

Independent Auditor's Report

The Board of Directors
MORI TRUST Reit, Inc.

Opinion

We have audited the accompanying financial statements of MORI TRUST Reit, Inc. (formerly, MORI TRUST Sogo Reit, Inc.; the Company), which comprise the balance sheet as at February 28, 2023, and the statements of income and retained earnings, changes in net assets, cash distributions, and cash flows for the five-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 February 28, 2023, and its financial performance and its cash flows for the five-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.

Emphasis of Matter

We draw attention to Note 18. SUBSEQUENT EVENTS to the financial statements, which describes the Company conducted an absorption-type merger, effective March 1, 2023, with the Company as the surviving corporation and MORI TRUST Hotel Reit, Inc. as the absorbed corporation. Our opinion is not modified in respect of this matter.

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, related safeguards.

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

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

Ernst & Young ShinNihon LLC
Tokyo, Japan

May 26, 2023

/s/ 吉田 雅彦

Masahiko Yoshida
Designated Engagement Partner
Certified Public Accountant

/s/ 佐藤 賢治

Kenji Sato
Designated Engagement Partner
Certified Public Accountant

FINANCIAL STATEMENTS
BALANCE SHEETS

Thousands of yen

	As of September 30, 2022	As of February 28, 2023
Assets		
Current assets		
Cash and deposits	16,534,395	14,729,422
Cash and deposits in trust	3,089,760	2,413,662
Operating accounts receivable	77,534	97,513
Accounts receivable - other	-	28
Prepaid expenses	86,346	55,631
Other	15,449	64,915
Total current assets	19,803,486	17,361,173
Non-current assets		
Property, plant and equipment		
Buildings	35,007,630	34,742,923
Accumulated depreciation	(18,237,032)	(18,302,773)
Buildings, net	16,770,597	16,440,150
Structures	443,976	443,960
Accumulated depreciation	(413,582)	(413,398)
Structures, net	30,393	30,561
Machinery and equipment	153,655	128,457
Accumulated depreciation	(127,417)	(105,502)
Machinery and equipment, net	26,237	22,955
Tools, furniture and fixtures	111,307	113,212
Accumulated depreciation	(87,823)	(89,644)
Tools, furniture and fixtures, net	23,483	23,567
Land	114,585,335	109,001,394
Buildings in trust	33,964,244	35,354,628
Accumulated depreciation	(13,395,018)	(13,931,696)
Buildings in trust, net	20,569,225	21,422,932
Structures in trust	187,293	187,941
Accumulated depreciation	(116,015)	(119,677)
Structures in trust, net	71,277	68,264
Machinery and equipment in trust	66,552	70,137
Accumulated depreciation	(8,450)	(10,557)
Machinery and equipment in trust, net	58,102	59,579
Tools, furniture and fixtures in trust	102,790	105,717
Accumulated depreciation	(69,394)	(72,856)
Tools, furniture and fixtures in trust, net	33,395	32,860
Land in trust	153,798,827	157,795,399
Total property, plant and equipment	305,966,876	304,897,665
Intangible assets		
Other	240	240

Thousands of yen

	As of September 30, 2022	As of February 28, 2023
Total intangible assets	240	240
Investments and other assets		
Guarantee deposits	10,000	10,000
Long-term prepaid expenses	66,825	57,897
Other	2,815	2,815
Total investments and other assets	79,640	70,713
Total non-current assets	306,046,756	304,968,618
Deferred assets		
Investment corporation bond issuance costs	58,984	68,950
Total deferred assets	58,984	68,950
Total assets	325,909,227	322,398,742
Liabilities		
Current liabilities		
Operating accounts payable	307,709	220,285
Short-term loans payable	6,000,000	6,000,000
Current portion of investment corporation bonds	4,000,000	3,000,000
Current portion of long-term loans payable	18,000,000	15,000,000
Accounts payable – other	58,604	349,524
Accrued expenses	430,289	444,375
Dividends payable	8,073	7,955
Income taxes payable	867	718
Accrued consumption taxes	233,884	61,744
Advances received	809,224	814,808
Deposits received	322	214
Total current liabilities	29,848,976	25,899,627
Non-current liabilities		
Investment corporation bonds	11,000,000	11,000,000
Long-term loans payable	117,000,000	117,500,000
Tenant leasehold and security deposits	7,555,628	7,698,469
Tenant leasehold and security deposits in trust	918,125	943,131
Deferred tax liabilities	514,820	631,732
Total non-current liabilities	136,988,574	137,773,333
Total liabilities	166,837,550	163,672,960
Net assets		
Unitholders' equity		
Unitholders' capital	153,990,040	153,990,040
Surplus		
Voluntary retained earnings		
Reserve for reduction entry	1,750,398	1,121,637
Total voluntary retained earnings	1,750,398	1,121,637
Unappropriated retained earnings	3,331,238	3,614,104

Thousands of yen

	As of September 30, 2022	As of February 28, 2023
Total surplus	5,081,637	4,735,741
Total unitholders' equity	159,071,677	158,725,781
Total net assets	159,071,677	158,725,781
Total liabilities and net assets	325,909,227	322,398,742

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



STATEMENTS OF INCOME AND RETAINED EARNINGS

For the six-month period ended September 30, 2022 and the five-month period ended February 28, 2023

	Thousands of yen	
	For the period from April 1, 2022 to September 30, 2022	For the period from October 1, 2022 to February 28, 2023
Operating revenue		
Lease business revenue	6,603,932	5,620,653
Other lease business revenue	298,407	207,435
Gain on sale of investment property	-	1,430,579
Total operating revenue	6,902,340	7,258,668
Operating expenses		
Expenses related to rent business	3,057,896	2,710,417
Asset management fee	307,505	275,258
Asset custody fee	12,987	10,829
Administrative service fees	45,076	50,842
Directors' compensations	3,600	3,000
Merger-related expenses	-	61,360
Other operating expenses	46,950	88,983
Total operating expenses	3,474,016	3,200,691
Operating income	3,428,323	4,057,976
Non-operating income		
Interest income	90	94
Reversal of dividends payable	845	647
Total non-operating income	936	741
Non-operating expenses		
Interest expenses	345,823	291,515
Interest expenses on investment corporation bonds	27,158	24,397
Amortization of investment corporation bond issuance costs	8,874	7,679
other	3,886	3,376
Total non-operating expenses	385,741	326,968
Ordinary income	3,043,518	3,731,749
Profit before income taxes	3,043,518	3,731,749
Income taxes - current	881	732
Income taxes - deferred	(288,601)	116,912
Total income taxes	(287,720)	117,644
Profit	3,331,238	3,614,104
Unappropriated retained earnings	3,331,238	3,614,104

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

STATEMENTS OF CHANGES IN NET ASSETS

For the six-month period ended September 30, 2022

Thousands of yen

	Unitholders' equity						Total net assets
	Unitholders' capital	Surplus				Total unitholders' equity	
		Voluntary retained earnings		Unappropriated retained earnings (undisposed loss)	Total surplus		
		Reserve for reduction entry	Total voluntary retained earnings				
Balance at beginning of current period	153,990,040	1,430,418	1,430,418	4,537,379	5,967,798	159,957,838	159,957,838
Changes of items during period							
Provision of reserve for reduction entry		454,094	454,094	(454,094)	-	-	-
Reversal of reserve for reduction entry		(134,114)	(134,114)	134,114	-	-	-
Dividends of surplus				(4,217,400)	(4,217,400)	(4,217,400)	(4,217,400)
Profit				3,331,238	3,331,238	3,331,238	3,331,238
Total changes of items during period	-	319,979	319,979	(1,206,140)	(886,161)	(886,161)	(886,161)
Balance at end of current period	153,990,040	1,750,398	1,750,398	3,331,238	5,081,637	159,071,677	159,071,677

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

For the five-month period ended February 28, 2023

Thousands of yen

	Unitholders' equity						Total net assets
	Unitholders' capital	Surplus				Total unitholders' equity	
		Voluntary retained earnings		Unappropriated retained earnings (undisposed loss)	Total surplus		
		Reserve for reduction entry	Total voluntary retained earnings				
Balance at beginning of current period	153,990,040	1,750,398	1,750,398	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)	(628,761)	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	-	(628,761)	(628,761)	282,865	(345,895)	(345,895)	(345,895)
Balance at end of current period	153,990,040	1,121,637	1,121,637	3,614,104	4,735,741	158,725,781	158,725,781

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

STATEMENTS OF CASH DISTRIBUTIONS

For the six-month period ended September 30, 2022 and the five-month period ended February 28, 2023

Unit: yen

	Fiscal Period ended September 30, 2022 (April 1, 2022 to September 30, 2022)	Fiscal Period ended February 28, 2023 (October 1, 2022 to February 28, 2023)
I. Unappropriated retained earnings	3,331,238,876	3,614,104,524
II. Reversal of voluntary retained earnings		
Reversal of reserve for reduction entry	628,761,124	-
III. Distribution amount	3,960,000,000	3,359,400,000
(Distribution amount per unit)	(3,000)	(2,545)
IV. Voluntary retained earnings		
Provision of reserve for reduction entry	-	254,704,524
V. Retained earnings carried forward	-	-
Calculation method of distribution amount	<p>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 adding the reversal of the reserve for reduction entry under Article 66-2 of the Act on Special Measures Concerning Taxation, the amount of which is 3,960,000,000 yen.</p> <p>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.</p>	<p>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 66-7 of the Act on Special Measures Concerning Taxation, the amount of which is 3,359,400,000 yen.</p> <p>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.</p>



STATEMENTS OF CASH FLOWS

For the six-month period ended September 30, 2022 and the five-month period ended February 28, 2023

	Thousands of yen	
	For the period from April 1, 2022 to September 30, 2022	For the period from October 1, 2022 to February 28, 2023
Cash flows from operating activities		
Profit before income taxes	3,043,518	3,731,749
Depreciation	1,116,153	914,440
Amortization of investment corporation bond issuance costs	8,874	7,679
Interest income	(90)	(94)
Interest expenses	372,981	315,912
Decrease (Increase) in operating accounts receivable	(35,671)	(19,978)
Increase (Decrease) in operating accounts payable	(10,983)	(10,954)
Increase (Decrease) in accrued consumption taxes	125,207	(172,139)
Increase (Decrease) in advances received	(104,045)	5,584
Decrease due to sale of investment property	-	5,829,179
Other, net	(89,768)	73,655
Subtotal	4,426,175	10,675,035
Interest income received	90	94
Interest expenses paid	(353,781)	(348,757)
Income taxes paid	(892)	(881)
Net cash provided by operating activities	4,071,591	10,325,489
Cash flows from investing activities		
Purchase of property, plant and equipment	(69,009)	(16,911)
Purchase of property, plant and equipment in trust	(80,198)	(5,405,860)
Repayments of tenant leasehold and security deposits	(90,166)	(122,170)
Proceeds from tenant leasehold and security deposits	160,283	184,460
Repayments of tenant leasehold and security deposits in trust	(25,275)	(8,391)
Proceeds from tenant leasehold and security deposits in trust	7,804	37,476
Net cash used in investing activities	(96,562)	(5,331,397)
Cash flows from financing activities		
Proceeds from long-term loans payable	17,000,000	6,000,000
Repayments of long-term loans payable	(17,000,000)	(8,500,000)
Proceeds from issuance of investment corporation bonds	2,000,000	3,000,000
Redemption of investment corporation bonds	-	(4,000,000)
Payments for investment corporation bond issuance costs	(12,457)	(15,045)
Dividends paid	(4,216,512)	(3,960,117)
Net cash used in financing activities	(2,228,969)	(7,475,163)
Net increase (decrease) in cash and cash equivalents	1,746,059	(2,481,070)
Cash and cash equivalents at beginning of period	17,878,096	19,624,156
Cash and cash equivalents at end of period	19,624,156	17,143,085

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



NOTES TO FINANCIAL STATEMENTS

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

1. ORGANIZATION AND BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

Organization

MORI TRUST Sogo 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 February 28, 2023, MTR owned a portfolio of 17 properties with a total rentable area of 427,871.92 sq. meters occupied by 109 tenants. The occupancy rate was 96.9%.

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
Tools, furniture and fixtures including trust accounts.....	2 - 18 years

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

Intangible assets

Intangible assets are amortized 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. PROPERTY AND EQUIPMENT

Property and equipment at September 30, 2022 and February 28, 2023 consisted of the following:

	Thousands of yen			
	As of September 30, 2022		As of February 28, 2023	
	Acquisition Cost	Book Value	Acquisition Cost	Book Value
Land	114,585,335	114,585,335	109,001,394	109,001,394
Buildings and structures	35,451,606		35,186,883	
Accumulated depreciation	(18,650,615)	16,800,991	(18,716,171)	16,470,711
Machinery and equipment	153,655		128,457	
Accumulated depreciation	(127,417)	26,237	(105,502)	22,955
Tools, furniture and fixtures	111,307		113,212	
Accumulated depreciation	(87,823)	23,483	(89,644)	23,567
Land in trust	153,798,827	153,798,827	157,795,399	157,795,399
Buildings and structures in trust	34,151,537		35,542,569	
Accumulated depreciation	(13,511,034)	20,640,503	(14,051,373)	21,491,196
Machinery and equipment in trust	66,552		70,137	
Accumulated depreciation	(8,450)	58,102	(10,557)	59,579
Tools, furniture and fixtures in trust	102,790		105,717	
Accumulated depreciation	(69,394)	33,395	(72,856)	32,860
Total		305,966,876		304,897,665

The compressed amount of tangible assets with government grants under the Corporation Tax Law of Japan was ¥38,340 thousand at September 30, 2022 and ¥38,340 thousand at February 28, 2023.

4. INVESTMENT CORPORATION BONDS

Investment corporation bonds at September 30, 2022 and February 28, 2023 consisted of the following:

	Thousands of yen		Average interest rate (%)	Due on	Use of funds	Note
	As of September 30, 2022	As of February 28, 2023				
Unsecured bonds due on February 20, 2020	4,000,000	—	—	—		
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	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	15,000,000	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

5. SHORT-TERM LOANS PAYABLE

Short-term loans payable at September 30, 2022 and February 28, 2023 consisted of the following:

Lender	Thousands of yen		Average interest rate (%) (1)	Due on	Use of funds	Note
	As of September 30, 2022	As of February 28, 2023				
Sumitomo Mitsui Banking Corporation	2,500,000	—	—	—		
Resona Bank, Limited	500,000	—	—	—		
Mizuho Bank, Ltd.	2,000,000	2,000,000	0.20	April 7, 2023		
Resona Bank, Limited	1,000,000	1,000,000	0.20	August 31, 2023		
Sumitomo Mitsui Banking Corporation	—	2,500,000	0.20	October 6, 2023	(2)	(3)
Resona Bank, Limited	—	500,000	0.20	October 13, 2023		
Total short-term loans	6,000,000	6,000,000	—	—	—	—

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

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

(3) 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 February 28, 2023.

6. LONG-TERM LOANS PAYABLE

Long-term loans payable at September 30, 2022 and February 28, 2023 consisted of the following:

Lender	Thousands of yen		Average interest rate (%) (1)	Due on	Use of funds	Note
	As of September 30, 2022	As of February 28, 2023				
Sumitomo Mitsui Trust Bank, Ltd.	1,500,000	—	—	—		
Mizuho Bank, Ltd.	500,000	—	—	—		
MUFG Bank, Ltd.	2,500,000	—	—	—	—	—
Mizuho Bank, Ltd.	2,000,000	—	—	—		
Sumitomo Mitsui Trust Bank, Ltd.	1,000,000	—	—	—		

Mizuho Trust & Banking Co., Ltd.	1,000,000	—	—	—
Mizuho Bank, Ltd	3,500,000	3,500,000	0.47	April 12, 2023
The Bank of Fukuoka, Ltd.	1,000,000	1,000,000	0.43	April 21, 2023
The Nishi-Nippon City Bank, Ltd.	500,000	500,000	0.49	April 24, 2023
Mizuho Bank, Ltd	1,500,000	1,500,000	0.48	August 31, 2023
Development Bank of Japan Inc.	1,000,000	1,000,000	0.51	August 31, 2023
Resona Bank, Limited.	1,000,000	1,000,000	0.48	August 31, 2023
MUFG Bank, Ltd.	500,000	500,000	0.43	August 31, 2023
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	3,000,000	3,000,000	0.17	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
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
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
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.	1,000,000	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
Development Bank of Japan Inc.	1,000,000	1,000,000	0.41	March 12, 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
Resona Bank, Limited.	500,000	500,000	0.39	May 29, 2026
Sumitomo Mitsui Trust Bank, Ltd.	2,000,000	2,000,000	0.55	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 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
Sumitomo Mitsui Trust Bank, Ltd.	1,500,000	1,500,000	0.63	August 31, 2027
Sumitomo Mitsui Trust Bank, Ltd.	—	1,000,000	0.84	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
Resona Bank, Limited.	500,000	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	0.99	January 19, 2028
Sumitomo Mitsui Trust Bank, Ltd.	—	1,500,000	0.99	January 19, 2028
Development Bank of Japan Inc.	500,000	500,000	0.47	January 19, 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
The 77 Bank, Ltd.	1,000,000	1,000,000	0.54	August 31, 2028
Shinsei Bank Limited	1,000,000	1,000,000	0.53	August 31, 2028
Mitsui Sumitomo Insurance Company, Limited	1,500,000	1,500,000	0.59	October 31, 2028
Development Bank of Japan Inc.	3,000,000	3,000,000	0.71	February 28, 2029
Mizuho Bank, Ltd	—	2,000,000	1.07	February 28, 2029
Mizuho Trust & Banking Co., 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
MUFG Bank, Ltd.	500,000	500,000	0.79	February 28, 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	1,000,000	1,000,000	0.62	August 30, 2030
Mizuho Bank, Ltd	500,000	500,000	0.63	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	135,000,000	132,500,000	—	—

- (1) Average interest rate for each loan has been rounded to the second decimal place.
- (2) Use of the above funds includes acquisition of real estate or beneficiary interests.
- (3) The above loans are unsecured and non-guaranteed with fixed interest rates.
- (4) 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)	27,000,000	21,500,000	18,000,000	19,000,000

7. NET ASSETS

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



8. INCOME TAXES

At September 30, 2022 and February 28, 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 September 30, 2022 and February 28, 2023 were as follows:

	As of September 30, 2022	As of February 28, 2023
	Thousands of yen	
Deferred tax assets:		
Accrued enterprise tax	13	10
Total deferred tax assets	13	10
Deferred tax liabilities:		
Reserve for advanced depreciation of non-current assets	514,833	631,743
Total deferred tax liabilities	514,833	631,743
Net deferred tax assets (liabilities)	(514,820)	(631,732)

A reconciliation of the tax rate differences between the adjusted statutory tax rate and the effective tax rates for the six-month period ended September 30, 2022 and the five-month period ended February 28, 2023 was as follows:

	April 1, 2022 to September 30, 2022	October 1, 2022 to February 28, 2023
Statutory tax rate	31.46%	31.46%
Deductible dividend distribution	(40.93%)	(28.32%)
Others	0.02%	0.01%
Effective tax rates	(9.45%)	(3.15%)

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 ¥3,359,400 thousand at February 28, 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.

9. PER SHARE INFORMATION

The following table summarizes information about net assets per share and net income per share at September 30, 2022 and February 28, 2023 and for the six-month period and five-month period, respectively, then ended:

	Yen	
	April 1, 2022 to September 30, 2022	October 1, 2022 to February 28, 2023
Net assets per share at period end	60,254	60,123
Net income per share	1,261	1,368
Weighted-average number of shares	2,640,000 shares	2,640,000 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.

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 six months ended September 30, 2022)

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	-
	Sale of property
	-
	Rental revenues
	¥1,811,460 thousand
	Property management revenues
	¥219,868 thousand
Account name and balance at period end	Rental and other receivables
	¥5,208 thousand
	Rents received in advance
	¥24,761 thousand
	Leasehold and security deposits including trust accounts
	¥883,417 thousand
	Trade accounts payable
	¥157,705 thousand
	Accrued expenses
	¥430 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 five months 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
	Sale of property
	7,266,666



	Rental revenues
	¥1,603,874 thousand
	Property management revenues
	¥183,045 thousand
Account name and balance at period end	Rental and other receivables
	¥7,180 thousand
	Rents received in advance
	¥24,761 thousand
	Leasehold and security deposits including trust accounts
	¥894,581 thousand
	Trade accounts payable
	¥42,409 thousand
	Accrued expenses
	¥59 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: None applicable

11. BREAKDOWN OF PROPERTY-RELATED REVENUES AND EXPENSES

A breakdown of property-related revenues and expenses for the six-month period ended September 30, 2022 and five-month period ended February 28, 2023 is summarized as follows:

(1) Rental revenues and property-related expenses

	Thousands of yen	
	April 1, 2022 to September 30, 2022	October 1, 2022 to February 28, 2023
Property-Related Revenues:	6,603,932	5,620,653
Property rental revenues	6,244,322	5,321,121
Common charges	236,001	196,524
Land rental revenues	123,609	103,007
Other rental revenues	298,407	207,435
Parking revenues	90,701	76,370
Utilities revenues	144,763	99,674
Penalty revenues	25,172	—
Other revenues	37,771	31,390
Property-Related Expenses:	3,057,896	2,710,417
Property management fees	717,358	600,789
Utilities expenses	255,836	211,827
Property and other taxes	881,367	879,362
Casualty insurance	19,142	16,235
Repairs and maintenance	41,623	62,957
Depreciation	1,116,153	914,440
Other rental expenses	26,414	24,805
Profit	3,844,443	3,117,671

(2) Gain on sale of real estate

	Thousands of yen	
	April 1, 2022 to September 30, 2022	October 1, 2022 to February 28, 2023
	—	Shinbashi ¹ MTR Building
Income from sale of real estate	—	7,266,666
Cost of real estate sales	—	5,829,179
Other expenses on sale	—	6,907
Gain on sale of real estate	—	1,430,579

12. 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 September 30, 2022 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	4,000,000	3,986,259	(13,740)
2) Current portion of long-term loans payable	18,000,000	17,953,691	(46,308)
3) Investment corporation bonds	11,000,000	10,560,560	(439,439)
4) Long-term loans payable	117,000,000	114,113,240	(2,886,759)
5) Tenant leasehold and security deposits	7,555,628	6,708,856	(846,772)
6) Tenant leasehold and security deposits in trust	918,125	827,109	(91,016)
Total Liabilities	158,473,754	154,149,718	(4,324,036)

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
Liabilities			
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	943,121	831,117	(112,013)
Total Liabilities	155,141,600	149,597,661	(5,543,938)

(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 September 30, 2022)

	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	4,000,000	-	-	-	-	-
Current portion of long-term loans payable	18,000,000	-	-	-	-	-
Investment corporation bonds	-	3,000,000	1,000,000	-	1,000,000	6,000,000
Long-term loans payable	-	19,500,000	27,500,000	16,000,000	20,000,000	34,000,000

(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

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of September 30, 2022 and February 28, 2023 were as follows:

	Thousands of yen	
	As of September 30, 2022	As of February 28, 2023
Cash and deposits	16,534,395	14,729,422
Cash and deposits in trust	3,089,760	2,413,662
Cash and cash equivalents	19,624,156	17,143,085

14. LEASES

MTR leases properties and earns rental revenues. Future lease revenues subsequent to September 30, 2022 and February 28, 2023 under non-cancelable operating leases were as follows:

	Thousands of yen	
	As of September 30, 2022	As of February 28, 2023
Due within one year	7,654,988	7,096,745
Due after one year	32,185,923	30,292,749
Total	39,840,912	37,389,494

15. REVENUE RECOGNITION

1. Breakdown of revenue from contracts with customers

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

	Thousands of yen	
	Revenue from contracts with customers *1	Revenue from external customers
Sales of real estate properties *2	-	-
Utilities income	145,016	145,016
Others	-	6,757,323
Total	145,016	6,902,340

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	7,266,666	1,430,579
Utilities income	99,850	99,850
Others	-	5,728,237
Total	7,366,517	7,258,668

*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 April 1, 2022 to September 30, 2022

As described in the Summary of Significant Accounting Policies.

For the period from October 1, 2022 to February 28, 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 April 1, 2022 to September 30, 2022

(1) Balance of contract assets and contract liabilities

	Thousands of yen
	April 1, 2022 to September 30, 2022
Claims arising from contracts with customers (At beginning of period)	24,828
Claims arising from contracts with customers (At end of period)	36,980
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 September 30, 2022, the total transaction price allocated to the remaining performance obligations for the sale of real estate is 21,800,000 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 28, 2023, 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 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 February 28, 2023.

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.

16. 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 March 31, 2022	Net Changes (2)	As of September 30, 2022	As of September 30, 2022	As of September 30, 2022	Net Changes (2)	As of February 28, 2023	As of February 28, 2023	
Office buildings	219,623,334	(712,059)	218,911,274	243,710,000	218,911,274	4,765,105	223,676,380	249,530,000	
Retail facilities	68,687,691	(124,916)	68,562,774	85,140,000	68,562,774	(5,667,954)	62,894,820	78,100,000	
Others	18,674,613	(181,785)	18,492,827	21,150,000	18,492,827	(166,362)	18,326,464	21,190,000	
Total	306,985,638	(1,018,762)	305,966,876	350,000,000	305,966,976	(1,069,211)	304,897,665	348,820,000	

(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 renovation of owned assets, while the reason for the decrease was depreciation. The main reason for the increase during the period was the acquisition of Sendai MT Building, while the reason for the decrease was the transfer of Shimbashi 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 six-month period ended September 30, 2022 and the five-month period ended February 28, 2023 concerning rental properties is as follows:

Use	Thousands of yen							
	April 1, 2022 to September 30, 2022				October 1, 2022 to February 28, 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	4,671,481	2,432,069	2,239,412	-	3,967,263	2,130,511	1,836,752	-
Retail facilities	1,492,640	305,184	1,187,456	-	1,245,374	283,085	962,289	1,430,579
Others	738,218	320,643	417,574	-	615,451	296,821	318,630	-
Total	6,902,340	3,057,896	3,844,443	-	5,828,088	2,710,417	3,117,671	1,430,579

(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”.

17. 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 six months ended September 30, 2022)

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

① Operating revenues

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

② Property 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.	1,811,460	Leasing Business

(For the five months 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

① Operating revenues

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

② Property 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

18. SUBSEQUENT EVENTS

MTR and MORI TRUST Hotel Reit, Inc. (“MTH”) conducted an absorption-type merger (the “Merger”), effective March 1, 2023, with MTR as the surviving corporation and MTH as the absorbed corporation.

I. Reason for Merger

Each of these investment corporations have decided that building a portfolio that combines the stability of office assets with the growth potential of hotel assets and returning to a growth path by making maximum use of sponsor support will lead to further improvement in unitholder value, and have therefore executed this merger.

II. Form of Merger

The merger was an absorption-type merger with MTR as the surviving corporation, and MTH was dissolved as a result of this merger.

III. Unit Split

Prior to the allotment to MTH unitholders, MTR will carry out a 2-for-1 unit split with a record date of February 28, 2023 and an effective date of March 1, 2023, for the purpose of issuing one or more units to all MTH unitholders, and unitholders of MTH were allotted 1.84 units of MTR per one unit of MTH.

IV. Merger Consideration

MTR intends to pay MTH unitholders (the unitholders stated or recorded in the final unitholders' register on the day before the effective date of the Merger (excluding MTR, MTH and those MTH unitholders who have demanded the purchase of their investment units pursuant to Article 149-3 of the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended; the "Investment Trusts Act") (excluding those who have withdrawn such demand for purchase) (hereinafter referred to as the "Unitholders Subject to Allocation"), in lieu of cash distributions for the last business period of MTH which ends the day before the effective date of the Merger, the money delivered due to the Merger in the form of cash distribution based on MTH's distributable income for that same period of an amount (disregarding fractions of a yen) which is the amount resulting from dividing the amount of MTH's distributable income on the date before the effective date of the Merger by the number of issued MTH investment units on that date less the number of investment units held by unitholders other than the Unitholders Subject to Allocation. The cash to be delivered as a result of the Merger is payable beginning May 22, 2023.

V. Total Investment Amount

The amount of unitholders' capital and unitholders' surplus increased as a result of the Merger are as follows

Unitholders' capital:¥0

Capital surplus: The amount obtained by subtracting the above unitholders' capital from the amount of changes in unitholders' capital, provided in accordance with Paragraph 1, Article 22 of the Regulations on Investment Corporations Accounting (Cabinet Office Ordinance No. 47 of 2006, including subsequent amendments).

Unit Split

MTR conducted the unit split with February 28, 2023 as the record date for the split and March 1, 2023 as the effective date.

(i) Purpose of split

The merger was conducted through an absorption-type merger, with MTR as the surviving corporation. If 0.92 units of the Investment Corporation were to be allocated for each unit of MTH in accordance with the merger ratio before the Unit Split, there would be many unitholders of MTH whose number of units of the Investment Corporation to be delivered would be fractional amounts less than one unit of the Investment Corporation. Therefore, in order to enable unitholders of MTH to continue to hold investment units of MTR after the merger, MTR has decided to conduct a 2-for-1 unit split for the purpose of issuing at least one unit of MTR to every unitholder of MTH.

(ii) Method of split

The record date was February 28, 2023, the day before the effective date of the Merger, and the split was made at a ratio of two units per one unit held by unitholders of the Investment Corporation listed or recorded in the final register of unitholders as of the record date.

(iii) Increase in number of investment units due to the split, etc.

(a) Total number of investment units issued and outstanding before the unit split:1,320,000

(b) Increase number of investment units due to the unit split:1,320,000

(c) Total number of investment units issued and outstanding after the unit split:2,640,000

(d) Number of units to be allocated to MTH units as a result of the REIT Merger:920,000 (*1)

(e) Total number of investment units issued and outstanding after the Merger:3,560,000

(f) Total number of investment units authorized after the unit split and merger:20,000,000 (*2)

(*1) As a result of the merger, 1.84 post-unit split units of MTH were allocated for each unit of MTH, for all of MTH's outstanding units (500,000 units) as of February 28, 2023.

(*2) In conjunction with the unit split, a partial amendment to the Articles of Incorporation of the Investment Corporation was made by resolution of the Board of Directors of the Investment Corporation, and the total number of investment units authorized to be issued was changed as of the effective date of the merger.

(Additional Information)

Transfer of property

MTR has transferred the first installment of the following asset as of February 28, 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

MTR acquired the first installment of the following asset effective February 28, 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.