



Mori Hills REIT Investment Corporation

Semiannual Report

19th Fiscal Period

(August 1, 2015 – January 31, 2016)

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 nineteenth fiscal period which ended January 31, 2016.

In the nineteenth fiscal period, the Japanese economy continued to moderately recover with steady corporate earnings due to the continuing weak yen, the drop in crude oil prices and low interest rates, as well as the improvements in the employment and income environments. This recovery continued despite unstable moves in capital markets against the backdrop of the slowdown in emerging economies, the drop in crude oil prices, a shift in U.S. monetary policies and other factors.

Within this economic environment, the Tokyo 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 strong corporate earnings in addition to the limited supply of large-scale buildings in central Tokyo. In the luxury rental housing market, vacancy rates continued to improve and rent levels remained solid while the volume of new supply remains at a stable level and steady demand driven by the improvement in business sentiment continues. In the real estate trading market, despite the increasingly competitive property acquisition environment, transaction amounts remained at a high level backed by the strong investment appetite from investors inside and outside Japan as the favorable fund procurement environment continued.

In the nineteenth 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 nineteenth fiscal period, was comprised of 10 properties under management with a total leasable area of 136,463.95m². MHR has already invested 293,756 million yen (based on the acquisition price) into this portfolio. The occupancy rate at the end of the nineteenth fiscal period was 98.3%.

The asset management activities described above resulted in MHR recording in the nineteenth fiscal period 6,748 million yen in operating revenue, 4,566 million yen in operating income, 3,928 million yen in ordinary income and 3,927 million yen in net income and 2,502 yen in dividend per unit.

Also, MHR issued new investment units through a Japanese public offering and an International offering in February 2016. MHR acquired an additional 4 floors of Roppongi Hills Mori Tower (acquisition price: 46,100 million yen) with part of the procured funds, etc. Per its policy, MHR aimed to further improve portfolio revenue through external growth while maintaining the present portfolio policy that focuses on premium properties. Based on this policy, it has decided to undertake the Acquisition. The Acquisition is expected to enhance the portfolio size and increase dividends. As a result, a dividend per unit of 2,520 yen is forecasted for the twentieth fiscal period ending July 31, 2016.

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 loans payable).

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: 19th period

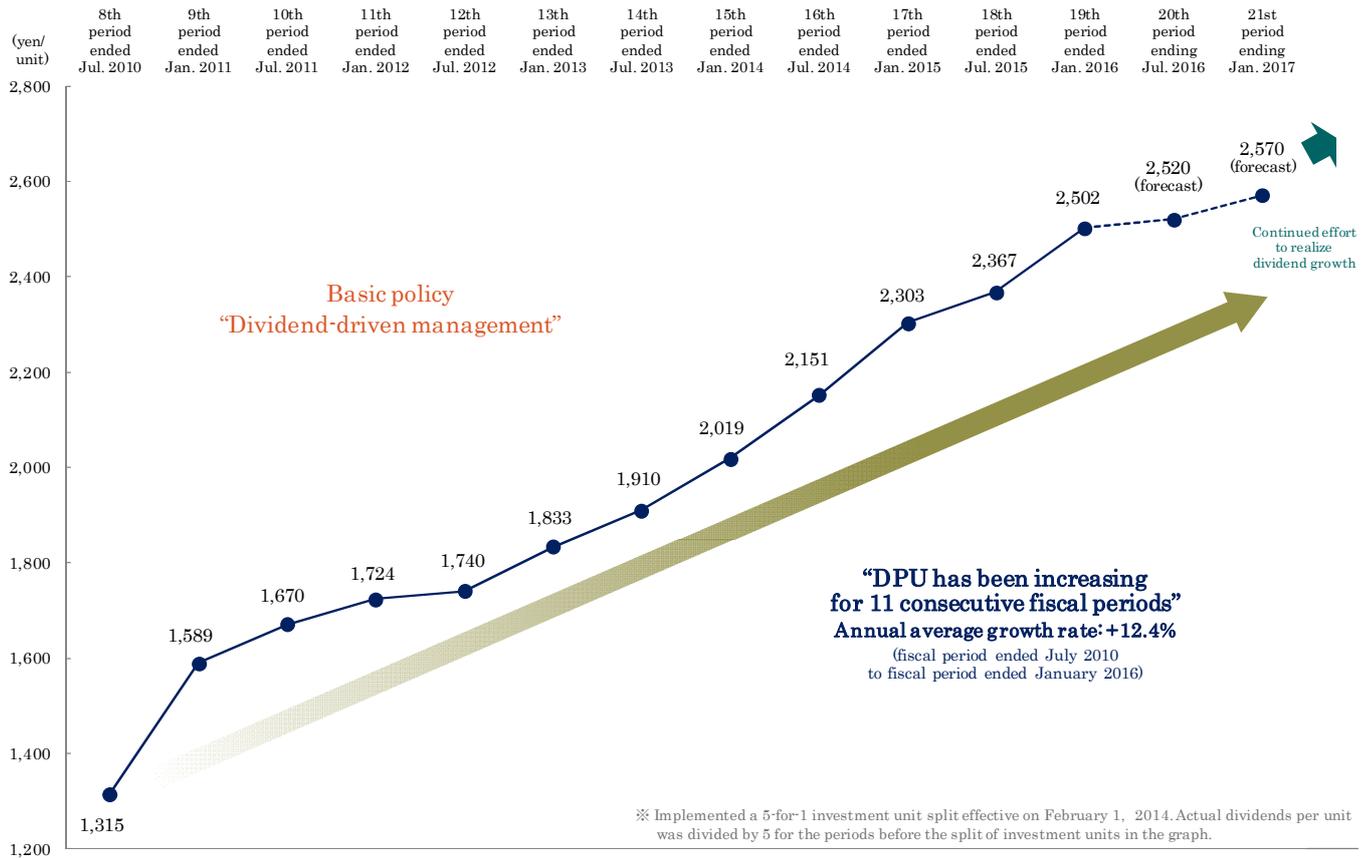
2,502 yen

Dividend per unit: 20th period forecast*

2,520 yen

*The forecasted figures for the 20th and 21st fiscal periods are the current figures calculated based on certain assumptions. Accordingly, the figures may differ from actual results. Furthermore, the forecasts shall not be construed as a guarantee of dividend amounts.

Change in dividend per unit



Results of 19th period and Forecast of 20th period

	Actual	Forecast	Difference
	19th period August 1, 2015 - January 31, 2016 (184 days)	20th period February 1, 2016 - July 31, 2016 (182 days)	20th - 19th period
Operating revenue	6,748 million yen	7,757 million yen	+1,009 million yen
Operating income	4,566 million yen	5,114 million yen	+548 million yen
Ordinary income	3,928 million yen	4,412 million yen	+484 million yen
Net income	3,927 million yen	4,411 million yen	+483 million yen
Dividend/unit	2,502 yen/unit	2,520 yen/unit	+18 yen/unit
Total units outstanding	1,570,040 units	1,750,640 units	
Acquisition price	293,756 million yen	339,856 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.

MHR procured approximately 23.8 billion yen through its global offering and conducted asset acquisitions of approximately 46.1 billion yen in February 2016.

MHR will continue to promote property acquisitions centering on premium properties in central Tokyo, with an aim to continuously improve dividends per unit and NAV per unit.

Offering highlights: Implemented in February 2016

Total PO amount paid-in
23.8 bn yen

Total acquisition of assets
46.1 bn yen

	19th period (ended Jan. 2016)	Post asset acquisition (forecast of 20th period)
Total assets (acquisition price basis)	293.7 bn yen	339.8 bn yen
NOI yield (Note 1)	3.9 %	3.9 %
LTV (book value basis) (Note 2)	44.5 %	44.6 % (Note 4)
LTV (appraisal value basis) (Note 3)	43.2 %	42.7 % (Note 4)
Appraisal NAV per unit	104,064 yen	110,138 yen (Note 4)
DPU	2,502 yen/unit	<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;">2,520 yen/unit (ending Jul. 2016)</div> <div style="text-align: center;">2,570 yen/unit (ending Jan. 2017)</div> </div>

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

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

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

(Note 4) The figures are calculated by taking into consideration the effects of the proceeds through the offering, the asset acquisition on February 1, and April 1, 2016 and adding the new borrowings of 21.3 billion yen to the figures as of the end of the 19th period. The calculations are made based on the assumption that the number of investment units is 1,750,640 units.



Overview of the Property Acquisition

MHR made additional acquisitions at Roppongi Hills Mori Tower on February 1 and April 1, 2016.

Roppongi Hills Mori Tower (4 floors: 25-27th and 29th floors) Premium



Acquisition price
46.1 bn yen

Appraisal value
52.7 bn yen

NOI yield
3.8 %

[Property overview]

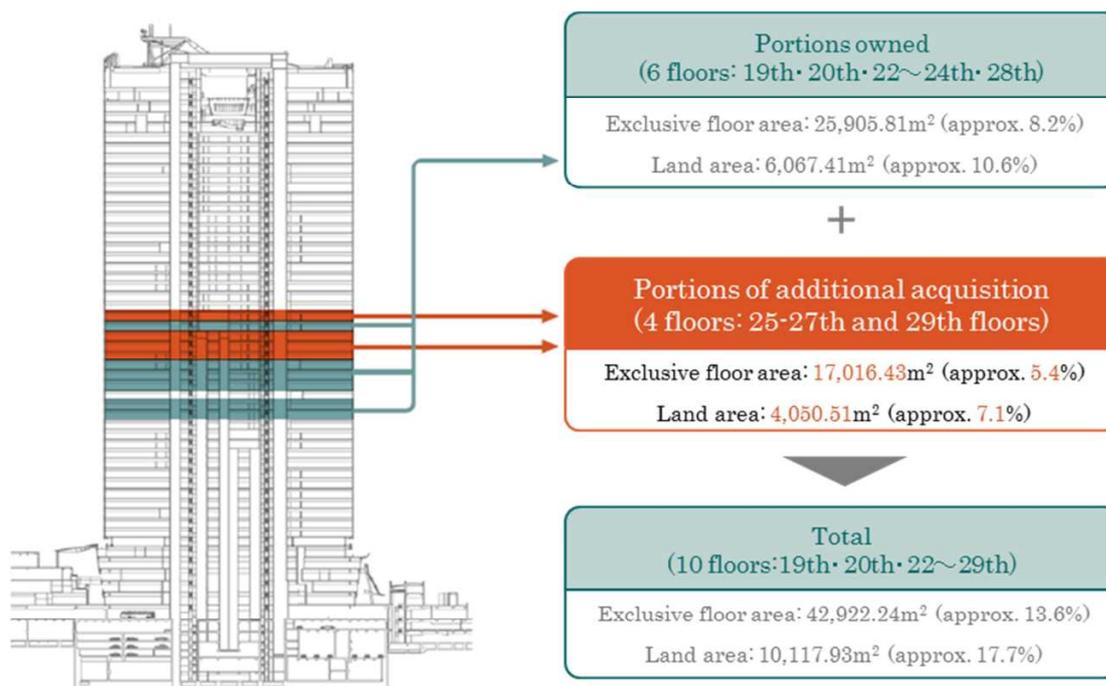
Property No.	O-0
Location (Residential identification)	10-1, Roppongi 6-chome, Minato-ku Tokyo
Construction date	April 2003
Total number of floors	54 floors above ground, 6 floors below ground
Gross floor area	442,150.70 m ²

[PML]

PML (as of Nov, 13, 2015)	0.59%
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(Note) The value as indicated on the earthquake risk PML assessment report dated November 13, 2015 by Sompo Japan Nipponkoa Risk Management Inc. is shown.

[Cross-section View]



[Breakdown]

(million yen)

Portions (Acquisition date)	25th (February 1, 2016)	26th, 27th, 29th (April 1, 2016)	Total
Leasable floor area	4,156.66m ²	12,942.64m ²	17,099.30m ²
Acquisition price (A)	11,200	34,900	46,100
Appraisal value	12,800	39,900	52,700

(Note) Appraisal value as of November 1, 2015 is referenced by the Japan Real Estate Institute in its appraisal report.

[Income and Expenditure Projections]

(thousand yen)

Portions (Acquisition date)	25th (February 1, 2016)	26th, 27th, 29th (April 1, 2016)	Total
Projected property income ①	550,736	1,714,835	2,265,571
Projected property expenses ②	123,800	385,073	508,873
Projected NOI (B) : ①-②	426,936	1,329,762	1,756,698
Projected NOI yield (B)÷(A)	3.8%	3.8%	3.8%

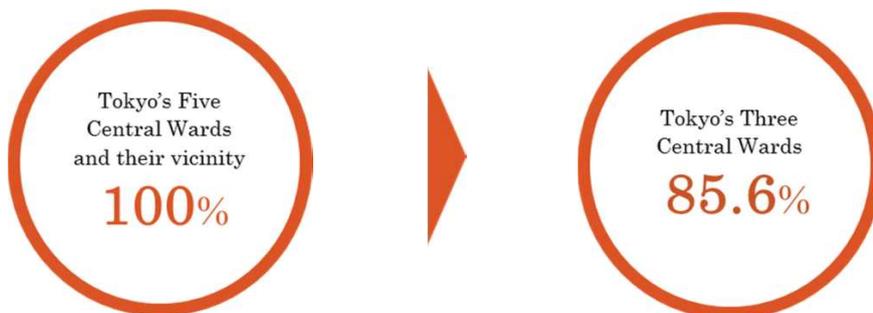
(Note) The figures above are calculated based on the executed building lease (master lease) and property management agreement, the executed trust agreement for real estate management and disposal, etc., current management association fee, estimate of planned insurance, and tax and public dues for fiscal 2016 estimated by the Asset Manager, etc. concerning the assets to be acquired, Roppongi Hills Mori Tower.

Portfolio Premium Properties in Central Tokyo

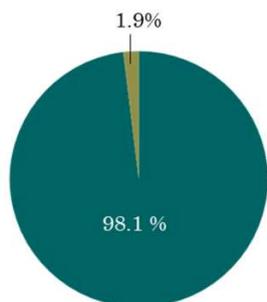
We have developed an urban portfolio mainly in Central Tokyo through our “investment in the city” concept, taking advantage of market opportunities and our competitive strengths to enhance profitability and portfolio value.

Portfolio breakdown (Total amount as of April 1, 2016: 339.8 billion yen)

Area

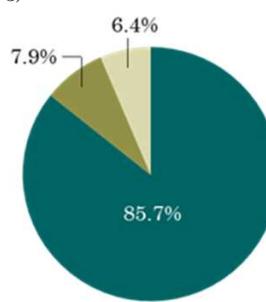


Size (Note 2)



■ 30,000m² or more ■ Under 30,000m²

Type (Note 3)



■ Office ■ Residential ■ Retail

(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 April 1, 2016)



Roppongi Hills Mori Tower



ARK Mori Building



Koraku Mori Building



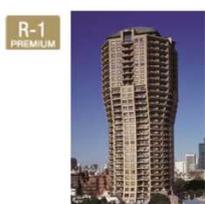
Akasaka Tameike Tower



Atago Green Hills



ARK Hills South Tower



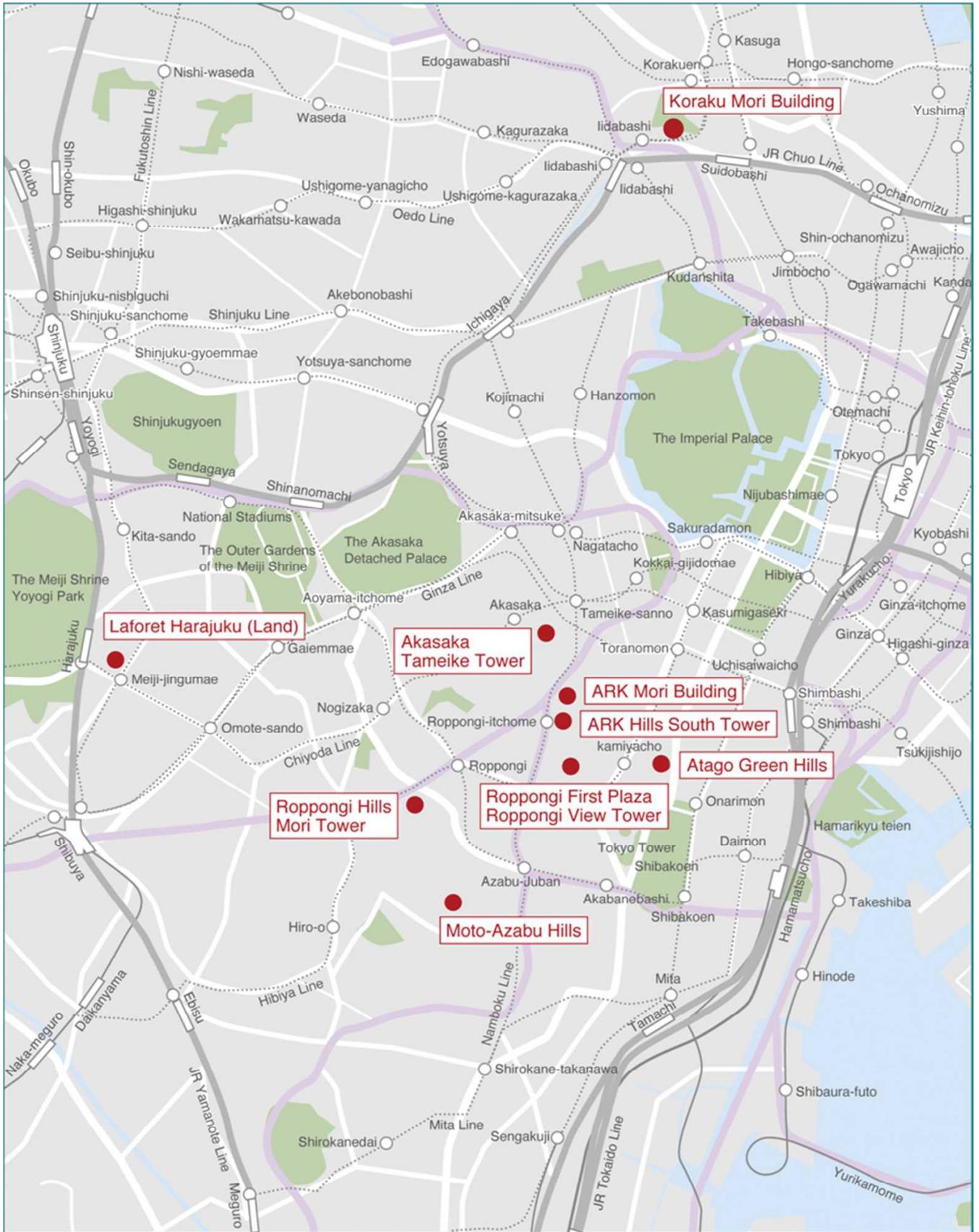
Moto-Azabu Hills



Roppongi First Plaza
Roppongi View Tower



Laforet Harajuku (Land)



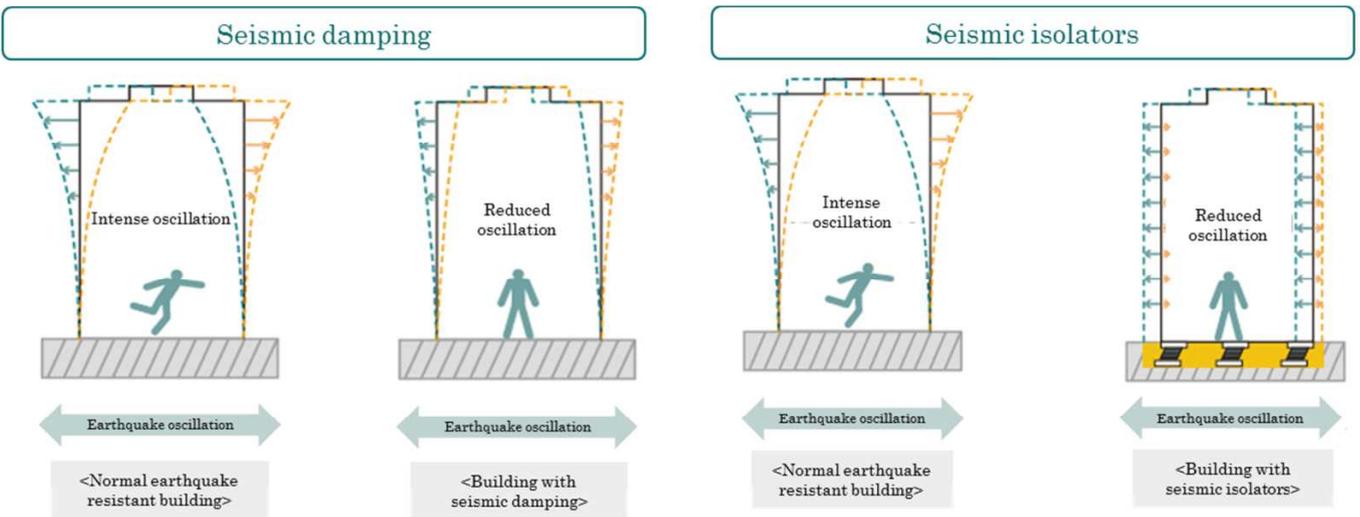
Earthquake-resistant capability

Earthquake-resistant features (as of April 1, 2016)



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

Property name		Type	PML	Earthquake-resistant feature
Roppongi Hills Mori Tower		Office	0.59%	Seismic damping
ARK Mori Building			0.78%	Seismic damping
Koraku Mori Building			0.73%	Seismic damping
ARK Hills South Tower			1.56%	Seismic damping
Akasaka Tameike Tower		Office (Partly residential)	1.79%	Seismic damping
Atago Green Hills	MORI Tower		2.35%	Seismic damping
	Forest Tower		2.34%	Seismic damping
Plaza		5.94%	—	
Moto-Azabu Hills	Forest Tower	Residential	0.57%	Seismic isolators
	Forest Terrace East		1.27%	Seismic isolators
Roppongi First Plaza			2.20%	—
Roppongi View Tower			2.20%	—



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



Viscous seismic damping wall

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



Seismic isolators

Environmental performance

Certified green buildings (as of April 1, 2016)



CASBEE for Market Promotion: Rank S



Roppongi Hills Mori Tower



ARK Mori Building



Atago Green Hills (Mori Tower)

DBJ Green Building Certification: Five stars



ARK Hills South Tower

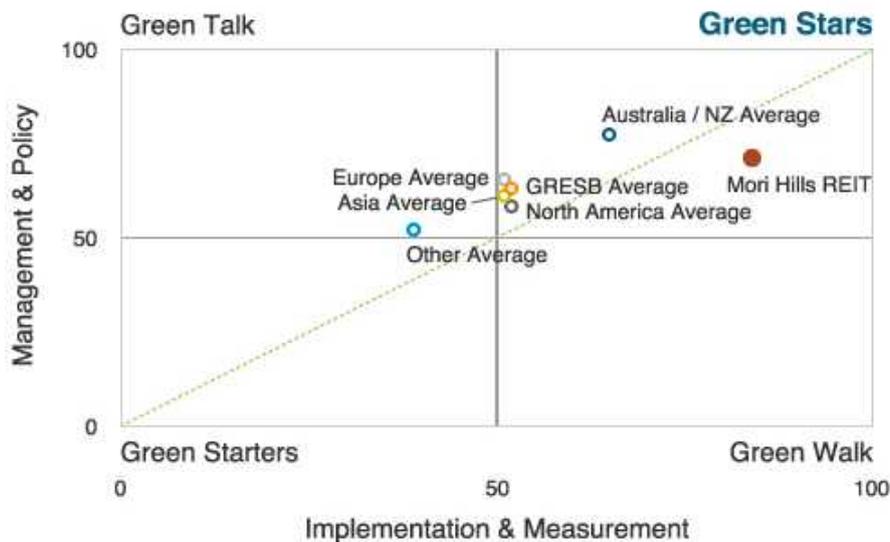


Acquired GRESB Green Star rating



GRESB is a benchmark that measures the sustainability performance of real estate companies and real estate management institutions based on a questionnaire survey conducted by the GRESB foundation, composed primarily of European pension fund groups.

GRESB Four-Quadrant Model Scores by Region



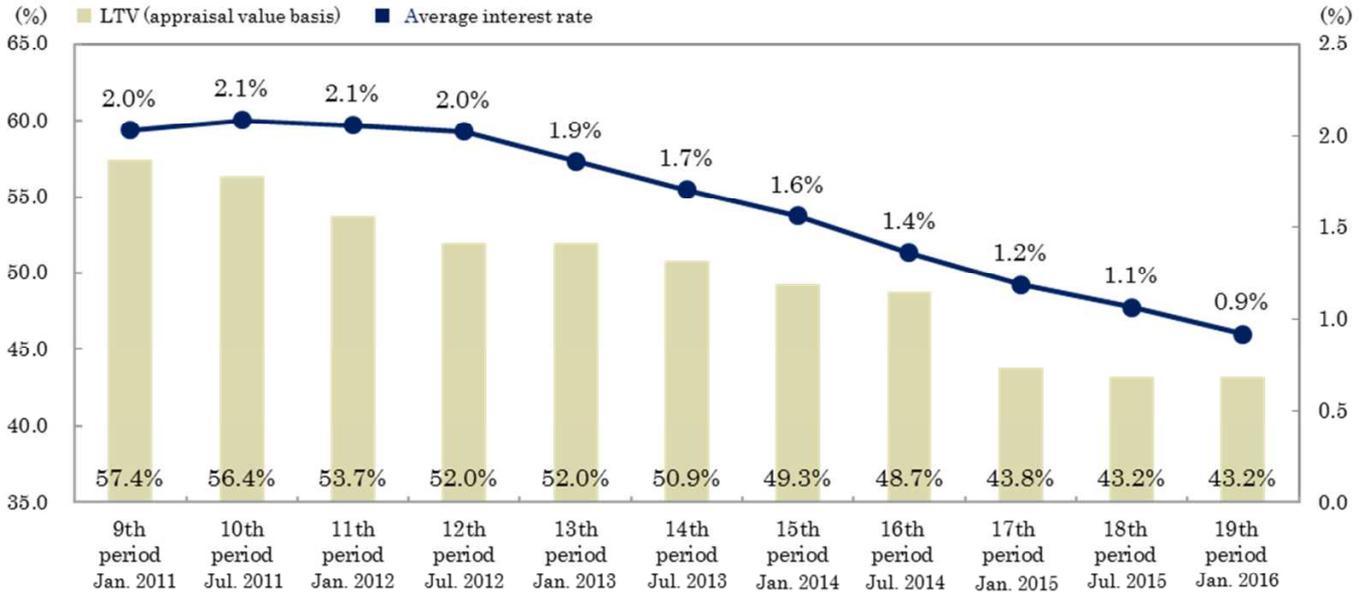
(Source) Prepared by the Asset Manager based on the "2015 GRESB Report" of the Global Real Estate Sustainability Benchmark (GRESB)



Financial Status (as of January 31, 2016)

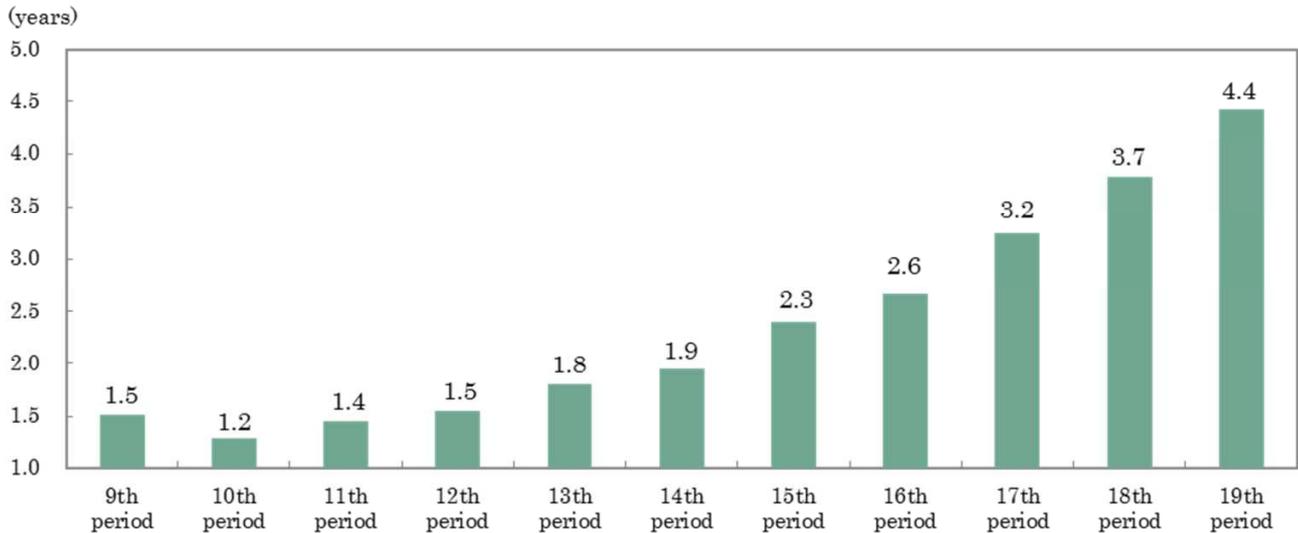
MHR's cost of debt has decreased along with the improvement in LTV ratio (appraisal value basis). We will seek to continue maintaining or extending debt terms and to diversify maturities.

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



(Note) Average interest rate 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]

Extension in remaining duration of debt



Overview of debt financing

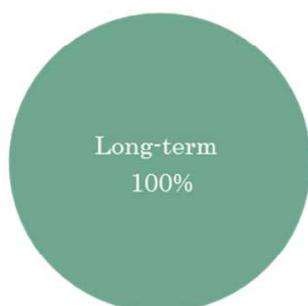
	End of 18th period Jul. 31, 2015	End of 19th period Jan. 31, 2016
Debt Balance	130,200 mn yen	132,700 mn yen
LTV (book value basis) ^(Note 1)	44.1%	44.5%
LTV (appraisal value basis) ^(Note 2)	43.2%	43.2%
Avg. remaining duration	3.7 years	4.4 years

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

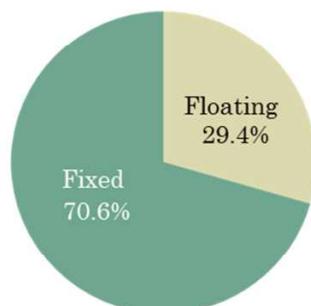
(Note 2) LTV (appraisal value basis) is calculated as [Interest-bearing debt / Appraisal value based total assets (Total assets + Total appraisal value - Total book value)]

Long and short-term debt ratio / fixed rate ratio

[Long and short-term debt ratio]



[Fixed rate ratio]



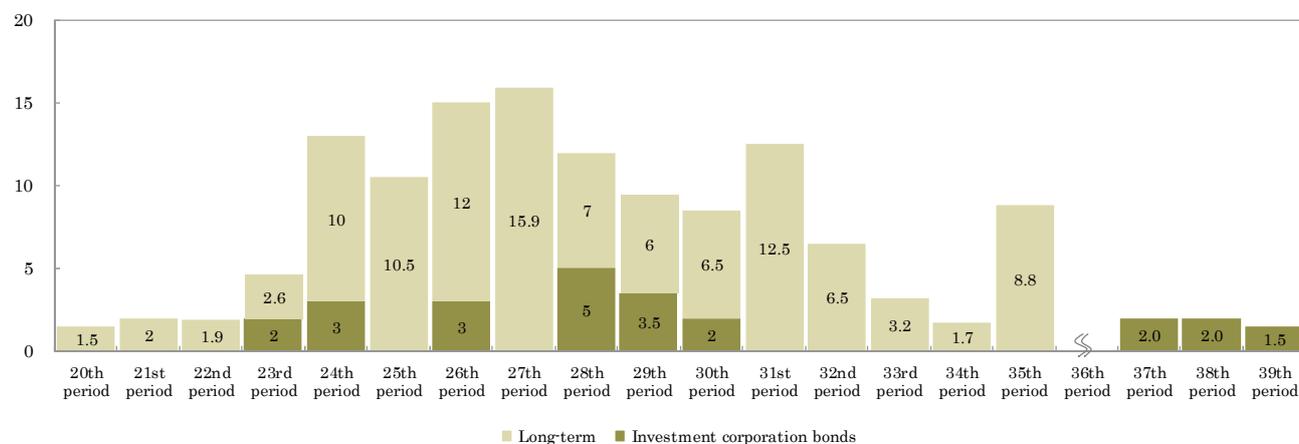
Rating

Japan Credit Rating (JCR)

Long-term issuer rating :
AA- (Stable)

Overview of maturity

(billion yen)



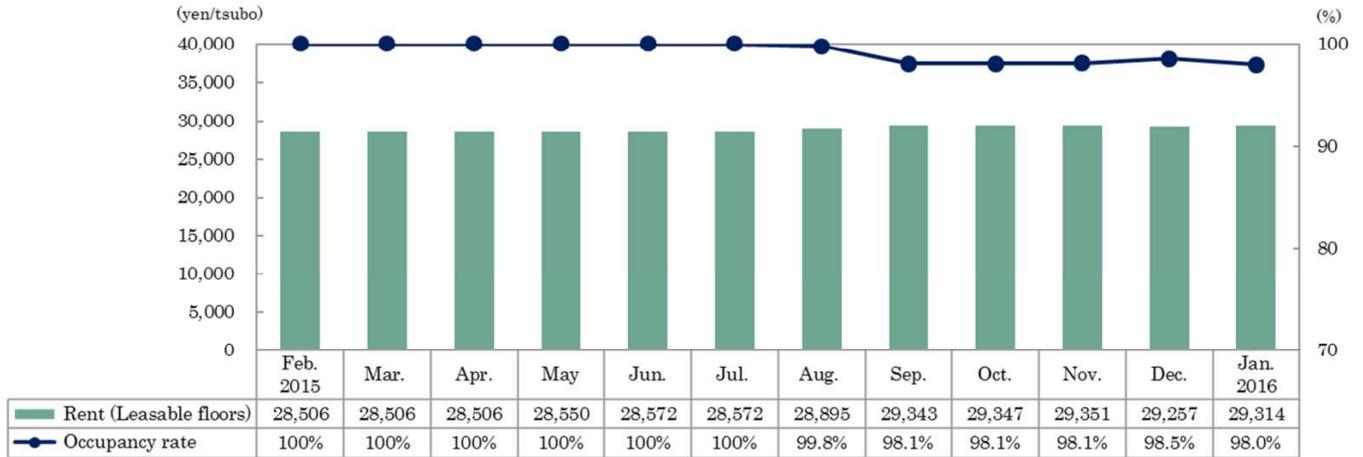


Portfolio Management

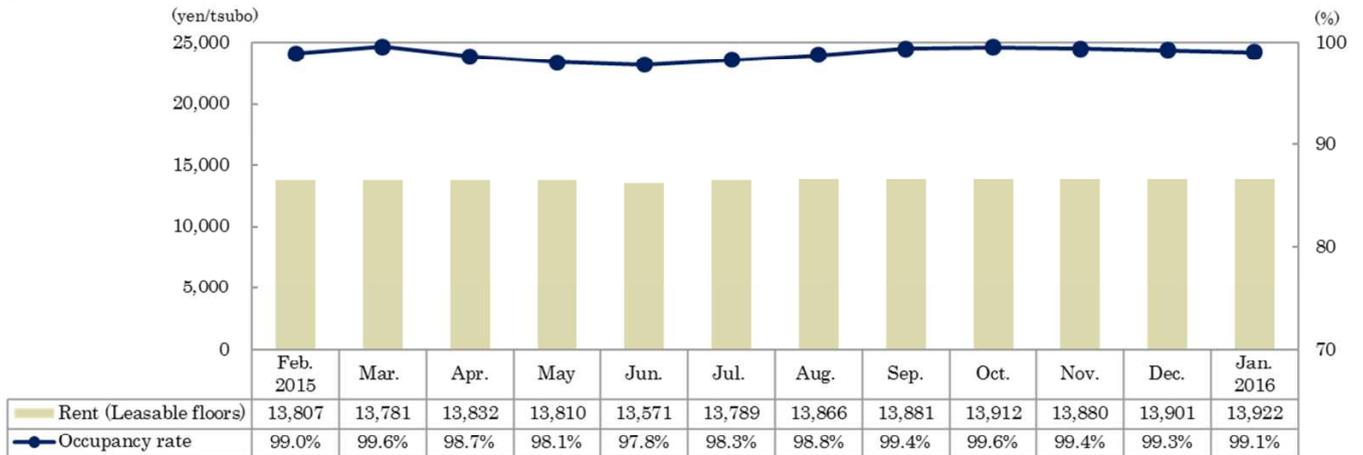
MHR maintained and enhanced occupancy rates by proactively launching marketing activities targeting new and existing tenants based on a flexible price policy.

Rent and occupancy rate

[Office]

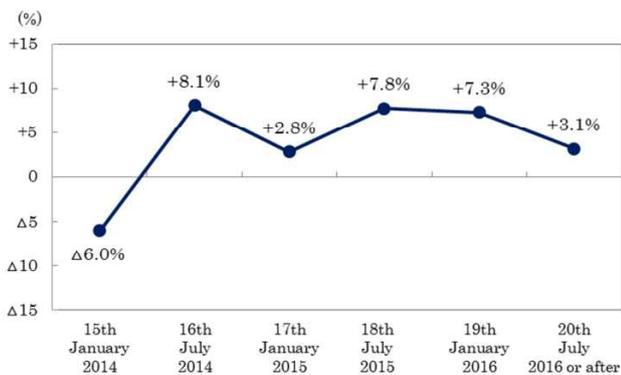


[Residential]

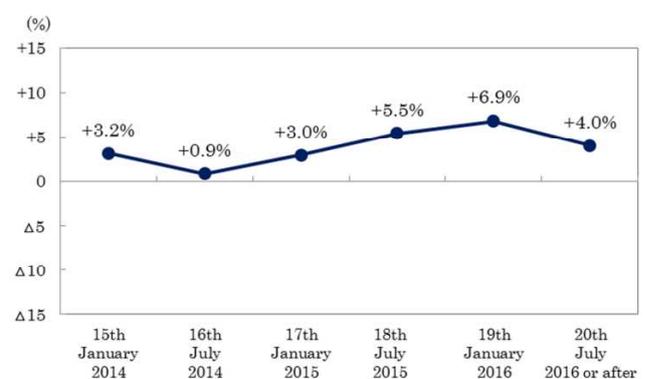


Result of tenants' rent revision

[Office]



[Residential]



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

(Note 2) Figures are calculated based on monthly rents which reflect move outs confirmed as of January 31, 2016.

Corporate Governance

MHR entrusts the asset management of its assets to Mori Building Investment Management Co., Ltd., the asset manager. The asset manager manages MHR's assets based on the asset management agreement concluded with MHR.

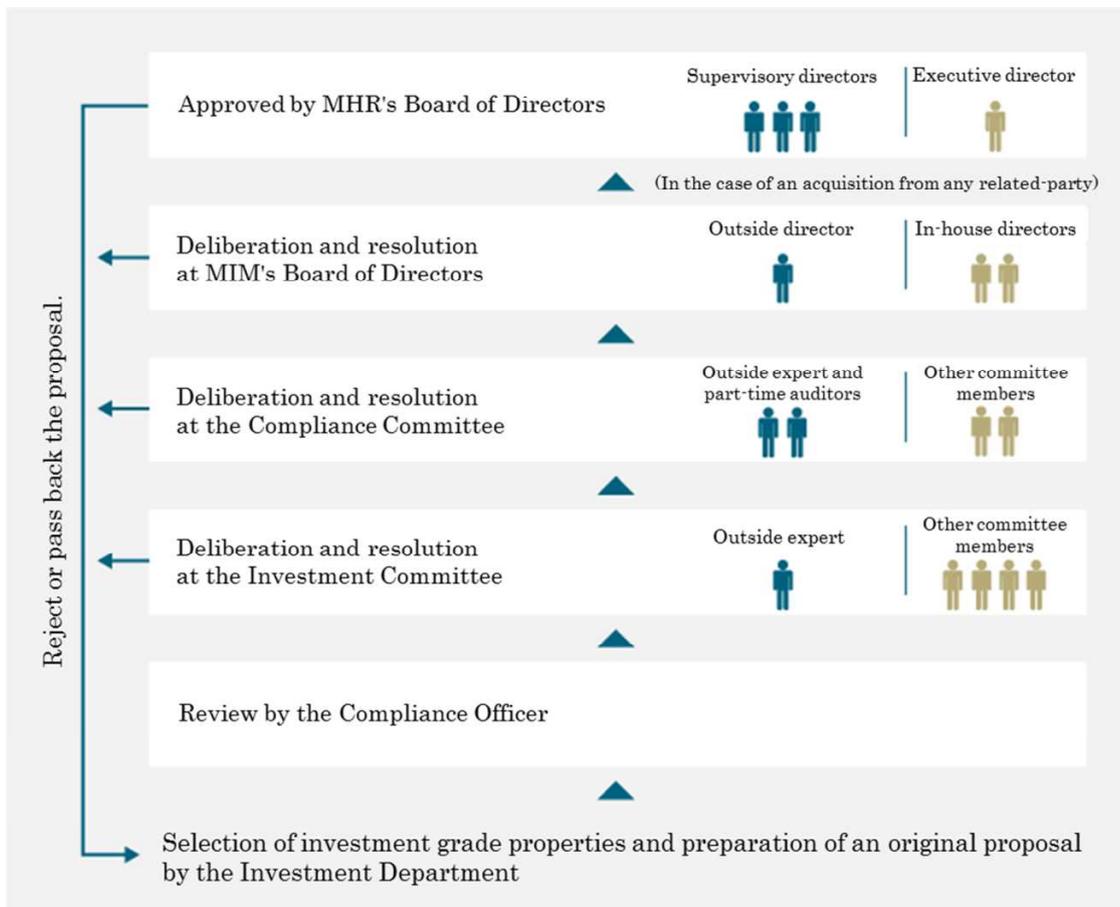
Governance structure taking unitholders' value into consideration

Our asset manager is Mori Building Investment Management Co., Ltd. (the Asset Manager). In accordance with our articles of incorporation and as the asset manager that has been granted discretion by us to manage our assets, the Asset Manager has formulated management guidelines and has stipulated basic policies concerning investment management, such as an investment policy, operation and management policy, financial policy, disclosure policy and rules governing transactions with related parties.

The Asset Manager's Compliance Department conducts inspections on legal compliance and confirms consistency with internal rules. The Asset Manager confirms whether there are any conflict of interest transactions with related parties. In this way, the Asset Manager is striving to ensure comprehensive internal control, while also striving to enhance its risk management structure as well as its effectiveness.

Furthermore, the Asset Manager has a set of internal rules (self-imposed regulations) which stipulate rules such as its Related Parties Transaction Guidelines. These Guidelines stipulate matters concerning transactions, etc. with related parties. Through the Asset Manager's compliance with these Guidelines, we have established a structure which ensures that the aforementioned transactions are managed appropriately and that the Asset Manager sufficiently executes the duty of care of a good manager and duty of loyalty to MHR.

Process to counter transactions involving conflicts of interest





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 2015
- 113 buildings for lease as of March 2015

Mori Building's development projects (Including future development) ^(Note 2)

[Recent redevelopment projects]

A Toranomon 1-chome District Urban Redevelopment Project ^(Note 3)



B Forest Terrace Toriizaka



[Properties owned by Mori Building Group]

1 Roppongi Hills (Partly owned by MHR)



⟨Office/Residential/Retail, etc.⟩

2 Toranomon Hills



⟨Office/Residential/Hotel, etc.⟩

3 ARK Hills (Partly owned by MHR)



⟨Office/Residential/Retail, etc.⟩

4 Atago Green Hills (Partly owned by MHR)



⟨Office/Residential/Retail⟩

5 Moto-Azabu Hills (Partly owned by MHR)

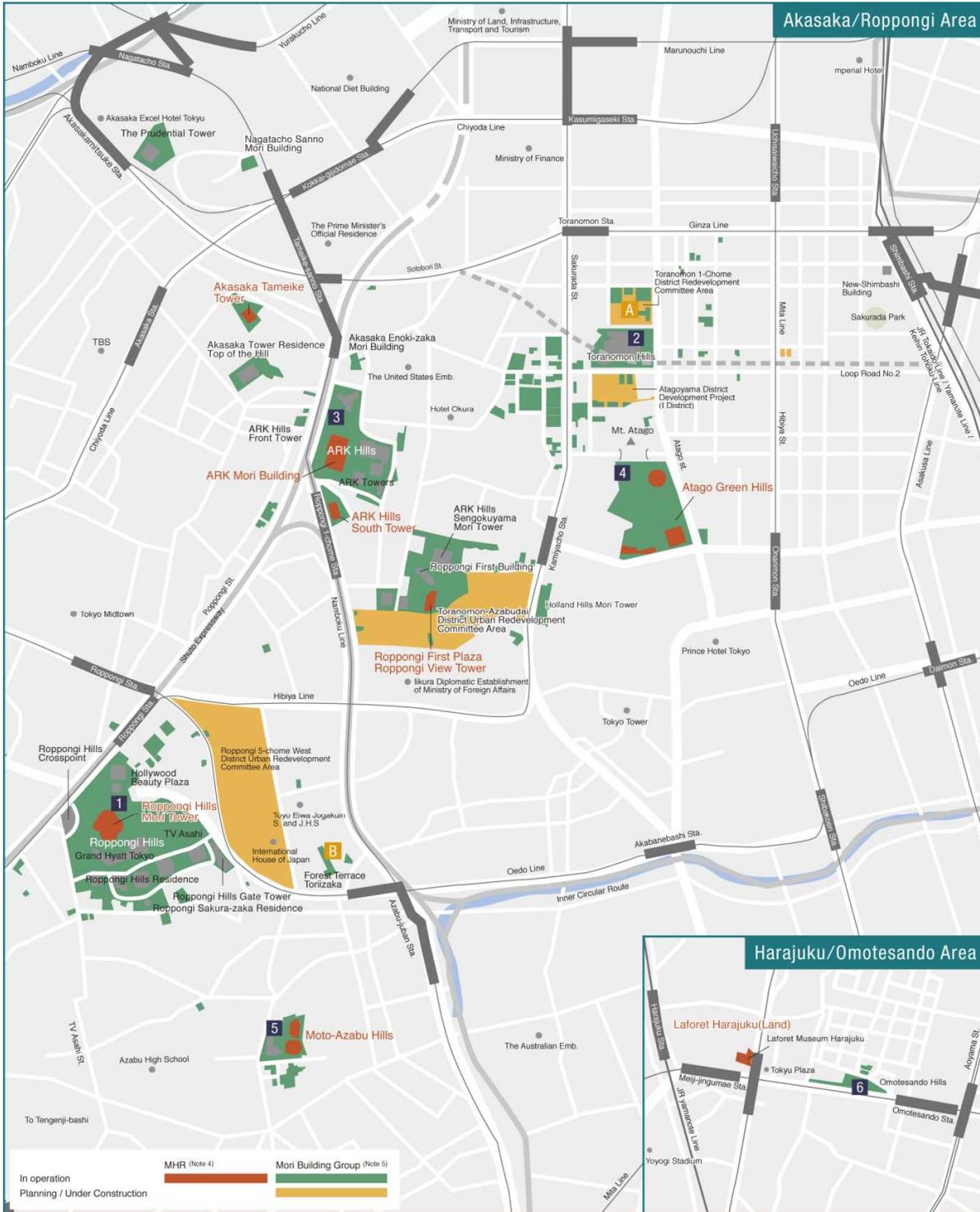


⟨Residential⟩

6 Omotesando Hills



⟨Retail/Residential⟩



(Source) Prepared by the Asset Manager based on Mori Building's "Mori Building Handy Map Mori Building Map/Home Route Support Map 2016."

(Note 1) Some exceptions included.

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

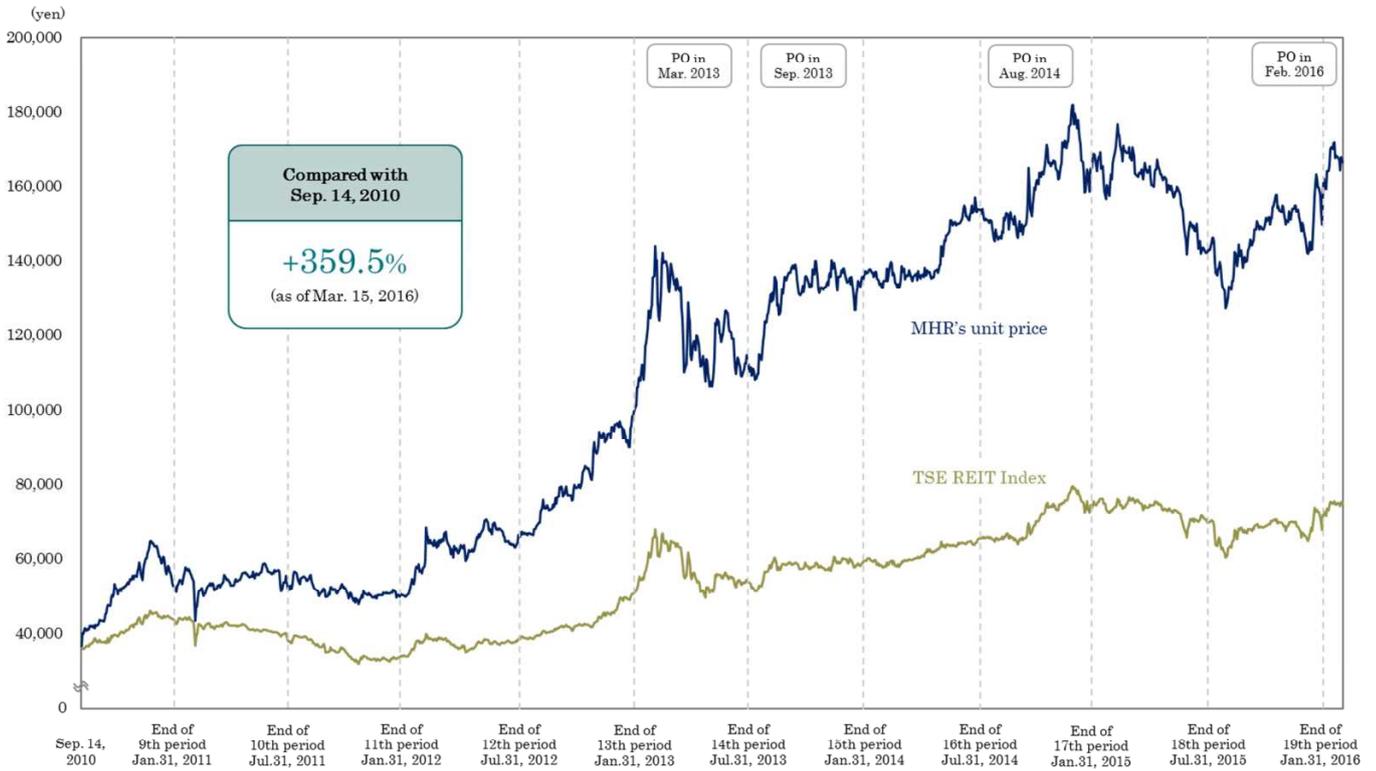
(Note 3) Mori Building Co., Ltd. is participating in the project as one of participating consortium members.

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

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



Unit Price Performance



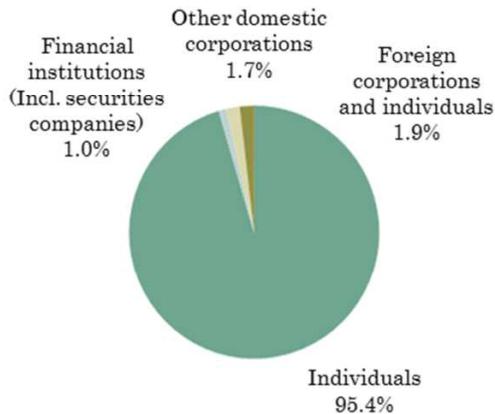
(Note) TSE REIT Index is adjusted to MHR's unit price on the announcement date of the management policy (Sep. 14, 2010) and shows the relative performance vs. MHR's unit price performance.

Market value

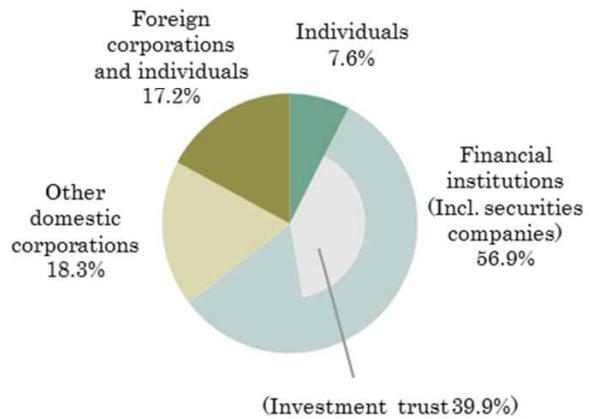


Unitholders Breakdown (as of January 31, 2016)

< Number of unitholders >



< Number of investment units >



Risk Factors

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

Property and Business Risks

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

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

Management and Governance Risks

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

Taxation Risks

- Our failure to satisfy a complex series of requirements pursuant to Japanese tax regulations would disqualify us from certain taxation benefits and significantly reduce our distributions to our unitholders.
- If the Japanese tax authorities disagree with the interpretations we used for prior periods, we may be forced to pay additional taxes for those periods.
- We may not be able to benefit from reductions in certain real estate transfer taxes enjoyed by qualified J-REITs.
- Changes in Japanese tax laws may significantly increase our tax burden.
- We expect to be treated as a “passive foreign investment company” for U.S. federal income tax purposes.
- Unitholders may be subject to U.S. Foreign Account Tax Compliance Act (FATCA) withholding tax after 2016.

Legal and Regulatory Risks

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

financing.

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

Disclaimer

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

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

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

Independent Auditor's Report

The Board of Directors
Mori Hills REIT Investment Corporation

We have audited the accompanying financial statements of Mori Hills REIT Investment Corporation, which comprise the balance sheet as of January 31, 2016, 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, 2016, and its financial performance and cash flows for the six-month period then ended in conformity with accounting principles generally accepted in Japan.

Ernst & Young ShinNihon LLC

April 26, 2016
Tokyo, Japan

FINANCIAL STATEMENTS

BALANCE SHEET

(Unit: thousands of yen)

	As of	
	January 31, 2016	July 31, 2015
Assets		
Current assets		
Cash and deposits	4,086,351	7,332,973
Cash and deposits in trust	5,352,905	10,701,100
Operating accounts receivable	21,322	17,554
Prepaid expenses	355,341	332,994
Deferred tax assets	5	9
Consumption taxes receivable	96,432	—
Other	226	—
Total current assets	<u>9,912,586</u>	<u>18,384,631</u>
Noncurrent assets		
Property, plant and equipment		
Land	22,074,160	22,074,160
Buildings in trust	60,040,031	57,523,607
Accumulated depreciation	<u>(9,418,673)</u>	<u>(8,603,623)</u>
Buildings in trust, net	<u>50,621,357</u>	<u>48,919,983</u>
Structures in trust	708,982	700,568
Accumulated depreciation	<u>(219,135)</u>	<u>(205,901)</u>
Structures in trust, net	<u>489,846</u>	<u>494,667</u>
Machinery and equipment in trust	683,370	660,007
Accumulated depreciation	<u>(135,978)</u>	<u>(119,986)</u>
Machinery and equipment in trust, net	<u>547,392</u>	<u>540,020</u>
Tools, furniture and fixtures in trust	122,518	118,530
Accumulated depreciation	<u>(61,526)</u>	<u>(53,740)</u>
Tools, furniture and fixtures in trust, net	<u>60,992</u>	<u>64,789</u>
Land in trust	182,814,887	173,099,029
Construction in progress in trust	<u>142,424</u>	<u>45,196</u>
Total property, plant and equipment	<u>256,751,061</u>	<u>245,237,847</u>
Intangible assets		
Leasehold rights in trust	30,650,962	30,650,962
Other intangible assets in trust	4,350	4,973
Other	2,649	3,084
Total intangible assets	<u>30,657,963</u>	<u>30,659,021</u>
Investments and other assets		
Lease and guarantee deposits	10,000	10,000
Long-term prepaid expenses	<u>923,214</u>	<u>834,680</u>
Total investments and other assets	<u>933,214</u>	<u>844,680</u>
Total noncurrent assets	<u>288,342,239</u>	<u>276,741,549</u>
Deferred assets		
Investment corporation bonds issuance cost	113,556	97,331
Investment unit issuance cost	<u>81,759</u>	<u>109,012</u>
Total deferred assets	<u>195,315</u>	<u>206,343</u>
Total assets	<u>298,450,140</u>	<u>295,332,524</u>

(Unit: thousands of yen)

	As of	
	January 31, 2016	July 31, 2015
Liabilities		
Current liabilities		
Operating accounts payable	260,831	92,402
Current portion of investment corporation bonds	—	5,000,000
Current portion of long-term loans payable	3,500,000	17,000,000
Accounts payable – other	16,278	15,760
Accrued expenses	283,955	274,289
Income taxes payable	626	461
Accrued consumption taxes	—	257,464
Advances received	983,289	944,388
Deposits received	57,545	61,980
Total current liabilities	5,102,527	23,646,747
Noncurrent liabilities		
Investment corporation bonds	24,000,000	19,000,000
Long-term loans payable	105,200,000	89,200,000
Lease and guarantee deposits in trust	9,695,569	9,245,335
Total noncurrent liabilities	138,895,569	117,445,335
Total liabilities	143,998,096	141,092,082
Net assets		
Unitholders' equity		
Unitholders' capital	150,418,135	150,418,135
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	3,717,062
Total surplus	4,033,909	3,822,306
Total unitholders' equity	154,452,044	154,240,441
Total net assets (Note 8)	154,452,044	154,240,441
Total liabilities and net assets	298,450,140	295,332,524

STATEMENT OF INCOME AND RETAINED EARNINGS

(Unit: thousands of yen)

	For the six months ended	
	January 31, 2016	July 31, 2015
Operating revenue		
Rent revenue of real estate (Note 12)	6,622,059	6,405,171
Other rent revenue of real estate (Note 12)	126,352	110,840
Total operating revenue	6,748,411	6,516,011
Operating expenses		
Expenses of real estate rent (Note 12)	1,874,559	1,788,573
Asset management fee	208,022	200,382
Directors' compensation	5,400	5,400
Asset custody fee	7,383	7,375
Administrative service fees	18,470	18,585
Other operating expenses (Note 12)	68,083	67,218
Total operating expenses	2,181,920	2,087,535
Operating income	4,566,491	4,428,476
Non-operating income		
Interest income	1,599	1,709
Exclusion gain of unpaid dividend	869	1,623
Interest on refund	—	752
Total non-operating income	2,468	4,085
Non-operating expenses		
Interest expenses	345,231	373,009
Interest expenses on investment corporation bonds	87,183	112,389
Amortization of investment corporation bonds issuance cost	13,569	14,313
Borrowing expenses	165,215	186,779
Amortization of investment unit issuance cost	27,253	27,253
Other	1,890	1,867
Total non-operating expenses	640,344	715,612
Ordinary income	3,928,615	3,716,949
Income before income taxes	3,928,615	3,716,949
Income taxes-current	724	809
Income taxes-deferred	3	23
Total income taxes	728	832
Net income	3,927,887	3,716,116
Retained earnings brought forward	777	945
Unappropriated retained earnings	3,928,664	3,717,062

STATEMENT OF CHANGES IN NET ASSETS

For the six months ended January 31, 2016

(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, 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, 2015

(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, 2015	150,418,135	105,244	3,616,747	3,721,991	154,140,126	154,140,126
Change during the period						
Dividends from surplus			(3,615,802)	(3,615,802)	(3,615,802)	(3,615,802)
Net income			3,716,116	3,716,116	3,716,116	3,716,116
Total changes of items during the period	—	—	100,314	100,314	100,314	100,314
Balance at July 31, 2015	150,418,135	105,244	3,717,062	3,822,306	154,240,441	154,240,441



STATEMENT OF CASH DISTRIBUTIONS

(Unit: yen)

	For the six months ended January 31, 2016	For the six months ended July 31, 2015
I . Unappropriated retained earnings	3,928,664,978	3,717,062,508
II . Amount of dividends	3,928,240,080	3,716,284,680
Amount of dividends per unit	2,502	2,367
III . Retained earnings carried forward	424,898	777,828
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 3,716,284,680 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>

STATEMENT OF CASH FLOWS

(Unit: thousands of yen)

For the six months ended

	January 31, 2016	July 31, 2015
Net cash provided by (used in) operating activities		
Income before income taxes	3,928,615	3,716,949
Depreciation and amortization	853,221	858,200
Amortization of investment corporation bonds issuance cost	13,569	14,313
Amortization of investment unit issuance cost	27,253	27,253
Interest income	(1,599)	(1,709)
Exclusion gain of unpaid dividend	(869)	(1,623)
Interest expenses	432,415	485,398
Decrease (increase) in operating accounts receivable	(4,066)	2,738
Decrease (increase) in consumption taxes receivable	(96,412)	403,028
Increase (decrease) in operating accounts payable	4,247	6,049
Increase (decrease) in accounts payable – other	(352)	150
Increase (decrease) in accrued expenses	8,258	4,842
Increase (decrease) in accrued consumption taxes	(257,464)	223,573
Increase (decrease) in advances received	38,901	2,839
Increase (decrease) in deposits received	(4,310)	929
Decrease (increase) in prepaid expenses	(22,346)	9,317
Decrease (increase) in long-term prepaid expenses	(88,533)	(99,006)
Other, net	76	–
Subtotal	4,830,603	5,653,245
Interest income received	1,599	1,709
Interest expenses paid	(431,009)	(514,271)
Income taxes paid	(560)	(1,361)
Net cash provided by (used in) operating activities	4,400,633	5,139,322
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment in trust	(12,201,221)	(124,785)
Purchase of intangible assets in trust	–	(3,656)
Repayments of lease and guarantee deposits in trust	(176,807)	(34,718)
Proceeds from lease and guarantee deposits in trust	626,917	29,777
Net cash provided by (used in) investing activities	(11,751,111)	(133,381)
Net cash provided by (used in) financing activities		
Proceeds from long-term loans payable	18,000,000	14,700,000
Repayments of long-term loans payable	(15,500,000)	(14,700,000)
Proceeds from issuance of investment corporation bonds	4,970,206	4,968,145
Redemption of investment corporation bonds	(5,000,000)	(5,000,000)
Cash dividends paid	(3,714,545)	(3,614,179)
Net cash provided by (used in) financing activities	(1,244,338)	(3,646,033)
Net increase (decrease) in cash and cash equivalents	(8,594,816)	1,359,907
Cash and cash equivalents at beginning of the period	18,034,073	16,674,166
Cash and cash equivalents at end of the period (Note 16)	9,439,257	18,034,073

NOTES TO FINANCIAL STATEMENTS

For the six months ended January 31, 2016 and July 31, 2015

1. ORGANIZATION

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

The Company’s real estate portfolio as of January 31, 2016 was comprised of 10 properties under management with a total leasable floor area of 136,463.95m². The Company has already invested 293,756 million yen (based on acquisition price) into this portfolio. The occupancy rate as of January 31, 2016 was 98.3%.

2. BASIS OF PRESENTATION

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

(2) Intangible assets (including assets in trust)

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

(3) Long-term prepaid expenses

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

(4) Investment corporation bonds issuance cost

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

(5) Investment unit issuance cost

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

(6) Revenue recognition

Revenues from leasing of investment properties are recognized as rent 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 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 none as of July 31, 2015, 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

For the six months ended January 31, 2016

(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	Accumulated amortization			
Property, plant and equipment	Land	22,074,160	—	—	22,074,160	—	—	22,074,160	
	Buildings in trust	57,523,607	2,516,423	—	60,040,031	9,418,673	815,050	50,621,357	(Note)
	Structures in trust	700,568	8,413	—	708,982	219,135	13,234	489,846	(Note)
	Machinery and equipment in trust	660,007	23,362	—	683,370	135,978	15,991	547,392	(Note)
	Tools, furniture and fixtures in trust	118,530	4,096	108	122,518	61,526	7,888	60,992	
	Land in trust	173,099,029	9,715,857	—	182,814,887	—	—	182,814,887	(Note)
	Construction in progress in trust	45,196	99,639	2,410	142,424	—	—	142,424	
Subtotal	254,221,100	12,367,793	2,518	266,586,375	9,835,313	852,163	256,751,061		
Intangible assets	Leasehold rights in trust	30,650,962	—	—	30,650,962	—	—	30,650,962	
	Other intangible assets in trust	11,975	—	—	11,975	7,624	623	4,350	
	Subtotal	30,662,938	—	—	30,662,938	7,624	623	30,655,313	
Total	284,884,038	12,367,793	2,518	297,249,313	9,842,938	852,787	287,406,374		

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



HILLS REIT

5. SHORT-TERM LOANS PAYABLE

For the six months ended January 31, 2016

Not applicable.



6. INVESTMENT CORPORATION BONDS

For the six months ended January 31, 2016

(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		
Sixth Series Unsecured Investment Corporation Bonds	Nov. 28, 2012	5,000,000	—	5,000,000	—	0.7800%	Nov. 27, 2015	(Note 1)	none		
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				
Thirteenth Series Unsecured Investment Corporation Bonds	May 26, 2015	3,000,000	—	—	3,000,000	0.3220%	May 26, 2020				
Fourteenth Series Unsecured Investment Corporation Bonds	May 26, 2015	2,000,000	—	—	2,000,000	0.8200%	May 26, 2025				
Fifteenth Series Unsecured Investment Corporation Bonds	Nov. 26, 2015	—	3,500,000	—	3,500,000	0.3800%	Nov. 26, 2020				
Sixteenth Series Unsecured Investment Corporation Bonds	Nov. 26, 2015	—	1,500,000	—	1,500,000	0.8860%	Nov. 26, 2025				
Total		24,000,000	5,000,000	5,000,000	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	—	2,000,000	3,000,000	3,000,000	8,500,000



7. LONG-TERM LOANS PAYABLE

For the six months ended January 31, 2016

(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
Aozora Bank, Ltd.	—	2,000,000	—	2,000,000	1.1850%	Aug. 31, 2016	(Note 2)	Unsecured/ Unguaranteed
ORIX Bank Corporation	1,000,000	—	—	1,000,000	0.5800%	Mar. 31, 2016		
The Hiroshima Bank, Ltd.	500,000	—	—	500,000	0.5800%	Mar. 31, 2016		
Mizuho Bank, Ltd.	1,500,000	—	1,500,000	—	0.9800%	Aug. 31, 2015		
	1,600,000	—	1,600,000	—	1.0400%	Nov. 30, 2015		
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,500,000	—	1,500,000	—	0.9800%	Aug. 31, 2015		
	1,600,000	—	1,600,000	—	1.0400%	Nov. 30, 2015		
Mitsubishi UFJ Trust and Banking Corporation	1,500,000	—	1,500,000	—	0.9800%	Aug. 31, 2015		
	1,600,000	—	1,600,000	—	1.0400%	Nov. 30, 2015		
Sumitomo Mitsui Banking Corporation	1,500,000	—	1,500,000	—	0.9800%	Aug. 31, 2015		
	1,600,000	—	1,600,000	—	1.0400%	Nov. 30, 2015		
Sumitomo Mitsui Trust Bank, Ltd.	1,600,000	—	1,600,000	—	1.0400%	Nov. 30, 2015		
Shinsei Bank, Ltd.	1,500,000	—	1,500,000	—	1.0400%	Nov. 30, 2015		
Total	17,000,000	2,000,000	15,500,000	3,500,000				

(2) Long-term loans payable

(Unit: thousands of yen)

Lender	Balance at beginning of the period	Amount of increase during the period	Amount of decrease during the period	Balance at end of the period	Average interest rate (Note 1)	Repayment date	Use of funds	Remarks
Mizuho Bank, Ltd.	1,500,000	—	—	1,500,000	0.8421%	Mar. 30, 2018	(Note 2)	Unsecured/ Unguaranteed
	1,400,000	—	—	1,400,000	0.7760%	Sep. 28, 2018		
	250,000	—	—	250,000	0.4300%	May 31, 2019		
	1,100,000	—	—	1,100,000	0.4800%	Nov. 29, 2019		
	1,702,000	—	—	1,702,000	0.3800%	May 31, 2019		
	574,000	—	—	574,000	0.4300%	May 29, 2020		
	834,000	—	—	834,000	0.4300%	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		
	1,369,000	—	—	1,369,000	0.5730%	May 31, 2021		
	1,369,000	—	—	1,369,000	0.7020%	May 31, 2022		
	—	1,500,000	—	1,500,000	0.4932%	Aug.31, 2021		
	—	500,000	—	500,000	0.6529%	Aug. 31, 2023		
	—	1,600,000	—	1,600,000	0.6155%	Nov. 30, 2023		
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,500,000	—	—	1,500,000	0.8421%	Mar. 30, 2018	(Note 2)	Unsecured/ Unguaranteed
	1,400,000	—	—	1,400,000	0.7760%	Sep. 28, 2018		
	250,000	—	—	250,000	0.4300%	May 31, 2019		
	1,100,000	—	—	1,100,000	0.4800%	Nov. 29, 2019		
	1,702,000	—	—	1,702,000	0.3800%	May 31, 2019		
	574,000	—	—	574,000	0.4300%	May 29, 2020		
	834,000	—	—	834,000	0.4300%	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		
	1,369,000	—	—	1,369,000	0.5730%	May 31, 2021		
	1,369,000	—	—	1,369,000	0.7020%	May 31, 2022		
	—	1,500,000	—	1,500,000	0.4932%	Aug. 31, 2021		
	—	500,000	—	500,000	0.6529%	Aug. 31, 2023		
	—	1,600,000	—	1,600,000	0.4980%	Nov. 30, 2022		

Mitsubishi UFJ Trust and Banking Corporation	1,500,000	—	—	1,500,000	0.8421%	Mar. 30, 2018	(Note 2)	Unsecured/ Unguaranteed
	1,400,000	—	—	1,400,000	0.7760%	Sep. 28, 2018		
	250,000	—	—	250,000	0.4300%	May 31, 2019		
	1,100,000	—	—	1,100,000	0.4800%	Nov. 29, 2019		
	1,702,000	—	—	1,702,000	0.3800%	May 31, 2019		
	574,000	—	—	574,000	0.4300%	May 29, 2020		
	834,000	—	—	834,000	0.4300%	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		
	1,369,000	—	—	1,369,000	0.5730%	May 31, 2021		
	1,369,000	—	—	1,369,000	0.7020%	May 31, 2022		
	—	1,500,000	—	1,500,000	0.4932%	Aug. 31, 2021		
	—	500,000	—	500,000	0.6529%	Aug. 31, 2023		
	—	1,600,000	—	1,600,000	0.6155%	Nov. 30, 2023		
Sumitomo Mitsui Banking Corporation	1,500,000	—	—	1,500,000	0.8421%	Mar. 30, 2018	(Note 2)	Unsecured/ Unguaranteed
	1,400,000	—	—	1,400,000	0.7760%	Sep. 28, 2018		
	250,000	—	—	250,000	0.4300%	May 31, 2019		
	1,600,000	—	—	1,600,000	0.4800%	Nov. 29, 2019		
	894,000	—	—	894,000	0.3800%	May 31, 2019		
	300,000	—	—	300,000	0.4300%	May 29, 2020		
	834,000	—	—	834,000	0.4300%	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		
	1,099,000	—	—	1,099,000	0.5730%	May 31, 2021		
	1,098,000	—	—	1,098,000	0.7020%	May 31, 2022		
	—	1,500,000	—	1,500,000	0.4932%	Aug. 31, 2021		
	—	500,000	—	500,000	0.6529%	Aug. 31, 2023		
	—	1,600,000	—	1,600,000	0.4980%	Nov. 30, 2022		
Sumitomo Mitsui Trust Bank, Ltd.	1,500,000	—	—	1,500,000	0.8421%	Mar. 30, 2018	(Note 2)	Unsecured/ Unguaranteed
	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	0.4800%	Nov. 29, 2019		
	834,000	—	—	834,000	0.4300%	May 29, 2020		
	960,000	—	—	960,000	0.6242%	Nov. 30, 2020		
	1,040,000	—	—	1,040,000	0.7535%	Nov. 30, 2021		
	1,294,000	—	—	1,294,000	0.5730%	May 31, 2021		
	1,295,000	—	—	1,295,000	0.7020%	May 31, 2022		
	—	500,000	—	500,000	0.6529%	Aug. 31, 2023		
	—	1,600,000	—	1,600,000	0.6155%	Nov. 30, 2023		

Development Bank of Japan Inc.	750,000	—	—	750,000	0.8421%	Mar. 30, 2018	(Note 2)	Unsecured/ Unguaranteed
	500,000	—	—	500,000	0.7760%	Sep. 28, 2018		
	2,000,000	—	—	2,000,000	0.4800%	Nov. 29, 2019		
	1,700,000	—	—	1,700,000	0.7963%	Mar. 27, 2023		
The Norinchukin Bank	500,000	—	—	500,000	0.7760%	Sep. 28, 2018		
	600,000	—	—	600,000	0.3800%	Nov. 30, 2017		
	600,000	—	—	600,000	0.4800%	Nov. 29, 2019		
	3,000,000	—	—	3,000,000	0.3800%	May 31, 2019		
The Bank of Fukuoka, Ltd.	500,000	—	—	500,000	0.7760%	Sep. 28, 2018		
	2,000,000	—	—	2,000,000	0.4800%	Nov. 29, 2019		
	2,000,000	—	—	2,000,000	0.3800%	May 31, 2019		
Resona Bank, Ltd.	500,000	—	—	500,000	0.7760%	Sep. 28, 2018		
	830,000	—	—	830,000	0.4300%	May 29, 2020		
	2,500,000	—	—	2,500,000	0.3800%	Aug. 30, 2019		
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	0.3800%	Aug. 30, 2019		
Shinsei Bank, Ltd.	500,000	—	—	500,000	0.7760%	Sep. 28, 2018		
	900,000	—	—	900,000	0.4800%	Nov. 29, 2019		
	—	1,500,000	—	1,500,000	0.6155%	Nov. 30, 2023		
Mizuho Trust & Banking Co., Ltd.	1,000,000	—	—	1,000,000	0.8421%	Mar. 30, 2018		
	500,000	—	—	500,000	0.7760%	Sep. 28, 2018		
The Hiroshima Bank, Ltd.	1,000,000	—	—	1,000,000	0.3800%	Nov. 30, 2017		
The Oita Bank, Ltd.	1,000,000	—	—	1,000,000	0.3800%	Nov. 30, 2017		
Total	89,200,000	18,000,000	2,000,000	105,200,000				

(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	4,578,000	20,500,000	27,900,000	13,022,000

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, 2016	July 31, 2015
Deferred tax assets		
Current assets		
Accrued enterprise tax excluded from expenses	5	9
Total deferred tax assets [current]	5	9
Net deferred tax assets [current]	5	9

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

	As of	
	January 31, 2016	July 31, 2015
Statutory tax rate	32.31%	34.15%
[Adjustments]		
Deductible cash distributions	(32.31%)	(34.14%)
Others	0.02%	0.02%
Effective tax rate	0.02%	0.02%

10. PER UNIT INFORMATION

(Unit: yen)

	For the six months ended	
	January 31, 2016	July 31, 2015
Net assets per unit	98,374	98,239
Net income per unit	2,502	2,367

(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, 2015
Net income (thousands of yen)	3,927,887	3,716,116
Amounts not attributable to common unitholders (thousands of yen)	—	—
Net income attributable to common investment units (thousands of yen)	3,927,887	3,716,116
Average number of investment units during the period (units)	1,570,040	1,570,040

11. 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
									Operating accounts payable	28,785
							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, 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	Leasing of properties (Note 2) (Note 5)	4,939,952	Operating accounts receivable	774
									Advances received	785,262
									Lease and guarantee deposits in trust	7,836,129
							Payment of property operation and management fees (Note 6)	138,373 (Note 3)	Prepaid expenses	2,747
									Operating accounts payable	26,244
									Payment of other operating expenses (Note 7)	1,181
Deposit of lease and guarantee (Note 4) (Note 8)	—	Lease and guarantee deposits in trust	53,886							

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

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

(Note 3) The amount includes fees (6,273 thousand yen) that are not charged to expenses but recognized as assets.

(Note 4) Roppongi View Tower

[Transaction terms and conditions and related policies]

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

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

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

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



(2) Subsidiaries and affiliates

For the six months ended January 31, 2016

Not applicable.

For the six months ended July 31, 2015

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, 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 3)	200,382	Accrued expenses	216,412

(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, 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, 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 3)	200,382	Accrued expenses	216,412

(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, 2016	July 31, 2015
A. Property operating revenue		
Rent revenue of real estate		
Rent and common area revenue	6,617,068	6,401,886
Other rent revenue	4,991	3,284
Other rent revenue of real estate		
Parking revenue	22,364	16,780
Utilities and other revenue	103,519	93,870
Cancellation penalty	468	190
Total property operating revenue	6,748,411	6,516,011
B. Property operating expenses		
Expenses of real estate rent		
Property management fees	306,841	269,168
Property taxes	448,207	416,594
Utilities	108,490	91,734
Maintenance and repairs	15,611	21,720
Insurance premium	13,549	13,174
Custodian fees	6,771	6,718
Depreciation and amortization	852,787	857,712
Rent expenses	111,903	103,842
Other lease business expenses	10,397	7,906
Total property operating expenses	1,874,559	1,788,573
C. Property operating income [A – B]	4,873,852	4,727,438

Transactions with major unitholders

(Unit: thousands of yen)

	For the six months ended	
	January 31, 2016	July 31, 2015
From operating transactions		
Rent revenue of real estate	4,707,446	4,937,684
Other rent revenue of real estate	2,294	2,268
Expenses of real estate rent	142,568	132,099
Other operating expenses	670	1,181

13. UNITHOLDERS' EQUITY

	For the six months ended	
	January 31, 2016	July 31, 2015
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	1,570,040 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, 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, 2015.

	(Unit: thousands of yen)		
	Carrying amount	Fair value	Difference
(a) Cash and deposits	7,332,973	7,332,973	—
(b) Cash and deposits in trust	10,701,100	10,701,100	—
Total	18,034,073	18,034,073	—
(c) Current portion of investment corporation bonds	5,000,000	5,009,000	9,000
(d) Current portion of long-term loans payable	17,000,000	17,003,170	3,170
(e) Investment corporation bonds	19,000,000	19,168,200	168,200
(f) Long-term loans payable	89,200,000	89,290,208	90,208
Total	130,200,000	130,470,579	270,579
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, 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	7,332,973	—	—	—	—	—
Cash and deposits in trust	10,701,100	—	—	—	—	—
Total	18,034,073	—	—	—	—	—

(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, 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	5,000,000	—	5,000,000	3,000,000	5,000,000	6,000,000
Long-term loans payable	17,000,000	3,978,000	12,600,000	22,500,000	22,922,000	27,200,000
Total	22,000,000	3,978,000	17,600,000	25,500,000	27,922,000	33,200,000

15. DERIVATIVE TRANSACTIONS

(1) Transactions for which hedge accounting is not applied

As of January 31, 2016

Not applicable.

As of July 31, 2015

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, 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	59,478,000	49,978,000	*	—

* 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, 2016	July 31, 2015
Cash and deposits	4,086,351	7,332,973
Cash and deposits in trust	5,352,905	10,701,100
Cash and cash equivalents	9,439,257	18,034,073

17. LEASES

Operating lease transactions (as lessor)

Future minimum rental revenues under existing non-cancelable lease agreements

(Unit: thousands of yen)

	As of	
	January 31, 2016	July 31, 2015
Due within 1 year	3,074,536	3,096,823
Due after 1 year	16,738,986	17,353,386
Total	19,813,522	20,450,209

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, 2016	July 31, 2015
Carrying amount		
Balance at beginning of the period	275,893,784	276,620,994
Amount of increase (decrease) during the period	11,512,590	(727,210)
Balance at end of the period	287,406,374	275,893,784
Fair value at end of the period	296,340,000	281,730,000

(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, 2015, 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, 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, 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.	4,939,952	Real estate leasing business

20. SUBSEQUENT EVENTS

Issuance of New Investment Units

The issuance of new investment units was resolved at the Company's Board of Directors Meetings held on January 6, 2016 and January 20, 2016. Furthermore, the cash contribution to new investment units through public offering was completed on February 1, 2016 and the cash contribution to new investment units through third-party allotment was completed on February 24, 2016.

As a result, unitholders' capital is 174,231,870,570 yen, with the number of investment units issued and outstanding is 1,750,640 units as of February 24, 2016.

- (1) Issuance of New Investment Units through Japanese Primary Offering and International Offering (however, in the United States, only to qualified institutional buyers in accordance with Rule 144A of the U.S. Securities Act of 1933)

Number of new investment units issued	:	Total Offering	172,000 units
		(Japanese Primary Offering	90,791 units)
		(International Offering	81,209 units)
Issue price (offer price)	:	136,334 yen per unit	
Total amount of issue price (offer price)	:	23,449,448,000 yen	
Amount contributed in (issued value)	:	131,859 yen per unit	
Total amount contributed in (issued value)	:	22,679,748,000 yen	
Contribution date	:	February 1, 2016	
Initial date of dividends calculation	:	February 1, 2016	

- (2) Issuance of New Investment Units through Third-Party Allotment

Number of new investment units issued	:	8,600 units
Amount contributed in (issued value)	:	131,859 yen per unit
Total amount contributed in (issued value)	:	1,133,987,400 yen
Contribution date	:	February 24, 2016
Initial date of dividends calculation	:	February 1, 2016
Allottee	:	Mizuho Securities Co., Ltd.

- (3) Use of Funds

The funds procured through the issuance of new investment units through the above public offering were used as the funds for the acquisition of an asset (Roppongi Hills Mori Tower: 1 floor) acquired on February 1, 2016 and acquisition-related costs. The remaining funds together with the funds provided through the above third-party allotment were used as part of funds for the acquisition of an asset (Roppongi Hills Mori Tower: 3 floors) acquired on April 1, 2016 and acquisition-related costs.