

Japan Real Estate Investment Corporation

SEMIANNUAL REPORT

March 2023

For the period from October 1, 2022 to March 31, 2023





Contents

P. 2	The Strengths of Japan Real Estate Investment Corporation
P. 3	To Our Unitholders
P. 6	Issuance of New Investment Units
P. 7	Asset Management Summary
P. 9	Financial Highlights
P. 9	Top 10 Unitholders
P. 9	Unit Price Performance
P. 10	Portfolio Highlights
P. 11	Approach to ESG
P. 15	Asset Size, Property Acquisitions, and Performance Trends
P. 18	Overview of Portfolio Properties
P. 24	Financial Section
P. 55	Other Information
P. 66	Corporate Data

Profile

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

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

The Strengths of Japan Real Estate Investment Corporation

01 Steady Growth of Dividends

Actual dividend per unit for the March 2023 period:

JPY 11,667

Forecast dividend per unit for the September 2023 period:

JPY 11,500

02 Collaboration with Sponsor

Expertise of **Mitsubishi Estate Co., Ltd.**

03 Steady Growth of Quality Portfolio (As of March 31, 2023)

Total acquisition price: **JPY 1.12** trillion **76** properties

The first listed J-REIT in 2001

04 Sound Financial Base (As of March 31, 2023)

Highest credit ratings for a J-REIT: **AA+** from JCR, **AA** from R&I, **A+** from S&P

Long-term interest-bearing debt ratio*: **88.6%**

LTV (Interest-bearing debt / Total assets): **44.0%**

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

To Our Unitholders

In the fiscal period ended March 31, 2023, Japan Real Estate Investment Corporation (JRE) increased dividend per unit (DPU) by JPY 167, to JPY 11,667. This exceeded the previous forecast of JPY 11,400, marking the 18th consecutive period of DPU growth. In terms of internal growth, we were able to increase the occupancy rate of our portfolio at the end of the period under review to 95.5%, up 1.6% from the end of the previous period, by backfilling large-scale vacancies through a flexible leasing strategy. We will maintain strategic leasing activities while continuing to carefully monitor the balance between supply and demand. As for external growth, we acquired ownership interests in the ARGYLE aoyama and Toyosu Foresia in February 2023, and 100% ownership of Circles Hirakawacho and an additional ownership interest in Shinjuku

Business Performance for the March 2023 Period

Summary of Financial Results and Cash Dividends

In the March 2023 period (October 1, 2022 to March 31, 2023), Japan Real Estate Investment Corporation recorded operating revenues decreased 0.8% compared with the previous period, to JPY 37.3 billion. On the income front, operating profit decreased 5.5%, to JPY 17.0 billion. After deducting expenses for interest payments on loans and other costs, ordinary profit decreased 6.3%, to JPY 16.1 billion, and profit decreased 3.7%, to JPY 16.1 billion.

Turning to dividends, the Company will make cash distributions using earnings based on the dividend policy outlined in Article 32-1(2) of the Company's Articles of Incorporation, in an amount that exceeds 90% of profit available for dividends as required by Article 67-15 of the Special Taxation Measures Act. Based on this policy, the Company decided, not exceeding unappropriated retained earnings for the fiscal period under review and securing the retained earnings brought forward, that the total amount of dividends is JPY 16,161,245,070 for the fiscal period under review, which is a multiple of 1,385,210—the number of units outstanding as of March 31, 2023. Accordingly, the dividend per investment unit is JPY 11,667.

Operating Environment and Performance

During the March 2023 period (October 1, 2022 to March 31, 2023), the Japanese economy has been slowly picking up, particularly in personal consumption, as the movement restrictions as measures against the spread of COVID-19 have been increasingly eased and socio-economic activities continue to normalize. On the other hand, the outlook remains uncertain due to the prolonged Ukraine crisis, global monetary tightening, the Bank of Japan (“BOJ”)’s expansion of the allowable range of fluctuation in long-term interest rates, etc. The effects of rising prices, supply-side constraints, and fluctuations in financial and capital markets must continue to be closely monitored.

In the office leasing market, tenants' needs to relocate for location improvement and for expansion caused by outgrowing are on the rise, and the vacancy rate, which had been rising against the background of the spread of teleworking due to changes in work styles, has now

leveled off accordingly. Rent levels continue to trend slightly downward. Considering such leasing market trends, the Company strives to attract new tenants through strategic leasing activities and to further enhance the satisfaction level of existing tenants by adding value to the properties, with the aim of securing stable income and improving the occupancy rate for the entire portfolio.

In the real estate trading market, the appetites from investors at home and abroad remain strong due to factors such as the BOJ's continued monetary easing despite the tweak in its yield curve control policy, interest rate differentials with overseas markets, and the depreciation of the Japanese yen against the U.S. dollar; the acquisition environment for quality office buildings, which are in short supply, remains challenging accordingly.

Under such market conditions, the Company made sound investments based on the Investment Policy of providing stable dividends to unitholders, which has remained unchanged since its listing on the TSE, and the Company's dividend per unit stands at JPY 11,667, up JPY 167 from the previous period.

In the office leasing market in the fiscal period under review, the occupancy rate at the end of the period was 95.5%, increased by 1.6% from the end of the previous period. By capturing positive demand such as relocations to improve the location and work environment, and relocations for expansion due to business expansion, the Company was able to fill vacancies caused by large tenants moving out.

As for property acquisition and disposition, the Company disposed of a 25% quasi-co-ownership interest of the trust beneficiary right in Harumi Front (Chuo-ku, Tokyo) for JPY 9,777 million as of December 1, 2022. The property will be disposed of in stages over three fiscal periods, with 30% to have been disposed of for JPY 11,733 million on April 3, 2023, and the remaining 45% to be disposed of for JPY 17,599 million on January 12, 2024. In addition, the Company acquired a 50% quasi-co-ownership interest of the trust beneficiary right in the ARGYLE aoyama (Minato-ku, Tokyo) for JPY 23,900 million, and acquired a 9% co-ownership interest in Toyosu Foresia for JPY 8,100 million on February 27, 2023. Furthermore, the Company acquired

Eastside Square in March 2023. We also completed the disposition of a 25% ownership interest in Harumi Front, the first of a three-stage disposition. With a tough environment for acquisitions expected to persist, we will continue promoting our asset replacement strategy, aiming to improve the competitiveness of our portfolio over the medium- to long-term.

On the environmental front, JRE has been disclosing qualitative analysis results of financial impact under the 1.5°C and 4°C scenarios based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In the period under review, we implemented quantitative financial impact analysis and unveiled the results for each scenario. Going forward, JRE will continue pioneering an approach to asset management that takes sustainability into consideration.

on March 30, 2023, CIRCLES Hirakawacho (Chiyoda-ku, Tokyo) for JPY 1,780 million, and an additional 4% co-ownership interest in Shinjuku Eastside Square for JPY 8,500 million, thereby its interest in the property increasing from 35.0% to 39.0%.

As a result of the above, the Company's portfolio at the end of the fiscal period under review, March 31, 2023, consisted of 76 properties, with a total acquisition price of JPY 1.12 trillion. (Note 1) Net rentable floor area stood at 886,439 m² with 1,582 tenants in total. (Note 2)

Note 1: The total acquisition price includes a portion of the acquisition price of JRE Jingumae Media Square Building pertaining to the partially expropriated site and the easement extinguished due to expropriation of part of the adjacent site, and excludes that of Harumi Front corresponding to an interest transferred in the period until the end of March 2023.

Note 2: Shibuya Cross Tower (land with leasehold interest), whose building ownership was disposed of on January 18, 2018, is included in the above number of properties and total acquisition price, but is not included in net rentable floor area and total number of tenants.

Finance Activities

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

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

In the fiscal period under review, the short-term loan of JPY 29,000 million was borrowed to partially fund the acquisitions of the ARGYLE aoyama and Toyosu Foresia, and the short-term loan of JPY 8,300 million and the long-term loan of JPY 3,000 million were borrowed to acquire Shinjuku Eastside Square, as an additional acquisition, and CIRCLES Hirakawacho. Furthermore, the Company repaid the short-term loan of JPY 3,200 million with cash on hand, and borrowed to fund the repayment of existing loans.

As a result of the above financing activities, as of March 31, 2023, the Company's total interest-bearing debt was JPY 460.4 billion, increased JPY 37.1 billion compared with the end of the previous fiscal period. This amount consists of long-term loans totaling JPY 365.2 billion (including the current portion of long-term loans totaling JPY 39.5 billion), short-term loans totaling JPY 52.3 billion, and investment corporation bonds totaling JPY 42.9 billion (including the current portion of investment corporation bonds totaling JPY 10.0 billion). The current LTV ratio stands at 44.0%.

The Board of Directors of the Company resolved at its meetings held on March 28, 2023 and April 3, 2023 to issue new investment units (35,200 units by public offering and 2,454 units by third-party allotment). Through this issuance of new investment units, the Company raised approximately JPY 18,224 million on April 7, 2023 by the public offering and approximately JPY 1,270 million on May 1, 2023 by the third-party allotment. The funds raised through the public offering and the third-party allotment were used to partially repay a short-term loan, which is the refinancing of the aforementioned short-term loan of JPY 29,000 million taken out for the acquisition of the ARGYLE aoyama and Toyosu Foresia. In addition, the aforementioned short-term loan of JPY 8,300 million borrowed for the acquisition of Shinjuku Eastside Square (additional acquisition) and CIRCLES Hirakawacho was repaid with the proceeds from the second disposition of Harumi Front and cash on hand, thus the Company making efforts to maintain a sound and conservative financial structure.

The Company's credit ratings as of March 31, 2023 were as follows:

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

Outlook

Operating Environment

The Japanese economy, under the New Normal, is expected to recover as domestic demand is expected to improve with the further normalization of socio-economic activities. On the other hand, the Company considers it necessary to closely monitor the impact of fluctuations in financial and capital markets, keeping in mind downside risks such as the prolonged Ukraine Crisis and the global price hike and rising interest rates against the background thereof.

In the office leasing market, while the market is gradually bottoming out following the downgrading of COVID-19 to class 5, it is considered necessary to monitor the pace of recovery in office demand affected by the development of remote working as well as the impact of a massive supply of new office space in central Tokyo expected in 2023 and 2025. As tenants are becoming more selective about their office space in line with the review of work styles, the Company will secure stable earnings over the medium- to long-term and maintain and enhance the asset values by promoting strategic repairs and renovations and ESG investments.

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

Property Management

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

(i) Strengthen relationships of trust with existing tenants

The Company has contracts with numerous property management companies. Each property management company has developed relationships of trust with their tenants through their daily diligence in managing their respective properties over the years. The Company will work to further solidify these relationships by anticipating tenants' needs and providing tailored services to bolster tenant satisfaction, thereby maintaining and improving occupancy rates and raising the rent levels.

(ii) Fill vacancies promptly

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

(iii) Stabilize revenues and income

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

(iv) Reduce management costs

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

Property Acquisitions and Dispositions

The Company has adopted the following policies for acquiring properties.

(i) To access property information quickly, the Company continues to enhance its property information channels while working to develop new channels.

(ii) In its acquisition activities, the Company continues to meticulously monitor and examine economic, physical, and legal factors, including rights-related issues, when selecting properties. In particular, with regard to the structure of buildings, the Company requires buildings to meet or exceed new earthquake-resistant standards, verifies the need for renovations by capturing current conditions accurately based on engineering reports, and exclusively targets properties capable of maintaining a competitive edge in terms of the facilities they offer over the medium- to long-term.

(iii) In accordance with its acquisition policies, the Company shall maintain its portfolio so that 70% or more of the portfolio properties are located within the Tokyo metropolitan area, with the remaining 30% or fewer located in other major cities. Under these policies, the Company will continue to acquire highly competitive properties. At the same time, in order to further improve the quality of its portfolio, the Company will remain open to the replacement of portfolio properties with due consideration at the right time.

Financial Policies

The Company has adopted the following financial policies.

(i) In principle, the Company shall maintain an LTV ratio (including investment corporation bonds) below 65%. To ensure an even lower interest-bearing debt ratio, the Company adopts the conservative target level of 30% to 40%.

(ii) The Company shall set the ceiling for the combined total of loans and investment corporation bonds at JPY 1 trillion.

(iii) When obtaining a loan, the Company shall only negotiate with qualified institutional investors (limited to those defined under

Article 67-15 of the Special Taxation Measures Act) before executing a loan agreement.

- (iv) With the purpose of maintaining liquidity at an appropriate level, the Company may establish preliminary borrowing frameworks such as overdraft agreements and commitment line agreements as needed.
- (v) In financial transactions, in order to realize low financing costs, the Company aims to achieve the best execution by making comprehensive judgments on borrowing terms and conditions, such as interest rate levels and borrowing periods.

Performance Forecasts for the September 2023 and March 2024 Periods

The Company's forecasts for the September 2023 period (April 1, 2023 to September 30, 2023) are as follows: operating revenues totaling JPY 38.6 billion, operating profit totaling JPY 17.3 billion, ordinary profit totaling JPY 16.3 billion, and profit totaling JPY 16.3 billion. The Company plans to declare a per-unit cash dividend of JPY 11,500.

The Company's forecasts for the March 2024 period (October 1, 2023 to March 31, 2024) are as follows: operating revenues totaling JPY 41.0 billion, operating profit totaling JPY 19.3 billion, ordinary profit totaling JPY 18.2 billion, and profit totaling JPY 17.6 billion. The Company plans to declare a per-unit cash dividend of JPY 11,550.

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



Jo Kato
Executive Director of Japan Real Estate Investment Corporation



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

Issuance of New Investment Units

Issuance of New Investment Units through Public Offering

Number of investment units offered	35,200 units
Offered price	JPY 534,100 per unit
Total amount of offered price	JPY 18,800,320,000
Amount paid in (subscription price)	JPY 517,750 per unit
Total amount paid in (total subscription price)	JPY 18,224,800,000
Payment date	April 7, 2023

Issuance of New Investment Units through Third-Party Allotment

Number of investment units offered	2,454 units
Amount paid in (subscription price)	JPY 517,750 per unit
Total amount paid in (total subscription price)	JPY 1,270,558,500
Payment date	May 1, 2023
Allottee	SMBC Nikko Securities Inc.

The proceeds raised through the public offering and the third-party allotment were applied toward the repayments of a part of the short-term loan, which is the refinancing of the short-term loan of JPY 29,000 million borrowed to partially fund the acquisitions of a 50% quasi-co-ownership interest in the ARGYLE aoyama for JPY 23,900 million and a 9% co-ownership interest in Toyosu Foresia for JPY 8,100 million.

Asset Management Summary

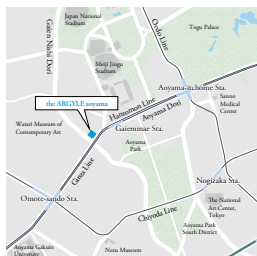
For the period from October 1, 2022 to March 31, 2023

Acquired Property

the ARGYLE aoyama



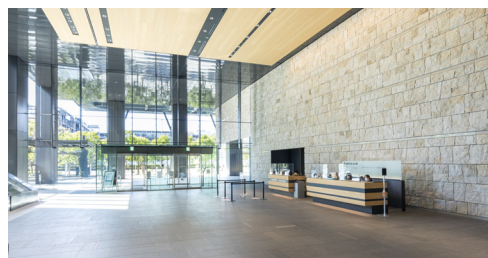
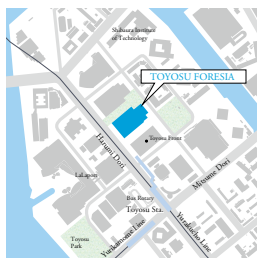
Location	2-14-4 Kita-aoyama, Minato-ku, Tokyo
Site area	2,142.24m ²
Floor area of building	22,009.57m ²
Structure	Steel-framed, Steel-framed reinforced concrete structure, flat roof
Floors	Above ground: 20 floors Below ground: 2 floors
Completion	June 2020
Acquisition date / Acquisition price	February 27, 2023 / JPY 23,900 million
Type of ownership	Land: Ownership Building: Ownership
Seller	Dairoku Mec Toshikaihatsu TMK



Toyosu Foresia

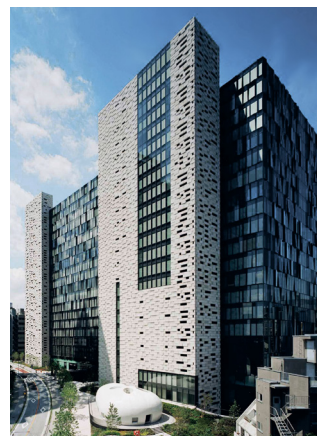


Location	3-2-24 Toyosu, Koto-ku, Tokyo
Site area	16,242.68m ²
Floor area of building	98,176.19m ²
Structure	Steel-framed, Steel-framed reinforced concrete structure, flat roof
Floors	Above ground: 16 floors Below ground: 2 floors
Completion	June 2014
Acquisition date / Acquisition price	February 27, 2023 / JPY 8,100 million
Type of ownership	Land: Ownership Building: Ownership
Seller	Toyosu 3 Chome Kaihatsu TMK



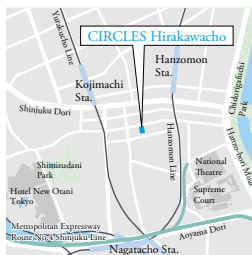
Shinjuku Eastside Square (Additional acquisition)

Location	6-27-30, Shinjuku, Shinjuku-ku, Tokyo
Site area	25,320.28m ²
Floor area of building	167,245.46m ²
Structure	Steel-framed, Reinforced concrete structure, flat roof
Floors	Above ground: 20 floors Below ground: 2 floors
Completion	March 2012
Acquisition date / Acquisition price	March 30, 2023 / JPY 8,500 million
Type of ownership	Land: Ownership Building: Ownership
Seller	Mitsubishi Estate Co., Ltd.



CIRCLES Hirakawacho

Location	1-3-13 Hirakawacho, Chiyoda-ku, Tokyo
Site area	171.15m ²
Floor area of building	1,095.13m ²
Structure	Reinforced concrete structure, flat roof
Floors	Above ground: 11 floors
Completion	November 2021
Acquisition date / Acquisition price	March 30, 2023 / JPY 1,780 million
Type of ownership	Land: Ownership Building: Ownership
Seller	Mitsubishi Estate Co., Ltd.



Disposed Property

Harumi Front

Location	2-1-40 Harumi, Chuo-ku, Tokyo	Acquisition date / Acquisition price	January 7, 2013 / JPY 31,300 million
Site area	7,250.15m ²	Disposition date / Disposition price	December 1, 2022 / JPY 9,777 million
Floor area of building	45,458.90m ²		April 3, 2023 / JPY 11,733 million
Structure	Steel-framed structure, flat roof		January 12, 2024 / JPY 17,599 million
Floors	Above ground: 17 floors Below ground: 1 floor	Type of ownership	Land: Ownership Building: Ownership
Completion	February 2012	Buyer	Undisclosed

Financial Highlights

	In millions of JPY				
	For the period from October 1, 2022 to March 31, 2023	For the period from April 1, 2022 to September 30, 2022	For the period from October 1, 2021 to March 31, 2022	For the period from April 1, 2021 to September 30, 2021	For the period from October 1, 2020 to March 31, 2021
Operating revenues	37,345	37,654	36,453	36,901	34,944
Operating profit	17,041	18,042	17,107	18,394	16,479
Ordinary profit	16,172	17,256	16,191	17,477	15,508
Profit	16,161	16,790	16,045	16,865	15,560
Net operating income (NOI) (Note 1)	21,901	23,084	24,070	24,204	24,825
Funds from operations (FFO) (Note 2)	18,970	19,700	21,053	20,583	22,089
FFO multiple (Times) (Note 3)	19.2	21.0	21.0	22.5	20.4
Cash distribution	16,161	15,929	15,791	15,730	15,680
Number of units	1,385,210	1,385,210	1,385,210	1,385,210	1,385,210
Dividend per unit (JPY)	11,667	11,500	11,400	11,356	11,320

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

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

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

(Annualized portion of the calculation given in Note 2 and Note 3 assumes a fiscal period of 182 days for the period ended March 31, 2021, 183 days for the period ended September 30, 2021, 182 days for the period ended March 31, 2022, 183 days for the period ended September 30, 2022 and 182 days for the period ended March 31, 2023.)

Top 10 Unitholders As of March 31, 2023

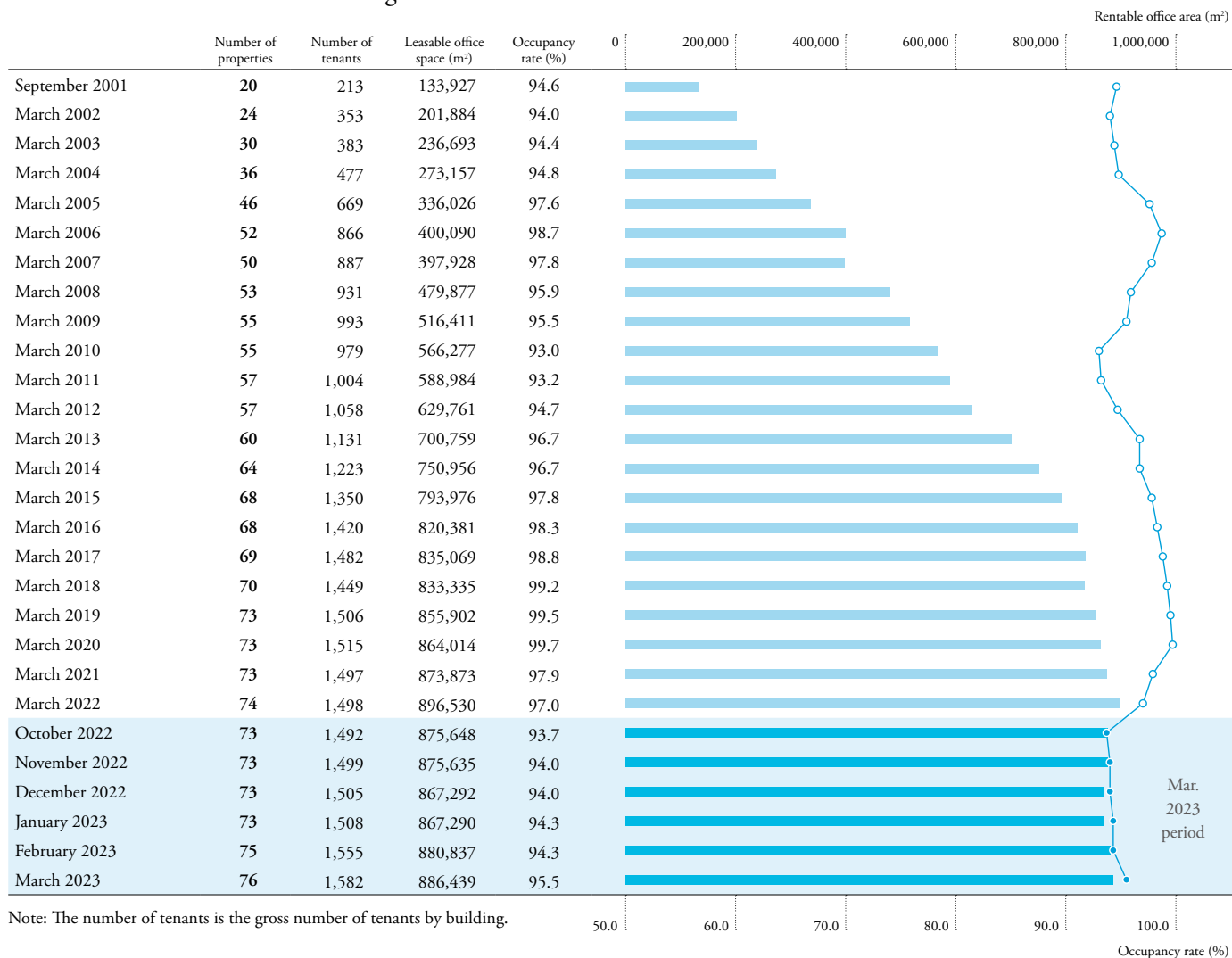
Company	Units	% of total units outstanding
Custody Bank of Japan, Ltd. (Shintaku Acc.)	375,715	27.12%
The Master Trust Bank of Japan, Ltd. (Shintaku Acc.)	218,813	15.80%
The Nomura Trust and Banking Co., Ltd. (Toshin Acc.)	64,320	4.64%
STATE STREET BANK WEST CLIENT - TREATY 505234	26,947	1.95%
SSBTC CLIENT OMNIBUS ACCOUNT	18,242	1.32%
Mitsubishi Estate Co., Ltd	17,120	1.24%
JP MORGAN CHASE BANK 385781	16,713	1.21%
STATE STREET BANK AND TRUST COMPANY 505103	16,383	1.18%
The Chugoku Bank, Limited	14,325	1.03%
JP MORGAN CHASE BANK 385770	14,300	1.03%

Unit Price Performance



Portfolio Highlights

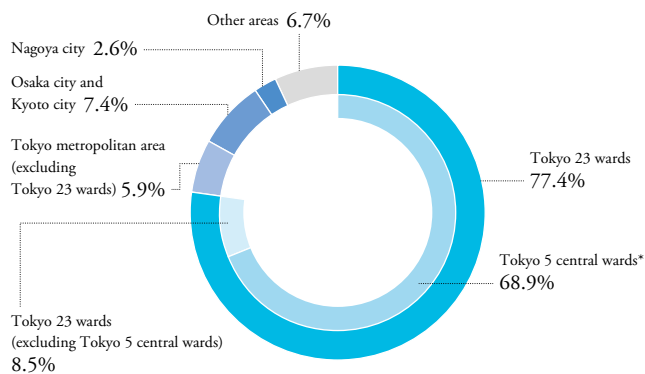
Trends in the State of Portfolio Management



Portfolio Breakdown As of March 31, 2023

Properties by geographic region

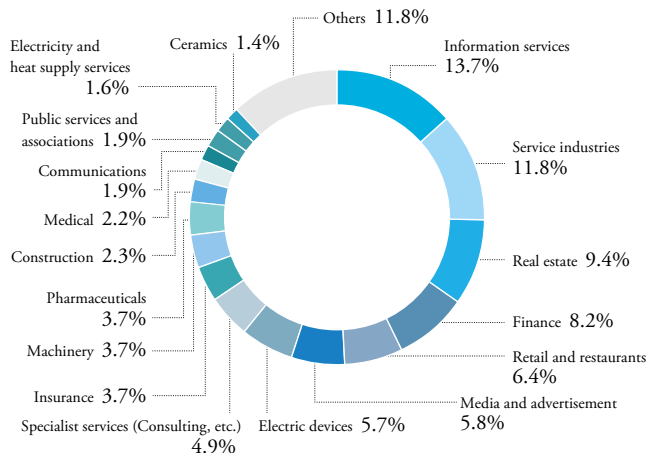
(Percentage based on acquisition price)



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

Tenants by industry type

(Percentage based on leased office area)



Note: GRAND FRONT OSAKA is excluded

Approach to ESG

Sustainability Policy

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

Sustainability Management Department is driving the Company's ESG initiatives in accordance with its Sustainability Policy. Such initiatives include the enhancement of the disclosure of the Company's ESG-related information, the acquisition of environmental certifications and evaluations from external organizations, participation in international initiatives, and other efforts.

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

WEB

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

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

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

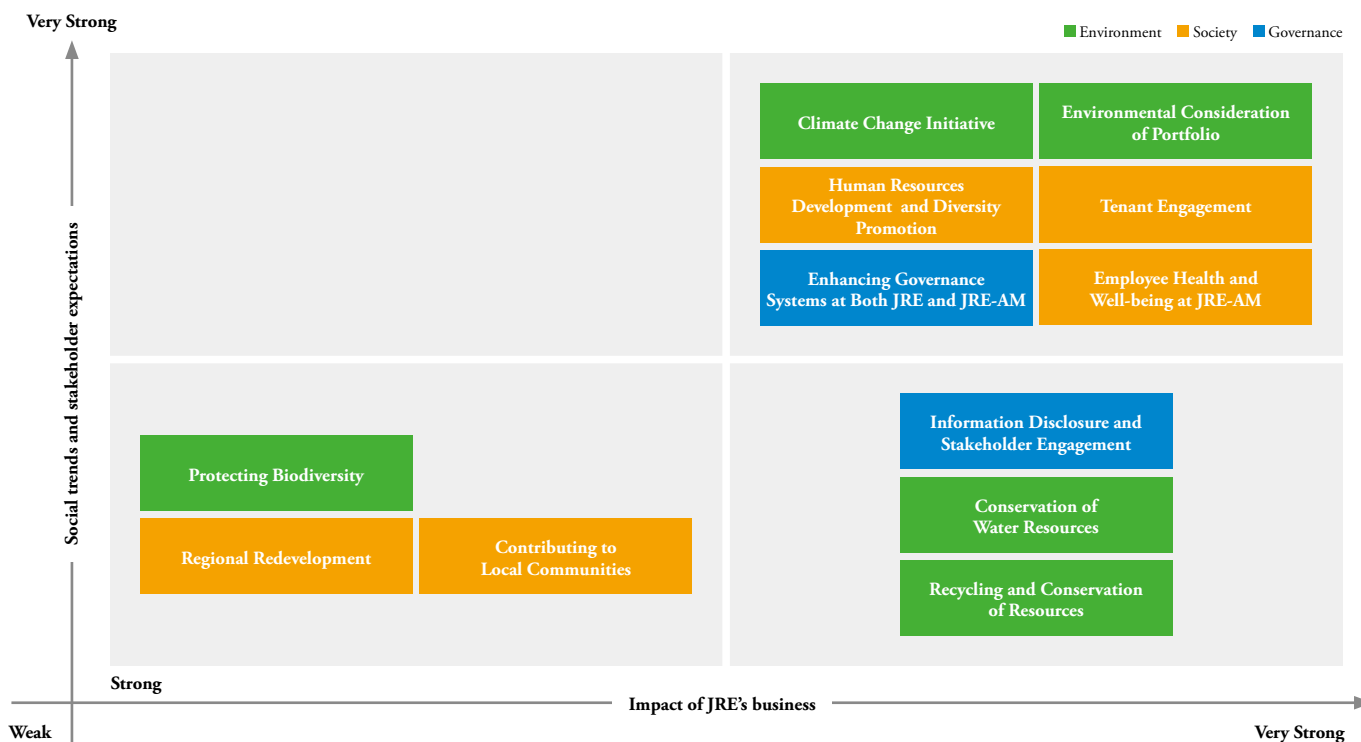
SASB Framework
https://jre-esg.com/en/pdf/sustainability_report2022.pdf#page=25

Sustainability Policy

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

Materiality

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



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

▶ International Initiatives

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

WE SUPPORT



Became Signatory in April 2018

United Nations Global Compact (UNGC)

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

Became Signatory in August 2018

Principles for Responsible Investment (PRI) Assessment Result

About the PRI Assessment Result

PRI signatories are required to report annually on the status of their ESG integration practices for evaluation.

JRE-AM has received the following evaluation results for the report we made in 2021.

Module	Star Score
Investment & Stewardship Policy	★★★★☆
Real Estate	★★★★★ (Highest rating)

Signatory of:



▶ External Evaluation and Certification



Commitment to GRESB

Received the highest evaluations in both GRESB Real Estate Assessment and GRESB Public Disclosure in the 2022 GRESB results, as shown on the right

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

2022 CONSTITUENT MSCI JAPAN
ESG SELECT LEADERS INDEX

MSCI Japan ESG Select Leaders Index

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

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



Participation in the CDP Climate Change Program

Received the highest score of "A" securing a place on its annual "A List" for the first time in the 2022 Carbon Disclosure Project (CDP) Climate Change Program



Awarded "Prime" Status in the ISS ESG Corporate Rating

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



DBJ Green Building

Green Building-Certified Properties in Our Portfolio

We are focusing on improving the sustainability of the Company's entire portfolio. As of the end of March 2023, 76.3%* of the Company's portfolio is green certified. Going forward, the Company will continue to acquire environmental certifications and evaluations, such as the DBJ Green Building Certification.

* On a gross floor area of owned building basis

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

Environment

SBTi Approval and Joining RE100

JRE's CO₂ emissions reduction targets were approved by the Science Based Targets initiative (SBTi), and JRE became the first J-REIT to join RE100 in May 2022.

Target year	CO ₂ emissions reduction target	Renewable energy rate
FY2030	80% reduction (vs FY2019)	90%
FY2050	Net zero	100%



WEB

For more information, please visit "Environmental Performance" and "International Initiatives" on our ESG website.
<https://jre-esg.com/en/environment/environment.html>
<https://jre-esg.com/en/initiative/>

Acquisition of ZEB Ready Certification

JRE aims to own 5-10 ZEBs by FY2030. In collaboration with Mitsubishi Jisho Design Inc., we have obtained 4 ZEB-certified properties as of the end of March 2023. We will further pursue the future possibility to realize ZEBs through renovations of the existing properties with an aim to achieve the KPIs for FY2030.

WEB

For more information, please visit "External Evaluations and Certifications" and "Climate Change Initiatives" on our ESG website.
<https://jre-esg.com/en/external/>
<https://jre-esg.com/en/environment/climate.html>



Quantitative Financial Impact Analysis in Line with the TCFD Recommendations

JRE has been consistently expanding the level of disclosure adopted TCFD reporting since JRE-AM became the first TCFD supporter in the J-REIT industry and disclosed our quantitative financial impact analysis in 2023.

WEB

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



Society

For Tenants and Partners

Sustainability Guide to Promote Owner and Tenant Collaboration

JRE has created a Sustainability Guide and distributed it to its tenants, aiming to promote close collaboration with them. This Sustainability Guide introduces the activities that we can do in the office, mainly from the viewpoints of the "environment" and "tenant well-being."

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

Raising ESG Awareness of Our Stakeholders

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

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

WEB

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

Sustainability Guide VOL. 1

Theme Work Style Reform

Sustainability Guide VOL. 2

Theme 1 Offices in the "New Normal" Era

Theme 2 Waste Recycling



Sustainability Guide VOL. 2

For Communities

Urban Revitalization / Urban Redevelopment Project

GRAND FRONT OSAKA, which JRE acquired in October 2021, has built a “Knowledge Capital” where knowledge is created. “Knowledge Office Space,” consisting of knowledge work space (for researchers, creators, business owners) and educational functions and “Future Life Showroom” exhibiting new lifestyle delivered by the fusion of advanced technologies and sensibilities are represented. The “Knowledge Plaza” located at the center of the North Wing is a symbol of the “town.” Events and presentations linked to the Knowledge Capital are held here, bringing even more life and vitality to exchanges between people in the city.

Furthermore, as a general incorporated association “Grand Front Osaka TMO” was established to operate the Grand Front Osaka integrated town, a participatory type of “town” development promoted to grow the “town” along with its residents, workers and visitors, to bring bustle and vitality back to a place people will want to come to every day.

Supporting Cultural and Artistic Activities

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

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



WEB

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

For Employees

Learning and Development for All Employees

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

Examples of training programs by external lecturers in FY2022 (23 programs were conducted in total):

- CASE 1** Compliance training for those engaged in investment management business (June 2022, January 2023)
- CASE 2** Internal Audit Training (June 2022)
- CASE 3** Anti-Money Laundering Training (July 2022)
- CASE 4** Sustainability Training (December 2022 and January 2023)
- CASE 5** DEI (Diversity, Equity & Inclusion) Training (February 2023)

For more details on the personnel development system, please refer to the following website.

WEB

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

Support and Incentives for Career Enrichment, Qualifications, and Licenses

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

Creating a Productive and Employee-friendly Workplace

We have our new office at Otemachi Park Building since December 2017.

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



Free-address work environment

Governance

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

Basic Principle of Compliance for the Investment Corporation (JRE)

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

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

Basic Principle

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

WEB For more information on our environmental, social, and governance initiatives, please visit our ESG website or see our Sustainability Report 2022.

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

Sustainability Report 2022
https://jre-esg.com/en/pdf/sustainability_report2022.pdf

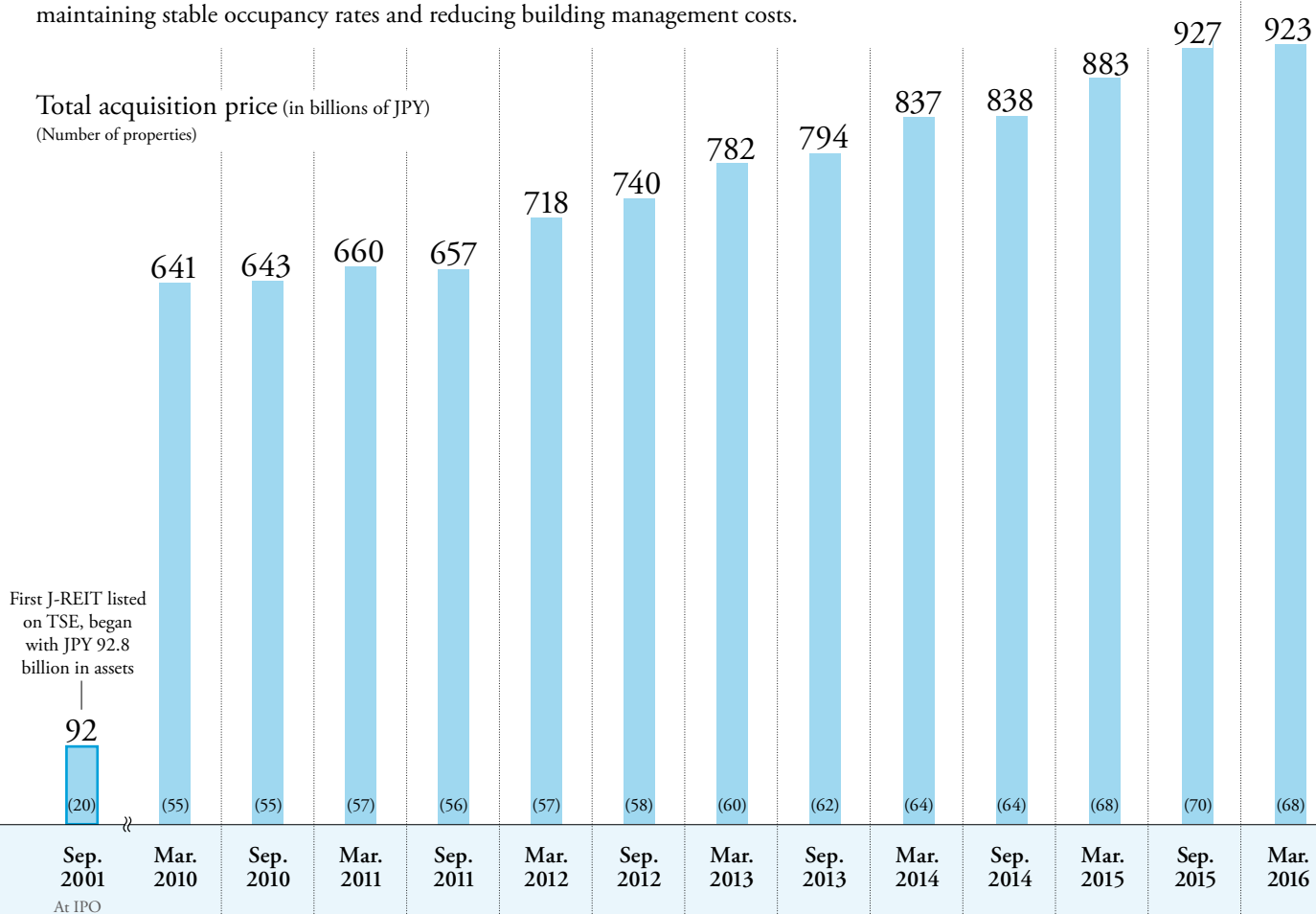
Asset Size, Property Acquisitions, and Performance Trends

Occupancy rate (%)

94.6 93.0 92.4 93.2 94.6 94.7 95.5 96.7 96.3 96.7 97.8 97.8 97.7 98.3

In September 2001, the Company became the first J-REIT in Japan listed on the Tokyo Stock Exchange. Since then, the Company has targeted stable management to fulfill its goal of maintaining or increasing dividend per unit over the medium- to long-term. The Company's growth is based on external growth strategies that aim to increase earnings through the acquisition and transfer of properties, as well as internal growth strategies that seek to optimize earnings from properties already held. The size of the Company's assets (total acquisition price) has grown from JPY 92.8 billion at IPO to JPY 1.12 trillion as of the period ended March 31, 2023 due to the steady achievement of external growth strategies. However, in terms of internal growth strategies, ongoing efforts are being made in such areas as maintaining stable occupancy rates and reducing building management costs.

Total acquisition price (in billions of JPY)
(Number of properties)



Dividend per unit* (JPY)

9,021 8,314 7,821 7,925 8,095 7,850 7,570 7,683 7,633 7,648 7,681 8,001 8,121

Listing and issuance of units

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

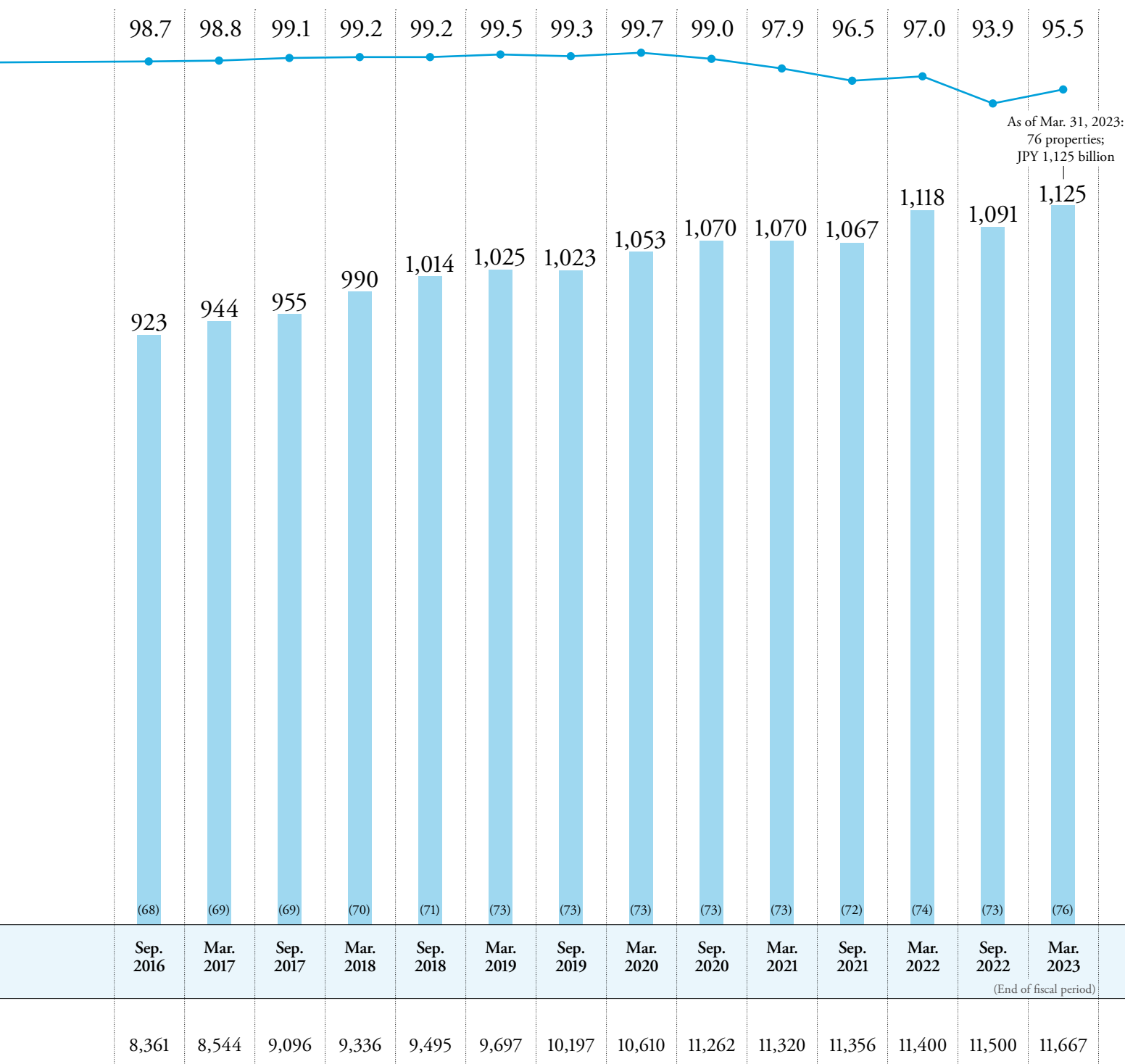
Feb. 2012
Seventh
Follow-On

Oct. 2012
Eighth
Follow-On

Apr. 2014
Ninth
Follow-On

Apr. 2015
Tenth
Follow-On

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



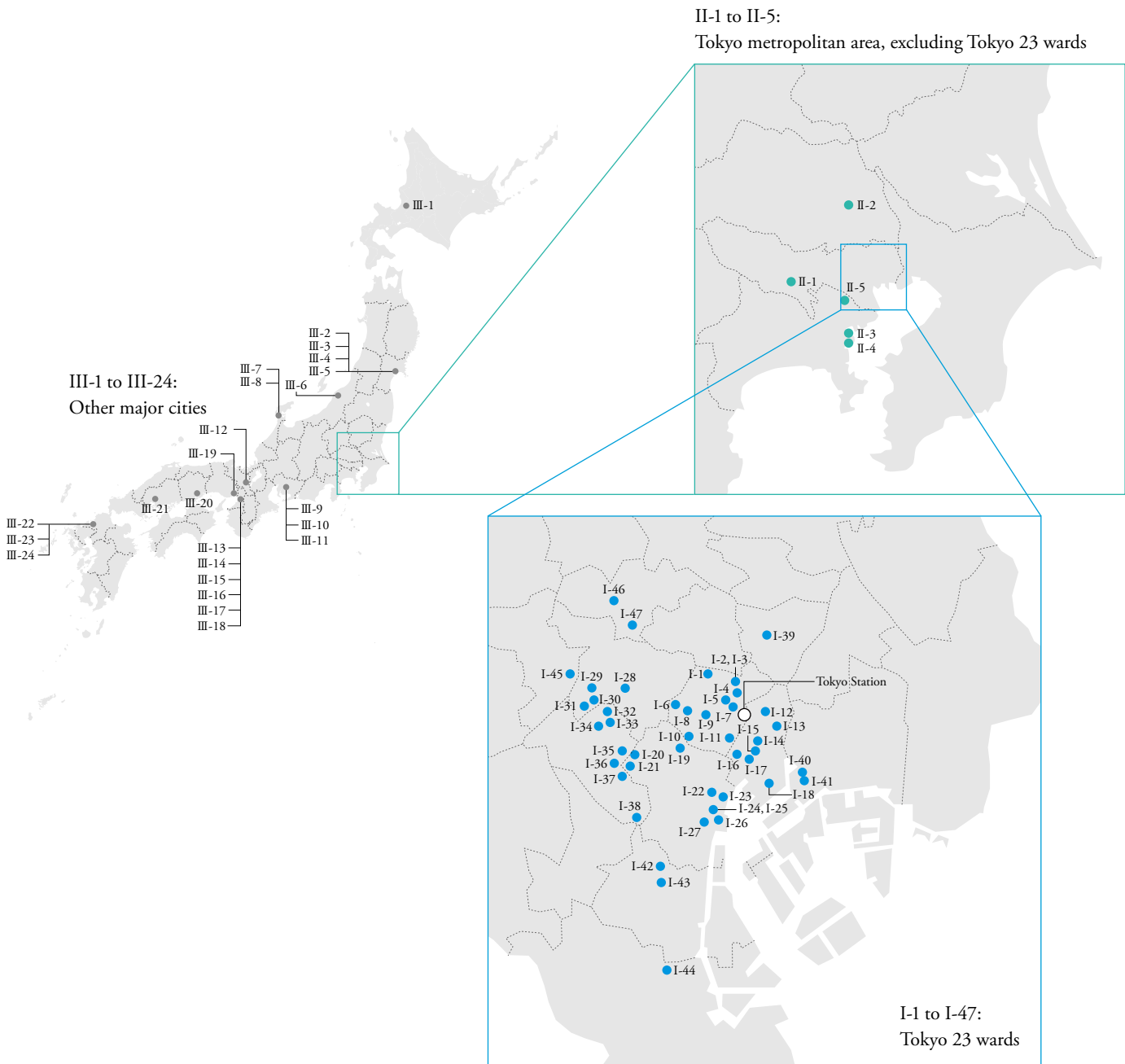
Apr. 2018
Eleventh
Follow-On

Major Tenant Roster

Name of tenant	Name of property	Leased office area (m ²)	% of total leased office area
MUFG Bank, Ltd.	Harumi Front (and 4 other properties)	27,101	3.3%
Undisclosed	Osaki Front Tower (and 3 other properties)	21,904	2.6%
Undisclosed	Kitanomaru Square (and 3 other properties)	17,853	2.1%
SQUARE ENIX HOLDINGS CO., LTD.	Shinjuku Eastside Square	16,906	2.0%
HAKUHODO DY HOLDINGS INCORPORATED	Akasaka Park Building (and another property)	12,571	1.5%
SCSK Corporation	Toyosu Front (and another property)	11,230	1.3%
Mitsubishi UFJ Trust and Banking Corporation	Mitsubishi UFJ Trust and Banking Building	10,598	1.3%
TOTO LTD.	Shiodome Building (and another property)	9,923	1.2%
Minato Mirai 21 District Heating and Cooling Co., Ltd.	Queen's Tower A	9,536	1.1%
Undisclosed	Shinjuku Eastside Square (and another property)	9,361	1.1%

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

Location of Portfolio Properties



Overview of Portfolio Properties

As of March 31, 2023

Tokyo 23 wards



Kitanomaru Square

• I-1

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



JRE Kanda-Ogawamachi Building

• I-2

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



Kandabashi Park Building

• I-3

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



Otemachi Financial City North Tower

• I-4

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



Otemachi Park Building

• I-5

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



Nibancho Garden

• I-6

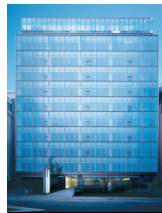
Location:	Chiyoda-ku, Tokyo
Site area:	10,992.13m ²
Floor area of building:	57,031.06m ²
Ownership:	31.35%
Completion:	April 2004



Mitsubishi UFJ Trust and Banking Building

• I-7

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



Burex Kojimachi Building

• I-8

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



CIRCLES Hirakawacho

• I-9

Location:	Chiyoda-ku, Tokyo
Site area:	171.15m ²
Floor area of building:	1,095.13m ²
Ownership:	100.0%
Completion:	November 2021



Sanno Grand Building

• I-10

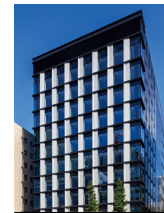
Location:	Chiyoda-ku, Tokyo
Site area:	3,663.93m ²
Floor area of building:	33,875.95m ²
Ownership:	99.0%
Completion:	September 1966



Yurakucho Denki Building

• I-11

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



Front Place Nihonbashi

• I-12

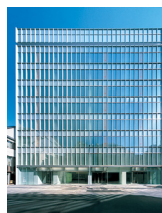
Location:	Chuo-ku, Tokyo
Site area:	1,381.52m ²
Floor area of building:	11,672.55m ²
Ownership:	100.0%
Completion:	February 2014



JRE Kayabacho 2Chome Building

• I-13

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



Burex Kyobashi Building

• I-14

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



JRE Ginza 1Chome East Building

• I-15

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



Ginza Sanwa Building

• I-16

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



JRE Ginza 3Chome Building

• I-17

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



Harumi Front

• I-18

Location:	Chuo-ku, Tokyo
Site area:	7,250.15m ²
Floor area of building:	45,458.90m ²
Ownership:	75.0%
Completion:	February 2012



Akasaka Park Building

• I-19

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



the ARGYLE aoyama

• I-20

Location:	Minato-ku, Tokyo
Site area:	2,142.24m ²
Floor area of building:	22,009.57m ²
Ownership:	50.0%
Completion:	June 2020



JRE Aoyama Crystal Building

• I-21

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



Clover Shiba-koen

• I-22

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



Shiodome Building

• I-23

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



JRE Shiba 2Chome Daimon Building

• I-24

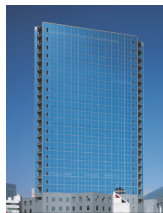
Location:	Minato-ku, Tokyo
Site area:	2,820.90m ²
Floor area of building:	16,235.10m ²
Ownership:	100.0%
Completion:	March 1984



JRE Cosmo Kanasugibashi Building

• I-25

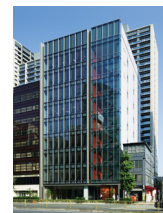
Location:	Minato-ku, Tokyo
Site area:	758.54m ²
Floor area of building:	5,420.93m ²
Ownership:	100.0%
Completion:	March 1992



Seavans S Building

• I-26

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



Tamachi Front Building

• I-27

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



Shinjuku Eastside Square

• I-28

Location:	Shinjuku-ku, Tokyo
Site area:	25,320.28m ²
Floor area of building:	167,245.46m ²
Ownership:	39.0%
Completion:	March 2012



Shinjuku Front Tower

• I-29

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



JRE Nishi-Shinjuku Terrace

• I-30

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



Tokyo Opera City Building

• I-31

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



Front Place Minami-Shinjuku

• I-32

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



Link Square Shinjuku

• I-33

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



JRE Yoyogi 1Chome Building

• I-34

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



JRE Jingumae Terrace

• I-35

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



JRE Jingumae Media Square Building

• I-36

Location:	Shibuya-ku, Tokyo
Site area:	2,124.12m ²
Floor area of building:	9,420.42m ²
Ownership:	100.0%
Completion:	March 1998

Shibuya Cross Tower (Land with leasehold interest)

• I-37

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



Ebisu Neonato

• I-38

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



TIXTOWER UENO

• I-39

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



Toyosu Foresia

• I-40

Location:	Koto-ku, Tokyo
Site area:	16,242.68m ²
Floor area of building:	98,176.19m ²
Ownership:	9.0%
Completion:	June 2014



Toyosu Front

• I-41

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



JRE Higashi-Gotanda 1Chome Building

• I-42

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



Osaki Front Tower

• I-43

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



JRE Omori-Eki Higashiguchi Building

• I-44

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



Harmony Tower

• I-45

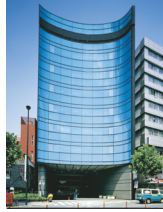
Location:	Nakano-ku, Tokyo
Site area:	10,020.52m ²
Floor area of building:	72,729.31m ²
Ownership:	38.38%
Completion:	March 1997



JRE Ikebukuro 2Chome Building

• I-46

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



JRE Minami- Ikebukuro Building

• I-47

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

Tokyo metropolitan area, excluding Tokyo 23 wards



Hachioji First Square

• II-1

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



JRE Saitama Urawa Building

• II-2

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



MM Park Building

• II-3

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



Queen's Tower A

• II-4

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



Musashi Kosugi STM Building

• II-5

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



8-3 Square Kita Building

• III-1

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



Jozenji Park Building

• III-2

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



JRE Higashi Nibancho Square

• III-3

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



JRE Sendai Honcho Honma Building

• III-4

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



AER

• III-5

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



Daido Seimei Niigata Building

• III-6

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



Kanazawa Park Building

• III-7

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



JRE Kanazawa Kamitsutsumicho Building

• III-8

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



Nishiki Park Building

• III-9

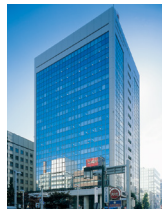
Location:	Nagoya, Aichi Prefecture
Site area:	2,170.45m ²
Floor area of building:	25,091.91m ²
Ownership:	71.74%
Completion:	August 1995



JRE Nagoya Hirokoji Place

• III-10

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



Nagoya Hirokoji Building

• III-11

Location:	Nagoya, Aichi Prefecture
Site area:	4,095.81m ²
Floor area of building:	35,377.73m ²
Ownership:	100.0%
Completion:	May 1987



JRE Shijo Karasuma Center Building

• III-12

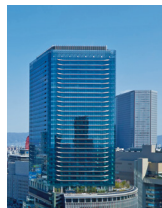
Location:	Kyoto, Kyoto Prefecture
Site area:	1,371.16m ²
Floor area of building:	9,185.98m ²
Ownership:	100.0%
Completion:	January 2010



GRAND FRONT OSAKA (North Building)

• III-13

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



GRAND FRONT OSAKA (Umekita Plaza and South Building)

• III-14

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



JRE Umeda Square Building

• III-15

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



JRE Dojima Tower

• III-16

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



JRE Sakaisujihonmachi Building

• III-17

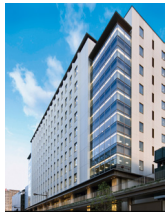
Location:	Osaka, Osaka Prefecture
Site area:	2,036.22m ²
Floor area of building:	17,145.59m ²
Ownership:	100.0%
Completion:	October 1992



JRE Midosuji Daiwa Building

• III-18

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



JRE Amagasaki Front Building

• III-19

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



Lit City Building

• III-20

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



NHK Hiroshima Broadcasting Center Building

• III-21

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



JRE Tenjin 3Chome Building

• III-22

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



JRE Tenjin Crystal Building

• III-23

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



Hinode Tenjin Building

• III-24

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

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

Financial Section

Selected Financial Data	p.24
Balance Sheets	p.25
Statements of Income and Retained Earnings	p.27
Statements of Changes in Unitholders' Equity	p.28
Statements of Cash Distributions	p.29
Statements of Cash Flows	p.30
Notes to Financial Statements	p.31
Independent Auditor's Report	p.52

Selected Financial Data

	Millions of yen				
	For the period from October 1, 2022 to March 31, 2023	For the period from April 1, 2022 to September 30, 2022	For the period from October 1, 2021 to March 31, 2022	For the period from April 1, 2021 to September 30, 2021	For the period from October 1, 2020 to March 31, 2021
Operating revenues	37,345	37,654	36,453	36,901	34,944
Operating expenses	20,304	19,612	19,346	18,507	18,464
Operating profit	17,041	18,042	17,107	18,394	16,479
Ordinary profit	16,172	17,256	16,191	17,477	15,508
Profit before income taxes	16,172	17,256	16,191	17,477	15,508
Profit	16,161	16,790	16,045	16,865	15,560
Total assets	1,047,158	1,008,970	1,035,072	1,003,583	1,001,734
Interest-bearing debt	460,493	423,393	449,893	419,493	419,493
Net assets	517,993	517,761	516,762	516,447	515,262
Unitholders' capital	497,241	497,241	497,241	497,241	497,241
Number of units (Units)	1,385,210	1,385,210	1,385,210	1,385,210	1,385,210
Net assets per unit (Yen)	373,945	373,778	373,057	372,829	371,974
Cash distribution	16,161	15,929	15,791	15,730	15,680
Dividend payout ratio (Note 1)	100.0%	94.9%	98.4%	93.3%	100.8%
Dividend per unit (Yen)	11,667	11,500	11,400	11,356	11,320
Net operating income (NOI)	21,901	23,084	24,070	24,204	24,825
Funds from operations (FFO)	18,970	19,700	21,053	20,583	22,089
Return on assets (ROA) (Note 2)	1.6%	1.7%	1.6%	1.7%	1.5%
	(3.2% annualized)	(3.4% annualized)	(3.2% annualized)	(3.5% annualized)	(3.1% annualized)
Return on equity (ROE) (Note 3)	3.1%	3.2%	3.1%	3.3%	3.0%
	(6.3% annualized)	(6.5% annualized)	(6.2% annualized)	(6.5% annualized)	(6.1% annualized)
EOP equity ratio (Note 4)	49.5%	51.3%	49.9%	51.5%	51.4%
EOP interest-bearing debt ratio on total assets (Note 5)	44.0%	42.0%	43.5%	41.8%	41.9%
FFO multiple (Times)	19.2	21.0	21.0	22.5	20.4
Debt service coverage ratio (Times) (Note 6)	28.2	29.2	26.9	27.7	24.8

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

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

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

(Annualized portion of the calculation given in Note 2 and Note 3 assumes a fiscal period of 182 days for the period ended March 31, 2021, 183 days for the period ended September 30, 2021, 182 days for the period ended March 31, 2022, 183 days for the period ended September 30, 2022 and 182 days for the period ended March 31, 2023.)

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

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

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

Balance Sheets

As of September 30, 2022 and March 31, 2023

	Thousands of yen	
	As of September 30, 2022	As of March 31, 2023
ASSETS		
Current assets		
Cash and deposits	20,473,628	23,341,245
Cash and deposits in trust	6,319,372	8,165,242
Operating accounts receivable	466,371	488,615
Prepaid expenses	503,071	146,995
Consumption taxes refund receivable	—	599,680
Other	307,853	357,296
Total current assets	28,070,298	33,099,076
Non-current assets		
Property, plant and equipment		
Buildings	255,140,683	240,356,796
Accumulated depreciation	(116,706,330)	(113,694,559)
Buildings, net	138,434,352	126,662,236
Structures	3,112,295	2,967,724
Accumulated depreciation	(1,233,432)	(1,241,158)
Structures, net	1,878,863	1,726,565
Machinery and equipment	3,266,422	3,128,460
Accumulated depreciation	(2,592,318)	(2,478,149)
Machinery and equipment, net	674,103	650,311
Tools, furniture and fixtures	524,266	546,613
Accumulated depreciation	(356,945)	(371,686)
Tools, furniture and fixtures, net	167,321	174,927
Land	458,991,518	445,794,157
Construction in progress	54,256	50,129
Buildings in trust	116,752,139	139,109,974
Accumulated depreciation	(39,425,825)	(46,809,895)
Buildings in trust, net	77,326,313	92,300,079
Structures in trust	1,139,925	1,295,426
Accumulated depreciation	(477,306)	(542,798)
Structures in trust, net	662,619	752,628
Machinery and equipment in trust	904,598	1,032,422
Accumulated depreciation	(638,594)	(765,840)
Machinery and equipment in trust, net	266,003	266,581
Tools, furniture and fixtures in trust	79,252	84,067
Accumulated depreciation	(54,975)	(57,666)
Tools, furniture and fixtures in trust, net	24,277	26,401
Land in trust	292,105,411	335,232,845
Construction in progress in trust	87,072	53,410
Total property, plant and equipment	970,672,114	1,003,690,274
Intangible assets		
Land leasehold interests	5,564,235	5,548,405
Easement	826,648	826,648
Other	24,371	20,530
Total intangible assets	6,415,255	6,395,584
Investments and other assets		
Investment securities	660,468	660,468
Leasehold and guarantee deposits	1,580,934	1,580,944
Long-term prepaid expenses	48,744	120,406
Other	1,457,579	1,559,134
Total investments and other assets	3,747,726	3,920,953
Total non-current assets	980,835,096	1,014,006,812
Deferred assets		
Investment corporation bond issuance costs	64,885	52,525
Total deferred assets	64,885	52,525
Total Assets	1,008,970,280	1,047,158,414

	Thousands of yen	
	As of September 30, 2022	As of March 31, 2023
LIABILITIES		
Current liabilities		
Operating accounts payable	1,540,850	3,001,178
Short-term borrowings	21,700,000	52,300,000
Current portion of investment corporation bonds	—	10,000,000
Current portion of long-term borrowings	48,500,000	39,500,000
Accounts payable - other	2,138,389	2,343,077
Accrued expenses	289,834	303,043
Income taxes payable	9,208	11,181
Accrued consumption taxes	2,324,024	—
Advances received	2,821,313	2,901,407
Other	68,657	15,894
Total current liabilities	79,392,278	110,375,782
Non-current liabilities		
Investment corporation bonds	42,993,175	32,993,175
Long-term borrowings	310,200,000	325,700,000
Deposits received from tenants	55,831,455	57,305,180
Deferred tax liabilities	2,407,179	2,407,174
Asset retirement obligations	370,608	374,341
Other	13,695	9,479
Total non-current liabilities	411,816,113	418,789,351
Total Liabilities	491,208,392	529,165,133
NET ASSETS		
Unitholders' equity		
Unitholders' capital	497,241,216	497,241,216
Surplus		
Voluntary retained earnings		
Reserve for tax purpose reduction entry	3,693,378	4,553,749
Total voluntary retained earnings	3,693,378	4,553,749
Unappropriated retained earnings	16,827,292	16,198,315
Total surplus	20,520,671	20,752,064
Total unitholders' equity	517,761,887	517,993,280
Total Net Assets	517,761,887	517,993,280
Total Liabilities and Net Assets	1,008,970,280	1,047,158,414

Statements of Income and Retained Earnings

For the six months ended September 30, 2022 and March 31, 2023

Thousands of yen

	For the period from April 1, 2022 to September 30, 2022	For the period from October 1, 2022 to March 31, 2023
Operating revenues		
Rent revenues	34,095,465	33,837,810
Other lease business revenues	193,855	119,726
Gain on sales of real estate properties	3,365,229	3,387,611
Total operating revenues	37,654,549	37,345,149
Operating expenses		
Expenses related to lease business	17,480,747	18,252,786
Asset management fees	1,718,962	1,621,876
Asset custody fees	64,634	55,900
Administrative service fees	136,484	134,852
Directors' compensations	7,800	7,800
Commission expenses	83,339	123,266
Other operating expenses	120,248	107,533
Total operating expenses	19,612,216	20,304,015
Operating profit	18,042,332	17,041,133
Non-operating income		
Interest income	122	137
Dividend income	9,378	—
Reversal of distributions payable	1,129	1,622
Refund of property taxes	80,376	—
Gain on receipt of donated non-current assets	—	3,870
Other	5,102	200
Total non-operating income	96,109	5,829
Non-operating expenses		
Interest expenses	661,923	648,917
Interest expenses on investment corporation bonds	172,615	174,319
Amortization of investment corporation bond issuance costs	12,427	12,360
Other	35,064	38,862
Total non-operating expenses	882,031	874,458
Ordinary profit	17,256,411	16,172,504
Profit before income taxes	17,256,411	16,172,504
Income taxes – current	11,142	11,201
Income taxes – deferred	454,983	(5)
Total income taxes	466,125	11,196
Profit	16,790,285	16,161,308
Retained earnings brought forward	37,007	37,007
Unappropriated retained earnings	16,827,292	16,198,315

Statements of Changes in Unitholders' Equity

For the six months ended September 30, 2022 and March 31, 2023

For the period from April 1, 2022 to September 30, 2022

Thousands of yen

	Unitholders' equity						Total net assets
	Unitholders' capital	Surplus			Total unitholders' equity		
		Reserve for tax purpose reduction entry	Total voluntary retained earnings	Unappropriated retained earnings			
Balance at beginning of the period	497,241,216	3,439,070	3,439,070	16,082,709	19,521,779	516,762,995	516,762,995
Changes during the period							
Provision of reserve for tax purpose reduction entry		254,308	254,308	(254,308)	—	—	—
Dividends of surplus				(15,791,394)	(15,791,394)	(15,791,394)	(15,791,394)
Profit				16,790,285	16,790,285	16,790,285	16,790,285
Total changes during the period	—	254,308	254,308	744,583	998,891	998,891	998,891
Balance at end of the period	497,241,216	3,693,378	3,693,378	16,827,292	20,520,671	517,761,887	517,761,887

For the period from October 1, 2022 to March 31, 2023

Thousands of yen

	Unitholders' equity						Total net assets
	Unitholders' capital	Surplus			Total unitholders' equity		
		Reserve for tax purpose reduction entry	Total voluntary retained earnings	Unappropriated retained earnings			
Balance at beginning of the period	497,241,216	3,693,378	3,693,378	16,827,292	20,520,671	517,761,887	517,761,887
Changes during the period							
Provision of reserve for tax purpose reduction entry		860,370	860,370	(860,370)	—	—	—
Dividends of surplus				(15,929,915)	(15,929,915)	(15,929,915)	(15,929,915)
Profit				16,161,308	16,161,308	16,161,308	16,161,308
Total changes during the period	—	860,370	860,370	(628,977)	231,393	231,393	231,393
Balance at end of the period	497,241,216	4,553,749	4,553,749	16,198,315	20,752,064	517,993,280	517,993,280

Statements of Cash Distributions

For the six months ended September 30, 2022 and March 31, 2023

	For the period from April 1, 2022 to September 30, 2022	For the period from October 1, 2022 to March 31, 2023
	Amount (Yen)	Amount (Yen)
I Retained earnings	16,827,292,959	16,198,315,107
II Cash distribution	15,929,915,000	16,161,245,070
(Dividend per investment unit)	(11,500)	(11,667)
III Voluntary retained earnings		
Provision of reserve for tax purpose reduction entry	860,370,914	—
IV Retained earnings brought forward	37,007,045	37,070,037

Computation Method for Determining Dividends

The Company will make cash distributions using earnings based on the cash distribution policy outlined in Article 32-1(2) of the Company's Articles of Incorporation, in an amount that exceeds 90% of the "amount of distributable profit" as set forth in Article 67-15 of the Special Taxation Measures Act. Based on this policy, the Company has decided that the total amount of dividends, under the application of Article 65-7 "Exceptions of the Taxation in case of the Replacement by Purchase of Specific Assets" of the Special Taxation Measures Act, making reduction entries, and securing retained earnings brought forward, is ¥15,929,915,000 for the period, which is a multiple of 1,385,210 — the number of units outstanding as of September 30, 2022. Furthermore, the Company does not pay out dividends that exceed earnings as outlined in Article 32-1(3) of the Company's Articles of Incorporation.

The Company will make cash distributions using earnings based on the cash distribution policy outlined in Article 32-1(2) of the Company's Articles of Incorporation, in an amount that exceeds 90% of the "amount of distributable profit" as set forth in Article 67-15 of the Special Taxation Measures Act. Based on this policy, the Company has decided that the total amount of dividends, which is set not to exceed the unappropriated retained earnings and also to secure retained earnings brought forward, is ¥16,161,245,070 for the period, which is a multiple of 1,385,210 — the number of units outstanding as of March 31, 2023. Furthermore, the Company does not pay out dividends that exceed earnings as outlined in Article 32-1(3) of the Company's Articles of Incorporation.

Statements of Cash Flows

For the six months ended September 30, 2022 and March 31, 2023

	Thousands of yen	
	For the period from April 1, 2022 to September 30, 2022	For the period from October 1, 2022 to March 31, 2023
Cash flows from operating activities		
Profit before income taxes	17,256,411	16,172,504
Depreciation	6,275,709	6,196,502
Gain on receipt of donated non-current assets	—	(3,870)
Amortization of investment corporation bond issuance costs	12,427	12,360
Dividend income	(9,378)	—
Interest income	(122)	(137)
Interest expenses	834,539	823,236
Decrease (increase) in operating accounts receivable	142,497	(22,243)
Decrease (increase) in consumption taxes refund receivable	617,709	(599,680)
Decrease (increase) in supplies	3,338	—
Decrease (increase) in prepaid expenses	(406,801)	356,075
Decrease in property, plant and equipment due to sale	20,813,797	—
Decrease in property, plant and equipment in trust due to sale	—	6,280,101
Increase (decrease) in operating accounts payable	119,543	355,603
Increase (decrease) in accounts payable - other	110,645	(18,966)
Increase (decrease) in accrued consumption taxes	2,324,024	(2,324,024)
Increase (decrease) in accrued expenses	(131)	131
Increase (decrease) in advances received	(271,115)	80,093
Decrease (increase) in long-term prepaid expenses	(22,280)	(71,662)
Other, net	(139,181)	(221,386)
Subtotal	47,661,633	27,014,637
Interest and dividends received	9,500	137
Interest paid	(872,229)	(810,158)
Income taxes paid	(13,091)	(9,229)
Net cash provided by (used in) operating activities	46,785,812	26,195,387
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,469,824)	(2,800,484)
Purchase of property, plant and equipment in trust	(715,579)	(41,332,501)
Purchase of intangible assets	(1,698)	(116)
Refund of leasehold and guarantee deposits received	(4,302,561)	(1,696,708)
Proceeds from leasehold and guarantee deposits received	1,611,838	3,175,417
Net cash provided by (used in) investing activities	(4,877,825)	(42,654,393)
Cash flows from financing activities		
Proceeds from short-term borrowings	41,500,000	94,500,000
Repayments of short-term borrowings	(61,000,000)	(63,900,000)
Proceeds from long-term borrowings	16,500,000	31,500,000
Repayments of long-term borrowings	(23,500,000)	(25,000,000)
Distributions paid	(15,788,907)	(15,927,507)
Net cash provided by (used in) financing activities	(42,288,907)	21,172,492
Net increase (decrease) in cash and cash equivalents	(380,920)	4,713,486
Cash and cash equivalents at beginning of the period	27,173,922	26,793,001
Cash and cash equivalents at end of the period	26,793,001	31,506,487

Notes to Financial Statements

September 30, 2022 and March 31, 2023

1. Organization and Basis of Presentation

Organization

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

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

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

As of March 31, 2023, the Company owned a portfolio of 76 office properties with an aggregate of approximately 886,439 m² of leasable space.

Basis of presenting financial statements

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

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

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

2. Summary of Significant Accounting Policies

Investment securities

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

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

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

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

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

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

Intangible assets

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

Leased assets

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

Deferred charges

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

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

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

Revenue recognition

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

(i) Sales of real estate properties

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

(ii) Utilities income

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

Taxes on property and equipment

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

Cash and cash equivalents

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

Hedge accounting

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

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

3. Commitment Line Agreement

As of September 30, 2022 and March 31, 2023

The Company has signed commitment line agreements with three banks.

	Thousands of yen	
	As of September 30, 2022	As of March 31, 2023
Total amount of commitment line agreement	60,000,000	60,000,000
Debt financing balance	—	—
Balance	60,000,000	60,000,000

4. Reserve for Tax Purpose Reduction Entry

As of September 30, 2022 and March 31, 2023

	Thousands of yen	
	As of September 30, 2022	As of March 31, 2023
Reserve for tax purpose reduction entry	3,693,378	4,553,749
Deferred tax liability for the reserve for tax purpose reduction entry	2,408,105	2,408,105
Total	6,101,484	6,961,855

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

5. Financial Instruments

1. Status of financial instruments

(1) Policies for dealing with financial instruments

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

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

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

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

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

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

The funding proceeds from borrowings and issues of investment corporation bonds are applied mainly to acquire real estate properties and repay outstanding loans and bonds. While floating-rate short-term and long-term loans are exposed to the risk of interest-rate hikes, such risk is mitigated by the Company’s low LTV and relatively high percentage of long-term fixed-rate debts within the total borrowing. The Company may also exercise hedging by means of derivative transactions (interest-rate swap transactions) in order to mitigate the risk of fluctuation concerning the floating-rate long-term loans, thereby effectively stabilizing the overall interest rates on the loans. Foreign currency-denominated loans are also exposed to currency exchange and interest-rate fluctuation risk. However, the Company uses derivative transactions as a method of hedging against these risks (interest-rate and currency swap transactions). Foreign currency investment corporation bonds are also exposed to currency exchange risk. However, the Company uses derivative transactions as a method of hedging against the risks (currency swap transactions). For more detailed information on the hedge accounting method, please refer to Section 2. “Summary of Significant Accounting Policies: Hedge accounting.”

Loans and investment corporation bonds involve liquidity risk at the time of maturity. To manage such liquidity risk, the Company implements measures such as (i) maintaining and strengthening its ability to access equity markets to secure funds, (ii) maintaining commitment lines with major financial institutions (There is no amount outstanding under the facility as of September 30, 2022 and March 31, 2023) and (iii) preparing monthly financial plans.

(3) Supplementary note regarding fair value of financial instruments

Since the fair value of financial instruments is calculated based on certain assumptions, the fair value could differ depending on the assumptions used. In addition, the contract value of derivative transactions, which is presented in Section 6. “Derivative Transactions,” is not an exact representation of market risk attributable to derivative transactions.

2. Fair value of financial instruments

Fair value of financial instruments, their values carried on the balance sheets and the differences between them as of September 30, 2022 and March 31, 2023 are as follows. Since “Cash and deposits”, “Cash and deposits in trust”, and “Short-term borrowings” are cash and due to be settled in a short period, and their fair values approximate their book values, the notes are omitted.

	Thousands of yen		
	As of September 30, 2022		
	Book value	Fair value	Difference
(1) Current portion of investment corporation bonds	—	—	—
(2) Current portion of long-term borrowings	48,500,000	48,556,944	56,944
(3) Investment corporation bonds	42,993,175	43,561,203	568,028
(4) Long-term borrowings	310,200,000	307,817,490	(2,382,509)
(5) Deposits received from tenants	55,831,455	54,654,518	(1,176,936)
(6) Derivative transactions	—	—	—

	Thousands of yen		
	As of March 31, 2023		
	Book value	Fair value	Difference
(1) Current portion of investment corporation bonds	10,000,000	9,993,600	(6,400)
(2) Current portion of long-term borrowings	39,500,000	39,528,745	28,745
(3) Investment corporation bonds	32,993,175	33,497,882	504,707
(4) Long-term borrowings	325,700,000	323,299,927	(2,400,072)
(5) Deposits received from tenants	57,305,180	55,962,507	(1,342,673)
(6) Derivative transactions	—	—	—

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

(1) Current portion of investment corporation bonds and (3) Investment corporation bonds

Their fair values are based on reference prices published by a financial data provider where available. When reference prices are not available, their fair values are calculated by discounting the aggregate of the principal and interest by nominal rates assumed applicable if the loans were refinanced for the duration of the current maturity. (However, the fair values of investment corporation bonds (please refer to Section 6. “Derivative Transactions, (2) Derivatives designated as hedging instruments”) hedged by a currency swap subject to allocation treatment are calculated by discounting the aggregate of the principal and interest integrated with the currency swap by nominal rates assumed applicable if the loans were refinanced for the duration of the current maturity.)

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

For loans with floating interest rates, since the interest rates on such loans reflect market rates reasonably well over the short term and their book values are good approximations of their fair values, the book values are presented as their fair values. (However, the fair values of floating-rate long-term loans (please refer to Section 6. “Derivative Transactions, (2) Derivatives designated as hedging instruments”) hedged by an interest-rate and currency swap subject to integrated treatment or by an interest-rate swap subject to special accounting treatment are calculated by discounting the aggregated principal and interest on such loans using reasonable estimates of the rates that would be applicable if the Company were to refinance the existing loans for the remaining period to maturity under the prevailing market condition.) The fair values of long-term loans with fixed interest rates are calculated by discounting the aggregated amounts of the principal and the interest of the loans by the rates that are reasonably estimated to be applicable if the Company were to refinance the existing loans for the remaining period to maturity.

(5) Deposits received from tenants

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

(6) Derivative transactions

Please refer to Section 6. “Derivative Transactions.”

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

	Thousands of yen					
	As of September 30, 2022					
	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Investment corporation bonds	—	10,000,000	10,000,000	10,000,000	10,000,000	2,993,175
Long-term borrowings	48,500,000	42,300,000	57,000,000	36,700,000	21,000,000	153,200,000
Total	48,500,000	52,300,000	67,000,000	46,700,000	31,000,000	156,193,175

	Thousands of yen					
	As of March 31, 2023					
	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Investment corporation bonds	10,000,000	—	20,000,000	10,000,000	2,993,175	—
Long-term borrowings	39,500,000	54,800,000	52,500,000	28,700,000	23,500,000	166,200,000
Total	49,500,000	54,800,000	72,500,000	38,700,000	26,493,175	166,200,000

6. Derivative Transactions

(1) Derivatives not designated as hedging instruments

As of September 30, 2022

“Not applicable”

As of March 31, 2023

“Not applicable”

(2) Derivatives designated as hedging instruments

As of September 30, 2022

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

Derivative accounting method	Type of derivative transaction	Hedged item	Contract value		Fair value	Measurement of fair value
				Over one year		
Special Treatment for interest-rate swap	Receive floating, pay fixed interest-rate swap transactions	Long-term borrowings	16,800,000	6,800,000	*1	—
Integrated Treatment (Special Treatment and Allocation Treatment) for interest-rate and currency swap	Receive floating USD, pay fixed JPY, interest-rate and currency swap transactions (with initial and final exchange)	Long-term borrowings	10,000,000	10,000,000	*1	—
Allocation Treatment for currency swap	Receive fixed USD, pay fixed JPY, currency swap transactions (with initial and final exchange)	Investment corporation bonds	2,993,175	2,993,175	*2	—

Thousands of yen

As of March 31, 2023

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

Derivative accounting method	Type of derivative transaction	Hedged item	Contract value		Fair value	Measurement of fair value
				Over one year		
Special Treatment for interest-rate swap	Receive floating, pay fixed interest-rate swap transactions	Long-term borrowings	9,800,000	6,800,000	*1	—
Integrated Treatment (Special Treatment and Allocation Treatment) for interest-rate and currency swap	Receive floating USD, pay fixed JPY, interest-rate and currency swap transactions (with initial and final exchange)	Long-term borrowings	10,000,000	—	*1	—
Allocation Treatment for currency swap	Receive fixed USD, pay fixed JPY, currency swap transactions (with initial and final exchange)	Investment corporation bonds	2,993,175	2,993,175	*2	—

Thousands of yen

*1. The derivative transactions eligible for Special Treatment for interest-rate swap and Integrated Treatment (Special Treatment for interest-rate swap and Allocation Treatment for currency swap) are accounted for as integral parts of the hedged loans, and the fair value of those derivative transactions is included in that of the underlying long-term borrowings as of September 30, 2022 and March 31, 2023. Please refer to Note 1 of “2. Fair value of financial instruments” under Section 5. “Financial Instruments,” as well as subheadings (2) and (4) concerning derivative transactions.

*2. Currency swap transactions eligible for allocation treatment are accounted for as integrated parts of the hedged investment corporation bonds, and the fair value of the currency swap transactions is included in that of the underlying investment bonds as of September 30, 2022 and March 31, 2023. Please refer to Note 1 of “2. Fair value of financial instruments” under Section 5. “Financial Instruments,” as well as subheading (3) concerning derivative transactions.

7. Property, Plant and Equipment and Intangible Assets

Changes in property, plant and equipment and intangible assets for the six months ended March 31, 2023 are as follows:

Type of Asset		Balance at beginning of the period	Increase during the period	Decrease during the period	Balance at end of the period	Accumulated depreciation Accumulated amortization		Net balance at end of the period	Remarks
							Depreciation and amortization		
Property, plant and equipment	Buildings	255,140,683	2,516,102	17,299,989	240,356,796	113,694,559	3,588,851	126,662,236	*1
	Structures	3,112,295	18,656	163,227	2,967,724	1,241,158	50,018	1,726,565	—
	Machinery and equipment	3,266,422	20,908	158,870	3,128,460	2,478,149	28,814	650,311	—
	Tools, furniture and fixtures	524,266	23,154	806	546,613	371,686	15,101	174,927	—
	Land	458,991,518	1,086,408	14,283,769	445,794,157	—	—	445,794,157	*1
	Construction in progress	54,256	22,732	26,858	50,129	—	—	50,129	—
	Buildings in trust	116,752,139	26,682,832	4,324,997	139,109,974	46,809,895	2,433,602	92,300,079	*2
	Structures in trust	1,139,925	196,307	40,806	1,295,426	542,798	33,772	752,628	—
	Machinery and equipment in trust	904,598	167,541	39,717	1,032,422	765,840	20,009	266,581	—
	Tools, furniture and fixtures in trust	79,252	5,017	201	84,067	57,666	2,421	26,401	—
	Land in trust	292,105,411	46,698,376	3,570,942	335,232,845	—	—	335,232,845	*2
	Construction in progress in trust	87,072	10,120	43,782	53,410	—	—	53,410	—
	Subtotal	1,132,157,842	77,448,155	39,953,969	1,169,652,029	165,961,754	6,172,591	1,003,690,274	
Intangible assets	Land leasehold interests	5,933,601	—	—	5,933,601	385,196	15,829	5,548,405	—
	Easement	826,648	—	—	826,648	—	—	826,648	—
	Other	60,105	506	—	60,611	40,081	4,347	20,530	—
		Subtotal	6,820,355	506	—	6,820,861	425,277	20,177	6,395,584
	Total	1,138,978,198	77,448,662	39,953,969	1,176,472,891	166,387,032	6,192,768	1,010,085,859	

*1. The main reason for the decrease in buildings and land was the conversion of Harumi Front into trust beneficiary right.

*2. The main reasons for the increase in buildings and land in trust were the conversion of Harumi Front into trust beneficiary right, new acquisitions of the ARGYLE aoyama and Toyosu Foresia, and the additional acquisition of Shinjuku Eastside Square.

8. Borrowings

The condition of loans by financial institutions as of March 31, 2023 is as follows:

	Classification	Drawdown date	Balance at beginning of current period (¥ thousand)	Balance at end of current period (¥ thousand)	Average interest rate*1 (%)	Repayment date	Repayment method	Use of proceeds	Notes
	Lender								
Short-term borrowings	MUFG Bank, Ltd. *3	August 18, 2022	11,000,000	—	0.10364	November 18, 2022	Bullet	*2	Unsecured Unguaranteed Unsubordinated
	MUFG Bank, Ltd.	November 30, 2021	3,200,000	—	0.10318	November 30, 2022			
	MUFG Bank, Ltd.	November 30, 2022	—	—	0.000 *4	December 1, 2022			
	MUFG Bank, Ltd. *5	November 18, 2022	—	—	0.09364	February 20, 2023			
	Mizuho Bank, Ltd.	March 24, 2023	—	—	0.0164	March 31, 2023			
	Mizuho Bank, Ltd.	March 30, 2023	—	8,300,000	0.0173	April 6, 2023			
	Sumitomo Mitsui Trust Bank, Limited	April 20, 2022	2,000,000	2,000,000	0.10008	April 20, 2023			
	MUFG Bank, Ltd. *6	February 20, 2023	—	11,000,000	0.11455	May 18, 2023			
	SBI Shinsei Bank, Limited (Formerly Shinsei Bank, Limited)*7	June 15, 2022	2,500,000	—	0.10343	June 15, 2023 *8			
	Mizuho Bank, Ltd.	July 25, 2022	3,000,000	2,000,000 *9	0.10143	July 10, 2023			
	MUFG Bank, Ltd.	February 27, 2023	—	—	0.09182	February 27, 2024 *10			
	MUFG Bank, Ltd.	March 27, 2023	—	29,000,000	0.10273	March 7, 2024			
	Subtotal		21,700,000	52,300,000					
Long-term borrowings	The Hachijuni Bank, Ltd.	December 20, 2017	1,000,000	—	0.1863	December 20, 2022	Bullet	*2	Unsecured Unguaranteed Unsubordinated
	Development Bank of Japan Inc.	January 7, 2013	3,000,000	—	1.115	January 6, 2023			
	Daishi Hokuetsu Bank, Ltd.	January 7, 2016	1,500,000	—	0.2802	January 10, 2023			
	The 77 Bank, Ltd.	January 10, 2018	1,000,000	—	0.205	January 10, 2023			
	The Hachijuni Bank, Ltd.	January 15, 2016	1,000,000	—	0.265	January 16, 2023			
	The Iyo Bank, Ltd.	January 15, 2016	1,000,000	—	0.265	January 16, 2023			
	Sumitomo Mitsui Trust Bank, Limited	January 17, 2018	3,000,000	—	0.210	January 17, 2023			
	Development Bank of Japan Inc.	January 31, 2014	5,000,000	—	0.9325	January 31, 2023			
	The Yamaguchi Bank, Ltd.	March 25, 2013	1,000,000	—	0.945	March 24, 2023			
	The Bank of Fukuoka, Ltd.	March 24, 2015	2,000,000	—	0.5125	March 24, 2023			
	The Norinchukin Bank	March 25, 2015	3,500,000	—	0.46825	March 27, 2023			
	The Chugoku Bank, Limited	March 26, 2018	2,000,000	—	0.1988	March 27, 2023			
	Sumitomo Mitsui Banking Corporation	November 29, 2018	3,000,000	3,000,000	0.1694	May 29, 2023 *11			
	Sumitomo Mitsui Trust Bank, Limited	November 29, 2018	3,000,000	3,000,000	0.1694	May 29, 2023 *11			
	MUFG Bank, Ltd.	June 1, 2017	12,000,000	12,000,000	0.01966 *12 *13	June 1, 2023 *11			
	The Chugoku Bank, Limited	June 15, 2015	3,000,000	3,000,000	0.61175	June 15, 2023 *11			
	The Bank of Fukuoka, Ltd.	June 15, 2017	2,500,000	2,500,000	0.2388	June 15, 2023 *11			
	MUFG Bank, Ltd.	December 19, 2014	10,000,000	10,000,000	0.42375 *14	December 19, 2023 *11			
	MUFG Bank, Ltd.	March 26, 2018	5,000,000	5,000,000	0.05603 *12 *15	March 26, 2024 *11			
	The Hachijuni Bank, Ltd.	March 26, 2018	1,000,000	1,000,000	0.2338	March 26, 2024 *11			
Sumitomo Mitsui Trust Bank, Limited	May 29, 2019	5,000,000	5,000,000	0.075	May 29, 2024				
The Iyo Bank, Ltd.	June 15, 2017	2,500,000	2,500,000	0.275	June 17, 2024				
The Hachijuni Bank, Ltd.	June 15, 2017	1,000,000	1,000,000	0.275	June 17, 2024				

	Classification	Drawdown date	Balance at beginning of current period (¥ thousand)	Balance at end of current period (¥ thousand)	Average interest rate*1 (%)	Repayment date	Repayment method	Use of proceeds	Notes
	Lender								
Long-term borrowings	MUFG Bank, Ltd.	September 1, 2015	3,500,000	3,500,000	0.630	September 2, 2024	Bullet	*2	Unsecured Unguaranteed Unsubordinated
	Sumitomo Mitsui Trust Bank, Limited	September 2, 2015	3,800,000	3,800,000	0.536	September 2, 2024			
	The Norinchukin Bank	September 1, 2017	5,000,000	5,000,000	0.240	September 2, 2024			
	Sumitomo Mitsui Trust Bank, Limited	September 26, 2019	5,500,000	5,500,000	0.105	September 26, 2024			
	Taiyo Life Insurance Company	October 1, 2014	2,000,000	2,000,000	0.7825	October 1, 2024			
	Mizuho Bank, Ltd.	October 1, 2015	2,500,000	2,500,000	0.5575	October 1, 2024			
	The Gunma Bank, Ltd.	November 18, 2019	1,000,000	1,000,000	0.11081 *12	November 18, 2024			
	MUFG Bank, Ltd.	June 1, 2018	10,000,000	10,000,000	0.2544	December 2, 2024			
	Shinkin Central Bank	January 7, 2020	2,000,000	2,000,000	0.2075	January 7, 2025			
	The Ashikaga Bank, Ltd.	January 9, 2018	1,000,000	1,000,000	0.285	January 9, 2025			
	Mizuho Trust & Banking Co., Ltd.	March 2, 2015	3,000,000	3,000,000	0.5585	March 3, 2025			
	MUFG Bank, Ltd.	March 26, 2018	2,000,000	2,000,000	0.2725	March 26, 2025			
	Development Bank of Japan Inc.	March 30, 2017	5,000,000	5,000,000	0.315	March 31, 2025			
	Taiyo Life Insurance Company	May 29, 2015	1,500,000	1,500,000	0.7375	May 29, 2025			
	Sumitomo Mitsui Trust Bank, Limited	June 15, 2020	7,000,000	7,000,000	0.2075	June 16, 2025			
	Sumitomo Mitsui Banking Corporation	July 20, 2021	5,000,000	5,000,000	0.15375	July 22, 2025			
	Sumitomo Mitsui Trust Bank, Limited	August 31, 2018	3,000,000	3,000,000	0.320	August 29, 2025			
	Development Bank of Japan Inc.	September 1, 2015	7,000,000	7,000,000	0.7175	September 1, 2025			
	Sumitomo Mitsui Trust Bank, Limited	September 23, 2020	5,000,000	5,000,000	0.1475	September 24, 2025			
	Mizuho Bank, Ltd.	December 26, 2016	5,000,000	5,000,000	0.3625	December 26, 2025			
	Sumitomo Mitsui Trust Bank, Limited	January 29, 2021	2,000,000	2,000,000	0.1625	January 29, 2026			
	MUFG Bank, Ltd.	February 26, 2018	6,500,000	6,500,000	0.3413	February 26, 2026			
	Mizuho Bank, Ltd.	March 27, 2018	5,500,000	5,500,000	0.300	March 27, 2026			
	Shinkin Central Bank	March 30, 2017	5,000,000	5,000,000	0.360	March 30, 2026			
	Sumitomo Mitsui Trust Bank, Limited	June 28, 2021	3,700,000	3,700,000	0.17875	June 29, 2026			
	The Norinchukin Bank	January 23, 2019	4,000,000	4,000,000	0.1988	July 23, 2026			
	Shinkin Central Bank	September 1, 2017	5,000,000	5,000,000	0.3188	September 1, 2026			
	MUFG Bank, Ltd.	October 31, 2016	3,000,000	3,000,000	0.240	October 30, 2026			
	Mizuho Bank, Ltd.	December 21, 2016	5,000,000	5,000,000	0.415	December 21, 2026			
	Shinkin Central Bank	January 23, 2019	5,000,000	5,000,000	0.2213	January 25, 2027			
	Sumitomo Mitsui Banking Corporation *16	March 30, 2023	—	3,000,000	0.2475	March 30, 2027			
	Shinkin Central Bank	April 24, 2018	6,000,000	6,000,000	0.3675	April 26, 2027			
	The Norinchukin Bank	July 3, 2020	2,000,000	2,000,000	0.24375	July 5, 2027			
	The Joyo Bank, Ltd.	January 9, 2018	1,000,000	1,000,000	0.4188	January 11, 2028			
	Sumitomo Mitsui Banking Corporation	January 19, 2018	3,000,000	3,000,000	0.4338	January 19, 2028			
	The Bank of Fukuoka, Ltd.	January 29, 2021	2,500,000	2,500,000	0.21875	January 31, 2028			
	Mizuho Bank, Ltd.	March 30, 2018	4,000,000	4,000,000	0.3963	March 30, 2028			
	MUFG Bank, Ltd.	March 30, 2018	4,000,000	4,000,000	0.3963	March 30, 2028			
	Taiyo Life Insurance Company	March 30, 2018	1,000,000	1,000,000	0.3963	March 30, 2028			
	The Bank of Fukuoka, Ltd.	August 31, 2021	1,500,000	1,500,000	0.20625	August 31, 2028			
Mizuho Bank, Ltd.	November 15, 2019	8,500,000	8,500,000	0.34875	November 15, 2028				
The Nishi-Nippon City Bank, Ltd.	December 17, 2021	1,000,000	1,000,000	0.27875	December 18, 2028				
Shinkin Central Bank	January 15, 2020	5,000,000	5,000,000	0.325	January 15, 2029				
Mizuho Bank, Ltd.	November 1, 2019	6,000,000	6,000,000	0.35125	November 1, 2029				
MUFG Bank, Ltd.	January 15, 2020	5,500,000	5,500,000	0.3625	January 15, 2030				

Classification	Drawdown date	Balance at beginning of current period (¥ thousand)	Balance at end of current period (¥ thousand)	Average interest rate*1 (%)	Repayment date	Repayment method	Use of proceeds	Notes	
									Lender
Long-term borrowings	MUFG Bank, Ltd.	April 27, 2020	5,000,000	5,000,000	0.35875	April 26, 2030	Bullet	*2	Unsecured Unguaranteed Unsubordinated
	Mizuho Bank, Ltd.	April 27, 2020	5,000,000	5,000,000	0.35875	April 26, 2030			
	MUFG Bank, Ltd.	June 15, 2020	4,000,000	4,000,000	0.36125	June 14, 2030			
	MUFG Bank, Ltd.	October 20, 2020	5,000,000	5,000,000	0.2925	October 18, 2030			
	MUFG Bank, Ltd.	December 21, 2020	10,000,000	10,000,000	0.2825	December 20, 2030			
	The Iyo Bank, Ltd.	March 24, 2021	2,000,000	2,000,000	0.16406 *12	March 24, 2031			
	The Yamanashi Chuo Bank, Ltd.	March 26, 2019	2,000,000	2,000,000	0.3688	March 26, 2031			
	MUFG Bank, Ltd.	April 5, 2021	5,000,000	5,000,000	0.41875	April 4, 2031			
	MUFG Bank, Ltd.	April 26, 2021	5,000,000	5,000,000	0.35625	April 25, 2031			
	Mizuho Bank, Ltd.	June 15, 2021	4,000,000	4,000,000	0.28875	June 16, 2031			
	The Norinchukin Bank *17	January 29, 2021	5,000,000	5,000,000	0.34625	July 31, 2031			
	The Chugoku Bank, Limited	October 1, 2021	1,000,000	1,000,000	0.345	October 1, 2031			
	The Norinchukin Bank *18	November 15, 2021	5,000,000	5,000,000	0.395	November 17, 2031			
	Shinkin Central Bank	November 15, 2021	5,000,000	5,000,000	0.405	November 17, 2031			
	Daishi Hokuetsu Bank, Ltd.	November 15, 2021	3,200,000	3,200,000	0.395	November 17, 2031			
	The Chugoku Bank, Limited	November 15, 2021	1,000,000	1,000,000	0.405	November 17, 2031			
	The 77 Bank, Ltd.	November 15, 2021	1,000,000	1,000,000	0.395	November 17, 2031			
	The Hachijuni Bank, Ltd.	November 15, 2021	1,000,000	1,000,000	0.16122 *12	November 17, 2031			
	The Nishi-Nippon City Bank, Ltd.	December 17, 2021	1,000,000	1,000,000	0.37375	December 17, 2031			
	Sumitomo Mitsui Banking Corporation	January 7, 2022	2,000,000	2,000,000	0.415	January 7, 2032			
	Mizuho Bank, Ltd.	January 17, 2022	5,000,000	5,000,000	0.4475	January 19, 2032			
	The Norinchukin Bank *19	January 29, 2021	5,000,000	5,000,000	0.3675	January 30, 2032			
	The Norinchukin Bank	January 31, 2022	3,500,000	3,500,000	0.4725	January 30, 2032			
	The Shiga Bank, Ltd.	February 21, 2022	3,000,000	3,000,000	0.440	February 24, 2032			
	The Chugoku Bank, Limited	February 21, 2022	1,000,000	1,000,000	0.440	February 24, 2032			
	The Gunma Bank, Ltd.	February 21, 2022	1,000,000	1,000,000	0.440	February 24, 2032			
	The Chugoku Bank, Limited	June 15, 2022	1,000,000	1,000,000	0.57375	June 15, 2032			
	The 77 Bank, Ltd.	June 15, 2022	1,000,000	1,000,000	0.57375	June 15, 2032			
	The Norinchukin Bank *20	June 17, 2022	3,000,000	3,000,000	0.60625	June 17, 2032			
	The Shinkumi Federation Bank	August 10, 2022	3,000,000	3,000,000	0.37875	August 10, 2032			
	The Toho Bank, Ltd.		1,000,000	1,000,000					
	The Keiyo Bank, Ltd.		1,000,000	1,000,000					
	The Tochigi Bank, Ltd.		500,000	500,000					
	Daishi Hokuetsu Bank, Ltd.	August 10, 2022	2,000,000	2,000,000	0.39875	August 10, 2032			
	The Chugoku Bank, Limited	August 10, 2022	1,000,000	1,000,000	0.39875	August 10, 2032			
	MUFG Bank, Ltd.	September 9, 2022	2,000,000	2,000,000	0.555	September 9, 2032			
The Nishi-Nippon City Bank, Ltd.	September 12, 2022	1,000,000	1,000,000	0.5475	September 13, 2032				
The Tochigi Bank, Ltd.	December 12, 2022	—	1,000,000	0.68875	December 13, 2032				
The Hachijuni Bank, Ltd.	December 20, 2022	—	1,000,000	0.7225	December 20, 2032				
Development Bank of Japan Inc.	January 6, 2023	—	3,000,000	1.0262	January 6, 2033				
Daishi Hokuetsu Bank, Ltd.	January 10, 2023	—	1,500,000	0.9725	January 11, 2033				
The 77 Bank, Ltd.	January 10, 2023	—	1,000,000	0.9725	January 11, 2033				

	Classification	Drawdown date	Balance at beginning of current period (¥ thousand)	Balance at end of current period (¥ thousand)	Average interest rate*1 (%)	Repayment date	Repayment method	Use of proceeds	Notes
	Lender								
Long-term borrowings	The Iyo Bank, Ltd.	January 16, 2023	—	1,000,000	0.18364*12	January 17, 2033	Bullet	*2	Unsecured Unguaranteed Unsubordinated
	The Hachijuni Bank, Ltd.	January 16, 2023	—	1,000,000	1.00625	January 17, 2033			
	The Asahi Shinkin Bank	January 17, 2023	—	3,000,000	1.125	January 17, 2033			
	Development Bank of Japan Inc.	January 31, 2023	—	5,000,000	0.9887	January 31, 2033			
	SBI Shinsei Bank, Limited (Formerly Shinsei Bank, Limited) *7 *21	March 15, 2023	—	2,500,000	0.81875	March 15, 2033			
	The Chugoku Bank, Limited	March 27, 2023	—	2,000,000	0.68375	March 25, 2033			
	The Norinchukin Bank *22	March 27, 2023	—	3,500,000	0.73375	March 28, 2033			
	Sumitomo Mitsui Banking Corporation *23	March 30, 2023	—	3,000,000	0.7187	March 30, 2033			
	Sumitomo Life Insurance Company	March 26, 2019	1,000,000	1,000,000	0.505	March 27, 2034			
	Sumitomo Life Insurance Company	December 16, 2019	2,000,000	2,000,000	0.490	December 18, 2034			
	Subtotal		358,700,000	365,200,000					
	Total		380,400,000	417,500,000					

- *1. The average for floating interest rates is recorded as the weighted average during the period. The average is rounded off to the fifth decimal place. The weighted average for interest rates of loans for which floating interest rates were swapped to fixed rates in order to hedge the risk of interest rate fluctuations is calculated taking the effect of this swap into consideration.
- *2. The purposes of executing these loans are to purchase real properties or beneficiary right of real estate in trust, to repay existing loans, and to fund the redemption of investment corporation bonds.
- *3. As of August 18, 2022, MUFG Bank, Ltd. transferred its loan receivable of ¥6,800 million to Mitsubishi UFJ Trust and Banking Corporation.
- *4. The rate is 0.000% because the base interest rate (1-week TIBOR published by Japanese Bankers Association) + 0.04% is below 0%.
- *5. As of November 18, 2022, MUFG Bank, Ltd. transferred its loan receivable of ¥9,400 million to Mitsubishi UFJ Trust and Banking Corporation.
- *6. As of February 20, 2023, MUFG Bank, Ltd. transferred its loan receivable of ¥5,900 million to Mitsubishi UFJ Trust and Banking Corporation.
- *7. As of January 4, 2023, the company name was changed to SBI Shinsei Bank, Limited.
- *8. The Company made a full repayment (¥2,500 million) before maturity on March 15, 2023.
- *9. The Company made a repayment (¥1,000 million) before maturity on December 12, 2022.
- *10. The Company made a full repayment (¥29,000 million) before maturity on March 27, 2023.
- *11. At the end of the period, these loans are accounted for under current liabilities on the balance sheets as the current portion of long-term borrowings.
- *12. These are floating rate borrowings which are not swapped into fixed rates.
- *13. The loan was based on floating rate (Base rate (Risk free rate (TONA) compounded in arrears over rate observation period (1 month) according to the lookback method + spread adjustment (-0.02923%) + 0.09%).
- *14. In order to hedge the risk of exchange rate and interest rate fluctuations related to foreign currency-denominated loans, the Company conducted an interest-rate and currency swap transaction, which substantially secured exchange and interest rates. Accordingly, the balance and the weighted average for interest rates during the period are calculated taking the effect of this interest-rate and currency swap into consideration.
- *15. The loan was based on floating rate (Base rate (Risk free rate (TONA) compounded in arrears over rate observation period (3 months) according to the lookback method + spread adjustment (0.00835%) + 0.09%).
- *16. The applicable interest rate will be lowered by 0.01% from the original rate of 0.2475% for a corresponding period pursuant to the loan agreement on the condition that the target set for CO₂ emissions reduction is achieved.
- *17. The applicable interest rate will be lowered by 0.01% from the original rate of 0.35625% for a corresponding period pursuant to the loan agreement on the condition that either one of the targets set for CO₂ emissions reduction or the number of ZEB-certified buildings the Company owns, respectively, is achieved. Since the target was achieved at the time of confirmation at the end of July 2021, the interest rate for the period until the next confirmation was 0.34625%.
- *18. The applicable interest rate will be lowered by 0.01% from the original rate of 0.405% for a corresponding period pursuant to the loan agreement on the condition that either one of the targets set for CO₂ emissions reduction or the number of ZEB-certified buildings the Company owns, respectively, is achieved. Since the target was achieved at the time of confirmation on May 16, 2022, the interest rate for the period until the next confirmation was 0.395%.
- *19. The applicable interest rate will be lowered by 0.01% from the original rate of 0.3775% for a corresponding period pursuant to the loan agreement on the condition that either one of the targets set for CO₂ emissions reduction or the number of ZEB-certified buildings the Company owns, respectively, is achieved. Since the target was achieved at the time of confirmation at the end of July 2021, the interest rate for the period until the next confirmation was 0.3675%.
- *20. The applicable interest rate will be lowered by 0.01% from the original rate of 0.61625% for a corresponding period pursuant to the loan agreement on the condition that either one of the targets set for CO₂ emissions reduction or the number of ZEB-certified buildings the Company owns, respectively, is achieved. Since the target was achieved at the time of confirmation on December 19, 2022, the interest rate for the period until the next confirmation was 0.60625%.
- *21. The applicable interest rate will be lowered by 0.01% from the original rate of 0.81875% for a corresponding period pursuant to the loan agreement on the condition that either one of the targets set for CO₂ emissions reduction or the number of ZEB-certified buildings the Company owns, respectively, is achieved.
- *22. The applicable interest rate will be lowered by 0.01% from the original rate of 0.73375% for a corresponding period pursuant to the loan agreement on the condition that either one of the targets set for CO₂ emissions reduction or the number of ZEB-certified buildings the Company owns, respectively, is achieved.
- *23. The applicable interest rate will be lowered by 0.01% from the original rate of 0.7187% for a corresponding period pursuant to the loan agreement on the condition that the target set for CO₂ emissions reduction is achieved.

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

Outstanding investment corporation bonds as of March 31, 2023 are as follows:

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

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

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

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

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

10. Net Assets

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

11. Income Taxes

The Company is subject to Japanese corporate income taxes on all of its taxable income. However, under the Special Taxation Measures Act, an investment corporation is allowed to deduct dividends of earnings or dividend distributions, paid to unitholders from its taxable income if certain tax requirements are satisfied. Such tax requirements include dividend distributions in excess of 90% of its profit available for dividends for the fiscal period as stipulated by Article 67-15 of the Special Taxation Measures Act. The significant components of deferred tax assets and liabilities as of September 30, 2022 and March 31, 2023 were as follows:

	Thousands of yen	
	As of September 30, 2022	As of March 31, 2023
Deferred tax assets:		
Accrued enterprise tax	926	931
Amortization of a term leasehold interest	127,763	133,239
Asset retirement obligations	128,193	129,484
	256,883	263,655
Valuation allowance	(154,501)	(161,268)
Total deferred tax assets	102,381	102,387
Deferred tax liabilities:		
Asset retirement obligations	101,455	101,455
Reserve for advanced depreciation of non-current assets	2,408,105	2,408,105
Total deferred tax liabilities	2,509,561	2,509,561
Net deferred tax liabilities	2,407,179	2,407,174

The reconciliation of tax rate difference between the adjusted statutory tax rate and the effective tax rate as of September 30, 2022 and March 31, 2023 was as follows:

	As of September 30, 2022	As of March 31, 2023
Statutory tax rate	34.59%	34.59%
Deductible dividend distribution	(31.93%)	(34.57%)
Change in valuation allowance	0.04%	0.04%
Others	0.00%	0.00%
Effective tax rate	2.70%	0.07%

12. Related Party Transactions

For the six months ended September 30, 2022 and March 31, 2023

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

(1) Parent Company and Major Corporation Unitholders

For the period from April 1, 2022 to September 30, 2022

“Not applicable”

For the period from October 1, 2022 to March 31, 2023

“Not applicable”

(2) Affiliated Companies

For the period from April 1, 2022 to September 30, 2022

“Not applicable”

For the period from October 1, 2022 to March 31, 2023

“Not applicable”

(3) Sister Companies

For the period from April 1, 2022 to September 30, 2022

“Not applicable”

For the period from October 1, 2022 to March 31, 2023

“Not applicable”

(4) Directors and Major Individual Unitholders

For the period from April 1, 2022 to September 30, 2022

“Not applicable”

For the period from October 1, 2022 to March 31, 2023

“Not applicable”

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

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

For the period from April 1, 2022 to September 30, 2022 (Unaudited)

Type of relationship	Name of transaction partner	Type of business	Percentage of units held	Transaction details	Transaction amount (¥ thousand)	Accounting item	Balance at end of the period (¥ thousand)
Interested party	Mitsubishi Estate Co., Ltd.	Real estate	1.24%	Rent revenue	15,395,388	—	—
				Security deposit increase	205,945	Deposits received from tenants	18,994,422
				Security deposit return	1,404,349		
Interested party	Mitsubishi Jisho Property Management Co., Ltd.	Real estate management	—	Property management expenses	2,487,663	—	—
Asset custody company	Sumitomo Mitsui Trust Bank, Limited	Bank	—	Proceeds from long-term borrowings	—	Long-term borrowings	41,000,000
				Repayments of long-term borrowings	—		

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

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

3. Due to the change of asset custody company, Sumitomo Mitsui Trust Bank, Limited is no longer within the scope of related parties.

Therefore, the transaction amount represents the transaction amount during the period when the company was a related party.

The balance at the end of the period is the balance at the time when the company ceased to be a related party.

In addition, the type of relationship and the percentage of units held are the status during the period when the company was a related party.

For the period from October 1, 2022 to March 31, 2023 (Unaudited)

Type of relationship	Name of transaction partner	Type of business	Percentage of units held	Transaction details	Transaction amount (¥ thousand)	Accounting item	Balance at end of the period (¥ thousand)
Interested party	Mitsubishi Estate Co., Ltd.	Real estate	1.24%	Rent revenue	15,454,145	—	—
				Security deposit increase	349,249	Deposits received from tenants	18,609,123
				Security deposit return	734,548		
Interested party	Mitsubishi Jisho Property Management Co., Ltd.	Real estate management	—	Property management expenses	2,408,854	—	—
Interested party	Dairoku Mec Toshikaihatsu TMK	Real estate	—	Real estate beneficiary rights in trust purchase	23,900,000	—	—

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

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

13. Segment Information

For the six months ended September 30, 2022 and March 31, 2023

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

Information on products and services

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

Information on geographic area

(1) Revenue

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

(2) Property and equipment

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

Information on major clients

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

14. Asset Retirement Obligations

For the six months ended September 30, 2022 and March 31, 2023

Asset retirement obligations reported on balance sheets

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

Change in the asset retirement obligations for the six months ended September 30, 2022 and March 31, 2023 consisted of the following:

	Thousands of yen	
	For the period from April 1, 2022 to September 30, 2022	For the period from October 1, 2022 to March 31, 2023
Balance at the beginning of the period	366,911	370,608
Increase in tangible fixed assets	—	—
Accretion expense	3,696	3,733
Balance at the end of the period	370,608	374,341

15. Investment and Rental Property

For the six months ended September 30, 2022 and March 31, 2023

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

The book values on balance sheets as of September 30, 2022 and March 31, 2023 and the fair values as of September 30, 2022 and March 31, 2023 are as follows:

Thousands of yen			
Book value		Fair value	
As of March 31, 2022	Change during the period *1	As of September 30, 2022	As of September 30, 2022
1,002,620,463	(25,534,367)	977,086,095	1,303,560,000

Thousands of yen			
Book value		Fair value	
As of September 30, 2022	Change during the period *2	As of March 31, 2023	As of March 31, 2023
977,086,095	32,998,662	1,010,084,757	1,336,442,500

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

2. Significant changes

*1. As for the increases/decreases for the period, the major reasons for the decreases were the disposition of Harumi Center Building (¥20,813,797 thousand) and by depreciation.

*2. As for the increases/decreases for the period, the major reasons for the increases were the acquisitions of the ARGYLE aoyama (¥24,148,537 thousand), Toyosu Foresia (¥8,186,934 thousand), CIRCLES Hirakawacho (¥1,798,838 thousand), and the additional acquisition of Shinjuku Eastside Square (¥8,553,143 thousand), and the major reasons for the decreases were the disposition of Harumi Front (25% quasi-co-ownership interest) (¥6,280,101 thousand) and by depreciation.

3. Fair values as of September 30, 2022 and March 31, 2023 are defined as the appraised values provided by an external qualified professional appraiser. As of September 30, 2022 and March 31, 2023, Harumi Front, for which the disposition agreement was made dated November 15, 2022, was valued at the disposition price.

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

16. Revenue Recognition

For the six months ended September 30, 2022 and March 31, 2023

Breakdown information on revenue from contracts with customers

For the period from April 1, 2022 to September 30, 2022

	Thousands of yen	
	Revenue from contracts with customers *1	Revenue from external customers
Sales of real estate properties	—	3,365,229 *2
Utilities income	1,699,920 *3	1,699,920
Others	—	32,589,399
Total	1,699,920	37,654,549

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

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

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

For the period from October 1, 2022 to March 31, 2023

	Thousands of yen	
	Revenue from contracts with customers *1	Revenue from external customers
Sales of real estate properties	—	3,387,611 *2
Utilities income	1,945,490 *3	1,945,490
Others	—	32,012,046
Total	1,945,490	37,345,149

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

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

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

17. Per Unit Information

The following table summarizes information about net assets per unit and profit per unit as of September 30, 2022 and March 31, 2023 and for the periods then ended, respectively:

	Yen	
	For the period from April 1, 2022 to September 30, 2022	For the period from October 1, 2022 to March 31, 2023
Net assets per unit	373,778	373,945
Profit per unit	12,121	11,667

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

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

	Thousands of yen	
	For the period from April 1, 2022 to September 30, 2022	For the period from October 1, 2022 to March 31, 2023
Profit	16,790,285	16,161,308
Amount not attributable to normal unitholders	—	—
Profit applicable to normal investment units	16,790,285	16,161,308
Average number of units	1,385,210 units	1,385,210 units

18. Breakdown of Property-Related Revenues and Expenses

For the six months ended September 30, 2022 and March 31, 2023

	Thousands of yen	
	For the period from April 1, 2022 to September 30, 2022	For the period from October 1, 2022 to March 31, 2023
Property-Related Revenues	34,289,320	33,957,537
Rent revenues	34,095,465	33,837,810
Rental revenues	28,564,156	28,157,752
Common service charges	2,290,265	2,187,867
Parking revenues	694,110	700,821
Other rental revenues	2,546,932	2,791,369
Other lease business revenues	193,855	119,726
Cancellation charges	82,652	5,846
Other miscellaneous revenues	111,202	113,880
Property-Related Expenses	17,480,747	18,252,786
Expenses related to lease business	17,480,747	18,252,786
Property management expenses	3,836,799	3,877,085
Utilities expenses	2,760,966	3,178,061
Property and other taxes	3,521,321	3,479,452
Casualty insurance	48,583	43,871
Repairing expenses	849,752	1,271,791
Depreciation	6,275,535	6,196,329
Other rental expenses	187,788	206,195
Property-Related Profits	16,808,573	15,704,750

19. Breakdown of Gain on Sales of Real Estate Properties

For the six months ended September 30, 2022 and March 31, 2023

For the period from April 1, 2022 to September 30, 2022

		Thousands of yen
Harumi Center Building		
	Revenue from sale of real estate property	24,330,000
	Cost of real estate property sold	20,813,797
	Other sales expenses	150,973
	Gain on sales of real estate properties	3,365,229

For the period from October 1, 2022 to March 31, 2023

		Thousands of yen
Harumi Front (25% quasi-co-ownership interest)		
	Revenue from sale of real estate property	9,777,500
	Cost of real estate property sold	6,280,101
	Other sales expenses	109,786
	Gain on sales of real estate properties	3,387,611

20. Changes in Unitholders' Equity

For the six months ended September 30, 2022 and March 31, 2023

Total number of investment units issuable and number of units outstanding	As of September 30, 2022	As of March 31, 2023
Total number of investment units issuable	4,000,000 units	4,000,000 units
Number of units outstanding	1,385,210 units	1,385,210 units

21. Supplemental Cash Flow Information

Cash and cash equivalents

The following table represents a reconciliation of cash and cash equivalents as of September 30, 2022 and March 31, 2023:

	Thousands of yen	
	As of September 30, 2022	As of March 31, 2023
Cash and deposits	20,473,628	23,341,245
Cash and deposits in trust	6,319,372	8,165,242
Time deposits with maturities of more than three months	—	—
Cash and cash equivalents	26,793,001	31,506,487

22. Leases

1. Leased assets under finance lease transactions that do not transfer ownership of the leased assets to the lessees are capitalized and depreciated by the straight-line method over the lease term with no residual value. Such capitalized leased assets primarily consist of tools, furniture and fixtures.
2. The Company, as a lessor, owns office buildings under leases and earns rent income. As of September 30, 2022 and March 31, 2023, the future lease revenues under the non-cancelable operating leases are as follows:

	Thousands of yen	
	As of September 30, 2022	As of March 31, 2023
Due within one year	26,368,954	28,139,070
Due after one year	47,318,343	55,205,445
Total	73,687,297	83,344,516

23. Subsequent Events

For the six months ended March 31, 2023

Issuance of New Investment Units

As approved by the Board of Directors' meetings on March 28, 2023 and April 3, 2023, the Company decided to issue new investment units and secondary offering of investment units, completing the public offering on April 7, 2023 and the third-party allocation on May 1, 2023. As a result of the issuance of additional units, the unitholders' capital increased to ¥516,736,574 thousand and the units issued and outstanding increased to 1,422,864 units as of May 1, 2023.

Summary of the issuance of units

1. Public offering of new investment units

- (1) Subscription method: Public offering (subscription by book-building and spread method*)
- (2) Number of units newly issued: 35,200 units
- (3) Offer price (subscription price): ¥534,100 per unit
- (4) Aggregate amount of offer price (subscription price): ¥18,800,320,000
- (5) Issue price (paid-in price): ¥517,750 per unit
- (6) Aggregate amount of issue price (paid-in price): ¥18,224,800,000
- (7) Payment date: April 7, 2023
- (8) Initial date subject to distribution: April 1, 2023

* Under the so-called "spread method", the price difference between the aggregate amount of the offer price and the aggregate amount of the issue price shall be the proceeds for each underwriter, and the Company will not pay an underwriting fee to the underwriters. The underwriting fee is not recognized as investment unit issuance expenses in the financial statements.

2. Secondary offering of investment units (over-allotment)

- (1) Number of units offered: 2,464 units
- (2) Offer price: ¥534,100 per unit
- (3) Aggregate amount of offer price: ¥1,316,022,400

3. Issuance of new investment units by third-party allocation

- (1) Subscription method: Third-party allocation
- (2) Number of units newly issued: 2,454 units
- (3) Issue price (paid-in price): ¥517,750 per unit
- (4) Aggregate amount of issue price (paid-in price): ¥1,270,558,500
- (5) Payment date: May 1, 2023
- (6) Initial date subject to distribution: April 1, 2023
- (7) Allottee: SMBC Nikko Securities Inc.

4. Use of proceeds

The proceeds raised through the public offering and the third-party allotment were applied toward the repayments of a part of the short-term loan, which is the refinancing of the short-term loan of 29,000 million yen borrowed to partially fund the acquisitions of a 50% quasi-co-ownership interest in the ARGYLE aoyama for 23,900 million yen and a 9% co-ownership interest in Toyosu Foresia for 8,100 million which acquired on February 27, 2023.



Independent Auditor's Report

The Board of Directors
Japan Real Estate Investment Corporation

Opinion

We have audited the accompanying financial statements of Japan Real Estate Investment Corporation (the Company), which comprise the balance sheet as at March 31, 2023, and the statements of income and retained earnings, changes in unitholders' equity, cash distributions, and cash flows for the six-month period then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2023, and its financial performance and its cash flows for the six-month period then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Other Information

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

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

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

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

We have nothing to report in this regard.

Responsibilities of Management and the Supervisory Director for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



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

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

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

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

Ernst & Young ShinNihon LLC
Tokyo, Japan

August 23, 2023

/s/Kenichi Shibata

Kenichi Shibata
Designated Engagement Partner
Certified Public Accountant

/s/Kuniko Teraoka

Kuniko Teraoka
Designated Engagement Partner
Certified Public Accountant

Other Information

1. Risk Factors

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

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

In addition, JRE is subject to the following risks:

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

- risks related to tax authority disagreement with the AIFM's interpretations of the Japanese tax laws and regulations;
- risks related to being unable to benefit from reductions in certain real estate taxes enjoyed by qualified J-REITs;
- risks related to changes in Japanese tax laws;
- risk of dilution as a result of further issuances of units;
- risks related to unexpected repair costs; and
- risks related to pandemics, including the COVID-19 pandemic, natural disasters and wars, including the Russian invasion of Ukraine.

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

(1) Material Changes in Information Listed in Article 23 of AIFMD during the Financial Period Covered by the Report (six-month fiscal period ended March 31, 2023)

None.

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

Beginning April 1, 2022 and ending March 31, 2023

1. Remuneration for Asset Manager Directors

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

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

2. Remuneration for Asset Manager Corporate Auditors

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

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

	Directors		Corporate Auditors		Total	
	Number of person(s) remunerated	Remuneration (in millions of JPY)	Number of person(s) remunerated	Remuneration (in millions of JPY)	Number of person(s) remunerated	Remuneration (in millions of JPY)
Remuneration based on resolutions of the General Meeting of Shareholders of the Asset Manager	3	52	0	0	3	52

3. Remuneration for Asset Manager Employees

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

	All employees			
	Number of employees	Remuneration (in millions of JPY)		
		Total	Fixed	Variable
Remuneration based on compensation rules	41	366	234	132

4. Conflicts of Interest

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

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

Product name: Japan Real Estate Investment Corporation

Legal entity identifier: 3538003YAIR3CBGJJ928

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

Environmental and/or social characteristics

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

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

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

- *Environmental Initiative.* Based on the Sustainability Policy items “1. Climate change initiative (promoting decarbonization and strengthening resilience)” and “2. Contribution to resource conservation including water and resource recycling”, JRE has set reduction targets for energy consumption and greenhouse gas emissions in order to improve the environmental performance of its real estate portfolio. In order to achieve these targets, the Asset Manager implements measures to improve the operational performance of buildings, conduct energy efficiency retrofits, and engage tenant on energy efficiency based on its “Energy Conservation Policy”, which stipulates operational policies for improving energy efficiency of the real estate portfolio, and “GHG Emissions Reduction Policy”, which aims to create a decarbonized society.

- *Environmental Consideration of Portfolio.* To track the environmental performance of our properties, we rely on certifications issued by third-party organizations, such as the Development Bank of Japan's ("DBJ") Green Building Certification, Comprehensive Assessment System for Built Environment Efficiency ("CASBEE") certification, Building Energy-efficiency Labeling System ("BELS") certification, Net Zero Energy Building ("ZEB") certification and other equivalent certifications.
- *Tenant Engagement.* To increase the satisfaction of tenants in each building, we periodically carry out tenant satisfaction surveys. JRE is also implementing various initiatives to enhance the sustainability of each building in collaboration with tenants, such as distribution of sustainability guides. Sustainability guides introduce activities to improve the office environment, such as creating open spaces to promote communications among workers and introducing sustainable daily efforts to reduce electricity and water consumption. Regarding lease agreements, we include Green Lease provisions in our lease agreements that require tenants to achieve certain operational improvements and install energy-efficient retrofits. Specifically, Green Leases include provisions requiring each party to cooperate with the other party on measures to achieve sustainability targets and obtain environmental certifications, and to share energy-consumption and water usage data. We conduct periodic surveys of property managers of all of our properties based on the questions from Global Real Estate Sustainability Benchmark ("GRESB"), and we analyze sustainability efforts based on survey results, which are shared with the property managers. The survey includes questions on whether a property manager has introduced any measures to reduce energy consumption, water usage and waste, whether it has implemented any sustainability measures and conducted any satisfaction survey for tenants and whether it has engaged in any social activities with local communities. As for property level energy, water usage, and waste-related data, we utilize a system to give online feedback regarding such data.
- *Employee Health and Well-being at the Asset Manager.* We believe that the physical and mental health of employees and the creation of an accommodating work environment are key to maintaining and improving our business performance. As an example of related initiatives, we conduct annual anonymous surveys of all employees on a wide range of topics, including the work environment, benefits and educational support. The survey results are reported to the Asset Manager's President & CEO and are used for improving our activities. In addition, the HR department interviews employees to gather their opinions on how to improve operational efficiency. Furthermore, all employees can consult with the General Manager of the Asset Manager's Compliance Department, a law firm, or an outside specialist on matters such as risks/problems at work, grievances and improvement requests as well as whistleblowing on illegal or unethical behaviour by officers and employees. Every employee can seek any of the foregoing consultations anonymously, and whistleblowers are given protection under the Whistleblower Protection Act of Japan. If deemed necessary, such matters of consultations are reported to the President & CEO, who will conduct an investigation and take measures necessary for resolution of the issue. In addition, we have implemented various measures, including creating a productive and employee-friendly workplace and promoting diverse work styles, to promote the physical and mental health of employees, help them achieve good work-life balance, and increase employees' motivation.
- *International Initiatives and External Evaluations.* We attach great importance to ESG-conscious investing in order to continuously improve the value of assets under management, and are a signatory or participant in various international initiatives, such as PRI, RE100 and, as a member of Mitsubishi Estate Group, the United Nations Global Compact (UNGC). Also, JRE's updated CO₂ emissions reduction target has been approved by the Science Based Targets initiatives (SBTi), which is a global joint initiative by CDP, the United Nations Global Compact, the World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). Furthermore, several of the Asset Manager's ESG initiatives have been evaluated highly by external organizations in Japan and overseas. Going forward, we will maximize long-term returns by strengthening our environmental, social, and governance initiatives.

- *How did the sustainability indicators perform?*

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

- *Environmental Initiative*

- *Climate Change Initiatives.* We aim to achieve a 80% reduction in total CO₂ emissions from our portfolio by FY2030 compared with the 2019 level and net zero CO₂ emissions from our portfolio by FY2050. We recognize that reduction of greenhouse gas (“GHG”) emissions is of critical importance to ensure the sustainability of our business. We have been working to reduce energy consumption and GHG emissions of our portfolio by installing eco-friendly equipment such as LED lighting, which reduces electronic usage, and energy-saving air conditioning systems. The percentage of progress in installing LED light bulbs in certain common areas for the entire portfolio was 55% as of March 31, 2022 and 57% as of March 31, 2023 on a gross floor area basis. In addition, we have accelerated the use of electricity 100% from renewable energy sources, and the number of properties in which we had introduced 100% renewable electricity was 58 as of September 30, 2022 but had grown to 59 as of March 31, 2023. We reduced total CO₂ emissions from our portfolio by 31.01% in the fiscal year ended March 31, 2022, and 71.02% in the fiscal year ended March 31, 2023, as compared with the 2019 level. As for energy consumption, we reduced total energy consumption from our portfolio by 7.86% in the fiscal year ended March 31, 2022, and 9.10% in the fiscal year ended March 31, 2023, as compared with the 2019 level.
- *Water Saving Initiatives.* We aim to achieve 20% reduction in water use (intensity) in our portfolio by FY2030 compared with the 2019 level. Some of the buildings we own are equipped with facilities for reusing rainwater and greywater, as we endeavour to reduce the consumption of tap water. We reduced water use (intensity) by our properties by 29.63% in the fiscal year ended March 31, 2022, and 23.38% in the fiscal year ended March 31, 2023, as compared with the 2019 level.
- *Waste Management Initiatives.* We aim to achieve a more than 90% waste recycling rate in our portfolio by FY2030. We have reduced waste and promoted efficient use of resources through the promotion of reuse and recycling at our properties. In the fiscal year ended March 31, 2022, we achieved a 55.3% waste recycling rate in our portfolio and in the fiscal year ended March 31, 2023, we achieved a 55.0% waste recycling rate in our portfolio.
- *Renewable energy.* We are making efforts to accelerate the use of electricity from renewable energy recognized by RE100 (where “RE” stands for renewable electricity), which is a global corporate renewable energy initiative bringing together hundreds of large and ambitious businesses committed to 100% renewable electricity. In May 2022, JRE joined the international initiative RE100 as the first J-REIT. We aim to make 90% of electricity (of Scope 2) used at our buildings renewable energy by FY2030 and 100% by FY2050. While as of the end of FY2021 the renewable energy rate (Scope 2) of our portfolio was 16.4%, the renewable energy rate of our portfolio had increased to 72.9% as of the end of FY2022.

- *Environmental Consideration of Portfolio.* As of September 30, 2022, 74.5% of our properties were green-certified based on gross floor area of owned buildings. As of March 31, 2023, 76.3% of our properties were green-certified based on gross floor area of owned buildings. Three of our properties with BELS certification are also certified as ZEB Ready (energy savings of greater than 50%) and one property is certified as ZEB Oriented (gross floor area 10,000 m² or more and energy savings beyond the regulation for each application).

- *Tenant Engagement*

- *Including “Green Lease” provisions in our agreements.* JRE has increasingly entered into Green Leases. While, as of March 31, 2022, floor area percentage for buildings leased under a green lease agreement that contains a cost recovery clause was 58.4%, such percentage had increased by 11.2% to 69.6% as of March 31, 2023. (The figures for Green Leases include properties disposed during each fiscal year based on the SASB standards).

- *Sustainability program for tenants.* We conduct periodic satisfaction surveys to solicit feedback from tenants to maintain a high level of tenant satisfaction and use such feedback to improve our buildings' sustainability. Our survey on tenant satisfaction covered 26.4% of our properties calculated based on the number of buildings as of May 2021, 56.2% as of May 2022, more than double the previous percentage, and 56.0% as of May 2023. We believe that this improvement is thanks to advances in the understanding of property managers as a result of our ongoing engagement efforts, such as ESG seminars for property managers.

- *Employee Health and Well-being at the Asset Manager.* As described above, we conduct annual anonymous surveys of all employees on a wide range of topics, including the work environment, benefits and educational support. During the fiscal period ended on March 31, 2023, we conducted the latest survey and achieved a score of 4.2 (on a 5-point scale) for the employee satisfaction level, almost the same level as the previous score of 4.4, with a 100% response rate.

- *International Initiatives and External Evaluations*

- *PRI Assessment.* The Asset Manager is a PRI (Principles for Responsible Investment) signatory, which is required to report annually on the status of its ESG integration practices for evaluation, and received “4 Stars” in the “Investment and Stewardship Policy” module and the highest rating “5 Stars” in the “Real Estate” module in 2021.

- *MSCI Japan ESG Select Leaders Index.* The MSCI Japan ESG Select Leaders Index is an index to represent companies with high ESG performance selected based on the data from the MSCI Japan IMI Index. JRE was selected as a constituent of the MSCI Japan ESG Select Leaders Index as of June 1, 2022. In addition, in 2023, JRE received a rating of “A” in the MSCI ESG Ratings assessment where companies are rated on a seven-tier scale ranging from “AAA” (highest) to “CCC” (lowest) according to their exposure to industry—specific ESG risks and their ability to manage those ESG risks.

- *GRESB Real Estate Rating.* GRESB was founded in 2009 by a group of major European pension funds who played leading roles in launching PRI. In the 2022 GRESB Real Estate Assessment, JRE received for the fifth consecutive year “5 Stars,” which is the highest GRESB rating (out of “5 Stars”), and also received for the seventh consecutive year “Green Star” based on its excellent ESG management system and performance record.

- *Carbon Disclosure Project (“CDP”) score.* Since 2003, CDP has sent questionnaires every year to major companies to assess corporate actions on climate change. JRE received the “A-” designation and was recognized at the highest Leadership Level in the 2021 CDP Climate Change Program. By way of update, after the end of fiscal year ended September 30, 2022, JRE has received the highest score of “A” securing a place on its annual “A List” for the first time.

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

See above.

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

Not applicable.

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

Not applicable.

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

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

- *Exposure to fossil fuels through assets.* We do not invest in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels.
- *Exposure to energy-inefficient investment assets.* We consider properties other than the properties that have received any of the green building certifications and energy-saving certifications (“Green Assets”) to be energy-inefficient. As of March 31, 2023, 76.3% of our properties were Green Assets and 23.7% of our properties were not Green Assets. As described in more detail above, we implement as appropriate measures to reduce the environmental impact of these properties, including by obtaining environmental certifications.
- *Energy consumption intensity.* The amounts of energy consumption of our properties per square meter are 0.165 MWh in FY2021 and 0.166 MWh in FY2022. The amounts of Scope 1 GHG emission of our properties were 3,011 t-CO₂ in FY2021 and 2,786 t-CO₂ in FY 2022. Scope 2 GHG emissions of our properties were 32,350 t-CO₂ in FY2021 and 14,380 t-CO₂ in FY2022. Scope 3 GHG emissions of our properties were 35,658 t-CO₂ in FY2021 and 12,670 t-CO₂ in FY2022.

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

We believe that climate change is more than an environmental issue, which has a major impact on social and industrial infrastructure, and therefore on our business activities. To maintain sustainable and stable earnings over the long term and overcome the oncoming changes from climate change, we will need to evaluate the risks and opportunities presented by climate change, and reflect such evaluation in our operational policies and asset management. Based on the foregoing, JRE has examined the magnitude of the financial impact of risks and opportunities presented by climate change for scenarios involving temperature increases between 4°C and 1.5°C, which are scenarios published by international organizations and other entities that predict the impact of global warming and climate change and of the changes that may occur in the business environment as a result of long-term policy trends in relation to climate change. We examined the impact of each scenario for 2030 (medium-term prospects) and 2050 (long-term prospects) for qualitative financial impact analysis. As for quantitative financial impact analysis, we assumed as of 2050 based on the FY2021 operating profit.

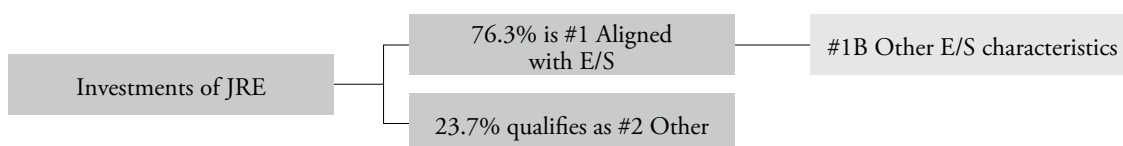
What were the top investments of this financial product?

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

What was the proportion of sustainability-related investments?

As of March 31, 2023, 76.3% of the properties in the portfolio were Green Assets, and 23.7% were nonqualified assets based on gross floor area of owned buildings.

● *What was the asset allocation?*



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

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

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

Not applicable.

● *Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy.*

Not applicable. JRE does not invest in real estate assets involved in fossil gas and/or nuclear energy related activities.

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

Not applicable.

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

Not applicable.

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

Not applicable.

What was the share of socially sustainable investments?

Not applicable.

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

As of March 31, 2023, based on gross floor area of owned buildings, 23.7% of our properties were not Green Assets. However, we implement as appropriate measures to reduce their environmental impact following acquisition, including by obtaining environmental certifications, installing environmentally-friendly equipment, using renewable energy and undertaking appropriate renovations.

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

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

- *Environmental Initiative*
- *Environmental Consideration of Portfolio*
- *Tenant Engagement*
- *Employee Health and Well-being at the Asset Manager*
- *International Initiatives and External Evaluations*

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

Not applicable.

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

Not applicable.

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

Not applicable.

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

Not applicable.

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

Not applicable.

Note Regarding the EU Taxonomy Regulation

As set out above, JRE promotes certain environmental characteristics.

The Asset Manager is required, under Regulation (EU) 2020/852 (the “EU Taxonomy Regulation”), to disclose whether its assets are aligned with the environmental objectives formulated in the EU Taxonomy regulation. The EU Taxonomy Regulation is to be complemented by technical standards and screening criteria which are currently developed. The technical screening criteria for the first two environmental objectives (climate change mitigation and climate change adaptation) were adopted in December 2021. They apply as of January 1, 2022.

JRE invests in economic activities that are eligible under the EU Taxonomy Regulation in respect of climate change mitigation and/or climate change adaptation. This means that screening criteria for these investments have been or will be developed. The Asset Manager expressly states that in view of the fact that the regulations are still under development or have only recently been adopted and the fact that, as a result thereof, data on alignment of JRE’s investments with these environmental objectives and climate related goals in line with EU Taxonomy Regulation are not sufficiently available, the Asset Manager is not currently in a position to disclose on an accurate and reliable basis to what extent JRE’s investments technically qualify as Taxonomy-aligned or “environmentally sustainable” within the specific meaning of the EU Taxonomy Regulation. JRE’s investments may have a positive contribution to these environmental objectives and may therefore eventually be considered Taxonomy-aligned, but at this stage, the Asset Manager is required to state that there is no minimum proportion of JRE’s investments that qualify as such.

The Asset Manager further states that the “do no significant harm” principle applies only to those investments underlying the financial product that takes into account the EU criteria for environmentally sustainable economic activities. The investments underlying the other portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Corporate Data

As of March 31, 2023

Executives

Executive Director: Jo Kato

Supervisory Directors: Hiroaki Takano
Miyuki Aodai

Paid-in Capital

JPY 497,241,216,000

Number of Units Outstanding

1,385,210

Number of Unitholders

14,665

Stock Listing

Tokyo Stock Exchange

Securities Code

8952

LEI (Legal Entity Identifier)

3538003YAIR3CBGJJ928

Type of Investment Corporation

Closed-end corporate type fund

Transfer Agent

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

Auditor

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

Incorporation

May 11, 2001

Executive Office

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

For further information, please contact:

Japan Real Estate Asset Management Co., Ltd.

Strategic Planning Department

Tel: 81-3-3211-7951

E-mail: j-rea-inquiry@j-rea.co.jp

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

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

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