

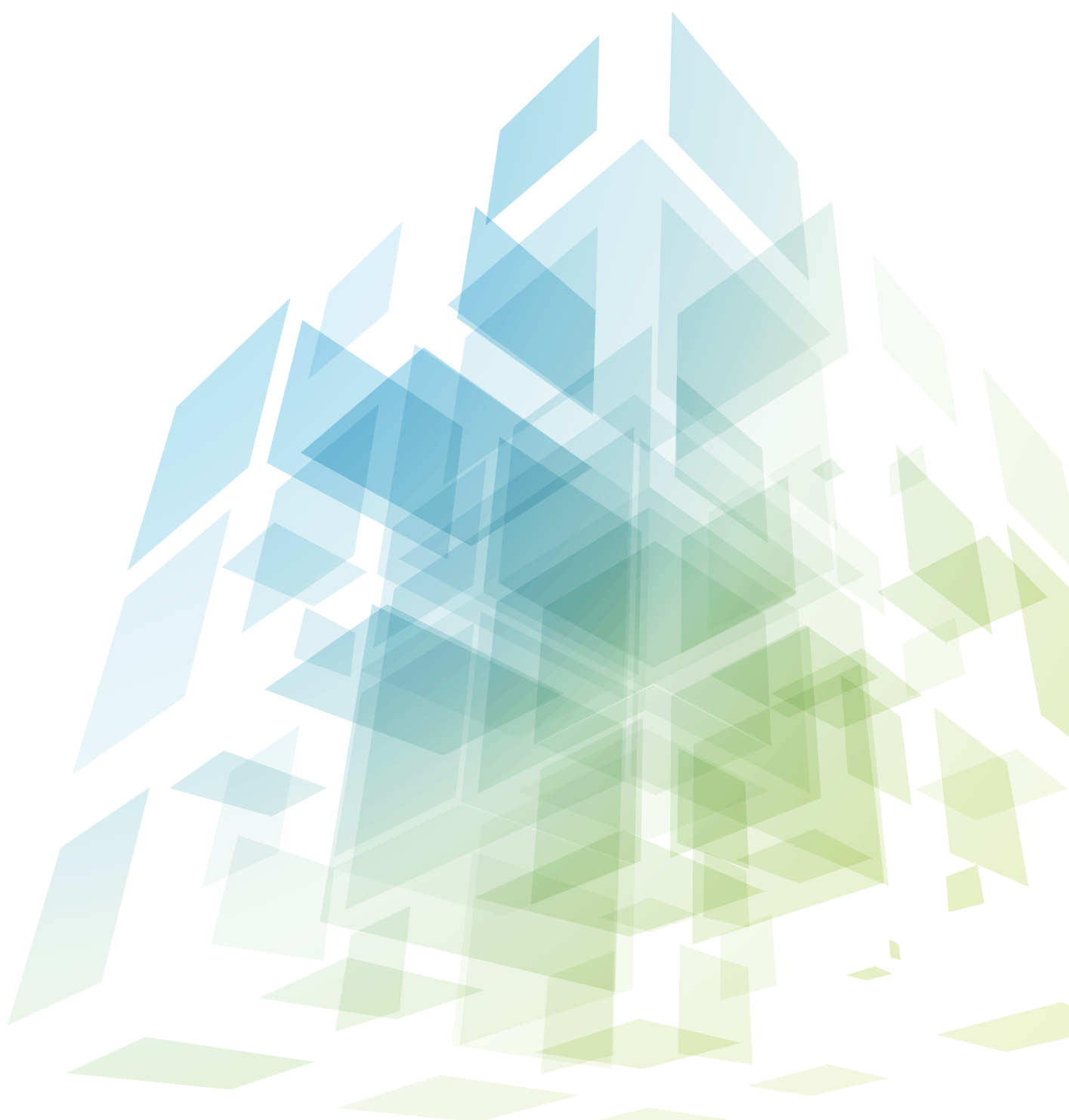
Japan Real Estate Investment Corporation

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# SEMIANNUAL REPORT

March 2021

For the period from October 1, 2020 to March 31, 2021



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## Profile

Japan Real Estate Investment Corporation (the “Company”) was established as one of the first real estate investment corporations in Japan following revisions to the Act on Investment Trusts and Investment Corporations of Japan, as amended, or the ITA. Its investments focus primarily on office buildings, and it is aiming to maintain geographic diversity while seeking stable growth and dividends in the medium- to long-term. The Company was listed on the Tokyo Stock Exchange on September 10, 2001 (Securities Code: 8952).

Note: Investment corporations, including the Company, are special legal entities incorporated and operated under the ITA. Accordingly, the “units” of such investment corporations, including the units of the Company, are governed by the ITA and represent the equity interests in such investment corporations, which may differ in certain material respects from the “shares” governed by the Corporation Law of Japan and representing the equity interests in Japanese ordinary corporations incorporated and operated under the Corporation Law of Japan. Investors and readers are specifically reminded to pay attention to such differences when reviewing this semiannual report and making any investment decision on or in respect of the units of the Company. “Unitholders” of the Company may be construed accordingly. Each investor and reader should consult their own legal, tax, and other advisors regarding all Japanese legal, tax, and other consequences of an investment in the units of the Company, with specific reference to their own legal, tax, and other situations, and any recent changes in applicable laws and guidelines or their interpretation.

# The Strengths of Japan Real Estate Investment Corporation

## Steady Growth of Dividends

Actual dividend per unit for the March 2021 period:

**JPY 11,320**

Forecast dividend per unit for the September 2021 period:

**JPY 11,350**

## Collaboration with Sponsor\*

Expertise of **Mitsubishi Estate Co., Ltd.**

\* On April 16, 2021, 28,571 JRE-AM shares owned by Mitsui & Co., Ltd. (10.0% of outstanding shares) were transferred to Mitsubishi Estate Co., Ltd. (MEC). Upon the completion of the share transfer, the percentage of JRE-AM's shares held by MEC increased from 90.0% to 100.0%.

## Steady Growth of Quality Portfolio (As of March 31, 2021)

Total acquisition price: **JPY 1.07** trillion **73** properties

**The first listed J-REIT in 2001**

## Sound Financial Base (As of March 31, 2021)

Highest credit ratings for a J-REIT: **A+** from S&P, **A1** from Moody's, **AA** from R&I

Long-term interest-bearing debt ratio\*: **95.7%**

LTV (Interest-bearing debt / Total assets): **41.9%**

\* (Long-term loans [including current portion of long-term loans] + Investment corporation bonds) / Total interest-bearing debt

# To Our Unitholders

In the fiscal period ended March 31, 2021, Japan Real Estate Investment Corporation (“JRE”) posted almost the same level of operating profit as that of the previous period through strong upward rent revisions, cost controls, and the full contribution of the assets acquired in the previous period. JRE also commenced paying dividends from the internal reserves accumulated from the gain on sales of real estate in the past periods. As a result, dividends per unit increased to JPY 11,320, resulting in dividend increases for 14th consecutive periods.

When we look at the office market in Japan, due to the impact of the COVID-19 pandemic, new demand was sluggish as companies kept a wait-and-see attitude. Vacancy rates keep increasing, and market rents are under downward pressure after reaching the peak.

## Business Performance for the March 2021 Period

### Summary of Financial Results and Cash Dividends

In the March 2021 period (October 1, 2020 to March 31, 2021), Japan Real Estate Investment Corporation recorded operating revenues decreased 0.1% compared with the previous period, to JPY 34.9 billion. On the income front, operating profit decreased 0.1%, to JPY 16.4 billion. After deducting expenses for interest payments on loans and other costs, ordinary profit decreased 0.6%, to JPY 15.5 billion, and profit decreased 0.2%, to JPY 15.5 billion.

Turning to dividends, the Company will make cash distributions using earnings based on the dividend policy outlined in Article 32-1(2) of the Company’s Articles of Incorporation, in an amount that exceeds 90% of profit available for dividends as required by Article 67-15 of the Special Taxation Measures Act. Based on this policy, the Company decided that the total amount of dividends, which is calculated by adding the reversal of reserve for tax purpose reduction entry to the unappropriated retained earnings and also securing retained earnings brought forward, is JPY 15,680,577,200 for the period, which is a multiple of 1,385,210—the number of units outstanding as of March 31, 2021. Accordingly, the dividend per investment unit is JPY 11,320.

### Operating Environment and Performance

During the March 2021 period (October 1, 2020 to March 31, 2021), the Japanese economy, as a whole, was getting back on the recovery track, although the new coronavirus pandemic (“COVID-19”) has severely affected some industries such as non-manufacturing industries, which show signs of weakness in corporate income, etc. The Company considers it necessary to continue to monitor the domestic and inter-

national development of the pandemic and the impact of fluctuations in financial and capital markets.

In the office leasing market, vacancy rates have been on an upward trend against the backdrop of the penetration of telework, which accelerated in the wake of COVID-19. Rents have turned to a downward trend, but slightly. Against the backdrop of such leasing market trends, the Company strived to secure stable income and occupancy rates for the entire portfolio, attracting new tenants through strategic leasing activities and further increasing the satisfaction level of existing tenants by improving the added value of the properties. While demand for office buildings in good locations and high quality continues to be high, the Company considers it necessary to continue to pay close attention to the impact of changes in work styles and other factors in the office leasing market.

In the real estate investment market, property prices remained in a high price range due to the continued favorable financing environment against the backdrop of continued monetary easing policy. While domestic and overseas investors are highly motivated to acquire properties, the number of prime office buildings for sale is limited, and the acquisition environment continues to be challenging.

Under such market conditions, the Company made sound investments under the Investment Guideline of providing stable dividends to unitholders, which was set forth at the time of the Company’s listing on the TSE and remains unchanged to date. Accordingly, the Company was able to provide a dividend per investment unit at JPY 11,320, which is an increase of JPY 58 compared with the previous period.

Although the market condition does not seem supportive, we will take advantage of JRE's quality portfolio and focus on leasing the vacant space once the pandemic begins to subside. In the mid-term, we will strategically and proactively conduct replacement of portfolio properties and create a portfolio that are selected by many tenants.

Meanwhile, on the ESG front, JRE became the first J-REIT to procure funds through a sustainability-linked loan. Also, one of our buildings obtained Net Zero Energy Building (ZEB) Certification. We would like to continue to actively promote ESG activities in our asset management.

In the office leasing market in the fiscal period under review, the market was in the above-mentioned environment, and although some new contracts were concluded to improve the location and office environment, the occupancy rate at the end of the period decreased by 1.1% from the end of the previous period to 97.9% due to the impact of an increase in the number of terminations and extended downtime, but overall it still remained high.

Although there were no property acquisitions or sales during the fiscal period under review, the Company made a contract on March 31, 2021 to dispose of the trust beneficiary interest in Otsuka Higashi-Ikebukuro Building (Toshima-ku, Tokyo) for JPY 6,025 million. The transfer date is scheduled for August 31, 2021.

As a result of the above, the Company's portfolio at the end of the fiscal period under review, March 31, 2021, consisted of 73 properties, with a total acquisition price of JPY 1.07 trillion. Net rentable floor area stood at 873,873 m<sup>2</sup> with 1,497 tenants in total.

Note: Shibuya Cross Tower (land with leasehold interest), whose building ownership was disposed of on January 18, 2018, is included in the above number of properties and total acquisition price, but is not included in net rentable floor area or total number of tenants. This applies to all relevant instances in subsequent pages.

### Finance Activities

According to its financial policy, the Company aims to maintain the LTV ratio (ratio of interest-bearing debt to total assets) at 30% to 40%, and strives to maintain a sound and conservative financial profile through staggered maturities, an extension of durations and diversification of stable lenders among other possibilities, taking into consideration the borrowing costs and existing relationships with lenders.

Concerning new loans related to property acquisition and the refinancing of existing loans, the Company carries out loans strategically and flexibly after giving close consideration to the above-mentioned means, as well as the possibility of repayment with funds procured from issuing new investment units.

During the March 2021 period, the Company issued Japan Real Estate Investment Corporation 13th Unsecured Bonds in order to increase the ratio of long-term loans and investment corporation bonds to interest-bearing debt, and borrowed funds through sustainability-linked loans, a first in the J-REIT industry, as well as borrowing to fund the repayment of existing loans.

As a result of the above financing activities, as of March 31, 2021, the Company's total interest-bearing debt increased by JPY 0.5 billion compared with the previous period, to JPY 419.4 billion. This amount consists of long-term loans totaling JPY 358.5 billion (including the current portion of long-term loans totaling JPY 51.7 billion), short-term loans totaling JPY 18.0 billion, and investment corporation bonds totaling JPY 42.9 billion. The current LTV ratio stands at 41.9%.

The Company's credit ratings as of March 31, 2021 were as follows:

Rating Agency	Credit Rating
S&P Global Ratings Japan Inc.	Long-term: A+; Short-term: A-1; Outlook: Stable
Moody's Japan K.K.	Rating: A1; Outlook: Negative
Rating and Investment Information, Inc.	Rating: AA; Outlook: Stable

## Outlook

### Operating Environment

Although the Japanese economy is expected to remain in a difficult situation for some time due to the prolonged COVID-19 pandemic, it is expected to continue to pick up due to the effect of various measures and overseas economic recovery as the level of socio-economic activity has been raised in stages while preventive measures against COVID-19 have been in place. On the other hand, the Company considers it necessary to pay close attention to the impact of the re-emergence of the infectious disease in Japan and abroad, the risk of a global economic downturn due to trade issues between the United States and China, and fluctuations in financial and capital markets.

In the office leasing market, the Company pays close attention to the impact of the penetration of telework, which has accelerated due to COVID-19, and other factors, and at the same time, the Company strives to secure stable income and maintain and improve asset value over the medium- to long-term while carefully monitoring trends in the office leasing market and the business conditions of tenants managed by the Company.

Regarding the real estate investment market, it is important to continue to be proactive in searching for new properties in order to promote more strategic replacement of our portfolio while paying close attention to future market trends due to changes in social conditions.

### Performance Forecasts for the September 2021 and March 2022 Periods

The Company's forecasts for the September 2021 period (April 1, 2021 to September 30, 2021) are as follows: operating revenues totaling JPY 36.9 billion, operating profit totaling JPY 18.0 billion, ordinary profit totaling JPY 17.1 billion, and profit totaling JPY 16.6 billion. The Company plans to declare a per-unit cash dividend of JPY 11,350.

The Company's forecasts for the March 2022 period (October 1, 2021 to March 31, 2022) are as follows: operating revenues totaling JPY 34.5 billion, operating profit totaling JPY 16.0 billion, ordinary profit totaling JPY 15.1 billion, and profit totaling JPY 15.2 billion. The Company plans to declare a per-unit cash dividend of JPY 11,100.

Note: Operating revenues, operating profit, ordinary profit, profit, and cash dividend per unit might vary depending on changes that could occur in the market situation.



Yutaka Yanagisawa

Executive Director of Japan Real Estate  
Investment Corporation



Naoki Umeda

President & CEO of Japan Real Estate  
Asset Management Co., Ltd.

## Replacement of Portfolio Properties and Return of Internal Reserves

- Strategically conduct replacement of portfolio properties from a proactive perspective
- Proactively return gain on sales of real estate properties obtained through asset replacement to investors  
(Distribute 1/20 of the period-end balance of internal reserves for each fiscal period as a target)

Note: The distribution may be reduced or may not be conducted when dividend from the gain on sales is anticipated, etc.

## Asset Management Summary

### Property to be disposed

#### Otsuka Higashi-Ikebukuro Building



▶ Location	2-32-22 Higashi-Ikebukuro, Toshima-ku, Tokyo
▶ Site area	2,121.39m <sup>2</sup>
▶ Floor area of building	9,531.28m <sup>2</sup>
▶ Structure	Steel-framed reinforced concrete structure, flat roof
▶ Floors	Above ground: 8 floors Below ground: 1 floor
▶ Completion	November 1987
▶ Acquisition date / Acquisition price	September 25, 2001 / JPY 3,541 million
▶ Disposition date / Disposition price	August 31, 2021 / JPY 6,025 million
▶ Type of ownership	Land: Ownership Building: Ownership
▶ Buyer	Tosei Corporation

# Financial Highlights

	In millions of JPY				
	For the period from October 1, 2020 to March 31, 2021	For the period from April 1, 2020 to September 30, 2020	For the period from October 1, 2019 to March 31, 2020	For the period from April 1, 2019 to September 30, 2019	For the period from October 1, 2018 to March 31, 2019
Operating revenues	34,944	34,966	35,996	35,164	33,022
Operating profit	16,479	16,498	17,354	16,494	14,548
Ordinary profit	15,508	15,608	16,326	15,390	13,441
Profit	15,560	15,598	15,755	14,945	13,431
Net operating income (NOI) (Note 1)	24,825	24,943	23,413	23,104	22,603
Funds from operations (FFO) (Note 2)	22,089	22,225	19,986	19,795	19,831
FFO multiple (Times) (Note 3)	20.4	16.8	22.0	25.4	22.7
Cash distribution	15,680	15,600	14,697	14,124	13,432
Number of units	1,385,210	1,385,210	1,385,210	1,385,210	1,385,210
Dividend per unit (JPY)	11,320	11,262	10,610	10,197	9,697

Notes: 1. NOI = Property-related revenues – Property-related expenses (excluding Depreciation)

2. FFO = Profit + Depreciation – Gain (Loss) on sales of real estate properties

3. FFO multiple = Unit price at end of the respective term / FFO per unit (Annualized)

(Annualized portion of the calculation given in Note 2 and Note 3 assumes a fiscal period of 182 days for the period ended March 31, 2019, 183 days for the period ended September 30, 2019, 183 days for the period ended March 31, 2020, 183 days for the period ended September 30, 2020 and 182 days for the period ended March 31, 2021.

## Top 10 Unitholders As of March 31, 2021

Company	Units	% of total units outstanding
Custody Bank of Japan, Ltd. (Shintaku Acc.) .....	332,502	24.00%
The Master Trust Bank of Japan, Ltd. (Shintaku Acc.) .....	210,485	15.20%
The Nomura Trust and Banking Co., Ltd. (Toshin Acc.) .....	61,347	4.43%
Custody Bank of Japan, Ltd. (Toshin Acc.) .....	50,430	3.64%
STATE STREET BANK WEST CLIENT - TREATY 505234 .....	24,907	1.80%
Mitsubishi Estate Co., Ltd. ....	17,120	1.24%
SSBTC CLIENT OMNIBUS ACCOUNT .....	15,926	1.15%
STATE STREET BANK AND TRUST COMPANY 505103 .....	15,580	1.12%
The Chugoku Bank, Limited .....	15,001	1.08%
GOVERNMENT OF NORWAY .....	14,287	1.03%

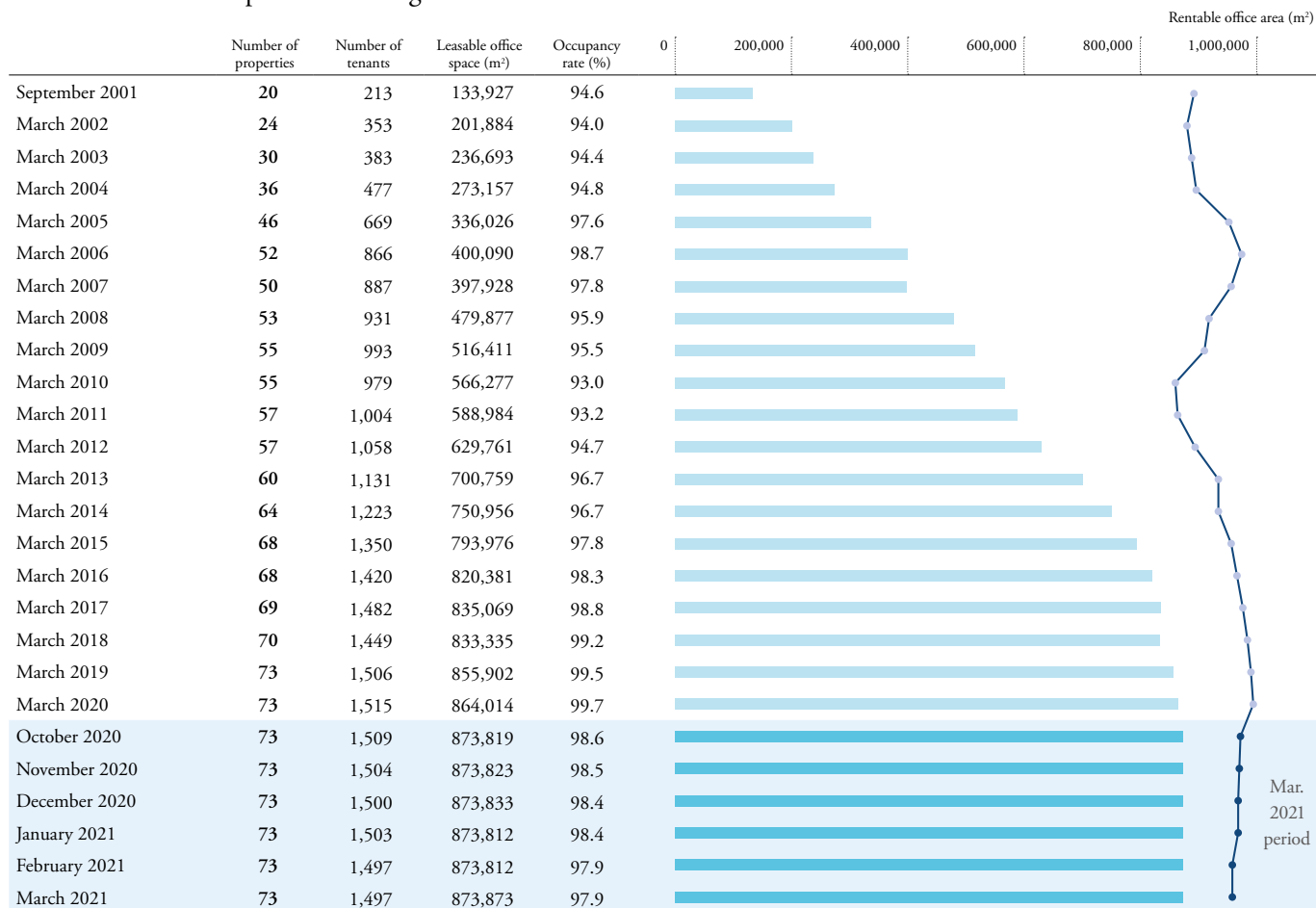
## Unit Price Performance





# Portfolio Highlights

## Trends in the state of portfolio management



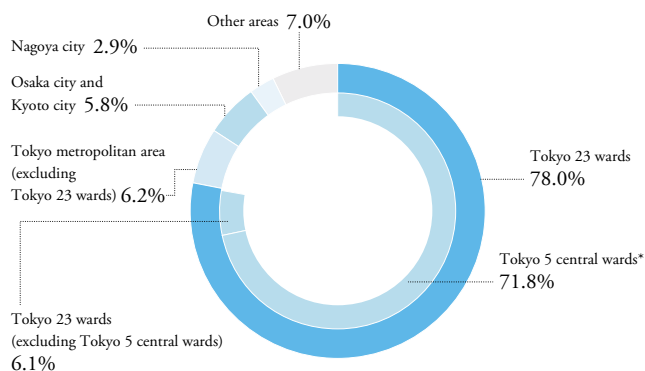
Note: The number of tenants is the gross number of tenants by building.



## Portfolio breakdown As of March 31, 2021

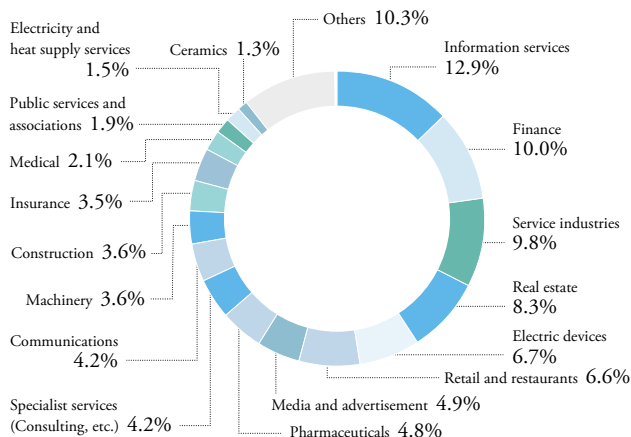
### Properties by geographic region

(Percentage based on acquisition price)



### Tenants by industry type

(Percentage based on leased office space)



\* Chiyoda-ku, Chuo-ku, Minato-ku, Shinjuku-ku, Shibuya-ku

# Approach to ESG

## Sustainability Policy

Japan Real Estate Asset Management Co., Ltd. (JRE-AM), which manages the Company's assets, believes that asset management focused on ESG is essential to the sustainable improvement of asset value.

The ESG Office, a dedicated team for ESG, is driving the Company's ESG initiatives in accordance with its Sustainability Policy.

Such initiatives include an enhancement of disclosure of the Company's ESG-related information, an acquisition of environmental certifications and evaluations from external organizations, participation in international initiatives, and other efforts.

We disclose ESG-related information on our company website in a timely manner.

We refer to GRI standards and SASB (Real Estate Industry) for the disclosure of a wide range of ESG information on our website. Please refer to our ESG website for further information.  
<https://jre-esg.com/en/esg/information.html#anchor03>

### Sustainability Policy

1. Contribution to creating a low-carbon society
2. Contribution to creating a recycling-oriented society
3. Contribution to creating a society in harmony with nature
4. Enhancement of safety and security
5. Initiatives aimed at officers and employees
6. Collaboration with external stakeholders
7. Information disclosure and obtaining environmental certifications

GRI STANDARDS Content Index  
[https://jre-esg.com/en/pdf/en-esg\\_gri.pdf](https://jre-esg.com/en/pdf/en-esg_gri.pdf)

SASB Framework  
[https://jre-esg.com/en/pdf/sasb\\_framework.pdf](https://jre-esg.com/en/pdf/sasb_framework.pdf)

## External Evaluation and Certification

### Commitment to GRESB

JRE was selected for "Office Asia Regional Listed Sector Leader" in the 2020 GRESB results, receiving the first place assessment results in the listed office sector in Japan for the second consecutive year. JRE also received the highest evaluations in both "GRESB Real Estate Assessment" and "GRESB Public Disclosure" as below.



Office Asia Regional Listed	Sector Leader
GRESB Real Estate Assessment	5 Stars ★★★★★
GRESB Public Disclosure	A

### Participation in the CDP's Climate Change Program

Received the "B" designation in the 2020 Carbon Disclosure Project (CDP) Climate Change Program

### Awarded "Prime" Status in the ISS ESG Corporate Rating

Awarded "Prime" status in the ISS's sustainability rating in March 2020

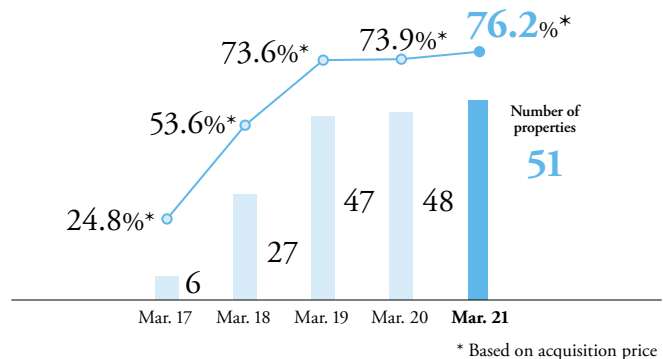


### Green Building-Certified Properties in Our Portfolio

We are focusing on improving the sustainability of the Company's entire portfolio. As of the end of March 2021, about three-quarters of the Company's portfolio is green certified. Going forward, the Company will continue to acquire environmental certifications and evaluations, such as the DBJ Green Building Certification.



DBJ Green Building



Please refer to our ESG website for further information.  
<https://jre-esg.com/en/external/>

# International Initiatives

In 2018, JRE-AM became a signatory to the following international initiatives:

Became Signatory in April 2018\*

United Nations Global Compact (UNGC)

\* Mitsubishi Estate Co., Ltd., JRE-AM's parent company, became a signatory to the UNGC. Accordingly, JRE-AM has participated in this initiative as a member of the Mitsubishi Estate Group.



Became Signatory in August 2018

Principles for Responsible Investment (PRI)

United Nations Environment Programme Finance Initiative (UNEP FI)

Signatory of:



PRI signatories are required to report on the status of their ESG integration practices to PRI each year. JRE-AM has received the highest score of "A+" in both categories for which we made the report in 2020, as shown on the right. This is the highest result among all signatories around the world.

Module	Score
Strategy & Governance	A+
Property	A+

\* The rating system is a 6-rank scale (A+, A, B, C, D, E).

## Environment

### » CO<sub>2</sub> Reduction Targets and KPIs for 2030

Toward 2030 About KPIs	Carbon Intensity <b>60</b> kg/m <sup>2</sup> or lower	CO <sub>2</sub> Emissions* <sup>1</sup> <b>35%</b> reduction	Water Usage* <sup>2</sup> <b>20%</b> reduction	Waste Recycling Rate <b>90%</b> or higher	Zero Energy Buildings* <sup>3</sup> Own <b>5~10</b>
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\*1 Carbon intensity basis \*2 Intensity (m<sup>3</sup>/m<sup>2</sup>) basis \*3 Includes ZEB Ready and ZEB Oriented buildings

#### Sustainability-Linked Loans

JRE announced to borrow funds which will be procured through sustainability-linked loans ("the SLLs"), the first such arrangement in the J-REIT industry, in January 2021.

In the SLLs, the focus is placed on climate change risks, especially the reduction of CO<sub>2</sub> emissions. Among the JRE's environmental KPIs for fiscal 2030, the following targets have been set as sustainability performance targets ("SPTs").

- Reduce CO<sub>2</sub> emissions by 35% (Base year: Fiscal 2013 / Carbon intensity basis)
- Own five ZEBs

Moreover, the SLLs are designed in such a way that, based on the above SPTs, achievement confirmation shall be made several times and, if the predetermined levels are achieved upon each confirmation, a reduction in the interest rate will be offered.

#### Overview of Borrowings

	Loan 1	Loan 2
Lender	The Norinchukin Bank	
Loan amount	JPY 5,000 million	JPY 5,000 million
Borrowing date	January 29, 2021	
Principal repayment date	July 31, 2031	January 30, 2032

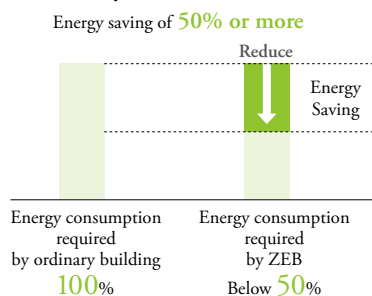
- JRE has obtained a second-party opinion from Japan Credit Rating Agency, Ltd. regarding the rationale of the established SPTs.
- The SLLs have been selected to the "Model Cases in the Model Creation Projects on Sustainability-Linked Loans 2020" by the Ministry of the Environment of Japan, cited to serve as a model in terms of environmental awareness and to represent a pioneering fund procurement method.



**JRE's First ZEB Ready Certification (Higashi-Gotanda 1Chome Building)**  
 Higashi-Gotanda 1Chome Building has received the ZEB Ready Certification as well as the 5 Stars Certification by the Building-Housing Energy-efficiency Labeling System (“BELS”) based on the design and renovation plan for the building, assuming that the renovation will be carried out in the future.



### ZEB Ready



Source: Ministry of the Environment ZEB PORTAL Site  
<http://www.env.go.jp/earth/zeb/detail/01.html>

### Supporting TCFD Recommendations

To enhance the sustainability of its future business, JRE evaluates the risks and opportunities that climate change presents, and reflects them in its operational policies and asset management accordingly.



For more information, please visit “Climate Change Initiatives” on our ESG website.  
<https://jre-esg.com/en/environment/climate.html>



## Society

### »» For Tenants and Partners

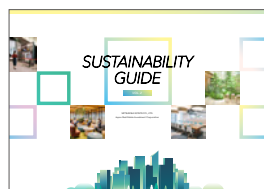
#### Sustainability Guide to Promote Owner and Tenant Collaboration

JRE has created a Sustainability Guide and distributed it to its tenants, aiming to promote close collaboration with them.

This Sustainability Guide introduces the activities that we can do in the office, mainly from the viewpoints of the “environment” and “tenant well-being.”

We will team up with our tenants and endeavor to co-create a sustainable society with them.

#### Sustainability Guide VOL. 1



#### Sustainability Guide VOL. 2



Sustainability Guide VOL.2

Please refer to the following link for the Sustainability Guide.  
<https://jre-esg.com/en/society/society.html>

### Raising ESG Awareness of Our Stakeholders

JRE offers ESG seminars for our business partners, master lessees, and property managers, among others, for the purpose of raising stakeholder awareness. We invite ESG experts from outside the Company to cover global ESG trends and discuss specialized fields such as GRESB and ZEB.

We believe that raising sustainability awareness not only within JRE, but among all our stakeholders, will benefit sustainability efforts at each asset level.

### »» For Communities

#### Resilience for Communities

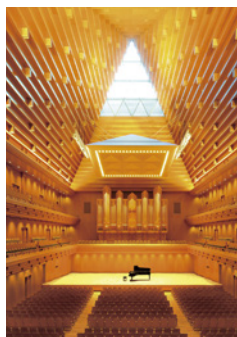
As part of our efforts to strengthen our relationship with local communities, we have established systems to host stranded commuters in the event of a disaster. These systems have been put in place at such properties as Akasaka Park Building. In addition, we have concluded an agreement with Chiyoda Ward to establish a system for hosting stranded commuters at Otemachi Financial City North Tower. Furthermore, we have designated a water well and regional warehouse for disaster control. We also participate in disaster control drills. Through these efforts, we are contributing to local communities by offering locations to help people in the event of disasters.



## Supporting Cultural and Artistic Activities

Tokyo Opera City has two museums, six theatres/halls, and an art gallery. It includes a concert hall with a wooden interior and one of the world's best acoustic systems as well as the New National Theatre, where operas, plays, modern dances, dramas, and other contemporary performing arts are performed for the public.

We support the Tokyo Opera City Cultural Foundation, which plans and organizes the musical performances and art exhibitions that take place at the Concert Hall, the Recital Hall, and the Art Gallery of Tokyo Opera City.



## >> For Employees

### Learning and Development for All Employees

Based on the idea that all employees should be professionals with a high degree of specialization, JRE-AM encourages all our employees, i.e., permanent employees, contract employees, and seconded employees, to participate in a variety of training programs.

JRE-AM provides its own training programs that are associated with the REIT industry, compliance, etc., and designed to develop employee skills and deepen their professionalism. In addition, JRE-AM encourages its employees to participate in a variety of training programs offered by our sponsor.

For more details on JRE-AM's sponsor's personnel development system, please refer to the following website.

**Mitsubishi Estate:**

<http://www.mec.co.jp/e/csr/employees/index.html>

### Support for Career Enrichment, Qualifications, and Licenses

For all of its employees, JRE-AM subsidizes the expenses of various training programs or sessions such as fund management, logical thinking skills, financial accounting, organizational management, coaching, compliance, and more. In addition, JRE-AM also subsidizes the expenses of obtaining qualifications and licenses such as ARES Certified Master, Certified Building Administrator, Real Estate Transaction Agent, among others.

### Creating a Productive and Employee-friendly Workplace

JRE-AM moved to its new office, Otemachi Park Building, in December 2017.

We promoted workplace reform by relocating our office. As a result, we accelerated work efficiency and improved productivity.



Free-address work environment

## Governance

Our basic policy as an investment corporation and asset management company is not only to comply with laws and regulations, but to meet social demands as well. Taking care to have each employee perform his or her duties with high ethical standards and strict self-discipline raises our reputation among investors and garners the trust of the greater society.

### Basic Principle of Compliance for the Investment Corporation (JRE)

JRE's basic principle of compliance is to thoroughly observe legal and other relevant norms in regard to the business operation as well as to respond to the requirements from society. This means that the investment corporation administers and oversees the outsourcing companies from the same standpoint, while complying with legal and other relevant norms in its decision-making.

### Basic Principle of Compliance for the Asset Management Company (JRE-AM)

#### Basic Principle

1. Ensuring thorough compliance is one of its top priority issues, since JRE-AM understands that any insufficiency in compliance would affect even its management base.
2. As an asset management company, JRE-AM recognizes that it bears the responsibility for realizing the values that are required by society in its business operation, and makes proactive and continuous efforts for full compliance to enhance the value of its business operation both qualitatively and quantitatively.
3. JRE-AM is determined to achieve a reputation for quality among its investors by promoting compliance activities, and thereby gains the trust of a wide spectrum of society.

For more information on our environmental, social, and governance initiatives, please visit our ESG website or see our Sustainability Report 2020.

ESG website

<https://jre-esg.com/en/>

Sustainability Report 2020

[https://jre-esg.com/en/pdf/sustainability\\_report2020.pdf](https://jre-esg.com/en/pdf/sustainability_report2020.pdf)

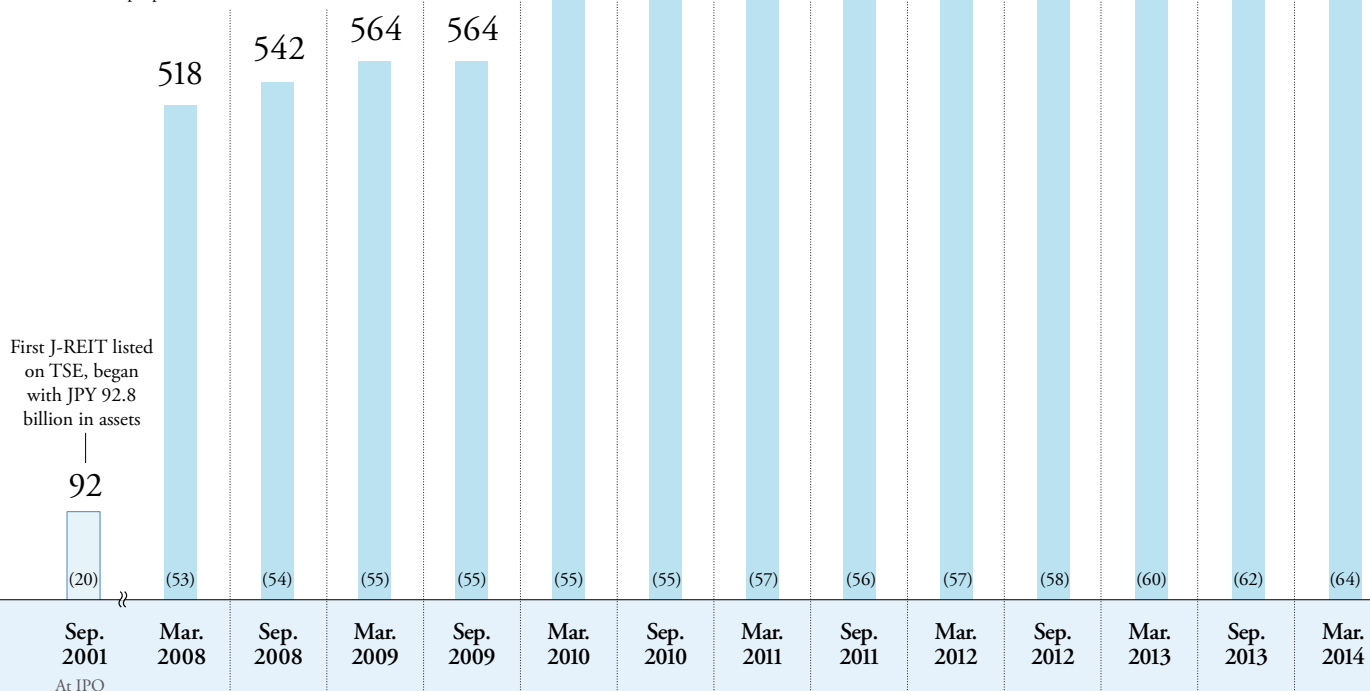
# Asset Size, Property Acquisitions, and Performance Trends

Occupancy rate (%)

94.6 95.9 96.1 95.5 93.3 93.0 92.4 93.2 94.6 94.7 95.5 96.7 96.3 96.7

In September 2001, the Company became the first J-REIT in Japan listed on the Tokyo Stock Exchange. Since then, the Company has targeted stable management to fulfill its goal of maintaining or increasing dividend per unit over the medium- to long-term. The Company's growth is based on external growth strategies that aim to increase earnings through the acquisition and transfer of properties, as well as internal growth strategies that seek to optimize earnings from properties already held. The size of the Company's assets (total acquisition price) has grown from JPY 92.8 billion at IPO to JPY 1.07 trillion as of the period ended March 31, 2021 due to the steady achievement of external growth strategies. However, in terms of internal growth strategies, ongoing efforts are being made in such areas as maintaining stable occupancy rates and reducing building management costs.

Total acquisition price (JPY billion)  
(Number of properties)



Dividend per unit\* (JPY)

14,611 9,536 9,510 9,599 9,021 8,314 7,821 7,925 8,095 7,850 7,570 7,683 7,633

Listing and issuance of units

Sep. 2001  
Listed on TSE as first J-REIT  
IPO

Mar. 2008  
Fifth Follow-On

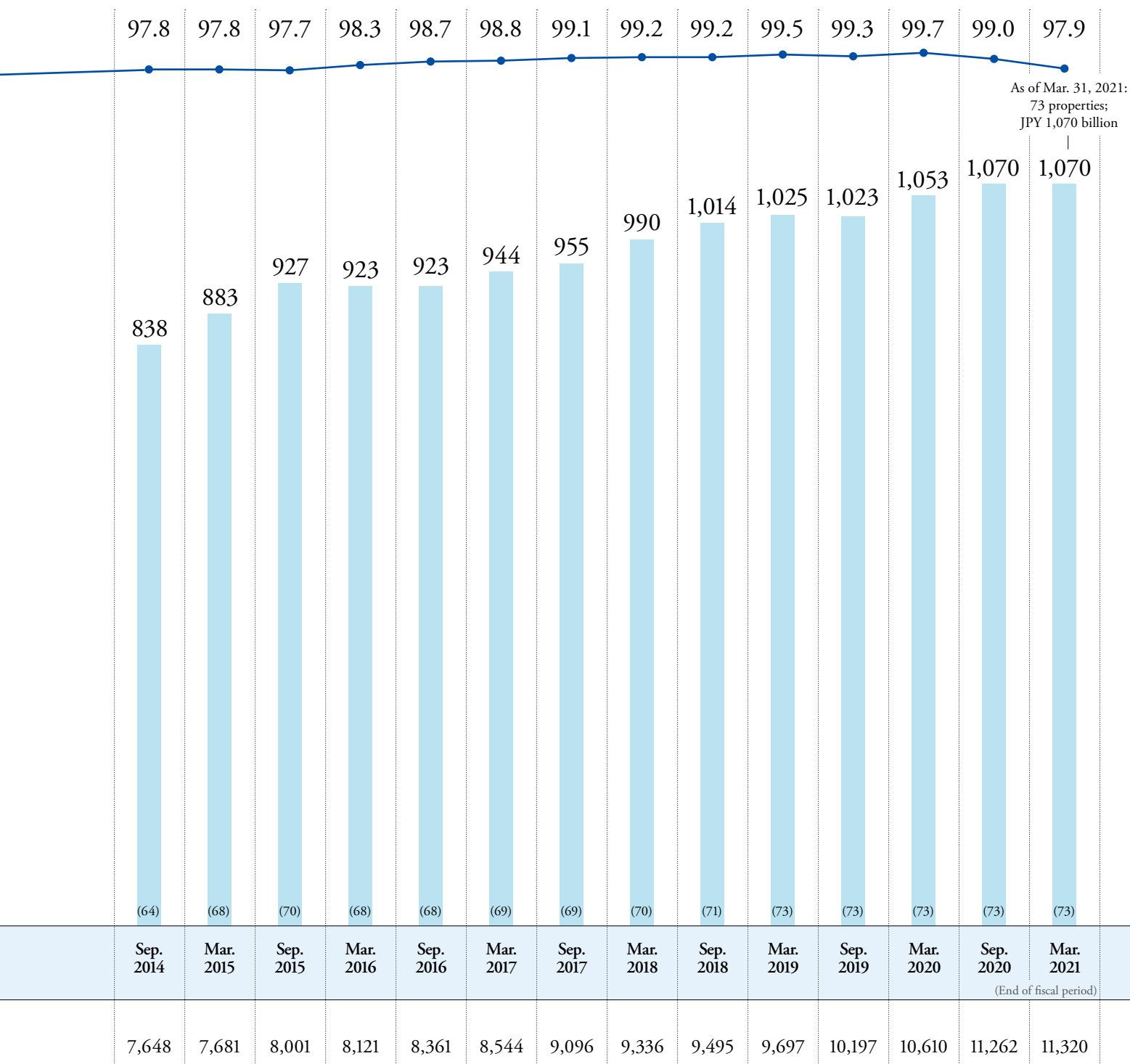
Dec. 2009  
Sixth Follow-On

Feb. 2012  
Seventh Follow-On

Oct. 2012  
Eighth Follow-On

Apr. 2014  
Ninth Follow-On

\* As the Company implemented a 2-for-1 split of each investment unit as of 1 January 2014, the figures for March 2002 through September 2013 periods have taken the split into account.



Apr. 2015  
Tenth Follow-On

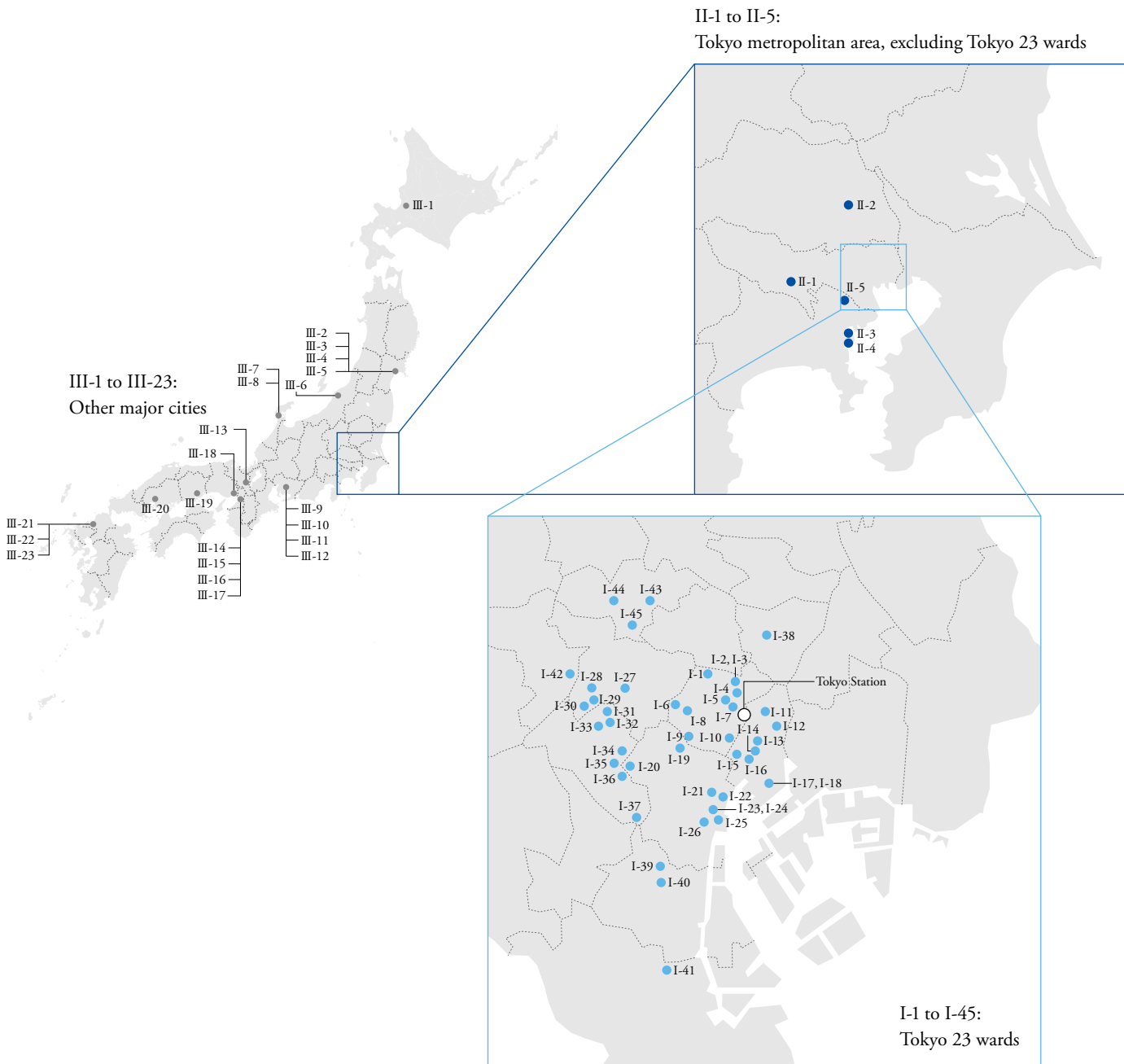
Apr. 2018  
Eleventh  
Follow-On

## Major tenant roster

Name of tenant	Name of property	Leased office area (m <sup>2</sup> )	% of total leased office area
MUFG Bank, Ltd.	Harumi Front (also includes 3 other properties)	33,912	4.0%
Undisclosed*	Kitanomaru Square (also includes 3 other properties)	22,681	2.7%
Undisclosed*	Osaki Front Tower (also includes 3 other properties)	22,021	2.6%
NTT Communications Corporation	Shiodome Building	16,243	1.9%
SQUARE ENIX HOLDINGS CO., LTD.	Shinjuku Eastside Square	15,172	1.8%
HAKUHODO DY HOLDINGS INCORPORATED	Akasaka Park Building (also includes 1 other property)	12,817	1.5%
JSOL Corporation	Harumi Center Building	10,709	1.3%
Mitsubishi UFJ Trust and Banking Corporation	Mitsubishi UFJ Trust and Banking Building	10,598	1.2%
JGC HOLDINGS CORPORATION	MM Park Building (also includes 1 other property)	10,117	1.2%
TOTO LTD.	Shiodome Building (also includes 1 other property)	9,923	1.2%

\* Undisclosed due to tenant's request

## Location of portfolio properties

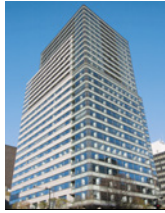




# Overview of Portfolio Properties

As of March 31, 2021

## Tokyo 23 wards



### Kitonomaru Square

• I-1

Location:	Chiyoda-ku, Tokyo
Site area:	5,821.03m <sup>2</sup>
Floor area of building:	57,279.20m <sup>2</sup>
Ownership:	100.0%
Completion:	January 2006



### MD Kanda Building

• I-2

Location:	Chiyoda-ku, Tokyo
Site area:	1,085.83m <sup>2</sup>
Floor area of building:	8,185.11m <sup>2</sup>
Ownership:	100.0%
Completion:	February 1998



### Kandabashi Park Building

• I-3

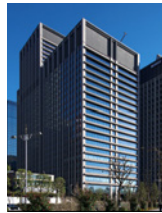
Location:	Chiyoda-ku, Tokyo
Site area:	1,218.56m <sup>2</sup>
Floor area of building:	9,370.25m <sup>2</sup>
Ownership:	56.76%
Completion:	July 1993



### Otemachi Financial City North Tower

• I-4

Location:	Chiyoda-ku, Tokyo
Site area:	14,108.16m <sup>2</sup>
Floor area of building:	239,769.07m <sup>2</sup>
Ownership:	3.39%
Completion:	October 2012



### Otemachi Park Building

• I-5

Location:	Chiyoda-ku, Tokyo
Site area:	9,338.74m <sup>2</sup>
Floor area of building:	146,611.42m <sup>2</sup>
Ownership:	2.91%
Completion:	January 2017



### Nibancho Garden

• I-6

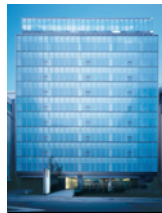
Location:	Chiyoda-ku, Tokyo
Site area:	10,992.13m <sup>2</sup>
Floor area of building:	57,031.06m <sup>2</sup>
Ownership:	31.35%
Completion:	April 2004



### Mitsubishi UFJ Trust and Banking Building

• I-7

Location:	Chiyoda-ku, Tokyo
Site area:	8,100.39m <sup>2</sup>
Floor area of building:	108,171.67m <sup>2</sup>
Ownership:	19.38%
Completion:	February 2003



### Burex Kojimachi Building

• I-8

Location:	Chiyoda-ku, Tokyo
Site area:	967.67m <sup>2</sup>
Floor area of building:	6,526.64m <sup>2</sup>
Ownership:	100.0%
Completion:	January 2005



### Sanno Grand Building

• I-9

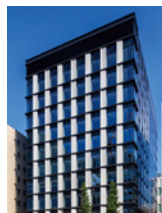
Location:	Chiyoda-ku, Tokyo
Site area:	3,663.93m <sup>2</sup>
Floor area of building:	33,875.95m <sup>2</sup>
Ownership:	99.0%
Completion:	September 1966



### Yurakucho Denki Building

• I-10

Location:	Chiyoda-ku, Tokyo
Site area:	5,749.91m <sup>2</sup>
Floor area of building:	70,287.65m <sup>2</sup>
Ownership:	10.78%
Completion:	September 1975



### Front Place Nihonbashi

• I-11

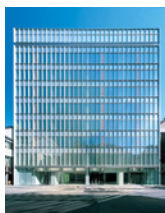
Location:	Chuo-ku, Tokyo
Site area:	1,381.52m <sup>2</sup>
Floor area of building:	11,672.55m <sup>2</sup>
Ownership:	100.0%
Completion:	February 2014



### Kyodo Building (Kayabacho 2Chome)

• I-12

Location:	Chuo-ku, Tokyo
Site area:	754.26m <sup>2</sup>
Floor area of building:	5,505.80m <sup>2</sup>
Ownership:	100.0%
Completion:	April 1991



### Burex Kyobashi Building

• I-13

Location:	Chuo-ku, Tokyo
Site area:	756.03m <sup>2</sup>
Floor area of building:	5,470.54m <sup>2</sup>
Ownership:	100.0%
Completion:	February 2002



### Ginza 1Chome East Building

• I-14

Location:	Chuo-ku, Tokyo
Site area:	702.41m <sup>2</sup>
Floor area of building:	4,976.85m <sup>2</sup>
Ownership:	100.0%
Completion:	May 2008



### Ginza Sanwa Building

• I-15

Location:	Chuo-ku, Tokyo
Site area:	1,119.27m <sup>2</sup>
Floor area of building:	8,851.00m <sup>2</sup>
Ownership:	70.95%
Completion:	October 1982



### Ryoshin Ginza East Mirror Building

• I-16

Location:	Chuo-ku, Tokyo
Site area:	864.91m <sup>2</sup>
Floor area of building:	5,751.68m <sup>2</sup>
Ownership:	100.0%
Completion:	October 1998



### Harumi Front

• I-17

Location:	Chuo-ku, Tokyo
Site area:	7,250.15m <sup>2</sup>
Floor area of building:	45,458.90m <sup>2</sup>
Ownership:	100.0%
Completion:	February 2012



### Harumi Center Building

• I-18

Location:	Chuo-ku, Tokyo
Site area:	4,664.63m <sup>2</sup>
Floor area of building:	26,447.27m <sup>2</sup>
Ownership:	100.0%
Completion:	November 2006



### Akasaka Park Building

• I-19

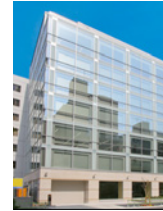
Location:	Minato-ku, Tokyo
Site area:	14,198.20m <sup>2</sup>
Floor area of building:	97,489.16m <sup>2</sup>
Ownership:	100.0%
Completion:	July 1993



### Aoyama Crystal Building

• I-20

Location:	Minato-ku, Tokyo
Site area:	989.30m <sup>2</sup>
Floor area of building:	8,094.36m <sup>2</sup>
Ownership:	100.0%
Completion:	December 1982



### Clover Shiba-koen

• I-21

Location:	Minato-ku, Tokyo
Site area:	528.58m <sup>2</sup>
Floor area of building:	3,496.01m <sup>2</sup>
Ownership:	100.0%
Completion:	February 2006



### Shiodome Building

• I-22

Location:	Minato-ku, Tokyo
Site area:	12,054.22m <sup>2</sup>
Floor area of building:	115,930.83m <sup>2</sup>
Ownership:	55.0%
Completion:	December 2007



### Shiba 2Chome Daimon Building

• I-23

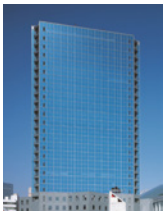
Location:	Minato-ku, Tokyo
Site area:	2,820.90m <sup>2</sup>
Floor area of building:	16,235.10m <sup>2</sup>
Ownership:	100.0%
Completion:	March 1984



### Cosmo Kanasugibashi Building

• I-24

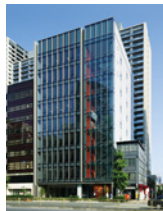
Location:	Minato-ku, Tokyo
Site area:	758.54m <sup>2</sup>
Floor area of building:	5,420.93m <sup>2</sup>
Ownership:	100.0%
Completion:	March 1992



### Seavans S Building

• I-25

Location:	Minato-ku, Tokyo
Site area:	26,468.48m <sup>2</sup>
Floor area of building:	166,405.36m <sup>2</sup>
Ownership:	13.45%
Completion:	January 1991



### Tamachi Front Building

• I-26

Location:	Minato-ku, Tokyo
Site area:	747.31m <sup>2</sup>
Floor area of building:	5,747.80m <sup>2</sup>
Ownership:	100.0%
Completion:	July 2014



### Shinjuku Eastside Square

• I-27

Location:	Shinjuku-ku, Tokyo
Site area:	25,320.28m <sup>2</sup>
Floor area of building:	167,245.46m <sup>2</sup>
Ownership:	35.0%
Completion:	March 2012



### Shinjuku Front Tower

• I-28

Location:	Shinjuku-ku, Tokyo
Site area:	9,628.17m <sup>2</sup>
Floor area of building:	92,092.30m <sup>2</sup>
Ownership:	37.16%
Completion:	August 2011



### Shinwa Building

• I-29

Location:	Shinjuku-ku, Tokyo
Site area:	822.00m <sup>2</sup>
Floor area of building:	8,291.69m <sup>2</sup>
Ownership:	100.0%
Completion:	November 1989



### Tokyo Opera City Building

• I-30

Location:	Shinjuku-ku, Tokyo
Site area:	18,236.94m <sup>2</sup>
Floor area of building:	232,996.81m <sup>2</sup>
Ownership:	31.33%
Completion:	July 1996



### Front Place Minami-Shinjuku

• I-31

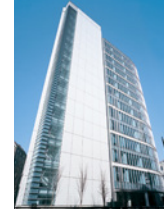
Location:	Shibuya-ku, Tokyo
Site area:	1,040.80m <sup>2</sup>
Floor area of building:	5,982.36m <sup>2</sup>
Ownership:	100.0%
Completion:	September 2015



### Link Square Shinjuku

• I-32

Location:	Shibuya-ku, Tokyo
Site area:	3,852.34m <sup>2</sup>
Floor area of building:	42,049.96m <sup>2</sup>
Ownership:	37.34%
Completion:	August 2019



### Yoyogi 1Chome Building

• I-33

Location:	Shibuya-ku, Tokyo
Site area:	1,755.75m <sup>2</sup>
Floor area of building:	10,778.10m <sup>2</sup>
Ownership:	100.0%
Completion:	October 2003



### Jingumae Terrace

• I-34

Location:	Shibuya-ku, Tokyo
Site area:	839.66m <sup>2</sup>
Floor area of building:	4,359.20m <sup>2</sup>
Ownership:	100.0%
Completion:	December 1987



### Jingumae Media Square Building

• I-35

Location:	Shibuya-ku, Tokyo
Site area:	2,124.59m <sup>2</sup>
Floor area of building:	9,420.42m <sup>2</sup>
Ownership:	100.0%
Completion:	March 1998

### Shibuya Cross Tower (Land with leasehold interest)

• I-36

Location:	Shibuya-ku, Tokyo
Site area:	5,153.45m <sup>2</sup>
Floor area of building:	—
Ownership:	—
Completion:	—



### Ebisu Neonato

• I-37

Location:	Shibuya-ku, Tokyo
Site area:	5,005.70m <sup>2</sup>
Floor area of building:	36,598.38m <sup>2</sup>
Ownership:	44.72%
Completion:	October 1994



### TIXTOWER UENO

• I-38

Location:	Taito-ku, Tokyo
Site area:	2,412.80m <sup>2</sup>
Floor area of building:	23,727.48m <sup>2</sup>
Ownership:	94.04%
Completion:	July 2010



### Higashi-Gotanda 1Chome Building

• I-39

Location:	Shinagawa-ku, Tokyo
Site area:	1,539.95m <sup>2</sup>
Floor area of building:	6,460.39m <sup>2</sup>
Ownership:	100.0%
Completion:	July 2004



### Osaki Front Tower

• I-40

Location:	Shinagawa-ku, Tokyo
Site area:	3,684.38m <sup>2</sup>
Floor area of building:	23,673.92m <sup>2</sup>
Ownership:	100.0%
Completion:	June 2005



### Omori-Eki Higashiguchi Building

• I-41

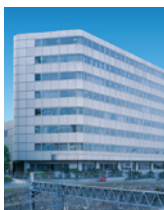
Location:	Ota-ku, Tokyo
Site area:	2,199.30m <sup>2</sup>
Floor area of building:	14,095.34m <sup>2</sup>
Ownership:	100.0%
Completion:	July 1989



### Harmony Tower

• I-42

Location:	Nakano-ku, Tokyo
Site area:	10,020.52m <sup>2</sup>
Floor area of building:	72,729.31m <sup>2</sup>
Ownership:	38.38%
Completion:	March 1997



### Otsuka Higashi- Ikebukuro Building

• I-43

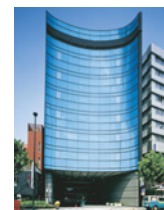
Location:	Toshima-ku, Tokyo
Site area:	2,121.39m <sup>2</sup>
Floor area of building:	9,531.28m <sup>2</sup>
Ownership:	100.0%
Completion:	November 1987



### Ikebukuro 2Chome Building

• I-44

Location:	Toshima-ku, Tokyo
Site area:	397.26m <sup>2</sup>
Floor area of building:	3,157.51m <sup>2</sup>
Ownership:	100.0%
Completion:	May 1990



### Ikebukuro YS Building

• I-45

Location:	Toshima-ku, Tokyo
Site area:	1,384.56m <sup>2</sup>
Floor area of building:	7,464.64m <sup>2</sup>
Ownership:	100.0%
Completion:	December 1989

Tokyo metropolitan area, excluding Tokyo 23 wards



### Hachioji First Square

• II-1

Location:	Hachioji, Tokyo
Site area:	2,989.33m <sup>2</sup>
Floor area of building:	18,329.98m <sup>2</sup>
Ownership:	80.40%
Completion:	July 1996



### Saitama Urawa Building

• II-2

Location:	Saitama, Saitama Prefecture
Site area:	1,533.06m <sup>2</sup>
Floor area of building:	6,258.59m <sup>2</sup>
Ownership:	100.0%
Completion:	March 1990



### MM Park Building

• II-3

Location:	Yokohama, Kanagawa Prefecture
Site area:	6,825.77m <sup>2</sup>
Floor area of building:	49,037.51m <sup>2</sup>
Ownership:	100.0%
Completion:	December 2007



### Queen's Tower A

• II-4

Location:	Yokohama, Kanagawa Prefecture
Site area:	44,406.40m <sup>2</sup>
Floor area of building:	498,282.77m <sup>2</sup>
Ownership:	11.11%
Completion:	June 1997

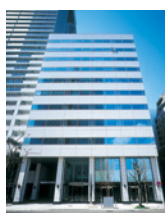


### Musashi Kosugi STM Building

• II-5

Location:	Kawasaki, Kanagawa Prefecture
Site area:	3,552.15m <sup>2</sup>
Floor area of building:	22,839.61m <sup>2</sup>
Ownership:	34.32%
Completion:	October 1990

Other major cities



### 8-3 Square Kita Building

• III-1

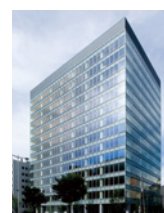
Location:	Sapporo, Hokkaido
Site area:	5,541.60m <sup>2</sup>
Floor area of building:	16,096.97m <sup>2</sup>
Ownership:	100.0%
Completion:	December 2006



### Jozenji Park Building

• III-2

Location:	Sendai, Miyagi Prefecture
Site area:	1,566.68m <sup>2</sup>
Floor area of building:	7,648.53m <sup>2</sup>
Ownership:	50.0%
Completion:	January 1993



### Higashi Nibancho Square

• III-3

Location:	Sendai, Miyagi Prefecture
Site area:	3,191.27m <sup>2</sup>
Floor area of building:	27,680.45m <sup>2</sup>
Ownership:	100.0%
Completion:	July 2008



### Sendai Honcho Honma Building

• III-4

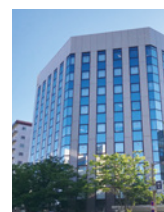
Location:	Sendai, Miyagi Prefecture
Site area:	1,437.47m <sup>2</sup>
Floor area of building:	8,247.50m <sup>2</sup>
Ownership:	100.0%
Completion:	November 1991



### AER

• III-5

Location:	Sendai, Miyagi Prefecture
Site area:	6,591.05m <sup>2</sup>
Floor area of building:	73,186.57m <sup>2</sup>
Ownership:	55.35%
Completion:	March 1998



### Daido Seimei Niigata Building

• III-6

Location:	Niigata, Niigata Prefecture
Site area:	875.05m <sup>2</sup>
Floor area of building:	5,327.23m <sup>2</sup>
Ownership:	100.0%
Completion:	October 1998



### Kanazawa Park Building

• III-7

Location:	Kanazawa, Ishikawa Prefecture
Site area:	6,642.71m <sup>2</sup>
Floor area of building:	43,481.20m <sup>2</sup>
Ownership:	89.0%
Completion:	October 1991



### Kanazawa Kamitsutsumicho Building

• III-8

Location:	Kanazawa, Ishikawa Prefecture
Site area:	1,561.80m <sup>2</sup>
Floor area of building:	9,619.96m <sup>2</sup>
Ownership:	100.0%
Completion:	August 2009



### Nishiki Park Building

• III-9

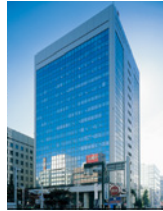
Location:	Nagoya, Aichi Prefecture
Site area:	2,170.45m <sup>2</sup>
Floor area of building:	25,091.91m <sup>2</sup>
Ownership:	71.74%
Completion:	August 1995



### Nagoya Hirokoji Place

• III-10

Location:	Nagoya, Aichi Prefecture
Site area:	2,401.43m <sup>2</sup>
Floor area of building:	15,947.29m <sup>2</sup>
Ownership:	100.0%
Completion:	December 2004



### Nagoya Hirokoji Building

• III-11

Location:	Nagoya, Aichi Prefecture
Site area:	4,095.81m <sup>2</sup>
Floor area of building:	33,377.73m <sup>2</sup>
Ownership:	100.0%
Completion:	May 1987



### Nagoya Misono Building

• III-12

Location:	Nagoya, Aichi Prefecture
Site area:	805.04m <sup>2</sup>
Floor area of building:	5,348.00m <sup>2</sup>
Ownership:	100.0%
Completion:	September 1991



### Shijo Karasuma Center Building

• III-13

Location:	Kyoto, Kyoto Prefecture
Site area:	1,371.16m <sup>2</sup>
Floor area of building:	9,185.98m <sup>2</sup>
Ownership:	100.0%
Completion:	January 2010



### Umeda Square Building

• III-14

Location:	Osaka, Osaka Prefecture
Site area:	1,652.88m <sup>2</sup>
Floor area of building:	18,673.28m <sup>2</sup>
Ownership:	100.0%
Completion:	July 1995



### Shin-Fujita Building

• III-15

Location:	Osaka, Osaka Prefecture
Site area:	6,159.61m <sup>2</sup>
Floor area of building:	45,411.31m <sup>2</sup>
Ownership:	100.0%
Completion:	April 1995



### Sakaisujihonmachi Building

• III-16

Location:	Osaka, Osaka Prefecture
Site area:	2,036.22m <sup>2</sup>
Floor area of building:	17,145.59m <sup>2</sup>
Ownership:	100.0%
Completion:	October 1992



### Midosuji Daiwa Building

• III-17

Location:	Osaka, Osaka Prefecture
Site area:	3,044.65m <sup>2</sup>
Floor area of building:	31,213.27m <sup>2</sup>
Ownership:	100.0%
Completion:	September 1991



### Amagasaki Front Building

• III-18

Location:	Amagasaki, Hyogo Prefecture
Site area:	3,975.20m <sup>2</sup>
Floor area of building:	24,055.58m <sup>2</sup>
Ownership:	100.0%
Completion:	October 2008



### Lit City Building

• III-19

Location:	Okayama, Okayama Prefecture
Site area:	7,596.44m <sup>2</sup>
Floor area of building:	52,653.19m <sup>2</sup>
Ownership:	24.60%
Completion:	June 2005



### NHK Hiroshima Broadcasting Center Building

• III-20

Location:	Hiroshima, Hiroshima Prefecture
Site area:	3,296.46m <sup>2</sup>
Floor area of building:	35,217.28m <sup>2</sup>
Ownership:	48.75%
Completion:	August 1994



### Tosei Tenjin Building

• III-21

Location:	Fukuoka, Fukuoka Prefecture
Site area:	1,221.31m <sup>2</sup>
Floor area of building:	5,588.57m <sup>2</sup>
Ownership:	100.0%
Completion:	March 1992



### Tenjin Crystal Building

• III-22

Location:	Fukuoka, Fukuoka Prefecture
Site area:	1,835.17m <sup>2</sup>
Floor area of building:	10,432.04m <sup>2</sup>
Ownership:	100.0%
Completion:	August 1993



### Hinode Tenjin Building

• III-23

Location:	Fukuoka, Fukuoka Prefecture
Site area:	1,452.15m <sup>2</sup>
Floor area of building:	12,527.07m <sup>2</sup>
Ownership:	74.48%
Completion:	August 1987

Note: Concerning real estate or trust beneficiary rights of real estate of which the Company is a partial owner through co-ownership, or compartmentalized building units, or quasi-co-ownership, the figures for “Site area” and “Floor area of building” represent total site area and total floor area for the entire building.

# Financial Section

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## Selected Financial Data

	Millions of yen				
	For the period from October 1, 2020 to March 31, 2021	For the period from April 1, 2020 to September 30, 2020	For the period from October 1, 2019 to March 31, 2020	For the period from April 1, 2019 to September 30, 2019	For the period from October 1, 2018 to March 31, 2019
Operating revenues	34,944	34,966	35,996	35,164	33,022
Operating expenses	18,464	18,468	18,641	18,669	18,473
Operating profit	16,479	16,498	17,354	16,494	14,548
Ordinary profit	15,508	15,608	16,326	15,390	13,441
Profit before income taxes	15,508	15,608	16,326	15,390	13,441
Profit	15,560	15,598	15,755	14,945	13,431
Total assets	1,001,734	1,000,254	982,607	966,390	963,676
Interest-bearing debt	419,493	418,993	401,993	389,993	389,993
Net assets	515,262	515,302	514,400	512,770	511,256
Unitholders' capital	497,241	497,241	497,241	497,241	497,241
Number of units (Units)	1,385,210	1,385,210	1,385,210	1,385,210	1,385,210
Net assets per unit (Yen)	371,974	372,002	371,351	370,174	369,082
Cash distribution	15,680	15,600	14,697	14,124	13,432
Dividend payout ratio (Note 1)	100.8%	100.0%	93.3%	94.5%	100.0%
Dividend per unit (Yen)	11,320	11,262	10,610	10,197	9,697
Net operating income (NOI)	24,825	24,943	23,413	23,104	22,603
Funds from operations (FFO)	22,089	22,225	19,986	19,795	19,831
Return on assets (ROA) (Note 2)	1.5%	1.6%	1.7%	1.6%	1.4%
	(3.1% annualized)	(3.1% annualized)	(3.3% annualized)	(3.2% annualized)	(2.8% annualized)
Return on equity (ROE) (Note 3)	3.0%	3.0%	3.1%	2.9%	2.6%
	(6.1% annualized)	(6.0% annualized)	(6.1% annualized)	(5.8% annualized)	(5.3% annualized)
EOP equity ratio (Note 4)	51.4%	51.5%	52.4%	53.1%	53.1%
EOP interest-bearing debt ratio on total assets (Note 5)	41.9%	41.9%	40.9%	40.4%	40.5%
FFO multiple (Times)	20.4	16.8	22.0	25.4	22.7
Debt service coverage ratio (Times) (Note 6)	24.8	24.2	24.3	21.4	19.6

Notes: 1. Dividend payout ratio = Dividend per unit / Profit per unit × 100

2. ROA = Ordinary profit / Average of Total assets during the period × 100

3. ROE = Profit / Average of Net assets during the period × 100

(Annualized portion of the calculation given in Note 2 and Note 3 assumes a fiscal period of 182 days for the period ended March 31, 2019, 183 days for the period ended September 30, 2019, 183 days for the period ended March 31, 2020, 183 days for the period ended September 30, 2020 and 182 days for the period ended March 31, 2021.)

4. EOP equity ratio = (Net assets at the end of period / Total assets at the end of period) × 100

5. EOP interest-bearing debt ratio on total assets = (Interest-bearing debt at the end of period / Total assets at the end of period) × 100

6. Debt service coverage ratio = Profit before Interest, Taxes, Depreciation and Amortization / Interest expenses

# Balance Sheets

As of September 30, 2020 and March 31, 2021

	Thousands of yen	
	As of September 30, 2020	As of March 31, 2021
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and deposits	21,499,934	27,205,981
Cash and deposits in trust	7,195,933	7,147,852
Operating accounts receivable	430,651	521,760
Prepaid expenses	228,047	135,511
Other	20,818	20,948
Total current assets	29,375,384	35,032,055
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings	263,978,877	265,776,388
Accumulated depreciation	(107,639,942)	(111,950,847)
Buildings, net	156,338,934	153,825,541
Structures	3,231,736	3,232,451
Accumulated depreciation	(1,074,576)	(1,127,789)
Structures, net	2,157,160	2,104,661
Machinery and equipment	3,478,769	3,480,509
Accumulated depreciation	(2,616,025)	(2,683,808)
Machinery and equipment, net	862,743	796,701
Tools, furniture and fixtures	461,525	483,514
Accumulated depreciation	(307,996)	(320,897)
Tools, furniture and fixtures, net	153,528	162,617
Land	474,256,178	474,256,178
Construction in progress	26,968	60,380
Buildings in trust	107,000,367	107,362,525
Accumulated depreciation	(32,423,749)	(34,437,955)
Buildings in trust, net	74,576,617	72,924,570
Structures in trust	1,022,645	1,029,596
Accumulated depreciation	(368,876)	(396,294)
Structures in trust, net	653,769	633,302
Machinery and equipment in trust	802,094	814,862
Accumulated depreciation	(568,526)	(584,870)
Machinery and equipment in trust, net	233,568	229,991
Tools, furniture and fixtures in trust	72,089	72,983
Accumulated depreciation	(45,355)	(48,399)
Tools, furniture and fixtures in trust, net	26,733	24,584
Land in trust	251,658,301	251,658,301
Construction in progress in trust	5,689	11,316
Total property, plant and equipment	960,950,193	956,688,146
Intangible assets		
Land leasehold interests	5,627,555	5,611,725
Easement	828,095	828,095
Other	38,728	33,160
Total intangible assets	6,494,378	6,472,981
Investments and other assets		
Investment securities	577,168	577,168
Leasehold and guarantee deposits	1,573,847	1,573,847
Long-term prepaid expenses	95,028	61,736
Other	1,125,046	1,226,601
Total investments and other assets	3,371,090	3,439,354
Total non-current assets	970,815,663	966,600,481
<b>Deferred assets</b>		
Investment corporation bond issuance costs	63,428	102,101
Total deferred assets	63,428	102,101
<b>Total Assets</b>	<b>1,000,254,476</b>	<b>1,001,734,637</b>



	Thousands of yen	
	As of September 30, 2020	As of March 31, 2021
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Operating accounts payable	1,079,870	1,424,904
Short-term borrowings	31,000,000	18,000,000
Current portion of long-term borrowings	52,200,000	51,700,000
Accounts payable - other	1,880,176	1,874,124
Accrued expenses	367,496	347,827
Income taxes payable	8,247	11,612
Accrued consumption taxes	468,126	1,145,093
Advances received	3,170,806	3,172,578
Other	14,713	14,142
Total current liabilities	90,189,438	77,690,282
<b>Non-current liabilities</b>		
Investment corporation bonds	32,993,175	42,993,175
Long-term borrowings	302,800,000	306,800,000
Deposits received from tenants	57,302,113	57,385,322
Deferred tax liabilities	1,281,107	1,217,307
Asset retirement obligations	356,041	359,628
Other	30,569	26,345
Total non-current liabilities	394,763,006	408,781,778
<b>Total Liabilities</b>	484,952,444	486,472,061
<b>NET ASSETS</b>		
<b>Unitholders' equity</b>		
Unitholders' capital	497,241,216	497,241,216
Surplus		
Voluntary retained earnings		
Reserve for tax purpose reduction entry	2,426,375	2,424,282
Total voluntary retained earnings	2,426,375	2,424,282
Unappropriated retained earnings	15,634,440	15,597,077
Total surplus	18,060,815	18,021,360
Total unitholders' equity	515,302,031	515,262,576
<b>Total Net Assets</b>	515,302,031	515,262,576
<b>Total Liabilities and Net Assets</b>	1,000,254,476	1,001,734,637

# Statements of Income and Retained Earnings

For the six months ended September 30, 2020 and March 31, 2021

Thousands of yen

	For the period from April 1, 2020 to September 30, 2020	For the period from October 1, 2020 to March 31, 2021
<b>Operating revenues</b>		
Rent revenues	34,778,422	34,666,758
Other lease business revenues	187,969	277,319
Total operating revenues	34,966,391	34,944,078
<b>Operating expenses</b>		
Expenses related to lease business	16,649,118	16,648,001
Asset management fees	1,456,400	1,433,297
Asset custody fees	64,692	64,705
Administrative service fees	133,043	134,140
Directors' compensations	7,800	7,800
Commission expenses	89,743	105,520
Other operating expenses	67,293	71,203
Total operating expenses	18,468,092	18,464,669
<b>Operating profit</b>	16,498,298	16,479,409
<b>Non-operating income</b>		
Interest income	122	140
Dividend income	12,574	—
Reversal of distributions payable	1,384	1,501
Gain on receipt of donated non-current assets	100,456	9,166
Other	897	—
Total non-operating income	115,434	10,807
<b>Non-operating expenses</b>		
Interest expenses	798,168	754,704
Interest expenses on investment corporation bonds	161,468	172,899
Amortization of investment corporation bond issuance costs	7,379	11,642
Other	38,133	42,355
Total non-operating expenses	1,005,149	981,602
<b>Ordinary profit</b>	15,608,583	15,508,613
<b>Profit before income taxes</b>	15,608,583	15,508,613
<b>Income taxes – current</b>	10,834	11,633
<b>Income taxes – deferred</b>	(1,046)	(63,799)
<b>Total income taxes</b>	9,788	(52,165)
<b>Profit</b>	15,598,795	15,560,779
<b>Retained earnings brought forward</b>	35,645	36,297
<b>Unappropriated retained earnings</b>	15,634,440	15,597,077

# Statements of Changes in Unitholders' Equity

For the six months ended September 30, 2020 and March 31, 2021

For the period from April 1, 2020 to September 30, 2020

	Unitholders' equity						Thousands of yen
	Unitholders' capital	Surplus			Total surplus	Total unitholders' equity	Total net assets
		Voluntary retained earnings		Unappropriated retained earnings			
		Reserve for tax purpose reduction entry	Total voluntary retained earnings				
Balance at beginning of the period	497,241,216	1,368,194	1,368,194	15,790,904	17,159,098	514,400,314	514,400,314
Changes during the period							
Provision of reserve for tax purpose reduction entry		1,060,273	1,060,273	(1,060,273)	—	—	—
Reversal of reserve for tax purpose reduction entry		(2,092)	(2,092)	2,092	—	—	—
Dividends of surplus				(14,697,078)	(14,697,078)	(14,697,078)	(14,697,078)
Profit				15,598,795	15,598,795	15,598,795	15,598,795
Total changes during the period	—	1,058,181	1,058,181	(156,463)	901,717	901,717	901,717
Balance at end of the period	497,241,216	2,426,375	2,426,375	15,634,440	18,060,815	515,302,031	515,302,031

For the period from October 1, 2020 to March 31, 2021

	Unitholders' equity						Thousands of yen
	Unitholders' capital	Surplus			Total surplus	Total unitholders' equity	Total net assets
		Voluntary retained earnings		Unappropriated retained earnings			
		Reserve for tax purpose reduction entry	Total voluntary retained earnings				
Balance at beginning of the period	497,241,216	2,426,375	2,426,375	15,634,440	18,060,815	515,302,031	515,302,031
Changes during the period							
Reversal of reserve for tax purpose reduction entry		(2,092)	(2,092)	2,092	—	—	—
Dividends of surplus				(15,600,235)	(15,600,235)	(15,600,235)	(15,600,235)
Profit				15,560,779	15,560,779	15,560,779	15,560,779
Total changes during the period	—	(2,092)	(2,092)	(37,363)	(39,455)	(39,455)	(39,455)
Balance at end of the period	497,241,216	2,424,282	2,424,282	15,597,077	18,021,360	515,262,576	515,262,576

## Statements of Cash Distributions

For the six months ended September 30, 2020 and March 31, 2021

	For the period from April 1, 2020 to September 30, 2020	For the period from October 1, 2020 to March 31, 2021
	Amount (Yen)	Amount (Yen)
I Retained earnings	15,634,440,510	15,597,077,487
II Reversal of voluntary retained earnings		
Reversal of reserve for tax purpose reduction entry	2,092,431	120,506,758
III Cash distribution	15,600,235,020	15,680,577,200
(Dividend per investment unit)	(11,262)	(11,320)
IV Retained earnings brought forward	36,297,921	37,007,045

### Computation Method for Determining Dividends

The Company will make cash distributions using earnings based on the cash distribution policy outlined in Article 32-1(2) of the Company's Articles of Incorporation, in an amount that exceeds 90% of the "amount of distributable profit" as set forth in Article 67-15 of the Special Taxation Measures Act. Based on this policy, the Company has decided that the total amount of dividends, which is set not to exceed the unappropriated retained earnings and also to secure retained earnings brought forward, is ¥15,600,235,020 for the period, which is a multiple of 1,385,210 — the number of units outstanding as of September 30, 2020. Furthermore, the Company does not pay out dividends that exceed earnings as outlined in Article 32-1(3) of the Company's Articles of Incorporation.

The Company will make cash distributions using earnings based on the cash distribution policy outlined in Article 32-1(2) of the Company's Articles of Incorporation, in an amount that exceeds 90% of the "amount of distributable profit" as set forth in Article 67-15 of the Special Taxation Measures Act. Based on this policy, the Company has decided that the total amount of dividends, which is calculated by adding the reversal of reserve for tax purpose reduction entry to the unappropriated retained earnings and also securing retained earnings brought forward, is ¥15,680,577,200 for the period, which is a multiple of 1,385,210 — the number of units outstanding as of March 31, 2021. Furthermore, the Company does not pay out dividends that exceed earnings as outlined in Article 32-1(3) of the Company's Articles of Incorporation.

# Statements of Cash Flows

For the six months ended September 30, 2020 and March 31, 2021

	Thousands of yen	
	For the period from April 1, 2020 to September 30, 2020	For the period from October 1, 2020 to March 31, 2021
<b>Cash flows from operating activities</b>		
Profit before income taxes	15,608,583	15,508,613
Depreciation	6,628,009	6,530,798
Gain on receipt of donated non-current assets	(100,456)	(9,166)
Amortization of investment corporation bond issuance costs	7,379	11,642
Dividend income	(12,574)	—
Interest income	(122)	(140)
Interest expenses	959,636	927,604
Decrease (increase) in operating accounts receivable	(159,133)	(91,109)
Decrease (increase) in supplies	425	(129)
Decrease (increase) in prepaid expenses	(48,282)	92,535
Increase (decrease) in operating accounts payable	(77,877)	(94,763)
Increase (decrease) in accounts payable - other	(23,243)	(19,649)
Increase (decrease) in accrued consumption taxes	(105,996)	676,967
Increase (decrease) in accrued expenses	(131)	131
Increase (decrease) in advances received	(193,103)	1,771
Decrease (increase) in long-term prepaid expenses	37,888	33,291
Other, net	(78,517)	(104,128)
Subtotal	22,442,485	23,464,270
Interest and dividends received	12,696	140
Interest paid	(961,191)	(947,405)
Income taxes paid	(14,059)	(8,269)
Net cash provided by (used in) operating activities	21,479,931	22,508,736
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(18,345,844)	(1,431,157)
Purchase of property, plant and equipment in trust	(1,577,074)	(353,107)
Refund of leasehold and guarantee deposits received	(888,636)	(1,340,413)
Proceeds from leasehold and guarantee deposits received	2,284,029	1,423,621
Net cash provided by (used in) investing activities	(18,527,526)	(1,701,056)
<b>Cash flows from financing activities</b>		
Proceeds from short-term borrowings	39,000,000	27,500,000
Repayments of short-term borrowings	(37,000,000)	(40,500,000)
Proceeds from long-term borrowings	28,000,000	31,500,000
Repayments of long-term borrowings	(13,000,000)	(28,000,000)
Proceeds from issuance of investment corporation bonds	—	10,000,000
Payments of investment corporation bond issuance costs	—	(50,315)
Distributions paid	(14,695,378)	(15,599,398)
Net cash provided by (used in) financing activities	2,304,621	(15,149,713)
Net increase (decrease) in cash and cash equivalents	5,257,026	5,657,966
Cash and cash equivalents at beginning of the period	23,438,840	28,695,867
Cash and cash equivalents at end of the period	28,695,867	34,353,833

# Notes to Financial Statements

September 30, 2020 and March 31, 2021

## 1. Organization and Basis of Presentation

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### Organization

Japan Real Estate Investment Corporation (the “Company”) is a real estate investment corporation formed to own and invest primarily in a portfolio of office properties. The Company is externally managed by a licensed asset management company, Japan Real Estate Asset Management Co., Ltd. (“JRE-AM”).

On May 11, 2001, the Company was incorporated with ¥200 million of original capital contribution by Mitsubishi Estate Co., Ltd. (“MEC”), Tokio Marine & Nichido Fire Insurance Co., Ltd. and The Dai-ichi Life Insurance Company, Limited under the ITA.

On September 10, 2001, the Company commenced operations when the Company was listed on the Tokyo Stock Exchange as one of the first real estate investment corporations in Japan (“J-REITs”). The Company issued 160,000 units at a price of ¥506,625 per unit, generating gross proceeds of ¥81,060 million.

On February 9, 2021, the transfer of 28,571 JRE-AM shares owned by Mitsui & Co., Ltd. (10.0% of outstanding shares) to MEC was approved by the board of directors. Upon the completion of the share transfer on April 16, the percentage of JRE-AM’s shares held by MEC increased from 90.0% to 100.0%.

As of March 31, 2021, the Company owned a portfolio of 73 office properties with an aggregate of approximately 873,873 m<sup>2</sup> of leasable space.

### Basis of presenting financial statements

The Company maintains its accounting records and prepares its financial statements in accordance with accounting principles generally accepted in Japan (“Japanese GAAP”), including provisions set forth in the ITA, the Japanese Financial Instruments and Exchange Law and related regulations, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards (“IFRS”).

The accompanying financial statements are a translation of the audited financial statements of the Company, which were prepared in accordance with Japanese GAAP and were presented in the Securities Report of the Company filed with the Kanto Local Finance Bureau. In preparing the accompanying financial statements, certain reclassifications and modifications have been made to the financial statements issued domestically in order to present them in a format that is more familiar to readers outside Japan. In addition, the notes to financial statements include information that might not be required under Japanese GAAP but is presented herein as additional information.

As permitted under the Japanese Financial Instruments and Exchange Law, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying financial statements do not necessarily agree with the sum of the individual amounts.

## 2. Summary of Significant Accounting Policies

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### Investment securities

Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

### Property and equipment, depreciation and impairment (except for leased assets)

Property and equipment is stated at cost, less accumulated depreciation. The cost of land, buildings and building improvements includes the purchase price of property and acquisition costs. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets ranging as stated below:

Buildings .....	2–61 years
Structures .....	2–75 years
Machinery and equipment .....	2–18 years
Tools, furniture and fixtures .....	2–29 years

Expenditures for repairing expenses are charged to income as incurred. Significant renewals and betterments are capitalized.

The Company reviews fixed assets for impairment whenever events or changes in circumstances indicate that the carrying amount of its fixed assets may not be recoverable. According to the standard set by the Accounting Standards Board of Japan (“ASBJ”), companies are

required to recognize an impairment loss in their statements of income if certain indicators of asset impairment exist and the book value of an asset exceeds the undiscounted sum of future cash flows of the asset. The standard states that impairment losses should be measured as the excess of the book value over the higher of (i) the fair market value of the asset, net of disposition costs, and (ii) the present value of future cash flows arising from ongoing utilization of the asset and from disposal after asset use. The standard covers land, factories, buildings and other forms of property, plant and equipment as well as intangible assets. Fixed assets are grouped at the lowest level for which there is identifiable cash flows that are independent of cash flows of other groups of assets.

#### **Intangible assets**

Intangible assets primarily consist of leasehold rights and easement, which are stated at cost. Amortization of a term leasehold interest for business use is calculated by the straight-line method based on the period of agreement.

#### **Leased assets**

Leased assets under finance lease transactions that do not transfer ownership of the leased assets to the lessees are capitalized and depreciated by the straight-line method over the lease term with no residual value.

#### **Deferred charges**

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

Investment unit issuance expenses are charged to income as incurred. The underwriters' economic remunerations for underwriting the offering are not recognized as investment unit issuance expenses in the financial statements since such costs are not paid by the Company as commission under the so-called "spread-method".

Under the spread-method, the difference between the offer price (the price paid by the unitholder) and the issue price (the price received by the Company) is retained by the underwriters as remuneration.

#### **Revenue recognition**

Revenues from leasing of office space are recognized as rent accrued over the lease period.

#### **Taxes on property and equipment**

Property and equipment is subject to property taxes and city planning taxes on a calendar year basis. These taxes are generally charged to income during the period. The sellers of the properties are liable for property taxes for the calendar year including the period from the date of purchase by the Company through the end of the year since the taxes are imposed on the owner registered on the record as of January 1 based on the assessment made by the local government. The Company pays the amount equivalent to the property taxes to the sellers applicable to the period since acquisition and includes the amount equivalent to the taxes in the purchase price of each property and capitalizes it as a cost of the property.

#### **Consumption taxes**

Consumption taxes withheld and consumption taxes paid are not included in the statements of income. The consumption taxes paid are generally offset against the balance of consumption taxes withheld. As such, the excess of payments over amounts withheld are included in current assets and the excess of amounts withheld over payments are included in current liabilities.

#### **Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, deposits with banks, and short-term investments, which are highly liquid, readily convertible to cash and with insignificant risk of price fluctuation, with original maturity of three months or less.

#### **Hedge accounting**

The Company enters into derivative transactions to hedge against interest-rate risk and other forms of risk based on the risk management policies outlined in the Company's Articles of Incorporation. The Company uses interest-rate swap transactions for hedging fluctuations in interest rates on floating-rate loans. The Company has also executed currency swap transactions as a method of hedging against currency exchange fluctuation risks. Deferred hedge accounting is generally used for such interest-rate swaps and currency swap transactions, and the effectiveness of hedging is measured by comparing the total cash flow fluctuation of the hedged item and that of the hedging instrument since the inception of the hedge.

For interest-rate swaps and currency swaps that qualify for hedge accounting and meet certain criteria provided under Japanese GAAP, however, the Company applies special accounting treatment. Under such special accounting treatment, the differentials paid or received under the swap agreements are recognized and included in interest expense of the hedged loans, and the interest-rate swaps and currency swaps are not required to be separately valued. For interest-rate swaps and currency swaps that meet the specific criteria for such special accounting treatment, ongoing assessments of hedge effectiveness are not required and hence not performed.

### 3. New Accounting Standards Issued but not Yet Effective

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New accounting standards and implementation guidance to be adopted in the future are as follows:

- Accounting Standards Board of Japan (“ASBJ”) Statement No. 29, Accounting Standard for Revenue Recognition, revised on March 31, 2020
- ASBJ Guidance No. 30, Implementation Guidance on Accounting Standard for Revenue Recognition, revised on March 31, 2020
- ASBJ Guidance No. 19, Implementation Guidance on Disclosures about Fair Value of Financial Instruments, revised on March 31, 2020

#### (1) Overview

The International Accounting Standards Board (“IASB”) and the Financial Accounting Standards Board (“FASB”) have jointly developed the new and comprehensive accounting standard for revenue recognition, and have published “Revenue from Contracts with Customers” (IFRS 15 by IASB and Topic 606 by FASB) in May 2014. As IFRS 15 shall be adopted in the IFRS-based financial statements for periods beginning on or after January 1, 2018, and in the U.S. GAAP-based financial statements for periods beginning after December 15, 2017, ASBJ has developed and published the comprehensive accounting standard and implementation guidance for revenue recognition accordingly.

As the basic policy of ASBJ for the development of new accounting standard for revenue recognition, from the point of view of the comparability between the financial statements based on IFRS or U.S. GAAP and Japanese GAAP as a benefit for the consistency with IFRS 15, the accounting standard in Japan has been established while adopting the basic principle of IFRS 15, and in the case that there is an item that the actual practice conducted in Japan is considered, the alternate treatments are added within the scope not to fail the comparability.

#### (2) Date of the adoption

The Company will adopt the accounting standard and implementation guidance from the beginning of the fiscal period ending September 30, 2021.

#### (3) Impact of the adoption of the respective accounting standards

The Company is currently evaluating the effect of the adoption of this accounting standard and implementation guidance on its financial statements.

- ASBJ Statement No. 30, Accounting Standard for Fair Value Measurement, issued on July 4, 2019
- ASBJ Statement No. 10, Accounting Standard for Financial Instruments, revised on July 4, 2019
- ASBJ Guidance No. 31, Implementation Guidance on Accounting Standard for Fair Value Measurement, issued on July 4, 2019
- ASBJ Guidance No. 19, Implementation Guidance on Disclosures about Fair Value of Financial Instruments, revised on March 31, 2020



(1) Overview

IASB and FASB have established similar contents and detailed guidance regarding fair value measurement (IFRS 13 “Fair Value Measurement” in IFRS and Accounting Standards Codification Topic 820 “Fair Value Measurement” in U.S. GAAP). In light of this establishment, ASBJ has worked on the consistency of Japanese GAAP with such international accounting standards regarding the guidance on fair value of financial instruments and disclosures, and issued these standards and implementation guidance listed above.

As the basic policy of ASBJ for the development of accounting standards for fair value measurement, by using the unified measurement method, from the viewpoint of improvement of the comparability of financial statements among domestic and foreign companies, ASBJ decided to adopt all the provisions of IFRS 13 basically. In addition, considering the practices that have been executed in our country, within the scope not to significantly impair the comparability between the financial statements, the other treatments to the individual items are defined.

(2) Date of the adoption

The Company will adopt the accounting standards and implementation guidance from the beginning of the fiscal period ending September 30, 2021.

(3) Impact of the adoption of the respective accounting standards

The Company is currently evaluating the effect of the adoption of these accounting standards and implementation guidance on its financial statements.

#### 4. Commitment Line Agreement

As of September 30, 2020 and March 31, 2021

The Company has signed commitment line agreements with three banks.

	Thousands of yen	
	As of September 30, 2020	As of March 31, 2021
Total amount of commitment line agreements	60,000,000	60,000,000
Debt financing balance	—	—
Balance	60,000,000	60,000,000

#### 5. Reserve for tax purpose reduction entry

As of September 30, 2020 and March 31, 2021

	Thousands of yen	
	As of September 30, 2020	As of March 31, 2021
Reserve for tax purpose reduction entry	2,426,375	2,424,282
Deferred tax liability for the reserve for tax purpose reduction entry	1,282,004	1,218,278
Total	3,708,380	3,642,561

Note: Reduction entry is made based on the reserve method, where the requirements of the tax law are met, and deferred tax liability is recorded in the liabilities section for the future taxable temporary difference related to the amount of the reserve for reduction entry, and the net amount after deducting the deferred tax liability is recorded in the net assets section as the reserve for tax purpose reduction entry. This deferred tax liability is recorded (or reversed) as a counterpart account of income taxes-deferred in the statements of income.

## 6. Financial Instruments

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### 1. Status of financial instruments

#### (1) Policies for dealing with financial instruments

Concerning the financing of property acquisitions, the Company shall use several funding sources including bank loans, the issuance of investment corporation bonds and the issuance of investment units. When executing such financing activities, the Company endeavors to retain the ability to secure stable and low-cost financing by maintaining high credit ratings and thereby limiting the financial covenants that may restrict the financial flexibility of the Company. To achieve these goals, the Company intends to further develop and reinforce the confidence of debt holders and rating agencies in the Company by bolstering the capital base and controlling the loan-to-value ratio (“LTV”) at an adequate level.

In order to hedge against future interest-rate fluctuations, the Company may enter into derivative transactions, which shall be executed solely for the purpose of hedging against interest-rate fluctuation and other risks, and not for speculative purposes.

With respect to management of excess funds, as a matter of policy the Company uses time deposits as its main vehicle, while securities and monetary claims are also eligible for such investment.

#### (2) Characteristics and risk profile of each financial instrument and risk management system

The Company regularly re-evaluates the appropriateness and effectiveness of its risk management system in order to improve on it. The characteristics and risk profile of financial instruments and the system in place to manage such risks are as follows:

The deposits, which are typically large time deposits used to manage excess funds, are exposed to the credit risk of the deposit-taking financial institutions. The Company manages credit risk by restricting the tenor of the deposit to relatively short periods and setting a minimum credit rating requirement for the deposit-taking financial institutions.

The funding proceeds from borrowings and issues of investment corporation bonds are applied mainly to acquire real estate properties and repay outstanding loans and bonds. While floating-rate short-term and long-term loans are exposed to the risk of interest-rate hikes, such risk is mitigated by the Company’s low LTV and relatively high percentage of long-term fixed-rate debts within the total borrowing. The Company may also exercise hedging by means of derivative transactions (interest-rate swap transactions) in order to mitigate the risk of fluctuation concerning the floating-rate long-term loans, thereby effectively stabilizing the overall interest rates on the loans. Foreign currency-denominated loans are also exposed to currency exchange and interest-rate fluctuation risk. However, the Company uses derivative transactions as a method of hedging against these risks (interest-rate and currency swap transactions). Foreign currency investment corporation bonds are also exposed to currency exchange risk. However, the Company uses derivative transactions as a method of hedging against the risks (currency swap transactions). For more detailed information on the hedge accounting method, please refer to Section 2. “Summary of Significant Accounting Policies: Hedge accounting”.

Loans and investment corporation bonds involve liquidity risk at the time of maturity. To manage such liquidity risk, the Company implements measures such as (i) maintaining and strengthening its ability to access equity markets to secure funds, (ii) maintaining commitment lines with major financial institutions (There is no amount outstanding under the facility as of September 30, 2020 and March 31, 2021) and (iii) preparing monthly financial plans.

#### (3) Supplementary note regarding fair value of financial instruments

The fair values of financial instruments presented in this report are based on their market value, and in cases where market values are not available, reasonably calculated values are presented. Since calculation of fair value is based on certain assumptions, the fair value could differ depending on the assumptions used. In addition, the contract value of derivative transactions, which is presented in Section 7. “Derivative Transactions”, is not an exact representation of market risk attributable to derivative transactions.

## 2. Fair value of financial instruments

Fair value of financial instruments, their values carried on the balance sheets and the differences between them as of September 30, 2020 and March 31, 2021 are as follows.

The financial instruments whose fair values are extremely difficult to estimate are excluded from the following schedule (Note 2):

	Thousands of yen		
	As of September 30, 2020		
	Book value*	Fair value*	Difference*
(1) Cash and deposits	21,499,934	21,499,934	—
(2) Cash and deposits in trust	7,195,933	7,195,933	—
(3) Short-term borrowings	(31,000,000)	(31,000,000)	—
(4) Current portion of long-term borrowings	(52,200,000)	(52,285,340)	(85,340)
(5) Investment corporation bonds	(32,993,175)	(34,107,600)	(1,114,425)
(6) Long-term borrowings	(302,800,000)	(305,188,746)	(2,388,746)
(7) Derivative transactions	—	—	—

\* Liabilities are shown in parentheses.

	Thousands of yen		
	As of March 31, 2021		
	Book value*	Fair value*	Difference*
(1) Cash and deposits	27,205,981	27,205,981	—
(2) Cash and deposits in trust	7,147,852	7,147,852	—
(3) Short-term borrowings	(18,000,000)	(18,000,000)	—
(4) Current portion of long-term borrowings	(51,700,000)	(51,806,789)	(106,789)
(5) Investment corporation bonds	(42,993,175)	(44,094,756)	(1,101,581)
(6) Long-term borrowings	(306,800,000)	(307,182,235)	(382,235)
(7) Derivative transactions	—	—	—

\* Liabilities are shown in parentheses.

Notes: 1. Measurement of fair value of financial instruments and matters concerning derivative transactions

(1) Cash and deposits and (2) Cash and deposits in trust

Due to short tenor, the book values of these assets are reasonable approximations of the present value of these assets and hence used as their fair value.

(3) Short-term borrowings

Since these loans' tenor is short and rates are reset at a short interval, the book values of these liabilities are reasonable approximations of their present value and hence used as their fair values.

(4) Current portion of long-term borrowings and (6) Long-term borrowings

For loans with floating interest rates, since the interest rates on such loans reflect market rates reasonably well over the short term and their book values are good approximations of their fair values, the book values are presented as their fair values. (However, the fair values of floating-rate long-term loans (please refer to Section 7. "Derivative Transactions, (2) Derivatives designated as hedging instruments") hedged by an interest-rate and currency swap subject to integrated treatment or by an interest-rate swap subject to special accounting treatment are calculated by discounting the aggregated principal and interest on such loans using reasonable estimates of the rates that would be applicable if the Company were to refinance the existing loans for the remaining period to maturity under the prevailing market condition.) The fair values of long-term loans with fixed interest rates are calculated by discounting the aggregated amounts of the principal and the interest of the loans by the rates that are reasonably estimated to be applicable if the Company were to refinance the existing loans for the remaining period to maturity.

(5) Investment corporation bonds

Their fair values are based on reference prices published by a financial data provider where available. When reference prices are not available, their fair values are calculated by discounting the aggregate of the principal and interest by nominal rates assumed applicable if the loans were refinanced for the duration of the current maturity. (However, the fair values of investment corporation bonds (please refer to Section 7. "Derivative Transactions, (2) Derivatives designated as hedging instruments") hedged by a currency swap subject to allocation treatment are calculated by discounting the aggregate of the principal and interest integrated with the currency swap by nominal rates assumed applicable if the loans were refinanced for the duration of the current maturity.)

(7) Derivative transactions

Please refer to Section 7. "Derivative Transactions".

2. Financial instruments whose fair values cannot be reliably measured

	Thousands of yen	
	As of September 30, 2020	As of March 31, 2021
(1) Non-listed stock *1	577,168	577,168
(2) Deposits received from tenants *2	57,302,113	57,385,322

\*1. With regard to non-listed stock, which does not have a quoted market price in an active market and whose cash flows are not reasonably estimated, fair value cannot be reliably measured and it is therefore presented at book value.

\*2. With regard to deposits received from tenants, which do not have a quoted market price in an active market and reasonably estimated tenor, their cash flows cannot be reliably measured and they are therefore presented at their book value.

3. Redemption schedule for monetary claims after the closing date

	Thousands of yen					
	As of September 30, 2020					
	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Cash and deposits	21,499,934	—	—	—	—	—
Cash and deposits in trust	7,195,933	—	—	—	—	—
<b>Total</b>	<b>28,695,867</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

	Thousands of yen					
	As of March 31, 2021					
	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Cash and deposits	27,205,981	—	—	—	—	—
Cash and deposits in trust	7,147,852	—	—	—	—	—
<b>Total</b>	<b>34,353,833</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

4. Repayment schedule for investment corporation bonds, long-term borrowings and other interest-bearing debt after the closing date

	Thousands of yen					
	As of September 30, 2020					
	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Short-term borrowings	31,000,000	—	—	—	—	—
Investment corporation bonds	—	—	—	10,000,000	10,000,000	12,993,175
Long-term borrowings	52,200,000	51,000,000	48,500,000	42,300,000	52,000,000	109,000,000
<b>Total</b>	<b>83,200,000</b>	<b>51,000,000</b>	<b>48,500,000</b>	<b>52,300,000</b>	<b>62,000,000</b>	<b>121,993,175</b>

	Thousands of yen					
	As of March 31, 2021					
	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Short-term borrowings	18,000,000	—	—	—	—	—
Investment corporation bonds	—	—	10,000,000	—	20,000,000	12,993,175
Long-term borrowings	51,700,000	48,500,000	39,500,000	54,800,000	47,500,000	116,500,000
<b>Total</b>	<b>69,700,000</b>	<b>48,500,000</b>	<b>49,500,000</b>	<b>54,800,000</b>	<b>67,500,000</b>	<b>129,493,175</b>

## 7. Derivative Transactions

### (1) Derivatives not designated as hedging instruments

As of September 30, 2020

“Not applicable”

As of March 31, 2021

“Not applicable”

### (2) Derivatives designated as hedging instruments

As of September 30, 2020

The contract amount or the equivalent principal amount set out in the contract as of the closing date for each derivative designated as a hedging instrument is as follows:

Derivative accounting method	Type of derivative transaction	Hedged item	Contract value		Fair value	Measurement of fair value
				Over one year		
Special Treatment for interest-rate swap	Receive floating, pay fixed interest-rate swap transactions	Long-term borrowings	57,300,000	46,800,000	*1	—
Integrated Treatment (Special Treatment and Allocation Treatment) for interest-rate and currency swap	Receive floating USD, pay fixed JPY, interest-rate and currency swap transactions (with initial and final exchange)	Long-term borrowings	10,000,000	10,000,000	*1	—
Allocation Treatment for currency swap	Receive fixed USD, pay fixed JPY, currency swap transactions (with initial and final exchange)	Investment corporation bonds	2,993,175	2,993,175	*2	—

Thousands of yen

As of March 31, 2021

The contract amount or the equivalent principal amount set out in the contract as of the closing date for each derivative designated as a hedging instrument is as follows:

Derivative accounting method	Type of derivative transaction	Hedged item	Contract value		Fair value	Measurement of fair value
				Over one year		
Special Treatment for interest-rate swap	Receive floating, pay fixed interest-rate swap transactions	Long-term borrowings	46,800,000	26,300,000	*1	—
Integrated Treatment (Special Treatment and Allocation Treatment) for interest-rate and currency swap	Receive floating USD, pay fixed JPY, interest-rate and currency swap transactions (with initial and final exchange)	Long-term borrowings	10,000,000	10,000,000	*1	—
Allocation Treatment for currency swap	Receive fixed USD, pay fixed JPY, currency swap transactions (with initial and final exchange)	Investment corporation bonds	2,993,175	2,993,175	*2	—

Thousands of yen

\*1. The derivative transactions eligible for Special Treatment for interest-rate swap and Integrated Treatment (Special Treatment for interest-rate swap and Allocation Treatment for currency swap) are accounted for as integral parts of the hedged loans, and the fair value of those derivative transactions is included in that of the underlying long-term borrowings as of September 30, 2020 and March 31, 2021. Please refer to Note 1 of “2. Fair value of financial instruments” under Section 6. “Financial Instruments”, as well as subheadings (4) and (6) concerning derivative transactions.

\*2. Currency swap transactions eligible for allocation treatment are accounted for as integrated parts of the hedged investment corporation bonds, and the fair value of the currency swap transactions is included in that of the underlying investment bonds as of September 30, 2020 and March 31, 2021. Please refer to Note 1 of “2. Fair value of financial instruments” under Section 6. “Financial Instruments”, as well as subheading (5) concerning derivative transactions.

## 8. Property, Plant and Equipment and Intangible Assets

Changes in Property, plant and equipment and Intangible assets for the six months ended March 31, 2021 are as follows:

Type of Asset		Balance at beginning of the period	Increase during the period	Decrease during the period	Balance at end of the period	Accumulated depreciation Accumulated amortization		Net balance at end of the period	Remarks
						Depreciation and amortization			
Property, plant and equipment	Buildings	263,978,877	1,797,511	—	265,776,388	111,950,847	4,310,904	153,825,541	—
	Structures	3,231,736	715	—	3,232,451	1,127,789	53,213	2,104,661	—
	Machinery and equipment	3,478,769	1,740	—	3,480,509	2,683,808	67,782	796,701	—
	Tools, furniture and fixtures	461,525	21,989	—	483,514	320,897	12,900	162,617	—
	Land	474,256,178	—	—	474,256,178	—	—	474,256,178	—
	Construction in progress	26,968	57,467	24,055	60,380	—	—	60,380	—
	Buildings in trust	107,000,367	362,158	—	107,362,525	34,437,955	2,014,206	72,924,570	—
	Structures in trust	1,022,645	6,950	—	1,029,596	396,294	27,418	633,302	—
	Machinery and equipment in trust	802,094	12,767	—	814,862	584,870	16,344	229,991	—
	Tools, furniture and fixtures in trust	72,089	894	—	72,983	48,399	3,043	24,584	—
	Land in trust	251,658,301	—	—	251,658,301	—	—	251,658,301	—
	Construction in progress in trust	5,689	5,626	—	11,316	—	—	11,316	—
	Subtotal	1,105,995,242	2,267,821	24,055	1,108,239,008	151,550,862	6,505,813	956,688,146	
Intangible assets	Land leasehold interests	5,933,601	—	—	5,933,601	321,876	15,829	5,611,725	—
	Easement	828,095	—	—	828,095	—	—	828,095	—
	Other	55,677	—	—	55,677	22,517	5,567	33,160	—
	Subtotal	6,817,374	—	—	6,817,374	344,393	21,397	6,472,981	
Total	1,112,812,617	2,267,821	24,055	1,115,056,383	151,895,255	6,527,211	963,161,127		

## 9. Borrowings

The condition of loans by financial institutions as of March 31, 2021 is as follows.

	Classification	Drawdown date	Balance at beginning of current period (¥ thousand)	Balance at end of current period (¥ thousand)	Average interest rate*1 (%)	Repayment date	Repayment method	Use of proceeds	Notes
	Lender								
Short-term borrowings	MUFG Bank, Ltd. *3	August 18, 2020	11,000,000	—	0.109	November 18, 2020	Bullet	*2	Unsecured Unguaranteed Unsubordinated
	Sumitomo Mitsui Trust Bank, Limited	December 26, 2019	1,300,000	—	0.120	December 28, 2020 *4			
	MUFG Bank, Ltd.	January 15, 2021	—	—	0.11818	January 29, 2021			
	MUFG Bank, Ltd. *5	November 18, 2020	—	—	0.11909	February 18, 2021			
	Sumitomo Mitsui Banking Corporation	March 27, 2020	5,000,000	—	0.120	March 29, 2021 *6			
	Sumitomo Mitsui Trust Bank, Limited	March 30, 2020	1,700,000	—	0.120	March 30, 2021 *7			
	Sumitomo Mitsui Trust Bank, Limited	April 20, 2020	2,000,000	2,000,000	0.11308	April 20, 2021			
	MUFG Bank, Ltd.	April 20, 2020	5,000,000	—	0.120	April 20, 2021 *8			
	Mizuho Bank, Ltd.	April 20, 2020	5,000,000	5,000,000	0.11308	April 20, 2021			
	MUFG Bank, Ltd. *9	February 18, 2021	—	11,000,000 *9	0.11909	May 18, 2021			
	Subtotal		31,000,000	18,000,000					
Long-term borrowings	The Yamaguchi Bank, Ltd.	October 29, 2012	2,000,000	—	0.800	October 29, 2020	Bullet	*2	Unsecured Unguaranteed Unsubordinated
	MUFG Bank, Ltd.	December 21, 2012	5,000,000	—	0.80125	December 21, 2020			
	MUFG Bank, Ltd.	December 21, 2012	5,000,000	—	0.80125	December 21, 2020			
	MUFG Bank, Ltd.	January 15, 2013	5,500,000	—	0.83625	January 15, 2021			
	MUFG Bank, Ltd.	January 31, 2014	4,000,000	—	0.64225	January 29, 2021			
	The Bank of Fukuoka, Ltd.	January 31, 2014	2,500,000	—	0.63849	January 29, 2021			
	Sumitomo Mitsui Trust Bank, Limited	January 31, 2014	2,000,000	—	0.62575	January 29, 2021			
	The Iyo Bank, Ltd.	March 24, 2014	2,000,000	—	0.6035	March 24, 2021			
	MUFG Bank, Ltd.	April 4, 2017	5,000,000	5,000,000	0.00064 *11	April 5, 2021 *10			
	MUFG Bank, Ltd.	April 24, 2013	5,000,000	5,000,000	0.775	April 26, 2021 *10			
	Mizuho Bank, Ltd.	June 15, 2012	4,000,000	4,000,000	1.07375	June 15, 2021 *10			
	Sumitomo Mitsui Trust Bank, Limited	December 26, 2016	3,700,000	3,700,000	0.1913	June 28, 2021 *10			
	Sumitomo Mitsui Banking Corporation	January 19, 2018	5,000,000	5,000,000	0.16255	July 20, 2021 *10			
	The Bank of Fukuoka, Ltd.	August 31, 2017	1,500,000	1,500,000	0.1325	August 31, 2021 *10			
	The Iyo Bank, Ltd.	October 1, 2014	1,000,000	1,000,000	0.46525	October 1, 2021 *10			
The Chugoku Bank, Limited	October 1, 2014	1,000,000	1,000,000	0.4725	October 1, 2021 *10				

	Classification	Drawdown date	Balance at beginning of current period (¥ thousand)	Balance at end of current period (¥ thousand)	Average interest rate*1 (%)	Repayment date	Repayment method	Use of proceeds	Notes
	Lender								
Long-term borrowings	Daishi Hokuetsu Bank, Ltd. *12 (former The Daishi Bank, Ltd.)	November 14, 2014	1,800,000	1,800,000	0.463	November 15, 2021 *10	Bullet	*2	Unsecured Unguaranteed Unsubordinated
	Sony Bank Incorporated		1,400,000	1,400,000					
	The Toho Bank, Ltd.		1,400,000	1,400,000					
	Daishi Hokuetsu Bank, Ltd. *12 (former The Hokuetsu Bank, Ltd.)		1,400,000	1,400,000					
	The Shinkumi Federation Bank		1,000,000	1,000,000					
	The Akita Bank, Ltd.		900,000	900,000					
	The Gunma Bank, Ltd.		900,000	900,000					
	The 77 Bank, Ltd.		900,000	900,000					
	The Tochigi Bank, Ltd.		900,000	900,000					
	The Fukui Bank, Ltd.		900,000	900,000					
	The Bank of Iwate, Ltd.		500,000	500,000					
	The Higo Bank, Ltd.		500,000	500,000					
	The Yamagata Bank, Ltd.	500,000	500,000						
	The Nishi-Nippon City Bank, Ltd.	June 17, 2014	2,000,000	2,000,000	0.621	December 17, 2021 *10			
	Sumitomo Mitsui Banking Corporation	January 7, 2013	2,000,000	2,000,000	0.980	January 7, 2022 *10			
	Mizuho Bank, Ltd.	January 15, 2013	5,000,000	5,000,000	0.96625	January 17, 2022 *10			
	The Norinchukin Bank	January 31, 2014	3,500,000	3,500,000	0.757	January 31, 2022 *10			
	Mizuho Bank, Ltd.	April 24, 2013	3,000,000	3,000,000	0.87375	April 25, 2022			
	MUFG Bank, Ltd.	June 15, 2012	4,000,000	4,000,000	1.1975	June 15, 2022			
	MUFG Bank, Ltd.	June 15, 2012	2,500,000	2,500,000	1.2725	June 15, 2022			
	Shinsei Bank, Limited	June 15, 2012	2,500,000	2,500,000	1.2725	June 15, 2022			
	The Norinchukin Bank	June 17, 2014	3,000,000	3,000,000	0.6785	June 17, 2022			
	The Gunma Bank, Ltd.	August 10, 2015	1,000,000	1,000,000	0.3925	August 10, 2022			
	The Shinkumi Federation Bank		1,000,000	1,000,000					
	Daishi Hokuetsu Bank, Ltd. *12 (former The Daishi Bank, Ltd.)		1,000,000	1,000,000					
	The Chugoku Bank, Limited		1,000,000	1,000,000					
	The Toho Bank, Ltd.		1,000,000	1,000,000					
	The Fukui Bank, Ltd.		1,000,000	1,000,000					
	The Tochigi Bank, Ltd.		500,000	500,000					
	MUFG Bank, Ltd.	September 1, 2015	2,000,000	2,000,000	0.47125	September 1, 2022			
The Hachijuni Bank, Ltd.	December 20, 2017	1,000,000	1,000,000	0.1863	December 20, 2022				
Development Bank of Japan Inc.	January 7, 2013	3,000,000	3,000,000	1.115	January 6, 2023				
Daishi Hokuetsu Bank, Ltd. *12 (former The Daishi Bank, Ltd.)	January 7, 2016	1,500,000	1,500,000	0.2802	January 10, 2023				
The 77 Bank, Ltd.	January 10, 2018	1,000,000	1,000,000	0.205	January 10, 2023				
The Hachijuni Bank, Ltd.	January 15, 2016	1,000,000	1,000,000	0.265	January 16, 2023				
The Iyo Bank, Ltd.	January 15, 2016	1,000,000	1,000,000	0.265	January 16, 2023				
Sumitomo Mitsui Trust Bank, Limited	January 17, 2018	3,000,000	3,000,000	0.210	January 17, 2023				
Development Bank of Japan Inc.	January 31, 2014	5,000,000	5,000,000	0.9325	January 31, 2023				



	Classification	Drawdown date	Balance at beginning of current period (¥ thousand)	Balance at end of current period (¥ thousand)	Average interest rate*1 (%)	Repayment date	Repayment method	Use of proceeds	Notes
	Lender								
Long-term borrowings	The Yamaguchi Bank, Ltd.	March 25, 2013	1,000,000	1,000,000	0.945	March 24, 2023	Bullet	*2	Unsecured Unguaranteed Unsubordinated
	The Bank of Fukuoka, Ltd.	March 24, 2015	2,000,000	2,000,000	0.5125	March 24, 2023			
	The Norinchukin Bank	March 25, 2015	3,500,000	3,500,000	0.46825	March 27, 2023			
	The Chugoku Bank, Limited	March 26, 2018	2,000,000	2,000,000	0.1988	March 27, 2023			
	Sumitomo Mitsui Banking Corporation	November 29, 2018	3,000,000	3,000,000	0.1694	May 29, 2023			
	Sumitomo Mitsui Trust Bank, Limited	November 29, 2018	3,000,000	3,000,000	0.1694	May 29, 2023			
	MUFG Bank, Ltd.	June 1, 2017	12,000,000	12,000,000	0.01172 *11	June 1, 2023			
	The Chugoku Bank, Limited	June 15, 2015	3,000,000	3,000,000	0.61175	June 15, 2023			
	The Bank of Fukuoka, Ltd.	June 15, 2017	2,500,000	2,500,000	0.2388	June 15, 2023			
	MUFG Bank, Ltd.	December 19, 2014	10,000,000	10,000,000	0.42375 *13	December 19, 2023			
	MUFG Bank, Ltd.	March 26, 2018	5,000,000	5,000,000	0.00045 *11	March 26, 2024			
	The Hachijuni Bank, Ltd.	March 26, 2018	1,000,000	1,000,000	0.2338	March 26, 2024			
	Sumitomo Mitsui Trust Bank, Limited	May 29, 2019	5,000,000	5,000,000	0.075	May 29, 2024			
	The Iyo Bank, Ltd.	June 15, 2017	2,500,000	2,500,000	0.275	June 17, 2024			
	The Hachijuni Bank, Ltd.	June 15, 2017	1,000,000	1,000,000	0.275	June 17, 2024			
	MUFG Bank, Ltd.	September 1, 2015	3,500,000	3,500,000	0.630	September 2, 2024			
	Sumitomo Mitsui Trust Bank, Limited	September 2, 2015	3,800,000	3,800,000	0.536	September 2, 2024			
	The Norinchukin Bank	September 1, 2017	5,000,000	5,000,000	0.240	September 2, 2024			
	Sumitomo Mitsui Trust Bank, Limited	September 26, 2019	5,500,000	5,500,000	0.105	September 26, 2024			
	Taiyo Life Insurance Company	October 1, 2014	2,000,000	2,000,000	0.7825	October 1, 2024			
	Mizuho Bank, Ltd.	October 1, 2015	2,500,000	2,500,000	0.5575	October 1, 2024			
	The Gunma Bank, Ltd.	November 18, 2019	1,000,000	1,000,000	0.1264 *11	November 18, 2024			
	MUFG Bank, Ltd.	June 1, 2018	10,000,000	10,000,000	0.2544	December 2, 2024			
	Shinkin Central Bank	January 7, 2020	2,000,000	2,000,000	0.2075	January 7, 2025			
	The Ashikaga Bank, Ltd.	January 9, 2018	1,000,000	1,000,000	0.285	January 9, 2025			
	Mizuho Trust & Banking Co., Ltd.	March 2, 2015	3,000,000	3,000,000	0.5585	March 3, 2025			
	MUFG Bank, Ltd.	March 26, 2018	2,000,000	2,000,000	0.2725	March 26, 2025			
	Development Bank of Japan Inc.	March 30, 2017	5,000,000	5,000,000	0.315	March 31, 2025			
	Taiyo Life Insurance Company	May 29, 2015	1,500,000	1,500,000	0.7375	May 29, 2025			
	Sumitomo Mitsui Trust Bank, Limited	June 15, 2020	7,000,000	7,000,000	0.2075	June 16, 2025			
	Sumitomo Mitsui Trust Bank, Limited	August 31, 2018	3,000,000	3,000,000	0.320	August 29, 2025			
	Development Bank of Japan Inc.	September 1, 2015	7,000,000	7,000,000	0.7175	September 1, 2025			
	Sumitomo Mitsui Trust Bank, Limited	September 23, 2020	5,000,000	5,000,000	0.1475	September 24, 2025			
Mizuho Bank, Ltd.	December 26, 2016	5,000,000	5,000,000	0.3625	December 26, 2025				
Sumitomo Mitsui Trust Bank, Limited	January 29, 2021	—	2,000,000	0.1625	January 29, 2026				
MUFG Bank, Ltd.	February 26, 2018	6,500,000	6,500,000	0.3413	February 26, 2026				
Mizuho Bank, Ltd.	March 27, 2018	5,500,000	5,500,000	0.300	March 27, 2026				
Shinkin Central Bank	March 30, 2017	5,000,000	5,000,000	0.360	March 30, 2026				
The Norinchukin Bank	January 23, 2019	4,000,000	4,000,000	0.1988	July 23, 2026				
Shinkin Central Bank	September 1, 2017	5,000,000	5,000,000	0.3188	September 1, 2026				
MUFG Bank, Ltd.	October 31, 2016	3,000,000	3,000,000	0.240	October 30, 2026				

	Classification	Drawdown date	Balance at beginning of current period (¥ thousand)	Balance at end of current period (¥ thousand)	Average interest rate*1 (%)	Repayment date	Repayment method	Use of proceeds	Notes
	Lender								
Long-term borrowings	Mizuho Bank, Ltd.	December 21, 2016	5,000,000	5,000,000	0.415	December 21, 2026	Bullet	*2	Unsecured Unguaranteed Unsubordinated
	Shinkin Central Bank	January 23, 2019	5,000,000	5,000,000	0.2213	January 25, 2027			
	Shinkin Central Bank	April 24, 2018	6,000,000	6,000,000	0.3675	April 26, 2027			
	The Norinchukin Bank	July 3, 2020	2,000,000	2,000,000	0.24375	July 5, 2027			
	The Joyo Bank, Ltd.	January 9, 2018	1,000,000	1,000,000	0.4188	January 11, 2028			
	Sumitomo Mitsui Banking Corporation	January 19, 2018	3,000,000	3,000,000	0.4338	January 19, 2028			
	The Bank of Fukuoka, Ltd.	January 29, 2021	—	2,500,000	0.21875	January 31, 2028			
	Mizuho Bank, Ltd.	March 30, 2018	4,000,000	4,000,000	0.3963	March 30, 2028			
	MUFG Bank, Ltd.	March 30, 2018	4,000,000	4,000,000	0.3963	March 30, 2028			
	Taiyo Life Insurance Company	March 30, 2018	1,000,000	1,000,000	0.3963	March 30, 2028			
	Mizuho Bank, Ltd.	November 15, 2019	8,500,000	8,500,000	0.34875	November 15, 2028			
	Shinkin Central Bank	January 15, 2020	5,000,000	5,000,000	0.325	January 15, 2029			
	Mizuho Bank, Ltd.	November 1, 2019	6,000,000	6,000,000	0.35125	November 1, 2029			
	MUFG Bank, Ltd.	January 15, 2020	5,500,000	5,500,000	0.3625	January 15, 2030			
	MUFG Bank, Ltd.	April 27, 2020	5,000,000	5,000,000	0.35875	April 26, 2030			
	Mizuho Bank, Ltd.	April 27, 2020	5,000,000	5,000,000	0.35875	April 26, 2030			
	MUFG Bank, Ltd.	June 15, 2020	4,000,000	4,000,000	0.36125	June 14, 2030			
	MUFG Bank, Ltd.	October 20, 2020	—	5,000,000	0.2925	October 18, 2030			
	MUFG Bank, Ltd.	December 21, 2020	—	10,000,000	0.2825	December 20, 2030			
	The Iyo Bank, Ltd.	March 24, 2021	—	2,000,000	0.17909 *11	March 24, 2031			
	The Yamanashi Chuo Bank, Ltd.	March 26, 2019	2,000,000	2,000,000	0.3688	March 26, 2031			
	The Norinchukin Bank *14	January 29, 2021	—	5,000,000	0.35625	July 31, 2031			
	The Norinchukin Bank *15	January 29, 2021	—	5,000,000	0.3775	January 30, 2032			
Sumitomo Life Insurance Company	March 26, 2019	1,000,000	1,000,000	0.505	March 27, 2034				
Sumitomo Life Insurance Company	December 16, 2019	2,000,000	2,000,000	0.490	December 18, 2034				
	Subtotal		355,000,000	358,500,000					
	Total		386,000,000	376,500,000					

\*1. The average for floating interest rates is recorded as the weighted average during the period. The average is rounded off to the fifth decimal place. The weighted average for interest rates of loans for which floating interest rates were swapped to fixed rates in order to hedge the risk of interest rate fluctuations is calculated taking the effect of this swap into consideration.

\*2. The purposes of executing these loans are to purchase real properties or beneficiary right of real estate in trust, to repay existing loans, and to fund the redemption of investment corporation bonds.

\*3. As of August 18, 2020, MUFG Bank, Ltd. transferred its loan receivable of ¥7,700 million to Mitsubishi UFJ Trust and Banking Corporation.

\*4. The Company made a full repayment (¥1,300 million) before maturity on October 26, 2020.

\*5. As of November 18, 2020, MUFG Bank, Ltd. transferred its loan receivable of ¥10,400 million to Mitsubishi UFJ Trust and Banking Corporation.

\*6. The Company made a full repayment (¥5,000 million) before maturity on October 27, 2020.

\*7. The Company made a full repayment (¥1,700 million) before maturity on October 30, 2020.

\*8. The Company made a full repayment (¥5,000 million) before maturity on October 20, 2020.

\*9. As of February 18, 2021, MUFG Bank, Ltd. transferred its loan receivable of ¥10,400 million to Mitsubishi UFJ Trust and Banking Corporation.

\*10. At the end of the period, these loans are accounted for under current liabilities on the balance sheets as the current portion of long-term borrowings.

\*11. These are floating rate borrowings which are not swapped into fixed rates.

\*12. As of January 1, 2021, The Daishi Bank, Ltd. and The Hokuetsu Bank, Ltd. merged and changed their corporate names to Daishi Hokuetsu Bank, Ltd.

\*13. In order to hedge the risk of exchange rate and interest rate fluctuations related to foreign currency-denominated loans, the Company conducted an interest-rate and currency swap transaction, which substantially secured exchange and interest rates. Accordingly, the balance and the weighted average for interest rates during the period are calculated taking the effect of this interest-rate and currency swap into consideration.

\*14. The applicable interest rate will be lowered by 0.01% from the original rate of 0.35625% for a corresponding period pursuant to the loan agreement on the condition that either one of the targets set for CO<sub>2</sub> emissions reduction or the number of ZEB-certified buildings the Company owns, respectively, is achieved.

\*15. The applicable interest rate will be lowered by 0.01% from the original rate of 0.3775% for a corresponding period pursuant to the loan agreement on the condition that either one of the targets set for CO<sub>2</sub> emissions reduction or the number of ZEB-certified buildings the Company owns, respectively, is achieved.

## 10. Investment Corporation Bonds including Current Portion of Investment Corporation Bonds

Outstanding investment corporation bonds as of March 31, 2021 are as follows.

Securities	Date of issue	Balance at beginning of current period (¥ thousand)	Balance at end of current period (¥ thousand)	Interest rate (%)	Repayment period	Repayment method	Use of proceeds	Notes
4th unsecured investment corporation bond	September 29, 2005	10,000,000	10,000,000	2.56	September 29, 2025	Bullet	*1	*2
10th unsecured investment corporation bond	March 30, 2017	10,000,000	10,000,000	0.3975	March 30, 2027	Bullet	*1	*2 *3
11th unsecured investment corporation bond	October 26, 2017	2,993,175	2,993,175	0.2788	October 26, 2027	Bullet	*1	*2 *3 *4
12th unsecured investment corporation bond (Japan Real Estate Investment Green Bonds)	November 1, 2018	10,000,000	10,000,000	0.23	November 1, 2023	Bullet	*1	*2
13th unsecured investment corporation bond	October 26, 2020	—	10,000,000	0.2	October 24, 2025	Bullet	*1	*2
Total		32,993,175	42,993,175					

\*1. The investment corporation bonds are primarily used to fund the acquisition of real properties or beneficiary right of real estate in trust, and to repay existing loans.

\*2. Financial covenants, such as a negative pledge, are not included in these bonds.

\*3. Bond issuance was limited to qualified institutional investors by a private placement.

\*4. For the purpose of avoiding foreign currency risk with respect to foreign currency investment corporation bonds, the Company engages in currency swap transactions to fix the exchange rates. Considering the effects of the currency swap transactions, the balances and interest rates are reflected in the schedule.

## 11. Net Assets

The Company is required to maintain net assets of at least ¥50 million, as required pursuant to the ITA.

## 12. Income Taxes

The Company is subject to Japanese corporate income taxes on all of its taxable income. However, under the Special Taxation Measures Act, an investment corporation is allowed to deduct dividends of earnings or dividend distributions, paid to unitholders from its taxable income if certain tax requirements are satisfied. Such tax requirements include dividend distributions in excess of 90% of its profit available for dividends for the fiscal period as stipulated by Article 67-15 of the Special Taxation Measures Act. The significant components of deferred tax assets and liabilities as of September 30, 2020 and March 31, 2021 were as follows:

	Thousands of yen	
	As of September 30, 2020	As of March 31, 2021
<b>Deferred tax assets:</b>		
Accrued enterprise tax	897	971
Amortization of a term leasehold interest	105,861	111,337
Asset retirement obligations	123,154	124,395
	229,913	236,703
Valuation allowance	(127,560)	(134,276)
Total deferred tax assets	102,353	102,426
<b>Deferred tax liabilities:</b>		
Asset retirement obligations	101,455	101,455
Reserve for advanced depreciation of non-current assets	1,282,004	1,218,278
Total deferred tax liabilities	1,383,460	1,319,734
<b>Net deferred tax liabilities</b>	<b>1,281,107</b>	<b>1,217,307</b>

The reconciliation of tax rate difference between the adjusted statutory tax rate and the effective tax rate as of September 30, 2020 and March 31, 2021 was as follows:

	As of September 30, 2020	As of March 31, 2021
Statutory tax rate	34.59%	34.59%
Deductible dividend distribution	(34.57%)	(34.97%)
Change in valuation allowance	0.04%	0.04%
Others	0.00%	0.00%
Effective tax rate	0.06%	(0.34%)

### 13. Related Party Transactions

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For the six months ended September 30, 2020 and March 31, 2021

Transactions with related parties defined under the Financial Instruments and Exchange Act are listed below.

(1) Parent Company and Major Corporation Unitholders

For the period from April 1, 2020 to September 30, 2020

“Not applicable”

**For the period from October 1, 2020 to March 31, 2021**

“Not applicable”

(2) Affiliated Companies

For the period from April 1, 2020 to September 30, 2020

“Not applicable”

**For the period from October 1, 2020 to March 31, 2021**

“Not applicable”

(3) Sister Companies

For the period from April 1, 2020 to September 30, 2020

“Not applicable”

**For the period from October 1, 2020 to March 31, 2021**

“Not applicable”

(4) Directors and Major Individual Unitholders

For the period from April 1, 2020 to September 30, 2020

“Not applicable”

**For the period from October 1, 2020 to March 31, 2021**

“Not applicable”

Transactions with related parties defined under the ITA are listed below.

In addition to controlling unitholders, major unitholders, subsidiary corporations, subsidiary companies of controlling unitholders, and officers and their close relatives, the definition of a “related party” under the ITA also includes the asset management company and its interested parties (parent and subsidiary corporations, specified individual shareholders, and major shareholders of the asset management company defined as interested parties under Article 201 of the ITA and Article 123 of the enforcement order of the ITA), as well as the asset custody company.

For the period from April 1, 2020 to September 30, 2020 (Unaudited)

Type of relationship	Name of transaction partner	Type of business	Percentage of units held	Transaction details	Transaction amount (¥ thousand)	Accounting item	Balance at end of the period (¥ thousand)
Interested party	Mitsubishi Estate Co., Ltd.	Real estate	1.24%	Rent revenue	15,607,204	—	—
				Receipt of donated non-current assets*3	94,186	—	—
				Real estate purchase	17,300,000	—	—
				Security deposit increase	1,783,808	Deposits received from tenants	20,808,194
				Security deposit return	475,378		
Interested party	Mitsubishi Jisho Property Management Co., Ltd.	Real estate management	—	Property management expenses	2,400,429	—	—
Asset custody company	Sumitomo Mitsui Trust Bank, Limited	Bank	—	Proceeds from long-term borrowings	12,000,000	Long-term borrowings	41,000,000
				Repayments of long-term borrowings	7,000,000		

Notes: 1. Consumption tax is not included in the above amounts.

2. Transaction terms were decided based on market conditions at the time the transaction was made.

3. The Company received part of the assets from a number of joint venture partners (including Mitsubishi Estate Co., Ltd. which is an interested party). The transaction amount is the total amount from the joint venture partners.

For the period from October 1, 2020 to March 31, 2021 (Unaudited)

Type of relationship	Name of transaction partner	Type of business	Percentage of units held	Transaction details	Transaction amount (¥ thousand)	Accounting item	Balance at end of the period (¥ thousand)
Interested party	Mitsubishi Estate Co., Ltd.	Real estate	1.24%	Rent revenue	15,718,057	—	—
				Security deposit increase	237,326	Deposits received from tenants	20,743,119
				Security deposit return	302,401		
Interested party	Mitsubishi Jisho Property Management Co., Ltd.	Real estate management	—	Property management expenses	2,431,521	—	—
Asset custody company	Sumitomo Mitsui Trust Bank, Limited	Bank	—	Proceeds from long-term borrowings	2,000,000	Long-term borrowings	41,000,000
				Repayments of long-term borrowings	2,000,000		

Notes: 1. Consumption tax is not included in the above amounts.

2. Transaction terms were decided based on market conditions at the time the transaction was made.

## 14. Segment Information

For the six months ended September 30, 2020 and March 31, 2021

Since the Company has been engaged in the real estate leasing business using a single segment, segment information has been omitted.

### Information on products and services

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

### Information on geographic area

#### (1) Revenue

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

#### (2) Property and equipment

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

### Information on major clients

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

## 15. Asset Retirement Obligations

For the six months ended September 30, 2020 and March 31, 2021

### Asset retirement obligations reported on balance sheets

The Company acquired Osaki Front Tower on February 1, 2011 under the term leasehold for business use agreement which, at the expiry of the leasehold, obligates the Company to restore the leased land to its original state. At the inception of a lease with such an obligation, the Company recognized an asset retirement obligation and a corresponding capital asset in an amount equal to the present value of the estimated demolition cost required for the removal of the properties located on the leased land. The present value is calculated using 2.015% as the discount rate over 42 years, which is the term of the leasehold.

Change in the asset retirement obligations for the six months ended September 30, 2020 and March 31, 2021 consisted of the following:

	Thousands of yen	
	For the period from April 1, 2020 to September 30, 2020	For the period from October 1, 2020 to March 31, 2021
Balance at the beginning of the period	352,489	356,041
Increase in tangible fixed assets	—	—
Accretion expense	3,551	3,587
Balance at the end of the period	356,041	359,628

## 16. Investment and Rental Property

For the six months ended September 30, 2020 and March 31, 2021

The Company owns primarily a portfolio of office properties in Tokyo and other prefectures in order to gain rental revenue from them.

The book values on balance sheets as of September 30, 2020 and March 31, 2021 and the fair values as of September 30, 2020 and March 31, 2021 are as follows:

Thousands of yen			
Book value		Fair value	
As of March 31, 2020	Change during the period *1	As of September 30, 2020	As of September 30, 2020
955,228,960	12,213,246	967,442,207	1,253,980,000

Thousands of yen			
Book value		Fair value	
As of September 30, 2020	Change during the period *2	As of March 31, 2021	As of March 31, 2021
967,442,207	(4,281,843)	963,160,363	1,255,095,000

Notes: 1. Book value on balance sheets means the acquisition cost less accumulated depreciation.

2. Significant changes

\*1. As for the increases/decreases for the period, the major reason for the increases was the acquisition of Link Square Shinjuku (¥17,417,790 thousand). The major reason for the decreases was by depreciation.

\*2. As for the increases/decreases for the period, the major reason for the decreases was by depreciation.

3. Fair values as of September 30, 2020 and March 31, 2021 are defined as the appraised values provided by an external qualified professional appraiser. As of March 31, 2021, Otsuka Higashi-Ikebukuro Building, for which the disposition agreement was made dated March 31, 2021, was valued at the disposition price.

Profits and losses related to investment and rental property are listed in Section 18. “Breakdown of Property-Related Revenues and Expenses”.

## 17. Per Unit Information

The following table summarizes information about net assets per unit and profit per unit as of September 30, 2020 and March 31, 2021 and for the periods then ended, respectively:

	Yen	
	For the period from April 1, 2020 to September 30, 2020	For the period from October 1, 2020 to March 31, 2021
Net assets per unit	372,002	371,974
Profit per unit	11,260	11,233

Notes: 1. Profit per unit is computed by dividing profit by the weighted average number of units outstanding during each period. Diluted profit per unit has not been presented since no warrants or convertible bonds were outstanding during the period.

2. The basis for the computation of profit per unit is as follows:

	Thousands of yen	
	For the period from April 1, 2020 to September 30, 2020	For the period from October 1, 2020 to March 31, 2021
Profit	15,598,795	15,560,779
Amount not attributable to normal unitholders	—	—
Profit applicable to normal investment units	15,598,795	15,560,779
Average number of units	1,385,210 units	1,385,210 units



## 18. Breakdown of Property-Related Revenues and Expenses

For the six months ended September 30, 2020 and March 31, 2021

	Thousands of yen	
	For the period from April 1, 2020 to September 30, 2020	For the period from October 1, 2020 to March 31, 2021
<b>Property-Related Revenues</b>	34,966,391	34,944,078
Rent revenues	34,778,422	34,666,758
Rental revenues	29,118,151	29,084,031
Common service charges	2,585,443	2,501,546
Parking revenues	711,241	722,895
Other rental revenues	2,363,586	2,358,284
Other lease business revenues	187,969	277,319
Cancellation charges	102,624	98,600
Other miscellaneous revenues	85,344	178,719
<b>Property-Related Expenses</b>	16,649,118	16,648,001
Expenses related to lease business	16,649,118	16,648,001
Property management expenses	3,657,166	3,792,045
Utilities expenses	2,228,640	1,959,967
Property and other taxes	3,295,586	3,295,526
Casualty insurance	46,010	45,983
Repairing expenses	645,173	823,623
Depreciation	6,626,407	6,529,196
Other rental expenses	150,132	201,658
<b>Property-Related Profits</b>	18,317,272	18,296,076

## 19. Changes in Unitholders' Equity

For the six months ended September 30, 2020 and March 31, 2021

Total number of investment units issuable and number of units outstanding	As of September 30, 2020	As of March 31, 2021
Total number of investment units issuable	4,000,000 units	4,000,000 units
Number of units outstanding	1,385,210 units	1,385,210 units

## 20. Supplemental Cash Flow Information

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### Cash and cash equivalents

The following table represents a reconciliation of cash and cash equivalents as of September 30, 2020 and March 31, 2021:

	Thousands of yen	
	As of September 30, 2020	As of March 31, 2021
Cash and deposits	21,499,934	27,205,981
Cash and deposits in trust	7,195,933	7,147,852
Time deposits with maturities of more than three months	—	—
Cash and cash equivalents	28,695,867	34,353,833

## 21. Leases

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1. Leased assets under finance lease transactions that do not transfer ownership of the leased assets to the lessees are capitalized and depreciated by the straight-line method over the lease term with no residual value. Such capitalized leased assets primarily consist of tools, furniture and fixtures.
2. The Company, as a lessor, owns office buildings under leases and earns rent income. As of September 30, 2020 and March 31, 2021, the future lease revenues under the non-cancelable operating leases are as follows:

	Thousands of yen	
	As of September 30, 2020	As of March 31, 2021
Due within one year	27,830,264	28,645,305
Due after one year	51,396,971	44,882,616
Total	79,227,235	73,527,922

## 22. Subsequent Events

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For the six months ended March 31, 2021

“Not applicable”



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## Independent Auditor's Report

The Board of Directors  
Japan Real Estate Investment Corporation

### Opinion

We have audited the accompanying financial statements of Japan Real Estate Investment Corporation (the Company), which comprise the balance sheet as at March 31, 2021, and the statements of income and retained earnings,, changes in unitholders' equity, cash distributions, and cash flows for the six-month period then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2021, and its financial performance and its cash flows for the six-month period then ended in accordance with accounting principles generally accepted in Japan.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and the Supervisory Director for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Supervisory Director is responsible for overseeing the Company's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the financial statements is not expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.

We communicate with the Executive Director regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Executive Director with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

#### **Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.




Ernst & Young ShinNihon LLC  
Tokyo, Japan

June 18, 2021

吉田 雅彦 

Masahiko Yoshida  
Designated Engagement Partner  
Certified Public Accountant

大久保 照代 

Teruyo Okubo  
Designated Engagement Partner  
Certified Public Accountant

# Other Information

## 1. Risk Factors

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The principal risks with respect to investment in JRE are as follows:

- any adverse conditions in the Japanese economy could adversely affect JRE;
- JRE may not be able to acquire properties to execute the growth and investment strategy in a manner that is accretive to earnings;
- illiquidity in the real estate market may limit the ability to grow or adjust the portfolio;
- the past experience of the asset manager (the “AIFM”) in the Japanese real estate market is not an indicator or guarantee of future results;
- JRE’s reliance on its sponsor company, the AIFM, and other third-party service providers could have a material adverse effect on business;
- there are potential conflicts of interest between JRE and its sponsor company as well as the AIFM;
- JRE’s revenues largely comprise leasing revenues from the portfolio properties, which may be negatively affected by vacancies, decreases in rent, and late or missed payments by tenants;
- JRE faces significant competition in seeking tenants and it may be difficult to find replacement tenants;
- increases in interest rates may increase the interest expense and may result in a decline in the market price of the units;
- JRE may suffer large losses if any of the properties incurs damage from a natural or man-made disaster;
- most of the properties in the portfolio are concentrated in Tokyo and the Tokyo metropolitan area;
- any inability to obtain financing for future acquisitions could adversely affect the growth of the portfolio;
- JRE’s failure to satisfy a complex series of requirements pursuant to Japanese tax regulations would disqualify JRE from certain taxation benefits and significantly reduce the cash distributions to the unitholders; and
- ownership rights in some of JRE’s properties may be declared invalid or limited.

In addition, JRE is subject to the following risks:

- risks related to increasing operating costs;
- risks related to JRE’s dependence on the efforts of the AIFM’s key personnel;
- risks related to the restrictive covenants under debt financing arrangements;
- risks related to entering into forward commitment contracts;
- risks related to third-party leasehold interests in the land underlying JRE properties;
- risks related to holding the property in the form of stratified ownership (*kubun shoyū*) interests or co-ownership interests (*kyōyū-mochibun*);
- risks related to holding the property through trust beneficiary interests;
- risks related to properties not in operation (including properties under development);
- risks related to the defective title, design and construction, other defects, non-conformity to the agreement or problems in the properties;
- risks related to impairment losses related to the properties;
- risks related to tenant leasehold deposits and/or security deposits;
- risks related to tenant’s default as a result of financial difficulty or insolvency;
- risks related to the insolvency of master lessee;
- risks related to the insolvency of a property seller following the purchase of a property by AIF;
- risks related to relying on expert appraisals and engineering, environmental and seismic reports as well as industry and market data;
- risks related to the presence of hazardous or toxic substances in the properties, or the failure to properly remediate such substances;
- risks related to strict environmental liabilities for the properties;
- risks related to the amendment of applicable administrative laws and local ordinances;
- risks related to infringing third party’s intellectual property rights;
- risks related to holding interests in properties through preferred shares of special purpose companies (*tokutei mokuteki kaisha*);
- risks related to holding Japanese anonymous association (*tokumei kumiai*) interests;
- risks related to investments in trust beneficiary interests;
- risks related to the tight supervision by regulatory authorities and compliance with applicable rules and regulations;

- risks related to tax authority disagreement with the AIFM’s interpretations of the Japanese tax laws and regulations;
- risks related to being unable to benefit from reductions in certain real estate taxes enjoyed by qualified J-REITs;
- risks related to changes in Japanese tax laws;
- risk of dilution as a result of further issuances of units;
- risks related to unexpected repair costs; and
- risks related to pandemics, including the COVID-19 pandemic, and natural disasters.

## 2. Information Required under Article 22(2)(d) of the EU Alternative Investment Fund Managers Directive (AIFMD)

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### (1) Material Changes in Information Listed in Article 23 of AIFMD during the Financial Period Covered by the Report (six-month fiscal period ended March 31, 2021)

As our Articles of Incorporation were revised in December 2020, we revised the disclosure of asset management fees under the heading of “Description of all fees, charges and expenses and a maximum amount which is directly / indirectly borne by the investors” (Article 23(1)(i)).

## 3. Remuneration Policy for Asset Manager Directors, Corporate Auditors, and Employees

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Beginning April 1, 2020 and ending March 31, 2021

### 1. Remuneration for Asset Manager Directors

The total amount of remuneration, bonuses, and other property benefits received by Asset Management Directors from the Asset Management Company as compensation for their duties, as well as the individual amounts each Asset Management Director receives, is decided by a resolution of a general meeting of unitholders. The policy for Asset Manager Director remuneration and bonuses is as follows.

- (1) The remuneration table is determined by the Director’s position.
- (2) Remuneration will be paid to full-time Directors but will not be paid to part-time Directors.
- (3) Bonuses will not be paid to Directors, regardless of whether they occupy a full-time or part-time position.

### 2. Remuneration for Asset Manager Corporate Auditors

The total amount of remuneration, bonuses, and other property benefits received by Corporate Auditors from the Asset Management Company as compensation for their duties, as well as the individual amounts each Corporate Auditor receives, is decided by a resolution of a general meeting of unitholders. The policy for Corporate Auditor remuneration and bonuses is as follows.

- (1) Remuneration will not be paid to part-time Corporate Auditors.
- (2) Bonuses will not be paid to Corporate Auditors, regardless of whether they occupy a full-time or part-time position.

	Directors		Corporate Auditors		Total	
	Number of person(s) remunerated	Remuneration	Number of person(s) remunerated	Remuneration	Number of person(s) remunerated	Remuneration
Remuneration based on resolutions of the General Meeting of Shareholders of Asset Manager	2	JPY 36 million	0	JPY 0 million	2	JPY 36 million

### 3. Remuneration for Asset Manager Employees

- (1) Remuneration for employees of the Asset Management Company (payment period, payment method, pay raises, promotions, etc.) is stipulated by pay regulations and personnel evaluation regulations, and decided by objective evaluation of the process as well as achievements that take into account the overall corporate performance.
- (2) Monthly pay consists of base pay, work allowance, executive allowance, and overtime pay. Pay raises are based on the results of performance evaluations that take into account management results from the previous fiscal year, and are carried out in April every year. Promotions are dealt with in the same way.
- (3) As for bonuses, the base number of multiples of monthly pay as bonuses is determined in advance by qualifications of the employee. Increases (or decreases) in the amount paid are based on the results of performance evaluations, which take into account corporate performance in the previous fiscal year.

	All employees			
	Number of employees	Remuneration		
		Total	Fixed	Variable
Remuneration based on compensation rules	45	JPY 385 million	JPY 253 million	JPY 132 million

### 4. Conflicts of Interest

There are potential conflicts of interest between the Company and the Asset Management Company with respect to remuneration for the Directors, Corporate Auditors, and employees of the Asset Management Company. The Company believes that the above remuneration policy mitigates such potential conflicts. In addition, the Asset Management Company has adopted an internal set of rules that apply to all related party transactions, such as transactions between the Company and the Asset Management Company. These rules require strict compliance by the Asset Management Company with laws and regulations regarding related-party transactions. They also contain specific procedures to be followed in the event of a transaction that involves a related party, in order to implement arm's length terms.



# Corporate Data

As of March 31, 2021

## Executives

Executive Director: Yutaka Yanagisawa  
Supervisory Directors: Tomohiro Okanoya  
Hiroaki Takano

## Paid-in Capital

JPY 497,241,216,000

## Number of Units Outstanding

1,385,210

## Number of Unitholders

14,309

## Stock Listing

Tokyo Stock Exchange

## Securities Code

8952

## LEI (Legal Entity Identifier)

3538003YAIR3CBGJJ928

## Type of Investment Corporation

Closed-end corporate type fund

## Transfer Agent

Mitsubishi UFJ Trust and Banking Corporation  
1-4-5, Marunouchi, Chiyoda-ku, Tokyo 100-8212, Japan

## Auditor

Ernst & Young ShinNihon LLC  
Hibiya Mitsui Tower  
Tokyo Midtown Hibiya  
1-1-2 Yurakucho, Chiyoda-ku, Tokyo 100-0006, Japan

## Incorporation

May 11, 2001

## Executive Office

Japan Real Estate Investment Corporation  
1-1-1, Otemachi, Chiyoda-ku, Tokyo 100-0004, Japan

For further information, please contact:  
Japan Real Estate Asset Management Co., Ltd.  
Planning Department  
Tel: 81-3-3211-7951  
E-mail: [j-rea-inquiry@j-rea.co.jp](mailto:j-rea-inquiry@j-rea.co.jp)

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This semiannual report includes translations of documents originally filed under the Japanese Financial Instruments and Exchange Law of Japan. This report was prepared in English solely for the convenience of readers outside Japan and should not be considered as a disclosure statement. The original Japanese documents shall take precedence in the event of any discrepancies arising from the translations or interpretations contained in this report.

Estimates for the Company's future operating results contained in this semiannual report are forward-looking statements and are based on information currently available to the Company and its asset management company and are subject to risks and uncertainties. Consequently, these projections should not be relied upon as the sole basis for evaluating the Company. Actual results may differ substantially from the projections depending on a number of factors.

<https://www.j-re.co.jp/en/>