



Japan Real Estate Investment Corporation

SEPTEMBER 2013

*Semiannual Report*

For the period from April 1, 2013 to September 30, 2013



## *Profile*

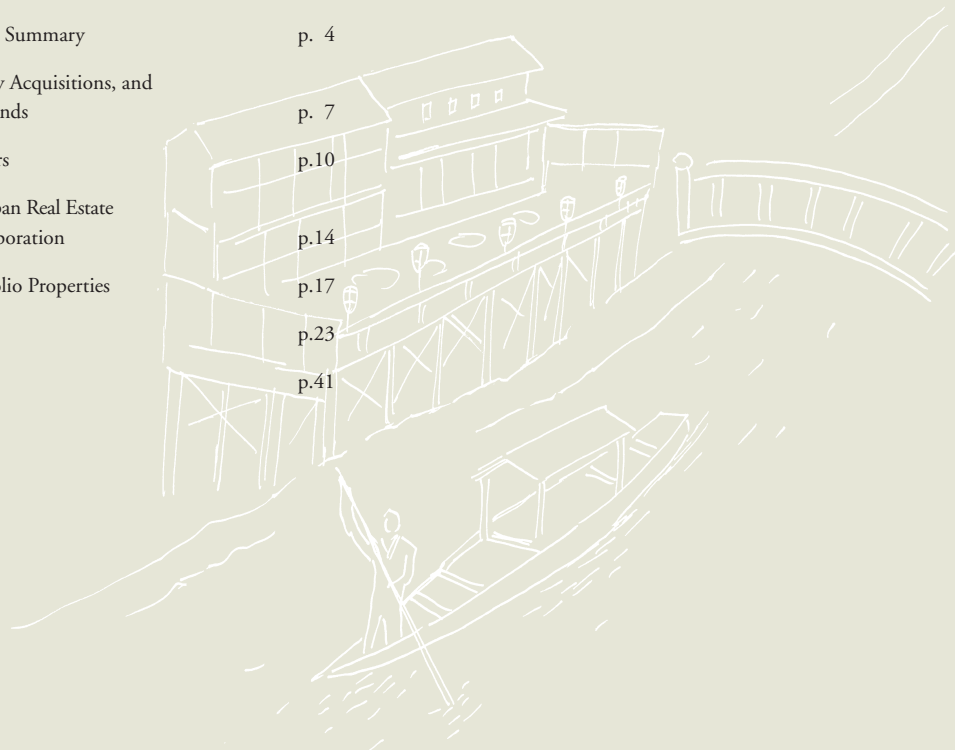
Japan Real Estate Investment Corporation (“the Company”) was established as one of the first real estate investment corporations in Japan following revisions to the Law Concerning Investment Trusts and Investment Corporations of Japan, as amended, or the Investment Trust Law. Its investments focus primarily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

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

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## Financial Highlights

	Millions of yen					Thousands of U.S. dollars (Note 1)
	For the period from April 1, 2013 to September 30, 2013	For the period from October 1, 2012 to March 31, 2013	For the period from April 1, 2012 to September 30, 2012	For the period from October 1, 2011 to March 31, 2012	For the period from April 1, 2011 to September 30, 2011	For the period from April 1, 2013 to September 30, 2013
Operating Revenues	¥26,225	¥25,357	¥24,222	¥24,059	¥22,829	\$259,409
Operating Income	10,781	10,631	10,212	10,786	10,380	108,765
Ordinary Income	9,143	8,749	8,372	8,863	8,603	89,508
Net Income	9,129	8,824	8,448	8,934	8,268	90,278
Net Operating Income (NOI) (Note 2)	17,205	16,768	15,997	16,361	15,121	171,548
Funds from Operations (FFO) (Note 3)	14,619	14,032	13,356	13,625	12,154	143,559
FFO Multiple (Note 4)	23.4 times	27.2 times	16.2 times	14.7 times	15.2 times	27.2 times
Cash Distribution	9,129	8,995	8,619	8,888	7,753	92,023
Number of Units	594,140	594,140	549,040	549,040	489,200	594,140
Dividend per Unit (Yen/U.S.dollars)	15,366	15,140	15,700	16,190	15,850	154.88

Notes: 1. Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥97.75 = US\$1.00, the foreign exchange rate on September 30, 2013, has been used for translation. The inclusion of such amounts is not intended to imply that Japanese yen amounts have been or could be readily converted, realized or settled into U.S. dollars at that rate or any other rate.

2. NOI = Property-Related Revenues – Property-Related Expenses (excluding Depreciation)

3. FFO = Net Income + Depreciation – Gain (Loss) on Sale of Properties

4. FFO Multiple = Unit Price at End of the Respective Term ÷ FFO per Unit (Annualized)

(Annualized portion of the calculation given in Note 4 assumes a fiscal period of 183 days for the period ended September 30, 2011, 183 days for the period ended March 31, 2012, 183 days for the period ended September 30, 2012, 182 days for the period ended March 31, 2013 and 183 days for the period ended September 30, 2013.)

## Top 10 Unitholders

As of September 30, 2013

Company	Units	% of total units outstanding
Japan Trustee Services Bank, Ltd. (Shintaku Acc.) .....	93,512	15.74%
Trust & Custody Services Bank, Ltd. (Toshin Acc.) .....	44,487	7.49%
The Master Trust Bank of Japan, Ltd. (Shintaku Acc.) .....	38,444	6.47%
The Nomura Trust and Banking Co., Ltd. (Toshin Acc.) .....	34,565	5.82%
NOMURA BANK (LUXEMBOURG) S.A. ....	17,183	2.89%
THE BANK OF NEW YORK, TREATY JASDEC ACCOUNT .....	14,414	2.43%
STATE STREET BANK AND TRUST COMPANY 505223 .....	12,075	2.03%
Mitsubishi Estate Co., Ltd. ....	10,160	1.71%
The Chugoku Bank, Ltd. ....	8,390	1.41%
STATE STREET BANK-WEST PENSION FUND CLIENTS-EXEMPT .....	7,263	1.22%

## Unit Price Performance



## Strengths

### Stable Dividends

—Actual dividend per unit

for the 24th fiscal period:

**¥15,366** (\$157.20)\*<sup>1</sup>

—Forecasted dividend per unit

for the 25th fiscal period:

**¥7,580** (\$77.54)\*<sup>1, \*2, \*3</sup>

\*<sup>1</sup> The foreign exchange rate of ¥97.75 = US\$1.00, as of September 30, 2013, has been used for this translation.

\*<sup>2</sup> The forecasted dividend was disclosed with the announcement of the 24th fiscal period earnings results on November 18, 2013.

\*<sup>3</sup> JRE implemented a 2-for-1 split of each investment unit as of January 1, 2014. The dividend per unit for the 25th fiscal period before taking the split into account is ¥15,160.

### Collaboration with Sponsors

—Expertise of

*Mitsubishi Estate Co., Ltd.,  
The Dai-ichi Life  
Insurance Company, Limited  
and Mitsui & Co., Ltd.*

is being fully utilized

### Steady Growth with Quality Portfolio

—Total acquisition price:

**¥794,230 million**

(\$8,125 million)

—Maintains **62** properties

—The first listed J-REIT, showing steady performance for 24 consecutive periods

### Sound Financial Base

(as of September 30, 2013)

—Highest credit ratings for a J-REIT: **A+** from S&P,

**A1** from Moody's, **AA** from R&I

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

**41.3%**

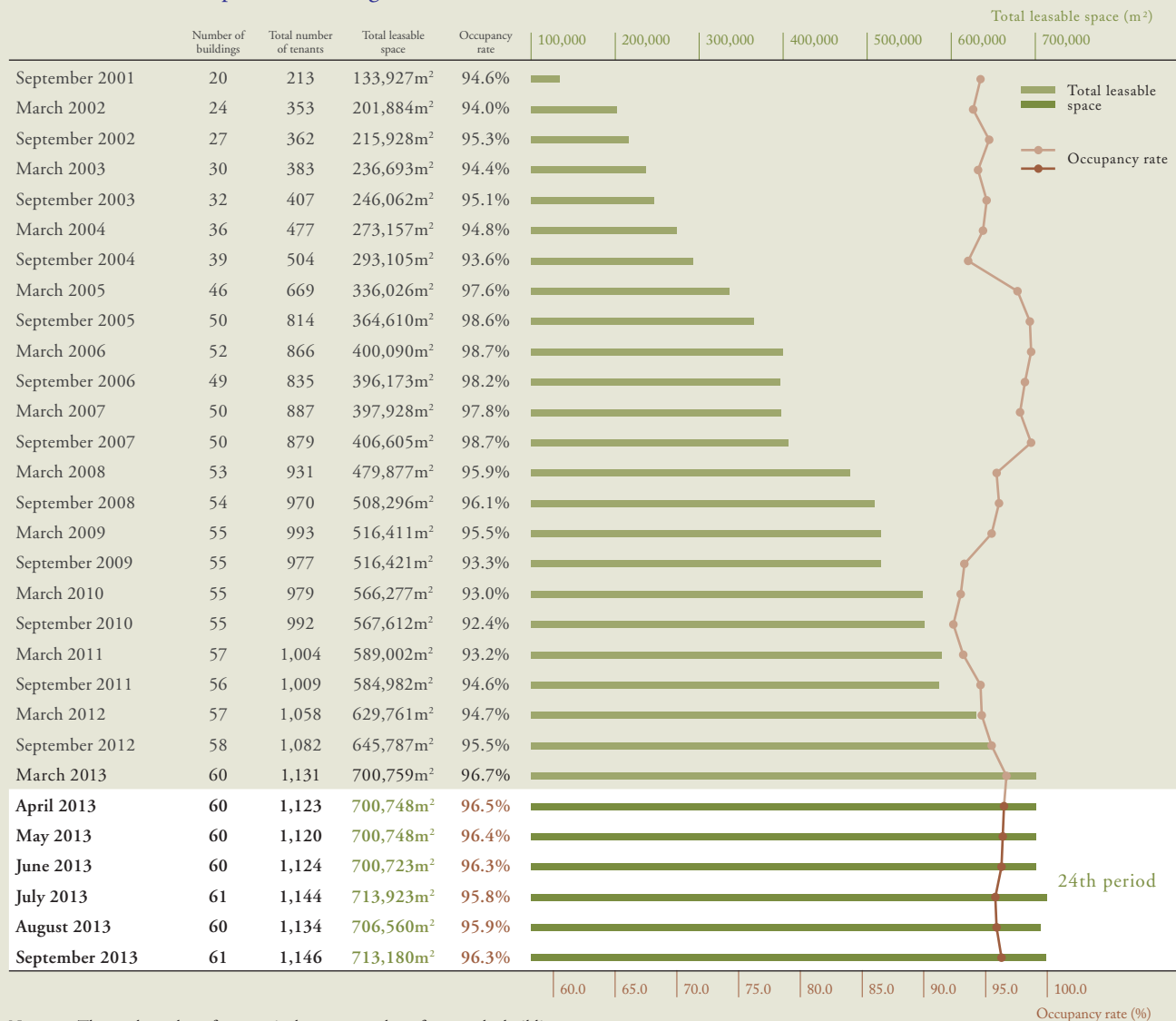
—Long-term, fixed-interest debt ratio\*<sup>4</sup>:

**92.2%**

\*<sup>4</sup> Long-term, fixed-interest loan + Investment corporation bonds (including current portion of Long-term, fixed-interest loans and Investment corporation bonds) / Total interest-bearing debts

# Portfolio Highlights

## Trends in the state of portfolio management

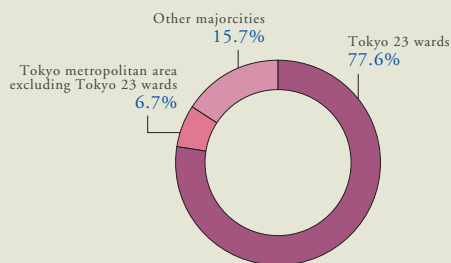


Note 1: The total number of tenants is the gross number of tenants by building.  
 Note 2: Nippon Brunswick (land with leasehold interest) is not included.

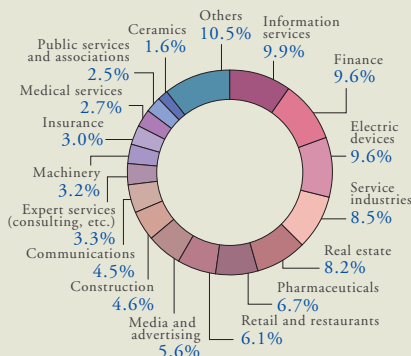
## Portfolio breakdown

As of September 30, 2013

Properties by geographic region  
(Percentage based on acquisition price)



Tenants by industry type  
(Percentage based on leased space)



\*JRE has changed the tenant classification as of the 24th fiscal period as follows:

- Publication, printing, broadcasting, and advertisement, etc. are classified into the new category "Media and advertising."
- "Finance and insurance" is divided into "Finance" and "Insurance."
- Special professions and consulting are classified into the new category "Expert services (consulting, etc.)."
- Hospitals and clinics, etc. are classified into the new category "Medical services."
- Public services and academic and cultural organizations, etc. are classified into the new category "Public services and associations."
- "Steel and metals," "Textiles," and "Transport services and travel" are integrated into "Others," and "Staffing agencies" is integrated into "Service industries" due to their low proportion.

## Acquisition of New Real Estate / Transfer of Current Real Estate

### • Acquired Real Estate: Shijo Karasuma Center Building



#### Shijo Karasuma Center Building

##### Property Summary

Location:	159-1 Dojisha-cho, Ayanokoji-dori, Karasuma-Nishiiru, Shimogyo-ku, Kyoto City, Kyoto Prefecture
Site area:	1,371.16 m <sup>2</sup>
Floor area of building:	9,185.98 m <sup>2</sup>
Structure:	Steel-framed reinforced concrete structure, flat roof
Floors:	Above ground: 8 floors Below ground: 1 floor
Completion:	January 2010
Acquisition date:	September 3, 2013
Acquisition price:	¥4,400 million
Seller:	Mitsubishi Estate Co., Ltd.
Property management company:	Mitsubishi Jisho Property Management Co., Ltd.

The Company evaluated the following two points in the determination of the acquisition.

#### 1. Superior location

The property to be acquired is located in the Shijo-Karasuma area, one of Kyoto's leading office districts, within two minutes walk of Shijo subway station and Karasuma Station. It boasts both convenience and a superior location.

#### 2. Relatively new, highly competitive building

The property was completed in January 2010, making it a rare addition to Kyoto—a relatively new building. Moreover, this office building has strong market competitiveness, with a standard floor area of approximately 860 m<sup>2</sup>, a ceiling height of 2,650 mm, individual air conditioning, security system, and specifications adaptable to each tenant's needs.



### • Transferred Real Estate: Nippon Brunswick Building (Building Only)

#### Reinforcing the Quality of the Portfolio with the Support of Sponsors

- There have been concerns regarding the increasing renovation and renewal costs as well as the decreasing competitiveness of the 39-year-old Nippon Brunswick Building.
- The building portion of the property has been transferred to Mitsubishi Estate Co., Ltd. JRE continues to hold the land itself and has secured the right of first refusal for the acquisition upon the completion of the new building to be constructed on the site by Mitsubishi Estate Co., Ltd.
- To further ensure earnings stability, the Company acquired the recently constructed, highly competitive Shijo Karasuma Center Building.



##### Property Summary

Location:	5-27-7 Sendagaya, Shibuya-ku, Tokyo	Completion:	March 1974
Site area:	1,497.52 m <sup>2</sup> (exempt from the transfer)	Transfer price:	¥1,220 million
Floor area of building:	11,957.38 m <sup>2</sup>	Transfer date:	August 23, 2013
Structure:	Steel-framed reinforced concrete structure, flat roof	Buyer:	Mitsubishi Estate Co., Ltd.
Floors:	Above ground: 9 floors Below ground: 2 floors		

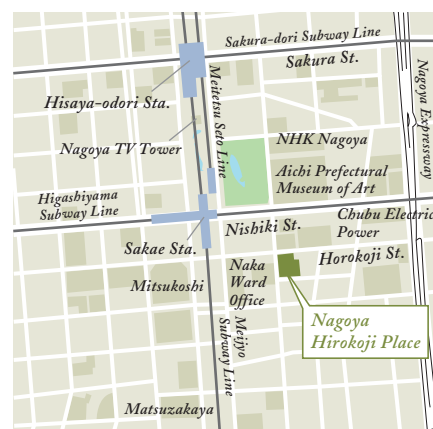
## Acquisition of New Real Estate



### Nagoya Hirokoji Place

#### Property Summary

Location:	4-2-29 Sakae, Naka-ku, Nagoya City, Aichi Prefecture
Site area:	2,401.43 m <sup>2</sup>
Floor area of building:	15,947.29 m <sup>2</sup>
Structure:	Steel-framed structure, flat roof
Floors:	Above ground: 10 floors
Completion:	December 2004
Acquisition date:	July 31, 2013
Acquisition price:	¥8,567 million
Seller:	Hop Red Godo Kaisha
Property management company:	The Dai-Ichi Building Co., Ltd.



The Company evaluated the following two points in the determination of the acquisition.

#### 1. Superior location

The property to be acquired is located within two minutes' walk of Sakae Station in the center of the Sakae district, one of Nagoya's leading commercial districts with a conglomeration of businesses, and it boasts excellent visibility and a superior location.

#### 2. Relatively new, highly competitive building

This property has specifications adaptable to tenant needs, including a standard floor area of approximately 1388 m<sup>2</sup>, a ceiling height of 2,700 mm, a raised floor height of 100 mm and individual air conditioning. The level of competitiveness is very high for this area.

## 2-for-1 Split of Investment Units

### 1. Purpose of the Split

The Company, which has long promoted the holding of investment units by a wide range of investor classes through its IR activities, has resolved to split its investment units in order to establish an environment that facilitates further investment by investors and is timed to coincide with the start of "NISA" (Nippon Individual Savings Account) in January 2014.

Through this split of investment units, the Company hopes to broaden its investor base by providing a wide range of private investors the opportunity to invest from their NISA accounts as well as to increase their long-term holdings.

### 2. Overview of the Split

#### (1) Method and Schedule of the Split

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

\* Since December 31 is a holiday for the unitholder registry administrator, the date was Monday, December 30, 2013 in practice.

#### (2) Increase in Number of Investment Units through the Split, etc.

• Number of JRE investment units outstanding before the split:	594,140 units
• Increase in number of investment units through the split:	594,140 units
• Number of JRE investment units outstanding after the split:	1,188,280 units
• Total number of investment units issuable after the split:	4,000,000 units



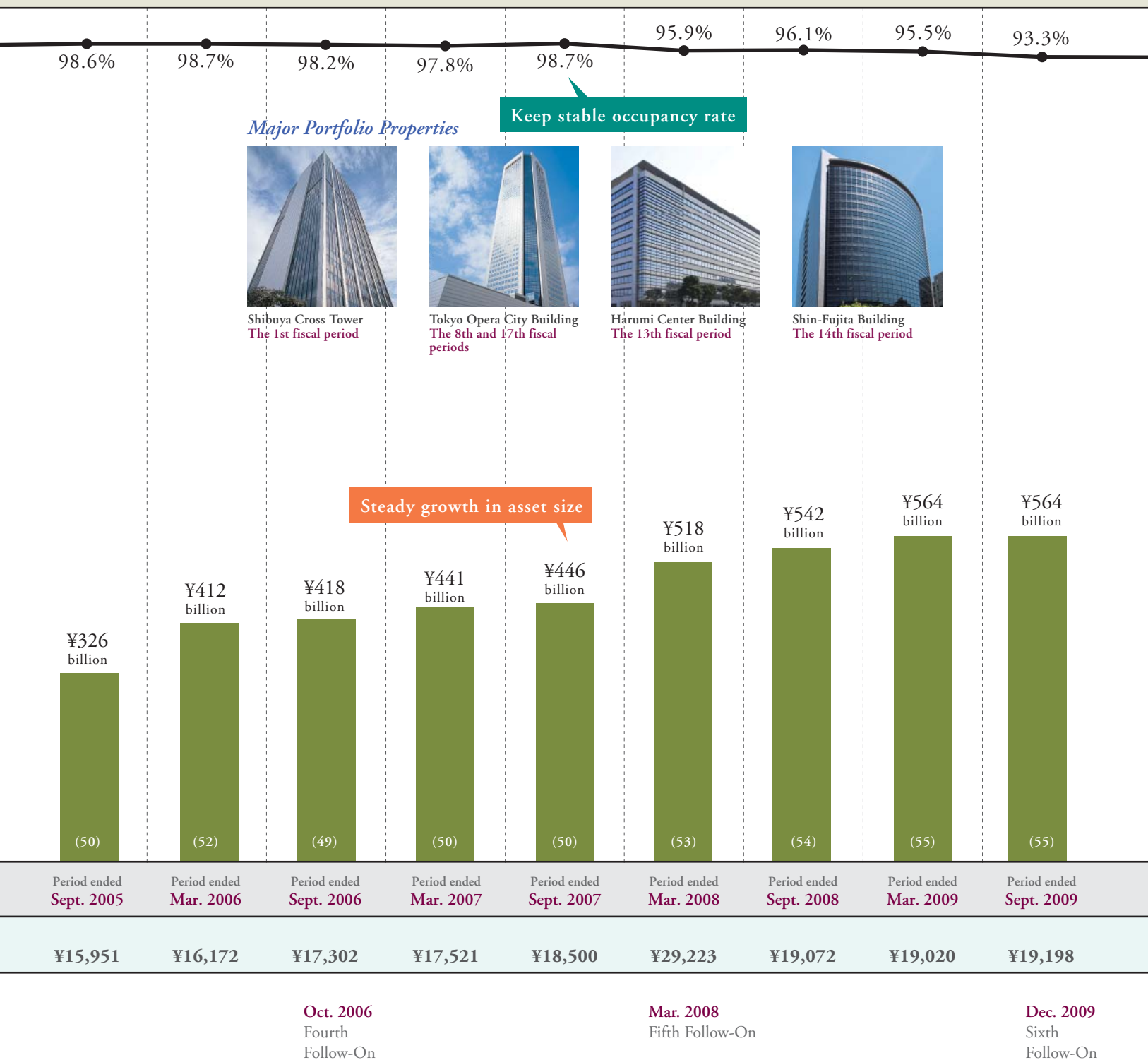


## Asset Size, Property Acquisitions and Performance Trends

In September 2001, the Company became the first J-REIT in Japan listed on the Tokyo Stock Exchange (“TSE”). Since then, the Company has targeted stable management to fulfill its goal of maintaining and increasing dividends 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 ¥794.2 billion as of the 24th fiscal period end 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.



93.0%

92.4%

93.2%

94.6%

94.7%

95.5%

96.7%

96.3%

*Properties That Have Been Recently Acquired*



Harmony Tower  
(Additional Share)  
The 23rd fiscal period



Harumi Front  
The 23rd fiscal period



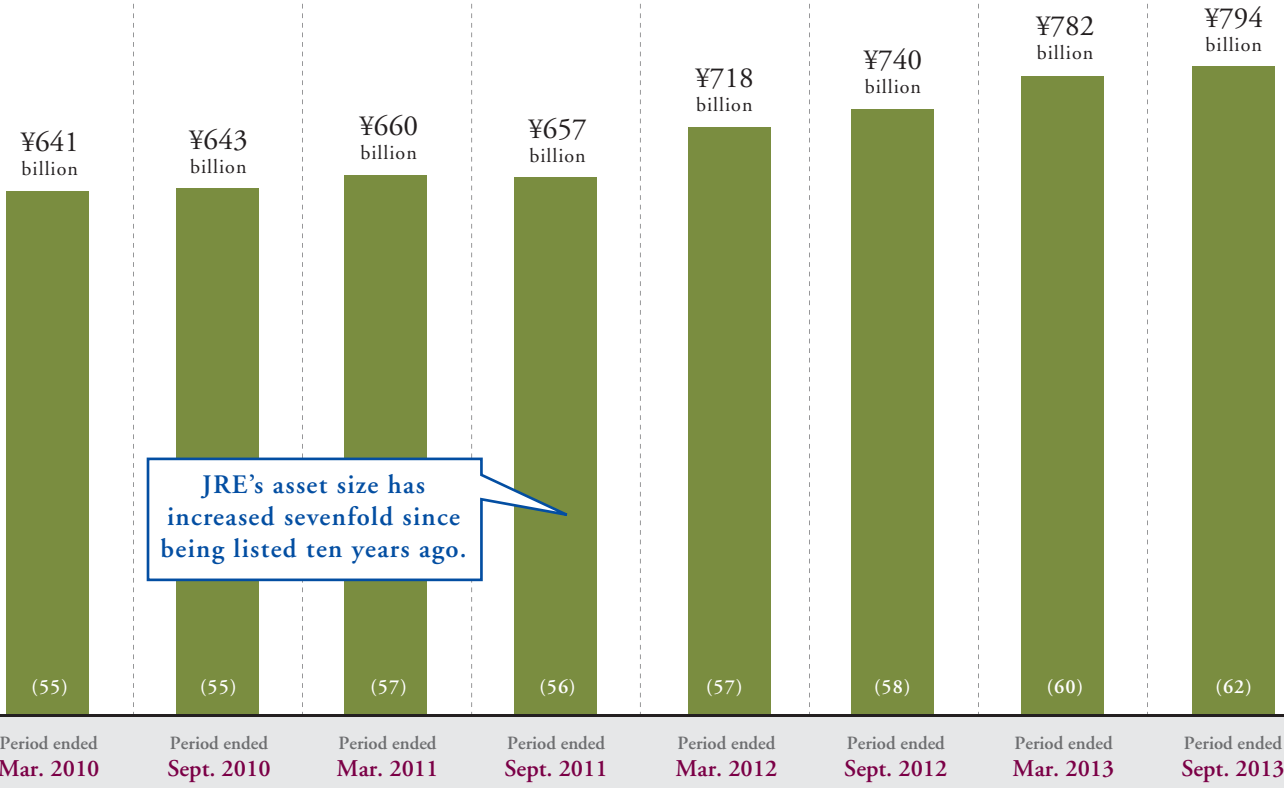
Higashi Nibancho Square  
The 23rd fiscal period



Nagoya Hirokoji Place  
The 24th fiscal period



Shijo Karasuma Center  
Buiding  
The 24th fiscal period



Period ended  
Mar. 2010

Period ended  
Sept. 2010

Period ended  
Mar. 2011

Period ended  
Sept. 2011

Period ended  
Mar. 2012

Period ended  
Sept. 2012

Period ended  
Mar. 2013

Period ended  
Sept. 2013

¥18,043

¥16,628

¥15,642

¥15,850

¥16,190

¥15,700

¥15,140

¥15,366

Feb. 2012  
Seventh  
Follow-On

Oct. 2012  
Eighth  
Follow-On

## *To Our Unitholders*

*Continuing to pursue external growth-oriented operations in the 24th fiscal period, the Company acquired Nagoya Hirokoji Place in July. In collaboration with its sponsor, the Company transferred the building portion of the 39-year-old Nippon Brunswick Building property to Mitsubishi Estate Co., Ltd. in August and acquired the recently constructed Shijo Karasuma Center Building*

### **BUSINESS PERFORMANCE FOR THE 24TH FISCAL PERIOD**

#### **Summary of Financial Results and Cash Dividend**

In the 24th fiscal period (April 1, 2013 to September 30, 2013), Japan Real Estate Investment Corporation (“the Company”) recorded operating revenues totaling 26,225 million yen, up 3.4% compared with the previous period. On the earnings front, operating income increased 1.4% to 10,781 million yen. After deducting expenses for interest payments on loans and other costs, ordinary income rose 4.5% to 9,143 million yen and net income grew 3.5% to 9,129 million yen.

Turning to dividends, the Company will make cash distributions using accounting profits based on the dividend policy outlined in Article 32-2 of the Company’s Articles of Incorporation, in an amount that exceeds 90% of earnings available for dividends as required by Article 67-15 of the Special Taxation Measures Law of Japan. Based on this policy, the Company was able to maintain retained earnings as the amount did not exceed earnings available for distribution at the end of the period. Therefore, the Company has determined to pay out cash dividends of 9,129,555,240 yen from retained earnings for the period under review, which must be divisible by 594,140—the number of units outstanding as of September, 2013. Accordingly, the per-unit cash dividend totaled 15,366 yen.

#### **Operating Environment and Performance**

During the period under review, in the Japanese economy, due to improving stock prices as a result of Abenomics and the subsequent increase in consumer confidence, spending is gradually recovering and, with the correction in the overvaluation of the yen, the environment for business operations is looking brighter, as evidenced by the increase in capital investment.

In the market for leased office space, while supply and demand conditions for office buildings in Tokyo are steadily improving and the rental market has partially rebounded, corporations continue to be cost conscious about rent, placing gradual downward pressure on overall market rent levels. In regional business areas, although there were signs that occupancy rates as a whole were gradually improving despite some regional

variation, high vacancy rates coupled with persistently low rent levels prevailed amid stagnant demand for office space.

In the property market, buying remained aggressive amid an opportune fund-raising environment. With only a limited number of properties available for investment in the market for leased office space, prices are gradually increasing.

Reflecting these circumstances, the Company focused on leasing activities that take into account market trends. Due to high tenant turnover, however, the Company’s occupancy rate edged down from 96.7% as of March 31, 2013, to 96.3% as of September 30, 2013. In addition, rent levels continued to feel downward pressure and property-related revenues, excluding those from newly operating properties, declined further compared with the previous period.

At the same time, the Company strives to further strengthen its portfolio through external growth and to raise minimum revenues and earnings. Thus, in the period under review, the Company acquired Nagoya Hirokoji Place (Nagoya City) on July 31, 2013, and Shijo Karasuma Center Building (Kyoto City) on September 3, 2013, for 8,567 million yen and 4,400 million yen, respectively. The Company also transferred ownership (building only) of the Nippon Brunswick Building (Shibuya-ku, Tokyo) on August 23, 2013, for 1,220 million yen.

As a result of the above, the Company’s portfolio at the end of the fiscal period under review, September 30, 2013, consisted of 62 properties (office buildings) with a total acquisition price of 794,230 million yen. Total leasable space stood at 713,180 m<sup>2</sup>, with a total of 1,146 tenants.

*\*Note: The Nippon Brunswick Building (Land with leasehold interest), the building ownership of which was transferred on August 23, 2013, is included in the above number of properties and total acquisition price, but is not included in total leasable space or total number of tenants.*

#### **Financial Activities**

Striving to improve the ratio of long-term loans and investment corporation bonds to other interest-bearing debt, the Company issued Japan Real Estate Investment Corporation Ninth Unsecured Bonds in an amount totaling 10,000 million yen on August 30, 2013.

*from Mitsubishi Estate Co., Ltd. in September. By fully leveraging the support of its sponsors, the Company is endeavoring to bolster its portfolio's competitive edge.*

### Overview of the ninth issuance of investment corporation bonds

Name of the Investment Corporation Bond	Japan Real Estate Investment Corporation Ninth Unsecured Bond (No special financial covenants, such as a negative pledge clause)
Total Amount of the Bond Issue	10,000 million yen
Date of the Bond Issue	August 30, 2013
Date of Maturity	August 30, 2018
Interest Rate	0.497 % per annum

Using the cash on hand made available from the Japan Real Estate Investment Corporation Ninth Unsecured Bond, the Company repaid long-term loans totaling 3,000 million yen as agreed on September 2, 2013, and repaid short-term loans totaling 4,000 million yen ahead of schedule on September 9, 2013. The Company added the remaining amount to the funds used to acquire Shijo Karasuma Center Building on September 3, 2013.

Preceding this, to fund the repayment of existing loans, the Company procured short-term loans totaling 5,000 million yen on September 2, 2013; as well as long-term loans amounting to 13,000 million yen on April 24, 2013.

Moreover, the Company procured 6,000 million yen in short-term loans on July 31, 2013, to partially fund the acquisition of Nagoya Hirokoji Place.

As a result of these financing activities, as of September 30, 2013, the Company's total interest-bearing debt amounted to 320,150 million yen. This amount consists of long-term loans totaling 240,150 million yen (including the current portion of long-term loans totaling 13,100 million yen), short-term loans totaling 25,000 million yen and investment corporation bonds totaling 55,000 million yen (including the current portion of investment corporation bonds totaling 15,000 million yen).

As of September 30, 2013, the Company's long-term, fixed-interest bearing debt ratio (ratio of long-term, fixed-interest bearing debt (including the current portion of long-term loans and investment corporation bonds) to total interest-bearing debt) stood at 92.2% and the LTV ratio (ratio of interest-bearing debt to total assets) was 41.3%. As these figures indicate, the

Company has been able to maintain a sound and conservative financial standing.

The Company's credit ratings as of September 30, 2013 were as follows:

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

### OUTLOOK

#### Trends in the Office Leasing Market

Forecasts call for the Japanese economy to gradually recover on the back of Tokyo's selection to host the 2020 Olympics and as effects begin to appear from various policies, including the 5 trillion yen economic stimulus that will accompany the consumption tax hike. Despite the risk that overseas economic slowdown could cause the Japanese economy to slip, individuals and corporations have regained confidence, and Japan is expected to head toward real recovery.

In the market for leased office space, vacancy rates are moving gradually downward and, with office space in short supply, rates are projected to continue to show further improvement. Although rent levels are rebounding in an increasing number of areas, especially for properties located in central Tokyo that have a competitive edge, such as new buildings, additional time is expected to be required before the market as a whole, including existing buildings, benefits from a real recovery.

Regarding property markets, the Company believes that prices for the type of prime properties the Company targets for acquisition look firmly poised to rise and that, with time, acquisition will only become more difficult. In order to continue steadily acquiring prime properties, the Company considers it important to maintain a framework that allows it to undertake the acquisition of properties based on agile and accurate decision making. This approach is achieved by conducting detailed

*The market for leased office space is gradually improving, but as it will take a bit longer for a real recovery to take hold, in the 25th fiscal period the Company intends to continue pursuing external growth-oriented operations. Going forward, the Company will leverage its sound financial standing to achieve further external growth as well as secure stable cash dividends.*

analyses of leasing markets while acquiring sales information through a variety of property information channels.

### **Growth Strategies**

As stated above, conditions in the market for leased office space include the fall in overall market rent levels having almost, but not yet completely, bottomed out with some building owners looking to raise rent levels while others continue to feel pressure to keep levels low. In line with these expectations, the Company will adhere to the following management policies in order to keep improving profitability.

First, the Company works to strengthen relationships of trust with existing tenants. As of September 30, 2013, the Company had contracts with 11 property management companies. Most of these companies were already handling the management of their buildings before the Company acquired them and had thus built relationships of trust with their tenants. The Company will work to further strengthen these relationships by anticipating tenants' needs and providing tailored services to increase tenant satisfaction, thereby maintaining occupancy rates and disincentivizing rent reduction requests.

Second, we endeavor to implement effective initiatives to fill vacancies in a prompt manner. In cooperation with the property management companies mentioned above, 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 as rapidly as possible. Furthermore, the Company will work to uncover additional needs for floor space among existing tenants.

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

Lastly, we aim to continuously reduce management costs. The Company has introduced sound competitive principles for its multiple property management companies to follow and is revamping their management systems and cost structures on an ongoing basis.

With regard to the acquisition of properties, the Company has adopted the following policies for acquiring properties.

First, to access information quickly, the Company

continues to enhance its property information channels while working to develop new channels.

Second, 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-resistance standards, making appropriate renovations 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.

Third, 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 enhance the quality of its portfolio, the Company will remain open to the replacement of portfolio properties with due consideration given to timing.

### **Financial Strategies**

In principle, the Company shall maintain an LTV ratio that does not exceed 65%. To ensure an even lower interest-bearing debt ratio, the Company adopts the conservative target level of 30% to 40%. As for the financing of property acquisitions, the Company shall use, in a flexible manner, a variety of funding schemes—including the issue of investment corporation bonds—while maintaining a sound and conservative financial standing and closely monitoring trends in financial markets. When obtaining a loan, the Company shall strictly adhere to its financial policies. More specifically, with the aim of minimizing funding costs, the Company shall negotiate with several qualified institutional investors (limited to those defined under the Special Taxation Measures Law of Japan) before executing a loan agreement.

### **Performance Forecasts for the 25th and 26th Fiscal Periods**

For the 25th fiscal period (October 1, 2013 to March 31, 2014),



Noritada Terasawa (Left)  
*Executive Director of Japan Real Estate Investment Corporation*

Hiroshi Katayama (Right)  
*CEO & President of Japan Real Estate Asset Management Co., Ltd.*

the Company forecasts operating revenues totaling 25,980 million yen, operating income totaling 10,770 million yen, ordinary income totaling 9,020 million yen and net income totaling 9,000 million yen. The Company plans to declare a cash dividend totaling 7,580 yen per unit.

For the 26th fiscal period (April 1, 2014 to September 30, 2014), the Company forecasts operating revenues totaling 26,060 million yen, operating income totaling 10,700 million yen, ordinary income totaling 9,020 million yen and net income totaling 9,000 million yen. The Company plans to declare a cash dividend totaling 7,580 yen per unit.

Actual operating revenues, operating income, ordinary income, net income and cash dividends per unit may vary depending on changes in the situation.

### 2-for-1 Split of Investment Units

The Company's Board of Directors met on November 18, 2013 and decided to implement a 2-for-1 split of each of the Company's investment units.

#### (i) Purpose of the Split:

Through this split of investment units, the Company hopes to broaden its investor base by providing a wide range of private investors the opportunity to invest from their NISA accounts, as well as to increase long-term holdings.

#### (ii) Method of the Split:

With December 31, 2013 as the record date, the Company implemented a 2-for-1 split of the investment units held by unitholders stated or recorded on that date's final unitholders registry.

#### (iii) Increase in Number of Investment Units through the Split, etc.:

- Number of the Company's investment units outstanding before the split: 594,140 units
- Increase in number of the Company's investment units through the split: 594,140 units
- Number of the Company's investment units outstanding after the split: 1,188,280 units
- Total number of the Company's investment units issuable after the split: 4,000,000 units

#### (iv) Schedule for the Split:

Record date: December 31, 2013

Effective date: January 1, 2014

As previously stated in the Trends in the Office Leasing Market section, rent levels are rebounding in an increasing number of areas, but it is expected that the recovery of the existing portfolio will lag slightly behind this recovery.

Looking ahead, the Company will continue to strive for further external growth while maintaining stable cash dividends, leveraging its sound financial standing.

You have placed considerable trust in us. Going forward, we seek to continue earning that trust through sustainable growth and performance. Thank you for your steadfast support.

Noritada Terasawa  
*Executive Director of Japan Real Estate Investment Corporation*

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

# The Portfolio of Japan Real Estate Investment Corporation As of September 30, 2013

## Properties Roster

Number	Name of building	Location	Type of specified asset	Acquisition date	Acquisition price (¥ mil)	
<b>Tokyo 23 wards</b>						
● I- 1	Genki Medical Plaza	Iidabashi, Chiyoda-ku	Real property	10/31/2002	5,000	(0.6%)
● I- 2	Kitanomaru Square	Kudan-Kita, Chiyoda-ku	Real property	02/24/2006	81,555	(10.3%)
● I- 3	MD Kanda Building	Kanda-Mitoshirocho, Chiyoda-ku	Real property	05/31/2002	9,520	(1.2%)
● I- 4	Kandabashi Park Building	Kanda-Nishikicho, Chiyoda-ku	Real property	08/15/2002	4,810	(0.6%)
● I- 5	Nibancho Garden	Nibancho, Chiyoda-ku	Real property	04/01/2005	14,700	(1.9%)
● I- 6	Mitsubishi UFJ Trust and Banking Building	Marunouchi, Chiyoda-ku	Real property	03/28/2007	44,700	(5.6%)
● I- 7	Burex Kojimachi Building	Kojimachi, Chiyoda-ku	Real property	07/29/2005	7,000	(0.9%)
● I- 8	Sanno Grand Building	Nagatacho, Chiyoda-ku	Real property	01/31/2005	10,200	
				04/03/2006	10,700	
				total	20,900	(2.6%)
● I- 9	Yurakucho Denki Building	Yurakucho, Chiyoda-ku	Real property	08/01/2003	7,200	(0.9%)
● I- 10	Kodenmachi Shin-Nihonbashi Building	Nihonbashi-Kodenmachi, Chuo-ku	Trust	09/25/2001	3,173	(0.4%)
● I- 11	Kyodo Building (Kayabacho 2Chome)	Nihonbashi-Kayabacho, Chuo-ku	Trust	03/01/2011	4,410	(0.6%)
● I- 12	Burex Kyobashi Building	Kyobashi, Chuo-ku	Real property	07/22/2002	5,250	(0.7%)
● I- 13	GINZA SANWA BUILDING	GINZA, Chuo-ku	Real property	03/10/2005	16,830	(2.1%)
● I- 14	Ryoshin Ginza East Mirror Building	GINZA, Chuo-ku	Real property	03/15/2005	5,353	
				05/24/2010	2,645	
				total	7,999	(1.0%)
● I- 15	Harumi Front	Harumi, Chuo-ku	Real property	01/07/2013	31,300	(3.9%)
● I- 16	Harumi Center Building	Harumi, Chuo-ku	Real property	12/18/2007	26,800	(3.4%)
● I- 17	Akasaka Park Building	Akasaka, Minato-ku	Real property	11/15/2011	60,800	(7.7%)
● I- 18	Aoyama Crystal Building	Kita-Aoyama, Minato-ku	Real property	03/14/2003	7,680	(1.0%)
● I- 19	Shiodome Building	Kaigan, Minato-ku	Trust	12/19/2008	21,250	
				01/15/2010	54,600	
				total	75,850	(9.6%)
● I- 20	Shiba 2Chome Daimon Building	Shiba, Minato-ku	Trust	09/10/2001	4,859	(0.6%)
● I- 21	Cosmo Kanasugibashi Building	Shiba, Minato-ku	Trust	09/25/2001	2,808	(0.4%)
● I- 22	Shinwa Building	Nishi-Shinjuku, Shinjuku-ku	Real property	09/01/2004	7,830	(1.0%)
● I- 23	Tokyo Opera City Building	Nishi-Shinjuku, Shinjuku-ku	Real property	09/13/2005	9,350	
				03/24/2010	22,426	
				total	31,776	(4.0%)
● I- 24	TIXTOWER UENO	Higashi-Ueno, Taito-ku	Real property	06/15/2012	22,000	(2.8%)
● I- 25	Higashi-Gotanda 1Chome Building	Higashi-Gotanda, Shinagawa-ku	Real property	11/01/2004	5,500	(0.7%)
● I- 26	Osaki Front Tower	Osaki, Shinagawa-ku	Real property	02/01/2011	12,300	(1.5%)
● I- 27	Omori-Eki Higashiguchi Building	Omori-Kita, Ota-ku	Trust	09/10/2001	5,123	(0.6%)
● I- 28	Nippon Brunswick Building (Land with leasehold interest)	Sendagaya, Shibuya-ku	Real property	03/24/2004	6,670	
				08/23/2013	(1,170)	
				total	5,500	(0.7%)
● I- 29	Yoyogi 1Chome Building	Yoyogi, Shibuya-ku	Real property	04/01/2004	8,700	(1.1%)
● I- 30	da Vinci Harajuku	Jingumae, Shibuya-ku	Real property	11/22/2002	4,885	(0.6%)
● I- 31	Jingumae Media Square Building	Jingumae, Shibuya-ku	Real property	10/09/2003	12,200	(1.5%)
● I- 32	Shibuya Cross Tower	Shibuya, Shibuya-ku	Real property	11/30/2001	34,600	(4.4%)
● I- 33	Ebisu Neonato	Ebisu, Shibuya-ku	Real property	11/14/2003	3,740	
				04/01/2004	360	
				total	4,100	(0.5%)
● I- 34	Harmony Tower	Honcho, Nakano-ku	Real property	02/28/2005	8,500	
				12/19/2012	520	
				total	9,020	(1.1%)
● I- 35	Otsuka Higashi-Ikebukuro Building	Higashi-Ikebukuro, Toshima-ku	Trust	09/25/2001	3,541	(0.4%)
● I- 36	Ikebukuro 2Chome Building	Ikebukuro, Toshima-ku	Trust	09/25/2001	1,728	(0.2%)
● I- 37	Ikebukuro YS Building	Minami-Ikebukuro, Toshima-ku	Real property	08/02/2004	4,500	(0.6%)
<b>Tokyo metropolitan area, excluding Tokyo 23 wards</b>						
● II- 1	Hachioji First Square	Hachioji, Tokyo	Real property	03/31/2005	3,300	
				03/19/2008	2,379	
				total	5,679	(0.7%)
● II- 2	Saitama Urawa Building	Saitama, Saitama Prefecture	Real property	09/25/2001	1,232	
				10/11/2001	1,342	
				total	2,574	(0.3%)
● II- 3	MM Park Building	Yokohama, Kanagawa Prefecture	Real property	03/24/2008	37,400	(4.7%)
● II- 4	Kawasaki Isago Building	Kawasaki, Kanagawa Prefecture	Trust	09/25/2001	3,375	(0.4%)
● II- 5	Musashi Kosugi STM Building	Kawasaki, Kanagawa Prefecture	Real property	03/25/2008	4,000	(0.5%)
<b>Other major cities</b>						
● III- 1	8-3 Square Kita Building	Sapporo, Hokkaido	Real property	06/01/2007	7,100	(0.9%)
● 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	(1.3%)
● III- 4	Sendai Honcho Honma Building	Sendai, Miyagi Prefecture	Trust	09/25/2001	2,924	
				06/28/2006	250	
				total	3,174	(0.4%)
● III- 5	Kanazawa Park Building	Kanazawa, Ishikawa Prefecture	Real property	02/28/2002	2,880	
				03/03/2003	1,700	
				total	4,580	(0.6%)
● III- 6	Nishiki Park Building	Nagoya, Aichi Prefecture	Real property	10/02/2006	3,850	
				11/01/2006	1,300	
				total	5,150	(0.6%)
● III- 7	Nagoya Hirokoji Place	Nagoya, Aichi Prefecture	Trust	07/31/2013	8,567	(1.1%)
● III- 8	Hirokoji Sakae Building	Nagoya, Aichi Prefecture	Real property	09/22/2006	1,680	(0.2%)
● III- 9	Nagoya Hirokoji Building	Nagoya, Aichi Prefecture	Real property	09/10/2001	14,533	(1.8%)
● III- 10	Nagoya Misono Building	Nagoya, Aichi Prefecture	Real property	08/08/2003	1,865	(0.2%)
● III- 11	Shijo Karasuma Center Building	Kyoto, Kyoto Prefecture	Real property	09/03/2013	4,400	(0.6%)
● III- 12	Kyoto Shijo Kawaramachi Building	Kyoto, Kyoto Prefecture	Real property	12/20/2001	2,650	(0.3%)
● III- 13	Shin-Fujita Building	Osaka, Osaka Prefecture	Trust	09/01/2008	24,000	(3.0%)
● III- 14	Sakaisujihonmachi Building	Osaka, Osaka Prefecture	Real property	09/25/2001	2,264	
				12/26/2003	1,900	
				total	4,164	(0.5%)
● III- 15	Midosuji Daiwa Building	Osaka, Osaka Prefecture	Trust	09/25/2001	6,934	
				02/28/2002	7,380	
				total	14,314	(1.8%)
● III- 16	Lit City Building	Okayama, Okayama Prefecture	Real property	02/01/2006	4,650	(0.6%)
● III- 17	NHK Hiroshima Broadcasting Center Building	Hiroshima, Hiroshima Prefecture	Real property	03/25/2004	1,320	
				03/03/2008	1,450	
				total	2,770	(0.3%)
● III- 18	Tosei Tenjin Building	Fukuoka, Fukuoka Prefecture	Real property	09/25/2001	1,550	(0.2%)
● III- 19	Tenjin Crystal Building	Fukuoka, Fukuoka Prefecture	Real property	06/01/2005	5,000	(0.6%)
● III- 20	Hinode Tenjin Building	Fukuoka, Fukuoka Prefecture	Trust	09/10/2001	3,657	(0.5%)
				total	794,230	(100.0%)



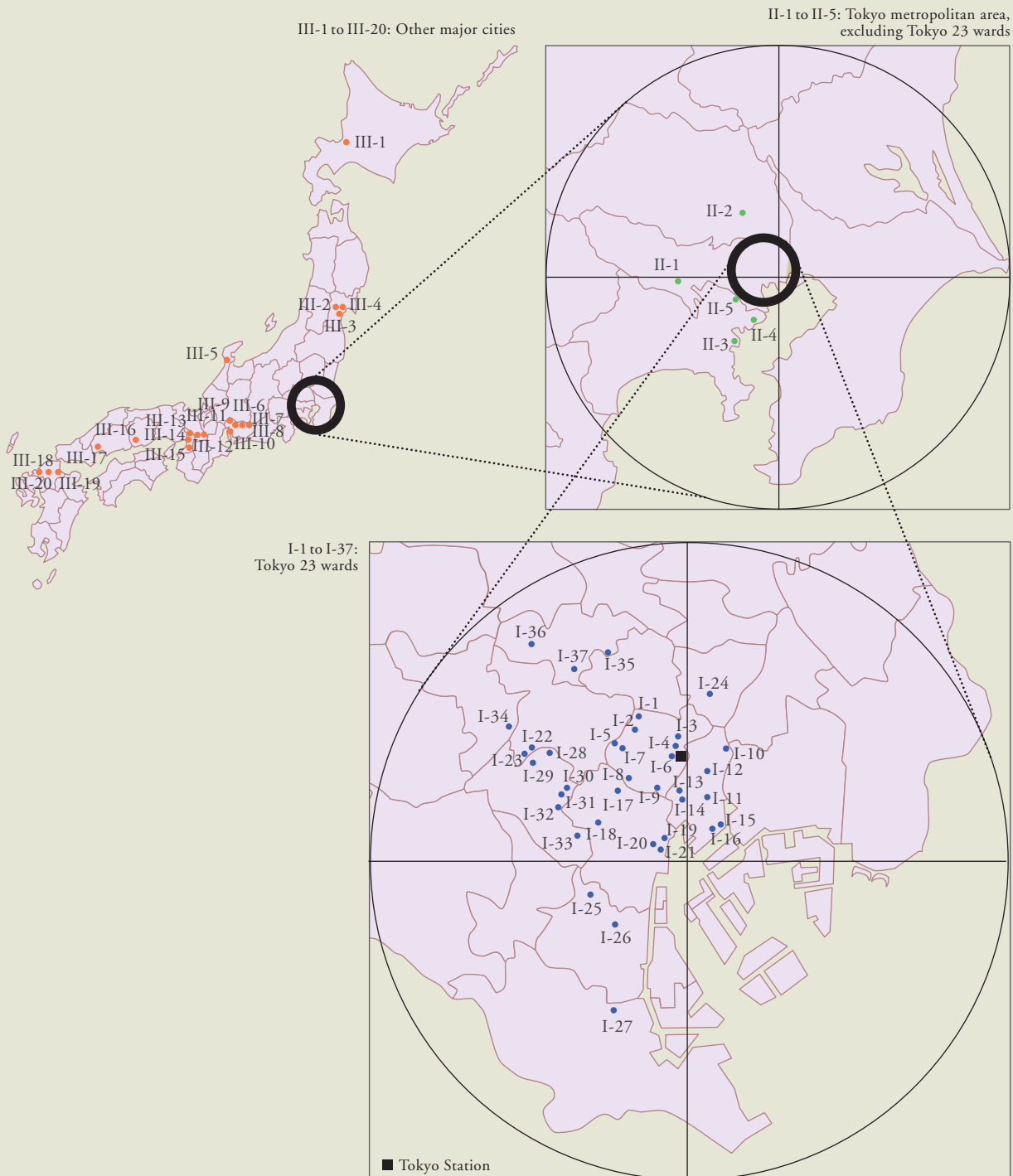
Percentage of ownership of the building	Completion	Appraisal value at the end of period (¥ mil)	Leasable space	Leased space	Occupancy rate	Number of tenants	Revenues from leasing operations (¥ mil)	
100.0%	1985	6,390	4,791m <sup>2</sup>	4,791m <sup>2</sup>	100.0%	1	223	(0.9%)
100.0%	2006	72,300	25,678m <sup>2</sup>	25,678m <sup>2</sup>	100.0%	4	1,688	(6.4%)
100.0%	1998	7,350	6,269m <sup>2</sup>	6,269m <sup>2</sup>	100.0%	8	223	(0.9%)
56.76%	1993	4,120	3,687m <sup>2</sup>	3,687m <sup>2</sup>	100.0%	10	122	(0.5%)
31.345%	2004	16,900	9,316m <sup>2</sup>	9,316m <sup>2</sup>	100.0%	1	477	(1.8%)
19.38402%	2003	44,900	11,904m <sup>2</sup>	11,904m <sup>2</sup>	100.0%	10	989	(3.8%)
100.0%	2005	6,060	4,495m <sup>2</sup>	4,495m <sup>2</sup>	100.0%	1	150	(0.6%)
99.0%	1966	29,000	20,858m <sup>2</sup>	20,446m <sup>2</sup>	98.0%	35	925	(3.5%)
10.78%	1975	7,120	4,694m <sup>2</sup>	4,182m <sup>2</sup>	89.1%	12	235	(0.9%)
100.0%	1991	2,910	3,897m <sup>2</sup>	3,785m <sup>2</sup>	97.1%	10	114	(0.4%)
100.0%	1991	5,020	4,538m <sup>2</sup>	4,210m <sup>2</sup>	92.8%	8	174	(0.7%)
100.0%	2002	6,250	4,279m <sup>2</sup>	4,279m <sup>2</sup>	100.0%	1	150	(0.6%)
70.95%	1982	15,100	4,329m <sup>2</sup>	4,329m <sup>2</sup>	100.0%	10	379	(1.4%)
100.0%	1998	5,280	4,255m <sup>2</sup>	4,255m <sup>2</sup>	100.0%	12	169	(0.6%)
100.0%	2012	35,200	33,369m <sup>2</sup>	32,850m <sup>2</sup>	98.4%	4	1,229	(4.7%)
100.0%	2006	20,100	20,812m <sup>2</sup>	20,812m <sup>2</sup>	100.0%	9	620	(2.4%)
100.0%	1993	62,900	45,013m <sup>2</sup>	44,427m <sup>2</sup>	98.7%	25	2,408	(9.2%)
100.0%	1982	6,960	4,898m <sup>2</sup>	4,898m <sup>2</sup>	100.0%	8	160	(0.6%)
40.0%	2007	76,800	32,155m <sup>2</sup>	30,671m <sup>2</sup>	95.4%	34	1,719	(6.6%)
100.0%	1984	5,940	9,606m <sup>2</sup>	9,606m <sup>2</sup>	100.0%	22	280	(1.1%)
100.0%	1992	2,690	4,062m <sup>2</sup>	4,062m <sup>2</sup>	100.0%	6	98	(0.4%)
100.0%	1989	5,680	6,134m <sup>2</sup>	5,382m <sup>2</sup>	87.7%	11	200	(0.8%)
31.325%	1996	29,600	35,050m <sup>2</sup>	30,365m <sup>2</sup>	86.6%	94	1,423	(5.4%)
94.040229%	2010	23,300	15,020m <sup>2</sup>	14,853m <sup>2</sup>	98.9%	19	691	(2.6%)
100.0%	2004	5,470	5,205m <sup>2</sup>	5,205m <sup>2</sup>	100.0%	4	165	(0.6%)
100.0%	2005	15,500	16,856m <sup>2</sup>	16,856m <sup>2</sup>	100.0%	1	664	(2.5%)
100.0%	1989	5,150	7,754m <sup>2</sup>	7,321m <sup>2</sup>	94.4%	19	220	(0.8%)
—	—	5,240	—	—	—	—	228	(0.9%)
100.0%	2003	10,000	7,745m <sup>2</sup>	7,745m <sup>2</sup>	100.0%	9	287	(1.1%)
100.0%	1987	6,180	3,147m <sup>2</sup>	3,147m <sup>2</sup>	100.0%	4	192	(0.7%)
100.0%	1998	10,200	5,558m <sup>2</sup>	5,558m <sup>2</sup>	100.0%	5	304	(1.2%)
100.0%	1976	42,100	30,532m <sup>2</sup>	28,789m <sup>2</sup>	94.3%	64	1,189	(4.5%)
12.29939%	1994	3,110	2,462m <sup>2</sup>	2,462m <sup>2</sup>	100.0%	5	108	(0.4%)
32.113115%	1997	10,600	11,998m <sup>2</sup>	11,614m <sup>2</sup>	96.8%	17	356	(1.4%)
100.0%	1987	3,820	7,224m <sup>2</sup>	7,224m <sup>2</sup>	100.0%	6	199	(0.8%)
100.0%	1990	1,640	2,186m <sup>2</sup>	2,186m <sup>2</sup>	100.0%	9	71	(0.3%)
100.0%	1989	4,250	5,932m <sup>2</sup>	5,932m <sup>2</sup>	100.0%	11	177	(0.7%)
80.4%	1996	4,430	10,068m <sup>2</sup>	9,935m <sup>2</sup>	98.7%	45	232	(0.9%)
100.0%	1990	2,070	4,510m <sup>2</sup>	4,510m <sup>2</sup>	100.0%	18	100	(0.4%)
100.0%	2007	35,000	38,496m <sup>2</sup>	35,794m <sup>2</sup>	93.0%	24	1,340	(5.1%)
100.0%	1990	2,330	6,831m <sup>2</sup>	6,541m <sup>2</sup>	95.7%	10	138	(0.5%)
34.32%	1990	3,770	5,378m <sup>2</sup>	5,378m <sup>2</sup>	100.0%	25	157	(0.6%)
100.0%	2006	6,790	12,265m <sup>2</sup>	12,078m <sup>2</sup>	98.5%	7	318	(1.2%)
50.0%	1993	887	2,518m <sup>2</sup>	2,518m <sup>2</sup>	100.0%	18	66	(0.3%)
100.0%	2008	11,700	20,526m <sup>2</sup>	19,926m <sup>2</sup>	97.1%	17	637	(2.4%)
100.0%	1991	2,350	6,234m <sup>2</sup>	5,981m <sup>2</sup>	96.0%	22	123	(0.5%)
89.0%	1991	4,350	20,889m <sup>2</sup>	19,466m <sup>2</sup>	93.2%	72	464	(1.8%)
57.04651%	1995	3,690	8,045m <sup>2</sup>	7,633m <sup>2</sup>	94.9%	58	220	(0.8%)
100.0%	2004	9,050	13,200m <sup>2</sup>	12,053m <sup>2</sup>	91.3%	22	110	(0.4%)
100.0%	1987	1,510	3,911m <sup>2</sup>	3,121m <sup>2</sup>	79.8%	12	87	(0.3%)
100.0%	1987	11,700	21,624m <sup>2</sup>	21,113m <sup>2</sup>	97.6%	30	588	(2.2%)
100.0%	1991	1,110	3,448m <sup>2</sup>	3,010m <sup>2</sup>	87.3%	14	64	(0.2%)
100.0%	2010	4,540	6,634m <sup>2</sup>	6,634m <sup>2</sup>	100.0%	6	28	(0.1%)
100.0%	1982	1,740	6,803m <sup>2</sup>	5,889m <sup>2</sup>	86.6%	32	116	(0.4%)
100.0%	1995	16,400	28,414m <sup>2</sup>	26,034m <sup>2</sup>	91.6%	41	715	(2.7%)
100.0%	1992	3,370	11,556m <sup>2</sup>	10,880m <sup>2</sup>	94.2%	19	228	(0.9%)
100.0%	1991	13,200	20,450m <sup>2</sup>	19,791m <sup>2</sup>	96.8%	40	541	(2.1%)
27.7488%	2005	4,230	9,965m <sup>2</sup>	9,965m <sup>2</sup>	100.0%	42	263	(1.0%)
48.753%	1994	2,460	9,860m <sup>2</sup>	9,860m <sup>2</sup>	100.0%	12	263	(1.0%)
100.0%	1992	1,290	4,000m <sup>2</sup>	4,000m <sup>2</sup>	100.0%	19	85	(0.3%)
100.0%	1993	2,470	5,973m <sup>2</sup>	5,487m <sup>2</sup>	91.9%	28	145	(0.6%)
74.4844%	1987	3,580	5,841m <sup>2</sup>	5,841m <sup>2</sup>	100.0%	4	162	(0.6%)
		775,147	713,180m <sup>2</sup>	687,063m <sup>2</sup>	96.3%	1,146	26,225	(100.0%)

## Major Tenants Roster

Rank	Name of tenant	Name of building	Leased space	% of total leased space
1	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Harumi Front (also includes 3 other buildings)	33,901m <sup>2</sup>	4.9%
2	(Note)	Kitanomaru Square (also includes 2 other buildings)	26,061m <sup>2</sup>	3.8%
3	General Electric Company	Akasaka Park Building	18,842m <sup>2</sup>	2.7%
4	Mitsubishi Estate Co., Ltd.	Osaki Front Tower (also includes 1 other building)	17,213m <sup>2</sup>	2.5%
5	HAKUHODO DY HOLDINGS INCORPORATED	Akasaka Park Building (also includes 1 other building)	12,244m <sup>2</sup>	1.8%
6	NTT Communications Corporation	Shiodome Building	11,813m <sup>2</sup>	1.7%
7	Mitsubishi UFJ Trust and Banking Corporation	Mitsubishi UFJ Trust and Banking Building	10,598m <sup>2</sup>	1.5%
8	TOTO LTD.	Shiodome Building (also includes 2 other buildings)	10,570m <sup>2</sup>	1.5%
9	Seven & i Holdings Co., Ltd.	Nibancho Garden	9,316m <sup>2</sup>	1.4%
10	Space Design, Inc.	Burex Kojimachi Building (also includes 1 other building)	8,774m <sup>2</sup>	1.3%

Note: Not disclosed as per tenant request

## Locations of Portfolio Properties



## Overview of Portfolio Properties As of September 30, 2013

Note: Concerning real estate or trust beneficiary rights in trust 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 space for the entire building.



**Genki Medical Plaza**

● I-1

Location: Chiyoda-ku, Tokyo  
 Site area: 1,052.80m<sup>2</sup>  
 Floor area of building: 6,722.02m<sup>2</sup>  
 Structure: Above ground: 8 floors  
 Below ground: 1 floor  
 Completion: September 1985



**Kitanomaru Square**

● I-2

Location: Chiyoda-ku, Tokyo  
 Site area: 5,821.03m<sup>2</sup>  
 Floor area of building: 57,279.20m<sup>2</sup>  
 Structure: Above ground: 26 floors  
 Below ground: 2 floors  
 Completion: January 2006



**MD Kanda Building**

● I-3

Location: Chiyoda-ku, Tokyo  
 Site area: 1,085.83m<sup>2</sup>  
 Floor area of building: 8,185.11m<sup>2</sup>  
 Structure: Above ground: 10 floors  
 Completion: February 1998



**Kandabashi Park Building**

● I-4

Location: Chiyoda-ku, Tokyo  
 Site area: 1,218.56m<sup>2</sup>  
 Floor area of building: 9,370.25m<sup>2</sup>  
 Structure: Above ground: 10 floors  
 Below ground: 1 floor  
 Completion: July 1993



**Nibancho Garden**

● I-5

Location: Chiyoda-ku, Tokyo  
 Site area: 11,003.87m<sup>2</sup>  
 Floor area of building: 57,031.06m<sup>2</sup>  
 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<sup>2</sup>  
 Floor area of building: 108,171.67m<sup>2</sup>  
 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<sup>2</sup>  
 Floor area of building: 6,526.64m<sup>2</sup>  
 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<sup>2</sup>  
 Floor area of building: 33,875.95m<sup>2</sup>  
 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<sup>2</sup>  
 Floor area of building: 70,287.65m<sup>2</sup>  
 Structure: Above ground: 20 floors  
 Below ground: 4 floors  
 Completion: September 1975



**Kodenmachi Shin-Nihonbashi Building**

● I-10

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



**Kyodo Building (Kayabacho 2Chome)**

● I-11

Location: Chuo-ku, Tokyo  
 Site area: 754.26m<sup>2</sup>  
 Floor area of building: 5,505.80m<sup>2</sup>  
 Structure: Above ground: 9 floors  
 Below ground: 1 floor  
 Completion: April 1991



**Burex Kyobashi Building**

● I-12

Location: Chuo-ku, Tokyo  
 Site area: 756.03m<sup>2</sup>  
 Floor area of building: 5,470.54m<sup>2</sup>  
 Structure: Above ground: 8 floors  
 Below ground: 1 floor  
 Completion: February 2002



### Ginza Sanwa Building

● I-13

Location: Chuo-ku, Tokyo  
Site area: 1,119.27m<sup>2</sup>  
Floor area of building: 8,851.00m<sup>2</sup>  
Structure: Above ground: 9 floors  
Below ground: 2 floors  
Completion: October 1982



### Ryoshin Ginza East Mirror Building

● I-14

Location: Chuo-ku, Tokyo  
Site area: 864.91m<sup>2</sup>  
Floor area of building: 5,751.68m<sup>2</sup>  
Structure: Above ground: 8 floors  
Below ground: 1 floor  
Completion: October 1998



### Harumi Front

● I-15

Location: Chuo-ku, Tokyo  
Site area: 7,250.15m<sup>2</sup>  
Floor area of building: 45,458.90m<sup>2</sup>  
Structure: Above ground: 17 floors  
Below ground: 1 floor  
Completion: February 2012



### Harumi Center Building

● I-16

Location: Chuo-ku, Tokyo  
Site area: 4,664.63m<sup>2</sup>  
Floor area of building: 26,447.27m<sup>2</sup>  
Structure: Above ground: 10 floors  
Completion: November 2006



### Akasaka Park Building

● I-17

Location: Minato-ku, Tokyo  
Site area: 14,198.20m<sup>2</sup>  
Floor area of building: 97,489.16m<sup>2</sup>  
Structure: Above ground: 30 floors  
Below ground: 2 floors  
Completion: July 1993



### Aoyama Crystal Building

● I-18

Location: Minato-ku, Tokyo  
Site area: 989.30m<sup>2</sup>  
Floor area of building: 8,094.36m<sup>2</sup>  
Structure: Above ground: 10 floors  
Below ground: 4 floors  
Completion: December 1982



### Shiodome Building

● I-19

Location: Minato-ku, Tokyo  
Site area: 12,046.00m<sup>2</sup>  
Floor area of building: 115,930.83m<sup>2</sup>  
Structure: Above ground: 24 floors  
Below ground: 2 floors  
Completion: December 2007



### Shiba 2Chome Daimon Building

● I-20

Location: Minato-ku, Tokyo  
Site area: 2,820.90m<sup>2</sup>  
Floor area of building: 16,235.10m<sup>2</sup>  
Structure: Above ground: 8 floors  
Below ground: 2 floors  
Completion: March 1984



### Cosmo Kanasugibashi Building

● I-21

Location: Minato-ku, Tokyo  
Site area: 758.54m<sup>2</sup>  
Floor area of building: 5,420.93m<sup>2</sup>  
Structure: Above ground: 9 floors  
Below ground: 1 floor  
Completion: March 1992



### Shinwa Building

● I-22

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



### Tokyo Opera City Building

● I-23

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



### TIXTOWER UENO

● I-24

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



### Higashi-Gotanda 1Chome Building

● I-25

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



### Osaki Front Tower

● I-26

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



### Omori-Eki Higashiguchi Building

● I-27

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



### Nippon Brunswick Building (Land with leasehold interest)

● I-28

Location: Shibuya-ku, Tokyo  
Site area: 1,497.52m<sup>2</sup>  
Floor area of building: —  
Structure: —  
Completion: —



### Yoyogi 1Chome Building

● I-29

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



### da Vinci Harajuku

● I-30

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



### Jingumae Media Square Building

● I-31

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



### Shibuya Cross Tower

● I-32

Location: Shibuya-ku, Tokyo  
Site area: 5,153.45m<sup>2</sup>  
Floor area of building: 61,862.33m<sup>2</sup>  
Structure: Above ground: 32 floors  
Below ground: 3 floors  
Completion: April 1976



### Ebisu Neonato

● I-33

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



### Harmony Tower

● I-34

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



### Otsuka Higashi- Ikebukuro Building

● I-35

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



### Ikebukuro 2Chome Building

● I-36

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



### Ikebukuro YS Building

● I-37

Location: Toshima-ku, Tokyo  
Site area: 1,384.56m<sup>2</sup>  
Floor area of building: 7,464.64m<sup>2</sup>  
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<sup>2</sup>  
Floor area of building: 18,329.98m<sup>2</sup>  
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<sup>2</sup>  
Floor area of building: 6,258.59m<sup>2</sup>  
Structure: Above ground: 8 floors  
Completion: March 1990



### MM Park Building

● II-3

Location: Yokohama, Kanagawa Prefecture  
Site area: 6,825.77m<sup>2</sup>  
Floor area of building: 49,037.51m<sup>2</sup>  
Structure: Above ground: 15 floors  
Below ground: 1 floor  
Completion: December 2007



### Kawasaki Isago Building

● II-4

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



### Musashi Kosugi STM Building

● II-5

Location: Kawasaki, Kanagawa Prefecture  
Site area: 3,552.15m<sup>2</sup>  
Floor area of building: 22,839.61m<sup>2</sup>  
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<sup>2</sup>  
Floor area of building: 16,096.97m<sup>2</sup>  
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<sup>2</sup>  
Floor area of building: 7,648.33m<sup>2</sup>  
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<sup>2</sup>  
Floor area of building: 27,680.45m<sup>2</sup>  
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<sup>2</sup>  
Floor area of building: 8,247.50m<sup>2</sup>  
Structure: Above ground: 11 floors  
Completion: November 1991



### Kanazawa Park Building

● III-5

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



### Nishiki Park Building

● III-6

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



### Nagoya Hirokoji Place

● III-7

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



### Hirokoji Sakae Building

● III-8

Location: Nagoya, Aichi Prefecture  
Site area: 786.79m<sup>2</sup>  
Floor area of building: 6,445.08m<sup>2</sup>  
Structure: Above ground: 9 floors  
Below ground: 2 floors  
Completion: September 1987



### Nagoya Hirokoji Building

● III-9

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



### Nagoya Misono Building

● III-10

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



### Shijo Karasuma Center Building

● III-11

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



### Kyoto Shijo Kawaramachi Building

● III-12

Location: Kyoto, Kyoto Prefecture  
Site area: 1,471.57m<sup>2</sup>  
Floor area of building: 9,701.04m<sup>2</sup>  
Structure: Above ground: 9 floors  
Below ground: 1 floor  
Completion: November 1982



### Shin-Fujita Building

● III-13

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



### Sakaisujihonmachi Building

● III-14

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



### Midosuji Daiwa Building

● III-15

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



### Lit City Building

● III-16

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



### NHK Hiroshima Broadcasting Center Building

● III-17

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



### Tosei Tenjin Building

● III-18

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



### Tenjin Crystal Building

● III-19

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



### Hinode Tenjin Building

● III-20

Location: Fukuoka, Fukuoka Prefecture  
Site area: 1,452.15m<sup>2</sup>  
Floor area of building: 12,527.07m<sup>2</sup>  
Structure: Above ground: 10 floors  
Below ground: 2 floors  
Completion: August 1987





## Financial Section

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## Selected Financial Data

	Millions of yen					Thousands of U.S. dollars (Note 1)
	For the period from April 1, 2013 to September 30, 2013	For the period from October 1, 2012 to March 31, 2013	For the period from April 1, 2012 to September 30, 2012	For the period from October 1, 2011 to March 31, 2012	For the period from April 1, 2011 to September 30, 2011	For the period from April 1, 2013 to September 30, 2013
Operating Revenues	¥ 26,225	¥ 25,357	¥ 24,222	¥ 24,059	¥ 22,829	\$ 268,292
Operating Expenses	15,444	14,725	14,009	13,273	12,449	157,995
Operating Income	10,781	10,631	10,212	10,786	10,380	110,297
Ordinary Income	9,143	8,749	8,372	8,863	8,603	93,535
Income before Income Taxes	9,143	8,749	8,372	8,904	8,614	93,535
Net Income	9,129	8,824	8,448	8,934	8,268	93,399
Total Assets	775,066	765,628	724,851	703,085	643,949	7,929,070
Interest-Bearing Debts	320,150	311,200	305,750	284,300	269,350	3,275,192
Net Assets	405,415	405,280	372,429	372,869	332,670	4,147,472
Unitholders' Capital	396,018	396,018	363,371	363,371	324,353	4,051,338
Number of Units	594,140	594,140	549,040	549,040	489,200	594,140
Net Assets per Unit (Yen/U.S. dollars)	682,356	682,130	678,328	679,130	680,029	6,981
Cash Distribution	9,129	8,995	8,619	8,888	7,753	93,397
Dividend Payout Ratio	99.9%	101.9%	102.0%	99.4%	93.7%	99.9%
Dividend per Unit (Yen/U.S. dollars)	15,366	15,140	15,700	16,190	15,850	157.20
Net Operating Income (NOI)	17,205	16,768	15,997	16,361	15,121	176,017
Funds from Operations (FFO)	14,619	14,032	13,356	13,625	12,154	149,556
Return on Assets (ROA) (Note 2)	1.2%	1.2%	1.2%	1.3%	1.3%	1.2%
	(2.4% annualized)	(2.4% annualized)	(2.3% annualized)	(2.6% annualized)	(2.7% annualized)	(2.4% annualized)
Return on Equity (ROE) (Note 3)	2.3%	2.2%	2.3%	2.6%	2.5%	2.3%
	(4.5% annualized)	(4.4% annualized)	(4.5% annualized)	(5.3% annualized)	(5.0% annualized)	(4.5% annualized)
EOP Equity Ratio (Note 4)	52.3%	52.9%	51.4%	53.0%	51.7%	52.3%
EOP Interest-Bearing Debt Ratio on Total Assets (Note 5)	41.3%	40.6%	42.2%	40.4%	41.8%	41.3%
FFO Multiple	23.4 times	27.2 times	16.2 times	14.7 times	15.2 times	23.4 times
Debt Service Coverage Ratio (Note 6)	9.5 times	8.7 times	8.3 times	8.5 times	8.4 times	9.5 times

Notes 1: Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥97.75 = US\$1.00, the foreign exchange rate on September 30, 2013, has been used for translation. The inclusion of such amounts is not intended to imply that Japanese yen has been or could be readily converted, realized or settled into U.S. dollars at that rate or any other rate.

2: ROA = Ordinary Income ÷ Average of Total Assets during the period

3: ROE = Net Income ÷ Average of Net Assets during the period

(Annualized portion of the calculation given in Note 2 and Note 3 assumes a fiscal period of 183 days for the period ended September 30, 2011, 183 days for the period ended March 31, 2012, 183 days for the period ended September 30, 2012, 182 days for the period ended March 31, 2013 and 183 days for the period ended September 30, 2013.)

4: EOP Equity Ratio = (Net Assets at the end of period ÷ Total Assets at the end of period) × 100

5: EOP Interest-Bearing Debt Ratio on Total Assets = (Interest-Bearing Debt at the end of period ÷ Total Assets at the end of period) × 100

6: Debt Service Coverage Ratio = Net Income before Interest, Taxes, Depreciation and Amortization ÷ Interest Expenses

# Balance Sheets

As of September 30, 2013 and March 31, 2013

	Thousands of yen		U.S. dollars (Note 1)
	As of September 30, 2013	As of March 31, 2013	As of September 30, 2013
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and bank deposits	¥ 24,598,188	¥ 23,276,582	\$ 251,643,871
Rental receivables	188,185	104,865	1,925,167
Refundable consumption taxes	—	472,497	—
Other current assets	251,745	148,460	2,575,397
<b>Total current assets</b>	<b>25,038,118</b>	<b>24,002,405</b>	<b>256,144,435</b>
<b>Property and Equipment, at Cost:</b>			
Land	510,355,333	503,044,948	5,221,026,431
Buildings and structures	296,764,545	291,066,859	3,035,954,427
Machinery and equipment	3,699,678	3,564,066	37,848,374
Tools, furniture and fixtures	308,280	229,005	3,153,763
Construction in progress	181,638	225,278	1,858,193
<b>Subtotal</b>	<b>811,309,476</b>	<b>798,130,158</b>	<b>8,299,841,189</b>
Accumulated depreciation	(70,445,570)	(65,638,017)	(720,670,795)
<b>Total property and equipment</b>	<b>740,863,906</b>	<b>732,492,141</b>	<b>7,579,170,394</b>
<b>Investments and Other Assets:</b>			
Investment securities	577,168	577,168	5,904,533
Deposits	1,071,830	1,071,830	10,965,017
Long-term prepaid expenses	23,206	14,545	237,410
Leasehold rights	6,565,127	6,580,957	67,162,429
Easement	828,095	828,095	8,471,564
Deferred investment corporation bond issuance costs	99,161	61,382	1,014,436
<b>Total Assets</b>	<b>¥775,066,613</b>	<b>¥765,628,526</b>	<b>\$7,929,070,218</b>

The accompanying notes form an integral part of these financial statements.

	Thousands of yen		U.S. dollars (Note 1)
	As of September 30, 2013	As of March 31, 2013	As of September 30, 2013
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Trade accounts payable	¥ 1,128,949	¥ 601,506	\$ 11,549,358
Other payables	1,026,389	1,072,531	10,500,148
Short-term loans	25,000,000	18,000,000	255,754,476
Current portion of investment corporation bonds	15,000,000	—	153,452,685
Current portion of long-term loans	13,100,000	34,100,000	134,015,345
Accrued expenses	786,011	826,056	8,041,043
Income taxes payable	7,951	11,103	81,346
Accrued consumption taxes	601,862	—	6,157,161
Rent received in advance	2,840,696	3,245,771	29,060,833
Other current liabilities	9,986	3,170	102,164
<b>Total current liabilities</b>	<b>59,501,848</b>	<b>57,860,141</b>	<b>608,714,560</b>
<b>Long-Term Liabilities:</b>			
Investment corporation bonds	40,000,000	45,000,000	409,207,161
Long-term loans	227,050,000	214,100,000	2,322,762,148
Deposits received from tenants	42,634,207	42,958,359	436,155,577
Deferred tax liabilities	122,812	122,812	1,256,397
Asset retirement obligations	309,420	306,334	3,165,431
Other long-term liabilities	32,969	—	337,283
<b>Total long-term liabilities</b>	<b>310,149,410</b>	<b>302,487,507</b>	<b>3,172,883,998</b>
<b>Total Liabilities</b>	<b>369,651,258</b>	<b>360,347,648</b>	<b>3,781,598,557</b>
<b>NET ASSETS</b>			
<b>Unitholders' Equity:</b>			
Unitholders' capital	396,018,317	396,018,317	4,051,338,281
Authorized: 2,000,000 units			
Issued: 594,140 units as of September 30, 2013 and 594,140 units as of March 31, 2013			
Surplus			
Voluntary reserve			
Reserve for reduction entry	236,709	407,278	2,421,580
Retained earnings	9,160,328	8,855,281	93,711,799
<b>Total surplus</b>	<b>9,397,037</b>	<b>9,262,560</b>	<b>96,133,380</b>
<b>Total unitholders' equity</b>	<b>405,415,354</b>	<b>405,280,877</b>	<b>4,147,471,661</b>
<b>Total net assets</b>	<b>405,415,354</b>	<b>405,280,877</b>	<b>4,147,471,661</b>
<b>Total Liabilities and Net Assets</b>	<b>¥775,066,613</b>	<b>¥765,628,526</b>	<b>\$7,929,070,218</b>

The accompanying notes form an integral part of these financial statements.

## Statements of Income and Retained Earnings

For the six months ended September 30, 2013 and March 31, 2013

	Thousands of yen		U.S. dollars (Note 1)
	For the period from April 1, 2013 to September 30, 2013	For the period from October 1, 2012 to March 31, 2013	For the period from April 1, 2013 to September 30, 2013
<b>OPERATING REVENUES AND EXPENSES</b>			
<b>Operating Revenues:</b>			
Rental revenues	¥26,116,177	¥25,070,031	\$267,173,172
Non-rental revenues	90,739	287,222	928,277
Gain on sale of properties	18,603	—	190,319
<b>Total operating revenues</b>	<b>26,225,520</b>	<b>25,357,253</b>	<b>268,291,768</b>
<b>Operating Expenses:</b>			
Property-related expenses	14,509,238	13,796,651	148,432,104
Asset management fees	621,540	592,000	6,358,466
Administrative service fees	191,496	198,583	1,959,040
Professional fee	64,695	73,576	661,850
Other operating expenses	57,046	64,671	583,594
<b>Total operating expenses</b>	<b>15,444,016</b>	<b>14,725,482</b>	<b>157,995,053</b>
<b>Operating Income</b>	<b>10,781,503</b>	<b>10,631,771</b>	<b>110,296,714</b>
<b>NON-OPERATING REVENUES AND EXPENSES</b>			
<b>Non-Operating Revenues:</b>			
Interest income	5,824	9,295	59,586
Dividends income	19,724	—	201,780
Return of unclaimed distributions	3,220	5,448	32,951
Income on settlement of management association accounts	104,761	—	1,071,733
Other non-operating revenues	2,080	—	21,287
<b>Non-Operating Expenses:</b>			
Interest expense	1,337,230	1,419,873	13,680,111
Interest expense on investment corporation bonds	392,323	386,112	4,013,535
Amortization of investment corporation bond issuance costs	17,498	16,469	179,009
New unit issuance costs	—	47,798	—
Other non-operating expenses	27,009	26,901	276,316
<b>Ordinary Income</b>	<b>9,143,053</b>	<b>8,749,359</b>	<b>93,535,079</b>
<b>Income before Income Taxes</b>	<b>9,143,053</b>	<b>8,749,359</b>	<b>93,535,079</b>
<b>Income Taxes:</b>			
Current	13,308	13,169	136,150
Deferred	(11)	(88,519)	(121)
<b>Net Income</b>	<b>9,129,757</b>	<b>8,824,710</b>	<b>93,399,050</b>
<b>Retained Earnings Brought Forward</b>	<b>30,571</b>	<b>30,571</b>	<b>312,750</b>
<b>Retained Earnings at End of Period</b>	<b>¥ 9,160,328</b>	<b>¥ 8,855,281</b>	<b>\$ 93,711,799</b>

## Statements of Changes in Unitholders' Equity

For the six months ended September 30, 2013 and March 31, 2013

	Thousands of yen					
	Units	Unitholders' capital	Reserve for reduction entry	Surplus Retained earnings	Total surplus	Total unitholders' equity
<b>Balance as of October 1, 2012</b>	<b>549,040</b>	<b>¥363,371,780</b>	<b>¥578,614</b>	<b>¥8,479,163</b>	<b>¥9,057,778</b>	<b>¥372,429,558</b>
Provision of reserve for reduction entry	—	—	(171,335)	171,335	—	—
New unit issuance	45,100	32,646,537	—	—	—	32,646,537
Cash dividends paid	—	—	—	(8,619,928)	(8,619,928)	(8,619,928)
Net income	—	—	—	8,824,710	8,824,710	8,824,710
<b>Balance as of March 31, 2013</b>	<b>594,140</b>	<b>¥396,018,317</b>	<b>¥407,278</b>	<b>¥8,855,281</b>	<b>¥9,262,560</b>	<b>¥405,280,877</b>
Provision of reserve for reduction entry	—	—	(170,569)	170,569	—	—
Cash dividends paid	—	—	—	(8,995,279)	(8,995,279)	(8,995,279)
Net income	—	—	—	9,129,757	9,129,757	9,129,757
<b>Balance as of September 30, 2013</b>	<b>594,140</b>	<b>¥396,018,317</b>	<b>¥236,709</b>	<b>¥9,160,328</b>	<b>¥9,397,037</b>	<b>¥405,415,354</b>
U.S. dollars (Note 1)						
	Units	Unitholders' capital	Reserve for reduction entry	Surplus Retained earnings	Total surplus	Total unitholders' equity
<b>Balance as of April 1, 2013</b>	<b>594,140</b>	<b>\$4,051,338,281</b>	<b>\$4,166,535</b>	<b>\$90,591,115</b>	<b>\$94,757,651</b>	<b>\$4,146,095,932</b>
Provision of reserve for reduction entry	—	—	(1,744,955)	1,744,955	—	—
Cash dividends paid	—	—	—	(92,023,321)	(92,023,321)	(92,023,321)
Net income	—	—	—	93,399,050	93,399,050	93,399,050
<b>Balance as of September 30, 2013</b>	<b>594,140</b>	<b>\$4,051,338,281</b>	<b>\$2,421,580</b>	<b>\$93,711,799</b>	<b>\$96,133,380</b>	<b>\$4,147,471,661</b>

The accompanying notes form an integral part of these financial statements.

# Statements of Cash Flows

For the six months ended September 30, 2013 and March 31, 2013

	Thousands of yen		U.S. dollars (Note 1)
	For the period from April 1, 2013 to September 30, 2013	For the period from October 1, 2012 to March 31, 2013	For the period from April 1, 2013 to September 30, 2013
<b>Cash Flows from Operating Activities:</b>			
Income before income taxes	¥ 9,143,053	¥ 8,749,359	\$ 93,535,079
Depreciation and amortization	5,507,945	5,208,203	56,347,272
Amortization of investment corporation bond issuance costs	17,498	16,469	179,009
New unit issuance costs	—	47,798	—
Dividends income	(19,724)	—	(201,780)
Interest income	(5,824)	(9,295)	(59,586)
Interest expense	1,729,553	1,805,986	17,693,647
Rental receivables	(83,319)	55,954	(852,372)
Refundable consumption taxes	472,497	(472,497)	4,833,733
Supplies	—	(3,121)	—
Prepaid expenses	5,692	(39,736)	58,231
Decrease due to sale of tangible fixed asset	1,200,748	—	12,283,875
Trade accounts payable	307,202	(647,712)	3,142,740
Other payables	108,948	37,188	1,114,566
Accrued expenses	601,744	(179,032)	6,155,956
Rent received in advance	(405,075)	94,605	(4,143,995)
Long-term prepaid expenses	(8,661)	(4,317)	(88,610)
Other	(158,618)	(82,510)	(1,622,696)
Sub-total	18,413,663	14,577,341	188,375,070
Interest and dividends income received	26,269	10,244	268,739
Interest paid	(1,769,481)	(1,838,733)	(18,102,108)
Income taxes paid	(16,460)	(9,883)	(168,393)
Net cash provided by operating activities	16,653,990	12,738,968	170,373,308
<b>Cash Flows from Investing Activities:</b>			
Payments of time deposits	(12,237,000)	(10,829,000)	(125,186,701)
Proceeds from time deposits	11,237,000	8,829,000	114,956,522
Purchases of property and equipment	(14,904,173)	(43,912,631)	(152,472,363)
Repayments of lease and guarantee deposits received	(2,048,695)	(1,013,145)	(20,958,517)
Proceeds from lease and guarantee deposits received	1,724,542	4,020,586	17,642,381
Net cash used in investing activities	(16,228,325)	(42,905,189)	(166,018,678)
<b>Cash Flows from Financing Activities:</b>			
Proceeds from short-term loans	11,000,000	18,000,000	112,531,969
Repayments of short-term loans	(4,000,000)	(13,500,000)	(40,920,716)
Proceeds from long-term loans	13,000,000	52,000,000	132,992,327
Repayments of long-term loans	(21,050,000)	(51,050,000)	(215,345,269)
Proceeds from issuance of investment corporation bonds	10,000,000	—	102,301,790
Payments of investment corporation bond issuance costs	(55,277)	—	(565,494)
Proceeds from issuance of units	—	32,646,537	—
Payments of new unit issuance costs	—	(47,798)	—
Dividends to unitholders	(8,998,782)	(8,620,683)	(92,059,153)
Net cash used by financing activities	(104,059)	29,428,054	(1,064,545)
Net Increase (Decrease) in Cash and Cash Equivalents	321,605	(738,167)	3,290,086
Cash and Cash Equivalents at Beginning of Period	14,276,582	15,014,749	146,051,994
Cash and Cash Equivalents at End of Period	¥14,598,188	¥14,276,582	\$149,342,080

The accompanying notes form an integral part of these financial statements.

# Notes to Financial Statements

September 30, 2013 and March 31, 2013

## 1. ORGANIZATION AND BASIS OF PRESENTATION

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### Organization

Japan Real Estate Investment Corporation (the “Company”) is a real estate investment corporation formed to own and invest primarily in a portfolio of office properties. The Company is externally managed by a licensed asset management company, Japan Real Estate Asset Management Co., Ltd. (“J-Rea”). J-Rea is currently owned 63% by Mitsubishi Estate Co., Ltd. (“MEC”), 27% by The Dai-ichi Mutual Life Insurance Company (currently renamed The Dai-ichi Life Insurance Company, Limited, “DL”) 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. (“TMN”) and DL under the Law Concerning Investment Trusts and Investment Corporations of Japan, or the Investment Trust Law.

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 (so-called “J-REITs”). The Company issued 160,000 units at a price of ¥506,625 (\$5,183), generating gross proceeds of ¥81,060 million (\$829,258 thousand) (Note).

At September 30, 2013, the Company owned a portfolio of 62 properties with an aggregate of approximately 713,180 square meters of leasable space.

Note: The foreign exchange rate of ¥97.75=US\$1.00, as of September 30, 2013, has been used for translation.

### 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 Investment Trust Law, the Corporation Law of Japan, the Financial Instruments and Exchange Law of Japan and the 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.

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥97.75=US\$1.00, the foreign exchange rate on September 30, 2013, has been used for translation. The inclusion of such amounts is not intended to imply that Japanese yen has been or could be readily converted, realized or settled into U.S. dollars at that rate or any other rate.

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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### Investment securities

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

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

Property and equipment is stated at cost, less accumulated depreciation. The costs of land, buildings and building improvements include the purchase price of property, legal fees 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.....	3-60 years
Machinery and equipment.....	2-18 years
Tools, furniture and fixtures.....	2-29 years

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

The Company reviews fixed assets for impairment whenever events or changes in circumstances indicate that the carrying amount

of its fixed assets may not be recoverable. According to the standard set by the Accounting Standards Board of Japan, companies are required to recognize an impairment loss in their statement of income if certain indicators of asset impairment exist and the book value of an asset exceeds the undiscounted sum of future cash flows of the asset. The standard states that impairment losses should be measured as the excess of the book value over the higher of (1) the fair market value of the asset, net of disposition costs and (2) 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 started at cost. Amortization of a term leasehold interest for business use is calculated by the straight-line method based on the period of agreement.

#### **Leased assets**

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

#### **Deferred charges**

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

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

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

#### **Revenue recognition**

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

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

Property and equipment is subject to property taxes and city planning taxes on a calendar year basis. These taxes are generally charged to income during the period. The sellers of the properties were 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 in the record as of January 1 based on the assessment made by the local government. The Company paid the amount equivalent to the property taxes to the sellers applicable to the period since acquisition and included the amount equivalent to the taxes in the purchase price of each property and capitalized as 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 the current assets and the excess of amounts withheld over payments are included in the 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.

### **3. FINANCIAL INSTRUMENTS**

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For the six months ended September 30, 2013 and March 31, 2013

#### **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, issuance of

investment corporation bonds and 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 which 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 controlling risks, and not for speculative purposes.

At the time of this report, the Company holds no position in derivative transactions.

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

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

Characteristics and risk profile of financial instruments and risk management system are as follows:

Deposits, which are typically large time deposits used to manage excess funds, are exposed to 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 fund proceeds from borrowings and issues of investment corporation bonds are applied mainly to the acquisition of real estate properties and repayment of 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. 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 outstanding under the facility as of September 30, 2013 and as of March 31, 2013), 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.

## 2. Fair value of financial instruments

Fair value of financial instruments, their values carried on the balance sheet and the difference between them as of September 30, 2013 and as of March 31, 2013 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			U.S. dollars		
	As of September 30, 2013					
	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Cash and bank deposits	¥ 24,598,188	¥ 24,598,188	¥ —	\$ 251,643,871	\$ 251,643,871	\$ —
(2) Short-term loans	25,000,000	25,000,000	—	255,754,476	255,754,476	—
(3) Current portion of investment corporation bonds	15,000,000	15,173,400	173,400	153,452,685	155,226,598	1,773,913
(4) Current portion of long-term loans	13,100,000	13,158,190	58,190	134,015,345	134,610,643	595,297
(5) Investment corporation bonds	40,000,000	41,508,300	1,508,300	409,207,161	424,637,340	15,430,179
(6) Long-term loans	227,050,000	230,703,880	3,653,880	2,322,762,148	2,360,142,005	37,379,856

	Thousands of yen		
	As of March 31, 2013		
	Book value	Fair value	Difference
(1) Cash and bank deposits	¥ 23,276,582	¥ 23,276,582	¥ —
(2) Short-term loans	18,000,000	18,000,000	—
(3) Current portion of investment corporation bonds	—	—	—
(4) Current portion of long-term loans	34,100,000	34,252,501	152,501
(5) Investment corporation bonds	45,000,000	46,413,050	1,413,050
(6) Long-term loans	214,100,000	219,327,980	5,227,980



Note 1: Measurement of fair value of financial instruments

(1) Cash and bank deposits

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.

(2) 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.

(3) Current portion of investment corporation bonds and (5) Investment corporation bonds

Their fair values are based on the values published by a financial data provider

(4) Current portion of long-term loans and (6) 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. The fair values of the liabilities with fixed interest rates are calculated by discounting the aggregated amounts of the principals and the interests of the loan by the rates that are reasonably estimated to be applicable if the Company refinances the existing loans for the remaining period to maturity under the prevailing market conditions as of September 30, 2013 and March 30, 2013.

Note 2: Financial instruments whose fair values cannot be reliably measured.

	Thousands of yen		U.S. dollars
	As of September 30, 2013	As of March 31, 2013	As of September 30, 2013
(1) Non-listed stock <sup>(*)</sup>	¥ 577,168	¥ 577,168	\$ 5,904,533
(2) Deposits received from tenants <sup>(*)</sup>	42,634,207	42,958,359	436,155,577

(\*) With regard to non-listed stocks which do not have a quoted market price in an active market and whose cash flows are not reasonably estimated, their fair value cannot be reliably measured and they are therefore presented at their book value.

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

Note 3: Redemption schedule for monetary claims after the closing date

	Thousands of yen						U.S. dollars					
	As of September 30, 2013											
	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	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 bank deposits	¥24,598,188	¥—	¥—	¥—	¥—	¥—	\$251,643,871	\$—	\$—	\$—	\$—	\$—

	Thousands of yen					
	As of March 31, 2013					
	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 bank deposits	¥23,276,582	¥—	¥—	¥—	¥—	¥—

Note 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, 2013					
	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	¥25,000,000	¥ —	¥ —	¥ —	¥ —	¥ —
Investment corporation bonds	15,000,000	20,000,000	—	—	10,000,000	10,000,000
Long-term loans	13,100,000	19,600,000	32,100,000	42,850,000	36,000,000	96,500,000
Total	¥53,100,000	¥39,600,000	¥32,100,000	¥42,850,000	¥46,000,000	¥106,500,000

	U.S. dollars					
	As of September 30, 2013					
	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	\$255,754,476	\$ —	\$ —	\$ —	\$ —	\$ —
Investment corporation bonds	153,452,685	204,603,581	—	—	102,301,790	102,301,790
Long-term loans	134,015,345	200,511,509	328,388,747	438,363,171	368,286,445	987,212,276
Total	\$543,222,506	\$405,115,090	\$328,388,747	\$438,363,171	\$470,588,235	\$1,089,514,066

	Thousands of yen					
	As of March 31, 2013					
	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	¥18,000,000	¥ —	¥ —	¥ —	¥ —	¥ —
Investment corporation bonds	—	15,000,000	20,000,000	—	—	10,000,000
Long-term loans	34,100,000	5,100,000	16,600,000	44,400,000	46,500,000	101,500,000
Total	¥52,100,000	¥20,100,000	¥36,600,000	¥44,400,000	¥46,500,000	¥111,500,000

#### 4. PROPERTY AND EQUIPMENT

Property and equipment at September 30, 2013 and March 31, 2013 consisted of the following:

	Thousands of yen				U.S. dollars	
	As of September 30, 2013		As of March 31, 2013		As of September 30, 2013	
	Acquisition costs	Book value	Acquisition costs	Book value	Acquisition costs	Book value
Land	¥399,537,150	¥399,537,150	¥397,677,867	¥397,677,867	\$4,087,336,583	\$4,087,336,583
Buildings and structures	244,555,959		242,536,712		2,501,851,244	
Accumulated depreciation	(56,583,875)	187,972,083	(52,653,434)	189,883,278	(578,863,180)	1,922,988,065
Machinery and equipment	2,868,276		2,768,805		29,342,980	
Accumulated depreciation	(1,393,733)	1,474,542	(1,314,188)	1,454,616	(14,258,148)	15,084,833
Tools, furniture and fixtures	282,447		204,941		2,889,484	
Accumulated depreciation	(105,932)	176,514	(93,266)	111,674	(1,083,713)	1,805,770
Construction in progress	181,638	181,638	219,582	219,582	1,858,193	1,858,193
Land in trust	110,818,182	110,818,182	105,367,081	105,367,081	1,133,689,848	1,133,689,848
Buildings and structures in trust	52,208,586		48,530,146		534,103,183	
Accumulated depreciation	(11,793,444)	40,415,141	(11,021,761)	37,508,384	(120,649,045)	413,454,138
Machinery and equipment in trust	831,402		795,261		8,505,394	
Accumulated depreciation	(560,510)	270,891	(548,373)	246,887	(5,734,122)	2,771,272
Tools, furniture and fixtures in trust	25,833		24,064		264,279	
Accumulated depreciation	(8,072)	17,760	(6,992)	17,071	(82,587)	181,692
Construction in progress in trust	—	—	5,695	5,695	—	—
<b>Total</b>	<b>¥740,863,906</b>	<b>¥740,863,906</b>	<b>¥732,492,141</b>	<b>¥732,492,141</b>	<b>\$7,579,170,394</b>	<b>\$7,579,170,394</b>

The compressed amount of tangible assets with government grants under the Corporation Tax Law of Japan was ¥50 million (\$512 thousand) at September 30, 2013 and ¥50 million (\$512 thousand) at March 31, 2013.

#### 5. SHORT-TERM LOANS

Short-term loans at September 30, 2013 and March 31, 2013 consisted of the following

	Thousands of yen		U.S. dollars
	As of September 30, 2013	As of March 31, 2013	As of September 30, 2013
	0.25212% unsecured loan from a bank, due on January 7, 2014	¥ 1,000,000	¥ 1,000,000
0.25212% unsecured loan from a bank, due on January 7, 2014	1,500,000	1,500,000	15,345,269
0.25221% unsecured loan from a bank, due on January 7, 2014	4,000,000	6,000,000	40,920,716
0.23% unsecured loan from a bank, due on April 30, 2014	3,000,000	—	30,690,537
0.25212% unsecured loan from a trust bank, due on October 7, 2013	1,000,000	1,000,000	10,230,179
0.23% unsecured loan from a trust bank, due on September 2, 2014	5,000,000	—	51,150,895
0.25241% unsecured loan from a bank, due on January 7, 2014	—	2,000,000	—
0.23% unsecured loan from a bank, due on July 31, 2014	3,000,000	—	30,690,537
0.25212% unsecured loan from a trust bank, due on January 7, 2014	1,500,000	1,500,000	15,345,269
0.25077% unsecured loan from a trust bank, due on January 15, 2014	5,000,000	5,000,000	51,150,895
<b>Total</b>	<b>¥25,000,000</b>	<b>¥18,000,000</b>	<b>\$255,754,476</b>

The Company has commitment lines totaling ¥43,000 million (\$439,898 thousand) with five financial institutions to reduce refinancing risk. The unused amount of such commitment lines was ¥43,000 million (\$439,898 thousand) at September 30, 2013.

#### 6. INVESTMENT CORPORATION BONDS INCLUDING CURRENT PORTION OF INVESTMENT CORPORATION BONDS

Details of total investment corporation bonds outstanding are summarized as follows:

	As of September 30, 2013		As of March 31, 2013		As of September 30, 2013
	Amount (thousands of yen)	Interest rate (%)	Amount (thousands of yen)	Interest rate (%)	Amount (U.S. dollars)
Unsecured bond due on September 29, 2025	¥10,000,000	2.56%	¥10,000,000	2.56%	\$102,301,790
Unsecured bond due on June 18, 2014	15,000,000	1.91%	15,000,000	1.91%	153,452,685
Unsecured bond due on April 23, 2015	10,000,000	1.26%	10,000,000	1.26%	102,301,790
Unsecured bond due on July 23, 2015	10,000,000	1.05%	10,000,000	1.05%	102,301,790
Unsecured bond due on August 30, 2018	10,000,000	0.497%	—	—	102,301,790
<b>Total</b>	<b>¥55,000,000</b>	<b>—</b>	<b>¥45,000,000</b>	<b>—</b>	<b>\$562,659,847</b>

## 7. LONG-TERM LOANS INCLUDING CURRENT PORTION OF LONG-TERM LOANS

Long-term loans at September 30, 2013 and March 31, 2013 consisted of the following:

	Thousands of yen		U.S. dollars
	As of September 30, 2013	As of March 31, 2013	As of September 30, 2013
<b>CURRENT PORTION OF LONG-TERM LOANS</b>			
1.42375% unsecured loan from a bank, due on April 24, 2013	¥ —	¥ 5,000,000	\$ —
1.4875% unsecured loan from a bank, due on September 2, 2013	—	3,000,000	—
1.42375% unsecured loan from a bank, due on April 24, 2013	—	3,000,000	—
1.2625% unsecured loan from a bank, due on March 24, 2014	2,000,000	2,000,000	20,460,358
1.42375% unsecured loan from a bank, due on April 24, 2013	—	5,000,000	—
1.2625% unsecured loan from a bank, due on March 24, 2014	2,000,000	2,000,000	20,460,358
1.4875% unsecured loan from a trust bank, due on September 2, 2013	—	5,000,000	—
1.2625% unsecured loan from a trust bank, due on March 24, 2014	2,000,000	2,000,000	20,460,358
1.31% unsecured loan from a bank, due on March 24, 2014	2,000,000	2,000,000	20,460,358
1.2375% unsecured loan from a bank, due on March 24, 2014	1,000,000	1,000,000	10,230,179
1.665% unsecured loan from a bank, due on March 24, 2017(*)	100,000	100,000	1,023,018
1.2625% unsecured loan from a trust bank, due on March 24, 2014	2,000,000	2,000,000	20,460,358
1.2625% unsecured loan from a bank, due on March 24, 2014	2,000,000	2,000,000	20,460,358
<b>Subtotal</b>	<b>13,100,000</b>	<b>34,100,000</b>	<b>134,015,345</b>
<b>LONG-TERM LOANS</b>			
1.86875% unsecured loan from an insurance company, due on May 29, 2015	5,000,000	5,000,000	51,150,895
1.54375% unsecured loan from an insurance company, due on March 30, 2017	5,000,000	5,000,000	51,150,895
1.86875% unsecured loan from an insurance company, due on May 29, 2015	1,500,000	1,500,000	15,345,269
1.595% unsecured loan from an insurance company, due on April 25, 2016	1,000,000	1,000,000	10,230,179
1.39625% unsecured loan from an insurance company, due on March 30, 2018	2,000,000	2,000,000	20,460,358
1.65% unsecured loan from a bank, due on September 1, 2015	2,000,000	2,000,000	20,460,358
1.665% unsecured loan from a bank, due on March 24, 2017(*)	1,550,000	1,600,000	15,856,777
1.115% unsecured loan from a bank, due on January 6, 2023	3,000,000	3,000,000	30,690,537
1.39875% unsecured loan from a bank, due on March 24, 2015	2,000,000	2,000,000	20,460,358
0.9025% unsecured loan from a bank, due on August 31, 2017	2,000,000	2,000,000	20,460,358
0.66% unsecured loan from a bank, due on June 15, 2017	2,500,000	2,500,000	25,575,448
0.57125% unsecured loan from a bank, due on August 31, 2017	1,000,000	1,000,000	10,230,179
1.1875% unsecured loan from a bank, due on June 15, 2015	3,000,000	3,000,000	30,690,537
1.20875% unsecured loan from a bank, due on June 15, 2015	3,000,000	3,000,000	30,690,537
0.45% unsecured loan from a bank, due on March 26, 2018	2,000,000	2,000,000	20,460,358
1.30625% unsecured loan from a bank, due on December 21, 2016	5,000,000	5,000,000	51,150,895
1.2075% unsecured loan from a bank, due on November 1, 2019	6,000,000	6,000,000	61,381,074
1.13875% unsecured loan from a bank, due on November 15, 2019	3,000,000	3,000,000	30,690,537
1.07375% unsecured loan from a bank, due on June 15, 2021	4,000,000	4,000,000	40,920,716
0.96625% unsecured loan from a bank, due on January 17, 2022	5,000,000	5,000,000	51,150,895
0.87375% unsecured loan from a bank, due on April 25, 2022	3,000,000	—	30,690,537
1.43375% unsecured loan from a trust bank, due on January 17, 2018	3,000,000	3,000,000	30,690,537
1.16% unsecured loan from a trust bank, due on September 26, 2019	5,500,000	5,500,000	56,265,985
0.98375% unsecured loan from a trust bank, due on November 15, 2018	3,000,000	3,000,000	30,690,537
0.9525% unsecured loan from a trust bank, due on June 15, 2020	4,000,000	4,000,000	40,920,716
1.465% unsecured loan from an insurance company, due on March 1, 2018	2,000,000	2,000,000	20,460,358
1.255% unsecured loan from a bank, due on March 1, 2017	2,000,000	2,000,000	20,460,358
0.45% unsecured loan from a bank, due on March 26, 2018	3,000,000	3,000,000	30,690,537
1.3975% unsecured loan from a bank, due on March 26, 2018	2,000,000	2,000,000	20,460,358
1.13875% unsecured loan from a bank, due on November 15, 2019	3,000,000	3,000,000	30,690,537
1.1975% unsecured loan from a bank, due on June 15, 2022	4,000,000	4,000,000	40,920,716
0.80125% unsecured loan from a bank, due on December 21, 2020	5,000,000	5,000,000	51,150,895
0.71% unsecured loan from a bank, due on January 15, 2020	5,500,000	5,500,000	56,265,985
0.83625% unsecured loan from a bank, due on January 15, 2021	5,500,000	5,500,000	56,265,985

	Thousands of yen		U.S. dollars
	As of September 30, 2013	As of March 31, 2013	As of September 30, 2013
0.775% unsecured loan from a bank, due on April 26, 2021	5,000,000	—	51,150,895
1.0325% unsecured loan from a trust bank, due on April 4, 2016	5,000,000	5,000,000	51,150,895
1.205% unsecured loan from a trust bank, due on April 4, 2017	5,000,000	5,000,000	51,150,895
1.12625% unsecured loan from a trust bank, due on June 1, 2017	12,000,000	12,000,000	122,762,148
1.31125% unsecured loan from a trust bank, due on June 1, 2018	10,000,000	10,000,000	102,301,790
1.13875% unsecured loan from a trust bank, due on November 15, 2019	3,000,000	3,000,000	30,690,537
0.9525% unsecured loan from a trust bank, due on June 15, 2020	4,000,000	4,000,000	40,920,716
1.2725% unsecured loan from a trust bank, due on June 15, 2022	2,500,000	2,500,000	25,575,448
0.80125% unsecured loan from a trust bank, due on December 21, 2020	5,000,000	5,000,000	51,150,895
0.90875% unsecured loan from banks and trust banks, due on June 23, 2016	24,000,000	24,000,000	245,524,297
1.0475% unsecured loan from a bank, due on August 31, 2018	3,000,000	3,000,000	30,690,537
0.66% unsecured loan from a bank, due on June 15, 2017	2,500,000	2,500,000	25,575,448
1.2725% unsecured loan from a bank, due on June 15, 2022	2,500,000	2,500,000	25,575,448
0.615% unsecured loan from a bank, due on November 17, 2014	1,000,000	1,000,000	10,230,179
0.7525% unsecured loan from a bank, due on November 15, 2016	1,000,000	1,000,000	10,230,179
0.71375% unsecured loan from a bank, due on January 7, 2020	2,000,000	2,000,000	20,460,358
0.71% unsecured loan from a bank, due on January 15, 2020	5,000,000	5,000,000	51,150,895
0.52775% unsecured loan from a bank, due on April 24, 2018	5,000,000	—	51,150,895
0.98375% unsecured loan from a bank, due on November 15, 2018	3,000,000	3,000,000	30,690,537
0.98% unsecured loan from a bank, due on January 7, 2022	2,000,000	2,000,000	20,460,358
0.645% unsecured loan from a bank, due on December 15, 2014	2,000,000	2,000,000	20,460,358
0.66% unsecured loan from a bank, due on June 15, 2017	2,500,000	2,500,000	25,575,448
0.3825% unsecured loan from a bank, due on January 15, 2016	1,000,000	1,000,000	10,230,179
0.66% unsecured loan from a bank, due on June 15, 2017	1,000,000	1,000,000	10,230,179
0.45625% unsecured loan from a bank, due on December 20, 2017	1,000,000	1,000,000	10,230,179
0.3825% unsecured loan from a bank, due on January 15, 2016	1,000,000	1,000,000	10,230,179
0.45% unsecured loan from a bank, due on March 26, 2018	1,000,000	1,000,000	10,230,179
0.8% unsecured loan from a bank, due on October 29, 2020	2,000,000	2,000,000	20,460,358
0.945% unsecured loan from a bank, due on March 24, 2023	1,000,000	1,000,000	10,230,179
0.49125% unsecured loan from a bank, due on January 9, 2018	1,000,000	1,000,000	10,230,179
0.49125% unsecured loan from a bank, due on January 9, 2018	1,000,000	1,000,000	10,230,179
Subtotal	227,050,000	214,100,000	2,322,762,148
Total	¥240,150,000	¥248,200,000	\$2,456,777,494

(\*) Repayments of principal shall be made by installments of ¥50 million for each 6 month period and ¥1,350 million on the final principal repayment date.

## 8. NET ASSETS

The Company is required to maintain net assets of at least ¥50 million (\$512 thousand), as required pursuant to the Investment Trust Law.

## 9. INCOME TAXES

The Company is subject to Japanese corporate income taxes on all of its taxable income. However, under the Special Taxation Measures Law of Japan (hereinafter the STML), an investment corporation is allowed to deduct dividends of accounting profits, or dividend distributions, paid to investors 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 STML. Based on the distribution policy provided by Article 32-2 of the Articles of Incorporation, the Company made a dividend distribution in the amount of ¥9,129 million (\$93,397 thousand) subsequent to September 30, 2013, which is the multiple number of units up to 100% of the unappropriated retained earnings after deducting therefrom ¥30 million (\$315 thousand) of retained earnings to be carried forward. The Company will not distribute dividends in excess of retained earnings under Article 32-3 of the Articles of Incorporation.

The significant components of deferred tax assets and liabilities as of September 30, 2013 and March 31, 2013 were as follows;

	Thousands of yen		U.S. dollars
	As of September 30, 2013	As of March 31, 2013	As of September 30, 2013
<b>Deferred tax assets:</b>			
Accrued enterprise tax	¥ 1,037	¥ 1,025	\$ 10,611
Amortization of a term leasehold interest	28,840	23,432	295,040
Asset retirement obligations	5,503	4,449	56,305
	35,381	28,907	361,955
Valuation allowance	(34,343)	(27,882)	(351,344)
Total deferred tax assets	1,037	1,025	10,611
<b>Deferred tax liabilities:</b>			
Reserve for advanced depreciation of non-current assets	¥122,812	¥122,812	\$1,256,397
Total deferred tax liabilities	122,812	122,812	1,256,397
<b>Net deferred tax liabilities</b>	<b>¥121,775</b>	<b>¥121,787</b>	<b>\$1,245,787</b>

The reconciliation of tax rate difference between the adjusted statutory tax rate and the effective tax rate for the six months ended September 30, 2013 and March 31, 2013 were as follows:

	For the period from April 1, 2013 to September 30, 2013	For the period from October 1, 2012 to March 31, 2013
Statutory tax rate	39.43%	39.43%
Deductible dividend distribution	(39.37%)	(40.54%)
Change in valuation allowance	0.08%	0.09%
Others	0.01%	0.16%
Effective tax rate	0.15%	(0.86%)

#### Adjustment in deferred tax assets and deferred tax liabilities due to tax rate change

The “Act for Partial Revision of Income Tax Act, etc. in Response to the Changing Economic Structure” and the “Special Measures to Secure the Funds to Realize the Restoration of the Damages following the Great East Japan Earthquake” were promulgated on December 2, 2011, went into effect on April 1, 2012 and resulted in a change of the statutory tax rate applicable to the deferred tax assets and deferred tax liabilities arising from the temporary differences that reversed in the period ended September 30, 2012 to 36.59%. Likewise, the statutory tax rate applicable to the deferred tax assets and deferred tax liabilities concerning the temporary differences that are expected to reverse in the period ending September 30, 2012 (the 22nd fiscal period) through the period ending March 31, 2015 (the 27th fiscal period) shall be 36.59% on a nominal tax rate basis, and with respect to the temporary differences that are expected to reverse on or after the period ending September 30, 2015 (the 28th fiscal period) shall be 34.16%.

## 10. RELATED PARTY TRANSACTIONS

For the six months ended September 30, 2013 and March 31, 2013

- (1) Parent Company and Major Corporation Unitholders
  - For the period from April 1, 2013 to September 30, 2013  
“Not applicable”
  - For the period from October 1, 2012 to March 31, 2013  
“Not applicable”
- (2) Subsidiaries
  - For the period from April 1, 2013 to September 30, 2013  
“Not applicable”
  - For the period from October 1, 2012 to March 31, 2013  
“Not applicable”

- (3) Sister Companies  
 For the period from April 1, 2013 to September 30, 2013  
 “Not applicable”  
 For the period from October 1, 2012 to March 31, 2013  
 “Not applicable”
- (4) Directors and Major Individual Unitholders  
 For the period from April 1, 2013 to September 30, 2013  
 “Not applicable”  
 For the period from October 1, 2012 to March 31, 2013  
 “Not applicable”

## 11. SEGMENT INFORMATION

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For the six months ended September 30, 2013 and March 31, 2013

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

### Information about products and services

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

### Information about geographic area

#### (1) Revenues

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

#### (2) Property and equipment

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

### Information about major clients

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

## 12. ASSET RETIREMENT OBLIGATIONS

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For the six months ended September 30, 2013 and March 31, 2013

### Asset retirement obligations reported on balance sheet

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 obligation, the Company recognized an asset retirement obligation and a corresponding capital asset in an amount equal to the present value of the estimated demolition cost required for the removal of the properties located on the leased land. The present value is calculated using 2.015% as the discount rate over 42 years, which is the term of the leasehold.

Change in the amount of the asset retirement obligations as of September 30, 2013 and March 31, 2013 consisted of the following:

	Thousands of yen		U.S. dollars
	For the period from April 1, 2013 to September 30, 2013	For the period from October 1, 2012 to March 31, 2013	For the period from April 1, 2013 to September 30, 2013
Balance at the beginning of the period	¥306,334	¥303,279	\$3,133,857
Increase in the tangible fixed assets	—	—	—
Adjustment required over the period	3,086	3,055	31,574
Balance at the end of the period	¥309,420	¥306,334	\$3,165,431

### Asset retirement obligations other than those reported on balance sheet

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

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

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

### 13. INVESTMENT AND RENTAL PROPERTY

For the six months ended September 30, 2013 and March 31, 2013

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, 2013 and as of March 31, 2013 and the fair values as of September 30, 2013 and as of March 31, 2013 are as follows:

Thousands of yen			
	Book value		Fair value
As of March 31, 2013	Change during period <sup>(1)</sup>	As of September 30, 2013	As of September 30, 2013
¥739,901,194	¥8,355,934	¥748,257,128	¥775,147,000
U.S. dollars			
	Book value		Fair value
As of March 31, 2013	Change during period <sup>(1)</sup>	As of September 30, 2013	As of September 30, 2013
\$7,569,321,683	\$85,482,704	\$7,654,804,387	\$7,929,892,583
Thousands of yen			
	Book value		Fair value
As of September 30, 2012	Change during period <sup>(2)</sup>	As of March 31, 2013	As of March 31, 2013
¥700,829,977	¥39,071,217	¥739,901,194	¥758,210,000

Note 1: Book value on balance sheet means the acquisition cost less accumulated depreciation.

Note 2: Significant changes

(\*1) For the period ended September 30, 2013, the major reasons for the increase are the acquisition of Nagoya Hirokoji Place (¥8,729,181 thousand or \$89,301,088 and Shijo Karasuma Center Building (¥4,451,165 thousand or \$45,536,218). The major reasons for the decrease are the sale of Nippon Brunswick Building (building) (¥1,200,748 thousand or \$12,283,875) and the depreciation.

(\*2) For the period ended March 31, 2013, the major reasons for the increase are the acquisition of Harumi Front (¥31,573,555 thousand), Higashi Nibancho Square (¥10,074,680 thousand) and the additional acquisition of Harmony Tower (¥547,366 thousand).  
The major reason for the decrease is the depreciation.

Note 3: Fair values as of September 30, 2013 and as of March 31, 2013 are defined as the appraised values provided by an external qualified professional appraiser.

### 14. PER UNIT INFORMATION

The following table summarizes information about net assets per unit and net income per unit at September 30, 2013 and March 31, 2013 and for the periods then ended, respectively:

	Yen		U.S. dollars
	For the period from April 1, 2013 to September 30, 2013	For the period from October 1, 2012 to March 31, 2013	For the period from April 1, 2013 to September 30, 2013
Net assets at period end per unit	¥682,356	¥682,130	\$6,981
Net income per unit	15,366	15,045	157

Net income per unit is computed by dividing net income by the weighted average number of units outstanding during each period. Diluted net income per unit has not been presented since no warrants or convertible bonds were outstanding during the period.

## 15. BREAKDOWN OF PROPERTY-RELATED REVENUES AND EXPENSES

For the six months ended September 30, 2013 and March 31, 2013

	Thousands of yen		U.S. dollars
	For the period from April 1, 2013 to September 30, 2013	For the period from October 1, 2012 to March 31, 2013	For the period from April 1, 2013 to September 30, 2013
<b>Property-Related Revenues</b>	¥26,206,916	¥25,357,253	\$268,101,449
<b>Rental Revenues</b>	26,116,177	25,070,031	267,173,172
Rental revenues	20,088,252	19,305,060	205,506,421
Common service charges	3,554,993	3,501,305	36,368,224
Parking revenues	600,511	592,263	6,143,339
Other rental revenues	1,872,419	1,671,401	19,155,188
<b>Non-Rental Revenues</b>	90,739	287,222	928,277
Cancellation charges	6,929	28,466	70,890
Gain on donation of non current assets	44,967	82,669	460,022
Other miscellaneous revenues	38,842	176,086	397,364
<b>Property-Related Expenses</b>	¥14,509,238	¥13,796,651	\$148,432,104
Property management expenses	3,080,614	3,067,242	31,515,243
Utilities expenses	2,433,257	2,079,394	24,892,662
Property and other taxes	2,356,725	2,302,410	24,109,721
Casualty insurance	57,095	55,405	584,094
Repairing expenses	866,369	886,640	8,863,116
Depreciation	5,507,945	5,208,203	56,347,272
Other rental expenses	207,229	197,354	2,119,996
<b>Property-Related Profits</b>	¥11,697,678	¥11,560,602	\$119,669,346

## 16. BREAKDOWN OF GAIN ON SALE OF PROPERTIES

For the six months ended September 30, 2013 and March 31, 2013

	Thousands of yen		U.S. dollars
	For the period from April 1, 2013 to September 30, 2013	For the period from October 1, 2012 to March 31, 2013	For the period from April 1, 2013 to September 30, 2013
<b>Nippon Brunswick Building (building)</b>			
Revenue from sale of property	¥1,220,000	—	\$12,480,818
Cost of property	1,200,748	—	12,283,875
Other sales expenses	647	—	6,625
<b>Gain on sale of property</b>	¥ 18,603	—	\$ 190,319

## 17. SUPPLEMENTAL CASH FLOW INFORMATION

### Cash and cash equivalents

The following table represents a reconciliation of cash and cash equivalents at September 30, 2013 and March 31, 2013:

	Thousands of yen		U.S. dollars
	As of September 30, 2013	As of March 31, 2013	As of September 30, 2013
Cash and deposits with banks	¥20,404,340	¥19,544,559	\$208,740,051
Cash and deposits with banks held in trust	4,193,848	3,732,023	42,903,819
Time deposits with maturities of more than three months	(10,000,000)	(9,000,000)	(102,301,790)
<b>Cash and cash equivalents</b>	¥14,598,188	¥14,276,582	\$149,342,080



## 18. 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, 2013 and March 31, 2013, the future lease revenues under the non-cancelable operating leases are as follows:

	Thousands of yen		U.S. dollars
	As of September 30, 2013	As of March 31, 2013	As of September 30, 2013
Due within one year	¥20,619,216	¥20,362,128	\$210,938,279
Due after one year	45,615,611	49,028,903	466,655,873
Total	¥66,234,828	¥69,391,031	\$677,594,152

## 19. SUBSEQUENT EVENTS

For the six months ended September 30, 2013

### Split of investment units

Based on the approval by the Board of Director's meeting on November 18, 2013, the Company resolved a 2-for-1 split of the investment units.

#### (1) Purpose of the split

With the split of the investment units, the Company hopes to provide individual investors opportunities to invest through "NISA" (Japanese Individual Saving Accounts), which will come into effect on January 1, 2014, and thereby expand long-term oriented investor base.

#### (2) Method of split

With December 31, 2013 as the record date, the Company implemented a 2-for-1 split of the investment units held by unitholders stated or recorded on that date's final unitholders registry.

#### (3) Increase in number of investment units through the split

① Number of investment units outstanding before the split:	594,140 units
② Increase in number of investment units through the split:	594,140 units
③ Number of investment units outstanding after the split:	1,188,280 units
④ Total number of investment units issuable after the split:	4,000,000 units

#### (4) Schedule of split

① Record date:	December 31, 2013
② Effective date:	January 1, 2014

#### (5) Per unit information

Per unit information based on the assumption that the split took place October 1, 2012, is as follows:

	Yen		U.S. dollars
	For the period from April 1, 2013 to September 30, 2013	For the period from October 1, 2012 to March 31, 2013	For the period from April 1, 2013 to September 30, 2013
Net assets at period end per unit	¥341,178	¥341,065	\$3,490
Net income per unit	7,683	7,522	79

## 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 September 30, 2013, and the related statements of income and retained earnings, changes in unitholders' equity, 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 September 30, 2013, and its financial performance and cash flows for the six-month period then ended in conformity with accounting principles generally accepted in Japan.

### *Convenience Translation*

We have reviewed the translation of these financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying financial statements have been properly translated on the basis described in Note 1.

*Ernst & Young Shin Nihon LLC*

December 24, 2013  
Tokyo, Japan

# Corporate Data

As of September 30, 2013



## Executives

Executive Director: Noritada Terasawa  
Supervisory Directors: Kenji Kusakabe  
Tomohiro Okanoya

## Paid-in Capital

¥396,018,317,000

## Number of Units Outstanding

594,140

## Number of Unitholders

14,117

## Stock Listing

Tokyo Stock Exchange

## Securities Code

8952

## Type of Investment Corporation

Closed-end corporate type fund

## Transfer Agent

Sumitomo Mitsui Trust Bank, Limited  
1-4-1, Marunouchi, Chiyoda-ku, Tokyo 100-8233, Japan

## Auditors

Ernst & Young ShinNihon LLC  
Hibiya Kokusai Bldg.  
2-2-3, Uchisaiwai-cho, Chiyoda-ku, Tokyo 100-0011, Japan

## Incorporation

May 11, 2001

## Executive Office

Japan Real Estate Investment Corporation  
3-3-1, Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan

For further information, please contact:

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

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

<http://www.j-re.co.jp/english/>