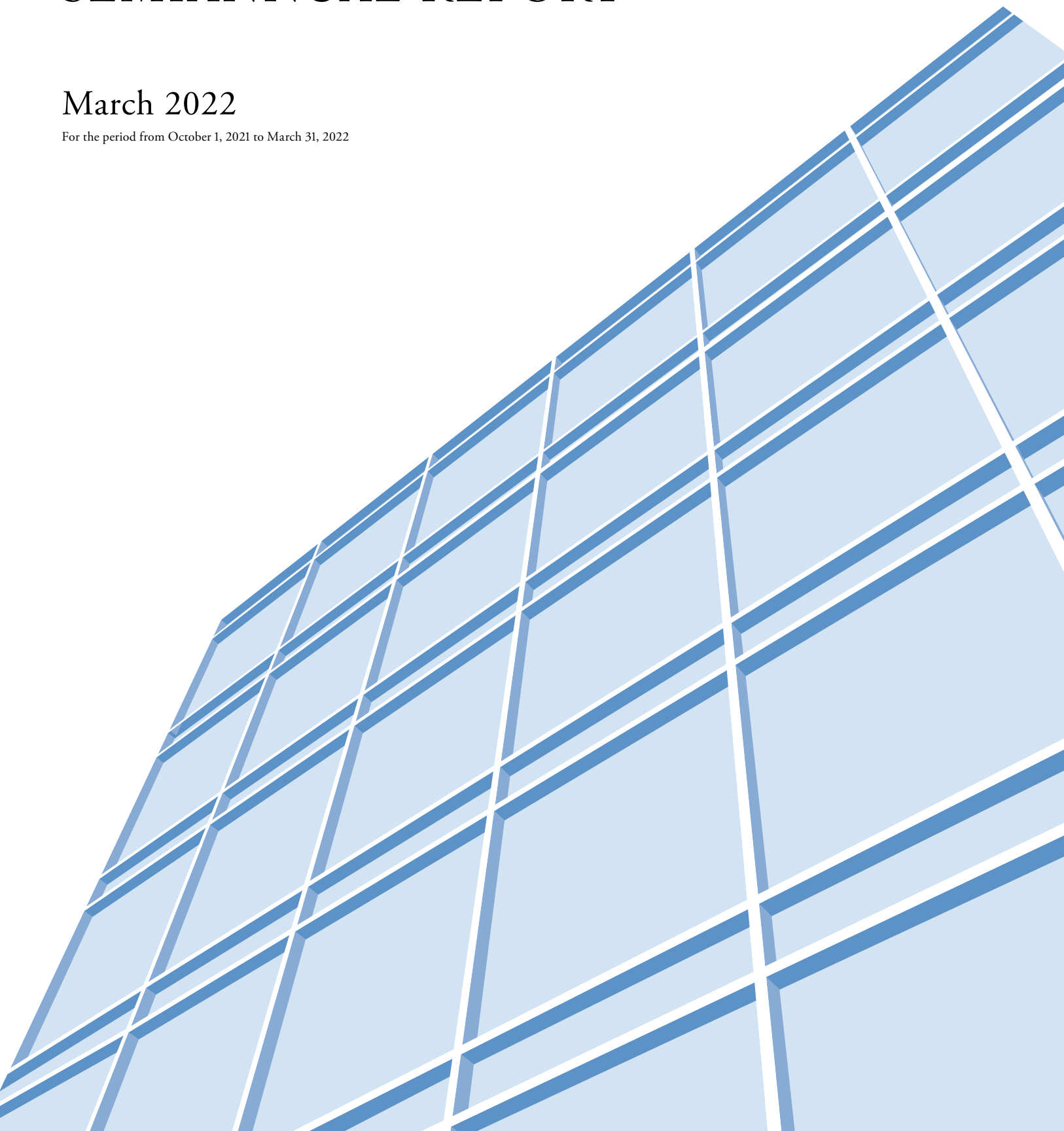


Japan Real Estate Investment Corporation

SEMIANNUAL REPORT

March 2022

For the period from October 1, 2021 to March 31, 2022



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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 March 2022 period:

JPY 11,400

Forecast dividend per unit for the September 2022 period:

JPY 11,500

02 Collaboration with Sponsor

Expertise of [Mitsubishi Estate Co., Ltd.](#)

03 Steady Growth of Quality Portfolio (As of March 31, 2022)

Total acquisition price: [JPY 1.11](#) trillion [74](#) properties

[The first listed J-REIT in 2001](#)

04 Sound Financial Base (As of March 31, 2022)

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*: [90.8%](#)

LTV (Interest-bearing debt / Total assets): [43.5%](#)

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

To Our Unitholders

In the fiscal period ended March 31, 2022, Japan Real Estate Investment Corporation (JRE) increased dividends per unit by JPY 44 to JPY 11,400, marking the 16th consecutive period of increases. In addition to realizing internal and external growth and implementing appropriate cost controls, this achievement was also largely thanks to the gain from the disposition of Nagoya Misono Building. While the office leasing market has recently seen an encouraging increase in demand, we must carefully monitor secondary vacancies and other trends resulting from the large supply of office space expected in 2023. As a short-term strategy, we are aiming to quickly restore occupancy rates through an agile and flexible leasing strategy, taking advantage of the superiority of our high-quality portfolio. As a medium- to long-term strategy, meanwhile,

Business Performance for the March 2022 Period

Summary of Financial Results and Cash Dividends

In the March 2022 period (October 1, 2021 to March 31, 2022), Japan Real Estate Investment Corporation recorded operating revenues decreased 1.2% compared with the previous period, to JPY 36.4 billion. On the income front, operating profit decreased 7.0%, to JPY 17.1 billion. After deducting expenses for interest payments on loans and other costs, ordinary profit decreased 7.4%, to JPY 16.1 billion, and profit decreased 4.9%, to JPY 16.0 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 15,791,394,000 for the period under review, which is a multiple of 1,385,210—the number of units outstanding as of March 31, 2022. Accordingly, the dividend per investment unit is JPY 11,400.

Operating Environment and Performance

During the March 2022 period (October 1, 2021 to March 31, 2022), the Japanese economy continued to recover with the resumption of socioeconomic activities along with the progress of COVID-19 vaccination and the lifting of the state of emergency declaration. On the other hand, the outlook remains uncertain due to concerns about the re-spread of COVID-19 caused by mutant strains, the situation in Ukraine, and other factors. The Company continues to monitor the impact of trends in the domestic and international development of the pandemic, the risk of rising raw materials prices, and fluctuations in financial and capital markets.

In the office leasing market, the vacancy rate, that had been rising against the backdrop of the penetration of telework which accelerated in the wake of COVID-19 infection, appears to be slowing down, though the future remains uncertain, as a large supply of new office floors is expected in 2023. Rent levels continue to trend slightly downward. 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. The acquisition environment remains challenging, as domestic and overseas investors are still highly motivated to acquire properties and competition for prime office buildings is intense.

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 11,400, which is an increase of JPY 44 compared with the previous period.

In the office leasing market in the fiscal period under review, the market was in the above-mentioned environment, despite the impact of an increase in the number of tenancy terminations and extended downtime, the occupancy rate at the end of the period under review remained high, which was increased by 0.5% from the end of the previous period to 97.0% because of steady progress in new contracts for location and office environment improvement and in the expansion of floor space due to the enlargement of business capacity.

As for property acquisitions and dispositions, 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

we will continue to maintain and enhance the competitiveness of our portfolio through property replacement, environmental investment, upgrading construction, and other efforts.

On the environmental front, JRE has announced its new emissions reduction targets leading the REIT industry and declared its intention to achieve net-zero CO₂ emissions by 2050. In addition, we formulated material topics in connection with environmental, social, and governance (ESG)-related matters in general, obtained our second Net Zero Energy Building (ZEB) Certification, and procured funds through our third sustainability-linked loan. Going forward, JRE will continue to pioneer an approach to asset management that takes sustainability into consideration.

GRAND FRONT OSAKA (Note 1) (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, on March 29, 2022, the Company acquired a trust beneficiary right pertaining to a 24% co-ownership interest in Toyosu Front, a large-scale office building near a station located in the Toyosu area, a bay area with excellent access to central Tokyo and a particularly diverse concentration of urban functions, for JPY 25,500 million.

On the other hand, the Company disposed of Nagoya Misono Building (Nagoya-shi, Aichi Prefecture) for JPY 2,629 million on March 1, 2022.

As a result of the above, the Company’s portfolio at the end of the fiscal period under review, March 31, 2022, consisted of 74 properties, with a total acquisition price of JPY 1.11 trillion. Net rentable floor area stood at 896,530 m² with 1,498 tenants in total. (Note 2)

Furthermore, the Company disposed of Harumi Center Building (Chuo-ku, Tokyo) for JPY 24,330 million on May 31, 2022.

Note 1: “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)”.

Note 2: 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.

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 took out short- and long-term loans of JPY 3,200 million each to fund the additional acquisition of Otemachi Financial City North Tower. In addition, short-term borrowings of JPY 25,000 million were borrowed to partially fund the acquisition of Toyosu Front. Furthermore, JPY 1,000 million in long-term debt was repaid with cash on hand, and borrowings were also made to fund the repayment of existing loans.

As a result of the above financing activities, as of March 31, 2022, the Company’s total interest-bearing debt was JPY 449.8 billion, which was increased by JPY 30.4 billion compared to the end of the previous fiscal period. This amount consists of long-term loans totaling JPY 365.7 billion (including the current portion of long-term loans totaling JPY 48.5 billion), short-term loans totaling JPY 41.2 billion, and investment corporation bonds totaling JPY 42.9 billion. The current LTV ratio stands at 43.5%.

The Company’s credit ratings as of March 31, 2022 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

The Japanese economy is expected to recover in the future, partly due to the effects of various policies and improvements in overseas economies as the Company seeks to balance prevention of the spread of infection and socioeconomic activities. On the other hand, the Company believes it is necessary to pay close attention to the impact of the re-emergence of COVID variants in Japan and abroad, downside risks to the global economy due to the situation in Ukraine and other factors, 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. 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, keeping collaboration with sponsors as our main focus, 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 September 2022 and March 2023 Periods

The Company's forecasts for the September 2022 period (April 1, 2022 to September 30, 2022) are as follows: operating revenues totaling JPY 37.4 billion, operating profit totaling JPY 17.5 billion, ordinary profit totaling JPY 16.7 billion, and profit totaling JPY 16.4 billion. The Company plans to declare a per-unit cash dividend of JPY 11,500.

The Company's forecasts for the March 2023 period (October 1, 2022 to March 31, 2023) are as follows: operating revenues totaling JPY 33.7 billion, operating profit totaling JPY 14.2 billion, ordinary profit totaling JPY 13.3 billion, and profit totaling JPY 13.9 billion. The Company plans to declare a per-unit cash dividend of JPY 11,000.

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.



A handwritten signature in black ink that reads "Y. Yanagisawa".

Yutaka Yanagisawa

Executive Director of Japan Real Estate
Investment Corporation



A handwritten signature in black ink that reads "Shojiro Kojima".

Shojiro Kojima

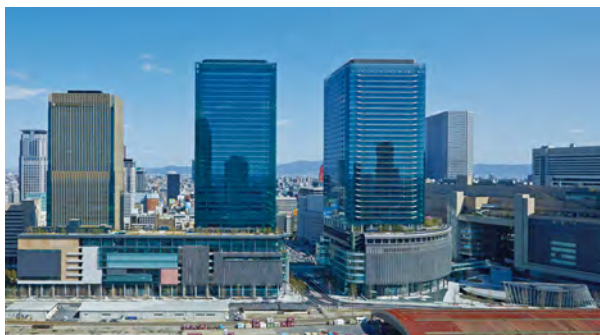
President & CEO of Japan Real Estate
Asset Management Co., Ltd.

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



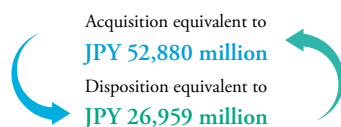
▲ GRAND FRONT OSAKA
(North Building, Umekita Plaza and South Building)
Transfer date: October 1, 2021
Acquisition Price: JPY 21,000 million



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



▲ Toyosu Front
Transfer date: March 29, 2022
Acquisition Price: JPY 25,500 million



Properties of Disposition



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



◀ Harumi Center Building
Transfer date: May 31, 2022
Disposition Price: JPY 24,330 million

Effects Brought by the Replacement

◆ Realize gain on disposition

+ JPY 4,658 million

◆ Lower average building age

Average age of disposed properties: 16.4 years

» Average age of acquired properties: **10.3** years

◆ Grow asset size

JPY 1.06 trillion » JPY **1.09** trillion

◆ Increase NOI

+ JPY **961** 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 October 1, 2021 to March 31, 2022

Disposed Property

Nagoya Misono Building

Location	1-10-21 Sakae, Naka-ku, Nagoya City, Aichi Prefecture
Site area	805.04m ²
Floor area of building	5,348.00m ²
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 Disposed

Harumi Center Building

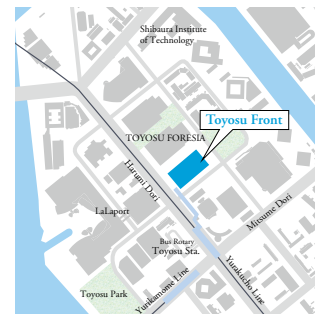
Location	2-5-24 Harumi, Chuo-ku, Tokyo
Site area	4,664.63m ²
Floor area of building	26,447.27m ²
Structure	Steel-framed structure, flat roof
Floors	Above ground: 10 floors
Completion	November 2006
Acquisition date / Acquisition price	December 18, 2007 / JPY 26,800 million
Disposition date / Disposition price	May 31, 2022 / JPY 24,330 million
Type of ownership	Land: Ownership Building: Ownership
Buyer	Undisclosed

Acquired Property

Toyosu Front



Location	3-2-20 Toyosu, Koto-ku, Tokyo
Site area	13,700.00m ²
Floor area of building	104,683.98m ²
Structure	Steel-framed, Steel-framed reinforced concrete structure, flat roof
Floors	Above ground: 15 floors Below ground: 2 floors
Completion	August 2010
Acquisition date / Acquisition price	March 29, 2022 / JPY 25,500 million
Type of ownership	Land: Ownership Building: Ownership
Seller	Mitsubishi Estate Co., Ltd.



Acquired Property

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



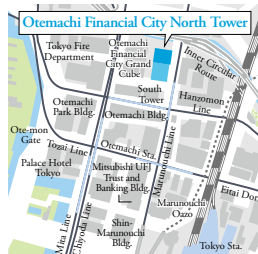
North Building

Umekita Plaza and South Building

Location	3-1 Ofukacho, Kita-ku, Osaka City, Osaka Prefecture	4-1 (Umekita Plaza) and 4-20 (South) Ofukacho, Kita-ku, Osaka City, Osaka Prefecture
Site area	22,680.03m ²	20,488.08m ²
Floor area of building	290,030.59m ²	10,226.10m ² (Umekita Plaza) 181,371.39m ² (South)
Structure	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)
Floors	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)
Completion	February 2013	February 2013 (Umekita Plaza) March 2013 (South)
Acquisition date / Acquisition price	October 1, 2021 / JPY 9,750 million	October 1, 2021 / JPY 11,250 million
Type of ownership	Land: Ownership Building: Ownership	Land: Ownership (partial leasehold) Building: Ownership
Seller	Mitsubishi Estate Co., Ltd.	Mitsubishi Estate Co., Ltd.

Acquired Property

Otemachi Financial City North Tower (Additional acquisition)



Location	1-9-5 Otemachi, Chiyoda-ku, Tokyo
Site area	14,108.16m ² (Temporary substitute lots area)
Floor area of building	239,769.07m ² (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.

Financial Highlights

	In millions of JPY				
	For the period from October 1, 2021 to March 31, 2022	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
Operating revenues	36,453	36,901	34,944	34,966	35,996
Operating profit	17,107	18,394	16,479	16,498	17,354
Ordinary profit	16,191	17,477	15,508	15,608	16,326
Profit	16,045	16,865	15,560	15,598	15,755
Net operating income (NOI) (Note 1)	24,070	24,204	24,825	24,943	23,413
Funds from operations (FFO) (Note 2)	21,053	20,583	22,089	22,225	19,986
FFO multiple (Times) (Note 3)	21.0	22.5	20.4	16.8	22.0
Cash distribution	15,791	15,730	15,680	15,600	14,697
Number of units	1,385,210	1,385,210	1,385,210	1,385,210	1,385,210
Dividend per unit (JPY)	11,400	11,356	11,320	11,262	10,610

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 March 31, 2020, 183 days for the period ended September 30, 2020, 182 days for the period ended March 31, 2021, 183 days for the period ended September 30, 2021 and 182 days for the period ended March 31, 2022.)

Top 10 Unitholders As of March 31, 2022

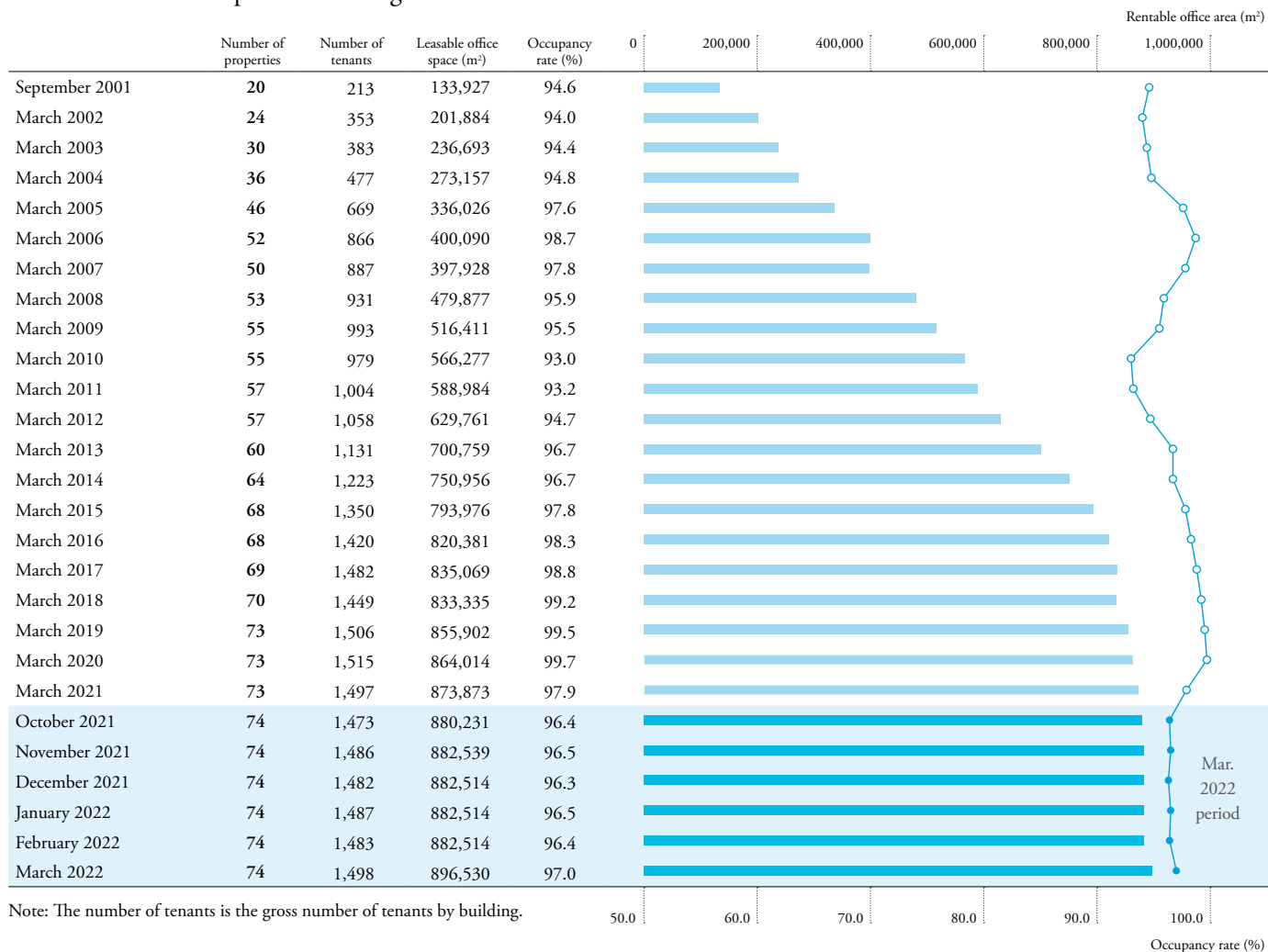
Company	Units	% of total units outstanding
Custody Bank of Japan, Ltd. (Shintaku Acc.)	302,767	21.86%
The Master Trust Bank of Japan, Ltd. (Shintaku Acc.)	214,804	15.51%
The Nomura Trust and Banking Co., Ltd. (Toshin Acc.)	62,560	4.52%
Custody Bank of Japan, Ltd. (Toshin Acc.)	45,936	3.32%
STATE STREET BANK WEST CLIENT - TREATY 505234	26,128	1.89%
GOVERNMENT OF NORWAY	19,013	1.37%
SSBTC CLIENT OMNIBUS ACCOUNT	18,967	1.37%
Mitsubishi Estate Co., Ltd.	17,120	1.24%
JP MORGAN CHASE BANK 385781	16,874	1.22%
JPMorgan Securities Japan Co., Ltd.	16,516	1.19%

Unit Price Performance



Portfolio Highlights

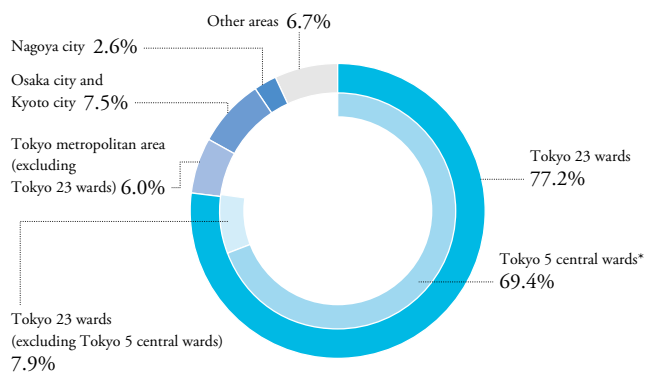
Trends in the state of portfolio management



Portfolio breakdown As of March 31, 2022

Properties by geographic region

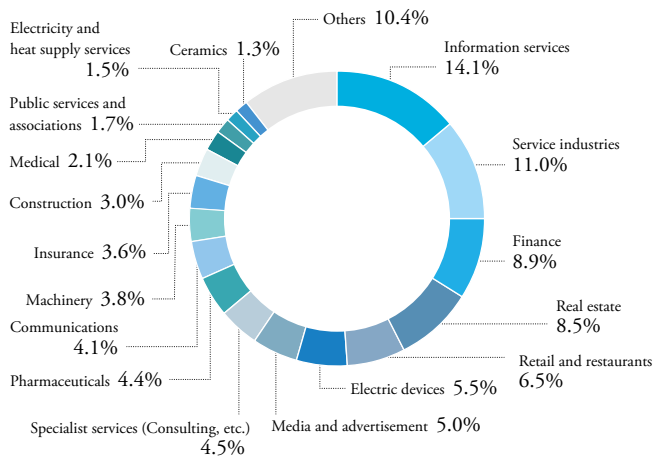
(Percentage based on acquisition price)



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

Tenants by industry type

(Percentage based on leased office space)



* GRAND FRONT OSAKA is excluded

Approach to ESG

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 the 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 Climate change initiative (promoting decarbonization and strengthening resilience)
- 2 Contribution to resource conservation including water and resource recycling
- 3 Contribution to conserving biodiversity and ecosystem
- 4 Enhancement of tenants’ health and well-being, and safety
- 5 Creating a workplace where a diverse workforce can thrive
- 6 Enhancement of governance systems
- 7 Stakeholder engagement through information disclosure and ESG evaluations

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.

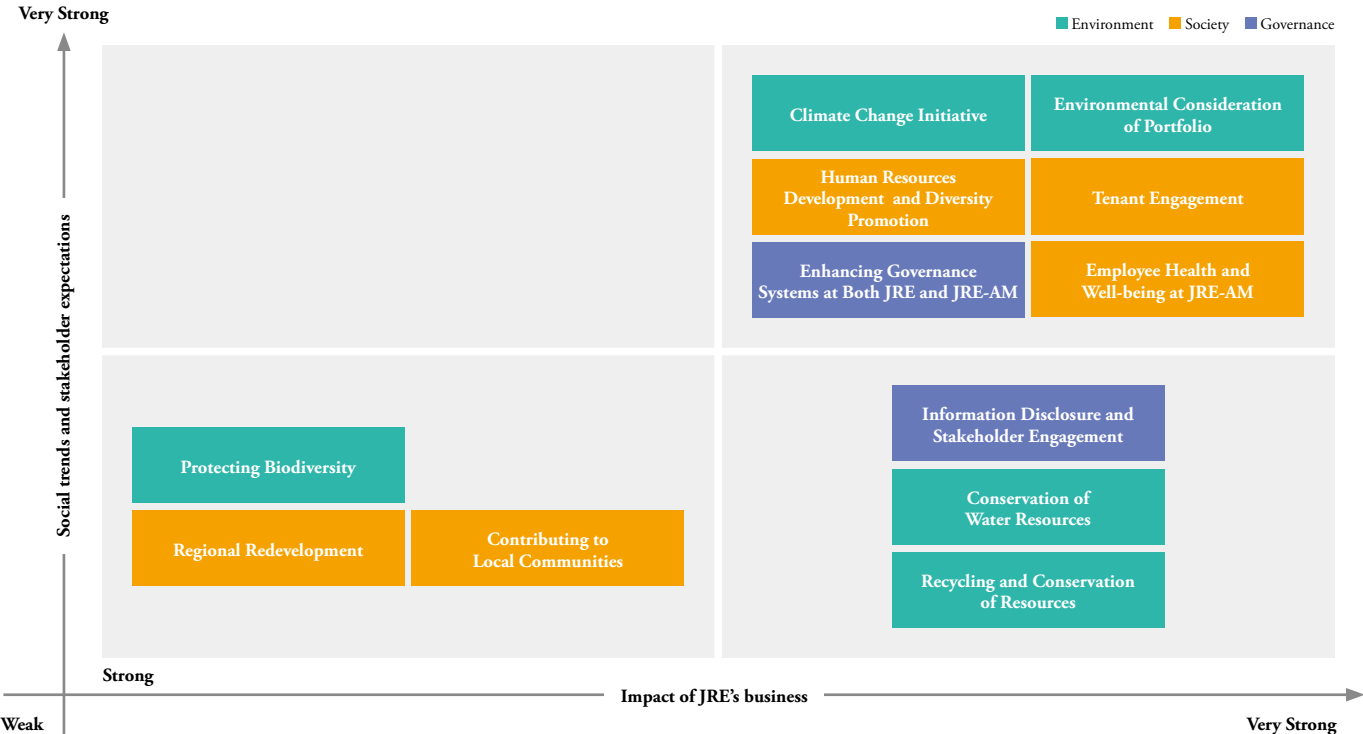
Please refer to our ESG website for further information.
<https://jre-esg.com/en/esg/information.html>

GRI STANDARDS Content Index
https://jre-esg.com/en/pdf/en-esg_gri.pdf

SASB Framework
https://jre-esg.com/en/pdf/sustainability_report2021.pdf#page=24

Materiality

Based on the Sustainability Policy, JRE and JRE-AM have determined materiality in order to achieve a sustainable society under our corporate social responsibility, recognizing the importance of consideration for ESG. We will annually disclose the progress of KPIs linked to the each objective and work towards contributing to the Sustainable Development Goals (SDGs) as well as achieving medium- to long-term growth of JRE through our responses to materiality.



WEB For more information, please visit “Materiality” on our ESG website.
<https://jre-esg.com/en/esg/policy.html#anchor02>

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.

Module	Strategy & Governance	Property
Score	A+	A+

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

Signatory of:



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 Japan ESG Select Leaders Index

Selected as a constituent of the MSCI Japan ESG Select Leaders Index (the "Index") provided by MSCI Inc. in June 2022

2022 CONSTITUENT MSCI JAPAN
ESG SELECT LEADERS INDEX

Disclaimer THE INCLUSION OF JRE IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF JRE BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.



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 March 2022, 75.0%* 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.

* Gross floor area of owned building basis

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

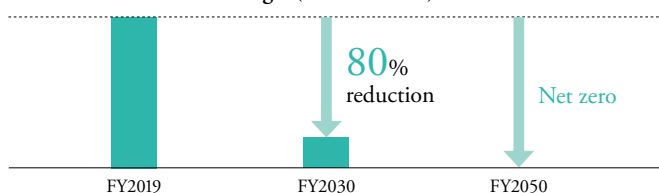
Environment



New Targets for CO₂ Emissions Reduction

JRE has newly revised its targets for CO₂ emissions reduction in March 2022 as we expect to achieve the previous targets announced in 2020 ahead of schedule. We have determined the new targets that we considered feasible and ambitious based on the external expert verification, as well as internal verification for reduction methods such as introducing renewable electricity. JRE's CO₂ Emissions reduction targets were approved by the Science Based Targets initiative (SBTi) in 2022 and we joined the international initiative RE100 as the first J-REIT in the same year. We aim to make 90% of electricity used at our buildings renewable electricity by 2030 and 100% by 2050.

CO₂ emissions reduction target (total emission)



SCIENCE
BASED
TARGETS

RE100

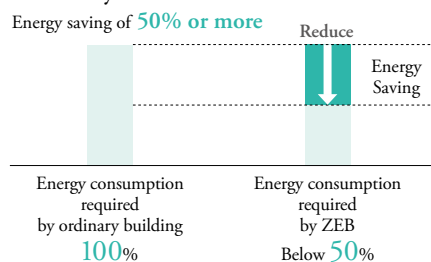
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

WEB For more information, please visit “Environmental Performance” on our ESG website.
<https://jre-esg.com/en/environment/environment.html>
<https://jre-esg.com/en/initiative/>

Acquisition of ZEB Certification for Daido Seimei Niigata Building

Daido Seimei Niigata Building has received the ZEB Ready Certification as well as the 5 Stars Certification by the Building-Housing Energy-efficiency Labeling System (“BELS”) based on the design and renovation plan for the building, assuming that the renovation will be carried out in the future. This is the second ZEB certified building in JRE’s portfolio. We will continue to make efforts for ZEB conversion in pursuit of achieving the KPIs.

ZEB Ready



この建物のエネルギー消費量51%削減
2022年1月21日交付国土交通省告示に基づく第三種認定

Source Ministry of the Environment ZEB PORTAL Site
<http://www.env.go.jp/earth/zeb/detail/01.html>

Supporting TCFD Recommendations

To enhance the sustainability of its future business, JRE evaluates the risks and opportunities that climate change presents, and reflects them in its operational policies and asset management accordingly.



WEB For more information, please visit “Climate Change Initiatives” on our ESG website.
<https://jre-esg.com/en/environment/climate.html>

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

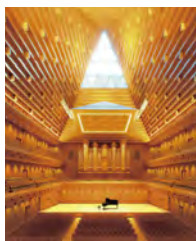
As part of our efforts to strengthen our relationship with local communities, we have established systems to host stranded commuters in the event of a disaster. These systems have been put in place at such properties as Akasaka Park Building. In addition, we have concluded an agreement with Chiyoda Ward 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>

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 <https://www.j-rea.co.jp/en/employee/index.html>
Mitsubishi Estate:
<https://www.mec.co.jp/e/sustainability/activities/social/human-resource/index.html>

■ Support and Incentives 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

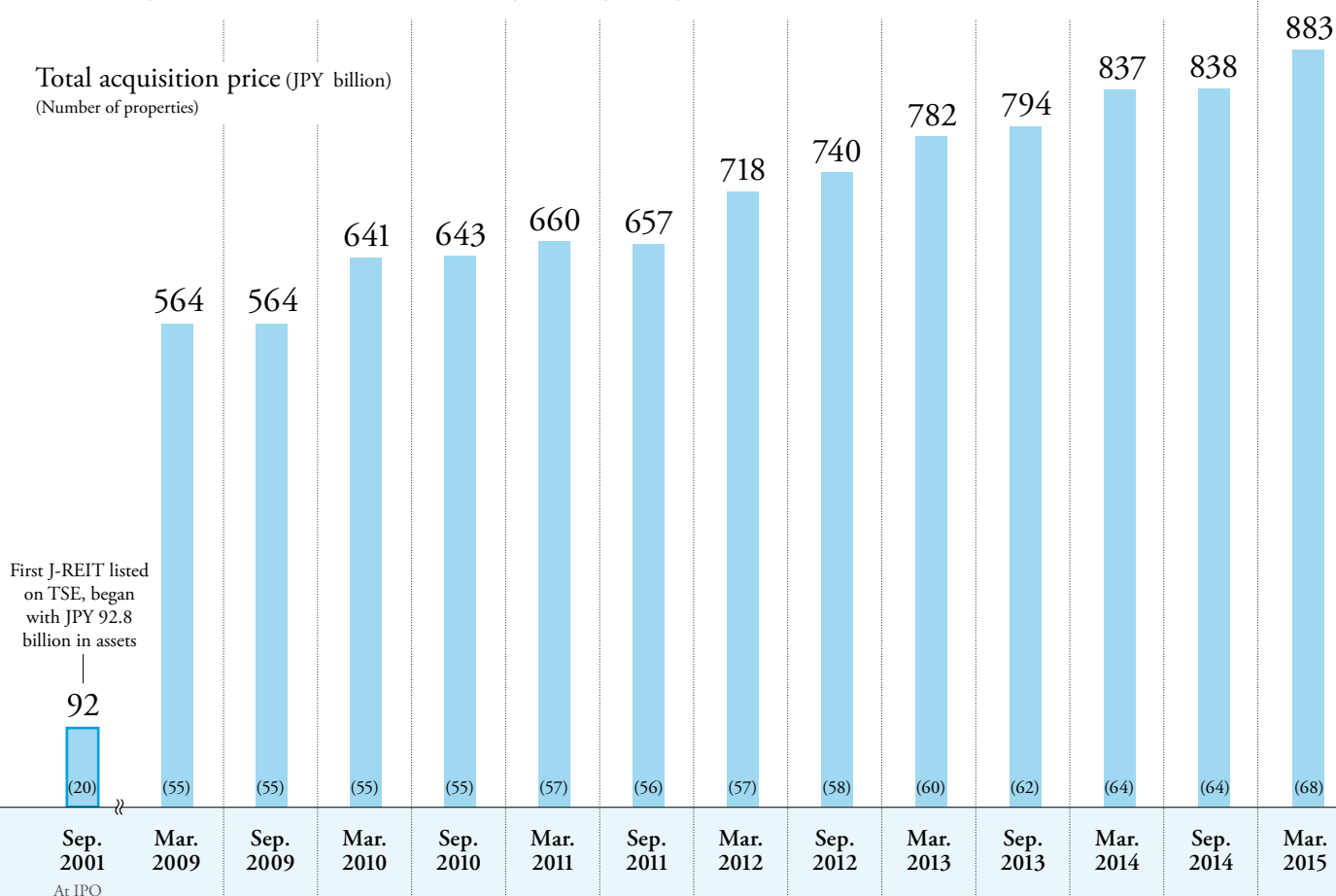
Asset Size, Property Acquisitions, and Performance Trends

Occupancy rate (%)

94.6 95.5 93.3 93.0 92.4 93.2 94.6 94.7 95.5 96.7 96.3 96.7 97.8 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 1.11 trillion as of the period ended March 31, 2022 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)

9,510 9,599 9,021 8,314 7,821 7,925 8,095 7,850 7,570 7,683 7,633 7,648 7,681

Listing and issuance of units

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

Dec. 2009
Sixth Follow-On

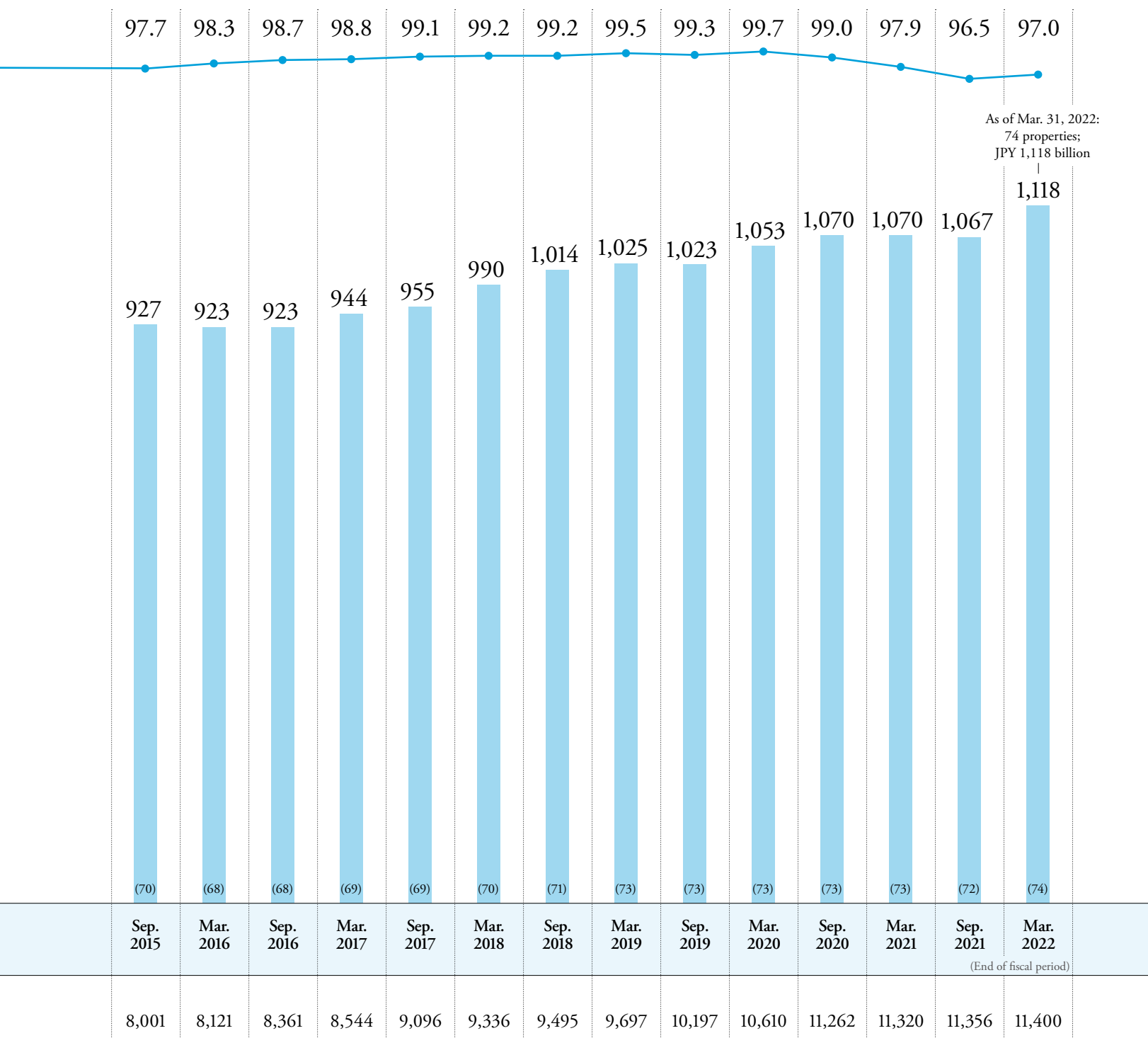
Feb. 2012
Seventh Follow-On

Oct. 2012
Eighth Follow-On

Apr. 2014
Ninth Follow-On

Apr. 2015
Tenth 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.



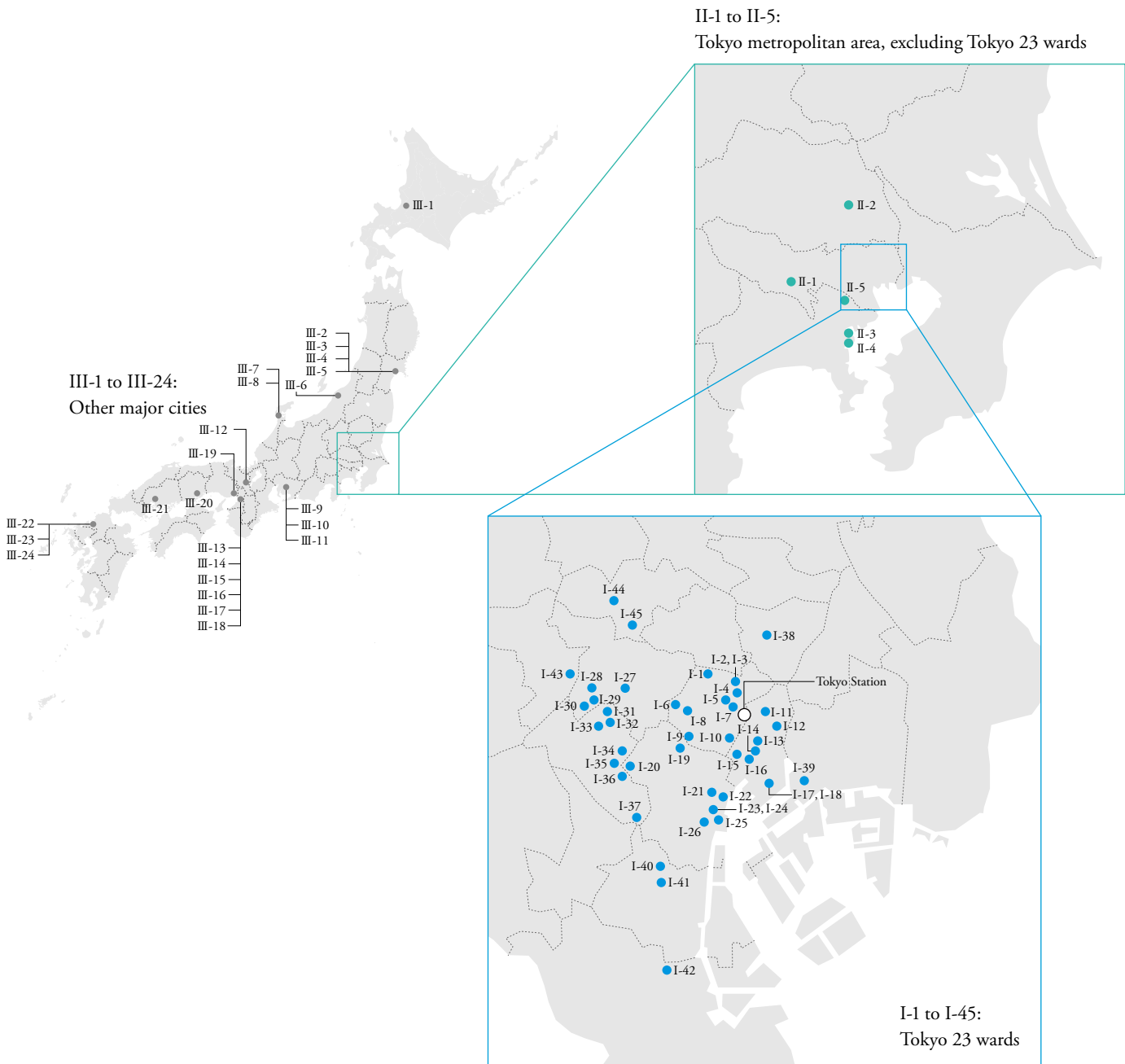
Apr. 2018
Eleventh
Follow-On

Major tenant roster

Name of tenant	Name of property	Leased office area (m ²)	% of total leased office area
MUFG Bank, Ltd.	Harumi Front (and 4 other properties)	35,129	4.1%
Undisclosed	Kitanomaru Square (and 3 other properties)	22,681	2.6%
Undisclosed	Osaki Front Tower (and 3 other properties)	22,030	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	1.2%
TOTO LTD.	Shiodome Building (and another property)	9,923	1.2%
SCSK Corporation	Toyosu Front	9,912	1.2%

Notes: 1. Undisclosed due to tenant's request
2. GRAND FRONT OSAKA is excluded

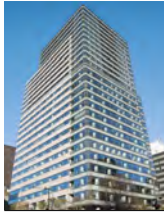
Location of portfolio properties



Overview of Portfolio Properties

As of March 31, 2022

Tokyo 23 wards



Kitanomaru Square

• I-1

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



JRE Kanda-Ogawamachi Building

• I-2

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



Kandabashi Park Building

• I-3

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



Otemachi Financial City North Tower

• I-4

Location:	Chiyoda-ku, Tokyo
Site area:	14,108.16m ²
Floor area of building:	239,769.07m ²
Ownership:	4.80%
Completion:	October 2012



Otemachi Park Building

• I-5

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



Nibancho Garden

• I-6

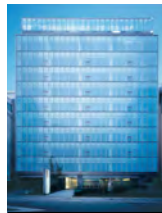
Location:	Chiyoda-ku, Tokyo
Site area:	10,992.13m ²
Floor area of building:	57,031.06m ²
Ownership:	31.35%
Completion:	April 2004



Mitsubishi UFJ Trust and Banking Building

• I-7

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



Burex Kojimachi Building

• I-8

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



Sanno Grand Building

• I-9

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



Yurakucho Denki Building

• I-10

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



Front Place Nihonbashi

• I-11

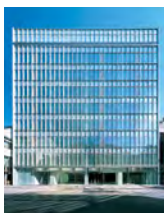
Location:	Chuo-ku, Tokyo
Site area:	1,381.52m ²
Floor area of building:	11,672.55m ²
Ownership:	100.0%
Completion:	February 2014



JRE Kayabacho 2Chome Building

• I-12

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



Burex Kyobashi Building

• I-13

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



JRE Ginza 1Chome East Building

• I-14

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



Ginza Sanwa Building

• I-15

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



JRE Ginza 3Chome Building

• I-16

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



Harumi Front

• I-17

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



Harumi Center Building

• I-18

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



Akasaka Park Building

• I-19

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



JRE Aoyama Crystal Building

• I-20

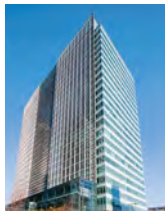
Location:	Minato-ku, Tokyo
Site area:	989.30m ²
Floor area of building:	8,094.36m ²
Ownership:	100.0%
Completion:	December 1982



Clover Shiba-koen

• I-21

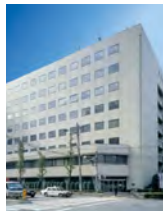
Location:	Minato-ku, Tokyo
Site area:	528.58m ²
Floor area of building:	3,496.01m ²
Ownership:	100.0%
Completion:	February 2006



Shiodome Building

• I-22

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



JRE Shiba 2Chome Daimon Building

• I-23

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



JRE Cosmo Kanasugibashi Building

• I-24

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



Seavans S Building

• I-25

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



Tamachi Front Building

• I-26

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



Shinjuku Eastside Square

• I-27

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



Shinjuku Front Tower

• I-28

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



JRE Nishi- Shinjuku Terrace

• I-29

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



Tokyo Opera City Building

• I-30

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



Front Place Minami-Shinjuku

• I-31

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



Link Square Shinjuku

• I-32

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



JRE Yoyogi 1Chome Building

• I-33

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



JRE Jingumae Terrace

• I-34

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



JRE Jingumae Media Square Building

• I-35

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

Shibuya Cross Tower (Land with leasehold interest)

• I-36

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



Ebisu Neonato

• I-37

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



TIXTOWER UENO

• I-38

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



Toyosu Front

• I-39

Location:	Koto-ku, Tokyo
Site area:	13,700.00m ²
Floor area of building:	104,683.98m ²
Ownership:	24.0%
Completion:	August 2010



JRE Higashi- Gotanda 1Chome Building

• I-40

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



Osaki Front Tower

• I-41

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



JRE Omori-Eki Higashiguchi Building

• I-42

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



Harmony Tower

• I-43

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



Ikebukuro 2Chome Building

• I-44

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



JRE Minami- Ikebukuro Building

• I-45

Location:	Toshima-ku, Tokyo
Site area:	1,384.56m ²
Floor area of building:	7,464.64m ²
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 ²
Floor area of building:	18,329.98m ²
Ownership:	80.40%
Completion:	July 1996



JRE Saitama Urawa Building

• II-2

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



MM Park Building

• II-3

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



Queen's Tower A

• II-4

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



Musashi Kosugi STM Building

• II-5

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

Other major cities



8-3 Square Kita Building

• III-1

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



Jozenji Park Building

• III-2

Location:	Sendai, Miyagi Prefecture
Site area:	1,566.68m ²
Floor area of building:	7,648.33m ²
Ownership:	50.0%
Completion:	January 1993



JRE Higashi Nibancho Square

• III-3

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



JRE Sendai Honcho Honma Building

• III-4

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



AER

• III-5

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



Daido Seimei Niigata Building

• III-6

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



Kanazawa Park Building

• III-7

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



JRE Kanazawa Kamitsutsumicho Building

• III-8

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



Nishiki Park Building

• III-9

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



JRE Nagoya Hirokoji Place

• III-10

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



Nagoya Hirokoji Building

• III-11

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



JRE Shijo Karasuma Center Building

• III-12

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



GRAND FRONT OSAKA (North Building)

• III-13

Location:	Osaka, Osaka Prefecture
Site area:	22,680.03m ²
Floor area of building:	290,030.59m ²
Ownership:	4.9%
Completion:	February 2013



GRAND FRONT OSAKA (Umekita Plaza and South Building)

• III-14

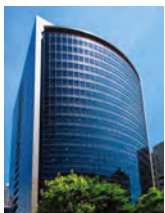
Location:	Osaka, Osaka Prefecture
Site area:	20,488.08m ²
Floor area of building:	10,226.10m ² (Umekita Plaza)/181,371.39m ² (South)
Ownership:	4.9%
Completion:	February 2013 (Umekita Plaza)/March 2013 (South)



JRE Umeda Square Building

• III-15

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



JRE Dojima Tower

• III-16

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



JRE Sakaisujihonmachi Building

• III-17

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



JRE Midosuji Daiwa Building

• III-18

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



JRE Amagasaki Front Building

• III-19

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



Lit City Building

• III-20

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



NHK Hiroshima Broadcasting Center Building

• III-21

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



JRE Tenjin 3Chome Building

• III-22

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



JRE Tenjin Crystal Building

• III-23

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



Hinode Tenjin Building

• III-24

Location:	Fukuoka, Fukuoka Prefecture
Site area:	1,452.15m ²
Floor area of building:	12,527.07m ²
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 October 1, 2021 to March 31, 2022	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
Operating revenues	36,453	36,901	34,944	34,966	35,996
Operating expenses	19,346	18,507	18,464	18,468	18,641
Operating profit	17,107	18,394	16,479	16,498	17,354
Ordinary profit	16,191	17,477	15,508	15,608	16,326
Profit before income taxes	16,191	17,477	15,508	15,608	16,326
Profit	16,045	16,865	15,560	15,598	15,755
Total assets	1,035,072	1,003,583	1,001,734	1,000,254	982,607
Interest-bearing debt	449,893	419,493	419,493	418,993	401,993
Net assets	516,762	516,447	515,262	515,302	514,400
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)	373,057	372,829	371,974	372,002	371,351
Cash distribution	15,791	15,730	15,680	15,600	14,697
Dividend payout ratio (Note 1)	98.4%	93.3%	100.8%	100.0%	93.3%
Dividend per unit (Yen)	11,400	11,356	11,320	11,262	10,610
Net operating income (NOI)	24,070	24,204	24,825	24,943	23,413
Funds from operations (FFO)	21,053	20,583	22,089	22,225	19,986
Return on assets (ROA) (Note 2)	1.6%	1.7%	1.5%	1.6%	1.7%
	(3.2% annualized)	(3.5% annualized)	(3.1% annualized)	(3.1% annualized)	(3.3% annualized)
Return on equity (ROE) (Note 3)	3.1%	3.3%	3.0%	3.0%	3.1%
	(6.2% annualized)	(6.5% annualized)	(6.1% annualized)	(6.0% annualized)	(6.1% annualized)
EOP equity ratio (Note 4)	49.9%	51.5%	51.4%	51.5%	52.4%
EOP interest-bearing debt ratio on total assets (Note 5)	43.5%	41.8%	41.9%	41.9%	40.9%
FFO multiple (Times)	21.0	22.5	20.4	16.8	22.0
Debt service coverage ratio (Times) (Note 6)	26.9	27.7	24.8	24.2	24.3

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 March 31, 2020, 183 days for the period ended September 30, 2020, 182 days for the period ended March 31, 2021, 183 days for the period ended September 30, 2021 and 182 days for the period ended March 31, 2022.)

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 September 30, 2021 and March 31, 2022

	Thousands of yen	
	As of September 30, 2021	As of March 31, 2022
ASSETS		
Current assets		
Cash and deposits	37,566,086	21,150,064
Cash and deposits in trust	6,870,954	6,023,858
Operating accounts receivable	339,110	608,869
Prepaid expenses	245,256	96,270
Consumption taxes refund receivable	—	617,709
Other	94,060	208,981
Total current assets	45,115,468	28,705,752
Non-current assets		
Property, plant and equipment		
Buildings	266,582,140	266,395,817
Accumulated depreciation	(116,042,747)	(119,112,797)
Buildings, net	150,539,392	147,283,020
Structures	3,232,451	3,237,811
Accumulated depreciation	(1,181,006)	(1,228,447)
Structures, net	2,051,445	2,009,363
Machinery and equipment	3,489,256	3,437,918
Accumulated depreciation	(2,730,756)	(2,723,473)
Machinery and equipment, net	758,499	714,444
Tools, furniture and fixtures	500,471	508,728
Accumulated depreciation	(334,218)	(344,652)
Tools, furniture and fixtures, net	166,252	164,075
Land	474,256,178	473,737,244
Construction in progress	67,259	32,712
Buildings in trust	104,744,019	116,270,016
Accumulated depreciation	(35,064,476)	(37,173,354)
Buildings in trust, net	69,679,542	79,096,662
Structures in trust	1,015,676	1,135,217
Accumulated depreciation	(415,707)	(444,958)
Structures in trust, net	599,968	690,258
Machinery and equipment in trust	847,147	893,580
Accumulated depreciation	(597,799)	(617,387)
Machinery and equipment in trust, net	249,348	276,192
Tools, furniture and fixtures in trust	72,866	76,983
Accumulated depreciation	(49,422)	(52,189)
Tools, furniture and fixtures in trust, net	23,444	24,794
Land in trust	250,042,009	292,084,985
Construction in progress in trust	15,760	71,215
Total property, plant and equipment	948,449,102	996,184,970
Intangible assets		
Land leasehold interests	5,595,895	5,580,065
Easement	828,095	828,095
Other	29,153	27,782
Total intangible assets	6,453,144	6,435,942
Investments and other assets		
Investment securities	577,168	660,468
Leasehold and guarantee deposits	1,573,847	1,580,934
Long-term prepaid expenses	25,585	26,463
Other	1,299,141	1,400,696
Total investments and other assets	3,475,742	3,668,562
Total non-current assets	958,377,989	1,006,289,476
Deferred assets		
Investment corporation bond issuance costs	89,673	77,313
Total deferred assets	89,673	77,313
Total Assets	1,003,583,130	1,035,072,541

	Thousands of yen	
	As of September 30, 2021	As of March 31, 2022
LIABILITIES		
Current liabilities		
Operating accounts payable	1,325,773	1,936,919
Short-term borrowings	18,000,000	41,200,000
Current portion of long-term borrowings	51,000,000	48,500,000
Accounts payable - other	2,248,639	2,164,967
Accrued expenses	340,846	327,656
Income taxes payable	8,590	11,158
Accrued consumption taxes	1,133,236	—
Advances received	3,065,332	3,092,429
Other	14,103	211,312
Total current liabilities	77,136,522	97,444,443
Non-current liabilities		
Investment corporation bonds	42,993,175	42,993,175
Long-term borrowings	307,500,000	317,200,000
Deposits received from tenants	57,302,592	58,334,907
Deferred tax liabilities	1,817,721	1,952,196
Asset retirement obligations	363,251	366,911
Other	22,128	17,912
Total non-current liabilities	409,998,869	420,865,102
Total Liabilities	487,135,392	518,309,545
NET ASSETS		
Unitholders' equity		
Unitholders' capital	497,241,216	497,241,216
Surplus		
Voluntary retained earnings		
Reserve for tax purpose reduction entry	2,303,775	3,439,070
Total voluntary retained earnings	2,303,775	3,439,070
Unappropriated retained earnings	16,902,746	16,082,709
Total surplus	19,206,522	19,521,779
Total unitholders' equity	516,447,738	516,762,995
Total Net Assets	516,447,738	516,762,995
Total Liabilities and Net Assets	1,003,583,130	1,035,072,541

Statements of Income and Retained Earnings

For the six months ended September 30, 2021 and March 31, 2022

Thousands of yen

	For the period from April 1, 2021 to September 30, 2021	For the period from October 1, 2021 to March 31, 2022
Operating revenues		
Rent revenues	34,209,880	34,739,020
Other lease business revenues	145,110	396,245
Gain on sales of real estate properties	2,546,518	1,318,376
Total operating revenues	36,901,509	36,453,643
Operating expenses		
Expenses related to lease business	16,415,368	17,391,031
Asset management fees	1,719,993	1,541,945
Asset custody fees	64,717	64,774
Administrative service fees	134,827	134,403
Directors' compensations	7,800	7,800
Commission expenses	89,352	122,766
Other operating expenses	75,003	83,716
Total operating expenses	18,507,062	19,346,437
Operating profit	18,394,447	17,107,205
Non-operating income		
Interest income	156	134
Dividend income	12,149	—
Reversal of distributions payable	1,883	1,583
Refund of property taxes	—	781
Income on settlement of management association accounts	9,346	—
Other	0	8
Total non-operating income	23,535	2,507
Non-operating expenses		
Interest expenses	717,408	695,591
Interest expenses on investment corporation bonds	172,681	174,500
Amortization of investment corporation bond issuance costs	12,427	12,360
Other	38,216	35,904
Total non-operating expenses	940,734	918,356
Ordinary profit	17,477,248	16,191,356
Profit before income taxes	17,477,248	16,191,356
Income taxes – current	11,095	11,178
Income taxes – deferred	600,413	134,475
Total income taxes	611,509	145,653
Profit	16,865,739	16,045,702
Retained earnings brought forward	37,007	37,007
Unappropriated retained earnings	16,902,746	16,082,709

Statements of Changes in Unitholders' Equity

For the six months ended September 30, 2021 and March 31, 2022

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

For the period from October 1, 2021 to March 31, 2022

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	2,303,775	2,303,775	16,902,746	19,206,522	516,447,738	516,447,738
Changes during the period							
Provision of reserve for tax purpose reduction entry		1,135,294	1,135,294	(1,135,294)	—	—	—
Dividends of surplus				(15,730,444)	(15,730,444)	(15,730,444)	(15,730,444)
Profit				16,045,702	16,045,702	16,045,702	16,045,702
Total changes during the period	—	1,135,294	1,135,294	(820,037)	315,257	315,257	315,257
Balance at end of the period	497,241,216	3,439,070	3,439,070	16,082,709	19,521,779	516,762,995	516,762,995

Statements of Cash Distributions

For the six months ended September 30, 2021 and March 31, 2022

	For the period From April 1, 2021 to September 30, 2021	For the period From October 1, 2021 to March 31, 2022
	Amount (Yen)	Amount (Yen)
I Retained earnings	16,902,746,371	16,082,709,191
II Cash distribution	15,730,444,760	15,791,394,000
(Dividend per investment unit)	(11,356)	(11,400)
III Voluntary retained earnings		
Provision of reserve for tax purpose reduction entry	1,135,294,566	254,308,146
IV 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, 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.

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 ¥15,791,394,000 for the period, which is a multiple of 1,385,210 — the number of units outstanding as of March 31, 2022. 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 September 30, 2021 and March 31, 2022

	Thousands of yen	
	For the period from April 1, 2021 to September 30, 2021	For the period from October 1, 2021 to March 31, 2022
Cash flows from operating activities		
Profit before income taxes	17,477,248	16,191,356
Depreciation	6,265,006	6,326,332
Amortization of investment corporation bond issuance costs	12,427	12,360
Dividend income	(12,149)	—
Interest income	(156)	(134)
Interest expenses	890,089	870,092
Decrease (increase) in operating accounts receivable	182,650	(269,758)
Decrease (increase) in consumption taxes refund receivable	—	(617,709)
Decrease (increase) in supplies	191	1,697
Decrease (increase) in prepaid expenses	(109,744)	148,985
Decrease in property, plant and equipment due to sale	—	1,293,228
Decrease in property, plant and equipment in trust due to sale	3,245,381	—
Increase (decrease) in operating accounts payable	262,177	84,010
Increase (decrease) in accounts payable - other	372,241	(213,925)
Increase (decrease) in accrued consumption taxes	(11,857)	(1,133,236)
Increase (decrease) in accrued expenses	(131)	131
Increase (decrease) in advances received	(107,245)	27,096
Decrease (increase) in long-term prepaid expenses	36,151	(878)
Other, net	(130,155)	(26,418)
Subtotal	28,372,125	22,693,229
Interest and dividends received	12,306	134
Interest paid	(896,939)	(883,413)
Income taxes paid	(14,117)	(8,611)
Net cash provided by (used in) operating activities	27,473,375	21,801,339
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,168,607)	(1,071,951)
Purchase of property, plant and equipment in trust	(484,779)	(53,601,404)
Purchase of intangible assets	(550)	(2,179)
Purchase of investment securities	—	(83,300)
Payments of leasehold and guarantee deposits	(7,610)	(7,086)
Refund of leasehold and guarantee deposits received	(2,038,400)	(2,257,627)
Proceeds from leasehold and guarantee deposits received	1,986,200	3,289,597
Net cash provided by (used in) investing activities	(1,713,747)	(53,733,952)
Cash flows from financing activities		
Proceeds from short-term borrowings	29,000,000	50,200,000
Repayments of short-term borrowings	(29,000,000)	(27,000,000)
Proceeds from long-term borrowings	24,200,000	34,700,000
Repayments of long-term borrowings	(24,200,000)	(27,500,000)
Distributions paid	(15,676,421)	(15,730,505)
Net cash provided by (used in) financing activities	(15,676,421)	14,669,494
Net increase (decrease) in cash and cash equivalents	10,083,207	(17,263,118)
Cash and cash equivalents at beginning of the period	34,353,833	44,437,040
Cash and cash equivalents at end of the period	44,437,040	27,173,922

Notes to Financial Statements

September 30, 2021 and March 31, 2022

1. Organization and Basis of Presentation

Organization

Japan Real Estate Investment Corporation (the “Company”) is a real estate investment corporation formed to own and invest primarily in a portfolio of office properties. The Company is externally managed by a licensed asset management company, Japan Real Estate Asset Management Co., Ltd. (“JRE-AM”). JRE-AM is a wholly-owned subsidiary of Mitsubishi Estate Co., Ltd. (“MEC”).

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

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

As of March 31, 2022, the Company owned a portfolio of 74 office properties with an aggregate of approximately 896,530 m² of leasable space.

Basis of presenting financial statements

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

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. Commitment Line Agreement

As of September 30, 2021 and March 31, 2022

The Company has signed commitment line agreements with three banks.

	Thousands of yen	
	As of September 30, 2021	As of March 31, 2022
Total amount of commitment line agreements	60,000,000	60,000,000
Debt financing balance	—	—
Balance	60,000,000	60,000,000

4. Reserve for Tax Purpose Reduction Entry

As of September 30, 2021 and March 31, 2022

	Thousands of yen	
	As of September 30, 2021	As of March 31, 2022
Reserve for tax purpose reduction entry	2,303,775	3,439,070
Deferred tax liability for the reserve for tax purpose reduction entry	1,818,643	1,953,125
Total	4,122,419	5,392,196

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.

5. Financial Instruments

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 September 30, 2021 and March 31, 2022) 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 6. “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 September 30, 2021 and March 31, 2022 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 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.

	Thousands of yen		
	As of March 31, 2022		
	Book value*	Fair value*	Difference*
(1) Current portion of long-term borrowings	(48,500,000)	(48,606,802)	(106,802)
(2) Investment corporation bonds	(42,993,175)	(43,624,512)	(631,337)
(3) Long-term borrowings	(317,200,000)	(315,353,094)	1,846,905
(4) Deposits received from tenants	(58,334,907)	(57,105,428)	1,229,478
(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 6. “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 6. “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

These fair values of these deposits are the discounted present values by estimated periods until the deposits are returned and discount rates reflected credit risks of the Company.

(5) Derivative transactions

Please refer to Section 6. “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 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
Total	51,000,000	48,500,000	52,300,000	67,000,000	46,700,000	135,993,175

	Thousands of yen					
	As of March 31, 2022					
	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	10,000,000	2,993,175
Long-term borrowings	48,500,000	39,500,000	54,800,000	52,500,000	25,700,000	144,700,000
Total	48,500,000	49,500,000	54,800,000	72,500,000	35,700,000	147,693,175

6. Derivative Transactions

(1) Derivatives not designated as hedging instruments

As of September 30, 2021

“Not applicable”

As of March 31, 2022

“Not applicable”

(2) Derivatives designated as hedging instruments

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

As of March 31, 2022

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	26,300,000	9,800,000	*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 September 30, 2021 and March 31, 2022. Please refer to Note 1 of “2. Fair value of financial instruments” under Section 5. “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 September 30, 2021 and March 31, 2022. Please refer to Note 1 of “2. Fair value of financial instruments” under Section 5. “Financial Instruments”, as well as subheading (2) concerning derivative transactions.

7. Property, Plant and Equipment and Intangible Assets

Changes in Property, plant and equipment and Intangible assets for the six months ended March 31, 2022 are as follows:

Thousands of yen

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	266,582,140	1,530,265	1,716,587	266,395,817	119,112,797	4,036,993	147,283,020	—
	Structures	3,232,451	14,726	9,367	3,237,811	1,228,447	53,090	2,009,363	—
	Machinery and equipment	3,489,256	14,008	65,346	3,437,918	2,723,473	37,792	714,444	—
	Tools, furniture and fixtures	500,471	12,715	4,458	508,728	344,652	14,231	164,075	—
	Land	474,256,178	—	518,933	473,737,244	—	—	473,737,244	—
	Construction in progress	67,259	19,408	53,954	32,712	—	—	32,712	—
	Buildings in trust	104,744,019	11,525,997	—	116,270,016	37,173,354	2,108,877	79,096,662	—
	Structures in trust	1,015,676	119,541	—	1,135,217	444,958	29,251	690,258	—
	Machinery and equipment in trust	847,147	46,432	—	893,580	617,387	19,588	276,192	—
	Tools, furniture and fixtures in trust	72,866	4,117	—	76,983	52,189	2,766	24,794	—
	Land in trust	250,042,009	42,042,975	—	292,084,985	—	—	292,084,985	—
	Construction in progress in trust	15,760	55,454	—	71,215	—	—	71,215	—
Subtotal	1,104,865,237	55,385,643	2,368,648	1,157,882,232	161,697,261	6,302,591	996,184,970		
Intangible assets	Land leasehold interests	5,933,601	—	—	5,933,601	353,536	15,829	5,580,065	—
	Easement	828,095	—	—	828,095	—	—	828,095	—
	Other	56,227	2,879	—	59,106	31,324	4,250	27,782	—
	Subtotal	6,817,924	2,879	—	6,820,803	384,860	20,080	6,435,942	
Total	1,111,683,162	55,388,522	2,368,648	1,164,703,036	162,082,122	6,322,672	1,002,620,913		

8. Borrowings

The condition of loans by financial institutions as of March 31, 2022 is as follows:

	Classification	Drawdown date	Balance at beginning of current period (¥ thousand)	Balance at end of current period (¥ thousand)	Average interest rate*1 (%)	Repayment date	Repayment method	Use of proceeds	Notes
	Lender								
Short-term borrowings	MUFG Bank, Ltd. *3	August 18, 2021	11,000,000	—	0.09727	November 18, 2021	Bullet	*2	Unsecured Unguaranteed Unsubordinated
	MUFG Bank, Ltd. *4	November 18, 2021	—	—	0.09727	February 18, 2022			
	Mizuho Bank, Ltd.	April 20, 2021	5,000,000	—	0.1189	April 20, 2022 *5			
	Sumitomo Mitsui Trust Bank, Limited	April 20, 2021	2,000,000	2,000,000	0.1187	April 20, 2022			
	MUFG Bank, Ltd. *6	February 18, 2022	—	11,000,000	0.10727	May 18, 2022			
	MUFG Bank, Ltd.	November 30, 2021	—	3,200,000	0.11815	November 30, 2022			
	MUFG Bank, Ltd.	March 29, 2022	—	15,000,000	0.12545	March 29, 2023			
	Mizuho Bank, Ltd.	March 29, 2022	—	10,000,000	0.1254	March 29, 2023			
	Subtotal		18,000,000	41,200,000					
Long-term borrowings	The Iyo Bank, Ltd.	October 1, 2014	1,000,000	—	0.46525	October 1, 2021	Bullet	*2	Unsecured Unguaranteed Unsubordinated
	The Chugoku Bank, Limited	October 1, 2014	1,000,000	—	0.4725	October 1, 2021			
	Daishi Hokuetsu Bank, Ltd.	November 14, 2014	3,200,000	—	0.463	November 15, 2021			
	Sony Bank Incorporated		1,400,000	—					
	The Toho Bank, Ltd.		1,400,000	—					
	The Shinkumi Federation Bank		1,000,000	—					
	The Akita Bank, Ltd.		900,000	—					
	The Gunma Bank, Ltd.		900,000	—					
	The 77 Bank, Ltd.		900,000	—					
	The Tochigi Bank, Ltd.		900,000	—					
	The Fukui Bank, Ltd.		900,000	—					
	The Bank of Iwate, Ltd.		500,000	—					
	The Higo Bank, Ltd.		500,000	—					
	The Yamagata Bank, Ltd.		500,000	—					
	The Nishi-Nippon City Bank, Ltd.	June 17, 2014	2,000,000	—	0.621	December 17, 2021			
	Sumitomo Mitsui Banking Corporation	January 7, 2013	2,000,000	—	0.980	January 7, 2022			
	Mizuho Bank, Ltd.	January 15, 2013	5,000,000	—	0.96625	January 17, 2022			
	The Norinchukin Bank	January 31, 2014	3,500,000	—	0.757	January 31, 2022			
	Mizuho Bank, Ltd.	April 24, 2013	3,000,000	3,000,000	0.87375	April 25, 2022 *7			
	MUFG Bank, Ltd.	June 15, 2012	4,000,000	4,000,000	1.1975	June 15, 2022 *7			
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				

	Classification	Drawdown date	Balance at beginning of current period (¥ thousand)	Balance at end of current period (¥ thousand)	Average interest rate*1 (%)	Repayment date	Repayment method	Use of proceeds	Notes
	Lender								
Long-term borrowings	The Gunma Bank, Ltd.	August 10, 2015	1,000,000	1,000,000	0.3925	August 10, 2022 *7	Bullet	*2	Unsecured Unguaranteed Unsubordinated
	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 *7			
	Development Bank of Japan Inc.	January 7, 2013	3,000,000	3,000,000	1.115	January 6, 2023 *7			
	Daishi Hokuetsu Bank, Ltd.	January 7, 2016	1,500,000	1,500,000	0.2802	January 10, 2023 *7			
	The 77 Bank, Ltd.	January 10, 2018	1,000,000	1,000,000	0.205	January 10, 2023 *7			
	The Hachijuni Bank, Ltd.	January 15, 2016	1,000,000	1,000,000	0.265	January 16, 2023 *7			
	The Iyo Bank, Ltd.	January 15, 2016	1,000,000	1,000,000	0.265	January 16, 2023 *7			
	Sumitomo Mitsui Trust Bank, Limited	January 17, 2018	3,000,000	3,000,000	0.210	January 17, 2023 *7			
	Development Bank of Japan Inc.	January 31, 2014	5,000,000	5,000,000	0.9325	January 31, 2023 *7			
	The Yamaguchi Bank, Ltd.	March 25, 2013	1,000,000	1,000,000	0.945	March 24, 2023 *7			
	The Bank of Fukuoka, Ltd.	March 24, 2015	2,000,000	2,000,000	0.5125	March 24, 2023 *7			
	The Norinchukin Bank	March 25, 2015	3,500,000	3,500,000	0.46825	March 27, 2023 *7			
	The Chugoku Bank, Limited	March 26, 2018	2,000,000	2,000,000	0.1988	March 27, 2023 *7			
	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	0.03238 *8 *9	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 *10	December 19, 2023			
	MUFG Bank, Ltd.	March 26, 2018	5,000,000	5,000,000	0.015 *8 *11	March 26, 2024			
	The Hachijuni Bank, Ltd.	March 26, 2018	1,000,000	1,000,000	0.2338	March 26, 2024			
	Sumitomo Mitsui Trust Bank, Limited	May 29, 2019	5,000,000	5,000,000	0.075	May 29, 2024			
	The Iyo Bank, Ltd.	June 15, 2017	2,500,000	2,500,000	0.275	June 17, 2024			
	The Hachijuni Bank, Ltd.	June 15, 2017	1,000,000	1,000,000	0.275	June 17, 2024			
	MUFG Bank, Ltd.	September 1, 2015	3,500,000	3,500,000	0.630	September 2, 2024			
Sumitomo Mitsui Trust Bank, Limited	September 2, 2015	3,800,000	3,800,000	0.536	September 2, 2024				
The Norinchukin Bank	September 1, 2017	5,000,000	5,000,000	0.240	September 2, 2024				
Sumitomo Mitsui Trust Bank, Limited	September 26, 2019	5,500,000	5,500,000	0.105	September 26, 2024				
Taiyo Life Insurance Company	October 1, 2014	2,000,000	2,000,000	0.7825	October 1, 2024				
Mizuho Bank, Ltd.	October 1, 2015	2,500,000	2,500,000	0.5575	October 1, 2024				

	Classification	Drawdown date	Balance at beginning of current period (¥ thousand)	Balance at end of current period (¥ thousand)	Average interest rate*1 (%)	Repayment date	Repayment method	Use of proceeds	Notes
	Lender								
Long-term borrowings	The Gunma Bank, Ltd.	November 18, 2019	1,000,000	1,000,000	0.10952*8	November 18, 2024	Bullet	*2	Unsecured Unguaranteed Unsubordinated
	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	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	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			
	Taiyo Life Insurance Company	March 30, 2018	1,000,000	1,000,000	0.3963	March 30, 2028			
	The Bank of Fukuoka, Ltd.	August 31, 2021	1,500,000	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			
	The Nishi-Nippon City Bank, Ltd.	December 17, 2021	—	1,000,000	0.27875	December 18, 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	0.15765*8	March 24, 2031				
The Yamanashi Chuo Bank, Ltd.	March 26, 2019	2,000,000	2,000,000	0.3688	March 26, 2031				

	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	MUFG Bank, Ltd.	April 5, 2021	5,000,000	5,000,000	0.41875	April 4, 2031	Bullet	*2	Unsecured Unguaranteed Unsubordinated
	MUFG Bank, Ltd.	April 26, 2021	5,000,000	5,000,000	0.35625	April 25, 2031			
	Mizuho Bank, Ltd.	June 15, 2021	4,000,000	4,000,000	0.28875	June 16, 2031			
	The Norinchukin Bank *12	January 29, 2021	5,000,000	5,000,000	0.34625	July 31, 2031			
	The Chugoku Bank, Limited	October 1, 2021	—	1,000,000	0.345	October 1, 2031			
	The Norinchukin Bank *13	November 15, 2021	—	5,000,000	0.405	November 17, 2031			
	Shinkin Central Bank	November 15, 2021	—	5,000,000	0.405	November 17, 2031			
	Daishi Hokuetsu Bank, Ltd.	November 15, 2021	—	3,200,000	0.395	November 17, 2031			
	The Chugoku Bank, Limited	November 15, 2021	—	1,000,000	0.405	November 17, 2031			
	The 77 Bank, Ltd.	November 15, 2021	—	1,000,000	0.395	November 17, 2031			
	The Hachijuni Bank, Ltd.	November 15, 2021	—	1,000,000	0.16051 *8	November 17, 2031			
	The Nishi-Nippon City Bank, Ltd.	December 17, 2021	—	1,000,000	0.37375	December 17, 2031			
	Sumitomo Mitsui Banking Corporation	January 7, 2022	—	2,000,000	0.415	January 7, 2032			
	Mizuho Bank, Ltd.	January 17, 2022	—	5,000,000	0.4475	January 19, 2032			
	The Norinchukin Bank *14	January 29, 2021	5,000,000	5,000,000	0.3675	January 30, 2032			
	The Norinchukin Bank	January 31, 2022	—	3,500,000	0.4725	January 30, 2032			
	The Shiga Bank, Ltd.	February 21, 2022	—	3,000,000	0.440	February 24, 2032			
	The Chugoku Bank, Limited	February 21, 2022	—	1,000,000	0.440	February 24, 2032			
	The Gunma Bank, Ltd.	February 21, 2022	—	1,000,000	0.440	February 24, 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	365,700,000					
	Total		376,500,000	406,900,000					

- *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 August 18, 2021, MUFG Bank, Ltd. transferred its loan receivable of ¥11,000 million to Mitsubishi UFJ Trust and Banking Corporation.
- *4. As of November 18, 2021, MUFG Bank, Ltd. transferred its loan receivable of ¥11,000 million to Mitsubishi UFJ Trust and Banking Corporation.
- *5. The Company made a full repayment (¥5,000 million) before maturity on February 21, 2022.
- *6. As of February 18, 2022, MUFG Bank, Ltd. transferred its loan receivable of ¥10,600 million to Mitsubishi UFJ Trust and Banking Corporation.
- *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. These are floating rate borrowings which are not swapped into fixed rates.
- *9. The loan was based on floating rate (Base rate (Risk free rate (TONA) compounded in arrears over rate observation period (1 month) according to the lookback method + spread adjustment (-0.02923%)) + 0.09%).
- *10. 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.
- *11. The loan was based on floating rate (Base rate (Risk free rate (TONA) compounded in arrears over rate observation period (3 months) according to the lookback method + spread adjustment (0.00835%)) + 0.09%).
- *12. 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 CO₂ 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%.
- *13. The applicable interest rate will be lowered by 0.01% from the original rate of 0.405% for a corresponding period pursuant to the loan agreement on the condition that either one of the targets set for CO₂ emissions reduction or the number of ZEB-certified buildings the Company owns, respectively, is achieved.
- *14. 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 CO₂ 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%.

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

Outstanding investment corporation bonds as of March 31, 2022 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.

10. Net Assets

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

11. 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 September 30, 2021 and March 31, 2022 were as follows:

	Thousands of yen	
	As of September 30, 2021	As of March 31, 2022
Deferred tax assets:		
Accrued enterprise tax	921	929
Amortization of a term leasehold interest	116,812	122,288
Asset retirement obligations	125,648	126,914
	243,383	250,132
Valuation allowance	(141,005)	(147,747)
Total deferred tax assets	102,377	102,385
Deferred tax liabilities:		
Asset retirement obligations	101,455	101,455
Reserve for advanced depreciation of non-current assets	1,818,643	1,953,125
Total deferred tax liabilities	1,920,098	2,054,581
Net deferred tax liabilities	1,817,721	1,952,196

The reconciliation of tax rate difference between the adjusted statutory tax rate and the effective tax rate as of September 30, 2021 and March 31, 2022 was as follows:

	As of September 30, 2021	As of March 31, 2022
Statutory tax rate	34.59%	34.59%
Deductible dividend distribution	(31.13%)	(33.74%)
Change in valuation allowance	0.04%	0.04%
Others	0.00%	0.00%
Effective tax rate	3.50%	0.90%

12. Related Party Transactions

For the six months ended September 30, 2021 and March 31, 2022

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 April 1, 2021 to September 30, 2021

“Not applicable”

For the period from October 1, 2021 to March 31, 2022

“Not applicable”

(2) Affiliated Companies

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

“Not applicable”

For the period from October 1, 2021 to March 31, 2022

“Not applicable”

(3) Sister Companies

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

“Not applicable”

For the period from October 1, 2021 to March 31, 2022

“Not applicable”

(4) Directors and Major Individual Unitholders

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

“Not applicable”

For the period from October 1, 2021 to March 31, 2022

“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 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	—	—
				Security deposit increase	270,280	Deposits received from tenants	20,145,963
				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.

For the period from October 1, 2021 to March 31, 2022 (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	15,728,787	—	—
				Real estate beneficiary rights in trust purchase	46,500,000	—	—
				Security deposit increase	365,980	Deposits received from tenants	20,192,826
				Security deposit return	319,117		
Interested party	Mitsubishi Jisho Property Management Co., Ltd.	Real estate management	—	Property management expenses	2,526,476	—	—
Asset custody company	Sumitomo Mitsui Trust Bank, Limited	Bank	—	Proceeds from long-term borrowings	—	Long-term borrowings	41,000,000
				Repayments of long-term borrowings	—		

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.

13. Segment Information

For the six months ended September 30, 2021 and March 31, 2022

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.

14. Asset Retirement Obligations

For the six months ended September 30, 2021 and March 31, 2022

Asset retirement obligations reported on balance sheets

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

Change in the asset retirement obligations for the six months ended September 30, 2021 and March 31, 2022 consisted of the following:

	Thousands of yen	
	For the period from April 1, 2021 to September 30, 2021	For the period from October 1, 2021 to March 30, 2022
Balance at the beginning of the period	359,628	363,251
Increase in tangible fixed assets	—	—
Accretion expense	3,623	3,659
Balance at the end of the period	363,251	366,911

15. Investment and Rental Property

For the six months ended September 30, 2021 and March 31, 2022

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

The book values on balance sheets as of September 30, 2021 and March 31, 2022 and the fair values as of September 30, 2021 and March 31, 2022 are as follows:

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

Thousands of yen			
Book value		Fair value	
As of September 30, 2021	Change during the period *2	As of March 31, 2022	As of March 31, 2022
954,902,065	47,718,397	1,002,620,463	1,322,980,000

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

2. Significant changes

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

*2. As for the increases/decreases for the period, the major reasons for the increases were the acquisitions of GRAND FRONT OSAKA (North Building) (¥9,869,891 thousand), GRAND FRONT OSAKA (Umekita Plaza and South Building) (¥11,347,537 thousand), Toyosu Front (¥25,643,143 thousand) and the additional acquisition of Otemachi Financial City North Tower (¥6,429,989 thousand), and the major reasons for the decreases were the disposition of Nagoya Misono Building (¥1,293,228 thousand) and by depreciation.

3. Fair values as of September 30, 2021 and March 31, 2022 are defined as the appraised values provided by an external qualified professional appraiser. 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, and as of March 31, 2022, Harumi Center Building, for which the disposition agreement was made dated May 16, 2022, was valued at the disposition price.

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

16. Revenue Recognition

For the six months ended September 30, 2021 and March 31, 2022

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
Total	7,509,652	36,901,509

*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.

For the period from October 1, 2021 to March 31, 2022

	Thousands of yen	
	Revenue from contracts with customers *1	Revenue from external customers
Sales of real estate properties	—	1,318,376 *2
Utilities income	1,567,099 *3	1,567,099
Others	—	33,568,167
Total	1,567,099	36,453,643

*1. Rent revenues subject to “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13) and revenue from sales of real estate properties subject to “Practical Guidelines on Accounting by Transferors for Derecognition of Real Estate Securitized by means of Special Purpose Companies” (the Accounting System Committee Statement No. 15 of the Japanese Institute of Certified Public Accountants (JICPA)) are excluded from “Revenue from contracts with customers” as they are not subject to Accounting Standard for Revenue Recognition. The revenue from contracts with customers is mainly revenues from utilities income.

*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.

17. Per Unit Information

The following table summarizes information about net assets per unit and profit per unit as of September 30, 2021 and March 31, 2022 and for the periods then ended, respectively:

	Yen	
	For the period from April 1, 2021 to September 30, 2021	For the period from October 1, 2021 to March 31, 2022
Net assets per unit	372,829	373,057
Profit per unit	12,175	11,583

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

2. The basis for the computation of profit per unit is as follows:

	Thousands of yen	
	For the period from April 1, 2021 to September 30, 2021	For the period from October 1, 2021 to March 31, 2022
Profit	16,865,739	16,045,702
Amount not attributable to normal unitholders	—	—
Profit applicable to normal investment units	16,865,739	16,045,702
Average number of units	1,385,210 units	1,385,210 units

18. Breakdown of Property-Related Revenues and Expenses

For the six months ended September 30, 2021 and March 31, 2022

	Thousands of yen	
	For the period from April 1, 2021 to September 30, 2021	For the period from October 1, 2021 to March 31, 2022
Property-Related Revenues	34,354,991	35,135,266
Rent revenues	34,209,880	34,739,020
Rental revenues	28,798,594	29,251,345
Common service charges	2,404,480	2,364,432
Parking revenues	702,272	713,093
Other rental revenues	2,304,533	2,410,148
Other lease business revenues	145,110	396,245
Cancellation charges	22,883	271,572
Other miscellaneous revenues	122,226	124,673
Property-Related Expenses	16,415,368	17,391,031
Expenses related to lease business	16,415,368	17,391,031
Property management expenses	3,653,419	3,986,885
Utilities expenses	2,106,626	2,249,197
Property and other taxes	3,384,587	3,371,900
Casualty insurance	46,624	46,686
Repairing expenses	776,505	1,217,236
Depreciation	6,264,424	6,326,242
Other rental expenses	183,179	192,881
Property-Related Profits	17,939,622	17,744,235

19. Breakdown of Gain on Sales of Real Estate Properties

For the six months ended September 30, 2021 and March 31, 2022

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
	Gain on sales of real estate properties	2,546,518

For the period from October 1, 2021 to March 31, 2022

		Thousands of yen
Nagoya Misono Building		
	Revenue from sale of real estate property	2,629,000
	Cost of real estate property sold	1,293,228
	Other sales expenses	17,394
	Gain on sales of real estate properties	1,318,376

20. Changes in Unitholders' Equity

For the six months ended September 30, 2021 and March 31, 2022

Total number of investment units issuable and number of units outstanding	As of September 30, 2021	As of March 31, 2022
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

21. Supplemental Cash Flow Information

Cash and cash equivalents

The following table represents a reconciliation of cash and cash equivalents as of September 30, 2021 and March 31, 2022:

	Thousands of yen	
	As of September 30, 2021	As of March 31, 2022
Cash and deposits	37,566,086	21,150,064
Cash and deposits in trust	6,870,954	6,023,858
Time deposits with maturities of more than three months	—	—
Cash and cash equivalents	44,437,040	27,173,922

22. Leases

1. Leased assets under finance lease transactions that do not transfer ownership of the leased assets to the lessees are capitalized and depreciated by the straight-line method over the lease term with no residual value. Such capitalized leased assets primarily consist of tools, furniture and fixtures.
2. The Company, as a lessor, owns office buildings under leases and earns rent income. As of September 30, 2021 and March 31, 2022, the future lease revenues under the non-cancelable operating leases are as follows:

	Thousands of yen	
	As of September 30, 2021	As of March 31, 2022
Due within one year	27,261,909	26,186,403
Due after one year	44,318,496	47,369,578
Total	71,580,405	73,555,981

23. Subsequent Events

For the six months ended March 31, 2022

“Not applicable”



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 March 31, 2022, 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 March 31, 2022, 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.

Other Information

The other information comprises the information included in the Semiannual Report that contains audited financial statements but does not include the financial statements and our auditor's report thereon. Management is responsible for preparation and disclosure of the other information. The Supervisory Director is responsible for overseeing the Company's reporting process of the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.



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

August 12, 2022

/s/ Kenichi Shibata
Kenichi Shibata
Designated Engagement Partner
Certified Public Accountant

/s/ Teruyo Okubo
Teruyo Okubo
Designated Engagement Partner
Certified Public Accountant

Other Information

1. Risk Factors

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

- any adverse conditions in the Japanese economy could adversely affect JRE;
- JRE may not be able to acquire properties to execute the growth and investment strategy in a manner that is accretive to earnings;
- illiquidity in the real estate market may limit the ability to grow or adjust the portfolio;
- the past experience of the asset manager (the “AIFM”) in the Japanese real estate market is not an indicator or guarantee of future results;
- JRE’s reliance on its sponsor 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 direct or indirect 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 March 31, 2022)

None.

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

Beginning April 1, 2021 and ending March 31, 2022

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	3	52	0	0	3	52

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	40	351	229	122

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.

4. Periodic disclosure for financial products referred to in *Article 8, paragraph 1, 2 and 2a, of Regulation (EU) 2019/2088* and *Article 6, first paragraph, of Regulation (EU) 2020/852*

Product name: Japan Real Estate Investment Corporation

Legal entity identifier: 3538003YAIR3CBGJJ928

Japan Real Estate Investment Corporation (“JRE”) has no employees in accordance with the prohibition on having employees under the Act on Investment Trusts and Investment Corporations of Japan, and relies on Japan Real Estate Asset Management Co., Ltd. (the “Asset Manager”) to manage and operate the properties in the portfolio. The Asset Manager and JRE are hereinafter referred to collectively as “we,” “us” or “our” unless noted otherwise. References to “fiscal year” or “FY” are to the 12 months began or beginning April 1 of the year specified in line with the fiscal year of the Asset Manager, unless noted otherwise.

Environmental and/or social characteristics

Did this financial product have a sustainable investment objective?	
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
<input type="checkbox"/> It made sustainable investments with an environmental objective: ____% <input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> It made sustainable investments with a social objective: ____%	<input type="checkbox"/> It promoted Environmental/Social (E/S) characteristics and while it did not have as its objective a sustainable investment, it had a proportion of ____% of sustainable investments <input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> with a social objective <input checked="" type="checkbox"/> It promoted E/S characteristics, but did not make any sustainable investments

To what extent were the environmental and/or social characteristics promoted by this financial product met?

We are committed to pursuing social sustainability, making socially responsible investments, and maximizing unitholder value by being mindful of the environment, contributing to society, and enhancing governance. We view environmental, social, and governance (“ESG”)-related initiatives as essential for a business to be both sustainable and stable, and are committed to implementing these initiatives in cooperation with its stakeholders. More specifically, we are committed to improving the environmental performance of our real estate portfolio while generating greater returns on our office investments, achieving sustainable development alongside all of our stakeholders, including unitholders, tenants, employees, suppliers and local communities, to contribute to sustainable society, and maximizing unitholder value. Our basic policy is to strictly observe legal requirements and relevant social norms, and under this basic policy, we have established a Sustainability Policy to implement the initiatives described below.

- **Environmental certification.** To track the environmental performance of our properties, we rely on certifications issued by third-party organizations, such as the Development Bank of Japan’s (“DBJ”) Green Building Certification, Comprehensive Assessment System for Built Environment Efficiency (“CASBEE”) certification, Building Energy-efficiency Labeling System (“BELS”) certification, Net Zero Energy Building (“ZEB”) certification and other equivalent certifications. As of September 30, 2021, 76.7% of our properties had been green-certified based on gross floor area of owned buildings. As of March 31, 2022, 75.0% of our properties were green-certified based on gross floor area of owned buildings.

- **External evaluation on ESG integration.** The Asset Manager is a PRI (Principles for Responsible Investment) signatory, which is required to report annually on the status of its ESG integration practices for evaluation, and received the highest “A+” rating in both categories of “Strategy & Governance” and “Property” in 2020. In addition, in 2021, JRE received a rating of A in the MSCI ESG Ratings assessment where companies are rated on a seven-tier scale ranging from “AAA” (highest) to “CCC” (lowest) according to their exposure to industry-specific ESG risks and their ability to manage those ESG risks. Moreover, JRE achieved the Institutional Shareholder Services (ISS) ESG Corporate Rating “Prime” status in March 2020 and is regarded as a sustainability leader in its industry. By way of update, after the end of the fiscal period ended on March 31, 2022, JRE was selected as a constituent of the MSCI Japan ESG Select Leaders Index as of June 1, 2022.
- **Accurate data collection and the PDCA cycle.** We measure JRE’s energy consumption, water use, and waste production at each of its buildings on a monthly basis. We outsource data gathering and analysis to a third party specializing in environmental management systems (EMS) to help us execute our PDCA (plan, do, check and action) cycle. If there is a significant difference in the data as compared to those from the previous month or year, we investigate the cause by interviewing the relevant property manager and make efforts to ensure that the data are accurate. We also constantly monitor the effects on carbon emissions of green refurbishments such as LED and air conditioning upgrades. Such data and analyses are reported to the Chief Sustainability Officer (President & CEO) on a monthly basis.
- **Renewable energy.** We are making efforts to accelerate the use of electricity from renewable energy recognized by RE100 (where “RE” stands for renewable electricity), which is the global corporate renewable energy initiative bringing together hundreds of large and ambitious businesses committed to 100% renewable electricity. We aim to make 90% of electricity (of Scope 2) used at our buildings renewable energy by FY2030 and 100% by FY2050. While as of the end of FY2020 the renewable energy rate (Scope 2) of our portfolio was 2.0%, the renewable energy rate (Scope 2) of our portfolio had increased to 16.5% as of the end of FY2021. During the fiscal period ended March 31, 2022, we actively promoted to switch the source of electricity used at our portfolio to renewable electricity sources.
- **Incorporating ESG criteria for property acquisition.** Since December 2020, we have added to JRE’s property assessment criteria environmental factors such as green building certifications and environmental performance including CO₂ emissions, when acquiring properties.
- **Sustainability-linked loans.** In January 2021, JRE entered into sustainability-linked loans (“SLLs”), the first such arrangement in the J-REIT industry. SLLs are loans that aim to facilitate and support environmentally and socially sustainable economic activity and growth. Under this loan scheme, the borrower establishes sustainability performance targets (“SPTs”) based on its business management strategy, and the lender incentivizes the borrower’s achievement of those targets by providing terms that vary based on the borrower’s performance against the SPTs. Based on JRE’s target for CO₂ emission reduction (the “KPI”) announced in 2020, JRE has agreed with the lender to the following SPTs for the fiscal year ending March 31, 2031: (i) reduction of CO₂ emissions (carbon intensity) by 35%, as compared to the fiscal year ended March 31, 2014 and (ii) ownership of five properties with ZEB certification. During the fiscal period ended on March 31, 2022, JRE actively pursued measures related to environmentally friendly financing and, in November 2021, JRE received another SLL with the same SPTs from the same lender. In addition, on March 18, 2022, JRE reviewed its KPI (the “New KPI”) and changed the target for CO₂ emission reduction to “reduction of CO₂ emissions (absolute CO₂ emission basis) by 80%, as compared to the fiscal year ended March 31, 2020.” In the future, JRE aims to agree with lenders to the SPTs which is to be updated reflecting the improvement in the New KPI and to enter into SLLs.
- **Including “Green Lease” provisions in our agreements.** JRE has increasingly entered into Green Leases that require tenants to achieve certain operational improvement and install energy-efficient retrofits. Specifically, Green Leases include provisions requiring each party to cooperate with the other party on measures to achieve sustainability targets and obtain environmental certifications, and to share energy-consumption and water usage data. While, as of March 31, 2021, floor area percentage for buildings leased under a green lease agreement that contains a cost recovery clause was 53.1%, such percentage had increased to 58.4% as of March 31, 2022. (The figures for Green Leases include properties disposed during each fiscal year based on the SASB standards.)

- **Green procurement policy.** We have established the Green Procurement Policy to implement certain matters set forth in the Sustainability Policy. The Green Procurement Policy provides guidelines on the selection of products we purchase and selection and assessment of suppliers. We promote sustainability measures across our supply chain based on this policy.
- **Sustainability program for tenants.** We have implemented various initiatives to increase tenants' satisfaction with their property and enhance the sustainability of tenants' activities. For instance, we create and distribute a sustainability guide as part of our efforts to promote collaboration with tenants on sustainability efforts. The sustainability guide introduces activities to improve the office environment, such as creating open spaces to promote communications among workers and introducing sustainable daily efforts to reduce electricity and water consumption. We provide feedback to tenants based on energy, water usage and waste-related data on how they may be able to reduce their environmental impact. In addition, we conduct periodic satisfaction surveys to solicit feedback from tenants to maintain a high level of tenant satisfaction and use such feedback to improve our buildings' sustainability. As of May 2021, our survey on tenant satisfaction covered 26.4% of our properties calculated based on the number of buildings. By way of update, after the end of the fiscal period ended on March 31, 2022, as of the end of May 2022, such survey on tenant satisfaction covered 56.2% of our properties calculated based on the number of buildings. We believe that this improvement is thanks to advances in the understanding of property managers as a result of our ongoing engagement efforts, such as ESG seminars for property managers.
- **Feedback on sustainability to property managers.** We conduct periodic surveys of property managers of all of our properties based on the questions from GRESB (Global Real Estate Sustainability Benchmark), which is an annual benchmarking assessment to measure ESG integration of real estate companies and funds, and we analyze sustainability efforts based on survey results, which are shared with the property managers. Specifically, the survey includes questions on whether a property manager has introduced any measures to reduce energy consumption, water usage and waste, whether it has implemented any sustainability measures and conducted any satisfaction survey for tenants and whether it has engaged in any social activities with local communities. We believe that raising property managers' sustainability knowledge and awareness will continue to improve the sustainability of our entire portfolio, because they are able to work with tenants and visitors of each building to improve on the sustainability aspects of our properties.
- **Local communities.** We engage in effective communication with various stakeholders, including local authorities, local residents and visitors to our properties, and participate in a range of activities that contribute to local communities. We believe that investments in and operation of office buildings in major cities throughout Japan contribute to community development, including urban redevelopment and revitalization. We work to improve the long-term value of our portfolio by contributing to the sustainable development of cities through cooperation with local governments, regional councils, tenants and our sponsor. Additionally, we have established anti-disaster measures that contribute to local communities; for example, there are protocols at Akasaka Park Building and certain other properties to allow stranded commuters in the event of a disaster to stay at those properties, and we have an agreement with Chiyoda ward with respect to Otemachi Financial City to allow such stranded commuters to stay. In addition, we have installed a well on the premises of Kanazawa Park Building and a regional warehouse on the premises of Harumi Front as a disaster countermeasure. During the fiscal period ended on March 31, 2022, JRE acquired GRAND FRONT OSAKA. Notably, this property includes what is referred to as a "Knowledge Capital," a space where business people, researchers, creators and the community come together for the creation and interchange of ideas, and where the synthesis of knowledge leads to the production of new value. Knowledge Capital is both the name of the facility, and the way the concept is referred to. Within the "Knowledge Capital," there is, among other features, work space (for researchers, creators and business owners), space for educational functions, a showroom for future technologies and a multipurpose theater where can accommodate wide-ranging events.
- **Employee health and well-being.** We believe that the physical and mental health of employees and the creation of an accommodating work environment are key to maintaining and improving our business performance. We have implemented various measures, including creating a productive and employee-friendly workplace and promoting diverse work styles, to promote the physical and mental health of employees, help them achieve good work-life balance, and increase employees' motivation.

- **Communication with employees.** We conduct annual anonymous surveys of all employees on a wide range of topics, including the work environment, benefits and educational support. The survey results are reported to the Asset Manager's President & CEO and are used for improving our activities. In addition, the HR department interviews employees to gather their opinions on how to improve operational efficiency. Furthermore, all employees can consult with the General Manager of the Asset Manager's Compliance Department, a law firm, or an outside specialist on matters such as risks/problems at work, grievances and improvement requests as well as whistleblowing on illegal or unethical behaviour by officers and employees. Every employee can seek any of the foregoing consultations anonymously, and whistleblowers are given protection under the Whistleblower Protection Act of Japan. If deemed necessary, such matters of consultations are reported to the President & CEO, who will conduct an investigation and take measures necessary for resolution of the issue. During the fiscal period ended on March 31, 2022, we conducted the latest survey and achieved a score of 4.4 (on a 5-point scale) for the employee satisfaction level, with a 100% response rate.

- **How did the sustainability indicators perform?**

We use the following indicators to measure the attainment of the environmental or social characteristics we promote:

- **Climate Change Initiatives.** We aim to achieve a 80% reduction in total CO₂ emissions from our portfolio by FY2030 compared with the 2019 level and net zero CO₂ emissions from our portfolio by FY2050. We recognize that reduction of greenhouse gas (GHG) emissions is of critical importance to ensure the sustainability of our business. We have been working to reduce energy consumption and GHG emissions of our portfolio by installing eco-friendly equipment such as LED lighting, which reduces electronic usage, and energy-saving air conditioning systems. The number of properties where we had installed LED light bulbs in certain common areas was 20 as of March 31, 2021 and 22 as of March 31, 2022. In addition, we have accelerated the use of electricity 100% from renewable energy sources, and the number of properties in which we had introduced 100% renewable electricity was 17 as of December 31, 2021 but had grown to 32 as of March 31, 2022. In the fiscal year ended March 31, 2022, we reduced total CO₂ emissions from our portfolio by 30.46% as compared with the 2019 level and reduced total energy consumption from our portfolio by 8.12% as compared with the 2019 level.
- **Water Saving Initiatives.** We aim to achieve 20% reduction in water use (intensity) in our portfolio by FY2030 compared with the 2019 level. Some of the buildings we own are equipped with facilities for reusing rainwater and greywater, as we endeavour to reduce the consumption of tap water. In the fiscal year ended March 31, 2022, we reduced water use (intensity) by our properties by 29.63% as compared with the 2019 level.
- **Waste Management Initiatives.** We aim to achieve a more than 90% waste recycling rate in our portfolio by FY2030. We have reduced waste and promoted efficient use of resources through the promotion of reuse and recycling at our properties. In the fiscal year ended March 31, 2022, we achieved a 55.1% waste recycling rate in our portfolio.
- **ESG data coverage.** We measure energy consumption, water use and waste produced by each building on a monthly basis. We outsource data gathering and data analysis to a company specializing in EMS to execute our PDCA cycle. As of March 31, 2022, we monitored and tracked energy consumption data and water withdrawal data covering 100% of the total floor area of our properties.
- **GRESB Real Estate Rating.** GRESB was founded in 2009 by a group of major European pension funds who played leading roles in launching PRI. In the 2021 GRESB Real Estate Assessment, JRE received for the fourth consecutive year 5 Stars, which is the highest GRESB rating (out of 5 Stars), and also received for the sixth consecutive year Green Star based on its excellent ESG management system and performance record.
- **PRI assessment result.** PRI signatories are required to report annually on the status of their ESG integration practices. In 2020, we received the highest "A+" rating in both categories of "Strategy & Governance" and "Property," which is also the highest result among all signatories worldwide.

- **CDP score.** Carbon Disclosure Project (“CDP”) is an international non-profit organization researching measures taken against global warming by listed companies with the support of institutional investors around the world. Since 2003, CDP has sent questionnaires every year to major companies around the world seeking information on business risks and opportunities due to greenhouse gas emissions and climate change, to assess corporate actions on climate change. JRE has received the “A-” designation and was recognized at the highest Leadership Level in the 2021 CDP Climate Change Program.
- **ISS ESG Corporate Rating.** Founded in 1985, the Institutional Shareholder Services group of companies (ISS) empowers investors and companies to build for long-term and sustainable growth by providing high-quality data, analytics and insight. JRE achieved the ISS ESG Corporate Rating Prime Status in March 2020, for its industry leadership in eco-efficiency, climate change strategy and environmental management.
- **ESG Finance Award.** ESG Finance Award is an award program launched in 2019 by the Ministry of the Environment of Japan, which recognizes investors and financial institutions that have actively promoted green projects and contributed to created positive impact for the environment and society. JRE’s investment corporation bonds won bronze at the inaugural ESG Finance Awards in February 2020.
- **Signatory to international initiatives.** The Asset Manager has become a signatory to and participated in the following international initiatives based on its belief that consideration of ESG factors is essential to sustainable asset value growth. The Asset Manager has become a signatory to PRI, which encourages the incorporation of ESG issues into companies’ investment decision-making processes toward enhanced long-term investment performance and better fulfillment of its fiduciary duty. Since April 2018, our sponsor, Mitsubishi Estate Co., Ltd., became a signatory of the United Nations Global Compact (UNGC), which is a voluntary, global initiative supporting a global framework for sustainable growth through the demonstration of creative, responsible leadership, and Mitsubishi Estate Group, which includes the Asset Manager, was registered as a participant. By way of update, after the end of the fiscal period ended on March 31, 2022, JRE has joined the international initiative RE100 as the first J-REIT and JRE’s updated CO₂ emissions reduction target has been approved by the Science Based Targets initiatives (SBTi), which is a global joint initiative by CDP, the United Nations Global Compact, the World Resources Institute (WRI) and the World Wide Fund for Nature (WWF), in May 2022.
- **Sustainable procurement initiatives.** The Asset Manager has established the Green Procurement Policy to implement certain matters set forth in the Sustainability Policy. The key elements of the Green Procurement Policy are as follows:
 - **Criteria for selection of products.** The Asset Manager considers the following matters when it selects a product or service in addition to required quality, function, economic efficiency and reasonability: (i) low-consumption of fossil fuels and energy, (ii) low usage and emission of substances with adverse effects on the environment and human health, (iii) designed to conserve biodiversity and ecology, (iv) designed for long-term usage, (v) designed to be reusable and recyclable, (vi) uses reclaimed material and has environmental certification, (vii) easily disposable, and (viii) whether waste may be reduced through reduced procurement.
 - **Criteria for selection of suppliers.** In addition to quality, price, credibility and services offered, the Asset Manager considers whether any property manager or other supplier (i) has adopted an environmental management system such as ISO14001 and obtained third-party certification, or otherwise fulfills the ESG requirements established by the Asset Manager, (ii) selects any subcontractor by taking into account its sustainability policy and makes it comply with the Asset Manager’s ESG requirements, (iii) establishes and follows an appropriate and employee-friendly work environment, (iv) promotes diversity of human resources and work-life balance, and prohibits unfair labor, (v) has corporate ethics guidelines including anti-corruption policy, and (vi) has a disaster risk management system.
 - **Additional criteria for selection of property manager.** In addition to the criteria for selection of suppliers above, the Asset Manager requires any property manager to engage in (i) energy-saving and reduction of greenhouse gas emission, (ii) appropriate water and waste management and recycling promotion, and (iii) control and reduction of hazardous chemical substances.

- *...and compared to previous periods?*

See above.

- *What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?*

Not applicable.

- *How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?*

Not applicable.

How did this financial product consider principal adverse impacts on sustainability factors?

We collect on an ongoing basis select information on our existing portfolio regarding the principal adverse impact indicators, including exposure to fossil fuels through investment assets, exposure to energy-inefficient investment assets, GHG emissions and energy consumption intensity. We monitor these indicators and aim to manage the risk connected to principal adverse impacts from our investment decisions in several ways, including general screening criteria and due diligence. As we actively conduct due diligence review of properties before acquisition and promote environmental and social initiatives as described above, we believe that any principal adverse impacts are substantially mitigated

- *Exposure to fossil fuels through assets.* We do not invest in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels.
- *Exposure to energy-inefficient investment assets.* We consider properties other than the properties that have received any of the green building certifications and energy-saving certifications (“Green Assets”) to be energy-inefficient. As of March 31, 2022, 75.0% of our properties were Green Assets, and as of March 31, 2021, 25.0% of our properties were not Green Assets. As described in more detail above, we implement as appropriate measures to reduce the environmental impact of these properties, including by obtaining environmental certifications.
- *Energy consumption intensity.* The amounts of energy consumption of our properties per square meter are 0.171 MWh in FY2020 and 0.165 MWh in FY2021. The amounts of Scope 1 GHG emission of our properties were 3,304 t-CO₂ in FY2020 and 3,011 t-CO₂ in FY2021. Scope 2 GHG emissions of our properties were 39,748 t-CO₂ in FY2020 and 32,049 t-CO₂ in FY2021. Scope 3 GHG emissions of our properties were 50,326 t-CO₂ in FY2020 and 36,525 t-CO₂ in FY2021.

We believe that investment decisions that negatively affect climate or other environment-related resources, or have negative implications for society, can have a significant impact to risk and value creation for our unitholders. To this end, we consider the principal adverse impacts of our investment decisions on the above sustainability factors throughout all major steps of the investment decision and management process throughout the lifecycle of the properties in our portfolio.

We believe that climate change is more than an environmental issue, which has a major impact on social and industrial infrastructure, and therefore on our business activities. To maintain sustainable and stable earnings over the long term and overcome the oncoming changes from climate change, we will need to evaluate the risks and opportunities presented by climate change, and reflect such evaluation in our operational policies and asset management. Based on the foregoing, JRE has examined the magnitude of the financial impact of risks and opportunities presented by climate change for scenarios involving temperature increases between 4°C and 1.5°C, which are scenarios published by international organizations and other entities that predict the impact of global warming and climate change and of the changes that may occur in the business environment as a result of long-term policy trends in relation to climate change. We have examined the impact of each scenario for 2030 (medium-term) and 2050 (long-term).

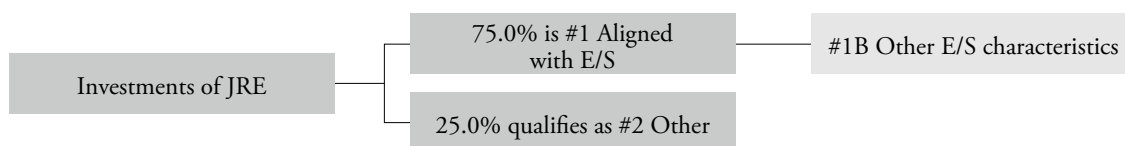
What were the top investments of this financial product?

Largest investments	Sector	% Assets (based on acquisition price)	Country
Office properties	Real estate	100	Japan

What was the proportion of sustainability-related investments?

As of March 31, 2022, 75.0% of the properties in the portfolio were Green Assets, and 25.0% were nonqualified assets based on gross floor area of owned buildings.

● *What was the asset allocation?*



● *In which economic sectors were the investments made?*

JRE invests in office buildings in major cities nationwide in Japan with the goal of stable growth in value over a medium- to long-term period.

To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?

Not applicable.

● *What was the share of investments made in transitional and enabling activities?*

Not applicable.

● *How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?*

Not applicable.

What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?

Not applicable.

What was the share of socially sustainable investments?

Not applicable.

What investments were included under “other”, what was their purpose and were there any minimum environmental or social safeguards?

As of March 31, 2022, based on gross floor area of owned buildings, 25.0% of our properties were not Green Assets. However, we implement as appropriate measures to reduce their environmental impact following acquisition, including by obtaining environmental certifications, installing environmentally-friendly equipment, using renewable energy and undertaking appropriate renovations.

What actions have been taken to meet the environmental and/or social characteristics during the reference period?

As described in greater detail above, we implement various environmental initiatives at our properties including the following:

- Environmental certification;
- External evaluation on ESG integration;
- Accurate data collection and the PDCA cycle;
- Renewable energy;
- Incorporating ESG criteria for property acquisition;
- Sustainability-linked loans;
- Including “Green Lease” provisions in our agreements;
- Green procurement policy;
- Sustainability program for tenants;
- Feedback on sustainability to property managers;
- Local communities;
- Employee health and well-being; and
- Communication with employees.

How did this financial product perform compared to the reference benchmark?

Not applicable.

- *How does the reference benchmark differ from a broad market index?*

Not applicable.

- *How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the environmental or social characteristics promoted?*

Not applicable.

- *How did this financial product perform compared with the reference benchmark?*

Not applicable.

- *How did this financial product perform compared with the broad market index?*

Not applicable.

Corporate Data

As of March 31, 2022

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

13,791

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

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/>