

Independent Auditor's Report

The Board of Directors
MORI TRUST Reit, Inc.

The audit of the financial statements

Opinion

We have audited the accompanying financial statements of MORI TRUST Reit, Inc. (the Company), which comprise the balance sheet as at August 31, 2023, and the statements of income and retained earnings, changes in net assets, cash distributions, and cash flows for the six-month period then ended, and notes to the financial statements.

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

Basis for Opinion

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

Other Information

The other information comprises the information included in the Audited Financial Statements that contains audited financial statements but does not include the financial statements and our auditor's report thereon.

We have concluded that the other information did not exist. Accordingly, we have not performed any work related to the other information.

Responsibilities of Management and the Supervisory Director for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

Fee-related Information

The fees paid or payable to us and other EY Member Firms for the audits of the financial statements of the Company and other non-audit fees charged in the audit period to the Company are 18 million yen and 5 million yen, respectively.



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

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

Ernst & Young ShinNihon LLC
Tokyo, Japan

November 24, 2023

/s/吉田 雅彦

Masahiko Yoshida
Designated Engagement Partner
Certified Public Accountant

/s/井上 裕人

Hiroto Inoue
Designated Engagement Partner
Certified Public Accountant



FINANCIAL STATEMENTS

BALANCE SHEETS

Thousands of yen

	As of February 28, 2023	As of August 31, 2023
Assets		
Current assets		
Cash and deposits	14,729,422	16,376,466
Cash and deposits in trust	2,413,662	4,894,721
Operating accounts receivable	97,513	130,318
Accounts receivable - other	28	12
Prepaid expenses	55,631	72,178
Consumption taxes refund receivable	-	130,928
Other	64,915	23,140
Total current assets	17,361,173	21,627,766
Non-current assets		
Property, plant and equipment		
Buildings	34,742,923	34,290,253
Accumulated depreciation	(18,302,773)	(18,238,814)
Buildings, net	16,440,150	16,051,438
Structures	443,960	442,844
Accumulated depreciation	(413,398)	(413,317)
Structures, net	30,561	29,526
Machinery and equipment	128,457	121,199
Accumulated depreciation	(105,502)	(85,112)
Machinery and equipment, net	22,955	36,087
Vehicles	-	194
Accumulated depreciation	-	(29)
Vehicles, net	-	165
Tools, furniture and fixtures	113,212	160,993
Accumulated depreciation	(89,644)	(95,587)
Tools, furniture and fixtures, net	23,567	65,405
Land	109,001,394	103,417,452
Buildings in trust	35,354,628	59,153,104
Accumulated depreciation	(13,931,696)	(14,654,666)
Buildings in trust, net	21,422,932	44,498,437
Structures in trust	187,941	269,320
Accumulated depreciation	(119,677)	(128,499)
Structures in trust, net	68,264	140,821
Machinery and equipment in trust	70,137	116,384
Accumulated depreciation	(10,557)	(15,541)
Machinery and equipment in trust, net	59,579	100,843
Tools, furniture and fixtures in trust	105,717	132,357
Accumulated depreciation	(72,856)	(79,447)
Tools, furniture and fixtures in trust, net	32,860	52,909

Thousands of yen

	As of February 28, 2023	As of August 31, 2023
Land in trust	157,795,399	286,365,778
Total property, plant and equipment	304,897,665	450,758,867
Intangible assets		
Goodwill	-	613,524
Software	-	2,232
Other	240	240
Total intangible assets	240	615,997
Investments and other assets		
Guarantee deposits	10,000	20,000
Deferred tax assets	-	875
Long-term prepaid expenses	57,897	103,802
Other	2,815	2,815
Total investments and other assets	70,713	127,492
Total non-current assets	304,968,618	451,502,357
Deferred assets		
Investment corporation bond issuance costs	68,950	61,156
Total deferred assets	68,950	61,156
Total assets	322,398,742	473,191,280
Liabilities		
Current liabilities		
Operating accounts payable	220,285	725,716
Short-term loans payable	6,000,000	10,000,000
Current portion of investment corporation bonds	3,000,000	3,000,000
Current portion of long-term loans payable	15,000,000	42,500,000
Accounts payable – other	349,524	67,657
Accrued expenses	444,375	569,221
Dividends payable	7,955	9,387
Income taxes payable	718	10,575
Accrued consumption taxes	61,744	-
Advances received	814,808	1,251,425
Deposits received	214	38,818
Total current liabilities	25,899,627	58,172,803
Non-current liabilities		
Investment corporation bonds	11,000,000	11,000,000
Long-term loans payable	117,500,000	158,000,000
Tenant leasehold and security deposits	7,698,469	12,799,156
Tenant leasehold and security deposits in trust	943,131	959,194
Deferred tax liabilities	631,732	-
Other	-	9
Total non-current liabilities	137,773,333	182,758,360
Total liabilities	163,672,960	240,931,164

Thousands of yen

	As of February 28, 2023	As of August 31, 2023
Net assets		
Unitholders' equity		
Unitholders' capital	153,990,040	153,990,040
Surplus		
Capital surplus	-	69,736,000
Voluntary retained earnings		
Reserve for reduction entry	1,121,637	1,376,341
Total voluntary retained earnings	1,121,637	1,376,341
Unappropriated retained earnings	3,614,104	7,157,734
Total surplus	4,735,741	78,270,076
Total unitholders' equity	158,725,781	232,260,116
Total net assets	158,725,781	232,260,116
Total liabilities and net assets	322,398,742	473,191,280

The accompanying notes form an integral part of these financial statements.



STATEMENTS OF INCOME AND RETAINED EARNINGS

For the five-month period ended February 28, 2023 and the six-month period ended August 31, 2023

	Thousands of yen	
	For the period from October 1, 2022 to February 28, 2023	For the period from March 1, 2023 to August 31, 2023
Operating revenue		
Lease business revenue	5,620,653	10,113,102
Other lease business revenue	207,435	261,802
Gain on sale of investment property	1,430,579	1,437,186
Total operating revenue	7,258,668	11,812,092
Operating expenses		
Expenses related to rent business	2,710,417	3,382,852
Asset management fee	275,258	749,387
Asset custody fee	10,829	16,155
Administrative service fees	50,842	69,609
Directors' compensations	3,000	3,600
Merger-related expenses	61,360	250,000
Amortization of goodwill	-	15,731
Other operating expenses	88,983	136,137
Total operating expenses	3,200,691	4,623,473
Operating income	4,057,976	7,188,618
Non-operating income		
Interest income	94	94
Reversal of dividends payable	647	918
Interest on tax refund	-	89
Total non-operating income	741	1,102
Non-operating expenses		
Interest expenses	291,515	594,518
Interest expenses on investment corporation bonds	24,397	38,941
Amortization of investment corporation bond issuance costs	7,679	7,794
other	3,376	12,741
Total non-operating expenses	326,968	653,996
Ordinary income	3,731,749	6,535,724
Profit before income taxes	3,731,749	6,535,724
Income taxes - current	732	10,590
Income taxes - deferred	116,912	(632,600)
Total income taxes	117,644	(622,010)
Profit	3,614,104	7,157,734
Unappropriated retained earnings	3,614,104	7,157,734

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN NET ASSETS

For the five-month period ended October 1, 2022 and February 28, 2023

Thousands of yen

	Unitholders' equity				
	Unitholders' capital	Surplus			
		Capital surplus		Voluntary retained earnings	
		Capital surplus	Capital surplus, net	Reserve for reduction entry	Total voluntary retained earnings
Balance at beginning of current period	153,990,040	-	-	1,750,398	1,750,398
Changes of items during period					
Reversal of reserve for reduction entry				(628,761)	(628,761)
Dividends of surplus					
Profit					
Total changes of items during period	-	-	-	(628,761)	(628,761)
Balance at end of current period	153,990,040	-	-	1,121,637	1,121,637

	Unitholders' equity			Total net assets
	Surplus		Total unitholders' equity	
	Unappropriated retained earnings (undisposed loss)	Total surplus		
Balance at beginning of current period	3,331,238	5,081,637	159,071,677	159,071,677
Changes of items during period				
Reversal of reserve for reduction entry	628,761	-	-	-
Dividends of surplus	(3,960,000)	(3,960,000)	(3,960,000)	(3,960,000)
Profit	3,614,104	3,614,104	3,614,104	3,614,104
Total changes of items during period	282,865	(345,895)	(345,895)	(345,895)
Balance at end of current period	3,614,104	4,735,741	158,725,781	158,725,781

The accompanying notes form an integral part of these financial statements.

For the five-month period ended February 28, 2023 and the six-month period ended August 31, 2023

Thousands of yen

	Unitholders' equity				
	Unitholders' capital	Surplus			
		Capital surplus		Voluntary retained earnings	
		Capital surplus	Capital surplus, net	Reserve for reduction entry	Total voluntary retained earnings
Balance at beginning of current period	153,990,040	-	-	1,121,637	1,121,637
Changes of items during period					
Increase by merger		69,736,000	69,736,000		
Provision of reserve for reduction entry				254,704	254,704
Dividends of surplus					
Profit					
Total changes of items during period	-	69,736,000	69,736,000	254,704	254,704
Balance at end of current period	153,990,040	69,736,000	69,736,000	1,376,341	1,376,341

	Unitholders' equity			Total net assets
	Surplus		Total unitholders' equity	
	Unappropriated retained earnings (undisposed loss)	Total surplus		
Balance at beginning of current period	3,614,104	4,735,741	158,725,781	158,725,781
Changes of items during period				
Increase by merger		69,736,000	69,736,000	69,736,000
Provision of reserve for reduction entry	(254,704)	-	-	-
Dividends of surplus	(3,359,400)	(3,359,400)	(3,359,400)	(3,359,400)
Profit	7,157,734	7,157,734	7,157,734	7,157,734
Total changes of items during period	3,543,630	73,534,334	73,534,334	73,534,334
Balance at end of current period	7,157,734	78,270,076	232,260,116	232,260,116

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CASH DISTRIBUTIONS

For the five-month period ended February 28, 2023 and the six-month period ended August 31, 2023

Unit: yen

	Fiscal period ended February 28, 2023 (October 1, 2022 to February 28, 2023)	Fiscal period ended August 31, 2023 (March 1, 2023 to August 31, 2023)
I. Unappropriated retained earnings	3,614,104,524	7,157,734,912
II. Distribution amount	3,359,400,000	6,052,000,000
(Distribution amount per unit)	(2,545)	(1,700)
III. Voluntary retained earnings		
Provision of reserve for reduction entry	254,704,524	1,105,734,912
IV. Retained earnings carried forward	-	-

Calculation method of distribution amount	In accordance with Paragraph 1, Article 29 of the Investment Corporation's Articles of Incorporation, MTR decided to distribute the total balance of unappropriated retained earnings after deducting provision of the reserve for reduction entry under Article 65-7 of the Act on Special Measures Concerning Taxation, the amount of which is 3,359,400,000 yen. In addition, MTR does not distribute dividends in excess of accounting profit as set forth in Paragraph 2, Article 29 of the Investment Corporation's Articles of Incorporation.	In accordance with Paragraph 1, Article 29 of the Investment Corporation's Articles of Incorporation, MTR decided to distribute the total balance of unappropriated retained earnings after deducting provision of the reserve for reduction entry under the Act on Special Measures Concerning Taxation that has been recorded as deferred tax liabilities, and the reserve for reduction entry under Article 65-7 of the Act on Special Measures Concerning Taxation, the amount of which is 6,052,000,000 yen. In addition, MTR does not distribute dividends in excess of accounting profit as set forth in Paragraph 2, Article 29 of the Investment Corporation's Articles of Incorporation.



STATEMENTS OF CASH FLOWS

For the five-month period ended February 28, 2023 and the six-month period ended August 31, 2023

	Thousands of yen	
	For the period from October 1, 2022 to February 28, 2023	For the period from March 1, 2023 to August 31, 2023
Cash flows from operating activities		
Profit before income taxes	3,731,749	6,535,724
Depreciation	914,440	966,640
Amortization of goodwill	-	15,731
Amortization of investment corporation bond issuance costs	7,679	7,794
Interest income	(94)	(94)
Interest expenses	315,912	633,460
Decrease (Increase) in operating accounts receivable	(19,978)	(32,805)
Increase (Decrease) in operating accounts payable	(10,954)	504,944
Decrease(increase)in consumption taxes refund receivable	-	(129,917)
Increase (Decrease) in accrued consumption taxes	(172,139)	(61,744)
Increase (Decrease) in advances received	5,584	29,598
Decrease due to sale of investment property	5,829,179	5,822,521
Other, net	73,655	(68,973)
Subtotal	10,675,035	14,252,880
Interest income received	94	94
Interest expenses paid	(348,757)	(625,255)
Income taxes paid	(881)	(1,495)
Net cash provided by operating activities	10,325,489	13,626,223
Cash flows from investing activities		
Purchase of property, plant and equipment	(16,911)	(370,239)
Purchase of property, plant and equipment in trust	(5,405,860)	(29,341,494)
Purchase of intangible assets	-	(1,334)
Repayments of tenant leasehold and security deposits	(122,170)	(186,227)
Proceeds from tenant leasehold and security deposits	184,460	772,650
Repayments of tenant leasehold and security deposits in trust	(8,391)	(7,955)
Proceeds from tenant leasehold and security deposits in trust	37,476	19,938
Net cash used in investing activities	(5,331,397)	(29,114,663)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	-	(1,475,000)
Proceeds from long-term loans payable	6,000,000	32,500,000
Repayments of long-term loans payable	(8,500,000)	(13,000,000)
Proceeds from issuance of investment corporation bonds	3,000,000	-
Redemption of investment corporation bonds	(4,000,000)	-
Payments for investment corporation bond issuance costs	(15,045)	(2,600)
Dividends paid	(3,960,117)	(4,069,618)
Net each provided by (used in) financing activities	(7,475,163)	13,952,781
Net increase (decrease) in cash and cash equivalents	(2,481,070)	(1,535,658)
Cash and cash equivalents at beginning of period	19,624,156	17,143,085
Increase in cash and cash equivalents resulting from merger	-	5,663,761
Cash and cash equivalents at end of period	17,143,085	21,271,188



The accompanying notes form an integral part of these financial statements.



NOTES TO FINANCIAL STATEMENTS

For the six-month period from March 1, 2023 to August 31, 2023

1. ORGANIZATION AND BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

Organization

MORI TRUST Reit, Inc. (“MTR”), a Japanese real estate investment corporation, was incorporated on October 2, 2001 under the Law Concerning Investment Trusts and Investment Corporations of Japan, or the Investment Trust Law. MTR was originally formed by Mori Trust Co., Ltd., and commenced operations on March 28, 2002 by acquiring a property. MTR is provided professional asset management services of properties of various types by a licensed asset management company, MORI TRUST Asset Management Co., Ltd. (“MTAM”). MTAM is currently owned 95% by MORI TRUST Co., Ltd., and 5% by Mori Trust Hotels & Resorts Co., Ltd. On February 13, 2004, MTR was listed on the J-REIT section of the Tokyo Stock Exchange (securities code: 8961). As of August 31, 2023, MTR owned a portfolio of 22 properties with a total rentable area of 532,410.36 sq. meters occupied by 117 tenants. The occupancy rate was 98.9%.

Basis of presentation of financial statements

MTR maintains its accounting records and prepares its financial statements in accordance with accounting principles generally accepted in Japan (“Japanese GAAP”), including provisions set forth in the Investment Trust Law, the Financial Instruments and Exchange Law of Japan and the related regulations, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. The accompanying financial statements are a translation of the financial statements of MTR, which were prepared in accordance with Japanese GAAP and were presented in the Securities Report of MTR filed with the Kanto Local Finance Bureau. In preparing the accompanying financial statements, certain reclassifications have been made to the financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan. In addition, the notes to financial statements include information which might not be required under Japanese GAAP but is presented herein as additional information. As permitted under the Japanese Financial Instruments and Exchange Law, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying financial statements do not necessarily agree with the sum of the individual amounts. MTR does not prepare consolidated financial statements as it has no subsidiaries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property and equipment

Property and equipment is stated at cost less accumulated depreciation. The costs of land, buildings and building improvements include the purchase prices of properties, legal fees and acquisition costs. Depreciation of property and equipment is calculated on a straight-line basis over the estimated useful lives of the respective assets ranging as follows:

Buildings including trust accounts.....	3 - 81 years
Structures including trust accounts.....	2 - 45 years
Machinery and equipment including trust accounts.....	2 - 17 years
Vehicles including trust accounts.	3 years
Tools, furniture and fixtures including trust accounts.....	2 - 18 years

Expenditures for repairs and maintenance are charged to expenses as incurred. Significant renewals and betterments are capitalized.

Intangible assets

Intangible assets are amortized on a straight-line basis.
Goodwill is amortized over 20 years on a straight-line basis.

Deferred assets

Deferred investment corporation bond issuance costs are amortized using the straight-line method over the respective terms of the bonds.

Taxes on property and equipment

Property and equipment is subject to property taxes and city planning taxes on a calendar year basis. These taxes are generally expensed during the period. The sellers of the properties were liable for property taxes for the calendar year including the period from the date of purchase by MTR through the end of the year since the taxes were imposed on the registered owners as of January 1, based on assessments made by local governments.

Revenue recognition

The main performance obligations related to revenue arising from contracts with customers of the MTR and the normal time for

satisfying such performance obligations (the normal time for recognizing revenue) are as follows.

(1) Sales of real estate and other assets

MTR recognizes revenue from the sale of real estate and other assets when the buyer, as the customer, obtains control of the real estate and other assets by fulfilling the delivery obligations stipulated in the contract for the sale of real estate and other assets.

(2) Utility revenues

Utility revenues are recognized based on the supply of electricity, water, etc. to the lessee, the customer, in accordance with the terms of the real estate lease contract and related agreements.

With regard to utility charge reimbursements which MTR deems to fall under that for an agent, the net amount sought by subtracting the amount paid to another party from the amount that is received as charge for electric power, gas, etc. which is supplied by another concerned party is recognized as revenue.

Accounting treatment of beneficiary interests in trust assets including real estate

For trust beneficiary interests in real estate, all accounts of assets and liabilities within assets in trust as well as all income generated and expenses incurred from assets in trust are recorded in the relevant balance sheets and statements of income and retained earnings accounts.

Cash and cash equivalents

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

3. CHANGES IN ACCOUNTING ESTIMATES

Taking the opportunity of the merger with Mori Trust Hotel REIT Investment Corporation on March 1, 2023, MTR has decided to carry out building repair and management in accordance with a long-term repair and maintenance plan formulated based on an external expert's report, with the aim of achieving longer-term rental operations by systematically implementing repair and renewal work that better matches the actual conditions of individual managed properties. As a result, it became possible to foresee the operating period more precisely, and therefore, the method of applying the economic useful forecast period to the useful lives of some buildings and buildings in trust was changed from the current operating period. As a result, operating expenses for the current period decreased by 446,057 thousand yen, and operating income, ordinary income, and profit before income taxes increased by the same amount.

4. PROPERTY AND EQUIPMENT

Property and equipment at February 28, 2023 and August 31, 2023 consisted of the following:

	Thousands of yen			
	As of February 28, 2023		As of August 31, 2023	
	Acquisition Cost	Book Value	Acquisition Cost	Book Value
Land	109,001,394	109,001,394	103,417,452	103,417,452
Buildings and structures	35,186,883		34,733,097	
Accumulated depreciation	(18,716,171)	16,470,711	(18,652,132)	16,080,964
Machinery and equipment	128,457		121,199	
Accumulated depreciation	(105,502)	22,955	(85,112)	36,087
Vehicles			194	
Accumulated depreciation			(29)	165
Tools, furniture and fixtures	113,212		160,993	
Accumulated depreciation	(89,644)	23,567	(95,587)	65,405
Land in trust	157,795,399	157,795,399	286,365,778	286,365,778
Buildings and structures in trust	35,542,569		59,422,424	
Accumulated depreciation	(14,051,373)	21,491,196	(14,783,165)	44,639,259
Machinery and equipment in trust	70,137		116,384	
Accumulated depreciation	(10,557)	59,579	(15,541)	100,843
Tools, furniture and fixtures in trust	105,717		132,357	
Accumulated depreciation	(72,856)	32,860	(79,447)	52,909
Total		304,897,665		450,758,867

The compressed amount of tangible assets with government grants under the Corporation Tax Law of Japan was ¥38,340 thousand at February 28, 2023 and ¥38,340 thousand at August 31, 2023.

5. NET ASSETS

MTR is required to maintain net assets of at least ¥50 million as required pursuant to the Investment Trust Law.

6. BREAKDOWN OF PROPERTY-RELATED REVENUES AND EXPENSES

A breakdown of property-related revenues and expenses for the five-month period ended February 28, 2023 and the six-month period ended August 31, 2023 is summarized as follows:

(1) Rental revenues and property-related expenses

	Thousands of yen	
	October 1, 2022 to February 28, 2023	March 1, 2023 to August 31, 2023
Property-Related Revenues:	5,620,653	10,113,102
Property rental revenues	5,321,121	9,755,149
Common charges	196,524	234,344
Land rental revenues	103,007	123,609
Other rental revenues	207,435	261,802
Parking revenues	76,370	104,676
Utilities revenues	99,674	116,870
Penalty revenues	—	—
Other revenues	31,390	40,255
Property-Related Expenses:	2,710,417	3,382,852
Property management fees	600,789	741,024
Utilities expenses	211,827	253,324
Property and other taxes	879,362	1,202,202
Casualty insurance	16,235	26,730
Repairs and maintenance	62,957	130,971
Depreciation	914,440	996,640
Other rental expenses	24,805	31,958
Profit	3,117,671	6,992,053

(2) Gain on sale of real estate

	Thousands of yen			
	October 1, 2022 to February 28, 2023		March 1, 2023 to August 31, 2023	
	Shinbashi-ekimae	MTR Building	Shinbashi-ekimae	MTR Building
Income from sale of real estate		7,266,666		7,266,666
Cost of real estate sales		5,829,179		5,822,521
Other expenses on sale		6,907		6,959
Gain on sale of real estate		1,430,579		1,437,186



7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of February 28, 2023 and August 31, 2023 were as follows:

	Thousands of yen	
	As of February 28, 2023	As of August 31, 2023
Cash and deposits	14,729,422	16,376,466
Cash and deposits in trust	2,413,662	4,894,721
Cash and cash equivalents	17,143,085	21,271,188
Significant non-cash transactions	—	Assets received and liabilities assumed from Mori Trust Hotel REIT Investment Corporation, which merged with MTR during the period under review, are as follows. The increase in capital surplus due to the merger is 69,736,000 thousand yen.
		Current assets 5,689,456
		Non-current assets 123,270,538
		Total assets 128,959,994
		Current liabilities 21,338,409
		Non-current liabilities 38,514,841
		Total liabilities 59,853,250

8. LEASES

MTR leases properties and earns rental revenues. Future lease revenues subsequent to February 28, 2023 and August 31, 2023 under non-cancelable operating leases were as follows:

	Thousands of yen	
	As of February 28, 2023	As of August 31, 2023
Due within one year	7,096,745	11,191,790
Due after one year	30,292,749	37,067,567
Total	37,389,494	48,259,357

9. FINANCIAL INSTRUMENTS

Overview

(1) Policy for financial instruments

For efficient and stable management operations, MTR raises funds required for acquisition and renovation of assets, payment of dividends and debt and regular operations mainly through bank borrowings, issuance of investment corporation bonds and issuance of new investment shares. MTR manages cash surpluses carefully in consideration of safety, liquidity, interest rate environment and cash flow plans.

(2) Types of financial instruments, related risk and risk management for financial instruments

Loans, issuance of investment corporation bonds and issuance of new investment shares are undertaken for acquisition of real estate or real estate trust beneficiary rights.

Loans and security deposits are exposed to liquidity risk. MTR prepares and updates its cash flow plans based on reports from each division and maintains the ready liquidity to manage liquidity risk.

In addition, MTR has established commitment lines of credit to ensure flexible fund procurement.

(3) Supplementary explanation of the estimated fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair values.

Estimated Fair Value of Financial Instruments

The carrying value of financial instruments on the balance sheet as of February 28, 2023 and estimated fair value are shown in the following table. Notes on “Cash and deposits,” “Cash and deposits in trust,” and “Short-term loans payable” are omitted because their fair value approximates their book value due to cash and short term settlements.

Thousands of yen			
	Carrying Value	Estimated Fair Value (1)	Difference
1) Current portion of investment corporation bonds	3,000,000	2,972,527	(27,472)
2) Current portion of long-term loans payable	15,000,000	14,942,401	(57,598)
3) Investment corporation bonds	11,000,000	10,305,120	(694,879)
4) Long-term loans payable	117,500,000	113,879,368	(3,620,631)
5) Tenant leasehold and security deposits	7,698,469	6,667,125	(1,031,343)
6) Tenant leasehold and security deposits in trust	943,131	831,117	(112,013)
Total Liabilities	155,141,600	149,597,661	(5,543,938)

The carrying value of financial instruments on the balance sheet as of August 31, 2023 and estimated fair value are shown in the following table. Notes on “Cash and deposits,” “Cash and deposits in trust,” and “Short-term loans payable” are omitted because their fair value approximates their book value due to cash and short term settlements.

Thousands of yen			
	Carrying Value	Estimated Fair Value (1)	Difference
1) Current portion of investment corporation bonds	3,000,000	2,972,500	(27,499)
2) Current portion of long-term loans payable	42,500,000	42,365,757	(134,242)
3) Investment corporation bonds	11,000,000	10,305,576	(694,423)

4) Long-term loans payable	158,000,000	154,500,189	(3,499,810)
5) Tenant leasehold and security deposits	12,799,156	11,035,950	(1,763,205)
6) Tenant leasehold and security deposits in trust	959,194	853,468	(105,725)
Total Liabilities	228,258,350	222,033,443	(6,224,907)

(1) Methods to determine the estimated fair value of financial instruments

Current portion of investment corporation bonds and investment corporation bonds

The fair value of investment corporation bonds is calculated based on the present value of the total of principal and interest discounted at the current interest rate estimated by taking into consideration the remaining term of the investment corporation bonds and their credit risk.

Current portion of long-term loans payable and long-term loans payable

The fair value of long-term loans is based on the present value of the total of principal and interest discounted by the interest rate to be applied if similar new borrowings were entered into.

Tenant leasehold and security deposits and Tenant leasehold and security deposits in trust

The fair value of tenant leasehold and security deposits including trust accounts is based on the present value of the total of cash flow discounted by an interest rate determined taking into account the remaining period of each item and current credit risk.

(2) The redemption schedule for loans

(As of February 28, 2023)

	Thousands of yen					
	Due in 1 year or less	Due in 1 to 2 years	Due in 2 to 3 years	Due in 3 to 4 years	Due in 4 to 5 years	Due after 5 years
Current portion of investment corporation bonds	3,000,000	-	-	-	-	-
Current portion of long-term loans payable	15,000,000	-	-	-	-	-
Investment corporation bonds	-	1,000,000	-	1,000,000	2,000,000	7,000,000
Long-term loans payable	-	27,000,000	21,500,000	18,000,000	19,000,000	32,000,000

(As of August 31, 2023)

	Thousands of yen					
	Due in 1 year or less	Due in 1 to 2 years	Due in 2 to 3 years	Due in 3 to 4 years	Due in 4 to 5 years	Due after 5 years
Current portion of investment corporation bonds	3,000,000	-	-	-	-	-
Current portion of long-term loans payable	42,500,000	-	-	-	-	-
Investment corporation bonds	-	1,000,000	-	1,000,000	2,000,000	7,000,000
Long-term loans payable	-	38,500,000	29,000,000	29,500,000	24,500,000	36,500,000

10. RELATED PARTY TRANSACTIONS

MTR entered into the following related party transactions:

(1) Parent company and major corporate shareholders: None applicable

(2) Subsidiaries: None applicable

(3) Sister companies:

(For the five-month period ended February 28, 2023)

Party type	Subsidiary of other related company*
Party name	Mori Trust Co., Ltd.
Address	Minato-ku Tokyo, Japan
Capital	¥30,000,000 thousand
Business	Urban development; hotel management and investment business
Percentage of voting rights held	-
Concurrent board appointment	-
Business relationship	Leasing
Details of transactions	Buying property
Transaction amount	¥5,266,666 thousand
	Sale of property
	¥7,266,666 thousand
	Rental revenues
	¥1,603,874 thousand
	Property management expenses
	¥183,045 thousand
Account name and balance at period end	Rental and other receivables
	¥7,180 thousand
	Rents received in advance
	¥24,761 thousand
	Tenant leasehold and security deposits
	¥894,581 thousand
	Trade accounts payable
	¥42,409 thousand
	Accrued expenses
	¥59 thousand
Party type	Subsidiary of other related company*
Party name	MORI TRUST Asset Management Co., Ltd.
Address	Minato-ku Tokyo, Japan
Capital	¥400,000 thousand
Business	Investment management business
Percentage of voting rights held	-
Concurrent board appointment	Concurrently serving as
Business relationship	Outsourcing of asset management operations
Details of transactions	Payment of asset management fees
Transaction amount	¥299,958 thousand
Account name and balance at period end	Accrued expenses
	¥185,579 thousand

* MTR deemed Mori Trust Co., Ltd. to be a “Subsidiary of other related company” under Article 8 of Regulations Concerning Financial Statements.

(For the six-month period ended August 31, 2023)

Party type	Subsidiary of other related company*
Party name	Mori Trust Co., Ltd.
Address	Minato-ku Tokyo, Japan
Capital	¥30,000,000 thousand
Business	Urban development; hotel management and investment business
Percentage of voting rights held	-
Concurrent board appointment	-
Business relationship	Leasing
Details of transactions	Buying property
Transaction amount	¥28,966,666 thousand
	Sale of property
	¥7,266,666 thousand
	Rental revenues
	¥4,428,336 thousand
	Property management expenses
	¥256,055 thousand
Account name and balance at period end	Rental and other receivables
	¥30,396 thousand
	Rents received in advance
	¥171,260 thousand
	Tenant leasehold and security deposits
	¥4,089,023 thousand
	Trade accounts payable
	¥59,088 thousand
	Accrued expenses
	¥419 thousand

Party type	Subsidiary of other related company*
Party name	MORI TRUST Asset Management Co., Ltd.
Address	Minato-ku Tokyo, Japan
Capital	¥400,000 thousand
Business	Investment management business
Percentage of voting rights held	-
Concurrent board appointment	Concurrently serving as
Business relationship	Outsourcing of asset management operations
Details of transactions	Payment of asset management fees
Transaction amount	¥842,787 thousand
Account name and balance at period end	Accrued expenses
	¥311,747 thousand

* MTR deemed Mori Trust Co., Ltd. to be a “Subsidiary of other related company” under Article 8 of Regulations Concerning Financial Statements.

(4) Directors and major individual shareholders:

(For the five-month period ended February 28, 2023)

Transactions conducted by MTR Executive Director Masayuki Yagi on behalf of a third party (Mori Trust Asset Management Co., Ltd.) are as described in (3) Sister companies, etc., above.

(For the six-month period ended August 31, 2023)

Transactions conducted by MTR Executive Director Hiroshi Naitou on behalf of a third party (Mori Trust Asset Management Co., Ltd.) are as described in (3) Sister companies, etc., above.



11. Business Combination

For the five-month period ended February 28, 2023
Not applicable.

For the six-month period ended August 31, 2023
Business Combination through Acquisition

1. Overview of Business Combination

(1) Name and Business Description of Acquiree

Name of acquiree : MORI TRUST Hotel REIT, Inc. (“MTH”)

Business description : Real estate investment trust

(2) Main Reasons for Business Combination

MTR and MTH will build a portfolio that combines the stability of office assets with the growth potential of hotel assets. In addition, it is expected that maximizing the sponsor's support and returning to a growth path will lead to further improvement in unitholder value. The merger agreement was executed on November 22, 2022 and became effective on March 1, 2023.

(3) Date of Business Combination

March 1,2023

(4) Legal Form of Business Combination

An absorption-type merger: MTR as the surviving corporation and MTH as the dissolved corporation.

(5) Name of the Investment Corporation after Business Combination

MORI TRUST Reit, Inc.

(6) Main Reasons for Determining Acquiring Company

MTR was determined to be the acquiring corporation after comprehensively considering the relative voting rights of the unitholders in the combined entity, the composition of the board of directors and other factors, based on the accounting standard for business combination.

2. Operating Period of Acquiree Included in the Statement of Income and Retained Earnings

From March 1,2023 to August 31,2023

3. Acquisition Cost of Acquiree and the Breakdown

Acquisition cost

Fair value of the Investment Corporation’s investment units allotted on the date of business combination

69,736,000 thousand yen

Acquisition cost

69,736,000 thousand yen

4. Exchange Ratio, Method of Determining the Exchange Ratio and Number of Investment Units Allotted for the Acquisition

(1) Exchange Ratio of Investment Units

1.84 units of the Investment Corporation were allotted for 1 unit of MTH through the Merger.

The Investment Corporation implemented a 2-for-1 investment unit split with a record date of February 28, 2023 and an effective date of March 1, 2023 before the Merger.

(2) Method of Determining the Exchange Ratio

In calculating the merger ratio used for the Investment Corporation Merger, for the sake of securing fairness, MTR selected SMBC Nikko Securities Inc. and MTH selected Mizuho Securities Co., Ltd. As the financial advisors(“FAs”), respectively, and requested them to calculate the merger ratio. Comprehensive considerations were made regarding such factors as the financial results and the status of assets and liabilities of MTR and MTH, prospects of business operations in the future, advantages of the Investment Corporation Merger and the results of financial analyses conducted by the FAs, and discussions and negotiations were repeatedly conducted in a prudent manner. As a result, it was determined that the above merger ratio is reasonable.

(3) Number of Investment Units Allotted

920,000units

5. Breakdown of Major Acquisition-Related Expenses

Item Amount

FA fees 250,000thousand yen

Merger-related fees 313,667 thousand yen

6. Goodwill Recognized and Reason

(1) Amount of Goodwill

629,256 thousand yen

(2) Reason

Goodwill represents the difference between the acquisition cost of MTH in the amount of 69,736,000 thousand yen and fair value of MTH’s net assets acquired in the amount of 69,106,743 thousand yen as of the business combination date.

7. Breakdown of Assets Acquired and Liabilities Assumed on the Date of Business Combination
 - Current assets 5,689,456 thousand yen
 - Non-current assets 123,959,994 thousand yen
 - Total assets 128,959,994 thousand yen
 - Current liabilities 21,338,409 thousand yen
 - Non-current liabilities 38,514,841 thousand yen
 - Total liabilities 59,853,250 thousand yen
8. Estimated Impact on the Statement of Income and Retained Earnings for the Six-month Period Ended August 31, 2023
There is no impact as the business combination date was the same date as the beginning of the fiscal period.

12. INCOME TAXES

At February 28, 2023 and August 31, 2023 MTR's deferred tax assets consisted mainly of enterprise tax payable, which is not deductible for tax purposes.

The significant components of deferred tax assets and liabilities as of February 28, 2023 and August 31, 2023 were as follows:

	As of February 28, 2023	As of August 31, 2023
	Thousands of yen	
Deferred tax assets:		
Accrued enterprise tax	10	875
Total deferred tax assets	10	875
Deferred tax liabilities:		
Reserve for advanced depreciation of non-current assets	631,743	—
Total deferred tax liabilities	631,743	—
Net deferred tax assets (liabilities)	(631,732)	(875)

A reconciliation of the tax rate differences between the adjusted statutory tax rate and the effective tax rates for the five-month period ended February 28, 2023 and the six-month period ended August 31, 2023 was as follows:

	October 1, 2022 to February 28, 2023	March 1, 2023 to August 31, 2023
Statutory tax rate	31.46%	34.59%
Deductible dividend distribution	(28.32%)	(32.03%)
Reserve for advanced depreciation of non-current assets	—	(13.14%)
Others	0.01%	1.06%
Effective tax rates	3.15%	(9.52%)

MTR is subject to Japanese corporate income taxes on all of its taxable income. However, under the Special Taxation Measures Law (STML) of Japan, an investment corporation is allowed to deduct dividends of accounting profits, or dividend distributions, paid to investors from its taxable income if certain tax requirements are satisfied. Such tax requirements include dividend distributions in excess of 90% of the investment corporation's distributable profit for the accounting period as stipulated in Article 67-15 of the STML. Based on the distribution policy provided by its Articles of Incorporation, MTR made a dividend distribution of approximately 100% of retained earnings in the amount of ¥6,052,000 thousand at August 31, 2023 and treated it as a tax-deductible distribution. MTR does not distribute dividends in excess of accounting profit in accordance with its Articles of Incorporation.

13. REVENUE RECOGNITION

1. Breakdown of revenue from contracts with customers

For the period from October 1, 2022 to February 28, 2023

	Thousands of yen	
	Revenue from contracts with customers *1	Revenue from external customers
Sales of real estate properties *2	7,266,666	1,430,579
Utilities income	99,850	99,850
Others	-	5,728,237
Total	7,366,517	7,258,668

For the period from March 1, 2023 to August 31, 2023

	Thousands of yen	
	Revenue from contracts with customers *1	Revenue from external customers
Sales of real estate properties *2	7,266,666	1,437,186
Utilities income	117,172	117,172
Others	-	10,257,733
Total	7,383,839	11,812,092

*1 Rent revenues subject to Accounting Standard for Lease Transactions (ASBJ Statement No. 13) are excluded from “Revenue from contracts with customers” as such revenues are not subject to Accounting Standard for Revenue Recognition. Revenue from contracts with customers mainly represents revenues from the sale of real estate and utilities.

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

2. Information that provides a basis for understanding revenue from contracts with customers

For the period from October 1, 2022 to February 28, 2023
As described in the Summary of Significant Accounting Policies.

For the period from March 1, 2023 to August 31, 2023
As described in the Summary of Significant Accounting Policies.

3. Information about the relationship between the fulfillment of performance obligations under contracts with customers and cash flows arising from those contracts, and the amount and timing of revenue expected to be recognized in subsequent periods from contracts with customers that existed at the end of the current period

For the period from October 1, 2022 to February 28, 2023

(1) Balance of contract assets and contract liabilities

	Thousands of yen
	October 1, 2022 to February 28, 2023
Claims arising from contracts with customers (At beginning of period)	36,980
Claims arising from contracts with customers (At end of period)	39,506
Contract assets (At beginning of period)	-
Contract assets (At end of period)	-
Contract liabilities (At beginning of period)	-
Contract liabilities (At end of period)	-

(2) Transaction price allocated to remaining performance obligations

As of February 28, 2023, the total transaction price allocated to the remaining performance obligations for the sale of real estate is 14,533,333 thousand yen for the real estate for which a sale contract was executed on July 28, 2022.

MTR expects to recognize revenue for such remaining performance obligations upon delivery of such real estate properties, which is expected to occur on, August 31, 2023 and February 29, 2024.

In accordance with Paragraph 19 of the Guidance on Accounting Standard for Revenue Recognition, MTR recognizes utility revenues at the amount it has the right to charge, because MTR has the right to receive from the customer the amount of consideration that directly corresponds to the value to the customer, the lessee, of the portion of the performance completed by the end of the fiscal year. Accordingly, MTR has applied the provisions of paragraph 80-22(2) of the Accounting Standard for Revenue Recognition and has not included in the notes the transaction price allocated to the remaining performance obligations.

For the period from March 1, 2023 to August 31, 2023

(1) Balance of contract assets and contract liabilities

	Thousands of yen
	March 1, 2023 to August 31, 2023
Claims arising from contracts with customers (At beginning of period)	39,506
Claims arising from contracts with customers (At end of period)	54,790
Contract assets (At beginning of period)	-
Contract assets (At end of period)	-
Contract liabilities (At beginning of period)	-
Contract liabilities (At end of period)	-

(2) Transaction price allocated to remaining performance obligations

As of August 31, 2023, the total transaction price allocated to the remaining performance obligations for the sale of real estate is 7,266,666 thousand yen for the real estate for which a sale contract was executed on July 28, 2022.

MTR expects to recognize revenue for such remaining performance obligations upon delivery of such real estate properties, which is expected to occur on February 29, 2024.

In accordance with Paragraph 19 of the Guidance on Accounting Standard for Revenue Recognition, MTR recognizes utility revenues at the amount it has the right to charge, because MTR has the right to receive from the customer the amount of consideration that directly corresponds to the value to the customer, the lessee, of the portion of the performance completed by the end of the fiscal year. Accordingly, MTR has applied the provisions of paragraph 80-22(2) of the Accounting Standard for Revenue Recognition and has not included in the notes the transaction price allocated to the remaining performance obligations.

14. SEGMENT AND RELATED INFORMATION

Segment Information

Since the business of MTR consists of only the “real estate leasing business”, there are no reporting segments. Therefore, segment disclosures have been omitted.

(For the five-month period ended February 28,2023)

Related Information

(1)Information about products and services

Since the proportion of operating revenues from external customers for each product and service exceeds 90% of operating revenues, product and service disclosures have been omitted.

(2)Information about geographical areas

①Operating revenues

Since the proportion of operating revenues from external customers in Japan exceeds 90% of operating revenues, geographic area disclosures have been omitted.

②Property and equipment

Since the proportion of property and equipment located in Japan exceeds 90% of property and equipment located in all countries, property and equipment disclosures have been omitted.

(3)Information about major customers

Thousands of yen		
Name of major customers	Operating Revenues	Related Segment
Mori Trust Co., Ltd.	1,603,874	Leasing Business

(For the six-month period ended August 31,2023)

Related Information

(1)Information about products and services

Since the proportion of operating revenues from external customers for each product and service exceeds 90% of operating revenues, product and service disclosures have been omitted.

(2)Information about geographical areas

①Operating revenues

Since the proportion of operating revenues from external customers in Japan exceeds 90% of operating revenues, geographic area disclosures have been omitted.

②Property and equipment

Since the proportion of property and equipment located in Japan exceeds 90% of property and equipment located in all countries, property and equipment disclosures have been omitted.

(3)Information about major customers

Thousands of yen		
Name of major customers	Operating Revenues	Related Segment
Mori Trust Co., Ltd.	4,428,336	Leasing Business

Gains on sales of real estate to Mori Trust Co., Ltd. are described in "6. BREAKDOWN OF PROPERTY-RELATED REVENUES AND EXPENSES " and "Additional Information".

15. INVESTMENT AND RENTAL PROPERTIES

MTR owns office buildings and retail facilities for lease mainly in Tokyo and other areas. The carrying value in the balance sheet and corresponding fair value of those properties are as follows:

Use	Thousands of yen								
	Carrying Value (1)			Fair Value (3)		Carrying Value (1)			Fair Value (3)
	As of September 30, 2022	Net Changes (2)	As of February 28, 2023	As of February 28, 2023	As of February 28, 2023	Net Changes (2)	As of August 31, 2023	As of August 31, 2023	
Office buildings	218,911,274	4,765,105	223,676,380	249,530,000	223,676,380	28,781,423	252,457,803	277,620,000	
Accommodations	15,395,063	(156,722)	15,238,341	16,900,000	15,238,341	122,986,258	138,224,599	140,567,000	
Others	71,660,538	(5,677,594)	65,982,943	82,390,000	65,982,943	(5,906,479)	60,076,464	74,220,000	
Total	305,966,876	(1,069,211)	304,897,665	348,820,000	304,897,665	145,861,201	450,758,867	492,407,000	

(1)The carrying value represents the acquisition cost less accumulated depreciation.

(2) The main reason for the increase in the amount of change from the previous period was the acquisition of Sendai MT Building, while the reason for the decrease was the transfer of Shinbashi Ekimae MTR Building and depreciation. The main reason for the increase during the period was the acquisition of real estate, etc. taken over from MTH, which merged with MTR on March 1, 2023, Kamiyacho Trust Tower and Sendai MT Building, while the reason for the decrease was the transfer of Shinbashi Ekimae MTR Building and depreciation.

(3)The fair value is an appraisal value or a price estimated by real estate appraisers outside MTR.

The profit and loss for the five-month period ended February 28, 2023 and the six-month period ended August 31, 2023 concerning rental properties is as follows:

Use	October 1, 2022 to February 28, 2023				March 1, 2023 to August 31, 2023			
	Rental Revenues (1)	Property-related Expenses (1)	Net Income	Gain on Sale of Investment Property (2)	Rental Revenues (1)	Property-related Expenses (1)	Net Income	Gain on Sale of Investment Property (2)
Office buildings	3,967,263	2,130,511	1,836,752	-	5,793,327	2,284,480	3,508,847	-
Accommodations	524,794	262,734	262,060	-	2,985,122	785,948	2,199,174	-
Others	1,336,030	317,171	1,018,858	1,430,579	1,596,455	312,423	1,284,031	1,437,186
Total	5,828,088	2,710,417	3,117,671	1,430,579	10,374,905	3,382,852	6,992,053	1,437,186

(1)“Rental revenues” and “Property-related expenses”, which are rental revenues and related expenses (depreciation, repairs and maintenance, casualty insurance, property and other taxes etc.), are presented in the statements of income and retained earnings as “Operating revenue” and “Operating expenses”.

(2)“Gain on sale of investment property” is presented in the statements of income and retained earnings under “Operating revenue”.

16. PER SHARE INFORMATION

The following table summarizes information about net assets per share and net income per share at February 28, 2023 and August 31, 2023 and for the five-month period and six-month period, respectively, then ended:

	Yen	
	October 1, 2022 to February 28, 2023	March 1, 2023 to August 31, 2023
Net assets per share at period end	60,123	65,241
Net income per share	1,368	2,010
Weighted-average number of shares	2,640,000 shares	3,560,000 shares

In calculating net assets per share, the amount of the net assets has been adjusted for the cash distribution declared in the subsequent period. Net income per share is computed by dividing net income by the weighted-average number of shares outstanding during each period. Diluted net income per share has not been presented since no warrants or convertible bonds were outstanding during the period.

Since MTR conducted a 2-for-1 unit split effective March 1, 2023, net asset value per unit and net income per unit are calculated based on the assumption that the said unit split was conducted at the beginning of the previous fiscal period.

17. SUBSEQUENT EVENTS

None applicable.

(Additional Information)

Transfer of property

Pursuant to a purchase agreement executed on July 29, 2022, MTR has transferred the second time installment of the following asset as of August 31, 2023.

Shinbashi ekimae MTR Building

(i) Outline of the transfer

Property to be transferred:	Real estate trust beneficiary interest
Transfer price:	¥21,800,000,000 (1st: ¥7,266,666,667; 2nd: ¥7,266,666,667 ;and 3rd: ¥7,266,666,666) (Excluding transfer cost, property taxes, city planning taxes and consumption taxes)
Gain on transfer:	MTR plans to record gains on sales of real estate in operating revenues of approximately 1.4 billion yen in the fiscal period ending August 31, 2023 and approximately 1.3 billion yen in the fiscal period ending February 28, 2024.
Date of transfer:	1st: February 28, 2023; 2nd: August 31, 2023 ;and 3rd: February 29, 2024
Buyer:	MORI TRUST CO., LTD.
Remarks:	The property will be transferred in three installments: the first installment will be transferred after establishing a trust for one-third of the co-ownership interest as of February 28, 2023, the second installment will be transferred after placing an additional trust for one-third of the co-ownership interest as of August 31, 2023, and the third installment will be transferred after placing an additional trust for one-third of the co-ownership interest as of February 29, 2024.
Other:	This transfer constitutes a forward commitment, etc. as defined in the “Comprehensive Supervisory Guidelines for Financial Instruments Business Operators, etc.” established by the Financial Services Agency. The Transfer may be terminated only in the case of willful misconduct or gross negligence on the part of the other party, on the grounds of a material breach by the other party of its obligations under the purchase agreement relating to the Transfer. If the Transfer is terminated due to a breach of obligation, the party causing the termination shall pay to the other party an amount equivalent to 20% of the relevant purchase price as a penalty.

Acquisition of property

Pursuant to a purchase agreement executed on July 29, 2022, MTR acquired the second installment of the following asset effective August 31, 2023.

Sendai MT Building

(i) Outline of the acquisition

Property to be acquired:	Real estate trust's beneficiary interest Land ownership and land lease rights (co-owned interest 90,845 of 1,000,000) Sectionally owned building
Acquisition price:	¥15,800,000,000 (1st: ¥5,266,666,667; 2nd: ¥5,266,666,667; and 3rd: ¥5,266,666,666) (Excluding acquisition cost, property taxes, city planning taxes and consumption taxes)
Date of acquisition:	1st: February 28, 2023; 2nd: August 31, 2023; and 3rd: February 29, 2024
Seller:	MORI TRUST CO., LTD.
Remarks:	The acquisition is planned to be made in three installments, with the first installment being made on February 28, 2023 with 90,845/300,000 of co-ownership interests held in trust, the second installment being made on August 31, 2023 with an additional 90,845/300,000 of co-ownership interests held in trust and the third installment being made on February 29, 2024 with an additional 90,845/300,000 of co-ownership interests held in trust, respectively.
Other:	The Acquisition constitutes a forward commitment, etc. as defined in the "Comprehensive Supervisory Guidelines for Financial Instruments Business Operators, etc." established by the Financial Services Agency. The Acquisition may be terminated only in the case of willful misconduct or gross negligence on the part of the other party, on the grounds of a material breach by the other party of its obligations under the purchase agreement for the Acquisition. If the Acquisition is cancelled due to a breach of obligation, the party causing the cancellation shall pay to the other party an amount equivalent to 20% of the relevant purchase price as a penalty.

18. INVESTMENT CORPORATION BONDS

Investment corporation bonds at February 28, 2023 and August 31, 2023 consisted of the following:

	Thousands of yen		Average interest rate (%)	Due on	Use of funds	Note
	As of February 28, 2023	As of August 31, 2023				
Unsecured bonds due on February 25 2021	3,000,000	3,000,000	0.17	February 22, 2024		
Unsecured bonds due on February 21, 2022	1,000,000	1,000,000	0.11	February 28, 2025		
Unsecured bonds due on February 26, 2015	1,000,000	1,000,000	1.07	February 26, 2027		
Unsecured bonds due on June 20, 2022	2,000,000	2,000,000	0.42	February 29, 2028		
Unsecured bonds due on February 17, 2023	3,000,000	3,000,000	0.79	February 28, 2029	(1)	(2)
Unsecured bonds due on February 25, 2021	1,000,000	1,000,000	0.50	February 25, 2031		
Unsecured bonds due on February 21, 2022	1,000,000	1,000,000	0.50	February 27, 2032		
Unsecured bonds due on February 25, 2021	1,000,000	1,000,000	0.75	February 25, 2036		
Unsecured bonds due on February 23, 2017	1,000,000	1,000,000	1.08	February 23, 2037		
Total	14,000,000	14,000,000	—	—	—	—

(1) Use of the above funds includes acquisition of real estate or beneficiary interests.

(2) The above loans are unsecured and non-guaranteed with floating rates.

(3) Investment corporation bonds repayable expected to be repaid during each of the 5 years subsequent to the current balance sheet date are summarized as follows (except for investment corporation bonds due within one year):

	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Investment corporation bonds (Thousands of yen)	1,000,000	—	1,000,000	2,000,000

19. SHORT-TERM LOANS PAYABLE

Short-term loans payable at February 28, 2023 and August 31, 2023 consisted of the following:

Lender	Thousands of yen		Average interest rate (%) (1)	Due on	Use of funds	Note
	As of February 28, 2023	As of August 31, 2023				
Mizuho Bank, Ltd.	2,000,000	—	—	—	—	—
Resona Bank, Limited	1,000,000	—	—	—	—	—
Sumitomo Mitsui Banking Corporation.	2,500,000	2,500,000	0.19	October 6, 2023		
Resona Bank, Limited	500,000	500,000	0.19	October 13, 2023		
Mizuho Bank, Ltd.	—	2,000,000	0.19	March 29, 2024		
Sumitomo Mitsui Trust Bank, Ltd.	—	2,000,000	0.20	August 30, 2024	(3)	(4)
Sumitomo Mitsui Banking Corporation.	—	1,500,000	0.20	August 30, 2024		
Resona Bank, Limited	—	1,000,000	—(2)	August 30, 2024		
Mizuho Bank, Ltd.	—	500,000	0.20	August 30, 2024		
Total short-term loans	6,000,000	10,000,000	—	—	—	—

(1) Average interest rate for each loan has been rounded to the second decimal place.

(2) Average interest rate is not shown because interest is calculated on one end putting.

(3) Use of the above funds includes acquisition of real estate or beneficiary interests.

(4) The above loans are unsecured and non-guaranteed with floating rates.

MTR has entered into line of credit loan agreements totaling ¥20,000 million with banks to reduce refinancing risk. The unused amount of such credit lines was ¥20,000 million at August 31, 2023.

20. LONG-TERM LOANS PAYABLE

Long-term loans payable at February 28, 2023 and August 31, 2023 consisted of the following:

Lender	Thousands of yen		Average interest rate (%) (1)	Due on	Use of funds	Note
	As of February 28, 2023	As of August 31, 2023				
Mizuho Bank, Ltd	3,500,000	—	—	—		
The Bank of Fukuoka, Ltd.	1,000,000	—	—	—		
The Nishi-Nippon City Bank, Ltd.	500,000	—	—	—		
Mizuho Bank, Ltd	1,500,000	—	—	—	—	—
MUFG Bank, Ltd.	500,000	—	—	—		
Development Bank of Japan Inc.	1,000,000	—	—	—		
Resona Bank, Limited.	1,000,000	—	—	—		
Development Bank of Japan Inc.	500,000	500,000	0.54	September 29, 2023		
Resona Bank, Limited.	1,000,000	1,000,000	0.46	October 18, 2023		
Mizuho Bank, Ltd (2)	—	2,000,000	0.64	November 30, 2023		
Mizuho Bank, Ltd (2)	—	1,000,000	0.30	November 30, 2023		
Sumitomo Mitsui Banking Corporation. (2)	—	2,000,000	0.64	November 30, 2023		
Sumitomo Mitsui Banking Corporation. (2)	—	1,000,000	0.30	November 30, 2023		
Development Bank of Japan Inc. (2)	—	1,500,000	0.64	November 30, 2023		
Resona Bank, Limited. (2)	—	1,000,000	0.29	November 30, 2023		
Mizuho Bank, Ltd	3,000,000	3,000,000	0.17	February 29, 2024		
Mizuho Bank, Ltd (2)	—	2,000,000	0.33	February 29, 2024		
Development Bank of Japan Inc.	1,500,000	1,500,000	0.64	February 29, 2024		
Aozora Bank, Ltd.	2,000,000	2,000,000	0.54	March 11, 2024		
Shinkin Central Bank	2,000,000	2,000,000	0.57	March 19, 2024		
Sumitomo Mitsui Banking Corporation	3,000,000	3,000,000	0.27	April 9, 2024		
Development Bank of Japan Inc.	2,000,000	2,000,000	0.36	April 11, 2024		
Mizuho Bank, Ltd	1,000,000	1,000,000	0.36	April 11, 2024		
Mizuho Bank, Ltd	3,000,000	3,000,000	0.56	April 24, 2024		
The Bank of Fukuoka, Ltd.	1,000,000	1,000,000	0.56	May 31, 2024		
Mizuho Bank, Ltd (2)	—	5,000,000	0.36	August 30, 2024		
Mizuho Bank, Ltd (2)	—	1,000,000	0.45	August 30, 2024	(4)	(5)
MUFG Bank, Ltd. (2)	—	3,000,000	0.52	August 30, 2024		
Sumitomo Mitsui Trust Bank, Ltd. (2)	—	2,000,000	0.45	August 30, 2024		
Sumitomo Mitsui Banking Corporation. (2)	—	1,000,000	0.45	August 30, 2024		
Sumitomo Mitsui Banking Corporation.	3,000,000	3,000,000	0.29	October 9, 2024		
Sumitomo Mitsui Banking Corporation.	1,000,000	1,000,000	0.30	October 9, 2024		
Sumitomo Mitsui Trust Bank, Ltd. (2)	—	3,000,000	0.53	November 29, 2024		
Development Bank of Japan Inc. (2)	—	1,500,000	0.53	November 29, 2024		
The Nishi-Nippon City Bank, Ltd.	500,000	500,000	0.43	December 26, 2024		
Mizuho Bank, Ltd	1,500,000	1,500,000	0.56	January 17, 2025		
MUFG Bank, Ltd.	500,000	500,000	0.56	January 17, 2025		
Sumitomo Mitsui Trust Bank, Ltd.	3,000,000	3,000,000	0.32	February 28, 2025		
Mizuho Bank, Ltd	1,000,000	1,000,000	0.65	February 28, 2025		
Sumitomo Mitsui Banking Corporation.	1,000,000	1,000,000	0.65	February 28, 2025		
The 82 Bank, Ltd.	1,000,000	1,000,000	0.34	February 28, 2025		
MUFG Bank, Ltd.	500,000	500,000	0.65	February 28, 2025		
Development Bank of Japan Inc.	1,000,000	1,000,000	0.64	March 19, 2025		
Sumitomo Mitsui Banking Corporation.	2,500,000	2,500,000	0.33	April 9, 2025		
Sumitomo Mitsui Trust Bank, Ltd.	4,000,000	4,000,000	0.37	April 11, 2025		
MUFG Bank, Ltd.	1,000,000	1,000,000	0.32	April 11, 2025		
Sumitomo Mitsui Banking Corporation.	3,000,000	3,000,000	0.46	April 24, 2025		
MUFG Bank, Ltd.	3,000,000	3,000,000	0.68	August 29, 2025		
Mizuho Trust & Banking Co., Ltd. (2)	—	2,000,000	0.68	August 29, 2025		
Mizuho Trust & Banking Co., Ltd. (2)	—	500,000	0.30	August 29, 2025		
Shinkin Central Bank (2)	—	1,000,000	0.30	August 29, 2025		
Shinkin Central Bank (2)	—	1,000,000	0.68	August 29, 2025		

Sumitomo Mitsui Banking Corporation. (2)	—	500,000	0.44	August 29, 2025
Development Bank of Japan Inc. (2)	—	500,000	0.30	August 29, 2025
Resona Bank, Limited. (2)	—	500,000	0.30	August 29, 2025
The 77 Bank, Ltd. (2)	—	500,000	0.68	August 29, 2025
Sumitomo Mitsui Trust Bank, Ltd. (2)	—	500,000	0.83	November 28, 2025
MUFG Bank, Ltd. (2)	—	500,000	0.83	November 28, 2025
Sumitomo Mitsui Banking Corporation.	1,000,000	1,000,000	0.43	January 19, 2026
The Bank of Fukuoka, Ltd.	1,000,000	1,000,000	0.42	January 30, 2026
Sumitomo Mitsui Banking Corporation	1,500,000	1,500,000	0.47	February 27, 2026
Sumitomo Mitsui Banking Corporation.	—	1,500,000	0.50	February 27, 2026
Sumitomo Mitsui Banking Corporation.	1,000,000	1,000,000	0.52	February 27, 2026
Sumitomo Mitsui Trust Bank, Ltd.	1,500,000	1,500,000	0.41	February 27, 2026
Sumitomo Mitsui Trust Bank, Ltd.	1,000,000	1,000,000	0.50	February 27, 2026
SBI Shinsei Bank, Limited	—	1,000,000	0.63	February 27, 2026
The Chiba Bank, Ltd.	—	500,000	0.62	February 27, 2026
The Yamanashi Chuo Bank, Ltd.	—	500,000	0.62	February 27, 2026
Development Bank of Japan Inc.	1,000,000	1,000,000	0.41	March 12, 2026
The Bank of Fukuoka, Ltd.	—	1,000,000	0.53	March 31, 2026
The Nishi-Nippon City Bank, Ltd.	—	500,000	0.52	March 31, 2026
Nippon Life Insurance Company	500,000	500,000	0.36	March 31, 2026
Resona Bank, Limited.	1,000,000	1,000,000	0.39	April 22, 2026
Aozora Bank, Ltd.	500,000	500,000	0.72	April 24, 2026
Sumitomo Mitsui Banking Corporation (2)	—	2,000,000	0.75	May 29, 2026
Mizuho Bank, Ltd (2)	—	1,000,000	0.75	May 29, 2026
Sumitomo Mitsui Trust Bank, Ltd. (2)	—	1,000,000	0.75	May 29, 2026
Resona Bank, Limited.	500,000	500,000	0.39	May 29, 2026
MUFG Bank, Ltd.	—	3,000,000	0.70	August 31, 2026
Sumitomo Mitsui Trust Bank, Ltd.	2,000,000	2,000,000	0.55	August 31, 2026
Mizuho Bank, Ltd (2)	—	1,000,000	0.36	August 31, 2026
Development Bank of Japan Inc.	1,000,000	1,000,000	0.33	August 31, 2026
The Nishi-Nippon City Bank, Ltd.	1,000,000	1,000,000	0.41	August 31, 2026
The 77 Bank, Ltd.	500,000	500,000	0.31	August 31, 2026
Nippon Life Insurance Company	500,000	500,000	0.40	September 18, 2026
Mitsui Sumitomo Insurance Company, Limited	500,000	500,000	0.39	September 30, 2026
Sumitomo Mitsui Banking Corporation (2)	—	5,500,000	0.50	November 30, 2026
Sumitomo Mitsui Trust Bank, Ltd.	1,000,000	1,000,000	0.42	December 24, 2026
MUFG Bank, Ltd.	1,000,000	1,000,000	0.40	December 25, 2026
Resona Bank, Limited.	500,000	500,000	0.56	December 25, 2026
The Bank of Fukuoka, Ltd.	500,000	500,000	0.56	December 25, 2026
Mizuho Bank, Ltd	500,000	500,000	0.50	January 19, 2027
The Bank of Fukuoka, Ltd.	1,000,000	1,000,000	0.51	January 29, 2027
The Norinchukin Bank	3,000,000	3,000,000	0.38	February 26, 2027
Sumitomo Mitsui Trust Bank, Ltd.	1,500,000	1,500,000	0.59	February 26, 2027
The Ashikaga Bank, Ltd.	1,000,000	1,000,000	0.63	April 22, 2027
Aozora Bank, Ltd.	500,000	500,000	0.45	June 24, 2027
SUMITOMO LIFE INSURANCE COMPANY	500,000	500,000	0.59	June 25, 2027
The Bank of Fukuoka, Ltd.	1,000,000	1,000,000	0.55	July 30, 2027
MUFG Bank, Ltd.	—	3,000,000	0.84	August 31, 2027
Sumitomo Mitsui Trust Bank, Ltd.	1,500,000	1,500,000	0.63	August 31, 2027
Sumitomo Mitsui Trust Bank, Ltd.	1,000,000	1,000,000	0.84	August 31, 2027
Resona Bank, Limited.	—	1,000,000	—(3)	August 31, 2027
Resona Bank, Limited.	500,000	500,000	0.48	August 31, 2027
The Norinchukin Bank	1,500,000	1,500,000	0.38	August 31, 2027
The Nishi-Nippon City Bank, Ltd.	1,500,000	1,500,000	0.48	August 31, 2027
SUMITOMO LIFE INSURANCE COMPANY	500,000	500,000	0.38	August 31, 2027
The Dai-ichi Life Insurance Company, Limited	500,000	500,000	0.56	August 31, 2027
Development Bank of Japan Inc.	1,000,000	1,000,000	0.43	September 10, 2027
Sumitomo Mitsui Trust Bank, Ltd.	1,000,000	1,000,000	0.74	September 30, 2027
MUFG Bank, Ltd.	1,500,000	1,500,000	0.50	October 13, 2027

Mizuho Bank, Ltd	1,000,000	1,000,000	0.63	December 24, 2027
Mizuho Bank, Ltd	1,000,000	1,000,000	0.47	January 19, 2028
Mizuho Bank, Ltd	1,000,000	1,000,000	0.55	January 19, 2028
Mizuho Bank, Ltd	500,000	500,000	0.99	January 19, 2028
Sumitomo Mitsui Trust Bank, Ltd.	1,500,000	1,500,000	0.99	January 19, 2028
Development Bank of Japan Inc.	500,000	500,000	0.47	January 19, 2028
Resona Bank, Limited.	—	1,000,000	0.91	February 29,2028
The Ashikaga Bank, Ltd.	—	1,000,000	0.91	February 29,2028
Development Bank of Japan Inc.	—	1,000,000	0.91	March 1,2028
MUFG Bank, Ltd.	1,500,000	1,500,000	0.53	March 31, 2028
Sumitomo Mitsui Banking Corporation.	1,500,000	1,500,000	0.54	April 7, 2028
Sumitomo Mitsui Banking Corporation.	1,500,000	1,500,000	0.51	April 11, 2028
Aozora Bank, Ltd.	1,000,000	1,000,000	0.71	April 11, 2028
Mizuho Bank, Ltd	1,500,000	1,500,000	0.51	April 17, 2028
Sumitomo Mitsui Trust Bank, Ltd.	—	1,000,000	0.84	May 31,2028
MUFG Bank, Ltd.	—	1,000,000	0.99	August 31,2028
SBI Shinsei Bank, Limited	1,000,000	1,000,000	0.53	August 31, 2028
The 77 Bank, Ltd.	1,000,000	1,000,000	0.54	August 31, 2028
Nippon Life Insurance Company	—	1,000,000	0.76	August 31, 2028
Mitsui Sumitomo Insurance Company, Limited	1,500,000	1,500,000	0.59	October 31, 2028
Mizuho Bank, Ltd	2,000,000	2,000,000	1.07	February 28, 2029
Mizuho Bank, Ltd	—	1,000,000	1.07	February 28, 2029
Development Bank of Japan Inc.	3,000,000	3,000,000	0.71	February 28, 2029
Mizuho Trust & Banking Co., Ltd.	1,000,000	1,000,000	1.07	February 28, 2029
Mizuho Trust & Banking Co., Ltd.	—	1,000,000	1.07	February 28, 2029
Aozora Bank, Ltd.	—	1,000,000	1.07	February 28, 2029
Mizuho Bank, Ltd	1,000,000	1,000,000	0.82	April 11, 2029
Aozora Bank, Ltd.	1,500,000	1,500,000	0.59	April 23, 2029
Mizuho Bank, Ltd	—	500,000	1.02	August 31,2029
Mizuho Bank, Ltd	—	1,500,000	1.23	February 28, 2030
Sumitomo Mitsui Banking Corporation.	—	1,000,000	1.23	February 28, 2030
MUFG Bank, Ltd.	500,000	500,000	0.79	February 28, 2030
Mizuho Bank, Ltd	—	3,500,000	1.07	March 29,2030
Mizuho Bank, Ltd	1,500,000	1,500,000	0.90	April 11, 2030
MUFG Bank, Ltd.	2,000,000	2,000,000	0.92	April 12, 2030
Sumitomo Mitsui Banking Corporation.	1,000,000	1,000,000	0.65	June 24, 2030
Sumitomo Mitsui Banking Corporation.	1,500,000	1,500,000	0.76	July 19, 2030
Mizuho Bank, Ltd	—	2,500,000	1.18	August 30,2030
Mizuho Bank, Ltd	1,000,000	1,000,000	0.62	August 30, 2030
Mizuho Bank, Ltd	500,000	500,000	0.63	August 30, 2030
MUFG Bank, Ltd.	—	1,500,000	1.18	August 30, 2030
Sumitomo Mitsui Banking Corporation.	2,000,000	2,000,000	0.98	October 28, 2030
Mizuho Bank, Ltd	1,500,000	1,500,000	0.66	February 28, 2031
Mizuho Bank, Ltd	1,500,000	1,500,000	0.98	April 11, 2031
Total long-term loans	138,500,000	210,500,000	—	— — —

- (1) Average interest rate for each loan has been rounded to the second decimal place.
- (2) Loans payable assumed as a result of the merger with MTH on March 1, 2023.
- (3) Use of the above funds includes acquisition of real estate or beneficiary interests.
- (4) The above loans are unsecured and non-guaranteed with fixed interest rates.
- (5) The total amounts of long-term loans repayable expected to be repaid during each of the 5 years subsequent to the current balance sheet date are summarized as follows (except for long-term loans payable due within one year):

	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Amount of loans (Thousands of yen)	38,500,000	29,000,000	29,500,000	24,500,000