

FINANCIAL RESULTS FOR THE FISCAL PERIOD ENDED SEPTEMBER 2020 (REIT)

November 16, 2020

Name of Issuer: Japan Real Estate Investment Corporation
 Stock Exchange Listing: Tokyo Stock Exchange
 Securities Code: 8952
 URL: <https://www.j-re.co.jp/en/>
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Scheduled Date of Filing Securities Report: December 25, 2020
 Scheduled date of dividend payment: December 14, 2020
 Supplementary materials for financial results: Yes
 Holding of a briefing on financial results: Yes (primarily for institutional investors and analysts)

(Amounts are rounded down to the nearest million yen)

1. Financial Results for the September 2020 period (April 1, 2020 –September 30, 2020)

(1) Operating Results

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

Period ended	Operating Revenues		Operating Profit		Ordinary Profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2020	34,966	(2.9)	16,498	(4.9)	15,608	(4.4)	15,598	(1.0)
March 31, 2020	35,996	2.4	17,354	5.2	16,326	6.1	15,755	5.4

Period ended	Profit per Unit	ROE (Profit to Unitholders' Equity Ratio)		ROA (Ordinary Profit to Total Assets Ratio)		Ordinary Profit to Operating Revenues Ratio	
		Yen	%	Yen	%	Yen	%
September 30, 2020	11,260	3.0	1.6	44.6			
March 31, 2020	11,373	3.1	1.7	45.4			

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

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

(2) Dividends

Period ended	Dividend per Unit Excluding Excess of Accounting Profits	Total Cash Dividends Excluding Excess of Accounting Profits	Dividend in Excess of Accounting Profits per Unit	Total Dividends in Excess of Accounting Profits	Payout Ratio	Ratio of Dividends to Net Assets
	Yen	Millions of yen	Yen	Millions of yen	%	%
September 30, 2020	11,262	15,600	-	-	100.0	3.0
March 31, 2020	10,610	14,697	-	-	93.3	2.9

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

2: For the period ended September 30, 2020, the total dividends are calculated as profit, adding the reservation for a reduction entry (2 million yen).

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

(3) Financial Standing

As of	Total Assets	Net Assets	Equity Ratio	Net Assets per Unit
	Millions of yen	Millions of yen	%	Yen
September 30, 2020	1,000,254	515,302	51.5	372,002
March 31, 2020	982,607	514,400	52.4	371,351

Reference: Total unitholders' equity is 515,302 million yen for the September 30, 2020 period and 514,400 million yen for the March 31, 2020 period.

(4) Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Period
Period ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
September 30, 2020	21,479	(18,527)	2,304	28,695
March 31, 2020	26,455	(34,496)	(2,124)	23,438

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

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

Period ending	Operating Revenues		Operating Profit		Ordinary Profit		Profit		Dividend per Unit Excluding Excess of Accounting Profits	Dividend in Excess of Accounting Profits per Unit
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen	Yen
March 31, 2021	34,740	(0.6)	16,090	(2.5)	15,100	(3.3)	15,160	(2.8)	11,030	-
September 30, 2021	34,460	(0.8)	15,670	(2.6)	14,710	(2.6)	14,760	(2.6)	10,740	-

Reference: Profit per unit forecast = Profit forecast / Number of total investment units forecast for the end of the period
(the March 2021 period): 10,944 yen; (the September 2021 period): 10,655 yen.

*Other

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

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

(2) Number of Units Outstanding

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

As of September 30, 2020 1,385,210 units

As of March 31, 2020 1,385,210 units

Number of Treasury Units at End of Period

As of September 30, 2020 0 units

As of March 31, 2020 0 units

Note: Please refer to the notes regarding per unit information on page 25 for the number of investment units on which the calculations of profit per unit are based.

* The Implementation Status of Statutory Audit

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

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

Estimates for the Company's future operating results contained in the financial results are forward-looking statements and are based on information currently available to the Company and certain assumptions deemed reasonable. Actual results may differ substantially from the projections depending on a number of factors. In addition, these forecasts do not guarantee the stated dividends. As for assumptions underlying performance forecasts, please refer to the table entitled "Assumptions Underlying Performance Forecasts for the March 2021 period (October 1, 2020 to March 31, 2021) and the September 2021 period (April 1, 2021 to September 30, 2021)" on pages 7 and 8.

1. Business Policy and Operations

(1) Business Operations

① Results for the Period

Japan Real Estate Investment Corporation (the “Company”) was established on May 11, 2001, following the Act on Investment Trusts and Investment Corporations of Japan (“ITA”). The Company was listed on the real estate investment trust market of the Tokyo Stock Exchange (“TSE”) on September 10, 2001 (Securities Code: 8952). Since its IPO, the size of the Company’s assets (total acquisition price) has grown steadily, expanding from 92.8 billion yen to 1.07 trillion yen*, as of September 30, 2020. In the same period, the Company continued to grow steadily in the number of properties in its portfolio, from 20 to 73 properties.

During the September 2020 period (April 1, 2020 to September 30, 2020), the Japanese economy as a whole has been facing a difficult situation due to the impact of the new coronavirus disease (“COVID-19”), which has significantly restricted economic activity; however, there are signs of a recovery, particularly in exports. The Company considers it is necessary to continue to monitor the domestic and international development of the pandemic and the impact of fluctuations in financial and capital markets.

In the office leasing market, vacancy rates remain low, although there are signs of a reversal of the downward trend. Rents have also continued to rise gradually; however, a reversal of the trend is now in sight. Against the backdrop of these market trends, the Company has achieved an increase in rent revenues through external growth as well as by securing leases with higher rents upon rent revisions or tenant replacements. While demand for office buildings in good locations and high quality continues to be high, the Company considers it is necessary to continue to pay close attention to the impact of COVID-19 on the office leasing market.

In the real estate investment market, property prices remained in a high price range due to the continued favorable financing environment against the backdrop of continued monetary easing policy. The number of prime office buildings for sale is limited, and the acquisition environment remains challenging. Despite this environment, the Company was able to acquire a property from a sponsor.

Under such market conditions, the Company made sound investments under the Investment Guideline of providing stable dividends to unitholders, which was set forth at the time of the Company’s listing on the TSE and remains unchanged to this date. Accordingly, the Company was able to provide a dividend at 11,262 yen, which is an increase by 652 yen compared with the previous period.

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

② Results of Operations

a. Property Management and Acquisition and Disposition

In the office leasing market in the fiscal period under review, the property leasing activities were affected by a general stagnation, and the occupancy rate as of September 30, 2020 decreased by 0.7% compared with the previous period, to 99.0%; however, the Company successfully maintained the high level of occupancy rate.

As for property acquisitions and dispositions, on April 20, 2020, the Company acquired a 37.34% share of building ownership interest of Link Square Shinjuku (Shibuya-ku, Tokyo), which is a large-scale redevelopment building, completed in August 2019, with advanced features and a superior location, leveraging a deeper, more collaborative relationship with a sponsor, for 17.30 billion yen.

As a result of the above, the Company’s portfolio at the end of the fiscal period under review, September 30, 2020, consisted of 73 properties, with a total acquisition price of 1.070 trillion yen. Net rentable floor area stood at 873,819 m² with 1,521 tenants in total.

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

b. Finance Activities

According to its financial policy, the Company aims to maintain the LTV ratio (ratio of interest-bearing debt to total assets) at 30% to 40%, and strives to maintain a sound and conservative financial profile by staggering maturities, extension of

durations and diversification of stable lenders among other possibilities, taking into consideration the borrowing costs and existing relationships with lenders.

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

During the September 2020 period, the Company executed a short-term loan of 17.0 billion yen to apply it to part of an acquisition fund, and the Company executed loans to allocate the funds for the repayments of existing loans. In addition, the Company extended for another year the term of the commitment line contract of 60.0 billion yen. Further, in light of the current equity market landscape, on August 25, 2020, the Company withdrew the shelf registration statement relating to the public offering filed with the Director-General of the Kanto Local Finance Bureau dated March 25, 2020.

As a result of the above financing activities, as of September 30, 2020, the Company's total interest-bearing debt increased by 17.0 billion yen compared with the previous period, to 418.9 billion yen. This amount consists of long-term loans totaling 355.0 billion yen (including the current portion of long-term loans totaling 52.2 billion yen), short-term loans totaling 31.0 billion yen, and investment corporation bonds totaling 32.9 billion yen. The current LTV ratio stands at 41.9%.

The Company's credit ratings as of September 30, 2020 were as follows:

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

③ Summary of Financial Results and Dividends

As a result of the above operations, in the period under review, the Company's operating revenues decreased 2.9% compared with the previous period, to 34.9 billion yen. On the earnings front, operating profit decreased 4.9%, to 16.4 billion yen. After deducting expenses for interest payments on loans and other costs, ordinary profit decreased 4.4%, to 15.6 billion yen, and profit decreased 1.0%, to 15.5 billion yen.

Turning to dividends, the Company will make cash distributions using accounting profits based on the dividend policy outlined in Article 32-1(2) of the Company's Articles of Incorporation, in an amount that exceeds 90% of earnings available for dividends as required by Article 67-15 of the Special Taxation Measures Act. Based on this policy, the Company decided that the total amount of dividends, which is set not to exceed the unappropriated retained earnings and also to secure retained earnings brought forward, is 15,600,235,020 yen for the period under review, which is a multiple of 1,385,210—the number of units outstanding as of September 30, 2020. Accordingly, the dividend per investment unit is 11,262 yen.

(2) Outlook

① Operating Environment

Although the Japanese economy is expected to remain in a difficult situation for some time due to the prolonged coronavirus pandemic, it is expected to continue to pick up due to the effect of various measures and overseas economic recovery as the level of the socio-economic activity has been raised in stages while preventive measures against the coronavirus have been in place. On the other hand, the Company considers it is necessary to pay close attention to the impact of the re-emergence of the infectious disease in Japan and abroad, the risk of a global economic downturn due to trade issues between the United States and China, and fluctuations in financial and capital markets.

In the office leasing market, the Company will continue to monitor the impact of the spread of COVID-19 on the domestic and overseas economy, as well as the trends in the market and the business conditions of the tenants under management of the Company, in an effort to secure stable earnings and maintain and improve asset values over the medium to long term.

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

a Property Management

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

(i) Strengthen relationships of trust with existing tenants

The Company has contracts with numerous property management companies. Each property management company has developed relationships of trust with their tenants through their daily diligence in managing their respective properties

over the years. The Company will work to further solidify these relationships by anticipating tenants' needs and providing tailored services to bolster tenant satisfaction, thereby maintaining and improving occupancy rates and raising the rent levels.

(ii) Fill vacancies promptly

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

(iii) Stabilize revenues and earnings

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

(iv) Reduce management costs

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

b Property Acquisitions and Dispositions

The Company has adopted the following policies for acquiring properties.

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

c Financial Policies

The Company has adopted the following financial policies.

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

② Performance Forecasts

The Company's forecasts for the March 2021 period (October 1, 2020 to March 31, 2021) are as follows: operating revenues totaling 34.7 billion yen, operating profit totaling 16.0 billion yen, ordinary profit totaling 15.1 billion yen, and profit totaling 15.1 billion yen. The Company plans to declare a per-unit cash dividend of 11,030 yen.

The Company's forecasts for the September 2021 period (April 1, 2021 to September 30, 2021) are as follows: operating revenues totaling 34.4 billion yen, operating profit totaling 15.6 billion yen, ordinary profit totaling 14.7 billion yen, and profit totaling 14.7 billion yen. The Company plans to declare a per-unit cash dividend of 10,740 yen.

Regarding the assumptions underlying these forecasts, please see pages 7 and 8 entitled "Assumptions Underlying Performance Forecasts for the March 2021 period (October 1, 2020 to March 31, 2021) and the September 2021 period (April 1, 2021 to September 30, 2021)." Operating revenues, operating profit, ordinary profit, profit, and cash dividend per unit might vary depending on changes that could occur in the market situation.

③ Issuance of Investment Corporation Bonds

The Company issued Japan Real Estate Investment Corporation 13th Unsecured Bonds on October 26, 2020 and applied the bond proceeds to the contractual repayment of a long-term loan of 2.0 billion yen and part of the prepayment of a short-term loan of 8.0 billion yen to increase the ratio of long-term debt and investment corporation bonds to interest-bearing debt.

■ Overview of Japan Real Estate Investment Corporation 13th Unsecured Bonds

Name of the Investment Corporation Bond	Japan Real Estate Investment Corporation 13th Unsecured Bonds
Total Amount of the Bonds Issued	10.0 billion yen
Date of the Bonds Issued	October 26, 2020
Final Redemption Date	October 24, 2025
Interest Rate	0.200% per annum
Use of Proceeds	The Company applied the proceeds to the contractual repayment of a long-term loan of 2.0 billion yen and part of the prepayment of a short-term loan of 8.0 billion yen during October 2020.

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

Item	Assumption
Accounting period	<ul style="list-style-type: none"> • The March 2021 period: October 1, 2020 to March 31, 2021 (182 days) • The September 2021 period: April 1, 2021 to September 30, 2021 (183 days)
Number of properties held by the Company	<ul style="list-style-type: none"> • The Company's property portfolio consists of 73 properties at the end of the September 2020 period, assuming no property is acquired or disposed of by the end of September 2021. The actual portfolio may differ from this assumption due to additional property acquisitions and dispositions. • There are no forward commitment transactions described in the Supervisory Guidelines issued by the Financial Services Agency as of November 16, 2020.
Number of units outstanding	<ul style="list-style-type: none"> • The Company assumes that the total number of units outstanding is 1,385,210 units as of September 30, 2020.
Interest-bearing debt	<ul style="list-style-type: none"> • The Company maintains an LTV ratio within a range between 30% and 40% as an operational guideline. • The Company issued Japan Real Estate Investment Corporation 13th Unsecured Bonds on October 26, 2020, and applied the bond proceeds and cash in hand to the repayments of a long-term loan and a short-term loan. As a result, the balance of interest-bearing debt amounted to 418.9 billion yen as of November 16, 2020. • In the March 2021 period, as of November 16, 2020, the Company will refinance the long-term loans due for repayments during the period totaling 26.0 billion yen (repayment dates: December 21, 2020, January 15, 2021, January 29, 2021, and March 24, 2021) and the short-term loans due for repayment during the period totaling 11.0 billion yen (repayment date: November 18, 2020). There are no investment corporation bonds set to mature in the March 2021 period. • In the September 2021 period, as of November 16, 2020, the Company will refinance the long-term loans due for repayments during the period totaling 24.2 billion yen (repayment dates: April 5, 2021, April 26, 2021, June 15, 2021, June 28, 2021, July 20, 2021, and August 31, 2021) and the short-term loans due for repayment during the period totaling 7.0 billion yen (repayment date: April 20, 2021). There are no investment corporation bonds set to mature in the September 2021 period.
Operating revenues	<ul style="list-style-type: none"> • Revenues from portfolio properties held by the Company are calculated by taking into consideration the new leases and the tenancy terminations confirmed as of November 16, 2020, and by factoring in potential variables that reflect the recent office leasing market landscape, such as rent levels and occupancy rates. • In addition to the above, the revenue is calculated by incorporating, to a certain extent, the impact of the decrease in rent due to the spread of COVID-19 infections, which is proved at this point in time.

Item	Assumption
Operating expenses	<ul style="list-style-type: none"> • Of the taxes applicable to the Company, property taxes, city planning taxes and depreciable property taxes corresponding to the relevant fiscal period have been recorded as property-related expenses. However, when a property is acquired at a point during the period used for the calculation of property tax, a property tax adjustment is levied that takes into account the date of the transfer of the new acquisition. The amount of the adjustment is factored into the acquisition price and therefore not recorded as an expense in the relevant fiscal period. In addition, the Company assumes the 2021 property taxes, city planning taxes, and depreciable property taxes for properties acquired in 2020 to be as follows: <ul style="list-style-type: none"> • Seavans S Building: 40 million yen • Otemachi Park Building: 72 million yen • Shinjuku Front Tower (additional acquisition): 55 million yen • Shinjuku Eastside Square (additional acquisition): 31 million yen • Link Square Shinjuku: 64 million yen • Property and other taxes will be 3,290 million yen in the March 2021 period and 3,540 million yen in the September 2021 period. • Depreciation will be 6,520 million yen in the March 2021 period and 6,240 million yen in the September 2021 period. • Repair expenses may vastly differ from the projected amounts as such costs fluctuate significantly from one fiscal period to another, and because these costs are not recurring. • The Company calculates the asset management fees for the September 2021 period payable to the asset management company under the assumption an agenda (Proposal 2: amendments to certain provisions of the Articles of Incorporation) (Note), which is to be proposed to the Company's 12th General Unitholders' Meeting scheduled for December 10, 2020, is approved.
Non-operating expenses	<ul style="list-style-type: none"> • The non-operating expenses, such as interest expenses on loans and investment corporation bonds, will be 1,000 million yen in the March 2021 period and 960 million yen in the September 2021 period.
Dividend amounts	<ul style="list-style-type: none"> • The Company shall not distribute dividends in excess of accounting profits. Thus, based on its Articles of Incorporation, the Company shall make cash distributions of the amount that is higher than 90% of earnings available for dividends up to the accounting profits. • Gains on the reversal of reserve for reduction entry corresponding to the depreciation of the replaced properties and a return of retained earnings, which is 120 million yen for the March 2021 period and 110 million yen for the September 2021 period, will be subject to cash distributions.
Other	<ul style="list-style-type: none"> • No revisions will be made in such areas as laws, tax systems, accounting standards, and listing rules as well as regulations of the Investment Trusts Association, Japan to the extent that impact the above-mentioned forecasts. • No unprecedented or significant changes will occur to the general market trends or real estate market conditions or other factors. • Although the above is calculated by incorporating, to a certain extent, the impact of the decrease in rents due to the spread of COVID-19 infections, which is proved at this point in time, it may fluctuate due to uncertainty in future changes in COVID-19 infections. • In addition to the income taxes deferred related to reversal of reserve for reduction entry, etc., the corporate and other taxes are calculated by taking into consideration the taxes in relation to the amortization of term leasehold interest for buildings and asset retirement obligations.

(Note) The Company is to propose an agenda related to the asset management fees payable to the asset management company (Proposal 2: amendments to certain provisions of the Articles of Incorporation), which revises the current fee structure as follows, to its 12th General Unitholders' Meeting.

Current fee structure

<NOI-linked fee>

NOI (Net Operating Income) x 4.0%

<Distribution-linked fee>

Profit before taxes, etc. x 2.5% x (the dividend per unit for the relevant fiscal period / the arithmetic average of the dividend per unit during the most recent six fiscal periods including the relevant fiscal period)

New fee structure (proposed)

<NOI-linked fee>

NOI (Net Operating Income) x 4.0%

*No change made

<Distribution-linked fee >

(Profit before taxes, etc. - gains or losses on sales of real estate for the relevant fiscal period) x 2.5% x (the dividend per unit after deducting the gains or losses on sales of real estate for the relevant fiscal period / the arithmetic average of the dividend per unit after deducting the gains or losses on sales of real estate during the most recent six fiscal periods including the relevant fiscal period)

<Distribution-linked fee II>

<Mainly linked to leasing business profit, which is a distributable resource of a regular nature>

Gains or losses on sales of real estate for the relevant fiscal period x 12.5% (If the figure is negative, the distribution-linked fee II shall be zero.)

<Linked to the gains on the sales of real estate (the positive value after taking into account the gains and losses on the sales of real estate), which is a distributable resource of a transient nature>

3. Financial Statements

(1) Balance Sheets

Thousands of yen

	As of March 31, 2020	As of September 30, 2020
Assets		
Current assets		
Cash and deposits	16,996,570	21,499,934
Cash and deposits in trust	6,442,270	7,195,933
Operating accounts receivable	271,518	430,651
Prepaid expenses	179,764	228,047
Other	22,422	20,818
Total current assets	23,912,546	29,375,384
Non-current assets		
Property, plant and equipment		
Buildings	256,854,393	263,978,877
Accumulated depreciation	(103,245,716)	(107,639,942)
Buildings, net	153,608,677	156,338,934
Structures	2,998,915	3,231,736
Accumulated depreciation	(1,021,770)	(1,074,576)
Structures, net	1,977,144	2,157,160
Machinery and equipment	3,386,077	3,478,769
Accumulated depreciation	(2,529,346)	(2,616,025)
Machinery and equipment, net	856,730	862,743
Tools, furniture and fixtures	483,511	461,525
Accumulated depreciation	(339,690)	(307,996)
Tools, furniture and fixtures, net	143,821	153,528
Land	463,484,636	474,256,178
Construction in progress	24,280	26,968
Buildings in trust	106,513,777	107,000,367
Accumulated depreciation	(30,411,289)	(32,423,749)
Buildings in trust, net	76,102,488	74,576,617
Structures in trust	1,021,112	1,022,645
Accumulated depreciation	(341,674)	(368,876)
Structures in trust, net	679,437	653,769
Machinery and equipment in trust	802,094	802,094
Accumulated depreciation	(552,253)	(568,526)
Machinery and equipment in trust, net	249,841	233,568
Tools, furniture and fixtures in trust	70,292	72,089
Accumulated depreciation	(42,281)	(45,355)
Tools, furniture and fixtures in trust, net	28,010	26,733
Land in trust	251,592,514	251,658,301
Construction in progress in trust	9,360	5,689
Total property, plant and equipment	948,756,943	960,950,193
Intangible assets		
Land leasehold interests	5,643,385	5,627,555
Easement	828,095	828,095
Other	4,504	38,728
Total intangible assets	6,475,985	6,494,378

Thousands of yen

	As of March 31, 2020	As of September 30, 2020
Investments and other assets		
Investment securities	577,168	577,168
Leasehold and guarantee deposits	1,573,847	1,573,847
Long-term prepaid expenses	132,917	95,028
Other	1,107,318	1,125,046
Total investments and other assets	3,391,252	3,371,090
Total non-current assets	958,624,180	970,815,663
Deferred assets		
Investment corporation bond issuance costs	70,808	63,428
Total deferred assets	70,808	63,428
Total assets	982,607,535	1,000,254,476
Liabilities		
Current liabilities		
Operating accounts payable	2,278,748	1,079,870
Short-term borrowings	29,000,000	31,000,000
Current portion of long-term borrowings	41,000,000	52,200,000
Accounts payable - other	2,070,587	1,880,176
Accrued expenses	369,182	367,496
Income taxes payable	11,473	8,247
Accrued consumption taxes	574,122	468,126
Advances received	3,363,910	3,170,806
Other	6,064	14,713
Total current liabilities	78,674,089	90,189,438
Non-current liabilities		
Investment corporation bonds	32,993,175	32,993,175
Long-term borrowings	299,000,000	302,800,000
Deposits received from tenants	55,905,313	57,302,113
Deferred tax liabilities	1,282,153	1,281,107
Asset retirement obligations	352,489	356,041
Other	—	30,569
Total non-current liabilities	389,533,131	394,763,006
Total liabilities	468,207,221	484,952,444
Net assets		
Unitholders' equity		
Unitholders' capital	497,241,216	497,241,216
Surplus		
Voluntary retained earnings		
Reserve for tax purpose reduction entry	1,368,194	2,426,375
Total voluntary retained earnings	1,368,194	2,426,375
Unappropriated retained earnings	15,790,904	15,634,440
Total surplus	17,159,098	18,060,815
Total unitholders' equity	514,400,314	515,302,031
Total net assets	514,400,314	515,302,031
Total liabilities and net assets	982,607,535	1,000,254,476

(2) Statements of Income

	Thousands of yen	
	For the period from October 1, 2019 to March 31, 2020	For the period from April 1, 2020 to September 30, 2020
Operating revenues		
Rent revenues	33,746,218	34,778,422
Other lease business revenues	64,352	187,969
Gain on sales of real estate properties	2,185,638	—
Total operating revenues	35,996,210	34,966,391
Operating expenses		
Expenses related to lease business	16,813,977	16,649,118
Asset management fee	1,452,064	1,456,400
Asset custody fee	63,401	64,692
Administrative service fees	132,189	133,043
Directors' compensations	7,800	7,800
Commission expenses	89,971	89,743
Other operating expenses	82,326	67,293
Total operating expenses	18,641,731	18,468,092
Operating profit	17,354,479	16,498,298
Non-operating income		
Interest income	146	122
Dividend income	—	12,574
Reversal of distributions payable	1,479	1,384
Gain on donation of non-current assets	—	100,456
Other	61	897
Total non-operating income	1,688	115,434
Non-operating expenses		
Interest expenses	813,737	798,168
Interest expenses on investment corporation bonds	164,298	161,468
Amortization of investment corporation bond issuance costs	7,379	7,379
Other	44,747	38,133
Total non-operating expenses	1,030,163	1,005,149
Ordinary profit	16,326,004	15,608,583
Profit before income taxes	16,326,004	15,608,583
Income taxes - current	11,495	10,834
Income taxes - deferred	559,249	(1,046)
Total income taxes	570,744	9,788
Profit	15,755,259	15,598,795
Retained earnings brought forward	35,645	35,645
Unappropriated retained earnings	15,790,904	15,634,440

(3) Statements of Changes in Unitholders' Equity

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

Thousands of yen

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

For the period from April 1, 2020 to September 30, 2020

Thousands of yen

	Unitholders' equity						Total net assets
	Unitholders' capital	Surplus				Total unitholders' equity	
		Voluntary retained earnings		Unappropriated retained earnings	Total surplus		
		Reserve for tax purpose reduction entry	Total voluntary retained earnings				
Balance at beginning of the period	497,241,216	1,368,194	1,368,194	15,790,904	17,159,098	514,400,314	514,400,314
Changes during the period							
Provision of reserve for tax purpose reduction entry		1,060,273	1,060,273	(1,060,273)	—	—	—
Reversal of reserve for tax purpose reduction entry		(2,092)	(2,092)	2,092	—	—	—
Dividends of surplus				(14,697,078)	(14,697,078)	(14,697,078)	(14,697,078)
Profit				15,598,795	15,598,795	15,598,795	15,598,795
Total changes during the period	—	1,058,181	1,058,181	(156,463)	901,717	901,717	901,717
Balance at end of the period	497,241,216	2,426,375	2,426,375	15,634,440	18,060,815	515,302,031	515,302,031

(4) Statements of Cash Distributions

	For the period from October 1, 2019 to March 31, 2020	For the period from April 1, 2020 to September 30, 2020
	Amount (Yen)	Amount (Yen)
I Retained earnings	15,790,904,336	15,634,440,510
II Reversal of voluntary retained earnings		
Reversal of reserve for tax purpose reduction entry	2,092,798	2,092,431
III Cash distribution	14,697,078,100	15,600,235,020
(Dividend per investment unit)	(10,610)	(11,262)
IV Voluntary retained earnings		
Provision of reserve for tax purpose reduction entry	1,060,273,922	—
V Retained earnings brought forward	35,645,112	36,297,921

Computation Method for Determining Dividends	<p>The Company will make cash distributions using accounting profits based on the cash distribution policy outlined in Article 32-1(2) of the Company's Articles of Incorporation, in an amount that exceeds 90% of the "amount of distributable profit" as set forth in Article 67-15 of the Special Taxation Measures Act. Based on this policy, the Company has decided that the total amount of dividends, under the application of Article 65-7 "Exceptions of the Taxation in case of the Replacement by Purchase of Specific Assets" of the Special Taxation Measures Act, making reduction entries, and also which is set not to exceed the unappropriated retained earnings and to secure retained earnings brought forward, is ¥14,697,078,100 for the period under review, which is a multiple of 1,385,210 — the number of units outstanding as of March 31, 2020. Furthermore, the Company does not pay out dividends that exceed accounting profits as outlined in Article 32-1(3) of the Company's Articles of Incorporation.</p>	<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, which is set not to exceed the unappropriated retained earnings and also to secure retained earnings brought forward, is ¥15,600,235,020 for the period under review, which is a multiple of 1,385,210 — the number of units outstanding as of September 30, 2020. Furthermore, the Company does not pay out dividends that exceed accounting profits as outlined in Article 32-1(3) of the Company's Articles of Incorporation.</p>
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(5) Statements of Cash Flows

Thousands of yen

	For the period from October 1, 2019 to March 31, 2020	For the period from April 1, 2020 to September 30, 2020
Cash flows from operating activities		
Profit before income taxes	16,326,004	15,608,583
Depreciation	6,418,143	6,628,009
Gain on donation of non-current assets	—	(100,456)
Amortization of investment corporation bond issuance costs	7,379	7,379
Dividend income	—	(12,574)
Interest income	(146)	(122)
Interest expenses	978,035	959,636
Decrease (increase) in operating accounts receivable	53,280	(159,133)
Decrease (increase) in supplies	2,562	425
Decrease (increase) in prepaid expenses	130,438	(48,282)
Decrease in property, plant and equipment in trust due to sale	3,688,085	—
Decrease in intangible assets in trust due to sale	444,160	—
Increase (decrease) in operating accounts payable	(113,519)	(77,877)
Increase (decrease) in accounts payable - other	75,712	(23,243)
Increase (decrease) in accrued consumption taxes	(417,018)	(105,996)
Increase (decrease) in accrued expenses	131	(131)
Increase (decrease) in advances received	68,005	(193,103)
Decrease (increase) in long-term prepaid expenses	(71,654)	37,888
Other, net	(86,668)	(78,517)
Subtotal	27,502,932	22,442,485
Interest and dividends received	146	12,696
Interest paid	(1,038,661)	(961,191)
Income taxes paid	(8,917)	(14,059)
Net cash provided by (used in) operating activities	26,455,500	21,479,931
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,492,144)	(18,345,844)
Purchase of property, plant and equipment in trust	(29,478,070)	(1,577,074)
Payments of leasehold and guarantee deposits	(14,160)	—
Refund of leasehold and guarantee deposits received	(988,925)	(888,636)
Proceeds from leasehold and guarantee deposits received	2,476,425	2,284,029
Net cash provided by (used in) investing activities	(34,496,874)	(18,527,526)
Cash flows from financing activities		
Proceeds from short-term borrowings	50,500,000	39,000,000
Repayments of short-term borrowings	(35,000,000)	(37,000,000)
Proceeds from long-term borrowings	30,000,000	28,000,000
Repayments of long-term borrowings	(33,500,000)	(13,000,000)
Distributions paid	(14,124,323)	(14,695,378)
Net cash provided by (used in) financing activities	(2,124,323)	2,304,621
Net increase (decrease) in cash and cash equivalents	(10,165,696)	5,257,026
Cash and cash equivalents at beginning of the period	33,604,537	23,438,840
Cash and cash equivalents at end of the period	23,438,840	28,695,867

(6) Notes Concerning Going Concerns Assumption

“Not applicable”

(7) Summary of Significant Accounting Policies

Investment securities

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

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

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

Buildings.....	2-61 years
Structures.....	2-75 years
Machinery and equipment.....	2-18 years
Tools, furniture and fixtures.....	2-29 years

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

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

Intangible assets

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

Leased assets

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

Deferred charges

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

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

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

Revenue recognition

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

Taxes on property and equipment

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

Consumption taxes

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

Cash and cash equivalents

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

Hedge accounting

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

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

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

(8) Notes to Financial Statements

(Notes to Balance Sheets)

a. Commitment line agreement

The Company has signed commitment line agreements with three banks.

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

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

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

(Notes to Statements of Income)

a. Breakdown of property-related revenues and expenses

	Thousands of yen	
	For the period from October 1, 2019 to March 31, 2020	For the period from April 1, 2020 to September 30, 2020
Property-Related Revenues	33,810,571	34,966,391
Rent revenues	33,746,218	34,778,422
Rental revenues	27,566,414	29,118,151
Common service charges	2,686,402	2,585,443
Parking revenues	763,482	711,241
Other rental revenues	2,729,919	2,363,586
Other lease business revenues	64,352	187,969
Cancellation charges	11,096	102,624
Other miscellaneous revenues	53,256	85,344
Property-Related Expenses	16,813,977	16,649,118
Expenses related to lease business	16,813,977	16,649,118
Property management expenses	3,740,195	3,657,166
Utilities expenses	2,251,223	2,228,640
Property and other taxes	3,241,944	3,295,586
Casualty insurance	46,005	46,010
Repairing expenses	936,202	645,173
Depreciation	6,416,541	6,626,407
Other rental expenses	181,864	150,132
Property-Related Profits	16,996,593	18,317,272

b. Breakdown of gain on sales of real estate properties

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

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

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

For the period from April 1, 2020 to September 30, 2020

“Not applicable”

(Changes in Unitholders' Equity)

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

(Supplemental Cash Flow Information)

Cash and cash equivalents

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

	Thousands of yen	
	As of March 31, 2020	As of September 30, 2020
Cash and deposits	16,996,570	21,499,934
Cash and deposits in trust	6,442,270	7,195,933
Time deposits with maturities of more than three months	—	—
Cash and cash equivalents	23,438,840	28,695,867

(Financial Instruments)

a. Status of financial instruments

(i) Policies for dealing financial instruments

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

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

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

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

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

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

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

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

(iii) Supplementary note regarding fair value of financial instruments

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

b. Fair value of financial instruments

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

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

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

* Liabilities are shown in parentheses.

	Thousands of yen		
	As of September 30, 2020		
	Book value *	Fair value *	Difference *
(1) Cash and deposits	21,499,934	21,499,934	—
(2) Cash and deposits in trust	7,195,933	7,195,933	—
(3) Short-term borrowings	(31,000,000)	(31,000,000)	—
(4) Current portion of long-term borrowings	(52,200,000)	(52,285,340)	(85,340)
(5) Investment corporation bonds	(32,993,175)	(34,107,600)	(1,114,425)
(6) Long-term borrowings	(302,800,000)	(305,188,746)	(2,388,746)
(7) Derivative transactions	—	—	—

* Liabilities are shown in parentheses.

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

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

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

(3) Short-term borrowings

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

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

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

(5) Investment corporation bonds

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

(7) Derivative transactions

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

2. Financial instruments whose fair values cannot be reliably measured

	Thousands of yen	
	As of March 31, 2020	As of September 30, 2020
(1) Non-listed stock *1	577,168	577,168
(2) Deposits received from tenants *2	55,905,313	57,302,113

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

	Thousands of yen					
	As of September 30, 2020					
	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Cash and deposits	21,499,934	—	—	—	—	—
Cash and deposits in trust	7,195,933	—	—	—	—	—
Total	28,695,867	—	—	—	—	—

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

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

	Thousands of yen					
	As of September 30, 2020					
	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Short-term borrowings	31,000,000	—	—	—	—	—
Investment corporation bonds	—	—	—	10,000,000	10,000,000	12,993,175
Long-term borrowings	52,200,000	51,000,000	48,500,000	42,300,000	52,000,000	109,000,000
Total	83,200,000	51,000,000	48,500,000	52,300,000	62,000,000	121,993,175

(Derivative Transactions)

a. Derivatives not designated as hedging instruments

As of March 31, 2020

“Not applicable”

As of September 30, 2020

“Not applicable”

b. Derivatives designated as hedging instruments

As of March 31, 2020

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

(Thousands of yen)

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

As of September 30, 2020

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

(Thousands of yen)

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

*1. The derivative transactions eligible for Special Treatment for interest-rate swap and Integrated Treatment (Special Treatment for interest-rate swap and Allocation Treatment for currency swap) are accounted for as integral parts of the hedged loans, and the fair value of those derivative transactions is included in that of the underlying long-term borrowings as of March 31, 2020 and September 30, 2020. Please refer to page 20, Note 1 of the section entitled “b. Fair value of financial instruments” under “Financial Instruments”, as well as subheadings (4) and (6) concerning derivative transactions.

*2. Currency swap transactions eligible for allocation treatment are accounted for as integrated parts of the hedged investment corporation bonds, and the fair value of the currency swap transactions is included in that of the underlying investment bonds as of March 31, 2020 and September 30, 2020. Please refer to page 20, Note 1 of the section entitled “b. Fair value of financial instruments” under “Financial Instruments”, as well as subheading (5) concerning derivative transactions.

(Income Taxes)

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

	Thousands of yen	
	As of March 31, 2020	As of September 30, 2020
Deferred tax assets:		
Accrued enterprise tax	958	897
Amortization of a term leasehold interest	100,385	105,861
Asset retirement obligations	121,926	123,154
	223,270	229,913
Valuation allowance	(120,856)	(127,560)
Total deferred tax assets	102,413	102,353
Deferred tax liabilities:		
Asset retirement obligations	101,455	101,455
Reserve for advanced depreciation of non-current assets	1,283,111	1,282,004
Total deferred tax liabilities	1,384,567	1,383,460
Net deferred tax liabilities	1,282,153	1,281,107

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

	As of March 31, 2020	As of September 30, 2020
Statutory tax rate	34.59%	34.59%
Deductible dividend distribution	(31.14%)	(34.57%)
Change in valuation allowance	0.04%	0.04%
Others	0.00%	0.00%
Effective tax rate	3.50%	0.06%

(Asset Retirement Obligations)

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

Asset retirement obligations reported on balance sheets

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

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

	Thousands of yen	
	For the period from October 1, 2019 to March 31, 2020	For the period from April 1, 2020 to September 30, 2020
Balance at the beginning of the period	348,974	352,489
Increase in tangible fixed assets	—	—
Accretion expense	3,515	3,551
Balance at the end of the period	352,489	356,041

(Investment and Rental Property)

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

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

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

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

Thousands of yen			
Book value		Fair value	
As of March 31, 2020	Change during the period *2	As of September 30, 2020	As of September 30, 2020
955,228,960	12,213,246	967,442,207	1,253,980,000

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

2. Significant changes

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

*2. As for the increases/decreases for the period, the major reason for the increases was the acquisition of Link Square Shinjuku (¥17,417,790 thousand). The major reason for the decreases was by depreciation.

3. Fair values as of March 31, 2020 and September 30, 2020 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 the “a. Breakdown of property-related revenues and expenses” under “Notes to Statements of Income”.

(Segment Information)

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

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

Information on products and services

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

Information on geographic area

a. Revenue

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

b. Property and equipment

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

Information on major clients

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

(Per Unit Information)

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

	Yen	
	For the period from October 1, 2019 to March 31, 2020	For the period from April 1, 2020 to September 30, 2020
Net assets per unit	371,351	372,002
Profit per unit	11,373	11,260

- 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, 2019 to March 31, 2020	For the period from April 1, 2020 to September 30, 2020
Profit	15,755,259	15,598,795
Amount not attributable to normal unitholders	—	—
Profit applicable to normal investment units	15,755,259	15,598,795
Average number of units	1,385,210 units	1,385,210 units

(Subsequent Events)

“Not applicable”

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

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

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

- *1. New investment units were issued at 557,620 yen per unit (underwriting price of 540,550 yen) for the purpose of funding the partial repayment of short-term loans, the redemption of investment corporation bonds, the acquisition of specified assets, and, in the event there are any funds remaining, cash reserves.
- *2. New investment units were issued at 540,550 yen per unit for the purpose of funding the partial repayment of short-term loans and, in the event there are any funds remaining, cash reserves.
- *3. New investment units were issued at 533,120 yen per unit (underwriting price of 516,800 yen) for the purpose of funding the acquisition of specified assets and the partial repayment of short-term loans, and in the event there are any funds remaining, cash reserves.
- *4. New investment units were issued at 516,800 yen per unit for the purpose of funding the partial repayment of short-term loans and, in the event there are any funds remaining, cash reserves.

4. Changes in Officers

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

5. Reference Data

a. Composition of the Company's Assets

Asset type	Region	As of March 31, 2020		As of September 30, 2020	
		Total of net book value*1 (¥ million)	Ratio to total assets (%)	Total of net book value*1 (¥ million)	Ratio to total assets (%)
Real property	Tokyo 23 wards	503,581	51.2	518,351	51.8
	Tokyo metropolitan area (excluding Tokyo 23 wards)*2	41,626	4.2	41,323	4.1
	Other major cities	81,358	8.3	80,612	8.1
	Total	626,566	63.8	640,287	64.0
Real property in trust	Tokyo 23 wards	239,113	24.3	238,275	23.8
	Tokyo metropolitan area (excluding Tokyo 23 wards)*2	16,172	1.6	16,056	1.6
	Other major cities	73,376	7.5	72,822	7.3
	Total	328,662	33.4	327,155	32.7
Savings and other assets		27,378	2.8	32,812	3.3
		(—)	(—)	(—)	(—)
Total amount of assets		982,607	100.0	1,000,254	100.0
		(955,228)	(97.2)	(967,442)	(96.7)

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

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

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

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

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

The table below is a quick reference guide outlining the real estate and other assets included in the Company's holdings as of September 30, 2020.

Region	Name of property	Type of specified asset	Number of tenants*1	Leasable floor area (m ²)	Occupancy rate*2	Appraisal value at the end of period (¥ mil)*3	Book value at the end of period (¥ mil)	Acquisition price*4		Ratio by region*2	
								(¥ thousand)	Ratio *2		
Tokyo metropolitan area	Tokyo 23 wards	Kitanomaru Square	Real property	5 *5	25,678 *5	100.0% *5	88,400	70,084	81,555,500	7.6%	78.0%
		MD Kanda Building	Real property	9	6,269	100.0%	9,010	8,582	9,520,000	0.9%	
		Kandabashi Park Building	Real property	10	3,687	100.0%	5,070	4,406	4,810,000	0.4%	
		Otemachi Financial City North Tower	Real property	3	5,121	100.0%	20,700	14,606	15,462,900	1.4%	
		Otemachi Park Building	Trust	22	2,372	100.0%	10,500	10,244	10,175,000	1.0%	
		Nibancho Garden	Real property	1 *5	9,316 *5	100.0% *5	18,500	12,073	14,700,000	1.4%	
		Mitsubishi UFJ Trust and Banking Building	Real property	10	11,904	100.0%	56,800	28,641	44,700,000	4.2%	
		Burex Kojimachi Building	Real property	1	4,495	100.0%	7,380	5,347	7,000,000	0.7%	
		Sanno Grand Building	Real property	49	20,535	100.0%	30,500	21,019	10,200,000 10,700,000 Total: 20,900,000	2.0%	
		Yurakucho Denki Building	Real property	9	4,697	97.7%	9,040	7,649	7,200,000	0.7%	
		Front Place Nihonbashi	Real property	2	8,468	100.0%	20,300 *6	17,513	17,560,000	1.6%	
		Kyodo Building (Kayabacho 2Chome)	Trust	10	4,464	100.0%	5,090	4,085	4,410,000	0.4%	
		Burex Kyobashi Building	Real property	1	4,279	100.0%	7,680	4,327	5,250,000	0.5%	
		Ginza 1Chome East Building	Trust	8	4,513	100.0%	7,930	6,107	6,459,000	0.6%	

Region	Name of property	Type of specified asset	Number of tenants*1	Leasable floor area (m ²)	Occupancy rate*2	Appraisal value at the end of period (¥ mil)*3	Book value at the end of period (¥ mil)	Acquisition price*4		Ratio by region*2	
								(¥ thousand)	Ratio *2		
Tokyo metropolitan area	Tokyo 23 wards	Ginza Sanwa Building	Real property	10	4,326	95.5%	18,900	17,123	16,830,000	1.6%	78.0%
		Ryoshin Ginza East Mirror Building	Real property	11	4,255	100.0%	6,320	7,239	5,353,500 2,645,922 *7 Total: 7,999,422	0.7%	
		Harumi Front	Real property	8	33,369	100.0%	40,800 *8	26,400	31,300,000	2.9%	
		Harumi Center Building	Real property	12	20,812	100.0%	21,000	21,230	26,800,000	2.5%	
		Akasaka Park Building	Real property	30 *5	44,999 *5	99.0% *5	80,600	58,231	60,800,000	5.7%	
		Aoyama Crystal Building	Real property	8	4,898	100.0%	9,380	6,975	7,680,000	0.7%	
		Clover Shiba-koen	Trust	9	2,550	100.0%	4,880 *6	4,426	4,500,000	0.4%	
		Shiodome Building	Trust	37	44,213	100.0%	125,000	100,573	21,250,000 54,600,000 10,100,000 10,450,000 10,530,000 Total: 106,930,000	10.0%	
		Shiba 2Chome Daimon Building	Trust	22	9,606	98.0%	7,560	6,026	4,859,000	0.5%	
		Cosmo Kanasugibashi Building	Trust	8	4,062	100.0%	3,550	2,497	2,808,000	0.3%	
		Seavans S Building	Real property	14	6,074	100.0%	7,160	5,654	5,400,000	0.5%	
		Tamachi Front Building	Real property	8	3,792	100.0%	7,510 *6	6,085	6,210,000	0.6%	
		Shinjuku Eastside Square	Trust	41	40,940	100.0%	74,500 *6	60,004	23,100,000 6,660,000 25,460,000 8,460,000 Total: 63,680,000	5.9%	
		Shinjuku Front Tower	Trust	42	21,416	100.0%	38,300 *6	34,735	25,025,000 10,100,000 Total: 35,125,000	3.3%	
		Shinwa Building	Real property	12	5,997	92.1%	9,090	7,727	7,830,000	0.7%	
		Tokyo Opera City Building*9	Real property	94	34,971	99.2%	35,400	27,738	9,350,000 22,426,831 Total: 31,776,831	3.0%	
		Front Place Minami-Shinjuku	Real property	2	4,095	100.0%	9,760 *6	9,333	9,250,000	0.9%	
Link Square Shinjuku*10	Real property	16	9,786	100.0%	23,400	22,858	6,670,000 (1,170,000) *11 17,300,000 Total: 22,800,000	2.1%			

Region	Name of property	Type of specified asset	Number of tenants*1	Leasable floor area (m ²)	Occupancy rate*2	Appraisal value at the end of period (¥ mil)*3	Book value at the end of period (¥ mil)	Acquisition price*4		Ratio by region*2	
								(¥ thousand)	Ratio *2		
Tokyo metropolitan area	Tokyo 23 wards	Yoyogi 1 Chome Building	Real Property	8	7,745	92.1%	13,300	6,713	8,700,000	0.8%	78.0%
		Jingumae Terrace	Real property	6	3,147	100.0%	7,400	4,818	4,885,000	0.5%	
		Jingumae Media Square Building	Real property	3	5,558	74.2%	10,000	10,616	12,200,000*12	1.1%	
		Shibuya Cross Tower (Land)	Real property	*13	*13	*13	40,400	27,186	34,600,000 (8,076,000)*14 Total: 26,524,000	2.5%	
		Ebisu Neonato	Real property	5	8,659	100.0%	19,600	13,794	3,740,000 360,000 10,512,000 Total: 14,612,000	1.4%	
		TIXTOWER UENO	Real property	15	15,016	100.0%	26,000	18,559	22,000,000	2.1%	
		Higashi Gotanda 1Chome Building	Real property	5	5,205	100.0%	6,970	4,263	5,500,000	0.5%	
		Osaki Front Tower*15	Real property	1	16,856	100.0%	18,500*8	7,861	12,300,000	1.1%	
		Omori-Eki Higashiguchi Building	Trust	27	7,706	100.0%	6,210	4,690	5,123,000	0.5%	
		Harmony Tower	Real property	22	14,340	95.4%	14,500	9,689	8,500,000 520,000 2,100,000 Total: 11,120,000	1.0%	
		Otsuka Higashi Ikebukuro Building	Trust	5	7,253	100.0%	4,850	3,323	3,541,000	0.3%	
	Ikebukuro 2Chome Building	Trust	9	2,186	100.0%	1,950	1,560	1,728,000	0.2%		
	Ikebukuro YS Building	Real property	11	5,932	100.0%	6,080	3,998	4,500,000	0.4%		
	Tokyo metropolitan area, excluding Tokyo 23 wards	Hachioji First Square	Real property	47	10,068	100.0%	5,040	4,784	3,300,000 2,379,112 Total: 5,679,112	0.5%	6.2%
		Saitama Urawa Building	Real property	18	4,510	100.0%	3,000	2,437	1,232,000 1,342,000 Total: 2,574,000	0.2%	
		MM Park Building	Real property	34	38,415	99.5%	41,500	30,403	37,400,000	3.5%	
		Queen's Tower A	Trust	48	26,669	98.2%	23,000*6	16,056	17,200,000	1.6%	
Musashi Kosugi STM Building		Real property	26	5,378	100.0%	4,660	3,697	4,000,000	0.4%		

Region	Name of property	Type of specified asset	Number of tenants*1	Leasable floor area (m ²)	Occupancy rate*2	Appraisal value at the end of period (¥ mil)*3	Book value at the end of period (¥ mil)	Acquisition price*4		Ratio by region*2
								(¥ thousand)	Ratio *2	
Other major cities	8·3 Square Kita Building	Real property	8	12,265	100.0%	9,620	5,557	7,100,000	0.7%	15.8%
	Jozenji Park Building	Real property	17	2,518	93.4%	1,050	952	1,000,000	0.1%	
	Higashi Nibancho Square	Real property	23	20,526	100.0%	14,300*8	8,495	9,950,000	0.9%	
	Sendai Honcho Honma Building	Trust	28	6,234	100.0%	2,720	2,787	2,924,000 250,000 Total: 3,174,000	0.3%	
	AER	Real property	63	23,612	96.7%	20,700	18,230	18,640,000	1.7%	
	Daido Seimei Niigata Building	Real property	9	3,928	94.7%	1,860	1,747	1,770,000	0.2%	
	Kanazawa Park Building	Real property	84	20,946	99.6%	6,860	4,271	2,880,000 1,700,000 Total: 4,580,000	0.4%	
	Kanazawa Kamitsutsumicho Building	Real property	27	7,213	98.1%	3,170	2,455	2,780,000	0.3%	
	Nishiki Park Building*16	Real property	64*5	10,338*5	100.0%*5	5,240	4,945	3,850,000 1,300,000 650,000 175,000 Total: 5,975,000	0.6%	
	Nagoya Hirokoji Place	Trust	35	13,200	100.0%	13,300*6	7,710	8,567,000	0.8%	
	Nagoya Hirokoji Building	Real property	43	21,382	100.0%	12,500	14,930	14,533,000	1.4%	
	Nagoya Misono Building	Real property	17	3,448	100.0%	1,530	1,378	1,865,000	0.2%	
	Shijo Karasuma Center Building	Real property	12	6,634	92.9%	6,420*6	3,700	4,400,000	0.4%	
	Umeda Square Building*17	Trust	41	10,374	100.0%	15,900	15,725	15,523,520	1.5%	
	Shin Fujita Building	Trust	49	28,403	100.0%	20,000	21,264	24,000,000	2.2%	
Sakaisujihonmachi Building	Real property	24	11,520	100.0%	3,860	3,553	2,264,000 1,900,000 Total: 4,164,000	0.4%		

Region	Name of property	Type of specified asset	Number of tenants*1	Leasable floor area (m ²)	Occupancy rate*2	Appraisal value at the end of period (¥ mil)*3	Book value at the end of period (¥ mil)	Acquisition price*4		Ratio by region*2
								(¥ thousand)	Ratio *2	
Other major cities	Midosuji Daiwa Building	Trust	41	20,450	99.7%	14,700	13,711	6,934,000 7,380,000 Total: 14,314,000	1.3%	15.8%
	Amagasaki Front Building	Trust	29	15,500	100.0%	10,100	8,253	9,300,000	0.9%	
	Lit City Building	Real property	26	8,906	93.1%	4,500	2,452	4,650,000 (555,131) *18 Total: 4,094,868	0.4%	
	NHK Hiroshima Broadcasting Center Building	Real property	14	9,881	85.8%	3,540	2,953	1,320,000 1,450,000 Total: 2,770,000	0.3%	
	Tosei Tenjin Building	Real property	21	3,995	98.1%	1,690	1,324	1,550,000	0.1%	
	Tenjin Crystal Building	Real property	30	5,964	100.0%	3,140	3,662	5,000,000	0.5%	
	Hinode Tenjin Building	Trust	2	5,944	100.0%	4,310	3,370	3,657,000	0.3%	
	Total		1,521	873,819	99.0%	1,253,980	967,442	1,070,574,154	100.0%	

- *1. The total number of tenants is based on the gross number of tenants in each building. Each instance of occupancy of a single tenant leasing space is considered separately on a per property basis even if said tenant leases floor area in multiple properties.
- *2. Occupancy rate, ratio of acquisition price and ratio by region are rounded to the nearest first decimal place.
- *3. Appraisal value at the end of period is, as a rule, the value assessed by real estate appraisers based on the Company's Articles of Incorporation and the Cabinet Office Ordinance on Accountings of Investment Corporations. The book closing date is used as the appraisal date and the appraisal value is calculated by Daiwa Real Estate Appraisal Co., Ltd.
- *4. Incidental expenses arising from acquisitions are not included in the acquisition price.
- *5. Residential portions are not included in the total number of tenants, the occupancy rate or the leasable floor area for Kitanomaru Square, Nibancho Garden, Akasaka Park Building or Nishiki Park Building. The residential portions for these properties are as follows: Kitanomaru Square, leasable floor area: 11,694m², occupancy rate: 97.1%; Nibancho Garden, leasable floor area: 1,686m², occupancy rate: 100.0%; Akasaka Park Building, leasable floor area: 10,780m², occupancy rate: 95.5%; Nishiki Park Building, leasable floor area: 954m², occupancy rate: 83.0%.
- *6. Appraisal values by Japan Real Estate Institute.
- *7. This includes the acquisition price of the land and building adjacent to Ryoshin Ginza East Mirror Building dated July 4, 2008, the cost of the adjacent building's demolition and the total expense of the construction and expansion of the Ryoshin Ginza East Mirror Building (excluding brokerage fees and other acquisition-related expenses) after its completion on May 24, 2010.
- *8. Appraisal values by Chuo Real Estate Appraisal Co., Ltd.
- *9. Accompanying the acquisition of Tokyo Opera City Building on September 13, 2005, the Company acquired 33 shares of Tokyo Opera City Building Co., Ltd. (the business that maintains, services and operates the building) at a total acquisition price of 2,797 thousand yen and inherited the 874 thousand yen deposit made to Tokyo Opera City Building Co., Ltd. by the seller. In an additional acquisition, on March 24, 2010, the Company acquired 91 shares of Tokyo Opera City Building Co., Ltd. at a total acquisition price of 7,539 thousand yen. Concurrently, the Company acquired 4,931 shares of Tokyo Opera City Heat Supply Co., Ltd. (the supplier of heat to the building) at a total acquisition price of 566,831 thousand yen, inheriting the 2,360 thousand yen deposit made to Tokyo Opera City Building Co., Ltd. by the seller.
Regarding the appraisal value at the end of the fiscal period of the above-mentioned shares, the 124 shares of Tokyo Opera City Building Co., Ltd. are valued at 10,336 thousand yen and the 4,931 shares of Tokyo Opera City Heat Supply Co., Ltd. are valued at 566,831 thousand yen.
- *10. Link Square Shinjuku (Land) was renamed Link Square Shinjuku as of April 20, 2020 due to the acquisition of a building with a leasehold interest in land that the Company holds for a long time, and the number of tenants, leasable floor area and occupancy rate as of September 30, 2020 are shown. The said building with the leasehold interest is also factored into the appraisal value and the book value at the end of the period.
- *11. Because the building was disposed on August 23, 2013, the acquisition price of the building at the time of the land and building purchase dated March 24, 2004, has been deducted.

- *12. This is the acquisition price dated October 9, 2003, and includes a portion of the site disposed on October 30, 2009 (cost of investment sold, 614 million yen).
- *13. Because the building portion of Shibuya Cross Tower (land with leasehold interest) was disposed on January 18, 2018, no total number of tenants, leasable floor area or occupancy rate are provided. Furthermore, the 5,153 m² portion of land still held is being rented to the transferee of the building, Mitsubishi Estate Co., Ltd.
- *14. Because the building was disposed on January 18, 2018, the acquisition price of the building at the time of the land and building purchase dated November 30, 2001, has been deducted.
- *15. On acquiring Osaki Front Tower, the Company inherited the land renter's lease deposit of 1,040,000 thousand yen held by the seller of the building. The value of the lease deposit was appraised at the end of the fiscal period and remained unchanged.
- *16. On acquiring Nishiki Park Building on October 2, 2006, the Company inherited the 9,000 thousand yen lease deposit made by the land renters held by the seller of the building.
- *17. Trust assets of the trust beneficiary right acquired by the Company include a claim for 500,000 thousand yen of deposit for construction to connect to underground shopping centers given to Osaka Shigaichi Kaihatsu Co., Ltd., which was held by the previous owner.
- *18. Because the retail units were disposed on September 28, 2018, the acquisition price of the retail units at the time of the land and building purchase dated February 1, 2006, has been deducted.
- *19. In the above quick reference guide, if the real estate or other assets are classified as shared ownership or compartmental ownership, only the real estate or other assets owned by the Company are presented and the portions owned by the other shared owners or compartmental owners are excluded.

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

The table below is a quick reference guide outlining the revenues and expenses on each real estate and other asset for the September 2020 period (April 1, 2020 – September 30, 2020). Furthermore, the income summary is presented based on the previously mentioned “Summary of Significant Accounting Policies.”

(Millions of Yen)

Name of property	Revenues / Expenses (April 1, 2020 – September 30, 2020)												
	Property-related revenues	Property-related expenses	Property-related expenses							Property-related profits ②	NOI ③(①+②)	Capital expenditures ④*2	NCF ③-④
			Property management expenses	Utilities expenses	Property and other taxes	Casualty insurance	Repairing expenses	Depreciation ①	Other expenses				
Kitanomaru Square	1,740	724	136	45	97	1	24	418	0	1,016	1,434	18	1,415
MD Kanda Building	238	83	16	13	22	0	1	28	-	154	182	7	175
Kandabashi Park Building	121	43	2	-	18	0	4	18	-	77	96	1	95
Otemachi Financial City North Tower	342	172	29	17	51	0	0	73	0	169	243	-	243
Otemachi Park Building	190	53	6	9	-	0	-	37	0	136	174	-	174
Nibancho Garden	478	207	61	23	56	0	3	60	-	271	332	-	332
Mitsubishi UFJ Trust and Banking Building	985	367	56	51	160	0	7	87	2	617	705	111	593
Burex Kojimachi Building	162	51	-	-	14	0	2	34	-	110	145	-	145
Sanno Grand Building	958	370	103	46	123	0	18	78	-	587	665	2	663
Yurakucho Denki Building	289	129	33	19	49	0	-	26	-	160	186	-	186
Front Place Nihonbashi	398	147	23	16	40	0	0	64	0	250	314	1	313
Kyodo Building (Kayabacho 2Chome)	157	57	12	8	12	0	1	22	-	99	122	-	122
Burex Kyobashi Building	158	36	-	-	12	0	1	23	-	122	145	-	145
Ginza 1Chome East Building	190	84	14	8	11	0	3	47	-	105	152	-	152
Ginza Sanwa Building	396	156	27	11	85	0	7	24	0	239	263	14	249
Ryoshin Ginza East Mirror Building	168	80	12	9	16	0	1	40	-	88	128	-	128
Harumi Front	1,194	605	130	82	81	1	4	304	0	589	893	1	892
Harumi Center Building	638	377	74	33	49	0	7	212	0	260	472	23	449
Akasaka Park Building	2,327	1,243	226	210	277	3	112	411	2	1,084	1,495	158	1,337
Aoyama Crystal Building	246	81	14	9	33	0	4	20	0	165	186	-	186
Clover Shiba-koen	117	45	10	5	6	0	0	22	-	71	93	-	93
Shiodome Building	2,405	920	181	110	195	1	22	408	1	1,484	1,893	37	1,855
Shiba 2Chome Daimon Building	294	171	40	18	40	0	10	60	0	123	183	189	(6)
Cosmo Kanasugibashi Building	120	49	12	6	13	0	1	14	-	70	85	0	84

(Millions of Yen)

Name of property	Revenues / Expenses (April 1, 2020 – September 30, 2020)												
	Property-related revenues	Property-related expenses								Property-related profits ②	NOI ③(①+②)	Capital expenditures ④*2	NCF ③-④
		Property management expenses	Utilities expenses	Property and other taxes	Casualty insurance	Repairing expenses	Depreciation ①	Other expenses					
Seavans S Building	255	111	35	29	0	0	3	42	-	144	186	13	173
Tamachi Front Building	165	65	11	7	14	0	0	31	0	100	131	-	131
Shinjuku Eastside Square	1,808	625	103	97	108	1	5	304	4	1,183	1,487	0	1,487
Shinjuku Front Tower	939	374	84	41	61	1	14	171	0	565	736	6	729
Shinwa Building	233	92	18	10	20	0	3	38	-	141	180	7	172
Tokyo Opera City Building*1	1,563	997	*1	*1	*1	*1	*1	*1	*1	566	*1	54	*1
Front Place Minami- Shinjuku	198	84	15	11	25	0	0	30	0	113	144	-	144
Link Square Shinjuku	489	206	29	19	24	0	-	131	-	282	414	-	414
Yoyogi 1Chome Building	310	121	29	14	25	0	10	40	-	189	229	-	229
Jingumae Terrace	186	57	11	6	20	0	2	16	-	128	145	-	145
Jingumae Media Square Building	296	152	25	18	59	0	4	43	-	144	187	9	178
Shibuya Cross Tower(Land)	540	85	-	-	85	-	-	-	-	454	454	-	454
Ebisu Neonato	482	219	50	17	38	1	16	93	0	263	357	75	281
TIXTOWER UENO	675	356	62	33	37	1	27	193	-	319	513	-	513
Higashi Gotanda 1Chome Building	189	71	14	14	14	0	0	26	0	117	144	-	144
Osaki Front Tower	708	486	68	36	26	0	3	255	95	221	477	0	476
Omori-Eki Higashiguchi Building	239	109	28	15	25	0	0	39	-	129	168	0	167
Harmony Tower	494	159	39	-	56	0	12	50	-	334	384	-	384
Otsuka Higashi Ikebukuro Building	203	98	19	21	12	0	1	43	-	104	147	-	147
Ikebukuro 2Chome Building	71	29	7	5	5	0	1	8	0	41	50	-	50
Ikebukuro YS Building	206	75	16	9	15	0	0	32	-	131	163	1	162
Hachioji First Square	242	117	50	5	26	0	0	34	-	124	159	6	152
Saitama Urawa Building	124	49	13	8	8	0	0	17	-	75	93	-	93
MM Park Building	1,288	689	136	157	80	1	16	297	-	598	896	65	830
Queen's Tower A	963	672	205	87	116	2	20	236	3	290	527	121	406
Musashi Kosugi STM Building	169	69	21	3	12	0	4	27	0	99	127	2	124

(Millions of Yen)

Name of property	Revenues / Expenses (April 1, 2020 – September 30, 2020)												
	Property-related revenues	Property-related expenses								Property-related profits ②	NOI ③(①+②)	Capital expenditures ④*2	NCF ③-④
		Property management expenses	Utilities expenses	Property and other taxes	Casualty insurance	Repairing expenses	Depreciation ①	Other expenses					
8・3 Square Kita Building	359	224	34	54	23	0	41	70	-	135	205	6	198
Jozenji Park Building	60	34	9	6	7	0	0	11	-	26	38	-	38
Higashi Nibancho Square	590	258	71	38	41	0	4	100	-	332	433	22	410
Sendai Honcho Honma Building	142	65	16	12	16	0	1	18	-	76	94	0	93
AER	679	344	89	47	65	0	19	121	-	335	457	64	393
Daido Seimei Niigata Building	76	67	12	4	6	0	5	37	-	9	47	-	47
Kanazawa Park Building	535	338	99	47	67	1	43	79	0	196	275	3	272
Kanazawa Kamitsutsumicho Building	138	91	20	13	9	0	2	45	-	46	92	1	90
Nishiki Park Building	294	167	54	20	25	0	1	58	6	126	184	2	181
Nagoya Hirokoji Place	402	180	38	27	35	0	3	74	-	222	296	0	296
Nagoya Hirokoji Building	589	364	90	41	66	0	3	161	0	225	387	2	384
Nagoya Misono Building	74	54	10	5	6	0	1	30	-	19	49	6	43
Shijo Karasuma Center Building	216	105	30	13	11	0	0	50	-	110	160	-	160
Umeda Square Building	478	213	51	23	52	0	7	78	0	264	342	0	342
Shin Fujita Building	775	497	93	58	78	1	16	248	0	277	526	79	446
Sakaisujihonmachi Building	250	139	42	30	36	0	3	26	-	111	137	1	135
Midosuji Daiwa Building	560	285	63	42	77	0	2	98	0	275	373	7	366
Amagasaki Front Building	446	223	65	23	26	0	2	104	0	222	326	1	325
Lit City Building	238	110	27	15	16	0	13	35	0	128	163	-	163
NHK Hiroshima Broadcasting Center Building	247	198	50	22	24	0	18	56	25	49	105	95	9
Tosei Tenjin Building	91	41	14	7	7	0	1	11	0	49	61	4	56
Tenjin Crystal Building	167	126	25	16	19	0	1	63	0	41	104	2	102
Hinode Tenjin Building	182	74	20	16	14	0	-	21	0	108	130	-	130
Total	34,966	16,649	3,657	2,228	3,295	46	645	6,626	150	18,317	24,943	1,240	23,703

*1. Disclosure of NOI and NCF in the breakdown of the expenses of the property leasing business for Tokyo Opera City Building has been withheld at the request of the joint owners of the relevant real estate.

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

c. Condition of Other Assets

(i) Shares/Investment Securities

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

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

(ii) Other Specified Assets

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

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

d. Capital Expenditures

(i) Schedule for Capital Expenditures

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

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

Name of property (Location)	Purpose	Scheduled period	Estimated cost (¥ million)		
			Total amount	Payment amount for the fiscal under review period	Total amount already paid
Kanazawa Park Building (Kanazawa, Ishikawa Prefecture)	Upgrade of air conditioning facilities	From April 2020 To December 2020	240	—	—
Jingumae Media Square Building (Shibuya-ku, Tokyo)	Construction work	From September 2020 To January 2021	196	—	—
NHK Hiroshima Broadcasting Center Building (Hiroshima, Hiroshima Prefecture)	Upgrade of air conditioning facilities	From June 2020 To June 2021	80	—	—
Burex Kojimachi Building (Chiyoda-ku, Tokyo)	Upgrade of electrical equipment	From October 2020 To March 2021	75	—	—

(ii) Capital expenditures during the period under review

For acquired real estate and other assets, capital expenditures incurred in the period under review totaled ¥1,240 million and repair, maintenance and renovation expenses classified as expenses in the period under review totaled ¥645 million, for a total of ¥1,885 million worth of construction that has been carried out.

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

Name of property (Location)	Purpose	Period	Expenditures for construction (¥ million)
Shiba 2Chome Daimon Building (Minato-ku, Tokyo)	Sanitary facility renewal construction	From April 2020 To May 2020	187
NHK Hiroshima Broadcasting Center Building (Hiroshima, Hiroshima Prefecture)	Upgrade of air conditioning facilities	From June 2019 To June 2020	71
Other real estate			981
Total			1,240

(iii) Money Saved for Long-term Repair Plans

“Not applicable”

e. Expenses and Liabilities

(i) Details on Operation-related Expenses

Item	For the period from October 1, 2019 to March 31, 2020	For the period from April 1, 2020 to September 30, 2020
(a) Asset management fee *	¥1,452,064 thousand	¥1,456,400 thousand
(breakdown) NOI-linked fee	¥936,525 thousand	¥997,747 thousand
Distribution-linked fee	¥515,539 thousand	¥458,653 thousand
(b) Asset custody fee	¥63,401 thousand	¥64,692 thousand
(c) Administrative service fees	¥132,189 thousand	¥133,043 thousand
(d) Directors' compensations	¥7,800 thousand	¥7,800 thousand
(e) Commission expenses	¥89,971 thousand	¥89,743 thousand
(f) Other operating expenses	¥82,326 thousand	¥67,293 thousand
Total	¥1,827,753 thousand	¥1,818,973 thousand

* In addition to the asset management fee listed above, in the case that a property is acquired, an "acquisition fee" is included in the acquisition cost of the property and paid to the asset management company. In the case that a property is sold, a "disposition fee" is included in the loss on sale and paid to the asset management company. These fees are calculated by multiplying the buying/selling price of the property by a fee rate. In the period ended March 31, 2020, the acquisition fee amounted to ¥170,675 thousand, and the disposition fee amounted to ¥32,641 thousand, and in the period ended September 30, 2020, the acquisition fee amounted to ¥86,500 thousand.

(ii) Borrowings

The condition of loans by financial institutions as of September 30, 2020 is as follows.

	Classification	Drawdown date	Balance at beginning of current period (¥thousand)	Balance at end of current period (¥thousand)	Average interest rate *1 (%)	Repayment date	Repayment method	Use of proceeds	Notes
	Lender								
Short-term borrowings	MUFG Bank, Ltd. *3	February 17, 2020	11,000,000	—	0.109	May 18, 2020	Bullet	*2	Unsecured Unguaranteed Unsubordinated
	MUFG Bank, Ltd. *4	May 18, 2020	—	—	0.109	August 18, 2020			
	MUFG Bank, Ltd. *5	August 18, 2020	—	11,000,000 *5	0.109	November 18, 2020			
	Sumitomo Mitsui Trust Bank, Limited	December 26, 2019	1,300,000	1,300,000	0.09982	December 28, 2020			
	MUFG Bank, Ltd.	March 27, 2020	5,000,000	—	0.120	March 29, 2021 *6			
	Mizuho Bank, Ltd.	March 27, 2020	5,000,000	—	0.120	March 29, 2021 *7			
	Sumitomo Mitsui Banking Corporation	March 27, 2020	5,000,000	5,000,000	0.09985	March 29, 2021			
	Sumitomo Mitsui Trust Bank, Limited	March 30, 2020	1,700,000	1,700,000	0.10003	March 30, 2021			
	Sumitomo Mitsui Trust Bank, Limited	April 20, 2020	—	2,000,000 *8	0.10031	April 20, 2021			
	MUFG Bank, Ltd.	April 20, 2020	—	5,000,000	0.10099	April 20, 2021			
	Mizuho Bank, Ltd.	April 20, 2020	—	5,000,000	0.10099	April 20, 2021			
	Subtotal		29,000,000	31,000,000					
Long-term borrowings	MUFG Bank, Ltd.	June 15, 2012	4,000,000	—	0.9525	June 15, 2020	Bullet	*2	Unsecured Unguaranteed Unsubordinated
	Sumitomo Mitsui Trust Bank, Limited	June 15, 2012	4,000,000	—	0.9525	June 15, 2020			
	Sumitomo Mitsui Trust Bank, Limited	June 15, 2015	3,000,000	—	0.3425	June 15, 2020			
	Tokio Marine & Nichido Fire Insurance Co., Ltd.	July 3, 2017	2,000,000	—	0.100	July 3, 2020			
	The Yamaguchi Bank, Ltd.	October 29, 2012	2,000,000	2,000,000	0.800	October 29, 2020 *9			
	MUFG Bank, Ltd.	December 21, 2012	5,000,000	5,000,000	0.80125	December 21, 2020 *9			
	MUFG Bank, Ltd.	December 21, 2012	5,000,000	5,000,000	0.80125	December 21, 2020 *9			
	MUFG Bank, Ltd.	January 15, 2013	5,500,000	5,500,000	0.83625	January 15, 2021 *9			
	MUFG Bank, Ltd.	January 31, 2014	4,000,000	4,000,000	0.64225	January 29, 2021 *9			
	The Bank of Fukuoka, Ltd.	January 31, 2014	2,500,000	2,500,000	0.63849	January 29, 2021 *9			
Sumitomo Mitsui Trust Bank, Limited	January 31, 2014	2,000,000	2,000,000	0.62575	January 29, 2021 *9				

Classification	Lender	Drawdown date	Balance at beginning of current period (¥thousand)	Balance at end of current period (¥thousand)	Average interest rate *1 (%)	Repayment date	Repayment method	Use of proceeds	Notes
MUFG Bank, Ltd.	April 4, 2017	5,000,000	5,000,000	0.03339 *10	April 5, 2021 *9				
MUFG Bank, Ltd.	April 24, 2013	5,000,000	5,000,000	0.775	April 26, 2021 *9				
Mizuho Bank, Ltd.	June 15, 2012	4,000,000	4,000,000	1.07375	June 15, 2021 *9				
Sumitomo Mitsui Trust Bank, Limited	December 26, 2016	3,700,000	3,700,000	0.1913	June 28, 2021 *9				
Sumitomo Mitsui Banking Corporation	January 19, 2018	5,000,000	5,000,000	0.16255	July 20, 2021 *9				
The Bank of Fukuoka, Ltd.	August 31, 2017	1,500,000	1,500,000	0.1325	August 31, 2021 *9				
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						

Classification	Lender	Drawdown date	Balance at beginning of current period (¥thousand)	Balance at end of current period (¥thousand)	Average interest rate *1 (%)	Repayment date	Repayment method	Use of proceeds	Notes
Sumitomo Mitsui Banking Corporation	January 7, 2013	2,000,000	2,000,000	0.980	January 7, 2022				
Mizuho Bank, Ltd.	January 15, 2013	5,000,000	5,000,000	0.96625	January 17, 2022				
The Norinchukin Bank	January 31, 2014	3,500,000	3,500,000	0.757	January 31, 2022				
Mizuho Bank, Ltd.	April 24, 2013	3,000,000	3,000,000	0.87375	April 25, 2022				
MUFG Bank, Ltd.	June 15, 2012	4,000,000	4,000,000	1.1975	June 15, 2022				
MUFG Bank, Ltd.	June 15, 2012	2,500,000	2,500,000	1.2725	June 15, 2022				
Shinsei Bank, Limited	June 15, 2012	2,500,000	2,500,000	1.2725	June 15, 2022				
The Norinchukin Bank	June 17, 2014	3,000,000	3,000,000	0.6785	June 17, 2022				
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				

Classification	Lender	Drawdown date	Balance at beginning of current period (¥thousand)	Balance at end of current period (¥thousand)	Average interest rate *1 (%)	Repayment date	Repayment method	Use of proceeds	Notes
Sumitomo Mitsui Trust Bank, Limited	January 17, 2018	3,000,000	3,000,000	0.210	January 17, 2023				
Development Bank of Japan Inc.	January 31, 2014	5,000,000	5,000,000	0.9325	January 31, 2023				
The Yamaguchi Bank, Ltd.	March 25, 2013	1,000,000	1,000,000	0.945	March 24, 2023				
The Bank of Fukuoka, Ltd.	March 24, 2015	2,000,000	2,000,000	0.5125	March 24, 2023				
The Norinchukin Bank	March 25, 2015	3,500,000	3,500,000	0.46825	March 27, 2023				
The Chugoku Bank, Limited	March 26, 2018	2,000,000	2,000,000	0.1988	March 27, 2023				
Sumitomo Mitsui Banking Corporation	November 29, 2018	3,000,000	3,000,000	0.1694	May 29, 2023				
Sumitomo Mitsui Trust Bank, Limited	November 29, 2018	3,000,000	3,000,000	0.1694	May 29, 2023				
MUFG Bank, Ltd.	June 1, 2017	12,000,000	12,000,000	0.01503 *10	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 *11	December 19, 2023				
MUFG Bank, Ltd.	March 26, 2018	5,000,000	5,000,000	0.02897 *10	March 26, 2024				
The Hachijuni Bank, Ltd.	March 26, 2018	1,000,000	1,000,000	0.2338	March 26, 2024				
Sumitomo Mitsui Trust Bank, Limited	May 29, 2019	5,000,000	5,000,000	0.075	May 29, 2024				
The Iyo Bank, Ltd.	June 15, 2017	2,500,000	2,500,000	0.275	June 17, 2024				
The Hachijuni Bank, Ltd.	June 15, 2017	1,000,000	1,000,000	0.275	June 17, 2024				
MUFG Bank, Ltd.	September 1, 2015	3,500,000	3,500,000	0.630	September 2, 2024				
Sumitomo Mitsui Trust Bank, Limited	September 2, 2015	3,800,000	3,800,000	0.536	September 2, 2024				
The Norinchukin Bank	September 1, 2017	5,000,000	5,000,000	0.240	September 2, 2024				

Classification	Lender	Drawdown date	Balance at beginning of current period (¥thousand)	Balance at end of current period (¥thousand)	Average interest rate *1 (%)	Repayment date	Repayment method	Use of proceeds	Notes
	Sumitomo Mitsui Trust Bank, Limited	September 26, 2019	5,500,000	5,500,000	0.105	September 26, 2024	Bullet	*2	Unsecured Unguaranteed Unsubordinated
	Taiyo Life Insurance Company	October 1, 2014	2,000,000	2,000,000	0.7825	October 1, 2024			
	Mizuho Bank, Ltd.	October 1, 2015	2,500,000	2,500,000	0.5575	October 1, 2024			
	The Gunma Bank, Ltd.	November 18, 2019	1,000,000	1,000,000	0.11909 *10	November 18, 2024			
	MUFG Bank, Ltd.	June 1, 2018	10,000,000	10,000,000	0.2544	December 2, 2024			
	Shinkin Central Bank	January 7, 2020	2,000,000	2,000,000	0.2075	January 7, 2025			
	The Ashikaga Bank, Ltd.	January 9, 2018	1,000,000	1,000,000	0.285	January 9, 2025			
	Mizuho Trust & Banking Co., Ltd.	March 2, 2015	3,000,000	3,000,000	0.5585	March 3, 2025			
	MUFG Bank, Ltd.	March 26, 2018	2,000,000	2,000,000	0.2725	March 26, 2025			
	Development Bank of Japan Inc.	March 30, 2017	5,000,000	5,000,000	0.315	March 31, 2025			
	Taiyo Life Insurance Company	May 29, 2015	1,500,000	1,500,000	0.7375	May 29, 2025			
	Sumitomo Mitsui Trust Bank, Limited	June 15, 2020	—	7,000,000	0.2075	June 16, 2025			
	Sumitomo Mitsui Trust Bank, Limited	August 31, 2018	3,000,000	3,000,000	0.320	August 29, 2025			
	Development Bank of Japan Inc.	September 1, 2015	7,000,000	7,000,000	0.7175	September 1, 2025			
	Sumitomo Mitsui Trust Bank, Limited	September 23, 2020	—	5,000,000	0.1475	September 24, 2025			
	Mizuho Bank, Ltd.	December 26, 2016	5,000,000	5,000,000	0.3625	December 26, 2025			
	MUFG Bank, Ltd.	February 26, 2018	6,500,000	6,500,000	0.3413	February 26, 2026			
	Mizuho Bank, Ltd.	March 27, 2018	5,500,000	5,500,000	0.300	March 27, 2026			
	Shinkin Central Bank	March 30, 2017	5,000,000	5,000,000	0.360	March 30, 2026			
	The Norinchukin Bank	January 23, 2019	4,000,000	4,000,000	0.1988	July 23, 2026			
	Shinkin Central Bank	September 1, 2017	5,000,000	5,000,000	0.3188	September 1, 2026			
	MUFG Bank, Ltd.	October 31, 2016	3,000,000	3,000,000	0.240	October 30, 2026			
	Mizuho Bank, Ltd.	December 21, 2016	5,000,000	5,000,000	0.415	December 21, 2026			

Classification	Lender	Drawdown date	Balance at beginning of current period (¥thousand)	Balance at end of current period (¥thousand)	Average interest rate *1 (%)	Repayment date	Repayment method	Use of proceeds	Notes
Shinkin Central Bank	April 24, 2018	6,000,000	6,000,000	0.3675	April 26, 2027				
The Norinchukin Bank	July 3, 2020	—	2,000,000	0.24375	July 5, 2027				
The Joyo Bank, Ltd.	January 9, 2018	1,000,000	1,000,000	0.4188	January 11, 2028				
Sumitomo Mitsui Banking Corporation	January 19, 2018	3,000,000	3,000,000	0.4338	January 19, 2028				
Mizuho Bank, Ltd.	March 30, 2018	4,000,000	4,000,000	0.3963	March 30, 2028				
MUFG Bank, Ltd.	March 30, 2018	4,000,000	4,000,000	0.3963	March 30, 2028				
Taiyo Life Insurance Company	March 30, 2018	1,000,000	1,000,000	0.3963	March 30, 2028				
Mizuho Bank, Ltd.	November 15, 2019	8,500,000	8,500,000	0.34875	November 15, 2028				
Shinkin Central Bank	January 15, 2020	5,000,000	5,000,000	0.325	January 15, 2029				
Mizuho Bank, Ltd.	November 1, 2019	6,000,000	6,000,000	0.35125	November 1, 2029				
MUFG Bank, Ltd.	January 15, 2020	5,500,000	5,500,000	0.3625	January 15, 2030				
MUFG Bank, Ltd.	April 27, 2020	—	5,000,000	0.35875	April 26, 2030				
Mizuho Bank, Ltd.	April 27, 2020	—	5,000,000	0.35875	April 26, 2030				
MUFG Bank, Ltd.	June 15, 2020	—	4,000,000	0.36125	June 14, 2030				
The Yamanashi Chuo Bank, Ltd.	March 26, 2019	2,000,000	2,000,000	0.3688	March 26, 2031				
Sumitomo Life Insurance Company	March 26, 2019	1,000,000	1,000,000	0.505	March 27, 2034				
Sumitomo Life Insurance Company	December 16, 2019	2,000,000	2,000,000	0.490	December 18, 2034				
Subtotal		340,000,000	355,000,000						
Total		369,000,000	386,000,000						

- *1. The average for floating interest rates is recorded as the weighted average during the period. The average is rounded off to the fifth decimal place. The weighted average for interest rates of loans for which floating interest rates were swapped to fixed rates in order to hedge the risk of interest rate fluctuations is calculated taking the effect of this swap into consideration.
- *2. The purposes of executing these loans are to purchase real properties or beneficiary right of real estate in trust, to repay existing loans, and to fund the redemption of investment corporation bonds.
- *3. As of February 17, 2020, MUFG Bank, Ltd. transferred its loan receivable of ¥10,900 million to Mitsubishi UFJ Trust and Banking Corporation.
- *4. As of May 18, 2020, MUFG Bank, Ltd. transferred its loan receivable of ¥4,100 million to Mitsubishi UFJ Trust and Banking Corporation.
- *5. As of August 18, 2020, MUFG Bank, Ltd. transferred its loan receivable of ¥7,700 million to Mitsubishi UFJ Trust and Banking Corporation.
- *6. The Company made a full repayment (¥5,000 million) before maturity on April 27, 2020.

- *7. The Company made a full repayment (¥5,000 million) before maturity on April 27, 2020.
 *8. The Company made a repayment (¥5,000 million) before maturity on September 23, 2020.
 *9. At the end of the period under review, these loans are accounted for under current liabilities on the balance sheets as the current portion of long-term borrowings.
 *10. These are floating rate borrowings which are not swapped into fixed rates.
 *11. In order to hedge the risk of exchange rate and interest rate fluctuations related to foreign currency-denominated loans, the Company conducted an interest-rate and currency swap transaction, which substantially secured exchange and interest rates. Accordingly, the balance and the weighted average for interest rates during the period are calculated taking the effect of this interest-rate and currency swap into consideration.

(iii) Investment Corporation Bonds

Outstanding investment corporation bonds as of September 30, 2020 are as follows.

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

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

(iv) New Unit Acquisition Rights

“Not applicable”

f. Examination of the Value of Specified Assets

(i) Real Estate, etc.

Acquisition or Disposition	Property name	Date of transaction	Acquisition/disposition cost*1 (¥ million)	Real estate appraisal value (¥ million)	Appraising institution	Date of appraisal
Acquisition	Link Square Shinjuku	April 20, 2020	17,300	17,728	Daiwa Real Estate Appraisal Co., Ltd.	March 1, 2020

- *1. The “acquisition/disposition cost” refers to the amount listed in the sale and purchase contract, and does not include various expenses necessary in the acquisition or disposition of the property such as trading intermediate fees.
 *2. The appraisal value listed above is decided in accordance with the 3rd chapter of the Japanese Real Estate Appraisal Act and Real Estate Appraisal Standards.

(ii) Other

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

During the period from April 1, 2020 to September 30, 2020, there was no transaction that was subject to such inspections.

g. Transactions with Interested Parties (from April 1, 2020 to September 30, 2020)

(i) Transactions

Segment	Buying and selling amounts	
	Buying amounts	Selling amounts
Total Amount	¥ 17,300,000 thousand	¥ — thousand
Breakdown of Transactions with Interested Parties		
Mitsubishi Estate Co., Ltd.	¥ 17,300,000 thousand (100.0%)	¥ — thousand (—%)
Total	¥ 17,300,000 thousand (100.0%)	¥ — thousand (—%)

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

(ii) Amount of Commission Fees and Other Expenses

Segment	Total amount of commission fees and other expenses A	Breakdown of transactions with interested parties		Percentage of total amount B/A
		Payment recipient	Amount paid B	
Property management expenses	¥3,657,166 thousand	Mitsubishi Jisho Property Management Co., Ltd.	¥2,400,429 thousand	65.6 %
		Mitsubishi Estate Co., Ltd.	¥173,001 thousand	4.7 %
		Mitsubishi Real Estate Services Co., Ltd.	¥41,993 thousand	1.1 %
		Yuden Building Kanri Co., Ltd.	¥30,041 thousand	0.8 %
		Mitsubishi Estate Parks Co., Ltd.	¥1,087 thousand	0.0 %
Utilities expenses	¥2,228,640 thousand	Minato Mirai 21 District Heating and Cooling Co., Ltd.	¥90,307 thousand	4.1 %
Other operating expenses	¥130,226 thousand	Mitsubishi Jisho Property Management Co., Ltd.	¥18,243 thousand	14.0 %
		Mitsubishi Estate Co., Ltd.	¥425 thousand	0.3 %

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

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

Mitsubishi Jisho Property Management Co., Ltd.	¥519,587 thousand
Mitsubishi Estate Co., Ltd.	¥143,390 thousand
Yuden Building Kanri Co., Ltd.	¥592 thousand
Mitsubishi Real Estate Services Co., Ltd.	¥12,340 thousand

h. Other Announcements

Board of Directors

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

Date of acceptance	Accepted item	Overview
May 15, 2020	Consignment of a general administrative work concerning the issuance of investment corporation bonds	In connection with the comprehensive resolution adopted on the same date on the issuance of investment corporate bonds, the approval was given to the candidate agents to whom an administrative work for the said bonds was consigned. Other items necessary for its operation are entrusted to the executive directors to decide.

Selected Financial Data

	Millions of yen				
	For the period from April 1, 2020 to September 30, 2020	For the period from October 1, 2019 to March 31, 2020	For the period from April 1, 2019 to September 30, 2019	For the period from October 1, 2018 to March 31, 2019	For the period from April 1, 2018 to September 30, 2018
Operating revenues	34,966	35,996	35,164	33,022	33,066
Operating expenses	18,468	18,641	18,669	18,473	18,487
Operating profit	16,498	17,354	16,494	14,548	14,578
Ordinary profit	15,608	16,326	15,390	13,441	13,348
Profit before income taxes	15,608	16,326	15,390	13,441	13,348
Profit	15,598	15,755	14,945	13,431	13,273
Total assets	1,000,254	982,607	966,390	963,676	956,645
Interest-bearing debt	418,993	401,993	389,993	389,993	384,493
Net assets	515,302	514,400	512,770	511,256	510,978
Unitholders' capital	497,241	497,241	497,241	497,241	497,241
Number of units	1,385,210	1,385,210	1,385,210	1,385,210	1,385,210
Net assets per unit (Yen)	372,002	371,351	370,174	369,082	368,881
Cash distribution	15,600	14,697	14,124	13,432	13,152
Dividend payout ratio (Note 1)	100.0%	93.3%	94.5%	100.0%	99.1%
Dividend per unit (Yen)	11,262	10,610	10,197	9,697	9,495
Net operating income (NOI)	24,943	23,413	23,104	22,603	22,401
Funds from operations (FFO)	22,225	19,986	19,795	19,831	19,451
Return on assets (ROA) (Note 2)	1.6%	1.7%	1.6%	1.4%	1.4%
	(3.1% annualized)	(3.3% annualized)	(3.2% annualized)	(2.8% annualized)	(2.8% annualized)
Return on equity (ROE) (Note 3)	3.0%	3.1%	2.9%	2.6%	2.6%
	(6.0% annualized)	(6.1% annualized)	(5.8% annualized)	(5.3% annualized)	(5.2% annualized)
EOP equity ratio (Note 4)	51.5%	52.4%	53.1%	53.1%	53.4%
EOP interest-bearing debt ratio on total assets (Note 5)	41.9%	40.9%	40.4%	40.5%	40.2%
FFO multiple (Times)	16.8	22.0	25.4	22.7	21.3
Debt service coverage ratio (Times) (Note 6)	24.2	24.3	21.4	19.6	18.5

- 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, 2018, 182 days for the period ended March 31, 2019, 183 days for the period ended September 30, 2019, 183 days for the period ended March 31, 2020 and 183 days for the period ended September 30, 2020.)
4. EOP equity ratio = (Net assets at the end of period / Total assets at the end of period) × 100
5. EOP interest-bearing debt ratio on total assets = (Interest-bearing debt at the end of period / Total assets at the end of period) × 100
6. Debt service coverage ratio = Profit before Interest, Taxes, Depreciation and Amortization / Interest expenses