

## FINANCIAL RESULTS FOR THE 25TH FISCAL PERIOD ENDED MARCH 31, 2014 (REIT)

May 19, 2014

Name of Issuer: Japan Real Estate Investment Corporation  
 Stock Exchange Listing: Tokyo Stock Exchange  
 Securities Code: 8952  
 URL: <http://www.j-re.co.jp/english>  
 Representative: Noritada Terasawa, Executive Director  
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 Scheduled Date of Filing Securities Report: June 25, 2014  
 Scheduled date of dividend payment: June 13, 2014  
 Supplementary materials for financial results: Yes  
 Holding of a briefing on financial results: Yes (primarily for institutional investors and analysts)

(Amounts are rounded down to the nearest million yen)

### 1. Financial Results for the 25th fiscal period ended March 31, 2014 (October 1, 2013 to March 31, 2014)

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

Period ended	Operating Revenues		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2014	26,582	1.4	10,831	0.5	9,083	(0.7)	9,070	(0.7)
September 30, 2013	26,225	3.4	10,781	1.4	9,143	4.5	9,129	3.5

Period ended	Net Income per Unit	ROE (Net Income to Unitholders' Equity Ratio)	ROA (Ordinary Income to Total Assets Ratio)	Operating Revenues to Ordinary Income Ratio
	Yen	%	%	%
March 31, 2014	7,633	2.2	1.1	34.2
September 30, 2013	7,683	2.3	1.2	34.9

Note: The Company implemented a 2-for-1 split of each investment unit with an effective date of January 1, 2014. Net income per unit is calculated as if the split had occurred at the start of the fiscal period ended September 30, 2013.

## (2) Dividends

Period ended	Dividend per Unit Excluding Excess of Accounting Profits	Total Cash Dividends	Dividend in Excess of Accounting Profits per Unit	Total Dividends in Excess of Accounting Profits	Payout Ratio	Ratio of Dividends to Net Assets
	Yen	Millions of yen	Yen	Millions of yen	%	%
March 31, 2014	7,633	9,070	0	0	99.9	2.2
September 30, 2013	15,366	9,129	0	0	99.9	2.3

Note 1: The payout ratio is rounded down to the first decimal place.

Note 2: The Company implemented a 2-for-1 split of each investment unit with an effective date of January 1, 2014. Dividend per unit for the Period ended March 31, 2014 would be 7,683 yen as if the split had occurred at the start of the fiscal period ended September 30, 2013.

## (3) Financial Standing

As of	Total Assets	Net Assets	Equity Ratio	Net Assets per Unit
	Millions of yen	Millions of yen	%	Yen
March 31, 2014	817,130	405,355	49.6	341,128
September 30, 2013	775,066	405,415	52.3	341,178

Note: The Company implemented a 2-for-1 split of each investment unit with an effective date of January 1, 2014. Net assets per unit is calculated as if the split had occurred at the start of the fiscal period ended September 30, 2013.

Reference: Total unitholders' equity was 405,355 million yen for the period ended March 31, 2014 and 405,415 million yen for the period ended September 30, 2013.

## (4) Cash Flows

Period ended	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2014	14,364	(37,541)	29,623	21,043
September 30, 2013	16,653	(16,228)	(104)	14,598

## 2. Performance Forecasts for the 26th Fiscal Period ended September 30, 2014 and the 27th Fiscal Period ended March 31, 2015

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

Period ending	Operating Revenues		Operating Income		Ordinary Income		Net Income		Dividend per Unit Excluding Excess of Accounting Profits	Dividend in Excess of Accounting Profits per Unit
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen	Yen
September 30, 2014	27,610	3.9	11,200	3.4	9,530	4.9	9,520	5.0	7,600	0
March 31, 2015	27,600	(0.0)	11,240	0.4	9,580	0.5	9,570	0.5	7,650	0

Reference: Net income per unit forecast = Net income forecast ÷ Number of total investment units forecast for the end of the period

(Period ending September 30, 2014): 7,600 yen; (Period ending March 31, 2015): 7,650 yen.

### \*Other

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

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

#### (2) Number of Units Outstanding

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

As of March 31, 2014	1,182,280 units
As of September 30, 2013	594,140 units

##### Number of Treasury Units at End of Period

As of March 31, 2014	0 units
As of September 30, 2013	0 units

Note: The Company implemented a 2-for-1 split of investment units with an effective date of January 1, 2014.

Please refer to the notes regarding per unit information on page 22 and 23 for the number of investment units on which the calculations of net income per unit are based.

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

- Estimates for the Company's future operating results contained in this financial results are forward-looking statements and are based on information currently available to the Company and certain assumptions deemed reasonable. Actual results may differ substantially from the projections depending on a number of factors. In addition, these forecasts do not guarantee the stated dividends. As for assumptions underlying performance forecasts, please refer to the table entitled "Assumptions Underlying Performance Forecasts for the 26th Fiscal Period (April 1, 2014 to September 30, 2014) and the 27th Fiscal Period (October 1, 2014 to March 31, 2015)" on pages 8 and 9.
- The Company implemented a 2-for-1 split of each investment unit with a record date of December 31, 2013 and an effective date of January 1, 2014.
- At the Board of Directors meetings held on March 27, 2014, and April 8, 2014, The Company decided to issue new investment units through public offering and third-party allocation. Payment was completed for the new investment units issued through public offering on April 15, 2014 and for the new investment units issued through third-party allocation on May 15, 2014.

As for the above-mentioned table entitled "2. Performance Forecasts for the 26th Fiscal Period (April 1, 2014 to September 30, 2014) and the 27th Fiscal Period (October 1, 2014 to March 31, 2015)", it is assumed that the number of investment units issued stands at 1,251,530 units with the addition of the 57,500 new investment units issued through public offering and the 5,750 new investment units issued through third-party allocation to the number of investment units issued of 1,188,280 units after the completion of the 2-for-1 split.

## 1. Business Operations

### a. Business Operations

#### (1) Overview of the Period under Review

Japan Real Estate Investment Corporation (“the Company”) was established on May 11, 2001, following revisions to the Law Concerning Investment Trusts and Investment Corporations of Japan, or the Investment Trust Law. The Company was listed on the real estate investment trust market of the Tokyo Stock Exchange (“TSE”) on September 10, 2001. (Securities Code: 8952) The size of the Company’s assets (total acquisition price) have grown about sevenfold over the about 10 years since its IPO (September 10, 2001), expanding from 92.8 billion yen to 657.8 billion yen, as of September 31, 2011. In the same period, the Company has continued to grow steadily with the number of properties in its portfolio growing from 20 to 64 properties.

During the 25th fiscal period (six months ended March 31, 2014), the Japanese economy saw solid gains in household income and investments coupled with improvement in corporate earnings due to the peak in demand before the consumption tax increase in April 2014 and the support of government policies geared toward the upswing in the economy, although there remain concerns about the impact from the economic slowdown in overseas markets.

In the market for leased office space, vacancy rates in the Tokyo metropolitan are on a downward trend as tenant numbers pick up in conjunction with the recovering economic conditions. Highly competitive buildings also experienced improving occupancy rates and the rental market is recovering. However, many companies looking to change premises remained very cautious about office costs and rent levels as the market as a whole has not been rising strongly enough to see a rebound. And while there is still some regional variation in areas outside of the Tokyo metropolitan area, overall rent levels remained persistently low, even though some regions have started to see a bottoming out.

In the property market, an opportune fund-raising environment has sparked a flurry of buying and selling. Prices are beginning to rise, with some sellers seeing prices beginning to approach hoped-for levels.

Under such market conditions, the Company has delivered on its commitment to provide stable dividend for the current period under review, in line with the Investment Guideline, which was set forth at the time of listing at TSE and remains unchanged to date, to achieve the stated goal of providing stable dividends to unitholders.

\*Note: The part of the Jingumae Media Square Building (acquisition price: 614 million yen) site that was expropriated by the Tokyo Metropolitan Government on October 30, 2009, is included in the total acquisition price. The total acquisition price in the subsequent sections follows the same convention.

#### (2) Results of Operations

##### ① Property Management and Acquisition

In the market for leased office space during the period under review, while the downward pressure on rent levels continued to weaken, it did not disappear, and property-related revenues, excluding those from properties that have newly begun operations, declined further compared with the previous period. On the other hand, as a result of an aggressive yet flexible leasing approach, the Company’s occupancy rate edged up from 96.3% as of September 30, 2013 to 96.7% as of March 31, 2014.

As for external growth, the Company strives to bolster its portfolio through acquisitions of highly convenient properties that are built to high specifications in prime locations and that also boast both stability and competitiveness. The Company acquired part of Queen’s Tower A (Yokohama City) on January 31, 2014 for 17,200 million yen, an additional portion of Ebisu Neonato (Shibuya-ku, Tokyo) on February 18, 2014 for 10,512 million yen, and part of Otemachi Financial City North Tower (Chiyoda-ku, Tokyo) on March 31, 2014 for 15,462 million yen.

As a result of the above, the Company’s portfolio at the end of the fiscal period under review, March 31, 2014, consisted of 64 properties with a total acquisition price of 837,405 million yen. Total leasable space stood at 750,956 m<sup>2</sup>, with a total of 1,223 tenants.

\*Note: The Nippon Brunswick Building (Land with leasehold interest), whose building ownership was transferred on August 23, 2013, is included in the above number of properties and total acquisition price, but is not included in total leasable space or total number of tenants.

## ② Finance Activities

To fund the repayment of existing loans, the Company procured short-term loans totaling 1,000 million yen on October 7, 2013; 8,000 million yen on January 7, 2014; 5,000 million yen on January 15, 2014; and 10,000 million yen on March 24, 2014; as well as long-term loans amounting to 3,000 million yen on March 24, 2014.

Moreover, the Company procured 17,000 million yen in long-term loans on January 31, 2014 to partially fund the acquisition of Queen's Tower A, 7,000 million yen in short-term loans on February 18, 2014 to partially fund the acquisition of Ebisu Neonato, and 14,800 million yen in short-term loans on March 31, 2014 to partially fund the acquisition of Otemachi Financial City North Tower.

The Company concluded interest-rate swap contracts to hedge against interest-rate fluctuation risk for the 12,000 million yen portion of the 17,000 million yen procured in long-term loans on January 31, 2014, and the 3,000 million yen procured in long-term loans on March 24, 2014.

As a result of these financing activities, as of March 31, 2014, the Company's total interest-bearing debt amounted to 358,900 million yen. This amount consists of long-term loans totaling 247,100 million yen (including the current portion of long-term loans totaling 5,100 million yen), short-term loans totaling 56,800 million yen, and investment corporation bonds totaling 55,000 million yen (including the current portion of investment corporation bonds totaling 15,000 million yen).

As of March 31, 2014, the Company's long-term, fixed-interest bearing debt ratio (ratio of long-term, fixed-interest bearing debt (including the current portion of long-term loans and investment corporation bonds) to total interest-bearing debt) stood at 84.2%, and the LTV ratio (ratio of interest-bearing debt to total assets) was 43.9%.

In addition, at the Board of Directors meetings held on March 27, 2014, and April 8, 2014, the Company decided to issue new investment units (57,500 units through public offering, 5,750 units through third-party allocation). As a result, the Company procured 27,968 million yen on April 15, 2014, from the public offering and 2,796 million yen on May 14, 2014, from the third-party allocation portion.

The Company has been able to maintain a sound and conservative financial standing through such measures as using the funds procured by issuing new investment units through public offering and cash reserves to make repayments of 31,900 million yen in short-term loans by May 7, 2014 and lowering the LTV ratio. As for the funds procured by issuing new investment units through third-party allocation, a portion was used to supplement cash reserves allocated to the repayment of short-term loans.

The Company's credit ratings as of March 31, 2014 were as follows:

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

## ③ General Meeting of Unitholders

The Company held the Eighth General Meeting of Unitholders on February 19, 2014.

At the meeting, three partial amendments to the Articles of Incorporation were deliberated on separately, and all the proposals were approved in their original form.

## ④ 2-for-1 Split of Investment Units

The Company's Board of Directors met on November 18, 2013 and decided to implement a 2-for-1 split of each investment unit with a record date of December 31, 2013 and an effective date of January 1, 2014.

## (i) Purpose of the Split

Through this split of investment units, the Company hopes to broaden its investor base by providing a wide range of private investors the opportunity to invest from their NISA\* accounts, as well as to increase long-term holdings.

\*Nippon version Individual Savings Account.

## (ii) Method of Split

With December 31, 2013 as the record date, and January 1, 2014 as the effective date, the Company implemented a 2-for-1 split of the investment units held by unitholders stated or recorded on that date's final unitholders registry.

## (iii) Increase in Number of Investment Units through the Split, etc.

Number of the Company investment units outstanding before the split:	594,140 units
Increase in number of investment units through the split:	594,140 units
Number of the Company investment units outstanding after the split:	1,188,280 units
Total number of investment units issuable after the split:	4,000,000 units

## (3) Summary of Financial Results

As a result of the above operations, in the period under review, the Company recorded operating revenues totaling 26,582 million yen, up 1.4% compared with the previous period. On the earnings front, operating income increased 0.5% to 10,831 million yen. After deducting expenses for interest payments on loans and other costs, ordinary income decreased 0.7% to 9,083 million yen and net income fell 0.7% to 9,070 million yen.

Turning to dividends, the Company will make cash distributions using accounting profits based on the dividend policy outlined in Article 32-2 of the Company's Articles of Incorporation, in an amount that exceeds 90% of earnings available for dividends as required by Article 67-15 of the Special Taxation Measures Law of Japan. Based on this policy, the Company was able to maintain retained earnings as the amount did not exceed earnings available for distribution at the end of the period. Therefore, the total amount of dividends that the Company has determined to pay out is 9,070,141,240 yen for the period under review, which must be divisible by 1,188,280—the number of units outstanding as of March 31, 2014. Accordingly, the per-unit cash dividend totaled 7,633 yen.

## b. Outlook

## (1) Operating Environment

In the Japanese economy, although there is a worry that the reactionary drop in household sector spending due to the consumption tax hike will impact economic conditions, a gradual, self-sustaining recovery is expected thanks mainly to various economic measures and policies supporting corporate activities, improving export conditions owing to firm economic trends in the United States and other overseas markets, and an improving household sector bolstered by better hiring conditions.

In the market for leased office space, there is not expected to be large-scale supply that could greatly impact markets, especially in central Tokyo, and with the recovering economy and solid office demand, some competitive areas are expected to see a rebound in rent levels. However, it is anticipated that it will take some more time before the market as a whole picks up steam.

Regarding property markets, while there is currently hope for real recovery in the market for leased office space and an opportune fund raising environment is expected to spur aggressive trading, looking solely at large-scale prime properties, there are very few competitors in a position to consider making acquisitions. So, before the market begins to heat up, we are gathering data and working hard to ensure the further acquisition of prime properties.

## ① Property Management

As stated above, conditions in the market for leased office space include the fall in overall market rent levels having almost, but not yet completely, bottomed out with some building owners looking to raise rent levels while others need to maintain current levels. In line with these expectations, the Company will adhere to the following management policies in order to keep improving profitability.

## (i) Strengthen relationships of trust with existing tenants

As of March 31, 2014, the Company had contracts with 12 property management companies. Most of these companies were already handling the management of their buildings before the Company acquired them and had thus built relationships of trust with their tenants. The Company will work to further strengthen these relationships by anticipating tenants' needs and providing tailored services to increase tenant satisfaction, thereby maintaining occupancy rates, disincentivizing rent reduction requests and pursuing to raise rent levels.

## (ii) Fill vacancies promptly

In cooperation with the property management companies mentioned above, the Company will actively seek the most appropriate tenants for each property, based on location and features, in order to fill current and anticipated vacancies as rapidly as possible. Furthermore, the Company will work to uncover additional needs for floor space among existing tenants.

## (iii) Stabilize revenues and earnings

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

## (iv) Reduce management costs

The Company has introduced sound competitive principles for its multiple property management companies to follow and is revamping their management systems and cost structures on an ongoing basis.

## ② Property Acquisitions and Sales

The Company has adopted the following policies for acquiring properties.

- (i) To access information quickly, the Company continues to enhance its property information channels while working to develop new channels.
- (ii) In its acquisition activities, the Company continues to meticulously monitor and examine economic, physical and legal factors, including rights-related issues, when selecting properties. In particular, with regard to the structure of buildings, the Company requires buildings to meet or exceed new earthquake-resistance standards, making appropriate renovations based on engineering reports, and exclusively targets properties capable of maintaining a competitive edge in terms of the facilities they offer over the medium to long term.
- (iii) In accordance with its acquisition policies, the Company shall maintain its portfolio so that 70% or more of the portfolio properties are located within the Tokyo metropolitan area, with the remaining 30% or fewer located in other major cities.

Under these policies, the Company will continue to acquire highly competitive properties. At the same time, in order to further enhance the quality of its portfolio, the Company will remain open to the replacement of portfolio properties with due consideration given to timing.

## ③ Financial Strategy

In principle, the Company shall maintain an LTV ratio that does not exceed 65%. To ensure an even lower interest-bearing debt ratio, the Company adopts the conservative target level of 30% to 40%. As for the financing of property acquisitions, the Company shall use, in a flexible manner, a variety of funding schemes—including the issue of investment corporation bonds—while maintaining a sound and conservative financial standing and closely monitoring trends in financial markets. When obtaining a loan, the Company shall strictly adhere to its financial policies. More specifically, with the aim of minimizing funding costs, the Company shall negotiate with several qualified institutional investors (limited to those defined under the Special Taxation Measures Law of Japan) before executing a loan agreement.

## (2) Performance Forecasts

For the 26th fiscal period (April 1, 2014 to September 30, 2014), the Company forecasts operating revenues totaling 27,610 million yen, operating income totaling 11,200 million yen, ordinary income totaling 9,530 million yen, and net income totaling 9,520 million yen. The Company plans to declare a cash dividend totaling 7,600 yen per unit.

For the 27th fiscal period (October 1, 2014 to March 31, 2015), the Company forecasts operating revenues totaling 27,600 million yen, operating income totaling 11,240 million yen, ordinary income totaling 9,580 million yen, and net income totaling 9,570 million yen. The Company plans to declare a cash dividend totaling 7,650 yen per unit.

Regarding the assumptions set for these forecasts, please see the following table entitled “Assumptions Underlying Performance Forecasts for the 26th Fiscal Period (April 1, 2014 to September 30, 2014) and the 27th Fiscal Period (October 1, 2014 to March 31, 2015)”. Operating revenues, operating income, ordinary income, net income, and cash dividend per unit may vary depending on changes in the situation.

## (3) Issuance of New Investment Units

As stated in the following table entitled “Assumptions Underlying Performance Forecasts for the 26th Fiscal Period (April 1, 2014 to September 30, 2014) and the 27th Fiscal Period (October 1, 2014 to March 31, 2015)”, as approved by the Board of Directors on March 27, 2014 and April 8, 2014, the Company decided to issue new investment units, completing the following public offerings and third-party allocation.

**Public offerings of new investment units**

Number of units newly issued:	57,500 units
Offer price (subscription price):	501,760 yen per unit
Aggregate amount of offer price (subscription price):	28,851,200,000 yen
Issue price (paid-in price):	486,400 per unit
Aggregate amount of issue price (paid-in price):	27,968,000,000 yen
Payment date:	April 15, 2014

**Secondary offering of investment units (Over-allotment)**

Number of units offered:	5,750 units
Offer price:	501,760 per unit
Aggregate amount of offer price:	2,885,120,000 yen

**Issuance of new investment units through third-party allocation**

Number of units newly issued:	5,750 units
Issue price (paid-in price):	486,400 yen per unit
Aggregate amount of issue price (paid-in price):	2,796,800,000 yen
Payment date:	May 14, 2014
Allottee:	SMBC Nikko Securities Inc.

With the funds procured from the above public offerings of new investment units and cash reserves, the Company has made repayments of 31,900 million yen in short-term loans as listed below. In addition, approximately 2,796 million yen in funds procured from the issuance of new investment units through third-party allocation was applied to cash reserves to make up for their decrease, as the part of the cash reserves was applied toward the repayment of short-term loans.

## Repayment before maturity

April 15, 2014	5,000 million yen
April 18, 2014	7,000 million yen
April 24, 2014	7,700 million yen
April 30, 2014	5,000 million yen
May 2, 2014	1,200 million yen
May 7, 2014	3,000 million yen

## Scheduled repayment

April 30, 2014	3,000 million yen
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Assumptions Underlying Performance Forecasts for the 26th Fiscal Period (April 1, 2014 to September 30, 2014) and the 27th Fiscal Period (October 1, 2014 to March 31, 2015)

Item	Assumption
Accounting period	<ul style="list-style-type: none"> <li>The 26th period: April 1, 2014 to September 30, 2014 (183 days)</li> <li>The 27th period: October 1, 2014 to March 31, 2015 (182 days)</li> </ul>
Number of properties held by the Company	<ul style="list-style-type: none"> <li>The Company assumes that its property portfolio consists of the 64 properties that it held as of April 1, 2014. The actual portfolio may differ from this assumption due to additional property acquisitions and dispositions.</li> <li>The Company does not have any forward or other commitments, as of May 19, 2014, as set forth in the Financial Services Agency's Guidelines for Supervision.</li> </ul>
Number of units outstanding	<ul style="list-style-type: none"> <li>The number of units outstanding is under the assumption that 1,251,530 units are comprised of 1,188,280 units after the 2-for-1 split implemented with a record date of December 31, 2013 and an effective date of January 1, 2014 and 57,500 units issued through public offering and 5,750 units issued through third-party allocation as decided at the Board of Directors meetings held on March 27, 2014, and April 8, 2014.</li> </ul>
Interest-bearing debt	<ul style="list-style-type: none"> <li>The Company assumes as an operational guideline, an LTV ratio in the 30% to 40% range.</li> <li>Using the funds procured from the above public offering of new investment units in line with Board of Directors meetings held on March 27, 2014, and April 8, 2014 and cash reserves, the Company has made repayments of the short-term loans before maturity on April 15, 2014 in the amount of 5,000 million yen, on April 18, 2014 in the amount of 7,000 million yen, on April 24, 2014 in the amount of 7,700 million yen, on April 30, 2014 in the amount of 5,000 million yen, on May 2, 2014 in the amount 1,200 million yen, and on May 7, 2014 in the amount of 3,000 million yen in addition to scheduled repayments of short-term loans on April 30, 2014 in the amount of 3,000 million yen. As a result, the balance for interest-bearing debt was 327,000 million yen as of May 19, 2014. In addition, approximately 2,796 million yen in funds procured from the issuance of new investment units through third-party allocation was applied to cash reserves to make up for their decrease, as the part of the cash reserves was applied toward the repayment of short-term loans.</li> <li>In the 26th fiscal period, the Company presumes that, as of May 19, 2014, it will refinance the remainder of short-term loans totaling 3,800 million yen (repayment date: September 2, 2014). The Company presumes that the funds procured from such sources as loans and newly issued investment corporation bonds will be used to repay the investment corporation bonds totaling 15,000 million yen set to mature on June 18, 2014.</li> <li>In the 27th fiscal period, the Company presumes that, as of May 19, 2014, it will refinance the remainder of long-term loans totaling 5,000 million yen (repayment dates: November 17, 2014, December 15, 2014, and March 24, 2015) and short-term loans totaling 21,100 million yen (repayment dates: January 7, 2015, March 24, 2015 and March 31, 2015). There are no investment corporation bonds set to mature in the 27th fiscal period.</li> </ul>
Operating revenues	<ul style="list-style-type: none"> <li>Revenues from portfolio properties held by the Company are calculated by taking into consideration new contract conclusions and existing contract cancellations fixed as of May 19, 2014, and by factoring in potential variables, such as a risk of decrease in revenues due to returned space and reduced rent levels, taking into account recent market conditions for leased office space.</li> </ul>
Operating expenses	<ul style="list-style-type: none"> <li>Of the taxes the Company is subject to, property taxes, city planning taxes and depreciable property taxes corresponding to the relevant fiscal period have been recorded as property-related expenses. However, when a property is acquired at a point during the period used for the calculation of property tax, a property tax adjustment is levied that takes into account the date of the transfer of the new acquisition. The amount of the adjustment is factored into the acquisition price and therefore not recorded as an expense in the relevant fiscal period. In addition, the Company assumes that the 2014 property taxes, city planning taxes and depreciable property taxes for Queen's Tower A, the additional portion of Ebisu Neonato, and Otemachi Financial City North Tower will be 226 million yen, 53 million yen, and 71 million yen respectively.</li> <li>The Company assumes that property and other taxes will be 2,530 million yen in the 26th fiscal period and 2,530 million yen in the 27th fiscal period.</li> <li>The Company assumes that depreciation will be 5,870 million yen in the 26th fiscal period and 5,800 million yen in the 27th fiscal period.</li> <li>Property management expenses are assumed to take past operational results into consideration.</li> <li>Repair expenses may vastly differ from the projected amounts as there may be large differences in costs incurred from one fiscal period to another and because such costs are not recurring.</li> </ul>
Non-operating expenses	<ul style="list-style-type: none"> <li>The Company assumes that non-operating expenses, such as interest expense and interest expense on investment corporation bonds, will be 1,690 million yen in the 26th fiscal period and 1,660 million yen in the 27th fiscal period.</li> </ul>



Item	Assumption
Amount of dividend	<ul style="list-style-type: none"> <li>• The Company presumes that dividends in excess of accounting profits will not be distributed. Reflecting this, under the Company's Articles of Incorporation, the Company assumes that it will make cash distributions using accounting profits, distributing said profit in an amount in excess of 90% of earnings available for dividends.</li> <li>• The Company assumes that dividend amounts in the 26th and 27th fiscal periods will not be appropriated from internal reserves.*</li> </ul> <p>*Internal reserves (projected for the 25th fiscal period) shall comprise the residual amount of 390 million yen, reflecting a dividend payout of 519 million yen for the 22nd and 23rd fiscal periods subtracted from the balance of internal reserves at the end of the 21st fiscal period (as of March 31, 2012), which totaled 909 million yen, comprising retained earnings brought forward of 30 million yen and the amount apportioned to internal reserves from the gain on sale of land as a result of the sale of the Takanawadai Building as of April 1, 2011, under the application of the Special Provisions for Taxation in the case of Advanced Acquisition of Land, etc., in 2009 and 2010 (total of 878 million yen which consists of reserve for reduction entry and associated income taxes deferred).</p>
Other	<ul style="list-style-type: none"> <li>• The Company presumes that revisions that could impact the abovementioned forecasts will not be made in such areas as laws, tax systems, accounting standards, and listing rules as well as regulations of the Investment Trusts Association, Japan.</li> <li>• The Company assumes that there will be no unprecedented significant changes in general market trends or real estate market conditions or other factors.</li> <li>• In addition to the abovementioned income taxes deferred, the Company calculates the amount of its corporate and other taxes, taking into consideration asset retirement obligations as well as the amortization of term leasehold interest for buildings.</li> </ul>

## 2. Financial Statements

### (1) Balance Sheet

Thousands of yen

	As of September 30, 2013	As of March 31, 2014
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	20,404,340	20,633,688
Cash and deposits in trust	4,193,848	4,409,989
Operating accounts receivable	188,185	134,048
Prepaid expenses	116,763	139,959
Deferred tax assets	1,037	1,039
Consumption taxes receivable	—	398,464
Other	133,944	24,360
<b>Total current assets</b>	<b>25,038,118</b>	<b>25,741,550</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings	241,797,498	249,745,895
Accumulated depreciation	(56,131,055)	(60,666,845)
Buildings, net	185,666,442	189,079,049
Structures	2,758,460	2,798,970
Accumulated depreciation	(452,820)	(494,082)
Structures, net	2,305,640	2,304,887
Machinery and equipment	2,868,276	2,896,723
Accumulated depreciation	(1,393,733)	(1,479,416)
Machinery and equipment, net	1,474,542	1,417,307
Tools, furniture and fixtures	282,447	304,053
Accumulated depreciation	(105,932)	(122,610)
Tools, furniture and fixtures, net	176,514	181,442
Land	399,537,150	420,000,107
Construction in progress	181,638	361,593
Buildings in trust	51,642,189	62,239,080
Accumulated depreciation	(11,701,912)	(12,626,618)
Buildings in trust, net	39,940,276	49,612,462
Structures in trust	566,396	579,704
Accumulated depreciation	(91,531)	(102,230)
Structures in trust, net	474,865	477,473
Machinery and equipment in trust	831,402	840,044
Accumulated depreciation	(560,510)	(575,077)
Machinery and equipment in trust, net	270,891	264,966
Tools, furniture and fixtures in trust	25,833	30,297
Accumulated depreciation	(8,072)	(9,298)
Tools, furniture and fixtures in trust, net	17,760	20,999
Land in trust	110,818,182	118,445,649
<b>Total property, plant and equipment</b>	<b>740,863,906</b>	<b>782,165,939</b>
<b>Intangible assets</b>		
Leasehold right	6,120,966	6,105,136
Leasehold rights in trust	444,160	444,160
Easement	828,095	828,095
<b>Total intangible assets</b>	<b>7,393,222</b>	<b>7,377,392</b>

Thousands of yen

	As of September 30, 2013	As of March 31, 2014
Investments and other assets		
Investment securities	577,168	577,168
Lease and guarantee deposits	1,071,830	1,071,830
Long-term prepaid expenses	23,206	119,267
Total investments and other assets	1,672,205	1,768,265
Total non-current assets	749,929,334	791,311,597
Deferred assets		
Investment corporation bond issuance costs	99,161	77,182
Total deferred assets	99,161	77,182
Total assets	775,066,613	817,130,330
Liabilities		
Current liabilities		
Operating accounts payable	1,128,949	1,396,469
Short-term loans payable	25,000,000	56,800,000
Current portion of investment corporation bonds	15,000,000	15,000,000
Current portion of long-term loans payable	13,100,000	5,100,000
Accounts payable - other	1,026,389	1,234,453
Accrued expenses	786,011	800,158
Income taxes payable	7,951	11,551
Accrued consumption taxes	601,862	—
Advances received	2,840,696	3,288,284
Other	9,986	259,813
Total current liabilities	59,501,848	83,890,731
Non-current liabilities		
Investment corporation bond	40,000,000	40,000,000
Long-term loans payable	227,050,000	242,000,000
Deposits received from tenants	42,634,207	45,418,762
Deferred tax liabilities	122,812	122,812
Asset retirement obligations	309,420	312,538
Other	32,969	29,532
Total non-current liabilities	310,149,410	327,883,645
Total liabilities	369,651,258	411,774,376
Net assets		
Unitholders' equity		
Unitholders' capital	396,018,317	396,018,317
Surplus		
Voluntary retained earnings		
Reserve for reduction entry	236,709	236,709
Total voluntary retained earnings	236,709	236,709
Unappropriated retained earnings (undisposed loss)	9,160,328	9,100,926
Total surplus	9,397,037	9,337,636
Total unitholders' equity	405,415,354	405,355,953
Total net assets	405,415,354	405,355,953
Total liabilities and net assets	775,066,613	817,130,330

## (2) Statement of Income

Thousands of yen

	For the period From April 1, 2013 to September 30, 2013	For the period From October 1, 2013 to March 31, 2014
<b>Operating revenue</b>		
Rent revenue - real estate	26,116,177	26,357,478
Other lease business revenue	90,739	225,489
Gain on sales of real estate properties	18,603	—
<b>Total operating revenue</b>	<b>26,225,520</b>	<b>26,582,967</b>
<b>Operating expenses</b>		
Expenses related to rent business	14,509,238	14,750,867
Asset management fee	621,540	675,187
Asset custody fee	56,231	57,164
Administrative service fees	135,264	137,480
Directors' compensations	7,800	7,800
Commission fee	64,695	58,222
Other operating expenses	49,246	64,373
<b>Total operating expenses</b>	<b>15,444,016</b>	<b>15,751,096</b>
<b>Operating income</b>	<b>10,781,503</b>	<b>10,831,870</b>
<b>Non-operating income</b>		
Interest income	5,824	6,658
Dividend income	19,724	—
Reversal of Distribution Payable	3,220	2,261
Income on settlement of management association accounts	104,761	—
Other	2,080	—
<b>Total non-operating income</b>	<b>135,612</b>	<b>8,920</b>
<b>Non-operating expenses</b>		
Interest expenses	1,337,230	1,297,612
Interest expenses on investment corporation bonds	392,323	410,928
Amortization of investment corporation bond issuance costs	17,498	21,978
Other	27,009	26,951
<b>Total non-operating expenses</b>	<b>1,774,062</b>	<b>1,757,470</b>
<b>Ordinary income</b>	<b>9,143,053</b>	<b>9,083,320</b>
Income before income taxes	9,143,053	9,083,320
Income taxes - current	13,308	13,169
Income taxes - deferred	(11)	(2)
<b>Total income taxes</b>	<b>13,296</b>	<b>13,166</b>
<b>Net income</b>	<b>9,129,757</b>	<b>9,070,153</b>
Retained earnings brought forward	30,571	30,773
Unappropriated retained earnings (undisposed loss)	9,160,328	9,100,926

## (3) Statement of Unit Holders' Equity

For the period from April 1, 2013 to September 30, 2013

Thousands of yen

	Unitholders' equity						Total net assets
	Unitholders' capital	Surplus				Total unitholders' equity	
		Reserve for reduction entry	Voluntary retained earnings	Unappropriated retained earnings (undisposed loss)	Total surplus		
Balance at beginning of current period	396,018,317	407,278	407,278	8,855,281	9,262,560	405,280,877	405,280,877
Changes of items during period							
Reversal of reserve for reduction entry		(170,569)	(170,569)	170,569	—	—	—
Dividends of surplus				(8,995,279)	(8,995,279)	(8,995,279)	(8,995,279)
Net income				9,129,757	9,129,757	9,129,757	9,129,757
Total changes of items during period	—	(170,569)	(170,569)	305,046	134,477	134,477	134,477
Balance at end of current period	396,018,317	236,709	236,709	9,160,328	9,397,037	405,415,354	405,415,354

For the period from October 1, 2013 to March 31, 2014

Thousands of yen

	Unitholders' equity						Total net assets
	Unitholders' capital	Surplus				Total unitholders' equity	
		Reserve for reduction entry	Voluntary retained earnings	Unappropriated retained earnings (undisposed loss)	Total surplus		
Balance at beginning of current period	396,018,317	236,709	236,709	9,160,328	9,397,037	405,415,354	405,415,354
Changes of items during period							
Dividends of surplus				(9,129,555)	(9,129,555)	(9,129,555)	(9,129,555)
Net income				9,070,153	9,070,153	9,070,153	9,070,153
Total changes of items during period	—	—	—	(59,401)	(59,401)	(59,401)	(59,401)
Balance at end of current period	396,018,317	236,709	236,709	9,100,926	9,337,636	405,355,953	405,355,953

## (4) Basis of Calculations Used to Determine Cash Distributions

Item	For the period From April 1, 2013 to September 30, 2013	For the period From October 1, 2013 to March 31, 2014
	Amount (Yen)	Amount (Yen)
I Retained Earnings	9,160,328,385	9,100,926,837
II Cash Distribution	9,129,555,240	9,070,141,240
(Dividend per Investment Unit)	(15,366)	(7,633)
III Retained Earnings Brought Forward	30,773,145	30,785,597

Computation Method for Determining Dividends	<p>Turning to dividends, the Company will make cash distributions using accounting profits based on the cash distribution policy outlined in Article 32-2 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 Act on Special Measures Concerning Taxation. Based on this policy, the Company was able to maintain retained earnings brought forward as the amount did not exceed retained earnings at the end of the period. Therefore, the total amount of dividends that the Company has determined to pay out is 9,129,555,240 yen for the period under review, which must be divisible by 594,140 — the number of units outstanding as of September, 2013. Furthermore, the Company does not pay out dividends that exceed accounting profits as outlined in Article 32-3 of the Company's Articles of Incorporation.</p>	<p>Turning to dividends, the Company will make cash distributions using accounting profits based on the cash distribution policy outlined in Article 32-2 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 Act on Special Measures Concerning Taxation. Based on this policy, the Company was able to maintain retained earnings brought forward as the amount did not exceed retained earnings at the end of the period. Therefore, the total amount of dividends that the Company has determined to pay out is 9,070,141,240 yen for the period under review, which must be divisible by 1,188,280 — the number of units outstanding as of March, 2014. Furthermore, the Company does not pay out dividends that exceed accounting profits as outlined in Article 32-3 of the Company's Articles of Incorporation.</p>
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## (5) Statement of Cash Flows

Thousands of yen

	For the period From April 1, 2013 to September 30, 2013	For the period From October 1, 2013 to March 31, 2014
<b>Cash flows from operating activities</b>		
Income before income taxes	9,143,053	9,083,320
Depreciation	5,507,945	5,649,556
Amortization of investment corporation bond issuance costs	17,498	21,978
Dividend income	(19,724)	-
Interest income	(5,824)	(6,658)
Interest expenses	1,729,553	1,708,541
Decrease (increase) in operating accounts receivable	(83,319)	54,136
Decrease (increase) in consumption taxes refund receivable	472,497	(398,464)
Decrease (increase) in supplies	-	3
Decrease (increase) in prepaid expenses	5,692	(23,195)
Decrease in sales of property, plant and equipment	1,200,748	-
Increase (decrease) in operating accounts payable	307,202	(107,934)
Increase (decrease) in accounts payable - other	108,948	185,815
Increase (decrease) in accrued consumption taxes	601,862	(601,862)
Increase (decrease) in accrued expenses	(117)	117
Increase (decrease) in advances received	(405,075)	447,588
Decrease (increase) in long-term prepaid expenses	(8,661)	(96,060)
Other, net	(158,618)	143,373
Subtotal	18,413,663	16,060,256
Interest and dividend income received	26,269	7,965
Interest expenses paid	(1,769,481)	(1,694,512)
Income taxes paid	(16,460)	(9,569)
Net cash provided by (used in) operating activities	16,653,990	14,364,139
<b>Cash flows from investing activities</b>		
Payments into time deposits	(12,237,000)	(9,486,000)
Proceeds from withdrawal of time deposits	11,237,000	15,486,000
Purchase of property, plant and equipment	(5,899,112)	(28,482,929)
Purchase of property, plant and equipment in trust	(9,005,061)	(17,843,444)
Repayments of tenant leasehold and security deposits	(2,048,695)	(1,207,724)
Proceeds from tenant leasehold and security deposits	1,724,542	3,992,279
Net cash provided by (used in) investing activities	(16,228,325)	(37,541,820)
<b>Cash flows from financing activities</b>		
Increase in short-term loans payable	11,000,000	45,800,000
Decrease in short-term loans payable	(4,000,000)	(14,000,000)
Proceeds from long-term loans payable	13,000,000	20,000,000
Repayments of long-term loans payable	(21,050,000)	(13,050,000)
Proceeds from issuance of investment corporation bonds	10,000,000	-
Payments of investment corporation bond issuance costs	(55,277)	-
Dividends paid	(8,998,782)	(9,126,830)
Net cash provided by (used in) financing activities	(104,059)	29,623,169
Net increase (decrease) in cash and cash equivalents	321,605	6,445,489
Cash and cash equivalents at beginning of period	14,276,582	14,598,188
Cash and cash equivalents at end of period	14,598,188	21,043,677

## (6) Notes Concerning Going Concerns Assumption

None

## (7) Summary of Significant Accounting Policies

**Investment securities**

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

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

Property and equipment is stated at cost, less accumulated depreciation. The costs of land, buildings and building improvements include the purchase price of property, legal fees 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.....	3-60 years
Machinery and equipment.....	2-18 years
Tools, furniture and fixtures.....	2-29 years

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

The Company reviews fixed assets for impairment whenever events or changes in circumstances indicate that the carrying amount of its fixed assets may not be recoverable. According to the standard set by the Accounting Standards Board of Japan, companies are required to recognize an impairment loss in their statement of income if certain indicators of asset impairment exist and the book value of an asset exceeds the undiscounted sum of future cash flows of the asset. The standard states that impairment losses should be measured as the excess of the book value over the higher of (1) the fair market value of the asset, net of disposition costs and (2) 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 started at cost. Amortization of a term leasehold interest for business use is calculated by the straight-line method based on the period of agreement.

**Leased assets**

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

**Deferred charges**

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

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

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

**Revenue recognition**

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

**Taxes on property and equipment**

Property and equipment is subject to property taxes and city planning taxes on a calendar year basis. These taxes are generally charged to income during the period. The sellers of the properties were 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 in the record as of January 1 based on the assessment made by the local government. The Company paid the amount equivalent to the property taxes to the sellers applicable to the period since acquisition and included the amount equivalent to the taxes in the purchase price of each property and capitalized as 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 the current assets and the excess of amounts withheld over payments are included in the 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 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. Deferred hedge accounting is generally used for such interest-rate swaps and the effectiveness of hedging is measured by comparing the total cash flow fluctuation of the hedged item and that of the hedging instrument since the inception of the hedge.

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

## (8) Notes to Financial Statement

**(Notes to Balance Sheet)**

## a. Compressed amount of tangible assets with government grants

	Thousands of yen	
	As of September 30, 2013	As of March 31, 2014
Buildings	50,086	50,086

## b. Commitment line agreement

The Company has signed commitment line agreements with five banks.

	Thousands of yen	
	As of September 30, 2013	As of March 31, 2014
Total amount of commitment line agreement	43,000,000	43,000,000
Debt financing balance	—	—
Balance	43,000,000	43,000,000

## c. Minimum net assets required by Article 67, Paragraph 4 of the Investment Trust and Investment Corporation Act of Japan

	Thousands of yen	
	As of September 30, 2013	As of March 31, 2014
	50,000	50,000

**(Breakdown of Property-Related Revenues and Expenses)**

	Thousands of yen	
	For the period from April 1, 2013 to September 30, 2013	For the period from October 1, 2013 to March 31, 2014
<b>Property-Related Revenues</b>	<b>26,206,916</b>	<b>26,582,967</b>
Rental Revenues	26,116,177	26,357,478
Rental revenues	20,088,252	20,301,286
Common service charges	3,554,993	3,445,407
Parking revenues	600,511	627,183
Other rental revenues	1,872,419	1,983,600
Non-Rental Revenues	90,739	225,489
Cancellation charges	6,929	86,664
Gain on donation of non-current assets	44,967	91,572
Other miscellaneous revenues	38,842	47,252
<b>Property-Related Expenses</b>	<b>14,509,238</b>	<b>14,750,867</b>
Property management expenses	3,080,614	3,247,634
Utilities expenses	2,433,257	2,414,132
Property and other taxes	2,356,725	2,335,593
Casualty insurance	57,095	53,792
Repairing expenses	866,369	887,210
Depreciation	5,507,945	5,649,556
Other rental expenses	207,229	162,947
<b>Property-Related Profits</b>	<b>11,697,678</b>	<b>11,832,100</b>

**(Breakdown of Gain on Sale of Properties)**

	Thousands of yen	
	For the period from April 1, 2013 to September 30, 2013	For the period from October 1, 2013 to March 31, 2014
Nippon Brunswick Building (building)		
Revenue from sale of property	1,220,000	—
Cost of property	1,200,748	—
Other sales expenses	647	—
Gain on sale of property	18,603	—

**(Changes in Unitholders' Equity)**

	For the period from April 1, 2013 to September 30, 2013	For the period from October 1, 2013 to March 31, 2014
Total number of investment units issuable and number of units outstanding		
Total number of investment units issuable	2,000,000 units	4,000,000 units
Number of units outstanding	594,140 units	1,188,280 units

**(Supplemental Cash flow Information)****Cash and cash equivalents**

The following table represents a reconciliation of cash and cash equivalents at March 31, 2014 and September 30, 2013:

	Thousands of yen	
	As of September 30, 2013	As of March 31, 2014
Cash and deposits with banks	20,404,340	20,633,688
Cash and deposits with banks held in trust	4,193,848	4,409,989
Time deposits with maturities of more than three months	(10,000,000)	(4,000,000)
Cash and cash equivalents	14,598,188	21,043,677

**(Financial Instruments)**

For the six months ended March 31, 2014 and September 30, 2013

**a. Status of financial instruments****(i) Policies for dealing financial instruments**

Concerning the financing of property acquisitions, the Company shall use several funding sources including bank loans, issuance of investment corporation bonds and 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 which 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 controlling risks, and not for speculative purposes.

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

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

The Company regularly re-evaluates the appropriateness and effectiveness of its risk management system in order to improve on it. 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 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 hike, such risk is mitigated by the Company's low LTV and relatively high percentage of long-term fixed-rate debts within the total borrowing. The Company also utilizes derivative transactions (interest-rate swap transactions) as a hedge against interest-rate risk derived from floating-rate long-term loans, thereby maintaining the overall interest rates on the loans at an effectively fixed level. For more detailed information on the hedge accounting method, hedging instruments, hedged items, hedge policies and the evaluation method of hedge effectiveness, please refer to the previously section 1. Summary of significant accounting policies: Hedge accounting.

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

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

**b. Fair value of financial instruments**

Fair value of financial instruments, their values carried on the balance sheet and the difference between them as of March 31, 2014 and September 30, 2013 are as follows.

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

	Thousands of yen		
	As of September 30, 2013		
	Book value	Fair value	Difference
(1) Cash and bank deposits	20,404,340	20,404,340	—
(2) Cash and bank deposits in trust	4,193,848	4,193,848	—
(3) Short-term loans	25,000,000	25,000,000	—
(4) Current portion of investment corporation bonds	15,000,000	15,173,400	173,400
(5) Current portion of long-term loans	13,100,000	13,158,190	58,190
(6) Investment corporation bonds	40,000,000	41,508,300	1,508,300
(7) Long-term loans	227,050,000	230,703,880	3,653,880

  

	Thousands of yen		
	As of March 31, 2014		
	Book value	Fair value	Difference
(1) Cash and bank deposits	20,633,688	20,633,688	—
(2) Cash and bank deposits in trust	4,409,989	4,409,989	—
(3) Short-term loans	56,800,000	56,800,000	—
(4) Current portion of investment corporation bonds	15,000,000	15,056,550	56,550
(5) Current portion of long-term loans	5,100,000	5,129,403	29,403
(6) Investment corporation bonds	40,000,000	41,632,000	1,632,000
(7) Long-term loans	242,000,000	246,544,239	4,544,239
(8) Derivative transactions	—	—	—

## Note 1: Measurement of fair value of financial instruments and matters concerning derivative transactions

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

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

## (3) Short-term loans

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

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

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

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

For loans with floating interest rates, since the interest rates on such loans reflect market rates reasonably well over the short term and their book values are good approximations of their fair values, the book values are presented as their fair values. (However, the fair values of floating-rate long-term loans hedged by interest-rate swap subject to the special treatment as interest-rate swaps are calculated by discounting the aggregated principal and the interest on such loans, after taking into account the effect of said interest-rate swaps, using reasonable estimates of the rates that would be applicable if the Company were to refinance the existing loans for the remaining period to maturity under the prevailing market conditions as of March 31, 2014. Such floating-rate long-term loans are presented in the following section entitled Derivative Transactions.) The fair values of the liabilities with fixed interest rates are calculated by discounting the aggregated amounts of the principals and the interests of the loan by the rates that are reasonably estimated to be applicable if the Company refinances the existing loans for the remaining periods to maturity under the prevailing market conditions as of March 31, 2014 and September 30, 2013.

## (8) Derivative Transactions

Please refer to the following section entitled Derivative Transactions.

## Note 2: Financial instruments whose fair values cannot be reliably measured.

	Thousands of yen	
	As of September 30, 2013	As of March 31, 2014
(1) Non-listed stock (*1)	577,168	577,168
(2) Deposits received from tenants (*2)	42,634,207	45,418,762

(\*1) With regard to non-listed stocks which do not have a quoted market price in an active market and whose cash flows are not reasonably estimated, their fair value cannot be reliably measured and they are therefore presented at their book value.

(\*2) With regard to deposits received from tenants, which do not have a quoted market price in an active market, and their tenor cannot be reasonably estimated, their cash flows cannot be reliably measured and they are therefore presented at their book value.

## Note 3: Redemption schedule for monetary claims after the closing date

	Thousands of yen					
	As of September 30, 2013					
	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Cash and bank deposits	20,404,340	—	—	—	—	—
Cash and bank deposits in trust	4,193,848	—	—	—	—	—
<b>Total</b>	<b>24,598,188</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

	Thousands of yen					
	As of March 31, 2014					
	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Cash and bank deposits	20,633,688	—	—	—	—	—
Cash and bank deposits in trust	4,409,989	—	—	—	—	—
<b>Total</b>	<b>25,043,677</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

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

	Thousands of yen					
	As of September 30, 2013					
	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Short-term loans	25,000,000	—	—	—	—	—
Investment corporation bonds	15,000,000	20,000,000	—	—	10,000,000	10,000,000
Long-term loans	13,100,000	19,600,000	32,100,000	42,850,000	36,000,000	96,500,000
<b>Total</b>	<b>53,100,000</b>	<b>39,600,000</b>	<b>32,100,000</b>	<b>42,850,000</b>	<b>46,000,000</b>	<b>106,500,000</b>

	Thousands of yen					
	As of March 31, 2014					
	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Short-term loans	56,800,000	—	—	—	—	—
Investment corporation bonds	15,000,000	20,000,000	—	—	10,000,000	10,000,000
Long-term loans	5,100,000	16,600,000	44,400,000	46,500,000	25,000,000	109,500,000
<b>Total</b>	<b>76,900,000</b>	<b>36,600,000</b>	<b>44,400,000</b>	<b>46,500,000</b>	<b>35,000,000</b>	<b>119,500,000</b>

**(Derivative Transactions)**

## a. Derivatives not designated as hedging instruments

For the period from April 1, 2013 to September 30, 2013

The Company did not conduct any derivative transactions.

For the period from October 1, 2013 to March 31, 2014

None

## b. Derivatives designated as hedging instruments

For the period from April 1, 2013 to September 30, 2013

The Company did not conduct any derivative transactions.

For the period from October 1, 2013 to March 31, 2014

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

Derivative accounting method	Type of derivative transaction	Hedged item	Contract value		Fair value	Measurement of fair value
				Over one year		
Hedge accounting	Receive-variable, pay-fixed interest-rate swap transactions	Long-term loans	15,000,000	15,000,000	*	—

\*Because the transactions based on the special treatment of interest-rate swaps and the hedged long-term loans are treated as one item, the fair value is included under the fair value of long term loans at the end of the fiscal period ended March 31, 2014.

Please refer to the measurement of fair value of financial instruments in Note 1 of the section entitled "b. Fair value of financial instruments" under "Financial Instruments" as well as subheadings (5) and (7) of Note 1, which are related to derivative transactions.

**(Income Taxes)**

The Company is subject to Japanese corporate income taxes on all of its taxable income. However, under the Special Taxation Measures Law of Japan (hereinafter the STML), an investment corporation is allowed to deduct dividends of accounting profits, or dividend distributions, paid to investors from its taxable income if certain tax requirements are satisfied. Such tax requirements include dividend distributions in excess of 90% of its earnings available for dividends for the fiscal period as stipulated by Article 67-15 of the STML. Based on the distribution policy provided by Article 32-2 of the Articles of Incorporation, the Company made a dividend distribution in the amount of ¥9,070 million subsequent to March 31, 2014, which is the multiple number of units up to 100% of the unappropriated retained earnings after deducting therefrom ¥30 million of retained earnings to be carried forward. The Company will not distribute dividends in excess of retained earnings under Article 32-3 of the Articles of Incorporation. The significant components of deferred tax assets and liabilities as of March 31, 2014 and September 30, 2013 were as follows;

	Thousands of yen	
	For the period from April 1, 2013 to September 30, 2013	For the period from October 1, 2013 to March 31, 2014
<b>Deferred tax assets:</b>		
Accrued enterprise tax	1,037	1,039
Amortization of a term leasehold interest	28,840	34,247
Asset retirement obligations	5,503	6,568
	35,381	41,856
Valuation allowance	(34,343)	(40,816)
<b>Total deferred tax assets</b>	<b>1,037</b>	<b>1,039</b>
<b>Deferred tax liabilities:</b>		
Reserve for advanced depreciation of non-current assets	122,812	122,812
<b>Total deferred tax liabilities</b>	<b>122,812</b>	<b>122,812</b>
<b>Net deferred tax liabilities</b>	<b>121,775</b>	<b>121,772</b>

The reconciliation of tax rate difference between the adjusted statutory tax rate and the effective tax rate for the six months ended March 31, 2014 and September 30, 2013 were as follows:

	For the period from April 1, 2013 to September 30, 2013	For the period from October 1, 2013 to March 31, 2014
Statutory tax rate	39.43%	39.43%
Deductible dividend distribution	(39.37%)	(39.37%)
Change in valuation allowance	0.08%	0.08%
Others	0.01%	0.01%
<b>Effective tax rate</b>	<b>0.15%</b>	<b>0.14%</b>

**Adjustment in deferred tax assets and deferred tax liabilities due to tax rate change**

The “Act for Partial Revision of Income Tax Act, etc.” (Act No. 10 of 2014) promulgated on March 31, 2014 partially revised the “Special Measures to Secure the Funds to Realize the Restoration of the Damages following the Great East Japan Earthquake” (Act No. 117 of 2011) to limit the taxation period of the special corporate tax for restoration to March 31, 2014, resulting in a change of the statutory tax rate applicable to the deferred tax assets and deferred tax liabilities arising from the temporary differences that are expected to reverse in the period ending September 31, 2014 (the 26th fiscal period) through the period ending March 31, 2015 (the 27th fiscal period), which shall be 37.11% on a nominal tax rate basis. The impact of this change is minimal.

**(Asset Retirement Obligations)**

For the six months ended March 31, 2014 and September 30, 2013

**Asset retirement obligations reported on balance sheet**

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 obligation, the Company recognized an asset retirement obligation and a corresponding capital asset in an amount equal to the present value of the estimated demolition cost required for the removal of the properties located on the leased land. The present value is calculated using 2.015% as the discount rate over 42 years, which is the term of the leasehold.

Change in the amount of the asset retirement obligations as of March 31, 2014 and September 30, 2013 consisted of the following:

	Thousands of yen	
	For the period from April 1, 2013 to September 30, 2013	For the period from October 1, 2013 to March 31, 2014
Balance at the beginning of the period	306,334	309,420
Increase in the tangible fixed assets	—	—
Adjustment required over the period	3,086	3,117
<b>Balance at the end of the period</b>	<b>309,420</b>	<b>312,538</b>

**Asset retirement obligations other than those reported on balance sheet**

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

their original states because analog TV broadcasting was discontinued.

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

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

### (Investment and Rental Property)

For the six months ended March 31, 2014 and September 30, 2013

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

The book values on balance sheets as of March 31, 2014 and as of September 30, 2013 and the fair values as of March 31, 2014 and as of September 30, 2013 are as follows:

Thousands of yen			
Book value		Fair value	
As of March 31, 2013	Change during period(*1)	As of September 30, 2013	As of September 30, 2013
739,901,194	8,355,934	748,257,128	775,147,000

  

Thousands of yen			
Book value		Fair value	
As of September 30, 2013	Change during period(*2)	As of March 31, 2014	As of March 31, 2014
748,257,128	41,286,203	789,543,332	829,152,000

Note 1: Book value on balance sheet means the acquisition cost less accumulated depreciation.

Note 2: Significant changes

(\*1) For the period ended September 30, 2013, the major reasons for the increase are the acquisition of Nagoya Hirokoji Place (¥8,729,181 thousand and Shijo Karasuma Center Building (¥4,451,165 thousand). The major reasons for the decrease are the sale of Nippon Brunswick Building (building) (¥1,200,748 thousand) and the depreciation.

(\*2) For the period ended March 31, 2014, the major reasons for the increase are the acquisition of Queen's Tower A (¥17,520,660 thousand) and Otemachi Financial City North Tower (¥15,623,199 thousand) as well as the additional acquisition of Ebisu Neonato (¥10,978,467 thousand). The major reason for the decrease is depreciation.

Note 3: Fair values as of March 31, 2014 and as of September 30, 2013 are defined as the appraised values provided by an external qualified professional appraiser.

### (Segment Information)

For the six months ended March 31, 2014 and September 30, 2013

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

#### Information about products and services

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

#### Information about geographic area

##### a. Revenues

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

##### b. Property and equipment

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

#### Information about major clients

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

### (Per Unit Information)

The following table summarizes information about net assets per unit and net income per unit at March 31, 2014 and September 30, 2013 and for the periods then ended, respectively:

	Yen	
	For the period from April 1, 2013 to September 30, 2013	For the period from October 1, 2013 to March 31, 2014
Net assets at period end per unit	341,178	341,128
Net income per unit	7,683	7,633

Note 1: Net income per unit is computed by dividing net income by the weighted average number of units outstanding during each period.

Diluted net income per unit has not been presented since no warrants or convertible bonds were outstanding during the period.

Note 2: The Company implemented a 2-for-1 split of each investment unit with an effective date of January 1, 2014. Net income per unit is calculated as if the split had occurred at the start of the period ended September 30, 2013.

Note 3: The basis for the computation of net income per unit is as follows.

	Thousands of yen	
	For the period from April 1, 2013 to September 30, 2013	For the period from October 1, 2013 to March 31, 2014
Net income	9,129,757	9,070,153
Amount not attributable to normal units holders	—	—
Net income applicable to normal investment units	9,129,757	9,070,153
Average number of units	1,188,280 units	1,188,280 units

### (Subsequent Events)

For the six months ended March 31, 2014

#### Issuance of new investment units

As approved by the Board of Director's meetings on March 27, 2014 and April 8, 2014, the Company decided to issue new investment units, completing the public offering on April 15, 2014 and the third-party allocation on May 14, 2014. As a result of the issuance of additional units, the unitholders' capital increased to ¥426,783,117 thousand, and the units issued and outstanding increased to 1,251,530 units as of May 14, 2014.

#### Summary of the issuance of units

##### A. Public offerings of new investment units

- |  |   |
|--|---|
| 1. Subscription method:                                  | Public offering (subscription by book-building and spread method) |
| 2. Number of units newly issued:                         | 57,500 units  |
| 3. Offer price (subscription price):                     | ¥501,760 per unit   |
| 4. Aggregate amount of offer price (subscription price): | ¥28,851,200 thousand  |
| 5. Issue price (paid-in price):                          | ¥486,400 per unit   |
| 6. Aggregate amount of issue price (paid-in price):      | ¥27,968,000 thousand  |
| 7. Payment date:   | April 15, 2014  |
| 8. Initial date subject to distribution:                 | April 1, 2014   |

##### B. Issuance of new investment units by third-party allocation

- |   |                            |
|---|----------------------------|
| 1. Subscription method:                             | Third-party allocation     |
| 2. Number of units newly issued:                    | 5,750 units                |
| 3. Issue price (paid-in price):                     | ¥486,400 per unit          |
| 4. Aggregate amount of issue price (paid-in price): | ¥2,796,800 thousand        |
| 5. Payment date:                                    | May 14, 2014               |
| 6. Initial date subject to distribution:            | April 1, 2014              |
| 7. Allottee:  | SMBC Nikko Securities Inc. |

##### C. Use of proceeds

The net proceeds raised through the public offering were partially appropriated for repayment of short-term loans. The net proceeds raised through third-party allocation were appropriated for supplementing cash reserves used for the repayment of short-term loans.

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

The Company implemented a 2-for-1 split of each investment unit with a record date of December 31, 2013 and an effective date of January 1, 2014

Changes in the number of units outstanding and total unitholders' capital for the previous period and earlier are as follows.

Date	Remarks	Number of Units Outstanding		Total Unitholders' Capital (Million Yen)		Notes
		Increase/Decrease	Balance	Increase/Decrease	Balance	
May 11, 2001	Private placement	400	400	200	200	*1
September 8, 2001	Issuance of new investment units (public offering)	160,000	160,400	81,060	81,260	*2
May 8, 2002	Issuance of new investment units (public offering)	65,000	225,400	30,892	112,152	*3
October 25, 2003	Issuance of new investment units (public offering)	35,000	260,400	21,295	133,448	*4
April 26, 2005	Issuance of new investment units (public offering)	85,000	345,400	68,024	201,472	*5
October 24, 2006	Issuance of new investment units (public offering)	64,600	410,000	63,211	264,683	*6
March 12, 2008	Issuance of new investment units (public offering)	33,000	443,000	32,917	297,601	*7
December 8, 2009	Issuance of new investment units (public offering)	42,000	485,000	24,319	321,921	*8
December 22, 2009	Issuance of new investment units (third-party allocation)	4,200	489,200	2,431	324,353	*9
February 28, 2012	Issuance of new investment units (public offering)	54,400	543,600	35,471	359,824	*10
March 27, 2012	Issuance of new investment units (third-party allocation)	5,440	549,040	3,547	363,371	*11
October 29, 2012	Issuance of new investment units (public offering)	41,000	590,040	29,678	393,050	*12
November 28, 2012	Issuance of new investment units (third-party allocation)	4,100	594,140	2,967	396,018	*13
January 1, 2014	Split of investment units	594,140	1,188,280	—	396,018	*14

\*1. The Company was established by the following three companies investing in 500,000 yen per unit: Mitsubishi Estate Co., Ltd. (160 units); Tokio Marine & Nichido Fire Insurance Co., Ltd. (Previously The Tokio Marine & Fire Insurance Co., Ltd.) (120 units); and The Dai-ichi Life Insurance Company, Limited (Previously Dai-ichi Mutual Life Insurance Company) (120 units).

\*2. New investment units were issued at 525,000 yen per unit (underwriting price of 506,625 yen) with the purpose of funding the acquisition of real estate or other assets and asset management was initiated.

\*3. New investment units were issued at 490,980 yen per unit (underwriting price of 475,268 yen) with the purpose of funding the repayment of a portion of loans or the acquisition of real estate or other assets.

\*4. New investment units were issued at 629,000 yen per unit (underwriting price of 608,456 yen) with the purpose of funding the acquisition of new specified assets and the repayment of loans.

\*5. New investment units were issued at 826,000 yen per unit (underwriting price of 800,288 yen) with the purpose of funding the acquisition of new specified assets and the repayment of loans.

\*6. New investment units were issued at 1,009,400 yen per unit (underwriting price of 978,500 yen) with the purpose of funding the repayment of loans and acquisition of new specified assets.

\*7. New investment units were issued at 1,029,000 yen per unit (underwriting price of 997,500 yen) with the purpose of funding the acquisition of new specified assets and the repayment of loans.

\*8. New investment units were issued at 597,520 yen per unit (underwriting price of 579,040 yen) with the purpose of funding the acquisition of new specified assets and the repayment of loans.

\*9. New investment units were issued at 579,040 yen per unit with the purpose of funding the repayment of loans.

\*10. New investment units were issued at 672,750 yen per unit (underwriting price of 652,050 yen) with the purpose of funding the repayment of short-term loans used to acquire new specified assets and, in the event there is any remaining, the repayment of other loans.



- \*11. New investment units were issued at 652,050 yen per unit with the purpose of funding the repayment of short-term loans used to acquire new specified assets and, in the event there is any remaining, the repayment of other loans.
- \*12. New investment units were issued at 746,850 yen per unit (underwriting price of 723,870 yen) with the purpose of funding the repayment of loans and the acquisition of new specified assets.
- \*13. New investment units were issued at 723,870 yen per unit with the purpose of funding the acquisition of new specified assets.
- \*14. With December 31, 2013 as the date of record, and January 1, 2014 as the effective date, the Company implemented a 2-for-1 split of the investment units held by unitholders stated or recorded on that date's final unitholders registry.

### 3. Changes in Officers

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

### 4. Reference Data

#### a. Composition of the Company's Assets

Asset type	Region, etc.	24th Period April 1, 2013 to September 30, 2013 As of September 30, 2013		25th Period October 1, 2013 to March 31, 2014 As of March 31, 2014	
		Total of net book value* <sup>1</sup> (¥ mil)	Ratio to total assets (%)	Total of net book value* <sup>1</sup> (¥ mil)	Ratio to total assets (%)
Real property	Tokyo 23 wards	483,176	62.3	507,364	62.1
	Tokyo metropolitan area (excluding Tokyo 23 wards)* <sup>2</sup>	45,769	5.9	45,493	5.6
	Regional cities	67,345	8.7	67,419	8.3
	Total	596,290	76.9	620,277	75.9
Trust	Tokyo 23 wards	98,492	12.7	98,190	12.0
	Tokyo metropolitan area (excluding Tokyo 23 wards)* <sup>2</sup>	2,850	0.4	20,340	2.5
	Regional cities	50,623	6.5	50,734	6.2
	Total	151,966	19.6	169,265	20.7
Savings and other assets		26,809	3.5	27,586	3.4
		(-)	(-)	(-)	(-)
Total amount of assets		775,066	100.0	817,130	100.0
		(748,257)	(96.5)	(789,543)	(96.6)

\*1. Total of net book value for the 24th period (April 1, 2013 to September 30, 2013) are based on total amounts from the balance sheets as of September 30, 2013, and total of net book value for the 25th period (October 1, 2013 to March 31, 2014) are based on total amounts from the balance sheets as of March 31, 2014. Real property and real property held in trust are the book values after depreciation and amortization.

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

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

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

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

The table below is a quick reference guide outlining the real estate and other assets included in the Company's holdings as of March 31, 2014.

Region	Name of building	Type of specified asset	Number of tenants* <sup>1</sup>	Leasable space (m <sup>2</sup> )	Occupancy rate* <sup>2</sup>	Appraisal value at the end of period (¥ mil)* <sup>3</sup>	Book value at the end of period (¥ mil)	Acquisition price* <sup>4</sup>		Ratio by region * <sup>2</sup>
								(¥ thousand)	Ratio* <sup>2</sup>	
Tokyo metropolitan area	Genki Medical Plaza	Real property	1	4,791	100.0%	6,510	4,889	5,000,000	0.6%	76.7%
	Kitanomaru Square	Real property	4* <sup>5</sup>	25,678* <sup>5</sup>	100.0%* <sup>5</sup>	74,200	75,200	81,555,500	9.7%	
	MD Kanda Building	Real property	8	6,269	100.0%	7,480	8,800	9,520,000	1.1%	
	Kandabashi Park Building	Real property	10	3,687	100.0%	4,100	4,551	4,810,000	0.6%	
	Otemachi Financial City North Tower	Real property	2	5,112	100.0%	16,600	15,608	15,462,900	1.8%	
	Nibancho Garden	Real property	1* <sup>5</sup>	9,316* <sup>5</sup>	100.0%* <sup>5</sup>	17,300	13,096	14,700,000	1.8%	
	Mitsubishi UFJ Trust and Banking Building	Real property	10	11,904	100.0%	44,600	29,439	44,700,000	5.3%	
	Burex Kojimachi Building	Real property	1	4,495	100.0%	6,220	6,042	7,000,000	0.8%	
	Sanno Grand Building	Real property	34	20,855	97.3%	29,600	21,198	10,200,000 10,700,000 Total: 20,900,000	2.5%	
	Yurakucho Denki Building	Real property	12	4,697	89.1%	7,220	7,805	7,200,000	0.9%	
	Kodenmachi Shin-Nihonbashi Building	Trust	11	3,897	100.0%	2,910	2,836	3,173,000	0.4%	
	Kyodo Building (Kayabacho 2Chome)	Trust	8	4,513	100.0%	5,030	4,316	4,410,000	0.5%	
	Burex Kyobashi Building	Real property	1	4,279	100.0%	6,400	4,646	5,250,000	0.6%	
	Ginza Sanwa Building	Real property	10	4,329	100.0%	15,400	17,158	16,830,000	2.0%	
	Ryoshin Ginza East Mirror Building	Real property	11	4,255	91.1%	5,390	7,554	5,353,500 2,645,922* <sup>6</sup> Total: 7,999,422	1.0%	
	Harumi Front	Real property	5	33,369	99.4%	36,600* <sup>7</sup>	30,940	31,300,000	3.7%	
	Harumi Center Building	Real property	9	20,812	100.0%	20,500	23,871	26,800,000	3.2%	
	Akasaka Park Building	Real property	26* <sup>5</sup>	45,013* <sup>5</sup>	93.1%* <sup>5</sup>	62,900	61,113	60,800,000	7.3%	
	Aoyama Crystal Building	Real property	8	4,898	100.0%	6,980	7,253	7,680,000	0.9%	
	Shiodome Building	Trust	35	32,155	98.2%	78,800	73,727	21,250,000 54,600,000 Total: 75,850,000	9.1%	
Shiba 2Chome Daimon Building	Trust	22	9,606	98.5%	6,060	5,054	4,859,000	0.6%		
Cosmo Kanasugibashi Building	Trust	6	4,062	100.0%	2,780	2,596	2,808,000	0.3%		

Region	Name of building	Type of specified asset	Number of tenants*1	Leasable space (m <sup>2</sup> )	Occupancy rate*2	Appraisal value at the end of period (¥ mil)*3	Book value at the end of period (¥ mil)	Acquisition price*4		Ratio by region *2	
								(¥ thousand)	Ratio*2		
Tokyo metropolitan area	Tokyo 23 wards	Shinwa Building	Real property	13	5,997	92.1%	5,500	7,565	7,830,000	0.9%	8.4%
		Tokyo Opera City Building*8	Real property	97	35,050	95.3%	29,500	29,534	9,350,000 22,426,831 Total: 31,776,831	3.8%	
		TIXTOWER UENO	Real property	18	15,020	98.9%	23,700	21,425	22,000,000	2.6%	
		Higashi-Gotanda 1Chome Building	Real property	4	5,205	100.0%	5,570	4,735	5,500,000	0.7%	
		Osaki Front Tower*9	Real property	1	16,856	100.0%	15,500*7	11,121	12,300,000	1.5%	
		Omori-Eki Higashiguchi Building	Trust	23	7,756	100.0%	5,170	4,518	5,123,000	0.6%	
		Nippon Brunswick Building (Land with leasehold interest)	Real property	*10	*10	*10	5,360	5,572	6,670,000 (1,170,000)*11 Total: 5,500,000	0.7%	
		Yoyogi 1Chome Building	Real property	9	7,745	100.0%	9,940	7,406	8,700,000	1.0%	
		da Vinci Harajuku	Real property	4	3,147	100.0%	6,280	4,913	4,885,000	0.6%	
		Jingumae Media Square Building	Real property	5	5,558	100.0%	9,560	10,780	12,200,000*12	1.5%	
		Shibuya Cross Tower	Real property	64	30,532	94.3%	42,500	38,259	34,600,000	4.1%	
		Ebisu Neonato	Real property	5	8,700	100.0%	14,100	14,425	3,740,000 360,000 10,512,000 Total: 14,612,000	1.7%	
		Harmony Tower	Real property	18	11,998	100.0%	10,800	8,145	8,500,000 520,000 Total: 9,020,000	1.1%	
		Otsuka Higashi-Ikebukuro Building	Trust	6	7,224	100.0%	3,960	3,541	3,541,000	0.4%	
		Ikebukuro 2Chome Building	Trust	9	2,186	100.0%	1,610	1,599	1,728,000	0.2%	
	Ikebukuro YS Building	Real property	11	5,932	100.0%	4,310	4,308	4,500,000	0.5%		
	Tokyo metropolitan area, excluding Tokyo 23 wards	Hachioji First Square	Real property	47	10,068	100.0%	4,440	5,059	3,300,000 2,379,112 Total: 5,679,112	0.7%	
		Saitama Urawa Building	Real property	19	4,510	93.1%	2,090	2,486	1,232,000 1,342,000 Total: 2,574,000	0.3%	
		MM Park Building	Real property	25	38,426	92.3%	35,500	34,034	37,400,000	4.5%	
		Queen's Tower A	Trust	52	26,667	98.8%	17,500*14	17,466	17,200,000	2.1%	
		Kawasaki Isago Building	Trust	13	6,831	100.0%	2,390	2,874	3,375,000	0.4%	
		Musashi Kosugi STM Building	Real property	25	5,378	100.0%	3,840	3,913	4,000,000	0.5%	

Region	Name of building	Type of specified asset	Number of tenants*1	Leasable space (m <sup>2</sup> )	Occupancy rate*2	Appraisal value at the end of period (¥ mil)*3	Book value at the end of period (¥ mil)	Acquisition price*4		Ratio by region*2
								(¥ thousand)	Ratio*2	
Other major cities	8.3 Square Kita Building	Real property	6	12,265	98.5%	6,770	6,394	7,100,000	0.8%	14.9%
	Jozenji Park Building	Real property	17	2,518	98.0%	892	1,003	1,000,000	0.1%	
	Higashi Nibancho Square	Real property	17	20,526	79.7%	11,700*7	9,897	9,950,000	1.2%	
	Sendai Honcho Honma Building	Trust	22	6,234	96.0%	2,240	2,942	2,924,000 250,000 Total: 3,174,000	0.4%	
	Kanazawa Park Building	Real property	72	20,889	96.4%	4,350	4,330	2,880,000 1,700,000 Total: 4,580,000	0.5%	
	Nishiki Park Building*13	Real property	58*5	8,033*5	96.3%*5	3,690	4,480	3,850,000 1,300,000 Total: 5,150,000	0.6%	
	Nagoya Hirokoji Place	Trust	22	13,200	91.3%	9,250*14	8,612	8,567,000	1.0%	
	Hirokoji Sakae Building	Real property	12	3,911	79.8%	1,550	1,694	1,680,000	0.2%	
	Nagoya Hirokoji Building	Real property	31	21,624	98.5%	11,800	15,452	14,533,000	1.7%	
	Nagoya Misono Building	Real property	16	3,448	100.0%	1,110	1,389	1,865,000	0.2%	
	Shijo Karasuma Center Building	Real property	6	6,634	100.0%	4,540*14	4,400	4,400,000	0.5%	
	Kyoto Shijo Kawaramachi Building	Real property	32	6,805	85.4%	1,760	2,591	2,650,000	0.3%	
	Shin-Fujita Building	Trust	41	28,414	92.4%	16,700	22,504	24,000,000	2.9%	
	Sakaisujihonmachi Building	Real property	20	11,556	96.7%	3,150	3,752	2,264,000 1,900,000 Total: 4,164,000	0.5%	
	Midosuji Daiwa Building	Trust	42	20,450	98.8%	12,800	13,226	6,934,000 7,380,000 Total: 14,314,000	1.7%	
	Lit City Building	Real property	41	9,965	100.0%	4,230	3,602	4,650,000	0.6%	
	NHK Hiroshima Broadcasting Center Building	Real property	12	9,860	100.0%	2,470	2,621	1,320,000 1,450,000 Total: 2,770,000	0.3%	
	Tosei Tenjin Building	Real property	19	4,000	100.0%	1,300	1,406	1,550,000	0.2%	
	Tenjin Crystal Building	Real property	30	5,973	100.0%	2,490	4,403	5,000,000	0.6%	
	Hinode Tenjin Building	Trust	4	5,841	100.0%	3,650	3,448	3,657,000	0.4%	
		Total	1,223	750,956	96.7%	829,152	789,543	837,405,766	100.0%	

\*1. The total number of tenants is based on the gross number of tenants in each building. Each instance of occupancy of a single tenant leasing space is considered separately on a per property basis even if said tenant leases space in multiple properties.

\*2. Occupancy rate, ratio of acquisition price and ratio by region are rounded to the nearest first decimal place.

- \*3. Appraisal value at the end of period is, as a rule, the value assessed by real estate appraisers based on the Company's Articles of Incorporation and the Cabinet Office Ordinance on Accountings of Investment Corporations. The book closing date is used as the appraisal date and the appraisal value is calculated by Daiwa Real Estate Appraisal Co., Ltd.
- \*4. Incidental expenses arising from acquisitions are not included in the acquisition price.
- \*5. Residential portions are not included in the total number of tenants, the occupancy rate or the leasable space for Kitanomaru Square, Nibancho Garden, Akasaka Park Building or Nishiki Park Building. The residential portions for these properties are as follows: Kitanomaru Square, leasable space: 11,694m<sup>2</sup>, occupancy rate: 94.7%; Nibancho Garden, leasable space: 1,686m<sup>2</sup>, occupancy rate: 100%; Akasaka Park Building, leasable space: 10,780m<sup>2</sup>, occupancy rate: 93.2%; Nishiki Park Building, leasable space: 954m<sup>2</sup>, occupancy rate: 92.4%.
- \*6. This includes the acquisition price of the land and building adjacent to Ryoshin Ginza East Mirror Building dated July 4, 2008, the cost of the adjacent building's demolition and the total expense of the construction and expansion of the Ryoshin Ginza East Mirror Building (excluding brokerage fees and other acquisition-related expenses) after its completion on May 24, 2010.
- \*7. Appraisal values by Chuo Real Estate Appraisal Co., Ltd.
- \*8. Accompanying the acquisition of Tokyo Opera City Building on September 13, 2005, the Company acquired 33 shares of Tokyo Opera City Building Co., Ltd. (the business that maintains, services and operates the building) at a total acquisition price of 2,797,000 yen and inherited the 874,000 yen deposit made to Tokyo Opera City Building Co., Ltd. by the seller. In an additional acquisition, on March 24, 2010, the Company acquired 91 shares of Tokyo Opera City Building Co., Ltd. at a total acquisition price of 7,539,000 yen. Concurrently, the Company acquired 4,931 shares of Tokyo Opera City Heat Supply Co., Ltd. (the supplier of heat to the building) at a total acquisition price of 566,831,000 yen, inheriting the 2,360,000 yen deposit made to Tokyo Opera City Building Co., Ltd. by the seller.  
Regarding the appraisal value dated March 31, 2014 of the above-mentioned shares and deposits, the 4,931 shares of Tokyo Opera City Heating Co., Ltd. are valued at 566,831,000 yen, the total deposits of 3,235,000 yen are valued at 3,235,000 yen, and the 124 shares of Tokyo Opera City Building Co., Ltd. are valued at 10,336,000 yen.
- \*9. On acquiring Osaki Front Tower, the Company inherited the land renter's lease deposit of 1,040 million yen held by the seller of the building. The value of the lease deposit was appraised on March 31, 2014 and remained unchanged.
- \*10. Because the building portion of the Nippon Brunswick Building was transferred on August 23, 2013, no total number of tenants, leasable space or occupancy rate are provided. Furthermore, the 1,497m<sup>2</sup> portion of land still held is being rented to the transferee of the building, Mitsubishi Estate Co., Ltd.
- \*11. Because the building was transferred on August 23, 2013, the acquisition price of the building at the time of the land and building purchase dated March 24, 2004, has been deducted.
- \*12. This is the acquisition price dated October 9, 2003, and includes a portion of the site transferred on October 30, 2009 (cost of investment sold, 614 million yen).
- \*13. On acquiring Nishiki Park Building, the Company inherited the 9 million yen lease deposit made by the land renters held by the seller of the building. The value of the lease deposit was appraised on March 31, 2014 and remained unchanged.
- \*14. Appraisal values by Japan Real Estate Institute.
- \*15. In the above quick reference guide, if the real estate or other assets are classified as shared ownership or compartmental ownership, only the real estate or other assets owned by the Company are presented and the portions owned by the other shared owners or compartmental owners are excluded.
- \*16. The properties presented in the above quick reference guide do not include properties that have falsified structural calculation reports as reported by the local government authorities and the Ministry of Land, Infrastructure, Transport and Tourism.

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

The table below is a quick reference guide outlining the revenues and expenses on each real estate and other asset for the 25th period (October 1, 2013 to March 31, 2014). Furthermore, the income summary is presented based on the previously mentioned "Summary of significant accounting policies."

(Millions of Yen)

Name of building	Revenues / Expenses (October 1, 2013 to March 31, 2014)												
	Property-related revenues	Property-related expenses	Property management expenses	Utilities expenses	Property and other taxes	Casualty insurance	Repairing expenses	Depreciation ①	Other expenses	Property-related profits ②	NOI ③(①+②)	Capital expenditures ④*2	NCF ③-④
Genki Medical Plaza	226	79	15	18	16	0	5	20	2	147	168	-	168
Kitanomaru Square	1,686	769	155	77	94	2	9	428	-	917	1,346	12	1,333
MD Kanda Building	221	94	14	22	20	0	12	25	-	126	151	139	12
Kandabashi Park Building	116	34	1	-	16	0	-	16	-	82	98	-	98
Otemachi Financial City North Tower	1	14	0	-	-	0	-	14	-	△ 13	1	-	1
Nibancho Garden	480	239	58	28	53	0	7	90	-	240	331	7	324
Mitsubishi UFJ Trust and Banking Building	993	396	54	65	131	1	36	106	1	597	703	53	650
Burex Kojimachi Building	150	76	-	-	13	0	0	61	-	73	135	16	119
Sanno Grand Building	914	406	103	67	105	1	50	77	0	508	585	52	533
Yurakucho Denki Building	241	146	33	19	41	0	20	31	-	94	125	24	101
Kodenmachi Shin-Nihonbashi Building	118	55	16	9	11	0	1	12	3	63	76	-	76
Kyodo Building (Kayabacho 2Chome)	145	60	10	11	11	0	2	24	-	84	108	1	107
Burex Kyobashi Building	151	52	-	-	11	0	2	37	-	99	137	6	130
Ginza Sanwa Building	375	135	28	22	59	0	5	19	-	239	258	39	219
Ryoshin Ginza East Mirror Building	159	97	16	15	14	0	2	47	0	61	109	1	108
Harumi Front	1,235	597	109	125	0	2	0	359	-	637	997	9	987
Harumi Center Building	645	401	77	48	48	1	1	224	0	244	468	-	468
Akasaka Park Building	2,265	1,264	241	225	278	4	102	411	0	1,001	1,412	144	1,268
Aoyama Crystal Building	201	99	13	16	28	0	1	29	8	102	131	29	102
Shiodome Building	1,740	676	136	117	120	2	4	292	3	1,063	1,355	2	1,353
Shiba 2Chome Daimon Building	281	138	37	30	36	0	2	30	0	142	172	51	121
Cosmo Kanasugibashi Building	108	47	11	8	12	0	1	12	-	61	74	1	72

Name of building	Revenues / Expenses (October 1, 2013 to March 31, 2014)												
	Property-related revenues	Property-related expenses								Property-related profits ②	NOI ③(①+②)	Capital expenditures ④*2	NCF ③-④
		Property management expenses	Utilities expenses	Property and other taxes	Casualty insurance	Repairing expenses	Depreciation ①	Other expenses					
Shinwa Building	160	94	23	20	19	0	6	24	0	66	90	45	44
Tokyo Opera City Building*1	1,315	1,118	*1	*1	*1	*1	*1	*1	*1	196	*1	67	*1
TIXTOWER UENO	699	384	56	47	40	1	0	237	-	315	552	0	552
Higashi-Gotanda 1Chome Building	155	92	14	18	14	0	0	43	-	63	107	-	107
Osaki Front Tower	665	515	66	51	28	0	1	275	91	150	425	2	422
Omori-Eki Higashiguchi Building	216	105	30	23	25	0	1	23	-	111	134	20	114
Nippon Brunswick Building	60	20	-	-	20	-	-	-	-	39	39	-	39
Yoyogi 1Chome Building	286	140	20	23	23	0	3	68	-	146	214	0	214
da Vinci Harajuku	191	60	10	11	16	0	7	14	-	130	145	-	145
Jingumae Media Square Building	309	134	23	33	36	0	3	36	-	175	212	3	209
Shibuya Cross Tower	1,291	905	158	138	125	2	65	413	2	385	799	172	626
Ebisu Neonato	178	92	23	6	10	0	6	45	-	86	131	1	130
Harmony Tower	373	227	117	-	48	1	10	49	-	146	196	-	196
Otsuka Higashi-Ikebukuro Building	196	103	20	27	12	0	6	36	-	93	129	53	76
Ikebukuro 2Chome Building	70	32	8	6	5	0	3	7	-	38	45	6	38
Ikebukuro YS Building	177	82	16	17	14	0	3	30	-	94	125	0	124
Hachioji First Square	236	121	50	0	26	0	5	38	-	115	153	16	137
Saitama Urawa Building	104	53	16	10	9	0	1	15	-	50	66	9	56
MM Park Building	1,242	735	135	184	54	2	21	336	0	506	843	24	818
Queen's Tower A	403	191	67	0	0	1	0	121	0	211	333	0	333
Kawasaki Isago Building	136	79	25	17	13	0	4	18	-	57	75	42	33
Musashi Kosugi STM Building	158	70	21	2	10	0	12	22	-	88	111	86	24
8.3 Square Kita Building	309	185	28	52	21	0	2	79	-	123	202	-	202
Jozenji Park Building	71	42	9	8	6	0	7	9	-	28	38	35	2
Higashi Nibancho Square	531	237	60	43	0	0	4	127	0	294	422	-	422
Sendai Honcho Honma Building	127	100	16	16	15	0	40	11	0	26	38	214	(176)
Kanazawa Park Building	464	430	102	57	63	1	152	52	0	33	85	270	(184)

Name of building	Revenues / Expenses (October 1, 2013 to March 31, 2014)												
	Property-related revenues	Property-related expenses								Property-related profits ②	NOI ③(①+②)	Capital expenditures ④*2	NCF ③-④
		Property management expenses	Utilities expenses	Property and other taxes	Casualty insurance	Repairing expenses	Depreciation ①	Other expenses					
Nishiki Park Building	205	146	44	18	19	0	15	41	6	59	101	3	97
Nagoya Hirokoji Place	352	165	36	36	0	0	9	82	-	186	268	6	262
Hirokoji Sakae Building	85	50	12	11	11	0	5	9	0	35	44	0	44
Nagoya Hirokoji Building	584	387	91	61	61	1	42	128	0	196	325	211	113
Nagoya Misono Building	66	47	11	7	6	0	1	20	0	19	40	4	35
Shijo Karasuma Center Building	195	100	25	15	0	0	0	59	-	94	153	-	153
Kyoto Shijo Kawaramachi Building	115	75	19	14	10	0	2	27	0	39	67	19	47
Shin-Fujita Building	696	519	92	89	77	1	53	204	-	176	381	231	149
Sakaishijonmachi Building	230	137	43	29	36	0	4	22	-	92	114	10	104
Midosuji Daiwa Building	527	287	64	44	75	1	47	54	-	240	295	14	280
Lit City Building	259	147	30	24	19	1	5	65	-	111	177	-	177
NHK Hiroshima Broadcasting Center Building	262	190	50	28	23	0	29	33	24	72	106	160	(54)
Tosei Tenjin Building	85	46	13	8	7	0	6	10	-	38	48	-	48
Tenjin Crystal Building	146	134	24	17	19	0	13	59	-	11	70	86	(15)
Hinode Tenjin Building	170	68	21	14	14	0	0	18	-	101	119	14	104
Total	26,582	14,750	3,247	2,414	2,335	53	887	5,649	162	11,832	17,481	2,433	15,048

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

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



## c. Capital Expenditures

Capital expenditures during the period under review

For acquired real estate and other assets, capital expenditures incurred in the period under review totaled 2,433 million yen and repair, maintenance and renovation expenses classified as expenses in the period under review totaled 887 million yen, for a total of 3,320 million yen worth of construction has been carried out.

One of the significant capital expenditures for the period under review was the upgrading of air conditioners for the Sendai Honcho Honma Building.

Construction carried out on other real estate and other assets includes the upgrading of disaster prevention facilities in addition to regular maintenance upgrades.

Name of real property, etc. (Location)	Purpose	Schedule	Expenditures for construction (¥ million)
Sendai Honcho Honma Building (Sendai, Miyagi Prefecture)	Maintenance (Upgrade of air conditioners)	From November, 2013 To March, 2014	214
MD Kanda Building (Chiyoda-ku, Tokyo Prefecture)	Maintenance (Upgrade of air conditioners)	From October, 2013 To February, 2014	103
Kanazawa Park Building (Kanazawa, Ishikawa Prefecture)	Maintenance (Upgrade of disaster prevention facilities)	From September, 2013 To February, 2014	99
Tenjin Crystal Building (Fukuoka, Fukuoka Prefecture)	Maintenance (Upgrade of air conditioners)	From November, 2013 To February, 2014	85
NHK Hiroshima Broadcasting Center Building (Hiroshima, Hiroshima Prefecture)	Maintenance (Upgrade of air conditioners)	From September, 2013 To January, 2014	82
Musashi Kosugi STM Building (Kawasaki, Kanagawa Prefecture)	Maintenance (Upgrade of air conditioners)	From April, 2013 To March, 2014	74
Otsuka Higashi-Ikebukuro Building (Toshima-ku, Tokyo Prefecture)	Maintenance (Upgrade of air conditioners)	From October, 2013 To November, 2013	53
Kanazawa Park Building (Kanazawa, Ishikawa Prefecture)	Maintenance (Upgrade of air conditioning facilities)	From July, 2013 To February, 2014	50
Jozenji Park Building (Sendai, Miyagi Prefecture)	Maintenance (Upgrade of air conditioning facilities)	From September, 2013 To January, 2014	29
Other real estate			1,640
Total			2,433