

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 March 31, 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 March 31, 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

June 23, 2021

金子 秀嗣 

Shuji Kaneko
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 September 30, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and deposits	19,446,362	21,460,919
Cash and deposits in trust	2,835,490	3,118,666
Operating accounts receivable	249,460	48,279
Accounts receivable – other	–	2,839
Prepaid expenses	71,739	33,639
Other	685	8,160
Total current assets	22,603,738	24,672,505
Non-current assets		
Property, plant and equipment		
Buildings	40,393,268	40,488,240
Accumulated depreciation	(18,999,215)	(19,566,409)
Buildings, net	21,394,053	20,921,830
Structures	571,395	571,395
Accumulated depreciation	(531,981)	(532,617)
Structures, net	39,414	38,778
Machinery and equipment	152,086	153,655
Accumulated depreciation	(117,834)	(120,200)
Machinery and equipment, net	34,251	33,454
Tools, furniture and fixtures	104,935	107,339
Accumulated depreciation	(77,296)	(80,265)
Tools, furniture and fixtures, net	27,639	27,073
Land	136,672,529	136,672,529
Buildings in trust	28,087,602	28,402,864
Accumulated depreciation	(11,006,973)	(11,555,430)
Buildings in trust, net	17,080,629	16,847,433
Structures in trust	125,323	125,323
Accumulated depreciation	(104,090)	(105,126)
Structures in trust, net	21,233	20,196
Machinery and equipment in trust	7,693	7,693
Accumulated depreciation	(3,264)	(3,508)
Machinery and equipment in trust, net	4,429	4,185
Tools, furniture and fixtures in trust	94,007	96,617
Accumulated depreciation	(53,549)	(57,541)
Tools, furniture and fixtures in trust, net	40,458	39,075
Land in trust	130,939,930	130,939,930
Total property, plant and equipment	306,254,568	305,544,488
Intangible assets		
Other	240	240
Total intangible assets	240	240

Thousands of yen

	As of September 30, 2020	As of March 31, 2021
Investments and other assets		
Guarantee deposits	10,000	10,000
Long-term prepaid expenses	6,622	12,402
Other	3,602	3,602
Total investments and other assets	20,225	26,004
Total non-current assets	306,275,033	305,570,733
Deferred assets		
Investment corporation bond issuance costs	36,481	57,923
Total deferred assets	36,481	57,923
Total assets	328,915,253	330,301,163
Liabilities		
Current liabilities		
Operating accounts payable	174,498	363,723
Short-term loans payable	13,000,000	10,000,000
Current portion of investment corporation bonds	3,000,000	3,000,000
Current portion of long-term loans payable	22,500,000	26,500,000
Accounts payable – other	143,117	193,587
Accrued expenses	447,663	446,312
Dividends payable	8,691	7,922
Income taxes payable	947	956
Accrued consumption taxes	283,190	197,513
Advances received	1,519,814	1,010,197
Deposits received	322	322
Total current liabilities	41,078,244	41,720,536
Non-current liabilities		
Investment corporation bonds	9,000,000	11,000,000
Long-term loans payable	107,500,000	106,500,000
Tenant leasehold and security deposits	9,809,617	9,460,564
Tenant leasehold and security deposits in trust	911,177	946,890
Deferred tax liabilities	493,156	493,156
Total non-current liabilities	127,713,950	128,400,610
Total liabilities	168,792,195	170,121,147

Thousands of yen

	As of September 30, 2020	As of March 31, 2021
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	5,058,569	5,115,527
Total surplus	6,133,017	6,189,975
Total unitholders' equity	160,123,057	160,180,015
Total net assets	160,123,057	160,180,015
Total liabilities and net assets	328,915,253	330,301,163

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

STATEMENTS OF INCOME AND RETAINED EARNINGS

For the six-month period ended September 30, 2020 and March 31, 2021

Thousands of yen

	For the period from April 1, 2020 to September 30, 2020	For the period from October 1, 2020 to March 31, 2021
Operating revenue		
Lease business revenue	8,613,153	8,530,598
Other lease business revenue	269,397	259,331
Total operating revenue	8,882,550	8,789,929
Operating expenses		
Expenses related to rent business	2,991,735	2,880,013
Asset management fee	341,890	334,798
Asset custody fee	13,111	13,129
Administrative service fees	47,919	48,455
Directors' compensations	3,600	3,600
Other operating expenses	47,105	45,200
Total operating expenses	3,445,361	3,325,198
Operating income	5,437,189	5,464,731
Non-operating income		
Interest income	103	110
Reversal of dividends payable	1,264	1,034
Insurance income	221	35,405
Total non-operating income	1,589	36,550
Non-operating expenses		
Interest expenses	355,373	334,045
Interest expenses on investment corporation bonds	13,985	15,410
Amortization of investment corporation bond issuance costs	8,980	8,994
Other	1,112	26,661
Total non-operating expenses	379,452	385,112
Ordinary income	5,059,326	5,116,169
Profit before income taxes	5,059,326	5,116,169
Income taxes - current	962	973
Income taxes - deferred	(16)	(0)
Total income taxes	946	972
Profit	5,058,379	5,115,197
Retained earnings at beginning of period	190	329
Unappropriated retained earnings	5,058,569	5,115,527

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

STATEMENTS OF CHANGES IN NET ASSETS

For the six-month period from April 1, 2020 to September 30, 2020

Thousands of yen

	Unitholders' equity					Total unitholders' equity	Total net assets
	Unitholders' capital	Surplus			Total surplus		
		Voluntary retained earnings	Total voluntary retained earnings	Unappropriated retained earnings (undisposed loss)			
	Reserve for reduction entry						
Balance at beginning of current period	153,990,040	1,074,447	1,074,447	4,996,390	6,070,837	160,060,877	160,060,877
Changes of items during period							
Dividends of surplus				(4,996,200)	(4,996,200)	(4,996,200)	(4,996,200)
Profit				5,058,379	5,058,379	5,058,379	5,058,379
Total changes of items during period	—	—	—	62,179	62,179	62,179	62,179
Balance at end of current period	153,990,040	1,074,447	1,074,447	5,058,569	6,133,017	160,123,057	160,123,057

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

For the six-month period from October 1, 2020 to March 31, 2021

Thousands of yen

	Unitholders' equity					Total unitholders' equity	Total net assets
	Unitholders' capital	Surplus			Total surplus		
		Voluntary retained earnings	Total voluntary retained earnings	Unappropriated retained earnings (undisposed loss)			
	Reserve for reduction entry						
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.

STATEMENTS OF CASH DISTRIBUTIONS

For the six-month period ended September 30, 2020 and March 31, 2021

	Unit: yen	
	The Fiscal Period ended September 30, 2020 (April 1, 2020 to September 30, 2020)	The Fiscal Period ended March 31, 2021 (October 1, 2020 to March 31, 2021)
I. Unappropriated retained earnings	5,058,569,966	5,115,527,248
II. Distribution amount	5,058,240,000	5,115,000,000
(Distribution amount per unit)	(3,832)	(3,875)
III. Retained earnings carried forward	329,966	527,248
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 5,058,240,000 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 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>

STATEMENTS OF CASH FLOWS

For the six-month period ended September 30, 2020 and March 31, 2021

	Thousands of yen	
	For the period from April 1, 2020 to September 30, 2020	For the period from October 1, 2020 to March 31, 2021
Cash flows from operating activities		
Profit before income taxes	5,059,326	5,116,169
Depreciation	1,308,619	1,126,895
Amortization of investment corporation bond issuance costs	8,980	8,994
Interest income	(103)	(110)
Interest expenses	369,359	349,456
Decrease (Increase) in operating accounts receivable	(199,394)	209,847
Increase (Decrease) in operating accounts payable	(42,915)	83,620
Increase (Decrease) in accrued consumption taxes	(41,156)	(85,676)
Increase (Decrease) in advances received	14,597	(509,616)
Other, net	(20,148)	24,911
Subtotal	6,457,165	6,324,491
Interest income received	103	110
Interest expenses paid	(373,925)	(353,711)
Income taxes paid	(621)	(964)
Net cash provided by operating activities	6,082,720	5,969,926
Cash flows from investing activities		
Purchase of property, plant and equipment	(157,457)	(69,997)
Purchase of property, plant and equipment in trust	(467,146)	(296,347)
Repayments of tenant leasehold and security deposits	(52,452)	(405,972)
Proceeds from tenant leasehold and security deposits	81,467	161,616
Repayments of tenant leasehold and security deposits in trust	(6,462)	(17,528)
Proceeds from tenant leasehold and security deposits in trust	17,860	45,481
Net cash used in investing activities	(584,189)	(582,747)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	2,500,000	(3,000,000)
Proceeds from long-term loans payable	10,000,000	13,500,000
Repayments of long-term loans payable	(12,500,000)	(10,500,000)
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	(4,996,715)	(5,059,009)
Net cash used in financing activities	(4,996,715)	(3,089,446)
Net increase (decrease) in cash and cash equivalents	501,816	2,297,733
Cash and cash equivalents at beginning of period	21,780,036	22,281,852
Cash and cash equivalents at end of period	22,281,852	24,579,586

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



NOTES TO FINANCIAL STATEMENTS

For the six-month period from October 1, 2020 to March 31, 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 March 31, 2021, MTR owned a portfolio of 15 properties with a total rentable area of 433,862.99 sq. meters occupied by 94 tenants. The occupancy rate was 99.3%.

Basis of presentation of financial statements

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property and equipment

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

Buildings including trust accounts.....	3 - 47 years
Structures including trust accounts.....	2 - 45 years
Machinery and equipment including trust accounts.....	2 - 17 years
Tools, furniture and fixtures including trust accounts.....	2 - 18 years

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

Intangible assets

Intangible assets are amortized on a straight-line basis.

Deferred assets

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

Revenue recognition

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

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.

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.

Accounting standards issued but not yet effective

- “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (ASBJ) Statement No. 29 issued on March 31, 2020)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30 issued on March 26, 2021)

(1) Overview

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

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

(2) Scheduled date of application

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

(3) Impact of applying the accounting standards

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

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

(1) Overview

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

(2) Scheduled date of application

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

(3) Impact of applying the accounting standards

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

3. PROPERTY AND EQUIPMENT

Property and equipment at September 30, 2020 and March 31, 2021 consisted of the following:

	Thousands of yen			
	As of September 30, 2020		As of March 31, 2021	
	Acquisition Cost	Book Value	Acquisition Cost	Book Value
Land	136,672,529	136,672,529	136,672,529	136,672,529
Buildings and structures	40,964,663		41,059,635	
Accumulated depreciation	(19,531,196)	21,433,467	(20,099,026)	20,960,608
Machinery and equipment	152,086		153,655	
Accumulated depreciation	(117,834)	34,251	(120,200)	33,454
Tools, furniture and fixtures	104,935		107,339	
Accumulated depreciation	(77,296)	27,639	(80,265)	27,073
Land in trust	130,939,930	130,939,930	130,939,930	130,939,930
Buildings and structures in trust	28,212,926		28,528,187	
Accumulated depreciation	(11,111,063)	17,101,862	(11,660,556)	16,867,630
Machinery and equipment in trust	7,693		7,693	
Accumulated depreciation	(3,264)	4,429	(3,508)	4,185
Tools, furniture and fixtures in trust	94,007		96,617	
Accumulated depreciation	(53,549)	40,458	(57,541)	39,075
Total		306,254,568		305,544,488

The compressed amount of tangible assets with government grants under the Corporation Tax Law of Japan was ¥38,340 thousand at September 30, 2020 and ¥38,340 thousand at March 31, 2021.

4. INVESTMENT CORPORATION BONDS

Investment corporation bonds at September 30, 2020 and March 31, 2021 consisted of the following:

	Thousands of yen		Average interest rate (%)	Due on	Use of funds	Note
	As of September 30, 2020	As of March 31, 2021				
Unsecured bonds due on February 26, 2021	3,000,000	—	—	—	—	—
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	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	0.50	February 25, 2031		
Unsecured bonds due on February 25, 2036	—	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	12,000,000	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 September 30, 2020 and March 31, 2021 consisted of the following:

Lender	Thousands of yen		Average interest rate (%) (1)	Due on	Use of funds	Note
	As of September 30, 2020	As of March 31, 2021				
Sumitomo Mitsui Banking Corporation	5,500,000	—	—	—	—	—
Resona Bank, Limited.	500,000	—	—	—	—	—
Mizuho Bank, Ltd.	2,000,000	2,000,000	0.20	April 9, 2021		
MUFG Bank, Ltd.	4,000,000	4,000,000	0.20	April 23, 2021		
Resona Bank, Limited.	1,000,000	1,000,000	0.20	August 31, 2021	(2)	(3)
Sumitomo Mitsui Banking Corporation	—	2,500,000	0.20	October 8, 2021		
Resona Bank, Limited	—	500,000	0.20	October 15, 2021		
Total short-term loans	13,000,000	10,000,000	—	—	—	—

(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 March 31, 2021.

6. LONG-TERM LOANS PAYABLE

Long-term loans payable at September 30, 2020 and March 31, 2021 consisted of the following:

Lender	Thousands of yen		Average interest rate (%) (1)	Due on	Use of funds	Note
	As of September 30, 2020	As of March 31, 2021				
Sumitomo Mitsui Banking Corporation	3,000,000	—	—	—		
MUFG Bank, Ltd.	1,000,000	—	—	—		
Mizuho Bank, Ltd	1,000,000	—	—	—		
Development Bank of Japan Inc.	500,000	—	—	—		
Sumitomo Mitsui Trust Bank, Ltd	1,500,000	—	—	—		
Mizuho Bank, Ltd	1,000,000	—	—	—		
Development Bank of Japan Inc.	1,000,000	—	—	—		
MUFG Bank, Ltd.	1,500,000	—	—	—		
Sumitomo Mitsui Banking Corporation	5,000,000	5,000,000	1.02	April 9, 2021		
MUFG Bank, Ltd.	2,500,000	2,500,000	0.34	April 13, 2021	(2)	(3)
Resona Bank, Limited.	1,000,000	1,000,000	0.28	April 22, 2021		

Resona Bank, Limited.	500,000	500,000	0.28	May 31, 2021
Mizuho Bank, Ltd	500,000	500,000	0.35	August 30, 2021
Mizuho Bank, Ltd	1,500,000	1,500,000	0.37	August 31, 2021
Mizuho Bank, Ltd	1,000,000	1,000,000	0.34	August 31, 2021
MUFG Bank, Ltd.	1,500,000	1,500,000	0.89	October 1, 2021
Sumitomo Mitsui Banking Corporation	1,000,000	1,000,000	0.83	December 24, 2021
Sumitomo Mitsui Trust Bank, Ltd	1,000,000	1,000,000	0.41	December 24, 2021
Aozora Bank, Ltd.	500,000	500,000	0.83	December 24, 2021
Sumitomo Mitsui Banking Corporation	2,500,000	2,500,000	0.38	January 19, 2022
Mizuho Bank, Ltd	500,000	500,000	0.38	January 19, 2022
The Bank of Fukuoka, Ltd.	2,000,000	2,000,000	0.47	January 31, 2022
Development Bank of Japan Inc.	3,000,000	3,000,000	0.84	February 28, 2022
Sumitomo Mitsui Banking Corporation	1,500,000	1,500,000	0.42	February 28, 2022
MUFG Bank, Ltd.	500,000	500,000	0.42	February 28, 2022
The Dai-ichi Life Insurance Company, Limited	500,000	500,000	0.45	February 28, 2022
Mizuho Bank, Ltd.	4,000,000	4,000,000	0.47	April 11, 2022
Aozora Bank, Ltd.	1,000,000	1,000,000	0.47	April 11, 2022
MUFG Bank, Ltd.	2,000,000	2,000,000	0.41	April 13, 2022
The Ashikaga Bank, Ltd.	1,000,000	1,000,000	0.44	April 22, 2022
Sumitomo Mitsui Banking Corporation	2,000,000	2,000,000	0.80	April 28, 2022
Sumitomo Mitsui Trust Bank, Ltd.	500,000	500,000	0.43	August 30, 2022
Sumitomo Mitsui Trust Bank, Ltd.	3,500,000	3,500,000	0.44	August 31, 2022
Sumitomo Mitsui Trust Bank, Ltd.	2,000,000	2,000,000	0.40	August 31, 2022
Sumitomo Mitsui Trust Bank, Ltd.	1,000,000	1,000,000	0.47	September 30, 2022
Sumitomo Mitsui Trust Bank, Ltd.	1,500,000	1,500,000	0.44	January 19, 2023
Mizuho Bank, Ltd.	500,000	500,000	0.44	January 19, 2023
MUFG Bank, Ltd.	2,500,000	2,500,000	0.49	February 28, 2023
Mizuho Bank, Ltd.	2,000,000	2,000,000	0.49	February 28, 2023
Sumitomo Mitsui Trust Bank, Ltd.	1,000,000	1,000,000	0.45	February 28, 2023
Mizuho Trust & Banking Co., Ltd.	1,000,000	1,000,000	0.45	February 28, 2023
Mizuho Bank, Ltd.	3,500,000	3,500,000	0.47	April 12, 2023
The Bank of Fukuoka, Ltd.	1,000,000	1,000,000	0.43	April 21, 2023
The Nishi-Nippon City Bank, Ltd.	500,000	500,000	0.49	April 24, 2023
Mizuho Bank, Ltd.	1,500,000	1,500,000	0.48	August 31, 2023
Development Bank of Japan Inc.	1,000,000	1,000,000	0.51	August 31, 2023
Resona Bank, Limited.	1,000,000	1,000,000	0.48	August 31, 2023
MUFG Bank, Ltd.	500,000	500,000	0.43	August 31, 2023
Development Bank of Japan Inc.	500,000	500,000	0.54	September 29, 2023
Resona Bank, Limited.	1,000,000	1,000,000	0.46	October 18, 2023
Mizuho Bank, Ltd	3,000,000	3,000,000	0.17	February 29, 2024
Development Bank of Japan Inc.	1,500,000	1,500,000	0.64	February 29, 2024
Aozora Bank, Ltd.	2,000,000	2,000,000	0.54	March 11, 2024
Shinkin Central Bank	2,000,000	2,000,000	0.57	March 19, 2024
Sumitomo Mitsui Banking Corporation	—	3,000,000	0.27	April 9, 2024
Development Bank of Japan Inc.	2,000,000	2,000,000	0.36	April 11, 2024
Mizuho Bank, Ltd	1,000,000	1,000,000	0.36	April 11, 2024
Mizuho Bank, Ltd.	3,000,000	3,000,000	0.56	April 24, 2024
The Bank of Fukuoka, Ltd.	1,000,000	1,000,000	0.56	May 31, 2024
Sumitomo Mitsui Banking Corporation	—	3,000,000	0.29	October 9, 2024
The Nishi-Nippon City Bank, Ltd.	500,000	500,000	0.43	December 26, 2024
Mizuho Bank, Ltd.	1,500,000	1,500,000	0.56	January 17, 2025
MUFG Bank, Ltd.	500,000	500,000	0.56	January 17, 2025
Sumitomo Mitsui Trust Bank, Ltd.	3,000,000	3,000,000	0.32	February 28, 2025
Mizuho Bank, Ltd.	1,000,000	1,000,000	0.65	February 28, 2025
Sumitomo Mitsui Banking Corporation	1,000,000	1,000,000	0.65	February 28, 2025
The Hachijuni 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 Trust Bank, Ltd.	4,000,000	4,000,000	0.37	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	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	0.41	March 12, 2026
Nippon Life Insurance Company	500,000	500,000	0.36	March 31, 2026
Aozora Bank, Ltd.	500,000	500,000	0.72	April 24, 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
Mitsui Sumitomo Insurance Company, Limited	500,000	500,000	0.39	September 30, 2026
MUFG Bank, Ltd.	—	1,000,000	0.40	December 25, 2026
The Bank of Fukuoka, Ltd.	500,000	500,000	0.56	December 25, 2026
Resona Bank, Limited.	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
SUMITOMO LIFE INSURANCE COMPANY	500,000	500,000	0.38	August 31, 2027
Resona Bank, Limited.	500,000	500,000	0.48	August 31, 2027
Development Bank of Japan Inc.	1,000,000	1,000,000	0.43	September 10, 2027
Mizuho Bank, Ltd.	1,000,000	1,000,000	0.63	December 24, 2027
Mizuho Bank, Ltd.	—	1,000,000	0.47	January 19, 2028
Mizuho Bank, Ltd.	—	1,000,000	0.55	January 19, 2028
Development Bank of Japan Inc.	—	500,000	0.47	January 19, 2028
MUFG Bank, Ltd.	—	1,500,000	0.53	March 31, 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
Total long-term loans	130,000,000	133,000,000	—	—

- (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)	25,500,000	19,000,000	23,000,000	15,000,000

7. NET ASSETS

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

8. INCOME TAXES

At September 30, 2020 and March 31, 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 September 30, 2020 and March 31, 2021 were as follows:

	As of September 30, 2020	As of March 31, 2021
	Thousands of yen	
Deferred tax assets:		
Accrued enterprise tax	17	17
Total deferred tax assets	17	17
Deferred tax liabilities:		
Reserve for advanced depreciation of non-current assets	493,173	493,173
Total deferred tax liabilities	493,173	493,173
Net deferred tax assets (liabilities)	(493,156)	(493,156)

A reconciliation of the tax rate differences between the adjusted statutory tax rate and the effective tax rates for the six months ended September 30, 2020 and March 31, 2021 was as follows:

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

MTR is subject to Japanese corporate income taxes on all of its taxable income. However, under the Special Taxation Measures Law (STML) of Japan, an investment corporation is allowed to deduct dividends of accounting profits, or dividend distributions, paid to investors from its taxable income if certain tax requirements are satisfied. Such tax requirements include dividend distributions in excess of 90% of the investment corporation's distributable profit for the accounting period as stipulated in Article 67-15 of the STML. Based on the distribution policy provided by its Articles of Incorporation, MTR made a dividend distribution of approximately 100% of retained earnings in the amount of ¥5,115,000 thousand at March 31, 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 September 30, 2020 and March 31, 2021 and for the six-month period then ended:

	Yen	
	April 1, 2020 to September 30, 2020	October 1, 2020 to March 31, 2021
Net assets per share at period end	121,305	121,348
Net income per share	3,832	3,875
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 September 30, 2020)

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	¥3,160,710 thousand
Account name and balance at period end	Rental and other receivables ¥1,703 thousand
	Rents received in advance ¥512,416 thousand
	Leasehold and security deposits including trust accounts ¥1,002,744 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 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 ¥6,533 thousand
	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.

- (4) Directors and major individual shareholders: None applicable

11. BREAKDOWN OF PROPERTY-RELATED REVENUES AND EXPENSES

A breakdown of property-related revenues and expenses for the six-month period ended September 30, 2020 and March 31, 2021 is summarized as follows:

(1) Rental revenues and property-related expenses

	Thousands of yen	
	April 1, 2020 to September 30, 2020	October 1, 2020 to March 31, 2021
Property-Related Revenues:	8,613,153	8,530,598
Property rental revenues	8,246,811	8,165,114
Common charges	242,733	241,875
Land rental revenues	123,609	123,609
Other rental revenues	269,397	259,331
Parking revenues	83,574	85,341
Utilities revenues	153,678	128,843
Penalty revenues	-	11,288
Other revenues	32,145	33,857
Property-Related Expenses:	2,991,735	2,880,013
Property management fees	401,638	424,006
Utilities expenses	205,263	166,455
Property and other taxes	966,633	964,655
Casualty insurance	19,283	18,545
Repairs and maintenance	65,756	152,966
Depreciation	1,308,619	1,126,895
Other rental expenses	24,540	26,489
Profit	5,890,815	5,909,915

12. FINANCIAL INSTRUMENTS

Overview

(1) Policy for financial instruments

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

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

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

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

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

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

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

Estimated Fair Value of Financial Instruments

The carrying value of financial instruments on the balance sheet as of September 30, 2020 and estimated fair value are shown in the following table. The table does not include financial instruments for which it is extremely difficult to determine the fair value.

	Thousands of yen		
	Carrying Value	Estimated Fair Value (1)	Difference
Assets			
1) Cash and deposits	19,446,362	19,446,362	-
2) Cash and deposits in trust	2,835,490	2,835,490	-
Total Assets	22,281,852	22,281,852	-
Liabilities			
1) Short-term loans payable	13,000,000	13,000,000	-
2) Current portion of investment corporation bonds	3,000,000	2,996,163	(3,836)
3) Current portion of long-term loans payable	22,500,000	22,527,354	27,354
4) Investment corporation bonds	9,000,000	9,122,420	122,420
5) Long-term loans payable	107,500,000	108,074,206	574,206
6) Tenant leasehold and security deposits	4,222,805	4,182,987	(39,817)
7) Tenant leasehold and security deposits in trust	249,956	243,864	(6,092)
Total Liabilities	159,472,761	160,146,995	674,234

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. The table does not include financial instruments for which it is extremely difficult to determine the fair value.

	Thousands of yen		
	Carrying Value	Estimated Fair Value (1)	Difference
Assets			
1) Cash and deposits	21,460,919	21,460,919	-
2) Cash and deposits in trust	3,118,666	3,118,666	-
Total Assets	24,579,586	24,579,586	-
Liabilities			
1) Short-term loans payable	10,000,000	10,000,000	-
2) Current portion of investment corporation bonds	3,000,000	2,995,170	(4,829)
3) Current portion of long-term loans payable	26,500,000	26,546,207	46,207
4) Investment corporation bonds	11,000,000	11,060,809	60,809
5) Long-term loans payable	106,500,000	106,446,470	(53,529)
6) Tenant leasehold and security deposits	4,204,197	4,165,615	(38,582)
7) Tenant leasehold and security deposits in trust	249,956	241,541	(8,414)
Total Liabilities	161,454,153	161,455,814	1,660

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

Cash and deposits and Cash and deposits in trust

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

Short-term loans payable

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

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

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

	Thousands of yen	
	As of September 30, 2020	As of March 31, 2021
Tenant leasehold and security deposits	5,586,811	5,256,366
Tenant leasehold and security deposits in trust	661,220	696,934

(2) The redemption schedule for monetary claims

(As of September 30, 2020)

	Thousands of yen	
	Cash and deposits	Cash and deposits in trust
1 year or less	19,446,362	2,835,490
1 to 2 years	-	-
2 to 3 years	-	-
3 to 4 years	-	-
4 to 5 years	-	-
Over 5 years	-	-

(As of March 31, 2021)

	Thousands of yen	
	Cash and deposits	Cash and deposits in trust
1 year or less	21,460,919	3,118,666
1 to 2 years	-	-
2 to 3 years	-	-
3 to 4 years	-	-
4 to 5 years	-	-
Over 5 years	-	-

(3) The redemption schedule for loans

(As of September 30, 2020)

	Thousands of yen					
	Due in 1 year or less	Due in 1 to 2 years	Due in 2 to 3 years	Due in 3 to 4 years	Due in 4 to 5 years	Due after 5 years
Short-term loans payable	13,000,000	-	-	-	-	-
Current portion of investment corporation bonds	3,000,000	-	-	-	-	-
Current portion of long-term loans payable	22,500,000	-	-	-	-	-
Investment corporation bonds	-	3,000,000	4,000,000	-	-	2,000,000
Long-term loans payable	-	31,500,000	18,000,000	16,500,000	20,000,000	21,500,000

(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
Short-term loans payable	10,000,000	-	-	-	-	-
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

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of September 30, 2020 and March 31, 2021 were as follows:

	Thousands of yen	
	As of September 30, 2020	As of March 31, 2021
Cash and deposits	19,446,362	21,460,919
Cash and deposits in trust	2,835,490	3,118,666
Cash and cash equivalents	22,281,852	24,579,586

14. LEASES

MTR leases properties and earns rental revenues. Future lease revenues subsequent to September 30, 2020 and March 31, 2021 under non-cancelable operating leases were as follows:

	Thousands of yen	
	As of September 30, 2020	As of March 31, 2021
Due within one year	10,824,596	5,653,932
Due after one year	12,187,874	10,203,824
Total	23,012,470	15,857,756

15. INVESTMENT AND RENTAL PROPERTIES

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

Use	Thousands of yen								
	Carrying Value (1)			Fair Value (3)		Carrying Value (1)			Fair Value (3)
	As of March 31, 2020	Net Changes (2)	As of September 30, 2020	As of September 30, 2020	As of September 30, 2020	Net Changes (2)	As of March 31, 2021	As of March 31, 2021	
Office buildings	218,926,719	(812,049)	218,114,670	235,640,000	218,114,670	(514,537)	217,600,132	236,300,000	
Retail facilities	69,147,442	(126,601)	69,020,840	85,520,000	69,020,840	(111,081)	68,909,759	85,320,000	
Others	19,272,230	(153,173)	19,119,057	21,310,000	19,119,057	(84,460)	19,034,596	20,930,000	
Total	307,346,392	(1,091,824)	306,254,568	342,470,000	306,254,568	(710,079)	305,544,488	342,550,000	

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

(2)The components of net change in carrying value included increases mainly due to renovation work on the properties and decreases mainly due to depreciation.

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

The profit and loss for the six-month period ended September 30, 2020 and March 31, 2021 concerning rental properties is as follows:

Use	Thousands of yen				Thousands of yen			
	April 1, 2020 to September 30, 2020				October 1, 2020 to March 31, 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	6,188,515	2,339,969	3,848,545	-	6,121,426	2,197,761	3,923,664	-
Retail facilities	1,963,006	318,195	1,644,811	-	1,938,440	334,483	1,603,957	-
Others	731,029	333,570	397,458	-	730,062	347,768	382,293	-
Total	8,882,550	2,991,735	5,890,815	-	8,789,929	2,880,013	5,909,915	-

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

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

16. SEGMENT AND RELATED INFORMATION

Segment Information

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

(For the six months ended September 30, 2020)

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.	3,160,710	Leasing Business

(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

17. SUBSEQUENT EVENTS

DISTRIBUTION OF RETAINED EARNINGS

On May 21, 2021, the Board of Directors of MTR approved a resolution for the payment of a cash distribution of ¥3,875 per share, aggregating to ¥5,115,000 thousand, to its shareholders of record as of March 31, 2021.

(Additional Information)

Transfer of property

MTR concluded a sales agreement for beneficial interests in trust on the transfer of the property below on March 25, 2021.

Tokyo Shiodome Building

(i) Outline of the transfer

Property to be transferred:	Real estate trust's beneficiary interest (co-owned interest 124,822 of 1,000,000)
Transfer price:	27,960 million yen (the first: 13,980 million yen, the second: 13,980 million yen) (Excluding transfer cost, property taxes, city planning taxes and consumption taxes)
Gain on transfer:	We are to record gain on sales of real estate of approximately 1.4 billion yen in the fiscal period ending September 2021 and approximately 1.4 billion yen in fiscal period ending March 2022 as operating revenues.
Scheduled date of transfer:	First scheduled date: July 1, 2021, second scheduled date: October 1, 2021
Buyer:	MORI TRUST CO., LTD.

Acquisition of property

MTR concluded a sales agreement for beneficial interests in trust on the acquisition of the property below on March 25, 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: 6.67257234%) Building Sectionally owned
Acquisition price:	27,960 million yen (No. 901: 13,980 million yen, No. 801: 13,980 million yen) (Excluding acquisition cost, property taxes, city planning taxes and consumption taxes)
Scheduled date of acquisition:	First scheduled date (No. 901): July 1, 2021, second scheduled date (No. 801): October 1, 2021
Seller:	MORI TRUST CO., LTD.