



Mori Hills REIT Investment Corporation

Semiannual Report

**16th Fiscal Period
(February 1, 2014 – July 31, 2014)**

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 sixteenth fiscal period which ended July 31, 2014.

In the sixteenth fiscal period, the Japanese economy maintained a trend of modest economic recovery supported by various Japanese government and Bank of Japan policies. With corporate earnings improving, capital investment increased modestly and public investment also hovered at a high level. In addition, with the employment environment steadily improving, private consumption and housing investment remained steady and the impact of the drop-off after last-minute demand spike before the consumption tax rate increase showed signs of gradually easing.

Within this economic environment, the rental office building market saw ongoing improvement in the supply-demand balance, centering on large blue-chip properties. This improvement was largely due to the new supply of large-scale office buildings in central Tokyo having gone through its initial lease-up phase, along with emerging demand for expansion and relocation driven by the underlying trend of economic and employment expansion. In the luxury rental housing market, improvement in business sentiment since the second half of 2013 fueled an increase in new advertised rent levels and an increase in new supply, and these, among other factors, led to a temporary increase in vacancy rates, even as effective rent levels remained steady.

In the sixteenth fiscal period, MHR strove to maintain and enhance tenant satisfaction through measures such as efficient operational management and systematic 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 marketing activities targeting new and existing tenants in response to changes in rental market conditions. MHR’s real estate portfolio, as of the end of the sixteenth fiscal period, was comprised of 9 properties under management with a total leasable area of 119,117.30 m². MHR has already invested 252,716 million yen (based on the acquisition price) into this portfolio. The occupancy rate at the end of the sixteenth fiscal period was 99.5%.

The asset management activities described above resulted in MHR recording 5,788 million yen in operating revenue, 3,832 million yen in operating income, 2,980 million yen in ordinary income, 2,979 million yen in net income and 2,151 yen in dividend per unit in the sixteenth fiscal period.

Also, MHR issued new investment units through a Japanese public offering and an International offering in August 2014. MHR acquired an additional floor of Roppongi Hills Mori Tower (acquisition price: 9,890 million yen) and a percentage interest in of ARK Hills South Tower (acquisition price: 19,150 million yen) with part of the procured funds, etc. The NOI yield of the two properties are at a same level as the average NOI yield of MHR’s portfolio. This factor is expected to enhance the portfolio size and increase dividends. As a result, dividend per unit of 2,280 yen is forecasted for the seventeenth fiscal period ending January 31, 2015.

MHR will seek to maximize investor value through continuously conducting dividend-oriented management, by pursuing further enhancement of portfolio NOI and 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: 16th period

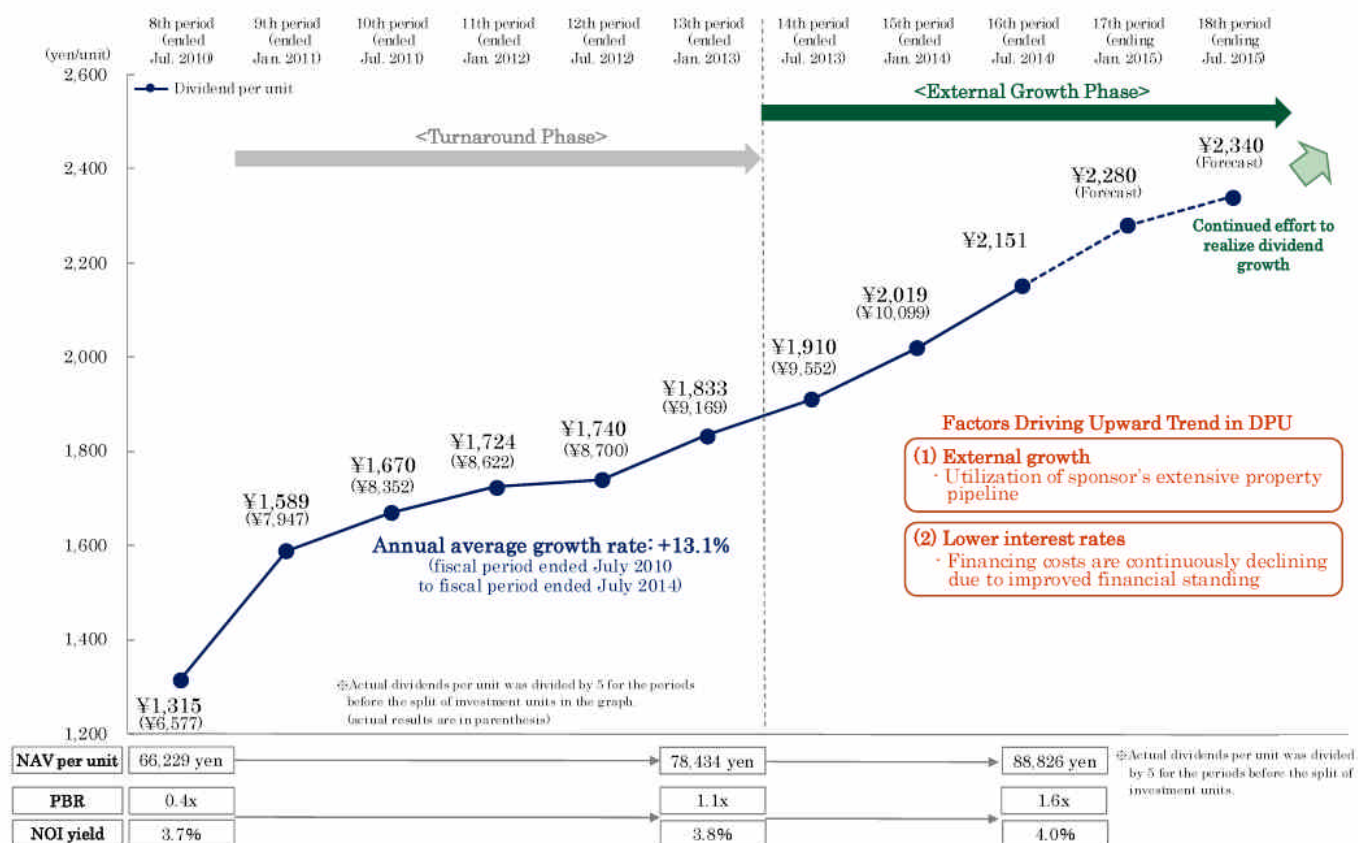
2,151 yen

Dividend per unit: 17th period forecast*

2,280 yen

*The forecasted figures for the 17th and 18th fiscal periods are the current figures calculated based on certain assumptions. Accordingly, the figures may differ from actual results. Furthermore, these forecasts shall not be construed as a guarantee of dividend amounts.

Change in dividend per unit



Results of 16th period and Forecast of 17th period

	Actual	Forecast	Difference
	16th period (January 31, 2014 - July 31, 2014)	17th period (August 1, 2014 - January 31, 2015)	17th - 16th period
	181 days	184 days	
Operating revenue	5,788 million yen	6,511 million yen	+ 723 million yen
Operating income	3,832 million yen	4,413 million yen	+ 580 million yen
Ordinary income	2,980 million yen	3,580 million yen	+ 600 million yen
Net income	2,979 million yen	3,579 million yen	+ 600 million yen
Dividend/unit	2,151 yen/unit	2,280 yen/unit	+ 129 yen/unit
Total units outstanding	1,384,925 units	1,570,040 units	
Acquisition price	252,716 million yen	281,756 million yen	

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

Management Policy and Offering Highlight

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

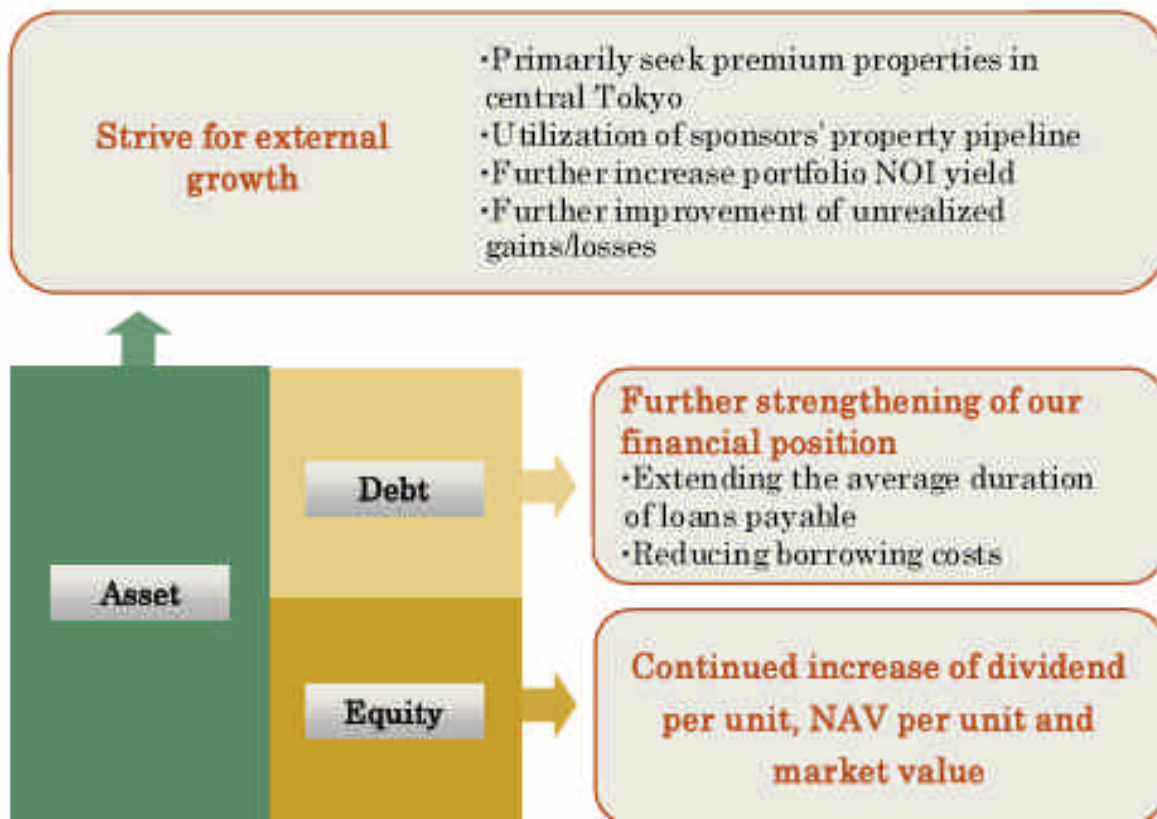
Management Policy from 2013

Basic policy “Dividend-driven management”

Policy ① Strive for external growth

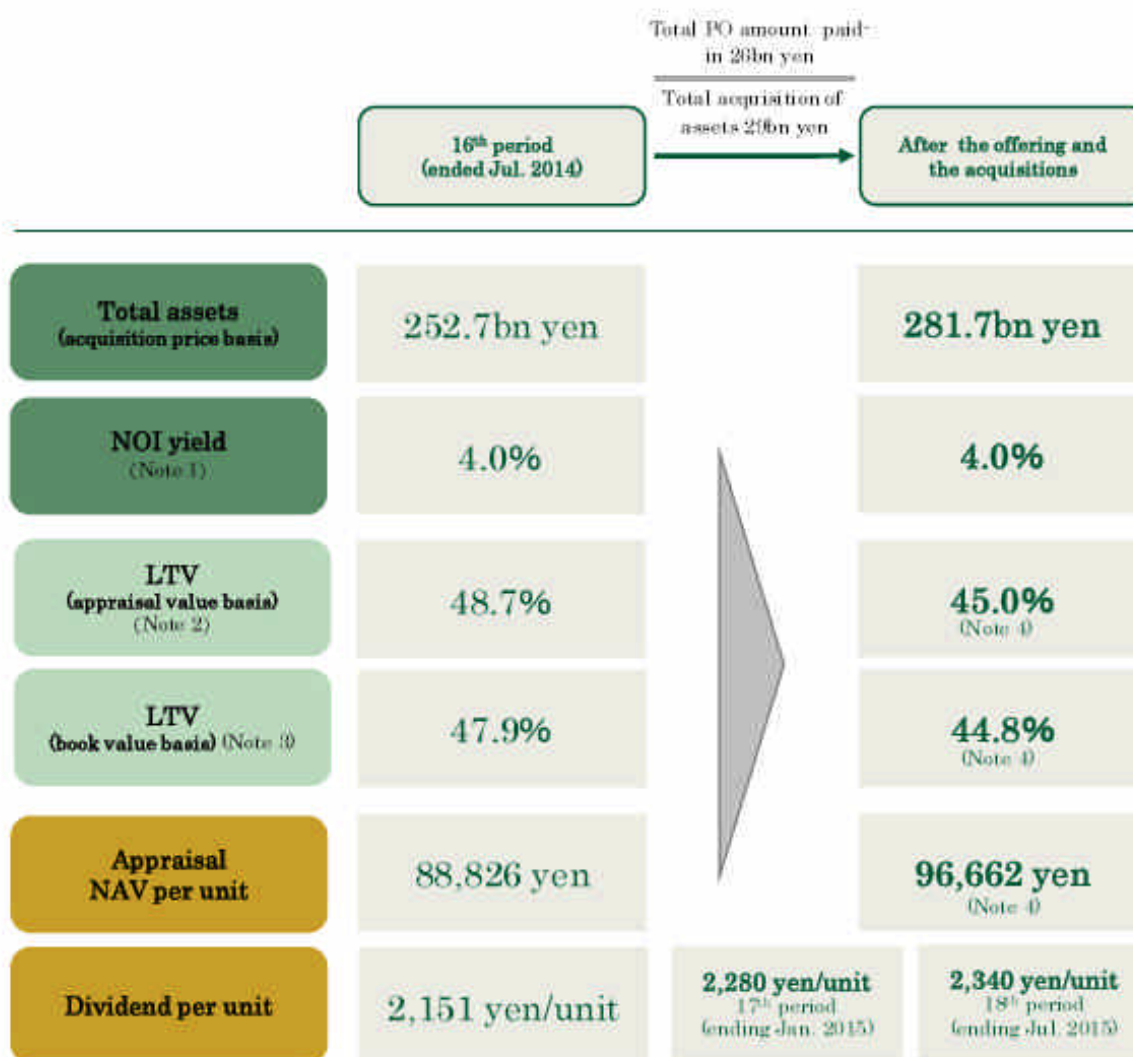
Policy ② Further strengthening of our financial position

Policy ③ Continued increase of dividend per unit, NAV and market value



MHR procured approximately 26.0 billion yen through its first global offering and conducted asset acquisitions of approximately 29.0 billion yen in August 2014.

Offering Highlights: Implemented in August 2014



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

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

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

(Note 4) The figures are calculated by taking into consideration the effects of the proceeds through the offering, the acquisition of assets as of August 1, 2014 and the new borrowings of 7 billion yen to the figures as of the end of the 16th period.

Overview of the Property Acquisition

MHR made additional acquisitions at Roppongi Hills Mori Tower and a new acquisition of a percentage interest in ARK Hills South Tower on August 1, 2014.

Roppongi Hills Mori Tower (1 floor: 20th floor) Premium



[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

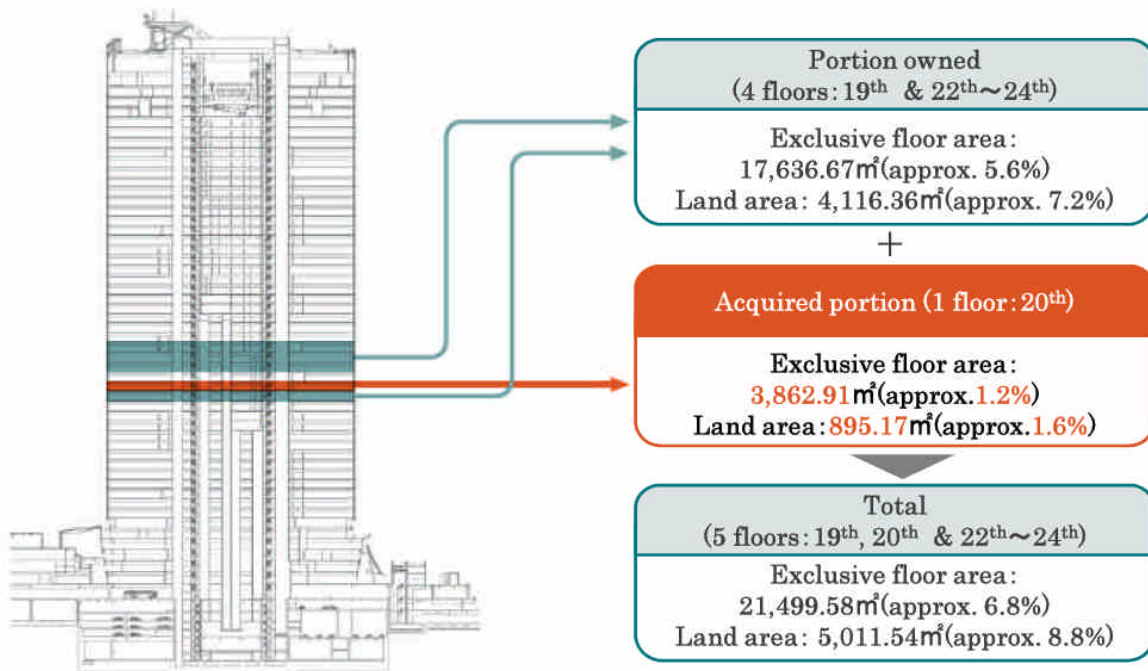
Acquired portion	Type of specified asset	Compartmentalized ownership interest
	Leasable floor area	3,879.19 m ²
	Acquisition price	9,890 million yen
	Appraisal value	11,400 million yen (as of May 31, 2014)

[Income and Expenditure Projections]

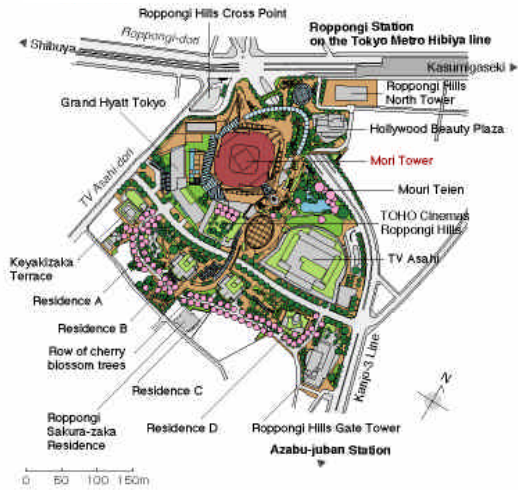
(1)	Projected property income	513,973 thousand yen
(2)	Projected property expenses	118,311 thousand yen
(3)	Projected NOI ((1)-(2))	395,662 thousand yen
(4)	NOI yield ((3)/ acquisition price)	4.0%

(Note) The figures above are the Annual Income and Expenditure (excluding depreciation and amortization) after excluding factors specific to the fiscal year of acquisition, and the figures are not forecasted figures for the next fiscal period. The same shall apply hereafter.

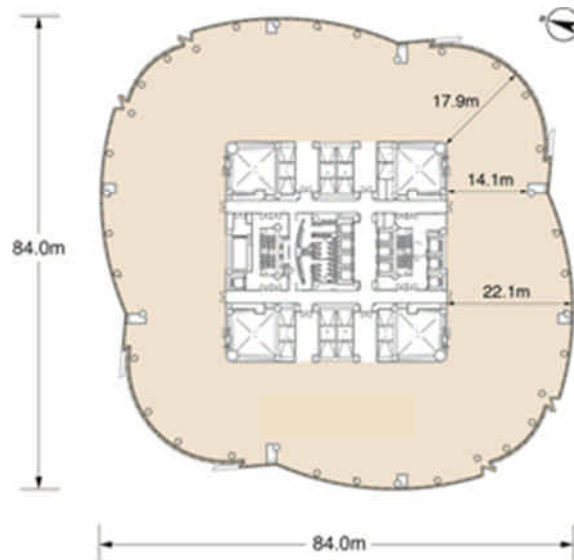
[Cross-section View]



[Building Layout]



[Cross-sectional Diagram of the Standard Floor]

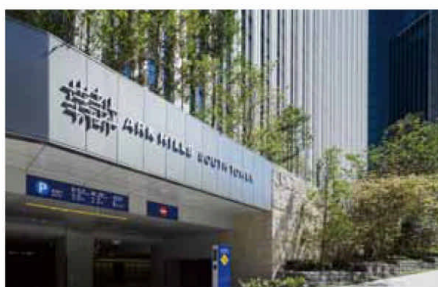
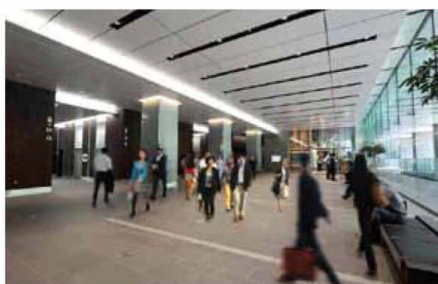
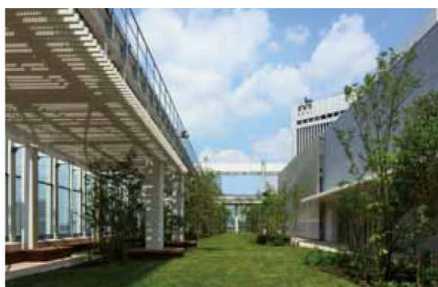


[PML]

PML (as of May 27, 2014)	0.29%
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(Note) The value as indicated on the earthquake risk PML assessment report dated May 27, 2014 by Tokyo Bldg-Tech Center Co., Ltd. is shown.

ARK Hills South Tower (25% interest) Premium



[Property Overview]

Property No.	O-8
Location (Residential identification)	4-5, Roppongi 1-chome, Minato-ku Tokyo
Construction date	July 2013
Total number of floors	20 floors above ground, 4 floors below ground
Gross floor area	53,043.48 m ²

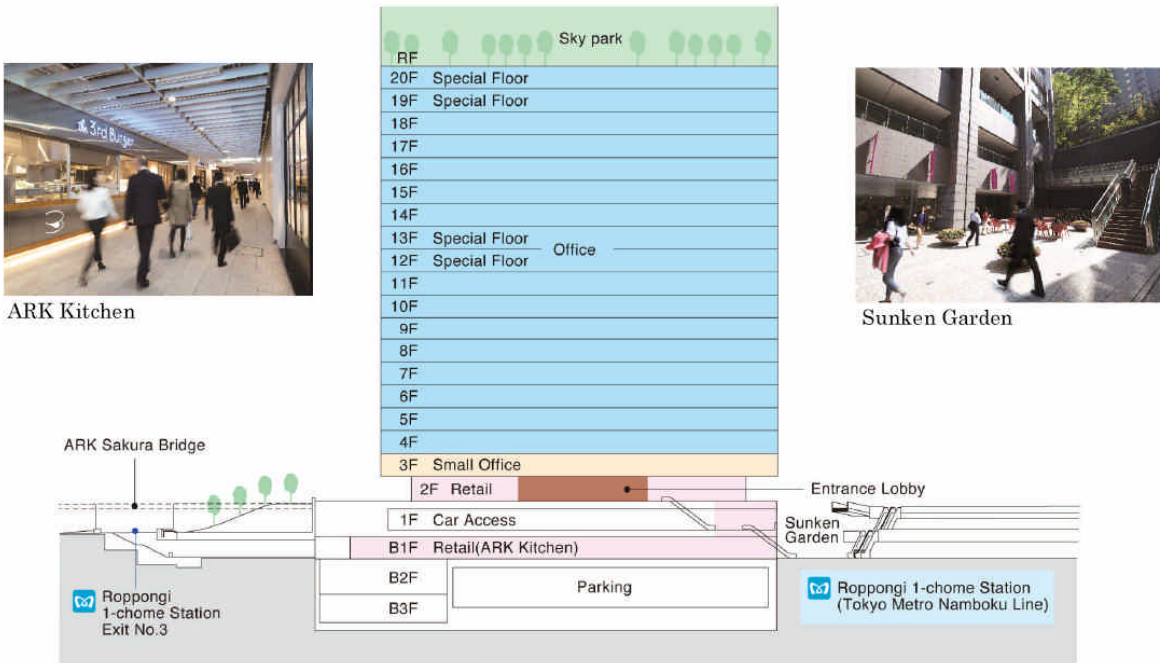
Acquired portion	Type of specified asset	Co-ownership ownership interest (25%)
	Leasable floor area	9,007.33 m ²
	Acquisition price	19,150 million yen
	Appraisal value	20,300 million yen (as of May 31, 2014)

[Income and Expenditure Projections]

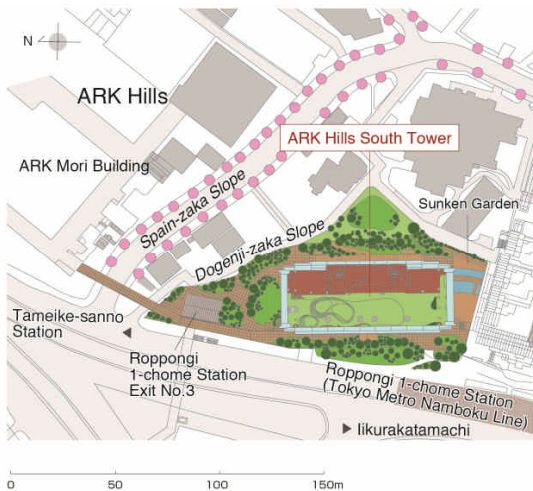
(1)	Projected property income	908,574 thousand yen
(2)	Projected property expenses	142,529 thousand yen
(3)	Projected NOI ((1)-(2))	766,044 thousand yen
(4)	NOI yield ((3)/ acquisition price))	4.0%

(Note) The figures above are the Annual Income and Expenditure (excluding depreciation and amortization) after excluding factors specific to the fiscal year of acquisition, and the figures are not forecasted figures for the next fiscal period. The same shall apply hereafter.

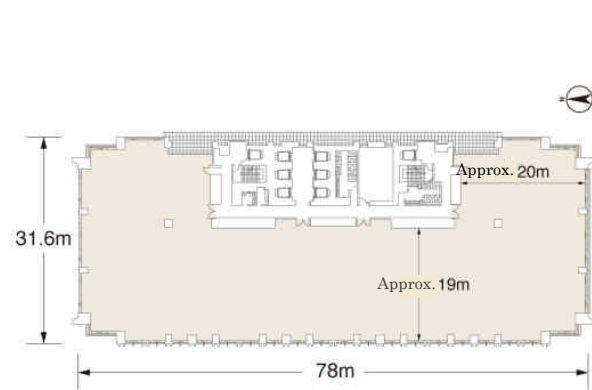
[Cross-section View]



[Building Layout]



[Cross-sectional Diagram of the Standard Floor]



[PML]

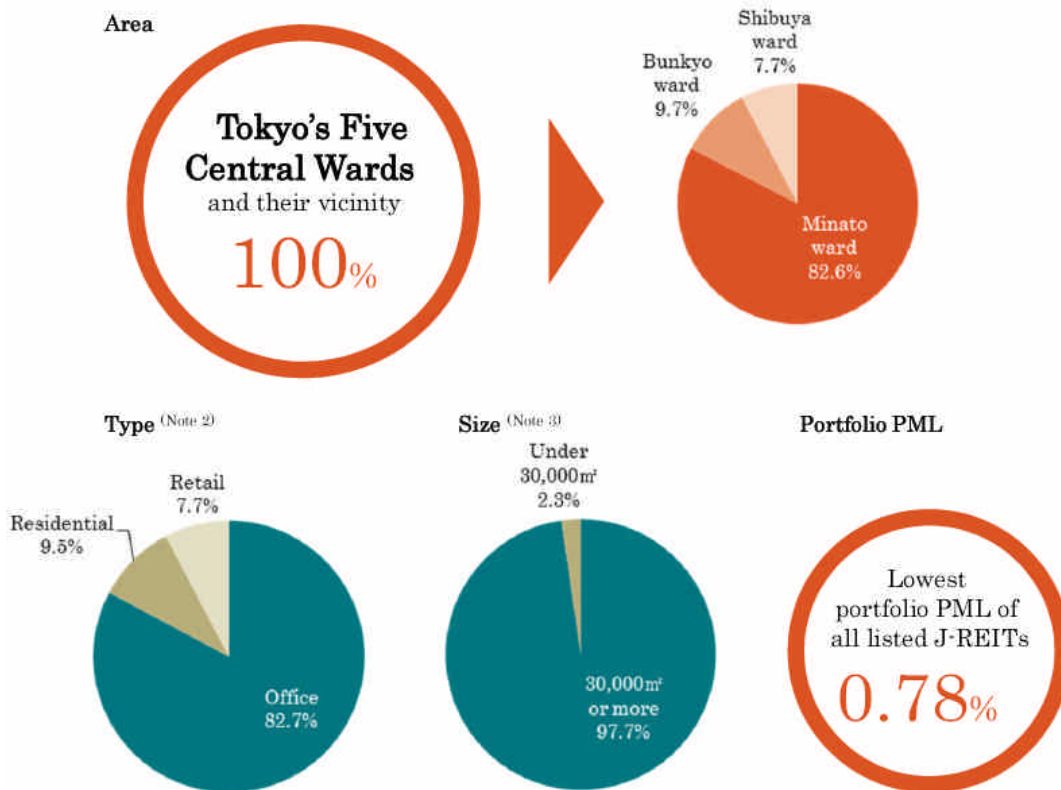
PML (as of May 27, 2014)	1.72%
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(Note) The value as indicated on the earthquake risk PML assessment report dated May 27, 2014 by Tokyo Bldg-Tech Center Co., Ltd. is shown.

Urban Portfolio of Premium Properties in Central Tokyo

Pursuant to the basic policy of “Investment in the city,” MHR primarily invests in “high-quality, large-scale properties exhibiting superior earthquake resistance” in “central Tokyo,” a representative example being “Roppongi Hills Mori Tower.” Total acquisition price as of August 1, 2014 is 281.7 billion yen.

Portfolio Diversification (as of August 1, 2014)



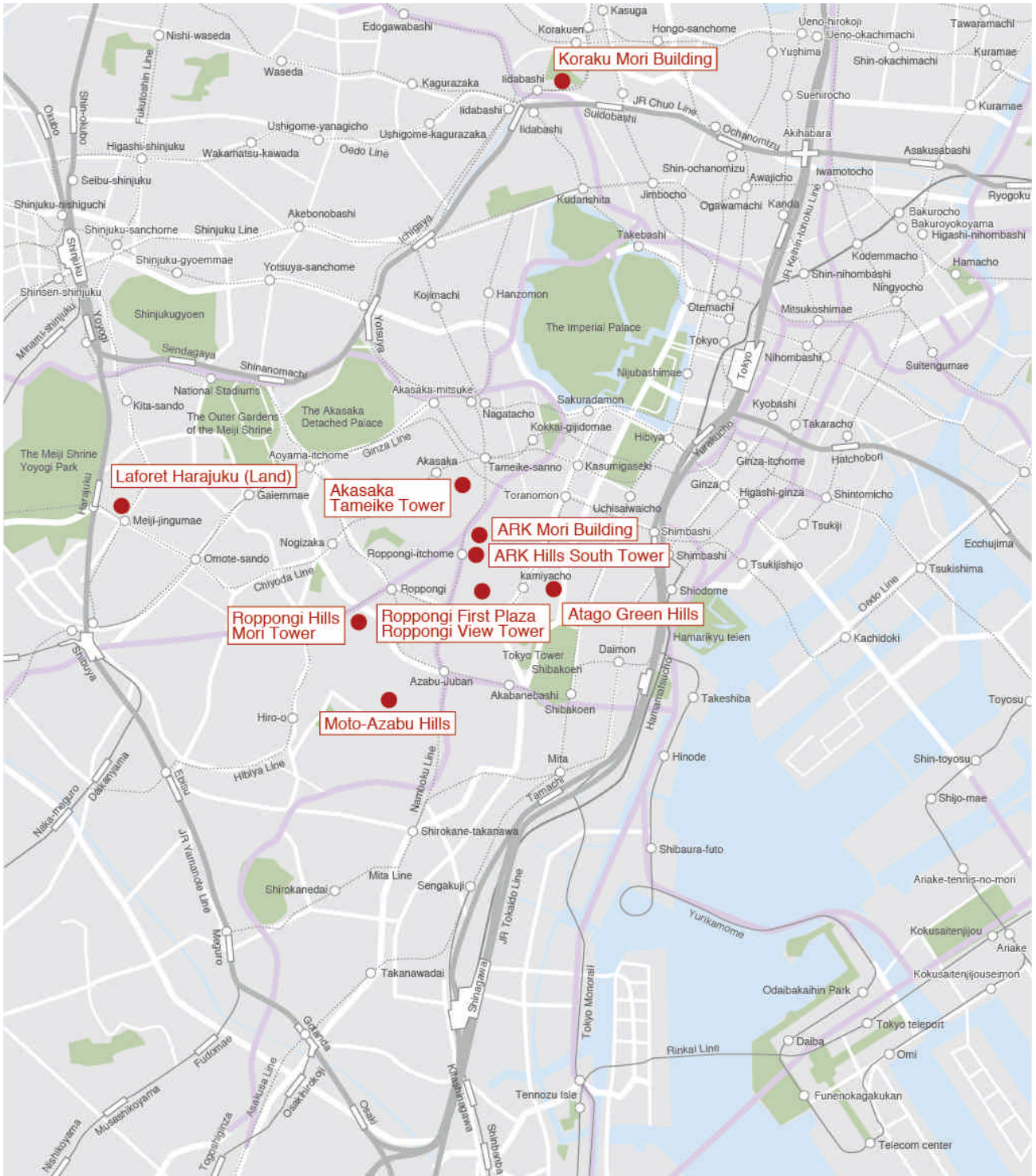
(Note 1) The ratios represent proportion of acquisition price to total acquisition price.

(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 July 31, 2014)



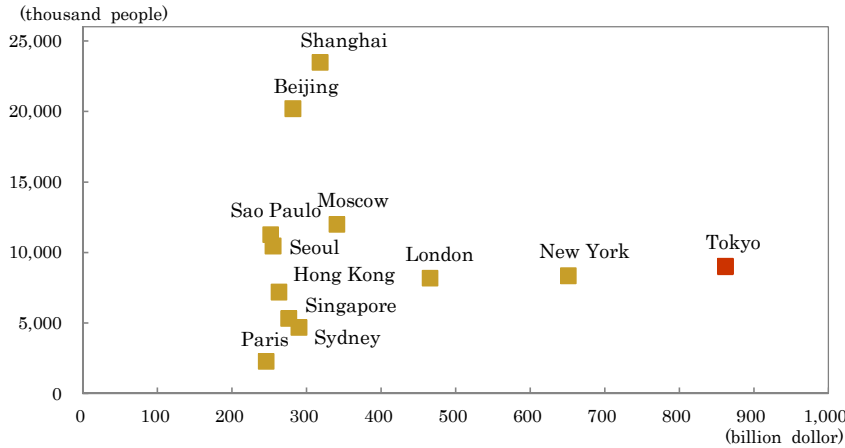


Competitive Strength of Central Tokyo

Tokyo is one of the largest cities in the world in terms of GDP and population.

The population of Tokyo's 23 wards continues to see a consistently high level of net migration growth in comparison with other cities in Japan.

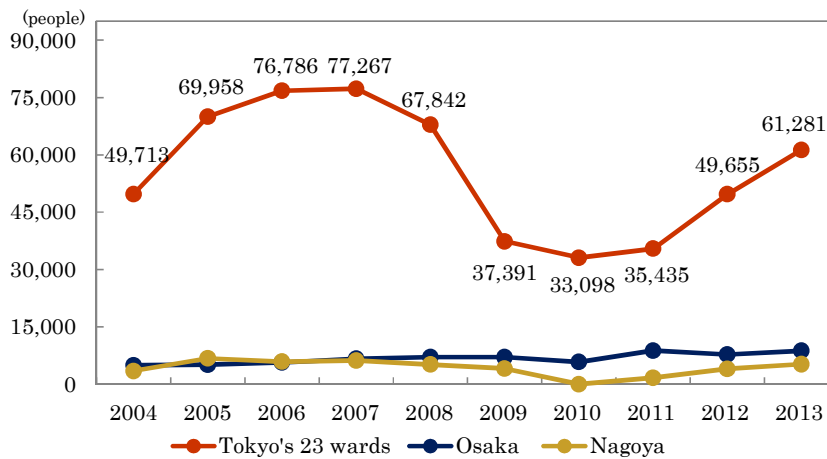
Comparison of GDP and Population among Major Cities around the World



(Source) Prepared by the Asset Manager based on “Global Power City Index Yearbook 2013” by Institute for Urban Strategies, the Mori Memorial Foundation

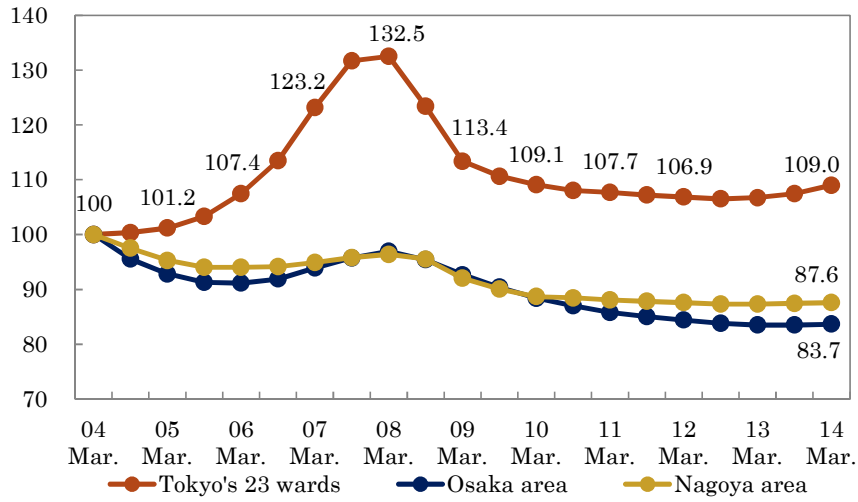
(Note) Targeted areas of the cities are administrative districts and the “23 wards” for “Tokyo.”

Trend of Net Migration



(Source) Prepared by the Asset Manager based on “Report on Internal Migration in Japan” of Statistics Bureau, the Ministry of Internal Affairs and Communications

Trend of Urban Land Price Index (Average of all Usage)



(Source) Prepared by the Asset Manager based on “Urban Land Price Index” of Japan Real Estate Institute

- Tokyo is one of the largest cities in the world in terms of GDP and population
- Tokyo’s 23 wards consistently achieve net population growth and continue to attract migration from other parts of Japan
- However, caution is required when making investments at times of significant increase in asset prices and MHR intends to take a cautious acquisition stance

PML and Earthquake-resistance

MHR's portfolio properties have superior earthquake resistance, boasting a portfolio PML (probable maximum loss from an earthquake for the entire portfolio) of the lowest level out of all listed J-REITs as of August 1, 2014.

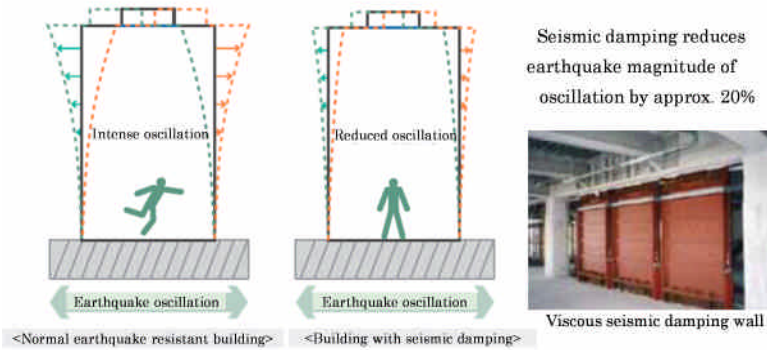
Lowest portfolio PML of all listed J-REITs: 0.78%

Office building				
Property name	Roppongi Hills Mori Tower	ARK Mori Building	Koraku Mori Building	ARK Hills South Tower
PML	0.29%	0.38%	0.42%	1.72%
Earthquake-resistant feature	Seismic damping	Seismic damping (Note)	Seismic damping	Seismic damping
Office building (Partly residential)				
Property name	Akasaka Tameike Tower	Atago Green Hills		
		MORI Tower	Forest Tower	Plaza
PML	2.15%	1.66%	0.99%	9.84%
Earthquake-resistant feature	Seismic damping	Seismic damping	Seismic damping	-
Residential				
Property name	Moto-Azabu Hills		Roppongi First Plaza	Roppongi View Tower
	Forest Tower	Forest Terrace East		
PML	1.16%	1.72%	3.53%	3.53%
Earthquake-resistant feature	Seismic isolators	Seismic isolators	-	-

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

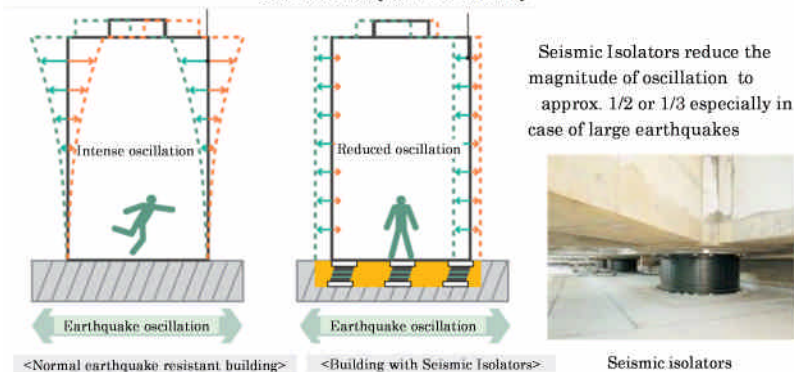
Seismic damping

Minimize the level of oscillation



Seismic isolators

Oscillate slowly and horizontally



Debt Status (as of July 31, 2014)

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

Overview of Debt Financing

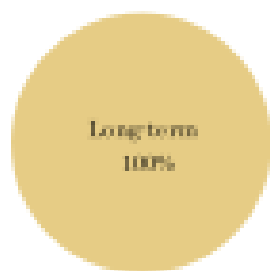
	End of 15th period (as of January 31, 2014)	End of 16th period (as of July 31, 2014)
Debt Balance	126,200mn yen	126,200mn yen
LTV(book value basis) ^(Note 1)	48.0%	47.9%
LTV(appraisal value basis) ^(Note 2)	49.3%	48.7%
Avg. remaining duration	2.3 years	2.6 years

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

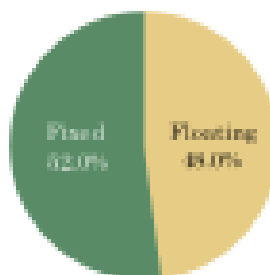
(Note 2) LTV(appraisal value basis) is calculated as [Interest-bearing debt/Appraisal value based total assets
(Total assets + Total appraisal value - Total book value)]

Long and Short-term Debt Ratio / Fixed Rate Ratio

[Long and short-term debt ratio]



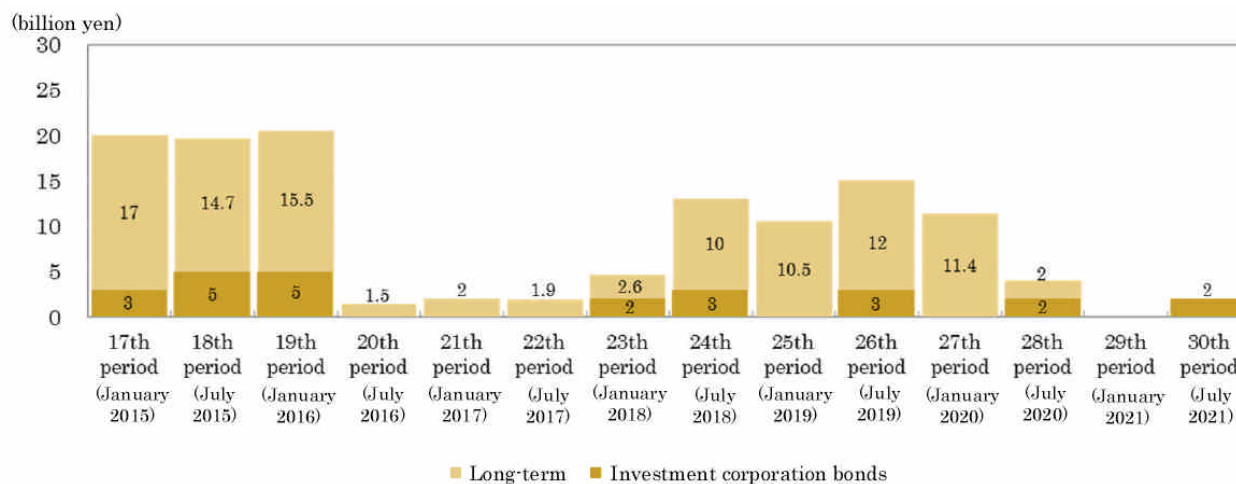
[Fixed rate ratio]



Rating

Japan Credit Rating (JCR)
Long-term issuer rating:
AA- (Stable)

Overview of Maturity (as of July 31, 2014)

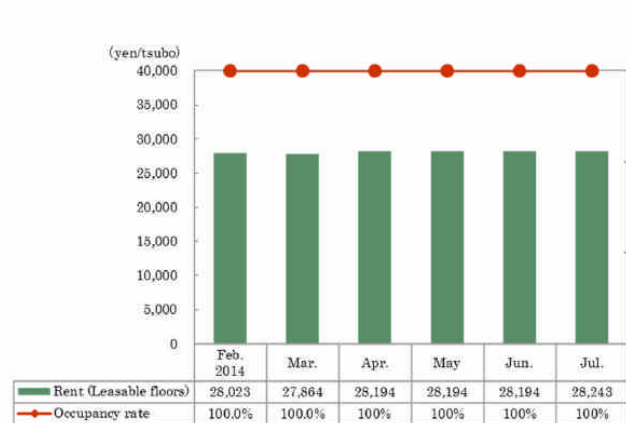


Portfolio Management

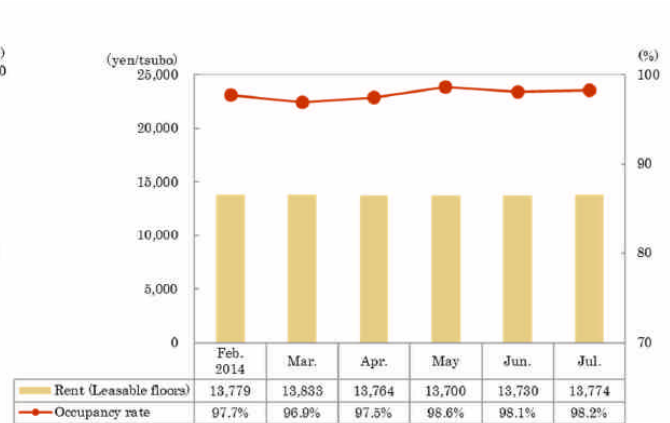
MHR maintained and enhanced occupancy rates by proactively launching marketing activities targeting new and existing tenants based on a flexible price policy.

Rent and Occupancy Rate

[Office]



[Residential]



Sustainability

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

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

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



Roppongi Hills Mori Tower

Rank S: ★★★★★



ARK Mori Building

Rank S: ★★★★★



Atago Green Hills MORI Tower

Rank S: ★★★★★



Koraku Mori Building

Rank A: ★★★★★

[Acquired GRESB Green Star Ratings]

For the third consecutive year, MHR received the Green Star rating in the Global Real Estate Sustainability Benchmark (GRESB) survey.



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.

Mori Building's Extensive Property Pipeline

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

Mori Building's Total Assets and Property Management

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

Mori Building's Development Projects (Including future Development) (Note 2)

[New redevelopment projects promoted by Mori Building Groups]

A Toranomom Hills (Note 3)



B Ginza 6-chome District 10 Category 1 Urban Redevelopment Project (Note 4)



[Properties owned by Mori Building Group]

1 Roppongi Hills (Partly owned by MHR)



⟨Office/Residential/Retail, etc.⟩

2 ARK Hills (Partly owned by MHR)



⟨Office/Residential/Retail, etc.⟩

3 Atago Green Hills (Partly owned by MHR)



⟨Office/Residential/Retail⟩

4 Holland Hills



⟨Office/Residential/Retail⟩

5 Moto-Azabu Hills (Partly owned by MHR)

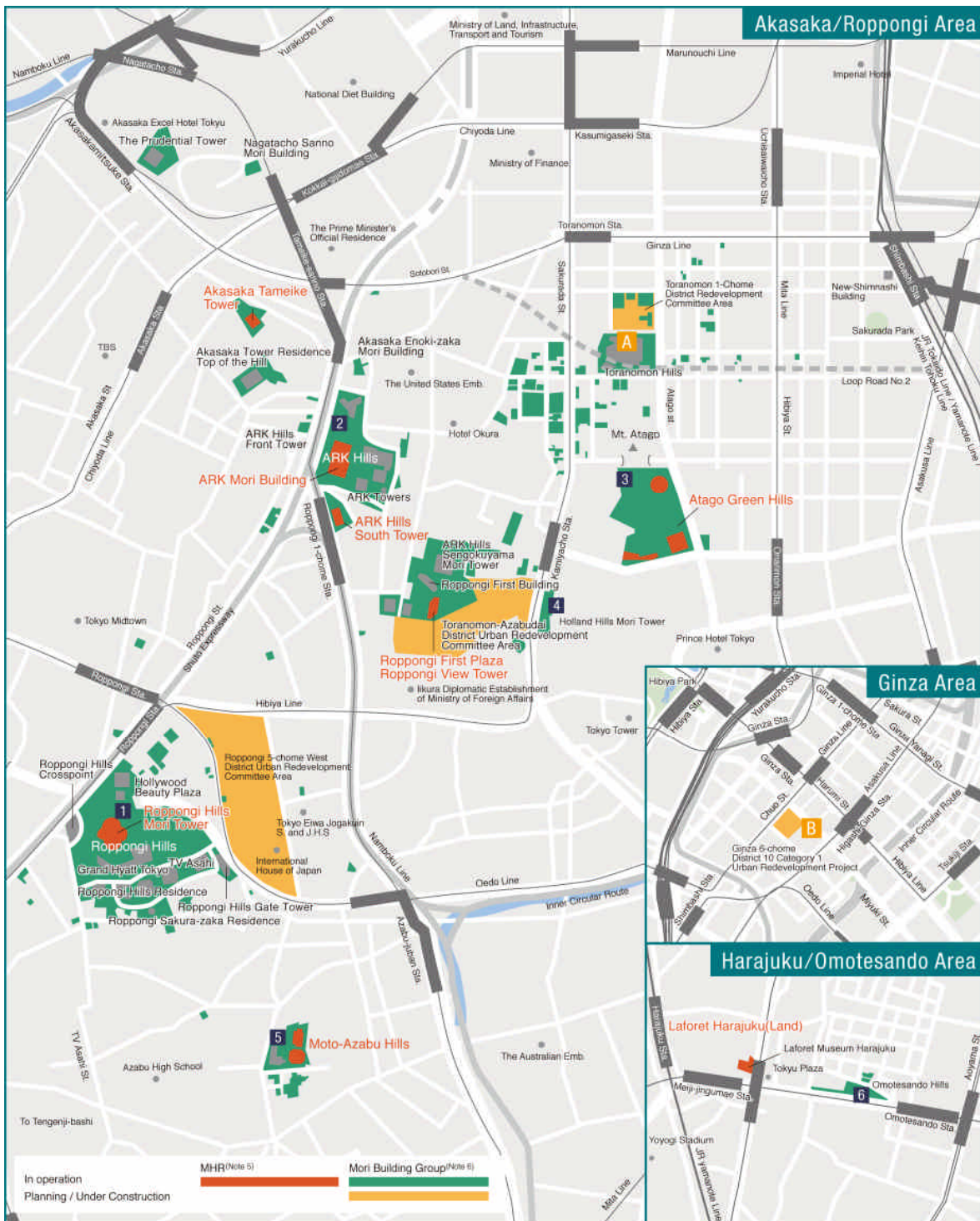


⟨Residential⟩

6 Omotesando Hills



⟨Retail/Residential⟩



(Source) Prepared by the Asset Management Company based on Mori Building’s “Mori Building Handy Map Mori Building Map/Home Route Support Map 2014.”

(Note 1) Some exceptions included.

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

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

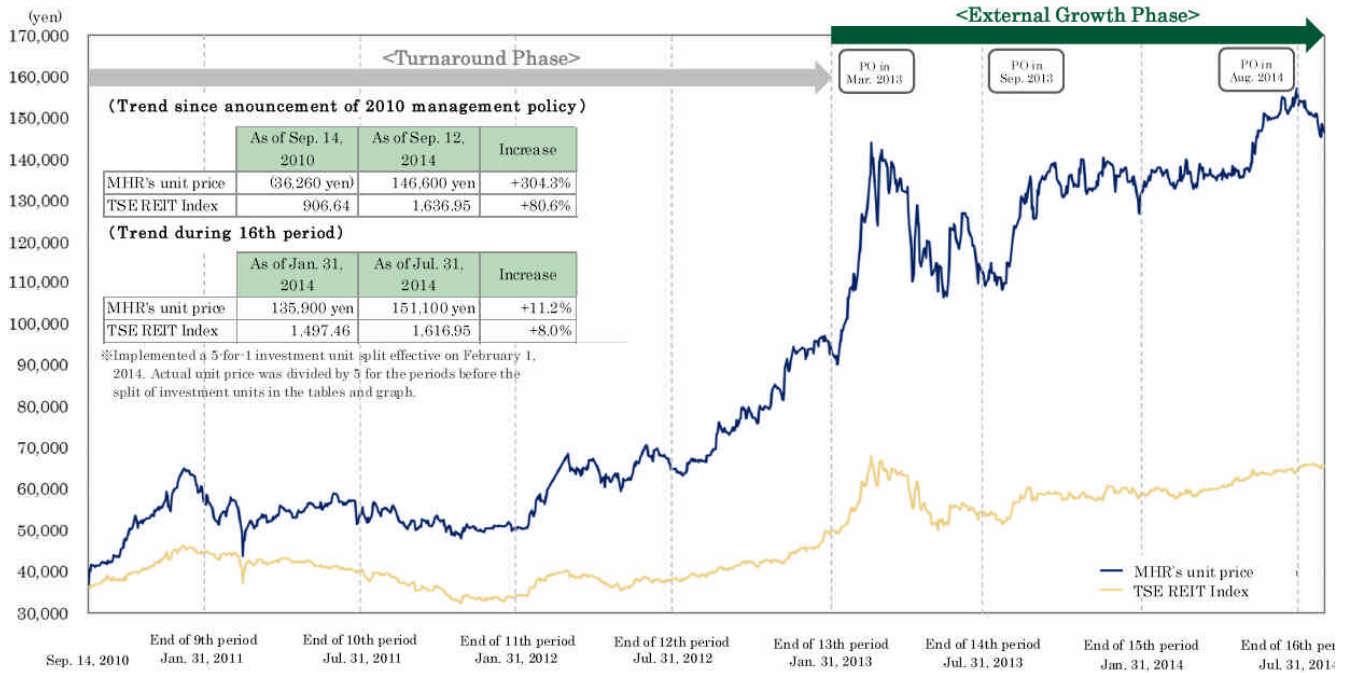
(Note 4) Mori Building is investing in the “Special purpose company of Ginza 6-chome District 10 Category 1 Urban Redevelopment Project” which is the participating members of the association of the project.

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

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



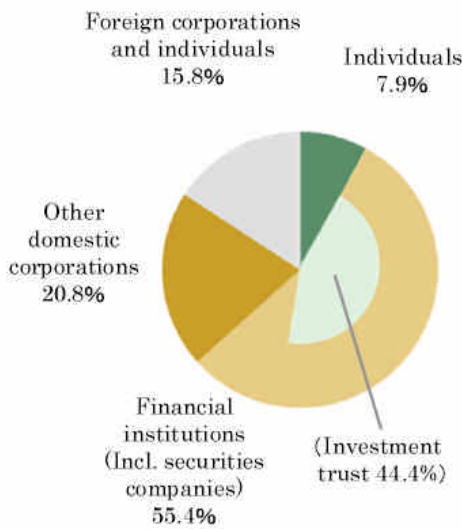
Unit Price Performance



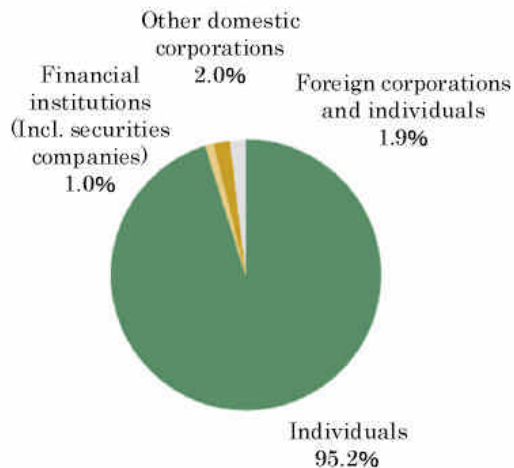
(Note) TSE REIT Index is based to the announcement date of the 8th period results (Sep. 14, 2010) and shows the relative performance vs. MHR's unit price performance.

Unitholders Breakdown (as of July 31, 2014)

Number of investment units



Number of unitholders





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 July 31, 2014, 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 July 31, 2014, 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 Shin Nihon LLC

October 28, 2014



HILLS REIT

FINANCIAL STATEMENTS BALANCE SHEET

(Unit: thousands of yen)

	As of	
	July 31, 2014	January 31, 2014
Assets		
Current assets		
Cash and deposits	4,767,774	3,531,963
Cash and deposits in trust	9,217,094	9,164,640
Operating accounts receivable	24,449	43,321
Prepaid expenses	368,726	424,558
Deferred tax assets	22	15
Consumption taxes receivable	—	67,754
Other	—	15
Total current assets	14,378,067	13,232,269
Noncurrent assets		
Property, plant and equipment		
Land	22,074,160	22,074,160
Buildings in trust	51,690,121	51,625,833
Accumulated depreciation	(6,934,864)	(6,138,615)
Buildings in trust, net	44,755,257	45,487,218
Structures in trust	533,551	519,318
Accumulated depreciation	(171,921)	(152,661)
Structures in trust, net	361,630	366,657
Machinery and equipment in trust	585,420	584,421
Accumulated depreciation	(88,848)	(74,462)
Machinery and equipment in trust, net	496,572	509,959
Tools, furniture and fixtures in trust	100,164	84,102
Accumulated depreciation	(39,598)	(33,094)
Tools, furniture and fixtures in trust, net	60,566	51,008
Land in trust	149,879,429	149,879,429
Construction in progress in trust	8,024	5,882
Total property, plant and equipment	217,635,641	218,374,316
Intangible assets		
Leasehold rights in trust	30,650,962	30,650,962
Other intangible assets in trust	1,289	1,031
Other	4,302	996
Total intangible assets	30,656,554	30,652,990
Investments and other assets		
Lease and guarantee deposits	10,000	10,000
Long-term prepaid expenses	553,654	551,297
Total investments and other assets	563,654	561,297
Total noncurrent assets	248,855,850	249,588,604
Deferred assets		
Investment corporation bonds issuance cost	76,143	60,873
Total deferred assets	76,143	60,873
Total assets	263,310,061	262,881,748

(Unit: thousands of yen)

	As of	
	July 31, 2014	January 31, 2014
Liabilities		
Current liabilities		
Operating accounts payable	101,652	84,175
Current portion of investment corporation bonds	8,000,000	8,000,000
Current portion of long-term loans payable	31,700,000	30,022,000
Accounts payable – other	28,432	27,155
Accrued expenses	323,185	324,855
Income taxes payable	846	700
Accrued consumption taxes	200,785	–
Advances received	899,644	877,919
Deposits received	78,575	88,203
Total current liabilities	41,333,123	39,425,010
Noncurrent liabilities		
Investment corporation bonds	17,000,000	17,000,000
Long-term loans payable	69,500,000	71,178,000
Lease and guarantee deposits in trust	8,061,446	8,045,199
Total noncurrent liabilities	94,561,446	96,223,199
Total liabilities	135,894,570	135,648,210
Net assets		
Unitholders' equity		
Unitholders' capital	124,330,988	124,330,988
Surplus		
Voluntary retained earnings		
Reserve for reduction entry	105,244	105,244
Total voluntary retained earnings	105,244	105,244
Unappropriated retained earnings	2,979,257	2,797,305
Total surplus	3,084,501	2,902,549
Total unitholders' equity	127,415,490	127,233,537
Total net assets (Note 7)	127,415,490	127,233,537
Total liabilities and net assets	263,310,061	262,881,748

STATEMENT OF INCOME AND RETAINED EARNINGS

(Unit: thousands of yen)

	For the six months ended	
	July 31, 2014	January 31, 2014
Operating revenue		
Rent revenue of real estate (Note 11)	5,670,408	5,489,850
Other rent revenue of real estate (Note 11)	117,707	120,184
Total operating revenue	<u>5,788,116</u>	<u>5,610,034</u>
Operating expenses		
Expenses of real estate rent (Note 11)	1,641,610	1,529,666
Asset management fee	216,982	210,042
Directors' compensation	5,400	5,400
Asset custody fee	6,572	6,017
Administrative service fees	15,405	15,309
Other operating expenses	69,680	53,558
Total operating expenses	<u>1,955,650</u>	<u>1,819,992</u>
Operating income	<u>3,832,466</u>	<u>3,790,042</u>
Non-operating income		
Interest income	1,287	1,186
Exclusion gain of unpaid dividend	1,596	7,847
Interest on refund	74	1,256
Other	—	7
Total non-operating income	<u>2,958</u>	<u>10,297</u>
Non-operating expenses		
Interest expenses	470,283	542,095
Interest expenses on investment corporation bonds	145,793	162,100
Amortization of investment corporation bonds issuance cost	15,202	16,235
Borrowing expenses	220,154	248,417
Investment unit issuance cost	—	31,128
Other	3,664	2,206
Total non-operating expenses	<u>855,099</u>	<u>1,002,182</u>
Ordinary income	<u>2,980,324</u>	<u>2,798,156</u>
Income before income taxes	<u>2,980,324</u>	<u>2,798,156</u>
Income taxes-current	1,107	926
Income taxes-deferred	(7)	2
Total income taxes	<u>1,100</u>	<u>928</u>
Net income	<u>2,979,224</u>	<u>2,797,228</u>
Retained earnings brought forward	33	76
Unappropriated retained earnings	2,979,257	2,797,305

STATEMENT OF CHANGES IN NET ASSETS

For the six months ended July 31, 2014

(Unit: thousands of yen)

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

For the six months ended January 31, 2014

(Unit: thousands of yen)

	Surplus			Total surplus	Total unitholders' equity	Total net assets
	Unitholders' capital	Voluntary retained earnings	Unappropriated retained earnings			
Balance at August 1, 2013	112,966,437	105,244	2,432,207	2,537,451	115,503,888	115,503,888
Change during the period						
Issuance of new investment units	11,364,551				11,364,551	11,364,551
Dividends from surplus			(2,432,130)	(2,432,130)	(2,432,130)	(2,432,130)
Net income			2,797,228	2,797,228	2,797,228	2,797,228
Total changes of items during the period	11,364,551	—	365,098	365,098	11,729,649	11,729,649
Balance at January 31, 2014	124,330,988	105,244	2,797,305	2,902,549	127,233,537	127,233,537



STATEMENT OF CASH DISTRIBUTIONS

(Unit: yen)

	For the six months ended July 31, 2014	For the six months ended January 31, 2014
I . Unappropriated retained earnings	2,979,257,797	2,797,305,040
II . Amount of dividends	2,978,973,675	2,797,271,515
Amount of dividends per unit	2,151	10,099
III . Retained earnings carried forward	284,122	33,525
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 2,978,973,675 yen, which is the largest integral multiple of the number of investment units issued and outstanding (1,384,925 units), and not in excess of unappropriated retained earnings. In addition, the Company decided to pay out dividends of earnings in an amount not in excess of unappropriated retained earnings as stipulated in Article 37 (2) of the Company's Articles of Incorporation.</p>	<p>Pursuant to the terms of the distribution policy set forth in Article 37 (1) of the Company's Articles of Incorporation, the amount of dividends shall be in excess of an amount equivalent to 90% of the Company's earnings available for dividends as defined in Article 67-15 of the Special Taxation Measures Law, but not in excess of the amount of earnings. Based on such policy, the Company has declared the total dividends to be 2,797,271,515 yen, which is the largest integral multiple of the number of investment units issued and outstanding (276,985 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

	July 31, 2014	January 31, 2014
Net cash provided by (used in) operating activities		
Income before income taxes	2,980,324	2,798,156
Depreciation and amortization	837,243	811,127
Amortization of investment corporation bonds issuance cost	15,202	16,235
Investment unit issuance cost	—	31,128
Interest income	(1,287)	(1,186)
Exclusion gain of unpaid dividend	(1,596)	(7,847)
Interest expenses	616,077	704,195
Decrease (increase) in operating accounts receivable	18,872	30,751
Decrease (increase) in consumption taxes receivable	67,754	48,230
Increase (decrease) in operating accounts payable	15,353	4,592
Increase (decrease) in accounts payable – other	11,921	1,263
Increase (decrease) in accrued expenses	14,804	26,889
Increase (decrease) in accrued consumption taxes	200,785	(22,692)
Increase (decrease) in advances received	21,725	87,653
Increase (decrease) in deposits received	(1,792)	(7,792)
Decrease (increase) in prepaid expenses	55,831	(769)
Decrease (increase) in long-term prepaid expenses	(2,356)	(165,238)
Other, net	30	7,374
Subtotal	4,848,895	4,362,072
Interest income received	1,287	1,186
Interest expenses paid	(632,552)	(722,898)
Income taxes paid	(961)	(1,027)
Net cash provided by (used in) operating activities	4,216,668	3,639,332
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment in trust	(108,542)	(22,065,808)
Purchase of intangible assets in trust	(446)	—
Repayments of lease and guarantee deposits in trust	(14,502)	(24,894)
Proceeds from lease and guarantee deposits in trust	22,914	1,020,814
Net cash provided by (used in) investing activities	(100,576)	(21,069,888)
Net cash provided by (used in) financing activities		
Repayments of short-term loans payable	—	(1,000,000)
Proceeds from long-term loans payable	13,022,000	25,500,000
Repayments of long-term loans payable	(13,022,000)	(15,062,500)
Proceeds from issuance of investment corporation bonds	4,969,527	—
Redemption of investment corporation bonds	(5,000,000)	—
Proceeds from issuance of investment units	—	11,333,422
Cash dividends paid	(2,797,354)	(2,430,394)
Net cash provided by (used in) financing activities	(2,827,827)	18,340,528
Net increase (decrease) in cash and cash equivalents	1,288,264	909,972
Cash and cash equivalents at beginning of the period	12,696,604	11,786,631
Cash and cash equivalents at end of the period (Note 15)	13,984,868	12,696,604

NOTES TO FINANCIAL STATEMENTS

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

1. ORGANIZATION

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

The Company implemented a 5-for-1 split of investment units on January 31, 2014 as the record date and February 1, 2014 as the effective date. As of the end of the Company’s fiscal period under review, the total number of investment units outstanding was 1,384,925.

The Company’s real estate portfolio as of July 31, 2014 was comprised of 9 properties under management with a total leasable floor area of 119,117.30m². The Company has already invested 252,716 million yen (based on acquisition price) into this portfolio. The occupancy rate as of July 31, 2014 was 99.5%.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Buildings	3~66 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) Investment corporation bonds issuance cost

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

(5) Revenue recognition

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

(6) Accounting for property taxes

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

Registered owners of properties in Japan as of January 1 are responsible for paying property taxes for the calendar year based on assessments by local governments. Therefore, registered owners who sold properties to the Company were liable for property taxes for the calendar year, including the period from the date of the acquisition by the Company until the end of the year. The Company reimbursed sellers of properties for the equivalent amount of property taxes and included the amount in the acquisition cost of real estate. The amounts equivalent to property taxes included in the cost of acquisition of real estate are none and 19,446 thousand yen as of July 31, 2014 and January 31, 2014, respectively.

(7) 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.

(8) 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.

(9) 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

(10) Consumption taxes

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



4. PROPERTY AND EQUIPMENT

As of July 31, 2014

(Unit: thousands of yen)

Type of asset	Balance at beginning of the period	Amount of increase during the period	Amount of decrease during the period	Balance at end of the period	Accumulated depreciation/Amortization		Net balance at end of the period	Remarks	
					Accumulated depreciation	Amortization			
Property, plant and equipment	Land	22,074,160	—	—	22,074,160	—	—	22,074,160	
	Buildings in trust	51,625,833	64,288	—	51,690,121	6,934,864	796,249	44,755,257	
	Structures in trust	519,318	14,233	—	533,551	171,921	19,259	361,630	
	Machinery and equipment in trust	584,421	999	—	585,420	88,848	14,386	496,572	
	Tools, furniture and fixtures in trust	84,102	16,168	106	100,164	39,598	6,594	60,566	
	Land in trust	149,879,429	—	—	149,879,429	—	—	149,879,429	
	Construction in progress in trust	5,882	2,141	—	8,024	—	—	8,024	
Subtotal	224,773,150	97,830	106	224,870,874	7,235,232	836,490	217,635,641		
Intangible assets	Leasehold rights in trust	30,650,962	—	—	30,650,962	—	—	30,650,962	
	Other intangible assets in trust	6,968	446	—	7,414	6,125	188	1,289	
	Subtotal	30,657,931	446	—	30,658,377	6,125	188	30,652,252	
Total	255,431,081	98,276	106	255,529,251	7,241,357	836,678	248,287,893		

5. INVESTMENT CORPORATION BONDS

As of July 31, 2014

(Unit: thousands of yen)

Bond	Issue date	Balance at beginning of the period	Amount of increase during the period	Amount of decrease during the period	Balance at end of the period	Interest rate	Redemption maturity date	Use of funds	Collateral
Second Series Unsecured Investment Corporation Bonds	Nov. 29, 2007	3,000,000	—	—	3,000,000	1.7700%	Nov. 28, 2014	(Note 1)	none
Fourth Series Unsecured Investment Corporation Bonds	May 27, 2010	5,000,000	—	—	5,000,000	1.9500%	May 27, 2015		
Fifth Series Unsecured Investment Corporation Bonds	Feb. 25, 2011	5,000,000	—	5,000,000	—	1.2900%	Feb. 25, 2014		
Sixth Series Unsecured Investment Corporation Bonds	Nov. 28, 2012	5,000,000	—	—	5,000,000	0.7800%	Nov. 27, 2015		
Seventh Series Unsecured Investment Corporation Bonds	Nov. 28, 2012	2,000,000	—	—	2,000,000	0.9700%	Nov. 28, 2017		
Eighth Series Unsecured Investment Corporation Bonds	May 24, 2013	3,000,000	—	—	3,000,000	0.8500%	May 24, 2018		
Ninth Series Unsecured Investment Corporation Bonds	May 24, 2013	2,000,000	—	—	2,000,000	1.2600%	May 22, 2020		
Tenth Series Unsecured Investment Corporation Bonds	Feb. 24, 2014	—	3,000,000	—	3,000,000	0.4140%	Feb. 22, 2019		
Eleventh Series Unsecured Investment Corporation Bonds	Feb. 24, 2014	—	2,000,000	—	2,000,000	0.6880%	Feb. 24, 2021		
Total		25,000,000	5,000,000	5,000,000	25,000,000				

(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	8,000,000	5,000,000	—	5,000,000	3,000,000



HILLS REIT

6. LONG-TERM LOANS PAYABLE

As of July 31, 2014

(1) Current portion of long-term loans payable

(Unit: thousands of yen)

Lender	Balance at beginning of the period	Amount of increase during the period	Amount of decrease during the period	Balance at end of the period	Average interest rate (Note 1)	Repayment date	Use of funds	Remarks
Mizuho Bank, Ltd.	2,500,000	—	—	2,500,000	1.3466%	Nov. 28, 2014	(Note 2)	Unsecured/ Unguaranteed
	2,276,000	—	2,276,000	—	0.9468%	May 30, 2014		
	—	1,600,000	—	1,600,000	0.9966%	May 29, 2015		
	—	1,138,000	—	1,138,000	1.2280%	May 29, 2015		
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,500,000	—	—	2,500,000	1.3466%	Nov. 28, 2014		
	2,276,000	—	2,276,000	—	0.9468%	May 30, 2014		
	—	1,600,000	—	1,600,000	0.9966%	May 29, 2015		
	—	1,138,000	—	1,138,000	1.2280%	May 29, 2015		
Mitsubishi UFJ Trust and Banking Corporation	2,500,000	—	—	2,500,000	1.3466%	Nov. 28, 2014		
	2,276,000	—	2,276,000	—	0.9468%	May 30, 2014		
	—	1,600,000	—	1,600,000	0.9966%	May 29, 2015		
	—	1,138,000	—	1,138,000	1.2280%	May 29, 2015		
Sumitomo Mitsui Banking Corporation	3,000,000	—	—	3,000,000	1.3466%	Nov. 28, 2014		
	1,194,000	—	1,194,000	—	0.9468%	May 30, 2014		
	—	1,600,000	—	1,600,000	0.9966%	May 29, 2015		
	—	597,000	—	597,000	1.2280%	May 29, 2015		
Sumitomo Mitsui Trust Bank, Ltd.	2,000,000	—	—	2,000,000	1.3466%	Nov. 28, 2014		
	—	1,600,000	—	1,600,000	0.9966%	May 29, 2015		
	—	989,000	—	989,000	1.2280%	May 29, 2015		
Resona Bank, Ltd.	2,500,000	—	—	2,500,000	1.3466%	Aug. 29, 2014		
Aozora Bank, Ltd.	2,000,000	—	—	2,000,000	1.3466%	Aug. 29, 2014		
Development Bank of Japan Inc.	—	1,700,000	—	1,700,000	1.4313%	Mar. 27, 2015		
The Norinchukin Bank	3,000,000	—	3,000,000	—	1.2968%	May 30, 2014		
The Bank of Fukuoka, Ltd.	2,000,000	—	2,000,000	—	1.2968%	May 30, 2014		
Total	30,022,000	14,700,000	13,022,000	31,700,000				



(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.	1,600,000	—	1,600,000	—	0.9966%	May 29, 2015	(Note 2)	Unsecured/ Unguaranteed
	1,138,000	—	1,138,000	—	1.2280%	May 29, 2015		
	1,500,000	—	—	1,500,000	0.9966%	Aug. 31, 2015		
	1,600,000	—	—	1,600,000	1.0400%	Nov. 30, 2015		
	1,500,000	—	—	1,500,000	0.8421%	Mar. 30, 2018		
	1,400,000	—	—	1,400,000	0.7760%	Sep. 28, 2018		
	250,000	—	—	250,000	0.4466%	May 31, 2019		
	1,100,000	—	—	1,100,000	0.4966%	Nov. 29, 2019		
	—	1,702,000	—	1,702,000	0.3964%	May 31, 2019		
	—	574,000	—	574,000	0.4464%	May 29, 2020		
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,600,000	—	1,600,000	—	0.9966%	May 29, 2015		
	1,138,000	—	1,138,000	—	1.2280%	May 29, 2015		
	1,500,000	—	—	1,500,000	0.9966%	Aug. 31, 2015		
	1,600,000	—	—	1,600,000	1.0400%	Nov. 30, 2015		
	1,500,000	—	—	1,500,000	0.8421%	Mar. 30, 2018		
	1,400,000	—	—	1,400,000	0.7760%	Sep. 28, 2018		
	250,000	—	—	250,000	0.4466%	May 31, 2019		
	1,100,000	—	—	1,100,000	0.4966%	Nov. 29, 2019		
	—	1,702,000	—	1,702,000	0.3964%	May 31, 2019		
	—	574,000	—	574,000	0.4464%	May 29, 2020		
Mitsubishi UFJ Trust and Banking Corporation	1,600,000	—	1,600,000	—	0.9966%	May 29, 2015		
	1,138,000	—	1,138,000	—	1.2280%	May 29, 2015		
	1,500,000	—	—	1,500,000	0.9966%	Aug. 31, 2015		
	1,600,000	—	—	1,600,000	1.0400%	Nov. 30, 2015		
	1,500,000	—	—	1,500,000	0.8421%	Mar. 30, 2018		
	1,400,000	—	—	1,400,000	0.7760%	Sep. 28, 2018		
	250,000	—	—	250,000	0.4466%	May 31, 2019		
	1,100,000	—	—	1,100,000	0.4966%	Nov. 29, 2019		
	—	1,702,000	—	1,702,000	0.3964%	May 31, 2019		
	—	574,000	—	574,000	0.4464%	May 29, 2020		
Sumitomo Mitsui Banking Corporation	1,600,000	—	1,600,000	—	0.9966%	May 29, 2015		
	597,000	—	597,000	—	1.2280%	May 29, 2015		
	1,500,000	—	—	1,500,000	0.9966%	Aug. 31, 2015		
	1,600,000	—	—	1,600,000	1.0400%	Nov. 30, 2015		
	1,500,000	—	—	1,500,000	0.8421%	Mar. 30, 2018		
	1,400,000	—	—	1,400,000	0.7760%	Sep. 28, 2018		
	250,000	—	—	250,000	0.4466%	May 31, 2019		
	1,600,000	—	—	1,600,000	0.4966%	Nov. 29, 2019		
	—	894,000	—	894,000	0.3964%	May 31, 2019		
	—	300,000	—	300,000	0.4464%	May 29, 2020		

Sumitomo Mitsui Trust Bank, Ltd.	1,600,000	—	1,600,000	—	0.9966%	May 29, 2015	(Note 2)	Unsecured/ Unguaranteed
	989,000	—	989,000	—	1.2280%	May 29, 2015		
	1,600,000	—	—	1,600,000	1.0400%	Nov. 30, 2015		
	1,500,000	—	—	1,500,000	0.8421%	Mar. 30, 2018		
	1,978,000	—	—	1,978,000	0.7460%	May 31, 2017		
	1,400,000	—	—	1,400,000	0.7760%	Sep. 28, 2018		
	1,000,000	—	—	1,000,000	0.4966%	Nov. 29, 2019		
The Norinchukin Bank	500,000	—	—	500,000	0.7760%	Sep. 28, 2018		
	600,000	—	—	600,000	0.3966%	Nov. 30, 2017		
	600,000	—	—	600,000	0.4966%	Nov. 29, 2019		
	—	3,000,000	—	3,000,000	0.3964%	May 31, 2019		
The Bank of Fukuoka, Ltd.	500,000	—	—	500,000	0.7760%	Sep. 28, 2018		
	2,000,000	—	—	2,000,000	0.4966%	Nov. 29, 2019		
	—	2,000,000	—	2,000,000	0.3964%	May 31, 2019		
Development Bank of Japan Inc.	1,700,000	—	1,700,000	—	1.4313%	Mar. 27, 2015		
	750,000	—	—	750,000	0.8421%	Mar. 30, 2018		
	500,000	—	—	500,000	0.7760%	Sep. 28, 2018		
	2,000,000	—	—	2,000,000	0.4966%	Nov. 29, 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		
Shinsei Bank, Ltd.	1,500,000	—	—	1,500,000	1.0400%	Nov. 30, 2015		
	500,000	—	—	500,000	0.7760%	Sep. 28, 2018		
	900,000	—	—	900,000	0.4966%	Nov. 29, 2019		
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.	500,000	—	—	500,000	0.5966%	Mar. 31, 2016		
	1,000,000	—	—	1,000,000	0.3966%	Nov. 30, 2017		
ORIX Bank Corporation	1,000,000	—	—	1,000,000	0.5966%	Mar. 31, 2016		
The Oita Bank, Ltd.	1,000,000	—	—	1,000,000	0.3966%	Nov. 30, 2017		
Resona Bank, Ltd.	500,000	—	—	500,000	0.7760%	Sep. 28, 2018		
Total	71,178,000	13,022,000	14,700,000	69,500,000				

(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	17,000,000	3,978,000	12,600,000	22,500,000

7. NET ASSETS

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

8. INCOME TAXES

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

(Unit: thousands of yen)

	As of	
	July 31, 2014	January 31, 2014
Deferred tax assets		
Current assets		
Accrued enterprise tax excluded from expenses	22	15
Total deferred tax assets [current]	22	15
Net deferred tax assets [current]	22	15

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

	As of	
	July 31, 2014	January 31, 2014
Statutory tax rate	36.59%	36.59%
[Adjustments]		
Deductible cash distributions	(36.57%)	(36.58%)
Others	0.02%	0.02%
Effective tax rate	0.04%	0.03%

9. PER UNIT INFORMATION

(Unit: yen)

	For the six months ended	
	July 31, 2014	January 31, 2014
Net assets per unit	92,001	91,870
Net income per unit	2,151	2,052

(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 Company implemented a 5-for-1 split of investment units on January 31, 2014 as the record date and February 1, 2014 as the effective date. Net assets per unit and Net income per unit are calculated under the assumption that the split implemented on August 1, 2013.

(Note 3) The following is the basis for calculating net income per unit.

	For the six months ended	
	July 31, 2014	January 31, 2014
Net income (thousands of yen)	2,979,224	2,797,228
Amounts not attributable to common unitholders (thousands of yen)	—	—
Net income attributable to common investment units (thousands of yen)	2,979,224	2,797,228
Average number of investment units during the period (units)	1,384,925	1,363,451

10. RELATED PARTY TRANSACTIONS

(1) Parent company and major corporate unitholders

For the six months ended July 31, 2014

Type	Name	Location	Capital stock or investments in capital (thousands of yen)	Description of business	Percentage of voting rights held in (by) related party	Relationship with related party	Description of transaction	Amount of transaction (thousands of yen) (Note 1)	Account item	Balance at end of the period (thousands of yen)
Other related company	Mori Building Co., Ltd.	Minato-ku, Tokyo	67,000,000	Real estate business	17.7% directly held by related party	Leasing and management of real estate	Leasing of properties (Note 2) (Note 5)	4,228,751	Operating accounts receivable	869
									Advances received	739,005
									Lease and guarantee deposits in trust	6,663,711
							Payment of property operation and management fees (Note 6)	102,013 (Note 3)	Prepaid expenses	2,531
									Operating accounts payable	27,717
Deposit of lease and guarantee (Note 4) (Note 7)	—	Lease and guarantee deposits in trust	53,886							

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

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

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

(Note 4) Roppongi View Tower

[Transaction terms and conditions and related policies]

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

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

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

For the six months ended January 31, 2014

Type	Name	Location	Capital stock or investments in capital (thousands of yen)	Description of business	Percentage of voting rights held in (by) related party	Relationship with related party	Description of transaction	Amount of transaction (thousands of yen) (Note 1)	Account item	Balance at end of the period (thousands of yen)
Other related company	Mori Building Co., Ltd.	Minato-ku, Tokyo	67,000,000	Real estate business	17.7% directly held by related party	Leasing and management of real estate	Acquisition of property (Note 2) (Note 6)	21,900,000	—	—
							Leasing of properties (Note 3) (Note 7)	4,038,824	Operating accounts receivable	738
									Advances received	734,989
							Lease and guarantee deposits in trust	6,663,711	Lease and guarantee deposits in trust	6,663,711
									Payment of property operation and management fees (Note 8)	107,687 (Note 4)
							Deposit of lease and guarantee (Note 5) (Note 9)	53,886	Lease and guarantee deposits in trust	53,886
Operating accounts payable	23,528									

(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 and a portion of Koraku Mori Building

(Note 4) The amount includes construction fees (5,743 thousand yen) and construction management fees (936 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. 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 engages in transactions by conducting adequate procedures in line with the Related Parties Transaction Guidelines stipulated by the Company's Asset Manager and compliance regulations, after having comprehensively considered the market situation and other factors.

(2) Subsidiaries and affiliates

For the six months ended July 31, 2014

Not applicable.

For the six months ended January 31, 2014

Not applicable.



(3) Subsidiaries of Parent company

For the six months ended July 31, 2014

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

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

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

[Transaction terms and conditions and related policies]

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

For the six months ended January 31, 2014

Type	Name	Location	Capital stock or investments in capital (thousands of yen)	Description of business	Percentage of voting rights held in (by) related party	Relationship with related party	Description of transaction	Amount of transaction (thousands of yen) (Note 1)	Account item	Balance at end of the period (thousands of yen)
Subsidiary of other related company	Mori Building Investment Management Co., Ltd.	Minato-ku, Tokyo	200,000	Real estate, trust beneficiary right and other financial asset management operations	None	Outsourcing of asset management Concurrent post of directors	Payment of management fees (Note 2) (Note 4)	231,942 (Note 3)	Accrued expenses	220,544

(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 21,900 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

For the six months ended July 31, 2014

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

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

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

[Transaction terms and conditions and related policies]

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

For the six months ended January 31, 2014

Type	Name	Location	Capital stock or investments in capital (thousands of yen)	Description of business or position	Percentage of voting rights held in (by) related party	Relationship with related party	Description of transaction	Amount of transaction (thousands of yen) (Note 1)	Account item	Balance at end of the period (thousands of yen)
Directors and their close relatives	Hideyuki Isobe	—	—	Executive Director of the Company, and President & CEO of Mori Building Investment Management Co., Ltd.	None	Executive Director of the Company, and President & CEO of Mori Building Investment Management Co., Ltd.	Payment of management fees to Mori Building Investment Management Co., Ltd. (Note 2) (Note 4)	231,942 (Note 3)	Accrued expenses	220,544

(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 21,900 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.

11. BREAKDOWN OF PROPERTY-RELATED REVENUE AND EXPENSES

Breakdown of property operating income

(Unit: thousands of yen)

	For the six months ended	
	July 31, 2014	January 31, 2014
A. Property operating revenue		
Rent revenue of real estate		
Rent and common area revenue	5,666,880	5,486,055
Other rent revenue	3,528	3,794
Other rent revenue of real estate		
Parking revenue	16,293	18,858
Utilities and other revenue	100,355	100,995
Cancellation penalty	1,057	330
Total property operating revenue	5,788,116	5,610,034
B. Property operating expenses		
Expenses of real estate rent		
Property management fees	199,275	169,071
Property taxes	351,879	309,970
Utilities	85,490	93,347
Maintenance and repairs	27,632	15,208
Insurance premium	11,621	11,557
Custodian fees	6,368	6,955
Depreciation and amortization	836,678	810,627
Rent expenses	103,794	103,750
Other lease business expenses	18,868	9,177
Total property operating expenses	1,641,610	1,529,666
C. Property operating income [A – B]	4,146,505	4,080,368

Transactions with major unitholders

(Unit: thousands of yen)

	For the six months ended	
	July 31, 2014	January 31, 2014
From operating transactions		
Rent revenue of real estate	4,226,578	4,036,470
Other rent revenue of real estate	2,173	2,353
Expenses of real estate rent	97,802	101,008

12. UNITHOLDERS' EQUITY

	For the six months ended	
	July 31, 2014	January 31, 2014
Total number of investment units authorized and total number of investment units issued and outstanding		
Total number of investment units authorized	10,000,000 units	2,000,000 units
Total number of investment units issued and outstanding	1,384,925 units	276,985 units

13. 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: (7) 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 July 31, 2014.

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

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

	(Unit: thousands of yen)		
	Carrying amount	Fair value	Difference
(a) Cash and deposits	3,531,963	3,531,963	—
(b) Cash and deposits in trust	9,164,640	9,164,640	—
Total	12,696,604	12,696,604	—
(c) Current portion of investment corporation bonds	8,000,000	8,038,100	38,100
(d) Current portion of long-term loans payable	30,022,000	30,022,000	—
(e) Investment corporation bonds	17,000,000	17,259,900	259,900
(f) Long-term loans payable	71,178,000	71,251,051	73,051
Total	126,200,000	126,571,051	371,051
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 July 31, 2014)

(Unit: thousands of yen)

	Due within 1 year	Due after 1 year, but within 2 years	Due after 2 years, but within 3 years	Due after 3 years, but within 4 years	Due after 4 years, but within 5 years	Due after 5 years
Cash and deposits	4,767,774	—	—	—	—	—
Cash and deposits in trust	9,217,094	—	—	—	—	—
Total	13,984,868	—	—	—	—	—

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

(Unit: thousands of yen)

	Due within 1 year	Due after 1 year, but within 2 years	Due after 2 years, but within 3 years	Due after 3 years, but within 4 years	Due after 4 years, but within 5 years	Due after 5 years
Cash and deposits	3,531,963	—	—	—	—	—
Cash and deposits in trust	9,164,640	—	—	—	—	—
Total	12,696,604	—	—	—	—	—

(Note 3) Investment corporation bonds and long-term loans payable scheduled to be due after the balance sheet date (as of July 31, 2014)

(Unit: thousands of yen)

	Due within 1 year	Due after 1 year, but within 2 years	Due after 2 years, but within 3 years	Due after 3 years, but within 4 years	Due after 4 years, but within 5 years	Due after 5 years
Investment corporation bonds	8,000,000	5,000,000	—	5,000,000	3,000,000	4,000,000
Long-term loans payable	31,700,000	17,000,000	3,978,000	12,600,000	22,500,000	13,422,000
Total	39,700,000	22,000,000	3,978,000	17,600,000	25,500,000	17,422,000

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

(Unit: thousands of yen)

	Due within 1 year	Due after 1 year, but within 2 years	Due after 2 years, but within 3 years	Due after 3 years, but within 4 years	Due after 4 years, but within 5 years	Due after 5 years
Investment corporation bonds	8,000,000	10,000,000	—	2,000,000	3,000,000	2,000,000
Long-term loans payable	30,022,000	30,200,000	3,500,000	4,578,000	20,500,000	12,400,000
Total	38,022,000	40,200,000	3,500,000	6,578,000	23,500,000	14,400,000

14. DERIVATIVE TRANSACTIONS

(1) Transactions for which hedge accounting is not applied

As of July 31, 2014

Not applicable.

As of January 31, 2014

Not applicable.

(2) Transactions for which hedge accounting is applied

As of July 31, 2014

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

(Unit: thousands of yen)

Method of hedge accounting	Type of derivative transaction	Main hedged item	Contract amount		Fair value	Method of calculating the fair value
				Due after 1 year		
Special treatment for interest rate swaps	Interest rate swap transactions Floating receivable; Fixed payable	Long-term loans payable	38,978,000	33,978,000	*	—

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

As of January 31, 2014

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

(Unit: thousands of yen)

Method of hedge accounting	Type of derivative transaction	Main hedged item	Contract amount		Fair value	Method of calculating the fair value
				Due after 1 year		
Special treatment for interest rate swaps	Interest rate swap transactions Floating receivable; Fixed payable	Long-term loans payable	38,978,000	38,978,000	*	—

* 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).

15. 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	
	July 31, 2014	January 31, 2014
Cash and deposits	4,767,774	3,531,963
Cash and deposits in trust	9,217,094	9,164,640
Cash and cash equivalents	13,984,868	12,696,604

16. LEASES

Operating lease transactions (as lessor)

Future minimum rental revenues under existing non-cancelable lease agreements

(Unit: thousands of yen)

	For the six months ended	
	July 31, 2014	January 31, 2014
Due within 1 year	2,356,843	2,406,219
Due after 1 year	18,582,186	19,196,586
Total	20,939,030	21,602,806

17. INVESTMENT AND RENTAL PROPERTIES

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

(Unit: thousands of yen)

	For the six months ended	
	July 31, 2014	January 31, 2014
Carrying amount		
Balance at beginning of the period	249,026,311	227,798,865
Amount of increase (decrease) during the period	(738,417)	21,227,445
Balance at end of the period	248,287,893	249,026,311
Fair value at end of the period	243,890,000	242,200,000

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

(Note 2) Of the decrease during the period ended July 31, 2014, the decrease is primarily attributable to depreciation and amortization.

Of the increase (decrease) during the period ended January 31, 2014, the increase is primarily attributable to the acquisition of one property (Roppongi Hills Mori Tower (19th · 22nd floors) (21,973,409 thousand yen), while the decrease is primarily attributable to depreciation and amortization.

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

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

18. 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 July 31, 2014

(1) Information about each product and service

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

(2) Information about each geographical area

(a) Operating revenue

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

(b) Property, plant and equipment

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

(3) Information about each major tenant

(Unit: thousands of yen)

Name of tenant	Operating revenue	Related segment
Mori Building Co., Ltd.	4,228,751	Real estate leasing business
Mori Building Ryutsu System Co., Ltd.	614,400	Real estate leasing business

For the six months ended January 31, 2014

(1) Information about each product and service

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

(2) Information about each geographical area

(a) Operating revenue

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

(b) Property, plant and equipment

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

(3) Information about each major tenant

Name of tenant	Operating revenue	Related segment
Mori Building Co., Ltd.	4,038,824	Real estate leasing business
Mori Building Ryutsu System Co., Ltd.	625,200	Real estate leasing business

(Unit: thousands of yen)

19. 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 July 9, 2014 and July 23, 2014. Furthermore, the cash contribution to new investment units through public offering was completed on August 1, 2014 and the cash contribution to new investment units through third-party allotment was completed on August 27, 2014.

As a result, unitholders' capital is 150,418,135,170 yen, with the number of investment units issued and outstanding is 1,570,040 units as of August 27, 2014.

(1) Issuance of New Investment Units through Japanese 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	:	Japanese Primary Offering	88,150 units
	:	International Offering	88,150 units
Issue price (offer price)	:	146,016 yen per unit	
Total amount of issue price (offer price)	:	25,742,620,800 yen	
Amount contributed in (issued value)	:	140,924 yen per unit	
Total amount contributed in (issued value)	:	24,844,901,200 yen	
Contribution date	:	August 1, 2014	
Initial date of dividends calculation	:	August 1, 2014	

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

Number of new investment units issued	:	8,815 units
Amount contributed in (issued value)	:	140,924 yen per unit
Total amount contributed in (issued value)	:	1,242,245,060 yen
Contribution date	:	August 27, 2014
Initial date of dividends calculation	:	August 1, 2014
Allottee	:	Mizuho Securities Co., Ltd.

(3) Use of Funds

The funds provided through issuance of new investment units through public offering (Japanese Primary Offering and International Offering) and through third-party allotment were used as a part of the funds for the acquisition of assets (a part of Roppongi Hills Mori Tower and a part of ARK Hills South Tower) and acquisition-related costs. The remaining funds will be kept as cash on hand, and will be used for part of future acquisition of specified assets.