

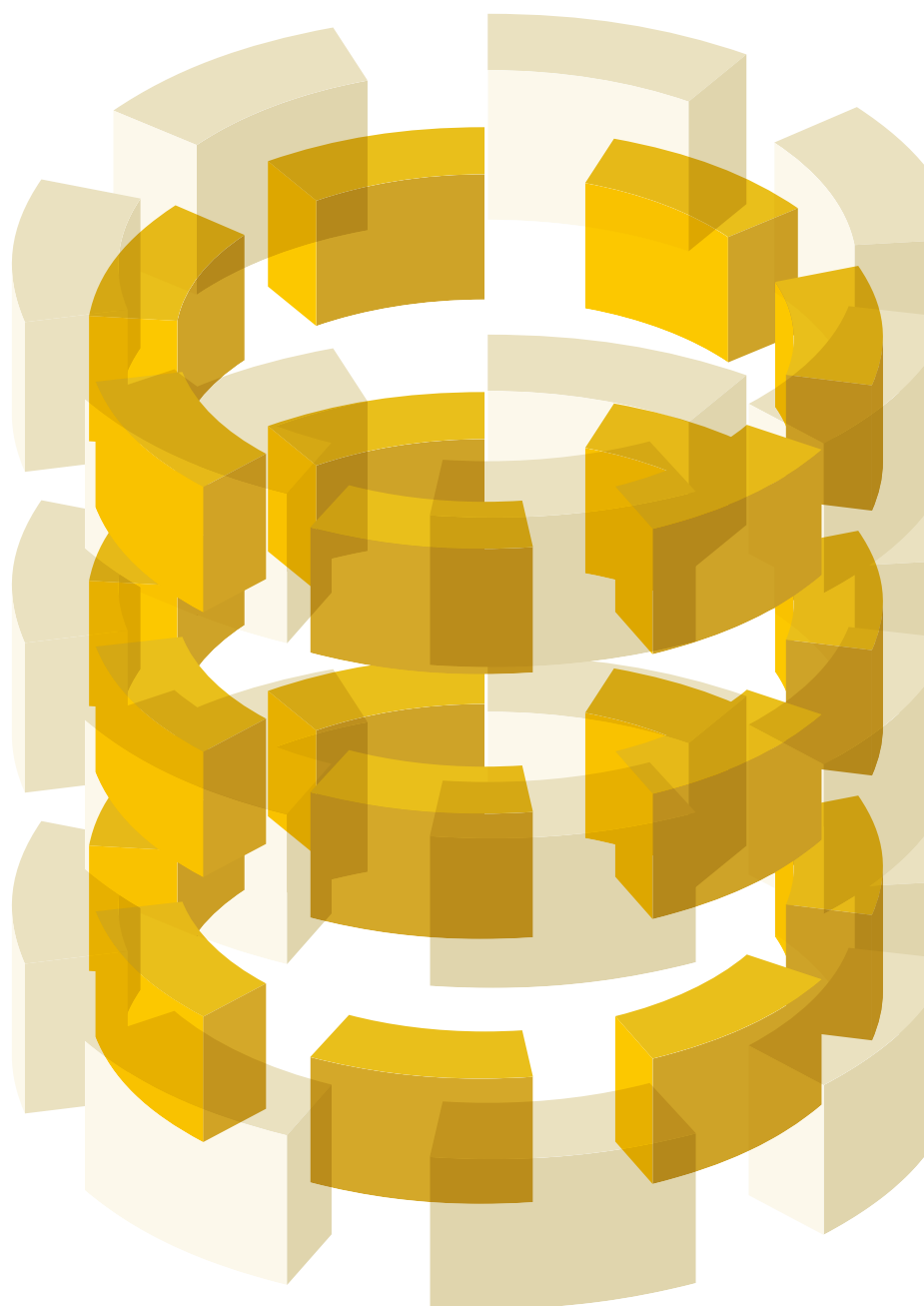
Japan Real Estate Investment Corporation

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# SEMIANNUAL REPORT

September 2016

For the period from April 1, 2016 to September 30, 2016



## Profile

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

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

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# The Strengths of Japan Real Estate Investment Corporation

## STRENGTHS

### Stable Dividends

— Actual dividend per unit  
for the September 2016 period:

¥8,361

— Forecasted dividend per unit  
for the March 2017 period:

¥8,460

### Collaboration with Sponsors

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

### Steady Growth with Quality Portfolio

As of September 30, 2016

— Total acquisition price:

¥923,623 million

— Maintains **68** properties

— The first listed J-REIT, showing steady performance for 30 consecutive periods

### Sound Financial Base

As of September 30, 2016

— Highest level of credit ratings for a J-REIT:

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

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

**40.3%**

— Long-term, fixed interest-bearing debt ratio:\*

**87.2%**

\* Long-term, fixed interest loans + Investment corporation bonds (including current portion of Long-term, fixed interest loans and Investment corporation bonds) / Total interest-bearing debt

# To Our Unitholders

In the fiscal period ended September 2016, both incomes and revenues increased due to a steady rise in rental revenues from the existing buildings, as well as a decrease in interest expenses, which resulted from the benefits of low interest rates. Dividends were up 240 yen, to 8,361 yen, compared to the previous period. The occupancy rate of our portfolio at the end of the period reached an extremely high level of 98.7%. We will continue our efforts to focus on improving the profitability of our existing buildings through upward rent revisions, as well as to aim for stable dividend growth.

## Business Performance for the September 2016 Period

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### Summary of Financial Results and Cash Dividends

In the September 2016 period (April 1, 2016 to September 30, 2016), Japan Real Estate Investment Corporation (“the Company”) recorded operating revenues increased by 0.6% on the previous period, to 30,773 million yen. On the earnings front, operating income increased 0.1%, to 12,368 million yen. After deducting expenses for interest payments on loans and other costs, ordinary income increased 1.3%, to 10,958 million yen, and profit had an increase of 1.8%, to 10,947 million 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 Law of Japan. Based on this policy, keeping below the level of end-of-term unappropriated retained earnings and reserving the retained earnings brought forward, the total amount of dividends that the Company has determined to pay out is 10,947,140,910 yen for the period under review, which is a multiple of 1,309,310—the number of units outstanding as of September 30, 2016. Accordingly, the per-unit cash dividend is 8,361 yen.

### Operating Environment and Performance

The September 2016 period has seen moderate yet constant recovery of the Japanese economy in general, with a steady growth of business profitability and employment. Meanwhile, some companies remain cautious in making judgments due to international factors such as the UK’s decision to leave the EU, which triggered fluctuations in the financial and capital markets, and a downturn in the emerging economies in Asia. The concerns for the trend towards a strong yen and uncertainties in the prospects of the domestic economy are also contributory factors.

In the market for leased offices, the decline in vacancy rates in the Tokyo metropolitan area has lost momentum, but the demand for large, recently built buildings remains strong, maintaining an upward trend, if marginal, in advertised rents.

In the investment market for real estate, healthy conditions for the financing environment continue, backed by the global trend of financial deregulation, whereas desirable properties with high competitiveness are few, and thus the competition for property acquisition has intensified.

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 has been able to provide dividends at 8,361 yen, which is an increase of 240 yen over the previous period.

In the market for leased office space in the period under review, as a result of our efforts to improve and maintain occupancy rates through meticulous property leasing, the Company’s occupancy rate was 98.7% as of September 30, 2016, which marks a further improvement on the last period’s 98.3% as of March 31, 2016.

As for external growth, we acquired additional shares of the Nishiki Park Building in the September 2016 period, and newly acquired the Kanazawa Kamitsutsumicho Building in the March 2017 period. We will continue to adhere to a strict and consistent evaluation criteria amid competition in property acquisitions as we select properties with a medium- to long-term competitive edge. Furthermore, in 2016, we received a high evaluation in the Global Real Estate Sustainability Benchmark (GRESB), acquiring the highest Green Star rating. We will continue to implement ESG initiatives going forward.

As for external growth, the Company acquired shares of Nishiki Park Building (Nagoya, Aichi Prefecture) on April 1, 2016 to boost the existing property ownership by purchasing a further 3.1047% for 175 million yen. Thus, the Company's current share of the said property has increased from 68.63831% to 71.74301%.

As a result of the above, the Company's portfolio at the end of the fiscal period under review, September 30, 2016, consisted of 68 properties, with a total acquisition price of 923,623 million yen. Total leasable floor area stood at 820,917 m<sup>2</sup> with 1,426 tenants in total.

Incidentally, on October 3, 2016, the Company acquired the Kanazawa Kamitsutsumicho Building (Kanazawa, Ishikawa Prefecture) for 2,780 million yen. This is a recently built property with a competitive edge, situated in Kanazawa, the administrative and economic center of the Hokuriku region.

- Notes: 1. The part of the Jingumae Media Square Building site (acquisition price: 614 million yen) that was expropriated by the Tokyo Metropolitan Government on October 30, 2009, is included in the total acquisition price. The total acquisition price in the subsequent sections follows the same convention.
2. The Nippon Brunswick Building (land with leasehold interest), whose building ownership was transferred on August 23, 2013, is included in the number of properties and total acquisition price above, but is not included in total leasable space or total number of tenants.

### Finance Activities

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

In the period under review, the Company successfully reduced borrowings by means of cash reserves, and extended the contractual term of the commitment line agreement (a total of 50 billion yen) for another year.

As a result of these financing activities, as of September 30, 2016, the Company's total interest-bearing debt was 356,350 million yen, 7,050 million yen down from the end of the previous period. This amount consists of long-term loans totaling 290,650 million yen (including the current portion of long-term loans totaling 42,850 million yen), short-term loans totaling 45,700 million yen, and investment corporation bonds totaling 20,000 million yen (there is no current portion of investment corporation bonds). The current LTV ratio stands at 40.3%.

The Company's credit ratings as of September 30, 2016 were as follows:

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

## Outlook

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### Operating Environment

The Japanese economy is expected to follow a course of moderate recovery as a result of new monetary policy by the Bank of Japan as well as the government policies to end deflation. However, depending on such factors as the normalization of the US monetary policy and the UK decision to leave the EU, as well as the deceleration of Asian economies, the risk of economic downturn in Japan must be closely watched.

Helped with the limited supply of new properties, the market for leased office space is expected to recover gradually in the Tokyo metropolitan area and other areas. However, it is necessary to remain vigilant to identify the impact of the increase in office space supply that is anticipated in 2018 and beyond. In other major cities, with some areas holding fewer vacancies and improving standard rents, the overall status of the market veers toward moderate recovery.

In the investment market for real estate, the favorable financing environment and shortage of desirable properties remains unchanged, and the expected yield is forecast to stay at the current low level. Therefore, competition in property acquisition is likely to further intensify, and transactions carried out at higher valuation are likely to continue.

### 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 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 rent levels.

(ii) Fill vacancies promptly

In cooperation with the previously mentioned property management companies 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 space among the existing tenants.

(iii) Stabilize revenues and earnings

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

(iv) Reduce management costs

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

### Property Acquisitions and Sales

The Company has adopted the following policies for acquiring properties.

(i) To access 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-resistance standards, verifies the need for renovations by ascertaining 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.



**Hiroshi Nakajima (Left)**

Executive Director of Japan Real Estate Investment Corporation

**Naoki Umeda (Right)**

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

(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 given to timing.

### Financial Policy

The Company has adopted the following financial policies.

- (i) In principle, the Company shall maintain an LTV ratio 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.

### Performance Forecasts for the March 2017 and September 2017 Fiscal Periods

For the March 2017 period (October 1, 2016 to March 31, 2017), the Company forecasts operating revenues totaling 30,720 million yen, operating income totaling 12,490 million yen, ordinary income totaling 11,080 million yen, and profit totaling 11,070 million yen. The Company plans to declare a cash dividend of 8,460 yen per unit.

For the September 2017 period (April 1, 2017 to September 30, 2017), the Company forecasts operating revenues totaling 31,170 million yen, operating income totaling 12,730 million yen, ordinary income totaling 11,350 million yen, and profit totaling 11,340 million yen. The Company plans to declare a cash dividend of 8,660 yen per unit.

Operating revenues, operating income, ordinary income, profit, and cash dividend per unit may vary depending on potential changes to the market situation.

**Hiroshi Nakajima**

Executive Director of Japan Real Estate Investment Corporation

**Naoki Umeda**

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

# Financial Highlights

Millions of yen

	For the period from April 1, 2016 to September 30, 2016	For the period from October 1, 2015 to March 31, 2016	For the period from April 1, 2015 to September 30, 2015	For the period from October 1, 2014 to March 31, 2015	For the period from April 1, 2014 to September 30, 2014
Operating revenues	¥30,773	¥30,589	¥29,980	¥28,314	¥27,760
Operating income	12,368	12,352	12,054	11,243	11,255
Ordinary income	10,958	10,816	10,487	9,625	9,582
Profit	10,947	10,753	10,476	9,619	9,572
Net operating income (NOI) (Note 1)	20,182	19,973	19,670	18,412	18,105
Funds from operations (FFO) (Note 2)	17,447	17,079	16,808	15,629	15,455
FFO multiple (Times) (Note 3)	22.8	25.0	21.5	22.6	22.9
Cash distribution	10,947	10,632	10,475	9,613	9,571
Number of units	1,309,310	1,309,310	1,309,310	1,251,530	1,251,530
Dividend per unit (Yen)	8,361	8,121	8,001	7,681	7,648

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

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

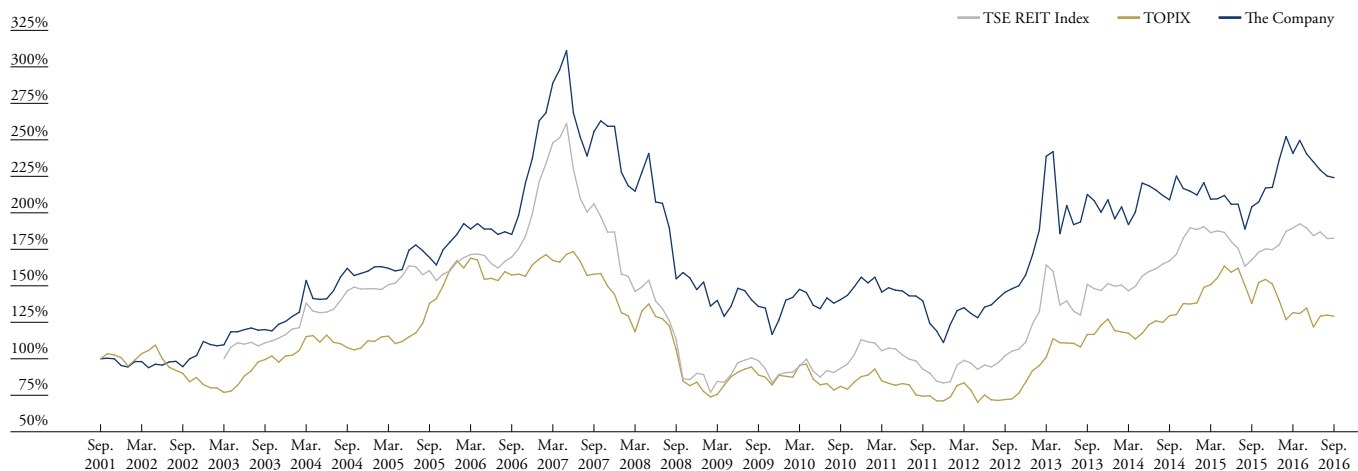
3. FFO multiple = Unit price at end of the respective term / FFO per unit (Annualized)

(Annualized portion of the calculation given in Note 3 assumes a fiscal period of 183 days for the period ended September 30, 2014, 182 days for the period ended March 31, 2015, 183 days for the period ended September 30, 2015, 183 days for the period ended March 31, 2016 and 183 days for the period ended September 30, 2016.)

## Top 10 Unitholders As of September 30, 2016

Unitholders	Units	% of total units outstanding
Japan Trustee Services Bank, Ltd. (Shintaku Acc.)	237,365	18.13%
The Master Trust Bank of Japan, Ltd. (Shintaku Acc.)	129,151	9.86%
Trust & Custody Services Bank, Ltd. (Toshin Acc.)	97,820	7.47%
The Nomura Trust and Banking Co., Ltd. (Toshin Acc.)	52,705	4.03%
STATE STREET BANK WEST CLIENT-TREATY 505234	26,487	2.02%
STATE STREET BANK-WEST PENSION FUND CLIENTS-EXEMPT 505233	22,544	1.72%
STATE STREET BANK AND TRUST COMPANY 505223	21,279	1.63%
The Chugoku Bank Ltd.	17,970	1.37%
NOMURA BANK (LUXEMBOURG) S.A.	17,226	1.32%
Mitsubishi Estate Co., Ltd.	17,120	1.31%

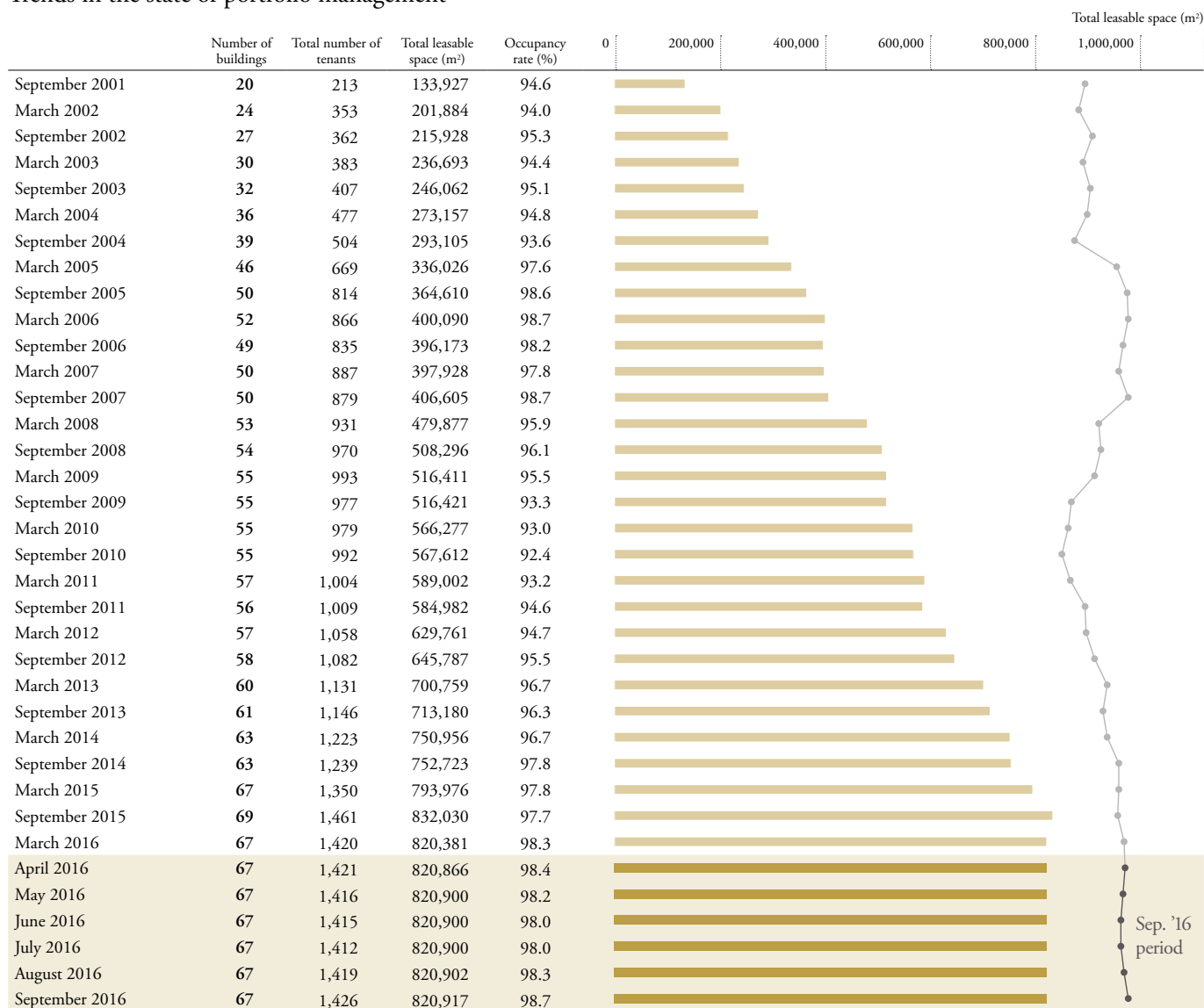
## Unit Price Performance





# Portfolio Highlights

## Trends in the state of portfolio management

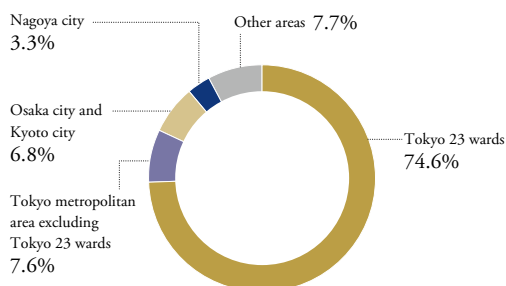


Notes: 1. The total number of tenants is the gross number of tenants by building.  
 2. Nippon Brunswick Building (land with leasehold interest) is not included.

## Portfolio breakdown As of September 30, 2016

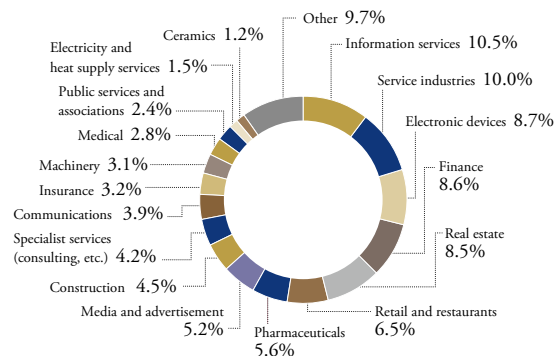
### Properties by geographic region

(Percentage based on acquisition price)



### Tenants by industry type

(Percentage based on leased space)

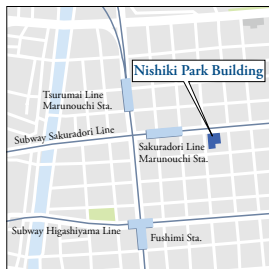


\* Nippon Brunswick Building (land with leasehold interest) is not included.

# Asset Management Summary

For the period from April 1, 2016 to September 30, 2016

## Acquired Asset



### Nishiki Park Building (Additional Acquisition)

#### Property Summary

- Location: 2-4-3 Nishiki, Naka-ku, Nagoya City, Aichi Prefecture
- Site area: 2,170.45 m<sup>2</sup> (Total land area for the building site including leased land (term leasehold interest) of 384 m<sup>2</sup>)
- Floor area of building: 25,091.91 m<sup>2</sup> (Total floor space for the entire building)
- Structure: Steel-framed, steel-flamed reinforced concrete, reinforced concrete structure, flat roof
- Floors: Above ground: 22 floors  
Below ground: 4 floors
- Completion: August 1995
- Acquisition date: April 1, 2016
- Acquisition price: ¥175 million
- Type of ownership: Land: Ownership  
(36,729/1,000,000 co-ownership of 1 lot: 1,786.45 m<sup>2</sup>)  
Building: Share of co-ownership of compartmentalized building units (37,003/1,000,000 co-ownership of office and shop units from the 1st floor to the 20th floor: 13,296.06 m<sup>2</sup>)  
Share of ownership of the building: 3.1047%  
Changes in JRE's share of ownership of the building after the additional acquisition: 68.63831% → 71.74301%
- Seller: Three individuals\*  
\* The details concerning the three individuals are undisclosed due to their non-approval of disclosure.
- Property management company: Mitsubishi Estate Co., Ltd.

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

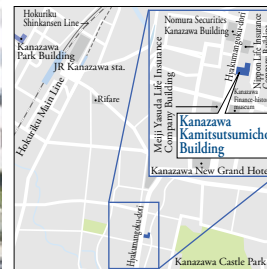
#### (1) Superior location

This property is located in the Fushimi zone, which has one of the highest concentrations of offices in the Nagoya district. Being a one-minute walk from the nearest Marunouchi station on the Sakuradori and Tsurumai subway lines, the property boasts superior traffic convenience as well as high visibility from Sakuradori Avenue, which faces the building.

#### (2) Improvement of property operation and management efficiency, along with asset value

A detailed understanding of the property and increased percentage of ownership by the Company will enhance operation and management efficiency, which will raise the asset value.

## Acquired Asset (Subsequent Event)



### Kanazawa Kamitsutsumicho Building

#### Property Summary

- Location: 1-15 Kamitsutsumicho, Kanazawa City, Ishikawa Prefecture
- Site area: 1,561.80 m<sup>2</sup>
- Floor area of building: 9,619.96 m<sup>2</sup> (Including tower type parking adjacent to the building (118.28m<sup>2</sup>))
- Structure: Steel structure, flat roof
- Floors: Above ground: 11 floors
- Completion: August 2009
- Acquisition date: October 3, 2016
- Acquisition price: ¥2,780 million
- Type of ownership: Land: Ownership  
Building: Ownership
- Seller: Shimizu Corporation
- Property management company: Mitsubishi Jisho Property Management Co., Ltd.

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

#### (1) Superior location

This property is located in a business center, where offices of local government and private companies in the Hokuriku district are clustered and situated along Hyakumangoku-dori, the main road of the city. In addition, a convenient bus route providing smooth access both locally as well as outside of Hokuriku has been secured from JR Kanazawa station, the terminal station for the Hokuriku Shinkansen, the bullet train running to and from Tokyo which opened last year.

#### (2) Strong competitiveness

The property was built in 2009 and its building age is less than the average building age in our portfolio. The property is not only appointed with the latest facilities and equipment to meet the environmental requirements of an office, but it also possesses tower type parking that can accommodate 88 vehicles. This coincides with local business needs and will strengthen the competitiveness of the property.

## Acquired the Best Status, a “Green Star”, in GRESB

### What is GRESB?

GRESB (Global Real Estate Sustainability Benchmark) was established in 2009 by a group of European pension funds. It is an annual benchmark evaluation to assess the environment, society, and governance (ESG) performance of the real estate sector. Major European, American, and Asian institutional investors utilize this benchmark in their investment decision-making processes. GRESB Real Estate Assessment is unique in evaluating not the individual property itself, but the environment-friendliness and sustainability approach of each real estate company and REIT.



### Acquired a “Green Star”

In the 2016 GRESB Real Estate Assessment, the Company was evaluated highly and acquired the best status, a “Green Star”.

## Obtaining DBJ Green Building Certification

The DBJ Green Building certification was established by the Development Bank of Japan with the aim of encouraging real estate project activities that pursue environmental and social contributions instead of focusing solely on economic performance. Green Building-certified properties are selected based on a comprehensive evaluation scheme for multiple criteria, including tenant amenities, involvement

in the local community, and risk management, in addition to the environmental performance of the building. Under this program, a number of properties held by the Company have been highly rated, including Harumi Front, which received the highest rank of Five Stars, representing the first J-REIT property that has ever been honored with this evaluation.

### Properties certified with DBJ Green Building Certification

Properties with the best class environmental & social awareness

Five Stars



Harumi Front  
(Chuo-ku, Tokyo)



Shinjuku Eastside Square  
(Shinjuku-ku, Tokyo)

Properties with exceptionally high environmental & social awareness

Four Stars



Harumi Center Building  
(Chuo-ku, Tokyo)



Osaki Front Tower  
(Shinagawa-ku, Tokyo)



MM Park Building  
(Yokohama, Kanagawa Prefecture)

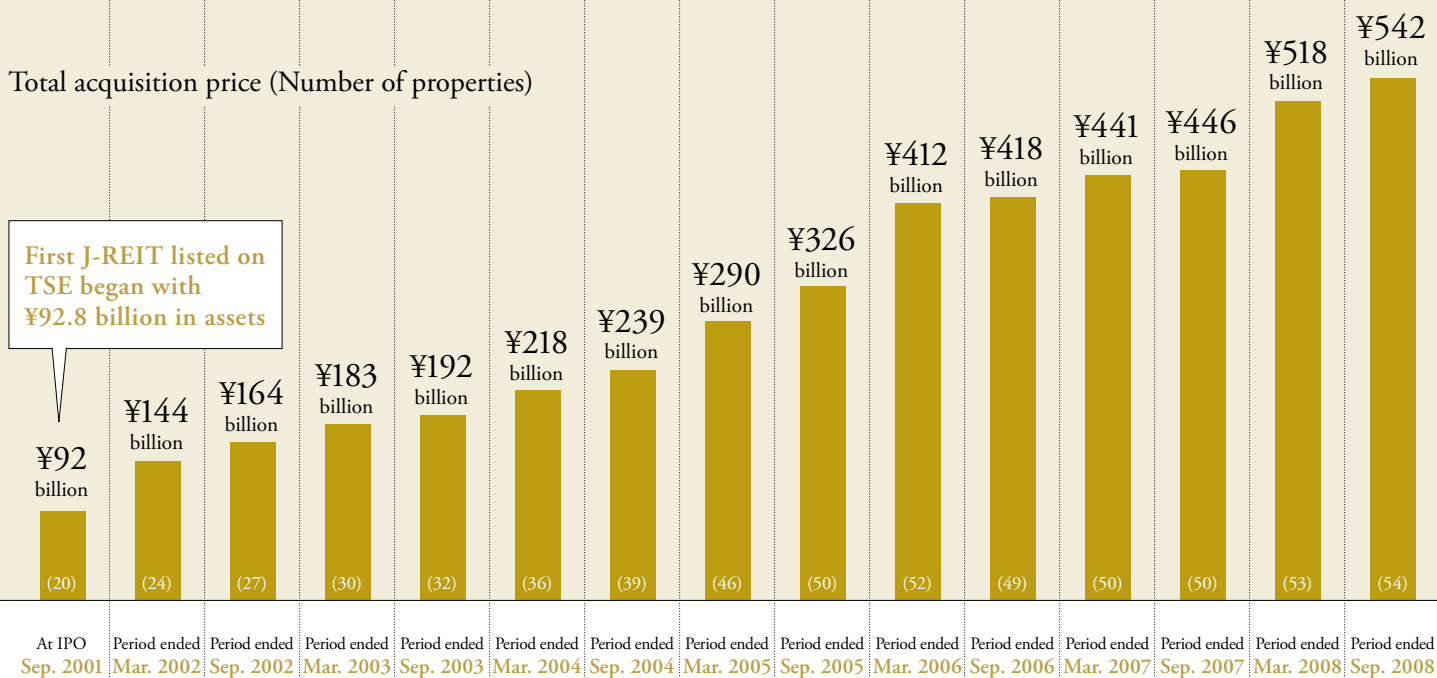
# Asset Size, Property Acquisitions, and Performance Trends

## Occupancy rate

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

In September 2001, the Company became the first J-REIT in Japan listed on the Tokyo Stock Exchange. Since then, the Company has targeted stable management to fulfill its goal of maintaining or increasing dividend per unit over the medium to long term. The Company's growth is based on external growth strategies that aim to increase earnings through the acquisition and transfer of properties, as well as internal growth strategies that seek to optimize earnings from properties already held. The size of the Company's assets (total acquisition price) has grown from ¥92.8 billion at IPO to ¥923.6 billion as of the period ended September 30, 2016 due to the steady achievement of external growth strategies. However, in terms of internal growth strategies, ongoing efforts are being made in such areas as maintaining stable occupancy rates and reducing building management costs.

## Total acquisition price (Number of properties)



## Dividend per unit\*

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

## Listing and issuance of units

Sep. 2001  
Listed on TSE as first J-REIT

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

Oct. 2003  
Second Follow-On

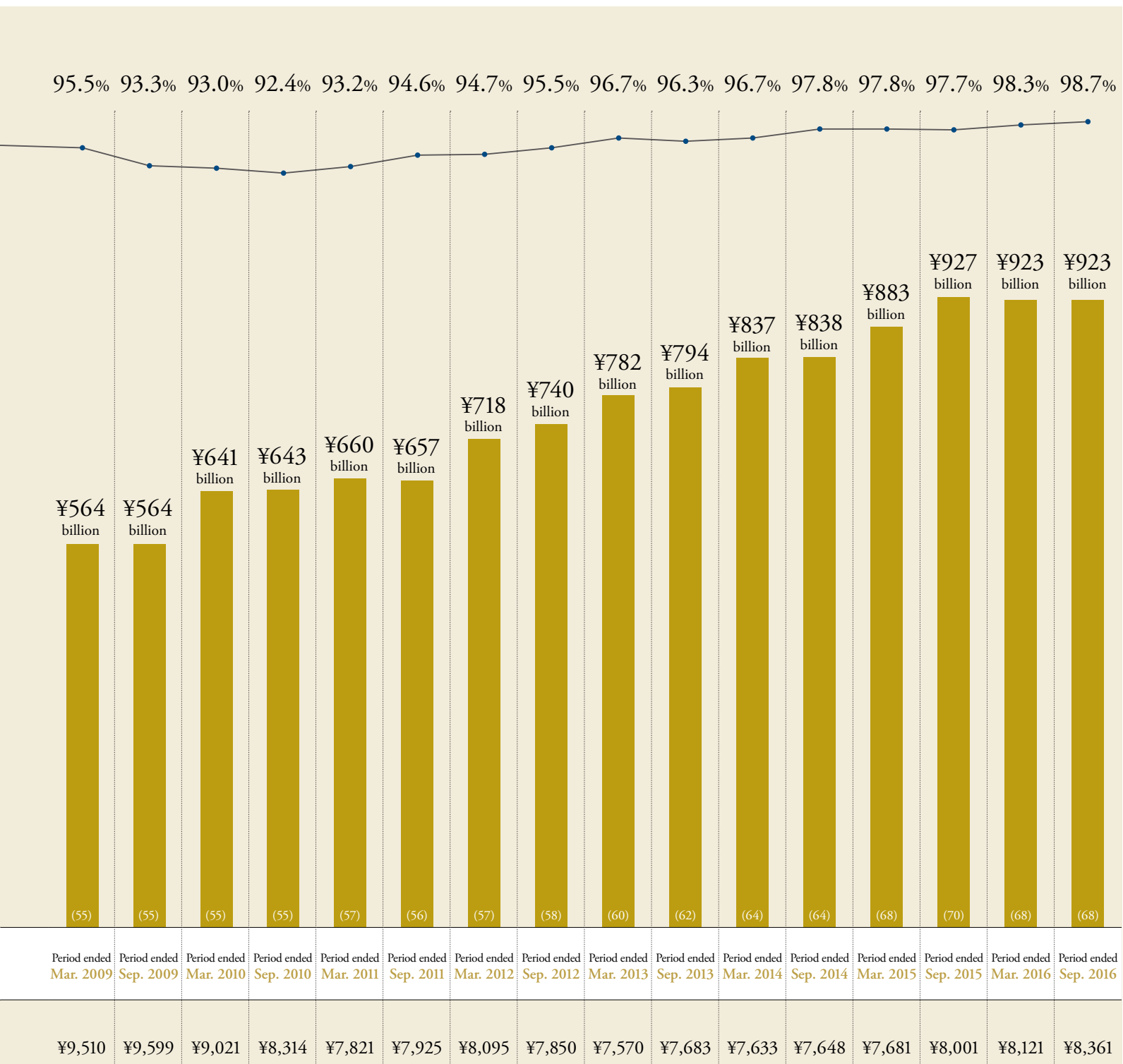
Apr. 2005  
Third Follow-On

Oct. 2006  
Fourth Follow-On

Mar. 2008  
Fifth Follow-On

Sep. 2001  
IPO

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



Dec. 2009  
Sixth Follow-On

Feb. 2012  
Seventh Follow-On

Oct. 2012  
Eighth Follow-On

Apr. 2014  
Ninth Follow-On

Apr. 2015  
Tenth Follow-On

# The Portfolio of Japan Real Estate Investment Corporation

As of September 30, 2016

## Properties roster

Number	Name of building	Location	Type of specified asset	Acquisition date	Acquisition price (¥ millions)
<b>Tokyo 23 wards</b>					
• I-1	Genki Medical Plaza	Iidabashi, Chiyoda-ku	Real property	10/31/2002	5,000 (0.5%)
• I-2	Kitanomaru Square	Kudan-Kita, Chiyoda-ku	Real property	02/24/2006	81,555 (8.8%)
• I-3	MD Kanda Building	Kanda-Mitoshirocho, Chiyoda-ku	Real property	05/31/2002	9,520 (1.0%)
• I-4	Kandabashi Park Building	Kanda-Nishikicho, Chiyoda-ku	Real property	08/15/2002	4,810 (0.5%)
• I-5	Otemachi Financial City North Tower	Otemachi, Chiyoda-ku	Real property	03/31/2014	15,462 (1.7%)
• I-6	Nibancho Garden	Nibancho, Chiyoda-ku	Real property	04/01/2005	14,700 (1.6%)
• I-7	Mitsubishi UFJ Trust and Banking Building	Marunouchi, Chiyoda-ku	Real property	03/28/2007	44,700 (4.8%)
• I-8	Burex Kojimachi Building	Kojimachi, Chiyoda-ku	Real property	07/29/2005	7,000 (0.8%)
• I-9	Sanno Grand Building	Nagatacho, Chiyoda-ku	Real property	01/31/2005	10,200
				04/03/2006	10,700
				Total	20,900 (2.3%)
• I-10	Yurakucho Denki Building	Yurakucho, Chiyoda-ku	Real property	08/01/2003	7,200 (0.8%)
• I-11	Kodenmachi Shin-Nihonbashi Building	Nihonbashi-Kodenmachi, Chuo-ku	Trust	09/25/2001	3,173 (0.3%)
• I-12	Kyodo Building (Kayabacho 2Chome)	Nihonbashi-Kayabacho, Chuo-ku	Trust	03/01/2011	4,410 (0.5%)
• I-13	Burex Kyobashi Building	Kyobashi, Chuo-ku	Real property	07/22/2002	5,250 (0.6%)
• I-14	Ginza 1Chome East Building	Ginza, Chuo-ku	Trust	03/02/2015	6,459 (0.7%)
• I-15	Ginza Sanwa Building	Ginza, Chuo-ku	Real property	03/10/2005	16,830 (1.8%)
• I-16	Ryoshin Ginza East Mirror Building	Ginza, Chuo-ku	Real property	03/15/2005	5,353
				05/24/2010	2,645
				Total	7,999 (0.9%)
• I-17	Harumi Front	Harumi, Chuo-ku	Real property	01/07/2013	31,300 (3.4%)
• I-18	Harumi Center Building	Harumi, Chuo-ku	Real property	12/18/2007	26,800 (2.9%)
• I-19	Akasaka Park Building	Akasaka, Minato-ku	Real property	11/15/2011	60,800 (6.6%)
• I-20	Aoyama Crystal Building	Kita-Aoyama, Minato-ku	Real property	03/14/2003	7,680 (0.8%)
• I-21	Clover Shiba-koen	Shiba-koen, Minato-ku	Trust	01/20/2015	4,500 (0.5%)
• I-22	Shiodome Building	Kaigan, Minato-ku	Trust	12/19/2008	21,250
				01/15/2010	54,600
				05/01/2015	10,100
				Total	85,950 (9.3%)
• I-23	Shiba 2Chome Daimon Building	Shiba, Minato-ku	Trust	09/10/2001	4,859 (0.5%)
• I-24	Cosmo Kanasugibashi Building	Shiba, Minato-ku	Trust	09/25/2001	2,808 (0.3%)
• I-25	Shinjuku Eastside Square	Shinjuku, Shinjuku-ku	Real property	10/01/2014	23,100 (2.5%)
• I-26	Shinwa Building	Nishi-Shinjuku, Shinjuku-ku	Real property	09/01/2004	7,830 (0.8%)
• I-27	Tokyo Opera City Building	Nishi-Shinjuku, Shinjuku-ku	Real property	09/13/2005	9,350
				03/24/2010	22,426
				Total	31,776 (3.4%)
• I-28	TIXTOWER UENO	Higashi-Ueno, Taito-ku	Real property	06/15/2012	22,000 (2.4%)
• I-29	Higashi-Gotanda 1Chome Building	Higashi-Gotanda, Shinagawa-ku	Real property	11/01/2004	5,500 (0.6%)
• I-30	Osaki Front Tower	Osaki, Shinagawa-ku	Real property	02/01/2011	12,300 (1.3%)
• I-31	Omori-Eki Higashiguchi Building	Omori-Kita, Ota-ku	Trust	09/10/2001	5,123 (0.6%)
• I-32	Nippon Brunswick Building (Land with leasehold interest)	Sendagaya, Shibuya-ku	Real property	03/24/2004	6,670
				08/23/2013	(1,170)
				Total	5,500 (0.6%)
• I-33	Yoyogi 1Chome Building	Yoyogi, Shibuya-ku	Real property	04/01/2004	8,700 (0.9%)
• I-34	da Vinci Harajuku	Jingumae, Shibuya-ku	Real property	11/22/2002	4,885 (0.5%)
• I-35	Jingumae Media Square Building	Jingumae, Shibuya-ku	Real property	10/09/2003	12,200 (1.3%)
• I-36	Shibuya Cross Tower	Shibuya, Shibuya-ku	Real property	11/30/2001	34,600 (3.7%)
• I-37	Ebisu Neonato	Ebisu, Shibuya-ku	Real property	11/14/2003	3,740
				04/01/2004	360
				02/18/2014	10,512
				Total	14,612 (1.6%)
• I-38	Harmony Tower	Honcho, Nakano-ku	Real property	02/28/2005	8,500
				12/19/2012	520
				03/27/2015	2,100
				Total	11,120 (1.2%)
• I-39	Otsuka Higashi-Ikebukuro Building	Higashi-Ikebukuro, Toshima-ku	Trust	09/25/2001	3,541 (0.4%)
• I-40	Ikebukuro 2Chome Building	Ikebukuro, Toshima-ku	Trust	09/25/2001	1,728 (0.2%)
• I-41	Ikebukuro YS Building	Minami-Ikebukuro, Toshima-ku	Real property	08/02/2004	4,500 (0.5%)

Percentage of ownership of the building	Completion	Appraisal value at the end of period (¥ millions)	Total leasable space	Leased space	Occupancy rate	Total number of tenants	Revenues from leasing operations (¥ millions)
100.0%	1985	6,890	4,791m <sup>2</sup>	4,791m <sup>2</sup>	100.0%	1	222 (0.7%)
100.0%	2006	78,600	25,678m <sup>2</sup>	25,678m <sup>2</sup>	100.0%	5	1,719 (5.6%)
100.0%	1998	8,360	6,269m <sup>2</sup>	6,269m <sup>2</sup>	100.0%	9	223 (0.7%)
56.76%	1993	4,580	3,687m <sup>2</sup>	3,687m <sup>2</sup>	100.0%	10	115 (0.4%)
3.3852192%	2012	18,800	5,121m <sup>2</sup>	5,121m <sup>2</sup>	100.0%	2	344 (1.1%)
31.345%	2004	17,900	9,316m <sup>2</sup>	9,316m <sup>2</sup>	100.0%	1	476 (1.5%)
19.38402%	2003	51,600	11,904m <sup>2</sup>	11,904m <sup>2</sup>	100.0%	10	998 (3.2%)
100.0%	2005	6,610	4,495m <sup>2</sup>	4,495m <sup>2</sup>	100.0%	1	150 (0.5%)
99.0%	1966	33,300	20,665m <sup>2</sup>	19,918m <sup>2</sup>	96.4%	38	924 (3.0%)
10.78%	1975	8,060	4,697m <sup>2</sup>	4,697m <sup>2</sup>	100.0%	13	267 (0.9%)
100.0%	1991	2,880	3,897m <sup>2</sup>	3,897m <sup>2</sup>	100.0%	11	113 (0.4%)
100.0%	1991	4,920	4,464m <sup>2</sup>	4,265m <sup>2</sup>	95.5%	9	145 (0.5%)
100.0%	2002	7,520	4,279m <sup>2</sup>	4,279m <sup>2</sup>	100.0%	1	157 (0.5%)
100.0%	2008	7,220	4,513m <sup>2</sup>	4,513m <sup>2</sup>	100.0%	8	145 (0.5%)
70.95%	1982	18,400	4,326m <sup>2</sup>	4,201m <sup>2</sup>	97.1%	9	378 (1.2%)
100.0%	1998	6,180	4,255m <sup>2</sup>	4,255m <sup>2</sup>	100.0%	12	162 (0.5%)
100.0%	2012	40,000	33,369m <sup>2</sup>	33,369m <sup>2</sup>	100.0%	8	1,248 (4.1%)
100.0%	2006	19,600	20,812m <sup>2</sup>	20,812m <sup>2</sup>	100.0%	9	608 (2.0%)
100.0%	1993	70,100	45,013m <sup>2</sup>	45,013m <sup>2</sup>	100.0%	29	2,235 (7.3%)
100.0%	1982	8,120	4,898m <sup>2</sup>	4,898m <sup>2</sup>	100.0%	7	217 (0.7%)
100.0%	2006	4,600	2,550m <sup>2</sup>	2,227m <sup>2</sup>	87.3%	7	100 (0.3%)
45.0%	2007	96,800	36,174m <sup>2</sup>	35,867m <sup>2</sup>	99.1%	35	1,885 (6.1%)
100.0%	1984	6,470	9,606m <sup>2</sup>	9,606m <sup>2</sup>	100.0%	25	277 (0.9%)
100.0%	1992	3,090	4,062m <sup>2</sup>	3,870m <sup>2</sup>	95.3%	7	99 (0.3%)
14.0%	2012	25,900	16,365m <sup>2</sup>	16,365m <sup>2</sup>	100.0%	43	658 (2.1%)
100.0%	1989	6,970	5,997m <sup>2</sup>	5,997m <sup>2</sup>	100.0%	13	214 (0.7%)
31.325%	1996	32,500	35,099m <sup>2</sup>	34,469m <sup>2</sup>	98.2%	101	1,469 (4.8%)
94.040229%	2010	24,800	15,020m <sup>2</sup>	13,930m <sup>2</sup>	92.7%	16	651 (2.1%)
100.0%	2004	6,070	5,205m <sup>2</sup>	5,205m <sup>2</sup>	100.0%	4	182 (0.6%)
100.0%	2005	16,500	16,856m <sup>2</sup>	16,856m <sup>2</sup>	100.0%	1	711 (2.3%)
100.0%	1989	5,600	7,756m <sup>2</sup>	7,756m <sup>2</sup>	100.0%	23	234 (0.8%)
—	—	5,490	—	—	—	—	60 (0.2%)
100.0%	2003	11,600	7,745m <sup>2</sup>	7,745m <sup>2</sup>	100.0%	9	304 (1.0%)
100.0%	1987	7,100	3,147m <sup>2</sup>	3,147m <sup>2</sup>	100.0%	4	191 (0.6%)
100.0%	1998	10,500	5,558m <sup>2</sup>	4,698m <sup>2</sup>	84.5%	5	166 (0.5%)
100.0%	1976	52,300	29,762m <sup>2</sup>	29,288m <sup>2</sup>	98.4%	55	1,398 (4.5%)
44.718394%	1994	16,500	8,700m <sup>2</sup>	8,679m <sup>2</sup>	99.8%	6	451 (1.5%)
38.382307%	1997	13,900	14,340m <sup>2</sup>	14,340m <sup>2</sup>	100.0%	20	444 (1.4%)
100.0%	1987	4,480	7,224m <sup>2</sup>	7,224m <sup>2</sup>	100.0%	7	189 (0.6%)
100.0%	1990	1,700	2,186m <sup>2</sup>	2,186m <sup>2</sup>	100.0%	9	67 (0.2%)
100.0%	1989	4,800	5,932m <sup>2</sup>	5,932m <sup>2</sup>	100.0%	10	190 (0.6%)

Number	Name of building	Location	Type of specified asset	Acquisition date	Acquisition price (¥ millions)	
<b>Tokyo metropolitan area, excluding Tokyo 23 wards</b>						
● II-1	Hachioji First Square	Hachioji, Tokyo	Real property	03/31/2005	3,300	
				03/19/2008	2,379	
				Total	5,679	(0.6%)
● II-2	Saitama Urawa Building	Saitama, Saitama Prefecture	Real property	09/25/2001	1,232	
				10/11/2001	1,342	
				Total	2,574	(0.3%)
● II-3	MM Park Building	Yokohama, Kanagawa Prefecture	Real property	03/24/2008	37,400	(4.0%)
● II-4	Queen's Tower A	Yokohama, Kanagawa Prefecture	Trust	01/31/2014	17,200	(1.9%)
● II-5	Kawasaki Isago Building	Kawasaki, Kanagawa Prefecture	Trust	09/25/2001	3,375	(0.4%)
● II-6	Musashi Kosugi STM Building	Kawasaki, Kanagawa Prefecture	Real property	03/25/2008	4,000	(0.4%)
<b>Other major cities</b>						
● III-1	8-3 Square Kita Building	Sapporo, Hokkaido	Real property	06/01/2007	7,100	(0.8%)
● III-2	Jozenji Park Building	Sendai, Miyagi Prefecture	Real property	01/31/2005	1,000	(0.1%)
● III-3	Higashi Nibancho Square	Sendai, Miyagi Prefecture	Real property	01/07/2013	9,950	(1.1%)
● III-4	Sendai Honcho Honma Building	Sendai, Miyagi Prefecture	Trust	09/25/2001	2,924	
				06/28/2006	250	
				Total	3,174	(0.3%)
● III-5	AER	Sendai, Miyagi Prefecture	Real property	09/01/2015	18,640	(2.0%)
● III-6	Kanazawa Park Building	Kanazawa, Ishikawa Prefecture	Real property	02/28/2002	2,880	
				03/03/2003	1,700	
				Total	4,580	(0.5%)
● III-7	Nishiki Park Building	Nagoya, Aichi Prefecture	Real property	10/02/2006	3,850	
				11/01/2006	1,300	
				06/09/2014	650	
				04/01/2016	175	
				Total	5,975	(0.6%)
● III-8	Nagoya Hirokoji Place	Nagoya, Aichi Prefecture	Trust	07/31/2013	8,567	(0.9%)
● III-9	Nagoya Hirokoji Building	Nagoya, Aichi Prefecture	Real property	09/10/2001	14,533	(1.6%)
● III-10	Nagoya Misono Building	Nagoya, Aichi Prefecture	Real property	08/08/2003	1,865	(0.2%)
● III-11	Shijo Karasuma Center Building	Kyoto, Kyoto Prefecture	Real property	09/03/2013	4,400	(0.5%)
● III-12	Umeda Square Building	Osaka, Osaka Prefecture	Trust	04/01/2015	15,523	(1.7%)
● III-13	Shin-Fujita Building	Osaka, Osaka Prefecture	Trust	09/01/2008	24,000	(2.6%)
● III-14	Sakaisujihonmachi Building	Osaka, Osaka Prefecture	Real property	09/25/2001	2,264	
				12/26/2003	1,900	
				Total	4,164	(0.5%)
● III-15	Midosuji Daiwa Building	Osaka, Osaka Prefecture	Trust	09/25/2001	6,934	
				02/28/2002	7,380	
				Total	14,314	(1.5%)
● III-16	Amagasaki Front Building	Amagasaki, Hyogo Prefecture	Trust	03/25/2015	9,300	(1.0%)
● III-17	Lit City Building	Okayama, Okayama Prefecture	Real property	02/01/2006	4,650	(0.5%)
● III-18	NHK Hiroshima Broadcasting Center Building	Hiroshima, Hiroshima Prefecture	Real property	03/25/2004	1,320	
				03/03/2008	1,450	
				Total	2,770	(0.3%)
● III-19	Tosei Tenjin Building	Fukuoka, Fukuoka Prefecture	Real property	09/25/2001	1,550	(0.2%)
● III-20	Tenjin Crystal Building	Fukuoka, Fukuoka Prefecture	Real property	06/01/2005	5,000	(0.5%)
● III-21	Hinode Tenjin Building	Fukuoka, Fukuoka Prefecture	Trust	09/10/2001	3,657	(0.4%)
<b>Total</b>					<b>923,623</b>	<b>(100.0%)</b>
<b>Transferred properties</b>						
	Hirokoji Sakae Building					
	Kyoto Shijo Kawaramachi Building					
<b>Total</b>						



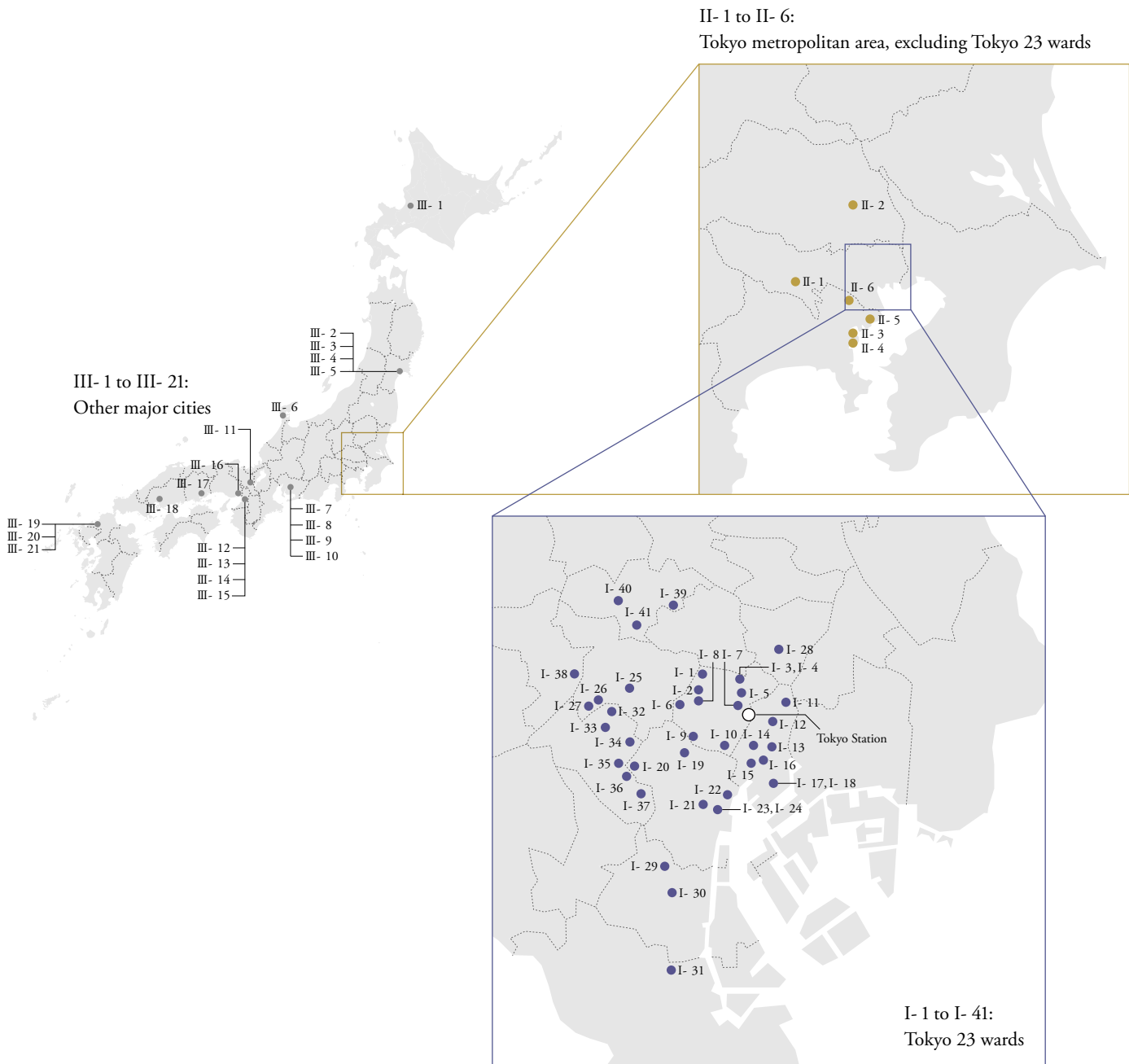
Percentage of ownership of the building	Completion	Appraisal value at the end of period (¥ millions)	Total leasable space	Leased space	Occupancy rate	Total number of tenants	Revenues from leasing operations (¥ millions)	
80.4%	1996	4,810	10,068m <sup>2</sup>	10,068m <sup>2</sup>	100.0%	51	240	(0.8%)
100.0%	1990	2,420	4,510m <sup>2</sup>	4,510m <sup>2</sup>	100.0%	18	109	(0.4%)
100.0%	2007	39,800	38,426m <sup>2</sup>	37,953m <sup>2</sup>	98.8%	30	1,320	(4.3%)
11.11481%	1997	20,000	26,669m <sup>2</sup>	25,922m <sup>2</sup>	97.2%	49	992	(3.2%)
100.0%	1990	2,610	6,831m <sup>2</sup>	6,831m <sup>2</sup>	100.0%	13	145	(0.5%)
34.32%	1990	4,210	5,378m <sup>2</sup>	5,378m <sup>2</sup>	100.0%	26	161	(0.5%)
100.0%	2006	7,700	12,265m <sup>2</sup>	12,265m <sup>2</sup>	100.0%	9	320	(1.0%)
50.0%	1993	998	2,518m <sup>2</sup>	2,418m <sup>2</sup>	96.0%	16	61	(0.2%)
100.0%	2008	13,700	20,526m <sup>2</sup>	20,254m <sup>2</sup>	98.7%	21	554	(1.8%)
100.0%	1991	2,430	6,234m <sup>2</sup>	6,234m <sup>2</sup>	100.0%	24	129	(0.4%)
55.35443%	1998	19,000	23,612m <sup>2</sup>	23,182m <sup>2</sup>	98.2%	61	619	(2.0%)
89.0%	1991	4,680	20,942m <sup>2</sup>	20,803m <sup>2</sup>	99.3%	79	495	(1.6%)
71.74301%	1995	5,030	10,338m <sup>2</sup>	9,957m <sup>2</sup>	96.3%	59	278	(0.9%)
100.0%	2004	10,600	13,200m <sup>2</sup>	13,200m <sup>2</sup>	100.0%	27	383	(1.2%)
100.0%	1987	12,600	21,610m <sup>2</sup>	19,814m <sup>2</sup>	91.7%	33	662	(2.2%)
100.0%	1991	1,270	3,448m <sup>2</sup>	3,448m <sup>2</sup>	100.0%	16	70	(0.2%)
100.0%	2010	5,040	6,634m <sup>2</sup>	6,634m <sup>2</sup>	100.0%	11	185	(0.6%)
100.0%	1995	16,300	10,370m <sup>2</sup>	10,370m <sup>2</sup>	100.0%	42	449	(1.5%)
100.0%	1995	18,300	28,414m <sup>2</sup>	27,540m <sup>2</sup>	96.9%	49	684	(2.2%)
100.0%	1992	3,330	11,520m <sup>2</sup>	11,050m <sup>2</sup>	95.9%	21	220	(0.7%)
100.0%	1991	14,300	20,450m <sup>2</sup>	20,450m <sup>2</sup>	100.0%	41	529	(1.7%)
100.0%	2008	9,820	15,500m <sup>2</sup>	15,500m <sup>2</sup>	100.0%	31	439	(1.4%)
27.7488%	2005	4,430	9,965m <sup>2</sup>	9,965m <sup>2</sup>	100.0%	39	254	(0.8%)
48.753%	1994	2,830	9,860m <sup>2</sup>	9,860m <sup>2</sup>	100.0%	12	268	(0.9%)
100.0%	1992	1,320	3,995m <sup>2</sup>	3,693m <sup>2</sup>	92.4%	22	76	(0.2%)
100.0%	1993	2,650	5,964m <sup>2</sup>	5,964m <sup>2</sup>	100.0%	30	156	(0.5%)
74.4844%	1987	3,880	5,903m <sup>2</sup>	5,903m <sup>2</sup>	100.0%	3	159	(0.5%)
		<b>1,011,368</b>	<b>820,917m<sup>2</sup></b>	<b>809,962m<sup>2</sup></b>	<b>98.7%</b>	<b>1,426</b>		
							0	(0.0%)
							1	(0.0%)
							<b>30,773</b>	<b>(100.0%)</b>

## Major tenants roster

Name of tenant	Name of building	Leased space (m <sup>2</sup> )	% of total leased space
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Harumi Front (also includes 3 other buildings)	33,912	4.2%
(Note)	Kitanomaru Square (also includes 2 other buildings)	22,305	2.8%
(Note)	Osaki Front Tower (also includes 2 other buildings)	21,985	2.7%
NTT Communications Corporation	Shiodome Building	13,289	1.6%
HAKUHODO DY HOLDINGS INCORPORATED	Akasaka Park Building (also includes 1 other building)	12,831	1.6%
JGC Corporation	MM Park Building (also includes 1 other building)	10,649	1.3%
Mitsubishi UFJ Trust and Banking Corporation	Mitsubishi UFJ Trust and Banking Building	10,598	1.3%
Minatomirai 21 District Heating and Cooling Co., Ltd.	Queen's Tower A	9,536	1.2%
Seven & i Holdings Co., Ltd.	Nibancho Garden	9,316	1.2%
Space Design, Inc.	Burex Kojimachi Building (also includes 1 other building)	8,774	1.1%

(Note) Not disclosed due to tenant's request

## Location of portfolio properties



# Overview of Portfolio Properties

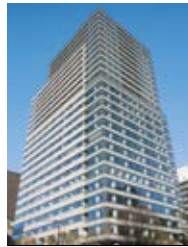
As of September 30, 2016



**Genki Medical Plaza**

• I- 1

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



**Kitanomaru Square**

• I- 2

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



**MD Kanda Building**

• I- 3

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



**Kandabashi Park Building**

• I- 4

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



**Otemachi Financial City North Tower**

• I- 5

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



**Nibancho Garden**

• I- 6

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



**Mitsubishi UFJ Trust and Banking Building**

• I- 7

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



**Burex Kojimachi Building**

• I- 8

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



**Sanno Grand Building**

• I- 9

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



**Yurakucho Denki Building**

• I- 10

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



**Kodonmachi Shin-Nihonbashi Building**

• I- 11

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



**Kyodo Building (Kayabacho 2Chome)**

• I- 12

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



### Burex Kyobashi Building

• I- 13

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



### Ginza 1Chome East Building

• I- 14

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



### Ginza Sanwa Building

• I- 15

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



### Ryoshin Ginza East Mirror Building

• I- 16

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



### Harumi Front

• I- 17

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



### Harumi Center Building

• I- 18

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



### Akasaka Park Building

• I- 19

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



### Aoyama Crystal Building

• I- 20

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



### Clover Shiba-koen

• I- 21

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



### Shiodome Building

• I- 22

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



### Shiba 2Chome Daimon Building

• I- 23

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



### Cosmo Kanasugibashi Building

• I- 24

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



### Shinjuku Eastside Square

• I- 25

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



### Shinwa Building

• I- 26

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



### Tokyo Opera City Building

• I- 27

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



### TIXTOWER UENO

• I- 28

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



### Higashi-Gotanda 1Chome Building

• I- 29

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



### Osaki Front Tower

• I- 30

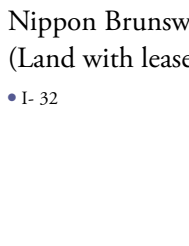
Location:	Shinagawa-ku, Tokyo
Site area:	3,684.38 m <sup>2</sup>
Floor area of building:	23,673.92 m <sup>2</sup>
Structure:	Above ground: 15 floors
Completion:	June 2005



### Omori-Eki Higashiguchi Building

• I- 31

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



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

• I- 32

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



### Yoyogi 1Chome Building

• I- 33

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



### da Vinci Harajuku

• I- 34

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



### Jingumae Media Square Building

• I- 35

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



### Shibuya Cross Tower

• I- 36

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



### Ebisu Neonato

● I- 37

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



### Harmony Tower

● I- 38

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



### Otsuka Higashi-Ikebukuro Building

● I- 39

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



### Ikebukuro 2Chome Building

● I- 40

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



### Ikebukuro YS Building

● I- 41

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



### Hachioji First Square

● II- 1

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



### Saitama Urawa Building

● II- 2

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



### MM Park Building

● II- 3

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



### Queen's Tower A

● II- 4

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



### Kawasaki Isago Building

● II- 5

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



### Musashi Kosugi STM Building

● II- 6

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



### 8-3 Square Kita Building

● III- 1

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



### Jozenji Park Building

• III- 2

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



### Higashi Nibancho Square

• III- 3

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



### Sendai Honcho Honma Building

• III- 4

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



### AER

• III- 5

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



### Kanazawa Park Building

• III- 6

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



### Nishiki Park Building

• III- 7

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



### Nagoya Hirokoji Place

• III- 8

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



### Nagoya Hirokoji Building

• III- 9

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



### Nagoya Misono Building

• III- 10

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



### Shijo Karasuma Center Building

• III- 11

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



### Umeda Square Building

• III- 12

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



### Shin-Fujita Building

• III- 13

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



### Sakaisujihonmachi Building

• III- 14

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



### Midosuji Daiwa Building

• III- 15

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



### Amagasaki Front Building

• III- 16

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



### Lit City Building

• III- 17

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



### NHK Hiroshima Broadcasting Center Building

• III- 18

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



### Tosei Tenjin Building

• III- 19

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



### Tenjin Crystal Building

• III- 20

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



### Hinode Tenjin Building

• III- 21

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

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



# Financial Section

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## Selected Financial Data

	Millions of yen				
	For the period from April 1, 2016 to September 30, 2016	For the period from October 1, 2015 to March 31, 2016	For the period from April 1, 2015 to September 30, 2015	For the period from October 1, 2014 to March 31, 2015	For the period from April 1, 2014 to September 30, 2014
Operating revenues	30,773	30,589	29,980	28,314	27,760
Operating expenses	18,405	18,237	17,926	17,071	16,505
Operating income	12,368	12,352	12,054	11,243	11,255
Ordinary income	10,958	10,816	10,487	9,625	9,582
Income before income taxes	10,958	10,816	10,487	9,625	9,582
Profit	10,947	10,753	10,476	9,619	9,572
Total assets	883,633	890,626	899,938	852,679	813,931
Interest-bearing debt	356,350	363,400	373,450	361,000	323,550
Net assets	469,359	469,044	468,767	436,671	436,622
Unitholders' capital	458,016	458,016	458,016	426,783	426,783
Number of units	1,309,310	1,309,310	1,309,310	1,251,530	1,251,530
Net assets per unit (Yen)	358,478	358,238	358,026	348,909	348,871
Cash distribution	10,947	10,632	10,475	9,613	9,571
Dividend payout ratio	99.9%	98.8%	99.9%	99.9%	99.9%
Dividend per unit (Yen)	8,361	8,121	8,001	7,681	7,648
Net operating income (NOI)	20,182	19,973	19,670	18,412	18,105
Funds from operations (FFO)	17,448	17,079	16,808	15,629	15,455
Return on assets (ROA) (Note 1)	1.2% (2.5% annualized)	1.2% (2.4% annualized)	1.2% (2.4% annualized)	1.2% (2.3% annualized)	1.2% (2.3% annualized)
Return on equity (ROE) (Note 2)	2.3% (4.7% annualized)	2.3% (4.6% annualized)	2.2% (4.5% annualized)	2.2% (4.4% annualized)	2.2% (4.4% annualized)
EOP equity ratio (Note 3)	53.1%	52.7%	52.1%	51.2%	53.6%
EOP interest-bearing debt ratio on total assets (Note 4)	40.3%	40.8%	41.5%	42.3%	39.8%
FFO multiple (Times)	22.8	25.0	21.5	22.6	22.9
Debt service coverage ratio (Times) (Note 5)	13.5	12.5	12.1	10.8	10.5

Notes: 1. ROA = Ordinary income ÷ Average of Total assets during the period

2. ROE = Profit ÷ Average of Net assets during the period

(Annualized portion of the calculation given in Note 1 and Note 2 assumes a fiscal period of 183 days for the period ended September 30, 2014, 182 days for the period ended March 31, 2015, 183 days for the period ended September 30, 2015, 183 days for the period ended March 31, 2016 and 183 days for the period ended September 30, 2016.)

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

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

5. Debt service coverage ratio = Profit before Interest, Taxes, Depreciation and Amortization ÷ Interest expenses

# Balance Sheets

As of March 31, 2016 and September 30, 2016

	Thousands of yen	
	As of March 31, 2016	As of September 30, 2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and deposits	19,362,431	16,231,988
Cash and deposits in trust	5,542,352	6,314,725
Operating accounts receivable	201,642	279,659
Prepaid expenses	324,887	397,720
Deferred tax assets	972	943
Other	25,640	38,508
Total current assets	25,457,927	23,263,545
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings	266,097,000	267,181,629
Accumulated depreciation	(78,601,472)	(83,477,470)
Buildings, net	187,495,528	183,704,158
Structures	3,185,674	3,247,865
Accumulated depreciation	(696,966)	(754,986)
Structures, net	2,488,707	2,492,879
Machinery and equipment	2,962,534	2,992,615
Accumulated depreciation	(1,795,372)	(1,880,589)
Machinery and equipment, net	1,167,161	1,112,026
Tools, furniture and fixtures	384,059	396,617
Accumulated depreciation	(209,733)	(232,002)
Tools, furniture and fixtures, net	174,325	164,615
Land	450,267,151	450,384,924
Construction in progress	2,250	2,250
Buildings in trust	77,281,405	77,750,199
Accumulated depreciation	(17,595,584)	(18,994,417)
Buildings in trust, net	59,685,820	58,755,782
Structures in trust	648,264	651,869
Accumulated depreciation	(153,961)	(168,192)
Structures in trust, net	494,302	483,677
Machinery and equipment in trust	945,736	948,336
Accumulated depreciation	(641,407)	(665,333)
Machinery and equipment in trust, net	304,328	283,002
Tools, furniture and fixtures in trust	38,850	48,182
Accumulated depreciation	(16,610)	(19,071)
Tools, furniture and fixtures in trust, net	22,240	29,110
Land in trust	151,935,120	151,935,120
Construction in progress in trust	2,299	2,299
Total property, plant and equipment	854,039,237	849,349,846
Intangible assets		
Leasehold rights	6,049,002	6,035,634
Leasehold rights in trust	444,160	444,160
Easement	828,095	828,095
Other	—	14,280
Total intangible assets	7,321,258	7,322,170
Investments and other assets		
Investment securities	577,168	577,168
Lease and guarantee deposits	1,573,641	1,573,421
Long-term prepaid expenses	706,082	600,787
Other	924,282	925,004
Total investments and other assets	3,781,174	3,676,381
Total non-current assets	865,141,670	860,348,399
<b>Deferred assets</b>		
Investment corporation bond issuance costs	26,700	21,160
Total deferred assets	26,700	21,160
<b>Total Assets</b>	<b>890,626,297</b>	<b>883,633,105</b>

	Thousands of yen	
	As of March 31, 2016	As of September 30, 2016
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Operating accounts payable	2,230,597	1,748,290
Short-term loans payable	22,700,000	45,700,000
Current portion of long-term loans payable	44,400,000	42,850,000
Accounts payable - other	1,337,902	1,290,343
Accrued expenses	669,098	578,332
Income taxes payable	10,835	9,740
Accrued consumption taxes	1,128,609	528,639
Advances received	3,088,163	3,500,462
Other	9,618	32,091
<b>Total current liabilities</b>	<b>75,574,825</b>	<b>96,237,899</b>
<b>Non-current liabilities</b>		
Investment corporation bonds	20,000,000	20,000,000
Long-term loans payable	276,300,000	247,800,000
Deposits received from tenants	49,197,812	49,727,428
Deferred tax liabilities	167,220	167,188
Asset retirement obligations	325,325	328,602
Other	16,366	12,659
<b>Total non-current liabilities</b>	<b>346,006,725</b>	<b>318,035,880</b>
<b>Total Liabilities</b>	<b>421,581,550</b>	<b>414,273,779</b>
<b>NET ASSETS</b>		
<b>Unitholders' equity</b>		
Unitholders' capital	458,016,096	458,016,096
Surplus		
Voluntary retained earnings		
Reserve for reduction entry	243,360	363,469
Total voluntary retained earnings	243,360	363,469
Unappropriated retained earnings	10,785,290	10,979,760
Total surplus	11,028,651	11,343,229
Total unitholders' equity	469,044,747	469,359,325
<b>Total Net Assets</b>	<b>469,044,747</b>	<b>469,359,325</b>
<b>Total Liabilities and Net Assets</b>	<b>890,626,297</b>	<b>883,633,105</b>

# Statements of Income and Retained Earnings

For the six months ended March 31, 2016 and September 30, 2016

Thousands of yen

	For the period from October 1, 2015 to March 31, 2016	For the period from April 1, 2016 to September 30, 2016
<b>Operating revenues</b>		
Rent revenues	30,290,297	30,565,884
Other lease business revenues	138,195	208,084
Gain on sales of real estate properties	161,378	—
Total operating revenues	30,589,871	30,773,968
<b>Operating expenses</b>		
Expenses related to rent business	16,941,905	17,091,090
Asset management fee	933,354	964,815
Asset custody fee	61,279	59,880
Administrative service fees	145,512	154,031
Directors' compensations	7,800	7,800
Commission fee	69,199	64,875
Other operating expenses	78,220	62,639
Total operating expenses	18,237,271	18,405,132
<b>Operating income</b>	12,352,600	12,368,836
<b>Non-operating income</b>		
Interest income	4,490	480
Dividend income	—	7,401
Reversal of distribution payable	3,341	2,855
Refund of property taxes	1,492	—
Income on settlement of management association accounts	—	19,444
Other	31	0
Total non-operating income	9,356	30,181
<b>Non-operating expenses</b>		
Interest expenses	1,347,628	1,243,269
Interest expenses on investment corporation bonds	153,314	152,189
Amortization of investment corporation bond issuance costs	5,539	5,539
Other	39,314	39,212
Total non-operating expenses	1,545,797	1,440,211
<b>Ordinary income</b>	10,816,159	10,958,806
<b>Income before income taxes</b>	10,816,159	10,958,806
<b>Income taxes - current</b>	11,820	11,323
<b>Income taxes - deferred</b>	51,040	(2)
<b>Total income taxes</b>	62,860	11,321
<b>Profit</b>	10,753,298	10,947,485
<b>Retained earnings brought forward</b>	31,991	32,275
<b>Unappropriated retained earnings</b>	10,785,290	10,979,760

## Statements of Changes in Unitholders' Equity

For the six months ended March 31, 2016 and September 30, 2016

For the period from October 1, 2015 to March 31, 2016

	Unitholders' equity						Thousands of yen
	Unitholders' capital	Surplus			Total surplus	Total unitholders' equity	Total net assets
		Reserve for reduction entry	Total voluntary retained earnings	Unappropriated retained earnings			
Balance at beginning of current period	458,016,096	243,360	243,360	10,507,781	10,751,141	468,767,237	468,767,237
Changes of items during period							
Dividends of surplus				(10,475,789)	(10,475,789)	(10,475,789)	(10,475,789)
Profit				10,753,298	10,753,298	10,753,298	10,753,298
Total changes of items during period	—	—	—	277,509	277,509	277,509	277,509
Balance at end of current period	458,016,096	243,360	243,360	10,785,290	11,028,651	469,044,747	469,044,747

For the period from April 1, 2016 to September 30, 2016

	Unitholders' equity						Thousands of yen
	Unitholders' capital	Surplus			Total surplus	Total unitholders' equity	Total net assets
		Reserve for reduction entry	Total voluntary retained earnings	Unappropriated retained earnings			
Balance at beginning of current period	458,016,096	243,360	243,360	10,785,290	11,028,651	469,044,747	469,044,747
Changes of items during period							
Provision of reserve for reduction entry		120,108	120,108	(120,108)	—	—	—
Dividends of surplus				(10,632,906)	(10,632,906)	(10,632,906)	(10,632,906)
Profit				10,947,485	10,947,485	10,947,485	10,947,485
Total changes of items during period	—	120,108	120,108	194,469	314,578	314,578	314,578
Balance at end of current period	458,016,096	363,469	363,469	10,979,760	11,343,229	469,359,325	469,359,325

## Statements of Cash Distributions

For the six months ended March 31, 2016 and September 30, 2016

Item	For the period	For the period
	from October 1, 2015 to March 31, 2016	from April 1, 2016 to September 30, 2016
	Amount (Yen)	Amount (Yen)
I Retained earnings	10,785,290,543	10,979,760,350
II Reversal of voluntary retained earnings		
Reversal of reserve for reduction entry	—	69,530
III Cash distribution	10,632,906,510	10,947,140,910
(Dividend per investment unit)	(8,121)	(8,361)
IV Voluntary retained earnings		
Provision of reserve for reduction entry	120,108,982	—
V Retained earnings brought forward	32,275,051	32,688,970

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 secures the reserve for reduction entry in accordance with Article 66-2 "Special Provisions for Taxation in the Case of Advanced Acquisition of Land, etc., in 2009 and 2010" of the same Act as well as Article 42 "Inclusion in Gross Expense of Advanced Depreciation of Fixed Assets, etc. Acquired with National Subsidy, etc." of the Corporation Tax Act. The Company also reserves the retained earnings brought forward. As a result, the total amount of dividends that the Company has determined to pay out is 10,632,906,510 yen for the period under review, which is a multiple of 1,309,310 — the number of units outstanding as of March 31, 2016. 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 10,947,140,910 yen for the period under review, which is a multiple of 1,309,310 — the number of units outstanding as of September 30, 2016. Furthermore, the Company does not pay out dividends that exceed accounting profits as outlined in Article 32-1(3) of the Company's Articles of Incorporation.</p>
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# Statements of Cash Flows

For the six months ended March 31, 2016 and September 30, 2016

	Thousands of yen	
	For the period from October 1, 2015 to March 31, 2016	For the period from April 1, 2016 to September 30, 2016
<b>Cash flows from operating activities</b>		
Income before income taxes	10,816,159	10,958,806
Depreciation	6,487,255	6,501,082
Amortization of investment corporation bond issuance costs	5,539	5,539
Dividend income	—	(7,401)
Interest income	(4,490)	(480)
Interest expenses	1,500,943	1,395,458
Decrease (increase) in operating accounts receivable	7,744	(78,017)
Decrease (increase) in supplies	249	—
Decrease (increase) in prepaid expenses	68,644	(72,832)
Decrease due to sale of property, plant and equipment	4,168,218	—
Increase (decrease) in operating accounts payable	(42,710)	228,507
Increase (decrease) in accounts payable - other	94,892	(55,105)
Increase (decrease) in accrued consumption taxes	518,230	(599,970)
Increase (decrease) in accrued expenses	(136)	(136)
Increase (decrease) in advances received	(389,971)	412,299
Decrease (increase) in long-term prepaid expenses	108,172	105,294
Other, net	(156,038)	(22,326)
Subtotal	23,182,702	18,770,716
Interest and dividend income received	5,700	7,867
Interest expenses paid	(1,496,209)	(1,486,087)
Income taxes paid	(10,451)	(12,418)
Net cash provided by (used in) operating activities	21,681,741	17,280,078
<b>Cash flows from investing activities</b>		
Payments into time deposits	(2,817,000)	(3,347,000)
Proceeds from withdrawal of time deposits	7,817,000	3,347,000
Purchase of property, plant and equipment	(1,863,127)	(1,803,437)
Purchase of property, plant and equipment in trust	(422,278)	(673,099)
Purchase of intangible assets	—	(17,762)
Proceeds from collection of lease and guarantee deposits	—	220
Repayments of tenant leasehold and security deposits	(1,391,023)	(828,495)
Proceeds from tenant leasehold and security deposits	1,015,067	1,358,111
Net cash provided by (used in) investing activities	2,338,638	(1,964,462)
<b>Cash flows from financing activities</b>		
Proceeds from short-term loans payable	9,700,000	36,000,000
Repayments of short-term loans payable	(23,700,000)	(13,000,000)
Proceeds from long-term loans payable	6,000,000	—
Repayments of long-term loans payable	(2,050,000)	(30,050,000)
Dividends paid	(10,475,520)	(10,623,685)
Net cash provided by (used in) financing activities	(20,525,520)	(17,673,685)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>3,494,859</b>	<b>(2,358,069)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>21,409,924</b>	<b>24,904,784</b>
<b>Cash and cash equivalents at end of period</b>	<b>24,904,784</b>	<b>22,546,714</b>

# Notes to Financial Statements

March 31, 2016 and September 30, 2016

## 1. Organization and Basis of Presentation

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### Organization

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

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

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

As of September 30, 2016, the Company owned a portfolio of 68 office properties with an aggregate of approximately 820,917 m<sup>2</sup> of leasable space.

### Basis of presenting financial statements

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

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

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

## 2. Summary of Significant Accounting Policies

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### Investment securities

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

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

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

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



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

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

#### **Intangible assets**

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

#### **Leased assets**

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

#### **Deferred charges**

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

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

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

#### **Revenue recognition**

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

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

Property and equipment is subject to property taxes and city planning taxes on a calendar year basis. These taxes are generally charged to income during the period. The sellers of the properties 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 interest-rate and currency swap transactions as a method of hedging against currency exchange and interest-rate fluctuation risks. Deferred hedge accounting is generally used for such interest-rate swaps and interest-rate 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 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 are not required to be separately valued. For interest-rate swaps that meet the specific criteria for such special accounting treatment, ongoing assessments of hedge effectiveness are not required and hence not performed.

In addition, for interest-rate and currency swap transactions that meet certain criteria provided under Japanese GAAP, the Integrated Treatment is applied. Under such Integrated Treatment, the interest-rate and currency swaps that hedge foreign currency-denominated floating rate payments into yen-denominated fixed rate payments are treated as an integral part of the hedged foreign currency borrowing, and the loan is accounted for as a yen-denominated fixed-rate borrowing.

## 3. Financial Instruments

For the six months ended March 31, 2016 and September 30, 2016

### 1. Status of financial instruments

#### (1) Policies for dealing financial instruments

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

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

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

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

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

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

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

The funding proceeds from borrowings and issues of investment corporation bonds are applied mainly to acquire real estate properties and repay outstanding loans and bonds. While floating-rate short-term and long-term loans are exposed to the risk of interest-rate hikes, such risk is mitigated by the Company's low LTV and relatively high percentage of long-term fixed-rate debts within the total borrowing. The Company also utilizes derivative transactions (interest-rate swap transactions) as a hedge against interest-rate risk derived from floating-rate long-term loans, thereby maintaining the overall interest rates on the loans at an effectively fixed level. 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). For more detailed information on the hedge accounting method, hedging instruments, hedged items, hedge policies and the evaluation method of hedge effectiveness, please refer to the previous Section 2. Summary of Significant Accounting Policies: Hedge accounting.

Loans and investment corporation bonds involve liquidity risk at the time of maturity. To manage such liquidity risk, the Company implements measures such as (i) maintaining and strengthening its ability to access equity markets to secure funds, (ii) maintaining commitment lines with major financial institutions (There is no amount outstanding under the facility as of March 31, 2016 and September 30, 2016) and (iii) preparing monthly financial plans.

(3) Supplementary note regarding fair value of financial instruments

The fair values of financial instruments presented in this report are based on their market value, and in cases where market values are not available, reasonably calculated values are presented. Since calculation of fair value is based on certain assumptions, the fair value could differ depending on the assumptions used. In addition, the contract value of derivative transactions, which is presented in Section 4. Derivative Transactions, is not an exact representation of market risk attributable to derivative transactions.

## 2. Fair value of financial instruments

Fair value of financial instruments, their values carried on the balance sheets and the differences between them as of March 31, 2016 and September 30, 2016 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, 2016		
	Book value	Fair value	Difference
(1) Cash and deposits	19,362,431	19,362,431	—
(2) Cash and deposits in trust	5,542,352	5,542,352	—
(3) Short-term loans	22,700,000	22,700,000	—
(4) Current portion of long-term loans	44,400,000	44,605,234	205,234
(5) Investment corporation bonds	20,000,000	21,988,600	1,988,600
(6) Long-term loans	276,300,000	283,574,360	7,274,360
(7) Derivative transactions	—	—	—

	Thousands of yen		
	As of September 30, 2016		
	Book value	Fair value	Difference
(1) Cash and deposits	16,231,988	16,231,988	—
(2) Cash and deposits in trust	6,314,725	6,314,725	—
(3) Short-term loans	45,700,000	45,700,000	—
(4) Current portion of long-term loans	42,850,000	43,090,739	240,739
(5) Investment corporation bonds	20,000,000	21,946,300	1,946,300
(6) Long-term loans	247,800,000	254,805,571	7,005,571
(7) Derivative transactions	—	—	—

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

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

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

(3) Short-term loans

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

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

For loans with floating interest rates, since the interest rates on such loans reflect market rates reasonably well over the short term and their book values are good approximations of their fair values, the book values are presented as their fair values. (However, the fair values of floating-rate long-term loans 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 the interest on such loans, after taking into account the effect of said interest-rate and currency swaps or interest-rate swaps, 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 conditions as of March 31, 2016 and September 30, 2016. Such floating-rate long-term loans are presented in Section 4. Derivative Transactions.) The fair values of the liabilities 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 under the prevailing market conditions as of March 31, 2016 and September 30, 2016.

(5) Investment corporation bonds

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

(7) Derivative transactions

Please refer to Section 4. Derivative Transactions.

2. Financial instruments whose fair values cannot be reliably measured

	Thousands of yen	
	As of March 31, 2016	As of September 30, 2016
(1) Non-listed stock (*1)	577,168	577,168
(2) Deposits received from tenants (*2)	49,197,812	49,727,428

(\*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, 2016					
	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	19,362,431	—	—	—	—	—
Cash and deposits in trust	5,542,352	—	—	—	—	—
Total	24,904,784	—	—	—	—	—

	Thousands of yen					
	As of September 30, 2016					
	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	16,231,988	—	—	—	—	—
Cash and deposits in trust	6,314,725	—	—	—	—	—
Total	22,546,714	—	—	—	—	—

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

	Thousands of yen					
	As of March 31, 2016					
	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Short-term loans	22,700,000	—	—	—	—	—
Investment corporation bonds	—	—	10,000,000	—	—	10,000,000
Long-term loans	44,400,000	46,500,000	27,500,000	49,000,000	39,000,000	114,300,000
Total	67,100,000	46,500,000	37,500,000	49,000,000	39,000,000	124,300,000

	Thousands of yen					
	As of September 30, 2016					
	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Short-term loans	45,700,000	—	—	—	—	—
Investment corporation bonds	—	10,000,000	—	—	—	10,000,000
Long-term loans	42,850,000	36,000,000	25,000,000	44,500,000	37,000,000	105,300,000
Total	88,550,000	46,000,000	25,000,000	44,500,000	37,000,000	115,300,000

## 4. Derivative Transactions

(1) Derivatives not designated as hedging instruments

For the period from October 1, 2015 to March 31, 2016

“Not applicable”

**For the period from April 1, 2016 to September 30, 2016**

“Not applicable”

(2) Derivatives designated as hedging instruments

For the period from October 1, 2015 to March 31, 2016

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

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

Thousands of yen

### For the period from April 1, 2016 to September 30, 2016

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		
Hedge accounting	Receive floating, pay fixed interest-rate swap transactions	Long-term loans	64,300,000	64,300,000	*	—
Integrated Treatment (Special Treatment and Allocation Treatment) for interest-rate and currency swap transactions	Receive floating USD, pay fixed JPY, interest-rate and currency swap transactions (with initial and final exchange)	Long-term loans	10,000,000	10,000,000	*	—

\* Because the derivative transactions eligible for the Special Treatment of interest-rate swaps and Integrated Treatment (Special Treatment for interest-rate swaps and Allocation Treatment for currency swaps) are accounted for as integral parts of the hedged loans, the fair value of those derivative transactions is included in that of the underlying long-term loans as of March 31, 2016 and September 30, 2016. Please refer to the measurement of fair value of financial instruments in Note 1 of “2. Fair value of financial instruments” under Section 3. Financial Instruments as well as subheadings (4) and (6) of Note 1 concerning derivative transactions.

## 5. Property and Equipment

Property and equipment as of March 31, 2016 and September 30, 2016 consisted of the following:

	Thousands of yen			
	As of March 31, 2016		As of September 30, 2016	
	Acquisition costs	Book value	Acquisition costs	Book value
Land	450,267,151	450,267,151	450,384,924	450,384,924
Buildings and structures	269,282,674		270,429,495	
Accumulated depreciation	(79,298,438)	189,984,235	(84,232,457)	186,197,038
Machinery and equipment	2,962,534		2,992,615	
Accumulated depreciation	(1,795,372)	1,167,161	(1,880,589)	1,112,026
Tools, furniture and fixtures	384,059		396,617	
Accumulated depreciation	(209,733)	174,325	(232,002)	164,615
Construction in progress	2,250	2,250	2,250	2,250
Land in trust	151,935,120	151,935,120	151,935,120	151,935,120
Buildings and structures in trust	77,929,669		78,402,068	
Accumulated depreciation	(17,749,545)	60,180,123	(19,162,609)	59,239,459
Machinery and equipment in trust	945,736		948,336	
Accumulated depreciation	(641,407)	304,328	(665,333)	283,002
Tools, furniture and fixtures in trust	38,850		48,182	
Accumulated depreciation	(16,610)	22,240	(19,071)	29,110
Construction in progress in trust	2,299	2,299	2,299	2,299
<b>Total</b>	<b>854,039,237</b>	<b>854,039,237</b>	<b>849,349,846</b>	<b>849,349,846</b>

The compressed amount of tangible assets with government grants under the Corporation Tax Law of Japan was ¥50 million as of March 31, 2016 and ¥50 million as of September 30, 2016.

## 6. Loans

The condition of loans by financial institutions as of September 30, 2016 is as follows.

	Segment	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 loans	Mizuho Bank, Ltd.	April 1, 2015	5,500,000	—	0.1245	April 1, 2016	Bullet	Purchase real estate trust beneficiary rights	Floating interest rate
		March 25, 2016	5,500,000	5,500,000	0.08027	March 27, 2017	Bullet	Repay existing short-term loans	Floating interest rate
		April 1, 2016	—	5,500,000	0.08007	April 3, 2017	Bullet	Repay existing short-term loans	Floating interest rate
		June 23, 2016	—	5,000,000	0.07238	December 26, 2016	Bullet	Repay existing loans	Floating interest rate
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	April 1, 2015	3,500,000	—	0.1245	April 1, 2016	Bullet	Purchase real estate trust beneficiary rights	Floating interest rate
		March 2, 2016	1,500,000	1,500,000	0.07995	March 2, 2017	Bullet	Repay existing short-term loans	Floating interest rate
		April 1, 2016	—	3,500,000	0.08007	April 3, 2017	Bullet	Repay existing short-term loans	Floating interest rate
		June 23, 2016	—	5,000,000	0.07238	December 26, 2016	Bullet	Repay existing loans	Floating interest rate
	Mitsubishi UFJ Trust and Banking Corporation	April 4, 2016	—	3,000,000	0.08027	April 4, 2017	Bullet	Repay existing loans	Floating interest rate
		June 23, 2016	—	5,000,000	0.07238	December 26, 2016	Bullet	Repay existing loans	Floating interest rate
	Sumitomo Mitsui Trust Bank, Limited	March 31, 2016	1,700,000	1,700,000	0.07933	March 31, 2017	Bullet	Repay existing short-term loans	Floating interest rate
		June 23, 2016	—	5,000,000	0.07238	December 26, 2016	Bullet	Repay existing loans	Floating interest rate
	Shinsei Bank, Limited	September 1, 2015	2,000,000	—	0.08169	September 1, 2016	Bullet	Purchase real estate	Floating interest rate
		September 1, 2016	—	2,000,000	0.0718	September 1, 2017	Bullet	Repay existing short-term loans	Floating interest rate
	Resona Bank, Limited	September 1, 2015	1,000,000	—	0.08169	September 1, 2016	Bullet	Purchase real estate and repay existing short-term loans	Floating interest rate
		September 1, 2016	—	1,000,000	0.0718	September 1, 2017	Bullet	Repay existing short-term loans	Floating interest rate
	The 77 Bank, Ltd.	January 7, 2016	1,000,000	1,000,000	0.08151	January 10, 2017	Bullet	Repay existing short-term loans	Floating interest rate
	Shinkin Central Bank	September 1, 2015	1,000,000	—	0.08169	September 1, 2016	Bullet	Repay existing short-term loans	Floating interest rate
		September 1, 2016	—	1,000,000	0.0718	September 1, 2017	Bullet	Repay existing short-term loans	Floating interest rate
	Subtotal		22,700,000	45,700,000					
Long-term loans to be repaid within 1 year	Mitsubishi UFJ Trust and Banking Corporation	April 4, 2011	5,000,000	—	1.0325	April 4, 2016	Bullet	Repay existing loans	Fixed interest rate
		April 4, 2011	—	5,000,000	1.205	April 4, 2017	Bullet	Repay existing loans	Fixed interest rate
		June 1, 2011	—	12,000,000	1.12625	June 1, 2017	Bullet	Repay existing loans	Fixed interest rate
	The Bank of Fukuoka, Ltd.	August 31, 2011	—	2,000,000	0.9025	August 31, 2017	Bullet	Repay existing loans	Fixed interest rate
		June 15, 2012	—	2,500,000	0.66	June 15, 2017	Bullet	Redeem investment corporation bonds	Fixed interest rate
		August 31, 2012	—	1,000,000	0.57125	August 31, 2017	Bullet	Repay existing loans	Fixed interest rate
	The Dai-ichi Life Insurance Company, Limited	March 30, 2009	5,000,000	5,000,000	1.54375	March 30, 2017	Bullet	Repay existing loans	Fixed interest rate
	Mizuho Bank, Ltd.	December 21, 2010	5,000,000	5,000,000	1.30625	December 21, 2016	Bullet	Repay existing short-term loans	Fixed interest rate
	The Iyo Bank, Ltd.	June 15, 2012	—	2,500,000	0.66	June 15, 2017	Bullet	Redeem investment corporation bonds	Fixed interest rate
	Shinsei Bank, Limited	June 15, 2012	—	2,500,000	0.66	June 15, 2017	Bullet	Purchase real estate	Fixed interest rate
	Resona Bank, Limited	March 1, 2011	2,000,000	2,000,000	1.255	March 1, 2017	Bullet	Purchase real estate trust beneficiary rights	Fixed interest rate
Development Bank of Japan Inc.	March 24, 2010	1,400,000	1,350,000 *2	1.665	March 24, 2017	Repayment in installments *2	Purchase real estate	Fixed interest rate	

	Segment	Drawdown Date	Balance at Beginning of Current Period (¥ thousand)	Balance at End of Current Period (¥ thousand)	Average Interest Rate *1 (%)	Repayment Date	Repayment Method	Use of Proceeds	Notes
	Lender								
Long-term loans to be repaid within 1 year	The Hachijuni Bank, Ltd.	June 15, 2012	—	1,000,000	0.66	June 15, 2017	Bullet	Purchase real estate	Fixed interest rate
	Shinkin Central Bank	November 15, 2011	1,000,000	1,000,000	0.7525	November 15, 2016	Bullet	Purchase real estate	Fixed interest rate
	Mitsubishi UFJ Trust and Banking Corporation	June 23, 2011	6,000,000	—	0.90875	June 23, 2016	Bullet	Repay existing loans	Fixed interest rate
	Mizuho Bank, Ltd.		6,000,000	—					
	Sumitomo Mitsui Trust Bank, Limited		6,000,000	—					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		6,000,000	—					
	Taiyo Life Insurance Company	April 24, 2008	1,000,000	—	1.595	April 25, 2016	Bullet	Redeem investment corporation bonds	Fixed interest rate
	Subtotal		44,400,000	42,850,000					
Total		67,100,000	88,550,000						
Long-term loans	Mitsubishi UFJ Trust and Banking Corporation	April 4, 2011	5,000,000	—	1.205	April 4, 2017	Bullet	Repay existing loans	Fixed interest rate
		June 1, 2011	12,000,000	—	1.12625	June 1, 2017	Bullet	Repay existing loans	Fixed interest rate
		June 1, 2011	10,000,000	10,000,000	1.31125	June 1, 2018	Bullet	Repay existing loans	Fixed interest rate
		November 15, 2011	3,000,000	3,000,000	1.13875	November 15, 2019	Bullet	Purchase real estate	Fixed interest rate
		June 15, 2012	4,000,000	4,000,000	0.9525	June 15, 2020	Bullet	Purchase real estate	Fixed interest rate
		June 15, 2012	2,500,000	2,500,000	1.2725	June 15, 2022	Bullet	Redeem investment corporation bonds	Fixed interest rate
		December 21, 2012	5,000,000	5,000,000	0.80125	December 21, 2020	Bullet	Repay existing loans	Fixed interest rate
		January 31, 2014	4,000,000	4,000,000	0.64225 *3	January 29, 2021	Bullet	Purchase real estate trust beneficiary rights	Floating interest rate *3
		December 19, 2014	10,000,000	10,000,000	0.42375 *4	December 19, 2023	Bullet	Repay existing short-term loans	Floating interest rate *4
	September 1, 2015	3,500,000	3,500,000	0.63	September 2, 2024	Bullet	Purchase real estate	Fixed interest rate	
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 24, 2011	2,000,000	2,000,000	1.3975	March 26, 2018	Bullet	Repay existing short-term loans	Fixed interest rate
		November 15, 2011	3,000,000	3,000,000	1.13875	November 15, 2019	Bullet	Purchase real estate	Fixed interest rate
		June 15, 2012	4,000,000	4,000,000	1.1975	June 15, 2022	Bullet	Purchase real estate	Fixed interest rate
		December 21, 2012	5,000,000	5,000,000	0.80125	December 21, 2020	Bullet	Repay existing loans	Fixed interest rate
		January 15, 2013	5,500,000	5,500,000	0.71	January 15, 2020	Bullet	Repay existing loans	Fixed interest rate
		January 15, 2013	5,500,000	5,500,000	0.83625	January 15, 2021	Bullet	Repay existing loans	Fixed interest rate
		April 24, 2013	5,000,000	5,000,000	0.775	April 26, 2021	Bullet	Repay existing loans	Fixed interest rate
		September 1, 2015	5,000,000	5,000,000	0.2	September 2, 2019	Bullet	Purchase real estate	Fixed interest rate
	September 1, 2015	2,000,000	2,000,000	0.47125	September 1, 2022	Bullet	Repay existing short-term loans	Fixed interest rate	
	Sumitomo Mitsui Trust Bank, Limited	January 17, 2011	3,000,000	3,000,000	1.43375	January 17, 2018	Bullet	Repay existing short-term loans	Fixed interest rate
		September 26, 2011	5,500,000	5,500,000	1.16	September 26, 2019	Bullet	Repay existing short-term loans	Fixed interest rate
		November 15, 2011	3,000,000	3,000,000	0.98375	November 15, 2018	Bullet	Purchase real estate	Fixed interest rate
		June 15, 2012	4,000,000	4,000,000	0.9525	June 15, 2020	Bullet	Purchase real estate	Fixed interest rate
		January 31, 2014	2,000,000	2,000,000	0.62575 *3	January 29, 2021	Bullet	Purchase real estate trust beneficiary rights	Floating interest rate *3
		May 29, 2015	5,000,000	5,000,000	0.2075	May 29, 2019	Bullet	Repay existing loans	Fixed interest rate
		June 15, 2015	3,000,000	3,000,000	0.3425	June 15, 2020	Bullet	Repay existing loans	Fixed interest rate
	September 2, 2015	3,800,000	3,800,000	0.536 *3	September 2, 2024	Bullet	Repay existing short-term loans	Floating interest rate *3	

Segment	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
November 15, 2011	3,000,000	3,000,000	1.13875	November 15, 2019	Bullet	Purchase real estate	Fixed interest rate		
June 15, 2012	4,000,000	4,000,000	1.07375	June 15, 2021	Bullet	Purchase real estate	Fixed interest rate		
January 15, 2013	5,000,000	5,000,000	0.96625	January 17, 2022	Bullet	Repay existing loans	Fixed interest rate		
April 24, 2013	3,000,000	3,000,000	0.87375	April 25, 2022	Bullet	Repay existing loans	Fixed interest rate		
September 1, 2015	2,500,000	2,500,000	0.17	March 1, 2019	Bullet	Purchase real estate	Fixed interest rate		
October 1, 2015	2,500,000	2,500,000	0.5575	October 1, 2024	Bullet	Repay existing short-term loans	Fixed interest rate		
Development Bank of Japan Inc.	January 7, 2013	3,000,000	3,000,000	1.115	January 6, 2023	Bullet	Purchase real estate	Fixed interest rate	
	January 31, 2014	5,000,000	5,000,000	0.9325	January 31, 2023	Bullet	Purchase real estate trust beneficiary rights	Fixed interest rate	
	September 1, 2015	7,000,000	7,000,000	0.7175	September 1, 2025	Bullet	Purchase real estate and repay existing loans	Fixed interest rate	
The Daishi Bank, Ltd.	November 14, 2014	1,800,000	1,800,000	0.463 *3	November 15, 2021	Bullet	Repay existing short-term loans	Floating interest rate *3	
The Hokuetsu Bank, Ltd.		1,400,000	1,400,000						
Sony Bank Incorporated		1,400,000	1,400,000						
The Toho 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 Fukui 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 Higo Bank, Ltd.		500,000	500,000						
The Bank of Iwate, Ltd.		500,000	500,000						
The Yamagata Bank, Ltd.	500,000	500,000							
Shinkin Central Bank	January 7, 2013	2,000,000	2,000,000	0.71375	January 7, 2020	Bullet	Purchase real estate	Fixed interest rate	
	January 15, 2013	5,000,000	5,000,000	0.71	January 15, 2020	Bullet	Repay existing loans	Fixed interest rate	
	April 24, 2013	5,000,000	5,000,000	0.52775	April 24, 2018	Bullet	Repay existing loans	Fixed interest rate	
The Norinchukin Bank	January 31, 2014	3,500,000	3,500,000	0.757 *3	January 31, 2022	Bullet	Purchase real estate trust beneficiary rights	Floating interest rate *3	
	June 17, 2014	3,000,000	3,000,000	0.6785 *3	June 17, 2022	Bullet	Redeem investment corporation bonds	Floating interest rate *3	
	March 25, 2015	3,500,000	3,500,000	0.46825 *3	March 27, 2023	Bullet	Purchase real estate trust beneficiary rights	Floating interest rate *3	
The Chugoku Bank, Limited	August 10, 2015	1,000,000	1,000,000	0.3925 *3	August 10, 2022	Bullet	Repay existing short-term loans	Floating interest rate *3	
The Daishi Bank, Ltd.		1,000,000	1,000,000						
The Fukui Bank, Ltd.		1,000,000	1,000,000						
The Gunma Bank, Ltd.		1,000,000	1,000,000						
The Shinkumi Federation Bank		1,000,000	1,000,000						
The Toho Bank, Ltd.		1,000,000	1,000,000						
The Tochigi Bank, Ltd.		500,000	500,000						
The Chugoku Bank, Limited	March 25, 2013	2,000,000	2,000,000	0.45	March 26, 2018	Bullet	Repay existing loans	Fixed interest rate	
	October 1, 2014	1,000,000	1,000,000	0.4725 *3	October 1, 2021	Bullet	Purchase real estate	Floating interest rate *3	
	June 15, 2015	3,000,000	3,000,000	0.61175 *3	June 15, 2023	Bullet	Repay existing loans	Floating interest rate *3	



Segment	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
June 15, 2012	2,500,000	—	0.66	June 15, 2017	Bullet	Purchase real estate	Fixed interest rate		
June 15, 2012	2,500,000	2,500,000	1.2725	June 15, 2022	Bullet	Redeem investment corporation bonds	Fixed interest rate		
Taiyo Life Insurance Company	March 30, 2011	2,000,000	2,000,000	1.39625	March 30, 2018	Bullet	Repay existing loans	Fixed interest rate	
	October 1, 2014	2,000,000	2,000,000	0.7825	October 1, 2024	Bullet	Purchase real estate	Fixed interest rate	
	May 29, 2015	1,500,000	1,500,000	0.7375	May 29, 2025	Bullet	Repay existing loans	Fixed interest rate	
Sumitomo Mitsui Banking Corporation	November 15, 2011	3,000,000	3,000,000	0.98375	November 15, 2018	Bullet	Purchase real estate	Fixed interest rate	
	January 7, 2013	2,000,000	2,000,000	0.98	January 7, 2022	Bullet	Purchase real estate	Fixed interest rate	
The Bank of Fukuoka, Ltd.	August 31, 2011	2,000,000	—	0.9025	August 31, 2017	Bullet	Repay existing loans	Fixed interest rate	
	June 15, 2012	2,500,000	—	0.66	June 15, 2017	Bullet	Redeem investment corporation bonds	Fixed interest rate	
	August 31, 2012	1,000,000	—	0.57125	August 31, 2017	Bullet	Repay existing loans	Fixed interest rate	
	January 31, 2014	2,500,000	2,500,000	0.63849*3	January 29, 2021	Bullet	Purchase real estate trust beneficiary rights	Floating interest rate*3	
	March 24, 2015	2,000,000	2,000,000	0.5125	March 24, 2023	Bullet	Repay existing loans	Fixed interest rate	
The Iyo Bank, Ltd.	June 15, 2012	2,500,000	—	0.66	June 15, 2017	Bullet	Redeem investment corporation bonds	Fixed interest rate	
	March 24, 2014	2,000,000	2,000,000	0.6035*3	March 24, 2021	Bullet	Repay existing loans	Floating interest rate*3	
	October 1, 2014	1,000,000	1,000,000	0.46525*3	October 1, 2021	Bullet	Purchase real estate	Floating interest rate*3	
	January 15, 2016	1,000,000	1,000,000	0.265*3	January 16, 2023	Bullet	Repay existing loans	Floating interest rate*3	
The Hachijuni Bank, Ltd.	June 15, 2012	1,000,000	—	0.66	June 15, 2017	Bullet	Purchase real estate	Fixed interest rate	
	December 20, 2012	1,000,000	1,000,000	0.45625	December 20, 2017	Bullet	Repay existing loans	Fixed interest rate	
	March 25, 2013	1,000,000	1,000,000	0.45	March 26, 2018	Bullet	Repay existing loans	Fixed interest rate	
	January 15, 2016	1,000,000	1,000,000	0.265*3	January 16, 2023	Bullet	Repay existing loans	Floating interest rate*3	
The Hiroshima Bank, Ltd.	October 1, 2014	3,000,000	3,000,000	0.31575*3	October 1, 2019	Bullet	Purchase real estate	Floating interest rate*3	
Mizuho Trust & Banking Co., Ltd.	March 2, 2015	3,000,000	3,000,000	0.5585*3	March 3, 2025	Bullet	Purchase real estate trust beneficiary rights	Floating interest rate*3	
Resona Bank, Limited	March 25, 2013	3,000,000	3,000,000	0.45	March 26, 2018	Bullet	Repay existing loans	Fixed interest rate	
The Yamaguchi Bank, Ltd.	October 29, 2012	2,000,000	2,000,000	0.8	October 29, 2020	Bullet	Repay existing loans	Fixed interest rate	
	March 25, 2013	1,000,000	1,000,000	0.945	March 24, 2023	Bullet	Repay existing loans	Fixed interest rate	
The Gunma Bank, Ltd.	March 24, 2014	1,000,000	1,000,000	0.4105*3	March 25, 2019	Bullet	Repay existing loans	Floating interest rate*3	
	November 17, 2014	1,000,000	1,000,000	0.316*3	November 18, 2019	Bullet	Repay existing loans	Floating interest rate*3	
Nippon Life Insurance Company	March 1, 2011	2,000,000	2,000,000	1.465	March 1, 2018	Bullet	Purchase real estate trust beneficiary rights	Fixed interest rate	
The Nishi-Nippon City Bank, Ltd.	June 17, 2014	2,000,000	2,000,000	0.621*3	December 17, 2021	Bullet	Redeem investment corporation bonds	Floating interest rate*3	
The Yamanashi Chuo Bank, Ltd.	December 15, 2014	2,000,000	2,000,000	0.266*3	December 16, 2019	Bullet	Repay existing loans	Floating interest rate*3	
The Daishi Bank, Ltd.	January 7, 2016	1,500,000	1,500,000	0.2802*3	January 10, 2023	Bullet	Repay existing short-term loans	Floating interest rate*3	
The Ashikaga Bank, Ltd.	January 7, 2013	1,000,000	1,000,000	0.49125	January 9, 2018	Bullet	Purchase real estate	Fixed interest rate	
The Joyo Bank, Ltd.	January 7, 2013	1,000,000	1,000,000	0.49125	January 9, 2018	Bullet	Purchase real estate	Fixed interest rate	
Total			276,300,000	247,800,000					

\*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.

\*2. ¥50,000 thousand is repaid every six months respectively. ¥1,350,000 thousand is scheduled to be repaid on the final principal repayment date.

\*3. In order to hedge the risk of interest rate fluctuations, floating interest rates were swapped to fixed rates. Accordingly, the weighted average for interest rates during the period is calculated taking the effect of this swap into consideration.

\*4. 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 weighted average for interest rates during the period is calculated taking the effect of this interest-rate and currency swap into consideration.

Note: All floating interest rate loans and fixed interest rate loans procured are unsecured, unguaranteed and unsubordinated.

## 7. Investment Corporation Bonds including Current Portion of Investment Corporation Bonds

Outstanding investment corporation bonds as of September 30, 2016 are as follows.

Securities	Date of Issue	Balance at Beginning of Current Period (¥ thousand)	Balance at End of Current Period (¥ thousand)	Interest Rate (%)	Repayment Period	Repayment Method	Use of Proceeds	Notes
4th unsecured investment corporation bond	September 29, 2005	10,000,000	10,000,000	2.56	September 29, 2025	Bullet	*1	*2
9th unsecured investment corporation bond	August 30, 2013	10,000,000	10,000,000	0.497	August 30, 2018	Bullet	*1	*2
Total		20,000,000	20,000,000					

\*1. The 4th unsecured investment corporation bond is used to fund the repayment of existing short-term loans.

The 9th unsecured investment corporation bond is used to fund the repayment of loans and acquire specified assets ("specified assets" defined in Article 2, Paragraph 1 of the ITA).

\*2. Financial covenants, such as a negative pledge, are not included in these bonds.

## 8. Net Assets

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

## 9. 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, 2016 and September 30, 2016 were as follows:

	Thousands of yen	
	For the period from October 1, 2015 to March 31, 2016	For the period from April 1, 2016 to September 30, 2016
<b>Deferred tax assets:</b>		
Accrued enterprise tax	972	943
Amortization of a term leasehold interest	51,542	56,530
Asset retirement obligations	102,509	103,542
	155,025	161,016
Valuation allowance	(61,631)	(67,652)
Total deferred tax assets	93,394	93,364
<b>Deferred tax liabilities:</b>		
Asset retirement obligations	92,421	92,421
Reserve for advanced depreciation of non-current assets	167,220	167,188
Total deferred tax liabilities	259,642	259,610
<b>Net deferred tax liabilities</b>	166,247	166,245

The reconciliation of tax rate difference between the adjusted statutory tax rate and the effective tax rate for the six months ended March 31, 2016 and September 30, 2016 was as follows:

	For the period from October 1, 2015 to March 31, 2016	For the period from April 1, 2016 to September 30, 2016
Statutory tax rate	35.36%	34.81%
Deductible dividend distribution	(34.76%)	(34.77%)
Change in valuation allowance	0.06%	0.06%
Effect of changes in tax rates	(0.03%)	—
Others	(0.05%)	0.01%
Effective tax rate	0.58%	0.10%

## 10. Related Party Transactions

For the six months ended March 31, 2016 and September 30, 2016

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

- (1) Parent Company and Major Corporation Unitholders
  - For the period from October 1, 2015 to March 31, 2016  
“Not applicable”
  - For the period from April 1, 2016 to September 30, 2016**  
“Not applicable”
- (2) Subsidiaries
  - For the period from October 1, 2015 to March 31, 2016  
“Not applicable”
  - For the period from April 1, 2016 to September 30, 2016**  
“Not applicable”
- (3) Sister Companies
  - For the period from October 1, 2015 to March 31, 2016  
“Not applicable”
  - For the period from April 1, 2016 to September 30, 2016**  
“Not applicable”
- (4) Directors and Major Individual Unitholders
  - For the period from October 1, 2015 to March 31, 2016  
“Not applicable”
  - For the period from April 1, 2016 to September 30, 2016**  
“Not applicable”

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

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

For the period from October 1, 2015 to March 31, 2016 (Unaudited)

Type of Relationship	Name of Transaction Partner	Type of Business	Percentage of Units Held	Transaction Details	Transaction Amount (¥ thousand)	Accounting Item	Balance at End of Period (¥ thousand)
Interested party	Mitsubishi Estate Co., Ltd.	Real estate	1.307%	Rent revenue	11,271,326	—	—
				Security deposit increase	265,400	Deposits received from tenants	18,672,371
				Security deposit return	165,991		
Interested party	Mitsubishi Jisho Property Management Co., Ltd.	Real estate management	—	Property management expenses	2,018,599	—	—
Asset custody company	Sumitomo Mitsui Trust Bank, Limited	Bank	—	—	—	Long-term loans payable	35,300,000

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

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

For the period from April 1, 2016 to September 30, 2016 (Unaudited)

Type of Relationship	Name of Transaction Partner	Type of Business	Percentage of Units Held	Transaction Details	Transaction Amount (¥ thousand)	Accounting Item	Balance at End of Period (¥ thousand)
Interested party	Mitsubishi Estate Co., Ltd.	Real estate	1.307%	Rent revenue	11,615,200	—	—
				Security deposit increase	182,135	Deposits received from tenants	18,804,253
				Security deposit return	50,254		
Interested party	Mitsubishi Jisho Property Management Co., Ltd.	Real estate management	—	Property management expenses	2,101,261	—	—
Asset custody company	Sumitomo Mitsui Trust Bank, Limited	Bank	—	Long-term loans repayment	6,000,000	Long-term loans payable	29,300,000

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

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

## 11. Segment Information

For the six months ended March 31, 2016 and September 30, 2016

Since the Company has been engaged in 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 of similar products and services accounted for more than 90% of total operating revenues, information on products and services has been omitted.

### Information on geographic area

#### (1) Revenue

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

#### (2) Property and equipment

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

### Information on major clients

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

## 12. Asset Retirement Obligations

For the six months ended March 31, 2016 and September 30, 2016

### 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 amount of the asset retirement obligations as of March 31, 2016 and September 30, 2016 consisted of the following:

	Thousands of yen	
	For the period from October 1, 2015 to March 31, 2016	For the period from April 1, 2016 to September 30, 2016
Balance at the beginning of the period	322,080	325,325
Increase in tangible fixed assets	—	—
Adjustment required over the period	3,244	3,277
Balance at the end of the period	325,325	328,602

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

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

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

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

### 13. Investment and Rental Property

For the six months ended March 31, 2016 and September 30, 2016

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, 2016 and September 30, 2016 and the fair values as of March 31, 2016 and September 30, 2016 are as follows:

Thousands of yen			
Book value		Fair value	
As of September 30, 2015	Change during period (*1)	As of March 31, 2016	As of March 31, 2016
869,034,061	(7,673,565)	861,360,496	996,828,000

Thousands of yen			
Book value		Fair value	
As of March 31, 2016	Change during period (*2)	As of September 30, 2016	As of September 30, 2016
861,360,496	(4,702,758)	<b>856,657,737</b>	<b>1,011,368,000</b>

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

2. Significant changes

(\*1) As for increases/decreases for the period, the major reasons for the decrease were the sale of the Hirokoji Sakae Building (¥1,681,178 thousand) and the Kyoto Shijo Kawaramachi Building (¥2,487,040 thousand), as well as depreciation.

(\*2) As for increases/decreases for the period, the major reason for the increase was the additional acquisition of the Nishiki Park Building (¥180,157 thousand), while the decrease was accounted for by depreciation.

3. Fair values as of March 31, 2016 and September 30, 2016 are defined as the appraised values provided by an external qualified professional appraiser.

Profits and losses related to investment and rental property are listed in Section 15. Breakdown of Property-Related Revenues and Expenses.

### 14. Per Unit Information

The following table summarizes information about net assets per unit and profit per unit at March 31, 2016 and September 30, 2016 and for the periods then ended, respectively:

	Yen	
	For the period from October 1, 2015 to March 31, 2016	For the period from April 1, 2016 to September 30, 2016
Net assets at period end per unit	358,238	358,478
Profit per unit	8,212	8,361

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, 2015 to March 31, 2016	For the period from April 1, 2016 to September 30, 2016
Profit	10,753,298	10,947,485
Amount not attributable to normal unitholders	—	—
Profit applicable to normal investment units	10,753,298	10,947,485
Average number of units	1,309,310 units	1,309,310 units

## 15. Breakdown of Property-Related Revenues and Expenses

For the six months ended March 31, 2016 and September 30, 2016

	Thousands of yen	
	For the period from October 1, 2015 to March 31, 2016	For the period from April 1, 2016 to September 30, 2016
<b>Property-Related Revenues</b>	30,428,493	30,773,968
Rent revenues	30,290,297	30,565,884
Rental revenues	23,683,413	23,994,977
Common service charges	3,712,032	3,598,719
Parking revenues	799,252	786,817
Other rental revenues	2,095,599	2,185,369
Other lease business revenues	138,195	208,084
Cancellation charges	38,001	10,883
Other miscellaneous revenues	100,194	197,200
<b>Property-Related Expenses</b>	16,941,905	17,091,090
Property management expenses	3,767,790	3,519,734
Utilities expenses	2,543,078	2,708,649
Property and other taxes	2,789,628	2,936,241
Casualty insurance	58,655	57,814
Repairing expenses	1,101,189	1,181,022
Depreciation	6,487,255	6,500,062
Other rental expenses	194,306	187,565
<b>Property-Related Profits</b>	13,486,587	13,682,878

## 16. Breakdown of Gain on Sales of Real Estate Properties

For the period from October 1, 2015 to March 31, 2016

		Thousands of yen
<b>Hirokoji Sakae Building</b>		
	Revenue from sale of real estate property	1,867,031
	Cost of real estate property sold	1,681,178
	Other sales expenses	35,495
	<b>Gain on sale of real estate property</b>	<b>150,357</b>
<b>Kyoto Shijo Kawaramachi Building</b>		
	Revenue from sale of real estate property	2,516,000
	Cost of real estate property sold	2,487,040
	Other sales expenses	17,938
	<b>Gain on sale of real estate property</b>	<b>11,020</b>

For the period from April 1, 2016 to September 30, 2016

“Not applicable”

## 17. Changes in Unitholders' Equity

For the six months ended March 31, 2016 and September 30, 2016

Total number of investment units issuable and number of units outstanding	As of March 31, 2016	As of September 30, 2016
Total number of investment units issuable	4,000,000 units	4,000,000 units
Number of units outstanding	1,309,310 units	1,309,310 units

## 18. Supplemental Cash Flow Information

### Cash and cash equivalents

The following table represents a reconciliation of cash and cash equivalents at March 31, 2016 and September 30, 2016:

	Thousands of yen	
	As of March 31, 2016	As of September 30, 2016
Cash and deposits	19,362,431	16,231,988
Cash and deposits in trust	5,542,352	6,314,725
Time deposits with maturities of more than three months	—	—
Cash and cash equivalents	24,904,784	22,546,714

## 19. Leases

1. Leased assets under finance lease transactions that do not transfer ownership of the leased assets to the lessees are capitalized and depreciated by the straight-line method over the lease term with no residual value. Such capitalized leased assets primarily consist of tools, furniture and fixtures.
2. The Company, as a lessor, owns office buildings under leases and earns rent income. As of March 31, 2016 and September 30, 2016, the future lease revenues under the non-cancelable operating leases are as follows:

	Thousands of yen	
	As of March 31, 2016	As of September 30, 2016
Due within one year	19,934,950	19,258,762
Due after one year	34,247,572	29,319,650
Total	54,182,523	48,578,413



## 20. Subsequent Events

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For the six months ended September 30, 2016

### Exchange of assets

Based on the asset exchange agreement of December 15, 2016, entered into with Mitsubishi Estate Co., Ltd, the Company will execute an exchange transaction. The acquisition and delivery of the property concerned are scheduled to take place on January 25, 2017.

Regarding the land pertaining to the asset to be acquired through exchange, approximately 2 billion yen, which is an estimated value of advanced depreciation limit, of the profit gained from the asset transferred for exchange shall be subtracted from the value gained by means of the asset acquired in this exchange, pursuant to the provisions in Article 50 of the Corporation Tax Act on advanced depreciation accounting.

### A. Assets to be transferred from exchange

[Genki Medical Plaza]

Scheduled transfer price	: 6,890 million yen
Book value (as of September 30, 2016)	: 4,790 million yen
Type of the specified asset	: Real property

### B. Assets to be acquired from exchange

[Shinjuku Eastside Square]

Scheduled acquisition price	: 6,660 million yen
Type of the specified asset	: Trust beneficiary right

## 21. Additional Information

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For the period from October 1, 2015 to March 31, 2016

“Not applicable”

### For the period from April 1, 2016 to September 30, 2016

Starting from the period under review, the Company adopts the Implementation Guidance on Recoverability of Deferred Tax Assets (The Accounting Standards Board of Japan Guidance No.26 of March 28, 2016).



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## Independent Auditor's Report

The Board of Directors  
Japan Real Estate Investment Corporation

We have audited the accompanying financial statements of Japan Real Estate Investment Corporation, which comprise the balance sheet as at September 30, 2016, and the statements of income and retained earnings, changes in unitholders' equity, cash distributions, and cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Japan Real Estate Investment Corporation as at September 30, 2016, and its financial performance and cash flows for the six-month period then ended in conformity with accounting principles generally accepted in Japan.

*Ernst & Young ShinNihon LLC*

December 22, 2016  
Tokyo, Japan

# Other Information

## 1. Risk Factors

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

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

In addition, JRE is subject to the following risks:

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

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

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### (1) Material Changes in Information Listed in Article 23 of AIFMD during the Financial Period Covered by the Report (Six-month fiscal period ended September 30, 2016)

Pursuant to the agreements executed in June and September 2016, the general administrator of the AIF, Sumitomo Mitsui Trust Bank, Ltd., which had been providing transfer agency and special accounts administration services, as well as general administration services for operation of administrative instruments and accounting, was to be replaced by Mitsubishi UFJ Trust and Banking Corporation, made effective in two stages - the first in June 2016 with respect to transfer agency and special accounts administration services, and the second in October 2016 with respect to general administration services for operation of administrative instruments and accounting.

Therefore, in the section under the heading “The identity of the AIFM, AIF’s depository, auditor and any other service providers, and a description of their duties and the investors’ rights thereto” under Article 23 (1)(d), we added the identity of the new transfer agent and special accounts administrator (Mitsubishi UFJ Trust and Banking Corporation) and a note stating that the general administrator for operation of administrative instruments and accounting would be replaced by Mitsubishi UFJ Trust and Banking Corporation, effective October 1, 2016. Please note that such replacement has been made effective as scheduled.

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

Beginning April 1, 2015 and ending March 31, 2016

#### 1. Remuneration for Asset Manager Directors

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

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

#### 2. Remuneration for Asset Manager Corporate Auditors

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

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

	Directors		Corporate Auditors		Total	
	Number of person(s) remunerated	Remuneration	Number of person(s) remunerated	Remuneration	Number of person(s) remunerated	Remuneration
Remuneration based on resolutions of the General Meeting of Unitholders of Asset Manager	1	¥19.5 million	0	¥0 million	1	¥19.5 million

#### 3. Remuneration for Asset Manager Employees

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

	Number of employees	All employees		
		Remuneration		
		Total	Fixed	Variable
Remuneration based on compensation rules	33	¥315 million	¥205 million	¥110 million

#### 4. Conflict of Interest

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

# Corporate Data

As of September 30, 2016

## Executives

Executive Director: Hiroshi Nakajima  
Supervisory Directors: Kenji Kusakabe  
Tomohiro Okanoya

## Paid-in Capital

¥458,016,096,000

## Number of Units Outstanding

1,309,310

## Number of Unitholders

15,206

## Stock Listing

Tokyo Stock Exchange

## Securities Code

8952

## Type of Investment Corporation

Closed-end corporate type fund

## Transfer Agent

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

## Auditors

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

## Incorporation

May 11, 2001

## Executive Office

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

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

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