

For Immediate Release

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Notice Concerning Revisions to Forecast of Management Status and Distributions
for Fiscal Period Ending August 2023 and Ending February 2024

MORI TRUST REIT, Inc. (“MTR”) hereby announces today that it has revised the forecast of management status and distributions for the fiscal period ending August 2023 (March 1, 2023 to August 31, 2023) and ending February 2024 (September 1, 2023 to February 29, 2024) announced in “Summary of Financial Results (REIT) for Fiscal Period Ended February 28, 2023” dated April 20, 2023.

Details

1. Revisions to Management Status Forecast and Distributions

(1) Revisions to Forecast of Management Status and Distributions for Fiscal Period Ending August 2023 (March 1, 2023 to August 31, 2023)

	Operating Revenue	Operating Income	Ordinary Income	Net Income	Distributions per Unit (excluding distributions in excess of earnings)	Distributions in Excess of Earnings per Unit
	million yen	million yen	million yen	million yen	yen	yen
Previously released forecast (A)	11,609	6,311	5,647	5,637	1,584	—
Revised forecast (B)	11,798	7,042	6,386	6,273	1,700	—
Change (B-A)	188	730	738	636	116	—
Percentage of change	1.6%	11.6%	13.1%	11.3%	7.3%	—%

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(Reference)

Fiscal period ending August 2023

Forecast number of the investment units issued and outstanding at the end of the fiscal period: 3,560,000 units

Forecast net income per unit: 1,762 yen

(2) Revisions to Forecast of Management Status and Distributions for Fiscal Period Ending February 2024 (September 1, 2023 to February 29, 2024)

	Operating Revenue	Operating Income	Ordinary Income	Net Income	Distributions per Unit (excluding distributions in excess of earnings)	Distributions in Excess of Earnings per Unit
	million yen	million yen	million yen	million yen	yen	yen
Previously released forecast (A)	11,652	6,913	6,197	6,032	1,600	—
Revised forecast (B)	11,765	7,537	6,834	6,612	1,728	—
Change (B-A)	113	624	636	579	128	—
Percentage of change	1.0%	9.0%	10.3%	9.6%	8.0%	—%

(Reference)

Fiscal period ending February 2024

Forecast number of the investment units issued and outstanding at the end of the fiscal period: 3,560,000 units

Forecast net income per unit: 1,857 yen

(Note 1) The distribution per unit for the fiscal period ending August 2023 assumes the reversal of 2 million yen of a portion of internal reserves (reserve for reduction entry of 1 million yen and deferred tax liabilities of 0 million yen associated with the reserve) in both the revised forecast and the previously released forecast. The revised forecast assumes the provision of 325 million yen of a portion of the gain on sale of real estate, etc. from the partial sale of Shinbashi Ekimae MTR Building, which is expected to occur in the fiscal period ending August 2023 (reserve for reduction entry of 223 million yen and deferred tax liabilities of 102 million yen associated with the reserve) as internal reserves. The previously released forecast assumed no provision as internal reserves.

(Note 2) The distribution per unit for the fiscal period ending February 2024 assumes the reversal of 2 million yen of a portion of internal reserves (reserve for reduction entry of 1 million yen and deferred tax liabilities of 0 million yen associated with the reserve) in both the revised forecast and the previously released forecast. The revised forecast assumes the provision of 674 million yen of a portion of the gain on sale of real estate, etc. from the partial sale of Shinbashi Ekimae MTR Building, which is expected to occur in the fiscal period ending February 2024 (reserve for reduction entry of 462 million yen and deferred tax liabilities of 212 million yen associated with the reserve) as internal reserves. The previously released forecast assumed the provision of 493 million yen (reserve for reduction entry of 338 million yen and deferred tax liabilities of 155 million yen associated with the reserve) as internal reserves.

(Note 3) The forecast of management status for the fiscal period ending August 2023 and ending February 2024 represents the current figures calculated based on the assumptions stated in Attachment 2 “Assumptions Underlying Forecast of Management Status for Fiscal Period Ending August 2023 and February 2024.” Accordingly, the actual operating revenues, operating income, ordinary income, net income and Distributions per unit may vary as a result of differences between actual conditions and the assumptions due to developments such as future additional acquisition or sale of real estate, etc.,

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fluctuation in rent income as a result of changes in tenants or other factors, the occurrence of unforeseen repairs and maintenance and other changes in the management environment, fluctuation in interest rates, and the issuance of new investment units. Consequently, the forecast is not a guarantee of the amount of distributions.

(Note 4) Forecasts may be modified if there is expected to be a noticeable discrepancy with the above forecasts.

(Note 5) Figures are rounded down to the nearest unit.

2. Reasons for Revisions

MTR has been studying the possibility of revising the treatment of the useful lives of its assets as one of the measures to enhance unitholder value. As a result of the study, MTR has decided to adopt the economic life, which is calculated based on the period over which the assets could have economic value for its assets for which it had previously adopted the statutory useful life under the tax law from the fiscal period ending August 2023.

Consequently, the useful lives of its assets whose useful lives have been revised will be extended compared with the previous periods, and the depreciation expenses for such assets will be reduced to result in a continuous increase of the level of income. For some of its recently acquired assets and all of the assets acquired from MORI TRUST Hotel Reit, Inc. ("MTH"), the economic life has been adopted.

Due to the increase in the level of income resulting from such revision of the useful lives of the assets, the upward revision of hotel rents due to the reflection of actual rents at the four hotel properties with variable rents (Note 2) and the revision of future hotel rent forecasts based on the recovery of the hotel market, and the revision of other business performance including the upward revision of office rents, the assumptions for the forecasts of performance for the fiscal period ending August 2023 and the fiscal period ending February 2024 announced in "Financial Summary (REIT) for Fiscal Period Ended February 28, 2023" dated April 20, 2023, have been changed, and it is expected that there will be a difference of 5% or more in distributions per unit. Therefore, the forecasts of management status and distributions have been revised.

Please refer to Attachment 1 for details of the differences between the previously released forecast and the revised forecast.

(Note 1) The property names, including those in the attachments, may be abbreviated as follows.

Property Names (main use)	Abbreviations
Tokyo Shiodome Building (office)	Shiodome
Shin-Yokohama TECH Building (office)	Shin-Yokohama
Shinbashi Ekimae MTR Building (retail facility)	Shinbashi
Sendai MT Building (office)	Sendai
Shangri-La Tokyo (hotel)	Shangri-La
Hilton Odawara Resort & Spa (hotel)	Hilton Odawara
Courtyard by Marriott Tokyo Station (hotel)	Courtyard Tokyo
Courtyard by Marriott Shin-Osaka Station (hotel)	Courtyard Shin-Osaka

(Note 2) "Four hotel properties with variable rents" are Shangri-La, Hilton Odawara, Courtyard Tokyo and Courtyard Shin-Osaka, all of which have variable rents.

3. Differences between Forecasts of Management Status for Fiscal Period Ending August 2023 and Fiscal Period Ending February 2024

In the forecast for the fiscal period ending February 2024, compared with the forecast for the fiscal period ending August 2023, positive effects are expected due to a steady increase in office rental income resulting from higher occupancy rates at Shiodome and Shin-Yokohama and asset replacement of Shinbashi and Sendai. At the same time, however, negative aspects are also expected due to higher repair expenses and interest expenses and assumed partial vacancies. The vacancy forecast in the forecast for the fiscal period ending February 2024 is based on the assumption that, in principle, the properties and sections that are expected to be vacant and for which no new contracts have been concluded when the forecast was prepared will remain vacant, both in the previously released forecast and in the revised forecast. Therefore, it is assumed that Kohnan Sagamihara-Nishihashimoto, whose tenant will leave due to the expiration of fixed-term building lease agreement in September 2023, will remain vacant after the lease expires.

For the fiscal period ending August 2023, with the recovery of the hotel market, the total rent of the four hotel properties with variable rents in revised forecast (excluding the difference from minimum guaranteed rent. The same applies hereafter.) are expected to be higher than that in the previously released forecast (while the total rent of these hotel properties in the previously released forecast was expected to be 78% of that for the same period in 2019, the total actual rent of these hotel properties in the revised forecast is 89% of that for the same period in 2019). For the fiscal period ending February 2024, considering that further recovery of the hotel market remains unclear partly due to the uncertainty in domestic measures such as the nationwide travel discount program, etc. and the timing of termination of the recovery of inbound tourism from Mainland China, the total rent of the four hotel properties with variable rents in the revised forecast is expected to be 83% of that for the same period in 2019 (78% in the previously released forecast), which is higher than the previously released forecast but lower than the revised forecast for the fiscal period ending August 2023.

(Reference 1)

Ratios of total rent of the four hotel properties with variable rents in the forecasts to that for the same period in 2019

	Forecasts for the fiscal period ending August 2023	Forecasts for the fiscal period ending February 2024
Revised forecast (Released on July 27, 2023)	89% (All actual)	83% (Actual and forecast)
Previously released forecast (Released on April 20, 2023)	78% (Actual and forecast)	78% (All forecast)

(Note 1) The ratio of the total rent of the four hotel properties with variable rents in the forecasts to that for the same period in 2019 is calculated using the following formula.

The total rent of the four hotel properties with variable rents in the forecast for each fiscal period (excluding the difference from minimum guaranteed rent (Note 2)) ÷ The total rent of the four hotel properties with variable rents in each fiscal period calculated based on the actual results in 2019 for each hotel (Note 3) (%)

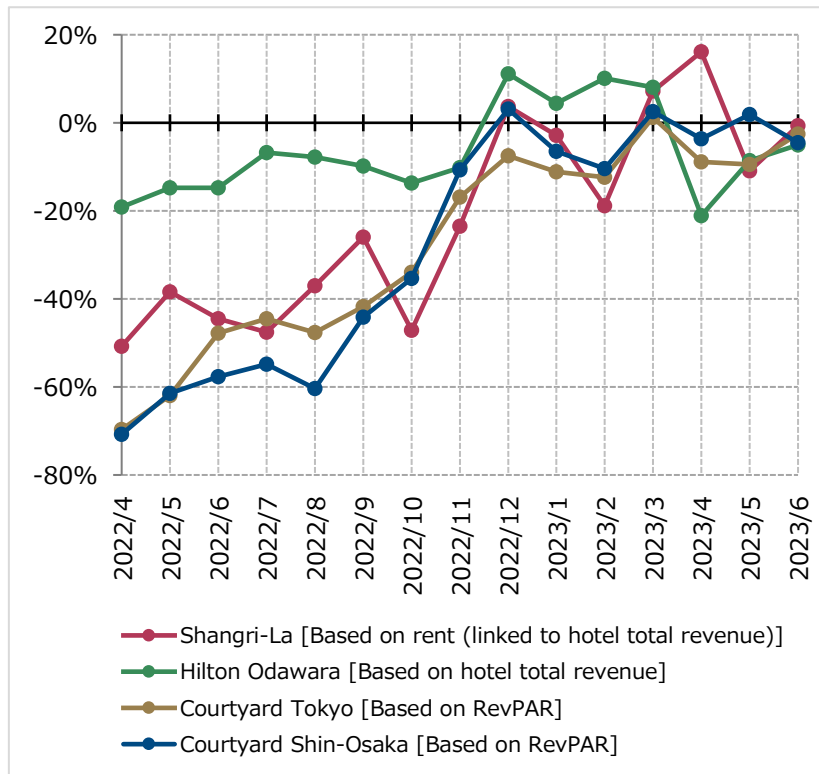
(Note 2) Although the previously released forecast assumed that there would be a difference from the minimum guaranteed rent for Courtyard Shin-Osaka in each fiscal period, the revised forecast assumes that there will be no difference from the minimum guaranteed rent for any hotel property.

(Note 3) It refers to the total rent of the four hotel properties with variable rents for each fiscal period, calculated based on the actual results for each month of 2019 for each hotel with some adjustments. It differs from the total actual rents of the four hotel properties with variable rents in the former MTH for the fiscal period ended August 2019 or February 2020.

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(Reference 2)

Trends in Operating Results for the Four Hotel Properties with Variable Rents (YoY Comparison with 2019)



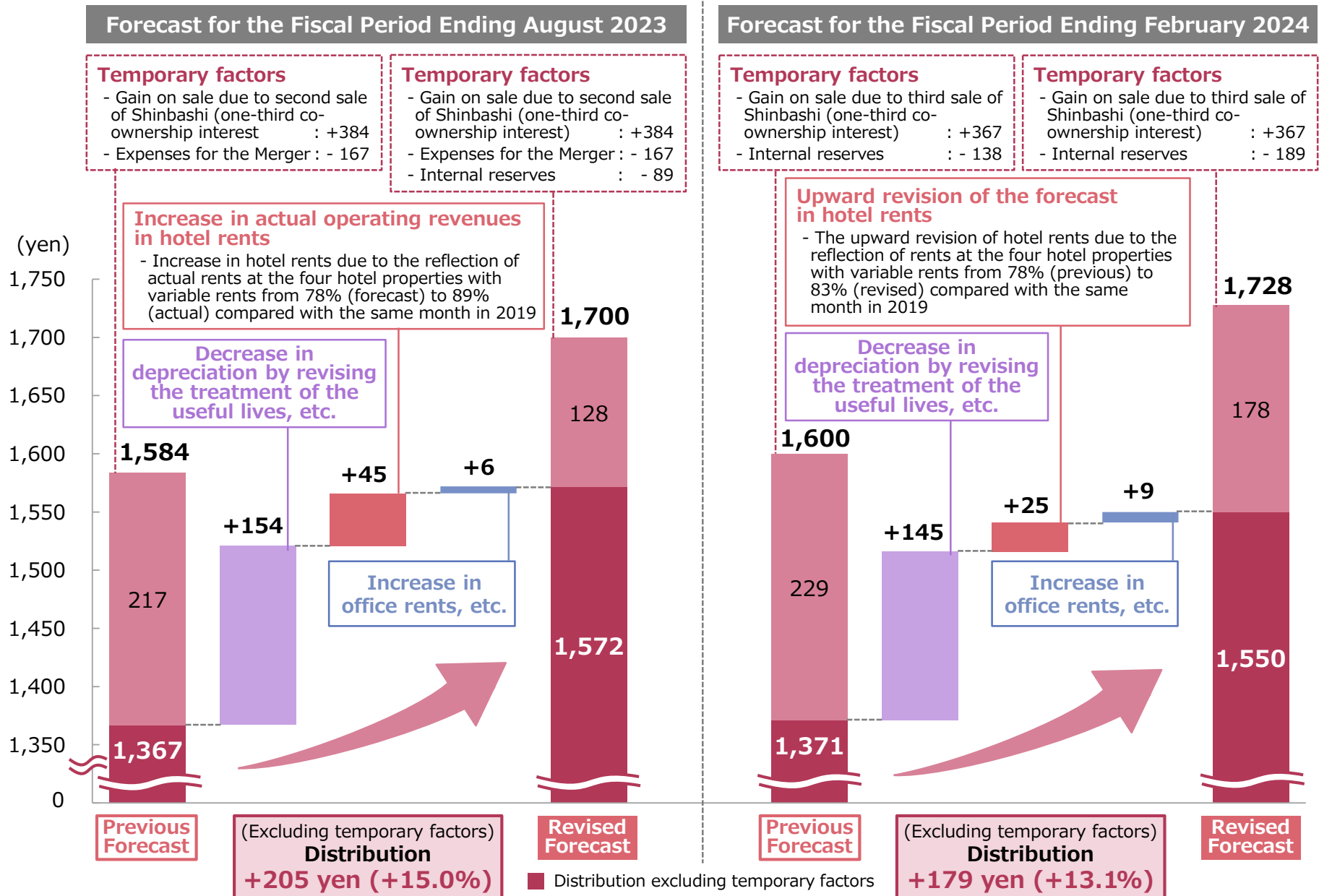
(Note) Operating results for each hotel refers to the rent (linked to hotel total revenue) received by MTR calculated for each Rent calculation base month for rent (it represents the month used as the base for calculating rent. The same applies hereafter.) for Shangri-La, total revenue per month of the entire hotel for Hilton Odawara, and RevPAR for each Rent calculation base month for rent for both Courtyard Tokyo and Courtyard Shin-Osaka, and the operating results of each month for each hotel are shown as a percentage change (%) compared with the same month of 2019. RevPAR denotes Revenue Per Available Room and includes service fees.

* MORI TRUST REIT’s website: <https://www.mt-reit.jp/en/>

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[Attachment 1] Comparison of Forecasts for Fiscal Period Ending August 2023 / February 2024 and Each Previous Forecast (as of April 2023)

The distribution forecasts for the fiscal period ending August 2023 and February 2024 are higher than each previous forecast due to decrease in depreciation by revising the treatment of the useful lives and internal growth accompanying the recovery of the office and hotel markets.



**Assumptions Underlying Forecast of Management Status
for Fiscal Period Ending August 2023 and February 2024**

Item	Assumptions
Calculation periods	<ul style="list-style-type: none"> Fiscal period ending August 2023 (43rd FP: from March 1 to August 31, 2023) (184days) Fiscal period ending February 2024 (44th FP: from September 1 to February 29, 2024) (182 days)
Assets under management	<ul style="list-style-type: none"> It is assumed that “Shinbashi Ekimae MTR Building” to be partially transferred and “Sendai MT Building” to be partially acquired on August 31, 2023 and on February 29, 2024 will be reflected in the 22 real estate properties and real estate trust's beneficiary rights held by MTR as of today and that there are no changes in assets under management (such as purchase of new properties, sale of existing properties owed, etc.) by the end of the fiscal period ending February 2024. In reality, however, assets under management may change due to acquisition of new properties, sale of existing properties owed, etc.
Number of investment units issued and outstanding	<ul style="list-style-type: none"> It is assumed that the number of investment units issued and outstanding as of July 27, 2023 is 3,560,000 units. The number of investment units issued and outstanding may change, however, for reasons such as the issuance of investment units during the fiscal period.
Interest-bearing debt and refinancing	<ul style="list-style-type: none"> The total amount of 225,975 million yen is assumed to be the sum of 152,500 million yen of interest-bearing debt as of February 28, 2023, and 53,975 million yen assumed as the result of the merger with MTH on March 1, 2023 (“the Merger”) and 19,500 million yen in borrowings made on March 1, 2023. It is assumed that it will appropriate funds raised through refinancing to repay loans of 21,475 million yen that will fall due during the fiscal period ending August 2023. It is also assumed that it will appropriate funds raised through refinancing and the issuance of investment corporation bonds to repay loans of 19,500 million yen that will fall due during the fiscal period ending February 2024, and redeem investment corporation bonds of 3,000 million yen.
Operating revenues	<ul style="list-style-type: none"> Rental revenues are calculated taking into account factors such as market environment, tenants’ trends, and the competitiveness of properties, in addition to the lease contracts that have been concluded, to be 10,369 million yen for the fiscal period ending August 2023 and 10,403 million yen for the fiscal period ending February 2024. In principle, it is assumed that the properties and sections that are expected to be vacant and for which no new contracts have been concluded when the forecast was prepared will remain vacant. Based on this assumption, “Kohnan Sagamihara-Nishihashimoto” is also assumed to remain vacant in the fiscal period ending February 2024 after September 27, 2023, when the tenant will leave due to the expiration of fixed-term building lease agreement.

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Item	Assumptions
Operating revenues	<ul style="list-style-type: none"> Rents of four hotel properties with rents consisting mainly of variable rents (Shangri-La Tokyo, Hilton Odawara Resort & Spa, Courtyard by Marriott Tokyo Station and Courtyard by Marriott Shin-Osaka Station) included in rental revenues are calculated based on the following assumptions. Variable rent is calculated mainly on the basis of management results in the previous year and in 2019, which was not affected by COVID-19 infection, by the method set out in the lease agreement of each property, taking into consideration factors for fluctuation such as recent hotel market conditions. <p>[Shangri-La Tokyo]</p> <p>Variable rent in the fiscal period ending August 2023: 935 million yen Variable rent in the fiscal period ending February 2024: 809 million yen</p> <p>The variable rent for each month is amount calculated by multiplying the rent received from subtenant by tenant (hereinafter referred to as “subletting tenant rent” (Note)) for a month three months before the month in question by 97%.</p> <p>(Note) “Subletting tenant rent” is calculated by multiplying total revenue from the subtenant’s hotel operations by a certain percentage. The percentage is not disclosed as the consent of the subtenant has not been obtained.</p> <p>(Reference) Minimum annual guaranteed rent (from April each year to March the following year (Note)): 882,700,000 yen</p> <p>(Note) If the total amount of subletting tenant rent for the period from January to December each year is less than 910,000,000 yen (including if subletting tenant rent is not paid due to vacation by the subletting tenant, etc.), rent is calculated on the basis that the subletting tenant rent for the period is 910,000,000 yen (910,000,000 yen × 97% = 882,700,000 yen), and the difference (shortfall) between this amount and the total amount of rent from April to March the following year is paid, together with the rent for March the following year, no later than the last day of February the following year.</p> <p>[Hilton Odawara Resort & Spa]</p> <p>Variable rent in the fiscal period ending August 2023: 192 million yen Variable rent in the fiscal period ending February 2024: 191 million yen</p> <p>(Includes additional revenues of 2 million yen other than rent revenue which MTR receives from the lessee of Hilton Odawara Resort & Spa for both fiscal periods.)</p> <p>The monthly rent for March to August each year is the amount (not less than 0 yen) equivalent to one-twelfth of the amount obtained when the sum total of the hotel’s base profit for the 12 months from January to December in the previous year is multiplied by 95%.</p> <p>The monthly rent for September each year to February in the following year is the amount (not less than 0 yen) equivalent to one-twelfth of the amount obtained when the sum total of the hotel’s base profit for July in the previous year to June in the year in question is multiplied by 95%.</p>

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Item	Assumptions
Operating revenues	<p>(Note) “Base profit” refers to the amount obtained by the following formula. Base profit = The profit that the lessee earns from operating the hotel – The expenses that the lessee incurs from operating the hotel (the lessee’s insurance expenses, etc.).</p> <p>[Courtyard by Marriott Tokyo Station] Variable rent in the fiscal period ending August 2023: 278 million yen Variable rent in the fiscal period ending February 2024: 269 million yen The variable rent for each month is amount (not less than 0 yen) calculated by multiplying adjusted operating income by facility (Note) of the hotel for a month three months before the month in question by 90%.</p> <p>(Note) “Adjusted operating income by facility” refers to sales from hotel operations less hotel operating expenses by department, unallocated operating expenses, fixed operating costs, and operating expenses of hotel operator allocated to head office (only expenses related to the hotel).</p> <p>(Reference) Minimum annual guaranteed rent (from October each year to September the following year (Note): 310,000,000 yen</p> <p>(Note) If the total amount of rent (which is the rent for the entire property including the portion attributable to the quasi-co-owner MORI TRUST CO., LTD. The same applies hereinafter to the property.) for the period from October each year to September the following year is less than 310,000,000 yen, rent for the period in question is taken as 310,000,000 yen, and the difference (shortfall) between this amount and the total amount of rent from October to September the following year is paid, together with the rent for September the following year, no later than the last day of August the following year. The difference from the minimum guaranteed rent includes the portion attributable to the quasi-co-owner MORI TRUST CO., LTD. Only 93.5%, which is the quasi co-ownership interest in the property, of the entire difference from the minimum guaranteed rent is recorded as operating income of MTR.</p> <p>[Courtyard by Marriott Shin-Osaka Station] Variable rent in the fiscal period ending August 2023: 296 million yen Variable rent in the fiscal period ending February 2024: 291 million yen The variable rent for each month is amount (not less than 0 yen) calculated by multiplying adjusted operating income by facility (Note) of the hotel for a month three months before the month in question by 90%.</p> <p>(Note) “Adjusted operating income by facility” refers to sales from hotel operations less hotel operating expenses by department, unallocated operating expenses, fixed operating costs, and operating expenses of hotel operator allocated to head office (only expenses related to the hotel). Only sales and expenses relating to the accommodation of general users of the hotel are included in the calculation of adjusted operating income by facility, in principle. Sales and expenses relating to the accommodation of guests who are members of Laforet Club of the tenant, MORI TRUST CO., LTD. food and beverages, parking facilities, etc. are not included.</p>

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Item	Assumptions
Operating revenues	<p>(Reference) Minimum annual guaranteed rent (from October each year to September the following year (Note): 460,000,000 yen</p> <p>(Note) If the total amount of rent for the period from October each year to September the following year is less than 460,000,000 yen, rent for the period in question is taken as 460,000,000 yen, and the difference (shortfall) between this amount and the total amount of rent from October to September the following year is paid, together with the rent for September the following year, no later than the last day of August the following year.</p> <ul style="list-style-type: none"> Gain on sale of real estate is assumed to be around 1.4 billion yen for the fiscal period ending August 2023 and around 1.3 billion yen for the fiscal period ending February 2024 from the partial transfer of “Shinbashi Ekimae MTR Building.” Operating revenues are calculated based on the assumption that there will be no delinquent or unpaid rent by the lessor, and that there will be no grace period for the payment of rent to the lessor or reduction of rent, etc. associated with the spread of the COVID-19 infection.
Operating expenses (excluding amortization of goodwill)	<ul style="list-style-type: none"> Concerning fixed property tax, city planning tax, depreciated asset tax, etc. for owned real estate in trust, the portion of the tax amount to be levied that corresponds to the relevant calculation period is recorded as leasing business expenses. However, the amount equivalent to fixed property tax, city planning tax, etc. for the fiscal year of acquisition reimbursed to the previous owner at the time of acquisition of the real estate, etc. is included in the cost of acquisition of the relevant real estate and is thus not recognized as expenses in the relevant calculation period. Concerning repair expenses, the estimated amount required is recorded as expenses. However, the actual repair expenses may significantly differ from the estimates since (i) an unforeseeable event may cause damage to a building requiring emergency repair expenditure, (ii) in general, amounts vary according to the fiscal period, and (iii) certain types of repair and maintenance expenses are not required in every fiscal period. Property and other taxes are assumed to be 1,222 million yen for the fiscal period ending August 2023 and 1,209 million yen for the fiscal period ending February 2024. Property management fees are assumed to be 755 million yen for the fiscal period ending August 2023 and 781 million yen for the fiscal period ending February 2024. Depreciation is assumed to be 989 million yen for the fiscal period ending August 2023 and 1,009 million yen for the fiscal period ending February 2024. Merger expenses amounting to 563 million yen are assumed as temporary expenses to be generated for the fiscal period ending August 2023. Operating expenses other than leasing business expenses and merger expenses (asset management fees (excluding merger expenses), fees for the custody of assets, administrative service fees, etc.) are assumed to be 676 million yen for the fiscal period ending August 2023 and 627 million yen for the fiscal period ending February 2024.

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Amortization of goodwill	<ul style="list-style-type: none"> The Merger is expected to generate goodwill. In accordance with the Accounting Standard for Business Combinations (ASBJ Statement No. 21, revised on September 13, 2013), the goodwill will be recorded as an asset and amortized regularly on a straight-line basis over 20 years. The amount to be recorded as goodwill is 629 million yen, and amortization expenses related to goodwill are assumed to be 15 million yen for the period ending August 2023 and 15 million yen for the period ending February 2024.
Non-operating expenses	<ul style="list-style-type: none"> Non-operating expenses (loan interest, investment corporation bond interest, etc.) are assumed to be 655 million yen for the fiscal period ending August 2023 and 703 million yen for the fiscal period ending February 2024.
Distributions per unit	<ul style="list-style-type: none"> Distributions per unit (excluding distributions in excess of earnings) are calculated based on the cash distribution policy set out in MTR's Certificate of Incorporation. The calculation of distribution per unit for the fiscal period ending August 2023 assumes the reversal of 2 million yen of a portion of internal reserves accumulated by applying Special Provisions for Taxation in Cases of Repurchase of Specified Assets (reserve for reduction entry of 1 million yen and deferred tax liabilities of 0 million yen associated with the reserve) and the provision of 325 million yen of a portion of the gain on sale of real estate, etc. from the partial sale of "Shinbashi Ekimae MTR Building" expected to generate in the fiscal period ending August 2023 (reserve for reduction entry of 223 million yen and deferred tax liabilities of 102 million yen associated with the reserve) as internal reserves by applying Special Provisions for Taxation in Cases of Repurchase of Specified Assets. The calculation of distribution per unit for the fiscal period ending February 2024 assumes the reversal of 2 million yen of a portion of internal reserves accumulated by applying Special Provisions for Taxation in Cases of Repurchase of Specified Assets (reserve for reduction entry of 1 million yen and deferred tax liabilities of 0 million yen associated with the reserve) and the provision of 674 million yen of a portion of the gain on sale of real estate, etc. from the partial sale of "Shinbashi Ekimae MTR Building" expected to generate in the fiscal period ending February 2024 (reserve for reduction entry of 462 million yen and deferred tax liabilities of 212 million yen associated with the reserve) as internal reserves by applying Special Provisions for Taxation in Cases of Repurchase of Specified Assets. Distributions per unit may change due to a variety of factors, including changes in the assets under investment and changes in rental income as a result of changes in tenants, the occurrence of unforeseen repairs, fluctuation in the number of issued investment units and financing.
Distributions in excess of earnings per unit	<ul style="list-style-type: none"> There are no plans at this time to pay cash distributions in excess of earnings (distributions in excess of earnings per unit).

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Item	Assumptions
Others	<ul style="list-style-type: none"> • The forecasts assume no revisions that impact on the above projections will be made to laws and regulations, tax systems, accounting standards, securities listing regulations and the rules of The Investment Trusts Association, Japan, or others. • The assumption is that there will be no unforeseen serious change in general economic trends and real estate market conditions, etc.

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