

Japan Real Estate Investment Corporation

# SEMIANNUAL REPORT

September 2021

For the period from April 1, 2021 to September 30, 2021



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## Profile

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

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

# The Strengths of Japan Real Estate Investment Corporation

## 01 Steady Growth of Dividends

Actual dividend per unit for the September 2021 period:

JPY 11,356

Forecast dividend per unit for the March 2022 period:

JPY 11,400

## 02 Collaboration with Sponsor

Expertise of Mitsubishi Estate Co., Ltd.

## 03 Steady Growth of Quality Portfolio (As of September 30, 2021)

Total acquisition price: JPY 1.06 trillion 72 properties

The first listed J-REIT in 2001

## 04 Sound Financial Base (As of September 30, 2021)

Highest credit ratings for a J-REIT: A+ from S&P, A2 from Moody's, AA from R&I

Long-term interest-bearing debt ratio\*: 95.7%

LTV (Interest-bearing debt / Total assets): 41.8%

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

# To Our Unitholders

Despite the impact of the COVID-19 pandemic, Japan Real Estate Investment Corporation (“JRE”) increased dividends per unit (“DPU”) by JPY 36 to JPY 11,356 in the fiscal period ended September 2021, marking the 15th consecutive period of DPU growth. This was largely thanks to the gain from the disposition of a property that took place as its strategic property replacement in the portfolio. We also worked hard to accumulate upward rent revisions and conduct appropriate cost management.

In Tokyo, where JRE has the largest market exposure, office demand stayed lower than usual due to the prolonged state of emergency, which has led to the higher market vacancy rate and the downward pressure in the market rent. Although JRE anticipates sluggish internal growth for a few periods ahead, we will focus

## Business Performance for the September 2021 Period

### Summary of Financial Results and Cash Dividends

In the September 2021 period (April 1, 2021 to September 30, 2021), Japan Real Estate Investment Corporation recorded operating revenues increased 5.6% compared with the previous period, to JPY 36.9 billion. On the income front, operating profit increased 11.6%, to JPY 18.3 billion. After deducting expenses for interest payments on loans and other costs, ordinary profit increased 12.7%, to JPY 17.4 billion, and profit increased 8.4%, to JPY 16.8 billion.

Turning to dividends, the Company will make cash distributions using earnings 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 profit available for dividends as required by Article 67-15 of the Special Taxation Measures Act. Based on this policy, the Company made a reduction entry under the application of Article 65-7 “Exceptions of the Taxation in case of the Replacement by Purchase of Specific Assets” of the Special Taxation Measures Act, and secured retained earnings brought forward and decided that the total amount of dividends is JPY 15,730,444,760 for the period under review, which is a multiple of 1,385,210—the number of units outstanding as of September 30, 2021. Accordingly, the dividend per investment unit is JPY 11,356.

### Operating Environment and Performance

During the September 2021 period (April 1, 2021 to September 30, 2021), the impact of the new coronavirus disease (“COVID-19”) significantly restricted economic activities in some industries as in the previous period. However, the Japanese economy as a whole has continued to recover, although corporate income, etc. in some

non-manufacturing industries remain weak. The Company considers it necessary to continue to monitor the domestic and international development of the pandemic and the impact of fluctuations in financial and capital markets.

In the office leasing market, vacancy rates have continued to rise moderately against the backdrop of the penetration of telework, which accelerated in the wake of COVID-19. Rents have turned to a downward trend, but slightly. Against the backdrop of such leasing market trends, the Company strived to secure stable income and occupancy rates for the entire portfolio, attracting new tenants through strategic leasing activities and further increasing the satisfaction level of existing tenants by improving the added value of the properties.

In the real estate investment market, property prices remained in a high price range due to the continued favorable financing environment against the backdrop of continued monetary easing policy. While domestic and overseas investors are highly motivated to acquire properties, the number of prime office buildings for sale is limited, and the acquisition environment continues to be challenging.

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 date. Accordingly, the Company was able to provide a dividend per investment unit at JPY 11,356, which is an increase by JPY 36 compared with the previous period.

In the office leasing market in the fiscal period under review, the market was in the above-mentioned environment, and although some new contracts were concluded to improve the location and office environment, the occupancy rate at the end of the fiscal period under

on leasing activities taking advantage of its high quality, competitive properties. Furthermore, JRE will also steadily continue strategic portfolio replacement in pursuit of office buildings of choice and a portfolio of choice over the long-term, as you can see from the examples of the already announced acquisitions and dispositions in the next fiscal period.

On the environmental front, JRE will introduce renewable electricity into all of its properties which JRE has 100% operational control. Thanks to this, JRE will accomplish its 2030 CO<sub>2</sub> emissions reduction target significantly ahead of schedule. Going forward, JRE will continue to pioneer asset management that takes sustainability into consideration.

review decreased by 1.4% from the end of the previous fiscal period to 96.5% due to the impact of an increase in the number of tenancy terminations and extended downtime, but still remained high.

As for property acquisitions and dispositions, on August 31, 2021, the Company disposed of the trust beneficiary interest in Otsuka Higashi-Ikebukuro Building (Toshima-ku, Tokyo) for JPY 6,025 million.

As a result of the above, the Company's portfolio at the end of the fiscal period under review, September 30, 2021, consisted of 72 properties, with a total acquisition price of JPY 1.06 trillion. Net rentable floor area stood at 866,577 m<sup>2</sup> with 1,465 tenants in total.

On October 1, 2021, the Company acquired a 49% co-ownership interest in a trust beneficiary interest pertaining to a 10% co-ownership interest in GRAND FRONT OSAKA (Note 2) (Osaka-shi, Osaka), a large-scale complex consisting of offices, retail stores and a hotel located in the Umeda area which contains the largest terminal in western Japan for JPY 21,000 million (a 4.9% co-ownership interest in the entire property). In addition, on November 30, 2021, the Company acquired a trust beneficiary interest in a 12.5% co-ownership interest pertaining to sectional ownership interests of office and retail sections in Otemachi Financial City North Tower (Chiyoda-ku, Tokyo), a large-scale complex facility located in "Otemachi," the central business district of Tokyo, for JPY 6,380 million (additional acquisition of 1.42% share of ownership of building). Furthermore, the Company will dispose of Nagoya Misono Building (Nagoya-shi, Aichi Prefecture) for JPY 2,629 million on March 1, 2022.

Note 1: Shibuya Cross Tower (land with leasehold interest), whose building ownership was disposed of on January 18, 2018, is included in the above number of properties and total acquisition price, but is not included in net rentable floor area or total number of tenants.

Note 2: "GRAND FRONT OSAKA" refers collectively to the properties to be acquired, namely "GRAND FRONT OSAKA (Umekita Plaza and South Building)" and "GRAND FRONT OSAKA (North Building)."

## Finance Activities

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

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

In the fiscal period under review, the Company borrowed to fund the repayment of existing loans and also extended the contract term of commitment line totaling JPY 60 billion for one year.

As a result of the above financing activities, as of September 30, 2021, the Company's total interest-bearing debt was JPY 419.4 billion, the same level as the previous fiscal period. This amount consists of long-term loans totaling JPY 358.5 billion (including the current portion of long-term loans totaling JPY 51.0 billion), short-term loans totaling JPY 18.0 billion, and investment corporation bonds totaling JPY 42.9 billion. The current LTV ratio stands at 41.8%.

The Company's credit ratings as of September 30, 2021 were as follows:

Rating Agency	Credit Rating
S&P Global Ratings Japan Inc.	Long-term: A+; Short-term: A-1; Outlook: Stable
Moody's Japan K.K.	Rating: A2; Outlook: Stable
Rating and Investment Information, Inc.	Rating: AA; Outlook: Stable

## Outlook

### Operating Environment

During the September 2021 period (April 1, 2021 to September 30, 2021), although some industries will continue to face severe conditions due to the impact of COVID-19, the Japanese economy is expected to recover in the future thanks to the effects of various policies and improvements in overseas economies, as Japan's vaccine rollout progressed. On the other hand, the Company considers it is necessary to pay close attention to the impact of the re-emergence of the infectious disease in Japan and abroad, the risk of a global economic downturn due to trade issues between the United States and China, and fluctuations in financial and capital markets.

In the office leasing market, the Company will pay close attention to the recovery of office demand that will be brought by the progress of vaccination and the containment of the pandemic, as well as to how office buildings of choice should be in line with the review of work styles, and at the same time, the Company strives to secure stable income and maintain and improve asset values over the medium- to long-term while carefully monitoring trends in the office leasing market and the business conditions of tenants managed by the Company.

Regarding the real estate investment market, it is important to continue to be proactive in searching for new properties in order to promote more strategic replacement of our portfolio while paying close attention to future market trends due to changes in social conditions.

### Performance Forecasts for the March 2022 and September 2022 Periods

The Company's forecasts for the March 2022 period (October 1, 2021 to March 31, 2022) are as follows: operating revenues totaling JPY 36.2 billion, operating profit totaling JPY 17.1 billion, ordinary profit totaling JPY 16.2 billion, and profit totaling JPY 16.0 billion. The Company plans to declare a per-unit cash dividend of JPY 11,400.

The Company's forecasts for the September 2022 period (April 1, 2022 to September 30, 2022) are as follows: operating revenues totaling JPY 33.7 billion, operating profit totaling JPY 14.8 billion, ordinary profit totaling JPY 14.0 billion, and profit totaling JPY 14.6 billion. The Company plans to declare a per-unit cash dividend of JPY 11,500.

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



Yutaka Yanagisawa

Executive Director of Japan Real Estate  
Investment Corporation



Naoki Umeda

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

# JRE's Portfolio Property Replacement

Strategic property replacement in pursuit of “office buildings of choice and a portfolio of choice”

## Property Replacement

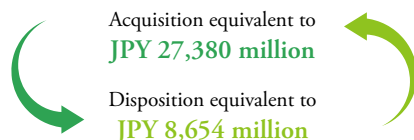
### Properties of Acquisition



GRAND FRONT OSAKA (North Building, Umekita Plaza and South Building)  
Transfer date: October 1, 2021  
Acquisition Price: JPY 21,000 million



Otemachi Financial City North Tower  
Transfer date: November 30, 2021  
Acquisition Price: JPY 6,380 million



### Properties of Disposition



Otsuka Higashi-Ikebukuro Building (left)  
Transfer date: August 31, 2021  
Disposition Price: JPY 6,025 million



Nagoya Misono Building (right)  
Transfer date: March 1, 2022  
Disposition Price: JPY 2,629 million

## Effect Brought by the Replacement

### ◆ Realize gain on disposition

+ JPY 3,846 million

### ◆ Lower average building age

Average age of disposed properties: 32.5 years

» Average age of acquired properties: **8.6** years

### ◆ Grow asset size

JPY 1.07 trillion » JPY **1.09** trillion

### ◆ Increase NOI

+ JPY **545** million a year

Note: Calculated on the basis of the actual NOIs of the disposed of properties for the most recent one year and the estimated NOIs of the acquired properties



# Asset Management Summary

For the period from April 1, 2021 to September 30, 2021

## Disposed Property

### Otsuka Higashi-Ikebukuro Building

Location	2-32-22 Higashi-Ikebukuro, Toshima-ku, Tokyo
Site area	2,121.39m <sup>2</sup>
Floor area of building	9,531.28m <sup>2</sup>
Structure	Steel-framed reinforced concrete structure, flat roof
Floors	Above ground: 8 floors Below ground: 1 floor
Completion	November 1987
Acquisition date / Acquisition price	September 25, 2001 / JPY 3,541 million
Disposition date / Disposition price	August 31, 2021 / JPY 6,025 million
Type of ownership	Land: Ownership Building: Ownership
Buyer	Tosei Corporation

## Property to be Disposed

### Nagoya Misono Building

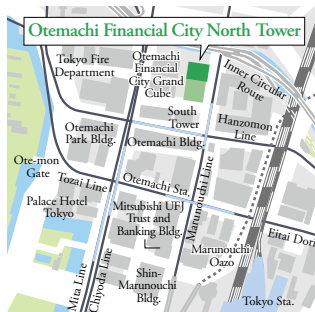
Location	1-10-21 Sakae, Naka-ku, Nagoya City, Aichi Prefecture
Site area	805.04m <sup>2</sup>
Floor area of building	5,348.00m <sup>2</sup>
Structure	Steel-framed structure, flat roof
Floors	Above ground: 7 floors Below ground: 1 floor
Completion	September 1991
Acquisition date / Acquisition price	August 8, 2003 / JPY 1,865 million
Disposition date / Disposition price	March 1, 2022 / JPY 2,629 million
Type of ownership	Land: Ownership Building: Ownership
Buyer	Undisclosed

## Property to be Acquired

### Otemachi Financial City North Tower (Additional acquisition)



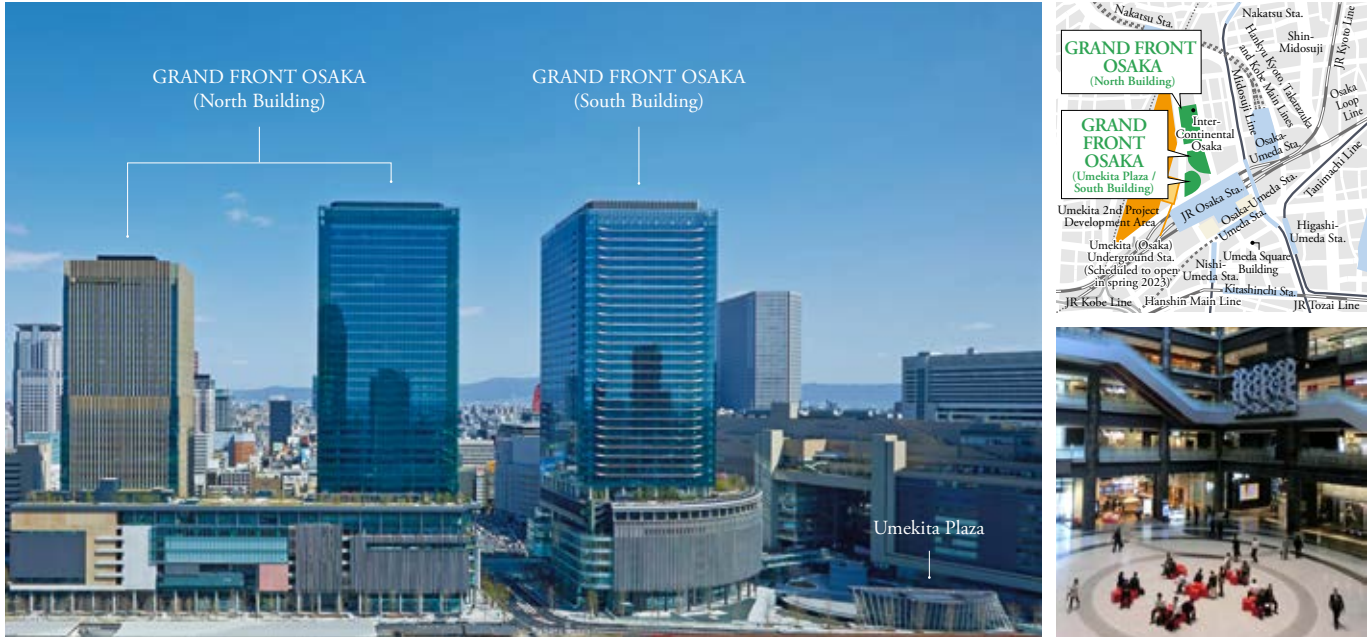
Location	1-9-5 Otemachi, Chiyoda-ku, Tokyo
Site area	14,108.16m <sup>2</sup> (Temporary substitute lots area)
Floor area of building	239,769.07m <sup>2</sup> (Floor area in land registry)
Structure	Steel-framed, Steel-framed reinforced concrete structure, flat roof
Floors	Above ground: 35 floors Below ground: 4 floors
Completion	October 2012
Acquisition date / Acquisition price	November 30, 2021 / JPY 6,380 million
Type of ownership	Land: Ownership Building: Ownership
Seller	Sankei Building Co., Ltd.





Property to be Acquired

GRAND FRONT OSAKA / North Building, Umekita Plaza and South Building



	North Building	Umekita Plaza and South Building
<b>Location</b>	3-1 Ofukacho, Kita-ku, Osaka City, Osaka Prefecture	4-1 (Umekita Plaza) and 4-20 (South) Ofukacho, Kita-ku, Osaka City, Osaka Prefecture
<b>Site area</b>	22,680.03m <sup>2</sup>	20,488.08m <sup>2</sup>
<b>Floor area of building</b>	290,030.59m <sup>2</sup>	10,226.10m <sup>2</sup> (Umekita Plaza) 181,371.39m <sup>2</sup> (South)
<b>Structure</b>	Steel-framed, Steel-framed reinforced concrete structure, flat roof	Steel-framed, Reinforced concrete structure, flat roof (Umekita Plaza) Steel-framed, Steel-framed reinforced concrete structure, flat roof (South)
<b>Floors</b>	Above ground: 38 floors Below ground: 3 floors	Above ground: 2 floors (Umekita Plaza) / 38 floors (South) Below ground: 2 floors (Umekita Plaza) / 3 floors (South)
<b>Completion</b>	February 2013	February 2013 (Umekita Plaza) March 2013 (South)
<b>Acquisition date / Acquisition price</b>	October 1, 2021 / JPY 9,750 million	October 1, 2021 / JPY 11,250 million
<b>Type of ownership</b>	Land: Ownership Building: Ownership	Land: Ownership (partial leasehold) Building: Ownership
<b>Seller</b>	Mitsubishi Estate Co., Ltd	Mitsubishi Estate Co., Ltd.

# Financial Highlights

	In millions of JPY				
	For the period from April 1, 2021 to September 30, 2021	For the period from October 1, 2020 to March 31, 2021	For the period from April 1, 2020 to September 30, 2020	For the period from October 1, 2019 to March 31, 2020	For the period from April 1, 2019 to September 30, 2019
Operating revenues	36,901	34,944	34,966	35,996	35,164
Operating profit	18,394	16,479	16,498	17,354	16,494
Ordinary profit	17,477	15,508	15,608	16,326	15,390
Profit	16,865	15,560	15,598	15,755	14,945
Net operating income (NOI) (Note 1)	24,204	24,825	24,943	23,413	23,104
Funds from operations (FFO) (Note 2)	20,583	22,089	22,225	19,986	19,795
FFO multiple (Times) (Note 3)	22.5	20.4	16.8	22.0	25.4
Cash distribution	15,730	15,680	15,600	14,697	14,124
Number of units	1,385,210	1,385,210	1,385,210	1,385,210	1,385,210
Dividend per unit (JPY)	11,356	11,320	11,262	10,610	10,197

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

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

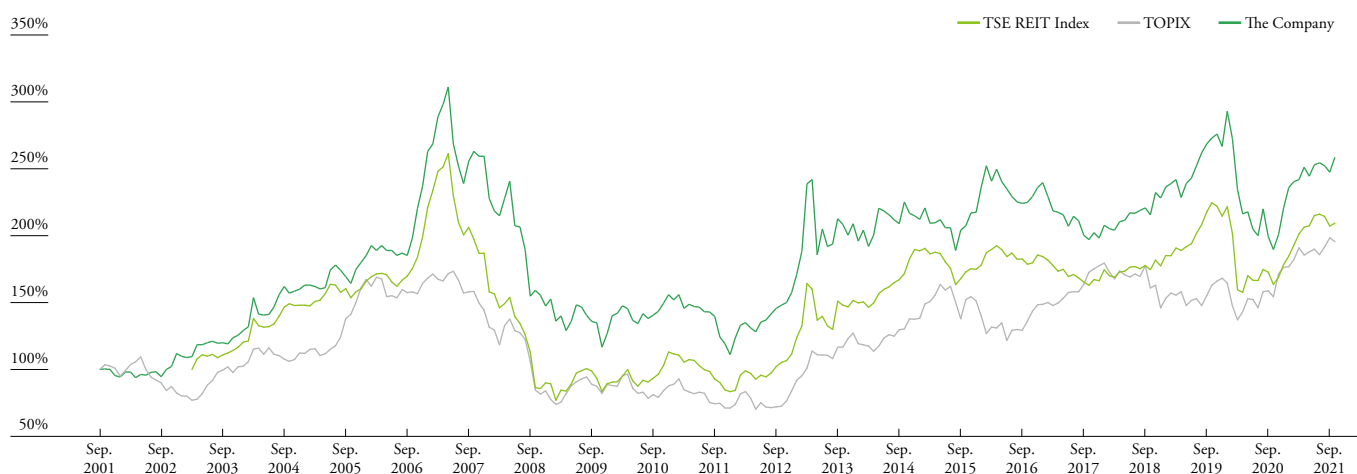
3. FFO multiple = Unit price at end of the respective term / FFO per unit (Annualized)

(Annualized portion of the calculation given in Note 2 and Note 3 assumes a fiscal period of 183 days for the period ended September 30, 2019, 183 days for the period ended March 31, 2020, 183 days for the period ended September 30, 2020, 182 days for the period ended March 31, 2021 and 183 days for the period ended September 30, 2021.)

## Top 10 Unitholders As of September 30, 2021

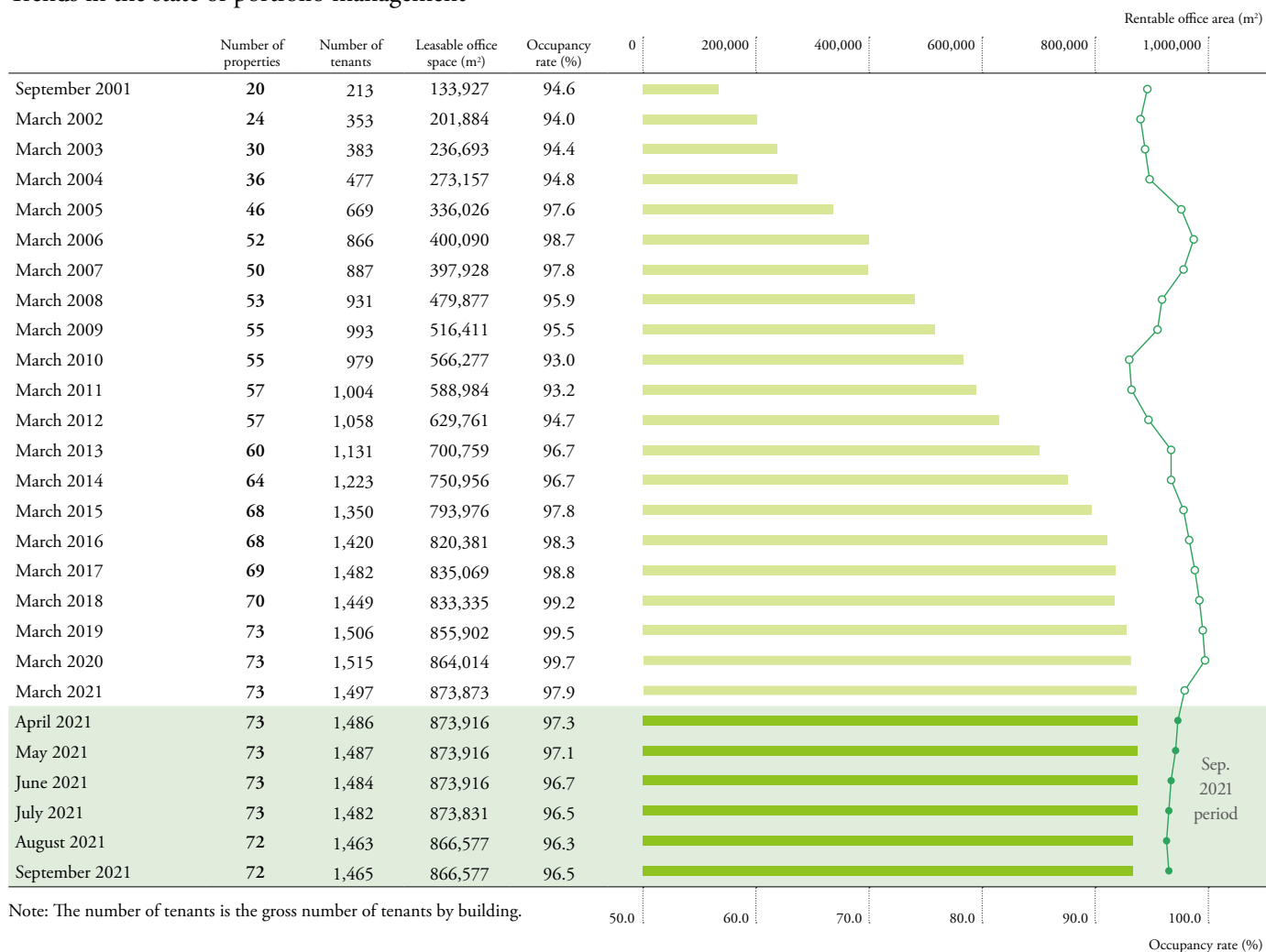
Company	Units	% of total units outstanding
Custody Bank of Japan, Ltd. (Shintaku Acc.) .....	319,260	23.05%
The Master Trust Bank of Japan, Ltd. (Shintaku Acc.) .....	207,946	15.01%
The Nomura Trust and Banking Co., Ltd. (Toshin Acc.) .....	59,696	4.31%
Custody Bank of Japan, Ltd. (Toshin Acc.) .....	44,817	3.24%
STATE STREET BANK WEST CLIENT - TREATY 505234 .....	25,189	1.82%
SSBTC CLIENT OMNIBUS ACCOUNT .....	18,651	1.35%
Mitsubishi Estate Co., Ltd. ....	17,120	1.24%
STATE STREET BANK AND TRUST COMPANY 505103 .....	16,796	1.21%
JP MORGAN CHASE BANK 385781 .....	16,622	1.20%
The Chugoku Bank, Limited .....	15,001	1.08%

## Unit Price Performance



# Portfolio Highlights

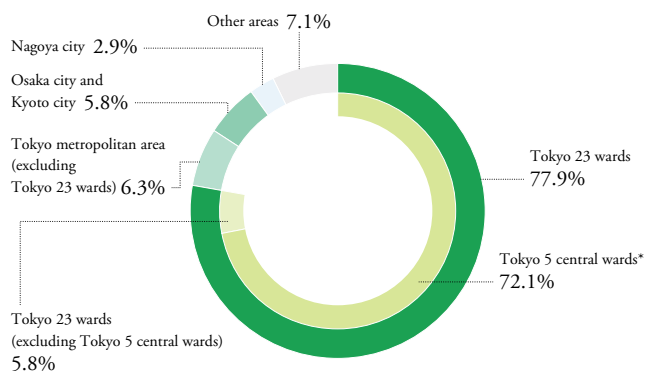
## Trends in the state of portfolio management



## Portfolio breakdown As of September 30, 2021

### Properties by geographic region

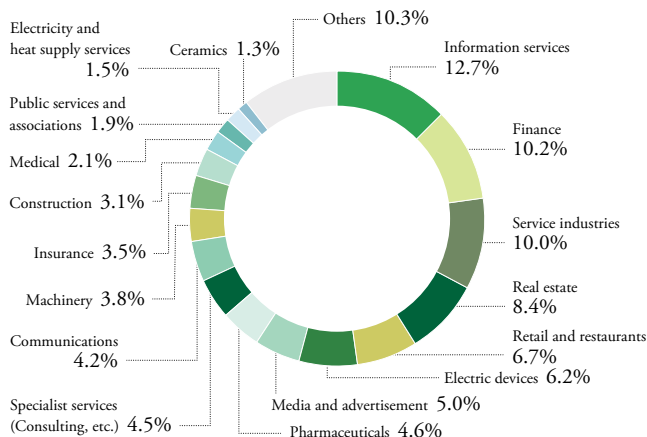
(Percentage based on acquisition price)



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

### Tenants by industry type

(Percentage based on leased office space)



## Sustainability Policy

Japan Real Estate Asset Management Co., Ltd. (JRE-AM), which manages the Company's assets, believes that asset management focused on ESG is essential to the sustainable improvement of asset value.

The ESG Office, a dedicated team for ESG, is driving the Company's ESG initiatives in accordance with its Sustainability Policy.

Such initiatives include the enhancement of disclosure of the Company's ESG-related information, the acquisition of environmental certifications and evaluations from external organizations, participation in international initiatives, and other efforts.

We disclose ESG-related information on our company website in a timely manner.

### Sustainability Policy

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

**WEB** We refer to GRI (Global Reporting Initiative) standards and the SASB (Sustainability Accounting Standards Board) Real Estate Standard for the disclosure of a wide range of ESG information on our website.

Please refer to our ESG website for further information.  
<https://jre-esg.com/en/esg/information.html#anchor03>

GRI STANDARDS Content Index  
[https://jre-esg.com/en/pdf/en-esg\\_gri.pdf](https://jre-esg.com/en/pdf/en-esg_gri.pdf)

SASB Framework  
[https://jre-esg.com/en/pdf/sustainability\\_report2021.pdf#page=24](https://jre-esg.com/en/pdf/sustainability_report2021.pdf#page=24)

## External Evaluation and Certification



### Commitment to GRESB

Received the highest evaluations in both GRESB Real Estate Assessment and GRESB Public Disclosure in the 2021 GRESB results as shown on the right

- GRESB Real Estate Assessment 5 Stars ★★★★★
- GRESB Public Disclosure A



### MSCI ESG Ratings

Received a rating of "A" (AAA-CCC tier rating) in the MSCI ESG Ratings assessment

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### Participation in the CDP's Climate Change Program

Received an "A-" score and recognized at the highest Leadership Level in the 2021 Carbon Disclosure Project (CDP) Climate Change Program



### Awarded "Prime" Status in the ISS ESG Corporate Rating

Awarded "Prime" status in the ISS's sustainability rating in March 2020



DBJ Green Building

### Green Building-Certified Properties in Our Portfolio

We are focusing on improving the sustainability of the Company's entire portfolio. As of the end of September 2021, 76.5% of the Company's portfolio is green certified. Going forward, the Company will continue to acquire environmental certifications and evaluations, such as the DBJ Green Building Certification.

**WEB** Please refer to our ESG website for further information.  
<https://jre-esg.com/en/external/>

# International Initiatives

In 2018, JRE-AM became a signatory to the following international initiatives:



Became Signatory in April 2018

## United Nations Global Compact (UNGC)

Mitsubishi Estate Co., Ltd., JRE-AM's parent company, became a signatory to the UNGC. Accordingly, JRE-AM has participated in this initiative as a member of the Mitsubishi Estate Group.

Became Signatory in August 2018

## Principles for Responsible Investment (PRI)

PRI signatories are required to report on the status of their ESG integration practices to PRI each year. JRE-AM has received the highest score of "A+"\* in both categories for which we made the report in 2020, as shown below. This was the highest result among all signatories around the world.

Signatory of:



Module	Strategy & Governance	Property
Score	A+	A+

\* The rating system is a 6-rank scale (A+, A, B, C, D, E).

## Environment

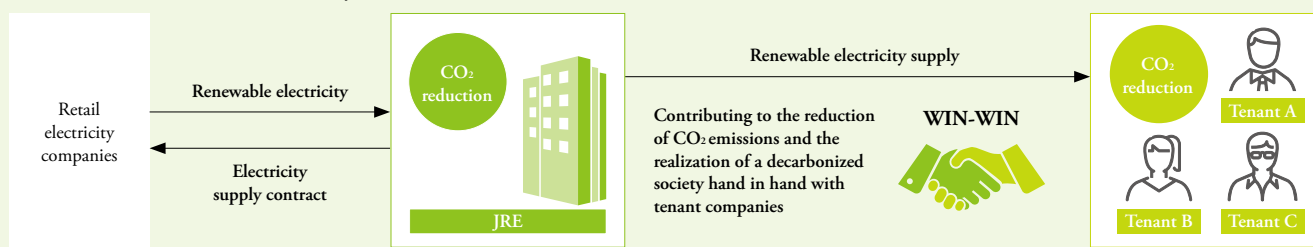
### Accelerated Use of Electricity Made from Renewable Energy (RE100 Compatible)

JRE accelerates the use of electricity made from renewable energy recognized by RE100\* ("renewable electricity"). Doing so reduces a building's CO<sub>2</sub> emissions to zero, including the CO<sub>2</sub> emissions of tenant areas. JRE plans to introduce renewable electricity into more than 80% of its properties of 100% operational control by the end of April 2022 and complete all

the switch by the end of September 2022. Thanks to this, JRE will accomplish its fiscal 2030 CO<sub>2</sub> emissions reduction target ahead of schedule. Also, the reduction of CO<sub>2</sub> emissions will further accelerate as JRE proactively introduces renewable electricity into the buildings other than 100% operational control.

\* RE100 is the global corporate renewable energy initiative bringing together hundreds of large and ambitious businesses committed to 100% renewable electricity.

#### JRE's Switch to Renewable Electricity (Outline)



### KPIs for 2030 and Our Performance

KPIs for 2030

- Carbon Intensity ..... 60 kg/m<sup>2</sup> or lower
- CO<sub>2</sub> Emissions\*1 ..... 35% reduction
- Water Usage\*2 ..... 20% reduction
- Waste Recycling Rate ..... 90% or higher
- Zero Energy Buildings\*3 ..... Own 5–10

\*1 Carbon intensity basis \*2 Intensity (m<sup>3</sup>/m<sup>2</sup>) basis  
\*3 Includes ZEB Ready and ZEB Oriented buildings

	Fiscal 2013 (base year)	Fiscal 2020	Fiscal 2030 targets
Carbon Intensity	92.1kg-CO <sub>2</sub> /m <sup>2</sup> ▶	68.9kg-CO <sub>2</sub> /m <sup>2</sup>	▶ 60kg-CO <sub>2</sub> /m <sup>2</sup> or lower
		Reduce by 25.2%	▶ Reduce by 35%
Water Usage	0.793m <sup>3</sup> /m <sup>2</sup> ▶	Reduce by 38.9%	▶ Reduce by 20%
Waste Recycling Rate	— ▶	56.6%	▶ 90% or higher
ZEB Ownership	— ▶	1 ZEB	▶ 5–10 ZEBs

## Climate Change Initiatives

### Examination of Financial Impact Based on Scenario Analysis

Using scenarios published by international organizations and other entities that predict the impact of global warming and climate change, JRE examined the magnitude of the financial impact of risks and opportunities that it identified for scenarios in which average global temperatures rise by 4°C and 1.5°C. We have examined the impact of each scenario for 2030 (medium-term prospects) and 2050 (long-term prospects).

Note: Approach to financial impact (minor/moderate/major): Quantitative and qualitative analysis carried out to assess the relative impact.

Category	Risk and Opportunity Factors	Financial Impact				JRE Initiatives			
		Changes in Cash Flow	Classification	4°C Scenario					
				Medium-Term 2030	Long-Term 2050	Medium-Term 2030	Long-Term 2050		
Transition Risks and Opportunities	Policy and Legal	Introduction of CO <sub>2</sub> emission regulations Adoption of carbon taxes	Increase in cost of complying with laws and regulations (e.g., carbon taxes, carbon credit purchases)	risks	Minor	Minor	Moderate	Major	<ul style="list-style-type: none"> <li>Set CO<sub>2</sub> reduction target (35% reduction compared with FY2013)</li> <li>Reduce energy intensity in a planned manner</li> <li>Proactively conduct resource efficiency-related capital improvements using internal carbon pricing (in cooperation with external experts)</li> <li>Replace existing properties with those with good environmental performance</li> <li>Manage energy consumption using our proprietary EMS</li> <li>Introduce renewable energy</li> </ul>
		Introduction of carbon emission-related regulations Introduction of health and well-being regulations Strengthening of energy regulations	Rise in expense of acquiring environmental certification	risks	Minor	Minor	Minor	Minor	<ul style="list-style-type: none"> <li>Acquire environmental certifications and energy-efficiency ratings based on a medium- to long-term GHG emissions reduction plan</li> </ul>
	Technology	Spread of low-carbon technology (Improvement of environmental performance of existing properties)	Increase in costs incurred in procuring ZEB properties and in conducting research on converting properties to ZEBs and installing new technology	risks	Minor	Minor	Moderate	Moderate	<ul style="list-style-type: none"> <li>Set CO<sub>2</sub> reduction target (35% reduction compared with FY2013)</li> <li>Reduce energy intensity in a planned manner</li> <li>Proactively conduct resource efficiency-related capital improvements using internal carbon pricing (in cooperation with external experts)</li> <li>Acquire ZEB properties</li> <li>Convert existing properties to ZEBs in a proactive and planned manner</li> <li>Manage energy consumption using our proprietary EMS</li> <li>Introduce renewable energy</li> <li>Acquire environmental certifications and energy-efficiency ratings based on a medium- to long-term GHG emissions reduction plan</li> </ul>
			Rise in retrofit costs associated with introducing energy efficient equipment and renewable energy and promoting the carbon neutralization of real estate	risks	Minor	Minor	Minor	Moderate	<ul style="list-style-type: none"> <li>Acquire ZEB properties</li> <li>Convert existing properties to ZEBs in a proactive and planned manner</li> </ul>
			Reduction in utility costs thanks to ZEB conversion and green refurbishments	opportunities	Minor	Minor	Moderate	Major	<ul style="list-style-type: none"> <li>Cooperate with external experts</li> <li>Provide support for technical assessments and equipment, such as those for energy efficiency</li> <li>Review lifecycle costs</li> <li>Formulate medium- to long-term refurbishment plans based on achieving net zero emissions</li> <li>Promote a switch to the use of power from renewable energy sources</li> </ul>
					opportunities	Minor	Minor	Moderate	Major

**WEB** For the full version of the Examination of Financial Impact Based on Scenario Analysis, please refer to our ESG website.

ESG website  
<https://jre-esg.com/en/environment/climate.html>

Sustainability Report 2021  
[https://jre-esg.com/en/pdf/sustainability\\_report2021.pdf](https://jre-esg.com/en/pdf/sustainability_report2021.pdf)

## Society

### For Tenants and Partners

#### Sustainability Guide to Promote Owner and Tenant Collaboration

JRE has created a Sustainability Guide and distributed it to its tenants, aiming to promote close collaboration with them.

This Sustainability Guide introduces the activities that we can do in the office, mainly from the viewpoints of the “environment” and “tenant well-being.”

We will team up with our tenants and endeavor to co-create a sustainable society with them.

#### Raising ESG Awareness of Our Stakeholders

JRE offers ESG seminars for our business partners, master lessees, and property managers, among others, for the purpose of raising stakeholder awareness. We invite ESG experts from outside the Company to cover global ESG trends and discuss specialized fields such as GRESB and ZEB.

We believe that raising sustainability awareness not only within JRE, but among all our stakeholders, will benefit sustainability efforts at each asset level.

**WEB** Please refer to the following link for the Sustainability Guide.  
<https://jre-esg.com/en/society/society.html>

Sustainability Guide VOL. 1

Theme Work Style Reform

Sustainability Guide VOL. 2

Theme 1 Offices in the “New Normal” Era

Theme 2 Waste Recycling



Sustainability Guide VOL. 2



## ◆ For Communities

### Resilience for Communities

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



### Supporting Cultural and Artistic Activities

Tokyo Opera City has two museums, six theatres/halls, and an art gallery. It includes a concert hall with a wooden interior and one of the world's best acoustic systems as well as the New National Theatre, where operas, plays, modern dances, dramas, and other contemporary performing arts are performed for the public.

We support the Tokyo Opera City Cultural Foundation, which plans and organizes the musical performances and art exhibitions that take place at the Concert Hall, the Recital Hall, and the Art Gallery of Tokyo Opera City.



**WEB** Please refer to our website for further information.  
<https://jre-esg.com/en/society/society.html>  
<https://www.j-rea.co.jp/en/employee/index.html>

## ◆ For Employees

### Learning and Development for All Employees

Based on the idea that all employees should be professionals with a high degree of specialization, JRE-AM encourages all our employees, i.e., permanent employees, contract employees, and seconded employees, to participate in a variety of training programs.

JRE-AM provides its own training programs that are associated with the REIT industry, compliance, etc., and designed to develop employee skills and deepen their professionalism. In addition, JRE-AM encourages its employees to participate in a variety of training programs offered by our sponsor.

For more details on JRE-AM's sponsor's personnel development system, please refer to the following website.

**WEB** Mitsubishi Estate:  
<http://www.mec.co.jp/e/cst/employees/index.html>

### Support for Career Enrichment, Qualifications, and Licenses

For all of its employees, JRE-AM subsidizes the expenses of various training programs or sessions such as fund management, logical thinking skills, financial accounting, organizational management, coaching, compliance, and more. In addition, JRE-AM also subsidizes the expenses of obtaining qualifications and licenses such as ARES Certified Master, Certified Building Administrator, Real Estate Transaction Agent, among others.

### Creating a Productive and Employee-friendly Workplace

JRE-AM moved to its new office, Otemachi Park Building, in December 2017.

We promoted workplace reform by relocating our office. As a result, we accelerated work efficiency and improved productivity.



Free-address work environment

## Governance

Our basic policy as an investment corporation and asset management company is not only to comply with laws and regulations, but to meet social demands as well. Taking care to have each employee perform his or her duties with high ethical standards and strict self-discipline raises our reputation among investors and garners the trust of the greater society.

### Basic Principle of Compliance for the Investment Corporation (JRE)

JRE's basic principle of compliance is to thoroughly observe legal and other relevant norms in regard to the business operation as well as to respond to the requirements from society. This means that the investment corporation administers and oversees the outsourcing companies from the same standpoint, while complying with legal and other relevant norms in its decision-making.

### Basic Principle of Compliance for the Asset Management Company (JRE-AM)

#### Basic Principle

- 1 Ensuring thorough compliance is one of its top priority issues, since JRE-AM understands that any insufficiency in compliance would affect even its management base.
- 2 As an asset management company, JRE-AM recognizes that it bears the responsibility for realizing the values that are required by society in its business operation, and makes proactive and continuous efforts for full compliance to enhance the value of its business operation both qualitatively and quantitatively.
- 3 JRE-AM is determined to achieve a reputation for quality among its investors by promoting compliance activities, and thereby gains the trust of a wide spectrum of society.

**WEB** For more information on our environmental, social, and governance initiatives, please visit our ESG website or see our Sustainability Report 2021.

ESG website  
<https://jre-esg.com/en/>

Sustainability Report 2021  
[https://jre-esg.com/en/pdf/sustainability\\_report2021.pdf](https://jre-esg.com/en/pdf/sustainability_report2021.pdf)

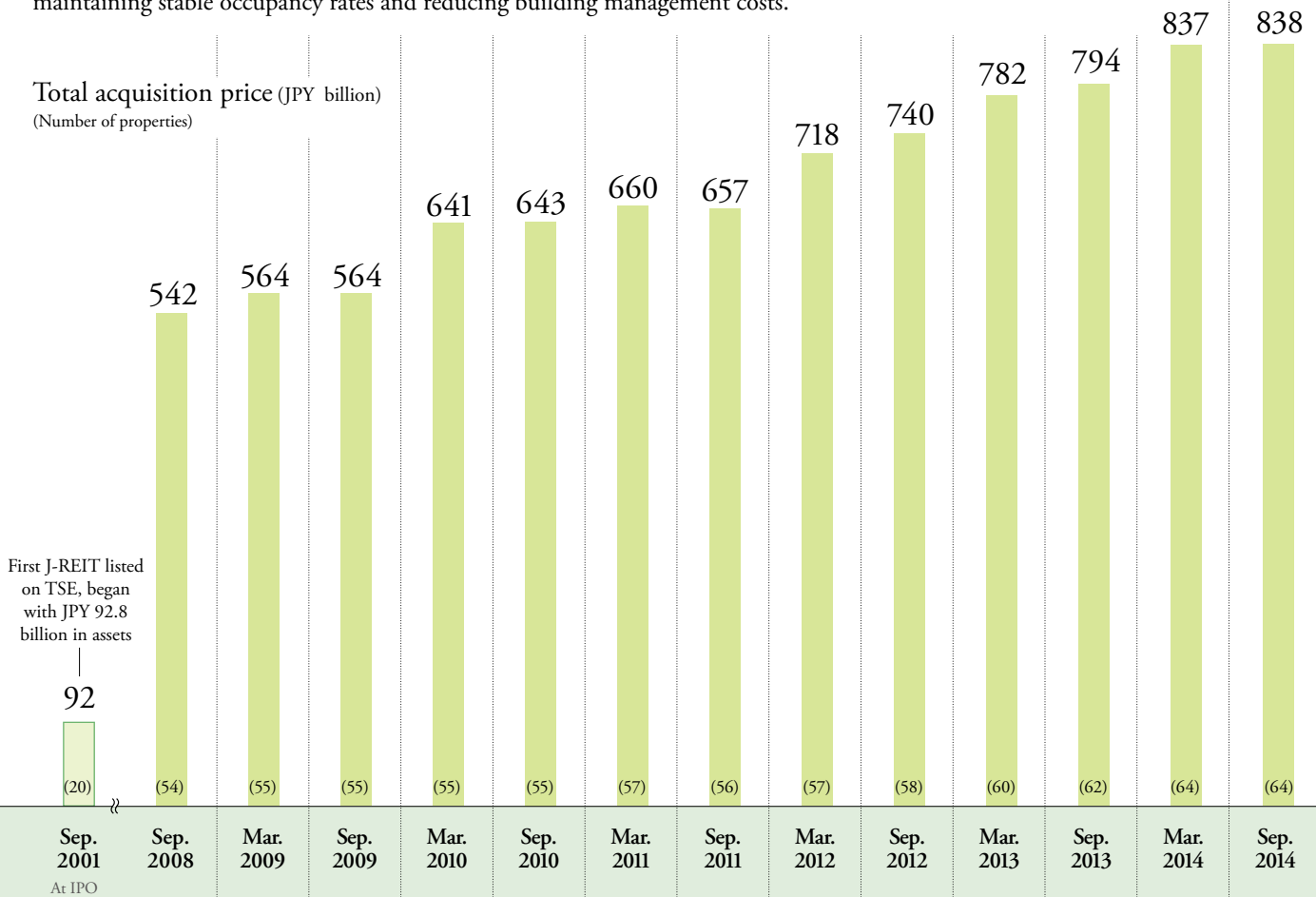
# Asset Size, Property Acquisitions, and Performance Trends

Occupancy rate (%)

94.6 96.1 95.5 93.3 93.0 92.4 93.2 94.6 94.7 95.5 96.7 96.3 96.7 97.8

In September 2001, the Company became the first J-REIT in Japan listed on the Tokyo Stock Exchange. Since then, the Company has targeted stable management to fulfill its goal of maintaining or increasing dividend per unit over the medium- to long-term. The Company's growth is based on external growth strategies that aim to increase earnings through the acquisition and transfer of properties, as well as internal growth strategies that seek to optimize earnings from properties already held. The size of the Company's assets (total acquisition price) has grown from JPY 92.8 billion at IPO to JPY 1.06 trillion as of the period ended September 30, 2021 due to the steady achievement of external growth strategies. However, in terms of internal growth strategies, ongoing efforts are being made in such areas as maintaining stable occupancy rates and reducing building management costs.

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



Dividend per unit\* (JPY)

9,536 9,510 9,599 9,021 8,314 7,821 7,925 8,095 7,850 7,570 7,683 7,633 7,648

Listing and issuance of units

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

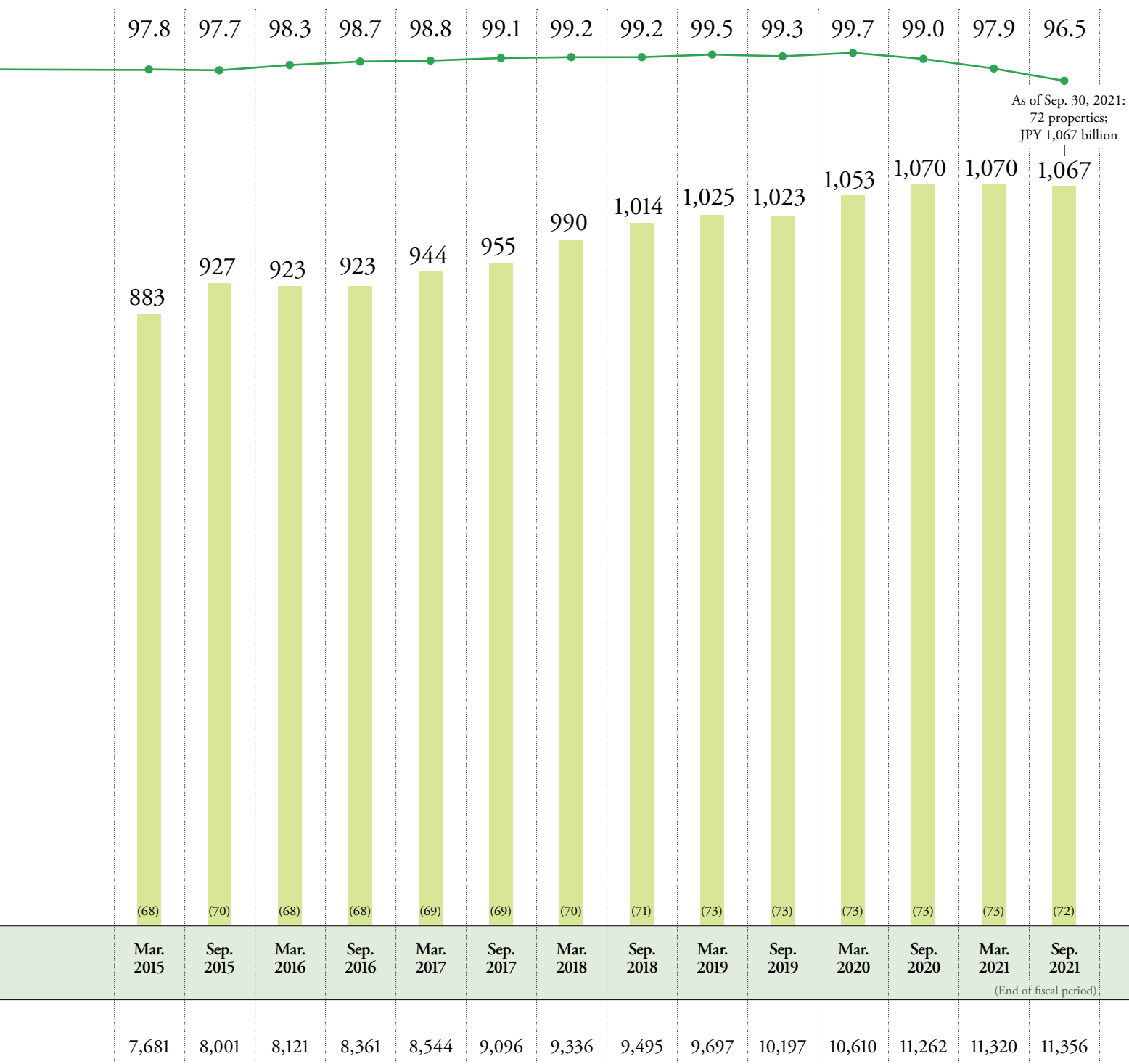
Dec. 2009  
Sixth Follow-On

Feb. 2012  
Seventh  
Follow-On

Oct. 2012  
Eighth  
Follow-On

Apr. 2014  
Ninth Follow-On

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



Apr. 2015  
Tenth Follow-On

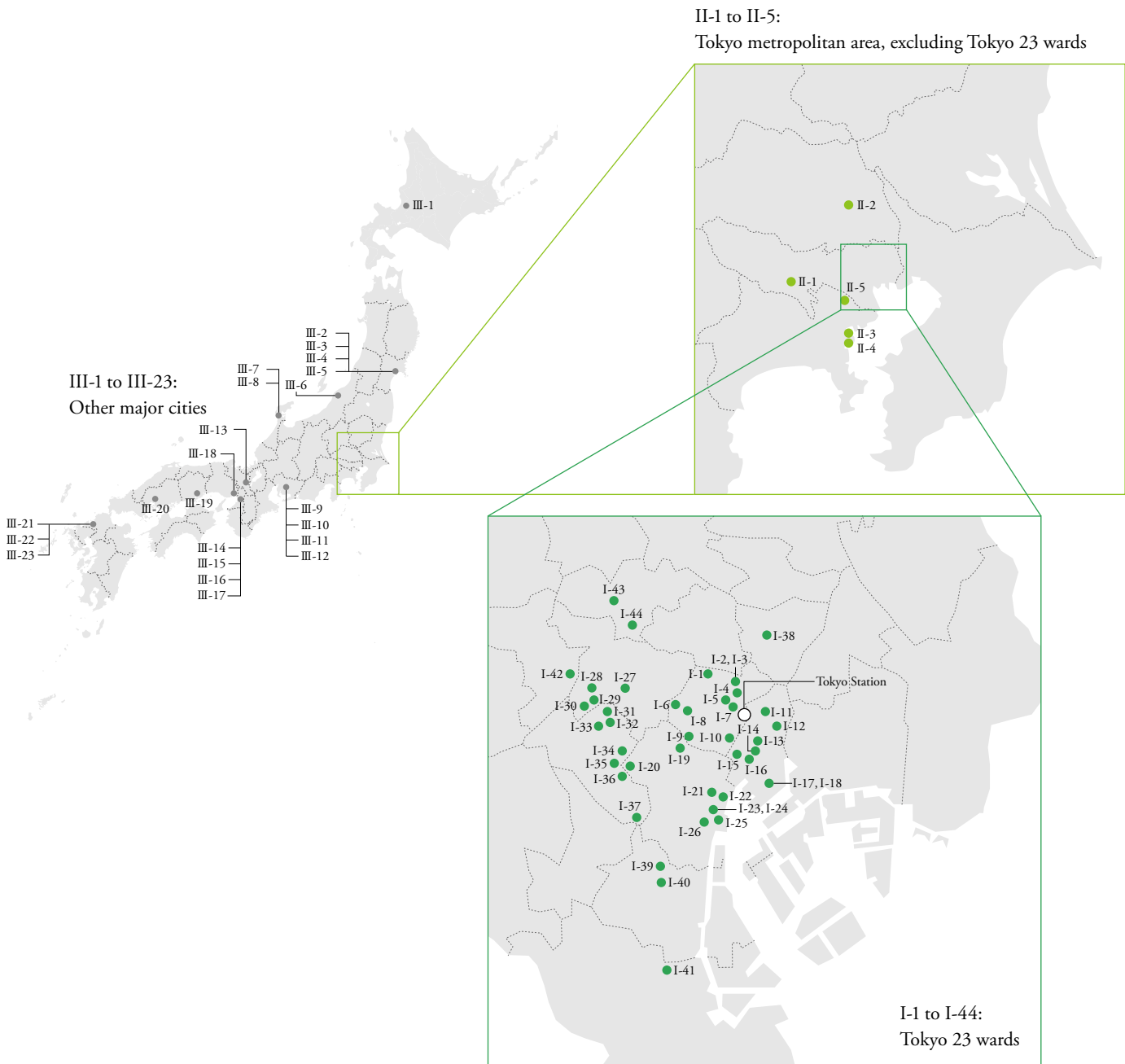
Apr. 2018  
Eleventh  
Follow-On

## Major tenant roster

Name of tenant	Name of property	Leased office area (m <sup>2</sup> )	% of total leased office area
MUFG Bank, Ltd.	Harumi Front (and 3 other properties)	33,912	4.1%
Undisclosed*	Kitanomaru Square (and 3 other properties)	22,681	2.7%
Undisclosed*	Osaki Front Tower (and 3 other properties)	21,892	2.6%
NTT Communications Corporation	Shiodome Building	16,243	1.9%
SQUARE ENIX HOLDINGS CO., LTD.	Shinjuku Eastside Square	15,172	1.8%
HAKUHODO DY HOLDINGS INCORPORATED	Akasaka Park Building (and another property)	12,817	1.5%
JSOL Corporation	Harumi Center Building	10,709	1.3%
Mitsubishi UFJ Trust and Banking Corporation	Mitsubishi UFJ Trust and Banking Building	10,598	1.3%
TOTO LTD.	Shiodome Building (and another property)	9,923	1.2%
Minato Mirai 21 District Heating and Cooling Co., Ltd.	Queen's Tower A	9,536	1.1%

\* Undisclosed due to tenant's request

## Location of portfolio properties



# Overview of Portfolio Properties

As of September 30, 2021

## Tokyo 23 wards



### Kitonomaru Square

● I-1

Location:	Chiyoda-ku, Tokyo
Site area:	5,821.03m <sup>2</sup>
Floor area of building:	57,279.20m <sup>2</sup>
Ownership:	100.0%
Completion:	January 2006



### MD Kanda Building

● I-2

Location:	Chiyoda-ku, Tokyo
Site area:	1,085.83m <sup>2</sup>
Floor area of building:	8,185.11m <sup>2</sup>
Ownership:	100.0%
Completion:	February 1998



### Kandabashi Park Building

● I-3

Location:	Chiyoda-ku, Tokyo
Site area:	1,218.56m <sup>2</sup>
Floor area of building:	9,370.25m <sup>2</sup>
Ownership:	56.76%
Completion:	July 1993



### Otemachi Financial City North Tower

● I-4

Location:	Chiyoda-ku, Tokyo
Site area:	14,108.16m <sup>2</sup>
Floor area of building:	239,769.07m <sup>2</sup>
Ownership:	3.39%
Completion:	October 2012



### Otemachi Park Building

● I-5

Location:	Chiyoda-ku, Tokyo
Site area:	9,338.74m <sup>2</sup>
Floor area of building:	146,611.42m <sup>2</sup>
Ownership:	2.91%
Completion:	January 2017



### Nibancho Garden

● I-6

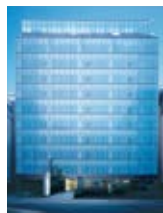
Location:	Chiyoda-ku, Tokyo
Site area:	10,992.13m <sup>2</sup>
Floor area of building:	57,031.06m <sup>2</sup>
Ownership:	31.35%
Completion:	April 2004



### Mitsubishi UFJ Trust and Banking Building

● I-7

Location:	Chiyoda-ku, Tokyo
Site area:	8,100.39m <sup>2</sup>
Floor area of building:	108,171.67m <sup>2</sup>
Ownership:	19.38%
Completion:	February 2003



### Burex Kojimachi Building

● I-8

Location:	Chiyoda-ku, Tokyo
Site area:	967.67m <sup>2</sup>
Floor area of building:	6,526.64m <sup>2</sup>
Ownership:	100.0%
Completion:	January 2005



### Sanno Grand Building

● I-9

Location:	Chiyoda-ku, Tokyo
Site area:	3,663.93m <sup>2</sup>
Floor area of building:	33,875.95m <sup>2</sup>
Ownership:	99.0%
Completion:	September 1966



### Yurakucho Denki Building

● I-10

Location:	Chiyoda-ku, Tokyo
Site area:	5,749.91m <sup>2</sup>
Floor area of building:	70,287.65m <sup>2</sup>
Ownership:	10.78%
Completion:	September 1975



### Front Place Nihonbashi

● I-11

Location:	Chuo-ku, Tokyo
Site area:	1,381.52m <sup>2</sup>
Floor area of building:	11,672.55m <sup>2</sup>
Ownership:	100.0%
Completion:	February 2014



### Kyodo Building (Kayabacho 2Chome)

● I-12

Location:	Chuo-ku, Tokyo
Site area:	754.26m <sup>2</sup>
Floor area of building:	5,505.80m <sup>2</sup>
Ownership:	100.0%
Completion:	April 1991



### Burex Kyobashi Building

● I-13

Location:	Chuo-ku, Tokyo
Site area:	756.03m <sup>2</sup>
Floor area of building:	5,470.54m <sup>2</sup>
Ownership:	100.0%
Completion:	February 2002



### Ginza 1Chome East Building

● I-14

Location:	Chuo-ku, Tokyo
Site area:	702.41m <sup>2</sup>
Floor area of building:	4,976.85m <sup>2</sup>
Ownership:	100.0%
Completion:	May 2008



### Ginza Sanwa Building

● I-15

Location:	Chuo-ku, Tokyo
Site area:	1,119.27m <sup>2</sup>
Floor area of building:	8,851.00m <sup>2</sup>
Ownership:	70.95%
Completion:	October 1982





### Ryoshin Ginza East Mirror Building

• I-16

Location:	Chuo-ku, Tokyo
Site area:	864.91m <sup>2</sup>
Floor area of building:	5,751.68m <sup>2</sup>
Ownership:	100.0%
Completion:	October 1998



### Harumi Front

• I-17

Location:	Chuo-ku, Tokyo
Site area:	7,250.15m <sup>2</sup>
Floor area of building:	45,458.90m <sup>2</sup>
Ownership:	100.0%
Completion:	February 2012



### Harumi Center Building

• I-18

Location:	Chuo-ku, Tokyo
Site area:	4,664.63m <sup>2</sup>
Floor area of building:	26,447.27m <sup>2</sup>
Ownership:	100.0%
Completion:	November 2006



### Akasaka Park Building

• I-19

Location:	Minato-ku, Tokyo
Site area:	14,198.20m <sup>2</sup>
Floor area of building:	97,489.16m <sup>2</sup>
Ownership:	100.0%
Completion:	July 1993



### Aoyama Crystal Building

• I-20

Location:	Minato-ku, Tokyo
Site area:	989.30m <sup>2</sup>
Floor area of building:	8,094.36m <sup>2</sup>
Ownership:	100.0%
Completion:	December 1982



### Clover Shiba-koen

• I-21

Location:	Minato-ku, Tokyo
Site area:	528.58m <sup>2</sup>
Floor area of building:	3,496.01m <sup>2</sup>
Ownership:	100.0%
Completion:	February 2006



### Shiodome Building

• I-22

Location:	Minato-ku, Tokyo
Site area:	12,054.22m <sup>2</sup>
Floor area of building:	115,930.83m <sup>2</sup>
Ownership:	55.0%
Completion:	December 2007



### Shiba 2Chome Daimon Building

• I-23

Location:	Minato-ku, Tokyo
Site area:	2,820.90m <sup>2</sup>
Floor area of building:	16,235.10m <sup>2</sup>
Ownership:	100.0%
Completion:	March 1984



### Cosmo Kanasugibashi Building

• I-24

Location:	Minato-ku, Tokyo
Site area:	758.54m <sup>2</sup>
Floor area of building:	5,420.93m <sup>2</sup>
Ownership:	100.0%
Completion:	March 1992



### Seavans S Building

• I-25

Location:	Minato-ku, Tokyo
Site area:	26,468.48m <sup>2</sup>
Floor area of building:	166,405.36m <sup>2</sup>
Ownership:	13.45%
Completion:	January 1991



### Tamachi Front Building

• I-26

Location:	Minato-ku, Tokyo
Site area:	747.31m <sup>2</sup>
Floor area of building:	5,747.80m <sup>2</sup>
Ownership:	100.0%
Completion:	July 2014



### Shinjuku Eastside Square

• I-27

Location:	Shinjuku-ku, Tokyo
Site area:	25,320.28m <sup>2</sup>
Floor area of building:	167,245.46m <sup>2</sup>
Ownership:	35.0%
Completion:	March 2012



### Shinjuku Front Tower

• I-28

Location:	Shinjuku-ku, Tokyo
Site area:	9,628.17m <sup>2</sup>
Floor area of building:	92,092.30m <sup>2</sup>
Ownership:	37.16%
Completion:	August 2011



### Shinwa Building

• I-29

Location:	Shinjuku-ku, Tokyo
Site area:	822.00m <sup>2</sup>
Floor area of building:	8,291.69m <sup>2</sup>
Ownership:	100.0%
Completion:	November 1989



### Tokyo Opera City Building

• I-30

Location:	Shinjuku-ku, Tokyo
Site area:	18,236.94m <sup>2</sup>
Floor area of building:	232,996.81m <sup>2</sup>
Ownership:	31.33%
Completion:	July 1996





### Front Place Minami-Shinjuku

● I-31

Location:	Shibuya-ku, Tokyo
Site area:	1,040.80m <sup>2</sup>
Floor area of building:	5,982.36m <sup>2</sup>
Ownership:	100.0%
Completion:	September 2015



### Link Square Shinjuku

● I-32

Location:	Shibuya-ku, Tokyo
Site area:	3,852.34m <sup>2</sup>
Floor area of building:	42,049.96m <sup>2</sup>
Ownership:	37.34%
Completion:	August 2019



### Yoyogi 1Chome Building

● I-33

Location:	Shibuya-ku, Tokyo
Site area:	1,755.75m <sup>2</sup>
Floor area of building:	10,778.10m <sup>2</sup>
Ownership:	100.0%
Completion:	October 2003



### Jingumae Terrace

● I-34

Location:	Shibuya-ku, Tokyo
Site area:	839.66m <sup>2</sup>
Floor area of building:	4,359.20m <sup>2</sup>
Ownership:	100.0%
Completion:	December 1987



### Jingumae Media Square Building

● I-35

Location:	Shibuya-ku, Tokyo
Site area:	2,124.59m <sup>2</sup>
Floor area of building:	9,420.42m <sup>2</sup>
Ownership:	100.0%
Completion:	March 1998

### Shibuya Cross Tower (Land with leasehold interest)

● I-36

Location:	Shibuya-ku, Tokyo
Site area:	5,153.45m <sup>2</sup>
Floor area of building:	—
Ownership:	—
Completion:	—



### Ebisu Neonato

● I-37

Location:	Shibuya-ku, Tokyo
Site area:	5,005.70m <sup>2</sup>
Floor area of building:	36,598.38m <sup>2</sup>
Ownership:	44.72%
Completion:	October 1994



### TIXTOWER UENO

● I-38

Location:	Taito-ku, Tokyo
Site area:	2,412.80m <sup>2</sup>
Floor area of building:	23,727.48m <sup>2</sup>
Ownership:	94.04%
Completion:	July 2010



### Higashi-Gotanda 1Chome Building

● I-39

Location:	Shinagawa-ku, Tokyo
Site area:	1,539.95m <sup>2</sup>
Floor area of building:	6,460.39m <sup>2</sup>
Ownership:	100.0%
Completion:	July 2004



### Osaki Front Tower

● I-40

Location:	Shinagawa-ku, Tokyo
Site area:	3,684.38m <sup>2</sup>
Floor area of building:	23,673.92m <sup>2</sup>
Ownership:	100.0%
Completion:	June 2005



### Omori-Eki Higashiguchi Building

● I-41

Location:	Ota-ku, Tokyo
Site area:	2,199.30m <sup>2</sup>
Floor area of building:	14,095.34m <sup>2</sup>
Ownership:	100.0%
Completion:	July 1989



### Harmony Tower

● I-42

Location:	Nakano-ku, Tokyo
Site area:	10,020.52m <sup>2</sup>
Floor area of building:	72,729.31m <sup>2</sup>
Ownership:	38.38%
Completion:	March 1997



### Ikebukuro 2Chome Building

● I-43

Location:	Toshima-ku, Tokyo
Site area:	397.26m <sup>2</sup>
Floor area of building:	3,157.51m <sup>2</sup>
Ownership:	100.0%
Completion:	May 1990



### Ikebukuro YS Building

● I-44

Location:	Toshima-ku, Tokyo
Site area:	1,384.56m <sup>2</sup>
Floor area of building:	7,464.64m <sup>2</sup>
Ownership:	100.0%
Completion:	December 1989

Tokyo metropolitan area, excluding Tokyo 23 wards



**Hachioji First Square**

• II-1

Location:	Hachioji, Tokyo
Site area:	2,989.33m <sup>2</sup>
Floor area of building:	18,329.98m <sup>2</sup>
Ownership:	80.40%
Completion:	July 1996



**Saitama Urawa Building**

• II-2

Location:	Saitama, Saitama Prefecture
Site area:	1,533.06m <sup>2</sup>
Floor area of building:	6,258.59m <sup>2</sup>
Ownership:	100.0%
Completion:	March 1990



**MM Park Building**

• II-3

Location:	Yokohama, Kanagawa Prefecture
Site area:	6,825.77m <sup>2</sup>
Floor area of building:	49,037.51m <sup>2</sup>
Ownership:	100.0%
Completion:	December 2007



**Queen's Tower A**

• II-4

Location:	Yokohama, Kanagawa Prefecture
Site area:	44,406.40m <sup>2</sup>
Floor area of building:	498,282.77m <sup>2</sup>
Ownership:	11.11%
Completion:	June 1997



**Musashi Kosugi STM Building**

• II-5

Location:	Kawasaki, Kanagawa Prefecture
Site area:	3,552.15m <sup>2</sup>
Floor area of building:	22,839.61m <sup>2</sup>
Ownership:	34.32%
Completion:	October 1990

Other major cities



**8-3 Square Kita Building**

• III-1

Location:	Sapporo, Hokkaido
Site area:	5,541.60m <sup>2</sup>
Floor area of building:	16,096.97m <sup>2</sup>
Ownership:	100.0%
Completion:	December 2006



**Jozenji Park Building**

• III-2

Location:	Sendai, Miyagi Prefecture
Site area:	1,566.68m <sup>2</sup>
Floor area of building:	7,648.53m <sup>2</sup>
Ownership:	50.0%
Completion:	January 1993



**Higashi Nibancho Square**

• III-3

Location:	Sendai, Miyagi Prefecture
Site area:	3,191.27m <sup>2</sup>
Floor area of building:	27,680.45m <sup>2</sup>
Ownership:	100.0%
Completion:	July 2008



**Sendai Honcho Honma Building**

• III-4

Location:	Sendai, Miyagi Prefecture
Site area:	1,437.47m <sup>2</sup>
Floor area of building:	8,247.50m <sup>2</sup>
Ownership:	100.0%
Completion:	November 1991



**AER**

• III-5

Location:	Sendai, Miyagi Prefecture
Site area:	6,591.05m <sup>2</sup>
Floor area of building:	73,186.57m <sup>2</sup>
Ownership:	55.35%
Completion:	March 1998



**Daido Seimei Niigata Building**

• III-6

Location:	Niigata, Niigata Prefecture
Site area:	875.05m <sup>2</sup>
Floor area of building:	5,327.23m <sup>2</sup>
Ownership:	100.0%
Completion:	October 1998



### Kanazawa Park Building

• III-7

Location:	Kanazawa, Ishikawa Prefecture
Site area:	6,642.71m <sup>2</sup>
Floor area of building:	43,481.20m <sup>2</sup>
Ownership:	89.0%
Completion:	October 1991



### Kanazawa Kamitsutsumicho Building

• III-8

Location:	Kanazawa, Ishikawa Prefecture
Site area:	1,561.80m <sup>2</sup>
Floor area of building:	9,619.96m <sup>2</sup>
Ownership:	100.0%
Completion:	August 2009



### Nishiki Park Building

• III-9

Location:	Nagoya, Aichi Prefecture
Site area:	2,170.45m <sup>2</sup>
Floor area of building:	25,091.91m <sup>2</sup>
Ownership:	71.74%
Completion:	August 1995



### Nagoya Hirokoji Place

• III-10

Location:	Nagoya, Aichi Prefecture
Site area:	2,401.43m <sup>2</sup>
Floor area of building:	15,947.29m <sup>2</sup>
Ownership:	100.0%
Completion:	December 2004



### Nagoya Hirokoji Building

• III-11

Location:	Nagoya, Aichi Prefecture
Site area:	4,095.81m <sup>2</sup>
Floor area of building:	33,377.73m <sup>2</sup>
Ownership:	100.0%
Completion:	May 1987



### Nagoya Misono Building

• III-12

Location:	Nagoya, Aichi Prefecture
Site area:	805.04m <sup>2</sup>
Floor area of building:	5,348.00m <sup>2</sup>
Ownership:	100.0%
Completion:	September 1991



### Shijo Karasuma Center Building

• III-13

Location:	Kyoto, Kyoto Prefecture
Site area:	1,371.16m <sup>2</sup>
Floor area of building:	9,185.98m <sup>2</sup>
Ownership:	100.0%
Completion:	January 2010



### Umeda Square Building

• III-14

Location:	Osaka, Osaka Prefecture
Site area:	1,652.88m <sup>2</sup>
Floor area of building:	18,673.28m <sup>2</sup>
Ownership:	100.0%
Completion:	July 1995



### Shin-Fujita Building

• III-15

Location:	Osaka, Osaka Prefecture
Site area:	6,159.61m <sup>2</sup>
Floor area of building:	45,411.31m <sup>2</sup>
Ownership:	100.0%
Completion:	April 1995



### Sakaisujihonmachi Building

• III-16

Location:	Osaka, Osaka Prefecture
Site area:	2,036.22m <sup>2</sup>
Floor area of building:	17,145.59m <sup>2</sup>
Ownership:	100.0%
Completion:	October 1992



### Midosuji Daiwa Building

• III-17

Location:	Osaka, Osaka Prefecture
Site area:	3,044.65m <sup>2</sup>
Floor area of building:	31,213.27m <sup>2</sup>
Ownership:	100.0%
Completion:	September 1991



### Amagasaki Front Building

• III-18

Location:	Amagasaki, Hyogo Prefecture
Site area:	3,975.20m <sup>2</sup>
Floor area of building:	24,055.58m <sup>2</sup>
Ownership:	100.0%
Completion:	October 2008



### Lit City Building

• III-19

Location:	Okayama, Okayama Prefecture
Site area:	7,596.44m <sup>2</sup>
Floor area of building:	52,653.19m <sup>2</sup>
Ownership:	24.60%
Completion:	June 2005



### NHK Hiroshima Broadcasting Center Building

• III-20

Location:	Hiroshima, Hiroshima Prefecture
Site area:	3,296.46m <sup>2</sup>
Floor area of building:	35,217.28m <sup>2</sup>
Ownership:	48.75%
Completion:	August 1994



### Tosei Tenjin Building

• III-21

Location:	Fukuoka, Fukuoka Prefecture
Site area:	1,221.31m <sup>2</sup>
Floor area of building:	5,588.57m <sup>2</sup>
Ownership:	100.0%
Completion:	March 1992



### Tenjin Crystal Building

• III-22

Location:	Fukuoka, Fukuoka Prefecture
Site area:	1,835.17m <sup>2</sup>
Floor area of building:	10,432.04m <sup>2</sup>
Ownership:	100.0%
Completion:	August 1993



### Hinode Tenjin Building

• III-23

Location:	Fukuoka, Fukuoka Prefecture
Site area:	1,452.15m <sup>2</sup>
Floor area of building:	12,527.07m <sup>2</sup>
Ownership:	74.48%
Completion:	August 1987

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

# Financial Section

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## Selected Financial Data

	Millions of yen				
	For the period from April 1, 2021 to September 30, 2021	For the period from October 1, 2020 to March 31, 2021	For the period from April 1, 2020 to September 30, 2020	For the period from October 1, 2019 to March 31, 2020	For the period from April 1, 2019 to September 30, 2019
Operating revenues	36,901	34,944	34,966	35,996	35,164
Operating expenses	18,507	18,464	18,468	18,641	18,669
Operating profit	18,394	16,479	16,498	17,354	16,494
Ordinary profit	17,477	15,508	15,608	16,326	15,390
Profit before income taxes	17,477	15,508	15,608	16,326	15,390
Profit	16,865	15,560	15,598	15,755	14,945
Total assets	1,003,583	1,001,734	1,000,254	982,607	966,390
Interest-bearing debt	419,493	419,493	418,993	401,993	389,993
Net assets	516,447	515,262	515,302	514,400	512,770
Unitholders' capital	497,241	497,241	497,241	497,241	497,241
Number of units (Units)	1,385,210	1,385,210	1,385,210	1,385,210	1,385,210
Net assets per unit (Yen)	372,829	371,974	372,002	371,351	370,174
Cash distribution	15,730	15,680	15,600	14,697	14,124
Dividend payout ratio (Note 1)	93.3%	100.8%	100.0%	93.3%	94.5%
Dividend per unit (Yen)	11,356	11,320	11,262	10,610	10,197
Net operating income (NOI)	24,204	24,825	24,943	23,413	23,104
Funds from operations (FFO)	20,583	22,089	22,225	19,986	19,795
Return on assets (ROA) (Note 2)	1.7%	1.5%	1.6%	1.7%	1.6%
	(3.5% annualized)	(3.1% annualized)	(3.1% annualized)	(3.3% annualized)	(3.2% annualized)
Return on equity (ROE) (Note 3)	3.3%	3.0%	3.0%	3.1%	2.9%
	(6.5% annualized)	(6.1% annualized)	(6.0% annualized)	(6.1% annualized)	(5.8% annualized)
EOP equity ratio (Note 4)	51.5%	51.4%	51.5%	52.4%	53.1%
EOP interest-bearing debt ratio on total assets (Note 5)	41.8%	41.9%	41.9%	40.9%	40.4%
FFO multiple (Times)	22.5	20.4	16.8	22.0	25.4
Debt service coverage ratio (Times) (Note 6)	27.7	24.8	24.2	24.3	21.4

Notes: 1. Dividend payout ratio = Dividend per unit / Profit per unit × 100

2. ROA = Ordinary profit / Average of Total assets during the period × 100

3. ROE = Profit / Average of Net assets during the period × 100

(Annualized portion of the calculation given in Note 2 and Note 3 assumes a fiscal period of 183 days for the period ended September 30, 2019, 183 days for the period ended March 31, 2020, 183 days for the period ended September 30, 2020, 182 days for the period ended March 31, 2021 and 183 days for the period ended September 30, 2021.)

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

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

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

## Balance Sheets

As of March 31, 2021 and September 30, 2021

	Thousands of yen	
	As of March 31, 2021	As of September 30, 2021
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and deposits	27,205,981	37,566,086
Cash and deposits in trust	7,147,852	6,870,954
Operating accounts receivable	521,760	339,110
Prepaid expenses	135,511	245,256
Other	20,948	94,060
Total current assets	35,032,055	45,115,468
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings	265,776,388	266,582,140
Accumulated depreciation	(111,950,847)	(116,042,747)
Buildings, net	153,825,541	150,539,392
Structures	3,232,451	3,232,451
Accumulated depreciation	(1,127,789)	(1,181,006)
Structures, net	2,104,661	2,051,445
Machinery and equipment	3,480,509	3,489,256
Accumulated depreciation	(2,683,808)	(2,730,756)
Machinery and equipment, net	796,701	758,499
Tools, furniture and fixtures	483,514	500,471
Accumulated depreciation	(320,897)	(334,218)
Tools, furniture and fixtures, net	162,617	166,252
Land	474,256,178	474,256,178
Construction in progress	60,380	67,259
Buildings in trust	107,362,525	104,744,019
Accumulated depreciation	(34,437,955)	(35,064,476)
Buildings in trust, net	72,924,570	69,679,542
Structures in trust	1,029,596	1,015,676
Accumulated depreciation	(396,294)	(415,707)
Structures in trust, net	633,302	599,968
Machinery and equipment in trust	814,862	847,147
Accumulated depreciation	(584,870)	(597,799)
Machinery and equipment in trust, net	229,991	249,348
Tools, furniture and fixtures in trust	72,983	72,866
Accumulated depreciation	(48,399)	(49,422)
Tools, furniture and fixtures in trust, net	24,584	23,444
Land in trust	251,658,301	250,042,009
Construction in progress in trust	11,316	15,760
Total property, plant and equipment	956,688,146	948,449,102
Intangible assets		
Land leasehold interests	5,611,725	5,595,895
Easement	828,095	828,095
Other	33,160	29,153
Total intangible assets	6,472,981	6,453,144
Investments and other assets		
Investment securities	577,168	577,168
Leasehold and guarantee deposits	1,573,847	1,573,847
Long-term prepaid expenses	61,736	25,585
Other	1,226,601	1,299,141
Total investments and other assets	3,439,354	3,475,742
Total non-current assets	966,600,481	958,377,989
<b>Deferred assets</b>		
Investment corporation bond issuance costs	102,101	89,673
Total deferred assets	102,101	89,673
<b>Total Assets</b>	<b>1,001,734,637</b>	<b>1,003,583,130</b>



	Thousands of yen	
	As of March 31, 2021	As of September 30, 2021
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Operating accounts payable	1,424,904	1,325,773
Short-term borrowings	18,000,000	18,000,000
Current portion of long-term borrowings	51,700,000	51,000,000
Accounts payable - other	1,874,124	2,248,639
Accrued expenses	347,827	340,846
Income taxes payable	11,612	8,590
Accrued consumption taxes	1,145,093	1,133,236
Advances received	3,172,578	3,065,332
Other	14,142	14,103
<b>Total current liabilities</b>	<b>77,690,282</b>	<b>77,136,522</b>
<b>Non-current liabilities</b>		
Investment corporation bonds	42,993,175	42,993,175
Long-term borrowings	306,800,000	307,500,000
Deposits received from tenants	57,385,322	57,302,592
Deferred tax liabilities	1,217,307	1,817,721
Asset retirement obligations	359,628	363,251
Other	26,345	22,128
<b>Total non-current liabilities</b>	<b>408,781,778</b>	<b>409,998,869</b>
<b>Total Liabilities</b>	<b>486,472,061</b>	<b>487,135,392</b>
<b>NET ASSETS</b>		
<b>Unitholders' equity</b>		
Unitholders' capital	497,241,216	497,241,216
Surplus		
Voluntary retained earnings		
Reserve for tax purpose reduction entry	2,424,282	2,303,775
Total voluntary retained earnings	2,424,282	2,303,775
Unappropriated retained earnings	15,597,077	16,902,746
Total surplus	18,021,360	19,206,522
Total unitholders' equity	515,262,576	516,447,738
<b>Total Net Assets</b>	<b>515,262,576</b>	<b>516,447,738</b>
<b>Total Liabilities and Net Assets</b>	<b>1,001,734,637</b>	<b>1,003,583,130</b>

# Statements of Income and Retained Earnings

For the six months ended March 31, 2021 and September 30, 2021

Thousands of yen

	For the period from October 1, 2020 to March 31, 2021	For the period from April 1, 2021 to September 30, 2021
<b>Operating revenues</b>		
Rent revenues	34,666,758	34,209,880
Other lease business revenues	277,319	145,110
Gain on sales of real estate properties	—	2,546,518
Total operating revenues	34,944,078	36,901,509
<b>Operating expenses</b>		
Expenses related to lease business	16,648,001	16,415,368
Asset management fees	1,433,297	1,719,993
Asset custody fees	64,705	64,717
Administrative service fees	134,140	134,827
Directors' compensations	7,800	7,800
Commission expenses	105,520	89,352
Other operating expenses	71,203	75,003
Total operating expenses	18,464,669	18,507,062
<b>Operating profit</b>	16,479,409	18,394,447
<b>Non-operating income</b>		
Interest income	140	156
Dividend income	—	12,149
Reversal of distributions payable	1,501	1,883
Income on settlement of management association accounts	—	9,346
Gain on receipt of donated non-current assets	9,166	—
Other	—	0
Total non-operating income	10,807	23,535
<b>Non-operating expenses</b>		
Interest expenses	754,704	717,408
Interest expenses on investment corporation bonds	172,899	172,681
Amortization of investment corporation bond issuance costs	11,642	12,427
Other	42,355	38,216
Total non-operating expenses	981,602	940,734
<b>Ordinary profit</b>	15,508,613	17,477,248
<b>Profit before income taxes</b>	15,508,613	17,477,248
<b>Income taxes – current</b>	11,633	11,095
<b>Income taxes – deferred</b>	(63,799)	600,413
<b>Total income taxes</b>	(52,165)	611,509
<b>Profit</b>	15,560,779	16,865,739
<b>Retained earnings brought forward</b>	36,297	37,007
<b>Unappropriated retained earnings</b>	15,597,077	16,902,746

# Statements of Changes in Unitholders' Equity

For the six months ended March 31, 2021 and September 30, 2021

For the period from October 1, 2020 to March 31, 2021

Thousands of yen

	Unitholders' equity						Total net assets
	Unitholders' capital	Surplus			Total unitholders' equity		
		Reserve for tax purpose reduction entry	Total voluntary retained earnings	Unappropriated retained earnings			
Balance at beginning of the period	497,241,216	2,426,375	2,426,375	15,634,440	18,060,815	515,302,031	515,302,031
Changes during the period							
Reversal of reserve for tax purpose reduction entry		(2,092)	(2,092)	2,092	—	—	—
Dividends of surplus				(15,600,235)	(15,600,235)	(15,600,235)	(15,600,235)
Profit				15,560,779	15,560,779	15,560,779	15,560,779
Total changes during the period	—	(2,092)	(2,092)	(37,363)	(39,455)	(39,455)	(39,455)
Balance at end of the period	497,241,216	2,424,282	2,424,282	15,597,077	18,021,360	515,262,576	515,262,576

For the period from April 1, 2021 to September 30, 2021

Thousands of yen

	Unitholders' equity						Total net assets
	Unitholders' capital	Surplus			Total unitholders' equity		
		Reserve for tax purpose reduction entry	Total voluntary retained earnings	Unappropriated retained earnings			
Balance at beginning of the period	497,241,216	2,424,282	2,424,282	15,597,077	18,021,360	515,262,576	515,262,576
Changes during the period							
Reversal of reserve for tax purpose reduction entry		(120,506)	(120,506)	120,506	—	—	—
Dividends of surplus				(15,680,577)	(15,680,577)	(15,680,577)	(15,680,577)
Profit				16,865,739	16,865,739	16,865,739	16,865,739
Total changes during the period	—	(120,506)	(120,506)	1,305,668	1,185,162	1,185,162	1,185,162
Balance at end of the period	497,241,216	2,303,775	2,303,775	16,902,746	19,206,522	516,447,738	516,447,738

## Statements of Cash Distributions

For the six months ended March 31, 2021 and September 30, 2021

	For the period from October 1, 2020 to March 31, 2021	For the period From April 1, 2021 to September 30, 2021
	Amount (Yen)	Amount (Yen)
I Retained earnings	15,597,077,487	16,902,746,371
II Reversal of voluntary retained earnings		
Reversal of reserve for tax purpose reduction entry	120,506,758	—
III Cash distribution	15,680,577,200	15,730,444,760
(Dividend per investment unit)	(11,320)	(11,356)
IV Voluntary retained earnings		
Provision of reserve for tax purpose reduction entry	—	1,135,294,566
V Retained earnings brought forward	37,007,045	37,007,045

### Computation Method for Determining Dividends

The Company will make cash distributions using earnings 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 calculated by adding the reversal of reserve for tax purpose reduction entry to the unappropriated retained earnings and also securing retained earnings brought forward, is ¥15,680,577,200 for the period, which is a multiple of 1,385,210 — the number of units outstanding as of March 31, 2021. Furthermore, the Company does not pay out dividends that exceed earnings as outlined in Article 32-1(3) of the Company's Articles of Incorporation.

The Company will make cash distributions using earnings based on the cash distribution policy outlined in Article 32-1(2) of the Company's Articles of Incorporation, in an amount that exceeds 90% of the "amount of distributable profit" as set forth in Article 67-15 of the Special Taxation Measures Act. Based on this policy, the Company has decided that the total amount of dividends, under the application of Article 65-7 "Exceptions of the Taxation in case of the Replacement by Purchase of Specific Assets" of the Special Taxation Measures Act, making reduction entries, and securing retained earnings brought forward, is ¥15,730,444,760 for the period, which is a multiple of 1,385,210 — the number of units outstanding as of September 30, 2021. Furthermore, the Company does not pay out dividends that exceed earnings as outlined in Article 32-1(3) of the Company's Articles of Incorporation.

# Statements of Cash Flows

For the six months ended March 31, 2021 and September 30, 2021

	Thousands of yen	
	For the period from October 1, 2020 to March 31, 2021	For the period from April 1, 2021 to September 30, 2021
<b>Cash flows from operating activities</b>		
Profit before income taxes	15,508,613	17,477,248
Depreciation	6,530,798	6,265,006
Gain on receipt of donated non-current assets	(9,166)	—
Amortization of investment corporation bond issuance costs	11,642	12,427
Dividend income	—	(12,149)
Interest income	(140)	(156)
Interest expenses	927,604	890,089
Decrease (increase) in operating accounts receivable	(91,109)	182,650
Decrease (increase) in supplies	(129)	191
Decrease (increase) in prepaid expenses	92,535	(109,744)
Decrease in property, plant and equipment in trust due to sale	—	3,245,381
Increase (decrease) in operating accounts payable	(94,763)	262,177
Increase (decrease) in accounts payable - other	(19,649)	372,241
Increase (decrease) in accrued consumption taxes	676,967	(11,857)
Increase (decrease) in accrued expenses	131	(131)
Increase (decrease) in advances received	1,771	(107,245)
Decrease (increase) in long-term prepaid expenses	33,291	36,151
Other, net	(104,128)	(130,155)
Subtotal	23,464,270	28,372,125
Interest and dividends received	140	12,306
Interest paid	(947,405)	(896,939)
Income taxes paid	(8,269)	(14,117)
Net cash provided by (used in) operating activities	22,508,736	27,473,375
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(1,431,157)	(1,168,607)
Purchase of property, plant and equipment in trust	(353,107)	(484,779)
Purchase of intangible assets	—	(550)
Payments of leasehold and guarantee deposits	—	(7,610)
Refund of leasehold and guarantee deposits received	(1,340,413)	(2,038,400)
Proceeds from leasehold and guarantee deposits received	1,423,621	1,986,200
Net cash provided by (used in) investing activities	(1,701,056)	(1,713,747)
<b>Cash flows from financing activities</b>		
Proceeds from short-term borrowings	27,500,000	29,000,000
Repayments of short-term borrowings	(40,500,000)	(29,000,000)
Proceeds from long-term borrowings	31,500,000	24,200,000
Repayments of long-term borrowings	(28,000,000)	(24,200,000)
Proceeds from issuance of investment corporation bonds	10,000,000	—
Payments of investment corporation bond issuance costs	(50,315)	—
Distributions paid	(15,599,398)	(15,676,421)
Net cash provided by (used in) financing activities	(15,149,713)	(15,676,421)
<b>Net increase (decrease) in cash and cash equivalents</b>	5,657,966	10,083,207
<b>Cash and cash equivalents at beginning of the period</b>	28,695,867	34,353,833
<b>Cash and cash equivalents at end of the period</b>	34,353,833	44,437,040

# Notes to Financial Statements

March 31, 2021 and September 30, 2021

## 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. (“JRE-AM”).

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

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

On February 9, 2021, the transfer of 28,571 JRE-AM shares owned by Mitsui & Co., Ltd. (10.0% of outstanding shares) to MEC was approved by the board of directors. Upon the completion of the share transfer on April 16, the percentage of JRE-AM’s shares held by MEC increased from 90.0% to 100.0%.

As of September 30, 2021, the Company owned a portfolio of 72 office properties with an aggregate of approximately 866,577 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 (“IFRS”).

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, which have no market prices, classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

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

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

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



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

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

#### **Intangible assets**

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

#### **Leased assets**

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

#### **Deferred charges**

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

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

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

#### **Revenue recognition**

The content of main performance obligations related to revenue arising from contracts with customers of the Company and the normal timing for satisfying such performance obligations (the normal timing for recognizing revenue) are as follows:

##### **(i) Sales of real estate properties**

The Company recognizes revenue from the sale of real estate properties when the purchaser, as the customer, obtains control of the real estate property by fulfilling the delivery obligations stipulated in the contract for the sale of real estate property.

##### **(ii) Utilities income**

The Company recognizes utilities income based on the supply of electricity, water, etc. to the lessee as the customer, in accordance with the terms of the real estate lease contract and related agreements. Of utilities income, in the case that the Company determines it is an agent for utilities income, the utilities income is recognized as income at the net amount received as charges for electricity, gas, etc. supplied by other parties, less the amount paid to such other parties.

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

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

**Consumption taxes**

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

**Cash and cash equivalents**

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

**Hedge accounting**

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

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

### 3. Notes on Changes in Accounting Policies

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**Application of Accounting Standard for Fair Value Measurement**

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) from the beginning of the fiscal period ended September 30, 2021, and in accordance with the transitional treatments outlined in Paragraph 19 of Accounting Standard for Fair Value Measurement and Paragraph 44-2 of Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the new accounting policies outlined by Accounting Standard for Fair Value Measurement will be applied prospectively. The effect of this change on the financial statements is immaterial.

**Application of Accounting Standard for Revenue Recognition**

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and the "Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 26, 2021) from the beginning of the fiscal period ended September 30, 2021, and recognized revenue at the amount expected to be received in exchange for the promised goods or services when control of the goods or services is transferred to the customer. The effect of this change on the financial statements is immaterial. In accordance with the transitional treatment outlined in Paragraph 89-3 of Accounting Standard for Revenue Recognition, the note related to the Revenue Recognition for the previous fiscal period is not presented.

#### 4. Commitment Line Agreement

As of March 31, 2021 and September 30, 2021

The Company has signed commitment line agreements with three banks.

	Thousands of yen	
	As of March 31, 2021	As of September 30, 2021
Total amount of commitment line agreements	60,000,000	60,000,000
Debt financing balance	—	—
Balance	60,000,000	60,000,000

#### 5. Reserve for Tax Purpose Reduction Entry

As of March 31, 2021 and September 30, 2021

	Thousands of yen	
	As of March 31, 2021	As of September 30, 2021
Reserve for tax purpose reduction entry	2,424,282	2,303,775
Deferred tax liability for the reserve for tax purpose reduction entry	1,218,278	1,818,643
Total	3,642,561	4,122,419

Note: Reduction entry is made based on the reserve method, where the requirements of the tax law are met, and deferred tax liability is recorded in the liabilities section for the future taxable temporary difference related to the amount of the reserve for reduction entry, and the net amount after deducting the deferred tax liability is recorded in the net assets section as the reserve for tax purpose reduction entry. This deferred tax liability is recorded (or reversed) as a counterpart account of income taxes-deferred in the statements of income.

## 6. Financial Instruments

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### 1. Status of financial instruments

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

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

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

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

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

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

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

The funding proceeds from borrowings and issues of investment corporation bonds are applied mainly to acquire real estate properties and repay outstanding loans and bonds. While floating-rate short-term and long-term loans are exposed to the risk of interest-rate hikes, such risk is mitigated by the Company’s low LTV and relatively high percentage of long-term fixed-rate debts within the total borrowing. The Company may also exercise hedging by means of derivative transactions (interest-rate swap transactions) in order to mitigate the risk of fluctuation concerning the floating-rate long-term loans, thereby effectively stabilizing the overall interest rates on the loans. Foreign currency-denominated loans are also exposed to currency exchange and interest-rate fluctuation risk. However, the Company uses derivative transactions as a method of hedging against these risks (interest-rate and currency swap transactions). Foreign currency investment corporation bonds are also exposed to currency exchange risk. However, the Company uses derivative transactions as a method of hedging against the risks (currency swap transactions). For more detailed information on the hedge accounting method, please refer to 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, 2021 and September 30, 2021) and (iii) preparing monthly financial plans.

#### (3) Supplementary note regarding fair value of financial instruments

Since the fair value of financial instruments is calculated based on certain assumptions, the fair value could differ depending on the assumptions used. In addition, the contract value of derivative transactions, which is presented in Section 7. “Derivative Transactions”, is not an exact representation of market risk attributable to derivative transactions.

## 2. Fair value of financial instruments

Fair value of financial instruments, their values carried on the balance sheets and the differences between them as of March 31, 2021 and September 30, 2021 are as follows. Since “Cash and deposits”, “Cash and deposits in trust”, and “Short-term borrowings” are cash and due to be settled in a short period, and their fair values approximate their book values, the notes are omitted.

	Thousands of yen		
	As of March 31, 2021		
	Book value*	Fair value*	Difference*
(1) Current portion of long-term borrowings	(51,700,000)	(51,806,789)	(106,789)
(2) Investment corporation bonds	(42,993,175)	(44,094,756)	(1,101,581)
(3) Long-term borrowings	(306,800,000)	(307,182,235)	(382,235)
(4) Deposits received from tenants	(57,385,322)	—	—
(5) Derivative transactions	—	—	—

\* Liabilities are shown in parentheses.

	Thousands of yen		
	As of September 30, 2021		
	Book value*	Fair value*	Difference*
(1) Current portion of long-term borrowings	(51,000,000)	(51,136,724)	(136,724)
(2) Investment corporation bonds	(42,993,175)	(43,883,557)	(890,382)
(3) Long-term borrowings	(307,500,000)	(308,539,593)	(1,039,593)
(4) Deposits received from tenants	(57,302,592)	(56,544,390)	(-758,201)
(5) Derivative transactions	—	—	—

\* Liabilities are shown in parentheses.

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

(1) Current portion of long-term borrowings and (3) Long-term borrowings

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

(2) Investment corporation bonds

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

(4) Deposits received from tenants

The fair value of these deposits as of September 30, 2021 is the discounted present value by estimated period until the deposits are returned and discount rate reflected credit risk of the Company.

(5) Derivative transactions

Please refer to Section 7. “Derivative Transactions”.

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

	Thousands of yen					
	As of March 31, 2021					
	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Investment corporation bonds	—	—	10,000,000	—	20,000,000	12,993,175
Long-term borrowings	51,700,000	48,500,000	39,500,000	54,800,000	47,500,000	116,500,000
<b>Total</b>	<b>51,700,000</b>	<b>48,500,000</b>	<b>49,500,000</b>	<b>54,800,000</b>	<b>67,500,000</b>	<b>129,493,175</b>

	Thousands of yen					
	As of September 30, 2021					
	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Investment corporation bonds	—	—	10,000,000	10,000,000	10,000,000	12,993,175
Long-term borrowings	51,000,000	48,500,000	42,300,000	57,000,000	36,700,000	123,000,000
<b>Total</b>	<b>51,000,000</b>	<b>48,500,000</b>	<b>52,300,000</b>	<b>67,000,000</b>	<b>46,700,000</b>	<b>135,993,175</b>

## 7. Derivative Transactions

### (1) Derivatives not designated as hedging instruments

As of March 31, 2021

“Not applicable”

As of September 30, 2021

“Not applicable”

### (2) Derivatives designated as hedging instruments

As of March 31, 2021

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

Derivative accounting method	Type of derivative transaction	Hedged item	Contract value		Fair value	Measurement of fair value
				Over one year		
Special Treatment for interest-rate swap	Receive floating, pay fixed interest-rate swap transactions	Long-term borrowings	46,800,000	26,300,000	*1	—
Integrated Treatment (Special Treatment and Allocation Treatment) for interest-rate and currency swap	Receive floating USD, pay fixed JPY, interest-rate and currency swap transactions (with initial and final exchange)	Long-term borrowings	10,000,000	10,000,000	*1	—
Allocation Treatment for currency swap	Receive fixed USD, pay fixed JPY, currency swap transactions (with initial and final exchange)	Investment corporation bonds	2,993,175	2,993,175	*2	—

Thousands of yen

As of September 30, 2021

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

Derivative accounting method	Type of derivative transaction	Hedged item	Contract value		Fair value	Measurement of fair value
				Over one year		
Special Treatment for interest-rate swap	Receive floating, pay fixed interest-rate swap transactions	Long-term borrowings	46,800,000	16,800,000	*1	—
Integrated Treatment (Special Treatment and Allocation Treatment) for interest-rate and currency swap	Receive floating USD, pay fixed JPY, interest-rate and currency swap transactions (with initial and final exchange)	Long-term borrowings	10,000,000	10,000,000	*1	—
Allocation Treatment for currency swap	Receive fixed USD, pay fixed JPY, currency swap transactions (with initial and final exchange)	Investment corporation bonds	2,993,175	2,993,175	*2	—

Thousands of yen

\*1. The derivative transactions eligible for Special Treatment for interest-rate swap and Integrated Treatment (Special Treatment for interest-rate swap and Allocation Treatment for currency swap) are accounted for as integral parts of the hedged loans, and the fair value of those derivative transactions is included in that of the underlying long-term borrowings as of March 31, 2021 and September 30, 2021. Please refer to Note 1 of “2. Fair value of financial instruments” under Section 6. “Financial Instruments”, as well as subheadings (1) and (3) concerning derivative transactions.

\*2. Currency swap transactions eligible for allocation treatment are accounted for as integrated parts of the hedged investment corporation bonds, and the fair value of the currency swap transactions is included in that of the underlying investment bonds as of March 31, 2021 and September 30, 2021. Please refer to Note 1 of “2. Fair value of financial instruments” under Section 6. “Financial Instruments”, as well as subheading (2) concerning derivative transactions.



## 8. Property, Plant and Equipment and Intangible Assets

Changes in Property, plant and equipment and Intangible assets for the six months ended September 30, 2021 are as follows:

Type of Asset		Balance at beginning of the period	Increase during the period	Decrease during the period	Balance at end of the period	Accumulated depreciation Accumulated amortization		Net balance at end of the period	Remarks
						Depreciation and amortization			
Property, plant and equipment	Buildings	265,776,388	805,751	—	266,582,140	116,042,747	4,091,899	150,539,392	—
	Structures	3,232,451	—	—	3,232,451	1,181,006	53,216	2,051,445	—
	Machinery and equipment	3,480,509	8,746	—	3,489,256	2,730,756	46,948	758,499	—
	Tools, furniture and fixtures	483,514	16,956	—	500,471	334,218	13,321	166,252	—
	Land	474,256,178	—	—	474,256,178	—	—	474,256,178	—
	Construction in progress	60,380	11,439	4,560	67,259	—	—	67,259	—
	Buildings in trust	107,362,525	362,282	2,980,788	104,744,019	35,064,476	1,989,102	69,679,542	—
	Structures in trust	1,029,596	751	14,671	1,015,676	415,707	26,795	599,968	—
	Machinery and equipment in trust	814,862	39,095	6,810	847,147	597,799	16,824	249,348	—
	Tools, furniture and fixtures in trust	72,983	2,426	2,543	72,866	49,422	2,887	23,444	—
	Land in trust	251,658,301	—	1,616,291	250,042,009	—	—	250,042,009	—
	Construction in progress in trust	11,316	10,133	5,689	15,760	—	—	15,760	—
		Subtotal	1,108,239,008	1,257,584	4,631,355	1,104,865,237	156,416,135	6,240,996	948,449,102
Intangible assets	Land leasehold interests	5,933,601	—	—	5,933,601	337,706	15,829	5,595,895	—
	Easement	828,095	—	—	828,095	—	—	828,095	—
	Other	55,677	550	—	56,227	27,074	4,556	29,153	—
		Subtotal	6,817,374	550	—	6,817,924	364,780	20,386	6,453,144
	Total	1,115,056,383	1,258,134	4,631,355	1,111,683,162	156,780,915	6,261,383	954,902,247	

Thousands of yen

## 9. Borrowings

The condition of loans by financial institutions as of September 30, 2021 is as follows.

	Classification	Drawdown date	Balance at beginning of current period (¥ thousand)	Balance at end of current period (¥ thousand)	Average interest rate*1 (%)	Repayment date	Repayment method	Use of proceeds	Notes
	Lender								
Short-term borrowings	Sumitomo Mitsui Trust Bank, Limited	April 20, 2020	2,000,000	—	0.1172	April 20, 2021	Bullet	*2	Unsecured Unguaranteed Unsubordinated
	Mizuho Bank, Ltd.	April 20, 2020	5,000,000	—	0.1172	April 20, 2021			
	MUFG Bank, Ltd. *3	February 18, 2021	11,000,000 *3	—	0.11909	May 18, 2021			
	MUFG Bank, Ltd. *4	May 18, 2021	—	—	0.10909	August 18, 2021			
	MUFG Bank, Ltd. *5	August 18, 2021	—	11,000,000 *5	0.09727	November 18, 2021			
	Mizuho Bank, Ltd.	April 20, 2021	—	5,000,000	0.12524	April 20, 2022			
	Sumitomo Mitsui Trust Bank, Limited	April 20, 2021	—	2,000,000	0.12524	April 20, 2022			
	Subtotal		18,000,000	18,000,000					
Long-term borrowings	MUFG Bank, Ltd.	April 4, 2017	5,000,000	—	0.000 *6	April 5, 2021	Bullet	*2	Unsecured Unguaranteed Unsubordinated
	MUFG Bank, Ltd.	April 24, 2013	5,000,000	—	0.775	April 26, 2021			
	Mizuho Bank, Ltd.	June 15, 2012	4,000,000	—	1.07375	June 15, 2021			
	Sumitomo Mitsui Trust Bank, Limited	December 26, 2016	3,700,000	—	0.1913	June 28, 2021			
	Sumitomo Mitsui Banking Corporation	January 19, 2018	5,000,000	—	0.16255	July 20, 2021			
	The Bank of Fukuoka, Ltd.	August 31, 2017	1,500,000	—	0.1325	August 31, 2021			
	The Iyo Bank, Ltd.	October 1, 2014	1,000,000	1,000,000	0.46525	October 1, 2021 *7			
	The Chugoku Bank, Limited	October 1, 2014	1,000,000	1,000,000	0.4725	October 1, 2021 *7			
	Daishi Hokuetsu Bank, Ltd.	November 14, 2014	3,200,000	3,200,000	0.463	November 15, 2021 *7			
	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 Gunma Bank, Ltd.		900,000	900,000					
	The 77 Bank, Ltd.		900,000	900,000					
	The Tochigi Bank, Ltd.		900,000	900,000					
	The Fukui Bank, Ltd.		900,000	900,000					
	The Bank of Iwate, Ltd.		500,000	500,000					
	The Higo Bank, Ltd.		500,000	500,000					
	The Yamagata Bank, Ltd.		500,000	500,000					
	The Nishi-Nippon City Bank, Ltd.		June 17, 2014	2,000,000					
	Sumitomo Mitsui Banking Corporation	January 7, 2013	2,000,000	2,000,000	0.980	January 7, 2022 *7			
	Mizuho Bank, Ltd.	January 15, 2013	5,000,000	5,000,000	0.96625	January 17, 2022 *7			
The Norinchukin Bank	January 31, 2014	3,500,000	3,500,000	0.757	January 31, 2022 *7				
Mizuho Bank, Ltd.	April 24, 2013	3,000,000	3,000,000	0.87375	April 25, 2022 *7				

	Classification	Drawdown date	Balance at beginning of current period (¥ thousand)	Balance at end of current period (¥ thousand)	Average interest rate*1 (%)	Repayment date	Repayment method	Use of proceeds	Notes
	Lender								
Long-term borrowing	MUFG Bank, Ltd.	June 15, 2012	4,000,000	4,000,000	1.1975	June 15, 2022 *7	Bullet	*2	Unsecured Unguaranteed Unsubordinated
	MUFG Bank, Ltd.	June 15, 2012	2,500,000	2,500,000	1.2725	June 15, 2022 *7			
	Shinsei Bank, Limited	June 15, 2012	2,500,000	2,500,000	1.2725	June 15, 2022 *7			
	The Norinchukin Bank	June 17, 2014	3,000,000	3,000,000	0.6785	June 17, 2022 *7			
	The Gunma Bank, Ltd.	August 10, 2015	1,000,000	1,000,000	0.3925	August 10, 2022 *7			
	The Shinkumi Federation Bank		1,000,000	1,000,000					
	Daishi Hokuetsu Bank, Ltd.		1,000,000	1,000,000					
	The Chugoku Bank, Limited		1,000,000	1,000,000					
	The Toho Bank, Ltd.		1,000,000	1,000,000					
	The Fukui Bank, Ltd.		1,000,000	1,000,000					
	The Tochigi Bank, Ltd.		500,000	500,000					
	MUFG Bank, Ltd.	September 1, 2015	2,000,000	2,000,000	0.47125	September 1, 2022 *7			
	The Hachijuni Bank, Ltd.	December 20, 2017	1,000,000	1,000,000	0.1863	December 20, 2022			
	Development Bank of Japan Inc.	January 7, 2013	3,000,000	3,000,000	1.115	January 6, 2023			
	Daishi Hokuetsu Bank, Ltd.	January 7, 2016	1,500,000	1,500,000	0.2802	January 10, 2023			
	The 77 Bank, Ltd.	January 10, 2018	1,000,000	1,000,000	0.205	January 10, 2023			
	The Hachijuni Bank, Ltd.	January 15, 2016	1,000,000	1,000,000	0.265	January 16, 2023			
	The Iyo Bank, Ltd.	January 15, 2016	1,000,000	1,000,000	0.265	January 16, 2023			
	Sumitomo Mitsui Trust Bank, Limited	January 17, 2018	3,000,000	3,000,000	0.210	January 17, 2023			
	Development Bank of Japan Inc.	January 31, 2014	5,000,000	5,000,000	0.9325	January 31, 2023			
	The Yamaguchi Bank, Ltd.	March 25, 2013	1,000,000	1,000,000	0.945	March 24, 2023			
	The Bank of Fukuoka, Ltd.	March 24, 2015	2,000,000	2,000,000	0.5125	March 24, 2023			
	The Norinchukin Bank	March 25, 2015	3,500,000	3,500,000	0.46825	March 27, 2023			
	The Chugoku Bank, Limited	March 26, 2018	2,000,000	2,000,000	0.1988	March 27, 2023			
	Sumitomo Mitsui Banking Corporation	November 29, 2018	3,000,000	3,000,000	0.1694	May 29, 2023			
	Sumitomo Mitsui Trust Bank, Limited	November 29, 2018	3,000,000	3,000,000	0.1694	May 29, 2023			
	MUFG Bank, Ltd.	June 1, 2017	12,000,000	12,000,000	0.02035 *6	June 1, 2023			
	The Chugoku Bank, Limited	June 15, 2015	3,000,000	3,000,000	0.61175	June 15, 2023			
	The Bank of Fukuoka, Ltd.	June 15, 2017	2,500,000	2,500,000	0.2388	June 15, 2023			
	MUFG Bank, Ltd.	December 19, 2014	10,000,000	10,000,000	0.42375 *8	December 19, 2023			
MUFG Bank, Ltd.	March 26, 2018	5,000,000	5,000,000	0.01374 *6	March 26, 2024				
The Hachijuni Bank, Ltd.	March 26, 2018	1,000,000	1,000,000	0.2338	March 26, 2024				
Sumitomo Mitsui Trust Bank, Limited	May 29, 2019	5,000,000	5,000,000	0.075	May 29, 2024				
The Iyo Bank, Ltd.	June 15, 2017	2,500,000	2,500,000	0.275	June 17, 2024				

	Classification	Drawdown date	Balance at beginning of current period (¥ thousand)	Balance at end of current period (¥ thousand)	Average interest rate*1 (%)	Repayment date	Repayment method	Use of proceeds	Notes
	Lender								
Long-term borrowin	The Hachijuni Bank, Ltd.	June 15, 2017	1,000,000	1,000,000	0.275	June 17, 2024	Bullet	*2	Unsecured Unguaranteed Unsubordinated
	MUFG Bank, Ltd.	September 1, 2015	3,500,000	3,500,000	0.630	September 2, 2024			
	Sumitomo Mitsui Trust Bank, Limited	September 2, 2015	3,800,000	3,800,000	0.536	September 2, 2024			
	The Norinchukin Bank	September 1, 2017	5,000,000	5,000,000	0.240	September 2, 2024			
	Sumitomo Mitsui Trust Bank, Limited	September 26, 2019	5,500,000	5,500,000	0.105	September 26, 2024			
	Taiyo Life Insurance Company	October 1, 2014	2,000,000	2,000,000	0.7825	October 1, 2024			
	Mizuho Bank, Ltd.	October 1, 2015	2,500,000	2,500,000	0.5575	October 1, 2024			
	The Gunma Bank, Ltd.	November 18, 2019	1,000,000	1,000,000	0.11894 *6	November 18, 2024			
	MUFG Bank, Ltd.	June 1, 2018	10,000,000	10,000,000	0.2544	December 2, 2024			
	Shinkin Central Bank	January 7, 2020	2,000,000	2,000,000	0.2075	January 7, 2025			
	The Ashikaga Bank, Ltd.	January 9, 2018	1,000,000	1,000,000	0.285	January 9, 2025			
	Mizuho Trust & Banking Co., Ltd.	March 2, 2015	3,000,000	3,000,000	0.5585	March 3, 2025			
	MUFG Bank, Ltd.	March 26, 2018	2,000,000	2,000,000	0.2725	March 26, 2025			
	Development Bank of Japan Inc.	March 30, 2017	5,000,000	5,000,000	0.315	March 31, 2025			
	Taiyo Life Insurance Company	May 29, 2015	1,500,000	1,500,000	0.7375	May 29, 2025			
	Sumitomo Mitsui Trust Bank, Limited	June 15, 2020	7,000,000	7,000,000	0.2075	June 16, 2025			
	Sumitomo Mitsui Banking Corporation	July 20, 2021	—	5,000,000	0.15375	July 22, 2025			
	Sumitomo Mitsui Trust Bank, Limited	August 31, 2018	3,000,000	3,000,000	0.320	August 29, 2025			
	Development Bank of Japan Inc.	September 1, 2015	7,000,000	7,000,000	0.7175	September 1, 2025			
	Sumitomo Mitsui Trust Bank, Limited	September 23, 2020	5,000,000	5,000,000	0.1475	September 24, 2025			
	Mizuho Bank, Ltd.	December 26, 2016	5,000,000	5,000,000	0.3625	December 26, 2025			
	Sumitomo Mitsui Trust Bank, Limited	January 29, 2021	2,000,000	2,000,000	0.1625	January 29, 2026			
	MUFG Bank, Ltd.	February 26, 2018	6,500,000	6,500,000	0.3413	February 26, 2026			
	Mizuho Bank, Ltd.	March 27, 2018	5,500,000	5,500,000	0.300	March 27, 2026			
	Shinkin Central Bank	March 30, 2017	5,000,000	5,000,000	0.360	March 30, 2026			
	Sumitomo Mitsui Trust Bank, Limited	June 28, 2021	—	3,700,000	0.17875	June 29, 2026			
	The Norinchukin Bank	January 23, 2019	4,000,000	4,000,000	0.1988	July 23, 2026			
	Shinkin Central Bank	September 1, 2017	5,000,000	5,000,000	0.3188	September 1, 2026			
	MUFG Bank, Ltd.	October 31, 2016	3,000,000	3,000,000	0.240	October 30, 2026			
	Mizuho Bank, Ltd.	December 21, 2016	5,000,000	5,000,000	0.415	December 21, 2026			
	Shinkin Central Bank	January 23, 2019	5,000,000	5,000,000	0.2213	January 25, 2027			
	Shinkin Central Bank	April 24, 2018	6,000,000	6,000,000	0.3675	April 26, 2027			
	The Norinchukin Bank	July 3, 2020	2,000,000	2,000,000	0.24375	July 5, 2027			
The Joyo Bank, Ltd.	January 9, 2018	1,000,000	1,000,000	0.4188	January 11, 2028				
Sumitomo Mitsui Banking Corporation	January 19, 2018	3,000,000	3,000,000	0.4338	January 19, 2028				
The Bank of Fukuoka, Ltd.	January 29, 2021	2,500,000	2,500,000	0.21875	January 31, 2028				
Mizuho Bank, Ltd.	March 30, 2018	4,000,000	4,000,000	0.3963	March 30, 2028				
MUFG Bank, Ltd.	March 30, 2018	4,000,000	4,000,000	0.3963	March 30, 2028				

	Classification	Drawdown date	Balance at beginning of current period (¥ thousand)	Balance at end of current period (¥ thousand)	Average interest rate*1 (%)	Repayment date	Repayment method	Use of proceeds	Notes
	Lender								
Long-term borrowings	Taiyo Life Insurance Company	March 30, 2018	1,000,000	1,000,000	0.3963	March 30, 2028	Bullet	*2	Unsecured Unguaranteed Unsubordinated
	The Bank of Fukuoka, Ltd.	August 31, 2021	—	1,500,000	0.20625	August 31, 2028			
	Mizuho Bank, Ltd.	November 15, 2019	8,500,000	8,500,000	0.34875	November 15, 2028			
	Shinkin Central Bank	January 15, 2020	5,000,000	5,000,000	0.325	January 15, 2029			
	Mizuho Bank, Ltd.	November 1, 2019	6,000,000	6,000,000	0.35125	November 1, 2029			
	MUFG Bank, Ltd.	January 15, 2020	5,500,000	5,500,000	0.3625	January 15, 2030			
	MUFG Bank, Ltd.	April 27, 2020	5,000,000	5,000,000	0.35875	April 26, 2030			
	Mizuho Bank, Ltd.	April 27, 2020	5,000,000	5,000,000	0.35875	April 26, 2030			
	MUFG Bank, Ltd.	June 15, 2020	4,000,000	4,000,000	0.36125	June 14, 2030			
	MUFG Bank, Ltd.	October 20, 2020	5,000,000	5,000,000	0.2925	October 18, 2030			
	MUFG Bank, Ltd.	December 21, 2020	10,000,000	10,000,000	0.2825	December 20, 2030			
	The Iyo Bank, Ltd.	March 24, 2021	2,000,000	2,000,000	0.17335 *6	March 24, 2031			
	The Yamanashi Chuo Bank, Ltd.	March 26, 2019	2,000,000	2,000,000	0.3688	March 26, 2031			
	MUFG Bank, Ltd.	April 5, 2021	—	5,000,000	0.41875	April 4, 2031			
	MUFG Bank, Ltd.	April 26, 2021	—	5,000,000	0.35625	April 25, 2031			
	Mizuho Bank, Ltd.	June 15, 2021	—	4,000,000	0.28875	June 16, 2031			
	The Norinchukin Bank *9	January 29, 2021	5,000,000	5,000,000	0.34625	July 31, 2031			
	The Norinchukin Bank *10	January 29, 2021	5,000,000	5,000,000	0.3675	January 30, 2032			
	Sumitomo Life Insurance Company	March 26, 2019	1,000,000	1,000,000	0.505	March 27, 2034			
	Sumitomo Life Insurance Company	December 16, 2019	2,000,000	2,000,000	0.490	December 18, 2034			
	Subtotal		358,500,000	358,500,000					
	Total		376,500,000	376,500,000					

- \*1. The average for floating interest rates is recorded as the weighted average during the period. The average is rounded off to the fifth decimal place. The weighted average for interest rates of loans for which floating interest rates were swapped to fixed rates in order to hedge the risk of interest rate fluctuations is calculated taking the effect of this swap into consideration.
- \*2. The purposes of executing these loans are to purchase real properties or beneficiary right of real estate in trust, to repay existing loans, and to fund the redemption of investment corporation bonds.
- \*3. As of February 18, 2021, MUFG Bank, Ltd. transferred its loan receivable of ¥10,400 million to Mitsubishi UFJ Trust and Banking Corporation.
- \*4. As of May 18, 2021, MUFG Bank, Ltd. transferred its loan receivable of ¥9,800 million to Mitsubishi UFJ Trust and Banking Corporation.
- \*5. As of August 18, 2021, MUFG Bank, Ltd. transferred its loan receivable of ¥11,000 million to Mitsubishi UFJ Trust and Banking Corporation.
- \*6. These are floating rate borrowings which are not swapped into fixed rates.
- \*7. At the end of the period, these loans are accounted for under current liabilities on the balance sheets as the current portion of long-term borrowings.
- \*8. In order to hedge the risk of exchange rate and interest rate fluctuations related to foreign currency-denominated loans, the Company conducted an interest-rate and currency swap transaction, which substantially secured exchange and interest rates. Accordingly, the balance and the weighted average for interest rates during the period are calculated taking the effect of this interest-rate and currency swap into consideration.
- \*9. The applicable interest rate will be lowered by 0.01% from the original rate of 0.35625% for a corresponding period pursuant to the loan agreement on the condition that either one of the targets set for CO<sub>2</sub> emissions reduction or the number of ZEB-certified buildings the Company owns, respectively, is achieved. Since the target was achieved at the time of confirmation at the end of July 2021, the interest rate for the period until the next confirmation was 0.34625%.
- \*10. The applicable interest rate will be lowered by 0.01% from the original rate of 0.3775% for a corresponding period pursuant to the loan agreement on the condition that either one of the targets set for CO<sub>2</sub> emissions reduction or the number of ZEB-certified buildings the Company owns, respectively, is achieved. Since the target was achieved at the time of confirmation at the end of July 2021, the interest rate for the period until the next confirmation was 0.3675%.

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

Outstanding investment corporation bonds as of September 30, 2021 are as follows.

Securities	Date of issue	Balance at beginning of current period (¥ thousand)	Balance at end of current period (¥ thousand)	Interest rate (%)	Repayment period	Repayment method	Use of proceeds	Notes
4th unsecured investment corporation bond	September 29, 2005	10,000,000	10,000,000	2.56	September 29, 2025	Bullet	*1	*2
10th unsecured investment corporation bond	March 30, 2017	10,000,000	10,000,000	0.3975	March 30, 2027	Bullet	*1	*2 *3
11th unsecured investment corporation bond	October 26, 2017	2,993,175	2,993,175	0.2788	October 26, 2027	Bullet	*1	*2 *3 *4
12th unsecured investment corporation bond (Japan Real Estate Investment Green Bonds)	November 1, 2018	10,000,000	10,000,000	0.23	November 1, 2023	Bullet	*1	*2
13th unsecured investment corporation bond	October 26, 2020	10,000,000	10,000,000	0.2	October 24, 2025	Bullet	*1	*2
Total		42,993,175	42,993,175					

\*1. The investment corporation bonds are primarily used to fund the acquisition of real properties or beneficiary right of real estate in trust, and to repay existing loans.

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

\*3. Bond issuance was limited to qualified institutional investors by a private placement.

\*4. For the purpose of avoiding foreign currency risk with respect to foreign currency investment corporation bonds, the Company engages in currency swap transactions to fix the exchange rates. Considering the effects of the currency swap transactions, the balances and interest rates are reflected in the schedule.

## 11. Net Assets

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

## 12. Income Taxes

The Company is subject to Japanese corporate income taxes on all of its taxable income. However, under the Special Taxation Measures Act, an investment corporation is allowed to deduct dividends of earnings 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 profit 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, 2021 and September 30, 2021 were as follows:

	Thousands of yen	
	As of March 31, 2021	As of September 30, 2021
<b>Deferred tax assets:</b>		
Accrued enterprise tax	971	921
Amortization of a term leasehold interest	111,337	116,812
Asset retirement obligations	124,395	125,648
	236,703	243,383
Valuation allowance	(134,276)	(141,005)
Total deferred tax assets	102,426	102,377
<b>Deferred tax liabilities:</b>		
Asset retirement obligations	101,455	101,455
Reserve for advanced depreciation of non-current assets	1,218,278	1,818,643
Total deferred tax liabilities	1,319,734	1,920,098
<b>Net deferred tax liabilities</b>	<b>1,217,307</b>	<b>1,817,721</b>

The reconciliation of tax rate difference between the adjusted statutory tax rate and the effective tax rate as of March 31, 2021 and September 30, 2021 was as follows:

	As of March 31, 2021	As of September 30, 2021
Statutory tax rate	34.59%	34.59%
Deductible dividend distribution	(34.97%)	(31.13%)
Change in valuation allowance	0.04%	0.04%
Others	0.00%	0.00%
Effective tax rate	(0.34%)	3.50%



### 13. Related Party Transactions

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For the six months ended March 31, 2021 and September 30, 2021

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, 2020 to March 31, 2021

“Not applicable”

**For the period from April 1, 2021 to September 30, 2021**

“Not applicable”

(2) Affiliated Companies

For the period from October 1, 2020 to March 31, 2021

“Not applicable”

**For the period from April 1, 2021 to September 30, 2021**

“Not applicable”

(3) Sister Companies

For the period from October 1, 2020 to March 31, 2021

“Not applicable”

**For the period from April 1, 2021 to September 30, 2021**

“Not applicable”

(4) Directors and Major Individual Unitholders

For the period from October 1, 2020 to March 31, 2021

“Not applicable”

**For the period from April 1, 2021 to September 30, 2021**

“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, 2020 to March 31, 2021 (Unaudited)

Type of relationship	Name of transaction partner	Type of business	Percentage of units held	Transaction details	Transaction amount (¥ thousand)	Accounting item	Balance at end of the period (¥ thousand)
Interested party	Mitsubishi Estate Co., Ltd.	Real estate	1.24%	Rent revenue	15,718,057	—	20,743,119
				Security deposit increase	237,326	Deposits received from tenants	
				Security deposit return	302,401		
Interested party	Mitsubishi Jisho Property Management Co., Ltd.	Real estate management	—	Property management expenses	2,431,521	—	—
Asset custody company	Sumitomo Mitsui Trust Bank, Limited	Bank	—	Proceeds from long-term borrowings	2,000,000	Long-term borrowings	41,000,000
				Repayments of long-term borrowings	2,000,000		

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

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

For the period from April 1, 2021 to September 30, 2021 (Unaudited)

Type of relationship	Name of transaction partner	Type of business	Percentage of units held	Transaction details	Transaction amount (¥ thousand)	Accounting item	Balance at end of the period (¥ thousand)
Interested party	Mitsubishi Estate Co., Ltd.	Real estate	1.24%	Rent revenue	15,408,925	—	20,145,963
				Security deposit increase	270,280	Deposits received from tenants	
				Security deposit return	867,437		
Interested party	Mitsubishi Jisho Property Management Co., Ltd.	Real estate management	—	Property management expenses	2,421,279	—	—
Asset custody company	Sumitomo Mitsui Trust Bank, Limited	Bank	—	Proceeds from long-term borrowings	3,700,000	Long-term borrowings	41,000,000
				Repayments of long-term borrowings	3,700,000		

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

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

## 14. Segment Information

For the six months ended March 31, 2021 and September 30, 2021

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

### Information on products and services

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

### Information on geographic area

#### (1) Revenue

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

#### (2) Property and equipment

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

### Information on major clients

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

## 15. Asset Retirement Obligations

For the six months ended March 31, 2021 and September 30, 2021

### Asset retirement obligations reported on balance sheets

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

Change in the asset retirement obligations for the six months ended March 31, 2021 and September 30, 2021 consisted of the following:

	Thousands of yen	
	For the period from October 1, 2020 to March 31, 2021	For the period from April 1, 2021 to September 30, 2021
Balance at the beginning of the period	356,041	359,628
Increase in tangible fixed assets	—	—
Accretion expense	3,587	3,623
Balance at the end of the period	359,628	363,251

## 16. Investment and Rental Property

For the six months ended March 31, 2021 and September 30, 2021

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, 2021 and September 30, 2021 and the fair values as of March 31, 2021 and September 30, 2021 are as follows:

Thousands of yen			
Book value		Fair value	
As of September 30, 2020	Change during the period *1	As of March 31, 2021	As of March 31, 2021
967,442,207	(4,281,843)	963,160,363	1,255,095,000

Thousands of yen			
Book value		Fair value	
As of March 31, 2021	Change during the period *2	As of September 30, 2021	As of September 30, 2021
963,160,363	(8,258,298)	954,902,065	1,247,489,000

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

2. Significant changes

\*1. As for the increases/decreases for the period, the major reason for the decreases was by depreciation.

\*2. As for the increases/decreases for the period, the major reasons for the decreases were the disposition of Otsuka Higashi-Ikebukuro Building (¥3,245,381 thousand) and by depreciation.

3. Fair values as of March 31, 2021 and September 30, 2021 are defined as the appraised values provided by an external qualified professional appraiser. As of March 31, 2021, Otsuka Higashi-Ikebukuro Building, for which the disposition agreement was made dated March 31, 2021, was valued at the disposition price and as of September 30, 2021, Nagoya Misono Building, for which the disposition agreement was made dated November 15, 2021, was valued at the disposition price.

Profits and losses related to investment and rental property are listed in Section 19. “Breakdown of Property-Related Revenues and Expenses”.

## 17. Revenue Recognition

Breakdown information on revenue from contracts with customers

For the period from April 1, 2021 to September 30, 2021

	Thousands of yen	
	Revenue from contracts with customers *1	Revenue from external customers
Sales of real estate properties	6,025,000	2,546,518 *2
Utilities income	1,484,652 *3	1,484,652
Others	—	32,870,339
<b>Total</b>	<b>7,509,652</b>	<b>36,901,509</b>

\*1. Rent revenues subject to Accounting Standard for Lease Transactions (ASBJ Statement No. 13) is excluded from “Revenue from contracts with customers” as it is not subject to Accounting Standard for Revenue Recognition. The revenue from contracts with customers is mainly revenues from the sale of real estate and utilities.

\*2. Sales of real estate properties are recorded as gains or losses on sales of real estate properties in the statements of income in accordance with Article 48-2 of the Regulations on Accounting of Investment Corporation (Cabinet Office Ordinance No. 47 of 2006), and therefore the amount is the proceeds from sales of real estate properties, less the cost of real estate properties sold and other sales expenses.

\*3. Utilities income is the amount of income recognized in proportion to the supply of electricity, water, etc. to the lessee as the customer, in accordance with the terms of the real estate lease contract and related agreements.

## 18. Per Unit Information

The following table summarizes information about net assets per unit and profit per unit as of March 31, 2021 and September 30, 2021 and for the periods then ended, respectively:

	Yen	
	For the period from October 1, 2020 to March 31, 2021	For the period from April 1, 2021 to September 30, 2021
Net assets per unit	371,974	372,829
Profit per unit	11,233	12,175

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, 2020 to March 31, 2021	For the period from April 1, 2021 to September 30, 2021
Profit	15,560,779	16,865,739
Amount not attributable to normal unitholders	—	—
Profit applicable to normal investment units	15,560,779	16,865,739
Average number of units	1,385,210 units	1,385,210 units

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

For the six months ended March 31, 2021 and September 30, 2021

	Thousands of yen	
	For the period from October 1, 2020 to March 31, 2021	For the period from April 1, 2021 to September 30, 2021
<b>Property-Related Revenues</b>	34,944,078	34,354,991
Rent revenues	34,666,758	34,209,880
Rental revenues	29,084,031	28,798,594
Common service charges	2,501,546	2,404,480
Parking revenues	722,895	702,272
Other rental revenues	2,358,284	2,304,533
Other lease business revenues	277,319	145,110
Cancellation charges	98,600	22,883
Other miscellaneous revenues	178,719	122,226
<b>Property-Related Expenses</b>	16,648,001	16,415,368
Expenses related to lease business	16,648,001	16,415,368
Property management expenses	3,792,045	3,653,419
Utilities expenses	1,959,967	2,106,626
Property and other taxes	3,295,526	3,384,587
Casualty insurance	45,983	46,624
Repairing expenses	823,623	776,505
Depreciation	6,529,196	6,264,424
Other rental expenses	201,658	183,179
<b>Property-Related Profits</b>	18,296,076	17,939,622

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

For the period from October 1, 2020 to March 31, 2021

“Not applicable”

For the period from April 1, 2021 to September 30, 2021

	Thousands of yen
Otsuka Higashi-Ikebukuro Building	
Revenue from sale of real estate property	6,025,000
Cost of real estate property sold	3,245,381
Other sales expenses	233,100
<b>Gain on sales of real estate properties</b>	<b>2,546,518</b>

## 21. Changes in Unitholders' Equity

For the six months ended March 31, 2021 and September 30, 2021

Total number of investment units issuable and number of units outstanding	As of March 31, 2021	As of September 30, 2021
Total number of investment units issuable	4,000,000 units	4,000,000 units
Number of units outstanding	1,385,210 units	1,385,210 units

## 22. Supplemental Cash Flow Information

### Cash and cash equivalents

The following table represents a reconciliation of cash and cash equivalents as of March 31, 2021 and September 30, 2021:

	Thousands of yen	
	As of March 31, 2021	As of September 30, 2021
Cash and deposits	27,205,981	37,566,086
Cash and deposits in trust	7,147,852	6,870,954
Time deposits with maturities of more than three months	—	—
Cash and cash equivalents	34,353,833	44,437,040

## 23. 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, 2021 and September 30, 2021, the future lease revenues under the non-cancelable operating leases are as follows:

	Thousands of yen	
	As of March 31, 2021	As of September 30, 2021
Due within one year	28,645,305	27,261,909
Due after one year	44,882,616	44,318,496
Total	73,527,922	71,580,405

## 24. Subsequent Events

For the six months ended September 30, 2021

“Not applicable”



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## Independent Auditor's Report

The Board of Directors  
Japan Real Estate Investment Corporation

### Opinion

We have audited the accompanying financial statements of Japan Real Estate Investment Corporation (the Company), which comprise the balance sheet as at September 30, 2021, 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 notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2021, and its financial performance and its cash flows for the six-month period then ended in accordance with accounting principles generally accepted in Japan.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and the Supervisory Director 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 such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Supervisory Director is responsible for overseeing the Company's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.





As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the financial statements is not expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.

We communicate with the Executive Director regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Executive Director with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

#### **Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.



Ernst & Young ShinNihon LLC  
Tokyo, Japan

December 24, 2021

柴田 憲一

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Kenichi Shibata  
Designated Engagement Partner  
Certified Public Accountant

大久保 照代

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Teruyo Okubo  
Designated Engagement Partner  
Certified Public Accountant

# 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 its sponsor company, 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 company 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 and construction, other defects, non-conformity to the agreement or problems in the properties;
- risks related to impairment losses related to the properties;
- risks related to tenant leasehold deposits and/or security deposits;
- risks related to tenant’s default as a result of financial difficulty or insolvency;
- risks related to the insolvency of master lessee;
- risks related to the insolvency of a property seller following the purchase of a property by AIF;
- risks related to relying on expert appraisals and engineering, environmental and seismic reports as well as industry and market data;
- risks related to the presence of hazardous or toxic substances in the properties, or the failure to properly remediate such substances;
- risks related to strict environmental liabilities for the properties;
- risks related to the amendment of applicable administrative laws and local ordinances;
- risks related to infringing third party’s intellectual property rights;
- risks related to holding interests in properties through preferred shares of special purpose companies (*tokutei mokuteki kaisha*);
- risks related to holding Japanese anonymous association (*tokumei kumiai*) interests;
- risks related to investments in trust beneficiary interests;
- risks related to the tight supervision by regulatory authorities and compliance with applicable rules and regulations;

- risks related to tax authority disagreement with the AIFM’s interpretations of 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;
- risk of dilution as a result of further issuances of units;
- risks related to unexpected repair costs; and
- risks related to pandemics, including the COVID-19 pandemic, and natural disasters.

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

(1) Material Changes in Information Listed in Article 23 of AIFMD during the Financial Period Covered by the Report (six-month fiscal period ended September 30, 2021)

As Mitsui & Co., Ltd. was no longer a sponsor of JRE as of April 16, 2021, we revised the description of JRE’s sponsors under the headings “Investment strategy” (Article 23(1)(a)), “Techniques it may employ and all associated risks” (Article 23(1)(a)) and “Description of the main legal implications of the contractual relationship entered into for the purpose of investment, including jurisdiction, applicable law, and the existence or not of any legal instruments providing for the recognition and enforcement of judgments in the territory where the AIF is established” (Article 23(1)(c)).

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

Beginning April 1, 2020 and ending March 31, 2021

### 1. Remuneration for Asset Manager Directors

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

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

### 2. Remuneration for Asset Manager Corporate Auditors

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

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

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

### 3. Remuneration for Asset Manager Employees

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

	All employees			
	Number of employees	Remuneration (in millions of JPY)		
		Total	Fixed	Variable
Remuneration based on compensation rules	45	385	253	132

### 4. Conflicts of Interest

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

# Corporate Data

As of September 30, 2021

## Executives

Executive Director: Yutaka Yanagisawa  
Supervisory Directors: Tomohiro Okanoya  
Hiroaki Takano

## Paid-in Capital

JPY 497,241,216,000

## Number of Units Outstanding

1,385,210

## Number of Unitholders

13,932

## Stock Listing

Tokyo Stock Exchange

## Securities Code

8952

## LEI (Legal Entity Identifier)

3538003YAIR3CBGJJ928

## Type of Investment Corporation

Closed-end corporate type fund

## Transfer Agent

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

## Auditor

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

## Incorporation

May 11, 2001

## Executive Office

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

For further information, please contact:  
Japan Real Estate Asset Management Co., Ltd.  
Planning Department  
Tel: 81-3-3211-7951  
E-mail: [j-rea-inquiry@j-rea.co.jp](mailto:j-rea-inquiry@j-rea.co.jp)

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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.

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