

Mori Hills REIT Investment Corporation

Semiannual Report

**37th Fiscal Period
(August 1, 2024 – January 31, 2025)**

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-seventh fiscal period which ended January 31, 2025.

In the thirty-seventh fiscal period, the Japanese economy remained strong due to strong capital investment and increased inbound tourism demand, despite the ongoing impact of price hikes and consumer spending lacking strength.

In such an economic environment, in the rental office market, vacancy rates are improving against the backdrop of steady corporate performance and a favorable employment situation, and rent levels also remained strong. 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, the transaction amount and transaction prices remained at a high level thanks to the active portfolio asset replacement activity of J-REITs along with the contribution from large transactions with foreign companies.

In the thirty-seventh 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-seventh fiscal period, was comprised of 11 properties under management with a total leasable area of 180,393.26m². MHR has already invested 401,615 million yen (based on the acquisition price) into this portfolio. The occupancy rate at the end of the thirty-seventh fiscal period was 99.3%.

The asset management activities described above resulted in MHR recording in the thirty-seventh fiscal period 11,088 million yen in operating revenue, 6,769 million yen in operating income, 6,164 million yen in ordinary income and 6,163 million yen in net income and 3,080 yen in dividend per unit. MHR disposed of a part of Laforet Harajuku (Land) (disposition price: 2,968 million yen) on November 29, 2024. Of the 1,415 million yen from gain on this disposition, 261 million yen was classified as reserve for reduction entry.

In addition, MHR plans to acquire a part of Toranomon Hills Mori Tower (acquisition price: 7,820 million yen) and to transfer a further part of Laforet Harajuku (Land) (disposition price: 3,073 million yen) on July 1, 2025, dividend per unit of 3,090 yen is forecasted for the thirty-eighth fiscal period ending July 31, 2025.

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 the Mori Building Group.

I would like to ask for your continued support.



Hideyuki Isobe
Executive Director
Mori Hills REIT Investment
Corporation



Hiroyuki Yamamoto
President and CEO
Mori Building Investment
Management Co., Ltd.

Financial Highlights

Dividend per unit: 37th period

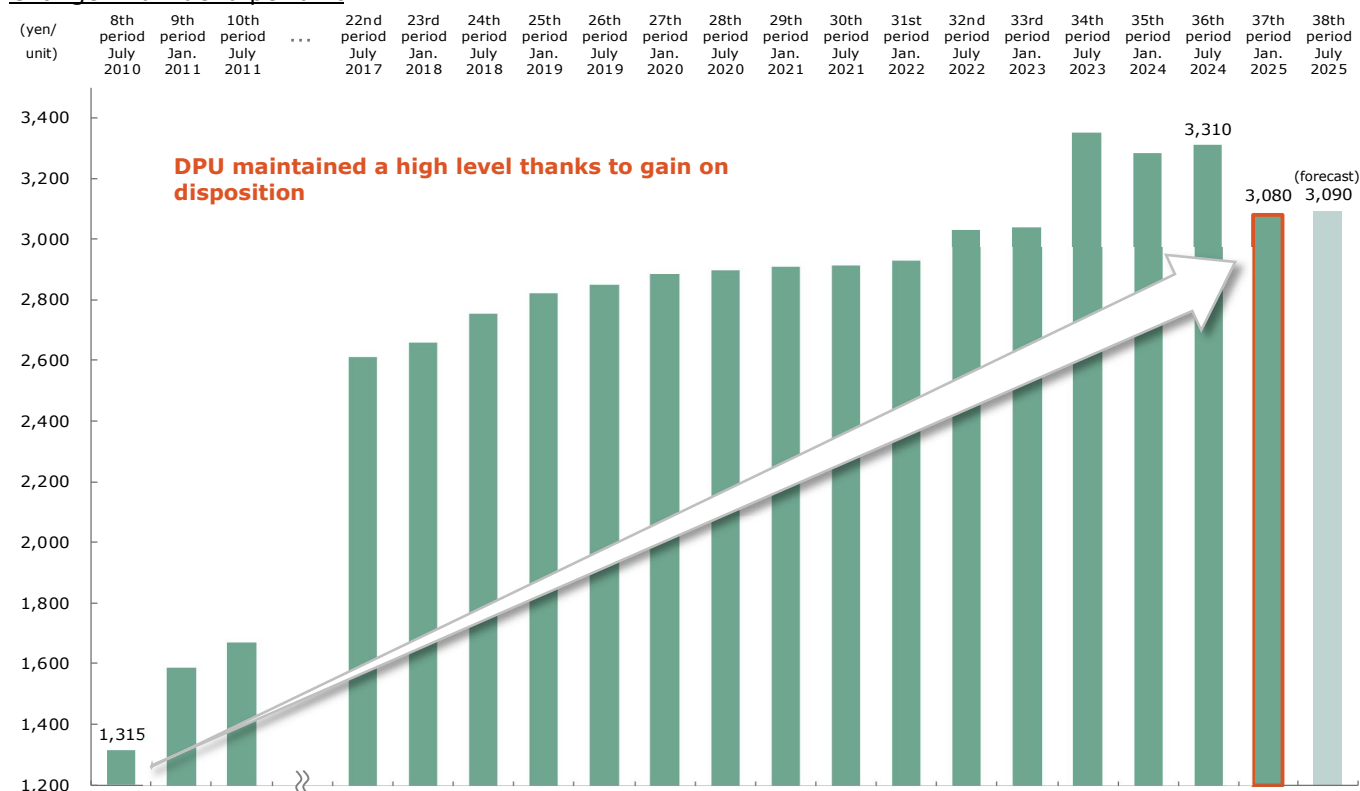
3,080 yen

Dividend per unit: 38th period forecast*

3,090 yen

* The forecasted figure for the 38th fiscal period is a projection from historical figures based on certain assumptions. Accordingly, the figure may differ from actual results. Furthermore, the forecast shall not be construed as a guarantee of dividend amount.

Change in dividend per unit



* Implemented a 5-for-1 investment unit split effective on February 1, 2014.
Actual dividends per unit were divided by 5 for the periods before the split of investment units in the graph.

Changes in major financial indicators

	36th period February 1, 2024 - July 31, 2024 (182 days)	37th period August 1, 2024 - January 31, 2025 (184 days)	37th - 36th period
Operating revenue	11,173 million yen	11,088 million yen	△85 million yen
Operating income	6,879 million yen	6,769 million yen	△109 million yen
Ordinary income	6,344 million yen	6,164 million yen	△179 million yen
Net income	6,343 million yen	6,163 million yen	△179 million yen
Dividend/unit	3,310 yen/unit	3,080 yen/unit	△230 yen/unit
Total units outstanding	1,916,330 units	1,916,330 units	
Acquisition price	403,143 million yen	401,615 million yen	

(Note) Unless otherwise stated in this document, all amounts are rounded down below the unit and all fractions and areas are rounded up below the decimal point.

Overview of the Property Acquisition

MHR plans to acquire additional parts of Toranomon Hills Mori Tower on July 1, 2025.

Toranomon Hills Mori Tower **Premium** (Additional acquisition)



Location	23-1, Toranomon 1-chome, Minato-ku, Tokyo	Portions of acquisition	10% quasi-co-ownership interest of the trust beneficial interests in 87.95% co-ownership interest in compartmentalized ownership of the 28-35th floors
Construction date	May 2014		
Total number of floors	52 floors above ground, 5 floors below ground		
Gross floor area	241,581.95 m ²		

	Acquisition price	Appraisal value	NOI yield	Total acquired: 88% quasi-co-ownership interest including past acquisition
To be acquired as of July 1, 2025	7,820 mn yen	9,790 mn yen	3.1%	

Toranomon Hills

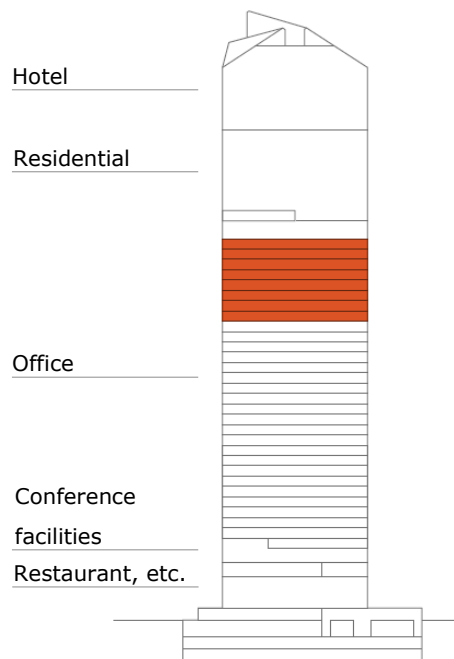
Toranomon Hills Mori Tower consists of high-specification offices, a high class residential area with outstanding views where hotel services are available, international-standard conference facilities, Japan's first Andaz hotel "the Andaz Tokyo", commercial facilities to support diverse city functions, and an open space of about 6,000m². This building is in the Toranomon area which is expected to develop further as a new international business hub attracting global leaders to Tokyo and Japan.

Office

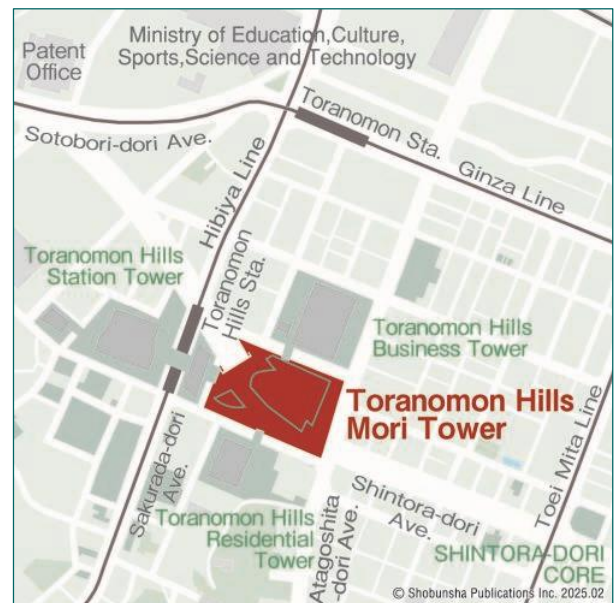
Toranomon Hills Mori Tower

Offices occupy the 6th to the 35th floors of "Toranomon Hills Mori Tower", a super high rise tower with 52 floors rising 247 meters above ground with a gross floor area of 30,000 tsubo. Standard rent floors' average size are approximately 1,000 tsubo (approximately 3,300m²) with a ceiling height of 2.8 meters and they provide flexible and comfortable workspaces without pillars. Six transit stations and 11 lines are nearby and provide access to Haneda Airport which makes this building an optimal global business base.

[Acquisition portion (Portion of the red area)]



[Location map]



Overview of Portfolio

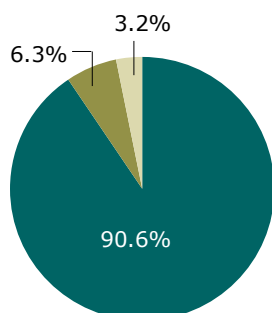
MHR has developed an urban portfolio mainly in central Tokyo through its “investment in the city” concept, taking advantage of market opportunities and our competitive strengths to enhance profitability as well as portfolio value.

Portfolio breakdown

Area

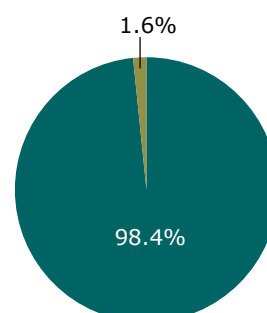


Type



■ 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

Toranomori Hills Mori Tower



O-10 Premium

Holland Hills Mori Tower



R-3 Premium

Roppongi First Plaza

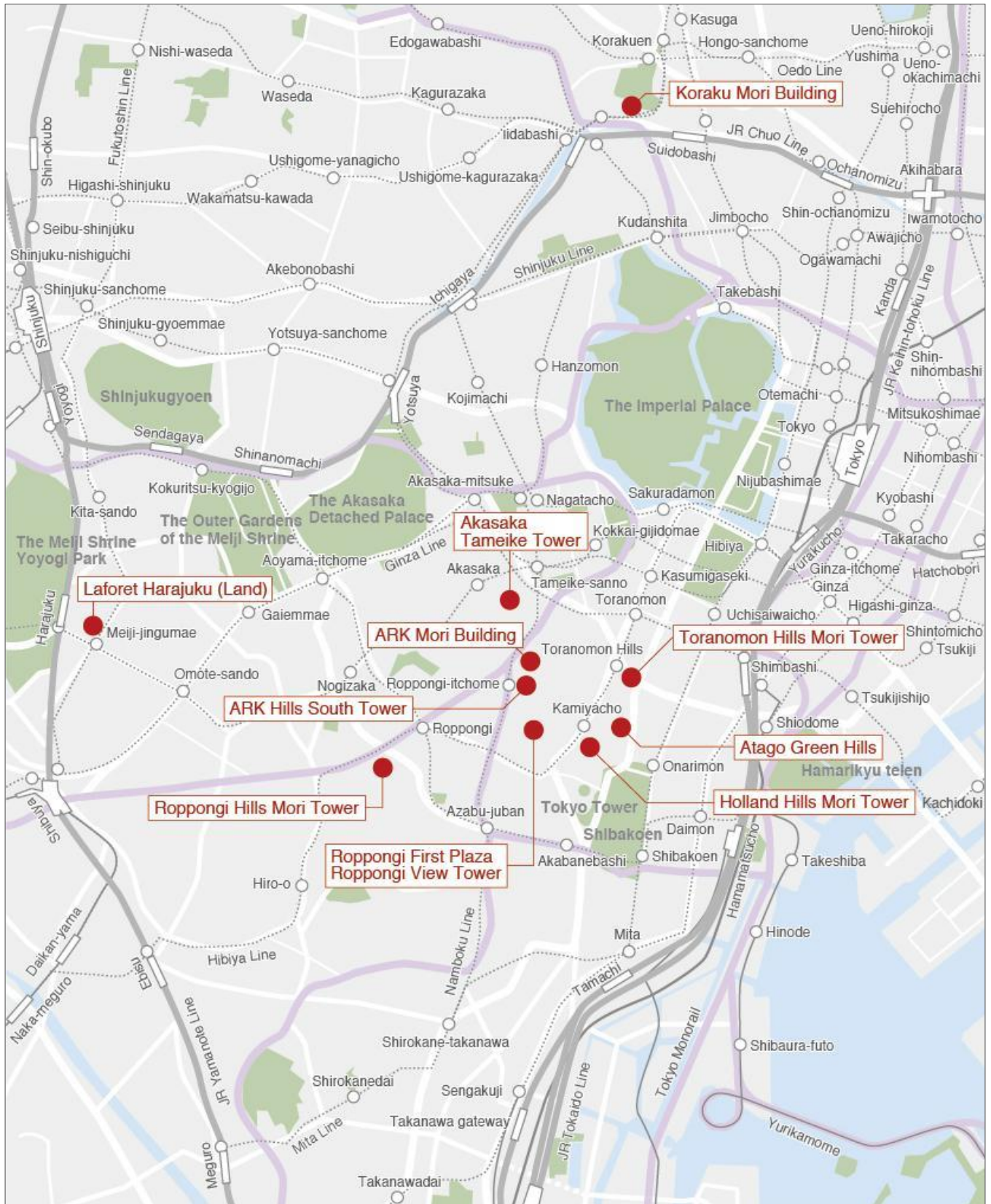
R-4

Roppongi View Tower



S-1 Premium

Laforet Harajuku (Land)



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	◎	2.0%
ARK Mori Building	◎	2.2%
Koraku Mori Building	◎	1.1%
ARK Hills South Tower	◎	1.5%
Toranomon Hills Mori Tower	◎	2.3%
Holland Hills Mori Tower	◎	1.4%
Akasaka Tameike Tower	◎	2.3%
Atago Green Hills MORI Tower	◎	2.7%

(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

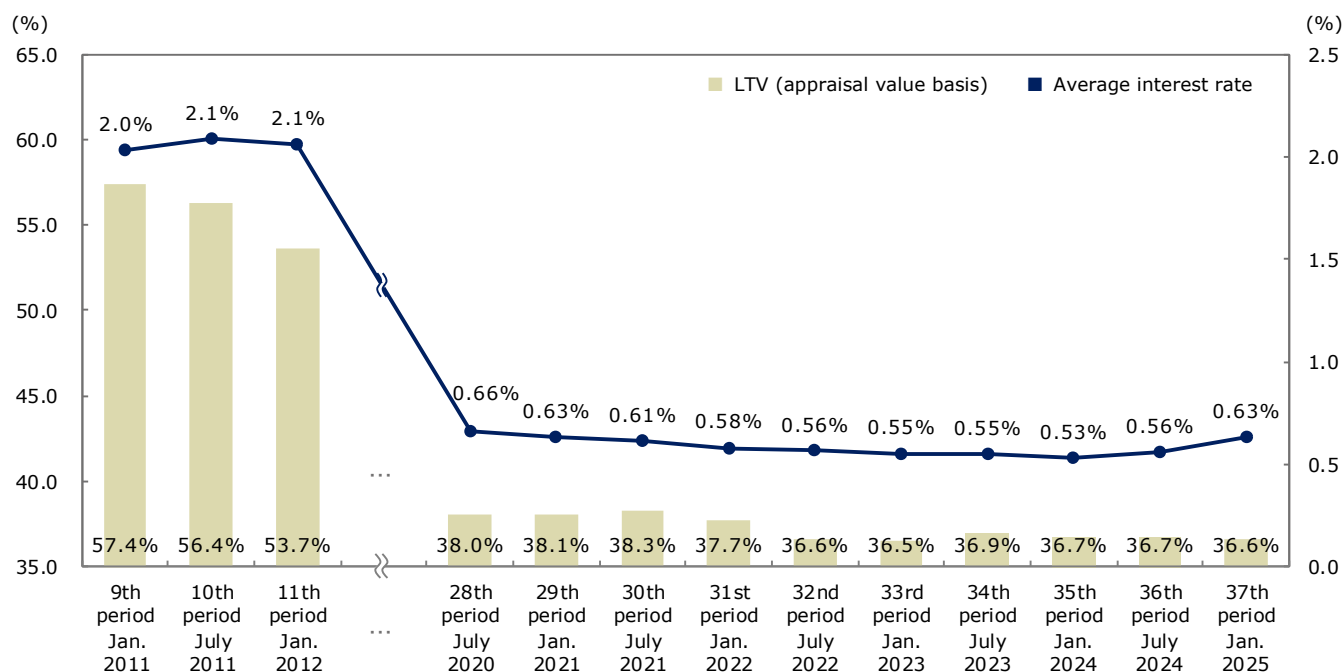
Highest quality ratio of green building (GB) certified properties among all J-REITs



Financial Status

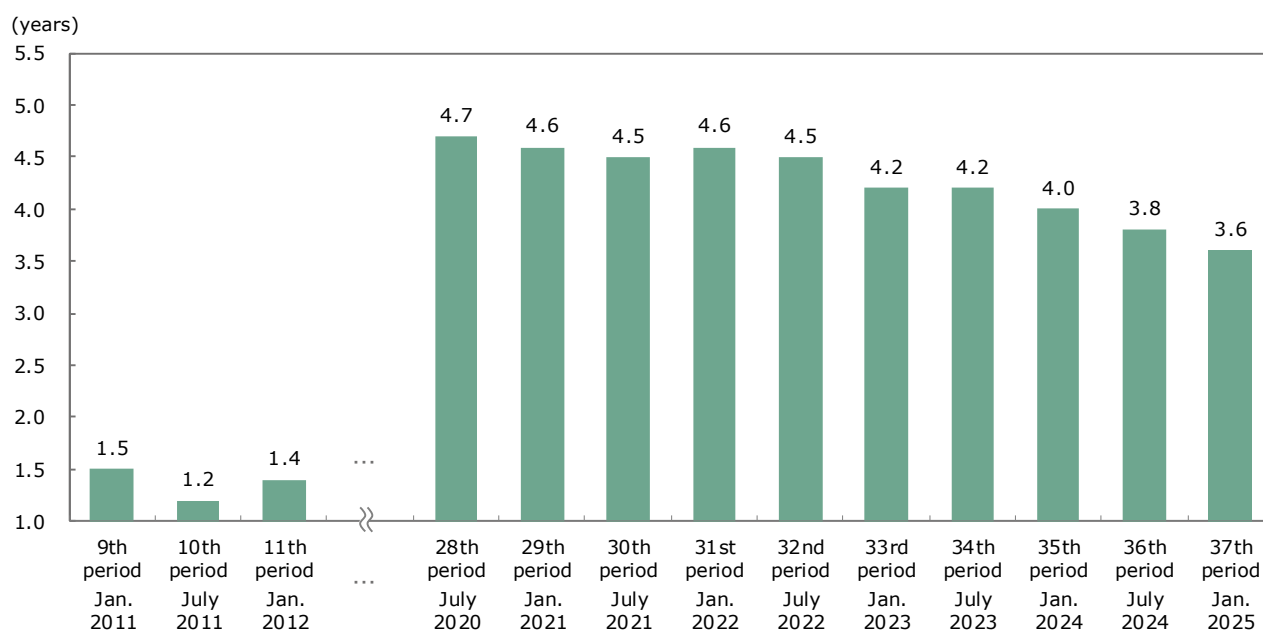
MHR maintains a stable financial base through appropriate control of LTV and debt duration, and strives to keep financial costs under control.

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

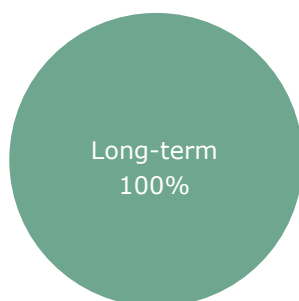
	End of the 36th period July 31, 2024	End of the 37th period Jan. 31, 2025
Debt Balance	189,922 mn yen	189,422 mn yen
LTV (book value basis) ^(Note 1)	46.0%	45.8%
LTV (appraisal value basis) ^(Note 2)	36.7%	36.6%
Avg. remaining duration	3.8 years	3.6 years

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

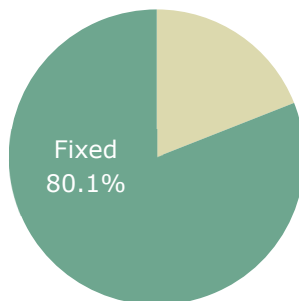
(Note 2) LTV (appraisal value basis) is calculated as [Interest-bearing debt / Appraisal value based total assets (Total assets + Total appraisal value - Total book value)].

Long-term debt ratio / Fixed rate ratio

[Long and short-term debt ratio]



[Fixed rate ratio]



Rating

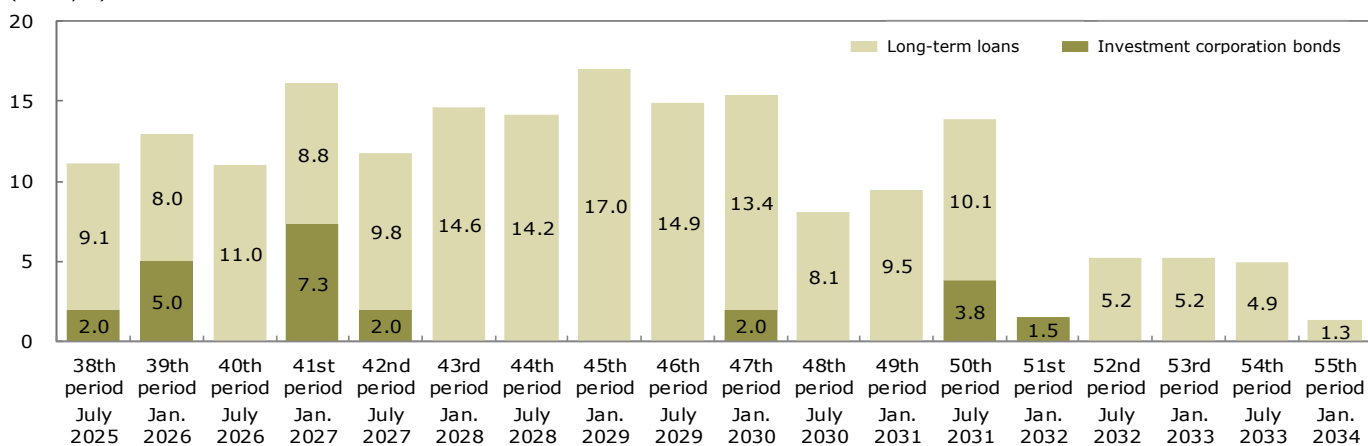
Japan Credit Rating (JCR)

Long-term issuer rating

AA
(Stable)

Overview of maturity (as of January 31, 2025)

(billion yen)

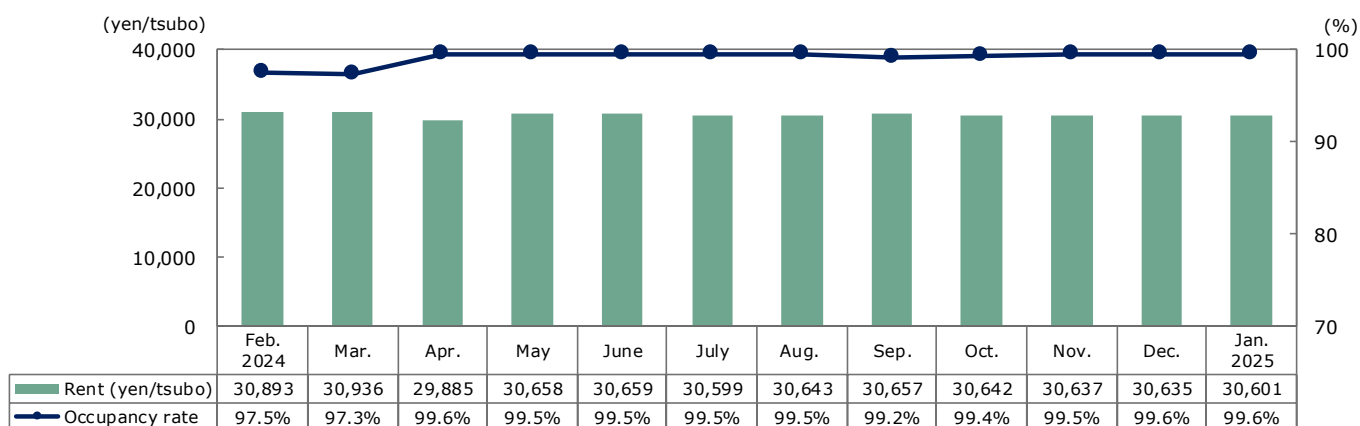


Portfolio Management

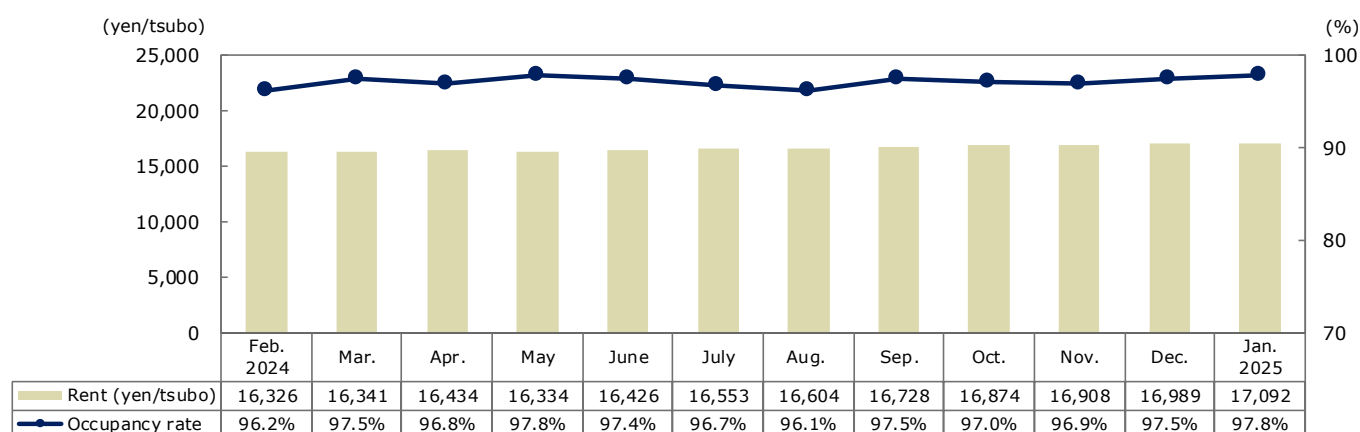
MHR maintained and enhanced occupancy rates and rents by proactively launching marketing activities targeting new and existing tenants based on a flexible price policy.

Rent and occupancy rate

[Office]

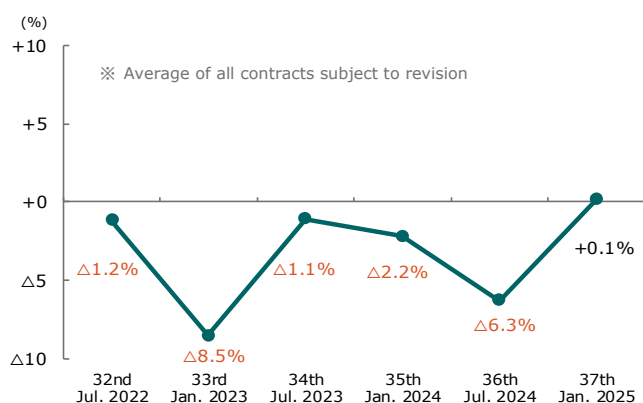


[Residential]

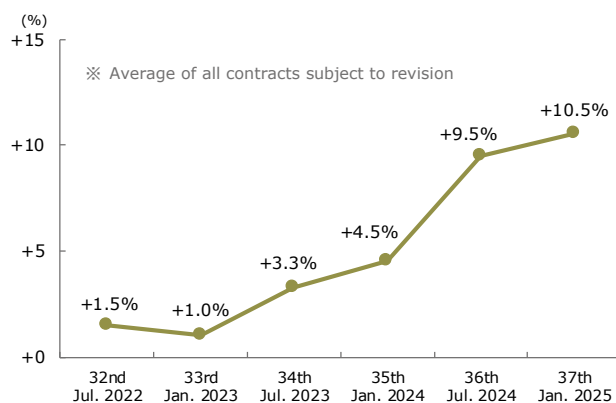


Result of tenants' rent revision (pass-through type)

[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 January 31, 2025.

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, all general managers and some planning department staff comprise the committeepersons. Various initiatives are implemented based on the Sustainability Promotion Program which is established 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, 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 encouraging 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	5 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 January 31, 2025)	Performance (reference) (As of January 31, 2025)
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 reduce CO2 emissions by 50% by FY 2030 when compared with FY 2019 as the baseline year and achieve net-zero emissions by FY 2050.

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.

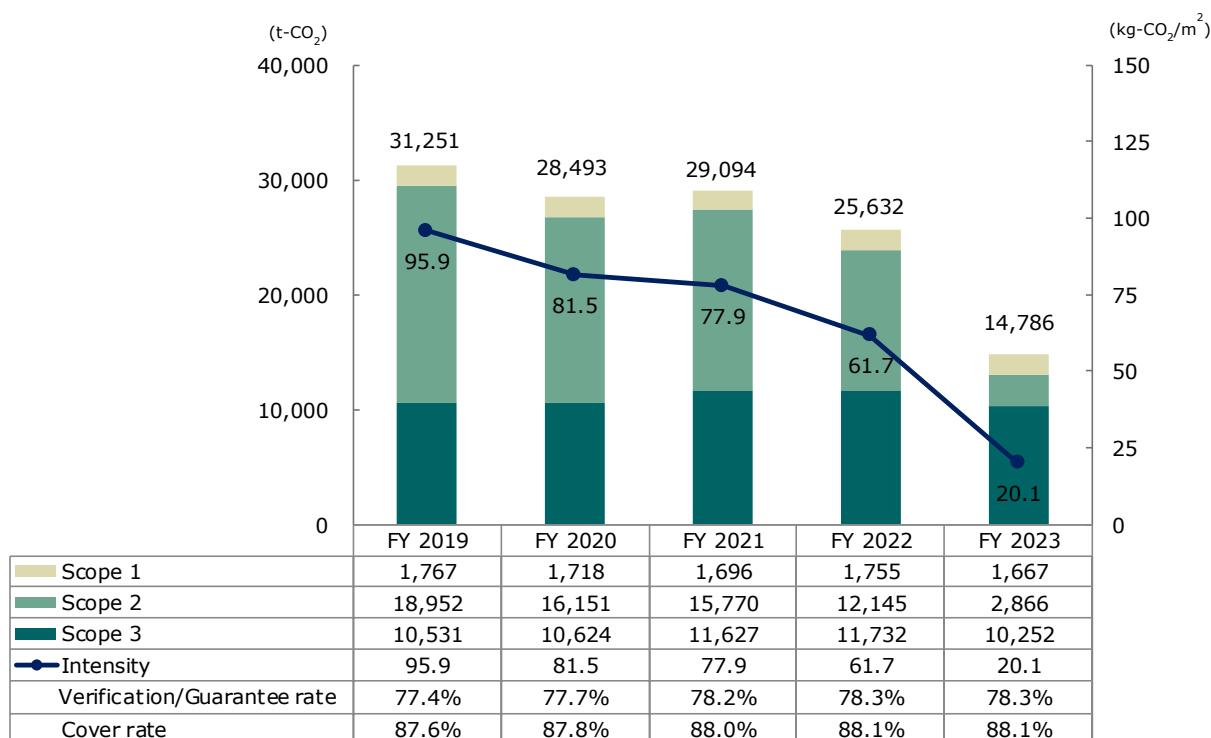
We aim to reduce CO2 emissions of MHR's and MIM's offices and properties owned by MHR (total emissions; Scopes 1, 2 and 3) by 50% by FY 2030 when compared with FY 2019 as the baseline year and achieve net-zero emissions by FY 2050.

Medium-term target (FY 2030)	Long-term target (FY 2050)	Performance (FY 2023)
50% reduction (total amount basis: vs FY 2019)	Net-Zero	52.7% 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) 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 2025)

- ARES Certified Master: 7
- Real Estate Appraiser: 2
- Real Estate Transaction Agent: 9
- Certified Building Administrator: 1
- Certified Public Accountant: 4

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 as appropriate in 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: Outstanding Site".



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.

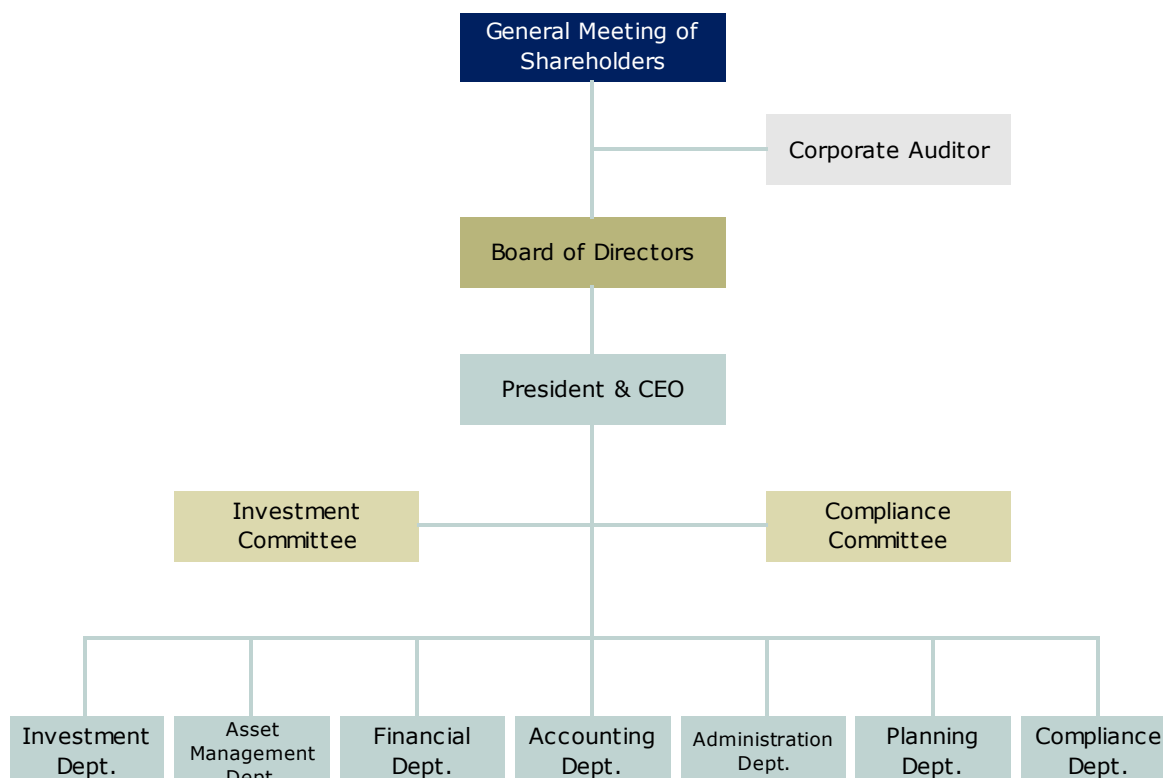
The board of directors is comprised of the executive director and the supervisory directors and makes important decisions regarding the execution of MHR's duties, such as approval of the executive director's execution of MHR's important duties and approval of financial statements.

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)

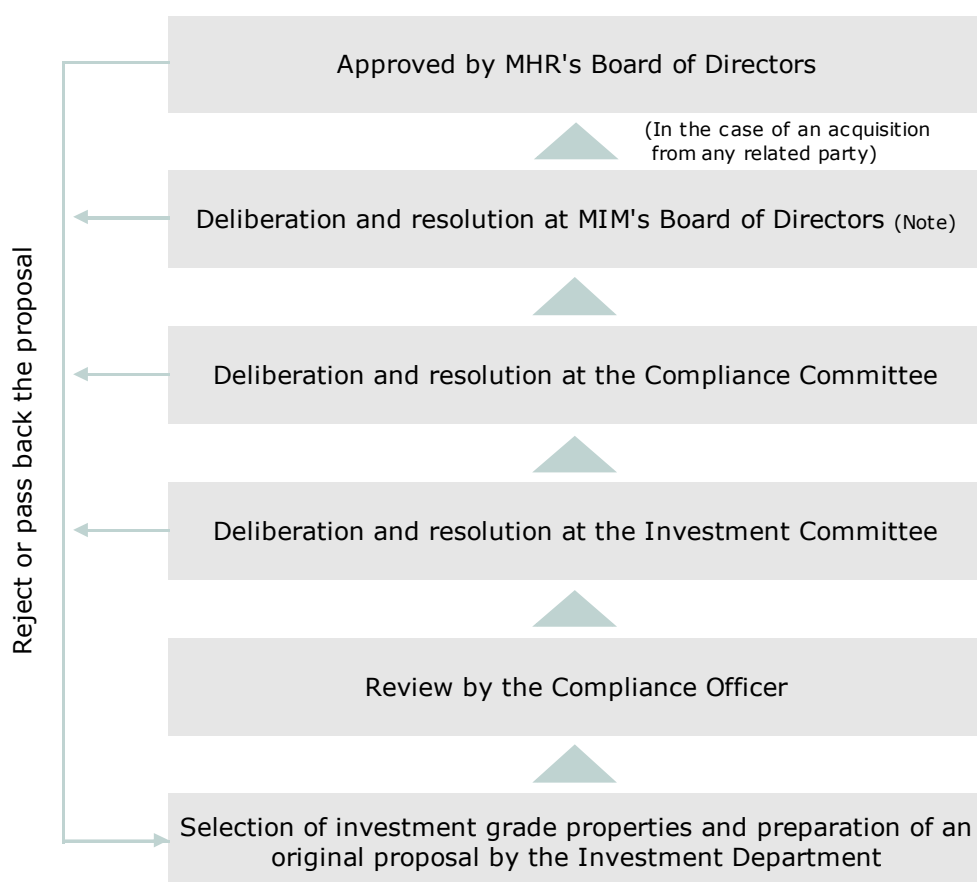


Compliance

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"> ● 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.

2024 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

DISCLAIMER

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GRESB Assessment



In the 2024 GRESB Real Estate Assessment, MHR received a “Green Star” rating for the thirteenth 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).

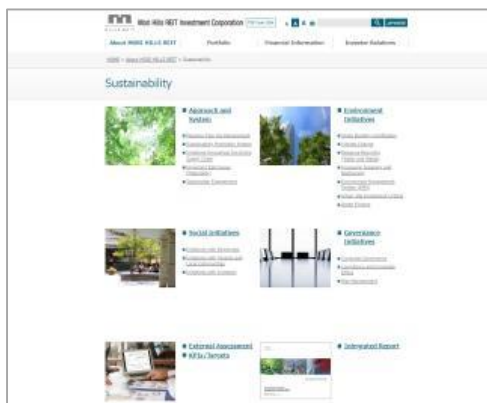
Integrated Report



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.

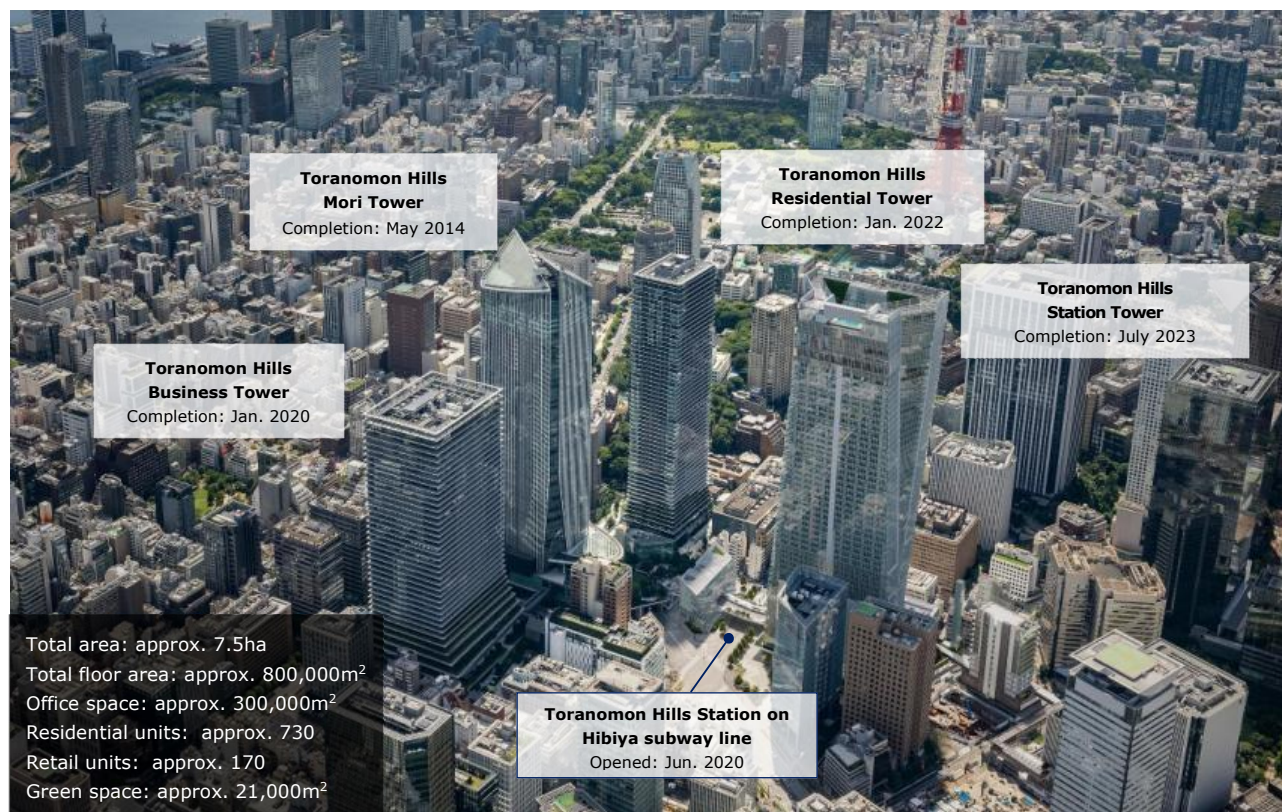
URL: <https://www.mori-hills-reit.co.jp/en/outline/Sustainability/tabid/171/Default.aspx>

Mori Building's Extensive Property Pipeline

Mori Building's total assets have an estimated value of 2.8 trillion yen and the number of properties under management is 103 buildings. (Note 1)

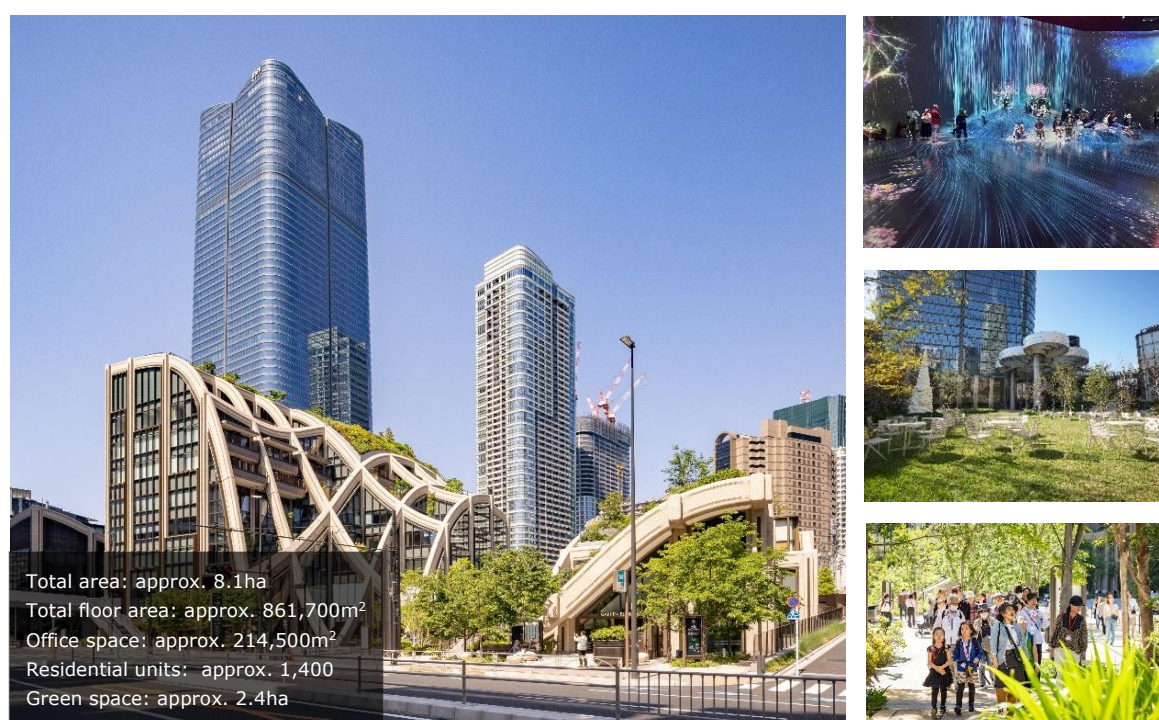
MHR has the "preferential negotiation rights" (Note 2) on sales of Mori Building Co., Ltd. properties, which serves as the driving force for external growth.

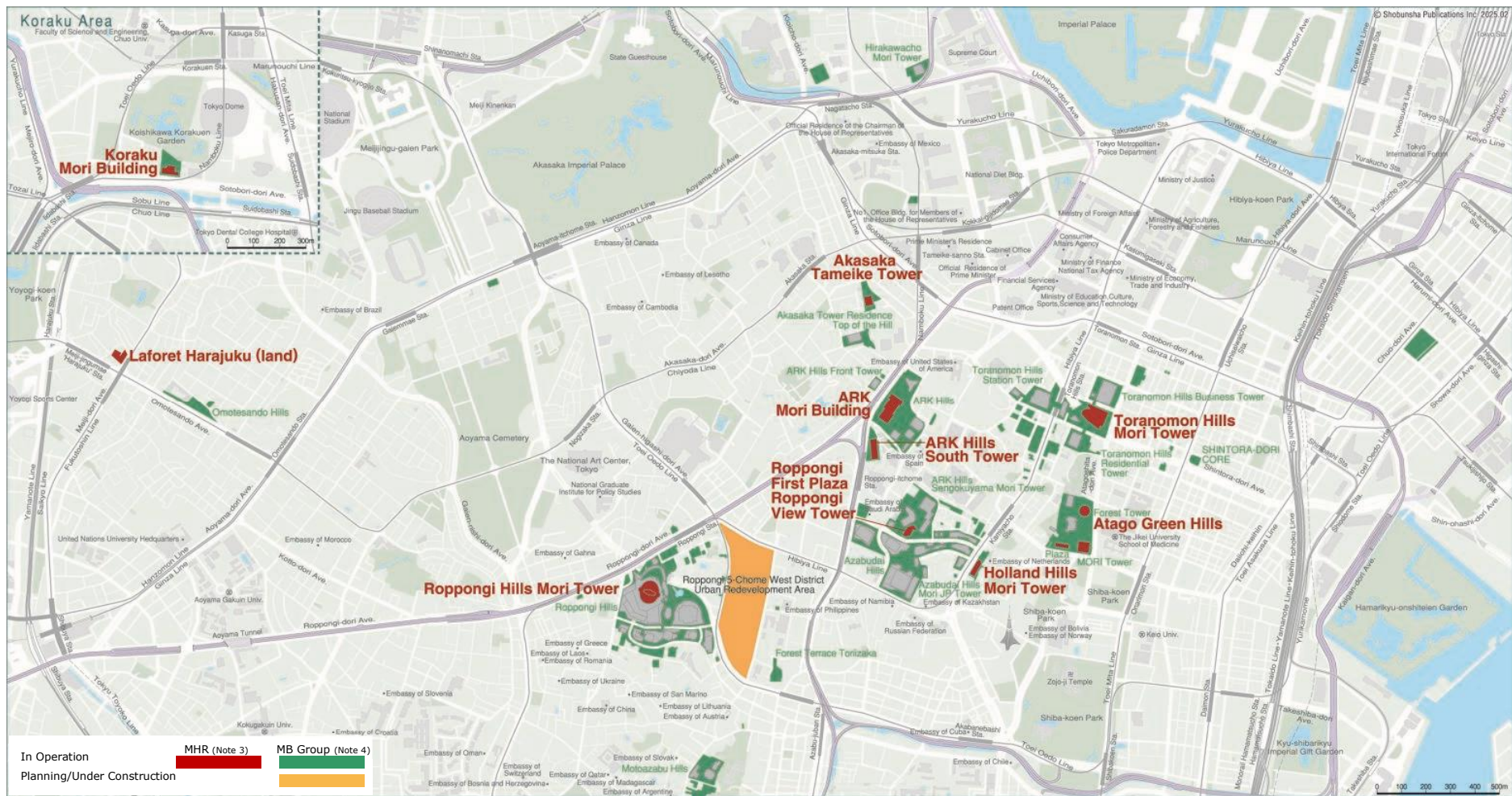
Recent redevelopment projects in Toranomon Hills area



©The Boundary

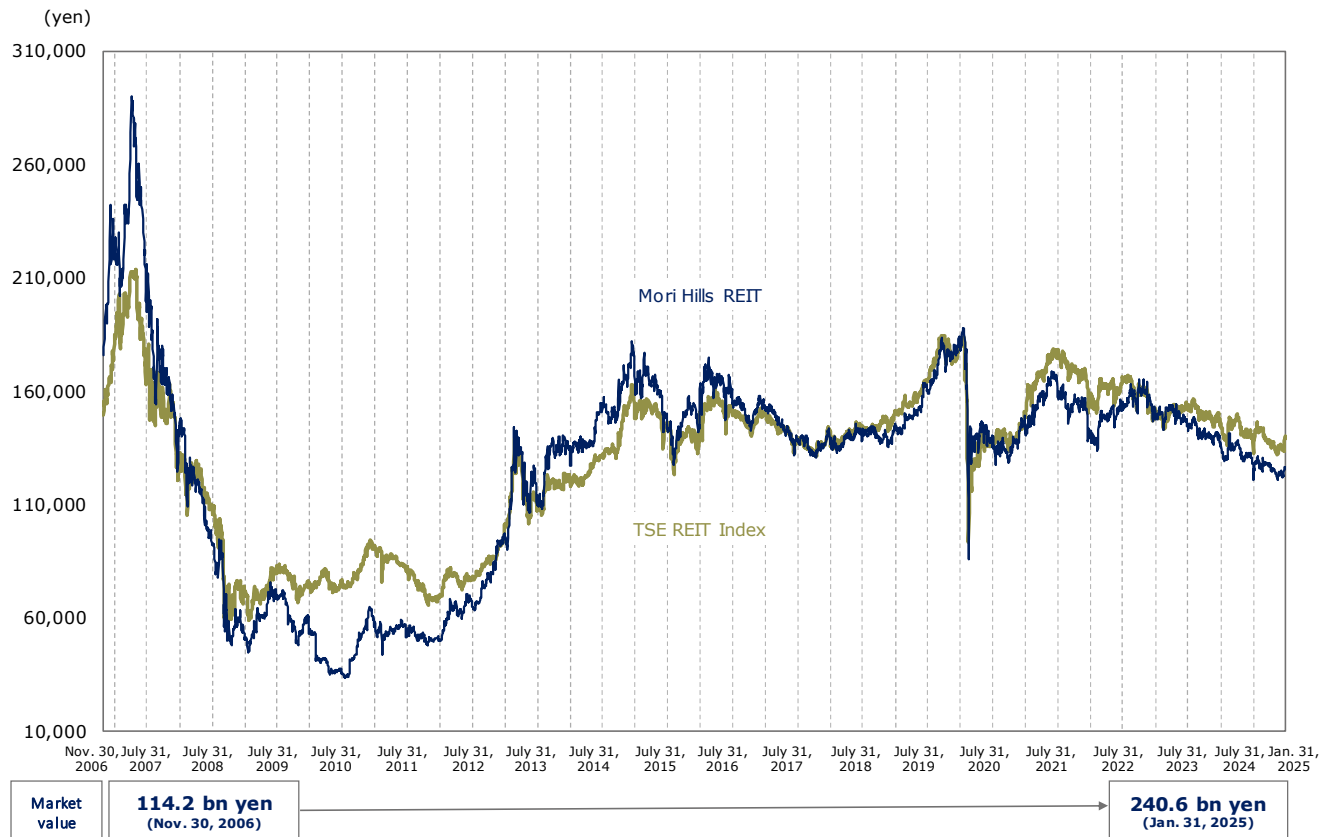
Azabudai Hills (Opened on November 24, 2023)





(Source) Prepared by the Asset Manager based on Mori Building's "Mori Building Handy Map/ Mori Building Map/Home Route Support Map 2025."
 (Note 1) "Total assets" is as of the end of March 2024 and number of properties under management is as of April 2024.
 (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 April 1, 2025 and there are no properties anticipated to be acquired by MHR.

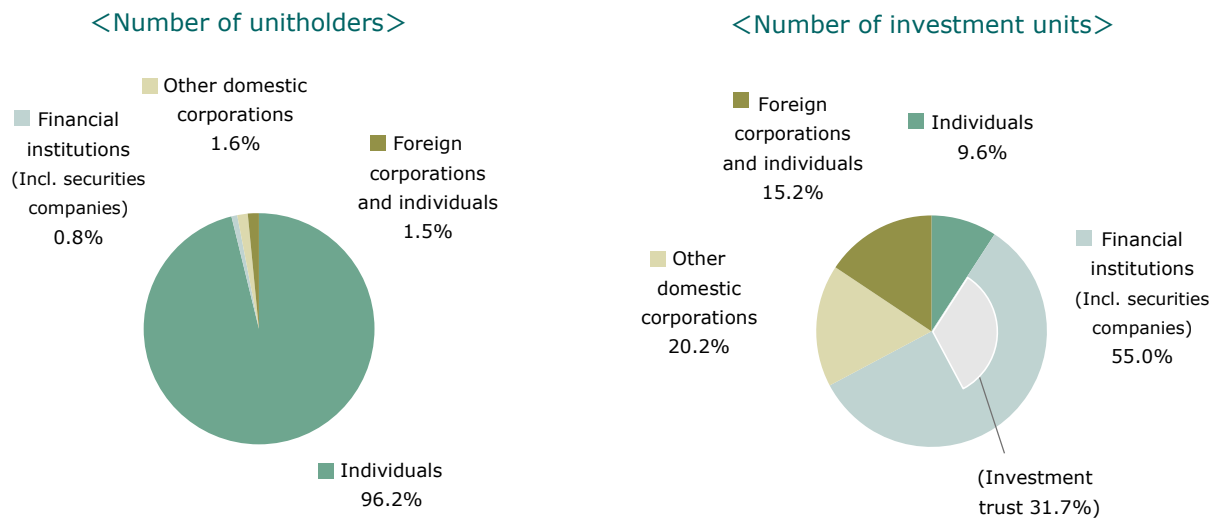
Unit Price Performance



(Note 1) Mori Hills REIT unit price is shown as approximate price of one-fifth of actual price due to unit price split on Feb. 1, 2014.

(Note 2) TSE REIT Index is adjusted as of Nov. 29, 2006 and shows the relative performance vs. MHR's unit price performance.

Unitholders Breakdown (as of January 31, 2025)



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 acquisition of own investment units by us is subject to uncertainties as to whether it will be implemented, the number of units to be acquired, the timing and price of the disposition or redemption of the acquired units.
- 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

Independent Auditor's Report

The Board of Directors
Mori Hills REIT Investment Corporation

The Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Mori Hills REIT Investment Corporation (the Company), which comprise the balance sheet as at January 31, 2025, 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 January 31, 2025, 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 to reduce threats to an acceptable level.

Fee-related Information

The fees for the audits of the financial statements of Mori Hills REIT Investment Corporation and other services provided by us and other EY member firms for the six-month period ended January 31, 2025 are presented in paragraph 22 titled “FEES TO ACCOUNTING AUDITOR” included in “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

April 22, 2025

Satoshi Abe

Designated Engagement Partner
Certified Public Accountant

Hiroto Inoue

Designated Engagement Partner
Certified Public Accountant

FINANCIAL STATEMENTS

BALANCE SHEET

(Unit: thousands of yen)

	As of	
	January 31, 2025	July 31, 2024
Assets		
Current assets		
Cash and deposits	19,640,854	18,221,026
Cash and deposits in trust	5,570,408	4,882,461
Operating accounts receivable	232,658	470,908
Prepaid expenses	324,805	350,080
Derivatives	32,514	15,701
Other	167,439	68,838
Total current assets	25,968,680	24,009,015
Noncurrent assets		
Property, plant and equipment		
Buildings in trust	90,298,729	89,979,841
Accumulated depreciation	(27,333,364)	(26,327,399)
Buildings in trust, net	62,965,364	63,652,442
Structures in trust	1,025,480	1,009,374
Accumulated depreciation	(408,804)	(399,181)
Structures in trust, net	616,676	610,193
Machinery and equipment in trust	1,079,037	1,075,327
Accumulated depreciation	(551,004)	(521,585)
Machinery and equipment in trust, net	528,032	553,742
Tools, furniture and fixtures in trust	559,415	553,296
Accumulated depreciation	(305,779)	(290,286)
Tools, furniture and fixtures in trust, net	253,636	263,010
Land in trust	289,315,728	290,860,919
Construction in progress in trust	35,735	16,104
Total property, plant and equipment	353,715,173	355,956,413
Intangible assets		
Leasehold rights in trust	30,650,962	30,650,962
Other intangible assets in trust	418	527
Total intangible assets	30,651,381	30,651,490
Investments and other assets		
Lease and guarantee deposits	10,000	10,000
Long-term prepaid expenses	472,512	512,303
Deferred tax assets	13	15
Derivatives	2,298,796	2,057,411
Total investments and other assets	2,781,322	2,579,730
Total noncurrent assets	387,147,878	389,187,634
Deferred assets		
Investment corporation bonds issuance cost	66,423	64,320
Total deferred assets	66,423	64,320
Total assets	413,182,982	413,260,969

(Unit: thousands of yen)

	As of	
	January 31, 2025	July 31, 2024
Liabilities		
Current liabilities		
Operating accounts payable	393,036	295,061
Current portion of investment corporation bonds	7,000,000	4,000,000
Current portion of long-term loans payable	17,194,000	17,334,000
Accounts payable – other	14,734	12,374
Accrued expenses	807,074	792,754
Income taxes payable	620	906
Accrued consumption taxes	357,975	109,128
Advances received	1,306,615	1,321,741
Deposits received	28,523	30,044
Derivatives liabilities	—	19
Total current liabilities	27,102,579	23,896,032
Noncurrent liabilities		
Investment corporation bonds	16,600,000	19,600,000
Long-term loans payable	148,628,000	148,988,000
Lease and guarantee deposits in trust	15,197,625	15,201,052
Total noncurrent liabilities	180,425,625	183,789,052
Total liabilities	207,528,205	207,685,085
Net assets		
Unitholders' equity		
Unitholders' capital	195,718,191	195,718,191
Surplus		
Voluntary retained earnings		
Reserve for reduction entry	1,412,588	1,412,588
Total voluntary retained earnings	1,412,588	1,412,588
Unappropriated retained earnings	6,192,686	6,372,011
Total surplus	7,605,274	7,784,599
Total unitholders' equity	203,323,466	203,502,790
Valuation and translation adjustments		
Deferred gains or losses on hedges	2,331,311	2,073,093
Total valuation and translation adjustments	2,331,311	2,073,093
Total net assets (Note8)	205,654,777	205,575,884
Total liabilities and net assets	413,182,982	413,260,969

STATEMENT OF INCOME AND RETAINED EARNINGS

(Unit: thousands of yen)

	For the six months ended	
	January 31, 2025	July 31, 2024
Operating revenue		
Rent revenues (Note12)	9,464,728	9,428,286
Other operating revenues (Note12)	208,320	327,566
Gain on transfer of real estate properties(Note12)	1,415,243	1,418,075
Total operating revenue	11,088,292	11,173,928
Operating expenses		
Expenses related to properties (Note12)	3,573,779	3,555,428
Asset management fee	619,408	621,846
Directors' compensation	8,400	8,400
Asset custody fee	10,331	10,326
Administrative service fees	17,962	17,043
Other operating expenses	88,475	81,742
Total operating expenses	4,318,356	4,294,787
Operating income	6,769,936	6,879,141
Non-operating income		
Interest income	1,794	101
Gain on forfeiture of unclaimed dividends	1,113	1,227
Other	192	—
Total non-operating income	3,100	1,328
Non-operating expenses		
Interest expenses	434,724	363,334
Interest expenses on investment corporation bonds	61,823	61,035
Amortization of investment corporation bonds issuance cost	12,112	11,712
Borrowing expenses	97,414	98,394
Other	2,338	1,932
Total non-operating expenses	608,413	536,408
Ordinary income	6,164,623	6,344,061
Income before income taxes	6,164,623	6,344,061
Income taxes-current	894	921
Income taxes-deferred	1	11
Total income taxes	895	933
Net income	6,163,727	6,343,127
Retained earnings brought forward	28,958	28,883
Unappropriated retained earnings (undisposed loss)	6,192,686	6,372,011

STATEMENT OF CHANGES IN NET ASSETS

For the six months ended January 31, 2025

(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 August 1, 2024	195,718,191	1,412,588	1,412,588	6,372,011	7,784,599	203,502,790
Change during the period						
Dividends from surplus				(6,343,052)	(6,343,052)	(6,343,052)
Net income				6,163,727	6,163,727	6,163,727
Net changes of items other than unitholders' equity						
Total changes of items during the period	—	—	—	(179,324)	(179,324)	(179,324)
Balance at January 31, 2025	195,718,191	1,412,588	1,412,588	6,192,686	7,605,274	203,323,466

	Valuation and translation adjustments		Total net assets
	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at August 1, 2024	2,073,093	2,073,093	205,575,884
Change during the period			
Dividends from surplus			(6,343,052)
Net income			6,163,727
Net changes of items other than unitholders' equity	258,217	258,217	258,217
Total changes of items during the period	258,217	258,217	78,892
Balance at January 31, 2025	2,331,311	2,331,311	205,654,777

For the six months ended July 31, 2024

(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, 2024	195,718,191	1,412,588	1,412,588	6,318,278	7,730,866	203,449,058
Change during the period						
Dividends from surplus				(6,289,395)	(6,289,395)	(6,289,395)
Net income				6,343,127	6,343,127	6,343,127
Net changes of items other than unitholders' equity						
Total changes of items during the period	—	—	—	53,732	53,732	53,732
Balance at July 31, 2024	195,718,191	1,412,588	1,412,588	6,372,011	7,784,599	203,502,790

	Valuation and translation adjustments		Total net assets
	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at February 1, 2024	1,328,991	1,328,991	204,778,050
Change during the period			
Dividends from surplus			(6,289,395)
Net income			6,343,127
Net changes of items other than unitholders' equity	744,101	744,101	744,101
Total changes of items during the period	744,101	744,101	797,834
Balance at July 31, 2024	2,073,093	2,073,093	205,575,884

STATEMENT OF CASH DISTRIBUTIONS

(Unit: yen)

	For the six months ended January 31, 2025	For the six months ended July 31, 2024
I . Unappropriated retained earnings	6,192,686,345	6,372,011,201
II . Amount of Dividends	5,902,296,400	6,343,052,300
Amount of dividends per unit	3,080	3,310
III Voluntary retained earnings		
Reserve for special account for reduction entry	261,431,044	—
IV Retained earnings carried forward	28,958,901	28,958,901
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. In addition, in the fiscal period under review, the Company has allocated a portion of the revenue from transfer of Laforet Harajuku (Land) in November 2024 as a reserve for special account for reduction entry by applying “special provisions for taxation in cases of replacement of certain assets” (Article 65-7 of the Act on Special Measures Concerning Taxation) and “special provisions for taxation in cases of establishment of special account due to transfer of certain assets” (Article 65-8 of the Act on Special Measures Concerning Taxation). As a result, the Company decided to pay out dividends of earnings (5,902,296,400 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 the said reserve amount and retained earnings carried forward from the unappropriated retained earnings.</p> <p>As a result, the Company declared dividends per unit of 3,080 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. Based on such policy, the Company decided to pay out dividends of earnings (6,343,052,300 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 3,310 yen.</p>

STATEMENT OF CASH FLOWS

(Unit: thousands of yen)

	For the six months ended	
	January 31, 2025	July 31, 2024
Net cash provided by (used in) operating activities		
Income before income taxes	6,164,623	6,344,061
Depreciation and amortization	1,064,125	1,076,519
Amortization of investment corporation bonds issuance cost	12,112	11,712
Interest income	(1,794)	(101)
Gain on forfeiture of unclaimed dividends	(1,113)	(1,227)
Interest expenses	496,548	424,369
Decrease (increase) in operating accounts receivable	162,994	(172,074)
Increase (decrease) in operating accounts payable	26,912	(24,845)
Increase (decrease) in accounts payable – other	1,037	673
Increase (decrease) in accrued expenses	(2,493)	(5,488)
Increase (decrease) in accrued consumption taxes	248,846	(209,611)
Increase (decrease) in advances received	(15,126)	14,806
Increase (decrease) in deposits received	(1,521)	2,722
Decrease (increase) in prepaid expenses	25,275	21,002
Decrease (increase) in long-term prepaid expenses	39,790	62,492
Decrease in property, plant and equipment in trust due to sale	1,545,191	1,545,191
Other, net	(97,972)	(4,489)
Subtotal	9,667,437	9,085,712
Interest income received	1,794	101
Interest expenses paid	(479,734)	(404,917)
Income taxes paid	(1,180)	(1,171)
Net cash provided by (used in) operating activities	9,188,315	8,679,724
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment in trust	(291,757)	(763,399)
Repayments of lease and guarantee deposits in trust	(129,474)	(426,994)
Proceeds from lease and guarantee deposits in trust	195,524	409,611
Net cash provided by (used in) investing activities	(225,707)	(780,782)
Net cash provided by (used in) financing activities		
Proceeds from long-term loans payable	7,700,000	7,100,000
Repayments of long-term loans payable	(8,200,000)	(7,600,000)
Proceeds from issuance of investment corporation bonds	1,985,783	—
Redemption of investment corporation bonds	(2,000,000)	—
Cash dividends paid	(6,340,616)	(6,287,329)
Net cash provided by (used in) financing activities	(6,854,832)	(6,787,329)
Net increase (decrease) in cash and cash equivalents	2,107,775	1,111,612
Cash and cash equivalents at beginning of the period	23,103,487	21,991,874
Cash and cash equivalents at end of the period (Note16)	25,211,263	23,103,487

NOTES TO FINANCIAL STATEMENTS

For the six months ended January 31, 2025 and July 31, 2024

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 January 31, 2025 was comprised of 11 properties under management with a total leasable floor area of 180,393.26m². The Company has already invested 401,615 million yen (based on acquisition price) into this portfolio. The occupancy rate as of January 31, 2025 was 99.3%.

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	10~33 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 January 31, 2025 and July 31, 2024, 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 beneficiary interest in real estate

For trust beneficiary 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. ACCOUNTING STANDARDS NOT YET APPLIED

Accounting Standard for Leases, etc.

- “Accounting Standard for Leases” (Accounting Standards Board of Japan (ASBJ) Statement No. 34 issued on September 13, 2024)
- “Implementation Guidance on Accounting Standard for Leases” (ASBJ Guidance No. 33 issued on September 13, 2024)

(1) Overview

As part of its efforts to ensure consistency between Japanese GAAP and international accounting standards, the ASBJ reviewed the Accounting Standard for Leases to recognize assets and liabilities for all leases held by a lessee, with international accounting standards taken into consideration. Accordingly, the ASBJ issued the Accounting Standard for Leases, etc. that adopts only the key provisions of IFRS 16 that is based on the single accounting model. The revision aims to be simple and highly convenient, and to make it unnecessary to revise non-consolidated financial statements that apply IFRS 16 in the Accounting Standard for Leases, etc.

Regarding the method for allocating the lease expenses in the lessee’s accounting treatment, using the same approach as IFRS 16, a single accounting model is applied for recording the depreciation associated with the right-of-use assets and the amount equivalent to the interest on the lease liabilities for all leases regardless of whether the lease is a finance lease or an operating lease.

(2) Scheduled date of application

The accounting standards and implementation guidance will be applied from the beginning of the fiscal period ending January 31, 2028.

(3) Impact of applying the accounting standards

The level of the impact on the financial statements of applying the “Accounting Standard for Leases” and the “Implementation Guidance on Accounting Standard for Leases” is currently under evaluation.

5. PROPERTY AND EQUIPMENT

For the six months ended January 31, 2025

(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/ Accumulated amortization		Net balance at end of the period	Remarks
							Depreciation and amortization		
Property, plant and equipment	Buildings in trust	89,979,841	319,154	266	90,298,729	27,333,364	1,006,056	62,965,364	—
	Structures in trust	1,009,374	16,106	—	1,025,480	408,804	9,623	616,676	—
	Machinery and equipment in trust	1,075,327	3,709	—	1,079,037	551,004	29,158	528,032	—
	Tools, furniture and fixtures in trust	553,296	9,995	3,876	559,415	305,779	19,177	253,636	—
	Land in trust	290,860,919	—	1,545,191	289,315,728	—	—	289,315,728	(Note)
	Construction in progress in trust	16,104	19,631	—	35,735	—	—	35,735	—
	Subtotal	383,494,864	368,597	1,549,334	382,314,127	28,598,953	1,064,016	353,715,173	
Intangible assets	Leasehold rights in trust	30,650,962	—	—	30,650,962	—	—	30,650,962	—
	Other intangible assets in trust	1,092	—	—	1,092	673	109	418	—
	Subtotal	30,652,054	—	—	30,652,054	673	109	30,651,381	
Total		414,146,919	368,597	1,549,334	412,966,182	28,599,626	1,064,125	384,366,555	

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

6. SHORT-TERM LOANS PAYABLE

For the six months ended January 31, 2025

Not applicable.

7. INVESTMENT CORPORATION BONDS

For the six months ended January 31, 2025

(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		
Twenty-fourth Series Unsecured Investment Corporation Bonds (green bond)	Nov. 29, 2023	3,300,000	—	—	3,300,000	0.4900%	Nov. 27, 2026		
Twenty-fifth Series Unsecured Investment Corporation Bonds (green bond)	Nov. 26, 2024	—	2,000,000	—	2,000,000	1.0700%	Nov. 26, 2029		
Total		23,600,000	2,000,000	2,000,000	23,600,000				

(Note 1) The funds are used for the acquisition cost of trust beneficiary 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	7,000,000	7,300,000	2,000,000	—	2,000,000

8. LONG-TERM LOANS PAYABLE

For the six months ended January 31, 2025

(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.	2,400,000	—	—	2,400,000	0.5040%	Mar. 31, 2025	(Note 2)	Unsecured/ Unguaranteed
	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		
Mizuho Bank, Ltd	3,000,000	—	3,000,000	—	0.4260%	Aug. 30, 2024		
	2,400,000	—	—	2,400,000	0.5040%	Mar. 31, 2025		
	—	1,000,000	—	1,000,000	0.2100%	Aug. 29, 2025		
Mizuho Trust & Banking Co., Ltd.	—	1,500,000	—	1,500,000	0.4700%	Aug. 29, 2025		
	—	1,300,000	—	1,300,000	0.4700%	Aug. 29, 2025		
MUFG Bank, Ltd	2,400,000	—	—	2,400,000	0.5040%	Mar. 31, 2025		
SBI Shinsei Bank, Limited	—	500,000	—	500,000	0.5400%	Aug. 29, 2025		
	—	1,300,000	—	1,300,000	0.5200%	Aug. 29, 2025		
Sumitomo Mitsui Banking Corporation	1,100,000	—	—	1,100,000	0.4673%	Jul. 31, 2025		
The Bank of Fukuoka, Ltd.	1,300,000	—	1,300,000	—	0.3760%	Aug. 30, 2024		
	—	500,000	—	500,000	0.4700%	Aug. 29, 2025		
Resona Bank, Ltd	—	500,000	—	500,000	0.4700%	Aug. 29, 2025		
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		
The Norinchukin Bank	600,000	—	600,000	—	0.4893%	Nov. 29, 2024		
	1,300,000	—	1,300,000	—	0.4260%	Aug. 30, 2024		
Total	17,334,000	8,060,000	8,200,000	17,194,000				

(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	4,700,000	—	—	4,700,000	0.4065%	Aug. 31, 2027	(Note 2)	Unsecured/ Unguaranteed
	5,000,000	—	—	5,000,000	0.4345%	Feb. 29, 2028		
	3,904,000	—	—	3,904,000	0.9770%	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		
	500,000	—	—	500,000	1.0670%	Feb. 28, 2031		
	500,000	—	—	500,000	1.1025%	Nov. 29, 2030		
	2,100,000	—	—	2,100,000	1.0925%	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
Mizuho Bank, Ltd	1,100,000	—	—	1,100,000	0.5775%	Jul. 31, 2029	(Note 2)	Unsecured/ Unguaranteed
	2,700,000	—	—	2,700,000	0.6030%	Feb. 28, 2030		
	1,400,000	—	—	1,400,000	0.7191%	Aug. 31, 2029		
	1,952,000	—	—	1,952,000	0.6878%	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	0.7061%	May 23, 2031		
	1,114,000	—	—	1,114,000	0.7082%	May 30, 2031		
	500,000	—	—	500,000	0.7082%	Nov. 30, 2032		
	600,000	—	—	600,000	0.6650%	Mar. 31, 2033		
	—	3,000,000	—	3,000,000	0.5602%	Aug. 30, 2030		
Sumitomo Mitsui Banking Corporation	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	0.7582%	May 31, 2030		
	1,600,000	—	—	1,600,000	0.7082%	Nov. 29, 2030		
	2,200,000	—	—	2,200,000	0.6400%	Mar. 31, 2031		
	800,000	—	—	800,000	1.2191%	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
Sumitomo Mitsui Trust Bank, Ltd.	1,000,000	—	—	1,000,000	0.5150%	Jul. 31, 2026	(Note 2)	Unsecured/ Unguaranteed
	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		
	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	0.6450%	May 31, 2027		
	2,400,000	—	—	2,400,000	0.7570%	Aug. 31, 2028		
	500,000	—	—	500,000	0.6382%	Nov. 30, 2028		
	600,000	—	—	600,000	0.5950%	Mar. 30, 2029		
The Bank of Fukuoka, Ltd.	500,000	—	—	500,000	0.5150%	Jul. 31, 2026		
	500,000	—	500,000	—	0.4700%	Aug. 29, 2025		
	2,000,000	—	—	2,000,000	0.1675%	May 29, 2026		
	2,000,000	—	—	2,000,000	0.5662%	Nov. 30, 2028		
	1,000,000	—	—	1,000,000	0.5678%	May 20, 2030		
	500,000	—	—	500,000	0.1910%	Jul. 30, 2027		
	1,000,000	—	—	1,000,000	0.7150%	Mar. 31, 2033		
	—	1,300,000	—	1,300,000	0.6602%	Aug. 31, 2033		
The Norinchukin Bank	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	0.7650%	Mar. 31, 2032		
	—	2,400,000	—	2,400,000	1.4088%	Nov. 30, 2032		
Resona Bank, Ltd	500,000	—	—	500,000	0.6130%	Jul. 30, 2027		
	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	0.5878%	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	0.6150%	Mar. 29, 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
Development Bank of Japan Inc.	750,000	—	—	750,000	0.6430%	Feb. 26, 2027	(Note 2)	Unsecured/ Unguaranteed
	500,000	—	—	500,000	0.6670%	Aug. 31, 2027		
	2,000,000	—	—	2,000,000	0.7162%	Nov. 30, 2028		
	1,700,000	—	—	1,700,000	0.7527%	Mar. 31, 2032		
	1,000,000	—	—	1,000,000	0.7650%	Mar. 31, 2033		
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	1.0272%	May 22, 2028		
	1,000,000	—	—	1,000,000	0.3536%	Jul. 31, 2029		
	500,000	—	—	500,000	0.7150%	Mar. 31, 2031		
	1,500,000	—	—	1,500,000	0.8082%	Nov. 30, 2032		
The Nishi-Nippon City Bank, Ltd.	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	0.8582%	Aug. 31, 2032		
	—	1,000,000	—	1,000,000	0.5355%	Nov. 30, 2029		
Shinkin Central Bank	1,000,000	—	—	1,000,000	0.6450%	Sep. 29, 2028		
	1,600,000	—	—	1,600,000	0.7782%	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		
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	0.7150%	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
Aozora Bank, Ltd.	1,000,000	—	—	1,000,000	0.3736%	Jul. 31, 2029	(Note 2)	Unsecured/ Unguaranteed
	1,000,000	—	—	1,000,000	0.7350%	Mar. 31, 2032		
MitsubishiUFJ Trust and Banking Corporation	1,500,000	—	—	1,500,000	0.7950%	Mar. 31, 2033		
The Hiroshima Bank, Ltd.	1,000,000	—	—	1,000,000	0.6150%	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	0.7582%	May 31, 2032		
Total	148,988,000	7,700,000	8,060,000	148,628,000				

(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 beneficiary 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	19,884,000	24,527,000	31,377,000	28,436,000

9. 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.

10. INCOME TAXES

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

(Unit: thousands of yen)

	As of	
	January 31, 2025	July 31, 2024
Deferred tax assets		
Accrued enterprise tax excluded from expenses	13	15
Deferred gains or losses on hedges	—	6
Subtotal deferred tax assets	13	21
Valuation allowance	—	(6)
Total deferred tax assets	13	15
Net deferred tax assets	13	15

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

	As of	
	January 31, 2025	July 31, 2024
Statutory tax rate	31.46%	31.46%
[Adjustments]		
Deductible cash distributions	(30.12%)	(31.45%)
Reserve for special account for reduction entry	(1.33%)	—%
Others	0.01%	0.00%
Effective tax rate	0.01%	0.01%

11. PER UNIT INFORMATION

	For the six months ended	
	January 31, 2025	July 31, 2024
Net assets per unit (yen)	107,316	107,275
Net income per unit (yen)	3,216	3,310
(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	
	January 31, 2025	July 31, 2024
Net income (thousands of yen)	6,163,727	6,343,127
Amounts not attributable to common unitholders (thousands of yen)	—	—
Net income attributable to common investment units (thousands of yen)	6,163,727	6,343,127
Average number of investment units during the period (units)	1,916,330	1,916,330

12. RELATED PARTY TRANSACTIONS

(1) Parent company and major corporate unitholders

For the six months ended January 31, 2025

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	17.9% directly held by related party	Leasing and management of real estate	Transfer of property (Note 2) (Note 6)	2,968,000	—	—
							Leasing of properties (Note 3) (Note 7)	6,425,108	Advances received	1,172,838
									Lease and guarantee deposits in trust	10,360,591
							Payment of property operation and management fees (Note 8)	281,668 (Note 4)	Prepaid expenses	6,331
									Operating accounts payable	63,655
							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 (12,675 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.

For the six months ended July 31, 2024

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)	2,968,000	—	—
							Leasing of properties (Note 3) (Note 7)	6,425,108	Advances received	1,172,838
									Lease and guarantee deposits in trust	10,360,591
							Payment of property operation and management fees (Note 8)	326,425 (Note 4)	Prepaid expenses	5,226
									Operating accounts payable	61,531
							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 (41,781 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 January 31, 2025

Not applicable.

For the six months ended July 31, 2024

Not applicable.

(3) Subsidiaries of parent company

For the six months ended January 31, 2025

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)	619,408	Accrued expenses	681,348

(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 July 31, 2024

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)	621,846	Accrued expenses	684,031

(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 January 31, 2025

Not applicable.

For the six months ended July 31, 2024

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) (Note 2)	Account item	Balance at end of the period (thousands of yen) (Note 2)
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)	621,846	Accrued expenses	684,031

(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. Although Hideyuki Isobe retired from the position of President & CEO of Mori Building Investment Management Co., Ltd. on June 19, 2024, the transaction amount and the balance at the end of the period indicate the entire amount for the six months ended July 31, 2024, including the period after his retirement.

[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.

13. BREAKDOWN OF PROPERTY-RELATED REVENUE AND EXPENSES

Breakdown of property operating income

(Unit: thousands of yen)

		For the six months ended	
		January 31, 2025	July 31, 2024
A.	Property operating revenue		
	Rent revenues		
	Rent and common area revenue	9,459,106	9,422,420
	Other rent revenue	5,622	5,865
	Other operating revenues		
	Parking revenue	48,484	50,625
	Utilities and other revenue	159,540	136,469
	Cancellation penalty	296	140,045
	Key money income	—	426
	Total property operating revenue	9,673,049	9,755,852
B.	Property operating expenses		
	Expenses related to properties		
	Property management fees	1,226,762	1,246,614
	Property taxes	831,321	831,631
	Utilities	152,516	129,039
	Maintenance and repairs	89,853	74,456
	Insurance premium	22,179	21,937
	Custodian fees	5,898	5,906
	Depreciation and amortization	1,064,125	1,076,519
	Rent expenses	165,090	153,491
	Other lease business expenses	16,031	15,830
	Total property operating expenses	3,573,779	3,555,428
C.	Property operating income [A – B]	6,099,270	6,200,424

Transactions with major unitholders

(Unit: thousands of yen)

		For the six months ended	
		January 31, 2025	July 31, 2024
	From operating transactions		
	Rent revenues	6,425,108	6,425,108
	Gain on transfer of real estate properties	1,415,243	1,418,075
	Expenses related to properties	268,993	284,644

Breakdown of gain on transfer of real estate properties

(Unit: thousands of yen)

For the six months ended January 31, 2025

Laforet Harajuku (Land)

Revenue from transfer of real estate properties	2,968,000
Cost of transfer of real estate properties	1,545,191
Other transfer expenses	7,565
Gain on transfer of real estate properties	1,415,243

For the six months ended July 31, 2024

Laforet Harajuku (Land)

Revenue from transfer of real estate properties	2,968,000
Cost of transfer of real estate properties	1,545,191
Other transfer expenses	4,732
Gain on transfer of real estate properties	1,418,075

14. UNITHOLDERS' EQUITY

	For the six months ended	
	January 31, 2025	July 31, 2024
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

15. 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 January 31, 2025. 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	7,000,000	6,979,500	(20,500)
(b) Current portion of long-term loans payable	17,194,000	17,194,000	—
(c) Investment corporation bonds	16,600,000	16,114,580	(485,420)
(d) Long-term loans payable	148,628,000	148,245,315	(382,684)
Total	189,422,000	188,533,395	(888,604)
Derivative transactions (Note1)	2,331,311	2,331,311	—

The following are the carrying amount, fair value and the difference between them of financial instruments as of July 31, 2024. 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	4,000,000	4,006,400	6,400
(b) Current portion of long-term loans payable	17,334,000	17,334,000	—
(c) Investment corporation bonds	19,600,000	19,198,910	(401,090)
(d) Long-term loans payable	148,988,000	148,672,892	(315,107)
Total	189,922,000	189,212,202	(709,797)
Derivative transactions (Note1)	2,073,093	2,073,093	—

(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. 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 January 31, 2025)

(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	7,000,000	7,300,000	2,000,000	—	2,000,000	5,300,000
Long-term loans payable	17,194,000	19,884,000	24,527,000	31,377,000	28,436,000	44,404,000
Total	24,194,000	27,184,000	26,527,000	31,377,000	30,436,000	49,704,000

Investment corporation bonds and long-term loans payable scheduled to be due after the balance sheet date (as of July 31, 2024)

(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	9,300,000	—	—	5,300,000
Long-term loans payable	17,334,000	19,104,000	18,723,000	28,943,000	32,075,000	50,143,000
Total	21,334,000	24,104,000	28,023,000	28,943,000	32,075,000	55,443,000

16. DERIVATIVE TRANSACTIONS

(1) Transactions for which hedge accounting is not applied

As of January 31, 2025

Not applicable

As of July 31, 2024

Not applicable

(2) Transactions for which hedge accounting is applied

As of January 31, 2025

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	113,487,000	96,293,000	2,331,311	Based on the quoted price obtained from counterparty financial institutions.

As of July 31, 2024

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	116,287,000	98,953,000	2,073,093	Based on the quoted price obtained from counterparty financial institutions.

17. 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	
	January 31, 2025	July 31, 2024
Cash and deposits	19,640,854	18,221,026
Cash and deposits in trust	5,570,408	4,882,461
Cash and cash equivalents	25,211,263	23,103,487

18. LEASES

Operating lease transactions (as lessor)

Future minimum rent revenues under existing non-cancelable lease agreements

(Unit: thousands of yen)

	As of	
	January 31, 2025	July 31, 2024
Due within 1 year	4,095,263	4,111,608
Due after 1 year	4,161,799	4,974,953
Total	8,257,063	9,086,562

19. 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	
	January 31, 2025	July 31, 2024
Carrying amount		
Balance at beginning of the period	386,607,903	388,408,660
Amount of increase (decrease) during the period	(2,241,348)	(1,800,756)
Balance at end of the period	384,366,555	386,607,903
Fair value at end of the period	488,554,000	491,325,000

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

(Note 2) Of the increase (decrease) during the period ended January 31, 2025, 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 July 31, 2024, 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”

20. Revenue Recognition

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

For the six months ended January 31, 2025

(Unit: thousands of yen)

	Revenue from Contracts with Customers (Note 1)	Sales to External Customers
Transfer of real estate, etc. (Note 2)	2,968,000	1,415,243
Utilities income (Note 3)	105,643	105,643
Other	—	9,567,405
Total	3,073,643	11,088,292

(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” (Transferred Guidance, No.10 of the Accounting Standards Board of Japan) 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 July 31, 2024

(Unit: thousands of yen)

	Revenue from Contracts with Customers (Note 1)	Sales to External Customers
Transfer of real estate, etc. (Note 2)	2,968,000	1,418,075
Utilities income (Note 3)	84,185	84,185
Other	—	9,671,667
Total	3,052,185	11,173,928

- (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” (Transferred Guidance, No.10 of the Accounting Standards Board of Japan) 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 January 31, 2025

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

For the six months ended July 31, 2024

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 January 31, 2025	For the six months ended July 31, 2024
Claims generated from contracts with customers (balance at beginning of fiscal period)	243	245
Claims generated from contracts with customers (balance at end of fiscal period)	54	243
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 January 31, 2025

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.

For the six months ended July 31, 2024

As of July 31, 2024, the total amount of the transaction price allocated to remaining performance obligations pertaining to the transfer of real estate, etc. is 2,968,000 thousand yen due to real estate, etc. for which a transfer agreement was concluded on March 15, 2024. 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 November 29, 2024.

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.

21. 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 January 31, 2025

(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.	7,840,351	Real estate leasing business

For the six months ended July 31, 2024

(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.	7,843,184	Real estate leasing business

22. FEES TO ACCOUNTING AUDITOR

(Unit: thousands of yen)		
	For the six months ended January 31, 2025	For the six months ended July 31, 2024
Audit fees (Note 1)	13,200	13,200
Non-audit fees (Note 2)	2,800	—

(Note 1) Audit fees include the fees for the audit of the English financial statements (2,000 thousand yen for the six months ended January 31, 2025, and 2,000 thousand yen for the six months ended July 31, 2024).

(Note 2) Non-audit fees to those belonging to the same network as the accounting auditor amount to 2,678 thousand yen for the six months ended January 31, 2025, and 2,678 thousand yen for the six months ended July 31, 2024.

23. SUBSEQUENT EVENTS

(1) Asset acquisitions and Lease

The Company made the resolution at its Board of Directors' meeting held on March 17, 2025, to conduct acquisitions at a portion of Toranomon Hills Mori Tower.

The seller Mori Building Co., Ltd. constitutes an interested party, etc. of the Company's Asset Manager, and the transaction constitutes a transaction with an interested party, etc. as defined in the Investment Trust Act. Accordingly, to comply with applicable laws and regulations and with the asset management agreement, as well as to prevent the interests of the Company from being negatively impacted with respect to the acquisition price and other terms and conditions, the Asset Manager has taken steps pursuant to the Related Parties Transaction Guidelines.

(a) Overview of Acquisitions and Lease

Property name	Toranomon Hills Mori Tower
Asset to be acquired	Trust beneficiary interest (Note 1)
Anticipated acquisition price	7,820 million yen (Note 2)
Appraisal value	9,790 million yen (Note 3)
Sales agreement date	March 17, 2025
Acquisition date	July 1, 2025 (anticipated)
Seller	Mori Building Co., Ltd.
Acquisition financing	Cash on hand (anticipated)
Lessee	Mori Building Co., Ltd. (Note 4)

(Note 1) The Company plans to acquire trust beneficiary interest in 87.95% co-ownership interest in compartmentalized ownership of the 28th-35th floors and co-ownership interest in the land use rights. The Company plans to acquire an additional 10% quasi co-ownership interest of the trust beneficiary interest, and as a result it will hold 88% together with the 78% already acquired. The remaining 12% of the quasi co-ownership interest in the trust beneficiary interest is to be held by Mori Building Co., Ltd.

(Note 2) The indicated anticipated acquisition price does not include acquisition-related costs, consumption taxes and other expenses.

(Note 3) The appraisal value as of February 1, 2025 as described in the real estate appraisal report prepared by Japan Real Estate Institute.

(Note 4) Please see "(b) Details of the Asset to be Acquired and Lease" for leasing terms and conditions, and other details.

(b) Details of the Asset to be Acquired and Lease

Details of the Asset to Be Acquired		
Property name		Toranomon Hills Mori Tower
Type of specified asset		Trust beneficiary interest (87.95% of co-ownership of the 28th to 35th floors) (10% of quasi co-ownership interest)
Trustee		Mitsubishi UFJ Trust and Banking Corporation
Trust establishment period		From June 26, 2014 to July 31, 2037
Location (Residential indication)		1-23-1 Toranomon, Minato-ku, Tokyo
Use		Offices, Shops, Hotel, Residences
Area (Note 1)	Land	17,068.95 m ²
	Building	241,581.95 m ²
Structure		Steel-framed and steel-framed reinforced concrete structure with flat roof, 52 floors above ground and 5 floors below ground
Construction completion		May 2014
Designer		Nihon Sekkei, Inc.
Contractor		Obayashi Corporation
Building verification agency		The Building Center of Japan
Form of ownership	Land	Ownership (Note 2)
	Building	Compartmentalized ownership (Note 3)
Anticipated acquisition price		7,820 million yen
Acquisition date		July 1, 2025 (anticipated)
Appraisal	Appraiser	Japan Real Estate Institute
	Appraisal value	9,790 million yen (Appraisal date: February 1, 2025)
PML (Note 4)		2.3%
Collateral		None
Property manager		Mori Building Co., Ltd.
Content of lease (As of January 31, 2025)		
Lessee (Note 5)		Mori Building Co., Ltd.
Type of agreement		Regular building lease agreement
Term of agreement		From August 1, 2022 to July 31, 2027
Gross rent income (annual rent) (Note 6)		310,232,592 yen
Deposits/ Guarantees (Note 7)		258,527,163 yen
Total leasable floor area (Note 8)		2,441.82 m ²
Total leased floor area (Note 9)		2,441.82 m ²
Total number of end tenants		10 companies
Occupancy rates		99.8%
Other special consideration		Transfer of Quasi co-ownership interest to a third party requires the written approval of Mori Building Co., Ltd.

(Note 1) Area (land) is the area of the entire site, and area (building) is the total floor area of the entire building, as indicated in the real estate registry.

(Note 2) As for land, land use rights for the property are established. The site area corresponding to the quasi co-ownership interest in the trust beneficiary interest that the Company plans to acquire equivalent to the ratio of interest in the building is approximately 433.28 m² (approximately 2.5%). Also, the site area corresponding to the quasi co-ownership interest in the trust beneficiary interest that the Company plans to own equivalent to the ratio of interest in the building will be approximately 3,812.94 m² (approximately 22.3%) after this acquisition.

(Note 3) The exclusive floor area corresponding to the quasi co-ownership interest in the trust beneficiary interest that the Company plans to acquire as indicated in the real estate registry is approximately 2,442.41 m² (approximately 1.4%). Also, the exclusive floor area corresponding to the quasi co-ownership interest in the trust beneficiary interest that the Company plans to own as indicated in the real estate registry will be approximately 21,493.23 m² (approximately 12.2%) after this acquisition.

(Note 4) PML means the expected maximum loss rate due to an earthquake. Although there is no uniform definition of PML, for the purposes of this document, it is equivalent to the percentage of the expected loss amount (the expected loss amount with a return period of 475 years) with a probability of 10% exceeding the expected loss amount during the assumed planned usage period (50

years = useful life for buildings in general) to the replacement price. However, the expected loss amount evaluates the direct loss due to liquefaction of the ground and earthquake vibration. This does not include secondary losses such as losses of equipment, furniture, fixtures, etc., losses due to water after an earthquake, compensation for disaster victims, or business losses due to business interruption. PML figures are reported from Sompo Risk Management Inc. as of February 14, 2025.

- (Note 5) With regard to the property, the Company will outsource building lease operations to Mori Building Co., Ltd. and shall receive a fixed amount of rent from the company, regardless of the rent amount paid by end tenants.
- (Note 6) The gross rent income (annual income) represents the figure obtained by multiplying the monthly consideration for granting leasing rights described in the agreement to change the co-owned property usage agreement and property management operation agreement entirely by the 10% quasi co-ownership interest in the trust beneficiary interest rounded down below the unit and multiplying that amount by 12.
- (Note 7) Deposits/Guarantees represents the figure obtained by multiplying the amount of deposits described in the agreement to change the co-owned property usage agreement and property management operation agreement entirely by the 10% quasi co-ownership interest in the trust beneficiary interest rounded down below the unit.
- (Note 8) Total leasable floor area represents the figure obtained by multiplying the floor area deemed leasable to the lessee by the 10% quasi co-ownership interest in the trust beneficiary interest, rounded to the second decimal place.
- (Note 9) Total leased floor area represents the figure obtained by multiplying the floor area leased to the lessee by the 10% quasi co-ownership interest in the trust beneficiary interest, rounded to the second decimal place. Total leasable floor area and total leased floor area do not include storage, parking lots, mechanical rooms, etc.

(2) Asset transfer

The Company made the resolution at its Board of Directors' meeting held on March 17, 2025, to additionally transfer a part of Laforet Harajuku (Land).

The buyer Mori Building Co., Ltd. constitutes an interested party, etc. of the Company's Asset Manager, and the transaction constitutes a transaction with an interested party, etc. as defined in the Investment Trust Act. Accordingly, to comply with applicable laws and regulations and with the asset management agreement, as well as to prevent the interests of the Company from being negatively impacted with respect to the transfer price and other terms and conditions, the Asset Manager has taken steps pursuant to the Related Parties Transaction Guidelines.

(a) Overview of Transfer

Property name	Laforet Harajuku (Land)	
Asset to be transferred	Trust beneficiary interest (Note 1) ((1): 7% quasi co-ownership interest)	Trust beneficiary interest (Note 1) ((2): 7% quasi co-ownership interest)
Book value	1,545 million yen (Note 2)	1,545 million yen (Note 2)
Transfer price	3,073 million yen (Note 3)	3,073 million yen (Note 3)
Gain (loss) on transfer	1,522 million yen (Note 4)	1,519 million yen (Note 4)
Sales agreement date	March 17, 2025	
Anticipated Transfer date	July 1, 2025	December 1, 2025
Buyer	Mori Building Co., Ltd	

- (Note 1) The Company plans to transfer trust beneficiary interest in ownership of land (land of Laforet Harajuku; hereafter the "Property") to which fixed-term business-use leasehold rights are attached for the purpose of owning retail and other facilities. However, the Company will continue to hold the remaining 44% of the quasi co-ownership interest in the trust beneficiary interest.
- (Note 2) Book value indicates the estimate of the book value of the property as of the anticipated transfer date based on the book value as of January 31, 2025.
- (Note 3) The transfer price does not include transfer-related costs and other expenses.
- (Note 4) The gain (loss) on transfer represents the amount obtained by deducting the book value and transfer-related costs from the transfer price above.

(b) Details of the Asset to be transferred

Details of the Asset to be transferred			
	Property name		Laforet Harajuku (Land)
	Type of specified asset		Trust beneficiary interest ((1): 7% quasi co-ownership interest (transfer on July 1, 2025) and (2): 7% quasi co-ownership interest (transfer on December 1, 2025))
	Trustee		Sumitomo Mitsui Trust Bank, Ltd.
	Trust establishment period		From July 1, 2022 to July 31, 2042
	Location (Residential indication)		1-11-6 Jingumae, Shibuya-ku, Tokyo
	Area (Note 1)		2,565.06 m ²
	Form of ownership		Ownership
	Book value		(1) : 1,545 million yen (2) : 1,545 million yen
	Transfer price		(1) : 3,073 million yen (2) : 3,073 million yen
	Gain (loss) on transfer		(1) : 1,522 million yen (2) : 1,519 million yen
	Appraisal	Appraiser	Japan Real Estate Institute
		Appraisal value (Note 2)	6,146 million yen (Appraisal date: February 1, 2025)
	Anticipated Transfer date		(1) : July 1, 2025 (2) : December 1, 2025
Content of lease (As of March 17, 2025)			
	Lessee		Mori Building Ryutsu System Co., Ltd.
	Type of agreement		Fixed-term business-use land lease agreement
	Term of agreement		From September 15, 2010 to September 14, 2030 (20 years)
	Gross rent income (annual rent) (Note 3)		186,984,000 yen
	Deposits/ Guarantees		None
	Total leasable floor area (Note 4)		359.11 m ²
	Total leased floor area (Note 5)		359.11 m ²
Other special consideration		None	

(Note 1) Area is the area of the entire site as indicated in the real estate registry.

(Note 2) The appraisal value represents the figure for the 14% quasi co-ownership interest in the trust beneficiary interest.

(Note 3) The gross rent income (annual rent) represents the figure obtained by multiplying the monthly rent indicated in the rent review memorandum related to the agreement for establishing the fixed-term business-use leasehold rights by the 14% quasi co-ownership interest in the trust beneficiary interest, rounding down the amount below the unit and multiplying that amount by 12.

(Note 4) The total leasable floor area represents the figure obtained by multiplying the floor area deemed leasable to the lessee by the 14% quasi co-ownership interest in the trust beneficiary interest, rounded to the second decimal place.

(Note 5) The total leased floor area represents the figure obtained by multiplying the floor area leased to the lessee by the 14% quasi co-ownership interest in the trust beneficiary interest, rounded to the second decimal place.

(Note 6) In the case either the Company or Mori Building Co., Ltd, which is the buyer, is to transfer the quasi co-ownership interest in trust beneficiary interest it holds to a third party, written approval from the other holder(s) of the quasi co-ownership interest is necessary.

(3) Repurchase of Own Investment Units

The Company made the resolution at its Board of Directors' meeting held on March 17, 2025, to decide on matters relating to the repurchase of its own investment units under Article 80-2 of the Act on Investment Trusts and Investment Corporations, which was applied by replacing the provisions of Article 80-5, Paragraph 2 of the same Act.

The Company plans to retire all the repurchased investment units during the fiscal period ending July 31, 2025.

(a) Reason for Repurchase of Own Investment Units

The Company conducted a comprehensive review of its investment unit price level, available cash on hand, financial market trends, the financial condition, and other factors. As a result, The Company has determined that increasing capital efficiency and returning profits to unitholders through the repurchase and retirement of own investment units will lead to an increase in unitholder value over the medium to long term, and has therefore decided to repurchase its own investment units.

(b) Details of the Repurchase

(1) Total number of investment units to be repurchased	30,700 units (maximum) 1.6% of the total number of issued and outstanding investment units (excluding the number of own investment units)
(2) Total amount of investment units repurchased	4,000 million yen (maximum)
(3) Repurchase method	Market purchase on the Tokyo Stock Exchange pursuant to a discretionary transaction agreement with a securities company regarding the repurchase of own investment units
(4) Repurchase period	March 18, 2025 to July 11, 2025