

Mori Hills REIT Investment Corporation

Semiannual Report

**34th Fiscal Period
(February 1, 2023 – July 31, 2023)**

To Our Unitholders

All of us at Mori Hills REIT Investment Corporation ("MHR") wish to extend our deep appreciation to our unitholders for your continuous support of MHR. I am pleased to report on MHR's performance for the thirty-fourth fiscal period which ended July 31, 2023.

In the thirty-fourth fiscal period, although some weaknesses were seen in consumer spending due to the downward pressure caused by price hikes, the Japanese economy continued to recover moderately against the backdrop of an upturn in automobile exports and the increase in inbound demand.

Under such an economic environment, in the rental office market, demand remained strong within the context of a steady employment situation, but vacancy rates remained at a relatively high level partially due to the impact of the supply of newly built large buildings, and rent levels maintained their sluggish conditions. As for the luxury rental housing market, occupancy rates and rent levels remained solid driven by ongoing stable demand for quality housing in central Tokyo. In terms of the real estate trading market, transaction prices continued to be high as no changes in investment appetite were seen among investors at home and abroad. The transaction amount also remained at a high level, led by large transactions by corporations and foreign investors.

In the thirty-fourth fiscal period, MHR strove to maintain and enhance tenant satisfaction through measures such as efficient and systematic operational management and maintenance and repair of properties in its portfolio by better understanding tenant needs. Moreover, MHR maintained and enhanced occupancy rates and rents by proactively launching leasing activities targeting new and existing tenants while foreseeing trends in rental market conditions.

MHR's real estate portfolio, as of the end of the thirty-fourth fiscal period, was comprised of 11 properties under management with a total leasable area of 180,977.11m². MHR has already invested 406,197 million yen (based on the acquisition price) into this portfolio. The occupancy rate at the end of the thirty-fourth fiscal period was 99.1%.

The asset management activities described above resulted in MHR recording in the thirty-fourth fiscal period 11,215 million yen in operating revenue, 6,955 million yen in operating income, 6,424 million yen in ordinary income, 6,423 million yen in net income and 3,352 yen in dividend per unit. MHR disposed of a part of Laforet Harajuku (Land) (disposition price: 2,926 million yen) on June 30, 2023. A 1,376 million yen gain was realized on the disposition and all of the gain will be distributed.

In addition, MHR plans to dispose of a further part of Laforet Harajuku (Land) (disposition price: 2,926 million yen) on December 1, 2023. For the thirty-fifth fiscal period ending January 31, 2024, dividends per unit is expected to be 3,060 yen.

MHR will continue to seek maximization of unitholder value by maintaining and increasing dividends continuously while retaining stability of earnings through fixed-rent master leases alongside actively pursuing external growth utilizing the property pipeline of Mori Building Group.

I would like to ask for your continued support.



Hideyuki Isobe
Executive Director, Mori Hills REIT Investment Corporation
President and CEO, Mori Building Investment Management Co., Ltd.

Overview of Portfolio

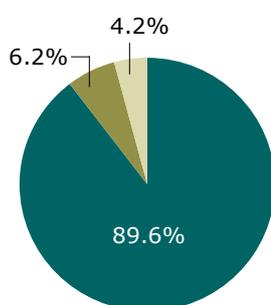
MHR has developed an urban portfolio mainly in Central Tokyo through its “investment in the city” concept, taking advantage of market opportunities and our competitive strengths to enhance profitability as well as portfolio value.

Portfolio breakdown

Area

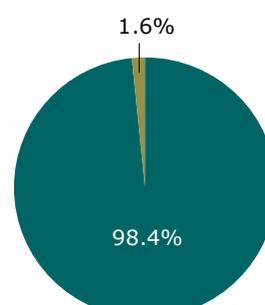


Type



- Office
- Residential
- Retail

Size



- 30,000 m² or more
- Under 30,000 m²

(Note 1) The ratios represent proportion of acquisition price to total acquisition price.

(Note 2) For calculation of breakdown by type, acquisition price for Akasaka Tameike Tower and Atago Green Hills are divided into offices and residences.

(Note 3) Chart showing “Size” does not include Laforet Harajuku (Land).

Portfolio list



O-0 Premium

Roppongi Hills Mori Tower



O-1 Premium

ARK Mori Building



O-4 Premium

Koraku Mori Building



O-6 Premium

Akasaka Tameike Tower



O-7 Premium

Atago Green Hills



O-8 Premium

ARK Hills South Tower



O-9 Premium

Toranomon Hills Mori Tower



O-10 Premium

Holland Hills Mori Tower



R-3 Premium

Roppongi First Plaza

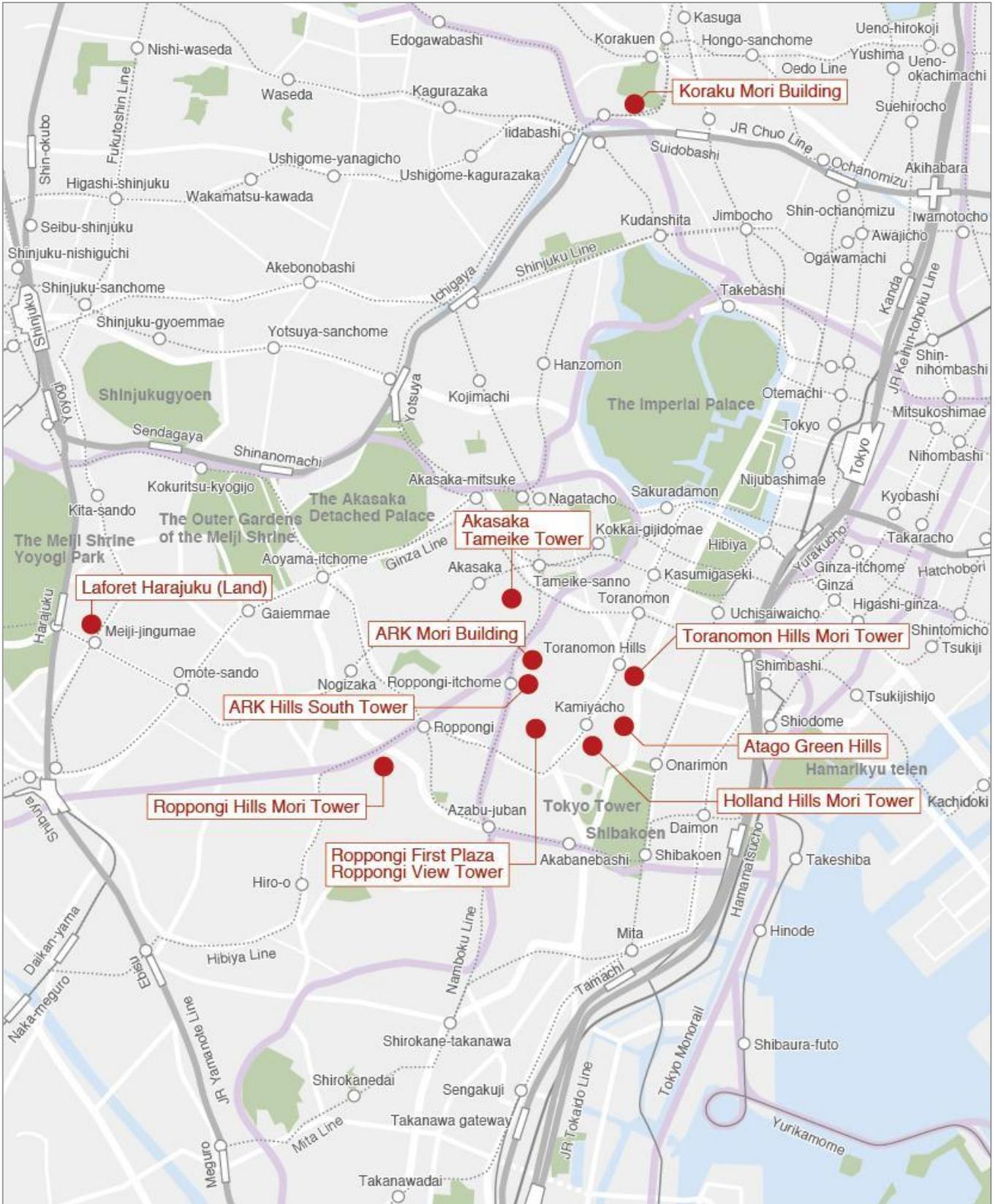


S-1 Premium

Laforet Harajuku (Land)

R-4

Roppongi View Tower



Earthquake-resistance capacity

A group of properties based on high quake-resistant engineering standards stipulated by Mori Building, the sponsor of MHR

Property name	Level above the new earthquake resistance standard (Note 1)	PML (Note 2)
Roppongi Hills Mori Tower	◎	0.59%
ARK Mori Building	◎	0.78%
Koraku Mori Building	◎	0.73%
ARK Hills South Tower	◎	1.56%
Toranomon Hills Mori Tower	◎	0.50%
Holland Hills Mori Tower	◎	0.85%
Akasaka Tameike Tower	◎	1.79%
Atago Green Hills MORI Tower	◎	2.35%

(Note 1) Earthquake resistance performance above standards stipulated in the current Building Standards Act

(Note 2) PML refers to the probable maximum loss ratio expected to result from an earthquake.

A smaller percentage indicates superiority in earthquake-resistance.

Environmental performance

Highest quality ratio of green building (GB) certified properties among all J-REITs

Ratio of GB certified properties in portfolio
93.5%
In highest ratings 72.1%

CASBEE for Real Estate: Rank S

CASBEE for Real Estate: Rank A

Roppongi Hills Mori Tower

ARK Mori Building

Atago Green Hills (MORI Tower)

Akasaka Tameike Tower

Koraku Mori Building

Toranomon Hills Mori Tower

Holland Hills Mori Tower

DBJ Green Building Certification: Four stars

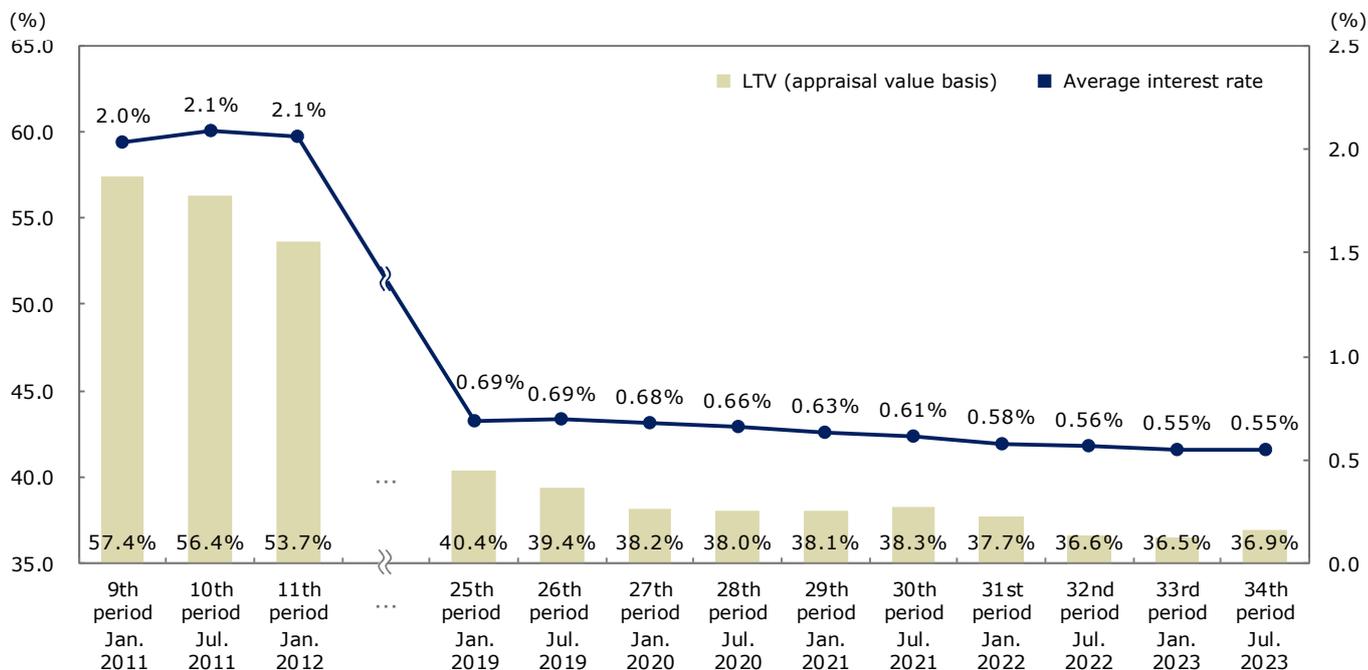
ARK Hills South Tower

* In acquisition price base by excluding Laforet Harajuku (Land)

Financial Status

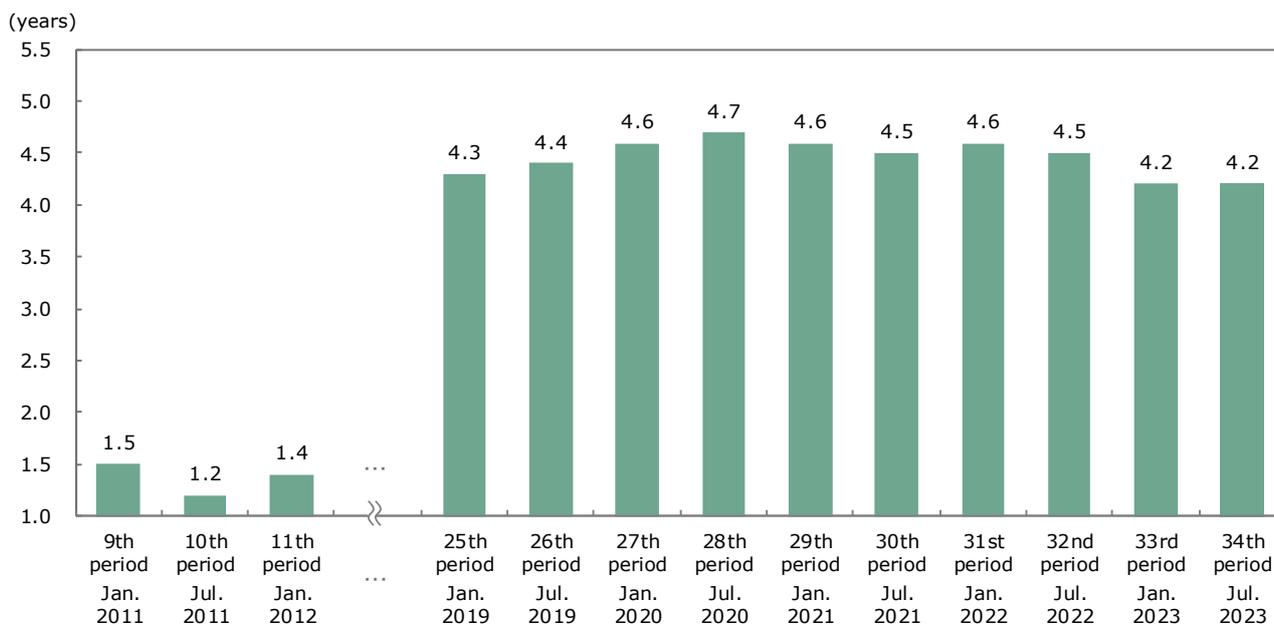
MHR's cost of debt has decreased along with the improvement in LTV ratio (appraisal value basis). We will continue to maintain a debt duration level that enables us to sustain our healthy financial base.

Trend in LTV (appraisal value basis) and average interest rate (including borrowing expenses)



(Note) Average interest rate is calculated as [(interest expenses + interest expenses on investment corporation bonds + borrowing expenses + amortization of investment corporation bond issuance costs) × 365 ÷ operating days during each period ÷ average interest-bearing debt balance during each period].

Extension in remaining duration of debt



Overview of debt financing

	End of the 33rd period Jan. 31, 2023	End of the 34th period Jul. 31, 2023
Debt Balance	192,422 mn yen	192,422 mn yen
LTV (book value basis) ^(Note 1)	46.3%	46.4%
LTV (appraisal value basis) ^(Note 2)	36.5%	36.9%
Avg. remaining duration	4.2 years	4.2 years

(Note 1) LTV (book value basis) is calculated as [Interest bearing debt / Total assets].

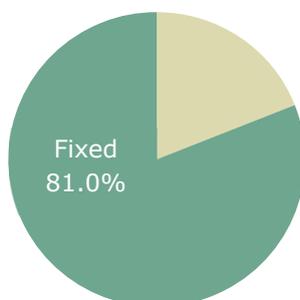
(Note 2) LTV (appraisal value basis) is calculated as [Interest-bearing debt / Appraisal value based total assets (Total assets + Total appraisal value - Total book value)].

Long-term debt ratio / Fixed rate ratio

[Long and short-term debt ratio]



[Fixed rate ratio]



Rating

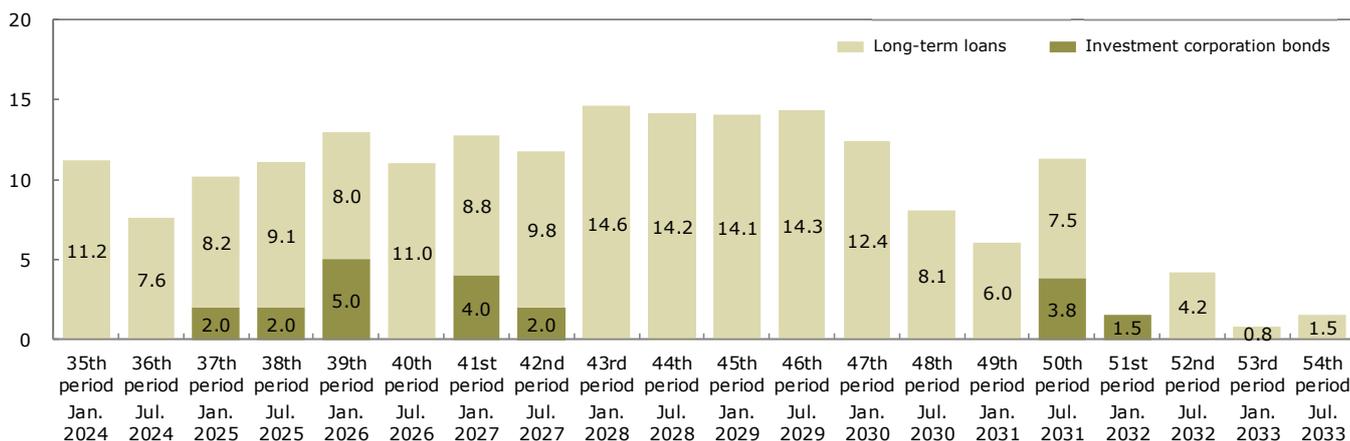
Japan Credit Rating (JCR)

Long-term issuer rating

AA
(Stable)

Overview of maturity (as of July 31, 2023)

(billion yen)

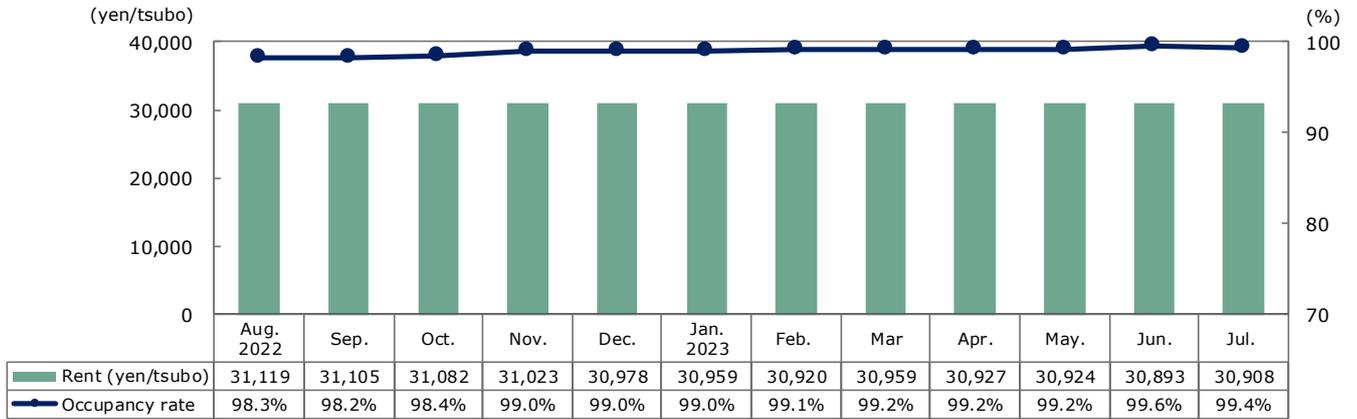


Portfolio Management

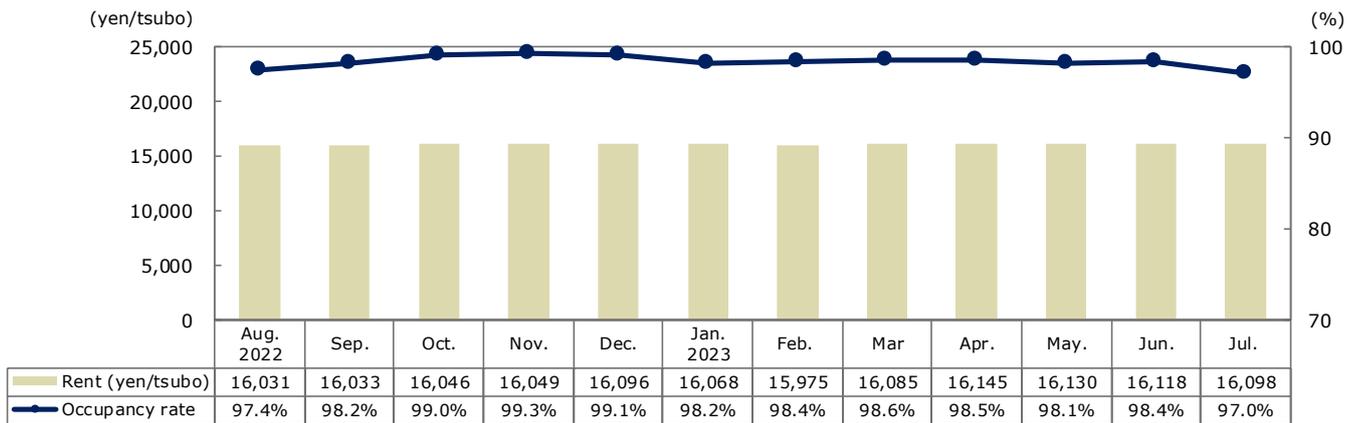
MHR maintained and enhanced occupancy rates and rents by proactively launching marketing activities targeting new and existing tenants based on a flexible price policy.

Rent and occupancy rate

[Office]

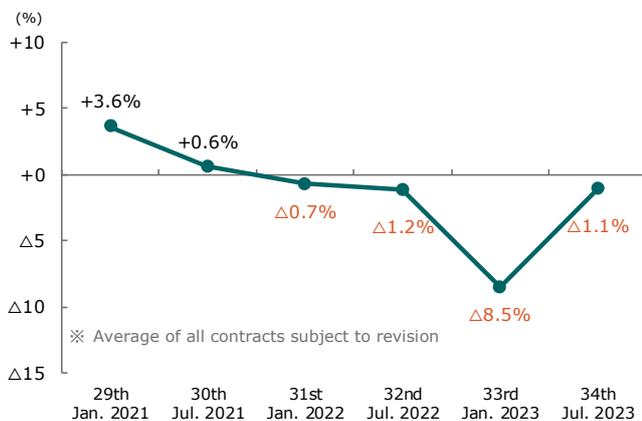


[Residential]

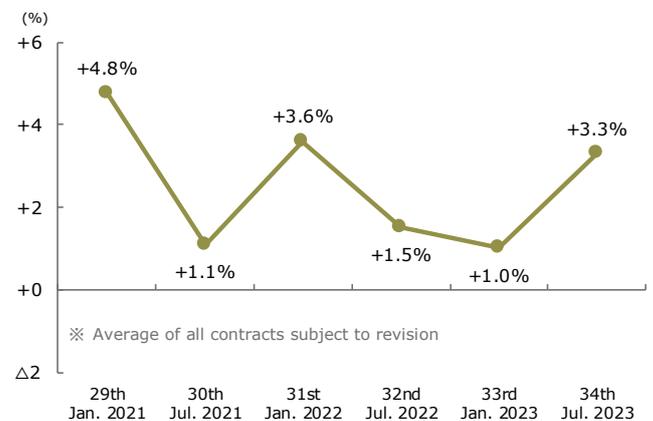


Result of tenants' rent revision (pass-through type)

[Office]



[Residential]



(Note 1) Figures indicate the results of rent revisions of properties at which pass-through master lease agreements are applied.

(Note 2) Figures are calculated based on asset acquisition and monthly rents which reflect move outs of end tenants confirmed as of July 31, 2023.

Sustainability Initiatives

Approach to Sustainability

MHR and Mori Building Investment Management Co., Ltd. (MIM), the asset manager, aim to contribute to the creation and development of cities by providing investment opportunities in high-quality urban assets to investors while maximizing unitholder value through investment focused on the competitiveness and ability to create value of the "City," as stated in the Basic Policy and Company Mission of MHR and MIM.

Society today is faced with various challenges, and companies are expected to contribute to solving these issues as they conduct business activities. We believe that working on these issues will in fact lead to increasing our competitiveness.

MHR and MIM aim to contribute to the realization of a sustainable society and maximization of unitholder value in the medium to long term by focusing on ESG (Environmental, Social and Governance) initiatives and investing in high-quality urban assets while striving to improve various social issues.

Sustainability Promotion System

MHR's operations connected to sustainability are promoted primarily by the Sustainability Committee established by MIM.

The Chairperson of the Committee is the President & CEO while the Managing Directors, all general managers and some planning department staff comprise the committeepersons. Various initiatives are implemented based on the Sustainability Promotion Program which is formulated every fiscal year.

In principle, the Committee meets twice a year and formulates policies and the content of the Sustainability Promotion Program, monitors progress of programs, and deliberates on various suggestions from departments, etc. in light of social conditions and the operating status of MHR. The President & CEO approves the policies and promotion programs, constantly monitors the thorough promotion of sustainability, and establishes and maintains a sustainability promotion structure as a responsible party in promoting sustainability.

Moreover, sustainability-related efforts are reported on periodically to the Board of Directors of both MHR and MIM. Each Board oversees the status of initiatives for important issues related to ESG and the status of compliance and risk management.

Initiatives throughout the Entire Supply Chain

Promotion of sustainability operations, whether environmental or social, requires initiatives that involve the whole supply chain. We believe that joint initiatives with various stakeholders with aligned values are necessary.

By actively stimulating interactive communication with stakeholders such as tenants, local residents, property management companies and with our sponsor Mori Building, and by aligning our values, we aim to contribute to the realization of a sustainable society.

Sustainability Initiatives: 1) Environment

MHR aims to contribute to the realization of a sustainable society and maximization of unitholder value in the medium to long term by investing in high-quality urban assets while striving to improve various environmental and social performance levels.

MIM obtains a third-party sustainability evaluation in order to better understand its own achievement level and uses this as a benchmark for further improvement.

Green Building Certified Properties

Property Name	Type of Assessment	Rating
Roppongi Hills Mori Tower	CASBEE for Real Estate	Rank S
ARK Mori Building		Rank S
Koraku Mori Building		Rank S
Akasaka Tameike Tower		Rank A
Atago Green Hills MORI Tower		Rank S
ARK Hills South Tower	DBJ Green Building Certification	4 stars
Toranomon Hills Mori Tower	CASBEE for Real Estate	Rank S
Holland Hills Mori Tower		Rank S

(Certificates Coverage Ratio)

Short-range objective (FY 2024)	Long-range objective (FY 2030)	Performance (As of July 31,2023)	Performance (reference) (As of July 31,2023)
Maintain over 90% (in acquisition price)	Maintain over 90% (in acquisition price)	93.5% (in acquisition price)	84.0% (in leasable floor area)
			80.0% (in number of properties: 8/10 properties)

* Excluding Laforet Harajuku (Land)

Promotion of Energy Conservation

MHR promotes energy conservation through initiatives such as replacement of LED lighting in common areas and repair work of air-conditioning at Roppongi First Plaza, Roppongi View Tower and Akasaka Tameike Tower (residential).

MHR also makes active efforts to reduce environmental loads through proper separation and disposal of waste.

(Roppongi View Tower: Renovation of common area with LED lighting)



Collaborating with Tenants

MHR holds an environmental countermeasure council once or twice a year depending on the office building. The council generates a report on the efforts to improve sustainability and raises awareness for power saving methods. As a reference for tenants to draw specific measures for conservation of energy, MHR has provided, at all office properties it owns, "WEB cloud services" as a tool to make tenants' energy usage visible. (Properties with the service as a percentage of all owned properties: 98% based on acquisition price) In addition to these efforts, MHR is further deepening relationships with tenants by introducing "green leases" which secure commitments from both parties. MHR is gradually expanding this approach since the introduction of the first green lease in ARK Hills South Tower.

CO2 (Climate Change)

Working to reduce greenhouse gas emissions and engaging in other measures against global warming will contribute to easing the impact on the climate. Moreover, providing real estate properties with excellent functionality in terms of addressing these challenges is likely to engender more positive opinion and stronger support from tenants and this will lead to the enhanced competitiveness of the portfolio.

MHR and MIM will aim to match compact cities compounded with multifaceted urban functions together with the various high energy-efficient systems to realize cities with excellent environmental efficiency.

Through comprehensive and high-quality management of these urban areas, we will continue our efforts to reduce carbon emissions and engage in initiatives to counter global warming and climate change.

(Reduction in Greenhouse Gas Emissions)

MHR revised its targets in June 2022 to promote further reduction.

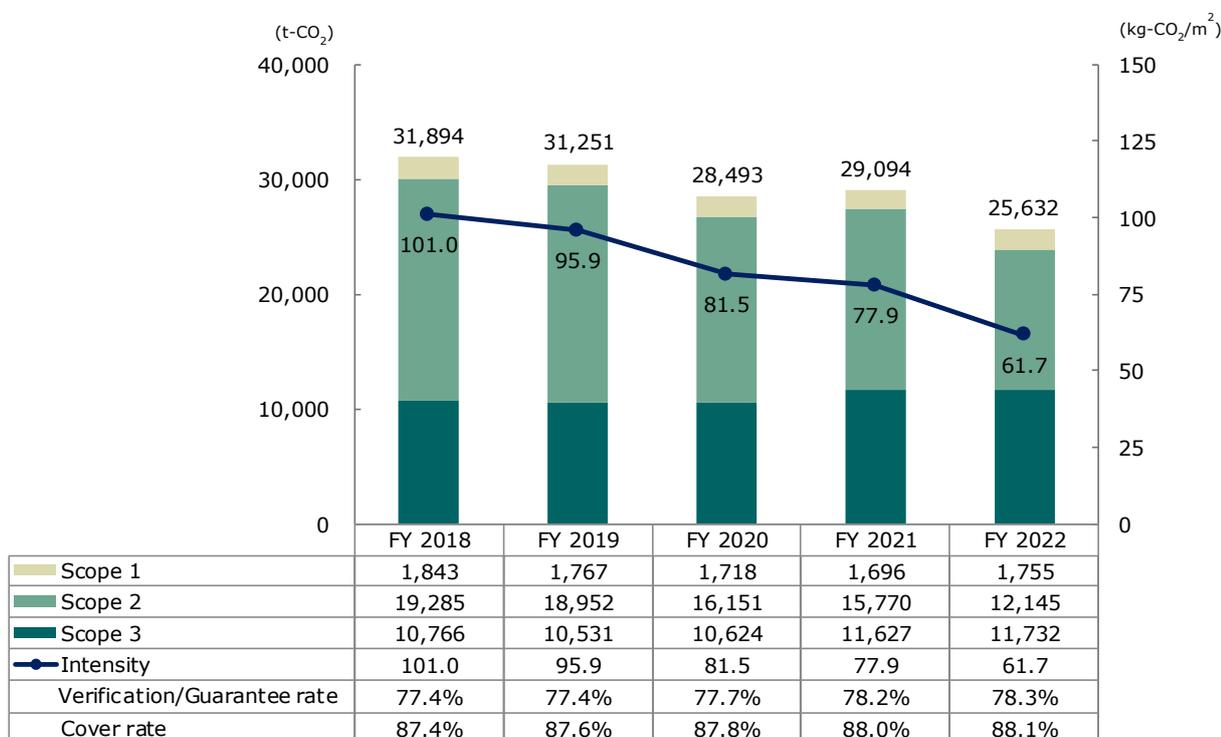
We aim to reduce CO2 emissions of MHR's and MIM's offices and properties owned by MHR (total emissions; Scopes 1, 2 and 3) by 50% by FY 2030 when compared with FY 2019 as the baseline year and achieve net-zero emissions by FY 2050.

Medium-term target (FY 2030)	Long-term target (FY 2050)	Performance (FY 2022)
50% reduction (total amount basis: vs FY 2019)	Net-Zero	18.0% reduction (total amount basis: vs FY 2019)

(Carbon Dioxide Emission and Intensity)

Figures, with certain exceptions, are verified and validated by an independent third party. Scope 1 is entirely CO2.

[Boundary] Offices of MHR and MIM and properties owned by MHR (Cover rate: See the table below)



* Carbon dioxide emissions are calculated based on the "Manual for Calculating and Reporting Greenhouse Gas Emissions" by the Ministry of the Environment and the Ministry of Economy, Trade and Industry.

* Intensity is calculated by dividing the carbon dioxide emissions (Scope 1, 2&3) by the calculated total floor area.

* For Scope 3, the calculation target was expanded in accordance with the above manual starting in FY 2020. The figures for FY 2019 and before were changed in accordance with the new standard.

Sustainability Initiatives: 2) Social

Problems concerning human rights and labor are critical global concerns, and in Japan the rectification of long working hours and the promotion of women and elderly people have become significant social issues as the labor force shrinks alongside a declining birthrate and an aging population.

We believe that employing diverse and excellent people and supporting the continued development of their abilities is not just a source of competitiveness for MHR but also the duty of MHR towards its employees. MHR and MIM respect human rights and it is our policy to not discriminate against employees based on their beliefs, religion, age, gender, origin, mental and physical disabilities, etc.

We will work to establish a diversity-oriented working environment where our staff can be effective. We will introduce multifaceted systems and measures so that each and every employee with diverse lifestyles and values can maximize their abilities and grow their career in a healthy and safe manner.

Talent Development

In order to realize MIM's company mission ("MIM is dedicated to the creation and development of major metropolitan cities and MIM will provide investment opportunities in high-quality urban assets to investors both in Japan and overseas as a leading professional in the real estate investment fund business."), MIM believes that it is essential to attract and retain a diverse and capable workforce and to continuously support their career growth and self-development.

To cultivate human resources with flexible thinking and high ethical standards together with a high degree of expertise, mainly in real estate and finance, MIM introduces essential knowledge and skills through on-the-job-training (OJT) and conventional training. In addition, in order to improve staff effectiveness, to clarify company issues and to constantly improve management methods, MIM conducts a semi-annual staff assessment program - "Personnel Assessment and Feedback" as a core component of our talent development strategy.

MIM also subsidizes the expense for acquiring licenses and qualifications by public and private organizations necessary for work to improve employees' skills as professionals in the real estate fund business.

(Qualifications held by employees as of the end of March 2023)

- ARES Certified Master: 8
- Real Estate Appraiser: 3
- Real Estate Transaction Agent: 8
- Certified Building Administrator: 2
- Certified Public Accountant: 4
- Chartered Member of Securities Analysts Association of Japan: 1

Employee Stock Ownership Plan (ESOP)

MHR established the "ESOP" by aligning interests of MHR's investors and MIM's employees aiming to improve unitholders' value over the medium to long term, and to improve welfare benefits for MIM's employees.

Promoting Women's Participation

MHR is aiming for a workplace environment where each employee can fully demonstrate their individuality and abilities and MHR is working on creating a pleasant working environment for women. A child-care leave system and flexible working hours are provided and MHR promotes active use of a short-time work system and paid holidays.

Tenant Satisfaction Surveys

MHR conducts “tenant satisfaction surveys” once every two years in office buildings and once a year in most residential properties.

The survey content starts with general matters such as location and image and extends to matters related to facilities and other hard aspects as well as soft aspects such as management systems. The thoughts of the tenants are used as a reference in our property management.

Local Communities

MHR aims to foster a rich environment for the local community through various communication activities.

As community investments in MHR’s properties such as Roppongi Hills and ARK Hills, events and activities are held like the “Hills Marche” and “Hills Machi-Iku Project” in which local people can participate.



All Japanese Listed Companies' Website Ranking

Nikko Investor Relations Co., Ltd. announces a valuation of websites of all listed companies by investigating the degree of information disclosure based on objective evaluation items from its unique perspective.

MHR’s website has received “Total Ranking: The Best Site” for the eighth consecutive year.



Sustainability Initiatives: 3) Governance

In order to contribute to the realization of a sustainable society, we aim to maximize unitholder value over the medium to long term. We believe that it is absolutely imperative to remain a company that is trusted by society.

By firmly acknowledging this belief, MHR and MIM work on building fair and effective corporate governance and strive to enhance internal control through thorough compliance and risk management based on an appropriate compliance and internal control structure.

Corporate Governance

In addition to a general meeting of all unitholders, MHR’s governance structure consists of one executive director, four supervisory directors, the board of directors and an accounting auditor as required by the Act on Investment Trusts and Investment Corporations.

The executive director undertakes executive management and represents MHR. The supervisory directors oversee the executive director's performance of the position’s duties.

The board of directors is comprised of the executive director and the supervisory directors and makes important decisions regarding the execution of MHR’s duties, such as approval of the executive director's execution of MHR’s important duties and approval of financial statements.

The executive director reports to the supervisory directors from time to time regarding the status of asset management, compliance and risk management and other matters.

Each supervisory director oversees the execution of duties by the executive director through the reporting on investigation requested by the supervisory directors.

The Accounting Auditor performs the audit of financial statements etc. of MHR and reports to the supervisory directors in the event of discovering any serious actions in violation of laws and regulations or actions violating the proper execution of duties by the executive director.

(MIM’s organization)

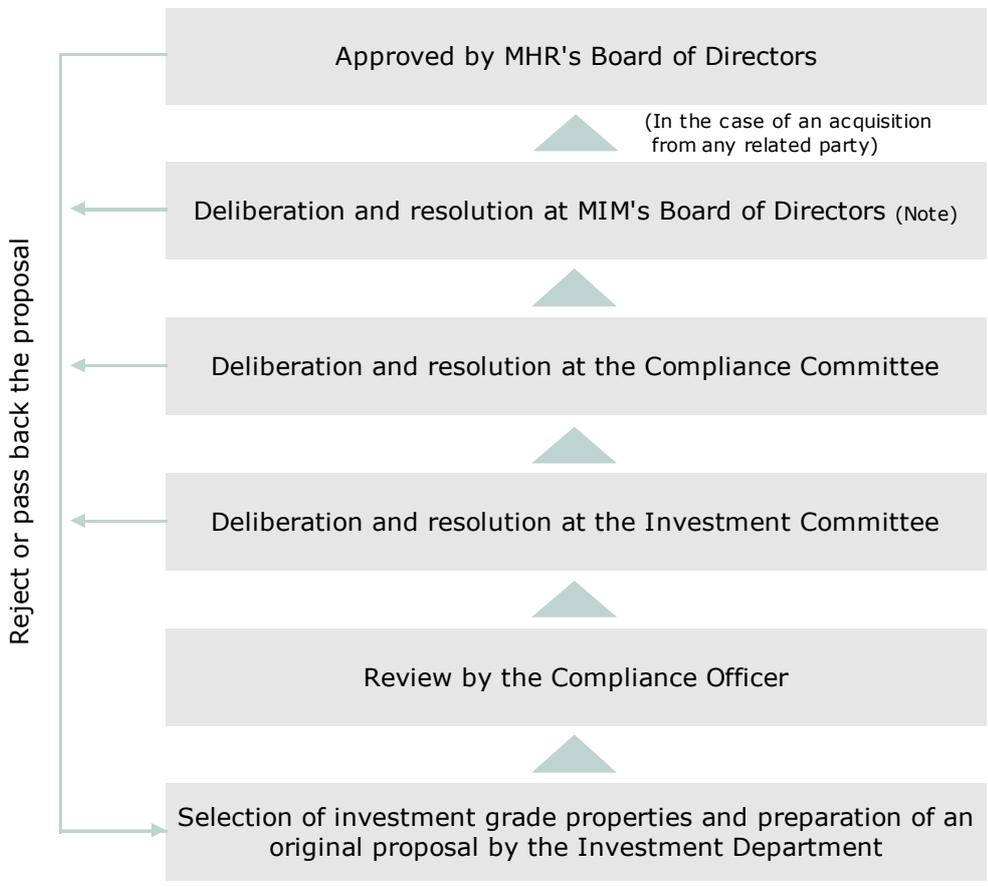


Compliance

The Compliance Department conducts inspections on legal compliance and confirms consistency with internal rules. MIM confirms whether there exist any conflict of interest transactions with related parties. In this way, MIM is striving to ensure comprehensive internal control, while also striving to enhance its risk management structure as well as its effectiveness.

Furthermore, MIM has a set of internal rules (self-imposed regulations) which stipulate rules such as its Related Parties Transaction Guidelines. These Guidelines stipulate matters concerning transactions, etc. with related parties. Through MIM’s compliance with these Guidelines, MIM has established a structure which ensures that the aforementioned transactions are managed appropriately and that MIM sufficiently executes the duty of care of a good manager and duty of loyalty to MHR.

(Process to counter transactions involving conflicts of interest)



(Note) The Director (Part-time) is unable to participate in the resolution of the Board of Directors since this individual will be considered a board member of a related party when acquiring an asset from a related party.

Important ESG Issues (MHR's Materiality)

	Materiality	Main Initiatives	Main related SDGs
E Environment 	<ul style="list-style-type: none"> ● Reduce greenhouse gas emissions and promote energy saving at owned properties ● Use of renewable energy 	<ul style="list-style-type: none"> ● Participate in Japan Climate Initiative ● Support the TCFD recommendations ● Promote energy savings (such as introducing the energy saving technologies) ● Expand use of renewable energy 	   
	<ul style="list-style-type: none"> ● Coexist with nature 	<ul style="list-style-type: none"> ● Promote greenery and take measures against heat island ● Protection of biodiversity 	 
	<ul style="list-style-type: none"> ● Response to sustainability certifications 	<ul style="list-style-type: none"> ● Various initiatives to obtain Green Building certifications and make improvements ● Implement training regarding Green Building 	   
S Social 	<ul style="list-style-type: none"> ● BCP measures (disaster prevention and building resilience) ● Tenants' health, comfort and convenience 	<ul style="list-style-type: none"> ● Enhance BCP Measures ● Strengthen emergency management systems and implement general disaster-readiness training ● Initiative for barrier-free access ● Due diligence when acquiring real estate ● Conduct Tenant Satisfaction Survey 	  
	<ul style="list-style-type: none"> ● Respect for human rights ● Promote diversity 	<ul style="list-style-type: none"> ● Create an appropriate environment for a whistleblower system ● Implement human rights and diversity training (including LGBT) ● Create a pleasant working environment for women 	 
	<ul style="list-style-type: none"> ● Talent development 	<ul style="list-style-type: none"> ● Provide personnel evaluations and feedback from diverse perspectives including compliance and ESG initiatives ● Provide various course-based training and qualification acquisition systems 	 
	<ul style="list-style-type: none"> ● Promote a healthy and comfortable work environment and improve employee's work/life balance ● Increase employee's satisfaction 	<ul style="list-style-type: none"> ● Promote paid holiday acquisition and overtime work reduction ● Maintain systems for employee safety and health management ● Implement health checks ● Conduct Employee Satisfaction Survey 	 
	<ul style="list-style-type: none"> ● Mutual communication with stakeholders 	(See "Integrated Report")	
G Governance 	<ul style="list-style-type: none"> ● Strive for fair and effective corporate governance ● Adhere to compliance and corporate ethics ● Prevent conflict-of-interest transactions ● Identify risks and manage responses ● Respond to requests for ESG information disclosure 	<ul style="list-style-type: none"> ● Implement evaluation of the effectiveness of the board of directors ● Conduct compliance training including fraud prevention ● Regularly expose risks, as well as monitor and respond to risks appropriately ● Enhance ESG information disclosure on the website ● Issuance of Integrated Report 	

MSCI ESG

MHR has been selected as a constituent of the MSCI Japan ESG Select Leaders Index, provided by MSCI. This index is composed of companies selected by MSCI from among the constituents of the MSCI Japan IMI Index for excellence in ESG initiatives, and has been selected by the Government Pension Investment Fund (GPIF) for its passive management index.

2023 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

DISCLAIMER

THE INCLUSION OF MHR IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF MHR BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

GRESB Assessment



In the 2023 GRESB Real Estate Assessment, MHR received a “Green Star” rating for the twelfth consecutive year, and received an evaluation of “4 Stars” in the GRESB Rating ^(Note).

(Note) The comparative assessment of the overall score was initially introduced in 2016.

It is a global ranking utilizing a five-star scale (“5 Stars” as the highest rank).

GRESB is an annual benchmarking assessment to measure ESG (Environmental, Social and Governance) integration of real estate companies and funds, as well as the name of the organization which runs the assessment. It was founded in 2009 by a group of major European pension funds who played leading roles in launching Principles for Responsible Investment (PRI).

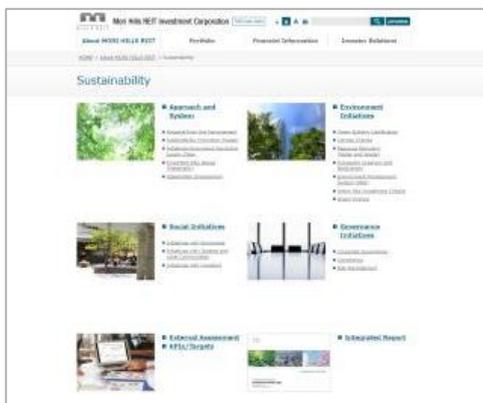
Integrated Report



This report describes the overall efforts of MHR and MIM to contribute to the realization of a sustainable society and to maximize unitholder value over the medium to long term.

URL: <https://www.mori-hills-reit.co.jp/ir/tabid/477/Default.aspx>

MHR's Website



The pages dedicated to ESG have expanded, and information is proactively disclosed.

URL: <https://www.mori-hills-reit.co.jp/en/outline/Sustainability/tabid/171/Default.aspx>

Mori Building's Extensive Property Pipeline

Mori Building's total assets have an estimated value of 2.6 trillion yen and the number of properties under management is 93 buildings. (Note 1)

MHR has the "preferential negotiation rights" (Note 2) on sales of Mori Building Co., Ltd. properties, which serves as the driving force for external growth.

Recent redevelopment projects in Toranomon Hills area

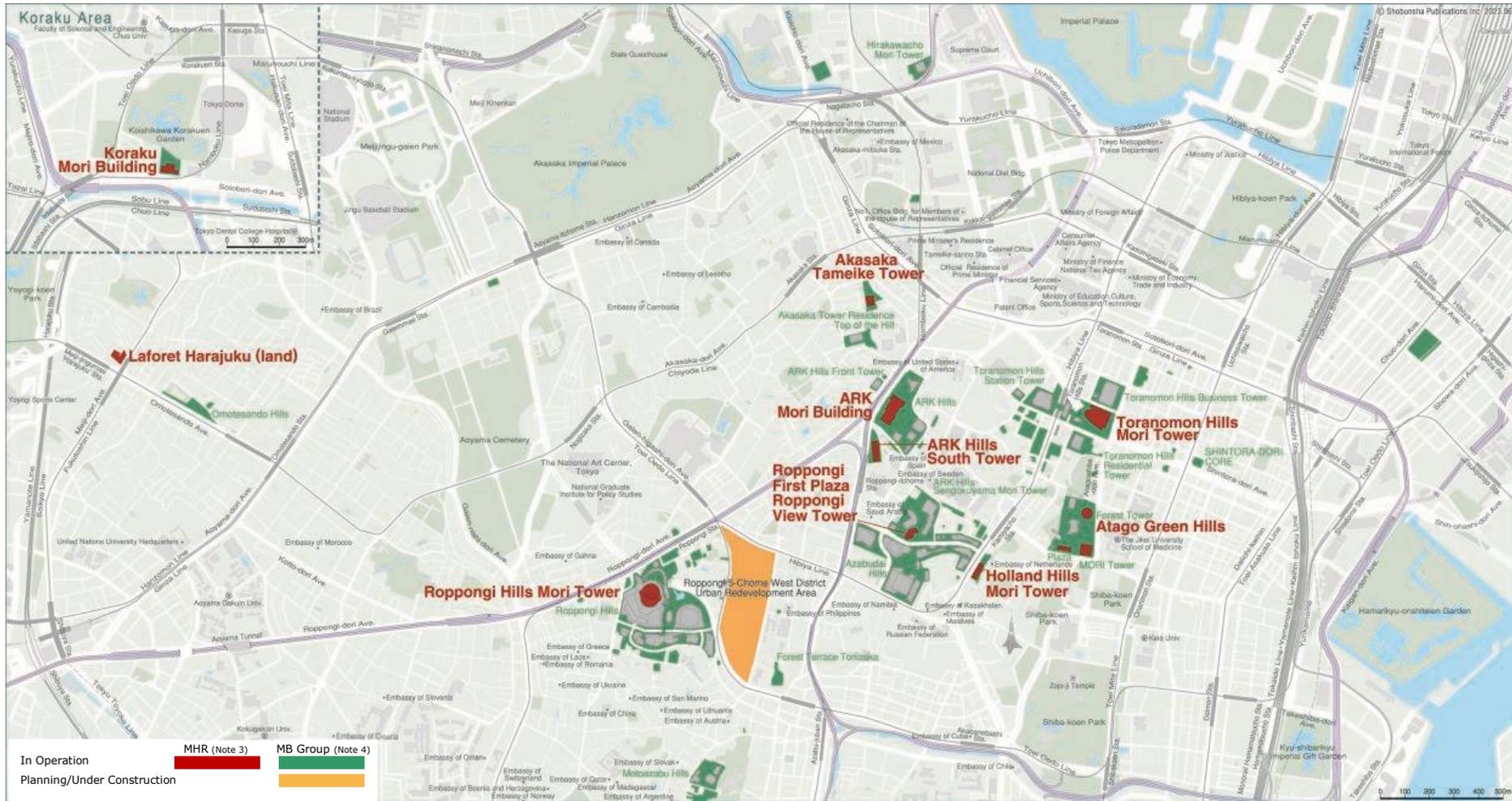


©The Boundary

Azabudai Hills (Opening on November 24, 2023)



©DBOX for Mori Building Co., Ltd. - Azabudai Hills



(Source) Prepared by the Asset Manager based on Mori Building's "Mori Building Handy Map/ Mori Building Map/Home Route Support Map 2023."

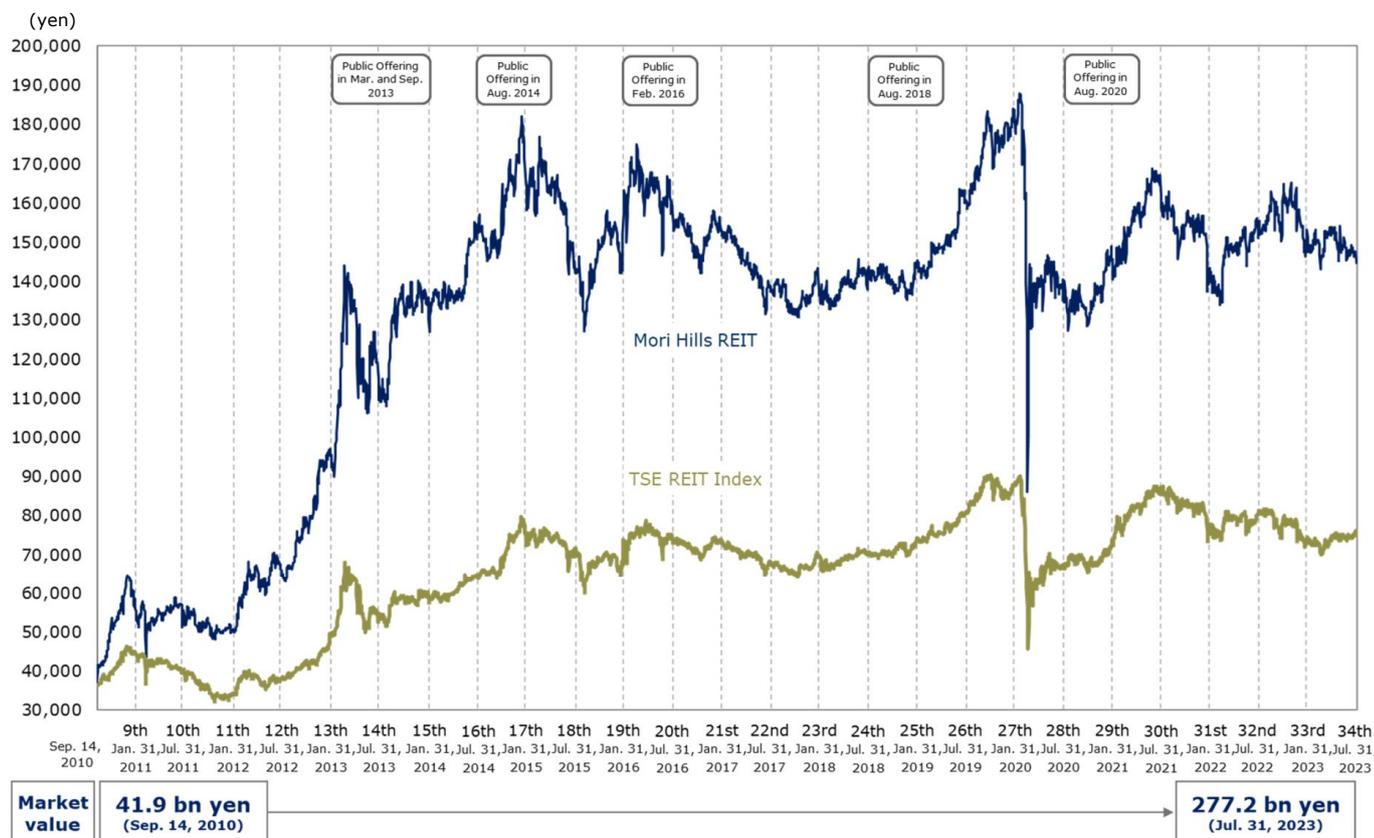
(Note 1) "Total assets" is as of the end of March 2023 and number of properties under management is as of April 2023.

(Note 2) There are some exceptions.

(Note 3) Some of the properties have been partially acquired and held by MHR.

(Note 4) Properties are developed, owned, managed and planned for development by Mori Building Group as of October 1, 2023 and there are no properties anticipated to be acquired by MHR.

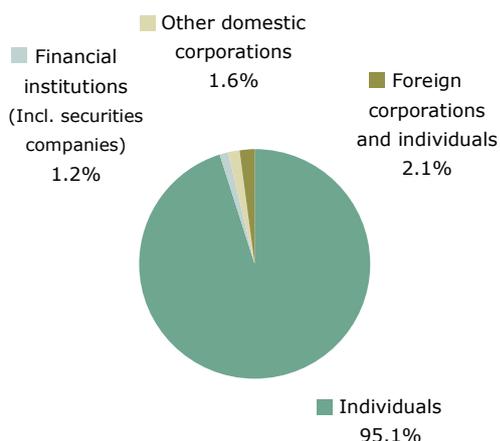
Unit Price Performance



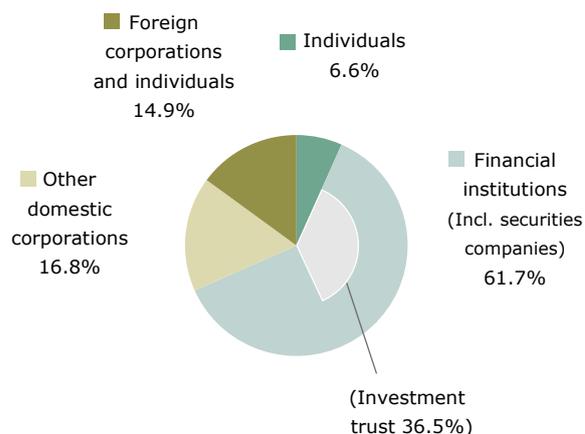
(Note) TSE REIT Index is adjusted as of the 8th period result announcement (Sep. 14, 2010) and shows the relative performance vs. MHR's unit price performance.

Unitholders Breakdown (as of July 31, 2023)

<Number of unitholders>



<Number of investment units>



Risk Factors

An investment in our units involves significant risks. The principal risks with respect to investment in Mori Hills REIT Investment Corporation are as follows.

Property and Business Risks

- Any adverse conditions in the Japanese economy could adversely affect our properties.
- We may not be able to acquire properties to execute our growth and investment strategy in a manner that is accretive to earnings and the amount of dividends per unit.
- The high concentration in our portfolio of premium properties in central Tokyo could have a material adverse effect on our business.
- Increases in prevailing market interest rates may increase our interest expense and may result in a decline in the market price of our units.
- Our reliance on Mori Building Co., Ltd. and other Mori Building Group companies could have a material adverse effect on our business.
- Competition for tenants may adversely affect our ability to retain our current tenants, find new tenants and achieve favorable rental rates.
- We may suffer large losses if any of our properties incur damage from a natural or man-made disaster or acts of violence.
- We may incur unexpected expenses, expenditure or other losses for repair or maintenance of our properties.
- We may be strictly liable for any unforeseen loss, damage or injury suffered by a third party at our properties.
- Because most of our operating expenses are largely fixed, we may suffer adverse consequences if our rental revenues decline.
- Illiquidity in the real estate market may limit our ability to grow or adjust our portfolio.
- Defects relating to our properties may adversely affect our financial condition and results of operations.
- We rely on expert reports for appraisals and PML percentages, and these reports are subject to significant uncertainties.
- We rely on industry and market data that are subject to significant uncertainties.
- The environmental assessments of our properties made prior to our ownership may not have uncovered all environmental liabilities, and Japanese laws subject property owners to strict environmental liabilities.
- To the extent we purchase or commit to purchase properties still in the development stage, we will be exposed to increased risks and uncertainties.
- We may lose rental revenues in the event of lease terminations, decreased lease renewals, defaults, nonpayment by tenants on rental obligations or requests or demands for reduction in rents or if tenants experience financial difficulties or insolvency.
- Any of our current or future properties, may violate earthquake resistance or other building codes, and any such buildings may collapse in even minor earthquakes or may be required to be strengthened or demolished by us at significant expense.

- Master lease agreements expose us to the risk of becoming an unsecured creditor of Mori Building Co., Ltd. as our master lessee in the event of its insolvency.
- Decreases in tenant lease and guarantee deposits would increase our funding costs.
- Any inability to obtain financing for future acquisitions, or any restrictions on our activities under our financing arrangements, could adversely affect us.
- A high LTV ratio may increase our exposure to changes in interest rates and adversely affect us.
- We may suffer impairment losses relating to our properties and may also suffer adverse tax effects upon recognizing impairments.
- A downgrading of our credit rating may affect payments of principal of or interest on our bonds.
- The past performance of our sponsor, Mori Building Co., Ltd., is not an indicator or guarantee of our future results.
- Our financial statements are prepared in accordance with Japanese GAAP, which differs in certain material respects from IFRS, U.S. GAAP and generally accepted accounting principles and financial reporting standards in other jurisdictions.
- An epidemic such as SARS, MERS and COVID-19 may have a significant long-term adverse impact on economic activities which in turn may adversely affect the performance of the portfolio and market price of our units.

Management and Governance Risks

- Our success depends on the performances of service providers to which we are required to assign various key functions.
- There are potential conflicts of interest between us and certain Mori Building Group companies, including the Asset Manager.
- We depend on the efforts of key personnel of the Asset Manager.
- Unitholders have limited control over our investment policies.
- J-REITs and their asset managers are subject to tight supervision by the regulatory authorities.
- If unitholders do not exercise their voting rights, we may count their votes in favor of proposals at a general meeting of unitholders.

Taxation Risks

- Our failure to satisfy a complex series of requirements pursuant to Japanese tax regulations would disqualify us from certain taxation benefits and significantly reduce our distributions to our unitholders.
- If the Japanese tax authorities disagree with the interpretations we used for prior periods, we may be forced to pay additional taxes for those periods.
- We may not be able to benefit from reductions in certain real estate transfer taxes enjoyed by qualified J-REITs.
- Changes in Japanese tax laws may significantly increase our tax burden.
- We expect to be treated as a “passive foreign investment company” for U.S. federal income tax purposes.
- Unitholders may be subject to U.S. Foreign Account Tax Compliance Act (FATCA) withholding tax after 2018.

Legal and Regulatory Risks

- Our ownership rights in some of our properties may be declared invalid or limited.
- We may lose our rights in a property we own if the purchase of the property is recharacterized as a secured financing.
- Our leasehold or subleasehold rights may be terminated or may not be asserted against a third party in some cases, or our leases with our tenants could be modified.
- Properties for which third parties hold leasehold rights in the land and own the buildings may subject us to various risks.
- Many of our properties are in the form of compartmentalized ownership interests (*kubun shoyū-ken*) and our rights relating to such properties may be affected by the intentions of other owners.
- Many of our properties are in the form of property co-ownership (*kyōyū*) or trust beneficiary interest coownership (*junkyōyū*) and our rights relating to such properties may be affected by the intentions of other owners.
- Some of our properties are subject to preferential purchase rights, rights of first refusal or other similar rights held by lessees, tenants or other third parties.
- Tax increases or adverse changes in applicable laws may affect our potential liabilities relating to our properties and operations.
- Our costs of complying with regulations applicable to our properties could adversely affect our results of operations.
- We own a substantial portion of our properties through trust beneficiary interests and may suffer losses as a trust beneficiary.
- The AIFMD may negatively affect our ability to market our units in the EEA and increase our compliance costs associated with marketing of our units in the EEA.
- Our units may be deemed to constitute “plan assets” for ERISA purposes, which may lead to the rescission of certain transactions, tax or fiduciary liability and our being held in violation of ERISA requirements.

Disclaimer

This report has been prepared by Mori Hills REIT Investment Corporation (“MHR”) for informational purposes only and should not be construed as an offer of any transactions or the solicitation of an offer of any transactions. Please inquire with the various securities companies concerning the purchase of MHR investment units. This report’s content includes forward-looking statements about business performance; however, no guarantees are implied concerning future business performance.

Although the data and opinions contained in this report are derived from what we believe are reliable and accurate sources, we do not guarantee their accuracy or completeness. The contents contained herein may change or cease to exist without prior notice. Regardless of the purpose, any reproduction and/or use of this document in any shape or form without the prior written consent from MHR is prohibited.

This report contains charts, data, etc. that were prepared by Mori Building Investment Management Co., Ltd. (hereafter, the “asset manager”) based on charts, data, indicators, etc. released by third parties. Furthermore, this report includes statements based on analyses, judgments, and other observations concerning such matters by the asset manager as of the date of preparation.

Independent Auditor's Report

The Board of Directors
Mori Hills REIT Investment Corporation

Opinion

We have audited the accompanying financial statements of Mori Hills REIT Investment Corporation (the Company), which comprise the balance sheet as at July 31, 2023, 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, all expressed in Japanese yen.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2023, and its financial performance and its cash flows for the six-month period then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Other Information

The other information comprises the information included in the Semiannual Report that contains audited financial statements but does not include the financial statements and our auditor's report thereon. Management is responsible for preparation and disclosure of the other information. The Supervisory Director is responsible for overseeing the Company's reporting process of the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and the Supervisory Director for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

Fee-related information

The fees paid or payable to us and other EY Member Firms for the audits of the financial statements of the Company and other non-audit fees charged in the audit period to the Company are presented in paragraph 21 titled “FEES TO ACCOUNTING AUDITOR” included in item “NOTES TO FINANCIAL STATEMENTS”.

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

October 24, 2023

柴 田 憲 一

Kenichi Shibata
Designated Engagement Partner
Certified Public Accountant

齋 木 夏 生

Natsuki Saiki
Designated Engagement Partner
Certified Public Accountant

FINANCIAL STATEMENTS

BALANCE SHEET

(Unit: thousands of yen)

	As of	
	July 31, 2023	January 31, 2023
Assets		
Current assets		
Cash and deposits	16,049,336	13,293,275
Cash and deposits in trust	5,332,444	5,620,895
Operating accounts receivable	224,435	227,135
Prepaid expenses	379,625	356,983
Total current assets	21,985,841	19,498,290
Noncurrent assets		
Property, plant and equipment		
Buildings in trust	89,165,658	88,496,945
Accumulated depreciation	(24,283,408)	(23,240,653)
Buildings in trust, net	64,882,250	65,256,292
Structures in trust	1,001,726	998,101
Accumulated depreciation	(380,441)	(371,114)
Structures in trust, net	621,285	626,986
Machinery and equipment in trust	1,069,037	1,064,061
Accumulated depreciation	(469,025)	(440,518)
Machinery and equipment in trust, net	600,011	623,543
Tools, furniture and fixtures in trust	439,608	401,129
Accumulated depreciation	(265,035)	(248,672)
Tools, furniture and fixtures in trust, net	174,572	152,457
Land in trust	293,951,302	295,496,493
Construction in progress in trust	10,021	8,234
Total property, plant and equipment	360,239,443	362,164,008
Intangible assets		
Leasehold rights in trust	30,650,962	30,650,962
Other intangible assets in trust	746	855
Total intangible assets	30,651,709	30,651,818
Investments and other assets		
Lease and guarantee deposits	10,000	10,000
Long-term prepaid expenses	674,294	682,262
Deferred tax assets	21	13
Derivatives	1,258,547	2,172,611
Total investments and other assets	1,942,864	2,864,886
Total noncurrent assets	392,834,017	395,680,713
Deferred assets		
Investment corporation bonds issuance cost	68,265	77,055
Investment unit issuance cost	—	5,358
Total deferred assets	68,265	82,414
Total assets	414,888,123	415,261,418

(Unit: thousands of yen)

	As of	
	July 31, 2023	January 31, 2023
Liabilities		
Current liabilities		
Operating accounts payable	202,331	195,707
Current portion of long-term loans payable	18,800,000	20,400,000
Accounts payable – other	11,935	11,505
Accrued expenses	761,048	816,478
Income taxes payable	1,042	871
Accrued consumption taxes	158,581	266,568
Advances received	1,312,728	1,298,952
Deposits received	29,535	33,053
Derivatives liabilities	4,176	1,791
Total current liabilities	21,281,381	23,024,928
Noncurrent liabilities		
Investment corporation bonds	20,300,000	20,300,000
Long-term loans payable	153,322,000	151,722,000
Lease and guarantee deposits in trust	15,147,763	15,059,255
Derivatives liabilities	39,240	–
Total noncurrent liabilities	188,809,003	187,081,255
Total liabilities	210,090,385	210,106,184
Net assets		
Unitholders' equity		
Unitholders' capital	195,718,191	195,718,191
Surplus		
Voluntary retained earnings		
Reserve for reduction entry	1,412,588	833,304
Total voluntary retained earnings	1,412,588	833,304
Unappropriated retained earnings	6,451,828	6,432,918
Total surplus	7,864,416	7,266,222
Total unitholders' equity	203,582,607	202,984,414
Valuation and translation adjustments		
Deferred gains or losses on hedges	1,215,130	2,170,819
Total valuation and translation adjustments	1,215,130	2,170,819
Total net assets (Note8)	204,797,738	205,155,234
Total liabilities and net assets	414,888,123	415,261,418

STATEMENT OF INCOME AND RETAINED EARNINGS

(Unit: thousands of yen)

	For the six months ended	
	July 31, 2023	January 31, 2023
Operating revenue		
Rent revenues (Note12)	9,625,377	9,642,161
Other operating revenues (Note12)	213,524	223,158
Gain on transfer of real estate properties(Note12)	1,376,290	1,345,401
Total operating revenue	11,215,192	11,210,721
Operating expenses		
Expenses related to properties (Note12)	3,516,964	3,475,592
Asset management fee	619,720	667,664
Directors' compensation	8,400	8,400
Asset custody fee	10,381	10,322
Administrative service fees	16,162	15,356
Other operating expenses (Note12)	87,721	87,634
Total operating expenses	4,259,350	4,264,970
Operating income	6,955,842	6,945,750
Non-operating income		
Interest income	80	63
Gain on forfeiture of unclaimed dividends	942	1,058
Other	—	8
Total non-operating income	1,023	1,129
Non-operating expenses		
Interest expenses	344,405	352,944
Interest expenses on investment corporation bonds	52,950	52,950
Amortization of investment corporation bonds issuance cost	8,790	8,790
Borrowing expenses	118,569	119,121
Amortization of investment unit issuance cost	5,358	5,358
Other	1,907	1,907
Total non-operating expenses	531,981	541,072
Ordinary income	6,424,883	6,405,808
Income before income taxes	6,424,883	6,405,808
Income taxes-current	1,055	881
Income taxes-deferred	(8)	0
Total income taxes	1,046	881
Net income	6,423,836	6,404,927
Retained earnings brought forward	27,991	27,991
Unappropriated retained earnings (undisposed loss)	6,451,828	6,432,918



STATEMENT OF CHANGES IN NET ASSETS

For the six months ended July 31, 2023

(Unit: thousands of yen)

	Unitholders' equity					
	Unitholders' capital	Surplus				Total unitholders' equity
		Voluntary retained earnings		Unappropriated retained earnings	Total surplus	
		Reserve for reduction entry	Total voluntary retained earnings			
Balance at February 1, 2023	195,718,191	833,304	833,304	6,432,918	7,266,222	202,984,414
Change during the period						
Reserve for reduction entry		579,283	579,283	(579,283)	—	—
Dividends from surplus				(5,825,643)	(5,825,643)	(5,825,643)
Net income				6,423,836	6,423,836	6,423,836
Net changes of items other than unitholders' equity						
Total changes of items during the period	—	579,283	579,283	18,909	598,193	598,193
Balance at July 31, 2023	195,718,191	1,412,588	1,412,588	6,451,828	7,864,416	203,582,607

	Valuation and translation adjustments		Total net assets
	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at February 1, 2023	2,170,819	2,170,819	205,155,234
Change during the period			
Reserve for reduction entry			—
Dividends from surplus			(5,825,643)
Net income			6,423,836
Net changes of items other than unitholders' equity	(955,688)	(955,688)	(955,688)
Total changes of items during the period	(955,688)	(955,688)	(357,495)
Balance at July 31, 2023	1,215,130	1,215,130	204,797,738



For the six months ended January 31, 2023

(Unit: thousands of yen)

	Unitholders' equity						
	Unitholders' capital	Surplus			Unappropriated retained earnings	Total surplus	Total unitholders' equity
		Voluntary retained earnings					
		Reserve for reduction entry	Total voluntary retained earnings				
Balance at August 1, 2022	195,718,191	196,766	196,766	6,471,008	6,667,775	202,385,967	
Change during the period							
Reserve for reduction entry		636,537	636,537	(636,537)	—	—	
Dividends from surplus				(5,806,479)	(5,806,479)	(5,806,479)	
Net income				6,404,927	6,404,927	6,404,927	
Net changes of items other than unitholders' equity							
Total changes of items during the period	—	636,537	636,537	(38,090)	598,447	598,447	
Balance at January 31, 2023	195,718,191	833,304	833,304	6,432,918	7,266,222	202,984,414	

	Valuation and translation adjustments		Total net assets
	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at August 1, 2022	411,370	411,370	202,797,337
Change during the period			
Reserve for reduction entry			—
Dividends from surplus			(5,806,479)
Net income			6,404,927
Net changes of items other than unitholders' equity	1,759,449	1,759,449	1,759,449
Total changes of items during the period	1,759,449	1,759,449	2,357,896
Balance at January 31, 2023	2,170,819	2,170,819	205,155,234

STATEMENT OF CASH DISTRIBUTIONS

(Unit: yen)

	For the six months ended July 31, 2023	For the six months ended January 31, 2023
I. Unappropriated retained earnings	6,451,828,092	6,432,918,528
II. Amount of Dividends	6,423,538,160	5,825,643,200
Amount of dividends per unit	3,352	3,040
III. Voluntary retained earnings		
Reserve for reduction entry	—	579,283,813
IV. Retained earnings carried forward	28,289,932	27,991,515
Method of calculating the amount of dividends	<p>Pursuant to the terms of the distribution policy set forth in Article 37 (1) of the Company's Articles of Incorporation, the amount of dividends shall be in excess of an amount equivalent to 90% of the Company's earnings available for dividends as defined in Article 67-15 of the Special Taxation Measures Law, but not in excess of the amount of earnings as defined in Article 136, Paragraph 1 of the Investment Trust Act. Based on such policy, the Company decided to pay out dividends of earnings (6,423,538,160 yen), which is the maximum integral multiple of the total number of investment units issued and outstanding (1,916,330 units), out of the amount remaining after reserving retained earnings carried forward from the unappropriated retained earnings.</p> <p>As a result, the Company declared dividends per unit of 3,352 yen.</p>	<p>Pursuant to the terms of the distribution policy set forth in Article 37 (1) of the Company's Articles of Incorporation, the amount of dividends shall be in excess of an amount equivalent to 90% of the Company's earnings available for dividends as defined in Article 67-15 of the Special Taxation Measures Law, but not in excess of the amount of earnings as defined in Article 136, Paragraph 1 of the Investment Trust Act. In the thirty-third fiscal period, the Company decided to accumulate part of the gain on transfer of Laforet Harajuku (Land), which was transferred in December 2022, as reserve for reduction entry by applying Article 65-7 "Special Provisions for Taxation in Cases of Replacement of Certain Assets" of the Special Taxation Measures Law. Accordingly, the Company decided to pay out dividends of earnings (5,825,643,200 yen), which is the maximum integral multiple of the total number of investment units issued and outstanding (1,916,330 units), out of the amount remaining after reserving said reserve for reduction entry and retained earnings carried forward from the unappropriated retained earnings.</p> <p>As a result, the Company declared dividends per unit of 3,040 yen.</p>

STATEMENT OF CASH FLOWS

(Unit: thousands of yen)

For the six months ended

	July 31, 2023	January 31, 2023
Net cash provided by (used in) operating activities		
Income before income taxes	6,424,883	6,405,808
Depreciation and amortization	1,097,092	1,088,772
Amortization of investment corporation bonds issuance cost	8,790	8,790
Amortization of investment unit issuance cost	5,358	5,358
Interest income	(80)	(63)
Gain on forfeiture of unclaimed dividends	(942)	(1,058)
Interest expenses	397,355	405,894
Decrease (increase) in operating accounts receivable	(6,382)	(48,524)
Increase (decrease) in operating accounts payable	(6,826)	15,278
Increase (decrease) in accounts payable – other	537	(3,708)
Increase (decrease) in accrued expenses	(52,928)	27,010
Increase (decrease) in accrued consumption taxes	(107,972)	25,797
Increase (decrease) in advances received	13,776	1,468
Increase (decrease) in deposits received	(3,517)	7,103
Decrease (increase) in prepaid expenses	(22,642)	40,469
Decrease (increase) in long-term prepaid expenses	7,967	78,055
Decrease in property, plant and equipment in trust due to sale	1,545,191	1,545,191
Other, net	145	(10)
Subtotal	9,299,807	9,601,632
Interest income received	80	63
Interest expenses paid	(399,856)	(406,200)
Income taxes paid	(884)	(887)
Net cash provided by (used in) operating activities	8,899,147	9,194,608
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment in trust	(691,698)	(96,999)
Repayments of lease and guarantee deposits in trust	(56,290)	(254,285)
Proceeds from lease and guarantee deposits in trust	141,259	284,180
Net cash provided by (used in) investing activities	(606,729)	(67,104)
Net cash provided by (used in) financing activities		
Proceeds from long-term loans payable	9,200,000	6,000,000
Repayments of long-term loans payable	(9,200,000)	(6,000,000)
Cash dividends paid	(5,824,808)	(5,805,412)
Net cash provided by (used in) financing activities	(5,824,808)	(5,805,412)
Net increase (decrease) in cash and cash equivalents	2,467,609	3,322,091
Cash and cash equivalents at beginning of the period	18,914,170	15,592,079
Cash and cash equivalents at end of the period (Note16)	21,381,780	18,914,170

NOTES TO FINANCIAL STATEMENTS

For the six months ended July 31, 2023 and January 31, 2023

1. ORGANIZATION

Mori Hills REIT Investment Corporation (“the Company”) was incorporated by Mori Building Investment Management Co., Ltd. (the Company’s Asset Manager) on February 2, 2006 with 100 million yen in capital (200 units), and registration was approved based on Article 187 of the Act on Investment Trusts and Investment Corporations of Japan (the “Investment Trust Act”) on March 6, 2006 (Registration No. 51 filed with the Director-General of the Kanto Local Finance Bureau). Subsequently, the Company was listed on the Real Estate Investment Trust Section of the Tokyo Stock Exchange on November 30, 2006 (Securities Code: 3234).

The Company’s real estate portfolio as of July 31, 2023 was comprised of 11 properties under management with a total leasable floor area of 180,977.11m². The Company has already invested 406,197 million yen (based on acquisition price) into this portfolio. The occupancy rate as of July 31, 2023 was 99.1 %.

2. BASIS OF PRESENTATION

The financial statements of the Company have been prepared in accordance with accounting principles generally accepted in Japan (“Japanese GAAP”), including provisions set forth in the Financial Instruments and Exchange Act of Japan and the Investment Trust Act and 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 basically a translation of the financial statements of the Company, which were prepared in accordance with Japanese GAAP and were presented in the Securities Report of the Company filed with the Kanto Local Finance Bureau of the Ministry of Finance. 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. The amounts have been rounded down to the nearest thousand yen in the accompanying financial statements. The Company does not prepare consolidated financial statements, as the Company has no subsidiaries.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Property, plant and equipment (including assets in trust) and depreciation

Depreciation of property, plant and equipment of the Company is calculated principally by the straight-line method based on the following estimated useful lives determined by the Company. Significant renewals and additions are capitalized at cost. Maintenance and repairs are charged to expense.

Buildings	3~68 years
Structures	3~68 years
Machinery and equipment	8~33 years
Tools, furniture and fixtures	3~15 years

(2) Intangible assets (including assets in trust)

Intangible assets are amortized by the straight-line method based on the estimated useful lives.

(3) Long-term prepaid expenses

Long-term prepaid expenses are amortized by the straight-line method based on the estimated useful lives.

(4) Investment corporation bonds issuance cost

Investment corporation bonds issuance cost is amortized using the straight-line method over the term of the bonds.

(5) Investment unit issuance cost

Investment unit issuance cost is amortized using the straight-line method over three years.

(6) Revenue recognition

The details of main performance obligations concerning revenue generated from contracts between the Company and its customers and the normal point in time to satisfy said performance obligations (normal point in time to recognize revenue) are as follows.

(a) Transfer of real estate

For the proceeds from transfer of real estate, the Company recognizes revenue when the purchaser who is a customer obtains control of the relevant real estate as a result of the seller fulfilling its delivery obligations stipulated in the transaction agreement of the real estate.

(b) Utilities income

The Company recognizes utilities income in accordance with the supply of electricity and water, etc. to the lessee who is a customer based on the lease agreement of real estate and details of agreements incidental to it. Of the utilities income, in the case that the Company deems itself to be an agent, the net amount obtained by deducting the amount it pays to other parties from the amount it receives as charges for electricity and gas, etc. supplied by the said other parties is recognized as revenue.

(7) Accounting for property taxes

For property tax, city planning tax and depreciable assets tax, the Company charges the amount of property taxes assessed and determined applicable to the fiscal period to expenses related to properties.

Registered owners of properties in Japan as of January 1 are responsible for paying property taxes for the calendar year based on assessments by local governments. Therefore, registered owners who sold properties to the Company were liable for property taxes for the calendar year, including the period from the date of the acquisition by the Company until the end of the year. The Company reimbursed sellers of properties for the equivalent amount of property taxes and included the amount in the acquisition cost of real estate. The amount equivalent to property taxes included in the cost of acquisition of real estate were none for the period ended July 31, 2023 and January 31, 2023, respectively.

(8) Hedge accounting approach

(a) Hedge accounting approach

Deferred hedge accounting is applied for interest rate swap transactions. However, special treatment is applied for interest rate swaps when the requirements for special treatment are fulfilled.

(b) Hedging instruments and hedged items

Hedging instruments: Interest rate swap transactions

Hedged items: Borrowing interest rates

(c) Hedging policy

The Company conducts derivative transactions to hedge risks as stipulated in the Company's Articles of Incorporation in accordance with the Company's risk management policy.

(d) Method for assessing the effectiveness of hedging

The Company evaluates by comparing the cumulative change in market rates of hedged items and hedging instruments or cash flow and based on the amount of change in both during the period from the start of hedging to when the effectiveness is being determined.

However, the assessment of hedge effectiveness is omitted, as it is assumed that important terms of the hedging instruments and hedged items are identical so that interest rate or cash flow fluctuations will be fully offset at the inception of the hedge and continuously thereafter. Moreover, assessment of the effectiveness is omitted for interest rate swaps when the requirements for special treatment are fulfilled.

(9) Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows consist of cash on hand and deposits in trust; deposits and deposits in trust that can be withdrawn at any time; and short-term investments with a maturity of three months or less from the date of acquisition, which are readily convertible to cash and bear only an insignificant risk of price fluctuation.

(10) Accounting for trust beneficial interest in real estate

For trust beneficial interest in real estate owned by the Company, all accounts of assets and liabilities within the assets in trust as well as all accounts of revenue generated and expenses incurred from the assets in trust are recognized in the relevant accounts of the balance sheet and statement of income and retained earnings.

The following material items of the assets in trust recognized in the relevant accounts are separately listed on the balance sheet.

- (a) Cash and deposits in trust
 - (b) Buildings in trust; structures in trust; machinery and equipment in trust; tools, furniture and fixtures in trust; land in trust; construction in progress in trust; leasehold rights in trust; and other intangible assets in trust
 - (c) Lease and guarantee deposits in trust
- (11) Non-deductible consumption taxes

Non-deductible consumption taxes related to the acquisition of assets are treated as the acquisition cost of applicable assets.

4. PROPERTY AND EQUIPMENT

For the six months ended July 31, 2023

(Unit: thousands of yen)

Type of asset	Balance at beginning of the period	Amount of increase during the period	Amount of decrease during the period	Balance at end of the period	Accumulated depreciation/Amortization		Net balance at end of the period	Remarks	
					Accumulated depreciation	Amortization			
Property, plant and equipment	Buildings in trust	88,496,945	668,712	—	89,165,658	24,283,408	1,042,787	64,882,250	—
	Structures in trust	998,101	3,625	—	1,001,726	380,441	9,326	621,285	—
	Machinery and equipment in trust	1,064,061	4,975	—	1,069,037	469,025	28,506	600,011	—
	Tools, furniture and fixtures in trust	401,129	38,478	—	439,608	265,035	16,362	174,572	—
	Land in trust	295,496,493	—	1,545,191	293,951,302	—	—	293,951,302	(Note)
	Construction in progress in trust	8,234	1,978	191	10,021	—	—	10,021	—
	Subtotal	386,464,966	717,770	1,545,382	385,637,354	25,397,910	1,096,983	360,239,443	
Intangible assets	Leasehold rights in trust	30,650,962	—	—	30,650,962	—	—	30,650,962	—
	Other intangible assets in trust	1,092	—	—	1,092	345	109	746	—
	Subtotal	30,652,054	—	—	30,652,054	345	109	30,651,709	
Total	417,117,021	717,770	1,545,382	416,289,409	25,398,256	1,097,092	390,891,153		

(Note) The amount of decrease during the period is primarily attributable to the transfer of a part of Laforet Harajuku (Land).

5. SHORT-TERM LOANS PAYABLE

For the six months ended July 31, 2023

Not applicable.

6. INVESTMENT CORPORATION BONDS

For the six months ended July 31, 2023

(Unit: thousands of yen)

Bond	Issue date	Balance at beginning of the period	Amount of increase during the period	Amount of decrease during the period	Balance at end of the period	Interest rate	Redemption maturity date	Use of funds	Collateral
Twelfth Series Unsecured Investment Corporation Bonds	Nov. 27, 2014	2,000,000	—	—	2,000,000	0.8650%	Nov. 27, 2024	(Note 1)	none
Fourteenth Series Unsecured Investment Corporation Bonds	May 26, 2015	2,000,000	—	—	2,000,000	0.8200%	May 26, 2025		
Sixteenth Series Unsecured Investment Corporation Bonds	Nov. 26, 2015	1,500,000	—	—	1,500,000	0.8860%	Nov. 26, 2025		
Seventeenth Series Unsecured Investment Corporation Bonds	Aug. 30, 2016	2,000,000	—	—	2,000,000	0.3400%	Aug. 28, 2026		
Eighteenth Series Unsecured Investment Corporation Bonds	Jan. 31, 2017	2,000,000	—	—	2,000,000	0.4900%	Jan. 29, 2027		
Nineteenth Series Unsecured Investment Corporation Bonds	Jun. 30, 2017	2,000,000	—	—	2,000,000	0.5000%	Jun. 30, 2027		
Twentieth Series Unsecured Investment Corporation Bonds (green bond)	Nov. 25, 2020	3,500,000	—	—	3,500,000	0.2500%	Nov. 25, 2025		
Twenty-first Series Unsecured Investment Corporation Bonds (green bond)	Feb. 22, 2021	2,000,000	—	—	2,000,000	0.5000%	Feb. 21, 2031		
Twenty-second Series Unsecured Investment Corporation Bonds (green bond)	Jul. 30, 2021	1,800,000	—	—	1,800,000	0.4200%	Jul. 30, 2031		
Twenty-third Series Unsecured Investment Corporation Bonds (green bond)	Nov. 30, 2021	1,500,000	—	—	1,500,000	0.4000%	Nov. 28, 2031		
Total		20,300,000	—	—	20,300,000				

(Note 1) The funds are used for the acquisition cost of trust beneficial interests, the repayment of loans payable and redemption of investment corporation bonds.

(Note 2) The redemption schedule of investment corporation bonds for each of the five years after the balance sheet date is as follows.

(Unit: thousands of yen)

	Due within 1 year	Due after 1 year, but within 2 years	Due after 2 years, but within 3 years	Due after 3 years, but within 4 years	Due after 4 years, but within 5 years
Investment corporation bonds	—	4,000,000	5,000,000	6,000,000	—



7. LONG-TERM LOANS PAYABLE

For the six months ended July 31, 2023

(1) Current portion of long-term loans payable

(Unit: thousands of yen)

Lender	Balance at beginning of the period	Amount of increase during the period	Amount of decrease during the period	Balance at end of the period	Average interest rate (Note 1)	Repayment date	Use of funds	Remarks
Sumitomo Mitsui Trust Bank, Ltd.	500,000	—	—	500,000	0.6529%	Aug. 31, 2023	(Note 2)	Unsecured/ Unguaranteed
	1,600,000	—	—	1,600,000	0.6155%	Nov. 30, 2023		
	—	600,000	—	600,000	0.4100%	Mar. 29, 2024		
	2,400,000	—	—	2,400,000	0.3315%	Aug. 31, 2023		
MUFG Bank, Ltd	500,000	—	—	500,000	0.6529%	Aug. 31, 2023		
	500,000	—	—	500,000	0.6529%	Aug. 31, 2023		
	1,600,000	—	—	1,600,000	0.6155%	Nov. 30, 2023		
	1,500,000	—	1,500,000	—	0.3290%	Mar. 31, 2023		
	—	1,500,000	—	1,500,000	0.4100%	Mar. 29, 2024		
	—	600,000	—	600,000	0.4100%	Mar. 29, 2024		
Mizuho Bank, Ltd	500,000	—	—	500,000	0.6529%	Aug. 31, 2023		
	1,600,000	—	—	1,600,000	0.6155%	Nov. 30, 2023		
	—	600,000	—	600,000	0.4100%	Mar. 29, 2024		
SBI Shinsei Bank, Limited	1,500,000	—	—	1,500,000	0.6155%	Nov. 30, 2023		
	500,000	—	500,000	—	0.3290%	Mar. 31, 2023		
Sumitomo Mitsui Banking Corporation	500,000	—	—	500,000	0.6529%	Aug. 31, 2023		
	2,200,000	—	2,200,000	—	0.3290%	Mar. 31, 2023		
	—	800,000	—	800,000	0.4100%	Mar. 29, 2024		
The Bank of Fukuoka, Ltd.	—	1,000,000	—	1,000,000	0.4100%	Mar. 29, 2024		
Development Bank of Japan Inc.	1,700,000	—	1,700,000	—	0.7963%	Mar. 27, 2023		
	—	1,000,000	—	1,000,000	0.4100%	Mar. 29, 2024		
Aozora Bank, Ltd.	—	1,000,000	—	1,000,000	0.4100%	Mar. 29, 2024		
The Norinchukin Bank	1,000,000	—	1,000,000	—	0.3290%	Mar. 31, 2023		
	—	500,000	—	500,000	0.3735%	Jul. 31, 2024		
The Hiroshima Bank, Ltd.	1,000,000	—	1,000,000	—	0.3290%	Mar. 31, 2023		
Resona Bank, Ltd	800,000	—	800,000	—	0.3290%	Mar. 31, 2023		
Mizuho Trust & Banking Co., Ltd.	500,000	—	500,000	—	0.3290%	Mar. 31, 2023		
Total	20,400,000	7,600,000	9,200,000	18,800,000				

(2) Long-term loans payable

(Unit: thousands of yen)

Lender	Balance at beginning of the period	Amount of increase during the period	Amount of decrease during the period	Balance at end of the period	Average interest rate (Note 1)	Repayment date	Use of funds	Remarks
MUFG Bank, Ltd	1,500,000	—	1,500,000	—	0.4100%	Mar. 29, 2024	(Note 2)	Unsecured/ Unguaranteed
	600,000	—	600,000	—	0.4100%	Mar. 29, 2024		
	2,400,000	—	—	2,400,000	0.5040%	Mar. 31, 2025		
	4,700,000	—	—	4,700,000	0.4065%	Aug. 31, 2027		
	5,000,000	—	—	5,000,000	0.4345%	Feb. 29, 2028		
	3,904,000	—	—	3,904,000	0.2780%	Nov. 30, 2028		
	2,200,000	—	—	2,200,000	0.1930%	Nov. 30, 2026		
	2,816,000	—	—	2,816,000	0.2560%	May 31, 2027		
	1,400,000	—	—	1,400,000	0.2130%	Aug. 31, 2027		
	2,400,000	—	—	2,400,000	0.2160%	Nov. 30, 2027		
	2,738,000	—	—	2,738,000	0.3524%	May 31, 2029		
	1,600,000	—	—	1,600,000	0.3500%	Feb. 28, 2029		
	1,400,000	—	—	1,400,000	0.3550%	Aug. 31, 2029		
	1,100,000	—	—	1,100,000	0.4580%	Nov. 30, 2029		
	1,579,000	—	—	1,579,000	0.5600%	Nov. 30, 2029		
	800,000	—	—	800,000	0.6000%	May 31, 2030		

(Unit: thousands of yen)

Lender	Balance at beginning of the period	Amount of increase during the period	Amount of decrease during the period	Balance at end of the period	Average interest rate (Note 1)	Repayment date	Use of funds	Remarks
Mizuho Bank, Ltd	600,000	—	600,000	—	0.4100%	Mar. 29, 2024	(Note 2)	Unsecured/ Unguaranteed
	2,400,000	—	—	2,400,000	0.5040%	Mar. 31, 2025		
	1,100,000	—	—	1,100,000	0.5775%	Jul. 31, 2029		
	2,700,000	—	—	2,700,000	0.6030%	Feb. 28, 2030		
	3,000,000	—	—	3,000,000	0.4260%	Aug. 30, 2024		
	1,400,000	—	—	1,400,000	0.4030%	Aug. 31, 2029		
	1,952,000	—	—	1,952,000	0.4030%	May 31, 2029		
	1,000,000	—	—	1,000,000	0.2010%	Aug. 29, 2025		
	1,100,000	—	—	1,100,000	0.3290%	May 31, 2027		
	1,408,000	—	—	1,408,000	0.3990%	May 31, 2029		
	1,400,000	—	—	1,400,000	0.3590%	Aug. 31, 2029		
	1,200,000	—	—	1,200,000	0.2410%	Nov. 30, 2027		
	1,369,000	—	—	1,369,000	0.2350%	May 31, 2028		
	1,500,000	—	—	1,500,000	0.3170%	Aug. 30, 2030		
	1,300,000	—	—	1,300,000	0.4244%	Nov. 29, 2030		
	3,000,000	—	—	3,000,000	0.3218%	May 23, 2031		
	1,114,000	—	—	1,114,000	0.3213%	May 30, 2031		
Sumitomo Mitsui Banking Corporation	800,000	—	800,000	—	0.4100%	Mar. 29, 2024	(Note 2)	Unsecured/ Unguaranteed
	1,100,000	—	—	1,100,000	0.4673%	Jul. 31, 2025		
	2,650,000	—	—	2,650,000	0.5460%	Feb. 27, 2026		
	3,600,000	—	—	3,600,000	0.5640%	Aug. 31, 2026		
	1,144,000	—	—	1,144,000	0.4000%	Nov. 30, 2027		
	1,600,000	—	—	1,600,000	0.4720%	May 31, 2028		
	1,134,000	—	—	1,134,000	0.4800%	Nov. 30, 2028		
	1,400,000	—	—	1,400,000	0.3780%	Aug. 31, 2028		
	1,440,000	—	—	1,440,000	0.3860%	Nov. 30, 2028		
	1,099,000	—	—	1,099,000	0.3524%	May 31, 2029		
	1,500,000	—	—	1,500,000	0.3542%	Aug. 31, 2029		
	1,560,000	—	—	1,560,000	0.4580%	Nov. 30, 2029		
	890,000	—	—	890,000	0.3713%	May 31, 2030		
	1,600,000	—	—	1,600,000	0.3213%	Nov. 29, 2030		
	—	2,200,000	—	2,200,000	0.2996%	Mar. 31, 2031		

(Unit: thousands of yen)

Lender	Balance at beginning of the period	Amount of increase during the period	Amount of decrease during the period	Balance at end of the period	Average interest rate (Note 1)	Repayment date	Use of funds	Remarks
Sumitomo Mitsui Trust Bank, Ltd.	600,000	—	600,000	—	0.4100%	Mar. 29, 2024	(Note 2)	Unsecured/ Unguaranteed
	2,400,000	—	—	2,400,000	0.5040%	Mar. 31, 2025		
	1,000,000	—	—	1,000,000	0.5150%	Jul. 31, 2026		
	2,000,000	—	—	2,000,000	0.4770%	Jul. 31, 2028		
	2,600,000	—	—	2,600,000	0.5830%	Feb. 26, 2027		
	1,400,000	—	—	1,400,000	0.6670%	Aug. 31, 2027		
	1,000,000	—	—	1,000,000	0.1350%	Nov. 29, 2024		
	834,000	—	—	834,000	0.2650%	May 30, 2025		
	960,000	—	—	960,000	0.2100%	Nov. 28, 2025		
	1,294,000	—	—	1,294,000	0.2268%	May 29, 2026		
	1,040,000	—	—	1,040,000	0.2840%	Nov. 30, 2026		
1,117,000	—	—	1,117,000	0.2513%	May 31, 2027			
The Bank of Fukuoka, Ltd.	1,000,000	—	1,000,000	—	0.4100%	Mar. 29, 2024	(Note 2)	Unsecured/ Unguaranteed
	500,000	—	—	500,000	0.5150%	Jul. 31, 2026		
	500,000	—	—	500,000	0.4700%	Aug. 29, 2025		
	1,300,000	—	—	1,300,000	0.3760%	Aug. 30, 2024		
	2,000,000	—	—	2,000,000	0.1675%	May 29, 2026		
	2,000,000	—	—	2,000,000	0.2530%	Nov. 30, 2028		
	1,000,000	—	—	1,000,000	0.2830%	May 20, 2030		
	500,000	—	—	500,000	0.1910%	Jul. 30, 2027		
The Norinchukin Bank	500,000	—	500,000	—	0.3735%	Jul. 31, 2024	(Note 2)	Unsecured/ Unguaranteed
	600,000	—	—	600,000	0.4893%	Nov. 29, 2024		
	1,300,000	—	—	1,300,000	0.4260%	Aug. 30, 2024		
	3,000,000	—	—	3,000,000	0.2675%	May 29, 2026		
	600,000	—	—	600,000	0.2610%	May 29, 2026		
	1,000,000	—	—	1,000,000	0.3536%	Jul. 31, 2029		
	—	1,000,000	—	1,000,000	0.4246%	Mar. 31, 2032		

(Unit: thousands of yen)

Lender	Balance at beginning of the period	Amount of increase during the period	Amount of decrease during the period	Balance at end of the period	Average interest rate (Note 1)	Repayment date	Use of funds	Remarks
Resona Bank, Ltd	500,000	—	—	500,000	0.6130%	Jul. 30, 2027	(Note 2)	Unsecured/ Unguaranteed
	500,000	—	—	500,000	0.4700%	Aug. 29, 2025		
	1,300,000	—	—	1,300,000	0.4805%	Aug. 31, 2028		
	2,500,000	—	—	2,500,000	0.3030%	Aug. 31, 2029		
	830,000	—	—	830,000	0.3000%	May 31, 2028		
	1,000,000	—	—	1,000,000	0.2370%	Aug. 31, 2026		
	—	800,000	—	800,000	0.2746%	Mar. 29, 2030		
Development Bank of Japan Inc.	1,000,000	—	1,000,000	—	0.4100%	Mar. 29, 2024		
	750,000	—	—	750,000	0.6430%	Feb. 26, 2027		
	500,000	—	—	500,000	0.6670%	Aug. 31, 2027		
	2,000,000	—	—	2,000,000	0.4030%	Nov. 30, 2028		
	—	1,700,000	—	1,700,000	0.4246%	Mar. 31, 2032		
Mizuho Trust & Banking Co., Ltd.	500,000	—	—	500,000	0.5775%	Jul. 31, 2029		
	1,500,000	—	—	1,500,000	0.4700%	Aug. 29, 2025		
	1,300,000	—	—	1,300,000	0.4700%	Aug. 29, 2025		
	1,000,000	—	—	1,000,000	0.4480%	May 21, 2029		
	—	500,000	—	500,000	0.3746%	Mar. 31, 2032		
SBI Shinsei Bank, Limited	500,000	—	—	500,000	0.5400%	Aug. 29, 2025		
	1,300,000	—	—	1,300,000	0.5200%	Aug. 29, 2025		
	900,000	—	—	900,000	0.3550%	Nov. 30, 2027		
	500,000	—	—	500,000	0.3530%	May 22, 2028		
	1,000,000	—	—	1,000,000	0.3536%	Jul. 31, 2029		
	—	500,000	—	500,000	0.3746%	Mar. 31, 2031		
The Nishi-Nippon City Bank, Ltd.	1,000,000	—	—	1,000,000	0.4893%	Nov. 29, 2024		
	500,000	—	—	500,000	0.5400%	Aug. 29, 2025		
	1,000,000	—	—	1,000,000	0.5725%	May 20, 2030		
	700,000	—	—	700,000	0.4886%	Jul. 31, 2031		
	800,000	—	—	800,000	0.4713%	Aug. 31, 2032		
Shinkin Central Bank	1,000,000	—	—	1,000,000	0.3010%	Sep. 29, 2028		
	1,600,000	—	—	1,600,000	0.3913%	Nov. 29, 2030		
Chugoku Bank Ltd.	1,000,000	—	—	1,000,000	0.2170%	Aug. 31, 2026		
	500,000	—	—	500,000	0.3200%	May 20, 2027		
	1,000,000	—	—	1,000,000	0.2780%	Jul. 31, 2028		
MitsubishiUFJ Trust and Banking Corporation	—	1,500,000	—	1,500,000	0.4546%	Mar. 31, 2033		

(Unit: thousands of yen)

Lender	Balance at beginning of the period	Amount of increase during the period	Amount of decrease during the period	Balance at end of the period	Average interest rate (Note 1)	Repayment date	Use of funds	Remarks
Aozora Bank, Ltd.	1,000,000	—	1,000,000	—	0.4100%	Mar. 29, 2024	(Note 2)	Unsecured/ Unguaranteed
	1,000,000	—	—	1,000,000	0.3736%	Jul. 31, 2029		
The Hiroshima Bank, Ltd.	—	1,000,000	—	1,000,000	0.2746%	Mar. 29, 2030		
The Oita Bank, Ltd.	1,000,000	—	—	1,000,000	0.3710%	Nov. 30, 2027		
Nippon Life Insurance Company	1,000,000	—	—	1,000,000	0.4800%	May 22, 2028		
Mitsui Sumitomo Insurance Company, Limited	1,000,000	—	—	1,000,000	0.2800%	Jul. 31, 2028		
The Bank of Yokohama, Ltd.	1,000,000	—	—	1,000,000	0.3713%	May 31, 2032		
Total	151,722,000	9,200,000	7,600,000	153,322,000				

(Note 1) “Average interest rate” indicates the interest rate on loans payable for the respective lending financial institutions rounded to four decimal places. In addition, concerning the loans payable for which an interest rate swap transaction has been entered into for the purpose of avoiding the risk of fluctuations in interest rates, the interest rate shown is the interest rate after taking into account the effect of the interest rate swap transaction.

(Note 2) The funds are used for the acquisition cost of trust beneficial interests, the refinancing of loans payable, redemption of investment corporation bonds and related expenses.

(Note 3) The repayment schedule of long-term loans payable (excluding the current portion of long-term loans payable) due within 5 years after the balance sheet date is as follows.

(Unit: thousands of yen)

	Due after 1 year, but within 2 years	Due after 2 years, but within 3 years	Due after 3 years, but within 4 years	Due after 4 years, but within 5 years
Long-term loans payable	17,334,000	19,104,000	18,723,000	28,943,000

8. NET ASSETS

Minimum net assets

The Company is required to maintain net assets of at least 50,000 thousand yen pursuant to the Investment Trust Act.

9. INCOME TAXES

(1) Breakdown of significant components of deferred tax assets and deferred tax liabilities

(Unit: thousands of yen)

	As of	
	July 31, 2023	January 31, 2023
Deferred tax assets		
Accrued enterprise tax excluded from expenses	21	13
Deferred gains or losses on hedges	13,659	563
Subtotal deferred tax assets	13,680	576
Valuation allowance	(13,659)	(563)
Total deferred tax assets	21	13
Net deferred tax assets	21	13

(2) Reconciliation of significant differences between the statutory tax rate and the effective tax rate

	As of	
	July 31, 2023	January 31, 2023
Statutory tax rate	31.46%	31.46%
[Adjustments]		
Deductible cash distributions	(31.45%)	(28.61%)
Reserve for reduction entry	—	(2.84%)
Others	0.01%	0.01%
Effective tax rate	0.02%	0.01%

10. PER UNIT INFORMATION

	For the six months ended	
	July 31, 2023	January 31, 2023
Net assets per unit (yen)	106,869	107,056
Net income per unit (yen)	3,352	3,342

(Note 1) Net income per unit was calculated by dividing the net income by the daily weighted average number of investment units during the period.

Diluted net income per unit has not been stated as there are no diluted investment units.

(Note 2) The following is the basis for calculating net income per unit.

	For the six months ended	
	July 31, 2023	January 31, 2023
Net income (thousands of yen)	6,423,836	6,404,927
Amounts not attributable to common unitholders (thousands of yen)	—	—
Net income attributable to common investment units (thousands of yen)	6,423,836	6,404,927
Average number of investment units during the period (units)	1,916,330	1,916,330

11. RELATED PARTY TRANSACTIONS

(1) Parent company and major corporate unitholders

For the six months ended July 31, 2023

Type	Name	Location	Capital stock or investments in capital (thousands of yen)	Description of business	Percentage of voting rights held in (by) related party	Relationship with related party	Description of transaction	Amount of transaction (thousands of yen) (Note 1)	Account item	Balance at end of the period (thousands of yen)
Other related company	Mori Building Co., Ltd.	Minato-ku, Tokyo	89,500,000	Real estate business	15.0% directly held by related party	Leasing and management of real estate	Transfer of property (Note 2) (Note 6)	2,926,000	—	—
							Leasing of properties (Note 3) (Note 7)	6,425,108	Advances received	1,170,080
									Lease and guarantee deposits in trust	10,360,591
							Payment of property operation and management fees (Note 8)	277,542 (Note 4)	Prepaid expenses	5,878
									Operating accounts payable	53,706
							Payment of other operating expenses (Note 9)	1,189	—	—
Deposit of lease and guarantee (Note 5) (Note 10)	—	Lease and guarantee deposits in trust	53,886							

(Note 1) The amount does not include consumption taxes.

(Note 2) Part of Laforet Harajuku (Land)

(Note 3) Roppongi Hills Mori Tower, ARK Mori Building, Atago Green Hills and Toranomon Hills Mori Tower

(Note 4) The amount includes fees (23,505 thousand yen) that are not charged to expenses but recognized as assets.

(Note 5) Roppongi View Tower

[Transaction terms and conditions and related policies]

(Note 6) Transfer decisions are made in accordance with the provisions of the Related Parties Transaction Guidelines stipulated by the Company's Asset Manager and compliance regulations. Furthermore, transfers are not made at a value below the appraisal value as determined by an independent third-party real estate appraiser (including corporations).

(Note 7) The Company engages in transactions by conducting adequate procedures in line with the Related Parties Transaction Guidelines stipulated by the Company's Asset Manager and compliance regulations, after having comprehensively considered the market situation and other factors.

(Note 8) The Company decides on transactions by conducting adequate procedures in line with the Related Parties Transaction Guidelines stipulated by the Company's Asset Manager and compliance regulations, in light of the market situation, the content of services provided, overall operational capacity and other factors.

(Note 9) The Company decides on transactions in light of the market situation, the content of services provided, overall operational capacity and other factors.

(Note 10) The Company engages in transactions by conducting adequate procedures in line with the Related Parties Transaction Guidelines stipulated by the Company's Asset Manager and compliance regulations, after having comprehensively considered the market situation and other factors.

For the six months ended January 31, 2023

Type	Name	Location	Capital stock or investments in capital (thousands of yen)	Description of business	Percentage of voting rights held in (by) related party	Relationship with related party	Description of transaction	Amount of transaction (thousands of yen) (Note 1)	Account item	Balance at end of the period (thousands of yen)
Other related company	Mori Building Co., Ltd.	Minato-ku, Tokyo	79,500,000	Real estate business	15.0% directly held by related party	Leasing and management of real estate	Transfer of property (Note 2) (Note 6)	2,898,000	—	—
							Leasing of properties (Note 3) (Note 7)	6,425,108	Advances received	1,169,721
									Lease and guarantee deposits in trust	10,360,591
							Payment of property operation and management fees (Note 8)	264,193 (Note 4)	Prepaid expenses	4,215
									Operating accounts payable	55,635
Deposit of lease and guarantee (Note 5) (Note 9)	—	Lease and guarantee deposits in trust	53,886							

(Note 1) The amount does not include consumption taxes.

(Note 2) Part of Laforet Harajuku (Land)

(Note 3) Roppongi Hills Mori Tower, ARK Mori Building, Atago Green Hills and Toranomon Hills Mori Tower

(Note 4) The amount includes fees (4,632 thousand yen) that are not charged to expenses but recognized as assets.

(Note 5) Roppongi View Tower

[Transaction terms and conditions and related policies]

(Note 6) Transfer decisions are made in accordance with the provisions of the Related Parties Transaction Guidelines stipulated by the Company's Asset Manager and compliance regulations. Furthermore, transfers are not made at a value below the appraisal value as determined by an independent third-party real estate appraiser (including corporations).

(Note 7) The Company engages in transactions by conducting adequate procedures in line with the Related Parties Transaction Guidelines stipulated by the Company's Asset Manager and compliance regulations, after having comprehensively considered the market situation and other factors.

(Note 8) The Company decides on transactions by conducting adequate procedures in line with the Related Parties Transaction Guidelines stipulated by the Company's Asset Manager and compliance regulations, in light of the market situation, the content of services provided, overall operational capacity and other factors.

(Note 9) The Company engages in transactions by conducting adequate procedures in line with the Related Parties Transaction Guidelines stipulated by the Company's Asset Manager and compliance regulations, after having comprehensively considered the market situation and other factors.



(2) Subsidiaries and affiliates

For the six months ended July 31, 2023

Not applicable.

For the six months ended January 31, 2023

Not applicable.

(3) Subsidiaries of parent company

For the six months ended July 31, 2023

Type	Name	Location	Capital stock or investments in capital (thousands of yen)	Description of business	Percentage of voting rights held in (by) related party	Relationship with related party	Description of transaction	Amount of transaction (thousands of yen) (Note 1)	Account item	Balance at end of the period (thousands of yen)
Subsidiary of other related company	Mori Building Investment Management Co., Ltd.	Minato-ku Tokyo	200,000	Real estate, trust beneficiary right and other financial asset management operations	None	Outsourcing of asset management Concurrent post of directors	Payment of management fees (Note 2) (Note 3)	619,720	Accrued expenses	681,692

(Note 1) The amount does not include consumption taxes.

(Note 2) The amount of management fees is provided in the “Asset Management Contract” concluded between the Company and the Company’s Asset Manager.

[Transaction terms and conditions and related policies]

(Note 3) The Company decides on transactions in light of the market situation, the content of services provided, overall operational capacity and other factors.

For the six months ended January 31, 2023

Type	Name	Location	Capital stock or investments in capital (thousands of yen)	Description of business	Percentage of voting rights held in (by) related party	Relationship with related party	Description of transaction	Amount of transaction (thousands of yen) (Note 1)	Account item	Balance at end of the period (thousands of yen)
Subsidiary of other related company	Mori Building Investment Management Co., Ltd.	Minato-ku, Tokyo	200,000	Real estate, trust beneficiary right and other financial asset management operations	None	Outsourcing of asset management Concurrent post of directors	Payment of management fees (Note 2) (Note 3)	667,664	Accrued expenses	734,431

(Note 1) The amount does not include consumption taxes.

(Note 2) The amount of management fees is provided in the “Asset Management Contract” concluded between the Company and the Company’s Asset Manager.

[Transaction terms and conditions and related policies]

(Note 3) The Company decides on transactions in light of the market situation, the content of services provided, overall operational capacity and other factors.



(4) Directors and major individual unitholders

For the six months ended July 31, 2023

Type	Name	Location	Capital stock or investments in capital (thousands of yen)	Description of business or position	Percentage of voting rights held in (by) related party	Relationship with related party	Description of transaction	Amount of transaction (thousands of yen) (Note 1)	Account item	Balance at end of the period (thousands of yen)
Directors and their close relatives	Hideyuki Isobe	—	—	Executive Director of the Company, and President & CEO of Mori Building Investment Management Co., Ltd.	None	Executive Director of the Company, and President & CEO of Mori Building Investment Management Co., Ltd.	Payment of management fees to Mori Building Investment Management Co., Ltd. (Note 2) (Note 3)	619,720	Accrued expenses	681,692

(Note 1) The amount does not include consumption taxes.

(Note 2) The transaction was conducted with Hideyuki Isobe as third-party representative (Mori Building Investment Management Co., Ltd.) and the amount of management fees is provided in the “Asset Management Contract” concluded between the Company and the Company’s Asset Manager.

[Transaction terms and conditions and related policies]

(Note 3) The Company decides on transactions in light of the market situation, the content of services provided, overall operational capacity and other factors.

For the six months ended January 31, 2023

Type	Name	Location	Capital stock or investments in capital (thousands of yen)	Description of business or position	Percentage of voting rights held in (by) related party	Relationship with related party	Description of transaction	Amount of transaction (thousands of yen) (Note 1)	Account item	Balance at end of the period (thousands of yen)
Directors and their close relatives	Hideyuki Isobe	—	—	Executive Director of the Company, and President & CEO of Mori Building Investment Management Co., Ltd.	None	Executive Director of the Company, and President & CEO of Mori Building Investment Management Co., Ltd.	Payment of management fees to Mori Building Investment Management Co., Ltd. (Note 2) (Note 3)	667,664	Accrued expenses	734,431

(Note 1) The amount does not include consumption taxes.

(Note 2) The transaction was conducted with Hideyuki Isobe as third-party representative (Mori Building Investment Management Co., Ltd.) and the amount of management fees is provided in the “Asset Management Contract” concluded between the Company and the Company’s Asset Manager.

[Transaction terms and conditions and related policies]

(Note 3) The Company decides on transactions in light of the market situation, the content of services provided, overall operational capacity and other factors.

12. BREAKDOWN OF PROPERTY-RELATED REVENUE AND EXPENSES

Breakdown of property operating income

(Unit: thousands of yen)

	For the six months ended			
	July 31, 2023		January 31, 2023	
A. Property operating revenue				
Rent revenues				
Rent and common area revenue	9,619,687		9,636,556	
Other rent revenue	5,689	9,625,377	5,604	9,642,161
Other operating revenues				
Parking revenue	56,670		53,821	
Utilities and other revenue	156,853		164,711	
Cancellation penalty	—	213,524	4,625	223,158
Total property operating revenue		9,838,901		9,865,319
B. Property operating expenses				
Expenses related to properties				
Property management fees	1,196,715		1,194,878	
Property taxes	809,311		786,194	
Utilities	159,236		158,844	
Maintenance and repairs	61,214		57,174	
Insurance premium	21,331		20,721	
Custodian fees	8,176		6,092	
Depreciation and amortization	1,097,092		1,088,772	
Rent expenses	148,270		148,065	
Other lease business expenses	15,614	3,516,964	14,848	3,475,592
Total property operating expenses		3,516,964		3,475,592
C. Property operating income [A – B]		6,321,937		6,389,727

Transactions with major unitholders

(Unit: thousands of yen)

	For the six months ended	
	July 31, 2023	January 31, 2023
From operating transactions		
Rent revenues	6,425,108	6,425,108
Gain on transfer of real estate properties	1,376,290	1,345,401
Expenses related to properties	254,037	259,560
Other operating expenses	1,189	—

Breakdown of gain on transfer of real estate properties

(Unit: thousands of yen)

For the six months ended July 31, 2023

Laforet Harajuku (Land)

Revenue from transfer of real estate properties	2,926,000
Cost of transfer of real estate properties	1,545,191
Other transfer expenses	4,517
Gain on transfer of real estate properties	1,376,290

For the six months ended January 31, 2023

Laforet Harajuku (Land)

Revenue from transfer of real estate properties	2,898,000
Cost of transfer of real estate properties	1,545,191
Other transfer expenses	7,407
Gain on transfer of real estate properties	1,345,401

13. UNITHOLDERS' EQUITY

	For the six months ended	
	July 31, 2023	January 31, 2023
Total number of investment units authorized and total number of investment units issued and outstanding		
Total number of investment units authorized	10,000,000 units	10,000,000 units
Total number of investment units issued and outstanding	1,916,330 units	1,916,330 units

14. FINANCIAL INSTRUMENTS

(1) Policy for financial instruments

(a) Policy for holding financial instruments

The Company makes use of various financial instruments in order to invest surplus funds efficiently. In addition, concerning fund procurement, the Company adopts a policy of undertaking such fund raising primarily through the issuance of investment units, the borrowing of funds and the issuance of investment corporation bonds. The Company limits derivative transactions to those that are entered into for the purpose of hedging the risk of future fluctuations in interest rates on loans payable, and does not engage in speculative transactions.

(b) Description of financial instruments and associated risks, and risk management structure

Deposits used for investing the Company's surplus funds are exposed to credit risks, for example, the failure of the financial institutions that are holding the deposits, but the Company limits the risks by diversifying financial institutions.

Investment corporation bonds and long-term loans payable are used for fund procurement associated with the acquisition of real estate related assets or repayment of loans payable. Of these, loans payable with variable interest rates are exposed to the risk of fluctuations in interest rates, but derivative transactions are utilized as hedging instruments.

Interest rate swaps are utilized with the Company seeking to, in effect, convert fluctuating interest rates on fund procurement into fixed interest rates. For information on the method of hedge accounting approach, hedging instruments and hedged items, hedging policy and method for assessing the effectiveness of hedging, please refer to "Summary of significant accounting policies: (8) Hedge accounting approach."

Concerning derivative transactions, risks are managed pursuant to the risk management policy set forth by the Company.

(c) Supplementary explanation on matters concerning fair value of financial instruments

Certain assumptions, etc. are used in calculating the fair value of financial instruments, and there can be cases where the values may vary based on different assumptions, etc. In addition, concerning the contract amount of derivative transactions in "Derivative transactions" below the amount itself does not represent the value of the market risks associated with the derivative transactions.

(2) Fair value of financial instruments

The following are the carrying amount, fair value and the difference between them of financial instruments as of July 31, 2023. Furthermore, notes on “Cash and deposits,” “Cash and deposits in trust” are omitted as these are settled with cash and within a short period of time and thus the fair value approximates the book value. Notes on “Lease and guarantee deposits in trust” is also omitted as it lacks materiality.

(Unit: thousands of yen)

	Carrying amount	Fair value	Difference
(a) Current portion of investment corporation bonds	—	—	—
(b) Current portion of long-term loans payable	18,800,000	18,808,554	8,554
(c) Investment corporation bonds	20,300,000	20,087,300	(212,700)
(d) Long-term loans payable	153,322,000	153,154,097	(167,902)
Total	192,422,000	192,049,952	(372,047)
Derivative transactions (Note1)	1,215,130	1,215,130	—

The following are the carrying amount, fair value and the difference between them of financial instruments as of January 31, 2023. Furthermore, notes on “Cash and deposits,” “Cash and deposits in trust” are omitted as these are settled with cash and within a short period of time and thus the fair value approximates the book value. Notes on “Lease and guarantee deposits in trust” is also omitted as it lacks materiality.

(Unit: thousands of yen)

	Carrying amount	Fair value	Difference
(a) Current portion of investment corporation bonds	—	—	—
(b) Current portion of long-term loans payable	20,400,000	20,427,950	27,950
(c) Investment corporation bonds	20,300,000	20,001,630	(298,370)
(d) Long-term loans payable	151,722,000	151,500,402	(221,597)
Total	192,422,000	191,929,983	(492,016)
Derivative transactions (Note1)	2,170,819	2,170,819	—

(Note 1) Assets and liabilities from derivative transactions are indicated in net amounts and net liabilities are indicated in parentheses.

(Note 2) Method of calculating the fair value of financial instruments, and derivative transactions

Liabilities

(a) Current portion of investment corporation bonds; (c) Investment corporation bonds

The fair value of these is based on market prices.

(b) Current portion of long-term loans payable; (d) Long-term loans payable

Of long-term loans payable, as those with variable interest rates reflect market interest rates within a short period of time, the fair value is thought to be approximately the same as the book value and is thus stated at that book value (However, long-term loans payable with variable interest rates that are subject to special treatment for interest rate swaps (please refer to “Derivative transactions” below) are based on a calculation method of discounting the sum total amount of principal and interest accounted for together with said interest rate swaps by the rate reasonably estimated as being applicable in the event of a similar transaction.). Meanwhile, those with fixed interest rates are based on a calculation method of discounting the sum total amount of principal and interest by the rate reasonably estimated as being applicable in the event of a similar transaction.

Derivative transactions

Please refer to “Derivative transactions” below.

(Note 3) Investment corporation bonds and long-term loans payable scheduled to be due after the balance sheet date (as of July 31, 2023)

(Unit: thousands of yen)

	Due within 1 year	Due after 1 year, but within 2 years	Due after 2 years, but within 3 years	Due after 3 years, but within 4 years	Due after 4 years, but within 5 years	Due after 5 years
Investment corporation bonds	—	4,000,000	5,000,000	6,000,000	—	5,300,000
Long-term loans payable	18,800,000	17,334,000	19,104,000	18,723,000	28,943,000	69,218,000
Total	18,800,000	21,334,000	24,104,000	24,723,000	28,943,000	74,518,000

Investment corporation bonds and long-term loans payable scheduled to be due after the balance sheet date (as of January 31, 2023)

(Unit: thousands of yen)

	Due within 1 year	Due after 1 year, but within 2 years	Due after 2 years, but within 3 years	Due after 3 years, but within 4 years	Due after 4 years, but within 5 years	Due after 5 years
Investment corporation bonds	—	2,000,000	7,000,000	4,000,000	2,000,000	5,300,000
Long-term loans payable	20,400,000	15,800,000	17,194,000	19,884,000	24,527,000	74,317,000
Total	20,400,000	17,800,000	24,194,000	23,884,000	26,527,000	79,617,000

15. DERIVATIVE TRANSACTIONS

(1) Transactions for which hedge accounting is not applied

As of July 31, 2023

Not applicable

As of January 31, 2023

Not applicable

(2) Transactions for which hedge accounting is applied

As of July 31, 2023

The following is the contract amount or amount equivalent to the principal provided in the contract as of the date of settlement of accounts based on each method of hedge accounting.

(Unit: thousands of yen)

Method of hedge accounting	Type of derivative transaction	Main hedged item	Contract amount		Fair value	Method of calculating the fair value
				Due after 1 year		
Principle method	Interest rate swap transactions Floating receivable; Fixed payable	Long-term loans payable	118,366,000	108,366,000	1,215,130	Based on the quoted price obtained from counterparty financial institutions.
Special treatment for interest rate swaps	Interest rate swap transactions Floating receivable; Fixed payable	Long-term loans payable	8,800,000	—	*	—

*Derivative transactions that are subject to special treatment for interest rate swaps are accounted for together with long-term loans payable that are the hedged items and the fair value is included in the fair value of those long-term loans payable (please refer to Liabilities (b) and (d) of (Note 2) Method of calculating the fair value of financial instruments, and derivative transactions of “Financial instruments: (2) Fair value of financial instruments” above).

As of January 31, 2023

The following is the contract amount or amount equivalent to the principal provided in the contract as of the date of settlement of accounts based on each method of hedge accounting.

(Unit: thousands of yen)

Method of hedge accounting	Type of derivative transaction	Main hedged item	Contract amount		Fair value	Method of calculating the fair value
				Due after 1 year		
Principle method	Interest rate swap transactions Floating receivable; Fixed payable	Long-term loans payable	125,866,000	115,966,000	2,170,819	Based on the quoted price obtained from counterparty financial institutions.
Special treatment for interest rate swaps	Interest rate swap transactions Floating receivable; Fixed payable	Long-term loans payable	8,800,000	—	*	—

*Derivative transactions that are subject to special treatment for interest rate swaps are accounted for together with long-term loans payable that are the hedged items and the fair value is included in the fair value of those long-term loans payable (please refer to Liabilities (b) and (d) of (Note 2) Method of calculating the fair value of financial instruments, and derivative transactions of “Financial instruments: (2) Fair value of financial instruments” above).

16. CASH AND CASH EQUIVALENTS

Relationship between cash and cash equivalents at end of the period in the statement of cash flows and cash and deposits stated in the balance sheet

(Unit: thousands of yen)

	For the six months ended	
	July 31, 2023	January 31, 2023
Cash and deposits	16,049,336	13,293,275
Cash and deposits in trust	5,332,444	5,620,895
Cash and cash equivalents	21,381,780	18,914,170

17. LEASES

Operating lease transactions (as lessor)

Future minimum rent revenues under existing non-cancelable lease agreements

(Unit: thousands of yen)

	As of	
	July 31, 2023	January 31, 2023
Due within 1 year	4,258,333	4,065,862
Due after 1 year	6,564,159	7,613,662
Total	10,822,492	11,679,524

18. INVESTMENT AND RENTAL PROPERTIES

The Company owns real estate (primarily office buildings and residential and retail properties) available for lease in Tokyo. The following are the carrying amount, amount of increase (decrease) during the period and fair value at end of the period for these investment and rental properties.

(Unit: thousands of yen)

	For the six months ended	
	July 31, 2023	January 31, 2023
Carrying amount		
Balance at beginning of the period	392,815,826	395,322,015
Amount of increase (decrease) during the period	(1,924,673)	(2,506,188)
Balance at end of the period	390,891,153	392,815,826
Fair value at end of the period	496,940,000	504,780,000

(Note 1) The carrying amount is the acquisition cost less accumulated depreciation.

(Note 2) Of the increase (decrease) during the period ended July 31, 2023, the decrease is primarily attributable to the transfer of the property (Laforet Harajuku (Land) (1,545,191 thousand yen) and attributable to depreciation and amortization.

Of the increase (decrease) during the period ended January 31, 2023, the decrease is primarily attributable to the transfer of the property (Laforet Harajuku (Land) (1,545,191 thousand yen) and attributable to depreciation and amortization.

(Note 3) The fair value at end of the period is the appraisal value by a real estate appraiser (according to the “Real Estate Appraisal Report” with the date of settlement of accounts as the appraisal date) pursuant to the method of and standards for asset valuation provided in the Company’s Articles of Incorporation and the rules provided by The Investment Trusts Association, Japan.

Income and loss for investment and rental properties is presented in “Breakdown of property-related revenue and expenses”

19. Revenue Recognition

(1) Breakdown of information on revenue from contracts with customers

For the six months ended July 31, 2023

(Unit: thousands of yen)

	Revenue from Contracts with Customers (Note 1)	Sales to External Customers
Transfer of real estate, etc. (Note 2)	2,926,000	1,376,290
Utilities income (Note 3)	103,051	103,051
Other	—	9,735,850
Total	3,029,051	11,215,192

(Note 1) Rent revenues, etc. subject to the “Accounting Standard for Lease Transactions” (Corporate Accounting Standard No. 13) and the transfer of real estate, etc. subject to the “Practical Guidelines on Accounting by Transferors for Securitization of Real Estate Using Special Purpose Companies” (Accounting System Committee Report No. 15 of the Japanese Institute of Certified Public Accountants) are excluded from “Revenue from contracts with customers” as such revenue is not subject to Accounting Standard for Revenue Recognition. Revenue from contracts with customers mainly represents proceeds from transfer of real estate and utilities income.

(Note 2) For the transfer of real estate, etc., the amount obtained by subtracting the cost of transfer of real estate, etc. and other transfer expenses from the proceeds from transfer of real estate, etc. is indicated to record the amount as gain on transfer of real estate, etc. in the statement of income and retained earnings based on Article 48, Paragraph 2 of the Ordinance on Accountings of Investment Corporations (Cabinet Office Ordinance No. 47 of 2006).

(Note 3) Utilities income indicates the amount recorded as revenue in accordance with the supply of electricity and water, etc. to the lessee who is a customer based on the lease agreement of real estate and details of agreements incidental to it.

For the six months ended January 31, 2023

(Unit: thousands of yen)

	Revenue from Contracts with Customers (Note 1)	Sales to External Customers
Transfer of real estate, etc. (Note 2)	2,898,000	1,345,401
Utilities income (Note 3)	112,594	112,594
Other	—	9,752,724
Total	3,010,594	11,210,721

(Note 1) Rent revenues, etc. subject to the “Accounting Standard for Lease Transactions” (Corporate Accounting Standard No. 13) and the transfer of real estate, etc. subject to the “Practical Guidelines on Accounting by Transferors for Securitization of Real Estate Using Special Purpose Companies” (Accounting System Committee Report No. 15 of the Japanese Institute of Certified Public Accountants) are excluded from “Revenue from contracts with customers” as such revenue is not subject to Accounting Standard for Revenue Recognition. Revenue from contracts with customers mainly represents proceeds from transfer of real estate and utilities income.

(Note 2) For the transfer of real estate, etc., the amount obtained by subtracting the cost of transfer of real estate, etc. and other transfer expenses from the proceeds from transfer of real estate, etc. is indicated to record the amount as gain on transfer of real estate, etc. in the statement of income and retained earnings based on Article 48, Paragraph 2 of the Ordinance on Accountings of Investment Corporations (Cabinet Office Ordinance No. 47 of 2006).

(Note 3) Utilities income indicates the amount recorded as revenue in accordance with the supply of electricity and water, etc. to the lessee who is a customer based on the lease agreement of real estate and details of agreements incidental to it.

(2) Information that provides a basis for understanding revenue from contracts with customers

For the six months ended July 31, 2023

As described in the notes on matters related to significant accounting policies.

For the six months ended January 31, 2023

As described in the notes on matters related to significant accounting policies.

(3) Information on relationship of satisfaction of performance obligations based on contracts with customers with cash flow generated from said contracts and amount and period of revenue expected to be recognized in the next fiscal period or thereafter from contracts with customers existing at the end of the fiscal period

(a) Balance of contract assets and contract liabilities, etc.

(Unit: thousands of yen)

	For the six months ended July 31, 2023	For the six months ended January 31, 2023
Claims generated from contracts with customers (balance at beginning of fiscal period)	421	714
Claims generated from contracts with customers (balance at end of fiscal period)	18	421
Contract assets (balance at beginning of fiscal period)	—	—
Contract assets (balance at end of fiscal period)	—	—
Contract liabilities (balance at beginning of fiscal period)	—	—
Contract liabilities (balance at end of fiscal period)	—	—

(b) Transaction value allocated to the remaining performance obligations

For the six months ended July 31, 2023

As of July 31, 2023, the total amount of the transaction price allocated to remaining performance obligations pertaining to the transfer of real estate, etc. is 2,926,000 thousand yen due to real estate, etc. for which a transfer agreement was concluded on March 17, 2023. The Company expects to recognize revenue for these performance obligations due to the transfer of trust beneficiary interest (7% quasi co-ownership interest) of the above real estate, etc., which was planned for December 1, 2023.

With regard to utilities income, as the Company has the right to receive from customers an amount directly corresponding to the value for the lessees, or customers, of sections for which performance is complete by the end of the fiscal period, the amount it has the right to claim is recognized as revenue in accordance with Paragraph 19 of the Implementation Guidance on Accounting Standard for Revenue Recognition. Accordingly, such is not included in the note on transaction value allocated to remaining performance obligations through application of the provisions of Paragraph 80-22 (2) of the Accounting Standard for Revenue Recognition.

For the six months ended January 31, 2023

Not applicable.

With regard to utilities revenue, as the Company has the right to receive from customers an amount directly corresponding to the value for the lessees, or customers, of sections for which performance is complete by the end of the fiscal period, the amount it has the right to claim is recognized as revenue in accordance with Paragraph 19 of the Implementation Guidance on Accounting Standard for Revenue Recognition. Accordingly, such is not included in the note on transaction value allocated to remaining performance obligations through application of the provisions of Paragraph 80-22 (2) of the Accounting Standard for Revenue Recognition.

20. SEGMENT AND RELATED INFORMATION

[Segment Information]

Disclosure is omitted because the Company operates as a single segment – Real estate leasing business.

[Related Information]

For the six months ended July 31, 2023

(1) Information about each product and service

Disclosure is omitted because operating revenue from external customers within a single product and service category accounts for over 90% of the operating revenue on the statement of income and retained earnings.

(2) Information about each geographical area

(a) Operating revenue

Disclosure is omitted because operating revenue from external customers in Japan accounts for over 90% of the operating revenue on the statement of income and retained earnings.

(b) Property, plant and equipment

Disclosure is omitted because the amount of property, plant and equipment located in Japan accounts for over 90% of the amount of property, plant and equipment on the balance sheet.

(3) Information about each major tenant

(Unit: thousands of yen)

Name of tenant	Operating revenue	Related segment
Mori Building Co., Ltd.	7,801,399	Real estate leasing business

For the six months ended January 31, 2023

(1) Information about each product and service

Disclosure is omitted because operating revenue from external customers within a single product and service category accounts for over 90% of the operating revenue on the statement of income and retained earnings.

(2) Information about each geographical area

(a) Operating revenue

Disclosure is omitted because operating revenue from external customers in Japan accounts for over 90% of the operating revenue on the statement of income and retained earnings.

(b) Property, plant and equipment

Disclosure is omitted because the amount of property, plant and equipment located in Japan accounts for over 90% of the amount of property, plant and equipment on the balance sheet.

(3) Information about each major tenant

(Unit: thousands of yen)

Name of tenant	Operating revenue	Related segment
Mori Building Co., Ltd.	7,770,509	Real estate leasing business

21. FEES TO ACCOUNTING AUDITOR

(Unit: thousands of yen)

	For the six months ended July 31, 2023	For the six months ended January 31, 2023
Audit fees (Note)	13,200	13,200
Non-audit fees	—	—

(Note) Audit fees include the fees for the audit of the English financial statements (2,000 thousand yen for the six months ended July 31, 2023, and 2,000 thousand yen for the six months ended January 31, 2023). Non-audit fees to those belonging to the same network as the accounting auditor amount to 2,600 thousand yen for the six months ended July 31, 2023, and 2,600 thousand yen for the six months ended January 31, 2023.

22. SUBSEQUENT EVENTS

Not applicable.