

## Independent Auditor's Report

The Board of Directors  
MORI TRUST Sogo Reit, Inc.

We have audited the accompanying financial statements of MORI TRUST Sogo Reit, Inc., which comprise the balance sheet as at September 30, 2019, 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 a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### *Management's Responsibility 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 designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. The purpose of an audit of the financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MORI TRUST Sogo Reit, Inc. as at September 30, 2019, and its financial performance and cash flows for the six-month period then ended in conformity with accounting principles generally accepted in Japan.

*Ernst & Young ShinNihon LLC*

December 20, 2019



## FINANCIAL STATEMENTS

### BALANCE SHEETS

Thousands of yen

	As of March 31, 2019	As of September 30, 2019
<b>Assets</b>		
Current assets		
Cash and deposits	16,508,717	17,274,430
Cash and deposits in trust	2,899,320	2,972,707
Operating accounts receivable	50,893	52,220
Accounts receivable - other	1,336	—
Prepaid expenses	31,434	59,176
Other	1,278	1,265
<b>Total current assets</b>	<b>19,492,980</b>	<b>20,359,800</b>
Non-current assets		
Property, plant and equipment		
Buildings	39,977,988	40,185,263
Accumulated depreciation	(16,730,811)	(17,485,358)
<b>Buildings, net</b>	<b>23,247,176</b>	<b>22,699,904</b>
Structures	566,654	571,395
Accumulated depreciation	(530,079)	(530,619)
<b>Structures, net</b>	<b>36,574</b>	<b>40,775</b>
Machinery and equipment	152,086	152,086
Accumulated depreciation	(111,325)	(113,495)
<b>Machinery and equipment, net</b>	<b>40,760</b>	<b>38,590</b>
Tools, furniture and fixtures	100,065	102,756
Accumulated depreciation	(68,799)	(71,545)
<b>Tools, furniture and fixtures, net</b>	<b>31,266</b>	<b>31,210</b>
Land	136,672,529	136,672,529
Buildings in trust	27,397,648	27,509,701
Accumulated depreciation	(9,426,482)	(9,943,096)
<b>Buildings in trust, net</b>	<b>17,971,166</b>	<b>17,566,605</b>
Structures in trust	125,153	125,153
Accumulated depreciation	(99,724)	(101,206)
<b>Structures in trust, net</b>	<b>25,428</b>	<b>23,946</b>
Machinery and equipment in trust	7,693	7,693
Accumulated depreciation	(2,533)	(2,776)
<b>Machinery and equipment in trust, net</b>	<b>5,160</b>	<b>4,917</b>
Tools, furniture and fixtures in trust	71,618	75,045
Accumulated depreciation	(41,187)	(45,216)
<b>Tools, furniture and fixtures in trust, net</b>	<b>30,431</b>	<b>29,829</b>
<b>Land in trust</b>	<b>130,939,930</b>	<b>130,939,930</b>
<b>Total property, plant and equipment</b>	<b>309,000,426</b>	<b>308,048,239</b>
Intangible assets		
Software	19	0

Thousands of yen

	As of March 31, 2019	As of September 30, 2019
Other	240	240
Total intangible assets	259	240
<b>Investments and other assets</b>		
Guarantee deposits	10,000	10,000
Long-term prepaid expenses	5,229	3,577
Other	3,602	3,602
Total investments and other assets	18,831	17,179
Total non-current assets	309,019,516	308,065,659
<b>Deferred assets</b>		
Investment corporation bond issuance costs	45,053	36,102
Total deferred assets	45,053	36,102
Total assets	328,557,549	328,461,562
<b>Liabilities</b>		
<b>Current liabilities</b>		
Operating accounts payable	245,710	189,811
Short-term loans payable	5,000,000	5,000,000
Current portion of investment corporation bonds	4,000,024	4,000,010
Current portion of long-term loans payable	33,000,000	33,000,000
Accounts payable – other	225,529	121,763
Accrued expenses	486,841	481,366
Dividends payable	8,675	9,375
Income taxes payable	1,053	1,028
Accrued consumption taxes	154,912	172,226
Advances received	1,459,190	1,492,936
Deposits received	1,016	1,548
Total current liabilities	44,582,954	44,470,066
<b>Non-current liabilities</b>		
Investment corporation bonds	8,000,000	8,000,000
Long-term loans payable	105,000,000	105,000,000
Tenant leasehold and security deposits	9,682,602	9,637,357
Tenant leasehold and security deposits in trust	894,870	899,903
Deferred tax liabilities	495,189	493,152
Total non-current liabilities	124,072,661	124,030,413
Total liabilities	168,655,616	168,500,480
<b>Net assets</b>		
<b>Unitholders' equity</b>		
Unitholders' capital	153,990,040	153,990,040
<b>Surplus</b>		
Voluntary retained earnings		
Reserve for reduction entry	1,072,409	1,072,409
Total voluntary retained earnings	1,072,409	1,072,409

Thousands of yen

	As of March 31, 2019	As of September 30, 2019
Unappropriated retained earnings	4,839,482	4,898,632
Total surplus	5,911,892	5,971,042
Total unitholders' equity	159,901,932	159,961,082
Total net assets	159,901,932	159,961,082
Total liabilities and net assets	328,557,549	328,461,562

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



## STATEMENTS OF INCOME AND RETAINED EARNINGS

For the six-month period ended March 31, 2019 and September 30, 2019

	Thousands of yen	
	For the period from October 1, 2018 to March 31, 2019	For the period from April 1, 2019 to September 30, 2019
<b>Operating revenue</b>		
Lease business revenue	8,475,783	8,520,574
Other lease business revenue	296,072	311,305
<b>Total operating revenue</b>	<b>8,771,855</b>	<b>8,831,880</b>
<b>Operating expenses</b>		
Expenses related to rent business	3,028,330	3,024,459
Asset management fee	338,276	343,448
Asset custody fee	13,092	13,094
Administrative service fees	50,460	56,182
Directors' compensations	6,000	4,800
Other operating expenses	41,878	47,975
<b>Total operating expenses</b>	<b>3,478,037</b>	<b>3,489,960</b>
<b>Operating income</b>	<b>5,293,818</b>	<b>5,341,919</b>
<b>Non-operating income</b>		
Interest income	88	92
Reversal of dividends payable	653	1,037
Insurance income	6,341	1,039
<b>Total non-operating income</b>	<b>7,083</b>	<b>2,170</b>
<b>Non-operating expenses</b>		
Interest expenses	439,069	425,825
Interest expenses on investment corporation bonds	12,326	12,038
Amortization of investment corporation bond issuance costs	8,972	8,950
<b>Total non-operating expenses</b>	<b>460,369</b>	<b>446,815</b>
<b>Ordinary income</b>	<b>4,840,532</b>	<b>4,897,275</b>
<b>Profit before income taxes</b>	<b>4,840,532</b>	<b>4,897,275</b>
Income taxes - current	1,066	1,042
Income taxes - deferred	(17)	(2,036)
<b>Total income taxes</b>	<b>1,049</b>	<b>(994)</b>
<b>Profit</b>	<b>4,839,482</b>	<b>4,898,269</b>
Retained earnings at beginning of period	—	362
<b>Unappropriated retained earnings</b>	<b>4,839,482</b>	<b>4,898,632</b>

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

**STATEMENTS OF CHANGES IN NET ASSETS**

For the six-month period from October 1, 2018 to March 31, 2019

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	1,083,568	1,083,568	4,806,841	5,890,409	159,880,449	159,880,449
Changes of items during period							
Reversal of reserve for reduction entry		(11,158)	(11,158)	11,158	—	—	—
Dividends of surplus				(4,818,000)	(4,818,000)	(4,818,000)	(4,818,000)
Profit				4,839,482	4,839,482	4,839,482	4,839,482
Total changes of items during period	—	(11,158)	(11,158)	32,641	21,482	21,482	21,482
Balance at end of current period	153,990,040	1,072,409	1,072,409	4,839,482	5,911,892	159,901,932	159,901,932

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

For the six-month period from April 1, 2019 to September 30, 2019

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	1,072,409	1,072,409	4,839,482	5,911,892	159,901,932	159,901,932
Changes of items during period							
Dividends of surplus				(4,839,120)	(4,839,120)	(4,839,120)	(4,839,120)
Profit				4,898,269	4,898,269	4,898,269	4,898,269
Total changes of items during period	—	—	—	59,149	59,149	59,149	59,149
Balance at end of current period	153,990,040	1,072,409	1,072,409	4,898,632	5,971,042	159,961,082	159,961,082

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



**STATEMENTS OF CASH DISTRIBUTIONS**

For the six-month period ended March 31, 2019 and September 30, 2019

	Unit: yen	
	The Fiscal Period ended March 31, 2019 (October 1, 2018 to March 31, 2019)	The Fiscal Period ended September 30, 2019 (April 1, 2019 to September 30, 2019)
I. Unappropriated retained earnings	4,839,482,960	4,898,632,198
II. Distribution amount	4,839,120,000	4,895,880,000
(Distribution amount per unit)	(3,666)	(3,709)
III Voluntary retained earnings		
Provision of reserve for reduction entry	—	2,037,908
IV. Retained earnings carried forward	362,960	714,290
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 4,839,120,000 yen, which is the maximum value of the integral multiple of the total number of units issued and outstanding (1,320,000 units), not exceeding unappropriated retained earnings.</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, transferring the revised amount for deferred tax liabilities, which accompanied changes to the statutory tax rate, to the reserve for reduction entry, MTR decided to distribute 4,895,880,000 yen, which is the maximum value of the integral multiple of the total number of units issued and outstanding (1,320,000 units), not exceeding unappropriated retained earnings.</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 March 31, 2019 and September 30, 2019

	Thousands of yen	
	For the period from October 1, 2018 to March 31, 2019	For the period from April 1, 2019 to September 30, 2019
<b>Cash flows from operating activities</b>		
Profit before income taxes	4,840,532	4,897,275
Depreciation	1,268,330	1,282,392
Amortization of investment corporation bond issuance costs	8,972	8,950
Interest income	(88)	(92)
Interest expenses	451,396	437,864
Decrease (Increase) in operating accounts receivable	8,204	(1,327)
Increase (Decrease) in operating accounts payable	(331,441)	(47,784)
Increase (Decrease) in accrued consumption taxes	(127,065)	17,313
Increase (Decrease) in advances received	18,766	33,745
Other, net	(18,625)	(16,974)
Subtotal	6,118,981	6,611,363
Interest income received	88	92
Interest expenses paid	(452,383)	(450,588)
Income taxes paid	(695)	(1,067)
Net cash provided by operating activities	5,665,991	6,159,799
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(66,055)	(306,121)
Purchase of property, plant and equipment in trust	(271,026)	(127,831)
Repayments of tenant leasehold and security deposits	(210,224)	(99,710)
Proceeds from tenant leasehold and security deposits	356,536	44,771
Repayments of tenant leasehold and security deposits in trust	(150)	(15,901)
Proceeds from tenant leasehold and security deposits in trust	20,833	22,514
Net cash used in investing activities	(170,085)	(482,279)
<b>Cash flows from financing activities</b>		
Proceeds from long-term loans payable	1,000,000	12,500,000
Repayments of long-term loans payable	(1,000,000)	(12,500,000)
Proceeds from issuance of investment corporation bonds	3,000,000	—
Redemption of investment corporation bonds	(3,000,000)	—
Payments for investment corporation bond issuance costs	(14,780)	—
Dividends paid	(4,819,323)	(4,838,420)
Net cash used in financing activities	(4,834,103)	(4,838,420)
Net increase (decrease) in cash and cash equivalents	661,802	839,100
Cash and cash equivalents at beginning of period	18,746,235	19,408,037
Cash and cash equivalents at end of period	19,408,037	20,247,138

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





## NOTES TO FINANCIAL STATEMENTS

For the six-month period from April 1, 2019 to September 30, 2019

### 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 September 30, 2019, MTR owned a portfolio of 15 properties with a total rentable area of 433,862.99 sq. meters occupied by 95 tenants. The occupancy rate was 99.9%.

#### 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 - 47 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.

#### Revenue recognition

Revenues from leasing of investment properties are recognized as rent accrued over the lease period.

#### 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.

### **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.

### **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.

### **Consumption taxes**

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

### **Accounting standards issued but not yet effective**

- “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (ASBJ) Statement No. 29 issued on March 30, 2018)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30 issued on March 30, 2018)

#### **(1) Overview**

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) in the United States have jointly developed comprehensive accounting standards for revenue recognition and issued “Revenue from Contracts with Customers” (IFRS 15 in IASB and Topic 606 in FASB) in May 2014. Given the situation where IFRS 15 will be applied from fiscal years beginning on or after January 1, 2018 and that Topic 606 will be applied from fiscal years beginning after December 15, 2017, the ASBJ has developed comprehensive accounting standards for revenue recognition and issued them together with the implementation guidance.

The basic policy of the ASBJ when it developed the accounting standards for revenue recognition was to specify the accounting standards, incorporating the basic principles of IFRS 15 as a starting point, from the perspective of comparability between financial statements, which is one of the benefits of maintaining compatibility with IFRS 15. The basic policy also stipulates that if there is an item to which consideration should be given, such as practices that have been conducted thus far in Japan, alternative treatments will be added to the extent to which comparability is not impaired.

#### **(2) Scheduled date of application**

The accounting standards will be applied from the beginning of the fiscal period ending September 30, 2021.

#### **(3) Impact of applying the accounting standards**

The level of the impact on the financial statements of applying the “Accounting Standard for Revenue Recognition” and its guidance is currently under evaluation.

- “Accounting Standard for Fair Value Measurement” (Accounting Standards Board of Japan (ASBJ) Statement No. 30 issued on July 4, 2019)
- “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31 issued on July 4, 2019)

#### **(1) Overview**

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) have established detailed guidance regarding fair value measurement (IFRS 13 “Fair Value Measurement” in IFRS and Topic 820 “Fair Value Measurement” in FASB). The ASBJ repeatedly considered the guidance regarding fair value of financial instruments and disclosure in order to improve the comparability with such international accounting standards, and issued the Accounting Standard for Fair Value Measurement and the Implementation Guidance on Accounting Standard for Fair Value Measurement.

#### **(2) Scheduled date of application**

The accounting standards will be applied from the beginning of the fiscal period ending September 30, 2021.

#### **(3) Impact of applying the accounting standards**

The level of the impact on the financial statements of applying the “Accounting Standard for Fair Value Measurement” and its guidance is currently under evaluation.

### 3. PROPERTY AND EQUIPMENT

Property and equipment at March 31, 2019 and September 30, 2019 consisted of the following:

	Thousands of yen			
	As of March 31, 2019		As of September 30, 2019	
	Acquisition Cost	Book Value	Acquisition Cost	Book Value
Land	136,672,529	136,672,529	136,672,529	136,672,529
Buildings and structures	40,544,642		40,756,658	
Accumulated depreciation	(17,260,891)	23,283,751	(18,015,978)	22,740,679
Machinery and equipment	152,086		152,086	
Accumulated depreciation	(111,325)	40,760	(113,495)	38,590
Tools, furniture and fixtures	100,065		102,756	
Accumulated depreciation	(68,799)	31,266	(71,545)	31,210
Land in trust	130,939,930	130,939,930	130,939,930	130,939,930
Buildings and structures in trust	27,522,802		27,634,855	
Accumulated depreciation	(9,526,206)	17,996,595	(10,044,303)	17,590,552
Machinery and equipment in trust	7,693		7,693	
Accumulated depreciation	(2,533)	5,160	(2,776)	4,917
Tools, furniture and fixtures in trust	71,618		75,045	
Accumulated depreciation	(41,187)	30,431	(45,216)	29,829
Total		309,000,426		308,048,239

The compressed amount of tangible assets with government grants under the Corporation Tax Law of Japan was ¥38,340 thousand at March 31, 2019 and ¥38,340 thousand at September 30, 2019.

#### 4. SHORT-TERM LOANS PAYABLE

Short-term loans payable at March 31, 2019 and September 30, 2019 consisted of the following:

Lender	Thousands of yen		Average interest rate (%) (1)	Due on	Use of funds	Note
	As of March 31, 2019	As of September 30, 2019				
Mizuho Bank, Ltd.	2,000,000	—	—	—	—	—
The Nishi-Nippon City Bank, Ltd.	1,500,000	—	—	—	—	—
Resona Bank, Limited.	1,000,000	—	—	—	—	—
Resona Bank, Limited.	500,000	500,000	0.20	October 18, 2019		
Mizuho Bank, Ltd.	—	2,000,000	0.20	April 10, 2020		
The Nishi-Nippon City Bank, Ltd.	—	1,500,000	0.21	August 31, 2020	(2)	(3)
Resona Bank, Limited.	—	1,000,000	0.21	August 31, 2020		
Total short-term loans	5,000,000	5,000,000	—	—	—	—

(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 September 30, 2019.

#### 5. LONG-TERM LOANS PAYABLE

Long-term loans payable at March 31, 2019 and September 30, 2019 consisted of the following:

Lender	Thousands of yen		Average interest rate (%) (1)	Due on	Use of funds	Note
	As of March 31, 2019	As of September 30, 2019				
Development Bank of Japan Inc.	2,000,000	—	—	—	—	—
Mizuho Bank, Ltd.	1,000,000	—	—	—	—	—
Sumitomo Mitsui Banking Corporation	3,000,000	—	—	—	—	—
MUFG Bank, Ltd.	2,000,000	—	—	—	—	—
Mizuho Bank, Ltd.	1,500,000	—	—	—	—	—
Mizuho Bank, Ltd.	1,500,000	—	—	—	—	—
Development Bank of Japan Inc.	1,000,000	—	—	—	—	—
Tokio Marine & Nichido Fire Insurance Co., Ltd.	500,000	—	—	—	—	—
Sumitomo Mitsui Banking Corporation	5,000,000	5,000,000	1.04	October 11, 2019		
Sumitomo Mitsui Banking Corporation	2,000,000	2,000,000	0.97	October 11, 2019		
Mizuho Bank, Ltd.	1,500,000	1,500,000	0.64	October 17, 2019		
Mizuho Bank, Ltd.	1,000,000	1,000,000	0.62	December 26, 2019		
The Bank of Fukuoka, Ltd.	500,000	500,000	0.62	December 26, 2019		
Resona Bank, Limited.	500,000	500,000	0.62	December 26, 2019		
Nippon Life Insurance Company	500,000	500,000	0.62	December 26, 2019		
The Nishi-Nippon City Bank, Ltd.	500,000	500,000	0.57	December 26, 2019		
The Bank of Fukuoka, Ltd.	500,000	500,000	0.33	January 31, 2020		
The Bank of Fukuoka, Ltd.	500,000	500,000	0.62	January 31, 2020		
MUFG Bank, Ltd.	3,000,000	3,000,000	0.20	February 28, 2020		
Sumitomo Mitsui Trust Bank, Ltd.	3,000,000	3,000,000	0.63	February 28, 2020		
The Hachijuni Bank, Ltd.	1,000,000	1,000,000	0.34	February 28, 2020	(2)	(3)
Development Bank of Japan Inc.	1,000,000	1,000,000	0.88	March 12, 2020		
Sumitomo Mitsui Trust Bank, Ltd.	4,000,000	4,000,000	0.65	April 13, 2020		
MUFG Bank, Ltd.	4,000,000	4,000,000	1.07	April 24, 2020		
MUFG Bank, Ltd.	3,000,000	3,000,000	1.18	August 31, 2020		
Nippon Life Insurance Company	500,000	500,000	0.63	August 31, 2020		
Nippon Life Insurance Company	1,000,000	1,000,000	0.55	September 30, 2020		
Sumitomo Mitsui Banking Corporation	3,000,000	3,000,000	1.09	October 9, 2020		
MUFG Bank, Ltd.	1,000,000	1,000,000	0.34	December 25, 2020		
Mizuho Bank, Ltd.	1,000,000	1,000,000	0.32	January 19, 2021		
Development Bank of Japan Inc.	500,000	500,000	0.32	January 19, 2021		
Sumitomo Mitsui Trust Bank, Ltd.	1,500,000	1,500,000	0.27	February 26, 2021		
Mizuho Bank, Ltd.	1,000,000	1,000,000	0.27	February 26, 2021		

Development Bank of Japan Inc.	1,000,000	1,000,000	1.02	March 12, 2021
MUFG Bank, Ltd.	1,500,000	1,500,000	0.30	March 31, 2021
Sumitomo Mitsui Banking Corporation	5,000,000	5,000,000	1.02	April 9, 2021
MUFG Bank, Ltd.	2,500,000	2,500,000	0.34	April 13, 2021
Resona Bank, Limited.	1,000,000	1,000,000	0.28	April 22, 2021
Resona Bank, Limited.	500,000	500,000	0.28	May 31, 2021
Mizuho Bank, Ltd.	500,000	500,000	0.35	August 30, 2021
Mizuho Bank, Ltd.	1,500,000	1,500,000	0.37	August 31, 2021
Mizuho Bank, Ltd.	1,000,000	1,000,000	0.34	August 31, 2021
MUFG Bank, Ltd.	1,500,000	1,500,000	0.89	October 1, 2021
Sumitomo Mitsui Banking Corporation	1,000,000	1,000,000	0.83	December 24, 2021
Sumitomo Mitsui Trust Bank, Ltd.	1,000,000	1,000,000	0.41	December 24, 2021
Aozora Bank, Ltd.	500,000	500,000	0.83	December 24, 2021
Sumitomo Mitsui Banking Corporation	2,500,000	2,500,000	0.38	January 19, 2022
Mizuho Bank, Ltd.	500,000	500,000	0.38	January 19, 2022
The Bank of Fukuoka, Ltd.	2,000,000	2,000,000	0.47	January 31, 2022
Development Bank of Japan Inc.	3,000,000	3,000,000	0.84	February 28, 2022
Sumitomo Mitsui Banking Corporation	1,500,000	1,500,000	0.42	February 28, 2022
MUFG Bank, Ltd.	500,000	500,000	0.42	February 28, 2022
The Dai-ichi Life Insurance Company, Limited	500,000	500,000	0.45	February 28, 2022
Mizuho Bank, Ltd.	4,000,000	4,000,000	0.47	April 11, 2022
Aozora Bank, Ltd.	1,000,000	1,000,000	0.47	April 11, 2022
MUFG Bank, Ltd.	2,000,000	2,000,000	0.41	April 13, 2022
The Ashikaga Bank, Ltd.	1,000,000	1,000,000	0.44	April 22, 2022
Sumitomo Mitsui Banking Corporation	2,000,000	2,000,000	0.80	April 28, 2022
Sumitomo Mitsui Trust Bank, Ltd.	500,000	500,000	0.43	August 30, 2022
Sumitomo Mitsui Trust Bank, Ltd.	3,500,000	3,500,000	0.44	August 31, 2022
Sumitomo Mitsui Trust Bank, Ltd.	2,000,000	2,000,000	0.40	August 31, 2022
Sumitomo Mitsui Trust Bank, Ltd.	1,000,000	1,000,000	0.47	September 30, 2022
Sumitomo Mitsui Trust Bank, Ltd.	1,500,000	1,500,000	0.44	January 19, 2023
Mizuho Bank, Ltd.	500,000	500,000	0.44	January 19, 2023
MUFG Bank, Ltd.	2,500,000	2,500,000	0.49	February 28, 2023
Mizuho Bank, Ltd.	2,000,000	2,000,000	0.49	February 28, 2023
Sumitomo Mitsui Trust Bank, Ltd.	1,000,000	1,000,000	0.45	February 28, 2023
Mizuho Trust & Banking Co., Ltd.	1,000,000	1,000,000	0.45	February 28, 2023
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	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
Development Bank of Japan Inc.	—	2,000,000	0.36	April 11, 2024
Mizuho Bank, Ltd.	—	1,000,000	0.36	April 11, 2024
Mizuho Bank, Ltd.	3,000,000	3,000,000	0.36	April 24, 2024
The Bank of Fukuoka, Ltd.	1,000,000	1,000,000	0.56	May 31, 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
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
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	—	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	0.52	February 27, 2026
Aozora Bank, Ltd.	500,000	500,000	0.72	April 24, 2026
Development Bank of Japan Inc.	—	1,000,000	0.33	August 31, 2026
The 77 Bank, Ltd.	—	500,000	0.31	August 31, 2026



The Norinchukin Bank	—	1,500,000	0.38	August 31, 2027		
SUMITOMO LIFE INSURANCE COMPANY	—	500,000	0.38	August 31, 2027		
Total long-term loans	138,000,000	138,000,000	—	—	—	—

- (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 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:

	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Amount of loans (Thousands of yen)	22,500,000	31,500,000	18,000,000	16,500,000

## 6. INVESTMENT CORPORATION BONDS

Investment corporation bonds at March 31, 2019 and September 30, 2019 consisted of the following:

	Thousands of yen		Average interest rate (%)	Due on	Use of funds	Note
	As of March 31, 2019	As of September 30, 2019				
Unsecured bonds due on February 21, 2020	4,000,024	4,000,010	0.00*	February 21, 2020		
Unsecured bonds due on February 26, 2021	3,000,000	3,000,000	0.01	February 26, 2021		
Unsecured bonds due on February 22, 2022	3,000,000	3,000,000	0.07	February 22, 2022	(1)	(2)
Unsecured bonds due on February 26, 2027	1,000,000	1,000,000	1.07	February 26, 2027		
Unsecured bonds due on February 23, 2037	1,000,000	1,000,000	1.08	February 23, 2037		
Total	12,000,024	12,000,010	—	—	—	—

\* The interest rate for the unsecured bonds due on February 21, 2020 is 0.001%. In addition, the bond was issued over par (at a price exceeding the par value), and thus the yield to maturity is about 0.0003% annually.

- (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)	3,000,000	3,000,000	—	—

## 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 March 31, 2019 and September 30, 2019, 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 March 31, 2019 and September 30, 2019 were as follows:

	As of March 31, 2019	As of September 30, 2019
	Thousands of yen	
<b>Deferred tax assets:</b>		
Accrued enterprise tax	22	21
Total deferred tax assets	22	21
<b>Deferred tax liabilities:</b>		
Reserve for advanced depreciation of non-current assets	495,211	493,173
Total deferred tax liabilities	495,211	493,173
<b>Net deferred tax assets (liabilities)</b>	<b>(495,189)</b>	<b>(493,152)</b>

A reconciliation of the tax rate differences between the adjusted statutory tax rate and the effective tax rates for the six months ended March 31, 2019 and September 30, 2019 was as follows:

	October 1, 2018 to March 31, 2019	April 1, 2019 to September 30, 2019
Statutory tax rate	31.51%	31.51%
Deductible dividend distribution	(31.50%)	(31.50%)
Others	0.01%	(0.03%)
Effective tax rates	0.02%	(0.02%)

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 ¥4,895,880 thousand at September 30, 2019 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 March 31, 2019 and September 30, 2019 and for the six-month period then ended:

	Yen	
	October 1, 2018 to March 31, 2019	April 1, 2019 to September 30, 2019
Net assets per share at period end	121,137	121,182
Net income per share	3,666	3,710
Weighted-average number of shares	1,320,000 shares	1,320,000 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.



## 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 March 31, 2019)

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	Rental revenues
Transaction amount	¥ 3,129,499 thousand
Account name and balance at period end	Rental and other receivables ¥3,398 thousand
	Rents received in advance ¥489,125 thousand
	Leasehold and security deposits including trust accounts ¥896,057 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 months ended September 30, 2019)

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	Rental revenues
Transaction amount	¥ 3,108,649 thousand
Account name and balance at period end	Rental and other receivables ¥1,156 thousand
	Rents received in advance ¥489,125 thousand
	Leasehold and security deposits including trust accounts ¥890,555 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 March 31, 2019 and September 30, 2019 is summarized as follows:

### (1) Rental revenues and property-related expenses

	Thousands of yen	
	October 1, 2018 to March 31, 2019	April 1, 2019 to September 30, 2019
Property-Related Revenues:	8,475,783	8,520,574
Property rental revenues	8,107,574	8,154,060
Common charges	244,600	242,904
Land rental revenues	123,609	123,609
Other rental revenues	296,072	311,305
Parking revenues	88,592	87,608
Utilities revenues	174,080	191,305
Penalty revenues	2,215	—
Other revenues	31,183	32,392
Property-Related Expenses:	3,028,330	3,024,459
Property management fees	419,442	396,861
Utilities expenses	224,455	244,336
Property and other taxes	896,120	948,768
Casualty insurance	19,132	19,240
Repairs and maintenance	174,517	103,871
Depreciation	1,268,330	1,282,392
Other rental expenses	26,331	28,988
Profit	5,743,525	5,807,420

## 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 March 31, 2019 and estimated fair value are shown in the following table. The table does not include financial instruments for which it is extremely difficult to determine the fair value.

	Thousands of yen		
	Carrying Value	Estimated Fair Value (1)	Difference
<b>Assets</b>			
1) Cash and deposits	16,508,717	16,508,717	-
2) Cash and deposits in trust	2,899,320	2,899,320	-
Total Assets	19,408,037	19,408,037	-
<b>Liabilities</b>			
1) Short-term loans payable	5,000,000	5,000,000	-
2) Current portion of investment corporation bonds	4,000,024	3,994,220	(5,803)
3) Current portion of long-term loans payable	33,000,000	33,083,826	83,826
4) Investment corporation bonds	8,000,000	8,148,682	148,682
5) Long-term loans payable	105,000,000	106,068,567	1,068,567
6) Tenant leasehold and security deposits	4,210,459	4,172,680	(37,779)
7) Tenant leasehold and security deposits in trust	247,752	240,507	(7,244)
Total Liabilities	159,458,235	160,708,485	1,250,250

The carrying value of financial instruments on the balance sheet as of September 30, 2019 and estimated fair value are shown in the following table. The table does not include financial instruments for which it is extremely difficult to determine the fair value.

Thousands of yen			
	Carrying Value	Estimated Fair Value (1)	Difference
<b>Assets</b>			
1) Cash and deposits	17,274,430	17,274,430	-
2) Cash and deposits in trust	2,972,707	2,972,707	-
Total Assets	20,247,138	20,247,138	-
<b>Liabilities</b>			
1) Short-term loans payable	5,000,000	5,000,000	-
2) Current portion of investment corporation bonds	4,000,010	3,993,535	(6,475)
3) Current portion of long-term loans payable	33,000,000	33,056,630	56,630
4) Investment corporation bonds	8,000,000	8,104,696	104,696
5) Long-term loans payable	105,000,000	105,471,540	471,540
6) Tenant leasehold and security deposits	4,066,290	4,014,276	(52,014)
7) Tenant leasehold and security deposits in trust	252,896	243,486	(9,409)
Total Liabilities	159,319,197	159,884,166	564,968

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

*Cash and deposits and Cash and deposits in trust*

Since these items are settled in a short period of time, their carrying value approximates fair value.

*Short-term loans payable*

Since these items are settled in a short period of time, their carrying value approximates fair value.

*Current portion of 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.

*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.

*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. Certain tenant leasehold and security deposits including trust accounts are not included the above table because it is difficult to predict their restoration time.

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

	Thousands of yen	
	As of March 31, 2019	As of September 30, 2019
Tenant leasehold and security deposits	5,472,142	5,571,066
Tenant leasehold and security deposits in trust	647,118	647,007

(2) The redemption schedule for monetary claims

(As of March 31, 2019)

	Thousands of yen	
	Cash and deposits	Cash and deposits in trust
1 year or less	16,508,717	2,899,320
1 to 2 years	-	-
2 to 3 years	-	-
3 to 4 years	-	-
4 to 5 years	-	-
Over 5 years	-	-

(As of September 30, 2019)

	Thousands of yen	
	Cash and deposits	Cash and deposits in trust
1 year or less	17,274,430	2,972,707
1 to 2 years	-	-
2 to 3 years	-	-
3 to 4 years	-	-
4 to 5 years	-	-
Over 5 years	-	-

(3) The redemption schedule for loans

(As of March 31, 2019)

	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
Short-term loans payable	5,000,000	-	-	-	-	-
Current portion of investment corporation bonds	4,000,000	-	-	-	-	-
Current portion of long-term loans payable	33,000,000	-	-	-	-	-
Investment corporation bonds	-	3,000,000	3,000,000	-	-	2,000,000
Long-term loans payable	-	23,000,000	26,500,000	25,500,000	16,000,000	14,000,000

(As of September 30, 2019)

	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
Short-term loans payable	5,000,000	-	-	-	-	-
Current portion of investment corporation bonds	4,000,000	-	-	-	-	-
Current portion of long-term loans payable	33,000,000	-	-	-	-	-
Investment corporation bonds	-	3,000,000	3,000,000	-	-	2,000,000
Long-term loans payable	-	22,500,000	31,500,000	18,000,000	16,500,000	16,500,000

### 13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of March 31, 2019 and September 30, 2019 were as follows:

	Thousands of yen	
	As of March 31, 2019	As of September 30, 2019
Cash and deposits	16,508,717	17,274,430
Cash and deposits in trust	2,899,320	2,972,707
Cash and cash equivalents	19,408,037	20,247,138

### 14. LEASES

MTR leases properties and earns rental revenues. Future lease revenues subsequent to March 31, 2019 and September 30, 2019 under non-cancelable operating leases were as follows:

	Thousands of yen	
	As of March 31, 2019	As of September 30, 2019
Due within one year	10,804,887	8,348,000
Due after one year	20,793,461	18,035,447
Total	31,598,349	26,383,447

### 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 March 31, 2019	Net Changes (2)	As of September 30, 2018	As of March 31, 2019	As of September 30, 2019	Net Changes (2)	As of March 31, 2019	As of September 30, 2019	
Office buildings	220,434,232	(652,169)	221,086,401	248,970,000	219,738,493	(695,738)	220,434,232	255,950,000	
Retail facilities	69,333,266	(87,743)	69,421,010	84,750,000	69,216,890	(116,375)	69,333,266	85,940,000	
Others	19,232,927	(119,674)	19,352,601	20,440,000	19,092,855	(140,072)	19,232,927	20,930,000	
Total	309,000,426	(859,587)	309,860,013	354,160,000	308,048,239	(952,186)	309,000,426	362,820,000	

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

(2)The components of net change in carrying value included increases mainly due to renovation work on the properties and decreases mainly due to 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 March 31, 2019 and September 30, 2019 concerning rental properties is as follows:

Use	October 1, 2018 to March 31, 2019				April 1, 2019 to September 30, 2019			
	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	6,083,410	2,351,183	3,732,226	-	6,124,607	2,358,907	3,765,700	-
Retail facilities	1,964,550	337,290	1,627,259	-	1,976,742	335,474	1,641,267	-
Others	723,895	339,856	384,038	-	730,530	330,077	400,453	-
Total	8,771,855	3,028,330	5,743,525	-	8,831,880	3,024,459	5,807,420	-



- (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. 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 March 31, 2019)

### 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.	3,129,499	Leasing Business

(For the six months ended September 30, 2019)

### 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.	3,108,649	Leasing Business

## 17. SUBSEQUENT EVENTS

### DISTRIBUTION OF RETAINED EARNINGS

On November 18, 2019, the Board of Directors of MTR approved a resolution for the payment of a cash distribution of ¥3,709 per share, aggregating to ¥4,895,880 thousand, to its shareholders of record as of September 30, 2019.