

## Independent Auditor's Report

The Board of Directors  
MORI TRUST Sogo Reit, Inc.

### Opinion

We have audited the accompanying financial statements of MORI TRUST Sogo Reit, Inc. (the Company), which comprise the balance sheet as at September 30, 2020, and the statements of income and retained earnings, changes in net assets, cash distributions, and cash flows for the six-month period then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2020, and its financial performance and its cash flows for the six-month period then ended in accordance with accounting principles generally accepted in Japan.

### Basis for Opinion

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

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

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

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

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

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

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

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

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

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

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

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

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

Ernst & Young ShinNihon LLC  
Tokyo, Japan

December 22, 2020

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 March 31, 2020	As of September 30, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	18,802,219	19,446,362
Cash and deposits in trust	2,977,817	2,835,490
Operating accounts receivable	50,066	249,460
Accounts receivable – other	10,642	–
Prepaid expenses	34,537	71,739
Other	4,213	685
<b>Total current assets</b>	<b>21,879,495</b>	<b>22,603,738</b>
Non-current assets		
Property, plant and equipment		
Buildings	40,275,524	40,393,268
Accumulated depreciation	(18,241,656)	(18,999,215)
Buildings, net	22,033,867	21,394,053
Structures	571,395	571,395
Accumulated depreciation	(531,310)	(531,981)
Structures, net	40,084	39,414
Machinery and equipment	152,086	152,086
Accumulated depreciation	(115,664)	(117,834)
Machinery and equipment, net	36,421	34,251
Tools, furniture and fixtures	103,633	104,935
Accumulated depreciation	(74,426)	(77,296)
Tools, furniture and fixtures, net	29,207	27,639
Land	136,672,529	136,672,529
Buildings in trust	28,002,980	28,087,602
Accumulated depreciation	(10,467,369)	(11,006,973)
Buildings in trust, net	17,535,611	17,080,629
Structures in trust	125,153	125,323
Accumulated depreciation	(102,688)	(104,090)
Structures in trust, net	22,464	21,233
Machinery and equipment in trust	7,693	7,693
Accumulated depreciation	(3,020)	(3,264)
Machinery and equipment in trust, net	4,673	4,429
Tools, furniture and fixtures in trust	81,051	94,007
Accumulated depreciation	(49,448)	(53,549)
Tools, furniture and fixtures in trust, net	31,602	40,458
Land in trust	130,939,930	130,939,930
<b>Total property, plant and equipment</b>	<b>307,346,392</b>	<b>306,254,568</b>
Intangible assets		
Other	240	240
<b>Total intangible assets</b>	<b>240</b>	<b>240</b>

	As of March 31, 2020	As of September 30, 2020
<b>Investments and other assets</b>		
Guarantee deposits	10,000	10,000
Long-term prepaid expenses	17,683	6,622
Other	3,602	3,602
<b>Total investments and other assets</b>	<b>31,285</b>	<b>20,225</b>
<b>Total non-current assets</b>	<b>307,377,918</b>	<b>306,275,033</b>
<b>Deferred assets</b>		
Investment corporation bond issuance costs	45,461	36,481
<b>Total deferred assets</b>	<b>45,461</b>	<b>36,481</b>
<b>Total assets</b>	<b>329,302,876</b>	<b>328,915,253</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Operating accounts payable	247,690	174,498
Short-term loans payable	10,500,000	13,000,000
Current portion of investment corporation bonds	3,000,000	3,000,000
Current portion of long-term loans payable	23,000,000	22,500,000
Accounts payable – other	550,927	143,117
Accrued expenses	459,108	447,663
Dividends payable	9,206	8,691
Income taxes payable	606	947
Accrued consumption taxes	324,346	283,190
Advances received	1,505,216	1,519,814
Deposits received	1,619	322
<b>Total current liabilities</b>	<b>39,598,721</b>	<b>41,078,244</b>
<b>Non-current liabilities</b>		
Investment corporation bonds	9,000,000	9,000,000
Long-term loans payable	109,500,000	107,500,000
Tenant leasehold and security deposits	9,747,760	9,809,617
Tenant leasehold and security deposits in trust	902,342	911,177
Deferred tax liabilities	493,173	493,156
<b>Total non-current liabilities</b>	<b>129,643,276</b>	<b>127,713,950</b>
<b>Total liabilities</b>	<b>169,241,998</b>	<b>168,792,195</b>

Thousands of yen

	As of March 31, 2020	As of September 30, 2020
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	4,996,390	5,058,569
Total surplus	6,070,837	6,133,017
Total unitholders' equity	160,060,877	160,123,057
Total net assets	160,060,877	160,123,057
Total liabilities and net assets	329,302,876	328,915,253

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

## STATEMENTS OF INCOME AND RETAINED EARNINGS

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

Thousands of yen

	For the period from October 1, 2019 to March 31, 2020	For the period from April 1, 2020 to September 30, 2020
<b>Operating revenue</b>		
Lease business revenue	8,574,620	8,613,153
Other lease business revenue	294,696	269,397
<b>Total operating revenue</b>	<b>8,869,317</b>	<b>8,882,550</b>
<b>Operating expenses</b>		
Expenses related to rent business	3,013,543	2,991,735
Asset management fee	348,561	341,890
Asset custody fee	13,104	13,111
Administrative service fees	47,193	47,919
Directors' compensations	3,600	3,600
Other operating expenses	45,256	47,105
<b>Total operating expenses</b>	<b>3,471,259</b>	<b>3,445,361</b>
<b>Operating income</b>	<b>5,398,058</b>	<b>5,437,189</b>
<b>Non-operating income</b>		
Interest income	97	103
Reversal of dividends payable	961	1,264
Insurance income	10,642	221
<b>Total non-operating income</b>	<b>11,701</b>	<b>1,589</b>
<b>Non-operating expenses</b>		
Interest expenses	383,678	355,373
Interest expenses on investment corporation bonds	12,405	13,985
Amortization of investment corporation bond issuance costs	9,023	8,980
Other	8,334	1,112
<b>Total non-operating expenses</b>	<b>413,442</b>	<b>379,452</b>
<b>Ordinary income</b>	<b>4,996,317</b>	<b>5,059,326</b>
<b>Profit before income taxes</b>	<b>4,996,317</b>	<b>5,059,326</b>
Income taxes - current	620	962
Income taxes - deferred	20	(16)
<b>Total income taxes</b>	<b>641</b>	<b>946</b>
<b>Profit</b>	<b>4,995,675</b>	<b>5,058,379</b>
Retained earnings at beginning of period	714	190
Unappropriated retained earnings	4,996,390	5,058,569

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

## STATEMENTS OF CHANGES IN NET ASSETS

For the six-month period from October 1, 2019 to March 31, 2020

Thousands of yen

	Unitholders' equity					Total unitholders' equity	Total net assets	
	Unitholders' capital	Surplus			Unappropriated retained earnings (undisposed loss)			Total surplus
		Voluntary retained earnings		Total voluntary retained earnings				
		Reserve for reduction entry						
Balance at beginning of current period	153,990,040	1,072,409	1,072,409	4,898,632	5,971,042	159,961,082	159,961,082	
Changes of items during period								
Provision of reserve for reduction entry		2,037	2,037	(2,037)	—	—	—	
Dividends of surplus				(4,895,880)	(4,895,880)	(4,895,880)	(4,895,880)	
Profit				4,995,675	4,995,675	4,995,675	4,995,675	
Total changes of items during period	—	2,037	2,037	97,757	99,795	99,795	99,795	
Balance at end of current period	153,990,040	1,074,447	1,074,447	4,996,390	6,070,837	160,060,877	160,060,877	

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

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			Unappropriated retained earnings (undisposed loss)			Total surplus
		Voluntary retained earnings		Total voluntary retained earnings				
		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.



**STATEMENTS OF CASH DISTRIBUTIONS**

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

	The Fiscal Period ended March 31, 2020 (October 1, 2019 to March 31, 2020)	The Fiscal Period ended September 30, 2020 (April 1, 2020 to September 30, 2020)
		Unit: yen
I. Unappropriated retained earnings	4,996,390,036	5,058,569,966
II. Distribution amount	4,996,200,000	5,058,240,000
(Distribution amount per unit)	(3,785)	(3,832)
III. Retained earnings carried forward	190,036	329,966
Calculation method of distribution amount	<p>In accordance with Paragraph 1, Article 29 of the Investment Corporation's Articles of Incorporation, MTR decided to distribute 4,996,200,000 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 5,058,240,000 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>

## STATEMENTS OF CASH FLOWS

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

	Thousands of yen	
	For the period from October 1, 2019 to March 31, 2020	For the period from April 1, 2020 to September 30, 2020
<b>Cash flows from operating activities</b>		
Profit before income taxes	4,996,317	5,059,326
Depreciation	1,292,269	1,308,619
Amortization of investment corporation bond issuance costs	9,023	8,980
Interest income	(97)	(103)
Interest expenses	396,084	369,359
Decrease (Increase) in operating accounts receivable	2,154	(199,394)
Increase (Decrease) in operating accounts payable	19,413	(42,915)
Increase (Decrease) in accrued consumption taxes	152,119	(41,156)
Increase (Decrease) in advances received	12,280	14,597
Other, net	5,685	(20,148)
Subtotal	6,885,250	6,457,165
Interest income received	97	103
Interest expenses paid	(427,023)	(373,925)
Income taxes paid	(1,043)	(621)
Net cash provided by operating activities	6,457,281	6,082,720
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(32,240)	(157,457)
Purchase of property, plant and equipment in trust	(129,018)	(467,146)
Repayments of tenant leasehold and security deposits	(8,518)	(52,452)
Proceeds from tenant leasehold and security deposits	156,252	81,467
Repayments of tenant leasehold and security deposits in trust	(14,961)	(6,462)
Proceeds from tenant leasehold and security deposits in trust	18,536	17,860
Net cash used in investing activities	(9,951)	(584,189)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	5,500,000	2,500,000
Proceeds from long-term loans payable	15,000,000	10,000,000
Repayments of long-term loans payable	(20,500,000)	(12,500,000)
Proceeds from issuance of investment corporation bonds	4,000,000	—
Redemption of investment corporation bonds	(4,000,000)	—
Payments for investment corporation bond issuance costs	(18,383)	—
Dividends paid	(4,896,048)	(4,996,715)
Net cash used in financing activities	(4,914,432)	(4,996,715)
Net increase (decrease) in cash and cash equivalents	1,532,898	501,816
Cash and cash equivalents at beginning of period	20,247,138	21,780,036
Cash and cash equivalents at end of period	21,780,036	22,281,852

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



## NOTES TO FINANCIAL STATEMENTS

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

### 1. ORGANIZATION AND BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

#### Organization

MORI TRUST Sogo Reit, Inc. (“MTR”), a Japanese real estate investment corporation, was incorporated on October 2, 2001 under the Law Concerning Investment Trusts and Investment Corporations of Japan, or the Investment Trust Law. MTR was originally formed by Mori Trust Co., Ltd., and commenced operations on March 28, 2002 by acquiring a property. MTR is provided professional asset management services of properties of various types by a licensed asset management company, MORI TRUST Asset Management Co., Ltd. (“MTAM”). MTAM is currently owned 95% by MORI TRUST Co., Ltd., and 5% by Mori Trust Hotels & Resorts Co., Ltd. On February 13, 2004, MTR was listed on the J-REIT section of the Tokyo Stock Exchange (securities code: 8961). As of September 30, 2020, MTR owned a portfolio of 15 properties with a total rentable area of 433,862.99 sq. meters occupied by 97 tenants. The occupancy rate was 99.9%.

#### Basis of presentation of financial statements

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

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Property and equipment

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

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

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

#### Intangible assets

Intangible assets are amortized on a straight-line basis.

#### 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 31, 2020)

#### **(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.

- “Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections” (ASBJ Statement No. 24 issued on March 31, 2020)

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

The Standards Advisory Council of the ASBJ recommended that the ASBJ consider improvement of disclosure for the notes to “accounting policies and methods which have been adopted in the cases where the relevant accounting standards were not clear”. In response to the recommendation, the ASBJ issued the revised “Accounting Standards for Accounting Policy Disclosures, Accounting Changes and Error Corrections”.

(2) Scheduled date of application

The accounting standards will be applied from the end of the fiscal period ending March 31, 2021.

- “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31 issued on March 31, 2020)

(1) Overview

Paragraph 125 of International Accounting Standards (IAS) 1 “Presentation of Financial Statements” (issued by the IASB in 2003) requires disclosure of information about the “assumptions the entity makes about the future, and other major sources of estimation uncertainty”. In this regard, there has been a request that the major sources of estimation uncertainty should be disclosed as the notes to financial statements under Japanese GAAP in terms of providing useful information to users of financial statements. In response to this request, the ASBJ developed and issued “Accounting Standard for Disclosure of Accounting Estimates”.

(2) Scheduled date of application

The accounting standards will be applied from the end of the fiscal period ending March 31, 2021.

### 3. PROPERTY AND EQUIPMENT

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

	Thousands of yen			
	As of March 31, 2020		As of September 30, 2020	
	Acquisition Cost	Book Value	Acquisition Cost	Book Value
Land	136,672,529	136,672,529	136,672,529	136,672,529
Buildings and structures	40,846,919		40,964,663	
Accumulated depreciation	(18,772,967)	22,073,952	(19,531,196)	21,433,467
Machinery and equipment	152,086		152,086	
Accumulated depreciation	(115,664)	36,421	(117,834)	34,251
Tools, furniture and fixtures	103,633		104,935	
Accumulated depreciation	(74,426)	29,207	(77,296)	27,639
Land in trust	130,939,930	130,939,930	130,939,930	130,939,930
Buildings and structures in trust	28,128,134		28,212,926	
Accumulated depreciation	(10,570,058)	17,558,075	(11,111,063)	17,101,862
Machinery and equipment in trust	7,693		7,693	
Accumulated depreciation	(3,020)	4,673	(3,264)	4,429
Tools, furniture and fixtures in trust	81,051		94,007	
Accumulated depreciation	(49,448)	31,602	(53,549)	40,458
Total		307,346,392		306,254,568

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

#### 4. INVESTMENT CORPORATION BONDS

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

	Thousands of yen		Average interest rate (%)	Due on	Use of funds	Note
	As of March 31, 2020	As of September 30, 2020				
Unsecured bonds due on February 26, 2021	3,000,000	3,000,000	0.01	February 26, 2021		
Unsecured bonds due on February 22, 2022	3,000,000	3,000,000	0.07	February 22, 2022		
Unsecured bonds due on February 20, 2023	4,000,000	4,000,000	0.10	February 20, 2023	(1)	(2)
Unsecured bonds due on February 26, 2027	1,000,000	1,000,000	1.07	February 26, 2027		
Unsecured bonds due on February 23, 2037	1,000,000	1,000,000	1.08	February 23, 2037		
Total	12,000,000	12,000,000	—	—	—	—

(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)	3,000,000	4,000,000	—	—

#### 5. SHORT-TERM LOANS PAYABLE

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

Lender	Thousands of yen		Average interest rate (%) (1)	Due on	Use of funds	Note
	As of March 31, 2020	As of September 30, 2020				
Mizuho Bank, Ltd.	2,000,000	—	—	—	—	—
The Nishi-Nippon City Bank, Ltd	1,500,000	—	—	—	—	—
Resona Bank, Limited.	1,000,000	—	—	—	—	—
Sumitomo Mitsui Banking Corporation	5,500,000	5,500,000	0.19	October 9, 2020		
Resona Bank, Limited.	500,000	500,000	0.19	October 16, 2020		
Mizuho Bank, Ltd.	—	2,000,000	0.19	April 9, 2021	(2)	(3)
MUFG Bank, Ltd.	—	4,000,000	0.19	April 23, 2021		
Resona Bank, Limited.	—	1,000,000	0.19	August 31, 2021		
Total short-term loans	10,500,000	13,000,000	—	—	—	—

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

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

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

MTR has entered into line of credit loan agreements totaling ¥20,000 million with banks to reduce refinancing risk. The unused amount of such credit lines was ¥20,000 million at September 30, 2020.

#### 6. LONG-TERM LOANS PAYABLE

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

Lender	Thousands of yen		Average interest rate (%) (1)	Due on	Use of funds	Note
	As of March 31, 2020	As of September 30, 2020				
Sumitomo Mitsui Trust Bank, Ltd	4,000,000	—	—	—		
MUFG Bank, Ltd.	4,000,000	—	—	—		
MUFG Bank, Ltd.	3,000,000	—	—	—	—	—
Nippon Life Insurance Company	500,000	—	—	—		
Nippon Life Insurance Company	1,000,000	—	—	—		
Sumitomo Mitsui Banking Corporation	3,000,000	3,000,000	1.09	October 9, 2020		
MUFG Bank, Ltd.	1,000,000	1,000,000	0.34	December 25, 2020		
Mizuho Bank, Ltd	1,000,000	1,000,000	0.32	January 19, 2021		
Development Bank of Japan Inc.	500,000	500,000	0.32	January 19, 2021		
Sumitomo Mitsui Trust Bank, Ltd	1,500,000	1,500,000	0.27	February 26, 2021	(2)	(3)
Mizuho Bank, Ltd	1,000,000	1,000,000	0.27	February 26, 2021		
Development Bank of Japan Inc.	1,000,000	1,000,000	1.02	March 12, 2021		
MUFG Bank, Ltd.	1,500,000	1,500,000	0.30	March 31, 2021		
Sumitomo Mitsui Banking Corporation	5,000,000	5,000,000	1.02	April 9, 2021		

MUFG Bank, Ltd.	2,500,000	2,500,000	0.34	April 13, 2021
Resona Bank, Limited.	1,000,000	1,000,000	0.28	April 22, 2021
Resona Bank, Limited.	500,000	500,000	0.28	May 31, 2021
Mizuho Bank, Ltd	500,000	500,000	0.35	August 30, 2021
Mizuho Bank, Ltd	1,500,000	1,500,000	0.37	August 31, 2021
Mizuho Bank, Ltd	1,000,000	1,000,000	0.34	August 31, 2021
MUFG Bank, Ltd.	1,500,000	1,500,000	0.89	October 1, 2021
Sumitomo Mitsui Banking Corporation	1,000,000	1,000,000	0.83	December 24, 2021
Sumitomo Mitsui Trust Bank, Ltd	1,000,000	1,000,000	0.41	December 24, 2021
Aozora Bank, Ltd.	500,000	500,000	0.83	December 24, 2021
Sumitomo Mitsui Banking Corporation	2,500,000	2,500,000	0.38	January 19, 2022
Mizuho Bank, Ltd	500,000	500,000	0.38	January 19, 2022
The Bank of Fukuoka, Ltd.	2,000,000	2,000,000	0.47	January 31, 2022
Development Bank of Japan Inc.	3,000,000	3,000,000	0.84	February 28, 2022
Sumitomo Mitsui Banking Corporation	1,500,000	1,500,000	0.42	February 28, 2022
MUFG Bank, Ltd.	500,000	500,000	0.42	February 28, 2022
The Dai-ichi Life Insurance Company, Limited	500,000	500,000	0.45	February 28, 2022
Mizuho Bank, Ltd.	4,000,000	4,000,000	0.47	April 11, 2022
Aozora Bank, Ltd.	1,000,000	1,000,000	0.47	April 11, 2022
MUFG Bank, Ltd.	2,000,000	2,000,000	0.41	April 13, 2022
The Ashikaga Bank, Ltd.	1,000,000	1,000,000	0.44	April 22, 2022
Sumitomo Mitsui Banking Corporation	2,000,000	2,000,000	0.80	April 28, 2022
Sumitomo Mitsui Trust Bank, Ltd.	500,000	500,000	0.43	August 30, 2022
Sumitomo Mitsui Trust Bank, Ltd.	3,500,000	3,500,000	0.44	August 31, 2022
Sumitomo Mitsui Trust Bank, Ltd.	2,000,000	2,000,000	0.40	August 31, 2022
Sumitomo Mitsui Trust Bank, Ltd.	1,000,000	1,000,000	0.47	September 30, 2022
Sumitomo Mitsui Trust Bank, Ltd.	1,500,000	1,500,000	0.44	January 19, 2023
Mizuho Bank, Ltd.	500,000	500,000	0.44	January 19, 2023
MUFG Bank, Ltd.	2,500,000	2,500,000	0.49	February 28, 2023
Mizuho Bank, Ltd.	2,000,000	2,000,000	0.49	February 28, 2023
Sumitomo Mitsui Trust Bank, Ltd.	1,000,000	1,000,000	0.45	February 28, 2023
Mizuho Trust & Banking Co., Ltd.	1,000,000	1,000,000	0.45	February 28, 2023
Mizuho Bank, Ltd.	3,500,000	3,500,000	0.47	April 12, 2023
The Bank of Fukuoka, Ltd.	1,000,000	1,000,000	0.43	April 21, 2023
The Nishi-Nippon City Bank, Ltd.	500,000	500,000	0.49	April 24, 2023
Mizuho Bank, Ltd.	1,500,000	1,500,000	0.48	August 31, 2023
Development Bank of Japan Inc.	1,000,000	1,000,000	0.51	August 31, 2023
Resona Bank, Limited.	1,000,000	1,000,000	0.48	August 31, 2023
MUFG Bank, Ltd.	500,000	500,000	0.43	August 31, 2023
Development Bank of Japan Inc.	500,000	500,000	0.54	September 29, 2023
Resona Bank, Limited.	1,000,000	1,000,000	0.46	October 18, 2023
Mizuho Bank, Ltd	3,000,000	3,000,000	0.17	February 29, 2024
Development Bank of Japan Inc.	1,500,000	1,500,000	0.64	February 29, 2024
Aozora Bank, Ltd.	2,000,000	2,000,000	0.54	March 11, 2024
Shinkin Central Bank	2,000,000	2,000,000	0.57	March 19, 2024
Development Bank of Japan Inc.	2,000,000	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
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	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 Banking Corporation	1,000,000	1,000,000	0.52	February 27, 2026
Nippon Life Insurance Company	—	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	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	0.39	September 30, 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	0.48	August 31, 2027
SUMITOMO LIFE INSURANCE COMPANY	500,000	500,000	0.38	August 31, 2027
Resona Bank, Limited.	—	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
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	0.54	August 31, 2028
Shinsei Bank Limited	—	1,000,000	0.53	August 31, 2028
<b>Total long-term loans</b>	<b>132,500,000</b>	<b>130,000,000</b>	<b>—</b>	<b>—</b>

- (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)	31,500,000	18,000,000	16,500,000	20,000,000

## 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, 2020 and September 30, 2020, 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, 2020 and September 30, 2020 were as follows:

	As of March 31, 2020	As of September 30, 2020
	Thousands of yen	
<b>Deferred tax assets:</b>		
Accrued enterprise tax	0	17
Total deferred tax assets	0	17
<b>Deferred tax liabilities:</b>		
Reserve for advanced depreciation of non-current assets	493,173	493,173
Total deferred tax liabilities	493,173	493,173
<b>Net deferred tax assets (liabilities)</b>	<b>(493,173)</b>	<b>(493,156)</b>

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

	October 1, 2019 to March 31, 2020	April 1, 2020 to September 30, 2020
Statutory tax rate	31.46%	31.46%
Deductible dividend distribution	(31.46%)	(31.45%)
Others	0.01%	0.01%
Effective tax rates	0.01%	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 ¥5,058,240 thousand at September 30, 2020 and treated it as a tax-deductible distribution. MTR does not distribute dividends in excess of accounting profit in accordance with its Articles of Incorporation.

## 9. PER SHARE INFORMATION

The following table summarizes information about net assets per share and net income per share at March 31, 2020 and September 30, 2020 and for the six-month period then ended:

	Yen	
	October 1, 2019 to March 31, 2020	April 1, 2020 to September 30, 2020
Net assets per share at period end	121,258	121,305
Net income per share	3,784	3,832
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, 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	¥3,142,011 thousand
Account name and balance at period end	Rental and other receivables ¥7,730 thousand
	Rents received in advance ¥512,416 thousand
	Leasehold and security deposits including trust accounts ¥890,555 thousand

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

(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.

(4) Directors and major individual shareholders: None applicable

## 11. BREAKDOWN OF PROPERTY-RELATED REVENUES AND EXPENSES

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

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

	Thousands of yen	
	October 1, 2019 to March 31, 2020	April 1, 2020 to September 30, 2020
Property-Related Revenues:	8,574,620	8,613,153
Property rental revenues	8,208,106	8,246,811
Common charges	242,905	242,733
Land rental revenues	123,609	123,609
Other rental revenues	294,696	269,397
Parking revenues	86,917	83,574
Utilities revenues	169,312	153,678
Penalty revenues	7,020	-
Other revenues	31,446	32,145
Property-Related Expenses:	3,013,543	2,991,735
Property management fees	389,626	401,638
Utilities expenses	211,610	205,263
Property and other taxes	946,759	966,633
Casualty insurance	19,258	19,283
Repairs and maintenance	127,149	65,756
Depreciation	1,292,269	1,308,619
Other rental expenses	26,869	24,540
Profit	5,855,774	5,890,815

## 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, 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
<b>Assets</b>			
1) Cash and deposits	18,802,219	18,802,219	-
2) Cash and deposits in trust	2,977,817	2,977,817	-
<b>Total Assets</b>	<b>21,780,036</b>	<b>21,780,036</b>	<b>-</b>
<b>Liabilities</b>			
1) Short-term loans payable	10,500,000	10,500,000	-
2) Current portion of investment corporation bonds	3,000,000	2,992,949	(7,050)
3) Current portion of long-term loans payable	23,000,000	23,033,692	33,692
4) Investment corporation bonds	9,000,000	9,089,275	89,275
5) Long-term loans payable	109,500,000	109,818,821	318,821
6) Tenant leasehold and security deposits	4,177,269	4,122,374	(54,894)
7) Tenant leasehold and security deposits in trust	249,956	241,974	(7,982)
<b>Total Liabilities</b>	<b>159,427,225</b>	<b>159,799,087</b>	<b>371,861</b>

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
<b>Assets</b>			
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	-
<b>Liabilities</b>			
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

(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 March 31, 2020	As of September 30, 2020
Tenant leasehold and security deposits	5,570,491	5,586,811
Tenant leasehold and security deposits in trust	652,386	661,220

(2) The redemption schedule for monetary claims

(As of March 31, 2020)

Thousands of yen		
	Cash and deposits	Cash and deposits in trust
1 year or less	18,802,219	2,977,817
1 to 2 years	-	-
2 to 3 years	-	-
3 to 4 years	-	-
4 to 5 years	-	-
Over 5 years	-	-

(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	-	-

(3) The redemption schedule for loans

(As of March 31, 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	10,500,000	-	-	-	-	-
Current portion of investment corporation bonds	3,000,000	-	-	-	-	-
Current portion of long-term loans payable	23,000,000	-	-	-	-	-
Investment corporation bonds	-	3,000,000	4,000,000	-	-	2,000,000
Long-term loans payable	-	26,500,000	25,500,000	19,000,000	17,000,000	21,500,000

(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

### 13. CASH AND CASH EQUIVALENTS

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

	Thousands of yen	
	As of March 31, 2020	As of September 30, 2020
Cash and deposits	18,802,219	19,446,362
Cash and deposits in trust	2,977,817	2,835,490
Cash and cash equivalents	21,780,036	22,281,852

### 14. LEASES

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

	Thousands of yen	
	As of March 31, 2020	As of September 30, 2020
Due within one year	10,753,785	10,824,596
Due after one year	14,761,778	12,187,874
Total	25,515,564	23,012,470

### 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 September 30, 2019	Net Changes (2)	As of March 31, 2020	As of March 31, 2020	As of March 31, 2020	Net Changes (2)	As of September 30, 2020	As of September 30, 2020
Office buildings	219,738,493	(811,773)	218,926,719	257,230,000	218,926,719	(812,049)	218,114,670	235,640,000
Retail facilities	69,216,890	(69,448)	69,147,442	85,530,000	69,147,442	(126,601)	69,020,840	85,520,000
Others	19,092,855	179,375	19,272,230	21,010,000	19,272,230	(153,173)	19,119,057	21,300,000
Total	308,048,239	(701,846)	307,346,392	363,770,000	307,346,392	(1,091,824)	306,254,568	342,470,000

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

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

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

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

Use	Thousands of yen							
	October 1, 2019 to March 31, 2020			April 1, 2020 to September 30, 2020				
	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	6,173,729	2,329,861	3,843,867	-	6,188,515	2,339,969	3,848,545	-
Retail facilities	1,964,692	337,564	1,627,128	-	1,963,006	318,195	1,644,811	-
Others	730,895	346,117	384,778	-	731,029	333,570	397,458	-
Total	8,869,317	3,013,543	5,855,774	-	8,882,550	2,991,735	5,890,815	-

(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, 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.	3,142,011	Leasing Business

(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

## 17. SUBSEQUENT EVENTS

### DISTRIBUTION OF RETAINED EARNINGS

On November 18, 2020, the Board of Directors of MTR approved a resolution for the payment of a cash distribution of ¥3,832 per share, aggregating to ¥5,058,240 thousand, to its shareholders of record as of September 30, 2020.