

FINANCIAL RESULTS FOR THE FISCAL PERIOD ENDED SEPTEMBER 2017 (REIT)

November 15, 2017

Name of Issuer: Japan Real Estate Investment Corporation
 Stock Exchange Listing: Tokyo Stock Exchange
 Securities Code: 8952
 URL: <http://www.j-re.co.jp/en/>
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Scheduled Date of Filing Securities Report: December 26, 2017
 Scheduled date of dividend payment: December 14, 2017
 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 September 2017 period (April 1, 2017 –September 30, 2017)

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

Period ended	Operating Revenues		Operating Profit		Ordinary Profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2017	31,718	2.9	13,178	4.9	11,921	6.5	11,909	6.5
March 31, 2017	30,818	0.1	12,567	1.6	11,197	2.2	11,186	2.2

Period ended	Profit per Unit	ROE (Profit to Unitholders' Equity Ratio)	ROA (Ordinary Profit to Total Assets Ratio)	Ordinary Profit to Operating Revenues Ratio
	Yen	%	%	%
September 30, 2017	9,096	2.5	1.3	37.6
March 31, 2017	8,543	2.4	1.3	36.3

(2) Dividends

Period ended	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
	Yen	Millions of yen	Yen	Millions of yen	%	%
September 30, 2017	9,096	11,909	0	0	100.0	2.5
March 31, 2017	8,544	11,186	0	0	100.0	2.4

Note: The payout ratio is rounded down to the first decimal place.

(3) Financial Standing

As of	Total Assets	Net Assets	Equity Ratio	Net Assets per Unit
	Millions of yen	Millions of yen	%	Yen
September 30, 2017	906,507	470,321	51.9	359,213
March 31, 2017	898,306	469,598	52.3	358,661

Reference: Total unitholders' equity is 470,321 million yen for the September 2017 period and 469,598 million yen for the March 2017 period.

(4) Cash Flows

Period ended	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
September 30, 2017	19,759	(12,033)	(4,685)	24,355
March 31, 2017	17,190	(20,115)	1,693	21,315

2. Performance Forecasts for the March 2018 period (October 1, 2017 to March 31, 2018) and the September 2018 period (April 1, 2018 to September 30, 2018)

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

Period ending	Operating Revenues		Operating Profit		Ordinary Profit		Profit		Dividend per Unit Excluding Excess of Accounting Profits	Dividend in Excess of Accounting Profits per Unit
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen	Yen
March 31, 2018	31,720	0.0	13,180	0.0	11,920	(0.0)	11,910	0.0	9,100	0
September 30, 2018	31,760	0.1	13,010	(1.3)	11,790	(1.1)	11,780	(1.1)	9,000	0

Reference: Profit per unit forecast = Profit forecast / Number of total investment units forecast for the end of the period
(the March 2018 period): 9,100 yen; (the September 2018 period): 9,000 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 September 30, 2017	1,309,310 units
As of March 31, 2017	1,309,310 units

Number of Treasury Units at End of Period

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

Note: Please refer to the notes regarding per unit information on page 24 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

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 March 2018 period (October 1, 2017 to March 31, 2018) and the September 2018 period (April 1, 2018 to September 30, 2018)" on pages 7 and 8.

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 June 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 June 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 955.2 billion yen*, as of September 30, 2017. In the same period, the Company continued to grow steadily in the number of properties in its portfolio, from 20 to 69 properties.

During the September 2017 period (April 1, 2017 to September 30, 2017), 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 rural and Tokyo metropolitan areas were maintained. Additionally, the rent increases were steadily accumulating, and the strong demand situation continued.

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 domestic and overseas investors’ desire to actively invest, such as cases of transactions of large properties at Tokyo Bay and other areas, 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 9,096 yen, which is an increase by 552 yen from the previous period.

*Note: The part of the Jingumae Media Square Building site (acquisition price: 614 million yen) that was expropriated by the Tokyo Metropolitan Government on October 30, 2009, is included in the total acquisition price. 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 98.8% as of March 31, 2017, to 99.1% as of September 30, 2017, in addition to the actual performance in the month. As for external growth, on September 1, 2017, the existing ownership of Shiodome Building (Minato-ku, Tokyo) was increased by purchasing an additional 5.0 % quasi-co-ownership interest of the trust beneficiary right for 10,530 million yen. Consequently, the Company’s current share of the said property has increased from 50.0 % to 55.0 %.

As a result of the above, the Company’s portfolio at the end of the fiscal period under review, September 30, 2017, consisted of 69 properties, with a total acquisition price of 955.2 billion yen. Total leasable floor area stood at 839,035 m² with 1,490 tenants in total.

*Note: Shinjuku South Gate Project (tentative name) (land with leasehold interest), whose building ownership was disposed on August 23, 2013, is 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. Please note that Nippon Brunswick Building (land with leasehold interest) was renamed to Shinjuku South Gate Project (tentative name) (land with leasehold interest) on May 15, 2017.

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 September 2017 period, the balance of loans was reduced by utilizing cash on hand, and borrowed in conjunction with the additional acquisition of a 5 percent quasi-co-ownership interest of the trust beneficiary right of Shiodome Building. For the commitment line, totaling 50.0 billion yen, the Company extended the contract deadline for one year.

As a result of these financing activities, as of September 30, 2017, the Company's total interest-bearing debt was 375.5 billion yen, a 6.5 billion yen increase from the end of the previous period. This amount consists of long-term loans totaling 311.0 billion yen (including the current portion of long-term loans totaling 36.0 billion yen), short-term loans totaling 34.5 billion yen, and investment corporation bonds totaling 30.0 billion yen (including the current portion of investment corporation bonds totaling 10.0 billion yen). The current LTV ratio stands at 41.4%.

The Company's credit ratings as of September 30, 2017 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

As a result of the above operations, in the period under review, the Company's operating revenues increased by 2.9% on the previous period, to 31.7 billion yen. On the earnings front, operating profit increased 4.9%, to 13.1 billion yen. After deducting expenses for interest payments on loans and other costs, ordinary profit increased 6.5%, to 11.9 billion yen, and profit had an increase of 6.5%, to 11.9 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 Law of Japan. Based on this policy, keeping below the level of end-of-term unappropriated retained earnings and reserving the retained earnings brought forward, the total amount of dividends that the Company has determined to pay out 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. Accordingly, the per-unit cash dividend is 9,096 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 influence of monetary policy 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 at 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 be preserved for the time being.

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 be highly selective in making investments, to pay close attention to market trends such as a valuation at the highest level in transaction prices, and to continue to be proactive in the search for new property.

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 March 2018 period (October 1, 2017 to March 31, 2018) are as follows: operating revenues totaling 31.7 billion yen, operating profit totaling 13.1 billion yen, ordinary profit totaling 11.9 billion yen, and profit totaling 11.9 billion yen. The Company plans to declare a per-unit cash dividend to be 9,100 yen.

The Company's forecasts for the September 2018 period (April 1, 2018 to September 30, 2018) are as follows: operating revenues totaling 31.7 billion yen, operating profit totaling 13.0 billion yen, ordinary profit totaling 11.7 billion yen, and profit totaling 11.7 billion yen. The Company plans to declare a per-unit cash dividend to be 9,000 yen.

Regarding the assumptions underlying these forecasts, please see pages 7 and 8 entitled "Assumptions Underlying Performance Forecasts for the March 2018 period (October 1, 2017 to March 31, 2018) and the September 2018 period (April 1, 2018 to September 30, 2018)." Operating revenues, operating profit, ordinary profit, profit, and cash dividend per unit might vary depending on changes that could occur to the market situation.

**Assumptions Underlying Performance Forecasts for the March 2018 period (October 1, 2017 to March 31, 2018)
and the September 2018 period (April 1, 2018 to September 30, 2018)**

Item	Assumption
Accounting period	<ul style="list-style-type: none"> • The March 2018 period: October 1, 2017 to March 31, 2018 (182 days) • The September 2018 period: April 1, 2018 to September 30, 2018 (183 days)
Number of properties held by the Company	<ul style="list-style-type: none"> • The Company's property portfolio consists of 69 properties at the end of the September 2017 period. The actual portfolio might differ from this assumption due to additional property acquisitions and dispositions. • As of November 15, 2017, the Company does not have any forward or other commitments as set forth in the Financial Services Agency's Guidelines for Supervision.
Number of units outstanding	<ul style="list-style-type: none"> • The total number of units outstanding as of November 15, 2017, is 1,309,310.
Interest-bearing debt	<ul style="list-style-type: none"> • The Company operates an LTV ratio within a range between 30% and 40% as an operational guideline. • As of October 26, 2017, the Company issued the 11th Unsecured Investment Corporation Bonds in U.S. dollar (limited to qualified institutional investors) of 2,993 million yen. With the funds procured through the issuance of the Investment Corporation Bonds in addition to cash on hand, the prepayment of short-term borrowings of 3.5 billion yen was executed. As a result, the balance for interest-bearing debt is 374.9 billion yen as of November 15, 2017. • In the March 2018 period, as of November 15, 2017, the Company prepares to refinance the long-term loans due for repayments during the period totaling 18.0 billion yen (repayment dates: December 20, 2017, January 9, 2018, January 17, 2018, March 1, 2018, March 26, 2018 and March 30, 2018) and the short-term loans due for repayment during the period totaling 21.0 billion yen (repayment dates: December 26, 2017, January 10, 2018, March 2, 2018, March 27, 2018 and March 30, 2018). There are no investment corporation bonds to mature in the March 2018 period. • In the September 2018 period, as of November 15, 2017, the Company prepares to refinance the long-term loans due for repayments during the period totaling 18.0 billion yen (repayment dates: April 24, 2018, June 1, 2018 and August 31, 2018) and the short-term loans due for repayment during the period totaling 10.0 billion yen (repayment dates: April 3, 2018, 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.
Operating revenues	<ul style="list-style-type: none"> • Revenues from portfolio properties held by the Company are calculated by taking into consideration new contract conclusions and existing contract cancellations fixed as of November 15, 2017, and by factoring in potential variables that reflect recent market conditions for leased office space, such as rent levels and occupancy rates.

Item	Assumption
Operating expenses	<ul style="list-style-type: none"> • 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 2018 property taxes, city planning taxes, and depreciable property taxes for properties acquired in 2017 to be as follows: 25 million yen for the additional shares acquired for Shinjuku Eastside Square, 30 million yen for the acquisition of Tamachi Front Building, and 65 million yen for the additional shares acquired for Shiodome Building (combined total of additional shares of 5% acquired on March 30, 2017 and 5% acquired on September 1, 2017). • The property and other taxes will be 2.9 billion yen in the March 2018 period and 3.0 billion yen in the September 2018 period. • The depreciation will be 6.5 billion yen in the March 2018 period and 6.4 billion yen in the September 2018 period. • Property management expenses are assumed by taking past operational results into consideration. • 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.
Non-operating expenses	<ul style="list-style-type: none"> • The non-operating expenses, such as interest expenses on loans and investment corporation bonds, will be 1.2 billion yen in the March 2018 period and 1.2 billion yen in the September 2018 period.
Dividend amounts	<ul style="list-style-type: none"> • 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. • The Company assumes that dividend amounts in the March 2018 and the September 2018 periods will not be appropriated from internal reserves*. <p>*Internal reserves shall comprise of the reserve for reduction entry made on the gain on sale of the Takanawadai Building as of April 1, 2011 (878 million yen), reserves for reduction entry made on the sales of Hirokoji Sakae Building (disposed on March 30, 2016) and Kyoto Shijo Kawaramachi Building (disposed on March 31, 2016, together amounting to 161 million yen) all under Article 66-2 of the application of the Special Provisions for Taxation in the case of Advanced Acquisition of Land, etc., in 2009 and 2010, and the residual amount of 530 million yen, which is an apportioned revenue of the subsidies for work under Article 42 “Inclusion in Gross Expense of Advanced Depreciation of Fixed Assets, etc. Acquired with National Subsidy, etc.” of the Corporation Tax Act during March 2016 period, after the deduction of 519 million yen to compensate the dividend paid out for the September 2012 and March 2013 periods consisting of reserve for reduction entry and associated deferred tax liabilities, together with the retained earnings brought forward.</p>
Other	<ul style="list-style-type: none"> • 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. • No unprecedented or significant changes will occur to the general market trends or real estate market conditions or other factors. • 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.

3. Financial Statements

(1) Balance Sheets

Thousands of yen

	As of March 31, 2017	As of September 30, 2017
Assets		
Current assets		
Cash and deposits	15,709,586	18,332,818
Cash and deposits in trust	5,605,731	6,022,777
Operating accounts receivable	248,403	283,008
Prepaid expenses	367,001	369,867
Deferred tax assets	914	937
Consumption taxes receivable	30,946	—
Other	25,716	24,109
Total current assets	21,988,301	25,033,519
Non-current assets		
Property, plant and equipment		
Buildings	265,124,117	265,980,168
Accumulated depreciation	(87,142,205)	(91,900,920)
Buildings, net	177,981,912	174,079,247
Structures	3,129,120	3,111,331
Accumulated depreciation	(786,272)	(838,822)
Structures, net	2,342,847	2,272,508
Machinery and equipment	3,074,681	3,098,290
Accumulated depreciation	(1,960,979)	(2,053,112)
Machinery and equipment, net	1,113,701	1,045,177
Tools, furniture and fixtures	426,995	433,685
Accumulated depreciation	(252,624)	(272,945)
Tools, furniture and fixtures, net	174,371	160,740
Land	434,837,910	434,855,149
Construction in progress	6,087	7,958
Buildings in trust	87,708,942	89,725,955
Accumulated depreciation	(21,031,700)	(22,598,156)
Buildings in trust, net	66,677,241	67,127,799
Structures in trust	836,762	860,317
Accumulated depreciation	(206,985)	(226,370)
Structures in trust, net	629,777	633,946
Machinery and equipment in trust	993,657	1,010,101
Accumulated depreciation	(691,097)	(713,693)
Machinery and equipment in trust, net	302,560	296,407
Tools, furniture and fixtures in trust	54,191	68,247
Accumulated depreciation	(22,677)	(26,154)
Tools, furniture and fixtures in trust, net	31,513	42,093
Land in trust	181,425,424	190,320,005
Construction in progress in trust	1,020	1,020
Total property, plant and equipment	865,524,368	870,842,053
Intangible assets		
Leasehold rights	5,738,365	5,722,535
Leasehold rights in trust	444,160	444,160
Easement	828,095	828,095
Other	12,750	12,332
Total intangible assets	7,023,371	7,007,123

Thousands of yen

	As of March 31, 2017	As of September 30, 2017
Investments and other assets		
Investment securities	577,168	577,168
Lease and guarantee deposits	1,573,634	1,573,847
Long-term prepaid expenses	613,924	510,906
Other	979,840	942,329
Total investments and other assets	3,744,567	3,604,252
Total non-current assets	876,292,308	881,453,430
Deferred assets		
Investment corporation bond issuance costs	26,150	20,084
Total deferred assets	26,150	20,084
Total assets	898,306,760	906,507,034
Liabilities		
Current liabilities		
Operating accounts payable	2,853,804	2,147,048
Short-term loans payable	36,000,000	34,500,000
Current portion of investment corporation bonds	—	10,000,000
Current portion of long-term loans payable	46,500,000	36,000,000
Accounts payable - other	1,481,266	1,651,554
Accrued expenses	564,649	485,268
Income taxes payable	10,997	8,893
Accrued consumption taxes	—	864,005
Advances received	3,329,302	3,394,470
Other	8,908	69,269
Total current liabilities	90,748,928	89,120,511
Non-current liabilities		
Investment corporation bonds	30,000,000	20,000,000
Long-term loans payable	256,500,000	275,000,000
Deposits received from tenants	50,950,892	51,555,491
Deferred tax liabilities	167,156	167,124
Asset retirement obligations	331,913	335,257
Other	8,952	6,680
Total non-current liabilities	337,958,915	347,064,554
Total liabilities	428,707,843	436,185,065
Net assets		
Unitholders' equity		
Unitholders' capital	458,016,096	458,016,096
Surplus		
Voluntary retained earnings		
Reserve for reduction entry	363,400	363,330
Total voluntary retained earnings	363,400	363,330
Unappropriated retained earnings	11,219,420	11,942,542
Total surplus	11,582,820	12,305,873
Total unitholders' equity	469,598,916	470,321,969
Total net assets	469,598,916	470,321,969
Total liabilities and net assets	898,306,760	906,507,034

(2) Statements of Income

Thousands of yen

	For the period from October 1, 2016 to March 31, 2017	For the period from April 1, 2017 to September 30, 2017
Operating revenues		
Rent revenues	30,726,244	31,574,393
Other lease business revenues	58,753	144,189
Gain on exchange of real estate properties	33,620	—
Total operating revenues	30,818,618	31,718,582
Operating expenses		
Expenses related to rent business	16,939,531	16,999,035
Asset management fee	960,233	1,214,475
Asset custody fee	60,214	60,526
Administrative service fees	126,883	127,844
Directors' compensations	7,800	7,800
Commission fee	70,356	63,904
Other operating expenses	86,353	66,148
Total operating expenses	18,251,373	18,539,735
Operating profit	12,567,245	13,178,847
Non-operating income		
Interest income	189	199
Dividend income	—	11,365
Reversal of distribution payable	4,210	2,711
Other	—	576
Total non-operating income	4,399	14,852
Non-operating expenses		
Interest expenses	1,175,845	1,053,169
Interest expenses on investment corporation bonds	153,619	172,064
Amortization of investment corporation bond issuance costs	5,512	6,066
Other	38,927	41,391
Total non-operating expenses	1,373,904	1,272,691
Ordinary profit	11,197,739	11,921,008
Profit before income taxes	11,197,739	11,921,008
Income taxes - current	11,011	11,267
Income taxes - deferred	(3)	(55)
Total income taxes	11,008	11,211
Profit	11,186,731	11,909,796
Retained earnings brought forward	32,688	32,745
Unappropriated retained earnings	11,219,420	11,942,542

(3) Statements of Changes in Unitholders' Equity

For the period from October 1, 2016 to March 31, 2017

Thousands of yen

	Unitholders' equity						Total net assets
	Unitholders' capital	Surplus				Total unitholders' equity	
		Voluntary retained earnings		Unappropriated retained earnings	Total surplus		
		Reserve for reduction entry	Total voluntary retained earnings				
Balance at beginning of current period	458,016,096	363,469	363,469	10,979,760	11,343,229	469,359,325	469,359,325
Changes of items during period							
Reversal of reserve for reduction entry		(69)	(69)	69	—	—	—
Dividends of surplus				(10,947,140)	(10,947,140)	(10,947,140)	(10,947,140)
Profit				11,186,731	11,186,731	11,186,731	11,186,731
Total changes of items during period	—	(69)	(69)	239,660	239,590	239,590	239,590
Balance at end of current period	458,016,096	363,400	363,400	11,219,420	11,582,820	469,598,916	469,598,916

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		Unappropriated retained earnings	Total surplus		
		Reserve for reduction entry	Total voluntary retained earnings				
Balance at beginning of current period	458,016,096	363,400	363,400	11,219,420	11,582,820	469,598,916	469,598,916
Changes of items during 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 period	—	(69)	(69)	723,121	723,052	723,052	723,052
Balance at end of current period	458,016,096	363,330	363,330	11,942,542	12,305,873	470,321,969	470,321,969

(4) Statements of Cash Distributions

Item	For the period from October 1, 2016 to March 31, 2017	For the period from April 1, 2017 to September 30, 2017
	Amount (Yen)	Amount (Yen)
I Retained earnings	11,219,420,612	11,942,542,135
II Voluntary retained earnings		
Reversal of reserve for reduction entry	69,182	69,182
III Cash distribution	11,186,744,640	11,909,483,760
(Dividend per investment unit)	(8,544)	(9,096)
IV Retained earnings brought forward	32,745,154	33,127,557

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 11,186,744,640 yen for the period under review, which is a multiple of 1,309,310 — the number of units outstanding as of March 31, 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, 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>
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(5) Statements of Cash Flows

Thousands of yen

	For the period from October 1, 2016 to March 31, 2017	For the period from April 1, 2017 to September 30, 2017
Cash flows from operating activities		
Profit before income taxes	11,197,739	11,921,008
Depreciation	6,528,096	6,557,913
Difference resulting from exchange of real estate properties	127,789	—
Amortization of investment corporation bond issuance costs	5,512	6,066
Dividend income	—	(11,365)
Interest income	(189)	(199)
Interest expenses	1,329,464	1,225,234
Decrease (increase) in operating accounts receivable	31,256	(34,605)
Decrease (increase) in consumption taxes refund receivable	(30,946)	30,946
Decrease (increase) in prepaid expenses	30,718	(2,865)
Increase (decrease) in operating accounts payable	90,746	578,800
Increase (decrease) in accounts payable - other	31,138	(253,974)
Increase (decrease) in accrued consumption taxes	(528,471)	863,837
Increase (decrease) in accrued expenses	136	(136)
Increase (decrease) in advances received	(171,159)	65,168
Decrease (increase) in long-term prepaid expenses	(13,137)	103,017
Other, net	(85,145)	16,813
Subtotal	18,543,549	21,065,659
Interest and dividend income received	93	11,707
Interest expenses paid	(1,343,284)	(1,304,478)
Income taxes paid	(9,754)	(13,370)
Net cash provided by (used in) operating activities	17,190,603	19,759,518
Cash flows from investing activities		
Purchase of property, plant and equipment	(10,375,364)	(1,579,234)
Purchase of property, plant and equipment in trust	(10,975,199)	(11,068,293)
Purchase of intangible assets	—	(1,150)
Payments for lease and guarantee deposits	(213)	(213)
Repayments of tenant leasehold and security deposits	(1,110,899)	(1,068,119)
Proceeds from tenant leasehold and security deposits	2,346,460	1,683,180
Net cash provided by (used in) investing activities	(20,115,215)	(12,033,831)
Cash flows from financing activities		
Proceeds from short-term loans payable	23,000,000	13,500,000
Repayments of short-term loans payable	(32,700,000)	(15,000,000)
Proceeds from long-term loans payable	26,700,000	36,500,000
Repayments of long-term loans payable	(14,350,000)	(28,500,000)
Proceeds from issuance of investment corporation bonds	10,000,000	—
Payments of investment corporation bond issuance costs	(10,503)	—
Dividends paid	(10,946,280)	(11,185,409)
Net cash provided by (used in) financing activities	1,693,216	(4,685,409)
Net increase (decrease) in cash and cash equivalents	(1,231,395)	3,040,277
Cash and cash equivalents at beginning of period	22,546,714	21,315,318
Cash and cash equivalents at end of period	21,315,318	24,355,596

(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 interest-rate and currency swap

transactions as a method of hedging against currency exchange and interest-rate fluctuation risks. Deferred hedge accounting is generally used for such interest-rate swaps and interest-rate 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 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 are not required to be separately valued. For interest-rate swaps that meet the specific criteria for such special accounting treatment, ongoing assessments of hedge effectiveness are not required and hence not performed.

In addition, for interest-rate and currency swap transactions that meet certain criteria provided under Japanese GAAP, the Integrated Treatment is applied. Under such Integrated Treatment, the interest-rate and currency swaps that hedge foreign currency-denominated floating rate payments into yen-denominated fixed rate payments are treated as an integral part of the hedged foreign currency borrowing, and the loan is accounted for as a yen-denominated fixed-rate borrowing.

(8) Notes to Financial Statements

(Notes to Balance Sheets)

- a. Reduction amount of fixed assets acquired through exchange

	Thousands of yen	
	As of March 31, 2017	As of September 30, 2017
Land in trust	2,008,155	—

- b. Commitment line agreement

The Company has signed commitment line agreements with four banks.

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

- c. Minimum net assets required by Article 67, Paragraph 4 of the ITA

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

(Notes to Statements of Income)

- a. Breakdown of property-related revenues and expenses

	Thousands of yen	
	For the period from October 1, 2016 to March 31, 2017	For the period from April 1, 2017 to September 30, 2017
Property-Related Revenues	30,784,997	31,718,582
Rent revenues	30,726,244	31,574,393
Rental revenues	24,352,065	25,114,226
Common service charges	3,545,126	3,509,723
Parking revenues	802,247	809,236
Other rental revenues	2,026,805	2,141,206
Other lease business revenues	58,753	144,189
Cancellation charges	11,438	64,125
Other miscellaneous revenues	47,315	80,064
Property-Related Expenses	16,939,531	16,999,035
Property management expenses	3,737,491	3,637,000
Utilities expenses	2,383,645	2,612,920
Property and other taxes	2,925,627	2,917,363
Casualty insurance	58,945	58,888
Repairing expenses	1,113,418	1,017,831
Depreciation	6,526,566	6,556,383
Other rental expenses	193,836	198,646
Property-Related Profits	13,845,466	14,719,547

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

For the period from October 1, 2016 to March 31, 2017

		Thousands of yen
Genki Medical Plaza		
	Revenue from transfer of real estate property	6,890,000
	Cost of real estate property transferred	4,776,921
	Other transfer expenses incurred	71,302
	Reduction amount of fixed assets	2,008,155
	Gain on exchange of real estate property	33,620

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

“Not applicable”

(Changes in Unitholders' Equity)

Total number of investment units issuable and number of units outstanding	As of March 31, 2017	As of September 30, 2017
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 March 31, 2017 and September 30, 2017:

	Thousands of yen	
	As of March 31, 2017	As of September 30, 2017
Cash and deposits	15,709,586	18,332,818
Cash and deposits in trust	5,605,731	6,022,777
Time deposits with maturities of more than three months	—	—
Cash and cash equivalents	21,315,318	24,355,596

(Financial Instruments)

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

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). For more detailed information on the hedge accounting method, hedging instruments, hedged items, hedge policies and the evaluation method of hedge effectiveness, 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 March 31, 2017 and September 30, 2017) 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 March 31, 2017 and September 30, 2017 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 March 31, 2017		
	Book value *	Fair value *	Difference *
(1) Cash and deposits	15,709,586	15,709,586	—
(2) Cash and deposits in trust	5,605,731	5,605,731	—
(3) Short-term loans	(36,000,000)	(36,000,000)	—
(4) Current portion of investment corporation bonds	—	—	—
(5) Current portion of long-term loans	(46,500,000)	(46,684,630)	(184,630)
(6) Investment corporation bonds	(30,000,000)	(31,654,880)	(1,654,880)
(7) Long-term loans	(256,500,000)	(261,031,032)	(4,531,032)
(8) Derivative transactions	—	—	—

* Liabilities are shown in parentheses.

	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.

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.

(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 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, after taking into account the effect of said interest-rate and currency swaps or interest-rate swaps, 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 conditions as of March 31, 2017 and September 30, 2017. Such floating-rate long-term loans are presented in the following section entitled Derivative Transactions.) The fair values of the liabilities 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 under the prevailing market conditions as of March 31, 2017 and September 30, 2017.

(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 March 31, 2017	As of September 30, 2017
(1) Non-listed stock *1	577,168	577,168
(2) Deposits received from tenants *2	50,950,892	51,555,491

*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 March 31, 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	15,709,586	—	—	—	—	—
Cash and deposits in trust	5,605,731	—	—	—	—	—
Total	21,315,318	—	—	—	—	—

	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	—	—	—	—	—

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

	Thousands of yen					
	As of March 31, 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	36,000,000	—	—	—	—	—
Investment corporation bonds	—	10,000,000	—	—	—	20,000,000
Long-term loans	46,500,000	27,500,000	49,000,000	39,000,000	40,200,000	100,800,000
Total	82,500,000	37,500,000	49,000,000	39,000,000	40,200,000	120,800,000

	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

(Derivative Transactions)

a. Derivatives not designated as hedging instruments

For the period from October 1, 2016 to March 31, 2017

“Not applicable”

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

“Not applicable”

b. Derivatives designated as hedging instruments

For the period from October 1, 2016 to March 31, 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		
Hedge accounting	Receive floating, pay fixed interest-rate swap transactions	Long-term loans	64,300,000	64,300,000	*	—
Integrated Treatment (Special Treatment and Allocation Treatment) for interest-rate and currency swap transactions	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	*	—

For the period from April 1, 2017 to 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		
Hedge accounting	Receive floating, pay fixed interest-rate swap transactions	Long-term loans	64,300,000	64,300,000	*	—
Integrated Treatment (Special Treatment and Allocation Treatment) for interest-rate and currency swap transactions	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	*	—

*Because the derivative transactions eligible for the Special Treatment of interest-rate swaps and Integrated Treatment (Special Treatment for interest-rate swaps and Allocation Treatment for currency swaps) 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 March 31, 2017 and September 30, 2017. 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.

(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 March 31, 2017 and September 30, 2017 were as follows:

	Thousands of yen	
	For the period from October 1, 2016 to March 31, 2017	For the period from April 1, 2017 to September 30, 2017
Deferred tax assets:		
Accrued enterprise tax	914	937
Amortization of a term leasehold interest	61,519	66,507
Asset retirement obligations	104,585	105,639
	167,019	173,084
Valuation allowance	(73,683)	(79,725)
Total deferred tax assets	93,336	93,359
Deferred tax liabilities:		
Asset retirement obligations	92,421	92,421
Reserve for advanced depreciation of non-current assets	167,156	167,124
Total deferred tax liabilities	259,578	259,546
Net deferred tax liabilities	166,242	166,186

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

	For the period from October 1, 2016 to March 31, 2017	For the period from April 1, 2017 to September 30, 2017
Statutory tax rate	34.81%	34.81%
Deductible dividend distribution	(34.78%)	(34.78%)
Change in valuation allowance	0.06%	0.06%
Others	0.01%	0.01%
Effective tax rate	0.10%	0.09%

(Asset Retirement Obligations)

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

a. 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 amount of the asset retirement obligations as of March 31, 2017 and September 30, 2017 consisted of the following:

	Thousands of yen	
	For the period from October 1, 2016 to March 31, 2017	For the period from April 1, 2017 to September 31, 2017
Balance at the beginning of the period	328,602	331,913
Increase in tangible fixed assets	—	—
Adjustment required over the period	3,310	3,344
Balance at the end of the period	331,913	335,257

b. Asset retirement obligations other than those reported on balance sheets

Under the Road Act of Japan, the Company is obligated to remove the cable lines and the accompanying equipment originally installed for preventing analog TV interference under the public roads close to Shibuya Cross Tower and to restore the public roads to their original states because analog TV broadcasting was discontinued.

Since the removal involves public roads currently in service and some of the locations of the underground structures are potentially affected by the ongoing redevelopment projects near Shibuya Station, it is difficult to initiate such removal unilaterally without involving other interested parties. Therefore, a reasonable estimate of the present value of asset retirement obligations cannot be made because the method, the cost and the timing of the removal remains uncertain.

In consideration of such uncertainty, the asset retirement obligation is not reported in the financial statements, and is instead noted herein.

(Investment and Rental Property)

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

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

Thousands of yen			
Book value		Fair value	
As of September 30, 2016	Change during period *1	As of March 31, 2017	As of March 31, 2017
856,657,737	15,877,252	872,534,990	1,042,319,000

Thousands of yen			
Book value		Fair value	
As of March 31, 2017	Change during period *2	As of September 30, 2017	As of September 30, 2017
872,534,990	5,302,967	877,837,957	1,069,480,000

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 acquisition of the Kanazawa Kamitsutsumicho Building (¥2,834,879 thousand) and the Tamachi Front Building (¥6,269,916 thousand), as well as the additional acquisition of the Shinjuku Eastside Square (¥4,719,469 thousand) and the Shiodome Building (¥10,505,287 thousand). The decrease was accounted for by the transfer of the Genki Medical Plaza (¥4,776,921 thousand) and by depreciation.

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

3. Fair values as of March 31, 2017 and September 30, 2017 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 March 31, 2017 and September 30, 2017

Since the Company has been engaged in 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 of similar products and services accounted for more than 90% of total operating revenues, 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 March 31, 2017 and September 30, 2017 and for the periods then ended, respectively:

	Yen	
	For the period from October 1, 2016 to March 31, 2017	For the period from April 1, 2017 to September 30, 2017
Net assets at period end per unit	358,661	359,213
Profit per unit	8,543	9,096

- 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 October 1, 2016 to March 31, 2017	For the period from April 1, 2017 to September 30, 2017
Profit	11,186,731	11,909,796
Amount not attributable to normal unitholders	—	—
Profit applicable to normal investment units	11,186,731	11,909,796
Average number of units	1,309,310 units	1,309,310 units

(Subsequent Events)

“Not applicable”

(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	
October 29, 2012	Issuance of new investment units (public offering)	41,000	590,040	29,678	393,050	*1
November 28, 2012	Issuance of new investment units (third-party allocation)	4,100	594,140	2,967	396,018	*2
January 1, 2014	Split of investment units	594,140	1,188,280	—	396,018	*3
April 15, 2014	Issuance of new investment units (public offering)	57,500	1,245,780	27,968	423,986	*4
May 14, 2014	Issuance of new investment units (third-party allocation)	5,750	1,251,530	2,796	426,783	*5
April 6, 2015	Issuance of new investment units (public offering)	54,000	1,305,530	29,189	455,972	*6
May 11, 2015	Issuance of new investment units (third-party allocation)	3,780	1,309,310	2,043	458,016	*7

- *1. New investment units were issued at 746,850 yen per unit (underwriting price of 723,870 yen) with the purpose of partially funding the repayment of loans and the acquisition of new specified assets.
- *2. New investment units were issued at 723,870 yen per unit with the purpose of partially funding the acquisition of new specified assets.
- *3. 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.
- *4. 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.
- *5. 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.
- *6. 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.
- *7. 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, etc.	As of March 31, 2017		As of September 30, 2017	
		Total of net book value* ¹ (¥ million)	Ratio to total assets (%)	Total of net book value* ¹ (¥ million)	Ratio to total assets (%)
Real property	Tokyo 23 wards	495,911	55.2	492,837	54.4
	Tokyo metropolitan area (excluding Tokyo 23 wards)* ²	43,628	4.9	43,295	4.8
	Regional cities	83,482	9.3	82,839	9.1
	Total	623,023	69.4	618,971	68.3
Real property in trust	Tokyo 23 wards	155,363	17.3	165,290	18.2
	Tokyo metropolitan area (excluding Tokyo 23 wards)* ²	19,468	2.2	19,257	2.1
	Regional cities	74,678	8.3	74,318	8.2
	Total	249,511	27.8	258,866	28.6
Savings and other assets		25,771	2.9	28,669	3.2
		(—)	(—)	(—)	(—)
Total amount of assets		898,306	100.0	906,507	100.0
		(872,534)	(97.1)	(877,837)	(96.8)

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

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

*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 September 30, 2017.

Region	Name of property	Type of specified asset	Number of tenants*1	Leasable floor area (m ²)	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 *2 region
								(¥ thousand)	Ratio *2	
Tokyo metropolitan area	Kitanomaru Square	Real property	5*5	25,678*5	100.0%*5	82,400	72,402	81,555,500	8.5%	75.1%
	MD Kanda Building	Real property	9	6,269	100.0%	8,470	8,734	9,520,000	1.0%	
	Kandabashi Park Building	Real property	10	3,687	100.0%	4,740	4,481	4,810,000	0.5%	
	Otemachi Financial City North Tower	Real property	2	5,121	100.0%	19,600	15,109	15,462,900	1.6%	
	Nibancho Garden	Real property	1*5	9,316*5	100.0%*5	18,300	12,481	14,700,000	1.5%	
	Mitsubishi UFJ Trust and Banking Building	Real property	10	11,904	100.0%	53,600	28,901	44,700,000	4.7%	
	Burex Kojimachi Building	Real property	1	4,495	100.0%	7,070	5,638	7,000,000	0.7%	
	S¥anno Grand Building	Real property	41	20,665	99.5%	33,300	21,240	10,200,000 10,700,000 Total: 20,900,000	2.2%	
	Yurakucho Denki Building	Real property	12	4,697	100.0%	8,300	7,685	7,200,000	0.8%	
	Kodenmacho Shin Nihonbashi Building	Trust	11	3,897	100.0%	2,930	2,766	3,173,000	0.3%	
	Kyodo Building (Kayabacho 2Chome)	Trust	10	4,464	100.0%	4,990	4,193	4,410,000	0.5%	
	Burex Kyobashi Building	Real property	1	4,279	100.0%	7,880	4,454	5,250,000	0.5%	
	Ginza 1Chome East Building	Trust	7	4,513	88.3%	7,540	6,415	6,459,000	0.7%	

Region	Name of property	Type of specified asset	Number of tenants*1	Leasable floor area (m ²)	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 *2 region	
								(¥ thousand)	Ratio *2		
Tokyo metropolitan area	Tokyo 23 wards	Ginza Sanwa Building	Real property	11	4,326	100.0%	18,400	17,215	16,830,000	1.8%	75.1%
		Ryoshin Ginza East Mirror Building	Real property	12	4,255	100.0%	6,450	7,454	5,353,500 2,645,922 *6 Total: 7,999,422	0.8%	
		Harumi Front	Real property	8	33,369	100.0%	39,000 *7	28,436	31,300,000	3.3%	
		Harumi Center Building	Real property	10	20,812	86.6%	19,600	22,412	26,800,000	2.8%	
		Akasaka Park Building	Real property	29 *5	44,999 *5	100.0% *5	73,900	59,995	60,800,000	6.4%	
		Aoyama Crystal Building	Real property	7	4,898	92.1%	8,380	7,092	7,680,000	0.8%	
		Clover Shiba-koen	Trust	8	2,550	100.0%	4,620 *14	4,554	4,500,000	0.5%	
		Shiodome Building	Trust	36	44,213	99.5%	119,000	102,803	21,250,000 54,600,000 10,100,000 10,450,000 10,530,000 Total: 106,930,000	11.2%	
		Shiba 2Chome Daimon Building	Trust	24	9,606	100.0%	6,860	4,992	4,859,000	0.5%	
		Cosmo Kanasugibashi Building	Trust	8	4,062	100.0%	3,170	2,517	2,808,000	0.3%	
		Tamachi Front Building	Real property	8	3,792	100.0%	6,510 *14	6,274	6,210,000	0.7%	
		Shinjuku Eastside Square	Trust	41	20,573	100.0%	33,700 *14	27,310	23,100,000 6,660,000 Total: 29,760,000	3.1%	
		Shinwa Building	Real property	14	5,997	100.0%	7,290	7,674	7,830,000	0.8%	
		Tokyo Opera City Building*8	Real property	102	34,945	99.6%	34,500	28,091	9,350,000 22,426,831 Total: 31,776,831	3.3%	
		TIXTOWER UENO	Real property	17	15,020	97.2%	25,700	19,785	22,000,000	2.3%	
		Higashi Gotanda 1Chome Building	Real property	4	5,205	86.1%	6,460	4,446	5,500,000	0.6%	
Osaki Front Tower*9	Real property	1	16,856	100.0%	16,600 *7	9,360	12,300,000	1.3%			
Omori-Eki Higashiguchi Building	Trust	26	7,706	100.0%	5,850	4,748	5,123,000	0.5%			

Region	Name of property	Type of specified asset	Number of tenants*1	Leasable floor area (m ²)	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	Shinjuku South Gate Project (tentative name) (Land) *10	*10	*10	*10	5,490	5,572	6,670,000 (1,170,000) *11 Total: 5,500,000	0.6%	75.1%
		Yoyogi 1 Chome Building	8	7,745	100.0%	12,000	6,942	8,700,000	0.9%	
		da Vinci Harajuku	4	3,147	100.0%	6,910	4,881	4,885,000	0.5%	
		Jingumae Media Square Building	5	5,558	100.0%	10,500	10,680	12,200,000 *12	1.3%	
		Shibuya Cross Tower	53	29,797	100.0%	50,500	37,166	34,600,000	3.6%	
		Ebisu Neonato	6	8,700	99.8%	17,800	14,129	3,740,000 360,000 10,512,000 Total: 14,612,000	1.5%	
		Harmony Tower	22	14,340	100.0%	14,100	9,992	8,500,000 520,000 2,100,000 Total: 11,120,000	1.2%	
		Otsuka Higashi Ikebukuro Building	6	7,224	100.0%	4,500	3,421	3,541,000	0.4%	
		Ikebukuro 2Chome Building	8	2,186	100.0%	1,750	1,566	1,728,000	0.2%	
		Ikebukuro YS Building	10	5,932	100.0%	5,190	4,103	4,500,000	0.5%	
Tokyo metropolitan area, excluding Tokyo 23 wards	Tokyo 23 wards	Hachioji First Square	50	10,068	100.0%	5,010	4,937	3,300,000 2,379,112 Total: 5,679,112	0.6%	7.4%
		Saitama Urawa Building	18	4,510	100.0%	2,470	2,509	1,232,000 1,342,000 Total: 2,574,000	0.3%	
		MM Park Building	30	38,426	96.3%	39,800	32,011	37,400,000	3.9%	
		Queen's Tower A	50	26,669	99.2%	21,500 *14	16,330	17,200,000	1.8%	
		Kawasaki Isago Building	14	6,831	100.0%	2,890	2,927	3,375,000	0.4%	
		Musashi Kosugi STM Building	26	5,378	100.0%	4,360	3,837	4,000,000	0.4%	

Region	Name of property	Type of specified asset	Number of tenants*1	Leasable floor area (m ²)	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 *2 region
								(¥ thousand)	Ratio *2	
Other major cities	8·3 Square Kita Building	Real property	9	12,265	100.0%	8,690	5,959	7,100,000	0.7%	17.5%
	Jozenji Park Building	Real property	17	2,518	100.0%	1,020	999	1,000,000	0.1%	
	Higashi Nibancho Square	Real property	23	20,526	100.0%	13,500*7	9,063	9,950,000	1.0%	
	Sendai Honcho Honma Building	Trust	27	6,234	100.0%	2,550	2,877	2,924,000 250,000 Total: 3,174,000	0.3%	
	AER	Real property	64	23,612	99.2%	19,900	18,400	18,640,000	2.0%	
	Kanazawa Park Building	Real property	82	20,942	100.0%	5,340	4,294	2,880,000 1,700,000 Total: 4,580,000	0.5%	
	Kanazawa Kamitsutsumicho Building	Real property	26	7,206	97.7%	3,020	2,731	2,780,000	0.3%	
	Nishiki Park Building*13	Real property	62*5	10,338*5	99.8%*5	5,130	5,163	3,850,000 1,300,000 650,000 175,000 Total: 5,975,000	0.6%	
	Nagoya Hirokoji Place	Trust	27	13,200	100.0%	10,900*14	8,086	8,567,000	0.9%	
	Nagoya Hirokoji Building	Real property	38	21,427	99.2%	12,700	15,538	14,533,000	1.5%	
	Nagoya Misono Building	Real property	16	3,448	100.0%	1,320	1,513	1,865,000	0.2%	
	Shijo Karasuma Center Building	Real property	11	6,634	100.0%	5,410*14	3,994	4,400,000	0.5%	
	Umeda Square Building*15	Trust	42	10,370	100.0%	16,800	15,507	15,523,520	1.6%	
	Shin Fujita Building	Trust	51	28,403	100.0%	19,200	22,125	24,000,000	2.5%	
Sakaisujihonmachi Building	Real property	22	11,520	100.0%	3,480	3,698	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 ²)	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 *2 region
								(¥ thousand)	Ratio *2	
Other major cities	Midosuji Daiwa Building	Trust	42	20,450	100.0%	14,600	13,516	6,934,000 7,380,000 Total: 14,314,000	1.5%	17.5%
	Amagasaki Front Building	Trust	30	15,500	100.0%	10,100	8,802	9,300,000	1.0%	
	Lit City Building	Real property	37	9,965	100.0%	4,540	3,151	4,650,000	0.5%	
	NHK Hiroshima Broadcasting Center Building	Real property	12	9,860	100.0%	2,920	2,959	1,320,000 1,450,000 Total: 2,770,000	0.3%	
	Tosei Tenjin Building	Real property	24	3,995	100.0%	1,410	1,373	1,550,000	0.2%	
	Tenjin Crystal Building	Real property	30	5,964	98.6%	2,880	3,995	5,000,000	0.5%	
	Hinode Tenjin Building	Trust	2	5,944	100.0%	4,190	3,401	3,657,000	0.4%	
	Total		1,490	839,035	99.1%	1,069,480	877,837	955,253,286	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: 11,694m², occupancy rate: 97.7%; Nibancho Garden, leasable floor area: 1,686m², occupancy rate: 100.0%; Akasaka Park Building, leasable floor area: 10,780m², occupancy rate: 93.6%; Nishiki Park Building, leasable floor area: 954m², occupancy rate: 80.5%.
- *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 transferred on August 23, 2013, no total number of tenants, leasable floor area or occupancy rate are provided. Furthermore, the 1,497m² portion of land still held is being rented to the transferee of the building, Mitsubishi Estate Co., Ltd. Please note that Nippon Brunswick Building (land with leasehold interest) was renamed to Shinjuku South Gate Project (tentative name) (land with leasehold interest) on May 15, 2017.
- *11. Because the building was transferred 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. This is the acquisition price dated October 9, 2003, and includes a portion of the site transferred on October 30, 2009 (cost of investment sold, 614 million yen).
- *13. 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.
- *14. Appraisal values by Japan Real Estate Institute.
- *15. 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.
- *16. 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 September 2017 period (April 1, 2017 – September 30, 2017). Furthermore, the income summary is presented based on the previously mentioned “Summary of Significant Accounting Policies.”

(Millions of Yen)

Name of property	Revenues / Expenses (April 1, 2017 – September 30, 2017)												
	Property-related revenues	Property-related expenses	Property management expenses	Utilities expenses	Property and other taxes	Casualty insurance	Repairing expenses	Depreciation ①	Other expenses	Property-related profits ②	NOI ③(①+②)	Capital expenditures ④*2	NCF ③-④
Kitanomaru Square	1,719	738	122	72	93	2	34	412	-	981	1,393	9	1,383
MD Kanda Building	227	85	16	18	20	0	0	28	-	142	170	5	165
Kandabashi Park Building	119	40	2	-	16	0	3	17	-	79	97	7	90
Otemachi Financial City North Tower	349	176	25	18	44	0	0	86	0	173	259	-	259
Nibancho Garden	475	235	61	23	53	0	6	90	-	240	330	1	328
Mitsubishi UFJ Trust and Banking Building	992	365	53	57	136	1	2	113	1	627	740	-	740
Burex Kojimachi Building	153	77	-	-	13	0	0	62	-	76	138	0	138
Sanno Grand Building	953	386	99	57	105	1	42	78	-	567	645	12	633
Yurakucho Denki Building	261	126	33	20	41	0	0	30	-	134	165	0	164
Kodenmachi Shin Nihonbashi Building	115	53	13	8	11	0	2	13	3	61	75	4	70
Kyodo Building (Kayabacho 2Chome)	146	57	10	12	11	0	2	21	-	89	110	7	102
Burex Kyobashi Building	158	52	-	-	11	0	3	36	-	106	143	2	141
Ginza 1Chome East Building	171	92	13	7	10	0	1	58	-	79	138	2	135
Ginza Sanwa Building	399	147	33	16	65	0	9	22	0	251	274	47	227
Ryoshin Ginza East Mirror Building	159	81	15	10	14	0	1	39	-	78	117	2	115
Harumi Front	1,225	694	144	110	76	1	1	359	0	531	890	6	883
Harumi Center Building	475	379	72	38	46	1	10	210	0	95	305	18	287
Akasaka Park Building	2,168	1,243	233	254	272	4	78	398	2	924	1,322	60	1,262
Aoyama Crystal Building	208	117	17	12	29	0	37	20	0	90	110	0	110
Clover Shiba-koen	112	49	10	6	6	0	3	22	-	63	85	-	85
Shiodome Building	2,285	837	170	129	142	2	16	370	5	1,448	1,818	10	1,807
Shiba 2Chome Daimon Building	277	208	38	30	38	0	64	36	0	69	105	7	98

(Millions of Yen)

Name of property	Revenues / Expenses (April 1, 2017 – September 30, 2017)												
	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	111	46	11	7	13	0	0	13	-	65	79	3	75
Tamachi Front Building	153	50	11	7	0	0	0	31	-	103	134	-	134
Shinjuku Eastside Square	899	344	61	61	48	1	5	165	1	554	720	8	711
Shinwa Building	221	96	17	17	19	0	11	29	-	125	155	111	43
Tokyo Opera City Building*1	1,579	1,054	*1	*1	*1	*1	*1	*1	*1	524	*1	73	*1
TIXTOWER UENO	652	397	59	48	38	1	15	234	-	255	489	5	483
Higashi Gotanda 1Chome Building	167	92	12	18	14	0	2	43	0	75	118	-	118
Osaki Front Tower	706	500	68	42	27	0	10	257	93	206	463	1	461
Omori-Eki Higashiguchi Building	227	118	31	20	25	0	3	36	-	109	145	4	140
Shinjuku South Gate Project (tentative name) (land) *3	60	20	-	-	20	-	-	-	-	39	39	-	39
Yoyogi 1Chome Building	306	137	22	20	23	0	2	68	-	168	236	3	232
da Vinci Harajuku	191	57	10	10	16	0	2	16	-	134	150	1	149
Jingumae Media Square Building	282	148	24	21	47	0	15	39	-	134	173	-	173
Shibuya Cross Tower	1,504	1,002	177	123	123	2	146	428	0	502	930	109	821
Ebisu Neonato	472	197	50	19	37	1	0	88	-	275	363	11	351
Harmony Tower	448	196	72	-	56	1	12	53	-	252	305	-	305
Otsuka Higashi Ikebukuro Building	189	97	19	21	12	0	3	40	-	92	132	20	112
Ikebukuro 2Chome Building	68	28	7	6	5	0	1	7	0	39	47	0	47
Ikebukuro YS Building	190	80	17	16	14	0	1	30	-	110	140	-	140
Hachioji First Square	239	134	51	1	26	0	21	33	-	104	138	17	120
Saitama Urawa Building	111	48	13	7	9	0	0	17	-	62	80	-	80
MM Park Building	1,299	736	141	171	78	1	49	294	-	563	857	18	838
Queen's Tower A	987	630	205	95	111	3	7	200	6	357	557	11	546
Kawasaki Isago Building	154	92	27	14	13	0	12	23	-	62	86	1	84
Musashi Kosugi STM Building	162	65	21	2	11	0	2	27	-	97	124	2	121
8・3 Square Kita Building	325	190	30	54	22	0	12	69	-	134	204	4	199

(Millions of Yen)

Name of property	Revenues / Expenses (April 1, 2017 – September 30, 2017)												
	Property-related revenues	Property-related expenses	Property management expenses	Utilities expenses	Property and other taxes	Casualty insurance	Repairing expenses	Depreciation ①	Other expenses	Property-related profits ②	NOI ③(①+②)	Capital expenditures ④*2	NCF ③-④
Jozenji Park Building	62	38	9	6	6	0	4	11	-	24	35	1	34
Higashi Nibancho Square	579	272	73	49	39	0	2	106	-	307	413	14	399
Sendai Honcho Honma Building	130	69	17	12	15	0	6	17	0	61	78	6	72
AER	656	415	87	68	62	0	36	160	0	241	402	54	347
Kanazawa Park Building	509	325	98	59	64	1	30	69	1	183	252	27	225
Kanazawa Kamitsutsumicho Building	128	94	17	12	10	0	1	51	-	33	85	-	85
Nishiki Park Building	275	171	55	24	24	0	3	55	6	103	159	-	159
Nagoya Hirokoji Place	387	177	36	34	33	0	0	72	-	210	282	-	282
Nagoya Hirokoji Building	559	412	88	47	60	1	61	154	0	146	300	202	98
Nagoya Misono Building	72	62	9	6	6	0	10	29	-	9	38	13	24
Shijo Karasuma Center Building	197	114	23	15	11	0	4	59	-	83	142	-	142
Umeda Square Building	444	220	45	37	46	0	12	76	-	224	301	72	228
Shin Fujita Building	695	545	85	89	75	1	59	233	-	150	383	152	230
Sakaisujihonmachi Building	226	199	41	30	35	0	64	27	-	27	54	1	53
Midosuji Daiwa Building	533	268	64	44	73	1	6	79	0	264	343	1	342
Amagasaki Front Building	441	227	65	30	26	0	2	102	0	213	315	3	311
Lit City Building	255	142	29	22	19	1	4	65	0	112	177	1	176
NHK Hiroshima Broadcasting Center Building	265	177	49	25	23	0	4	48	24	88	136	8	128
Tosei Tenjin Building	80	43	12	7	7	0	4	10	0	37	48	3	44
Tenjin Crystal Building	157	125	22	17	18	0	4	61	0	32	93	1	91
Hinode Tenjin Building	178	76	20	18	14	0	2	20	0	101	122	5	117
Total	31,718	16,999	3,637	2,612	2,917	58	1,017	6,556	198	14,719	21,275	1,192	20,083

*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.

*3. Please note that Nippon Brunswick Building (land with leasehold interest) was renamed to Shinjuku South Gate Project (tentative name) (land with leasehold interest) on May 15, 2017.

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	503,989	503,989	503,989	503,989	—	—
Total	—	—	503,989	—	503,989	—	—

(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, are 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
Midosuji Daiwa Building (Osaka, Osaka Prefecture)	Upgrade of air conditioning facilities	From May 2017 To March 2018	361	—	—
Umeda Square Building (Osaka, Osaka Prefecture)	Upgrade of air conditioning facilities	From October 2017 To March 2018	221	—	—
Nagoya Hirokoji Building (Nagoya, Aichi Prefecture)	Elevator renewal construction	From April 2017 To March 2018	184	—	—
Shinwa Building (Shinjuku-ku, Tokyo)	Upgrade of air conditioning facilities	From October 2017 To March 2018	158	—	—
Shiba 2Chome Daimon Building (Minato-ku, Tokyo)	Upgrade of air conditioning facilities	From April 2018 To September 2018	131	—	—
Shiba 2Chome Daimon Building (Minato-ku, Tokyo)	Upgrade of air conditioning facilities	From September 2017 To March 2018	74	—	—
Kanazawa Park Building (Kanazawa, Ishikawa Prefecture)	Upgrade of electrical equipment	From May 2017 To February 2018	69	—	—
Omori-Eki Higashiguchi Building (Ota-ku, Tokyo)	Elevator renewal construction	From April 2018 To September 2018	53	—	—
da Vinci Harajuku (Shibuya-ku, Tokyo)	Construction work	From April 2018 To August 2018	52	—	—
Cosmo Kanasugibashi Building (Minato-ku, Tokyo)	Elevator renewal construction	From January 2017 To August 2018	43	—	—
Cosmo Kanasugibashi Building (Minato-ku, Tokyo)	Construction work	From November 2017 To April 2018	41	—	—
NHK Hiroshima Broadcasting Center Building (Hiroshima, Hiroshima Prefecture)	Parking facility renewal construction	From September 2017 To February 2018	35	—	—
Jozenji Park Building (Sendai, Miyagi Prefecture)	Upgrade of electrical equipment	From August 2017 To January 2018	16	—	—

(ii) Capital expenditures during the period under review

For acquired real estate and other assets, capital expenditures incurred in the period under review totaled ¥1,192 million and repair, maintenance and renovation expenses classified as expenses in the period under review totaled ¥1,017 million, for a total of ¥2,210 million worth of construction that has been carried out.

The major item in the capital expenditure was the elevator renewal construction of the Nagoya Hirokoji Building.

Name of Property (Location)	Purpose	Period	Expenditures for Construction (¥ million)
Nagoya Hirokoji Building (Nagoya, Aichi Prefecture)	Elevator renewal construction	From August 2016 To August 2017	152
Shinwa Building (Shinjuku-ku, Tokyo)	Upgrade of air conditioning facilities	From April 2017 To September 2017	108
Other real estate			932
Total			1,192

(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 April 1, 2015 to September 30, 2015	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
Balance of reserved funds at the start of period	2,519	2,762	3,304	—	—
Reserved funds for the period	2,804	3,304	—	—	—
Reversal of reserved funds for the period	2,561	2,762	3,304	—	—
Balance carried over to next period	2,762	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 October 1, 2016 to March 31, 2017	For the period from April 1, 2017 to September 30, 2017
(a) Asset management fee *1	¥960,233 thousand	¥1,214,475 thousand
(breakdown) NOI-linked fee *2	¥715,130 thousand	¥851,037 thousand
Distribution-linked fee *2	¥245,102 thousand	¥363,438 thousand
(b) Asset custody fee	¥60,214 thousand	¥60,526 thousand
(c) Administrative service fees	¥126,883 thousand	¥127,844 thousand
(d) Directors' compensations	¥7,800 thousand	¥7,800 thousand
(e) Commission fee	¥70,356 thousand	¥63,904 thousand
(f) Other operating expenses	¥86,353 thousand	¥66,148 thousand
Total	¥1,311,842 thousand	¥1,540,699 thousand

*1. 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 March 31, 2017, the acquisition fee amounted to ¥130,500 thousand and the disposition fee amounted to ¥34,450 thousand, and in the period ended September 30, 2017, the acquisition fee amounted to ¥52,650 thousand.

*2. For the period ended March 31, 2017, NOI-linked fee is read as Term fee, and Distribution-linked fee is read as Incentive fee.

(ii) Loans

The condition of loans by financial institutions as of September 30, 2017, is as follows.

	Segment	Drawdown Date	Balance at Beginning of Current Period (¥thousand)	Balance at End of Current Period (¥thousand)	Average Interest Rate *1 (%)	Repayment Date	Repayment Method	Use of Proceeds	Notes
	Lender								
Short-term loans	Mizuho Bank, Ltd.	April 1, 2016	5,500,000	—	0.07	April 3, 2017	Bullet	*2	Unsecured Unguaranteed Unsubordinated
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	April 1, 2016	3,500,000	—	0.07	April 3, 2017			
	Shinsei Bank, Limited	September 1, 2016	2,000,000	—	0.07	September 1, 2017			
	Shinkin Central Bank	September 1, 2016	1,000,000	—	0.07	September 1, 2017			
	Resona Bank, Limited	September 1, 2016	1,000,000	—	0.07	September 1, 2017			
	Mitsubishi UFJ Trust and Banking Corporation	December 26, 2016	5,000,000	5,000,000	0.07	December 26, 2017			
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	December 26, 2016	5,000,000	5,000,000	0.07	December 26, 2017			
	Sumitomo Mitsui Trust Bank, Limited	December 26, 2016	1,300,000	1,300,000	0.07	December 26, 2017			
	The 77 Bank, Ltd.	January 10, 2017	1,000,000	1,000,000	0.07	January 10, 2018			
	Resona Bank, Limited	March 1, 2017	2,000,000	—	0.07	March 1, 2018 *3			
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 2, 2017	1,500,000	1,500,000	0.07	March 2, 2018			
	Mizuho Bank, Ltd.	March 27, 2017	5,500,000	5,500,000	0.07	March 27, 2018			
	Sumitomo Mitsui Trust Bank, Limited	March 31, 2017	1,700,000	1,700,000	0.07006	March 30, 2018			
	Mizuho Bank, Ltd.	April 3, 2017	—	5,500,000	0.07	April 3, 2018			
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	April 3, 2017	—	3,500,000	0.07	April 3, 2018			
	Shinsei Bank, Limited	June 15, 2017	—	2,500,000	0.07	June 15, 2018			
	Shinkin Central Bank	September 1, 2017	—	1,000,000	0.07	September 3, 2018			
	Resona Bank, Limited	September 1, 2017	—	1,000,000	0.07	September 3, 2018			
Subtotal			36,000,000	34,500,000					
Long-term loans	Mitsubishi UFJ Trust and Banking Corporation	April 4, 2011	5,000,000	—	1.205	April 4, 2017	Bullet	*2	Unsecured Unguaranteed Unsubordinated
	Mitsubishi UFJ Trust and Banking Corporation	June 1, 2011	12,000,000	—	1.12625	June 1, 2017			
	The Iyo Bank, Ltd.	June 15, 2012	2,500,000	—	0.66	June 15, 2017			
	Shinsei Bank, Limited	June 15, 2012	2,500,000	—	0.66	June 15, 2017			

	Segment	Drawdown Date	Balance at Beginning of Current Period (¥thousand)	Balance at End of Current Period (¥thousand)	Average Interest Rate *1 (%)	Repayment Date	Repayment Method	Use of Proceeds	Notes
	Lender								
Long-term loans	The Bank of Fukuoka, Ltd.	June 15, 2012	2,500,000	—	0.66	June 15, 2017	Bullet	*2	Unsecured Unguaranteed Unsubordinated
	The Hachijuni Bank, Ltd.	June 15, 2012	1,000,000	—	0.66	June 15, 2017			
	The Bank of Fukuoka, Ltd.	August 31, 2011	2,000,000	—	0.9025	August 31, 2017			
	The Bank of Fukuoka, Ltd.	August 31, 2012	1,000,000	—	0.57125	August 31, 2017			
	The Hachijuni Bank, Ltd.	December 20, 2012	1,000,000	1,000,000	0.45625	December 20, 2017 *4			
	The Joyo Bank, Ltd.	January 7, 2013	1,000,000	1,000,000	0.49125	January 9, 2018 *4			
	The Ashikaga Bank, Ltd.	January 7, 2013	1,000,000	1,000,000	0.49125	January 9, 2018 *4			
	Sumitomo Mitsui Trust Bank, Limited	January 17, 2011	3,000,000	3,000,000	1.43375	January 17 2018 *4			
	Nippon Life Insurance Company	March 1, 2011	2,000,000	2,000,000	1.465	March 1, 2018 *4			
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 24, 2011	2,000,000	2,000,000	1.3975	March 26, 2018 *4			
	Resona Bank, Limited	March 25, 2013	3,000,000	3,000,000	0.45	March 26, 2018 *4			
	The Chugoku Bank, Limited	March 25, 2013	2,000,000	2,000,000	0.45	March 26, 2018 *4			
	The Hachijuni Bank, Ltd.	March 25, 2013	1,000,000	1,000,000	0.45	March 26, 2018 *4			
	Taiyo Life Insurance Company	March 30, 2011	2,000,000	2,000,000	1.39625	March 30, 2018 *4			
	Shinkin Central Bank	April 24, 2013	5,000,000	5,000,000	0.52775	April 24, 2018 *4			
	Mitsubishi UFJ Trust and Banking Corporation	June 1, 2011	10,000,000	10,000,000	1.31125	June 1, 2018 *4			
	Shinsei Bank, Limited	August 31, 2011	3,000,000	3,000,000	1.0475	August 31, 2018 *4			
	Sumitomo Mitsui Trust Bank, Limited	November 15, 2011	3,000,000	3,000,000	0.98375	November 15, 2018			
	Sumitomo Mitsui Banking Corporation	November 15, 2011	3,000,000	3,000,000	0.98375	November 15, 2018			
	Mizuho Bank, Ltd.	September 1, 2015	2,500,000	2,500,000	0.17	March 1, 2019			
	The Gunma Bank, Ltd.	March 24, 2014	1,000,000	1,000,000	0.4105	March 25, 2019			
	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				

	Segment	Drawdown Date	Balance at Beginning of Current Period (¥thousand)	Balance at End of Current Period (¥thousand)	Average Interest Rate *1 (%)	Repayment Date	Repayment Method	Use of Proceeds	Notes
	Lender								
Long-term loans	The Hiroshima Bank, Ltd.	October 1, 2014	3,000,000	3,000,000	0.31575	October 1, 2019	Bullet	*2	Unsecured Unguaranteed Unsubordinated
	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			
	The Gunma Bank, Ltd.	November 17, 2014	1,000,000	1,000,000	0.316	November 18, 2019			
	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	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	0.08427	April 5, 2021			
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	April 24, 2013	5,000,000	5,000,000	0.775	April 26, 2021				

	Segment	Drawdown Date	Balance at Beginning of Current Period (¥thousand)	Balance at End of Current Period (¥thousand)	Average Interest Rate *1 (%)	Repayment Date	Repayment Method	Use of Proceeds	Notes
	Lender								
Long-term loans	Mizuho Bank, Ltd.	June 15, 2012	4,000,000	4,000,000	1.07375	June 15, 2021	Bullet	*2	Unsecured Unguaranteed Unsubordinated
	Sumitomo Mitsui Trust Bank, Limited	December 26, 2016	3,700,000	3,700,000	0.1913	June 28, 2021			
	The Bank of Fukuoka, Ltd.	August 31, 2017	—	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			
	The Chugoku Bank, Limited	October 1, 2014	1,000,000	1,000,000	0.4725	October 1, 2021			
	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				

	Segment	Drawdown Date	Balance at Beginning of Current Period (¥thousand)	Balance at End of Current Period (¥thousand)	Average Interest Rate *1 (%)	Repayment Date	Repayment Method	Use of Proceeds	Notes
	Lender								
Long-term loans	Mitsubishi UFJ Trust and Banking Corporation	June 15, 2012	2,500,000	2,500,000	1.2725	June 15, 2022	Bullet	*2	Unsecured Unguaranteed Unsubordinated
	Shinsei Bank, Limited	June 15, 2012	2,500,000	2,500,000	1.2725	June 15, 2022			
	The Norinchukin Bank	June 17, 2014	3,000,000	3,000,000	0.6785	June 17, 2022			
	The Gunma Bank, Ltd.	August 10, 2015	1,000,000	1,000,000	0.3925	August 10, 2022			
	The Shinkumi Federation Bank		1,000,000	1,000,000					
	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					
	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 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			
	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			
	Mitsubishi UFJ Trust and Banking Corporation	June 1, 2017	—	12,000,000	0.06236	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	0.2388	June 15, 2023			
Mitsubishi UFJ Trust and Banking Corporation	December 19, 2014	10,000,000	10,000,000	0.42375 *5	December 19, 2023				
The Iyo Bank, Ltd.	June 15, 2017	—	2,500,000	0.275	June 17, 2024				

	Segment	Drawdown Date	Balance at Beginning of Current Period (¥thousand)	Balance at End of Current Period (¥thousand)	Average Interest Rate *1 (%)	Repayment Date	Repayment Method	Use of Proceeds	Notes
	Lender								
Long-term loans	The Hachijuni Bank, Ltd.	June 15, 2017	—	1,000,000	0.275	June 17, 2024	Bullet	*2	Unsecured Unguaranteed Unsubordinated
	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	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			
	Mizuho Trust & Banking Co., Ltd.	March 2, 2015	3,000,000	3,000,000	0.5585	March 3, 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			
	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	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			
	Subtotal		303,000,000	311,000,000					
	Total		339,000,000	345,500,000					

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

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

*3. The Company made a full repayment (¥2,000 million) before maturity on July 3, 2017.

*4. 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.

*5. 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 September 30, 2017, 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
Total		30,000,000	30,000,000					

*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.

(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
Acquisition	Shiodome Building	September 1, 2017	10,530	10,800	Daiwa Real Estate Appraisal Co., Ltd.	July 1, 2017

*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 Ernst & Young ShinNihon LLC, excluding ones described in (i) Real Estate, etc. above.

During the period from April 1, 2017 to September 30, 2017, there was no transaction that was subjected to such inspections.

g. Transactions with Interested Parties (from April 1, 2017 to September 30, 2017)

(i) Transactions

Segment	Buying and Selling Amounts	
	Buying Amounts	Selling Amounts
Total Amount	¥10,530,000 thousand	¥ — thousand
Breakdown of Transactions with Interested Parties		
Total	¥ — thousand (— %)	¥ — thousand (— %)

* 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	¥3,637,000 thousand	Mitsubishi Jisho Property Management Co., Ltd.	¥2,207,905 thousand	60.7%
		Mitsubishi Estate Co., Ltd.	¥171,103 thousand	4.7%
		Mitsubishi Real Estate Services Co., Ltd.	¥46,402 thousand	1.3%
		Yuden Building Kanri Co., Ltd.	¥33,050 thousand	0.9%
Utilities expenses	¥2,612,920 thousand	Minato Mirai 21 District Heating and Cooling Co., Ltd.	¥88,883 thousand	3.4%
Other operating expenses	¥151,345 thousand	Mitsubishi Jisho Property Management Co., Ltd.	¥20,367 thousand	13.5%
		Mitsubishi Estate Co., Ltd.	¥1,665 thousand	1.1%

*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.	¥618,391 thousand
Mitsubishi Estate Co., Ltd.	¥71,180 thousand
Mitsubishi Real Estate Services Co., Ltd.	¥11,278 thousand

h. Other Announcements

(i) 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
June 27, 2017	Revision of Privacy Policy	With the enforcement of the revised Personal Information Protection Act dated May 30, 2017, the Privacy Policy was revised on June 27, 2017, as well as the establishment of basic policy regarding proper treatment of specific personal information, etc.
June 27, 2017	Relocation of the head office of investment corporation	The relocation of the head office of the Company was approved.
September 26, 2017	Consignment of general administrative work concerning the issuance of investment corporation bonds	In tandem with the comprehensive resolution adopted on the same date regarding the issuance of investment corporation bonds, the approval was given to the candidate agents as to the consignment of general administrative work. Other items necessary for its operation are entrusted to the executive director to decide.

(ii) Concerning the agent that has been ordered to suspend business operation during the last two-year period

Ernst & Young ShinNihon LLC, who acts as an auditor for Japan Real Estate Investment Corporation, was ordered by the Financial Services Agency of Japan on December 22, 2015, to suspend all business operations for concluding new contracts for the duration of three months (January 1 to March 31, 2016). The Company continues to employ the said auditor for its audit practices, provided that the Company shall verify and ensure the following: the said order does not concern the existing agreement between Ernst & Young ShinNihon LLC and Japan Real Estate Investment Corporation, all audits provided by the former to the latter have been conducted appropriately and accurately, and the Company shall continue to closely monitor the said auditor's diligent efforts in implementing preventive measures.

Selected Financial Data

	Millions of yen				
	For the period from April 1, 2017 to September 30, 2017	For the period from October 1, 2016 to March 31, 2017	For the period from April 1, 2016 to September 30, 2016	For the period from October 1, 2015 to March 31, 2016	For the period from April 1, 2015 to September 30, 2015
Operating revenues	31,718	30,818	30,773	30,589	29,980
Operating expenses	18,539	18,251	18,405	18,237	17,926
Operating profit	13,178	12,567	12,368	12,352	12,054
Ordinary profit	11,921	11,197	10,958	10,816	10,487
Profit before income taxes	11,921	11,197	10,958	10,816	10,487
Profit	11,909	11,186	10,947	10,753	10,476
Total assets	906,507	898,306	883,633	890,626	899,938
Interest-bearing debt	375,500	369,000	356,350	363,400	373,450
Net assets	470,321	469,598	469,359	469,044	468,767
Unitholders' capital	458,016	458,016	458,016	458,016	458,016
Number of units	1,309,310	1,309,310	1,309,310	1,309,310	1,309,310
Net assets per unit (Yen)	359,213	358,661	358,478	358,238	358,026
Cash distribution	11,909	11,186	10,947	10,632	10,475
Dividend payout ratio	99.9%	100.0%	99.9%	98.8%	99.9%
Dividend per unit (Yen)	9,096	8,544	8,361	8,121	8,001
Net operating income (NOI)	21,275	20,372	20,182	19,973	19,670
Funds from operations (FFO)	18,466	17,679	17,447	17,079	16,808
Return on assets (ROA) (Note 1)	1.3%	1.3%	1.2%	1.2%	1.2%
	(2.6% annualized)	(2.5% annualized)	(2.5% annualized)	(2.4% annualized)	(2.4% annualized)
Return on equity (ROE) (Note 2)	2.5%	2.4%	2.3%	2.3%	2.2%
	(5.1% annualized)	(4.8% annualized)	(4.7% annualized)	(4.6% annualized)	(4.5% annualized)
EOP equity ratio (Note 3)	51.9%	52.3%	53.1%	52.7%	52.1%
EOP interest-bearing debt ratio on total assets (Note 4)	41.4%	41.1%	40.3%	40.8%	41.5%
FFO multiple (Times)	19.2	21.8	22.8	25.0	21.5
Debt service coverage ratio (Times) (Note 5)	16.1	14.3	13.5	12.5	12.1

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 September 30, 2015, 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 and 183 days for the period ended September 30, 2017.)

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