

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 at January 31, 2012, 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 at January 31, 2012, and its financial performance and cash flows for the six-month period then ended in conformity with accounting principles generally accepted in Japan.



April 25, 2012

Tokyo, Japan



HILLS REIT

FINANCIAL STATEMENTS BALANCE SHEETS

(Unit: thousands of yen)

	Eleventh Fiscal Period (as of January 31, 2012)	Tenth Fiscal Period (as of July 31, 2011)
Assets		
Current assets		
Cash and deposits	2,321,952	1,470,106
Cash and deposits in trust	6,969,478	7,580,028
Operating accounts receivable	73,846	94,198
Prepaid expenses	377,898	354,462
Deferred tax assets	18	19
Consumption taxes receivable	83,882	-
Other	-	1,080
Total current assets	9,827,076	9,499,894
Noncurrent assets		
Property, plant and equipment		
Buildings	-	1,700,018
Accumulated depreciation	-	(74,086)
Buildings, net	-	1,625,932
Structures	-	12,160
Accumulated depreciation	-	(1,942)
Structures, net	-	10,217
Machinery and equipment	-	20,407
Accumulated depreciation	-	(988)
Machinery and equipment, net	-	19,419
Land	22,074,160	27,243,942
Buildings in trust	41,826,345	42,173,024
Accumulated depreciation	(4,732,322)	(5,176,592)
Buildings in trust, net	37,094,023	36,996,431
Structures in trust	278,897	307,141
Accumulated depreciation	(144,630)	(158,740)
Structures in trust, net	134,267	148,400
Machinery and equipment in trust	316,886	699,866
Accumulated depreciation	(31,529)	(97,129)
Machinery and equipment in trust, net	285,357	602,737
Tools, furniture and fixtures in trust	63,873	65,775
Accumulated depreciation	(19,116)	(20,253)
Tools, furniture and fixtures in trust, net	44,757	45,522
Land in trust	130,873,828	124,071,738
Construction in progress in trust	722	722
Total property, plant and equipment	190,507,117	190,765,064
Intangible assets		
Leasehold rights in trust	18,409,956	18,409,956
Other intangible assets in trust	1,547	2,211
Other	2,996	3,496
Total intangible assets	18,414,500	18,415,665
Investments and other assets		
Lease and guarantee deposits	10,000	10,000
Long-term prepaid expenses	299,346	182,609
Total investments and other assets	309,346	192,609
Total noncurrent assets	209,230,964	209,373,339
Deferred assets		
Investment corporation bond issuance cost	61,281	77,569
Total deferred assets	61,281	77,569
Total assets	219,119,322	218,950,803



(Unit: thousands of yen)

	Eleventh Fiscal Period (as of January 31, 2012)	Tenth Fiscal Period (as of July 31, 2011)
Liabilities		
Current liabilities		
Operating accounts payable	118,321	241,560
Short-term loans payable	17,000,000	17,000,000
Current portion of investment corporation bonds	7,000,000	-
Current portion of long-term loans payable	27,875,000	36,925,000
Accounts payable – other	26,008	27,423
Accrued expenses	421,523	236,674
Income taxes payable	789	775
Accrued consumption taxes	60,907	113,539
Advances received	580,112	383,129
Deposits received	689,372	279,496
Provision for loss on disaster	6,813	8,418
Total current liabilities	53,778,850	55,216,019
Noncurrent liabilities		
Investment corporation bond	18,000,000	25,000,000
Long-term loans payable	37,125,000	28,187,500
Lease and guarantee deposited	-	302,040
Lease and guarantee deposited in trust	6,208,244	6,300,513
Total noncurrent liabilities	61,333,244	59,790,053
Total liabilities	115,112,094	115,006,073
Net assets		
Unitholders' equity		
Unitholders' capital	102,010,939	102,010,939
Surplus		
Unappropriated retained earnings (undisposed loss)	1,996,288	1,933,790
Total surplus	1,996,288	1,933,790
Total unitholders' equity	104,007,228	103,944,730
Total net assets (Note 8)	104,007,228	103,944,730
Total liabilities and net assets	219,119,322	218,950,803

STATEMENTS OF INCOME AND RETAINED EARNINGS

(Unit: thousands of yen)

	Eleventh Fiscal Period (August 1, 2011 to January 31, 2012)	Tenth Fiscal Period (February 1, 2011 to July 31, 2011)
Operating revenue		
Rent revenue of real estate (Note 12)	4,417,829	4,586,939
Other rent revenue of real estate (Note 12)	160,306	334,661
Gain on sales of real estate properties (Note 12)	187,430	336,190
Total operating revenue	<u>4,765,566</u>	<u>5,257,791</u>
Operating expenses		
Expenses of real estate rent (Note 12)	1,348,255	1,878,299
Asset management fee	222,580	220,665
Directors' compensation	5,400	6,300
Asset custody fee	5,473	5,497
Administrative service fees	15,374	15,574
Other operating expenses (Note 12)	59,633	71,631
Total operating expenses	<u>1,656,716</u>	<u>2,197,968</u>
Operating income	<u>3,108,850</u>	<u>3,059,822</u>
Non-operating income		
Interest income	988	1,149
Exclusion gain of unpaid dividend	648	2,032
Other	-	283
Total non-operating income	<u>1,636</u>	<u>3,465</u>
Non-operating expenses		
Interest expenses	640,371	669,327
Interest expenses on investment corporation bonds	196,650	191,967
Amortization of investment corporation bond issuance cost	16,287	16,287
Borrowing expenses	258,234	236,080
Other	1,802	1,765
Total non-operating expenses	<u>1,113,345</u>	<u>1,115,427</u>
Ordinary income	<u>1,997,140</u>	<u>1,947,860</u>
Extraordinary loss		
Loss on disaster	-	4,767
Provision for loss on disaster	-	8,418
Total extraordinary loss	<u>-</u>	<u>13,186</u>
Income before income taxes	<u>1,997,140</u>	<u>1,934,674</u>
Income taxes-current	987	1,005
Income taxes-deferred	0	0
Total income taxes	<u>987</u>	<u>1,005</u>
Net income	<u>1,996,152</u>	<u>1,933,668</u>
Retained earnings brought forward	<u>135</u>	<u>121</u>
Unappropriated retained earnings (undisposed loss)	<u><u>1,996,288</u></u>	<u><u>1,933,790</u></u>

CHANGES IN NET ASSETS

For the six-month period ended January 31, 2012

(Unit: thousands of yen)

	Unitholders' capital	Total surplus	Total unitholders' equity	Valuation and translation adjustments	Total net assets
Balance at July 31, 2011	102,010,939	1,933,790	103,944,730	-	103,944,730
Change during the period					
Dividends from surplus	-	(1,933,655)	(1,933,655)	-	(1,933,655)
Net income	-	1,996,152	1,996,152	-	1,996,152
Total changes of items during the period	-	62,497	62,497	-	62,497
Balance at January 31, 2012	102,010,939	1,996,288	104,007,228	-	104,007,228

For the six-month period ended July 31, 2011

(Unit: thousands of yen)

	Unitholders' capital	Total surplus	Total unitholders' equity	Valuation and translation adjustments	Total net assets
Balance at January 31, 2011	102,010,939	1,840,011	103,850,950	(7,107)	103,843,842
Change during the period					
Dividends from surplus	-	(1,839,889)	(1,839,889)	-	(1,839,889)
Net income	-	1,933,668	1,933,668	-	1,933,668
Net changes of items other than unitholders' equity	-	-	-	7,107	7,107
Total changes of items during the period	-	93,779	93,779	7,107	100,887
Balance at July 31, 2011	102,010,939	1,933,790	103,944,730	-	103,944,730

STATEMENTS OF CASH DISTRIBUTIONS

(Unit: yen)

	Eleventh Fiscal Period (August 1, 2011 to January 31, 2012)	Tenth Fiscal Period (February 1, 2011 to July 31, 2011)
I . Unappropriated retained earnings	1,996,288,616	1,933,790,907
II . Amount of dividends	1,996,165,440	1,933,655,040
Amount of dividends per unit	8,622	8,352
III . Retained earnings carried forward	123,176	135,867
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 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. The Company has declared the total dividends to be 1,996,165,440 yen, which is the largest integral multiple of the number of investment units issued and outstanding (231,520 units).</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 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. The Company has declared the total dividends to be 1,933,655,040 yen, which is the largest integral multiple of the number of investment units issued and outstanding (231,520 units).</p>



STATEMENTS OF CASH FLOWS

(Unit: thousands of yen)

	Eleventh Fiscal Period (August 1, 2011 to January 31, 2012)	Tenth Fiscal Period (February 1, 2011 to July 31, 2011)
Net cash provided by (used in) operating activities		
Income before income taxes	1,997,140	1,934,674
Depreciation and amortization	648,058	670,782
Amortization of investment corporation bond issuance cost	16,287	16,287
Increase (decrease) in provision for loss on disaster	(1,605)	8,418
Interest income	(988)	(1,149)
Exclusion gain of unpaid dividend	(648)	(2,032)
Interest expenses	837,021	861,294
Decrease (increase) in operating accounts receivable	20,352	(1,542)
Decrease (increase) in consumption taxes refund receivable	(83,882)	-
Increase (decrease) in operating accounts payable	(116,533)	30,716
Increase (decrease) in accounts payable – other	(2,704)	1,876
Increase (decrease) in accrued expenses	229,729	3,041
Increase (decrease) in accrued consumption taxes	(52,632)	(233,691)
Increase (decrease) in advances received	196,982	(153,959)
Increase (decrease) in deposits received	(202,199)	234,071
Decrease (increase) in prepaid expenses	(23,436)	40,543
Decrease (increase) in long-term prepaid expenses	(116,736)	118,291
Decrease in carrying amounts of property, plant and equipment in trust due to sale	35,678,698	15,877,281
Decrease in carrying amounts of intangible assets in trust due to sale	90	210
Other, net	1,183	185
Subtotal	39,024,177	19,405,299
Interest income received	988	1,149
Interest expenses paid	(881,902)	(872,683)
Income taxes paid	(973)	(883)
Net cash provided by (used in) operating activities	38,142,289	18,532,882
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	-	(323)
Purchase of intangible assets	-	(287)
Purchase of property, plant and equipment in trust	(36,074,543)	(16,832,549)
Repayments of lease and guarantee deposited in trust	(2,076,289)	(1,390,190)
Proceeds from lease and guarantee deposited in trust	2,294,056	1,359,062
Net cash provided by (used in) investing activities	(35,856,777)	(16,864,289)
Net cash provided by (used in) financing activities		
Increase in short-term loans payable	18,000,000	11,500,000
Decrease in short-term loans payable	(18,000,000)	(3,010,000)
Proceeds from long-term loans payable	22,000,000	-
Repayment of long-term loans payable	(22,112,500)	(15,112,500)
Proceeds from issuance of investment corporation bonds	-	4,972,870
Cash dividends paid	(1,931,716)	(1,839,044)
Net cash provided by (used in) financing activities	(2,044,216)	(3,488,674)
Net increase (decrease) in cash and cash equivalents	241,296	(1,820,080)
Cash and cash equivalents at beginning of period	9,050,134	10,870,215
Cash and cash equivalents at end of period (Note 16)	9,291,430	9,050,134



NOTES TO FINANCIAL STATEMENTS

For the six-month periods ended January 31, 2012 and July 31, 2011

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 Law Concerning Investment Trusts and Investment Corporations 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 later issued new investment units through a third-party allotment (29,400 units) on September 29, 2008, issued new investment units through a public offering (67,000 units) on March 23, 2010, and issued new investment units through a third-party allotment (over-allotment) (5,320 units) on April 23, 2010. As of the end of the Company’s fiscal period under review (eleventh fiscal period: August 1, 2011 to January 31, 2012), the total number of investment units outstanding was 231,520 units.

The Company’s real estate portfolio as of the end of the eleventh fiscal period was comprised of 10 properties under management with a total leasable floor area of 96,223.52m². The Company has already invested 211,516 million yen (based on acquisition price) into this portfolio. The occupancy rate at the end of the eleventh fiscal period was 95.5%.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Six-month period ended January 31, 2012

Buildings	3~66 years
Structures	3~45 years
Machinery and equipment	8~31 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) Deferred assets

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

(5) Provisions for loss on disaster

Provision for loss on disaster is provided to cover the payment of restoration expenses for property, plant and equipment due to the Great East Japan Earthquake and other expenses, based on the Company's estimation as of January 31, 2012.

(6) Revenue recognition

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

(7) Accounting for property tax

For property tax, city planning tax and depreciable assets tax, the Company charges the amount of 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 tax and city planning tax for the calendar year based on assessments by local governments. Therefore, registered owners who sold properties to the Company were liable for the property and city planning taxes for the calendar year, including the period from the date of the acquisition by the Company until the end of the year. The Company reimbursed sellers of properties for the equivalent amount of such taxes and included the amount in the acquisition cost of real estate. The amounts equivalent to property tax included in the cost of acquisition of real estate are 46,139 thousand yen and 46,363 thousand yen as of January 31, 2012 and July 31, 2011, respectively.

(8) Hedge accounting approach

(a) Hedge accounting approach

Deferred hedge accounting is adopted for interest rate swap transactions. However, special treatment is adopted 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 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 sheets and statements 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 sheets.

(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 deposited 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 asset.

(12) Additional Information

Effective the six-month period ended January 31, 2012, the Company adopted the “Accounting Standard for Accounting Changes and Error Corrections” (Accounting Standards Board of Japan Statement No. 24; December 4, 2009) and “Guidance on Accounting Standard for Accounting Changes and Error Corrections” (Accounting Standards Board of Japan Guidance No. 24; December 4, 2009). This new accounting standard requires that accounting changes and corrections of prior period errors which are made after the beginning of the eleventh fiscal period should be adopted or corrected retrospectively.

4. PROPERTY AND EQUIPMENT

(Unit: thousands of yen)

Type of asset	Balance at beginning of period	Amount of increase during period	Amount of decrease during period	Balance at end of period	Accumulated depreciation/Amortization		Net balance at end of period	Remarks
					Accumulated depreciation	Amortization		
Property, plant and equipment	Buildings	1,700,018	-	1,700,018	-	-	-	(Note 1)
	Structures	12,160	-	12,160	-	-	-	(Note 1)
	Machinery and equipment	20,407	-	20,407	-	-	-	(Note 1)
	Land	27,243,942	-	5,169,782	22,074,160	-	-	22,074,160 (Note 1)
	Buildings in trust	42,173,024	7,844,462	8,191,141	41,826,345	4,732,322	622,018	37,094,023 (Note 2)
	Structures in trust	307,141	42,946	71,189	278,897	144,630	14,386	134,267 (Note 2)
	Machinery and equipment in trust	699,866	67,726	450,706	316,886	31,529	5,940	285,357 (Note 2)
	Tools, furniture and fixtures in trust	65,775	9,303	11,205	63,873	19,116	4,638	44,757 (Note 2)
	Land in trust	124,071,738	35,005,768	28,203,677	130,873,828	-	-	130,873,828 (Note 2)
	Construction in progress in trust	722	-	-	722	-	-	722
	Subtotal	196,294,798	42,970,207	43,830,289	195,434,715	4,927,598	646,983	190,507,117
Intangible assets	Leasehold rights in trust	18,409,956	-	-	18,409,956	-	-	18,409,956
	Other intangible assets in trust	6,042	-	300	5,742	4,195	574	1,547 (Note 2)
	Subtotal	18,415,999	-	300	18,415,699	4,195	574	18,411,504
Total	214,710,797	42,970,207	43,830,589	213,850,415	4,931,793	647,558	208,918,622	

(Note 1) The amount of decrease during the period is attributable to the transfer of a portion of Roppongi Hills Mori Tower to a trust asset.

(Note 2) The amount of increase during the period is primarily attributable to additional acquisition of Roppongi Hills Mori Tower and ARK Mori Building and the transfer of a portion of Roppongi Hills Mori Tower to a trust asset. The amount of decrease during the period is primarily attributable to the sale of Roppongi Hills Gate Tower.

5. SHORT-TERM LOANS

(Unit: thousands of yen)

Lender	Balance at beginning of period	Amount of increase during period	Amount of decrease during period	Balance at end of period	Average interest rate (Note 1)	Repayment dates	Use of funds	Remarks
Mizuho Corporate Bank, Ltd.	1,500,000	-	1,500,000	-	1.1800%	Aug. 31, 2011	(Note 2)	Unsecured/ Unguaranteed
	341,000	-	-	341,000	1.1800%	Mar. 29, 2012		
	2,276,000	-	-	2,276,000	1.1800%	May 31, 2012		
	-	2,500,000	2,500,000	-	1.1800%	Nov. 30, 2011		
	-	1,500,000	-	1,500,000	1.1800%	Aug. 31, 2012		
Mitsubishi UFJ Trust and Banking Corporation	1,500,000	-	1,500,000	-	1.1800%	Aug. 31, 2011		
	341,000	-	-	341,000	1.1800%	Mar. 29, 2012		
	2,276,000	-	-	2,276,000	1.1800%	May 31, 2012		
	-	2,500,000	2,500,000	-	1.1800%	Nov. 30, 2011		
	-	1,500,000	-	1,500,000	1.1800%	Aug. 31, 2012		
The Sumitomo Trust and Banking Co., Ltd. (Note 3)	1,000,000	-	1,000,000	-	1.1800%	Aug. 31, 2011		
	289,000	-	-	289,000	1.1800%	Mar. 29, 2012		
	1,978,000	-	-	1,978,000	1.1800%	May 31, 2012		
	-	2,000,000	2,000,000	-	1.1800%	Nov. 30, 2011		
	-	1,000,000	-	1,000,000	1.1800%	Aug. 31, 2012		
Sumitomo Mitsui Banking Corporation	1,500,000	-	1,500,000	-	1.1800%	Aug. 31, 2011		
	188,000	-	-	188,000	1.1800%	Mar. 29, 2012		
	1,194,000	-	-	1,194,000	1.1800%	May 31, 2012		
	-	3,000,000	3,000,000	-	1.1800%	Nov. 30, 2011		
	-	1,500,000	-	1,500,000	1.1800%	Aug. 31, 2012		
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	341,000	-	-	341,000	1.1800%	Mar. 29, 2012		
	2,276,000	-	-	2,276,000	1.1800%	May 31, 2012		
	-	2,500,000	2,500,000	-	1.1800%	Nov. 30, 2011		
Total	17,000,000	18,000,000	18,000,000	17,000,000				

(Note 1) "Average interest rate" indicates the interest rate on borrowings for the respective 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 hedging 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 interest, refinancing of loans payable and its related expenses.

(Note 3) The Sumitomo Trust and Banking Co., Ltd. merged with The Chuo Mitsui Trust and Banking Co., Ltd. and Chuo Mitsui Asset Trust and Banking Co., Ltd. on April 1, 2012, and changed its trade name to Sumitomo Mitsui Trust Bank, Ltd. on the same date.

6. INVESTMENT CORPORATION BONDS

(Unit: thousands of yen)

Bond	Issue date	Balance at beginning of period	Amount of increase during period	Amount of decrease during period	Balance at end of period	Interest rate	Redemption maturity date	Use of funds	Collateral
First Series Unsecured Investment Corporation Bond	Nov. 29, 2007	7,000,000	-	-	7,000,000	1.5600 %	Nov. 29, 2012	(Note 1)	-
Second Series Unsecured Investment Corporation Bond	Nov. 29, 2007	3,000,000	-	-	3,000,000	1.7700 %	Nov. 28, 2014		-
Third Series Unsecured Investment Corporation Bond	May 27, 2010	5,000,000	-	-	5,000,000	1.3800 %	May 27, 2013		-
Fourth Series Unsecured Investment Corporation Bond	May 27, 2010	5,000,000	-	-	5,000,000	1.9500 %	May 27, 2015		-
Fifth Series Unsecured Investment Corporation Bond	Feb. 25, 2011	5,000,000	-	-	5,000,000	1.2900 %	Feb. 25, 2014		-
Total	-	25,000,000	-	-	25,000,000				

(Note 1) The funds are used for the repayment of loans payable.

(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	7,000,000	5,000,000	8,000,000	5,000,000	-

7. LONG-TERM LOANS

(1) Current portion of long-term loans payable

(Unit: thousands of yen)

Lender	Balance at beginning of period	Amount of increase during period	Amount of decrease during period	Balance at end of period	Average interest rate (Note 1)	Repayment dates	Use of funds	Remarks
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,500,000	-	2,500,000	-	1.4950%	Aug. 31, 2011	(Note 2)	Unsecured/ Unguaranteed
	1,138,000	-	-	1,138,000	2.1555%	May 31, 2012		
	1,600,000	-	-	1,600,000	1.4800%	May 31, 2012		
	-	1,500,000	-	1,500,000	1.5800%	Aug. 31, 2012		
	-	1,600,000	-	1,600,000	2.0200%	Nov. 30, 2012		
Mizuho Corporate Bank, Ltd.	2,500,000	-	2,500,000	-	1.4950%	Aug. 31, 2011		
	1,138,000	-	-	1,138,000	2.1555%	May 31, 2012		
	1,600,000	-	-	1,600,000	1.4800%	May 31, 2012		
	-	1,600,000	-	1,600,000	2.0200%	Nov. 30, 2012		
Mitsubishi UFJ Trust and Banking Corporation	2,500,000	-	2,500,000	-	1.4950%	Aug. 31, 2011		
	1,138,000	-	-	1,138,000	2.1555%	May 31, 2012		
	1,600,000	-	-	1,600,000	1.4800%	May 31, 2012		
	-	1,600,000	-	1,600,000	2.0200%	Nov. 30, 2012		
The Sumitomo Trust and Banking Co., Ltd. (Note 3)	2,000,000	-	2,000,000	-	1.4950%	Aug. 31, 2011		
	989,000	-	-	989,000	2.1555%	May 31, 2012		
	1,600,000	-	-	1,600,000	1.4800%	May 31, 2012		
	-	1,600,000	-	1,600,000	2.0200%	Nov. 30, 2012		
Sumitomo Mitsui Banking Corporation	3,000,000	-	3,000,000	-	1.4950%	Aug. 31, 2011		
	597,000	-	-	597,000	2.1555%	May 31, 2012		
	1,600,000	-	-	1,600,000	1.4800%	May 31, 2012		
	-	1,600,000	-	1,600,000	2.0200%	Nov. 30, 2012		
Aozora Bank, Ltd.	2,000,000	-	2,000,000	-	1.4950%	Aug. 31, 2011		
	-	2,000,000	-	2,000,000	1.6170%	Aug. 31, 2012		
Development Bank of Japan Inc.	1,800,000	-	50,000	1,750,000	2.0413%	Mar. 27, 2012 (Note 4)		
	125,000	62,500	62,500	125,000	2.3400%	Nov. 30, 2012 (Note 5)		
Shinsei Bank, Ltd.	-	1,500,000	-	1,500,000	2.0200%	Nov. 30, 2012		
The Norinchukin Bank	3,000,000	-	3,000,000	-	1.3800%	Nov. 30, 2011		
The Bank of Fukuoka, Ltd.	2,000,000	-	2,000,000	-	1.3800%	Nov. 30, 2011		
Resona Bank, Ltd.	2,500,000	-	2,500,000	-	1.4950%	Aug. 31, 2011		
Subtotal	36,925,000	13,062,500	22,112,500	27,875,000				

(2) Long-term loans payable

(Unit: thousands of yen)

Lender	Balance at beginning of period	Amount of increase during period	Amount of decrease during period	Balance at end of period	Average interest rate (Note 1)	Repayment dates	Use of funds	Remarks
Sumitomo Mitsui Banking Corporation	1,600,000	-	1,600,000	-	2.0200%	Nov. 30, 2012	(Note 2)	Unsecured/ Unguaranteed
	1,600,000	-	-	1,600,000	1.5800%	Nov. 29, 2013		
	-	3,000,000	-	3,000,000	1.3800%	Nov. 28, 2014		
The Norinchukin Bank	1,200,000	-	-	1,200,000	1.5800%	Nov. 29, 2013		
	-	3,000,000	-	3,000,000	1.3300%	May 30, 2014		
The Bank of Fukuoka, Ltd.	2,000,000	-	-	2,000,000	1.5800%	Nov. 29, 2013		
	-	2,000,000	-	2,000,000	1.3300%	May 30, 2014		
Mizuho Corporate Bank, Ltd.	1,600,000	-	1,600,000	-	2.0200%	Nov. 30, 2012		
	1,100,000	-	-	1,100,000	1.5800%	Nov. 29, 2013		
	-	2,500,000	-	2,500,000	1.3800%	Nov. 28, 2014		
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,500,000	-	1,500,000	-	1.5800%	Aug. 31, 2012		
	1,600,000	-	1,600,000	-	2.0200%	Nov. 30, 2012		
	1,100,000	-	-	1,100,000	1.5800%	Nov. 29, 2013		
	-	2,500,000	-	2,500,000	1.3800%	Nov. 28, 2014		
Mitsubishi UFJ Trust and Banking Corporation	1,600,000	-	1,600,000	-	2.0200%	Nov. 30, 2012		
	1,100,000	-	-	1,100,000	1.5800%	Nov. 29, 2013		
	-	2,500,000	-	2,500,000	1.3800%	Nov. 28, 2014		
The Sumitomo Trust and Banking Co., Ltd. (Note 3)	1,600,000	-	1,600,000	-	2.0200%	Nov. 30, 2012		
	1,000,000	-	-	1,000,000	1.5800%	Nov. 29, 2013		
	-	2,000,000	-	2,000,000	1.3800%	Nov. 28, 2014		
Resona Bank, Ltd.	-	2,500,000	-	2,500,000	1.3800%	Aug. 29, 2014		
Development Bank of Japan Inc.	2,187,500	-	62,500	2,125,000	2.3400%	Nov. 29, 2013 (Note 5)		
Aozora Bank, Ltd.	2,000,000	-	2,000,000	-	1.6170%	Aug. 31, 2012		
	-	2,000,000	-	2,000,000	1.3800%	Aug. 29, 2014		
The Oita Bank, Ltd.	1,000,000	-	-	1,000,000	1.6838%	Nov. 29, 2013		
ShinGinko Tokyo, Ltd.	1,000,000	-	-	1,000,000	1.6838%	Nov. 29, 2013		
The Hiroshima Bank, Ltd.	1,000,000	-	-	1,000,000	1.6838%	Nov. 29, 2013		
Shinsei Bank, Ltd.	1,500,000	-	1,500,000	-	2.0200%	Nov. 30, 2012		
	900,000	-	-	900,000	1.6838%	Nov. 29, 2013		
Subtotal	28,187,500	22,000,000	13,062,500	37,125,000				
Total	82,112,500	53,062,500	53,175,000	82,000,000				

- (Note 1) “Average interest rate” indicates the interest rate on borrowings 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 of trust beneficial interests and refinancing of loans payable, as well as the payment of the various related expenses.
- (Note 3) The Sumitomo Trust and Banking Co., Ltd. merged with The Chuo Mitsui Trust and Banking Co., Ltd. and Chuo Mitsui Asset Trust and Banking Co., Ltd. on April 1, 2012, and changed its trade name to Sumitomo Mitsui Trust Bank, Ltd. on the same date.
- (Note 4) Installment payments of 50,000 thousand yen will be made on the 27th of every sixth month starting on September 27, 2009, with the remaining payment of 1,750,000 thousand yen to be repaid on March 27, 2012.
- (Note 5) Installment payments of 62,500 thousand yen will be made at the end of every sixth month starting on May 29, 2010, with the remaining payment of 2,062,500 thousand yen to be repaid on November 29, 2013.

The following is the redemption schedule of long-term loans payable (excluding the current portion of long-term loans payable) due within 5 years after the balance sheet date.

(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	15,125,000	22,000,000	-	-

8. NET ASSETS

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

9. INCOME TAXES

Eleventh Fiscal Period (August 1, 2011 to January 31, 2012)	Tenth Fiscal Period (February 1, 2011 to July 31, 2011)
<p>1. Breakdown of principal causes for the occurrence of deferred tax assets and deferred tax liabilities (Unit: thousands of yen)</p> <p>[Deferred tax assets]</p> <p>Current assets</p> <p>Accrued enterprise tax excluded from expenses <u>18</u></p> <p>Total deferred tax assets [current] <u>18</u></p> <p>[Net deferred tax assets [current]] <u>18</u></p>	<p>1. Breakdown of principal causes for the occurrence of deferred tax assets and deferred tax liabilities (Unit: thousands of yen)</p> <p>[Deferred tax assets]</p> <p>Current assets</p> <p>Accrued enterprise tax excluded from expenses <u>19</u></p> <p>Total deferred tax assets [current] <u>19</u></p> <p>[Net deferred tax assets [current]] <u>19</u></p>
<p>2. The significant difference between the statutory tax rate and the effective tax rate</p> <p>Statutory tax rate <u>39.33%</u></p> <p>[Adjustments]</p> <p>Deductible cash distributions <u>(39.31)</u></p> <p>Others <u>0.03</u></p> <p>Effective tax rate <u>0.05%</u></p>	<p>2. The significant difference between the statutory tax rate and the effective tax rate</p> <p>Statutory tax rate <u>39.33%</u></p> <p>[Adjustments]</p> <p>Deductible cash distributions <u>(39.31)</u></p> <p>Others <u>0.03</u></p> <p>Effective tax rate <u>0.05%</u></p>

10. PER UNIT INFORMATION

Eleventh Fiscal Period (August 1, 2011 to January 31, 2012)		Tenth Fiscal Period (February 1, 2011 to July 31, 2011)	
Net assets per unit	449,236 yen	Net assets per unit	448,966 yen
Net income per unit	8,622 yen	Net income per unit	8,352 yen
<p>The net income per unit was calculated by dividing the net income by the daily weighted average number of investment units.</p> <p>The diluted net income per unit has not been stated as there are no diluted investment units.</p>		<p>The net income per unit was calculated by dividing the net income by the daily weighted average number of investment units.</p> <p>The diluted net income per unit has not been stated as there are no diluted investment units.</p>	

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

Eleventh Fiscal Period (August 1, 2011 to January 31, 2012)		Tenth Fiscal Period (February 1, 2011 to July 31, 2011)	
Net income (thousands of yen)	1,996,152	Net income (thousands of yen)	1,933,668
Amounts not attributable to common unitholders (thousands of yen)	-	Amounts not attributable to common unitholders (thousands of yen)	-
Net income attributable to common investment units (thousands of yen)	1,996,152	Net income attributable to common investment units (thousands of yen)	1,933,668
Average number of investment units during fiscal period (units)	231,520	Average number of investment units during fiscal period (units)	231,520

11. RELATED PARTY TRANSACTIONS

Eleventh Fiscal Period (August 1, 2011 to January 31, 2012)

(1) Parent company and major corporate unitholders

Type	Name	Location	Capital stock or investments in capital (millions 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 period (thousands of yen)
Other relative company	Mori Building Co., Ltd.	Minato-ku, Tokyo	67,000	Real estate business	21.1% directly held by related party	Leasing and management of real estate	Acquisition of properties (Note 2) (Note 6)	35,880,000	-	-
							Sales of properties (Note 3) (Note 7)	35,920,000	-	-
							Leasing of properties (Note 4) (Note 8)	2,436,503	Operating accounts receivable	411
									Advances received	424,331
									Lease and guarantee deposited in trust	4,130,758
							Payment of property operation and management fees (Note 9)	150,603 (Note 5)	Operating accounts receivable	106
Prepaid expenses	1,575									
								Operating accounts payable	34,463	

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

(Note 2) Roppongi Hills Mori Tower and ARK Mori Building

(Note 3) Roppongi Hills Gate Tower

(Note 4) Roppongi Hills Mori Tower, ARK Mori Building, a portion of Akasaka Tameike Tower and a portion of Koraku Mori Building

(Note 5) The amount includes construction management fees (768 thousand yen) and an amount received as reimbursement upon the sale of property (101 thousand yen) that are not charged to expenses but recognized as assets.

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

(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.

(Note 9) 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.

(2) Subsidiaries and affiliate

Not applicable.

(3) Subsidiaries of Parent company

Type	Name	Location	Capital stock or investments in capital (millions 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 period (thousands of yen)
Subsidiary of other relative company	Mori Building Investment Management Co., Ltd.	Minato-ku, Tokyo	200	Real estate, trust beneficiary right and other financial asset management operations	None	Outsourcing of asset management	Payment of management fees (Note 2) (Note 4)	258,460 (Note 3)	Accrued expenses	233,709

(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 35,880 thousand yen in acquisition fees pertaining to real estate acquisition included in the book value of real estate.

[Transaction terms and conditions and related policies]

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

(4) Directors and major individual unitholders

Type	Name	Location	Capital stock or investments in capital (millions 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 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) (Note 4)	258,460	Accrued expenses	233,709

(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 35,880 thousand yen in acquisition fees pertaining to real estate acquisition included in the book value of real estate.

[Transaction terms and conditions and related policies]

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

Tenth Fiscal Period (February 1, 2011 to July 31, 2011)

(1) Parent company and major corporate unitholders

Type	Name	Location	Capital stock or investments in capital (millions 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 period (thousands of yen)
Other relative company	Mori Building Co., Ltd.	Minato-ku, Tokyo	67,000	Real estate business	21.1% directly held by related party	Leasing and management of real estate	Acquisition of properties (Note 2) (Note 7)	16,500,000	-	-
							Sales of properties (Note 3) (Note 8)	16,240,000	-	-
							Leasing of properties (Note 4) (Note 9)	1,039,602	Operating accounts receivable	419
									Advances received	202,283
									Lease and guarantee deposited	302,040
									Lease and guarantee deposited in trust	1,684,542
							Payment of property operation and management fees (Note 10)	396,434 (Note 6)	Operating accounts receivable	699
									Prepaid expenses	1,050
									Operating accounts payable	108,214
									Accrued expenses	1,013
Payment of other operating expenses (IR related expenses) (Note 5) (Note 11)	89	Accounts payable – other	94							

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

(Note 2) ARK Mori Building and Akasaka Tameike Tower (Residential)

(Note 3) A portion of Moto-Azabu Hills

(Note 4) Roppongi Hills Mori Tower, ARK Mori Building, a portion of Akasaka Tameike Tower, a portion of Koraku Mori Building and a portion of Moto-Azabu Hills

(Note 5) Expenses related to the fourth general meeting of unitholders

(Note 6) The amount includes construction management fees (4,474 thousand yen) that are not charged to expenses but recognized as assets.

[Transaction terms and conditions and related policies]

(Note 7) Acquisition decisions are made in accordance with the provisions of the Related Parties Transaction Guidelines stipulated by the Company’s Asset Manager. 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 8) Sale decisions are made in accordance with the provisions of the Related Parties Transaction Guidelines stipulated by the Company's Asset Manager. Furthermore, sales are not made at a value below the appraisal value as determined by an independent third-party real estate appraiser (including corporations).

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

(Note 10) 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 11) The Company decides on transactions in light of the market situation, the content of services provided, overall operational capacity and other factors.

(2) Subsidiaries and affiliate

Not applicable.

(3) Subsidiaries of Parent company

Type	Name	Location	Capital stock or investments in capital (millions 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 period (thousands of yen)
Subsidiary of other relative company	Mori Building Investment Management Co., Ltd.	Minato-ku, Tokyo	200	Real estate, trust beneficiary right and other financial asset management operations	None	Outsourcing of asset management	Payment of management fees (Note 2) (Note 4)	237,165 (Note 3)	-	-
Subsidiary of other relative company	Akasaka Tameike Tower Management Co., Ltd.	Minato-ku, Tokyo	10	Consignment with operations concerning use/operation/management of Akasaka Tameike Tower	None	Outsourcing of property operation and management	Payment of property operation and management fees (Note 5)	32,428	-	-

(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 16,500 thousand yen in acquisition fees pertaining to real estate acquisition included in the book value of real estate.

[Transaction terms and conditions and related policies]

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

(Note 5) 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 various compliance regulations, in light of the market situation, the content of services provided, overall operational capacity and other factors.

(4) Directors and major individual unitholders

Type	Name	Location	Capital stock or investments in capital (millions 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 period (thousands of yen)
Directors and their close relatives	Hideyuki Isobe (Note 2)	-	-	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 3) (Note 4)	140,202	-	-

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

(Note 2) Hideyuki Isobe was appointed Executive Director of the Company on April 8, 2011 and thus is a related party. Accordingly, the amount of the transaction is shown for the period that Hideyuki Isobe can be classified a related party.

(Note 3) The transaction was conducted by Hideyuki Isobe as a 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 4) 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

Eleventh Fiscal Period (August 1, 2011 to January 31, 2012)	Tenth Fiscal Period (February 1, 2011 to July 31, 2011)
<p>Breakdown of property operating income (loss) (Unit: thousands of yen)</p> <p>A. Property operating revenue</p> <p>Rent revenue of real estate</p> <p>Rent and common area revenue 4,383,256</p> <p>Other rent revenue 34,573</p> <p style="text-align: right;"><u>Total 4,417,829</u></p> <p>Other rent revenue of real estate</p> <p>Parking revenue 38,026</p> <p>Utilities and other revenue 118,693</p> <p>Cancellation penalty 1,286</p> <p>Key money income 2,300</p> <p style="text-align: right;"><u>Total 160,306</u></p> <p>Total property operating revenue <u>4,578,136</u></p> <p>B. Property operating expenses</p> <p>Expenses of real estate rent</p> <p>Property management fees 206,833</p> <p>Utilities 118,150</p> <p>Property taxes 235,387</p> <p>Rent expenses 75,673</p> <p>Custodian fees 7,708</p> <p>Maintenance and repairs 29,689</p> <p>Insurance premium 11,524</p> <p>Depreciation and amortization 647,558</p> <p>Other lease business expenses 15,729</p> <p style="text-align: right;"><u>Total property operating expenses 1,348,255</u></p> <p>C. Property operating income (loss) [A – B] <u>3,229,881</u></p>	<p>Breakdown of property operating income (loss) (Unit: thousands of yen)</p> <p>A. Property operating revenue</p> <p>Rent revenue of real estate</p> <p>Rent and common area revenue 4,541,780</p> <p>Other rent revenue 45,159</p> <p style="text-align: right;"><u>Total 4,586,939</u></p> <p>Other rent revenue of real estate</p> <p>Parking revenue 108,682</p> <p>Utilities and other revenue 224,017</p> <p>Cancellation penalty 1,960</p> <p style="text-align: right;"><u>Total 334,661</u></p> <p>Total property operating revenue <u>4,921,600</u></p> <p>B. Property operating expenses</p> <p>Expenses of real estate rent</p> <p>Property management fees 552,872</p> <p>Utilities 170,439</p> <p>Property taxes 287,005</p> <p>Rent expenses 75,673</p> <p>Custodian fees 9,378</p> <p>Maintenance and repairs 44,438</p> <p>Insurance premium 11,740</p> <p>Depreciation and amortization 670,287</p> <p>Other lease business expenses 56,462</p> <p style="text-align: right;"><u>Total property operating expenses 1,878,299</u></p> <p>C. Property operating income (loss) [A – B] <u>3,043,301</u></p>
<p>Transactions with major unitholders (Unit: thousands of yen)</p> <p>From operating transactions</p> <p>Rent revenue of real estate 2,436,503</p> <p>Gain on sales of real estate properties 187,430</p> <p>Expenses of real estate rent 149,936</p>	<p>Transactions with major unitholders (Unit: thousands of yen)</p> <p>From operating transactions</p> <p>Rent revenue of real estate 1,039,602</p> <p>Gain on sales of real estate properties 336,190</p> <p>Expenses of real estate rent 391,959</p> <p>Other operating expenses 89</p>
<p>Breakdown of gain on sales of real estate properties (Unit: thousands of yen)</p> <p>Roppongi Hills Gate Tower</p> <p>Proceeds from sales of real estate properties 35,920,000</p> <p>Cost of sales of real estate properties 35,678,788</p> <p>Other expenses on sales 53,781</p> <p style="text-align: right;"><u>Gain on sales of real estate properties 187,430</u></p>	<p>Breakdown of gain on sales of real estate properties (Unit: thousands of yen)</p> <p>Moto-Azabu Hills</p> <p>Proceeds from sales of real estate properties 16,240,000</p> <p>Cost of sales of real estate properties 15,877,491</p> <p>Other expenses on sales 26,317</p> <p style="text-align: right;"><u>Gain on sales of real estate properties 336,190</u></p>



13. UNITHOLDERS' EQUITY

	Eleventh Fiscal Period (August 1, 2011 to January 31, 2012)	Tenth Fiscal Period (February 1, 2011 to July 31, 2011)
Total number of investment units authorized and total number of investment units issued and outstanding	Total number of investment units authorized 2,000,000 units Total number of investment units issued and outstanding 231,520 units	Total number of investment units authorized 2,000,000 units Total number of investment units issued and outstanding 231,520 units

14. FINANCIAL INSTRUMENTS

Eleventh Fiscal Period (August 1, 2011 to January 31, 2012)

(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, 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 and fair value as of January 31, 2012, and the difference between them.

(Unit: thousands of yen)

	Carrying amount	Fair value	Difference
(a) Cash and deposits	2,321,952	2,321,952	-
(b) Cash and deposits in trust	6,969,478	6,969,478	-
Total	9,291,430	9,291,430	-
(c) Short-term loans payable	17,000,000	17,000,000	-
(d) Current portion of investment corporation bonds	7,000,000	7,039,200	39,200
(e) Current portion of long-term loans payable	27,875,000	27,937,269	62,269
(f) Investment corporation bond	18,000,000	18,190,900	190,900
(g) Long-term loans payable	37,125,000	37,148,697	23,697
Total	107,000,000	107,316,067	316,067
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

(a) Short-term loans payable

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.

(b) Current portion of investment corporation bonds; Investment corporation bonds

The fair value of these is based on market prices.

(c) Current portion of long-term loans payable; 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

(Unit: thousands of yen)

	Due within 1 year
Cash and deposits	2,321,952
Cash and deposits in trust	6,969,478
Total	9,291,430

(Note 3) Short-term loans payable, investment corporation bonds and long-term loans payable scheduled to be due after the balance sheet date

(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
Short-term loans payable	17,000,000	-	-	-	-	-
Investment corporation bond	7,000,000	5,000,000	8,000,000	5,000,000	-	-
Long-term loans payable	27,875,000	15,125,000	22,000,000	-	-	-
Total	51,875,000	20,125,000	30,000,000	5,000,000	-	-

Tenth Fiscal Period (February 1, 2011 to July 31, 2011)

(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, 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 and fair value as of July 31, 2011, and the difference between them.

	Carrying amount	Fair value	Difference
(a) Cash and deposits	1,470,106	1,470,106	-
(b) Cash and deposits in trust	7,580,028	7,580,028	-
Total	9,050,134	9,050,134	-
(a) Short-term loans payable	17,000,000	17,000,000	-
(b) Current portion of long-term loans payable	36,925,000	36,962,640	37,640
(c) Investment corporation bond	25,000,000	25,265,200	265,200
(d) Long-term loans payable	28,187,500	28,235,527	48,027
Total	107,112,500	107,463,367	350,867
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

(a) Short-term loans payable

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.

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

(c) Investment corporation bonds

The fair value is based on market prices.

Derivative transactions

Please refer to “Derivative transactions” below.

(Note 2) Redemption of monetary claims scheduled to be due after the balance sheet date

(Unit: thousands of yen)

	Due within 1 year
Cash and deposits	1,470,106
Cash and deposits in trust	7,580,028
Total	9,050,134

(Note 3) Short-term loans payable, investment corporation bonds and long-term loans payable scheduled to be due after the balance sheet date

(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
Short-term loans payable	17,000,000	-	-	-	-	-
Investment corporation bond	-	12,000,000	5,000,000	8,000,000	-	-
Long-term loans payable	36,925,000	13,125,000	15,062,500	-	-	-
Total	53,925,000	25,125,000	20,062,500	8,000,000	-	-

15. DERIVATIVE TRANSACTIONS

Eleventh Fiscal Period (August 1, 2011 to January 31, 2012)

(1) Transactions for which hedge accounting is not applied

Not applicable.

(2) Transactions for which hedge accounting is applied

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	16,500,000	-	*	-

* 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 (c) 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).

Tenth Fiscal Period (February 1, 2011 to July 31, 2011)

(1) Transactions for which hedge accounting is not applied

Not applicable.

(2) Transactions for which hedge accounting is applied

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	33,500,000	11,500,000	*	-

* Derivative transactions that are subject to special treatment for interest rate swaps are accounted for together with long-term loans payable that are the hedged items and the fair value is included in the fair value of those long-term loans payable (please refer to Liabilities (b) 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

Eleventh Fiscal Period
(August 1, 2011 to January 31, 2012)

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

(Unit: thousands of yen)
(as of January 31, 2012)

Cash and deposits	2,321,952
Cash and deposits in trust	6,969,478
Cash and cash equivalents	<u>9,291,430</u>

Tenth Fiscal Period
(February 1, 2011 to July 31, 2011)

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

(Unit: thousands of yen)
(as of July 31, 2011)

Cash and deposits	1,470,106
Cash and deposits in trust	7,580,028
Cash and cash equivalents	<u>9,050,134</u>

17. LEASES

Eleventh Fiscal Period
(August 1, 2011 to January 31, 2012)

Operating lease transactions (as lessor)

(Unit: thousands of yen)

Future minimum rental revenues
under existing non-cancelable
lease agreements

Due within 1 year	2,965,431
Due after 1 year	22,915,770
Total	<u>25,881,202</u>

Tenth Fiscal Period
(February 1, 2011 to July 31, 2011)

Operating lease transactions (as lessor)

(Unit: thousands of yen)

Future minimum rental revenues
under existing non-cancelable
lease agreements

Due within 1 year	3,031,400
Due after 1 year	23,410,637
Total	<u>26,442,037</u>

18. INVESTMENT AND RENTAL PROPERTIES

Eleventh Fiscal Period (August 1, 2011 to January 31, 2012)

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 current period and fair value for these investment and rental properties.

(Unit: thousands of yen)

Carrying amount			
Balance at beginning of current period	Amount of increase (decrease) during current period	Balance at end of current period	Fair value at end of current period
209,177,233	(258,611)	208,918,622	189,110,000

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

(Note 2) Of the amount of the increase (decrease) during the current period, the amount of the increase is primarily attributable to the acquisition of two properties (Roppongi Hills Mori Tower (23rd floor, and 50% co-ownership interest in classification ownership for the 24th floor) and ARK Mori Building (4th, 15th and 24th floors)) (36,008,481 thousand yen), while the amount of the decrease is primarily attributable to the sale of one property (Roppongi Hills Gate Tower) (35,678,788 thousand yen) and recognition of depreciation and amortization.

(Note 3) The fair value at the end of the current 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.

The income (loss) in the fiscal period for investment and rental properties is presented in the "Breakdown of property-related revenue and expenses."

Tenth Fiscal Period (February 1, 2011 to July 31, 2011)

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 current period and fair value for these investment and rental properties.

(Unit: thousands of yen)

Carrying amount			
Balance at beginning of current period	Amount of increase (decrease) during current period	Balance at end of current period	Fair value at end of current period
208,885,855	291,377	209,177,233	180,310,000

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

(Note 2) Of the amount of the increase (decrease) during the current period, the amount of the increase is primarily attributable to the acquisition of two properties (ARK Mori Building (50% co-ownership interest in classification ownership for the 23rd floor, and the 25th floor) and Akasaka Tameike Tower (Residential)) (16,710,127 thousand yen), while the amount of the decrease is primarily attributable to the sale of one property (Moto-Azabu Hills (86 sections)) (15,877,491 thousand yen) and recognition of depreciation and amortization.

(Note 3) The fair value at the end of the current 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.

The income (loss) in the fiscal period for investment and rental properties is presented in the "Breakdown of property-related revenue and expenses."

19. SEGMENT AND RELATED INFORMATION

Eleventh Fiscal Period (August 1, 2011 to January 31, 2012)

[Segment Information]

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

[Related Information]

1. Information about each product and service

Disclosure is omitted because operating revenue to 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

(1) Operating revenue

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

(2) 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.	2,626,280	Real estate leasing business
Mori Building Ryutsu System Co., Ltd.	677,918	Real estate leasing business

Tenth Fiscal Period (February 1, 2011 to July 31, 2011)

[Segment Information]

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

[Related Information]

1. Information about each product and service

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

2. Information about each geographical area

(1) Operating revenue

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

(2) 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.	1,377,780	Real estate leasing business
Japan Racing Association	681,006	Real estate leasing business
Mori Building Ryutsu System Co., Ltd.	677,328	Real estate leasing business

20. SUBSEQUENT EVENTS

Not applicable.