

Independent Auditor's Report

The Board of Directors
MORI TRUST Sogo Reit, Inc.

We have audited the accompanying financial statements of MORI TRUST Sogo Reit, Inc., which comprise the balance sheet as at September 30, 2017, and the statements of income and retained earnings, changes in net assets, cash distributions, and cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MORI TRUST Sogo Reit, Inc. as at September 30, 2017, and its financial performance and cash flows for the six-month period then ended in conformity with accounting principles generally accepted in Japan.

Ernst & Young ShinNihon LLC

December 21, 2017



FINANCIAL STATEMENTS
BALANCE SHEETS

As of March 31, 2017 and September 30, 2017

Thousands of yen

| | As of March 31, 2017 | As of September 30, 2017 |
|---|----------------------|--------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 14,206,209 | 21,105,617 |
| Cash and deposits in trust | 2,576,492 | 2,683,202 |
| Operating accounts receivable | 79,397 | 68,100 |
| Prepaid expenses | 33,816 | 25,422 |
| Deferred tax assets | 13 | 21 |
| Other | — | 3,538 |
| Total current assets | 16,895,929 | 23,885,903 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings | 42,823,570 | 39,596,582 |
| Accumulated depreciation | (15,476,538) | (14,494,419) |
| Buildings, net | 27,347,031 | 25,102,163 |
| Structures | 650,836 | 563,580 |
| Accumulated depreciation | (594,032) | (528,827) |
| Structures, net | 56,803 | 34,752 |
| Machinery and equipment | 133,961 | 133,961 |
| Accumulated depreciation | (104,004) | (105,359) |
| Machinery and equipment, net | 29,956 | 28,601 |
| Tools, furniture and fixtures | 110,757 | 93,751 |
| Accumulated depreciation | (59,398) | (60,371) |
| Tools, furniture and fixtures, net | 51,358 | 33,380 |
| Land | 146,060,266 | 136,672,529 |
| Buildings in trust | 25,987,771 | 26,099,915 |
| Accumulated depreciation | (7,321,763) | (7,881,161) |
| Buildings in trust, net | 18,666,008 | 18,218,754 |
| Structures in trust | 108,939 | 114,715 |
| Accumulated depreciation | (93,046) | (94,564) |
| Structures in trust, net | 15,892 | 20,150 |
| Machinery and equipment in trust | 2,897 | 2,897 |
| Accumulated depreciation | (2,205) | (2,233) |
| Machinery and equipment in trust, net | 692 | 664 |
| Tools, furniture and fixtures in trust | 54,485 | 57,799 |
| Accumulated depreciation | (27,488) | (30,605) |
| Tools, furniture and fixtures in trust, net | 26,997 | 27,193 |
| Land in trust | 123,359,160 | 123,359,160 |
| Total property, plant and equipment | 315,614,167 | 303,497,351 |
| Intangible assets | | |
| Software | 95 | 76 |
| Other | 240 | 240 |
| Total intangible assets | 335 | 316 |

Thousands of yen

| | As of March 31, 2017 | As of September 30, 2017 |
|---|----------------------|--------------------------|
| Investments and other assets | | |
| Guarantee deposits | 10,000 | 10,000 |
| Long-term prepaid expenses | 2,130 | 562 |
| Other | 3,602 | 3,602 |
| Total investments and other assets | 15,732 | 14,164 |
| Total non-current assets | 315,630,235 | 303,511,832 |
| Deferred assets | | |
| Investment corporation bond issuance costs | 49,830 | 40,427 |
| Total deferred assets | 49,830 | 40,427 |
| Total assets | 332,575,995 | 327,438,163 |
| Liabilities | | |
| Current liabilities | | |
| Operating accounts payable | 218,194 | 566,765 |
| Short-term loans payable | 6,000,000 | 5,500,000 |
| Current portion of investment corporation bonds | 4,000,000 | 4,000,000 |
| Current portion of long-term loans payable | 38,000,000 | 33,000,000 |
| Accounts payable – other | 102,262 | 237,354 |
| Accrued expenses | 507,244 | 555,704 |
| Dividends payable | 9,731 | 10,318 |
| Income taxes payable | 852 | 999 |
| Accrued consumption taxes | 171,197 | 359,769 |
| Advances received | 1,477,868 | 1,431,504 |
| Deposits received | 4,964 | 3,377 |
| Total current liabilities | 50,492,316 | 45,665,793 |
| Non-current liabilities | | |
| Investment corporation bonds | 9,000,077 | 9,000,064 |
| Long-term loans payable | 102,500,000 | 100,500,000 |
| Tenant leasehold and security deposits | 10,101,531 | 9,265,115 |
| Tenant leasehold and security deposits in trust | 831,828 | 833,453 |
| Deferred tax liabilities | 285,650 | 515,301 |
| Total non-current liabilities | 122,719,087 | 120,113,934 |
| Total liabilities | 173,211,403 | 165,779,728 |
| Net assets | | |
| Unitholders' equity | | |
| Unitholders' capital | 153,990,040 | 153,990,040 |
| Surplus | | |
| Voluntary retained earnings | | |
| Reserve for reduction entry | 652,218 | 618,592 |
| Total voluntary retained earnings | 652,218 | 618,592 |
| Unappropriated retained earnings | 4,722,333 | 7,049,802 |
| Total surplus | 5,374,552 | 7,668,395 |
| Total unitholders' equity | 159,364,592 | 161,658,435 |
| Total net assets | 159,364,592 | 161,658,435 |
| Total liabilities and net assets | 332,575,995 | 327,438,163 |

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



STATEMENTS OF INCOME AND RETAINED EARNINGS

For the six-month periods ended March 31, 2017 and September 30, 2017

| | Thousands of yen | |
|--|---|---|
| | For the period from October 1, 2016 to March 31, 2017 | For the period from April 1, 2017 to September 30, 2017 |
| Operating revenue | | |
| Lease business revenue | 8,590,929 | 8,504,468 |
| Other lease business revenue | 278,455 | 289,014 |
| Gain on sale of investment property | — | 2,813,198 |
| Total operating revenue | 8,869,384 | 11,606,680 |
| Operating expenses | | |
| Expenses related to rent business | 3,195,970 | 3,285,231 |
| Asset management fee | 324,579 | 364,288 |
| Asset custody fee | 15,243 | 16,557 |
| Administrative service fees | 49,762 | 59,152 |
| Directors' compensations | 9,180 | 7,590 |
| Other operating expenses | 41,373 | 79,592 |
| Total operating expenses | 3,636,109 | 3,812,411 |
| Operating income | 5,233,274 | 7,794,268 |
| Non-operating income | | |
| Interest income | 220 | 372 |
| Reversal of dividends payable | 1,153 | 1,112 |
| Insurance income | 1,448 | 286 |
| Co-sponsor fee | 1,000 | — |
| Other | 1,133 | — |
| Total non-operating income | 4,955 | 1,771 |
| Non-operating expenses | | |
| Interest expenses | 504,325 | 490,019 |
| Interest expenses on investment corporation bonds | 16,474 | 16,115 |
| Amortization of investment corporation bond issuance costs | 9,737 | 9,402 |
| Total non-operating expenses | 530,538 | 515,538 |
| Ordinary income | 4,707,691 | 7,280,501 |
| Profit before income taxes | 4,707,691 | 7,280,501 |
| Income taxes - current | 885 | 1,056 |
| Income taxes - deferred | (15,527) | 229,642 |
| Total income taxes | (14,642) | 230,698 |
| Profit | 4,722,333 | 7,049,802 |
| Unappropriated retained earnings | 4,722,333 | 7,049,802 |

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

STATEMENTS OF CHANGES IN NET ASSETS

For the six-month periods ended March 31, 2017

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 | 768,588 | 768,588 | 4,596,029 | 5,364,618 | 159,354,658 | 159,354,658 |
| Changes of items during period | | | | | | | |
| Reversal of reserve for reduction entry | | (116,370) | (116,370) | 116,370 | — | — | — |
| Dividends of surplus | | | | (4,712,400) | (4,712,400) | (4,712,400) | (4,712,400) |
| Profit | | | | 4,722,333 | 4,722,333 | 4,722,333 | 4,722,333 |
| Total changes of items during period | — | (116,370) | (116,370) | 126,304 | 9,933 | 9,933 | 9,933 |
| Balance at end of current period | 153,990,040 | 652,218 | 652,218 | 4,722,333 | 5,374,552 | 159,364,592 | 159,364,592 |

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

For the six-month periods ended September 30, 2017

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 | 652,218 | 652,218 | 4,722,333 | 5,374,552 | 159,364,592 | 159,364,592 |
| Changes of items during period | | | | | | | |
| Reversal of reserve for reduction entry | | (33,626) | (33,626) | 33,626 | — | — | — |
| Dividends of surplus | | | | (4,755,960) | (4,755,960) | (4,755,960) | (4,755,960) |
| Profit | | | | 7,049,802 | 7,049,802 | 7,049,802 | 7,049,802 |
| Total changes of items during period | — | (33,626) | (33,626) | 2,327,469 | 2,293,842 | 2,293,842 | 2,293,842 |
| Balance at end of current period | 153,990,040 | 618,592 | 618,592 | 7,049,802 | 7,668,395 | 161,658,435 | 161,658,435 |

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



STATEMENTS OF CASH DISTRIBUTIONS

For the six-month periods ended March 31, 2017 and September 30, 2017

(Unit: yen)

| | 30th Fiscal Period (October 1, 2016 to March 31, 2017) | 31st Fiscal Period (April 1, 2017 to September 30, 2017) |
|---|---|--|
| I. Unappropriated retained earnings | 4,722,333,845 | 7,049,802,986 |
| II. Reversal of voluntary retained earnings | | |
| Reversal of reserve for reduction entry | 33,626,155 | — |
| III. Distribution amount | 4,755,960,000 | 6,552,480,000 |
| (Distribution amount per unit) | (3,603) | (4,964) |
| IV. Voluntary retained earnings | | |
| Provision of reserve for reduction entry | — | 497,322,986 |
| V. Retained earnings carried forward | 0 | 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 the total sum of unappropriated retained earnings and the reversal of reserve for reduction entry under Article 66-2 of the Act on Special Measures Concerning Taxation, the amount of which is 4,755,960,000 yen.</p> <p>In addition, MTR does not distribute dividends in excess of accounting profit as set forth in Paragraph 2, Article 29 of the Investment Corporation's Articles of Incorporation.</p> | <p>In accordance with Paragraph 1, Article 29 of the Investment Corporation's Articles of Incorporation, MTR decided to distribute the total balance of unappropriated retained earnings after deducting provision of the reserve for reduction entry under Article 66-2 of the Act on Special Measures Concerning Taxation, the amount of which is 6,552,480,000 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 periods ended March 31, 2017 and September 30, 2017

| | Thousands of yen | |
|---|---|---|
| | For the period from October 1, 2016 to March 31, 2017 | For the period from April 1, 2017 to September 30, 2017 |
| Cash flows from operating activities | | |
| Profit before income taxes | 4,707,691 | 7,280,501 |
| Depreciation | 1,394,351 | 1,373,930 |
| Amortization of investment corporation bond issuance costs | 9,737 | 9,402 |
| Interest income | (220) | (372) |
| Interest expenses | 520,800 | 506,135 |
| Increase in operating accounts receivable | 9,152 | 11,296 |
| Increase (decrease) in operating accounts payable | (15,781) | 345,032 |
| Decrease in accrued consumption taxes | 11,664 | 188,571 |
| Increase (decrease) in advances received | 6,186 | (46,363) |
| Decrease due to sale of investment property | — | 11,213,671 |
| Other, net | 115,426 | 67,582 |
| Subtotal | 6,759,009 | 20,949,389 |
| Interest income received | 220 | 372 |
| Interest expenses paid | (522,653) | (516,897) |
| Income taxes paid | (880) | (908) |
| Net cash provided by operating activities | 6,235,695 | 20,431,955 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (67,110) | (233,430) |
| Purchase of property, plant and equipment in trust | (152,188) | (102,244) |
| Repayments of tenant leasehold and security deposits | (46,171) | (909,448) |
| Proceeds from tenant leasehold and security deposits | 117,198 | 73,032 |
| Repayments of tenant leasehold and security deposits in trust | (32,758) | (30,546) |
| Proceeds from tenant leasehold and security deposits in trust | 14,771 | 32,172 |
| Net cash used in investing activities | (166,258) | (1,170,465) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term loans payable | 500,000 | (500,000) |
| Proceeds from long-term loans payable | 6,500,000 | 12,500,000 |
| Repayments of long-term loans payable | (7,500,000) | (19,500,000) |
| Proceeds from issuance of investment corporation bonds | 5,000,080 | — |
| Redemption of investment corporation bonds | (5,000,000) | — |
| Payments for investment corporation bond issuance costs | (28,185) | — |
| Dividends paid | (4,712,867) | (4,755,373) |
| Net cash used in financing activities | (5,240,973) | (12,255,373) |
| Net increase in cash and cash equivalents | 828,463 | 7,006,117 |
| Cash and cash equivalents at beginning of period | 15,954,238 | 16,782,701 |
| Cash and cash equivalents at end of period | 16,782,701 | 23,788,819 |

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



NOTES TO FINANCIAL STATEMENTS

For the six-month periods ended March 31, 2017 and September 30, 2017

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 75% by Mori Trust Co., Ltd., 10% by Sompo Japan Nipponkoa Insurance Inc., 5% by Sumitomo Mitsui Banking Corporation, 5% by The Bank of Tokyo-Mitsubishi UFJ, Ltd., and 5% by Mizuho Bank, 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, 2017, MTR owned a portfolio of 14 properties with a total rentable area of 428,920.03 sq. meters occupied by 91 tenants. The occupancy rate was 99.7%.

Basis of presentation of financial statements

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property and equipment

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

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

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

Intangible assets

Intangible assets are amortized on a straight-line basis.

Revenue recognition

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

Deferred assets

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

Taxes on property and equipment

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

Cash and cash equivalents

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

Accounting treatment of beneficiary interests in trust assets including real estate

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

Consumption taxes

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

3. PROPERTY AND EQUIPMENT

Property and equipment at March 31, 2017 and September 30, 2017 consisted of the following:

| | Thousands of yen | | | |
|--|----------------------|-------------|--------------------------|-------------|
| | As of March 31, 2017 | | As of September 30, 2017 | |
| | Acquisition Cost | Book Value | Acquisition Cost | Book Value |
| Land | 146,060,266 | 146,060,266 | 136,672,529 | 136,672,529 |
| Buildings and structures | 43,474,406 | | 40,160,163 | |
| Accumulated depreciation | (16,070,571) | 27,403,834 | (15,023,247) | 25,136,915 |
| Machinery and equipment | 133,961 | | 133,961 | |
| Accumulated depreciation | (104,004) | 29,956 | (105,359) | 28,601 |
| Tools, furniture and fixtures | 110,757 | | 93,751 | |
| Accumulated depreciation | (59,398) | 51,358 | (60,371) | 33,380 |
| Land in trust | 123,359,160 | 123,359,160 | 123,359,160 | 123,359,160 |
| Buildings and structures in trust | 26,096,710 | | 26,214,631 | |
| Accumulated depreciation | (7,414,809) | 18,681,901 | (7,975,725) | 18,238,905 |
| Machinery and equipment in trust | 2,897 | | 2,897 | |
| Accumulated depreciation | (2,205) | 692 | (2,233) | 664 |
| Tools, furniture and fixtures in trust | 54,485 | | 57,799 | |
| Accumulated depreciation | (27,488) | 26,997 | (30,605) | 27,193 |
| Total | | 315,614,167 | | 303,497,351 |

The compressed amount of tangible assets with government grants under the Corporation Tax Law of Japan was ¥38,340 thousand at March 31, 2017 and ¥38,340 thousand at September 30, 2017.

4. SHORT-TERM LOANS PAYABLE

Short-term loans payable at March 31, 2017 and September 30, 2017 consisted of the following:

| Lender | Thousands of yen | | Average interest rate (%) (1) | Due on | Use of funds | Note |
|--|----------------------|--------------------------|-------------------------------|------------------|--------------|------|
| | As of March 31, 2017 | As of September 30, 2017 | | | | |
| Mizuho Bank, Ltd. | 2,000,000 | - | - | - | - | - |
| Mitsubishi UFJ Trust & Banking Corporation | 3,500,000 | - | - | - | - | - |
| Resona Bank, Limited | 500,000 | 500,000 | 0.16 | October 18, 2017 | - | - |
| Mizuho Bank, Ltd. | - | 2,000,000 | 0.16 | April 12, 2018 | (2) | (3) |
| Mitsubishi UFJ Trust & Banking Corporation | - | 3,000,000 | 0.16 | August 31, 2018 | - | - |
| Total short-term loans | 6,000,000 | 5,500,000 | - | - | - | - |

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

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

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

MTR has entered into line of credit loan agreements totaling ¥20,000 million with banks to reduce refinancing risk. The unused amount of such credit lines was ¥20,000 million at September 30, 2017.

5. LONG-TERM LOANS PAYABLE

Long-term loans payable at March 31, 2017 and September 30, 2017 consisted of the following:

| Lender | Thousands of yen | | Average interest rate (%) (1) | Due on | Use of funds | Note |
|---|----------------------|--------------------------|-------------------------------|-------------------|--------------|------|
| | As of March 31, 2017 | As of September 30, 2017 | | | | |
| Mizuho Bank, Ltd. | 4,000,000 | - | - | - | - | - |
| Aozora Bank, Ltd. | 1,000,000 | - | - | - | - | - |
| The Ashikaga Bank, Ltd. | 1,000,000 | - | - | - | - | - |
| Sumitomo Mitsui Trust Bank, Ltd. | 5,500,000 | - | - | - | - | - |
| Mizuho Bank, Ltd. | 4,000,000 | - | - | - | - | - |
| Mitsubishi UFJ Trust & Banking Corporation | 1,000,000 | - | - | - | - | - |
| Development Bank of Japan Inc. | 2,000,000 | - | - | - | - | - |
| Sumitomo Mitsui Trust Bank, Ltd. | 1,000,000 | - | - | - | - | - |
| Sumitomo Mitsui Trust Bank, Ltd. | 1,000,000 | 1,000,000 | 0.46 | December 26, 2017 | - | - |
| Mitsubishi UFJ Trust & Banking Corporation | 1,000,000 | 1,000,000 | 0.46 | December 26, 2017 | - | - |
| Sumitomo Mitsui Banking Corporation | 5,000,000 | 5,000,000 | 0.76 | February 28, 2018 | - | - |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 5,000,000 | 5,000,000 | 0.76 | February 28, 2018 | - | - |
| Mizuho Bank, Ltd. | 3,000,000 | 3,000,000 | 0.76 | February 28, 2018 | - | - |
| ORIX Bank Corporation | 2,000,000 | 2,000,000 | 0.75 | March 19, 2018 | - | - |
| Development Bank of Japan Inc. | 1,500,000 | 1,500,000 | 0.84 | March 19, 2018 | - | - |
| Mitsubishi UFJ Trust & Banking Corporation | 4,500,000 | 4,500,000 | 0.47 | April 13, 2018 | - | - |
| Mizuho Bank, Ltd. | 3,000,000 | 3,000,000 | 0.85 | April 24, 2018 | - | - |
| Aozora Bank, Ltd. | 1,000,000 | 1,000,000 | 0.85 | April 24, 2018 | - | - |
| The Bank of Fukuoka, Ltd. | 1,000,000 | 1,000,000 | 0.63 | May 31, 2018 | - | - |
| ORIX Bank Corporation | 1,000,000 | 1,000,000 | 0.78 | August 30, 2018 | - | - |
| Mitsubishi UFJ Trust & Banking Corporation | 3,000,000 | 3,000,000 | 0.44 | August 31, 2018 | - | - |
| Development Bank of Japan Inc. | 1,000,000 | 1,000,000 | 0.99 | August 31, 2018 | - | - |
| Sumitomo Mitsui Banking Corporation | 1,000,000 | 1,000,000 | 0.72 | February 28, 2019 | - | - |
| Development Bank of Japan Inc. | 2,000,000 | 2,000,000 | 0.75 | April 11, 2019 | - | - |
| Mizuho Bank, Ltd. | 1,000,000 | 1,000,000 | 0.75 | April 11, 2019 | (2) | (3) |
| Sumitomo Mitsui Banking Corporation | 3,000,000 | 3,000,000 | 0.96 | April 24, 2019 | - | - |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 2,000,000 | 2,000,000 | 1.04 | August 30, 2019 | - | - |
| Mizuho Bank, Ltd. | 1,500,000 | 1,500,000 | 0.53 | August 30, 2019 | - | - |
| Mizuho Bank, Ltd. | 1,500,000 | 1,500,000 | 0.69 | August 30, 2019 | - | - |
| Development Bank of Japan Inc. | 1,000,000 | 1,000,000 | 1.12 | August 30, 2019 | - | - |
| Tokio Marine & Nichido Fire Insurance Co., Ltd. | 500,000 | 500,000 | 0.17 | August 30, 2019 | - | - |
| Sumitomo Mitsui Banking Corporation | 5,000,000 | 5,000,000 | 1.04 | October 11, 2019 | - | - |
| Sumitomo Mitsui Banking Corporation | 2,000,000 | 2,000,000 | 0.97 | October 11, 2019 | - | - |
| Mizuho Bank, Ltd. | 1,500,000 | 1,500,000 | 0.64 | October 17, 2019 | - | - |
| Mizuho Bank, Ltd. | 1,000,000 | 1,000,000 | 0.62 | December 26, 2019 | - | - |
| The Bank of Fukuoka, Ltd. | 500,000 | 500,000 | 0.62 | December 26, 2019 | - | - |
| Resona Bank, Limited. | 500,000 | 500,000 | 0.62 | December 26, 2019 | - | - |
| Nippon Life Insurance Company | 500,000 | 500,000 | 0.62 | December 26, 2019 | - | - |
| The Nishi-Nippon City Bank, Ltd. | 500,000 | 500,000 | 0.57 | December 26, 2019 | - | - |
| The Bank of Fukuoka, Ltd. | 500,000 | 500,000 | 0.33 | January 31, 2020 | - | - |
| The Bank of Fukuoka, Ltd. | 500,000 | 500,000 | 0.62 | January 31, 2020 | - | - |

| | | | | |
|--|-------------|-------------|------|--------------------|
| Sumitomo Mitsui Trust Bank, Ltd. | 3,000,000 | 3,000,000 | 0.63 | February 28, 2020 |
| Mitsubishi UFJ Trust & Banking Corporation | 3,000,000 | 3,000,000 | 0.20 | February 28, 2020 |
| The Hachijuni Bank, Ltd. | 1,000,000 | 1,000,000 | 0.34 | February 28, 2020 |
| Development Bank of Japan Inc. | 1,000,000 | 1,000,000 | 0.88 | March 12, 2020 |
| Sumitomo Mitsui Trust Bank, Ltd. | 4,000,000 | 4,000,000 | 0.65 | April 13, 2020 |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 4,000,000 | 4,000,000 | 1.07 | April 24, 2020 |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 3,000,000 | 3,000,000 | 1.18 | August 31, 2020 |
| Nippon Life Insurance Company | 500,000 | 500,000 | 0.63 | August 31, 2020 |
| Nippon Life Insurance Company | 1,000,000 | 1,000,000 | 0.55 | September 30, 2020 |
| Sumitomo Mitsui Banking Corporation | 3,000,000 | 3,000,000 | 1.09 | October 9, 2020 |
| Sumitomo Mitsui Trust Bank, Ltd. | 1,500,000 | 1,500,000 | 0.27 | February 26, 2021 |
| Mizuho Bank, Ltd. | 1,000,000 | 1,000,000 | 0.27 | February 26, 2021 |
| Development Bank of Japan Inc. | 1,000,000 | 1,000,000 | 1.02 | March 12, 2021 |
| Mitsubishi UFJ Trust & Banking Corporation | 1,500,000 | 1,500,000 | 0.30 | March 31, 2021 |
| Sumitomo Mitsui Banking Corporation | 5,000,000 | 5,000,000 | 1.02 | April 9, 2021 |
| 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. | - | 1,500,000 | 0.37 | August 31, 2021 |
| Mizuho Bank, Ltd. | 1,000,000 | 1,000,000 | 0.34 | August 31, 2021 |
| The Bank of Tokyo-Mitsubishi UFJ, 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 |
| Aozora Bank, Ltd. | 500,000 | 500,000 | 0.83 | December 24, 2021 |
| 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 |
| The Dai-ichi Life Insurance Company, Limited | 500,000 | 500,000 | 0.45 | February 28, 2022 |
| Mizuho Bank, Ltd. | - | 4,000,000 | 0.47 | April 11, 2022 |
| Aozora Bank, Ltd. | - | 1,000,000 | 0.47 | April 11, 2022 |
| The Ashikaga Bank, Ltd. | - | 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 Banking Corporation | - | 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 Banking Corporation | - | 1,000,000 | 0.47 | September 30, 2022 |
| 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 |
| Mizuho Bank, Ltd. | 1,500,000 | 1,500,000 | 0.48 | August 31, 2023 |
| Resona Bank, Limited. | 1,000,000 | 1,000,000 | 0.48 | August 31, 2023 |
| Development Bank of Japan Inc. | - | 500,000 | 0.54 | September 29, 2023 |
| Resona Bank, Limited | 1,000,000 | 1,000,000 | 0.46 | October 18, 2023 |
| 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 |
| Total long-term loans | 140,500,000 | 133,500,000 | - | - |

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

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

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

(4) The total amounts of long-term loans repayable expected to be repaid during each of the 5 years subsequent to the current balance sheet date are summarized as follows:

| | 1 to 2 years | 2 to 3 years | 3 to 4 years | 4 to 5 years |
|---------------------------------------|--------------|--------------|--------------|--------------|
| Amount of loans (Thousands of yen) | 13,500,000 | 33,000,000 | 17,000,000 | 23,000,000 |



6. INVESTMENT CORPORATION BONDS

Investment corporation bonds at March 31, 2017 and September 30, 2017 consisted of the following:

| | Thousands of yen | | Average interest rate (%) | Due on | Use of funds | Note |
|--|----------------------|--------------------------|---------------------------|-------------------|--------------|----------|
| | As of March 31, 2017 | As of September 30, 2017 | | | | |
| Unsecured bonds due on February 26, 2018 | 4,000,000 | 4,000,000 | 0.18 | February 26, 2018 | | |
| Unsecured bonds due on February 25, 2019 | 3,000,000 | 3,000,000 | 0.11 | February 25, 2019 | | |
| Unsecured bonds due on February 21, 2020 | 4,000,077 | 4,000,064 | 0.00 * | February 21, 2020 | (1) | (2) |
| Unsecured bonds due on February 26, 2027 | 1,000,000 | 1,000,000 | 1.07 | February 26, 2027 | | |
| Unsecured bonds due on February 23, 2037 | 1,000,000 | 1,000,000 | 1.08 | February 23, 2037 | | |
| Total | 13,000,077 | 13,000,064 | - | - | - | - |

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

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

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

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

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

7. NET ASSETS

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

8. INCOME TAXES

At March 31, 2017 and September 30, 2017, 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, 2017 and September 30, 2017 were as follows:

| | As of March 31, 2017 | As of September 30, 2017 |
|---|----------------------|--------------------------|
| | Thousands of yen | |
| Deferred tax assets: | | |
| Accrued enterprise tax | 13 | 21 |
| Total deferred tax assets | 13 | 21 |
| Deferred tax liabilities: | | |
| Reserve for advanced depreciation of non-current assets | 286,650 | 515,301 |
| Total deferred tax liabilities | 285,650 | 515,301 |
| Net deferred tax assets (liabilities) | (285,636) | (515,279) |

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, 2017 and September 30, 2017 was as follows:

| | October 1, 2016 to March 31, 2017 | April 1, 2017 to September 30, 2017 |
|----------------------------------|--------------------------------------|--|
| Statutory tax rate | 31.74% | 31.74% |
| Deductible dividend distribution | (32.07%) | (28.57%) |
| Others | 0.02% | 0.00% |
| Effective tax rates | (0.31%) | 3.17% |

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 in the amount of ¥6,552,480 thousand at September 30, 2017 which is approximately 100% of retained earnings after deducting reserve for advanced depreciation of non-current assets associated with the gain on sales of land and treated it as a tax-deductible dividend. MTR does not distribute dividends in excess of accounting profit in accordance with its Articles of Incorporation.



9. PER SHARE INFORMATION

The following table summarizes information about net assets per share and net income per share at March 31, 2017 and September 30, 2017 and for the six-month periods then ended:

| | Yen | |
|------------------------------------|--------------------------------------|--|
| | October 1, 2016 to March 31, 2017 | April 1, 2017 to September 30, 2017 |
| Net assets per share at period end | 120,730 | 122,468 |
| Net income per share | 3,577 | 5,340 |
| 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, 2017)

| | |
|--|--|
| 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 | ¥3,102,769 thousand |
| Account name and balance at period end | Rental and other receivables ¥1,982 thousand Rents received in advance ¥489,125 thousand Leasehold and security deposits including trust accounts ¥881,196 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, 2017)

| | |
|--|--|
| 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 | ¥3,098,038 thousand |
| Account name and balance at period end | Rental and other receivables ¥1,288 thousand Rents received in advance ¥489,125 thousand Leasehold and security deposits including trust accounts ¥833,929 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 periods ended March 31, 2017 and September 30, 2017 is summarized as follows:

(1) Rental revenues and property-related expenses

| | Thousands of yen | |
|----------------------------|--------------------------------------|--|
| | October 1, 2016 to March 31, 2017 | April 1, 2017 to September 30, 2017 |
| Property-Related Revenues: | 8,590,929 | 8,504,468 |
| Property rental revenues | 8,147,683 | 8,102,436 |
| Common charges | 319,637 | 278,422 |
| Land rental revenues | 123,609 | 123,609 |
| Other rental revenues | 278,455 | 289,014 |
| Parking revenues | 76,686 | 79,534 |
| Utilities revenues | 172,176 | 178,272 |
| Other revenues | 29,591 | 31,207 |
| Property-Related Expenses: | 3,195,970 | 3,285,231 |
| Property management fees | 428,580 | 415,345 |
| Utilities expenses | 212,647 | 223,390 |
| Property and other taxes | 920,669 | 928,904 |
| Casualty insurance | 20,539 | 20,650 |
| Repairs and maintenance | 193,425 | 298,669 |
| Depreciation | 1,394,351 | 1,373,930 |
| Other rental expenses | 25,756 | 24,340 |
| Profit | 5,673,414 | 5,508,250 |

(2) Gain on sale of investment property

[Ito-Yokado Shin-Urayasu]

| | Thousands of yen | |
|---|--------------------------------------|--|
| | October 1, 2016 to March 31, 2017 | April 1, 2017 to September 30, 2017 |
| Revenues from sale of investment property | - | 14,250,000 |
| Cost of sale of investment property | - | 11,213,671 |
| Other sales expenses | - | 223,129 |
| Gain on sale of investment property | - | 2,813,198 |

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, 2017 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 | 14,206,209 | 14,206,209 | - |
| 2) Cash and deposits in trust | 2,576,492 | 2,576,492 | - |
| Total Assets | 16,782,701 | 16,782,701 | - |
| Liabilities | | | |
| 1) Short-term loans payable | 6,000,000 | 6,000,000 | - |
| 2) Current portion of investment corporation bonds | 4,000,000 | 3,997,710 | (2,289) |
| 3) Current portion of long-term loans payable | 38,000,000 | 38,098,571 | 98,571 |
| 4) Investment corporation bonds | 9,000,077 | 9,076,836 | 76,759 |
| 5) Long-term loans payable | 102,500,000 | 103,388,086 | 888,086 |
| 6) Tenant leasehold and security deposits | 3,019,982 | 2,970,427 | (49,555) |
| 7) Tenant leasehold and security deposits in trust | 247,752 | 240,791 | (6,960) |
| Total Liabilities | 162,767,812 | 163,772,425 | 1,004,612 |

The carrying value of financial instruments on the balance sheet as of September 30, 2017 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 | 21,105,617 | 21,105,617 | - |

| | | | |
|--|--------------------|--------------------|----------------|
| 2) Cash and deposits in trust | 2,683,202 | 2,683,202 | - |
| Total Assets | 23,788,819 | 23,788,819 | - |
| Liabilities | | | |
| 1) Short-term loans payable | 5,500,000 | 5,500,000 | - |
| 2) Current portion of investment corporation bonds | 4,000,000 | 3,997,175 | (2,824) |
| 3) Current portion of long-term loans payable | 33,000,000 | 33,067,124 | 67,124 |
| 4) Investment corporation bonds | 9,000,064 | 9,082,278 | 82,214 |
| 5) Long-term loans payable | 100,500,000 | 101,206,753 | 706,753 |
| 6) Tenant leasehold and security deposits | 2,990,273 | 2,945,585 | (44,687) |
| 7) Tenant leasehold and security deposits in trust | 247,752 | 241,332 | (6,419) |
| Total Liabilities | 155,238,089 | 156,040,250 | 802,161 |

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

Cash and deposits and Cash and deposits in trust

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

Short-term loans payable

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

Current portion of long-term loans payable

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

Current portion of investment corporation bonds and investment corporation bonds

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

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

The fair value of tenant leasehold and security deposits including trust accounts is based on the present value of the total of cash flow discounted by an interest rate determined taking into account the remaining period of each item and current credit risk. Certain tenant leasehold and security deposits including trust accounts are not included the above table because it is difficult to predict their restoration time.

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

| | Thousands of yen | |
|---|----------------------|--------------------------|
| | As of March 31, 2017 | As of September 30, 2017 |
| Tenant leasehold and security deposits | 7,081,548 | 6,274,842 |
| Tenant leasehold and security deposits in trust | 584,076 | 585,701 |

(2) The redemption schedule for monetary claims

(As of March 31, 2017)

(Thousands of yen)

| | Cash and deposits | Cash and deposits in trust |
|----------------|-------------------|----------------------------|
| 1 year or less | 14,206,209 | 2,576,492 |
| 1 to 2 years | - | - |
| 2 to 3 years | - | - |
| 3 to 4 years | - | - |
| 4 to 5 years | - | - |
| Over 5 years | - | - |

(As of September 30, 2017)

(Thousands of yen)

| | Cash and deposits | Cash and deposits in trust |
|----------------|-------------------|----------------------------|
| 1 year or less | 21,105,617 | 2,683,202 |
| 1 to 2 years | - | - |
| 2 to 3 years | - | - |
| 3 to 4 years | - | - |
| 4 to 5 years | - | - |
| Over 5 years | - | - |

(3) The redemption schedule for loans

(As of March 31, 2017)

| | | 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 | (Thousands of yen) | 6,000,000 | - | - | - | - | - |
| Current portion of investment corporation bonds | (Thousands of yen) | 4,000,000 | - | - | - | - | - |
| Current portion of long-term loans payable | (Thousands of yen) | 38,000,000 | - | - | - | - | - |
| Investment corporation bonds | (Thousands of yen) | - | 3,000,000 | 4,000,000 | - | - | 2,000,000 |
| Long-term loans payable | (Thousands of yen) | - | 15,500,000 | 33,000,000 | 20,500,000 | 16,000,000 | 17,500,000 |

(As of September 30, 2017)

| | | 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 | (Thousands of yen) | 5,500,000 | - | - | - | - | - |
| Current portion of investment corporation bonds | (Thousands of yen) | 4,000,000 | - | - | - | - | - |
| Current portion of long-term loans payable | (Thousands of yen) | 33,000,000 | - | - | - | - | - |
| Investment corporation bonds | (Thousands of yen) | - | 3,000,000 | 4,000,000 | - | - | 2,000,000 |
| Long-term loans payable | (Thousands of yen) | - | 13,500,000 | 33,000,000 | 17,000,000 | 23,000,000 | 14,000,000 |

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of March 31, 2017 and September 30, 2017 were as follows:

| | Thousands of yen | |
|----------------------------|----------------------|--------------------------|
| | As of March 31, 2017 | As of September 30, 2017 |
| Cash and deposits | 14,206,209 | 21,105,617 |
| Cash and deposits in trust | 2,576,492 | 2,683,202 |
| Cash and cash equivalents | 16,782,701 | 23,788,819 |

14. LEASES

MTR leases properties and earns rental revenues. Future lease revenues subsequent to March 31, 2017 and September 30, 2017 under non-cancelable operating leases were as follows:

| | Thousands of yen | |
|---------------------|----------------------|--------------------------|
| | As of March 31, 2017 | As of September 30, 2017 |
| Due within one year | 9,638,867 | 8,939,875 |
| Due after one year | 29,234,791 | 24,987,672 |
| Total | 38,873,658 | 33,927,547 |

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, 2017 | Net Changes (2) | As of September 30, 2016 | As of March 31, 2017 | As of September 30, 2017 | Net Changes (2) | As of March 31, 2017 | As of September 30, 2017 | |
| Office buildings | 214,967,949 | (919,990) | 215,887,939 | 227,060,000 | 214,318,810 | (649,138) | 214,967,949 | 232,810,000 | |
| Retail facilities | 80,896,439 | (201,667) | 81,098,107 | 91,310,000 | 69,561,327 | (11,335,112) | 80,896,439 | 83,620,000 | |
| Others | 19,749,778 | (121,112) | 19,870,890 | 19,440,000 | 19,617,213 | (132,565) | 19,749,778 | 20,140,000 | |
| Total | 315,614,167 | (1,242,770) | 316,856,937 | 337,810,000 | 303,497,351 | (12,116,816) | 315,614,167 | 336,570,000 | |

(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 periods ended March 31, 2017 and September 30, 2017 concerning rental properties is as follows:

| Use | October 1, 2016 to March 31, 2017 | | | | April 1, 2017 to September 30, 2017 | | | |
|-------------------|-----------------------------------|-------------------------------|------------|---|-------------------------------------|-------------------------------|------------|---|
| | 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 | 5,786,731 | 2,366,886 | 3,419,845 | - | 5,808,739 | 2,419,952 | 3,388,787 | - |
| Retail facilities | 2,358,782 | 458,655 | 1,900,127 | - | 2,241,337 | 470,277 | 1,771,059 | 2,813,198 |
| Others | 723,870 | 370,428 | 353,441 | - | 743,405 | 395,001 | 348,403 | - |
| Total | 8,869,384 | 3,195,970 | 5,673,414 | - | 8,793,482 | 3,285,231 | 5,508,250 | 2,813,198 |

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

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



16. SEGMENT AND RELATED INFORMATION

Segment Information

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

(For the six months ended March 31, 2017)

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. | 3,102,769 | Leasing Business |

(For the six months ended September 30, 2017)

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. | 3,098,038 | Leasing Business |

17. SUBSEQUENT EVENTS

DISTRIBUTION OF RETAINED EARNINGS

On November 14, 2017, the Board of Directors of MTR approved a resolution for the payment of a cash distribution of ¥4,964 per share, aggregating to ¥6,552,480 thousand, to its shareholders of record as of September 30, 2017.