

## FINANCIAL RESULTS FOR THE FISCAL PERIOD ENDED MARCH 2020 (REIT)

May 15, 2020

Name of Issuer: Japan Real Estate Investment Corporation  
 Stock Exchange Listing: Tokyo Stock Exchange  
 Securities Code: 8952  
 URL: <https://www.j-re.co.jp/en/>  
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Scheduled Date of Filing Securities Report: June 25, 2020  
 Scheduled date of dividend payment: June 12, 2020  
 Supplementary materials for financial results: Yes  
 Holding of a briefing on financial results: No (primarily for institutional investors and analysts)

(Amounts are rounded down to the nearest million yen)

### 1. Financial Results for the March 2020 period (October 1, 2019 –March 31, 2020)

#### (1) Operating Results

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

Period ended	Operating Revenues		Operating Profit		Ordinary Profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2020	35,996	2.4	17,354	5.2	16,326	6.1	15,755	5.4
September 30, 2019	35,164	6.5	16,494	13.4	15,390	14.5	14,945	11.3

Period ended	Profit per Unit	ROE (Profit to Unitholders' Equity Ratio)	ROA (Ordinary Profit to Total Assets Ratio)	Ordinary Profit to Operating Revenues Ratio
	Yen	%	%	%
March 31, 2020	11,373	3.1	1.7	45.4
September 30, 2019	10,789	2.9	1.6	43.8

Notes 1: Profit per unit is calculated as profit divided by the number of the average investment units during the period.

2: Regarding ROE, the average amount of the unitholders' equity as of the beginning and the end of the period.

#### (2) Dividends

Period ended	Dividend per Unit Excluding Excess of Accounting Profits	Total Cash Dividends Excluding Excess of Accounting Profits	Dividend in Excess of Accounting Profits per Unit	Total Dividends in Excess of Accounting Profits	Payout Ratio	Ratio of Dividends to Net Assets
	Yen	Millions of yen	Yen	Millions of yen	%	%
March 31, 2020	10,610	14,697	-	-	93.3	2.9
September 30, 2019	10,197	14,124	-	-	94.5	2.8

Notes 1: The payout ratio is rounded off to the first decimal place.

2: For the period ended March 31, 2020, the total dividends are calculated as profit, adding the reservation for a reduction entry (2 million yen) and deducting the reserve for reduction entry (1,060 million yen).

3: For the period ended September 30, 2019, the total dividends are calculated as profit, adding the reservation for a reduction entry (2 million yen) and deducting the reserve for reduction entry (822 million yen).

#### (3) Financial Standing

As of	Total Assets	Net Assets	Equity Ratio	Net Assets per Unit
	Millions of yen	Millions of yen	%	Yen
March 31, 2020	982,607	514,400	52.4	371,351
September 30, 2019	966,390	512,770	53.1	370,174

Reference: Total unitholders' equity is 514,400 million yen for the March 31, 2020 period and 512,770 million yen for the September 2019 period.

## (4) Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Period
Period ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2020	26,455	(34,496)	(2,124)	23,438
September 30, 2019	23,864	(1,213)	(13,429)	33,604

## 2. Performance Forecasts for the September 2020 period (April 1, 2020 to September 30, 2020) and the March 2021 period (October 1, 2020 to March 31, 2021)

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

Period ending	Operating Revenues		Operating Profit		Ordinary Profit		Profit		Dividend per Unit Excluding Excess of Accounting Profits	Dividend in Excess of Accounting Profits per Unit
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen	Yen
September 30, 2020	35,010	(2.7)	16,310	(6.0)	15,330	(6.1)	15,320	(2.8)	10,800	-
March 31, 2021	35,100	0.3	16,230	(0.5)	15,250	(0.5)	15,240	(0.5)	10,750	-

Reference: Profit per unit forecast = Profit forecast / Number of total investment units forecast for the end of the period  
(the September 2020 period): 10,800 yen; (the March 2021 period): 10,750 yen.

Note: As mentioned in the page of 8, "Assumptions Underlying Performance Forecasts for the September 2020 period (April 1, 2020 to September 30, 2020) and the March 2021 period (October 1, 2020 to March 31, 2021)", it is assumed that new investment units are issued in the September 2020 period. However, there is no guarantee to issue the new units. If the new units are issued, the number of the new units may be increased or decreased. The actual dividend amounts, accordingly, may differ from the assumption.

## \*Other

## (1) Changes in Accounting Policy/Changes in Accounting Estimates/Restatements

Changes in accounting policy following revisions to accounting standards, etc.:	None
Other changes in accounting policy:	None
Changes in accounting estimates:	None
Restatements:	None

## (2) Number of Units Outstanding

## Number of Units Outstanding at End of Period (Including Treasury Units)

As of March 31, 2020	1,385,210 units
As of September 30, 2019	1,385,210 units

## Number of Treasury Units at End of Period

As of March 31, 2020	0 units
As of September 30, 2019	0 units

Note: Please refer to the notes regarding per unit information on page 26 for the number of investment units on which the calculations of profit per unit are based.

## \* The Implementation Status of Statutory Audit

At the time of disclosure of these financial results, the audit procedures for the financial statements pursuant to the Financial Instruments and Exchange Act have not yet finished.

## \* Explanation regarding the appropriate use of business operations forecasts, and other special remarks

1. Estimates for the Company's future operating results contained in the financial results are forward-looking statements and are based on information currently available to the Company and certain assumptions deemed reasonable. Actual results may differ substantially from the projections depending on a number of factors. In addition, these forecasts do not guarantee the stated dividends. As for assumptions underlying performance forecasts, please refer to the table entitled "Assumptions Underlying Performance Forecasts for the September 2020 period (April 1, 2020 to September 30, 2020) and the March 2021 period (October 1, 2020 to March 31, 2021)" on pages 8 and 9.

## 1. Business Policy and Operations

### (1) Business Operations

#### ① Results for the Period

Japan Real Estate Investment Corporation (the “Company”) was established on May 11, 2001, following the Act on Investment Trusts and Investment Corporations of Japan (“ITA”). The Company was listed on the real estate investment trust market of the Tokyo Stock Exchange (“TSE”) on September 10, 2001 (Securities Code: 8952). Since its IPO, the size of the Company’s assets (total acquisition price) has grown steadily, expanding from 92.8 billion yen to 1.05 trillion yen\*, as of March 31, 2020. In the same period, the Company continued to grow steadily in the number of properties in its portfolio, from 20 to 73 properties.

During the March 2020 period (October 1, 2019 to March 31, 2020), the Japanese economy implied the weakness of the export, due to the long-term trade friction between the United States of America and China in addition to the slow-down of the global economy; however, the recovery of Japan’s employment and income environment continued, and corporate revenue showed a steady change. On the other hand, the economic outlook is uncertain due to concerns about the global economic slowdown and volatility in the financial and capital markets against the background of the spread of the coronavirus disease (“COVID-19”).

In the market for leased office space, the tendency of lowering vacancy rates continued, and the gentle increase in rents continued not only in the Tokyo metropolitan areas but also nationwide. The Company steadily accumulated the increasing income and earnings, as a result of the improvement of occupancy rates, increasingly proactive rent revisions and the realization of the higher rents upon tenant replacements due to the favorable rent market until recently. While the supply-demand balance continues to be tight, the Company considers it necessary to give close attention to the domestic and overseas economic impacts brought by COVID-19.

In the investment market for real estate, favorable conditions for the financing environment continued until recently, and transaction yields were still at a low level against the backdrop of domestic and overseas investors’ desire to actively invest during the challenging acquisition environment. Even under this environment, the Company has proactively acquired properties by swapping properties and making deals with a sponsor.

Under such market conditions, the Company made sound investments under the Investment Guideline of providing stable dividends to unitholders, which was set forth at the time of the Company’s listing on the TSE and remains unchanged to this date. Accordingly, the Company was able to provide a dividend at 10,610 yen, which is an increase by 413 yen compared with the previous period.

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

#### ② Results of Operations

##### a. Property Management and Acquisition and Disposition

In the market for leased office space in the fiscal period under review, as a result of our efforts to improve occupancy rates through meticulous property leasing, the Company successfully maintained and achieved an occupancy rate of 99.7% as of March 31, 2020.

As for property acquisitions and dispositions, on December 20, 2019, the Company disposed of a 50.0% quasi-co-ownership interest of the trust beneficiary right of Kawasaki Isago Building (Kawasaki-shi, Kanagawa) for 3.078 billion yen. The disposition of the interest took place in two steps, and the other 50.0% quasi-co-ownership interest of the trust beneficiary right of Kawasaki Isago Building was disposed of for 3.078 billion yen on September 30, 2019. On January 31, 2020, the Company acquired a 13.45% business interest of Seavans S Building (Minato-ku, Tokyo) for 5.40 billion yen, and disposed of the trust beneficiary interest of Kodonmachi Shin-Nihonbashi Building (Chuo-ku, Tokyo) for 3.45 billion yen as a mutual trade. On March 24, 2020, the Company acquired a 2.91% share of building ownership of the trust beneficiary interest of Otemachi Park Building (Chiyoda-ku, Tokyo), which is a large, state-of-the-art complex located in the greater Marunouchi area, for 10.18 billion yen. In addition, on March 27, 2020, as additional acquisition of the existing property holdings, the Company acquired a 9.91% building ownership interest of Shinjuku Front Tower (Shinjuku-ku, Tokyo) for 10.10 billion yen, a 4% co-ownership interest of Shinjuku Eastside Square (Shinjuku-ku, Tokyo) for 8.46 billion yen. Accordingly, the co-ownership interests of the two properties of the Company as stated above were increased from 27.25% to 37.16% (building ownership interest) and from 31.0% to 35.0%, respectively.

As a result of the above, the Company’s portfolio at the end of the fiscal period under review, March 31, 2020, consisted of

73 properties, with a total acquisition price of 1.053 trillion yen. Net rentable floor area stood at 864,014 m<sup>2</sup> with 1,515 tenants in total.

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

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

#### b. Finance Activities

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

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

During the March 2020 period, the Company executed loans to allocate funds for the repayments of existing loans. In addition, the Company executed a short-term loan of 15.0 billion yen to apply it to part of the additional acquisition fund of Shinjuku Front Tower and Shinjuku Eastside Square. Further, in light of the current market situation, the Company filed a shelf registration statement relating to the public offering with the Director-General of the Kanto Local Finance Bureau on March 25, 2020.

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

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

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

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

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

### ③ Summary of Financial Results and Dividends

As a result of the above operations, in the period under review, the Company's operating revenues increased 2.4% compared with the previous period, to 35.9 billion yen. On the earnings front, operating profit increased 5.2%, to 17.3 billion yen. After deducting expenses for interest payments on loans and other costs, ordinary profit increased 6.1%, to 16.3 billion yen, and profit increased 5.4%, to 15.7 billion yen.

Turning to dividends, the Company will make cash distributions using accounting profits based on the dividend policy outlined in Article 32-1(2) of the Company's Articles of Incorporation, in an amount that exceeds 90% of earnings available for dividends as required by Article 67-15 of the Special Taxation Measures Act. Based on this policy, the Company decided that the total amount of dividends, under the application of Article 65-7 "Exceptions of the Taxation in case of the Replacement by Purchase of Specific Assets" of the Special Taxation Measures Act, making reduction entries, and also to secure retained

earnings brought forward, is 14,697,078,100 yen for the period under review, which is a multiple of 1,385,210—the number of units outstanding as of March 31, 2020. Accordingly, the dividend per investment unit is 10,610 yen.

## (2) Outlook

### ① Operating Environment

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

The Japanese economy is rapidly deteriorating and will be faced with an extremely tough situation due to the pandemic. In such an unpredictable situation, the Company considers it necessary to pay close attention to the downside risks of the global economy and the impact of volatility on the financial and capital markets.

In the market for leased office space, the Company intends to strengthen its internal growth while paying attention to the domestic and overseas economic impacts due to the expansion of COVID-19 infections, and ascertain the trends of the leased office market and the business situations of its tenants.

Regarding the investment market for real estate, it is important to continue to be proactive in searching for new properties while paying close attention to the future market trends.

### a Property Management

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

#### (i) Strengthen relationships of trust with existing tenants

The Company has contracts with numerous property management companies. Each property management company has developed relationships of trust with their tenants through their daily diligence in managing their respective properties over the years. The Company will work to further solidify these relationships by anticipating tenants’ needs and providing tailored services to bolster tenant satisfaction, thereby maintaining and improving occupancy rates and raising the rent levels.

#### (ii) Fill vacancies promptly

In cooperation with the property management companies mentioned above and their leasing brokers, the Company will actively seek the most appropriate tenants for each property, based on location and features, in order to fill current and anticipated vacancies without delay. Furthermore, the Company will work to identify additional needs for floor area among the existing tenants.

#### (iii) Stabilize revenues and earnings

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

#### (iv) Reduce management costs

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

### b Property Acquisitions and Dispositions

The Company has adopted the following policies for acquiring properties.

(i) To access property information quickly, the Company continues to enhance its property information channels while working to develop new channels.

(ii) In its acquisition activities, the Company continues to meticulously monitor and examine economic, physical, and legal factors, including rights-related issues, when selecting properties. In particular, with regard to the structure of buildings,

the Company requires buildings to meet or exceed new earthquake-resistant standards, verifies the need for renovations by capturing current conditions accurately based on engineering reports, and exclusively targets properties capable of maintaining a competitive edge in terms of the facilities they offer over the medium to long term.

- (iii) In accordance with its acquisition policies, the Company shall maintain its portfolio so that 70% or more of the portfolio properties are located within the Tokyo metropolitan area, with the remaining 30% or fewer located in other major cities. Under these policies, the Company will continue to acquire highly competitive properties. At the same time, in order to further improve the quality of its portfolio, the Company will remain open to the replacement of portfolio properties with due consideration at the right time.

#### c Financial Policies

The Company has adopted the following financial policies.

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

#### ② Performance Forecasts

The Company's forecasts for the September 2020 period (April 1, 2020 to September 30, 2020) are as follows: operating revenues totaling 35.0 billion yen, operating profit totaling 16.3 billion yen, ordinary profit totaling 15.3 billion yen, and profit totaling 15.3 billion yen. The Company plans to declare a per-unit cash dividend of 10,800 yen.

The Company's forecasts for the March 2021 period (October 1, 2020 to March 31, 2021) are as follows: operating revenues totaling 35.1 billion yen, operating profit totaling 16.2 billion yen, ordinary profit totaling 15.2 billion yen, and profit totaling 10.7 billion yen. The Company plans to declare a per-unit cash dividend of 10,750 yen.

Regarding the assumptions underlying these forecasts, please see page 8 and 9 entitled "Assumptions Underlying Performance Forecasts for the September 2020 period (April 1, 2020 to September 30, 2020) and the March 2021 period (October 1, 2020 to March 31, 2021)." Operating revenues, operating profit, ordinary profit, profit, and cash dividend per unit might vary depending on changes that could occur in the market situation.

#### ③ Acquisition of Properties

As stated in (1) Business Operations ② Results of Operations a Property Management and Acquisition and Disposition, the Company has acquired the following property since the closing date for the current period (March 31, 2020).

Name of acquired property: Link Square Shinjuku  
(Overview of acquisition)

Type of specified property: Domestic property  
Acquisition price: 17,300 million yen \*1  
Contract agreement date: April 13, 2020  
Acquisition date: April 20, 2020  
Seller: Mitsubishi Estate Co., Ltd.

(Details on property)

Address: 27-5, 5 chome, Sendagaya, Shibuya-ku, Tokyo  
Usage: Offices, shops  
Total land area for building site: 3,852.34m<sup>2</sup>  
Total area for building: 42,049.96m<sup>2</sup>  
Structure: Steel-framed, steel-reinforced concrete structure, flat roof, 2 floors below ground, 16 floors above ground  
Completion date: August 2019  
Type of ownership: Ownership, partial leasehold (land), Co-ownership of compartmentalized building units (building)

Share of ownership of building: 37.34%  
Total number of tenants: 16 \*2  
Total leasable space: 9,786m<sup>2</sup> \*2  
Total leased space: 9,786m<sup>2</sup> \*2  
Occupancy rate: 100.0% \*2

\*Notes:

1. The Company acquired the ownership of the land and the then-existing building, Nippon Brunswick Building, on March 24, 2004, and transferred the building on August 23, 2013. In this transaction, the Company acquired the co-ownership interests in the strata titles for sale and the fixed term land lease right pertaining to the land with the leasehold interest that the Company holds.
2. The figures for the total number of tenants, total amount of leasable space, total leased space, and occupancy rates, are listed as they were on the acquisition date.

**Assumptions Underlying Performance Forecasts for the September 2020 period (April 1, 2020 to September 30, 2020) and the March 2021 period (October 1, 2020 to March 31, 2021)**

Item	Assumption
Accounting period	<ul style="list-style-type: none"> <li>• The September 2020 period: April 1, 2020 to September 30, 2020 (183 days)</li> <li>• The March 2021 period: October 1, 2020 to March 31, 2021 (182 days)</li> </ul>
Number of properties held by the Company	<ul style="list-style-type: none"> <li>• The Company's property portfolio consists of 73 properties at the end of the March 2020 period, assuming Link Square Shinjuku is acquired in the September 2020 period. The actual portfolio may differ from this assumption due to additional property acquisitions and dispositions.</li> <li>• There are no forward and commitment transactions described in the Supervisory Guidelines issued by the Financial Services Agency as of March 31, 2020.</li> </ul>
Number of units outstanding	<ul style="list-style-type: none"> <li>• The Company assumes that the total number of units outstanding is 1,417,590, which is comprised of 1,385,210 units, which is the total number of units outstanding at the end of March 31, 2020, and 32,380 units calculated based on the proposed offering amount of 20 billion yen specified in the shelf registration statement relating to the public offering filed with the Director-General of the Kanto Local Finance Bureau on March 25, 2020. However, there is no guarantee to issue the new units. If the new units are issued, the number of the new units may be increased or decreased.</li> </ul>
Interest-bearing debt	<ul style="list-style-type: none"> <li>• The Company maintains an LTV ratio within a range between 30% and 40% as an operational guideline.</li> <li>• The Company executed a short-term loan of 17.0 billion yen to allocate the loan for the part of the acquisition fund of Link Square Shinjuku on April 20, 2020. In addition, the Company executed a long-term loan of 10.0 billion yen to allocate the loan for the prepayment of existing short-term loans of 10.0 billion yen on April 27, 2020.</li> <li>• The Company will allocate the funds procured through the issuance of the investment units based upon the proposed offering amount of 20 billion yen described on the shelf registration statement filed on March 25, 2020 to part of the repayments of the loans procured for the additional acquisitions of Shinjuku Front Tower and Shinjuku Eastside Square, and part of the repayment of the loan procured for the acquisition of Link Square Shinjuku. The Company will keep as cash on hand for the remaining funds, if any, and assumes that the remainder will be allocated to future acquisitions of specified assets and repayments of loans. The actual interest-bearing debt amount may fluctuate depending on whether new investment units are issued or not, and on the final issuance number and amount of the new units, if issued.</li> <li>• In the September 2020 period, as of May 15, 2020, the Company will refinance the long-term loans due for repayments during the period totaling 13.0 billion yen (repayment dates: June 15, 2020, and July 3, 2020) and the short-term loans due for repayment during the period totaling 11.0 billion yen (repayment date: May 18, 2020). There are no investment corporation bonds set to mature in the September 2020 period.</li> <li>• In the March 2021 period, as of May 15, 2020, the Company will refinance the long-term loans due for repayments during the period totaling 28.0 billion yen (repayment dates: October 29, 2020, December 21, 2020, January 15, 2021, January 29, 2021, and March 24, 2021) and the short-term loans due for full repayment during the period totaling 8.0 billion yen (repayment dates: December 28, 2020, March 29, 2021 and March 30, 2021). There are no investment corporation bonds set to mature in the March 2021 period.</li> </ul>
Operating revenues	<ul style="list-style-type: none"> <li>• Revenues from portfolio properties held by the Company are calculated by taking into consideration new contract conclusions and existing contract cancellations fixed as of May 15, 2020, and by factoring in potential variables that reflect recent market conditions for leased office space, such as rent levels and occupancy rates.</li> <li>• In addition to the above, the revenue is calculated by incorporating, to a certain extent, the impact of the decrease in rent due to the spread of COVID-19 infections, which is proved at this point in time.</li> </ul>



Item	Assumption
Operating expenses	<ul style="list-style-type: none"> <li>• Of the taxes applicable to the Company, property taxes, city planning taxes and depreciable property taxes corresponding to the relevant fiscal period have been recorded as property-related expenses. However, when a property is acquired at a point during the period used for the calculation of property tax, a property tax adjustment is levied that takes into account the date of the transfer of the new acquisition. The amount of the adjustment is factored into the acquisition price and therefore not recorded as an expense in the relevant fiscal period. In addition, the Company assumes the 2021 property taxes, city planning taxes, and depreciable property taxes for properties acquired in 2020 to be as follows: <ul style="list-style-type: none"> <li>• Seavans S Building: 41 million yen</li> <li>• Otemachi Park Building: 72 million yen</li> <li>• Shinjuku Front Tower (additional acquisition): 46 million yen</li> <li>• Shinjuku Eastside Square (additional acquisition): 30 million yen</li> <li>• Link Square Shinjuku: 57 million yen</li> </ul> </li> <li>• Property and other taxes will be 3,290 million yen in the September 2020 period and 3,290 million yen in the March 2021 period.</li> <li>• Depreciation will be 6,610 million yen in the September 2020 period and 6,500 million yen in the March 2021 period.</li> <li>• Property management expenses are assumed by taking past operational results into consideration.</li> <li>• Repair expenses may vastly differ from the projected amounts as such costs fluctuate significantly from one fiscal period to another, and because these costs are not recurring.</li> </ul>
Non-operating expenses	<ul style="list-style-type: none"> <li>• The non-operating expenses, such as interest expenses on loans and investment corporation bonds, will be 1,080 million yen in the September 2020 period and 980 million yen in the March 2021 period.</li> </ul>
Dividend amounts	<ul style="list-style-type: none"> <li>• The Company shall not distribute dividends in excess of accounting profits. Thus, based on its Articles of Incorporation, the Company shall make cash distributions of the amount that is higher than 90% of earnings available for dividends up to the accounting profits.</li> <li>• The Company recorded 1,620 million yen as reserve for reduction entry and deferred tax liability by applying “Exceptions of the Taxation in case of the Replacement by Purchase of Specific Assets” under Article 65-7 of the Special Taxation Measures Act, out of 2,185 million yen, which is comprised of the gain of 1,598 million yen on the disposition of a 50.0% quasi-co-ownership interest of Kawasaki Isago Building and the gain of 587 million yen on the disposition of Kodenmachi Shin-Nihonbashi Building for the March 2020 period.</li> <li>• In the September 2020 and the March 2021 periods, the gains on the reversal of the reduction entry, corresponding to the depreciation of the replaced property, will be subject to cash distributions.</li> <li>• As mentioned in the section of the number of units outstanding above, it is assumed that new investment units are issued in the September 2020 period. However, there is no guarantee to issue the new units. If the new units are issued, the number of the new units may be increased or decreased. The actual dividend amounts, accordingly, may differ from the assumption.</li> </ul>
Other	<ul style="list-style-type: none"> <li>• No revisions will be made in such areas as laws, tax systems, accounting standards, and listing rules as well as regulations of the Investment Trusts Association, Japan to the extent that impact the above-mentioned forecasts.</li> <li>• No unprecedented or significant changes will occur to the general market trends or real estate market conditions or other factors.</li> <li>• Although the above is calculated by incorporating, to a certain extent, the impact of the decrease in rents due to the spread of COVID-19 infections, which is proved at this point in time, it may fluctuate due to uncertainty in future changes in COVID-19 infections. (See "(3) Investment Risk" below.)</li> <li>• In addition to the above, the forecasts are formulated on the assumption that the adverse effects of the COVID-19 infection will not be prolonged or further expanded.</li> <li>• In addition to the income taxes deferred on the reserves for reduction entry, the corporate and other taxes are calculated by taking into consideration the taxes in relation to the amortization of term leasehold interest for buildings and asset retirement obligations.</li> </ul>

## (3) Investment Risks

Due to the worldwide spread of COVID-19, “Investment Risks” in the Securities Report (submitted on December 25, 2019), “① Risk related to investment units and investment corporation bonds issued by the Company, B. Risks related to market price fluctuations” was revised today as follows, and “⑧ Other: Risks related to the spread of infectious diseases and natural disasters” was added. The revisions and additions are underlined.

## ① Risks related to investment units and investment corporation bonds issued by the Company

## B. Risks related to market price fluctuations

The recent global spread of COVID-19 has caused business stagnation and adversely affected economic activities. On April 7, 2020, a state of emergency, such as an outbreak of pandemic influenza targeting the seven prefectures was declared based on Article 32-1 of “the Act on Special Measures for Pandemic Influenza and New Infections Diseases Preparedness and Response” (Law No. 31, 2012, including amendments thereafter), and the target areas were expanded to all prefectures on April 16, 2020. As investment properties of the Company are mainly office buildings, we do not consider an immediate impact on the investments. However, the emergency declaration and the following measures and requests, which restrict economic activities including the businesses of tenants, may adversely affect the business performance of the Company in the future. Moreover, in light of not only the Japanese overall economy, but also the global situation, the entire stock market has been adversely affected, and the investment units are not an exception. In the future, if the coronavirus spreads more widely or its effects are prolonged, the overall market may be more adversely affected. As a result, the market price of the investment unit may fall.

In addition to the above, the market price of the investment unit may be affected by changes in the financial environment such as interest rate trends, foreign exchange rates, as well as influenced by trading volumes of the investment units by domestic and overseas investors, and its superiority or inferiority in comparison with investments in other financial products, the market environment, future economic trends, etc. The market price of the investment unit may decline due to natural disasters such as earthquakes and social events that affect the credibility of real property transactions.

In addition, among the assets such as real property, the Company mainly invests in real property, leasehold rights of real property, ground rights, and beneficiary rights of trusts that trust only these assets, and the fluctuation of the values of such assets may affect the market price of the investment units. Moreover, the market price may be affected by factors surrounding the real property related market, such as trends in the real property market, supply-demand relationships on offices, general economic conditions surrounding companies, and changes in the legislation system and taxation, etc.

Furthermore, the Company procures funds as necessary to execute its business. If financing is made through the issuance of new investment units, the net asset value per investment unit may be affected. Moreover, that may affect the balance of supply and demand of the investment units in the market, and as a result, the market price of the investment units may be adversely affected. The same applies when the Company makes free allotment of new investment unit reservation rights (so-called rights offering).

If the Company or Japan Real Estate Asset Management Co., Ltd. (the “Asset Management Company”), or other investment corporation or other asset management company receives a recommendation or administrative sanction from regulatory bodies, the market price of the investment units may fall.

In addition, the investment corporation bonds issued by the Company may be subject to price fluctuations due to market conditions such as interest rate trends, and it may be affected by rating reviews and downgrades.

## ⑧ Other

Risks related to the spread of infectious diseases and natural disasters

The impact of global spread of COVID-19, the declaration of the emergency (including subsequent changes) issued on April 7, 2020, and the accompanying measures and requests have caused a serious stagnation in economic activities, not only domestically but also globally. In the future, if the infectious disease further spreads and its impact is prolonged, due to factors such as deterioration in the financial condition of tenants and a decrease in the office space demand brought by the development of the teleworking system, tenants may request rent reduction and tenants’ rent payments are overdue. Furthermore, the vacancy risk due to tenants’ moving out may become apparent.

The Asset Management Company is dealing with this situation by shifting to a working form that utilizes a teleworking system to prevent the infection of its officers and employees. However, because there are tasks that are not suitable for teleworking and is no guarantee that the same business efficiency as before can be maintained, operations of the Asset Management Company may be delayed, and as a result, the asset management service for the Company may be adversely affected.

Since the end of epidemic of COVID-19 infections is uncertain, the final impact is unpredictable. Thus, there is a possibility that the bad influence as noted above as well as other risks may become apparent. As a result, the revenue and profits of the Company may be adversely affected.

In addition to the above, it is generally difficult for the Company to avoid risks such as natural disasters, infectious diseases, as well as the large-scale natural disasters caused by recent climate change. In the event of damage incurred due to the expansion of infectious diseases or natural disasters, the revenue and profits of the Company may adversely be affected.

### 3. Financial Statements

#### (1) Balance Sheets

Thousands of yen

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

Thousands of yen

	As of September 30, 2019	As of March 31, 2020
<b>Investments and other assets</b>		
Investment securities	577,168	577,168
Leasehold and guarantee deposits	1,573,847	1,573,847
Long-term prepaid expenses	61,263	132,917
Other	991,603	1,107,318
Total investments and other assets	3,203,883	3,391,252
Total non-current assets	932,029,913	958,624,180
<b>Deferred assets</b>		
Investment corporation bond issuance costs	78,188	70,808
Total deferred assets	78,188	70,808
Total assets	966,390,305	982,607,535
<b>Liabilities</b>		
<b>Current liabilities</b>		
Operating accounts payable	1,600,860	2,278,748
Short-term borrowings	13,500,000	29,000,000
Current portion of long-term borrowings	46,500,000	41,000,000
Accounts payable - other	1,801,587	2,070,587
Accrued expenses	429,676	369,182
Income taxes payable	8,895	11,473
Accrued consumption taxes	991,141	574,122
Advances received	3,295,905	3,363,910
Other	7,924	6,064
Total current liabilities	68,135,991	78,674,089
<b>Non-current liabilities</b>		
Investment corporation bonds	32,993,175	32,993,175
Long-term borrowings	297,000,000	299,000,000
Deposits received from tenants	54,419,220	55,905,313
Deferred tax liabilities	722,903	1,282,153
Asset retirement obligations	348,974	352,489
Total non-current liabilities	385,484,272	389,533,131
Total liabilities	453,620,264	468,207,221
<b>Net assets</b>		
<b>Unitholders' equity</b>		
Unitholders' capital	497,241,216	497,241,216
<b>Surplus</b>		
<b>Voluntary retained earnings</b>		
Reserve for tax purpose reduction entry	548,259	1,368,194
Total voluntary retained earnings	548,259	1,368,194
Unappropriated retained earnings	14,980,566	15,790,904
Total surplus	15,528,825	17,159,098
Total unitholders' equity	512,770,041	514,400,314
Total net assets	512,770,041	514,400,314
Total liabilities and net assets	966,390,305	982,607,535

## (2) Statements of Income

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

(3) Statements of Changes in Unitholders' Equity

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

Thousands of yen

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

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

Thousands of yen

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

## (4) Statements of Cash Distributions

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

Computation Method for Determining Dividends	<p>The Company will make cash distributions using accounting profits based on the cash distribution policy outlined in Article 32-1(2) of the Company's Articles of Incorporation, in an amount that exceeds 90% of the "amount of distributable profit" as set forth in Article 67-15 of the Special Taxation Measures Act. Based on this policy, the Company has decided that the total amount of dividends, under the application of Article 65-7 "Exceptions of the Taxation in case of the Replacement by Purchase of Specific Assets" of the Special Taxation Measures Act, making reduction entries, and also which is set not to exceed the unappropriated retained earnings and to secure retained earnings brought forward, is ¥14,124,986,370 for the period under review, which is a multiple of 1,385,210 — the number of units outstanding as of September 30, 2019. Furthermore, the Company does not pay out dividends that exceed accounting profits as outlined in Article 32-1(3) of the Company's Articles of Incorporation.</p>	<p>The Company will make cash distributions using accounting profits based on the cash distribution policy outlined in Article 32-1(2) of the Company's Articles of Incorporation, in an amount that exceeds 90% of the "amount of distributable profit" as set forth in Article 67-15 of the Special Taxation Measures Act. Based on this policy, the Company has decided that the total amount of dividends, under the application of Article 65-7 "Exceptions of the Taxation in case of the Replacement by Purchase of Specific Assets" of the Special Taxation Measures Act, making reduction entries, and also which is set not to exceed the unappropriated retained earnings and to secure retained earnings brought forward, is ¥14,697,078,100 for the period under review, which is a multiple of 1,385,210 — the number of units outstanding as of March 31, 2020. Furthermore, the Company does not pay out dividends that exceed accounting profits as outlined in Article 32-1(3) of the Company's Articles of Incorporation.</p>
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## (5) Statements of Cash Flows

Thousands of yen

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



## (6) Notes Concerning Going Concerns Assumption

“Not applicable”

## (7) Summary of Significant Accounting Policies

**Investment securities**

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

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

Property and equipment is stated at cost, less accumulated depreciation. The cost of land, buildings and building improvements includes the purchase price of property and acquisition costs. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets ranging as stated below:

Buildings.....	2-61 years
Structures.....	2-60 years
Machinery and equipment.....	2-18 years
Tools, furniture and fixtures.....	2-29 years

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

The Company reviews fixed assets for impairment whenever events or changes in circumstances indicate that the carrying amount of its fixed assets may not be recoverable. According to the standard set by the Accounting Standards Board of Japan, companies are required to recognize an impairment loss in their statement of income if certain indicators of asset impairment exist and the book value of an asset exceeds the undiscounted sum of future cash flows of the asset. The standard states that impairment losses should be measured as the excess of the book value over the higher of (i) the fair market value of the asset, net of disposition costs, and (ii) the present value of future cash flows arising from ongoing utilization of the asset and from disposal after asset use. The standard covers land, factories, buildings and other forms of property, plant and equipment as well as intangible assets. Fixed assets are grouped at the lowest level for which there is identifiable cash flows that are independent of cash flows of other groups of assets.

**Intangible assets**

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

**Leased assets**

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

**Deferred charges**

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

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

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

**Revenue recognition**

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

**Taxes on property and equipment**

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

**Consumption taxes**

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

**Cash and cash equivalents**

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

**Hedge accounting**

The Company enters into derivative transactions to hedge against interest-rate risk and other forms of risk based on the risk management policies outlined in the Company's Articles of Incorporation. The Company uses interest-rate swap transactions for hedging fluctuations in interest rates on floating-rate loans. The Company has also executed currency swap transactions as a method of hedging against

currency exchange fluctuation risks. Deferred hedge accounting is generally used for such interest-rate swaps and currency swap transactions, and the effectiveness of hedging is measured by comparing the total cash flow fluctuation of the hedged item and that of the hedging instrument since the inception of the hedge.

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

## (8) Notes to Financial Statements

**(Notes to Balance Sheets)**

## a. Commitment line agreement

The Company has signed commitment line agreements with three banks.

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

## b. Minimum net assets required by Article 67, Paragraph 4 of the ITA

	Thousands of yen	
	As of September 30, 2019	As of March 31, 2020
	50,000	50,000

**(Notes to Statements of Income)**

## a. Breakdown of property-related revenues and expenses

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

## b. Breakdown of gain on sales of real estate properties

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

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

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

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

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

**(Changes in Unitholders' Equity)**

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

**(Supplemental Cash Flow Information)****Cash and cash equivalents**

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

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

**(Financial Instruments)****a. Status of financial instruments****(i) Policies for dealing financial instruments**

Concerning the financing of property acquisitions, the Company shall use several funding sources including bank loans, the issuance of investment corporation bonds and the issuance of investment units. When executing such financing activities, the Company endeavors to retain the ability to secure stable and low-cost financing by maintaining high credit ratings and thereby limiting the financial covenants that may restrict the financial flexibility of the Company. To achieve these goals, the Company intends to further develop and reinforce the confidence of debt holders and rating agencies in the Company by bolstering the capital base and controlling the loan-to-value ratio ("LTV") at an adequate level.

In order to hedge against future interest-rate fluctuations, the Company may enter into derivative transactions, which shall be executed solely for the purpose of hedging against interest-rate fluctuation and other risks, and not for speculative purposes.

With respect to management of excess funds, as a matter of policy the Company uses time deposits as its main vehicle, while securities and monetary claims are also eligible for such investment.

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

The Company regularly re-evaluates the appropriateness and effectiveness of its risk management system in order to improve on it. The characteristics and risk profile of financial instruments and the system in place to manage such risks are as follows:

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

The funding proceeds from borrowings and issues of investment corporation bonds are applied mainly to acquire real estate properties and repay outstanding loans and bonds. While floating-rate short-term and long-term loans are exposed to the risk of interest-rate hikes, such risk is mitigated by the Company's low LTV and relatively high percentage of long-term fixed-rate debts within the total borrowing. The Company may also exercise hedging by means of derivative transactions (interest-rate swap transactions) in order to mitigate the risk of fluctuation concerning the floating-rate long-term loans, thereby effectively stabilizing the overall interest rates on the loans. Foreign currency-denominated loans are also exposed to currency exchange and interest-rate fluctuation risk. However, the Company uses derivative transactions as a method of hedging against these risks (interest-rate and currency swap transactions). Foreign currency investment corporation bonds are also exposed to currency exchange risk. However, the Company uses derivative transactions as a method of hedging against the risks (currency swap transactions). For more detailed information on the hedge accounting method, please refer to the previous section "(7) Summary of Significant Accounting Policies: Hedge accounting".

Loans and investment corporation bonds involve liquidity risk at the time of maturity. To manage such liquidity risk, the Company implements measures such as ① maintaining and strengthening its ability to access equity markets to secure funds, ② maintaining commitment lines with major financial institutions (There is no amount outstanding under the facility as of September 30, 2019 and March 31, 2020) and ③ preparing monthly financial plans.

(iii) Supplementary note regarding fair value of financial instruments

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

**b. Fair value of financial instruments**

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

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

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

\* Liabilities are shown in parentheses.

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

\* Liabilities are shown in parentheses.

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

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

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

(3) Short-term borrowings

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

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

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

(5) Investment corporation bonds

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

(7) Derivative transactions

Please refer to the following section entitled “Derivative Transactions”.

## 2. Financial instruments whose fair values cannot be reliably measured

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

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

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

## 3. Redemption schedule for monetary claims after the closing date

	Thousands of yen					
	As of September 30, 2019					
	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Cash and deposits	26,723,523	—	—	—	—	—
Cash and deposits in trust	6,881,014	—	—	—	—	—
Total	33,604,537	—	—	—	—	—

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

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

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

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

**(Derivative Transactions)**

## a. Derivatives not designated as hedging instruments

As of September 30, 2019

“Not applicable”

As of March 31, 2020

“Not applicable”

## b. Derivatives designated as hedging instruments

As of September 30, 2019

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

(Thousands of yen)

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

As of March 31, 2020

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

(Thousands of yen)

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

\*1. The derivative transactions eligible for Special Treatment for interest-rate swap and Integrated Treatment (Special Treatment for interest-rate swap and Allocation Treatment for currency swap) are accounted for as integral parts of the hedged loans, and the fair value of those derivative transactions is included in that of the underlying long-term borrowings as of September 30, 2019 and March 31, 2020. Please refer to page 21, Note 1 of the section entitled “b. Fair value of financial instruments” under “Financial Instruments”, as well as subheadings (4) and (6) concerning derivative transactions.

\*2. Currency swap transactions eligible for allocation treatment are accounted for as integrated parts of the hedged investment corporation bonds, and the fair value of the currency swap transactions is included in that of the underlying investment bonds as of September 30, 2019 and March 31, 2020. Please refer to page 21, Note 1 of the section entitled “b. Fair value of financial instruments” under “Financial Instruments”, as well as subheading (5) concerning derivative transactions.

**(Income Taxes)**

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

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

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

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

**(Asset Retirement Obligations)**

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

**Asset retirement obligations reported on balance sheets**

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

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

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



**(Investment and Rental Property)**

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

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

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

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

  

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

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

2. Significant changes

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

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

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

Profits and losses related to investment and rental property are listed in the “a. Breakdown of property-related revenues and expenses” under “Notes to Statements of Income”.

**(Segment Information)**

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

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

**Information on products and services**

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

**Information on geographic area**

## a. Revenue

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

## b. Property and equipment

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

**Information on major clients**

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

**(Per Unit Information)**

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

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

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

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

**(Subsequent Events)**

“Not applicable”

## (9) Increase/Decrease in Total Number of Units Outstanding

The Company procured the funds of approximately 39.2 billion yen by issuing the new investment units of public offering (69,000 units) and third-party allocation (6,900 units) in April and May 2018. Changes in the past five years are as follows.

Date	Remarks	Number of Units Outstanding		Total Unitholders' Capital (Millions of yen)		Notes
		Increase/Decrease	Balance	Increase/Decrease	Balance	
April 6, 2015	Issuance of new investment units (public offering)	54,000	1,305,530	29,189	455,972	*1
May 11, 2015	Issuance of new investment units (third-party allocation)	3,780	1,309,310	2,043	458,016	*2
April 16, 2018	Issuance of new investment units (public offering)	69,000	1,378,310	35,659	493,675	*3
May 9, 2018	Issuance of new investment units (third-party allocation)	6,900	1,385,210	3,565	497,241	*4

\*1. New investment units were issued at 557,620 yen per unit (underwriting price of 540,550 yen) for the purpose of funding the partial repayment of short-term loans, the redemption of investment corporation bonds, the acquisition of specified assets, and, in the event there are any funds remaining, cash reserves.

\*2. New investment units were issued at 540,550 yen per unit for the purpose of funding the partial repayment of short-term loans and, in the event there are any funds remaining, cash reserves.

\*3. New investment units were issued at 533,120 yen per unit (underwriting price of 516,800 yen) for the purpose of funding the acquisition of specified assets and the partial repayment of short-term loans, and in the event there are any funds remaining, cash reserves.

\*4. New investment units were issued at 516,800 yen per unit for the purpose of funding the partial repayment of short-term loans and, in the event there are any funds remaining, cash reserves.

#### 4. Changes in Officers

Change in officers shall be disclosed in a timely manner once the decision is made.

#### 5. Reference Data

##### a. Composition of the Company's Assets

Asset type	Region	As of September 30, 2019		As of March 31, 2020	
		Total of net book value*1 (¥ million)	Ratio to total assets (%)	Total of net book value*1 (¥ million)	Ratio to total assets (%)
Real property	Tokyo 23 wards	500,211	51.8	503,581	51.2
	Tokyo metropolitan area (excluding Tokyo 23 wards)*2	41,916	4.3	41,626	4.2
	Other major cities	81,984	8.5	81,358	8.3
	Total	624,113	64.6	626,566	63.8
Real property in trust	Tokyo 23 wards	213,409	22.1	239,113	24.3
	Tokyo metropolitan area (excluding Tokyo 23 wards)*2	17,677	1.8	16,172	1.6
	Other major cities	73,620	7.6	73,376	7.5
	Total	304,707	31.5	328,662	33.4
Savings and other assets		37,569	3.9	27,378	2.8
		(—)	(—)	(—)	(—)
Total amount of assets		966,390	100.0	982,607	100.0
		(928,820)	(96.1)	(955,228)	(97.2)

\*1. Totals of net book value as of September 30, 2019 and March 31, 2020 are based on the total amounts from the balance sheets as of September 30, 2019 and March 31, 2020, respectively. Real property and real property in trust present the net book values after depreciation and amortization.

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

\*3. The figures in parentheses indicate the value of real property held. Ratios are rounded to the first decimal place.

b. Real Estate Investment Property and Trust Beneficiary Rights in Trust of Real Estate

i) Outline of real estate and other assets included in the Company's holdings (quick reference guide)

The table below is a quick reference guide outlining the real estate and other assets included in the Company's holdings as of March 31, 2020.

Region	Name of property	Type of specified asset	Number of tenants*1	Leasable floor area (m <sup>2</sup> )	Occupancy rate*2	Appraisal value at the end of period (¥/m <sup>2</sup> )*3	Book value at the end of period (¥/m <sup>2</sup> )	Acquisition price*4		Ratio by region*2	
								(¥ thousand)	Ratio *2		
Tokyo metropolitan area	Tokyo 23 wards	Kitanomaru Square	Real property	5 *5	25,678 *5	100.0% *5	88,400	70,482	81,555,500	7.7%	77.6%
		MD Kanda Building	Real property	9	6,269	100.0%	8,980	8,603	9,520,000	0.9%	
		Kandabashi Park Building	Real property	10	3,687	100.0%	4,880	4,423	4,810,000	0.5%	
		Otemachi Financial City North Tower	Real property	3	5,121	100.0%	20,600	14,680	15,462,900	1.5%	
		Otemachi Park Building	Trust	22	2,372	100.0%	10,500	10,229	10,175,000	1.0%	
		Nibancho Garden	Real property	1 *5	9,316 *5	100.0% *5	19,000	12,134	14,700,000	1.4%	
		Mitsubishi UFJ Trust and Banking Building	Real property	10	11,904	100.0%	56,800	28,620	44,700,000	4.2%	
		Burex Kojimachi Building	Real property	1	4,495	100.0%	7,460	5,381	7,000,000	0.7%	
		Sanno Grand Building	Real property	48	20,535	99.7%	31,100	21,095	10,200,000 10,700,000 Total: 20,900,000	2.0%	
		Yurakucho Denki Building	Real property	10	4,697	100.0%	9,020	7,674	7,200,000	0.7%	
		Front Place Nihonbashi	Real property	2	8,468	100.0%	20,300 *6	17,576	17,560,000	1.7%	
		Kyodo Building (Kayabacho 2Chome)	Trust	10	4,464	100.0%	5,090	4,108	4,410,000	0.4%	
		Burex Kyobashi Building	Real property	1	4,279	100.0%	7,670	4,350	5,250,000	0.5%	
		Ginza 1Chome East Building	Trust	8	4,513	100.0%	7,920	6,154	6,459,000	0.6%	

Region	Name of property	Type of specified asset	Number of tenants*1	Leasable floor area (m <sup>2</sup> )	Occupancy rate*2	Appraisal value at the end of period (¥ mil)*3	Book value at the end of period (¥ mil)	Acquisition price*4		Ratio by region*2	
								(¥ thousand)	Ratio *2		
Tokyo metropolitan area	Tokyo 23 wards	Ginza Sanwa Building	Real property	11	4,326	100.0%	18,900	17,133	16,830,000	1.6%	77.6%
		Ryoshin Ginza East Mirror Building	Real property	11	4,255	100.0%	6,420	7,279	5,353,500 2,645,922 *7 Total: 7,999,422	0.8%	
		Harumi Front	Real property	8	33,369	100.0%	40,700 *8	26,703	31,300,000	3.0%	
		Harumi Center Building	Real property	13	20,812	100.0%	21,000	21,419	26,800,000	2.5%	
		Akasaka Park Building	Real property	31 *5	44,999 *5	100.0% *5	80,200	58,484	60,800,000	5.8%	
		Aoyama Crystal Building	Real property	8	4,898	100.0%	9,330	6,995	7,680,000	0.7%	
		Clover Shiba-koen	Trust	9	2,550	100.0%	4,880 *6	4,448	4,500,000	0.4%	
		Shiodome Building	Trust	37	44,213	100.0%	125,000	100,943	21,250,000 54,600,000 10,100,000 10,450,000 10,530,000 Total: 106,930,000	10.2%	
		Shiba 2Chome Daimon Building	Trust	22	9,606	98.0%	7,490	5,906	4,859,000	0.5%	
		Cosmo Kanasugibashi Building	Trust	8	4,062	100.0%	3,530	2,511	2,808,000	0.3%	
		Seavans S Building	Real property	14	6,074	100.0%	7,140	5,651	5,400,000	0.5%	
		Tamachi Front Building	Real property	8	3,792	100.0%	7,500 *6	6,116	6,210,000	0.5%	
		Shinjuku Eastside Square	Trust	40	40,940	100.0%	74,300 *6	60,280	23,100,000 6,660,000 25,460,000 8,460,000 Total: 63,680,000	6.0%	
		Shinjuku Front Tower	Trust	43	21,416	100.0%	38,300 *6	34,865	25,025,000 10,100,000 Total: 35,125,000	3.3%	
		Shinwa Building	Real property	13	5,997	100.0%	9,080	7,758	7,830,000	0.7%	
		Tokyo Opera City Building*9	Real property	97	34,971	99.8%	35,300	27,914	9,350,000 22,426,831 Total: 31,776,831	3.0%	
		Front Place Minami-Shinjuku	Real property	2	4,095	100.0%	9,770 *6	9,364	9,250,000	0.9%	
LINK SQUARE SHINJUKU (Land)	Real property	*10	*10	*10	5,520	5,572	6,670,000 (1,170,000) *11 Total: 5,500,000	0.5%			

Region	Name of property	Type of specified asset	Number of tenants*1	Leasable floor area (m <sup>2</sup> )	Occupancy rate*2	Appraisal value at the end of period (¥ mil)*3	Book value at the end of period (¥ mil)	Acquisition price*4		Ratio by region*2
								(¥ thousand)	Ratio by Ratio *2	
Tokyo metropolitan area	Tokyo 23 wards	Yoyogi 1 Chome Building	8	7,745	92.1%	13,300	6,753	8,700,000	0.8%	76.8%
		Jingumae Terrace	6	3,147	100.0%	7,410	4,835	4,885,000	0.5%	
		Jingumae Media Square Building	5	5,558	100.0%	10,000	10,650	12,200,000*12	1.2%	
		Shibuya Cross Tower (Land)	*13	*13	*13	40,300	27,186	34,600,000 (8,076,000)*14 Total: 26,524,000	2.5%	
		Ebisu Neonato	5	8,659	100.0%	19,600	13,812	3,740,000 360,000 10,512,000 Total: 14,612,000	1.4%	
		TIXTOWER UENO	16	15,016	100.0%	25,900	18,753	22,000,000	2.1%	
		Higashi Gotanda 1Chome Building	5	5,205	100.0%	6,970	4,290	5,500,000	0.5%	
		Osaki Front Tower*15	1	16,856	100.0%	18,500*8	8,111	12,300,000	1.2%	
		Omori-Eki Higashiguchi Building	27	7,706	100.0%	6,160	4,729	5,123,000	0.5%	
		Harmony Tower	22	14,340	100.0%	14,500	9,739	8,500,000 520,000 2,100,000 Total: 11,120,000	1.1%	
		Otsuka Higashi Ikebukuro Building	5	7,253	100.0%	4,820	3,366	3,541,000	0.3%	
		Ikebukuro 2Chome Building	9	2,186	100.0%	1,920	1,569	1,728,000	0.2%	
		Ikebukuro YS Building	11	5,932	100.0%	6,010	4,029	4,500,000	0.4%	
	Tokyo metropolitan area, excluding Tokyo 23 wards	Hachioji First Square	47	10,068	100.0%	5,100	4,813	3,300,000 2,379,112 Total: 5,679,112	0.5%	6.3%
		Saitama Urawa Building	18	4,510	100.0%	3,000	2,455	1,232,000 1,342,000 Total: 2,574,000	0.2%	
		MM Park Building	34	38,415	99.5%	41,500	30,635	37,400,000	3.6%	
		Queen's Tower A	49	26,669	99.4%	22,700*6	16,172	17,200,000	1.6%	
		Musashi Kosugi STM Building	26	5,378	100.0%	4,640	3,722	4,000,000	0.4%	

Region	Name of property	Type of specified asset	Number of tenants*1	Leasable floor area (m <sup>2</sup> )	Occupancy rate*2	Appraisal value at the end of period (¥ mil)*3	Book value at the end of period (¥ mil)	Acquisition price*4		Ratio by region*2
								(¥ thousand)	Ratio *2	
Other major cities	8·3 Square Kita Building	Real property	8	12,265	100.0%	9,580	5,621	7,100,000	0.7%	16.0%
	Jozenji Park Building	Real property	17	2,518	93.4%	1,050	964	1,000,000	0.1%	
	Higashi Nibancho Square	Real property	23	20,526	100.0%	14,300*8	8,573	9,950,000	0.9%	
	Sendai Honcho Honma Building	Trust	27	6,234	98.9%	2,710	2,804	2,924,000 250,000 Total: 3,174,000	0.3%	
	AER	Real property	65	23,612	97.4%	20,600	18,288	18,640,000	1.8%	
	Daido Seimei Niigata Building	Real property	9	3,928	94.7%	1,860	1,785	1,770,000	0.2%	
	Kanazawa Park Building	Real property	84	20,946	99.4%	6,840	4,347	2,880,000 1,700,000 Total: 4,580,000	0.4%	
	Kanazawa Kamitsutsumicho Building	Real property	27	7,213	98.1%	3,130	2,498	2,780,000	0.3%	
	Nishiki Park Building*16	Real property	64*5	10,338*5	100.0%*5	5,200	5,000	3,850,000 1,300,000 650,000 175,000 Total: 5,975,000	0.6%	
	Nagoya Hirokoji Place	Trust	35	13,200	100.0%	13,100*6	7,784	8,567,000	0.8%	
	Nagoya Hirokoji Building	Real property	42	21,385	100.0%	12,500	15,090	14,533,000	1.4%	
	Nagoya Misono Building	Real property	17	3,448	100.0%	1,520	1,401	1,865,000	0.2%	
	Shijo Karasuma Center Building	Real property	13	6,634	100.0%	6,410*6	3,751	4,400,000	0.4%	
	Umeda Square Building*17	Trust	42	10,374	100.0%	16,000	15,803	15,523,520	1.5%	
	Shin Fujita Building	Trust	49	28,403	100.0%	20,000	21,433	24,000,000	2.3%	
Sakaisujihonmachi Building	Real property	24	11,520	100.0%	3,810	3,577	2,264,000 1,900,000 Total: 4,164,000	0.4%		



Region	Name of property	Type of specified asset	Number of tenants*1	Leasable floor area (m <sup>2</sup> )	Occupancy rate*2	Appraisal value at the end of period (¥ mil)*3	Book value at the end of period (¥ mil)	Acquisition price*4		Ratio by region*2
								(¥ thousand)	Ratio *2	
Other major cities	Midosuji Daiwa Building	Trust	41	20,450	98.6%	14,700	13,802	6,934,000 7,380,000 Total: 14,314,000	1.4%	16.0%
	Amagasaki Front Building	Trust	29	15,500	100.0%	10,100	8,356	9,300,000	0.9%	
	Lit City Building	Real property	26	8,906	100.0%	4,490	2,487	4,650,000 (555,131) *19 Total: 4,094,868	0.4%	
	NHK Hiroshima Broadcasting Center Building	Real property	12	9,860	100.0%	3,470	2,914	1,320,000 1,450,000 Total: 2,770,000	0.3%	
	Tosei Tenjin Building	Real property	22	3,995	100.0%	1,690	1,331	1,550,000	0.1%	
	Tenjin Crystal Building	Real property	30	5,964	100.0%	3,220	3,723	5,000,000	0.5%	
	Hinode Tenjin Building	Trust	2	5,944	100.0%	4,310	3,391	3,657,000	0.3%	
	Total		1,515	864,014	99.7%	1,235,000	955,228	1,053,274,154	100.0%	

- \*1. The total number of tenants is based on the gross number of tenants in each building. Each instance of occupancy of a single tenant leasing space is considered separately on a per property basis even if said tenant leases floor area in multiple properties.
- \*2. Occupancy rate, ratio of acquisition price and ratio by region are rounded to the nearest first decimal place.
- \*3. Appraisal value at the end of period is, as a rule, the value assessed by real estate appraisers based on the Company's Articles of Incorporation and the Cabinet Office Ordinance on Accountings of Investment Corporations. The book closing date is used as the appraisal date and the appraisal value is calculated by Daiwa Real Estate Appraisal Co., Ltd.
- \*4. Incidental expenses arising from acquisitions are not included in the acquisition price.
- \*5. Residential portions are not included in the total number of tenants, the occupancy rate or the leasable floor area for Kitanomaru Square, Nibancho Garden, Akasaka Park Building or Nishiki Park Building. The residential portions for these properties are as follows: Kitanomaru Square, leasable floor area: 11,694m<sup>2</sup>, occupancy rate: 96.6%; Nibancho Garden, leasable floor area: 1,686m<sup>2</sup>, occupancy rate: 100.0%; Akasaka Park Building, leasable floor area: 10,780m<sup>2</sup>, occupancy rate: 94.2%; Nishiki Park Building, leasable floor area: 954m<sup>2</sup>, occupancy rate: 85.8%.
- \*6. Appraisal values by Japan Real Estate Institute.
- \*7. This includes the acquisition price of the land and building adjacent to Ryoshin Ginza East Mirror Building dated July 4, 2008, the cost of the adjacent building's demolition and the total expense of the construction and expansion of the Ryoshin Ginza East Mirror Building (excluding brokerage fees and other acquisition-related expenses) after its completion on May 24, 2010.
- \*8. Appraisal values by Chuo Real Estate Appraisal Co., Ltd.
- \*9. Accompanying the acquisition of Tokyo Opera City Building on September 13, 2005, the Company acquired 33 shares of Tokyo Opera City Building Co., Ltd. (the business that maintains, services and operates the building) at a total acquisition price of 2,797 thousand yen and inherited the 874 thousand yen deposit made to Tokyo Opera City Building Co., Ltd. by the seller. In an additional acquisition, on March 24, 2010, the Company acquired 91 shares of Tokyo Opera City Building Co., Ltd. at a total acquisition price of 7,539 thousand yen. Concurrently, the Company acquired 4,931 shares of Tokyo Opera City Heat Supply Co., Ltd. (the supplier of heat to the building) at a total acquisition price of 566,831 thousand yen, inheriting the 2,360 thousand yen deposit made to Tokyo Opera City Building Co., Ltd. by the seller.  
Regarding the appraisal value at the end of the fiscal period of the above-mentioned shares, the 124 shares of Tokyo Opera City Building Co., Ltd. are valued at 10,336 thousand yen and the 4,931 shares of Tokyo Opera City Heat Supply Co., Ltd. are valued at 566,831 thousand yen.
- \*10. Because the building portion of LINK SQUARE SHINJUKU (land with leasehold interest) was disposed on August 23, 2013, no total number of tenants, leasable floor area or occupancy rate are provided. Furthermore, the 1,497m<sup>2</sup> portion of land still held is being rented to the transferee of the building, Mitsubishi Estate Co., Ltd.
- \*11. Because the building was disposed on August 23, 2013, the acquisition price of the building at the time of the land and building purchase dated March 24, 2004, has been deducted.
- \*12. This is the acquisition price dated October 9, 2003, and includes a portion of the site disposed on October 30, 2009 (cost of

investment sold, 614 million yen).

- \*13. Because the building portion of Shibuya Cross Tower (land with leasehold interest) was disposed on January 18, 2018, no total number of tenants, leasable floor area or occupancy rate are provided. Furthermore, the 5,153 m<sup>2</sup> portion of land still held is being rented to the transferee of the building, Mitsubishi Estate Co., Ltd.
- \*14. Because the building was disposed on January 18, 2018, the acquisition price of the building at the time of the land and building purchase dated November 30, 2001, has been deducted.
- \*15. On acquiring Osaki Front Tower, the Company inherited the land renter's lease deposit of 1,040,000 thousand yen held by the seller of the building. The value of the lease deposit was appraised at the end of the fiscal period and remained unchanged.
- \*16. On acquiring Nishiki Park Building on October 2, 2006, the Company inherited the 9,000 thousand yen lease deposit made by the land renters held by the seller of the building.
- \*17. Trust assets of the trust beneficiary right acquired by the Company include a claim for 500,000 thousand yen of deposit for construction to connect to underground shopping centers given to Osaka Shigaichi Kaihatsu Co., Ltd., which was held by the previous owner.
- \*18. Because the retail units were disposed on September 28, 2018, the acquisition price of the retail units at the time of the land and building purchase dated February 1, 2006, has been deducted.
- \*19. In the above quick reference guide, if the real estate or other assets are classified as shared ownership or compartmental ownership, only the real estate or other assets owned by the Company are presented and the portions owned by the other shared owners or compartmental owners are excluded.

## ii) Breakdown of property-related revenues and expenses for real estate and other assets included in the Company's holdings

The table below is a quick reference guide outlining the revenues and expenses on each real estate and other asset for the March 2020 period (October 1, 2019 – March 31, 2020). Furthermore, the income summary is presented based on the previously mentioned “Summary of Significant Accounting Policies.”

(Millions of Yen)

Name of property	Revenues / Expenses (October 1, 2019 – March 31, 2020)												
	Property-related revenues	Property-related expenses								Property-related profits ②	NOI ③(①+②)	Capital expenditures ④*2	NCF ③-④
		Property management expenses	Utilities expenses	Property and other taxes	Casualty insurance	Repairing expenses	Depreciation ①	Other expenses					
Kitanomaru Square	1,742	754	135	62	97	1	41	417	0	987	1,404	26	1378
MD Kanda Building	236	81	16	13	22	0	0	28	-	155	183	-	183
Kandabashi Park Building	120	43	1	-	18	0	5	18	-	77	95	10	85
Otemachi Financial City North Tower	359	199	47	17	50	0	0	83	-	159	243	-	243
Otemachi Park Building	5	6	0	-	-	0	-	6	-	(0)	5	-	5
Nibancho Garden	483	211	60	24	56	0	9	60	-	272	332	16	316
Mitsubishi UFJ Trust and Banking Building	992	369	57	52	158	0	11	88	1	622	711	70	640
Burex Kojimachi Building	162	53	0	-	14	0	4	34	-	108	143	-	143
Sanno Grand Building	965	379	100	47	123	0	25	81	-	586	667	4	663
Yurakucho Denki Building	279	137	33	20	48	0	8	26	-	142	168	41	126
Kodenmachi Shin-Nihonbashi Building*3	82	37	9	5	8	0	2	9	2	44	53	-	53
Front Place Nihonbashi	400	148	23	19	40	0	0	64	-	251	315	-	315
Kyodo Building (Kayabacho 2Chome)	155	56	10	9	12	0	1	22	-	98	120	0	120
Burex Kyobashi Building	157	38	-	-	12	0	2	22	-	119	142	9	132
Ginza 1Chome East Building	189	85	17	8	11	0	1	46	-	103	150	4	145
Ginza Sanwa Building	401	151	26	13	77	0	8	24	0	249	274	7	266
Ryoshin Ginza East Mirror Building	168	84	14	12	16	0	0	40	-	83	123	-	123
Harumi Front	1,217	651	132	92	79	1	14	330	-	566	897	1	895
Harumi Center Building	592	375	65	38	49	0	9	211	-	216	428	15	413
Akasaka Park Building	2,303	1,209	248	211	278	2	57	411	-	1,093	1,505	46	1458
Aoyama Crystal Building	247	81	15	9	33	0	2	20	-	165	186	0	185
Clover Shiba-koen	117	46	9	5	6	0	1	22	-	70	93	1	91
Shiodome Building	2,407	962	183	109	190	1	65	407	4	1,444	1,851	27	1824
Shiba 2Chome Daimon Building	277	251	36	21	40	0	101	49	0	26	76	516	(440)

(Millions of Yen)

Name of property	Revenues / Expenses (October 1, 2019 – March 31, 2020)												
	Property-related revenues	Property-related expenses								Property-related profits ②	NOI ③(①+②)	Capital expenditures ④*2	NCF ③-④
			Property management expenses	Utilities expenses	Property and other taxes	Casualty insurance	Repairing expenses	Depreciation ①	Other expenses				
Cosmo Kanasugibashi Building	119	55	11	7	13	0	8	14	-	64	78	22	55
Seavans S Building	78	34	7	4	0	0	0	20	-	44	64	2	61
Tamachi Front Building	161	69	12	8	14	0	2	31	-	91	123	1	121
Shinjuku Eastside Square	1,470	593	108	93	108	1	6	274	(0)	877	1,152	3	1148
Shinjuku Front Tower	685	314	54	34	58	1	13	152	-	371	523	2	521
Shinwa Building	245	96	20	13	20	0	3	38	-	149	187	14	173
Tokyo Opera City Building*1	1,657	1,122	*1	*1	*1	*1	*1	*1	*1	535	*1	403	*1
Front Place Minami- Shinjuku	198	58	15	11	-	0	0	30	-	140	171	-	171
LINK SQUARE SHINJUKU (land)	111	23	-	-	23	-	-	-	-	87	87	-	87
Yoyogi 1Chome Building	316	113	26	16	25	0	2	42	-	202	244	17	227
Jingumae Terrace	186	56	11	7	19	0	1	16	-	129	146	-	146
Jingumae Media Square Building	298	161	22	20	54	0	20	42	-	136	178	91	87
Shibuya Cross Tower(land)	540	85	-	-	85	-	-	-	-	454	454	-	454
Ebisu Neonato	485	206	49	21	38	1	1	93	-	279	372	13	359
TIXTOWER UENO	680	359	61	32	37	1	24	201	0	320	522	1	520
Higashi Gotanda 1Chome Building	191	72	12	14	14	0	3	26	-	118	145	0	144
Osaki Front Tower	707	498	67	40	26	0	16	255	92	208	463	-	463
Omori-Eki Higashiguchi Building	235	113	31	15	25	0	0	39	-	122	161	9	152
Harmony Tower	494	266	146	-	56	0	12	50	-	228	278	-	278
Otsuka Higashi Ikebukuro Building	204	102	22	21	12	0	2	43	-	101	144	1	143
Ikebukuro 2Chome Building	68	31	9	5	5	0	3	8	-	36	45	30	15
Ikebukuro YS Building	185	85	22	11	15	0	2	32	-	100	132	2	129
Hachioji First Square	241	113	49	3	26	1	(1)	34	0	127	162	14	147
Saitama Urawa Building	124	55	14	8	8	0	6	17	-	69	86	29	57
MM Park Building	1,294	675	139	153	80	1	4	296	0	618	915	33	881
Queen's Tower A	1,018	709	203	90	115	2	61	229	6	309	538	148	389

(Millions of Yen)

Name of property	Revenues / Expenses (October 1, 2019 – March 31, 2020)												
	Property-related revenues	Property-related expenses								Property-related profits	NOI	Capital expenditures	NCF
			Property management expenses	Utilities expenses	Property and other taxes	Casualty insurance	Repairing expenses	Depreciation ①	Other expenses	②	③(①+②)	④*2	③-④
Kawasaki Isago Building*4	33	24	5	4	2	0	5	5	0	9	15	-	15
Musashi Kosugi STM Building	168	100	21	3	12	0	35	27	-	68	95	8	87
8·3 Square Kita Building	339	213	37	53	23	0	28	70	-	126	196	1	194
Jozenji Park Building	61	39	10	6	7	0	2	11	-	21	33	5	28
Higashi Nibancho Square	583	265	70	38	41	0	12	100	-	318	418	11	406
Sendai Honcho Honma Building	142	66	16	13	16	0	1	18	-	75	93	-	93
AER	694	336	83	51	65	0	15	118	-	358	476	115	361
Daido Seimei Niigata Building	77	56	12	5	-	0	0	37	-	21	58	-	58
Kanazawa Park Building	528	300	97	46	66	1	9	79	0	227	306	48	257
Kanazawa Kamitsutsumicho Building	132	90	18	13	10	0	3	45	0	41	87	-	87
Nishiki Park Building	296	175	55	21	25	0	9	57	6	121	178	41	136
Nagoya Hirokoji Place	403	177	37	28	35	0	1	74	-	226	301	8	292
Nagoya Hirokoji Building	579	367	88	40	65	0	6	165	0	211	376	2	373
Nagoya Misono Building	72	55	10	5	6	0	2	29	0	17	47	7	40
Shijo Karasuma Center Building	216	104	26	12	11	0	1	51	0	112	163	7	155
Umeda Square Building	476	219	56	25	51	0	12	73	0	256	329	127	202
Shin Fujita Building	754	510	103	60	77	1	22	246	0	243	490	115	374
Sakaisujihonmachi Building	246	136	43	26	36	0	3	26	-	109	135	-	135
Midosuji Daiwa Building	552	287	67	39	77	0	5	96	-	265	362	98	263
Amagasaki Front Building	446	236	65	22	26	0	17	103	-	210	313	18	295
Lit City Building	235	111	29	14	16	0	4	45	-	123	169	-	169
NHK Hiroshima Broadcasting Center Building	265	198	48	23	24	0	23	52	25	66	118	79	39
Tosei Tenjin Building	88	40	13	7	7	0	1	11	-	48	59	-	59
Tenjin Crystal Building	160	126	23	16	19	0	3	63	-	34	97	6	91
Hinode Tenjin Building	184	77	21	16	14	0	1	21	-	107	129	19	109
Total	33,810	16,813	3,740	2,251	3,241	46	936	6,416	181	16,996	23,413	2,372	21,040

\*1. Disclosure of NOI and NCF in the breakdown of the expenses of the property leasing business for Tokyo Opera City Building has

been withheld at the request of the joint owners of the relevant real estate.

\*2. Construction expenses that correspond to capital expenditures incurred during the period under review are listed under capital expenditures. This does not include expenses capitalized as construction in progress, expenses capitalized as furniture, etc., or such expenses included in the book value as brokerage fees for acquiring real estate or other assets, real estate acquisition taxes or other acquisition-related expenses.

\*3. Kodenmachi Shin-Nihonbashi Building has been disposed of as of January 31, 2020.

\*4. Kawasaki Isago Building has been disposed of as of December 20, 2019.

c. Condition of Other Assets

(i) Shares/Investment Securities

Securities	Number of shares	Acquisition price (¥ thousand)		Appraisal value (¥ thousand)		Valuation gain/loss (¥ thousand)	Notes
		Unit price	Amount	Unit price	Amount		
Tokyo Opera City Building Co., Ltd.	124	83	10,336	83	10,336	—	*
Tokyo Opera City Heat Supply Co., Ltd.	4,931	114	566,831	114	566,831	—	*
Total	—	—	577,168	—	577,168	—	—

\* Appraisal value for relevant non-listed stock are defined as acquisition costs.

(ii) Marketable Securities Other Than Shares

Asset type	Quantity	Book value (¥ thousand)		Appraisal value (¥ thousand)		Valuation gain/loss (¥ thousand)	Notes
		Unit price	Amount	Unit price	Amount		
Trust beneficiary rights in deposits	1	45,817	45,817	45,817	45,817	—	—
Total	—	—	45,817	—	45,817	—	—

(iii) Other Specified Assets

Asset type	Quantity	Book value (¥ thousand)		Appraisal value (¥ thousand)		Valuation gain/loss (¥ thousand)	Notes
		Unit price	Amount	Unit price	Amount		
Monetary claim	1	1,040,000	1,040,000	1,040,000	1,040,000	—	—
Total	—	—	1,040,000	—	1,040,000	—	—

\* Trust beneficiary rights, mainly consisted of the trust asset of real estate, are included in the previous section b. “Real Estate Investment Property and Trust Beneficiary Rights in Trust of Real Estate”.

## d. Capital Expenditures

## (i) Schedule for Capital Expenditures

The significant scheduled capital expenditures, such as current plans for repair, maintenance and renovation work on existing properties, are listed below.

The following scheduled capital expenditures include those accounted for as expenses.

Name of property (Location)	Purpose	Scheduled period	Estimated cost (¥ million)		
			Total amount	Payment amount for the fiscal under review period	Total amount already paid
Kanazawa Park Building (Kanazawa, Ishikawa Prefecture )	Upgrade of air conditioning facilities	From April 2020 To December 2020	240	—	—
Shiba 2Chome Daimon Building (Minato-ku, Tokyo)	Sanitary facility renewal construction	From April 2020 To May 2020	188	—	—
NHK Hiroshima Broadcasting Center Building (Hiroshima, Hiroshima Prefecture)	Upgrade of air conditioning facilities	From June 2019 To June 2020	80	—	—
Burex Kojimachi Building (Chiyoda-ku, Tokyo)	Upgrade of electrical equipment	From October 2020 To March 2021	75	—	—

## (ii) Capital expenditures during the period under review

For acquired real estate and other assets, capital expenditures incurred in the period under review totaled ¥2,372 million and repair, maintenance and renovation expenses classified as expenses in the period under review totaled ¥936 million, for a total of ¥3,308 million worth of construction that has been carried out.

The major item in the capital expenditure was the sanitary facility renewal construction of Shiba 2Chome Daimon Building.

Name of property (Location)	Purpose	Period	Expenditures for construction (¥ million)
Shiba 2Chome Daimon Building (Minato-ku, Tokyo)	Sanitary facility renewal construction	From October 2019 To March 2020	324
Shiba 2Chome Daimon Building (Minato-ku, Tokyo)	Upgrade of air conditioning facilities	From October 2019 To March 2020	164
Other real estate			1,883
Total			2,372

## (iii) Money Saved for Long-term Repair Plans

“Not applicable”

## e. Expenses and Liabilities

## (i) Details on Operation-related Expenses

Item	For the period from April 1, 2019 to September 30, 2019	For the period from October 1, 2019 to March 31, 2020
(a) Asset management fee *	¥1,409,620 thousand	¥1,452,064 thousand
(breakdown) NOI-linked fee	¥924,160 thousand	¥936,525 thousand
Distribution-linked fee	¥485,460 thousand	¥515,539 thousand
(b) Asset custody fee	¥63,120 thousand	¥63,401 thousand
(c) Administrative service fees	¥132,329 thousand	¥132,189 thousand
(d) Directors' compensations	¥7,800 thousand	¥7,800 thousand
(e) Commission expenses	¥83,212 thousand	¥89,971 thousand
(f) Other operating expenses	¥63,900 thousand	¥82,326 thousand
Total	¥1,759,984 thousand	¥1,827,753 thousand

\* In addition to the asset management fee listed above, in the case that a property is acquired, an "acquisition fee" is included in the acquisition cost of the property and paid to the asset management company. In the case that a property is sold, a "disposition fee" is included in the loss on sale and paid to the asset management company. These fees are calculated by multiplying the buying/selling price of the property by a fee rate. In the period ended September 30, 2019, the disposition fee amounted to ¥15,391 thousand, and in the period ended March 31, 2020, the acquisition fee amounted to ¥170,675 thousand, and the disposition fee amounted to ¥32,641 thousand.



## (ii) Borrowings

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

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

Classification	Lender	Drawdown date	Balance at beginning of current period (¥thousand )	Balance at end of current period (¥thousand )	Average interest rate *1 (%)	Repayment date	Repayment method	Use of proceeds	Notes
MUFG Bank, Ltd.	June 15, 2012	4,000,000	4,000,000	0.9525	June 15, 2020 *7				
Sumitomo Mitsui Trust Bank, Limited	June 15, 2012	4,000,000	4,000,000	0.9525	June 15, 2020 *7				
Sumitomo Mitsui Trust Bank, Limited	June 15, 2015	3,000,000	3,000,000	0.3425	June 15, 2020 *7				
Tokio Marine & Nichido Fire Insurance Co., Ltd.	July 3, 2017	2,000,000	2,000,000	0.100	July 3, 2020 *7				
The Yamaguchi Bank, Ltd.	October 29, 2012	2,000,000	2,000,000	0.800	October 29, 2020 *7				
MUFG Bank, Ltd.	December 21, 2012	5,000,000	5,000,000	0.80125	December 21, 2020 *7				
MUFG Bank, Ltd.	December 21, 2012	5,000,000	5,000,000	0.80125	December 21, 2020 *7				
MUFG Bank, Ltd.	January 15, 2013	5,500,000	5,500,000	0.83625	January 15, 2021 *7				
MUFG Bank, Ltd.	January 31, 2014	4,000,000	4,000,000	0.64225	January 29, 2021 *7				
The Bank of Fukuoka, Ltd.	January 31, 2014	2,500,000	2,500,000	0.63849	January 29, 2021 *7				
Sumitomo Mitsui Trust Bank, Limited	January 31, 2014	2,000,000	2,000,000	0.62575	January 29, 2021 *7				
The Iyo Bank, Ltd.	March 24, 2014	2,000,000	2,000,000	0.6035	March 24, 2021 *7				
MUFG Bank, Ltd.	April 4, 2017	5,000,000	5,000,000	0.0108 *8	April 5, 2021				
MUFG Bank, Ltd.	April 24, 2013	5,000,000	5,000,000	0.775	April 26, 2021				
Mizuho Bank, Ltd.	June 15, 2012	4,000,000	4,000,000	1.07375	June 15, 2021				
Sumitomo Mitsui Trust Bank, Limited	December 26, 2016	3,700,000	3,700,000	0.1913	June 28, 2021				
Sumitomo Mitsui Banking Corporation	January 19, 2018	5,000,000	5,000,000	0.16255	July 20, 2021				
The Bank of Fukuoka, Ltd.	August 31, 2017	1,500,000	1,500,000	0.1325	August 31, 2021				
The Iyo Bank, Ltd.	October 1, 2014	1,000,000	1,000,000	0.46525	October 1, 2021				
The Chugoku Bank, Limited	October 1, 2014	1,000,000	1,000,000	0.4725	October 1, 2021				

Classification	Drawdown date	Balance at beginning of current period (¥thousand )	Balance at end of current period (¥thousand )	Average interest rate *1 (%)	Repayment date	Repayment method	Use of proceeds	Notes	
									Lender
Long-term borrowings									
	The Daishi Bank, Ltd.	November 14, 2014	1,800,000	1,800,000	0.463	November 15, 2021	Bullet	*2	Unsecured Unguaranteed Unsubordinated
	Sony Bank Incorporated		1,400,000	1,400,000					
	The Toho Bank, Ltd.		1,400,000	1,400,000					
	The Hokuetsu Bank, Ltd.		1,400,000	1,400,000					
	The Shinkumi Federation Bank		1,000,000	1,000,000					
	The Akita Bank, Ltd.		900,000	900,000					
	The Gunma Bank, Ltd.		900,000	900,000					
	The 77 Bank, Ltd.		900,000	900,000					
	The Tochigi Bank, Ltd.		900,000	900,000					
	The Fukui Bank, Ltd.		900,000	900,000					
	The Bank of Iwate, Ltd.		500,000	500,000					
	The Higo Bank, Ltd.		500,000	500,000					
	The Yamagata Bank, Ltd.		500,000	500,000					
The Nishi-Nippon City Bank, Ltd.	June 17, 2014	2,000,000	2,000,000	0.621	December 17, 2021				
Sumitomo Mitsui Banking Corporation	January 7, 2013	2,000,000	2,000,000	0.980	January 7, 2022				
Mizuho Bank, Ltd.	January 15, 2013	5,000,000	5,000,000	0.96625	January 17, 2022				
The Norinchukin Bank	January 31, 2014	3,500,000	3,500,000	0.757	January 31, 2022				
Mizuho Bank, Ltd.	April 24, 2013	3,000,000	3,000,000	0.87375	April 25, 2022				
MUFG Bank, Ltd.	June 15, 2012	4,000,000	4,000,000	1.1975	June 15, 2022				
MUFG Bank, Ltd.	June 15, 2012	2,500,000	2,500,000	1.2725	June 15, 2022				
Shinsei Bank, Limited	June 15, 2012	2,500,000	2,500,000	1.2725	June 15, 2022				
The Norinchukin Bank	June 17, 2014	3,000,000	3,000,000	0.6785	June 17, 2022				

Classification	Drawdown date	Balance at beginning of current period (¥thousand)	Balance at end of current period (¥thousand)	Average interest rate *1 (%)	Repayment date	Repayment method	Use of proceeds	Notes	
									Lender
Long-term borrowings									
	The Gunma Bank, Ltd.	August 10, 2015	1,000,000	1,000,000	0.3925	August 10, 2022	Bullet	*2	Unsecured Unguaranteed Unsubordinated
	The Shinkumi Federation Bank		1,000,000	1,000,000					
	The Daishi Bank, Ltd.		1,000,000	1,000,000					
	The Chugoku Bank, Limited		1,000,000	1,000,000					
	The Toho Bank, Ltd.		1,000,000	1,000,000					
	The Fukui Bank, Ltd.		1,000,000	1,000,000					
	The Tochigi Bank, Ltd.		500,000	500,000					
	MUFG Bank, Ltd.	September 1, 2015	2,000,000	2,000,000	0.47125	September 1, 2022			
	The Hachijuni Bank, Ltd.	December 20, 2017	1,000,000	1,000,000	0.1863	December 20, 2022			
	Development Bank of Japan Inc.	January 7, 2013	3,000,000	3,000,000	1.115	January 6, 2023			
	The Daishi Bank, Ltd.	January 7, 2016	1,500,000	1,500,000	0.2802	January 10, 2023			
	The 77 Bank, Ltd.	January 10, 2018	1,000,000	1,000,000	0.205	January 10, 2023			
	The Hachijuni Bank, Ltd.	January 15, 2016	1,000,000	1,000,000	0.265	January 16, 2023			
	The Iyo Bank, Ltd.	January 15, 2016	1,000,000	1,000,000	0.265	January 16, 2023			
	Sumitomo Mitsui Trust Bank, Limited	January 17, 2018	3,000,000	3,000,000	0.210	January 17, 2023			
	Development Bank of Japan Inc.	January 31, 2014	5,000,000	5,000,000	0.9325	January 31, 2023			
	The Yamaguchi Bank, Ltd.	March 25, 2013	1,000,000	1,000,000	0.945	March 24, 2023			
	The Bank of Fukuoka, Ltd.	March 24, 2015	2,000,000	2,000,000	0.5125	March 24, 2023			
	The Norinchukin Bank	March 25, 2015	3,500,000	3,500,000	0.46825	March 27, 2023			
The Chugoku Bank, Limited	March 26, 2018	2,000,000	2,000,000	0.1988	March 27, 2023				
Sumitomo Mitsui Banking Corporation	November 29, 2018	3,000,000	3,000,000	0.1694	May 29, 2023				
Sumitomo Mitsui Trust Bank, Limited	November 29, 2018	3,000,000	3,000,000	0.1694	May 29, 2023				

Classification	Lender	Drawdown date	Balance at beginning of current period (¥thousand )	Balance at end of current period (¥thousand )	Average interest rate *1 (%)	Repayment date	Repayment method	Use of proceeds	Notes
	MUFG Bank, Ltd.	June 1, 2017	12,000,000	12,000,000	0.00331 *8	June 1, 2023	Bullet	*2	Unsecured Unguaranteed Unsubordinated
	The Chugoku Bank, Limited	June 15, 2015	3,000,000	3,000,000	0.61175	June 15, 2023			
	The Bank of Fukuoka, Ltd.	June 15, 2017	2,500,000	2,500,000	0.2388	June 15, 2023			
	MUFG Bank, Ltd.	December 19, 2014	10,000,000	10,000,000	0.42375 *9	December 19, 2023			
	MUFG Bank, Ltd.	March 26, 2018	5,000,000	5,000,000	0.02276 *8	March 26, 2024			
	The Hachijuni Bank, Ltd.	March 26, 2018	1,000,000	1,000,000	0.2338	March 26, 2024			
	Sumitomo Mitsui Trust Bank, Limited	May 29, 2019	5,000,000	5,000,000	0.075	May 29, 2024			
	The Iyo Bank, Ltd.	June 15, 2017	2,500,000	2,500,000	0.275	June 17, 2024			
	The Hachijuni Bank, Ltd.	June 15, 2017	1,000,000	1,000,000	0.275	June 17, 2024			
	MUFG Bank, Ltd.	September 1, 2015	3,500,000	3,500,000	0.630	September 2, 2024			
	Sumitomo Mitsui Trust Bank, Limited	September 2, 2015	3,800,000	3,800,000	0.536	September 2, 2024			
	The Norinchukin Bank	September 1, 2017	5,000,000	5,000,000	0.240	September 2, 2024			
	Sumitomo Mitsui Trust Bank, Limited	September 26, 2019	5,500,000	5,500,000	0.105	September 26, 2024			
	Taiyo Life Insurance Company	October 1, 2014	2,000,000	2,000,000	0.7825	October 1, 2024			
	Mizuho Bank, Ltd.	October 1, 2015	2,500,000	2,500,000	0.5575	October 1, 2024			
	The Gunma Bank, Ltd.	November 18, 2019	—	1,000,000	0.11784 *8	November 18, 2024			
	MUFG Bank, Ltd.	June 1, 2018	10,000,000	10,000,000	0.2544	December 2, 2024			
	Shinkin Central Bank	January 7, 2020	—	2,000,000	0.2075	January 7, 2025			
	The Ashikaga Bank, Ltd.	January 9, 2018	1,000,000	1,000,000	0.285	January 9, 2025			
	Mizuho Trust & Banking Co., Ltd.	March 2, 2015	3,000,000	3,000,000	0.5585	March 3, 2025			
	MUFG Bank, Ltd.	March 26, 2018	2,000,000	2,000,000	0.2725	March 26, 2025			
	Development Bank of Japan Inc.	March 30, 2017	5,000,000	5,000,000	0.315	March 31, 2025			
	Taiyo Life Insurance Company	May 29, 2015	1,500,000	1,500,000	0.7375	May 29, 2025			

Classification	Lender	Drawdown date	Balance at beginning of current period (¥thousand)	Balance at end of current period (¥thousand)	Average interest rate *1 (%)	Repayment date	Repayment method	Use of proceeds	Notes
	Sumitomo Mitsui Trust Bank, Limited	August 31, 2018	3,000,000	3,000,000	0.320	August 29, 2025	Bullet	*2	Unsecured Unguaranteed Unsubordinated
	Development Bank of Japan Inc.	September 1, 2015	7,000,000	7,000,000	0.7175	September 1, 2025			
	Mizuho Bank, Ltd.	December 26, 2016	5,000,000	5,000,000	0.3625	December 26, 2025			
	MUFG Bank, Ltd.	February 26, 2018	6,500,000	6,500,000	0.3413	February 26, 2026			
	Mizuho Bank, Ltd.	March 27, 2018	5,500,000	5,500,000	0.300	March 27, 2026			
	Shinkin Central Bank	March 30, 2017	5,000,000	5,000,000	0.360	March 30, 2026			
	The Norinchukin Bank	January 23, 2019	4,000,000	4,000,000	0.1988	July 23, 2026			
	Shinkin Central Bank	September 1, 2017	5,000,000	5,000,000	0.3188	September 1, 2026			
	MUFG Bank, Ltd.	October 31, 2016	3,000,000	3,000,000	0.240	October 30, 2026			
	Mizuho Bank, Ltd.	December 21, 2016	5,000,000	5,000,000	0.415	December 21, 2026			
	Shinkin Central Bank	January 23, 2019	5,000,000	5,000,000	0.2213	January 25, 2027			
	Shinkin Central Bank	April 24, 2018	6,000,000	6,000,000	0.3675	April 26, 2027			
	The Joyo Bank, Ltd.	January 9, 2018	1,000,000	1,000,000	0.4188	January 11, 2028			
	Sumitomo Mitsui Banking Corporation	January 19, 2018	3,000,000	3,000,000	0.4338	January 19, 2028			
	Mizuho Bank, Ltd.	March 30, 2018	4,000,000	4,000,000	0.3963	March 30, 2028			
	MUFG Bank, Ltd.	March 30, 2018	4,000,000	4,000,000	0.3963	March 30, 2028			
	Taiyo Life Insurance Company	March 30, 2018	1,000,000	1,000,000	0.3963	March 30, 2028			
	Mizuho Bank, Ltd.	November 15, 2019	—	8,500,000	0.34875	November 15, 2028			
	Shinkin Central Bank	January 15, 2020	—	5,000,000	0.325	January 15, 2029			
	Mizuho Bank, Ltd.	November 1, 2019	—	6,000,000	0.35125	November 1, 2029			
	MUFG Bank, Ltd.	January 15, 2020	—	5,500,000	0.3625	January 15, 2030			
	The Yamanashi Chuo Bank, Ltd.	March 26, 2019	2,000,000	2,000,000	0.3688	March 26, 2031			
	Sumitomo Life Insurance Company	March 26, 2019	1,000,000	1,000,000	0.505	March 27, 2034			

	Classification	Drawdown date	Balance at beginning of current period (¥thousand)	Balance at end of current period (¥thousand)	Average interest rate *1 (%)	Repayment date	Repayment method	Use of proceeds	Notes
	Lender								
Long-term borrowings	Sumitomo Life Insurance Company	December 16, 2019	—	2,000,000	0.490	December 18, 2034	Bullet	*2	Unsecured Unguaranteed Unsubordinated
	Subtotal		343,500,000	340,000,000					
	Total		357,000,000	369,000,000					

- \*1. The average for floating interest rates is recorded as the weighted average during the period. The average is rounded off to the fifth decimal place. The weighted average for interest rates of loans for which floating interest rates were swapped to fixed rates in order to hedge the risk of interest rate fluctuations is calculated taking the effect of this swap into consideration.
- \*2. The purposes of executing these loans are to purchase real properties or beneficiary right of real estate in trust, to repay existing loans, and to fund the redemption of investment corporation bonds.
- \*3. As of November 15, 2019, MUFG Bank, Ltd. transferred its loan receivable of ¥10,900 million to Mitsubishi UFJ Trust and Banking Corporation.
- \*4. The Company made a full repayment (¥5,500million) before maturity on November 5, 2019.
- \*5. As of February 17, 2020, MUFG Bank, Ltd. transferred its loan receivable of ¥10,900 million to Mitsubishi UFJ Trust and Banking Corporation.
- \*6. The Company made a full repayment (¥5,000million) before maturity on November 5, 2019.
- \*7. At the end of the period under review, these loans are accounted for under current liabilities on the balance sheets as the current portion of long-term borrowings.
- \*8. These are floating rate borrowings which are not swapped into fixed rates.
- \*9. In order to hedge the risk of exchange rate and interest rate fluctuations related to foreign currency-denominated loans, the Company conducted an interest-rate and currency swap transaction, which substantially secured exchange and interest rates. Accordingly, the balance and the weighted average for interest rates during the period are calculated taking the effect of this interest-rate and currency swap into consideration.

### (iii) Investment Corporation Bonds

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

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

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

### (iv) New Unit Acquisition Rights

“Not applicable”

## f. Examination of the Value of Specified Assets

## (i) Real Estate, etc.

Acquisition or Disposition	Property name	Date of transaction	Acquisition/disposition cost*1 (¥ million)	Real estate appraisal value*3 (¥ million)	Appraising institution	Date of appraisal
Disposition	Kawasaki Isago Building (50% quasi-co-ownership interest)	December 20, 2019	3,078	1,590	Daiwa Real Estate Appraisal Co., Ltd.	September 1, 2019
Disposition	Kodenmachi Shin-Nihonbashi Building	January 31, 2020	3,450	2,970	Daiwa Real Estate Appraisal Co., Ltd.	January 1, 2020
Acquisition	Seavans S Building	January 31, 2020	5,400	7,140	Daiwa Real Estate Appraisal Co., Ltd.	January 1, 2020
Acquisition	Otemachi Park Building	March 24, 2020	10,175	10,500	Daiwa Real Estate Appraisal Co., Ltd.	February 1, 2020
Acquisition	Shinjuku Front Tower	March 27, 2020	10,100	10,200	Japan Real Estate Institute	March 1, 2020
Acquisition	Shinjuku Eastside Square	March 27, 2020	8,460	8,490	Japan Real Estate Institute	March 1, 2020

\*1. The “acquisition/disposition cost” refers to the amount listed in the sale and purchase contract, and does not include various expenses necessary in the acquisition or disposition of the property such as trading intermediate fees.

\*2. The appraisal value listed above is decided in accordance with the 3rd chapter of the Japanese Real Estate Appraisal Act and Real Estate Appraisal Standards.

\*3. The real estate appraisal value of Kawasaki Isago Building (50% quasi-co-ownership interest) is calculated as the real estate appraisal value of the entire property multiplied by a 50% quasi-co-ownership interest of the trust beneficiary right.

## (ii) Other

Value inspections on transactions by the Company that are deemed necessary under Article 201 of the ITA, are entrusted to Yoshihiro Tanaka CPA Office, excluding ones described in (i) Real Estate, etc. above.

During the period from October 1, 2019 to March 31, 2020, there was no transaction that was subject to such inspections.



g. Transactions with Interested Parties (from October 1, 2019 to March 31, 2020)

(i) Transactions

Segment	Buying and selling amounts	
	Buying amounts	Selling amounts
Total Amount	¥ 34,135,000 thousand	¥ 6,528,234 thousand
Breakdown of Transactions with Interested Parties		
Mitsubishi Estate Co., Ltd.	¥ 28,735,000 thousand (84.2%)	¥ — thousand (—%)
Total	¥ 28,735,000 thousand (84.2%)	¥ — thousand (—%)

\* The numerical values within the ( ) represent a percentage of the total buying/selling amounts.

(ii) Amount of Commission Fees and Other Expenses

Segment	Total amount of commission fees and other expenses A	Breakdown of transactions with interested parties		Percentage of total amount B/A
		Payment recipient	Amount paid B	
Property management expenses	¥3,740,195 thousand	Mitsubishi Jisho Property Management Co., Ltd.	¥2,370,009 thousand	63.4 %
		Mitsubishi Estate Co., Ltd.	¥171,051 thousand	4.6 %
		Mitsubishi Real Estate Services Co., Ltd.	¥42,653 thousand	1.1 %
		Yuden Building Kanri Co., Ltd.	¥30,066 thousand	0.8 %
Utilities expenses	¥2,251,223 thousand	Minato Mirai 21 District Heating and Cooling Co., Ltd.	¥73,052 thousand	3.2 %
Other operating expenses	¥164,634 thousand	Mitsubishi Jisho Property Management Co., Ltd.	¥13,261 thousand	8.1 %
		Mitsubishi Estate Co., Ltd.	¥477 thousand	0.3 %
		Mitsubishi Jisho Sekkei Inc.	¥7,000 thousand	4.3 %

\*1. Interested parties refers to interested parties of the asset management company who has concluded consignment agreements with the Company, as stipulated in Article 123 of the enforcement order of the ITA, and Section 26, Paragraph 1, Item 27 of the Regulations for Management Reports Concerning Investment Trusts and Investment Corporations of the Investment Trusts Association, Japan.

\*2. In addition to the transactions and commission fees listed above, other amounts paid to interested parties, such as orders placed for repair work, are listed below.

Mitsubishi Jisho Property Management Co., Ltd.	¥682,125 thousand
Mitsubishi Estate Co., Ltd.	¥80,425 thousand
Yuden Building Kanri Co., Ltd.	¥48,718 thousand
Mitsubishi Real Estate Services Co., Ltd.	¥24,894 thousand

## h. Other Announcements

## Board of Directors

Below is an overview of the important change and the conclusion of major contracts that were accepted by the Company's Board of Directors during the period.

Date of acceptance	Accepted item	Overview
November 15, 2019	Consignment of a general administrative work concerning the issuance of investment corporation bonds	In connection with the comprehensive resolution adopted on the same date on the issuance of investment corporate bonds, the approval was given to the candidate agents to whom an administrative work for the said bonds was consigned. Other items necessary for its operation are entrusted to the executive directors to decide.
March 25, 2020	Signing of memorandum concerning amendments to the asset management consignment agreement	Regarding the consignment agreement for asset management, the approval was given to the signing of memorandum to make partial amendments concerning the scope of cost-bearing responsibilities.

## Selected Financial Data

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

- Notes: 1. Dividend payout ratio = Dividend per unit / Profit per unit × 100  
For the period ended September 30, 2018, as new investment units were issued, the ratio was calculated as follows:  
Cash distribution / Profit × 100
2. ROA = Ordinary profit / Average of Total assets during the period × 100
3. ROE = Profit / Average of Net assets during the period × 100  
(Annualized portion of the calculation given in Note 2 and Note 3 assumes a fiscal period of 182 days for the period ended March 31, 2018, 183 days for the period ended September 30, 2018, 182 days for the period ended March 31, 2019, 183 days for the period ended September 30, 2019 and 183 days for the period ended March 31, 2020.)
4. EOP equity ratio = (Net assets at the end of period / Total assets at the end of period) × 100
5. EOP interest-bearing debt ratio on total assets = (Interest-bearing debt at the end of period / Total assets at the end of period) × 100
6. Debt service coverage ratio = Profit before Interest, Taxes, Depreciation and Amortization / Interest expenses
7. The Company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28 on February 16, 2018) from the period ended September 30, 2018, and the reclassified amount due to the change was reflected to the total assets for the period ended March 31, 2018.