

For Translation Purposes Only

FINANCIAL REPORT

FOR THE THIRTY-THIRD FISCAL PERIOD ENDED JANUARY 31, 2023

March 17, 2023

Name of issuer:	Mori Hills REIT Investment Corporation
Stock exchange listing:	Tokyo Stock Exchange
Securities code:	3234
Website:	https://www.mori-hills-reit.co.jp/en
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 26, 2023
Scheduled date for dividends payment:	April 19, 2023
Supplementary materials for financial results:	Otherwise prepared
Analyst meeting:	Scheduled

1. PERFORMANCE FOR THE THIRTY-THIRD FISCAL PERIOD ENDED JANUARY 31, 2023 (August 1, 2022 – January 31, 2023)

(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-Third Fiscal Period	11,210	0.1	6,945	(0.6)	6,405	(0.6)	6,404	(0.6)
Thirty-Second Fiscal Period	11,197	14.0	6,985	14.8	6,443	16.8	6,443	16.9

	Net Income per Unit	Net Income to Total Net Assets	Ordinary Income to Total Assets	Ordinary Income to Operating Revenue
	Yen	%	%	%
Thirty-Third Fiscal Period	3,342	3.1	1.5	57.1
Thirty-Second Fiscal Period	3,362	3.2	1.6	57.5

(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-Third Fiscal Period	3,040	5,825	—	—	90.9	2.9
Thirty-Second Fiscal Period	3,030	5,806	—	—	90.1	2.9

(Note 1) Dividend Payout Ratio is calculated by using the formula below and is rounded down to one decimal place.

$$\text{Dividend Payout Ratio} = [\text{Total Dividends (excluding dividends in excess of earnings)} \div \text{Net Income}] \times 100$$

(Note 2) The difference between Dividends per Unit and Net Income per Unit for the Thirty-Third fiscal period is due to the reserve for reduction entry (579million yen) having been accumulated.

The difference between Dividends per Unit and Net Income per Unit for the Thirty-Second fiscal period is due to the reserve for reduction entry (636 million yen) having been accumulated.

(3) Financial Position

	Total Assets	Net Assets	Net Assets to Total Assets	Net Assets per Unit
	Millions of yen	Millions of yen	%	Yen
Thirty-Third Fiscal Period	415,261	205,155	49.4	107,056
Thirty-Second Fiscal Period	412,892	202,797	49.1	105,825

(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-Third Fiscal Period	9,194	(67)	(5,805)	18,914
Thirty-Second Fiscal Period	9,741	(666)	(5,608)	15,592

2. FORECAST OF RESULTS FOR THE THIRTY-FOURTH FISCAL PERIOD ENDING JULY 31, 2023 (February 1, 2023 – July 31, 2023) AND THE THIRTY-FIFTH FISCAL PERIOD ENDING JANUARY 31, 2024 (August 1, 2023 – January 31, 2024)

(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-Fourth Fiscal Period	11,215	0.0	6,896	(0.7)	6,360	(0.7)	6,359	(0.7)
Thirty-Fifth Fiscal Period	11,166	(0.4)	6,798	(1.4)	6,276	(1.3)	6,275	(1.3)

	Dividends per Unit (excluding dividends in excess of earnings)	Dividends in Excess of Earnings per Unit
	Yen	Yen
Thirty-Fourth Fiscal Period	3,050	—
Thirty-Fifth Fiscal Period	3,060	—

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

Thirty-Fourth fiscal period: ¥3,318

Thirty-Fifth fiscal period: ¥3,274

(Note1) Dividend per unit for the Thirty-Fourth fiscal period is calculated based on the assumption that distributions will be made in the remaining amount after deduction of reserve for special account for reduction entry (513 million yen) from net income.

(Note2) Dividend per unit for the Thirty-Fourth fiscal period is calculated based on the assumption that distributions will be made in the remaining amount after deduction of reserve for special account for reduction entry (411 million yen) 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.: None
 - (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-Third fiscal period: 1,916,330 units | Thirty-Second fiscal period: 1,916,330 units |
|---|--|

- (b) Number of own units at end of the period
- | | |
|-------------------------------------|--------------------------------------|
| Thirty-Third fiscal period: 0 units | Thirty-Second 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 34

* 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-Fourth Fiscal Period Ending July 31, 2023 (February 1, 2023 – July 31, 2023) and the Thirty-Fifth Fiscal Period Ending January 31, 2024 (August 1, 2023 – January 31, 2024)" presented on pages 10 to 11.

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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-Third fiscal period: August 1, 2022 to January 31, 2023), as of the end of the Thirty-Third 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-third fiscal period, although inflation resulted in downward pressure on economic activity, the Japanese economy continued to recover moderately with significant improvement in inbound demand due to progress in relaxation of entry restrictions while exports as well as consumer spending managed to remain strong.

Under such an economic environment, in the rental office market, rent levels maintained their sluggish conditions given weak demand for office expansion or new opening of offices, and vacancy rates remained at a relatively high level. As for the luxury rental housing market, occupancy rates and rent levels remained solid driven by ongoing stable demand for quality housing in central Tokyo. In terms of the real estate trading market, transaction prices continued to be high as no changes in investment appetite were seen among investors at home and abroad. The transaction amount also remained at a high level, led by large transactions by foreign companies and developers, although property acquisition activities by J-REITs continued to be stagnant.

(ii) Business Performance

In the thirty-third 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-third fiscal period, was comprised of 11 properties (Note 1) under management with a total leasable area of 181,154.65m². The Company has already invested 407,725 million yen (based on the acquisition price) into this portfolio. The occupancy rate at the end of the thirty-third fiscal period (Note 2) was 98.9 %.

(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 6,000 million yen for the refinancing of existing long-term loans payable in the amount of 6,000 million yen.

As a result, as of the end of the thirty-third 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 20,400 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 10,079 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 134,666 million yen of the 162,043 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-third fiscal period is 85.8%). 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-third 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-third fiscal period 11,210 million yen in operating revenue, 6,945 million yen in operating income, 6,405 million yen in ordinary income and 6,404 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. In the thirty-third fiscal period, the Company decided to accumulate part of the gain on transfer of Laforet Harajuku (Land), which was transferred in December 2022, as reserve for reduction entry by applying Article 65-7 "Special Provisions for Taxation in Cases of Replacement of Certain Assets" of the Special Taxation Measures Law. Accordingly, the Company decided to pay out dividends of earnings (5,825,643,200 yen), which is the maximum integral multiple of the total number of investment units issued and outstanding (1,916,330 units), out of the amount remaining after reserving said reserve for reduction entry and retained earnings carried forward from the unappropriated retained earnings.

As a result, the Company declared dividends per unit of 3,040 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.

(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 made the resolution at its Board of Directors' meeting held on March 17, 2023, to additionally transfer a part of Laforet Harajuku (Land).

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

(i) Overview of Transfer

Property name	Laforet Harajuku (Land)	
Asset to be transferred	Trust beneficiary interest (Note 1) ((1): 7% quasi co-ownership interest)	Trust beneficiary interest (Note 1) ((2): 7% quasi co-ownership interest)
Book value	1,545 million yen (Note 2)	1,545 million yen (Note 2)
Transfer price	2,926 million yen (Note 3)	2,926 million yen (Note 3)
Gain (loss) on transfer	1,375 million yen (Note 4)	1,373 million yen (Note 4)
Sales agreement date	March 17, 2023	
Anticipated Transfer date	June 30, 2023	December 1, 2023
Buyer	Mori Building Co., Ltd	

(Note 1) The Company plans to transfer trust beneficiary interest in ownership of land (land of Laforet Harajuku; hereafter the "Property") to which fixed-term business-use leasehold rights are attached for the purpose of owning retail and other facilities. However, the Company will continue to hold the remaining 72% 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, 2023. 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.

(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 June 30, 2023) and (2): 7% quasi co-ownership interest (transfer on December 1, 2023))	
Trustee	Sumitomo Mitsui Trust Bank, Ltd.	
Trust establishment period	From July 1, 2022 to July 31, 2042	
Location (Residential indication)	1-11-6 Jingumae, Shibuya-ku, Tokyo	
Area (Note 1)	2,565.06 m ²	
Form of ownership	Ownership	
Book value	(1) : 1,545 million yen (2) : 1,545 million yen	
Transfer price	(1) : 2,926 million yen (2) : 2,926 million yen	
Gain (loss) on transfer	(1) : 1,375 million yen (2) : 1,373 million yen	
Appraisal	Appraiser	Japan Real Estate Institute
	Appraisal value (Note 2)	5,852 million yen (Appraisal date: February 1, 2023)
Anticipated Transfer date	(1) : June 30, 2023 (Note 3) (2) : December 1, 2023	
Content of lease (As of March 17, 2023)		
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 4)	186,984,000 yen	
Deposits/ Guarantees	None	
Total leasable floor area (Note 5)	359.11 m ²	
Total leased floor area (Note 6)	359.11 m ²	
Other special consideration	None	

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

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

(Note 3) Regardless of anticipated transfer date, July 1, 2023, is the beginning date when revenue and cost of the asset to be transferred will be attributed to the buyer.

(Note 4) 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 5) 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 6) The total leased floor area represents the figure obtained by multiplying the floor area leased to the lessee by the 14% quasi co-ownership interest in the trust beneficiary interest, rounded to the second decimal place.

(Note 7) In the case either the Company or Mori Building Co., Ltd, which is the buyer, is to transfer the quasi co-ownership interest in trust beneficiary interest it holds to a third party, written approval from the other holder(s) of the quasi co-ownership interest is necessary.

(Reference Information)

Funds for Refinancing

The Company made the following resolution at its Board of Directors' meeting held on March 17, 2023, regarding the loan agreement concluded for the refinancing of 1,700 million yen of long-term loans payable due March 27, 2023 and 7,500 million yen of long-term loans payable due March 31, 2023.

Lender (anticipated)	Borrowing amount (million yen)	Interest rate	Scheduled drawdown date	Repayment date (Note 3)	Method of repayment	Collateral
Development Bank of Japan Inc.	1,700	Base interest rate +0.350% (Note 1)	March 27, 2023	March 31, 2032	To be repaid in full on the principal repayment date	Unsecured/ Unguaranteed
Resona Bank, Ltd	800	Base interest rate +0.200% (Note 2)	March 31, 2023	March 31, 2030		
The Hiroshima Bank, Ltd.	1,000	Base interest rate +0.200% (Note 2)		March 31, 2030		
Sumitomo Mitsui Banking Corporation	2,200	Base interest rate +0.225% (Note 2)		March 31, 2031		
SBI Shinsei Bank, Limited	500	Base interest rate +0.300% (Note 2)		March 31, 2031		
The Norinchukin Bank	1,000	Base interest rate +0.350% (Note 2)		March 31, 2032		
Mizuho Trust & Banking Co., Ltd.	500	Base interest rate +0.300% (Note 2)		March 31, 2032		
Mitsubishi UFJ Trust and Banking Corporation	1,500	Base interest rate +0.380% (Note 2)		March 31, 2033		

(Note 1) The first payment date shall be the last day of April 2023 and subsequent payment dates shall be the last day of January, April, July, and October every year thereafter. The last payment date shall be the principal repayment date. If the date is not a business day, the next business day shall be the date and if this next business day falls into the following month, the business day prior shall be the payment date.

Base interest rate to be applied will be the 3-month JBA Japanese Yen TIBOR announced by the Japanese Bankers Association two business days prior to the last payment day (The first payment date shall be the drawdown date).

(Note 2) The first payment date shall be the last day of June 2023 and subsequent payment dates shall be the last day of March, June, September, and December every year thereafter. The last payment date shall be the principal repayment date. If the date is not a business day, the next business day shall be the date and if this next business day falls into the following month, the business day prior shall be the payment date.

Base interest rate to be applied will be the 3-month JBA Japanese Yen TIBOR announced by the Japanese Bankers Association two business days prior to the last payment day (The first payment date shall be the drawdown date).

(Note 3) If the repayment date is not a business day, the next business day shall be the repayment date. If this next business day falls into the following month, the business day prior shall be the repayment date.

c) Outlook of Business Results

The Company expects the following business results for thirty-fourth fiscal period (February 1, 2023 to July 31, 2023) and the thirty-fifth fiscal period (August 1, 2023 to January 31, 2024). For the assumptions underlying the forecasts of results, please refer to “Assumptions of Forecasts of Results for the Thirty-Fourth Fiscal Period Ending July 31, 2023 (February 1, 2023 – July 31, 2023) and the Thirty-Fifth Fiscal Period Ending January 31, 2024 (August 1, 2023 – January 31, 2024)” presented below.

Thirty-Fourth Fiscal Period Ending July 31, 2023 (February 1, 2023 – July 31, 2023)

Operating revenue	¥ 11,215 million
Operating income	¥ 6,896 million
Ordinary income	¥ 6,360 million
Net income	¥ 6,359 million
Dividends per unit	¥ 3,050
(excluding dividends in excess of earnings)	
Dividends in excess of earnings per unit	¥—

Thirty-Fifth Fiscal Period Ending January 31, 2024 (August 1, 2023 – January 31, 2024)

Operating revenue	¥ 11,166 million
Operating income	¥ 6,798 million
Ordinary income	¥ 6,276 million
Net income	¥ 6,275 million
Dividends per unit	¥ 3,060
(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-Fourth Fiscal Period Ending July 31, 2023 (February 1, 2023 – July 31, 2023) and the Thirty-Fifth Fiscal Period Ending January 31, 2024 (August 1, 2023 – January 31, 2024)

Item	Assumptions
Accounting Period	<p>Thirty-Fourth fiscal period: February 1, 2023 – July 31, 2023 (181 days)</p> <p>Thirty-Fifth fiscal period: August 1, 2023 – January 31, 2024 (184 days)</p>
Portfolio Assets	<ul style="list-style-type: none"> • Regarding the 11 properties held as of the end of the fiscal period ended January 31, 2023, the Company has reflected the impact of the transfer of part of Laforet Harajuku (Land) scheduled on June 30 and December 1, 2023. • The actual portfolio assets may differ from this assumption due to additional changes.
Operating Revenue	<ul style="list-style-type: none"> • Rent revenues are estimated based on lease agreements, etc., taking into account the market environment, the trends of individual tenants and other factors. • Gain on transfer of the above portfolio assets is expected to be 1,375 million yen for the fiscal period ending July 31, 2023 and 1,373 million yen for the fiscal period ending January 31, 2024. • The Company assumes that there will be no delinquencies or non-payment of rents by tenants.
Operating Expenses	<ul style="list-style-type: none"> • For expenses related to properties, major operating expenses of 3,556 million yen and 3,608 million yen are expected for the fiscal periods ending July 31, 2023 and January 31, 2024, 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"> (i) For property taxes, city planning taxes, etc., 809 million yen (for six months) and 815 million yen (for six months) are expected for the fiscal period ending July 31, 2023 and January 31, 2024, respectively. (ii) For building maintenance and repairs, the Company recorded the estimated required amount for the respective fiscal periods as 94 million yen for the fiscal period ending July 31, 2023 and 118 million yen for the fiscal period ending January 31, 2024. 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. (iii) Depreciation and amortization, which are calculated using the straight-line method with future additional capital expenditures taken into account, are expected to be 1,099 million yen in the fiscal period ending July 31, 2023 and 1,091 million yen in the fiscal period ending January 31, 2024. (iv) For property management fees, 1,196 million yen is expected for the fiscal period ending July 31, 2023 and 1,213 million yen is expected for the fiscal period ending January 31, 2024. • For the operating expenses other than expenses related to properties (asset management fee, asset custody fee, administrative service fees, etc.), 762 million yen is expected for the fiscal period ending July 31, 2023 and 759 million yen is expected for the fiscal period ending January 31, 2024.

Item	Assumptions
Non-Operating Expenses	<ul style="list-style-type: none"> • The Company expects to incur 348 million yen for the fiscal period ending July 31, 2023 and 348 million yen for the fiscal period ending January 31, 2024 in interest expenses, 52 million yen for the fiscal period ending July 31, 2023 and 52 million yen for the fiscal period ending January 31, 2024 in interest expenses on investment corporation bonds, and 119 million yen for the fiscal period ending July 31, 2023 and 110 million yen for the fiscal period ending January 31, 2024 in borrowing expenses. • The Company expects to incur 5 million yen for the fiscal period ending July 31, 2023 in amortization of investment unit issuance expenses.
Interest-Bearing Debt	<ul style="list-style-type: none"> • The Company's balance of interest-bearing debt as of the end of the fiscal period ended January 31, 2023 is 192,422 million yen. • The balance of loans payable outstanding as of the end of the fiscal period ended January 31, 2023 is 172,122 million yen. The Company assumes that, of that amount, the 20,400 million yen balance of loans payable due for repayment by the end of the fiscal period ending January 31, 2024 will be refinanced in the entire amount. • 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, 2023 through the end of the fiscal period ending January 31, 2024.
Issuance of Investment Units	<ul style="list-style-type: none"> • 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, 2024.
Dividends per Unit (excluding dividends in excess of earnings)	<ul style="list-style-type: none"> • 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. • It is assumed that a part of gain on sale from the transfer of the above portfolio assets (1,375 million yen for the fiscal period ending July 31, 2023, and 1,373 million yen for the fiscal period ending January 31, 2024) will be set aside as reserve for special account for reduction entry by applying "special provisions for taxation in cases of replacement of certain assets" (Article 65-7 of the Act on Special Measures Concerning Taxation) and "special provisions for taxation in cases of establishment of special account due to transfer of certain assets" (Article 65-8 of the Act on Special Measures Concerning Taxation). In the case the acquisitions of assets regarding replacement have not been decided by the announcement of the results of the respective fiscal periods, the entire amount of the gain on sale is planned to be allocated to dividends. • 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.
Dividends in Excess of Earnings per Unit	<ul style="list-style-type: none"> • At present, the Company has no plan to make any cash distributions in excess of earnings (dividends in excess of earnings per unit).
Other	<ul style="list-style-type: none"> • 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. • The Company assumes that there will be no unforeseen material changes in general economic conditions, the real estate market, etc.

2. FINANCIAL STATEMENTS

(1) Balance sheet

(Unit: thousands of yen)

	As of	
	July 31, 2022	January 31, 2023
Assets		
Current assets		
Cash and deposits	10,640,215	13,293,275
Cash and deposits in trust	4,951,864	5,620,895
Operating accounts receivable	169,483	227,135
Prepaid expenses	397,453	356,983
Total current assets	16,159,015	19,498,290
Noncurrent assets		
Property, plant and equipment		
Buildings in trust	88,375,623	88,496,945
Accumulated depreciation	(22,205,594)	(23,240,653)
Buildings in trust, net	66,170,029	65,256,292
Structures in trust	997,248	998,101
Accumulated depreciation	(361,830)	(371,114)
Structures in trust, net	635,418	626,986
Machinery and equipment in trust	1,064,061	1,064,061
Accumulated depreciation	(412,114)	(440,518)
Machinery and equipment in trust, net	651,947	623,543
Tools, furniture and fixtures in trust	395,463	401,129
Accumulated depreciation	(232,767)	(248,672)
Tools, furniture and fixtures in trust, net	162,696	152,457
Land in trust	297,041,684	295,496,493
Construction in progress in trust	8,311	8,234
Total property, plant and equipment	364,670,087	362,164,008
Intangible assets		
Leasehold rights in trust	30,650,962	30,650,962
Other intangible assets in trust	964	855
Total intangible assets	30,651,927	30,651,818
Investments and other assets		
Lease and guarantee deposits	10,000	10,000
Long-term prepaid expenses	760,317	682,262
Deferred tax assets	13	13
Derivatives	544,952	2,172,611
Total investments and other assets	1,315,283	2,864,886
Total noncurrent assets	396,637,298	395,680,713
Deferred assets		
Investment corporation bonds issuance cost	85,846	77,055
Investment unit issuance cost	10,717	5,358
Total deferred assets	96,564	82,414
Total assets	412,892,878	415,261,418

(Unit: thousands of yen)

	As of	
	July 31, 2022	January 31, 2023
Liabilities		
Current liabilities		
Operating accounts payable	147,399	195,707
Current portion of long-term loans payable	15,200,000	20,400,000
Accounts payable – other	15,205	11,505
Accrued expenses	789,774	816,478
Income taxes payable	877	871
Accrued consumption taxes	240,777	266,568
Advances received	1,297,483	1,298,952
Deposits received	25,949	33,053
Derivatives liabilities	2,545	1,791
Total current liabilities	17,720,012	23,024,928
Noncurrent liabilities		
Investment corporation bonds	20,300,000	20,300,000
Long-term loans payable	156,922,000	151,722,000
Lease and guarantee deposits in trust	15,022,491	15,059,255
Derivatives liabilities	131,037	–
Total noncurrent liabilities	192,375,528	187,081,255
Total liabilities	210,095,541	210,106,184
Net assets		
Unitholders' equity		
Unitholders' capital	195,718,191	195,718,191
Surplus		
Voluntary retained earnings		
Reserve for reduction entry	196,766	833,304
Total voluntary retained earnings	196,766	833,304
Unappropriated retained earnings	6,471,008	6,432,918
Total surplus	6,667,775	7,266,222
Total unitholders' equity	202,385,967	202,984,414
Valuation and translation adjustments		
Deferred gains or losses on hedges	411,370	2,170,819
Total valuation and translation adjustments	411,370	2,170,819
Total net assets	202,797,337	205,155,234
Total liabilities and net assets	412,892,878	415,261,418

(2) Statement of income and retained earnings

(Unit: thousands of yen)

	For the six months ended	
	July 31, 2022	January 31, 2023
Operating revenue		
Rent revenues	*1, *2 9,652,181	*1, *2 9,642,161
Other operating revenues	*1 197,178	*1 223,158
Gain on transfer of real estate properties	*2, *3 1,347,808	*2, *3 1,345,401
Total operating revenue	11,197,167	11,210,721
Operating expenses		
Expenses related to properties	*1, *2 3,448,193	*1, *2 3,475,592
Asset management fee	643,528	667,664
Directors' compensation	8,400	8,400
Asset custody fee	10,281	10,322
Administrative service fees	17,733	15,356
Other operating expenses	84,010	87,634
Total operating expenses	4,212,146	4,264,970
Operating income	6,985,020	6,945,750
Non-operating income		
Interest income	54	63
Gain on forfeiture of unclaimed dividends	805	1,058
Subsidy income	3,600	—
Other	5	8
Total non-operating income	4,466	1,129
Non-operating expenses		
Interest expenses	352,779	352,944
Interest expenses on investment corporation bonds	52,950	52,950
Amortization of investment corporation bonds issuance cost	8,790	8,790
Borrowing expenses	123,798	119,121
Amortization of investment unit issuance cost	5,358	5,358
Other	1,907	1,907
Total non-operating expenses	545,584	541,072
Ordinary income	6,443,902	6,405,808
Income before income taxes	6,443,902	6,405,808
Income taxes-current	885	881
Income taxes-deferred	(0)	0
Total income taxes	885	881
Net income	6,443,017	6,404,927
Retained earnings brought forward	27,991	27,991
Unappropriated retained earnings (undisposed loss)	6,471,008	6,432,918

(3) Statement of changes in net assets
For the six months ended July 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 February 1, 2022	195,718,191	(482,669)	(482,669)	195,235,522	291,944	291,944
Change during the period						
Reversal of reserve for reduction entry					(95,177)	(95,177)
Dividends from surplus						
Reversal of allowance for temporary difference adjustments		482,669	482,669	482,669		
Net income						
Net changes of items other than unitholders' equity						
Total changes of items during the period	—	482,669	482,669	482,669	(95,177)	(95,177)
Balance at July 31, 2022	195,718,191	—	—	195,718,191	196,766	196,766

	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, 2022	6,024,581	6,316,525	201,552,048	105,426	105,426	201,657,474
Change during the period						
Reversal of reserve for reduction entry	95,177	—	—			—
Dividends from surplus	(5,609,097)	(5,609,097)	(5,609,097)			(5,609,097)
Reversal of allowance for temporary difference adjustments	(482,669)	(482,669)	—			—
Net income	6,443,017	6,443,017	6,443,017			6,443,017
Net changes of items other than unitholders' equity				305,943	305,943	305,943
Total changes of items during the period	446,427	351,250	833,919	305,943	305,943	1,139,862
Balance at July 31, 2022	6,471,008	6,667,775	202,385,967	411,370	411,370	202,797,337

For the six months ended January 31, 2023

(Unit: thousands of yen)

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

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

(4) Statement of cash distributions

(Unit: yen)

	For the six months ended July 31, 2022	For the six months ended January 31, 2023
I Unappropriated retained earnings	6,471,008,689	6,432,918,528
II Amount of Dividends	5,806,479,900	5,825,643,200
Amount of dividends per unit	3,030	3,040
III Voluntary retained earnings		
Reserve for reduction entry	636,537,274	579,283,813
IV Retained earnings carried forward	27,991,515	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. In the thirty-second fiscal period, the Company decided to accumulate part of the gain on transfer of Laforet Harajuku (Land), which was transferred in July 2022, as reserve for reduction entry by applying Article 65-7 "Special Provisions for Taxation in Cases of Replacement of Certain Assets" of the Special Taxation Measures Law. Accordingly, the Company decided to pay out dividends of earnings (5,806,479,900 yen), which is the maximum integral multiple of the total number of investment units issued and outstanding (1,916,330 units), out of the amount remaining after reserving said reserve for reduction entry and retained earnings carried forward from the unappropriated retained earnings.</p> <p>As a result, the Company declared dividends per unit of 3,030 yen.</p>	<p>Pursuant to the terms of the distribution policy set forth in Article 37 (1) of the Company's Articles of Incorporation, the amount of dividends shall be in excess of an amount equivalent to 90% of the Company's earnings available for dividends as defined in Article 67-15 of the Special Taxation Measures Law, but not in excess of the amount of earnings as defined in Article 136, Paragraph 1 of the Investment Trust Act. In the thirty-second fiscal period, the Company decided to accumulate part of the gain on transfer of Laforet Harajuku (Land), which was transferred in December 2022, as reserve for reduction entry by applying Article 65-7 "Special Provisions for Taxation in Cases of Replacement of Certain Assets" of the Special Taxation Measures Law. Accordingly, the Company decided to pay out dividends of earnings (5,825,643,200 yen), which is the maximum integral multiple of the total number of investment units issued and outstanding (1,916,330 units), out of the amount remaining after reserving said reserve for reduction entry and retained earnings carried forward from the unappropriated retained earnings.</p> <p>As a result, the Company declared dividends per unit of 3,040 yen.</p>

(5) Statement of cash flows

(Unit: thousands of yen)

	For the six months ended	
	July 31, 2022	January 31, 2023
Net cash provided by (used in) operating activities		
Income before income taxes	6,443,902	6,405,808
Depreciation and amortization	1,088,391	1,088,772
Amortization of investment corporation bonds issuance cost	8,790	8,790
Amortization of investment unit issuance cost	5,358	5,358
Interest income	(54)	(63)
Gain on forfeiture of unclaimed dividends	(805)	(1,058)
Interest expenses	405,729	405,894
Decrease (increase) in operating accounts receivable	5,677	(48,524)
Increase (decrease) in operating accounts payable	(29,889)	15,278
Increase (decrease) in accounts payable – other	3,596	(3,708)
Increase (decrease) in accrued expenses	458,826	27,010
Increase (decrease) in accrued consumption taxes	138,392	25,797
Increase (decrease) in advances received	14,356	1,468
Increase (decrease) in deposits received	(7,322)	7,103
Decrease (increase) in prepaid expenses	17,505	40,469
Decrease (increase) in long-term prepaid expenses	42,588	78,055
Decrease in property, plant and equipment in trust due to sale	1,545,191	1,545,191
Other, net	(150)	(10)
Subtotal	10,140,084	9,601,632
Interest income received	54	63
Interest expenses paid	(397,959)	(406,200)
Income taxes paid	(877)	(887)
Net cash provided by (used in) operating activities	9,741,302	9,194,608
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment in trust	(734,691)	(96,999)
Purchase of intangible assets in trust	(1,092)	–
Repayments of lease and guarantee deposits in trust	(120,529)	(254,285)
Proceeds from lease and guarantee deposits in trust	189,840	284,180
Net cash provided by (used in) investing activities	(666,472)	(67,104)
Net cash provided by (used in) financing activities		
Proceeds from long-term loans payable	9,500,000	6,000,000
Repayments of long-term loans payable	(9,500,000)	(6,000,000)
Cash dividends paid	(5,608,464)	(5,805,412)
Net cash provided by (used in) financing activities	(5,608,464)	(5,805,412)
Net increase (decrease) in cash and cash equivalents	3,466,364	3,322,091
Cash and cash equivalents at beginning of the period	12,125,714	15,592,079
Cash and cash equivalents at end of the period	* 1 15,592,079	* 1 18,914,170

(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) Revenue recognition

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

a) Transfer of real estate

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

b) Utilities income

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

(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, 2022 and January 31, 2023, 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) Non-deductible consumption taxes

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

(8) 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, 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	482,669	—	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 were the hedging instruments was made.

For the six months ended January 31, 2023

Not applicable.

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, 2022		January 31, 2023	
A. Property operating revenue				
Rent revenues				
Rent and common area revenue	9,646,604		9,636,556	
Other rent revenue	5,576	9,652,181	5,604	9,642,161
Other operating revenues				
Parking revenue	50,437		53,821	
Utilities and other revenue	146,100		164,711	
Cancellation penalty	640	197,178	4,625	223,158
Total property operating revenue	9,849,359		9,865,319	
B. Property operating expenses				
Expenses related to properties				
Property management fees	1,217,347		1,194,878	
Property taxes	779,178		786,194	
Utilities	125,787		158,844	
Maintenance and repairs	51,615		57,174	
Insurance premium	20,400		20,721	
Custodian fees	5,985		6,092	
Depreciation and amortization	1,088,391		1,088,772	
Rent expenses	144,785		148,065	
Other lease business expenses	14,700	3,448,193	14,848	3,475,592
Total property operating expenses	3,448,193		3,475,592	
C. Property operating income [A - B]	6,401,166		6,389,727	

*2 Transactions with major unitholders

(Unit: thousands of yen)

	For the six months ended	
	July 31, 2022	January 31, 2023
From operating transactions		
Rent revenues	6,425,108	6,425,108
Gain on transfer of real estate properties	1,347,808	1,345,401
Expenses related to properties	264,601	259,560

*3 Breakdown of gain on transfer of real estate properties

(Unit: thousands of yen)

For the six months ended July 31, 2022

Laforet Harajuku (Land)	
Revenue from transfer of real estate properties	2,898,000
Cost of transfer of real estate properties	1,545,191
Other transfer expenses	5,000
Gain on transfer of real estate properties	1,347,808

For the six months ended January 31, 2023

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

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, 2022	January 31, 2023
Cash and deposits	10,640,215	13,293,275
Cash and deposits in trust	4,951,864	5,620,895
Cash and cash equivalents	15,592,079	18,914,170

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, 2022	January 31, 2023
Due within 1 year	4,304,008	4,065,862
Due after 1 year	8,850,205	7,613,662
Total	13,154,213	11,679,524

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, 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	15,200,000	15,211,415	11,415
(c) Investment corporation bonds	20,300,000	20,309,440	9,440
(d) Long-term loans payable	156,922,000	156,877,094	(44,905)
Total	192,422,000	192,397,949	(24,050)
Derivative transactions (Note1)	411,370	411,370	—

The following are the carrying amount, fair value and the difference between them of financial instruments as of January 31, 2023. Furthermore, notes on “Cash and deposits,” “Cash and deposits in trust” are omitted as these are settled with cash and within a short period of time and thus the fair value approximates the book value. Notes on “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	20,400,000	20,427,950	27,950
(c) Investment corporation bonds	20,300,000	20,001,630	(298,370)
(d) Long-term loans payable	151,722,000	151,500,402	(221,597)
Total	192,422,000	191,929,983	(492,016)
Derivative transactions (Note1)	2,170,819	2,170,819	—

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

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

Liabilities

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

The fair value of these is based on market prices.

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

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

Derivative transactions

Please refer to “Derivative transactions” below.

(Note 3) Investment corporation bonds and long-term loans payable scheduled to be due after the balance sheet date (as of July 31, 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	—	—	4,000,000	5,000,000	6,000,000	5,300,000
Long-term loans payable	15,200,000	18,800,000	17,334,000	19,104,000	18,723,000	82,961,000
Total	15,200,000	18,800,000	21,334,000	24,104,000	24,723,000	88,261,000

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

(Unit: thousands of yen)

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

6. Derivative transactions

(1) Transactions for which hedge accounting is not applied

As of July 31, 2022

Not applicable.

As of January 31, 2023

Not applicable.

(2) Transactions for which hedge accounting is applied

As of July 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	118,366,000	411,370	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	12,000,000	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).

As of January 31, 2023

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

(Unit: thousands of yen)

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

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

7. Related party transactions

(1) Parent company and major corporate unitholders

For the six months ended July 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	Transfer of property (Note 2) (Note 6)	2,898,000	—	—
							Leasing of properties (Note 3) (Note 7)	6,425,108	Advances received	1,169,721
									Lease and guarantee deposits in trust	10,360,591
							Payment of property operation and management fees (Note 8)	303,158 (Note 4)	Prepaid expenses	4,288
									Operating accounts payable	60,455
Deposit of lease and guarantee (Note 5) (Note 9)	—	Lease and guarantee deposits in trust	53,886							

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

(Note 2) Part of Laforet Harajuku (Land)

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

(Note 4) The amount includes fees (38,556 thousand yen) that are not charged to expenses but recognized as assets.

(Note 5) Roppongi View Tower

[Transaction terms and conditions and related policies]

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

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

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

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

For the six months ended January 31, 2023

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

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

(Note 2) Part of Laforet Harajuku (Land)

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

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

(Note 5) Roppongi View Tower

[Transaction terms and conditions and related policies]

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

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

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

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

(2) Subsidiaries and affiliates

For the six months ended July 31, 2022

Not applicable.

For the six months ended January 31, 2023

Not applicable.

(3) Subsidiaries of parent company

For the six months ended July 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 3)	643,528	Accrued expenses	707,881

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

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

[Transaction terms and conditions and related policies]

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

For the six months ended January 31, 2023

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

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

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

[Transaction terms and conditions and related policies]

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

(4) Directors and major individual unitholders

For the six months ended July 31, 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 3)	643,528	Accrued expenses	707,881

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

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

[Transaction terms and conditions and related policies]

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

For the six months ended January 31, 2023

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

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

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

[Transaction terms and conditions and related policies]

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

8. Income taxes

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

(Unit: thousands of yen)

	As of	
	July 31, 2022	January 31, 2023
Deferred tax assets		
Accrued enterprise tax excluded from expenses	13	13
Deferred gains or losses on hedges	42,025	563
Subtotal deferred tax assets	42,038	576
Valuation allowance	(42,025)	(563)
Total deferred tax assets	13	13
Net deferred tax assets	13	13

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

	As of	
	July 31, 2022	January 31, 2023
Statutory tax rate	31.46%	31.46%
[Adjustments]		
Deductible cash distributions	(28.35%)	(28.61%)
Reserve for reduction entry	(3.11%)	(2.84%)
Others	0.01%	0.01%
Effective tax rate	0.01%	0.01%

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, 2022	January 31, 2023
Carrying amount		
Balance at beginning of the period	397,275,838	395,322,015
Amount of increase (decrease) during the period	(1,953,823)	(2,506,188)
Balance at end of the period	395,322,015	392,815,826
Fair value at end of the period	507,662,000	504,780,000

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

(Note 2) Of the increase (decrease) during the period ended July 31, 2022, the decrease is primarily attributable to the transfer of the property (Laforet Harajuku (Land) (1,545,191 thousand yen) and attributable to depreciation and amortization. Of the increase (decrease) during the period ended January 31, 2023, the decrease is primarily attributable to the transfer of the property (Laforet Harajuku (Land) (1,545,191 thousand yen) and attributable to depreciation and amortization.

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

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

10. Notes to Revenue Recognition

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

For the six months ended July 31, 2022

(Unit: thousands of yen)

	Revenue from Contracts with Customers (Note 1)	Sales to External Customers
Transfer of real estate, etc. (Note 2)	2,898,000	1,347,808
Utilities revenue (Note 3)	95,976	95,976
Other	—	9,753,383
Total	2,993,976	11,197,167

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

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

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

For the six months ended January 31, 2023

(Unit: thousands of yen)

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

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

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

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

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

For the six months ended July 31, 2022

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

For the six months ended January 31, 2023

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

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

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

(Unit: thousands of yen)

	For the six months ended July 31, 2022	For the six months ended January 31, 2023
Claims generated from contracts with customers (balance at beginning of fiscal period)	227	714
Claims generated from contracts with customers (balance at end of fiscal period)	714	421
Contract assets (balance at beginning of fiscal period)	—	—
Contract assets (balance at end of fiscal period)	—	—
Contract liabilities (balance at beginning of fiscal period)	—	—
Contract liabilities (balance at end of fiscal period)	—	—

(b) Transaction value allocated to the remaining performance obligations

For the six months ended July 31, 2022

As of July 31, 2022, the total amount of the transaction price allocated to remaining performance obligations pertaining to the transfer of real estate, etc. is 2,898,000 thousand yen due to real estate, etc. for which a transfer agreement was concluded on March 17, 2022. The Company expects to recognize revenue for these performance obligations due to the transfer of trust beneficiary interest (7% quasi co-ownership interest) of the above real estate, etc., which was planned for December 1, 2022.

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

For the six months ended January 31, 2023

Not applicable.

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

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, 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.	7,772,916	Real estate leasing business

For the six months ended January 31, 2023

(1) Information about each product and service

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

(2) Information about each geographical area

(a) Operating revenue

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

(b) Property, plant and equipment

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

(3) Information about each major tenant

(Unit: thousands of yen)		
Name of tenant	Operating revenue	Related segment
Mori Building Co., Ltd.	7,770,509	Real estate leasing business

12. Per unit Information

	For the six months ended	
	July 31, 2022	January 31, 2023
Net assets per unit (yen)	105,825	107,056
Net income per unit (yen)	3,362	3,342
(Note 1) Net income per unit was calculated by dividing the net income by the daily weighted average number of investment units during the period.		
Diluted net income per unit has not been stated as there are no diluted investment units.		
(Note 2) The following is the basis for calculating net income per unit.		

	For the six months ended	
	July 31, 2022	January 31, 2023
Net income (thousands of yen)	6,443,017	6,404,927
Amounts not attributable to common unitholders (thousands of yen)	—	—
Net income attributable to common investment units (thousands of yen)	6,443,017	6,404,927
Average number of investment units during the period (units)	1,916,330	1,916,330

13. Subsequent events

Asset transfer

The Company made the resolution at its Board of Directors' meeting held on March 17, 2023, to additionally transfer a part of Laforet Harajuku (Land).

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

(i) Overview of Transfer

Property name	Laforet Harajuku (Land)	
Asset to be transferred	Trust beneficiary interest (Note 1) ((1): 7% quasi co-ownership interest)	Trust beneficiary interest (Note 1) ((2):7% quasi co-ownership interest)
Book value	1,545 million yen (Note 2)	1,545 million yen (Note 2)
Transfer price	2,926 million yen (Note 3)	2,926 million yen (Note 3)
Gain (loss) on transfer	1,375 million yen (Note 4)	1,373 million yen (Note 4)
Sales agreement date	March 17, 2023	
Anticipated Transfer date	June 30, 2023	December 1, 2023
Buyer	Mori Building Co., Ltd	

(Note 1) The Company plans to transfer trust beneficiary interest in ownership of land (land of Laforet Harajuku; hereafter the "Property") to which fixed-term business-use leasehold rights are attached for the purpose of owning retail and other facilities. However, the Company will continue to hold the remaining 72% 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, 2023. 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.

(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 June 30, 2023) and (2): 7% quasi co-ownership interest (transfer on December 1, 2023))	
Trustee	Sumitomo Mitsui Trust Bank, Ltd.	
Trust establishment period	From July 1, 2022 to July 31, 2042	
Location (Residential indication)	1-11-6 Jingumae, Shibuya-ku, Tokyo	
Area (Note 1)	2,565.06 m ²	
Form of ownership	Ownership	
Book value	(1) : 1,545 million yen (2) : 1,545 million yen	
Transfer price	(1) : 2,926 million yen (2) : 2,926 million yen	
Gain (loss) on transfer	(1) : 1,375 million yen (2) : 1,373 million yen	
Appraisal	Appraiser	Japan Real Estate Institute
	Appraisal value (Note 2)	5,852 million yen (Appraisal date: February 1, 2023)
Anticipated Transfer date	(1) : June 30, 2023 (Note 3) (2) : December 1, 2023	
Content of lease (As of March 17, 2023)		
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 4)	186,984,000 yen	
Deposits/ Guarantees	None	
Total leasable floor area (Note 5)	359.11 m ²	
Total leased floor area (Note 6)	359.11 m ²	
Other special consideration	None	

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

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

(Note 3) Regardless of anticipated transfer date, July 1, 2023, is the beginning date when revenue and cost of the asset to be transferred will be attributed to the buyer.

(Note 4) 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 5) 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 6) The total leased floor area represents the figure obtained by multiplying the floor area leased to the lessee by the 14% quasi co-ownership interest in the trust beneficiary interest, rounded to the second decimal place.

(Note 7) In the case either the Company or Mori Building Co., Ltd, which is the buyer, is to transfer the quasi co-ownership interest in trust beneficiary interest it holds to a third party, written approval from the other holder(s) of the quasi co-ownership interest is necessary.

(9) 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, 2023)

Type of asset	Main type of use	Region	Total amount held (millions of yen) (Note 1)	Percentage of total assets (%)	
Real estate in trust	Office Buildings	Tokyo's five central wards and their vicinity	367,545	88.5	
		Tokyo metropolitan area	367,545	88.5	
		Principal regional cities	—	—	
	Residential Properties	Tokyo's five central wards and their vicinity	6,286	1.5	
		Tokyo metropolitan area	6,286	1.5	
		Principal regional cities	—	—	
	Retail and Other Facilities	Tokyo's five central wards and their vicinity	18,983	4.6	
		Tokyo metropolitan area	18,983	4.6	
		Principal regional cities	—	—	
	Subtotal			392,815	94.6
	Deposits and other assets (Note 2)			22,445	5.4
Total assets			415,261	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 5,620 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, 2023)

	Carrying amount (millions of yen)	Percentage of total assets (%)
Total liabilities	210,106	50.6
Total net assets	205,155	49.4
Total assets	415,261	100.0

(2) Investment Assets

(a) Major Issue of Investment Securities

Not applicable.

(b) Investment Real Estate Properties

Not applicable.

(c) Major Other Investment Assets

The Company holds the following trust beneficiary interest in real estate listed in the tables in a) below as of January 31, 2023. Mori Building Co., Ltd. led the development of all of the following real estate in trust.

a) Overview of Real Estate in Trust

The following are the real estate in trust held by the Company as of January 31, 2023.

(i) Overview of Assets by Type of Use

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 ²) (Note 3)	Gross floor area (m ²) (Note 2) (Note 3)	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.					
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	160,200	110,651	115,380	28.3	
	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	69,100	61,392	62,480	15.3	
	O-4 [Premium]	Koraku Mori Building	Koraku, Bunkyo-ku	Mar. 2000	SRC/S B6F/19F	6,611.58	46,154.65	L	CO	24,720	24,492	27,200	6.7	
	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	34,900	41,191	43,930	10.8	
	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	*	*	48,988	39,747	42,090	10.3
			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)	24,300	18,497	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	77,064	55,309	56,300	13.8	
	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	22,900	16,262	16,330	4.0	
Subtotal										462,172	367,545	382,860	93.9	
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)	2,880	2,218	2,100	0.5	
	R-4	Roppongi View Tower	Roppongi, Minato-ku	Oct. 1993	RC B1F/20F			C (Note 14)	CO (Note 15)	3,780	4,068	4,000	1.0	
Subtotal										6,660	6,286	6,100	1.5	
Retail and Other Facilities	S-1 [Premium]	Laforet Harajuku (Land)	Jingumae, Shibuya-ku	—	—	2,565.06	—	O	—	35,948	18,983	18,765	4.6	
Subtotal										35,948	18,983	18,765	4.6	
Total										504,780	392,815	407,725	100.0	

- (Note 1) "Property number" is the number assigned to 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, 2023 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, 2023 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 3,211.94m². 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 1,910.96m². 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, 2023)

Property number	Property name	Type of lease (Note 1)	Total leasable area (m ²) (Note 2)	Total leased area (m ²) (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	16,097.39	99.4	23	1,358	1,370
O-6	Akasaka Tameike Tower	Pass-through master lease	19,777.97	19,403.47	98.1	142	1,630	1,152
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	8,994.61	7,588.14	84.4	43	852	800
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	10,165.01	10,165.01	100.0	23	1,078	963
R-3	Roppongi First Plaza	Pass-through master lease	2,956.77	2,956.77	100.0	42	178	65
R-4	Roppongi View Tower	Pass-through master lease	4,515.25	4,364.93	96.7	89	218	53
S-1	Laforet Harajuku (Land)	Business-use fixed-term land lease	2,205.95	2,205.95	100.0	1	1,148	—
Total			181,154.65	179,125.37	98.9	367	19,315	14,766

(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, Toranomon Hills Mori Tower and Laforet Harajuku (Land), this indicates 80%, 74%, 78% and 86% 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, 2023 to January 31, 2023 if a percentage rent is adopted) by 12. In the case of Koraku Mori Building, Atago Green Hills, Toranomom Hills Mori Tower and Laforet Harajuku (Land), this indicates 80%, 74%, 78% and 86% (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, 2023 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 ²) (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	24.0	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	13.7	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	1,358	1,370	16,097.39	9.0	Mar. 3, 2023	Fixed-term lease	—
		Akasaka Tameike Tower	1,630	1,152	19,403.47	10.8	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	16.6	Apr. 30, 2027	Auto-renewed every 5 years	—
ARK Hills South Tower	852	800	7,588.14	4.2	Jul. 31, 2034	Auto-renewed every year	—		
Toranomon Hills Mori Tower	2,419	2,016	19,046.16	10.6	Jul. 31, 2027	Auto-renewed every 5 years	—		
Holland Hills Mori Tower	1,078	963	10,165.01	5.7	Jul. 31, 2032	Auto-renewed every 10 years	—		
Roppongi First Plaza	178	65	2,956.77	1.7	Mar. 3, 2023	Fixed-term lease	—		
Roppongi View Tower	218	53	4,364.93	2.4	Mar. 3, 2023	Fixed-term lease	—		
Total			18,166	14,766	176,919.42	98.8			

(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, 2023. 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, 2023.

Name of end tenant	Property name	Leased area (m ²)	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	65.1
Mylan Seiyaku Ltd.	Holland Hills Mori Tower	3,458.53	1.9
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)	2,205.95	1.2
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		129,441.05	72.3

(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, 2023.

Name of end tenant	Name of occupied property	Leased area (m ²)	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	24.0	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	13.7	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. 3, 2023	—	Memorandum on self-use	—
	Atago Green Hills	29,667.58	16.6	2,024,640	Apr. 30, 2027	Auto-renewed every 5 years	Fixed-rent master lease	—
Toranomon Hills Mori Tower	19,046.16	10.6	2,419,814	Jul. 31, 2027	Auto-renewed every 5 years	Fixed-rent master lease	—	
Mori Building Ryutsu System Co., Ltd.	Laforet Harajuku (Land)	2,205.95	1.2	1,148,616	Sep. 14, 2030	—	Business-use fixed-term land lease	—
Total		118,841.88	66.3	13,998,832				

(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, 2023.

Property number	Property name	Annual contracted rent (millions of yen)	Percentage of annual contracted rent (%) (Note)	Total leasable area (m ²)	Total leased area (m ²)	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	66.5	116,343.71	116,343.71	100.0	4

(Note) 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, 2023.

(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, 2023.

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, 2023. “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	Feb. 2022	—	107,452	0.73	Tokio Marine dR Co., Ltd.
O-6	Akasaka Tameike Tower	Jan. 2022	—	100,101	1.79	Tokyo Bldg-Tech Center Co., Ltd.
O-7	Atago Green Hills	Jan. 2018	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			—	730,518	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-third fiscal period. Capital expenditures during the thirty-third fiscal period amounted to 127 million yen for the entire portfolio and, combined with 57 million yen in maintenance and repairs and 1.6 million yen in construction management fees charged to expenses for the thirty-third fiscal period, construction work in a total amount of 186 million yen was implemented.

Name of real estate, etc. (Location)	Purpose	Period	Amount of capital expenditures (millions of yen)
ARK Mori Building (Minato-ku, Tokyo)	Elevator upgrading work	From: Mar. 2021 To: Aug. 2022	13
Koraku Mori Building (Bunkyo-ku, Tokyo)	Air balance unit upgrading work in exclusive area	From: Jul. 2022 To: Sep. 2022	14
Roppongi View Tower (Minato-ku, Tokyo)	Residential unit remodeling work	From: Aug. 2022 To: Jan. 2023	21
Other	—	—	78
Total			127

(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-third 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, 2023. 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 thirty-second fiscal period	Total amount already paid
Roppongi Hills Mori Tower (Minato-ku, Tokyo)	Sprinkler upgrading work in common area	From: Apr. 2022 To: Mar. 2023	47	—	—
	Work to upgrade steam piping	From: Aug. 2022 To: Mar. 2023	17	—	—
	Electricity meter and needle detector upgrading work	From: Sep. 2022 To: Mar. 2023	14	—	—
	Blinds upgrading work	From: Feb. 2023 To: Mar. 2024	91	—	—
	Work to upgrade electric water heater in exclusive area	From: Feb. 2023 To: Mar. 2024	15	—	—
	Installation of LED guide lights in exclusive area	From: Mar. 2023 To: Mar. 2024	87	—	—
	LED installation of lights in exclusive area	From: Mar. 2023 To: Mar. 2024	133	—	—
	Work to upgrade lighting operation equipment in exclusive area	From: Mar. 2023 To: Mar. 2024	26	—	—
	Toilet upgrading work	From: Mar. 2023 To: Mar. 2024	171	—	—
	Work to upgrade VAV automatic control equipment in exclusive area	From: Apr. 2023 To: Mar. 2024	146	—	—
ARK Mori Building (Minato-ku, Tokyo)	Remodeling work for common areas of lower floors	From: May. 2022 To: Feb. 2023	76	—	—
	Fire alarm upgrading work	From: Jul. 2022 To: Feb. 2023	30	—	—
	Elevator upgrading work	From: Sep. 2022 To: Feb. 2023	13	—	—
	Exterior wall renovation work on lower floors	From: Oct. 2022 To: Feb. 2023	11	—	—
	LED installation of lights at Karajan Square	From: Jan. 2023 To: Mar. 2023	18	—	—
	Sprinkler upgrading work in exclusive area	From: Aug. 2022 To: Feb. 2024	178	—	—
Koraku Mori Building (Bunkyo-ku, Tokyo)	Automatic fire alarm facility upgrading work	From: Feb. 2023 To: Feb. 2023	77	—	—
	Security upgrading work for emergency elevator’s ancillary room	From: Apr. 2023 To: May. 2023	17	—	—
	Purchase of cold water, hot water and cooling water pump	From: Apr. 2023 To: May. 2023	15	—	—
	LED installation of lights in exclusive area	From: May. 2023 To: Jul. 2023	12	—	—
	Air balance unit upgrading work in exclusive area	From: May. 2023 To: Jul. 2023	55	—	—

Name of real estate, etc. (Location)	Purpose	Scheduled period	Expected amount of capital expenditures (millions of yen)		
			Total amount	Amount paid during the thirty-second fiscal period	Total amount already paid
Akasaka Tameike Tower (Minato-ku, Tokyo)	Central monitoring and control system upgrading work	From: Jan. 2023 To: Mar. 2023	12	—	—
	Air balance unit upgrading work in exclusive area	From: Feb. 2023 To: Jan. 2024	37	—	—
	Residential range hoods replacement work	From: Feb. 2023 To: Jan. 2024	25	—	—
	Residential unit remodeling work	From: Feb. 2023 To: Jan. 2024	13	—	—
	Residential unit home appliances upgrading work	From: Feb. 2023 To: Jan. 2024	20	—	—
Atago Green Hills (Minato-ku, Tokyo)	Residential building central monitoring and control system upgrading work	From: Feb. 2022 To: Feb. 2023	16	—	—
	Office building toilet renovation work	From: Apr. 2022 To: Mar. 2023	26	—	—
	Office building window side air conditioner upgrading work	From: Apr. 2023 To: May. 2023	17	—	—
Roppongi First Plaza (Minato-ku, Tokyo)	Residential unit remodeling work	From: Feb. 2023 To: Jul. 2023	11	—	—
Roppongi View Tower (Minato-ku, Tokyo)	Residential unit remodeling work	From: Feb. 2023 To: Jul. 2023	21	—	—

(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, 2023)

Main type of use	Property number	Property name	Trustee	Trust establishment date	Trust maturity date	Notes
	Office buildings	O-0	Roppongi Hills Mori Tower	Sumitomo Mitsui Trust Bank, Ltd.	Aug. 1, 2011	Jul. 31, 2026
Premium		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		ARK Mori Building	Mizuho Trust & Banking Co., Ltd.	Mar. 22, 2006	Mar. 31, 2026	Trust beneficiary interest in compartmentalized ownership for 13th floor portion
Premium			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
O-4		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.
Premium						
O-6		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.)
Premium			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		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.
Premium						
O-8		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	Toranomom 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
Retail and Other Facilities	S-1	Laforet Harajuku (Land)	Sumitomo Mitsui Trust Bank, Ltd.	Jul. 1, 2022	Jul. 31, 2042	Trust beneficiary interest representing 86% interest in the assets in trust; Trust beneficiary interest representing the remaining 14% interest in the assets in trust is held by Mori Building Co., Ltd
	Premium					

c) Status of Portfolio

(i) Investment Ratio by Property Quality

(as of January 31, 2023)

Quality category (Note)	Number of properties	Acquisition price (millions of yen)	Percentage of total portfolio acquisition price (%)
Premium Properties	10	403,725	99.0
Other Properties	1	4,000	1.0
Total	11	407,725	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 26, 2022).

(ii) Investment Ratio by Main Type of Use

(as of January 31, 2023)

Main type of use	Number of properties	Acquisition price (millions of yen)	Percentage of total portfolio acquisition price (%)
Office buildings	8	382,860	93.9
Residential properties	2	6,100	1.5
Retail Facility	1	18,765	4.6
Total	11	407,725	100.0

(iii) Investment Ratio by Region

(as of January 31, 2023)

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	407,725	100.0
	Minato Ward	9	361,760	88.7
	Bunkyo Ward	1	27,200	6.7
	Shibuya Ward	1	18,765	4.6
	Tokyo, Kanagawa, Chiba and Saitama Prefectures	11	407,725	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	407,725	100.0

(iv) Investment Ratio by Property Age

(as of January 31, 2023)

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 21.2 years which is rounded off to the nearest decimal place.

(v) Investment Ratio by Property Size

(as of January 31, 2023)

Property Size (Note)	Number of properties	Acquisition price (millions of yen)	Percentage of total portfolio acquisition price (%)
Equal to or more than 30,000m ²	8	382,860	98.4
Equal to or more than 10,000m ² but less than 30,000m ²	2	6,100	1.6
Less than 10,000m ²	—	—	—
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 m² 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	Thirty-second fiscal period ended July 2022	Thirty-third fiscal period ended January 2023	Difference	Thirty-second fiscal period ended July 2022	Thirty-third fiscal period ended January 2023	Difference
Operation days	181 days	184days	3 days	181 days	184days	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	2,851,394	2,851,394	—	1,351,486	1,351,486	—
Other operating revenues	—	—	—	—	—	—
Total property operating revenue	2,851,394	2,851,394	—	1,351,486	1,351,486	—
Property management fees	447,868	433,574	(14,294)	185,961	185,961	—
Property taxes (Note 1)	266,908	271,297	4,389	85,141	86,606	1,465
Utilities	—	—	—	—	—	—
Maintenance and repairs	—	—	—	355	—	(355)
Insurance premium	5,025	5,108	83	2,249	2,286	37
Depreciation and amortization (1)	332,287	330,506	(1,780)	71,935	73,104	1,169
Other expenses (Note 2)	376	374	(1)	2,790	2,785	(4)
Total property operating expenses	1,052,465	1,040,861	(11,604)	348,432	350,744	2,311
Property operating income (2)	1,798,929	1,810,533	11,604	1,003,054	1,000,742	(2,311)
NOI (3) ((1)+(2))	2,131,216	2,141,039	9,823	1,074,989	1,073,846	(1,142)
Capex (4)	265,639	—	(265,639)	93,444	18,721	(74,722)
NCF (3)-(4)	1,865,576	2,141,039	275,463	981,545	1,055,125	73,580

(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) Partially transferred on July 1, 2022 and December 1, 2022.

(Unit: thousands of yen)

Property number	O-4			O-6		
Property name	Koraku Mori Building			Akasaka Tameike Tower		
Period	Thirty-second fiscal period ended July 2022	Thirty-third fiscal period ended January 2023	Difference	Thirty-second fiscal period ended July 2022	Thirty-third fiscal period ended January 2023	Difference
Operation days	181 days	184days	3 days	181 days	184days	3 days
Occupancy rate	92.8%	99.4%	6.6PT	98.6%	98.1%	(0.5PT)
Number of tenants	21	23	2	142	142	0
Rent revenues	622,889	656,605	33,716	816,753	823,896	7,143
Other operating revenues	74,689	82,971	8,282	77,156	86,219	9,063
Total property operating revenue	697,578	739,577	41,998	893,909	910,115	16,206
Property management fees	89,504	86,012	(3,492)	174,114	169,600	(4,514)
Property taxes (Note 1)	32,614	30,378	(2,235)	43,894	42,944	(949)
Utilities	57,933	71,292	13,359	31,244	41,671	10,426
Maintenance and repairs	10,168	6,088	(4,079)	27,135	32,193	5,057
Insurance premium	1,777	1,807	29	2,214	2,251	37
Depreciation and amortization (1)	94,033	94,888	855	139,303	138,192	(1,111)
Other expenses (Note 2)	87,035	87,114	78	10,622	10,622	(0)
Total property operating expenses	373,067	377,582	4,514	428,529	437,475	8,945
Property operating income (2)	324,511	361,994	37,483	465,379	472,639	7,260
NOI (3) ((1)+(2))	418,544	456,883	38,338	604,683	610,832	6,149
Capex (4)	34,083	15,287	(18,796)	19,947	22,721	2,773
NCF (3)-(4)	384,460	441,595	57,134	584,735	588,110	3,375

(Unit: thousands of yen)

Property number	O-7			O-8		
Property name	Atago Green Hills			ARK Hills South Tower		
Period	Thirty-second fiscal period ended July 2022	Thirty-third fiscal period ended January 2023	Difference	Thirty-second fiscal period ended July 2022	Thirty-third fiscal period ended January 2023	Difference
Operation days	181 days	184days	3 days	181 days	184days	3 days
Occupancy rate	100.0%	100.0%	0.0PT	85.1%	84.4%	(0.7PT)
Number of tenants	1	1	0	40	43	3
Rent revenues	1,012,320	1,012,320	—	418,573	404,810	(13,763)
Other operating revenues	—	—	—	23,596	25,895	2,298
Total property operating revenue	1,012,320	1,012,320	—	442,170	430,705	(11,465)
Property management fees	2,664	2,664	—	45,392	51,178	5,786
Property taxes (Note 1)	69,028	69,200	172	37,146	37,310	164
Utilities	—	—	—	28,733	36,116	7,383
Maintenance and repairs	—	—	—	3,074	4,637	1,563
Insurance premium	3,750	3,812	62	1,185	1,204	19
Depreciation and amortization (1)	181,411	181,957	545	44,646	44,699	52
Other expenses (Note 2)	58,159	61,578	3,419	1,618	1,701	82
Total property operating expenses	315,014	319,214	4,200	161,796	176,849	15,052
Property operating income (2)	697,305	693,105	(4,200)	280,374	253,856	(26,518)
NOI (3) ((1)+(2))	878,717	875,063	(3,654)	325,020	298,555	(26,465)
Capex (4)	163,050	13,907	(149,142)	2,386	6,888	4,501
NCF (3)-(4)	715,667	861,155	145,488	322,634	291,667	(30,967)

(Unit: thousands of yen)

Property number	O-9			O-10		
Property name	Toranomom Hills Mori Tower			Holland Hills Mori Tower		
Period	Thirty-second fiscal period ended July 2022	Thirty-third fiscal period ended January 2023	Difference	Thirty-second fiscal period ended July 2022	Thirty-third fiscal period ended January 2023	Difference
Operation days	181 days	184days	3 days	181 days	184days	3 days
Occupancy rate	100.0%	100.0%	0.0PT	100.0%	100.0%	0.0PT
Number of tenants	1	1	0	23	23	0
Rent revenues	1,209,907	1,209,907	—	526,220	532,751	6,530
Other operating revenues	—	—	—	21,109	28,072	6,963
Total property operating revenue	1,209,907	1,209,907	—	547,329	560,824	13,494
Property management fees	138,437	138,437	—	104,889	101,060	(3,828)
Property taxes (Note 1)	91,845	100,816	8,970	36,117	36,641	523
Utilities	—	—	—	5,057	6,626	1,568
Maintenance and repairs	—	—	—	1,111	10,065	8,954
Insurance premium	2,384	2,407	22	1,214	1,234	20
Depreciation and amortization (1)	151,144	151,144	—	44,446	44,910	463
Other expenses (Note 2)	110	109	(0)	208	208	(0)
Total property operating expenses	383,922	392,915	8,992	193,045	200,746	7,700
Property operating income (2)	825,984	816,991	(8,992)	354,283	360,077	5,793
NOI (3) ((1)+(2))	977,128	968,135	(8,992)	398,730	404,987	6,257
Capex (4)	—	—	—	88,161	16,906	(71,255)
NCF (3)-(4)	977,128	968,135	(8,992)	310,569	388,081	77,512

(Unit: thousands of yen)

Property number	R-3			R-4		
Property name	Roppongi First Plaza			Roppongi View Tower		
Period	Thirty-second fiscal period ended July 2022	Thirty-third fiscal period ended January 2023	Difference	Thirty-second fiscal period ended July 2022	Thirty-third fiscal period ended January 2023	Difference
Operation days	181 days	184days	3 days	181 days	184days	3 days
Occupancy rate	98.0%	100.0%	2.0PT	93.5%	96.7%	3.2PT
Number of tenants	41	42	1	86	89	3
Rent revenues	81,447	89,038	7,590	101,178	104,478	3,300
Other operating revenues	—	—	—	627	—	(627)
Total property operating revenue	81,447	89,038	7,590	101,805	104,478	2,673
Property management fees	14,316	12,568	(1,747)	14,197	13,819	(378)
Property taxes (Note 1)	8,525	8,687	162	12,982	13,263	281
Utilities	1,554	1,618	63	1,262	1,519	257
Maintenance and repairs	5,866	1,351	(4,514)	3,903	2,836	(1,066)
Insurance premium	243	247	4	355	361	5
Depreciation and amortization (1)	12,029	12,136	106	17,153	17,233	79
Other expenses (Note 2)	3,814	3,816	1	736	581	(155)
Total property operating expenses	46,351	40,426	(5,924)	50,592	49,615	(976)
Property operating income (2)	35,096	48,611	13,515	51,213	54,862	3,649
NOI (3) ((1)+(2))	47,125	60,747	13,622	68,367	72,096	3,729
Capex (4)	3,468	6,253	2,785	13,571	27,154	13,583
NCF (3)-(4)	43,657	54,493	10,836	54,795	44,941	(9,854)

(Unit: thousands of yen)

Property number	S-1			Portfolio total		
Property name	Laforet Harajuku (Land)					
Period	Thirty-second fiscal period ended July 2022 (Note 3)	Thirty-third fiscal period ended January 2023 (Note 3)	Difference	Thirty-second fiscal period ended July 2022 (Note 3)	Thirty-third fiscal period ended January 2023 (Note 3)	Difference
Operation days	181 days	184days	3 days	181 days	184days	3 days
Occupancy rate	100.0%	100.0%	0.0PT	98.3%	98.9%	0.6PT
Number of tenants	1	1	0	358	367	9
Rent revenues	660,009	605,472	(54,537)	9,652,181	9,642,161	(10,019)
Other operating revenues	—	—	—	197,178	223,158	25,980
Total property operating revenue	660,009	605,472	(54,537)	9,849,359	9,865,319	15,960
Property management fees	—	—	—	1,217,347	1,194,878	(22,469)
Property taxes (Note 1)	94,975	89,047	(5,927)	779,178	786,194	7,015
Utilities	—	—	—	125,787	158,844	33,057
Maintenance and repairs	—	—	—	51,615	57,174	5,558
Insurance premium	—	—	—	20,400	20,721	321
Depreciation and amortization (1)	—	—	—	1,088,391	1,088,772	380
Other expenses (Note 2)	—	114	114	165,472	169,006	3,533
Total property operating expenses	94,975	89,161	(5,813)	3,448,193	3,475,592	27,399
Property operating income (2)	565,033	516,310	(48,723)	6,401,166	6,389,727	(11,438)
NOI (3) ((1)+(2))	565,033	516,310	(48,723)	7,489,558	7,478,499	(11,058)
Capex (4)	—	—	—	683,752	127,841	(555,911)
NCF (3)-(4)	565,033	516,310	(48,723)	6,805,805	7,350,658	544,853

Disclaimer:

This report is a translation of the Japanese language Financial Release (*Kessan-Tanshin*) dated March 17, 2023 of Mori Hills REIT Investment Corporation (the Company) prepared under the timely-disclosure requirements of the Tokyo Stock Exchange.

This English language document was prepared solely for the convenience of and for reference by investors and does not necessarily correspond to the original Japanese documents nor is it intended to constitute a disclosure document. The Japanese language *Kessan-Tanshin* for the aforementioned should always be referred to as the original of this document.

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The financial statements of the Company have been prepared in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), including provisions set forth in the Act on Investment Trusts and Investment Corporations and the Financial Instruments and Exchange Act of Japan as well as related regulations, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. The accompanying financial statements are a translation of the financial statements of the Company, which were prepared in accordance with Japanese GAAP.

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