

## **Independent Auditor's Report**

The Board of Directors  
MORI TRUST Sogo Reit, Inc.

### **Opinion**

We have audited the accompanying financial statements of MORI TRUST Sogo Reit, Inc. (the Company), which comprise the balance sheet as at September 30, 2021, 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 September 30, 2021, 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.

### **Responsibilities of Management and the Supervisory Director for the Financial Statements**

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

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

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

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

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



Ernst & Young ShinNihon LLC  
Tokyo, Japan

December 22, 2021

吉田 雅彦

Masahiko Yoshida  
Designated Engagement Partner  
Certified Public Accountant

佐藤 賢治

Kenji Sato  
Designated Engagement Partner  
Certified Public Accountant

# FINANCIAL STATEMENTS

## BALANCE SHEETS

Thousands of yen

	As of March 31, 2021	As of September 30, 2021
<b>Assets</b>		
Current assets		
Cash and deposits	21,460,919	18,883,962
Cash and deposits in trust	3,118,666	2,979,150
Operating accounts receivable	48,279	45,140
Accounts receivable - other	2,839	395
Prepaid expenses	33,639	54,831
Other	8,160	9,290
Total current assets	24,672,505	21,972,770
Non-current assets		
Property, plant and equipment		
Buildings	40,488,240	37,804,123
Accumulated depreciation	(19,566,409)	(18,705,404)
Buildings, net	20,921,830	19,098,719
Structures	571,395	507,685
Accumulated depreciation	(532,617)	(472,793)
Structures, net	38,778	34,892
Machinery and equipment	153,655	153,655
Accumulated depreciation	(120,200)	(122,606)
Machinery and equipment, net	33,454	31,048
Tools, furniture and fixtures	107,339	109,079
Accumulated depreciation	(80,265)	(82,993)
Tools, furniture and fixtures, net	27,073	26,086
Land	136,672,529	125,628,932
Buildings in trust	28,402,864	31,121,100
Accumulated depreciation	(11,555,430)	(12,126,841)
Buildings in trust, net	16,847,433	18,994,259
Structures in trust	125,323	156,605
Accumulated depreciation	(105,126)	(107,008)
Structures in trust, net	20,196	49,597
Machinery and equipment in trust	7,693	34,117
Accumulated depreciation	(3,508)	(4,195)
Machinery and equipment in trust, net	4,185	29,922
Tools, furniture and fixtures in trust	96,617	98,318
Accumulated depreciation	(57,541)	(61,410)
Tools, furniture and fixtures in trust, net	39,075	36,907
Land in trust	130,939,930	142,307,259
Total property, plant and equipment	305,544,488	306,237,624
Intangible assets		
Other	240	240
Total intangible assets	240	240
Investments and other assets		

Thousands of yen

	As of March 31, 2021	As of September 30, 2021
Guarantee deposits	10,000	10,000
Long-term prepaid expenses	12,402	16,004
Other	3,602	3,208
Total investments and other assets	26,004	29,212
Total non-current assets	305,570,733	306,267,077
Deferred assets		
Investment corporation bond issuance costs	57,923	48,777
Total deferred assets	57,923	48,777
Total assets	330,301,163	328,288,624
Liabilities		
Current liabilities		
Operating accounts payable	363,723	340,740
Short-term loans payable	10,000,000	6,000,000
Current portion of investment corporation bonds	3,000,000	3,000,000
Current portion of long-term loans payable	26,500,000	31,500,000
Accounts payable – other	193,587	95,457
Accrued expenses	446,312	518,246
Dividends payable	7,922	8,289
Income taxes payable	956	606
Accrued consumption taxes	197,513	9,626
Advances received	1,010,197	999,415
Deposits received	322	322
Total current liabilities	41,720,536	42,472,704
Non-current liabilities		
Investment corporation bonds	11,000,000	11,000,000
Long-term loans payable	106,500,000	103,500,000
Tenant leasehold and security deposits	9,460,564	9,618,022
Tenant leasehold and security deposits in trust	946,890	934,875
Deferred tax liabilities	493,156	656,564
Total non-current liabilities	128,400,610	125,709,462
Total liabilities	170,121,147	168,182,166
Net assets		
Unitholders' equity		
Unitholders' capital	153,990,040	153,990,040
Surplus		
Voluntary retained earnings		
Reserve for reduction entry	1,074,447	1,074,447
Total voluntary retained earnings	1,074,447	1,074,447
Unappropriated retained earnings	5,115,527	5,041,970
Total surplus	6,189,975	6,116,418
Total unitholders' equity	160,180,015	160,106,458
Total net assets	※3 160,180,015	※3 160,106,458
Total liabilities and net assets	330,301,163	328,288,624

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, 2021 and September 30, 2021

	Thousands of yen	
	For the period from October 1, 2020 to March 31, 2021	For the period from April 1, 2021 to September 30, 2021
Operating revenue		
Lease business revenue	8,530,598	7,485,180
Other lease business revenue	259,331	283,283
Gain on sale of investment property	-	1,433,905
Total operating revenue	8,789,929	9,202,368
Operating expenses		
Expenses related to rent business	2,880,013	3,152,474
Asset management fee	334,798	335,797
Asset custody fee	13,129	12,893
Administrative service fees	48,455	58,358
Directors' compensations	3,600	3,600
Other operating expenses	45,200	75,764
Total operating expenses	3,325,198	3,638,888
Operating income	5,464,731	5,563,480
Non-operating income		
Interest income	110	107
Reversal of dividends payable	1,034	782
Insurance income	35,405	-
Total non-operating income	36,550	890
Non-operating expenses		
Interest expenses	334,045	325,876
Interest expenses on investment corporation bonds	15,410	22,802
Amortization of investment corporation bond issuance costs	8,994	9,146
other	26,661	1,071
Total non-operating expenses	385,112	358,895
Ordinary income	5,116,169	5,205,474
Profit before income taxes	5,116,169	5,205,474
Income taxes - current	973	623
Income taxes - deferred	△0	163,408
Total income taxes	972	164,031
Profit	5,115,197	5,041,443
Retained earnings at beginning of period	329	527
Unappropriated retained earnings	5,115,527	5,041,970

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, 2020 to March 31, 2021

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	1,074,447	1,074,447	5,058,569	6,133,017	160,123,057	160,123,057
Changes of items during period							
Dividends of surplus				(5,058,240)	(5,058,240)	(5,058,240)	(5,058,240)
Profit				5,115,197	5,115,197	5,115,197	5,115,197
Total changes of items during period	—	-	-	56,957	56,957	56,957	56,957
Balance at end of current period	153,990,040	1,074,447	1,074,447	5,115,527	6,189,975	160,180,015	160,180,015

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

For the six-month period from April 1, 2021 to September 30, 2021

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	1,074,447	1,074,447	5,115,527	6,189,975	160,180,015	160,180,015
Changes of items during period							
Dividends of surplus				(5,115,000)	(5,115,000)	(5,115,000)	(5,115,000)
Profit				5,041,443	5,041,443	5,041,443	5,041,443
Total changes of items during period	—	-	-	(73,556)	(73,556)	(73,556)	(73,556)
Balance at end of current period	153,990,040	1,074,447	1,074,447	5,041,970	6,116,418	160,106,458	160,106,458

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

# STATEMENTS OF CASH DISTRIBUTIONS

For the six-month period from April 1, 2021 to September 30, 2021

	Unit: yen	
	The Fiscal Period ended March 31, 2021 (October 1, 2020 to March 31, 2021)	The Fiscal Period ended September 30, 2021 (April 1, 2021 to September 30, 2021)
I. Unappropriated retained earnings	5,115,527,248	5,041,970,716
II. Reversal of voluntary retained earnings		
Reversal of reserve for reduction entry	—	134,114,736
III. Distribution amount	5,115,000,000	4,686,000,000
(Distribution amount per unit)	(3,875)	(3,550)
IV. Voluntary retained earnings		
Provision of reserve for reduction entry	—	490,085,452
V. Retained earnings carried forward	527,248	0
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 5,115,000,000 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, MTR decided to distribute the total balance of unappropriated retained earnings after adding the reversal of the reserve for reduction entry under Article 66-2 of the Act on Special Measures Concerning Taxation and 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 4,686,000,000 yen.</p> <p>In addition, MTR does not distribute dividends in excess of accounting profit as set forth in Paragraph 2, Article 29 of the Investment Corporation's Articles of Incorporation.</p>

# STATEMENTS OF CASH FLOWS

For the six-month period from April 1, 2021 to September 30, 2021

	Thousands of yen	
	For the period from October 1, 2020 to March 31, 2021	For the period from April 1, 2021 to September 30, 2021
<b>Cash flows from operating activities</b>		
Profit before income taxes	5,116,169	5,205,474
Depreciation	1,126,895	1,113,968
Amortization of investment corporation bond issuance costs	8,994	9,146
Interest income	(110)	(107)
Interest expenses	349,456	348,678
Decrease (Increase) in operating accounts receivable	209,847	(1,727)
Increase (Decrease) in operating accounts payable	83,620	69,932
Increase (Decrease) in accrued consumption taxes	(85,676)	(187,887)
Increase (Decrease) in advances received	(509,616)	(10,782)
Decrease due to sale of investment property	-	12,538,270
Other, net	24,911	53,598
<b>Subtotal</b>	<b>6,324,491</b>	<b>19,138,564</b>
Interest income received	110	107
Interest expenses paid	(353,711)	(353,821)
Income taxes paid	(964)	(972)
<b>Net cash provided by operating activities</b>	<b>5,969,926</b>	<b>18,783,877</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(69,997)	(263,209)
Purchase of property, plant and equipment in trust	(296,347)	(14,180,295)
Repayments of tenant leasehold and security deposits	(405,972)	(195,043)
Proceeds from tenant leasehold and security deposits	161,616	250,001
Repayments of tenant leasehold and security deposits in trust	(17,528)	(55,395)
Proceeds from tenant leasehold and security deposits in trust	45,481	57,831
Other	-	393
<b>Net cash used in investing activities</b>	<b>(582,747)</b>	<b>(14,385,718)</b>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	(3,000,000)	(4,000,000)
Proceeds from long-term loans payable	13,500,000	14,000,000
Repayments of long-term loans payable	(10,500,000)	(12,000,000)
Proceeds from issuance of investment corporation bonds	5,000,000	-
Redemption of investment corporation bonds	(3,000,000)	-
Payments for investment corporation bond issuance costs	(30,437)	-
Dividends paid	(5,059,009)	(5,114,632)
<b>Net cash used in financing activities</b>	<b>(3,089,446)</b>	<b>(7,114,632)</b>
Net increase (decrease) in cash and cash equivalents	2,297,733	(2,716,473)
Cash and cash equivalents at beginning of period	22,281,852	24,579,586
Cash and cash equivalents at end of period	24,579,586	21,863,112

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

## NOTES TO FINANCIAL STATEMENTS

For the six-month period from April 1, 2021 to September 30, 2021

### 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, 2021, MTR owned a portfolio of 16 properties with a total rentable area of 425,769.16 sq. meters occupied by 99 tenants. The occupancy rate was 99.1%.

#### Basis of presentation of financial statements

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

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Property and equipment

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

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

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

#### Intangible assets

Intangible assets are amortized on a straight-line basis.

#### Deferred assets

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

#### Taxes on property and equipment

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

#### Revenue recognition

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

##### (1) Sales of real estate and other assets

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

##### (2) Utility revenues

Utility revenues are recognized based on the supply of electricity, water, etc. to the lessee, the customer, in accordance with

the terms of the real estate lease contract and related agreements.

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

#### **Accounting treatment of beneficiary interests in trust assets including real estate**

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

#### **Cash and cash equivalents**

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

#### **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.

#### **Changes in accounting policies**

- Application of Accounting Standard for Revenue Recognition

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) from the beginning of the fiscal period under review, and recognized revenue at the amount expected to be received in exchange for the promised goods or services when control of the goods or services is transferred to the customer. In accordance with the transitional treatment outlined in Paragraph 89-3 of Accounting Standard for Revenue Recognition, the note related to the Revenue Recognition for the previous fiscal period is not presented.

The effect of this change on the financial statements is immaterial.

- Application of Accounting Standard for Fair Value Measurement

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) from the beginning of the fiscal period under review, and in accordance with the transitional treatments outlined in Paragraph 19 of Accounting Standard for Fair Value Measurement and Paragraph 44-2 of Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the new accounting policies outlined by Accounting Standard for Fair Value Measurement will be applied prospectively. In addition, pursuant to the provision of Article 2, paragraph 5 of the Supplementary Provision of the “Cabinet Office Ordinance Partially Revising Regulation for Terminology, Forms and Preparation Methods of Financial Statements” (Cabinet Office Ordinance No. 61, September 24, 2021), the matters listed in Article 8-6-2, paragraph 1, item 3 of the revised Regulation for Terminology, Forms and Preparation Methods of Financial Statements are omitted.

The effect of this change on the financial statements is immaterial.

### 3. PROPERTY AND EQUIPMENT

Property and equipment at March 31, 2021 and September 30, 2021 consisted of the following:

	Thousands of yen			
	As of March 30, 2021		As of September 30, 2021	
	Acquisition Cost	Book Value	Acquisition Cost	Book Value
Land	136,672,529	136,672,529	125,628,932	125,628,932
Buildings and structures	41,059,635		38,311,809	
Accumulated depreciation	(20,099,026)	20,960,608	(19,178,197)	19,133,611
Machinery and equipment	153,655		153,655	
Accumulated depreciation	(120,200)	33,454	(122,606)	31,048
Tools, furniture and fixtures	107,339		109,079	
Accumulated depreciation	(80,265)	27,073	(82,993)	26,086
Land in trust	130,939,930	130,939,930	142,307,259	142,307,259
Buildings and structures in trust	28,528,187		31,277,705	
Accumulated depreciation	(11,660,556)	16,867,630	(12,233,849)	19,043,856
Machinery and equipment in trust	7,693		34,117	
Accumulated depreciation	(3,508)	4,185	(4,195)	29,922
Tools, furniture and fixtures in trust	96,617		98,318	
Accumulated depreciation	(57,541)	39,075	(61,410)	36,907
Total		305,544,488		306,237,624

The compressed amount of tangible assets with government grants under the Corporation Tax Law of Japan was ¥38,340 thousand at March 31, 2021 and ¥38,340 thousand at September 30, 2021.

#### 4. INVESTMENT CORPORATION BONDS

Investment corporation bonds at March 31, 2021 and September 30, 2021 consisted of the following:

	Thousands of yen			Due on	Use of funds	Note
	As of March 31, 2021	As of September 30, 2021	Average interest rate (%)			
Unsecured bonds due on February 22, 2022	3,000,000	3,000,000	0.07	February 22, 2022		
Unsecured bonds due on February 20, 2023	4,000,000	4,000,000	0.10	February 20, 2023		
Unsecured bonds due on February 22, 2024	3,000,000	3,000,000	0.17	February 22, 2024		
Unsecured bonds due on February 26, 2027	1,000,000	1,000,000	1.07	February 26, 2027	(1)	(2)
Unsecured bonds due on February 25, 2031	1,000,000	1,000,000	0.50	February 25, 2031		
Unsecured bonds due on February 25, 2036	1,000,000	1,000,000	0.75	February 25, 2036		
Unsecured bonds due on February 23, 2037	1,000,000	1,000,000	1.08	February 23, 2037		
Total	14,000,000	14,000,000	—	—	—	—

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

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

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

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

#### 5. SHORT-TERM LOANS PAYABLE

Short-term loans payable at March 31, 2021 and September 30, 2021 consisted of the following:

Lender	Thousands of yen			Due on	Use of funds	Note
	As of March 31, 2021	As of September 30, 2021	Average interest rate (%) (1)			
Mizuho Bank, Ltd.	2,000,000	—	—	—		
MUFG Bank, Ltd.	4,000,000	—	—	—	—	—
Resona Bank, Limited.	1,000,000	—	—	—		
Sumitomo Mitsui Banking Corporation	2,500,000	2,500,000	0.21	October 8, 2021		
Resona Bank, Limited.	500,000	500,000	0.21	October 15, 2021		
Mizuho Bank, Ltd.	—	2,000,000	0.21	April 8, 2022	(2)	(3)
Resona Bank, Limited	—	1,000,000	0.23	August 31, 2022		
Total short-term loans	10,000,000	6,000,000	—	—	—	—

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

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

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

MTR has entered into line of credit loan agreements totaling ¥20,000 million with banks to reduce refinancing risk. The unused amount of such credit lines was ¥20,000 million at September 30, 2021.

#### 6. LONG-TERM LOANS PAYABLE

Long-term loans payable at March 31, 2021 and September 30, 2021 consisted of the following:

Lender	Thousands of yen			Due on	Use of funds	Note
	As of March 31, 2021	As of September 30, 2021	Average interest rate (%) (1)			
Sumitomo Mitsui Banking Corporation	5,000,000	—	—	—		
MUFG Bank, Ltd.	2,500,000	—	—	—		
Resona Bank, Limited.	1,000,000	—	—	—		
Resona Bank, Limited.	500,000	—	—	—	—	—
Mizuho Bank, Ltd	500,000	—	—	—		
Mizuho Bank, Ltd	1,500,000	—	—	—		
Mizuho Bank, Ltd	1,000,000	—	—	—		
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	(2)	(3)
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	0.54	August 31, 2023
Development Bank of Japan Inc.	1,000,000	1,000,000	0.46	August 31, 2023
Resona Bank, Limited.	1,000,000	1,000,000	0.17	August 31, 2023
MUFG Bank, Ltd.	500,000	500,000	0.64	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	0.57	October 18, 2023
Mizuho Bank, Ltd	3,000,000	3,000,000	0.27	February 29, 2024
The Bank of Fukuoka, Ltd.	1,500,000	1,500,000	0.36	February 29, 2024
Aozora Bank, Ltd.	2,000,000	2,000,000	0.36	March 11, 2024
Shinkin Central Bank	2,000,000	2,000,000	0.56	March 19, 2024
Sumitomo Mitsui Banking Corporation	3,000,000	3,000,000	0.56	April 9, 2024
Development Bank of Japan Inc.	2,000,000	2,000,000	0.29	April 11, 2024
Mizuho Bank, Ltd	1,000,000	1,000,000	0.30	April 11, 2024
Mizuho Bank, Ltd	3,000,000	3,000,000	0.43	April 24, 2024
The Bank of Fukuoka, Ltd.	1,000,000	1,000,000	0.54	May 31, 2024
Sumitomo Mitsui Banking Corporation.	3,000,000	3,000,000	0.46	October 9, 2024
Sumitomo Mitsui Banking Corporation.	—	1,000,000	0.17	October 9, 2024
The Nishi-Nippon City Bank, Ltd.	500,000	500,000	0.64	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	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	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
The Bank of Fukuoka, Ltd.	1,000,000	1,000,000	0.42	January 30, 2026
Sumitomo Mitsui Trust Bank, Ltd.	1,500,000	1,500,000	0.41	February 27, 2026
Sumitomo Mitsui Banking Corporation.	1,000,000	1,000,000	0.52	February 27, 2026
Development Bank of Japan Inc.	1,000,000	1,000,000	0.41	March 12, 2026
Nippon Life Insurance Company	500,000	500,000	0.36	March 31, 2026
Resona Bank, Limited.	—	1,000,000	0.39	April 22, 2026
Aozora Bank, Ltd.	500,000	500,000	0.72	April 24, 2026
Resona Bank, Limited.	—	500,000	0.39	May 29, 2026
Development Bank of Japan Inc.	1,000,000	1,500,000	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	0.40	September 18, 2026
Mitsui Sumitomo Insurance Company, Limited	500,000	500,000	0.39	September 30, 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
The Norinchukin Bank	3,000,000	3,000,000	0.38	February 26, 2027
SUMITOMO LIFE INSURANCE COMPANY	500,000	500,000	0.59	June 25, 2027
The Norinchukin Bank	1,500,000	1,500,000	0.38	August 31, 2027
The Nishi-Nippon City Bank, Ltd.	1,500,000	1,500,000	0.48	August 31, 2027
Resona Bank, Limited.	500,000	500,000	0.48	August 31, 2027
SUMITOMO LIFE INSURANCE COMPANY	500,000	500,000	0.38	August 31, 2027
Development Bank of Japan Inc.	1,000,000	1,000,000	0.43	September 10, 2027
MUFG Bank, Ltd.	—	1,500,000	0.50	October 13, 2027
Mizuho Bank, Ltd	1,000,000	1,000,000	0.63	December 24, 2027
Mizuho Bank, Ltd	1,000,000	1,000,000	0.47	January 19, 2028
Mizuho Bank, Ltd	1,000,000	1,000,000	0.55	January 19, 2028
Development Bank of Japan Inc.	500,000	500,000	0.47	January 19, 2028
MUFG Bank, Ltd.	1,500,000	1,500,000	0.53	March 31, 2028
Sumitomo Mitsui Banking Corporation.	—	1,500,000	0.54	April 7, 2028
Sumitomo Mitsui Banking Corporation.	1,500,000	1,500,000	0.51	April 11, 2028
Mizuho Bank, Ltd	1,500,000	1,500,000	0.51	April 17, 2028
The 77 Bank, Ltd.	1,000,000	1,000,000	0.54	August 31, 2028
Shinsei Bank Limited	1,000,000	1,000,000	0.53	August 31, 2028
Aozora Bank, Ltd.	—	1,500,000	0.59	April 23, 2029
Mizuho Bank, Ltd	—	1,000,000	0.62	August 31, 2030
Mizuho Bank, Ltd	—	500,000	0.63	August 31, 2030
Mizuho Bank, Ltd	—	1,500,000	0.66	February 28, 2031
Total long-term loans	133,000,000	135,000,000	—	— — —

(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 (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)	18,000,000	19,500,000	27,500,000	10,500,000

## 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, 2021 and September 30, 2021, 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, 2021 and September 30, 2021 were as follows:

	As of March 31, 2021	As of September 30, 2021
	Thousands of yen	
<b>Deferred tax assets:</b>		
Accrued enterprise tax	17	0
Total deferred tax assets	17	0
<b>Deferred tax liabilities:</b>		
Reserve for advanced depreciation of non-current assets	493,173	656,582
Total deferred tax liabilities	493,173	656,582
<b>Net deferred tax assets (liabilities)</b>	<b>(493,156)</b>	<b>(656,581)</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, 2021 and September 30, 2021 was as follows:

	October 1, 2020 to March 31, 2021	April 1, 2021 to September 30, 2021
Statutory tax rate	31.46%	31.46%
Deductible dividend distribution	(31.45%)	(28.32%)
Others	0.01%	0.01%
Effective tax rates	0.02%	3.15%

MTR is subject to Japanese corporate income taxes on all of its taxable income. However, under the Special Taxation Measures Law (STML) of Japan, an investment corporation is allowed to deduct dividends of accounting profits, or dividend distributions, paid to investors from its taxable income if certain tax requirements are satisfied. Such tax requirements include dividend distributions in excess of 90% of the investment corporation's distributable profit for the accounting period as stipulated in Article 67-15 of the STML. Based on the distribution policy provided by its Articles of Incorporation, MTR made a dividend distribution of approximately 100% of retained earnings in the amount of ¥4,684,000 thousand at September 30, 2021 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 30, 2021 and September 30, 2021 and for the six-month period then ended:

	Yen	
	October 1, 2020 to March 31, 2021	April 1, 2021 to September 30, 2021
Net assets per share at period end	121,348	121,292
Net income per share	3,875	3,819
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, 2021)

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	¥3,155,237 thousand
Account name and balance at period end	Rental and other receivables
	¥6,533thousand
	Rents received in advance
	¥33,000 thousand
	Leasehold and security deposits including trust accounts
	¥869,780 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, 2021)

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	¥13,980,000 thousand
	Sale of property
	¥13,980,000 thousand
	Rental revenues
	¥2,243,104 thousand
Account name and balance at period end	Property management revenues
	¥275,732 thousand
	Rental and other receivables
	¥4,340 thousand
	Rents received in advance
	¥24,761 thousand
	Leasehold and security deposits including trust accounts
	¥876,412 thousand
	Trade accounts payable
	¥46,502 thousand
	Accrued expenses
	¥264 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, 2021 and September 30, 2021 is summarized as follows:

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

	Thousands of yen	
	October 1, 2020 to March 31, 2021	April 1, 2021 to September 30, 2021
Property-Related Revenues:	8,530,598	7,485,180
Property rental revenues	8,165,114	7,122,682
Common charges	241,875	238,888
Land rental revenues	123,609	123,609
Other rental revenues	259,331	283,283
Parking revenues	85,341	87,707
Utilities revenues	128,843	129,877
Penalty revenues	11,288	31,730
Other revenues	33,857	33,967
Property-Related Expenses:	2,880,013	3,152,474
Property management fees	424,006	721,885
Utilities expenses	166,455	186,415
Property and other taxes	964,655	958,141
Casualty insurance	18,545	17,371
Repairs and maintenance	152,966	126,339
Depreciation	1,126,895	1,113,968
Other rental expenses	26,489	28,353
Profit	5,909,915	4,615,989

## (2) Gain on sale of real estate

	Thousands of yen	
	October 1, 2020 to March 31, 2021	April 1, 2021 to September 30, 2021
		Tokyo Shiodome Building
Income from sale of real estate	-	13,980,000
Cost of real estate sales	-	12,538,270
Other expenses on sale	-	7,824
Gain on sale of real estate	-	1,433,905

## 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, 2021 and estimated fair value are shown in the following table. Notes to "Cash and deposits," "Cash and deposits in trust," and "Short-term loans payable" are omitted because their fair value approximates their book value due to cash and short term settlements.

Thousands of yen			
	Carrying Value	Estimated Fair Value (1)	Difference
1) Current portion of investment corporation bonds	3,000,000	2,995,170	(4,829)
2) Current portion of long-term loans payable	26,500,000	26,546,207	46,207
3) Investment corporation bonds	11,000,000	11,060,809	60,809
4) Long-term loans payable	106,500,000	106,446,470	(53,529)
5) Tenant leasehold and security deposits	4,204,197	4,165,615	(38,582)
6) Tenant leasehold and security deposits in trust	249,956	241,541	(8,414)
Total Liabilities	151,454,153	151,455,814	1,662

The carrying value of financial instruments on the balance sheet as of September 30, 2021 and estimated fair value are shown in the following table. Notes to "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
<b>Liabilities</b>			
1) Current portion of investment corporation bonds	3,000,000	2,994,430	(5,569)
2) Current portion of long-term loans payable	31,500,000	31,508,621	8,621
3) Investment corporation bonds	11,000,000	11,034,172	34,172
4) Long-term loans payable	103,500,000	103,083,644	(416,355)
5) Tenant leasehold and security deposits	9,618,022	9,374,160	(243,861)
6) Tenant leasehold and security deposits in trust	934,875	893,740	(41,134)
Total Liabilities	159,552,897	158,888,767	(664,126)

(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 March 31, 2021)

Thousands of yen						
	Due in 1 year or less	Due in 1 to 2 years	Due in 2 to 3 years	Due in 3 to 4 years	Due in 4 to 5 years	Due after 5 years
Current portion of investment corporation bonds	3,000,000	-	-	-	-	-
Current portion of long-term loans payable	26,500,000	-	-	-	-	-
Investment corporation bonds	-	4,000,000	3,000,000	-	-	4,000,000
Long-term loans payable	-	25,500,000	19,000,000	23,000,000	15,000,000	24,000,000

(As of September 30, 2021)

Thousands of yen						
	Due in 1 year or less	Due in 1 to 2 years	Due in 2 to 3 years	Due in 3 to 4 years	Due in 4 to 5 years	Due after 5 years
Current portion of investment corporation bonds	3,000,000	-	-	-	-	-
Current portion of long-term loans payable	31,500,000	-	-	-	-	-
Investment corporation bonds	-	4,000,000	3,000,000	-	-	4,000,000
Long-term loans payable	-	18,000,000	19,500,000	27,500,000	10,500,000	28,000,000

### 13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of March 31, 2021 and September 30, 2021 were as follows:

	Thousands of yen	
	As of March 31, 2021	As of September 30, 2021
Cash and deposits	21,460,919	18,883,962
Cash and deposits in trust	3,118,666	2,979,150
Cash and cash equivalents	24,579,586	21,863,112

### 14. LEASES

MTR leases properties and earns rental revenues. Future lease revenues subsequent to March 31, 2021 and September 30, 2021 under non-cancelable operating leases were as follows:

	Thousands of yen	
	As of March 31, 2021	As of September 30, 2021
Due within one year	5,653,932	6,255,716
Due after one year	10,203,824	11,055,305
Total	15,857,756	17,311,021

### 15. REVENUE RECOGNITION

#### 1. Breakdown of revenue from contracts with customers

For the period from April 1, 2021 to September 30, 2021

	Thousands of yen	
	Revenue from contracts with customers *1	Revenue from external customers
Sales of real estate properties *2	13,980,000	1,433,905
Utilities income	130,040	130,040
Others	-	7,638,423
Total	14,110,040	9,202,368

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

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

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

For the period from April 1, 2021 to September 30, 2021

As described in the Summary of Significant Accounting Policies.

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

For the period from April 1, 2021 to September 30, 2021

#### (1) Balance of contract assets and contract liabilities

	Thousands of yen
	April 1, 2021 to September 30, 2021
Claims arising from contracts with customers (At beginning of period)	21,698
Claims arising from contracts with customers (At end of period)	26,233
Contract assets (At beginning of period)	-
Contract assets (At end of period)	-
Contract liabilities (At beginning of period)	-
Contract liabilities (At end of period)	-

(2) Transaction price allocated to remaining performance obligations

As of September 30, 2021, the total transaction price allocated to the remaining performance obligations for the sale of real estate is 13,980,000 thousand yen for the real estate for which a sale contract was executed on March 25, 2021.

MTR expects to recognize revenue for such remaining performance obligations upon delivery of such real estate properties, which is expected to occur on October 1, 2021.

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

## 16. INVESTMENT AND RENTAL PROPERTIES

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

Thousands of yen								
Use	Carrying Value (1)		Fair Value (3)		Carrying Value (1)		Fair Value (3)	
	As of September 30, 2020	Net Changes (2)	As of March 31, 2021	As of March 31, 2021	As of March 31, 2021	Net Changes (2)	As of September 30, 2021	As of September 30, 2021
Office buildings	218,114,670	(514,537)	217,600,132	236,300,000	217,600,132	952,841	218,552,974	235,040,000
Retail facilities	69,020,840	(111,081)	68,909,759	85,320,000	68,909,759	(94,357)	68,815,401	85,310,000
Others	19,119,057	(84,460)	19,034,596	20,930,000	19,034,596	(165,348)	18,869,248	20,980,000
Total	306,254,568	(710,079)	305,544,488	342,550,000	305,544,488	693,135	306,237,624	341,330,000

(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 the acquisition of Kamiyacho Trust Tower and decreases mainly due to the transfer of Tokyo Shiodome 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 March 31, 2021 and September 30, 2021 concerning rental properties is as follows:

Thousands of yen								
Use	October 1, 2020 to March 31, 2021				April 1, 2021 to September 30, 2021			
	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	6,121,426	2,197,761	3,923,664	-	5,099,521	2,437,616	2,661,904	1,433,905
Retail facilities	1,938,440	334,483	1,603,957	-	1,938,164	381,460	1,556,704	-
Others	730,062	347,768	382,293	-	730,777	333,397	397,380	-
Total	8,789,929	2,880,013	5,909,915	-	7,768,463	3,152,474	4,615,989	1,433,905

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

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

## 17. SEGMENT AND RELATED INFORMATION

### Segment Information

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

(For the six months ended March 31, 2021)

## 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.	3,155,237	Leasing Business

(For the six months ended September 30, 2021)

## 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.	3,677,009	Leasing Business

## 18. SUBSEQUENT EVENTS

### DISTRIBUTION OF RETAINED EARNINGS

On November 18, 2021, the Board of Directors of MTR approved a resolution for the payment of a cash distribution of ¥3,550 per share, aggregating to ¥4,684,000 thousand, to its shareholders of record as of September 31, 2021.

#### Transfer of property

MTR has transferred the following asset as of October 1, 2021.

#### Tokyo Shiodome Building

##### (i) Outline of the transfer

Property to be transferred:	Real estate trust's beneficiary interest (co-owned interest 62,411 of 1,000,000)
Transfer price:	13,980 million yen (Excluding transfer cost, property taxes, city planning taxes and consumption

Gain on transfer:	taxes) About 1,433 million yen
Date of transfer:	October 1, 2021
Buyer:	MORI TRUST CO., LTD.

#### Acquisition of property

MTR completed the acquisition of the following asset on October 1, 2021.

##### Kamiyacho Trust Tower

##### (i) Outline of the acquisition

Property to be acquired:	Real estate trust's beneficiary interest Land ownership and land lease rights (site ownership ratio: 3.333628617%) Sectionally owned building
Acquisition price:	13,980 million yen (Excluding acquisition cost, property taxes, city planning taxes and consumption taxes)
Date of acquisition:	October 1, 2021
Seller:	MORI TRUST CO., LTD.