

For Translation Purposes Only

FINANCIAL REPORT FOR THE TWENTIETH FISCAL PERIOD ENDED JULY 31, 2016

September 14, 2016

Name of issuer :	Mori Hills REIT Investment Corporation
Stock exchange listing :	Tokyo Stock Exchange
Securities code :	3234
Website :	http://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
Contact :	Ryosuke Kanazawa, General Manager of Planning Department TEL: +81-3-6234-3234
Scheduled date for filing of securities report :	October 28, 2016
Scheduled date for dividends payment :	October 14, 2016
Supplementary materials for financial results :	Otherwise prepared
Analyst meeting :	Scheduled

1. PERFORMANCE FOR THE TWENTIETH FISCAL PERIOD ENDED JULY 31, 2016 (February 1, 2016 – July 31, 2016)

(1) Business Results

(Millions of yen except Net Income per Unit; Percentage change represents a period-on-period comparison)

	Operating Revenue		Operating Income		Ordinary Income		Net Income	
Twentieth Fiscal Period	¥7,740	14.7%	¥5,140	12.6 %	¥4,495	14.4%	¥4,494	14.4%
Nineteenth Fiscal Period	¥6,748	3.6%	¥4,566	3.1 %	¥3,928	5.7%	¥3,927	5.7%

	Net Income per Unit	Net Income to Total Net Assets	Ordinary Income to Total Assets	Ordinary Income to Operating Revenue
Twentieth Fiscal Period	¥2,569	2.7%	1.4%	58.1%
Nineteenth Fiscal Period	¥2,502	2.5%	1.3%	58.2%

(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
Twentieth Fiscal Period	¥2,567	¥4,493 million	¥0	¥0 million	99.9%	2.6%
Nineteenth Fiscal Period	¥2,502	¥3,928 million	¥0	¥0 million	100.0%	2.5%

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

$$\text{Dividend Payout Ratio} = [\text{Total Dividends} \div \text{Net Income}] \times 100$$

(3) Financial Position

	Total Assets	Net Assets	Net Assets to Total Assets	Net Assets per Unit
Twentieth Fiscal Period	¥346,165 million	¥178,831 million	51.7%	¥102,152
Nineteenth Fiscal Period	¥298,450 million	¥154,452 million	51.8%	¥98,374

(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
Twentieth Fiscal Period	¥5,064 million	(¥44,687 million)	¥41,057 million	¥10,873 million
Nineteenth Fiscal Period	¥4,400 million	(¥11,751 million)	(¥1,244 million)	¥9,439 million

2. FORECAST OF RESULTS FOR THE TWENTY-FIRST FISCAL PERIOD ENDING JANUARY 31, 2017 (August 1, 2016 – January 31, 2017)

(Millions of yen except Dividends per Unit and Dividends in Excess of Earnings per Unit;
Percentage change represents a period-on-period comparison)

	Operating Revenue		Operating Income		Ordinary Income		Net Income	
	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)
Twenty-first Fiscal Period	¥8,235	6.4%	¥5,195	1.1%	¥4,552	1.3%	¥4,551	1.3%

	Dividends per Unit (excluding dividend in excess of earnings)	Dividend in Excess of Earnings per Unit
Twenty-first Fiscal Period	¥2,600	¥0

(Reference) Estimated net income per unit for the twenty-first fiscal period: ¥2,600

*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)

Twentieth fiscal period:	1,750,640 units	Nineteenth fiscal period:	1,570,040 units
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(b) Number of own units at end of the period

Twentieth fiscal period:	0 units	Nineteenth fiscal period:	0 units
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(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 29.

* Presentation of the status of implementation of audit procedures

At the time of disclosure of the original Japanese language Financial Release (*Kessan-Tanshin*), from which this document is translated, audit procedures pursuant to the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended) have not been completed.

* Explanation on the appropriate use of the forecast of results, and other matters of 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 dividend amounts. For the assumptions underlying the forecasts of results, please refer to “Assumptions of Forecasts of Results for the Twenty-First Fiscal Period Ending January 31, 2017 (August 1, 2016 – January 31, 2017)” presented on pages 9 to 10.

1. AFFILIATED CORPORATIONS OF THE INVESTMENT CORPORATION

Disclosure is omitted because there are no significant changes from the “Structure of the Investment Corporation” in the most recent securities report (submitted on April 27, 2016).

2. MANAGEMENT POLICY AND MANAGEMENT STATUS

(1) Management Policy

Disclosure is omitted because there are no significant changes from the “Investment Policy,” “Investment Targets” and “Distribution Policy” in the most recent securities report (submitted on April 27, 2016).

(2) 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 (twentieth fiscal period: February 1, 2016 to July 31, 2016), the Company held a public offering, etc. (180,600 units were offered including a third-party allotment through an over-allotment). As of the end of the twentieth fiscal period, the total number of investment units issued and outstanding was 1,750,640.

b) Investment Environment and Business Performance

(i) Investment Environment

In the twentieth fiscal period, the Japanese economy continued to moderately recover aided by public-sector demand and growth in residential investment backed by factors such as low interest rates, as well as the steady employment and income environments. This recovery continued despite a standstill in the improvement in corporate earnings due to the appreciation of the yen and the unstable movements in the foreign exchange market and stock market caused by Brexit and other issues.

Within this economic environment, the rental office building market continued its ongoing improvement in supply-demand balance. The improvement was largely due to the ongoing demand for expansion and relocation driven by the strong employment situation despite several large-scale new buildings being completed in central Tokyo. In the luxury rental housing market, occupancy rates and rent levels remained solid, backed by steady demand for quality housing in central Tokyo even though the volume of new supply increased. In the real estate trading market, the supply of high quality assets was limited and some transaction prices showed a sense of overheating even in regional cities. Despite this increasingly competitive property acquisition environment, transaction amounts remained at a high level backed by the strong investment appetite from investors inside and outside Japan.

(ii) Business Performance

In the twentieth 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 twentieth fiscal period, was comprised of 10 properties (Note 1) under management with a total leasable area of 153,503.09m². The Company has already invested 339,856 million yen (based on the acquisition price) into this portfolio. The occupancy rate at the end of the twentieth fiscal period (Note 2) was 99.0%.

(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 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 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 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 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 right 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 right and easement of the sites (approximately 12.9% of total exclusive floor area) on April 1, 2013.

(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

During the twentieth fiscal period, the Company issued investment units in the amount of 23,813 million yen (the amount which was contributed to the Company) and took out long-term loans payable in the amount of 21,300 million yen to be used as funds for the acquisition of new properties. In addition, for the refinancing of existing long-term loans payable in the amount of 1,500 million yen, the Company took out long-term loans payable in the amount of 1,500 million yen.

As a result, as of the end of the twentieth fiscal period, a) the balance of loans payable stands at 130,000 million yen (all of these are long-term loans payable (of which, the current portion of long-term loans payable is 3,978 million yen)), b) the balance of investment corporation bonds stands at 24,000 million yen, and c) the balance of interest-bearing debt stands at 154,000 million yen.

Of the debt, in addition to the 24,000 million yen in investment corporation bonds and 2,700 million yen in long-term loans payable that have fixed interest rates, the Company utilizes interest rate swaps to in effect convert the interest rates for loans payable that have floating interest rates into fixed interest rates in order to hedge against the risk of upward fluctuations in interest rates. Such measures have been taken for 67,978 million yen of the 127,300 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 twentieth fiscal period is 61.5%). 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 twentieth fiscal period, the Company has obtained an AA- long-term issuer rating (rating outlook: positive) 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 twentieth fiscal period 7,740 million yen in operating revenue, 5,140 million yen in operating income, 4,495 million yen in ordinary income and 4,494 million yen in net income.

With regard to dividends, to ensure that income distributions would be deductible for tax purposes based on application of Article 67-15 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957, as amended), the Company decided to pay out the entire amount of unappropriated retained earnings, excluding fractions of the dividend per unit that are less than 1 yen, and declared a dividend per unit of 2,567 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 to maximize investor value through conducting dividend-oriented management, by progressively achieving steady internal growth with a close watch on rental market trends while actively pursuing external growth utilizing Mori Building Groups' property pipeline.

(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

Not applicable.

(Reference Information)

Issuance of Investment Corporation Bond

The Company decided to issue investment corporation bond as follows on August 24, 2016 based on the resolution adopted at a meeting of its board of directors held on July 22, 2016. Payment was completed on August 30, 2016.

- i) Name of investment corporation bond
MHR Seventeenth Series Unsecured Investment Corporation Bond (subject to a limited pari passu clause between specified investment corporation bond) (hereafter, "Investment Corporation Bond").
- ii) Total issue amount of the investment corporation bond
2 billion yen
- iii) Interest rate
0.340% per annum
- iv) Payment date
August 30, 2016
- v) Collateral and guarantee
The Investment Corporation Bond is unsecured and unguaranteed. There is also no particular asset retained for the Investment Corporation Bond.
- vi) Redemption method and maturity
The total amount of the Investment Corporation Bond will be redeemed on August 28, 2026.
- vii) Credit rating
Japan Credit Rating Agency, Ltd.: AA-
- viii) Fiscal agent, issuing agent and paying agent
Mitsubishi UFJ Trust and Banking Corporation
- ix) Underwriting securities companies
SMBC Nikko Securities Inc.
Nomura Securities Co., Ltd.
- x) Specific use of funds
For allocation to funds for repayment of long-term loans payable in the amount of 2 billion yen due for repayment on August 31, 2016.

c) Outlook of Business Results

The Company expects the following business results for the twenty-first fiscal period (August 1, 2016 to January 31, 2017). For the assumptions underlying the forecasts of results, please refer to “Assumptions of Forecasts of Results for the Twenty-First Fiscal Period Ending January 31, 2017 (August 1, 2016 – January 31, 2017)” presented below.

Twenty-First Fiscal Period Ending January 31, 2017 (August 1, 2016 – January 31, 2017)	
Operating revenue	¥8,235 million
Operating income	¥5,195 million
Ordinary income	¥4,552 million
Net income	¥4,551 million
Dividend per unit	¥2,600
Dividend in excess of earnings per unit	¥0

(Note) The forecasted figures above are calculated as of today based on certain assumptions. Forecasts for operating revenue, operating income, ordinary income, net income, dividend per unit and dividend 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 dividend amounts.

Assumptions of Forecasts of Results for the Twenty-First Fiscal Period Ending January 31, 2017
 (August 1, 2016 – January 31, 2017)

Item	Assumptions
Accounting Period	Twenty-First fiscal period: August 1, 2016 – January 31, 2017 (184 days)
Portfolio Assets	<ul style="list-style-type: none"> • Regarding the 10 properties held as of the end of the fiscal period ended July 31, 2016, the Company assumes there will be no change in the portfolio assets (e.g., no acquisition of new properties nor transfer of existing properties) until the end of the fiscal period ending January 31, 2017. • However, in actual practice, the forecast may differ due to changes in the portfolio assets and other factors.
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. • Regarding the properties owned, rent revisions in connection with the fixed-rent master lease and change in the cost burden for part of the floors at Roppongi Hills Mori Tower and ARK Mori Building, and a change in leasing scheme to a pass-through master lease for Akasaka Tameike Tower (Office) were implemented in August 2016. • 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 2,730 million yen are expected. 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., 470 million yen (for six months) is expected for the fiscal period ending January 31, 2017. Furthermore, property taxes, city planning taxes, etc. associated with the portion of Roppongi Hills Mori Tower that was acquired in the fiscal period ended July 31, 2016 were calculated at the time of acquisition with the seller using a prorated adjusted amount and the Company has capitalized these amounts as part of the cost of the acquisition. Therefore, it is not expected to be recognized as operating expenses for the fiscal period ending January 31, 2017. (ii) For building maintenance and repairs, the Company recorded the estimated required amount for the respective fiscal periods as (58 million yen). 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 996 million yen. (iv) For property management fees, 910 million yen is expected. • For the operating expenses other than expenses related to properties (asset management fee, asset custody fee, administrative service fees, etc.), 310 million yen is expected.

Item	Assumptions
Non-Operating Expenses	<ul style="list-style-type: none"> • The Company expects to incur 326 million yen in interest expenses, 85 million yen in interest expenses on investment corporation bonds, and 167 million yen in borrowing expenses. • The Company expects to incur 48 million yen in amortization of investment unit issuance expenses including the issuance of new investment units for which contribution was completed in February 2016.
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 July 31, 2016 is 154,000 million yen. • The balance of loans payable outstanding as of the end of the fiscal period ended July 31, 2016 is 130,000 million yen. The Company assumes that the remaining 2,000 million yen of loans payable due for repayment on August, 31, 2016, will be repaid in the entire amount by using 2,000 million yen of funds procured through the issuance of investment corporation bonds mentioned below, and that the balance of loans payable will be 128,000 million yen at the end of the fiscal period ending January 31, 2017. • The balance of investment corporation bonds as of the end of the fiscal period ended July 31, 2016 is 24,000 million yen. The Company assumes that combined with the investment corporation bonds of 2,000 million yen newly issued, the balance of investment corporation bonds will be 26,000 million yen at the end of the fiscal period ending January 31, 2017.
Issuance of Investment Units	<ul style="list-style-type: none"> • The number of investment units issued and outstanding as of the date of this document is 1,750,640 units. The Company assumes that there will be no additional issuance of investment units until the end of the fiscal period ending January 31, 2017.
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. • 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.

3. FINANCIAL STATEMENTS

(1) Balance sheet

(Unit: thousands of yen)

	As of	
	January 31, 2016	July 31, 2016
Assets		
Current assets		
Cash and deposits	4,086,351	3,405,993
Cash and deposits in trust	5,352,905	7,467,924
Operating accounts receivable	21,322	41,433
Prepaid expenses	355,341	436,650
Deferred tax assets	5	19
Consumption taxes receivable	96,432	420,127
Other	226	—
Total current assets	9,912,586	11,772,147
Noncurrent assets		
Property, plant and equipment		
Land	22,074,160	22,074,160
Buildings in trust	60,040,031	68,791,196
Accumulated depreciation	(9,418,673)	(10,339,184)
Buildings in trust, net	50,621,357	58,452,012
Structures in trust	708,982	745,333
Accumulated depreciation	(219,135)	(235,753)
Structures in trust, net	489,846	509,579
Machinery and equipment in trust	683,370	773,273
Accumulated depreciation	(135,978)	(153,538)
Machinery and equipment in trust, net	547,392	619,734
Tools, furniture and fixtures in trust	122,518	170,730
Accumulated depreciation	(61,526)	(72,700)
Tools, furniture and fixtures in trust, net	60,992	98,030
Land in trust	182,814,887	220,457,581
Construction in progress in trust	142,424	148,458
Total property, plant and equipment	256,751,061	302,359,556
Intangible assets		
Leasehold rights in trust	30,650,962	30,650,962
Other intangible assets in trust	4,350	3,727
Other	2,649	2,257
Total intangible assets	30,657,963	30,656,948
Investments and other assets		
Lease and guarantee deposits	10,000	10,000
Long-term prepaid expenses	923,214	1,103,527
Total investments and other assets	933,214	1,113,527
Total noncurrent assets	288,342,239	334,130,032
Deferred assets		
Investment corporation bonds issuance cost	113,556	101,338
Investment unit issuance cost	81,759	161,564
Total deferred assets	195,315	262,902
Total assets	298,450,140	346,165,083

(Unit: thousands of yen)

	As of	
	January 31, 2016	July 31, 2016
Liabilities		
Current liabilities		
Operating accounts payable	260,831	132,796
Current portion of long-term loans payable	3,500,000	3,978,000
Accounts payable – other	16,278	13,371
Accrued expenses	283,955	287,012
Income taxes payable	626	832
Advances received	983,289	1,116,107
Deposits received	57,545	62,499
Total current liabilities	5,102,527	5,590,619
Noncurrent liabilities		
Investment corporation bonds	24,000,000	24,000,000
Long-term loans payable	105,200,000	126,022,000
Lease and guarantee deposits in trust	9,695,569	11,720,828
Total noncurrent liabilities	138,895,569	161,742,828
Total liabilities	143,998,096	167,333,448
Net assets		
Unitholders' equity		
Unitholders' capital	150,418,135	174,231,870
Surplus		
Voluntary retained earnings		
Reserve for reduction entry	105,244	105,244
Total voluntary retained earnings	105,244	105,244
Unappropriated retained earnings	3,928,664	4,494,520
Total surplus	4,033,909	4,599,764
Total unitholders' equity	154,452,044	178,831,634
Total net assets	154,452,044	178,831,634
Total liabilities and net assets	298,450,140	346,165,083

(2) Statement of income and retained earnings

(Unit: thousands of yen)

	For the six months ended	
	January 31, 2016	July 31, 2016
Operating revenue		
Rent revenues	*1, *2 6,622,059	*1, *2 7,618,621
Other operating revenues	*1, *2 126,352	*1, *2 122,201
Total operating revenue	6,748,411	7,740,823
Operating expenses		
Expenses related to properties	*1, *2 1,874,559	*1, *2 2,295,784
Asset management fee	208,022	209,974
Directors' compensation	5,400	5,400
Asset custody fee	7,383	7,461
Administrative service fees	18,470	19,407
Other operating expenses	*2 68,083	*2 62,335
Total operating expenses	2,181,920	2,600,364
Operating income	4,566,491	5,140,458
Non-operating income		
Interest income	1,599	1,118
Gain on forfeiture of unclaimed dividends	869	1,310
Insurance Income	—	229
Interest on refund	—	443
Total non-operating income	2,468	3,102
Non-operating expenses		
Interest expenses	345,231	331,612
Interest expenses on investment corporation bonds	87,183	83,115
Amortization of investment corporation bonds issuance cost	13,569	12,217
Borrowing expenses	165,215	170,999
Amortization of investment unit issuance cost	27,253	48,664
Other	1,890	1,865
Total non-operating expenses	640,344	648,475
Ordinary income	3,928,615	4,495,085
Income before income taxes	3,928,615	4,495,085
Income taxes-current	724	1,003
Income taxes-deferred	3	(13)
Total income taxes	728	990
Net income	3,927,887	4,494,095
Retained earnings brought forward	777	424
Unappropriated retained earnings	3,928,664	4,494,520

(3) Statement of changes in net assets

For the six months ended January 31, 2016

(Unit: thousands of yen)

	Unitholders' capital	Surplus		Total surplus	Total unitholders' equity	Total net assets
		Voluntary retained earnings	Unappropriated retained earnings			
Balance at August 1, 2015	150,418,135	105,244	3,717,062	3,822,306	154,240,441	154,240,441
Change during the period						
Dividends from surplus			(3,716,284)	(3,716,284)	(3,716,284)	(3,716,284)
Net income			3,927,887	3,927,887	3,927,887	3,927,887
Total changes of items during the period	—	—	211,602	211,602	211,602	211,602
Balance at January 31, 2016	150,418,135	105,244	3,928,664	4,033,909	154,452,044	154,452,044

For the six months ended July 31, 2016

(Unit: thousands of yen)

	Unitholders' capital	Surplus		Total surplus	Total unitholders' equity	Total net assets
		Voluntary retained earnings	Unappropriated retained earnings			
Balance at February 1, 2016	150,418,135	105,244	3,928,664	4,033,909	154,452,044	154,452,044
Change during the period						
Issuance of new investment units	23,813,735				23,813,735	23,813,735
Dividends from surplus			(3,928,240)	(3,928,240)	(3,928,240)	(3,928,240)
Net income			4,494,095	4,494,095	4,494,095	4,494,095
Total changes of items during the period	23,813,735	—	565,855	565,855	24,379,590	24,379,590
Balance at July 31, 2016	174,231,870	105,244	4,494,520	4,599,764	178,831,634	178,831,634

(4) Statement of cash distributions

(Unit: yen)

	For the six months ended January 31, 2016	For the six months ended July 31, 2016
I Unappropriated retained earnings	3,928,664,978	4,494,520,366
II Amount of dividends	3,928,240,080	4,493,892,880
Amount of dividends per unit	2,502	2,567
III Retained earnings carried forward	424,898	627,486
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. Based on such policy, the Company has declared the total dividends to be 3,928,240,080 yen, which is the largest integral multiple of the number of investment units issued and outstanding (1,570,040 units), and not in excess of unappropriated retained earnings. In addition, the Company decided to pay out dividends of earnings in an amount not in excess of unappropriated retained earnings as stipulated in Article 37 (2) of the Company's Articles of Incorporation.</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. Based on such policy, the Company has declared the total dividends to be 4,493,892,880 yen, which is the largest integral multiple of the number of investment units issued and outstanding (1,750,640 units), and not in excess of unappropriated retained earnings. In addition, the Company decided to pay out dividends of earnings in an amount not in excess of unappropriated retained earnings as stipulated in Article 37 (2) of the Company's Articles of Incorporation.</p>

(5) Statement of cash flows

(Unit: thousands of yen)

	For the six months ended	
	January 31, 2016	July 31, 2016
Net cash provided by (used in) operating activities		
Income before income taxes	3,928,615	4,495,085
Depreciation and amortization	853,221	966,879
Amortization of investment corporation bonds issuance cost	13,569	12,217
Amortization of investment unit issuance cost	27,253	48,664
Interest income	(1,599)	(1,118)
Gain on forfeiture of unclaimed dividends	(869)	(1,310)
Interest expenses	432,415	414,727
Decrease (increase) in operating accounts receivable	(4,066)	(20,110)
Decrease (increase) in consumption taxes receivable	(96,412)	(323,694)
Increase (decrease) in operating accounts payable	4,247	9,219
Increase (decrease) in accounts payable – other	(352)	(2,390)
Increase (decrease) in accrued expenses	8,258	2,385
Increase (decrease) in accrued consumption taxes	(257,464)	–
Increase (decrease) in advances received	38,901	132,817
Increase (decrease) in deposits received	(4,310)	6,393
Decrease (increase) in prepaid expenses	(22,346)	(81,308)
Decrease (increase) in long-term prepaid expenses	(88,533)	(180,313)
Other, net	76	226
Subtotal	4,830,603	5,478,372
Interest income received	1,599	1,118
Interest expenses paid	(431,009)	(414,056)
Income taxes paid	(560)	(797)
Net cash provided by (used in) operating activities	4,400,633	5,064,636
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment in trust	(12,201,221)	(46,711,614)
Repayments of lease and guarantee deposits in trust	(176,807)	(235,994)
Proceeds from lease and guarantee deposits in trust	626,917	2,259,814
Net cash provided by (used in) investing activities	(11,751,111)	(44,687,794)
Net cash provided by (used in) financing activities		
Proceeds from long-term loans payable	18,000,000	22,800,000
Repayments of long-term loans payable	(15,500,000)	(1,500,000)
Proceeds from issuance of investment corporation bonds	4,970,206	–
Redemption of investment corporation bonds	(5,000,000)	–
Proceeds from issuance of investment units	–	23,685,265
Cash dividends paid	(3,714,545)	(3,927,446)
Net cash provided by (used in) financing activities	(1,244,338)	41,057,818
Net increase (decrease) in cash and cash equivalents	(8,594,816)	1,434,660
Cash and cash equivalents at beginning of the period	18,034,073	9,439,257
Cash and cash equivalents at end of the period	* ₁ 9,439,257	* ₁ 10,873,917

(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	38 years
Structures	38 years
Machinery and equipment	33 years
Tools, furniture and fixtures	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) 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 12,937 thousand yen as of January 31, 2016, and 136,197 thousand yen as of July 31, 2016, respectively.

(g) 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 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 for interest rate swaps when the requirements for special treatment are fulfilled.

(h) 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.

(i) 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

(j) Consumption taxes

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

(8) Notes to Financial Statements

(Omission of disclosure)

Note to the balance sheet, 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. Breakdown of property-related revenue and expenses

*1 Breakdown of property operating income

(Unit: thousands of yen)

	For the six months ended			
	January 31, 2016		July 31, 2016	
A. Property operating revenue				
Rent revenues				
Rent and common area revenue	6,617,068		7,613,659	
Other rent revenue	4,991	6,622,059	4,962	7,618,621
Other operating revenues				
Parking revenue	22,364		22,914	
Utilities and other revenue	103,519		98,421	
Cancellation penalty	468		753	
Key money income	—	126,352	112	122,201
Total property operating revenue		6,748,411		7,740,823
B. Property operating expenses				
Expenses related to properties				
Property management fees	306,841		593,227	
Property taxes	448,207		460,878	
Utilities	108,490		103,781	
Maintenance and repairs	15,611		21,369	
Insurance premium	13,549		14,607	
Custodian fees	6,771		7,111	
Depreciation and amortization	852,787		966,487	
Rent expenses	111,903		112,406	
Other lease business expenses	10,397	1,874,559	15,914	2,295,784
Total property operating expenses		1,874,559		2,295,784
C. Property operating income [A – B]		4,873,852		5,445,038

*2 Transactions with major unitholders

(Unit: thousands of yen)

	For the six months ended	
	January 31, 2016	July 31, 2016
From operating transactions		
Rent revenues	4,707,446	5,538,522
Other operating revenues	2,294	2,000
Expenses related to properties	142,568	171,321
Other operating expenses	670	676

2. 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	
	January 31, 2016	July 31, 2016
Cash and deposits	4,086,351	3,405,993
Cash and deposits in trust	5,352,905	7,467,924
Cash and cash equivalents	9,439,257	10,873,917

3. Leases

Operating lease transactions (as lessor)

Future minimum rent revenues under existing non-cancelable lease agreements

(Unit: thousands of yen)

	As of	
	January 31, 2016	July 31, 2016
Due within 1 year	3,074,536	3,235,711
Due after 1 year	16,738,986	16,124,586
Total	19,813,522	19,360,298

4. 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

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

(2) Fair value of financial instruments

The following are the carrying amount, fair value and the difference between them of financial instruments as of January 31, 2016.

	(Unit: thousands of yen)		
	Carrying amount	Fair value	Difference
(a) Cash and deposits	4,086,351	4,086,351	—
(b) Cash and deposits in trust	5,352,905	5,352,905	—
Total	9,439,257	9,439,257	—
(c) Current portion of investment corporation bonds	—	—	—
(d) Current portion of long-term loans payable	3,500,000	3,503,775	3,775
(e) Investment corporation bonds	24,000,000	24,222,815	222,815
(f) Long-term loans payable	105,200,000	105,809,369	609,369
Total	132,700,000	133,535,959	835,959
Derivative transactions	—	—	—

The following are the carrying amount, fair value and the difference between them of financial instruments as of July 31, 2016.

	(Unit: thousands of yen)		
	Carrying amount	Fair value	Difference
(a) Cash and deposits	3,405,993	3,405,993	—
(b) Cash and deposits in trust	7,467,924	7,467,924	—
Total	10,873,917	10,873,917	—
(c) Current portion of investment corporation bonds	—	—	—
(d) Current portion of long-term loans payable	3,978,000	3,978,107	107
(e) Investment corporation bonds	24,000,000	24,566,020	566,020
(f) Long-term loans payable	126,022,000	126,966,209	944,209
Total	154,000,000	155,510,337	1,510,337
Derivative transactions	—	—	—

(Note 1) Method of calculating the fair value of financial instruments, and derivative transactions

Assets

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

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

Liabilities

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

The fair value of these is based on market prices.

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

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

Derivative transactions

Please refer to “Derivative transactions” below.

(Note 2) Redemption of monetary claims scheduled to be due after the balance sheet date (as of January 31, 2016)

(Unit: thousands of yen)

	Due within 1 year	Due after 1 year, but within 2 years	Due after 2 years, but within 3 years	Due after 3 years, but within 4 years	Due after 4 years, but within 5 years	Due after 5 years
Cash and deposits	4,086,351	—	—	—	—	—
Cash and deposits in trust	5,352,905	—	—	—	—	—
Total	9,439,257	—	—	—	—	—

Redemption of monetary claims scheduled to be due after the balance sheet date (as of July 31, 2016)

(Unit: thousands of yen)

	Due within 1 year	Due after 1 year, but within 2 years	Due after 2 years, but within 3 years	Due after 3 years, but within 4 years	Due after 4 years, but within 5 years	Due after 5 years
Cash and deposits	3,405,993	—	—	—	—	—
Cash and deposits in trust	7,467,924	—	—	—	—	—
Total	10,873,917	—	—	—	—	—

(Note 3) Investment corporation bonds and long-term loans payable scheduled to be due after the balance sheet date (as of January 31, 2016)

(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	3,000,000	3,000,000	8,500,000	7,500,000
Long-term loans payable	3,500,000	4,578,000	20,500,000	27,900,000	13,022,000	39,200,000
Total	3,500,000	6,578,000	23,500,000	30,900,000	21,522,000	46,700,000

Investment corporation bonds and long-term loans payable scheduled to be due after the balance sheet date (as of July 31, 2016)

(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	—	5,000,000	3,000,000	5,000,000	5,500,000	5,500,000
Long-term loans payable	3,978,000	12,600,000	22,500,000	22,922,000	12,500,000	55,500,000
Total	3,978,000	17,600,000	25,500,000	27,922,000	18,000,000	61,000,000

5. Derivative transactions

(1) Transactions for which hedge accounting is not applied

As of January 31, 2016

Not applicable.

As of July 31, 2016

Not applicable.

(2) Transactions for which hedge accounting is applied

As of January 31, 2016

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

(Unit: thousands of yen)

Method of hedge accounting	Type of derivative transaction	Main hedged item	Contract amount		Fair value	Method of calculating the fair value
				Due after 1 year		
Special treatment for interest rate swaps	Interest rate swap transactions Floating receivable; Fixed payable	Long-term loans payable	67,978,000	65,978,000	*	—

* Derivative transactions that are subject to special treatment for interest rate swaps are accounted for together with long-term loans payable that are the hedged items and the fair value is included in the fair value of those long-term loans payable (please refer to Liabilities (d) and (f) of (Note 1) Method of calculating the fair value of financial instruments, and derivative transactions of “Financial instruments; (2) Fair value of financial instruments” above).

As of July 31, 2016

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

(Unit: thousands of yen)

Method of hedge accounting	Type of derivative transaction	Main hedged item	Contract amount		Fair value	Method of calculating the fair value
				Due after 1 year		
Special treatment for interest rate swaps	Interest rate swap transactions Floating receivable; Fixed payable	Long-term loans payable	67,978,000	64,000,000	*	—

* Derivative transactions that are subject to special treatment for interest rate swaps are accounted for together with long-term loans payable that are the hedged items and the fair value is included in the fair value of those long-term loans payable (please refer to Liabilities (d) and (f) of (Note 1) Method of calculating the fair value of financial instruments, and derivative transactions of “Financial instruments; (2) Fair value of financial instruments” above).

6. Related party transactions

(1) Parent company and major corporate unitholders

For the six months ended January 31, 2016

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	67,000,000	Real estate business	15.6% directly held by related party	Leasing and management of real estate	Acquisition of property (Note 2) (Note 6)	12,000,000	—	—
							Leasing of properties (Note 3) (Note 7)	4,709,740	Operating accounts receivable	764
									Advances received	847,672
									Lease and guarantee deposits in trust	7,636,285
							Payment of property operation and management fees (Note 8)	151,949 (Note 4)	Prepaid expenses	2,963
							Payment of other operating expenses (Note 9)	670	—	—
							Deposit of lease and guarantee (Note 5) (Note 10)	—	Lease and guarantee deposits in trust	53,886

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

(Note 2) A portion of Roppongi Hills Mori Tower

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

(Note 4) The amount includes fees (9,381 thousand yen) that are not charged to expenses but recognized as assets.

(Note 5) Roppongi View Tower

[Transaction terms and conditions and related policies]

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

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

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

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

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

For the six months ended July 31, 2016

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	67,000,000	Real estate business	15.0% directly held by related party	Leasing and management of real estate	Acquisition of property (Note 2) (Note 6)	46,100,000	—	—
							Leasing of properties (Note 3) (Note 7)	5,540,523	Operating accounts receivable	794
									Advances received	966,780
									Lease and guarantee deposits in trust	9,214,026
							Payment of property operation and management fees (Note 8)	185,931 (Note 4)	Prepaid expenses	2,855
							Payment of other operating expenses (Note 9)	676	—	—
							Deposit of lease and guarantee (Note 5) (Note 10)	—	Lease and guarantee deposits in trust	53,886

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

(Note 2) A portion of Roppongi Hills Mori Tower

(Note 3) Roppongi Hills Mori Tower, ARK Mori Building, Akasaka Tameike Tower (a portion of Akasaka Tameike Tower after April 1, 2016), Atago Green Hills, a portion of ARK Hills South Tower and a portion of Koraku Mori Building

(Note 4) The amount includes fees (14,609 thousand yen) that are not charged to expenses but recognized as assets.

(Note 5) Roppongi View Tower

[Transaction terms and conditions and related policies]

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

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

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

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

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

(2) Subsidiaries and affiliates

For the six months ended January 31, 2016

Not applicable.

For the six months ended July 31, 2016

Not applicable.

(3) Subsidiaries of parent company

For the six months ended January 31, 2016

Type	Name	Location	Capital stock or investments in capital (thousands of yen)	Description of business	Percentage of voting rights held in (by) related party	Relationship with related party	Description of transaction	Amount of transaction (thousands of yen) (Note 1)	Account item	Balance at end of the period (thousands of yen)
Subsidiary of other related company	Mori Building Investment Management Co., Ltd.	Minato-ku, Tokyo	200,000	Real estate, trust beneficiary right and other financial asset management operations	None	Outsourcing of asset management Concurrent post of directors	Payment of management fees (Note 2) (Note 4)	220,022 (Note 3)	Accrued expenses	224,664

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

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

(Note 3) The amount of management fees includes 12,000 thousand yen in acquisition fees pertaining to a real estate acquisition included in the book value of real estate.

[Transaction terms and conditions and related policies]

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

For the six months ended July 31, 2016

Type	Name	Location	Capital stock or investments in capital (thousands of yen)	Description of business	Percentage of voting rights held in (by) related party	Relationship with related party	Description of transaction	Amount of transaction (thousands of yen) (Note 1)	Account item	Balance at end of the period (thousands of yen)
Subsidiary of other related company	Mori Building Investment Management Co., Ltd.	Minato-ku, Tokyo	200,000	Real estate, trust beneficiary right and other financial asset management operations	None	Outsourcing of asset management Concurrent post of directors	Payment of management fees (Note 2) (Note 4)	256,074 (Note 3)	Accrued expenses	226,772

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

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

(Note 3) The amount of management fees includes 46,100 thousand yen in acquisition fees pertaining to a real estate acquisition included in the book value of real estate.

[Transaction terms and conditions and related policies]

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

(4) Directors and major individual unitholders

For the six months ended January 31, 2016

Type	Name	Location	Capital stock or investments in capital (thousands of yen)	Description of business or position	Percentage of voting rights held in (by) related party	Relationship with related party	Description of transaction	Amount of transaction (thousands of yen) (Note 1)	Account item	Balance at end of the period (thousands of yen)
Directors and their close relatives	Hideyuki Isobe	—	—	Executive Director of the Company, and President & CEO of Mori Building Investment Management Co., Ltd.	None	Executive Director of the Company, and President & CEO of Mori Building Investment Management Co., Ltd.	Payment of management fees to Mori Building Investment Management Co., Ltd. (Note 2) (Note 4)	220,022 (Note 3)	Accrued expenses	224,664

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

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

(Note 3) The amount of management fees includes 12,000 thousand yen in acquisition fees pertaining to a real estate acquisition included in the book value of real estate.

[Transaction terms and conditions and related policies]

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

For the six months ended July 31, 2016

Type	Name	Location	Capital stock or investments in capital (thousands of yen)	Description of business or position	Percentage of voting rights held in (by) related party	Relationship with related party	Description of transaction	Amount of transaction (thousands of yen) (Note 1)	Account item	Balance at end of the period (thousands of yen)
Directors and their close relatives	Hideyuki Isobe	—	—	Executive Director of the Company, and President & CEO of Mori Building Investment Management Co., Ltd.	None	Executive Director of the Company, and President & CEO of Mori Building Investment Management Co., Ltd.	Payment of management fees to Mori Building Investment Management Co., Ltd. (Note 2) (Note 4)	256,074 (Note 3)	Accrued expenses	226,772

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

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

(Note 3) The amount of management fees includes 46,100 thousand yen in acquisition fees pertaining to a real estate acquisition included in the book value of real estate.

[Transaction terms and conditions and related policies]

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

7. Income taxes

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

(Unit: thousands of yen)

	As of	
	January 31, 2016	July 31, 2016
Deferred tax assets		
Current assets		
Accrued enterprise tax excluded from expenses	5	19
Total deferred tax assets [current]	5	19
Net deferred tax assets [current]	5	19

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

	As of	
	January 31, 2016	July 31, 2016
Statutory tax rate	32.31%	32.31%
[Adjustments]		
Deductible cash distributions	(32.31%)	(32.30%)
Others	0.02%	0.01%
Effective tax rate	0.02%	0.02%

8. Investment and rental properties

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

(Unit: thousands of yen)

	For the six months ended	
	January 31, 2016	July 31, 2016
Carrying amount		
Balance at beginning of the period	275,893,784	287,406,374
Amount of increase (decrease) during the period	11,512,590	45,607,872
Balance at end of the period	287,406,374	333,014,247
Fair value at end of the period	296,340,000	351,190,000

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

(Note 2) Of the increase (decrease) during the period ended January 31, 2016, the increase is primarily attributable to the acquisition of one property (Roppongi Hills Mori Tower (28th floor) (12,044,244 thousand yen), while the decrease is primarily attributable to depreciation and amortization.

Of the increase (decrease) during the period ended July 31, 2016, the increase is primarily attributable to the acquisition of one property (Roppongi Hills Mori Tower (25th floor) (11,263,175 thousand yen) and Roppongi Hills Mori Tower (26th, 27th and 29th floor) (35,075,085 thousand yen), while the decrease is primarily attributable to depreciation and amortization.

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

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

9. Segment and related information

[Segment information]

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

[Related information]

For the six months ended January 31, 2016

(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.	4,709,740	Real estate leasing business

For the six months ended July 31, 2016

(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.	5,540,523	Real estate leasing business

10. Per unit Information

	For the six months ended	
	January 31, 2016	July 31, 2016
Net assets per unit (yen)	98,374	102,152
Net income per unit (yen)	2,502	2,569
(Note 1) Net income per unit was calculated by dividing the net income by the daily weighted average number of investment units during the period.		
Diluted net income per unit has not been stated as there are no diluted investment units.		

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

	For the six months ended	
	January 31, 2016	July 31, 2016
Net income (thousands of yen)	3,927,887	4,494,095
Amounts not attributable to common unitholders (thousands of yen)	—	—
Net income attributable to common investment units (thousands of yen)	3,927,887	4,494,095
Average number of investment units during the period (units)	1,570,040	1,749,553

11. Subsequent events

Not applicable.

(9) Changes in unit issued and outstanding

New investment units were issued on February 1, 2016 and February 24, 2016 (capital increase through public offering of 172,000 units and capital increase through third-party allotment of 8,600 units), procuring 23,813 million yen. 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	
March 4, 2013	Public offering	22,000	253,520	10,433	112,444	(Note 1)
April 3, 2013	Third-party allotment	1,100	254,620	521	112,966	(Note 2)
September 4, 2013	Public offering	21,300	275,920	10,823	123,789	(Note 3)
October 2, 2013	Third-party allotment	1,065	276,985	541	124,330	(Note 4)
February 1, 2014	Split of investment units	—	1,384,925	—	124,330	(Note 5)
August 1, 2014	Public offering	176,300	1,561,225	24,844	149,175	(Note 6)
August 27, 2014	Third-party allotment	8,815	1,570,040	1,242	150,418	(Note 7)
February 1, 2016	Public offering	172,000	1,742,040	22,679	173,097	(Note 8)
February 24, 2016	Third-party allotment	8,600	1,750,640	1,133	174,231	(Note 9)

(Note 1) New investment units were issued at a price of 474,264 yen per unit through a public offering in order to raise funds for acquiring new real property.

(Note 2) New investment units were issued at a price of 474,264 yen per unit through a third-party allotment in order to raise funds for acquiring new real property.

(Note 3) New investment units were issued at a price of 508,140 yen per unit through a public offering in order to raise funds for acquiring new real property.

(Note 4) New investment units were issued at a price of 508,140 yen per unit through a third-party allotment in order to raise funds for acquiring new real property.

(Note 5) The Company implemented a 5-for-1 split of investment units on January 31, 2014 as the record date and February 1, 2014 as the effective date.

(Note 6) New investment units were issued at a price of 140,924 yen per unit through a public offering in order to raise funds for acquiring new real property.

(Note 7) New investment units were issued at a price of 140,924 yen per unit through a third-party allotment in order to raise funds for acquiring new real property.

(Note 8) New investment units were issued at a price of 131,859 yen per unit through a public offering in order to raise funds for acquiring new real property.

(Note 9) New investment units were issued at a price of 131,859 yen per unit through a third-party allotment in order to raise funds for acquiring new real property.

4. CHANGES IN OFFICERS

(1) Directors of the Company

There was no change in directors in the twentieth fiscal period.

Changes in directors had been otherwise disclosed under the rule of timely disclosure.

(2) Directors of the Company's Asset Manager

There was no change in directors in the twentieth fiscal period.

Changes in directors had been otherwise disclosed under the rule of timely disclosure.

5. REFERENCE INFORMATION

(1) Investment Status

(as of July 31, 2016)

Type of asset	Main type of use	Region	Total amount held (millions of yen) (Note 1)	Percentage of total assets (%)
Real estate	Office Buildings	Tokyo's five central wards and their vicinity	—	—
		Tokyo metropolitan area	—	—
		Principal regional cities	—	—
	Residential Properties	Tokyo's five central wards and their vicinity	—	—
		Tokyo metropolitan area	—	—
		Principal regional cities	—	—
	Retail and Other Facilities	Tokyo's five central wards and their vicinity	22,074	6.4
		Tokyo metropolitan area	22,074	6.4
		Principal regional cities	—	—
	Subtotal			22,074
Real estate in trust	Office Buildings	Tokyo's five central wards and their vicinity	303,089	87.6
		Tokyo metropolitan area	303,089	87.6
		Principal regional cities	—	—
	Residential Properties	Tokyo's five central wards and their vicinity	7,850	2.3
		Tokyo metropolitan area	7,850	2.3
		Principal regional cities	—	—
	Retail and Other Facilities	Tokyo's five central wards and their vicinity	—	—
		Tokyo metropolitan area	—	—
		Principal regional cities	—	—
	Subtotal			310,940
Deposits and other assets (Note 2)			13,150	3.8
Total assets			346,165	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 7,467 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 July 31, 2016)

	Carrying amount (millions of yen)	Percentage of total assets (%)
Total liabilities	167,333	48.3
Total net assets	178,831	51.7
Total assets	346,165	100.0

(2) Investment Assets

(a) Major Issue of Investment Securities

Not applicable.

(b) Investment Real Estate Properties

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

(c) Major Other Investment Assets

The Company holds the following real estate and trust beneficiary interest in real estate listed in the tables in a) below as of July 31, 2016. Mori Building Co., Ltd. led the development of all of the following real estate and real estate in trust.

a) Overview of Real Estate and Real Estate in Trust

The following are the real estate and real estate in trust held by the Company as of July 31, 2016.

(i) Overview of Assets by Type of Use

Type of asset	Main type of use	Property number (Note 1)	Property name	Location	Construction date (Note 2)	Structure/ Total number of floors (Note 2)	Land area (m ²) (Note 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.						
Real estate in trust	Office Buildings	O-0 Premium	Roppongi Hills Mori Tower	Roppongi, Minato-ku	Apr. 2003	S/SRC B6F/54F	57,177.66	442,150.70	C (Note 7)	CO	134,300	114,076	115,380	33.9		
		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	57,000	61,565	62,480	18.4		
		O-4 Premium	Koraku Mori Building	Koraku, Bunkyo-ku	Mar. 2000	SRC/S B6F/19F	6,611.58	46,154.65	L	CO	23,400	25,084	27,200	8.0		
		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	28,800	42,134	43,930	12.9		
		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	*	*	45,800	41,181	42,090	12.4	
				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)	22,900	19,046	19,150	5.6		
		Subtotal											312,200	303,089	310,230	91.3
		Real estate in trust	Residential Properties	R-1 Premium	Moto-Azabu Hills (Note 13)	Moto-Azabu, Minato-ku	May 2002 Sep. 2002 (Note 14)	S/SRC/RC B4F/29F (Note 14)	12,199.65	54,006.76	C (Note 7)	CO	1,990	1,623	1,706	0.5
R-3 Premium	Roppongi First Plaza			Roppongi, Minato-ku	Oct. 1993	RC B1F/20F	4,357.88 (Note 15)	22,906.74 (Note 15)	C (Note 15)	CO (Note 16)	1,790	2,266	2,100	0.6		
R-4	Roppongi View Tower			Roppongi, Minato-ku	Oct. 1993	RC B1F/20F			C (Note 15)	CO (Note 16)	2,610	3,960	4,000	1.2		
Subtotal											6,390	7,850	7,806	2.3		
Real estate	Retail and Other Facilities	S-1 Premium	Laforet Harajuku (Land)	Jingumae, Shibuya-ku	—	—	2,565.06	—	O	—	32,600	22,074	21,820	6.4		
		Subtotal											32,600	22,074	21,820	6.4
Total											351,190	333,014	339,856	100.0		

- (Note 1) "Property number" is the number assigned to real estate and real estate in trust held by the Company classified into the following main types of use. The alphabet on the left represents the main type of use, where "O" represents an office building, "R" represents a residential property and "S" represents a retail and other facility. In addition, Premium Properties are denoted by "Premium." The same applies hereafter.
- (Note 2) "Construction date," "Structure/Total number of floors," "Land area" and "Gross floor area" are as described in the property registry. As for "Structure/Total number of floors," the following abbreviations are used.
RC: Reinforced concrete; SRC: Steel frame and reinforced concrete; S: Steel frame;
B: Number of basement floor; F: Number of floor above ground level
- (Note 3) "Land area" and "Gross floor area" indicate the area of the entire site and the total area floor of the entire building based on the description of the property registry, regardless of the form of ownership.
- (Note 4) "Form of ownership" is the type of rights, where "O" represents ownership rights, "C" represents a co-ownership interest in ownership rights, "CO" represents compartmentalized ownership of exclusive portion of a building, and "L" represents leasehold rights.
- (Note 5) "Appraisal value at the end of fiscal period" for properties except for ARK Hills South Tower is the appraisal value as of July 31, 2016 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 July 31, 2016 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 five owners including the trustee (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) This refers to the portion of the property in trust which does not include the assets in trust disposed on October 31, 2008, September 15, 2010 and March 18, 2011. The same applies hereafter.
- (Note 14) Although Moto-Azabu Hills is described in the property registry as one building, under the Building Standards Act, it consists of three buildings, Forest Tower (SRC; 29F and B3), Forest Terrace East (RC; 6F and B1) and Forest Terrace West (RC; 5F and B1), which were constructed in May 2002, May 2002 and September 2002, respectively.
- (Note 15) 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 16) 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 July 31, 2016)

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	5,719	4,765
O-1	ARK Mori Building	Fixed-rent master lease	24,588.43	24,588.43	100.0	1	2,652	2,200
O-4	Koraku Mori Building	Pass-through master lease	16,197.45	15,664.71	96.7	19	1,242	1,219
O-6	Akasaka Tameike Tower (Note 7)	Fixed-rent master lease/ Pass-through master lease	19,638.38	19,220.56	97.9	123	1,448	946
O-7	Atago Green Hills	Fixed-rent master lease	29,667.58	29,667.58	100.0	1	2,223	1,482
O-8	ARK Hills South Tower	Pass-through master lease	9,007.33	8,821.16	97.9	33	957	765
R-1	Moto-Azabu Hills	Pass-through master lease	1,325.30	1,325.30	100.0	7	130	47
R-3	Roppongi First Plaza	Pass-through master lease	2,956.77	2,754.81	93.2	39	145	53
R-4	Roppongi View Tower	Pass-through master lease	4,515.25	4,331.61	95.9	88	190	53
S-1	Laforet Harajuku (Land)	Business-use fixed-term land lease	2,565.06	2,565.06	100.0	1	1,228	—
Total			153,503.09	151,980.76	99.0	313	15,939	11,535

(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 and Atago Green Hills, this indicates 80% and 74% of the proportionate ownership ratio, respectively, of the foregoing total leasable area and total leased area, which is rounded off to two decimal places. The same applies hereafter. 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. The same applies hereafter. In the case of Akasaka Tameike Tower, the residential portion is calculated by multiplying total leasable area concerning the private-use areas of sectional ownership owned by the trustee and the Asahi Shimbun Company (128 units) and the total leasable area with 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 between the trustee and Mori Building Co., Ltd. dated 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 July 1, 2016 to July 31, 2016 if a percentage rent is adopted) by 12. In the case of Koraku Mori Building and Atago Green Hills, this indicates 80% and 74% (i.e., the ownership ratio), respectively, of the amount so calculated. The same applies hereafter. In the case of ARK Hills South Tower, it indicates the 25% co-ownership interest ratio of the annual contracted rent. The same applies hereafter. In the case of Akasaka Tameike Tower, the residential portion is calculated by multiplying annual contracted rent concerning the private-use areas of sectional ownership owned by the trustee and the Asahi Shimbun Company (128 units) and the annual contracted rent with distribution ratio (67%) for the trust beneficiary interest owned by Mori Hills REIT Investment Corporation. 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 and Atago Green Hills, this indicates 80% and 74% (i.e., the ownership ratio), respectively, of such remaining amount of the security deposit. The same applies hereafter. In the case of ARK Hills South Tower, it indicates the 25% co-ownership interest ratio of the security deposits. The same applies hereafter. In the case of Akasaka Tameike Tower, the residential portion is calculated by multiplying security deposits concerning the private-use areas of sectional ownership owned by the trustee and the Asahi Shimbun Company (128 units) and the security deposits with distribution ratio (67%) for the trust beneficiary interest owned by Mori Hills REIT Investment Corporation. The same applies hereafter.
- (Note 7) The leasing scheme for residential area (including parts of parking lots, etc.) was changed from a fixed-rent master lease to a pass-through master lease from April 1, 2016. Moreover, the leasing scheme for office and shop areas (including parts of storage areas, parking lots, etc.) was changed from a fixed-rent master lease to a pass-through master lease from August 1, 2016. For details, please refer to the press release “MHR Announces Transaction with a Related Party (Mori Building Co., Ltd.) (Akasaka Tameike Tower (Office))” released on July 22, 2016. The same applies hereafter.

(iii) Overview of Lease to Major Tenants

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 July 31, 2016 and brief summary of the lease conditions to 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	5,719	4,765	43,041.54	28.3	Jul. 31, 2021	Auto-renewed every 5 years	23/24 floors
							Sep. 30, 2018	Auto-renewed every 5 years	19/22 floors
							Jul. 31, 2019	Auto-renewed every 5 years	20 floor
							Sep. 15, 2020	Auto-renewed every 5 years	28 floor
							Jan. 31, 2021	Auto-renewed every 5 years	25 floor
							Mar. 31, 2021	Auto-renewed every 5 years	26/27/29 floors
		ARK Mori Building	2,652	2,200	24,588.43	16.2	Jan. 31, 2021	Auto-renewed every 5 years	13 floor
							Jan. 31, 2021	Auto-renewed every 5 years	12/22 floors
							Jan. 31, 2021	Auto-renewed every 5 years	23/25 floors
							Jan. 31, 2021	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	1,242	1,219	15,664.71	10.3	Mar. 3, 2023	Fixed-term lease	—
		Akasaka Tameike Tower	1,448	946	19,220.56	12.6	Mar. 31, 2026	Auto-renewed every 5 years	Office and shop areas (including parts of storage areas, parking lots, etc.)
							Mar. 31, 2021	Auto-renewed every 5 years	Residential area (including parts of parking lots, etc.)
		Atago Green Hills	2,223	1,482	29,667.58	19.5	Apr. 30, 2022	Auto-renewed every 5 years	—
ARK Hills South Tower	957	765	8,821.16	5.8	Jul. 31, 2034	Auto-renewed every year	—		
Moto-Azabu Hills	130	47	1,325.30	0.9	Mar. 31, 2026	Fixed-term lease	—		
Roppongi First Plaza	145	53	2,754.81	1.8	Mar. 3, 2023	Fixed-term lease	—		
Roppongi View Tower	190	53	4,331.61	2.9	Mar. 3, 2023	Fixed-term lease	—		
Total			14,710	11,535	149,415.70	98.3			

(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 and Atago Green Hills, this indicates 80% and 74% 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 residential portion is calculated by multiplying leased area concerning the private-use areas of sectional ownership owned by the trustee and the Asahi Shimbun Company (128 units) and the leased area with distribution ratio (67%) for the trust beneficiary interest owned by Mori Hills REIT Investment Corporation and is indicated by rounding off to two decimal places. The same applies hereafter. The leased area does not include the area of storage space, flat parking lots, and machinery, etc.

(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 July 31, 2016. 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 July 31, 2016.

Name of end tenant	Property name	Leased area (m ²) (Note 1)	Percentage of total portfolio (%) (Note 2)
Mori Building Co., Ltd.	Roppongi Hills Mori Tower ARK Mori Building Koraku Mori Building Akasaka Tameike Tower Atago Green Hills ARK Hills South Tower	107,964.57	71.0
Yahoo Japan Corporation	ARK Hills South Tower	3,841.53	2.5
Showa Leasing Co., Ltd.	Koraku Mori Building	2,683.90	1.8
Mori Building Ryutsu System Co., Ltd.	Laforet Harajuku (Land)	2,565.06	1.7
ITOCHU Techno-Solutions Corporation	Koraku Mori Building	2,116.88	1.4
Total for top 5 end tenants		119,171.94	78.4

(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 and Atago Green Hills, this indicates 80% and 74% 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. The leased area does not include the area of storage space, flat parking lots, and machinery, etc.

(Note 2) “Percentage of total portfolio” indicates the ratio of the leased area attributable to each end-tenant to the aggregate total leased area for all properties held by the Company as of July 31, 2016. The same applies hereafter.

(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 July 31, 2016.

Name of end tenant	Name of occupied property	Leased area (m ²) (Note 1)	Percentage of total portfolio (%)	Annual contracted rent (thousands of yen) (Note 2)	Lease expiration date	Lease renewal	Type of lease	Notes
Mori Building Co., Ltd.	Roppongi Hills Mori Tower	43,041.54	28.3	5,719,111	Jul. 31, 2021	Auto-renewed every 5 years	Fixed-rent master lease	23/24 floors
					Sep. 30, 2018	Auto-renewed every 5 years	Fixed-rent master lease	19/22 floors
					Jul. 31, 2019	Auto-renewed every 5 years	Fixed-rent master lease	20 floor
					Sep. 15, 2020	Auto-renewed every 5 years	Fixed-rent master lease	28 floor
					Jan. 31, 2021	Auto-renewed every 5 years	Fixed-rent master lease	25 floor
					Mar. 31, 2021	Auto-renewed every 5 years	Fixed-rent master lease	26/27/29 floors
	ARK Mori Building	24,588.43	16.2	2,652,960	Jan. 31, 2021	Auto-renewed every 5 years	Fixed-rent master lease	13 floor
					Jan. 31, 2021	Auto-renewed every 5 years	Fixed-rent master lease	12/22 floors
					Jan. 31, 2021	Auto-renewed every 5 years	Fixed-rent master lease	23/25 floors
					Jan. 31, 2021	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	4,644	Mar. 31, 2018	—	Memorandum on self-use	—
	Akasaka Tameike Tower	10,327.92	6.8	918,513	Mar. 31, 2026	Auto-renewed every 5 years	Fixed-rent master lease	Office and shop areas (including parts of storage areas, parking lots, etc.)
Atago Green Hills	29,667.58	19.5	2,223,530	Apr. 30, 2022	Auto-renewed every 5 years	Fixed-rent master lease	—	
ARK Hills South Tower	46.88	0.0	6,000	May 16, 2021	—	Memorandum on self-use	—	
Mori Building Ryutsu System Co., Ltd.	Laforet Harajuku (Land)	2,565.06	1.7	1,228,800	Sep. 14, 2030	—	Business-use fixed-term land lease	—
Total		110,529.63	72.7	12,753,561				

(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 and Atago Green Hills, this indicates 80% and 74% 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. The leased area does not include the area of storage space, flat parking lots, and machinery, etc.

(Note 2) “Annual contracted rent” for each property is calculated by multiplying the monthly rent provided in the relevant lease agreement, etc. with the end-tenants (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 July 1, 2016 to July 31, 2016 if a percentage rent is adopted) by 12. In the case of Koraku Mori Building and Atago Green Hills, this indicates 80% and 74% (of the proportionate 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.

(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 July 31, 2016.

Property number	Property name	Annual contracted rent (millions of yen)	Percentage of annual contracted rent (%) (Note 1)	Total leasable area (m ²)	Total leased area (m ²)	Occupancy rate (%) (Note 2)	Number of tenants
O-0	Roppongi Hills Mori Tower	5,719	35.9	43,041.54	43,041.54	100.0	1
O-1	ARK Mori Building	2,652	16.6	24,588.43	24,588.43	100.0	1
O-7	Atago Green Hills	2,223	13.9	29,667.58	29,667.58	100.0	1
Total		10,595	66.5	97,297.55	97,297.55	100.0	3

(Note 1) This indicates the ratio of the annual contracted rent for each property to the aggregate total annual contracted rent for all properties held by the Company as of July 31, 2016.

(Note 2) “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.

(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 July 31, 2016.

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
R-1	Moto-Azabu Hills	Takenaka Corporation, Tokyo first class architect office	Takenaka Corporation, Tokyo first class architect office	Takenaka 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 July 31, 2016. “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)	PML (%) (Note 4)	Engineering firm
O-0	Roppongi Hills Mori Tower		Nov. 2015	—	43,102	0.59	Tokyo Bldg-Tech Center Co., Ltd.
O-1	ARK Mori Building		Dec. 2012	—	127,769	0.78	Tokyo Bldg-Tech Center Co., Ltd.
O-4	Koraku Mori Building		Dec. 2011	—	57,533	0.73	Tokio Marine & Nichido Risk Consulting Co., Ltd.
O-6	Akasaka Tameike Tower	Office and shop areas (including parts of storage areas, parking lots, etc.)	Nov. 2013	—	30,273	1.79	Tokyo Bldg-Tech Center Co., Ltd.
		Residential area (including parts of parking lots, etc.)	Feb. 2011	—	27,631		
O-7	Atago Green Hills	MORI Tower (office building)	Feb. 2012	—	101,932	2.35	Takenaka Corporation
		Forest Tower (residential building)		—	86,456	2.34	
		Plaza (retail building)		—	2,594	5.94	
O-8	ARK Hills South Tower		May 2014	—	6,186	1.56	Tokyo Bldg-Tech Center Co., Ltd.
R-1	Moto-Azabu Hills	Forest Tower	Dec. 2011	—	2,223	0.57	Tokio Marine & Nichido Risk Consulting Co., Ltd.
		Forest Terrace East				1.27	
R-3	Roppongi First Plaza		Dec. 2011	—	9,316	2.20	Tokio Marine & Nichido Risk Consulting Co., Ltd.
R-4	Roppongi View Tower		Dec. 2011	—	6,279	2.20	Tokio Marine & Nichido Risk Consulting Co., Ltd.
S-1	Laforet Harajuku (Land) (Note 5)		—	—	—	—	—
Total				—	501,294	1.00	

(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) This indicates the figure described in the “Report on evaluation of seismic PML for portfolio” dated November 13, 2015 by Sampo Japan Nipponkoa Risk Management Inc.

(Note 5) 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 twentieth fiscal period. Capital expenditures during the twentieth fiscal period amounted to 230 million yen for the entire portfolio and, combined with the 21 million yen in maintenance and repairs and 0.2 million yen in construction management fees charged to expenses for the twentieth fiscal period, construction work in a total of 251 million yen was implemented.

Name of real estate, etc. (Location)	Purpose	Period	Amount of capital expenditures (millions of yen)
Roppongi Hills Mori Tower (Minato-ku, Tokyo)	Standard floors air-conditioning Equipment control parts upgrading work	From: Sep. 2015 To: Feb. 2016	12
Koraku Mori Building (Bunkyo-ku, Tokyo)	Standard floors air-conditioning Equipment control parts upgrading work	From: Oct. 2015 To: Feb. 2016	5
Akasaka Tameike Tower (Minato-ku, Tokyo)	Modular replacement for switchboards	From: Dec. 2015 To: Feb. 2016	15
	Exterior lighting equipment upgrading	From: Jan. 2016 To: Feb. 2016	6
	Residential unit intercom system upgrading work	From: Oct. 2015 To: Feb. 2016	27
Atago Green Hills (Minato-ku, Tokyo)	Office building security system controller upgrading work	From: Feb. 2016 To: Mar. 2016	6
Roppongi First Plaza (Minato-ku, Tokyo)	Automatic fire alarm facility upgrading work	From: Nov. 2015 To: Mar. 2016	22
	Residential unit remodeling work	From: Feb. 2016 To: Jul. 2016	5
Roppongi View Tower (Minato-ku, Tokyo)	Automatic fire alarm facility upgrading work	From: Nov. 2015 To: Mar. 2016	33
	Residential unit remodeling work	From: Feb. 2016 To: Jul. 2016	35
Other	—	—	60
Entire portfolio			230

(Note) The projects shown above are those for which capital expenditure exceeds 5 million yen per project.

ii) Schedule of Capital Expenditures

The following table shows the amounts of capital expenditures conducted after the end of the twentieth 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 July 31, 2016. 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 twentieth fiscal period	Total amount already paid
Roppongi Hills Mori Tower (Minato-ku, Tokyo)	ITV system upgrading work	From: Jul. 2016 To: Dec. 2016	23	—	—
	Standard floor air-conditioning equipment control parts upgrading work	From: Oct. 2016 To: Feb. 2017	19	—	—
	Elevator hall lower floor air-conditioning equipment control parts upgrading work	From: Dec. 2016 To: Feb. 2017	8	—	—
	Roppongi Keyaki-zaka Dori Ave. Roadway finishing replacement work	From: Jan. 2017 To: Mar. 2017	7	—	—
	VAV for air-conditioning system upgrading work in exclusive area	From: Sep. 2016 To: Jan. 2017	89	—	—
ARK Mori Building (Minato-ku, Tokyo)	Power generating/transforming equipment upgrading work	From: Nov. 2013 To: Apr. 2017	190	—	134
	Office entrance, etc. remodeling work	From: Dec. 2015 To: Sep. 2016	59	—	—
	1F toilet area upgrading work	From: Oct. 2015 To: Aug. 2016	5	—	—
Koraku Mori Building (Bunkyo-ku, Tokyo)	Security system upgrading work	From: Aug. 2016 To: Feb. 2017	46	—	—
	Perimeter air-conditioning equipment upgrading work in exclusive area	From: Aug. 2016 To: Nov. 2016	40	—	—
	Standard floor air-conditioning equipment control parts upgrading work	From: Sep. 2016 To: Feb. 2017	31	—	—
	LED installation of lights for exclusive area	From: Aug. 2016 To: Nov. 2016	7	—	—
Akasaka Tameike Tower (Minato-ku, Tokyo)	Modular replacement for switchboards	From: Nov. 2016 To: Nov. 2016	10	—	—
	Exterior lighting equipment upgrading work	From: Feb. 2017 To: Feb. 2017	5	—	—
	Upgrade work for drainage copper tube horizontal piping	From: Nov. 2016 To: Nov. 2016	9	—	—
	1F toilet area upgrading work	From: Jan. 2017 To: Jan. 2017	19	—	—
	Air balance unit upgrading work for office exclusive area	From: Feb. 2017 To: Feb. 2017	27	—	—
	LED installation of lights for office exclusive area	From: Sep. 2016 To: Feb. 2017	13	—	—
	Residential elevator hall upgrading work	From: Dec. 2016 To: Dec. 2016	5	—	—
	Residential unit remodeling work	From: Aug. 2016 To: Jul. 2017	19	—	—
	Residential unit home appliances upgrading work	From: Aug. 2016 To: Jul. 2017	39	—	—
	Residential HEATS heat exchanger upgrading work	From: Oct. 2016 To: Dec. 2016	16	—	—

Name of real estate, etc. (Location)	Purpose	(Scheduled) Period	(Expected) Amount of capital expenditures (millions of yen)		
			Total amount	Amount paid during the twentieth fiscal period	Total amount already paid
Atago Green Hills (Minato-ku, Tokyo)	Office building electrical substation equipment relay upgrading work	From: Mar. 2017 To: Mar. 2017	5	—	—
	Office building security system controller upgrading work	From: Dec. 2016 To: Feb. 2017	20	—	—
	Residential building air-conditioning equipment's pump upgrading work	From: Dec. 2016 To: Jan. 2017	8	—	—
Roppongi First Plaza (Minato-ku, Tokyo)	HEATS heat source equipment upgrading work	From: Aug. 2016 To: Sep. 2016	20	—	—
	Residential unit remodeling work	From: Aug. 2016 To: Jul. 2017	6	—	—
Roppongi View Tower (Minato-ku, Tokyo)	Residential unit remodeling work	From: Aug. 2016 To: Jul. 2017	49	—	—
	Residential air-conditioning equipment installation	From: Aug. 2016 To: Jul. 2017	5	—	—

(Note) The projects shown are those for which the (expected) amount exceeds 5 million yen per project.

b) Overview of Trust Beneficiary Interest

(as of July 31, 2016)

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

Main type of use	Property number	Property name	Trustee	Trust establishment date	Trust maturity date	Notes
Residential properties	R-1 Premium	Moto-Azabu Hills	Sumitomo Mitsui Trust Bank, Ltd.	Mar. 22, 2006	Mar. 31, 2026	—
	R-3 Premium	Roppongi First Plaza	Sumitomo Mitsui Trust Bank, Ltd.	Mar. 4, 2003	Mar. 3, 2023	—
	R-4	Roppongi View Tower	Sumitomo Mitsui Trust Bank, Ltd.	Mar. 4, 2003	Mar. 3, 2023	Trust beneficiary interest in compartmentalized ownership for 80 units in Roppongi View Tower
			Sumitomo Mitsui Trust Bank, Ltd.	Mar. 22, 2006	Mar. 3, 2023	Trust beneficiary interest in compartmentalized ownership for 12 units in Roppongi View Tower

c) Status of Portfolio

(i) Investment Ratio by Property Quality

(as of July 31, 2016)

Quality category (Note)	Number of properties	Acquisition price (millions of yen)	Percentage of total portfolio acquisition price (%)
Premium Properties	9	335,856	98.8
Other Properties	1	4,000	1.2
Portfolio total	10	339,856	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 April 27, 2016).

(ii) Investment Ratio by Main Type of Use

(as of July 31, 2016)

Main type of use	Number of properties	Acquisition price (millions of yen)	Percentage of total portfolio acquisition price (%)
Office buildings	6	310,230	91.3
Residential properties	3	7,806	2.3
Retail Facility	1	21,820	6.4
Portfolio total	10	339,856	100.0

(iii) Investment Ratio by Region

(as of July 31, 2016)

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	10	339,856	100.0
	Minato Ward	8	290,836	85.6
	Bunkyo Ward	1	27,200	8.0
	Shibuya Ward	1	21,820	6.4
	Tokyo, Kanagawa, Chiba and Saitama Prefectures	10	339,856	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	—	—	—
Portfolio total		10	339,856	100.0

(iv) Investment Ratio by Property Age

(as of July 31, 2016)

Property age	Number of properties	Acquisition price (millions of yen)	Percentage of total portfolio acquisition price (%)
Less than 10 years	1	19,150	6.0
Equal to or more than 10 years but less than 15 years	2	117,086	36.8
Equal to or more than 15 years	6	181,800	57.2
Portfolio total	9	318,036	100.0

(Note) In aggregate calculation, Atago Green Hills is deemed to have been constructed on July 30, 2001, Moto-Azabu Hills is deemed to have been constructed on May 9, 2002, 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 17.1 years which is rounded off to the nearest decimal place.

(v) Investment Ratio by Property Size

(as of July 31, 2016)

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	7	311,936	98.1
Equal to or more than 10,000m ² but less than 30,000m ²	2	6,100	1.9
Less than 10,000m ²	—	—	—
Portfolio total	9	318,036	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	Nineteenth fiscal period ended January 2016	Twentieth fiscal period ended July 2016	Difference	Nineteenth fiscal period ended January 2016	Twentieth fiscal period ended July 2016	Difference
Operation days	184 days	182 days	(2 days)	184 days	182 days	(2 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	1,652,901	2,573,750	920,848	1,271,693	1,319,704	48,011
Other operating revenues	—	—	—	—	—	—
Total property operating revenue	1,652,901	2,573,750	920,848	1,271,693	1,319,704	48,011
Property management fees	154,824	287,430	132,606	6,000	103,496	97,496
Property taxes (Note 1)	110,225	122,303	12,078	72,982	73,004	22
Utilities	—	—	—	—	—	—
Maintenance and repairs	—	—	—	370	—	(370)
Insurance premium	2,407	3,586	1,179	1,949	1,928	(21)
Depreciation and amortization (1)	266,518	399,939	133,420	68,253	61,709	(6,543)
Other expenses (Note 2)	199	362	162	2,698	3,792	1,093
Total property operating expenses	534,174	813,621	279,447	152,254	243,931	91,677
Property operating income (2)	1,118,727	1,760,128	641,400	1,119,438	1,075,772	(43,666)
NOI (3) ((1)+(2))	1,385,245	2,160,067	774,821	1,187,692	1,137,482	(50,210)
Capex (4)	—	28,960	28,960	22,630	7,000	(15,629)
NCF (3)-(4)	1,385,245	2,131,106	745,861	1,165,062	1,130,481	(34,580)

(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.

(Unit: thousands of yen)

Property number	O-4			O-6		
Property name	Koraku Mori Building			Akasaka Tameike Tower		
Period	Nineteenth fiscal period ended January 2016	Twentieth fiscal period ended July 2016	Difference	Nineteenth fiscal period ended January 2016	Twentieth fiscal period ended July 2016	Difference
Operation days	184 days	182 days	(2 days)	184 days	182 days	(2 days)
Occupancy rate	88.6%	96.7%	8.1PT	100.0%	97.9%	(2.1PT)
Number of tenants	17	19	2	1	123	122
Rent revenues	579,268	573,632	(5,636)	666,446	702,979	36,532
Other operating revenues	99,907	90,271	(9,635)	289	4,013	3,724
Total property operating revenue	679,176	663,904	(15,272)	666,735	706,993	40,257
Property management fees	60,718	71,383	10,665	3,000	47,975	44,975
Property taxes (Note 1)	32,907	32,936	29	42,013	41,859	(154)
Utilities	81,212	70,452	(10,760)	—	2,990	2,990
Maintenance and repairs	9,040	7,795	(1,245)	—	4,790	4,790
Insurance premium	1,778	1,758	(19)	2,039	2,017	(22)
Depreciation and amortization (1)	102,174	95,765	(6,408)	142,762	133,790	(8,972)
Other expenses (Note 2)	76,008	76,575	566	1,707	7,384	5,677
Total property operating expenses	363,840	356,669	(7,171)	191,522	240,809	49,286
Property operating income (2)	315,335	307,234	(8,100)	475,213	466,183	(9,029)
NOI (3) ((1)+(2))	417,509	403,000	(14,509)	617,975	599,973	(18,001)
Capex (4)	27,765	9,985	(17,779)	22,408	63,562	41,154
NCF (3)-(4)	389,744	393,014	3,270	595,567	536,411	(59,156)

(Unit: thousands of yen)

Property number	O-7			O-8		
Property name	Atago Green Hills			ARK Hills South Tower		
Period	Nineteenth fiscal period ended January 2016	Twentieth fiscal period ended July 2016	Difference	Nineteenth fiscal period ended January 2016	Twentieth fiscal period ended July 2016	Difference
Operation days	184 days	182 days	(2 days)	184 days	182 days	(2 days)
Occupancy rate	100.0%	100.0%	0.0PT	98.3%	97.9%	(0.4PT)
Number of tenants	1	1	0	34	33	(1)
Rent revenues	1,111,765	1,111,765	—	493,333	496,726	3,393
Other operating revenues	—	—	—	24,138	25,821	1,683
Total property operating revenue	1,111,765	1,111,765	—	517,471	522,548	5,077
Property management fees	2,664	2,664	—	43,955	44,201	245
Property taxes (Note 1)	69,332	69,373	40	33,107	33,545	437
Utilities	—	—	—	24,509	28,095	3,586
Maintenance and repairs	—	—	—	1,332	816	(515)
Insurance premium	3,546	3,507	(38)	1,096	1,084	(11)
Depreciation and amortization (1)	197,635	196,793	(841)	44,314	44,319	5
Other expenses (Note 2)	37,879	37,558	(320)	2,006	1,190	(815)
Total property operating expenses	311,057	309,896	(1,160)	150,322	153,254	2,931
Property operating income (2)	800,707	801,868	1,160	367,148	369,294	2,145
NOI (3) ((1)+(2))	998,343	998,662	318	411,463	413,614	2,150
Capex (4)	78,176	20,072	(58,104)	980	171	(808)
NCF (3)-(4)	920,166	978,589	58,423	410,483	413,442	2,959

(Unit: thousands of yen)

Property number	R-1			R-3		
Property name	Moto-Azabu Hills			Roppongi First Plaza		
Period	Nineteenth fiscal period ended January 2016	Twentieth fiscal period ended July 2016	Difference	Nineteenth fiscal period ended January 2016	Twentieth fiscal period ended July 2016	Difference
Operation days	184 days	182 days	(2 days)	184 days	182 days	(2 days)
Occupancy rate	100.0%	100.0%	0.0PT	98.0%	93.2%	(4.8PT)
Number of tenants	7	7	0	41	39	(2)
Rent revenues	65,359	65,359	—	74,944	73,151	(1,792)
Other operating revenues	1,549	1,422	(127)	288	520	231
Total property operating revenue	66,909	66,781	(127)	75,232	73,671	(1,560)
Property management fees	10,370	9,318	(1,052)	13,209	12,492	(716)
Property taxes (Note 1)	2,081	2,104	22	7,134	7,130	(3)
Utilities	41	—	(41)	1,408	1,191	(216)
Maintenance and repairs	2,664	2,533	(130)	1,548	3,416	1,867
Insurance premium	151	150	(1)	268	265	(2)
Depreciation and amortization (1)	7,162	7,178	15	11,009	11,892	883
Other expenses (Note 2)	4,175	4,088	(86)	3,778	3,773	(4)
Total property operating expenses	26,647	25,373	(1,274)	38,358	40,164	1,806
Property operating income (2)	40,261	41,408	1,146	36,873	33,506	(3,367)
NOI (3) ((1)+(2))	47,424	48,586	1,162	47,883	45,399	(2,484)
Capex (4)	1,456	—	(1,456)	10,766	28,559	17,792
NCF (3)-(4)	45,968	48,586	2,618	37,116	16,840	(20,276)

(Unit: thousands of yen)

Property number	R-4			S-1		
Property name	Roppongi View Tower			Laforet Harajuku (Land)		
Period	Nineteenth fiscal period ended January 2016	Twentieth fiscal period ended July 2016	Difference	Nineteenth fiscal period ended January 2016	Twentieth fiscal period ended July 2016	Difference
Operation days	184 days	182 days	(2 days)	184 days	182 days	(2 days)
Occupancy rate	95.3%	95.9%	0.6PT	100.0%	100.0%	0.0PT
Number of tenants	87	88	1	1	1	0
Rent revenues	91,946	87,152	(4,793)	614,400	614,400	—
Other operating revenues	180	152	(28)	—	—	—
Total property operating revenue	92,126	87,304	(4,821)	614,400	614,400	—
Property management fees	12,098	14,264	2,166	—	—	—
Property taxes (Note 1)	10,832	10,846	14	67,590	67,774	184
Utilities	1,318	1,049	(268)	—	—	—
Maintenance and repairs	655	2,015	1,360	—	—	—
Insurance premium	311	308	(3)	—	—	—
Depreciation and amortization (1)	12,956	15,099	2,142	—	—	—
Other expenses (Note 2)	618	705	87	—	—	—
Total property operating expenses	38,790	44,289	5,498	67,590	67,774	184
Property operating income (2)	53,335	43,015	(10,320)	546,810	546,625	(184)
NOI (3) ((1)+(2))	66,291	58,114	(8,177)	546,810	546,625	(184)
Capex (4)	59,727	71,753	12,025	—	—	—
NCF (3)-(4)	6,563	(13,639)	(20,203)	546,810	546,625	(184)

(Unit: thousands of yen)

Property number	Portfolio total		
Property name			
Period	Nineteenth fiscal period ended January 2016	Twentieth fiscal period ended July 2016	Difference
Operation days	184 days	182 days	(2 days)
Occupancy rate	98.3%	99.0%	0.7PT
Number of tenants	191	313	122
Rent revenues	6,622,059	7,618,621	996,562
Other operating revenues	126,352	122,201	(4,151)
Total property operating revenue	6,748,411	7,740,823	992,411
Property management fees	306,841	593,227	286,386
Property taxes (Note 1)	448,207	460,878	12,671
Utilities	108,490	103,781	(4,709)
Maintenance and repairs	15,611	21,369	5,757
Insurance premium	13,549	14,607	1,058
Depreciation and amortization (1)	852,787	966,487	113,700
Other expenses (Note 2)	129,072	135,432	6,360
Total property operating expenses	1,874,559	2,295,784	421,225
Property operating income (2)	4,873,852	5,445,038	571,186
NOI (3) ((1)+(2))	5,726,639	6,411,526	684,886
Capex (4)	223,910	230,065	6,155
NCF (3)-(4)	5,502,728	6,181,460	678,731

Disclaimer:

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