

Japan Real Estate Investment Corporation

SEMIANNUAL REPORT

March 2018

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



The Strengths of Japan Real Estate Investment Corporation

STRENGTHS

Stable Dividends

— Actual dividend per unit
for the March 2018 period:

¥9,336

— Forecast dividend per unit
for the September 2018 period:

¥9,140

Collaboration with Sponsors

— Expertise of

Mitsubishi Estate Co., Ltd.
and Mitsui & Co., Ltd.

is being fully utilized

Steady Growth with Quality Portfolio

As of March 31, 2018

— Total acquisition price:

¥990,197 million

— The first listed J-REIT,
showing steady performance for
33 consecutive periods

— Maintains **70** properties

Sound Financial Base

As of March 31, 2018

— Highest level of credit ratings for a J-REIT:

A+ from S&P,

A1 from Moody's,

AA from R&I

— Long-term interest-bearing debt ratio*1:

92.1%

— LTV
(Interest-bearing debt / Total assets)*2:

43.2%

*1 Long-term loans + Investment corporation bonds (including current portion of Long-term, fixed interest loans and Investment corporation bonds) / Total interest-bearing debt

*2 Rough estimate after public offering (PO) 40.5%

To Our Unitholders

In the fiscal period ended March 2018, dividends rose for the eighth consecutive period, increasing ¥240, to ¥9,336, due to both solid external and internal growth. The occupancy rate of our portfolio at the end of the fiscal period stood at 99.2%, which marks our highest rate ever. Going forward, we will focus on increasing revenues from our existing buildings through upward rent revisions as we continue to aim for stable dividend growth.

Business Performance for the March 2018 Period

Summary of Financial Results and Cash Dividends

In the March 2018 period (October 1, 2017 to March 31, 2018), Japan Real Estate Investment Corporation (the “Company”) recorded operating revenues of ¥31.9 billion, a 0.7% increase from the previous period. On the earnings front, operating profit increased 3.2%, to ¥13.5 billion. After deducting expenses for interest payments on loans and other costs, ordinary profit increased 3.7%, to ¥12.3 billion, and profit had an increase of 3.2%, to ¥12.2 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 made a reduction entry by applying “Exceptions of the Taxation in case of the Replacement by Purchase of Specific Assets” under Article 65-7 of the Special Taxation Measures Act, and “Inclusion in Deductible Expenses of Depreciated Amount of Fixed Assets, etc. Acquired with Insurance Money etc.” under Article 47 of the Corporation Tax Act. Reserving the retained earnings brought forward, the total amount of dividends that the Company has determined to pay out is ¥12,223,718,160 for the period under review, which is a multiple of 1,309,310—the number of units outstanding as of March 31, 2018. Accordingly, the per-unit cash dividend is ¥9,336.

Operating Environment and Performance

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

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

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

Under such market conditions, the Company made sound investments under the Investment Guideline of providing stable dividends to unitholders, which was set forth at the time of the Company’s listing on the TSE, and remains unchanged to this date. Accordingly, the Company was able to provide a dividend of ¥9,336, which is an increase of ¥240 from the previous period.

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

As for external growth, on January 18, 2018, the Company disposed of the building section of Shibuya Cross Tower (Shibuya-ku, Tokyo) for ¥10.0 billion (land, but established a leasehold interest on the same date) and acquired Front Place Nihonbashi (Chuo-ku, Tokyo) for ¥17.5 billion, including the proceeds of the disposal of Shibuya Cross Tower on January 19, 2018. As a result, the Company’s portfolio has been renewed in the built years and office lease business has been stable including the monthly land rent from Shibuya Cross Tower. Also, the existing ownership of Shinjuku Eastside Square (Shinjuku-ku, Tokyo) was increased by purchasing additional 13.4% of co-ownership at ¥25.4 billion. Thus, the Company’s current share of co-ownership increased from 17.6% to 31.0%.

As a result of the above, the Company’s portfolio at the end of the fiscal period under review, March 31, 2018, consisted of 70 properties, with a total acquisition price of ¥990,197 million. Total leasable floor area stood at 833,335 m² with 1,449 tenants in total.

For external growth, we acquired Front Place Nihonbashi in January as well as additional shares of Shinjuku Eastside Square in March 2018. In April, we acquired shares of Shinjuku Front Tower. Accordingly, the total acquisition price over the 17-year period since we became a listed company has surpassed ¥1 trillion. Going forward, while fierce competition to acquire properties is expected to continue, we will remain focused on selecting and acquiring properties with a long-term competitive edge.

In addition, the Company acquired Shinjuku Front Tower (Shinjuku-ku, Tokyo) for ¥25.0 billion on April 17, 2018. Recently built with a variety of functions and located in the Shinjuku area, the company now has a 27.24798% share of ownership of the building on April 17, 2018.

Notes: 1. The acquisition price includes the selling price (¥614 million) of the part of Jingumae Media Square Building disposed of on October 30, 2009. The total acquisition price in the subsequent sections follows the same convention.

2. Shinjuku South Gate Project (tentative name) (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 total leasable floor area or total number of tenants.

Finance Activities

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

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

During the March 2018 period, as a first-time initiative among J-REITs, the Company procured funds by issuing investment corporation bonds in foreign currencies, combining with currency swap transactions and low-level fixed interest rates. In addition, the Company borrowed to acquire Front Place Nihonbashi and additional 13.4% of co-ownership of Shinjuku East Side Square. As a result of the

above financing activities, as of March 31, 2018, the Company's total interest-bearing debt was ¥403.9 billion, a ¥28.4 billion increase from the end of the previous period. This amount consists of long-term loans totaling ¥339.0 billion (including the current portion of long-term loans totaling ¥27.5 billion), short-term loans totaling ¥32.0 billion, and investment corporation bonds totaling ¥32.9 billion (including the current portion of investment corporation bonds totaling ¥10.0 billion). The current LTV ratio stands at 43.2%.

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

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

The Company's credit ratings as of March 31, 2018 were as follows:

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

Outlook

Operating Environment

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

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

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

Property Management

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

- (i) Strengthen relationships of trust with existing tenants
The Company has contracts with numerous property management companies. Each property management company has developed relationships of trust with their tenants through their daily diligence in managing their respective properties over the years. The Company will work to further solidify these relationships by anticipating tenants' needs and providing tailored services to bolster tenant satisfaction, thereby maintaining and improving occupancy rates and raising the rent levels.
- (ii) Fill vacancies promptly
In cooperation with the property management companies mentioned above and their leasing brokers, the Company will actively seek the most appropriate tenants for each property, based on location and features, in order to fill current and anticipated vacancies without delay. Furthermore, the Company will work to identify additional needs for floor area among the existing tenants.

- (iii) Stabilize revenues and earnings

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

- (iv) Reduce management costs

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

Property Acquisitions and Sales

The Company has adopted the following policies for acquiring properties.

- (i) To access property information quickly, the Company continues to enhance its property information channels while working to develop new channels.
- (ii) In its acquisition activities, the Company continues to meticulously monitor and examine economic, physical, and legal factors, including rights-related issues, when selecting properties. In particular, with regard to the structure of buildings, the Company requires buildings to meet or exceed new earthquake-resistant standards, verifies the need for renovations by capturing current conditions accurately based on engineering reports, and exclusively targets properties capable of maintaining a competitive edge in terms of the facilities they offer over the medium to long term.
- (iii) In accordance with its acquisition policies, the Company shall maintain its portfolio so that 70% or more of the portfolio properties are located within the Tokyo metropolitan area, with the remaining 30% or fewer located in other major cities.

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



Hiroshi Nakajima (Left)

Executive Director of Japan Real Estate Investment Corporation

Naoki Umeda (Right)

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

Financial Policy

The Company has adopted the following financial policies.

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

Performance Forecasts for the September 2018 and March 2019 Fiscal Periods

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

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

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

Hiroshi Nakajima

Executive Director of Japan Real Estate Investment Corporation

Naoki Umeda

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

Financial Highlights

| | Millions of yen | | | | |
|--------------------------------------|---|---|---|---|---|
| | For the period from October 1, 2017 to March 31, 2018 | For the period from April 1, 2017 to September 30, 2017 | For the period from October 1, 2016 to March 31, 2017 | For the period from April 1, 2016 to September 30, 2016 | For the period from October 1, 2015 to March 31, 2016 |
| Operating revenues | ¥31,955 | ¥31,718 | ¥30,818 | ¥30,773 | ¥30,589 |
| Operating profit | 13,596 | 13,178 | 12,567 | 12,368 | 12,352 |
| Ordinary profit | 12,362 | 11,921 | 11,197 | 10,958 | 10,816 |
| Profit | 12,291 | 11,909 | 11,186 | 10,947 | 10,753 |
| Net operating income (NOI) (Note 1) | 21,566 | 21,275 | 20,372 | 20,182 | 19,973 |
| Funds from operations (FFO) (Note 2) | 18,652 | 18,466 | 17,679 | 17,447 | 17,079 |
| FFO multiple (Times) (Note 3) | 19.3 | 19.2 | 21.8 | 22.8 | 25.0 |
| Cash distribution | 12,223 | 11,909 | 11,186 | 10,947 | 10,632 |
| Number of units | 1,309,310 | 1,309,310 | 1,309,310 | 1,309,310 | 1,309,310 |
| Dividend per unit (Yen) | 9,336 | 9,096 | 8,544 | 8,361 | 8,121 |

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

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

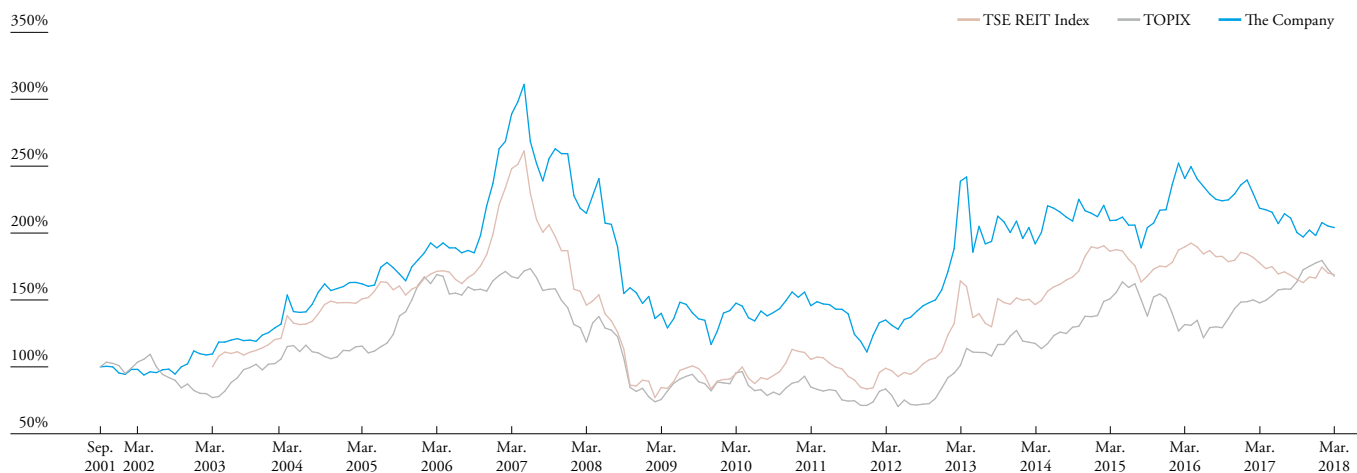
3. FFO multiple = Unit price at end of the respective term / FFO per unit (Annualized)

(Annualized portion of the calculation given in Note 3 assumes a fiscal period of 183 days for the period ended March 31, 2016, 183 days for the period ended September 30, 2016, 182 days for the period ended March 31, 2017, 183 days for the period ended September 30, 2017, and 182 days for the period ended March 31, 2018.)

Top 10 Unitholders As of March 31, 2018

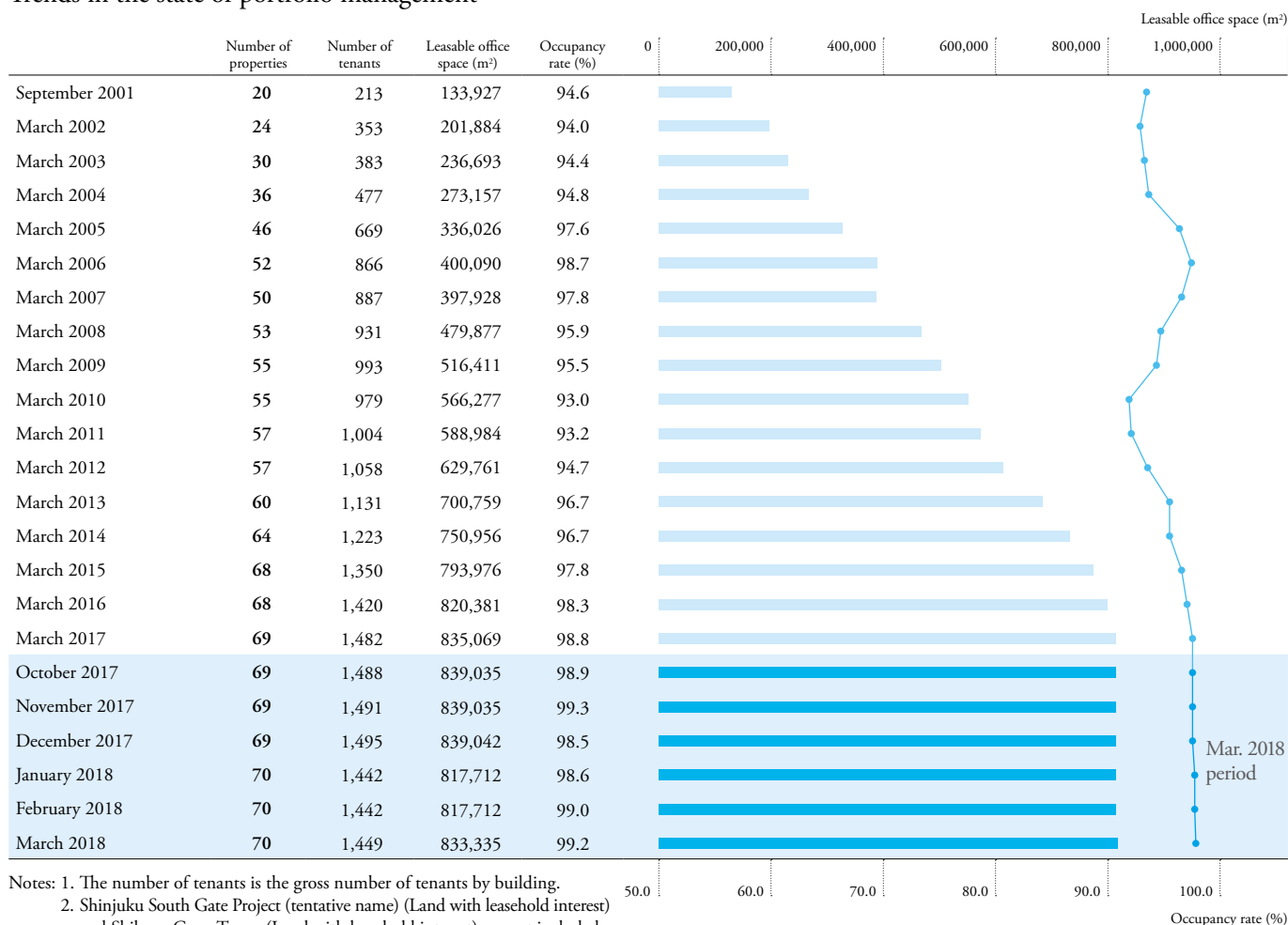
| Unitholders | Units | % of total units outstanding |
|---|---------|------------------------------|
| Japan Trustee Services Bank, Ltd. (Shintaku Acc.) | 252,260 | 19.27% |
| The Master Trust Bank of Japan, Ltd. (Shintaku Acc.) | 176,582 | 13.49% |
| Trust & Custody Services Bank, Ltd. (Toshin Acc.) | 58,436 | 4.46% |
| The Nomura Trust and Banking Co., Ltd. (Toshin Acc.) | 55,931 | 4.27% |
| STATE STREET BANK WEST CLIENT-TREATY 505234 | 37,197 | 2.84% |
| STATE STREET BANK-WEST PENSION FUND CLIENTS-EXEMPT 505233 | 24,777 | 1.89% |
| STATE STREET BANK AND TRUST COMPANY 505012 | 19,062 | 1.46% |
| JP MORGAN CHASE BANK 385628 | 18,410 | 1.41% |
| The Chugoku Bank Ltd. | 17,970 | 1.37% |
| Mitsubishi Estate Co., Ltd. | 17,120 | 1.31% |

Unit Price Performance



Portfolio Highlights

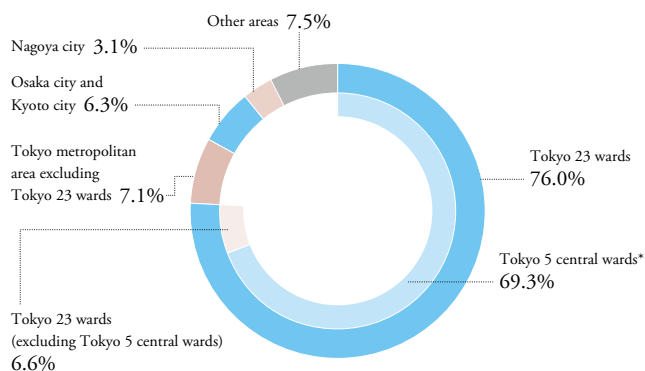
Trends in the state of portfolio management



Portfolio breakdown As of March 31, 2018

Properties by geographic region

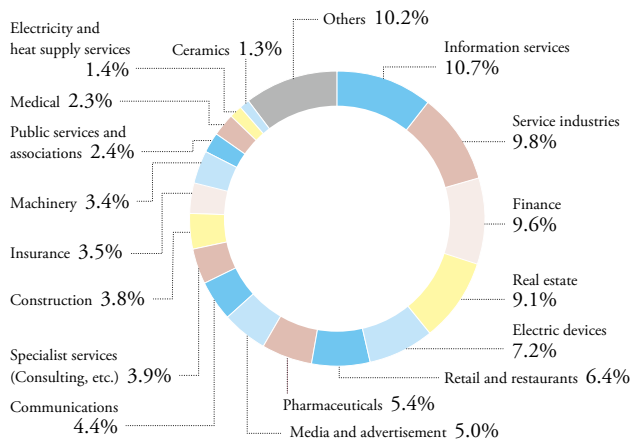
(Percentage based on acquisition price)



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

Tenants by industry type

(Percentage based on leased office space)



Note: Shinjuku South Gate Project (Land) and Shibuya Cross Tower (Land with leasehold interest) are not included.

Asset Management Summary

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

Disposed Property

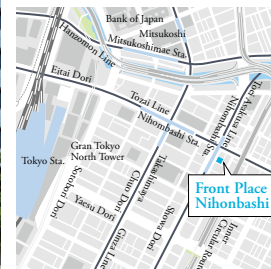


Shibuya Cross Tower (Building section)

Property and Transaction Summary

- Location: 2-15-1, Shibuya, Shibuya-ku, Tokyo
- Site area: 5,153.45 m²
- Floor area of building: 61,862.33m²
- Structure: Steel-framed reinforced concrete structure, steel-framed structure, flat roof
- Floors: Above ground: 32 floors
Below ground: 3 floors
- Completion: April 1976
- Acquisition date: November 30, 2001
- Acquisition price: ¥8,076 million (Acquisition price of the building)
- Type of ownership: Land: The freehold of the land will not be disposed, but a general fixed-term leasehold for 70 years will be signed.
Building: Ownership
- Buyer: Mitsubishi Estate Co., Ltd.

Acquired Property



Front Place Nihonbashi

Property and Transaction Summary

- Location: 2-14-1, Nihonbashi, Chuo-ku, Tokyo
- Site area: 1,381.52 m²
- Floor area of building: 11,672.55 m²
- Structure: Steel-framed structure, Steel-framed reinforced concrete structure, flat roof
- Floors: Above ground: 10 floors
Below ground: 1 floor
- Completion: February 2014
- Acquisition date: January 11, 2018
- Acquisition price: ¥17,560 million
- Type of ownership: Land: Ownership
Building: Ownership
- Seller: Nihonbashi 2 Chome Kaihatsu Tokutei Mokuteki Kaisha

Issuance of New Investment Units

Issuance of new investment units through public offering

| | |
|---|-------------------|
| Number of newly offered investment units: | 69,000 |
| Issue price (offering price): | ¥533,120 per unit |
| Total amount of issue price (offering price): | ¥36,785,280,000 |
| Amount to be paid in (issue value): | ¥516,800 per unit |
| Total amount to be paid in (issue value): | ¥35,659,200,000 |
| Payment date: | April 16, 2018 |

Issuance of new investment units through third-party allocation

| | |
|---|----------------------------|
| Number of newly offered investment units: | 6,900 |
| Issue price (offering price): | ¥516,800 per unit |
| Total amount to be paid in (issue value): | ¥3,565,920,000 |
| Payment date: | May 9, 2018 |
| Allottee: | SMBC Nikko Securities Inc. |

Acquired Property

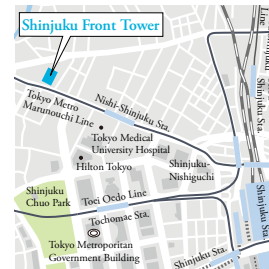


Shinjuku Eastside Square (Additional acquisition)

Property and Transaction Summary

- Location: 6-27-30, Shinjuku, Shinjuku-ku, Tokyo
- Site area: 25,320.28 m² (Total land area for the building site)
- Floor area of building: 167,245.46 m² (Total area for the building)
* Including retail outlets in the attached building (214.27 m²)
- Structure: Steel-framed, reinforced concrete structure, flat roof
- Floors: Above ground: 20 floors
Below ground: 2 floors
- Completion: March 2012
- Acquisition date: March 30, 2018
- Acquisition price: ¥25,460 million
- Type of ownership: Land: Freehold (13.4/100 co-ownership of 1 lot: 25,320.28 m²)
Building: Ownership (13.4/100 co-ownership of 1 building 167,245.46 m²)
- Seller: Mitsubishi Estate Co., Ltd.
- Property management company: Mitsubishi Estate Co., Ltd.

Property to be Acquired



Shinjuku Front Tower

Property and Transaction Summary

- Location: 2-21-1, Kita-Shinjuku, Shinjuku-ku, Tokyo
- Site area: 9,628.17 m² (Total land area for the building site)
- Floor area of building: 92,092.30 m² (Total area for the building)
- Structure: Steel-framed, Steel-framed reinforced concrete structure, flat roof
- Floors: Above ground: 35 floors
Below ground: 2 floors
- Completion: August 2011
- Acquisition date: April 17, 2018
- Acquisition price: ¥25,025 million
- Type of ownership: Land: Freehold (27.20234/100 co-ownership) (Note)
Building: Co-ownership of compartmentalized building units
- Office units: 52,713.71 m² out of 53,248.09 m², from the fourth floor to the thirty-fourth floor excluding units owned by other co-owners: 27.5/100.
- Retail units: 4,298.89 m², from the first floor to the third floor: 27.5/100.
*share of ownership of the building: 27.24798%
- Seller: Mitsubishi Estate Co., Ltd.
- Property management company: Mitsubishi Estate Co., Ltd.

Note: Share of registered right of site: 27.5/100 of co-ownership of 98,917,614,500/100,000,000,000.

With the funds procured from the above public offerings of new investment units, the Company acquired a 27.24798% share of ownership of the building of Shinjuku Front Tower (¥25,025 million) and made a prepayment of ¥13.0 billion in short-term loans on April 17, 2018.

In addition, with the funds procured from the issuance of new investment units by third-party allocation, the Company made a prepayment of ¥3.0 billion in short-term loans on May 9, 2018. The remaining funds have been allocated as cash reserves for acquiring specified assets and repaying loans in the future.

Approach to ESG

Basic Policy and Management Structure of ESG (Environmental, Social, and Governance)

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



The Company is committed to enhancing consideration toward the environment, social contributions, and corporate governance to improve the sustainability of society. We recognize that this is an important social responsibility for a listed enterprise to assume, and also believe that it is essential for maximizing our unitholder value.

To put our commitment into practice based on the above recognition, Japan Real Estate Asset Management Co., Ltd. (JRE-AM), the Company's asset management company, has established its Sustainability Policy to communicate its priority issues and basic policies on sustainability with regard to its real estate investment management. Under the policy, we implement various initiatives, including environmental impact reduction through facility upgrades and acquisition of Green Building certification, as well as actions to contribute to local communities.

Please refer to our web-site for further information.

URL <https://www.j-re.co.jp/en/esg/index.html>



Achieved GRESB's "Green Star" Status

In the 2017 GRESB Real Estate Assessment, the Company was highly evaluated and rated a "Green Star".

Becoming a GRESB Member

To integrate ESG factors into investment management, JRE-AM became a GRESB (Global Real Estate Sustainability Benchmark) Real Estate Company & Fund Manager Member as the first Japanese real estate and asset management company. Furthermore, JRE-AM acts as a member of the GRESB Asian Benchmark Committee and contributes to the discussion toward the future development of GRESB.

As a member of this international initiative, JRE-AM will work for greater sustainability by networking and sharing information with companies that are advanced in terms of ESG as well as by showcasing Japanese practices to the global community.



Obtaining DBJ Green Building Certification

The DBJ Green Building certification was established by the Development Bank of Japan with the aim of encouraging real estate project activities that pursue environmental and social contributions instead of focusing solely on economic performance. Green Building-certified properties are selected based on a comprehensive evaluation scheme for multiple criteria, including tenant amenities, involvement

in the local community, and risk management, in addition to the environmental performance of the building. Under this program, a number of properties held by the Company have been highly rated, including Harumi Front, which received the highest rank of Five Stars, representing the first J-REIT property that has ever been honored with this evaluation.

Properties Certified with DBJ Green Building Certification

Five Stars

Properties with the best class environmental and social awareness



Otemachi Financial City North Tower



Harumi Front



Shiodome Building



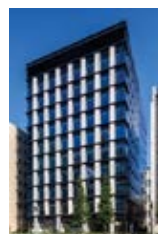
Shinjuku Eastside Squar

Four Stars

Properties with exceptionally high environmental and social awareness



Kitanomaru Square



Front Place Nihonbashi



Akasaka Park Building



Tamachi Front Building



Tokyo Opera City Building



TIXTOWER UENO



Queen's Tower A



Higashi Nibancho Square



Nagoya Hirokoji Place



Harumi Center Building



Osaki Front Tower



MM Park Building

Three Stars

Properties with excellent environmental & social awareness



Ginza 1Chome East Building

Two Stars

Properties with high environmental & social awareness



Yoyogi 1Chome Building

Asset Size, Property Acquisitions, and Performance Trends

Occupancy rate (%)

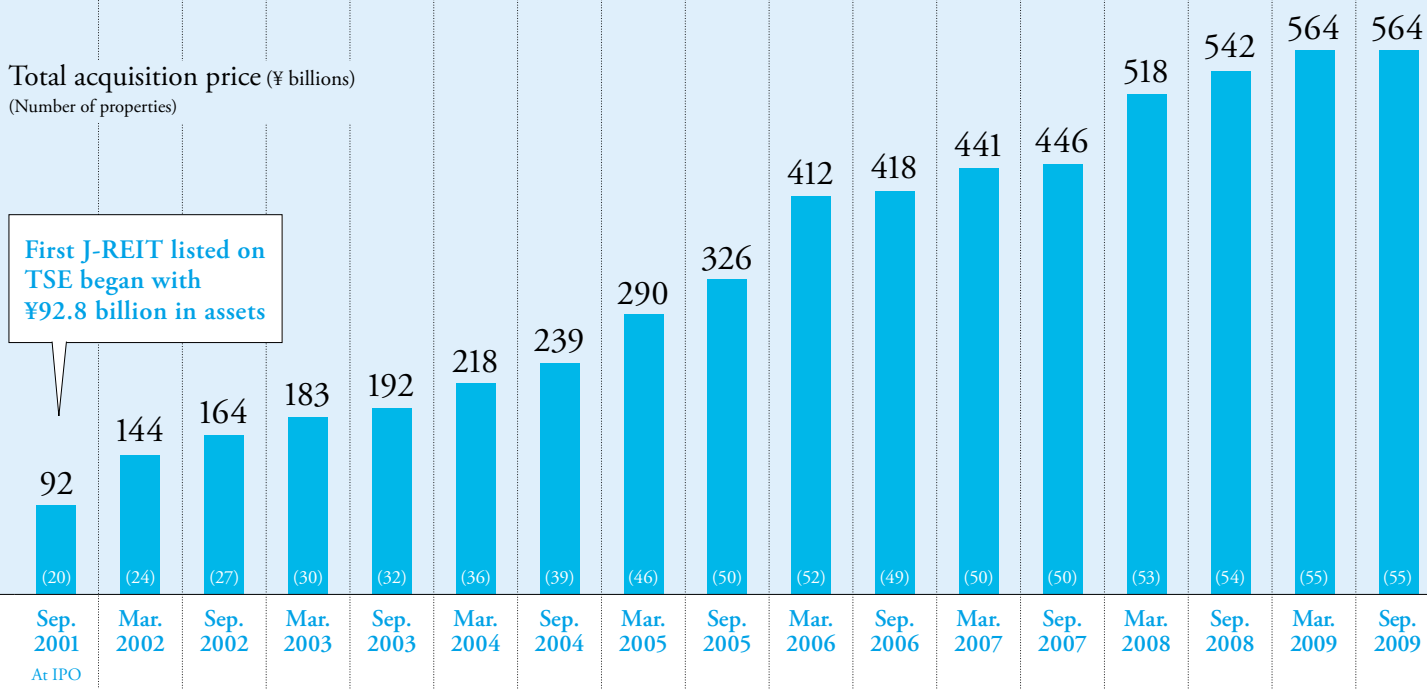
94.6 94.0 95.3 94.4 95.1 94.8 93.6 97.6 98.6 98.7 98.2 97.8 98.7 95.9 96.1 95.5 93.3



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 ¥92.8 billion at IPO to ¥990.1 billion as of the period ended March 31, 2018 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 (¥ billions)
(Number of properties)

First J-REIT listed on TSE began with ¥92.8 billion in assets



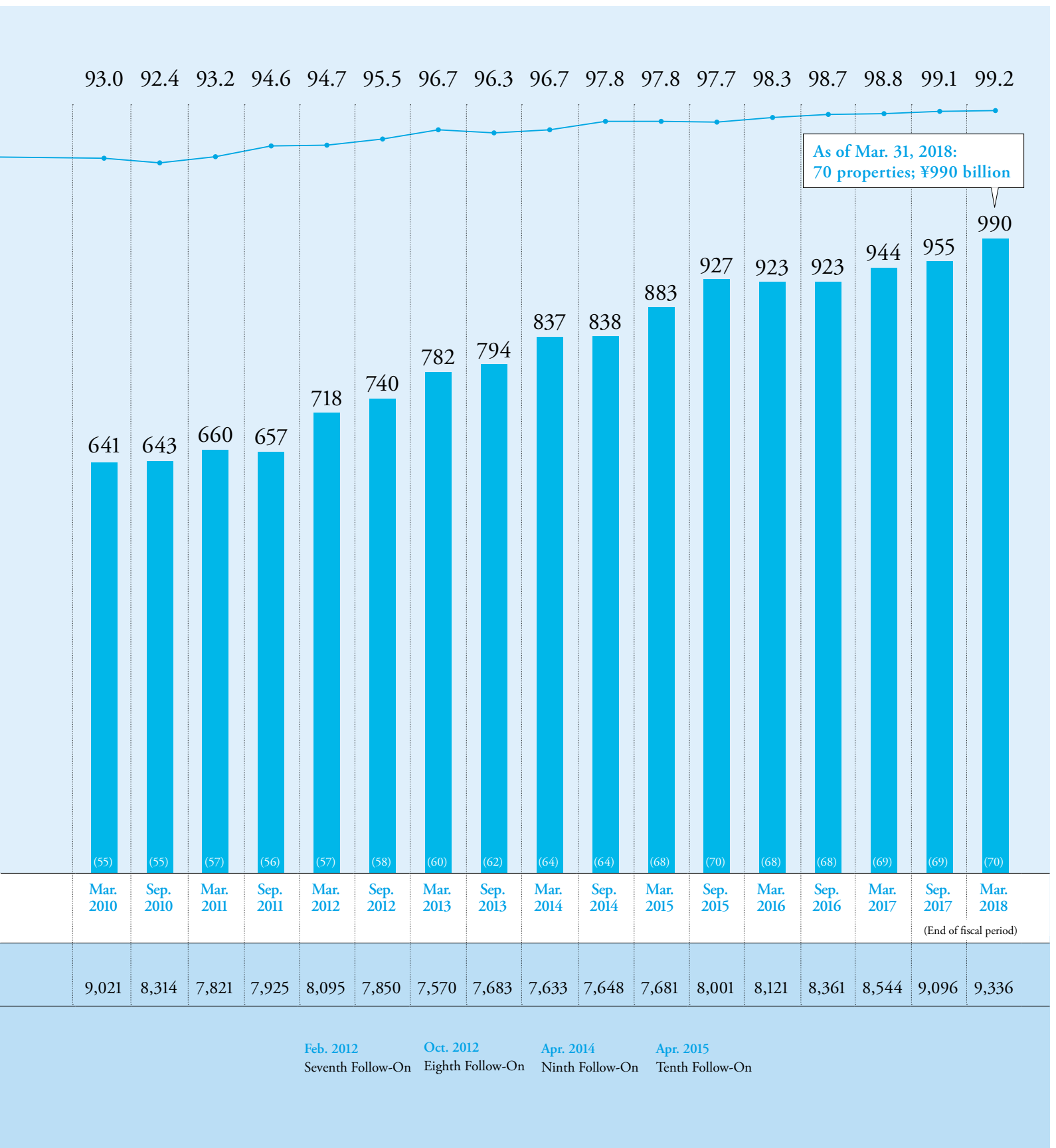
Dividend per unit* (Yen)

7,491 6,426 7,227 7,558 7,301 7,355 7,912 7,975 8,086 8,651 8,760 9,250 14,611 9,536 9,510 9,599

Listing and issuance of units

| | | | | | | |
|--|--|-------------------------------|------------------------------|-------------------------------|------------------------------|------------------------------|
| Sep. 2001 Listed on TSE as first J-REIT | May 2002 First Follow-On (First for a J-REIT) | Oct. 2003 Second Follow-On | Apr. 2005 Third Follow-On | Oct. 2006 Fourth Follow-On | Mar. 2008 Fifth Follow-On | Dec. 2009 Sixth Follow-On |
| Sep. 2001 IPO | | | | | | |

* 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.



The Portfolio of Japan Real Estate Investment Corporation

As of March 31, 2018

Properties roster

| Number | Name of building | Location | Type of specified asset | Acquisition date | Acquisition price (¥ millions) |
|-----------------------|--|--------------------------------|-------------------------|------------------|--------------------------------|
| Tokyo 23 wards | | | | | |
| I-1 | Kitanomaru Square | Kudan-Kita, Chiyoda-ku | Real property | 02/24/2006 | 81,555 (8.2%) |
| I-2 | MD Kanda Building | Kanda-Mitoshirocho, Chiyoda-ku | Real property | 05/31/2002 | 9,520 (1.0%) |
| I-3 | Kandabashi Park Building | Kanda-Nishikicho, Chiyoda-ku | Real property | 08/15/2002 | 4,810 (0.5%) |
| I-4 | Otemachi Financial City North Tower | Otemachi, Chiyoda-ku | Real property | 03/31/2014 | 15,462 (1.6%) |
| I-5 | Nibancho Garden | Nibancho, Chiyoda-ku | Real property | 04/01/2005 | 14,700 (1.5%) |
| I-6 | Mitsubishi UFJ Trust and Banking Building | Marunouchi, Chiyoda-ku | Real property | 03/28/2007 | 44,700 (4.5%) |
| I-7 | Burex Kojimachi Building | Kojimachi, Chiyoda-ku | Real property | 07/29/2005 | 7,000 (0.7%) |
| I-8 | Sanno Grand Building | Nagatacho, Chiyoda-ku | Real property | 01/31/2005 | 10,200 |
| | | | | 04/03/2006 | 10,700 |
| | | | | Total | 20,900 (2.1%) |
| I-9 | Yurakucho Denki Building | Yurakucho, Chiyoda-ku | Real property | 08/01/2003 | 7,200 (0.7%) |
| I-10 | Kodenmacho Shin-Nihonbashi Building | Nihonbashi-Kodenmacho, Chuo-ku | Trust | 09/25/2001 | 3,173 (0.3%) |
| I-11 | Front Place Nihonbashi | Nihonbashi, Chuo-ku | Real Property | 01/19/2018 | 17,560 (1.8%) |
| I-12 | Kyodo Building (Kayabacho 2Chome) | Nihonbashi-Kayabacho, Chuo-ku | Trust | 03/01/2011 | 4,410 (0.4%) |
| I-13 | Burex Kyobashi Building | Kyobashi, Chuo-ku | Real property | 07/22/2002 | 5,250 (0.5%) |
| I-14 | Ginza 1Chome East Building | Ginza, Chuo-ku | Trust | 03/02/2015 | 6,459 (0.7%) |
| I-15 | Ginza Sanwa Building | Ginza, Chuo-ku | Real property | 03/10/2005 | 16,830 (1.7%) |
| I-16 | Ryoshin Ginza East Mirror Building | Ginza, Chuo-ku | Real property | 03/15/2005 | 5,353 |
| | | | | 05/24/2010 | 2,645 |
| | | | | Total | 7,999 (0.8%) |
| I-17 | Harumi Front | Harumi, Chuo-ku | Real property | 01/07/2013 | 31,300 (3.2%) |
| I-18 | Harumi Center Building | Harumi, Chuo-ku | Real property | 12/18/2007 | 26,800 (2.7%) |
| I-19 | Akasaka Park Building | Akasaka, Minato-ku | Real property | 11/15/2011 | 60,800 (6.1%) |
| I-20 | Aoyama Crystal Building | Kita-Aoyama, Minato-ku | Real property | 03/14/2003 | 7,680 (0.8%) |
| I-21 | Clover Shiba-koen | Shiba-koen, Minato-ku | Trust | 01/20/2015 | 4,500 (0.5%) |
| I-22 | Shiodome Building | Kaigan, Minato-ku | Trust | 12/19/2008 | 21,250 |
| | | | | 01/15/2010 | 54,600 |
| | | | | 05/01/2015 | 10,100 |
| | | | | 03/30/2017 | 10,450 |
| | | | | 09/01/2017 | 10,530 |
| | | | | Total | 106,930 (10.8%) |
| I-23 | Shiba 2Chome Daimon Building | Shiba, Minato-ku | Trust | 09/10/2001 | 4,859 (0.5%) |
| I-24 | Cosmo Kanasugibashi Building | Shiba, Minato-ku | Trust | 09/25/2001 | 2,808 (0.3%) |
| I-25 | Tamachi Front Building | Shiba, Minato-ku | Real property | 03/30/2017 | 6,210 (0.6%) |
| I-26 | Shinjuku Eastside Square | Shinjuku, Shinjuku-ku | Trust | 10/01/2014 | 23,100 |
| | | | | 01/25/2017 | 6,660 |
| | | | | 03/30/2018 | 25,460 |
| | | | | Total | 55,220 (5.6%) |
| I-27 | Shinwa Building | Nishi-Shinjuku, Shinjuku-ku | Real property | 09/01/2004 | 7,830 (0.8%) |
| I-28 | Tokyo Opera City Building | Nishi-Shinjuku, Shinjuku-ku | Real property | 09/13/2005 | 9,350 |
| | | | | 03/24/2010 | 22,426 |
| | | | | Total | 31,776 (3.2%) |
| I-29 | TIXTOWER UENO | Higashi-Ueno, Taito-ku | Real property | 06/15/2012 | 22,000 (2.2%) |
| I-30 | Higashi-Gotanda 1Chome Building | Higashi-Gotanda, Shinagawa-ku | Real property | 11/01/2004 | 5,500 (0.6%) |
| I-31 | Osaki Front Tower | Osaki, Shinagawa-ku | Real property | 02/01/2011 | 12,300 (1.2%) |
| I-32 | Omori-Eki Higashiguchi Building | Omori-Kita, Ota-ku | Trust | 09/10/2001 | 5,123 (0.5%) |
| I-33 | Shinjuku South Gate Project (tentative name) (Land with leasehold interest) | Sendagaya, Shibuya-ku | Real property | 03/24/2004 | 6,670 |
| | | | | 08/23/2013 | (1,170) |
| | | | | Total | 5,500 (0.6%) |
| I-34 | Yoyogi 1Chome Building | Yoyogi, Shibuya-ku | Real property | 04/01/2004 | 8,700 (0.9%) |
| I-35 | Jingumae Terrace | Jingumae, Shibuya-ku | Real property | 11/22/2002 | 4,885 (0.5%) |
| I-36 | Jingumae Media Square Building | Jingumae, Shibuya-ku | Real property | 10/09/2003 | 12,200 (1.2%) |
| I-37 | Shibuya Cross Tower (Land with leasehold interest) | Shibuya, Shibuya-ku | Real property | 11/30/2001 | 34,600 |
| | | | | 01/18/2018 | (8,076) |
| | | | | Total | 26,524 (2.7%) |
| I-38 | Ebisu Neonato | Ebisu, Shibuya-ku | Real property | 11/14/2003 | 3,740 |
| | | | | 04/01/2004 | 360 |
| | | | | 02/18/2014 | 10,512 |
| | | | | Total | 14,612 (1.5%) |
| I-39 | Harmony Tower | Honcho, Nakano-ku | Real property | 02/28/2005 | 8,500 |
| | | | | 12/19/2012 | 520 |
| | | | | 03/27/2015 | 2,100 |
| | | | | Total | 11,120 (1.1%) |
| I-40 | Otsuka Higashi-Ikebukuro Building | Higashi-Ikebukuro, Toshima-ku | Trust | 09/25/2001 | 3,541 (0.4%) |
| I-41 | Ikebukuro 2Chome Building | Ikebukuro, Toshima-ku | Trust | 09/25/2001 | 1,728 (0.2%) |
| I-42 | Ikebukuro YS Building | Minami-Ikebukuro, Toshima-ku | Real property | 08/02/2004 | 4,500 (0.5%) |

| Percentage of ownership of the building | Completion | Appraisal value at the end of period (¥ millions) | Leasable office space | Leased office space | Occupancy rate | Number of tenants | Revenues from leasing operations (¥ millions) |
|---|------------|---|-----------------------|----------------------|----------------|-------------------|---|
| 100.0% | 2006 | 85,000 | 25,678m ² | 25,678m ² | 100.0% | 5 | 1,732 (5.4%) |
| 100.0% | 1998 | 8,490 | 6,269m ² | 6,269m ² | 100.0% | 9 | 228 (0.7%) |
| 56.76% | 1993 | 4,700 | 3,687m ² | 3,687m ² | 100.0% | 10 | 120 (0.4%) |
| 3.3852192% | 2012 | 20,200 | 5,121m ² | 5,121m ² | 100.0% | 2 | 350 (1.1%) |
| 31.345% | 2004 | 18,800 | 9,316m ² | 9,316m ² | 100.0% | 1 | 479 (1.5%) |
| 19.38402% | 2003 | 55,600 | 11,904m ² | 11,904m ² | 100.0% | 10 | 992 (3.1%) |
| 100.0% | 2005 | 7,070 | 4,495m ² | 4,495m ² | 100.0% | 1 | 153 (0.5%) |
| 99.0% | 1966 | 33,300 | 20,665m ² | 20,054m ² | 97.0% | 43 | 951 (3.0%) |
| 10.78% | 1975 | 8,560 | 4,697m ² | 4,697m ² | 100.0% | 11 | 268 (0.8%) |
| 100.0% | 1991 | 2,940 | 3,897m ² | 3,897m ² | 100.0% | 11 | 116 (0.4%) |
| 100.0% | 2014 | 17,800 | 8,468m ² | 8,468m ² | 100.0% | 2 | 153 (0.5%) |
| 100.0% | 1991 | 5,000 | 4,464m ² | 4,464m ² | 100.0% | 10 | 148 (0.5%) |
| 100.0% | 2002 | 7,740 | 4,279m ² | 4,279m ² | 100.0% | 1 | 157 (0.5%) |
| 100.0% | 2008 | 7,770 | 4,513m ² | 4,513m ² | 100.0% | 8 | 168 (0.5%) |
| 70.95% | 1982 | 18,700 | 4,326m ² | 4,326m ² | 100.0% | 11 | 400 (1.3%) |
| 100.0% | 1998 | 6,520 | 4,255m ² | 4,255m ² | 100.0% | 12 | 160 (0.5%) |
| 100.0% | 2012 | 40,100 | 33,369m ² | 33,369m ² | 100.0% | 8 | 1,225 (3.9%) |
| 100.0% | 2006 | 20,300 | 20,812m ² | 20,439m ² | 98.2% | 12 | 521 (1.6%) |
| 100.0% | 1993 | 76,000 | 44,999m ² | 43,919m ² | 97.6% | 28 | 2,193 (6.9%) |
| 100.0% | 1982 | 8,790 | 4,898m ² | 4,898m ² | 100.0% | 8 | 271 (0.9%) |
| 100.0% | 2006 | 4,620 | 2,550m ² | 2,550m ² | 100.0% | 8 | 114 (0.4%) |
| 55.0% | 2007 | 122,000 | 44,213m ² | 44,151m ² | 99.9% | 36 | 2,385 (7.5%) |
| 100.0% | 1984 | 6,910 | 9,606m ² | 9,606m ² | 100.0% | 24 | 277 (0.9%) |
| 100.0% | 1992 | 3,250 | 4,062m ² | 4,062m ² | 100.0% | 8 | 114 (0.4%) |
| 100.0% | 2014 | 6,510 | 3,792m ² | 3,792m ² | 100.0% | 8 | 156 (0.5%) |
| 17.6% | 2012 | 58,900 | 36,327m ² | 36,237m ² | 100.0% | 41 | 863 (2.7%) |
| 100.0% | 1989 | 7,720 | 5,997m ² | 5,997m ² | 100.0% | 14 | 221 (0.7%) |
| 31.325% | 1996 | 35,400 | 34,951m ² | 34,824m ² | 99.6% | 100 | 1,565 (4.9%) |
| 94.040229% | 2010 | 25,700 | 15,020m ² | 15,020m ² | 100.0% | 17 | 666 (2.1%) |
| 100.0% | 2004 | 6,650 | 5,205m ² | 5,205m ² | 100.0% | 5 | 182 (0.6%) |
| 100.0% | 2005 | 16,900 | 16,856m ² | 16,856m ² | 100.0% | 1 | 707 (2.2%) |
| 100.0% | 1989 | 5,910 | 7,706m ² | 7,706m ² | 100.0% | 26 | 230 (0.7%) |
| — | — | 5,500 | 0m ² | — | — | — | 60 (0.2%) |
| 100.0% | 2003 | 12,300 | 7,745m ² | 7,745m ² | 100.0% | 7 | 306 (1.0%) |
| 100.0% | 1987 | 7,050 | 3,147m ² | 2,760m ² | 87.7% | 6 | 165 (0.5%) |
| 100.0% | 1998 | 10,500 | 5,558m ² | 5,558m ² | 100.0% | 5 | 290 (0.9%) |
| — | — | 38,300 | — | 0m ² | — | — | 1,191 (3.7%) |
| 44.718394% | 1994 | 18,400 | 8,659m ² | 8,659m ² | 100.0% | 6 | 471 (1.5%) |
| 38.382307% | 1997 | 14,400 | 14,340m ² | 14,340m ² | 100.0% | 22 | 471 (1.5%) |
| 100.0% | 1987 | 4,590 | 7,224m ² | 7,224m ² | 100.0% | 5 | 222 (0.7%) |
| 100.0% | 1990 | 1,830 | 2,186m ² | 2,186m ² | 100.0% | 9 | 72 (0.2%) |
| 100.0% | 1989 | 5,480 | 5,932m ² | 5,932m ² | 100.0% | 10 | 191 (0.6%) |

| Number | Name of building | Location | Type of specified asset | Acquisition date | Acquisition price (¥ millions) |
|--|--|---------------------------------|-------------------------|--|--------------------------------|
| Tokyo metropolitan area, excluding Tokyo 23 wards | | | | | |
| • II-1 | Hachioji First Square | Hachioji, Tokyo | Real property | 03/31/2005 03/19/2008 | 3,300 2,379 |
| | | | | Total | 5,679 (0.6%) |
| • II-2 | Saitama Urawa Building | Saitama, Saitama Prefecture | Real property | 09/25/2001 10/11/2001 | 1,232 1,342 |
| | | | | Total | 2,574 (0.3%) |
| • II-3 | MM Park Building | Yokohama, Kanagawa Prefecture | Real property | 03/24/2008 | 37,400 (3.8%) |
| • II-4 | Queen's Tower A | Yokohama, Kanagawa Prefecture | Trust | 01/31/2014 | 17,200 (1.7%) |
| • II-5 | Kawasaki Isago Building | Kawasaki, Kanagawa Prefecture | Trust | 09/25/2001 | 3,375 (0.3%) |
| • II-6 | Musashi Kosugi STM Building | Kawasaki, Kanagawa Prefecture | Real property | 03/25/2008 | 4,000 (0.4%) |
| Other major cities | | | | | |
| • III-1 | 8-3 Square Kita Building | Sapporo, Hokkaido | Real property | 06/01/2007 | 7,100 (0.7%) |
| • III-2 | Jozenji Park Building | Sendai, Miyagi Prefecture | Real property | 01/31/2005 | 1,000 (0.1%) |
| • III-3 | Higashi Nibancho Square | Sendai, Miyagi Prefecture | Real property | 01/07/2013 | 9,950 (1.0%) |
| • III-4 | Sendai Honcho Honma Building | Sendai, Miyagi Prefecture | Trust | 09/25/2001 06/28/2006 | 2,924 250 |
| | | | | Total | 3,174 (0.3%) |
| • III-5 | AER | Sendai, Miyagi Prefecture | Real property | 09/01/2015 | 18,640 (1.9%) |
| • III-6 | Kanazawa Park Building | Kanazawa, Ishikawa Prefecture | Real property | 02/28/2002 03/03/2003 | 2,880 1,700 |
| | | | | Total | 4,580 (0.5%) |
| • III-7 | Kanazawa Kamitsutsumicho Building | Kanazawa, Ishikawa Prefecture | Real property | 10/03/2016 | 2,780 (0.3%) |
| • III-8 | Nishiki Park Building | Nagoya, Aichi Prefecture | Real property | 10/02/2006 11/01/2006 06/09/2014 04/01/2016 | 3,850 1,300 650 175 |
| | | | | Total | 5,975 (0.6%) |
| • III-9 | Nagoya Hirokoji Place | Nagoya, Aichi Prefecture | Trust | 07/31/2013 | 8,567 (0.9%) |
| • III-10 | Nagoya Hirokoji Building | Nagoya, Aichi Prefecture | Real property | 09/10/2001 | 14,533 (1.5%) |
| • III-11 | Nagoya Misono Building | Nagoya, Aichi Prefecture | Real property | 08/08/2003 | 1,865 (0.2%) |
| • III-12 | Shijo Karasuma Center Building | Kyoto, Kyoto Prefecture | Real property | 09/03/2013 | 4,400 (0.4%) |
| • III-13 | Umeda Square Building | Osaka, Osaka Prefecture | Trust | 04/01/2015 | 15,523 (1.6%) |
| • III-14 | Shin-Fujita Building | Osaka, Osaka Prefecture | Trust | 09/01/2008 | 24,000 (2.4%) |
| • III-15 | Sakaisujihonmachi Building | Osaka, Osaka Prefecture | Real property | 09/25/2001 12/26/2003 | 2,264 1,900 |
| | | | | Total | 4,164 (0.4%) |
| • III-16 | Midosuji Daiwa Building | Osaka, Osaka Prefecture | Trust | 09/25/2001 02/28/2002 | 6,934 7,380 |
| | | | | Total | 14,314 (1.4%) |
| • III-17 | Amagasaki Front Building | Amagasaki, Hyogo Prefecture | Trust | 03/25/2015 | 9,300 (0.9%) |
| • III-18 | Lit City Building | Okayama, Okayama Prefecture | Real property | 02/01/2006 | 4,650 (0.5%) |
| • III-19 | NHK Hiroshima Broadcasting Center Building | Hiroshima, Hiroshima Prefecture | Real property | 03/25/2004 03/03/2008 | 1,320 1,450 |
| | | | | Total | 2,770 (0.3%) |
| • III-20 | Tosei Tenjin Building | Fukuoka, Fukuoka Prefecture | Real property | 09/25/2001 | 1,550 (0.2%) |
| • III-21 | Tenjin Crystal Building | Fukuoka, Fukuoka Prefecture | Real property | 06/01/2005 | 5,000 (0.5%) |
| • III-22 | Hinode Tenjin Building | Fukuoka, Fukuoka Prefecture | Trust | 09/10/2001 | 3,657 (0.4%) |
| Total | | | | | 990,197 (100.0%) |

| Percentage of ownership of the building | Completion | Appraisal value at the end of period (¥ millions) | Leasable office space | Leased office space | Occupancy rate | Number of tenants | Revenues from leasing operations (¥ millions) |
|---|------------|---|-----------------------------|-----------------------------|----------------|-------------------|---|
| 80.4% | 1996 | 5,050 | 10,068m ² | 10,068m ² | 100.0% | 48 | 240 (0.8%) |
| 100.0% | 1990 | 2,480 | 4,510m ² | 4,510m ² | 100.0% | 18 | 113 (0.4%) |
| 100.0% | 2007 | 40,400 | 38,426m ² | 36,494m ² | 95.0% | 33 | 1,185 (3.7%) |
| 11.11481% | 1997 | 21,900 | 26,669m ² | 26,496m ² | 99.4% | 51 | 1,011 (3.2%) |
| 100.0% | 1990 | 3,160 | 6,831m ² | 6,831m ² | 100.0% | 14 | 154 (0.5%) |
| 34.32% | 1990 | 4,450 | 5,378m ² | 5,378m ² | 100.0% | 26 | 162 (0.5%) |
| 100.0% | 2006 | 9,150 | 12,265m ² | 12,265m ² | 100.0% | 8 | 326 (1.0%) |
| 50.0% | 1993 | 1,030 | 2,518m ² | 2,518m ² | 100.0% | 17 | 65 (0.2%) |
| 100.0% | 2008 | 13,700 | 20,526m ² | 20,390m ² | 99.3% | 22 | 609 (1.9%) |
| 100.0% | 1991 | 2,610 | 6,234m ² | 5,882m ² | 94.4% | 26 | 130 (0.4%) |
| 55.35443% | 1998 | 20,000 | 23,612m ² | 23,612m ² | 100.0% | 65 | 663 (2.1%) |
| 89.0% | 1991 | 5,580 | 20,942m ² | 20,674m ² | 98.7% | 83 | 500 (1.6%) |
| 100.0% | 2009 | 3,070 | 7,206m ² | 7,129m ² | 98.9% | 27 | 130 (0.4%) |
| 71.74301% | 1995 | 5,240 | 10,338m ² | 10,315m ² | 99.8% | 62 | 278 (0.9%) |
| 100.0% | 2004 | 11,100 | 13,200m ² | 12,763m ² | 96.7% | 32 | 385 (1.2%) |
| 100.0% | 1987 | 12,700 | 21,427m ² | 21,361m ² | 99.7% | 39 | 568 (1.8%) |
| 100.0% | 1991 | 1,380 | 3,448m ² | 3,448m ² | 100.0% | 16 | 72 (0.2%) |
| 100.0% | 2010 | 5,600 | 6,634m ² | 6,634m ² | 100.0% | 12 | 183 (0.6%) |
| 100.0% | 1995 | 16,800 | 10,370m ² | 10,370m ² | 100.0% | 42 | 463 (1.5%) |
| 100.0% | 1995 | 19,700 | 28,403m ² | 28,246m ² | 99.4% | 49 | 696 (2.2%) |
| 100.0% | 1992 | 3,430 | 11,520m ² | 11,281m ² | 97.9% | 22 | 227 (0.7%) |
| 100.0% | 1991 | 14,800 | 20,450m ² | 20,450m ² | 100.0% | 42 | 540 (1.7%) |
| 100.0% | 2008 | 10,100 | 15,500m ² | 15,500m ² | 100.0% | 29 | 442 (1.4%) |
| 27.74888% | 2005 | 4,610 | 9,965m ² | 9,965m ² | 100.0% | 36 | 255 (0.8%) |
| 48.753% | 1994 | 3,210 | 9,860m ² | 9,860m ² | 100.0% | 12 | 263 (0.8%) |
| 100.0% | 1992 | 1,430 | 3,995m ² | 3,995m ² | 100.0% | 24 | 83 (0.3%) |
| 100.0% | 1993 | 3,050 | 5,964m ² | 5,964m ² | 100.0% | 31 | 157 (0.5%) |
| 74.48444% | 1987 | 4,280 | 5,944m ² | 5,944m ² | 100.0% | 2 | 178 (0.6%) |
| | | 1,122,210 | 833,335m² | 826,836m² | 99.2% | 1,449 | 31,816 (100.0%) |

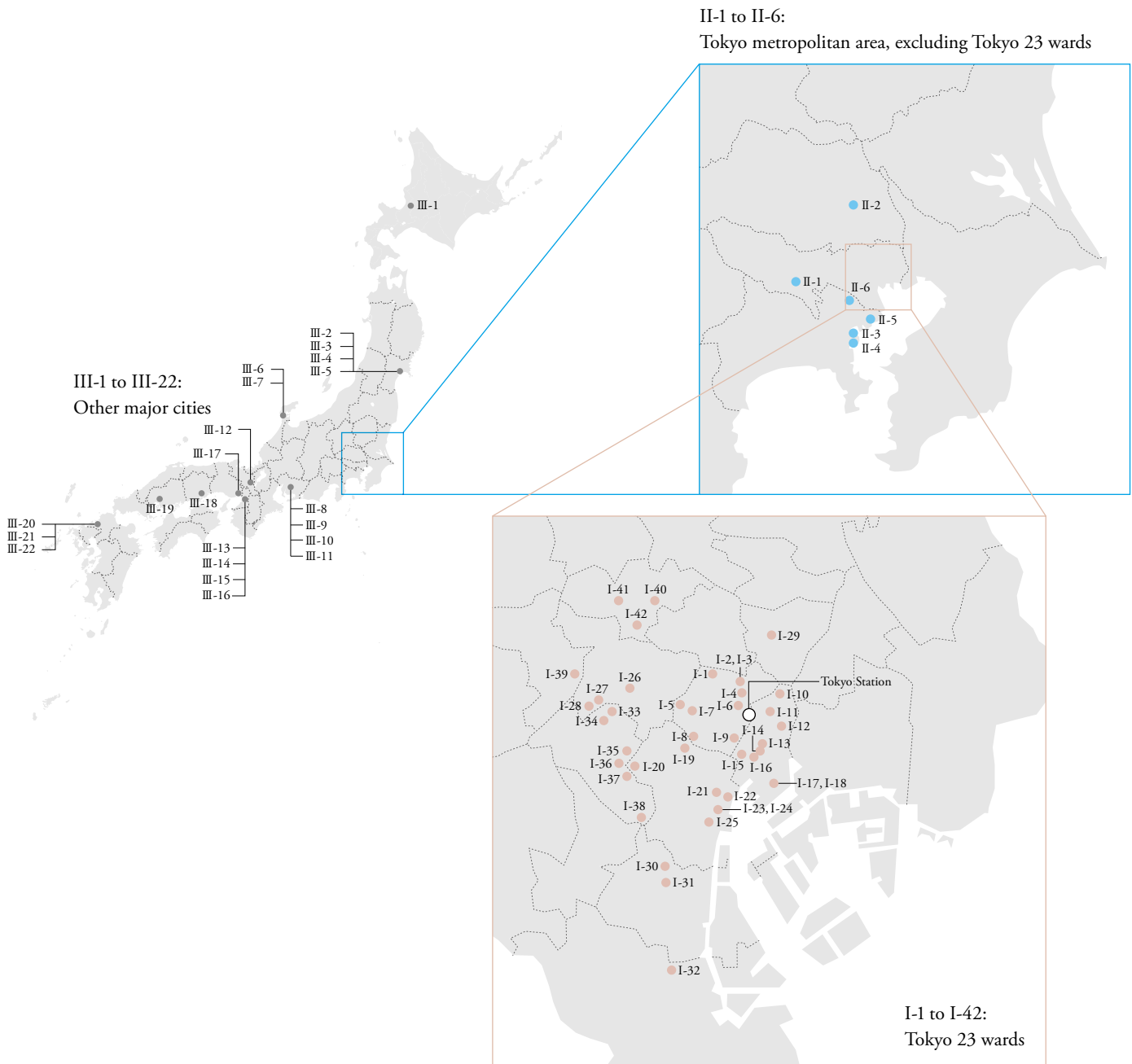
Major tenants roster

| Name of tenant | Name of Property | Leased office space (m ²) | % of total leased office space |
|---|--|---------------------------------------|--------------------------------|
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 1) | Harumi Front (also includes 3 other properties) | 33,912 | 4.1% |
| Not disclosed (Note 2) | Kitanomaru Square (also includes 2 other properties) | 22,305 | 2.7% |
| Not disclosed (Note 2) | Osaki Front Tower (also includes 2 other properties) | 21,672 | 2.6% |
| NTT Communications Corporation | Shiodome Building | 16,243 | 2.0% |
| HAKUHODO DY HOLDINGS INCORPORATED | Akasaka Park Building (also includes 1 other property) | 13,403 | 1.6% |
| SQUARE ENIX HOLDINGS CO., LTD. | Shinjuku Eastside Square | 11,321 | 1.4% |
| Mitsubishi UFJ Trust and Banking Corporation | Mitsubishi UFJ Trust and Banking Building | 10,598 | 1.3% |
| JGC Corporation | MM Park Building (also includes 1 other property) | 10,246 | 1.2% |
| TOTO LTD. | Shiodome Building (also includes 1 other property) | 9,694 | 1.2% |
| Minato Mirai 21 District Heating and Cooling Co., Ltd | Queen's Tower A | 9,536 | 1.2% |

Notes 1. The Bank of Tokyo-Mitsubishi UFJ, Ltd. has changed its legal name to MUFG Bank, Ltd. effective April 1, 2018.

2. Not disclosed due to tenant's request

Location of portfolio properties



Overview of Portfolio Properties

As of March 31, 2018



Kitanomaru Square

• I-1

| | |
|-------------------------|---|
| Location: | Chiyoda-ku, Tokyo |
| Site area: | 5,821.03m ² |
| Floor area of building: | 57,279.20m ² |
| Structure: | Above ground: 26 floors Below ground: 2 floors |
| 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 |
| Structure: | Above ground: 10 floors |
| 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 |
| Structure: | Above ground: 10 floors Below ground: 1 floor |
| 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 |
| Structure: | Above ground: 35 floors Below ground: 4 floors |
| Completion: | October 2012 |



Nibancho Garden

• I-5

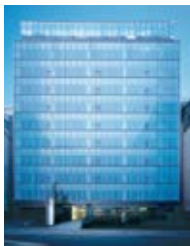
| | |
|-------------------------|---|
| Location: | Chiyoda-ku, Tokyo |
| Site area: | 10,992.13m ² |
| Floor area of building: | 57,031.06m ² |
| Structure: | Above ground: 14 floors Below ground: 2 floors |
| Completion: | April 2004 |



Mitsubishi UFJ Trust and Banking Building

• I-6

| | |
|-------------------------|---|
| Location: | Chiyoda-ku, Tokyo |
| Site area: | 8,100.39m ² |
| Floor area of building: | 108,171.67m ² |
| Structure: | Above ground: 29 floors Below ground: 4 floors |
| Completion: | February 2003 |



Burex Kojimachi Building

• I-7

| | |
|-------------------------|--|
| Location: | Chiyoda-ku, Tokyo |
| Site area: | 967.67m ² |
| Floor area of building: | 6,526.64m ² |
| Structure: | Above ground: 11 floors Below ground: 1 floor |
| Completion: | January 2005 |



Sanno Grand Building

• I-8

| | |
|-------------------------|---|
| Location: | Chiyoda-ku, Tokyo |
| Site area: | 3,663.93m ² |
| Floor area of building: | 33,875.95m ² |
| Structure: | Above ground: 10 floors Below ground: 3 floors |
| Completion: | September 1966 |



Yurakucho Denki Building

• I-9

| | |
|-------------------------|---|
| Location: | Chiyoda-ku, Tokyo |
| Site area: | 5,749.91m ² |
| Floor area of building: | 70,287.65m ² |
| Structure: | Above ground: 20 floors Below ground: 4 floors |
| Completion: | September 1975 |



Kodemacho Shin-Nihonbashi Building

• I-10

| | |
|-------------------------|---|
| Location: | Chuo-ku, Tokyo |
| Site area: | 773.28m ² |
| Floor area of building: | 5,822.88m ² |
| Structure: | Above ground: 9 floors Below ground: 1 floor |
| Completion: | November 1991 |



Front Place Nihonbashi

• I-11

| | |
|-------------------------|--|
| Location: | Chuo-ku, Tokyo |
| Site area: | 1,381.52m ² |
| Floor area of building: | 11,672.55m ² |
| Structure: | Above ground: 10 floors Below ground: 1 floor |
| 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 |
| Structure: | Above ground: 9 floors Below ground: 1 floor |
| 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 |
| Structure: | Above ground: 8 floors Below ground: 1 floor |
| 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 |
| Structure: | Above ground: 9 floors Below ground: 1 floor |
| 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 |
| Structure: | Above ground: 9 floors Below ground: 2 floors |
| 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 |
| Structure: | Above ground: 8 floors Below ground: 1 floor |
| 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 |
| Structure: | Above ground: 17 floors Below ground: 1 floor |
| 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 |
| Structure: | Above ground: 10 floors |
| 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 |
| Structure: | Above ground: 30 floors Below ground: 2 floors |
| 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 |
| Structure: | Above ground: 10 floors Below ground: 4 floors |
| 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 |
| Structure: | Above ground: 9 floors Below ground: 1 floor |
| 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 |
| Structure: | Above ground: 24 floors Below ground: 2 floors |
| 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 |
| Structure: | Above ground: 8 floors Below ground: 2 floors |
| 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 |
| Structure: | Above ground: 9 floors Below ground: 1 floor |
| Completion: | March 1992 |



Tamachi Front Building

● I-25

| | |
|-------------------------|---|
| Location: | Minato-ku, Tokyo |
| Site area: | 747.31m ² |
| Floor area of building: | 5,747.80m ² |
| Structure: | Above ground: 9 floors Below ground: 1 floor |
| Completion: | July 2014 |



Shinjuku Eastside Square

● I-26

| | |
|-------------------------|---|
| Location: | Shinjuku-ku, Tokyo |
| Site area: | 25,320.28m ² |
| Floor area of building: | 167,245.46m ² |
| Structure: | Above ground: 20 floors Below ground: 2 floors |
| Completion: | March 2012 |



Shinwa Building

● I-27

| | |
|-------------------------|--|
| Location: | Shinjuku-ku, Tokyo |
| Site area: | 822.00m ² |
| Floor area of building: | 8,291.69m ² |
| Structure: | Above ground: 10 floors Below ground: 1 floor |
| Completion: | November 1989 |



Tokyo Opera City Building

● I-28

| | |
|-------------------------|---|
| Location: | Shinjuku-ku, Tokyo |
| Site area: | 18,236.94m ² |
| Floor area of building: | 232,996.81m ² |
| Structure: | Above ground: 54 floors Below ground: 4 floors |
| Completion: | July 1996 |



TIXTOWER UENO

● I-29

| | |
|-------------------------|--|
| Location: | Taito-ku, Tokyo |
| Site area: | 2,412.80m ² |
| Floor area of building: | 23,727.48m ² |
| Structure: | Above ground: 18 floors Below ground: 1 floor |
| Completion: | July 2010 |



Higashi-Gotanda 1Chome Building

● I-30

| | |
|-------------------------|------------------------|
| Location: | Shinagawa-ku, Tokyo |
| Site area: | 1,539.95m ² |
| Floor area of building: | 6,460.39m ² |
| Structure: | Above ground: 8 floors |
| Completion: | July 2004 |



Osaki Front Tower

● I-31

| | |
|-------------------------|-------------------------|
| Location: | Shinagawa-ku, Tokyo |
| Site area: | 3,684.38m ² |
| Floor area of building: | 23,673.92m ² |
| Structure: | Above ground: 15 floors |
| Completion: | June 2005 |



Omori-Eki Higashiguchi Building

● I-32

| | |
|-------------------------|---|
| Location: | Ota-ku, Tokyo |
| Site area: | 2,199.30m ² |
| Floor area of building: | 14,095.34m ² |
| Structure: | Above ground: 11 floors Below ground: 2 floors |
| Completion: | July 1989 |

Shinjuku South Gate Project (tentative name) (Land with leasehold interest)

● I-33

| | |
|-------------------------|------------------------|
| Location: | Shibuya-ku, Tokyo |
| Site area: | 1,497.52m ² |
| Floor area of building: | — |
| Structure: | — |
| Completion: | — |



Yoyogi 1Chome Building

● I-34

| | |
|-------------------------|--|
| Location: | Shibuya-ku, Tokyo |
| Site area: | 1,755.75m ² |
| Floor area of building: | 10,778.10m ² |
| Structure: | Above ground: 14 floors Below ground: 1 floor |
| Completion: | October 2003 |



Jingumae Terrace

● I-35

| | |
|-------------------------|--|
| Location: | Shibuya-ku, Tokyo |
| Site area: | 839.66m ² |
| Floor area of building: | 4,359.20m ² |
| Structure: | Above ground: 7 floors Below ground: 2 floors |
| Completion: | December 1987 |



Jingumae Media Square Building

● I-36

| | |
|-------------------------|--|
| Location: | Shibuya-ku, Tokyo |
| Site area: | 2,124.59m ² |
| Floor area of building: | 9,420.42m ² |
| Structure: | Above ground: 9 floors Below ground: 2 floors |
| Completion: | March 1998 |

Shibuya Cross Tower (Land with leasehold interest)

• I-37

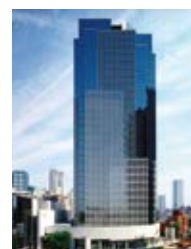
| | |
|-------------------------|------------------------|
| Location: | Shibuya-ku, Tokyo |
| Site area: | 5,153.45m ² |
| Floor area of building: | — |
| Structure: | — |
| Completion: | — |



Ebisu Neonato

• I-38

| | |
|-------------------------|---|
| Location: | Shibuya-ku, Tokyo |
| Site area: | 5,005.70m ² |
| Floor area of building: | 36,598.38m ² |
| Structure: | Above ground: 18 floors Below ground: 2 floors |
| Completion: | October 1994 |



Harmony Tower

• I-39

| | |
|-------------------------|---|
| Location: | Nakano-ku, Tokyo |
| Site area: | 10,020.52m ² |
| Floor area of building: | 72,729.31m ² |
| Structure: | Above ground: 29 floors Below ground: 2 floors |
| Completion: | March 1997 |



Otsuka Higashi-Ikebukuro Building

• I-40

| | |
|-------------------------|---|
| Location: | Toshima-ku, Tokyo |
| Site area: | 2,121.39m ² |
| Floor area of building: | 9,531.28m ² |
| Structure: | Above ground: 8 floors Below ground: 1 floor |
| Completion: | November 1987 |



Ikebukuro 2Chome Building

• I-41

| | |
|-------------------------|---|
| Location: | Toshima-ku, Tokyo |
| Site area: | 397.26m ² |
| Floor area of building: | 3,157.51m ² |
| Structure: | Above ground: 9 floors Below ground: 1 floor |
| Completion: | May 1990 |



Ikebukuro YS Building

• I-42

| | |
|-------------------------|---|
| Location: | Toshima-ku, Tokyo |
| Site area: | 1,384.56m ² |
| Floor area of building: | 7,464.64m ² |
| Structure: | Above ground: 8 floors Below ground: 1 floor |
| Completion: | December 1989 |



Hachioji First Square

• II-1

| | |
|-------------------------|--|
| Location: | Hachioji, Tokyo |
| Site area: | 2,989.33m ² |
| Floor area of building: | 18,329.98m ² |
| Structure: | Above ground: 12 floors Below ground: 1 floor |
| 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 |
| Structure: | Above ground: 8 floors |
| 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 |
| Structure: | Above ground: 15 floors Below ground: 1 floor |
| 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 |
| Structure: | Above ground: 37 floors Below ground: 5 floors |
| Completion: | June 1997 |



Kawasaki Isago Building

• II-5

| | |
|-------------------------|--|
| Location: | Kawasaki, Kanagawa Prefecture |
| Site area: | 1,594.50m ² |
| Floor area of building: | 9,623.83m ² |
| Structure: | Above ground: 12 floors Below ground: 1 floor |
| Completion: | December 1990 |



Musashi Kosugi STM Building

• II-6

| | |
|-------------------------|--|
| Location: | Kawasaki, Kanagawa Prefecture |
| Site area: | 3,552.15m ² |
| Floor area of building: | 22,839.61m ² |
| Structure: | Above ground: 8 floors Below ground: 2 floors |
| Completion: | October 1990 |



8.3 Square Kita Building

• III-1

| | |
|-------------------------|--|
| Location: | Sapporo, Hokkaido |
| Site area: | 5,541.60m ² |
| Floor area of building: | 16,096.97m ² |
| Structure: | Above ground: 11 floors Below ground: 1 floor |
| Completion: | December 2006 |



Jozenji Park Building

• III-2

| | |
|-------------------------|---|
| Location: | Sendai, Miyagi Prefecture |
| Site area: | 1,566.68m ² |
| Floor area of building: | 7,648.33m ² |
| Structure: | Above ground: 8 floors Below ground: 1 floor |
| 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 |
| Structure: | Above ground: 14 floors Below ground: 1 floor |
| 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 |
| Structure: | Above ground: 11 floors |
| Completion: | November 1991 |



AER

• III-5

| | |
|-------------------------|---|
| Location: | Sendai, Miyagi Prefecture |
| Site area: | 6,591.05m ² |
| Floor area of building: | 73,186.57m ² |
| Structure: | Above ground: 31 floors Below ground: 3 floors |
| Completion: | March 1998 |



Kanazawa Park Building

• III-6

| | |
|-------------------------|---|
| Location: | Kanazawa, Ishikawa Prefecture |
| Site area: | 6,642.71m ² |
| Floor area of building: | 43,481.20m ² |
| Structure: | Above ground: 12 floors Below ground: 2 floors |
| Completion: | October 1991 |



Kanazawa Kamitsutsumicho Building

• III-7

| | |
|-------------------------|-------------------------------|
| Location: | Kanazawa, Ishikawa Prefecture |
| Site area: | 1,561.80m ² |
| Floor area of building: | 9,619.96m ² |
| Structure: | Above ground: 11 floors |
| Completion: | August 2009 |



Nishiki Park Building

• III-8

| | |
|-------------------------|---|
| Location: | Nagoya, Aichi Prefecture |
| Site area: | 2,170.45m ² |
| Floor area of building: | 25,091.91m ² |
| Structure: | Above ground: 22 floors Below ground: 4 floors |
| Completion: | August 1995 |



Nagoya Hirokoji Place

• III-9

| | |
|-------------------------|--------------------------|
| Location: | Nagoya, Aichi Prefecture |
| Site area: | 2,401.43m ² |
| Floor area of building: | 15,947.29m ² |
| Structure: | Above ground: 10 floors |
| Completion: | December 2004 |



Nagoya Hirokoji Building

• III-10

| | |
|-------------------------|---|
| Location: | Nagoya, Aichi Prefecture |
| Site area: | 4,095.81m ² |
| Floor area of building: | 33,377.73m ² |
| Structure: | Above ground: 18 floors Below ground: 2 floors |
| Completion: | May 1987 |



Nagoya Misono Building

• III-11

| | |
|-------------------------|---|
| Location: | Nagoya, Aichi Prefecture |
| Site area: | 805.04m ² |
| Floor area of building: | 5,348.00m ² |
| Structure: | Above ground: 7 floors Below ground: 1 floor |
| Completion: | September 1991 |



Shijo Karasuma Center Building

• III-12

| | |
|-------------------------|---|
| Location: | Kyoto, Kyoto Prefecture |
| Site area: | 1,371.16m ² |
| Floor area of building: | 9,185.98m ² |
| Structure: | Above ground: 8 floors Below ground: 1 floor |
| Completion: | January 2010 |



Umeda Square Building

• III-13

| | |
|-------------------------|---|
| Location: | Osaka, Osaka Prefecture |
| Site area: | 1,652.88m ² |
| Floor area of building: | 18,673.28m ² |
| Structure: | Above ground: 17 floors Below ground: 3 floors |
| Completion: | July 1995 |



Shin-Fujita Building

• III-14

| | |
|-------------------------|---|
| Location: | Osaka, Osaka Prefecture |
| Site area: | 6,159.61m ² |
| Floor area of building: | 45,411.31m ² |
| Structure: | Above ground: 21 floors Below ground: 2 floors |
| Completion: | April 1995 |



Sakaisujihonmachi Building

• III-15

| | |
|-------------------------|---|
| Location: | Osaka, Osaka Prefecture |
| Site area: | 2,036.22m ² |
| Floor area of building: | 17,145.59m ² |
| Structure: | Above ground: 13 floors Below ground: 2 floors |
| Completion: | October 1992 |



Midouji Daiwa Building

• III-16

| | |
|-------------------------|---|
| Location: | Osaka, Osaka Prefecture |
| Site area: | 3,044.65m ² |
| Floor area of building: | 31,213.27m ² |
| Structure: | Above ground: 15 floors Below ground: 2 floors |
| Completion: | September 1991 |



Amagasaki Front Building

• III-17

| | |
|-------------------------|-----------------------------|
| Location: | Amagasaki, Hyogo Prefecture |
| Site area: | 3,975.20m ² |
| Floor area of building: | 24,055.58m ² |
| Structure: | Above ground: 10 floors |
| Completion: | October 2008 |



Lit City Building

• III-18

| | |
|-------------------------|---|
| Location: | Okayama, Okayama Prefecture |
| Site area: | 7,596.44m ² |
| Floor area of building: | 52,653.19m ² |
| Structure: | Above ground: 20 floors Below ground: 2 floors |
| Completion: | June 2005 |



NHK Hiroshima Broadcasting Center Building

• III-19

| | |
|-------------------------|---|
| Location: | Hiroshima, Hiroshima Prefecture |
| Site area: | 3,296.46m ² |
| Floor area of building: | 35,217.28m ² |
| Structure: | Above ground: 23 floors Below ground: 2 floors |
| Completion: | August 1994 |



Tosei Tenjin Building

• III-20

| | |
|-------------------------|-----------------------------|
| Location: | Fukuoka, Fukuoka Prefecture |
| Site area: | 1,221.31m ² |
| Floor area of building: | 5,588.57m ² |
| Structure: | Above ground: 8 floors |
| Completion: | March 1992 |



Tenjin Crystal Building

• III-21

| | |
|-------------------------|--|
| Location: | Fukuoka, Fukuoka Prefecture |
| Site area: | 1,835.17m ² |
| Floor area of building: | 10,432.04m ² |
| Structure: | Above ground: 14 floors Below ground: 1 floor |
| Completion: | August 1993 |



Hinode Tenjin Building

• III-22

| | |
|-------------------------|---|
| Location: | Fukuoka, Fukuoka Prefecture |
| Site area: | 1,452.15m ² |
| Floor area of building: | 12,527.07m ² |
| Structure: | Above ground: 10 floors Below ground: 2 floors |
| 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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| Balance Sheets | p.26 |
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| Statements of Changes in Unitholders' Equity | p.29 |
| Statements of Cash Distributions | p.30 |
| Statements of Cash Flows | p.31 |
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Selected Financial Data

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

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

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

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

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

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

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

Balance Sheets

As of September 30, 2017 and March 31, 2018

| | Thousands of yen | |
|---|--------------------------|----------------------|
| | As of September 30, 2017 | As of March 31, 2018 |
| ASSETS | | |
| Current assets | | |
| Cash and deposits | 18,332,818 | 17,804,047 |
| Cash and deposits in trust | 6,022,777 | 5,837,847 |
| Operating accounts receivable | 283,008 | 341,439 |
| Prepaid expenses | 369,867 | 352,401 |
| Deferred tax assets | 937 | 952 |
| Other | 24,109 | 89,865 |
| Total current assets | 25,033,519 | 24,426,554 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings | 265,980,168 | 250,111,909 |
| Accumulated depreciation | (91,900,920) | (86,253,809) |
| Buildings, net | 174,079,247 | 163,858,100 |
| Structures | 3,111,331 | 2,974,180 |
| Accumulated depreciation | (838,822) | (828,367) |
| Structures, net | 2,272,508 | 2,145,812 |
| Machinery and equipment | 3,098,290 | 3,227,707 |
| Accumulated depreciation | (2,053,112) | (2,148,127) |
| Machinery and equipment, net | 1,045,177 | 1,079,579 |
| Tools, furniture and fixtures | 433,685 | 440,338 |
| Accumulated depreciation | (272,945) | (288,173) |
| Tools, furniture and fixtures, net | 160,740 | 152,164 |
| Land | 434,855,149 | 449,950,825 |
| Construction in progress | 7,958 | 7,958 |
| Buildings in trust | 89,725,955 | 95,656,870 |
| Accumulated depreciation | (22,598,156) | (24,227,651) |
| Buildings in trust, net | 67,127,799 | 71,429,218 |
| Structures in trust | 860,317 | 956,849 |
| Accumulated depreciation | (226,370) | (246,755) |
| Structures in trust, net | 633,946 | 710,094 |
| Machinery and equipment in trust | 1,010,101 | 1,030,081 |
| Accumulated depreciation | (713,693) | (737,361) |
| Machinery and equipment in trust, net | 296,407 | 292,720 |
| Tools, furniture and fixtures in trust | 68,247 | 69,175 |
| Accumulated depreciation | (26,154) | (30,373) |
| Tools, furniture and fixtures in trust, net | 42,093 | 38,801 |
| Land in trust | 190,320,005 | 210,930,979 |
| Construction in progress in trust | 1,020 | 1,583 |
| Total property, plant and equipment | 870,842,053 | 900,597,839 |
| Intangible assets | | |
| Leasehold rights | 5,722,535 | 5,706,705 |
| Leasehold rights in trust | 444,160 | 444,160 |
| Easement | 828,095 | 828,095 |
| Other | 12,332 | 11,372 |
| Total intangible assets | 7,007,123 | 6,990,333 |
| Investments and other assets | | |
| Investment securities | 577,168 | 577,168 |
| Lease and guarantee deposits | 1,573,847 | 1,573,847 |
| Long-term prepaid expenses | 510,906 | 350,381 |
| Other | 942,329 | 997,164 |
| Total investments and other assets | 3,604,252 | 3,498,562 |
| Total non-current assets | 881,453,430 | 911,086,735 |
| Deferred assets | | |
| Investment corporation bond issuance costs | 20,084 | 48,649 |
| Total deferred assets | 20,084 | 48,649 |
| Total Assets | 906,507,034 | 935,561,939 |

| | Thousands of yen | |
|---|--------------------------|----------------------|
| | As of September 30, 2017 | As of March 31, 2018 |
| LIABILITIES | | |
| Current liabilities | | |
| Operating accounts payable | 2,147,048 | 2,657,292 |
| Short-term loans payable | 34,500,000 | 32,000,000 |
| Current portion of investment corporation bonds | 10,000,000 | 10,000,000 |
| Current portion of long-term loans payable | 36,000,000 | 27,500,000 |
| Accounts payable – other | 1,651,554 | 1,871,072 |
| Accrued expenses | 485,268 | 480,090 |
| Income taxes payable | 8,893 | 11,478 |
| Accrued consumption taxes | 864,005 | 708,577 |
| Advances received | 3,394,470 | 3,248,413 |
| Other | 69,269 | 9,261 |
| Total current liabilities | 89,120,511 | 78,486,186 |
| Non-current liabilities | | |
| Investment corporation bonds | 20,000,000 | 22,993,175 |
| Long-term loans payable | 275,000,000 | 311,500,000 |
| Deposits received from tenants | 51,555,491 | 51,308,538 |
| Deferred tax liabilities | 167,124 | 227,405 |
| Asset retirement obligations | 335,257 | 338,635 |
| Other | 6,680 | 4,453 |
| Total non-current liabilities | 347,064,554 | 386,372,208 |
| Total Liabilities | 436,185,065 | 464,858,394 |
| NET ASSETS | | |
| Unitholders' equity | | |
| Unitholders' capital | 458,016,096 | 458,016,096 |
| Surplus | | |
| Voluntary retained earnings | | |
| Reserve for reduction entry | 363,330 | 363,261 |
| Total voluntary retained earnings | 363,330 | 363,261 |
| Unappropriated retained earnings | 11,942,542 | 12,324,186 |
| Total surplus | 12,305,873 | 12,687,448 |
| Total unitholders' equity | 470,321,969 | 470,703,544 |
| Total Net Assets | 470,321,969 | 470,703,544 |
| Total Liabilities and Net Assets | 906,507,034 | 935,561,939 |

Statements of Income and Retained Earnings

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

Thousands of yen

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

Statements of Changes in Unitholders' Equity

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

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

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

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

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

Statements of Cash Distributions

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

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

Computation Method for Determining Dividends

The Company will make cash distributions using accounting profits based on the cash distribution policy outlined in Article 32-1(2) of the Company's Articles of Incorporation, in an amount that exceeds 90% of the "amount of distributable profit" as set forth in Article 67-15 of the Special Taxation Measures Act. Based on this policy, the Company has decided that the total amount of dividends, which is set not to exceed the unappropriated retained earnings and also to secure retained earnings brought forward, is ¥11,909,483,760 for the period under review, which is a multiple of 1,309,310 — the number of units outstanding as of September 30, 2017. Furthermore, the Company does not pay out dividends that exceed accounting profits as outlined in Article 32-1(3) of the Company's Articles of Incorporation.

The Company will make cash distributions using accounting profits based on the cash distribution policy outlined in Article 32-1(2) of the Company's Articles of Incorporation, in an amount that exceeds 90% of the "amount of distributable profit" as set forth in Article 67-15 of the Special Taxation Measures Act. Based on this policy, the Company has decided that the total amount of dividends, under the applications of Article 65-7 "Exceptions of the Taxation in case of the Replacement by Purchase of Specific Assets" of the Special Taxation Measures Act, and of Article 47 "Inclusion in Deductible Expenses of Depreciated Amount of Fixed Assets, etc. Acquired with Insurance Money etc." of Corporation Taxation Act, making reduction entries, and also which is set not to exceed the unappropriated retained earnings and to secure retained earnings brought forward, is ¥12,223,718,160 for the period under review, which is a multiple of 1,309,310 — the number of units outstanding as of March 31, 2018. Furthermore, the Company does not pay out dividends that exceed accounting profits as outlined in Article 32-1(3) of the Company's Articles of Incorporation.

Statements of Cash Flows

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

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

Notes to Financial Statements

September 30, 2017 and March 31, 2018

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, 2018, the Company owned a portfolio of 70 office properties with an aggregate of approximately 833,335 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.

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, 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.

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

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

Revenue recognition

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

Taxes on property and equipment

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

Consumption taxes

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

Cash and cash equivalents

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

Hedge accounting

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

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

3. New Accounting Standards Issued but not yet Effective

New accounting standard 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, issued at March 30, 2018
- ASBJ Guidance No.30, Implementation Guidance on Accounting Standard for Revenue Recognition, issued at March 30, 2018

(1) Overview

The International Accounting Standard 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 have been established while adopting the basic principal of IFRS 15, and in the case that there is an item that the actual practice conducted in Japan is considered, the alternate treatment 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 for the period ending September 30, 2021.

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

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

4. Commitment Line Agreement

As of September 30, 2017 and March 31, 2018

The Company has signed commitment line agreements with four banks.

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

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 the previous 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, 2017 and March 31, 2018) 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, 2017 and March 31, 2018 are as follows.

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

| | Thousands of yen | | |
|---|--------------------------|---------------|-------------|
| | As of September 30, 2017 | | |
| | Book value* | Fair value* | Difference* |
| (1) Cash and deposits | 18,332,818 | 18,332,818 | — |
| (2) Cash and deposits in trust | 6,022,777 | 6,022,777 | — |
| (3) Short-term loans | (34,500,000) | (34,500,000) | — |
| (4) Current portion of investment corporation bonds | (10,000,000) | (10,031,400) | (31,400) |
| (5) Current portion of long-term loans | (36,000,000) | (36,186,169) | (186,169) |
| (6) Investment corporation bonds | (20,000,000) | (21,513,664) | (1,513,664) |
| (7) Long-term loans | (275,000,000) | (278,917,124) | (3,917,124) |
| (8) Derivative transactions | — | — | — |

* Liabilities are shown in parentheses.

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

* Liabilities are shown in parentheses.

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

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

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

(3) Short-term loans

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

(4) Current portion of investment corporation bonds and (6) Investment corporation bonds

Their fair values are based on reference prices published by a financial data provider where available. When reference prices are not available, their fair values are calculated by discounting the aggregate of the principal and interest by nominal rates assumed applicable if the loans were refinanced for the duration of the current maturity. (However, the fair values of investment corporation bonds (please refer to 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.)

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

For loans with floating interest rates, since the interest rates on such loans reflect market rates reasonably well over the short term and their book values are good approximations of their fair values, the book values are presented as their fair values. (However, the fair values of floating-rate long-term loans (please refer to 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.

(8) 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, 2017 | As of March 31, 2018 |
| (1) Non-listed stock *1 | 577,168 | 577,168 |
| (2) Deposits received from tenants *2 | 51,555,491 | 51,308,538 |

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

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

3. Redemption schedule for monetary claims after the closing date

| | Thousands of yen | | | | | |
|----------------------------|--------------------------|--------------|--------------|--------------|--------------|--------------|
| | As of September 30, 2017 | | | | | |
| | 1 year or less | 1 to 2 years | 2 to 3 years | 3 to 4 years | 4 to 5 years | Over 5 years |
| Cash and deposits | 18,332,818 | — | — | — | — | — |
| Cash and deposits in trust | 6,022,777 | — | — | — | — | — |
| Total | 24,355,596 | — | — | — | — | — |

| | Thousands of yen | | | | | |
|----------------------------|----------------------|--------------|--------------|--------------|--------------|--------------|
| | As of March 31, 2018 | | | | | |
| | 1 year or less | 1 to 2 years | 2 to 3 years | 3 to 4 years | 4 to 5 years | Over 5 years |
| Cash and deposits | 17,804,047 | — | — | — | — | — |
| Cash and deposits in trust | 5,837,847 | — | — | — | — | — |
| Total | 23,641,894 | — | — | — | — | — |

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

| | Thousands of yen | | | | | |
|------------------------------|--------------------------|--------------|--------------|--------------|--------------|--------------|
| | As of September 30, 2017 | | | | | |
| | 1 year or less | 1 to 2 years | 2 to 3 years | 3 to 4 years | 4 to 5 years | Over 5 years |
| Short-term loans | 34,500,000 | — | — | — | — | — |
| Investment corporation bonds | 10,000,000 | — | — | — | — | 20,000,000 |
| Long-term loans | 36,000,000 | 25,000,000 | 46,500,000 | 47,200,000 | 51,000,000 | 105,300,000 |
| Total | 80,500,000 | 25,000,000 | 46,500,000 | 47,200,000 | 51,000,000 | 125,300,000 |

| | Thousands of yen | | | | | |
|------------------------------|----------------------|--------------|--------------|--------------|--------------|--------------|
| | As of March 31, 2018 | | | | | |
| | 1 year or less | 1 to 2 years | 2 to 3 years | 3 to 4 years | 4 to 5 years | Over 5 years |
| Short-term loans | 32,000,000 | — | — | — | — | — |
| Investment corporation bonds | 10,000,000 | — | — | — | — | 22,993,175 |
| Long-term loans | 27,500,000 | 49,000,000 | 41,000,000 | 51,700,000 | 48,500,000 | 121,300,000 |
| Total | 69,500,000 | 49,000,000 | 41,000,000 | 51,700,000 | 48,500,000 | 144,293,175 |

6. Derivative Transactions

(1) Derivatives not designated as hedging instruments

As of September 30, 2017

“Not applicable”

As of March 31, 2018

“Not applicable”

(2) Derivatives designated as hedging instruments

As of September 30, 2017

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

| Derivative accounting method | Type of derivative transaction | Hedged item | Contract value | | Fair value | Measurement of fair value |
|---|---|-----------------|----------------|---------------|------------|---------------------------|
| | | | | Over one year | | |
| Special Treatment for interest-rate swap | Receive floating, pay fixed interest-rate swap transactions | Long-term loans | 64,300,000 | 64,300,000 | *1 | — |
| Integrated Treatment (Special Treatment and Allocation Treatment) for interest-rate and currency swap | Receive floating USD, pay fixed JPY, interest-rate and currency swap transactions (with initial and final exchange) | Long-term loans | 10,000,000 | 10,000,000 | *1 | — |

Thousands of yen

As of March 31, 2018

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

| Derivative accounting method | Type of derivative transaction | Hedged item | Contract value | | Fair value | Measurement of fair value |
|---|---|------------------------------|----------------|---------------|------------|---------------------------|
| | | | | Over one year | | |
| Special Treatment for interest-rate swap | Receive floating, pay fixed interest-rate swap transactions | Long-term loans | 64,300,000 | 63,300,000 | *1 | — |
| Integrated Treatment (Special Treatment and Allocation Treatment) for interest-rate and currency swap | Receive floating USD, pay fixed JPY, interest-rate and currency swap transactions (with initial and final exchange) | Long-term loans | 10,000,000 | 10,000,000 | *1 | — |
| Allocation Treatment for currency swap | Receive fixed USD, pay fixed JPY, currency swap transactions (with initial and final exchange) | Investment corporation bonds | 2,993,175 | 2,993,175 | *2 | — |

Thousands of yen

*1. Because the derivative transactions eligible for Special Treatment for interest-rate swap and Integrated Treatment (Special Treatment for interest-rate swap and Allocation Treatment for currency swap) are accounted for as integral parts of the hedged loans, the fair value of those derivative transactions is included in that of the underlying long-term loans as of September 30, 2017 and March 31, 2018. Please refer to the measurement of fair value of financial instruments in Note 1 of “2. Fair value of financial instruments” under Section 5. “Financial Instruments” as well as subheadings (5) and (7) of Note 1 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 March 31, 2018. Please refer to the measurement of fair value of financial instruments in Note 1 of “2. Fair value of financial instruments” under Section 5. “Financial Instruments” as well as subheadings (4) and (6) of Note 1 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, 2018 are as follows:

| Type of Asset | | Balance at the beginning of the period | Increase during the period | Decrease during the period | Balance at the end of the period | Accumulated depreciation | | Net balance at the end of the period | Remarks |
|-------------------------------|--|--|----------------------------|----------------------------|----------------------------------|--------------------------|-------------------------------|--------------------------------------|---------|
| | | | | | | Accumulated | Depreciation and amortization | | |
| Property, plant and equipment | Buildings | 265,980,168 | 4,093,499 | 19,961,758 | 250,111,909 | 86,253,809 | 4,638,607 | 163,858,100 | *1 |
| | Structures | 3,111,331 | 9,774 | 146,925 | 2,974,180 | 828,367 | 53,020 | 2,145,812 | — |
| | Machinery and equipment | 3,098,290 | 129,416 | — | 3,227,707 | 2,148,127 | 95,014 | 1,079,579 | — |
| | Tools, furniture and fixtures | 433,685 | 9,700 | 3,047 | 440,338 | 288,173 | 16,033 | 152,164 | — |
| | Land | 434,855,149 | 15,095,676 | — | 449,950,825 | — | — | 449,950,825 | *2 |
| | Construction in progress | 7,958 | — | — | 7,958 | — | — | 7,958 | — |
| | Buildings in trust | 89,725,955 | 5,930,914 | — | 95,656,870 | 24,227,651 | 1,629,495 | 71,429,218 | — |
| | Structures in trust | 860,317 | 96,532 | — | 956,849 | 246,755 | 20,384 | 710,094 | — |
| | Machinery and equipment in trust | 1,010,101 | 19,980 | — | 1,030,081 | 737,361 | 23,667 | 292,720 | — |
| | Tools, furniture and fixtures in trust | 68,247 | 927 | — | 69,175 | 30,373 | 4,219 | 38,801 | — |
| | Land in trust | 190,320,005 | 20,610,974 | — | 210,930,979 | — | — | 210,930,979 | *3 |
| | Construction in progress in trust | 1,020 | 1,583 | 1,020 | 1,583 | — | — | 1,583 | — |
| | Subtotal | 989,472,230 | 45,998,981 | 20,112,752 | 1,015,358,459 | 114,760,619 | 6,480,442 | 900,597,839 | |
| Intangible assets | Leasehold rights | 5,933,601 | — | — | 5,933,601 | 226,896 | 15,829 | 5,706,705 | — |
| | Leasehold rights in trust | 444,160 | — | — | 444,160 | — | — | 444,160 | — |
| | Easement | 828,095 | — | — | 828,095 | — | — | 828,095 | — |
| | Other | 16,450 | 719 | — | 17,169 | 5,797 | 1,678 | 11,372 | — |
| | Subtotal | 7,222,308 | 719 | — | 7,223,027 | 232,693 | 17,508 | 6,990,333 | |
| Total | 996,694,538 | 45,999,700 | 20,112,752 | 1,022,581,487 | 114,993,313 | 6,497,951 | 907,588,173 | | |

*1. The decrease of the buildings was mainly due to the disposal of Shibuya Cross Tower.

*2. The increase of the land was mainly due to the acquisition of Front Place Nihonbashi.

*3. The increase of the land in trust was mainly due to the acquisition of Shinjuku East Side Square (additional co-ownership interest).

8. Loans

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

| | Classification | Drawdown date | Balance at beginning of current period (¥ thousand) | Balance at end of current period (¥ thousand) | Average interest rate*2 (%) | Repayment date | Repayment method | Use of proceeds | Notes |
|--|--|-------------------|---|---|-----------------------------|-------------------------|------------------|-----------------|---|
| | Lender*1 | | | | | | | | |
| Short-term loans | Mitsubishi UFJ Trust and Banking Corporation | December 26, 2016 | 5,000,000 | — | 0.07965 | December 26, 2017 | Bullet | *3 | Unsecured Unguaranteed Unsubordinated |
| | The Bank of Tokyo-Mitsubishi UFJ, Ltd. | December 26, 2016 | 5,000,000 | — | 0.07965 | December 26, 2017 | | | |
| | Sumitomo Mitsui Trust Bank, Limited | December 26, 2016 | 1,300,000 | — | 0.07965 | December 26, 2017 | | | |
| | The 77 Bank, Ltd. | January 10, 2017 | 1,000,000 | — | 0.08292 | January 10, 2018 | | | |
| | The Bank of Tokyo-Mitsubishi UFJ, Ltd. | March 2, 2017 | 1,500,000 | — | 0.08425 | March 2, 2018 *4 | | | |
| | Mizuho Bank, Ltd. | March 27, 2017 | 5,500,000 | — | 0.08574 | March 27, 2018 | | | |
| | Sumitomo Mitsui Trust Bank, Limited | March 31, 2017 | 1,700,000 | — | 0.08637 | March 30, 2018 | | | |
| | Mizuho Bank, Ltd. | April 3, 2017 | 5,500,000 | 5,500,000 | 0.08594 | April 3, 2018 | | | |
| | The Bank of Tokyo-Mitsubishi UFJ, Ltd. | April 3, 2017 | 3,500,000 | — | 0.07414 | April 3, 2018 *5 | | | |
| | The Bank of Tokyo-Mitsubishi UFJ, Ltd. | March 30, 2018 | — | 8,000,000 | 0.0754 | April 27, 2018 | | | |
| | Mizuho Bank, Ltd. | March 30, 2018 | — | 5,000,000 | 0.0754 | April 27, 2018 | | | |
| | Sumitomo Mitsui Trust Bank, Limited | March 30, 2018 | — | 3,000,000 | 0.0754 | April 27, 2018 | | | |
| | Shinsei Bank, Limited | June 15, 2017 | 2,500,000 | 2,500,000 | 0.08771 | June 15, 2018 | | | |
| | Shinkin Central Bank | September 1, 2017 | 1,000,000 | 1,000,000 | 0.08646 | September 3, 2018 | | | |
| | Resona Bank, Limited | September 1, 2017 | 1,000,000 | 1,000,000 | 0.08646 | September 3, 2018 | | | |
| | Mitsubishi UFJ Trust and Banking Corporation | December 26, 2017 | — | — | 0.09196 | December 26, 2018 *6 | | | |
| | The Bank of Tokyo-Mitsubishi UFJ, Ltd. | December 26, 2017 | — | — | 0.0904 | December 26, 2018 *7 | | | |
| | Sumitomo Mitsui Trust Bank, Limited | December 26, 2017 | — | 1,300,000 | 0.09217 | December 26, 2018 | | | |
| Resona Bank, Limited | March 26, 2018 | — | 3,000,000 | 0.0954 | March 26, 2019 | | | | |
| Sumitomo Mitsui Trust Bank, Limited | March 30, 2018 | — | 1,700,000 | 0.0954 | March 29, 2019 | | | | |
| | Subtotal | | 34,500,000 | 32,000,000 | | | | | |
| Long-term loans | The Hachijuni Bank, Ltd. | December 20, 2012 | 1,000,000 | — | 0.45625 | December 20, 2017 | Bullet | *3 | Unsecured Unguaranteed Unsubordinated |
| | The Joyo Bank, Ltd. | January 7, 2013 | 1,000,000 | — | 0.49125 | January 9, 2018 | | | |
| | The Ashikaga Bank, Ltd. | January 7, 2013 | 1,000,000 | — | 0.49125 | January 9, 2018 | | | |
| | Sumitomo Mitsui Trust Bank, Limited | January 17, 2011 | 3,000,000 | — | 1.43375 | January 17, 2018 | | | |
| | Nippon Life Insurance Company | March 1, 2011 | 2,000,000 | — | 1.465 | March 1, 2018 | | | |
| | The Bank of Tokyo-Mitsubishi UFJ, Ltd. | March 24, 2011 | 2,000,000 | — | 1.3975 | March 26, 2018 | | | |
| | Resona Bank, Limited | March 25, 2013 | 3,000,000 | — | 0.45 | March 26, 2018 | | | |
| | The Chugoku Bank, Limited | March 25, 2013 | 2,000,000 | — | 0.45 | March 26, 2018 | | | |
| | The Hachijuni Bank, Ltd. | March 25, 2013 | 1,000,000 | — | 0.45 | March 26, 2018 | | | |
| | Taiyo Life Insurance Company | March 30, 2011 | 2,000,000 | — | 1.39625 | March 30, 2018 | | | |
| | Shinkin Central Bank | April 24, 2013 | 5,000,000 | 5,000,000 | 0.52775 | April 24, 2018 *8 | | | |
| | Mitsubishi UFJ Trust and Banking Corporation | June 1, 2011 | 10,000,000 | 10,000,000 | 1.31125 | June 1, 2018 *8 | | | |
| | Shinsei Bank, Limited | August 31, 2011 | 3,000,000 | 3,000,000 | 1.0475 | August 31, 2018 *8 | | | |
| | Sumitomo Mitsui Trust Bank, Limited | November 15, 2011 | 3,000,000 | 3,000,000 | 0.98375 | November 15, 2018 *8 | | | |
| | Sumitomo Mitsui Banking Corporation | November 15, 2011 | 3,000,000 | 3,000,000 | 0.98375 | November 15, 2018 *8 | | | |
| | Mizuho Bank, Ltd. | September 1, 2015 | 2,500,000 | 2,500,000 | 0.17 | March 1, 2019 *8 | | | |
| The Gunma Bank, Ltd. | March 24, 2014 | 1,000,000 | 1,000,000 | 0.4105 | March 25, 2019 *8 | | | | |
| Sumitomo Mitsui Trust Bank, Limited | May 29, 2015 | 5,000,000 | 5,000,000 | 0.2075 | May 29, 2019 | | | | |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | September 1, 2015 | 5,000,000 | 5,000,000 | 0.2 | September 2, 2019 | | | | |
| Sumitomo Mitsui Trust Bank, Limited | September 26, 2011 | 5,500,000 | 5,500,000 | 1.16 | September 26, 2019 | | | | |

| | Classification | Drawdown date | Balance at beginning of current period (¥ thousand) | Balance at end of current period (¥ thousand) | Average interest rate*2 (%) | Repayment date | Repayment method | Use of proceeds | Notes |
|-------------------------------------|---|-------------------|---|---|-----------------------------|-------------------|------------------|-------------------|---|
| | Lender*1 | | | | | | | | |
| Long-term loans | The Hiroshima Bank, Ltd. | October 1, 2014 | 3,000,000 | 3,000,000 | 0.31575 | October 1, 2019 | Bullet | *3 | Unsecured Unguaranteed Unsubordinated |
| | Mizuho Bank, Ltd. | November 1, 2011 | 6,000,000 | 6,000,000 | 1.2075 | November 1, 2019 | | | |
| | Mizuho Bank, Ltd. | November 15, 2011 | 3,000,000 | 3,000,000 | 1.13875 | November 15, 2019 | | | |
| | The Bank of Tokyo-Mitsubishi UFJ, Ltd. | November 15, 2011 | 3,000,000 | 3,000,000 | 1.13875 | November 15, 2019 | | | |
| | Mitsubishi UFJ Trust and Banking Corporation | November 15, 2011 | 3,000,000 | 3,000,000 | 1.13875 | November 15, 2019 | | | |
| | The Gunma Bank, Ltd. | November 17, 2014 | 1,000,000 | 1,000,000 | 0.316 | November 18, 2019 | | | |
| | The Yamanashi Chuo Bank, Ltd. | December 15, 2014 | 2,000,000 | 2,000,000 | 0.266 | December 16, 2019 | | | |
| | Shinkin Central Bank | January 7, 2013 | 2,000,000 | 2,000,000 | 0.71375 | January 7, 2020 | | | |
| | The Bank of Tokyo-Mitsubishi UFJ, Ltd. | January 15, 2013 | 5,500,000 | 5,500,000 | 0.71 | January 15, 2020 | | | |
| | Shinkin Central Bank | January 15, 2013 | 5,000,000 | 5,000,000 | 0.71 | January 15, 2020 | | | |
| | Mitsubishi UFJ Trust and Banking Corporation | June 15, 2012 | 4,000,000 | 4,000,000 | 0.9525 | June 15, 2020 | | | |
| | Sumitomo Mitsui Trust Bank, Limited | June 15, 2012 | 4,000,000 | 4,000,000 | 0.9525 | June 15, 2020 | | | |
| | Sumitomo Mitsui Trust Bank, Limited | June 15, 2015 | 3,000,000 | 3,000,000 | 0.3425 | June 15, 2020 | | | |
| | Tokio Marine & Nichido Fire Insurance Co., Ltd. | July 3, 2017 | 2,000,000 | 2,000,000 | 0.1 | July 3, 2020 | | | |
| | The Yamaguchi Bank, Ltd. | October 29, 2012 | 2,000,000 | 2,000,000 | 0.8 | October 29, 2020 | | | |
| | The Bank of Tokyo-Mitsubishi UFJ, Ltd. | December 21, 2012 | 5,000,000 | 5,000,000 | 0.80125 | December 21, 2020 | | | |
| | Mitsubishi UFJ Trust and Banking Corporation | December 21, 2012 | 5,000,000 | 5,000,000 | 0.80125 | December 21, 2020 | | | |
| | The Bank of Tokyo-Mitsubishi UFJ, Ltd. | January 15, 2013 | 5,500,000 | 5,500,000 | 0.83625 | January 15, 2021 | | | |
| | Mitsubishi UFJ Trust and Banking Corporation | January 31, 2014 | 4,000,000 | 4,000,000 | 0.64225 | January 29, 2021 | | | |
| | The Bank of Fukuoka, Ltd. | January 31, 2014 | 2,500,000 | 2,500,000 | 0.63849 | January 29, 2021 | | | |
| | Sumitomo Mitsui Trust Bank, Limited | January 31, 2014 | 2,000,000 | 2,000,000 | 0.62575 | January 29, 2021 | | | |
| | The Iyo Bank, Ltd. | March 24, 2014 | 2,000,000 | 2,000,000 | 0.6035 | March 24, 2021 | | | |
| | Mitsubishi UFJ Trust and Banking Corporation | April 4, 2017 | 5,000,000 | 5,000,000 | 0.03301 | April 5, 2021 | | | |
| | The Bank of Tokyo-Mitsubishi UFJ, Ltd. | April 24, 2013 | 5,000,000 | 5,000,000 | 0.775 | April 26, 2021 | | | |
| | Mizuho Bank, Ltd. | June 15, 2012 | 4,000,000 | 4,000,000 | 1.07375 | June 15, 2021 | | | |
| | Sumitomo Mitsui Trust Bank, Limited | December 26, 2016 | 3,700,000 | 3,700,000 | 0.1913 | June 28, 2021 | | | |
| | Sumitomo Mitsui Banking Corporation | January 19, 2018 | — | 5,000,000 | 0.16255 | July 20, 2021 | | | |
| | The Bank of Fukuoka, Ltd. | August 31, 2017 | 1,500,000 | 1,500,000 | 0.1325 | August 31, 2021 | | | |
| | The Iyo Bank, Ltd. | October 1, 2014 | 1,000,000 | 1,000,000 | 0.46525 | October 1, 2021 | | | |
| | The Chugoku Bank, Limited | October 1, 2014 | 1,000,000 | 1,000,000 | 0.4725 | October 1, 2021 | | | |
| | The Daishi Bank, Ltd. | November 14, 2014 | 1,800,000 | 1,800,000 | 0.463 | November 15, 2021 | | | |
| | Sony Bank Incorporated | | 1,400,000 | 1,400,000 | | | | | |
| | The Toho Bank, Ltd. | | 1,400,000 | 1,400,000 | | | | | |
| | The Hokuetsu Bank, Ltd. | | 1,400,000 | 1,400,000 | | | | | |
| The Shinkumi Federation Bank | 1,000,000 | | 1,000,000 | | | | | | |
| The Akita Bank, Ltd. | 900,000 | | 900,000 | | | | | | |
| The Gunma Bank, Ltd. | 900,000 | | 900,000 | | | | | | |
| The 77 Bank, Ltd. | 900,000 | | 900,000 | | | | | | |
| The Tochigi Bank, Ltd. | 900,000 | | 900,000 | | | | | | |
| The Fukui Bank, Ltd. | 900,000 | | 900,000 | | | | | | |
| The Bank of Iwate, Ltd. | 500,000 | | 500,000 | | | | | | |
| The Higo Bank, Ltd. | 500,000 | | 500,000 | | | | | | |
| The Yamagata Bank, Ltd. | 500,000 | | 500,000 | | | | | | |
| The Nishi-Nippon City Bank, Ltd. | June 17, 2014 | | 2,000,000 | 2,000,000 | | | 0.621 | December 17, 2021 | |
| Sumitomo Mitsui Banking Corporation | January 7, 2013 | 2,000,000 | 2,000,000 | 0.98 | January 7, 2022 | | | | |

| | Classification | Drawdown date | Balance at beginning of current period (¥ thousand) | Balance at end of current period (¥ thousand) | Average interest rate*2 (%) | Repayment date | Repayment method | Use of proceeds | Notes |
|--|--|-------------------|---|---|-----------------------------|-------------------|------------------|-----------------|---|
| | Lender*1 | | | | | | | | |
| Long-term loans | Mizuho Bank, Ltd. | January 15, 2013 | 5,000,000 | 5,000,000 | 0.96625 | January 17, 2022 | Bullet | *3 | Unsecured Unguaranteed Unsubordinated |
| | The Norinchukin Bank | January 31, 2014 | 3,500,000 | 3,500,000 | 0.757 | January 31, 2022 | | | |
| | Mizuho Bank, Ltd. | April 24, 2013 | 3,000,000 | 3,000,000 | 0.87375 | April 25, 2022 | | | |
| | The Bank of Tokyo-Mitsubishi UFJ, Ltd. | June 15, 2012 | 4,000,000 | 4,000,000 | 1.1975 | June 15, 2022 | | | |
| | Mitsubishi UFJ Trust and Banking Corporation | June 15, 2012 | 2,500,000 | 2,500,000 | 1.2725 | June 15, 2022 | | | |
| | Shinsei Bank, Limited | June 15, 2012 | 2,500,000 | 2,500,000 | 1.2725 | June 15, 2022 | | | |
| | The Norinchukin Bank | June 17, 2014 | 3,000,000 | 3,000,000 | 0.6785 | June 17, 2022 | | | |
| | The Gunma Bank, Ltd. | August 10, 2015 | 1,000,000 | 1,000,000 | 0.3925 | August 10, 2022 | | | |
| | The Shinkumi Federation Bank | | 1,000,000 | 1,000,000 | | | | | |
| | The Daishi Bank, Ltd. | | 1,000,000 | 1,000,000 | | | | | |
| | The Chugoku Bank, Limited | | 1,000,000 | 1,000,000 | | | | | |
| | The Toho Bank, Ltd. | | 1,000,000 | 1,000,000 | | | | | |
| | The Fukui Bank, Ltd. | | 1,000,000 | 1,000,000 | | | | | |
| | The Tochigi Bank, Ltd. | | 500,000 | 500,000 | | | | | |
| | The Bank of Tokyo-Mitsubishi UFJ, Ltd. | September 1, 2015 | 2,000,000 | 2,000,000 | 0.47125 | September 1, 2022 | | | |
| | The Hachijuni Bank, Ltd. | December 20, 2017 | — | 1,000,000 | 0.1863 | December 20, 2022 | | | |
| | Development Bank of Japan Inc. | January 7, 2013 | 3,000,000 | 3,000,000 | 1.115 | January 6, 2023 | | | |
| | The Daishi Bank, Ltd. | January 7, 2016 | 1,500,000 | 1,500,000 | 0.2802 | January 10, 2023 | | | |
| | The 77 Bank, Ltd. | January 10, 2018 | — | 1,000,000 | 0.205 | January 10, 2023 | | | |
| | The Hachijuni Bank, Ltd. | January 15, 2016 | 1,000,000 | 1,000,000 | 0.265 | January 16, 2023 | | | |
| | The Iyo Bank, Ltd. | January 15, 2016 | 1,000,000 | 1,000,000 | 0.265 | January 16, 2023 | | | |
| | Sumitomo Mitsui Trust Bank, Limited | January 17, 2018 | — | 3,000,000 | 0.21 | January 17, 2023 | | | |
| | Development Bank of Japan Inc. | January 31, 2014 | 5,000,000 | 5,000,000 | 0.9325 | January 31, 2023 | | | |
| | The Yamaguchi Bank, Ltd. | March 25, 2013 | 1,000,000 | 1,000,000 | 0.945 | March 24, 2023 | | | |
| | The Bank of Fukuoka, Ltd. | March 24, 2015 | 2,000,000 | 2,000,000 | 0.5125 | March 24, 2023 | | | |
| | The Norinchukin Bank | March 25, 2015 | 3,500,000 | 3,500,000 | 0.46825 | March 27, 2023 | | | |
| | The Chugoku Bank, Limited | March 26, 2018 | — | 2,000,000 | 0.1988 | March 27, 2023 | | | |
| | Mitsubishi UFJ Trust and Banking Corporation | June 1, 2017 | 12,000,000 | 12,000,000 | 0.05181 | June 1, 2023 | | | |
| | The Chugoku Bank, Limited | June 15, 2015 | 3,000,000 | 3,000,000 | 0.61175 | June 15, 2023 | | | |
| | The Bank of Fukuoka, Ltd. | June 15, 2017 | 2,500,000 | 2,500,000 | 0.2388 | June 15, 2023 | | | |
| | Mitsubishi UFJ Trust and Banking Corporation | December 19, 2014 | 10,000,000 | 10,000,000 | 0.42375 *9 | December 19, 2023 | | | |
| | Mitsubishi UFJ Trust and Banking Corporation | March 26, 2018 | — | 5,000,000 | 0.04664 | March 26, 2024 | | | |
| | The Hachijuni Bank, Ltd. | March 26, 2018 | — | 1,000,000 | 0.2338 | March 26, 2024 | | | |
| | The Iyo Bank, Ltd. | June 15, 2017 | 2,500,000 | 2,500,000 | 0.275 | June 17, 2024 | | | |
| | The Hachijuni Bank, Ltd. | June 15, 2017 | 1,000,000 | 1,000,000 | 0.275 | June 17, 2024 | | | |
| | Mitsubishi UFJ Trust and Banking Corporation | September 1, 2015 | 3,500,000 | 3,500,000 | 0.63 | September 2, 2024 | | | |
| | Sumitomo Mitsui Trust Bank, Limited | September 2, 2015 | 3,800,000 | 3,800,000 | 0.536 | September 2, 2024 | | | |
| | The Norinchukin Bank | September 1, 2017 | 5,000,000 | 5,000,000 | 0.24 | September 2, 2024 | | | |
| | Taiyo Life Insurance Company | October 1, 2014 | 2,000,000 | 2,000,000 | 0.7825 | October 1, 2024 | | | |
| | Mizuho Bank, Ltd. | October 1, 2015 | 2,500,000 | 2,500,000 | 0.5575 | October 1, 2024 | | | |
| The Ashikaga Bank, Ltd. | January 9, 2018 | — | 1,000,000 | 0.285 | January 9, 2025 | | | | |
| Mizuho Trust & Banking Co., Ltd. | March 2, 2015 | 3,000,000 | 3,000,000 | 0.5585 | March 3, 2025 | | | | |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | March 26, 2018 | — | 2,000,000 | 0.2725 | March 26, 2025 | | | | |
| Development Bank of Japan Inc. | March 30, 2017 | 5,000,000 | 5,000,000 | 0.315 | March 31, 2025 | | | | |
| Taiyo Life Insurance Company | May 29, 2015 | 1,500,000 | 1,500,000 | 0.7375 | May 29, 2025 | | | | |
| Development Bank of Japan Inc. | September 1, 2015 | 7,000,000 | 7,000,000 | 0.7175 | September 1, 2025 | | | | |
| Mizuho Bank, Ltd. | December 26, 2016 | 5,000,000 | 5,000,000 | 0.3625 | December 26, 2025 | | | | |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | February 26, 2018 | — | 6,500,000 | 0.3413 | February 26, 2026 | | | | |
| Mizuho Bank, Ltd. | March 27, 2018 | — | 5,500,000 | 0.3 | March 27, 2026 | | | | |
| Shinkin Central Bank | March 30, 2017 | 5,000,000 | 5,000,000 | 0.36 | March 30, 2026 | | | | |

| | Classification | Drawdown date | Balance at beginning of current period (¥ thousand) | Balance at end of current period (¥ thousand) | Average interest rate*2 (%) | Repayment date | Repayment method | Use of proceeds | Notes |
|-----------------|--|-------------------|---|---|-----------------------------|-------------------|------------------|-----------------|---|
| | Lender*1 | | | | | | | | |
| Long-term loans | Shinkin Central Bank | September 1, 2017 | 5,000,000 | 5,000,000 | 0.3188 | September 1, 2026 | Bullet | *3 | Unsecured Unguaranteed Unsubordinated |
| | Mitsubishi UFJ Trust and Banking Corporation | October 31, 2016 | 3,000,000 | 3,000,000 | 0.24 | October 30, 2026 | | | |
| | Mizuho Bank, Ltd. | December 21, 2016 | 5,000,000 | 5,000,000 | 0.415 | December 21, 2026 | | | |
| | The Joyo Bank, Ltd. | January 9, 2018 | — | 1,000,000 | 0.4188 | January 11, 2028 | | | |
| | Sumitomo Mitsui Banking Corporation | January 19, 2018 | — | 3,000,000 | 0.4338 | January 19, 2028 | | | |
| | Mizuho Bank, Ltd. | March 30, 2018 | — | 4,000,000 | 0.3963 | March 30, 2028 | | | |
| | The Bank of Tokyo-Mitsubishi UFJ, Ltd. | March 30, 2018 | — | 4,000,000 | 0.3963 | March 30, 2028 | | | |
| | Taiyo Life Insurance Company | March 30, 2018 | — | 1,000,000 | 0.3963 | March 30, 2028 | | | |
| | Subtotal | | 311,000,000 | 339,000,000 | | | | | |
| Total | | 345,500,000 | 371,000,000 | | | | | | |

- *1. On April 1, 2018, the commercial name of The Bank of Tokyo-Mitsubishi UFJ, Ltd. was changed to MUFG Bank, Ltd. In addition, on April 16, 2018, Mitsubishi UFJ Trust and Banking Corporation transferred the corporation lending division and its lending balances to MUFG Bank, Ltd.
- *2. The average for floating interest rates is recorded as the weighted average during the period. The average is rounded off to the fifth decimal place. The weighted average for interest rates of loans for which floating interest rates were swapped to fixed rates in order to hedge the risk of interest rate fluctuations is calculated taking the effect of this swap into consideration.
- *3. The purposes of executing these loans are to purchase real properties or beneficiary right of real estate in trust, to repay existing loans, and to fund the redemption of investment corporation bonds.
- *4. The Company made a full repayment (¥1,500 million) before maturity on February 26, 2018.
- *5. The Company made a full repayment (¥3,500 million) before maturity on October 26, 2017.
- *6. The Company made a full repayment (¥5,000 million) before maturity on March 26, 2018.
- *7. The Company made a full repayment (¥5,000 million) before maturity on February 26, 2018.
- *8. At the end of the period under review, these loans are accounted for under current liabilities on the balance sheets as the current portion of long-term loans payable.
- *9. In order to hedge the risk of exchange rate and interest rate fluctuations related to foreign currency-denominated loans, the Company conducted an interest-rate and currency swap transaction, which substantially secured exchange and interest rates. Accordingly, the balance and the weighted average for interest rates during the period are calculated taking the effect of this interest-rate and currency swap into consideration.

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

Outstanding investment corporation bonds as of March 31, 2018 are as follows.

| Securities | Date of issue | Balance at beginning of current period (¥ thousand) | Balance at end of current period (¥ thousand) | Interest rate (%) | Repayment period | Repayment method | Use of proceeds | Notes |
|--|--------------------|---|---|-------------------|--------------------|------------------|-----------------|----------|
| 4th unsecured investment corporation bond | September 29, 2005 | 10,000,000 | 10,000,000 | 2.56 | September 29, 2025 | Bullet | *1 | *2 |
| 9th unsecured investment corporation bond | August 30, 2013 | 10,000,000 | 10,000,000 | 0.497 | August 30, 2018 | Bullet | *1 | *2 |
| 10th unsecured investment corporation bond | March 30, 2017 | 10,000,000 | 10,000,000 | 0.3975 | March 30, 2027 | Bullet | *1 | *2 *3 |
| 11th unsecured investment corporation bond | October 26, 2017 | — | 2,993,175 | 0.2788 | October 26, 2027 | Bullet | *1 | *2 *3 *4 |
| Total | | 30,000,000 | 32,993,175 | | | | | |

- *1. The investment corporation bonds are primarily used to fund the acquisition of real properties or beneficiary right of real estate in trust, and to repay existing loans.
- *2. Financial covenants, such as a negative pledge, are not included in these bonds.
- *3. Bond issuance was limited to qualified institutional investors by a private placement.
- *4. For the purpose of avoiding foreign currency risk with respect to foreign currency investment corporation bonds, the Company engages in currency swap transactions to fix the exchange rates. Considering the effects of the currency swap transactions, the balances and interest rates are reflected in the schedule.

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, 2017 and March 31, 2018 were as follows:

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

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

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

12. Related Party Transactions

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

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, 2017 to September 30, 2017
“Not applicable”
 - For the period from October 1, 2017 to March 31, 2018**
“Not applicable”
- (2) Affiliated Companies
 - For the period from April 1, 2017 to September 30, 2017
“Not applicable”
 - For the period from October 1, 2017 to March 31, 2018**
“Not applicable”
- (3) Sister Companies
 - For the period from April 1, 2017 to September 30, 2017
“Not applicable”

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

“Not applicable”

(4) Directors and Major Individual Unitholders

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

“Not applicable”

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

“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, 2017 to September 30, 2017 (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 | 1.307% | Rent revenue | 11,696,633 | Deposits received from tenants | 17,885,603 |
| | | | | Security deposit increase | 238,162 | | |
| | | | | Security deposit return | 267,106 | | |
| Interested party | Mitsubishi Jisho Property Management Co., Ltd. | Real estate management | — | Property management expenses | 2,207,905 | — | — |
| Interested party | Tokyo Opera City, Heat Supply Co., Ltd. | Heat supply business | — | Dividend income | 11,365 | — | — |
| Asset custody company | Sumitomo Mitsui Trust Bank, Limited | Bank | — | — | — | Long-term loans payable | 33,000,000 |

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.

For the period from October 1, 2017 to March 31, 2018 (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 | 1.307% | Rent revenue | 11,998,644 | Deposits received from tenants | 18,521,201 |
| | | | | Real estate sales | 10,000,000 | | |
| | | | | Real estate beneficiary rights in trust purchase | 25,460,000 | | |
| | | | | Security deposit increase | 1,219,798 | | |
| | | | | Security deposit return | 584,201 | | |
| Interested party | Mitsubishi Jisho Property Management Co., Ltd. | Real estate management | — | Property management expenses | 2,214,533 | — | — |
| Asset custody company | Sumitomo Mitsui Trust Bank, Limited | Bank | — | Long-term loans borrowing | 3,000,000 | Long-term loans payable | 33,000,000 |
| | | | | Long-term loans repayment | 3,000,000 | | |
| Interested party | Nihonbashi 2 Chome Kaihatsu Tokutei Mokuteki Kaisha | Real estate | — | Real estate purchase | 17,560,000 | — | — |

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, 2017 and March 31, 2018

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

Information on products and services

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

Information on geographic area

(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, 2017 and March 31, 2018

Asset retirement obligations reported on balance sheets

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

Change in the asset retirement obligations for the six months ended September 30, 2017 and March 31, 2018 consisted of the following:

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

15. Investment and Rental Property

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

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

The book values on balance sheets as of September 30, 2017 and March 31, 2018 and the fair values as of September 30, 2017 and March 31, 2018 are as follows:

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

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

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

2. Significant changes

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

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

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

Profits and losses related to investment and rental property are listed in 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 at September 30, 2017 and March 31, 2018 and for the periods then ended, respectively:

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

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

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

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

17. Breakdown of Property-Related Revenues and Expenses

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

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

18. Breakdown of Gain on Sales of Real Estate Properties

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

“Not applicable”

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

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

19. Changes in Unitholders' Equity

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

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

20. Supplemental Cash Flow Information

Cash and cash equivalents

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

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

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, 2017 and March 31, 2018, the future lease revenues under the non-cancelable operating leases are as follows:

| | Thousands of yen | |
|---------------------|--------------------------|----------------------|
| | As of September 30, 2017 | As of March 31, 2018 |
| Due within one year | 20,152,740 | 23,206,521 |
| Due after one year | 44,584,118 | 47,799,241 |
| Total | 64,736,859 | 71,005,762 |

22. Subsequent Events

For the six months ended March 31, 2018

Issuance of New Investment Units

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

Summary of the issuance of units

(1) Public offering of new investment units

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

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

(2) Secondary offering of investment units (over-allotment)

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

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

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

(4) Use of proceeds

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



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Independent Auditor's Report

The Board of Directors
Japan Real Estate Investment Corporation

We have audited the accompanying financial statements of Japan Real Estate Investment Corporation, which comprise the balance sheet as at March 31, 2018, and the statements of income and retained earnings, changes in unitholders' equity, cash distributions, and cash flows for the six month period then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility 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 designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. The purpose of an audit of the financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Japan Real Estate Investment Corporation as at March 31, 2018, and its financial performance and cash flows for the six month period then ended in conformity with accounting principles generally accepted in Japan.

Ernst & Young Shinnihon LLC

June 22, 2018
Tokyo, Japan

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 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, construction, or other defects 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 a 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 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; and
- risk of dilution as a result of further issuances of units.

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, 2018)

None.

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

Beginning April 1, 2017 and ending March 31, 2018

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, are 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, are 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 | ¥36 million | 0 | ¥0 million | 2 | ¥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 | 36 | ¥345 million | ¥220 million | ¥125 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.

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