

JAPAN REAL ESTATE INVESTMENT CORPORATION ANNOUNCEMENT OF TWENTYFIFTH FISCAL PERIOD RESULTS

1. Business Operations

(1) Overview of the Period under Review

Japan Real Estate Investment Corporation (“JRE”) was established on May 11, 2001, following revisions to the Law Concerning Investment Trusts and Investment Corporations of Japan, or the Investment Trust Law. The Company was listed on the real estate investment trust market of the Tokyo Stock Exchange (“TSE”) on September 10, 2001. (Securities Code: 8952) The size of the Company’s assets (total acquisition price) have grown about sevenfold over the about 10 years since its IPO (September 10, 2001), expanding from 92.8 billion yen to 657.8 billion yen, as of September 31, 2011. In the same period, the number of office buildings held by JRE increased from 20 properties to 56 properties and JRE has continued to grow steadily.

During the 25th fiscal period (six months ended March 31, 2014), the Japanese economy saw solid gains in household income and investments coupled with improvement in corporate earnings due to the peak in demand before the consumption tax increase in April 2014 and the support of government policies geared toward the upswing in the economy, although there remain concerns about the impact from the economic slowdown in overseas markets.

In the market for leased office space, vacancy rates in the Tokyo metropolitan area are on a downward trend as tenant numbers pick up in conjunction with the recovering economic conditions. Highly competitive buildings also experienced improving occupancy rates and the rental market is recovering. However, many companies looking to change premises remained very cautious about office costs and rent levels as the market as a whole has not been rising strongly enough to see a rebound. And while there is still some regional variation in areas outside of the Tokyo metropolitan area, overall rent levels remained persistently low, even though some regions have started to see a bottoming out.

In the property market, an opportune fund-raising environment has sparked a flurry of buying and selling. Prices are beginning to rise, with some sellers seeing prices beginning to approach hoped-for levels.

Under these circumstances, JRE has actively conducted investments under an investment policy of providing stable dividends to all unitholders that has not changed since it first listed on the TSE. For the 25th fiscal period, the period under review, JRE was able to continue to provide stable cash dividends.

*Note: The part of the Jingumae Media Square Building site that was transferred (acquisition price: 614 million yen) on October 30, 2009, is included in the total acquisition price. This inclusion applies to the figures in the following section as well.

(2) Results of Operations

① Property Management and Acquisition

In the market for leased office space during the period under review, while the downward pressure on rent levels continued to weaken, it did not disappear, and property-related revenues, excluding those from properties that have newly begun operations, declined further compared with the previous period. On the other hand, as a result of an aggressive yet flexible leasing approach, JRE's occupancy rate edged up from 96.3% as of September 30, 2013 to 96.7% as of March 31, 2014.

As for external growth, JRE strives to bolster its portfolio through acquisitions of highly convenient properties that are built to high specifications in prime locations and that also boast both stability and competitiveness. JRE acquired part of Queen's Tower A (Yokohama City) on January 31, 2014 for 17,200 million yen, an additional portion of Ebisu Neonato (Shibuya-ku, Tokyo) on February 18, 2014 for 10,512 million yen, and part of Otemachi Financial City North Tower (Chiyoda-ku, Tokyo) on March 31, 2014 for 15,462 million yen.

As a result of the above, JRE's portfolio at the end of the fiscal period under review, March 31, 2014, consisted of 64 properties (office buildings) with a total acquisition price of 837,405 million yen. Total leasable space stood at 750,956 m², with a total of 1,223 tenants.

*Note: The Nippon Brunswick Building (Land with leasehold interest), whose building ownership 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.

② Finance Activities

To fund the repayment of existing loans, JRE procured short-term loans totaling 1,000 million yen on October 7, 2013; 8,000 million yen on January 7, 2014; 5,000 million yen on January 15, 2014; and 10,000 million yen on March 24, 2014; as well as long-term loans amounting to 3,000 million yen on March 24, 2014.

Moreover, JRE procured 17,000 million yen in long-term loans on January 31, 2014 to partially fund the acquisition of Queen's Tower A, 7,000 million yen in short-term loans on February 18, 2014 to partially fund the acquisition of Ebisu Neonato, and 14,800 million yen in short-term loans on March 31, 2014 to partially fund the acquisition of Otemachi Financial City North Tower.

JRE concluded interest-rate swap contracts to hedge against interest-rate fluctuation risk for the 12,000 million yen portion of the 17,000 million yen procured in long-term loans on January 31, 2014, and the 3,000 million yen procured in long-term loans on March 24, 2014.

As a result of these financing activities, as of March 31, 2014, JRE's total interest-bearing debt amounted to 358,900 million yen. This amount consists of long-term loans totaling 247,100 million yen (including the current portion of long-term loans totaling 5,100 million yen), short-term loans totaling 56,800 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 March 31, 2014, JRE'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 84.2%, and the LTV ratio (ratio of interest-bearing debt to total assets) was 43.9%.

In addition, at the Board of Directors meetings held on March 27, 2014, and April 8, 2014, JRE decided to issue new investment units (57,500 units through public offering, 5,750 units through third-party allocation). As a result, JRE procured 27,968 million yen on April 15, 2014, from the public offering and 2,796 million yen on May 14, 2014, from the third-party allocation portion.

JRE has been able to maintain a sound and conservative financial standing through such measures as using the funds procured by issuing new investment units through public offering and cash reserves to make repayments of 31,900 million yen in short-term loans by May 7, 2014 and lowering the LTV ratio. As for the funds procured by issuing new investment units through third-party allocation, a portion was used to supplement cash reserves allocated to the repayment of short-term loans.

JRE's credit ratings as of March 31, 2014 were as follows:

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

③ General Meeting of Unitholders

JRE held the Eighth General Meeting of Unitholders on February 19, 2014.

At the meeting, three partial amendments to the Articles of Incorporation were deliberated on separately, and all the proposals were approved in their original form.

④ 2-for-1 Split of Investment Units

JRE's Board of Directors met on November 18, 2013 and decided to implement a 2-for-1 split of each JRE investment unit with a record date of December 31, 2013 and an effective date of January 1, 2014.

(i) Purpose of the Split

Through this split of investment units, JRE 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.

*Nippon version Individual Savings Account

(ii) Method of Split

With December 31, 2013 as the record date, and January 1, 2014 as the effective date, JRE 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 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

(3) Summary of Financial Results

As a result of the above operations, in the period under review, JRE recorded operating revenues totaling 26,582 million yen, up 1.4% compared with the previous period. On the earnings front, operating income increased 0.5% to 10,831 million yen. After deducting expenses for interest payments on loans and other costs, ordinary income decreased 0.7% to 9,083 million yen and net income fell 0.7% to 9,070 million yen.

Turning to dividends, JRE will make cash distributions using accounting profits based on the dividend policy outlined in Article 32-2 of JRE'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, JRE was able to maintain retained earnings as the amount did not exceed earnings available for distribution at the end of the period. Therefore, the total amount of dividends that JRE has determined to pay out is 9,070,141,240 yen for the period under review, which must be divisible by 1,188,280—the number of units outstanding as of March 31, 2014. Accordingly, the per-unit cash dividend totaled 7,633 yen.

2. Outlook

(1) Operating Environment

In the Japanese economy, although there is a worry that the reactionary drop in household sector spending due to the consumption tax hike will impact economic conditions, a gradual, self-sustaining recovery is expected thanks mainly to various economic measures and policies supporting corporate activities, improving export conditions owing to firm economic trends in the United States and other overseas markets, and an improving household sector bolstered by better hiring conditions.

In the market for leased office space, there is not expected to be large-scale supply that could greatly impact markets, especially in central Tokyo, and with the recovering economy and solid office demand, some competitive areas are expected to see a rebound in rent levels. However, it is anticipated that it will take some more time before the market as a whole picks up steam.

Regarding property markets, while there is currently hope for real recovery in the market for leased office space and an opportune fund raising environment is expected to spur aggressive trading, looking solely at large-scale prime properties, there are very few competitors in a position to consider making acquisitions. So, before the market begins to heat up, we are gathering data and working hard to ensure the further acquisition of prime properties.

① Property Management

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 need to maintain current levels. In line with these expectations, JRE will adhere to the following management policies in order to keep improving profitability.

(i) Strengthen relationships of trust with existing tenants

As of March 31, 2014, JRE had contracts with 12 property management companies. Most of these companies were already handling the management of their buildings before JRE acquired them and had thus built relationships of trust with their tenants. JRE will work to further strengthen these relationships by anticipating tenants' needs and providing tailored services to increase tenant satisfaction, thereby maintaining occupancy rates, disincentivizing rent reduction requests and pursuing to raise rent levels.

(ii) Fill vacancies promptly

In cooperation with the property management companies mentioned above, JRE 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, JRE will work to uncover additional needs for floor space among existing tenants.

(iii) Stabilize revenues and earnings

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

(iv) Reduce management costs

JRE 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.

② Property Acquisitions and Sales

JRE has adopted the following policies for acquiring properties.

- (i) To access information quickly, JRE continues to enhance its property information channels while working to develop new channels.
- (ii) In its acquisition activities, JRE 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, JRE 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.
- (iii) In accordance with its acquisition policies, JRE 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, JRE will continue to acquire highly competitive properties. At the same time, in order to further enhance the quality of its portfolio, JRE will remain open to the replacement of portfolio properties with due consideration given to timing.

③ Financial Strategy

In principle, JRE shall maintain an LTV ratio that does not exceed 65%. To ensure an even lower interest-bearing debt ratio, JRE adopts the conservative target level of 30% to 40%. As for the financing of property acquisitions, JRE 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, JRE shall strictly adhere to its financial policies. More specifically, with the aim of minimizing funding costs, JRE shall negotiate with several qualified institutional investors (limited to those defined under the Special Taxation Measures Law of Japan) before executing a loan agreement.

(2) Performance Forecasts

For the 26th fiscal period (April 1, 2014 to September 30, 2014), JRE forecasts operating revenues totaling 27,610 million yen, operating income totaling 11,200 million yen, ordinary income totaling 9,530 million yen, and net income totaling 9,520 million yen. JRE plans to declare a cash dividend totaling 7,600 yen per unit.

For the 27th fiscal period (October 1, 2014 to March 31, 2015), JRE forecasts operating revenues totaling 27,600 million yen, operating income totaling 11,240 million yen, ordinary income totaling 9,580 million yen, and net income totaling 9,570 million yen. JRE plans to declare a cash dividend totaling 7,650 yen per unit.

Regarding the assumptions set for these forecasts, please see the following table entitled “Assumptions Underlying Performance Forecasts for the 26th Fiscal Period (April 1, 2014 to September 30, 2014) and the 27th Fiscal Period (October 1, 2014 to March 31, 2015)”. Operating revenues, operating income, ordinary income, net income, and cash dividend per unit may vary depending on changes in the situation.

(3) Issuance of New Investment Units

As stated in the following table entitled “Assumptions Underlying Performance Forecasts for the 26th Fiscal Period (April 1, 2014 to September 30, 2014) and the 27th Fiscal Period (October 1, 2014 to March 31, 2015)”, as approved by the Board of Directors on March 27, 2014 and April 8, 2014, JRE decided to issue new investment units, completing the following public offerings and third-party allocation.

Public offerings of new investment units

Number of units newly issued:	57,500 units
Offer price (subscription price):	501,760 yen per unit
Aggregate amount of offer price (subscription price):	28,851,200,000 yen
Issue price (paid-in price):	486,400 per unit
Aggregate amount of issue price (paid-in price):	27,968,000,000 yen
Payment date:	April 15, 2014

Secondary offering of investment units (Over-allotment)

Number of units offered:	5,750 units
Offer price:	501,760 per unit
Aggregate amount of offer price:	2,885,120,000 yen

Issuance of new investment units through third-party allocation

Number of units newly issued:	5,750 units
Issue price (paid-in price):	486,400 yen per unit
Aggregate amount of issue price (paid-in price):	2,796,800,000 yen
Payment date:	May 14, 2014
Allottee:	SMBC Nikko Securities Inc.

With the funds procured from the above public offerings of new investment units and cash reserves, JRE has made repayments of 31,900 million yen in short-term loans as listed below. In addition, approximately 2,796 million yen in funds procured from the issuance of new investment units through third-party allocation was applied to cash reserves to make up for their decrease, as the part of the cash reserves was applied toward the repayment of short-term loans.

Repayment before maturity

April 15, 2014	5,000 million yen
April 18, 2014	7,000 million yen
April 24, 2014	7,700 million yen
April 30, 2014	5,000 million yen
May 2, 2014	1,200 million yen
May 7, 2014	3,000 million yen

Scheduled repayment

April 30, 2014	3,000 million yen
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Assumptions Underlying Performance Forecasts for the 26th Fiscal Period (April 1, 2014 to September 30, 2014) and the 27th Fiscal Period (October 1, 2014 to March 31, 2015)

Item	Assumption
Accounting period	<ul style="list-style-type: none"> • The 26th period: April 1, 2014 to September 30, 2014 (183 days) • The 27th period: October 1, 2014 to March 31, 2015 (182 days)
Number of properties held by JRE	<ul style="list-style-type: none"> • JRE assumes that its property portfolio consists of the 64 properties that it held as of April 1, 2014. The actual portfolio may differ from this assumption due to additional property acquisitions and dispositions. • JRE does not have any forward or other commitments, as of May 19, 2014, as set forth in the Financial Services Agency's Guidelines for Supervision.
Number of units outstanding	<ul style="list-style-type: none"> • The number of units outstanding is under the assumption that 1,251,530 units are comprised of 1,188,280 units after a 2-for-1 split implemented with a record date of December 31, 2013 and an effective date of January 1, 2014 and 57,500 units issued through public offering and 5,750 units issued through third-party allocation as decided at the Board of Directors meetings held on March 27, 2014 and April 8, 2014.
Interest-bearing debt	<ul style="list-style-type: none"> • JRE assumes as an operational guideline, an LTV ratio in the 30% to 40% range. • Using the funds procured from the above public offering of new investment units in line with Board of Directors meetings held on March 27, 2014, and April 8, 2014 and cash reserves, JRE has made repayments of the short-term loans before maturity on April 15, 2014 in the amount of 5,000 million yen, on April 18, 2014 in the amount of 7,000 million yen, on April 24, 2014 in the amount of 7,700 million yen, on April 30, 2014 in the amount of 5,000 million yen, on May 2, 2014 in the amount 1,200 million yen, and on May 7, 2014 in the amount of 3,000 million yen in addition to scheduled repayments of short-term loans on April 30, 2014 in the amount of 3,000 million yen. As a result, the balance for interest-bearing debt was 327,000 million yen as of May 19, 2014. In addition, approximately 2,796 million yen in funds procured from the issuance of new investment units through third-party allocation was applied to cash reserves to make up for their decrease, as the part of the cash reserves was applied toward the repayment of short-term loans. • In the 26th fiscal period, JRE presumes that, as of May 19, 2014, it will refinance the remainder of short-term loans totaling 3,800 million yen (repayment date: September 2, 2014). JRE presumes that the funds procured from such sources as loans and newly issued investment corporation bonds will be used to repay the investment corporation bonds totaling 15,000 million yen set to mature on June 18, 2014. • In the 27th fiscal period, JRE presumes that, as of May 19, 2014, it will refinance the remainder of long-term loans totaling 5,000 million yen (repayment dates: November 17, 2014, December 15, 2014, and March 24, 2015) and short-term loans totaling 21,100 million yen (repayment dates: January 7, 2015, March 24, 2015 and March 31, 2015). There are no investment corporation bonds set to mature in the 27th fiscal period.

Item	Assumption
Operating revenues	<ul style="list-style-type: none"> Revenues from portfolio properties held by JRE are calculated by taking into consideration new contract conclusions and existing contract cancellations fixed as of May 19, 2014, and by factoring in potential variables, such as a risk of decrease in revenues due to returned space and reduced rent levels, taking into account recent market conditions for leased office space.
Operating expenses	<ul style="list-style-type: none"> Of the taxes JRE is subject to, property taxes, city planning taxes and depreciable property taxes corresponding to the relevant fiscal period have been recorded as property-related expenses. However, when a property is acquired at a point during the period used for the calculation of property tax, a property tax adjustment is levied that takes into account the date of the transfer of the new acquisition. The amount of the adjustment is factored into the acquisition price and therefore not recorded as an expense in the relevant fiscal period. In addition, JRE assumes that the 2014 property taxes, city planning taxes and depreciable property taxes for Queen's Tower A, the additional portion of Ebisu Neonato, and Otemachi Financial City North Tower will be 226 million yen, 53 million yen, and 71 million yen respectively. JRE assumes that property and other taxes will be 2,530 million yen in the 26th fiscal period and 2,530 million yen in the 27th fiscal period. JRE assumes that depreciation will be 5,870 million yen in the 26th fiscal period and 5,800 million yen in the 27th fiscal period. Property management expenses are assumed to take past operational results into consideration. Repair expenses may vastly differ from the projected amounts as there may be large differences in costs incurred from one fiscal period to another and because such costs are not recurring.
Non-operating expenses	<ul style="list-style-type: none"> JRE assumes that non-operating expenses, such as interest expense and interest expense on investment corporation bonds, will be 1,690 million yen in the 26th fiscal period and 1,660 million yen in the 27th fiscal period.
Amount of dividend	<ul style="list-style-type: none"> JRE presumes that dividends in excess of accounting profits will not be distributed. Reflecting this, under JRE's Articles of Incorporation, JRE assumes that it will make cash distributions using accounting profits, distributing said profit in an amount in excess of 90% of earnings available for dividends. JRE assumes that dividend amounts in the 26th and 27th fiscal periods will not be appropriated from internal reserves.* <p>*Internal reserves shall comprise the residual amount of 390 million yen, reflecting a dividend payout of 519 million yen for the 22nd and 23rd fiscal periods subtracted from the balance of internal reserves at the end of the 21st fiscal period (as of March 31, 2012), which totaled 909 million yen, comprising retained earnings brought forward of 30 million yen and the amount apportioned to internal reserves from the gain on sale of land as a result of the sale of the Takanawadai Building as of April 1, 2011, under the application of the Special Provisions for Taxation in the case of Advanced Acquisition of Land, etc., in 2009 and 2010 (total of 878 million yen which consists of reserve for reduction entry and associated income taxes deferred).</p>
Other	<ul style="list-style-type: none"> JRE presumes that revisions that could impact the abovementioned forecasts will not be made in such areas as laws, tax systems, accounting standards, and listing rules as well as regulations of the Investment Trusts Association, Japan. JRE assumes that there will be no unprecedented significant changes in general market trends or real estate market conditions or other factors. In addition to the abovementioned income taxes deferred, JRE calculates the amount of its corporate and other taxes, taking into consideration asset retirement obligations as well as the amortization of term leasehold interest for buildings.

Income Statement for the 25th Period

Thousands of yen

	For the period From April 1, 2013 to September 30, 2013	For the period From October 1, 2013 to March 31, 2014
Operating revenue		
Rent revenue - real estate	* 1 26,116,177	* 1 26,357,478
Other lease business revenue	* 1 90,739	* 1 225,489
Gain on sales of real estate properties	* 2 18,603	—
Total operating revenue	26,225,520	26,582,967
Operating expenses		
Expenses related to rent business	* 1 14,509,238	* 1 14,750,867
Asset management fee	621,540	675,187
Asset custody fee	56,231	57,164
Administrative service fees	135,264	137,480
Directors' compensations	7,800	7,800
Commission fee	64,695	58,222
Other operating expenses	49,246	64,373
Total operating expenses	15,444,016	15,751,096
Operating income	10,781,503	10,831,870
Non-operating income		
Interest income	5,824	6,658
Dividend income	19,724	—
Reversal of Distribution Payable	3,220	2,261
Income on settlement of management association accounts	104,761	—
Other	2,080	—
Total non-operating income	135,612	8,920
Non-operating expenses		
Interest expenses	1,337,230	1,297,612
Interest expenses on investment corporation bonds	392,323	410,928
Amortization of investment corporation bond issuance costs	17,498	21,978
Other	27,009	26,951
Total non-operating expenses	1,774,062	1,757,470
Ordinary income	9,143,053	9,083,320
Income before income taxes	9,143,053	9,083,320
Income taxes - current	13,308	13,169
Income taxes - deferred	(11)	(2)
Total income taxes	13,296	13,166
Net income	9,129,757	9,070,153
Retained earnings brought forward	30,571	30,773
Unappropriated retained earnings (undisposed loss)	9,160,328	9,100,926

Balance Sheet for the 25th Period

Thousands of yen

	As of September 30, 2013	As of March 31, 2014
Assets		
Current assets		
Cash and deposits	20,404,340	20,633,688
Cash and deposits in trust	4,193,848	4,409,989
Operating accounts receivable	188,185	134,048
Prepaid expenses	116,763	139,959
Deferred tax assets	1,037	1,039
Consumption taxes receivable	—	398,464
Other	133,944	24,360
Total current assets	25,038,118	25,741,550
Non-current assets		
Property, plant and equipment		
Buildings	* 1 241,797,498	* 1 249,745,895
Accumulated depreciation	(56,131,055)	(60,666,845)
Buildings, net	185,666,442	189,079,049
Structures	2,758,460	2,798,970
Accumulated depreciation	(452,820)	(494,082)
Structures, net	2,305,640	2,304,887
Machinery and equipment	2,868,276	2,896,723
Accumulated depreciation	(1,393,733)	(1,479,416)
Machinery and equipment, net	1,474,542	1,417,307
Tools, furniture and fixtures	282,447	304,053
Accumulated depreciation	(105,932)	(122,610)
Tools, furniture and fixtures, net	176,514	181,442
Land	399,537,150	420,000,107
Construction in progress	181,638	361,593
Buildings in trust	51,642,189	62,239,080
Accumulated depreciation	(11,701,912)	(12,626,618)
Buildings in trust, net	39,940,276	49,612,462
Structures in trust	566,396	579,704
Accumulated depreciation	(91,531)	(102,230)
Structures in trust, net	474,865	477,473
Machinery and equipment in trust	831,402	840,044
Accumulated depreciation	(560,510)	(575,077)
Machinery and equipment in trust, net	270,891	264,966
Tools, furniture and fixtures in trust	25,833	30,297
Accumulated depreciation	(8,072)	(9,298)
Tools, furniture and fixtures in trust, net	17,760	20,999
Land in trust	110,818,182	118,445,649
Total property, plant and equipment	740,863,906	782,165,939
Intangible assets		
Leasehold right	6,120,966	6,105,136
Leasehold rights in trust	444,160	444,160
Easement	828,095	828,095
Total intangible assets	7,393,222	7,377,392

Thousands of yen

	As of September 30, 2013	As of March 31, 2014
Investments and other assets		
Investment securities	577,168	577,168
Lease and guarantee deposits	1,071,830	1,071,830
Long-term prepaid expenses	23,206	119,267
Total investments and other assets	1,672,205	1,768,265
Total non-current assets	749,929,334	791,311,597
Deferred assets		
Investment corporation bond issuance costs	99,161	77,182
Total deferred assets	99,161	77,182
Total assets	775,066,613	817,130,330
Liabilities		
Current liabilities		
Operating accounts payable	1,128,949	1,396,469
Short-term loans payable	25,000,000	56,800,000
Current portion of investment corporation bonds	15,000,000	15,000,000
Current portion of long-term loans payable	13,100,000	5,100,000
Accounts payable - other	1,026,389	1,234,453
Accrued expenses	786,011	800,158
Income taxes payable	7,951	11,551
Accrued consumption taxes	601,862	—
Advances received	2,840,696	3,288,284
Other	9,986	259,813
Total current liabilities	59,501,848	83,890,731
Non-current liabilities		
Investment corporation bond	40,000,000	40,000,000
Long-term loans payable	227,050,000	242,000,000
Deposits received from tenants	42,634,207	45,418,762
Deferred tax liabilities	122,812	122,812
Asset retirement obligations	309,420	312,538
Other	32,969	29,532
Total non-current liabilities	310,149,410	327,883,645
Total liabilities	369,651,258	411,774,376
Net assets		
Unitholders' equity		
Unitholders' capital	396,018,317	396,018,317
Surplus		
Voluntary retained earnings		
Reserve for reduction entry	236,709	236,709
Total voluntary retained earnings	236,709	236,709
Unappropriated retained earnings (undisposed loss)	9,160,328	9,100,926
Total surplus	9,397,037	9,337,636
Total unitholders' equity	405,415,354	405,355,953
Total net assets	* 3 405,415,354	* 3 405,355,953
Total liabilities and net assets	775,066,613	817,130,330

(Breakdown of Property-Related Revenues and Expenses)

For the six months ended March 31, 2014 and September 30, 2013

	Thousands of yen	
	For the period from April 1, 2013 to September 30, 2013	For the period from October 1, 2013 to March 31, 2014
Property-Related Revenues	¥26,206,916	¥26,582,967
Rental Revenues	26,116,177	26,357,478
Rental revenues	20,088,252	20,301,286
Common service charges	3,554,993	3,445,407
Parking revenues	600,511	627,183
Other rental revenues	1,872,419	1,983,600
Non-Rental Revenues	90,739	225,489
Cancellation charges	6,929	86,664
Gain on donation of non current assets	44,967	91,572
Other miscellaneous revenues	38,842	47,252
Property-Related Expenses	¥14,509,238	¥14,750,867
Property management expenses	3,080,614	3,247,634
Utilities expenses	2,433,257	2,414,132
Property and other taxes	2,356,725	2,335,593
Casualty insurance	57,095	53,792
Repairing expenses	866,369	887,210
Depreciation	5,507,945	5,649,556
Other rental expenses	207,229	162,947
Property-Related Profits	¥11,697,678	¥11,832,100

(Breakdown of Gain on Sale of Properties)

For the six months ended March 31, 2014 and September 30, 2013

	Thousands of yen	
	For the period from April 1, 2013 to September 30, 2013	For the period from October 1, 2013 to March 31, 2014
Nippon Brunswick Building (building)		
Revenue from sale of property	¥1,220,000	—
Cost of property	1,200,748	—
Other sales expenses	647	—
Gain on sale of property	¥ 18,603	—

(Notes to Balance Sheet)

a. Compressed amount of tangible assets with government grants

	24th Period As of September 30, 2013	25th Period As of March 31, 2014
Buildings	50,086 thousand yen	50,086 thousand yen

b. Commitment line agreement

JRE has signed commitment line agreements with five banks.

	24th Period As of September 30, 2013	25th Period As of March 31, 2014
Total amount of commitment line agreement	43,000,000 thousand yen	43,000,000 thousand yen
Debt financing balance	— thousand yen	— thousand yen
Balance	43,000,000 thousand yen	43,000,000 thousand yen

c. Minimum net assets required by Article 67, Paragraph 4

	24th Period As of September 30, 2013	25th Period As of March 31, 2014
	50,000 thousand yen	50,000 thousand yen

Appraisal Values of Properties

(In millions of yen)

Area	Name	25th Period Appraisal Value (Mar 31, 14)	24th Period Appraisal Value (Sep 30, 13)	Amount of Difference	25th Period Book Value (Mar 31, 14)	25th Period Appraisal Value – Book Value	Acquisition Price		
Tokyo 23 Wards	Chiyoda	Genki Medical Plaza	6,510	6,390	120	4,889	1,620	5,000	
		Kitanomaru Square	74,200	72,300	1,900	75,200	-1,000	81,555	
		MD Kanda	7,480	7,350	130	8,800	-1,320	9,520	
		Kandabashi Park	4,100	4,120	-20	4,551	-451	4,810	
		Nibancho Garden	17,300	16,900	400	13,096	4,203	14,700	
		Mitsubishi UFJ Trust	44,600	44,900	-300	29,439	15,160	44,700	
		Burex Kojimachi	6,220	6,060	160	6,042	177	7,000	
		Sanno Grand	29,600	29,000	600	21,198	8,401	20,900	
	Yurakucho Denki	7,220	7,120	100	7,805	-585	7,200		
	Chuo	Kodenmacho	2,910	2,910	0	2,836	73	3,173	
		Kyodo (Kayabacho 2Chome)	5,030	5,020	10	4,316	713	4,410	
		Burex Kyobashi	6,400	6,250	150	4,646	1,753	5,250	
		Ginza Sanwa	15,400	15,100	300	17,158	-1,758	16,830	
		Ryoshin Ginza EM	5,390	5,280	110	7,554	-2,164	7,999	
		Harumi Front	36,600	35,200	1,400	30,940	5,659	31,300	
		Harumi Center	20,500	20,100	400	23,871	-3,371	26,800	
		Minato	Akasaka Park	62,900	62,900	0	61,113	1,786	60,800
	Aoyama Crystal		6,980	6,960	20	7,253	-273	7,680	
	Shiodome		78,800	76,800	2,000	73,727	5,072	75,850	
	Shiba 2Chome Daimon		6,060	5,940	120	5,054	1,005	4,859	
	Cosmo Kanasugibashi		2,780	2,690	90	2,596	183	2,808	
	Shinjuku	Shirwa	5,500	5,680	-180	7,565	-2,065	7,830	
		Tokyo Opera City	29,500	29,600	-100	29,534	-34	31,776	
	Taito	TIX UENO	23,700	23,300	400	21,425	2,274	22,000	
	Shinagawa	Higashi-Gotanda 1Chome	5,570	5,470	100	4,735	834	5,500	
		Osaki Front Tower	15,500	15,500	0	11,121	4,378	12,300	
	Ota	Omori-Eki Higashiguchi	5,170	5,150	20	4,518	651	5,123	
	Shibuya	Nippon Brunswick (Land with leasehold interest)	5,360	5,240	120	5,572	-212	5,500	
		Yoyogi 1Chome	9,940	10,000	-60	7,406	2,533	8,700	
		da Vinci Harajuku	6,280	6,180	100	4,913	1,366	4,885	
		Jingumae MS	9,560	10,200	-640	10,780	-1,220	12,200	
		Shibuya Cross Tower	42,500	42,100	400	38,259	4,240	34,600	
	Nakano	Harmony Tower	10,800	10,600	200	8,145	2,654	9,020	
	Toshima	Otsuka Higashi-Ikebukuro	3,960	3,820	140	3,541	418	3,541	
		Ikebukuro 2Chome	1,610	1,640	-30	1,599	10	1,728	
		Ikebukuro YS	4,310	4,250	60	4,308	1	4,500	
	Other Areas	Hachioji	Hachioji First	4,440	4,430	10	5,059	-619	5,679
		Saitama	Saitama Urawa	2,090	2,070	20	2,486	-396	2,574
		Yokohama	MM Park	35,500	35,000	500	34,034	1,465	37,400
			Kawasaki Isago	2,390	2,330	60	2,874	-484	3,375
		Kawasaki	Musashi Kosugi STM	3,840	3,770	70	3,913	-73	4,000
			8·3 Square Kita	6,770	6,790	-20	6,394	375	7,100
		Sendai	Jozenji Park	892	887	5	1,003	-111	1,000
			Higashi Nibancho	11,700	11,700	0	9,897	1,802	9,950
			Sendai Honma	2,240	2,350	-110	2,942	-702	3,174
		Kanazawa	Kanazawa Park	4,350	4,350	0	4,330	19	4,580
		Nagoya	Nishiki Park	3,690	3,690	0	4,480	-790	5,150
Hirokoji Place			9,250	9,050	200	8,612	637	8,567	
Hirokoji Sakae			1,550	1,510	40	1,694	-144	1,680	
Nagoya Hirokoji			11,800	11,700	100	15,452	-3,652	14,533	
Nagoya Misono			1,110	1,110	0	1,389	-279	1,865	
Kyoto		Shijo Karasuma	4,550	4,540	10	4,400	149	4,400	
		Kyoto Kawaramachi	1,760	1,740	20	2,591	-831	2,650	
Osaka		Shin-Fujita	16,700	16,400	300	22,504	-5,804	24,000	
		Sakaisujihonmachi	3,150	3,370	-220	3,752	-602	4,164	
		Midosuji Daiwa	12,800	13,200	-400	13,226	-426	14,314	
Okayama		Lit City	4,230	4,230	0	3,602	627	4,650	
Hiroshima		NHK Hiroshima	2,470	2,460	10	2,621	-151	2,770	
Fukuoka		Tosei Tenjin	1,300	1,290	10	1,406	-106	1,550	
		Tenjin Crystal	2,490	2,470	20	4,403	-1,913	5,000	
		Hinode Tenjin	3,650	3,580	70	3,448	201	3,657	
Properties held as of the end of the 24th and 25th Periods during which the shares of ownership remain unchanged		Tokyo 23 Wards	626,240	618,020	8,220	575,521	50,718	612,348	
		Other Areas	154,712	154,017	695	166,521	-11,809	177,782	
		Total (61 properties)	780,952	772,037	8,915	742,042	38,909	790,130	

Properties acquired during the 25th Period

Tokyo 23 Wards	Chiyoda	Otemachi Financial City North	16,600	—	—	15,608	991	15,462
	Shibuya	Ebisu Neonato	14,100	—	—	14,425	-325	14,612
Other Areas	Yokohama	Queen's	17,500	—	—	17,466	33	17,200

64 properties held as of the end of the 25th Period

Tokyo 23 Wards	656,940	—	—	605,555	51,384	642,423
Other Areas	172,212	—	—	183,987	-11,775	194,982
Total (64 properties)	829,152	—	—	789,543	39,608	837,405

*The properties for which additional shares were acquired/transferred during the 25th Period among properties held at the end of the 24th Period are included in "Property acquired during the 25th Period". (The appraisal value at the end of the 24th Period has been left out of the above.)