



## Presentation Material for the Third Fiscal Period (Ended February 2015)

April 16, 2015



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# **1 Third Fiscal Period Topics** **(Ended February 2015)**



# 1 – (1) Third Fiscal Period Topics (Ended February 2015) (1)

## ■ Internal Growth

- The portfolio (19 properties) occupancy rate was above 91% throughout the third fiscal period and was 91.4% at the end of the third fiscal period. In terms of the 18 properties excluding J Tower, the occupancy rate was above 96% throughout the third fiscal period and was 96.7% at the end of the third fiscal period.

### <Individual properties>

- While there were no major fluctuations in the occupancy rate of J Tower during the third fiscal period, a lease agreement for more than 1,600 tsubos was concluded on March 31, 2015 (concluded in the fourth fiscal period).  
The property's occupancy rate is expected to recover from 76.4% at the end of February 2015 to 92.1% in June the same year.
- The occupancy rate of Minami-Shinagawa JN Building recovered from 72.1% at the end of the second fiscal period to 85.2% at the end of the third fiscal period while the occupancy rate of Minami-Shinagawa N Building recovered from 81.4% to 84.3% during the same period.
- Regarding CP10 Building in which two floors were vacated, tenants were brought in within a short period of time and the occupancy rate is expected to recover to 100%.
- Effort is being put into leasing at SIA Kanda Square, which a major tenant will vacate at the end of June 2015, aimed at recovery of the occupancy rate.

## ■ External Growth

- A gain on sale of ¥58 million was achieved with the completion of the property sale of NEXT21 (September 2014).
- Regarding property acquisitions, initiative is being put into sourcing property information in order to develop the portfolio with the incorporation of several candidate properties for acquisition and to secure yields.
- Specifically, formation of bridge funds and acquisition of preferential negotiation rights is underway.

## ■ Financial Strategy/Other Initiatives

- Refinancing of ¥13.42 billion yen was implemented in October 2014 in which the bank formation was enhanced, the ratios of long-term borrowings and fixed-interest borrowings were increased and maturity dates were diversified.
- The LTV at the end of the third fiscal period was 51.9% with early repayment of ¥247 million yen through the sale of property (September 2014) and scheduled repayment, etc. of ¥200 million yen (October 2014). (52.0% at the end of the second fiscal period)

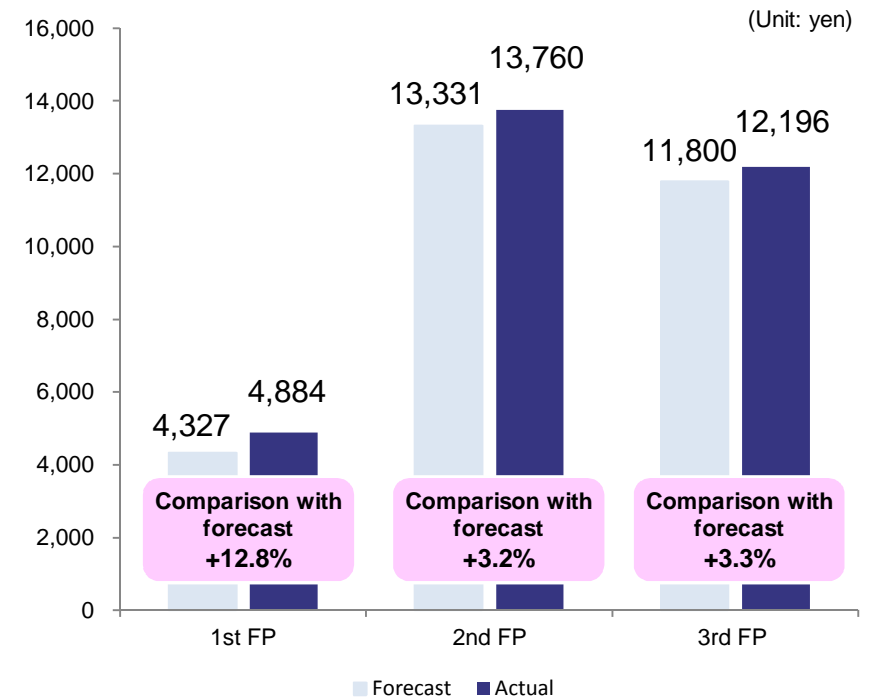
# 1 – (1) Third Fiscal Period Topics (Ended February 2015) (2)

- Dividends for the third fiscal period were ¥12,196, ¥396 higher than the initial forecast of ¥11,800 (+3.3%); all earnings forecasts have been exceeded in all management periods since listing

## Actual Performance and Dividends

|  | First Fiscal Period<br>(Ended February 2014) |              | Second Fiscal Period<br>(Ended August 2014) |               | Third Fiscal Period<br>(Ended February 2015) |               |
|--|--|--------------|---|---------------|--|---------------|
|  | Forecast                                     | Actual       | Forecast                                    | Actual        | Forecast                                     | Actual        |
| Operating revenue<br>(millions of yen)           | 2,487  | <b>2,493</b> | 3,109                                       | <b>3,179</b>  | 3,022  | <b>3,056</b>  |
| Operating profit<br>(millions of yen)            | 1,194  | <b>1,199</b> | 1,301                                       | <b>1,326</b>  | 1,196  | <b>1,227</b>  |
| Recurring profit<br>(millions of yen)            | 324  | <b>368</b>   | 1,002                                       | <b>1,034</b>  | 887  | <b>916</b>    |
| Net income<br>(millions of yen)                  | 324  | <b>366</b>   | 1,001                                       | <b>1,033</b>  | 886  | <b>915</b>    |
| Dividends per unit<br>(yen)                      | 4,327  | <b>4,884</b> | 13,331                                      | <b>13,760</b> | 11,800                                       | <b>12,196</b> |
| Number of properties<br>at period end<br>(cases) | <b>20</b>                                    |              | <b>20</b>                                   |               | <b>19</b>                                    |               |
| Total acquisition price<br>(millions of yen)     | <b>74,726</b>                                |              | <b>74,726</b>                               |               | <b>74,347</b>                                |               |
| Portfolio occupancy<br>rate at period end        | <b>88.5%</b>                                 |              | <b>91.4%</b>                                |               | <b>91.4%</b>                                 |               |
| Leasing NOI<br>(millions of yen)                 | <b>1,641</b>                                 |              | <b>1,891</b>                                |               | <b>1,878</b>                                 |               |

## Dividend per Unit





2

## **Overview of Financial Results for the Third Fiscal Period (Ended February 2015)**

## 2 – (1) Statement of Income

- Dividends per unit increased ¥396 to ¥12,196 (+3.3%) compared to the initial forecast of ¥11,800 due to increased rent, common space and parking revenue, reduction of general and administrative expenses and other factors.

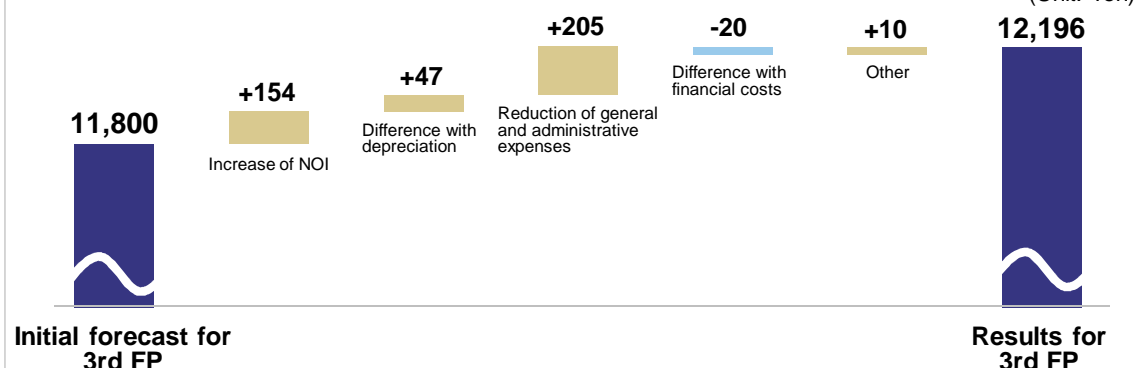
### ■ Third Fiscal Period Results and Comparison with Earnings Forecast (October 15, 2014)

(Unit: Millions of yen)

|                    | Third fiscal period<br>earnings forecast<br>(October 15, 2014) | Third fiscal period<br>results (actual) | Comparison | Second fiscal period<br>results (actual) |
|--------------------|--|---|------------|--|
| Operating revenue  | 3,022  | 3,056                                   | +33        | 3,179                                    |
| Operating profit   | 1,196  | 1,227                                   | +30        | 1,326                                    |
| Recurring profit   | 887  | 916                                     | +29        | 1,034                                    |
| Net income         | 886  | 915                                     | +29        | 1,033                                    |
| Dividends per unit | ¥11,800  | ¥12,196                                 | +¥396      | ¥13,760                                  |

#### 【Dividends per unit: Differences between 3rd FP results and forecast】

(Unit: Yen)



### ■ Factors in Profit Change (in comparison with forecast)

(Unit: Millions of yen)

|                                     | Comparison | Major factors (breakdown)  |
|-------------------------------------|------------|--|
| Operating revenue                   | +33        | Other revenue +18<br>Rent and common space revenue +12<br>Parking revenue +5<br>Utilities revenue -8 |
| Expenses related to rent business   | -22        | Property management fees -20<br>Repair expenses -10<br>Utilities expenses +10                        |
| Depreciation                        | +3         |  |
| General and administrative expenses | +15        | Reduction of expenses +14  |
| Operating profit                    | +30        |  |
| Non-operating income                | +0         |  |
| Non-operating expenses              | -1         | Difference with financial costs -1   |
| Recurring profit                    | +29        |  |
| Corporate tax, etc.                 | +0         |  |
| Net income                          | +29        |  |

(Note) Amounts are rounded down to the nearest million yen or nearest yen.

## 2 – (2) Balance Sheet

### Balance Sheet

(Unit: Millions of yen)

|                                  |   | End of 2nd FP | End of 3rd FP | Comparison |
|----------------------------------|---|---------------|---------------|------------|
| Assets                           | Current assets  | 6,426         | 6,267         | -158       |
|                                  | Cash and deposits   | 6,188         | 6,015         | -173       |
|                                  | Other   | 237           | 252           | +14        |
|                                  | Noncurrent assets   | 74,957        | 74,390        | -566       |
|                                  | Buildings and structures, buildings and structures in trust                           | 32,843        | 32,755        | -88        |
|                                  | Accumulated depreciation  | -770          | -1,188        | -417       |
|                                  | Land and land in trust  | 39,322        | 39,190        | -131       |
|                                  | Other   | 3,561         | 3,633         | +71        |
|                                  | Total assets  | 81,383        | 80,658        | -725       |
| Liabilities                      | Current liabilities   | 15,168        | 6,458         | -8,709     |
|                                  | Short-term borrowings and long-term borrowings scheduled to be repaid within one year | 14,033        | 5,295         | -8,738     |
|                                  | Other   | 1,134         | 1,163         | +28        |
|                                  | Noncurrent liabilities  | 32,543        | 40,645        | +8,101     |
|                                  | Long-term borrowings  | 28,306        | 36,597        | +8,291     |
|                                  | Tenant lease and guarantee deposits   | 4,224         | 4,047         | -176       |
|                                  | Other   | 13            | —             | -13        |
|                                  | Total liabilities   | 47,712        | 47,103        | -608       |
| Net assets                       | Unitholders' equity   | 33,671        | 33,554        | -117       |
|                                  | Unitholders' capital  | 32,638        | 32,638        | —          |
|                                  | Surplus   | 1,033         | 915           | -117       |
|                                  | Total net assets  | 33,671        | 33,554        | -117       |
| Total liabilities and net assets |   | 81,383        | 80,658        | -725       |

(Note) Amounts are rounded down to the nearest million yen.

### Major Factors for Change

|  |                                    |
|--|------------------------------------|
| Noncurrent assets  |                                    |
| Decrease from sale of NEXT21   | - ¥405 million <sup>(Note 1)</sup> |
| Interest-bearing debt (current liabilities and noncurrent liabilities) |                                    |
| Scheduled repayment, early repayment with sale of NEXT21, etc.         | - ¥447 million                     |

(Note 1) The book value as of the end of August 2014 (end of the second fiscal period) is indicated.

### Main Content

|  |                                   |
|--|-----------------------------------|
| Noncurrent assets  |                                   |
| Balance sheet amounts for 19 properties (appraisal values at the end of the third fiscal period) | ¥74,123 million (¥75,683 million) |
| Leasehold, etc.  | ¥3,365 million                    |
| Liabilities  |                                   |
| Balance of borrowings (LTV = Balance of borrowings ÷ Total assets × 100 = 51.9%)                 | ¥41,892 million                   |
| Net assets   |                                   |
| Net assets   |                                   |
| *Net assets per unit: ¥446,796   | ¥33,554 million                   |
| *NAV per unit <sup>(Note 2)</sup> : ¥455,366   |                                   |

(Note 2) Calculated with the formula: (Unitholders' capital + Total appraisal value of real estate – Total book value of real estate) ÷ Fiscal period's outstanding number of investment units



## 2 – (3) Management Status: Occupancy Rate

- The portfolio occupancy rate at the end of the third fiscal period was 91.4% (the same level as the end of the second fiscal period); average occupancy rate of the 18 properties (excluding J Tower) increased to 96.7% at the end of the third fiscal period
- 14 of the 19 portfolio properties are operating with 100% occupancy as of the end of the third fiscal period

### ■ Occupancy Rate

(Unit: Millions of yen)

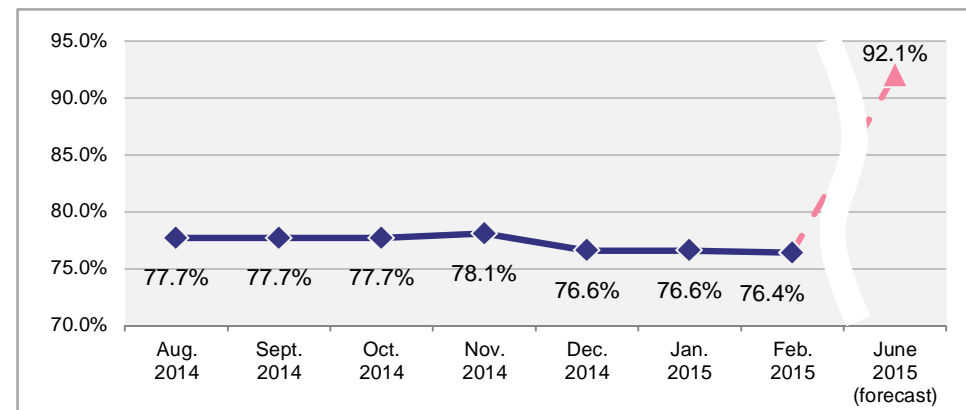
| Type/area   |   | No.                                       | Property name                  | First fiscal period | Second fiscal period | Third fiscal period |                  |                  |                  |                  |                  |
|---|---|---|--------------------------------|---------------------|----------------------|---------------------|------------------|------------------|------------------|------------------|------------------|
|   |   |   |                                | End of Feb. 2014    | End of Aug. 2014     | End of Sept. 2014   | End of Oct. 2014 | End of Nov. 2014 | End of Dec. 2014 | End of Jan. 2015 | End of Feb. 2015 |
| Office building                                     | Tokyo Metropolitan Area                         | OT-1                                      | J Tower                        | 76.0%               | 77.7%                | 77.7%               | 77.7%            | 78.1%            | 76.6%            | 76.6%            | 76.4%            |
|   |   | OT-2                                      | SIA Kanda Square               | 99.0%               | 100.0%               | 100.0%              | 100.0%           | 100.0%           | 99.2%            | 100.0%           | 100.0%           |
|   |   | OT-3                                      | Tachikawa Nishiki-cho Building | 96.8%               | 100.0%               | 100.0%              | 93.7%            | 93.7%            | 93.7%            | 93.7%            | 100.0%           |
|   |   | OT-4                                      | CP10 Building                  | 85.2%               | 100.0%               | 100.0%              | 100.0%           | 100.0%           | 100.0%           | 85.1%            | 70.2%            |
|   |   | OT-5                                      | Yokohama AP Building           | 100.0%              | 100.0%               | 100.0%              | 100.0%           | 100.0%           | 100.0%           | 100.0%           | 100.0%           |
|   |   | OT-6                                      | Yushima First Genesis Building | 47.2%               | 100.0%               | 100.0%              | 100.0%           | 100.0%           | 100.0%           | 100.0%           | 100.0%           |
|   |   | OT-7                                      | Miyaji Building                | 100.0%              | 94.4%                | 94.4%               | 100.0%           | 100.0%           | 100.0%           | 100.0%           | 100.0%           |
|   |   | OT-8                                      | 36 Sankyo Building             | 86.9%               | 100.0%               | 100.0%              | 100.0%           | 100.0%           | 100.0%           | 100.0%           | 100.0%           |
|   |   | OT-9                                      | Minami-Shinagawa JN Building   | 93.8%               | 72.1%                | 73.1%               | 80.7%            | 82.1%            | 83.7%            | 85.2%            | 85.2%            |
|   |   | OT-10                                     | Minami-Shinagawa N Building    | 88.8%               | 81.4%                | 82.8%               | 82.8%            | 82.8%            | 82.8%            | 81.7%            | 84.3%            |
|   |   | OT-11                                     | Minami-Shinagawa J Building    | 93.9%               | 100.0%               | 100.0%              | 100.0%           | 100.0%           | 100.0%           | 100.0%           | 100.0%           |
|   |   | OT-12                                     | MY Atsugi Building             | 94.3%               | 96.2%                | 93.2%               | 93.2%            | 93.2%            | 93.2%            | 93.2%            | 93.2%            |
|   |   | OT-13                                     | Hachioji SIA Building          | 100.0%              | 100.0%               | 100.0%              | 100.0%           | 100.0%           | 100.0%           | 100.0%           | 100.0%           |
|   | Average occupancy rate                          |   |                                | 85.3%               | 87.3%                | 87.4%               | 87.7%            | 88.0%            | 87.5%            | 87.0%            | 86.8%            |
|   | Ordinance-designated cities or their equivalent | OO-1                                      | Central Shin-Osaka Building    | 100.0%              | 100.0%               | 100.0%              | 100.0%           | 100.0%           | 100.0%           | 100.0%           | 100.0%           |
|   |   | OO-2                                      | Karasuma Plaza 21              | 79.1%               | 100.0%               | 100.0%              | 100.0%           | 100.0%           | 100.0%           | 100.0%           | 100.0%           |
|   |   | OO-3                                      | Stoke Building Nagoya          | 78.4%               | 87.9%                | 100.0%              | 100.0%           | 100.0%           | 100.0%           | 100.0%           | 100.0%           |
|   |   | OO-4                                      | MY Kumamoto Building           | 95.7%               | 100.0%               | 100.0%              | 100.0%           | 100.0%           | 100.0%           | 100.0%           | 100.0%           |
|   |   | Average occupancy rate                    |                                |                     | 88.3%                | 97.5%               | 100.0%           | 100.0%           | 100.0%           | 100.0%           | 100.0%           |
|   |   | Average occupancy rate                    |                                |                     | 86.1%                | 89.8%               | 90.5%            | 90.8%            | 91.0%            | 90.6%            | 90.2%            |
| Retail facilities                                   | R-1   | fab Minami-Osawa                          | 100.0%                         | 100.0%              | 100.0%               | 100.0%              | 100.0%           | 100.0%           | 100.0%           | 100.0%           |                  |
|   | R-2   | Niigata Higashibori-dori Parking Building | 100.0%                         | 100.0%              | 100.0%               | 100.0%              | 100.0%           | 100.0%           | 100.0%           | 100.0%           |                  |
|   | R-3   | NEXT21                                    | 94.3%                          | 93.6%               |                      |                     |                  |                  |                  |                  |                  |
|   | Average occupancy rate                          |   |                                | 97.5%               | 97.2%                | 100.0%              | 100.0%           | 100.0%           | 100.0%           | 100.0%           | 100.0%           |
| Overall average occupancy rate                      |   |   |                                | 88.5%               | 91.4%                | 91.7%               | 92.0%            | 92.1%            | 91.8%            | 91.5%            | 91.4%            |
| Reference: Average occupancy rate excluding J Tower |   |   |                                | 92.4%               | 95.7%                | 96.8%               | 97.1%            | 97.2%            | 97.2%            | 96.8%            | 96.7%            |

## 2 – (3) Management Status: J TOWER

(As of February 28, 2015)



|                                |                         |
|--------------------------------|-------------------------|
| Property Name                  | J TOWER                 |
| Location                       | Fuchu City, Tokyo       |
| Structure                      | S/RC/SRC                |
| Number of Floors               | B2/18F                  |
| Total Leasable Floor Area      | 34,261,55m <sup>2</sup> |
| Occupancy Rate (end of 3rd FP) | 76.4%                   |



(Note) The forecast figure is calculated based on the assumptions of the earnings forecasts.

### Status of Leasing and Tenants

#### Attracting tenants for expected occupancy rate above 90%

- Developed relocation needs through leasing activities targeting medium and large companies based in the Tama area
- As a result of the leasing activities, a lease agreement of 1,632 tsubos was concluded at the end of March 2015. The agreement is scheduled to begin on June 1, 2015. This will raise the occupancy rate at J Tower by 15.8% and the portfolio by +4.1%.
- The lease agreements of some major tenants have been renewed. Rent unit prices have remained the same.

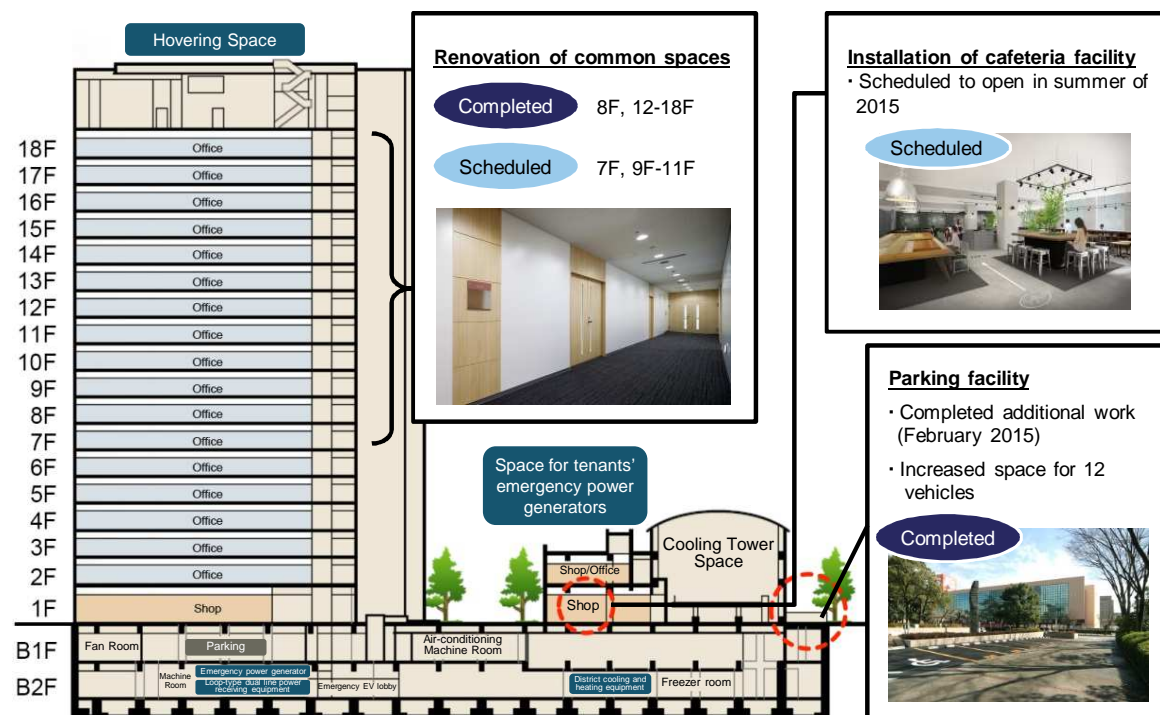
### Future Policy

- Keep some vacancies to be able to respond to needs for increased floor space
- Continue to monitor relocation needs of potential major tenants in the Tama area
- Scheduled to conclude lease agreement with an operator for a cafeteria facility

### Strategic Investment for the Fourth Fiscal Period Onward

#### Continuation of renovation of common spaces and establishment of cafeteria

- Renovation of common spaces on the 7th to 18th floors of the high-rise building is scheduled to begin by the end of the fourth fiscal period
- A cafeteria (scheduled to open in the summer of 2015) with lounge features is scheduled to be installed to increase of tenant satisfaction and move-ins in the medium to long term



## 2 – (3) Management Status: Minami-Shinagawa JN Building/N Building/J Building

(As of February 28, 2015)

### Minami-Shinagawa JN Building



|                           |                              |
|---------------------------|------------------------------|
| Property Name             | Minami-Shinagawa JN Building |
| Location                  | Shinagawa Ward, Tokyo        |
| Structure                 | SRC                          |
| Number of Floors          | B2/10F                       |
| Total Leasable Floor Area | 6,405.24m <sup>2</sup>       |
| Occupancy Rate            | 85.2%                        |

### Minami-Shinagawa N Building



|                           |                             |
|---------------------------|-----------------------------|
| Property Name             | Minami-Shinagawa N Building |
| Location                  | Shinagawa Ward, Tokyo       |
| Structure                 | SRC                         |
| Number of Floors          | B2/10F                      |
| Total Leasable Floor Area | 5,489.64m <sup>2</sup>      |
| Occupancy Rate            | 84.3%                       |

### Minami-Shinagawa J Building



|                           |                             |
|---------------------------|-----------------------------|
| Property Name             | Minami-Shinagawa J Building |
| Location                  | Shinagawa Ward, Tokyo       |
| Structure                 | SRC                         |
| Number of Floors          | B1/10F                      |
| Total Leasable Floor Area | 3,673.61m <sup>2</sup>      |
| Occupancy Rate            | 100.0%                      |

## Leasing Status

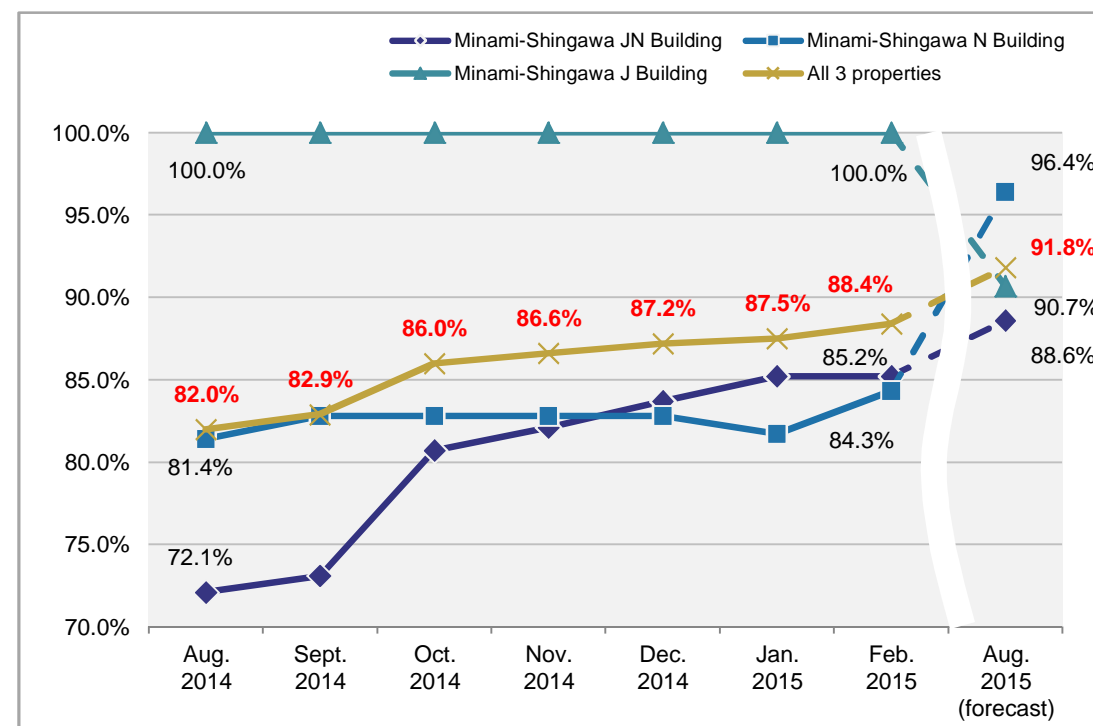
### Steadily attracting tenants

- JN Building and N Building: Advertised the possibility of compartmentalized leasing and succeeded in incorporating small-scale leasing needs of around 20 to 40 tsubos. Took in a shop visit-type tenant on first floor (147 tsubos) of JN Building. The occupancy rates of both buildings recovered to around 85%
- J Building: Continues to maintain 100% occupancy
- The total occupancy rate of the three properties at the end of the fourth fiscal period is expected to exceed 91% when considering the contracts for which leasing is to begin in the fourth fiscal period

## Leasing Plan

### Review of plan in light of occupancy rate recovery

- Given the recovery of the occupancy rate, leasing activities will continue for small-scale sections. However, asking rent unit prices are planned to be reviewed going forward.
- Regarding JN Building which has a vacancy of one floor or 220 tsubos, given that there are existing tenants with potential needs for increased floor space, leasing activities will be continued while the trends of existing tenants will be checked continually.



(Note) The forecast figure is calculated based on the assumptions of the earnings forecasts.

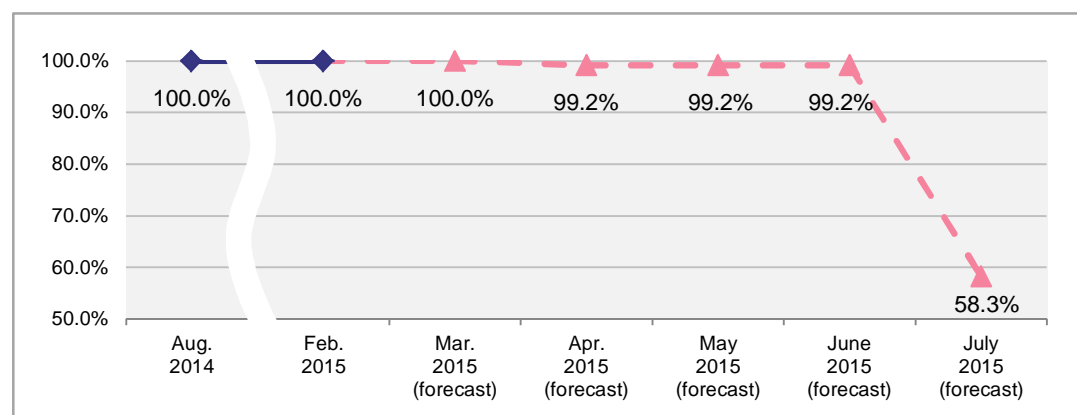
## 2 – (3) Management Status: Status of Other Properties Subject to Leasing Enhancement

### SIA Kanda Square

(As of February 28, 2015)



|                           |                        |
|---------------------------|------------------------|
| Property Name             | SIA Kanda Square       |
| Location                  | Chiyoda Ward, Tokyo    |
| Structure                 | SRC                    |
| Number of Floors          | 10F                    |
| Total Leasable Floor Area | 5,263.30m <sup>2</sup> |
| Occupancy Rate            | 100.0%                 |



(Note) The forecast figures are calculated based on the assumptions of the earnings forecasts.

#### Tenant departure and future leasing plan

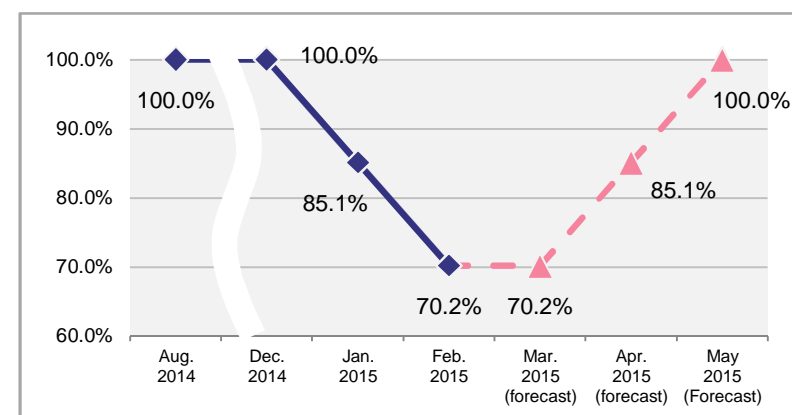
- A notice of termination was received in December 2014 from Yayoi (650 tsubos) which occupies 1F as well as 5F to 7F. With the termination by the company at the end of June 2015 as well as termination of one unit in the residential section, the occupancy rate of SIA Kanda Square is expected to decrease to 58%
- Early leasing up will be pursued by advertising traffic convenience from the 6 routes and 5 stations available for use, the location near the Marunouchi, Otemachi and Nihonbashi areas as well as the floor size of 200 tsubos per floor and the building specs with high earthquake resistance
- After receiving the notice of termination, 15 viewings were held up to the first week of April. Currently considering responding to floor splitting needs for approx. 40 to 80 tsubos in addition to leasing needs encompassing multiple floors with more than 200 tsubos

### CP10 Building

(As of February 28, 2015)



|                           |                        |
|---------------------------|------------------------|
| Property Name             | CP10 Building          |
| Location                  | Taito Ward, Tokyo      |
| Structure                 | SRC                    |
| Number of Floors          | B1/7F                  |
| Total Leasable Floor Area | 3,541.43m <sup>2</sup> |
| Occupancy Rate            | 100.0%                 |



(Note) The forecast figures are calculated based on the assumptions of the earnings forecasts.

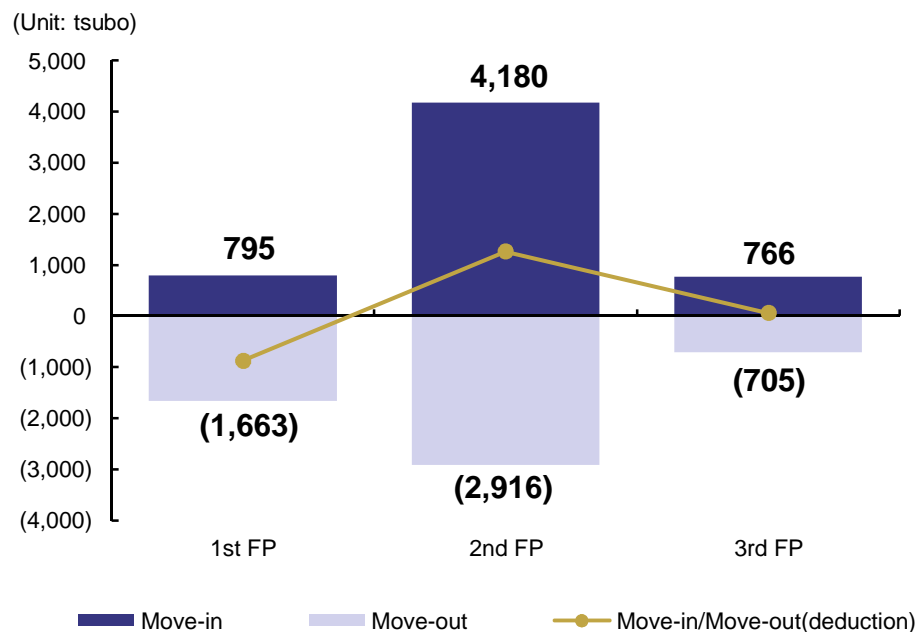
#### Early lease-filling of 317 tsubos (2 floors) of vacated space

- Though 100% occupancy was achieved in August 2014, 2 tenants departed as their need for increased floor space could not be met
- Appointed a leasing manager and succeeded in refilling the vacated spaces at an early stage by, for example, incorporating a nearby tenant with needs for expansionary relocation



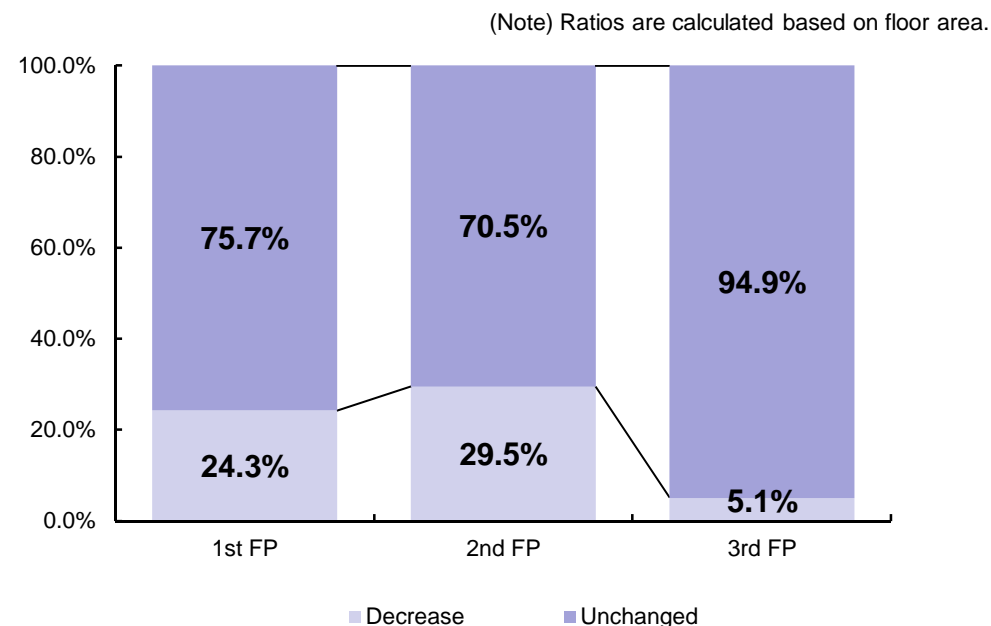
## 2 – (3) Management Status: Analysis of Tenant Trends

### ■ Move-In/Move-Out



|          | First Fiscal Period<br>Floor area<br>(Number of tenants) | Second Fiscal Period<br>Floor area<br>(Number of tenants) | Third Fiscal Period<br>Floor area<br>(Number of tenants) |
|----------|--|---|--|
| Move-in  | 795 tsubos<br>(17)                                       | 4,180 tsubos<br>(25)                                      | 766 tsubos<br>(13)                                       |
| Move-out | 1,663 tsubos<br>(9)                                      | 2,916 tsubos<br>(12)                                      | 705 tsubos<br>(9)  |
| Change   | -867 tsubos  | +1,264 tsubos   | +61 tsubos   |

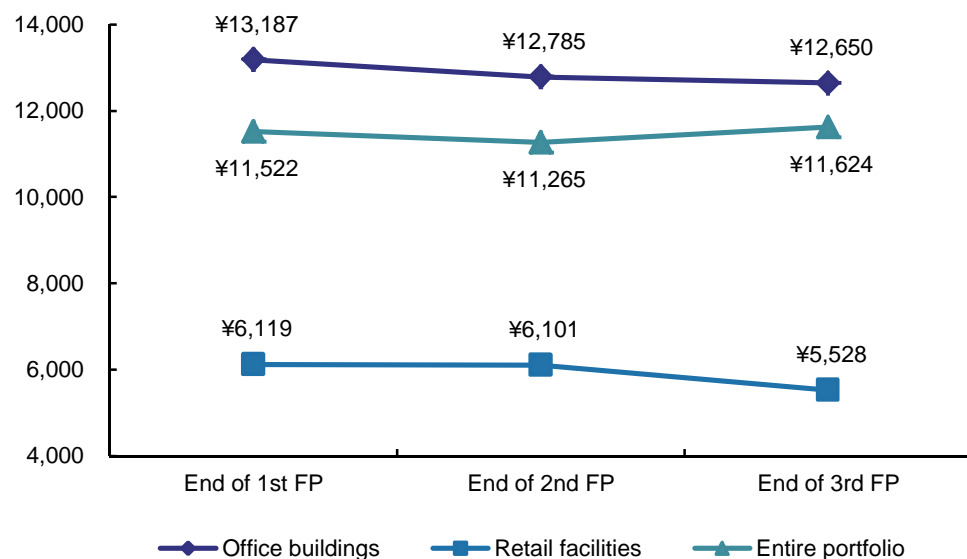
### ■ Rent Renewal Trends



|           | First Fiscal Period<br>Number of tenants<br>(Floor area) | Second Fiscal Period<br>Number of tenants<br>(Floor area) | Third Fiscal Period<br>Number of tenants<br>(Floor area) |
|-----------|--|---|--|
| Increased | 0<br>(-)   | 0<br>(-)  | 0<br>(-)   |
| Unchanged | 10<br>(726 tsubos)                                       | 57<br>(5,798 tsubos)                                      | 33<br>(4,777 tsubos)                                     |
| Decreased | 2<br>(232 tsubos)  | 4<br>(2,431 tsubos)                                       | 2<br>(255 tsubos)  |
| Total     | 12<br>(959 tsubos)                                       | 61<br>(8,229 tsubos)                                      | 35<br>(5,033 tsubos)                                     |

## 2 – (3) Management Status: Analysis of Tenant Trends

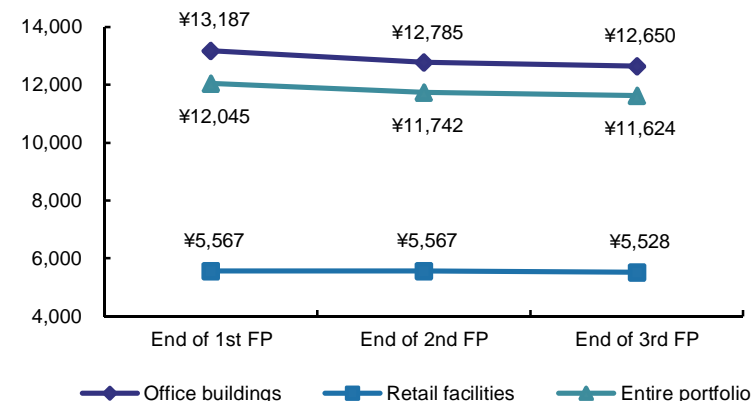
### Average Rent



|                                    | Office buildings        |                             |               | Retail facilities | Entire portfolio |
|------------------------------------|-------------------------|-----------------------------|---------------|-------------------|------------------|
|                                    | Tokyo metropolitan area | Ordinance-designated cities |               |                   |                  |
| End of 1st FP                      | ¥14,309/tsubo           | ¥9,867/tsubo                | ¥13,187/tsubo | ¥6,119/tsubo      | ¥11,522/tsubo    |
| End of 2nd FP                      | ¥13,892/tsubo           | ¥9,750/tsubo                | ¥12,785/tsubo | ¥6,101/tsubo      | ¥11,265/tsubo    |
| End of 3rd FP                      | ¥13,755/tsubo           | ¥9,719/tsubo                | ¥12,650/tsubo | ¥5,528/tsubo      | ¥11,624/tsubo    |
| Change from end of previous period | - ¥137                  | - ¥31                       | - ¥135        | - ¥573            | +¥359            |

(Note) "Average Rent" is calculated by dividing the sum of each tenant's monthly rent indicated in their lease agreements and the common space charges by the leased floor space and does not include floor area in which lease agreements are yet to begin or where lease agreements are not yet concluded.

### (Reference) Average Rent Excluding NEXT21



### Top Tenants

(As of February 28, 2015)

|    | Name of tenant  | Leased floor area(m <sup>2</sup> )<br>(Note 1) | % of total leasable floor area<br>(Note 2) | Property occupied         |
|----|---|--|--|---------------------------|
| 1  | KDDI Corporation  | 6,016.86                                       | 4.6%                                       | J Tower/Karasuma Plaza 21 |
| 2  | TOHO Cinemas, Ltd.  | 5,725.14                                       | 4.4%                                       | fab Minami-Osawa          |
| 3  | Tokyo Toshi Service Co., Ltd.                                       | 4,303.01                                       | 3.3%                                       | J Tower                   |
| 4  | Japan Radio Co., Ltd.   | 3,854.70                                       | 3.0%                                       | J Tower                   |
| 5  | Nakanihon Engineering Consultants Co., Ltd.                         | 3,033.12                                       | 2.3%                                       | Stoke Building Nagoya     |
| 6  | AGREX Inc.  | 2,544.00                                       | 2.0%                                       | J Tower                   |
| 7  | TDS Co, Ltd.  | 2,324.29                                       | 1.8%                                       | 36 Sankyo Building        |
| 8  | National Federation of Workers and Consumers Insurance Cooperatives | 2,312.82                                       | 1.8%                                       | J Tower                   |
| 9  | Yayoi Co., Ltd.   | 2,151.36                                       | 1.7%                                       | SIA Kanda Square          |
| 10 | Yamazaki Baking Co., Ltd.   | 1,746.59                                       | 1.3%                                       | J Tower                   |

(Note 1) The "Leased floor area" column shows the floor area indicated in the lease agreements with each tenant effective as of February 28, 2015. Leased floor area for Niigata Higashibori-dori Parking Building, parking spaces and land provided for other uses are not included.

(Note 2) The "% of total leasable floor area" column shows each tenant's percentage of the total leasable floor area of all the assets SIA REIT owns and is rounded to the first decimal place.

## 2 – (3) Management Status: Efforts Toward Maintaining and Increasing Property Value

- ¥51 million in repairs and ¥191 million in CAPEX against ¥424 million in depreciation in the third fiscal period
- Reduced construction costs, etc. by approx. 11.8% with thorough verification and assessment of initial quotes

### ■ Examples of Major Repair Work during the Third Fiscal Period

#### J Tower: Additional Construction of Parking Lots and Landscaping Work

Before



After



→ Additional construction of parking for 12 vehicles



→ Installation of signboard

#### MY Atsugi Building: Installation of LED Lighting in Common Spaces

Before



After



### ■ Effects of Reduction of Construction Costs, etc. during the Third Fiscal Period

| A. Initial quoted amount A<br>(Note 1) | B. Order amount<br>(Note 2) | C. Amount of reduction<br>(C = A - B) | Reduction rate<br>(C / A) |
|--|-----------------------------|---------------------------------------|---------------------------|
| Approx.<br>¥262 million                | Approx.<br>¥231 million     | Approx.<br>¥31 million                | Approx.<br>¥11.8%         |

(Note 1) The initial quoted amount is the quoted amount initially submitted by contractors upon implementing the work.

(Note 2) The order amount is the actual order amount produced following verification, assessment and negotiation.

(Note 3) Only constructions of more than ¥100,000 are subject to assessment.

## 2 – (3) Management Status: Determination of Sale of NEXT21

- Completed sale of NEXT21 on September 9, 2014
- The sale price was ¥500 million, compared to the acquisition price of ¥379 million and appraisal value of ¥391 million, making for a gain on sale of ¥58 million

### Overview of NEXT21

|   |   |
|---|---|
| Location                                    | Chuo Ward, Niigata City, Niigata Prefecture |
| Nearest Station                             | Niigata Station on JR Line                  |
| Completed                                   | April 1993                                  |
| Acquisition Price                           | ¥379 million                                |
| Appraisal Value <sup>(Note 1)</sup>         | ¥391 million                                |
| Leasable floor space <sup>(Note 2)</sup>    | 13,612.33m <sup>2</sup>                     |
| Leased floor space <sup>(Note 2)</sup>      | 12,745.74m <sup>2</sup>                     |
| Occupancy Rate <sup>(Note 2)</sup>          | 93.6%                                       |
| Total number of tenants <sup>(Note 2)</sup> | 21  |

(Note 1) As of August 31, 2014

(Note 2) As of August 31, 2014

### Overview of Sale of NEXT21

|                                       |   |
|---------------------------------------|---|
| Conclusion date of transfer agreement | July 23, 2014 (Second fiscal period)    |
| Transfer date                         | September 9, 2014 (Third fiscal period) |
| Sale price                            | ¥500 million                            |
| Gain on sale                          | ¥58 million                             |

### History of Sale of NEXT21

- Acquired NEXT21 from sponsor at the time of listing, a symbolic tower in Niigata City occupied by a fashion store targeting youth, restaurants, a sports gym, passport center and other tenants
- There are administrative facilities, a post office, a large department store in the Furumachi district where NEXT21 is situated; it is traditionally a central area for Niigata City's business and commerce as it is on a major bus route passing through the city
- While medium- to long-term operation of NEXT21 was presumed as a property with high profitability and reasonable commercial and business needs, a potential buyer offering a price far exceeding the acquisition price emerged; sale of the property was decided upon comparatively considering future cash flow, gain on sale and other conditions
- Part of the proceeds from sale of the property was allotted to the repayment of existing borrowings and the rest is being considered for use for new property acquisitions for the restructuring of the portfolio and for bridge fund investment

Surrounding area



Map





## 2 – (3) Management Status: Environmental Initiatives(GRESB)

### ■ Acquisition of “Green Star” and Selection as “Sector Leader” in GRESB Survey (announced Sep. 2014)

#### ■ About “Green Star” Rating

SIA REIT was highly evaluated in the following areas for efforts in environmental consideration and sustainability and acquired a **“Green Star” rating, which is the highest assessment** out of the four ratings.

- Incorporation of sustainability goals into the business strategy and establishment of a system for the promotion of sustainability
- Enhancement of risk assessment on sustainability
- Renovation of owned properties that contribute to energy and water conservation
- Efforts for the accurate apprehension of energy consumption
- Track record in reduction of energy and water consumption and greenhouse gas emissions



#### ■ Selection as “Sector Leader” (Note 1)

SIA REIT received particularly high evaluation, mainly in technical aspects such as its specific efforts toward energy conservation and its risk assessment, and was **selected as “Sector Leader” in Asia’s office sector (small companies and funds sector<sup>(Note 2)</sup>), the first for a Japanese company or fund.**

(Note 1) GRESB selects as “Sector Leader” companies and funds with outstanding efforts in environmental consideration and sustainability that have received the highest rating in each region or sector.

(Note 2) Starting in 2014, GRESB has classified companies and funds into either large (GAV over USD 1 billion) or small (GAV USD 1 billion or below) based on GAV (gross asset value), and then selects a “Sector Leader” in each classification.



#### Reference

#### About GRESB Survey

GRESB (Global Real Estate Sustainability Benchmark) is an organization established in 2009 for the purpose of enhancing shareholder value by applying environmental, social and governance considerations to real estate investments. As of September 2014, over 130 leading institutional investors, investment institutions and such are members of GRESB, which has a total of about ¥890 trillion (about USD 8.9 trillion; converted at 1 U.S. dollar = 100 yen) in assets under management.

The GRESB survey is unique in that it is a benchmark that evaluates the efforts of each company or fund in environmental consideration and sustainability rather than those of individual real estate. The survey is drawing much attention as institutional investors utilize the GRESB survey when they select investment targets. In 2014, 637 real estate companies, REITs and real estate private placement funds worldwide participated in the survey conducted by GRESB.

## 2 – (4) Financial Status

- With scheduled repayment during the period as well as partial repayment with refinancing (total of ¥200 million) and early repayment through the sale of NEXT21 (¥247 million), the balance of interest-bearing debt decreased to ¥41.892 billion by the end of the third fiscal period

### Main Financial Indicators

|  | End of first<br>fiscal period | End of second<br>fiscal period | End of third<br>fiscal period |
|--|-------------------------------|--------------------------------|-------------------------------|
| Balance of interest-bearing debt             | ¥44,140 million               | ¥42,340 million                | ¥41,892 million               |
| LTV (Note 1)                                 | 53.5%                         | 52.0%                          | 51.9%                         |
| % of long-term borrowings (Note 2)           | 65.9%                         | 68.2%                          | 88.3%                         |
| % of fixed-interest borrowings               | 45.9%                         | 47.7%                          | 68.3%                         |
| Average interest rate                        | 1.038%                        | 1.032%                         | 1.115%                        |
| Average remaining period                     | 2.69 years                    | 2.25 years                     | 2.68 years                    |
| Number of transacting financial institutions | 7 banks                       | 8 banks                        | 9 banks                       |

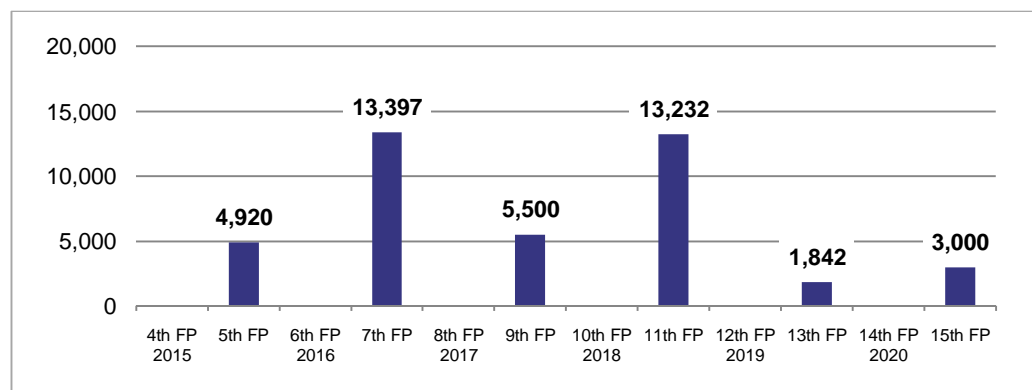
(Note 1) LTV (%) = Period-end balance of interest-bearing debt ÷ Period-end net assets

(Note 2) The following calculation is used for the % of long-term borrowings and, even if there is scheduled repayment, repayment is considered to be made in full on the repayment date (maturity):  

$$\% \text{ of long-term borrowings} = \frac{\text{Total amount of interest-bearing debt with more than one year left until the repayment date in each period}}{\text{Total amount of interest-bearing debt in each period}}$$

### Diversification of Repayment Periods

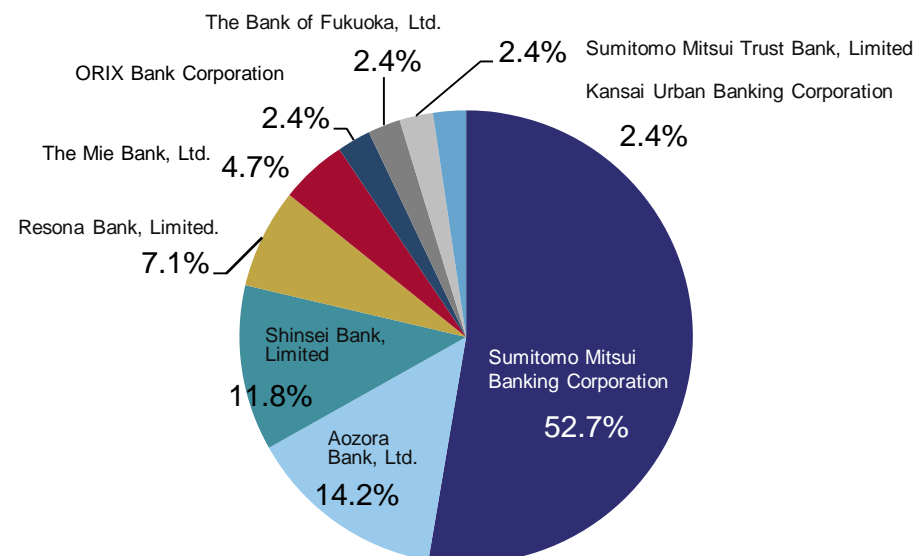
(Unit: Millions of yen)



(Note) Amounts are rounded down to the nearest million yen.

### List of Balance of Borrowings

(As of February 28, 2015)



(Unit: Millions of yen)

|                                     |               |
|-------------------------------------|---------------|
| Sumitomo Mitsui Banking Corporation | 22,066        |
| Aozora Bank, Ltd.                   | 5,935         |
| Shinsei Bank, Limited               | 4,946         |
| Resona Bank, Limited                | 2,989         |
| The Mie Bank, Ltd.                  | 1,989         |
| ORIX Bank Corporation               | 1,000         |
| The Bank of Fukuoka, Ltd.           | 989           |
| Sumitomo Mitsui Trust Bank, Limited | 989           |
| Kansai Urban Banking Corporation    | 989           |
| <b>Total</b>                        | <b>41,892</b> |



### **3 Earnings Forecasts for the Fourth Fiscal Period (Ending August 2015) and Fifth Fiscal Period (Ending February 2016)**

## 3 – (1) Earnings Forecasts for the Fourth Fiscal Period (Ending August 2015) and Fifth Fiscal Period (Ending February 2016)

- Forecast dividends per unit for the fourth fiscal period was changed from ¥10,500 (announced Oct. 15, 2014) to ¥11,000 due to new tenants at J Tower and progress in leasing of other properties
- Forecast dividends per unit for the fifth fiscal period is ¥11,000, the same as the fourth fiscal period, due to the increase of depreciation, decrease of general and administrative expenses, etc.

(Unit: Millions of yen)

|                                   | Third fiscal period results | Forecast for the fourth fiscal period (ending Aug. 2015) | Comparison | Forecast for the fifth fiscal period (ending Feb. 2016) | Comparison |
|-----------------------------------|-----------------------------|--|------------|---|------------|
| Operating revenue                 | 3,056                       | 3,019  | -37        | 3,001   | -17        |
| Lease business revenue            | 2,593                       | 2,626  | 32         | 2,588   | -37        |
| Other lease business revenue      | 404                         | 392  | -11        | 412   | 20         |
| Gain on sale of real estate, etc. | 58                          | -  | -58        | -   | -          |
| Operating profit                  | 1,227                       | 1,143  | -83        | 1,141   | -2         |
| Recurring profit                  | 916                         | 827  | -89        | 827   | 0          |
| Net income                        | 915                         | 826  | -89        | 826   | 0          |
| Dividends per unit                | ¥12,196                     | ¥11,000  | -¥1,196    | ¥11,000   | -          |
| Period-end occupancy rate         | 91.4%                       | 95.3%  | 3.9%       | 94.6%   | -0.7%      |
| Leasing NOI                       | 1,878                       | 1,872  | -5         | 1,868   | -4         |

### ■ Major Factors for Change of Profit

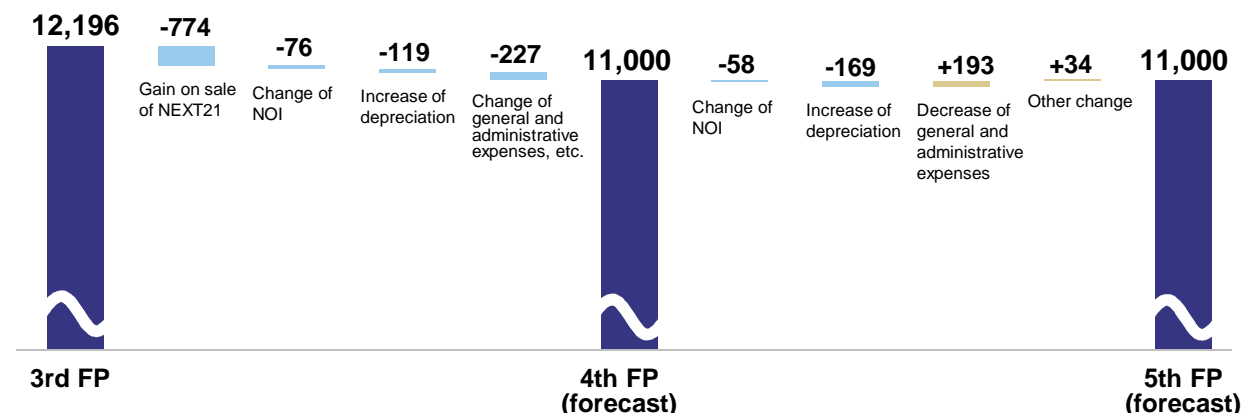
#### ■ Third fiscal period → Fourth fiscal period

(Unit: Millions of yen)

|                                     | Comparison | Major factors   |
|-------------------------------------|------------|---|
| Operating revenues                  | -37        | Increase of rent and common space charges +32<br>Decrease of other lease business revenue -11<br>Gain on sale of NEXT21 -58 |
| Expenses related to rent business   | -35        | Change in utilities -32<br>Increase of depreciation -8<br>Change in repair expenses +5                                      |
| General and administrative expenses | -10        | Expenses for general meeting of unitholders -7  |
| Operating profit                    | -83        |   |
| Non-operating income/expenses       | -6         |   |
| Net income                          | -89        |   |

#### 【Factors for change in cash distribution per unit】

(Unit: yen)



#### ■ Fourth fiscal period → Fifth fiscal period

(Unit: Millions of yen)

|   |     |
|---|-----|
| Change of NOI                                   | -4  |
| Increase of depreciation                        | -12 |
| Decrease of general and administrative expenses | +14 |
| Other   | +2  |
| Net income                                      | +0  |

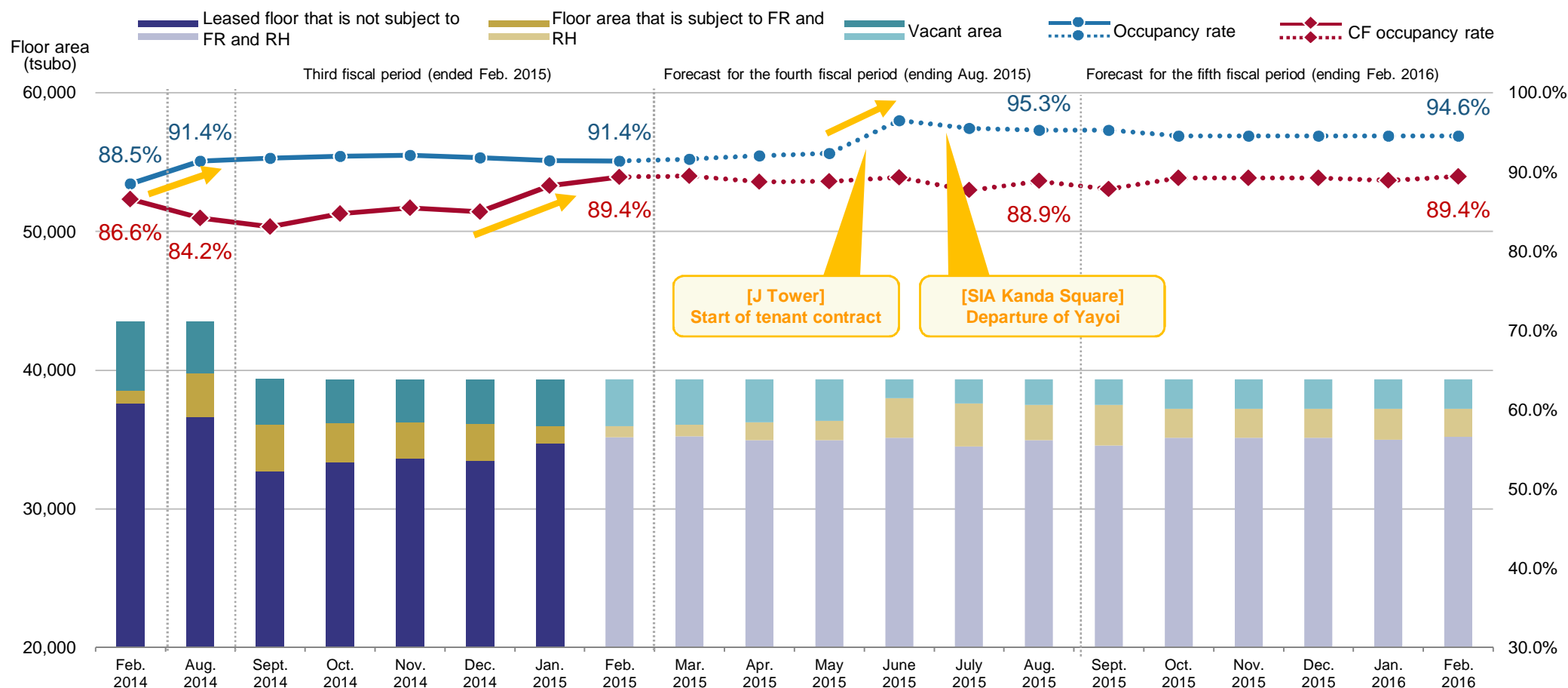
(Note) Amounts are rounded down to the nearest million yen or nearest yen.



## 3 – (2) Future Outlook

### Expected Trends in Occupancy Rate and CF Occupancy Rate

- ▶ J Tower's occupancy rate is increasing ahead of the CF occupancy rate due to the start of new tenant contracts. Going forward, the CF occupancy rate is expected to increase alongside the elimination of the free rent (FR) of new tenant.
- ▶ Leasing will be focused at SIA Kanda Square, where a major tenant is scheduled to depart during the fourth fiscal period, in an aim to obtain further CF

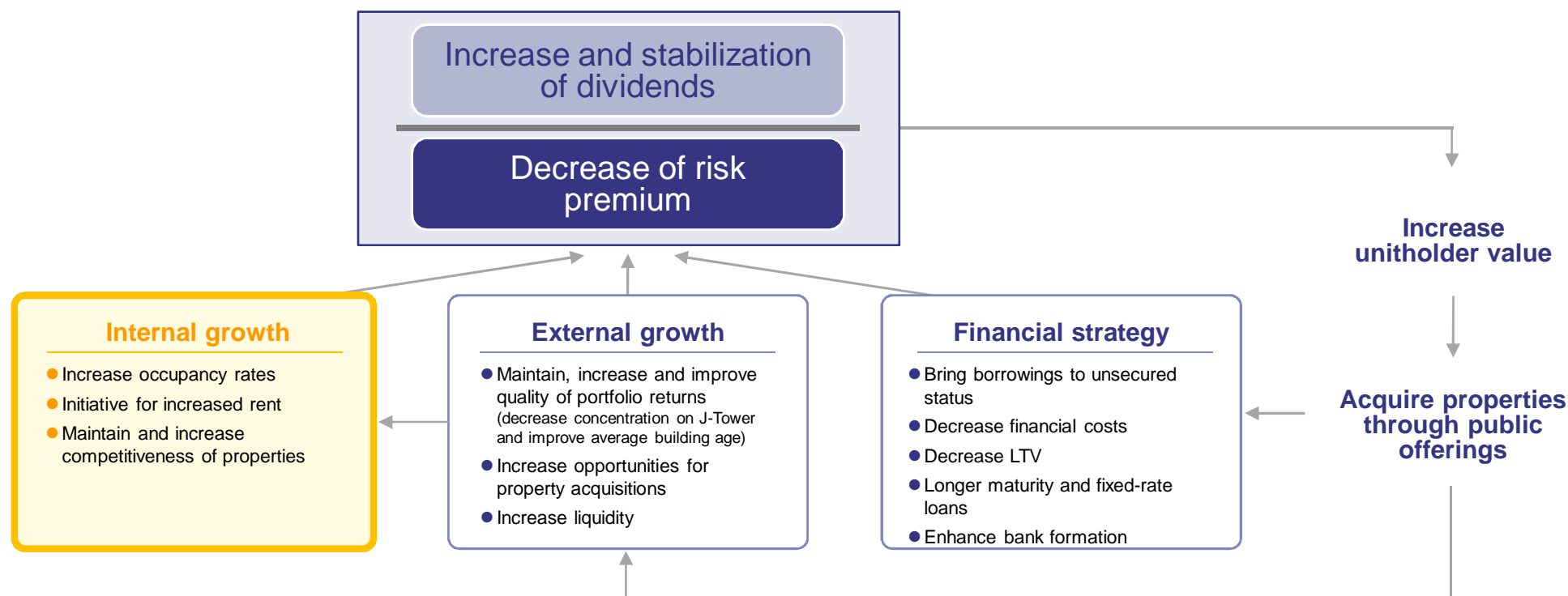


(Note) The above is created based on the assumptions of earnings forecasts for the fourth fiscal period (ending August 2015) and the fifth fiscal period (ending February 2016)



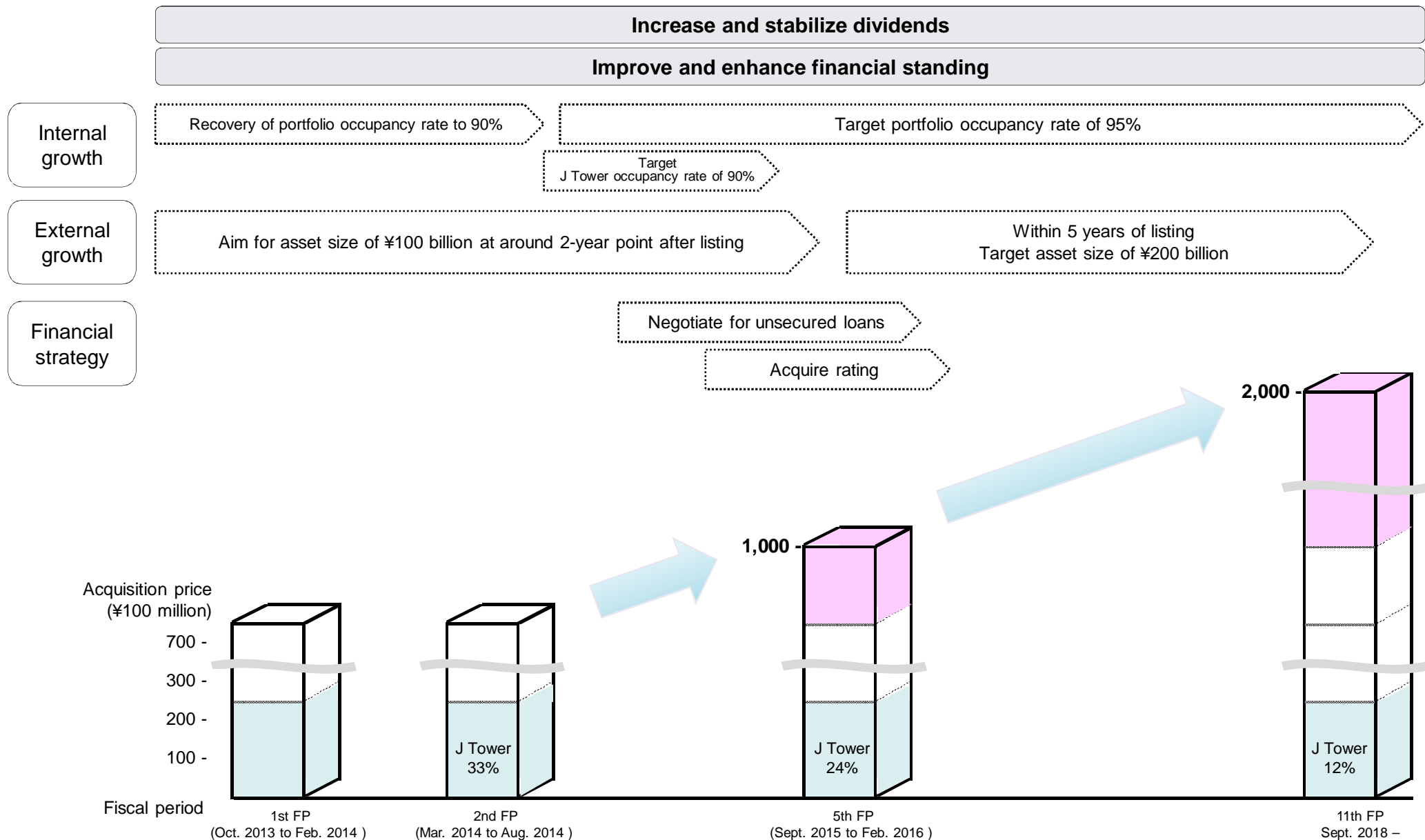
## **4 Future Growth Strategies**

## 4 – (1) SIA REIT's Growth Cycle, Challenges and Efforts



|                          | Major issues   | Action plan  |
|--------------------------|--|--|
| Internal growth strategy | <ul style="list-style-type: none"> <li>▶ Leasing of properties with decreased occupancy rates</li> <li>▶ Initiative for increased rent</li> </ul>                | <ul style="list-style-type: none"> <li>● Focus on leasing at SIA Kanda Square</li> <li>● Scrutinize situations of each property and pursue possibility of increasing rent</li> </ul> |
| External growth strategy | <ul style="list-style-type: none"> <li>▶ Property acquisitions that maintain and improve portfolio returns as well as improve the portfolio's quality</li> </ul> | <ul style="list-style-type: none"> <li>● Consider property acquisitions utilizing warehousing as well as bridge fund and bridge functions</li> </ul>                                 |
| Financial strategy       | <ul style="list-style-type: none"> <li>▶ Increase unsecured loans and decrease financial costs</li> </ul>  | <ul style="list-style-type: none"> <li>● With the property acquisitions and other opportunities, negotiate for unsecured loans and decrease financial costs</li> </ul>               |

## 4 – (2) Roadmap for Growth (Medium-Term Goals)





## 4 – (3) External Growth Strategy

### ■ Target

**Aim for an asset size of ¥100 billion at around the 2-year point after listing and ¥200 billion in 3 to 5 years**

### ■ Initiative

- ▶ Sourcing of property information by Simplex REIT Partners Inc. itself and from the sponsor and the support companies
- ▶ Consider property acquisitions through utilization of the sponsor's warehousing, bridge fund and bridge functions
- ▶ Sourcing for property acquisitions that take cash distributions into consideration
  - Target property NOI yield: From around 5% (from about 4.5% after depreciation)
  - Incorporate several candidate properties for acquisition centering on the Tokyo metropolitan area, securing yields in an aim to maintain and increase dividends

### ■ Property Information by Category (During third fiscal period)

(As of February 28, 2015)

| Category                                       | Property information |            | Property information still being considered |            |
|--|----------------------|------------|---|------------|
|  | Number of properties | Percentage | Number of properties                        | Percentage |
| Offices<br>(Tokyo metropolitan area)           | 109                  | 51.7%      | 10  | 62.5%      |
| Offices<br>(Ordinance-designated cities, etc.) | 56                   | 26.5%      | 3   | 18.7%      |
| Retail facilities                              | 46                   | 21.8%      | 3   | 18.7%      |
| <b>Total</b>                                   | 211                  | -          | 16  | -          |

### ■ Property Information by Information Route (During third fiscal period)

(As of February 28, 2015)

| Information route         | Property information |            | Property information still being considered |            |
|---------------------------|----------------------|------------|---|------------|
|                           | Number of properties | Percentage | Number of properties                        | Percentage |
| Seller                    | 6                    | 2.8%       | 2   | 12.5%      |
| Sponsor/support companies | 41                   | 19.4%      | 2   | 12.5%      |
| Brokers and others        | 164                  | 77.7%      | 12  | 75.0%      |
| <b>Total</b>              | 211                  | -          | 16  | -          |



## 5 Appendix

# About the SIA Group: Corporate Overview



| Line of business           | Real estate investment advisory services for investors in Japan and abroad   | Group's holding company, management of subsidiaries and principal investments  | Management of the Investment Corporation's assets   |
|----------------------------|--|--|---|
| Established                | September 10, 2007   | June 6, 2002   | July 1, 2005  |
| Capital                    | ¥100 million   | ¥100 million   | ¥50 million   |
| Representative             | Kiyohiko Tsukada, CEO  | Kiyohiko Tsukada, CEO  | Hiroyuki Katsuno, President and Representative Director   |
| Address of head office     | Shin-Kasumigaseki Building 19th Floor, 3-3-2 Kasumigaseki, Chiyoda Ward, Tokyo   | Shin-Kasumigaseki Building 19th Floor, 3-3-2 Kasumigaseki, Chiyoda Ward, Tokyo   | Shin-Kasumigaseki Building 19th Floor, 3-3-2 Kasumigaseki, Chiyoda Ward, Tokyo  |
| No. of directors/employees | 34 (as of February 28, 2015) <sup>(Note 1)</sup>   | 29 (as of February 28, 2015) <sup>(Note 1)</sup>   | 21 (as of February 28, 2015) <sup>(Note 1)</sup>  |
| Membership                 | Japan Investment Advisors Association  | The Association for Real Estate Securitization   | The Investment Trusts Association, Japan  |
| Licenses, etc.             | 1. First-class architect office:<br>Governor of Tokyo No.57010<br>2. Real Estate Brokerage License:<br>Governor of Tokyo (2) No.88355<br>3. Financial Instruments Business Operator<br>(Type II Financial Instruments Business; Investment Advisory and Agency Business; Investment Management Business):<br>Kanto Financial Bureau (Kinsho) No.1915<br>4. Real Estate Investment Management and Advisory Services Registration:<br>MLIT Sogo No.41<br>5. Real Estate Specified Joint Enterprise Permission:<br>The FSA Commissioner and the Minister of Land, Infrastructure, Transport and Tourism No.52 | 1. Real Estate Brokerage License:<br>Governor of Tokyo (2) No.90775<br>2. Financial Instruments Business Operator<br>(Type II Financial Instruments Business; Investment Advisory and Agency Business):<br>Kanto Financial Bureau (Kinsho) No. 801 | 1. Real Estate Brokerage License:<br>Issued by the Governor of Tokyo (2), No.84787<br>2. Financial Instruments Business Operator<br>(Investment Management Business):<br>Kanto Financial Bureau (Kinsho) No.342<br>3. License No. 46 issued by the Minister of Land, Infrastructure, Transport and Tourism (Trading Agency Etc., License) |

(Note 1) Includes full time auditors, contracted employees and employees on postings from other companies, and excludes outside directors and temporary staff. Includes members holding concurrent positions among SIA Group companies.

(Note 2) Simplex Investment Advisors Inc., Simplex REIT Partners Inc. (the Asset Management Company) and Simplex Real Estate Management Inc. are collectively referred to as the "SIA Group."

## About the SIA Group: History

|      |           |  |
|------|-----------|--|
| 2002 | June      | Nikko Cordial Securities Inc. (at the time) and Simplex Holdings Inc. establish Simplex Investment Advisors Inc. (SIA) to offer real estate investment advisory services   |
| 2005 | June      | SIA listed on Tokyo Stock Exchange Mothers market  |
|      | July      | Simplex REIT Partners Inc. established for entry in the J-REIT market  |
| 2007 | September | Simplex Real Estate Management Inc. established for the purpose of splitting up real estate investment advisory services   |
|      | November  | Takeover bid of SIA shares by the Aetos Group and Goldman Sachs Group completed  |
| 2011 | February  | Financial base strengthened through public offering with the Aetos Group's underwriting and long-term refinancing with financial institutions; the Aetos Group acquires the Goldman Sachs Group's SIA shares at the same time, becoming the sole shareholder |
| 2013 | October   | SIA REIT listed on the J-REIT section of the Tokyo Stock Exchange  |



## About the SIA Group: Real Estate Developments (Partial)

● : Office building

★ : Urban retail facilities

■ : Other

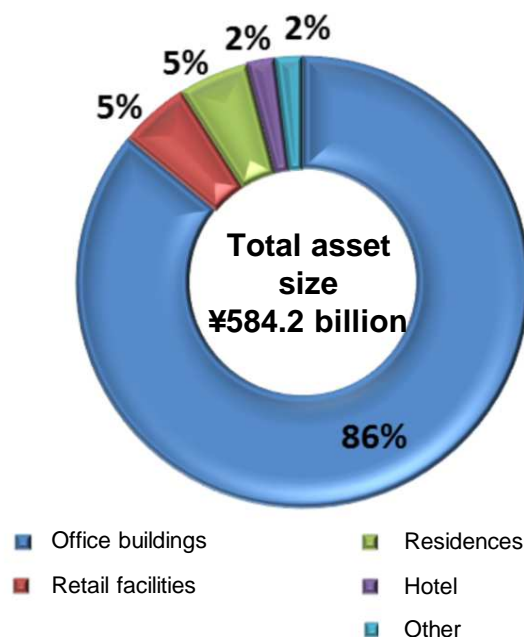


(Note) The above developments show the developments of the SIA Group. SIA REIT is not scheduled to acquire these properties and there is no guarantee that any acquisition of these properties will take place. In addition, the above includes properties that have already been sold to third parties outside the SIA Group.

# About the SIA Group: Asset Management Entrustment

- Fund management record with asset size of over ¥580 billion since its founding in 2002
- Ample track record of property acquisition arrangement and asset management entrustment recently as well

## Fund Formations and Management



(Note 1) Calculated from the cumulative amount of acquisition prices as of the end of March 2015.

(Note 2) Includes funds that have ended and have returned equity interests.

## Property Acquisition Arrangements

### Office building



#### 【Sphere Tower Tennozu】

- Period: December 2013
- Location: Shinagawa Ward, Tokyo

Central multi-purpose building in Tennozu Isle comprised of offices, shops and a sports club; directly connected to Tennozu Isle Station on the Tokyo Monorail line, located a 2-minute walk from Tennozu Isle Station on the Rinkai Line, 28 floors above ground and 2 floors below, total floor space of 43,477m<sup>2</sup>



#### 【Shibuya 1717 Building (formerly Alive Nanpeidai 2)】

- Period: April 2014
- Location: Shibuya Ward, Tokyo

Building near Shinsencho Intersection where National Route 246 and Kyu Yamate-dori meet; 13-minute walk from Shibuya Station on the JR, Tokyu and Tokyo Metro lines, 8-minute walk from Shinsen Station on the Keio Inokashira Line

### Urban retail facilities

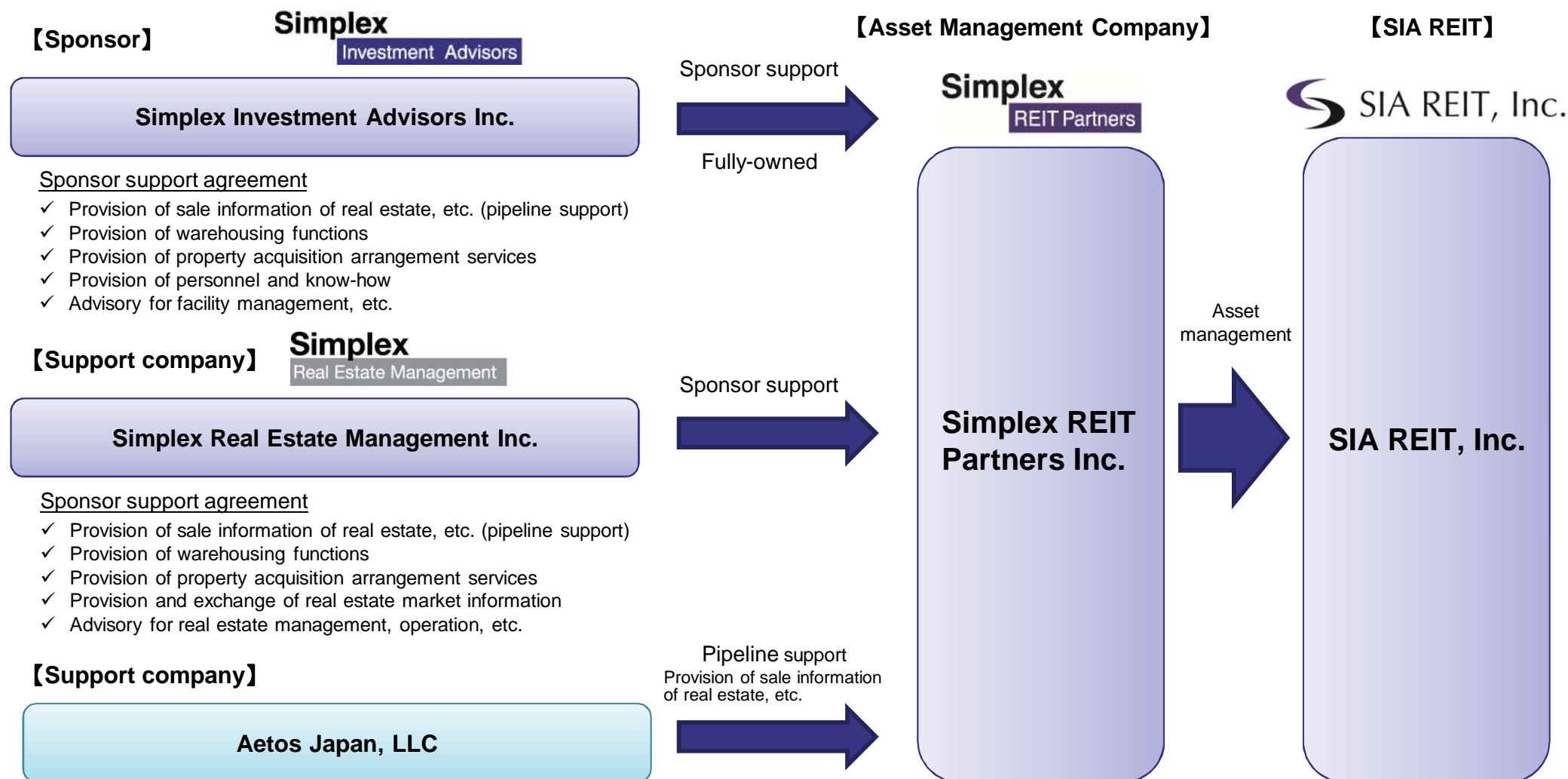


#### 【CR-VITE】

- Period: March 2014
- Location: Shibuya Ward, Tokyo

Building with offices and shops along Miyamasuzaka next to Shibuya Post Office; 3-minute walk from Shibuya Station on the JR, Tokyu and Tokyo Metro lines, 11 floors

# Support of Sponsor and Support Companies



Aetos Japan, LLC (excerpt from the company's website)

Aetos Japan, LLC ("Aetos Japan") provides a full range of asset management and advisory services relating to investment sourcing, acquisition, structuring, leasing and repositioning, disposition planning, and pricing recommendations on purchase and sale with respect to real estate and real-estate related assets in Japan.

# Statement of Income

(Unit: Thousands of yen)

|   | Second fiscal period<br>(ended August 2014) | Third fiscal period<br>(ended February 2015) |
|---|---|--|
| <b>Operating revenue (total)</b>                          | <b>3,179,475</b>                            | <b>3,056,711</b>                             |
| Lease business revenue                                    | 2,683,103                                   | 2,593,953                                    |
| Other lease business revenue                              | 496,372                                     | 404,653                                      |
| Gain on sale of real estate                               | -   | 58,103                                       |
| <b>Operating expenses (total)</b>                         | <b>1,852,538</b>                            | <b>1,829,566</b>                             |
| Expenses related to rent business                         | 1,709,092                                   | 1,544,394                                    |
| Asset management fees                                     | 82,428                                      | 223,805                                      |
| Asset custody fees  | 3,627                                       | 3,530  |
| Administrative service fees                               | 16,140                                      | 15,798                                       |
| Directors' compensations                                  | 3,876                                       | 3,876  |
| Other operating expenses                                  | 37,373                                      | 38,161                                       |
| <b>Operating profit</b>                                   | <b>1,326,937</b>                            | <b>1,227,145</b>                             |
| Non-operating income (total)                              | 2,383                                       | 568  |
| Interest income   | 549   | 568  |
| Interest on refund  | 1,833                                       | -  |
| Non-operating expenses (total)                            | 295,059                                     | 310,823                                      |
| Interest expenses   | 225,656                                     | 228,595                                      |
| Borrowing related expenses                                | 69,403                                      | 82,227                                       |
| <b>Recurring profit</b>                                   | <b>1,034,260</b>                            | <b>916,889</b>                               |
| <b>Net income before income taxes</b>                     | <b>1,034,260</b>                            | <b>916,889</b>                               |
| Corporate, inhabitant and enterprise taxes                | 901   | 955  |
| Adjustment of corporate tax, etc.                         | 10  | -2   |
| Total corporate tax, etc.                                 | 911   | 952  |
| <b>Net income</b>   | <b>1,033,348</b>                            | <b>915,937</b>                               |
| Profit brought forward                                    | 30  | 3  |
| <b>Unappropriated retained earnings (undisposed loss)</b> | <b>1,033,379</b>                            | <b>915,940</b>                               |

(Note) Amounts are rounded down to the nearest thousand yen.



# Balance Sheet

(Unit: Thousands of yen)

|  | Second fiscal period<br>(ended August 2014) | Third fiscal period<br>(ended February 2015) |
|--|---|--|
| <b>Assets</b>                                |   |  |
| <b>Current assets (total)</b>                | <b>6,426,243</b>                            | <b>6,267,406</b>                             |
| Cash and deposits                            | 2,256,153                                   | 2,185,916                                    |
| Cash and deposits in trust                   | 3,932,544                                   | 3,829,236                                    |
| Operating accounts receivable                | 122,171                                     | 91,300                                       |
| Prepaid expenses                             | 104,270                                     | 160,935                                      |
| Deferred tax assets                          | 14  | 17   |
| Other  | 11,089                                      | -  |
| <b>Noncurrent assets (total)</b>             | <b>74,957,636</b>                           | <b>74,390,966</b>                            |
| <b>Property, plant and equipment (total)</b> | <b>71,395,685</b>                           | <b>70,757,787</b>                            |
| Buildings                                    | 3,477,474                                   | 3,413,847                                    |
| Structures                                   | 8,490                                       | 8,187  |
| Machinery and equipment                      | 50,663                                      | 44,460                                       |
| Land   | 3,770,347                                   | 3,770,347                                    |
| Buildings in trust                           | 28,492,027                                  | 28,011,055                                   |
| Structures in trust                          | 2,633                                       | 30,290                                       |
| Machinery and equipment in trust             | 29,523                                      | 40,398                                       |
| Tools, furniture and fixtures in trust       | 12,564                                      | 19,025                                       |
| Land in trust                                | 35,551,960                                  | 35,420,175                                   |
| <b>Intangible assets (total)</b>             | <b>3,368,209</b>                            | <b>3,367,914</b>                             |
| Leasehold rights in trust                    | 3,365,647                                   | 3,365,647                                    |
| Other  | 2,562                                       | 2,267  |
| <b>Investment and other assets (total)</b>   | <b>193,740</b>                              | <b>265,264</b>                               |
| Lease and guarantee deposits                 | 16,330                                      | 16,330                                       |
| Long-term prepaid expenses                   | 177,410                                     | 248,934                                      |
| <b>Total assets</b>                          | <b>81,383,879</b>                           | <b>80,658,373</b>                            |

|   | Second fiscal period<br>(ended August 2014) | Third fiscal period<br>(ended February 2015) |
|---|---|--|
| <b>Liabilities</b>                          |   |  |
| <b>Current liabilities (total)</b>          | <b>15,168,383</b>                           | <b>6,458,537</b>                             |
| Operating accounts payable                  | 200,600                                     | 156,641                                      |
| Short-term loans payable                    | 13,466,250                                  | -  |
| Current portion of long-term loans payable  | 567,500                                     | 5,295,000                                    |
| Accounts payable                            | 162,173                                     | 334,192                                      |
| Accrued expenses                            | 109,592                                     | 142,244                                      |
| Corporate taxes, etc. payable               | 789   | 839  |
| Consumption taxes payable                   | 142,882                                     | 56,110                                       |
| Advances received                           | 453,320                                     | 473,275                                      |
| Other                                       | 65,273                                      | 234  |
| <b>Noncurrent liabilities (total)</b>       | <b>32,543,642</b>                           | <b>40,645,419</b>                            |
| Long-term loans payable                     | 28,306,250                                  | 36,597,500                                   |
| Tenant lease and security deposits          | 324,223                                     | 324,097                                      |
| Tenant lease and security deposits in trust | 3,899,804                                   | 3,723,822                                    |
| Other                                       | 13,364                                      | -  |
| <b>Total liabilities</b>                    | <b>47,712,025</b>                           | <b>47,103,957</b>                            |

|  | Second fiscal period<br>(ended August 2014) | Third fiscal period<br>(ended February 2015) |
|--|---|--|
| <b>Net assets</b>                                  |   |  |
| <b>Unitholders' equity (total)</b>                 | <b>33,671,854</b>                           | <b>33,554,415</b>                            |
| Unitholders' capital                               | 32,638,475                                  | 32,638,475                                   |
| Surplus (total)                                    | 1,033,379                                   | 915,940                                      |
| Unappropriated retained earnings (undisposed loss) | 1,033,379                                   | 915,940                                      |
| <b>Total net assets</b>                            | <b>33,671,854</b>                           | <b>33,554,415</b>                            |
| <b>Total liabilities and net assets</b>            | <b>81,383,879</b>                           | <b>80,658,373</b>                            |

(Note) Amounts are rounded down to the nearest thousand yen.

# Characteristics of SIA REIT

- SIA REIT will aim to maximize unitholder interests through the pursuit of “profitability” and “stability” by investing in office buildings and retail facilities for which the SIA Group possesses ample management know-how

## 1 Stable rental demand secured and relatively high returns expected for the portfolio

### 1. We will establish a portfolio centering on “Class-A and Class-B office buildings” and “urban retail facilities”

**Office buildings**  
Primary investment target:  
Class-A and Class-B office buildings

- Acquisition opportunities for returns that are at a higher level relative to those of Class-S office buildings are expected
- Relatively stable rental demand and rent level are expected due to large numbers of prospective tenants

Investment ratio by property type

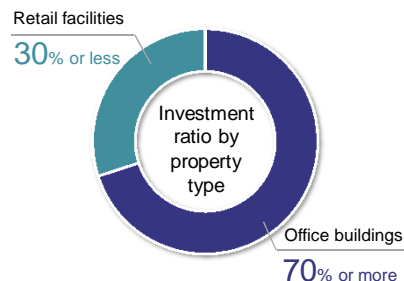
**70% or more**

**Retail facilities**  
Primary investment target:  
Urban retail facilities

- Stability of profits through tenant diversification, etc. is expected as the number of prospective tenants is larger than for suburban retail facilities
- Contracts tend to be of longer terms than those of office buildings

Investment ratio by property type

**30% or less**



### 2. With investment centering on the “Tokyo metropolitan area”, we will also carefully select investments in areas such as “ordinance-designated cities”

While centering on investment in the Tokyo metropolitan area which has a relatively large market and from which stable lease demand is expected in the mid to long term, we will also carefully select investments in areas such as ordinance-designated cities at which relatively higher returns than in the Tokyo metropolitan area are expected

**Tokyo metropolitan area**

Investment ratio by region

**70% or more**

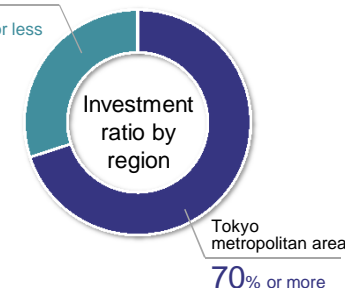
**Ordinance-designated cities, etc.**

Investment ratio by region

**30% or less**

Ordinance-designated cities, etc.

**30% or less**



## 2 Support system with a sponsor with that has ample experience in real estate development and real estate fund management

- ▶ Support from a sponsor which has managed more than ¥580 billion of assets and which has ample experience in property acquisition arrangements and asset management entrustment
- ▶ Database of more than 10,000 construction records and staff with abundant expertise

## 3 Initiatives for alignment with unitholder profits

- ▶ Sponsor owns 15% of investment units
- ▶ Introduced management fee system for the Asset Management Company linked to the rate of increase of the amount available for cash distribution per unit

# Portfolio List

Number of properties: 19 properties

Asset size: ¥74.3 billion (based on acquisition price)

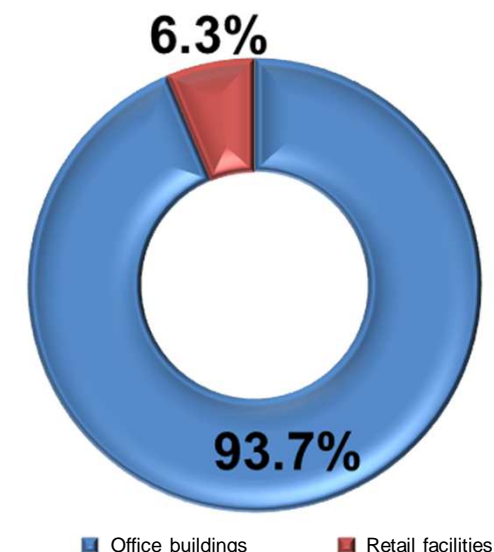
(Unit: Millions of yen)

| Type/area         | No.   | Property name                             | Location                         | Acquisition price                  | Investment ratio<br>(Note 1) | Appraisal value<br>(Note 2) | Book value<br>(Note 2) | Occupancy rate<br>(Note 2) |        |
|-------------------|---|---|----------------------------------|------------------------------------|------------------------------|-----------------------------|------------------------|----------------------------|--------|
| Office buildings  | Tokyo Metropolitan Area                         | OT-1                                      | J Tower                          | Fuchu City, Tokyo                  | 24,394                       | 32.8%                       | 25,200                 | 24,369                     | 76.4%  |
|                   |   | OT-2                                      | SIA Kanda Square                 | Chiyoda Ward, Tokyo                | 7,350                        | 9.9%                        | 7,540                  | 7,236                      | 100.0% |
|                   |   | OT-3                                      | Tachikawa Nishiki-cho Building   | Tachikawa City, Tokyo              | 3,264                        | 4.4%                        | 3,540                  | 3,274                      | 100.0% |
|                   |   | OT-4                                      | CP10 Building                    | Taito Ward, Tokyo                  | 3,229                        | 4.3%                        | 3,050                  | 3,224                      | 70.2%  |
|                   |   | OT-5                                      | Yokohama AP Building             | Yokohama City, Kanagawa Prefecture | 3,110                        | 4.2%                        | 3,380                  | 3,108                      | 100.0% |
|                   |   | OT-6                                      | Yushima First Genesis Building   | Bunkyo Ward, Tokyo                 | 2,751                        | 3.7%                        | 2,780                  | 2,740                      | 100.0% |
|                   |   | OT-7                                      | Miyaji Building                  | Nakano Ward, Tokyo                 | 2,880                        | 3.9%                        | 2,950                  | 2,892                      | 100.0% |
|                   |   | OT-8                                      | 36 Sankyo Building               | Shinjuku Ward, Tokyo               | 2,395                        | 3.2%                        | 2,470                  | 2,392                      | 100.0% |
|                   |   | OT-9                                      | Minami-Shinagawa JN Building     | Shinagawa Ward, Tokyo              | 2,165                        | 2.9%                        | 1,914                  | 2,180                      | 85.2%  |
|                   |   | OT-10                                     | Minami-Shinagawa N Building      | Shinagawa Ward, Tokyo              | 2,292                        | 3.1%                        | 2,060                  | 2,287                      | 84.3%  |
|                   |   | OT-11                                     | Minami-Shinagawa J Building      | Shinagawa Ward, Tokyo              | 2,020                        | 2.7%                        | 2,060                  | 2,007                      | 100.0% |
|                   |   | OT-12                                     | MY Atsugi Building               | Atsugi City, Kanagawa Prefecture   | 1,240                        | 1.7%                        | 1,290                  | 1,231                      | 93.2%  |
|                   |   | OT-13                                     | Hachioji SIA Building            | Hachioji City, Tokyo               | 730                          | 1.0%                        | 787                    | 729                        | 100.0% |
|                   | Ordinance-designated cities or their equivalent | OO-1                                      | Central Shin-Osaka Building      | Osaka City, Osaka Prefecture       | 4,612                        | 6.2%                        | 4,740                  | 4,556                      | 100.0% |
|                   |   | OO-2                                      | Karasuma Plaza 21                | Kyoto City, Kyoto Prefecture       | 3,700                        | 5.0%                        | 3,370                  | 3,729                      | 100.0% |
|                   |   | OO-3                                      | Stoke Building Nagoya            | Nagoya City, Aichi Prefecture      | 2,381                        | 3.2%                        | 2,500                  | 2,378                      | 100.0% |
|                   |   | OO-4                                      | MY Kumamoto Building             | Kumamoto City, Kumamoto Prefecture | 1,152                        | 1.5%                        | 1,260                  | 1,146                      | 100.0% |
|                   | Subtotal • Average                              |   |                                  |                                    | 69,665                       | 93.7%                       | 70,891                 | 69,487                     | 90.1%  |
| Retail facilities | R-1   | fab Minami-Osawa                          | Hachioji City, Tokyo             | 4,250                              | 5.7%                         | 4,300                       | 4,202                  | 100.0%                     |        |
|                   | R-2   | Niigata Higashibori-dori Parking Building | Niigata City, Niigata Prefecture | 432                                | 0.6%                         | 492                         | 433                    | 100.0%                     |        |
|                   | Subtotal • Average                              |   |                                  |                                    | 4,682                        | 6.3%                        | 4,792                  | 4,636                      | 100.0% |
| Total • Average   |   |   |                                  | 74,347                             | 100.0%                       | 75,683                      | 74,123                 | 91.4%                      |        |

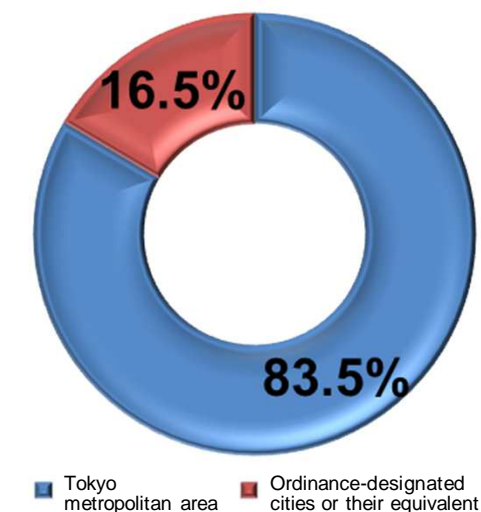
(Note 1) Investment ratios are calculated based on acquisition price.

(Note 2) All figures are as of the end of February 2015 (end of the third fiscal period).

[Investment ratio<sup>(Note 1)</sup>: By property type]



[Investment ratio<sup>(Note 1)</sup>: By region]



# Portfolio Map



J-Tower



fab Minami-Osawa



SIA Kanda Square



Tachikawa Nishiki-cho Building



CP10 Building



Yokohama AP Building



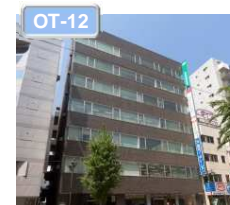
Yushima First Genesis Building



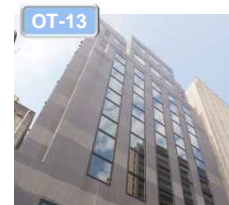
Miyaji Building



36 Sankyo Building



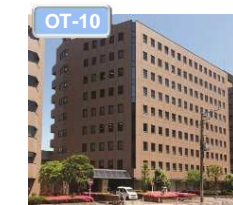
MY Atsugi Building



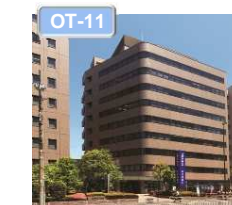
Hachioji SIA Building



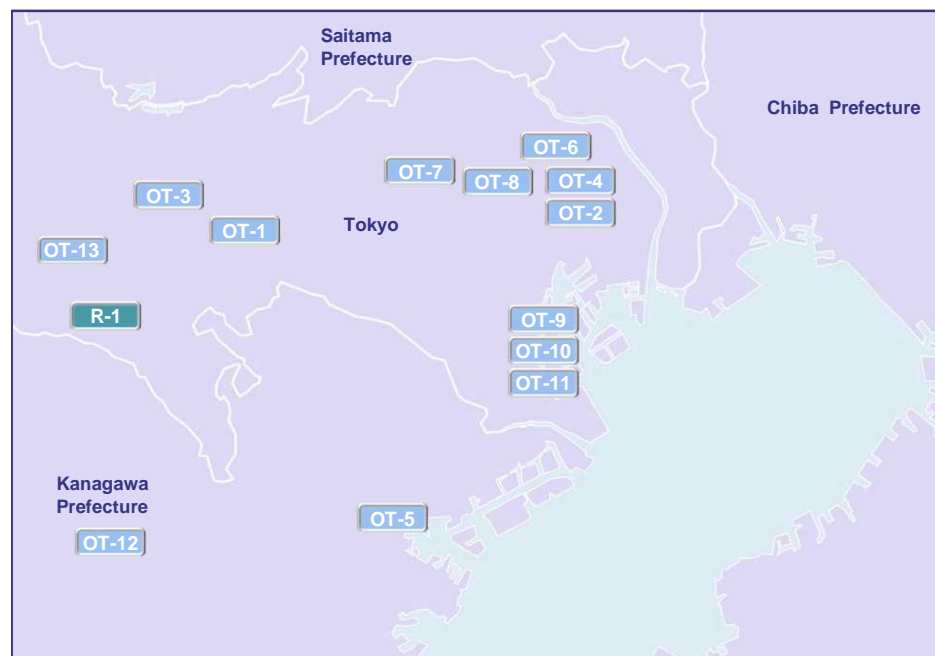
Minami-Shinagawa JN Building



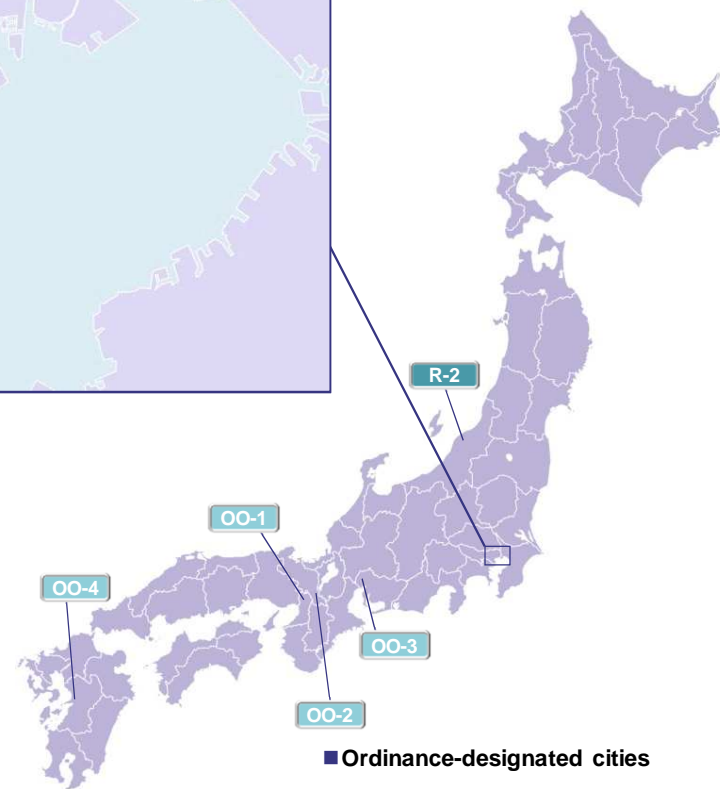
Minami-Shinagawa N Building



Minami-Shinagawa J Building



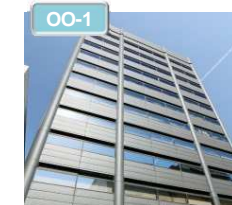
■ Tokyo metropolitan area



■ Ordinance-designated cities



Niigata Higashibori-dori Parking Building



Central Shin-Osaka Building



Karasuma Plaza 21



Stoke Building Nagoya



MY Kumamoto Building








# Overview of Individual Properties (1)

(As of February 28, 2015)

| Property Name       | OT-1<br>J-Tower   | OT-2<br>SIA Kanda Square   | OT-3<br>Tachikawa Nishiki-cho<br>Building   | OT-4<br>CP10 Building   | OT-5<br>Yokohama AP<br>Building   |
|---------------------|---|--|---|---|---|
|                     |  |  |  |  |  |
| Location            | Fuchu City, Tokyo   | Chiyoda Ward, Tokyo  | Tachikawa City, Tokyo   | Taito Ward, Tokyo   | Yokohama City, Kanagawa Prefecture  |
| Nearest Station     | Fuchu Station<br>on Keio Line   | Kanda Station<br>on JR Line  | Tachikawa Station<br>on JR Line   | Okachimachi Station<br>on JR Line   | Yokohama Station<br>on JR Line  |
| Completed           | March 1992  | April 2007   | June 1991   | March 1989  | May 1983  |
| Acquisition Price   | ¥24,394 million   | ¥7,350 million   | ¥3,264 million  | ¥3,229 million  | ¥3,110 million  |
| Appraisal Value     | ¥25,200 million   | ¥7,540 million   | ¥3,540 million  | ¥3,050 million  | ¥3,380 million  |
| Structure           | S/RC/SRC  | SRC  | SRC   | SRC   | RC  |
| Number of Floors    | B2/18F  | 10F  | 8F  | B1/7F   | B1/8F   |
| Total Floor Area    | 53,685.80m <sup>2</sup>   | 7,145.42m <sup>2</sup>   | 8,026.84m <sup>2</sup>  | 4,454.05m <sup>2</sup>  | 5,648.65m <sup>2</sup>  |
| Total Leasable Area | 34,261.55m <sup>2</sup>   | 5,263.30m <sup>2</sup>   | 5,633.29m <sup>2</sup>  | 3,518.17m <sup>2</sup>  | 4,478.11m <sup>2</sup>  |
| PML                 | 2.80%   | 6.06%  | 4.51%   | 3.51%   | 10.17%  |
| Occupancy Rate      | 76.4%   | 100.0%   | 100.0%  | 70.2%   | 100.0%  |
| Number of Tenants   | 28  | 28   | 21  | 5   | 10  |






## Overview of Individual Properties (2)

(As of February 28, 2015)

| Property Name       | OT-6<br>Yushima First Genesis Building  | OT-7<br>Miyaji Building  | OT-8<br>36 Sankyo Building  | OT-9<br>Minami-Shinagawa JN Building  | OT-10<br>Minami-Shinagawa N Building  |
|---------------------|---|--|---|---|---|
|                     |  |  |  |  |  |
| Location            | Bunkyo Ward, Tokyo  | Nakano Ward, Tokyo   | Shinjuku Ward, Tokyo  | Shinagawa Ward, Tokyo   | Shinagawa Ward, Tokyo   |
| Nearest Station     | Hongo 3-chome Station on Tokyo Metro Line   | Nakano Station on JR Line  | Idabashi Station on JR Line   | Aomono Yokocho Station on Keikyu Line   | Aomono Yokocho Station on Keikyu Line   |
| Completed           | August 1991   | August 1994  | October 1991  | July 1990   | July 1994   |
| Acquisition Price   | ¥2,751 million  | ¥2,880 million   | ¥2,395 million  | ¥2,165 million  | ¥2,292 million  |
| Appraisal Value     | ¥2,780 million  | ¥2,950 million   | ¥2,470 million  | ¥1,914 million  | ¥2,060 million  |
| Structure           | SRC   | S/SRC  | RC  | SRC   | SRC   |
| Number of Floors    | B1/7F   | B1/7F  | B2/4F   | B2/10F  | B2/10F  |
| Total Floor Area    | 5,048.99m <sup>2</sup>  | 4,316.75m <sup>2</sup>   | 4,687.65m <sup>2</sup>  | 9,621.66m <sup>2</sup>  | 8,570.72m <sup>2</sup>  |
| Total Leasable Area | 2,947.07m <sup>2</sup>  | 3,116.49m <sup>2</sup>   | 3,724.17m <sup>2</sup>  | 6,405.24m <sup>2</sup>  | 5,489.64m <sup>2</sup>  |
| PML                 | 7.00%   | 3.04%  | 8.85%   | 5.57%   | 5.50%   |
| Occupancy Rate      | 100.0%  | 100.0%   | 100.0%  | 85.2%   | 84.3%   |
| Number of Tenants   | 7   | 9  | 3   | 15  | 15  |





# Overview of Individual Properties (3)

(As of February 28, 2015)

| Property Name       | OT-11<br>Minami-Shinagawa<br>J Building   | OT-12<br>MY Atsugi Building  | OT-13<br>Hachioji SIA Building  | OO-1<br>Central Shin-Osaka<br>Building  | OO-2<br>Karasuma Plaza 21   |
|---------------------|---|--|---|---|---|
|                     |  |  |  |  |  |
| Location            | Shinagawa Ward, Tokyo   | Atsugi City, Kanagawa Prefecture   | Hachioji City, Tokyo  | Osaka City, Osaka Prefecture  | Kyoto City, Kyoto Prefecture  |
| Nearest Station     | Aomono Yokocho Station<br>on Keikyu Line  | Honatsugi Station<br>on Odakyu Line  | Hachioji Station<br>on JR Line  | Shin-Osaka Station<br>on JR Line  | Karasuma Station<br>on Hankyu Line  |
| Completed           | July 1992   | September 1988   | September 1993  | June 1992   | November 1986   |
| Acquisition Price   | ¥2,020 million  | ¥1,240 million   | ¥730 million  | ¥4,612 million  | ¥3,700 million  |
| Appraisal Value     | ¥2,060 million  | ¥1,290 million   | ¥787 million  | ¥4,740 million  | ¥3,370 million  |
| Structure           | SRC   | RC/SRC   | SRC   | S   | SRC   |
| Number of Floors    | B1/10F  | 8F   | 9F  | B1/12F  | B1/8F   |
| Total Floor Area    | 5,529.02m <sup>2</sup>  | 5,040.07m <sup>2</sup>   | 3,920.36m <sup>2</sup>  | 13,624.65m <sup>2</sup>   | 11,998.02m <sup>2</sup>   |
| Total Leasable Area | 3,673.61m <sup>2</sup>  | 3,847.70m <sup>2</sup>   | 2,751.01m <sup>2</sup>  | 9,399.87m <sup>2</sup>  | 8,890.42m <sup>2</sup>  |
| PML                 | 3.70%   | 7.69%  | 4.53%   | 12.72%  | 5.18%   |
| Occupancy Rate      | 100.0%  | 93.2%  | 100.0%  | 100.0%  | 100.0%  |
| Number of Tenants   | 10  | 20   | 14  | 26  | 12  |

# Overview of Individual Properties (4)

(As of February 28, 2015)

| Property Name              | OO-3<br>Stoke Building<br>Nagoya  | OO-4<br>MY Kumamoto<br>Building  | R-1<br>fab Minami-Osawa   | R-2<br>Niigata Higashibori-<br>dori Parking Building                                |
|----------------------------|---|--|---|---|
|                            |  |  |  |  |
| <b>Location</b>            | Nagoya City, Aichi Prefecture   | Kumamoto City, Kumamoto Prefecture   | Hachioji City, Tokyo  | Niigata City, Niigata Prefecture  |
| <b>Nearest Station</b>     | Fushimi Station<br>on Nagoya City Subway Line                                     | Kumamoto Castle/<br>City Hall Station<br>on Kumamoto City Tram                     | Minami-Osawa Station<br>on Keio Line  | Niigata Station<br>on JR Line   |
| <b>Completed</b>           | April 1991  | October 1987   | December 2001   | March 1993  |
| <b>Acquisition Price</b>   | ¥2,381 million  | ¥1,152 million   | ¥4,250 million  | ¥432 million  |
| <b>Appraisal Value</b>     | ¥2,500 million  | ¥1,260 million   | ¥4,300 million  | ¥492 million  |
| <b>Structure</b>           | S/SRC   | S/RC   | S   | S   |
| <b>Number of Floors</b>    | B1/8F   | 9F   | 7F  | 10F   |
| <b>Total Floor Area</b>    | 8,147.56m <sup>2</sup>  | 4,980.96m <sup>2</sup>   | 9,140.30m <sup>2</sup>  | 8,867.26m <sup>2</sup>  |
| <b>Total Leasable Area</b> | 5,801.80m <sup>2</sup>  | 3,750.01m <sup>2</sup>   | 8,409.23m <sup>2</sup>  | 8,725.90m <sup>2</sup>  |
| <b>PML</b>                 | 13.58%  | 5.08%  | 3.03%   | 6.08%   |
| <b>Occupancy Rate</b>      | 100.0%  | 100.0%   | 100.0%  | 100.0%  |
| <b>Number of Tenants</b>   | 5   | 18   | 14  | 1   |



# Environmental Initiatives: Acquisition of Certification in CASBEE

## ■ Acquisition of Certification in CASBEE for Market Promotion

On April 2, 2014, SIA REIT's assets J Tower and SIA Kanda Square **acquired "Rank A (extremely good)"** ratings in CASBEE (Comprehensive Assessment System for Built Environment Efficiency) for Market Promotion.

Low environmental risk location conditions, energy-saving functions, office space comfort, etc. were rated highly at J Tower while low environmental risk location conditions, long-term service lives of the structural framework and major equipment, office space comfort, etc. were highly evaluated at SIA Kanda Square, resulting in both acquiring Rank A ratings.

■ J Tower



■ SIA Kanda Square



### Reference

### Overview of certification in CASBEE for Market Promotion

CASBEE is a rating system which comprehensively evaluates the environmental performance of buildings with reduced environmental burden through energy-saving, resource-saving and recycling functions, and increased environmental quality and environmental functions such as in-door comfort and consideration of landscape. It is developed and managed primarily by the Institute for Building Environment and Energy Conservation (hereafter "IBEC") under the direction of the Ministry of Land Infrastructure Transport and Tourism.

CASBEE for Market Promotion was developed for the purpose of being used for the evaluation of real estate. The evaluation standards are formulated assuming use by stakeholders engaged in the transaction of real estate and such and are thus limited to items that are closely related to real estate appraisal.

In addition, in order to secure appropriate management and proliferation of CASBEE as well as reliability and transparency of evaluation results, ratings in CASBEE for Market Promotion are conducted by third-party institutions certified by IBEC. Properties assessed to be appropriate for functional evaluation by the standards are given one of five ratings, "Rank S (excellent)," "Rank A (extremely good)," "Rank B+ (good)," "Rank B- (somewhat inferior)" or "Rank C (inferior)," according to acquired points.



# List of Appraisal Values

| Property number | Property name                             | Acquisition price<br>(millions of yen) | End of third fiscal period (ended Feb. 2015) |  |                 |       |                                 |  | End of second fiscal period          |                 |
|-----------------|---|--|--|--|-----------------|-------|---------------------------------|--|--------------------------------------|-----------------|
|                 |   |  | Appraisal value<br>(millions of yen)         | Difference from<br>end of previous<br>period | Direct cap rate |       | Book value<br>(millions of yen) | Unrealized gain<br>(loss)<br>(millions of yen) | Appraisal value<br>(millions of yen) | Direct cap rate |
|                 |   |  |  |  |                 |       |                                 |  |                                      |                 |
| OT-1            | J Tower                                   | 24,394                                 | 25,200                                       | 0  | 5.3%            | -0.1% | 24,369                          | 830  | 25,200                               | 5.4%            |
| OT-2            | SIA Kanda Square                          | 7,350                                  | 7,540  | 0  | 4.5%            | -0.1% | 7,236                           | 303  | 7,540                                | 4.6%            |
| OT-3            | Tachikawa Nishiki-cho Building            | 3,264                                  | 3,540  | 70   | 5.1%            | -0.1% | 3,274                           | 265  | 3,470                                | 5.2%            |
| OT-4            | CP10 Building                             | 3,229                                  | 3,050  | -220   | 4.7%            | -0.1% | 3,224                           | -174   | 3,270                                | 4.8%            |
| OT-5            | Yokohama AP Building                      | 3,110                                  | 3,380  | 40   | 4.9%            | -0.1% | 3,108                           | 271  | 3,340                                | 5.0%            |
| OT-6            | Yushima First Genesis Building            | 2,751                                  | 2,780  | 60   | 4.7%            | -0.1% | 2,740                           | 39   | 2,720                                | 4.8%            |
| OT-7            | Miyaji Building                           | 2,880                                  | 2,950  | 40   | 5.0%            | -0.1% | 2,892                           | 57   | 2,910                                | 5.1%            |
| OT-8            | 36 Sankyo Building                        | 2,395                                  | 2,470  | 30   | 4.8%            | -0.1% | 2,392                           | 77   | 2,440                                | 4.9%            |
| OT-9            | Minami-Shinagawa JN Building              | 2,165                                  | 1,914  | 20   | 5.0%            | -0.1% | 2,180                           | -266   | 1,894                                | 5.1%            |
| OT-10           | Minami-Shinagawa N Building               | 2,292                                  | 2,060  | 10   | 5.2%            | -0.1% | 2,287                           | -227   | 2,050                                | 5.3%            |
| OT-11           | Minami-Shinagawa J Building               | 2,020                                  | 2,060  | 40   | 5.2%            | -0.1% | 2,007                           | 52   | 2,020                                | 5.3%            |
| OT-12           | MY Atsugi Building                        | 1,240                                  | 1,290  | 10   | 6.0%            | -0.1% | 1,231                           | 58   | 1,280                                | 6.1%            |
| OT-13           | Hachioji SIA Building                     | 730                                    | 787  | 9  | 5.6%            | -0.1% | 729                             | 57   | 778                                  | 5.7%            |
| OO-1            | Central Shin-Osaka Building               | 4,612                                  | 4,740  | 20   | 5.0%            | -0.1% | 4,556                           | 183  | 4,720                                | 5.1%            |
| OO-2            | Karasuma Plaza 21                         | 3,700                                  | 3,370  | -10  | 5.3%            | -0.1% | 3,729                           | -359   | 3,380                                | 5.4%            |
| OO-3            | Stoke Building Nagoya                     | 2,381                                  | 2,500  | 0  | 5.3%            | -0.1% | 2,378                           | 121  | 2,500                                | 5.4%            |
| OO-4            | MY Kumamoto Building                      | 1,152                                  | 1,260  | 30   | 6.3%            | -0.1% | 1,146                           | 113  | 1,230                                | 6.4%            |
| R-1             | fab Minami-Osawa                          | 4,250                                  | 4,300  | -60  | 5.4%            | -0.1% | 4,202                           | 97   | 4,360                                | 5.5%            |
| R-2             | Niigata Higashibori-dori Parking Building | 432                                    | 492  | 12   | 6.9%            | -0.1% | 433                             | 58   | 480                                  | 7.0%            |
| Total           |   | 74,347                                 | 75,683                                       | +101   | -               | -     | 74,123                          | 1,559  | 75,582                               | -               |

(Note) Amounts are rounded down to the nearest million yen.

## Lease Business Revenue and Expenditure by Property (1)

| Property number   | OT-1           | OT-2             | OT-3                           | OT-4           | OT-5                 | OT-6                           | OT-7            | OT-8               | OT-9                         | OT-10                       |
|---|----------------|------------------|--------------------------------|----------------|----------------------|--------------------------------|-----------------|--------------------|------------------------------|-----------------------------|
| Property name   | J-Tower        | SIA Kanda Square | Tachikawa Nishiki-cho Building | CP10 Building  | Yokohama AP Building | Yushima First Genesis Building | Miyaji Building | 36 Sankyo Building | Minami-Shinagawa JN Building | Minami-Shinagawa N Building |
| <b>①Total property-related operating revenue</b><br>(thousands of yen)  | <b>884,237</b> | <b>227,041</b>   | <b>141,591</b>                 | <b>114,030</b> | <b>129,835</b>       | <b>91,055</b>                  | <b>111,225</b>  | <b>83,517</b>      | <b>104,408</b>               | <b>96,024</b>               |
| Lease business revenue  | 706,790        | 216,508          | 134,554                        | 88,412         | 115,012              | 84,622                         | 101,559         | 73,625             | 97,956                       | 86,812                      |
| Other lease business revenue  | 177,446        | 10,532           | 7,037                          | 25,617         | 14,823               | 6,433                          | 9,666           | 9,891              | 6,452                        | 9,212                       |
| <b>②Total property-related operating expenses</b><br>(thousands of yen) | <b>382,622</b> | <b>35,694</b>    | <b>44,453</b>                  | <b>38,296</b>  | <b>34,714</b>        | <b>25,432</b>                  | <b>26,248</b>   | <b>24,237</b>      | <b>76,227</b>                | <b>45,528</b>               |
| Property management fees  | 75,872         | 13,035           | 18,210                         | 13,658         | 10,527               | 7,998                          | 8,272           | 5,782              | 20,069                       | 11,668                      |
| Utilities expenses  | 225,824        | 12,656           | 12,662                         | 10,792         | 9,896                | 7,610                          | 9,128           | 9,526              | 26,179                       | 9,553                       |
| Taxes and public dues   | 67,245         | 8,354            | 10,323                         | 6,579          | 9,650                | 7,628                          | 7,558           | 7,249              | 9,524                        | 8,980                       |
| Insurance premiums  | 1,466          | 213              | 218                            | 114            | 143                  | 129                            | 114             | 107                | 246                          | 214                         |
| Repair expenses   | 11,712         | 1,435            | 2,538                          | 6,651          | 3,896                | 1,416                          | 674             | 921                | 4,293                        | 2,467                       |
| Other expenses  | 500            | -                | 500                            | 500            | 600                  | 650                            | 500             | 650                | 15,914                       | 12,644                      |
| <b>③Leasing NOI (= ① - ②)</b><br>(thousands of yen)                     | <b>501,615</b> | <b>191,346</b>   | <b>97,137</b>                  | <b>75,734</b>  | <b>95,121</b>        | <b>65,623</b>                  | <b>84,976</b>   | <b>59,279</b>      | <b>28,181</b>                | <b>50,496</b>               |
| <b>④Depreciation</b><br>(thousands of yen)                              | <b>112,274</b> | <b>70,132</b>    | <b>19,329</b>                  | <b>14,894</b>  | <b>10,187</b>        | <b>12,588</b>                  | <b>9,850</b>    | <b>8,209</b>       | <b>14,217</b>                | <b>13,188</b>               |
| <b>⑤Lease business profit (=③ - ④)</b><br>(thousands of yen)            | <b>389,341</b> | <b>121,214</b>   | <b>77,807</b>                  | <b>60,839</b>  | <b>84,933</b>        | <b>53,034</b>                  | <b>75,126</b>   | <b>51,070</b>      | <b>13,963</b>                | <b>37,307</b>               |
| <b>⑥Capital expenditures</b><br>(thousands of yen)                      | <b>88,578</b>  | <b>-</b>         | <b>4,661</b>                   | <b>4,765</b>   | <b>2,775</b>         | <b>-</b>                       | <b>18,299</b>   | <b>1,221</b>       | <b>17,083</b>                | <b>3,248</b>                |
| <b>⑦Leasing NCF(=③ - ⑥)</b><br>(thousands of yen)                       | <b>413,036</b> | <b>191,346</b>   | <b>92,476</b>                  | <b>70,968</b>  | <b>92,346</b>        | <b>65,623</b>                  | <b>66,677</b>   | <b>58,058</b>      | <b>11,098</b>                | <b>47,247</b>               |

(Note) Amounts are rounded down to the nearest thousand yen.

## Lease Business Revenue and Expenditure by Property (2)

| Property number   | OT-11                       | OT-12              | OT-13                 | OO-1                        | OO-2              | OO-3                  | OO-4                 | R-1              | R-2                                       | R-3    |                         |
|---|-----------------------------|--------------------|-----------------------|-----------------------------|-------------------|-----------------------|----------------------|------------------|---|--------|-------------------------|
| Property name   | Minami-Shinagawa J Building | MY Atsugi Building | Hachioji SIA Building | Central Shin-Osaka Building | Karasuma Plaza 21 | Stoke Building Nagoya | MY Kumamoto Building | fab Minami-Osawa | Niigata Higashibori-dori Parking Building | NEXT21 | Total for 20 properties |
| ①Total property-related operating revenue (thousands of yen)  | 97,210                      | 62,342             | 51,774                | 198,897                     | 187,935           | 105,890               | 69,363               |                  |   | 11,026 | 2,998,607               |
| Lease business revenue  | 89,874                      | 56,357             | 46,459                | 176,977                     | 170,373           | 89,068                | 64,336               |                  |   | 9,986  | 2,593,953               |
| Other lease business revenue                                  | 7,336                       | 5,985              | 5,314                 | 21,920                      | 17,562            | 16,821                | 5,026                |                  |   | 1,039  | 404,653                 |
| ②Total property-related operating expenses (thousands of yen) | 30,725                      | 24,765             | 23,911                | 62,800                      | 79,545            | 42,014                | 22,518               |                  |   | 9,578  | 1,120,111               |
| Property management fees                                      | 5,499                       | 9,264              | 10,476                | 18,064                      | 29,572            | 15,174                | 8,993                |                  |   | 4,583  | 307,477                 |
| Utilities expenses  | 9,287                       | 9,508              | 7,640                 | 24,939                      | 23,556            | 14,142                | 7,261                |                  |   | 1,793  | 475,435                 |
| Taxes and public dues   | 5,612                       | 4,900              | 4,572                 | 16,685                      | 22,619            | 9,981                 | 4,858                |                  |   | 1,742  | 224,780                 |
| Insurance premiums  | 136                         | 134                | 92                    | 310                         | 308               | 199                   | 135                  |                  |   | 43     | 4,587                   |
| Repair expenses   | 1,092                       | 457                | 629                   | 2,300                       | 2,988             | 1,916                 | 769                  |                  |   | 1,389  | 51,128                  |
| Other expenses  | 9,097                       | 500                | 500                   | 500                         | 500               | 600                   | 500                  |                  |   | 26     | 56,701                  |
| ③Leasing NOI (= ① - ②) (thousands of yen)                     | 66,485                      | 37,577             | 27,863                | 136,097                     | 108,389           | 63,875                | 46,845               | 121,223          | 19,178                                    | 1,447  | 1,878,496               |
| ④Depreciation (thousands of yen)                              | 11,085                      | 12,224             | 5,127                 | 32,615                      | 13,290            | 17,341                | 11,802               | 31,341           | 4,035                                     | 544    | 424,282                 |
| ⑤Lease business profit (=③ - ④) (thousands of yen)            | 55,399                      | 25,352             | 22,735                | 103,481                     | 95,098            | 46,534                | 35,043               | 89,882           | 15,143                                    | 903    | 1,454,213               |
| ⑥Capital expenditures (thousands of yen)                      | 1,208                       | 3,831              | 2,984                 | 1,442                       | 13,622            | 16,275                | 3,996                | 1,950            | 5,357                                     | -      | 191,302                 |
| ⑦Leasing NCF(=⑤ - ⑥) (thousands of yen)                       | 65,277                      | 33,745             | 24,878                | 134,655                     | 94,767            | 47,599                | 42,848               | 119,272          | 13,821                                    | 1,447  | 1,687,194               |

(Note 1) Amounts are rounded down to the nearest thousand yen.

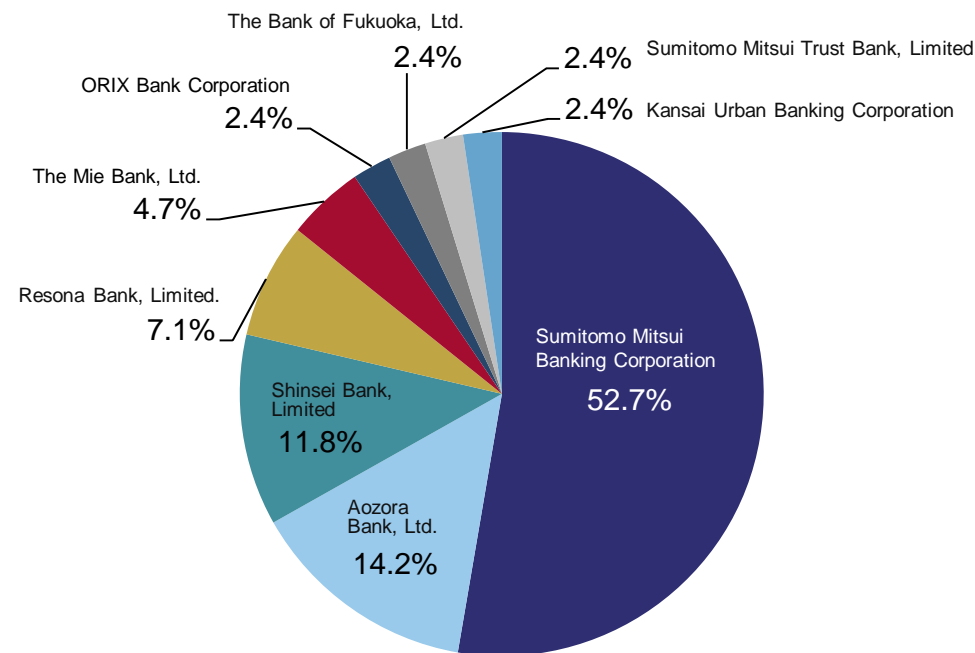
(Note 2) Lease business revenue and property-related expenses of fab Minami-Osawa and Niigata Higashibori-dori Parking Building are undisclosed due to unavoidable circumstances including a lack of tenant consent for the disclosure of lease business revenue.

# List of Borrowings: Balance as of February 28, 2015 (end of third fiscal period)

## Balance by Repayment Date

| Classification        | Lender   | Balance<br>(thousands of yen) | Interest rate<br>(Fixed/floating) | Repayment<br>date   |
|-----------------------|--|-------------------------------|-----------------------------------|---------------------|
| Short-Term Borrowings | Sumitomo Mitsui Banking Corporation<br>Aozora Bank, Ltd.<br>Sumitomo Mitsui Trust Bank, Limited<br>The Bank of Fukuoka, Ltd. | 4,920,000                     | 0.73000%<br>(Floating)            | October 13,<br>2015 |
| Long-Term Borrowings  | Sumitomo Mitsui Banking Corporation<br>Shinsei Bank, Limited<br>Aozora Bank, Ltd.<br>Resona Bank, Limited                    | 13,397,500                    | 1.16976%<br>(Fixed)               | October 10,<br>2016 |
| Long-Term Borrowings  | Sumitomo Mitsui Banking Corporation<br>Resona Bank, Limited<br>Aozora Bank, Ltd.<br>ORIX Bank Corporation                    | 5,500,000                     | 1.08473%<br>(Fixed)               | October 10,<br>2017 |
| Long-Term Borrowings  | Sumitomo Mitsui Banking Corporation<br>Aozora Bank, Ltd.<br>The Mie Bank, Ltd.   | 6,522,250                     | 0.93000%<br>(Floating)            | October 10,<br>2018 |
| Long-Term Borrowings  | Sumitomo Mitsui Banking Corporation<br>Kansai Urban Banking Corporation  | 6,710,250                     | 1.38226%<br>(Fixed)               | October 10,<br>2018 |
| Long-Term Borrowings  | Sumitomo Mitsui Banking Corporation  | 1,842,500                     | 1.13000%<br>(Floating)            | October 10,<br>2019 |
| Long-Term Borrowings  | Sumitomo Mitsui Banking Corporation<br>The Mie Bank, Ltd.  | 3,000,000                     | 1.35961%<br>(Fixed)               | October 13,<br>2020 |
| <b>Total</b>          |  | <b>41,892,500</b>             |                                   |                     |

## Balance by Financial Institution



(Unit: Millions of yen)

|                                     |                   |
|-------------------------------------|-------------------|
| Sumitomo Mitsui Banking Corporation | 22,066,500        |
| Aozora Bank, Ltd.                   | 5,935,000         |
| Shinsei Bank, Limited               | 4,946,000         |
| Resona Bank, Limited                | 2,989,000         |
| The Mie Bank, Ltd.                  | 1,989,000         |
| ORIX Bank Corporation               | 1,000,000         |
| The Bank of Fukuoka, Ltd.           | 989,000           |
| Sumitomo Mitsui Trust Bank, Limited | 989,000           |
| Kansai Urban Banking Corporation    | 989,000           |
| <b>Total</b>                        | <b>41,892,500</b> |

## Unitholder Status: As of February 28, 2015 (End of Third Fiscal Period)

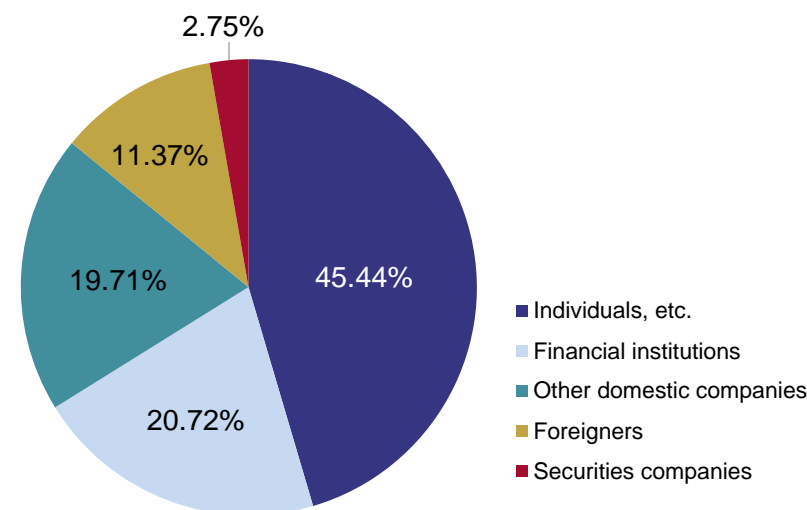
### ■ Number of Unitholders and Investment Units by Unitholder Type

|                          | End of the third fiscal period (as of Feb. 28, 2015) |                |                            |                |
|--------------------------|--|----------------|----------------------------|----------------|
|                          | Number of unitholders                                | Percentage     | Number of investment units | Percentage     |
| Individuals, etc.        | 7,543  | 96.71%         | 34,129                     | 45.44%         |
| Financial institutions   | 14   | 0.18%          | 15,561                     | 20.72%         |
| Other domestic companies | 159  | 2.04%          | 14,804                     | 19.71%         |
| Foreigners               | 57   | 0.73%          | 8,538                      | 11.37%         |
| Securities companies     | 27   | 0.35%          | 2,068                      | 2.75%          |
| <b>Total</b>             | <b>7,800</b>   | <b>100.00%</b> | <b>75,100</b>              | <b>100.00%</b> |

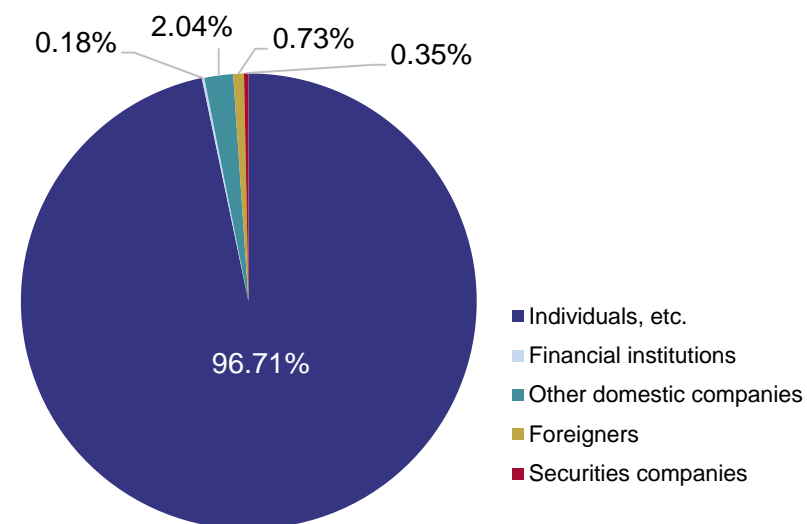
### ■ Main Unitholders

| Main unitholders  | Number of investment units | Percentage    |
|---|----------------------------|---------------|
| Simplex Investment Advisors Inc.  | 11,265                     | 15.00%        |
| Japan Trustee Services Bank, Ltd. (Trust Acct.)                           | 7,296                      | 9.71%         |
| Trust and Custody Services Bank, Ltd. (Securities Investment Trust Acct.) | 3,318                      | 4.41%         |
| The Master Trust Bank of Japan, Ltd. (Trust Acct.)                        | 2,205                      | 2.93%         |
| CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW                           | 1,751                      | 2.33%         |
| The Nomura Trust and Banking Co., Ltd. (Trust Acct.)                      | 1,637                      | 2.17%         |
| GOLDMAN SACHS INTERNATIONAL   | 1,570                      | 2.09%         |
| MORGAN STANLEY & CO. LLC  | 817                        | 1.08%         |
| Individual  | 768                        | 1.02%         |
| Japan Securities Finance Co., Ltd.  | 575                        | 0.76%         |
| <b>Total</b>  | <b>31,202</b>              | <b>41.54%</b> |

### ■ Number of Investment Units



### ■ Number of Unitholders



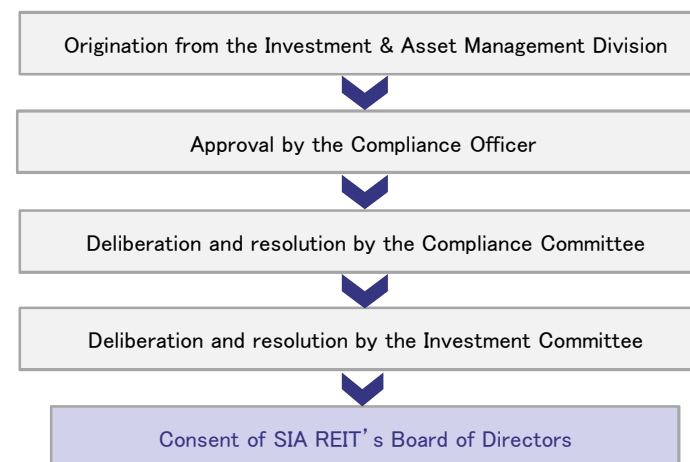


# Governance System and Management Fee Scheme

## Governance System

### The Asset Management Company's procedures for making decisions concerning related-party transactions

Decisions on proposed acquisition or sale of assets are made by the Asset Management Company. They must originate from the Investment & Asset Management Division, be approved by the Compliance Officer, and be authorized by resolution of the Compliance Committee and the Investment Committee. However, if the acquisition or sale of an asset would constitute a related-party transaction, the consent of SIA REIT's Board of Directors must also be obtained in addition to the above procedures.



## Introduction of Management Fee System Linked to the Rate of Increase of the Amount Available for Dividends per Unit

| Management fee system |   | Calculation method  | Maximum                               |                                       |
|-----------------------|---|---|---------------------------------------|---------------------------------------|
| Management fees       | Management fee 1<br><small>(Note 3)</small> | Total assets × 0.35% × (Number of months in the fiscal period / 12)   | Total assets × 0.55%<br>(annual rate) | Total assets × 0.65%<br>(annual rate) |
|                       | Management fee 2<br><small>(Note 3)</small> | NOI <small>(Note 1)</small> × 5.5%  |                                       |                                       |
|                       | Management fee 3<br><small>(Note 3)</small> | Total assets × DPU growth rate of management fee 3 before deductions (%) <small>(Note 2)</small> × (Number of months in the fiscal period / 12) |                                       |                                       |
| Acquisition fees      |   | Acquisition price × 1.0% (Transactions with interested parties: Acquisition price × 0.5%)   |                                       |                                       |
| Transfer fees         |   | Transfer price × 1.0% (Transactions with interested parties: Transfer price × 0.5%)   |                                       |                                       |

(Note 1) NOI is the amount arrived at after deducting property-related expenses (excluding depreciation and loss on retirement of noncurrent assets) from the total of the fiscal period's lease business revenues and silent partnership distributions.

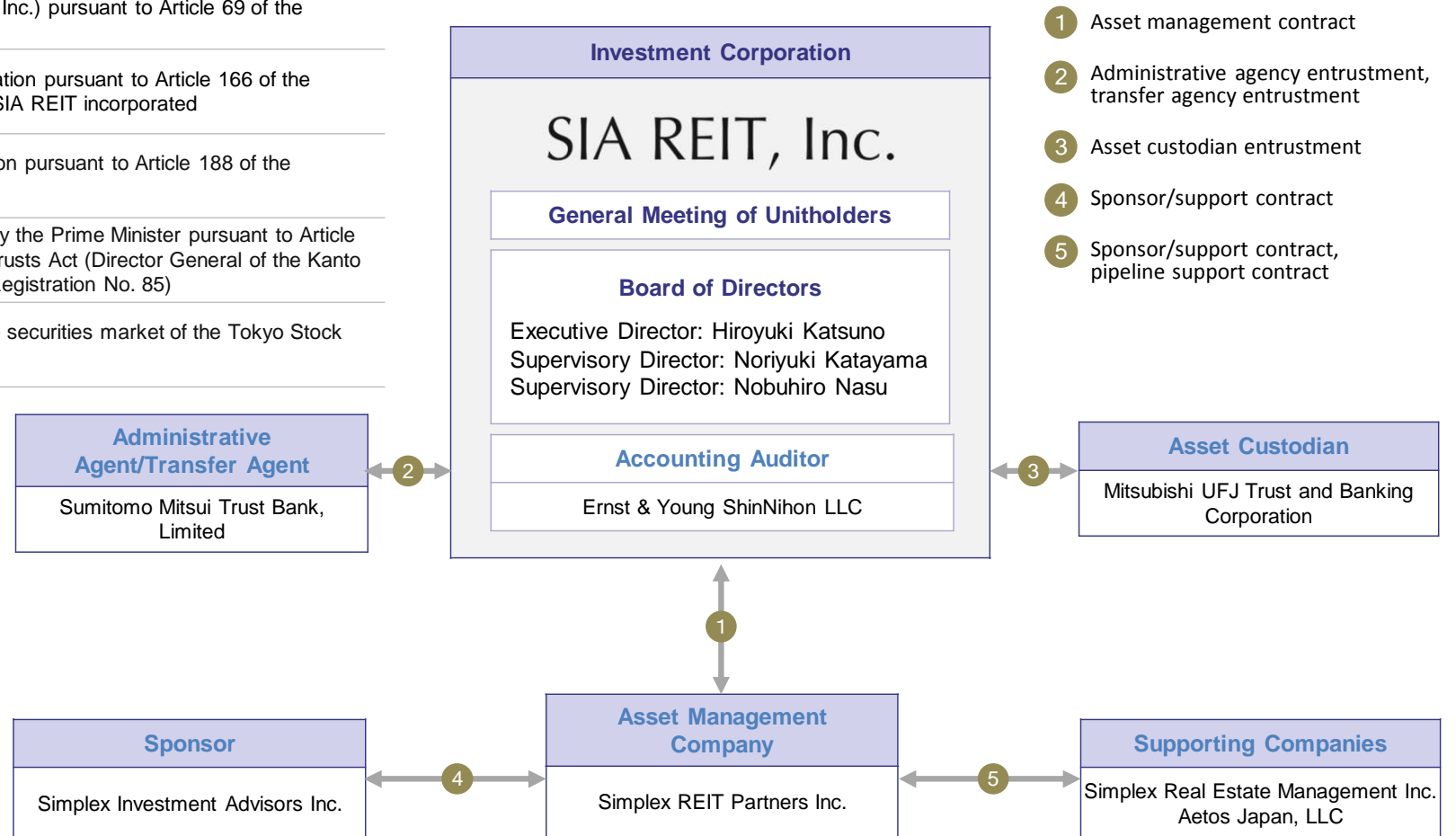
(Note 2) "DPU growth rate of management fee 3 before deductions" is the number obtained from the following formula (however, if figures are negative, it is deemed as 0): The fiscal period's DPU growth rate of management fee 3 before deductions ÷ the previous fiscal period's DPU growth rate of management fee 3 before deductions – 1  
Furthermore, "DPU growth rate of management fee 3 before deductions" is obtained by dividing "the amount obtained by deducting loss carried forward from the net income before income taxes of management fee 3 before deductions" by "the fiscal period's outstanding number of investment units as of the period's settlement."

(Note 3) The rates of management fee 1 are 0.20% for the first and second fiscal periods. Management fee 2 will arise starting from the third fiscal period and management fee 3 from the fourth fiscal period.

# Overview of SIA REIT

## History

|               |   |
|---------------|---|
| Jun. 20, 2013 | Notification of incorporation of SIA REIT by the organizer (Simplex REIT Partners Inc.) pursuant to Article 69 of the Investment Trusts Act                               |
| Jun. 25, 2013 | Registration of incorporation pursuant to Article 166 of the Investment Trusts Act, SIA REIT incorporated   |
| Jul. 8, 2013  | Application for registration pursuant to Article 188 of the Investment Trusts Act   |
| Jul. 23, 2013 | Registration approved by the Prime Minister pursuant to Article 189 of the Investment Trusts Act (Director General of the Kanto Local Finance Bureau Registration No. 85) |
| Oct. 9, 2013  | Listed on the real estate securities market of the Tokyo Stock Exchange   |



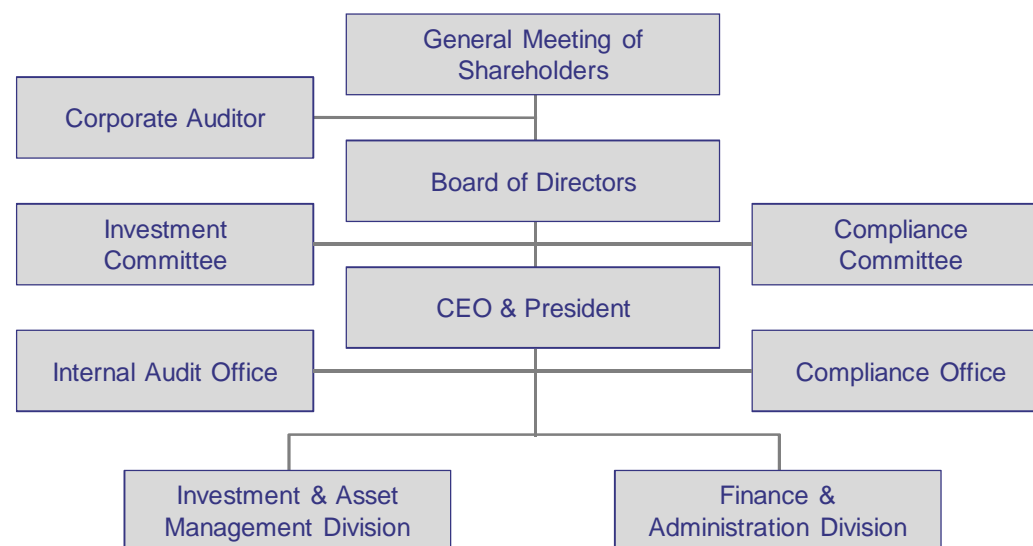
# Overview of the Asset Management Company



|                                   |   |
|-----------------------------------|---|
| <b>Name</b>                       | <b>Simplex REIT Partners Inc.</b>   |
| <b>Established</b>                | July 1, 2005  |
| <b>Capital</b>                    | ¥50 million   |
| <b>Representative</b>             | Hiroyuki Katsuno, President and Representative Director   |
| <b>Address of head office</b>     | Shin-Kasumigaseki Building 19th Floor, 3-3-2 Kasumigaseki, Chiyoda Ward, Tokyo 100-6019, Japan  |
| <b>No. of directors/employees</b> | 21 (As of February 28, 2015) <sup>(Note)</sup>  |
| <b>Shareholder</b>                | Simplex Investment Advisors Inc. (100%)   |
| <b>Membership</b>                 | The Investment Trusts Association, Japan  |
| <b>Licenses, etc.</b>             | Investment Management Business:<br>Director General of Kanto Local Finance Bureau (Financial Instruments) Registration No. 342<br>Real Estate Brokerage Business:<br>Governor of Tokyo (2) Registration No. 84787<br>Trading Agency Etc. License:<br>Minister of Land, Infrastructure, Transport and Tourism License No. 46 |

(Note) Includes full-time auditors, contract employees, and employees on postings from other companies. Does not include outside directors or temporary staff. Includes members holding concurrent positions among SIA Group companies.

## ■ Organization



## Disclaimer

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**Asset Management Company: Simplex REIT Partners Inc.**  
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**Financial Instruments Business Operator; Member, The Investment Trusts Association, Japan**





