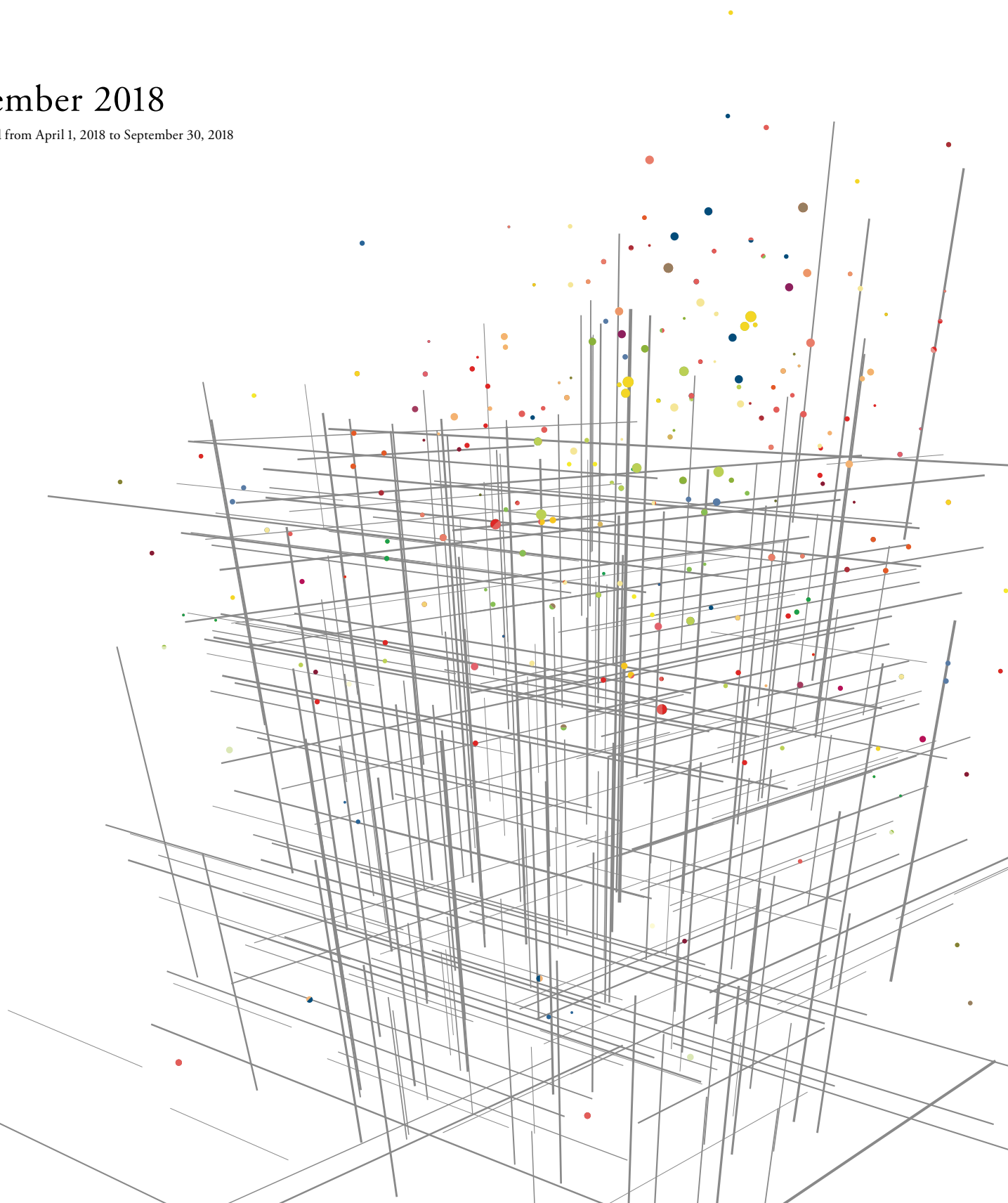


Japan Real Estate Investment Corporation

SEMIANNUAL REPORT

September 2018

For the period from April 1, 2018 to September 30, 2018



Profile

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

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

The Strengths of Japan Real Estate

Stable Dividends

Actual dividend per unit
for the September 2018 period:

JPY 9,495

Forecast dividend per unit
for the March 2019 period:

JPY 9,550

1

Collaboration with Sponsors

Expertise of
Mitsubishi Estate Co., Ltd.
and Mitsui & Co., Ltd.
is being fully utilized

2

Contents

The Strengths of Japan Real Estate Investment Corporation	p.1	Approach to ESG	p.11
To Our Unitholders	p.3	Asset Size, Property Acquisitions, and Performance Trends	p.15
Financial Highlights	p.7	The Portfolio of Japan Real Estate Investment Corporation	p.17
Top 10 Unitholders	p.7	Overview of Portfolio Properties	p.22
Unit Price Performance	p.7	Financial Section	p.28
Portfolio Highlights	p.8	Other Information	p.55
Asset Management Summary	p.9	Corporate Data	p.58

Investment Corporation

Steady Growth with Quality Portfolio

As of September 30, 2018

Total acquisition price:

JPY 1.014 trillion

Maintains **71** properties

The first listed
J-REIT,
showing steady performance
for 34 consecutive periods

Sound Financial Base

As of September 30, 2018

Highest level of credit ratings for a J-REIT:

A+ from S&P, **A1** from Moody's,
AA from R&I

Long-term interest-bearing debt ratio*1:

94.4%

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

40.2%

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

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

To Our Unitholders

In the fiscal period ended September 30, 2018, in addition to realizing solid internal growth, Japan Real Estate Investment Corporation (the “Company”) achieved significant external growth with the public offering of units. As a result, the Company was able to increase dividends per unit for the ninth consecutive periods, offering a dividend of JPY 9,495, up JPY 159 compared with the previous period. The occupancy rate for our portfolio remained at 99.2%, the highest number ever since the Company’s IPO. In the very strong office leasing market, we realized an extremely favorable performance owing to the strong demand for office space in

Business Performance for the September 2018 Period

Summary of Financial Results and Cash Dividends

In the September 2018 period (April 1, 2018 to September 30, 2018), Japan Real Estate Investment Corporation (the “Company”) recorded operating revenues increased 3.5% compared with the previous period, to JPY 33.0 billion. On the earnings front, operating profit increased 7.2%, to JPY 14.5 billion. After deducting expenses for interest payments on loans and other costs, ordinary profit increased 8.0%, to JPY 13.3 billion, and profit increased 8.0%, to JPY 13.2 billion.

Turning to dividends, the Company will make cash distributions using accounting profits based on the dividend policy outlined in Article 32-1(2) of the Company’s Articles of Incorporation, in an amount that exceeds 90% of earnings available for dividends as required by Article 67-15 of the Special Taxation Measures Act. Based on this policy, the Company made a reduction entry by applying “Exceptions of the Taxation in case of the Replacement by Purchase of Specific Assets” under Article 65-7 of the Special Taxation Measures Act and reserving the retained earnings brought forward, the total amount of dividends that the Company has determined to pay out is JPY 13,152,568,950 for the period under review, which is a multiple of 1,385,210—the number of units outstanding as of September 30, 2018. Accordingly, the dividend per investment unit is JPY 9,495.

Operating Environment and Performance

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

In the market for leased office space, high occupancy rates were maintained due to the continuous demands of new tenants and expansion for office space based on the improvement of corporate earnings. Additionally, rent increases steadily accumulated as a result of the

proactive negotiations of rents in not only the Tokyo metropolitan areas but also the urban and rural areas.

In the investment market for real estate, favorable conditions for the financing environment continued, based on the continuous monetary easing policy. Transaction yields were still at a low level against the backdrop of domestic and overseas investors’ desire to actively invest with the strict acquisition environment.

Under such market conditions, the Company made sound investments under the Investment Guideline of providing stable dividends to unitholders, which was set forth at the time of the Company’s listing on the TSE and remains unchanged to this date. Accordingly, the Company was able to provide a dividend at JPY 9,495, which is an increase by JPY 159 compared with the previous period.

In the market for leased office space in the fiscal period under review, as a result of our efforts to maintain and improve occupancy rates through meticulous property leasing, the Company successfully maintained and achieved the same level of occupancy rate of 99.2% as of September 30, 2018 and March 31, 2018 which achieved the record breaking in the previous period.

As for external growth, on April 17, 2018, the Company acquired Shinjuku Front Tower (Shinjuku-ku, Tokyo) with 27.24798% of share of ownership of the building at JPY 25.0 billion. In addition, the Company disposed the retail units of Lit City Building (Okayama-city, Okayama) with 3.15% of share of ownership of the building at JPY 650 million and thus, the Company’s current share of ownership of the building has become 24.60% from 27.75%.

As a result of the above, the Company’s portfolio at the end of the fiscal period under review, September 30, 2018, consisted of 71 properties, with a total acquisition price of JPY 1.014 trillion. Total leasable floor area stood at 847,905m² with 1,480 tenants in total.

central Tokyo, which has been brought about by new working styles and the war for talent. Capitalizing on these favorable market conditions, we expect to continue steady internal growth through the proactive rent revisions.

We are focusing our efforts on ESG. In the 2018 GRESB Real Estate Assessment, we received the highest rating of “5 Stars.” In addition, Japan Real Estate Asset Management Co., Ltd. (the Company’s asset manager) became a signatory to the Principles for Responsible Investment (“PRI”) and the United Nations Environment Programme Finance Initiative (“UNEP FI”).

Notes: 1. The acquisition price includes the selling price (JPY 614 million) 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. Shinjuku South Gate Project (tentative name) (Land with leasehold interest), whose building ownership was disposed on August 23, 2013, and Shibuya Cross Tower (land with leasehold interest), whose building ownership was disposed on January 18, 2018, are included in the above number of properties and total acquisition price, but are not included in total leasable floor area or total number of tenants.

Finance Activities

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

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

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

With the funds procured from the above public offerings of new investment units, the Company acquired Shinjuku Front Tower, and made a prepayment of short-term loans (JPY 13.0 billion). In addition, with the funds procured from the above third-party allocation, the Company made a prepayment of short-term loans (JPY 3.0 billion).

As well, the Company made loans in order to fund redemptions of the Japan Real Estate Investment Corporation Ninth Unsecured Bond of JPY 10 billion, and made repayments of short-term loans of JPY 3.5 billion. As a result of the above financing activities, as of September 30, 2018, the Company’s total interest-bearing debt was JPY 384.4 billion, a JPY 19.5 billion decrease from the end of the previous period. This amount consists of long-term loans totaling JPY 340.0 billion (including the current portion of long-term loans totaling JPY 25.0 billion), short-term loans totaling JPY 21.5 billion, and investment corporation bonds totaling JPY 22.9 billion. The current LTV ratio stands at 40.2%.

In order to secure flexible and stable financing for the purposes of acquiring specific properties and repayments of existing loans, the amount for commitment line agreements was increased from JPY 50.0 billion to JPY 60.0 billion effective on September 20, 2018.

The Company’s credit ratings as of September 30, 2018 were as follows:

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

Outlook

Operating Environment

The Japanese economy in the future is expected to follow a course of moderate recovery as a result of further improving conditions for employment and income, as well as various financial policies in force. However, as to the downward risks due to the uncertainty of the overseas economy and the influence of changes in the financial capital market, the Company considers that it is necessary to pay enough attention to them.

In the market for leased office space, especially regarding the increase in office space supply in the Tokyo metropolitan areas, to pay a close attention in the future including indirect effects on the surrounding areas is required. However, the tenant leasing of the new supply properties has progressed steadily, and business performance is expected to be steady in the future. The Company expects that the occupancy rates will maintain a high level for the time being, and the gentle upward trend in rents will continue.

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

Property Management

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

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

- (iii) Stabilize revenues and earnings

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

- (iv) Reduce management costs

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

Property Acquisitions and 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.



Hiroshi Nakajima (Left)

Executive Director of Japan Real Estate Investment Corporation

Naoki Umeda (Right)

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

Financial Policy

The Company has adopted the following financial policies.

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

Performance Forecasts for the March 2019 and September 2019 Fiscal Periods

The Company's forecasts for the March 2019 period (October 1, 2018 to March 31, 2019) are as follows: operating revenues totaling

JPY 32.8 billion, operating profit totaling JPY 14.3 billion, ordinary profit totaling JPY 13.2 billion, and profit totaling JPY 13.2 billion. The Company plans to declare a per-unit cash dividend of JPY 9,550.

The Company's forecasts for the September 2019 period (April 1, 2019 to September 30, 2019) are as follows: operating revenues totaling JPY 33.1 billion, operating profit totaling JPY 14.4 billion, ordinary profit totaling JPY 13.3 billion, and profit totaling JPY 13.3 billion. The Company plans to declare a per-unit cash dividend of JPY 9,620.

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

Hiroshi Nakajima

Executive Director of Japan Real Estate Investment Corporation

Naoki Umeda

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

Financial Highlights

	In millions of JPY				
	For the period from April 1, 2018 to September 30, 2018	For the period from October 1, 2017 to March 31, 2018	For the period from April 1, 2017 to September 30, 2017	For the period from October 1, 2016 to March 31, 2017	For the period from April 1, 2016 to September 30, 2016
Operating revenues	33,066	31,955	31,718	30,818	30,773
Operating profit	14,578	13,596	13,178	12,567	12,368
Ordinary profit	13,348	12,362	11,921	11,197	10,958
Profit	13,273	12,291	11,909	11,186	10,947
Net operating income (NOI) (Note 1)	22,401	21,566	21,275	20,372	20,182
Funds from operations (FFO) (Note 2)	19,451	18,652	18,466	17,679	17,447
FFO multiple (Times) (Note 3)	21.3	19.3	19.2	21.8	22.8
Cash distribution	13,152	12,223	11,909	11,186	10,947
Number of units	1,385,210	1,309,310	1,309,310	1,309,310	1,309,310
Dividend per unit (JPY)	9,495	9,336	9,096	8,544	8,361

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

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

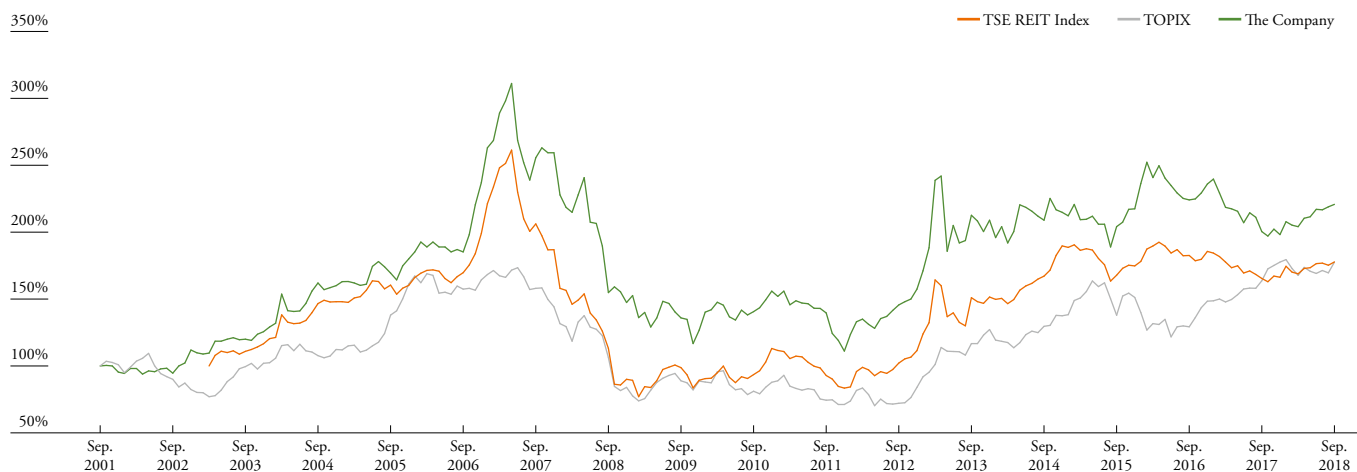
3. FFO multiple = Unit price at end of the respective term / FFO per unit (Annualized)

(Annualized portion of the calculation given in Note 2 and Note 3 assumes a fiscal period of 183 days for the period ended September 30, 2016, 182 days for the period ended March 31, 2017, 183 days for the period ended September 30, 2017, 182 days for the period ended March 31, 2018, and 183 days for the period ended September 30, 2018.)

Top 10 Unitholders As of September 30, 2018

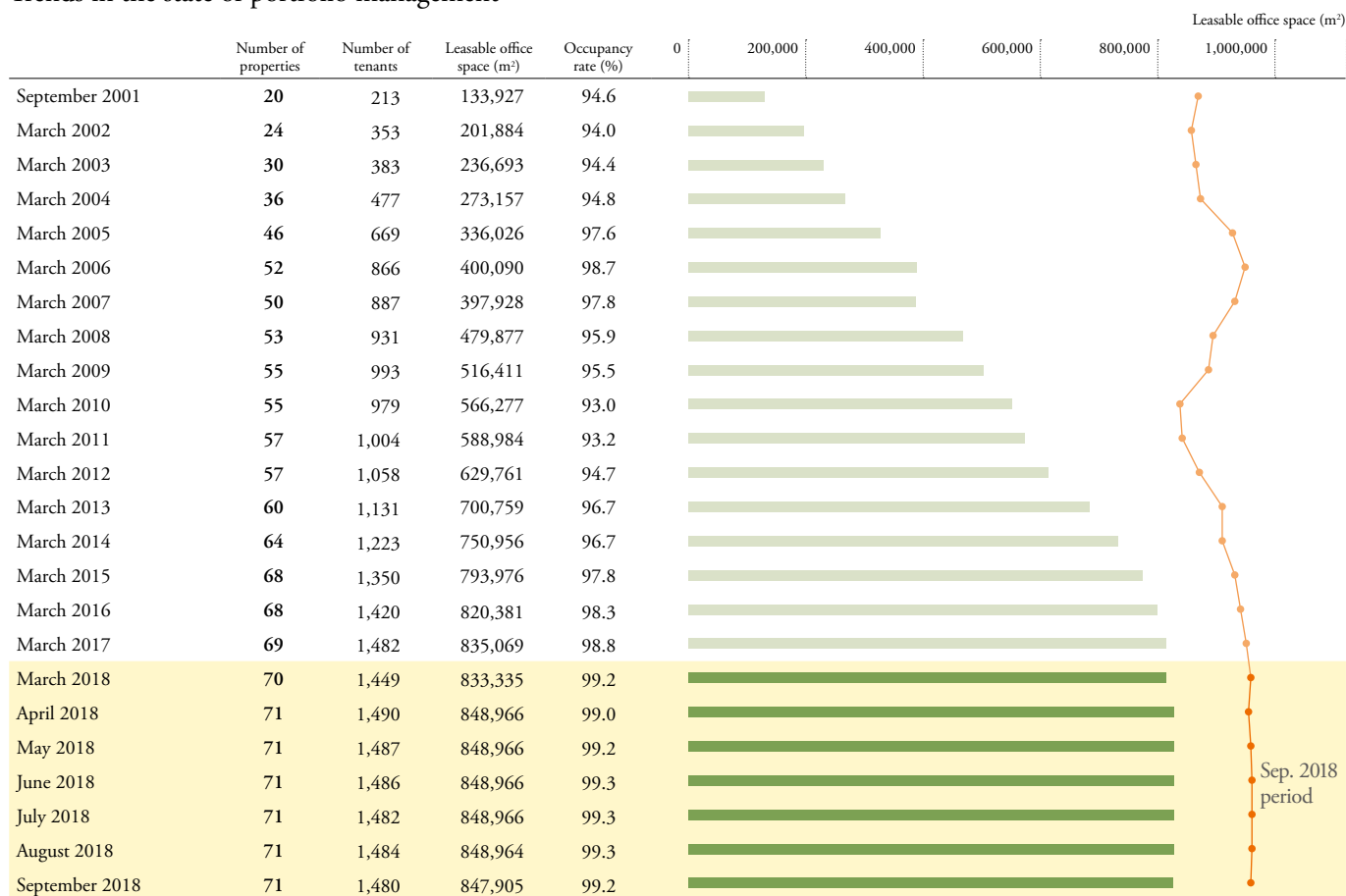
Company	Units	% of total units outstanding
Japan Trustee Services Bank, Ltd. (Shintaku Acc.)	269,325	19.44%
The Master Trust Bank of Japan, Ltd. (Shintaku Acc.)	208,346	15.04%
The Nomura Trust and Banking Co., Ltd. (Shintaku Acc.)	57,338	4.14%
Trust & Custody Services Bank, Ltd. (Toshin Acc.)	53,686	3.88%
STATE STREET BANK WEST CLIENT-TREATY 505234	38,077	2.75%
JP MORGAN CHASE BANK 385628	18,930	1.37%
The Chugoku Bank Ltd.	17,445	1.26%
Mitsubishi Estate Co., Ltd.	17,120	1.24%
JP MORGAN CHASE BANK 385771	16,566	1.20%
DFA INTERNATIONAL REAL ESTATE SECURITIES PORTFOLIO	16,507	1.19%

Unit Price Performance



Portfolio Highlights

Trends in the state of portfolio management

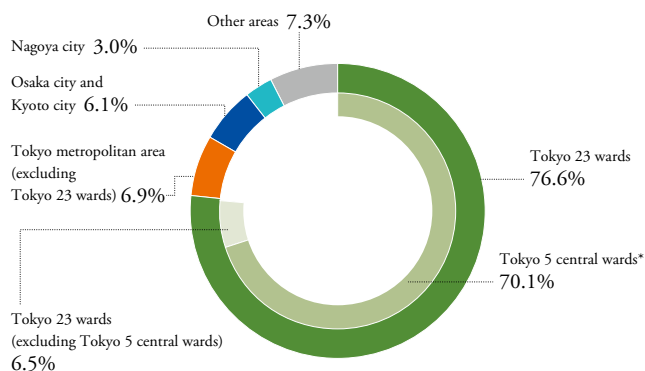


Notes: 1. The number of tenants is the gross number of tenants by building.
 2. Shinjuku South Gate Project (tentative name) (Land with leasehold interest) and Shibuya Cross Tower (Land with leasehold interest) are not included.

Portfolio breakdown As of September 30, 2018

Properties by geographic region

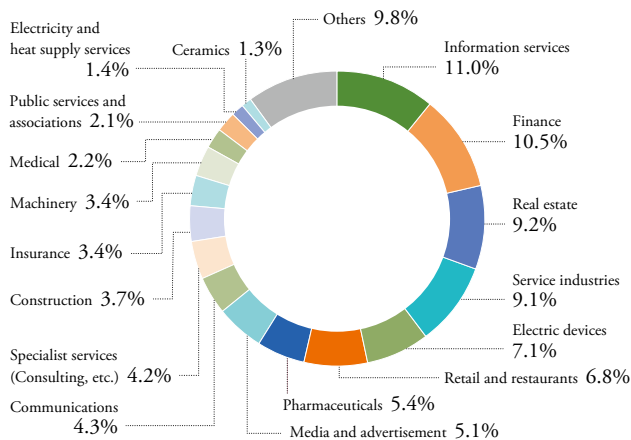
(Percentage based on acquisition price)



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

Tenants by industry type

(Percentage based on leased office space)



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

Asset Management Summary

For the period from April 1, 2018 to September 30, 2018

Acquired Property

Shinjuku Front Tower

Property and Transaction Summary

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

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



Disposed Property

Lit City Building (retail units)

Property and Transaction Summary

- Location: 15-1 Ekimoto-machi, Kita-ku, Okayama City, Okayama Prefecture
- Site area: 7,596.44m² (total land area for the building site)
- Floor area of building: 52,653.19m² (total floor space for the entire building)
- Structure: Steel-framed, reinforced concrete structure, flat roof
- Floors: Above ground: 20 floors
Below ground: 2 floors
- Completion: June 2005
- Acquisition date: February 2006
- Acquisition price: JPY 555 million (Acquisition price of the retail units)
- Type of ownership: Land: Freehold (share of co-ownership: 27,911/1,000,000)
Building: Compartmentalized building units (retail units)
* Share of ownership of the building: 3.15%
- Buyer: Domestic business corporation

Note: JRE continues to have ownership of the office part (the 3rd through the 7th floor) of the building.



Dedicated Team for ESG

(Environmental, Social, and Governance)

Japan Real Estate Asset Management Co., Ltd. (JRE-AM), which manages the Company's assets, believes that asset management focused on ESG is essential to the sustainable improvement of asset value. In April 2018, JRE-AM has established ESG Office with the intention of further strengthening its ESG initiatives. Such initiatives include an enhancement of disclosure of the Company's ESG related information, an acquisition of environmental certifications and evaluations from external organizations, a participation in the international initiatives and etc.

The Company has added an ESG section on the Company's corporate website to disclose ESG-related information in a timely manner.

Sustainability Policy

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

► Please refer to our website for further information.



URL

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



International Initiatives



Signatory of:



In August 2018, JRE-AM has become a signatory to the following international initiatives.

- Principles for Responsible Investment (PRI)
- United Nations Environment Programme Finance Initiative (UNEP FI)

Also, JRE-AM participates in the United Nations Global Compact (UNGC) as part of Mitsubishi Estate Group since April 2018.

To further contribute to the development of sustainability, JRE-AM participates in discussions held by international initiatives and evaluation organizations such as the PRI Japan Network Property Working Group, the UNEP FI Property Working Group, and the GRESB Benchmark Committee.

External Evaluation and Certifications

“5 Star” Rating under the GRESB Real Estate Assessment

The Global Real Estate Sustainability Benchmark (GRESB) is an annual benchmark evaluation that assesses the ESG performance of the real estate sector. In the GRESB Real Estate Assessment Survey conducted in 2018, the Company received the “Green Star” designation. Additionally, the Company received five stars (the highest rating possible) in the GRESB Rating based on a relative assessment of its total score. The Company also received an “A” (the highest rating possible) in the GRESB Public Disclosure, which evaluates the level of ESG disclosure by corporations.



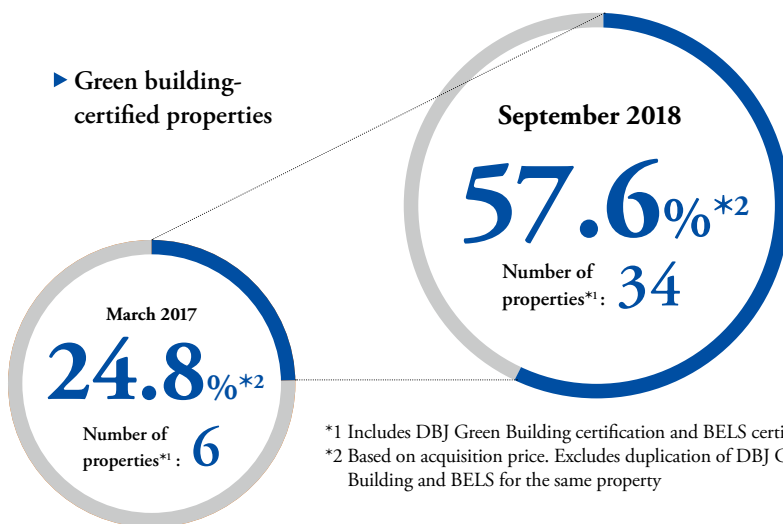
Points highly Evaluated

- Information disclosure regarding sustainability on our website
- Continuous efforts for energy conservation
- The first J-REIT obtaining third-party assurance (by Ernst & Young ShinNihon LLC) on energy consumption, greenhouse gas emissions and water usage data
- Increase the number of properties with environmental certifications, such as DBJ Green Building certifications
- Enhancement of a cooperative relationship with tenants (e.g., promoting green lease programme and conducting tenant satisfaction surveys)

Green Building - Certified Properties in the Portfolio

Going forward, the Company will continue to acquire environmental certifications and evaluations, such as DBJ Green Building Certifications.

▶ Green building-certified properties



*1 Includes DBJ Green Building certification and BELS certification.
 *2 Based on acquisition price. Excludes duplication of DBJ Green Building and BELS for the same property

DBJ Green Building Certification

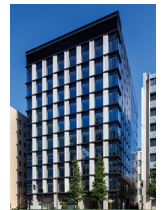


DBJ Green Building

BELS Certification



この建物のエネルギー消費量 24%削減
 2018年3月23日交付 国土交通省告示に基づく第三者認証



Front Place Nihonbashi



JRE's Proactive Initiatives

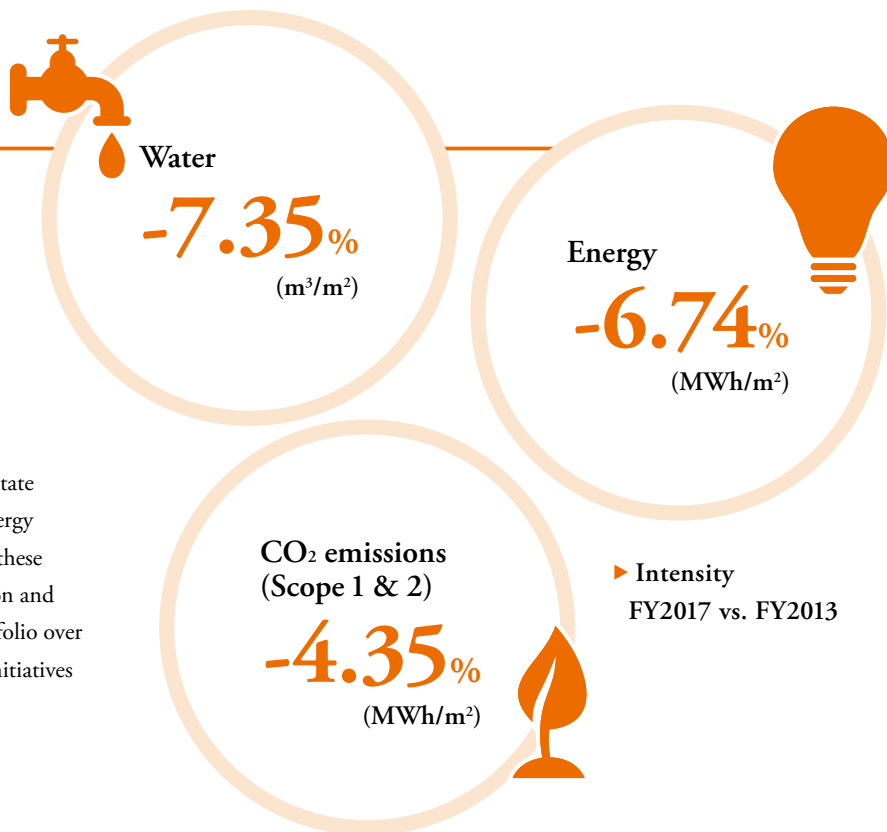
Environmental Performance

To improve the environmental performance of our real estate portfolio, we have established targets for reducing our energy consumption and greenhouse gas emissions. Specifically, these targets call for a 5% reduction in unit energy consumption and CO₂ emissions per unit across the Company's entire portfolio over a five-year period. We are moving forward with various initiatives to reach these targets.

Tenant Safety and Health

We have formulated identification criteria for earthquake damage and introduced systems and tools for identifying such damage. We have also established guidelines for actions to be taken to assist stranded commuters in the event of a disaster. In these ways, we are actively promoting initiatives that contribute to the safety and health of our tenants.

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



Developing Employee Skills and Providing Productive Workplace

JRE-AM implements various kinds of training and programs for developing skills and careers in order to cultivate human resources that have a high level of ethics and expertise as well as extensive know-how. In addition, JRE-AM strives to create an employee-friendly workplace from the perspective of securing outstanding talent. Coinciding with its relocation to Otemachi Park Building in December 2017, JRE-AM adopted a free address workspace, thereby promoting an atmosphere that facilitates strong internal communication. Going forward, JRE-AM will leverage this system and other efforts to reform working styles and improve productivity.



Green Bond

Positive Impact

We will promote “Positive Impact” by ESG investments such as refurbishment works to conserve energy, improve tenant satisfaction and receive better green building certifications.

Green Bond Framework

Our green bond framework was developed in accordance with the Green Bond Principles 2018, as administered by the International Capital Market Association (ICMA). The green bond framework was reviewed by Sustainalytics.

For more details, please refer to Framework Overview and Second-Party Opinion issued by Sustainalytics.

URL

https://www.sustainalytics.com/wp-content/uploads/2018/09/Japan-Real-Estate-Investment_Green-Bond-Framework-and-SPO_Final.pdf

Main Criteria for Eligible Green Projects

Refurbishments	<ul style="list-style-type: none">• More than 10% reduction in CO₂ emissions or energy consumption• More than 10% reduction in water consumption• More than one level of star/rank improvement in the green building certifications listed below• Conservation & recovery of biodiversity• Upgrade of public open space & disaster resilience
Acquisition	<ul style="list-style-type: none">• 3, 4 or 5 Stars under the DBJ Green Building Certification• 3, 4 or 5 Stars under BELS• B+, A or S Rank under CASBEE

Reporting

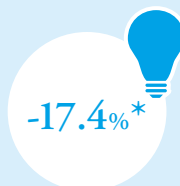
On our corporate website, we disclose the allocation information of net proceeds from green bonds at the end of March each year. We also annually disclose the progress and levels of certifications of Eligible Green Projects that have been funded by green bonds, in addition to the three energy-related indicators we use for these projects (energy consumption, water usage, and CO₂ emissions).

Refurbishments of Shiba 2Chome Daimon Building

This project was designed with reference to the idea of the UN Environment Finance Initiative’s Principles for Positive Impact Finance. Among the above criteria, the project meets “refurbishments with more than 10% reduction in CO₂ emissions or energy consumption” and “3 Stars under the DBJ Green Building Certification”. Additionally, in regard to DBJ Green Building Certification, this project received high praise for not only the installation of highly efficient air conditioning and LED lighting inside the building but also the promotion of efforts that contribute to disaster prevention and business continuity planning.

This project was designed with reference to the idea of the UN Environment Finance Initiative’s Principles for Positive Impact Finance. Among the above criteria, the project meets “refurbishments with more than 10% reduction in

- Main contents of the refurbishments
- (i) Replacement of building equipment to reduce environmental impacts
 - ▶ Energy reduction of entire building resulting from installing highly efficient air conditioning
 - (ii) Improvement of work environments for tenant satisfaction
 - (iii) Consideration for the health and well-beings of tenants’ employees
 - (iv) Value enhancement with ESG conscious design



2016 → After
* Electricity and gas consumption



Asset Size, Property Acquisitions, and Performance Trends

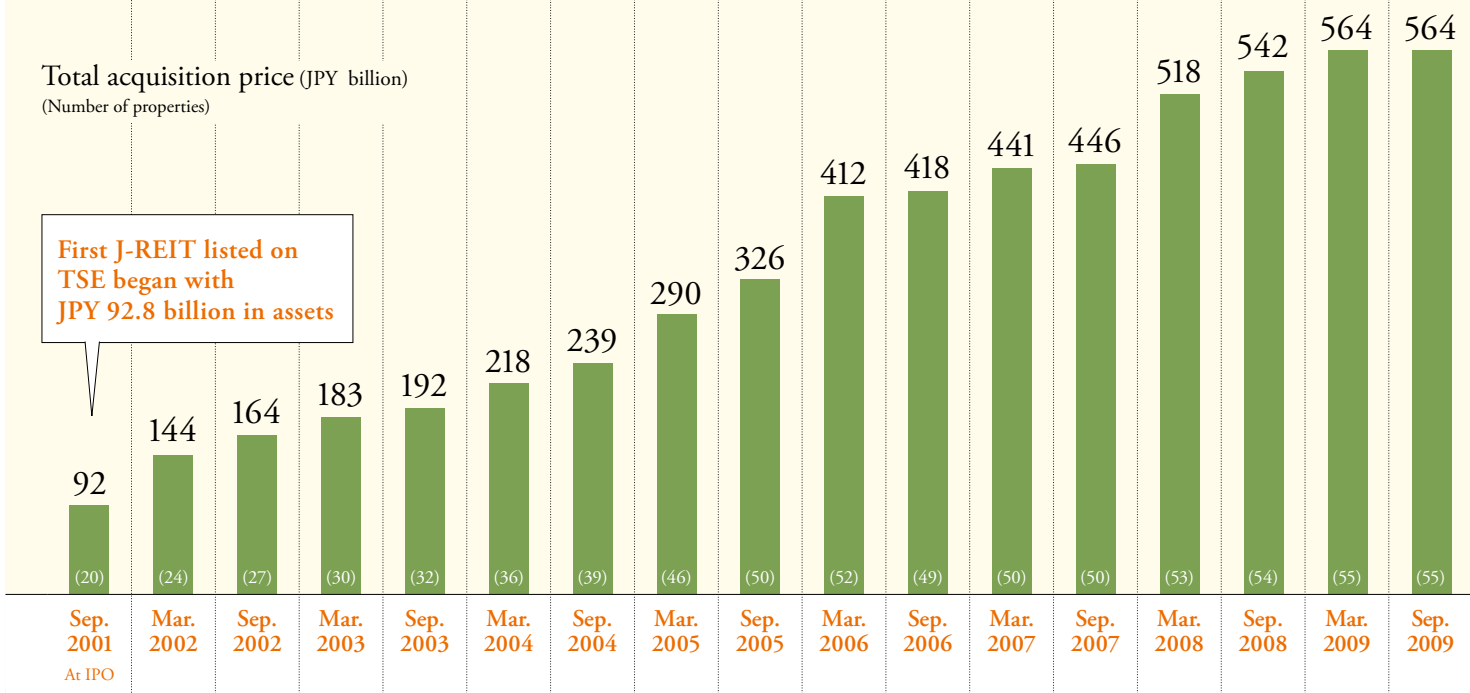
Occupancy rate (%)

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

In September 2001, the Company became the first J-REIT in Japan listed on the Tokyo Stock Exchange. Since then, the Company has targeted stable management to fulfill its goal of maintaining or increasing dividend per unit over the medium to long term. The Company's growth is based on external growth strategies that aim to increase earnings through the acquisition and transfer of properties, as well as internal growth strategies that seek to optimize earnings from properties already held. The size of the Company's assets (total acquisition price) has grown from JPY 92.8 billion at IPO to JPY 1.014 trillion as of the period ended September 30, 2018 due to the steady achievement of external growth strategies. However, in terms of internal growth strategies, ongoing efforts are being made in such areas as maintaining stable occupancy rates and reducing building management costs.

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

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



Dividend per unit* (JPY)

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

Listing and issuance of units

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

May 2002
First Follow-On (First for a J-REIT)

Oct. 2003
Second Follow-On

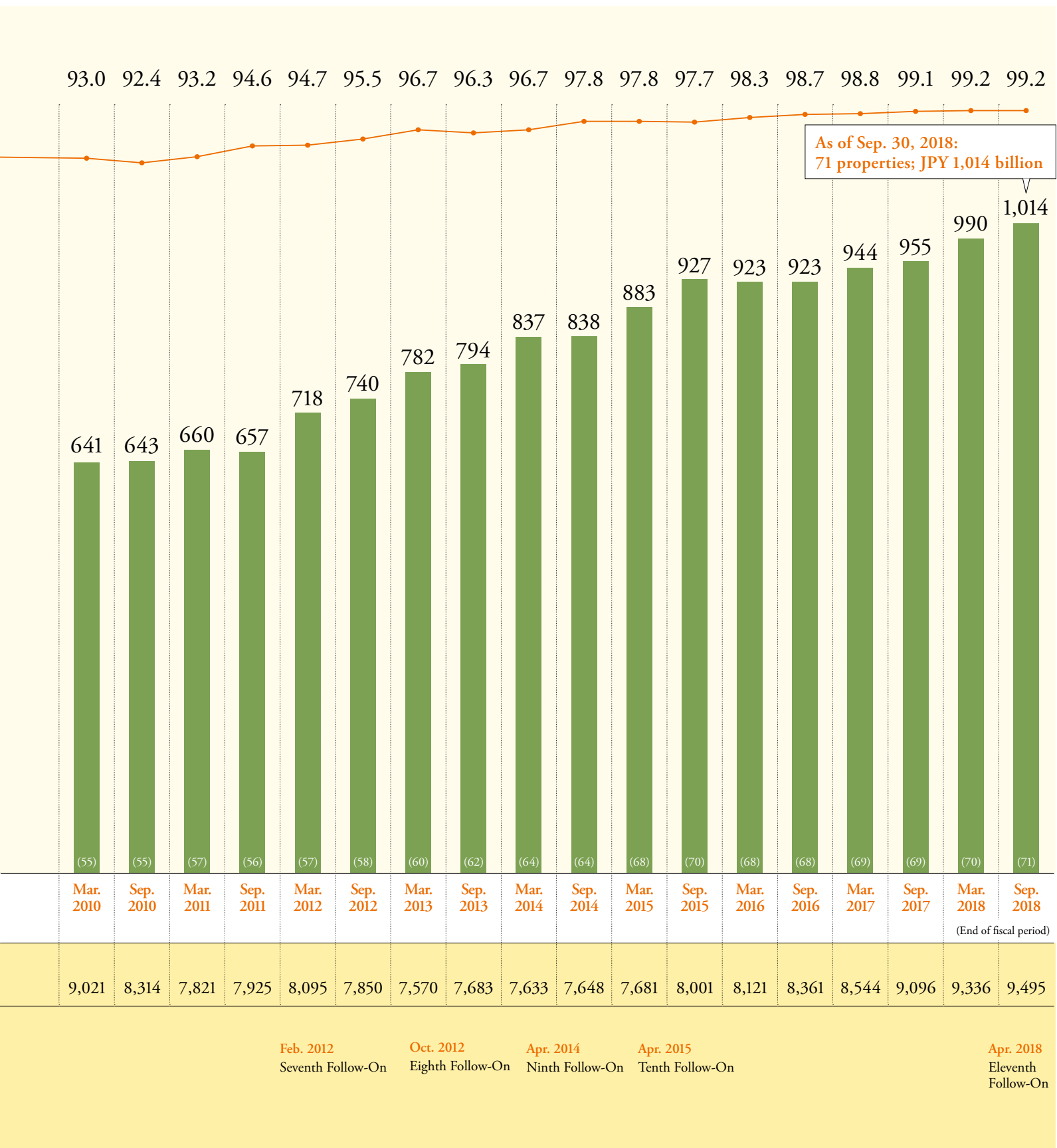
Apr. 2005
Third Follow-On

Oct. 2006
Fourth Follow-On

Mar. 2008
Fifth Follow-On

Dec. 2009
Sixth Follow-On

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



The Portfolio of Japan Real Estate Investment Corporation

As of September 30, 2018

Property roster

Number	Name of building	Location	Type of specified asset	Acquisition date	Acquisition price (JPY million)
Tokyo 23 wards					
• I-1	Kitanomaru Square	Kudan-Kita, Chiyoda-ku	Real property	02/24/2006	81,555 (8.0%)
• I-2	MD Kanda Building	Kanda-Mitoshirocho, Chiyoda-ku	Real property	05/31/2002	9,520 (0.9%)
• I-3	Kandabashi Park Building	Kanda-Nishikicho, Chiyoda-ku	Real property	08/15/2002	4,810 (0.5%)
• I-4	Otemachi Financial City North Tower	Otemachi, Chiyoda-ku	Real property	03/31/2014	15,462 (1.5%)
• I-5	Nibancho Garden	Nibancho, Chiyoda-ku	Real property	04/01/2005	14,700 (1.4%)
• I-6	Mitsubishi UFJ Trust and Banking Building	Marunouchi, Chiyoda-ku	Real property	03/28/2007	44,700 (4.4%)
• I-7	Burex Kojimachi Building	Kojimachi, Chiyoda-ku	Real property	07/29/2005	7,000 (0.7%)
• I-8	Sanno Grand Building	Nagatacho, Chiyoda-ku	Real property	01/31/2005	10,200
				04/03/2006	10,700
				Total	20,900 (2.1%)
• I-9	Yurakucho Denki Building	Yurakucho, Chiyoda-ku	Real property	08/01/2003	7,200 (0.7%)
• I-10	Kodenmacho Shin-Nihonbashi Building	Nihonbashi-Kodenmacho, Chuo-ku	Trust	09/25/2001	3,173 (0.3%)
• I-11	Front Place Nihonbashi	Nihonbashi, Chuo-ku	Real property	01/19/2018	17,560 (1.7%)
• I-12	Kyodo Building (Kayabacho 2Chome)	Nihonbashi-Kayabacho, Chuo-ku	Trust	03/01/2011	4,410 (0.4%)
• I-13	Burex Kyobashi Building	Kyobashi, Chuo-ku	Real property	07/22/2002	5,250 (0.5%)
• I-14	Ginza 1Chome East Building	Ginza, Chuo-ku	Trust	03/02/2015	6,459 (0.6%)
• I-15	Ginza Sanwa Building	Ginza, Chuo-ku	Real property	03/10/2005	16,830 (1.7%)
• I-16	Ryoshin Ginza East Mirror Building	Ginza, Chuo-ku	Real property	03/15/2005	5,353
				05/24/2010	2,645
				Total	7,999 (0.8%)
• I-17	Harumi Front	Harumi, Chuo-ku	Real property	01/07/2013	31,300 (3.1%)
• I-18	Harumi Center Building	Harumi, Chuo-ku	Real property	12/18/2007	26,800 (2.6%)
• I-19	Akasaka Park Building	Akasaka, Minato-ku	Real property	11/15/2011	60,800 (6.0%)
• I-20	Aoyama Crystal Building	Kita-Aoyama, Minato-ku	Real property	03/14/2003	7,680 (0.8%)
• I-21	Clover Shiba-koen	Shibakoen, Minato-ku	Trust	01/20/2015	4,500 (0.4%)
• I-22	Shiodome Building	Kaigan, Minato-ku	Trust	12/19/2008	21,250
				01/15/2010	54,600
				05/01/2015	10,100
				03/30/2017	10,450
				09/01/2017	10,530
				Total	106,930 (10.5%)
• I-23	Shiba 2Chome Daimon Building	Shiba, Minato-ku	Trust	09/10/2001	4,859 (0.5%)
• I-24	Cosmo Kanasugibashi Building	Shiba, Minato-ku	Trust	09/25/2001	2,808 (0.3%)
• I-25	Tamachi Front Building	Shiba, Minato-ku	Real property	03/30/2017	6,210 (0.6%)
• I-26	Shinjuku Eastside Square	Shinjuku, Shinjuku-ku	Trust	10/01/2014	23,100
				01/25/2017	6,660
				03/30/2018	25,460
				Total	55,220 (5.4%)
• I-27	Shinjuku Front Tower	Kita-Shinjuku, Shinjuku-ku	Trust	04/17/2018	25,025 (2.5%)
• I-28	Shinwa Building	Nishi-Shinjuku, Shinjuku-ku	Real property	09/01/2004	7,830 (0.8%)
• I-29	Tokyo Opera City Building	Nishi-Shinjuku, Shinjuku-ku	Real property	09/13/2005	9,350
				03/24/2010	22,426
				Total	31,776 (3.1%)
• I-30	TIXTOWER UENO	Higashi-Ueno, Taito-ku	Real property	06/15/2012	22,000 (2.2%)
• I-31	Higashi-Gotanda 1Chome Building	Higashi-Gotanda, Shinagawa-ku	Real property	11/01/2004	5,500 (0.5%)
• I-32	Osaki Front Tower	Osaki, Shinagawa-ku	Real property	02/01/2011	12,300 (1.2%)
• I-33	Omori-Eki Higashiguchi Building	Omori-Kita, Ota-ku	Trust	09/10/2001	5,123 (0.5%)
• I-34	Shinjuku South Gate Project (tentative name) (Land with leasehold interest)	Sendagaya, Shibuya-ku	Real property	03/24/2004	6,670
				08/23/2013	(1,170)
				Total	5,500 (0.5%)
• I-35	Yoyogi 1Chome Building	Yoyogi, Shibuya-ku	Real property	04/01/2004	8,700 (0.9%)
• I-36	Jingumae Terrace	Jingumae, Shibuya-ku	Real property	11/22/2002	4,885 (0.5%)
• I-37	Jingumae Media Square Building	Jingumae, Shibuya-ku	Real property	10/09/2003	12,200 (1.2%)
• I-38	Shibuya Cross Tower (Land with leasehold interest)	Shibuya, Shibuya-ku	Real property	11/30/2001	34,600
				01/18/2018	(8,076)
				Total	26,524 (2.6%)
• I-39	Ebisu Neonato	Ebisu, Shibuya-ku	Real property	11/14/2003	3,740
				04/01/2004	360
				02/18/2014	10,512
				Total	14,612 (1.4%)
• I-40	Harmony Tower	Honcho, Nakano-ku	Real property	02/28/2005	8,500
				12/19/2012	520
				03/27/2015	2,100
				Total	11,120 (1.1%)
• I-41	Otsuka Higashi-Ikebukuro Building	Higashi-Ikebukuro, Toshima-ku	Trust	09/25/2001	3,541 (0.3%)
• I-42	Ikebukuro 2Chome Building	Ikebukuro, Toshima-ku	Trust	09/25/2001	1,728 (0.2%)
• I-43	Ikebukuro YS Building	Minami-Ikebukuro, Toshima-ku	Real property	08/02/2004	4,500 (0.4%)

Percentage of ownership of the building	Completion	Appraisal value at the end of period (JPY million)	Leasable office space	Leased office space	Occupancy rate	Number of tenants	Revenues from leasing operations (JPY million)
100.0%	2006	85,200	25,678m ²	25,678m ²	100.0%	5	1,732 (5.3%)
100.0%	1998	8,410	6,269m ²	6,269m ²	100.0%	9	231 (0.7%)
56.76%	1993	4,700	3,687m ²	3,687m ²	100.0%	10	119 (0.4%)
3.3852192%	2012	20,300	5,121m ²	5,121m ²	100.0%	2	350 (1.1%)
31.345%	2004	19,000	9,316m ²	9,316m ²	100.0%	1	478 (1.5%)
19.38402%	2003	55,600	11,904m ²	11,904m ²	100.0%	10	994 (3.0%)
100.0%	2005	7,520	4,495m ²	4,495m ²	100.0%	1	153 (0.5%)
99.0%	1966	33,200	20,595m ²	20,526m ²	99.7%	43	953 (2.9%)
10.78%	1975	8,670	4,697m ²	4,697m ²	100.0%	12	265 (0.8%)
100.0%	1991	2,940	3,897m ²	3,897m ²	100.0%	11	118 (0.4%)
100.0%	2014	18,600	8,468m ²	8,468m ²	100.0%	2	389 (1.2%)
100.0%	1991	5,030	4,464m ²	3,893m ²	87.2%	9	141 (0.4%)
100.0%	2002	7,740	4,279m ²	4,279m ²	100.0%	1	158 (0.5%)
100.0%	2008	7,780	4,513m ²	4,513m ²	100.0%	8	180 (0.6%)
70.95%	1982	18,700	4,326m ²	4,326m ²	100.0%	11	401 (1.2%)
100.0%	1998	6,530	4,255m ²	4,255m ²	100.0%	11	158 (0.5%)
100.0%	2012	40,500	33,369m ²	33,369m ²	100.0%	8	1,228 (3.7%)
100.0%	2006	20,300	20,812m ²	20,439m ²	98.2%	12	570 (1.7%)
100.0%	1993	76,000	44,999m ²	44,999m ²	100.0%	29	2,230 (6.8%)
100.0%	1982	9,230	4,898m ²	4,419m ²	90.2%	7	191 (0.6%)
100.0%	2006	4,740	2,550m ²	2,550m ²	100.0%	9	109 (0.3%)
55.0%	2007	122,000	44,213m ²	44,213m ²	100.0%	37	2,437 (7.4%)
100.0%	1984	7,080	9,606m ²	9,606m ²	100.0%	23	272 (0.8%)
100.0%	1992	3,340	4,062m ²	4,062m ²	100.0%	8	115 (0.4%)
100.0%	2014	6,720	3,792m ²	3,792m ²	100.0%	8	156 (0.5%)
31.0%	2012	60,500	36,237m ²	36,237m ²	100.0%	41	1,502 (4.6%)
27.24798%	2011	25,800	15,705m ²	15,240m ²	97.0%	43	585 (1.8%)
100.0%	1989	8,080	5,997m ²	5,997m ²	100.0%	13	217 (0.7%)
31.325%	1996	36,100	34,951m ²	34,775m ²	99.5%	99	1,584 (4.8%)
94.040229%	2010	25,700	15,016m ²	15,016m ²	100.0%	17	654 (2.0%)
100.0%	2004	6,700	5,205m ²	5,205m ²	100.0%	5	189 (0.6%)
100.0%	2005	17,100	16,856m ²	16,856m ²	100.0%	1	710 (2.2%)
100.0%	1989	5,990	7,706m ²	7,706m ²	100.0%	26	234 (0.7%)
—	—	5,500	—	—	—	—	85 (0.3%)
100.0%	2003	12,300	7,745m ²	7,745m ²	100.0%	7	316 (1.0%)
100.0%	1987	7,300	3,147m ²	3,147m ²	100.0%	6	180 (0.5%)
100.0%	1998	10,600	5,558m ²	5,558m ²	100.0%	5	293 (0.9%)
—	—	39,000	—	—	—	—	540 (1.6%)
44.718394%	1994	18,800	8,659m ²	8,659m ²	100.0%	5	486 (1.5%)
38.382307%	1997	14,500	14,340m ²	14,340m ²	100.0%	22	480 (1.5%)
100.0%	1987	4,590	7,224m ²	7,224m ²	100.0%	5	195 (0.6%)
100.0%	1990	1,830	2,186m ²	2,186m ²	100.0%	9	69 (0.2%)
100.0%	1989	5,500	5,932m ²	5,932m ²	100.0%	9	193 (0.6%)

Number	Name of building	Location	Type of specified asset	Acquisition date	Acquisition price (JPY million)
Tokyo metropolitan area, excluding Tokyo 23 wards					
• II-1	Hachioji First Square	Hachioji, Tokyo	Real property	03/31/2005 03/19/2008	3,300 2,379
				Total	5,679 (0.6%)
• II-2	Saitama Urawa Building	Saitama, Saitama Prefecture	Real property	09/25/2001 10/11/2001	1,232 1,342
				Total	2,574 (0.3%)
• II-3	MM Park Building	Yokohama, Kanagawa Prefecture	Real property	03/24/2008	37,400 (3.7%)
• II-4	Queen's Tower A	Yokohama, Kanagawa Prefecture	Trust	01/31/2014	17,200 (1.7%)
• II-5	Kawasaki Isago Building	Kawasaki, Kanagawa Prefecture	Trust	09/25/2001	3,375 (0.3%)
• II-6	Musashi Kosugi STM Building	Kawasaki, Kanagawa Prefecture	Real property	03/25/2008	4,000 (0.4%)
Other major cities					
• III-1	8-3 Square Kita Building	Sapporo, Hokkaido	Real property	06/01/2007	7,100 (0.7%)
• III-2	Jozenji Park Building	Sendai, Miyagi Prefecture	Real property	01/31/2005	1,000 (0.1%)
• III-3	Higashi Nibancho Square	Sendai, Miyagi Prefecture	Real property	01/07/2013	9,950 (1.0%)
• III-4	Sendai Honcho Honma Building	Sendai, Miyagi Prefecture	Trust	09/25/2001 06/28/2006	2,924 250
				Total	3,174 (0.3%)
• III-5	AER	Sendai, Miyagi Prefecture	Real property	09/01/2015	18,640 (1.8%)
• III-6	Kanazawa Park Building	Kanazawa, Ishikawa Prefecture	Real property	02/28/2002 03/03/2003	2,880 1,700
				Total	4,580 (0.5%)
• III-7	Kanazawa Kamitsutsumicho Building	Kanazawa, Ishikawa Prefecture	Real property	10/03/2016	2,780 (0.3%)
• III-8	Nishiki Park Building	Nagoya, Aichi Prefecture	Real property	10/02/2006 11/01/2006 06/09/2014 04/01/2016	3,850 1,300 650 175
				Total	5,975 (0.6%)
• III-9	Nagoya Hirokoji Place	Nagoya, Aichi Prefecture	Trust	07/31/2013	8,567 (0.8%)
• III-10	Nagoya Hirokoji Building	Nagoya, Aichi Prefecture	Real property	09/10/2001	14,533 (1.4%)
• III-11	Nagoya Misono Building	Nagoya, Aichi Prefecture	Real property	08/08/2003	1,865 (0.2%)
• III-12	Shijo Karasuma Center Building	Kyoto, Kyoto Prefecture	Real property	09/03/2013	4,400 (0.4%)
• III-13	Umeda Square Building	Osaka, Osaka Prefecture	Trust	04/01/2015	15,523 (1.5%)
• III-14	Shin-Fujita Building	Osaka, Osaka Prefecture	Trust	09/01/2008	24,000 (2.4%)
• III-15	Sakaisujihonmachi Building	Osaka, Osaka Prefecture	Real property	09/25/2001 12/26/2003	2,264 1,900
				Total	4,164 (0.4%)
• III-16	Midosuji Daiwa Building	Osaka, Osaka Prefecture	Trust	09/25/2001 02/28/2002	6,934 7,380
				Total	14,314 (1.4%)
• III-17	Amagasaki Front Building	Amagasaki, Hyogo Prefecture	Trust	03/25/2015	9,300 (0.9%)
• III-18	Lit City Building	Okayama, Okayama Prefecture	Real property	02/01/2006 09/28/2018	4,650 (55)
				Total	4,094 (0.4%)
• III-19	NHK Hiroshima Broadcasting Center Building	Hiroshima, Hiroshima Prefecture	Real property	03/25/2004 03/03/2008	1,320 1,450
				Total	2,770 (0.3%)
• III-20	Tosei Tenjin Building	Fukuoka, Fukuoka Prefecture	Real property	09/25/2001	1,550 (0.2%)
• III-21	Tenjin Crystal Building	Fukuoka, Fukuoka Prefecture	Real property	06/01/2005	5,000 (0.5%)
• III-22	Hinode Tenjin Building	Fukuoka, Fukuoka Prefecture	Trust	09/10/2001	3,657 (0.4%)
Total					1,014,667 (100.0%)

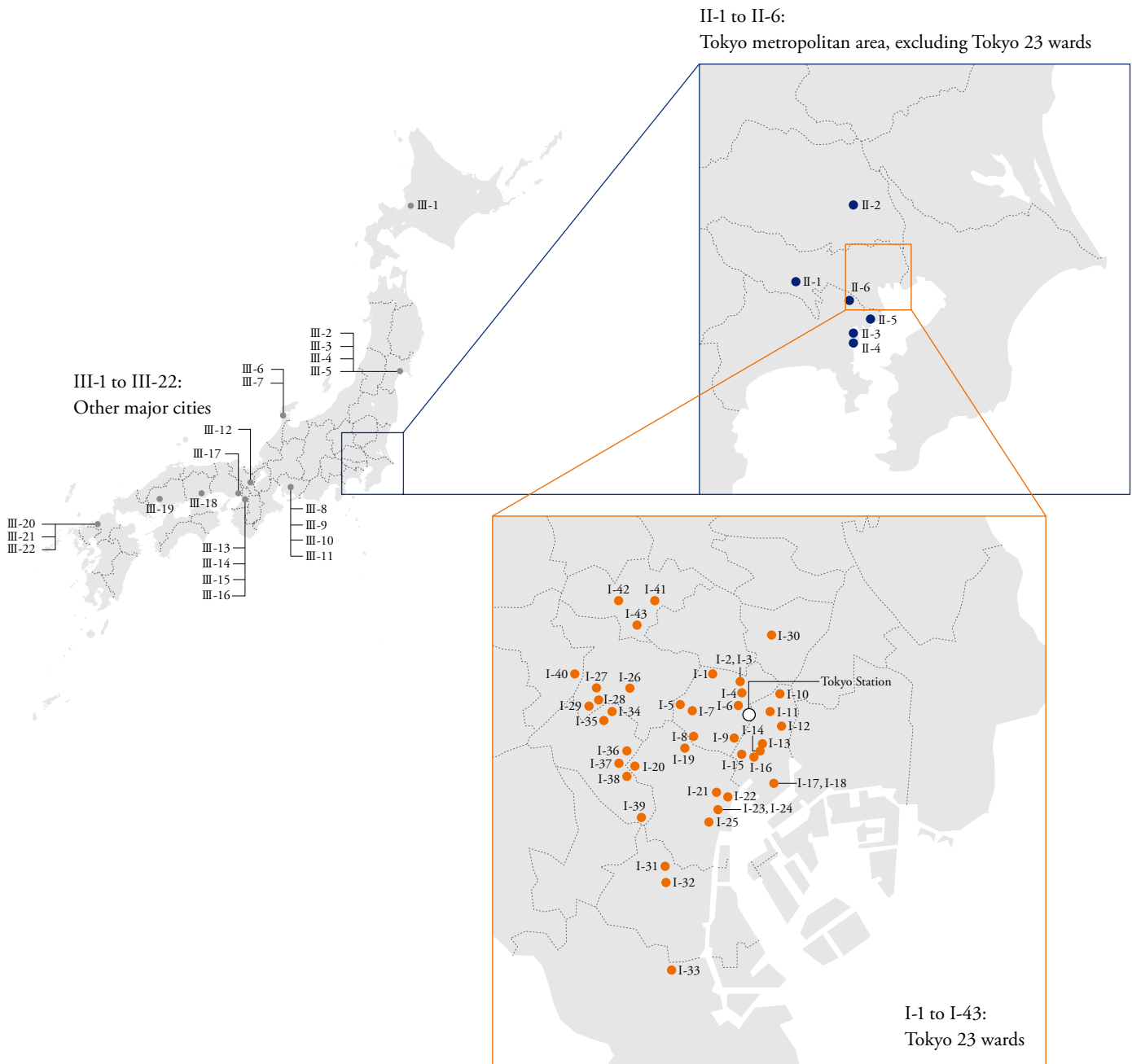
Percentage of ownership of the building	Completion	Appraisal value at the end of period (JPY million)	Leasable office space	Leased office space	Occupancy rate	Number of tenants	Revenues from leasing operations (JPY million)	
80.4%	1996	5,050	10,068m ²	10,068m ²	100.0%	48	240	(0.7%)
100.0%	1990	2,480	4,510m ²	4,510m ²	100.0%	18	113	(0.3%)
100.0%	2007	40,400	38,426m ²	36,574m ²	95.2%	34	1,180	(3.6%)
11.11481%	1997	22,500	26,669m ²	26,410m ²	99.0%	51	1,025	(3.1%)
100.0%	1990	3,170	6,831m ²	6,831m ²	100.0%	14	154	(0.5%)
34.32%	1990	4,580	5,378m ²	5,378m ²	100.0%	27	163	(0.5%)
100.0%	2006	9,160	12,265m ²	12,265m ²	100.0%	8	330	(1.0%)
50.0%	1993	1,030	2,518m ²	2,518m ²	100.0%	17	64	(0.2%)
100.0%	2008	14,000	20,526m ²	19,997m ²	97.4%	21	558	(1.7%)
100.0%	1991	2,620	6,234m ²	5,882m ²	94.4%	26	128	(0.4%)
55.35443%	1998	20,000	23,612m ²	23,612m ²	100.0%	65	671	(2.0%)
89.0%	1991	6,000	20,942m ²	20,828m ²	99.5%	81	507	(1.5%)
100.0%	2009	3,110	7,206m ²	7,206m ²	100.0%	27	132	(0.4%)
71.74301%	1995	5,300	10,338m ²	10,233m ²	99.0%	62	288	(0.9%)
100.0%	2004	11,500	13,200m ²	13,200m ²	100.0%	34	376	(1.1%)
100.0%	1987	13,000	21,425m ²	21,359m ²	99.7%	38	563	(1.7%)
100.0%	1991	1,460	3,448m ²	3,448m ²	100.0%	16	72	(0.2%)
100.0%	2010	5,630	6,634m ²	6,634m ²	100.0%	13	208	(0.6%)
100.0%	1995	16,900	10,370m ²	9,581m ²	92.4%	41	469	(1.4%)
100.0%	1995	19,700	28,403m ²	28,038m ²	98.7%	49	709	(2.2%)
100.0%	1992	3,470	11,520m ²	11,520m ²	100.0%	23	233	(0.7%)
100.0%	1991	14,900	20,450m ²	20,450m ²	100.0%	42	542	(1.7%)
100.0%	2008	10,100	15,500m ²	15,500m ²	100.0%	29	442	(1.3%)
24.60%	2005	4,160	8,906m ²	8,906m ²	100.0%	27	260	(0.8%)
48.753%	1994	3,210	9,860m ²	9,860m ²	100.0%	12	267	(0.8%)
100.0%	1992	1,460	3,995m ²	3,995m ²	100.0%	24	84	(0.3%)
100.0%	1993	3,050	5,964m ²	5,964m ²	100.0%	31	160	(0.5%)
74.4844%	1987	4,480	5,944m ²	5,944m ²	100.0%	2	183	(0.6%)
		1,158,140	847,905m ²	841,341m ²	99.2%	1,480	32,795	(100.0%)

Major tenant roster

Name of tenant	Name of property	Leased office space (m ²)	% of total leased office space
MUFG Bank, Ltd.	Harumi Front (also includes 3 other properties)	33,912	4.0%
Not disclosed (Note)	Kitanomaru Square (also includes 3 other properties)	22,581	2.7%
Not disclosed (Note)	Osaki Front Tower (also includes 2 other properties)	21,672	2.6%
NTT Communications Corporation	Shiodome Building	16,243	1.9%
HAKUHODO DY HOLDINGS INCORPORATED	Akasaka Park Building (also includes 1 other property)	13,403	1.6%
SQUARE ENIX HOLDINGS CO., LTD.	Shinjuku Eastside Square	11,879	1.4%
Mitsubishi UFJ Trust and Banking Corporation	Mitsubishi UFJ Trust and Banking Building	10,598	1.3%
JGC Corporation	MM Park Building (also includes 1 other property)	10,246	1.2%
TOTO LTD.	Shiodome Building (also includes 1 other property)	9,694	1.2%
Minato Mirai 21 District Heating and Cooling Co., Ltd.	Queen's Tower A	9,536	1.1%

Note: Not disclosed due to tenant's request

Location of portfolio properties



Overview of Portfolio Properties

As of September 30, 2018



Kitanomaru Square

• I-1

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



MD Kanda Building

• I-2

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



Kandabashi Park Building

• I-3

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



Otemachi Financial City North Tower

• I-4

Location:	Chiyoda-ku, Tokyo
Site area:	14,108.16m ²
Floor area of building:	239,769.07m ²
Structure:	Above ground: 35 floors Below ground: 4 floors
Completion:	October 2012



Nibancho Garden

• I-5

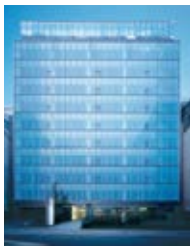
Location:	Chiyoda-ku, Tokyo
Site area:	10,992.13m ²
Floor area of building:	57,031.06m ²
Structure:	Above ground: 14 floors Below ground: 2 floors
Completion:	April 2004



Mitsubishi UFJ Trust and Banking Building

• I-6

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



Burex Kojimachi Building

• I-7

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



Sanno Grand Building

• I-8

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



Yurakucho Denki Building

• I-9

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



Kodonmacho Shin-Nihonbashi Building

• I-10

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



Front Place Nihonbashi

• I-11

Location:	Chuo-ku, Tokyo
Site area:	1,381.52m ²
Floor area of building:	11,672.55m ²
Structure:	Above ground: 10 floors Below ground: 1 floor
Completion:	February 2014



Kyodo Building (Kayabacho 2Chome)

• I-12

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



Burex Kyobashi Building

● I-13

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



Ginza 1Chome East Building

● I-14

Location:	Chuo-ku, Tokyo
Site area:	702.41m ²
Floor area of building:	4,976.85m ²
Structure:	Above ground: 9 floors Below ground: 1 floor
Completion:	May 2008



Ginza Sanwa Building

● I-15

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



Ryoshin Ginza East Mirror Building

● I-16

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



Harumi Front

● I-17

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



Harumi Center Building

● I-18

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



Akasaka Park Building

● I-19

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



Aoyama Crystal Building

● I-20

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



Clover Shiba-koen

● I-21

Location:	Minato-ku, Tokyo
Site area:	528.58m ²
Floor area of building:	3,496.01m ²
Structure:	Above ground: 9 floors Below ground: 1 floor
Completion:	February 2006



Shiodome Building

● I-22

Location:	Minato-ku, Tokyo
Site area:	12,054.22m ²
Floor area of building:	115,930.83m ²
Structure:	Above ground: 24 floors Below ground: 2 floors
Completion:	December 2007



Shiba 2Chome Daimon Building

● I-23

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



Cosmo Kanasugibashi Building

● I-24

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



Tamachi Front Building

● I-25

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



Shinjuku Eastside Square

● I-26

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



Shinjuku Front Tower

● I-27

Location:	Shinjuku-ku, Tokyo
Site area:	9,628.17m ²
Floor area of building:	92,092.30m ²
Structure:	Above ground: 35 floors Below ground: 2 floors
Completion:	August 2011



Shinwa Building

● I-28

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



Tokyo Opera City Building

● I-29

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



TIXTOWER UENO

● I-30

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



Higashi-Gotanda 1Chome Building

● I-31

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



Osaki Front Tower

● I-32

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



Omori-Eki Higashiguchi Building

● I-33

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

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

● I-34

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



Yoyogi 1Chome Building

● I-35

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



Jingumae Terrace

● I-36

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



Jingumae Media Square Building

● I-37

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

Shibuya Cross Tower (Land with leasehold interest)

● I-38

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



Ebisu Neonato

● I-39

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



Harmony Tower

● I-40

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



Otsuka Higashi-Ikebukuro Building

● I-41

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



Ikebukuro 2Chome Building

● I-42

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



Ikebukuro YS Building

● I-43

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



Hachioji First Square

● II-1

Location:	Hachioji, Tokyo
Site area:	2,989.33m ²
Floor area of building:	18,329.98m ²
Structure:	Above ground: 12 floors Below ground: 1 floor
Completion:	July 1996



Saitama Urawa Building

● II-2

Location:	Saitama, Saitama Prefecture
Site area:	1,533.06m ²
Floor area of building:	6,258.59m ²
Structure:	Above ground: 8 floors
Completion:	March 1990



MM Park Building

● II-3

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



Queen's Tower A

● II-4

Location:	Yokohama, Kanagawa Prefecture
Site area:	44,406.40m ²
Floor area of building:	498,282.77m ²
Structure:	Above ground: 37 floors Below ground: 5 floors
Completion:	June 1997



Kawasaki Isago Building

● II-5

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



Musashi Kosugi STM Building

• II-6

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



8.3 Square Kita Building

• III-1

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



Jozenji Park Building

• III-2

Location:	Sendai, Miyagi Prefecture
Site area:	1,566.68m ²
Floor area of building:	7,648.33m ²
Structure:	Above ground: 8 floors Below ground: 1 floor
Completion:	January 1993



Higashi Nibancho Square

• III-3

Location:	Sendai, Miyagi Prefecture
Site area:	3,191.27m ²
Floor area of building:	27,680.45m ²
Structure:	Above ground: 14 floors Below ground: 1 floor
Completion:	July 2008



Sendai Honcho Honma Building

• III-4

Location:	Sendai, Miyagi Prefecture
Site area:	1,437.47m ²
Floor area of building:	8,247.50m ²
Structure:	Above ground: 11 floors
Completion:	November 1991



AER

• III-5

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



Kanazawa Park Building

• III-6

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



Kanazawa Kamitsutumicho Building

• III-7

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



Nishiki Park Building

• III-8

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



Nagoya Hirokoji Place

• III-9

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



Nagoya Hirokoji Building

• III-10

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



Nagoya Misono Building

• III-11

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



Shijo Karasuma Center Building

● III-12

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



Umeda Square Building

● III-13

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



Shin-Fujita Building

● III-14

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



Sakaisujihonmachi Building

● III-15

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



Midotsuji Daiwa Building

● III-16

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



Amagasaki Front Building

● III-17

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



Lit City Building

● III-18

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



NHK Hiroshima Broadcasting Center Building

● III-19

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



Tosei Tenjin Building

● III-20

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



Tenjin Crystal Building

● III-21

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



Hinode Tenjin Building

● III-22

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

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

Financial Section

Selected Financial Data	p.28
Balance Sheets	p.29
Statements of Income and Retained Earnings	p.31
Statements of Changes in Unitholders' Equity	p.32
Statements of Cash Distributions	p.33
Statements of Cash Flows	p.34
Notes to Financial Statements	p.35
Independent Auditor's Report	p.54

Selected Financial Data

	Millions of yen				
	For the period from April 1, 2018 to September 30, 2018	For the period from October 1, 2017 to March 31, 2018	For the period from April 1, 2017 to September 30, 2017	For the period from October 1, 2016 to March 31, 2017	For the period from April 1, 2016 to September 30, 2016
Operating revenues	33,066	31,955	31,718	30,818	30,773
Operating expenses	18,487	18,358	18,539	18,251	18,405
Operating profit	14,578	13,596	13,178	12,567	12,368
Ordinary profit	13,348	12,362	11,921	11,197	10,958
Profit before income taxes	13,348	12,362	11,921	11,197	10,958
Profit	13,273	12,291	11,909	11,186	10,947
Total assets	956,645	935,560	906,507	898,306	883,633
Interest-bearing debt	384,493	403,993	375,500	369,000	356,350
Net assets	510,978	470,703	470,321	469,598	469,359
Unitholders' capital	497,241	458,016	458,016	458,016	458,016
Number of units	1,385,210	1,309,310	1,309,310	1,309,310	1,309,310
Net assets per unit (Yen)	368,881	359,505	359,213	358,661	358,478
Cash distribution	13,152	12,223	11,909	11,186	10,947
Dividend payout ratio (Note 1)	99.1%	99.5%	100.0%	100.0%	99.9%
Dividend per unit (Yen)	9,495	9,336	9,096	8,544	8,361
Net operating income (NOI)	22,401	21,566	21,275	20,372	20,182
Funds from operations (FFO)	19,451	18,652	18,466	17,679	17,447
Return on assets (ROA) (Note 2)	1.4%	1.3%	1.3%	1.3%	1.2%
	(2.8% annualized)	(2.7% annualized)	(2.6% annualized)	(2.5% annualized)	(2.5% annualized)
Return on equity (ROE) (Note 3)	2.6%	2.6%	2.5%	2.4%	2.3%
	(5.2% annualized)	(5.2% annualized)	(5.1% annualized)	(4.8% annualized)	(4.7% annualized)
EOP equity ratio (Note 4)	53.4%	50.3%	51.9%	52.3%	53.1%
EOP interest-bearing debt ratio on total assets (Note 5)	40.2%	43.2%	41.4%	41.1%	40.3%
FFO multiple (Times)	21.3	19.3	19.2	21.8	22.8
Debt service coverage ratio (Times) (Note 6)	18.5	16.9	16.1	14.3	13.5

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 183 days for the period ended September 30, 2016, 182 days for the period ended March 31, 2017, 183 days for the period ended September 30, 2017, 182 days for the period ended March 31, 2018 and 183 days for the period ended September 30, 2018.)

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

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

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

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

Balance Sheets

As of March 31, 2018 and September 30, 2018

	Thousands of yen	
	As of March 31, 2018	As of September 30, 2018
ASSETS		
Current assets		
Cash and deposits	17,804,047	17,835,899
Cash and deposits in trust	5,837,847	6,731,684
Operating accounts receivable	341,439	369,098
Prepaid expenses	352,401	336,007
Other	89,865	32,310
Total current assets	24,425,601	25,304,999
Non-current assets		
Property, plant and equipment		
Buildings	250,111,909	250,703,183
Accumulated depreciation	(86,253,809)	(90,392,605)
Buildings, net	163,858,100	160,310,577
Structures	2,974,180	2,972,255
Accumulated depreciation	(828,367)	(877,184)
Structures, net	2,145,812	2,095,070
Machinery and equipment	3,227,707	3,241,271
Accumulated depreciation	(2,148,127)	(2,245,875)
Machinery and equipment, net	1,079,579	995,395
Tools, furniture and fixtures	440,338	446,611
Accumulated depreciation	(288,173)	(301,603)
Tools, furniture and fixtures, net	152,164	145,008
Land	449,950,825	449,920,389
Construction in progress	7,958	3,317
Buildings in trust	95,656,870	101,992,788
Accumulated depreciation	(24,227,651)	(26,099,836)
Buildings in trust, net	71,429,218	75,892,951
Structures in trust	956,849	998,400
Accumulated depreciation	(246,755)	(272,067)
Structures in trust, net	710,094	726,333
Machinery and equipment in trust	1,030,081	1,050,506
Accumulated depreciation	(737,361)	(763,039)
Machinery and equipment in trust, net	292,720	287,466
Tools, furniture and fixtures in trust	69,175	69,201
Accumulated depreciation	(30,373)	(34,525)
Tools, furniture and fixtures in trust, net	38,801	34,676
Land in trust	210,930,979	230,532,021
Construction in progress in trust	1,583	1,583
Total property, plant and equipment	900,597,839	920,944,791
Intangible assets		
Leasehold rights	5,706,705	5,690,875
Leasehold rights in trust	444,160	444,160
Easement	828,095	828,095
Other	11,372	9,655
Total intangible assets	6,990,333	6,972,786
Investments and other assets		
Investment securities	577,168	577,168
Lease and guarantee deposits	1,573,847	1,573,847
Long-term prepaid expenses	350,381	224,778
Other	997,164	1,005,707
Total investments and other assets	3,498,562	3,381,501
Total non-current assets	911,086,735	931,299,080
Deferred assets		
Investment corporation bond issuance costs	48,649	41,710
Total deferred assets	48,649	41,710
Total Assets	935,560,986	956,645,790

	Thousands of yen	
	As of March 31, 2018	As of September 30, 2018
LIABILITIES		
Current liabilities		
Operating accounts payable	2,657,292	2,169,097
Short-term loans payable	32,000,000	21,500,000
Current portion of investment corporation bonds	10,000,000	—
Current portion of long-term loans payable	27,500,000	25,000,000
Accounts payable – other	1,871,072	1,648,904
Accrued expenses	480,090	440,744
Income taxes payable	11,478	9,159
Accrued consumption taxes	708,577	139,791
Advances received	3,248,413	3,200,129
Other	9,261	78,364
Total current liabilities	78,486,186	54,186,192
Non-current liabilities		
Investment corporation bonds	22,993,175	22,993,175
Long-term loans payable	311,500,000	315,000,000
Deposits received from tenants	51,308,538	52,853,494
Deferred tax liabilities	226,452	290,234
Asset retirement obligations	338,635	342,047
Other	4,453	2,226
Total non-current liabilities	386,371,255	391,481,177
Total Liabilities	464,857,441	445,667,369
NET ASSETS		
Unitholders' equity		
Unitholders' capital	458,016,096	497,241,216
Surplus		
Voluntary retained earnings		
Reserve for reduction entry	363,261	413,528
Reserve for special account for reduction entry	—	16,307
Total voluntary retained earnings	363,261	429,835
Unappropriated retained earnings	12,324,186	13,307,368
Total surplus	12,687,448	13,737,204
Total unitholders' equity	470,703,544	510,978,420
Total Net Assets	470,703,544	510,978,420
Total Liabilities and Net Assets	935,560,986	956,645,790

Statements of Income and Retained Earnings

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

Thousands of yen

	For the period from October 1, 2017 to March 31, 2018	For the period from April 1, 2018 to September 30, 2018
Operating revenues		
Rent revenues	31,505,394	32,676,423
Other lease business revenues	311,111	119,158
Gain on sales of real estate properties	138,723	270,871
Total operating revenues	31,955,230	33,066,453
Operating expenses		
Expenses related to rent business	16,749,989	16,843,215
Asset management fee	1,238,158	1,294,322
Asset custody fee	60,728	61,769
Administrative service fees	128,617	131,335
Directors' compensations	7,800	7,800
Commission fee	103,505	82,685
Other operating expenses	69,784	66,365
Total operating expenses	18,358,583	18,487,493
Operating profit	13,596,647	14,578,960
Non-operating income		
Interest income	187	194
Dividend income	—	9,832
Reversal of distribution payable	2,745	3,002
Other	13	—
Total non-operating income	2,945	13,029
Non-operating expenses		
Interest expenses	1,013,270	957,594
Interest expenses on investment corporation bonds	176,960	172,816
Amortization of investment corporation bond issuance costs	7,576	6,938
Investment unit issuance expenses	—	61,685
Other	38,964	44,471
Total non-operating expenses	1,236,771	1,243,505
Ordinary profit	12,362,821	13,348,484
Profit before income taxes	12,362,821	13,348,484
Income taxes – current	11,496	11,228
Income taxes – deferred	60,265	63,781
Total income taxes	71,762	75,009
Profit	12,291,059	13,273,474
Retained earnings brought forward	33,127	33,894
Unappropriated retained earnings	12,324,186	13,307,368

Statements of Changes in Unitholders' Equity

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

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

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

For the period from April 1, 2018 to September 30, 2018

	Thousands of yen							
	Unitholders' equity						Total net assets	
	Unitholders' capital	Surplus				Total unitholders' equity		
		Voluntary retained earnings			Unappropriated retained earnings			Total surplus
Reserve for reduction entry		Reserve for special account for reduction entry	Total voluntary retained earnings					
Balance at beginning of the period	458,016,096	363,261	—	363,261	12,324,186	12,687,448	470,703,544	470,703,544
Changes of items during the period								
Issuance of new investment units	39,225,120						39,225,120	39,225,120
Provision of reserve for reduction entry		50,335		50,335	(50,335)	—	—	—
Reversal of reserve for reduction entry		(69)		(69)	69	—	—	—
Provision of reserve for special account for reduction entry			16,307	16,307	(16,307)	—	—	—
Dividends of surplus					(12,223,718)	(12,223,718)	(12,223,718)	(12,223,718)
Profit					13,273,474	13,273,474	13,273,474	13,273,474
Total changes of items during the period	39,225,120	50,266	16,307	66,574	983,181	1,049,756	40,274,876	40,274,876
Balance at end of the period	497,241,216	413,528	16,307	429,835	13,307,368	13,737,204	510,978,420	510,978,420

Statements of Cash Distributions

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

	For the period from October 1, 2017 to March 31, 2018	For the period from April 1, 2018 to September 30, 2018
	Amount (Yen)	Amount (Yen)
I Retained earnings	12,324,186,848	13,307,368,817
II Reversal of voluntary retained earnings		
Reversal of reserve for special account for reduction entry	—	16,307,490
Reversal of reserve for reduction entry	69,182	1,657,580
III Cash distribution	12,223,718,160	13,152,568,950
(Dividend per investment unit)	(9,336)	(9,495)
IV Voluntary retained earnings		
Reserve for special account for reduction entry	16,307,490	—
Reserve for reduction entry	50,335,883	138,488,759
V Retained earnings brought forward	33,894,497	34,276,178

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 applications of Article 65-7 "Exceptions of the Taxation in case of the Replacement by Purchase of Specific Assets" of the Special Taxation Measures Act, and of Article 47 "Inclusion in Deductible Expenses of Depreciated Amount of Fixed Assets, etc. Acquired with Insurance Money etc." of Corporation Taxation Act, making reduction entries, and also which is set not to exceed the unappropriated retained earnings and to secure retained earnings brought forward, is ¥12,223,718,160 for the period under review, which is a multiple of 1,309,310 — the number of units outstanding as of March 31, 2018. Furthermore, the Company does not pay out dividends that exceed accounting profits as outlined in Article 32-1(3) of the Company's Articles of Incorporation.</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 ¥13,152,568,950 for the period under review, which is a multiple of 1,385,210 — the number of units outstanding as of September 30, 2018. Furthermore, the Company does not pay out dividends that exceed accounting profits as outlined in Article 32-1(3) of the Company's Articles of Incorporation.</p>
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Statements of Cash Flows

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

	Thousands of yen	
	For the period from October 1, 2017 to March 31, 2018	For the period from April 1, 2018 to September 30, 2018
Cash flows from operating activities		
Profit before income taxes	12,362,821	13,348,484
Depreciation	6,501,329	6,450,870
Amortization of investment corporation bond issuance costs	7,576	6,938
Investment unit issuance expenses	—	61,685
Dividend income	—	(9,832)
Interest income	(187)	(194)
Interest expenses	1,190,230	1,130,410
Decrease (increase) in operating accounts receivable	(60,998)	(27,659)
Decrease (increase) in supplies	(352)	(544)
Decrease (increase) in prepaid expenses	17,465	16,394
Decrease due to sale of property, plant and equipment	9,761,574	370,182
Increase (decrease) in operating accounts payable	(658,275)	578,559
Increase (decrease) in accounts payable – other	536,322	16,811
Increase (decrease) in accrued consumption taxes	(155,427)	(568,786)
Increase (decrease) in accrued expenses	136	(197)
Increase (decrease) in advances received	(146,057)	(48,283)
Decrease (increase) in long-term prepaid expenses	160,525	125,602
Other, net	(192,334)	(133,760)
Subtotal	29,324,349	21,316,679
Interest and dividend income received	114	10,228
Interest expenses paid	(1,195,545)	(1,169,558)
Income taxes paid	(8,911)	(13,547)
Net cash provided by (used in) operating activities	28,120,007	20,143,802
Cash flows from investing activities		
Purchase of property, plant and equipment	(18,627,767)	(1,738,652)
Purchase of property, plant and equipment in trust	(26,517,865)	(26,500,164)
Purchase of intangible assets	(719)	—
Payments for lease and guarantee deposits	—	(42,000)
Repayments of tenant leasehold and security deposits	(3,807,534)	(863,090)
Proceeds from tenant leasehold and security deposits	3,571,563	2,485,440
Net cash provided by (used in) investing activities	(45,382,322)	(26,658,466)
Cash flows from financing activities		
Proceeds from short-term loans payable	32,000,000	18,500,000
Repayments of short-term loans payable	(34,500,000)	(29,000,000)
Proceeds from long-term loans payable	46,000,000	19,000,000
Repayments of long-term loans payable	(18,000,000)	(18,000,000)
Proceeds from issuance of investment corporation bonds	2,993,175	—
Redemption of investment corporation bonds	—	(10,000,000)
Payments of investment corporation bond issuance costs	(36,141)	—
Proceeds from issuance of investment units	—	39,225,120
Payments for investment unit issuance expenses	—	(61,685)
Dividends paid	(11,908,419)	(12,223,082)
Net cash provided by (used in) financing activities	16,548,613	7,440,352
Net increase (decrease) in cash and cash equivalents	(713,701)	925,688
Cash and cash equivalents at beginning of the period	24,355,596	23,641,894
Cash and cash equivalents at end of the period	23,641,894	24,567,583

Notes to Financial Statements

March 31, 2018 and September 30, 2018

1. Organization and Basis of Presentation

Organization

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

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

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

The Company completed the 12th public offering of 69,000 units at a price of ¥516,800 per unit on April 16, 2018 and third-party allocation of 6,900 units at a price of ¥516,800 per unit on May 9, 2018, generating gross proceeds of ¥35,659 million and ¥3,565 million, respectively. As of September 30, 2018, the Company had unitholders’ capital of ¥497,241 million with 1,385,210 units outstanding.

As of September 30, 2018, the Company owned a portfolio of 71 office properties with an aggregate of approximately 847,905 m² of leasable space.

Basis of presenting financial statements

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

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

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

2. Summary of Significant Accounting Policies

Investment securities

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

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

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

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

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

The Company reviews fixed assets for impairment whenever events or changes in circumstances indicate that the carrying amount of its fixed assets may not be recoverable. According to the standard set by the Accounting Standards Board of Japan, companies are required

to recognize an impairment loss in their 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 accrues over the lease period.

Taxes on property and equipment

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

Consumption taxes

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

Cash and cash equivalents

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

Hedge accounting

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

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

3. Changes in the Presentation

(Change due to the application of “Partial Amendments to Accounting Standard for Tax Effect Accounting”)

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 deferred tax assets are classified in the investments and other assets, the deferred tax liabilities are classified as non-current liabilities.

As a result, on the balance sheet as of March 31, 2018, “Deferred tax assets” of ¥952 thousand, which was previously presented as “Current assets”, was included and reclassified as part of “Deferred tax liabilities” of ¥226,452 thousand in “Non-current liabilities”.

4. New Accounting Standards Issued but not Yet Effective

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

- Accounting Standards Board of Japan (“ASBJ”) Statement No.29, Accounting Standard for Revenue Recognition, issued at March 30, 2018
- ASBJ Guidance No.30, Implementation Guidance on Accounting Standard for Revenue Recognition, issued at March 30, 2018

(1) Overview

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

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

(2) Date of the adoption

The Company will adopt the accounting standard and implementation guidance for the period ending September 30, 2021.

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

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

5. Commitment Line Agreement

As of March 31, 2018 and September 30, 2018

The Company has signed commitment line agreements with three banks.

	Thousands of yen	
	As of March 31, 2018	As of September 30, 2018
Total amount of commitment line agreement	50,000,000	60,000,000
Debt financing balance	—	—
Balance	50,000,000	60,000,000

6. Financial Instruments

1. Status of financial instruments

(1) Policies for dealing financial instruments

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

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

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

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

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

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

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

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

Loans and investment corporation bonds involve liquidity risk at the time of maturity. To manage such liquidity risk, the Company implements measures such as (i) maintaining and strengthening its ability to access equity markets to secure funds, (ii) maintaining commitment lines with major financial institutions (There is no amount outstanding under the facility as of March 31, 2018 and September 30, 2018) and (iii) preparing monthly financial plans.

(3) Supplementary note regarding fair value of financial instruments

The fair values of financial instruments presented in this report are based on their market value, and in cases where market values are not available, reasonably calculated values are presented. Since calculation of fair value is based on certain assumptions, the fair value could differ depending on the assumptions used. In addition, the contract value of derivative transactions, which is presented in Section 7. “Derivative Transactions”, is not an exact representation of market risk attributable to derivative transactions.

2. Fair value of financial instruments

Fair value of financial instruments, their values carried on the balance sheets and the differences between them as of March 31, 2018 and September 30, 2018 are as follows.

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

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

* Liabilities are shown in parentheses.

	Thousands of yen		
	As of September 30, 2018		
	Book value*	Fair value*	Difference*
(1) Cash and deposits	17,835,899	17,835,899	—
(2) Cash and deposits in trust	6,731,684	6,731,684	—
(3) Short-term loans	(21,500,000)	(21,500,000)	—
(4) Current portion of investment corporation bonds	—	—	—
(5) Current portion of long-term loans	(25,000,000)	(25,072,838)	(72,838)
(6) Investment corporation bonds	(22,993,175)	(24,282,380)	(1,289,205)
(7) Long-term loans	(315,000,000)	(317,364,017)	(2,364,017)
(8) Derivative transactions	—	—	—

* Liabilities are shown in parentheses.

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

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

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

(3) Short-term loans

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

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

Their fair values are based on reference prices published by a financial data provider where available. When reference prices are not available, their fair values are calculated by discounting the aggregate of the principal and interest by nominal rates assumed applicable if the loans were refinanced for the duration of the current maturity. (However, the fair values of investment corporation bonds (please refer to Section 7. “Derivative Transactions, (2) Derivatives designated as hedging instruments”) hedged by a currency swap subject to allocation treatment are calculated by discounting the aggregate of the principal and interest integrated with the currency swap by nominal rates assumed applicable if the loans were refinanced for the duration of the current maturity.)

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

For loans with floating interest rates, since the interest rates on such loans reflect market rates reasonably well over the short term and their book values are good approximations of their fair values, the book values are presented as their fair values. (However, the fair values of floating-rate long-term loans (please refer to Section 7. “Derivative Transactions, (2) Derivatives designated as hedging instruments”) hedged by an interest-rate and currency swap subject to integrated treatment or by an interest-rate swap subject to special accounting treatment are calculated by discounting the aggregated principal and interest on such loans using reasonable estimates of the rates that would be applicable if the Company were to refinance the existing loans for the remaining period to maturity under the prevailing market condition.) The fair values of long-term loans with fixed interest rates are calculated by discounting the aggregated amounts of the principal and the interest of the loans by the rates that are reasonably estimated to be applicable if the Company were to refinance the existing loans for the remaining period to maturity.

(8) Derivative transactions

Please refer to Section 7. “Derivative Transactions”.

2. Financial instruments whose fair values cannot be reliably measured

	Thousands of yen	
	As of March 31, 2018	As of September 30, 2018
(1) Non-listed stock *1	577,168	577,168
(2) Deposits received from tenants *2	51,308,538	52,853,494

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

	Thousands of yen					
	As of September 30, 2018					
	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Cash and deposits	17,835,899	—	—	—	—	—
Cash and deposits in trust	6,731,684	—	—	—	—	—
Total	24,567,583	—	—	—	—	—

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

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

	Thousands of yen					
	As of September 30, 2018					
	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Short-term loans	21,500,000	—	—	—	—	—
Investment corporation bonds	—	—	—	—	—	22,993,175
Long-term loans	25,000,000	46,500,000	52,200,000	51,000,000	42,500,000	122,800,000
Total	46,500,000	46,500,000	52,200,000	51,000,000	42,500,000	145,793,175

7. Derivative Transactions

(1) Derivatives not designated as hedging instruments

As of March 31, 2018

“Not applicable”

As of September 30, 2018

“Not applicable”

(2) Derivatives designated as hedging instruments

As of March 31, 2018

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

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

Thousands of yen

As of September 30, 2018

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

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

Thousands of yen

*1. 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 loans as of March 31, 2018 and September 30, 2018. Please refer to the measurement of fair value of financial instruments in Note 1 of “2. Fair value of financial instruments” under Section 6. “Financial Instruments” as well as subheadings (5) and (7) of Note 1 concerning derivative transactions.

*2. Currency swap transactions eligible for allocation treatments are accounted for as integrated parts of the hedged investment corporation bonds, and the fair value of the currency swap transactions is included in that of the underlying investment bonds as of March 31, 2018 and September 30, 2018. Please refer to the measurement of fair value of financial instruments in Note 1 of “2. Fair value of financial instruments” under Section 6. “Financial Instruments” as well as subheadings (4) and (6) of Note 1 concerning derivative transactions.

8. Property, Plant and Equipment and Intangible Assets

Changes in Property, plant and equipment and Intangible assets for the six months ended September 30, 2018 are as follows:

Type of Asset		Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Accumulated depreciation Accumulated amortization		Net balance at the end of the period	Remarks
							Depreciation and amortization		
Property, plant and equipment	Buildings	250,111,909	1,048,034	456,761	250,703,183	90,392,605	4,340,770	160,310,577	—
	Structures	2,974,180	2,607	4,532	2,972,255	877,184	50,264	2,095,070	—
	Machinery and equipment	3,227,707	13,564	—	3,241,271	2,245,875	97,748	995,395	—
	Tools, furniture and fixtures	440,338	7,427	1,155	446,611	301,603	13,801	145,008	—
	Land	449,950,825	81,091	111,527	449,920,389	—	—	449,920,389	—
	Construction in progress	7,958	3,053	7,695	3,317	—	—	3,317	—
	Buildings in trust	95,656,870	6,335,918	—	101,992,788	26,099,836	1,872,185	75,892,951	—
	Structures in trust	956,849	41,550	—	998,400	272,067	25,312	726,333	—
	Machinery and equipment in trust	1,030,081	20,424	—	1,050,506	763,039	25,678	287,466	—
	Tools, furniture and fixtures in trust	69,175	26	—	69,201	34,525	4,151	34,676	—
	Land in trust	210,930,979	19,601,042	—	230,532,021	—	—	230,532,021	*1
	Construction in progress in trust	1,583	—	—	1,583	—	—	1,583	—
	Subtotal	1,015,358,459	27,154,741	581,670	1,041,931,530	120,986,738	6,429,911	920,944,791	
Intangible assets	Leasehold rights	5,933,601	—	—	5,933,601	242,726	15,829	5,690,875	—
	Leasehold rights in trust	444,160	—	—	444,160	—	—	444,160	—
	Easement	828,095	—	—	828,095	—	—	828,095	—
	Other	17,169	—	—	17,169	7,514	1,716	9,655	—
	Subtotal	7,223,027	—	—	7,223,027	250,240	17,546	6,972,786	
Total	1,022,581,487	27,154,741	581,670	1,049,154,557	121,236,979	6,447,458	927,917,578		

*1. The increase of the land in trust was mainly due to the acquisition of Shinjuku Front Tower.

9. Loans

The condition of loans by financial institutions as of September 30, 2018 is as follows.

	Classification	Drawdown date	Balance at beginning of current period (¥ thousand)	Balance at end of current period (¥ thousand)	Average interest rate*2 (%)	Repayment date	Repayment method	Use of proceeds	Notes
	Lender*1								
Short-term loans	Mizuho Bank, Ltd.	April 3, 2017	5,500,000	—	0.0954	April 3, 2018	Bullet	*3	Unsecured Unguaranteed Unsubordinated
	MUFG Bank, Ltd.	March 30, 2018	8,000,000	—	0.0754	April 27, 2018 *4			
	Mizuho Bank, Ltd.	March 30, 2018	5,000,000	—	0.0754	April 27, 2018 *5			
	Sumitomo Mitsui Trust Bank, Limited	March 30, 2018	3,000,000	—	0.0754	April 27, 2018			
	Sumitomo Mitsui Trust Bank, Limited	April 27, 2018	—	—	0.0736	May 28, 2018 *6			
	Shinsei Bank, Limited	June 15, 2017	2,500,000	—	0.09396	June 15, 2018			
	Shinkin Central Bank	September 1, 2017	1,000,000	—	0.0954	September 3, 2018 *7			
	Resona Bank, Limited	September 1, 2017	1,000,000	—	0.09395	September 3, 2018			
	Sumitomo Mitsui Trust Bank, Limited	December 26, 2017	1,300,000	1,300,000	0.09446	December 26, 2018			
	Resona Bank, Limited	March 26, 2018	3,000,000	3,000,000	0.09446	March 26, 2019			
	Sumitomo Mitsui Trust Bank, Limited	March 30, 2018	1,700,000	1,700,000	0.09578	March 29, 2019			
	Mizuho Bank, Ltd.	April 3, 2018	—	5,500,000	0.09562	April 3, 2019			
	Mizuho Bank, Ltd.	August 29, 2018	—	7,000,000	0.09631	August 29, 2019			
	Sumitomo Mitsui Trust Bank, Limited	August 29, 2018	—	3,000,000	0.09631	August 29, 2019			
	Subtotal		32,000,000	21,500,000					
Long-term loans	Shinkin Central Bank	April 24, 2013	5,000,000	—	0.52775	April 24, 2018	Bullet	*3	Unsecured Unguaranteed Unsubordinated
	MUFG Bank, Ltd.	June 1, 2011	10,000,000	—	1.31125	June 1, 2018			
	Shinsei Bank, Limited	August 31, 2011	3,000,000	—	1.0475	August 31, 2018			
	Sumitomo Mitsui Trust Bank, Limited	November 15, 2011	3,000,000	3,000,000	0.98375	November 15, 2018 *8			
	Sumitomo Mitsui Banking Corporation	November 15, 2011	3,000,000	3,000,000	0.98375	November 15, 2018 *8			
	Mizuho Bank, Ltd.	September 1, 2015	2,500,000	2,500,000	0.17	March 1, 2019 *8			
	The Gunma Bank, Ltd.	March 24, 2014	1,000,000	1,000,000	0.4105	March 25, 2019 *8			
	Sumitomo Mitsui Trust Bank, Limited	May 29, 2015	5,000,000	5,000,000	0.2075	May 29, 2019 *8			
	MUFG Bank, Ltd.	September 1, 2015	5,000,000	5,000,000	0.2	September 2, 2019 *8			
	Sumitomo Mitsui Trust Bank, Limited	September 26, 2011	5,500,000	5,500,000	1.16	September 26, 2019 *8			
	The Hiroshima Bank, Ltd.	October 1, 2014	3,000,000	3,000,000	0.31575	October 1, 2019			
	Mizuho Bank, Ltd.	November 1, 2011	6,000,000	6,000,000	1.2075	November 1, 2019			
	Mizuho Bank, Ltd.	November 15, 2011	3,000,000	3,000,000	1.13875	November 15, 2019			
	MUFG Bank, Ltd.	November 15, 2011	3,000,000	3,000,000	1.13875	November 15, 2019			
	MUFG Bank, Ltd.	November 15, 2011	3,000,000	3,000,000	1.13875	November 15, 2019			
	The Gunma Bank, Ltd.	November 17, 2014	1,000,000	1,000,000	0.316	November 18, 2019			
	The Yamanashi Chuo Bank, Ltd.	December 15, 2014	2,000,000	2,000,000	0.266	December 16, 2019			

	Classification	Drawdown date	Balance at beginning of current period (¥ thousand)	Balance at end of current period (¥ thousand)	Average interest rate*2 (%)	Repayment date	Repayment method	Use of proceeds	Notes
	Lender*1								
Long-term loans	Shinkin Central Bank	January 7, 2013	2,000,000	2,000,000	0.71375	January 7, 2020	Bullet	*3	Unsecured Unguaranteed Unsubordinated
	MUFG Bank, Ltd.	January 15, 2013	5,500,000	5,500,000	0.71	January 15, 2020			
	Shinkin Central Bank	January 15, 2013	5,000,000	5,000,000	0.71	January 15, 2020			
	MUFG Bank, Ltd.	June 15, 2012	4,000,000	4,000,000	0.9525	June 15, 2020			
	Sumitomo Mitsui Trust Bank, Limited	June 15, 2012	4,000,000	4,000,000	0.9525	June 15, 2020			
	Sumitomo Mitsui Trust Bank, Limited	June 15, 2015	3,000,000	3,000,000	0.3425	June 15, 2020			
	Tokio Marine & Nichido Fire Insurance Co., Ltd.	July 3, 2017	2,000,000	2,000,000	0.1	July 3, 2020			
	The Yamaguchi Bank, Ltd.	October 29, 2012	2,000,000	2,000,000	0.8	October 29, 2020			
	MUFG Bank, Ltd.	December 21, 2012	5,000,000	5,000,000	0.80125	December 21, 2020			
	MUFG Bank, Ltd.	December 21, 2012	5,000,000	5,000,000	0.80125	December 21, 2020			
	MUFG Bank, Ltd.	January 15, 2013	5,500,000	5,500,000	0.83625	January 15, 2021			
	MUFG Bank, Ltd.	January 31, 2014	4,000,000	4,000,000	0.64225	January 29, 2021			
	The Bank of Fukuoka, Ltd.	January 31, 2014	2,500,000	2,500,000	0.63849	January 29, 2021			
	Sumitomo Mitsui Trust Bank, Limited	January 31, 2014	2,000,000	2,000,000	0.62575	January 29, 2021			
	The Iyo Bank, Ltd.	March 24, 2014	2,000,000	2,000,000	0.6035	March 24, 2021			
	MUFG Bank, Ltd.	April 4, 2017	5,000,000	5,000,000	0.03342	April 5, 2021			
	MUFG Bank, Ltd.	April 24, 2013	5,000,000	5,000,000	0.775	April 26, 2021			
	Mizuho Bank, Ltd.	June 15, 2012	4,000,000	4,000,000	1.07375	June 15, 2021			
	Sumitomo Mitsui Trust Bank, Limited	December 26, 2016	3,700,000	3,700,000	0.1913	June 28, 2021			
	Sumitomo Mitsui Banking Corporation	January 19, 2018	5,000,000	5,000,000	0.16255	July 20, 2021			
	The Bank of Fukuoka, Ltd.	August 31, 2017	1,500,000	1,500,000	0.1325	August 31, 2021			
	The Iyo Bank, Ltd.	October 1, 2014	1,000,000	1,000,000	0.46525	October 1, 2021			
	The Chugoku Bank, Limited	October 1, 2014	1,000,000	1,000,000	0.4725	October 1, 2021			
	The Daishi Bank, Ltd.	November 14, 2014	1,800,000	1,800,000	0.463	November 15, 2021			
	Sony Bank Incorporated		1,400,000	1,400,000					
	The Toho Bank, Ltd.		1,400,000	1,400,000					
	The Hokuetsu Bank, Ltd.		1,400,000	1,400,000					
	The Shinkumi Federation Bank		1,000,000	1,000,000					
	The Akita Bank, Ltd.		900,000	900,000					
	The Gunma Bank, Ltd.		900,000	900,000					
The 77 Bank, Ltd.	900,000		900,000						
The Tochigi Bank, Ltd.	900,000		900,000						
The Fukui Bank, Ltd.	900,000		900,000						
The Bank of Iwate, Ltd.	500,000		500,000						
The Higo Bank, Ltd.	500,000		500,000						
The Yamagata Bank, Ltd.	500,000		500,000						
The Nishi-Nippon City Bank, Ltd.	June 17, 2014		2,000,000	2,000,000			0.621	December 17, 2021	
Sumitomo Mitsui Banking Corporation	January 7, 2013	2,000,000	2,000,000	0.98	January 7, 2022				

	Classification	Drawdown date	Balance at beginning of current period (¥ thousand)	Balance at end of current period (¥ thousand)	Average interest rate*2 (%)	Repayment date	Repayment method	Use of proceeds	Notes
	Lender*1								
Long-term loans	Mizuho Bank, Ltd.	January 15, 2013	5,000,000	5,000,000	0.96625	January 17, 2022	Bullet	*3	Unsecured Unguaranteed Unsubordinated
	The Norinchukin Bank	January 31, 2014	3,500,000	3,500,000	0.757	January 31, 2022			
	Mizuho Bank, Ltd.	April 24, 2013	3,000,000	3,000,000	0.87375	April 25, 2022			
	MUFG Bank, Ltd.	June 15, 2012	4,000,000	4,000,000	1.1975	June 15, 2022			
	MUFG Bank, Ltd.	June 15, 2012	2,500,000	2,500,000	1.2725	June 15, 2022			
	Shinsei Bank, Limited	June 15, 2012	2,500,000	2,500,000	1.2725	June 15, 2022			
	The Norinchukin Bank	June 17, 2014	3,000,000	3,000,000	0.6785	June 17, 2022			
	The Gunma Bank, Ltd.	August 10, 2015	1,000,000	1,000,000	0.3925	August 10, 2022			
	The Shinkumi Federation Bank		1,000,000	1,000,000					
	The Daishi Bank, Ltd.		1,000,000	1,000,000					
	The Chugoku Bank, Limited		1,000,000	1,000,000					
	The Toho Bank, Ltd.		1,000,000	1,000,000					
	The Fukui Bank, Ltd.		1,000,000	1,000,000					
	The Tochigi Bank, Ltd.		500,000	500,000					
	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	0.21	January 17, 2023			
	Development Bank of Japan Inc.	January 31, 2014	5,000,000	5,000,000	0.9325	January 31, 2023			
	The Yamaguchi Bank, Ltd.	March 25, 2013	1,000,000	1,000,000	0.945	March 24, 2023			
	The Bank of Fukuoka, Ltd.	March 24, 2015	2,000,000	2,000,000	0.5125	March 24, 2023			
	The Norinchukin Bank	March 25, 2015	3,500,000	3,500,000	0.46825	March 27, 2023			
	The Chugoku Bank, Limited	March 26, 2018	2,000,000	2,000,000	0.1988	March 27, 2023			
	MUFG Bank, Ltd.	June 1, 2017	12,000,000	12,000,000	0.03263	June 1, 2023			
	The Chugoku Bank, Limited	June 15, 2015	3,000,000	3,000,000	0.61175	June 15, 2023			
	The Bank of Fukuoka, Ltd.	June 15, 2017	2,500,000	2,500,000	0.2388	June 15, 2023			
	MUFG Bank, Ltd.	December 19, 2014	10,000,000	10,000,000	0.42375 *9	December 19, 2023			
	MUFG Bank, Ltd.	March 26, 2018	5,000,000	5,000,000	0.04335	March 26, 2024			
	The Hachijuni Bank, Ltd.	March 26, 2018	1,000,000	1,000,000	0.2338	March 26, 2024			
	The Iyo Bank, Ltd.	June 15, 2017	2,500,000	2,500,000	0.275	June 17, 2024			
The Hachijuni Bank, Ltd.	June 15, 2017	1,000,000	1,000,000	0.275	June 17, 2024				
MUFG Bank, Ltd.	September 1, 2015	3,500,000	3,500,000	0.63	September 2, 2024				
Sumitomo Mitsui Trust Bank, Limited	September 2, 2015	3,800,000	3,800,000	0.536	September 2, 2024				
The Norinchukin Bank	September 1, 2017	5,000,000	5,000,000	0.24	September 2, 2024				
Taiyo Life Insurance Company	October 1, 2014	2,000,000	2,000,000	0.7825	October 1, 2024				
Mizuho Bank, Ltd.	October 1, 2015	2,500,000	2,500,000	0.5575	October 1, 2024				
MUFG Bank, Ltd.	June 1, 2018	—	10,000,000	0.2544	December 2, 2024				

	Classification	Drawdown date	Balance at beginning of current period (¥ thousand)	Balance at end of current period (¥ thousand)	Average interest rate*2 (%)	Repayment date	Repayment method	Use of proceeds	Notes
	Lender*1								
Long-term loans	The Ashikaga Bank, Ltd.	January 9, 2018	1,000,000	1,000,000	0.285	January 9, 2025	Bullet	*3	Unsecured Unguaranteed Unsubordinated
	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			
	Sumitomo Mitsui Trust Bank, Limited	August 31, 2018	—	3,000,000	0.32	August 29, 2025			
	Development Bank of Japan Inc.	September 1, 2015	7,000,000	7,000,000	0.7175	September 1, 2025			
	Mizuho Bank, Ltd.	December 26, 2016	5,000,000	5,000,000	0.3625	December 26, 2025			
	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	0.3	March 27, 2026			
	Shinkin Central Bank	March 30, 2017	5,000,000	5,000,000	0.36	March 30, 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	0.24	October 30, 2026			
	Mizuho Bank, Ltd.	December 21, 2016	5,000,000	5,000,000	0.415	December 21, 2026			
	Shinkin Central Bank	April 24, 2018	—	6,000,000	0.3675	April 26, 2027			
	The Jyo 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			
	Subtotal		339,000,000	340,000,000					
	Total		371,000,000	361,500,000					

*1. On April 1, 2018, the commercial name of The Bank of Tokyo-Mitsubishi UFJ, Ltd. was changed to MUFG Bank, Ltd. In addition, on April 16, 2018, Mitsubishi UFJ Trust and Banking Corporation transferred the corporation lending division and its lending balances to MUFG Bank, Ltd.

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

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

*4. The Company made a full repayment (¥8,000 million) before maturity on April 17, 2018.

*5. The Company made a full repayment (¥5,000 million) before maturity on April 17, 2018.

*6. The Company made a full repayment (¥3,000 million) before maturity on May 9, 2018.

*7. The Company made a full repayment (¥1,000 million) before maturity on April 24, 2018.

*8. At the end of the period under review, these loans are accounted for under current liabilities on the balance sheets as the current portion of long-term loans payable.

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

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

Outstanding investment corporation bonds as of September 30, 2018 are as follows.

Securities	Date of issue	Balance at beginning of current period (¥ thousand)	Balance at end of current period (¥ thousand)	Interest rate (%)	Repayment period	Repayment method	Use of proceeds	Notes
4th unsecured investment corporation bond	September 29, 2005	10,000,000	10,000,000	2.56	September 29, 2025	Bullet	*1	*2
9th unsecured investment corporation bond	August 30, 2013	10,000,000	—	0.497	August 30, 2018	Bullet	*1	*2
10th unsecured investment corporation bond	March 30, 2017	10,000,000	10,000,000	0.3975	March 30, 2027	Bullet	*1	*2 *3
11th unsecured investment corporation bond	October 26, 2017	2,993,175	2,993,175	0.2788	October 26, 2027	Bullet	*1	*2 *3 *4
Total		32,993,175	22,993,175					

*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.

11. Net Assets

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

12. 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 March 31, 2018 and September 30, 2018 were as follows:

	Thousands of yen	
	As of March 31, 2018	As of September 30, 2018
Deferred tax assets:		
Accrued enterprise tax	952	934
Amortization of a term leasehold interest	78,506	83,983
Asset retirement obligations	117,167	118,348
	196,626	203,266
Valuation allowance	(94,189)	(100,846)
Total deferred tax assets	102,437	102,419
Deferred tax liabilities:		
Asset retirement obligations	101,484	101,484
Reserve for advanced depreciation of non-current assets	227,405	291,168
Total deferred tax liabilities	328,890	392,653
Net deferred tax liabilities	226,452	290,234

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

	As of March 31, 2018	As of September 30, 2018
Statutory tax rate	34.81%	34.59%
Deductible dividend distribution	(34.42%)	(34.08%)
Change in valuation allowance	0.05%	0.05%
Others	0.13%	0.00%
Effective tax rate	0.58%	0.56%

13. Related Party Transactions

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

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

- (1) Parent Company and Major Corporation Unitholders
 - For the period from October 1, 2017 to March 31, 2018
“Not applicable”
 - For the period from April 1, 2018 to September 30, 2018**
“Not applicable”
- (2) Affiliated Companies
 - For the period from October 1, 2017 to March 31, 2018
“Not applicable”
 - For the period from April 1, 2018 to September 30, 2018**
“Not applicable”
- (3) Sister Companies
 - For the period from October 1, 2017 to March 31, 2018
“Not applicable”
 - For the period from April 1, 2018 to September 30, 2018**
“Not applicable”
- (4) Directors and Major Individual Unitholders
 - For the period from October 1, 2017 to March 31, 2018
“Not applicable”
 - For the period from April 1, 2018 to September 30, 2018**
“Not applicable”

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

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

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

Type of relationship	Name of transaction partner	Type of business	Percentage of units held	Transaction details	Transaction amount (¥ thousand)	Accounting item	Balance at end of the period (¥ thousand)
Interested party	Mitsubishi Estate Co., Ltd.	Real estate	1.307%	Rent revenue	11,998,644	—	—
				Real estate sales	10,000,000	—	—
				Real estate beneficiary rights in trust purchase	25,460,000	—	—
				Security deposit increase	1,219,798	Deposits received from tenants	18,521,201
				Security deposit return	584,201		
Interested party	Mitsubishi Jisho Property Management Co., Ltd.	Real estate management	—	Property management expenses	2,214,533	—	—
Asset custody company	Sumitomo Mitsui Trust Bank, Limited	Bank	—	Long-term loans borrowing	3,000,000	Long-term loans payable	33,000,000
				Long-term loans repayment	3,000,000		
Interested party	Nihonbashi 2 Chome Kaihatsu Tokutei Mokuteki Kaisha	Real estate	—	Real estate purchase	17,560,000	—	—

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

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

For the period from April 1, 2018 to September 30, 2018 (Unaudited)

Type of relationship	Name of transaction partner	Type of business	Percentage of units held	Transaction details	Transaction amount (¥ thousand)	Accounting item	Balance at end of the period (¥ thousand)
Interested party	Mitsubishi Estate Co., Ltd.	Real estate	1.235%	Rent revenue	13,929,943	—	—
				Real estate beneficiary rights in trust purchase	25,025,000	—	—
				Security deposit increase	283,080	Deposits received from tenants	18,664,756
				Security deposit return	139,526		
Interested party	Mitsubishi Jisho Property Management Co., Ltd.	Real estate management	—	Property management expenses	2,125,700	—	—
Asset custody company	Sumitomo Mitsui Trust Bank, Limited	Bank	—	Long-term loans borrowing	3,000,000	Long-term loans payable	36,000,000

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

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

14. Segment Information

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

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

Information on products and services

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

Information on geographic area

(1) Revenue

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

(2) Property and equipment

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

Information on major clients

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

15. Asset Retirement Obligations

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

Asset retirement obligations reported on balance sheets

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

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

	Thousands of yen	
	For the period from October 1, 2017 to March 31, 2018	For the period from April 1, 2018 to September 30, 2018
Balance at the beginning of the period	335,257	338,635
Increase in tangible fixed assets	—	—
Accretion expense	3,377	3,411
Balance at the end of the period	338,635	342,047

16. Investment and Rental Property

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

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

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

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

Thousands of yen			
Book value		Fair value	
As of March 31, 2018	Change during the period *2	As of September 30, 2018	As of September 30, 2018
907,577,798	20,331,006	927,908,805	1,158,140,000

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

2. Significant changes

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

*2. As for increases/decreases for the period, the major reason for the increase was the acquisition of Shinjuku Front Tower (¥25,270,812 thousand), and the decreases were accounted for by the disposition of Lit City Building (retail units) (¥370,182 thousand) and by depreciation.

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

Profits and losses related to investment and rental property are listed in Section 18. “Breakdown of Property-Related Revenues and Expenses”.

17. Per Unit Information

The following table summarizes information about net assets per unit and profit per unit at March 31, 2018 and September 30, 2018 and for the periods then ended, respectively:

	Yen	
	For the period from October 1, 2017 to March 31, 2018	For the period from April 1, 2018 to September 30, 2018
Net assets at period end per unit	359,505	368,881
Profit per unit	9,387	9,631

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 October 1, 2017 to March 31, 2018	For the period from April 1, 2018 to September 30, 2018
Profit	12,291,059	13,273,474
Amount not attributable to normal unitholders	—	—
Profit applicable to normal investment units	12,291,059	13,273,474
Average number of units	1,309,310 units	1,378,121 units

18. Breakdown of Property-Related Revenues and Expenses

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

	Thousands of yen	
	For the period from October 1, 2017 to March 31, 2018	For the period from April 1, 2018 to September 30, 2018
Property-Related Revenues	31,816,506	32,795,582
Rent revenues	31,505,394	32,676,423
Rental revenues	25,075,685	26,061,390
Common service charges	3,313,969	3,068,163
Parking revenues	797,712	774,438
Other rental revenues	2,318,026	2,772,431
Other lease business revenues	311,111	119,158
Cancellation charges	42,206	48,854
Other miscellaneous revenues	268,904	70,304
Property-Related Expenses	16,749,989	16,843,215
Expenses related to rent business	16,749,989	16,843,215
Property management expenses	3,623,270	3,518,291
Utilities expenses	2,388,245	2,676,997
Property and other taxes	2,916,777	3,026,949
Casualty insurance	55,489	53,645
Repairing expenses	1,093,855	933,693
Depreciation	6,499,765	6,449,268
Other rental expenses	172,584	184,369
Property-Related Profits	15,066,517	15,952,366

19. Breakdown of Gain on Sales of Real Estate Properties

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

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

For the period from April 1, 2018 to September 30, 2018

		Thousands of yen
Lit City Building		
	Revenue from sale of real estate property	650,000
	Cost of real estate property sold	370,182
	Other sales expenses	8,945
	Gain on sales of real estate properties	270,871

20. Changes in Unitholders' Equity

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

Total number of investment units issuable and number of units outstanding	As of March 31, 2018	As of September 30, 2018
Total number of investment units issuable	4,000,000 units	4,000,000 units
Number of units outstanding	1,309,310 units	1,385,210 units

21. Supplemental Cash Flow Information

Cash and cash equivalents

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

	Thousands of yen	
	As of March 31, 2018	As of September 30, 2018
Cash and deposits	17,804,047	17,835,899
Cash and deposits in trust	5,837,847	6,731,684
Time deposits with maturities of more than three months	—	—
Cash and cash equivalents	23,641,894	24,567,583

22. Leases

1. Leased assets under finance lease transactions that do not transfer ownership of the leased assets to the lessees are capitalized and depreciated by the straight-line method over the lease term with no residual value. Such capitalized leased assets primarily consist of tools, furniture and fixtures.
2. The Company, as a lessor, owns office buildings under leases and earns rent income. As of March 31, 2018 and September 30, 2018, the future lease revenues under the non-cancelable operating leases are as follows:

	Thousands of yen	
	As of March 31, 2018	As of September 30, 2018
Due within one year	23,206,521	21,666,235
Due after one year	47,799,241	45,183,710
Total	71,005,762	66,849,945

23. Subsequent Events

For the six months ended September 30, 2018

“Not applicable”



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Independent Auditor's Report

The Board of Directors
Japan Real Estate Investment Corporation

We have audited the accompanying financial statements of Japan Real Estate Investment Corporation, which comprise the balance sheet as at September 30, 2018, and the statements of income and retained earnings, changes in unitholders' equity, cash distributions, and cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Japan Real Estate Investment Corporation as at September 30, 2018, and its financial performance and cash flows for the six month period then ended in conformity with accounting principles generally accepted in Japan.

Ernst & Young ShinNihon LLC

December 21, 2018
Tokyo, Japan

Other Information

1. Risk Factors

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

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

In addition, JRE is subject to the following risks:

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

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

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

(1) Material Changes in Information Listed in Article 23 of AIFMD during the Financial Period covered by the Report (six-month fiscal period ended September 30, 2018)

None.

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

Beginning April 1, 2017 and ending March 31, 2018

1. Remuneration for Asset Manager Directors

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

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

2. Remuneration for Asset Manager Corporate Auditors

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

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

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

3. Remuneration for Asset Manager Employees

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

	All employees			
	Number of employees	Remuneration		
		Total	Fixed	Variable
Remuneration based on compensation rules	36	JPY 345 million	JPY 220 million	JPY 125 million

4. Conflicts of Interest

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

Corporate Data

As of September 30, 2018

Executives

Executive Director: Hiroshi Nakajima
Supervisory Directors: Tomohiro Okanoya
Hiroaki Takano

Paid-in Capital

JPY 497,241,216,000

Number of Units Outstanding

1,385,210

Number of Unitholders

16,190

Stock Listing

Tokyo Stock Exchange

Securities Code

8952

LEI (Legal Entity Identifier)

3538003YAIR3CBGJJ928

Type of Investment Corporation

Closed-end corporate type fund

Transfer Agent

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

Auditor

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

Incorporation

May 11, 2001

Executive Office

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

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

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

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