

## FINANCIAL RESULTS FOR THE FISCAL PERIOD ENDED SEPTEMBER 2016 (REIT)

November 16, 2016

Name of Issuer: Japan Real Estate Investment Corporation  
 Stock Exchange Listing: Tokyo Stock Exchange  
 Securities Code: 8952  
 URL: <http://www.j-re.co.jp/en/>  
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Scheduled Date of Filing Securities Report: December 26, 2016  
 Scheduled date of dividend payment: December 14, 2016  
 Supplementary materials for financial results: Yes  
 Holding of a briefing on financial results: Yes (primarily for institutional investors and analysts)

(Amounts are rounded down to the nearest million yen)

### 1. Financial Results for the September 2016 period (April 1, 2016 – September 30, 2016)

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

| Period ended       | Operating Revenues |     | Operating Income |     | Ordinary Income |     | Profit          |     |
|--------------------|--------------------|-----|------------------|-----|-----------------|-----|-----------------|-----|
|                    | Millions of yen    | %   | Millions of yen  | %   | Millions of yen | %   | Millions of yen | %   |
| September 30, 2016 | 30,773             | 0.6 | 12,368           | 0.1 | 10,958          | 1.3 | 10,947          | 1.8 |
| March 31, 2016     | 30,589             | 2.0 | 12,352           | 2.5 | 10,816          | 3.1 | 10,753          | 2.6 |

| Period ended       | Profit per Unit | ROE<br>(Profit to Unitholders'<br>Equity Ratio) |     | ROA<br>(Ordinary Income to<br>Total Assets Ratio) |     | Ordinary Income to<br>Operating Revenues Ratio |      |
|--------------------|-----------------|---|-----|---|-----|--|------|
|                    |                 | Yen   | %   | Yen   | %   | Yen  | %    |
| September 30, 2016 | 8,361           |   | 2.3 |   | 1.2 |  | 35.6 |
| March 31, 2016     | 8,212           |   | 2.3 |   | 1.2 |  | 35.4 |

## (2) Dividends

| Period ended       | Dividend per Unit<br>Excluding Excess of<br>Accounting Profits | Total Cash Dividends<br>Excluding Excess of<br>Accounting Profits | Dividend in Excess<br>of Accounting Profits<br>per Unit | Total Dividends in<br>Excess of<br>Accounting Profits | Payout Ratio | Ratio of Dividends<br>to Net Assets |
|--------------------|--|---|---|---|--------------|-------------------------------------|
|                    | Yen  | Millions of yen   | Yen   | Millions of yen                                       | %            | %                                   |
| September 30, 2016 | 8,361  | 10,947  | 0   | 0   | 99.9         | 2.3                                 |
| March 31, 2016     | 8,121  | 10,632  | 0   | 0   | 98.8         | 2.3                                 |

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

2. In the March 2016 period, the cause of differences in dividend per unit and profit per unit is the provision of reserve for reduction entry.

## (3) Financial Standing

| As of              | Total Assets    | Net Assets      | Equity Ratio | Net Assets per Unit |
|--------------------|-----------------|-----------------|--------------|---------------------|
|                    | Millions of yen | Millions of yen | %            | Yen                 |
| September 30, 2016 | 883,633         | 469,359         | 53.1         | 358,478             |
| March 31, 2016     | 890,626         | 469,044         | 52.7         | 358,238             |

Reference: Total unitholders' equity is 469,359 million yen for the September 2016 period and 469,044 million yen for the March 2016 period.

## (4) Cash Flows

| Period ended       | Cash Flows from<br>Operating Activities | Cash Flows from<br>Investing Activities | Cash Flows from<br>Financing Activities | Cash and Cash Equivalents<br>at End of Period |
|--------------------|---|---|---|---|
|                    | Millions of yen                         | Millions of yen                         | Millions of yen                         | Millions of yen                               |
| September 30, 2016 | 17,280                                  | (1,964)                                 | (17,673)                                | 22,546  |
| March 31, 2016     | 21,681                                  | 2,338                                   | (20,525)                                | 24,904  |

## 2. Performance Forecasts for the March 2017 period (October 1, 2016 to March 31, 2017) and the September 2017 period (April 1, 2017 to September 30, 2017)

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

| Period ending      | Operating Revenues |       | Operating Income |     | Ordinary Income |     | Profit          |     | Dividend per Unit<br>Excluding Excess of<br>Accounting Profits | Dividend in Excess<br>of Accounting<br>Profits per Unit |
|--------------------|--------------------|-------|------------------|-----|-----------------|-----|-----------------|-----|--|---|
|                    | Millions of yen    | %     | Millions of yen  | %   | Millions of yen | %   | Millions of yen | %   | Yen  | Yen   |
| March 31, 2017     | 30,720             | (0.2) | 12,490           | 1.0 | 11,080          | 1.1 | 11,070          | 1.1 | 8,460  | 0   |
| September 30, 2017 | 31,170             | 1.5   | 12,730           | 1.9 | 11,350          | 2.4 | 11,340          | 2.4 | 8,660  | 0   |

Reference: Profit per unit forecast = Profit forecast / Number of total investment units forecast for the end of the period

(the March 2017 period): 8,460 yen; (the September 2017 period): 8,660 yen.

### \*Other

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

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

#### (2) Number of Units Outstanding

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

As of September 30, 2016 1,309,310 units

As of March 31, 2016 1,309,310 units

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

As of September 30, 2016 0 units

As of March 31, 2016 0 units

Note: Please refer to the notes regarding per unit information on page 24 for the number of investment units on which the calculations of profit per unit are based.

### \* The Implementation Status of Statutory Audit

At the time of disclosure of these financial results, the audit procedures for the financial statements pursuant to the Financial Instruments and Exchange Act have not yet finished.

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

Estimates for the Company's future operating results contained in the financial results are forward-looking statements and are based on information currently available to the Company and certain assumptions deemed reasonable. Actual results may differ substantially from the projections depending on a number of factors. In addition, these forecasts do not guarantee the stated dividends. As for assumptions underlying performance forecasts, please refer to the table entitled "Assumptions Underlying Performance Forecasts for the March 2017 period (October 1, 2016 to March 31, 2017) and the September 2017 period (April 1, 2017 to September 30, 2017)" on pages 7 and 8.

## 1. Related Corporations

Due to the fact that there have been no important changes to the “Structure and Formation” section in the most recent securities report (released June 24, 2016), information concerning it has been omitted.

As announced on December 18, 2015, Sumitomo Mitsui Trust Bank, Limited was replaced with Mitsubishi UFJ Trust and Banking Corporation as a transfer agent regarding the management of unitholders registry and special accounts on June 14, 2016. The general administrator for institutional administration and accounting was changed on October 1, 2016 in the same manner as above.

## 2. Business Policy and Operations

### a. Business Policy

Due to the fact that there have been no important changes to investment policies, investment targets, or dividend policies, in the most recent securities report (released June 24, 2016), information concerning them has been omitted.

### b. Business Operations

#### (1) Results for Period

Japan Real Estate Investment Corporation (“the Company”) was established on May 11, 2001, following the Act on Investment Trusts and Investment Corporations of Japan (“ITA”). The Company was listed on the real estate investment trust market of the Tokyo Stock Exchange (“TSE”) on September 10, 2001. (Securities Code: 8952) Since its IPO, the size of the Company’s assets (total acquisition price) has grown steadily, expanding from 92.8 billion yen to 923.6 billion yen\*, as of September 30, 2016. In the same period, the Company continued to grow steadily in the number of properties in its portfolio, from 20 to 68 properties.

The September 2016 period (April 1, 2016 to September 30, 2016) has seen moderate yet constant recovery of the Japanese economy in general, with a steady growth of business profitability and employment. Meanwhile, some companies remain cautious in making judgments due to international factors such as the UK’s decision to leave the EU, which triggered fluctuations in the financial and capital market, and a downturn in the emerging economies in Asia. The concerns for the trend towards strong yen and uncertainties in the prospect of the domestic economy are also contributory factors.

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

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

Under such market conditions, the Company made sound investments under the Investment Guideline of providing stable dividends to unitholders, which was set forth at the time of the Company’s listing on the TSE and remains unchanged to this date. Accordingly, the Company has been able to provide the dividend at the 8,361 yen, which is an increase by 240 yen from the previous period.

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

#### (2) Results of Operations

##### ① Property Management and Acquisition

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

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

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

Incidentally, on October 3, 2016, the Company acquired the Kanazawa Kamitsutsumicho Building (Kanazawa,

Ishikawa Prefecture) for 2,780 million yen. This is a recently-built property with a competitive edge, situated in Kanazawa, the administrative and economic center of the Hokuriku region.

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

## ② Finance Activities

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

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

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

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

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

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

## ③ Resignation of Substitute Executive Director

Mr. Hiroshi Katayama, who was elected as the Substitute Executive Director of the Company at the Unitholders Meeting on March 17, 2015, expressed his wish to resign, and did so accordingly on June 28, 2016.

## (3) Summary of Financial Results

As a result of the above operations, in the period under review, the Company's operating revenues increased by 0.6% on the previous period, to 30,773 million yen. On the earnings front, operating income increased 0.1%, to 12,368 million yen. After deducting expenses for interest payments on loans and other costs, ordinary income increased 1.3%, to 10,958 million yen, and profit had an increase of 1.8%, to 10,947 million yen.

Turning to dividends, the Company will make cash distributions using accounting profits based on the dividend policy outlined in Article 32-1(2) of the Company's Articles of Incorporation, in an amount that exceeds 90% of earnings available for dividends as required by Article 67-15 of the Special Taxation Measures Law of Japan. Based on this policy, keeping below the level of end-of-term unappropriated retained earnings and reserving the retained earnings brought forward, the total amount of dividends that the Company has determined to pay out is 10,947,140,910 yen for the period under review, which is a multiple of 1,309,310—the number of units outstanding as of September 30, 2016. Accordingly, the per-unit cash dividend is 8,361 yen.

## c. Outlook

### (1) Operating Environment

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

In the market for leased office space, helped with the limited supply of new properties, the market is expected to recover gradually in the Tokyo metropolitan areas and other areas. However, it is necessary to remain vigilant to identify the impact of the increase of office space supply that is anticipated in 2018 and beyond. In other major cities,

with some areas holding fewer vacancies and improving standard rents, the overall status of the market veers toward moderate recovery.

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

#### ① 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 space among the existing tenants.

##### (iii) Stabilize revenues and earnings

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

##### (iv) Reduce management costs

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

#### ② Property Acquisitions and Sales

The Company has adopted the following policies for acquiring properties.

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

(ii) In its acquisition activities, the Company continues to meticulously monitor and examine economic, physical, and legal factors, including rights-related issues, when selecting properties. In particular, with regard to the structure of buildings, the Company requires buildings to meet or exceed new earthquake-resistance standards, 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 given on timing.

#### ③ Financial Policies

The Company has adopted the following financial policies.

- (i) In principle, the Company shall maintain an LTV ratio below 65%. To ensure an even lower interest-bearing debt ratio, the Company adopts the conservative target level of 30% to 40%.
- (ii) The Company shall set the ceiling for the combined total of loans and investment corporation bonds at 1 trillion yen.
- (iii) When obtaining a loan, the Company shall only negotiate with qualified institutional investors (limited to those defined under Article 67-15 of the Special Taxation Measures Act) before executing a loan agreement.
- (iv) With the purpose of maintaining liquidity at an appropriate level, the Company may establish preliminary borrowing frameworks such as overdraft agreements and commitment line agreements, or may conclude preliminary contracts for loans, as needed.
- (v) The Company aims for the best possible execution of financial transactions by negotiating with numerous financial institutions.

## (2) Performance Forecasts

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

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

Regarding the assumptions underlying these forecasts, please see pages 7 and 8 entitled “Assumptions Underlying Performance Forecasts for the March 2017 period (October 1, 2016 to March 31, 2017) and the September 2017 period (April 1, 2017 to September 30, 2017).” Operating revenues, operating income, ordinary income, profit, and cash dividend per unit may vary depending on changes that may occur to the market situation.

## (3) Acquisition of Assets

As stated in ① Property Management and Acquisition under b(2) above, the Company acquired a new property after the end of the term currently under review (September 30, 2016), as detailed below:

### [Outline of the acquisition]

Type of specified asset: Japanese real property  
 Land: ownership  
 Building: ownership  
 Name of acquired property: Kanazawa Kamitsutsumicho Building  
 Acquisition price: 2,780 million yen  
 Date of contract: September 28, 2016  
 Date of acquisition: October 3, 2016

### [Outline of the acquired asset]

Address: Kamitsutsumicho 1-15, Kanazawa, Ishikawa Prefecture  
 Purpose: office/shop  
 Site area: 1,561.80 m<sup>2</sup>  
 Total floor area: 9,619.96 m<sup>2</sup> \*including the attached parking space (118.28 m<sup>2</sup>)  
 Structure: Steel structure with flat roof, 11-storey above ground  
 Completion date: August 2009  
 Type of ownership: ownership  
 Total number of tenants: 21\*  
 Available leasable space: 7,206.64 m<sup>2</sup>\*  
 Total leasable space: 7,044.34 m<sup>2</sup>\*  
 Occupancy: 97.7%\*

\* The figures for the total number of tenants, available leasable space, total leasable space and occupancy are as of the date of acquisition.

**Assumptions Underlying Performance Forecasts for the March 2017 period (October 1, 2016 to March 31, 2017)  
and the September 2017 period (April 1, 2017 to September 30, 2017)**

| Item                                     | Assumption  |
|--|---|
| Accounting period                        | <ul style="list-style-type: none"> <li>• The March 2017 period: October 1, 2016 to March 31, 2017 (182 days)</li> <li>• The September 2017 period: April 1, 2017 to September 30, 2017 (183 days)</li> </ul>  |
| Number of properties held by the Company | <ul style="list-style-type: none"> <li>• The Company's property portfolio consists of 69 properties, with the latest acquisition of the Kanazawa Kamitsutsumicho Building effected on October 3, 2016, adding to the existing 68 properties held at the end of the September 2016 period. The actual portfolio may differ from this assumption due to additional property acquisitions and dispositions.</li> <li>• As of November 16, 2016, the Company does not have any forward or other commitments as set forth in the Financial Services Agency's Guidelines for Supervision.</li> </ul>  |
| Number of units outstanding              | <ul style="list-style-type: none"> <li>• The total number of units outstanding as of November 16, 2016, is 1,309,310.</li> </ul>  |
| Interest-bearing debt                    | <ul style="list-style-type: none"> <li>• The Company operates an LTV ratio within a range between 30% and 40% as an operational guideline.</li> <li>• The Company executed a long-term loan of 3 billion yen on October 31, 2016 to procure funds for the prepayment of existing short-term loan, in addition to repayment of 1 billion yen of existing long-term loan on November 15, 2016 with cash reserves.</li> </ul> <p>As a result, the balance for interest-bearing debt is 355,350 million yen as of November 16, 2016.</p> <ul style="list-style-type: none"> <li>• In the March 2017 period, as of November 16, 2016, the Company prepares to refinance the long-term loans due for repayment during the period totaling 13.35 billion yen (repayment dates: December 21, 2016, March 1, 2017, March 24, 2017 and March 30, 2017) and the short-term loans due for repayment during the period totaling 29.7 billion yen (repayment dates: December 26, 2016, January 10, 2017, March 2, 2017, March 27, 2017 and March 31, 2017). There are no investment corporation bonds to mature in the March 2017 period.</li> <li>• In the September 2017 period, as of November 16, 2016, the Company prepares to refinance the long-term loans due for repayment during the period totaling 28.5 billion yen (repayment dates: April 4, 2017, June 1, 2017, June 15, 2017, and August 31 2017) and the short-term loans due for repayment during the period totaling 13.0 billion yen (repayment dates: April 3, 2017 and September 1, 2017). There are no investment corporation bonds to mature in the September 2017 period.</li> </ul> |
| Operating revenues                       | <ul style="list-style-type: none"> <li>• Revenues from portfolio properties held by the Company are calculated by taking into consideration new contract conclusions and existing contract cancellations fixed as of November 16, 2016, and by factoring in potential variables that reflect recent market conditions for leased office space, such as rent levels and occupancy rates.</li> </ul>  |

| Item                   | Assumption  |
|------------------------|---|
| Operating expenses     | <ul style="list-style-type: none"> <li>• Of the taxes applicable to the Company, property taxes, city planning taxes and depreciable property taxes corresponding to the relevant fiscal period have been recorded as property-related expenses. However, when a property is acquired at a point during the period used for the calculation of property tax, a property tax adjustment is levied that takes into account the date of the transfer of the new acquisition. The amount of the adjustment is factored into the acquisition price and therefore not recorded as an expense in the relevant fiscal period. In addition, the Company assumes the 2017 property taxes, city planning taxes, and depreciable property taxes for properties acquired in 2016 to be as follows: <ul style="list-style-type: none"> <li>2 million yen for the additional shares acquired for the Nishiki Park Building, and 20 million yen for the acquisition of Kanazawa Kamitsutsumicho Building.</li> </ul> </li> <li>• The property and other taxes will be 2,910 million yen in the March 2017 period and 2,920 million yen in the September 2017 period.</li> <li>• The depreciation will be 6,490 million yen in the March 2017 period and 6,420 million yen in the September 2017 period.</li> <li>• Property management expenses are assumed by taking past operational results into consideration.</li> <li>• Repair expenses may vastly differ from the projected amounts as there may be large differences in costs incurred from one fiscal period to another and because such costs are not recurring.</li> </ul> |
| Non-operating expenses | <ul style="list-style-type: none"> <li>• The non-operating expenses, such as interest expenses on loans and investment corporation bonds, will be 1,410 million yen in the March 2017 period and 1,380 million yen in the September 2017 period.</li> </ul>   |
| Dividend amounts       | <ul style="list-style-type: none"> <li>• The Company shall not distribute dividends in excess of accounting profits. Thus, based on its Articles of Incorporation, the Company shall make cash distributions of the amount that is higher than 90% of earnings available for dividends up to the accounting profits.</li> <li>• The Company assumes that dividend amounts in the March 2017 and the September 2017 periods will not be appropriated from internal reserves.*</li> </ul> <p>*Internal reserves (projected for the September 2016 period) shall comprise the gain on sale of the Takanawadai Building as of April 1, 2011 (878 million yen), reserves for reduction entry made on the sales of Hirokoji Sakae Building (transferred on March 30, 2016) and Kyoto Shijo Kawaramachi Building (transferred on March 31, 2016, together amounting to 161 million yen) both under the application of the Special Provisions for Taxation in the case of Advanced Acquisition of Land, etc., in 2009 and 2010, and the residual amount of 530 million yen, which is an apportioned revenue of the subsidies for work under Article 42 “Inclusion in Gross Expense of Advanced Depreciation of Fixed Assets, etc. Acquired with National Subsidy, etc.” of the Corporation Tax Act, after the deduction of 519 million yen to compensate the dividend paid out for the September 2012 and March 2013 periods consisting of reserve for reduction entry and associated deferred tax liabilities, together with the retained earnings brought forward.</p>  |
| Other                  | <ul style="list-style-type: none"> <li>• No revisions will be made in such areas as laws, tax systems, accounting standards, and listing rules as well as regulations of the Investment Trusts Association, Japan to the extent that impact the above-mentioned forecasts.</li> <li>• No unprecedented or significant changes will occur to the general market trends or real estate market conditions or other factors.</li> <li>• In addition to the income taxes deferred on the reserves for reduction entry, the corporate and other taxes are calculated by taking into consideration the taxes in relation to the amortization of term leasehold interest for buildings and asset retirement obligations.</li> </ul>   |



### 3. Financial Statements

#### (1) Balance Sheets

Thousands of yen

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

Thousands of yen

|  | As of March 31, 2016 | As of September 30, 2016 |
|--|----------------------|--------------------------|
| <b>Investments and other assets</b>        |                      |                          |
| Investment securities                      | 577,168              | 577,168                  |
| Lease and guarantee deposits               | 1,573,641            | 1,573,421                |
| Long-term prepaid expenses                 | 706,082              | 600,787                  |
| Other                                      | 924,282              | 925,004                  |
| Total investments and other assets         | 3,781,174            | 3,676,381                |
| Total non-current assets                   | 865,141,670          | 860,348,399              |
| <b>Deferred assets</b>                     |                      |                          |
| Investment corporation bond issuance costs | 26,700               | 21,160                   |
| Total deferred assets                      | 26,700               | 21,160                   |
| Total assets                               | 890,626,297          | 883,633,105              |
| <b>Liabilities</b>                         |                      |                          |
| <b>Current liabilities</b>                 |                      |                          |
| Operating accounts payable                 | 2,230,597            | 1,748,290                |
| Short-term loans payable                   | 22,700,000           | 45,700,000               |
| Current portion of long-term loans payable | 44,400,000           | 42,850,000               |
| Accounts payable - other                   | 1,337,902            | 1,290,343                |
| Accrued expenses                           | 669,098              | 578,332                  |
| Income taxes payable                       | 10,835               | 9,740                    |
| Accrued consumption taxes                  | 1,128,609            | 528,639                  |
| Advances received                          | 3,088,163            | 3,500,462                |
| Other                                      | 9,618                | 32,091                   |
| Total current liabilities                  | 75,574,825           | 96,237,899               |
| <b>Non-current liabilities</b>             |                      |                          |
| Investment corporation bonds               | 20,000,000           | 20,000,000               |
| Long-term loans payable                    | 276,300,000          | 247,800,000              |
| Deposits received from tenants             | 49,197,812           | 49,727,428               |
| Deferred tax liabilities                   | 167,220              | 167,188                  |
| Asset retirement obligations               | 325,325              | 328,602                  |
| Other                                      | 16,366               | 12,659                   |
| Total non-current liabilities              | 346,006,725          | 318,035,880              |
| Total liabilities                          | 421,581,550          | 414,273,779              |
| <b>Net assets</b>                          |                      |                          |
| <b>Unitholders' equity</b>                 |                      |                          |
| Unitholders' capital                       | 458,016,096          | 458,016,096              |
| <b>Surplus</b>                             |                      |                          |
| <b>Voluntary retained earnings</b>         |                      |                          |
| Reserve for reduction entry                | 243,360              | 363,469                  |
| Total voluntary retained earnings          | 243,360              | 363,469                  |
| Unappropriated retained earnings           | 10,785,290           | 10,979,760               |
| Total surplus                              | 11,028,651           | 11,343,229               |
| Total unitholders' equity                  | 469,044,747          | 469,359,325              |
| Total net assets                           | 469,044,747          | 469,359,325              |
| Total liabilities and net assets           | 890,626,297          | 883,633,105              |

## (2) Statements of Income

Thousands of yen

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

## (3) Statements of Changes in Unitholders' Equity

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

Thousands of yen

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

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

Thousands of yen

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

## (4) Statements of Cash Distributions

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

|  |  |  |
|--|--|--|
| Computation Method for Determining Dividends | <p>The Company will make cash distributions using accounting profits based on the cash distribution policy outlined in Article 32-1(2) of the Company's Articles of Incorporation, in an amount that exceeds 90% of the "amount of distributable profit" as set forth in Article 67-15 of the Special Taxation Measures Act. Based on this policy, the Company secures the reserve for reduction entry in accordance with Article 66-2 "Special Provisions for Taxation in the Case of Advanced Acquisition of Land, etc., in 2009 and 2010" of the same Act as well as Article 42 "Inclusion in Gross Expense of Advanced Depreciation of Fixed Assets, etc. Acquired with National Subsidy, etc." of the Corporation Tax Act. The Company also reserves the retained earnings brought forward. As a result, the total amount of dividends that the Company has determined to pay out is 10,632,906,510 yen for the period under review, which is a multiple of 1,309,310 — the number of units outstanding as of March 31, 2016. Furthermore, the Company does not pay out dividends that exceed accounting profits as outlined in Article 32-1(3) of the Company's Articles of Incorporation.</p> | <p>The Company will make cash distributions using accounting profits based on the cash distribution policy outlined in Article 32-1(2) of the Company's Articles of Incorporation, in an amount that exceeds 90% of the "amount of distributable profit" as set forth in Article 67-15 of the Special Taxation Measures Act. Based on this policy, the Company has decided that the total amount of dividends, which is set not to exceed the unappropriated retained earnings and also to secure retained earnings brought forward, is 10,947,140,910 yen for the period under review, which is a multiple of 1,309,310 — the number of units outstanding as of September 30, 2016. Furthermore, the Company does not pay out dividends that exceed accounting profits as outlined in Article 32-1(3) of the Company's Articles of Incorporation.</p> |
|--|--|--|

## (5) Statements of Cash Flows

Thousands of yen

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

## (6) Notes Concerning Going Concerns Assumption

“Not applicable”

## (7) Summary of Significant Accounting Policies

**Investment securities**

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

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

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

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

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

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

**Intangible assets**

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

**Leased assets**

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

**Deferred charges**

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

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

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

**Revenue recognition**

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

**Taxes on property and equipment**

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

**Consumption taxes**

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

**Cash and cash equivalents**

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

**Hedge accounting**

The Company enters into derivative transactions to hedge against interest-rate risk and other forms of risk based on the risk management policies outlined in the Company's Articles of Incorporation. The Company uses interest-rate swap transactions for hedging fluctuations in interest rates on floating-rate loans. The Company has also executed interest-rate and currency swap

transactions as a method of hedging against currency exchange and interest-rate fluctuation risks. Deferred hedge accounting is generally used for such interest-rate swaps and interest-rate and currency swap transactions, and the effectiveness of hedging is measured by comparing the total cash flow fluctuation of the hedged item and that of the hedging instrument since the inception of the hedge.

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

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



## (8) Notes to Financial Statements

**(Notes to Balance Sheets)**

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

|           | Thousands of yen     |                          |
|-----------|----------------------|--------------------------|
|           | As of March 31, 2016 | As of September 30, 2016 |
| Buildings | 50,086               | 50,086                   |

## b. Commitment line agreement

The Company has signed commitment line agreements with four banks.

|   | Thousands of yen     |                          |
|---|----------------------|--------------------------|
|   | As of March 31, 2016 | As of September 30, 2016 |
| Total amount of commitment line agreement | 50,000,000           | 50,000,000               |
| Debt financing balance                    | —                    | —                        |
| Balance                                   | 50,000,000           | 50,000,000               |

## c. Minimum net assets required by Article 67, Paragraph 4 of the ITA

|  | Thousands of yen     |                          |
|--|----------------------|--------------------------|
|  | As of March 31, 2016 | As of September 30, 2016 |
|  | 50,000               | 50,000                   |

**(Notes to Statements of Income)**

## a. Breakdown of property-related revenues and expenses

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

- b. Breakdown of gain on sales of real estate properties  
For the period from October 1, 2015 to March 31, 2016

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

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

“Not applicable”

**(Changes in Unitholders' Equity)**

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

**(Supplemental Cash Flow Information)**

**Cash and cash equivalents**

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

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

**(Financial Instruments)**

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

**a. Status of financial instruments**

(i) Policies for dealing financial instruments

Concerning the financing of property acquisitions, the Company shall use several funding sources including bank loans, 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.

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

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

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

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

The funding proceeds from borrowings and issues of investment corporation bonds are applied mainly to acquire real estate

properties and repay outstanding loans and bonds. While floating-rate short-term and long-term loans are exposed to the risk of interest-rate hikes, such risk is mitigated by the Company's low LTV and relatively high percentage of long-term fixed-rate debts within the total borrowing. The Company also utilizes derivative transactions (interest-rate swap transactions) as a hedge against interest-rate risk derived from floating-rate long-term loans, thereby maintaining the overall interest rates on the loans at an effectively fixed level. Foreign currency-denominated loans are also exposed to currency exchange and interest-rate fluctuation risk. However, the Company uses derivative transactions as a method of hedging against these risks (interest-rate and currency swap transactions). For more detailed information on the hedge accounting method, hedging instruments, hedged items, hedge policies and the evaluation method of hedge effectiveness, please refer to the previous section (7) 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 ① maintaining and strengthening its ability to access equity markets to secure funds, ② maintaining commitment lines with major financial institutions (There is no amount outstanding under the facility as of March 31, 2016 and September 30, 2016) and ③ preparing monthly financial plans.

(iii) Supplementary note regarding fair value of financial instruments

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

**b. Fair value of financial instruments**

Fair value of financial instruments, their values carried on the balance sheet and the differences between them as of March 31, 2016 and September 30, 2016 are as follows.

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

|  | Thousands of yen     |             |            |
|--|----------------------|-------------|------------|
|  | As of March 31, 2016 |             |            |
|  | Book value           | Fair value  | Difference |
| (1) Cash and deposits                  | 19,362,431           | 19,362,431  | —          |
| (2) Cash and deposits in trust         | 5,542,352            | 5,542,352   | —          |
| (3) Short-term loans                   | 22,700,000           | 22,700,000  | —          |
| (4) Current portion of long-term loans | 44,400,000           | 44,605,234  | 205,234    |
| (5) Investment corporation bonds       | 20,000,000           | 21,988,600  | 1,988,600  |
| (6) Long-term loans                    | 276,300,000          | 283,574,360 | 7,274,360  |
| (7) Derivative transactions            | —                    | —           | —          |

  

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

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

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

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

(3) Short-term loans

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

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

For loans with floating interest rates, since the interest rates on such loans reflect market rates reasonably well over the short term and their book values are good approximations of their fair values, the book values are presented as their fair values. (However, the fair values of floating-rate long-term loans hedged by an interest-rate and currency swap subject to integrated treatment or by an interest-rate swap subject to special accounting treatment are calculated by discounting the aggregated principal and the interest on such loans, after taking into account the effect of said interest-rate and currency swaps or interest-rate swaps, using reasonable estimates of the rates that would be applicable if the Company were to refinance the existing loans for the remaining period to maturity under the prevailing market conditions as of March 31, 2016 and September 30, 2016. Such floating-rate long-term loans are presented in the following section entitled Derivative Transactions.) The fair values of the liabilities with fixed interest rates are calculated by discounting the aggregated amounts of the principal and the interest of the loans by the rates that are reasonably estimated to be applicable if the Company were to refinance the existing loans for the remaining period to maturity under the prevailing market conditions as of March 31, 2016 and September 30, 2016.

(5) Investment corporation bonds

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

(7) Derivative transactions

Please refer to the following section entitled Derivative Transactions.

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

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

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

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

## 3. Redemption schedule for monetary claims after the closing date

|                            | Thousands of yen     |              |              |              |              |              |
|----------------------------|----------------------|--------------|--------------|--------------|--------------|--------------|
|                            | As of March 31, 2016 |              |              |              |              |              |
|                            | 1 year or less       | 1 to 2 years | 2 to 3 years | 3 to 4 years | 4 to 5 years | Over 5 years |
| Cash and deposits          | 19,362,431           | —            | —            | —            | —            | —            |
| Cash and deposits in trust | 5,542,352            | —            | —            | —            | —            | —            |
| Total                      | 24,904,784           | —            | —            | —            | —            | —            |

|                            | Thousands of yen         |              |              |              |              |              |
|----------------------------|--------------------------|--------------|--------------|--------------|--------------|--------------|
|                            | As of September 30, 2016 |              |              |              |              |              |
|                            | 1 year or less           | 1 to 2 years | 2 to 3 years | 3 to 4 years | 4 to 5 years | Over 5 years |
| Cash and deposits          | 16,231,988               | —            | —            | —            | —            | —            |
| Cash and deposits in trust | 6,314,725                | —            | —            | —            | —            | —            |
| Total                      | 22,546,714               | —            | —            | —            | —            | —            |

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

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

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

**(Derivative Transactions)**

## a. Derivatives not designated as hedging instruments

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

“Not applicable”

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

“Not applicable”

## b. Derivatives designated as hedging instruments

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

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

(Thousands of yen)

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

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

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

(Thousands of yen)

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

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

**(Income Taxes)**

The Company is subject to Japanese corporate income taxes on all of its taxable income. However, under the Special Taxation Measures Act, an investment corporation is allowed to deduct dividends of accounting profits, or dividend distributions, paid to unitholders from its taxable income if certain tax requirements are satisfied. Such tax requirements include dividend distributions in excess of 90% of its earnings available for dividends for the fiscal period as stipulated by Article 67-15 of the Special Taxation Measures Act. The significant components of deferred tax assets and liabilities as of March 31, 2016 and September 30, 2016 were as follows:

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

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

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

**(Asset Retirement Obligations)**

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

**a. Asset retirement obligations reported on balance sheets**

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

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

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

**b. Asset retirement obligations other than those reported on balance sheets**

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

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

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

**(Investment and Rental Property)**

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

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

The book values on balance sheets as of March 31, 2016 and September 30, 2016 and the fair values as of March 31, 2016 and September 30, 2016 are as follows:

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

  

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

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

2. Significant changes

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

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

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

Profits and losses related to investment and rental property are listed in the "a. Breakdown of property-related revenues and expenses" under "Notes to Statements of Income".

**(Segment Information)**

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

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

**Information on products and services**

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

**Information on geographic area**

a. Revenue

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

b. 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.

**(Per Unit Information)**

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

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

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

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

**(Subsequent Events)**

“Not applicable”

**(Additional Information)**

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

“Not applicable”

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

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



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

There have been no changes made during the period under review regarding the number of units outstanding and total unitholders' capital. Changes in the past five years are as follows.

| Date              | Remarks   | Number of Units Outstanding |           | Total Unitholders' Capital<br>(Millions of yen) |         | Notes |
|-------------------|---|-----------------------------|-----------|---|---------|-------|
|                   |   | Increase/Decrease           | Balance   | Increase/Decrease                               | Balance |       |
| February 28, 2012 | Issuance of new investment units (public offering)        | 54,400                      | 543,600   | 35,471  | 359,824 | *1    |
| March 27, 2012    | Issuance of new investment units (third-party allocation) | 5,440                       | 549,040   | 3,547   | 363,371 | *2    |
| October 29, 2012  | Issuance of new investment units (public offering)        | 41,000                      | 590,040   | 29,678  | 393,050 | *3    |
| November 28, 2012 | Issuance of new investment units (third-party allocation) | 4,100                       | 594,140   | 2,967   | 396,018 | *4    |
| January 1, 2014   | Split of investment units                                 | 594,140                     | 1,188,280 | —   | 396,018 | *5    |
| April 15, 2014    | Issuance of new investment units (public offering)        | 57,500                      | 1,245,780 | 27,968  | 423,986 | *6    |
| May 14, 2014      | Issuance of new investment units (third-party allocation) | 5,750                       | 1,251,530 | 2,796   | 426,783 | *7    |
| April 6, 2015     | Issuance of new investment units (public offering)        | 54,000                      | 1,305,530 | 29,189  | 455,972 | *8    |
| May 11, 2015      | Issuance of new investment units (third-party allocation) | 3,780                       | 1,309,310 | 2,043   | 458,016 | *9    |

- \*1. New investment units were issued at 672,750 yen per unit (underwriting price of 652,050 yen) with the purpose of funding the repayment of short-term loans used to acquire new specified assets and, in the event there is any remaining, the repayment of other loans.
- \*2. New investment units were issued at 652,050 yen per unit with the purpose of funding the repayment of short-term loans used to acquire new specified assets and, in the event there is any remaining, the repayment of other loans.
- \*3. New investment units were issued at 746,850 yen per unit (underwriting price of 723,870 yen) with the purpose of partially funding the repayment of loans and the acquisition of new specified assets.
- \*4. New investment units were issued at 723,870 yen per unit with the purpose of partially funding the acquisition of new specified assets.
- \*5. With December 31, 2013 as the date of record, and January 1, 2014 as the effective date, the Company implemented a 2-for-1 split of the investment units held by unitholders stated or recorded on the final unitholders registry for December 31, 2013.
- \*6. New investment units were issued at 501,760 yen per unit (underwriting price of 486,400 yen), for the purpose of assigning funds to repayment of loans.
- \*7. New investment units were issued at 486,400 yen per unit, for the purpose of compensating decreases in cash reserves assigned to repayment of loans.
- \*8. New investment units were issued at 557,620 yen per unit (underwriting price of 540,550 yen) for the purpose of funding the partial repayment of short-term loans, the redemption of investment corporation bonds, the acquisition of specified assets, and, in the event there are any funds remaining, cash reserves.
- \*9. New investment units were issued at 540,550 yen per unit for the purpose of funding the partial repayment of short-term loans and, in the event there are any funds remaining, cash reserves.

#### 4. Changes in Officers

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

#### 5. Reference Data

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

| Asset type               | Region, etc.  | As of March 31, 2016                                 |                              | As of September 30, 2016                             |                              |
|--------------------------|---|--|------------------------------|--|------------------------------|
|                          |   | Total of net book value* <sup>1</sup><br>(¥ million) | Ratio to total assets<br>(%) | Total of net book value* <sup>1</sup><br>(¥ million) | Ratio to total assets<br>(%) |
| Real property            | Tokyo 23 wards  | 522,763  | 58.7                         | 519,590  | 58.8                         |
|                          | Tokyo metropolitan area<br>(excluding Tokyo 23 wards)* <sup>2</sup> | 44,292   | 5.0                          | 43,957   | 5.0                          |
|                          | Regional cities   | 81,415   | 9.1                          | 81,176   | 9.2                          |
|                          | Total   | 648,472  | 72.8                         | 644,724  | 73.0                         |
| Trust                    | Tokyo 23 wards  | 118,260  | 13.3                         | 117,840  | 13.3                         |
|                          | Tokyo metropolitan area<br>(excluding Tokyo 23 wards)* <sup>2</sup> | 19,639   | 2.2                          | 19,542   | 2.2                          |
|                          | Regional cities   | 74,989   | 8.4                          | 74,549   | 8.4                          |
|                          | Total   | 212,888  | 23.9                         | 211,933  | 24.0                         |
| Savings and other assets |   | 29,265   | 3.3                          | 26,975   | 3.1                          |
|                          |   | (—)  | (—)                          | (—)  | (—)                          |
| Total amount of assets   |   | 890,626  | 100.0                        | 883,633  | 100.0                        |
|                          |   | (861,360)  | (96.7)                       | (856,657)  | (96.9)                       |

\*1. Total of net book value as of March 31, 2016 is based on total amounts from the balance sheets as of March 31, 2016, and total of net book value as of September 30, 2016 is based on total amounts from the balance sheets as of September 30, 2016. Real property and real property held in trust are the book values after depreciation and amortization.

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

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

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

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

The table below is a quick reference guide outlining the real estate and other assets included in the Company's holdings as of September 30, 2016.

| Region                      | Name of property | Type of specified asset                   | Number of tenants*1 | Leasable space (m <sup>2</sup> ) | Occupancy rate*2 | Appraisal value at the end of period (¥ mil)*3 | Book value at the end of period (¥ mil) | Acquisition price*4 |  | Ratio by *2 region |       |
|-----------------------------|------------------|---|---------------------|----------------------------------|------------------|--|---|---------------------|--|--------------------|-------|
|                             |                  |   |                     |                                  |                  |  |   | (¥ thousand)        | Ratio *2   |                    |       |
| Tokyo metropolitan area     | Tokyo 23 wards   | Genki Medical Plaza                       | Real property       | 1                                | 4,791            | 100.0%   | 6,890                                   | 4,790               | 5,000,000  | 0.5%               | 74.6% |
|                             |                  | Kitanomaru Square                         | Real property       | 5*5                              | 25,678*5         | 100.0%*5                                       | 78,600                                  | 73,195              | 81,555,500                                       | 8.8%               |       |
|                             |                  | MD Kanda Building                         | Real property       | 9                                | 6,269            | 100.0%   | 8,360                                   | 8,780               | 9,520,000  | 1.0%               |       |
|                             |                  | Kandabashi Park Building                  | Real property       | 10                               | 3,687            | 100.0%   | 4,580                                   | 4,498               | 4,810,000  | 0.5%               |       |
|                             |                  | Otemachi Financial City North Tower       | Real property       | 2                                | 5,121            | 100.0%   | 18,800                                  | 15,282              | 15,462,900                                       | 1.7%               |       |
|                             |                  | Nibancho Garden                           | Real property       | 1*5                              | 9,316*5          | 100.0%*5                                       | 17,900                                  | 12,654              | 14,700,000                                       | 1.6%               |       |
|                             |                  | Mitsubishi UFJ Trust and Banking Building | Real property       | 10                               | 11,904           | 100.0%   | 51,600                                  | 29,089              | 44,700,000                                       | 4.8%               |       |
|                             |                  | Burex Kojimachi Building                  | Real property       | 1                                | 4,495            | 100.0%   | 6,610                                   | 5,747               | 7,000,000  | 0.8%               |       |
|                             |                  | Sanno Grand Building                      | Real property       | 38                               | 20,665           | 96.4%  | 33,300                                  | 21,175              | 10,200,000<br>10,700,000<br>Total:<br>20,900,000 | 2.3%               |       |
|                             |                  | Yurakucho Denki Building                  | Real property       | 13                               | 4,697            | 100.0%   | 8,060                                   | 7,711               | 7,200,000  | 0.8%               |       |
|                             |                  | Kodenmachi Shin Nihonbashi Building       | Trust               | 11                               | 3,897            | 100.0%   | 2,880                                   | 2,784               | 3,173,000  | 0.3%               |       |
|                             |                  | Kyodo Building (Kayabacho 2Chome)         | Trust               | 9                                | 4,464            | 95.5%  | 4,920                                   | 4,226               | 4,410,000  | 0.5%               |       |
|                             |                  | Burex Kyobashi Building                   | Real property       | 1                                | 4,279            | 100.0%   | 7,520                                   | 4,519               | 5,250,000  | 0.6%               |       |
| Ginza 1 Chome East Building | Trust            | 8   | 4,513               | 100.0%                           | 7,220            | 6,531  | 6,459,000                               | 0.7%                |  |                    |       |

| Region                  | Name of property | Type of specified asset            | Number of tenants*1 | Leasable space (m <sup>2</sup> ) | Occupancy rate*2 | Appraisal value at the end of period (¥ mil)*3 | Book value at the end of period (¥ mil) | Acquisition price*4 |  | Ratio by *2 region |       |
|-------------------------|------------------|------------------------------------|---------------------|----------------------------------|------------------|--|---|---------------------|--|--------------------|-------|
|                         |                  |                                    |                     |                                  |                  |  |   | (¥ thousand)        | Ratio *2   |                    |       |
| Tokyo metropolitan area | Tokyo 23 wards   | Ginza Sanwa Building               | Real property       | 9                                | 4,326            | 97.1%  | 18,400                                  | 17,177              | 16,830,000   | 1.8%               | 74.6% |
|                         |                  | Ryoshin Ginza East Mirror Building | Real property       | 12                               | 4,255            | 100.0%   | 6,180                                   | 7,524               | 5,353,500<br>2,645,922<br>*6<br>Total:<br>7,999,422            | 0.9%               |       |
|                         |                  | Harumi Front                       | Real property       | 8                                | 33,369           | 100.0%   | 40,000<br>*7                            | 29,147              | 31,300,000   | 3.4%               |       |
|                         |                  | Harumi Center Building             | Real property       | 9                                | 20,812           | 100.0%   | 19,600                                  | 22,813              | 26,800,000   | 2.9%               |       |
|                         |                  | Akasaka Park Building              | Real property       | 29<br>*5                         | 45,013<br>*5     | 100.0%<br>*5                                   | 70,100                                  | 60,472              | 60,800,000   | 6.6%               |       |
|                         |                  | Aoyama Crystal Building            | Real property       | 7                                | 4,898            | 100.0%   | 8,120                                   | 7,129               | 7,680,000  | 0.8%               |       |
|                         |                  | Clover Shiba-koen                  | Trust               | 7                                | 2,550            | 87.3%  | 4,600<br>*14                            | 4,598               | 4,500,000  | 0.5%               |       |
|                         |                  | Shiodome Building                  | Trust               | 35                               | 36,174           | 99.1%  | 96,800                                  | 82,361              | 21,250,000<br>54,600,000<br>10,100,000<br>Total:<br>85,950,000 | 9.3%               |       |
|                         |                  | Shiba 2Chome Daimon Building       | Trust               | 25                               | 9,606            | 100.0%   | 6,470                                   | 5,032               | 4,859,000  | 0.5%               |       |
|                         |                  | Cosmo Kanasugibashi Building       | Trust               | 7                                | 4,062            | 95.3%  | 3,090                                   | 2,539               | 2,808,000  | 0.3%               |       |
|                         |                  | Shinjuku Eastside Square           | Real property       | 43                               | 16,365           | 100.0%   | 25,900<br>*14                           | 22,874              | 23,100,000   | 2.5%               |       |
|                         |                  | Shinwa Building                    | Real property       | 13                               | 5,997            | 100.0%   | 6,970                                   | 7,474               | 7,830,000  | 0.8%               |       |
|                         |                  | Tokyo Opera City Building*8        | Real property       | 101                              | 35,099           | 98.2%  | 32,500                                  | 28,448              | 9,350,000<br>22,426,831<br>Total:<br>31,776,831                | 3.4%               |       |
|                         |                  | TIXTOWER UENO                      | Real property       | 16                               | 15,020           | 92.7%  | 24,800                                  | 20,247              | 22,000,000   | 2.4%               |       |
|                         |                  | Higashi Gotanda 1Chome Building    | Real property       | 4                                | 5,205            | 100.0%   | 6,070                                   | 4,521               | 5,500,000  | 0.6%               |       |
|                         |                  | Osaki Front Tower*9                | Real property       | 1                                | 16,856           | 100.0%   | 16,500<br>*7                            | 9,861               | 12,300,000   | 1.3%               |       |
|                         |                  | Omori-Eki Higashiguchi Building    | Trust               | 23                               | 7,756            | 100.0%   | 5,600                                   | 4,730               | 5,123,000  | 0.6%               |       |
|                         |                  | Nippon Brunswick Building (Land)   | Real property       | *10                              | *10              | *10  | 5,490                                   | 5,572               | 6,670,000<br>(1,170,000)<br>*11<br>Total:<br>5,500,000         | 0.6%               |       |

| Region                  | Name of property                                  | Type of specified asset           | Number of tenants*1 | Leasable space (m <sup>2</sup> ) | Occupancy rate*2 | Appraisal value at the end of period (¥ mil)*3 | Book value at the end of period (¥ mil) | Acquisition price*4 |  | Ratio by region *2 |       |
|-------------------------|---|-----------------------------------|---------------------|----------------------------------|------------------|--|---|---------------------|--|--------------------|-------|
|                         |   |                                   |                     |                                  |                  |  |   | (¥ thousand)        | Ratio *2   |                    |       |
| Tokyo metropolitan area | Tokyo 23 wards                                    | Yoyogi 1 Chome Building           | Real Property       | 9                                | 7,745            | 100.0%   | 11,600                                  | 7,074               | 8,700,000  | 0.9%               | 74.6% |
|                         |   | da Vinci Harajuku                 | Real property       | 4                                | 3,147            | 100.0%   | 7,100                                   | 4,842               | 4,885,000  | 0.5%               |       |
|                         |   | Jingumae Media Square Building    | Real property       | 5                                | 5,558            | 84.5%  | 10,500                                  | 10,705              | 12,200,000*12  | 1.3%               |       |
|                         |   | Shibuya Cross Tower               | Real property       | 55                               | 29,762           | 98.4%  | 52,300                                  | 37,771              | 34,600,000   | 3.7%               |       |
|                         |   | Ebisu Neonato                     | Real property       | 6                                | 8,700            | 99.8%  | 16,500                                  | 14,228              | 3,740,000<br>360,000<br>10,512,000<br>Total:<br>14,612,000 | 1.6%               |       |
|                         |   | Harmony Tower                     | Real property       | 20                               | 14,340           | 100.0%   | 13,900                                  | 10,100              | 8,500,000<br>520,000<br>2,100,000<br>Total:<br>11,120,000  | 1.2%               |       |
|                         |   | Otsuka Higashi Ikebukuro Building | Trust               | 7                                | 7,224            | 100.0%   | 4,480                                   | 3,454               | 3,541,000  | 0.4%               |       |
|                         |   | Ikebukuro 2Chome Building         | Trust               | 9                                | 2,186            | 100.0%   | 1,700                                   | 1,581               | 1,728,000  | 0.2%               |       |
|                         |   | Ikebukuro YS Building             | Real property       | 10                               | 5,932            | 100.0%   | 4,800                                   | 4,159               | 4,500,000  | 0.5%               |       |
|                         | Tokyo metropolitan area, excluding Tokyo 23 wards | Hachioji First Square             | Real property       | 51                               | 10,068           | 100.0%   | 4,810                                   | 4,976               | 3,300,000<br>2,379,112<br>Total:<br>5,679,112              | 0.6%               | 7.6%  |
|                         |   | Saitama Urawa Building            | Real property       | 18                               | 4,510            | 100.0%   | 2,420                                   | 2,515               | 1,232,000<br>1,342,000<br>Total:<br>2,574,000              | 0.3%               |       |
|                         |   | MM Park Building                  | Real property       | 30                               | 38,426           | 98.8%  | 39,800                                  | 32,580              | 37,400,000   | 4.0%               |       |
|                         |   | Queen's Tower A                   | Trust               | 49                               | 26,669           | 97.2%  | 20,000*14                               | 16,575              | 17,200,000   | 1.9%               |       |
|                         |   | Kawasaki Isago Building           | Trust               | 13                               | 6,831            | 100.0%   | 2,610                                   | 2,967               | 3,375,000  | 0.4%               |       |
|                         |   | Musashi Kosugi STM Building       | Real property       | 26                               | 5,378            | 100.0%   | 4,210                                   | 3,885               | 4,000,000  | 0.4%               |       |

| Region             | Name of property               | Type of specified asset | Number of tenants*1 | Leasable space (m <sup>2</sup> ) | Occupancy rate*2 | Appraisal value at the end of period (¥ mil)*3 | Book value at the end of period (¥ mil) | Acquisition price*4   |          | Ratio by *2 region |
|--------------------|--------------------------------|-------------------------|---------------------|----------------------------------|------------------|--|---|---|----------|--------------------|
|                    |                                |                         |                     |                                  |                  |  |   | (¥ thousand)  | Ratio *2 |                    |
| Other major cities | 8·3 Square Kita Building       | Real property           | 9                   | 12,265                           | 100.0%           | 7,700  | 6,090                                   | 7,100,000   | 0.8%     | 17.8%              |
|                    | Jozenji Park Building          | Real property           | 16                  | 2,518                            | 96.0%            | 998  | 1,001                                   | 1,000,000   | 0.1%     |                    |
|                    | Higashi Nibancho Square        | Real property           | 21                  | 20,526                           | 98.7%            | 13,700*7                                       | 9,269                                   | 9,950,000   | 1.1%     |                    |
|                    | Sendai Honcho Honma Building   | Trust                   | 24                  | 6,234                            | 100.0%           | 2,430  | 2,900                                   | 2,924,000<br>250,000<br>Total:<br>3,174,000                         | 0.3%     |                    |
|                    | AER                            | Real property           | 61                  | 23,612                           | 98.2%            | 19,000   | 18,665                                  | 18,640,000  | 2.0%     |                    |
|                    | Kanazawa Park Building         | Real property           | 79                  | 20,942                           | 99.3%            | 4,680  | 4,283                                   | 2,880,000<br>1,700,000<br>Total:<br>4,580,000                       | 0.5%     |                    |
|                    | Nishiki Park Building*13       | Real property           | 59*5                | 10,338*5                         | 96.3%*5          | 5,030  | 5,209                                   | 3,850,000<br>1,300,000<br>650,000<br>175,000<br>Total:<br>5,975,000 | 0.6%     |                    |
|                    | Nagoya Hirokoji Place          | Trust                   | 27                  | 13,200                           | 100.0%           | 10,600*14                                      | 8,227                                   | 8,567,000   | 0.9%     |                    |
|                    | Nagoya Hirokoji Building       | Real property           | 33                  | 21,610                           | 91.7%            | 12,600   | 15,622                                  | 14,533,000  | 1.6%     |                    |
|                    | Nagoya Misono Building         | Real property           | 16                  | 3,448                            | 100.0%           | 1,270  | 1,538                                   | 1,865,000   | 0.2%     |                    |
|                    | Shijo Karasuma Center Building | Real property           | 11                  | 6,634                            | 100.0%           | 5,040*14                                       | 4,110                                   | 4,400,000   | 0.5%     |                    |
|                    | Umeda Square Building*16       | Trust                   | 42                  | 10,370                           | 100.0%           | 16,300   | 15,459                                  | 15,523,520  | 1.7%     |                    |
|                    | Shin Fujita Building           | Trust                   | 49                  | 28,414                           | 96.9%            | 18,300   | 22,264                                  | 24,000,000  | 2.6%     |                    |
|                    | Sakaisujihonmachi Building     | Real property           | 21                  | 11,520                           | 95.9%            | 3,330  | 3,643                                   | 2,264,000<br>1,900,000<br>Total:<br>4,164,000                       | 0.5%     |                    |

| Region             | Name of property                           | Type of specified asset | Number of tenants* <sup>1</sup> | Leasable space (m <sup>2</sup> ) | Occupancy rate* <sup>2</sup> | Appraisal value at the end of period (¥ mil)* <sup>3</sup> | Book value at the end of period (¥ mil) | Acquisition price* <sup>4</sup>                |                      | Ratio by * <sup>2</sup> region |
|--------------------|--|-------------------------|---------------------------------|----------------------------------|------------------------------|--|---|--|----------------------|--------------------------------|
|                    |  |                         |                                 |                                  |                              |  |   | (¥ thousand)                                   | Ratio * <sup>2</sup> |                                |
| Other major cities | Midosuji Daiwa Building                    | Trust                   | 41                              | 20,450                           | 100.0%                       | 14,300   | 13,269                                  | 6,934,000<br>7,380,000<br>Total:<br>14,314,000 | 1.5%                 | 17.8%                          |
|                    | Amagasaki Front Building                   | Trust                   | 31                              | 15,500                           | 100.0%                       | 9,820  | 9,016                                   | 9,300,000                                      | 1.0%                 |                                |
|                    | Lit City Building                          | Real property           | 39                              | 9,965                            | 100.0%                       | 4,430  | 3,280                                   | 4,650,000                                      | 0.5%                 |                                |
|                    | NHK Hiroshima Broadcasting Center Building | Real property           | 12                              | 9,860                            | 100.0%                       | 2,830  | 2,959                                   | 1,320,000<br>1,450,000<br>Total:<br>2,770,000  | 0.3%                 |                                |
|                    | Tosei Tenjin Building                      | Real property           | 22                              | 3,995                            | 92.4%                        | 1,320  | 1,389                                   | 1,550,000                                      | 0.2%                 |                                |
|                    | Tenjin Crystal Building                    | Real property           | 30                              | 5,964                            | 100.0%                       | 2,650  | 4,112                                   | 5,000,000                                      | 0.5%                 |                                |
|                    | Hinode Tenjin Building                     | Trust                   | 3                               | 5,903                            | 100.0%                       | 3,880  | 3,411                                   | 3,657,000                                      | 0.4%                 |                                |
|                    | Total                                      |                         | 1,426                           | 820,917                          | 98.7%                        | 1,011,368  | 856,657                                 | 923,623,286                                    | 100.0%               |                                |

- \*1. The total number of tenants is based on the gross number of tenants in each building. Each instance of occupancy of a single tenant leasing space is considered separately on a per property basis even if said tenant leases space in multiple properties.
- \*2. Occupancy rate, ratio of acquisition price and ratio by region are rounded to the nearest first decimal place.
- \*3. Appraisal value at the end of period is, as a rule, the value assessed by real estate appraisers based on the Company's Articles of Incorporation and the Cabinet Office Ordinance on Accountings of Investment Corporations. The book closing date is used as the appraisal date and the appraisal value is calculated by Daiwa Real Estate Appraisal Co., Ltd.
- \*4. Incidental expenses arising from acquisitions are not included in the acquisition price.
- \*5. Residential portions are not included in the total number of tenants, the occupancy rate or the leasable space for Kitanomaru Square, Nibancho Garden, Akasaka Park Building or Nishiki Park Building. The residential portions for these properties are as follows: Kitanomaru Square, leasable space: 11,694m<sup>2</sup>, occupancy rate: 95.0%; Nibancho Garden, leasable space: 1,686m<sup>2</sup>, occupancy rate: 100.0%; Akasaka Park Building, leasable space: 10,780m<sup>2</sup>, occupancy rate: 92.8%; Nishiki Park Building, leasable space: 954m<sup>2</sup>, occupancy rate: 74.0%.
- \*6. This includes the acquisition price of the land and building adjacent to Ryoshin Ginza East Mirror Building dated July 4, 2008, the cost of the adjacent building's demolition and the total expense of the construction and expansion of the Ryoshin Ginza East Mirror Building (excluding brokerage fees and other acquisition-related expenses) after its completion on May 24, 2010.
- \*7. Appraisal values by Chuo Real Estate Appraisal Co., Ltd.
- \*8. Accompanying the acquisition of Tokyo Opera City Building on September 13, 2005, the Company acquired 33 shares of Tokyo Opera City Building Co., Ltd. (the business that maintains, services and operates the building) at a total acquisition price of 2,797 thousand yen and inherited the 874 thousand yen deposit made to Tokyo Opera City Building Co., Ltd. by the seller. In an additional acquisition, on March 24, 2010, the Company acquired 91 shares of Tokyo Opera City Building Co., Ltd. at a total acquisition price of 7,539 thousand yen. Concurrently, the Company acquired 4,931 shares of Tokyo Opera City Heat Supply Co., Ltd. (the supplier of heat to the building) at a total acquisition price of 566,831 thousand yen, inheriting the 2,360 thousand yen deposit made to Tokyo Opera City Building Co., Ltd. by the seller.  
Regarding the appraisal value at the end of the fiscal period of the above-mentioned shares, the 4,931 shares of Tokyo Opera City Heating Co., Ltd. are valued at 566,831 thousand yen and the 124 shares of Tokyo Opera City Building Co., Ltd. are valued at 10,336 thousand yen.
- \*9. On acquiring Osaki Front Tower, the Company inherited the land renter's lease deposit of 1,040,000 thousand yen held by the seller of the building. The value of the lease deposit was appraised at the end of the fiscal period and remained unchanged.
- \*10. Because the building portion of the Nippon Brunswick Building was transferred on August 23, 2013, no total number of tenants, leasable space or occupancy rate are provided. Furthermore, the 1,497m<sup>2</sup> portion of land still held is being rented to the transferee of the building, Mitsubishi Estate Co., Ltd.
- \*11. Because the building was transferred on August 23, 2013, the acquisition price of the building at the time of the land and building purchase dated March 24, 2004, has been deducted.
- \*12. This is the acquisition price dated October 9, 2003, and includes a portion of the site transferred on October 30, 2009 (cost of investment sold, 614 million yen).

- \*13. On acquiring Nishiki Park Building, the Company inherited the 9,000 thousand yen lease deposit made by the land renters held by the seller of the building.
- \*14. Appraisal values by Japan Real Estate Institute.
- \*15. In the above quick reference guide, if the real estate or other assets are classified as shared ownership or compartmental ownership, only the real estate or other assets owned by the Company are presented and the portions owned by the other shared owners or compartmental owners are excluded.
- \*16. On acquiring the Umeda Square Building, the Company inherited 500,000 thousand yen of deposit for construction to connect to underground shopping centers given to Osaka Shigaichi Kaihatsu Co., Ltd., which was held by the seller of the building.



ii) Breakdown of property-related revenues and expenses for real estate and other assets included in the Company's holdings  
The table below is a quick reference guide outlining the revenues and expenses on each real estate and other asset for the September 2016 period (April 1, 2016 – September 30, 2016). Furthermore, the income summary is presented based on the previously mentioned “Summary of Significant Accounting Policies.”

(Millions of Yen)

| Name of property                          | Revenues / Expenses (April 1, 2016 – September 30, 2016) |                           |                              |                    |                          |                    |                    |                   |                |                               |       |                             |            |
|---|--|---------------------------|------------------------------|--------------------|--------------------------|--------------------|--------------------|-------------------|----------------|-------------------------------|-------|-----------------------------|------------|
|   | Property-related revenues                                | Property-related expenses | Property management expenses | Utilities expenses | Property and other taxes | Casualty insurance | Repairing expenses | Depreciation<br>① | Other expenses | Property-related profits<br>② | NOI   | Capital expenditures<br>④*2 | NCF<br>③—④ |
|   |  |                           |                              |                    |                          |                    |                    |                   |                |                               |       |                             |            |
| Genki Medical Plaza                       | 222  | 71                        | 13                           | 17                 | 17                       | 0                  | 0                  | 20                | 2              | 151                           | 171   | -                           | 171        |
| Kitanomaru Square                         | 1,719  | 745                       | 120                          | 78                 | 94                       | 2                  | 38                 | 411               | 0              | 973                           | 1,384 | 11                          | 1,373      |
| MD Kanda Building                         | 223  | 86                        | 17                           | 17                 | 20                       | 0                  | 1                  | 28                | -              | 136                           | 164   | 0                           | 164        |
| Kandabashi Park Building                  | 115  | 41                        | 1                            | -                  | 16                       | 0                  | 5                  | 17                | -              | 74                            | 91    | 4                           | 86         |
| Otemachi Financial City North Tower       | 344  | 177                       | 24                           | 18                 | 45                       | 0                  | -                  | 88                | 0              | 166                           | 255   | -                           | 255        |
| Nibancho Garden                           | 476  | 234                       | 60                           | 26                 | 53                       | 0                  | 3                  | 90                | -              | 241                           | 332   | 2                           | 329        |
| Mitsubishi UFJ Trust and Banking Building | 998  | 384                       | 53                           | 74                 | 135                      | 1                  | 5                  | 112               | 1              | 613                           | 726   | 77                          | 648        |
| Burex Kojimachi Building                  | 150  | 79                        | -                            | -                  | 13                       | 0                  | 2                  | 62                | -              | 71                            | 133   | -                           | 133        |
| Sanno Grand Building                      | 924  | 392                       | 102                          | 63                 | 105                      | 1                  | 43                 | 75                | -              | 532                           | 608   | 42                          | 565        |
| Yurakucho Denki Building                  | 267  | 129                       | 32                           | 23                 | 41                       | 0                  | 0                  | 31                | -              | 137                           | 168   | 3                           | 165        |
| Kodenmachi Shin Nihonbashi Building       | 113  | 58                        | 14                           | 8                  | 11                       | 0                  | 7                  | 13                | 3              | 54                            | 67    | 0                           | 66         |
| Kyodo Building (Kayabacho 2Chome)         | 145  | 59                        | 9                            | 10                 | 11                       | 0                  | 5                  | 21                | -              | 86                            | 107   | 2                           | 104        |
| Burex Kyobashi Building                   | 157  | 57                        | -                            | -                  | 11                       | 0                  | 5                  | 39                | -              | 100                           | 140   | -                           | 140        |
| Ginza 1Chome East Building                | 145  | 94                        | 12                           | 7                  | 11                       | 0                  | 2                  | 61                | -              | 50                            | 112   | 1                           | 110        |
| Ginza Sanwa Building                      | 378  | 148                       | 28                           | 19                 | 65                       | 0                  | 12                 | 21                | 0              | 230                           | 251   | 65                          | 186        |
| Ryoshin Ginza East Mirror Building        | 162  | 85                        | 14                           | 13                 | 14                       | 0                  | 2                  | 40                | 0              | 76                            | 116   | 0                           | 116        |
| Harumi Front                              | 1,248  | 719                       | 145                          | 131                | 75                       | 1                  | 5                  | 360               | 0              | 529                           | 889   | -                           | 889        |
| Harumi Center Building                    | 608  | 399                       | 71                           | 43                 | 47                       | 1                  | 24                 | 212               | 0              | 208                           | 421   | 1                           | 419        |
| Akasaka Park Building                     | 2,235  | 1,232                     | 226                          | 269                | 273                      | 3                  | 67                 | 388               | 3              | 1,002                         | 1,391 | 24                          | 1,367      |
| Aoyama Crystal Building                   | 217  | 95                        | 14                           | 13                 | 29                       | 0                  | 7                  | 30                | 0              | 121                           | 152   | 11                          | 140        |
| Clover Shiba-koen                         | 100  | 48                        | 10                           | 5                  | 6                        | 0                  | 1                  | 23                | 0              | 51                            | 74    | 0                           | 74         |
| Shiodome Building                         | 1,885  | 770                       | 161                          | 111                | 142                      | 2                  | 14                 | 335               | 2              | 1,114                         | 1,449 | 30                          | 1,418      |
| Shiba 2Chome Daimon Building              | 277  | 158                       | 35                           | 26                 | 38                       | 0                  | 21                 | 35                | 0              | 118                           | 154   | 3                           | 150        |

(Millions of Yen)

| Name of property                  | Revenues / Expenses (April 1, 2016 – September 30, 2016) |                           |                              |                    |                          |                    |                    |                   |                |                               |               |                             |            |
|-----------------------------------|--|---------------------------|------------------------------|--------------------|--------------------------|--------------------|--------------------|-------------------|----------------|-------------------------------|---------------|-----------------------------|------------|
|                                   | Property-related revenues                                | Property-related expenses | Property management expenses | Utilities expenses | Property and other taxes | Casualty insurance | Repairing expenses | Depreciation<br>① | Other expenses | Property-related profits<br>② | NOI<br>③(①+②) | Capital expenditures<br>④*2 | NCF<br>③-④ |
|                                   |  |                           |                              |                    |                          |                    |                    |                   |                |                               |               |                             |            |
| Cosmo Kanasugibashi Building      | 99   | 47                        | 12                           | 7                  | 13                       | 0                  | 0                  | 13                | 0              | 52                            | 66            | 1                           | 65         |
| Shinjuku Eastside Square          | 658  | 282                       | 44                           | 53                 | 49                       | 0                  | 0                  | 132               | 0              | 375                           | 508           | -                           | 508        |
| Shinwa Building                   | 214  | 85                        | 20                           | 17                 | 19                       | 0                  | 2                  | 25                | -              | 128                           | 153           | 16                          | 136        |
| Tokyo Opera City Building*1       | 1,469  | 1,049                     | *1                           | *1                 | *1                       | *1                 | *1                 | *1                | *1             | 420                           | *1            | 72                          | *1         |
| TIXTOWER UENO                     | 651  | 390                       | 59                           | 48                 | 38                       | 1                  | 4                  | 237               | 0              | 261                           | 498           | 7                           | 491        |
| Higashi Gotanda 1Chome Building   | 182  | 95                        | 14                           | 21                 | 14                       | 0                  | 1                  | 42                | 0              | 86                            | 129           | 0                           | 128        |
| Osaki Front Tower                 | 711  | 499                       | 68                           | 40                 | 27                       | 0                  | 12                 | 256               | 93             | 212                           | 468           | -                           | 468        |
| Omori-Eki Higashiguchi Building   | 234  | 130                       | 27                           | 21                 | 25                       | 0                  | 23                 | 31                | -              | 103                           | 134           | 123                         | 11         |
| Nippon Brunswick Building (land)  | 60   | 20                        | -                            | -                  | 20                       | -                  | -                  | -                 | -              | 39                            | 39            | -                           | 39         |
| Yoyogi 1Chome Building            | 304  | 137                       | 24                           | 20                 | 23                       | 0                  | 0                  | 67                | -              | 167                           | 235           | 6                           | 229        |
| da Vinci Harajuku                 | 191  | 55                        | 10                           | 10                 | 16                       | 0                  | 1                  | 14                | -              | 136                           | 151           | -                           | 151        |
| Jingumae Media Square Building    | 166  | 137                       | 26                           | 19                 | 45                       | 0                  | 7                  | 37                | -              | 29                            | 67            | 16                          | 50         |
| Shibuya Cross Tower               | 1,398  | 1,226                     | 182                          | 122                | 123                      | 2                  | 361                | 433               | 0              | 171                           | 605           | 201                         | 403        |
| Ebisu Neonato                     | 451  | 214                       | 49                           | 25                 | 37                       | 1                  | 3                  | 95                | -              | 236                           | 332           | 10                          | 321        |
| Harmony Tower                     | 444  | 139                       | 14                           | -                  | 57                       | 1                  | 12                 | 53                | -              | 304                           | 358           | -                           | 358        |
| Otsuka Higashi Ikebukuro Building | 189  | 94                        | 19                           | 20                 | 12                       | 0                  | 1                  | 40                | -              | 95                            | 135           | -                           | 135        |
| Ikebukuro 2Chome Building         | 67   | 29                        | 7                            | 6                  | 5                        | 0                  | 1                  | 8                 | 0              | 37                            | 45            | -                           | 45         |
| Ikebukuro YS Building             | 190  | 78                        | 17                           | 16                 | 14                       | 0                  | 0                  | 30                | -              | 111                           | 142           | 2                           | 139        |
| Hachioji First Square             | 240  | 126                       | 49                           | 4                  | 26                       | 1                  | 11                 | 33                | -              | 114                           | 147           | 20                          | 127        |
| Saitama Urawa Building            | 109  | 50                        | 13                           | 8                  | 9                        | 0                  | 1                  | 17                | -              | 59                            | 76            | -                           | 76         |
| MM Park Building                  | 1,320  | 709                       | 137                          | 183                | 78                       | 1                  | 13                 | 294               | 0              | 611                           | 905           | 15                          | 890        |
| Queen's Tower A                   | 992  | 691                       | 206                          | 113                | 111                      | 3                  | 23                 | 225               | 7              | 300                           | 525           | 152                         | 373        |
| Kawasaki Isago Building           | 145  | 76                        | 24                           | 13                 | 13                       | 0                  | 0                  | 23                | -              | 69                            | 93            | -                           | 93         |
| Musashi Kosugi STM Building       | 161  | 62                        | 21                           | 3                  | 11                       | 0                  | 0                  | 27                | -              | 98                            | 125           | 2                           | 123        |
| 8・3 Square Kita Building          | 320  | 180                       | 29                           | 56                 | 22                       | 0                  | 2                  | 69                | -              | 140                           | 209           | -                           | 209        |
| Jozenji Park Building             | 61   | 37                        | 9                            | 8                  | 6                        | 0                  | 0                  | 10                | -              | 24                            | 35            | 0                           | 34         |

(Millions of Yen)

| Name of property                           | Revenues / Expenses (April 1, 2016 – September 30, 2016) |                           |                              |                    |                          |                    |                    |                   |                |                               |        |                             |            |
|--|--|---------------------------|------------------------------|--------------------|--------------------------|--------------------|--------------------|-------------------|----------------|-------------------------------|--------|-----------------------------|------------|
|  | Property-related revenues                                | Property-related expenses |                              |                    |                          |                    |                    |                   |                | Property-related profits<br>② | NOI    | Capital expenditures<br>④*2 | NCF<br>③-④ |
|  |  |                           | Property management expenses | Utilities expenses | Property and other taxes | Casualty insurance | Repairing expenses | Depreciation<br>① | Other expenses |                               |        |                             |            |
| Higashi Nibancho Square                    | 554  | 305                       | 77                           | 55                 | 39                       | 0                  | 3                  | 127               | -              | 248                           | 376    | 3                           | 372        |
| Sendai Honcho Honma Building               | 129  | 65                        | 16                           | 13                 | 15                       | 0                  | 2                  | 17                | 0              | 63                            | 80     | -                           | 80         |
| AER  | 619  | 394                       | 85                           | 55                 | 62                       | 0                  | 28                 | 161               | 0              | 225                           | 386    | 25                          | 360        |
| Kanazawa Park Building                     | 495  | 343                       | 97                           | 51                 | 64                       | 1                  | 60                 | 65                | 1              | 152                           | 217    | 19                          | 198        |
| Nishiki Park Building                      | 278  | 168                       | 55                           | 27                 | 23                       | 0                  | 1                  | 54                | 6              | 109                           | 163    | 0                           | 162        |
| Nagoya Hirokoji Place                      | 383  | 184                       | 39                           | 32                 | 33                       | 0                  | 3                  | 74                | -              | 199                           | 273    | -                           | 273        |
| Hirokoji Sakae Building*3                  | 0  | 6                         | 0                            | 0                  | 5                        | -                  | -                  | -                 | -              | (5)                           | (5)    | -                           | (5)        |
| Nagoya Hirokoji Building                   | 662  | 561                       | 92                           | 54                 | 60                       | 1                  | 206                | 147               | 0              | 100                           | 247    | 437                         | (189)      |
| Nagoya Misono Building                     | 70   | 60                        | 10                           | 7                  | 6                        | 0                  | 7                  | 28                | -              | 10                            | 38     | 6                           | 32         |
| Shijo Karasuma Center Building             | 185  | 116                       | 24                           | 18                 | 11                       | 0                  | 1                  | 59                | 0              | 69                            | 128    | 1                           | 127        |
| Kyoto Shijo Kawaramachi Building*3         | 1  | 5                         | 0                            | -                  | 5                        | -                  | -                  | -                 | -              | (3)                           | (3)    | -                           | (3)        |
| Umeda Square Building                      | 449  | 225                       | 40                           | 48                 | 47                       | 0                  | 8                  | 80                | -              | 223                           | 304    | 13                          | 291        |
| Shin Fujita Building                       | 684  | 515                       | 85                           | 91                 | 75                       | 1                  | 36                 | 223               | -              | 169                           | 393    | 137                         | 255        |
| Sakaishijonmachi Building                  | 220  | 131                       | 41                           | 28                 | 35                       | 0                  | 2                  | 22                | -              | 88                            | 111    | 0                           | 110        |
| Midosuji Daiwa Building                    | 529  | 246                       | 60                           | 40                 | 73                       | 1                  | 2                  | 68                | 0              | 282                           | 351    | -                           | 351        |
| Amagasaki Front Building                   | 439  | 253                       | 64                           | 36                 | 25                       | 0                  | 4                  | 121               | 0              | 186                           | 307    | 0                           | 307        |
| Lit City Building                          | 254  | 149                       | 31                           | 21                 | 19                       | 1                  | 9                  | 65                | 0              | 104                           | 170    | -                           | 170        |
| NHK Hiroshima Broadcasting Center Building | 268  | 181                       | 50                           | 28                 | 23                       | 0                  | 7                  | 46                | 24             | 86                            | 133    | 15                          | 118        |
| Tosei Tenjin Building                      | 76   | 43                        | 12                           | 8                  | 7                        | 0                  | 2                  | 10                | 0              | 32                            | 43     | 3                           | 40         |
| Tenjin Crystal Building                    | 156  | 133                       | 22                           | 20                 | 18                       | 0                  | 9                  | 61                | 0              | 23                            | 84     | -                           | 84         |
| Hinode Tenjin Building                     | 159  | 78                        | 24                           | 15                 | 14                       | 0                  | 5                  | 19                | 0              | 80                            | 100    | 16                          | 84         |
| Total                                      | 30,773   | 17,091                    | 3,519                        | 2,708              | 2,936                    | 57                 | 1,181              | 6,500             | 187            | 13,682                        | 20,182 | 1,613                       | 18,569     |

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

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

\*3. Hirokoji Sakae Building and Kyoto Shijo Kawaramachi Building were transferred on March 30 and 31, 2016, respectively.

## c. Condition of Other Assets

## (i) Shares/Investment Securities

| Securities                             | Number of Shares | Acquisition Price (¥ thousand) |         | Appraisal Value (¥ thousand) |         | Valuation Gain/Loss (¥ thousand) | Notes |
|--|------------------|--------------------------------|---------|------------------------------|---------|----------------------------------|-------|
|  |                  | Unit Price                     | Amount  | Unit Price                   | Amount  |                                  |       |
| Tokyo Opera City Building Co., Ltd.    | 124              | 83                             | 10,336  | 83                           | 10,336  | —                                | *     |
| Tokyo Opera City Heat Supply Co., Ltd. | 4,931            | 114                            | 566,831 | 114                          | 566,831 | —                                | *     |
| Total                                  | —                | —                              | 577,168 | —                            | 577,168 | —                                | —     |

\* Unit prices for relevant non-listed stock are defined as acquisition costs.

## (ii) Marketable Securities Other Than Shares

| Asset Type                           | Quantity | Book Value (¥ thousand) |         | Appraisal Value (¥ thousand) |         | Valuation Gain/Loss (¥ thousand) | Notes |
|--------------------------------------|----------|-------------------------|---------|------------------------------|---------|----------------------------------|-------|
|                                      |          | Unit Price              | Amount  | Unit Price                   | Amount  |                                  |       |
| Trust beneficiary rights in deposits | 1        | 687,258                 | 687,258 | 687,258                      | 687,258 | —                                | —     |
| Total                                | —        | —                       | 687,258 | —                            | 687,258 | —                                | —     |

## (iii) Other Specified Assets

| Asset Type     | Quantity | Book Value (¥ thousand) |           | Appraisal Value (¥ thousand) |           | Valuation Gain/Loss (¥ thousand) | Notes |
|----------------|----------|-------------------------|-----------|------------------------------|-----------|----------------------------------|-------|
|                |          | Unit Price              | Amount    | Unit Price                   | Amount    |                                  |       |
| Monetary claim | 1        | 1,040,000               | 1,040,000 | 1,040,000                    | 1,040,000 | —                                | —     |
| Total          | —        | —                       | 1,040,000 | —                            | 1,040,000 | —                                | —     |

\* Trust beneficiary rights, the principal trust asset of real estate, are included in the previous section b. "Real Estate Investment Property and Trust Beneficiary Rights in Trust of Real Estate."

## d. Capital Expenditures

## (i) Schedule for Capital Expenditures

The significant scheduled capital expenditures, such as current plans for repair, maintenance and renovation work on existing properties, are listed below.

The following scheduled capital expenditures include those accounted for as expenses.

| Name of Property<br>(Location)  | Purpose                                   | Scheduled Period                       | Estimated Cost (¥ million) |   |                           |
|---|---|--|----------------------------|---|---------------------------|
|   |   |  | Total Amount               | Payment Amount for the fiscal under review period | Total Amount Already Paid |
| Midosuji Daiwa Building<br>(Osaka, Osaka Prefecture)                            | Upgrade of air conditioners               | From July 2016<br>To March 2017        | 370                        | —   | —                         |
| Nagoya Hirokoji Building<br>(Nagoya, Aichi Prefecture)                          | Elevator renewal construction             | From August 2016<br>To August 2017     | 166                        | —   | —                         |
| Shinwa Building<br>(Shinjuku-ku, Tokyo)   | Upgrade of air conditioning facilities    | From April 2017<br>To September 2017   | 157                        | —   | —                         |
| Shinwa Building<br>(Shinjuku-ku, Tokyo)   | Upgrade of air conditioning facilities    | From October 2016<br>To March 2017     | 151                        | —   | —                         |
| Kanazawa Park Building<br>(Kanazawa, Ishikawa Prefecture)                       | Upgrade of air conditioners               | From July 2016<br>To February 2017     | 84                         | —   | —                         |
| Sakaisujihonmachi Building<br>(Osaka, Osaka Prefecture)                         | Upgrade of disaster prevention facilities | From November 2016<br>To March 2017    | 83                         | —   | —                         |
| da Vinci Harajuku<br>(Shibuya-ku, Tokyo)  | Construction work                         | From October 2016<br>To April 2017     | 78                         | —   | —                         |
| Sakaisujihonmachi Building<br>(Osaka, Osaka Prefecture)                         | Construction work                         | From April 2017<br>To September 2017   | 63                         | —   | —                         |
| Omori-Eki Higashiguchi Building<br>(Ota-ku, Tokyo)                              | Upgrade of air conditioning facilities    | From October 2016<br>To March 2017     | 62                         | —   | —                         |
| NHK Hiroshima Broadcasting Center Building<br>(Hiroshima, Hiroshima Prefecture) | Upgrade of electrical equipment           | From August 2016<br>To January 2017    | 45                         | —   | —                         |
| Kawasaki Isago Building<br>(Kawasaki, Kanagawa Prefecture)                      | Construction work                         | From January 2017<br>To March 2017     | 40                         | —   | —                         |
| Saitama Urawa Building<br>(Saitama, Saitama Prefecture)                         | Construction work                         | From November 2016<br>To February 2017 | 29                         | —   | —                         |
| Jozenji Park Building<br>(Sendai, Miyagi Prefecture)                            | Upgrade of air conditioners               | From July 2016<br>To December 2016     | 11                         | —   | —                         |

## (ii) Capital expenditures during the period under review

For acquired real estate and other assets, capital expenditures incurred in the period under review totaled ¥1,613 million and repair, maintenance and renovation expenses classified as expenses in the period under review totaled ¥1,181 million, for a total of ¥2,794 million worth of construction that has been carried out.

The major item in the capital expenditure was the upgrade of air conditioning facilities of the Omori-Eki Higashiguchi Building.

| Name of Property<br>(Location)                     | Purpose                                   | Period                               | Expenditures for<br>Construction (¥ million) |
|--|---|--------------------------------------|--|
| Omori-Eki Higashiguchi Building<br>(Ota-ku, Tokyo) | Upgrade of<br>air conditioning facilities | From April 2016<br>To September 2016 | 122  |
| Other real estate                                  |   |                                      | 1,490  |
| Total  |   |                                      | 1,613  |

## (iii) Money Saved for Long-term Repair Plans

Based on mid-to-long-term repair plans, the Company records a repair/maintenance reserve every term for the expenditures that may be incurred in preserving the property value in the future and upgrading equipment. The present status of the reserve is as follows:

(Millions of yen)

|   | For the period from<br>April 1, 2014 to<br>September 30, 2014 | For the period from<br>October 1, 2014 to<br>March 31, 2015 | For the period from<br>April 1, 2015 to<br>September 30, 2015 | For the period from<br>October 1, 2015 to<br>March 31, 2016 | For the period from<br>April 1, 2016 to<br>September 30, 2016 |
|---|---|---|---|---|---|
| Balance of reserved funds<br>at the start of period | 2,431   | 2,463   | 2,519   | 2,762   | 3,304   |
| Reserved funds<br>for the period                    | 2,470   | 2,531   | 2,804   | 3,304   | —   |
| Reversal of reserved<br>funds for the period        | 2,438   | 2,475   | 2,561   | 2,762   | 3,304   |
| Balance carried over<br>to next period              | 2,463   | 2,519   | 2,762   | 3,304   | —   |

Note: The Company has decided not to record a reserve for repair expenses, starting from the September 2016 period, if a per-term average of the estimate of repair, maintenance and renovation expenses for 15 years is lower than the expected depreciation cost for the subsequent term.

## e. Expenses and Liabilities

## (i) Details on Operation-related Expenses

| Item   | For the period<br>from October 1, 2015<br>to March 31, 2016 | For the period<br>from April 1, 2016<br>to September 30, 2016 |
|--|---|---|
| (a) Asset management fee*<br>(breakdown) Fees for the period<br>Incentive fees | ¥933,354 thousand<br>¥697,679 thousand<br>¥235,675 thousand | ¥964,815 thousand<br>¥707,929 thousand<br>¥256,886 thousand   |
| (b) Asset custody fee  | ¥61,279 thousand  | ¥59,880 thousand  |
| (c) Administrative service fees  | ¥145,512 thousand   | ¥154,031 thousand   |
| (d) Directors' compensations   | ¥7,800 thousand   | ¥7,800 thousand   |
| (e) Commission fee   | ¥69,199 thousand  | ¥64,875 thousand  |
| (f) Other operating expenses   | ¥78,220 thousand  | ¥62,639 thousand  |
| Total  | ¥1,295,365 thousand   | ¥1,314,041 thousand   |

\*In addition to the asset management fee listed above, in the case that a property is acquired, an "acquisition fee" is included in the acquisition cost of the property and paid to the asset management company.

In the case that a property is sold, a "disposition fee" is included in the loss on sale and paid to the asset management company. These fees are calculated by multiplying the buying/selling price of the property by a fee rate.

In the period ended March 31, 2016, disposition fees amounted to ¥21,830 thousand, and in the period ended September 30, 2016, acquisition fees amounted to ¥875 thousand.

## (ii) Loans

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

| Segment                                      | Lender            | Drawdown Date | Balance at Beginning of Current Period (¥thousand) | Balance at End of Current Period (¥thousand) | Average Interest Rate *1 (%) | Repayment Date                  | Repayment Method   | Use of Proceeds        | Notes |
|--|-------------------|---------------|--|--|------------------------------|---------------------------------|--|------------------------|-------|
|  |                   |               |  |  |                              |                                 |  |                        |       |
| March 25, 2016                               | 5,500,000         | 5,500,000     | 0.08027  | March 27, 2017                               | Bullet                       | Repay existing short-term loans | Floating interest rate                                   |                        |       |
| April 1, 2016                                | —                 | 5,500,000     | 0.08007  | April 3, 2017                                | Bullet                       | Repay existing short-term loans | Floating interest rate                                   |                        |       |
| June 23, 2016                                | —                 | 5,000,000     | 0.07238  | December 26, 2016                            | Bullet                       | Repay existing loans            | Floating interest rate                                   |                        |       |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd.       | April 1, 2015     | 3,500,000     | —  | 0.1245                                       | April 1, 2016                | Bullet                          | Purchase real estate trust beneficiary rights            | Floating interest rate |       |
|  | March 2, 2016     | 1,500,000     | 1,500,000  | 0.07995                                      | March 2 2017                 | Bullet                          | Repay existing short-term loans                          | Floating interest rate |       |
|  | April 1, 2016     | —             | 3,500,000  | 0.08007                                      | April 3, 2017                | Bullet                          | Repay existing short-term loans                          | Floating interest rate |       |
|  | June 23, 2016     | —             | 5,000,000  | 0.07238                                      | December 26, 2016            | Bullet                          | Repay existing loans                                     | Floating interest rate |       |
| Mitsubishi UFJ Trust and Banking Corporation | April 4, 2016     | —             | 3,000,000  | 0.08027                                      | April 4, 2017                | Bullet                          | Repay existing loans                                     | Floating interest rate |       |
|  | June 23, 2016     | —             | 5,000,000  | 0.07238                                      | December 26, 2016            | Bullet                          | Repay existing loans                                     | Floating interest rate |       |
| Sumitomo Mitsui Trust Bank, Limited          | March 31, 2016    | 1,700,000     | 1,700,000  | 0.07933                                      | March 31, 2017               | Bullet                          | Repay existing short-term loans                          | Floating interest rate |       |
|  | June 23, 2016     | —             | 5,000,000  | 0.07238                                      | December 26, 2016            | Bullet                          | Repay existing loans                                     | Floating interest rate |       |
| Shinsei Bank, Limited                        | September 1, 2015 | 2,000,000     | —  | 0.08169                                      | September 1, 2016            | Bullet                          | Purchase real estate                                     | Floating interest rate |       |
|  | September 1, 2016 | —             | 2,000,000  | 0.0718                                       | September 1, 2017            | Bullet                          | Repay existing short-term loans                          | Floating interest rate |       |
| Resona Bank, Limited                         | September 1, 2015 | 1,000,000     | —  | 0.08169                                      | September 1, 2016            | Bullet                          | Purchase real estate and Repay existing short-term loans | Floating interest rate |       |
|  | September 1, 2016 | —             | 1,000,000  | 0.0718                                       | September 1, 2017            | Bullet                          | Repay existing short-term loans                          | Floating interest rate |       |
| The 77 Bank, Ltd.                            | January 7, 2016   | 1,000,000     | 1,000,000  | 0.08151                                      | January 10, 2017             | Bullet                          | Repay existing short-term loans                          | Floating interest rate |       |
| Shinkin Central Bank                         | September 1, 2015 | 1,000,000     | —  | 0.08169                                      | September 1, 2016            | Bullet                          | Repay existing short-term loans                          | Floating interest rate |       |
|  | September 1, 2016 | —             | 1,000,000  | 0.0718                                       | September 1, 2017            | Bullet                          | Repay existing short-term loans                          | Floating interest rate |       |
| Subtotal                                     |                   |               | 22,700,000   | 45,700,000                                   |                              |                                 |  |                        |       |

| Segment                                      | Lender            | Drawdown Date | Balance at Beginning of Current Period (¥thousand) | Balance at End of Current Period (¥thousand) | Average Interest Rate *1 (%) | Repayment Date               | Repayment Method                              | Use of Proceeds     | Notes |
|--|-------------------|---------------|--|--|------------------------------|------------------------------|---|---------------------|-------|
|  |                   |               |  |  |                              |                              |   |                     |       |
| April 4, 2011                                | —                 | 5,000,000     | 1.205  | April 4, 2017                                | Bullet                       | Repay existing loans         | Fixed interest rate                           |                     |       |
| June 1, 2011                                 | —                 | 12,000,000    | 1.12625  | June 1, 2017                                 | Bullet                       | Repay existing loans         | Fixed interest rate                           |                     |       |
| The Bank of Fukuoka, Ltd.                    | August 31, 2011   | —             | 2,000,000  | 0.9025                                       | August 31, 2017              | Bullet                       | Repay existing loans                          | Fixed interest rate |       |
|  | June 15, 2012     | —             | 2,500,000  | 0.66   | June 15, 2017                | Bullet                       | Redeem investment corporation bonds           | Fixed interest rate |       |
|  | August 31, 2012   | —             | 1,000,000  | 0.57125                                      | August 31, 2017              | Bullet                       | Repay existing loans                          | Fixed interest rate |       |
| The Dai-ichi Life Insurance Company, Limited | March 30, 2009    | 5,000,000     | 5,000,000  | 1.54375                                      | March 30, 2017               | Bullet                       | Repay existing loans                          | Fixed interest rate |       |
| Mizuho Bank, Ltd.                            | December 21, 2010 | 5,000,000     | 5,000,000  | 1.30625                                      | December 21, 2016            | Bullet                       | Repay existing short-term loans               | Fixed interest rate |       |
| The Iyo Bank, Ltd.                           | June 15, 2012     | —             | 2,500,000  | 0.66   | June 15, 2017                | Bullet                       | Redeem investment corporation bonds           | Fixed interest rate |       |
| Shinsei Bank, Limited                        | June 15, 2012     | —             | 2,500,000  | 0.66   | June 15, 2017                | Bullet                       | Purchase real estate                          | Fixed interest rate |       |
| Resona Bank, Limited                         | March 1, 2011     | 2,000,000     | 2,000,000  | 1.255  | March 1, 2017                | Bullet                       | Purchase real estate trust beneficiary rights | Fixed interest rate |       |
| Development Bank of Japan Inc.               | March 24, 2010    | 1,400,000     | 1,350,000 *2                                       | 1.665  | March 24, 2017               | Repayment in installments *2 | Purchase real estate                          | Fixed interest rate |       |
| The Hachijuni Bank, Ltd.                     | June 15, 2012     | —             | 1,000,000  | 0.66   | June 15, 2017                | Bullet                       | Purchase real estate                          | Fixed interest rate |       |
| Shinkin Central Bank                         | November 15, 2011 | 1,000,000     | 1,000,000  | 0.7525                                       | November 15, 2016            | Bullet                       | Purchase real estate                          | Fixed interest rate |       |
| Mitsubishi UFJ Trust and Banking Corporation | June 23, 2011     | 6,000,000     | —  | 0.90875                                      | June 23, 2016                | Bullet                       | Repay existing loans                          | Fixed interest rate |       |
| Mizuho Bank, Ltd.                            |                   | 6,000,000     | —  |  |                              |                              |   |                     |       |
| Sumitomo Mitsui Trust Bank, Limited          |                   | 6,000,000     | —  |  |                              |                              |   |                     |       |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd.       |                   | 6,000,000     | —  |  |                              |                              |   |                     |       |
| Taiyo Life Insurance Company                 | April 24, 2008    | 1,000,000     | —  | 1.595  | April 25, 2016               | Bullet                       | Redeem investment corporation bonds           | Fixed interest rate |       |
| Subtotal                                     |                   | 44,400,000    | 42,850,000   |  |                              |                              |   |                     |       |
| Total  |                   | 67,100,000    | 88,550,000   |  |                              |                              |   |                     |       |



| Segment                                | Lender            | Drawdown Date | Balance at Beginning of Current Period (¥thousand) | Balance at End of Current Period (¥thousand) | Average Interest Rate *1 (%) | Repayment Date                                | Repayment Method                | Use of Proceeds     | Notes |
|--|-------------------|---------------|--|--|------------------------------|---|---------------------------------|---------------------|-------|
|  |                   |               |  |  |                              |   |                                 |                     |       |
| June 1, 2011                           | 12,000,000        | —             | 1.12625  | June 1, 2017                                 | Bullet                       | Repay existing loans                          | Fixed interest rate             |                     |       |
| June 1, 2011                           | 10,000,000        | 10,000,000    | 1.31125  | June 1, 2018                                 | Bullet                       | Repay existing loans                          | Fixed interest rate             |                     |       |
| November 15, 2011                      | 3,000,000         | 3,000,000     | 1.13875  | November 15, 2019                            | Bullet                       | Purchase real estate                          | Fixed interest rate             |                     |       |
| June 15, 2012                          | 4,000,000         | 4,000,000     | 0.9525   | June 15, 2020                                | Bullet                       | Purchase real estate                          | Fixed interest rate             |                     |       |
| June 15, 2012                          | 2,500,000         | 2,500,000     | 1.2725   | June 15, 2022                                | Bullet                       | Redeem investment corporation bonds           | Fixed interest rate             |                     |       |
| December 21, 2012                      | 5,000,000         | 5,000,000     | 0.80125  | December 21, 2020                            | Bullet                       | Repay existing loans                          | Fixed interest rate             |                     |       |
| January 31, 2014                       | 4,000,000         | 4,000,000     | 0.64225 *3   | January 29, 2021                             | Bullet                       | Purchase real estate trust beneficiary rights | Floating interest rate *3       |                     |       |
| December 19, 2014                      | 10,000,000        | 10,000,000    | 0.42375 *4   | December 19, 2023                            | Bullet                       | Repay existing short-term loans               | Floating interest rate *4       |                     |       |
| September 1, 2015                      | 3,500,000         | 3,500,000     | 0.63   | September 2, 2024                            | Bullet                       | Purchase real estate                          | Fixed interest rate             |                     |       |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | March 24, 2011    | 2,000,000     | 2,000,000  | 1.3975                                       | March 26, 2018               | Bullet  | Repay existing short-term loans | Fixed interest rate |       |
|  | November 15, 2011 | 3,000,000     | 3,000,000  | 1.13875                                      | November 15, 2019            | Bullet  | Purchase real estate            | Fixed interest rate |       |
|  | June 15, 2012     | 4,000,000     | 4,000,000  | 1.1975                                       | June 15, 2022                | Bullet  | Purchase real estate            | Fixed interest rate |       |
|  | December 21, 2012 | 5,000,000     | 5,000,000  | 0.80125                                      | December 21, 2020            | Bullet  | Repay existing loans            | Fixed interest rate |       |
|  | January 15, 2013  | 5,500,000     | 5,500,000  | 0.71   | January 15, 2020             | Bullet  | Repay existing loans            | Fixed interest rate |       |
|  | January 15, 2013  | 5,500,000     | 5,500,000  | 0.83625                                      | January 15, 2021             | Bullet  | Repay existing loans            | Fixed interest rate |       |
|  | April 24, 2013    | 5,000,000     | 5,000,000  | 0.775  | April 26, 2021               | Bullet  | Repay existing loans            | Fixed interest rate |       |
|  | September 1, 2015 | 5,000,000     | 5,000,000  | 0.2  | September 2, 2019            | Bullet  | Purchase real estate            | Fixed interest rate |       |
|  | September 1, 2015 | 2,000,000     | 2,000,000  | 0.47125                                      | September 1, 2022            | Bullet  | Repay existing short-term loans | Fixed interest rate |       |

| Segment         | Lender                              | Drawdown Date      | Balance at Beginning of Current Period | Balance at End of Current Period | Average Interest Rate *1 (%) | Repayment Date     | Repayment Method | Use of Proceeds                                 | Notes                     |
|-----------------|-------------------------------------|--------------------|--|----------------------------------|------------------------------|--------------------|------------------|---|---------------------------|
|                 |                                     |                    | (¥thousand )                           | (¥thousand )                     |                              |                    |                  |   |                           |
| Long-term loans | Sumitomo Mitsui Trust Bank, Limited | January 17, 2011   | 3,000,000                              | 3,000,000                        | 1.43375                      | January 17 2018    | Bullet           | Repay existing short-term loans                 | Fixed interest rate       |
|                 |                                     | September 26, 2011 | 5,500,000                              | 5,500,000                        | 1.16                         | September 26, 2019 | Bullet           | Repay existing short-term loans                 | Fixed interest rate       |
|                 |                                     | November 15, 2011  | 3,000,000                              | 3,000,000                        | 0.98375                      | November 15, 2018  | Bullet           | Purchase real estate                            | Fixed interest rate       |
|                 |                                     | June 15, 2012      | 4,000,000                              | 4,000,000                        | 0.9525                       | June 15, 2020      | Bullet           | Purchase real estate                            | Fixed interest rate       |
|                 |                                     | January 31, 2014   | 2,000,000                              | 2,000,000                        | 0.62575 *3                   | January 29, 2021   | Bullet           | Purchase real estate trust beneficiary rights   | Floating interest rate *3 |
|                 |                                     | May 29, 2015       | 5,000,000                              | 5,000,000                        | 0.2075                       | May 29, 2019       | Bullet           | Repay existing loans                            | Fixed interest rate       |
|                 |                                     | June 15, 2015      | 3,000,000                              | 3,000,000                        | 0.3425                       | June 15, 2020      | Bullet           | Repay existing loans                            | Fixed interest rate       |
|                 |                                     | September 2, 2015  | 3,800,000                              | 3,800,000                        | 0.536 *3                     | September 2, 2024  | Bullet           | Repay existing short-term loans                 | Floating interest rate *3 |
|                 | Mizuho Bank, Ltd.                   | November 1, 2011   | 6,000,000                              | 6,000,000                        | 1.2075                       | November 1, 2019   | Bullet           | Repay existing short-term loans and other loans | Fixed interest rate       |
|                 |                                     | November 15, 2011  | 3,000,000                              | 3,000,000                        | 1.13875                      | November 15, 2019  | Bullet           | Purchase real estate                            | Fixed interest rate       |
|                 |                                     | June 15, 2012      | 4,000,000                              | 4,000,000                        | 1.07375                      | June 15, 2021      | Bullet           | Purchase real estate                            | Fixed interest rate       |
|                 |                                     | January 15, 2013   | 5,000,000                              | 5,000,000                        | 0.96625                      | January 17, 2022   | Bullet           | Repay existing loans                            | Fixed interest rate       |
|                 |                                     | April 24, 2013     | 3,000,000                              | 3,000,000                        | 0.87375                      | April 25, 2022     | Bullet           | Repay existing loans                            | Fixed interest rate       |
|                 |                                     | September 1, 2015  | 2,500,000                              | 2,500,000                        | 0.17                         | March 1, 2019      | Bullet           | Purchase real estate                            | Fixed interest rate       |
|                 |                                     | October 1, 2015    | 2,500,000                              | 2,500,000                        | 0.5575                       | October 1, 2024    | Bullet           | Repay existing short-term loans                 | Fixed interest rate       |
|                 | Development Bank of Japan Inc.      | January 7, 2013    | 3,000,000                              | 3,000,000                        | 1.115                        | January 6, 2023    | Bullet           | Purchase real estate                            | Fixed interest rate       |
|                 |                                     | January 31, 2014   | 5,000,000                              | 5,000,000                        | 0.9325                       | January 31, 2023   | Bullet           | Purchase real estate trust beneficiary rights   | Fixed interest rate       |
|                 |                                     | September 1, 2015  | 7,000,000                              | 7,000,000                        | 0.7175                       | September 1, 2025  | Bullet           | Purchase real estate and Repay existing loans   | Fixed interest rate       |

|                              | Segment                      | Drawdown Date     | Balance at Beginning of Current Period (¥thousand) | Balance at End of Current Period (¥thousand) | Average Interest Rate *1 (%) | Repayment Date    | Repayment Method     | Use of Proceeds                               | Notes                     |
|------------------------------|------------------------------|-------------------|--|--|------------------------------|-------------------|----------------------|---|---------------------------|
|                              | Lender                       |                   |  |  |                              |                   |                      |   |                           |
| Long-term loans              | The Daishi Bank, Ltd.        | November 14, 2014 | 1,800,000  | 1,800,000                                    | 0.463 *3                     | November 15, 2021 | Bullet               | Repay existing short-term loans               | Floating interest rate *3 |
|                              | The Hokuetsu Bank, Ltd.      |                   | 1,400,000  | 1,400,000                                    |                              |                   |                      |   |                           |
|                              | Sony Bank Incorporated       |                   | 1,400,000  | 1,400,000                                    |                              |                   |                      |   |                           |
|                              | The Toho Bank, Ltd.          |                   | 1,400,000  | 1,400,000                                    |                              |                   |                      |   |                           |
|                              | The Shinkumi Federation Bank |                   | 1,000,000  | 1,000,000                                    |                              |                   |                      |   |                           |
|                              | The Akita Bank, Ltd.         |                   | 900,000  | 900,000                                      |                              |                   |                      |   |                           |
|                              | The Fukui Bank, Ltd.         |                   | 900,000  | 900,000                                      |                              |                   |                      |   |                           |
|                              | The Gunma Bank, Ltd.         |                   | 900,000  | 900,000                                      |                              |                   |                      |   |                           |
|                              | The 77 Bank, Ltd.            |                   | 900,000  | 900,000                                      |                              |                   |                      |   |                           |
|                              | The Tochigi Bank, Ltd.       |                   | 900,000  | 900,000                                      |                              |                   |                      |   |                           |
|                              | The Higo Bank, Ltd.          |                   | 500,000  | 500,000                                      |                              |                   |                      |   |                           |
|                              | The Bank of Iwate, Ltd.      |                   | 500,000  | 500,000                                      |                              |                   |                      |   |                           |
|                              | The Yamagata Bank, Ltd.      |                   | 500,000  | 500,000                                      |                              |                   |                      |   |                           |
|                              | Shinkin Central Bank         |                   | January 7, 2013                                    | 2,000,000                                    |                              |                   |                      |   |                           |
|                              |                              | January 15, 2013  | 5,000,000  | 5,000,000                                    | 0.71                         | January 15, 2020  | Bullet               | Repay existing loans                          | Fixed interest rate       |
|                              |                              | April 24, 2013    | 5,000,000  | 5,000,000                                    | 0.52775                      | April 24, 2018    | Bullet               | Repay existing loans                          | Fixed interest rate       |
|                              | The Norinchukin Bank         | January 31, 2014  | 3,500,000  | 3,500,000                                    | 0.757 *3                     | January 31, 2022  | Bullet               | Purchase real estate trust beneficiary rights | Floating interest rate *3 |
|                              |                              | June 17, 2014     | 3,000,000  | 3,000,000                                    | 0.6785 *3                    | June 17, 2022     | Bullet               | Redeem investment corporation bonds           | Floating interest rate *3 |
|                              |                              | March 25, 2015    | 3,500,000  | 3,500,000                                    | 0.46825 *3                   | March 27, 2023    | Bullet               | Purchase real estate trust beneficiary rights | Floating interest rate *3 |
|                              | The Chugoku Bank, Limited    | August 10, 2015   | 1,000,000  | 1,000,000                                    | 0.3925 *3                    | August 10, 2022   | Bullet               | Repay existing short-term loans               | Floating interest rate *3 |
|                              | The Daishi Bank, Ltd.        |                   | 1,000,000  | 1,000,000                                    |                              |                   |                      |   |                           |
|                              | The Fukui Bank, Ltd.         |                   | 1,000,000  | 1,000,000                                    |                              |                   |                      |   |                           |
| The Gunma Bank, Ltd.         | 1,000,000                    |                   | 1,000,000  |  |                              |                   |                      |   |                           |
| The Shinkumi Federation Bank | 1,000,000                    |                   | 1,000,000  |  |                              |                   |                      |   |                           |
| The Toho Bank, Ltd.          | 1,000,000                    |                   | 1,000,000  |  |                              |                   |                      |   |                           |
| The Tochigi Bank, Ltd.       | 500,000                      |                   | 500,000  |  |                              |                   |                      |   |                           |
| The Chugoku Bank, Limited    | March 25, 2013               | 2,000,000         | 2,000,000  | 0.45   | March 26, 2018               | Bullet            | Repay existing loans | Fixed interest rate                           |                           |
|                              | October 1, 2014              | 1,000,000         | 1,000,000  | 0.4725 *3                                    | October 1, 2021              | Bullet            | Purchase real estate | Floating interest rate *3                     |                           |

|                 | Segment                             | Drawdown Date     | Balance at Beginning of Current Period (¥thousand) | Balance at End of Current Period (¥thousand) | Average Interest Rate *1 (%) | Repayment Date    | Repayment Method | Use of Proceeds                               | Notes                     |
|-----------------|-------------------------------------|-------------------|--|--|------------------------------|-------------------|------------------|---|---------------------------|
|                 | Lender                              |                   |  |  |                              |                   |                  |   |                           |
| Long-term loans | The Chugoku Bank, Limited           | June 15, 2015     | 3,000,000  | 3,000,000                                    | 0.61175 *3                   | June 15, 2023     | Bullet           | Repay existing loans                          | Floating interest rate *3 |
|                 | Shinsei Bank, Limited               | August 31, 2011   | 3,000,000  | 3,000,000                                    | 1.0475                       | August 31, 2018   | Bullet           | Repay existing loans                          | Fixed interest rate       |
|                 |                                     | June 15, 2012     | 2,500,000  | —  | 0.66                         | June 15, 2017     | Bullet           | Purchase real estate                          | Fixed interest rate       |
|                 |                                     | June 15, 2012     | 2,500,000  | 2,500,000                                    | 1.2725                       | June 15, 2022     | Bullet           | Redeem investment corporation bonds           | Fixed interest rate       |
|                 | Taiyo Life Insurance Company        | March 30, 2011    | 2,000,000  | 2,000,000                                    | 1.39625                      | March 30, 2018    | Bullet           | Repay existing loans                          | Fixed interest rate       |
|                 |                                     | October 1, 2014   | 2,000,000  | 2,000,000                                    | 0.7825                       | October 1, 2024   | Bullet           | Purchase real estate                          | Fixed interest rate       |
|                 |                                     | May 29, 2015      | 1,500,000  | 1,500,000                                    | 0.7375                       | May 29, 2025      | Bullet           | Repay existing loans                          | Fixed interest rate       |
|                 | Sumitomo Mitsui Banking Corporation | November 15, 2011 | 3,000,000  | 3,000,000                                    | 0.98375                      | November 15, 2018 | Bullet           | Purchase real estate                          | Fixed interest rate       |
|                 |                                     | January 7, 2013   | 2,000,000  | 2,000,000                                    | 0.98                         | January 7, 2022   | Bullet           | Purchase real estate                          | Fixed interest rate       |
|                 | The Bank of Fukuoka, Ltd.           | August 31, 2011   | 2,000,000  | —  | 0.9025                       | August 31, 2017   | Bullet           | Repay existing loans                          | Fixed interest rate       |
|                 |                                     | June 15, 2012     | 2,500,000  | —  | 0.66                         | June 15, 2017     | Bullet           | Redeem investment corporation bonds           | Fixed interest rate       |
|                 |                                     | August 31, 2012   | 1,000,000  | —  | 0.57125                      | August 31, 2017   | Bullet           | Repay existing loans                          | Fixed interest rate       |
|                 |                                     | January 31, 2014  | 2,500,000  | 2,500,000                                    | 0.63849 *3                   | January 29, 2021  | Bullet           | Purchase real estate trust beneficiary rights | Floating interest rate *3 |
|                 |                                     | March 24, 2015    | 2,000,000  | 2,000,000                                    | 0.5125                       | March 24, 2023    | Bullet           | Repay existing loans                          | Fixed interest rate       |
|                 | The Iyo Bank, Ltd.                  | June 15, 2012     | 2,500,000  | —  | 0.66                         | June 15, 2017     | Bullet           | Redeem investment corporation bonds           | Fixed interest rate       |
|                 |                                     | March 24, 2014    | 2,000,000  | 2,000,000                                    | 0.6035 *3                    | March 24, 2021    | Bullet           | Repay existing loans                          | Floating interest rate *3 |
|                 |                                     | October 1, 2014   | 1,000,000  | 1,000,000                                    | 0.46525 *3                   | October 1, 2021   | Bullet           | Purchase real estate                          | Floating interest rate *3 |
|                 |                                     | January 15, 2016  | 1,000,000  | 1,000,000                                    | 0.265 *3                     | January 16, 2023  | Bullet           | Repay existing loans                          | Floating interest rate *3 |
|                 | The Hachijuni Bank, Ltd.            | June 15, 2012     | 1,000,000  | —  | 0.66                         | June 15, 2017     | Bullet           | Purchase real estate                          | Fixed interest rate       |
|                 |                                     | December 20, 2012 | 1,000,000  | 1,000,000                                    | 0.45625                      | December 20, 2017 | Bullet           | Repay existing loans                          | Fixed interest rate       |
|                 |                                     | March 25, 2013    | 1,000,000  | 1,000,000                                    | 0.45                         | March 26, 2018    | Bullet           | Repay existing loans                          | Fixed interest rate       |

|                     | Segment                          | Drawdown Date     | Balance at Beginning of Current Period (¥thousand) | Balance at End of Current Period (¥thousand) | Average Interest Rate *1 (%) | Repayment Date    | Repayment Method     | Use of Proceeds                               | Notes                     |
|---------------------|----------------------------------|-------------------|--|--|------------------------------|-------------------|----------------------|---|---------------------------|
|                     | Lender                           |                   |  |  |                              |                   |                      |   |                           |
| Long-term loans     | The Hachijuni Bank, Ltd.         | January 15, 2016  | 1,000,000  | 1,000,000                                    | 0.265 *3                     | January 16, 2023  | Bullet               | Repay existing loans                          | Floating interest rate *3 |
|                     | The Hiroshima Bank, Ltd.         | October 1, 2014   | 3,000,000  | 3,000,000                                    | 0.31575 *3                   | October 1, 2019   | Bullet               | Purchase real estate                          | Floating interest rate *3 |
|                     | Mizuho Trust & Banking Co., Ltd. | March 2, 2015     | 3,000,000  | 3,000,000                                    | 0.5585 *3                    | March 3, 2025     | Bullet               | Purchase real estate trust beneficiary rights | Floating interest rate *3 |
|                     | Resona Bank, Limited             | March 25, 2013    | 3,000,000  | 3,000,000                                    | 0.45                         | March 26, 2018    | Bullet               | Repay existing loans                          | Fixed interest rate       |
|                     | The Yamaguchi Bank, Ltd.         | October 29, 2012  | 2,000,000  | 2,000,000                                    | 0.8                          | October 29, 2020  | Bullet               | Repay existing loans                          | Fixed interest rate       |
|                     |                                  | March 25, 2013    | 1,000,000  | 1,000,000                                    | 0.945                        | March 24, 2023    | Bullet               | Repay existing loans                          | Fixed interest rate       |
|                     | The Gunma Bank, Ltd.             | March 24, 2014    | 1,000,000  | 1,000,000                                    | 0.4105 *3                    | March 25, 2019    | Bullet               | Repay existing loans                          | Floating interest rate *3 |
|                     |                                  | November 17, 2014 | 1,000,000  | 1,000,000                                    | 0.316 *3                     | November 18, 2019 | Bullet               | Repay existing loans                          | Floating interest rate *3 |
|                     | Nippon Life Insurance Company    | March 1, 2011     | 2,000,000  | 2,000,000                                    | 1.465                        | March 1, 2018     | Bullet               | Purchase real estate trust beneficiary rights | Fixed interest rate       |
|                     | The Nishi-Nippon City Bank, Ltd. | June 17, 2014     | 2,000,000  | 2,000,000                                    | 0.621 *3                     | December 17, 2021 | Bullet               | Redeem investment corporation bonds           | Floating interest rate *3 |
|                     | The Yamanashi Chuo Bank, Ltd.    | December 15, 2014 | 2,000,000  | 2,000,000                                    | 0.266 *3                     | December 16, 2019 | Bullet               | Repay existing loans                          | Floating interest rate *3 |
|                     | The Daishi Bank, Ltd.            | January 7, 2016   | 1,500,000  | 1,500,000                                    | 0.2802 *3                    | January 10, 2023  | Bullet               | Repay existing short-term loans               | Floating interest rate *3 |
|                     | The Ashikaga Bank, Ltd.          | January 7, 2013   | 1,000,000  | 1,000,000                                    | 0.49125                      | January 9, 2018   | Bullet               | Purchase real estate                          | Fixed interest rate       |
| The Joyo Bank, Ltd. | January 7, 2013                  | 1,000,000         | 1,000,000  | 0.49125                                      | January 9, 2018              | Bullet            | Purchase real estate | Fixed interest rate                           |                           |
| Total               |                                  |                   | 276,300,000  | 247,800,000                                  |                              |                   |                      |   |                           |

\*1. The average for floating interest rates is recorded as the weighted average during the period. The average is rounded off to the fifth decimal place.

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

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

\*4. In order to hedge the risk of exchange rate and interest rate fluctuations related to foreign currency-denominated loans, the Company conducted an interest-rate and currency swap transaction, which substantially secured exchange and interest rates. Accordingly, the weighted average for interest rates during the period is calculated taking the effect of this interest-rate and currency swap into consideration.

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

## (iii) Investment Corporation Bonds

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

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

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

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

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

## (iv) New Unit Acquisition Rights

"Not applicable"

## f. Examination of the Value of Specified Assets

## (i) Real Estate, etc.

| Acquisition or Disposition | Property Name         | Date of Transaction | Acquisition/Disposition Cost*1 (¥ million) | Real Estate Appraisal Value (¥ million) | Appraising Institution                | Date of Appraisal |
|----------------------------|-----------------------|---------------------|--|---|---------------------------------------|-------------------|
| Acquisition                | Nishiki Park Building | April 1, 2016       | 175  | 203                                     | Daiwa Real Estate Appraisal Co., Ltd. | March 1, 2016     |

\*1. The “acquisition/disposition cost” refers to the amount listed in the sale and purchase contract, and does not include various expenses necessary in the acquisition or disposition of the property such as trading intermediate fees.

\*2. The appraisal value listed above is decided in accordance with the 3rd chapter of the Japanese Real Estate Appraisal Act and Real Estate Appraisal Standards.

## (ii) Other

Value inspections on transactions by the Company that are deemed necessary under Article 201 of the ITA, are entrusted to Ernst & Young ShinNihon LLC, excluding ones described in (i) Real Estate, etc. above.

During the period from April 1, 2016 to September 30, 2016, there was no transaction that was subjected to such inspections.

## g. Transactions with Interested Parties (from April 1, 2016 to September 30, 2016)

## (i) Transactions

| Segment   | Buying and Selling Amounts |                    |
|---|----------------------------|--------------------|
|   | Buying Amounts             | Selling Amounts    |
| Total Amount                                      | ¥ 175,000 thousand         | ¥ — thousand       |
| Breakdown of Transactions with Interested Parties |                            |                    |
| Total   | ¥ — thousand ( —%)         | ¥ — thousand ( —%) |

\* The numerical values within the ( ) represent a percentage of the total buying/selling amounts.

## (ii) Amount of Commission Fees and Other Expenses

| Segment                      | Total Amount of Commission Fees and Other Expenses A | Breakdown of Transactions with Interested Parties      |                     | Percentage of Total Amount B/A |
|------------------------------|--|--|---------------------|--------------------------------|
|                              |  | Payment Recipient                                      | Amount Paid B       |                                |
| Property management expenses | ¥3,519,734 thousand                                  | Mitsubishi Jisho Property Management Co., Ltd.         | ¥2,101,261 thousand | 59.7%                          |
|                              |  | Mitsubishi Estate Co., Ltd.                            | ¥170,285 thousand   | 4.8%                           |
|                              |  | Mitsubishi Real Estate Services Co., Ltd.              | ¥44,904 thousand    | 1.3%                           |
|                              |  | Yuden Building Kanri Co., Ltd.                         | ¥32,451 thousand    | 0.9%                           |
| Utilities expenses           | ¥2,708,649 thousand                                  | Minato Mirai 21 District Heating and Cooling Co., Ltd. | ¥100,740 thousand   | 3.7%                           |
| Other operating expenses     | ¥135,235 thousand                                    | Mitsubishi Jisho Property Management Co., Ltd.         | ¥16,980 thousand    | 12.6%                          |
|                              |  | Mitsubishi Estate Co., Ltd.                            | ¥1,998 thousand     | 1.5%                           |
|                              |  | Minato Mirai 21 District Heating and Cooling Co., Ltd. | ¥1,471 thousand     | 1.1%                           |

\*1. Interested parties refers to interested parties of the asset management company who has concluded consignment agreements with the Company, as stipulated in Article 123 of the enforcement order of the ITA, and Section 26, Paragraph 1, Item 27 of the Regulations for Management Reports Concerning Investment Trusts and Investment Corporations of the Investment Trusts Association, Japan.

\*2. In addition to the transactions and commission fees listed above, other amounts paid to interested parties, such as orders placed for repair work, are listed below.

|  |                   |
|--|-------------------|
| Mitsubishi Jisho Property Management Co., Ltd. | ¥651,429 thousand |
| Mitsubishi Estate Co., Ltd.                    | ¥103,051 thousand |
| Mitsubishi Real Estate Services Co., Ltd.      | ¥13,216 thousand  |
| Yuden Building Kanri Co., Ltd.                 | ¥3,654 thousand   |
| Izumi Parktown Service Ltd.                    | ¥630 thousand     |



## h. Other Announcements

(i) Below is an overview of important changes and conclusions of contracts that were accepted by the Company's Board of Directors during the period.

| Date of Acceptance | Accepted Item   | Overview  |
|--------------------|---|---|
| June 02, 2016      | Signing of a consignment agreement of transfer agent work and memorandum concerning the agency commission fee     | The Company signed an agreement on June 9, 2016 with Mitsubishi UFJ Trust and Banking Corporation, which is a new transfer agent to undertake the administrative work for managing the unitholders registry on behalf of the Company, concerning the consignment of unit administration work to commence on June 14, 2016, and a memorandum regarding the commission fees of the same consignment.                        |
|                    | Execution of a contract concerning the management of special accounts   | The Company signed a contract regarding the management of special accounts on June 9, 2016 with Mitsubishi UFJ Trust and Banking Corporation, which is a new agency to engage in the management of special accounts on behalf of the Company, starting from June 14, 2016.  |
|                    | Amendments to the Unit Handling Regulations and privacy policies  | Approval was given to the due amendments to be made to the Unit Handling Regulations and the privacy policies on June 14, 2016, in view of the consignment of a new agency for administrative work (transfer agent) to Mitsubishi UFJ Trust and Banking Corporation.  |
|                    | Amendments to the Regulations of Board of Directors   | Approval was given to the addition of a new category to the items for reporting to the board of directors: report on the sustainability promotion team regulations.   |
| July 21, 2016      | Signing of a memorandum concerning amendments to the asset management consignment agreement                       | Regarding the consignment agreement for asset management, approval has been given to a signing of memorandum to make partial amendments regarding the scope of cost-bearing responsibilities.   |
| September 21, 2016 | Signing of a consignment agreement of general administrative work and a memorandum regarding remuneration thereof | The Company signed an agreement on September 30, 2016 with Mitsubishi UFJ Trust and Banking Corporation, which is a new agency to provide services of conducting institutional administration for business affairs and accounting on behalf of the Company, concerning the consignment of administrative work, and also a memorandum regarding the remuneration for the said services, which commence on October 1, 2016. |
|                    | Consignment of general administrative work concerning the issuance of investment corporation bonds                | In tandem with the comprehensive resolution adopted on the same date regarding the issuance of investment corporation bonds, approval was given to the candidate agent to whom administrative work for the said bonds was consigned. Other items necessary for its operation are entrusted to the board of directors to decide.   |

(ii) Concerning the agent that has been ordered to suspend business operation during the last two-year period

Ernst & Young ShinNihon LLC, who acts as an auditor for Japan Real Estate Investment Corporation, was ordered by the Financial Services Agency of Japan on December 22, 2015, to suspend all business operations for concluding new contracts for the duration of three months (January 1 to March 31, 2016). The Company continues to employ the said auditor for its audit practices, provided that the Company shall verify and ensure the following: the said order does not concern the existing agreement between Ernst & Young ShinNihon LLC and Japan Real Estate Investment Corporation, all audits provided by the former to the latter have been conducted appropriately and accurately, and the Company shall continue to closely monitor the said auditor's diligent efforts in implementing preventive measures.

*Selected Financial Data*

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

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

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

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

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

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

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