

# FINANCIAL RESULTS FOR THE FISCAL PERIOD ENDED MARCH 2018

## (REIT)

May 15, 2018

Name of Issuer: Japan Real Estate Investment Corporation  
 Stock Exchange Listing: Tokyo Stock Exchange  
 Securities Code: 8952  
 URL: <https://www.j-re.co.jp/en/>  
 Representative: Hiroshi Nakajima, Executive Director  
 Asset Management Company: Japan Real Estate Asset Management Co., Ltd.  
 Representative: Naoki Umeda, President & CEO  
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 Scheduled Date of Filing Securities Report: June 26, 2018  
 Scheduled date of dividend payment: June 15, 2018  
 Supplementary materials for financial results: Yes  
 Holding of a briefing on financial results: Yes (primarily for institutional investors and analysts)

(Amounts are rounded down to the nearest million yen)

### 1. Financial Results for the March 2018 period (October 1, 2017 –March 31, 2018)

(1) Operating Results (Percentages represent increases/decreases compared with results for the previous fiscal period)

	Operating Revenues		Operating Profit		Ordinary Profit		Profit	
Period ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2018	31,955	0.7	13,596	3.2	12,362	3.7	12,291	3.2
September 30, 2017	31,718	2.9	13,178	4.9	11,921	6.5	11,909	6.5

	Profit per Unit	ROE (Profit to Unitholders' Equity Ratio)	ROA (Ordinary Profit to Total Assets Ratio)	Ordinary Profit to Operating Revenues Ratio
Period ended	Yen	%	%	%
March 31, 2018	9,387	2.6	1.3	38.7
September 30, 2017	9,096	2.5	1.3	37.6

### (2) Dividends

	Dividend per Unit Excluding Excess of Accounting Profits	Total Cash Dividends Excluding Excess of Accounting Profits	Dividend in Excess of Accounting Profits per Unit	Total Dividends in Excess of Accounting Profits	Payout Ratio	Ratio of Dividends to Net Assets
Period ended	Yen	Millions of yen	Yen	Millions of yen	%	%
March 31, 2018	9,336	12,223	0	0	99.5	2.6
September 30, 2017	9,096	11,909	0	0	100.0	2.5

Notes1: The payout ratio is rounded off to the first decimal place.

2: For the period ended March 31, 2018, the factor of the difference between dividend per unit and profit per unit is mainly due to reserving for a reduction entry (66 million yen).

### (3) Financial Standing

	Total Assets	Net Assets	Equity Ratio	Net Assets per Unit
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2018	935,561	470,703	50.3	359,505
September 30, 2017	906,507	470,321	51.9	359,213

Reference: Total unitholders' equity is 470,703 million yen for the March 2018 period and 470,321 million yen for the September 2017 period.

### (4) Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Period
Period ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2018	28,120	(45,382)	16,548	23,641
September 30, 2017	19,759	(12,033)	(4,685)	24,355

## 2. Performance Forecasts for the September 2018 period (April 1, 2018 to September 30, 2018) and the March 2019 period (October 1, 2018 to March 31, 2019)

(Percentages represent projected increases/decreases compared with the results for the preceding fiscal period)

	Operating Revenues		Operating Profit		Ordinary Profit		Profit		Dividend per Unit Excluding Excess of Accounting Profits	Dividend in Excess of Accounting Profits per Unit
Period ending	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen	Yen
September 30, 2018	32,630	2.1	13,930	2.5	12,670	2.5	12,660	3.0	9,140	0
March 31, 2019	32,580	(0.2)	14,110	1.3	12,940	2.1	12,930	2.1	9,340	0

Reference: Profit per unit forecast = Profit forecast / Number of total investment units forecast for the end of the period  
(the September 2018 period): 9,140 yen; (the March 2019 period): 9,340 yen.

### \*Other

#### (1) Changes in Accounting Policy/Changes in Accounting Estimates/Restatements

Changes in accounting policy following revisions to accounting standards, etc.:	None
Other changes in accounting policy:	None
Changes in accounting estimates:	None
Restatements:	None

#### (2) Number of Units Outstanding

##### Number of Units Outstanding at End of Period (Including Treasury Units)

As of March 31, 2018	1,309,310 units
As of September 30, 2017	1,309,310 units

##### Number of Treasury Units at End of Period

As of March 31, 2018	0 units
As of September 30, 2017	0 units

Note: Please refer to the notes regarding per unit information on page 25 for the number of investment units on which the calculations of profit per unit are based.

### \* The Implementation Status of Statutory Audit

At the time of disclosure of these financial results, the audit procedures for the financial statements pursuant to the Financial Instruments and Exchange Act have not yet finished.

### \* Explanation regarding the appropriate use of business operations forecasts, and other special remarks

1. Estimates for the Company's future operating results contained in the financial results are forward-looking statements and are based on information currently available to the Company and certain assumptions deemed reasonable. Actual results may differ substantially from the projections depending on a number of factors. In addition, these forecasts do not guarantee the stated dividends. As for assumptions underlying performance forecasts, please refer to the table entitled "Assumptions Underlying Performance Forecasts for the September 2018 period (April 1, 2018 to September 30, 2018) and the March 2019 period (October 1, 2018 to March 31, 2019)" on pages 8 and 9.

2. In accordance with a resolution proposed at the Board of Directors' meetings held on March 28, 2018, and April 9, 2018, the Company issued new investment units by public offering and third-party allocation. The payment for new investment units issued by public offering was completed on April 16, 2018, and the payment for new investment units issued by third-party allocation was completed on May 9, 2018. As for the above "2. Performance Forecasts for the September 2018 period (April 1, 2018 to September 30, 2018) and the March 2019 period (October 1, 2018 to March 31, 2019), the Company assumes that by including the 69,000 new investment units issued by public offering and the 6,900 new investment units issued by third-party allocation with the 1,309,310 units outstanding at the end of the March 2018 period, and the total number of units outstanding is 1,385,210.

## 1. Related Corporations

Due to the fact that there have been no important changes to the “Structure and Formation” section in the most recent securities report (released on December 26, 2017), information concerning it has been omitted.

## 2. Business Policy and Operations

### a. Business Policy

Due to the fact that there have been no important changes to “investment policies”, “investment targets”, or “dividend policies” section in the most recent securities report (released on December 26, 2017), information concerning them has been omitted.

### b. Business Operations

#### (1) Results for the Period

Japan Real Estate Investment Corporation (the “Company”) was established on May 11, 2001, following the Act on Investment Trusts and Investment Corporations of Japan (“ITA”). The Company was listed on the real estate investment trust market of the Tokyo Stock Exchange (“TSE”) on September 10, 2001 (Securities Code: 8952). Since its IPO, the size of the Company’s assets (total acquisition price) has grown steadily, expanding from 92.8 billion yen to 990.1 billion yen\*, as of March 31, 2018. In the same period, the Company continued to grow steadily in the number of properties in its portfolio, from 20 to 70 properties.

During the March 2018 period (October 1, 2017 to March 31, 2018), the Japanese economy continued to follow a moderate yet steady recovery, following the previous period, with the upward trend of corporate revenue, and employment and income environment.

In the market for leased office space, low vacancy rates in the rural and Tokyo metropolitan areas were maintained due to the continuous increase in the demands of relocation and expansion for the office space based on the improvement of corporate earnings. Additionally, the rent increases were steadily accumulating.

In the investment market for real estate, the favorable conditions for the financing environment continued. Transaction yields were still at a low level against the backdrop of overseas investors’ desire to actively invest, such as cases of transactions of office buildings at J-REIT, with the strict acquisition environment.

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 this date. Accordingly, the Company was able to provide a dividend at 9,336 yen, which is an increase by 240 yen from the previous period.

\*Note: The acquisition price includes the selling price (614 million yen) of the part of Jingumae Media Square Building disposed on October 30, 2009. The total acquisition price in the subsequent sections follows the same convention.

#### (2) Results of Operations

##### ① Property Management and Acquisition

In the market for leased office space in the fiscal period under review, as a result of our efforts to improve occupancy rates through meticulous property leasing, the Company successfully achieved its record-breaking level of occupancy rate, from 99.1% as of September 30, 2017, to 99.2% as of March 31, 2018.

As for external growth, on January 18, 2018, the Company disposed the building section of Shibuya Cross Tower (Shibuya-ku, Tokyo) for 10.0 billion yen (land, but established a leasehold interest) and acquired Front Place Nihonbashi (Chuo-ku, Tokyo) with 17.5 billion yen, including the proceed of the disposal of Shibuya Cross Tower, on January 19, 2018. As a result, the Company’s portfolio has been renewed in the built years and office lease business has been stable including the rental income on land from Shibuya Cross Tower. In addition, the existing ownership, Shinjuku Eastside Square (Shinjuku-ku, Tokyo) has been acquired with 13.4% co-ownership interest of 25.4 billion yen and thus, the Company’s current share of the investment of co-ownership has increased from 17.6% to 31.0%.

As a result of the above, the Company’s portfolio at the end of the fiscal period under review, March 31, 2018, consisted of 70 properties, with a total acquisition price of 990,197 million yen. Total leasable floor area stood at 833,335 m<sup>2</sup> with 1,449 tenants in total.

In addition, the Company acquired Shinjuku Front Tower (Shinjuku-ku, Tokyo), which is a highly competitive and recently-built property, located in the Shinjuku area having varieties of functions, of 25.0 billion yen with 27.24798% share of ownership of the building on April 17, 2018.

\*Note: Shinjuku South Gate Project (tentative name) (land with leasehold interest), whose building ownership was disposed on August 23, 2013, and Shibuya Cross Tower (land with leasehold interest), whose building ownership was disposed on January 18, 2018, are included in the above number of properties and total acquisition price, but is not included in total leasable floor area or total number of tenants.

## ② Finance Activities

According to its financial policy, the Company aims to operate 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 by staggering maturities, 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 refinance 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 2018 period, as the first action among J-REIT, the Company procured funds by issuing investment corporation bonds in foreign currency, combining with currency swap transaction and the low-level fixed interest rates. In addition, the Company borrowed in conjunction with the acquisition of Front Place Nihonbashi and the additional acquisition of a 13.4 % co-ownership interest of Shinjuku East Side Square. As a result of the above financing activities, as of March 31, 2018, the Company's total interest-bearing debt was 403.9 billion yen, a 28.4 billion yen increase from the end of the previous period. This amount consists of long-term loans totaling 339.0 billion yen (including the current portion of long-term loans totaling 27.5 billion yen), short-term loans totaling 32.0 billion yen, and investment corporation bonds totaling 32.9 billion yen (including the current portion of investment corporation bonds totaling 10.0 billion yen). The current LTV ratio stands at 43.2%.

The Company decided on the issuance of new investment units (69,000 issued by public offering, and the 6,900 issued by the third-party allocation) at the Board of Directors' meetings held on March 28 and April 9, 2018. By issuing the new investment units, the Company procured the funds approximately 35.6 billion yen by the public offering on April 16, 2018, and approximately 3.5 billion yen by the third-party allocation on May 9, 2018.

With the funds procured from the above public offerings of new investment units, the Company acquired Shinjuku Front Tower, and the Company made a prepayment of 13.0 billion yen in short-term loans. In addition, with the funds procured from the above the third-party allocation, the Company made a prepayment of 3.0 billion yen in short-term loans. The Company will continue to reduce the LTV ratio (ratio of interest-bearing debt to total assets), and strives to maintain a sound and conservative financial profile.

The Company's credit ratings as of March 31, 2018 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: Stable
Rating and Investment Information, Inc.	Rating: AA; Outlook: Stable

## (3) Summary of Financial Results and Dividends

As a result of the above operations, in the period under review, the Company's operating revenues increased by 0.7% on the previous period, to 31.9 billion yen. On the earnings front, operating profit increased 3.2%, to 13.5 billion yen. After deducting expenses for interest payments on loans and other costs, ordinary profit increased 3.7%, to 12.3 billion yen, and profit had an increase of 3.2%, to 12.2 billion yen.

Turning to dividends, the Company will make cash distributions using accounting profits 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 earnings available for dividends as required by Article 67-15 of the Special Taxation Measures Act. Based on this policy, the Company made a reduction entry by applying "Exceptions of the Taxation in case of the Replacement by Purchase of Specific Assets" under Article 65-7 of the Special Taxation Measures Act, and "Inclusion in Deductible Expenses of Depreciated Amount of Fixed Assets, etc. Acquired with Insurance Money etc." under Article 47 of Corporation Taxation Act, and reserving the retained earnings brought forward, the total amount of dividends that the Company has determined to pay out is 12,223,718,160 yen for the period under review, which is a multiple of 1,309,310—the number of units outstanding as of March 31, 2018. Accordingly, the per-unit cash dividend is 9,336 yen.

## c. Outlook

## (1) Operating Environment

The Japanese economy is expected to follow a course of moderate recovery as a result of further improving conditions for employment and income, as well as various financial policies in force. However, the policy trends in the U.S. and Europe and the situation in East Asia are concerns as it might lead to an economic downturn in Japan, and thus it is necessary to remain vigilant.

In the market for leased office space, especially regarding the increase in office space supply in the Tokyo metropolitan areas, to pay close attention in the future including indirect effects on the surrounding areas is required. However, movements such as relocations for expanding the office backed by steady business performance are still active, and firm demand would continue to be preserved.

Regarding the investment market for real estate, fierce competition in property acquisitions and transactions carried out at stronger valuation are anticipated to continue. Therefore, it is important to continue be proactive in searching for new properties while paying a close attention to market trends.

## ① Property Management

Based on the conditions stated above, the Company will adhere to the following management policies in order to maintain and improve profitability.

## (i) Strengthen relationships of trust with existing tenants

The Company has contracts with numerous property management companies. Each property management company has developed relationships of trust with their tenants through their daily diligence in managing their respective properties over the years. The Company will work to further solidify these relationships by anticipating tenants' needs and providing tailored services to bolster tenant satisfaction, thereby maintaining and improving occupancy rates and raising the rent levels.

## (ii) Fill vacancies promptly

In cooperation with the property management companies mentioned above and their leasing brokers, the Company will actively seek the most appropriate tenants for each property, based on location and features, in order to fill current and anticipated vacancies without delay. Furthermore, the Company will work to identify additional needs for floor area among the existing tenants.

## (iii) Stabilize revenues and earnings

With the aim of stabilizing revenues and earnings, the Company will endeavor to promote fixed lease agreements and secure long-term leasing with its large-scale tenants.

## (iv) Reduce management costs

The Company has introduced sound competitive principles to a number of property management companies so that they perpetually review and improve their management systems and cost structures. Along with this, the Company endeavors to ensure and enhance tenant satisfaction.

## ② Property Acquisitions and Sales

The Company has adopted the following policies for acquiring properties.

(i) To access property information quickly, the Company continues to enhance its property information channels while working to develop new channels.

(ii) In its acquisition activities, the Company continues to meticulously monitor and examine economic, physical, and legal factors, including rights-related issues, when selecting properties. In particular, with regard to the structure of buildings, the Company requires buildings to meet or exceed new earthquake-resistant standards, verifies the need for renovations by capturing current conditions accurately based on engineering reports, and exclusively targets properties capable of maintaining a competitive edge in terms of the facilities they offer over the medium to long term.

(iii) In accordance with its acquisition policies, the Company shall maintain its portfolio so that 70% or more of the portfolio properties are located within the Tokyo metropolitan area, with the remaining 30% or fewer located in other major cities.

Under these policies, the Company will continue to acquire highly competitive properties. At the same time, in order to further improve the quality of its portfolio, the Company will remain open to the replacement of portfolio properties with due consideration given on timing.

### ③ Financial Policies

The Company has adopted the following financial policies.

- (i) In principle, the Company shall maintain an LTV ratio (including investment corporation bonds) below 65%. To ensure an even lower interest-bearing debt ratio, the Company adopts the conservative target level of 30% to 40%.
- (ii) The Company shall set the ceiling for the combined total of loans and investment corporation bonds at 1 trillion yen.
- (iii) When obtaining a loan, the Company shall only negotiate with qualified institutional investors (limited to those defined under Article 67-15 of the Special Taxation Measures Act) before executing a loan agreement.
- (iv) With the purpose of maintaining liquidity at an appropriate level, the Company may establish preliminary borrowing frameworks such as overdraft agreements and commitment line agreements, or may conclude preliminary contracts for loans, as needed.
- (v) The Company aims for the best possible execution of financial transactions by negotiating with numerous financial institutions.

### (2) Performance Forecasts

The Company's forecasts for the September 2018 period (April 1, 2018 to September 30, 2018) are as follows: operating revenues totaling 32.6 billion yen, operating profit totaling 13.9 billion yen, ordinary profit totaling 12.6 billion yen, and profit totaling 12.6 billion yen. The Company plans to declare a per-unit cash dividend to be 9,140 yen.

The Company's forecasts for the March 2019 period (October 1, 2018 to March 31, 2019) are as follows: operating revenues totaling 32.5 billion yen, operating profit totaling 14.1 billion yen, ordinary profit totaling 12.9 billion yen, and profit totaling 12.9 billion yen. The Company plans to declare a per-unit cash dividend to be 9,340 yen.

Regarding the assumptions underlying these forecasts, please see pages 8 and 9 entitled "Assumptions Underlying Performance Forecasts for the September 2018 period (April 1, 2018 to September 30, 2018) and the March 2019 period (October 1, 2018 to March 31, 2019)." Operating revenues, operating profit, ordinary profit, profit, and cash dividend per unit might vary depending on changes that could occur to the market situation.

### (3) Issuance of New Investment Units

As stated in Section b. Business Operations (2) Results of Operations ② Finance Activities, the Company carried out the following issuance of new investment units and secondary offering of investment units resolved at the Board of Directors' meetings held on March 28, 2018 and April 9, 2018.

#### Issuance of new investment units through public offering

Number of newly offered investment units: 69,000

Issue price (offering price): 533,120 yen per unit

Total amount of issue price (offering price): 36,785,280,000 yen

Amount to be paid in (issue value): 516,800 yen per unit

Total amount to be paid in (issue value): 35,659,200,000 yen

Payment date: April 16, 2018

#### Secondary offering of investment units through over-allotment

Number of investment units to be sold: 6,900

Selling price: 533,120 yen per unit

Total selling price: 3,678,528,000 yen

#### Issuance of new investment units through third-party allocation

Number of newly offered investment units: 6,900

Issue price (offering price): 516,800 yen per unit  
 Total amount to be paid in (issue value): 3,565,920,000 yen  
 Payment date: May 9, 2018  
 Allottee: SMBC Nikko Securities Inc.

With the funds procured from the above public offerings of new investment units, the Company acquired a 27.24798% share of ownership of the building of Shinjuku Front Tower (25,025 million yen) and made a prepayment of 13.0 billion yen in short-term loans on April 17, 2018. In addition, with the funds procured from the issuance of new investment units by third-party allocation, the Company made a prepayment of 3.0 billion yen in short-term loans on May 9, 2018. The remaining funds have been allocated as cash reserves for acquiring specified assets and repaying loans in the future.

#### (4) Acquisition of Properties

As stated in b. Business Operations (2) Results of Operations ①Property Management and Acquisition, the Company has acquired the following property since the closing date for the current period (March 31, 2018).

Name of acquired property: Shinjuku Front Tower

(Overview of acquisition)

Type of specified property: Trust beneficiary rights of domestic property

Acquisition price: 25,025 million yen

Contract agreement date: April 10, 2018

Acquisition date: April 17, 2018

Seller: Mitsubishi Estate Co., Ltd.

(Details on property)

Address: 21-1, 2 chome, Kita-Shinjuku, Shinjuku-ku, Tokyo

Usage: Offices, shops

Total land area for building site: 9,628,17m<sup>2</sup>

Total area for building: 92,092.30m<sup>2</sup>

Structure: Steel-framed, steel-reinforced concrete structure, flat roof,  
 2 floors below ground, 35 floors above ground

Completion date: August 2011

Type of ownership: Freehold (land), Co-ownership of compartmentalized building units (building)

Share of ownership of building: 27.24798%

Total number of tenants: 42\*

Total leasable space: 15,705m<sup>2</sup>\*

Total leased space: 15,610m<sup>2</sup>\*

Occupancy rate: 99.4%\*

\*Note: The figures for the total number of tenants, total amount of leasable space, total leased space, and occupancy rates, are listed as they were on the acquisition date.

**Assumptions Underlying Performance Forecasts for the September 2018 period (April 1, 2018 to September 30, 2018)  
and the March 2019 period (October 1, 2018 to March 31, 2019)**

Item	Assumption
Accounting period	<ul style="list-style-type: none"> <li>• The September 2018 period: April 1, 2018 to September 30, 2018 (183 days)</li> <li>• The March 2019 period: October 1, 2018 to March 31, 2019 (182 days)</li> </ul>
Number of properties held by the Company	<ul style="list-style-type: none"> <li>• The Company's property portfolio consists of 70 properties at the end of the March 2018 period, and a property, Shinjuku Front Tower, additionally acquired on April 17, 2018, and the total number of the properties is 71. The actual portfolio might differ from this assumption due to additional property acquisitions and dispositions.</li> <li>• As of May 15, 2018, the Company does not have any forward or other commitments as set forth in the Financial Services Agency's Guidelines for Supervision.</li> </ul>
Number of units outstanding	<ul style="list-style-type: none"> <li>• The Company assumes that by including 69,000 new investment units issued by public offering and the 6,900 new investment units issued by the third-party allocation as decided on at the Board of Directors' meeting held on March 28 and April 9, 2018, with the 1,309,310 units outstanding at the end of March 31, 2018, and the total number of units outstanding is 1,385,210.</li> </ul>
Interest-bearing debt	<ul style="list-style-type: none"> <li>• The Company operates an LTV ratio within a range between 30% and 40% as an operational guideline.</li> <li>• The Company used the funds procured from the issuance of the new investment units by public offering, as decided on at the Board of Directors' meetings held on March 28 and April 9, 2018, to acquire Shinjuku Front Tower and make a repayment of short-term loans. In addition, the Company also used the funds procured from the issuance of new investment units by third-party allocation, as decided on at the same Board of Directors meeting mentioned above, to make a repayment of short-term loan. As a result, the balance of interest-bearing debt is 387,993 million yen as of May 15, 2018.</li> <li>• In the September 2018 period, as of May 15, 2018, the Company will refinance the long-term loans due for repayments during the period totaling 13.0 billion yen (repayment dates: June 1, 2018, and August 31, 2018) and the short-term loans due for repayment during the period totaling 3.5 billion yen (repayment dates: June 15, 2018 and September 3, 2018). For the 9th investment corporation bonds of 10.0 billion yen with redemption due on August 30, 2018, it is assumed that all bonds will be redeemed with funds raised by issuing investment corporation bonds or loans.</li> <li>• In the March 2019 period, as of May 15, 2018, the Company will refinance the long-term loan due for repayment during the period totaling 9.5 billion yen (repayment date: November 15, 2018, March 1, 2019, and March 25, 2019) and the short-term loan due for repayment during the period totaling 6.0 billion yen (repayment date: December 26, 2018, March 26, 2019, and March 29, 2019). There are no investment corporation bonds set to mature in the March 2019 period.</li> </ul>
Operating revenues	<ul style="list-style-type: none"> <li>• Revenues from portfolio properties held by the Company are calculated by taking into consideration new contract conclusions and existing contract cancellations fixed as of May 15, 2018, and by factoring in potential variables that reflect recent market conditions for leased office space, such as rent levels and occupancy rates.</li> </ul>

Item	Assumption
Operating expenses	<ul style="list-style-type: none"> <li>• Of the taxes applicable to the Company, property taxes, city planning taxes and depreciable property taxes corresponding to the relevant fiscal period have been recorded as property-related expenses. However, when a property is acquired at a point during the period used for the calculation of property tax, a property tax adjustment is levied that takes into account the date of the transfer of the new acquisition. The amount of the adjustment is factored into the acquisition price and therefore not recorded as an expense in the relevant fiscal period. In addition, the Company assumes the 2019 property taxes, city planning taxes, and depreciable property taxes for properties acquired in 2018 to be as follows: 83 million yen for Front Place Nihonbashi, 97 million yen for the additional shares acquired for Shinjuku Eastside Square, and 113 million yen for Shinjuku Front Tower</li> <li>• The property and other taxes will be 3,020 million yen in the September 2018 period and 3,020 million yen in the March 2019 period.</li> <li>• The depreciation will be 6,440 million yen in the September 2018 period and 6,370 million yen in the March 2019 period.</li> <li>• Property management expenses are assumed by taking past operational results into consideration.</li> <li>• Repair expenses may vastly differ from the projected amounts as such costs fluctuate significantly from one fiscal period to another, and because these costs are not recurring.</li> </ul>
Non-operating expenses	<ul style="list-style-type: none"> <li>• The non-operating expenses, such as interest expenses on loans and investment corporation bonds, will be 1,260 million yen in the September 2018 period and 1,170 million yen in the March 2019 period.</li> </ul>
Dividend amounts	<ul style="list-style-type: none"> <li>• The Company applies “Exceptions of the Taxation in case of the Replacement by Purchase of Specific Assets” under Article 65-7 of the Special Taxation Measures Act, and made a reduction entry amounting approximately 100 million yen on the gain on sale of building of Shibuya Cross Tower of 130 million yen. In addition, during the same period, the Company applies “Inclusion in Deductible Expenses of Depreciated Amount of Fixed Assets, etc. Acquired with Insurance Money etc.” under Article 47 of Corporation Taxation Act, and made a reduction entry amounting 20 million yen on the partial damage insurance income. The balance of the internal reserves after making the reduction entry as above will be 690 million yen, and, in the September 2018 and the March 2019 periods, the gain on the reversal of the reduction entry, corresponding to the depreciation of the replaced property, will be subject to cash distributions.</li> <li>• The Company shall not distribute dividends in excess of accounting profits. Thus, based on its Articles of Incorporation, the Company shall make cash distributions of the amount that is higher than 90% of earnings available for dividends up to the accounting profits.</li> </ul>
Other	<ul style="list-style-type: none"> <li>• No revisions will be made in such areas as laws, tax systems, accounting standards, and listing rules as well as regulations of the Investment Trusts Association, Japan to the extent that impact the above-mentioned forecasts.</li> <li>• No unprecedented or significant changes will occur to the general market trends or real estate market conditions or other factors.</li> <li>• In addition to the income taxes deferred on the reserves for reduction entry, the corporate and other taxes are calculated by taking into consideration the taxes in relation to the amortization of term leasehold interest for buildings and asset retirement obligations.</li> </ul>

### 3. Financial Statements

#### (1) Balance Sheets

Thousands of yen

	As of September 30, 2017	As of March 31, 2018
<b>Assets</b>		
Current assets		
Cash and deposits	18,332,818	17,804,047
Cash and deposits in trust	6,022,777	5,837,847
Operating accounts receivable	283,008	341,439
Prepaid expenses	369,867	352,401
Deferred tax assets	937	952
Other	24,109	89,865
Total current assets	25,033,519	24,426,554
Non-current assets		
Property, plant and equipment		
Buildings	265,980,168	250,111,909
Accumulated depreciation	(91,900,920)	(86,253,809)
Buildings, net	174,079,247	163,858,100
Structures	3,111,331	2,974,180
Accumulated depreciation	(838,822)	(828,367)
Structures, net	2,272,508	2,145,812
Machinery and equipment	3,098,290	3,227,707
Accumulated depreciation	(2,053,112)	(2,148,127)
Machinery and equipment, net	1,045,177	1,079,579
Tools, furniture and fixtures	433,685	440,338
Accumulated depreciation	(272,945)	(288,173)
Tools, furniture and fixtures, net	160,740	152,164
Land	434,855,149	449,950,825
Construction in progress	7,958	7,958
Buildings in trust	89,725,955	95,656,870
Accumulated depreciation	(22,598,156)	(24,227,651)
Buildings in trust, net	67,127,799	71,429,218
Structures in trust	860,317	956,849
Accumulated depreciation	(226,370)	(246,755)
Structures in trust, net	633,946	710,094
Machinery and equipment in trust	1,010,101	1,030,081
Accumulated depreciation	(713,693)	(737,361)
Machinery and equipment in trust, net	296,407	292,720
Tools, furniture and fixtures in trust	68,247	69,175
Accumulated depreciation	(26,154)	(30,373)
Tools, furniture and fixtures in trust, net	42,093	38,801
Land in trust	190,320,005	210,930,979
Construction in progress in trust	1,020	1,583
Total property, plant and equipment	870,842,053	900,597,839
Intangible assets		
Leasehold rights	5,722,535	5,706,705
Leasehold rights in trust	444,160	444,160
Easement	828,095	828,095
Other	12,332	11,372
Total intangible assets	7,007,123	6,990,333

Thousands of yen

	As of September 30, 2017	As of March 31, 2018
Investments and other assets		
Investment securities	577,168	577,168
Lease and guarantee deposits	1,573,847	1,573,847
Long-term prepaid expenses	510,906	350,381
Other	942,329	997,164
Total investments and other assets	3,604,252	3,498,562
Total non-current assets	881,453,430	911,086,735
Deferred assets		
Investment corporation bond issuance costs	20,084	48,649
Total deferred assets	20,084	48,649
Total assets	906,507,034	935,561,939
Liabilities		
Current liabilities		
Operating accounts payable	2,147,048	2,657,292
Short-term loans payable	34,500,000	32,000,000
Current portion of investment corporation bonds	10,000,000	10,000,000
Current portion of long-term loans payable	36,000,000	27,500,000
Accounts payable - other	1,651,554	1,871,072
Accrued expenses	485,268	480,090
Income taxes payable	8,893	11,478
Accrued consumption taxes	864,005	708,577
Advances received	3,394,470	3,248,413
Other	69,269	9,261
Total current liabilities	89,120,511	78,486,186
Non-current liabilities		
Investment corporation bonds	20,000,000	22,993,175
Long-term loans payable	275,000,000	311,500,000
Deposits received from tenants	51,555,491	51,308,538
Deferred tax liabilities	167,124	227,405
Asset retirement obligations	335,257	338,635
Other	6,680	4,453
Total non-current liabilities	347,064,554	386,372,208
Total liabilities	436,185,065	464,858,394
Net assets		
Unitholders' equity		
Unitholders' capital	458,016,096	458,016,096
Surplus		
Voluntary retained earnings		
Reserve for reduction entry	363,330	363,261
Total voluntary retained earnings	363,330	363,261
Unappropriated retained earnings	11,942,542	12,324,186
Total surplus	12,305,873	12,687,448
Total unitholders' equity	470,321,969	470,703,544
Total net assets	470,321,969	470,703,544
Total liabilities and net assets	906,507,034	935,561,939

## (2) Statements of Income

Thousands of yen

	For the period from April 1, 2017 to September 30, 2017	For the period from October 1, 2017 to March 31, 2018
Operating revenues		
Rent revenues	31,574,393	31,505,394
Other lease business revenues	144,189	311,111
Gain on sales of real estate properties	—	138,723
Total operating revenues	31,718,582	31,955,230
Operating expenses		
Expenses related to rent business	16,999,035	16,749,989
Asset management fee	1,214,475	1,238,158
Asset custody fee	60,526	60,728
Administrative service fees	127,844	128,617
Directors' compensations	7,800	7,800
Commission fee	63,904	103,505
Other operating expenses	66,148	69,784
Total operating expenses	18,539,735	18,358,583
Operating profit	13,178,847	13,596,647
Non-operating income		
Interest income	199	187
Dividend income	11,365	—
Reversal of distribution payable	2,711	2,745
Other	576	13
Total non-operating income	14,852	2,945
Non-operating expenses		
Interest expenses	1,053,169	1,013,270
Interest expenses on investment corporation bonds	172,064	176,960
Amortization of investment corporation bond issuance costs	6,066	7,576
Other	41,391	38,964
Total non-operating expenses	1,272,691	1,236,771
Ordinary profit	11,921,008	12,362,821
Profit before income taxes	11,921,008	12,362,821
Income taxes - current	11,267	11,496
Income taxes - deferred	(55)	60,265
Total income taxes	11,211	71,762
Profit	11,909,796	12,291,059
Retained earnings brought forward	32,745	33,127
Unappropriated retained earnings	11,942,542	12,324,186

## (3) Statements of Changes in Unitholders' Equity

For the period from April 1, 2017 to September 30, 2017

Thousands of yen

	Unitholders' equity						Total net assets
	Unitholders' capital	Surplus				Total unitholders' equity	
		Voluntary retained earnings		Unappropri- ated retained earnings	Total surplus		
		Reserve for reduction entry	Total voluntary retained earnings				
Balance at beginning of the period	458,016,096	363,400	363,400	11,219,420	11,582,820	469,598,916	469,598,916
Changes of items during the period							
Reversal of reserve for reduction entry		(69)	(69)	69	—	—	—
Dividends of surplus				(11,186,744)	(11,186,744)	(11,186,744)	(11,186,744)
Profit				11,909,796	11,909,796	11,909,796	11,909,796
Total changes of items during the period	—	(69)	(69)	723,121	723,052	723,052	723,052
Balance at end of the period	458,016,096	363,330	363,330	11,942,542	12,305,873	470,321,969	470,321,969

For the period from October 1, 2017 to March 31, 2018

Thousands of yen

	Unitholders' equity						Total net assets
	Unitholders' capital	Surplus				Total unitholders' equity	
		Voluntary retained earnings		Unappropri- ated retained earnings	Total surplus		
		Reserve for reduction entry	Total voluntary retained earnings				
Balance at beginning of the period	458,016,096	363,330	363,330	11,942,542	12,305,873	470,321,969	470,321,969
Changes of items during the period							
Reversal of reserve for reduction entry		(69)	(69)	69	—	—	—
Dividends of surplus				(11,909,483)	(11,909,483)	(11,909,483)	(11,909,483)
Profit				12,291,059	12,291,059	12,291,059	12,291,059
Total changes of items during the period	—	(69)	(69)	381,644	381,575	381,575	381,575
Balance at end of the period	458,016,096	363,261	363,261	12,324,186	12,687,448	470,703,544	470,703,544

## (4) Statements of Cash Distributions

	For the period from April 1, 2017 to September 30, 2017	For the period from October 1, 2017 to March 31, 2018
	Amount (Yen)	Amount (Yen)
I Retained earnings	11,942,542,135	12,324,186,848
II Reversal of voluntary retained earnings		
Reversal of reserve for reduction entry	69,182	69,182
III Cash distribution	11,909,483,760	12,223,718,160
(Dividend per investment unit)	(9,096)	(9,336)
IV Voluntary retained earnings		
Reserve for special account for reduction entry	—	16,307,490
Reserve for reduction entry	—	50,335,883
V Retained earnings brought forward	33,127,557	33,894,497

Computation Method for Determining Dividends	<p>The Company will make cash distributions using accounting profits 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 11,909,483,760 yen for the period under review, which is a multiple of 1,309,310 — the number of units outstanding as of September 30, 2017. Furthermore, the Company does not pay out dividends that exceed accounting profits as outlined in Article 32-1(3) of the Company's Articles of Incorporation.</p>	<p>The Company will make cash distributions using accounting profits 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, under the applications of Article 65-7 "Exceptions of the Taxation in case of the Replacement by Purchase of Specific Assets" of the Special Taxation Measures Act, and of Article 47 "Inclusion in Deductible Expenses of Depreciated Amount of Fixed Assets, etc. Acquired with Insurance Money etc." of Corporation Taxation Act, making reduction entries, and also which is set not to exceed the unappropriated retained earnings and to secure retained earnings brought forward, is 12,223,718,160 yen for the period under review, which is a multiple of 1,309,310 — the number of units outstanding as of March 31, 2018. Furthermore, the Company does not pay out dividends that exceed accounting profits as outlined in Article 32-1(3) of the Company's Articles of Incorporation.</p>
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## (5) Statements of Cash Flows

Thousands of yen

	For the period from April 1, 2017 to September 30, 2017	For the period from October 1, 2017 to March 31, 2018
Cash flows from operating activities		
Profit before income taxes	11,921,008	12,362,821
Depreciation	6,557,913	6,501,329
Amortization of investment corporation bond issuance costs	6,066	7,576
Dividend income	(11,365)	—
Interest income	(199)	(187)
Interest expenses	1,225,234	1,190,230
Decrease (increase) in operating accounts receivable	(34,605)	(60,998)
Decrease (increase) in consumption taxes refund receivable	30,946	—
Decrease (increase) in supplies	—	(352)
Decrease (increase) in prepaid expenses	(2,865)	17,465
Decrease due to sale of property, plant and equipment	—	9,761,574
Increase (decrease) in operating accounts payable	578,800	(658,275)
Increase (decrease) in accounts payable - other	(253,974)	536,322
Increase (decrease) in accrued consumption taxes	863,837	(155,427)
Increase (decrease) in accrued expenses	(136)	136
Increase (decrease) in advances received	65,168	(146,057)
Decrease (increase) in long-term prepaid expenses	103,017	160,525
Other, net	16,813	(192,334)
Subtotal	21,065,659	29,324,349
Interest and dividend income received	11,707	114
Interest expenses paid	(1,304,478)	(1,195,545)
Income taxes paid	(13,370)	(8,911)
Net cash provided by (used in) operating activities	19,759,518	28,120,007
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,579,234)	(18,627,767)
Purchase of property, plant and equipment in trust	(11,068,293)	(26,517,865)
Purchase of intangible assets	(1,150)	(719)
Payments for lease and guarantee deposits	(213)	—
Repayments of tenant leasehold and security deposits	(1,068,119)	(3,807,534)
Proceeds from tenant leasehold and security deposits	1,683,180	3,571,563
Net cash provided by (used in) investing activities	(12,033,831)	(45,382,322)
Cash flows from financing activities		
Proceeds from short-term loans payable	13,500,000	32,000,000
Repayments of short-term loans payable	(15,000,000)	(34,500,000)
Proceeds from long-term loans payable	36,500,000	46,000,000
Repayments of long-term loans payable	(28,500,000)	(18,000,000)
Proceeds from issuance of investment corporation bonds	—	2,993,175
Payments of investment corporation bond issuance costs	—	(36,141)
Dividends paid	(11,185,409)	(11,908,419)
Net cash provided by (used in) financing activities	(4,685,409)	16,548,613
Net increase (decrease) in cash and cash equivalents	3,040,277	(713,701)
Cash and cash equivalents at beginning of the period	21,315,318	24,355,596
Cash and cash equivalents at end of the period	24,355,596	23,641,894

## (6) Notes Concerning Going Concerns Assumption

“Not applicable”

## (7) Summary of Significant Accounting Policies

**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.....	2-60 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, companies are required to recognize an impairment loss in their statement 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.

New unit issuance costs are charged to income as incurred. The underwriters' economic remunerations for underwriting the offering are not recognized as new unit issuance costs 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 accrues 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.

## (8) Notes to Financial Statements

**(Notes to Balance Sheets)**

## a. Commitment line agreement

The Company has signed commitment line agreements with four banks.

Thousands of yen		
	As of September 30, 2017	As of March 31, 2018
Total amount of commitment line agreement	50,000,000	50,000,000
Debt financing balance	—	—
Balance	50,000,000	50,000,000

## b. Minimum net assets required by Article 67, Paragraph 4 of the ITA

Thousands of yen		
	As of September 30, 2017	As of March 31, 2018
	50,000	50,000

**(Notes to Statements of Income)**

## a. Breakdown of property-related revenues and expenses

Thousands of yen		
	For the period from April 1, 2017 to September 30, 2017	For the period from October 1, 2017 to March 31, 2018
<b>Property-Related Revenues</b>	<b>31,718,582</b>	<b>31,816,506</b>
Rent revenues	31,574,393	31,505,394
Rental revenues	25,114,226	25,075,685
Common service charges	3,509,723	3,313,969
Parking revenues	809,236	797,712
Other rental revenues	2,141,206	2,318,026
Other lease business revenues	144,189	311,111
Cancellation charges	64,125	42,206
Other miscellaneous revenues	80,064	268,904
<b>Property-Related Expenses</b>	<b>16,999,035</b>	<b>16,749,989</b>
Expenses related to rent business	16,999,035	16,749,989
Property management expenses	3,637,000	3,623,270
Utilities expenses	2,612,920	2,388,245
Property and other taxes	2,917,363	2,916,777
Casualty insurance	58,888	55,489
Repairing expenses	1,017,831	1,093,855
Depreciation	6,556,383	6,499,765
Other rental expenses	198,646	172,584
<b>Property-Related Profits</b>	<b>14,719,547</b>	<b>15,066,517</b>

## b. Breakdown of gain on exchange of real estate properties

For the period from April 1, 2017 to September 30, 2017

“Not applicable”

For the period from October 1, 2017 to March 31, 2018

Thousands of yen		
<b>Shibuya Cross Tower</b>		
	Revenue from sale of real estate property	10,000,000
	Cost of real estate property sold	9,763,596
	Other sales expenses	97,679
	<b>Gain on sales of real estate properties</b>	<b>138,723</b>

**(Changes in Unitholders' Equity)**

Total number of investment units issuable and number of units outstanding	As of September 30, 2017	As of March 31, 2018
Total number of investment units issuable	4,000,000 units	4,000,000 units
Number of units outstanding	1,309,310 units	1,309,310 units

**(Supplemental Cash Flow Information)****Cash and cash equivalents**

The following table represents a reconciliation of cash and cash equivalents at September 30, 2017 and March 31, 2018:

	Thousands of yen	
	As of September 30, 2017	As of March 31, 2018
Cash and deposits	18,332,818	17,804,047
Cash and deposits in trust	6,022,777	5,837,847
Time deposits with maturities of more than three months	—	—
Cash and cash equivalents	24,355,596	23,641,894

**(Financial Instruments)****a. Status of financial instruments****(i) Policies for dealing 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.

**(ii) 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 the previous section (7) 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 ① maintaining and strengthening its ability to access equity markets to secure funds, ② maintaining commitment lines with major financial institutions (There is no amount outstanding under the facility as of September 30, 2017 and March 31, 2018) and ③ preparing monthly financial plans.

**(iii) 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 the following section entitled Derivative Transactions, is not an exact representation of market risk attributable to derivative transactions.

**b. 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, 2017 and March 31, 2018 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, 2017		
	Book value *	Fair value *	Difference *
(1) Cash and deposits	18,332,818	18,332,818	—
(2) Cash and deposits in trust	6,022,777	6,022,777	—
(3) Short-term loans	(34,500,000)	(34,500,000)	—
(4) Current portion of investment corporation bonds	(10,000,000)	(10,031,400)	(31,400)
(5) Current portion of long-term loans	(36,000,000)	(36,186,169)	(186,169)
(6) Investment corporation bonds	(20,000,000)	(21,513,664)	(1,513,664)
(7) Long-term loans	(275,000,000)	(278,917,124)	(3,917,124)
(8) Derivative transactions	—	—	—

\* Liabilities are shown in parentheses.

	Thousands of yen		
	As of March 31, 2018		
	Book value *	Fair value *	Difference *
(1) Cash and deposits	17,804,047	17,804,047	—
(2) Cash and deposits in trust	5,837,847	5,837,847	—
(3) Short-term loans	(32,000,000)	(32,000,000)	—
(4) Current portion of investment corporation bonds	(10,000,000)	(10,015,100)	(15,100)
(5) Current portion of long-term loans	(27,500,000)	(27,572,338)	(72,338)
(6) Investment corporation bonds	(22,993,175)	(24,453,774)	(1,460,599)
(7) Long-term loans	(311,500,000)	(315,017,496)	(3,517,496)
(8) 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 loans

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 investment corporation bonds and (6) 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 the following "Derivative Transactions b. 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.)

(5) Current portion of long-term loans and (7) Long-term loans

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 the following "Derivative Transactions b. 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.

(8) Derivative transactions

Please refer to the following section entitled Derivative Transactions.

2. Financial instruments whose fair values cannot be reliably measured

	Thousands of yen	
	As of September 30, 2017	As of March 31, 2018
(1) Non-listed stock *1	577,168	577,168
(2) Deposits received from tenants *2	51,555,491	51,308,538

\*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, 2017					
	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	18,332,818	—	—	—	—	—
Cash and deposits in trust	6,022,777	—	—	—	—	—
Total	24,355,596	—	—	—	—	—

	Thousands of yen					
	As of March 31, 2018					
	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	17,804,047	—	—	—	—	—
Cash and deposits in trust	5,837,847	—	—	—	—	—
Total	23,641,894	—	—	—	—	—

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

	Thousands of yen					
	As of September 30, 2017					
	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 loans	34,500,000	—	—	—	—	—
Investment corporation bonds	10,000,000	—	—	—	—	20,000,000
Long-term loans	36,000,000	25,000,000	46,500,000	47,200,000	51,000,000	105,300,000
Total	80,500,000	25,000,000	46,500,000	47,200,000	51,000,000	125,300,000

	Thousands of yen					
	As of March 31, 2018					
	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 loans	32,000,000	—	—	—	—	—
Investment corporation bonds	10,000,000	—	—	—	—	22,993,175
Long-term loans	27,500,000	49,000,000	41,000,000	51,700,000	48,500,000	121,300,000
Total	69,500,000	49,000,000	41,000,000	51,700,000	48,500,000	144,293,175

**(Derivative Transactions)**

## a. Derivatives not designated as hedging instruments

As of September 30, 2017

“Not applicable”

As of March 31, 2018

“Not applicable”

## b. Derivatives designated as hedging instruments

As of September 30, 2017

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.

(Thousands of yen)

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 loans	64,300,000	64,300,000	*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 loans	10,000,000	10,000,000	*1	—

As of March 31, 2018

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.

(Thousands of yen)

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 loans	64,300,000	63,300,000	*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 loans	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	—

\*1. Because 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, the fair value of those derivative transactions is included in that of the underlying long-term loans as of September 30, 2017 and March 31, 2018. Please refer to the measurement of fair value of financial instruments in Note 1 of the section entitled “b. Fair value of financial instruments” under “Financial Instruments” as well as subheadings (5) and (7) of Note 1 concerning derivative transactions.

\*2. Currency swap transactions eligible for allocation treatments 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 March 31, 2018. Please refer to the measurement of fair value of financial instruments in Note 1 of the section entitled “b. Fair value of financial instruments” under “Financial Instruments” as well as subheadings (4) and (6) of Note 1 concerning derivative transactions.

**(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 accounting profits, 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 earnings 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, 2017 and March 31, 2018 were as follows:

	Thousands of yen	
	As of September 30, 2017	As of March 31, 2018
<b>Deferred tax assets:</b>		
Accrued enterprise tax	937	952
Amortization of a term leasehold interest	66,507	78,506
Asset retirement obligations	105,639	117,167
	173,084	196,626
Valuation allowance	(79,725)	(94,189)
Total deferred tax assets	93,359	102,437
<b>Deferred tax liabilities:</b>		
Asset retirement obligations	92,421	101,484
Reserve for advanced depreciation of non-current assets	167,124	227,405
Total deferred tax liabilities	259,546	328,890
<b>Net deferred tax liabilities</b>	<b>166,186</b>	<b>226,452</b>

The reconciliation of tax rate difference between the adjusted statutory tax rate and the effective tax rate as of September 30, 2017 and March 31, 2018 was as follows:

	As of September 30, 2017	As of March 31, 2018
Statutory tax rate	34.81%	34.81%
Deductible dividend distribution	(34.78%)	(34.42%)
Change in valuation allowance	0.06%	0.05%
Others	0.01%	0.13%
Effective tax rate	0.09%	0.58%

**(Asset Retirement Obligations)**

For the six months ended September 30, 2017 and March 31, 2018

**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, 2017 and March 31, 2018 consisted of the following:

	Thousands of yen	
	For the period from April 1, 2017 to September 30, 2017	For the period from October 1, 2017 to March 31, 2018
Balance at the beginning of the period	331,913	335,257
Increase in tangible fixed assets	—	—
Adjustment required over the period	3,344	3,377
Balance at the end of the period	335,257	338,635

**(Investment and Rental Property)**

For the six months ended September 30, 2017 and March 31, 2018

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, 2017 and March 31, 2018 and the fair values as of September 30, 2017 and March 31, 2018 are as follows:

Thousands of yen			
Book value		Fair value	
As of March 31, 2017	Change during the period *1	As of September 30, 2017	As of September 30, 2017
872,534,990	5,302,967	877,837,957	1,069,480,000

  

Thousands of yen			
Book value		Fair value	
As of September 30, 2017	Change during the period *2	As of March 31, 2018	As of March 31, 2018
877,837,957	29,739,840	907,577,798	1,122,210,000

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

2. Significant changes

\*1. As for increases/decreases for the period, the major reason for the increase was the additional acquisition of Shiodome Building (¥10,595,264 thousand), and the major reason for the decrease was depreciation.

\*2. As for increases/decreases for the period, the major reasons for the increases were the acquisition of Front Place Nihonbashi (¥17,728,795 thousand) and the additional acquisition of the Shinjuku Eastside Square (¥25,614,798 thousand), and the decreases were accounted for by the disposition of the building section of Shibuya Cross Tower (¥9,763,596 thousand) and by depreciation.

3. Fair values as of September 30, 2017 and March 31, 2018 are defined as the appraised values provided by an external qualified professional appraiser.

Profits and losses related to investment and rental property are listed in the "a. Breakdown of property-related revenues and expenses" under "Notes to Statements of Income".

**(Segment Information)**

For the six months ended September 30, 2017 and March 31, 2018

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**

## a. Revenue

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

## b. 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.

**(Per Unit Information)**

The following table summarizes information about net assets per unit and profit per unit at September 30, 2017 and March 31, 2018 and for the periods then ended, respectively:

	Yen	
	For the period from April 1, 2017 to September 30, 2017	For the period from October 1, 2017 to March 31, 2018
Net assets at period end per unit	359,213	359,505
Profit per unit	9,096	9,387

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, 2017 to September 30, 2017	For the period from October 1, 2017 to March 31, 2018
Profit	11,909,796	12,291,059
Amount not attributable to normal unitholders	—	—
Profit applicable to normal investment units	11,909,796	12,291,059
Average number of units	1,309,310 units	1,309,310 units

**(Subsequent Events)**

For the six months ended March 31, 2018

**Issuance of New Investment Units**

As approved by the Board of Directors' meetings on March 28, 2018 and April 9, 2018, the Company decided to issue new investment units, completing the public offering on April 16, 2018 and the third-party allocation on May 9, 2018. As a result of the issuance of additional units, the unitholders' capital increased to ¥497,241,216 thousand and the units issued and outstanding increased to 1,385,210 units as of May 9, 2018.

**Summary of the issuance of units****(i) Public offering of new investment units**

1. Subscription method: Public offering (subscription by book-building and spread method\*)
2. Number of units newly issued: 69,000 units
3. Offer price (subscription price): ¥533,120 per unit
4. Aggregate amount of offer price (subscription price): ¥36,785,280 thousand
5. Issue price (paid-in price): ¥516,800 per unit
6. Aggregate amount of issue price (paid-in price): ¥35,659,200 thousand
7. Payment date: April 16, 2018
8. Initial date subject to distribution: April 1, 2018

\* Under the so-called "spread method", the price difference between the aggregate amount of the offer price and the aggregate amount of the issue price shall be the proceeds for each underwriter, and the Company will not pay an underwriting fee to the underwriters. The underwriting fee is not recognized as investment unit issuance expenses in the financial statements.

**(ii) Secondary offering of investment units (over-allotment)**

1. Number of units offered: 6,900 units
2. Offer price: ¥533,120 per unit
3. Aggregate amount of offer price: ¥3,678,528 thousand

**(iii) Issuance of new investment units by third-party allocation**

1. Subscription method: Third-party allocation
2. Number of units newly issued: 6,900 units
3. Issue price (paid-in price): ¥516,800 per unit
4. Aggregate amount of issue price (paid-in price): ¥3,565,920 thousand
5. Payment date: May 9, 2018
6. Initial date subject to distribution: April 1, 2018
7. Allottee: SMBC Nikko Securities Inc.

**(iv) Use of proceeds**

The net proceeds raised through the public offering were appropriated for the acquisition of Shinjuku Front Tower and also the partial repayment of short-term loans. The net proceeds raised through the third-party allocation were appropriated for the repayment of short-term loans.

## (9) Increase/Decrease in Total Number of Units Outstanding

There have been no changes made during the period under review regarding the number of units outstanding and total unitholders' capital. Changes in the past five years are as follows.

Date	Remarks	Number of Units Outstanding		Total Unitholders' Capital (Millions of yen)		Notes
		Increase/Decrease	Balance	Increase/Decrease	Balance	
January 1, 2014	Split of investment units	594,140	1,188,280	—	396,018	*1
April 15, 2014	Issuance of new investment units (public offering)	57,500	1,245,780	27,968	423,986	*2
May 14, 2014	Issuance of new investment units (third-party allocation)	5,750	1,251,530	2,796	426,783	*3
April 6, 2015	Issuance of new investment units (public offering)	54,000	1,305,530	29,189	455,972	*4
May 11, 2015	Issuance of new investment units (third-party allocation)	3,780	1,309,310	2,043	458,016	*5

\*1. With December 31, 2013 as the date of record, and January 1, 2014 as the effective date, the Company implemented a 2-for-1 split of the investment units held by unitholders stated or recorded on the final unitholders registry for December 31, 2013.

\*2. New investment units were issued at 501,760 yen per unit (underwriting price of 486,400 yen), for the purpose of assigning funds to repayment of loans.

\*3. New investment units were issued at 486,400 yen per unit, for the purpose of compensating decreases in cash reserves assigned to repayment of loans.

\*4. New investment units were issued at 557,620 yen per unit (underwriting price of 540,550 yen) for the purpose of funding the partial repayment of short-term loans, the redemption of investment corporation bonds, the acquisition of specified assets, and, in the event there are any funds remaining, cash reserves.

\*5. New investment units were issued at 540,550 yen per unit for the purpose of funding the partial repayment of short-term loans and, in the event there are any funds remaining, cash reserves.

#### 4. Changes in Officers

Change in officers shall be disclosed in a timely manner once the decision is made.

#### 5. Reference Data

##### a. Composition of the Company's Assets

Asset type	Region	As of September 30, 2017		As of March 31, 2018	
		Total of net book value* <sup>1</sup> (¥ million)	Ratio to total assets (%)	Total of net book value* <sup>1</sup> (¥ million)	Ratio to total assets (%)
Real property	Tokyo 23 wards	492,837	54.4	498,536	53.3
	Tokyo metropolitan area (excluding Tokyo 23 wards)* <sup>2</sup>	43,295	4.8	42,939	4.6
	Other major cities	82,839	9.1	82,253	8.8
	Total	618,971	68.3	623,729	66.7
Real property in trust	Tokyo 23 wards	165,290	18.2	190,158	20.3
	Tokyo metropolitan area (excluding Tokyo 23 wards)* <sup>2</sup>	19,257	2.1	19,234	2.1
	Other major cities	74,318	8.2	74,456	8.0
	Total	258,866	28.6	283,848	30.3
Savings and other assets		28,669	3.2	27,984	3.0
		(—)	(—)	(—)	(—)
Total amount of assets		906,507	100.0	935,561	100.0
		(877,837)	(96.8)	(907,577)	(97.0)

\*1. Totals of net book value as of September 30, 2017 and March 31, 2018 are based on the total amounts from the balance sheets as of September 30, 2017 and March 31, 2018, respectively. Real property and real property in trust present the net book values after depreciation and amortization.

\*2. Tokyo metropolitan area encompasses the prefectures of Tokyo, Kanagawa, Chiba and Saitama throughout this document.

\*3. The figures in parentheses indicate the value of real property held. Ratios are rounded to the first decimal place.

## b. Real Estate Investment Property and Trust Beneficiary Rights in Trust of Real Estate

## i) Outline of real estate and other assets included in the Company's holdings (quick reference guide)

The table below is a quick reference guide outlining the real estate and other assets included in the Company's holdings as of March 31, 2018.

Region	Name of property	Type of specified asset	Number of tenants* <sup>1</sup>	Leasable floor area (m <sup>2</sup> )	Occupancy rate* <sup>2</sup>	Appraisal value at the end of period (¥ mil)* <sup>3</sup>	Book value at the end of period (¥ mil)	Acquisition price* <sup>4</sup>		Ratio by region* <sup>2</sup>
								(¥ thousand)	Ratio * <sup>2</sup>	
Tokyo metropolitan area	Tokyo 23 wards	Kitanomaru Square	5 * <sup>5</sup>	25,678 * <sup>5</sup>	100.0% * <sup>5</sup>	85,000	72,027	81,555,500	8.2%	76.0%
		MD Kanda Building	9	6,269	100.0%	8,490	8,706	9,520,000	1.0%	
		Kandabashi Park Building	10	3,687	100.0%	4,700	4,469	4,810,000	0.5%	
		Otemachi Financial City North Tower	2	5,121	100.0%	20,200	15,022	15,462,900	1.6%	
		Nibancho Garden	1 * <sup>5</sup>	9,316 * <sup>5</sup>	100.0% * <sup>5</sup>	18,800	12,404	14,700,000	1.5%	
		Mitsubishi UFJ Trust and Banking Building	10	11,904	100.0%	55,600	28,823	44,700,000	4.5%	
		Burex Kojimachi Building	1	4,495	100.0%	7,070	5,578	7,000,000	0.7%	
		Sanno Grand Building	43	20,665	97.0%	33,300	21,283	10,200,000 10,700,000 Total: 20,900,000	2.1%	
		Yurakucho Denki Building	11	4,697	100.0%	8,560	7,693	7,200,000	0.7%	
		Kodenmacho Shin Nihonbashi Building	11	3,897	100.0%	2,940	2,753	3,173,000	0.3%	
		Front Place Nihonbashi	2	8,468	100.0%	17,800 * <sup>17</sup>	17,697	17,560,000	1.8%	
		Kyodo Building (Kayabacho 2Chome)	10	4,464	100.0%	5,000	4,176	4,410,000	0.4%	
		Burex Kyobashi Building	1	4,279	100.0%	7,740	4,433	5,250,000	0.5%	
		Ginza 1Chome East Building	8	4,513	100.0%	7,770	6,357	6,459,000	0.7%	

Region	Name of property	Type of specified asset	Number of tenants*1	Leasable floor area (m <sup>2</sup> )	Occupancy rate*2	Appraisal value at the end of period (¥ mil)*3	Book value at the end of period (¥ mil)	Acquisition price*4		Ratio by region*2
								(¥ thousand)	Ratio *2	
Tokyo metropolitan area	Tokyo 23 wards	Ginza Sanwa Building	Real property	11	4,326	100.0%	18,700	17,193	16,830,000	1.7%
		Ryoshin Ginza East Mirror Building	Real property	12	4,255	100.0%	6,520	7,425	5,353,500 2,645,922 *6 Total: 7,999,422	0.8%
		Harumi Front	Real property	8	33,369	100.0%	40,100 *7	28,077	31,300,000	3.2%
		Harumi Center Building	Real property	12	20,812	98.2%	20,300	22,213	26,800,000	2.7%
		Akasaka Park Building	Real property	28 *5	44,999 *5	97.6% *5	76,000	59,784	60,800,000	6.1%
		Aoyama Crystal Building	Real property	8	4,898	100.0%	8,790	7,072	7,680,000	0.8%
		Clover Shiba-koen	Trust	8	2,550	100.0%	4,620 *17	4,533	4,500,000	0.5%
		Shiodome Building	Trust	36	44,213	99.9%	122,000	102,420	21,250,000 54,600,000 10,100,000 10,450,000 10,530,000 Total: 106,930,000	10.8%
		Shiba 2Chome Daimon Building	Trust	24	9,606	100.0%	6,910	5,006	4,859,000	0.5%
		Cosmo Kanasugibashi Building	Trust	8	4,062	100.0%	3,250	2,506	2,808,000	0.3%
		Tamachi Front Building	Real property	8	3,792	100.0%	6,510 *17	6,242	6,210,000	0.6%
		Shinjuku Eastside Square	Trust	41	36,237	100.0%	58,900 *17	52,741	23,100,000 6,660,000 25,460,000 Total: 55,220,000	5.6%
		Shinwa Building	Real property	14	5,997	100.0%	7,720	7,788	7,830,000	0.8%
		Tokyo Opera City Building*8	Real property	100	34,951	99.6%	35,400	28,124	9,350,000 22,426,831 Total: 31,776,831	3.2%
		TIXTOWER UENO	Real property	17	15,020	100.0%	25,700	19,552	22,000,000	2.2%
		Higashi Gotanda 1Chome Building	Real property	5	5,205	100.0%	6,650	4,410	5,500,000	0.6%
		Osaki Front Tower*9	Real property	1	16,856	100.0%	16,900 *7	9,111	12,300,000	1.2%
		Omori-Eki Higashiguchi Building	Trust	26	7,706	100.0%	5,910	4,716	5,123,000	0.5%

Region	Name of property	Type of specified asset	Number of tenants* <sup>1</sup>	Leasable floor area (m <sup>2</sup> )	Occupancy rate* <sup>2</sup>	Appraisal value at the end of period (¥ mil)* <sup>3</sup>	Book value at the end of period (¥ mil)	Acquisition price* <sup>4</sup>		Ratio by region* <sup>2</sup>
								(¥ thousand)	Ratio * <sup>2</sup>	
Tokyo metropolitan area	Tokyo 23 wards	Shinjuku South Gate Project (tentative name) (Land)	* <sup>10</sup>	* <sup>10</sup>	* <sup>10</sup>	5,500	5,572	6,670,000 (1,170,000) * <sup>11</sup> Total: 5,500,000	0.6%	76.0%
		Yoyogi 1 Chome Building	7	7,745	100.0%	12,300	6,883	8,700,000	0.9%	
		Jingumae Terrace * <sup>12</sup>	6	3,147	87.7%	7,050	4,896	4,885,000	0.5%	
		Jingumae Media Square Building	5	5,558	100.0%	10,500	10,700	12,200,000 * <sup>13</sup>	1.2%	
		Shibuya Cross Tower (Land)	* <sup>14</sup>	* <sup>14</sup>	* <sup>14</sup>	38,300	27,186	34,600,000 (8,076,000) * <sup>15</sup> Total: 26,524,000	2.7%	
		Ebisu Neonato	6	8,659	100.0%	18,400	14,124	3,740,000 360,000 10,512,000 Total: 14,612,000	1.5%	
		Harmony Tower	22	14,340	100.0%	14,400	9,940	8,500,000 520,000 2,100,000 Total: 11,120,000	1.1%	
		Otsuka Higashi Ikebukuro Building	5	7,224	100.0%	4,590	3,384	3,541,000	0.4%	
		Ikebukuro 2Chome Building	9	2,186	100.0%	1,830	1,562	1,728,000	0.2%	
		Ikebukuro YS Building	10	5,932	100.0%	5,480	4,091	4,500,000	0.5%	
	Tokyo metropolitan area, excluding Tokyo 23 wards	Hachioji First Square	48	10,068	100.0%	5,050	4,905	3,300,000 2,379,112 Total: 5,679,112	0.6%	7.1%
		Saitama Urawa Building	18	4,510	100.0%	2,480	2,491	1,232,000 1,342,000 Total: 2,574,000	0.3%	
		MM Park Building	33	38,426	95.0%	40,400	31,728	37,400,000	3.8%	
		Queen's Tower A	51	26,669	99.4%	21,900 * <sup>17</sup>	16,329	17,200,000	1.7%	
		Kawasaki Isago Building	14	6,831	100.0%	3,160	2,904	3,375,000	0.3%	
		Musashi Kosugi STM Building	26	5,378	100.0%	4,450	3,814	4,000,000	0.4%	

Region	Name of property	Type of specified asset	Number of tenants*1	Leasable floor area (m <sup>2</sup> )	Occupancy rate*2	Appraisal value at the end of period (¥ mil)*3	Book value at the end of period (¥ mil)	Acquisition price*4		Ratio by region*2
								(¥ thousand)	Ratio *2	
Other major cities	8・3 Square Kita Building	Real property	8	12,265	100.0%	9,150	5,892	7,100,000	0.7%	16.9%
	Jozenji Park Building	Real property	17	2,518	100.0%	1,030	1,003	1,000,000	0.1%	
	Higashi Nibancho Square	Real property	22	20,526	99.3%	13,700*7	8,961	9,950,000	1.0%	
	Sendai Honcho Honma Building	Trust	26	6,234	94.4%	2,610	2,871	2,924,000 250,000 Total: 3,174,000	0.3%	
	AER	Real property	65	23,612	100.0%	20,000	18,251	18,640,000	1.9%	
	Kanazawa Park Building	Real property	83	20,942	98.7%	5,580	4,374	2,880,000 1,700,000 Total: 4,580,000	0.5%	
	Kanazawa Kamitsutsumicho Building	Real property	27	7,206	98.9%	3,070	2,679	2,780,000	0.3%	
	Nishiki Park Building*16	Real property	62*5	10,338*5	99.8%*5	5,240	5,129	3,850,000 1,300,000 650,000 175,000 Total: 5,975,000	0.6%	
	Nagoya Hirokoji Place	Trust	32	13,200	96.7%	11,100*17	8,022	8,567,000	0.9%	
	Nagoya Hirokoji Building	Real property	39	21,427	99.7%	12,700	15,481	14,533,000	1.5%	
	Nagoya Misono Building	Real property	16	3,448	100.0%	1,380	1,500	1,865,000	0.2%	
	Shijo Karasuma Center Building	Real property	12	6,634	100.0%	5,600*17	3,940	4,400,000	0.4%	
	Umeda Square Building*18	Trust	42	10,370	100.0%	16,800	15,655	15,523,520	1.6%	
	Shin Fujita Building	Trust	49	28,403	99.4%	19,700	22,013	24,000,000	2.4%	
	Sakaisujihonmachi Building	Real property	22	11,520	97.9%	3,430	3,673	2,264,000 1,900,000 Total: 4,164,000	0.4%	

Region	Name of property	Type of specified asset	Number of tenants*1	Leasable floor area (m <sup>2</sup> )	Occupancy rate*2	Appraisal value at the end of period (¥ mil)*3	Book value at the end of period (¥ mil)	Acquisition price*4		Ratio by region*2
								(¥ thousand)	Ratio *2	
Other major cities	Midosuji Daiwa Building	Trust	42	20,450	100.0%	14,800	13,783	6,934,000 7,380,000 Total: 14,314,000	1.4%	16.9%
	Amagasaki Front Building	Trust	29	15,500	100.0%	10,100	8,712	9,300,000	0.9%	
	Lit City Building	Real property	36	9,965	100.0%	4,610	3,085	4,650,000	0.5%	
	NHK Hiroshima Broadcasting Center Building	Real property	12	9,860	100.0%	3,210	2,949	1,320,000 1,450,000 Total: 2,770,000	0.3%	
	Tosei Tenjin Building	Real property	24	3,995	100.0%	1,430	1,368	1,550,000	0.2%	
	Tenjin Crystal Building	Real property	31	5,964	100.0%	3,050	3,961	5,000,000	0.5%	
	Hinode Tenjin Building	Trust	2	5,944	100.0%	4,280	3,397	3,657,000	0.4%	
	Total		1,449	833,335	99.2%	1,122,210	907,577	990,197,286	100.0%	

- \*1. The total number of tenants is based on the gross number of tenants in each building. Each instance of occupancy of a single tenant leasing space is considered separately on a per property basis even if said tenant leases floor area in multiple properties.
- \*2. Occupancy rate, ratio of acquisition price and ratio by region are rounded to the nearest first decimal place.
- \*3. Appraisal value at the end of period is, as a rule, the value assessed by real estate appraisers based on the Company's Articles of Incorporation and the Cabinet Office Ordinance on Accountings of Investment Corporations. The book closing date is used as the appraisal date and the appraisal value is calculated by Daiwa Real Estate Appraisal Co., Ltd.
- \*4. Incidental expenses arising from acquisitions are not included in the acquisition price.
- \*5. Residential portions are not included in the total number of tenants, the occupancy rate or the leasable floor area for Kitanomaru Square, Nibancho Garden, Akasaka Park Building or Nishiki Park Building. The residential portions for these properties are as follows: Kitanomaru Square, leasable floor area: 11,694m<sup>2</sup>, occupancy rate: 97.6%; Nibancho Garden, leasable floor area: 1,686m<sup>2</sup>, occupancy rate: 100.0%; Akasaka Park Building, leasable floor area: 10,780m<sup>2</sup>, occupancy rate: 90.5%; Nishiki Park Building, leasable floor area: 954m<sup>2</sup>, occupancy rate: 88.5%.
- \*6. This includes the acquisition price of the land and building adjacent to Ryoshin Ginza East Mirror Building dated July 4, 2008, the cost of the adjacent building's demolition and the total expense of the construction and expansion of the Ryoshin Ginza East Mirror Building (excluding brokerage fees and other acquisition-related expenses) after its completion on May 24, 2010.
- \*7. Appraisal values by Chuo Real Estate Appraisal Co., Ltd.
- \*8. Accompanying the acquisition of Tokyo Opera City Building on September 13, 2005, the Company acquired 33 shares of Tokyo Opera City Building Co., Ltd. (the business that maintains, services and operates the building) at a total acquisition price of 2,797 thousand yen and inherited the 874 thousand yen deposit made to Tokyo Opera City Building Co., Ltd. by the seller. In an additional acquisition, on March 24, 2010, the Company acquired 91 shares of Tokyo Opera City Building Co., Ltd. at a total acquisition price of 7,539 thousand yen. Concurrently, the Company acquired 4,931 shares of Tokyo Opera City Heat Supply Co., Ltd. (the supplier of heat to the building) at a total acquisition price of 566,831 thousand yen, inheriting the 2,360 thousand yen deposit made to Tokyo Opera City Building Co., Ltd. by the seller.  
Regarding the appraisal value at the end of the fiscal period of the above-mentioned shares, the 124 shares of Tokyo Opera City Building Co., Ltd. are valued at 10,336 thousand yen and the 4,931 shares of Tokyo Opera City Heat Supply Co., Ltd. are valued at 566,831 thousand yen.
- \*9. On acquiring Osaki Front Tower, the Company inherited the land renter's lease deposit of 1,040,000 thousand yen held by the seller of the building. The value of the lease deposit was appraised at the end of the fiscal period and remained unchanged.
- \*10. Because the building portion of Shinjuku South Gate Project (tentative name) (land with leasehold interest) was disposed on August 23, 2013, no total number of tenants, leasable floor area or occupancy rate are provided. Furthermore, the 1,497m<sup>2</sup> portion of land still held is being rented to the transferee of the building, Mitsubishi Estate Co., Ltd.
- \*11. Because the building was disposed on August 23, 2013, the acquisition price of the building at the time of the land and building purchase dated March 24, 2004, has been deducted.
- \*12. On March 1, 2018, the name of the property, "da Vinci Harajuku", changed (hereinafter, referred to as "Jingumae Terrace").

- \*13. This is the acquisition price dated October 9, 2003, and includes a portion of the site disposed on October 30, 2009 (cost of investment sold, 614 million yen).
- \*14. Because the building portion of Shibuya Cross Tower (land with leasehold interest) was disposed on January 18, 2018, no total number of tenants, leasable floor area or occupancy rate are provided. Furthermore, the 5,153 m<sup>2</sup> portion of land still held is being rented to the transferee of the building, Mitsubishi Estate Co., Ltd.
- \*15. Because the building was disposed on January 18, 2018, the acquisition price of the building at the time of the land and building purchase dated November 30, 2001, has been deducted.
- \*16. On acquiring Nishiki Park Building on October 2, 2006, the Company inherited the 9,000 thousand yen lease deposit made by the land renters held by the seller of the building.
- \*17. Appraisal values by Japan Real Estate Institute.
- \*18. Trust assets of the trust beneficiary right acquired by the Company include a claim for 500,000 thousand yen of deposit for construction to connect to underground shopping centers given to Osaka Shigaichi Kaihatsu Co., Ltd., which was held by the previous owner.
- \*19. In the above quick reference guide, if the real estate or other assets are classified as shared ownership or compartmental ownership, only the real estate or other assets owned by the Company are presented and the portions owned by the other shared owners or compartmental owners are excluded.

## ii) Breakdown of property-related revenues and expenses for real estate and other assets included in the Company's holdings

The table below is a quick reference guide outlining the revenues and expenses on each real estate and other asset for the March 2018 period (October 1, 2017 – March 31, 2018). Furthermore, the income summary is presented based on the previously mentioned “Summary of Significant Accounting Policies.”

(Millions of Yen)

Name of property	Revenues / Expenses (October 1, 2017 – March 31, 2018)												
	Property-related revenues	Property-related expenses								Property-related profits ②	NOI ③(①+②)	Capital expenditures ④*2	NCF ③－④
			Property management expenses	Utilities expenses	Property and other taxes	Casualty insurance	Repairing expenses	Depreciation ①	Other expenses				
Kitanomaru Square	1,732	772	140	70	94	2	52	412	-	960	1,373	36	1,336
MD Kanda Building	228	84	15	17	20	0	1	28	-	144	173	0	172
Kandabashi Park Building	120	39	1	-	16	0	3	17	-	80	98	6	92
Otemachi Financial City North Tower	350	179	29	17	44	0	0	86	-	171	257	-	257
Nibancho Garden	479	233	61	22	53	0	5	90	-	246	336	13	322
Mitsubishi UFJ Trust and Banking Building	992	373	52	53	136	1	16	113	0	618	731	40	690
Burex Kojimachi Building	153	83	-	-	13	0	6	62	-	70	133	2	130
Sanno Grand Building	951	408	101	52	105	1	68	78	-	542	620	121	499
Yurakucho Denki Building	268	131	33	19	41	0	5	30	-	136	167	38	128
Kodenmacho Shin Nihonbashi Building	116	56	14	8	11	0	4	13	3	60	73	-	73
Front Place Nihonbashi	153	46	9	5	0	0	-	31	-	106	138	-	138
Kyodo Building (Kayabacho 2Chome)	148	56	11	10	11	0	1	21	-	92	113	4	109
Burex Kyobashi Building	157	37	-	-	11	0	1	23	-	120	144	2	142
Ginza 1Chome East Building	168	98	18	8	10	0	2	58	-	69	128	0	127
Ginza Sanwa Building	400	135	26	16	65	0	2	23	0	264	288	1	286
Ryoshin Ginza East Mirror Building	160	83	14	11	14	0	2	39	-	76	116	10	105
Harumi Front	1,225	642	104	93	76	1	7	358	-	583	941	-	941
Harumi Center Building	521	383	83	35	46	0	5	210	-	138	348	12	336
Akasaka Park Building	2,193	1,228	220	239	272	4	91	400	-	964	1,365	189	1,176
Aoyama Crystal Building	271	85	17	10	29	0	8	20	-	185	206	0	205
Clover Shiba-koen	114	51	9	6	6	0	5	22	-	63	85	0	84
Shiodome Building	2,385	903	185	123	142	1	38	405	5	1,482	1,888	22	1,865
Shiba 2Chome Daimon Building	277	147	36	23	38	0	11	36	0	129	166	49	116

(Millions of Yen)

Name of property	Revenues / Expenses (October 1, 2017 – March 31, 2018)												
	Property-related revenues	Property-related expenses								Property-related profits ②	NOI ③(①+②)	Capital expenditures ④*2	NCF ③—④
			Property management expenses	Utilities expenses	Property and other taxes	Casualty insurance	Repairing expenses	Depreciation ①	Other expenses				
Cosmo Kanasugibashi Building	114	46	11	7	13	0	1	13	-	67	81	2	78
Tamachi Front Building	156	52	11	7	0	0	0	31	-	103	135	-	135
Shinjuku Eastside Square	863	347	56	56	47	1	0	184	0	516	701	1	700
Shinwa Building	221	101	18	16	19	0	13	32	-	119	152	147	5
Tokyo Opera City Building*1	1,565	1,084	*1	*1	*1	*1	*1	*1	*1	480	*1	296	*1
TIXTOWER UENO	666	372	58	35	38	1	4	234	-	294	529	1	528
Higashi Gotanda 1Chome Building	182	95	17	17	14	0	3	43	-	86	129	6	123
Osaki Front Tower	707	489	66	40	27	0	5	256	92	217	473	3	470
Omori-Eki Higashiguchi Building	230	114	28	17	25	0	5	36	-	115	152	4	147
Shinjuku South Gate Project (tentative name) (land)	60	20	-	-	20	-	-	-	-	39	39	-	39
Yoyogi 1Chome Building	306	133	23	19	23	0	3	62	-	172	235	3	232
Jingumae Terrace	165	62	17	8	16	0	4	16	-	102	119	31	87
Jingumae Media Square Building	290	147	22	19	47	0	18	39	-	142	182	59	122
Shibuya Cross Tower(land)	1,191	599	98	74	123	2	11	286	1	592	879	69	810
Ebisu Neonato	471	218	59	22	37	1	8	89	-	252	341	84	257
Harmony Tower	471	265	142	-	56	1	12	52	-	205	258	-	258
Otsuka Higashi Ikebukuro Building	222	97	23	20	12	0	1	40	-	124	165	3	161
Ikebukuro 2Chome Building	72	33	9	5	5	0	5	7	-	38	46	3	43
Ikebukuro YS Building	191	84	16	16	14	0	5	30	-	107	137	18	119
Hachioji First Square	240	117	50	1	26	0	4	34	-	123	157	2	154
Saitama Urawa Building	113	49	13	8	9	0	0	17	-	63	81	-	81
MM Park Building	1,185	699	154	156	78	1	13	294	0	486	781	11	769
Queen's Tower A	1,011	651	203	95	111	3	28	203	6	360	563	202	361
Kawasaki Isago Building	154	124	22	14	13	0	50	23	-	30	53	0	52
Musashi Kosugi STM Building	162	64	22	1	11	0	1	27	-	98	125	4	121
8・3 Square Kita Building	326	178	29	52	22	0	2	69	-	148	218	2	215

(Millions of Yen)

Name of property	Revenues / Expenses (October 1, 2017 – March 31, 2018)												
	Property-related revenues	Property-related expenses								Property-related profits ②	NOI ③(①+②)	Capital expend- itures ④*2	NCF ③－④
			Property management expenses	Utilities expenses	Property and other taxes	Casualty insurance	Repairing expenses	Depreciation ①	Other expenses				
Jozenji Park Building	65	41	10	7	6	0	4	11	-	24	35	15	20
Higashi Nibancho Square	609	267	60	48	39	0	12	106	-	342	448	3	445
Sendai Honcho Honma Building	130	68	16	13	15	0	4	17	-	62	79	11	68
AER	663	356	86	57	62	0	0	149	0	306	456	-	456
Kanazawa Park Building	500	355	101	56	64	1	60	71	-	145	216	151	65
Kanazawa Kamitsutsumicho Building	130	108	17	13	10	0	16	51	-	22	73	-	73
Nishiki Park Building	278	200	54	22	24	0	36	55	6	77	132	21	111
Nagoya Hirokoji Place	385	209	36	31	33	0	34	72	-	176	248	8	240
Nagoya Hirokoji Building	568	417	86	41	60	1	67	159	0	150	310	102	207
Nagoya Misono Building	72	55	9	5	6	0	4	29	-	17	47	16	30
Shijo Karasuma Center Building	183	116	28	13	11	0	3	59	-	67	126	5	120
Umeda Square Building	463	260	47	32	46	0	53	79	-	203	283	227	55
Shin Fujita Building	696	524	87	80	75	1	42	236	-	171	408	124	283
Sakaishujihonmachi Building	227	140	42	26	35	0	7	27	0	86	114	2	112
Midosuji Daiwa Building	540	287	63	39	73	1	28	81	-	252	333	347	(13)
Amagasaki Front Building	442	228	66	27	26	0	5	102	-	213	316	12	303
Lit City Building	255	145	28	19	19	1	10	65	-	110	176	-	176
NHK Hiroshima Broadcasting Center Building	263	202	50	23	23	0	30	48	24	60	109	38	71
Tosei Tenjin Building	83	39	11	7	7	0	1	10	-	43	54	5	48
Tenjin Crystal Building	157	129	22	17	18	0	8	61	-	27	88	27	61
Hinode Tenjin Building	178	78	21	17	14	0	4	20	-	99	120	16	104
Total	31,816	16,749	3,623	2,388	2,916	55	1,093	6,499	172	15,066	21,566	2,652	18,913

\*1. Disclosure of NOI and NCF in the breakdown of the expenses of the property leasing business for Tokyo Opera City Building has been withheld at the request of the joint owners of the relevant real estate.

\*2. Construction expenses that correspond to capital expenditures incurred during the period under review are listed under capital expenditures. This does not include expenses capitalized as construction in progress, expenses capitalized as furniture, etc., or such expenses included in the book value as brokerage fees for acquiring real estate or other assets, real estate acquisition taxes or other acquisition-related expenses.

## c. Condition of Other Assets

## (i) Shares/Investment Securities

Securities	Number of shares	Acquisition price (¥ thousand)		Appraisal value (¥ thousand)		Valuation gain/loss (¥ thousand)	Notes
		Unit price	Amount	Unit price	Amount		
Tokyo Opera City Building Co., Ltd.	124	83	10,336	83	10,336	—	*
Tokyo Opera City Heat Supply Co., Ltd.	4,931	114	566,831	114	566,831	—	*
Total	—	—	577,168	—	577,168	—	—

\* Appraisal value for relevant non-listed stock are defined as acquisition costs.

## (ii) Marketable Securities Other Than Shares

Asset type	Quantity	Book value (¥ thousand)		Appraisal value (¥ thousand)		Valuation gain/loss (¥ thousand)	Notes
		Unit price	Amount	Unit price	Amount		
Trust beneficiary rights in deposits	1	412,355	412,355	412,355	412,355	—	—
Total	—	—	412,355	—	412,355	—	—

## (iii) Other Specified Assets

Asset type	Quantity	Book value (¥ thousand)		Appraisal value (¥ thousand)		Valuation gain/loss (¥ thousand)	Notes
		Unit price	Amount	Unit price	Amount		
Monetary claim	1	1,040,000	1,040,000	1,040,000	1,040,000	—	—
Total	—	—	1,040,000	—	1,040,000	—	—

\* Trust beneficiary rights, mainly consisted of the trust asset of real estate, included in the previous section b. "Real Estate Investment Property and Trust Beneficiary Rights in Trust of Real Estate."

## d. Capital Expenditures

## (i) Schedule for Capital Expenditures

The significant scheduled capital expenditures, such as current plans for repair, maintenance and renovation work on existing properties, are listed below.

The following scheduled capital expenditures include those accounted for as expenses.

Name of property (Location)	Purpose	Scheduled period	Estimated cost (¥ million)		
			Total amount	Payment amount for the fiscal under review period	Total amount already paid
Nagoya Hirokoji Building (Nagoya, Aichi Prefecture)	Elevator renewal construction	From August 2016 To August 2018	184	—	—
Shiba 2Chome Daimon Building (Minato-ku, Tokyo)	Upgrade of air conditioning facilities	From April 2018 To September 2018	171	—	—
Shiba 2Chome Daimon Building (Minato-ku, Tokyo)	Upgrade of air conditioning facilities	From October 2018 To March 2019	171	—	—
Omori-Eki Higashiguchi Building (Ota-ku, Tokyo)	Elevator renewal construction	From October 2018 To March 2019	67	—	—
Otsuka Higashi Ikebukuro Building (Toshima-ku Tokyo)	Construction work	From October 2018 To February 2019	60	—	—
Kanazawa Park Building (Kanazawa, Ishikawa Prefecture)	Upgrade of electrical equipment	From May 2018 To February 2019	58	—	—
NHK Hiroshima Broadcasting Center Building (Hiroshima, Hiroshima Prefecture)	Parking facility renewal construction	From July 2018 To December 2018	43	—	—
NHK Hiroshima Broadcasting Center Building (Hiroshima, Hiroshima Prefecture)	Upgrade of electrical equipment	From June 2018 To January 2019	42	—	—
Cosmo Kanasugibashi Building (Minato-ku, Tokyo)	Construction work	From April 2018 To September 2018	40	—	—
Cosmo Kanasugibashi Building (Minato-ku, Tokyo)	Elevator renewal construction	From June 2018 To August 2018	39	—	—

## (ii) Capital expenditures during the period under review

For acquired real estate and other assets, capital expenditures incurred in the period under review totaled ¥2,652 million and repair, maintenance and renovation expenses classified as expenses in the period under review totaled ¥1,093 million, for a total of ¥3,746 million worth of construction that has been carried out.

The major item in the capital expenditure was the upgrade of air conditioning facilities of the Midosuji Daiwa Building.

Name of property (Location)	Purpose	Period	Expenditures for construction (¥ million)
Midosuji Daiwa Building (Osaka, Osaka Prefecture)	Upgrade of air conditioning facilities	From June 2017 To March 2018	344
Umeda Square Building (Osaka, Osaka Prefecture)	Upgrade of air conditioning facilities	From October 2017 To March 2018	189
Shinwa Building (Shinjuku-ku, Tokyo)	Upgrade of air conditioning facilities	From October 2017 To March 2018	144
Kanazawa Park Building (Kanazawa, Ishikawa Prefecture)	Upgrade of electrical equipment	From July 2017 To March 2018	64
NHK Hiroshima Broadcasting Center Building (Hiroshima, Hiroshima Prefecture)	Parking facility renewal construction	From July 2017 To December 2017	32
Jozenji Park Building (Sendai, Miyagi Prefecture)	Upgrade of electrical equipment	From August 2017 To January 2018	14
Other real estate			1,861
Total			2,652

## (iii) Money Saved for Long-term Repair Plans

Based on mid-to-long-term repair plans, the Company records a repair/maintenance reserve every term for the expenditures that may be incurred in preserving the property value in the future and upgrading equipment. The present status of the reserve is as follows:

(Millions of yen)

	For the period from October 1, 2015 to March 31, 2016	For the period from April 1, 2016 to September 30, 2016	For the period from October 1, 2016 to March 31, 2017	For the period from April 1, 2017 to September 30, 2017	For the period from October 1, 2017 to March 31, 2018
Balance of reserved funds at the start of period	2,762	3,304	—	—	—
Reserved funds for the period	3,304	—	—	—	—
Reversal of reserved funds for the period	2,762	3,304	—	—	—
Balance carried over to next period	3,304	—	—	—	—

Note: The Company has decided not to record a reserve for repair expenses, starting from the September 2016 period, if a per-term average of the estimate of repair, maintenance and renovation expenses for 15 years is lower than the expected depreciation cost for the subsequent term.

## e. Expenses and Liabilities

## (i) Details on Operation-related Expenses

Item	For the period from April 1, 2017 to September 30, 2017	For the period from October 1, 2017 to March 31, 2018
(a) Asset management fee *	¥1,214,475 thousand	¥1,238,158 thousand
(breakdown) NOI-linked fee	¥851,037 thousand	¥862,651 thousand
Distribution-linked fee	¥363,438 thousand	¥375,507 thousand
(b) Asset custody fee	¥60,526 thousand	¥60,728 thousand
(c) Administrative service fees	¥127,844 thousand	¥128,617 thousand
(d) Directors' compensations	¥7,800 thousand	¥7,800 thousand
(e) Commission fee	¥63,904 thousand	¥103,505 thousand
(f) Other operating expenses	¥66,148 thousand	¥69,784 thousand
Total	¥1,540,699 thousand	¥1,608,593 thousand

- \* In addition to the asset management fee listed above, in the case that a property is acquired, an “acquisition fee” is included in the acquisition cost of the property and paid to the asset management company.  
 In the case that a property is sold, a “disposition fee” is included in the loss on sale and paid to the asset management company.  
 These fees are calculated by multiplying the buying/selling price of the property by a fee rate.  
 In the period ended September 30, 2017, the acquisition fee amounted to ¥52,650 thousand, and in the period ended March 31, 2018, the acquisition fee amounted to ¥215,100 thousand and the disposition fee amounted to ¥50,000 thousand.

## (ii) Loans

The condition of loans by financial institutions as of March 31, 2018, is as follows.

	Classification	Drawdown date	Balance at beginning of current period (¥thousand )	Balance at end of current period (¥thousand )	Average interest rate *2 (%)	Repayment date	Repayment method	Use of proceeds	Notes
	Lender *1								
Short-term loans	Mitsubishi UFJ Trust and Banking Corporation	December 26, 2016	5,000,000	—	0.07965	December 26, 2017	Bullet	*3	Unsecured Unguaranteed Unsubordinated
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	December 26, 2016	5,000,000	—	0.07965	December 26, 2017			
	Sumitomo Mitsui Trust Bank, Limited	December 26, 2016	1,300,000	—	0.07965	December 26, 2017			
	The 77 Bank, Ltd.	January 10, 2017	1,000,000	—	0.08292	January 10, 2018			
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 2, 2017	1,500,000	—	0.08425	March 2, 2018 *4			
	Mizuho Bank, Ltd.	March 27, 2017	5,500,000	—	0.08574	March 27, 2018			
	Sumitomo Mitsui Trust Bank, Limited	March 31, 2017	1,700,000	—	0.08637	March 30, 2018			
	Mizuho Bank, Ltd.	April 3, 2017	5,500,000	5,500,000	0.08594	April 3, 2018			
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	April 3, 2017	3,500,000	—	0.07414	April 3, 2018 *5			
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 30, 2018	—	8,000,000	0.0754	April 27, 2018			
	Mizuho Bank, Ltd.	March 30, 2018	—	5,000,000	0.0754	April 27, 2018			
	Sumitomo Mitsui Trust Bank, Limited	March 30, 2018	—	3,000,000	0.0754	April 27, 2018			
	Shinsei Bank, Limited	June 15, 2017	2,500,000	2,500,000	0.08771	June 15, 2018			
	Shinkin Central Bank	September 1, 2017	1,000,000	1,000,000	0.08646	September 3, 2018			
	Resona Bank, Limited	September 1, 2017	1,000,000	1,000,000	0.08646	September 3, 2018			
	Mitsubishi UFJ Trust and Banking Corporation	December 26, 2017	—	—	0.09196	December 26, 2018 *6			
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	December 26, 2017	—	—	0.0904	December 26, 2018 *7			
	Sumitomo Mitsui Trust Bank, Limited	December 26, 2017	—	1,300,000	0.09217	December 26, 2018			
	Resona Bank, Limited	March 26, 2018	—	3,000,000	0.0954	March 26, 2019			
	Sumitomo Mitsui Trust Bank, Limited	March 30, 2018	—	1,700,000	0.0954	March 29, 2019			
	Subtotal		34,500,000	32,000,000					
Long-term loans	The Hachijuni Bank, Ltd.	December 20, 2012	1,000,000	—	0.45625	December 20, 2017	Bullet	*3	Unsecured Unguaranteed Unsubordinated
	The Joyo Bank, Ltd.	January 7, 2013	1,000,000	—	0.49125	January 9, 2018			

	Classification	Drawdown date	Balance at beginning of current period (¥thousand)	Balance at end of current period (¥thousand)	Average interest rate *2 (%)	Repayment date	Repayment method	Use of proceeds	Notes
	Lender *1								
Long-term loans	The Ashikaga Bank, Ltd.	January 7, 2013	1,000,000	—	0.49125	January 9, 2018	Bullet	*3	Unsecured Unguaranteed Unsubordinated
	Sumitomo Mitsui Trust Bank, Limited	January 17, 2011	3,000,000	—	1.43375	January 17, 2018			
	Nippon Life Insurance Company	March 1, 2011	2,000,000	—	1.465	March 1, 2018			
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 24, 2011	2,000,000	—	1.3975	March 26, 2018			
	Resona Bank, Limited	March 25, 2013	3,000,000	—	0.45	March 26, 2018			
	The Chugoku Bank, Limited	March 25, 2013	2,000,000	—	0.45	March 26, 2018			
	The Hachijuni Bank, Ltd.	March 25, 2013	1,000,000	—	0.45	March 26, 2018			
	Taiyo Life Insurance Company	March 30, 2011	2,000,000	—	1.39625	March 30, 2018			
	Shinkin Central Bank	April 24, 2013	5,000,000	5,000,000	0.52775	April 24, 2018 *8			
	Mitsubishi UFJ Trust and Banking Corporation	June 1, 2011	10,000,000	10,000,000	1.31125	June 1, 2018 *8			
	Shinsei Bank, Limited	August 31, 2011	3,000,000	3,000,000	1.0475	August 31, 2018 *8			
	Sumitomo Mitsui Trust Bank, Limited	November 15, 2011	3,000,000	3,000,000	0.98375	November 15, 2018 *8			
	Sumitomo Mitsui Banking Corporation	November 15, 2011	3,000,000	3,000,000	0.98375	November 15, 2018 *8			
	Mizuho Bank, Ltd.	September 1, 2015	2,500,000	2,500,000	0.17	March 1, 2019 *8			
	The Gunma Bank, Ltd.	March 24, 2014	1,000,000	1,000,000	0.4105	March 25, 2019 *8			
	Sumitomo Mitsui Trust Bank, Limited	May 29, 2015	5,000,000	5,000,000	0.2075	May 29, 2019			
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	September 1, 2015	5,000,000	5,000,000	0.2	September 2, 2019			
	Sumitomo Mitsui Trust Bank, Limited	September 26, 2011	5,500,000	5,500,000	1.16	September 26, 2019			
	The Hiroshima Bank, Ltd.	October 1, 2014	3,000,000	3,000,000	0.31575	October 1, 2019			
	Mizuho Bank, Ltd.	November 1, 2011	6,000,000	6,000,000	1.2075	November 1, 2019			
	Mizuho Bank, Ltd.	November 15, 2011	3,000,000	3,000,000	1.13875	November 15, 2019			
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	November 15, 2011	3,000,000	3,000,000	1.13875	November 15, 2019			
	Mitsubishi UFJ Trust and Banking Corporation	November 15, 2011	3,000,000	3,000,000	1.13875	November 15, 2019			

	Classification	Drawdown date	Balance at beginning of current period (¥thousand )	Balance at end of current period (¥thousand )	Average interest rate *2 (%)	Repayment date	Repayment method	Use of proceeds	Notes
	Lender *1								
Long-term loans	The Gunma Bank, Ltd.	November 17, 2014	1,000,000	1,000,000	0.316	November 18, 2019	Bullet	*3	Unsecured Unguaranteed Unsubordinated
	The Yamanashi Chuo Bank, Ltd.	December 15, 2014	2,000,000	2,000,000	0.266	December 16, 2019			
	Shinkin Central Bank	January 7, 2013	2,000,000	2,000,000	0.71375	January 7, 2020			
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	January 15, 2013	5,500,000	5,500,000	0.71	January 15, 2020			
	Shinkin Central Bank	January 15, 2013	5,000,000	5,000,000	0.71	January 15, 2020			
	Mitsubishi UFJ Trust and Banking Corporation	June 15, 2012	4,000,000	4,000,000	0.9525	June 15, 2020			
	Sumitomo Mitsui Trust Bank, Limited	June 15, 2012	4,000,000	4,000,000	0.9525	June 15, 2020			
	Sumitomo Mitsui Trust Bank, Limited	June 15, 2015	3,000,000	3,000,000	0.3425	June 15, 2020			
	Tokio Marine & Nichido Fire Insurance Co., Ltd.	July 3, 2017	2,000,000	2,000,000	0.1	July 3, 2020			
	The Yamaguchi Bank, Ltd.	October 29, 2012	2,000,000	2,000,000	0.8	October 29, 2020			
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	December 21, 2012	5,000,000	5,000,000	0.80125	December 21, 2020			
	Mitsubishi UFJ Trust and Banking Corporation	December 21, 2012	5,000,000	5,000,000	0.80125	December 21, 2020			
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	January 15, 2013	5,500,000	5,500,000	0.83625	January 15, 2021			
	Mitsubishi UFJ Trust and Banking Corporation	January 31, 2014	4,000,000	4,000,000	0.64225	January 29, 2021			
	The Bank of Fukuoka, Ltd.	January 31, 2014	2,500,000	2,500,000	0.63849	January 29, 2021			
	Sumitomo Mitsui Trust Bank, Limited	January 31, 2014	2,000,000	2,000,000	0.62575	January 29, 2021			
	The Iyo Bank, Ltd.	March 24, 2014	2,000,000	2,000,000	0.6035	March 24, 2021			
	Mitsubishi UFJ Trust and Banking Corporation	April 4, 2017	5,000,000	5,000,000	0.03301	April 5, 2021			
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	April 24, 2013	5,000,000	5,000,000	0.775	April 26, 2021			
	Mizuho Bank, Ltd.	June 15, 2012	4,000,000	4,000,000	1.07375	June 15, 2021			
	Sumitomo Mitsui Trust Bank, Limited	December 26, 2016	3,700,000	3,700,000	0.1913	June 28, 2021			
	Sumitomo Mitsui Banking Corporation	January 19, 2018	—	5,000,000	0.16255	July 20, 2021			
	The Bank of Fukuoka, Ltd.	August 31, 2017	1,500,000	1,500,000	0.1325	August 31, 2021			
	The Iyo Bank, Ltd.	October 1, 2014	1,000,000	1,000,000	0.46525	October 1, 2021			

	Classification	Drawdown date	Balance at beginning of current period (¥thousand )	Balance at end of current period (¥thousand )	Average interest rate *2 (%)	Repayment date	Repayment method	Use of proceeds	Notes
	Lender *1								
Long-term loans	The Chugoku Bank, Limited	October 1, 2014	1,000,000	1,000,000	0.4725	October 1, 2021	Bullet	*3	Unsecured Unguaranteed Unsubordinated
	The Daishi Bank, Ltd.	November 14, 2014	1,800,000	1,800,000	0.463	November 15, 2021			
	Sony Bank Incorporated		1,400,000	1,400,000					
	The Toho Bank, Ltd.		1,400,000	1,400,000					
	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			
	Sumitomo Mitsui Banking Corporation	January 7, 2013	2,000,000	2,000,000	0.98	January 7, 2022			
	Mizuho Bank, Ltd.	January 15, 2013	5,000,000	5,000,000	0.96625	January 17, 2022			
	The Norinchukin Bank	January 31, 2014	3,500,000	3,500,000	0.757	January 31, 2022			
	Mizuho Bank, Ltd.	April 24, 2013	3,000,000	3,000,000	0.87375	April 25, 2022			
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	June 15, 2012	4,000,000	4,000,000	1.1975	June 15, 2022			
	Mitsubishi UFJ Trust and Banking Corporation	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			

	Classification	Drawdown date	Balance at beginning of current period (¥thousand )	Balance at end of current period (¥thousand )	Average interest rate *2 (%)	Repayment date	Repayment method	Use of proceeds	Notes
	Lender *1								
Long-term loans	The Gunma Bank, Ltd.	August 10, 2015	1,000,000	1,000,000	0.3925	August 10, 2022	Bullet	*3	Unsecured Unguaranteed Unsubordinated
	The Shinkumi Federation Bank		1,000,000	1,000,000					
	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					
	The Bank of Tokyo-Mitsubishi UFJ, 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	0.1863	December 20, 2022			
	Development Bank of Japan Inc.	January 7, 2013	3,000,000	3,000,000	1.115	January 6, 2023			
	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	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	0.21	January 17, 2023			
	Development Bank of Japan Inc.	January 31, 2014	5,000,000	5,000,000	0.9325	January 31, 2023			
	The Yamaguchi Bank, Ltd.	March 25, 2013	1,000,000	1,000,000	0.945	March 24, 2023			
	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	0.1988	March 27, 2023			
	Mitsubishi UFJ Trust and Banking Corporation	June 1, 2017	12,000,000	12,000,000	0.05181	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			
	Mitsubishi UFJ Trust and Banking Corporation	December 19, 2014	10,000,000	10,000,000	0.42375 *9	December 19, 2023			

	Classification	Drawdown date	Balance at beginning of current period (¥thousand )	Balance at end of current period (¥thousand )	Average interest rate *2 (%)	Repayment date	Repayment method	Use of proceeds	Notes
	Lender *1								
Long-term loans	Mitsubishi UFJ Trust and Banking Corporation	March 26, 2018	—	5,000,000	0.04664	March 26, 2024	Bullet	*3	Unsecured Unguaranteed Unsubordinated
	The Hachijuni Bank, Ltd.	March 26, 2018	—	1,000,000	0.2338	March 26, 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			
	Mitsubishi UFJ Trust and Banking Corporation	September 1, 2015	3,500,000	3,500,000	0.63	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	0.24	September 2, 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 Ashikaga Bank, Ltd.	January 9, 2018	—	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			
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 26, 2018	—	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			
	Development Bank of Japan Inc.	September 1, 2015	7,000,000	7,000,000	0.7175	September 1, 2025			
	Mizuho Bank, Ltd.	December 26, 2016	5,000,000	5,000,000	0.3625	December 26, 2025			
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	February 26, 2018	—	6,500,000	0.3413	February 26, 2026			
	Mizuho Bank, Ltd.	March 27, 2018	—	5,500,000	0.3	March 27, 2026			
	Shinkin Central Bank	March 30, 2017	5,000,000	5,000,000	0.36	March 30, 2026			
	Shinkin Central Bank	September 1, 2017	5,000,000	5,000,000	0.3188	September 1, 2026			
	Mitsubishi UFJ Trust and Banking Corporation	October 31, 2016	3,000,000	3,000,000	0.24	October 30, 2026			
	Mizuho Bank, Ltd.	December 21, 2016	5,000,000	5,000,000	0.415	December 21, 2026			
	The Joyo Bank, Ltd.	January 9, 2018	—	1,000,000	0.4188	January 11, 2028			

Classification	Lender *1	Drawdown date	Balance at beginning of current period (¥thousand)	Balance at end of current period (¥thousand)	Average interest rate *2 (%)	Repayment date	Repayment method	Use of proceeds	Notes
Long-term loans	Sumitomo Mitsui Banking Corporation	January 19, 2018	—	3,000,000	0.4338	January 19, 2028	Bullet	*3	Unsecured Unguaranteed Unsubordinated
	Mizuho Bank, Ltd.	March 30, 2018	—	4,000,000	0.3963	March 30, 2028			
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 30, 2018	—	4,000,000	0.3963	March 30, 2028			
	Taiyo Life Insurance Company	March 30, 2018	—	1,000,000	0.3963	March 30, 2028			
	Subtotal		311,000,000	339,000,000					
Total			345,500,000	371,000,000					

- \*1. On April 1, 2018, the commercial name of The Bank of Tokyo-Mitsubishi UFJ, Ltd. was changed to MUFG Bank, Ltd. In addition, on April 16, 2018, Mitsubishi UFJ Trust and Banking Corporation transferred the corporation lending division and its lending balances to MUFG Bank, Ltd.
- \*2. 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
- \*3. 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.
- \*4. The Company made a full repayment (¥1,500 million) before maturity on February 26, 2018.
- \*5. The Company made a full repayment (¥3,500 million) before maturity on October 26, 2017.
- \*6. The Company made a full repayment (¥5,000 million) before maturity on March 26, 2018.
- \*7. The Company made a full repayment (¥5,000 million) before maturity on February 26, 2018.
- \*8. At the end of the period under review, these loans are accounted for under current liabilities on the balance sheets as the current portion of long-term loans payable.
- \*9. 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.

### (iii) Investment Corporation Bonds

Outstanding investment corporation bonds as of March 31, 2018, 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
9th unsecured investment corporation bond	August 30, 2013	10,000,000	10,000,000	0.497	August 30, 2018	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	0.2788	October 26, 2027	Bullet	*1	*2 *3 *4
Total		30,000,000	32,993,175					

- \*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.

(iv) New Unit Acquisition Rights  
“Not applicable”

## f. Examination of the Value of Specified Assets

## (i) Real Estate, etc.

Acquisition or Disposition	Property name	Date of transaction	Acquisition/disposition cost*1 (¥ million)	Real estate appraisal value (¥ million)	Appraising institution	Date of appraisal
Disposition	Shibuya Cross Tower (building)	January 18, 2018	10,000	9,770	Daiwa Real Estate Appraisal Co., Ltd.	December 1, 2017
Acquisition	Front Place Nihonbashi	January 19, 2018	17,560	17,700	Japan Real Estate Institute	December 1, 2017
Acquisition	Shinjuku Eastside Square	March 30, 2018	25,460	25,500	Japan Real Estate Institute	March 1, 2018

\*1. The “acquisition/disposition cost” refers to the amount listed in the sale and purchase contract, and does not include various expenses necessary in the acquisition or disposition of the property such as trading intermediate fees.

\*2. The appraisal value listed above is decided in accordance with the 3rd chapter of the Japanese Real Estate Appraisal Act and Real Estate Appraisal Standards.

## (ii) Other

Value inspections on transactions by the Company that are deemed necessary under Article 201 of the ITA, are entrusted to Yoshihiro Tanaka CPA Office, excluding ones described in (i) Real Estate, etc. above.

During the period from October 1, 2017 to March 31, 2018, one derivative transaction was subject to such an inspection. The Company has received the valuation report on the inspection from Yoshihiro Tanaka CPA Office.

## g. Transactions with Interested Parties (from October 1, 2017 to March 31, 2018)

## (i) Transactions

Segment	Buying and selling amounts	
	Buying amounts	Selling amounts
Total Amount	¥ 43,020,000 thousand	¥ 10,000,000 thousand
Breakdown of Transactions with Interested Parties		
Mitsubishi Estate Co., Ltd.	¥ 25,460,000 thousand (59.2 %)	¥ 10,000,000 thousand (100.0 %)
Nihonbashi 2Chome Kaihatsu Tokutei Mokuteki Kaisha	¥ 17,560,000 thousand (40.8 %)	— thousand ( — %)
Total	¥ 43,020,000 thousand (100.0 %)	¥ 10,000,000 thousand (100.0 %)

\* The numerical values within the ( ) represent a percentage of the total buying/selling amounts.

## (ii) Amount of Commission Fees and Other Expenses

Segment	Total amount of commission fees and other expenses A	Breakdown of transactions with interested parties		Percentage of total amount B/A
		Payment recipient	Amount paid B	
Property management expenses	¥3,623,270 thousand	Mitsubishi Jisho Property Management Co., Ltd.	¥2,214,533 thousand	61.1%
		Mitsubishi Estate Co., Ltd.	¥174,458 thousand	4.8%
		Mitsubishi Real Estate Services Co., Ltd.	¥42,392 thousand	1.2%
		Yuden Building Kanri Co., Ltd.	¥33,045 thousand	0.9%
Utilities expenses	¥2,388,245 thousand	Minato Mirai 21 District Heating and Cooling Co., Ltd.	¥73,129 thousand	3.1%
Other operating expenses	¥166,048 thousand	Mitsubishi Jisho Property Management Co., Ltd.	¥29,610 thousand	17.8%
		Mitsubishi Jisho Sekkei Inc.	¥23,040 thousand	13.9%

\*1. Interested parties refers to interested parties of the asset management company who has concluded consignment agreements with the Company, as stipulated in Article 123 of the enforcement order of the ITA, and Section 26, Paragraph 1, Item 27 of the Regulations for Management Reports Concerning Investment Trusts and Investment Corporations of the Investment Trusts Association, Japan.

\*2. In addition to the transactions and commission fees listed above, other amounts paid to interested parties, such as orders placed for repair work, are listed below.

Mitsubishi Jisho Property Management Co., Ltd.	¥850,989 thousand
Mitsubishi Estate Co., Ltd.	¥301,339 thousand
Yuden Building Kanri Co., Ltd.	¥42,758 thousand
Mitsubishi Real Estate Services Co., Ltd.	¥13,855 thousand
Izumi Parktown Service Ltd.	¥106 thousand

## h. Other Announcements

## Board of Directors

Below is an overview of important changes and conclusions of contracts that were accepted by the Company's Board of Directors during the period.

Date of acceptance	Accepted item	Overview
October 13, 2017	Date of relocation of head office of the Company	Date of relocation of head office was approved for December 18, 2017.

*Selected Financial Data*

	Millions of yen				
	For the period from	For the period from	For the period from	For the period from	For the period from
	October 1, 2017 to March 31, 2018	April 1, 2017 to September 30, 2017	October 1, 2016 to March 31, 2017	April 1, 2016 to September 30, 2016	October 1, 2015 to March 31, 2016
Operating revenues	<b>31,955</b>	31,718	30,818	30,773	30,589
Operating expenses	<b>18,358</b>	18,539	18,251	18,405	18,237
Operating profit	<b>13,596</b>	13,178	12,567	12,368	12,352
Ordinary profit	<b>12,362</b>	11,921	11,197	10,958	10,816
Profit before income taxes	<b>12,362</b>	11,921	11,197	10,958	10,816
Profit	<b>12,291</b>	11,909	11,186	10,947	10,753
Total assets	<b>935,561</b>	906,507	898,306	883,633	890,626
Interest-bearing debt	<b>403,993</b>	375,500	369,000	356,350	363,400
Net assets	<b>470,703</b>	470,321	469,598	469,359	469,044
Unitholders' capital	<b>458,016</b>	458,016	458,016	458,016	458,016
Number of units	<b>1,309,310</b>	1,309,310	1,309,310	1,309,310	1,309,310
Net assets per unit (Yen)	<b>359,505</b>	359,213	358,661	358,478	358,238
Cash distribution	<b>12,223</b>	11,909	11,186	10,947	10,632
Dividend payout ratio	<b>99.5%</b>	100.0%	100.0%	99.9%	98.8%
Dividend per unit (Yen)	<b>9,336</b>	9,096	8,544	8,361	8,121
Net operating income (NOI)	<b>21,566</b>	21,275	20,372	20,182	19,973
Funds from operations (FFO)	<b>18,652</b>	18,466	17,679	17,447	17,079
Return on assets (ROA) (Note 1)	<b>1.3%</b>	1.3%	1.3%	1.2%	1.2%
	<b>(2.7% annualized)</b>	(2.6% annualized)	(2.5% annualized)	(2.5% annualized)	(2.4% annualized)
Return on equity (ROE) (Note 2)	<b>2.6%</b>	2.5%	2.4%	2.3%	2.3%
	<b>(5.2% annualized)</b>	(5.1% annualized)	(4.8% annualized)	(4.7% annualized)	(4.6% annualized)
EOP equity ratio (Note 3)	<b>50.3%</b>	51.9%	52.3%	53.1%	52.7%
EOP interest-bearing debt ratio on total assets (Note 4)	<b>43.2%</b>	41.4%	41.1%	40.3%	40.8%
FFO multiple (Times)	<b>19.3</b>	19.2	21.8	22.8	25.0
Debt service coverage ratio (Times) (Note 5)	<b>16.9</b>	16.1	14.3	13.5	12.5

Notes: 1. ROA = Ordinary profit ÷ Average of Total assets during the period

2. ROE = Profit ÷ Average of Net assets during the period

(Annualized portion of the calculation given in Note 1 and Note 2 assumes a fiscal period of 183 days for the period ended March 31, 2016, 183 days for the period ended September 30, 2016, 182 days for the period ended March 31, 2017, 183 days for the period ended September 30, 2017 and 182 days for the period ended March 31, 2018.)

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

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

5. Debt service coverage ratio = Profit before Interest, Taxes, Depreciation and Amortization ÷ Interest expenses