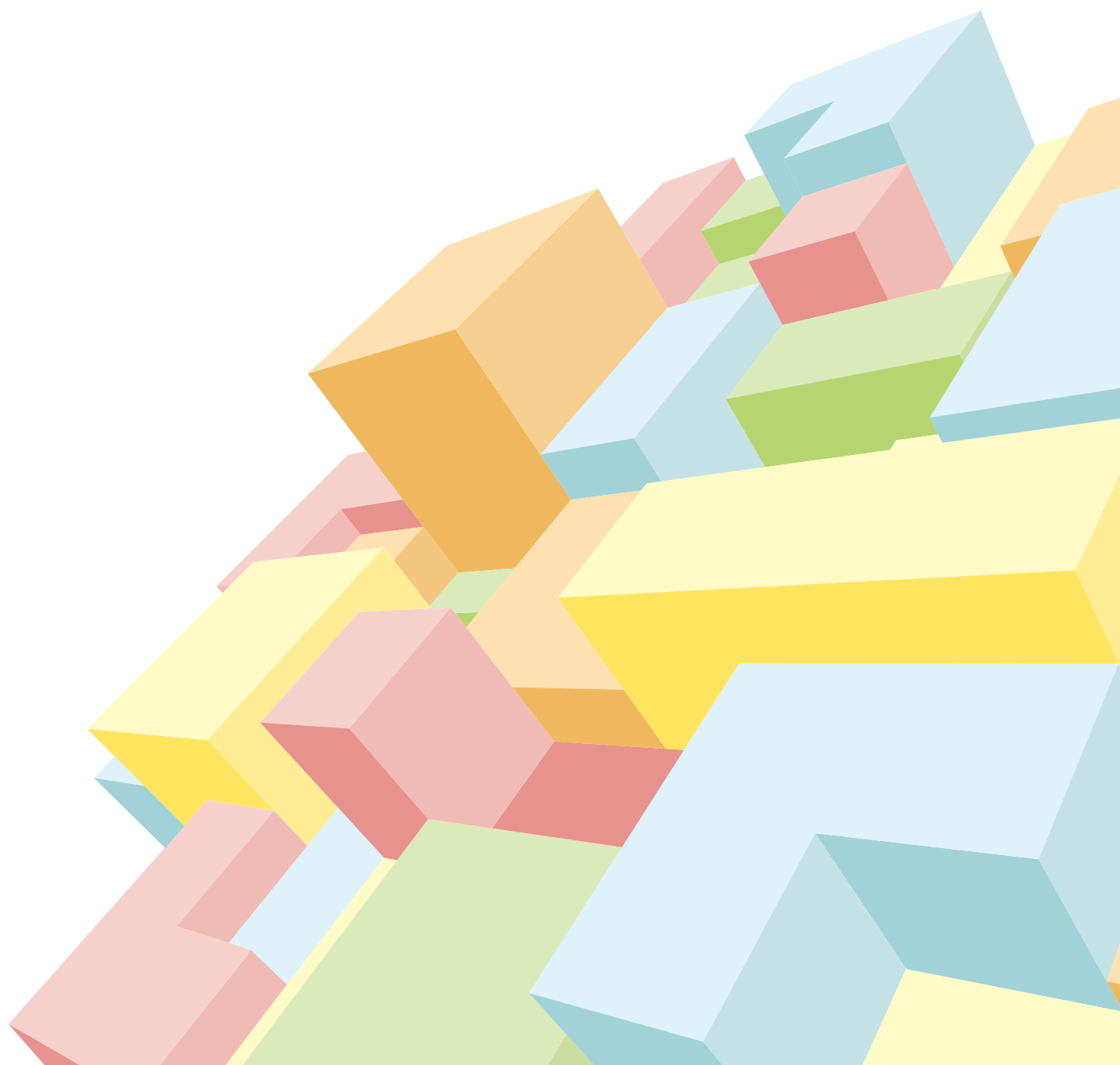


Japan Real Estate Investment Corporation

SEMIANNUAL REPORT

March 2020

For the period from October 1, 2019 to March 31, 2020



The Strengths of Japan Real Estate Investment Corporation

Steady Growth of Dividends

- Actual dividend per unit for the March 2020 period: **JPY 10,610**
- Forecast dividend per unit for the September 2020 period: **JPY 10,800**

Collaboration with Sponsors

- Expertise of **Mitsubishi Estate Co., Ltd.** and **Mitsui & Co., Ltd.**

Profile

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

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

Steady Growth of Quality Portfolio

As of March 31, 2020

- Total acquisition price: **JPY 1.053** trillion
- **73** properties
- **The first listed J-REIT in 2001**

Sound Financial Base

As of March 31, 2020

- Highest credit ratings for a J-REIT:
A+ from S&P, **A1** from Moody's, **AA** from R&I
- Long-term interest-bearing debt ratio*: **92.8%**
- LTV (Interest-bearing debt / Total assets): **40.9%**

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

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To Our Unitholders

We would like to express our condolences for those who have lost their lives due to COVID-19 and our wish for a full recovery to all those affected by the disease.

In the fiscal period ended March 31, 2020, Japan Real Estate Investment Corporation (the “Company”) realized strong internal growth and recorded a gain on sale of real estate properties. The Company successfully raised rental revenue through upward rent revisions, since the office leasing market continued to be favorable owing to corporate demand for comfortable and productive office environments. As a result, the Company was able to offer dividends per unit of JPY 10,610, an increase of JPY 413, significantly exceeding

Business Performance for the March 2020 Period

Summary of Financial Results and Cash Dividends

During the March 2020 period (October 1, 2019 to March 31, 2020), Japan Real Estate Investment Corporation operating revenues increased 2.4% compared with the previous period, to JPY 35.9 billion. On the earnings front, operating profit increased 5.2%, to JPY 17.3 billion. After deducting expenses for interest payments on loans and other costs, ordinary profit increased 6.1%, to JPY 16.3 billion, and profit increased 5.4%, to JPY 15.7 billion.

Turning to dividends, the Company will make cash distributions using accounting profits based on the dividend policy outlined in Article 32-1(2) of the Company’s Articles of Incorporation, in an amount that exceeds 90% of earnings available for dividends as required by Article 67-15 of the Special Taxation Measures Act. Based on this policy, the Company decided that the total amount of dividends, under the application of Article 65-7 “Exceptions of the Taxation in case of the Replacement by Purchase of Specific Assets” of the Special Taxation Measures Act, making reduction entries, and also to secure retained earnings brought forward, is JPY 14,697,078,100 for the period under review, which is a multiple of 1,385,210—the number of units outstanding as of March 31, 2020. Accordingly, the dividend per investment unit is JPY 10,610.

Operating Environment and Performance

During the March 2020 period (October 1, 2019 to March 31, 2020), the Japanese economy implied the weakness of the exports, due to the long-term trade friction between the United States of America and China in addition to the slowdown of the global economy; however, the recovery of Japan’s employment and income environments continued, and corporate revenues showed steady growth. On the other hand, the economic outlook is uncertain due to concerns about the

global economic slowdown and volatility in the financial and capital markets against the background of the spread of the coronavirus disease (“COVID-19”).

The office leasing market was strong not only in the Tokyo metropolitan area but also nationwide. The Company steadily accumulated the increasing income and earnings, as a result of the improvement of occupancy rate (99.3% → 99.7%), proactive upward rent revisions, and the realization of higher rents upon tenant replacements due to the favorable market until recently. While the supply-demand balance continues to be tight, the Company considers it necessary to give close attention to the domestic and overseas economic impacts brought by COVID-19.

In the investment market, favorable financing environment continued until recently, and cap rates were still at a very low level against the backdrop of domestic and overseas investors’ desire to actively invest in the competitive acquisition environment. Even under this environment, the Company was able to acquire properties from a sponsor at reasonable prices. At the same time, the Company disposed a couple of assets at favorable prices to bullish investors.

As for property acquisitions and dispositions, on December 20, 2019, the Company disposed of a 50.0% quasi-co-ownership interest of the trust beneficiary right of Kawasaki Isago Building (Kawasaki-shi, Kanagawa) for JPY 3.078 billion. The disposition of the interest took place in two steps, and the other 50.0% quasi-co-ownership interest of the trust beneficiary right of the same building was disposed of for JPY 3.078 billion on September 30, 2019. On January 31, 2020, the Company acquired a 13.45% business interest of Seavans S Building (Minato-ku, Tokyo) for JPY 5.40 billion, and disposed of the trust beneficiary interest of Kodenmachi Shin-Nihonbashi Building (Chuo-ku, Tokyo) for JPY 3.45 billion as a mutual trade. On March

the previous period. On the other hand, the Company predicts a slowdown in the pace of rent revisions and an increase in vacancy rates from the fiscal period ending September 30, 2020 onward, due to the spread of COVID-19. As the Company forecasts that an uncertain business environment will continue for the foreseeable future, it intends to respond appropriately.

Meanwhile, in terms of ESG, the Company has clearly disclosed its key performance indicator (KPI) targets for 2030, including for reducing CO₂ emissions. The Company will continue its efforts to sustain-able growth through ESG activities.

24, 2020, the Company acquired a 2.91% share of building ownership of the trust beneficiary interest of Otemachi Park Building (Chiyoda-ku, Tokyo), which is a large, state-of-the-art complex located in the greater Marunouchi area, for JPY 10.18 billion. In addition, on March 27, 2020, as additional acquisition of the existing property holdings, the Company acquired a 9.91% building ownership interest of Shinjuku Front Tower (Shinjuku-ku, Tokyo) for JPY 10.10 billion, and a 4% co-ownership interest of Shinjuku Eastside Square (Shinjuku-ku, Tokyo) for JPY 8.46 billion. Accordingly, the co-ownership interests of the two properties of the Company as stated above were increased from 27.25% to 37.16% (building ownership interest) and from 31.0% to 35.0%, respectively.

As a result of the above, the Company's portfolio at the end of the fiscal period under review, March 31, 2020, consisted of 73 properties, with a total acquisition price of JPY 1.053 trillion. Net rentable floor area stood at 864,014 m² with 1,515 tenants in total.

In addition, on April 20, 2020, the Company acquired a 37.34% building ownership interest of LINK SQUARE SHINJUKU (Shibuya-ku, Tokyo), which was completed in August 2019 and is a large-scale redevelopment building with the latest and advanced features, for JPY 17.3 billion.

Note: LINK SQUARE SHINJUKU (land with leasehold interest), whose building ownership was disposed of on August 23, 2013, and Shibuya Cross Tower (land with leasehold interest), whose building ownership was disposed of on January 18, 2018, are included in the above number of properties and total acquisition price, but are not included in net rentable floor area or total number of tenants.

The name of LINK SQUARE SHINJUKU (land with leasehold interest) was changed from Shinjuku South Gate Project (tentative name) (land with leasehold interest) on August 26, 2019. Furthermore, it has been changed to LINK SQUARE SHINJUKU since the acquisition on April 20, 2020.

Finance Activities

According to its financial policy, the Company aims to maintain the LTV ratio (ratio of interest-bearing debt to total assets) at 30% to 40%, and strives to maintain a sound and conservative financial profile 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.

During the March 2020 period, the Company executed loans to allocate funds for the repayments of existing loans. In addition, the Company executed a short-term loan of JPY 15.0 billion to apply it to part of the additional acquisition fund of Shinjuku Front Tower and Shinjuku Eastside Square.

In addition to debt finance, the Company strategically considered equity finance for the property acquisitions. In light of the current volatile capital market affected by COVID-19, the Company decided it was not a good timing to issue new investment units, but instead it filed a shelf registration statement relating to the public offering with the Director-General of the Kanto Local Finance Bureau on March 25, 2020.

The overview of the shelf registration statement relating to the public offering is as follows:

Type of domestic investment securities	Investment units of the Company
Effective period of the shelf registration	April 2, 2020 to April 1, 2021
Proposed offering amount	Up to JPY 20 billion
Use of the proceeds	Repayment of loans pertaining to acquisitions of specified assets, which is defined in Article 2 (1) of the Act on Investment Trusts and Investment Corporations

As a result of the above financing activities, as of March 31, 2020, the Company's total interest-bearing debt increased by JPY 12 billion compared with the previous period, to JPY 401.9 billion. This amount consists of long-term loans totaling JPY 340.0 billion (including the current portion of long-term loans totaling JPY 41.0 billion), short-term loans totaling JPY 29.0 billion, and investment corporation bonds totaling JPY 32.9 billion. The current LTV ratio stands at 40.9%.

The Company's credit ratings as of March 31, 2020 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

Outlook

Operating Environment

On April 7, 2020, a state of emergency, targeting the seven prefectures including Tokyo, was declared based on Article 32-1 of "the Act on Special Measures for Pandemic Influenza and New Infections Diseases Preparedness and Response" (Law No. 31, 2012, including amendments thereafter), and the target areas were expanded to all over the country on April 16, 2020. As investment properties of the Company are mainly office buildings, we do not consider that the pandemic will take an immediate toll on our business. However, due to the declaration of the emergency and the following measures and requests, economic activities including the businesses of tenants are restricted, which may adversely affect the business performance of the Company in the future.

In this situation, the Company intends to carefully watch the office market while paying attention to the domestic and overseas economic impacts due to the expansion of COVID-19 infections, and ascertain the trends of the leased office market and the business situations of its tenants.

Regarding the investment market, we think it is important to continue to be proactive in searching for new properties because we may have opportunities to acquire good properties at reasonable prices.

Performance Forecasts for the September 2020 and March 2021 periods

The Company's forecasts for the September 2020 period (April 1, 2020 to September 30, 2020) are as follows: operating revenues totaling JPY 35.0 billion, operating profit totaling JPY 16.3 billion, ordinary profit totaling JPY 15.3 billion, and profit totaling JPY 15.3 billion. DPU is expected to be JPY 10,800.

The Company's forecasts for the March 2021 period (October 1, 2020 to March 31, 2021) are as follows: operating revenues totaling JPY 35.1 billion, operating profit totaling JPY 16.2 billion, ordinary profit totaling JPY 15.2 billion, and profit totaling JPY 15.2 billion. DPU is expected to be JPY 10,750.

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



Y. Yanagisawa

Yutaka Yanagisawa

Executive Director of Japan Real Estate
Investment Corporation



N. Umeda

Naoki Umeda

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

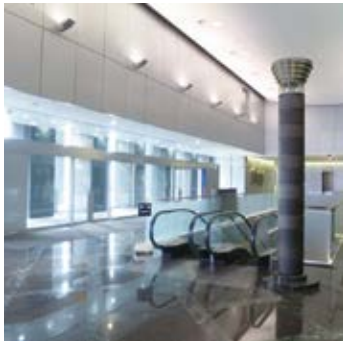
LINK SQUARE SHINJUKU



Otemachi Park Building



Seavans S Building



Asset Management Summary

For the period from October 1, 2019 to March 31, 2020

Disposed Property

Kawasaki Isago Building (50% of the interest)

Location	1-2-4, Isago, Kawasaki-ku, Kawasaki-shi, Kanagawa
Site area	1,594.50m ²
Floor area of building	9,623.83m ²
Structure	Steel-framed, Reinforced concrete structure, flat roof
Floors	Above ground: 12 floors, Below ground: 1 floor
Completion	December 1990
Acquisition date / Acquisition price	September 25, 2001 / JPY 1,687 million
Disposition date / Disposition price	December 20, 2019 / JPY 3,078 million
Type of ownership	Land: Ownership Building: Ownership
Buyer	Undisclosed

Kodenmacho Shin-Nihonbashi Building

Location	4-9, Nihonbashi-Kodenmacho, Chuo-ku, Tokyo
Site area	773.28m ²
Floor area of building	5,822.88m ²
Structure	Steel-framed reinforced concrete structure, flat roof
Floors	Above ground: 9 floors, Below ground: 1 floor
Completion	November 1991
Acquisition date / Acquisition price	September 25, 2001 / JPY 3,173 million
Disposition date / Disposition price	January 31, 2020 / JPY 3,450 million
Type of ownership	Land: Ownership (with partial leasehold included) Building: Ownership
Buyer	Undisclosed

Acquired Property



Shinjuku Eastside Square (Additional acquisition)

Location	6-27-30 Shinjuku, Shinjuku-ku, Tokyo
Site area	25,320.28m ²
Floor area of building	167,245.46m ²
Structure	Steel-framed, Reinforced concrete structure, flat roof
Floors	Above ground: 20 floors Below ground: 2 floors
Completion	March 2012
Acquisition date	March 27, 2020
Acquisition price	JPY 8,460 million
Type of ownership	Land: Ownership Building: Ownership
Seller	Mitsubishi Estate Co., Ltd.



Shinjuku Front Tower (Additional acquisition)

Location	2-21-1, Kita-Shinjuku, Shinjuku-ku, Tokyo
Site area	9,628.17m ²
Floor area of building	92,092.30m ²
Structure	Steel-framed, Steel-framed reinforced concrete structure, flat roof
Floors	Above ground: 35 floors Below ground: 2 floors
Completion	August 2011
Acquisition date	March 27, 2020
Acquisition price	JPY 10,100 million
Type of ownership	Land: Ownership Building: Compartmentalized building units
Seller	Mitsubishi Estate Co., Ltd.

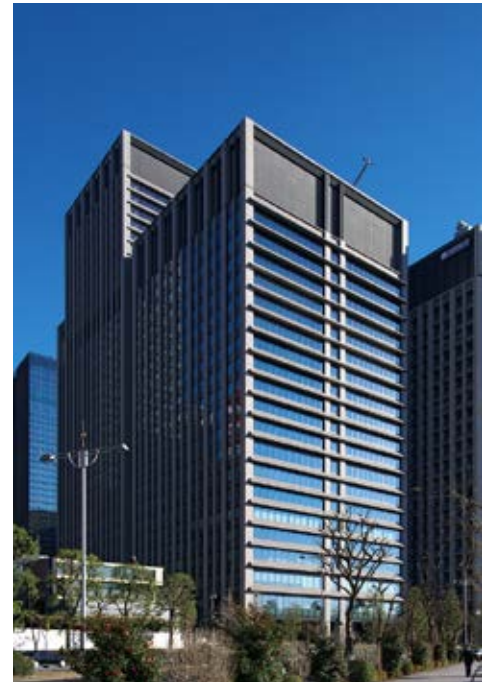
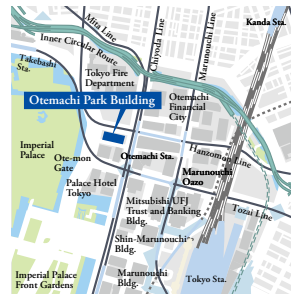
Seavans S Building

Location	1-2-3 Shibaura, Minato-ku, Tokyo
Site area	26,468.48m ²
Floor area of building	166,405.36m ²
Structure	Steel-framed, Reinforced concrete, Steel-framed reinforced concrete structure, flat roof
Floors	Above ground: 24 floors Below ground: 2 floors
Completion	January 1991
Acquisition date	January 31, 2020
Acquisition price	JPY 5,400 million
Type of ownership	Land: Ownership Building: Compartmentalized building units
Seller	Undisclosed



Otemachi Park Building

Location	1-1-1 Otemachi, Chiyoda-ku, Tokyo
Site area	9,338.74m ²
Floor area of building	146,611.42m ²
Structure	Steel-framed, Steel-framed reinforced concrete structure, flat roof
Floors	Above ground: 29 floors Below ground: 5 floors
Completion	January 2017
Acquisition date	March 24, 2020
Acquisition price	JPY 10,175 million
Type of ownership	Land: Ownership Building: Compartmentalized building units
Seller	Mitsubishi Estate Co., Ltd.



Property to be Acquired

LINK SQUARE SHINJUKU

Location	5-27-5 Sendagaya, Shibuya-ku, Tokyo
Site area	3,852.34m ²
Floor area of building	42,049.96m ²
Structure	Steel-framed, Steel-framed reinforced concrete structure, flat roof
Floors	Above ground: 16 floors Below ground: 2 floors
Completion	August 2019
Acquisition date	April 20, 2020
Acquisition price	JPY 17,300 million
Type of ownership	Land: Ownership Building: Compartmentalized building units
Seller	Mitsubishi Estate Co., Ltd.



Financial Highlights

	In millions of JPY				
	For the period from October 1, 2019 to March 31, 2020	For the period from April 1, 2019 to September 30, 2019	For the period from October 1, 2018 to March 31, 2019	For the period from April 1, 2018 to September 30, 2018	For the period from October 1, 2017 to March 31, 2018
Operating revenues	35,996	35,164	33,022	33,066	31,955
Operating profit	17,354	16,494	14,548	14,578	13,596
Ordinary profit	16,326	15,390	13,441	13,348	12,362
Profit	15,755	14,945	13,431	13,273	12,291
Net operating income (NOI) (Note 1)	23,413	23,104	22,603	22,401	21,566
Funds from operations (FFO) (Note 2)	19,986	19,795	19,831	19,451	18,652
FFO multiple (Times) (Note 3)	22.0	25.4	22.7	21.3	19.3
Cash distribution	14,697	14,124	13,432	13,152	12,223
Number of units	1,385,210	1,385,210	1,385,210	1,385,210	1,309,310
Dividend per unit (JPY)	10,610	10,197	9,697	9,495	9,336

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

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

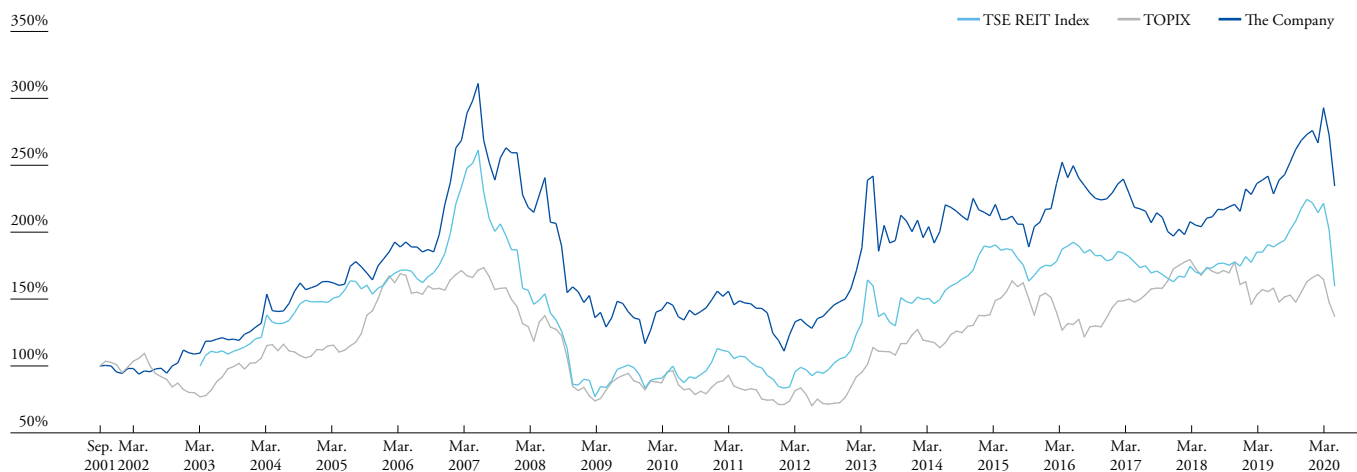
3. FFO multiple = Unit price at end of the respective term / FFO per unit (Annualized)

(Annualized portion of the calculation given in Note 2 and Note 3 assumes a fiscal period of 182 days for the period ended March 31, 2018, 183 days for the period ended September 30, 2018, 182 days for the period ended March 31, 2019, 183 days for the period ended September 30, 2019, and 183 days for the period ended March 31, 2020.)

Top 10 Unitholders As of March 31, 2020

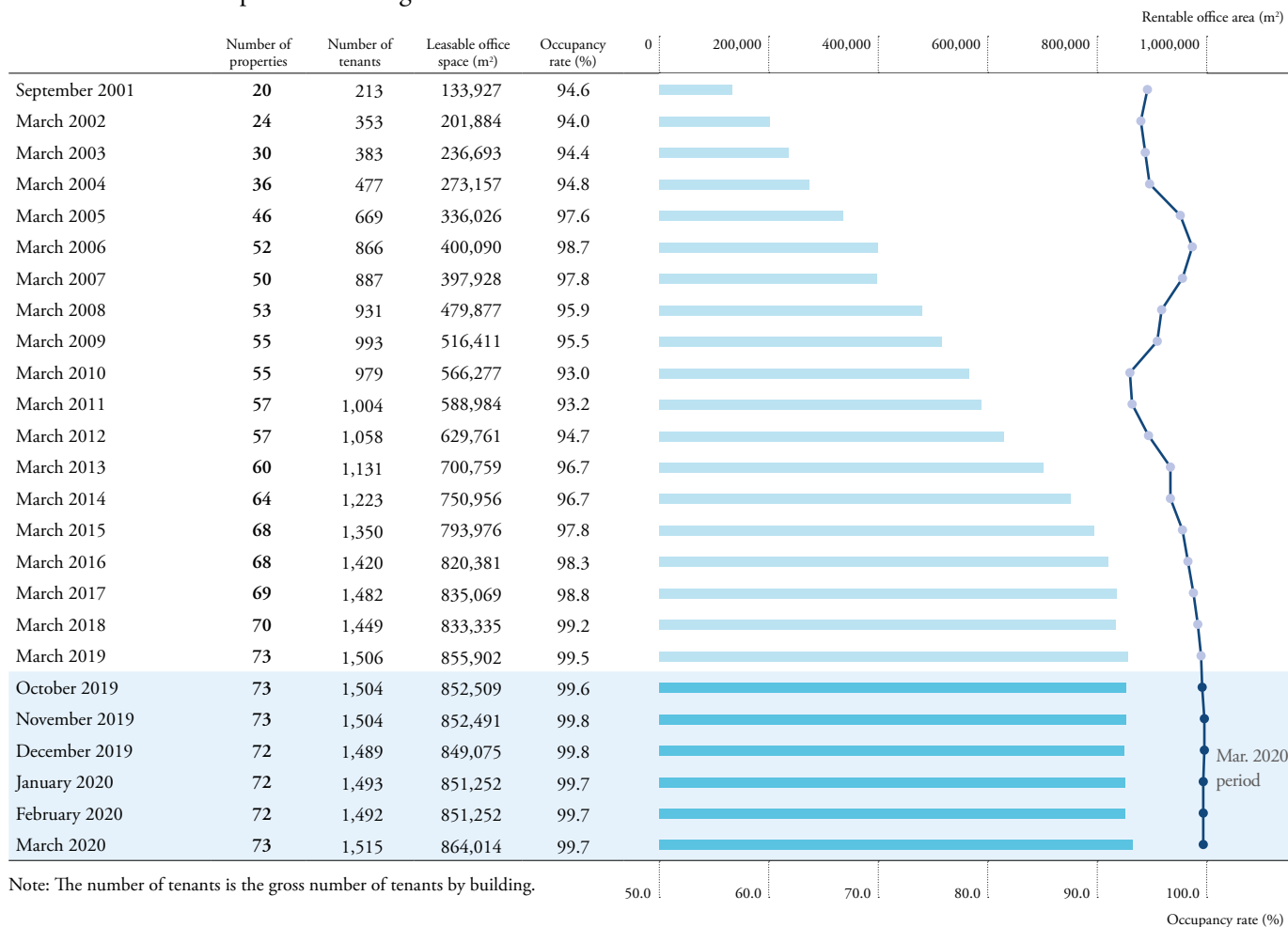
Company	Units	% of total units outstanding
Japan Trustee Services Bank, Ltd. (Shintaku Acc.)	285,524	20.61%
The Master Trust Bank of Japan, Ltd. (Shintaku Acc.)	230,799	16.66%
The Nomura Trust and Banking Co., Ltd. (Toshin Acc.)	66,466	4.80%
STATE STREET BANK WEST CLIENT - TREATY 505234	46,807	3.38%
Trust & Custody Services Bank, Ltd. (Toshin Acc.)	45,538	3.29%
STATE STREET BANK AND TRUST COMPANY 505103	19,648	1.42%
Mitsubishi Estate Co., Ltd.	17,120	1.24%
JP MORGAN CHASE BANK 385771	16,336	1.18%
DFA INTERNATIONAL REAL ESTATE SECURITIES PORTFOLIO	16,122	1.16%
The Chugoku Bank, Limited	16,021	1.16%

Unit Price Performance



Portfolio Highlights

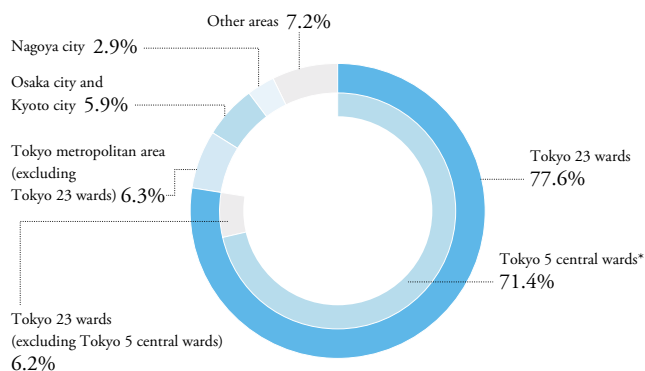
Trends in the state of portfolio management



Portfolio breakdown As of March 31, 2020

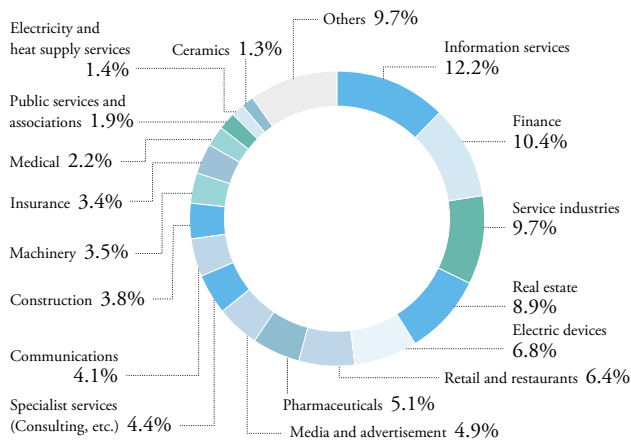
Properties by geographic region

(Percentage based on acquisition price)



Tenants by industry type

(Percentage based on leased office space)



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

Sustainability Policy

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

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

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

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

Please refer to our website for further information
<https://www.j-re.co.jp/en/esg/index.html>



Sustainability Policy

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

External Evaluation and Certification

Ranked 1st among the office sector in Japan under the GRESB Real Estate Assessment

JRE received the following evaluations under the GRESB Real Estate Assessment and GRESB Public Disclosure conducted in 2019.



Rating	5 Star ★★★★★ (Highest rating)
GRESB Public Disclosure	A (Highest rating)
GRESB Membership	Benchmark Committee Member

Participation in the CDP's Climate Change Program

Received the "B" in the 2019 Carbon Disclosure Project (CDP) Climate Change Program



Awarded "Prime" status in the ISS ESG corporate rating

Awarded "Prime" status in ISS's sustainability rating in March 2019



Winning the first ESG Finance Award

Won bronze at the Ministry of the Environment's inaugural ESG Finance Awards in February 2020

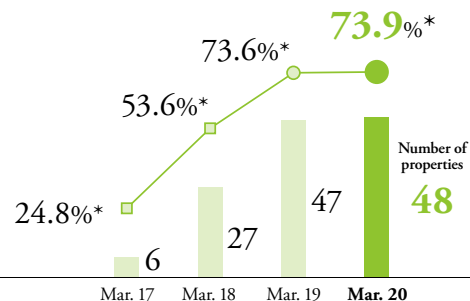


Green Building-Certified Properties in the Portfolio

We are focusing on improving the sustainability of the Company's entire portfolio. As of the end of March 2020, about three-quarters of the Company's portfolio is green certified. Going forward, the Company will continue to acquire environmental certifications and evaluations, such as the DBJ Green Building Certification.



Green building-certified properties in the portfolio



* Based on acquisition price.

Please refer to our website for further information
<https://www.j-re.co.jp/en/cms/esg/external.html>



International Initiatives

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

Became Signatory in April 2018*

United Nations Global Compact (UNGC)

WE SUPPORT



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

Became Signatory in August 2018

Principles for Responsible Investment (PRI)

United Nations Environment Programme Finance Initiative (UNEP FI)

Signatory of:



2019 PRI Assessment Result

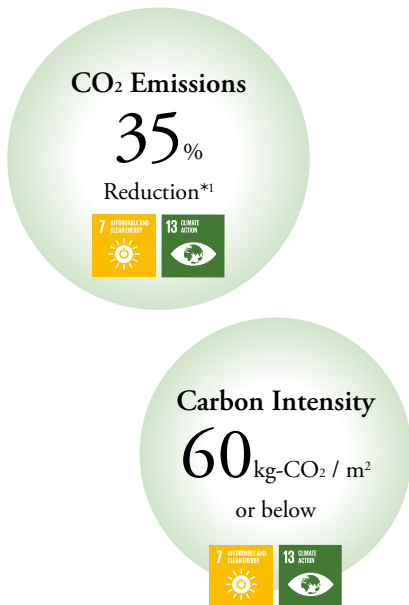
JRE-AM reported on the status of its ESG integration practice and has received the following assessment result as below.

Module	Score
Strategy & Governance	A+
Property	A

Note: The rating system has 6 ranks (A+, A, B, C, D, and E)

CO₂ Reduction Targets and KPIs for 2030

KPIs to Reduce CO₂ Emissions



JRE has set KPIs to reduce energy and CO₂ emissions generated from our portfolio by 2030 from a 2013 base year. We will continue to proactively address climate change.

*1 Carbon intensity basis Base year: 2013

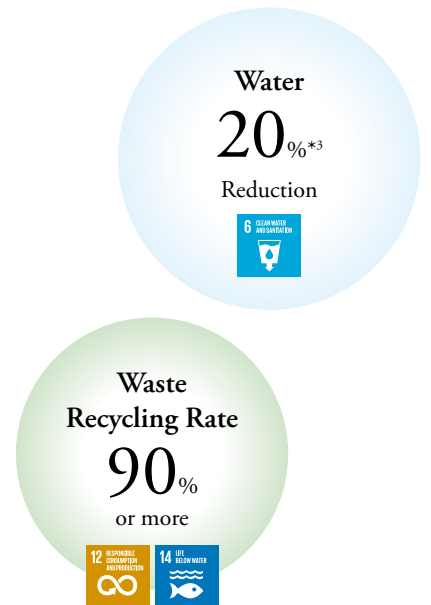
JRE established KPIs in line with SDGs to help realize a sustainable society

Own 5-10 Zero Energy Buildings*²



*2 Includes ZEB Ready and ZEB Oriented building

KPIs for Water and Waste Management



JRE supports the “SDGs (Sustainable Development Goals)” adopted by the United Nations and has established related KPIs for 2030.

*3 Intensity (m³/ m²) basis Base year: 2013

Supporting the TCFD Recommendations

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



For more information, please visit “Climate Change Initiatives” on JRE’s website <https://www.j-re.co.jp/en/esg/climate.html>

Social Responsibility

For Tenants and Partners

Sustainability Guide to Promote Owner and Tenant Collaboration

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

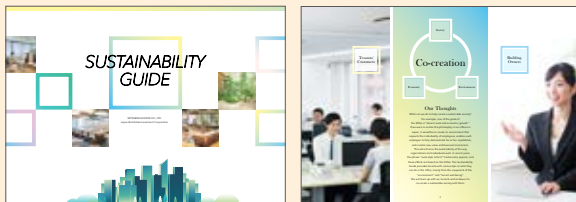
This Sustainability Guide introduces the activities that we can do in the office, mainly from the viewpoints of the “environment” and “tenant well-being.”

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

Sustainability Guide

Contents

- Toward a Sustainable Society
- Our Thoughts
- Case 1: Example of a Large-scale Office
- Case 2: Small and Medium-sized Office
- Case 3: Creating New Spaces in the Current Office
- What We Can Do Now



Please refer to the following link for the Sustainability Guide https://www.j-re.co.jp/assets/pdf/en-sustainability_guide.pdf

Raising ESG Awareness of Our Stakeholders

We offer ESG training for our business partners, master lessees, and property managers, among others, for the purpose of raising stakeholder awareness.



Implemented in May 2019

Number of participating companies 20

Number of participants 167

For Communities

Resilience for Communities

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





Supporting Cultural and Artistic Activities

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

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



Support for Career Enrichment, Qualifications, and Licenses

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

Creating a Productive and Employee-friendly Workplace

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

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

Office Design Promoting Internal Communication

Coinciding with its office relocation, JRE-AM has shifted to a free-address work environment. The new office features a spacious communal area and various types of furniture such as standing desks and balance chairs. JRE-AM aims to create an environment that facilitates communication and work-style reforms as we believe they are key to improving productivity. JRE-AM's office was selected for the "DSA Design Space Award 2018" by the Japan Design Space Association.

For more details on the DSA Design Space Award, please refer to the following website.



Japan Design Space Association

http://www.dsa.or.jp/design/english/award/index_en.html

For Employees

Learning and Development for All Employees

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

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

For more details on JRE-AM's sponsors' personnel development systems, please refer to the following websites.



Mitsubishi Estate:

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

Mitsui & Co.:

<https://www.mitsui.com/jp/en/sustainability/social/resources/rearing/index.html>



Employee-friendly workplace



Free-address work environment



Standing desks



Conference rooms where table tennis can be played

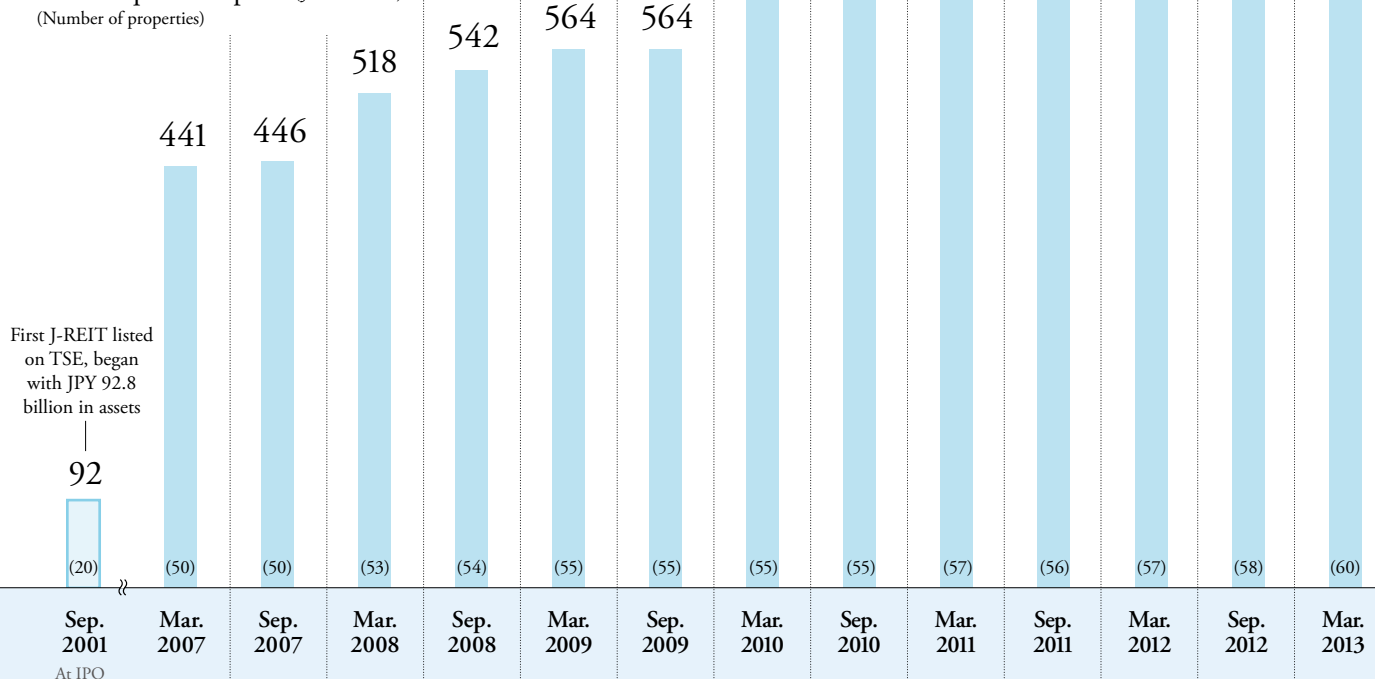
Asset Size, Property Acquisitions, and Performance Trends

Occupancy rate (%)

94.6 97.8 98.7 95.9 96.1 95.5 93.3 93.0 92.4 93.2 94.6 94.7 95.5 96.7

In September 2001, the Company became the first J-REIT in Japan listed on the Tokyo Stock Exchange. Since then, the Company has targeted stable management to fulfill its goal of maintaining or increasing dividend per unit over the medium-to-long term. The Company's growth is based on external growth strategies that aim to increase earnings through the acquisition and transfer of properties, as well as internal growth strategies that seek to optimize earnings from properties already held. The size of the Company's assets (total acquisition price) has grown from JPY 92.8 billion at IPO to JPY 1.053 trillion as of the period ended March 31, 2020 due to the steady achievement of external growth strategies. However, in terms of internal growth strategies, ongoing efforts are being made in such areas as maintaining stable occupancy rates and reducing building management costs.

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



Dividend per unit* (JPY)

8,760 9,250 14,611 9,536 9,510 9,599 9,021 8,314 7,821 7,925 8,095 7,850 7,570

Listing and issuance of units

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

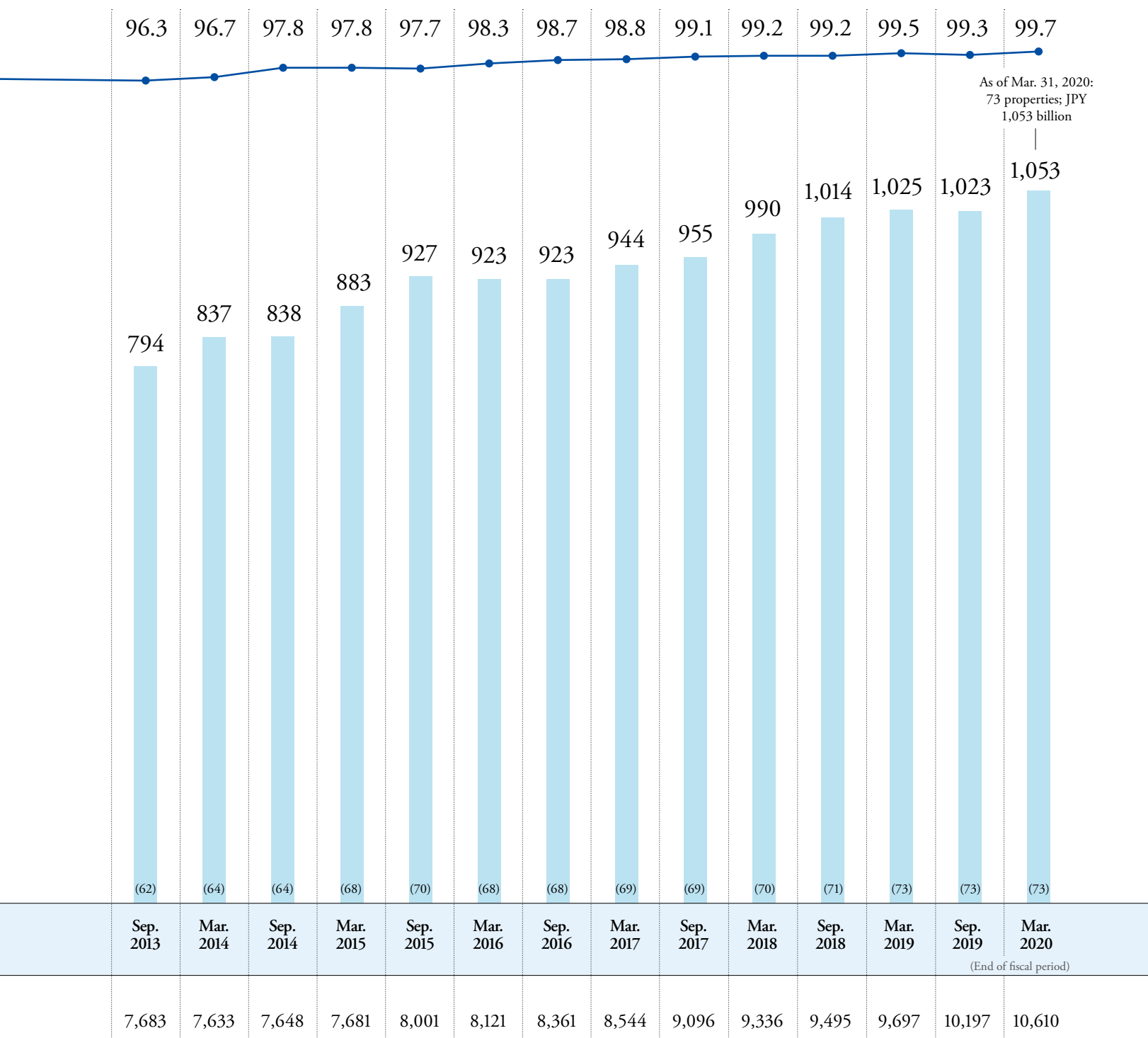
Mar. 2008
Fifth Follow-On

Dec. 2009
Sixth Follow-On

Feb. 2012
Seventh Follow-On

Oct. 2012
Eighth Follow-On

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



(62)

(64)

(64)

(68)

(70)

(68)

(68)

(69)

(69)

(70)

(71)

(73)

(73)

(73)

Sep. 2013

Mar. 2014

Sep. 2014

Mar. 2015

Sep. 2015

Mar. 2016

Sep. 2016

Mar. 2017

Sep. 2017

Mar. 2018

Sep. 2018

Mar. 2019

Sep. 2019

Mar. 2020

(End of fiscal period)

7,683

7,633

7,648

7,681

8,001

8,121

8,361

8,544

9,096

9,336

9,495

9,697

10,197

10,610

Apr. 2014
Ninth Follow-On

Apr. 2015
Tenth Follow-On

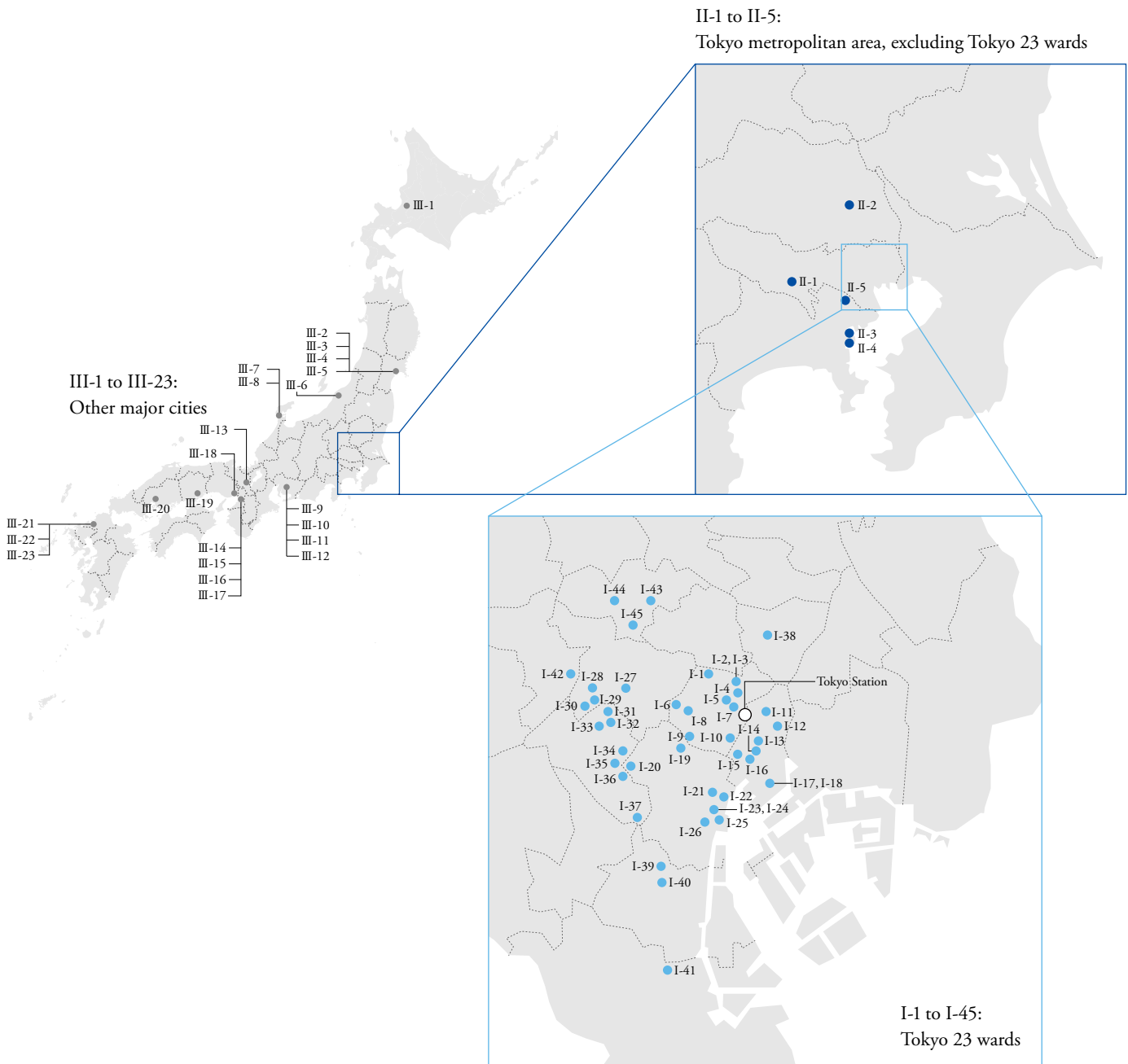
Apr. 2018
Eleventh
Follow-On

Major tenant roster

Name of tenant	Name of property	Rented office area (m ²)	% of total rented office area
MUFG Bank, Ltd.	Harumi Front (also includes 3 other buildings)	33,912	3.9%
Not disclosed*	Kitanomaru Square (also includes 3 other buildings)	22,681	2.6%
Not disclosed*	Osaki Front Tower (also includes 2 other buildings)	22,021	2.6%
NTT Communications Corporation	Shiodome Building	16,243	1.9%
SQUARE ENIX HOLDINGS CO., LTD.	Shinjuku Eastside Square	15,172	1.8%
HAKUHODO DY HOLDINGS INCORPORATED	Akasaka Park Building (also includes 1 other building)	13,403	1.6%
Mitsubishi UFJ Trust and Banking Corporation	Mitsubishi UFJ Trust and Banking Building	10,598	1.2%
JGC HOLDINGS CORPORATION	MM Park Building (also includes 1 other building)	10,246	1.2%
TOTO LTD.	Shiodome Building (also includes 1 other building)	9,694	1.1%
Minato Mirai 21 District Heating and Cooling Co., Ltd.	Queen's Tower A	9,536	1.1%

* Not disclosed due to tenant's request

Location of portfolio properties



Overview of Portfolio Properties

As of March 31, 2020

Tokyo 23 wards



Kitonomaru Square

• I-1

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



MD Kanda Building

• I-2

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



Kandabashi Park Building

• I-3

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



Otemachi Financial City North Tower

• I-4

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



Otemachi Park Building

• I-5

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



Nibancho Garden

• I-6

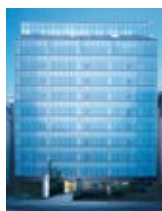
Location:	Chiyoda-ku, Tokyo
Site area:	10,992.13m ²
Floor area of building:	57,031.06m ²
Ownership:	31.35%
Completion:	April 2004



Mitsubishi UFJ Trust and Banking Building

• I-7

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



Burex Kojimachi Building

• I-8

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



Sanno Grand Building

• I-9

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



Yurakucho Denki Building

• I-10

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



Front Place Nihonbashi

• I-11

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



Kyodo Building (Kayabacho 2Chome)

• I-12

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



Burex Kyobashi Building

• I-13

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



Ginza 1Chome East Building

• I-14

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



Ginza Sanwa Building

• I-15

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



Ryoshin Ginza East Mirror Building

• I-16

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



Harumi Front

• I-17

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



Harumi Center Building

• I-18

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



Akasaka Park Building

• I-19

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



Aoyama Crystal Building

• I-20

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



Clover Shiba-koen

• I-21

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



Shiodome Building

• I-22

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



Shiba 2Chome Daimon Building

• I-23

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



Cosmo Kanasugibashi Building

• I-24

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



Seavans S Building

• I-25

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



Tamachi Front Building

• I-26

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



Shinjuku Eastside Square

• I-27

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



Shinjuku Front Tower

• I-28

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



Shinwa Building

• I-29

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



Tokyo Opera City Building

• I-30

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



**Front Place
Minami-Shinjuku**

• I-31

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



**Jingumae
Terrace**

• I-34

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



Ebisu Neonato

• I-37

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



**Osaki Front
Tower**

• I-40

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



**Otsuka Higashi-
Ikebukuro
Building**

• I-43

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

**LINK SQUARE SHINJUKU
(Land with leasehold interest)**

• I-32

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



**Jingumae Media
Square Building**

• I-35

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



**TIXTOWER
UENO**

• I-38

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



**Omori-Eki
Higashiguchi
Building**

• I-41

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



**Ikebukuro
2Chome Building**

• I-44

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



**Yoyogi 1Chome
Building**

• I-33

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

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

• I-36

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



**Higashi-Gotanda
1Chome Building**

• I-39

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



Harmony Tower

• I-42

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



**Ikebukuro YS
Building**

• I-45

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

Tokyo metropolitan area, excluding Tokyo 23 wards



Hachioji First Square

• II-1

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



Saitama Urawa Building

• II-2

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



MM Park Building

• II-3

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



Queen's Tower A

• II-4

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



Musashi Kosugi STM Building

• II-5

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

Other major cities



8-3 Square Kita Building

• III-1

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



Jozenji Park Building

• III-2

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



Higashi Nibancho Square

• III-3

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



Sendai Honcho Honma Building

• III-4

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



AER

• III-5

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



Daido Seimei Niigata Building

• III-6

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



Kanazawa Park Building

• III-7

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



Kanazawa Kamitsutsumicho Building

• III-8

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



Nishiki Park Building

• III-9

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



Nagoya Hirokoji Place

• III-10

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



Nagoya Hirokoji Building

• III-11

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



Nagoya Misono Building

• III-12

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



Shijo Karasuma Center Building

• III-13

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



Umeda Square Building

• III-14

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



Shin-Fujita Building

• III-15

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



Sakaisujihonmachi Building

• III-16

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



Midosuji Daiwa Building

• III-17

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



Amagasaki Front Building

• III-18

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



Lit City Building

• III-19

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



NHK Hiroshima Broadcasting Center Building

• III-20

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



Tosei Tenjin Building

• III-21

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



Tenjin Crystal Building

• III-22

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



Hinode Tenjin Building

• III-23

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

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

Financial Section

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Selected Financial Data

	Millions of yen				
	For the period from October 1, 2019 to March 31, 2020	For the period from April 1, 2019 to September 30, 2019	For the period from October 1, 2018 to March 31, 2019	For the period from April 1, 2018 to September 30, 2018	For the period from October 1, 2017 to March 31, 2018
Operating revenues	35,996	35,164	33,022	33,066	31,955
Operating expenses	18,641	18,669	18,473	18,487	18,358
Operating profit	17,354	16,494	14,548	14,578	13,596
Ordinary profit	16,326	15,390	13,441	13,348	12,362
Profit before income taxes	16,326	15,390	13,441	13,348	12,362
Profit	15,755	14,945	13,431	13,273	12,291
Total assets	982,607	966,390	963,676	956,645	935,560
Interest-bearing debt	401,993	389,993	389,993	384,493	403,993
Net assets	514,400	512,770	511,256	510,978	470,703
Unitholders' capital	497,241	497,241	497,241	497,241	458,016
Number of units	1,385,210	1,385,210	1,385,210	1,385,210	1,309,310
Net assets per unit (Yen)	371,351	370,174	369,082	368,881	359,505
Cash distribution	14,697	14,124	13,432	13,152	12,223
Dividend payout ratio (Note 1)	93.3%	94.5%	100.0%	99.1%	99.5%
Dividend per unit (Yen)	10,610	10,197	9,697	9,495	9,336
Net operating income (NOI)	23,413	23,104	22,603	22,401	21,566
Funds from operations (FFO)	19,986	19,795	19,831	19,451	18,652
Return on assets (ROA) (Note 2)	1.7%	1.6%	1.4%	1.4%	1.3%
	(3.3% annualized)	(3.2% annualized)	(2.8% annualized)	(2.8% annualized)	(2.7% annualized)
Return on equity (ROE) (Note 3)	3.1%	2.9%	2.6%	2.6%	2.6%
	(6.1% annualized)	(5.8% annualized)	(5.3% annualized)	(5.2% annualized)	(5.2% annualized)
EOP equity ratio (Note 4)	52.4%	53.1%	53.1%	53.4%	50.3%
EOP interest-bearing debt ratio on total assets (Note 5)	40.9%	40.4%	40.5%	40.2%	43.2%
FFO multiple (Times)	22.0	25.4	22.7	21.3	19.3
Debt service coverage ratio (Times) (Note 6)	24.3	21.4	19.6	18.5	16.9

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

For the period ended September 30, 2018, as new investment units were issued, the ratio was calculated as follows:

Cash distribution / Profit × 100

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

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

(Annualized portion of the calculation given in Note 2 and Note 3 assumes a fiscal period of 182 days for the period ended March 31, 2018, 183 days for the period ended September 30, 2018, 182 days for the period ended March 31, 2019, 183 days for the period ended September 30, 2019 and 183 days for the period ended March 31, 2020.)

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

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

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

7. The Company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28 on February 16, 2018) from the period ended September 30, 2018, and the reclassified amount due to the change was reflected to the total assets for the period ended March 31, 2018.

Balance Sheets

As of September 30, 2019 and March 31, 2020

	Thousands of yen	
	As of September 30, 2019	As of March 31, 2020
ASSETS		
Current assets		
Cash and deposits	26,723,523	16,996,570
Cash and deposits in trust	6,881,014	6,442,270
Operating accounts receivable	324,798	271,518
Prepaid expenses	310,203	179,764
Other	42,664	22,422
Total current assets	34,282,203	23,912,546
Non-current assets		
Property, plant and equipment		
Buildings	254,826,921	256,854,393
Accumulated depreciation	(98,967,794)	(103,245,716)
Buildings, net	155,859,126	153,608,677
Structures	2,987,203	2,998,915
Accumulated depreciation	(973,424)	(1,021,770)
Structures, net	2,013,779	1,977,144
Machinery and equipment	3,358,886	3,386,077
Accumulated depreciation	(2,437,315)	(2,529,346)
Machinery and equipment, net	921,570	856,730
Tools, furniture and fixtures	468,865	483,511
Accumulated depreciation	(326,598)	(339,690)
Tools, furniture and fixtures, net	142,266	143,821
Land	458,682,518	463,484,636
Construction in progress	6,527	24,280
Buildings in trust	102,939,399	106,513,777
Accumulated depreciation	(29,445,798)	(30,411,289)
Buildings in trust, net	73,493,601	76,102,488
Structures in trust	991,213	1,021,112
Accumulated depreciation	(319,524)	(341,674)
Structures in trust, net	671,688	679,437
Machinery and equipment in trust	1,041,321	802,094
Accumulated depreciation	(772,373)	(552,253)
Machinery and equipment in trust, net	268,947	249,841
Tools, furniture and fixtures in trust	72,594	70,292
Accumulated depreciation	(41,559)	(42,281)
Tools, furniture and fixtures in trust, net	31,035	28,010
Land in trust	229,768,734	251,592,514
Construction in progress in trust	28,540	9,360
Total property, plant and equipment	921,888,337	948,756,943
Intangible assets		
Land leasehold interests	5,659,215	5,643,385
Land leasehold interests in trust	444,160	—
Easement	828,095	828,095
Other	6,221	4,504
Total intangible assets	6,937,692	6,475,985
Investments and other assets		
Investment securities	577,168	577,168
Leasehold and guarantee deposits	1,573,847	1,573,847
Long-term prepaid expenses	61,263	132,917
Other	991,603	1,107,318
Total investments and other assets	3,203,883	3,391,252
Total non-current assets	932,029,913	958,624,180
Deferred assets		
Investment corporation bond issuance costs	78,188	70,808
Total deferred assets	78,188	70,808
Total Assets	966,390,305	982,607,535

	Thousands of yen	
	As of September 30, 2019	As of March 31, 2020
LIABILITIES		
Current liabilities		
Operating accounts payable	1,600,860	2,278,748
Short-term borrowings	13,500,000	29,000,000
Current portion of long-term borrowings	46,500,000	41,000,000
Accounts payable - other	1,801,587	2,070,587
Accrued expenses	429,676	369,182
Income taxes payable	8,895	11,473
Accrued consumption taxes	991,141	574,122
Advances received	3,295,905	3,363,910
Other	7,924	6,064
Total current liabilities	68,135,991	78,674,089
Non-current liabilities		
Investment corporation bonds	32,993,175	32,993,175
Long-term borrowings	297,000,000	299,000,000
Deposits received from tenants	54,419,220	55,905,313
Deferred tax liabilities	722,903	1,282,153
Asset retirement obligations	348,974	352,489
Total non-current liabilities	385,484,272	389,533,131
Total Liabilities	453,620,264	468,207,221
NET ASSETS		
Unitholders' equity		
Unitholders' capital	497,241,216	497,241,216
Surplus		
Voluntary retained earnings		
Reserve for tax purpose reduction entry	548,259	1,368,194
Total voluntary retained earnings	548,259	1,368,194
Unappropriated retained earnings	14,980,566	15,790,904
Total surplus	15,528,825	17,159,098
Total unitholders' equity	512,770,041	514,400,314
Total Net Assets	512,770,041	514,400,314
Total Liabilities and Net Assets	966,390,305	982,607,535

Statements of Income and Retained Earnings

For the six months ended September 30, 2019 and March 31, 2020

Thousands of yen

	For the period from April 1, 2019 to September 30, 2019	For the period from October 1, 2019 to March 31, 2020
Operating revenues		
Rent revenues	33,522,024	33,746,218
Other lease business revenues	58,189	64,352
Gain on sales of real estate properties	1,583,993	2,185,638
Total operating revenues	35,164,207	35,996,210
Operating expenses		
Expenses related to lease business	16,909,983	16,813,977
Asset management fee	1,409,620	1,452,064
Asset custody fee	63,120	63,401
Administrative service fees	132,329	132,189
Directors' compensations	7,800	7,800
Commission expenses	83,212	89,971
Other operating expenses	63,900	82,326
Total operating expenses	18,669,967	18,641,731
Operating profit	16,494,240	17,354,479
Non-operating income		
Interest income	134	146
Dividend income	11,681	—
Reversal of distributions payable	1,347	1,479
Other	0	61
Total non-operating income	13,163	1,688
Non-operating expenses		
Interest expenses	907,457	813,737
Interest expenses on investment corporation bonds	163,799	164,298
Amortization of investment corporation bond issuance costs	7,379	7,379
Other	38,147	44,747
Total non-operating expenses	1,116,783	1,030,163
Ordinary profit	15,390,620	16,326,004
Profit before income taxes	15,390,620	16,326,004
Income taxes – current	11,309	11,495
Income taxes – deferred	433,798	559,249
Total income taxes	445,107	570,744
Profit	14,945,513	15,755,259
Retained earnings brought forward	35,053	35,645
Unappropriated retained earnings	14,980,566	15,790,904

Statements of Changes in Unitholders' Equity

For the six months ended September 30, 2019 and March 31, 2020

For the period from April 1, 2019 to September 30, 2019

Thousands of yen

	Unitholders' equity						Total net assets
	Unitholders' capital	Surplus			Total unitholders' equity		
		Reserve for tax purpose reduction entry	Total voluntary retained earnings	Unappropriated retained earnings			
Balance at beginning of the period	497,241,216	550,359	550,359	13,465,334	14,015,693	511,256,909	511,256,909
Changes during the period							
Reversal of reserve for tax purpose reduction entry		(2,100)	(2,100)	2,100	—	—	—
Dividends of surplus				(13,432,381)	(13,432,381)	(13,432,381)	(13,432,381)
Profit				14,945,513	14,945,513	14,945,513	14,945,513
Total changes during the period	—	(2,100)	(2,100)	1,515,232	1,513,131	1,513,131	1,513,131
Balance at end of the period	497,241,216	548,259	548,259	14,980,566	15,528,825	512,770,041	512,770,041

For the period from October 1, 2019 to March 31, 2020

Thousands of yen

	Unitholders' equity						Total net assets
	Unitholders' capital	Surplus			Total unitholders' equity		
		Reserve for tax purpose reduction entry	Total voluntary retained earnings	Unappropriated retained earnings			
Balance at beginning of the period	497,241,216	548,259	548,259	14,980,566	15,528,825	512,770,041	512,770,041
Changes during the period							
Provision of reserve for tax purpose reduction entry		822,033	822,033	(822,033)	—	—	—
Reversal of reserve for tax purpose reduction entry		(2,099)	(2,099)	2,099	—	—	—
Dividends of surplus				(14,124,986)	(14,124,986)	(14,124,986)	(14,124,986)
Profit				15,755,259	15,755,259	15,755,259	15,755,259
Total changes during the period	—	819,934	819,934	810,338	1,630,272	1,630,272	1,630,272
Balance at end of the period	497,241,216	1,368,194	1,368,194	15,790,904	17,159,098	514,400,314	514,400,314

Statements of Cash Distributions

For the six months ended September 30, 2019 and March 31, 2020

	For the period from April 1, 2019 to September 30, 2019	For the period from October 1, 2019 to March 31, 2020
	Amount (Yen)	Amount (Yen)
I Retained earnings	14,980,566,219	15,790,904,336
II Reversal of voluntary retained earnings		
Reversal of reserve for tax purpose reduction entry	2,099,020	2,092,798
III Cash distribution	14,124,986,370	14,697,078,100
(Dividend per investment unit)	(10,197)	(10,610)
IV Voluntary retained earnings		
Provision of reserve for tax purpose reduction entry	822,033,757	1,060,273,922
V Retained earnings brought forward	35,645,112	35,645,112

Computation Method for Determining Dividends

The Company will make cash distributions using accounting profits based on the cash distribution policy outlined in Article 32-1(2) of the Company's Articles of Incorporation, in an amount that exceeds 90% of the "amount of distributable profit" as set forth in Article 67-15 of the Special Taxation Measures Act. Based on this policy, the Company has decided that the total amount of dividends, under the application of Article 65-7 "Exceptions of the Taxation in case of the Replacement by Purchase of Specific Assets" of the Special Taxation Measures Act, making reduction entries, and also which is set not to exceed the unappropriated retained earnings and to secure retained earnings brought forward, is ¥14,124,986,370 for the period, which is a multiple of 1,385,210 — the number of units outstanding as of September 30, 2019. 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.

The Company will make cash distributions using accounting profits based on the cash distribution policy outlined in Article 32-1(2) of the Company's Articles of Incorporation, in an amount that exceeds 90% of the "amount of distributable profit" as set forth in Article 67-15 of the Special Taxation Measures Act. Based on this policy, the Company has decided that the total amount of dividends, under the application of Article 65-7 "Exceptions of the Taxation in case of the Replacement by Purchase of Specific Assets" of the Special Taxation Measures Act, making reduction entries, and also which is set not to exceed the unappropriated retained earnings and to secure retained earnings brought forward, is ¥14,697,078,100 for the period, which is a multiple of 1,385,210 — the number of units outstanding as of March 31, 2020. 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.

Statements of Cash Flows

For the six months ended September 30, 2019 and March 31, 2020

	Thousands of yen	
	For the period from April 1, 2019 to September 30, 2019	For the period from October 1, 2019 to March 31, 2020
Cash flows from operating activities		
Profit before income taxes	15,390,620	16,326,004
Depreciation	6,435,380	6,418,143
Amortization of investment corporation bond issuance costs	7,379	7,379
Dividend income	(11,681)	—
Interest income	(134)	(146)
Interest expenses	1,071,256	978,035
Decrease (increase) in operating accounts receivable	78,863	53,280
Decrease (increase) in supplies	(663)	2,562
Decrease (increase) in prepaid expenses	(6,267)	130,438
Decrease in property, plant and equipment in trust due to sale	1,423,739	3,688,085
Decrease in intangible assets in trust due to sale	—	444,160
Increase (decrease) in operating accounts payable	75,370	(113,519)
Increase (decrease) in accounts payable - other	153,831	75,712
Increase (decrease) in accrued consumption taxes	392,331	(417,018)
Increase (decrease) in accrued expenses	(131)	131
Increase (decrease) in advances received	(42,859)	68,005
Decrease (increase) in long-term prepaid expenses	57,265	(71,654)
Other, net	(86,664)	(86,668)
Subtotal	24,937,637	27,502,932
Interest and dividends received	11,871	146
Interest paid	(1,071,245)	(1,038,661)
Income taxes paid	(13,815)	(8,917)
Net cash provided by (used in) operating activities	23,864,447	26,455,500
Cash flows from investing activities		
Purchase of property, plant and equipment	(757,328)	(6,492,144)
Purchase of property, plant and equipment in trust	(1,020,222)	(29,478,070)
Payments of leasehold and guarantee deposits	—	(14,160)
Proceeds from refund of leasehold and guarantee deposits	2,680	—
Refund of leasehold and guarantee deposits received	(995,148)	(988,925)
Proceeds from leasehold and guarantee deposits received	1,556,781	2,476,425
Net cash provided by (used in) investing activities	(1,213,237)	(34,496,874)
Cash flows from financing activities		
Proceeds from short-term borrowings	10,500,000	50,500,000
Repayments of short-term borrowings	(5,500,000)	(35,000,000)
Proceeds from long-term borrowings	10,500,000	30,000,000
Repayments of long-term borrowings	(15,500,000)	(33,500,000)
Distributions paid	(13,429,623)	(14,124,323)
Net cash provided by (used in) financing activities	(13,429,623)	(2,124,323)
Net increase (decrease) in cash and cash equivalents	9,221,586	(10,165,696)
Cash and cash equivalents at beginning of the period	24,382,950	33,604,537
Cash and cash equivalents at end of the period	33,604,537	23,438,840

Notes to Financial Statements

September 30, 2019 and March 31, 2020

1. Organization and Basis of Presentation

Organization

Japan Real Estate Investment Corporation (the “Company”) is a real estate investment corporation formed to own and invest primarily in a portfolio of office properties. The Company is externally managed by a licensed asset management company, Japan Real Estate Asset Management Co., Ltd. (“J-Rea”). J-Rea is currently owned 90% by Mitsubishi Estate Co., Ltd. (“MEC”) and 10% by Mitsui & Co., Ltd.

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

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

As of March 31, 2020, the Company owned a portfolio of 73 office properties with an aggregate of approximately 864,014 m² of leasable space.

Basis of presenting financial statements

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

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

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

2. Summary of Significant Accounting Policies

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 (“ASBJ”), companies are required to recognize an impairment loss in their statements of income if certain indicators of asset impairment exist and the book value of an asset exceeds the undiscounted sum of future cash flows of the asset. The standard states that impairment losses should be measured as the excess of the book value over the higher of (i) the fair market value of the asset, net of disposition costs, and (ii) the present value of

future cash flows arising from ongoing utilization of the asset and from disposal after asset use. The standard covers land, factories, buildings and other forms of property, plant and equipment as well as intangible assets. Fixed assets are grouped at the lowest level for which there is identifiable cash flows that are independent of cash flows of other groups of assets.

Intangible assets

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

Leased assets

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

Deferred charges

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

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

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

Revenue recognition

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

Taxes on property and equipment

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

Consumption taxes

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

Cash and cash equivalents

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

Hedge accounting

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

For interest-rate swaps and currency swaps that qualify for hedge accounting and meet certain criteria provided under Japanese GAAP, however, the Company applies special accounting treatment. Under such special accounting treatment, the differentials paid or received

under the swap agreements are recognized and included in interest expense of the hedged loans, and the interest-rate swaps and currency swaps are not required to be separately valued. For interest-rate swaps and currency swaps that meet the specific criteria for such special accounting treatment, ongoing assessments of hedge effectiveness are not required and hence not performed.

3. New Accounting Standards Issued but not Yet Effective

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

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

(1) Overview

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

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

(2) Date of the adoption

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

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

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

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

(1) Overview

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

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

(2) Date of the adoption

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

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

The effects of the adoption of these accounting standards and implementation guidance on its financial statements are currently uncertain.

- ASBJ Statement No. 31, Accounting Standard for Disclosure of Accounting Estimates, issued on March 31, 2020

(1) Overview

IASB issued a revised International Accounting Standard No.1 (“IAS 1”), “Presentation of Financial Statements” in 2003. The disclosure of “Sources of estimation uncertainty” is required in paragraph 125 of IAS 1, as highly useful information to the users of financial statements, and the disclosure as notes information has been requested to be considered under Japanese GAAP as well. Accordingly, ASBJ developed and issued Accounting Standard for Disclosure of Accounting Estimates.

As the basic policy of ASBJ for the development of the Accounting Standard, by showing the principle (disclosure purpose) rather than expanding individual notes, a company should judge its own specific disclosure content in light of the disclosure purpose. For the development, the provisions in the paragraph 125 of IAS 1 were used as a reference.

(2) Date of the adoption

The Company will adopt the accounting standard from the end of the fiscal period ending March 31, 2021.

- ASBJ Statement No.24, Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections, revised on March 31, 2020

(1) Overview

In response to the recommendation considering the enhancement of note information in regards to “Principles and Procedures of Accounting Treatment Adopted When Related Accounting Standards Are Uncertain”, ASBJ revised Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections.

Working to improve the note information related to “Principles and Procedures of Accounting Treatment Adopted When Related Accounting Standards Are Uncertain”, the provision of Financial Accounting Principles (note 1-2) will be followed to avoid influencing actual practice when the relevant accounting standards exist.

(2) Date of the adoption

The Company will adopt the accounting standard from the end of the fiscal period ending March 31, 2021.

4. Commitment Line Agreement

As of September 30, 2019 and March 31, 2020

The Company has signed commitment line agreements with three banks.

	Thousands of yen	
	September 30, 2019	As of March 31, 2020
Total amount of commitment line agreement	60,000,000	60,000,000
Debt financing balance	—	—
Balance	60,000,000	60,000,000

5. Financial Instruments

1. Status of financial instruments

(1) 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.

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

The Company regularly re-evaluates the appropriateness and effectiveness of its risk management system in order to improve on it.

The characteristics and risk profile of financial instruments and the system in place to manage such risks are as follows:

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

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

Loans and investment corporation bonds involve liquidity risk at the time of maturity. To manage such liquidity risk, the Company implements measures such as (i) maintaining and strengthening its ability to access equity markets to secure funds, (ii) maintaining commitment lines with major financial institutions (There is no amount outstanding under the facility as of September 30, 2019 and March 31, 2020) and (iii) preparing monthly financial plans.

(3) Supplementary note regarding fair value of financial instruments

The fair values of financial instruments presented in this report are based on their market value, and in cases where market values are not available, reasonably calculated values are presented. Since calculation of fair value is based on certain assumptions, the fair value could differ depending on the assumptions used. In addition, the contract value of derivative transactions, which is presented in Section 6. “Derivative Transactions”, is not an exact representation of market risk attributable to derivative transactions.

2. Fair value of financial instruments

Fair value of financial instruments, their values carried on the balance sheets and the differences between them as of September 30, 2019 and March 31, 2020 are as follows.

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

	Thousands of yen		
	As of September 30, 2019		
	Book value*	Fair value*	Difference*
(1) Cash and deposits	26,723,523	26,723,523	—
(2) Cash and deposits in trust	6,881,014	6,881,014	—
(3) Short-term borrowings	(13,500,000)	(13,500,000)	—
(4) Current portion of long-term borrowings	(46,500,000)	(46,590,431)	(90,431)
(5) Investment corporation bonds	(32,993,175)	(34,481,445)	(1,488,270)
(6) Long-term borrowings	(297,000,000)	(300,056,730)	(3,056,730)
(7) Derivative transactions	—	—	—

* Liabilities are shown in parentheses.

	Thousands of yen		
	As of March 31, 2020		
	Book value*	Fair value*	Difference*
(1) Cash and deposits	16,996,570	16,996,570	—
(2) Cash and deposits in trust	6,442,270	6,442,270	—
(3) Short-term borrowings	(29,000,000)	(29,000,000)	—
(4) Current portion of long-term borrowings	(41,000,000)	(41,136,608)	(136,608)
(5) Investment corporation bonds	(32,993,175)	(34,211,333)	(1,218,158)
(6) Long-term borrowings	(299,000,000)	(301,272,773)	(2,272,773)
(7) Derivative transactions	—	—	—

* Liabilities are shown in parentheses.

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

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

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

(3) Short-term borrowings

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

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

For loans with floating interest rates, since the interest rates on such loans reflect market rates reasonably well over the short term and their book values are good approximations of their fair values, the book values are presented as their fair values. (However, the fair values of floating-rate long-term loans (please refer to Section 6. "Derivative Transactions, (2) Derivatives designated as hedging instruments") hedged by an interest-rate and currency swap subject to integrated treatment or by an interest-rate swap subject to special accounting treatment are calculated by discounting the aggregated principal and interest on such loans using reasonable estimates of the rates that would be applicable if the Company were to refinance the existing loans for the remaining period to maturity under the prevailing market condition.) The fair values of long-term loans with fixed interest rates are calculated by discounting the aggregated amounts of the principal and the interest of the loans by the rates that are reasonably estimated to be applicable if the Company were to refinance the existing loans for the remaining period to maturity.

(5) Investment corporation bonds

Their fair values are based on reference prices published by a financial data provider where available. When reference prices are not available, their fair values are calculated by discounting the aggregate of the principal and interest by nominal rates assumed applicable if the loans were refinanced for the duration of the current maturity. (However, the fair values of investment corporation bonds (please refer to Section 6. "Derivative Transactions, (2) Derivatives designated as hedging instruments") hedged by a currency swap subject to allocation treatment are calculated by discounting the aggregate of the principal and interest integrated with the currency swap by nominal rates assumed applicable if the loans were refinanced for the duration of the current maturity.)

(7) Derivative transactions

Please refer to Section 6. "Derivative Transactions".

2. Financial instruments whose fair values cannot be reliably measured

	Thousands of yen	
	As of September 30, 2019	As of March 31, 2020
(1) Non-listed stock *1	577,168	577,168
(2) Deposits received from tenants *2	54,419,220	55,905,313

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

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

3. Redemption schedule for monetary claims after the closing date

	Thousands of yen					
	As of September 30, 2019					
	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	26,723,523	—	—	—	—	—
Cash and deposits in trust	6,881,014	—	—	—	—	—
Total	33,604,537	—	—	—	—	—

	Thousands of yen					
	As of March 31, 2020					
	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Cash and deposits	16,996,570	—	—	—	—	—
Cash and deposits in trust	6,442,270	—	—	—	—	—
Total	23,438,840	—	—	—	—	—

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

	Thousands of yen					
	As of September 30, 2019					
	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Short-term borrowings	13,500,000	—	—	—	—	—
Investment corporation bonds	—	—	—	—	10,000,000	22,993,175
Long-term borrowings	46,500,000	52,200,000	51,000,000	48,500,000	42,300,000	103,000,000
Total	60,000,000	52,200,000	51,000,000	48,500,000	52,300,000	125,993,175

	Thousands of yen					
	As of March 31, 2020					
	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Short-term borrowings	29,000,000	—	—	—	—	—
Investment corporation bonds	—	—	—	10,000,000	—	22,993,175
Long-term borrowings	41,000,000	51,700,000	48,500,000	39,500,000	54,800,000	104,500,000
Total	70,000,000	51,700,000	48,500,000	49,500,000	54,800,000	127,493,175

6. Derivative Transactions

(1) Derivatives not designated as hedging instruments

As of September 30, 2019

“Not applicable”

As of March 31, 2020

“Not applicable”

(2) Derivatives designated as hedging instruments

As of September 30, 2019

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

Derivative accounting method	Type of derivative transaction	Hedged item	Contract value		Fair value	Measurement of fair value
				Over one year		
Special Treatment for interest-rate swap	Receive floating, pay fixed interest-rate swap transactions	Long-term borrowings	63,300,000	57,300,000	*1	—
Integrated Treatment (Special Treatment and Allocation Treatment) for interest-rate and currency swap	Receive floating USD, pay fixed JPY, interest-rate and currency swap transactions (with initial and final exchange)	Long-term borrowings	10,000,000	10,000,000	*1	—
Allocation Treatment for currency swap	Receive fixed USD, pay fixed JPY, currency swap transactions (with initial and final exchange)	Investment corporation bonds	2,993,175	2,993,175	*2	—

Thousands of yen

As of March 31, 2020

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

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

Thousands of yen

*1. The derivative transactions eligible for Special Treatment for interest-rate swap and Integrated Treatment (Special Treatment for interest-rate swap and Allocation Treatment for currency swap) are accounted for as integral parts of the hedged loans, and the fair value of those derivative transactions is included in that of the underlying long-term borrowings as of September 30, 2019 and March 31, 2020. Please refer to Note 1 of “2. Fair value of financial instruments” under Section 5. “Financial Instruments”, as well as subheadings (4) and (6) concerning derivative transactions.

*2. Currency swap transactions eligible for allocation treatment are accounted for as integrated parts of the hedged investment corporation bonds, and the fair value of the currency swap transactions is included in that of the underlying investment bonds as of September 30, 2019 and March 31, 2020. Please refer to Note 1 of “2. Fair value of financial instruments” under Section 5. “Financial Instruments”, as well as subheading (5) concerning derivative transactions.

7. Property, Plant and Equipment and Intangible Assets

Changes in Property, plant and equipment and Intangible assets for the six months ended March 31, 2020 are as follows:

Type of Asset		Balance at beginning of the period	Increase during the period	Decrease during the period	Balance at end of the period	Accumulated depreciation		Net balance at end of the period	Remarks
						Accumulated amortization	Depreciation and amortization		
Property, plant and equipment	Buildings	254,826,921	2,027,472	—	256,854,393	103,245,716	4,277,922	153,608,677	—
	Structures	2,987,203	11,711	—	2,998,915	1,021,770	48,346	1,977,144	—
	Machinery and equipment	3,358,886	27,191	—	3,386,077	2,529,346	92,030	856,730	—
	Tools, furniture and fixtures	468,865	14,646	—	483,511	339,690	13,091	143,821	—
	Land	458,682,518	4,802,117	—	463,484,636	—	—	463,484,636	—
	Construction in progress	6,527	17,753	—	24,280	—	—	24,280	—
	Buildings in trust	102,939,399	5,898,981	2,324,603	106,513,777	30,411,289	1,921,563	76,102,488	—
	Structures in trust	991,213	38,539	8,640	1,021,112	341,674	25,531	679,437	—
	Machinery and equipment in trust	1,041,321	25,097	264,323	802,094	552,253	15,135	249,841	—
	Tools, furniture and fixtures in trust	72,594	2,439	4,741	70,292	42,281	3,460	28,010	—
	Land in trust	229,768,734	24,107,003	2,283,224	251,592,514	—	—	251,592,514	*1
	Construction in progress in trust	28,540	—	19,180	9,360	—	—	9,360	—
	Subtotal	1,055,172,727	36,972,952	4,904,714	1,087,240,965	138,484,022	6,397,080	948,756,943	
Intangible assets	Land leasehold interests	5,933,601	—	—	5,933,601	290,216	15,829	5,643,385	—
	Land leasehold interests in trust	444,160	—	444,160	—	—	—	—	*2
	Easement	828,095	—	—	828,095	—	—	828,095	—
	Other	17,169	—	—	17,169	12,665	1,716	4,504	—
		Subtotal	7,223,027	—	444,160	6,778,866	302,881	17,546	6,475,985
	Total	1,062,395,754	36,972,952	5,348,874	1,094,019,832	138,786,904	6,414,627	955,232,928	

*1. The major reasons for the increase of land in trust were the acquisitions of additional ownership interests of Shinjuku Eastside Square and Shinjuku Front Tower and the acquisition of Otemachi Park Building.

*2. The major reason for the decrease of land leasehold interests in trust was the disposition of Kodemacho Shin-Nihonbashi Building.

8. Borrowings

The condition of loans by financial institutions as of March 31, 2020 is as follows.

	Classification	Drawdown date	Balance at beginning of current period (¥ thousand)	Balance at end of current period (¥ thousand)	Average interest rate*1 (%)	Repayment date	Repayment method	Use of proceeds	Notes
	Lender								
Short-term borrowings	Mizuho Bank, Ltd.	November 5, 2019	—	—	0.05859	November 15, 2019	Bullet	*2	Unsecured Unguaranteed Unsubordinated
	MUFG Bank, Ltd.	November 5, 2019	—	—	0.05859	November 15, 2019			
	Sumitomo Mitsui Trust Bank, Limited	December 26, 2018	1,300,000	—	0.11371	December 26, 2019			
	MUFG Bank, Ltd. *3	November 15, 2019	—	—	0.1072	February 17, 2020			
	Sumitomo Mitsui Trust Bank, Limited	March 29, 2019	1,700,000	—	0.11136	March 30, 2020			
	Mizuho Bank, Ltd.	April 3, 2019	5,500,000	—	0.1172	April 3, 2020 *4			
	MUFG Bank, Ltd. *5	February 17, 2020	—	11,000,000 *5	0.109	May 18, 2020			
	MUFG Bank, Ltd.	September 2, 2019	5,000,000	—	0.11715	September 2, 2020 *6			
	Sumitomo Mitsui Trust Bank, Limited	December 26, 2019	—	1,300,000	0.10962	December 28, 2020			
	MUFG Bank, Ltd.	March 27, 2020	—	5,000,000	0.120	March 29, 2021			
	Mizuho Bank, Ltd.	March 27, 2020	—	5,000,000	0.120	March 29, 2021			
	Sumitomo Mitsui Banking Corporation	March 27, 2020	—	5,000,000	0.120	March 29, 2021			
	Sumitomo Mitsui Trust Bank, Limited	March 30, 2020	—	1,700,000	0.120	March 30, 2021			
	Subtotal		13,500,000	29,000,000					
Long-term borrowings	The Hiroshima Bank, Ltd.	October 1, 2014	3,000,000	—	0.31575	October 1, 2019	Bullet	*2	Unsecured Unguaranteed Unsubordinated
	Mizuho Bank, Ltd.	November 1, 2011	6,000,000	—	1.2075	November 1, 2019			
	Mizuho Bank, Ltd.	November 15, 2011	3,000,000	—	1.13875	November 15, 2019			
	MUFG Bank, Ltd.	November 15, 2011	3,000,000	—	1.13875	November 15, 2019			
	MUFG Bank, Ltd.	November 15, 2011	3,000,000	—	1.13875	November 15, 2019			
	The Gunma Bank, Ltd.	November 17, 2014	1,000,000	—	0.316	November 18, 2019			
	The Yamanashi Chuo Bank, Ltd.	December 15, 2014	2,000,000	—	0.266	December 16, 2019			
	Shinkin Central Bank	January 7, 2013	2,000,000	—	0.71375	January 7, 2020			
	MUFG Bank, Ltd.	January 15, 2013	5,500,000	—	0.710	January 15, 2020			
	Shinkin Central Bank	January 15, 2013	5,000,000	—	0.710	January 15, 2020			
	MUFG Bank, Ltd.	June 15, 2012	4,000,000	4,000,000	0.9525	June 15, 2020 *7			
	Sumitomo Mitsui Trust Bank, Limited	June 15, 2012	4,000,000	4,000,000	0.9525	June 15, 2020 *7			
	Sumitomo Mitsui Trust Bank, Limited	June 15, 2015	3,000,000	3,000,000	0.3425	June 15, 2020 *7			
	Tokio Marine & Nichido Fire Insurance Co., Ltd.	July 3, 2017	2,000,000	2,000,000	0.100	July 3, 2020 *7			
	The Yamaguchi Bank, Ltd.	October 29, 2012	2,000,000	2,000,000	0.800	October 29, 2020 *7			
	MUFG Bank, Ltd.	December 21, 2012	5,000,000	5,000,000	0.80125	December 21, 2020 *7			
	MUFG Bank, Ltd.	December 21, 2012	5,000,000	5,000,000	0.80125	December 21, 2020 *7			
	MUFG Bank, Ltd.	January 15, 2013	5,500,000	5,500,000	0.83625	January 15, 2021 *7			
MUFG Bank, Ltd.	January 31, 2014	4,000,000	4,000,000	0.64225	January 29, 2021 *7				
The Bank of Fukuoka, Ltd.	January 31, 2014	2,500,000	2,500,000	0.63849	January 29, 2021 *7				

	Classification	Drawdown date	Balance at beginning of current period (¥ thousand)	Balance at end of current period (¥ thousand)	Average interest rate*1 (%)	Repayment date	Repayment method	Use of proceeds	Notes
	Lender								
Long-term borrowings	Sumitomo Mitsui Trust Bank, Limited	January 31, 2014	2,000,000	2,000,000	0.62575	January 29, 2021 *7	Bullet	*2	Unsecured Unguaranteed Unsubordinated
	The Iyo Bank, Ltd.	March 24, 2014	2,000,000	2,000,000	0.6035	March 24, 2021 *7			
	MUFG Bank, Ltd.	April 4, 2017	5,000,000	5,000,000	0.0108 *8	April 5, 2021			
	MUFG Bank, Ltd.	April 24, 2013	5,000,000	5,000,000	0.775	April 26, 2021			
	Mizuho Bank, Ltd.	June 15, 2012	4,000,000	4,000,000	1.07375	June 15, 2021			
	Sumitomo Mitsui Trust Bank, Limited	December 26, 2016	3,700,000	3,700,000	0.1913	June 28, 2021			
	Sumitomo Mitsui Banking Corporation	January 19, 2018	5,000,000	5,000,000	0.16255	July 20, 2021			
	The Bank of Fukuoka, Ltd.	August 31, 2017	1,500,000	1,500,000	0.1325	August 31, 2021			
	The Iyo Bank, Ltd.	October 1, 2014	1,000,000	1,000,000	0.46525	October 1, 2021			
	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	0.980	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			
	MUFG Bank, Ltd.	June 15, 2012	4,000,000	4,000,000	1.1975	June 15, 2022			
	MUFG Bank, Ltd.	June 15, 2012	2,500,000	2,500,000	1.2725	June 15, 2022			
	Shinsei Bank, Limited	June 15, 2012	2,500,000	2,500,000	1.2725	June 15, 2022			
	The Norinchukin Bank	June 17, 2014	3,000,000	3,000,000	0.6785	June 17, 2022			
The Gunma Bank, Ltd.	August 10, 2015	1,000,000	1,000,000	0.3925	August 10, 2022				
The Shinkumi Federation Bank		1,000,000	1,000,000						
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						

	Classification	Drawdown date	Balance at beginning of current period (¥ thousand)	Balance at end of current period (¥ thousand)	Average interest rate*1 (%)	Repayment date	Repayment method	Use of proceeds	Notes
	Lender								
Long-term borrowings	MUFG Bank, Ltd.	September 1, 2015	2,000,000	2,000,000	0.47125	September 1, 2022	Bullet	*2	Unsecured Unguaranteed Unsubordinated
	The Hachijuni Bank, Ltd.	December 20, 2017	1,000,000	1,000,000	0.1863	December 20, 2022			
	Development Bank of Japan Inc.	January 7, 2013	3,000,000	3,000,000	1.115	January 6, 2023			
	The Daishi Bank, Ltd.	January 7, 2016	1,500,000	1,500,000	0.2802	January 10, 2023			
	The 77 Bank, Ltd.	January 10, 2018	1,000,000	1,000,000	0.205	January 10, 2023			
	The Hachijuni Bank, Ltd.	January 15, 2016	1,000,000	1,000,000	0.265	January 16, 2023			
	The Iyo Bank, Ltd.	January 15, 2016	1,000,000	1,000,000	0.265	January 16, 2023			
	Sumitomo Mitsui Trust Bank, Limited	January 17, 2018	3,000,000	3,000,000	0.210	January 17, 2023			
	Development Bank of Japan Inc.	January 31, 2014	5,000,000	5,000,000	0.9325	January 31, 2023			
	The Yamaguchi Bank, Ltd.	March 25, 2013	1,000,000	1,000,000	0.945	March 24, 2023			
	The Bank of Fukuoka, Ltd.	March 24, 2015	2,000,000	2,000,000	0.5125	March 24, 2023			
	The Norinchukin Bank	March 25, 2015	3,500,000	3,500,000	0.46825	March 27, 2023			
	The Chugoku Bank, Limited	March 26, 2018	2,000,000	2,000,000	0.1988	March 27, 2023			
	Sumitomo Mitsui Banking Corporation	November 29, 2018	3,000,000	3,000,000	0.1694	May 29, 2023			
	Sumitomo Mitsui Trust Bank, Limited	November 29, 2018	3,000,000	3,000,000	0.1694	May 29, 2023			
	MUFG Bank, Ltd.	June 1, 2017	12,000,000	12,000,000	0.00331 *8	June 1, 2023			
	The Chugoku Bank, Limited	June 15, 2015	3,000,000	3,000,000	0.61175	June 15, 2023			
	The Bank of Fukuoka, Ltd.	June 15, 2017	2,500,000	2,500,000	0.2388	June 15, 2023			
	MUFG Bank, Ltd.	December 19, 2014	10,000,000	10,000,000	0.42375 *9	December 19, 2023			
	MUFG Bank, Ltd.	March 26, 2018	5,000,000	5,000,000	0.02276 *8	March 26, 2024			
	The Hachijuni Bank, Ltd.	March 26, 2018	1,000,000	1,000,000	0.2338	March 26, 2024			
	Sumitomo Mitsui Trust Bank, Limited	May 29, 2019	5,000,000	5,000,000	0.075	May 29, 2024			
	The Iyo Bank, Ltd.	June 15, 2017	2,500,000	2,500,000	0.275	June 17, 2024			
	The Hachijuni Bank, Ltd.	June 15, 2017	1,000,000	1,000,000	0.275	June 17, 2024			
	MUFG Bank, Ltd.	September 1, 2015	3,500,000	3,500,000	0.630	September 2, 2024			
	Sumitomo Mitsui Trust Bank, Limited	September 2, 2015	3,800,000	3,800,000	0.536	September 2, 2024			
	The Norinchukin Bank	September 1, 2017	5,000,000	5,000,000	0.240	September 2, 2024			
	Sumitomo Mitsui Trust Bank, Limited	September 26, 2019	5,500,000	5,500,000	0.105	September 26, 2024			
	Taiyo Life Insurance Company	October 1, 2014	2,000,000	2,000,000	0.7825	October 1, 2024			
	Mizuho Bank, Ltd.	October 1, 2015	2,500,000	2,500,000	0.5575	October 1, 2024			
	The Gunma Bank, Ltd.	November 18, 2019	—	1,000,000	0.11784 *8	November 18, 2024			
	MUFG Bank, Ltd.	June 1, 2018	10,000,000	10,000,000	0.2544	December 2, 2024			
	Shinkin Central Bank	January 7, 2020	—	2,000,000	0.2075	January 7, 2025			
	The Ashikaga Bank, Ltd.	January 9, 2018	1,000,000	1,000,000	0.285	January 9, 2025			
Mizuho Trust & Banking Co., Ltd.	March 2, 2015	3,000,000	3,000,000	0.5585	March 3, 2025				
MUFG Bank, Ltd.	March 26, 2018	2,000,000	2,000,000	0.2725	March 26, 2025				
Development Bank of Japan Inc.	March 30, 2017	5,000,000	5,000,000	0.315	March 31, 2025				
Taiyo Life Insurance Company	May 29, 2015	1,500,000	1,500,000	0.7375	May 29, 2025				

	Classification	Drawdown date	Balance at beginning of current period (¥ thousand)	Balance at end of current period (¥ thousand)	Average interest rate*1 (%)	Repayment date	Repayment method	Use of proceeds	Notes
	Lender								
Long-term borrowings	Sumitomo Mitsui Trust Bank, Limited	August 31, 2018	3,000,000	3,000,000	0.320	August 29, 2025	Bullet	*2	Unsecured Unguaranteed Unsubordinated
	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			
	MUFG Bank, Ltd.	February 26, 2018	6,500,000	6,500,000	0.3413	February 26, 2026			
	Mizuho Bank, Ltd.	March 27, 2018	5,500,000	5,500,000	0.300	March 27, 2026			
	Shinkin Central Bank	March 30, 2017	5,000,000	5,000,000	0.360	March 30, 2026			
	The Norinchukin Bank	January 23, 2019	4,000,000	4,000,000	0.1988	July 23, 2026			
	Shinkin Central Bank	September 1, 2017	5,000,000	5,000,000	0.3188	September 1, 2026			
	MUFG Bank, Ltd.	October 31, 2016	3,000,000	3,000,000	0.240	October 30, 2026			
	Mizuho Bank, Ltd.	December 21, 2016	5,000,000	5,000,000	0.415	December 21, 2026			
	Shinkin Central Bank	January 23, 2019	5,000,000	5,000,000	0.2213	January 25, 2027			
	Shinkin Central Bank	April 24, 2018	6,000,000	6,000,000	0.3675	April 26, 2027			
	The Joyo Bank, Ltd.	January 9, 2018	1,000,000	1,000,000	0.4188	January 11, 2028			
	Sumitomo Mitsui Banking Corporation	January 19, 2018	3,000,000	3,000,000	0.4338	January 19, 2028			
	Mizuho Bank, Ltd.	March 30, 2018	4,000,000	4,000,000	0.3963	March 30, 2028			
	MUFG Bank, Ltd.	March 30, 2018	4,000,000	4,000,000	0.3963	March 30, 2028			
	Taiyo Life Insurance Company	March 30, 2018	1,000,000	1,000,000	0.3963	March 30, 2028			
	Mizuho Bank, Ltd.	November 15, 2019	—	8,500,000	0.34875	November 15, 2028			
	Shinkin Central Bank	January 15, 2020	—	5,000,000	0.325	January 15, 2029			
	Mizuho Bank, Ltd.	November 1, 2019	—	6,000,000	0.35125	November 1, 2029			
	MUFG Bank, Ltd.	January 15, 2020	—	5,500,000	0.3625	January 15, 2030			
	The Yamanashi Chuo Bank, Ltd.	March 26, 2019	2,000,000	2,000,000	0.3688	March 26, 2031			
	Sumitomo Life Insurance Company	March 26, 2019	1,000,000	1,000,000	0.505	March 27, 2034			
Sumitomo Life Insurance Company	December 16, 2019	—	2,000,000	0.490	December 18, 2034				
	Subtotal		343,500,000	340,000,000					
	Total		357,000,000	369,000,000					

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

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

*3. As of November 15, 2019, MUFG Bank, Ltd. transferred its loan receivable of ¥10,900 million to Mitsubishi UFJ Trust and Banking Corporation.

*4. The Company made a full repayment (¥5,500 million) before maturity on November 5, 2019.

*5. As of February 17, 2020, MUFG Bank, Ltd. transferred its loan receivable of ¥10,900 million to Mitsubishi UFJ Trust and Banking Corporation.

*6. The Company made a full repayment (¥5,000 million) before maturity on November 5, 2019.

*7. 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 borrowings.

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

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

9. Investment Corporation Bonds including Current Portion of Investment Corporation Bonds

Outstanding investment corporation bonds as of March 31, 2020 are as follows.

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

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

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

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

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

10. Net Assets

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

11. Income Taxes

The Company is subject to Japanese corporate income taxes on all of its taxable income. However, under the Special Taxation Measures Act, an investment corporation is allowed to deduct dividends of accounting profits, or dividend distributions, paid to unitholders from its taxable income if certain tax requirements are satisfied. Such tax requirements include dividend distributions in excess of 90% of its earnings available for dividends for the fiscal period as stipulated by Article 67-15 of the Special Taxation Measures Act. The significant components of deferred tax assets and liabilities as of September 30, 2019 and March 31, 2020 were as follows:

	Thousands of yen	
	As of September 30, 2019	As of March 31, 2020
Deferred tax assets:		
Accrued enterprise tax	942	958
Amortization of a term leasehold interest	94,937	100,385
Asset retirement obligations	120,745	121,926
	216,624	223,270
Valuation allowance	(114,197)	(120,856)
Total deferred tax assets	102,427	102,413
Deferred tax liabilities:		
Asset retirement obligations	101,484	101,455
Reserve for advanced depreciation of non-current assets	723,845	1,283,111
Total deferred tax liabilities	825,330	1,384,567
Net deferred tax liabilities	722,903	1,282,153

The reconciliation of tax rate difference between the adjusted statutory tax rate and the effective tax rate as of September 30, 2019 and March 31, 2020 was as follows:

	As of September 30, 2019	As of March 31, 2020
Statutory tax rate	34.59%	34.59%
Deductible dividend distribution	(31.75%)	(31.14%)
Change in valuation allowance	0.04%	0.04%
Others	0.00%	0.00%
Effective tax rate	2.89%	3.50%

12. Related Party Transactions

For the six months ended September 30, 2019 and March 31, 2020

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

(1) Parent Company and Major Corporation Unitholders

For the period from April 1, 2019 to September 30, 2019

“Not applicable”

For the period from October 1, 2019 to March 31, 2020

“Not applicable”

(2) Affiliated Companies

For the period from April 1, 2019 to September 30, 2019

“Not applicable”

For the period from October 1, 2019 to March 31, 2020

“Not applicable”

(3) Sister Companies

For the period from April 1, 2019 to September 30, 2019

“Not applicable”

For the period from October 1, 2019 to March 31, 2020

“Not applicable”

(4) Directors and Major Individual Unitholders

For the period from April 1, 2019 to September 30, 2019

“Not applicable”

For the period from October 1, 2019 to March 31, 2020

“Not applicable”

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

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

For the period from April 1, 2019 to September 30, 2019 (Unaudited)

Type of relationship	Name of transaction partner	Type of business	Percentage of units held	Transaction details	Transaction amount (¥ thousand)	Accounting item	Balance at end of the period (¥ thousand)
Interested party	Mitsubishi Estate Co., Ltd.	Real estate	1.235%	Rent revenue	14,277,898	—	19,391,744
				Security deposit increase	459,342	Deposits received from tenants	
				Security deposit return	255,377		
Interested party	Mitsubishi Jisho Property Management Co., Ltd.	Real estate management	—	Property management expenses	2,331,533	—	—
Asset custody company	Sumitomo Mitsui Trust Bank, Limited	Bank	—	Proceeds from long-term borrowings	10,500,000	Long-term borrowings	36,000,000
				Repayments of long-term borrowings	10,500,000		

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

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

For the period from October 1, 2019 to March 31, 2020 (Unaudited)

Type of relationship	Name of transaction partner	Type of business	Percentage of units held	Transaction details	Transaction amount (¥ thousand)	Accounting item	Balance at end of the period (¥ thousand)
Interested party	Mitsubishi Estate Co., Ltd.	Real estate	1.235%	Rent revenue	14,504,178	—	19,499,765
				Real estate beneficiary rights in trust purchase	28,735,000	—	
				Security deposit increase	349,286	Deposits received from tenants	
				Security deposit return	241,266		
Interested party	Mitsubishi Jisho Property Management Co., Ltd.	Real estate management	—	Property management expenses	2,370,009	—	—
Asset custody company	Sumitomo Mitsui Trust Bank, Limited	Bank	—	—	—	Long-term borrowings	36,000,000

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

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

13. Segment Information

For the six months ended September 30, 2019 and March 31, 2020

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

Information on products and services

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

Information on geographic area

(1) Revenue

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

(2) Property and equipment

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

Information on major clients

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

14. Asset Retirement Obligations

For the six months ended September 30, 2019 and March 31, 2020

Asset retirement obligations reported on balance sheets

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

Change in the asset retirement obligations for the six months ended September 30, 2019 and March 31, 2020 consisted of the following:

	Thousands of yen	
	For the period from April 1, 2019 to September 30, 2019	For the period from October 1, 2019 to March 31, 2020
Balance at the beginning of the period	345,493	348,974
Increase in tangible fixed assets	—	—
Accretion expense	3,480	3,515
Balance at the end of the period	348,974	352,489

15. Investment and Rental Property

For the six months ended September 30, 2019 and March 31, 2020

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

The book values on balance sheets as of September 30, 2019 and March 31, 2020 and the fair values as of September 30, 2019 and March 31, 2020 are as follows:

Thousands of yen			
Book value		Fair value	
As of March 31, 2019	Change during the period *1	As of September 30, 2019	As of September 30, 2019
935,057,721	(6,237,260)	928,820,461	1,204,238,234

Thousands of yen			
Book value		Fair value	
As of September 30, 2019	Change during the period *2	As of March 31, 2020	As of March 31, 2020
928,820,461	26,408,499	955,228,960	1,235,000,000

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

2. Significant changes

*1. As for the increases/decreases for the period, the major reasons for the decreases were the disposition of a 50% quasi-co-ownership interest of Kawasaki Isago Building (¥1,423,739 thousand) and by depreciation.

*2. As for the increases/decreases for the period, the major reasons for the increases were the acquisitions of Seavans S Building (¥5,669,307 thousand) and Otemachi Park Building (¥10,235,651 thousand), and the additional acquisitions of Shinjuku Front Tower (¥10,164,729 thousand) and Shinjuku Eastside Square (¥8,512,551 thousand). The major reasons for the decreases were the dispositions of a remaining 50% quasi-co-ownership interest of Kawasaki Isago Building (¥1,417,827 thousand) and Kodenmachi Shin-Nihonbashi Building (¥2,714,418 thousand), and by depreciation.

3. Fair values as of September 30, 2019 and March 31, 2020 are defined as the appraised values provided by an external qualified professional appraiser. As of September 30, 2019, Kawasaki Isago Building (50% quasi-co-ownership interest), for which the disposition agreement was made dated September 19, 2019, was valued at the disposition price.

Profits and losses related to investment and rental property are listed in Section 17. “Breakdown of Property-Related Revenues and Expenses”.

16. Per Unit Information

The following table summarizes information about net assets per unit and profit per unit as of September 30, 2019 and March 31, 2020 and for the periods then ended, respectively:

	Yen	
	For the period from April 1, 2019 to September 30, 2019	For the period from October 1, 2019 to March 31, 2020
Net assets per unit	370,174	371,351
Profit per unit	10,789	11,373

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

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

	Thousands of yen	
	For the period from April 1, 2019 to September 30, 2019	For the period from October 1, 2019 to March 31, 2020
Profit	14,945,513	15,755,259
Amount not attributable to normal unitholders	—	—
Profit applicable to normal investment units	14,945,513	15,755,259
Average number of units	1,385,210 units	1,385,210 units

17. Breakdown of Property-Related Revenues and Expenses

For the six months ended September 30, 2019 and March 31, 2020

	Thousands of yen	
	For the period from April 1, 2019 to September 30, 2019	For the period from October 1, 2019 to March 31, 2020
Property-Related Revenues	33,580,214	33,810,571
Rent revenues	33,522,024	33,746,218
Rental revenues	27,114,478	27,566,414
Common service charges	2,845,225	2,686,402
Parking revenues	774,730	763,482
Other rental revenues	2,787,590	2,729,919
Other lease business revenues	58,189	64,352
Cancellation charges	35,524	11,096
Other miscellaneous revenues	22,665	53,256
Property-Related Expenses	16,909,983	16,813,977
Expenses related to lease business	16,909,983	16,813,977
Property management expenses	3,637,328	3,740,195
Utilities expenses	2,570,022	2,251,223
Property and other taxes	3,256,368	3,241,944
Casualty insurance	50,398	46,005
Repairing expenses	767,963	936,202
Depreciation	6,433,778	6,416,541
Other rental expenses	194,123	181,864
Property-Related Profits	16,670,230	16,996,593

18. Breakdown of Gain on Sales of Real Estate Properties

For the period from April 1, 2019 to September 30, 2019

	Thousands of yen
Kawasaki Isago Building (50% quasi-co-ownership interest)	
Revenue from sale of real estate property	3,078,234
Cost of real estate property sold	1,423,739
Other sales expenses	70,500
Gain on sales of real estate properties	1,583,993

For the period from October 1, 2019 to March 31, 2020

	Thousands of yen
Kawasaki Isago Building (50% quasi-co-ownership interest)	
Revenue from sale of real estate property	3,078,234
Cost of real estate property sold	1,417,827
Other sales expenses	62,015
Gain on sales of real estate properties	1,598,391

	Thousands of yen
Kodenmacho Shin-Nihonbashi Building	
Revenue from sale of real estate property	3,450,000
Cost of real estate property sold	2,714,418
Other sales expenses	148,334
Gain on sales of real estate properties	587,246

19. Changes in Unitholders' Equity

For the six months ended September 30, 2019 and March 31, 2020

Total number of investment units issuable and number of units outstanding	As of September 30, 2019	March 31, 2020
Total number of investment units issuable	4,000,000 units	4,000,000 units
Number of units outstanding	1,385,210 units	1,385,210 units

20. Supplemental Cash Flow Information

Cash and cash equivalents

The following table represents a reconciliation of cash and cash equivalents as of September 30, 2019 and March 31, 2020:

	Thousands of yen	
	As of September 30, 2019	As of March 31, 2020
Cash and deposits	26,723,523	16,996,570
Cash and deposits in trust	6,881,014	6,442,270
Time deposits with maturities of more than three months	—	—
Cash and cash equivalents	33,604,537	23,438,840

21. Leases

1. Leased assets under finance lease transactions that do not transfer ownership of the leased assets to the lessees are capitalized and depreciated by the straight-line method over the lease term with no residual value. Such capitalized leased assets primarily consist of tools, furniture and fixtures.
2. The Company, as a lessor, owns office buildings under leases and earns rent income. As of September 30, 2019 and March 31, 2020, the future lease revenues under the non-cancelable operating leases are as follows:

	Thousands of yen	
	As of September 30, 2019	As of March 31, 2020
Due within one year	24,263,634	28,841,474
Due after one year	52,576,964	55,020,909
Total	76,840,598	83,862,384

22. Subsequent Events

For the six months ended March 31, 2020

“Not applicable”



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Independent Auditor's Report

The Board of Directors
Japan Real Estate Investment Corporation

Opinion

We have audited the accompanying financial statements of Japan Real Estate Investment Corporation (the Company), which comprise the balance sheet as at March 31, 2020, and the statement of income and retained earnings, changes in unitholders' equity, cash distributions, and cash flows for the six-month period then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2020, and its financial performance and its cash flows for the six-month period then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Responsibilities of Management and Supervisory Director for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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



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

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

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

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

Conflicts of Interest

We have no interest in the Company which should be disclosed in accordance with the Certified Public Accountants Act.



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Ernst & Young ShinNihon LLC
Tokyo, Japan
June 19, 2020

吉田 雅彦 

Masahiko Yoshida
Designated Engagement Partner
Certified Public Accountant

大久保 照代 

Teruyo Okubo
Designated Engagement Partner
Certified Public Accountant

Other Information

1. Risk Factors

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

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

In addition, JRE is subject to the following risks:

- risks related to the COVID-19 pandemic;
- risks related to increasing operating costs;
- risks related to JRE’s dependence on the efforts of the AIFM’s key personnel;
- risks related to the restrictive covenants under debt financing arrangements;
- risks related to entering into forward commitment contracts;
- risks related to third-party leasehold interests in the land underlying JRE properties;
- risks related to holding the property in the form of stratified ownership (*kubun shoyū*) interests or co-ownership interests (*kyōyū-mochibun*);
- risks related to holding the property through trust beneficiary interests;
- risks related to properties not in operation (including properties under development);
- risks related to the defective title, design and construction, other defects, non-comformity to the agreement or problems in the properties;
- risks related to impairment losses related to the properties;
- risks related to tenant leasehold deposits and/or security deposits;
- risks related to tenant’s default as a result of financial difficulty or insolvency;
- risks related to the insolvency of master lessee;
- risks related to the insolvency of a property seller following the purchase of a property by AIF;
- risks related to relying on expert appraisals and engineering, environmental and seismic reports as well as industry and market data;
- risks related to the presence of hazardous or toxic substances in the properties, or the failure to properly remediate such substances;
- risks related to strict environmental liabilities for the properties;
- risks related to the amendment of applicable administrative laws and local ordinances;
- risks related to infringing third party’s intellectual property rights;
- risks related to holding interests in properties through preferred shares of special purpose companies (*tokutei mokuteki kaisha*);
- risks related to holding Japanese anonymous association (*tokumei kumiai*) interests;
- risks related to investments in trust beneficiary interests;
- risks related to the tight supervision by regulatory authorities and compliance with applicable rules and regulations;

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

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

(1) Material Changes in Information Listed in Article 23 of AIFMD during the Financial Period covered by the Report (six-month fiscal period ended March 31, 2020)

None.

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

Beginning April 1, 2019 and ending March 31, 2020

1. Remuneration for Asset Manager Directors

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

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

2. Remuneration for Asset Manager Corporate Auditors

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

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

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

3. Remuneration for Asset Manager Employees

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

	All employees			
	Number of employees	Remuneration		
		Total	Fixed	Variable
Remuneration based on compensation rules	42	JPY 354 million	JPY 226 million	JPY 128 million

4. Conflicts of Interest

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

Corporate Data

As of March 31, 2020

Executives

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

Paid-in Capital

JPY 497,241,216,000

Number of Units Outstanding

1,385,210

Number of Unitholders

13,303

Stock Listing

Tokyo Stock Exchange

Securities Code

8952

LEI (Legal Entity Identifier)

3538003YAIR3CBGJJ928

Type of Investment Corporation

Closed-end corporate type fund

Transfer Agent

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

Auditor

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

Incorporation

May 11, 2001

Executive Office

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

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

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

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

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