co., Ltd., the core sponsor.
- Continued to discuss asset replacement aiming for improvement in profitability of the portfolio

■ Effect of property acquisition

Profits from operation*1	+98 million yen/period
Average property age*2	-0.5 years

■ Percentage of unrealized gain

Largest ever at	Change from FP25
20.3%	+3.0pt

Internal Growth

- Realized continuous internal growth through upward rent revisions and rent increases during tenant replacements
- With the continued strong needs for floor expansion within the same buildings, establishment of new bases, etc., period-end occupancy rate remained at a higher-than-forecasted level.

■ Status of rent

Ratio of rent revised upward (area basis)	49.7%	Rate of upward rent revision +4.0%
Average rent increases upon tenant replacements	+30.6%	Change from FP25 +13.8pt
Increase in rental revenue for existing properties	+70 million yen	Change from FP25 +0.7%

■ Period-end occupancy rate

99.4% (Change from forecast +0.5pt)

Financial Strategy

- Conducted refinancing to reduce financial costs, lowering borrowing interest rates

■ Period-end average interest rate of interest-bearing debt

0.77% (Change from FP25 -0.02pt)

ESG

- Newly acquired green building certifications for 3 properties
- Assessment rank in green building certification was upgraded for HAMARIKYU INTERCITY with value-added renovations for enhancement of disaster prevention performance and energy-saving performance

■ GRESB Rating (2018)*3

Highest rating 5-Stars (3 consecutive years)

■ MSCI ESG Rating*3

BBB (Upgraded from BB on July 4, 2019)

NAV per Unit

FP25: 144,361 yen

FP26: 150,327 yen

+5,966 yen
(+4.1%)
from FP25

Distribution per Unit

FP25: 2,754 yen

FP26: 2,827 yen

+73 yen
(+2.7%)
from FP25

Change from forecast at beginning of period
+17 yen

*1 The amount of profits increased from property acquisition is 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 of BIZCORE AKASAKA-MITSUKE.

*2 Average property age indicates an expected figure as of October 1, 2019.

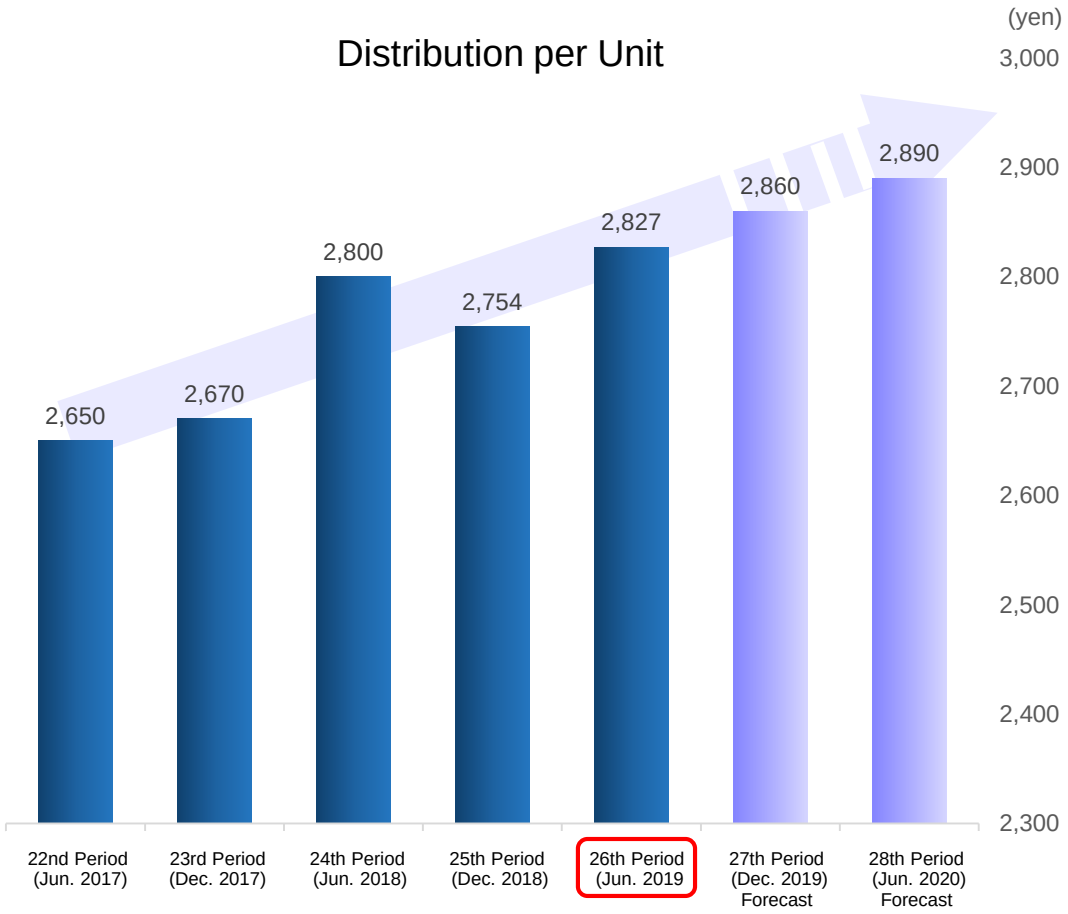
*3 Please see page 34 for details on GRESB Rating and MSCI ESG Rating.

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

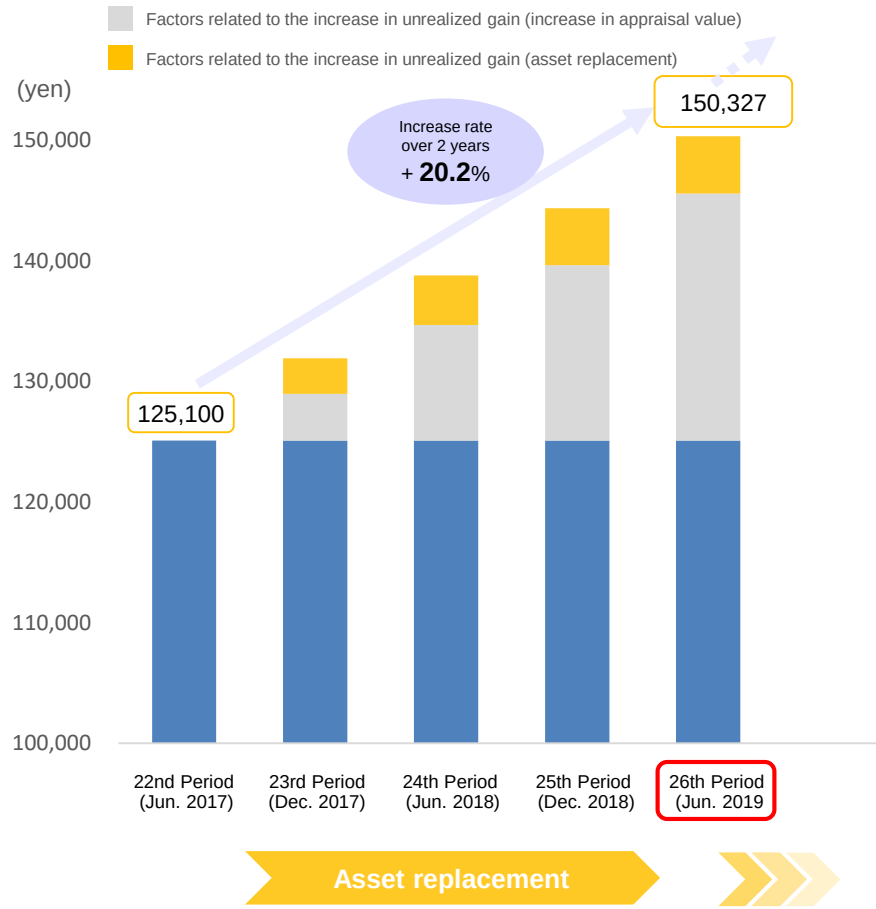
Japan Excellent, Inc.

- Will promote well-balanced external growth, including through asset replacement, against the backdrop of strong internal growth and solid financial strategy, and continue stable growth of distributions.
- NAV per unit also grew significantly due to an increase in unrealized gain accompanying asset replacement in addition to an increase in appraisal value resulting from internal growth and lowering of cap rate.

Distribution per Unit



NAV per Unit



* The increase in unrealized gain is a cumulative total for 22nd Period and after.

3. Financial Results of the 26th Period (Ended June 2019)
(1) Comparison with the Previous Period

Japan Excellent, Inc.

◆ Revenue and profit increased due to the significant increase in rental revenue for existing properties and reduction of financial costs. DPU was 2,827 yen, up 73 yen from the previous period (up 2.7% from the previous period).

(unit: million yen)

	25th Period (Dec. 2018) Result	26th Period (Jun. 2019) Result	Difference
Operating revenue	10,657	10,668	10
Rental revenue	9,779	9,850	70
Revenue for utilities expenses	792	713	-79
Other revenue	85	105	19
Operating expenses	6,373	6,349	-24
Expenses for rental operations	5,780	5,747	-32
Property management expenses	1,358	1,399	41
Utilities expenses	1,029	959	-70
Taxes	894	917	23
Repairs and maintenance	314	285	-29
Other expenses for rental operations	263	250	-12
(NOI)	6,797	6,856	58
Depreciation	1,920	1,935	15
Sales and administrative expenses	592	601	8
Operating income	4,284	4,318	34
Non-operating expenses	688	628	-59
Ordinary income	3,597	3,691	94
Net income	3,596	3,690	94
Total distributions	3,595	3,691	95
Distributions per unit (yen)	2,754	2,827	73
FFO	5,516	5,626	109

Factors	Balance	DPU conversion (yen)
■ Internal Growth (existing properties)	**35**	**27**
Increase in rental revenue	70	53
Decrease in utilities revenue/expenses	-8	-6
Increase in other revenue	19	14
Increase in expenses for rental operators	-37	-29
Increase in property management expenses	-41	
Increase in taxes	-23	
Decrease in repairs and maintenance	29	
Increase in depreciation	-15	
Decrease in other expenses for rental operations	12	
Increase in sales and administrative expenses	-8	-6
■ Finance	**59**	**45**
Decrease in interest expense	28	
Decrease in loan relating fees	21	
Decrease in other non-operating expenses	9	
Total	**95**	**73**

Main causes for change

- Departure and lease-up: 27
- Rent revisions: 39
- Leasing management fee upon renewal: -42
- Expensing of fixed property and city planning tax for a property acquired in the 24th Period (Hiroshima OS Building, Yokohama Bentendori Building) : -7
- Increase due to revaluation of fixed property and city planning tax: -9
- Absence of expenses at Hiroshima OS Building (exterior wall renewal) in the previous period: 59
- Reduction of interest expense by refinancing, etc.: 22
- Absence of loan-related fees in previous period 33

3. Financial Results of the 26th Period (Ended June 2019)
(2) Comparison with the Forecast

Japan Excellent, Inc.

◆ Rental revenue was higher than the forecast against the backdrop of strong needs for floor expansion within the same buildings, establishment of new bases, etc. DPU was 2,827 yen, up 17 yen from the initial forecast.

(unit: million yen)

	26th Period (Jun. 2019) Forecast	26th Period (Jun. 2019) Result	Difference
Operating revenue	10,668	10,668	0
Rental revenue	9,818	9,850	32
Revenue for utilities expenses	758	713	-45
Other revenue	91	105	13
Operating expenses	6,375	6,349	-25
Expenses for rental operations	5,771	5,747	-23
Property management expenses	1,418	1,399	-19
Utilities expenses	984	959	-25
Taxes	929	917	-11
Repairs and maintenance	255	285	29
Other expenses for rental operations	249	250	0
(NOI)	6,830	6,856	25
Depreciation	1,933	1,935	2
Sales and administrative expenses	603	601	-2
Operating income	4,293	4,318	25
Non-operating expenses	623	628	4
Ordinary income	3,670	3,691	21
Net income	3,669	3,690	21
Total distributions	3,669	3,691	22
Distributions per unit (yen)	2,810	2,827	17
FFO	5,602	5,626	24

Factors	Balance	DPU conversion (yen)
■ Internal Growth (existing properties)	**26**	**20**
Increase in rental revenue	32	24
Decrease in utilities revenue/expenses	-19	-15
Increase in other revenue	13	10
Increase in expenses for rental operators	-2	-1
Decrease in property management expenses	19	
Decrease in taxes	11	
Increase in repairs and maintenance	-29	
Increase in depreciation	-2	
Decrease in sales and administrative expenses	2	
■ Finance	**-4**	**-3**
Decrease in interest expense	1	
Increase in loan relating fees	-4	
Total	**22**	**17**

Main causes for change	
Departure and lease-up:	15
Rent revisions:	1

4. Performance Forecasts
(1) 27th Period (Ending December 2019)

Japan Excellent, Inc.

◆ DPU is expected to be 2,860 yen, up 33 yen from the previous period, due to upward rent revisions as well as the scheduled new property acquisition (BIZCORE AKASAKA-MITSUKE).

(unit: million yen)

	26th Period (Jun. 2019) Result	27th Period (Dec. 2019) Forecast	Difference
Operating revenue	10,668	10,834	166
Rental revenue	9,850	9,932	82
Revenue for utilities expenses	713	805	92
Other revenue	105	96	-8
Operating expenses	6,349	6,443	94
Expenses for rental operations	5,747	5,833	85
Property management expenses	1,399	1,422	23
Utilities expenses	959	1,046	87
Taxes	917	952	34
Repairs and maintenance	285	241	-43
Other expenses for rental operations	250	249	0
(NOI)	6,856	6,921	65
Depreciation	1,935	1,920	-15
Sales and administrative expenses	601	610	8
Operating income	4,318	4,390	71
Non-operating expenses	628	655	27
Ordinary income	3,691	3,735	43
Net income	3,690	3,734	43
Total distributions	3,691	3,734	43
Distributions per unit (yen)	2,827	2,860	33
FFO	5,626	5,655	28

Factors	Balance	DPU conversion (yen)
■ External Growth	**29**	**22**
Increase in profit after depreciation of property to be acquired in the 27th Period	29	
■ Internal Growth (existing properties)	**41**	**32**
Increase in rental revenue	35	27
Increase in utilities revenue/expenses	5	4
Decrease in other revenue	-8	-6
Decrease in expenses for rental operators	19	14
Increase in property management expenses	-18	
Increase in taxes	-34	
Decrease in repairs and maintenance	44	
Decrease in depreciation	21	
Decrease in other expenses for rental operations	6	
Increase in sales and administrative expenses	-8	-6
■ Finance	**-27**	**-21**
Increase in interest expense	-14	
Increase in loan relating fees	-8	
Increase in other non-operating expenses	-4	
Total	**43**	**33**

Main causes for change

- BIZCORE AKASAKA-MITSUKE
- Departure and lease-up: 20
  Rent revisions: 59
  Free rent for newly replaced tenants: -45
- New leasing management fee: -16
- Increase due to revaluation of fixed property and city planning tax: -19
  Expensing of fixed property and city planning tax for a property acquired in the 24th Period: -23
  (Hiroshima OS Building, Yokohama Bentendori Building, AKASAKA INTERCITY AIR)
- Increase in interest expense due to new loans

4. Performance Forecasts
(2) 28th Period (Ending June 2020)

Japan Excellent, Inc.

◆ DPU is expected to be 2,890 yen, up 30 yen from the previous period, due to ongoing strong internal growth in addition to full-period contribution of the property to be acquired in the 27th Period

(unit: million yen)

	27th Period (Dec. 2019) Forecast	28th Period (Jun. 2020) Forecast	Difference
Operating revenue	10,834	10,881	47
Rental revenue	9,932	10,082	149
Revenue for utilities expenses	805	713	-92
Other revenue	96	86	-9
Operating expenses	6,443	6,452	8
Expenses for rental operations	5,833	5,849	16
Property management expenses	1,422	1,414	-8
Utilities expenses	1,046	963	-83
Taxes	952	969	16
Repairs and maintenance	241	291	50
Other expenses for rental operations	249	247	-2
(NOI)	6,921	6,995	74
Depreciation	1,920	1,963	43
Sales and administrative expenses	610	602	-7
Operating income	4,390	4,429	38
Non-operating expenses	655	655	0
Ordinary income	3,735	3,774	39
Net income	3,734	3,773	39
Total distributions	3,734	3,773	39
Distributions per unit (yen)	2,860	2,890	30
FFO	5,655	5,737	82

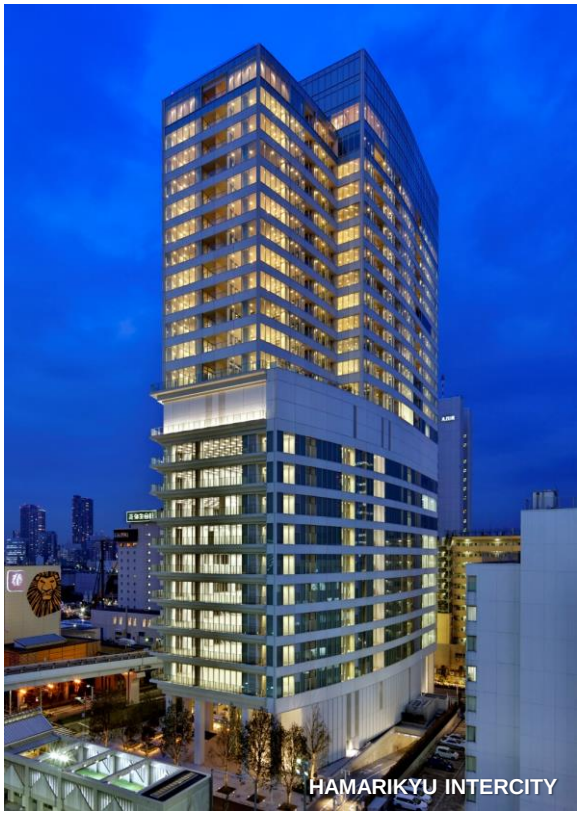
Factors	Balance	DPU conversion (yen)
■ External Growth	**78**	**59**
Increase in profit after depreciation of property to be acquired in the 27th Period	78	
■ Internal Growth (existing properties)	**-39**	**-30**
Increase in rental revenue	51	39
Decrease in utilities revenue/expenses	-8	-6
Decrease in other revenue	-9	-7
Increase in expenses for rental operators	-80	-61
Decrease in property management expenses	14	
Increase in taxes	-6	
Increase in repairs and maintenance	-49	
Increase in depreciation	-36	
Increase in other expenses for rental operations	-1	
Decrease in sales and administrative expenses	7	5
■ Finance	**0**	**0**
Decrease in interest expense	16	
Increase in loan relating fees	-22	
Decrease in other non-operating expenses	5	
Total	**39**	**30**

Main causes for change

BIZCORE AKASAKA-MITSUKE
Full-period contribution

Departure and lease-up: 49
Rent revisions: 45
Rent holiday (rent exemption period) for large tenants: -32

II. Management Status and Policy


HAMARIKYU INTERCITY

1. External Growth
(1) Change in External Growth and Future Strategies

Japan Excellent, Inc.

■ Principles and Strategies of External Growth

[Principle] Aim for "quality growth" that contributes to the growth of distributions per unit and NAV per unit

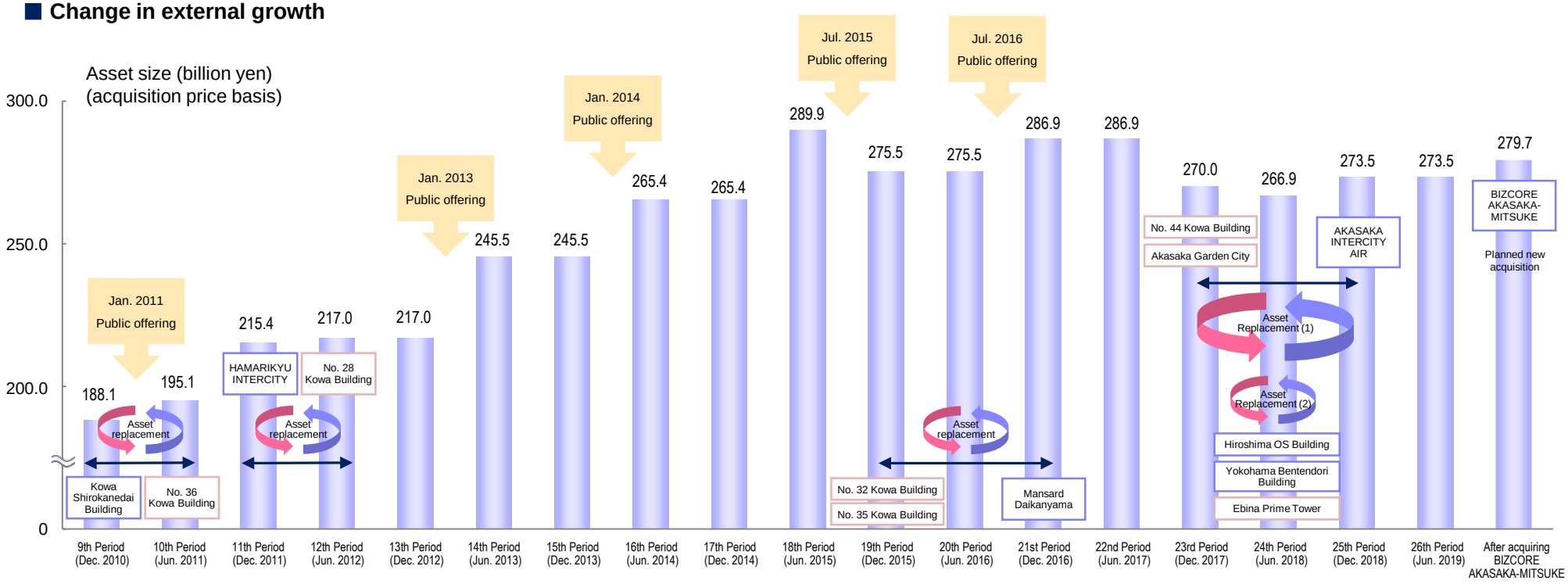
[Result (December 2010 and after)**]**

- Acquired 24 properties・146 billion yen
- Acquisition from sponsor: 63.2 %
- Sold 7 properties・54.3 billion yen as asset replacements

[Future strategies]

- Continue selective investments in view of the current real estate transaction market
- Expand asset size in the medium to long term utilizing sponsor pipeline such as the BIZCORE series
- Proactively promote asset replacements which contribute to improving the portfolio

■ Change in external growth



1. External Growth
(2) Property to Be Acquired in the 27th Period (BIZCORE AKASAKA-MITSUKE)

Japan Excellent, Inc.

◆ Plan to acquire BIZCORE AKASAKA-MITSUKE from the BIZCORE series, which comprises medium-scale high-grade office buildings. It will be the first acquisition of the series which Nippon Steel Kowa Real Estate, the core sponsor, has been developing.

BIZCORE AKASAKA-MITSUKE



Medium-scale high-grade office building with specifications comparable to latest large-scale office buildings

- Highly convenient as it is directly connected to Akasaka-mitsuke Station on the Tokyo Metro Ginza Line and Marunouchi Line
- Has a rooftop garden exclusively for tenants to raise workers' satisfaction and work efficiency

Advanced specifications and a comfortable working environment

- Bright regular-shaped pillarless rental room with a ceiling height of 2,800 mm offering an open feeling
- The first basement is directly connected to Akasaka-mitsuke Station on the Tokyo Metro Ginza Line and Marunouchi Line, and there is an entrance exclusively for those using the building

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

- Disaster supplies lasting three days are stockpiled in a disaster supply storage space exclusively for tenants
- Capable of providing 15VA/m2 for up to 36 hours to exclusive areas with emergency power generators in times of disaster

Location	3-1-2 Akasaka, Minato-ku, Tokyo		
Floors	B1/10F		
Total floor area	3.515.63 m²		
Completion date	March 2019		
Acquisition price	6,200 million yen		
Appraisal value	6,570 million yen		
Planned acquisition date	October 1, 2019		
Seller	Nippon Steel Kowa Real Estate Co., Ltd.		
NOI yield*2	3.6%	Yield after depreciation*	3.2%
Appraisal NOI yield	3.6%		
Occupancy rate	77.8 (expected as of October 1, 2019)		



* 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
(3) BIZCORE Series

Japan Excellent, Inc.

◆ Starting with BIZCORE JIMBOCHO, a total of 3 properties have been completed. Another seven properties are scheduled to be completed going forward.

Concept

Medium-scale high-grade office building with specifications comparable to latest large-scale office buildings

BIZCORE

Background and advantages

- Of medium- to small-scale office buildings in Tokyo, 90% are 20 years old or older and many satisfy only the former quake-resistance standards.
- "Quake-resistance," "disaster prevention" and "BCP" have become a focal point by business operators after the Great East Japan Earthquake.

- Began development of medium-scale office buildings with comfort and high quality by capitalizing on the know-how Nippon Steel Kowa Real Estate gained through development, management and operation of around 80 office buildings mainly in central Tokyo.

- Areas of special focus are Kanda, Shimbashi, Toranomon, Akasaka, etc., which are located in central Tokyo and have many old buildings.
- Provision of remote monitoring and part-time management services in cooperation with large-scale flagship buildings owned/managed by Nippon Steel Kowa Real Estate.

Basic specifications

Disaster prevention/BCP measures

- Disaster supplies lasting three days are stockpiled in a disaster supply storage space exclusively for tenants.
- Ceiling that can withstand 1.25-fold force and is earthquake resistant under the new quake-resistance standards.
- Capable of providing electricity to exclusive areas with emergency power generators in times of disaster.

Comfort

- Bright, pillar-less space with a ceiling height of 2,800 mm offering an open feeling.
- Comfortable environment incorporating individual air-conditioning system, automatic light-dimming system, Low-E glass, etc.

Security

- Multi-layered security system from the main entrance to a room on each floor

Future development

- **Development of 6 properties is planned for 2021** and after in addition to BIZCORE JIMBOCHO, BIZCORE AKASAKA-MITSUKE, BIZCORE TSUKIJI and BIZCORE SHIBUYA.

BIZCORE JIMBOCHO



Completion	November 2017
Transportation	4-minute walk from Jimbocho Station on the Tokyo Metro, etc.
Total floor area	8,932.52 m²
Standard floor area	Approx. 890 m² (Approx. 269 tsubos)

BIZCORE AKASAKA-MITSUKE



Completion	March 2019
Transportation	Directly connected to Akasaka-mitsuke Station on the Tokyo Metro, etc.
Total floor area	3,515.63 m²
Standard floor area	Approx. 265 m² (Approx. 80 tsubos)

BIZCORE TSUKIJI



Completion	July 2019
Transportation	3-minute walk from Tsukiji Station on the Tokyo Metro, etc.
Total floor area	6,757.73 m²
Standard floor area	Approx. 661 m² (Approx. 200 tsubos)

BIZCORE SHIBUYA



Completion	February 2020 (planned)
Transportation	Approx. 4-minute walk from Shibuya Station on the JR Line and other lines, etc.
Total floor area	3,905.17 m²
Standard floor area	Approx. 349 m² (Approx. 105 tsubos)

1. External Growth

(4) Major Development Cases and Portfolio of Sponsor

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 AKASAKA-MITSUKE



Oct. 2018: Acquired 100% (planned)

BIZCORE

Medium-scale high-grade office building
6 properties are under development for 2021 and after

BIZCORE JIMBOCHO
Completed Nov. 2017



BIZCORE AKASAKA-MITSUKE
Completed Mar. 2019



BIZCORE TSUKIJI
Completed Jul. 2019



BIZCORE SHIBUYA
Scheduled for completion in Feb. 2020



Nippon Steel Kowa Real Estate

Resold by eyeing redevelopment



No. 44
Kowa Building



No. 35
Kowa Building



No. 32
Kowa Building



No. 28
Kowa Building



Kowa Nishi-Shimbashi Building
1997



SHINAGAWA INTERCITY
1998



AKASAKA INTERCITY
2005



NAGOYA INTERCITY
2008



Mansard Daikanyama
2009



HAMARIKYU INTERCITY
2011



AKASAKA INTERCITY AIR
2017



Nittetsu Nihonbashi Building
2019



Toranomon 2-Chome Redevelopment
Scheduled for completion in November 2023
Total floor area: Approx. 181,000 m²



MM Block 53 Project (Yokohama Minato Mirai)
Scheduled for completion in November 2023
Total floor area: Approx. 182,000 m²



Art Village Osaki



MEGURO CENTRAL SQUARE
and Brillia Towers Meguro

By your side, for life
DAI-ICHI LIFE

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

1. External Growth
(5) Aim and Effect of Asset Replacement

Japan Excellent, Inc.

◆ Improved portfolio quality and accelerated growth of NAV per unit through asset replacement in the 23rd Period and onward. Will proactively discuss asset replacement going forward.

■ Overview of Asset Replacement

	Acquisition	Transfer
Asset replacement (1)	AKASAKA INTERCITY AIR 	Asset replacement  Akasaka Garden City No. 44 Kowa Building 
Asset replacement (2)	Hiroshima Dai-ichi Seimei OS Building  Yokohama Bentendori Dai-ichi Seimei Building 	Asset replacement Ebina Prime Tower 
Future asset replacement		Asset replacement

<Properties considered for transfer>

Among properties with large unrealized losses, aged properties and such, those of which replacement is likely to contribute to improvement/diversification of the portfolio

Ex.: JEI Nishi-honmachi Building, Kowa Kawasaki Nishiguchi Building, Kowa Shirokanedai Building, etc.

■ Aim and Effect of Asset Replacement

Aim	Effect
• Improve unrealized gain/loss and profitability • Asset recycling with the sponsor • Reduce the average property age	[Increase in unrealized gain] *1 **+6.27** billion yen (Increase in unrealized gain during the period: +25.11 billion yen) [Increase in NAV per unit] *2 **+3.8**% (Increase in NAV per unit during the period: +15.4%)
• Respond to concerns on future decrease in profitability due to changes of the environment in the area where the office is located • Improve unrealized gain/loss and profitability	[NOI yield after depreciation] Average for transferred assets **2.3**% (23rd Period Result) → Average for acquired assets **3.4**% (upon acquisition)

Improvement in unrealized gain/loss

Increase in profitability

Reduction of the average property age

*1 Calculated using unrealized gain/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 gain for the acquired assets as of the end of the 25th Period.

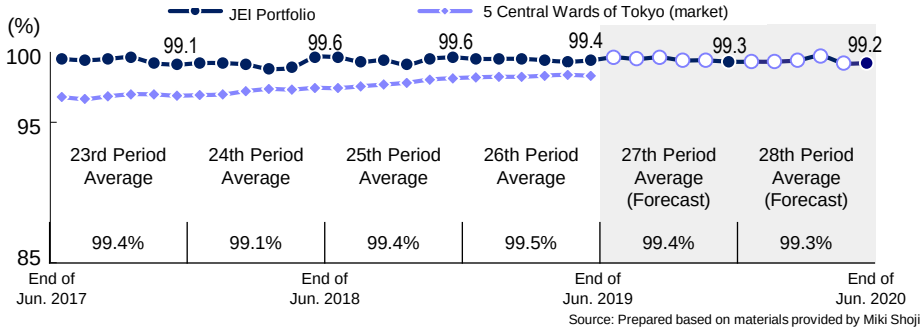
*2 The percentage of increase in NAV per unit presents the comparison with that at the end of the 22nd Period.

2. Internal Growth
(1) Status of Rent ① (Departure and Lease-up)

Japan Excellent, Inc.

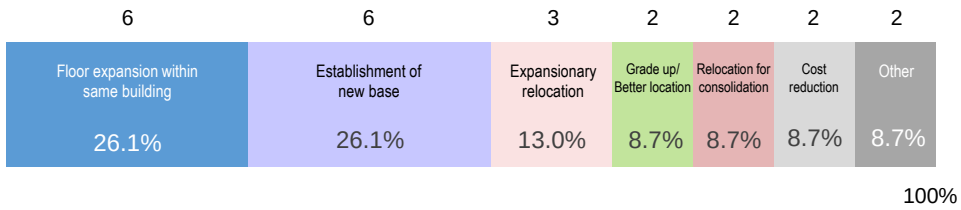
- Occupancy rate remained high at the 99% range. Tenant departure rate remained at a low level of the 1% range.
- With strong needs for floor expansion within the same buildings, establishment of new bases, etc., successfully increased rent for around 90% of new tenants with the rate of increase averaging at 30.6%.

■ Historical Occupancy Rate

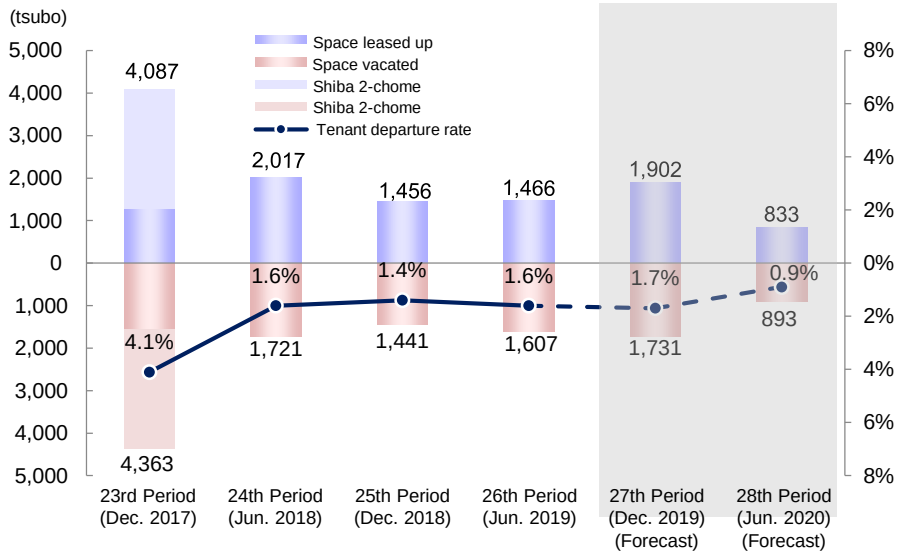


Source: Prepared based on materials provided by Miki Shoji

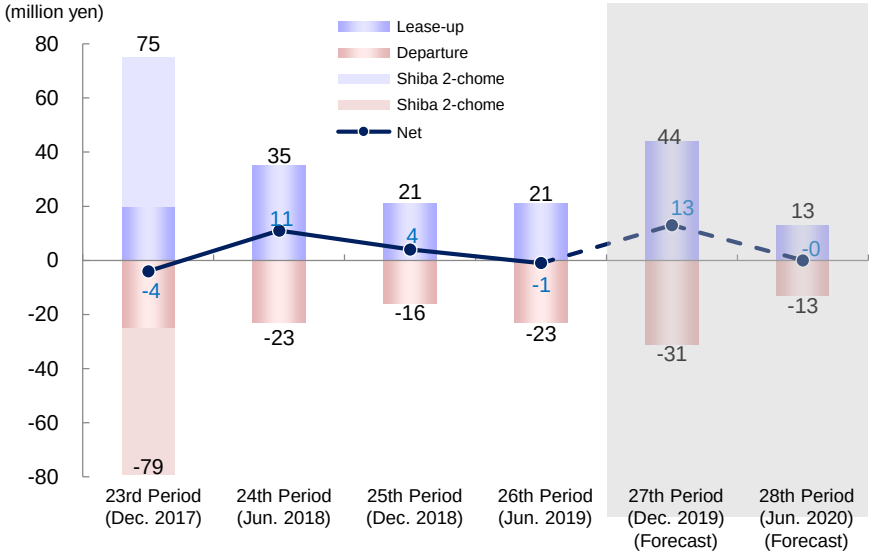
■ Reasons for Lease-up (Actual Reasons for the 26th Period)



■ Tenant Departure Rate and Spaces Leased Up and Vacated*1*2



■ Increase/Decrease of Rent Due to Departure and Lease-up (Based on Monthly Rent)*1



*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 "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.

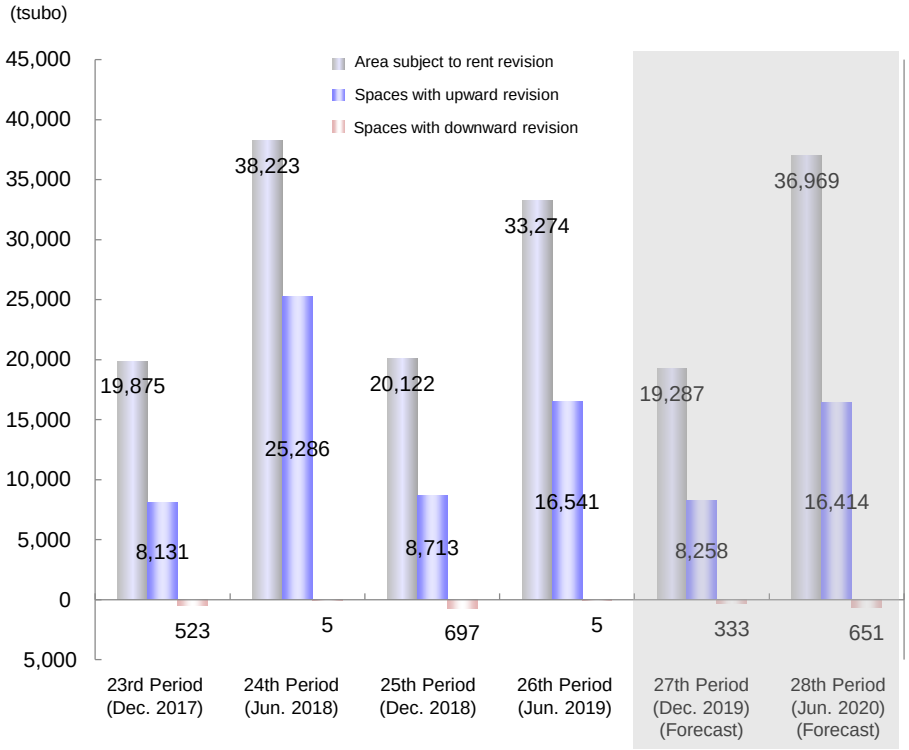
*3 Figures for the 27th and 28th Periods are prepared assuming that BIZCORE AKASAKA-MITSUKE will be included.

2. Internal Growth
(1) Status of Rent ② (Rent revision)

Japan Excellent, Inc.

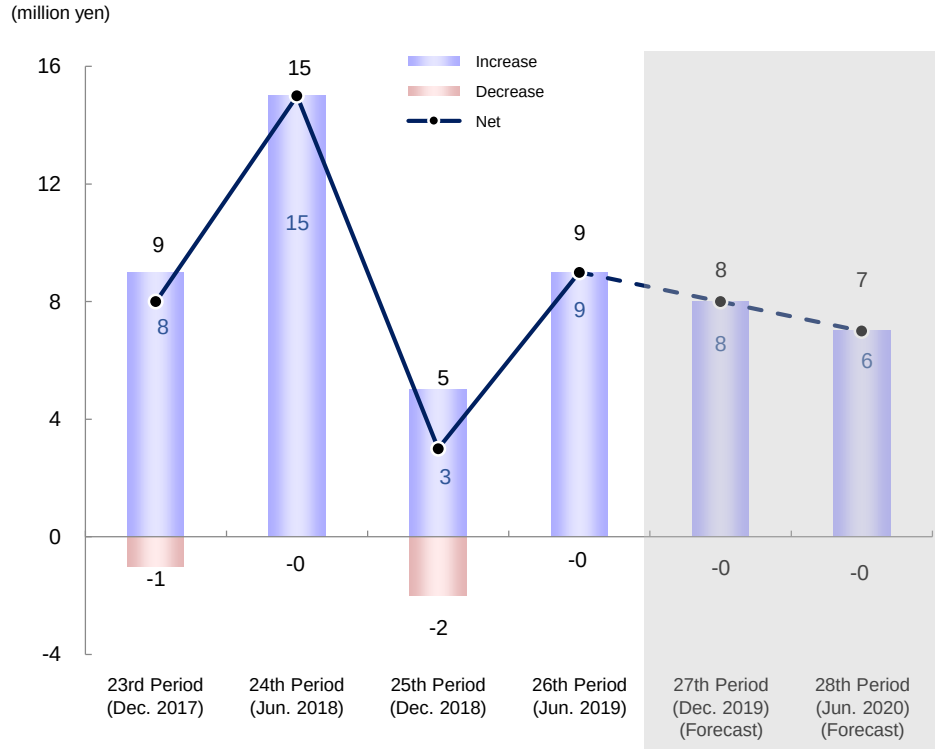
- Increased rent revision trend continued in the 26th Period with an increase of 4.0% in upward revision rate for 49.7% of area subject to revision.
- Despite a decrease in the area subject to revision in the 27th Period, an increase in upward revision rate will offset such and the amount of increase in monthly rent through rent revisions will remain similar to the previous period.

■ Change in Spaces Up for Revision*1



	23rd Period (Dec. 2017)	24th Period (Jun. 2018)	25th Period (Dec. 2018)	26th Period (Jun. 2019)	27th Period (Dec. 2019) (Forecast)	28th Period (Jun. 2020) (Forecast)
Area-based percentage of increase	40.9%	66.2%	43.3%	49.7%	42.8%	44.4%

■ Increase/Decrease in Rent Due to Rent Revisions (Based on Monthly Rent)*1



	23rd Period (Dec. 2017)	24th Period (Jun. 2018)	25th Period (Dec. 2018)	26th Period (Jun. 2019)	27th Period (Dec. 2019) (Forecast)	28th Period (Jun. 2020) (Forecast)
Upward revision rate	9.3%	4.6%	4.5%	4.0%	6.1%	3.1%
Downward revision rate	10.8%	13.6%	15.6%	2.8%	2.4%	6.2%
Rent revision rate*2	2.9%	2.9%	1.0%	2.0%	2.7%	1.2%

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

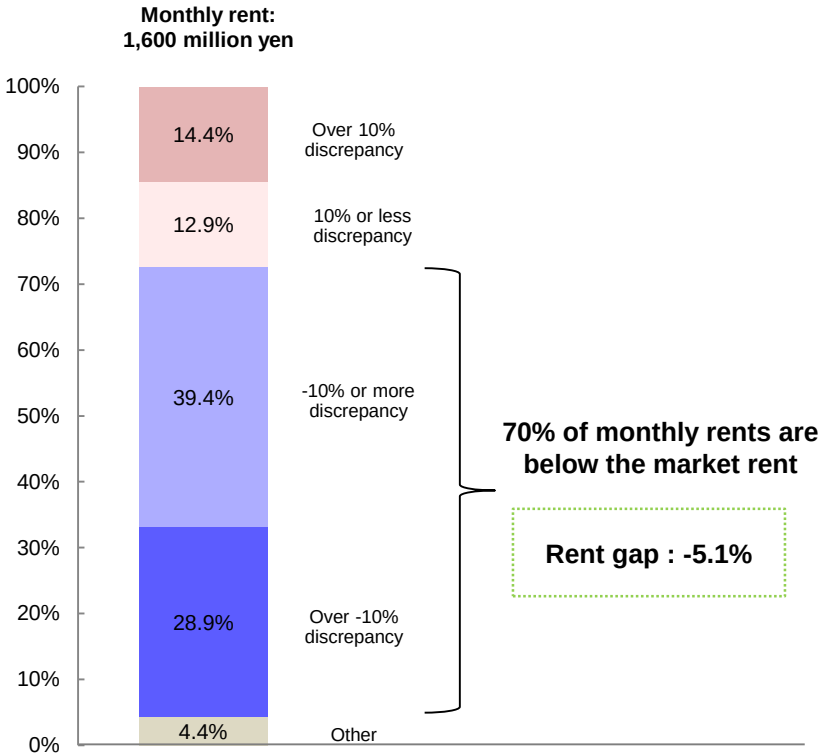
*2 Figures are average rent revision rate including contract renewal at the same rent

2. Internal Growth
(2) Status of Rent Gap

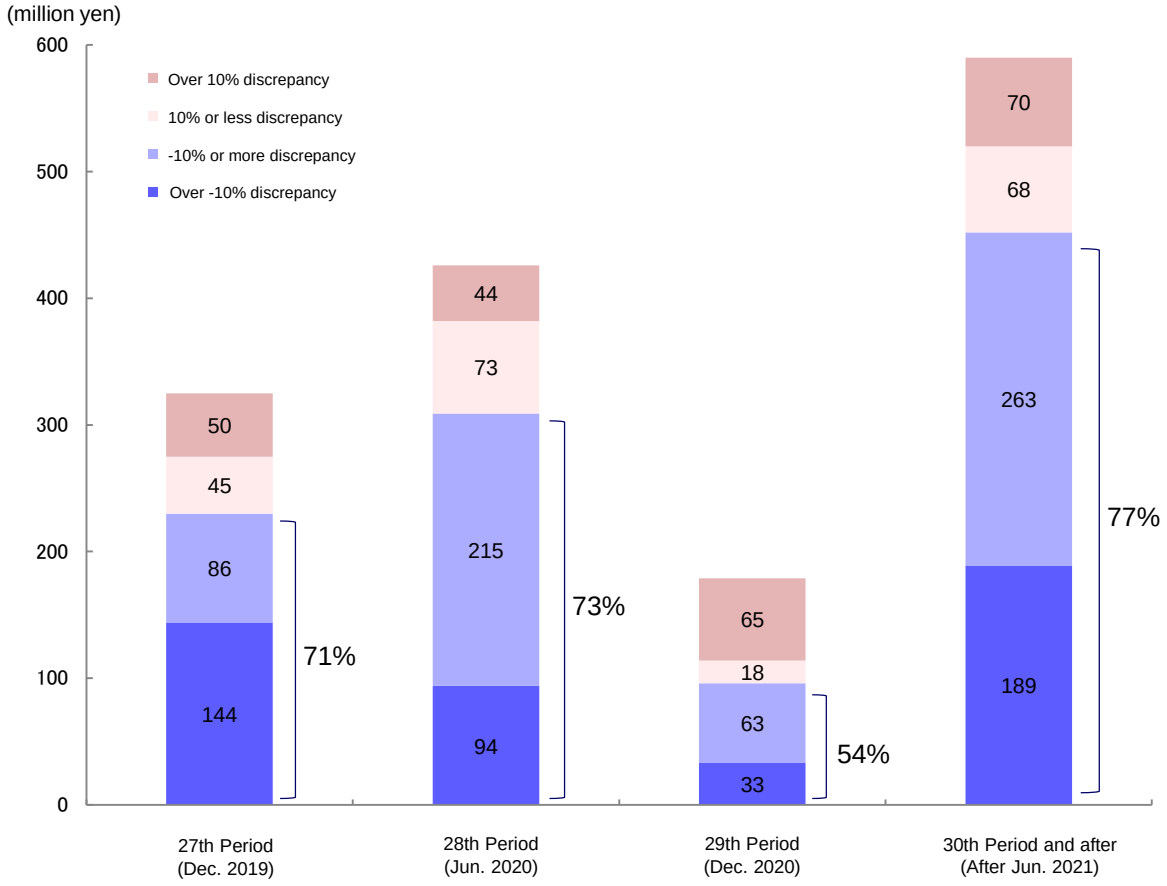
Japan Excellent, Inc.

- Approximately 70% of existing contracts are below the market rent.
- Despite the increase in unit rents (see p. 20), the market rent has risen and the rent gap[*1] has widened from -4.6% to -5.1%.

■ Status of Rent Gap (As of the End of 26th Period)



■ Monthly Rent by Renewal Period



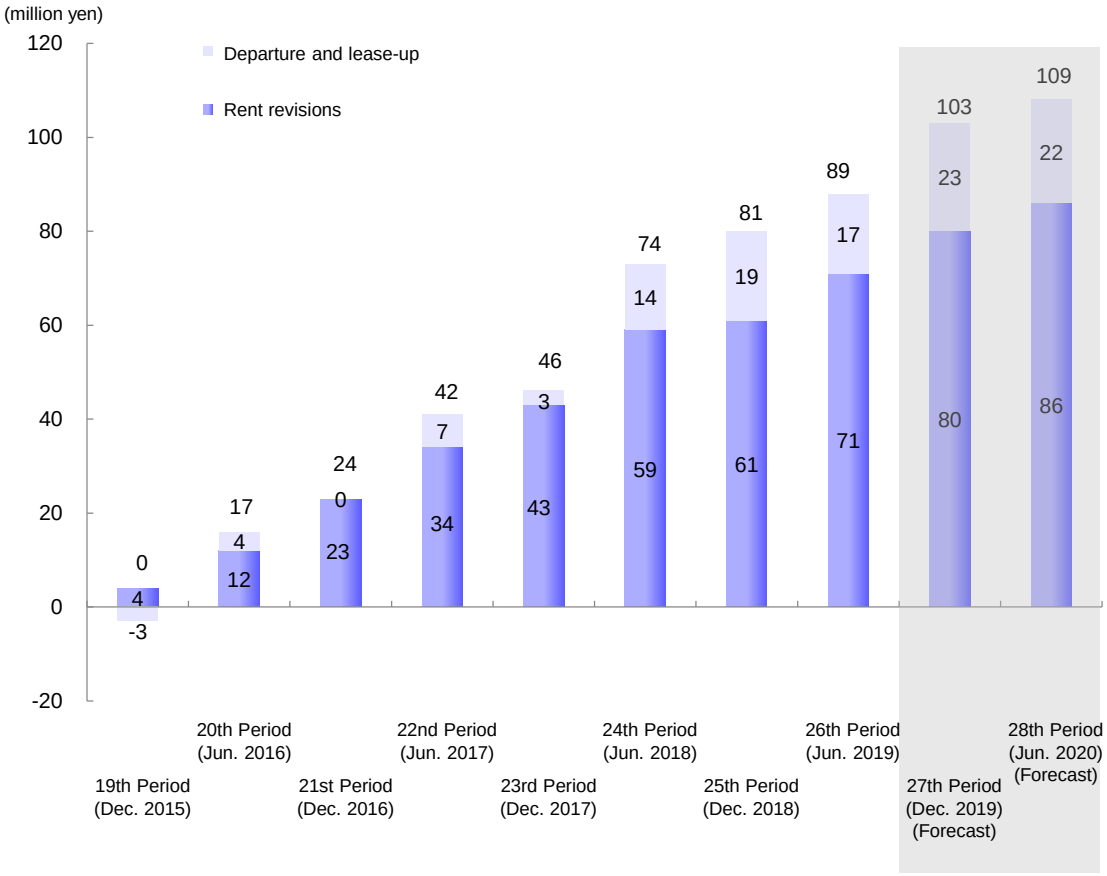
*1 Rent gap is calculated by using average contracted rents and expected contracted rents assessed by the asset management company (market rents). The rent gap calculated based on expected contracted rents assessed by CBRE is -10.6%.

2. Internal Growth
(3) Monthly Rent Increases and Unit Rent Levels

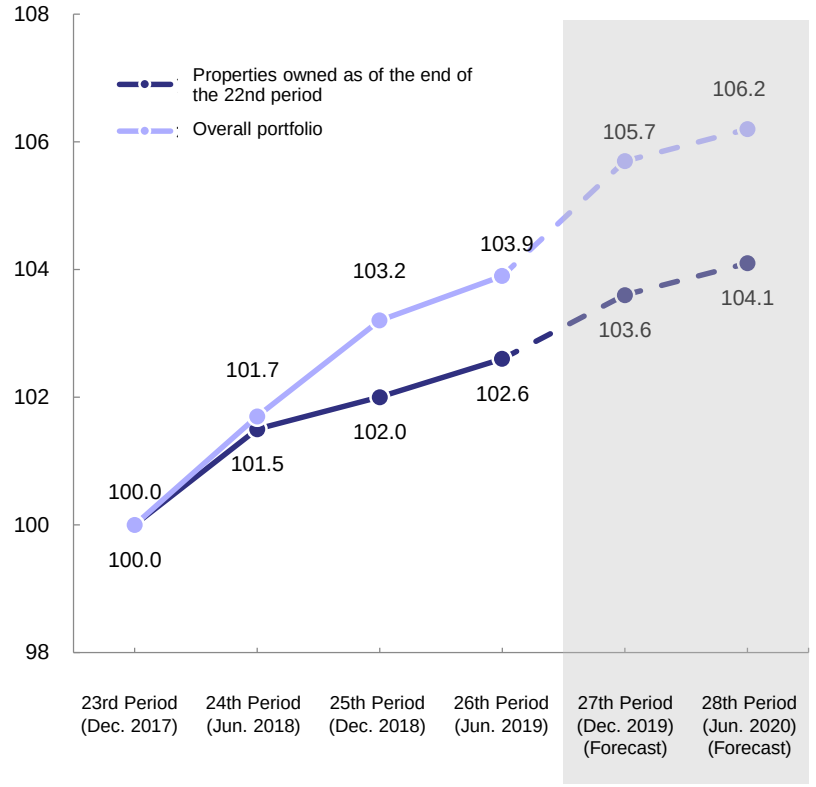
Japan Excellent, Inc.

- With internal growth, monthly rent increased by 89 million yen in total (534 million yen per period) over four years between the 19th Period and the 26th Period.
- Unit rents have steadily increased due to upward rent revision and rent increase upon tenant replacement.

■ Total Monthly Rent Increase Due to Rent Revision As Well As Lease-Ups and Departures (Existing Properties)



■ Historical Rent Levels*1



*1 Indexed with the average unit rent at the end of the 23rd period set as 100.
The average unit rent is weighted average by leased office space.
Properties owned at the end of the 23rd Period are properties continuously owned since the end of the 23rd Period among those owned at the end of the 26th Period.

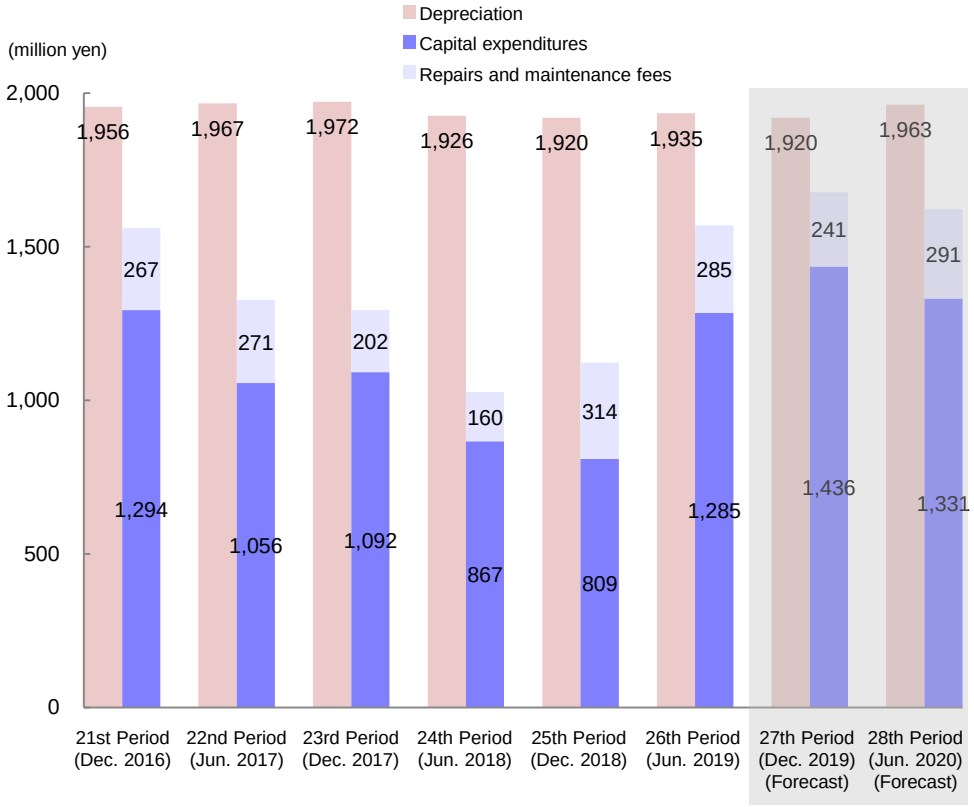
*2 Figures for the 27th and 28th Periods are prepared assuming that BIZCORE AKASAKA-MITSUKE will be included.

2. Internal Growth
(4) Construction Results/Value-Added Renovations

Japan Excellent, Inc.

- Maintained and improved the value of assets by systematically conducting repairs and renewal, upon discerning operation status and competitiveness from a medium- to long-term perspective.
- Improved ESG evaluation due to energy-saving investments and BCP measures (safety/security measures).

History of Capital Expenditures, Repairs and Maintenance Fees, and Depreciation



Main scheduled construction (27th Period, 28th Period)

[Air conditioning renewal]	Kowa Kawasaki Nishiguchi Building, Kowa Kawasaki Higashiguchi Building
[Elevator renewal]	Kowa Kawasaki Nishiguchi Building
[Common-use area renovation]	Hiroshima Dai-ichi Seimei OS Building
[Upgrading heat source equipment]	Omori Bellport D

Case Example of ESG Evaluation Improvement
(HAMARIKYU INTERCITY (Office Portion))

Assessment rank was upgraded as additional measures for enhancement of disaster prevention performance and energy saving were recognized

- Improvement in disaster prevention performance through the installation of an earthquake damage assessment system
- Environmental consideration through the adoption of LED lighting





Earthquake damage assessment system



Conversion to LED lights in common spaces

March 2015

Acquisition of the certification

DBJ Green Building 2016

Properties with excellent environmental & social awareness



Improvement in assessment

April 2019

Assessment rank upgraded upon certification renewal

DBJ Green Building 2018

Properties with exceptionally high environmental & social awareness

Memo

3. Financial Strategy
(1) Performance of Financing Activities

Japan Excellent, Inc.

◆ Extended the average remaining period of interest-bearing debt while reducing interest costs through refinancing of loans.

■ Repayments and Procurements in the 26th Period (Average Procurement Interest and Period)

Procurements		
Amount	Term	Interest rate
8.75 billion yen	5.0 years	0.60%

Procurements		
Amount	Term	Interest rate
8.75 billion yen	3.6 years	0.40%

Difference	
Term	Interest rate
-1.4 years	-0.20%

◇ Loans: 3.75 billion yen, refinanced (Mar. 2019)

Before refinancing	
Term	Interest rate
5.0 years	0.78%

After refinancing	
Term	Interest rate
7.1 years	0.57%

Difference	
Term	Interest rate
+2.1 years	-0.21pt

◇ Investment corporation bonds: 5 billion yen, refinanced (Mar. 2019)

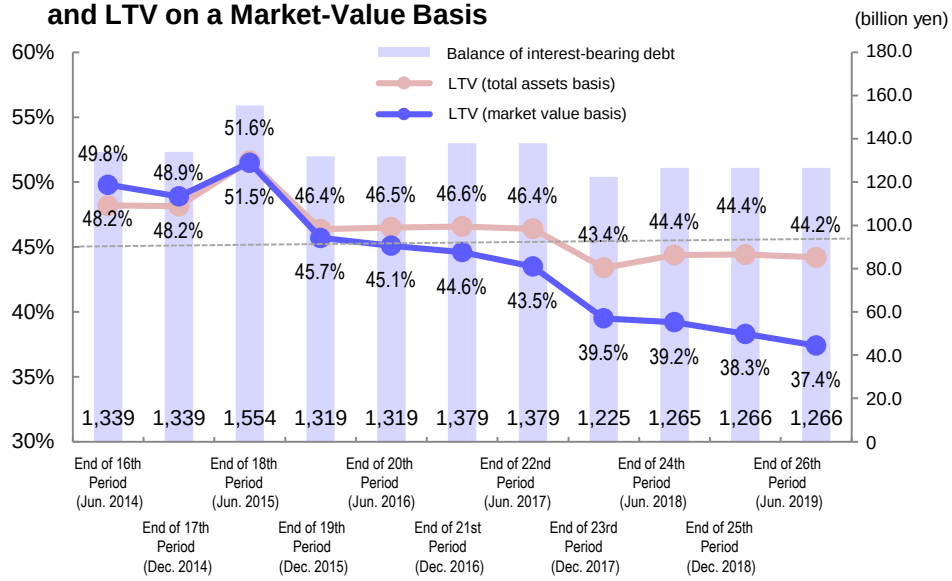
Before refinancing	
Term	Interest rate
5.0 years	0.46%

After refinancing	
Term	Interest rate
1.0 year	0.27%

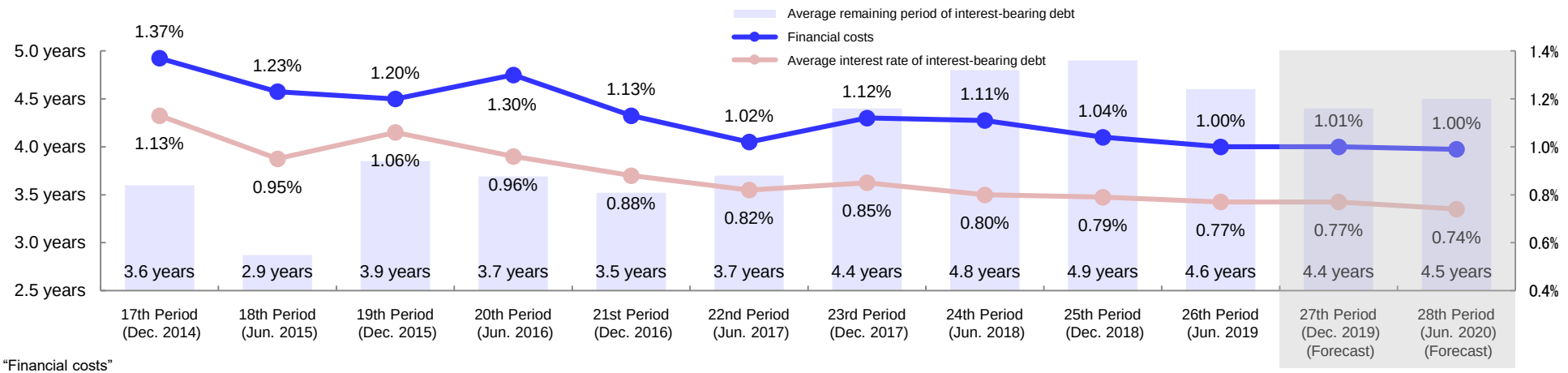
Difference	
Term	Interest rate
-4.0 years	-0.19pt

* Refinanced with short-term loans in order to issue bonds at the optimal timing.

■ Historical Interest-Bearing Debt, LTV on a Total-Assets Basis and LTV on a Market-Value Basis



■ Historical Average Remaining Period of Interest-Bearing Debt, Financial Costs*1, and Average Interest Rate of Interest-Bearing Debt



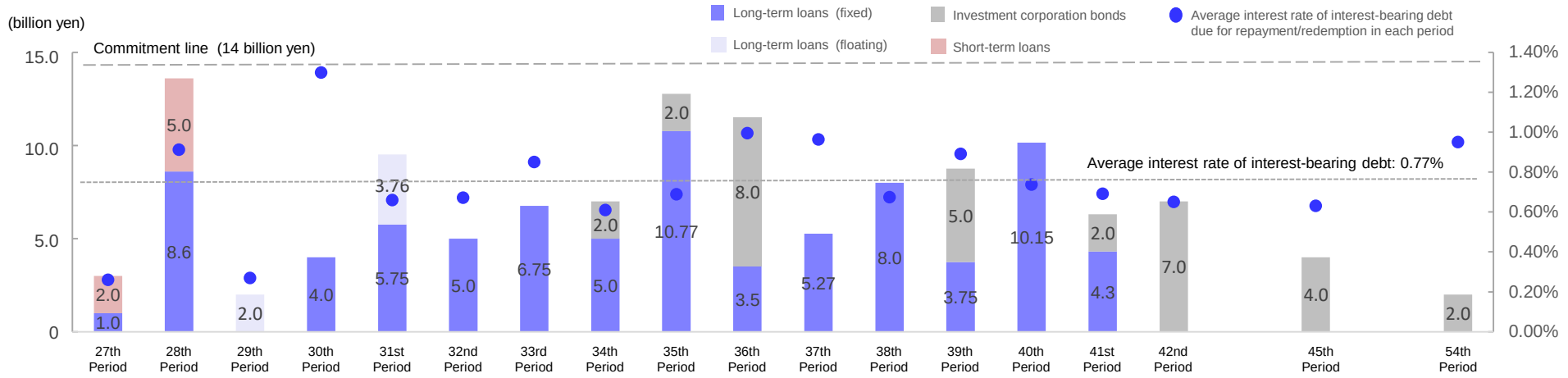
*1 "Financial costs"
=(Interest expense + loan-related fees + interest expense on investment corporation bonds + amortization of investment corporation bond issuance costs) / average remaining interest-bearing debt during the period.

3. Financial Strategy
(2) Status of Financial Management

Japan Excellent, Inc.

◆ Average interest rate of interest-bearing debt still has room for a decline.

■ Repayment Amount in Each Period and Average Interest Rate of Interest-Bearing Debt (As of the End of the 26th Period)



■ Historical Major Financial Data

	22nd end (Jun. 2017)	23rd end (Dec. 2017)	24th end (Jun. 2018)	25th end (Dec. 2018)	26th end (Jun. 2019)	Difference
Balance of interest-bearing debt	137.9 billion yen	122.5 billion yen	126.5 billion yen	126.6 billion yen	126.6 billion yen	-
LTV (total assets basis)	46.4%	43.4%	44.4%	44.4%	44.2%	-0.2pt
LTV (market value basis)	43.5%	39.5%	39.2%	38.3%	37.4%	-0.9pt
Average remaining period of interest-bearing debt	3.7 years	4.4 years	4.8 years	4.9 years	4.6 years	-0.3 years
Financial costs	1.02%	1.12%	1.11%	1.04%	1.00%	-0.04pt
Average interest rate of interest-bearing debt	0.82%	0.85%	0.80%	0.79%	0.77%	-0.02pt
Ratio of fixed interest rate	81.3%	96.2%	96.3%	93.9%	89.9%	-4.0pt

■ Rating

Rating agency	Rating (outlook)
Japan Credit Rating Agency (JCR)	Long-term issuer rating: AA- (stable)
Moody's Japan	Issuer rating: A3 (stable)

III. Features of Japan Excellent Inc.


Omori Bellport D

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

The Dai-ichi Life Insurance Company, Limited

By your side, for life

One of Japan's top-class life insurance companies. As of March 31, 2019, manages 293 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.

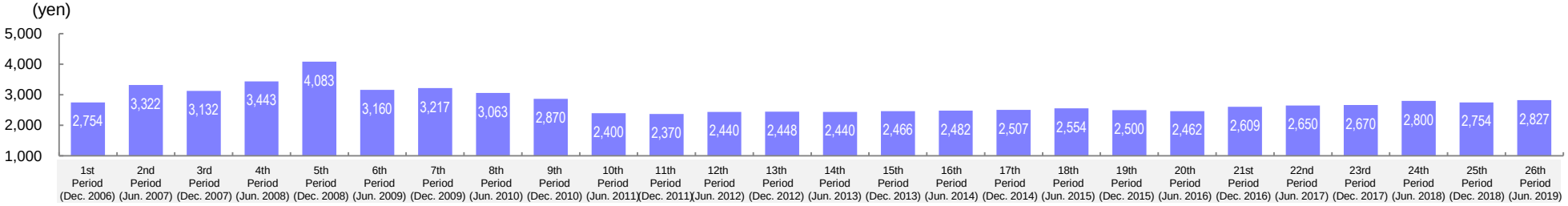
Management

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

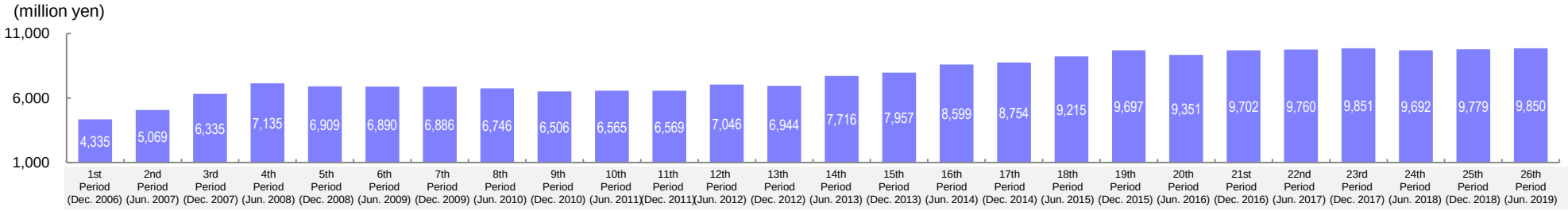
2. Track Record

Japan Excellent, Inc.

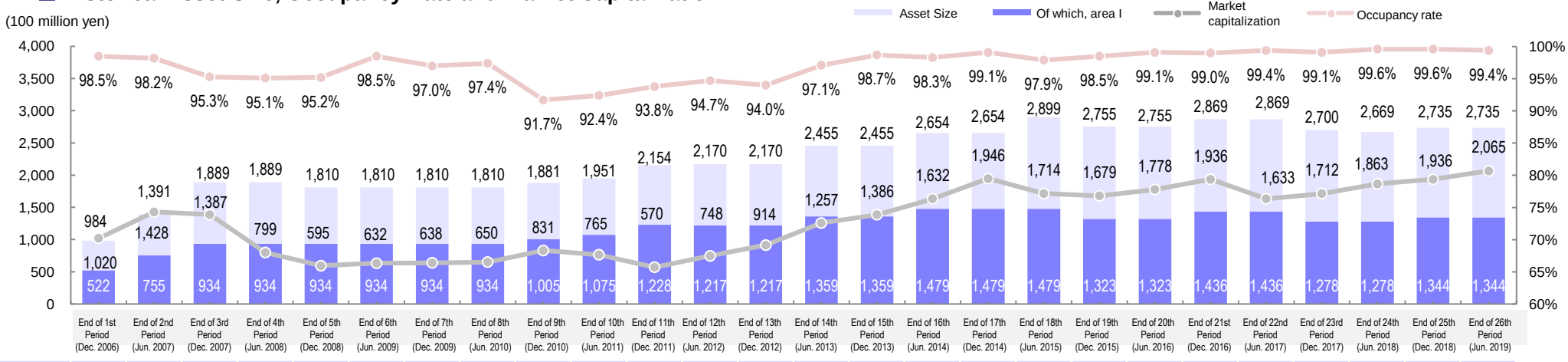
Historical Distributions per Unit*1



Historical Rental Revenue



Historical Asset Size, Occupancy Rate and Market Capitalization*2



No. of properties	14	18	20	20	18	18	18	18	19	19	23	24	24	28	28	30	30	31	30	30	31	31	29	30	31	31

*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.

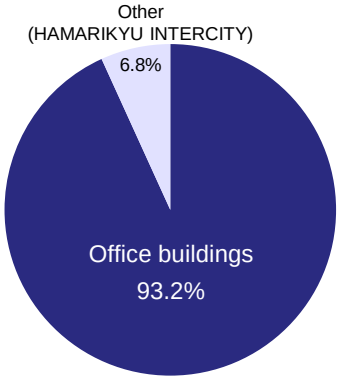
3. Portfolio (1)

Japan Excellent, Inc.

Usage

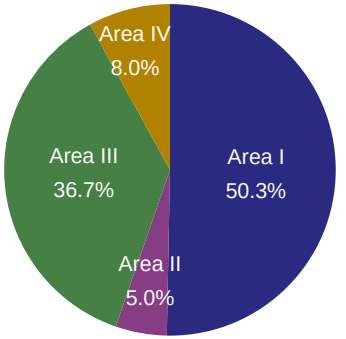
(Investment Policy)

Usage[*1]	Investment ratio in portfolio[*2]
Office buildings	90% or more
Other	10% or less



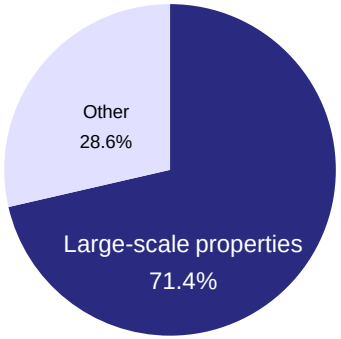
Area

Area	Area I	Area II	Area III	Area IV
Total acquisition price	140.6 billion yen	14.0 billion yen	102.8 billion yen	22.2 billion yen
Number of properties	12 properties	3 properties	10 properties	7 properties

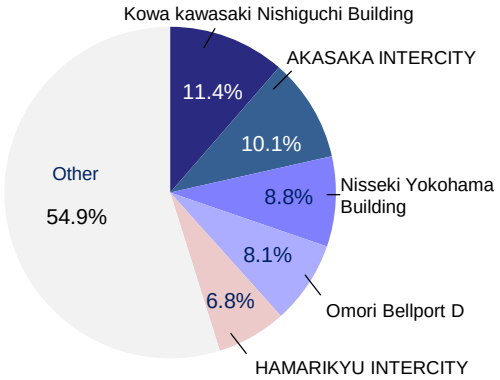


Ratio of investment in the Tokyo[*4] metropolitan area
87.0%

Large-Scale Properties[*3]



Top 5 Properties



Ratio of top 5 properties
45.1%

(Investment Policy)

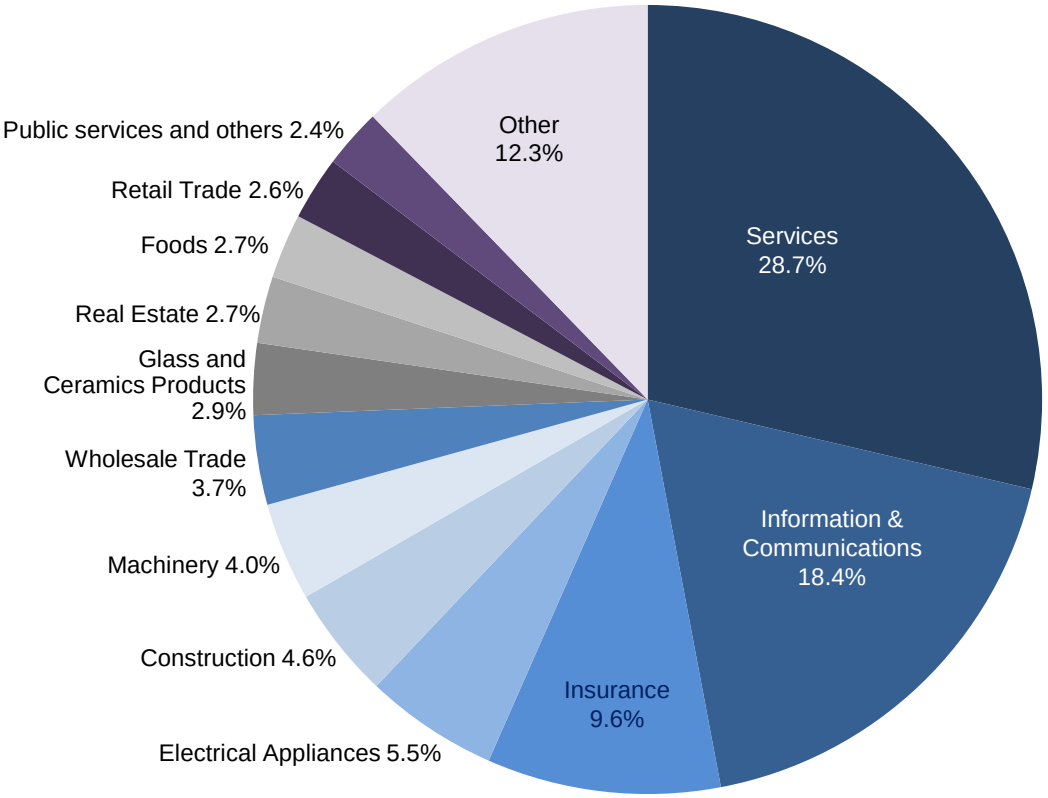
Target investment areas		Investment ratio in portfolio[*2]
Core areas		**80% or more**
Area I	6 central wards of Tokyo (Chiyoda, Chuo, Minato, Shinjuku, Shinagawa and Shibuya)	50% or more of the core areas
Area II	Central Osaka (Umeda, Dojima, Nakanoshima, Yodoyabashi, Honmachi, etc.) Central Nagoya (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

[*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] "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.
[*4] "Tokyo metropolitan area" indicates Tokyo and its surrounding areas (Kanagawa, Saitama and Chiba prefectures) (Area I and Area III).
[*5] The figures above are those after the acquisition of BIZCORE AKASAKA-MITSUKE (scheduled for October 1, 2019). The ratio is rounded to the first decimal place based on the acquisition price.

3. Portfolio (2)

Japan Excellent, Inc.

Type of Industry of Tenants*1



Top 10 Tenants

End tenant name	Property Name	Total space leased (m²)	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	5.4
Hitachi Urban Investment, Ltd.	Omori Bellport D	10,449.47	3.1
	Yokohama Bentendori Dai-ichi Seimei Building		
	JEI Hiroshima Hacchobori Building		
	SE Sapporo Building		
Haseko Corporation	Shiba 2-Chome Building	9,284.18	2.7
*3	*3	8,968.71	2.6
*3	Daiba Garden City Building	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	28.2
Total of portfolio overall		341,742.78	100.0

*1 Asset management company categorized and created the 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 26th period.
*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 26th period.

4. ESG Initiatives (1) Policy/Promotion System

Japan Excellent, Inc.

Sustainability Policy

Japan Excellent, Inc. ("JEI") and Japan Excellent Asset Management Co., Ltd. will work to reduce the environmental burden and to cooperate/collaborate with stakeholders to achieve a sustainable society under the social responsibility of a company, while recognizing the importance of consideration for the environment, society and governance (ESG) in the real estate investment management business.

Reduction of Environmental Burden

Energy Saving and Reduction of CO_2 Emissions

JEI will contribute to energy-saving and reduction of CO_2 emissions by improving operations to increase energy efficiency, promoting introduction of energy-saving equipment, etc. at properties it operates.

Effective Utilization of Resources

JEI will work to contribute to the realization of recycling-oriented society through initiatives for saving water and promotion of the 3Rs (reduce, reuse, recycle) for reducing waste.

Cooperation/Collaboration with Stakeholders

Education/Enlightenment of Employees

JEI will work to cultivate environmentally-conscious employees through education/enlightenment activities such as ESG training in order to promote initiatives for sustainability.

Collaboration with Outside Parties

JEI will work to facilitate exchange with local communities while working on reduction of the environmental burden by collaborating with tenants and property management companies.

Information Disclosure

JEI will proactively disclose information on its sustainability policy and status of such initiatives to unitholders, tenants, business partners and other related parties.

Promotion System

JEI has set up a sustainability council consisting of key members including President and Division Managers, establishing an in-house system for setting goals and monitoring the progress for each quarter.

4. ESG Initiatives (2) Environment

Japan Excellent, Inc.

Basic View

- JEI is convinced that capturing opportunities and possibilities in green buildings with high environmental performance such as energy/water efficiency and promotion of waste reduction will be of medium- to long-term benefit for JEI.

Concrete Initiatives

- JEI regularly collects data on energy consumption, CO_2 emissions, water consumption and amount of waste and continuously monitors them.

- Grey water and rainwater are used for non-potable purposes at 7 properties.

- JEI has issued green bonds with an aim to promote ESG activities as well as expand fund procurement methods through proactive expansion of the investor base in ESG investments.

JEI has obtained a second-party opinion from Sustainalytics, an ESG rating agency.

SUSTAINALYTICS

- At the timing of replacing lightings in common area, where energy and cost savings effects are confirmed, normal lightings are upgraded to LED to reduce energy consumption.

NHK Nagoya Housou-Center Building

Conversion to LED lights at the entrance hall and common spaces on each floor





Conversion to LED lights in restrooms





4. ESG Initiatives (3) Society

Japan Excellent, Inc.

Basic View

- JEI views tenants, property managers, communities where its properties stand, society as whole and employees at JEAM as its important stakeholders.

Concrete Initiatives

Initiative for “Zero Emission Tokyo”

JEI has donated its carbon credits (6,977t) to cooperate with Tokyo Metropolitan Government’s “Zero Emission Tokyo.”

Initiatives for Eradication of Poverty and Hunger

JEI offered the atrium of Omori Bellport as a space for the United Nations refugee support campaign by United Nations refugee support organization.

Contribution to Local Communities

JEI periodically holds concerts in the common spaces of office buildings and supports the activities of communities by helping to hold various events.

“Be My Flower Valentine -Shared Garden of Wind and Green-”





AKASAKA INTERCITY AIR

Concerts



NHK Nagoya Housou-Center Building

Promotion of Exchanges among Office Workers

JEI has set up a co-working space at Musashikosugi Tower Place to support exchange between office workers and work-style reform.



Initiatives for Improving Office Worker Satisfaction

JEI has set up a relaxation space with massage service, etc. at Musashikosugi Tower Place to improve office worker satisfaction.



4. ESG Initiatives (4) Governance

Japan Excellent, Inc.

Same-Boat Investment by the Sponsors

The two core sponsors own 7.1% of JEI's investment units and the interest of unitholders and that of sponsors match

Prevent Conflicts of Interest from Sponsor Formation

Management structure unaffected by a specified sponsor due to mutual supervision of the two core sponsors has been established.

Nippon Steel Kowa Real Estate

By your side, for life
DAI-ICHI LIFE

Management Fee Structure

Management fees linked to revenue are introduced.

	Calculation method
Asset management fees I	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) Fee rates: • 0.25% (Assets under management: Portion up to ¥100 billion) • 0.15% (Assets under management: Portion over ¥100 billion up to ¥200 billion) • 0.05% (Assets under management: Portion over ¥200 billion)
Asset management fees II	(The amount of ordinary income before deducting Management Fee II + the amount of depreciation) x 4.0%

JEI's Board of Directors' Meeting

1 Executive Director
(Also serving as President of the asset management company)

<

3 Supervisory Directors
(Outside directors)

Decision-Making System Requiring Attendance of Compliance Officer (CO) and Outside Experts

Attendance and consensus of CO and outside experts are required for resolution of proposals

Compliance Committee

Involving in decision-making for transactions with related parties of JEI

Attendance of CO is required for resolution of proposals

Investment Committee

Involving in decision-making for asset management, investment and financial matters of JEI

4. ESG Initiatives (5) External Assessment

Japan Excellent, Inc.

GRESB Real Estate Assessment*1

GRESB ★★★★★ 2018

Received the highest rating of "5-Star" in "GRESB Rating," a five-grade evaluation system based on comprehensive scores, for the third consecutive year.

Received "Green Star," the highest rating in the Global Real Estate Sustainability Benchmark (GRESB) Real Estate Assessment conducted in 2018, for the fourth consecutive year.

MSCI ESG Rating

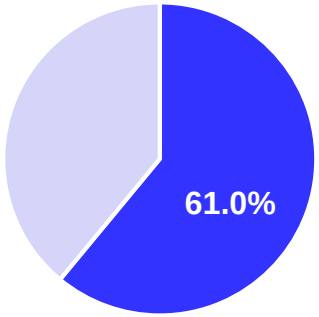
BB ⟶ BBB

(as of July 4, 2019)

MSCI ESG Rating, which is the selection criteria for MSCI Japan ESG Select Leaders Index, was upgraded

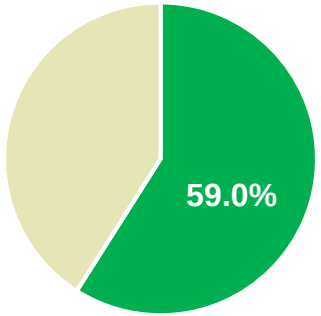
Green Building Certification

DBJ Green Building Certification*2



Rating	Number of properties
★★★★★	3
★★★★	3
★★★	5
★★	1

Eligible Green Projects*3



CASBEE for Market Promotion Certification*4

CASBEE 不動産 2015

Kowa Nishi-shimbashi Building has received Rank A

Office Implementing Excellent Specific Global Warming Countermeasures*5

AKASAKA INTERCITY
(certified as a Semi-Top-Level Office)

*1 "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.

*2 The DBJ Green Building Certification System is a system established by Development Bank of Japan Inc. and is designed to promote 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. The figure in the pie chart indicates the percentage of certified properties based on leasable space. AKASAKA INTERCITY AIR, AKASAKA INTERCITY and HAMARIKYU INTERCITY (residential portion) have received 5-star rating; Nisseki Yokohama Building, Mansard Daikanyama and HAMARIKYU INTERCITY (office portion) have received a 4-star rating; Omori Bellport D, Kowa Nishi-shimbashi Building, Musashikosugi Tower Place, Kowa Kawasaki Higashiguchi Building and Kowa Kawasaki Nishiguchi Building have received a 3-star rating; and Shiba 2-Chome Building has received a 2-star rating (as of June 30, 2019).

*3 Eligible Green Projects are assets that have received one of the following certifications within the previous 2 years as of the payment date upon issuance of green bonds or are scheduled to receive such, 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. The figure in the pie chart indicates the percentage of Eligible Green Projects based on book value.

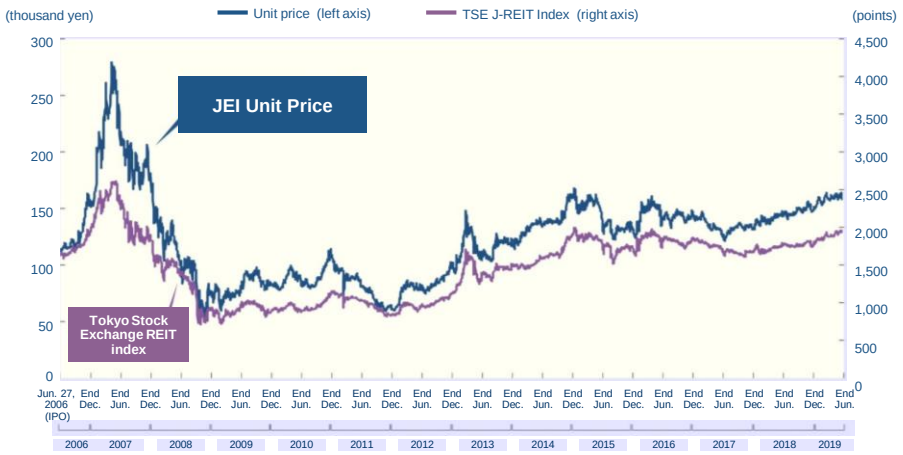
*4 CASBEE Real Estate Certification System is a system established under the leadership of the Ministry of Land, Infrastructure, Transport and Tourism to appropriately identify and evaluate properties with high environmental value that have high environmental performance and are well managed.

*5 The Tokyo metropolitan government certifies offices with particularly advanced global warming countermeasures as "Office Taking Excellent Specific Global Warming Countermeasures".

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

Japan Excellent, Inc.

Unit Price and Tokyo Stock Exchange REIT Index



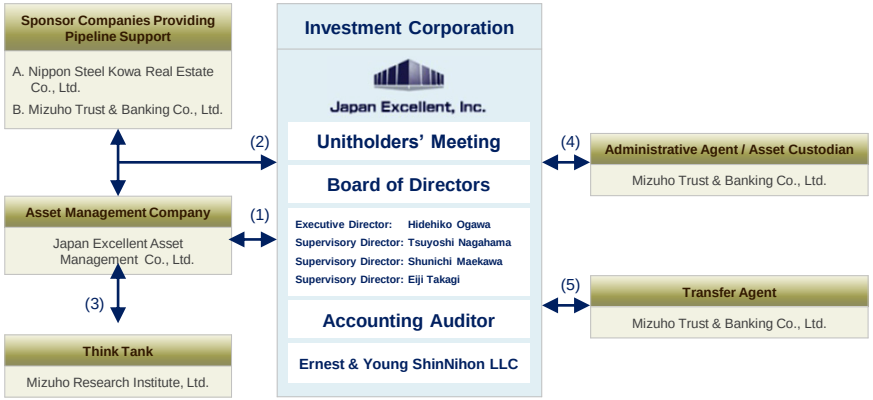
*1 Unit prices for December 25, 2013 and earlier are divided by 5.

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 Kow a 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%
	Mizuho Trust & Banking Co., Ltd.	5.0%
Business Operations	Financial Instrument Dealer	

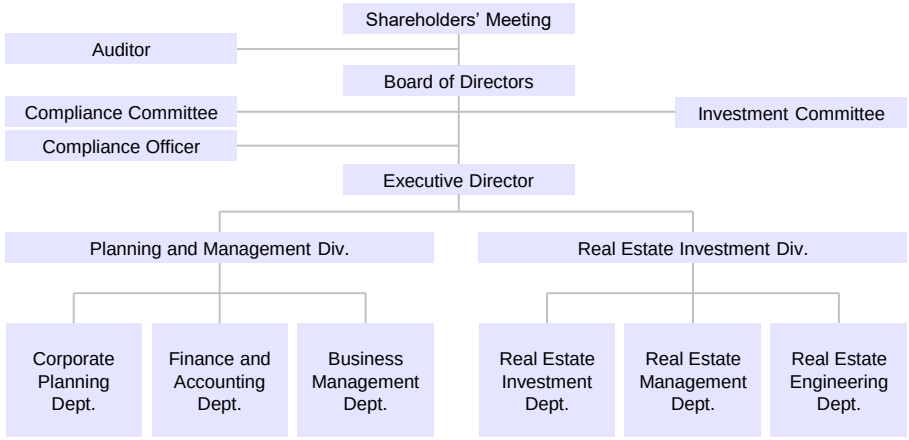
*2 Percentages in the above table are percentages of total outstanding shares.

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



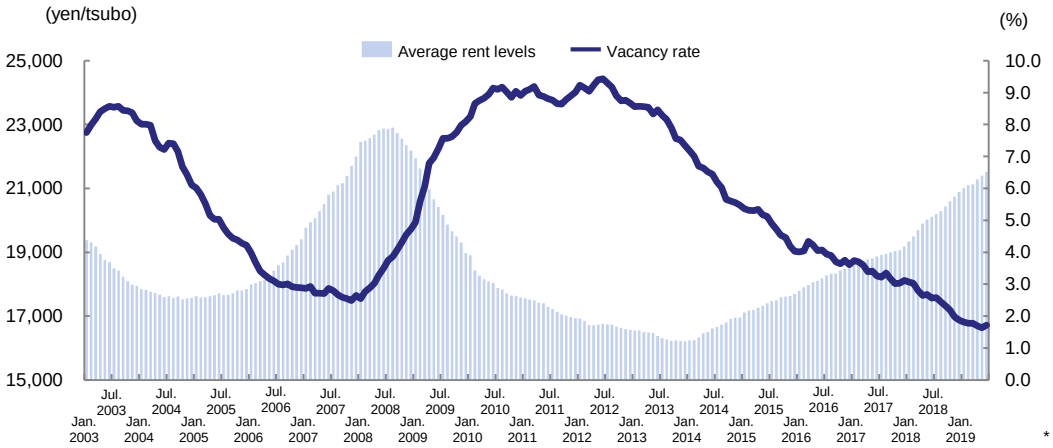
Reference Materials


Nisseki Yokohama Building

Management Discussion of Market Environment

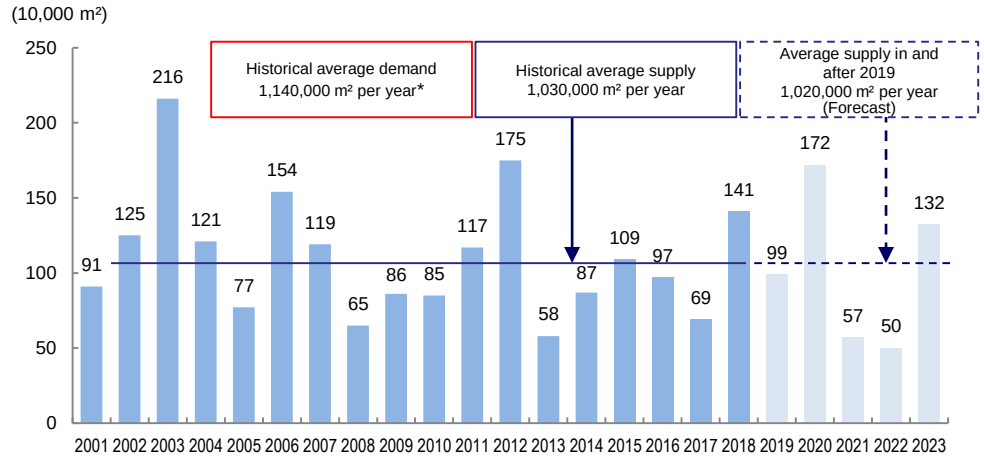
Japan Excellent, Inc.

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



Source: Miki Shoji Co., Ltd.

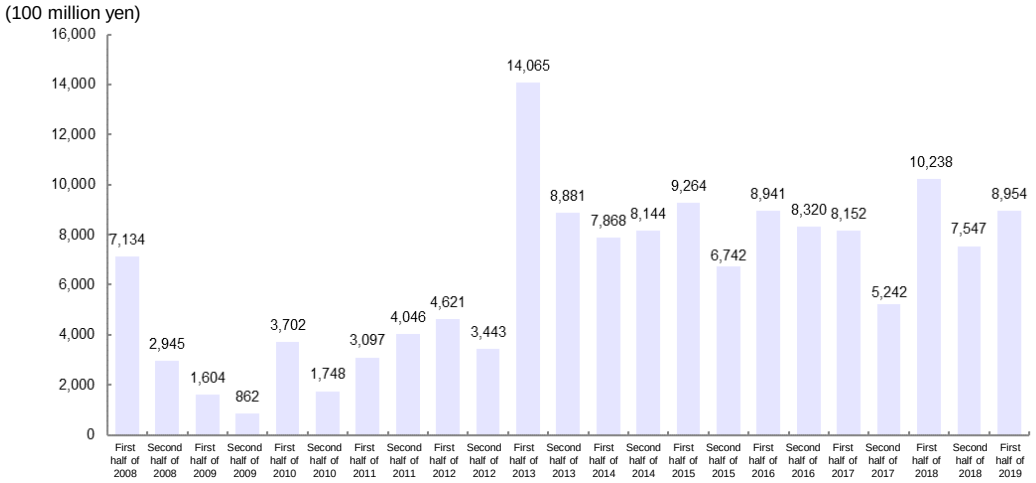
Historical New Office Supply Volume in 23 Wards of Tokyo



* 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) from July 2014 to June 2018.

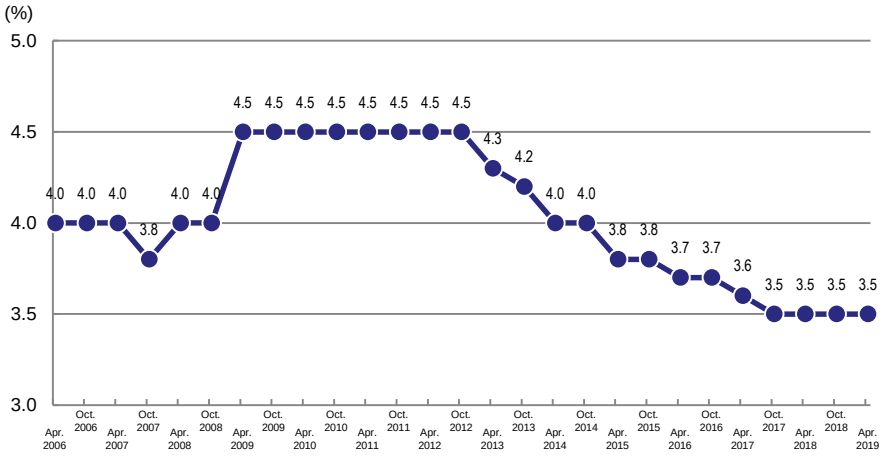
Source: Supply: Mori Building Co., Ltd. Demand: Sanko Estate Co., Ltd.

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

Overview of Period-End Appraisals

Japan Excellent, Inc.

Summary of Period-End Appraisal Value

	25th Period (Dec. 2018)	26th Period (Jun. 2018)	Difference
Number of properties	31 properties	32 properties	0 properties
Period-end appraisal value	303,455 million yen	310,488 million yen	7,033 million yen
Book value	258,689 million yen	258,028 million yen	-661 million yen
Unrealized gain/loss	44,765 million yen	52,459 million yen	7,694 million yen
Ratio of unrealized gain/loss*1	17.3%	20.3%	3.0pts

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

Number of Properties with Increase/Decrease in Appraisal Value*2

	25th Period (Dec. 2018)	26th Period (Jun. 2019)
Increase	26 properties	28 properties
Unchanged	2 properties	2 properties
Decrease	3 properties	1 property

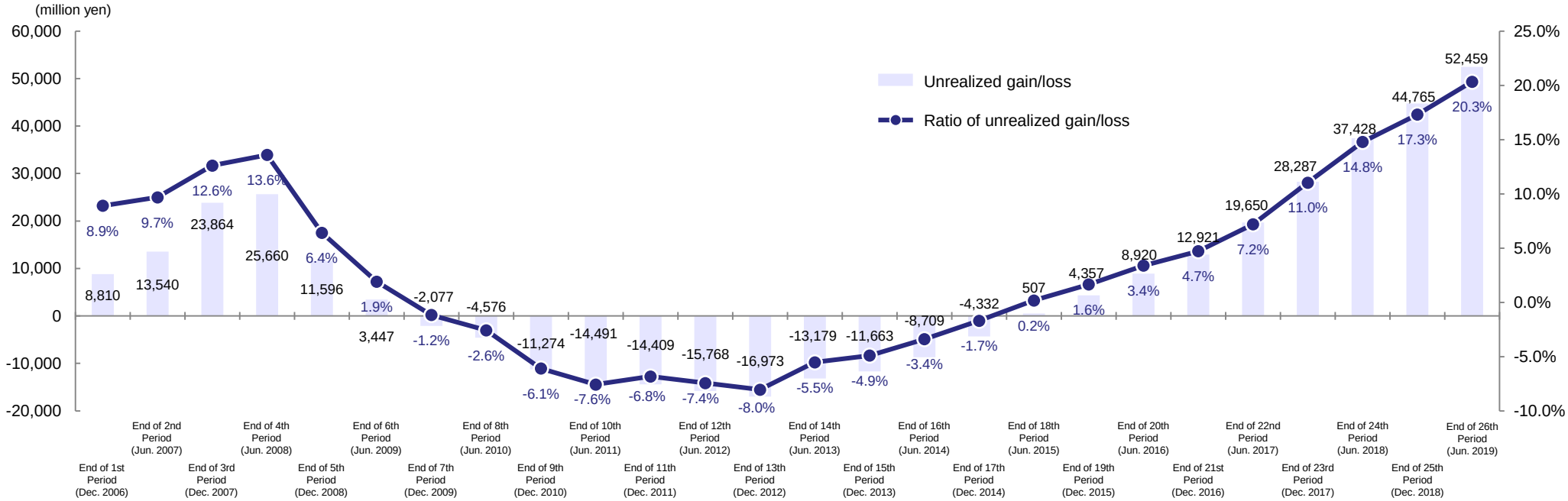
Status of Cap Rate*2*3

	25th Period (Dec. 2018)	26th Period (Jun. 2019)
Decline	19 properties	26 properties
Unchanged	12 properties	5 properties
Rise	0 properties	0 properties

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

*3 As to the cap rate for Shiba 2- Chome Building, comparison is made only for the office portion.

Historical Unrealized Gain/Loss and Ratio of Unrealized Gain/Loss



Period-End Appraisal Value

Japan Excellent, Inc.

(Unit: million yen)

Property Number	Area	Name	Acquisition Price	Period-end Appraisal Value		Difference (②-①)		Book Value at end of FP26 ③	Difference (②-③)		Direct reduction reduced yield		Difference (⑤-④)	Appraisal Organization
				End of FP25 ①	End of FP26 ②		%			%	End of FP25 ④	End of FP26 ⑤	pt	
I-1	I	Omori Bellport D	22,552	**26,500**	26,700	200	0.8%	20,842	**5,857**	28.1%	4.1%	4.0%	-0.0	Chuo Real Estate Appraisal Co., Ltd.
I-2		Shiba 2-Chome Building	9,450	**13,000**	13,200	200	1.5%	9,077	**4,122**	45.4%	Office 3.8% Residence 4.4%	Office 3.7% Residence 4.4%	Office -0.1 Residence 0.0	Japan Real Estate Institute
I-3		JEI Hamamatsucho Building	8,350	**8,070**	8,730	660	8.2%	8,172	**557**	6.8%	3.6%	3.5%	-0.1	Japan Real Estate Institute
I-8		AKASAKA INTERCITY	28,146	**28,400**	29,400	1,000	3.5%	26,908	**2,491**	9.3%	3.1%	3.0%	-0.1	Japan Real Estate Institute
I-9		Kowa Shirokanedai Building	4,705	**5,190**	5,290	100	1.9%	4,705	**584**	12.4%	4.4%	4.3%	-0.1	Japan Real Estate Institute
I-10		Daiba Garden City Building	11,000	**10,500**	10,500	0	0.0%	9,729	**770**	7.9%	4.3%	4.2%	-0.1	Chuo Real Estate Appraisal Co., Ltd.
I-12		HAMARIKYU INTERCITY	19,080	**24,300**	25,200	900	3.7%	17,551	**7,648**	43.6%	3.5%	3.4%	-0.1	Japan Real Estate Institute
I-13		Shintomicho Building	1,750	**2,080**	2,140	60	2.9%	1,749	**390**	22.3%	4.2%	4.1%	-0.1	Chuo Real Estate Appraisal Co., Ltd.
I-14		Kowa Nishi-shimbashi Building	11,431	**12,800**	13,200	400	3.1%	11,016	**2,183**	19.8%	3.3%	3.2%	-0.1	Japan Real Estate Institute
I-15		Mansard Daikanyama	11,420	**13,300**	13,500	200	1.5%	11,304	**2,195**	19.4%	3.2%	3.1%	-0.1	Japan Real Estate Institute
I-16		AKASAKA INTERCITY AIR	6,590	**7,410**	7,680	270	3.6%	6,577	**1,102**	16.8%	3.0%	2.9%	-0.1	Japan Real Estate Institute
II-1	II	NHK Nagoya Housou-Center Building	5,610	**5,980**	6,090	110	1.8%	5,683	**406**	7.1%	4.5%	4.4%	-0.1	Japan Real Estate Institute
II-2		JEI Nishi-honmachi Building	6,673	**5,730**	5,850	120	2.1%	7,031	**-1,181**	-16.8%	4.7%	4.6%	-0.1	DAIWA REAL ESTATE APPRAISAL Corporation
II-3		Osaka Kogin Building (land with leasehold interest)	1,770	**2,330**	2,400	70	3.0%	1,865	**534**	28.6%	3.4%	3.3%	-0.1	Japan Real Estate Institute
III-1	III	Musashikosugi Tower Place	13,890	**21,100**	21,300	200	0.9%	12,599	**8,700**	69.1%	4.2%	4.1%	-0.1	Japan Real Estate Institute
III-2		Kowa Kawasaki Higashiguchi Building	10,976	**9,710**	9,740	30	0.3%	9,322	**417**	4.5%	4.8%	4.8%	0.0	Japan Valuers Co., Ltd.
III-3		JEI Hongo Building	5,400	**4,640**	4,630	-10	-0.2%	5,016	**-386**	-7.7%	4.2%	4.2%	0.0	Japan Valuers Co., Ltd.
III-5		Kawasaki Nisshincho Building	4,725	**4,580**	4,580	0	0.0%	4,246	**333**	7.8%	4.9%	4.9%	0.0	Japan Valuers Co., Ltd.
III-7		JEI Ryogoku Building	2,550	**2,410**	2,470	60	2.5%	2,229	**240**	10.8%	4.6%	4.5%	-0.1	Chuo Real Estate Appraisal Co., Ltd.
III-9		Kowa Kawasaki Nishiguchi Building	32,000	**26,000**	26,100	100	0.4%	29,452	**-3,352**	-11.4%	4.6%	4.6%	0.0	Japan Valuers Co., Ltd.
III-10		Pacific Square Sengoku	1,620	**1,290**	1,380	90	7.0%	1,620	**-240**	-14.8%	4.3%	4.2%	-0.1	Chuo Real Estate Appraisal Co., Ltd.
III-11		Core City Tachikawa	6,500	**8,780**	9,040	260	3.0%	6,148	**2,891**	47.0%	4.3%	4.2%	-0.1	Japan Real Estate Institute
III-12		Nisseki Yokohama Building	24,500	**28,500**	29,200	700	2.5%	23,268	**5,931**	25.5%	3.9%	3.8%	-0.1	Japan Real Estate Institute
III-13		Yokohama Bentendori Dai-ichi Seimei Building	640	**665**	668	3	0.5%	650	**17**	2.6%	4.7%	4.6%	-0.1	Japan Real Estate Institute
IV-2	IV	JEI Kyobashi Building	3,308	**4,260**	4,380	120	2.8%	2,879	**1,500**	52.1%	5.2%	5.1%	-0.1	DAIWA REAL ESTATE APPRAISAL Corporation
IV-3		JEI Hiroshima Hacchobori Building	2,760	**3,560**	3,720	160	4.5%	2,566	**1,153**	44.9%	4.8%	4.7%	-0.1	Japan Real Estate Institute
IV-4		SE Sapporo Building	5,500	**8,250**	8,680	430	5.2%	5,104	**3,575**	70.0%	5.0%	4.9%	-0.1	Chuo Real Estate Appraisal Co., Ltd.
IV-5		Aoba-dori Plaza	2,120	**4,100**	4,430	330	8.0%	2,199	**2,230**	101.4%	4.7%	4.6%	-0.1	Japan Real Estate Institute
IV-6		Daiwa Minamimoricho Building	4,410	**5,170**	5,190	20	0.4%	4,206	**983**	23.4%	4.6%	4.6%	0.0	DAIWA REAL ESTATE APPRAISAL Corporation
IV-7		JEI Naha Building	1,380	**1,780**	1,860	80	4.5%	1,500	**359**	23.9%	5.3%	5.2%	-0.1	Japan Real Estate Institute
IV-8		Hiroshima Dai-ichi Seimei OS Building	2,780	**3,070**	3,240	170	5.5%	2,799	**440**	15.7%	4.8%	4.7%	-0.1	Japan Real Estate Institute
Total			**273,587**	**303,455**	**310,488**	**7,033**	2.3%	258,028	**52,459**	20.3%	4.0%	3.9%	-0.1	-
Area I Total			134,474	**151,550**	**155,540**	3,990	2.6%	127,635	**27,904**	21.9%	3.6%	3.5%	-0.1	-
Area II Total			14,053	**14,040**	**14,340**	300	2.1%	14,580	**-240**	-1.6%	4.4%	4.3%	-0.1	-
Area III Total			102,801	**107,675**	**109,108**	1,433	1.3%	94,555	**14,552**	15.4%	4.3%	4.3%	0.0	-
Area IV Total			22,258	**30,190**	**31,500**	1,310	4.3%	21,256	**10,243**	48.2%	4.9%	4.8%	-0.1	-
Grand Total			**273,587**	**303,455**	**310,488**	**7,033**	2.3%	**258,028**	**52,459**	20.3%	4.0%	3.9%	-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 25th and 26th period based on Japan Excellent's rules and the regulations stipulated by the Investment Trusts Association, Japan.

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

Revenue and Expenses by Property

Japan Excellent, Inc.

(Unit: million yen)

	Area I											Area II			Area III											Area IV							Total
	I-1	I-2	I-3	I-8	I-9	I-10	I-12	I-13	I-14	I-15	I-16	II-1	II-2	II-3	III-1	III-2	III-3	III-5	III-7	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-Chome	Hamamatsu-cho	AKASAKA INTERCITY	Kowa Shirokanedai	Daiba Garden City Bldg.	HAMARIKYU INTERCITY	Shintomi-cho	Kowa Nishi-Shimbashi	Mansard Daikanyama	AKASAKA INTERCITY AIR	NHK Nagoya	Nishi-honmachi	Osaka Kojin Building (land with leasehold interest)	Musashi-Kosugi	Kawasaki Higashi-Guchi	Hongo	Kawasaki Nisshin-cho	Ryogoku	Kawasaki Nishi-Guchi	Sengoku	Core City Tachikawa	Nisseki Yokohama	Yokohama Benten-dori Dai-ichi	Kyobashi	Hiroshima Hacchobori	SE Sapporo	Acoba-dori Plaza	Daiwa Minami-morimachi	Naha	Hiroshima Dai-ichi Seimei OS	
Revenue from operations	923	373	230	594	184	335	722	70	-	315	-	385	217	89	810	-	-	217	112	949	53	322	1,173	42	177	153	403	196	198	82	142	10,668
Rental revenue	868	372	219	551	168	335	671	64	-	293	-	-	196	89	731	-	-	214	101	867	47	311	1,077	37	161	140	317	173	179	71	134	9,850
Other revenue	55	1	11	43	15	0	50	5	-	22	-	-	21	-	78	-	-	2	11	82	5	11	96	5	16	12	85	22	18	10	8	818
Expenses from operations	473	141	111	280	81	133	420	38	-	129	-	245	147	48	388	-	-	125	70	649	34	134	758	26	99	85	228	98	85	68	80	5,747
Property management	147	50	25	32	23	1	119	6	-	28	-	66	32	-	107	-	-	46	20	167	6	31	155	8	16	19	38	34	22	9	18	1,399
Utilities	80	0	11	52	10	-	64	4	-	24	-	32	23	-	76	-	-	-	11	83	5	38	180	5	13	13	76	20	14	7	12	959
Taxes	78	30	18	37	16	36	53	4	-	30	-	25	27	48	67	-	-	18	7	76	6	21	121	1	12	18	23	18	13	4	6	917
Insurance	1	0	0	0	0	0	1	0	-	0	-	0	0	-	1	-	-	0	0	2	0	0	3	0	0	0	0	0	0	0	0	22
Repair and maintenance	8	6	1	3	7	8	20	8	-	4	-	7	3	-	11	-	-	16	10	43	3	2	20	4	14	7	2	2	3	19	4	285
Non-operating expenses	17	1	15	66	2	1	11	1	-	1	-	32	1	0	4	-	-	0	1	7	0	1	14	1	2	1	2	2	0	5	1	228
Depreciation	138	50	37	87	21	85	149	12	30	40	18	80	57	-	118	71	30	42	19	268	11	38	263	4	39	24	83	19	30	21	36	1,935
Profits (loss) from operations	450	231	119	313	102	201	301	31	210	186	117	140	70	40	421	215	81	92	42	300	18	187	415	15	78	68	175	98	112	13	61	4,920
NOI	589	282	157	401	124	286	450	44	240	226	135	220	128	40	540	287	112	134	61	568	29	226	678	20	118	92	259	118	143	34	98	6,856
NOI (Annualized with following formula)	1,188	570	317	809	250	578	908	89	485	457	273	444	259	81	1,089	580	226	271	124	1,147	60	456	1,368	41	238	187	522	238	288	70	198	13,825
Number of 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	181	181	181	181	181	181	
Acquisition price	22,552	9,450	8,350	28,146	4,705	11,000	19,080	1,750	11,431	11,420	6,590	5,610	6,673	1,770	13,890	10,976	5,400	4,725	2,550	32,000	1,620	6,500	24,500	640	3,308	2,760	5,500	2,120	4,410	1,380	2,780	273,587
NOI Yield																																
26th period	5.3%	6.0%	3.8%	2.9%	5.3%	5.3%	4.8%	5.1%	4.2%	4.0%	4.2%	7.9%	3.9%	4.6%	7.8%	5.3%	4.2%	5.8%	4.9%	3.6%	3.7%	7.0%	5.6%	6.5%	7.2%	6.8%	9.5%	11.2%	6.5%	5.1%	7.1%	5.05%
25th period	5.1%	5.9%	3.9%	2.8%	5.2%	5.3%	5.0%	5.8%	4.2%	3.8%	4.2%	7.9%	2.8%	4.5%	7.7%	5.4%	4.0%	6.3%	4.9%	3.6%	4.2%	6.6%	5.3%	7.8%	7.4%	6.6%	9.2%	9.6%	6.5%	4.9%	3.0%	4.93%
Difference (Pt)	0.2	0.1	-0.1	0.1	0.1	0.0	-0.2	-0.7	0.0	0.2	0.0	0.0	1.1	0.1	0.1	-0.1	0.2	-0.5	0.0	0.0	-0.5	0.4	0.3	-1.3	-0.2	0.2	0.3	1.6	0.0	0.2	4.1	0.12
NOI Yield after Depreciation																																
26th period	4.0%	5.0%	2.9%	2.2%	4.4%	3.7%	3.2%	3.7%	3.7%	3.3%	3.6%	5.0%	2.1%	4.6%	6.1%	4.0%	3.0%	3.9%	3.3%	1.9%	2.3%	5.8%	3.4%	5.0%	4.8%	5.0%	6.4%	9.4%	5.2%	2.0%	4.5%	3.63%
25th period	3.9%	4.8%	3.0%	2.2%	4.3%	3.8%	3.5%	4.4%	3.7%	3.1%	3.6%	5.2%	1.1%	4.5%	6.1%	4.0%	2.9%	4.6%	3.4%	2.0%	2.8%	5.5%	3.2%	6.3%	5.0%	4.8%	6.2%	7.8%	5.1%	1.8%	0.4%	3.54%
Difference (Pt)	0.1	0.2	-0.1	0.0	0.1	-0.1	-0.3	-0.7	0.0	0.2	0.0	-0.2	1.0	0.1	0.0	0.0	0.1	-0.7	-0.1	-0.1	-0.5	0.3	0.2	-1.3	-0.2	0.2	0.2	1.6	0.1	0.2	4.1	0.09

*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 revenue and expenses for AKASAKA INTERCITY AIR are not disclosed because we have not received consent from the co-owner.
*6 Details concerning rental revenue for NHK Nagoya are not disclosed because we have not received consent from the business partner.

Breakdown by Area

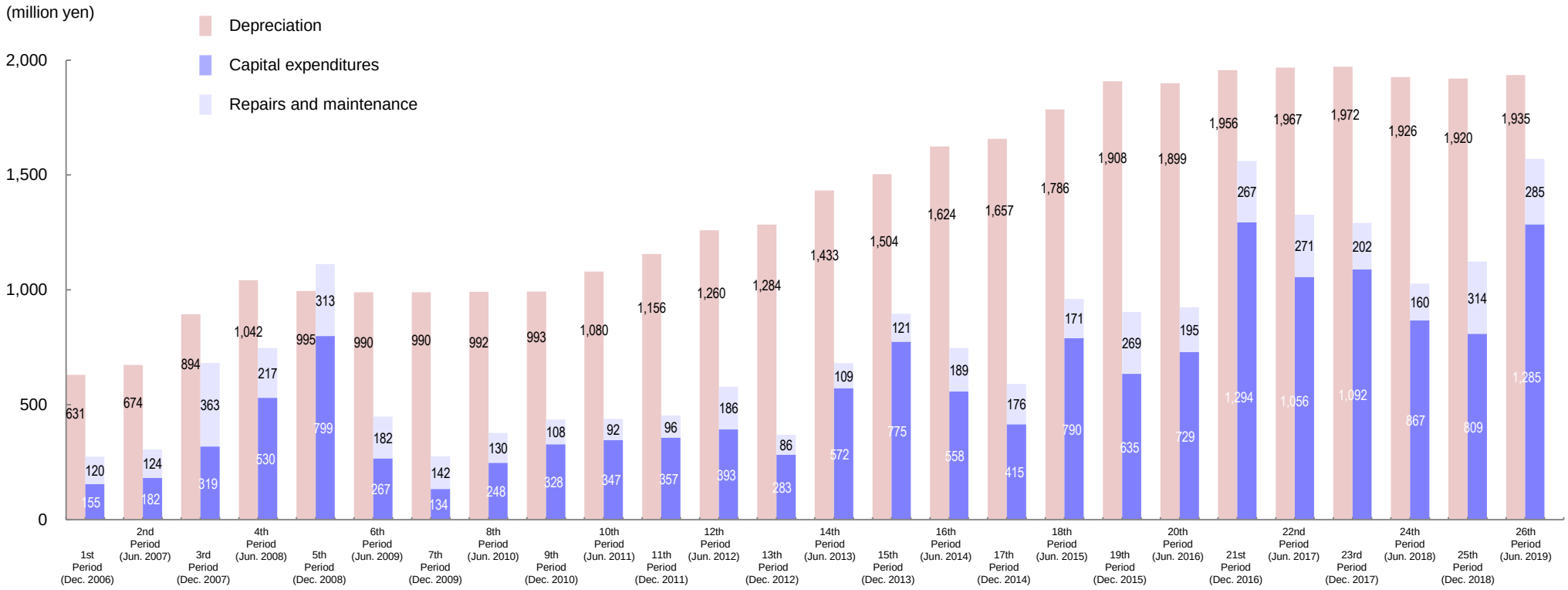
(Unit: million yen)

	Area I Total	Area II Total	Area III Total	Area IV Total
NOI	2,940	389	2,661	864
Acquisition price	134,474	14,053	102,801	22,258
26th period NOI yield (annualized)	4.4%	5.6%	5.2%	7.8%
25th period NOI yield (annualized)	4.4%	5.1%	5.2%	7.0%
Difference (pts)	0.0	0.5	0.0	0.8

Historical Record in Works

Japan Excellent, Inc.

History of Expenses for Repairs and Maintenance and Depreciation



Capital Expenditures/Depreciation

1st Period (Dec. 2006)	2nd Period (Jun. 2007)	3rd Period (Dec. 2007)	4th Period (Jun. 2008)	5th Period (Dec. 2008)	6th Period (Jun. 2009)	7th Period (Dec. 2009)	8th Period (Jun. 2010)	9th Period (Dec. 2010)	10th Period (Jun. 2011)	11th Period (Dec. 2011)	12th Period (Jun. 2012)	13th Period (Dec. 2012)	14th Period (Jun. 2013)	15th Period (Dec. 2013)	16th Period (Jun. 2014)	17th Period (Dec. 2014)	18th Period (Jun. 2015)	19th Period (Dec. 2015)	20th Period (Jun. 2016)	21st Period (Dec. 2016)	22nd Period (Jun. 2017)	23rd Period (Dec. 2017)	24th Period (Jun. 2018)	25th Period (Dec. 2018)	26th Period (Jun. 2019)
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%	42.1%	66.4%

Statement of Income and Retained Earnings

Japan Excellent, Inc.

(Unit: million yen)

	25th Period (Dec. 2018)	(%)	26th Period (Jun. 2019)	(%)	Compared with previous period	
					Difference	(%)
1. Operating revenue (A)	10,657	100.0	10,668	100.0	10	0.1
Rental revenue	9,779		9,850		70	
Other rental revenue	877		818		-59	
Total rental revenue (a)	10,657	100.0	10,668	100.0	10	0.1
2. Operating expenses (B)	6,373	59.8	6,349	59.5	-24	-0.4
Property management expenses	1,358		1,399		41	
Utilities expenses	1,029		959		-70	
Taxes	894		917		23	
Insurance	24		22		-2	
Repairs and maintenance	314		285		-29	
Other expenses for rental operation	238		228		-10	
Depreciation	1,920		1,935		15	
Total operating expenses (b)	5,780	54.2	5,747	53.9	-32	-0.6
Profits from operation (a)-(b)	4,877	45.8	4,920	46.1	43	0.9
Asset management fees	445		447		1	
Other	147		154		7	
3. Operating income (A)-(B)	4,284	40.2	4,318	40.5	34	0.8
4. Non-operating income	1	0.0	1	0.0	0	-16.2
5. Non-operating expenses	688	6.5	628	5.9	-59	-8.7
Interest expense	363		358		-4	
Loan relating fees	148		126		-21	
Interest expense on investment corporation bonds	153		129		-23	
Amortization of investment corporation bond issuance costs	16		12		-4	
Other	6		0		-5	
6. Ordinary income	3,597	33.8	3,691	34.6	94	2.6
7. Net income before taxes	3,597	33.8	3,691	34.6	94	2.6
8. Income taxes – current	1		0		0	
9. Net income	3,596	33.7	3,690	34.6	94	2.6
10. Retained earnings brought forward	-		0		0	
11. Unappropriated retained earnings at the end of period	3,596		3,691		95	

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

Balance Sheet

Japan Excellent, Inc.

(Unit: million yen)

Assets	25th Period (Dec. 2018)		26th Period (Jun. 2019)		Difference
(Assets)		%		%	
I. Current assets	24,858	8.7	26,230	9.2	1,372
Cash and deposits	8,224		9,553		1,328
Cash and deposits in trust	16,014		16,094		79
Operating accounts receivable	391		362		-29
Consumption tax receivable	28		-		-28
Other	197		219		21
II. Fixed assets	260,379	91.2	259,792	90.8	-587
1. Property and equipment	249,581	87.4	248,920	87.0	-661
Real Estate	14,865		14,978		113
Real Estate in trust	234,590		233,825		-764
Construction in progress	126		116		-10
2. Intangible assets	9,108	3.2	9,118	3.2	10
Leasehold rights	1,721		1,721		-
Leasehold rights in trust	7,382		7,382		-
Other	4		14		10
3. Investments and other assets	1,689	0.6	1,753	0.6	63
Leasehold and security deposits	15		15		-
Long-term prepaid expenses	845		902		56
Other	828		836		7
III. Deferred assets	162	0.1	149	0.1	-12
Investment corporation bond issuance costs	162		149		-12
Total assets	285,400	100.0	286,172	100.0	772

Liabilities and Unitholders' Equity	25th Period (Dec. 2018)		26th Period (Jun. 2019)		Difference
(Liabilities)		%		%	
I. Current liabilities	13,807	4.8	19,155	6.7	5,347
Operating accounts payable	1,385		1,657		271
Short-term loans	2,000		7,000		5,000
Investment corporation bonds due within a year	5,000		-		-5,000
Long-term loans due within a year	4,750		9,600		4,850
Other accounts payable	433		439		5
Accrued consumption taxes	-		221		221
Other	237		237		0
II. Long-term liabilities	127,865	44.8	123,194	43.0	-4,670
Investment corporation bonds	32,000		32,000		-
Long-term loans	82,850		78,000		-4,850
Security deposits from tenants	1,126		1,129		2
Security deposits from tenants in trust	11,888		12,065		176
Total liabilities	141,672	49.6	142,350	49.7	677
(Net assets)					
I. Unitholders' equity	143,727	50.4	143,822	50.3	95
1. Unitholders' capital	139,972	49.0	139,972	48.9	-
2. Retained earnings	3,754		3,849		95
Voluntary retained earnings (Reserve for reduction entry)	158	0.1	158	0.1	-
Unappropriated retained earnings	3,596	1.3	3,691	1.3	95
Total net assets	143,727	50.4	143,822	50.3	95
Total liabilities and net assets	285,400	100.0	286,172	100.0	772

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

Statements of Cash Flow and Profit Distributions

Japan Excellent, Inc.

Cash Flow Statement

(Unit: million yen)

26th Period (Jun. 2019)	
Classification	Amount
I. Cash flow from operating activities	5,832
Net income before taxes	3,691
Depreciation	1,936
Other	204
II. Cash flow from investing activities	-827
Purchase of property and equipment	-1,007
Net payments for security deposits	179
III. Cash flow from financing activities	-3,595
Proceeds from short-term loans	5,000
Proceeds from long-term loans	3,750
Repayment of long-term loans	-3,750
Redemption of investment corporation bonds	-5,000
Distributions to unitholders	-3,595
IV. Net increase/ decrease in cash and cash equivalents	1,408
V. Cash and cash equivalents at beginning of period	24,239
VI. Cash and cash equivalents at end of period	25,647

Profit Distribution

(Unit: yen)

26th Period (Jun. 2019)	
Classification	Amount
Unappropriated retained earnings at the end of period	3,691,310,948
Distributions	3,691,213,900
(Distributions per investment unit)	2,827
Earnings carried over to next period	97,048

Total number of outstanding investment units at the end of period	1,305,700 units

* Figures under one million yen are rounded down.

Financial Indicators

Japan Excellent, Inc.

(Unit: million yen)

Financial indicators	Unit	21st Period (Dec. 2016)	22nd Period (Jun. 2017)	23rd Period (Dec. 2017)	24th Period (Jun. 2018)	25th Period (Dec. 2018)	26th Period (Jun. 2019)	Calculation method
EBITDA (Earnings before interest, tax and depreciation and amortization)	MN yen	5,998	5,989	6,256	5,785	6,035	6,116	Income before income taxes + (Interest expense + Interest expense on investment corporation bonds) + Depreciation and amortization
NOI (Net operating income)	MN yen	6,760	6,719	6,847	6,707	6,797	6,856	Rental revenue - rental expenses + Depreciation and amortization
FFO (Funds from operation)	MN yen	5,363	5,427	5,394	5,430	5,516	5,626	Net income + Depreciation and amortization - Net profit from sale of real estate
FFO per unit	yen	4,107	4,156	4,131	4,159	4,225	4,309	(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	4,068	4,370	4,301	4,563	4,707	4,341	FFO - Capital expenditures
AFFO Distribution payout ratio	%	83.7	79.2	81.0	80.1	76.4	85.0	(Total cash distribution amount / AFFO) × 100
NAV (Net asset value)	MN yen	156,562	163,343	172,221	181,215	188,492	196,282	Period end total assets - Period end total liabilities + Real estate valuation gain/loss
NAV per unit	yen	119,906	125,100	131,899	138,787	144,361	150,327	NAV / Total number of outstanding investment units at the end of period
DSCR (Debt service coverage ratio)	times	9.4	10.7	10.7	11.1	11.7	12.5	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	%	1.2	1.2	1.3	1.2	1.3	1.3	Ordinary income / [(Period beginning total assets + period end total assets) / 2] x 100
(Reference) Annualized with following formula	%	(2.3)	(2.4)	(2.5)	(2.4)	(2.5)	(2.6)	Above x 365 days / Number of operating days
ROE	%	2.4	2.4	2.6	2.3	2.5	2.6	Net income / [(Period beginning net assets + period end net assets) / 2] x100
(Reference) Annualized with following formula	%	(4.8)	(4.9)	(5.1)	(4.7)	(5.0)	(5.2)	Above x 365 days / Number of operating days
Equity to Total Assets	%	48.5	48.4	51.0	50.5	50.4	50.3	(Period end net assets / Period end total assets) x 100
LTV (period-end total asset basis)	%	46.6	46.4	43.4	44.4	44.4	44.2	(Period end interest-bearing debt / Period end total assets) x 100
LTV (period-end valuation gain/loss basis)	%	44.6	43.5	39.5	39.2	38.3	37.4	(Period-end interest-bearing debt / (Period-end total assets + Real estate valuation gain/loss)) × 100
BPS (Book value per unit)	yen	110,010	110,050	110,234	110,122	110,076	110,149	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

Japan Excellent, Inc.

Balance of Interest-Bearing Debt (As of the End of 26th Period)

Lender	Interest-bearing debt (million yen)	As a percentage of all borrowings
Mizuho Bank, Ltd.	24,785	26.2%
MUFG Bank, Ltd.	13,005	13.7%
Development Bank of Japan Inc.	12,800	13.5%
Sumitomo Mitsui Banking Corporation	8,270	8.7%
Mizuho Trust & Banking Co., Ltd.	7,807	8.3%
The Norinchukin Bank	7,412	7.8%
The Dai-ichi Life Insurance Company, Limited	6,000	6.3%
Resona Bank, Ltd.	3,400	3.6%
Sompo Japan Nipponkoa Insurance Inc.	2,500	2.6%
Aozora Bank, Ltd.	2,500	2.6%
Sumitomo Mitsui Trust Bank, Limited	1,620	1.7%
Tokio Marine & Nichido Fire Insurance Co., Ltd.	1,500	1.6%
The Bank of Fukuoka, Ltd.	1,000	1.1%
Shinkin Central Bank	1,000	1.1%
Nippon Life Insurance Company	1,000	1.1%
Loan Total	94,600	100.0%

* Shaded areas refer to sponsor companies.

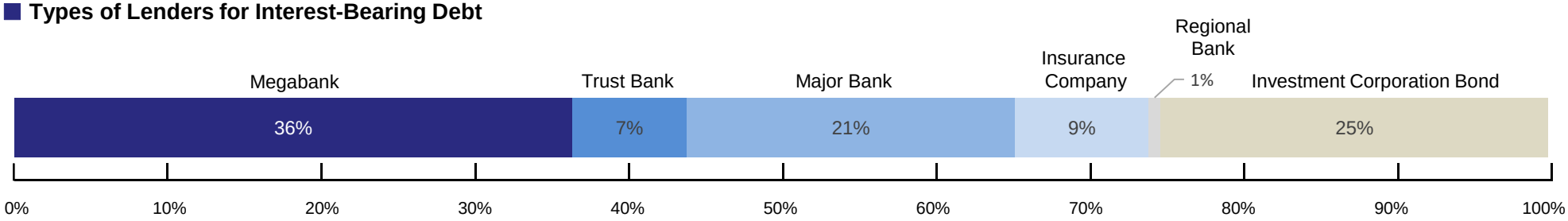
Status of Investment Corporation Bonds (As of the End of 26th Period)

Investment Corporation Bond	Maturity date	Balance (million yen)	Interest rate	Period
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
(Green Bonds) 14th Series Unsecured Investment Corporation Bond	Aug. 10, 2028	4,000	0.63%	10 years
Investment Corporation Bond Total		32,000		

Status of Commitment Line (As of the End of 26th Period)

Lender	Established amount (million yen)	Term
Mizuho Bank, Ltd.	6,000	From January 30, 2019 to January 29, 2020
MUFG Bank, Ltd.	5,000	
Sumitomo Mitsui Banking Corporation	3,000	
Total Commitment Line	14,000	

Types of Lenders for Interest-Bearing Debt



Unitholders

Japan Excellent, Inc.

Owner Classification	Investment Units					Unitholders				
	25th Period (Dec. 2018)		26th Period (Jun. 2019)		Composition change	25th Period (Dec. 2018)		26th Period (Jun. 2019)		Composition change
	Number of units	Composition	Number of units	Composition		Number of unitholders	Composition	Number of unitholders	Composition	
Financial Institutions and Securities Companies	888,046	68.0%	901,099	69.0%	1.0pt	157	2.3%	164	2.6%	0.3pt
Other Domestic Companies	109,968	8.4%	115,427	8.8%	0.4pt	145	2.2%	144	2.3%	0.1pt
Foreign Companies, etc.	242,856	18.6%	228,191	17.5%	-1.1pt	200	3.0%	199	3.1%	0.1pt
Individuals	64,830	5.0%	60,983	4.7%	-0.3pt	6,239	92.6%	5,886	92.1%	-0.5pt
Total	1,305,700	100.0%	1,305,700	100.0%	-	6,741	100.0%	6,393	100.0%	-

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

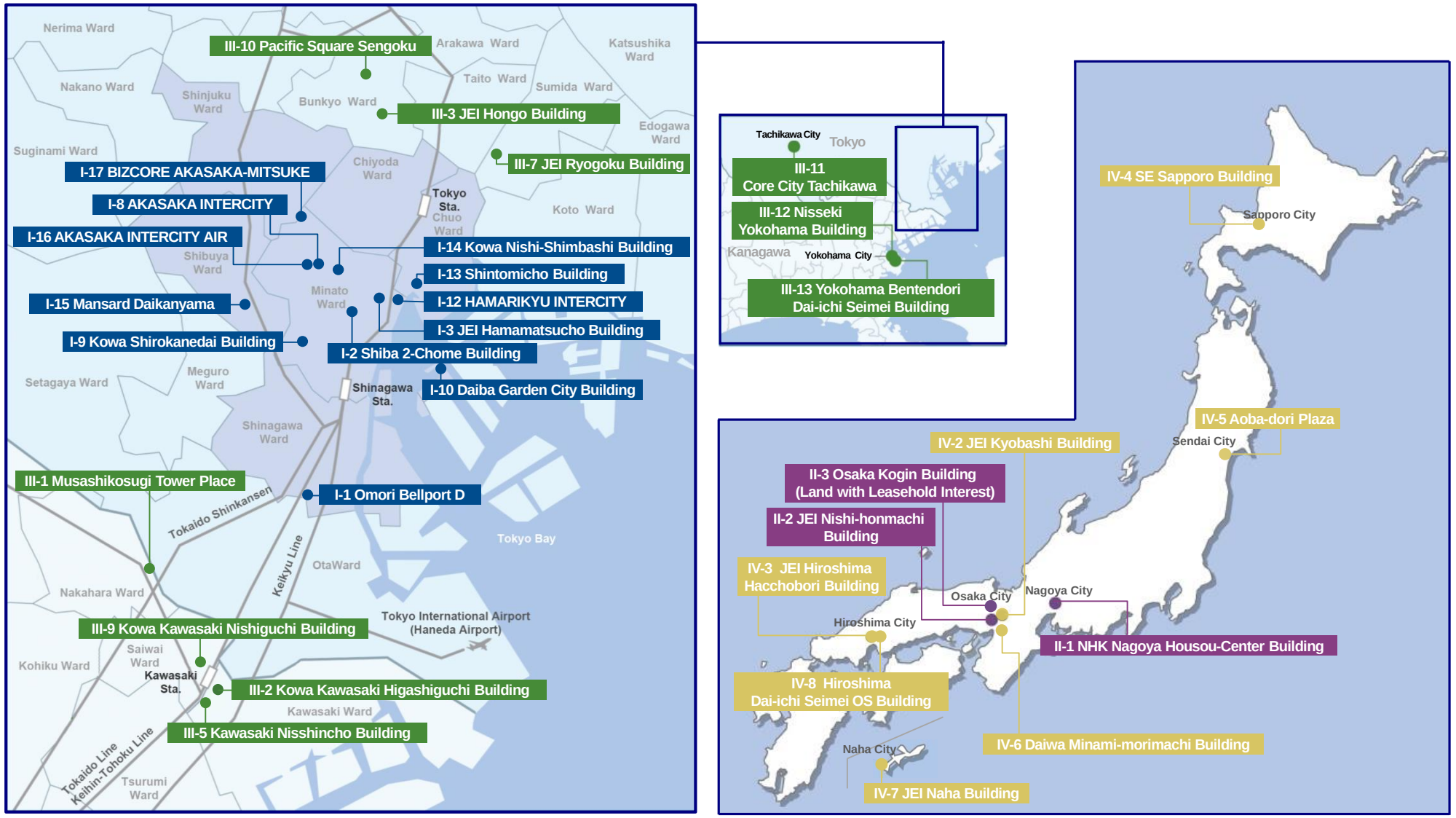
Rank	Name	Units	Composition ratio (%)
1	Japan Trustee Services Bank, Ltd. (Trust Account)	325,181	24.9%
2	The Master Trust Bank of Japan, Ltd. (Trust Account)	197,132	15.1%
3	Nippon Steel Kowa Real Estate Co., Ltd.	71,560	5.5%
4	Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	59,876	4.6%
5	The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	49,905	3.8%
6	The Dai-ichi Life Insurance Company, Limited	20,660	1.6%
7	State Street Bank - West Client – Treaty 505234	19,442	1.5%
8	DFA International Real Estate Securities Portfolio	14,862	1.1%
9	The Chukyo Bank, Ltd.	13,799	1.1%
10	JP Morgan Chase Bank 385771	12,753	1.0%
Total		**785,170**	**60.1%**

*1 Ratios are rounded to the first decimal place.

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

Portfolio Map

Japan Excellent, Inc.



Portfolio Overview (1)

Japan Excellent, Inc.

Property Number	I-1	I-2	I-3	I-8	I-9	I-10	I-12
Type	Office	Office	Office	Office	Office	Office	Other
Name	Omori Bellport D	Shiba 2-Chome Building	JEI Hamamatsucho Building	AKASAKA INTERCITY	Kowa Shirokanedai Building	Daiba Garden City Building	HAMARIKYU INTERCITY
							
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
Total floor area (m^2)	155,778.75	19,518.15	8,327.53	73,061.33	7,374.74	33,283.49	35,555.87
Completion date	September 1996	March 1994	December 1991	January 2005	March 1978	December 2007	March 2011
Acquisition date	June 2006	June 2006	June 2006	1. Oct. 2007 2. Feb. 2013	December 2010	February 2011	1. Dec. 2011 2. Feb. 2014
Acquisition price (MN yen)	22,552	9,450	8,350	28,146	4,705	11,000	19,080
Investment ratio (%)	8.1	3.4	3.0	10.1	1.7	3.9	6.8
Period-end Occupancy rate (%)	100.0	100.0	100.0	100.0	100.0	100.0	92.6
PML (%)	3.61	6.61	4.18	2.97	6.95	6.56	2.60

*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.

*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.

Portfolio Overview (2)

Japan Excellent, Inc.

Property Number	I-13	I-14	I-15	I-16	I-17	II-1	II-2	II-3
Type	Office	Office	Office	Office	Office	Office	Office	Office
Name	Shintomicho Building	Kowa Nishi-Shimbashi Building	Mansard Daikanyama	AKASAKA INTERCITY AIR	BIZCORE AKASAKA-MITSUKE	NHK Nagoya Housou-Center Building	JEI Nishi-Honmachi Building	Osaka Kogin Building (land with leasehold interest)
								
Location	Irifune, Chuo Ward, Tokyo	Nishishinbashi, Minato Ward, Tokyo	Sarugakucho, Shibuya Ward, Tokyo	Akasaka, Minato Ward, Tokyo	Akasaka, Minato Ward, Tokyo	Higashi Ward, Nagoya City, Aichi	Nishi Ward, Osaka City, Osaka	Chuo Ward, Osaka City, Osaka
Total floor area (m^2)	3,169.78	19,418.17	8,402.51	176,536.75	3,515.63	80,809.95	15,800.31	3,158.45 (site area for land)
Completion date	November 1990	July 1996	December 2009	August 2017	March 2019	July 1991	February 1988	-
Acquisition date	March 2012	1. Mar. 2013 2. Aug. 2017	July 2016	July 2018	Oct. 2019 (Planned)	1. Jun. 2006 2. Mar. 2014	March 2007	February 2013
Acquisition price (MN yen)	1,750	11,431	11,420	6,590	6,200	5,610	6,673	1,770
Investment ratio (%)	0.6	4.1	4.1	2.4	2.2	2.0	2.4	0.6
Period-end Occupancy rate (%)	100.0	100.0	100.0	100.0	77.8	99.9	98.4	100.0
PML (%)	4.13	3.30	5.74	0.66	8.41	1.44	11.27	-

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

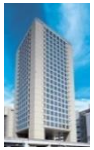
*2 "Acquisition Price" is the price recorded in sales agreements (excluding consumption tax). Figures are rounded down to the nearest million yen.
However, for Osaka Kogin Building (land with leasehold interest) , the acquisition price is calculated as the land purchase price specified in the relevant 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 JEI plans to acquire BIZCORE AKASAKA-MITSUKE on October 1, 2019. The occupancy rate of the property is the expected figure for October 1, 2019.

Portfolio Overview (3)

Japan Excellent, Inc.

Property Number	III-1	III-2	III-3	III-5	III-7	III-9	III-11	III-12	III-12	III-13
Type	Office	Office	Office	Office	Office	Office	Office	Office	Office	Office
Name	Musashikosugi Tower Place	Kowa Kawasaki Higashiguchi Building	JEI Hongo Building	Kawasaki Nisshincho Building	JEI Ryogoku Building	Kowa Kawasaki Nishiguchi Building	Pacific Square Sengoku	Core City Tachikawa	Nisseki Yokohama Building	Yokohama Bentendori Dai-ichi Seimei Building
										
Location	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	Akebonocho, Tachikawa City, Tokyo	Naka Ward, Yokohama City, Kanagawa	Naka Ward, Yokohama City, Kanagawa
Total floor area (m^2)	53,711.13	31,009.62	5,877.11	22,141.60	5,820.56	61,856.92	4,017.44	19,099.27	72,116.65	2,934.55
Completion date	July 1995	April 1988	February 1991	April 1992	August 1996	February 1988	November 1992	December 1994	May 1997	December 1986
Acquisition date	June 2006	June 2006	June 2006	1. Jun. 2006 2. Nov. 2006 3. Oct. 2008 4. Apr. 2013	June 2006	October 2007	December 2011	February 2013	April 2015	June 2018
Acquisition price (MN yen)	13,890	10,976	5,400	4,725	2,550	32,000	1,620	6,500	24,500	640
Investment ratio (%)	5.0	3.9	1.9	1.7	0.9	11.4	0.6	2.3	8.8	0.2
Period-end Occupancy rate (%)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	99.2	100.0
PML (%)	3.19	3.25	6.16	5.86	5.57	3.74	4.65	1.92	3.19	5.92

*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.

*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.

Portfolio Overview (4)

Japan Excellent, Inc.

Property Number	IV-2	IV-3	IV-4	IV-5	IV-6	IV-7	IV-8
Type	Office	Office	Office	Office	Office	Office	Office
Name	JEI Kyobashi Building	JEI Hiroshima Hacchobori Building	SE Sapporo Building	Aoba-dori Plaza	Daiwa Minami-morimachi Building	JEI Naha Building	Hiroshima Dai-ichi Seimei OS Building
							
Location	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^2)	10,021.32	9,919.93	23,644.22	22,737.38	12,759.65	4,371.94	10,696.54
Completion date	April 1987	February 1999	March 1989	July 1996	January 1990	June 1990	March 1989
Acquisition date	September 2011	May 2012	March 2013	February 2014	February 2014	December 2015	June 2018
Acquisition price (MN yen)	3,308	2,760	5,500	2,120	4,410	1,380	2,780
Investment ratio (%)	1.2	1.0	2.0	0.8	1.6	0.5	1.0
Period-end Occupancy rate (%)	100.0	98.6	100.0	99.4	100.0	100.0	100.0
PML (%)	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.

*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.

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