

Mori Hills REIT Investment Corporation

Semiannual Report

**30th Fiscal Period
(February 1, 2021 - July 31, 2021)**

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 thirtieth fiscal period which ended July 31, 2021.

In the thirtieth fiscal period, the Japanese economy saw ongoing weakness in consumer spending as the impact of COVID-19 continued, but improvements were seen centering on the manufacturing sector as exports to places with high vaccination rates, such as Europe, the US and China, grew.

In such an economic environment, the vacancy rate in the rental office building market continued to rise against the backdrop of the spread of remote work triggered by the pandemic as well as by the strengthened cost-cutting trend of companies, and these conditions also resulted in stagnant growth in rent levels. As for the luxury rental housing market, occupancy rates and rent levels remained solid, driven by the ongoing stable demand for quality housing in central Tokyo amid new supply remaining at a certain level. In terms of the real estate trading market, transaction prices continued to be high and the transaction amount continued to stay at a high level backed by the ongoing favorable fund-raising environment and investors inside and outside of Japan showing no change in their investment appetite.

In the thirtieth 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, the Company 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 thirtieth fiscal period, was comprised of 11 properties under management with a total leasable area of 178,832.97m². The Company has already invested 402,910 million yen (based on the acquisition price) into this portfolio. The occupancy rate at the end of the thirtieth fiscal period was 97.6%.

The asset management activities described above resulted in MHR recording in the thirtieth fiscal period 9,841 million yen in operating revenue, 6,157 million yen in operating income, 5,583 million yen in ordinary income, 5,582 million yen in net income and 2,913 yen in dividend per unit.

MHR acquired an additional part of Toranomon Hills Mori Tower (acquisition price: 7,870 million yen) on August 2, 2021. This acquisition is expected to enhance the portfolio size and increase dividends. MHR declared dividends per unit of 2,910 yen for the thirty-first fiscal period ending January 31, 2022.

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

I would like to ask for your continued support.



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

Financial Highlights

Dividend per unit: 30th period

2,913 yen

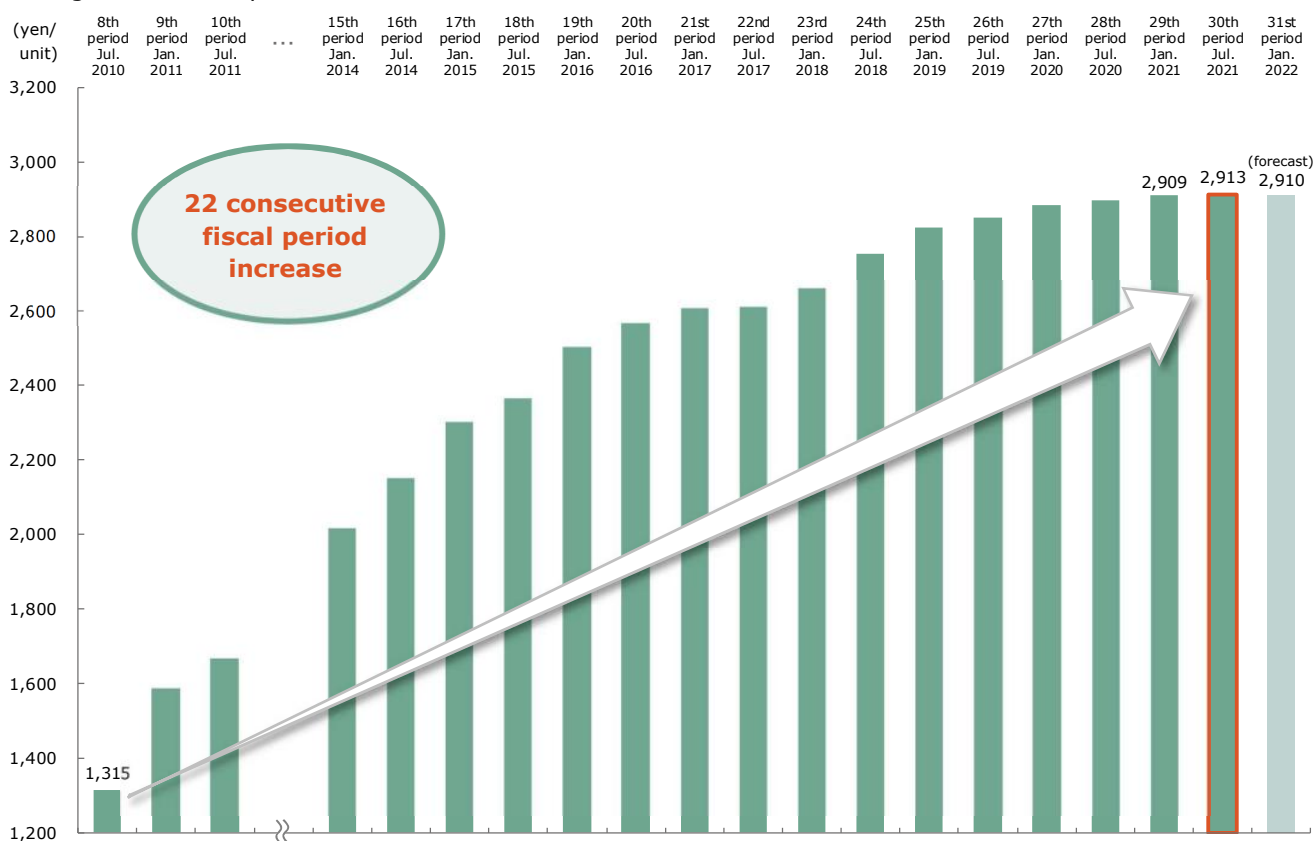
Dividend per unit: 31st period forecast*

2,910yen

*The forecasted figure for the 30th 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

	29th period August 1, 2020 - January 31, 2021 (184 days)	30th period February 1, 2021 - July 31, 2021 (181 days)	30th - 29th period
Operating revenue	9,820 million yen	9,841 million yen	+20 million yen
Operating income	6,173 million yen	6,157 million yen	△15 million yen
Ordinary income	5,576 million yen	5,583 million yen	+7 million yen
Net income	5,575 million yen	5,582 million yen	+7 million yen
Dividend/unit	2,909 yen/unit	2,913 yen/unit	+ 4 yen/unit
Total units outstanding	1,916,330 units	1,916,330 units	
Acquisition price	402,910 million yen	402,910 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 acquired an additional part of Toranomon Hills Mori Tower on August 2, 2021.

Toranomon Hills Mori Tower Premium (Additional acquisition)



Location	23-1, Toranomon 1-chome, Minato-ku, Tokyo	Portions of acquisition	11% 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
Acquired as of September 1, 2020	12,220 mn yen	15,232 mn yen	3.4%
Acquired as of August 2, 2021	7,870 mn yen	9,856 mn yen	3.4%

Total acquired: 78% quasi-co-ownership interest including past acquisition

Toranomon Hills

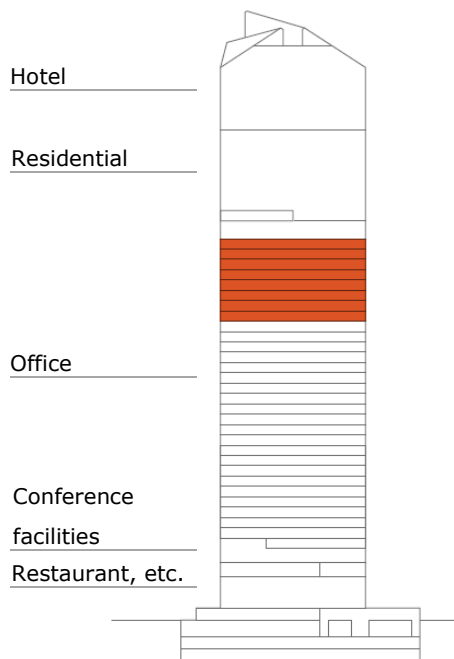
Toranomon Hills is located in the “Special Zone for Asian Headquarters” where the Tokyo Metropolitan Government seeks to attract foreign companies. This building is Tokyo’s new landmark and consists of Japan’s first Andaz hotel “Andaz Tokyo”, high-specification offices, a high class residential area with outstanding views where hotel services are available, international-standard conference facilities and commercial facilities to support various urban functions, along with an open space of about 6,000m².

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 and a gross floor area of 30,000 tsubo. Standard rent floors’ average size is about 1,000 tsubo (about 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

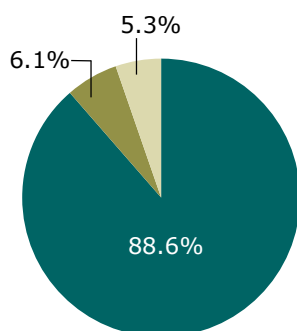
MHR has developed an urban portfolio mainly in Central Tokyo through its “investment in the city” concept, taking advantage of market opportunities and our competitive strengths to enhance profitability as well as portfolio value.

Portfolio breakdown

Area

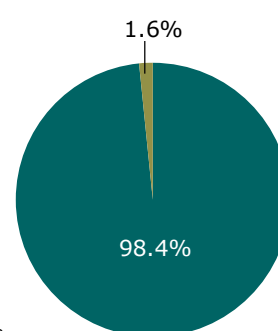


Type



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

(Note 3) For calculation of breakdown by type, acquisition price for Akasaka Tameike Tower and Atago Green Hills are divided into offices and residences.

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 Mori Tower



O-10 Premium

Holland Hills Mori Tower



R-3 Premium

Roppongi First Plaza

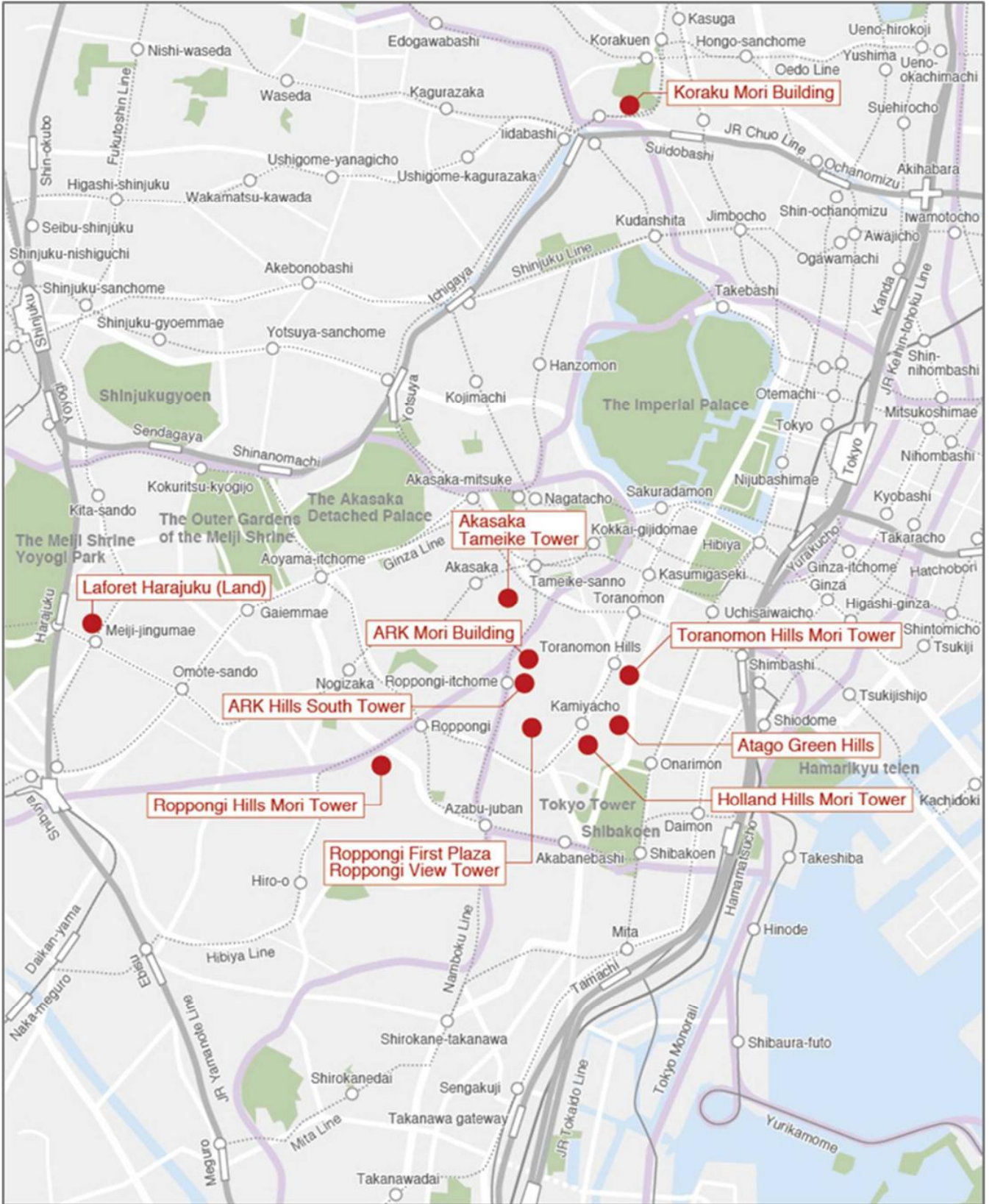


S-1 Premium

Laforet Harajuku (Land)

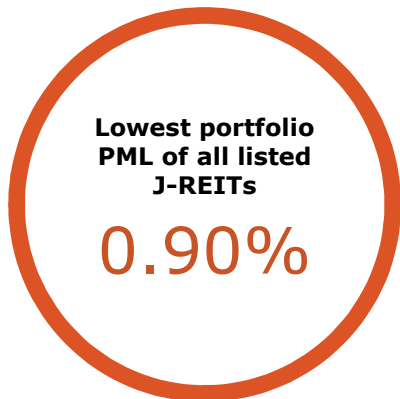
R-4

Roppongi View Tower



Earthquake-resistance capacity

Best among all J-REITs



※ PML refers to the probable maximum loss ratio expected to result from an earthquake. A smaller percentage indicates superiority in earthquake-resistance.

Property name		Type	PML	Earthquake-resistant feature
Roppongi Hills Mori Tower		Office	0.59%	Seismic damping
ARK Mori Building			0.78%	Seismic damping
Koraku Mori Building			0.73%	Seismic damping
ARK Hills South Tower			1.56%	Seismic damping
Toranomom Hills Mori Tower			0.50%	Seismic damping
Holland Hills Mori Tower			0.85%	Seismic damping
Akasaka Tameike Tower		Office (Partly residential)	1.79%	Seismic damping
Atago Green Hills	MORI Tower		2.35%	Seismic damping
	Forest Tower		2.34%	Seismic damping
	Plaza	5.94%	—	
Roppongi First Plaza		Residential	2.20%	—
Roppongi View Tower			2.20%	—

Environmental performance

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

CASBEE for Existing Buildings: Rank S



Roppongi Hills Mori Tower



ARK Mori Building



Atago Green Hills (MORI Tower)



Toranomom Hills Mori Tower



Holland Hills Mori Tower

CASBEE for Existing Buildings: Rank A



Akasaka Tameike Tower



Koraku Mori Building

DBJ Green Building Certification: Four stars



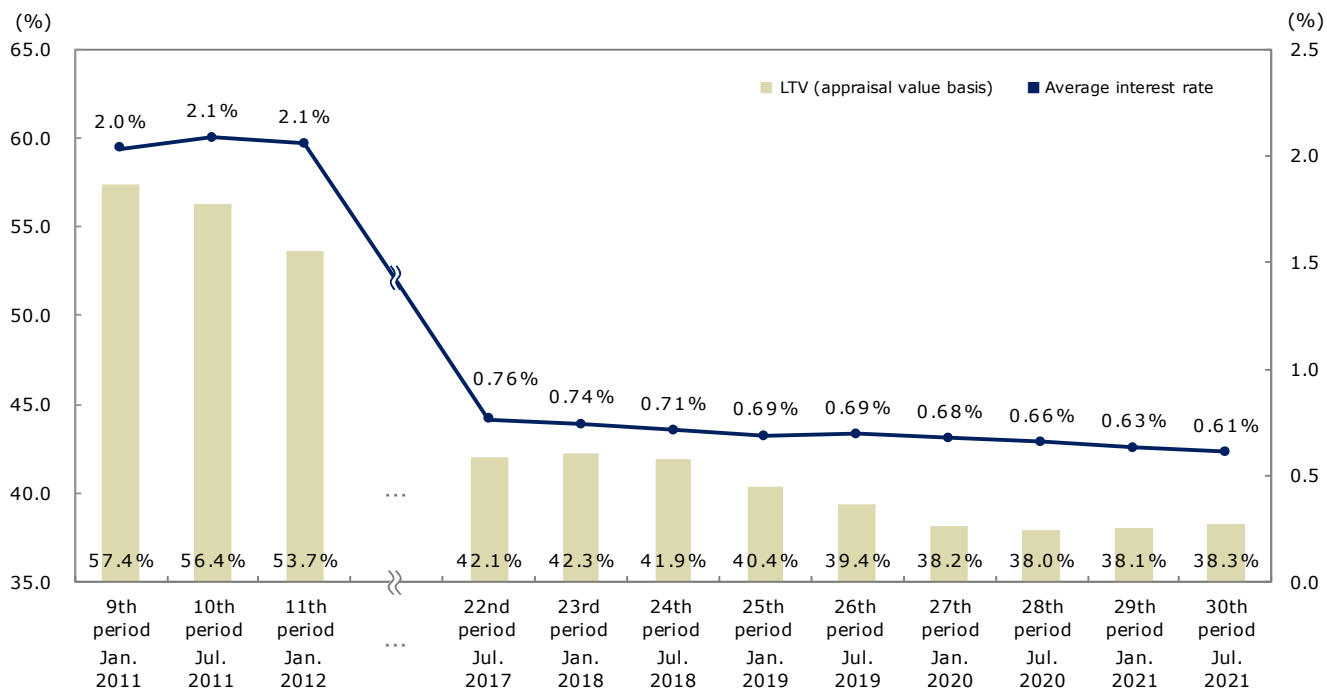
ARK Hills South Tower

※ Based on acquisition price excluding Laforet Harajuku (Land)

Financial Status

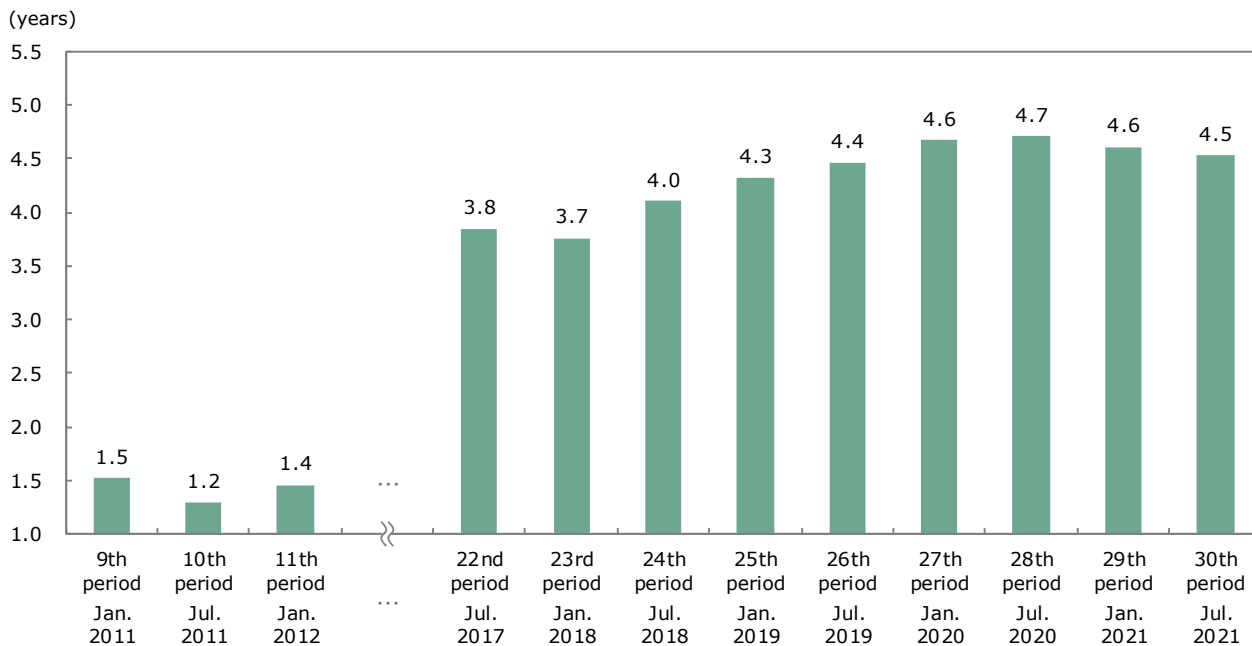
MHR's cost of debt has decreased along with the improvement in LTV ratio (appraisal value basis). We will continue to maintain a debt duration level that enables us to sustain our healthy financial base.

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



(Note) Average interest rate is calculated as $[(\text{interest expenses} + \text{interest expenses on investment corporation bonds} + \text{borrowing expenses} + \text{amortization of investment corporation bond issuance costs}) \times 365 \div \text{operating days during each period} \div \text{average interest-bearing debt balance during each period}]$.

Extension in remaining duration of debt



Overview of debt financing

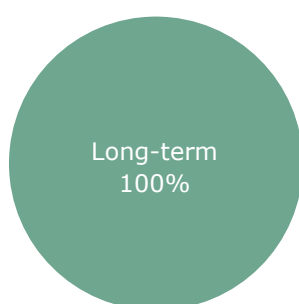
	End of the 29th period Jan. 31, 2021	End of the 30th period Jul. 31, 2021
Debt Balance	184,422 mn yen	186,222 mn yen
LTV (book value basis) ^(Note 1)	45.8%	46.0%
LTV (appraisal value basis) ^(Note 2)	38.1%	38.3%
Avg. remaining duration	4.6 years	4.5 years

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

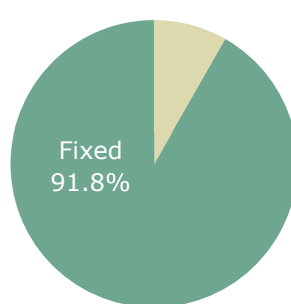
(Note 2) LTV (appraisal value basis) is calculated as [Interest-bearing debt / Appraisal value based total assets (Total assets + Total appraisal value - Total book value)].

Long-term debt ratio / Fixed rate ratio

[Long and short-term debt ratio]



[Fixed rate ratio]



Rating

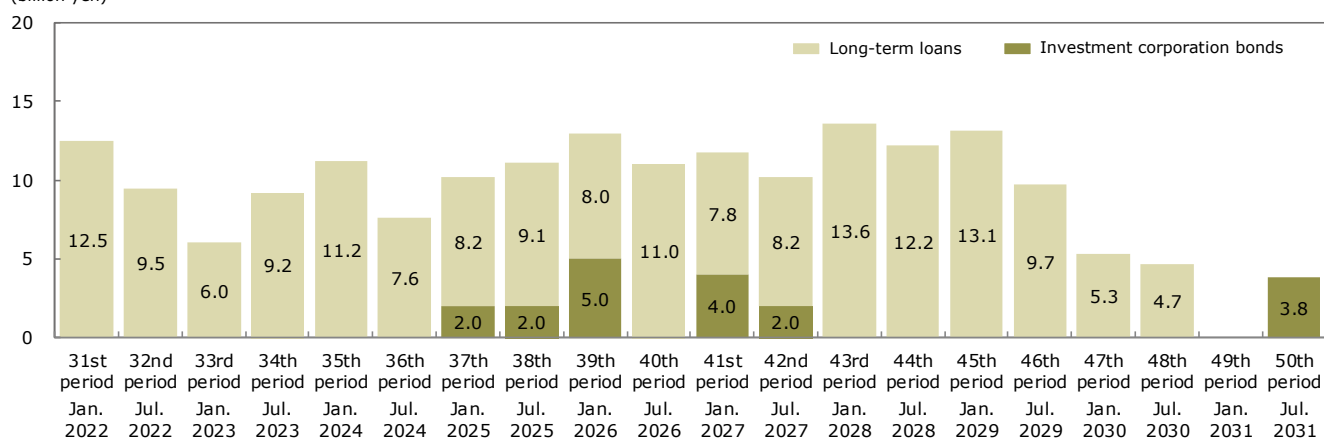
Japan Credit Rating (JCR)

Long-term issuer rating

AA
(Stable)

Overview of maturity (as of July 31, 2021)

(billion yen)

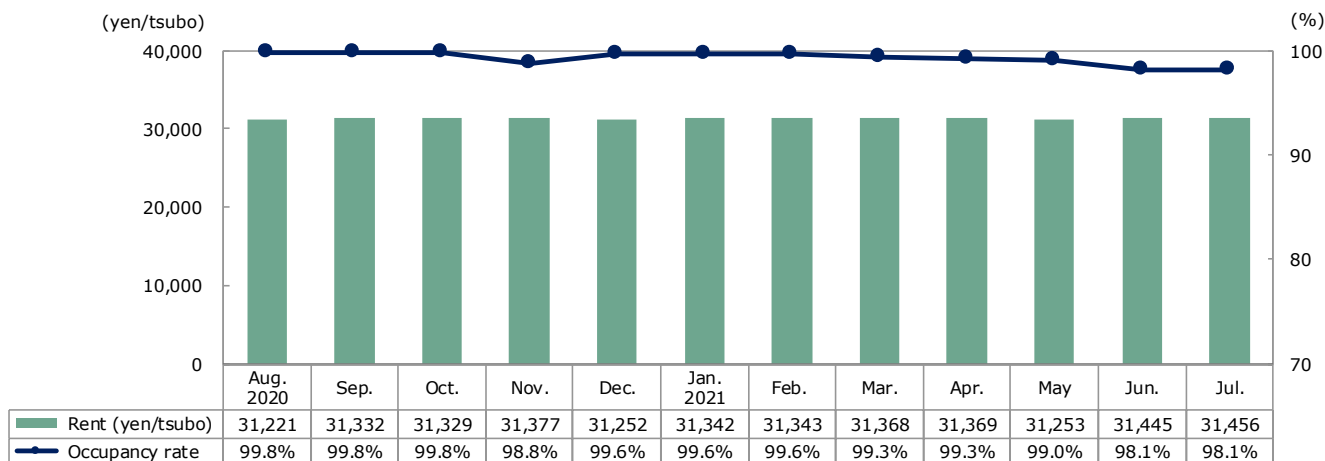


Portfolio Management

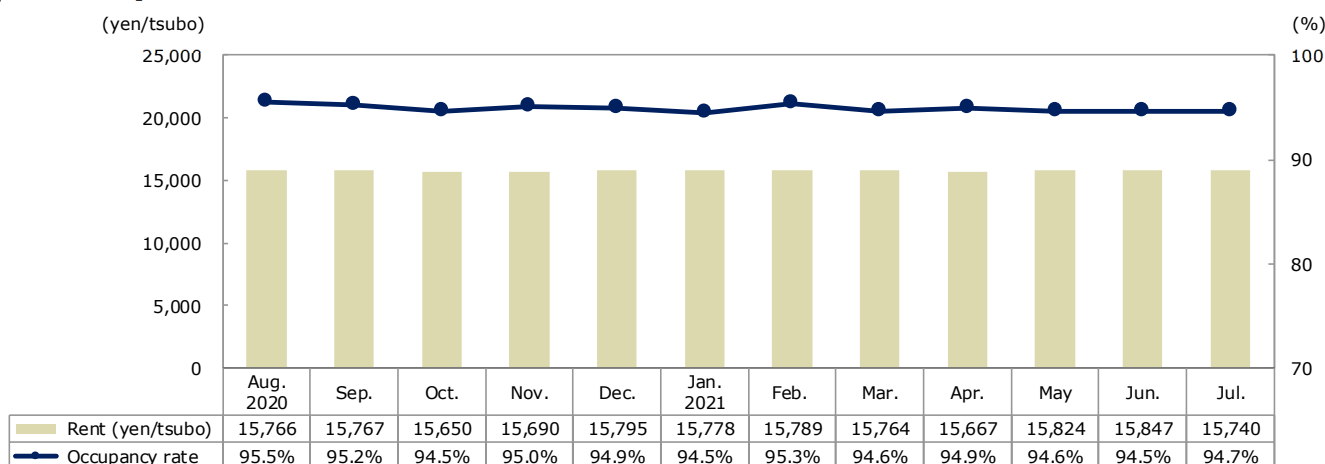
MHR maintained and enhanced occupancy rates and rents by proactively launching marketing activities targeting new and existing tenants based on a flexible price policy.

Rent and occupancy rate

[Office]

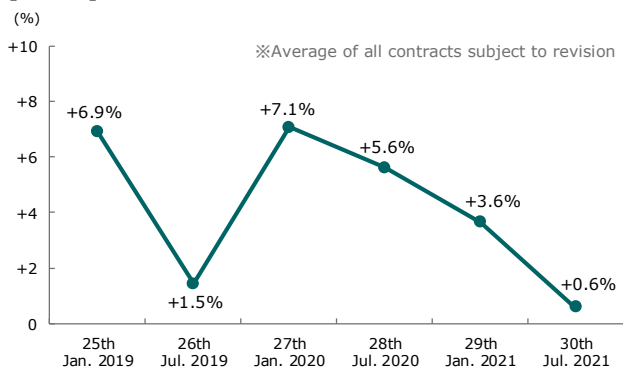


[Residential]

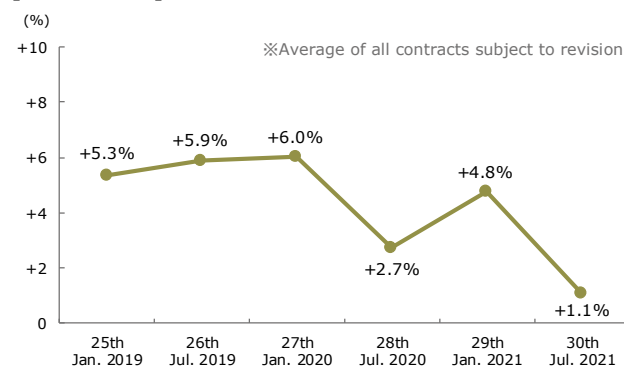


Result of tenants' rent revision (pass-through type)

[Office]



[Residential]



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

(Note 2) Figures are calculated based on asset acquisition and monthly rents which reflect move outs of end tenants confirmed as of July 31, 2021.

Sustainability Initiatives

Approach to Sustainability

MHR and Mori Building Investment Management Co., Ltd. (MIM) aim to contribute to the creation and development of cities by providing investment opportunities in high-quality urban assets to investors, as stated in the Basic Policy of MHR and the Company Mission of MIM.

Society today is faced with various challenges such as global warming, preservation of ecosystems and other environmental problems, as well as social problems, including human rights and the decreasing birthrate/aging population. Companies need to contribute to solving these issues amidst conducting business activities, and 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 emphasizing ESG (Environment, Social and Governance) and investing in high-quality urban assets while striving to improve various environmental and social performance levels.

Sustainability Promotion System

Operations connected to sustainability will be promoted primarily by the Sustainability Committee established by MIM.

The Chairperson of the Committee shall be the President & CEO while all directors and some administration staff shall comprise the committeepersons. Various initiatives will be implemented based on the Sustainability Promotion Program which is established every fiscal year.

In principle, the Committee shall meet four times a year and shall formulate policies and the content of the Sustainability Promotion Program, monitor progress of programs, deliberate 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 shall be reported on periodically to the Board of Directors of both MHR and MIM. Each Board oversees the status of initiatives for important issues related to ESG and the status of compliance and risk management.

Initiatives throughout the Entire Supply Chain

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

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

Sustainability Initiatives: 1) Environment

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

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

Green Building Certified Properties

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

(Certificates Coverage Ratio)

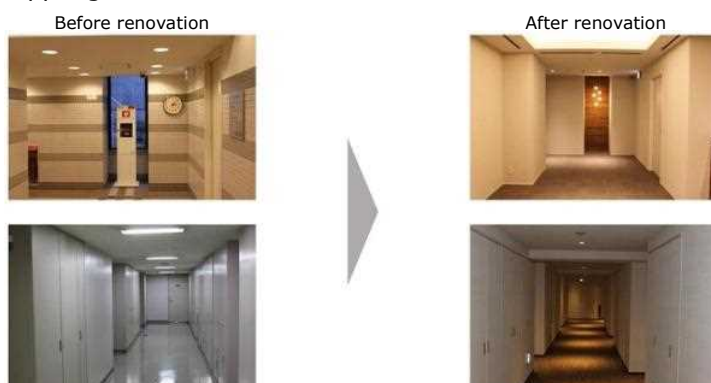
	Certified Properties	Portfolio Data	Ratio	Ratio (objective)
In acquisition price	355.9 bn yen	381.0 bn yen	93.4%	Maintain over 90%

※ 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. 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 raise awareness for power saving methods. MHR also promotes environmental initiatives by communicating with tenants. MHR provides “WEB cloud services” as a tool to make tenants’ energy usage visible, and offers helpful measures for tenants’ energy conservation.

In addition to these efforts, MHR is further deepening relationships with tenants by introducing “green leases” which serve to align financial incentives and 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 combine compact cities benefiting from multifaceted urban functions together with the various high energy-efficient systems in order to realize cities with excellent environmental efficiency. Through comprehensive and high-quality management of these urban areas, we will continue our efforts to reduce carbon emissions and engage in initiatives to counter global warming and climate change.

(Objectives and Performance of Reduction Greenhouse Gas Emissions)

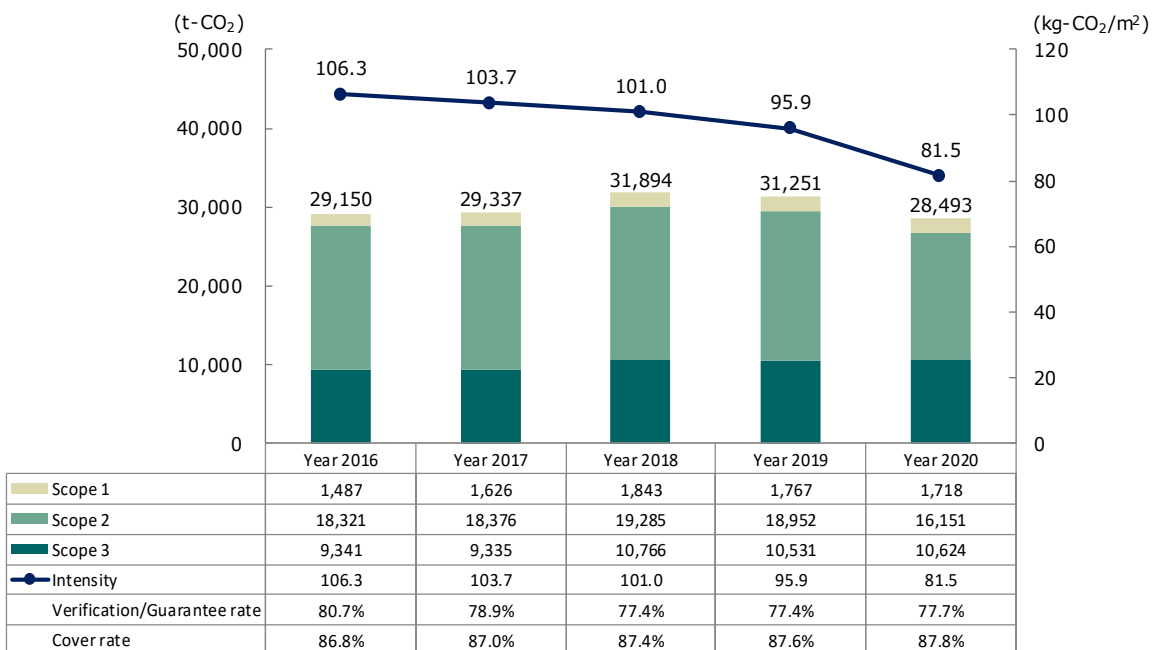
We set the targets of a 25% reduction by 2024 and a 30% reduction by 2030 in CO2 emission intensity for the total calculated floor area of MHR and MIM's offices and properties owned by MHR (with 2013 as the baseline year). The targeted intensity is for the total of Scope 1 and Scope 2. The amount of CO2 emission decreased temporarily in 2020 due to the decline in the number of workers and visitors as a result of the spread of COVID-19.

Performance (year 2020)	Short-range objective (year 2024)	Long-range objective (year 2030)
32.6% reduction (intensity basis : vs year 2013)	25% reduction (intensity basis : vs year 2013)	30% reduction (intensity basis : vs year 2013)

(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 (Scope1 + 2) by the calculated total floor area. The intensity in the baseline year (2013) is 120.9kg-CO2/m².

* For Scope 3, the calculation target was expanded in accordance with the above manual starting in 2020. The figures for 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 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 2021)

- ARES Certified Master: 9
- Real Estate Appraiser: 3
- Real Estate Transaction Agent: 9
- Certified Building Administrator: 2
- Certified Public Accountant: 4
- Chartered Member of Securities Analysts Association of Japan: 1

Employee Stock Ownership Plan (ESOP)

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

Promoting Women's Participation

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

Tenant Satisfaction Surveys

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

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

Local Communities

MHR aims to foster a rich environment for the local community through various communication activities. In MHR’s properties such as Roppongi Hills and ARK Hills, events and activities are held like the “Hills Marche” and “Hills Machi-Iku Project” in which local people can participate.



All Japanese Listed Companies' Website Ranking

Nikko Investor Relations Co., Ltd. announces a valuation of websites of all listed companies by investigating the degree of information disclosure based on objective evaluation items from its unique perspective. MHR’s website has received “Total Ranking: The Best Site” for six consecutive years.



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.

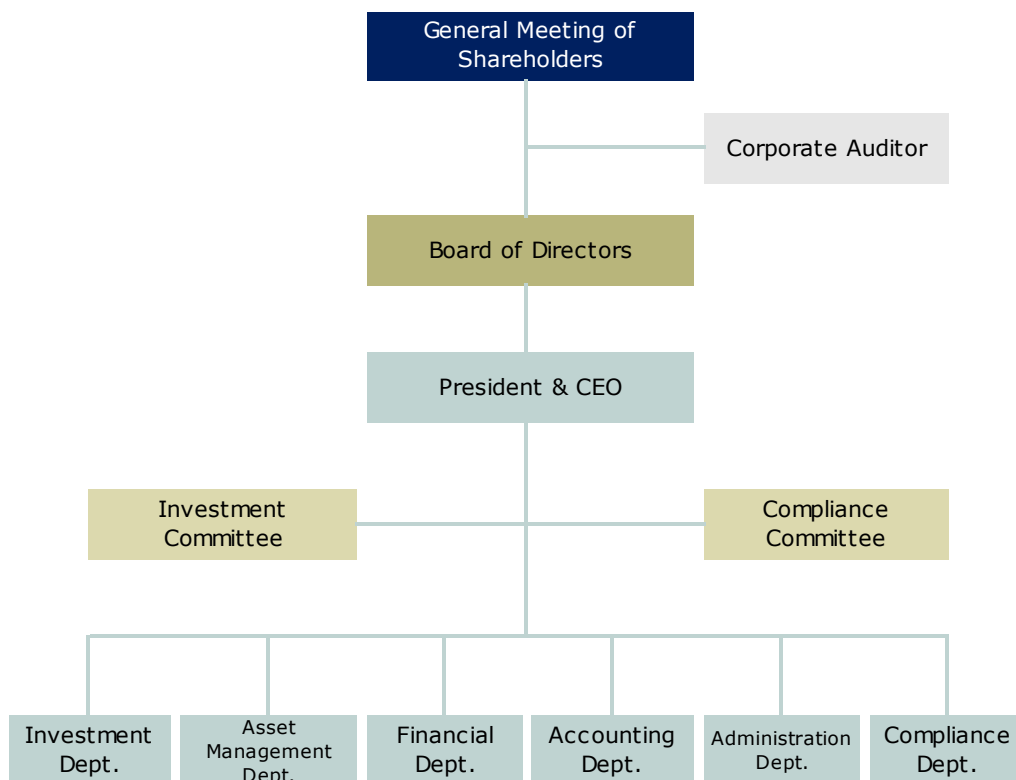
By firmly acknowledging this belief, MHR and MIM work on building fair and effective corporate governance and strive to enhance internal control through thorough compliance and risk management based on an appropriate compliance and internal control structure.

Corporate Governance

MHR shall have at least one executive director and at least two supervisory directors (or, at least one more than the number of executive directors), and the board of directors shall be comprised of the executive directors and supervisory directors.

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, and entrusts its operation to MIM. MIM is required to perform its business operations in good faith and with the due care of a prudent manager for MHR in line with the purpose of the investment management business, and accordingly performs conscientious asset investment and management pertaining to real estate properties based on an appropriate compliance structure and internal control structure ensuring that MHR gain full trust from the securities market and investors.

(MIM’s organization)

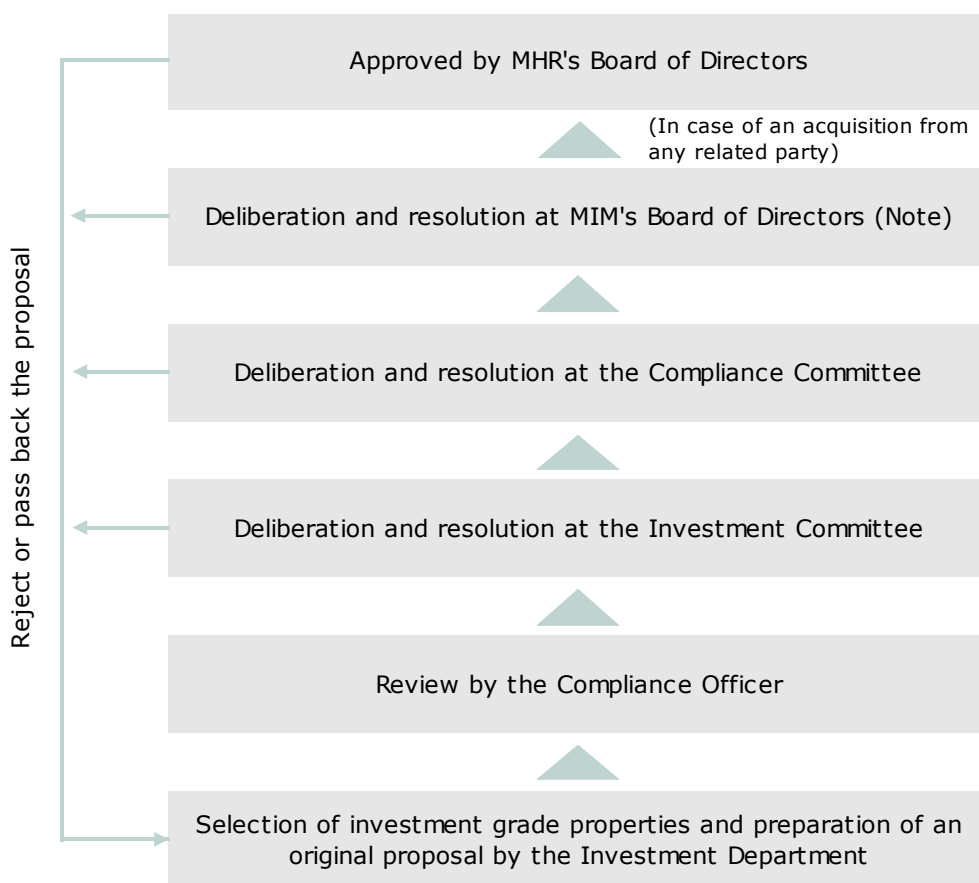


Compliance

The Compliance Department conducts inspections on legal compliance and confirms consistency with internal rules. MIM confirms whether there are 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) A director who is classified as a related party officer is not able to participate in the resolution 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 	<p>(See "ESG Report")</p>	
G Governance 	<ul style="list-style-type: none"> Strive for fair and effective corporate governance Adhere to compliance and corporate ethics Prevent conflict-of-interest transactions Identify risks and manage responses Respond to requests for ESG information disclosure 	<ul style="list-style-type: none"> Implement evaluation of the effectiveness of the board of directors Conduct compliance training including fraud prevention Regularly expose risks, as well as monitor and respond to risks appropriately Enhance ESG information disclosure on the website Issuance of ESG Report 	

GRESB Assessment



In the 2021 GRESB Real Estate Assessment, MHR received a “Green Star” rating for the tenth consecutive year, and received the highest evaluation of “5 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 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).

ESG Report



This report describes the overall efforts of MHR and the Asset Manager Mori Building Investment Management Co., Ltd. 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/en/ir/library/esg_report/tabid/456/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 2.2 trillion yen and the number of properties under management is 96 buildings. (Note 1)

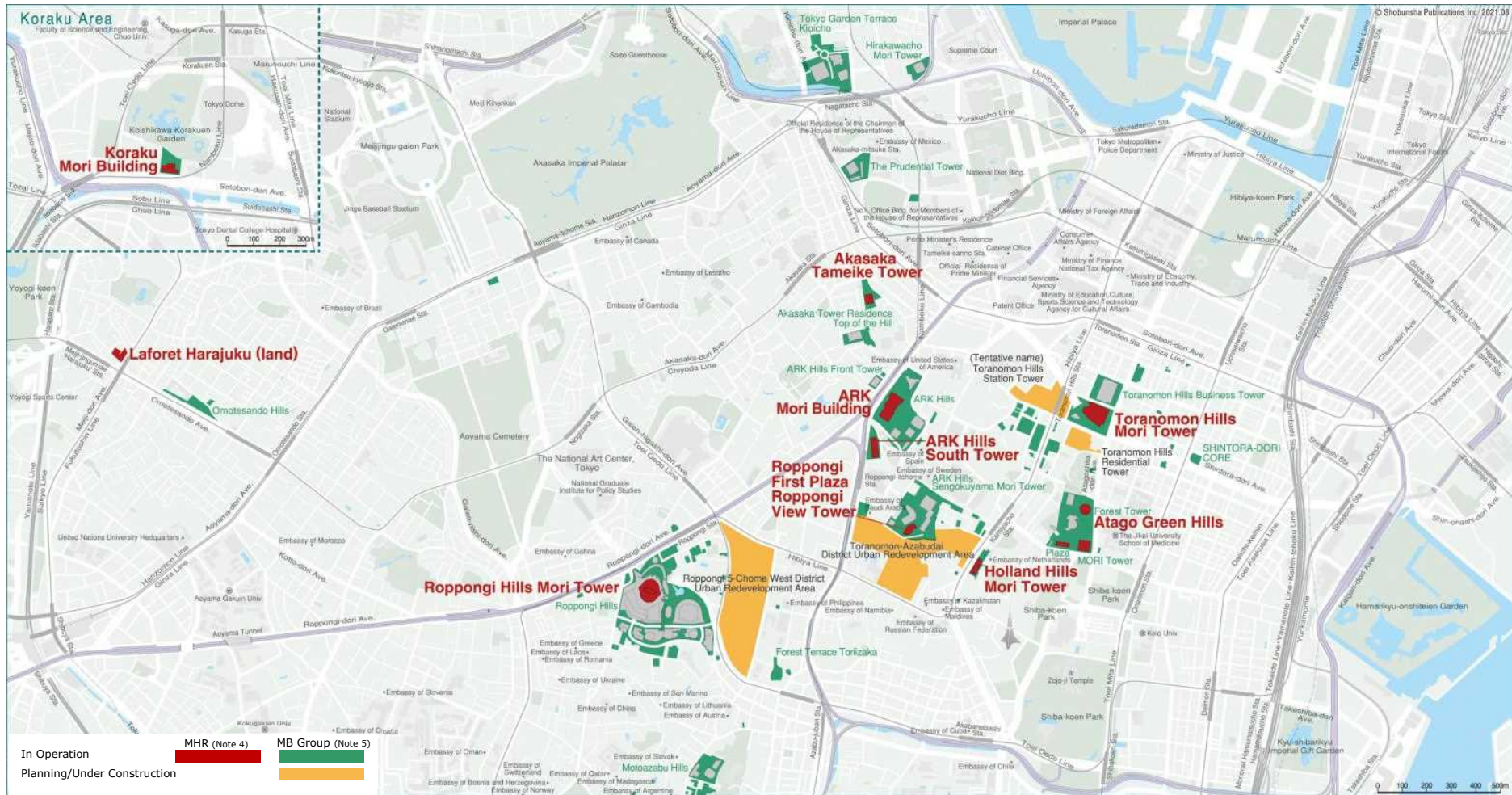
MHR has the "preferential negotiation rights" (Note 2) on sales of Mori Building Co., Ltd. properties, which serves as the driving force for external growth.

Recent redevelopment projects in Toranomon Hills area



Toranomon-Azabudai Project (Projected completion March 2023)





(Source) Prepared by the Asset Manager based on Mori Building's "Mori Building Handy Map/ Mori Building Map/Home Route Support Map 2021."

(Note 1) "Total asset" is as of the end of March 2021 and number of properties under management is as of April 2021.

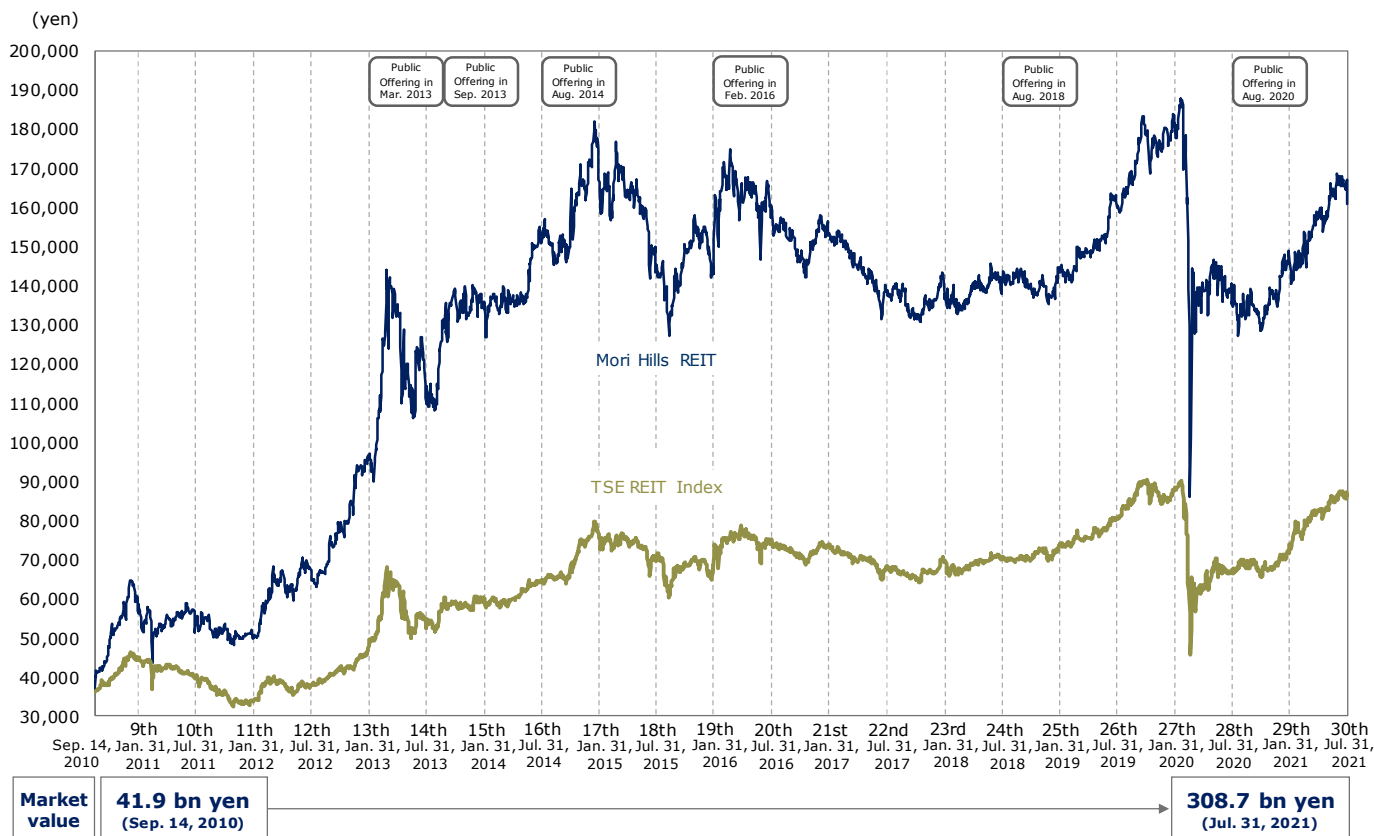
(Note 2) There are some exceptions.

(Note 3) Mori Building participates as a member of the project.

(Note 4) Some of the properties have been partially acquired and held by MHR.

(Note 5) Properties are developed, owned, managed and planned for development by Mori Building Group as of October 1, 2021 and there are no properties anticipated to be acquired by MHR.

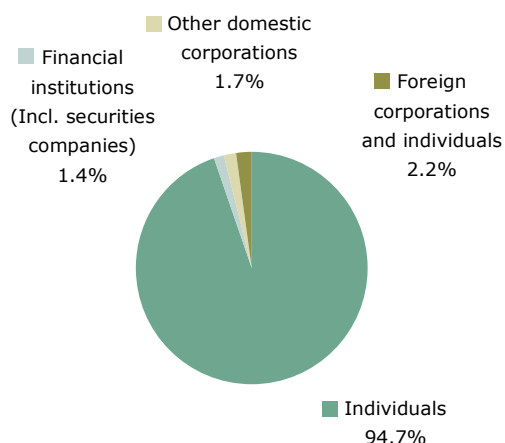
Unit Price Performance



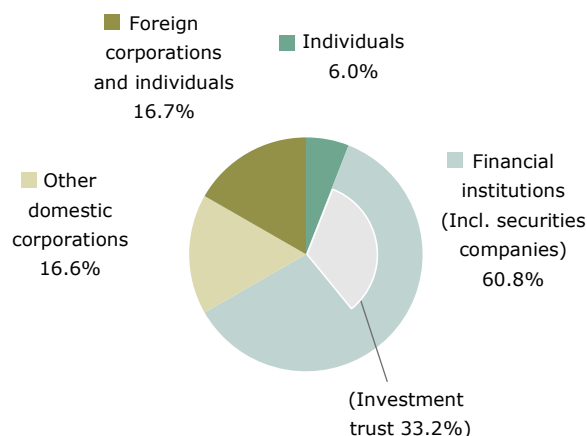
(Note) TSE REIT Index is adjusted as of the 8th period result announcement (Sep. 14, 2010) and shows the relative performance vs. MHR's unit price performance.

Unitholders Breakdown (as of July 31, 2021)

<Number of unitholders>



<Number of investment units>



Risk Factors

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

Property and Business Risks

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

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

Management and Governance Risks

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

Taxation Risks

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

Legal and Regulatory Risks

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

Disclaimer

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

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

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

Independent Auditor's Report

The Board of Directors
Mori Hills REIT Investment Corporation

Opinion

We have audited the accompanying financial statements of Mori Hills REIT Investment Corporation, (the Company), which comprise the balance sheet as of July 31, 2021, and the statements of income and retained earnings, changes in net assets, cash distributions, and cash flows for the six-month period then ended and notes to financial statements, all expressed in Japanese yen.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2021, and its financial performance and its cash flows for the six-month period then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Responsibilities of Management and the Supervisory Director for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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



Ernst & Young ShinNihon LLC
Tokyo, Japan

October 27, 2021

竹内 和徳

Kazunori Takenouchi
Designated Engagement Partner
Certified Public Accountant

齋 木 夏生

Natsuki Saiki
Designated Engagement Partner
Certified Public Accountant

FINANCIAL STATEMENTS

BALANCE SHEET

(Unit: thousands of yen)

	As of	
	July 31, 2021	January 31, 2021
Assets		
Current assets		
Cash and deposits	8,310,173	5,479,946
Cash and deposits in trust	4,805,924	5,340,188
Operating accounts receivable	186,011	262,390
Prepaid expenses	411,453	399,805
Consumption taxes receivable	—	21,946
Other	—	24
Total current assets	13,713,562	11,504,301
Noncurrent assets		
Property, plant and equipment		
Land	22,074,160	22,074,160
Buildings in trust	86,191,779	85,286,897
Accumulated depreciation	(20,145,072)	(19,121,190)
Buildings in trust, net	66,046,707	66,165,707
Structures in trust	972,132	964,111
Accumulated depreciation	(343,337)	(334,274)
Structures in trust, net	628,794	629,836
Machinery and equipment in trust	979,290	954,633
Accumulated depreciation	(356,820)	(332,281)
Machinery and equipment in trust, net	622,470	622,352
Tools, furniture and fixtures in trust	319,604	286,086
Accumulated depreciation	(199,826)	(184,581)
Tools, furniture and fixtures in trust, net	119,777	101,505
Land in trust	270,106,484	270,106,484
Construction in progress in trust	7,201	4,809
Total property, plant and equipment	359,605,597	359,704,855
Intangible assets		
Leasehold rights in trust	30,650,962	30,650,962
Total intangible assets	30,650,962	30,650,962
Investments and other assets		
Lease and guarantee deposits	10,000	10,000
Long-term prepaid expenses	855,970	915,537
Deferred tax assets	24	23
Derivatives	5,573	1,013
Total investments and other assets	871,567	926,574
Total noncurrent assets	391,128,128	391,282,393
Deferred assets		
Investment corporation bonds issuance cost	89,988	67,300
Investment unit issuance cost	21,435	33,746
Total deferred assets	111,424	101,047
Total assets	404,953,115	402,887,742

(Unit: thousands of yen)

	As of	
	July 31, 2021	January 31, 2021
Liabilities		
Current liabilities		
Operating accounts payable	361,544	288,253
Current portion of investment corporation bonds	—	2,000,000
Current portion of long-term loans payable	22,000,000	19,000,000
Accounts payable – other	20,242	14,464
Accrued expenses	338,112	311,302
Income taxes payable	1,107	1,087
Accrued consumption taxes	338,393	—
Advances received	1,250,116	1,258,454
Deposits received	17,157	21,327
Total current liabilities	24,326,674	22,894,889
Noncurrent liabilities		
Investment corporation bonds	18,800,000	15,000,000
Long-term loans payable	145,422,000	148,422,000
Lease and guarantee deposits in trust	14,778,470	14,957,614
Derivatives liabilities	807,300	849,472
Total noncurrent liabilities	179,807,771	179,229,087
Total liabilities	204,134,446	202,123,976
Net assets		
Unitholders' equity		
Unitholders' capital	195,718,191	195,718,191
Deduction from unitholders' capital		
Allowance for temporary difference adjustments (Note10)	(529,400)	(393,340)
Total deduction from unitholders' capital	(529,400)	(393,340)
Unitholders' capital, net	195,188,791	195,324,850
Surplus		
Voluntary retained earnings		
Reserve for reduction entry	291,944	291,944
Total voluntary retained earnings	291,944	291,944
Unappropriated retained earnings	6,139,661	5,995,429
Total surplus	6,431,605	6,287,373
Total unitholders' equity	201,620,396	201,612,224
Valuation and translation adjustments		
Deferred gains or losses on hedges	(801,727)	(848,458)
Total valuation and translation adjustments	(801,727)	(848,458)
Total net assets (Note10)	200,818,669	200,763,766
Total liabilities and net assets	404,953,115	402,887,742

STATEMENT OF INCOME AND RETAINED EARNINGS

(Unit: thousands of yen)

	For the six months ended	
	July 31, 2021	January 31, 2021
Operating revenue		
Rent revenues (Note14)	9,609,038	9,614,085
Other operating revenues (Note14)	232,197	206,546
Total operating revenue	9,841,235	9,820,632
Operating expenses		
Expenses related to properties (Note14)	3,325,513	3,315,661
Asset management fee	254,320	229,246
Directors' compensation	7,000	4,200
Asset custody fee	10,072	9,806
Administrative service fees	19,339	18,996
Other operating expenses (Note14)	67,041	68,791
Total operating expenses	3,683,286	3,646,701
Operating income	6,157,949	6,173,930
Non-operating income		
Interest income	50	54
Gain on forfeiture of unclaimed dividends	854	941
Interest on refund	146	—
Other	5	—
Total non-operating income	1,056	995
Non-operating expenses		
Interest expenses	369,592	383,400
Interest expenses on investment corporation bonds	46,472	49,526
Amortization of investment corporation bonds issuance cost	7,683	7,757
Borrowing expenses	137,194	143,930
Amortization of investment unit issuance cost	12,310	12,310
Other	1,862	1,873
Total non-operating expenses	575,116	598,798
Ordinary income	5,583,890	5,576,128
Income before income taxes	5,583,890	5,576,128
Income taxes-current	1,115	1,095
Income taxes-deferred	(0)	(8)
Total income taxes	1,114	1,086
Net income	5,582,775	5,575,042
Retained earnings brought forward	556,885	420,387
Unappropriated retained earnings (undisposed loss)	6,139,661	5,995,429

STATEMENT OF CHANGES IN NET ASSETS

For the six months ended July 31, 2021

(Unit: thousands of yen)

	Unitholders' equity					
	Unitholders' capital			Surplus		
	Unitholders' capital	Deduction from unitholders' capital		Unitholders' capital, net	Voluntary retained earnings	
		Allowance for temporary difference adjustments	Total deduction from unitholders' capital		Reserve for reduction entry	Total voluntary retained earnings
Balance at February 1, 2021	195,718,191	(393,340)	(393,340)	195,324,850	291,944	291,944
Change during the period						
Dividends from surplus						
Dividends in excess of earnings from allowance for temporary difference adjustments		(136,059)	(136,059)	(136,059)		
Net income						
Net changes of items other than unitholders' equity						
Total changes of items during the period	—	(136,059)	(136,059)	(136,059)	—	—
Balance at July 31, 2021	195,718,191	(529,400)	(529,400)	195,188,791	291,944	291,944

	Unitholders' equity			Valuation and translation adjustments		Total net assets
	Surplus		Total unitholders' equity	Deferred gains or losses on hedges	Total valuation and translation adjustments	
	Unappropriated retained earnings	Total surplus				
Balance at February 1, 2021	5,995,429	6,287,373	201,612,224	(848,458)	(848,458)	200,763,766
Change during the period						
Dividends from surplus	(5,438,544)	(5,438,544)	(5,438,544)			(5,438,544)
Dividends in excess of earnings from allowance for temporary difference adjustments			(136,059)			(136,059)
Net income	5,582,775	5,582,775	5,582,775			5,582,775
Net changes of items other than unitholders' equity				46,731	46,731	46,731
Total changes of items during the period	144,231	144,231	8,171	46,731	46,731	54,903
Balance at July 31, 2021	6,139,661	6,431,605	201,620,396	(801,727)	(801,727)	200,818,669

For the six months ended January 31, 2021

(Unit: thousands of yen)

	Unitholders' equity					
	Unitholders' capital			Surplus		
	Unitholders' capital	Deduction from unitholders' capital		Unitholders' capital, net	Voluntary retained earnings	
		Allowance for temporary difference adjustments	Total deduction from unitholders' capital		Reserve for reduction entry	Total voluntary retained earnings
Balance at August 1, 2020	190,460,106	(408,492)	(408,492)	190,051,613	291,944	291,944
Change during the period						
Issuance of new investment units	5,258,085			5,258,085		
Dividends from surplus						
Reversal of allowance for temporary difference adjustments		15,151	15,151	15,151		
Net income						
Net changes of items other than unitholders' equity						
Total changes of items during the period	5,258,085	15,151	15,151	5,273,237	—	—
Balance at January 31, 2021	195,718,191	(393,340)	(393,340)	195,324,850	291,944	291,944

	Unitholders' equity			Valuation and translation adjustments		
	Surplus		Total unitholders' equity	Deferred gains or losses on hedges	Total valuation and translation adjustments	Total net assets
	Unappropriated retained earnings	Total surplus				
Balance at August 1, 2020	5,869,173	6,161,117	196,212,731	(709,432)	(709,432)	195,503,298
Change during the period						
Issuance of new investment units			5,258,085			5,258,085
Dividends from surplus	(5,433,634)	(5,433,634)	(5,433,634)			(5,433,634)
Reversal of allowance for temporary difference adjustments	(15,151)	(15,151)	—			—
Net income	5,575,042	5,575,042	5,575,042			5,575,042
Net changes of items other than unitholders' equity				(139,026)	(139,026)	(139,026)
Total changes of items during the period	126,256	126,256	5,399,493	(139,026)	(139,026)	5,260,467
Balance at January 31, 2021	5,995,429	6,287,373	201,612,224	(848,458)	(848,458)	200,763,766

STATEMENT OF CASH DISTRIBUTIONS

(Unit: yen)

	For the six months ended July 31, 2021	For the six months ended January 31, 2021
I. Unappropriated retained earnings	6,139,661,200	5,995,429,871
II. Addition of dividends in excess of earnings	—	136,059,430
Allowance for temporary difference adjustments	—	136,059,430
III. Capitalization	46,731,158	—
Reversal of allowance for temporary difference adjustments	46,731,158	—
IV. Amount of Dividends	5,582,269,290	5,574,603,970
Amount of dividends per unit	2,913	2,909
Dividends of earnings	5,582,269,290	5,438,544,540
Dividends of earnings per unit	2,913	2,838
Allowance for temporary difference adjustments	—	136,059,430
Dividends in excess of earnings per unit (allowance for temporary difference adjustments)	—	71
V. Retained earnings carried forward	510,660,752	556,885,331

	For the six months ended July 31, 2021	For the six months ended January 31, 2021
Method of calculating the amount of dividends	<p>Pursuant to the terms of the distribution policy set forth in Article 37 (1) of the Company's Articles of Incorporation, the amount of dividends shall be in excess of an amount equivalent to 90% of the Company's earnings available for dividends as defined in Article 67-15 of the Special Taxation Measures Law, but not in excess of the amount of earnings as defined in Article 136, Paragraph 1 of the Investment Trust Act. Based on such policy, the Company decided to pay out dividends of earnings (5,582,269,290 yen), which is the integral multiple of the total number of investment units issued and outstanding (1,916,330 units), out of the amount obtained by subtracting the reversal of allowance for temporary difference adjustments (as defined in Article 2, Paragraph 2, Item 30 of the Ordinance on Accountings of Investment Corporations) from the amount of earnings as defined in Article 136, Paragraph 1 of the Investment Trust Act.</p> <p>As a result, the Company declared dividends per unit of 2,913 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 (5,438,544,540 yen), which is the integral multiple of the total number of investment units issued and outstanding (1,916,330 units) out of the amount of earnings as defined in Article 136, Paragraph 1 of the Investment Trust Act.</p> <p>In addition, pursuant to the terms of the distribution policy set forth in Article 37 (2) of the Company's Articles of Incorporation, the Company decided to pay out dividends attributable to allowance for temporary difference adjustments (136,059,430 yen), which is the integral multiple of the total number of investment units issued and outstanding (1,916,330 units) in due consideration of the impact of the items of deduction from net assets (as defined in Article 2, Paragraph 2, Item 30 (b) of the Ordinance on Accountings of Investment Corporations) on dividends.</p> <p>As a result, the Company declared dividends per unit of 2,909 yen.</p>

STATEMENT OF CASH FLOWS

(Unit: thousands of yen)

For the six months ended

	July 31, 2021	January 31, 2021
Net cash provided by (used in) operating activities		
Income before income taxes	5,583,890	5,576,128
Depreciation and amortization	1,072,822	1,056,619
Amortization of investment corporation bonds issuance cost	7,683	7,757
Amortization of investment unit issuance cost	12,310	12,310
Interest income	(50)	(54)
Gain on forfeiture of unclaimed dividends	(854)	(941)
Interest expenses	416,064	432,926
Decrease (increase) in operating accounts receivable	29,705	25,640
Decrease (increase) in consumption taxes receivable	21,946	(21,946)
Increase (decrease) in operating accounts payable	(12,805)	40,657
Increase (decrease) in accounts payable – other	6,712	(4,251)
Increase (decrease) in accrued expenses	27,309	4,902
Increase (decrease) in accrued consumption taxes	338,393	(145,114)
Increase (decrease) in advances received	(8,338)	44,479
Increase (decrease) in deposits received	(4,169)	(235)
Decrease (increase) in prepaid expenses	(11,647)	18,878
Decrease (increase) in long-term prepaid expenses	59,567	49,676
Other, net	(68)	(24)
Subtotal	<u>7,538,471</u>	<u>7,097,409</u>
Interest income received	50	54
Interest expenses paid	(416,564)	(424,325)
Income taxes paid	(1,094)	(909)
Net cash provided by (used in) operating activities	<u>7,120,863</u>	<u>6,672,228</u>
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment in trust	(1,023,441)	(12,478,273)
Repayments of lease and guarantee deposits in trust	(88,498)	(364,315)
Proceeds from lease and guarantee deposits in trust	92,094	459,574
Net cash provided by (used in) investing activities	<u>(1,019,845)</u>	<u>(12,383,015)</u>
Net cash provided by (used in) financing activities		
Proceeds from long-term loans payable	6,500,000	11,200,000
Repayments of long-term loans payable	(6,500,000)	(6,000,000)
Proceeds from issuance of investment corporation bonds	3,769,628	3,479,567
Redemption of investment corporation bonds	(2,000,000)	(3,500,000)
Proceeds from issuance of investment units	–	5,225,932
Cash dividends paid	(5,574,683)	(5,434,018)
Net cash provided by (used in) financing activities	<u>(3,805,055)</u>	<u>4,971,481</u>
Net increase (decrease) in cash and cash equivalents	<u>2,295,962</u>	<u>(739,304)</u>
Cash and cash equivalents at beginning of the period	<u>10,820,134</u>	<u>11,559,439</u>
Cash and cash equivalents at end of the period (Note18)	<u>13,116,097</u>	<u>10,820,134</u>

NOTES TO FINANCIAL STATEMENTS

For the six months ended July 31, 2021 and January 31, 2021

1. ORGANIZATION

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

The Company’s real estate portfolio as of July 31, 2021 was comprised of 11 properties under management with a total leasable floor area of 178,832.97m². The Company has already invested 402,910 million yen (based on acquisition price) into this portfolio. The occupancy rate as of July 31, 2021 was 97.6%.

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 income.

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

(2) Intangible assets (including assets in trust)

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

(3) Long-term prepaid expenses

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

(4) Investment corporation bonds issuance cost

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

(5) Investment unit issuance cost

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

(6) Revenue recognition

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

(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 was none for the period ended July 31, 2021 and 13,256 thousand yen for the period ended January 31, 2021, respectively.

(8) Hedge accounting approach

(a) Hedge accounting approach

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

(b) Hedging instruments and hedged items

Hedging instruments: Interest rate swap transactions

Hedged items: Borrowing interest rates

(c) Hedging policy

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

(d) Method for assessing the effectiveness of hedging

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

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

(9) Cash and cash equivalents

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

(10) Accounting for trust beneficial interest in real estate

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

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

(a) Cash and deposits in trust

(b) Buildings in trust; structures in trust; machinery and equipment in trust; tools, furniture and fixtures in trust; land in trust; construction in progress in trust; leasehold rights in trust; and other intangible assets in trust

(c) Lease and guarantee deposits in trust

(11) Consumption taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes. Non-deductible consumption taxes related to the acquisition of assets are treated as the cost of applicable assets.

4. ACCOUNTING STANDARDS NOT YET APPLIED

- “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (ASBJ) Statement No. 29 issued on March 31, 2020)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30 issued on March 26, 2021)
- “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19 issued on March 31, 2020)

(1) Overview

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

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

(2) Scheduled date of application

The accounting standards will be applied from the beginning of the fiscal period ending January 31, 2022.

(3) Impact of applying the accounting standards

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

- “Accounting Standard for Fair Value Measurement” (Accounting Standards Board of Japan (ASBJ) Statement No. 30 issued on July 4, 2019)
- “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10 issued on July 4, 2019)
- “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31 issued on June 17, 2021)
- “Implementation Guidance on Accounting Standard for Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19 issued on March 31, 2020)

(1) Overview

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) have established similar contents and detailed guidance regarding fair value measurement (IFRS 13 “Fair Value Measurement” in IFRS and Accounting Standards Codification Topic 820 “Fair Value Measurement” in U.S. GAAP). In light of this establishment, ASBJ has worked on the consistency of Japanese GAAP with such international accounting standards regarding the guidance on fair value of financial instruments and disclosures, and issued the Accounting Standard for Fair Value Measurement and the Implementation Guidance on Accounting Standard for Fair Value Measurement.

As the basic policy of ASBJ for the development of accounting standards for fair value measurement, by using the unified measurement method, from the view point of improvement of the comparability of financial statements among domestic and foreign companies, ASBJ decided to adopt all the provisions of IFRS 13 basically. In addition, considering the practices that have been executed in our country, within the scope not to significantly impair the comparability between the financial statements, the other treatments to the individual items are defined.

(2) Scheduled date of application

The accounting standards will be applied from the beginning of the fiscal period ending January 31, 2022.

(3) Impact of applying the accounting standards

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

5. ADDITIONAL INFORMATION

Notes on Provision and Reversal of Allowance for Temporary Difference Adjustments

For the six months ended July 31, 2021

(1) Reason for reversal, and related asset, etc. and amount of reversal

(Unit: thousands of yen)

Related asset, etc.	Reason for reversal	Reversal of allowance for temporary difference adjustments
Deferred gains or losses on hedges	Changes in fair value of derivative transactions	46,731

(2) Specific method of reversal

Deferred gains or losses on hedges

Reversal in line with changes in fair value of derivative transactions that are the hedging instruments is planned.

For the six months ended January 31, 2021

(1) Reason for provision, and related asset, etc. and amount of provision

(Unit: thousands of yen)

Related asset, etc.	Reason for provision	Allowance for temporary difference adjustments
Deferred gains or losses on hedges	Incurrence of loss on valuation of interest swaps	136,059

(2) Specific method of reversal

Deferred gains or losses on hedges

Reversal in line with changes in fair value of derivative transactions that are the hedging instruments is planned.

6. PROPERTY AND EQUIPMENT

For the six months ended July 31, 2021

(Unit: thousands of yen)

Type of asset	Balance at beginning of the period	Amount of increase during the period	Amount of decrease during the period	Balance at end of the period	Accumulated depreciation/Amortization		Net balance at end of the period	Remarks	
					Accumulated depreciation	Amortization			
Property, plant and equipment	Land	22,074,160	—	—	22,074,160	—	—	22,074,160	—
	Buildings in trust	85,286,897	904,882	—	86,191,779	20,145,072	1,023,975	66,046,707	—
	Structures in trust	964,111	8,021	—	972,132	343,337	9,062	628,794	—
	Machinery and equipment in trust	954,633	24,657	—	979,290	356,820	24,539	622,470	—
	Tools, furniture and fixtures in trust	286,086	33,517	—	319,604	199,826	15,244	119,777	—
	Land in trust	270,106,484	—	—	270,106,484	—	—	270,106,484	—
	Construction in progress in trust	4,809	2,392	—	7,201	—	—	7,201	—
Subtotal	379,677,183	973,471	—	380,650,654	21,045,057	1,072,822	359,605,597		
Intangible assets	Leasehold rights in trust	30,650,962	—	—	30,650,962	—	—	30,650,962	—
	Subtotal	30,650,962	—	—	30,650,962	—	—	30,650,962	
Total	410,328,146	973,471	—	411,301,617	21,045,057	1,072,822	390,256,560		

7. SHORT-TERM LOANS PAYABLE

For the six months ended July 31, 2021

Not applicable.

8. INVESTMENT CORPORATION BONDS

For the six months ended July 31, 2021

(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
Eleventh Series Unsecured Investment Corporation Bonds	Feb. 24, 2014	2,000,000	—	2,000,000	—	0.6880%	Feb. 24, 2021	(Note 1)	none
Twelfth Series Unsecured Investment Corporation Bonds	Nov. 27, 2014	2,000,000	—	—	2,000,000	0.8650%	Nov. 27, 2024		
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		
Total		17,000,000	3,800,000	2,000,000	18,800,000				

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

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

(Unit: thousands of yen)

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

9. LONG-TERM LOANS PAYABLE

For the six months ended July 31, 2021

(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		
MUFG Bank, Ltd.	1,300,000	—	—	1,300,000	0.7535%	Nov. 30, 2021	(Note 2)	Unsecured/ Unguaranteed		
	1,300,000	—	—	1,300,000	0.7535%	Nov. 30, 2021				
	1,369,000	—	1,369,000	—	0.5730%	May 31, 2021				
	1,369,000	—	1,369,000	—	0.5730%	May 31, 2021				
	—	1,369,000	—	1,369,000	0.7020%	May 31, 2022				
	—	1,369,000	—	1,369,000	0.7020%	May 31, 2022				
	1,500,000	—	—	1,500,000	0.4932%	Aug. 31, 2021				
	1,500,000	—	—	1,500,000	0.4932%	Aug. 31, 2021				
Mizuho Bank, Ltd	1,300,000	—	—	1,300,000	0.7535%	Nov. 30, 2021				
	1,369,000	—	1,369,000	—	0.5730%	May 31, 2021				
	—	1,369,000	—	1,369,000	0.7020%	May 31, 2022				
	1,500,000	—	—	1,500,000	0.4932%	Aug. 31, 2021				
	—	3,000,000	—	3,000,000	0.1850%	May 23, 2022				
Sumitomo Mitsui Banking Corporation	1,560,000	—	—	1,560,000	0.7535%	Nov. 30, 2021				
	1,099,000	—	1,099,000	—	0.5730%	May 31, 2021				
	—	1,098,000	—	1,098,000	0.7020%	May 31, 2022				
	1,500,000	—	—	1,500,000	0.4932%	Aug. 31, 2021				
Sumitomo Mitsui Trust Bank, Ltd.	1,040,000	—	—	1,040,000	0.7535%	Nov. 30, 2021				
	1,294,000	—	1,294,000	—	0.5730%	May 31, 2021				
	—	1,295,000	—	1,295,000	0.7020%	May 31, 2022				
Total	19,000,000	9,500,000	6,500,000	22,000,000						

(2) Long-term loans payable

(Unit: thousands of yen)

Lender	Balance at beginning of the period	Amount of increase during the period	Amount of decrease during the period	Balance at end of the period	Average interest rate (Note 1)	Repayment date	Use of funds	Remarks
MUFG Bank, Ltd.	1,369,000	—	1,369,000	—	0.7020%	May 31, 2022	(Note 2)	Unsecured/ Unguaranteed
	1,369,000	—	1,369,000	—	0.7020%	May 31, 2022		
	500,000	—	—	500,000	0.6529%	Aug. 31, 2023		
	500,000	—	—	500,000	0.6529%	Aug. 31, 2023		
	1,600,000	—	—	1,600,000	0.4980%	Nov. 30, 2022		
	1,600,000	—	—	1,600,000	0.6155%	Nov. 30, 2023		
	1,500,000	—	—	1,500,000	0.3290%	Mar. 31, 2023		
	1,500,000	—	—	1,500,000	0.4100%	Mar. 29, 2024		
	600,000	—	—	600,000	0.4100%	Mar. 29, 2024		
	2,400,000	—	—	2,400,000	0.5040%	Mar. 31, 2025		
	4,700,000	—	—	4,700,000	0.4065%	Aug. 31, 2027		
	5,000,000	—	—	5,000,000	0.4345%	Feb. 29, 2028		
	3,904,000	—	—	3,904,000	0.3064%	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	0.3688%	May 31, 2029			

(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	1,369,000	—	1,369,000	—	0.7020%	May 31, 2022	(Note 2)	Unsecured/ Unguaranteed
	500,000	—	—	500,000	0.6529%	Aug. 31, 2023		
	1,600,000	—	—	1,600,000	0.6155%	Nov. 30, 2023		
	600,000	—	—	600,000	0.4100%	Mar. 29, 2024		
	2,400,000	—	—	2,400,000	0.5040%	Mar. 31, 2025		
	1,100,000	—	—	1,100,000	0.5775%	Jul. 31, 2029		
	2,700,000	—	—	2,700,000	0.6030%	Feb. 28, 2030		
	3,000,000	—	3,000,000	—	0.1850%	May 23, 2022		
	3,000,000	—	—	3,000,000	0.4260%	Aug. 30, 2024		
	1,400,000	—	—	1,400,000	0.4314%	Aug. 31, 2029		
	1,952,000	—	—	1,952,000	0.4314%	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	0.2587%	May 31, 2028		
Sumitomo Mitsui Banking Corporation	1,098,000	—	1,098,000	—	0.7020%	May 31, 2022	(Note 2)	Unsecured/ Unguaranteed
	500,000	—	—	500,000	0.6529%	Aug. 31, 2023		
	1,600,000	—	—	1,600,000	0.4980%	Nov. 30, 2022		
	2,200,000	—	—	2,200,000	0.3290%	Mar. 31, 2023		
	800,000	—	—	800,000	0.4100%	Mar. 29, 2024		
	1,100,000	—	—	1,100,000	0.4673%	Jul. 31, 2025		
	2,650,000	—	—	2,650,000	0.5460%	Feb. 27, 2026		
	3,600,000	—	—	3,600,000	0.5640%	Aug. 31, 2026		
	1,144,000	—	—	1,144,000	0.4000%	Nov. 30, 2027		
	1,600,000	—	—	1,600,000	0.4720%	May 31, 2028		
	1,134,000	—	—	1,134,000	0.4800%	Nov. 30, 2028		
	1,400,000	—	—	1,400,000	0.3780%	Aug. 31, 2028		
	1,440,000	—	—	1,440,000	0.3860%	Nov. 30, 2028		
	—	1,099,000	—	1,099,000	0.3688%	May 31, 2029		

(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.	1,295,000	—	1,295,000	—	0.7020%	May 31, 2022	(Note 2)	Unsecured/ Unguaranteed
	500,000	—	—	500,000	0.6529%	Aug. 31, 2023		
	1,600,000	—	—	1,600,000	0.6155%	Nov. 30, 2023		
	600,000	—	—	600,000	0.4100%	Mar. 29, 2024		
	2,400,000	—	—	2,400,000	0.5040%	Mar. 31, 2025		
	1,000,000	—	—	1,000,000	0.5150%	Jul. 31, 2026		
	2,000,000	—	—	2,000,000	0.4770%	Jul. 31, 2028		
	2,600,000	—	—	2,600,000	0.5830%	Feb. 26, 2027		
	2,400,000	—	—	2,400,000	0.3315%	Aug. 31, 2023		
	1,400,000	—	—	1,400,000	0.6670%	Aug. 31, 2027		
	1,000,000	—	—	1,000,000	0.1350%	Nov. 29, 2024		
	834,000	—	—	834,000	0.2650%	May 30, 2025		
	960,000	—	—	960,000	0.2100%	Nov. 28, 2025		
	—	1,294,000	—	1,294,000	0.2487%	May 29, 2026		
The Bank of Fukuoka, Ltd.	1,000,000	—	—	1,000,000	0.4100%	Mar. 29, 2024	(Note 2)	Unsecured/ Unguaranteed
	500,000	—	—	500,000	0.5150%	Jul. 31, 2026		
	500,000	—	—	500,000	0.4700%	Aug. 29, 2025		
	1,300,000	—	—	1,300,000	0.3760%	Aug. 30, 2024		
	2,000,000	—	—	2,000,000	0.1675%	May 29, 2026		
	2,000,000	—	—	2,000,000	0.2814%	Nov. 30, 2028		
	1,000,000	—	—	1,000,000	0.3114%	May 20, 2030		
Resona Bank, Ltd.	800,000	—	—	800,000	0.3290%	Mar. 31, 2023	(Note 2)	Unsecured/ Unguaranteed
	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	0.3314%	Aug. 31, 2029		
	830,000	—	—	830,000	0.3000%	May 31, 2028		
	1,000,000	—	—	1,000,000	0.2370%	Aug. 31, 2026		

(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
The Norinchukin Bank	1,000,000	—	—	1,000,000	0.3290%	Mar. 31, 2023	(Note 2)	Unsecured/ Unguaranteed
	500,000	—	—	500,000	0.3735%	Jul. 31, 2024		
	600,000	—	—	600,000	0.4893%	Nov. 29, 2024		
	1,300,000	—	—	1,300,000	0.4260%	Aug. 30, 2024		
	3,000,000	—	—	3,000,000	0.2675%	May 29, 2026		
	600,000	—	—	600,000	0.2610%	May 29, 2026		
Development Bank of Japan Inc.	1,700,000	—	—	1,700,000	0.7963%	Mar. 27, 2023		
	1,000,000	—	—	1,000,000	0.4100%	Mar. 29, 2024		
	750,000	—	—	750,000	0.6430%	Feb. 26, 2027		
	500,000	—	—	500,000	0.6670%	Aug. 31, 2027		
	2,000,000	—	—	2,000,000	0.4314%	Nov. 30, 2028		
Shinsei Bank, Ltd	1,500,000	—	—	1,500,000	0.6155%	Nov. 30, 2023		
	500,000	—	—	500,000	0.3290%	Mar. 31, 2023		
	500,000	—	—	500,000	0.5400%	Aug. 29, 2025		
	1,300,000	—	—	1,300,000	0.5200%	Aug. 29, 2025		
	900,000	—	—	900,000	0.3550%	Nov. 30, 2027		
	500,000	—	—	500,000	0.3814%	May 22, 2028		
Mizuho Trust & Banking Co., Ltd.	500,000	—	—	500,000	0.3290%	Mar. 31, 2023		
	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		
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		
	800,000	—	—	800,000	0.2570%	Aug. 31, 2022		
	1,000,000	—	—	1,000,000	0.5725%	May 20, 2030		
Chugoku Bank Ltd.	1,000,000	—	—	1,000,000	0.2170%	Aug. 31, 2026		
	500,000	—	—	500,000	0.3200%	May 20, 2027		
Aozora Bank, Ltd.	1,000,000	—	—	1,000,000	0.4100%	Mar. 29, 2024		
The Hiroshima Bank, Ltd.	1,000,000	—	—	1,000,000	0.3290%	Mar. 31, 2023		
The Oita Bank, Ltd.	1,000,000	—	—	1,000,000	0.2300%	Nov. 30, 2022		
Shinkin Central Bank	1,000,000	—	—	1,000,000	0.1795%	Sep. 30, 2022		
Nippon Life Insurance Company	1,000,000	—	—	1,000,000	0.4800%	May 22, 2028		
Total	148,422,000	6,500,000	9,500,000	145,422,000				

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

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

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

(Unit: thousands of yen)

	Due after 1 year, but within 2 years	Due after 2 years, but within 3 years	Due after 3 years, but within 4 years	Due after 4 years, but within 5 years
Long-term loans payable	15,200,000	18,800,000	17,334,000	19,104,000

10. NET ASSETS

(1) Minimum net assets

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

(2) Allowance for temporary difference adjustments

For the six months ended July 31, 2021

(a) Reason for provision or reversal and related asset, etc. and amount of provision

(Unit: thousands of yen)

Related asset, etc.	Reason for provision	Initial amount	Balance at beginning of the period	Allowance set aside during period	Reversal during period	Balance at the end of the period	Reason for reversal
Deferred gains or losses on hedges	Loss on valuation of interest swaps	529,400	393,340	136,059	—	529,400	Changes in fair value of derivative transactions

(b) Specific method of reversal

Deferred gains or losses on hedges

Reversal in line with changes in fair value of derivative transactions that are the hedging instruments is planned.

For the six months ended January 31, 2021

(a) Reason for provision or reversal and related asset, etc. and amount of provision

(Unit: thousands of yen)

Related asset, etc.	Reason for provision	Initial amount	Balance at beginning of the period	Allowance set aside during period	Reversal during period	Balance at the end of the period	Reason for reversal
Deferred gains or losses on hedges	Loss on valuation of interest swaps	468,740	408,492	—	15,151	393,340	Changes in fair value of derivative transactions

(b) Specific method of reversal

Deferred gains or losses on hedges

Reversal in line with changes in fair value of derivative transactions that are the hedging instruments is planned.

11. INCOME TAXES

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

(Unit: thousands of yen)

	As of	
	July 31, 2021	January 31, 2021
Deferred tax assets		
Accrued enterprise tax excluded from expenses	24	23
Deferred gains or losses on hedges	253,976	267,244
Subtotal deferred tax assets	254,001	267,267
Valuation allowance	(253,976)	(267,244)
Total deferred tax assets	24	23
Net deferred tax assets	24	23

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

	As of	
	July 31, 2021	January 31, 2021
Statutory tax rate	31.46%	31.46%
[Adjustments]		
Deductible cash distributions	(31.45%)	(31.45%)
Others	0.01%	0.01%
Effective tax rate	0.02%	0.02%

12. PER UNIT INFORMATION

	For the six months ended	
	July 31, 2021	January 31, 2021
Net assets per unit (yen)	104,793	104,764
Net income per unit (yen)	2,913	2,919

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

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

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

	For the six months ended	
	July 31, 2021	January 31, 2021
Net income (thousands of yen)	5,582,775	5,575,042
Amounts not attributable to common unitholders (thousands of yen)	—	—
Net income attributable to common investment units (thousands of yen)	5,582,775	5,575,042
Average number of investment units during the period (units)	1,916,330	1,909,317

13. RELATED PARTY TRANSACTIONS

(1) Parent company and major corporate unitholders

For the six months ended July 31, 2021

Type	Name	Location	Capital stock or investments in capital (thousands of yen)	Description of business	Percentage of voting rights held in (by) related party	Relationship with related party	Description of transaction	Amount of transaction (thousands of yen) (Note 1)	Account item	Balance at end of the period (thousands of yen)
Other related company	Mori Building Co., Ltd.	Minato-ku, Tokyo	79,500,000	Real estate business	15.0% directly held by related party	Leasing and management of real estate	Leasing of properties (Note 2) (Note 5)	6,348,302	Operating accounts receivable	—
									Advances received	1,135,059
									Lease and guarantee deposits in trust	10,229,638
							Payment of property operation and management fees (Note 6)	296,270 (Note 3)	Prepaid expenses	3,135
									Operating accounts payable	54,884
									—	—
Payment of other operating expenses (Note 7)	1,280	—	—							
Deposit of lease and guarantee (Note 4) (Note 8)	—	Lease and guarantee deposits in trust	53,886							

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

(Note 2) Roppongi Hills Mori Tower, ARK Mori Building, Atago Green Hills, Toranomon Hills Mori Tower and a portion of ARK Hills South Tower

(Note 3) The amount includes fees (46,006 thousand yen) that are not charged to expenses but recognized as assets.

(Note 4) Roppongi View Tower

[Transaction terms and conditions and related policies]

(Note 5) 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 6) 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 7) The Company decides on transactions in light of the market situation, the content of services provided, overall operational capacity and other factors.

(Note 8) The Company engages in transactions by conducting adequate procedures in line with the Related Parties Transaction Guidelines stipulated by the Company's Asset Manager and compliance regulations, after having comprehensively considered the market situation and other factors.

For the six months ended January 31, 2021

Type	Name	Location	Capital stock or investments in capital (thousands of yen)	Description of business	Percentage of voting rights held in (by) related party	Relationship with related party	Description of transaction	Amount of transaction (thousands of yen) (Note 1)	Account item	Balance at end of the period (thousands of yen)
Other related company	Mori Building Co., Ltd.	Minato-ku, Tokyo	79,500,000	Real estate business	15.0% directly held by related party	Leasing and management of real estate	Acquisition of Property (Note 2) (Note 6)	12,220,000	—	—
							Leasing of properties (Note 3) (Note 7)	6,305,594	Operating accounts receivable	1
									Advances received	1,147,885
							Payment of property operation and management fees (Note 8)	277,454 (Note 4)	Lease and guarantee deposits in trust	10,229,638
									Prepaid expenses	3,198
							Deposit of lease and guarantee (Note 5) (Note 9)	—	Operating accounts payable	58,519
		Lease and guarantee deposits in trust	53,886							

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

(Note 2) A portion of Toranomon Hills Mori Tower

(Note 3) Roppongi Hills Mori Tower, ARK Mori Building, Atago Green Hills, Toranomon Hills Mori Tower and a portion of ARK Hills South Tower

(Note 4) The amount includes fees (7,809 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) Acquisition 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, acquisitions are not made at a value exceeding the appraisal value as determined by an independent third-party real estate appraiser (including corporations).

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

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

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

(2) Subsidiaries and affiliates

For the six months ended July 31, 2021

Not applicable.

For the six months ended January 31, 2021

Not applicable.

(3) Subsidiaries of parent company

For the six months ended July 31, 2021

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)	254,320	Accrued expenses	279,752

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

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

[Transaction terms and conditions and related policies]

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

For the six months ended January 31, 2021

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 4)	241,466 (Note 3)	Accrued expenses	252,170

(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.

(Note 3) The amount of management fees includes 12,220 thousand yen in acquisition fees pertaining to a real estate acquisition included in the book value of real estate.

[Transaction terms and conditions and related policies]

(Note 4) The Company decides on transactions in light of the market situation, the content of services provided, overall operational capacity and other factors.

(4) Directors and major individual unitholders

For the six months ended July 31, 2021

Type	Name	Location	Capital stock or investments in capital (thousands of yen)	Description of business or position	Percentage of voting rights held in (by) related party	Relationship with related party	Description of transaction	Amount of transaction (thousands of yen) (Note 1)	Account item	Balance at end of the period (thousands of yen)
Directors and their close relatives	Hideyuki Isobe	—	—	Executive Director of the Company, and President & CEO of Mori Building Investment Management Co., Ltd.	None	Executive Director of the Company, and President & CEO of Mori Building Investment Management Co., Ltd.	Payment of management fees to Mori Building Investment Management Co., Ltd. (Note 2) (Note 3)	254,320	Accrued expenses	279,752

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

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

[Transaction terms and conditions and related policies]

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

For the six months ended January 31, 2021

Type	Name	Location	Capital stock or investments in capital (thousands of yen)	Description of business or position	Percentage of voting rights held in (by) related party	Relationship with related party	Description of transaction	Amount of transaction (thousands of yen) (Note 1)	Account item	Balance at end of the period (thousands of yen)
Directors and their close relatives	Hideyuki Isobe	—	—	Executive Director of the Company, and President & CEO of Mori Building Investment Management Co., Ltd.	None	Executive Director of the Company, and President & CEO of Mori Building Investment Management Co., Ltd.	Payment of management fees to Mori Building Investment Management Co., Ltd. (Note 2) (Note 4)	241,466 (Note 3)	Accrued expenses	252,170

(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.

(Note 3) The amount of management fees includes 12,220 thousand yen in acquisition fees pertaining to a real estate acquisition included in the book value of real estate.

[Transaction terms and conditions and related policies]

(Note 4) The Company decides on transactions in light of the market situation, the content of services provided, overall operational capacity and other factors.

14. BREAKDOWN OF PROPERTY-RELATED REVENUE AND EXPENSES

Breakdown of property operating income

(Unit: thousands of yen)

	For the six months ended			
	July 31, 2021		January 31, 2021	
A. Property operating revenue				
Rent revenues				
Rent and common area revenue	9,603,269		9,608,272	
Other rent revenue	5,768	9,609,038	5,812	9,614,085
Other operating revenues				
Parking revenue	48,969		51,171	
Utilities and other revenue	138,333		149,697	
Cancellation penalty	44,793		5,677	
Key money income	101	232,197	—	206,546
Total property operating revenue		9,841,235		9,820,632
B. Property operating expenses				
Expenses related to properties				
Property management fees	1,163,160		1,172,247	
Property taxes	749,067		736,413	
Utilities	101,428		116,730	
Maintenance and repairs	62,647		65,319	
Insurance premium	19,207		17,877	
Custodian fees	5,972		5,968	
Depreciation and amortization	1,072,822		1,056,619	
Rent expenses	137,661		129,800	
Other lease business expenses	13,546	3,325,513	14,684	3,315,661
Total property operating expenses		3,325,513		3,315,661
C. Property operating income [A – B]		6,515,722		6,504,970

Transactions with major unitholders

(Unit: thousands of yen)

	For the six months ended	
	July 31, 2021	January 31, 2021
From operating transactions		
Rent revenues	6,348,294	6,305,587
Other operating revenues	8	7
Expenses related to properties	250,264	269,644
Other operating expenses	1,280	—

15. UNITHOLDERS' EQUITY

	For the six months ended	
	July 31, 2021	January 31, 2021
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

16. 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

The fair value of financial instruments, aside from values based on market price, include values based on reasonable calculations when no market price exists. Certain assumptions are used for the estimation of fair value. Accordingly, the results of such estimation may change if different assumptions are used. In addition, concerning the contract amount of derivative transactions in "Derivative transactions" below the amount itself does not represent the value of the market risks associated with the derivative transactions.

(2) Fair value of financial instruments

The following are the carrying amount, fair value and the difference between them of financial instruments as of July 31, 2021.

	(Unit: thousands of yen)		
	Carrying amount	Fair value	Difference
(a) Cash and deposits	8,310,173	8,310,173	—
(b) Cash and deposits in trust	4,805,924	4,805,924	—
Total	13,116,097	13,116,097	—
(c) Current portion of investment corporation bonds	—	—	—
(d) Current portion of long-term loans payable	22,000,000	22,051,161	51,161
(e) Investment corporation bonds	18,800,000	18,899,900	99,900
(f) Long-term loans payable	145,422,000	145,470,970	48,970
Total	186,222,000	186,422,032	200,032
Derivative transactions (Note 1)	(801,727)	(801,727)	—

The following are the carrying amount, fair value and the difference between them of financial instruments as of January 31, 2021.

	(Unit: thousands of yen)		
	Carrying amount	Fair value	Difference
(a) Cash and deposits	5,479,946	5,479,946	—
(b) Cash and deposits in trust	5,340,188	5,340,188	—
Total	10,820,134	10,820,134	—
(c) Current portion of investment corporation bonds	2,000,000	2,000,340	340
(d) Current portion of long-term loans payable	19,000,000	19,058,944	58,944
(e) Investment corporation bonds	15,000,000	15,045,700	45,700
(f) Long-term loans payable	148,422,000	148,440,141	18,141
Total	184,422,000	184,545,126	123,126
Derivative transactions (Note1)	(848,458)	(848,458)	—

(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

Assets

(a) Cash and deposits; (b) Cash and deposits in trust

As these are settled within a short period of time, the fair value is approximately the same as the book value and is thus stated at that book value.

Liabilities

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

The fair value of these is based on market prices.

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

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

Derivative transactions

Please refer to “Derivative transactions” below.

(Note 3) Redemption of monetary claims scheduled to be due after the balance sheet date (as of July 31, 2021)

(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
Cash and deposits	8,310,173	—	—	—	—	—
Cash and deposits in trust	4,805,924	—	—	—	—	—
Total	13,116,097	—	—	—	—	—

Redemption of monetary claims scheduled to be due after the balance sheet date (as of January 31, 2021)

(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
Cash and deposits	5,479,946	—	—	—	—	—
Cash and deposits in trust	5,340,188	—	—	—	—	—
Total	10,820,134	—	—	—	—	—

(Note 4) Investment corporation bonds and long-term loans payable scheduled to be due after the balance sheet date (as of July 31, 2021)

(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	9,800,000
Long-term loans payable	22,000,000	15,200,000	18,800,000	17,334,000	19,104,000	74,984,000
Total	22,000,000	15,200,000	18,800,000	21,334,000	24,104,000	84,784,000

Investment corporation bonds and long-term loans payable scheduled to be due after the balance sheet date (as of January 31, 2021)

(Unit: thousands of yen)

	Due within 1 year	Due after 1 year, but within 2 years	Due after 2 years, but within 3 years	Due after 3 years, but within 4 years	Due after 4 years, but within 5 years	Due after 5 years
Investment corporation bonds	2,000,000	—	—	2,000,000	7,000,000	6,000,000
Long-term loans payable	19,000,000	15,500,000	20,400,000	15,800,000	17,194,000	79,528,000
Total	21,000,000	15,500,000	20,400,000	17,800,000	24,194,000	85,528,000

17. DERIVATIVE TRANSACTIONS

(1) Transactions for which hedge accounting is not applied

As of July 31, 2021

Not applicable

As of January 31, 2021

Not applicable

(2) Transactions for which hedge accounting is applied

As of July 31, 2021

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 the 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	113,466,000	113,466,000	(801,727)	Based on the quoted price obtained from counterparty financial institutions.
Special treatment for interest rate swaps	Interest rate swap transactions Floating receivable; Fixed payable	Long-term loans payable	31,000,000	12,000,000	*	—

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

As of January 31, 2021

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	106,966,000	106,966,000	(848,458)	Based on the quoted price obtained from counterparty financial institutions.
Special treatment for interest rate swaps	Interest rate swap transactions Floating receivable; Fixed payable	Long-term loans payable	37,500,000	18,500,000	*	—

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

18. CASH AND CASH EQUIVALENTS

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

(Unit: thousands of yen)

	For the six months ended	
	July 31, 2021	January 31, 2021
Cash and deposits	8,310,173	5,479,946
Cash and deposits in trust	4,805,924	5,340,188
Cash and cash equivalents	13,116,097	10,820,134

19. LEASES

Operating lease transactions (as lessor)

Future minimum rent revenues under existing non-cancelable lease agreements

(Unit: thousands of yen)

	As of	
	July 31, 2021	January 31, 2021
Due within 1 year	4,709,374	4,921,687
Due after 1 year	10,848,040	11,515,840
Total	15,557,414	16,437,527

20. INVESTMENT AND RENTAL PROPERTIES

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

(Unit: thousands of yen)

	For the six months ended	
	July 31, 2021	January 31, 2021
Carrying amount		
Balance at beginning of the period	390,355,818	378,917,060
Amount of increase (decrease) during the period	(99,258)	11,438,757
Balance at end of the period	390,256,560	390,355,818
Fair value at end of the period	471,709,000	471,642,000

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

(Note 2) Of the increase (decrease) during the period ended January 31, 2021, the increase is primarily attributable to the acquisition of property (Toranomon Hills Mori Tower (approximately 2.4% of total exclusive floor area) (12,252,606 thousand yen)), the decrease is primarily 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"

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 July 31, 2021

(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.	6,348,302	Real estate leasing business

For the six months ended January 31, 2021

(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.	6,305,594	Real estate leasing business

22. SUBSEQUENT EVENTS

Not applicable.