

For Translation Purposes Only

**FINANCIAL REPORT**  
**FOR THE THIRTY-FIRST FISCAL PERIOD ENDED JANUARY 31, 2022**

March 17, 2022

Name of issuer:	Mori Hills REIT Investment Corporation
Stock exchange listing:	Tokyo Stock Exchange
Securities code:	3234
Website:	<a href="https://www.mori-hills-reit.co.jp/en">https://www.mori-hills-reit.co.jp/en</a>
Representative of the investment corporation:	Hideyuki Isobe, Executive Director
Name of asset manager:	Mori Building Investment Management Co., Ltd.
Representative of the asset manager:	Hideyuki Isobe, President & CEO
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Scheduled date for filing of securities report:	April 27, 2022
Scheduled date for dividends payment:	April 15, 2022
Supplementary materials for financial results:	Otherwise prepared
Analyst meeting:	Scheduled

1. PERFORMANCE FOR THE THIRTY-FIRST FISCAL PERIOD ENDED JANUARY 31, 2022  
(August 1, 2021 – January 31, 2022)

(1) Business Results

(Percentage change represents a period-on-period comparison)

	Operating Revenue		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Thirty-First Fiscal Period	9,820	(0.2)	6,085	(1.2)	5,514	(1.2)	5,513	(1.2)
Thirtieth Fiscal Period	9,841	0.2	6,157	(0.3)	5,583	0.1	5,582	0.1

	Net Income per Unit	Net Income to Total Net Assets	Ordinary Income to Total Assets	Ordinary Income to Operating Revenue
	Yen	%	%	%
Thirty-First Fiscal Period	2,877	2.7	1.4	56.2
Thirtieth Fiscal Period	2,913	2.8	1.4	56.7

(2) Dividends

	Dividends per Unit (excluding dividends in excess of earnings)	Total Dividends (excluding dividends in excess of earnings)	Dividends in Excess of Earnings per Unit	Total Dividends in Excess of Earnings	Dividend Payout Ratio	Dividend Ratio to Net Assets
	Yen	Millions of yen	Yen	Millions of yen	%	%
Thirty-First Fiscal Period	2,927	5,609	—	—	101.7	2.8
Thirtieth Fiscal Period	2,913	5,582	—	—	99.9	2.8

(Note 1) Dividend Payout Ratio is calculated by using the formula below and is rounded down to one decimal place.  
Dividend Payout Ratio = [Total Dividends (excluding dividends in excess of earnings) ÷ Net Income] × 100

(Note 2) The difference between Dividends per Unit and Net Income per Unit for the Thirty-First fiscal period is due to part of the reserve for reduction entry (95 million yen) having been reversed.

(3) Financial Position

	Total Assets	Net Assets	Net Assets to Total Assets	Net Assets per Unit
	Millions of yen	Millions of yen	%	Yen
Thirty-First Fiscal Period	411,259	201,657	49.0	105,231
Thirtieth Fiscal Period	404,953	200,818	49.6	104,793

(4) Cash Flows

	Net Cash Provided by (Used in) Operating Activities	Net Cash Provided by (Used in) Investing Activities	Net Cash Provided by (Used in) Financing Activities	Cash and Cash Equivalents at End of the Period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Thirty-First Fiscal Period	6,482	(8,079)	606	12,125
Thirtieth Fiscal Period	7,120	(1,019)	(3,805)	13,116

2. FORECAST OF RESULTS FOR THE THIRTY-SECOND FISCAL PERIOD ENDING JULY 31, 2022 (February 1, 2022 – July 31, 2022) AND THE THIRTY-THIRD FISCAL PERIOD ENDING JANUARY 31, 2023 (August 1, 2022 – January 31, 2023)

(Percentage change represents a period-on-period comparison)

	Operating Revenue		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Thirty-Second Fiscal Period	11,178	13.8	6,995	15.0	6,448	16.9	6,447	16.9
Thirty-Third Fiscal Period	11,136	(0.4)	6,921	(1.1)	6,368	(1.2)	6,366	(1.2)

	Dividends per Unit (excluding dividends in excess of earnings)	Dividends in Excess of Earnings per Unit
	Yen	Yen
Thirty-Second Fiscal Period	3,030	—
Thirty-Third Fiscal Period	3,040	—

(Reference) Estimated net income per unit = [Estimated net income ÷ Estimated number of units issued and outstanding at the end of the period]

Thirty-Second fiscal period : ¥3,364

Thirty-Third fiscal period : ¥3,322

(Note) Dividend per unit for the Thirty-Second fiscal period and Thirty-Third fiscal period are calculated based on the assumption that distributions will be made in the remaining amount after deduction of provision of reserve for reduction entry from net income.

**\*OTHER**

(1) Changes in Accounting Policies, Changes in Accounting Estimates and Corrections of Errors

- (a) Changes in accounting policies in accordance with amendments to accounting standards, etc.: Yes
- (b) Changes in accounting policies other than (a): None
- (c) Changes in accounting estimates: None
- (d) Corrections of errors: None

(2) Number of Units Issued and Outstanding

(a) Number of units issued and outstanding at end of the period (including own units)

Thirty-First fiscal period: 1,916,330 units                      Thirtieth fiscal period: 1,916,330 units

(b) Number of own units at end of the period

Thirty-First fiscal period:                      0 units                      Thirtieth fiscal period:                      0 units

(Note) For the number of investment units used as the basis for calculating net income per unit, please refer to “Per unit Information” on page 33

\* This financial report is not subject to audit procedures by certified public accountants or accounting firms.

**\* Special note**

The forecast of results and other forward-looking statements contained in this document are based on information currently available to and certain assumptions deemed reasonable by Mori Hills REIT Investment Corporation (the “Company”). Accordingly, actual results, etc. may differ materially due to a variety of factors. Furthermore, these forecasts shall not be construed as a guarantee of dividends. For the assumptions underlying the forecasts of results, please refer to “Assumptions of Forecasts of Results for the Thirty-Second Fiscal Period Ending July 31, 2022 (February 1, 2022 – July 31, 2022) and the Thirty-Third Fiscal Period Ending January 31, 2023 (August 1, 2022 – January 31, 2023)” presented on pages 9 to 10.

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## 1. MANAGEMENT STATUS

### (1) Management Status

#### (a) Overview of the Fiscal Period

##### a) Brief Background of the Investment Corporation

The Company was incorporated by Mori Building Investment Management Co., Ltd. (the Company's Asset Manager) on February 2, 2006 under the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended) (the "Investment Trust Act"), and was listed on the Real Estate Investment Trust Section of Tokyo Stock Exchange, Inc. (the "Tokyo Stock Exchange") on November 30, 2006 (Securities Code: 3234).

In the fiscal period under review (thirty-first fiscal period: August 1, 2021 to January 31, 2022), as of the end of the thirty-first fiscal period, the total number of investment units issued and outstanding was 1,916,330.

#### b) Investment Environment and Business Performance

##### (i) Investment Environment

In the thirty-first fiscal period, the Japanese economy showed signs of recovery centered on consumer spending as economic activity resumed after the state of emergency was lifted. However, the Japanese economy started to weaken once more since the end of the year when COVID-19 spread again.

In such an economic environment, the vacancy rate in the rental office market saw a lull in its rise due in part to the fact that floor space reductions have already progressed to a certain level because of the spread of remote work triggered by the pandemic, but rent levels maintained their sluggish conditions given the weak demand for office expansions, reflecting uncertainty about the future. 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.

##### (ii) Business Performance

In the thirty-first fiscal period, the Company 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.

The Company's real estate portfolio, as of the end of the thirty-first fiscal period, was comprised of 11 properties (Note 1) under management with a total leasable area of 181,518.93m<sup>2</sup>. The Company has already invested 410,780 million yen (based on the acquisition price) into this portfolio. The occupancy rate at the end of the thirty-first fiscal period (Note 2) was 97.4 %.

(Note 1) With regard to Roppongi View Tower, the Company acquired the trust beneficiary interest in 6% co-ownership interest on March 22, 2006 and the trust beneficiary interest in 40% co-ownership interest on April 13, 2006. However, the Company treats these as one property for the purpose of calculating the number of properties in the portfolio. On April 1, 2014, a split of co-owned property by the method of division in kind was conducted, resulting in the trust beneficiary interest in 6% co-ownership interest becoming trust beneficiary interest in compartmentalized ownership for 12 units and the trust beneficiary interest in 40% co-ownership interest becoming trust beneficiary interest in compartmentalized ownership for 80 units. The same applies hereafter.

With regard to ARK Mori Building, the Company made acquisitions as follows to date. However, the Company treats these as one property for the purpose of calculating the number of properties in the portfolio. The same applies hereafter.

- i) Trust beneficiary interest in compartmentalized ownership for the 13th floor portion on March 22, 2006.
- ii) 75% trust beneficiary interest quasi co-ownership interest in compartmentalized ownership for the 12th and 22nd floor portions on March 28, 2008.
- iii) The remaining 25% trust beneficiary interest quasi co-ownership interest in compartmentalized ownership for the 12th and 22nd floor portions on September 30, 2008.
- iv) 50% co-ownership interest in compartmentalized ownership for the 23rd floor portion on March 23, 2010. On March 18, 2011, the co-ownership interest was subsequently entrusted and the Company has held trust beneficiary interest therein.
- v) Trust beneficiary interest in the remaining 50% co-ownership interest in compartmentalized ownership for the 23rd floor portion and compartmentalized ownership for the 25th floor portion on March 18, 2011.
- vi) Trust beneficiary interest in compartmentalized ownership for the 4th, 15th and 24th floor portions on August 1, 2011.
- vii) Trust beneficiary interest in compartmentalized ownership for the area used as district heating and cooling on the 1st floor and below ground 1st to 4th floor portions on April 1, 2013.

With regard to Akasaka Tameike Tower, the Company made acquisitions as follows to date. However, the Company treats these as one property for the purpose of calculating the number of properties in the portfolio. The same applies hereafter.

- i) Trust beneficiary interest in office and shop areas (including parts of storage areas, parking lots, etc.) (approximately 35.5% of total exclusive floor area) on September 30, 2008.
- ii) Trust beneficiary interest in residential area (including parts of parking lots, etc.) (approximately 30.0% of total exclusive floor area) on March 18, 2011.

With regard to Roppongi Hills Mori Tower, the Company made acquisitions as follows to date. However, the Company treats these as one property for the purpose of calculating the number of properties in the portfolio. The same applies hereafter.

- i) 50% co-ownership interest in compartmentalized ownership for the 24th floor portion on March 23, 2010. On August 1, 2011, the co-ownership interest was subsequently entrusted and the Company has held trust beneficiary interest therein.
- ii) Trust beneficiary interest in compartmentalized ownership for the 23rd floor portion and the remaining 50% co-ownership interest in compartmentalized ownership for the 24th floor portion on August 1, 2011.
- iii) Trust beneficiary interest in compartmentalized ownership for the 19th and 22nd floor portions on October 1, 2013.
- iv) Trust beneficiary interest in compartmentalized ownership for the 20th floor portion on August 1, 2014.
- v) Trust beneficiary interest in compartmentalized ownership for the 28th floor portion on September 16, 2015.
- vi) Trust beneficiary interest in compartmentalized ownership for the 25th floor portion on February 1, 2016.
- vii) Trust beneficiary interest in compartmentalized ownership for the 26th, 27th and 29th floor portions on April 1, 2016.

With regard to Atago Green Hills, the Company made acquisitions as follows to date. However, the Company treats these as one property for purpose of calculating the number of properties in the portfolio. The same applies hereafter.

- i) 45% trust beneficiary interest quasi co-ownership interest in co-ownership interest in ownership and compartmentalized ownership of Atago Green Hills' 3 buildings (MORI Tower, Forest Tower and Plaza), as well as co-ownership interest in ownership of the sites and quasi co-ownership interest in leasehold rights and easement of the sites (approximately 20.0% of total exclusive floor area) on May 1, 2012.
- ii) 29% trust beneficiary interest quasi co-ownership interest in co-ownership interest in ownership and compartmentalized ownership of Atago Green Hills' 3 buildings (MORI Tower, Forest Tower and Plaza), as well as co-ownership interest in ownership of the sites and quasi co-ownership interest in leasehold rights and easement of the sites (approximately 12.9% of total exclusive floor area) on April 1, 2013.

With regard to Toranomori Hills Mori Tower, the Company made acquisitions as follows to date. However, the Company treats these as one property for the purpose of calculating the number of properties in the portfolio. The same applies hereafter.

- i) 7% quasi co-ownership interest in the trust beneficial interests in 87.95% co-ownership interest in compartmentalized ownership for the 28th to 35th floor portions (approximately 1.0% of total exclusive floor area) on August 1, 2017.
- ii) 7% quasi co-ownership interest in the trust beneficial interests in 87.95% co-ownership interest in compartmentalized ownership for the 28th to 35th floor portions (approximately 1.0% of total exclusive floor area) on March 1, 2018.
- iii) 36% quasi co-ownership interest in the trust beneficial interests in 87.95% co-ownership interest in compartmentalized ownership for the 28th to 35th floor portions (approximately 5.0% of total exclusive floor area) on September 3, 2018.
- iv) 17% quasi co-ownership interest in the trust beneficial interests in 87.95% co-ownership interest in compartmentalized ownership for the 28th to 35th floor portions (approximately 2.4% of total exclusive floor area) on September 1, 2020.
- v) 11% quasi co-ownership interest in the trust beneficial interests in 87.95% co-ownership interest in compartmentalized ownership for the 28th to 35th floor portions (approximately 1.5% of total exclusive floor area) on August 2, 2021.

With regard to Holland Hills Mori Tower, the Company made acquisitions as follows to date. However, the Company treats these as one property for the purpose of calculating the number of properties in the portfolio. The same applies hereafter.

- i) 57% quasi co-ownership interest in the trust beneficial interests in compartmentalized ownership of the 3rd-4th, part of the 5th, 14-18th and 22nd-24th floors (approximately 27.6% of total exclusive floor area) on August 1, 2017.
- ii) 15% quasi co-ownership interest in the trust beneficial interests in compartmentalized ownership of the 3rd-4th, part of the 5th, 14-18th and 22nd-24th floors (approximately 7.3% of total exclusive floor area) on March 1, 2018.
- iii) 28% quasi co-ownership interest in the trust beneficial interests in compartmentalized ownership of the 3rd-4th, part of the 5th, 14-18th and 22nd-24th floors (approximately 13.6% of total exclusive floor area) on September 3, 2018.

(Note 2) The occupancy rate at the end of the fiscal period is calculated by dividing the aggregate of the total leased area for all properties at the end of the fiscal period by the aggregate of the total leasable area for all properties at the end of the fiscal period, which is rounded off to one decimal place.

### c) Overview of Fund Procurement

In the fiscal period under review, the Company took out long-term loans payable in the amount of 6,200 million yen to be used as funds for the acquisition of a new property. The Company took out long-term loans payable in the amount of 11,000 million yen and issued investment corporation bonds in the amount of 1,500 million yen for the refinancing of existing long-term loans payable in the amount of 12,500 million yen.

As a result, as of the end of the thirty-first fiscal period, a) the balance of loans payable stands at 172,122 million yen (all of these are long-term loans payable (of which, the current portion of long-term loans payable is 15,500 million yen)), b) the balance of investment corporation bonds stands at 20,300 million yen, and c) the balance of interest-bearing debt stands at 192,422 million yen.

Of the debt, in addition to the 20,300 million yen in investment corporation bonds and 11,700 million yen in long-term loans payable that have fixed interest rates, the Company utilizes interest rate swaps to in effect convert the interest rates for loans payable that have floating interest rates into fixed interest rates in order to hedge against the risk of upward fluctuations in interest rates. Such measures have been taken for 145,166 million yen of the 160,422 million yen in long-term loans payable that have such floating interest rates (the ratio of fixed rate debt against total interest-bearing debt as of the end of the thirty-first fiscal period is 92.1%). With respect to future debt, the Company will strive to minimize refinancing risks by diversifying repayment dates for such debt.

As of the end of the thirty-first fiscal period, the Company has obtained an AA long-term issuer rating (rating outlook: stable) from Japan Credit Rating Agency, Ltd.

(Note) Short-term loans payable are loans payable with a term of one year or less (from the drawdown date to the repayment date) and long-term loans payable are loans payable with a term of over one year (from the drawdown date to the repayment date). The same applies hereafter.

d) Overview of Business Results and Distributions

The asset management activities described above resulted in the Company recording in the thirty-first fiscal period 9,820 million yen in operating revenue, 6,085 million yen in operating income, 5,514million yen in ordinary income and 5,513 million yen in net income.

With regard to dividends, 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 (5,609,097,910 yen), which is the integral multiple of the total number of investment units issued and outstanding (1,916,330 units), out of the amount remaining of retained earnings after adding the reversal of the reserve for reduction entry to the unappropriated retained earnings and 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).

As a result, the Company declared dividends per unit of 2,927 yen.

(b) Outlook for the Next Fiscal Period

a) Future Management Policy

Pursuant to the Company's investment policy, the Company will seek to grow and increasingly enhance the profitability and value of assets under management by focusing on the competitiveness and the ability to create value attributable to "urban" areas (central Tokyo being the core area) and concentrating investment into "urban" areas. Specifically, the Company will seek to develop an urban portfolio centered on office buildings, residential properties, and retail and other facilities with competitive advantages in terms of quality, scale, and other specifications that can maintain a strong competitive position into the future and that are situated in "Premium Areas" ("Premium Properties" (Note)). The quintessential example is the "Hills" brand of large redevelopment properties exhibiting high creativity and added-value in a manner that has been developed and perfected over the years by the Mori Building Group.

With respect to the management of properties in the portfolio, the Company will seek to ensure stable revenue over the medium to long term and maintain and enhance the asset value of its portfolio by adopting the basic policy of enhancing tenant satisfaction and conducting rational, efficient and systematic asset management and administration.

In addition, the Company 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.

Furthermore, although there is a concern that office demand will decrease amidst an increase in the number of companies adopting decentralization of workload between headquarters functions and remote work due to the impact of COVID-19, the Company believes that premium properties in central Tokyo, its principal investment target, will not be adversely impacted by such concerns as they will continue to demonstrate a high competitive advantage with their ability to attract steady office demand for headquarters functions.

(Note) Premium Properties refer to properties with competitive advantages in terms of quality, scale, and other specifications that can maintain a superior competitive position into the future and that are situated in "Premium Areas" (Tokyo's five central wards (Minato Ward, Chiyoda Ward, Chuo Ward, Shinjuku Ward and Shibuya Ward) and their vicinity; the same applies hereafter), where the Mori Building Group (Mori Building Co., Ltd., Mori Building Co., Ltd.'s consolidated subsidiaries and equity-method affiliates of Mori Building Co., Ltd., that conduct business in Japan; the same applies hereafter) can fully demonstrate its brand/marketing strength and facilities management capabilities, etc.



b) Significant Subsequent Events

Asset transfer

The Company resolved at its Board of Directors' Meeting held on March 17, 2022 to conduct the partial transfer of Laforet Harajuku (Land).

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

(i) Overview of Transfer

Property name	Laforet Harajuku (Land)	
Asset to be transferred	Trust beneficiary interest (Note 1) (7% quasi co-ownership interest)	Trust beneficiary interest (Note 1) (7% quasi co-ownership interest)
Book value	1,545 million yen (Note 2)	1,545 million yen (Note 2)
Transfer price	2,898 million yen (Note 3)	2,898 million yen (Note 3)
Gain (loss) on transfer	1,347 million yen (Note 4)	1,345 million yen (Note 4)
Sales agreement date	March 17, 2022	
Anticipated Transfer date	July 1, 2022	December 1, 2022
Buyer	Mori Building Co., Ltd	

(Note 1) MHR plans to transfer trust beneficiary interest in ownership of land (land of Laforet Harajuku; hereafter the "Property") to which fixed-term business-use leasehold rights are attached for the purpose of owning retail and other facilities. However, MHR will continue to hold the remaining 86% of the quasi co-ownership interest in the trust beneficiary interest.

(Note 2) Book value indicates the estimate of the book value of the property as of the anticipated transfer date based on the book value as of January 31, 2022. The same shall apply hereafter.

(Note 3) The transfer price does not include transfer-related costs and other expenses. The same shall apply hereafter.

(Note 4) The gain (loss) on transfer represents the amount obtained by deducting the book value and transfer-related costs from the transfer price above. The same shall apply hereafter.

(Note 5) In conjunction with the transfer of the quasi co-ownership interest in the trust beneficiary interest related to the Property, MHR plans to conclude an agreement with the buyer and trustee and plans to agree that written approval from the buyer is necessary if MHR would like to transfer the quasi co-ownership interest it holds.

(ii) Details of the Asset to be transferred

Details of the Asset to be transferred		
Property name	Laforet Harajuku (Land)	
Type of specified asset	Trust beneficiary interest ((1): 7% quasi co-ownership interest (transfer on July 1, 2022) and (2): 7% quasi co-ownership interest (transfer on December 1, 2022))	
Trustee	Sumitomo Mitsui Trust Bank, Ltd.	
Trust establishment period	From July 1, 2022 to July 31, 2042 (anticipated)	
Location (Residential indication)	1-11-6 Jingumae, Shibuya-ku, Tokyo	
Area (Note 1)	2,565.06 m <sup>2</sup>	
Form of ownership	Ownership	
Book value	(1) : 1,545 million yen (2) : 1,545 million yen	
Transfer price	(1) : 2,898 million yen (2) : 2,898 million yen	
Gain (loss) on transfer	(1) : 1,347 million yen (2) : 1,345 million yen	
Appraisal	Appraiser	Japan Real Estate Institute
	Appraisal value (Note 2)	5,796 million yen (Appraisal date: January 31, 2022)
Anticipated Transfer date	(1) : July 1, 2022 (2) : December 1, 2022	
Content of lease (As of March 17, 2022)		
Lessee	Mori Building Ryutsu System Co., Ltd.	
Type of agreement	Fixed-term business-use land lease agreement	
Term of agreement	From September 15, 2010 to September 14, 2030 (20 years)	
Gross rent income (annual rent) (Note 3)	186,984,000 yen	
Deposits/ Guarantees	None	
Total leasable floor area (Note 4)	359.11 m <sup>2</sup>	
Total leased floor area (Note 5)	359.11 m <sup>2</sup>	
Other special consideration	None	

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

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

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

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

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

(Reference Information)

Not applicable.

c) Outlook of Business Results

The Company expects the following business results for the thirty-second fiscal period (February 1, 2022 to July 31, 2022) and the thirty-third fiscal period (August 1, 2022 to January 31, 2023). For the assumptions underlying the forecasts of results, please refer to “Assumptions of Forecasts of Results for the Thirty-Second Fiscal Period Ending July 31, 2022 (February 1, 2022 – July 31, 2022) and the Thirty-Third Fiscal Period Ending January 31, 2023 (August 1, 2022 – January 31, 2023)” presented below.

Thirty-Second Fiscal Period Ending July 31, 2022 (February 1, 2022 – July 31, 2022)

Operating revenue	¥ 11,178 million
Operating income	¥ 6,995 million
Ordinary income	¥ 6,448 million
Net income	¥ 6,447 million
Dividends per unit	¥ 3,030
(excluding dividends in excess of earnings)	
Dividends in excess of earnings per unit	¥—

Thirty-Third Fiscal Period Ending January 31, 2023 (August 1, 2022 – January 31, 2023)

Operating revenue	¥ 11,136 million
Operating income	¥ 6,921 million
Ordinary income	¥ 6,368 million
Net income	¥ 6,366 million
Dividends per unit	¥ 3,040
(excluding dividends in excess of earnings)	
Dividends in excess of earnings per unit	¥—

(Note) The forecasted figures above are calculated as of today based on certain assumptions. Forecasts for operating revenue, operating income, ordinary income, net income, dividends per unit and dividends in excess of earnings per unit may differ from actual results due to changes in operating conditions and a variety of factors. Furthermore, these forecasts shall not be construed as a guarantee of dividends.

Assumptions of Forecasts of Results for the Thirty-Second Fiscal Period Ending July 31, 2022 (February 1, 2022 – July 31, 2022) and the Thirty-Third Fiscal Period Ending January 31, 2023 (August 1, 2022 – January 31, 2023)

Item	Assumptions
Accounting Period	<p>Thirty-Second fiscal period: February 1, 2022 – July 31, 2022 (181 days)</p> <p>Thirty-Third fiscal period: August 1, 2022 – January 31, 2023 (184 days)</p>
Portfolio Assets	<ul style="list-style-type: none"> <li>• Regarding the 11 properties held as of the end of the fiscal period ended January 31, 2022, the Company assumes that the transfer of part of Laforet Harajuku (Land) scheduled on July 1 and December 1, 2022, will be implemented.</li> <li>• The actual portfolio assets may differ from this assumption due to additional changes.</li> </ul>
Operating Revenue	<ul style="list-style-type: none"> <li>• Rent revenues are estimated based on lease agreements, etc., taking into account the market environment, the trends of individual tenants and other factors.</li> <li>• Gain on transfer of the above portfolio assets is expected to be 1,347 million yen for the fiscal period ending July 31, 2022, and 1,345 million yen for the fiscal period ending January 31, 2023.</li> <li>• The Company assumes that there will be no delinquencies or non-payment of rents by tenants.</li> </ul>
Operating Expenses	<ul style="list-style-type: none"> <li>• For expenses related to properties, major operating expenses of 3,441 million yen and 3,471 million yen are expected for the fiscal periods ending July 31, 2022 and January 31, 2023, respectively. Expenses other than those below are calculated by referring to historical figures and adjusted to reflect variable factors. <ul style="list-style-type: none"> <li>(i) For property taxes, city planning taxes, etc., 779 million yen (for six months) and 786 million yen (for six months) are expected for the fiscal period ending July 31, 2022 and January 31, 2023, respectively. The property taxes, city planning taxes, etc. associated with Toranomom Hills Mori Tower acquired in the fiscal period ended January 31, 2022, were calculated at the time of acquisition with the seller using a prorated adjusted amount, and the Company has capitalized these amounts as part of the cost of acquisition. Therefore, part of the amount will be capitalized as the cost of acquisition, and 7 million yen (for 3 months) is expected to be recognized as operating expenses for the fiscal period ending July 31, 2022.</li> <li>(ii) For building maintenance and repairs, the Company recorded the estimated required amount for the respective fiscal periods as 55 million yen for the fiscal period ending July 31, 2022 and 60 million yen for the fiscal period ending January 31, 2023. However, please note that the actual expenses for maintenance and repairs in the respective fiscal periods may differ materially from the estimated amounts due to various reasons. For example, an unforeseeable event may cause serious damage to a building and emergency repairs may be required as a consequence. Also, maintenance and repairs are expenses that are not accrued on a regular basis and the amount of variation may vary significantly from one period to the next.</li> <li>(iii) Depreciation and amortization, which are calculated using the straight-line method with future additional capital expenditures taken into account, are expected to be 1,092 million yen in the fiscal period ending July 31, 2022 and 1,100 million yen in the fiscal period ending January 31, 2023.</li> <li>(iv) For property management fees, 1,210 million yen is expected for the fiscal period ending July 31, 2022 and 1,212 million yen is expected for the fiscal period ending January 31, 2023.</li> </ul> </li> <li>• For the operating expenses other than expenses related to properties (asset management fee, asset custody fee, administrative service fees, etc.), 741 million yen is expected for the fiscal period ending July 31, 2022 and 743 million yen is expected for the fiscal period ending January 31, 2023.</li> </ul>

Item	Assumptions
Non-Operating Expenses	<ul style="list-style-type: none"> <li>• The Company expects to incur 356 million yen for the fiscal period ending July 31, 2022 and 364 million yen for the fiscal period ending January 31, 2023 in interest expenses, 52 million yen for the fiscal period ending July 31, 2022 and 52 million yen for the fiscal period ending January 31, 2023 in interest expenses on investment corporation bonds, and 123 million yen for the fiscal period ending July 31, 2022 and 121 million yen for the fiscal period ending January 31, 2023 in borrowing expenses.</li> <li>• The Company expects to incur 5 million yen for the fiscal period ending July 31, 2022 and 5 million yen for the fiscal period ending January 31, 2023 in amortization of investment unit issuance expenses.</li> </ul>
Interest-Bearing Debt	<ul style="list-style-type: none"> <li>• The Company's balance of interest-bearing debt as of the end of the fiscal period ended January 31, 2022 is 192,422 million yen.</li> <li>• The balance of loans payable outstanding as of the end of the fiscal period ended January 31, 2022 is 172,122 million yen. The Company assumes that, of that amount, the 15,500 million yen balance of loans payable due for repayment by the end of the fiscal period ending January 31, 2023 will be refinanced in the entire amount.</li> <li>• The Company assumes that there will be no change to the balance of 20,300 million yen of investment corporation bonds as of the end of the fiscal period ended January 31, 2022 through the end of the fiscal period ending January 31, 2023.</li> </ul>
Issuance of Investment Units	<ul style="list-style-type: none"> <li>• The number of investment units issued and outstanding as of the date of this report is 1,916,330 units. The Company assumes that there will be no additional issuance of investment units until the end of the fiscal period ending January 31, 2023.</li> </ul>
Dividends per Unit (excluding dividends in excess of earnings)	<ul style="list-style-type: none"> <li>• Dividends per unit are calculated based on the assumption that the Company will make distributions in accordance with the distribution policy set forth in its Articles of Incorporation.</li> <li>• Dividends per unit are calculated based on the assumption that part of the gain on transfer of the above portfolio assets (Thirty-Second fiscal period: 1,347 million yen; Thirty-Third fiscal period: 1,345 million yen) will be accumulated as reserve for reduction entry by applying Article 65-7 "Special Provisions for Taxation in Cases of Replacement of Certain Assets" of the Special Taxation Measures Law.</li> <li>• Dividends per unit may vary due to various factors, including changes in the portfolio assets, changes in rent income due to tenant replacement, unexpected repairs, changes in interest rates, or additional issuance of new investment units.</li> </ul>
Dividends in Excess of Earnings per Unit	<ul style="list-style-type: none"> <li>• At present, the Company has no plan to make any cash distributions in excess of earnings (dividends in excess of earnings per unit).</li> </ul>
Other	<ul style="list-style-type: none"> <li>• The Company assumes that there will be no amendments to legislation, taxation, accounting standards, listing regulations, the Investment Trusts Association's rule, etc. that would affect the above forecasts.</li> <li>• The Company assumes that there will be no unforeseen material changes in general economic conditions, the real estate market, etc.</li> </ul>

## 2. FINANCIAL STATEMENTS

### (1) Balance sheet

(Unit: thousands of yen)

	As of	
	July 31, 2021	January 31, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	8,310,173	6,950,040
Cash and deposits in trust	4,805,924	5,175,674
Operating accounts receivable	186,011	195,564
Prepaid expenses	411,453	414,958
Total current assets	13,713,562	12,736,238
Noncurrent assets		
Property, plant and equipment		
Land	22,074,160	22,074,160
Buildings in trust	86,191,779	87,764,517
Accumulated depreciation	(20,145,072)	(21,172,240)
Buildings in trust, net	66,046,707	66,592,276
Structures in trust	972,132	994,871
Accumulated depreciation	(343,337)	(352,563)
Structures in trust, net	628,794	642,307
Machinery and equipment in trust	979,290	1,060,856
Accumulated depreciation	(356,820)	(383,732)
Machinery and equipment in trust, net	622,470	677,124
Tools, furniture and fixtures in trust	319,604	332,762
Accumulated depreciation	(199,826)	(215,637)
Tools, furniture and fixtures in trust, net	119,777	117,124
Land in trust	270,106,484	276,512,715
Construction in progress in trust	7,201	8,093
Total property, plant and equipment	359,605,597	366,623,801
Intangible assets		
Leasehold rights in trust	30,650,962	30,650,962
Other intangible assets in trust	—	1,073
Total intangible assets	30,650,962	30,652,036
Investments and other assets		
Lease and guarantee deposits	10,000	10,000
Long-term prepaid expenses	855,970	802,906
Deferred tax assets	24	13
Derivatives	5,573	323,661
Total investments and other assets	871,567	1,136,581
Total noncurrent assets	391,128,128	398,412,419
Deferred assets		
Investment corporation bonds issuance cost	89,988	94,636
Investment unit issuance cost	21,435	16,076
Total deferred assets	111,424	110,713
<b>Total assets</b>	<b>404,953,115</b>	<b>411,259,371</b>

(Unit: thousands of yen)

	As of	
	July 31, 2021	January 31, 2022
<b>Liabilities</b>		
Current liabilities		
Operating accounts payable	361,544	262,494
Current portion of long-term loans payable	22,000,000	15,500,000
Accounts payable – other	20,242	11,781
Accrued expenses	338,112	323,177
Income taxes payable	1,107	869
Accrued consumption taxes	338,393	102,385
Advances received	1,250,116	1,283,127
Deposits received	17,157	33,272
Derivatives liabilities	–	361
Total current liabilities	24,326,674	17,517,469
Noncurrent liabilities		
Investment corporation bonds	18,800,000	20,300,000
Long-term loans payable	145,422,000	156,622,000
Lease and guarantee deposits in trust	14,778,470	14,944,553
Derivatives liabilities	807,300	217,873
Total noncurrent liabilities	179,807,771	192,084,427
<b>Total liabilities</b>	<b>204,134,446</b>	<b>209,601,896</b>
<b>Net assets</b>		
Unitholders' equity		
Unitholders' capital	195,718,191	195,718,191
Deduction from unitholders' capital		
Allowance for temporary difference adjustments	* 1 (529,400)	* 1 (482,669)
Total deduction from unitholders' capital	(529,400)	(482,669)
Unitholders' capital, net	195,188,791	195,235,522
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	6,024,581
Total surplus	6,431,605	6,316,525
<b>Total unitholders' equity</b>	<b>201,620,396</b>	<b>201,552,048</b>
Valuation and translation adjustments		
Deferred gains or losses on hedges	(801,727)	105,426
Total valuation and translation adjustments	(801,727)	105,426
<b>Total net assets</b>	<b>200,818,669</b>	<b>201,657,474</b>
<b>Total liabilities and net assets</b>	<b>404,953,115</b>	<b>411,259,371</b>

(2) Statement of income and retained earnings

(Unit: thousands of yen)

	For the six months ended	
	July 31, 2021	January 31, 2022
Operating revenue		
Rent revenues	*1, *2 9,609,038	*1, *2 9,626,195
Other operating revenues	*1, *2 232,197	*1, 194,479
Total operating revenue	9,841,235	9,820,674
Operating expenses		
Expenses related to properties	*1, *2 3,325,513	*1, *2 3,401,656
Asset management fee	254,320	232,424
Directors' compensation	7,000	8,400
Asset custody fee	10,072	10,123
Administrative service fees	19,339	18,676
Other operating expenses	*2 67,041	63,900
Total operating expenses	3,683,286	3,735,181
Operating income	6,157,949	6,085,492
Non-operating income		
Interest income	50	53
Gain on forfeiture of unclaimed dividends	854	1,044
Interest on refund	146	—
Other	5	—
Total non-operating income	1,056	1,097
Non-operating expenses		
Interest expenses	369,592	371,586
Interest expenses on investment corporation bonds	46,472	50,969
Amortization of investment corporation bonds issuance cost	7,683	8,465
Borrowing expenses	137,194	133,516
Amortization of investment unit issuance cost	12,310	5,358
Other	1,862	1,884
Total non-operating expenses	575,116	571,781
Ordinary income	5,583,890	5,514,809
Income before income taxes	5,583,890	5,514,809
Income taxes-current	1,115	877
Income taxes-deferred	(0)	11
Total income taxes	1,114	888
Net income	5,582,775	5,513,920
Retained earnings brought forward	556,885	510,660
Unappropriated retained earnings (undisposed loss)	6,139,661	6,024,581



(3) 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, 2022

(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, 2021	195,718,191	(529,400)	(529,400)	195,188,791	291,944	291,944
Change during the period						
Dividends from surplus						
Reversal of allowance for temporary difference adjustments		46,731	46,731	46,731		
Net income						
Net changes of items other than unitholders' equity						
Total changes of items during the period	—	46,731	46,731	46,731	—	—
Balance at January 31, 2022	195,718,191	(482,669)	(482,669)	195,235,522	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 August 1, 2021	6,139,661	6,431,605	201,620,396	(801,727)	(801,727)	200,818,669
Change during the period						
Dividends from surplus	(5,582,269)	(5,582,269)	(5,582,269)			(5,582,269)
Reversal of allowance for temporary difference adjustments	(46,731)	(46,731)	—			—
Net income	5,513,920	5,513,920	5,513,920			5,513,920
Net changes of items other than unitholders' equity				907,154	907,154	907,154
Total changes of items during the period	(115,079)	(115,079)	(68,348)	907,154	907,154	838,805
Balance at January 31, 2022	6,024,581	6,316,525	201,552,048	105,426	105,426	201,657,474

(4) Statement of cash distributions

(Unit: yen)

	For the six months ended July 31, 2021	For the six months ended January 31, 2022
I Unappropriated retained earnings	6,139,661,200	6,024,581,500
II Reversal of voluntary retained earnings		
Reversal of reserve for reduction entry	—	95,177,162
III Capitalization	46,731,158	482,669,237
Reversal of allowance for temporary difference adjustments	46,731,158	482,669,237
IV Amount of Dividends	5,582,269,290	5,609,097,910
Amount of dividends per unit	2,913	2,927
V Retained earnings carried forward	510,660,752	27,991,515
Method of calculating the amount of dividends	<p>Pursuant to the terms of the distribution policy set forth in Article 37 (1) of the Company's Articles of Incorporation, the amount of dividends shall be in excess of an amount equivalent to 90% of the Company's earnings available for dividends as defined in Article 67-15 of the Special Taxation Measures Law, but not in excess of the amount of earnings as defined in Article 136, Paragraph 1 of the Investment Trust Act. Based on such policy, the Company decided to pay out dividends of earnings (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 (5,609,097,910 yen), which is the integral multiple of the total number of investment units issued and outstanding (1,916,330 units), out of the amount remaining of retained earnings after adding the reversal of the reserve for reduction entry to the unappropriated retained earnings and 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).</p> <p>As a result, the Company declared dividends per unit of 2,927 yen.</p>

(5) Statement of cash flows

(Unit: thousands of yen)

	For the six months ended	
	July 31, 2021	January 31, 2022
Net cash provided by (used in) operating activities		
Income before income taxes	5,583,890	5,514,809
Depreciation and amortization	1,072,822	1,079,135
Amortization of investment corporation bonds issuance cost	7,683	8,465
Amortization of investment unit issuance cost	12,310	5,358
Interest income	(50)	(53)
Gain on forfeiture of unclaimed dividends	(854)	(1,044)
Interest expenses	416,064	422,555
Decrease (increase) in operating accounts receivable	29,705	55,114
Decrease (increase) in consumption taxes receivable	21,946	—
Increase (decrease) in operating accounts payable	(12,805)	(16,964)
Increase (decrease) in accounts payable – other	6,712	(9,080)
Increase (decrease) in accrued expenses	27,309	(24,006)
Increase (decrease) in accrued consumption taxes	338,393	(236,008)
Increase (decrease) in advances received	(8,338)	33,010
Increase (decrease) in deposits received	(4,169)	16,114
Decrease (increase) in prepaid expenses	(11,647)	(3,505)
Decrease (increase) in long-term prepaid expenses	59,567	53,063
Other, net	(68)	—
Subtotal	7,538,471	6,896,965
Interest income received	50	53
Interest expenses paid	(416,564)	(413,483)
Income taxes paid	(1,094)	(1,115)
Net cash provided by (used in) operating activities	7,120,863	6,482,419
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment in trust	(1,023,441)	(8,084,650)
Repayments of lease and guarantee deposits in trust	(88,498)	(493,630)
Proceeds from lease and guarantee deposits in trust	92,094	499,196
Net cash provided by (used in) investing activities	(1,019,845)	(8,079,083)
Net cash provided by (used in) financing activities		
Proceeds from long-term loans payable	6,500,000	17,200,000
Repayments of long-term loans payable	(6,500,000)	(12,500,000)
Proceeds from issuance of investment corporation bonds	3,769,628	1,486,886
Redemption of investment corporation bonds	(2,000,000)	—
Cash dividends paid	(5,574,683)	(5,580,604)
Net cash provided by (used in) financing activities	(3,805,055)	606,281
Net increase (decrease) in cash and cash equivalents	2,295,962	(990,382)
Cash and cash equivalents at beginning of the period	10,820,134	13,116,097
Cash and cash equivalents at end of the period	* <sub>1</sub> 13,116,097	* <sub>1</sub> 12,125,714

(6) Notes to assumption of going concern

Not applicable.

(7) Summary of significant accounting policies

(a) 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

(b) Intangible assets (including assets in trust)

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

(c) Long-term prepaid expenses

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

(d) Investment corporation bonds issuance cost

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

(e) Investment unit issuance cost

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

(f) Standard for revenue recognition

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

a) Transfer of real estate

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

b) Utilities income

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

(g) 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 10,716 thousand yen for the period ended January 31, 2022, respectively.

(h) 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, assessment of the effectiveness is omitted if the important conditions regarding hedging instruments and hedged items are identical and if it can be assumed that fluctuations of market rates or cash flow can be completely offset from when the hedge begins. Moreover, assessment of the effectiveness is omitted for interest rate swaps when the requirements for special treatment are fulfilled.

(i) 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.

(j) 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

(k) 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.

(8) Notes on Changes in Accounting Policies

1. Application of Accounting Standard for Revenue Recognition, Etc.

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29 , issued on March 31, 2020) and the "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30 , issued on March 26, 2021, from the beginning of the thirty-first fiscal period, and decided to recognize revenue at the amount expected to be received in exchange for the promised goods or services when control of the goods or services is transferred to the customer. The impact of the application of accounting standard for revenue recognition, etc. on the financial statements is minimal. Furthermore, in accordance with the transitional treatment stipulated in Paragraph 89-3 of the Accounting Standard for Revenue Recognition, the note related to Revenue Recognition for the previous fiscal period is not shown

2. Application of Accounting Standard for Fair Value Measurement, Etc.

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, issued on July 4, 2019), etc. from the beginning of the thirty-first fiscal period, and decided to adopt the new accounting policies set forth by the said Accounting Standard, etc. going forward in accordance with the transitional treatment as stipulated in Paragraph 19 of the "Accounting Standard for Fair Value Measurement" and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10 , issued on July 4, 2019). The impact of this change on the financial statements is minimal.

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, 2022

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	482,669

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.

(9) Notes to Financial Statements

(Omission of disclosure)

Note to the statement of unitholders' equity, securities, retirement benefits and asset retirement obligations are omitted because there is thought to be no large necessity for disclosure in this financial report.

1. Net assets

\*1 Allowance for temporary difference adjustments

For the six months ended July 31, 2021

1. Reason and related asset, etc. and amount of provision

(Unit: thousands of yen)

Related asset, etc.	Reason	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	—

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, 2022

1. Reason and related asset, etc. and amount of provision

(Unit: thousands of yen)

Related asset, etc.	Reason	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	529,400	—	46,731	482,669	Changes in fair value of derivative transactions

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.

2. Breakdown of property-related revenue and expenses

\*1 Breakdown of property operating income

(Unit: thousands of yen)

	For the six months ended			
	July 31, 2021		January 31, 2022	
<b>A. Property operating revenue</b>				
Rent revenues				
Rent and common area revenue	9,603,269		9,620,466	
Other rent revenue	5,768	9,609,038	5,728	9,626,195
Other operating revenues				
Parking revenue	48,969		45,810	
Utilities and other revenue	138,333		148,604	
Cancellation penalty	44,793		64	
Key money income	101	232,197	—	194,479
<b>Total property operating revenue</b>	<b>9,841,235</b>		<b>9,820,674</b>	
<b>B. Property operating expenses</b>				
Expenses related to properties				
Property management fees	1,163,160		1,200,616	
Property taxes	749,067		753,174	
Utilities	101,428		118,637	
Maintenance and repairs	62,647		64,033	
Insurance premium	19,207		20,720	
Custodian fees	5,972		5,986	
Depreciation and amortization	1,072,822		1,079,135	
Rent expenses	137,661		144,549	
Other lease business expenses	13,546	3,325,513	14,804	3,401,656
<b>Total property operating expenses</b>	<b>3,325,513</b>		<b>3,401,656</b>	
<b>C. Property operating income [A – B]</b>	<b>6,515,722</b>		<b>6,419,018</b>	

\*2 Transactions with major unitholders

(Unit: thousands of yen)

	For the six months ended	
	July 31, 2021	January 31, 2022
From operating transactions		
Rent revenues	6,348,294	6,424,190
Other operating revenues	8	—
Expenses related to properties	250,264	256,762
Other operating expenses	1,280	—



3. Cash and cash equivalents

\*1 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, 2022
Cash and deposits	8,310,173	6,950,040
Cash and deposits in trust	4,805,924	5,175,674
Cash and cash equivalents	13,116,097	12,125,714

4. 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, 2022
Due within 1 year	4,709,374	4,272,488
Due after 1 year	10,848,040	10,180,240
Total	15,557,414	14,452,728

5. 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: (g) Hedge accounting approach."

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

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

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

(2) Fair value of financial instruments

The following are the carrying amount, fair value and the difference between them of financial instruments as of July 31, 2021. Furthermore, notes on “Cash and deposits,” “Cash and deposits in trust” are omitted as these are settled with cash and within a short period of time and thus the fair value approximates the book value. Notes on “Tenant leasehold and security deposits” are also omitted as they lack materiality.

	(Unit: thousands of yen)		
	Carrying amount	Fair value	Difference
(a) Current portion of investment corporation bonds	—	—	—
(b) Current portion of long-term loans payable	22,000,000	22,051,161	51,161
(c) Investment corporation bonds	18,800,000	18,899,900	99,900
(d) Long-term loans payable	145,422,000	145,470,970	48,970
Total	186,222,000	186,422,032	200,032
Derivative transactions (Note1)	(801,727)	(801,727)	—

The following are the carrying amount, fair value and the difference between them of financial instruments as of January 31, 2022. Furthermore, notes on “Cash and deposits,” “Cash and deposits in trust” are omitted as these are settled with cash and within a short period of time and thus the fair value approximates the book value. Notes on “Tenant leasehold and security deposits” are also omitted as they lack materiality.

	(Unit: thousands of yen)		
	Carrying amount	Fair value	Difference
(a) Current portion of investment corporation bonds	—	—	—
(b) Current portion of long-term loans payable	15,500,000	15,523,874	23,874
(c) Investment corporation bonds	20,300,000	20,341,340	41,340
(d) Long-term loans payable	156,622,000	156,578,957	(43,042)
Total	192,422,000	192,444,171	22,171
Derivative transactions (Note1)	105,426	105,426	—

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

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

Liabilities

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

The fair value of these is based on market prices.

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

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

Derivative transactions

Please refer to “Derivative transactions” below.

(Note 3) Investment corporation bonds and long-term loans payable scheduled to be due after the balance sheet date (as of July 31, 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, 2022)

(Unit: thousands of yen)

	Due within 1 year	Due after 1 year, but within 2 years	Due after 2 years, but within 3 years	Due after 3 years, but within 4 years	Due after 4 years, but within 5 years	Due after 5 years
Investment corporation bonds	—	—	2,000,000	7,000,000	4,000,000	7,300,000
Long-term loans payable	15,500,000	20,400,000	15,800,000	17,194,000	19,884,000	83,344,000
Total	15,500,000	20,400,000	17,800,000	24,194,000	23,884,000	90,644,000

## 6. Derivative transactions

### (1) Transactions for which hedge accounting is not applied

As of July 31, 2021

Not applicable.

As of January 31, 2022

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 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 (b) and (d) of (Note 2) Method of calculating the fair value of financial instruments, and derivative transactions of “Financial instruments: (2) Fair value of financial instruments” above).

As of January 31, 2022

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	126,666,000	125,866,000	105,426	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	18,500,000	8,800,000	*	—

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

7. 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	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, 2022

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)	7,870,000	—	—
							Leasing of properties (Note 3) (Note 7)	6,424,190	Advances received	1,165,772
									Lease and guarantee deposits in trust	10,360,591
							Payment of property operation and management fees (Note 8)	266,141 (Note 4)	Prepaid expenses	3,657
									Operating accounts payable	53,837
Deposit of lease and guarantee (Note 5) (Note 9)	—	Lease and guarantee deposits in trust	53,886							

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

(Note 2) A portion of Toranomon Hills Mori Tower

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

(Note 4) The amount includes fees (9,379 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, 2022

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, 2022

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)	240,294 (Note 3)	Accrued expenses	255,666

(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 7,870 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, 2022

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)	240,294 (Note 3)	Accrued expenses	255,666

(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 7,870 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.



8. 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, 2022
Deferred tax assets		
Accrued enterprise tax excluded from expenses	24	13
Deferred gains or losses on hedges	253,976	68,656
Subtotal deferred tax assets	254,001	68,669
Valuation allowance	(253,976)	(68,656)
Total deferred tax assets	24	13
Net deferred tax assets	24	13

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

	As of	
	July 31, 2021	January 31, 2022
Statutory tax rate	31.46%	31.46%
[Adjustments]		
Deductible cash distributions	(31.45%)	(32.00%)
Others	0.01%	0.56%
Effective tax rate	0.02%	0.02%

9. 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, 2022
Carrying amount		
Balance at beginning of the period	390,355,818	390,256,560
Amount of increase (decrease) during the period	(99,258)	7,019,277
Balance at end of the period	390,256,560	397,275,838
Fair value at end of the period	471,709,000	495,886,000

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

(Note 2) Of the increase (decrease) during the period ended January 31, 2022, the increase is primarily attributable to the acquisition of property (Toranomom Hills Mori Tower (approximately 1.5% of total exclusive floor area) (7,893,162 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."

## 10. Notes to Revenue Recognition

### 1. Breakdown of information on revenue from contracts with customers For the six months ended January 31, 2022

(Unit: thousands of yen)

	Revenue from Contracts with Customers (Note 1)	Sales to External Customers
Transfer of real estate, etc	—	—
Utilities revenue (Note 2)	98,900	98,900
Other	—	9,721,774
Total	98,900	9,820,674

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

(Note2) Utilities income indicates the amount recorded as revenue in accordance with the supply of electricity and water, etc. to the lessee who is a customer based on the lease agreement of real estate and details of agreements incidental to it.

### 2. Breakdown of information on revenue from contracts with customers For the six months ended January 31, 2022

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

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

#### (1) Balance of contract assets and contract liabilities, etc.

(Unit: thousands of yen)

	For the six months ended January 31, 2022
Claims generated from contracts with customers (balance at beginning of fiscal period)	433
Claims generated from contracts with customers (balance at end of fiscal period)	227
Contract assets (balance at beginning of fiscal period)	—
Contract assets (balance at end of fiscal period)	—
Contract liabilities (balance at beginning of fiscal period)	—
Contract liabilities (balance at end of fiscal period)	—

#### (2) Transaction value allocated to the remaining performance obligations

Not applicable.

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

11. 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, 2022

(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.	6,424,190	Real estate leasing business

## 12. Per unit Information

	For the six months ended	
	July 31, 2021	January 31, 2022
Net assets per unit (yen)	104,793	105,231
Net income per unit (yen)	2,913	2,877
(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, 2022
Net income (thousands of yen)	5,582,775	5,513,920
Amounts not attributable to common unitholders (thousands of yen)	—	—
Net income attributable to common investment units (thousands of yen)	5,582,775	5,513,920
Average number of investment units during the period (units)	1,916,330	1,916,330

## 13. Subsequent events

### Asset transfer

The Company resolved at its Board of Directors' Meeting held on March 17, 2022 to conduct the partial transfer of Laforet Harajuku (Land).

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

### (i) Overview of Transfer

Property name	Laforet Harajuku (Land)	
Asset to be transferred	Trust beneficiary interest (Note 1) (7% quasi co-ownership interest)	Trust beneficiary interest (Note 1) (7% quasi co-ownership interest)
Book value	1,545 million yen (Note 2)	1,545 million yen (Note 2)
Transfer price	2,898 million yen (Note 3)	2,898 million yen (Note 3)
Gain (loss) on transfer	1,347 million yen (Note 4)	1,345 million yen (Note 4)
Sales agreement date	March 17, 2022	
Anticipated Transfer date	July 1, 2022	December 1, 2022
Buyer	Mori Building Co., Ltd	

(Note 1) MHR plans to transfer trust beneficiary interest in ownership of land (land of Laforet Harajuku; hereafter the "Property") to which fixed-term business-use leasehold rights are attached for the purpose of owning retail and other facilities. However, MHR will continue to hold the remaining 86% of the quasi co-ownership interest in the trust beneficiary interest.

(Note 2) Book value indicates the estimate of the book value of the property as of the anticipated transfer date based on the book value as of January 31, 2022. The same shall apply hereafter.

(Note 3) The transfer price does not include transfer-related costs and other expenses. The same shall apply hereafter.

(Note 4) The gain (loss) on transfer represents the amount obtained by deducting the book value and transfer-related costs from the transfer price above. The same shall apply hereafter.

(Note 5) In conjunction with the transfer of the quasi co-ownership interest in the trust beneficiary interest related to the Property, MHR plans to conclude an agreement with the buyer and trustee and plans to agree that written approval from the buyer is necessary if MHR would like to transfer the quasi co-ownership interest it holds.

(ii) Details of the Asset to be transferred

Details of the Asset to be transferred		
Property name	Laforet Harajuku (Land)	
Type of specified asset	Trust beneficiary interest ((1): 7% quasi co-ownership interest (transfer on July 1, 2022) and (2): 7% quasi co-ownership interest (transfer on December 1, 2022))	
Trustee	Sumitomo Mitsui Trust Bank, Ltd.	
Trust establishment period	From July 1, 2022 to July 31, 2042 (anticipated)	
Location (Residential indication)	1-11-6 Jingumae, Shibuya-ku, Tokyo	
Area (Note 1)	2,565.06 m <sup>2</sup>	
Form of ownership	Ownership	
Book value	(1) : 1,545 million yen (2) : 1,545 million yen	
Transfer price	(1) : 2,898 million yen (2) : 2,898 million yen	
Gain (loss) on transfer	(1) : 1,347 million yen (2) : 1,345 million yen	
Appraisal	Appraiser	Japan Real Estate Institute
	Appraisal value (Note 2)	5,796 million yen (Appraisal date: January 31, 2022)
Anticipated Transfer date	(1) : July 1, 2022 (2) : December 1, 2022	
Content of lease (As of March 17, 2022)		
Lessee	Mori Building Ryutsu System Co., Ltd.	
Type of agreement	Fixed-term business-use land lease agreement	
Term of agreement	From September 15, 2010 to September 14, 2030 (20 years)	
Gross rent income (annual rent) (Note 3)	186,984,000 yen	
Deposits/ Guarantees	None	
Total leasable floor area (Note 4)	359.11 m <sup>2</sup>	
Total leased floor area (Note 5)	359.11 m <sup>2</sup>	
Other special consideration	None	

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

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

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

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

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

(10) Changes in units issued and outstanding

There was no increase (decrease) in the number of investment units issued and outstanding and unitholders' capital in the thirtieth fiscal period.

The outline of changes in unitholders' capital for the previous five years was as follows:

Date	Type of issue	Number of units issued and outstanding		Unitholders' capital (Millions of yen)		Note
		Increase	Balance	Increase	Balance	
August 1, 2018	Public offering	118,400	1,869,040	15,455	189,687	(Note 2)
August 22, 2018	Third-party allotment	5,920	1,874,960	772	190,460	(Note 3)
August 31, 2020	Public offering	39,400	1,914,360	5,007	195,467	(Note 4)
September 25, 2020	Third-party allotment	1,970	1,916,330	250	195,718	(Note 5)

(Note 1) Fluctuation of unitholders' capital in line with implementation of dividends in excess of earnings from allowance for temporary difference adjustments is not considered.

(Note 2) New investment units were issued at a price of 130,536 yen per unit through a public offering in order to raise funds for acquiring new real property.

(Note 3) New investment units were issued at a price of 130,536 yen per unit through a third-party allotment in order to raise funds for acquiring new real property.

(Note 4) New investment units were issued at a price of 127,099 yen per unit through a public offering in order to raise funds for acquiring new real property.

(Note 5) New investment units were issued at a price of 127,099 yen per unit through a third-party allotment in order to raise funds for part of future acquisitions.

### 3. REFERENCE INFORMATION

#### (1) Investment Status

(as of January 31, 2022)

Type of asset	Main type of use	Region	Total amount held (millions of yen) (Note 1)	Percentage of total assets (%)
Real estate	Office Buildings	Tokyo's five central wards and their vicinity	—	—
		Tokyo metropolitan area	—	—
		Principal regional cities	—	—
	Residential Properties	Tokyo's five central wards and their vicinity	—	—
		Tokyo metropolitan area	—	—
		Principal regional cities	—	—
	Retail and Other Facilities	Tokyo's five central wards and their vicinity	22,074	5.4
		Tokyo metropolitan area	22,074	5.4
		Principal regional cities	—	—
	Subtotal			22,074
Real estate in trust	Office Buildings	Tokyo's five central wards and their vicinity	368,906	89.7
		Tokyo metropolitan area	368,906	89.7
		Principal regional cities	—	—
	Residential Properties	Tokyo's five central wards and their vicinity	6,294	1.5
		Tokyo metropolitan area	6,294	1.5
		Principal regional cities	—	—
	Retail and Other Facilities	Tokyo's five central wards and their vicinity	—	—
		Tokyo metropolitan area	—	—
		Principal regional cities	—	—
	Subtotal			375,201
Deposits and other assets (Note 2)			13,983	3.4
Total assets			411,259	100.0

(Note 1) Total amount held is the carrying amount (book value less depreciation and amortization).

(Note 2) Deposits and other assets include deposits within the assets in trust in the amount of 5,175 million yen. Trust beneficiary interest in assets which are primarily comprised of real estate, etc., do not include deposits within the assets in trust.

(as of January 31, 2022)

	Carrying amount (millions of yen)	Percentage of total assets (%)
Total liabilities	209,601	51.0
Total net assets	201,657	49.0
Total assets	411,259	100.0

(2) Investment Assets

(a) Major Issue of Investment Securities

Not applicable.

(b) Investment Real Estate Properties

An overview, etc. of investment real estate properties held by the Company is presented together with “(c) Major Other Investment Assets” below.

(c) Major Other Investment Assets

The Company holds the following real estate and trust beneficiary interest in real estate listed in the tables in a) below as of January 31, 2022. Mori Building Co., Ltd. led the development of all of the following real estate and real estate in trust.

a) Overview of Real Estate and Real Estate in Trust

The following are the real estate and real estate in trust held by the Company as of January 31, 2022.

(i) Overview of Assets by Type of Use

Type of asset	Main type of use	Property number (Note 1)	Property name	Location	Construction date (Note 2)	Structure/ Total number of floors (Note 2)	Land area (m <sup>2</sup> ) (Note 2)	Gross floor area (m <sup>2</sup> ) (Note 2)	Form of ownership (Note 4)		Appraisal value at the end of fiscal period (millions of yen) (Note 5)	Book value (millions of yen)	Acquisition price (millions of yen)	Percentage of total portfolio acquisition price (%) (Note 6)	
									Land	Bldg.					
Real estate in trust	Office Buildings	O-0 Premium	Roppongi Hills Mori Tower	Roppongi, Minato-ku	Apr. 2003	S/SRC B6F/54F	57,177.66	442,150.70	C (Note 7)	CO	154,300	111,048	115,380	28.1	
		O-1 Premium	ARK Mori Building	Akasaka, Minato-ku	Mar. 1986	RC/SRC/S B4F/37F	39,602.42	177,486.95	C (Note 7)	CO	66,800	61,425	62,480	15.2	
		O-4 Premium	Koraku Mori Building	Koraku, Bunkyo-ku	Mar. 2000	SRC/S B6F/19F	6,611.58	46,154.65	L	CO	24,240	24,632	27,200	6.6	
		O-6 Premium	Akasaka Tameike Tower	Akasaka, Minato-ku	Sep. 2000	S/SRC/RC B2F/25F	5,694.16	46,971.43	C (Note 8)	CO	34,300	41,426	43,930	10.7	
		O-7 Premium	Atago Green Hills	MORI Tower (office building)	Atago, Minato-ku	Jul. 2001	S/SRC B2F/42F	13,014.36 (Note 9)	85,266.30	*	*	47,582	39,938	42,090	10.2
				Forest Tower (residential building)	Atago, Minato-ku	Oct. 2001	S/SRC B4F/43F		60,815.71						
				Plaza (retail building)	Toranomon, Minato-ku	Jul. 2001	RC B1F/2F		2,083.60						
		O-8 Premium	ARK Hills South Tower	Roppongi, Minato-ku	Jul. 2013	S/SRC/RC B4F/20F	5,846.69	53,043.48	C (Note 12)	C (Note 12)	24,800	18,577	19,150	4.7	
		O-9 Premium	Toranomon Hills Mori Tower	Toranomon, Minato-ku	May 2014	S/SRC B5F/52F	17,068.95	241,581.95	C (Note 7)	C	73,944	55,611	56,300	13.7	
		O-10 Premium	Holland Hills Mori Tower	Toranomon, Minato-ku	Jan. 2005	S/SRC/RC B2F/24F	3,487.61	35,076.12	C (Note 13)	CO	22,200	16,246	16,330	4.0	
Subtotal											448,166	368,906	382,860	93.2	
Real estate	Residential Properties	R-3 Premium	Roppongi First Plaza	Roppongi, Minato-ku	Oct. 1993	RC B1F/20F	4,357.88 (Note 14)	22,906.74 (Note 14)	C (Note 14)	CO (Note 15)	2,730	2,232	2,100	0.5	
		R-4	Roppongi View Tower	Roppongi, Minato-ku	Oct. 1993	RC B1F/20F			C (Note 14)	CO (Note 15)	3,590	4,061	4,000	1.0	
		Subtotal											6,320	6,294	6,100
Real estate	Retail and Other Facilities	S-1 Premium	Laforet Harajuku (Land)	Jingumae, Shibuya-ku	—	—	2,565.06	—	O	—	41,400	22,074	21,820	5.3	
		Subtotal											41,400	22,074	21,820
Total											495,886	397,275	410,780	100.0	



- (Note 1) "Property number" is the number assigned to real estate and real estate in trust held by the Company classified into the following main types of use. The alphabet on the left represents the main type of use, where "O" represents an office building, "R" represents a residential property and "S" represents a retail and other facility. In addition, Premium Properties are denoted by "Premium." The same applies hereafter.
- (Note 2) "Construction date," "Structure/Total number of floors," "Land area" and "Gross floor area" are as described in the property registry. As for "Structure/Total number of floors," the following abbreviations are used.  
RC: Reinforced concrete; SRC: Steel frame and reinforced concrete; S: Steel frame;  
B: Number of basement floor; F: Number of floor above ground level
- (Note 3) "Land area" and "Gross floor area" indicate the area of the entire site and the total area floor of the entire building based on the description of the property registry, regardless of the form of ownership.
- (Note 4) "Form of ownership" is the type of rights, where "O" represents ownership rights, "C" represents a co-ownership interest in ownership rights, "CO" represents compartmentalized ownership of exclusive portion of a building, and "L" represents leasehold rights.
- (Note 5) "Appraisal value at the end of fiscal period" for properties except for ARK Hills South Tower is the appraisal value as of January 31, 2022 as described in the real estate appraisal report prepared by Japan Real Estate Institute. The figure for ARK Hills South Tower is the appraisal value as of January 31, 2022 as described in the real estate appraisal report prepared by DAIWA REAL ESTATE APPRAISAL CO., LTD.
- (Note 6) "Percentage of total portfolio acquisition price" is calculated as a percentage of the aggregate acquisition price of the Company's portfolio.
- (Note 7) Co-ownership interest as a portion of the land use rights.
- (Note 8) The land of Akasaka Tameike Tower is composed of the land owned by a third party (parcel number 1705-1) and the land jointly owned by the trustee and Mori Building Co.,Ltd. (parcel number 1701-1). The trustee's co-ownership interest ratio of the land (parcel number 1701-1) is approximately 98.6% and the area corresponding to the co-ownership interest ratio is 3,211.94m<sup>2</sup>. The same applies hereafter.
- (Note 9) "Land area" for Atago Green Hills is the area of the entire land over which land use rights for the building have been established pursuant to the rules of the Atago Green Hills Management Meeting.
- (Note 10) The land of Atago Green Hills is composed of the land owned by third parties and the land jointly owned by the trustee and Mori Building Co., Ltd. and leasehold rights and easement jointly owned by the trustee and Mori Building Co., Ltd. The land corresponding to each building is determined pursuant to the rules of the Atago Green Hills Management Meeting.
- (Note 11) The buildings of Atago Green Hills are composed of parts owned by third parties through compartmentalized ownership and other parts jointly owned by the trustee and Mori Building Co., Ltd. through direct ownership and compartmentalized ownership.
- (Note 12) The Company owns 25% co-ownership interest of the building and the site.
- (Note 13) The land of Holland Hills Mori Tower is composed of the land owned by the Tokyo Metropolitan Government (3-802-2 Shibakoen and 1-224-28 Azabudai) and the land jointly owned by the trustee and Mori Building Co., Ltd. under joint ownership (5-124-1 Toranomom and 3-803-3. Shibakoen). The trustee's co-ownership interest ratio of the land (5-124-1 Toranomom and 3-803-3. Shibakoen) is approximately 62.9% and the area corresponding to the co-ownership interest ratio is 1,910.96m<sup>2</sup>. The same applies hereafter.
- (Note 14) As Roppongi First Plaza and Roppongi View Tower are on the same site and are described in the property registry as one building owned through compartmentalized ownership, the land area and the gross floor area for these properties are added together. The land corresponding to each building has been determined pursuant to its management rules and is owned in the land use rights ratio.
- (Note 15) Roppongi First Plaza and Roppongi View Tower are described in the property registry as one building owned through compartmentalized ownership. 42 residential units out of the total of 90 residential units in Roppongi First Plaza are owned through compartmentalized ownership. 92 residential units out of the total of 202 residential units in Roppongi View Tower are owned through compartmentalized ownership.

(ii) Overview of Lease Conditions (as of January 31, 2022)

Property number	Property name	Type of lease (Note 1)	Total leasable area (m <sup>2</sup> ) (Note 2)	Total leased area (m <sup>2</sup> ) (Note 2)	Occupancy rate (%) (Note 3)	Number of tenants (Note 4)	Annual contracted rent (millions of yen) (Note 5)	Security deposits (millions of yen) (Note 6)
O-0	Roppongi Hills Mori Tower	Fixed-rent master lease	43,041.54	43,041.54	100.0	1	5,702	4,752
O-1	ARK Mori Building	Fixed-rent master lease	24,588.43	24,588.43	100.0	1	2,702	2,241
O-4	Koraku Mori Building	Pass-through master lease	16,195.38	15,065.83	93.0	21	1,274	1,292
O-6	Akasaka Tameike Tower	Pass-through master lease	19,777.97	18,773.10	94.9	138	1,592	1,116
O-7	Atago Green Hills	Fixed-rent master lease	29,667.58	29,667.58	100.0	1	2,024	1,349
O-8	ARK Hills South Tower	Pass-through master lease	8,999.75	7,675.09	85.3	39	890	815
O-9	Toranomon Hills Mori Tower	Fixed-rent master lease	19,046.16	19,046.16	100.0	1	2,419	2,016
O-10	Holland Hills Mori Tower	Pass-through master lease	10,165.04	9,783.97	96.3	21	1,038	923
R-3	Roppongi First Plaza	Pass-through master lease	2,956.77	2,486.11	84.1	35	149	52
R-4	Roppongi View Tower	Pass-through master lease	4,515.25	4,153.36	92.0	83	206	53
S-1	Laforet Harajuku (Land)	Business-use fixed-term land lease	2,565.06	2,565.06	100.0	1	1,335	—
Total			181,518.93	176,846.23	97.4	342	19,338	14,613

(Note 1) We treat as a fixed-rent master lease when we grant the authority to lease the property to other co-owner and receive a fixed amount in consideration. The same applies hereafter.

(Note 2) “Total leasable area” is the area of the space deemed to be available for the end-tenants. In the case where we lease the entire space to any one tenant in the form of a fixed-rent master lease or where we grant the authority to lease the property to other co-owner and a fixed amount is paid to us in consideration of such granting, such tenant or co-owner is deemed to be the end-tenant. The same applies hereafter. “Total leased area” is equivalent to total floor area of leased space set out in the lease agreements, etc. with the end-tenants. In the case of Koraku Mori Building, Atago Green Hills and Toranomon Hills Mori Tower, this indicates 80%, 74% and 78% of the proportionate ownership ratio, respectively, of the foregoing total leasable area and total leased area, which is rounded off to two decimal places. In the case of ARK Hills South Tower, it indicates 25% of co-ownership interest ratio of the total leasable area and total leased area of the building, which is rounded off to two decimal places. In the case of Akasaka Tameike Tower, the office and shop portions are calculated by multiplying Total leasable area and Total leased area concerning the private-use areas of sectional ownership owned by the trustee, the Asahi Shimbun Company and Mori Building Co., Ltd (all of the relevant portions under these uses) by the distribution ratio for the trust beneficiary interest owned by Mori Hills REIT Investment Corporation (ratio stated in the agreement to amend building lease agreement concluded on July 29, 2016) (65.9%), and the residential portion is calculated by multiplying Total leasable area and Total leased area concerning the private-use areas of sectional ownership owned by the trustee and the Asahi Shimbun Company (128 units) by the distribution ratio for the trust beneficiary interest owned by Mori Hills REIT Investment Corporation (ratio stated in the agreement to amend building lease agreement concluded on January 6, 2016) (67%), and is indicated by rounding off to two decimal places. The same applies hereafter. The total leasable area and total leased area do not include the area of storage space, flat parking lots and machinery, etc. The same applies hereafter.

(Note 3) “Occupancy rate” is calculated by dividing the total leased area for each property by the total leasable area of the property. The total indicates the ratio of the aggregate total leased area for all properties to the aggregate total leasable area for all properties.

(Note 4) “Number of tenants” is computed by counting the number of tenants as to the properties with fixed-rent master lease agreement and Laforet Harajuku (Land) as one. As for other properties, in the case of offices and shops, any one tenant which occupies more than one leased premise within the same property shall be counted as one, and in the case of residence, each residential unit shall be counted as one. The same applies hereafter.

- (Note 5) “Annual contracted rent” for each property is calculated by multiplying the monthly rent provided in the relevant lease agreement, etc. with the end-tenant (which shall be the monthly rent after a free rent period if a free rent period has been established at the beginning of the lease period, or the amount charged to the end-tenants during the period from January 1, 2022 to January 31, 2022 if a percentage rent is adopted) by 12. In the case of Koraku Mori Building, Atago Green Hills and Toranomom Hills Mori Tower, this indicates 80%, 74% and 78% (i.e., the ownership ratio), respectively, of the amount so calculated. In the case of ARK Hills South Tower, it indicates the 25% co-ownership interest ratio of the annual contracted rent. In the case of Akasaka Tameike Tower, the office and shop portions are calculated by multiplying annual contracted rent from the private-use areas of sectional ownership owned by the trustee, the Asahi Shimbun Company and Mori Building Co., Ltd (all of the relevant portions under these uses) by the distribution ratio for the trust beneficiary interest owned by Mori Hills REIT Investment Corporation (65.9%), and the residential portion is calculated by multiplying annual contracted rent from the private-use areas of sectional ownership owned by the trustee and the Asahi Shimbun Company (128 units) by the distribution ratio for the trust beneficiary interest owned by Mori Hills REIT Investment Corporation (67%). The same applies hereafter.
- (Note 6) “Security Deposits” indicates the remaining amount of the security deposit set forth in the relevant lease agreement, etc. with the end-tenant. With regard to Roppongi View Tower, this indicates the amount set forth in the lease agreement with Mori Building Co., Ltd., as master lessee. In the case of Koraku Mori Building, Atago Green Hills and Toranomom Hills Mori Tower, this indicates 80%, 74% and 78% (i.e., the ownership ratio), respectively, of such remaining amount of the security deposit. In the case of ARK Hills South Tower, it indicates the 25% co-ownership interest ratio of the security deposits. In the case of Akasaka Tameike Tower, the office and shop portions are calculated by multiplying security deposits from the private-use areas of sectional ownership owned by the trustee, the Asahi Shimbun Company and Mori Building Co., Ltd (all of the relevant portions under these uses) by the distribution ratio for the trust beneficiary interest owned by Mori Hills REIT Investment Corporation (65.9%), and the residential portion is calculated by multiplying security deposits from the private-use areas of sectional ownership owned by the trustee and the Asahi Shimbun Company (128 units) by the distribution ratio for the trust beneficiary interest owned by Mori Hills REIT Investment Corporation (67%). The same applies hereafter.

(iii) Overview of Lease to Major Tenant

The following table provides certain information regarding a key tenant, which leases 10% or more of the total leased area for the properties in the Company's portfolio as of January 31, 2022 and a brief summary of the lease conditions for such tenant.

Tenant name	Business type	Property name	Annual contracted rent (millions of yen)	Security Deposits (millions of yen)	Leased area (m <sup>2</sup> ) (Note 1)	Percentage of total leased area (%) (Note 2)	Lease expiration date	Lease renewal	Notes
Mori Building Co., Ltd.	Real estate business	Roppongi Hills Mori Tower	5,702	4,752	43,041.54	24.3	Jul. 31, 2026	Auto-renewed every 5 years	23/24 floors
							Sep. 30, 2023	Auto-renewed every 5 years	19/22 floors
							Jul. 31, 2024	Auto-renewed every 5 years	20 floor
							Sep. 30, 2025	Auto-renewed every 5 years	28 floor
							Jan. 31, 2026	Auto-renewed every 5 years	25 floor
							Mar. 31, 2026	Auto-renewed every 5 years	26/27/29 floors
		ARK Mori Building	2,702	2,241	24,588.43	13.9	Jan. 31, 2026	Auto-renewed every 5 years	13 floor
							Jan. 31, 2026	Auto-renewed every 5 years	12/22 floors
							Jan. 31, 2026	Auto-renewed every 5 years	23/25 floors
							Jan. 31, 2026	Auto-renewed every 5 years	4/15/24 floors
							Mar. 31, 2023	Auto-renewed every 5 years	1 floor/Basement 1 through 4/ The area used as district heating and cooling
		Koraku Mori Building	1,274	1,292	15,065.83	8.5	Mar. 3, 2023	Fixed-term lease	—
		Akasaka Tameike Tower	1,592	1,116	18,773.10	10.6	Mar. 31, 2026	Auto-renewed every 5 years	Office and shop areas (including parts of storage areas, parking lots, etc.)
							Mar. 31, 2026	Auto-renewed every 5 years	Residential area (including parts of parking lots, etc.)
		Atago Green Hills	2,024	1,349	29,667.58	16.8	Apr. 30, 2022	Auto-renewed every 5 years	—
ARK Hills South Tower	890	815	7,675.09	4.3	Jul. 31, 2034	Auto-renewed every year	—		
Toranomon Hills Mori Tower	2,419	2,016	19,046.16	10.8	Jul. 31, 2022	Auto-renewed every 5 years	—		
Holland Hills Mori Tower	1,038	923	9,783.97	5.5	Jul. 31, 2032	Auto-renewed every 10 years	—		
Roppongi First Plaza	149	52	2,486.11	1.4	Mar. 3, 2023	Fixed-term lease	—		
Roppongi View Tower	206	53	4,153.36	2.3	Mar. 3, 2023	Fixed-term lease	—		
Total			18,003	14,613	174,281.17	98.5			

(Note 1) “Leased area” is equivalent to floor area of leased space set out in the lease agreement, etc. with the end-tenant. In the case of Koraku Mori Building, Atago Green Hills and Toranomom Hills Mori Tower, this indicates 80%, 74% and 78% of the proportionate ownership ratio, respectively, of the foregoing leased area, which is rounded off to two decimal places. In the case of ARK Hills South Tower, it indicates 25% of co-ownership interest ratio of the leased area of the building, which is rounded off to two decimal places. In the case of Akasaka Tameike Tower, the office and shop portions are calculated by multiplying leased area from the private-use areas of sectional ownership owned by the trustee, the Asahi Shimbun Company and Mori Building Co., Ltd (all of the relevant portions under these uses) by the distribution ratio for the trust beneficiary interest owned by Mori Hills REIT Investment Corporation (65.9%), and the residential portion is calculated by multiplying leased area from the private-use areas of sectional ownership owned by the trustee and the Asahi Shimbun Company (128 units) by the distribution ratio for the trust beneficiary interest owned by Mori Hills REIT Investment Corporation (67%), and is indicated by rounding off to two decimal places. The leased area does not include the area of storage space, flat parking lots, and machinery, etc. The same applies hereafter.

(Note 2) “Percentage of total leased area” indicates the ratio of the total leased area of each property to the aggregate total leased area for all properties held by the Company as of January 31, 2022. The same applies hereafter.

(iv) Five Largest Tenants

The following table shows the Company’s five largest tenants by leased area for the Company’s properties as of January 31, 2022.

Name of end tenant	Property name	Leased area (m <sup>2</sup> )	Percentage of total leased area (%)
Mori Building Co., Ltd.	Roppongi Hills Mori Tower ARK Mori Building Koraku Mori Building Atago Green Hills Toranomom Hills Mori Tower	116,635.93	66.0
Mylan Seiyaku Ltd.	Holland Hills Mori Tower	3,458.53	2.0
Mitsubishi UFJ Research and Consulting Co.,Ltd.	Holland Hills Mori Tower	3,436.90	1.9
Mori Building Ryutsu System Co., Ltd.	Laforet Harajuku (Land)	2,565.06	1.5
Japan Worker's Credit Fund Association	Koraku Mori Building	1,851.87	1.0
SoldOut, Inc.	Koraku Mori Building	1,851.87	1.0
Total		129,800.16	73.4

(v) Overview of Lease to Interested Parties

The following table provides an overview of lease to the end-tenants who are interested parties for the properties held by the Company as of January 31, 2022.

Name of end tenant	Name of occupied property	Leased area (m <sup>2</sup> )	Percentage of total portfolio (%)	Annual contracted rent (thousands of yen)	Lease expiration date	Lease renewal	Type of lease	Notes
Mori Building Co., Ltd.	Roppongi Hills Mori Tower	43,041.54	24.3	5,702,788	Jul. 31, 2026	Auto-renewed every 5 years	Fixed-rent master lease	23/24 floors
					Sep. 30, 2023	Auto-renewed every 5 years	Fixed-rent master lease	19/22 floors
					Jul. 31, 2024	Auto-renewed every 5 years	Fixed-rent master lease	20 floor
					Sep. 30, 2025	Auto-renewed every 5 years	Fixed-rent master lease	28 floor
					Jan. 31, 2026	Auto-renewed every 5 years	Fixed-rent master lease	25 floor
					Mar. 31, 2026	Auto-renewed every 5 years	Fixed-rent master lease	26/27/29 floors
	ARK Mori Building	24,588.43	13.9	2,702,973	Jan. 31, 2026	Auto-renewed every 5 years	Fixed-rent master lease	13 floor
					Jan. 31, 2026	Auto-renewed every 5 years	Fixed-rent master lease	12/22 floors
					Jan. 31, 2026	Auto-renewed every 5 years	Fixed-rent master lease	23/25 floors
					Jan. 31, 2026	Auto-renewed every 5 years	Fixed-rent master lease	4/15/24 floors
					Mar. 31, 2023	Auto-renewed every 5 years	Fixed-rent master lease	1 floor/Basement 1 through 4/ The area used as district heating and cooling
	Koraku Mori Building	292.22	0.2	—	Mar. 31, 2022	—	Memorandum on self-use	—
	Atago Green Hills	29,667.58	16.8	2,024,640	Apr. 30, 2022	Auto-renewed every 5 years	Fixed-rent master lease	—
Toranomon Hills Mori Tower	19,046.16	10.8	2,419,814	Jul. 31, 2022	Auto-renewed every 5 years	Fixed-rent master lease	—	
Mori Building Ryutsu System Co., Ltd.	Laforet Harajuku (Land)	2,565.06	1.5	1,335,600	Sep. 14, 2030	—	Business-use fixed-term land lease	—
Total		119,200.99	67.4	14,185,816				

(vi) Overview of Properties

The following table provides an overview of the properties for which annual contracted rent accounts for 10% or more of the total annual contracted rent for properties held by the Company as of January 31, 2022.

Property number	Property name	Annual contracted rent (millions of yen)	Percentage of annual contracted rent (%) (Note 1)	Total leasable area (m <sup>2</sup> )	Total leased area (m <sup>2</sup> )	Occupancy rate (%)	Number of tenants
O-0	Roppongi Hills Mori Tower	5,702	29.5	43,041.54	43,041.54	100.0	1
O-1	ARK Mori Building	2,702	14.0	24,588.43	24,588.43	100.0	1
O-9	Toranomon Hills Mori Tower	2,419	12.5	19,046.16	19,046.16	100.0	1
O-7	Atago Green Hills	2,024	10.5	29,667.58	29,667.58	100.0	1
Total		12,850	66.4	116,343.71	116,343.71	100.0	4

(Note 1) This indicates the ratio of the annual contracted rent for each property to the aggregate total annual contracted rent for all properties held by the Company as of January 31, 2022.

(vii) Overview of Matters Concerning Design, Etc.

The following table provides the designers, structural designers, contractors, building verification agencies and structural examination agencies for properties held by the Company as of January 31, 2022.

Property number	Property name	Designer	Structural designer	Contractor	Building verification agency	Structural examination agency (Note)
O-0	Roppongi Hills Mori Tower	Mori Building Co., Ltd., first class architect office, and Irie Miyake Architects & Engineers	Mori Building Co., Ltd., first class architect office, and Kozo Keikaku Engineering Inc.	Consortium of Obayashi Corporation and Kajima Corporation	Tokyo Metropolitan Government	The Building Center of Japan
O-1	ARK Mori Building	Mori Building Co., Ltd., first class architect office, and Irie Miyake Architects & Engineers	Mori Building Co., Ltd., first class architect office, and Irie Miyake Architects & Engineers	Consortium of Kajima Corporation, Toda Corporation and Fujita Engineering Co. Ltd.	Tokyo Metropolitan Government	The Building Center of Japan
O-4	Koraku Mori Building	Mori Building Co., Ltd., first class architect office, and GKK Architects & Engineers	Mori Building Co., Ltd., first class architect office, and Orimoto Structural Engineers	Consortium of Shimizu Corporation and Sato Kogyo Co., Ltd.	Tokyo Metropolitan Government	The Building Center of Japan
O-6	Akasaka Tameike Tower	Shimizu Corporation, first class architect office	Shimizu Corporation, first class architect office	Consortium of Shimizu Corporation and Takenaka Corporation	Tokyo Metropolitan Government	The Building Center of Japan
O-7	Atago Green Hills	Mori Building Co., Ltd., first class architect office, and Irie Miyake Architects & Engineers	Mori Building Co., Ltd., first class architect office, and Kozo Keikaku Engineering Inc.	(office building / retail building) Consortium of Takenaka Corporation and Kumagai Gumi Co., Ltd. (residential building) Toda Corporation	Tokyo Metropolitan Government	(office building / residential building) The Building Center of Japan (retail building) Tokyo Metropolitan Government
O-8	ARK Hills South Tower	Mori Building Co., Ltd., first class architect office and Irie Miyake Architects & Engineers	Mori Building Co., Ltd., first class architect office, Irie Miyake Architects & Engineers and Shimizu Corporation, first class architect office	Shimizu Corporation	The Building Center of Japan	The Building Center of Japan
O-9	Toranomon Hills Mori Tower	Nihon Sekkei, Inc.	Nihon Sekkei, Inc. and Obayashi Corporation first class architect office	Obayashi Corporation	The Building Center of Japan	The Building Center of Japan
O-10	Holland Hills Mori Tower	Yamashita Sekkei, Inc.	Yamashita Sekkei, Inc.	Obayashi Corporation	Tokyo Metropolitan Government	The Building Center of Japan
R-3	Roppongi First Plaza	Urban Renaissance Agency, and Irie Miyake Architects & Engineers	Urban Renaissance Agency, and Kozo Keikaku Engineering Inc.	Consortium of Shimizu Corporation and ANDO Corporation	Tokyo Metropolitan Government	The Building Center of Japan
R-4	Roppongi View Tower					

(Note) With regard to structures constructed by special structural methods, such as super high-rise structures or seismic isolated structures, a structural evaluation involving a more detailed examination than general standards must be obtained pursuant to building standards laws and regulations (performance assessment under the Building Standards Act from 2000). In addition, there are cases where it is obtained in accordance with the instructions, etc. of administrative authorities.



(viii) Overview of Engineering Reports

The Company engages an engineering firm to investigate the status of the building (including earthquake risk analysis) and obtains an engineering report from the firm for each property. The following table shows the status of properties held by the Company as of January 31, 2022. “Estimated amount of emergency repair expenses” is the emergency repair expenses estimated by the engineering firm. “Estimated amount of long-term repair expenses” is the annual average amount of repair and renovation expenses over a period of 15 years estimated by the engineering firm.

The report provides a mere opinion of the engineering firm and no guarantee is provided as to the accuracy of the opinion.

No earthquake insurance has been taken out for properties held by the Company.

Property number	Property name	Preparation date	Estimated amount of emergency repair expenses (thousands of yen)	Estimated amount of long-term repair expenses (thousands of yen) (Note 1)(Note 2) (Note 3)(Note 4) (Note 5)	PML (%) (Note 6)	Engineering firm
O-0	Roppongi Hills Mori Tower	Jan. 2021	—	81,196	0.59	Tokyo Bldg-Tech Center Co., Ltd.
O-1	ARK Mori Building	Dec. 2017	—	104,793	0.78	Tokyo Bldg-Tech Center Co., Ltd.
O-4	Koraku Mori Building	Jan. 2017	—	61,275	0.73	Tokyo Bldg-Tech Center Co., Ltd.
O-6	Akasaka Tameike Tower	Jan. 2022	—	100,101	1.79	Tokyo Bldg-Tech Center Co., Ltd.
O-7	Atago Green Hills	MORI Tower (office building)	—	140,220	2.35	Tokio Marine dR Co., Ltd.
		Forest Tower (residential building)	—	75,281	2.34	
		Plaza (retail building)	—	3,104	5.94	
O-8	ARK Hills South Tower	Jul. 2019	—	33,905	1.56	Tokio Marine dR Co., Ltd.
O-9	Toranomon Hills Mori Tower	Feb. 2021	—	13,849	0.50	Tokyo Bldg-Tech Center Co., Ltd.
O-10	Holland Hills Mori Tower	Jun. 2018	—	48,211	0.85	Tokyo Bldg-Tech Center Co., Ltd.
R-3	Roppongi First Plaza	Jan. 2022	—	9,040	2.20	Tokyo Bldg-Tech Center Co., Ltd.
R-4	Roppongi View Tower	Jan. 2022	—	13,366	2.20	Tokyo Bldg-Tech Center Co., Ltd.
S-1	Laforet Harajuku (Land) (Note 7)	—	—	—	—	—
Total			—	684,341	0.90	

(Note 1) With regard to Roppongi Hills Mori Tower, this amount is calculated by multiplying the estimated amount for the entire property by the percentage share of the costs pertaining to the portion in trust provided under the Roppongi Hills Mori Tower Management Rules.

(Note 2) With regard to ARK Mori Building, this amount is calculated by multiplying the estimated amount for the entire property by the percentage share of the costs pertaining to the portion in trust pursuant to the ARK Mori Building Management Rules.

(Note 3) With regard to Atago Green Hills, this amount is calculated by multiplying the estimated amount for the entire property in each building by the percentage share of the costs pertaining to the Company's share in the trust beneficiary interest pursuant to the Atago Green Hills Management Rules.

(Note 4) With regard to ARK Hills South Tower, this amount is calculated by multiplying the estimated amount for the entire property by the co-ownership interest ratio.

(Note 5) With regard to Toranomon Hills Mori Tower, this amount is calculated by multiplying the estimated amount for the entire real estate in trust by the quasi co-ownership ratio for the trust beneficiary interest owned the Company.

(Note 6) This indicates the figure described in the “Report on evaluation of seismic PML for portfolio” dated Feb 15, 2021 by Sompo Risk Management Inc.

(Note 7) With regard to Laforet Harajuku (Land), no investigation is implemented because the Company does not hold any buildings, etc.

(ix) Status of Capital Expenditures

i) Status of Implementation of Capital Expenditures

The following table shows the major construction work falling under the category of capital expenditures that were conducted during the thirty-first fiscal period. Capital expenditures during the thirty-first fiscal period amounted to 203 million yen for the entire portfolio and, combined with 64 million yen in maintenance and repairs and 1.7 million yen in construction management fees charged to expenses for the thirty-first fiscal period, construction work in a total amount of 269 million yen was implemented.

Name of real estate, etc. (Location)	Purpose	Period	Amount of capital expenditures (millions of yen)
Akasaka Tameike Tower (Minato-ku, Tokyo)	Work to change mechanical parking control	From: Sep. 2021 To: Nov. 2021	33
	Work to implement safety measures for mechanical parking	From: Oct. 2021 To: Nov. 2021	22
Atago Green Hills (Minato-ku, Tokyo)	Office building parking lot control system renovation work	From: Sep. 2021 To: Sep. 2021	12
Holland Hills Mori Tower (Minato-ku, Tokyo)	Upgrade work for water heater room	From: Jun. 2021 To: Aug. 2021	10
	LED installation of lights for office exclusive area	From: Oct. 2021 To: Jan. 2022	20
Roppongi First Plaza (Minato-ku, Tokyo)	Residential unit remodeling work	From: Aug. 2021 To: Jan. 2022	10
Roppongi View Tower (Minato-ku, Tokyo)	Residential unit remodeling work	From: Aug. 2021 To: Jan. 2022	12
Other	—	—	82
Total			203

(Note) The projects shown above are those for which capital expenditure exceeds 10 million yen per project.

ii) Schedule of Capital Expenditures

The following table shows the amounts of capital expenditures conducted after the end of the thirty-first fiscal period and the expected amounts of capital expenditures associated with the major renovation construction work, etc. planned as of the date of this document for properties held by the Company as of January 31, 2022. A portion of the total “Expected amount of capital expenditures” detailed below may be treated as expenses for accounting purposes depending on the form of construction work.

Name of real estate, etc. (Location)	Purpose	Scheduled period	Expected amount of capital expenditures (millions of yen)		
			Total amount	Amount paid during the thirtieth fiscal period	Total amount already paid
Roppongi Hills Mori Tower (Minato-ku, Tokyo)	Sprinkler upgrading work in common area	From: Apr. 2021 To: Mar. 2022	41	—	—
	Work to upgrade VAV automatic control equipment in exclusive area	From: Apr. 2021 To: Mar. 2023	235	—	—
	Installation of LED guide lights in exclusive area	From: Apr. 2021 To: Mar. 2023	87	—	—
	LED installation of lights in exclusive area	From: Jun. 2021 To: Mar. 2023	214	—	—
	Work to upgrade lighting operation equipment in exclusive area	From: Jun. 2021 To: Mar. 2023	26	—	—
	Blinds upgrading work	From: Oct. 2021 To: Mar. 2023	155	—	—
ARK Mori Building (Minato-ku, Tokyo)	Exterior wall renovation work	From: Mar. 2021 To: Feb. 2022	25	—	—
	Elevator upgrading work	From: Jun. 2021 To: Feb. 2022	26	—	—
	LED installation of lights in common area for each floor	From: Dec. 2021 To: Feb. 2022	11	—	—
	Sprinkler upgrading work in exclusive area	From: Nov. 2021 To: Jul. 2022	79	—	—
	Remodeling work for common areas of lower floors	From: May. 2022 To: Jan. 2023	57	—	—
Koraku Mori Building (Bunkyo-ku, Tokyo)	LED installation of lights in exclusive area	From: Feb. 2022 To: Jul. 2022	24	—	—
	Air balance unit upgrading work in exclusive area	From: Mar. 2022 To: Jul. 2022	74	—	—
	Security upgrading work for emergency elevator's ancillary room	From: Apr. 2022 To: Jul. 2022	16	—	—
	Purchase of cold water, hot water and cooling water pump	From: May. 2022 To: Jul. 2022	14	—	—
Akasaka Tameike Tower (Minato-ku, Tokyo)	Central monitoring and control system upgrading work	From: Nov. 2022 To: Feb. 2023	12	—	—
	Residential balcony planting renovation work	From: Feb. 2022 To: Jul. 2023	20	—	—
	Residential unit remodeling work	From: Feb. 2022 To: Jul. 2023	23	—	—
	Residential unit home appliances upgrading work	From: Feb. 2022 To: Jul. 2023	36	—	—
	Air balance unit upgrading work in exclusive area	From: Feb. 2022 To: Jul. 2023	57	—	—
	LED installation of lights for office exclusive area	From: Feb. 2022 To: Jul. 2023	25	—	—

Name of real estate, etc. (Location)	Purpose	Scheduled period	Expected amount of capital expenditures (millions of yen)		
			Total amount	Amount paid during the thirtieth fiscal period	Total amount already paid
Atago Green Hills (Minato-ku, Tokyo)	Residential building central monitoring and control system upgrading work	From: Jul. 2021 To: Feb. 2022	17	—	—
	Office building disaster prevention equipment upgrading work	From: Nov. 2021 To: Feb. 2022	63	—	—
	Office building LED installation of lights in common area	From: Feb. 2022 To: Feb. 2022	10	—	—
	Office building window side air conditioner upgrading work	From: Feb. 2022 To: Mar. 2022	27	—	—
	Office building LED installation of lights in exclusive area	From: Jan. 2022 To: Jul. 2022	10	—	—
	Office building gondola renovation work	From: Nov. 2021 To: Dec. 2022	10	—	—
Holland Hills Mori Tower (Minato-ku, Tokyo)	Central monitoring and control system upgrading work	From: Apr. 2021 To: Feb. 2022	44	—	—
	LED installation of lights for office exclusive area	From: Feb. 2022 To: Mar. 2022	10	—	—
	Security system upgrading work	From: Feb. 2022 To: Jun. 2022	36	—	—
Roppongi First Plaza (Minato-ku, Tokyo)	Residential unit remodeling work	From: Feb. 2022 To: Jul. 2022	11	—	—
Roppongi View Tower (Minato-ku, Tokyo)	Residential unit remodeling work	From: Feb. 2022 To: Jul. 2022	24	—	—

(Note) The projects shown are those for which the expected amount exceeds 10 million yen per project.

b) Overview of Trust Beneficiary Interest

(as of January 31, 2022)

Main type of use	Property number	Property name	Trustee	Trust establishment date	Trust maturity date	Notes
	Office buildings	O-0 Premium	Roppongi Hills Mori Tower	Sumitomo Mitsui Trust Bank, Ltd.	Aug. 1, 2011	Jul. 31, 2026
Sumitomo Mitsui Trust Bank, Ltd.				Oct. 1, 2013	Sep. 30, 2028	Trust beneficiary interest in compartmentalized ownership for 19th and 22nd floor portions
Sumitomo Mitsui Trust Bank, Ltd.				Aug. 1, 2014	Jul. 31, 2029	Trust beneficiary interest in compartmentalized ownership for 20th floor portion
Sumitomo Mitsui Trust Bank, Ltd.				Sep. 16, 2015	Sep. 15, 2030	Trust beneficiary interest in compartmentalized ownership for 28th floor portion
Sumitomo Mitsui Trust Bank, Ltd.				Feb. 1, 2016	Jan. 31, 2031	Trust beneficiary interest in compartmentalized ownership for 25th floor portion
Mitsubishi UFJ Trust and Banking Corporation				Apr. 1, 2016	Mar. 31, 2036	Trust beneficiary interest in compartmentalized ownership for 26th, 27th and 29th floor portions
O-1 Premium		ARK Mori Building	Mizuho Trust & Banking Co., Ltd.	Mar. 22, 2006	Mar. 31, 2026	Trust beneficiary interest in compartmentalized ownership for 13th floor portion
			Mizuho Trust & Banking Co., Ltd.	Mar. 28, 2008	Mar. 31, 2026	Trust beneficiary interest in compartmentalized ownership for 12th and 22nd floor portions
			Mizuho Trust & Banking Co., Ltd.	Mar. 18, 2011	Mar. 31, 2026	Trust beneficiary interest in compartmentalized ownership for 23rd and 25th floor portions
			Sumitomo Mitsui Trust Bank, Ltd.	Aug. 1, 2011	Jul. 31, 2026	Trust beneficiary interest in compartmentalized ownership for 4th, 15th and 24th floor portions
			Sumitomo Mitsui Trust Bank, Ltd.	Apr. 1, 2013	Mar. 31, 2028	Trust beneficiary interest in compartmentalized ownership for the area used as district heating and cooling on the 1st floor and the 1st through 4th floor below ground portions
O-4 Premium		Koraku Mori Building	Sumitomo Mitsui Trust Bank, Ltd.	Mar. 4, 2003	Mar. 3, 2023	Trust beneficiary interest representing 80% interest in the assets in trust;
						Trust beneficiary interest representing the remaining 20% interest in the assets in trust is held by Mori Building Co., Ltd.
O-6 Premium		Akasaka Tameike Tower	Sumitomo Mitsui Trust Bank, Ltd.	Sep. 30, 2008	Mar. 31, 2026	Trust beneficiary interest in office and shop areas (including parts of storage areas, parking lots, etc.)
			Sumitomo Mitsui Trust Bank, Ltd.	Mar. 18, 2011	Mar. 31, 2026	Trust beneficiary interest in residential area (including parts of parking lots, etc.)
O-7 Premium		Atago Green Hills	Mitsubishi UFJ Trust and Banking Corporation	May 1, 2012	Apr. 30, 2027	Trust beneficiary interest representing 74% interest in the assets in trust;
						Trust beneficiary interest representing the remaining 26% interest in the assets in trust is held by Mori Building Co., Ltd.
O-8 Premium		ARK Hills South Tower	Mitsubishi UFJ Trust and Banking Corporation	Aug. 1, 2014	Jul. 31, 2034	Trust beneficiary interest in the 25% co-ownership

Main type of use	Property number	Property name	Trustee	Trust establishment date	Trust maturity date	Notes
Office buildings	O-9	Toranomon Hills Mori Tower	Mitsubishi UFJ Trust and Banking Corporation	Jun. 26, 2014	Jul. 31, 2037	Trust beneficiary interest representing 78% interest in the assets in trust; Trust beneficiary interest representing the remaining 22% interest in the assets in trust is held by Mori Building Co., Ltd.
	Premium					
	O-10	Holland Hills Mori Tower	Sumitomo Mitsui Trust Bank, Ltd.	Aug. 1, 2017	Jul. 31, 2032	Trust beneficiary interest in compartmentalized ownership for 3rd-4th, part of the 5th, 14-18th and 22nd-24th floor portions
	Premium					
Residential properties	R-3	Roppongi First Plaza	Sumitomo Mitsui Trust Bank, Ltd.	Mar. 4, 2003	Mar. 3, 2023	—
	Premium					
	R-4	Roppongi View Tower	Sumitomo Mitsui Trust Bank, Ltd.	Mar. 4, 2003	Mar. 3, 2023	Trust beneficiary interest in compartmentalized ownership for 80 units in Roppongi View Tower
	Sumitomo Mitsui Trust Bank, Ltd.		Mar. 22, 2006	Mar. 3, 2023	Trust beneficiary interest in compartmentalized ownership for 12 units in Roppongi View Tower	

c) Status of Portfolio

(i) Investment Ratio by Property Quality

(as of January 31, 2022)

Quality category (Note)	Number of properties	Acquisition price (millions of yen)	Percentage of total portfolio acquisition price (%)
Premium Properties	10	406,780	99.0
Other Properties	1	4,000	1.0
Total	11	410,780	100.0

(Note) For the Premium Properties in the quality category, please refer to “2. Investment Policy; (1) Investment Policy; (B) Management Strategy; (a) Key Strategy; a. Development of Urban Portfolio with Premium Properties at the Core; i. Investments that Focus on Premium Properties” in the most recent securities report (submitted on October 27, 2021).

(ii) Investment Ratio by Main Type of Use

(as of January 31, 2022)

Main type of use	Number of properties	Acquisition price (millions of yen)	Percentage of total portfolio acquisition price (%)
Office buildings	8	382,860	93.2
Residential properties	2	6,100	1.5
Retail Facility	1	21,820	5.3
Total	11	410,780	100.0

(iii) Investment Ratio by Region

(as of January 31, 2022)

Region		Number of properties	Acquisition price (millions of yen)	Percentage of total portfolio acquisition price (%)
Tokyo metropolitan area	Tokyo's five central wards and their vicinity	11	410,780	100.0
	Minato Ward	9	361,760	88.1
	Bunkyo Ward	1	27,200	6.6
	Shibuya Ward	1	21,820	5.3
	Tokyo, Kanagawa, Chiba and Saitama Prefectures	11	410,780	100.0
Principal regional cities	Cities designated by Cabinet Order and their equivalent principal cities in Japan other than those located in Tokyo metropolitan area	—	—	—
Total		11	410,780	100.0

(iv) Investment Ratio by Property Age

(as of January 31, 2022)

Property age	Number of properties	Acquisition price (millions of yen)	Percentage of total portfolio acquisition price (%)
Less than 10 years	2	75,450	19.4
Equal to or more than 10 years but less than 15 years	—	—	—
Equal to or more than 15 years	8	313,510	80.6
Total	10	388,960	100.0

(Note) In aggregate calculation, Atago Green Hills is deemed to have been constructed on July 30, 2001, and Laforet Harajuku (Land) falls outside the calculations. The same applies to “(v) Investment Ratio by Property Size” below. The average age of the properties in the Company’s portfolio, calculated as the weighted average of the building age based on the acquisition price is 20.2 years which is rounded off to the nearest decimal place.

(v) Investment Ratio by Property Size

(as of January 31, 2022)

Property Size (Note)	Number of properties	Acquisition price (millions of yen)	Percentage of total portfolio acquisition price (%)
Equal to or more than 30,000m <sup>2</sup>	8	382,860	98.4
Equal to or more than 10,000m <sup>2</sup> but less than 30,000m <sup>2</sup>	2	6,100	1.6
Less than 10,000m <sup>2</sup>	—	—	—
Total	10	388,960	100.0

(Note) “Property Size” is based on the total floor area of the entire building, regardless of the form of ownership. With regard to Roppongi First Plaza and Roppongi View Tower, the total floor area for each property is deemed to be 22,906.74 m<sup>2</sup> and calculated as a separate building.



d) Status of Income and Expenditures

(Unit: thousands of yen)

Property number	O-0			O-1		
Property name	Roppongi Hills Mori Tower			ARK Mori Building		
Period	Thirtieth fiscal period ended July 2021	Thirty-first fiscal period ended January 2022	Difference	Thirtieth fiscal period ended July 2021	Thirty-first fiscal period ended January 2022	Difference
Operation days	181 days	184 days	3 days	181 days	184 days	3 days
Occupancy rate	100.0%	100.0%	0.0PT	100.0%	100.0%	0.0PT
Number of tenants	1	1	0	1	1	0
Rent revenues	2,943,450	2,851,394	(92,056)	1,351,486	1,351,486	—
Other operating revenues	—	—	—	—	—	—
Total property operating revenue	2,943,450	2,851,394	(92,056)	1,351,486	1,351,486	—
Property management fees	447,868	447,868	—	164,853	182,443	17,589
Property taxes (Note 1)	262,998	262,518	(479)	84,322	83,675	(646)
Utilities	—	—	—	—	—	—
Maintenance and repairs	—	—	—	355	—	(355)
Insurance premium	4,656	5,108	451	2,123	2,286	162
Depreciation and amortization (1)	336,828	331,646	(5,181)	69,589	69,969	379
Other expenses (Note 2)	376	373	(2)	2,693	2,784	90
Total property operating expenses	1,052,727	1,047,515	(5,212)	323,938	341,159	17,221
Property operating income (2)	1,890,722	1,803,878	(86,844)	1,027,548	1,010,326	(17,221)
NOI (3) ((1)+(2))	2,227,551	2,135,525	(92,025)	1,097,138	1,080,296	(16,842)
Capex (4)	386,688	—	(386,688)	80,475	4,545	(75,930)
NCF (3)-(4)	1,840,863	2,135,525	294,662	1,016,662	1,075,750	59,088

(Note 1) 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 property operating expenses. 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 and city planning 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.

(Note 2) "Other expenses" denotes the sum of custodian fees, rent expenses, and other lease business expenses (residential property management costs, and other property-related miscellaneous expenses) in aggregate.

(Note 3) Additionally acquired on August 2, 2021.

(Unit: thousands of yen)

Property number	O-4			O-6		
Property name	Koraku Mori Building			Akasaka Tameike Tower		
Period	Thirtieth fiscal period ended July 2021	Thirty-first fiscal period ended January 2022	Difference	Thirtieth fiscal period ended July 2021	Thirty-first fiscal period ended January 2022	Difference
Operation days	181 days	184 days	3 days	181 days	184 days	3 days
Occupancy rate	91.2%	93.0%	1.8PT	94.5%	94.9%	0.4PT
Number of tenants	21	21	0	135	138	3
Rent revenues	647,199	622,848	(24,351)	779,529	786,774	7,245
Other operating revenues	74,001	73,774	(226)	73,186	73,011	(174)
Total property operating revenue	721,200	696,622	(24,578)	852,715	859,786	7,071
Property management fees	84,342	82,044	(2,298)	173,187	174,646	1,459
Property taxes (Note 1)	32,811	30,397	(2,414)	43,589	41,839	(1,749)
Utilities	50,339	56,436	6,097	22,013	27,231	5,218
Maintenance and repairs	19,509	4,470	(15,039)	29,327	44,351	15,024
Insurance premium	1,737	1,807	69	2,163	2,251	88
Depreciation and amortization (1)	91,764	93,165	1,401	135,085	137,769	2,683
Other expenses (Note 2)	83,951	86,914	2,963	10,624	10,622	(2)
Total property operating expenses	364,456	355,235	(9,220)	415,991	438,713	22,721
Property operating income (2)	356,744	341,386	(15,357)	436,724	421,073	(15,650)
NOI (3) ((1)+(2))	448,508	434,552	(13,955)	571,810	558,842	(12,967)
Capex (4)	74,881	12,776	(62,104)	155,044	90,348	(64,695)
NCF (3)-(4)	373,626	421,776	48,149	416,765	468,494	51,728

(Unit: thousands of yen)

Property number	O-7			O-8		
Property name	Atago Green Hills			ARK Hills South Tower		
Period	Thirtieth fiscal period ended July 2021	Thirty-first fiscal period ended January 2022	Difference	Thirtieth fiscal period ended July 2021	Thirty-first fiscal period ended January 2022	Difference
Operation days	181 days	184 days	3 days	181 days	184 days	3 days
Occupancy rate	100.0%	100.0%	0.0PT	94.4%	85.3%	(9.1PT)
Number of tenants	1	1	0	43	39	(4)
Rent revenues	1,012,320	1,012,320	—	459,495	435,312	(24,183)
Other operating revenues	—	—	—	21,380	25,931	4,550
Total property operating revenue	1,012,320	1,012,320	—	480,876	461,243	(19,632)
Property management fees	2,664	2,664	—	44,838	45,526	688
Property taxes (Note 1)	69,178	68,848	(330)	36,503	35,918	(585)
Utilities	—	—	—	22,480	27,147	4,667
Maintenance and repairs	—	—	—	4,832	6,033	1,200
Insurance premium	3,714	3,812	98	1,123	1,204	81
Depreciation and amortization (1)	190,907	179,276	(11,631)	44,500	44,536	36
Other expenses (Note 2)	53,681	58,202	4,521	1,138	1,720	582
Total property operating expenses	320,145	312,803	(7,341)	155,416	162,087	6,670
Property operating income (2)	692,174	699,516	7,341	325,459	299,156	(26,303)
NOI (3) ((1)+(2))	883,081	878,792	(4,289)	369,959	343,692	(26,266)
Capex (4)	191,485	31,343	(160,141)	2,358	876	(1,482)
NCF (3)-(4)	691,596	847,449	155,852	367,601	342,816	(24,784)

(Unit: thousands of yen)

Property number	O-9			O-10		
Property name	Toranomom Hills Mori Tower			Holland Hills Mori Tower		
Period	Thirtieth fiscal period ended July 2021	Thirty-first fiscal period ended January 2022 (Note 3)	Difference	Thirtieth fiscal period ended July 2021	Thirty-first fiscal period ended January 2022	Difference
Operation days	181 days	184 days	3 days	181 days	184 days	3 days
Occupancy rate	100.0%	100.0%	0.0PT	96.3%	96.3%	0.0PT
Number of tenants	1	1	0	21	21	0
Rent revenues	1,039,279	1,208,989	169,710	524,667	515,201	(9,466)
Other operating revenues	—	—	—	63,628	21,760	(41,868)
Total property operating revenue	1,039,279	1,208,989	169,710	588,296	536,962	(51,334)
Property management fees	117,086	138,332	21,246	102,524	101,396	(1,127)
Property taxes (Note 1)	72,511	82,870	10,359	35,615	35,591	(24)
Utilities	—	—	—	4,549	5,399	849
Maintenance and repairs	—	—	—	4,412	925	(3,486)
Insurance premium	1,925	2,405	479	1,172	1,234	61
Depreciation and amortization (1)	131,502	151,144	19,641	44,066	42,815	(1,250)
Other expenses (Note 2)	95	111	15	210	209	(0)
Total property operating expenses	323,121	374,863	51,742	192,550	187,571	(4,978)
Property operating income (2)	716,157	834,125	117,968	395,746	349,390	(46,355)
NOI (3) ((1)+(2))	847,660	985,269	137,609	439,812	392,206	(47,605)
Capex (4)	1,904	—	(1,904)	54,403	37,669	(16,734)
NCF (3)-(4)	845,755	985,269	139,514	385,408	354,537	(30,871)

(Unit: thousands of yen)

Property number	R-3			R-4		
Property name	Roppongi First Plaza			Roppongi View Tower		
Period	Thirtieth fiscal period ended July 2021	Thirty-first fiscal period ended January 2022	Difference	Thirtieth fiscal period ended July 2021	Thirty-first fiscal period ended January 2022	Difference
Operation days	181 days	184 days	3 days	181 days	184 days	3 days
Occupancy rate	82.4%	84.1%	1.7PT	92.3%	92.0%	(0.3PT)
Number of tenants	34	35	1	84	83	(1)
Rent revenues	79,842	72,500	(7,341)	103,967	101,567	(2,399)
Other operating revenues	—	—	—	—	—	—
Total property operating revenue	79,842	72,500	(7,341)	103,967	101,567	(2,399)
Property management fees	11,923	11,974	51	13,872	13,718	(154)
Property taxes (Note 1)	8,369	8,362	(7)	12,715	12,701	(14)
Utilities	1,088	1,364	276	957	1,057	99
Maintenance and repairs	2,451	4,051	1,599	1,758	4,202	2,443
Insurance premium	238	247	9	350	361	10
Depreciation and amortization (1)	11,639	11,810	170	16,937	17,001	63
Other expenses (Note 2)	3,820	3,814	(6)	587	586	(0)
Total property operating expenses	39,532	41,626	2,094	47,181	49,628	2,447
Property operating income (2)	40,310	30,874	(9,435)	56,786	51,939	(4,847)
NOI (3) ((1)+(2))	51,950	42,684	(9,265)	73,724	68,940	(4,784)
Capex (4)	17,104	11,258	(5,845)	6,732	14,989	8,257
NCF (3)-(4)	34,845	31,425	(3,420)	66,991	53,950	(13,041)

(Unit: thousands of yen)

Property number	S-1			Portfolio total		
Property name	Laforet Harajuku (Land)					
Period	Thirtieth fiscal period ended July 2021	Thirty-first fiscal period ended January 2022	Difference	Thirtieth fiscal period ended July 2021	Thirty-first fiscal period ended January 2022 (Note 3)	Difference
Operation days	181 days	184 days	3 days	181 days	184 days	3 days
Occupancy rate	100.0%	100.0%	0.0PT	97.6%	97.4%	(0.2PT)
Number of tenants	1	1	0	343	342	(1)
Rent revenues	667,800	667,800	—	9,609,038	9,626,195	17,157
Other operating revenues	—	—	—	232,197	194,479	(37,718)
Total property operating revenue	667,800	667,800	—	9,841,235	9,820,674	(20,560)
Property management fees	—	—	—	1,163,160	1,200,616	37,455
Property taxes (Note 1)	90,451	90,450	(1)	749,067	753,174	4,107
Utilities	—	—	—	101,428	118,637	17,208
Maintenance and repairs	—	—	—	62,647	64,033	1,386
Insurance premium	—	—	—	19,207	20,720	1,512
Depreciation and amortization (1)	—	—	—	1,072,822	1,079,135	6,312
Other expenses (Note 2)	—	—	—	157,179	165,339	8,159
Total property operating expenses	90,451	90,450	(1)	3,325,513	3,401,656	76,143
Property operating income (2)	577,349	577,350	1	6,515,722	6,419,018	(96,704)
NOI (3) ((1)+(2))	577,349	577,350	1	7,588,544	7,498,153	(90,391)
Capex (4)	—	—	—	971,078	203,807	(767,270)
NCF (3)-(4)	577,349	577,350	1	6,617,466	7,294,346	676,879

Disclaimer:

This report is a translation of the Japanese language Financial Release (*Kessan-Tanshin*) dated March 17, 2022 of Mori Hills REIT Investment Corporation (the Company) prepared under the timely-disclosure requirements of the Tokyo Stock Exchange.

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