



**Mori Hills REIT Investment Corporation**

**Semiannual Report**

**17th Fiscal Period  
(August 1, 2014 – January 31, 2015)**



HILLS REIT

## To Our Unitholders

All of us at Mori Hills REIT Investment Corporation (“MHR”) wish to extend our deep appreciation to our unitholders for your continuous support of MHR. I am pleased to report on MHR’s performance for the seventeenth fiscal period which ended January 31, 2015.

In the seventeenth fiscal period, the Japanese economy maintained a trend of modest economic recovery supported by various Japanese government and Bank of Japan policies. The drop-off in consumer demand, which followed the last-minute demand spike before the consumption tax rate increase, has continued to ease. With corporate earnings improving, capital investment increased modestly and public investment also hovered at a high level. In addition, with the employment environment steadily improving, private consumption remained steady and housing investment which had been affected by the drop-off after the pre-consumption tax demand spike showed signs of leveling out.

Within this economic environment, the rental office building market continued its ongoing improvement in supply-demand balance, centering on large blue-chip properties. This improvement was largely due to the limited new supply of large-scale office buildings in central Tokyo, along with demand for expansion and relocation driven by the expansion in employment in line with the economic recovery. In the luxury rental housing market, vacancy rates decreased, despite an increase in new supply, due to enduring demand backed by recovery of corporate performance, and effective rent levels remained steady.

In the seventeenth fiscal period, MHR strove to maintain and enhance tenant satisfaction through measures such as efficient and systematic operational management and maintenance and repair of properties in its portfolio by better understanding tenant needs. Moreover, MHR maintained and enhanced occupancy rates and rents by proactively launching leasing activities targeting new and existing tenants while foreseeing trends in rental market conditions. MHR’s real estate portfolio, as of the end of the seventeenth fiscal period, was comprised of 10 properties under management with a total leasable area of 132,003.82 m<sup>2</sup>. MHR has already invested 281,756 million yen (based on the acquisition price) into this portfolio. The occupancy rate at the end of the seventeenth fiscal period was 99.8%.

The asset management activities described above resulted in MHR recording in the seventeenth fiscal period 6,506 million yen in operating revenue, 4,434 million yen in operating income, 3,617 million yen in ordinary income, 3,616 million yen in net income and 2,303 yen in dividend per unit in the seventeenth fiscal period. As a result, dividend per unit of 2,360 yen is forecasted for the eighteenth fiscal period ending July 31, 2015.

MHR will continue to seek to maximize investor value through conducting dividend-oriented management, by pursuing further enhancement of portfolio revenue through external growth and by further strengthening its financial standing (primarily by reducing borrowing costs and extending the average duration of debt).

I would like to ask for your continued support.

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



## Financial Highlights

Dividend per unit: 17<sup>th</sup> period

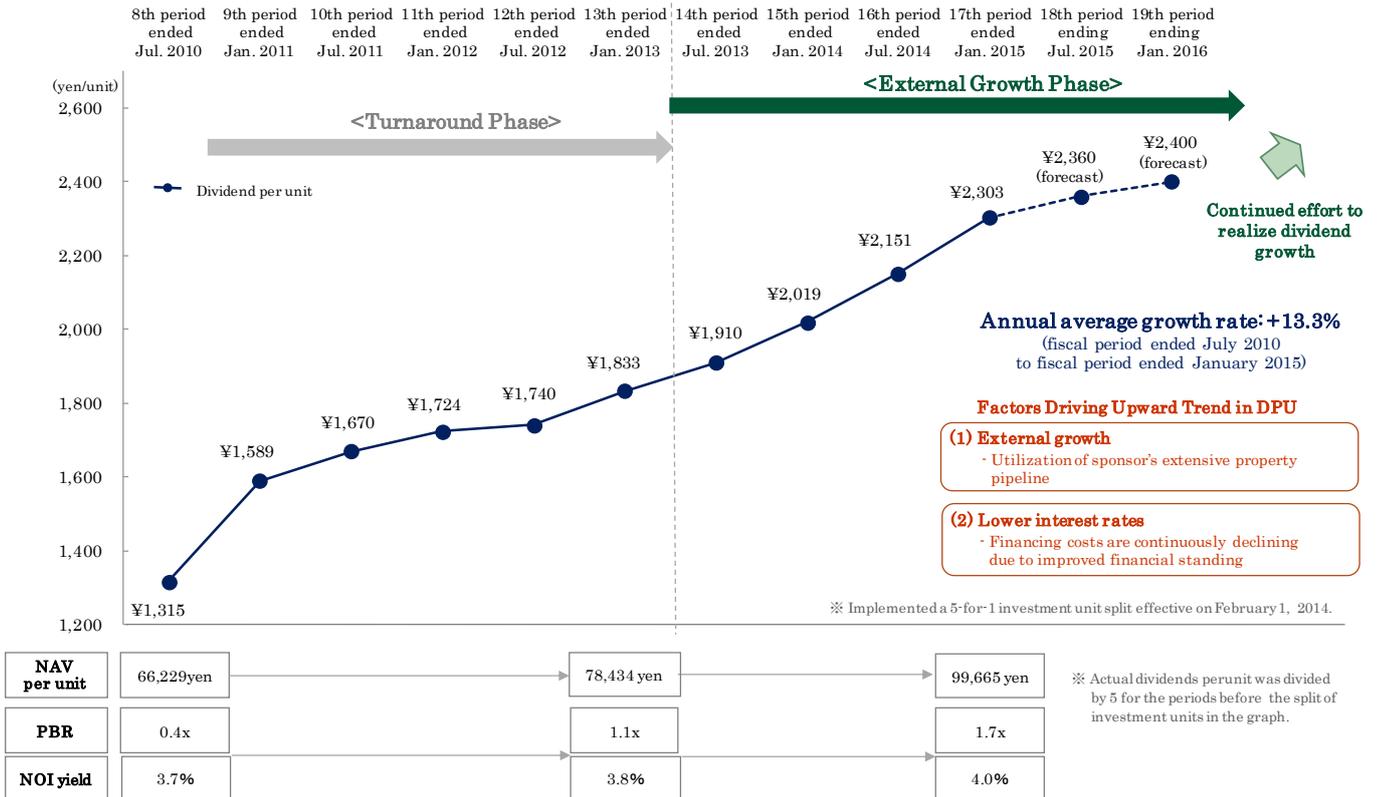
**2,303 yen**

Dividend per unit: 18<sup>th</sup> period forecast\*

**2,360 yen**

\*The forecasted figures for the 18<sup>th</sup> and 19<sup>th</sup> fiscal periods are the current figures calculated based on certain assumptions. Accordingly, the figures may differ from actual results. Furthermore, these forecasts shall not be construed as a guarantee of dividend amounts.

### Change in dividend per unit



### Results of 17<sup>th</sup> period and Forecast of 18<sup>th</sup> period

	Actual	Forecast	Difference
	17th period (August 1, 2014- January 31, 2015)	18th period (February 1, 2015- July 31, 2015)	18th - 17th period
	184 days	181 days	
Operating revenue	6,506 million yen	6,514 million yen	+8 million yen
Operating income	4,434 million yen	4,431 million yen	△2 million yen
Ordinary income	3,617 million yen	3,706 million yen	+88 million yen
Net income	3,616 million yen	3,705 million yen	+88 million yen
Dividend/unit	2,303 yen/unit	2,360 yen/unit	+57 yen/unit
Total units outstanding	1,570,040 units	1,570,040 units	
Acquisition price	281,756 million yen	281,756 million yen	

(Note) Unless otherwise stated in this document, all amounts of less than a unit are omitted and all fractions are rounded up to one digit below the decimal point.

## Management Policy and Progress to Date

MHR will continue to promote the New 2013 Management Policy, which was announced at the start of the external growth phase (February 2013), for “continued increase of dividend per unit, NAV per unit and market value,” centering on “further increase of portfolio revenue” through external growth and “further strengthening of financial position” through reducing financial costs and extending the average duration of debt.

## New 2013 Management Policy

### Basic policy

### “Dividend-driven management”

#### Policy ①

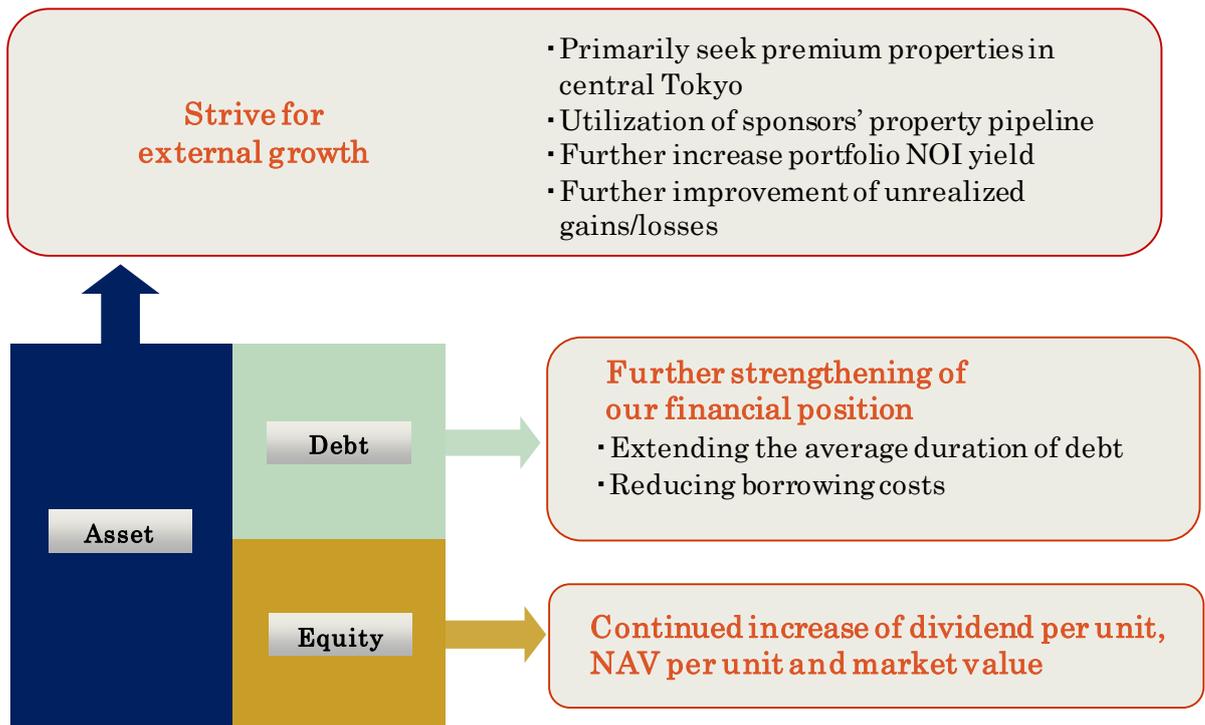
Strive for external growth

#### Policy ②

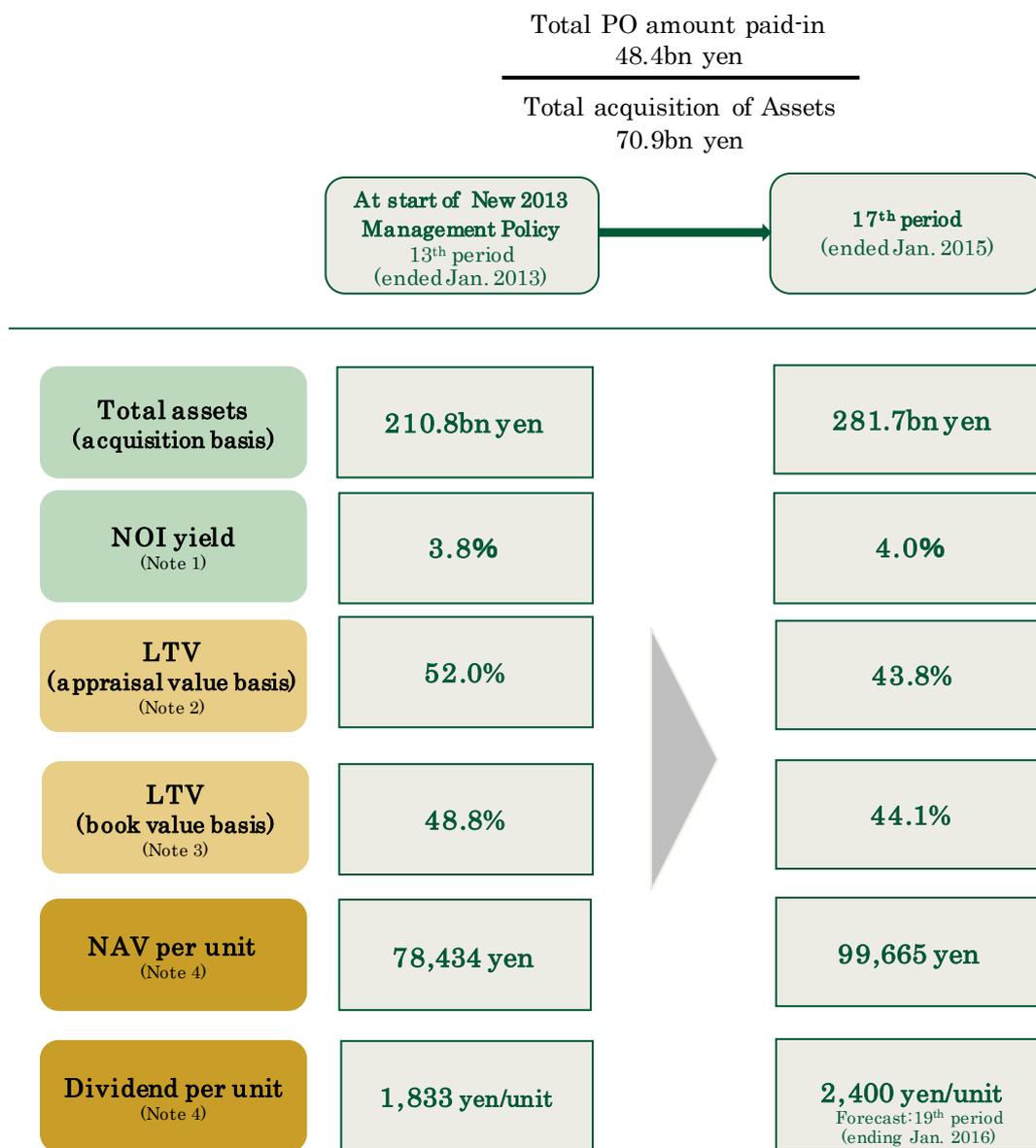
Further strengthening of our financial position

#### Policy ③

Continued increase of dividend per unit,  
NAV per unit and market value



Operation Results from start of New 2013 Management Policy



(Note 1) Figures are average NOI yields of the entire portfolio.

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

(Note 3) LTV (book value basis) is calculated as [interest-bearing debt /total assets]

(Note 4) Actual NAV per unit or dividend per unit was divided by 5 for the periods before the split of investment units.



## Portfolio Premium Properties in Central Tokyo

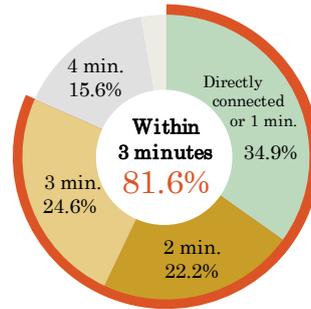
Pursuant to the basic policy of “Investment in the city,” MHR primarily invests in “high-quality, large-scale properties exhibiting superior earthquake resistance in central Tokyo,” a representative example being Roppongi Hills Mori Tower. Total acquisition price of portfolio as of January 31, 2015 is 281.7 billion yen.

### Portfolio Diversification (as of January 1, 2015)

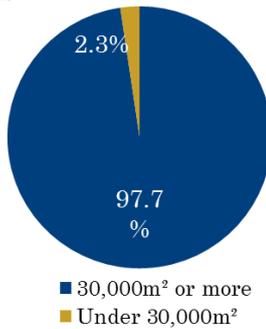
Area



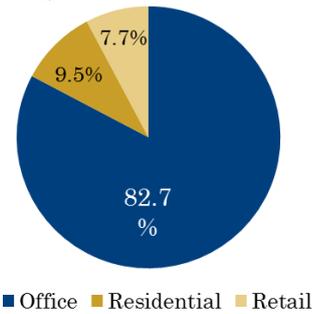
Minutes walk from nearest station



Size (Note 2)



Type (Note 3)

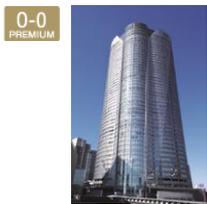


(Note 1) The ratios represent proportion of acquisition price to total acquisition price.

(Note 2) Chart showing “Size” does not include Laforet Harajuku (Land).

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

### Portfolio List (as of January 31, 2015)



Roppongi Hills Mori Tower



ARK Mori Building



Koraku Mori Building



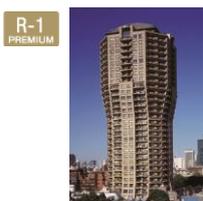
Akasaka Tameike Tower



Atago Green Hills



ARK Hills South Tower



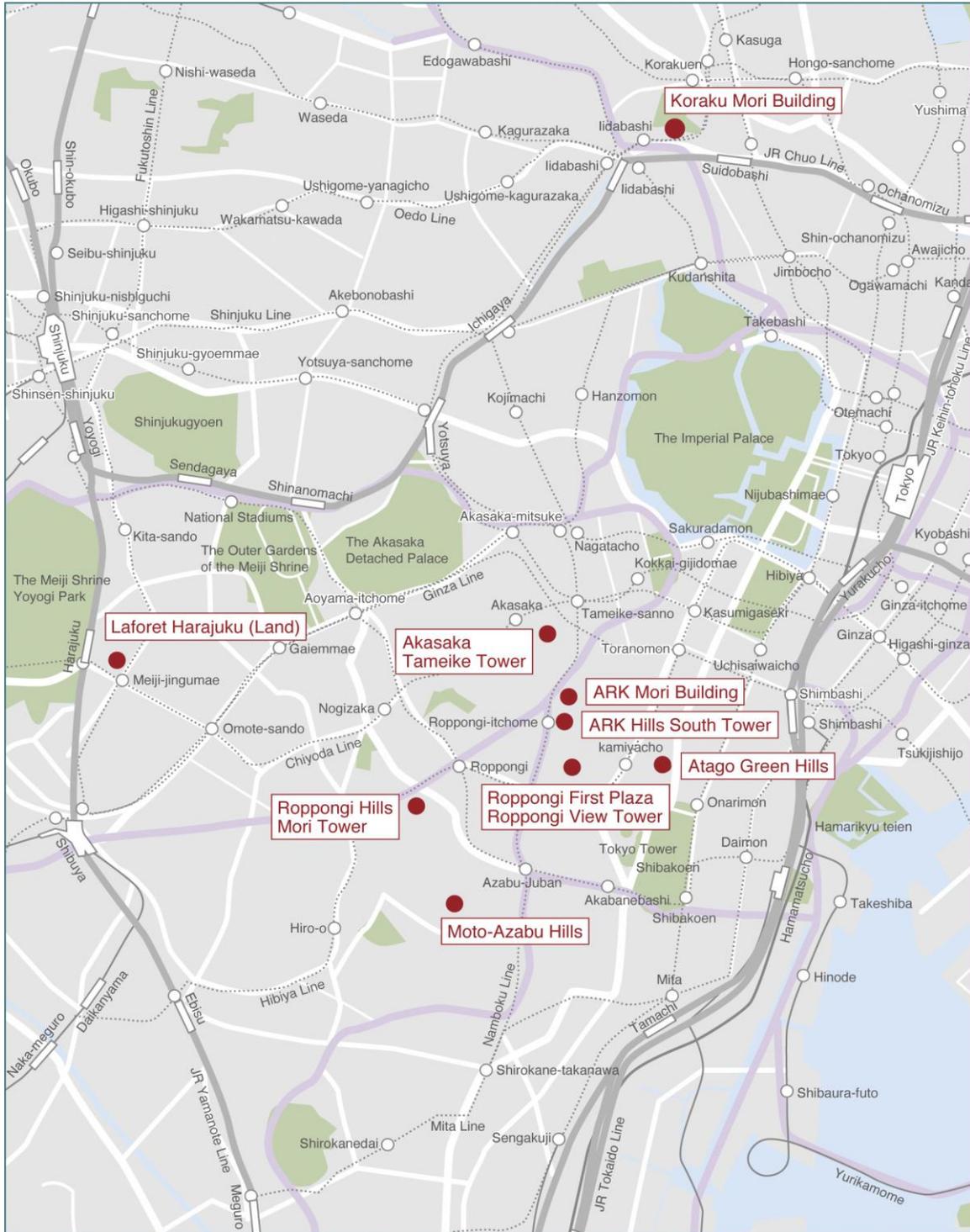
Moto-Azabu Hills



Roppongi First Plaza  
Roppongi View Tower



Laforet Harajuku (Land)





## Debt Status (as of January 31, 2015)

MHR will strive for “the further strengthening of financial position” by reducing financial costs and extending the average duration of debt through the implementation of optimal fund procurement based on accurately assessing financial and capital market trends.

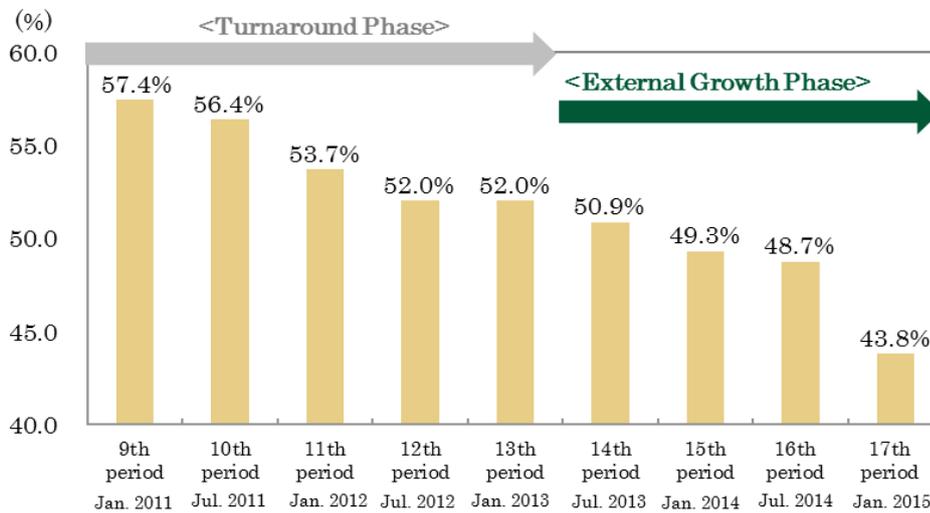
### Overview of Debt Financing

	End of 16th period (as of Jul. 31, 2014)	End of 17th period (as of Jan. 31, 2015)
Debt Balance	126,200mn yen	130,200mn yen
LTV(book value basis) <sup>(Note 1)</sup>	47.9%	44.1%
LTV(appraisal value basis) <sup>(Note 2)</sup>	48.7%	43.8%
Avg. remaining duration	2.6 years	3.2 years

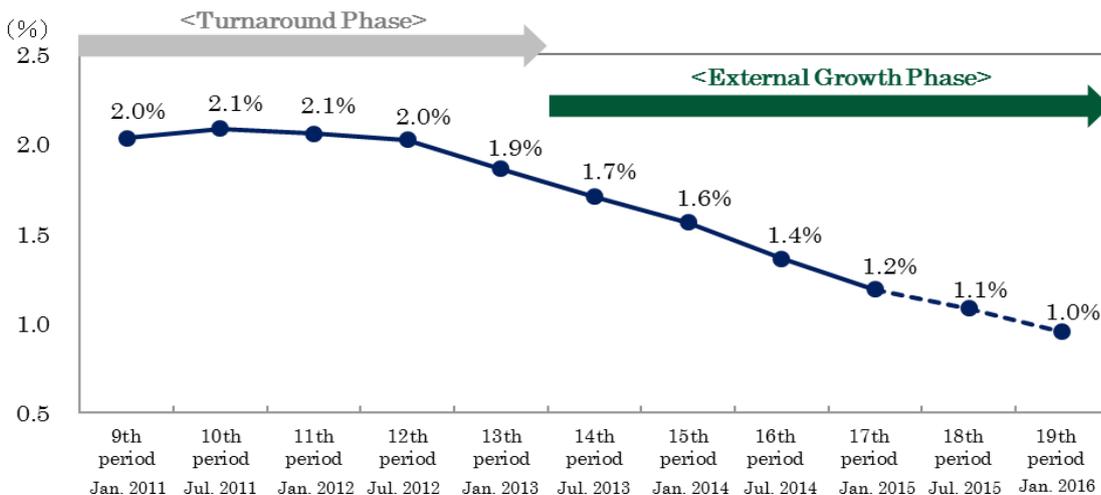
(Note 1) LTV(book value basis) is calculated as [interest bearing debt/total assets]

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

### Change in LTV (appraisal value basis)



### Change in Total Interest-bearing Debt Cost

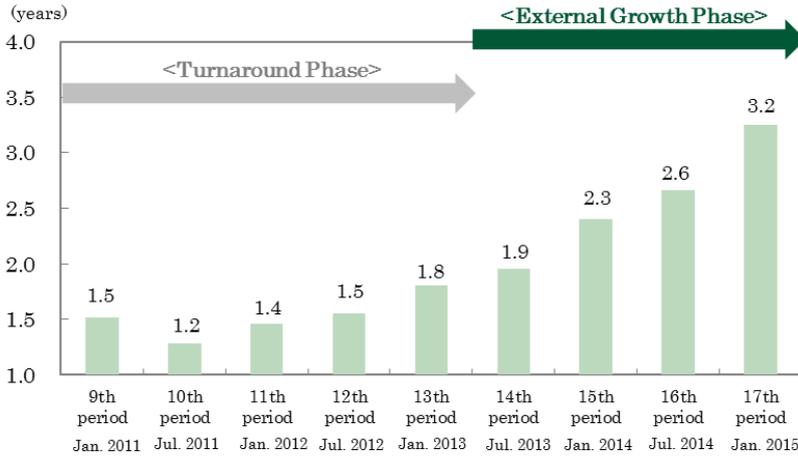


(Note) Total interest-bearing debt cost is calculated as

[interest expenses + interest expenses on investment corporation bonds + borrowing expenses + amortization of investment corporation bond issuance costs] × 365 ÷ operating days during each period ÷ average interest-bearing debt balance during each period]



Change in Remaining Duration of Debt

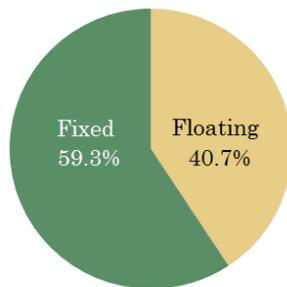


Long and Short-term Debt Ratio / Fixed Rate Ratio

Rating

[Long and short-term debt ratio]

[Fixed rate ratio]

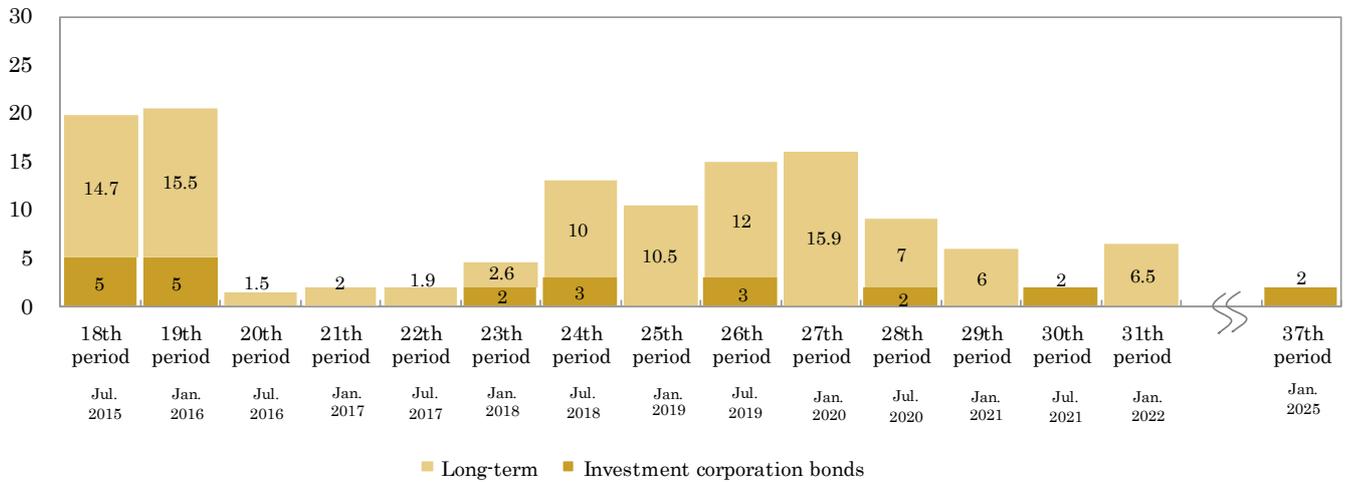


**Japan Credit Rating (JCR)**

Long-term issuer rating:  
AA- (Stable)

Overview of Maturity

(billionyen)





## PML and Earthquake-resistance

MHR's portfolio properties have superior earthquake resistance, boasting a portfolio PML (probable maximum loss from an earthquake for the entire portfolio) at the lowest level among all listed J-REITs as of March 10, 2015.

**Lowest portfolio PML of all listed J-REITs: 1.12%**

Office building				
Property Name	Roppongi Hills Mori Tower	ARK Mori Building	Koraku Mori Building	ARK Hills South Tower
PML	0.59%	0.78%	0.73%	1.56%
Earthquake-resistant feature	Seismic damping	Seismic damping (Note)	Seismic damping	Seismic damping

Office building (Partly residential)				
Property Name	Akasaka Tameike Tower	Atago Green Hills		
		MORI Tower	Forest Tower	Plaza
PML	1.79%	2.35%	2.34%	5.94%
Earthquake-resistant feature	Seismic damping	Seismic damping	Seismic damping	-

Residential				
Property Name	Moto-Azabu Hills		Roppongi First Plaza	Roppongi View Tower
	Forest Tower	Forest Terrace East		
PML	0.57%	1.27%	2.20%	2.20%
Earthquake-resistant feature	Seismic isolators	Seismic isolators	-	-

(Note) ARK Mori Building utilizes "slitwall" as an earthquake-resistant feature.

### Seismic damping

Minimize the level of oscillation

Seismic damping reduces earthquake magnitude of oscillation by approx. 20%

Viscous seismic damping wall

<Normal earthquake resistant building> <Building with seismic damping>

### Seismic isolators

Oscillate slowly and horizontally

Seismic Isolators reduce the magnitude of oscillation to approx. 1/2 or 1/3 especially in case of large earthquakes

Seismic isolators

<Normal earthquake resistant building> <Building with Seismic Isolators>

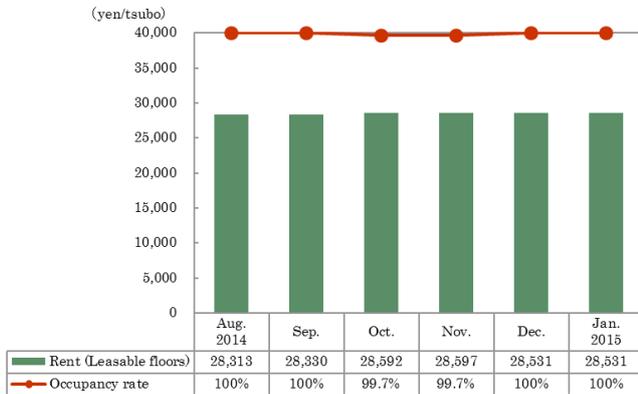


## Portfolio Management

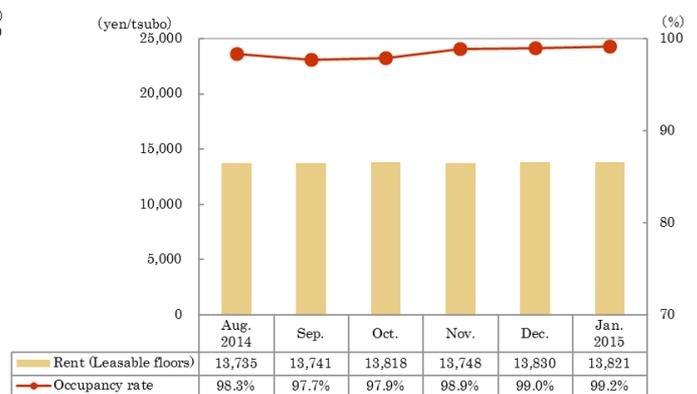
MHR maintained and enhanced occupancy rates by proactively launching marketing activities targeting new and existing tenants based on a flexible price policy.

### Rent and Occupancy Rate

[Office]



[Residential]



### Sustainability

#### [Acquisition of Highest Rank in CASBEE Real Estate Certification System]

The Comprehensive Assessment System for Built Environment Efficiency (CASBEE) was established under the leadership of the Ministry of Land, Infrastructure, Transport and Tourism to appropriately identify and evaluate profit-oriented real estate such as office buildings which have high environmental performance and value.

MHR acquired rank S (the highest rank) ratings for Roppongi Hills Mori Tower, ARK Mori Building and Atago Green Hills (MORI Tower) and a rank A rating for Koraku Mori Building.



Roppongi Hills Mori Tower

Rank S: ★★★★★★



ARK Mori Building

Rank S: ★★★★★★



Atago Green Hills MORI Tower

Rank S: ★★★★★★



Koraku Mori Building

Rank A: ★★★★★

#### [Acquired highest rank in DBJ Green Building Certification]

DBJ Green Building Certification is a certification system of the Development Bank of Japan Inc. to evaluate advanced measures by businesses that provide real estate having both high environmental and social awareness.

ARK Hills South Tower acquired certification ranking of "Properties with the best class environmental & social awareness," the highest rank.



ARK Hills South Tower



## Mori Building's Extensive Property Pipeline

MHR has the "preferential negotiation rights" on sales of Mori Building Co., Ltd. properties (Note 1), which serves as the driving force for external growth.

### Mori Building's Total Assets and Property Management

- Total assets of 1.7 trillion yen as of March 2014
- 112 buildings for lease as of March 2014

### Mori Building's Development Projects (Including future development) <sup>(Note 2)</sup>

[New redevelopment projects promoted by Mori Building Groups]

#### **A** Toranomom Hills <sup>(Note 3)</sup>



#### **B** Ginza 6-chome District 10 Category 1 Urban Redevelopment Project <sup>(Note 4)</sup>



[Properties owned by Mori Building Group]

#### **1** Roppongi Hills (Partly owned by MHR)



⟨Office/Residential/Retail, etc.⟩

#### **2** ARK Hills (Partly owned by MHR)



⟨Office/Residential/Retail, etc.⟩

#### **3** Atago Green Hills (Partly owned by MHR)



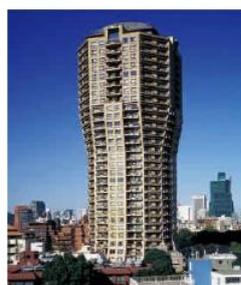
⟨Office/Residential/Retail⟩

#### **4** Holland Hills



⟨Office/Residential/Retail⟩

#### **5** Moto-Azabu Hills (Partly owned by MHR)

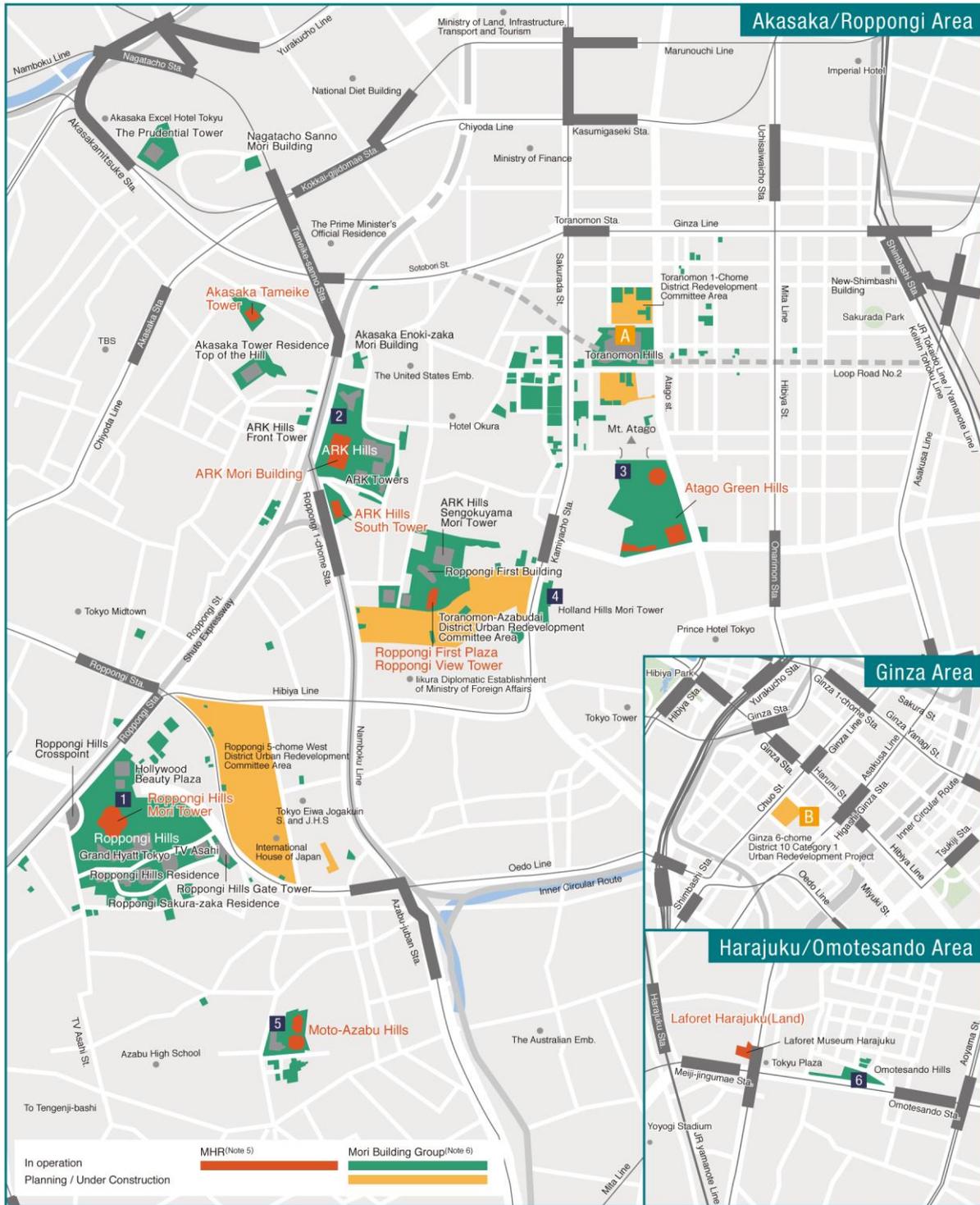


⟨Residential⟩

#### **6** Omotesando Hills



⟨Retail/Residential⟩



(Source) Prepared by the Asset Management Company based on Mori Building’s “Mori Building Handy Map Mori Building Map/Home Route Support Map 2015.”

(Note 1) Some exceptions included.

(Note 2) For the properties above, there are no properties currently anticipated to be acquired by MHR.

(Note 3) Mori Building was appointed as a distinct developer.

(Note 4) Mori Building is investing in the “Special purpose company of Ginza 6-chome District 10 Category 1 Urban Redevelopment Project” which is comprised of the participating members of the association of the project.

(Note 5) Some of the properties have been partially acquired and held by MHR.

(Note 6) Properties are developed, owned, managed and planned for development by Mori Building Group, and there are no properties currently anticipated to be acquired by MHR.



## Unit Price Performance

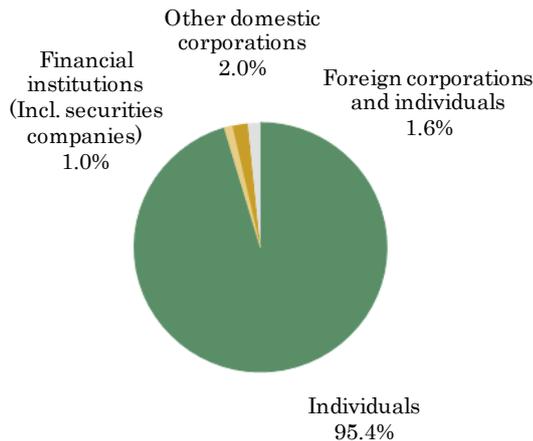


(Note 1) Unless otherwise stated in this document, all amounts of less than a unit are omitted and all fractions are rounded up to one digit below the decimal point.

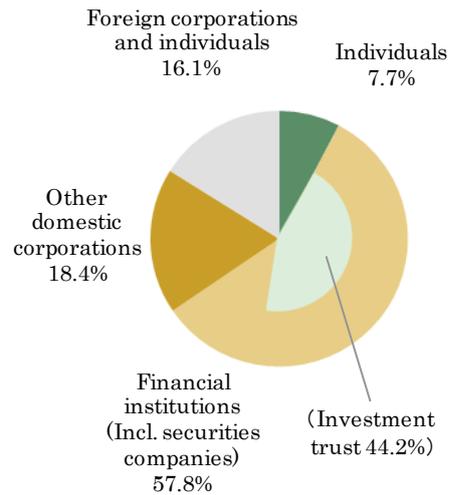
(Note 2) TSE REIT Index is adjusted to MHR's unit price on the announcement date of the management policy (Sep. 14, 2010) and shows the relative performance vs. MHR's unit price performance.

## Unitholders Breakdown (as of January 31, 2015)

Number of unitholders



Number of investment units



## Risk Factors

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

### Property and Business Risks

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

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

#### **Management and Governance Risks**

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

#### **Taxation Risks**

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

#### **Legal and Regulatory Risks**

- Our ownership rights in some of our properties may be declared invalid or limited.
- We may lose our rights in a property we own if the purchase of the property is recharacterized as a secured financing.

- Our leasehold or subleasehold rights may be terminated or may not be asserted against a third party in some cases, or our leases with our tenants could be modified.
- Properties for which third parties hold leasehold rights in the land and own the buildings may subject us to various risks.
- Many of our properties are in the form of compartmentalized ownership interests (*kubun shoyū-ken*) and our rights relating to such properties may be affected by the intentions of other owners.
- Many of our properties are in the form of property co-ownership (*kyōyū*) or trust beneficiary interest coownership (*junkyōyū*) and our rights relating to such properties may be affected by the intentions of other owners.
- Some of our properties are subject to preferential purchase rights, rights of first refusal or other similar rights held by lessees, tenants or other third parties.
- Tax increases or adverse changes in applicable laws may affect our potential liabilities relating to our properties and operations.
- Our costs of complying with regulations applicable to our properties could adversely affect our results of operations.
- We own a substantial portion of our properties through trust beneficiary interests and may suffer losses as a trust beneficiary.
- The EU directive on Alternative Investment Fund Managers may increase regulatory costs and limit our ability to attract investors based in Europe.



## **Disclaimer**

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

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

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

## Independent Auditor's Report

The Board of Directors  
Mori Hills REIT Investment Corporation

We have audited the accompanying financial statements of Mori Hills REIT Investment Corporation, which comprise the balance sheet as of January 31, 2015, and the statements of income and retained earnings, changes in net assets, cash distributions, and cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. The purpose of an audit of the financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mori Hills REIT Investment Corporation as of January 31, 2015, and its financial performance and cash flows for the six-month period then ended in conformity with accounting principles generally accepted in Japan.

April 27, 2015

*Ernst & Young Shin Nihon LLC*

## FINANCIAL STATEMENTS

### BALANCE SHEET

(Unit: thousands of yen)

	As of	
	January 31, 2015	July 31, 2014
Assets		
Current assets		
Cash and deposits	5,871,909	4,767,774
Cash and deposits in trust	10,802,256	9,217,094
Operating accounts receivable	20,292	24,449
Prepaid expenses	342,312	368,726
Deferred tax assets	32	22
Consumption taxes receivable	403,028	—
Total current assets	<u>17,439,832</u>	<u>14,378,067</u>
Noncurrent assets		
Property, plant and equipment		
Land	22,074,160	22,074,160
Buildings in trust	57,421,739	51,690,121
Accumulated depreciation	(7,783,663)	(6,934,864)
Buildings in trust, net	<u>49,638,076</u>	<u>44,755,257</u>
Structures in trust	691,354	533,551
Accumulated depreciation	(191,967)	(171,921)
Structures in trust, net	<u>499,386</u>	<u>361,630</u>
Machinery and equipment in trust	658,996	585,420
Accumulated depreciation	(104,398)	(88,848)
Machinery and equipment in trust, net	<u>554,597</u>	<u>496,572</u>
Tools, furniture and fixtures in trust	104,045	100,164
Accumulated depreciation	(46,132)	(39,598)
Tools, furniture and fixtures in trust, net	<u>57,913</u>	<u>60,566</u>
Land in trust	173,099,029	149,879,429
Construction in progress in trust	44,927	8,024
Total property, plant and equipment	<u>245,968,092</u>	<u>217,635,641</u>
Intangible assets		
Leasehold rights in trust	30,650,962	30,650,962
Other intangible assets in trust	1,939	1,289
Other	3,573	4,302
Total intangible assets	<u>30,656,475</u>	<u>30,656,554</u>
Investments and other assets		
Lease and guarantee deposits	10,000	10,000
Long-term prepaid expenses	735,673	553,654
Total investments and other assets	<u>745,673</u>	<u>563,654</u>
Total noncurrent assets	<u>277,370,241</u>	<u>248,855,850</u>
Deferred assets		
Investment corporation bonds issuance cost	79,787	76,143
Investment unit issuance cost	136,265	—
Total deferred assets	<u>216,053</u>	<u>76,143</u>
Total assets	<u>295,026,127</u>	<u>263,310,061</u>

(Unit: thousands of yen)

	As of	
	January 31, 2015	July 31, 2014
<b>Liabilities</b>		
<b>Current liabilities</b>		
Operating accounts payable	84,292	101,652
Current portion of investment corporation bonds	10,000,000	8,000,000
Current portion of long-term loans payable	30,200,000	31,700,000
Accounts payable – other	15,608	28,432
Accrued expenses	298,319	323,185
Income taxes payable	1,014	846
Accrued consumption taxes	33,891	200,785
Advances received	941,548	899,644
Deposits received	66,006	78,575
<b>Total current liabilities</b>	<b>41,640,681</b>	<b>41,333,123</b>
<b>Noncurrent liabilities</b>		
Investment corporation bonds	14,000,000	17,000,000
Long-term loans payable	76,000,000	69,500,000
Lease and guarantee deposits in trust	9,245,319	8,061,446
<b>Total noncurrent liabilities</b>	<b>99,245,319</b>	<b>94,561,446</b>
<b>Total liabilities</b>	<b>140,886,000</b>	<b>135,894,570</b>
<b>Net assets</b>		
<b>Unitholders' equity</b>		
Unitholders' capital	150,418,135	124,330,988
<b>Surplus</b>		
<b>Voluntary retained earnings</b>		
Reserve for reduction entry	105,244	105,244
<b>Total voluntary retained earnings</b>	<b>105,244</b>	<b>105,244</b>
Unappropriated retained earnings	3,616,747	2,979,257
<b>Total surplus</b>	<b>3,721,991</b>	<b>3,084,501</b>
<b>Total unitholders' equity</b>	<b>154,140,126</b>	<b>127,415,490</b>
<b>Total net assets (Note 8)</b>	<b>154,140,126</b>	<b>127,415,490</b>
<b>Total liabilities and net assets</b>	<b>295,026,127</b>	<b>263,310,061</b>

## STATEMENT OF INCOME AND RETAINED EARNINGS

(Unit: thousands of yen)

	For the six months ended	
	January 31, 2015	July 31, 2014
Operating revenue		
Rent revenue of real estate (Note 12)	6,391,443	5,670,408
Other rent revenue of real estate (Note 12)	115,157	117,707
Total operating revenue	6,506,600	5,788,116
Operating expenses		
Expenses of real estate rent (Note 12)	1,783,510	1,641,610
Asset management fee	196,803	216,982
Directors' compensation	5,400	5,400
Asset custody fee	6,582	6,572
Administrative service fees	17,484	15,405
Other operating expenses (Note 12)	62,270	69,680
Total operating expenses	2,072,052	1,955,650
Operating income	4,434,548	3,832,466
Non-operating income		
Interest income	1,265	1,287
Exclusion gain of unpaid dividend	956	1,596
Interest on refund	—	74
Total non-operating income	2,221	2,958
Non-operating expenses		
Interest expenses	427,978	470,283
Interest expenses on investment corporation bonds	136,711	145,793
Amortization of investment corporation bonds issuance cost	14,479	15,202
Borrowing expenses	210,774	220,154
Amortization of investment unit issuance cost	27,253	—
Other	1,848	3,664
Total non-operating expenses	819,044	855,099
Ordinary income	3,617,725	2,980,324
Income before income taxes	3,617,725	2,980,324
Income taxes-current	1,270	1,107
Income taxes-deferred	(9)	(7)
Total income taxes	1,261	1,100
Net income	3,616,463	2,979,224
Retained earnings brought forward	284	33
Unappropriated retained earnings	3,616,747	2,979,257

## STATEMENT OF CHANGES IN NET ASSETS

For the six months ended January 31, 2015

(Unit: thousands of yen)

	Surplus			Total surplus	Total unitholders' equity	Total net assets
	Unitholders' capital	Voluntary retained earnings	Unappropriated retained earnings			
Balance at August 1, 2014	124,330,988	105,244	2,979,257	3,084,501	127,415,490	127,415,490
Change during the period						
Issuance of new investment units	26,087,146				26,087,146	26,087,146
Dividends from surplus			(2,978,973)	(2,978,973)	(2,978,973)	(2,978,973)
Net income			3,616,463	3,616,463	3,616,463	3,616,463
Total changes of items during the period	26,087,146	—	637,489	637,489	26,724,636	26,724,636
Balance at January 31, 2015	150,418,135	105,244	3,616,747	3,721,991	154,140,126	154,140,126

For the six months ended July 31, 2014

(Unit: thousands of yen)

	Surplus			Total surplus	Total unitholders' equity	Total net assets
	Unitholders' capital	Voluntary retained earnings	Unappropriated retained earnings			
Balance at February 1, 2014	124,330,988	105,244	2,797,305	2,902,549	127,233,537	127,233,537
Change during the period						
Dividends from surplus			(2,797,271)	(2,797,271)	(2,797,271)	(2,797,271)
Net income			2,979,224	2,979,224	2,979,224	2,979,224
Total changes of items during the period	—	—	181,952	181,952	181,952	181,952
Balance at July 31, 2014	124,330,988	105,244	2,979,257	3,084,501	127,415,490	127,415,490



## STATEMENT OF CASH DISTRIBUTIONS

(Unit: yen)

	For the six months ended January 31, 2015	For the six months ended July 31, 2014
I . Unappropriated retained earnings	3,616,747,766	2,979,257,797
II . Amount of dividends	3,615,802,120	2,978,973,675
Amount of dividends per unit	2,303	2,151
III . Retained earnings carried forward	945,646	284,122
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 3,615,802,120 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 2,978,973,675 yen, which is the largest integral multiple of the number of investment units issued and outstanding (1,384,925 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>

## STATEMENT OF CASH FLOWS

(Unit: thousands of yen)

For the six months ended

	January 31, 2015	July 31, 2014
Net cash provided by (used in) operating activities		
Income before income taxes	3,617,725	2,980,324
Depreciation and amortization	892,290	837,243
Amortization of investment corporation bonds issuance cost	14,479	15,202
Amortization of investment unit issuance cost	27,253	—
Interest income	(1,265)	(1,287)
Exclusion gain of unpaid dividend	(956)	(1,596)
Interest expenses	564,689	616,077
Decrease (increase) in operating accounts receivable	4,156	18,872
Decrease (increase) in consumption taxes receivable	(403,028)	67,754
Increase (decrease) in operating accounts payable	(14,133)	15,353
Increase (decrease) in accounts payable – other	(10,723)	11,921
Increase (decrease) in accrued expenses	(20,884)	14,804
Increase (decrease) in accrued consumption taxes	(166,894)	200,785
Increase (decrease) in advances received	41,904	21,725
Increase (decrease) in deposits received	1,045	(1,792)
Decrease (increase) in prepaid expenses	26,413	55,831
Decrease (increase) in long-term prepaid expenses	(182,019)	(2,356)
Other, net	53	30
Subtotal	4,390,105	4,848,895
Interest income received	1,265	1,287
Interest expenses paid	(568,671)	(632,552)
Income taxes paid	(1,103)	(961)
Net cash provided by (used in) operating activities	3,821,596	4,216,668
Net cash provided by (used in) investing activities		
Purchase of intangible assets	(3,870)	—
Purchase of property, plant and equipment in trust	(29,227,037)	(108,542)
Purchase of intangible assets in trust	(904)	(446)
Repayments of lease and guarantee deposits in trust	(61,079)	(14,502)
Proceeds from lease and guarantee deposits in trust	1,231,336	22,914
Net cash provided by (used in) investing activities	(28,061,555)	(100,576)
Net cash provided by (used in) financing activities		
Proceeds from short-term loans payable	2,000,000	—
Repayments of short-term loans payable	(2,000,000)	—
Proceeds from long-term loans payable	22,000,000	13,022,000
Repayments of long-term loans payable	(17,000,000)	(13,022,000)
Proceeds from issuance of investment corporation bonds	1,981,879	4,969,527
Redemption of investment corporation bonds	(3,000,000)	(5,000,000)
Proceeds from issuance of investment units	25,923,627	—
Cash dividends paid	(2,976,250)	(2,797,354)
Net cash provided by (used in) financing activities	26,929,256	(2,827,827)
Net increase (decrease) in cash and cash equivalents	2,689,297	1,288,264
Cash and cash equivalents at beginning of the period	13,984,868	12,696,604
Cash and cash equivalents at end of the period (Note 16)	16,674,166	13,984,868

## NOTES TO FINANCIAL STATEMENTS

For the six months ended January 31, 2015 and July 31, 2014

### 1. ORGANIZATION

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

The Company issued new investment units through a public offering (185,115 units; including a third-party allotment through an over-allotment option) on August 1, 2014 and August 27, 2014. As of January 31, 2015, the total number of investment units issued and outstanding was 1,570,040.

The Company’s real estate portfolio as of January 31, 2015 was comprised of 10 properties under management with a total leasable floor area of 132,003.82m<sup>2</sup>. The Company has already invested 281,756 million yen (based on acquisition price) into this portfolio. The occupancy rate as of January 31, 2015 was 99.8%.

### 2. BASIS OF PRESENTATION

The financial statements of the Company have been prepared in accordance with accounting principles generally accepted in Japan (“Japanese GAAP”), including provisions set forth in the Financial Instruments and Exchange Act of Japan and the Investment Trust Act and related regulations, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. The accompanying financial statements are basically a translation of the financial statements of the Company, which were prepared in accordance with Japanese GAAP and were presented in the Securities Report of the Company filed with the Kanto Local Finance Bureau of the Ministry of Finance. In preparing the accompanying financial statements, certain reclassifications have been made to the financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan. The amounts in the financial statements originally prepared in Japanese, which were rounded down to the nearest yen, have been rounded off to the nearest thousand in the accompanying financial statements. The Company does not prepare consolidated financial statements, as the Company has no subsidiaries.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (1) Property, plant and equipment (including assets in trust) and depreciation

Depreciation of property, plant and equipment of the Company is calculated principally by the straight-line method based on the following estimated useful lives determined by the Company. Significant renewals and additions are capitalized at cost. Maintenance and repairs are charged to income.

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

#### (2) Intangible assets (including assets in trust)

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

#### (3) Long-term prepaid expenses

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

#### (4) Investment corporation bonds issuance cost

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

#### (5) Investment unit issuance cost

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

(6) Revenue recognition

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

(7) Accounting for property taxes

For property tax, city planning tax and depreciable assets tax, the Company charges the amount of property taxes assessed and determined applicable to the fiscal period to expenses of real estate rent.

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 amounts equivalent to property taxes included in the cost of acquisition of real estate are 41,102 thousand yen and none, as of January 31 2015 and July 31, 2014, respectively.

(8) Hedge accounting approach

(a) Hedge accounting approach

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

(b) Hedging instruments and hedged items

Hedging instruments: Interest rate swap transactions

Hedged items: Borrowing interest rates

(c) Hedging policy

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

(d) Method for assessing the effectiveness of hedging

The Company evaluates by comparing the cumulative change in market rates of hedged items and hedging instruments 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.

(9) Cash and cash equivalents

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

(10) Accounting for trust beneficial interest in real estate

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

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

(a) Cash and deposits in trust

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

(c) Lease and guarantee deposits in trust

(11) Consumption taxes

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



## 4. PROPERTY AND EQUIPMENT

As of January 31, 2015

(Unit: thousands of yen)

Type of asset	Balance at beginning of the period	Amount of increase during the period	Amount of decrease during the period	Balance at end of the period	Accumulated depreciation/Amortization		Net balance at end of the period	Remarks	
					Accumulated depreciation	Amortization			
Property, plant and equipment	Land	22,074,160	—	—	22,074,160	—	—	22,074,160	
	Buildings in trust	51,690,121	5,731,618	—	57,421,739	7,783,663	848,799	49,638,076	(Note)
	Structures in trust	533,551	157,802	—	691,354	191,967	20,046	499,386	(Note)
	Machinery and equipment in trust	585,420	73,575	—	658,996	104,398	15,550	554,597	(Note)
	Tools, furniture and fixtures in trust	100,164	4,311	430	104,045	46,132	6,911	57,913	
	Land in trust	149,879,429	23,219,599	—	173,099,029	—	—	173,099,029	(Note)
	Construction in progress in trust	8,024	36,903	—	44,927	—	—	44,927	
Subtotal	224,870,874	29,223,811	430	254,094,254	8,126,162	891,307	245,968,092		
Intangible assets	Leasehold rights in trust	30,650,962	—	—	30,650,962	—	—	30,650,962	
	Other intangible assets in trust	7,414	904	—	8,319	6,379	254	1,939	
Subtotal	30,658,377	904	—	30,659,281	6,379	254	30,652,902		
Total	255,529,251	29,224,715	430	284,753,536	8,132,541	891,561	276,620,994		

(Note) The amount of increase during the period is primarily attributable to the acquisitions of a portion of Roppongi Hills Mori Tower and a portion of ARK Hills South Tower.



## 5. SHORT-TERM LOANS PAYABLE

As of January 31, 2015

(Unit: thousands of yen)

Lender	Balance at beginning of the period	Amount of increase during the period	Amount of decrease during the period	Balance at end of the period	Average interest rate (Note 1)	Repayment date	Use of funds	Remarks
Mizuho Bank, Ltd.	—	400,000	400,000	—	0.2949%	Nov. 28, 2014	(Note 2)	Unsecured/ Unguaranteed
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	—	400,000	400,000	—	0.2949%	Nov. 28, 2014		
Mitsubishi UFJ Trust and Banking Corporation	—	400,000	400,000	—	0.2949%	Nov. 28, 2014		
Sumitomo Mitsui Banking Corporation	—	400,000	400,000	—	0.2949%	Nov. 28, 2014		
Sumitomo Mitsui Trust Bank, Ltd.	—	400,000	400,000	—	0.2949%	Nov. 28, 2014		
Total	—	2,000,000	2,000,000	—				

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

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

## 6. INVESTMENT CORPORATION BONDS

As of January 31, 2015

(Unit: thousands of yen)

Bond	Issue date	Balance at beginning of the period	Amount of increase during the period	Amount of decrease during the period	Balance at end of the period	Interest rate	Redemption maturity date	Use of funds	Collateral		
Second Series Unsecured Investment Corporation Bonds	Nov. 29, 2007	3,000,000	—	3,000,000	—	1.7700%	Nov. 28, 2014	(Note 1)	none		
Fourth Series Unsecured Investment Corporation Bonds	May 27, 2010	5,000,000	—	—	5,000,000	1.9500%	May 27, 2015				
Sixth Series Unsecured Investment Corporation Bonds	Nov. 28, 2012	5,000,000	—	—	5,000,000	0.7800%	Nov. 27, 2015				
Seventh Series Unsecured Investment Corporation Bonds	Nov. 28, 2012	2,000,000	—	—	2,000,000	0.9700%	Nov. 28, 2017				
Eighth Series Unsecured Investment Corporation Bonds	May 24, 2013	3,000,000	—	—	3,000,000	0.8500%	May 24, 2018				
Ninth Series Unsecured Investment Corporation Bonds	May 24, 2013	2,000,000	—	—	2,000,000	1.2600%	May 22, 2020				
Tenth Series Unsecured Investment Corporation Bonds	Feb. 24, 2014	3,000,000	—	—	3,000,000	0.4140%	Feb. 22, 2019				
Eleventh Series Unsecured Investment Corporation Bonds	Feb. 24, 2014	2,000,000	—	—	2,000,000	0.6880%	Feb. 24, 2021				
Twelfth Series Unsecured Investment Corporation Bonds	Nov. 27, 2014	—	2,000,000	—	2,000,000	0.8650%	Nov. 27, 2024				
Total		25,000,000	2,000,000	3,000,000	24,000,000						

(Note 1) The funds are used for the repayment of loans payable and redemption of investment corporation bonds.

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

(Unit: thousands of yen)

	Due within 1 year	Due after 1 year, but within 2 years	Due after 2 years, but within 3 years	Due after 3 years, but within 4 years	Due after 4 years, but within 5 years
Investment corporation bonds	10,000,000	—	2,000,000	3,000,000	3,000,000



## 7. LONG-TERM LOANS PAYABLE

As of January 31, 2015

### (1) Current portion of long-term loans payable

(Unit: thousands of yen)

Lender	Balance at beginning of the period	Amount of increase during the period	Amount of decrease during the period	Balance at end of the period	Average interest rate (Note 1)	Repayment date	Use of funds	Remarks
Mizuho Bank, Ltd.	2,500,000	—	2,500,000	—	1.3449%	Nov. 28, 2014	(Note 2)	Unsecured/ Unguaranteed
	1,600,000	—	—	1,600,000	0.9905%	May 29, 2015		
	1,138,000	—	—	1,138,000	1.2280%	May 29, 2015		
	—	1,500,000	—	1,500,000	0.9905%	Aug. 31, 2015		
	—	1,600,000	—	1,600,000	1.0400%	Nov. 30, 2015		
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,500,000	—	2,500,000	—	1.3449%	Nov. 28, 2014		
	1,600,000	—	—	1,600,000	0.9905%	May 29, 2015		
	1,138,000	—	—	1,138,000	1.2280%	May 29, 2015		
	—	1,500,000	—	1,500,000	0.9905%	Aug. 31, 2015		
	—	1,600,000	—	1,600,000	1.0400%	Nov. 30, 2015		
Mitsubishi UFJ Trust and Banking Corporation	2,500,000	—	2,500,000	—	1.3449%	Nov. 28, 2014		
	1,600,000	—	—	1,600,000	0.9905%	May 29, 2015		
	1,138,000	—	—	1,138,000	1.2280%	May 29, 2015		
	—	1,500,000	—	1,500,000	0.9905%	Aug. 31, 2015		
	—	1,600,000	—	1,600,000	1.0400%	Nov. 30, 2015		
Sumitomo Mitsui Banking Corporation	3,000,000	—	3,000,000	—	1.3449%	Nov. 28, 2014		
	1,600,000	—	—	1,600,000	0.9905%	May 29, 2015		
	597,000	—	—	597,000	1.2280%	May 29, 2015		
	—	1,500,000	—	1,500,000	0.9905%	Aug. 31, 2015		
	—	1,600,000	—	1,600,000	1.0400%	Nov. 30, 2015		
Sumitomo Mitsui Trust Bank, Ltd.	2,000,000	—	2,000,000	—	1.3449%	Nov. 28, 2014		
	1,600,000	—	—	1,600,000	0.9905%	May 29, 2015		
	989,000	—	—	989,000	1.2280%	May 29, 2015		
	—	1,600,000	—	1,600,000	1.0400%	Nov. 30, 2015		
Development Bank of Japan Inc.	1,700,000	—	—	1,700,000	1.4313%	Mar. 27, 2015		
Shinsei Bank, Ltd.	—	1,500,000	—	1,500,000	1.0400%	Nov. 30, 2015		
Resona Bank, Ltd.	2,500,000	—	2,500,000	—	1.3464%	Aug. 29, 2014		
Aozora Bank, Ltd.	2,000,000	—	2,000,000	—	1.3464%	Aug. 29, 2014		
<b>Total</b>	<b>31,700,000</b>	<b>15,500,000</b>	<b>17,000,000</b>	<b>30,200,000</b>				



(2) Long-term loans payable

(Unit: thousands of yen)

Lender	Balance at beginning of the period	Amount of increase during the period	Amount of decrease during the period	Balance at end of the period	Average interest rate (Note 1)	Repayment date	Use of funds	Remarks
Mizuho Bank, Ltd.	1,500,000	—	1,500,000	—	0.9905%	Aug. 31, 2015	(Note 2)	Unsecured/ Unguaranteed
	1,600,000	—	1,600,000	—	1.0400%	Nov. 30, 2015		
	1,500,000	—	—	1,500,000	0.8421%	Mar. 30, 2018		
	1,400,000	—	—	1,400,000	0.7760%	Sep. 28, 2018		
	250,000	—	—	250,000	0.4405%	May 31, 2019		
	1,100,000	—	—	1,100,000	0.4905%	Nov. 29, 2019		
	1,702,000	—	—	1,702,000	0.3905%	May 31, 2019		
	574,000	—	—	574,000	0.4405%	May 29, 2020		
	—	834,000	—	834,000	0.4405%	May 29, 2020		
	—	1,200,000	—	1,200,000	0.6242%	Nov. 30, 2020		
—	1,300,000	—	1,300,000	0.7535%	Nov. 30, 2021			
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,500,000	—	1,500,000	—	0.9905%	Aug. 31, 2015		
	1,600,000	—	1,600,000	—	1.0400%	Nov. 30, 2015		
	1,500,000	—	—	1,500,000	0.8421%	Mar. 30, 2018		
	1,400,000	—	—	1,400,000	0.7760%	Sep. 28, 2018		
	250,000	—	—	250,000	0.4405%	May 31, 2019		
	1,100,000	—	—	1,100,000	0.4905%	Nov. 29, 2019		
	1,702,000	—	—	1,702,000	0.3905%	May 31, 2019		
	574,000	—	—	574,000	0.4405%	May 29, 2020		
	—	834,000	—	834,000	0.4405%	May 29, 2020		
	—	1,200,000	—	1,200,000	0.6242%	Nov. 30, 2020		
—	1,300,000	—	1,300,000	0.7535%	Nov. 30, 2021			
Mitsubishi UFJ Trust and Banking Corporation	1,500,000	—	1,500,000	—	0.9905%	Aug. 31, 2015		
	1,600,000	—	1,600,000	—	1.0400%	Nov. 30, 2015		
	1,500,000	—	—	1,500,000	0.8421%	Mar. 30, 2018		
	1,400,000	—	—	1,400,000	0.7760%	Sep. 28, 2018		
	250,000	—	—	250,000	0.4405%	May 31, 2019		
	1,100,000	—	—	1,100,000	0.4905%	Nov. 29, 2019		
	1,702,000	—	—	1,702,000	0.3905%	May 31, 2019		
	574,000	—	—	574,000	0.4405%	May 29, 2020		
	—	834,000	—	834,000	0.4405%	May 29, 2020		
	—	1,200,000	—	1,200,000	0.6242%	Nov. 30, 2020		
—	1,300,000	—	1,300,000	0.7535%	Nov. 30, 2021			



Sumitomo Mitsui Banking Corporation	1,500,000	—	1,500,000	—	0.9905%	Aug. 31, 2015	(Note 2)	Unsecured/ Unguaranteed
	1,600,000	—	1,600,000	—	1.0400%	Nov. 30, 2015		
	1,500,000	—	—	1,500,000	0.8421%	Mar. 30, 2018		
	1,400,000	—	—	1,400,000	0.7760%	Sep. 28, 2018		
	250,000	—	—	250,000	0.4405%	May 31, 2019		
	1,600,000	—	—	1,600,000	0.4905%	Nov. 29, 2019		
	894,000	—	—	894,000	0.3905%	May 31, 2019		
	300,000	—	—	300,000	0.4405%	May 29, 2020		
	—	834,000	—	834,000	0.4405%	May 29, 2020		
	—	1,440,000	—	1,440,000	0.6242%	Nov. 30, 2020		
—	1,560,000	—	1,560,000	0.7535%	Nov. 30, 2021			
Sumitomo Mitsui Trust Bank, Ltd.	1,600,000	—	1,600,000	—	1.0400%	Nov. 30, 2015		
	1,500,000	—	—	1,500,000	0.8421%	Mar. 30, 2018		
	1,978,000	—	—	1,978,000	0.7460%	May 31, 2017		
	1,400,000	—	—	1,400,000	0.7760%	Sep. 28, 2018		
	1,000,000	—	—	1,000,000	0.4905%	Nov. 29, 2019		
	—	834,000	—	834,000	0.4405%	May 29, 2020		
	—	960,000	—	960,000	0.6242%	Nov. 30, 2020		
—	1,040,000	—	1,040,000	0.7535%	Nov. 30, 2021			
Aozora Bank, Ltd.	2,000,000	—	—	2,000,000	1.1850%	Aug. 31, 2016		
	750,000	—	—	750,000	0.8421%	Mar. 30, 2018		
	500,000	—	—	500,000	0.7760%	Sep. 28, 2018		
	—	2,000,000	—	2,000,000	0.3894%	Aug. 30, 2019		
The Norinchukin Bank	500,000	—	—	500,000	0.7760%	Sep. 28, 2018		
	600,000	—	—	600,000	0.3905%	Nov. 30, 2017		
	600,000	—	—	600,000	0.4905%	Nov. 29, 2019		
	3,000,000	—	—	3,000,000	0.3905%	May 31, 2019		
The Bank of Fukuoka, Ltd.	500,000	—	—	500,000	0.7760%	Sep. 28, 2018		
	2,000,000	—	—	2,000,000	0.4905%	Nov. 29, 2019		
	2,000,000	—	—	2,000,000	0.3905%	May 31, 2019		
Resona Bank, Ltd.	500,000	—	—	500,000	0.7760%	Sep. 28, 2018		
	—	830,000	—	830,000	0.4405%	May 29, 2020		
	—	2,500,000	—	2,500,000	0.3894%	Aug. 30, 2019		
Development Bank of Japan Inc.	750,000	—	—	750,000	0.8421%	Mar. 30, 2018		
	500,000	—	—	500,000	0.7760%	Sep. 28, 2018		
	2,000,000	—	—	2,000,000	0.4905%	Nov. 29, 2019		

Mizuho Trust & Banking Co., Ltd.	1,000,000	—	—	1,000,000	0.8421%	Mar. 30, 2018	(Note 2)	Unsecured/ Unguaranteed
	500,000	—	—	500,000	0.7760%	Sep. 28, 2018		
The Hiroshima Bank, Ltd.	500,000	—	—	500,000	0.5905%	Mar. 31, 2016		
	1,000,000	—	—	1,000,000	0.3905%	Nov. 30, 2017		
Shinsei Bank, Ltd.	1,500,000	—	1,500,000	—	1.0400%	Nov. 30, 2015		
	500,000	—	—	500,000	0.7760%	Sep. 28, 2018		
	900,000	—	—	900,000	0.4905%	Nov. 29, 2019		
ORIX Bank Corporation	1,000,000	—	—	1,000,000	0.5905%	Mar. 31, 2016		
The Oita Bank, Ltd.	1,000,000	—	—	1,000,000	0.3905%	Nov. 30, 2017		
Total	69,500,000	22,000,000	15,500,000	76,000,000				

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

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

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

(Unit: thousands of yen)

	Due after 1 year, but within 2 years	Due after 2 years, but within 3 years	Due after 3 years, but within 4 years	Due after 4 years, but within 5 years
Long-term loans payable	3,500,000	4,578,000	20,500,000	27,900,000

## 8. NET ASSETS

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

## 9. INCOME TAXES

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

(Unit: thousands of yen)

	As of	
	January 31, 2015	July 31, 2014
Deferred tax assets		
Current assets		
Accrued enterprise tax excluded from expenses	32	22
Total deferred tax assets [current]	32	22
Net deferred tax assets [current]	32	22

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

	As of	
	January 31, 2015	July 31, 2014
Statutory tax rate	34.16%	36.59%
[Adjustments]		
Deductible cash distributions	(34.14%)	(36.57%)
Others	0.02%	0.02%
Effective tax rate	0.03%	0.04%

## 10. PER UNIT INFORMATION

(Unit: yen)

	For the six months ended	
	January 31, 2015	July 31, 2014
Net assets per unit	98,175	92,001
Net income per unit	2,305	2,151

(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, 2015	July 31, 2014
Net income (thousands of yen)	3,616,463	2,979,224
Amounts not attributable to common unitholders (thousands of yen)	—	—
Net income attributable to common investment units (thousands of yen)	3,616,463	2,979,224
Average number of investment units during the period (units)	1,568,794	1,384,925

## 11. RELATED PARTY TRANSACTIONS

### (1) Parent company and major corporate unitholders

For the six months ended January 31, 2015

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)	29,040,000	—	—
							Leasing of properties (Note 3) (Note 7)	4,940,135	Operating accounts receivable	743
									Advances received	785,262
									Lease and guarantee deposits in trust	7,836,129
							Payment of property operation and management fees (Note 8)	135,802 (Note 4)	Prepaid expenses	2,747
									Operating accounts payable	24,950
							Payment of other operating expenses (Note 9)	672	—	—
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 and a portion of ARK Hills South Tower

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

(Note 4) The amount includes fees (2,090 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, 2014

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	17.7% directly held by related party	Leasing and management of real estate	Leasing of properties (Note 2) (Note 5)	4,228,751	Operating accounts receivable	869
									Advances received	739,005
									Lease and guarantee deposits in trust	6,663,711
							Payment of property operation and management fees (Note 6)	102,013 (Note 3)	Prepaid expenses	2,531
									Operating accounts payable	27,717
Deposit of lease and guarantee (Note 4) (Note 7)	—	Lease and guarantee deposits in trust	53,886							

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

(Note 2) Roppongi Hills Mori Tower, ARK Mori Building, Akasaka Tameike Tower, Atago Green Hills and a portion of Koraku Mori Building

(Note 3) The amount includes construction fees (2,777 thousand yen) and construction management fees (1,433 thousand yen) that are not charged to expenses but recognized as assets.

(Note 4) Roppongi View Tower

[Transaction terms and conditions and related policies]

(Note 5) The Company engages in transactions by conducting adequate procedures in line with the Related Parties Transaction Guidelines stipulated by the Company's Asset Manager and compliance regulations, after having comprehensively considered the market situation and other factors.

(Note 6) The Company decides on transactions by conducting adequate procedures in line with the Related Parties Transaction Guidelines stipulated by the Company's Asset Manager and compliance regulations, in light of the market situation, the content of services provided, overall operational capacity and other factors.

(Note 7) The Company 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, 2015

Not applicable.

For the six months ended July 31, 2014

Not applicable.

(3) Subsidiaries of Parent company

For the six months ended January 31, 2015

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)	225,843 (Note 3)	Accrued expenses	212,547

(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 29,040 thousand yen in acquisition fees pertaining to 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, 2014

Type	Name	Location	Capital stock or investments in capital (thousands of yen)	Description of business	Percentage of voting rights held in (by) related party	Relationship with related party	Description of transaction	Amount of transaction (thousands of yen) (Note 1)	Account item	Balance at end of the period (thousands of yen)
Subsidiary of other related company	Mori Building Investment Management Co., Ltd.	Minato-ku, Tokyo	200,000	Real estate, trust beneficiary right and other financial asset management operations	None	Outsourcing of asset management Concurrent post of directors	Payment of management fees (Note 2) (Note 3)	216,982	Accrued expenses	234,340

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

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

[Transaction terms and conditions and related policies]

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



(4) Directors and major individual unitholders

For the six months ended January 31, 2015

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)	225,843 (Note 3)	Accrued expenses	212,547

(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 29,040 thousand yen in acquisition fees pertaining to 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, 2014

Type	Name	Location	Capital stock or investments in capital (thousands of yen)	Description of business or position	Percentage of voting rights held in (by) related party	Relationship with related party	Description of transaction	Amount of transaction (thousands of yen) (Note 1)	Account item	Balance at end of the period (thousands of yen)
Directors and their close relatives	Hideyuki Isobe	—	—	Executive Director of the Company, and President & CEO of Mori Building Investment Management Co., Ltd.	None	Executive Director of the Company, and President & CEO of Mori Building Investment Management Co., Ltd.	Payment of management fees to Mori Building Investment Management Co., Ltd. (Note 2) (Note 3)	216,982	Accrued expenses	234,340

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

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

[Transaction terms and conditions and related policies]

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

## 12. BREAKDOWN OF PROPERTY-RELATED REVENUE AND EXPENSES

Breakdown of property operating income

(Unit: thousands of yen)

	For the six months ended	
	January 31, 2015	July 31, 2014
A. Property operating revenue		
Rent revenue of real estate		
Rent and common area revenue	6,388,158	5,666,880
Other rent revenue	3,285	3,528
Other rent revenue of real estate		
Parking revenue	17,112	16,293
Utilities and other revenue	97,573	100,355
Cancellation penalty	142	1,057
Key money income	330	—
Total property operating revenue	6,506,600	5,788,116
B. Property operating expenses		
Expenses of real estate rent		
Property management fees	267,187	199,275
Property taxes	387,091	351,879
Utilities	92,167	85,490
Maintenance and repairs	14,162	27,632
Insurance premium	13,264	11,621
Custodian fees	5,918	6,368
Depreciation and amortization	891,561	836,678
Rent expenses	103,816	103,794
Other lease business expenses	8,342	18,868
Total property operating expenses	1,783,510	1,641,610
C. Property operating income [A – B]	4,723,089	4,146,505

Transactions with major unitholders

(Unit: thousands of yen)

	For the six months ended	
	January 31, 2015	July 31, 2014
From operating transactions		
Rent revenue of real estate	4,937,707	4,226,578
Other rent revenue of real estate	2,428	2,173
Expenses of real estate rent	133,712	97,802
Other operating expenses	672	—

### 13. UNITHOLDERS' EQUITY

	For the six months ended	
	January 31, 2015	July 31, 2014
Total number of investment units authorized and total number of investment units issued and outstanding		
Total number of investment units authorized	10,000,000 units	10,000,000 units
Total number of investment units issued and outstanding	1,570,040 units	1,384,925 units

### 14. FINANCIAL INSTRUMENTS

#### (1) Policy for financial instruments

##### (a) Policy for holding financial instruments

The Company makes use of various financial instruments in order to invest surplus funds efficiently. In addition, concerning fund procurement, the Company adopts a policy of undertaking such fund raising primarily through the issuance of investment units, the borrowing of funds and the issuance of investment corporation bonds. The Company limits derivative transactions to those that are entered into for the purpose of hedging the risk of future fluctuations in interest rates on loans payable, and does not engage in speculative transactions.

##### (b) Description of financial instruments and associated risks, and risk management structure

Deposits used for investing the Company's surplus funds are exposed to credit risks, for example, the failure of the financial institutions that are holding the deposits, but the Company limits the risks by diversifying financial institutions.

Investment corporation bonds and long-term loans payable are used for fund procurement associated with the acquisition of real estate related assets or repayment of loans payable. Of these, loans payable with variable interest rates are exposed to the risk of fluctuations in interest rates, but derivative transactions are utilized as hedging instruments.

Interest rate swaps are utilized with the Company seeking to, in effect, convert fluctuating interest rates on fund procurement into fixed interest rates. For information on the method of hedge accounting approach, hedging instruments and hedged items, hedging policy and method for assessing the effectiveness of hedging, please refer to "Summary of significant accounting policies: (8) Hedge accounting approach."

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

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

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

(2) Fair value of financial instruments

The following are the carrying amount, fair value and the difference between them of financial instruments as of January 31, 2015.

	(Unit: thousands of yen)		
	Carrying amount	Fair value	Difference
(a) Cash and deposits	5,871,909	5,871,909	—
(b) Cash and deposits in trust	10,802,256	10,802,256	—
Total	16,674,166	16,674,166	—
(c) Current portion of investment corporation bonds	10,000,000	10,050,000	50,000
(d) Current portion of long-term loans payable	30,200,000	30,214,020	14,020
(e) Investment corporation bonds	14,000,000	14,233,400	233,400
(f) Long-term loans payable	76,000,000	76,214,494	214,494
Total	130,200,000	130,711,915	511,915
Derivative transactions	—	—	—

The following are the carrying amount, fair value and the difference between them of financial instruments as of July 31, 2014.

	(Unit: thousands of yen)		
	Carrying amount	Fair value	Difference
(a) Cash and deposits	4,767,774	4,767,774	—
(b) Cash and deposits in trust	9,217,094	9,217,094	—
Total	13,984,868	13,984,868	—
(c) Current portion of investment corporation bonds	8,000,000	8,083,500	83,500
(d) Current portion of long-term loans payable	31,700,000	31,714,775	14,775
(e) Investment corporation bonds	17,000,000	17,204,600	204,600
(f) Long-term loans payable	69,500,000	69,711,395	211,395
Total	126,200,000	126,714,270	514,270
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, 2015)

(Unit: thousands of yen)

	Due within 1 year	Due after 1 year, but within 2 years	Due after 2 years, but within 3 years	Due after 3 years, but within 4 years	Due after 4 years, but within 5 years	Due after 5 years
Cash and deposits	5,871,909	—	—	—	—	—
Cash and deposits in trust	10,802,256	—	—	—	—	—
Total	16,674,166	—	—	—	—	—

Redemption of monetary claims scheduled to be due after the balance sheet date (as of July 31, 2014)

(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	4,767,774	—	—	—	—	—
Cash and deposits in trust	9,217,094	—	—	—	—	—
Total	13,984,868	—	—	—	—	—

(Note 3) Investment corporation bonds and long-term loans payable scheduled to be due after the balance sheet date (as of January 31, 2015)

(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	10,000,000	—	2,000,000	3,000,000	3,000,000	6,000,000
Long-term loans payable	30,200,000	3,500,000	4,578,000	20,500,000	27,900,000	19,522,000
Total	40,200,000	3,500,000	6,578,000	23,500,000	30,900,000	25,522,000

Investment corporation bonds and long-term loans payable scheduled to be due after the balance sheet date (as of July 31, 2014)

(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	8,000,000	5,000,000	—	5,000,000	3,000,000	4,000,000
Long-term loans payable	31,700,000	17,000,000	3,978,000	12,600,000	22,500,000	13,422,000
Total	39,700,000	22,000,000	3,978,000	17,600,000	25,500,000	17,422,000

## 15. DERIVATIVE TRANSACTIONS

(1) Transactions for which hedge accounting is not applied

As of January 31, 2015

Not applicable.

As of July 31, 2014

Not applicable.

(2) Transactions for which hedge accounting is applied

As of January 31, 2015

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	51,478,000	36,978,000	*	—

\* 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, 2014

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	38,978,000	33,978,000	*	—

\* 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).

## 16. CASH AND CASH EQUIVALENTS

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

(Unit: thousands of yen)

	For the six months ended	
	January 31, 2015	July 31, 2014
Cash and deposits	5,871,909	4,767,774
Cash and deposits in trust	10,802,256	9,217,094
Cash and cash equivalents	16,674,166	13,984,868

## 17. LEASES

Operating lease transactions (as lessor)

Future minimum rental revenues under existing non-cancelable lease agreements

(Unit: thousands of yen)

	For the six months ended	
	January 31, 2015	July 31, 2014
Due within 1 year	2,475,703	2,356,843
Due after 1 year	17,967,786	18,582,186
Total	20,443,490	20,939,030

## 18. 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, 2015	July 31, 2014
Carrying amount		
Balance at beginning of the period	248,287,893	249,026,311
Amount of increase (decrease) during the period	28,333,100	(738,417)
Balance at end of the period	276,620,994	248,287,893
Fair value at end of the period	278,960,000	243,890,000

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

(Note 2) Of the increase (decrease) during the period ended January 31, 2015, the increase is primarily attributable to the acquisition of two properties (Roppongi Hills Mori Tower (20th floor) (9,932,209 thousand yen) and ARK Hills South Tower (19,220,498 thousand yen), while the decrease is primarily attributable to depreciation and amortization.

Of the decrease during the period ended July 31, 2014, 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"

## 19. SEGMENT AND RELATED INFORMATION

[Segment Information]

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

[Related Information]

For the six months ended January 31, 2015

(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.	4,940,135	Real estate leasing business

For the six months ended July 31, 2014

(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.	4,228,751	Real estate leasing business
Mori Building Ryutsu System Co., Ltd.	614,400	Real estate leasing business

## 20. SUBSEQUENT EVENTS

Not applicable.