

Independent Auditor's Report

The Board of Directors
MORI TRUST Reit,Inc.

The Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of MORI TRUST Reit,Inc. (the Company), which comprise the balance sheet as at August 31, 2024, and the statements of income and retained earnings, changes in net assets, cash distributions, and cash flows for the six-month period then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2024, and its financial performance and its cash flows for the six-month period then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Other Information

Other information comprises the information included in disclosure documents that contain audited financial statements, but does not include the financial statements and our auditor's report thereon.

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

Responsibilities of Management and the Supervisory Director for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

Fee-related Information

The fees for the audits of the financial statements of the Company and other services provided by us and other EY member firms for the six-month period ended August 31, 2024 are 13 million yen and 5 million yen, respectively.

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

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

Ernst & Young ShinNihon LLC
Tokyo, Japan

November 28, 2024

金子 秀 嗣

Shuji Kaneko
Designated Engagement Partner
Certified Public Accountant

井 上 裕 人

Hiroto Inoue
Designated Engagement Partner
Certified Public Accountant



FINANCIAL STATEMENTS

BALANCE SHEETS

Thousands of yen

	As of February 29, 2024	As of August 31, 2024
Assets		
Current assets		
Cash and deposits	20,918,767	23,948,867
Cash and deposits in trust	4,811,163	5,178,504
Operating accounts receivable	136,518	153,337
Accounts receivable - other	76	52,851
Prepaid expenses	98,920	88,746
Other	22,495	16,923
Total current assets	25,987,942	29,439,230
Non-current assets		
Property, plant and equipment		
Buildings	33,776,330	32,904,163
Accumulated depreciation	(18,155,594)	(17,974,784)
Buildings, net	15,620,736	14,929,379
Structures	441,727	421,698
Accumulated depreciation	(413,220)	(395,722)
Structures, net	28,507	25,976
Machinery and equipment	95,733	99,834
Accumulated depreciation	(64,727)	(68,173)
Machinery and equipment, net	31,005	31,661
Vehicles	194	194
Accumulated depreciation	(58)	(87)
Vehicles, net	136	106
Tools, furniture and fixtures	170,943	176,135
Accumulated depreciation	(101,980)	(108,785)
Tools, furniture and fixtures, net	68,962	67,349
Land	97,833,511	94,835,259
Buildings in trust	60,701,672	61,023,513
Accumulated depreciation	(15,397,998)	(16,145,823)
Buildings in trust, net	45,303,673	44,877,690
Structures in trust	269,983	270,233
Accumulated depreciation	(137,534)	(146,655)
Structures in trust, net	132,448	123,578
Machinery and equipment in trust	132,628	176,735
Accumulated depreciation	(21,531)	(29,475)
Machinery and equipment in trust, net	111,097	147,259
Tools, furniture and fixtures in trust	135,229	141,527
Accumulated depreciation	(86,136)	(93,032)
Tools, furniture and fixtures in trust, net	49,092	48,494
Land in trust	290,375,206	290,383,563
Total property, plant and equipment	449,554,378	445,470,320

Thousands of yen

	As of February 29, 2024	As of August 31, 2024
Intangible assets		
Goodwill	597,793	582,061
Software	1,969	1,706
Other	240	240
Total intangible assets	600,003	584,008
Investments and other assets		
Guarantee deposits	20,000	10,000
Deferred tax assets	795	803
Long-term prepaid expenses	124,676	102,996
Other	2,815	2,815
Total investments and other assets	148,286	116,614
Total non-current assets	450,302,668	446,170,943
Deferred assets		
Investment corporation bond issuance costs	73,876	65,330
Total deferred assets	73,876	65,330
Total assets	476,364,487	475,675,504
Liabilities		
Current liabilities		
Operating accounts payable	348,569	982,753
Short-term loans payable	11,000,000	12,500,000
Current portion of investment corporation bonds	1,000,000	1,000,000
Current portion of long-term loans payable	43,500,000	38,500,000
Accounts payable – other	184,276	244,503
Accrued expenses	595,317	545,430
Dividends payable	9,100	10,986
Income taxes payable	9,694	9,425
Accrued consumption taxes	583,213	434,072
Advances received	1,381,704	1,406,018
Deposits received	31,337	29,756
Total current liabilities	58,643,214	55,662,946
Non-current liabilities		
Investment corporation bonds	14,000,000	14,000,000
Long-term loans payable	157,000,000	159,500,000
Tenant leasehold and security deposits	12,317,200	11,828,114
Tenant leasehold and security deposits in trust	948,440	975,556
Other	1	-
Total non-current liabilities	184,265,641	186,303,670
Total liabilities	242,908,856	241,966,617
Net assets		
Unitholders' equity		
Unitholders' capital	153,990,040	153,990,040
Surplus		
Capital surplus	69,736,000	69,736,000

Thousands of yen

	As of February 29, 2024	As of August 31, 2024
Voluntary retained earnings		
Reserve for reduction entry	2,482,076	3,196,991
Total voluntary retained earnings	2,482,076	3,196,991
Unappropriated retained earnings	7,247,514	6,785,855
Total surplus	79,465,591	79,718,846
Total unitholders' equity	233,455,631	233,708,886
Total net assets	233,455,631	233,708,886
Total liabilities and net assets	476,364,487	475,675,504

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

STATEMENTS OF INCOME AND RETAINED EARNINGS

For the six-month period from March 1, 2024 and August 31, 2024

	Thousands of yen	
	For the period from September 1, 2023 to February 29, 2024	For the period from March 1, 2024 to August 31, 2024
Operating revenue		
Lease business revenue	10,410,515	10,789,625
Other lease business revenue	290,006	306,073
Gain on sale of investment property	1,380,285	650,895
Total operating revenue	12,080,807	11,746,594
Operating expenses		
Expenses related to rent business	3,507,523	3,634,960
Asset management fee	460,707	448,683
Asset custody fee	16,907	16,939
Administrative service fees	48,195	48,561
Directors' compensations	3,600	3,600
Amortization of goodwill	15,731	15,731
Other operating expenses	90,902	74,625
Total operating expenses	4,143,568	4,243,101
Operating income	7,937,239	7,503,492
Non-operating income		
Interest income	110	2,461
Reversal of dividends payable	1,112	801
Interest on tax refund	562	-
Insurance claim income	-	6,428
Subsidy income	-	510
Gain on receipt of donated non-current assets	-	22,628
Compensation income for damage	-	19,602
Total non-operating income	1,786	52,431
Non-operating expenses		
Interest expenses	615,798	677,364
Interest expenses on investment corporation bonds	42,944	47,934
Amortization of investment corporation bond issuance costs	8,866	8,546
other	14,108	26,430
Total non-operating expenses	681,719	760,276
Ordinary income	7,257,306	6,795,647
Profit before income taxes	7,257,306	6,795,647
Income taxes - current	9,711	9,799
Income taxes - deferred	80	(8)
Total income taxes	9,791	9,791
Profit	7,247,514	6,785,855
Unappropriated retained earnings	7,247,514	6,785,855

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

STATEMENTS OF CHANGES IN NET ASSETS

For the six-month period from September 1, 2023 to February 29, 2024

Thousands of yen

	Unitholders' equity				
	Unitholders' capital	Surplus			
		Capital surplus		Voluntary retained earnings	
		Capital surplus	Capital surplus, net	Reserve for reduction entry	Total voluntary retained earnings
Balance at beginning of current period	153,990,040	69,736,000	69,736,000	1,376,341	1,376,341
Changes of items during period					
Provision of reserve for reduction entry				1,105,734	1,105,734
Dividends of surplus					
Profit					
Total changes of items during period	-	-	-	1,105,734	1,105,734
Balance at end of current period	153,990,040	69,736,000	69,736,000	2,482,076	2,482,076

	Unitholders' equity			Total net assets
	Surplus		Total unitholders' equity	
	Unappropriated retained earnings (undisposed loss)	Total surplus		
Balance at beginning of current period	7,157,734	78,270,076	232,260,116	232,260,116
Changes of items during period				
Provision of reserve for reduction entry	(1,105,734)	-	-	-
Dividends of surplus	(6,052,000)	(6,052,000)	(6,052,000)	(6,052,000)
Profit	7,247,514	7,247,514	7,247,514	7,247,514
Total changes of items during period	89,779	1,195,514	1,195,514	1,195,514
Balance at end of current period	7,247,514	79,465,591	233,455,631	233,455,631

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

For the six-month period from March 1, 2024 to August 31, 2024

Thousands of yen

	Unitholders' equity				
	Unitholders' capital	Surplus			
		Capital surplus		Voluntary retained earnings	
		Capital surplus	Capital surplus, net	Reserve for reduction entry	Total voluntary retained earnings
Balance at beginning of current period	153,990,040	69,736,000	69,736,000	2,482,076	2,482,076
Changes of items during period					
Provision of reserve for reduction entry				714,914	714,914
Dividends of surplus					
Profit					
Total changes of items during period	-	-	-	714,914	714,914
Balance at end of current period	153,990,040	69,736,000	69,736,000	3,196,991	3,196,991

	Unitholders' equity			Total net assets
	Surplus		Total unitholders' equity	
	Unappropriated retained earnings (undisposed loss)	Total surplus		
Balance at beginning of current period	7,247,514	79,465,591	233,455,631	233,455,631
Changes of items during period				
Provision of reserve for reduction entry	(714,914)	-	-	-
Dividends of surplus	(6,532,600)	(6,532,600)	(6,532,600)	(6,532,600)
Profit	6,785,855	6,785,855	6,785,855	6,785,855
Total changes of items during period	(461,659)	253,255	253,255	253,255
Balance at end of current period	6,785,855	79,718,846	233,708,886	233,708,886

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



STATEMENTS OF CASH DISTRIBUTIONS

For the six-month period from March 1, 2024 to August 31, 2024

Unit: yen

	Fiscal Period ended February 29, 2024 (September 1, 2023 to February 29, 2024)	Fiscal Period ended August 31, 2024 (March 1, 2024 to August 31, 2024)
I. Unappropriated retained earnings	7,247,514,738	6,785,855,605
II. Distribution amount	6,532,600,000	6,254,920,000
(Distribution amount per unit)	(1,835)	(1,757)
III. Voluntary retained earnings		
Provision of reserve for reduction entry	714,914,738	530,935,605
IV. 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 deducting provision of the reserve for reduction entry under Article 65-7 of the Act on Special Measures Concerning Taxation, the amount of which is 6,532,600,000 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 65-7 of the Act on Special Measures Concerning Taxation, the amount of which is 6,254,920,000 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 from March 1, 2024 to August 31, 2024

	Thousands of yen	
	For the period from September 1, 2023 to February 29, 2024	For the period from March 1, 2024 to August 31, 2024
Cash flows from operating activities		
Profit before income taxes	7,257,306	6,795,647
Depreciation	1,009,026	996,377
Amortization of goodwill	15,731	15,731
Amortization of investment corporation bond issuance costs	8,866	8,546
Interest income	(110)	(2,461)
Interest expenses	658,743	725,299
Loss on retirement of non-current assets	-	10,678
Gain on receipt of donated non-current assets	-	(22,628)
Decrease (Increase) in operating accounts receivable	(5,601)	(17,417)
Increase (Decrease) in operating accounts payable	(458,598)	641,769
Decrease (Increase) in consumption taxes refund receivable	130,928	-
Increase (Decrease) in accrued consumption taxes	583,213	(149,140)
Increase (Decrease) in advances received	130,271	24,312
Decrease due to sale of investment property	5,879,224	3,511,660
Other, net	(26,151)	(59,916)
Subtotal	15,182,849	12,478,457
Interest income received	110	2,461
Interest expenses paid	(643,067)	(734,068)
Income taxes paid	(10,592)	(10,068)
Net cash provided by operating activities	14,529,300	11,736,781
Cash flows from investing activities		
Purchase of property, plant and equipment	(94,700)	(35,374)
Purchase of property, plant and equipment in trust	(5,490,125)	(314,295)
Repayments of tenant leasehold and security deposits	(667,106)	(709,807)
Proceeds from tenant leasehold and security deposits	260,682	199,432
Repayments of tenant leasehold and security deposits in trust	(24,894)	(8,984)
Proceeds from tenant leasehold and security deposits in trust	19,460	50,403
Proceeds from refund of leasehold and guarantee deposits	-	10,000
Net cash used in investing activities	(5,996,684)	(808,625)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,000,000	1,500,000
Proceeds from long-term loans payable	16,500,000	23,500,000
Repayments of long-term loans payable	(16,500,000)	(26,000,000)
Proceeds from issuance of investment corporation bonds	4,000,000	-
Redemption of investment corporation bonds	(3,000,000)	-
Payments for investment corporation bond issuance costs	(21,587)	-
Dividends paid	(6,052,287)	(6,530,714)
Net cash used in financing activities	(4,073,874)	(7,530,714)
Net increase (decrease) in cash and cash equivalents	4,458,741	3,397,441
Cash and cash equivalents at beginning of period	21,271,188	25,729,930
Cash and cash equivalents at end of period	25,729,930	29,127,371

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



NOTES TO FINANCIAL STATEMENTS

For the six-month period from March 1, 2024 to August 31, 2024

1. ORGANIZATION AND BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

Organization

MORI TRUST Reit, Inc. ("MTR"), a Japanese real estate investment corporation, was incorporated on October 2, 2001 under the Law Concerning Investment Trusts and Investment Corporations of Japan, or the Investment Trust Law. MTR was originally formed by Mori Trust Co., Ltd., and commenced operations on March 28, 2002 by acquiring a property. MTR is provided professional asset management services of properties of various types by a licensed asset management company, MORI TRUST Asset Management Co., Ltd. ("MTAM"). MTAM is currently owned 95% by MORI TRUST Co., Ltd., and 5% by Mori Trust Hotels & Resorts Co., Ltd. On February 13, 2004, MTR was listed on the J-REIT section of the Tokyo Stock Exchange (securities code: 8961). As of August 31, 2024, MTR owned a portfolio of 21 properties with a total rentable area of 522,505.88 sq. meters occupied by 120 tenants. The occupancy rate was 95.9%.

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

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

Intangible assets

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

Deferred assets

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

Taxes on property and equipment

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

Revenue recognition

The main performance obligations related to revenue arising from contracts with customers of the MTR and the normal time for satisfying such performance obligations (the normal time for recognizing revenue) are as follows.

(1) Sales of real estate and other assets

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

(2) Utility revenues

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

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

Accounting treatment of beneficiary interests in trust assets including real estate

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

Cash and cash equivalents

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

3. PROPERTY AND EQUIPMENT

Property and equipment at February 29, 2024 and August 31, 2024 consisted of the following:

	Thousands of yen			
	As of February 29, 2024		As of August 31, 2024	
	Acquisition Cost	Book Value	Acquisition Cost	Book Value
Land	97,833,511	97,833,511	94,835,259	94,835,259
Buildings and structures	34,218,058		33,325,861	
Accumulated depreciation	(18,568,814)	15,649,243	(18,370,506)	14,955,355
Machinery and equipment	95,733		99,834	
Accumulated depreciation	(64,727)	31,005	(68,173)	31,661
Vehicles	194		194	
Accumulated depreciation	(58)	136	(87)	106
Tools, furniture and fixtures	170,943		176,135	
Accumulated depreciation	(101,980)	68,962	(108,785)	67,349
Land in trust	290,375,206	290,375,206	290,383,563	290,383,563
Buildings and structures in trust	60,971,655		61,293,746	
Accumulated depreciation	(15,535,533)	45,436,122	(16,292,478)	45,001,268
Machinery and equipment in trust	132,628		176,735	
Accumulated depreciation	(21,531)	111,097	(29,475)	147,259
Tools, furniture and fixtures in trust	135,229		141,527	
Accumulated depreciation	(86,136)	49,092	(93,032)	48,494
Total		449,554,378		445,470,320

The compressed amount of tangible assets with government grants under the Corporation Tax Law of Japan was ¥38,340 thousand at February 29, 2024 and ¥38,340 thousand at August 31, 2024.

4. NET ASSETS

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

5. BREAKDOWN OF PROPERTY-RELATED REVENUES AND EXPENSES

A breakdown of property-related revenues and expenses for the six-month period ended February 29, 2024 and August 31, 2024 is summarized as follows:

(1) Rental revenues and property-related expenses

	Thousands of yen	
	September 1, 2023 to February 29, 2024	March 1, 2024 to August 31, 2024
Property-Related Revenues:	10,410,515	10,789,625
Property rental revenues	10,052,824	10,429,464
Common charges	234,082	236,552
Land rental revenues	123,609	123,609
Other rental revenues	290,006	306,073
Parking revenues	111,976	121,569
Utilities revenues	129,082	142,949
Penalty revenues	359	—
Other revenues	48,587	41,554
Property-Related Expenses:	3,507,523	3,634,960
Property management fees	768,761	804,889
Utilities expenses	267,145	318,545
Property and other taxes	1,253,169	1,255,320
Casualty insurance	27,308	30,686
Repairs and maintenance	149,606	196,354
Depreciation	1,009,026	996,377
Other rental expenses	32,506	32,786
Profit	7,192,998	7,460,738

(2) Gain on sale of real estate

	Thousands of yen		
	September 1, 2023 to February 29, 2024		March 1, 2024 to August 31, 2024
	Shinbashi MTR Building	Hashimoto MTR Building	
Income from sale of real estate	7,266,666	4,250,000	
Cost of real estate sales	5,879,224	3,511,660	
Other expenses on sale	7,156	87,443	
Gain on sale of real estate	1,380,285	650,895	

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of February 29, 2024 and August 31, 2024 were as follows:

	Thousands of yen	
	As of February 29, 2024	As of August 31, 2024
Cash and deposits	20,918,767	23,948,867
Cash and deposits in trust	4,811,163	5,178,504
Cash and cash equivalents	25,729,930	29,127,371

7. LEASES

MTR leases properties and earns rental revenues. Future lease revenues subsequent to February 29, 2024 and August 31, 2024 under non-cancelable operating leases were as follows:

	Thousands of yen	
	As of February 29, 2024	As of August 31, 2024
Due within one year	10,973,102	10,673,218
Due after one year	33,121,986	31,317,000
Total	44,095,088	41,990,219

8. FINANCIAL INSTRUMENTS

Overview

(1) Policy for financial instruments

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

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

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

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

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

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

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

Estimated Fair Value of Financial Instruments

The carrying value of financial instruments on the balance sheet as of February 29, 2024 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	1,000,000	989,949	(10,050)
2) Current portion of long-term loans payable	43,500,000	43,351,768	(148,231)
3) Investment corporation bonds	14,000,000	13,325,470	(674,529)
4) Long-term loans payable	157,000,000	153,225,977	(3,774,022)
5) Tenant leasehold and security deposits	12,317,200	10,486,067	(1,831,132)
6) Tenant leasehold and security deposits in trust	948,440	835,086	(113,354)
Total Liabilities	228,765,640	222,214,320	(6,551,320)

The carrying value of financial instruments on the balance sheet as of August 31, 2024 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	1,000,000	993,817	(6,182)
2) Current portion of long-term loans payable	38,500,000	38,307,332	(192,667)
3) Investment corporation bonds	14,000,000	13,321,005	(678,994)
4) Long-term loans payable	159,500,000	155,321,813	(4,178,186)
5) Tenant leasehold and security deposits	11,828,114	10,097,105	(1,731,008)
6) Tenant leasehold and security deposits in trust	975,556	861,122	(114,434)
Total Liabilities	225,803,670	218,902,196	(6,901,474)

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

Current portion of investment corporation bonds and investment corporation bonds

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

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

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

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

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

(2) The redemption schedule for loans

(As of February 29, 2024)

	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	1,000,000	-	-	-	-	-
Current portion of long-term loans payable	43,500,000	-	-	-	-	-
Investment corporation bonds	-	-	4,000,000	2,000,000	4,000,000	4,000,000
Long-term loans payable	-	32,500,000	33,000,000	32,000,000	32,000,000	27,500,000

(As of August 31, 2024)

	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	1,000,000	-	-	-	-	-
Current portion of long-term loans payable	38,500,000	-	-	-	-	-
Investment corporation bonds	-	-	4,000,000	2,000,000	4,000,000	4,000,000
Long-term loans payable	-	31,000,000	36,500,000	41,500,000	25,000,000	25,500,000

9. 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-month period ended February 29, 2024)

Party type	Subsidiary of other related company*
Party name	Mori Trust Co., Ltd.
Address	Minato-ku Tokyo, Japan
Capital	¥30,000,000 thousand
Business	Urban development; hotel management and investment business
Percentage of voting rights held	-
Concurrent board appointment	-
Business relationship	Leasing
Details of transactions	Buying property
Transaction amount	¥5,266,666 thousand
	Sale of property
	¥7,266,666 thousand
	Rental revenues
	¥4,929,121 thousand
	Property management expenses
	¥274,104 thousand
Account name and balance at period end	Rental and other receivables
	¥49,636 thousand
	Rents received in advance
	¥348,295 thousand
	Tenant leasehold and security deposits
	¥4,030,351 thousand
	Trade accounts payable
	¥76,015 thousand
	Accrued expenses
	¥1,817 thousand
Party type	Subsidiary of other related company*
Party name	MORI TRUST Asset Management Co., Ltd.
Address	Minato-ku Tokyo, Japan
Capital	¥400,000 thousand
Business	Investment management business
Percentage of voting rights held	-
Concurrent board appointment	Concurrently serving as
Business relationship	Outsourcing of asset management operations
Details of transactions	Payment of asset management fees
Transaction amount	¥485,407 thousand
Account name and balance at period end	Accrued expenses
	¥22,195 thousand

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

(For the six-month period ended August 31, 2024)

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	¥5,334,270 thousand
	Property management expenses
	¥317,364 thousand
Account name and balance at period end	Rental and other receivables
	¥71,114 thousand
	Rents received in advance
	¥359,812 thousand
	Tenant leasehold and security deposits
	¥4,047,024 thousand
	Trade accounts payable
	¥144,749 thousand
	Accrued expenses
	¥2,362 thousand
Party type	Subsidiary of other related company*
Party name	MORI TRUST Asset Management Co., Ltd.
Address	Minato-ku Tokyo, Japan
Capital	¥400,000 thousand
Business	Investment management business
Percentage of voting rights held	-
Concurrent board appointment	Concurrently serving as
Business relationship	Outsourcing of asset management operations
Details of transactions	Payment of asset management fees
Transaction amount	¥450,808 thousand
Account name and balance at period end	Accrued expenses
	¥290,545 thousand

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

(4) Directors and major individual shareholders:

(For the six-month period ended February 29, 2024)

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

(For the six-month period ended August 31, 2024)

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

10. INCOME TAXES

At February 29, 2024 and August 31, 2024 MTR's deferred tax assets consisted mainly of enterprise tax payable, which is not deductible for tax purposes.

The significant components of deferred tax assets and liabilities as of February 29, 2024 and August 31, 2024 were as follows:

	As of February 29, 2024	As of August 31, 2024
	Thousands of yen	
Deferred tax assets:		
Accrued enterprise tax	795	803
Total deferred tax assets	795	803
Deferred tax liabilities:		
Reserve for advanced depreciation of non-current assets	—	—
Total deferred tax liabilities	—	—
Net deferred tax assets (liabilities)	(795)	(803)

A reconciliation of the tax rate differences between the adjusted statutory tax rate and the effective tax rates for the six months ended February 29, 2024 and August 31, 2024 was as follows:

	September 1, 2023 to February 29, 2024	March 1, 2024 to August 31, 2024
Statutory tax rate	34.59%	34.59%
Deductible dividend distribution	(31.14%)	(31.84%)
Reserve for advanced depreciation of non-current assets	(3.41%)	(2.70%)
Others	0.09%	0.09%
Effective tax rates	0.14%	0.14%

MTR is subject to Japanese corporate income taxes on all of its taxable income. However, under the Special Taxation Measures Law (STML) of Japan, an investment corporation is allowed to deduct dividends of accounting profits, or dividend distributions, paid to investors from its taxable income if certain tax requirements are satisfied. Such tax requirements include dividend distributions in excess of 90% of the investment corporation's distributable profit for the accounting period as stipulated in Article 67-15 of the STML. Based on the distribution policy provided by its Articles of Incorporation, MTR made a dividend distribution of approximately 100% of retained earnings in the amount of ¥6,254,920 thousand at August 31, 2024 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.

11. REVENUE RECOGNITION

1. Breakdown of revenue from contracts with customers

For the period from September 1, 2023 to February 29, 2024

	Thousands of yen	
	Revenue from contracts with customers *1	Revenue from external customers
Sales of real estate properties *2	7,266,666	1,380,285
Utilities income	129,364	129,364
Others	-	10,571,157
Total	7,396,031	12,080,807

For the period from March 1, 2024 to August 31, 2024

	Thousands of yen	
	Revenue from contracts with customers *1	Revenue from external customers
Sales of real estate properties *2	4,250,000	650,895
Utilities income	143,220	143,220
Others	-	10,952,478
Total	4,393,220	11,746,594

*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 September 1, 2023 to February 29, 2024

As described in the Summary of Significant Accounting Policies.

For the period from March 1, 2024 to August 31, 2024

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 September 1, 2023 to February 29, 2024

(1) Balance of contract assets and contract liabilities

	Thousands of yen	
	September 1, 2023 to	February 29, 2024
Claims arising from contracts with customers (At beginning of period)		54,790
Claims arising from contracts with customers (At end of period)		43,374
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

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



For the period from March 1, 2024 to August 31, 2024

(1) Balance of contract assets and contract liabilities

	Thousands of yen
	March 1, 2024 to August 31, 2024
Claims arising from contracts with customers (At beginning of period)	43,374
Claims arising from contracts with customers (At end of period)	59,465
Contract assets (At beginning of period)	-
Contract assets (At end of period)	-
Contract liabilities (At beginning of period)	-
Contract liabilities (At end of period)	-

(2) Transaction price allocated to remaining performance obligations

As of August 31, 2024, the total transaction price allocated to the remaining performance obligations for the sale of real estate is 4,250,000 thousand yen for the real estate for which a sale contract was executed on September 2, 2024.

MTR expects to recognize revenue for such remaining performance obligations upon delivery of such real estate properties, which is expected to occur on September 2, 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.

12. 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-month period ended February 29, 2024)

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.	4,929,121	Leasing Business

Gains on sales of real estate to Mori Trust Co., Ltd. are described in "5. BREAKDOWN OF PROPERTY-RELATED REVENUES AND EXPENSES".

(For the six-month period ended August 31, 2024)

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.	5,334,270	Leasing Business

13. INVESTMENT AND RENTAL PROPERTIES

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

Use	Thousands of yen								
	Carrying Value (1)			Fair Value (3)		Carrying Value (1)			Fair Value (3)
	As of September 30, 2023	Net Changes (2)	As of February 29, 2024	As of February 29, 2024	As of February 29, 2024	Net Changes (2)	As of August 31, 2024	As of August 31, 2024	
Office buildings	252,457,803	4,902,578	257,360,381	283,380,000	257,360,381	(268,904)	257,091,476	283,000,000	
Accommodations	138,224,599	(224,570)	138,000,029	141,986,500	138,000,029	(248,274)	137,751,755	144,978,000	
Others	60,076,464	(5,882,496)	54,193,967	66,770,000	54,193,967	(3,566,879)	50,627,088	62,800,000	
Total	450,758,867	(1,204,488)	449,554,378	492,136,500	449,554,378	(4,084,058)	445,470,320	490,778,000	

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

(2) The main reason for the increase in the amount of change from the previous period was the acquisition of Sendai MT Building, while the reason for the decrease was the transfer of Shinbashi Ekimae MTR Building and depreciation. The main reason for the increase during the period was the renovation work on owned property, while the reason for the decrease was the transfer of Hashimoto 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 February 29, 2024 and August 31, 2024 concerning rental properties is as follows:

Use	Thousands of yen							
	September 1, 2023 to February 29, 2024				March 1, 2024 to August 31, 2024			
	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	6,236,796	2,425,959	3,810,836	-	6,529,777	2,576,710	3,953,066	-
Accommodations	3,079,127	794,812	2,284,315	-	3,220,900	796,990	2,423,910	-
Others	1,384,598	286,752	1,097,845	1,380,285	1,345,021	261,259	1,083,761	650,895
Total	10,700,521	3,507,523	7,192,998	1,380,285	11,095,699	3,634,960	7,460,738	650,895

(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”.

14. PER SHARE INFORMATION

The following table summarizes information about net assets per share and net income per share at February 29, 2024 and August 31, 2024 and for the six-month period then ended:

	Yen	
	September 1, 2023 to February 29, 2024	March 1, 2024 to August 31, 2024
Net assets per share at period end	65,577	65,648
Net income per share	2,035	1,906
Weighted-average number of shares	3,560,000 shares	3,560,000 shares

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

15. SUBSEQUENT EVENTS

Transfer of property

MTR transferred the following asset on September 2, 2024.

Hashimoto MTR Building

(i) Outline of the transfer

Property to be transferred:	Real estate
Transfer price:	¥4,250,000,000 (Excluding transfer cost, property taxes, city planning taxes and consumption taxes)
Gain on transfer:	Gain on sales of real estate of around 0.6 billion yen in the fiscal period ending February 2025 is expected to be recorded as operating revenues.
Date of transfer:	September 2, 2024
Buyer:	A Japanese operating company (not applicable to the category of a related parties)
Remarks:	MTR split the transfer into two parts and completed transfer by establishing a one-half co-ownership interest on April 23, 2024 and transfer by establishing an additional one-half co-ownership interest on September 2, 2024.

16. INVESTMENT CORPORATION BONDS

Investment corporation bonds at February 29, 2024 and August 31, 2024 consisted of the following:

	Thousands of yen		Average interest rate (%)	Due on	Use of funds	Note
	As of February 29, 2024	As of August 31, 2024				
Unsecured bonds due on February 21, 2022	1,000,000	1,000,000	0.11	February 28, 2025		
Unsecured bonds due on December 18, 2023	3,000,000	3,000,000	0.49	December 18, 2026		
Unsecured bonds due on February 26, 2015	1,000,000	1,000,000	1.06	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 December 18, 2023	1,000,000	1,000,000	0.82	December 18, 2028	(1)	(2)
Unsecured bonds due on February 17, 2023	3,000,000	3,000,000	0.79	February 28, 2029		
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	15,000,000	—	—	—	—

(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)	—	4,000,000	2,000,000	4,000,000

17. SHORT-TERM LOANS PAYABLE

Short-term loans payable at February 29, 2024 and August 31, 2024 consisted of the following:

Lender	Thousands of yen		Average interest rate (%) (1)	Due on	Use of funds	Note
	As of February 29, 2024	As of August 31, 2024				
Mizuho Bank, Ltd.	2,000,000	—	—	—		
Sumitomo Mitsui Trust Bank, Ltd.	2,000,000	—	—	—		
Sumitomo Mitsui Banking Corporation.	1,500,000	—	—	—	—	—
Resona Bank, Limited	1,000,000	—	—	—		
Mizuho Bank, Ltd.	500,000	—	—	—		
Sumitomo Mitsui Banking Corporation.	2,500,000	2,500,000	0.33	September 30, 2024		
Resona Bank, Limited	1,000,000	1,000,000	0.32	September 30, 2024		
Resona Bank, Limited	500,000	500,000	0.32	September 30, 2024		
Mizuho Bank, Ltd.	—	2,000,000	0.34	March 31, 2025		
Mizuho Bank, Ltd.	—	1,000,000	0.34	March 31, 2025	(2)	(3)
Sumitomo Mitsui Trust Bank, Ltd.	—	2,000,000	0.49	August 29, 2025		
Sumitomo Mitsui Banking Corporation.	—	1,500,000	0.49	August 29, 2025		
Mizuho Bank, Ltd.	—	1,000,000	0.48	August 29, 2025		
Resona Bank, Limited	—	1,000,000	0.49	August 29, 2025		
Total short-term loans	11,000,000	12,500,000	—	—	—	—

(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 floating rates.

MTR has entered into line of credit loan agreements totaling ¥20,000 million with banks to reduce refinancing risk. The unused amount of such credit lines was ¥20,000 million at August 31, 2024.

18. LONG-TERM LOANS PAYABLE

Long-term loans payable at February 29, 2024 and August 31, 2024 consisted of the following:

Lender	Thousands of yen		Average interest rate (%) (1)	Due on	Use of funds	Note
	As of February 29, 2024	As of August 31, 2024				
Aozora Bank, Ltd.	2,000,000	—	—	—		
Shinkin Central Bank	2,000,000	—	—	—		
Sumitomo Mitsui Banking Corporation	3,000,000	—	—	—		
Development Bank of Japan Inc.	2,000,000	—	—	—		
Mizuho Bank, Ltd	1,000,000	—	—	—		
Mizuho Bank, Ltd	3,000,000	—	—	—		
The Bank of Fukuoka, Ltd.	1,000,000	—	—	—		
Mizuho Bank, Ltd	5,000,000	—	—	—		
Mizuho Bank, Ltd	1,000,000	—	—	—		
MUFG Bank, Ltd.	3,000,000	—	—	—		
Sumitomo Mitsui Trust Bank, Ltd.	2,000,000	—	—	—		
Sumitomo Mitsui Banking Corporation.	1,000,000	—	—	—		
Sumitomo Mitsui Banking Corporation.	3,000,000	3,000,000	0.29	October 9, 2024	(3)	(4)
Sumitomo Mitsui Banking Corporation.	1,000,000	1,000,000	0.30	October 9, 2024		
Sumitomo Mitsui Trust Bank, Ltd.	3,000,000	3,000,000	0.53	November 29, 2024		
Development Bank of Japan Inc.	1,500,000	1,500,000	0.53	November 29, 2024		
The Nishi-Nippon City Bank, Ltd.	500,000	500,000	0.43	December 26, 2024		
Mizuho Bank, Ltd	1,500,000	1,500,000	0.56	January 17, 2025		
MUFG Bank, Ltd.	500,000	500,000	0.56	January 17, 2025		
Sumitomo Mitsui Trust Bank, Ltd.	3,000,000	3,000,000	0.32	February 28, 2025		
Mizuho Bank, Ltd	1,000,000	1,000,000	0.65	February 28, 2025		
Sumitomo Mitsui Banking Corporation.	1,000,000	1,000,000	0.65	February 28, 2025		
The 82 Bank, Ltd.	1,000,000	1,000,000	0.34	February 28, 2025		
MUFG Bank, Ltd.	500,000	500,000	0.65	February 28, 2025		
Development Bank of Japan Inc.	1,000,000	1,000,000	0.64	March 19, 2025		
Sumitomo Mitsui Banking Corporation.	2,500,000	2,500,000	0.33	April 9, 2025		
Sumitomo Mitsui Trust Bank, Ltd.	4,000,000	4,000,000	0.37	April 11, 2025		
MUFG Bank, Ltd.	1,000,000	1,000,000	0.32	April 11, 2025		
Sumitomo Mitsui Banking Corporation.	3,000,000	3,000,000	0.46	April 24, 2025		
MUFG Bank, Ltd.	3,000,000	3,000,000	0.68	August 29, 2025		
Mizuho Trust & Banking Co., Ltd.	2,000,000	2,000,000	0.68	August 29, 2025		
Mizuho Trust & Banking Co., Ltd.	500,000	500,000	0.30	August 29, 2025		
Shinkin Central Bank	1,000,000	1,000,000	0.30	August 29, 2025		
Shinkin Central Bank	1,000,000	1,000,000	0.68	August 29, 2025		
Sumitomo Mitsui Banking Corporation.	500,000	500,000	0.44	August 29, 2025		
Development Bank of Japan Inc.	500,000	500,000	0.30	August 29, 2025		
Resona Bank, Limited.	500,000	500,000	0.30	August 29, 2025		
The 77 Bank, Ltd.	500,000	500,000	0.68	August 29, 2025		
Sumitomo Mitsui Trust Bank, Ltd.	500,000	500,000	0.83	November 28, 2025		
MUFG Bank, Ltd.	500,000	500,000	0.83	November 28, 2025		
Sumitomo Mitsui Banking Corporation.	1,000,000	1,000,000	0.43	January 19, 2026		
The Bank of Fukuoka, Ltd.	1,000,000	1,000,000	0.42	January 30, 2026		
Sumitomo Mitsui Banking Corporation	1,500,000	1,500,000	0.47	February 27, 2026		
Sumitomo Mitsui Banking Corporation.	1,500,000	1,500,000	0.50	February 27, 2026		
Sumitomo Mitsui Banking Corporation.	1,000,000	1,000,000	0.52	February 27, 2026		
Sumitomo Mitsui Trust Bank, Ltd.	1,500,000	1,500,000	0.41	February 27, 2026		
Sumitomo Mitsui Trust Bank, Ltd.	1,000,000	1,000,000	0.50	February 27, 2026		
SBI Shinsei Bank, Limited	1,000,000	1,000,000	0.63	February 27, 2026		
The Chiba Bank, Ltd.	500,000	500,000	0.62	February 27, 2026		
The Yamanashi Chuo Bank, Ltd.	500,000	500,000	0.62	February 27, 2026		
Development Bank of Japan Inc.	1,000,000	1,000,000	0.41	March 12, 2026		
The Bank of Fukuoka, Ltd.	1,000,000	1,000,000	0.53	March 31, 2026		
The Nishi-Nippon City Bank, Ltd.	500,000	500,000	0.52	March 31, 2026		
Nippon Life Insurance Company	500,000	500,000	0.36	March 31, 2026		
Resona Bank, Limited.	1,000,000	1,000,000	0.39	April 22, 2026		

Aozora Bank, Ltd.	500,000	500,000	0.72	April 24, 2026
Sumitomo Mitsui Banking Corporation	2,000,000	2,000,000	0.75	May 29, 2026
Mizuho Bank, Ltd	1,000,000	1,000,000	0.75	May 29, 2026
Sumitomo Mitsui Trust Bank, Ltd.	1,000,000	1,000,000	0.75	May 29, 2026
Resona Bank, Limited.	500,000	500,000	0.39	May 29, 2026
MUFG Bank, Ltd.	3,000,000	3,000,000	0.70	August 31, 2026
Sumitomo Mitsui Trust Bank, Ltd.	2,000,000	2,000,000	0.55	August 31, 2026
Sumitomo Mitsui Trust Bank, Ltd.	—	2,000,000	0.75	August 31, 2026
Mizuho Bank, Ltd	1,000,000	1,000,000	0.36	August 31, 2026
Development Bank of Japan Inc.	1,000,000	1,000,000	0.33	August 31, 2026
The Nishi-Nippon City Bank, Ltd.	1,000,000	1,000,000	0.41	August 31, 2026
The 77 Bank, Ltd.	500,000	500,000	0.31	August 31, 2026
Nippon Life Insurance Company	500,000	500,000	0.40	September 18, 2026
Mitsui Sumitomo Insurance Company, Limited	500,000	500,000	0.39	September 30, 2026
Sumitomo Mitsui Banking Corporation	5,500,000	5,500,000	0.50	November 30, 2026
Sumitomo Mitsui Trust Bank, Ltd.	1,000,000	1,000,000	0.42	December 24, 2026
MUFG Bank, Ltd.	1,000,000	1,000,000	0.40	December 25, 2026
Resona Bank, Limited.	500,000	500,000	0.56	December 25, 2026
The Bank of Fukuoka, Ltd.	500,000	500,000	0.56	December 25, 2026
Mizuho Bank, Ltd	500,000	500,000	0.50	January 19, 2027
The Bank of Fukuoka, Ltd.	1,000,000	1,000,000	0.51	January 29, 2027
The Norinchukin Bank	3,000,000	3,000,000	0.38	February 26, 2027
Sumitomo Mitsui Trust Bank, Ltd.	1,500,000	1,500,000	0.59	February 26, 2027
The Ashikaga Bank, Ltd.	1,000,000	1,000,000	0.63	April 22, 2027
Sumitomo Mitsui Banking Corporation	3,000,000	3,000,000	0.79	May 31, 2027
The Bank of Fukuoka, Ltd.	—	1,000,000	0.92	May 31, 2027
Aozora Bank, Ltd.	500,000	500,000	0.45	June 24, 2027
SUMITOMO LIFE INSURANCE COMPANY	500,000	500,000	0.59	June 25, 2027
The Bank of Fukuoka, Ltd.	1,000,000	1,000,000	0.55	July 30, 2027
MUFG Bank, Ltd.	3,000,000	3,000,000	0.84	August 31, 2027
MUFG Bank, Ltd.	—	3,000,000	0.86	August 31, 2027
Sumitomo Mitsui Trust Bank, Ltd.	1,500,000	1,500,000	0.63	August 31, 2027
Sumitomo Mitsui Trust Bank, Ltd.	1,000,000	1,000,000	0.84	August 31, 2027
Resona Bank, Limited.	—	1,000,000	—(3)	August 31, 2027
Resona Bank, Limited.	500,000	500,000	0.48	August 31, 2027
The Norinchukin Bank	1,500,000	1,500,000	0.38	August 31, 2027
The Nishi-Nippon City Bank, Ltd.	1,500,000	1,500,000	0.48	August 31, 2027
SUMITOMO LIFE INSURANCE COMPANY	500,000	500,000	0.38	August 31, 2027
The Dai-ichi Life Insurance Company, Limited	500,000	500,000	0.56	August 31, 2027
Development Bank of Japan Inc.	1,000,000	1,000,000	0.43	September 10, 2027
Sumitomo Mitsui Banking Corporation	—	2,500,000	0.80	September 30, 2027
Sumitomo Mitsui Trust Bank, Ltd.	1,000,000	1,000,000	0.74	September 30, 2027
Resona Bank, Limited.	1,000,000	1,000,000	0.83	September 30, 2027
MUFG Bank, Ltd.	1,500,000	1,500,000	0.50	October 13, 2027
Development Bank of Japan Inc.	1,500,000	1,500,000	0.87	November 30, 2027
Mizuho Bank, Ltd	1,000,000	1,000,000	0.63	December 24, 2027
Mizuho Bank, Ltd	1,000,000	1,000,000	0.47	January 19, 2028
Mizuho Bank, Ltd	1,000,000	1,000,000	0.55	January 19, 2028
Mizuho Bank, Ltd	500,000	500,000	0.99	January 19, 2028
Sumitomo Mitsui Trust Bank, Ltd.	1,500,000	1,500,000	0.99	January 19, 2028
Development Bank of Japan Inc.	500,000	500,000	0.47	January 19, 2028
Development Bank of Japan Inc.	—	2,000,000	0.86	February 29, 2028
Development Bank of Japan Inc.	1,500,000	1,500,000	0.84	February 29, 2028
Shinkin Central Bank	—	2,000,000	0.83	February 29, 2028
Sumitomo Mitsui Banking Corporation	—	1,000,000	0.91	February 29, 2028
Resona Bank, Limited.	1,000,000	1,000,000	0.91	February 29, 2028
The Ashikaga Bank, Ltd.	1,000,000	1,000,000	0.91	February 29, 2028
Development Bank of Japan Inc.	1,000,000	1,000,000	0.91	March 1, 2028
MUFG Bank, Ltd.	1,500,000	1,500,000	0.53	March 31, 2028
Sumitomo Mitsui Banking Corporation.	1,500,000	1,500,000	0.54	April 7, 2028
Sumitomo Mitsui Banking Corporation.	1,500,000	1,500,000	0.51	April 11, 2028
Aozora Bank, Ltd.	1,000,000	1,000,000	0.71	April 11, 2028

Mizuho Bank, Ltd	1,500,000	1,500,000	0.51	April 17, 2028
Sumitomo Mitsui Trust Bank, Ltd.	1,000,000	1,000,000	0.84	May 31, 2028
Mizuho Bank, Ltd	—	5,500,000	0.96	August 31, 2028
MUFG Bank, Ltd.	1,000,000	1,000,000	0.99	August 31, 2028
SBI Shinsei Bank, Limited	1,000,000	1,000,000	0.53	August 31, 2028
The 77 Bank, Ltd.	1,000,000	1,000,000	0.54	August 31, 2028
Nippon Life Insurance Company	1,000,000	1,000,000	0.76	August 31, 2028
Development Bank of Japan Inc.	1,500,000	1,500,000	0.98	September 29, 2028
Mitsui Sumitomo Insurance Company, Limited	1,500,000	1,500,000	0.59	October 31, 2028
Mizuho Bank, Ltd	1,500,000	1,500,000	1.02	November 30, 2028
Mizuho Bank, Ltd	5,000,000	5,000,000	0.97	February 28, 2029
Mizuho Bank, Ltd	2,000,000	2,000,000	1.07	February 28, 2029
Mizuho Bank, Ltd	1,000,000	1,000,000	1.07	February 28, 2029
Development Bank of Japan Inc.	3,000,000	3,000,000	0.71	February 28, 2029
Mizuho Trust & Banking Co., Ltd.	1,000,000	1,000,000	1.07	February 28, 2029
Mizuho Trust & Banking Co., Ltd.	1,000,000	1,000,000	1.07	February 28, 2029
Aozora Bank, Ltd.	1,000,000	1,000,000	1.07	February 28, 2029
Aozora Bank, Ltd.	—	1,000,000	0.94	February 28, 2029
Mizuho Bank, Ltd	—	2,500,000	1.06	March 30, 2029
Mizuho Bank, Ltd	1,000,000	1,000,000	0.82	April 11, 2029
Aozora Bank, Ltd.	1,500,000	1,500,000	0.59	April 23, 2029
Mizuho Bank, Ltd	500,000	500,000	1.02	August 31, 2029
Mizuho Bank, Ltd	1,500,000	1,500,000	1.17	November 30, 2029
Mizuho Bank, Ltd	1,500,000	1,500,000	1.23	February 28, 2030
Sumitomo Mitsui Banking Corporation.	1,000,000	1,000,000	1.23	February 28, 2030
Aozora Bank, Ltd.	—	1,000,000	1.08	February 28, 2030
MUFG Bank, Ltd.	500,000	500,000	0.79	February 28, 2030
Mizuho Bank, Ltd	3,500,000	3,500,000	1.07	March 29, 2030
Mizuho Bank, Ltd	1,500,000	1,500,000	0.90	April 11, 2030
MUFG Bank, Ltd.	2,000,000	2,000,000	0.92	April 12, 2030
Sumitomo Mitsui Banking Corporation.	1,000,000	1,000,000	0.65	June 24, 2030
Sumitomo Mitsui Banking Corporation.	1,500,000	1,500,000	0.76	July 19, 2030
Mizuho Bank, Ltd	2,500,000	2,500,000	1.18	August 30, 2030
Mizuho Bank, Ltd	1,000,000	1,000,000	0.62	August 30, 2030
Mizuho Bank, Ltd	500,000	500,000	0.63	August 30, 2030
MUFG Bank, Ltd.	1,500,000	1,500,000	1.18	August 30, 2030
Sumitomo Mitsui Banking Corporation.	2,000,000	2,000,000	0.98	October 28, 2030
Mizuho Bank, Ltd	1,500,000	1,500,000	0.66	February 28, 2031
Mizuho Bank, Ltd	1,500,000	1,500,000	0.98	April 11, 2031
Total long-term loans	200,500,000	198,000,000	—	—

- (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 ,beneficiary interests or to repay loans.
- (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)	31,000,000	36,500,000	41,500,000	25,000,000