

For Translation Purposes Only

FINANCIAL REPORT

FOR THE TWENTY-THIRD FISCAL PERIOD ENDED JANUARY 31, 2018

March 16, 2018

Name of issuer :	Mori Hills REIT Investment Corporation
Stock exchange listing :	Tokyo Stock Exchange
Securities code :	3234
Website :	http://www.mori-hills-reit.co.jp/en
Representative of the investment corporation :	Hideyuki Isobe, Executive Director
Name of asset manager :	Mori Building Investment Management Co., Ltd.
Representative of the asset manager :	Hideyuki Isobe, President & CEO
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Scheduled date for filing of securities report :	April 25, 2018
Scheduled date for dividends payment :	April 13, 2018
Supplementary materials for financial results :	Otherwise prepared
Analyst meeting :	Scheduled

1. PERFORMANCE FOR THE TWENTY-THIRD FISCAL PERIOD ENDED JANUARY 31, 2018 (August 1, 2017 – January 31, 2018)

(1) Business Results

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

	Operating Revenue		Operating Income		Ordinary Income		Net Income	
Twenty-third Fiscal Period	¥8,495	0.0%	¥5,287	(2.0%)	¥4,657	(2.1%)	¥4,655	(2.1%)
Twenty-second Fiscal Period	¥8,491	2.9%	¥5,395	3.6%	¥4,756	4.2%	¥4,755	4.2%

	Net Income per Unit	Net Income to Total Net Assets	Ordinary Income to Total Assets	Ordinary Income to Operating Revenue
Twenty-third Fiscal Period	¥2,659	2.6%	1.3%	54.8%
Twenty-second Fiscal Period	¥2,717	2.7%	1.4%	56.0%

(2) Dividends

	Dividends per Unit (excluding dividends in excess of earnings)	Total Dividends (excluding dividends in excess of earnings)	Dividends in Excess of Earnings per Unit	Total Dividends in Excess of Earnings	Dividend Payout Ratio	Dividend Ratio to Net Assets
Twenty-third Fiscal Period	¥2,659	¥4,654 million	¥0	¥0 million	99.9%	2.6%
Twenty-second Fiscal Period	¥2,610	¥4,569 million	¥0	¥0 million	96.0%	2.6%

(Note1) Dividend Payout Ratio is calculated by using the formula below and is rounded down to one decimal place.

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

(Note2) The main difference between dividends per unit and net income per unit for the Twenty-second Fiscal Period is attributable to calculation of dividends per unit calculated by deducting reserve for special account for reduction entry and retained earnings brought forward from unappropriated retained earnings, and dividing the amount by the number of units outstanding.

(3) Financial Position

	Total Assets	Net Assets	Net Assets to Total Assets	Net Assets per Unit
Twenty-third Fiscal Period	¥354,740 million	¥179,202 million	50.5%	¥102,363
Twenty-second Fiscal Period	¥348,673 million	¥179,115 million	51.4%	¥102,314

(4) Cash Flows

	Net Cash Provided by (Used in) Operating Activities	Net Cash Provided by (Used in) Investing Activities	Net Cash Provided by (Used in) Financing Activities	Cash and Cash Equivalents at End of the Period
Twenty-third Fiscal Period	¥5,263 million	(¥13,754 million)	¥631 million	¥9,071 million
Twenty-second Fiscal Period	¥7,117 million	(¥686 million)	(¥4,556 million)	¥16,931 million

2. FORECAST OF RESULTS FOR THE TWENTY-FOURTH FISCAL PERIOD ENDING JULY 31, 2018 (February 1, 2018 – July 31, 2018) AND THE TWENTY-FIFTH FISCAL PERIOD ENDING JANUARY 31, 2019 (August 1, 2018 – January 31, 2019)

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

	Operating Revenue		Operating Income		Ordinary Income		Net Income	
	Amount	Percentage change	Amount	Percentage change	Amount	Percentage change	Amount	Percentage change
Twenty-fourth Fiscal Period	¥8,721	2.7%	¥5,379	1.8%	¥4,763	2.3%	¥4,762	2.3%
Twenty-fifth Fiscal Period	¥8,759	0.4%	¥5,419	0.7%	¥4,815	1.1%	¥4,814	1.1%

	Dividends per Unit (excluding dividends in excess of earnings)	Dividends in Excess of Earnings per Unit
Twenty-fourth Fiscal Period	¥2,720	¥0
Twenty-fifth Fiscal Period	¥2,750	¥0

(Reference) Estimated net income per unit for the twenty-fourth fiscal period: ¥2,720
Estimated net income per unit for the twenty-fifth fiscal period: ¥2,750

***OTHER**

(1) Changes in Accounting Policies, Changes in Accounting Estimates and Corrections of Errors

- (a) Changes in accounting policies in accordance with amendments to accounting standards, etc.: None
- (b) Changes in accounting policies other than (a): None
- (c) Changes in accounting estimates: None
- (d) Corrections of errors: None

(2) Number of Units Issued and Outstanding

(a) Number of units issued and outstanding at end of the period (including own units)

Twenty-third fiscal period: 1,750,640 units Twenty-second fiscal period: 1,750,640 units

(b) Number of own units at end of the period

Twenty-third fiscal period: 0 units Twenty-second fiscal period: 0 units

(Note) For the number of investment units used as the basis for calculating net income per unit, please refer to “Per unit Information” on page 31.

* Presentation of the status of implementation of audit procedures

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

* Explanation on the appropriate use of the forecast of results, and other matters of special note

The forecast of results and other forward-looking statements contained in this document are based on information currently available to and certain assumptions deemed reasonable by Mori Hills REIT Investment Corporation (the “Company”). Accordingly, actual results, etc. may differ materially due to a variety of factors. Furthermore, these forecasts shall not be construed as a guarantee of dividends. For the assumptions underlying the forecasts of results, please refer to “Assumptions of Forecasts of Results for the Twenty-Fourth Fiscal Period Ending July 31, 2018 (February 1, 2018 – July 31, 2018) and the Twenty-Fifth Fiscal Period Ending January 31, 2019 (August 1, 2018 – January 31, 2019)” presented on pages 10 to 11.

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1. AFFILIATED CORPORATIONS OF THE INVESTMENT CORPORATION

Disclosure is omitted because there are no significant changes from the “Structure of the Investment Corporation” in the most recent securities report (submitted on October 27, 2017).

2. MANAGEMENT POLICY AND MANAGEMENT STATUS

(1) Management Policy

Disclosure is omitted because there are no significant changes from the “Investment Policy,” “Investment Targets” and “Distribution Policy” in the most recent securities report (submitted on October 27, 2017).

(2) Management Status

(a) Overview of the Fiscal Period

a) Brief Background of the Investment Corporation

The Company was incorporated by Mori Building Investment Management Co., Ltd. (the Company’s Asset Manager) on February 2, 2006 under the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended) (the “Investment Trust Act”), and was listed on the Real Estate Investment Trust Section of Tokyo Stock Exchange, Inc. (the “Tokyo Stock Exchange”) on November 30, 2006 (Securities Code: 3234).

In the fiscal period under review (twenty-third fiscal period: August 1, 2017 to January 31, 2018), as of the end of the twenty-third fiscal period, the total number of investment units issued and outstanding was 1,750,640.

b) Investment Environment and Business Performance

(i) Investment Environment

In the twenty-third fiscal period, with exchange rates relatively stable, the Japanese economy saw continued improvements in corporate earnings as well as in the employment and income environments backed by favorable economic circumstances both domestically and abroad, while the stock market also increased solidly.

Within this economic environment, the rental office building market experienced continued improvement in supply-demand balance due to the ongoing demand for expansion and relocation driven by the strong employment situation, and also due to the steady lease up of tenants into new buildings. In the luxury rental housing market, occupancy rates and rent levels remained solid with the ongoing steady demand for quality housing in central Tokyo. In the real estate trading market, transaction prices continue to be high, backed by the strong investment appetite from investors at home and abroad as well as by J-REITs that were actively turning to replace their assets under management and overseas entities which successively made large transactions.

(ii) Business Performance

In the twenty-third fiscal period, the Company strove to maintain and enhance tenant satisfaction through measures such as efficient and systematic operational management and maintenance and repair of properties in its portfolio by better understanding tenant needs. Moreover, the Company maintained and enhanced occupancy rates and rents by proactively launching leasing activities targeting new and existing tenants while foreseeing trends in rental market conditions.

The Company’s real estate portfolio, as of the end of the twenty-third fiscal period, was comprised of 11 properties (Note 1) under management with a total leasable area of 159,828.74m². The Company has already invested 352,550 million yen (based on the acquisition price) into this portfolio. The occupancy rate at the end of the twenty-third fiscal period (Note 2) was 98.5%.

(Note 1) With regard to Roppongi View Tower, the Company acquired the trust beneficiary interest in 6% co-ownership interest on March 22, 2006 and the trust beneficiary interest in 40% co-ownership interest on April 13, 2006. However, the Company treats these as one property for the purpose of calculating the number of properties in the portfolio. On April 1, 2014, a split of co-owned property by the method of division in kind was conducted, resulting in the trust beneficiary interest in 6% co-ownership interest becoming trust beneficiary interest in compartmentalized ownership for 12 units and the trust beneficiary interest in 40% co-ownership interest becoming trust beneficiary interest in compartmentalized ownership for 80 units. The same applies hereafter.

With regard to ARK Mori Building, the Company made acquisitions as follows to date. However, the Company treats these as one property for the purpose of calculating the number of properties in the portfolio. The same applies hereafter.

- i) Trust beneficiary interest in compartmentalized ownership for the 13th floor portion on March 22, 2006.
- ii) 75% trust beneficiary interest quasi co-ownership interest in compartmentalized ownership for the 12th and 22nd floor portions on March 28, 2008.
- iii) The remaining 25% trust beneficiary interest quasi co-ownership interest in compartmentalized ownership for the 12th and 22nd floor portions on September 30, 2008.
- iv) 50% co-ownership interest in compartmentalized ownership for the 23rd floor portion on March 23, 2010. On March 18, 2011, the co-ownership interest was subsequently entrusted and the Company has held trust beneficiary interest therein.
- v) Trust beneficiary interest in the remaining 50% co-ownership interest in compartmentalized ownership for the 23rd floor portion and compartmentalized ownership for the 25th floor portion on March 18, 2011.
- vi) Trust beneficiary interest in compartmentalized ownership for the 4th, 15th and 24th floor portions on August 1, 2011.
- vii) Trust beneficiary interest in compartmentalized ownership for the area used as district heating and cooling on the 1st floor and below ground 1st to 4th floor portions on April 1, 2013.

With regard to Akasaka Tameike Tower, the Company made acquisitions as follows to date. However, the Company treats these as one property for purpose of calculating the number of properties in the portfolio. The same applies hereafter.

- i) Trust beneficiary interest in office and shop areas (including parts of storage areas, parking lots, etc.) (approximately 35.5% of total exclusive floor area) on September 30, 2008.
- ii) Trust beneficiary interest in residential area (including parts of parking lots, etc.) (approximately 30.0% of total exclusive floor area) on March 18, 2011.

With regard to Roppongi Hills Mori Tower, the Company made acquisitions as follows to date. However, the Company treats these as one property for purpose of calculating the number of properties in the portfolio. The same applies hereafter.

- i) 50% co-ownership interest in compartmentalized ownership for the 24th floor portion on March 23, 2010. On August 1, 2011, the co-ownership interest was subsequently entrusted and the Company has held trust beneficiary interest therein.
- ii) Trust beneficiary interest in compartmentalized ownership for the 23rd floor portion and the remaining 50% co-ownership interest in compartmentalized ownership for the 24th floor portion on August 1, 2011.
- iii) Trust beneficiary interest in compartmentalized ownership for the 19th and 22nd floor portions on October 1, 2013.
- iv) Trust beneficiary interest in compartmentalized ownership for the 20th floor portion on August 1, 2014.
- v) Trust beneficiary interest in compartmentalized ownership for the 28th floor portion on September 16, 2015.
- vi) Trust beneficiary interest in compartmentalized ownership for the 25th floor portion on February 1, 2016.
- vii) Trust beneficiary interest in compartmentalized ownership for the 26th, 27th and 29th floor portions on April 1, 2016.

With regard to Atago Green Hills, the Company made acquisitions as follows to date. However, the Company treats these as one property for purpose of calculating the number of properties in the portfolio. The same applies hereafter.

- i) 45% trust beneficiary interest quasi co-ownership interest in co-ownership interest in ownership and compartmentalized ownership of Atago Green Hills' 3 buildings (MORI Tower, Forest Tower and Plaza), as well as co-ownership interest in ownership of the sites and quasi co-ownership interest in leasehold right and easement of the sites (approximately 20.0% of total exclusive floor area) on May 1, 2012.
- ii) 29% trust beneficiary interest quasi co-ownership interest in co-ownership interest in ownership and compartmentalized ownership of Atago Green Hills' 3 buildings (MORI Tower, Forest Tower and Plaza), as well as co-ownership interest in ownership of the sites and quasi co-ownership interest in leasehold right and easement of the sites (approximately 12.9% of total exclusive floor area) on April 1, 2013.

(Note 2) The occupancy rate at the end of the fiscal period is calculated by dividing the aggregate of the total leased area for all properties at the end of the fiscal period by the aggregate of the total leasable area for all properties at the end of the fiscal period, which is rounded off to one decimal place.

c) Overview of Fund Procurement

During the twenty-third fiscal period, the Company took out long-term loans payable in the amount of 7,200 million yen to be used as funds for the acquisition of new properties. In addition, the Company received new borrowings of 2,600 million yen for refinancing long-term loans payable of 2,600 million yen and redeemed investment corporation bonds of 2,000 million yen using cash on hand on maturity.

As a result, as of the end of the twenty-third fiscal period, a) the balance of loans payable stands at 133,222 million yen (all of these are long-term loans payable (of which, the current portion of long-term loans payable is 20,500 million yen)), b) the balance of investment corporation bonds stands at 28,000 million yen (of which, the current portion of investment corporation bonds is 3,000 million yen), and c) the balance of interest-bearing debt stands at 161,222 million yen.

Of the debt, in addition to the 28,000 million yen in investment corporation bonds and 3,700 million yen in long-term loans payable that have fixed interest rates, the Company utilizes interest rate swaps to in effect convert the interest rates for loans payable that have floating interest rates into fixed interest rates in order to hedge against the risk of upward fluctuations in interest rates. Such measures have been taken for 69,000 million yen of the 129,522 million yen in long-term loans payable that have such floating interest rates (the ratio of fixed rate debt against total interest-bearing debt as of the end of the twenty-third fiscal period is 62.5%). With respect to future debt, the Company will strive to minimize refinancing risks by diversifying repayment dates for such debt.

As of the end of the twenty-third fiscal period, the Company has obtained an AA long-term issuer rating (rating outlook: stable) from Japan Credit Rating Agency, Ltd.

(Note) Short-term loans payable are loans payable with a term of one year or less (from the drawdown date to the repayment date) and long-term loans payable are loans payable with a term of over one year (from the drawdown date to the repayment date). The same applies hereafter.

d) Overview of Business Results and Distributions

The asset management activities described above resulted in the Company recording in the twenty-third fiscal period 8,495 million yen in operating revenue, 5,287 million yen in operating income, 4,657 million yen in ordinary income and 4,655 million yen in net income.

With regard to dividends, it is stipulated that the amount shall be no more than the amount of profits as specified in Article 37, Item 1 of the policy for cash distributions in the Investment Corporation's articles of incorporation, and shall exceed the amount equivalent to 90% of the amount of its profits available for distribution as set forth in Article 67-15 of the Act on Special Measures Concerning Taxation. On that basis, the Company decided to pay out dividends of earnings (4,654,951,760 yen), which is integral multiple of the total number of investment units issued and outstanding (1,750,640 units) out of the amount remaining after reserving part of retained earnings, not in excess of unappropriated retained earnings for the twenty-third fiscal period.

As a result, the Company declared dividends per unit of 2,659 yen.

(b) Outlook for the Next Fiscal Period

a) Future Management Policy

Pursuant to the Company's investment policy, the Company will seek to grow and increasingly enhance the profitability and value of assets under management by focusing on the competitiveness and the ability to create value attributable to "urban" areas (central Tokyo being the core area) and concentrating investment into "urban" areas. Specifically, the Company will seek to develop an urban portfolio centered on office buildings, residential properties, and retail and other facilities with competitive advantages in terms of quality, scale, and other specifications that can maintain a strong competitive position into the future and that are situated in "Premium Areas" ("Premium Properties" (Note)). The quintessential example is the "Hills" brand of large redevelopment properties exhibiting high creativity and added-value in a manner that has been developed and perfected over the years by the Mori Building Group.

With respect to the management of properties in the portfolio, the Company will seek to ensure stable revenue over the medium to long term and maintain and enhance the asset value of its portfolio by adopting the basic policy of enhancing tenant satisfaction and conducting rational, efficient and systematic asset management and administration.

In addition, the Company will continue to seek to maximize unitholder value through further improvements in profitability and stability by progressively achieving steady internal growth with a close watch on rental market trends while actively pursuing external growth utilizing Mori Building Groups' property pipeline.

(Note) Premium Properties refer to properties with competitive advantages in terms of quality, scale, and other specifications that can maintain a superior competitive position into the future and that are situated in "Premium Areas" (Tokyo's five central wards (Minato Ward, Chiyoda Ward, Chuo Ward, Shinjuku Ward and Shibuya Ward) and their vicinity; the same applies hereafter), where the Mori Building Group (Mori Building Co., Ltd., Mori Building Co., Ltd.'s consolidated subsidiaries and equity-method affiliates of Mori Building Co., Ltd., that conduct business in Japan; the same applies hereafter) can fully demonstrate its brand/marketing strength and facilities management capabilities, etc.

b) Significant Subsequent Events

Not applicable.

(Reference Information)

(i) Asset acquisitions and Lease

The Company acquired the following assets on March 1, 2018.

Overview of Acquisitions and Lease

Property name	Toranomon Hills Mori Tower	Holland Hills Mori Tower
Assets acquisition	Trust beneficial interests (Note 1)	Trust beneficial interests (Note 2)
Acquisition price	5,070 million yen (Note 3)	2,430 million yen (Note 3)
Appraisal value	5,614 million yen (Note 4)	2,775 million yen (Note 4)
Sales agreement date	September 14, 2017	
Acquisition date	March 1, 2018	
Seller	Mori Building Co., Ltd.	
Acquisition financing	Borrowings and cash on hand	
Lessee	Mori Building Co., Ltd.	

(Note 1) The Company acquired the trust beneficial interests in 87.95% co-ownership of compartmentalized ownership of the 28-35th floors and the co-ownership interest in the land use rights. The Company acquired an additional 7% quasi co-ownership interest of the trust beneficial interests and hold 14% together with the 7% already acquired. The remaining 86% of the quasi co-ownership interest of the trust beneficiary right is held by Mori Building Co., Ltd.

(Note 2) The Company acquired the trust beneficial interests in compartmentalized ownership of the 3rd-4th, part of 5th, 14-18th and 22-24th floors and the co-ownership interest in the land use rights. The Company acquired 15% quasi co-ownership interest of the trust beneficiary interests and hold 72% together with the 57% already acquired. The remaining 28% of the quasi co-ownership interest of the trust beneficiary right is held by Mori Building Co., Ltd.

(Note 3) The indicated acquisition price does not include acquisition-related costs, consumption taxes and other expenses. The same shall apply hereinafter.

(Note 4) The appraisal value as of August 1, 2017 as described in the real estate appraisal report prepared by Japan Real Estate Institute.

(ii) Borrowing of Funds

To be used as part of the funds for assets acquired on March 1, 2018 (a portion of Toranomom Hills Mori Tower and a portion of Holland Hills Mori Tower), and to make a 10,000 million yen prepayment of long-term loans payable due March 30, 2018, the Company borrowed the funds described below.

i) Details of Borrowings

Lender	Borrowing amount (million yen)	Interest rate (Note 1)	Drawdown date	Repayment date (Note 2)	Method of repayment	Collateral
The Bank of Fukuoka, Ltd	500	Base interest rate +0.20%	February 28, 2018	August 31, 2025	To be repaid in full on the principal repayment date	Unsecured/ Unguaranteed
Resona Bank, Limited.	500	Base interest rate +0.20%		August 31, 2025		
Mizuho Trust & Banking Co., Ltd.	1,500	Base interest rate +0.20%		August 31, 2025		
Shinsei Bank, Limited	500	Base interest rate +0.27%		August 31, 2025		
The Nishi-Nippon City Bank, Ltd.	500	Base interest rate +0.27%		August 31, 2025		
Sumitomo Mitsui Banking Corporation	2,650	Base interest rate +0.25%		February 28, 2026		
Sumitomo Mitsui Trust Bank, Limited	2,600	Base interest rate +0.24%		February 28, 2027		
Development Bank of Japan, Inc.	750	Base interest rate +0.30%		February 28, 2027		
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4,700	Base interest rate +0.22%		August 31, 2027		
Mizuho Bank, Ltd.	2,700	Base interest rate +0.30%		February 28, 2030		

(Note 1) The first payment date shall be the last day of March 2018 and subsequent payment dates shall be the last day of every month thereafter. If the date is not a business day, the next business day shall be the date and if this next business day falls into the following month, the business day prior shall be the payment date. Base interest rate to be applied will be the 1-month JBA Japanese Yen TIBOR announced by the Japanese Bankers Association two business days prior to the last payment day (The first payment date shall be the drawdown date).

(Note 2) If the repayment date is not a business day, the next business day shall be the repayment date. If this next business day falls into the following month, the business day prior shall be the repayment date.

ii) Details of Prepayment of Borrowings

Lender	Borrowing amount (million yen)	Interest rate	Drawdown date	Repayment date	Scheduled Prepayment date
Sumitomo Mitsui Banking Corporation Mizuho Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking corporation Sumitomo Mitsui Trust Bank, Limited Aozora Bank, Ltd. Development Bank of Japan, Inc. Mizuho Trust & Banking Co., Ltd.	10,000	0.84210% (Note)	March 29, 2013	March 30, 2018	February 28, 2018

(Note) Although it is borrowed at a fluctuating interest rate, the interest rate after converting into a fixed interest rate is stated because the interest payment rate is substantially fixed by the interest rate swap agreement.

c) Outlook of Business Results

The Company expects the following business results for the twenty-fourth fiscal period (February 1, 2018 to July 31, 2018) and the twenty-fifth fiscal period (August 1, 2018 to January 31, 2019). For the assumptions underlying the forecasts of results, please refer to “Assumptions of Forecasts of Results for the Twenty-Fourth Fiscal Period Ending July 31, 2018 (February 1, 2018 – July 31, 2018) and the Twenty-Fifth Fiscal Period Ending January 31, 2019 (August 1, 2018 – January 31, 2019)” presented below.

Twenty-Fourth Fiscal Period Ending July 31, 2018 (February 1, 2018 – July 31, 2018)

Operating revenue	¥8,721 million
Operating income	¥5,379 million
Ordinary income	¥4,763 million
Net income	¥4,762 million
Dividends per unit	¥2,720
Dividends in excess of earnings per unit	¥0

Twenty-Fifth Fiscal Period Ending January 31, 2019 (August 1, 2018 – January 31, 2019)

Operating revenue	¥8,759 million
Operating income	¥5,419 million
Ordinary income	¥4,815 million
Net income	¥4,814 million
Dividends per unit	¥2,750
Dividends in excess of earnings per unit	¥0

(Note) The forecasted figures above are calculated as of today based on certain assumptions. Forecasts for operating revenue, operating income, ordinary income, net income, dividends per unit and dividends in excess of earnings per unit may differ from actual results due to changes in operating conditions and a variety of factors. Furthermore, these forecasts shall not be construed as a guarantee of dividends.

Assumptions of Forecasts of Results for the Twenty- Fourth Fiscal Period Ending July 31, 2018 (February 1, 2018 – July 31, 2018) and the Twenty-Fifth Fiscal Period Ending January 31, 2019 (August 1, 2018 – January 31, 2019)

Item	Assumptions
Accounting Period	Twenty-Fourth fiscal period: February 1, 2018 – July 31, 2018 (181 days) Twenty-Fifth fiscal period: August 1, 2018 – January 31, 2019 (184 days)
Portfolio Assets	<ul style="list-style-type: none"> • The Company’s portfolio assets consisted of 11 properties as of the end of the fiscal period ended January 31, 2018. The Company assumes that the additional acquisition of Toranomom Hills Mori Tower and Holland Hills Mori Tower (collectively, the “Assets Acquired”) on March 1, 2018 are reflected. • The actual portfolio assets may differ from this assumption due to additional changes.
Operating Revenue	<ul style="list-style-type: none"> • Rent revenues are estimated based on lease agreements, etc., taking into account the market environment, the trends of individual tenants and other factors. • Regarding the properties owned, it is assumed that rent revision is implemented under the same conditions as current conditions for a portion of floors of ARK Mori Building for which rent revision of fixed-rent master lease will take place in April 2018, and renewal is implemented under the same conditions as current conditions for portion of floors of Roppongi Hills Mori Tower for which rent revision of fixed-rent master lease will expire in September 2018. • The Company assumes that there will be no delinquencies or non-payment of rents by tenants.
Operating Expenses	<ul style="list-style-type: none"> • For expenses related to properties, major operating expenses of 3,032 million yen and 3,012 million yen are expected for the fiscal periods ending July 31, 2018 and January 31, 2019, respectively. Expenses other than those below are calculated by referring to historical figures and adjusted to reflect variable factors. <ul style="list-style-type: none"> (i) For property taxes, city planning taxes, etc., 589 million yen (for six months) and 618 million yen (for six months) are expected for the fiscal period ending July 31, 2018 and January 31, 2019, respectively. Therefore, the property taxes, city planning taxes, etc. associated with Assets Acquired were calculated at the time of acquisition with the seller using a prorated adjusted amount and the Company has capitalized these amounts as part of the cost of the acquisition. No amount is expected to be recognized as operating expenses for the fiscal period ending July 31, 2018 and January 31, 2019. (ii) For building maintenance and repairs, the Company recorded the estimated required amount for the respective fiscal periods as 102 million yen for the fiscal period ending July 31, 2018 and 70 million yen for the fiscal period ending January 31, 2019. However, please note that the actual expenses for maintenance and repairs in the respective fiscal periods may differ materially from the estimated amounts due to various reasons. For example, an unforeseeable event may cause serious damage to a building and emergency repairs may be required as a consequence. Also, maintenance and repairs are expenses that are not accrued on a regular basis and the amount of variation may vary significantly from one period to the next. (iii) Depreciation and amortization, which are calculated using the straight-line method with future additional capital expenditures taken into account, are expected to be 1,039 million yen in the fiscal period ending July 31, 2018 and 1,017 million yen in the fiscal period ending January 31, 2019. (iv) For property management fees, 1,008 million yen is expected for the fiscal period ending July 31, 2018 and 998 million yen is expected for the fiscal period ending January 31, 2019.

Item	Assumptions
	<ul style="list-style-type: none"> For the operating expenses other than expenses related to properties (asset management fee, asset custody fee, administrative service fees, etc.), 309 million yen is expected for the fiscal period ending July 31, 2018 and 327 million yen is expected for the fiscal period ending January 31, 2019.
Non-Operating Expenses	<ul style="list-style-type: none"> The Company expects to incur 321 million yen for the fiscal period ending July 31, 2018 and 323 million yen for the fiscal period ending January 31, 2019 in interest expenses, 85 million yen for the fiscal period ending July 31, 2018 and 82 million yen for the fiscal period ending January 31, 2019 in interest expenses on investment corporation bonds, and 175 million yen for the fiscal period ending July 31, 2018 and 162 million yen for the fiscal period ending January 31, 2019 in borrowing expenses. The Company expects to incur 21 million yen for the fiscal period ending July 31, 2018 and 21 million yen for the fiscal period ending January 31, 2019 in amortization of investment unit issuance expenses.
Interest-Bearing Debt	<ul style="list-style-type: none"> The Company's balance of interest-bearing debt as of the end of the fiscal period ended January 31, 2018 is 161,222 million yen. The Company took out new loans payment in the amount of 6,900 million yen in February 2018 as part of the funds for the acquisition of Assets Acquired described in the portfolio assets above. As a result the Company's balance of interest-bearing debt as of the date of this report is 168,122 million yen. The balance of loans payable outstanding as of the end of the fiscal period ended January 31, 2018 is 133,222 million yen. The Company assumes that, of that amount, the 20,500 million yen balance of loans payable due for repayment by the end of the fiscal period ending January 31, 2019 will be refinanced in the entire amount. The balance of investment corporation bonds as of the end of the fiscal period ended January 31, 2018 is 28,000 million yen. The Company assumes that, of the amount the 3,000 million yen balance of investment corporation bonds due for redemption by the end of the fiscal period ending January 31, 2019 will be redeemed through issuance of investment corporation bonds of the same amount.
Issuance of Investment Units	<ul style="list-style-type: none"> The number of investment units issued and outstanding as of the date of this document is 1,750,640 units. The Company assumes that there will be no additional issuance of investment units until the end of the fiscal period ending January 31, 2019.
Dividends per Unit (excluding dividends in excess of earnings)	<ul style="list-style-type: none"> Dividends per unit are calculated based on the assumption that the Company will make distributions in accordance with the distribution policy set forth in its Articles of Incorporation. Dividends per unit may vary due to various factors, including changes in the portfolio assets, changes in rent income due to tenant replacement, unexpected repairs, changes in interest rates, or additional issuance of new investment units.
Dividends in Excess of Earnings per Unit	<ul style="list-style-type: none"> At present, the Company has no plan to make any cash distributions in excess of earnings (dividends in excess of earnings per unit).
Other	<ul style="list-style-type: none"> The Company assumes that there will be no amendments to legislation, taxation, accounting standards, listing regulations, the Investment Trusts Association's rule, etc. that would affect the above forecasts. The Company assumes that there will be no unforeseen material changes in general economic conditions, the real estate market, etc.

3. FINANCIAL STATEMENTS

(1) Balance sheet

(Unit: thousands of yen)

	As of	
	July 31, 2017	January 31, 2018
Assets		
Current assets		
Cash and deposits	9,609,786	1,475,138
Cash and deposits in trust	7,321,280	7,596,522
Operating accounts receivable	208,751	381,165
Prepaid expenses	448,573	463,592
Deferred tax assets	—	40
Consumption taxes receivable	—	121,627
Other	3,593	13
Total current assets	17,591,985	10,038,101
Noncurrent assets		
Property, plant and equipment		
Land	22,074,160	22,074,160
Buildings in trust	69,104,243	72,407,178
Accumulated depreciation	(12,120,079)	(13,103,174)
Buildings in trust, net	56,984,163	59,304,004
Structures in trust	739,438	782,883
Accumulated depreciation	(251,195)	(268,115)
Structures in trust, net	488,243	514,767
Machinery and equipment in trust	761,534	798,696
Accumulated depreciation	(184,141)	(202,727)
Machinery and equipment in trust, net	577,393	595,968
Tools, furniture and fixtures in trust	192,828	213,594
Accumulated depreciation	(90,814)	(103,946)
Tools, furniture and fixtures in trust, net	102,013	109,647
Land in trust	219,188,377	230,442,284
Construction in progress in trust	383	30,561
Total property, plant and equipment	299,414,737	313,071,395
Intangible assets		
Leasehold rights in trust	30,650,962	30,650,962
Other intangible assets in trust	2,480	1,857
Other	1,483	1,096
Total intangible assets	30,654,927	30,653,917
Investments and other assets		
Lease and guarantee deposits	10,000	10,000
Long-term prepaid expenses	815,432	816,379
Derivatives	—	1
Total investments and other assets	825,432	826,381
Total noncurrent assets	330,895,097	344,551,694
Deferred assets		
Investment corporation bonds issuance cost	122,315	108,129
Investment unit issuance cost	64,235	42,823
Total deferred assets	186,550	150,953
Total assets	348,673,632	354,740,749

(Unit: thousands of yen)

	As of	
	July 31, 2017	January 31, 2018
Liabilities		
Current liabilities		
Operating accounts payable	184,927	194,977
Current portion of investment corporation bonds	5,000,000	3,000,000
Current portion of long-term loans payable	12,600,000	20,500,000
Accounts payable – other	15,377	12,118
Accrued expenses	278,759	276,605
Income taxes payable	596	1,385
Accrued consumption taxes	163,774	–
Advances received	1,064,305	1,095,433
Deposits received	27,543	36,521
Total current liabilities	19,335,284	25,117,041
Noncurrent liabilities		
Investment corporation bonds	25,000,000	25,000,000
Long-term loans payable	113,422,000	112,722,000
Lease and guarantee deposits in trust	11,800,930	12,699,579
Total noncurrent liabilities	150,222,930	150,421,579
Total liabilities	169,558,214	175,538,621
Net assets		
Unitholders' equity		
Unitholders' capital	174,231,870	174,231,870
Surplus		
Voluntary retained earnings		
Reserve for reduction entry	105,244	105,244
Reserve for special account for reduction entry	–	186,700
Total voluntary retained earnings	105,244	291,944
Unappropriated retained earnings	4,778,304	4,678,311
Total surplus	4,883,548	4,970,255
Total unitholders' equity	179,115,418	179,202,125
Valuation and translation adjustments		
Deferred gains or losses on hedges	–	1
Total valuation and translation adjustments	–	1
Total net assets	179,115,418	179,202,127
Total liabilities and net assets	348,673,632	354,740,749

(2) Statement of income and retained earnings

(Unit: thousands of yen)

	For the six months ended	
	July 31, 2017	January 31, 2018
Operating revenue		
Rent revenues	*1, *2 7,853,452	*1, *2 8,284,596
Other operating revenues	*1, *2 225,208	*1, *2 211,201
Gain on sales of real estate properties	*2, *3 413,312	—
Total operating revenue	8,491,973	8,495,797
Operating expenses		
Expenses related to properties	*1, *2 2,788,717	*1, *2 2,910,598
Asset management fee	201,529	201,565
Directors' compensation	5,200	4,200
Asset custody fee	8,727	8,716
Administrative service fees	19,899	19,264
Other operating expenses	*2 72,028	64,449
Total operating expenses	3,096,102	3,208,795
Operating income	5,395,871	5,287,002
Non-operating income		
Interest income	58	67
Gain on forfeiture of unclaimed dividends	861	1,549
Other	—	32
Total non-operating income	919	1,649
Non-operating expenses		
Interest expenses	316,623	329,221
Interest expenses on investment corporation bonds	92,264	93,013
Amortization of investment corporation bonds issuance cost	14,073	14,185
Borrowing expenses	166,568	171,628
Amortization of investment unit issuance cost	48,664	21,411
Other	1,930	1,960
Total non-operating expenses	640,124	631,420
Ordinary income	4,756,667	4,657,232
Income before income taxes	4,756,667	4,657,232
Income taxes-current	605	1,395
Income taxes-deferred	192	(40)
Total income taxes	797	1,354
Net income	4,755,870	4,655,877
Retained earnings brought forward	22,433	22,433
Unappropriated retained earnings (undisposed loss)	4,778,304	4,678,311

(3) Statement of changes in net assets
For the six months ended July 31, 2017

(Unit: thousands of yen)

	Surplus				Total unitholders' equity	Total net assets
	Unitholders' capital	Voluntary retained earnings		Unappropriated retained earnings		
		Reserve for reduction entry	Total voluntary retained earnings			
Balance at February 1, 2017	174,231,870	105,244	105,244	4,584,601	4,689,845	178,921,716
Change during the period						
Dividends from surplus				(4,562,167)	(4,562,167)	(4,562,167)
Net income				4,755,870	4,755,870	4,755,870
Total changes of items during the period	—	—	—	193,702	193,702	193,702
Balance at July 31, 2017	174,231,870	105,244	105,244	4,778,304	4,883,548	179,115,418

For the six months ended January 31, 2018

(Unit: thousands of yen)

	Surplus				Total unitholders' equity	
	Unitholders' capital	Voluntary retained earnings		Unappropriated retained earnings		
		Reserve for reduction entry	Reserve for special account for reduction entry			Total voluntary retained earnings
Balance at August 1, 2017	174,231,870	105,244	—	105,244	4,778,304	4,883,548
Change during the period						
Provision of reserve for special account for reduction entry			186,700	186,700	(186,700)	—
Dividends from surplus					(4,569,170)	(4,569,170)
Net income					4,655,877	4,655,877
Net changes of items other than owners' equity						
Total changes of items during the period	—	—	186,700	186,700	(99,992)	86,707
Balance at January 31, 2018	174,231,870	105,244	186,700	291,944	4,678,311	4,970,255

	Valuation and translation adjustments		Total net assets
	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at August 1, 2017	—	—	179,115,418
Change during the period			
Provision of reserve for special account for reduction entry			—
Dividends from surplus			(4,569,170)
Net income			4,655,877
Net changes of items other than owners' equity	1	1	1
Total changes of items during the period	1	1	86,709
Balance at January 31, 2018	1	1	179,202,127

(4) Statement of cash distributions

(Unit: yen)

	For the six months ended July 31, 2017	For the six months ended January 31, 2018
I Unappropriated retained earnings	4,778,304,094	4,678,311,114
II Reversal of voluntary retained earnings		
Reversal of reserve for special account for reduction entry	—	186,700,069
III Amount of dividends	4,569,170,400	4,654,951,760
Amount of dividends per unit	2,610	2,659
IV Voluntary retained earnings		
Reserve for special account for reduction entry	186,700,069	—
Reserve for reduction entry	—	186,700,069
V Retained earnings carried forward	22,433,625	23,359,354
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 (4,569,170,400 yen), which is the largest integral multiple of the total number of investment units issued and outstanding (1,750,640 units) out of the amount remaining reserve for special account for reduction entry based on Article 65-8 of the Act on Special Measures Concerning Taxation and retained earnings brought forward, not in excess of unappropriated retained earnings for the twenty-second fiscal period. 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 decided to pay out dividends of earnings (4,654,951,760yen), which is the integral multiple of the total number of investment units issued and outstanding (1,750,640 units) out of the amount remaining after reserving part of retained earnings, not in excess of unappropriated retained earnings for the twenty-third fiscal period. In addition, the Company decided to pay out dividends of earnings in an amount not in excess of unappropriated retained earnings as stipulated in Article 37 (2) of the Company's Articles of Incorporation.</p>

(5) Statement of cash flows

(Unit: thousands of yen)

	For the six months ended	
	July 31, 2017	January 31, 2018
Net cash provided by (used in) operating activities		
Income before income taxes	4,756,667	4,657,232
Depreciation and amortization	1,000,732	1,032,744
Amortization of investment corporation bonds issuance cost	14,073	14,185
Amortization of investment unit issuance cost	48,664	21,411
Interest income	(58)	(67)
Gain on forfeiture of unclaimed dividends	(861)	(1,549)
Interest expenses	408,887	422,234
Decrease (increase) in operating accounts receivable	(145,505)	(172,413)
Decrease (increase) in consumption taxes receivable	—	(121,627)
Increase (decrease) in operating accounts payable	40,242	(25,097)
Increase (decrease) in accounts payable – other	(13,377)	(2,733)
Increase (decrease) in accrued expenses	(36,811)	840
Increase (decrease) in accrued consumption taxes	(238,864)	(163,774)
Increase (decrease) in advances received	(31,409)	31,127
Increase (decrease) in deposits received	166	8,977
Decrease (increase) in prepaid expenses	4,553	(15,019)
Decrease (increase) in long-term prepaid expenses	126,790	(947)
Decrease in property, plant and equipment in trust due to sale	1,608,849	—
Other, net	(3,574)	3,579
Subtotal	7,539,164	5,689,102
Interest income received	58	67
Interest expenses paid	(408,061)	(425,229)
Income taxes paid	(14,143)	(606)
Net cash provided by (used in) operating activities	7,117,018	5,263,334
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment in trust	(405,638)	(14,653,244)
Repayments of lease and guarantee deposits in trust	(780,144)	(31,978)
Proceeds from lease and guarantee deposits in trust	498,801	930,628
Net cash provided by (used in) investing activities	(686,980)	(13,754,595)
Net cash provided by (used in) financing activities		
Proceeds from long-term loans payable	—	9,800,000
Repayments of long-term loans payable	(1,978,000)	(2,600,000)
Proceeds from issuance of investment corporation bonds	1,983,845	—
Redemption of investment corporation bonds	—	(2,000,000)
Cash dividends paid	(4,561,951)	(4,568,145)
Net cash provided by (used in) financing activities	(4,556,105)	631,854
Net increase (decrease) in cash and cash equivalents	1,873,931	(7,859,405)
Cash and cash equivalents at beginning of the period	15,057,135	16,931,067
Cash and cash equivalents at end of the period	* ₁ 16,931,067	* ₁ 9,071,661

(6) Notes to assumption of going concern

Not applicable.

(7) Summary of significant accounting policies

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

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

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

(b) Intangible assets (including assets in trust)

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

(c) Long-term prepaid expenses

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

(d) Investment corporation bonds issuance cost

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

(e) Investment unit issuance cost

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

(f) Accounting for property taxes

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

Registered owners of properties in Japan as of January 1 are responsible for paying property taxes for the calendar year based on assessments by local governments. Therefore, registered owners who sold properties to the Company were liable for property taxes for the calendar year, including the period from the date of the acquisition by the Company until the end of the year. The Company reimbursed sellers of properties for the equivalent amount of property taxes and included the amount in the acquisition cost of real estate. The amount equivalent to property taxes included in the cost of acquisition of real estate was none as of July 31, 2017, and 21,373 thousand yen as of January 31, 2018, respectively.

(g) Hedge accounting approach

a) Hedge accounting approach

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

b) Hedging instruments and hedged items

Hedging instruments: Interest rate swap transactions

Hedged items: Borrowing interest rates

c) Hedging policy

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

d) Method for assessing the effectiveness of hedging

The Company evaluates by comparing the cumulative change in market rates of hedged items and hedging instruments or cash flow 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 if the important conditions regarding hedging instruments and hedged items are identical and if it can be assumed that fluctuations of market rates or cash flow can be completely offset from when the hedge begins. Moreover, assessment of the effectiveness is omitted for interest rate swaps when the requirements for special treatment are fulfilled.

(h) Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows consist of cash on hand and deposits in trust; deposits and deposits in trust that can be withdrawn at any time; and short-term investments with a maturity of

three months or less from the date of acquisition, which are readily convertible to cash and bear only an insignificant risk of price fluctuation.

(i) Accounting for trust beneficial interest in real estate

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

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

a) Cash and deposits in trust

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

c) Lease and guarantee deposits in trust

(j) Consumption taxes

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

(8) Notes to Financial Statements

(Omission of disclosure)

Note to the balance sheet, statement of unitholders' equity, securities, retirement benefits and asset retirement obligations are omitted because there is thought to be no large necessity for disclosure in this financial report.

1. Breakdown of property-related revenue and expenses

*1 Breakdown of property operating income

	(Unit: thousands of yen)			
	For the six months ended			
	July 31, 2017		January 31, 2018	
A. Property operating revenue				
Rent revenues				
Rent and common area revenue	7,849,110		8,279,445	
Other rent revenue	4,342	7,853,452	5,150	8,284,596
Other operating revenues				
Parking revenue	43,065		48,740	
Utilities and other revenue	140,750		161,900	
Cancellation penalty	41,392		502	
Key money income	—	225,208	57	211,201
Total property operating revenue		8,078,661		8,495,797
B. Property operating expenses				
Expenses related to properties				
Property management fees	936,590		980,712	
Property taxes	516,999		555,906	
Utilities	117,171		136,588	
Maintenance and repairs	64,009		55,682	
Insurance premium	14,985		15,597	
Custodian fees	6,638		5,811	
Depreciation and amortization	1,000,345		1,032,357	
Rent expenses	112,673		112,673	
Other lease business expenses	19,304	2,788,717	15,268	2,910,598
Total property operating expenses		2,788,717		2,910,598
C. Property operating income [A – B]		5,289,944		5,585,199

*2 Transactions with major unitholders

(Unit: thousands of yen)

	For the six months ended	
	July 31, 2017	January 31, 2018
From operating transactions		
Rent revenues	5,362,051	5,420,960
Other operating revenues	2,259	2,438
Gain on sales of real estate properties	413,312	—
Expenses related to properties	238,828	223,196
Other operating expenses	1,274	—

*3 Breakdown of gain on sales of real estate properties

(Unit: thousands of yen)

For the six months ended July 31, 2017

Moto-Azabu Hills

Revenue from sale of real estate properties	2,030,000
Cost of sale of real estate properties	1,608,849
Other sales expenses	7,838
Gain on sales of real estate properties	413,312

For the six months ended January 31, 2018

Not applicable.

2. Cash and cash equivalents

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

(Unit: thousands of yen)

	For the six months ended	
	July 31, 2017	January 31, 2018
Cash and deposits	9,609,786	1,475,138
Cash and deposits in trust	7,321,280	7,596,522
Cash and cash equivalents	16,931,067	9,071,661

3. Leases

Operating lease transactions (as lessor)

Future minimum rent revenues under existing non-cancelable lease agreements

(Unit: thousands of yen)

	As of	
	July 31, 2017	January 31, 2018
Due within 1 year	4,187,285	4,253,411
Due after 1 year	15,259,453	14,630,053
Total	19,446,738	18,883,465

4. Financial instruments

(1) Policy for financial instruments

(a) Policy for holding financial instruments

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

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

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

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

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

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

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

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

(2) Fair value of financial instruments

The following are the carrying amount, fair value and the difference between them of financial instruments as of July 31, 2017.

	(Unit: thousands of yen)		
	Carrying amount	Fair value	Difference
(a) Cash and deposits	9,609,786	9,609,786	-
(b) Cash and deposits in trust	7,321,280	7,321,280	-
Total	16,931,067	16,931,067	-
(c) Current portion of investment corporation bonds	5,000,000	5,022,400	22,400
(d) Current portion of long-term loans payable	12,600,000	12,639,467	39,467
(e) Investment corporation bonds	25,000,000	25,174,075	174,075
(f) Long-term loans payable	113,422,000	113,880,503	458,503
Total	156,022,000	156,716,446	694,446
Derivative transactions (Note1)	-	-	-

The following are the carrying amount, fair value and the difference between them of financial instruments as of January 31, 2018.

	(Unit: thousands of yen)		
	Carrying amount	Fair value	Difference
(a) Cash and deposits	1,475,138	1,475,138	—
(b) Cash and deposits in trust	7,596,522	7,596,522	—
Total	9,071,661	9,071,661	—
(c) Current portion of investment corporation bonds	3,000,000	3,006,600	6,600
(d) Current portion of long-term loans payable	20,500,000	20,544,378	44,378
(e) Investment corporation bonds	25,000,000	25,153,015	153,015
(f) Long-term loans payable	112,722,000	113,074,395	352,395
Total	161,222,000	161,778,388	556,388
Derivative transactions (Note1)	1	1	—

(Note 1) Claims and liabilities from derivative transactions on a net basis are indicated in net amounts and items where the total is liability on a net basis are indicated in parentheses.

(Note 2) 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 3) Redemption of monetary claims scheduled to be due after the balance sheet date (as of July 31, 2017)

	(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	9,609,786	—	—	—	—	—
Cash and deposits in trust	7,321,280	—	—	—	—	—
Total	16,931,067	—	—	—	—	—

Redemption of monetary claims scheduled to be due after the balance sheet date (as of January 31, 2018)

	(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	1,475,138	—	—	—	—	—
Cash and deposits in trust	7,596,522	—	—	—	—	—
Total	9,071,661	—	—	—	—	—

(Note 4) Investment corporation bonds and long-term loans payable scheduled to be due after the balance sheet date (as of July 31, 2017)

(Unit: thousands of yen)

	Due within 1 year	Due after 1 year, but within 2 years	Due after 2 years, but within 3 years	Due after 3 years, but within 4 years	Due after 4 years, but within 5 years	Due after 5 years
Investment corporation bonds	5,000,000	3,000,000	5,000,000	5,500,000	—	11,500,000
Long-term loans payable	12,600,000	22,500,000	22,922,000	12,500,000	19,000,000	36,500,000
Total	17,600,000	25,500,000	27,922,000	18,000,000	19,000,000	48,000,000

Investment corporation bonds and long-term loans payable scheduled to be due after the balance sheet date (as of January 31, 2018)

(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	3,000,000	3,000,000	8,500,000	2,000,000	—	11,500,000
Long-term loans payable	20,500,000	27,900,000	13,022,000	19,000,000	11,700,000	41,100,000
Total	23,500,000	30,900,000	21,522,000	21,000,000	11,700,000	52,600,000

5. Derivative transactions

(1) Transactions for which hedge accounting is not applied

As of July 31, 2017

Not applicable.

As of January 31, 2018

Not applicable.

(2) Transactions for which hedge accounting is applied

As of July 31, 2017

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	64,000,000	54,000,000	*	—

* Derivative transactions that are subject to special treatment for interest rate swaps are accounted for together with long-term loans payable that are the hedged items and the fair value is included in the fair value of those long-term loans payable (please refer to Liabilities (d) and (f) of (Note 2) 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, 2018

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		
Principle method	Interest rate swap transactions Floating receivable; Fixed payable	Long-term loans payable	5,000,000	5,000,000	1	Based on the quoted price obtained from counterparty financial institutions.
Special treatment for interest rate swaps	Interest rate swap transactions Floating receivable; Fixed payable	Long-term loans payable	64,000,000	43,500,000	*	—

* 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 (d) and (f) of (Note 2) Method of calculating the fair value of financial instruments, and derivative transactions of “Financial instruments; (2) Fair value of financial instruments” above).

6. Related party transactions

(1) Parent company and major corporate unitholders

For the six months ended July 31, 2017

Type	Name	Location	Capital stock or investments in capital (thousands of yen)	Description of business	Percentage of voting rights held in (by) related party	Relationship with related party	Description of transaction	Amount of transaction (thousands of yen) (Note 1)	Account item	Balance at end of the period (thousands of yen)
Other related company	Mori Building Co., Ltd.	Minato-ku, Tokyo	67,000,000	Real estate business	15.0% directly held by related party	Leasing and management of real estate	Transfer of property (Note 2) (Note 6)	2,030,000	—	—
							Leasing of properties (Note 3) (Note 7)	5,364,311	Operating accounts receivable	1,428
									Advances received	947,904
									Lease and guarantee deposits in trust	8,497,506
							Payment of property operation and management fees (Note 8)	259,939 (Note 4)	Prepaid expenses	4,433
							Payment of other operating expenses (Note 9)	1,274	—	—
							Deposit of lease and guarantee (Note 5) (Note 10)	—	Lease and guarantee deposits in trust	53,886

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

(Note 2) Moto-Azabu Hills

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

(Note 4) The amount includes fees (21,111 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) Transfer decisions are made in accordance with the provisions of the Related Parties Transaction Guidelines stipulated by the Company's Asset Manager and compliance regulations. Furthermore, transfers are not made at a value below the appraisal value as determined by an independent third-party real estate appraiser (including corporations).

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

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

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

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

For the six months ended January 31, 2018

Type	Name	Location	Capital stock or investments in capital (thousands of yen)	Description of business	Percentage of voting rights held in (by) related party	Relationship with related party	Description of transaction	Amount of transaction (thousands of yen) (Note 1)	Account item	Balance at end of the period (thousands of yen)
Other related company	Mori Building Co., Ltd.	Minato-ku, Tokyo	67,000,000	Real estate business	15.0% directly held by related party	Leasing and management of real estate	Acquisition of Property (Note 2) (Note 6)	14,400,000	—	—
							Leasing of properties (Note 3) (Note 7)	5,423,399	Operating accounts receivable	799
									Advances received	968,529
							Payment of property operation and management fees (Note 8)	230,610 (Note 4)	Lease and guarantee deposits in trust	8,678,475
									Prepaid expenses	5,039
Deposit of lease and guarantee (Note 5) (Note 9)	—	Lease and guarantee deposits in trust	53,886							

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

(Note 2) A portion of Toranomon Hills Mori Tower and a portion of Holland Hills Mori Tower

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

(Note 4) The amount includes fees (7,413 thousand yen) that are not charged to expenses but recognized as assets.

(Note 5) Roppongi View Tower

[Transaction terms and conditions and related policies]

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

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

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

(Note 9) The Company 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, 2017

Not applicable.

For the six months ended January 31, 2018

Not applicable.

(3) Subsidiaries of parent company

For the six months ended July 31, 2017

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)	201,529	Accrued expenses	217,651

(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, 2018

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)	215,965 (Note 3)	Accrued expenses	217,691

(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 14,400 thousand yen in acquisition fees pertaining to a real estate acquisition included in the book value of real estate.

[Transaction terms and conditions and related policies]

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

(4) Directors and major individual unitholders

For the six months ended July 31, 2017

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)	201,529	Accrued expenses	217,651

(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, 2018

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)	215,965 (Note 3)	Accrued expenses	217,691

(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 14,400 thousand yen in acquisition fees pertaining to a real estate acquisition included in the book value of real estate.

[Transaction terms and conditions and related policies]

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

7. Income taxes

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

(Unit: thousands of yen)

	As of	
	July 31, 2017	January 31, 2018
Deferred tax assets		
Accrued enterprise tax excluded from expenses	—	40
Total deferred tax assets	—	40
Net deferred tax assets	—	40

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

	As of	
	July 31, 2017	January 31, 2018
Statutory tax rate	31.74%	31.74%
[Adjustments]		
Deductible cash distributions	(30.47%)	(31.72%)
Reserve for reduction entry	(1.25%)	—%
Others	(0.01%)	0.01%
Effective tax rate	0.02%	0.03%

8. Investment and rental properties

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

(Unit: thousands of yen)

	For the six months ended	
	July 31, 2017	January 31, 2018
Carrying amount		
Balance at beginning of the period	332,339,444	330,068,181
Amount of increase (decrease) during the period	(2,271,263)	13,656,034
Balance at end of the period	330,068,181	343,724,215
Fair value at end of the period	352,090,000	370,446,000

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

(Note 2) Of the increase (decrease) during the period ended July 31, 2017, the decrease is primarily attributable to the sale of the property (Moto-Azabu Hills (1,608,849 thousand yen) and attributable to depreciation and amortization. Of the increase (decrease) during the period ended January 31, 2018, the increase is primarily attributable to the acquisition of two properties (Toranomori Hills Mori Tower (approximately 1.0% of total exclusive floor area) (5,090,943 thousand yen) and Holland Hills Mori Tower (approximately 27.6% of total exclusive floor area) (9,377,795 thousand yen)), the decrease is primarily attributable to depreciation and amortization.

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

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

9. Segment and related information

[Segment information]

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

[Related information]

For the six months ended July 31, 2017

(1) Information about each product and service

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

(2) Information about each geographical area

(a) Operating revenue

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

(b) Property, plant and equipment

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

(3) Information about each major tenant

(Unit: thousands of yen)		
Name of tenant	Operating revenue	Related segment
Mori Building Co., Ltd.	5,777,623	Real estate leasing business

For the six months ended January 31, 2018

(1) Information about each product and service

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

(2) Information about each geographical area

(a) Operating revenue

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

(b) Property, plant and equipment

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

(3) Information about each major tenant

(Unit: thousands of yen)		
Name of tenant	Operating revenue	Related segment
Mori Building Co., Ltd.	5,423,399	Real estate leasing business

10. Per unit Information

	For the six months ended	
	July 31, 2017	January 31, 2018
Net assets per unit (yen)	102,314	102,363
Net income per unit (yen)	2,717	2,659
(Note 1) Net income per unit was calculated by dividing the net income by the daily weighted average number of investment units during the period.		
Diluted net income per unit has not been stated as there are no diluted investment units.		
(Note 2) The following is the basis for calculating net income per unit.		

	For the six months ended	
	July 31, 2017	January 31, 2018
Net income (thousands of yen)	4,755,870	4,655,877
Amounts not attributable to common unitholders (thousands of yen)	—	—
Net income attributable to common investment units (thousands of yen)	4,755,870	4,655,877
Average number of investment units during the period (units)	1,750,640	1,750,640

11. Subsequent events

Not applicable.

(9) Changes in unit issued and outstanding

There was no increase (decrease) in the number of investment units issued and outstanding and unitholders' capital in the twenty-third fiscal period. The outline of changes in unitholders' capital for the previous five years was as follows:

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

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

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

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

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

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

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

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

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

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

4. CHANGES IN OFFICERS

(1) Directors of the Company

There was no change in directors in the twenty-third fiscal period.

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

(2) Directors of the Company's Asset Manager

There was no change in directors in the twenty-third fiscal period.

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

5. REFERENCE INFORMATION

(1) Investment Status

(as of January 31, 2018)

Type of asset	Main type of use	Region	Total amount held (millions of yen) (Note 1)	Percentage of total assets (%)	
Real estate	Office Buildings	Tokyo's five central wards and their vicinity	—	—	
		Tokyo metropolitan area	—	—	
		Principal regional cities	—	—	
	Residential Properties	Tokyo's five central wards and their vicinity	—	—	
		Tokyo metropolitan area	—	—	
		Principal regional cities	—	—	
	Retail and Other Facilities	Tokyo's five central wards and their vicinity	22,074	6.2	
		Tokyo metropolitan area	22,074	6.2	
		Principal regional cities	—	—	
	Subtotal			22,074	6.2
	Real estate in trust	Office Buildings	Tokyo's five central wards and their vicinity	315,388	88.9
			Tokyo metropolitan area	315,388	88.9
Principal regional cities			—	—	
Residential Properties		Tokyo's five central wards and their vicinity	6,261	1.8	
		Tokyo metropolitan area	6,261	1.8	
		Principal regional cities	—	—	
Retail and Other Facilities		Tokyo's five central wards and their vicinity	—	—	
		Tokyo metropolitan area	—	—	
		Principal regional cities	—	—	
Subtotal			321,650	90.7	
Deposits and other assets (Note 2)			11,016	3.1	
Total assets			354,740	100.0	

(Note 1) Total amount held is the carrying amount (book value less depreciation and amortization).

(Note 2) Deposits and other assets include deposits within the assets in trust in the amount of 7,596 million yen. Trust beneficiary interest in assets which are primarily comprised of real estate, etc., do not include deposits within the assets in trust.

(as of January 31, 2018)

	Carrying amount (millions of yen)	Percentage of total assets (%)
Total liabilities	175,538	49.5
Total net assets	179,202	50.5
Total assets	354,740	100.0

(2) Investment Assets

(a) Major Issue of Investment Securities

Not applicable.

(b) Investment Real Estate Properties

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

(c) Major Other Investment Assets

The Company holds the following real estate and trust beneficiary interest in real estate listed in the tables in a) below as of January 31, 2018. Mori Building Co., Ltd. led the development of all of the following real estate and real estate in trust.

a) Overview of Real Estate and Real Estate in Trust

The following are the real estate and real estate in trust held by the Company as of January 31, 2018.

(i) Overview of Assets by Type of Use

Type of asset	Main type of use	Property number (Note 1)	Property name	Location	Construction date (Note 2)	Structure/ Total number of floors (Note 2)	Land area (m ²) (Note 2) (Note 3)	Gross floor area (m ²) (Note 2) (Note 3)	Form of ownership (Note 4)		Appraisal value at the end of fiscal period (millions of yen) (Note 5)	Book value (millions of yen)	Acquisition price (millions of yen)	Percentage of total portfolio acquisition price (%) (Note 6)	
									Land	Bldg.					
Real estate in trust	Office Buildings	O-0 Premium	Roppongi Hills Mori Tower	Roppongi, Minato-ku	Apr. 2003	S/SRC B6F/54F	57,177.66	442,150.70	C (Note 7)	CO	134,800	112,901	115,380	32.7	
		O-1 Premium	ARK Mori Building	Akasaka, Minato-ku	Mar. 1986	RC/SRC/S B4F/37F	39,602.42	177,486.95	C (Note 7)	CO	57,900	61,543	62,480	17.7	
		O-4 Premium	Koraku Mori Building	Koraku, Bunkyo-ku	Mar. 2000	SRC/S B6F/19F	6,611.58	46,154.65	L	CO	23,400	24,965	27,200	7.7	
		O-6 Premium	Akasaka Tameike Tower	Akasaka, Minato-ku	Sep. 2000	S/SRC/RC B2F/25F	5,694.16	46,971.43	C (Note 8)	CO	30,100	41,942	43,930	12.5	
		O-7 Premium	Atago Green Hills	MORI Tower (office building)	Atago, Minato-ku	Jul. 2001	S/SRC B2F/42F	13,014.36 (Note 9)	85,266.30	*	*	42,700	40,688	42,090	11.9
				Forest Tower (residential building)	Atago, Minato-ku	Oct. 2001	S/SRC B4F/43F		60,815.71						
				Plaza (retail building)	Toranomon, Minato-ku	Jul. 2001	RC B1F/2F		2,083.60						
		O-8 Premium	ARK Hills South Tower	Roppongi, Minato-ku	Jul. 2013	S/SRC/RC B4F/20F	5,846.69	53,043.48	C (Note 12)	C (Note 12)	24,400	18,918	19,150	5.4	
		O-9 Premium	Toranomon Hills Mori Tower	Toranomon, Minato-ku	May 2014	S/SRC B5F/52F	17,068.95	241,581.95	C (Note 7)	C	5,607	5,074	5,070	1.4	
		O-10 Premium	Holland Hills Mori Tower	Toranomon, Minato-ku	Jan. 2005	S/SRC/RC B2F/24F	3,487.61	35,076.12	C (Note 13)	CO	10,659	9,356	9,330	2.6	
Subtotal											329,566	315,388	324,630	92.1	
Real estate	Residential Properties	R-3 Premium	Roppongi First Plaza	Roppongi, Minato-ku	Oct. 1993	RC B1F/20F	4,357.88 (Note 14)	22,906.74 (Note 14)	C (Note 14)	CO (Note 15)	2,060	2,255	2,100	0.6	
		R-4	Roppongi View Tower	Roppongi, Minato-ku	Oct. 1993	RC B1F/20F			C (Note 14)	CO (Note 15)	2,720	4,005	4,000	1.1	
		Subtotal											4,780	6,261	6,100
Real estate	Retail and Other Facilities	S-1 Premium	Laforet Harajuku (Land)	Jingumae, Shibuya-ku	—	—	2,565.06	—	O	—	36,100	22,074	21,820	6.2	
		Subtotal											36,100	22,074	21,820
Total											370,446	343,724	352,550	100.0	

- (Note 1) "Property number" is the number assigned to real estate and real estate in trust held by the Company classified into the following main types of use. The alphabet on the left represents the main type of use, where "O" represents an office building, "R" represents a residential property and "S" represents a retail and other facility. In addition, Premium Properties are denoted by "Premium." The same applies hereafter.
- (Note 2) "Construction date," "Structure/Total number of floors," "Land area" and "Gross floor area" are as described in the property registry. As for "Structure/Total number of floors," the following abbreviations are used.
RC: Reinforced concrete; SRC: Steel frame and reinforced concrete; S: Steel frame;
B: Number of basement floor; F: Number of floor above ground level
- (Note 3) "Land area" and "Gross floor area" indicate the area of the entire site and the total area floor of the entire building based on the description of the property registry, regardless of the form of ownership.
- (Note 4) "Form of ownership" is the type of rights, where "O" represents ownership rights, "C" represents a co-ownership interest in ownership rights, "CO" represents compartmentalized ownership of exclusive portion of a building, and "L" represents leasehold rights.
- (Note 5) "Appraisal value at the end of fiscal period" for properties except for ARK Hills South Tower is the appraisal value as of January 31, 2018 as described in the real estate appraisal report prepared by Japan Real Estate Institute. The figure for ARK Hills South Tower is the appraisal value as of January 31, 2018 as described in the real estate appraisal report prepared by DAIWA REAL ESTATE APPRAISAL CO., LTD.
- (Note 6) "Percentage of total portfolio acquisition price" is calculated as a percentage of the aggregate acquisition price of the Company's portfolio.
- (Note 7) Co-ownership interest as a portion of the land use rights.
- (Note 8) The land of Akasaka Tameike Tower is composed of the land owned by a third party (parcel number 1705-1) and the land jointly owned by the trustee and Mori Building Co.,Ltd. (parcel number 1701-1). The trustee's co-ownership interest ratio of the land (parcel number 1701-1) is approximately 98.6% and the area corresponding to the co-ownership interest ratio is 3,211.94m². The same applies hereafter.
- (Note 9) "Land area" for Atago Green Hills is the area of the entire land over which land use rights for the building have been established pursuant to the rules of the Atago Green Hills Management Meeting.
- (Note 10) The land of Atago Green Hills is composed of the land owned by third parties and the land jointly owned by the trustee and Mori Building Co., Ltd. and leasehold rights and easement jointly owned by the trustee and Mori Building Co., Ltd. The land corresponding to each building is determined pursuant to the rules of the Atago Green Hills Management Meeting.
- (Note 11) The buildings of Atago Green Hills are composed of parts owned by third parties through compartmentalized ownership and other parts jointly owned by the trustee and Mori Building Co., Ltd. through direct ownership and compartmentalized ownership.
- (Note 12) The Company owns 25% co-ownership interest of the building and the site.
- (Note 13) The land of Holland Hills Mori Tower is composed of the land owned by the Tokyo Metropolitan Government (3-802-2 Shibakoen and 1-224-28 Azabudai) and the land jointly owned by the trustee and Mori Building Co., Ltd. under joint ownership (5-124-1 Toranomom and 3-803-3. Shibakoen). The trustee's co-ownership interest ratio of the land (5-124-1 Toranomom and 3-803-3. Shibakoen) is approximately 62.9% and the area corresponding to the co-ownership interest ratio is 1,910.96m². The same applies hereafter.
- (Note 14) As Roppongi First Plaza and Roppongi View Tower are on the same site and are described in the property registry as one building owned through compartmentalized ownership, the land area and the gross floor area for these properties are added together. The land corresponding to each building has been determined pursuant to its management rules and is owned in the land use rights ratio.
- (Note 15) Roppongi First Plaza and Roppongi View Tower are described in the property registry as one building owned through compartmentalized ownership. 42 residential units out of the total of 90 residential units in Roppongi First Plaza are owned through compartmentalized ownership. 92 residential units out of the total of 202 residential units in Roppongi View Tower are owned through compartmentalized ownership.

(ii) Overview of Lease Conditions (as of January 31, 2018)

Property number	Property name	Type of lease (Note 1)	Total leasable area (m ²) (Note 2)	Total leased area (m ²) (Note 2)	Occupancy rate (%) (Note 3)	Number of tenants (Note 4)	Annual contracted rent (millions of yen) (Note 5)	Security deposits (millions of yen) (Note 6)
O-0	Roppongi Hills Mori Tower	Fixed-rent master lease	43,041.54	43,041.54	100.0	1	5,886	4,905
O-1	ARK Mori Building	Fixed-rent master lease	24,588.43	24,588.43	100.0	1	2,702	2,241
O-4	Koraku Mori Building	Pass-through master lease	16,197.44	15,804.26	97.6	22	1,279	1,261
O-6	Akasaka Tameike Tower	Pass-through master lease	19,786.01	18,867.17	95.4	136	1,487	1,037
O-7	Atago Green Hills	Fixed-rent master lease	29,667.58	29,667.58	100.0	1	2,024	1,349
O-8	ARK Hills South Tower	Pass-through master lease	9,007.32	8,359.70	92.8	39	946	855
O-9	Toranomon Hills Mori Tower	Fixed-rent master lease	1,709.27	1,709.27	100.0	1	217	180
O-10	Holland Hills Mori Tower	Pass-through master lease	5,794.07	5,576.86	96.3	23	564	494
R-3	Roppongi First Plaza	Pass-through master lease	2,956.77	2,906.67	98.3	41	167	60
R-4	Roppongi View Tower	Pass-through master lease	4,515.25	4,325.96	95.8	88	200	42
S-1	Laforet Harajuku (Land)	Business-use fixed-term land lease	2,565.06	2,565.06	100.0	1	1,258	—
Total			159,828.74	157,412.50	98.5	354	16,737	12,430

(Note 1) We treat as a fixed-rent master lease when we grant the authority to lease the property to other co-owner and receive a fixed amount in consideration. The same applies hereafter.

(Note 2) "Total leasable area" is the area of the space deemed to be available for the end-tenants. In the case where we lease the entire space to any one tenant in the form of a fixed-rent master lease or where we grant the authority to lease the property to other co-owner and a fixed amount is paid to us in consideration of such granting, such tenant or co-owner is deemed to be the end-tenant. The same applies hereafter. "Total leased area" is equivalent to total floor area of leased space set out in the lease agreements, etc. with the end-tenants. In the case of Koraku Mori Building, Atago Green Hills, Toranomon Hills Mori Tower and Holland Hills Mori Tower, this indicates 80%, 74%, 7% and 57% of the proportionate ownership ratio, respectively, of the foregoing total leasable area and total leased area, which is rounded off to two decimal places. In the case of ARK Hills South Tower, it indicates 25% of co-ownership interest ratio of the total leasable area and total leased area of the building, which is rounded off to two decimal places. In the case of Akasaka Tameike Tower, the office and shop portions are calculated by multiplying Total leasable area and Total leased area concerning the private-use areas of sectional ownership owned by the trustee, the Asahi Shimbun Company and Mori Building Co., Ltd (all of the relevant portions under these uses) by the distribution ratio for the trust beneficiary interest owned by Mori Hills REIT Investment Corporation (ratio stated in the agreement to amend building lease agreement concluded on July 29, 2016) (65.9%), and the residential portion is calculated by multiplying Total leasable area and Total leased area concerning the private-use areas of sectional ownership owned by the trustee and the Asahi Shimbun Company (128 units) by the distribution ratio for the trust beneficiary interest owned by Mori Hills REIT Investment Corporation (ratio stated in the agreement to amend building lease agreement concluded on January 6, 2016) (67%), and is indicated by rounding off to two decimal places. The same applies hereafter.

The total leasable area and total leased area do not include the area of storage space, flat parking lots and machinery, etc. The same applies hereafter.

(Note 3) "Occupancy rate" is calculated by dividing the total leased area for each property by the total leasable area of the property. The total indicates the ratio of the aggregate total leased area for all properties to the aggregate total leasable area for all properties.

(Note 4) "Number of tenants" is computed by counting the number of tenants as to the properties with fixed-rent master lease agreement and Laforet Harajuku (Land) as one. As for other properties, in the case of offices and shops, any one tenant which occupies more than one leased premise within the same property shall be counted as one, and in the case of residence, each residential unit shall be counted as one. The same applies hereafter.

(Note 5) "Annual contracted rent" for each property is calculated by multiplying the monthly rent provided in the relevant lease agreement, etc. with the end-tenant (which shall be the monthly rent after a free rent period if a free rent period has been established at the beginning of the lease period, or the amount charged to the end-tenants during the period from January 1, 2018 to January 31, 2018 if a percentage rent is adopted) by 12. In the case of Koraku Mori Building, Atago Green Hills, Toranomon Hills Mori Tower

and Holland Hills Mori Tower, this indicates 80%, 74%, 7% and 57% (i.e., the ownership ratio), respectively, of the amount so calculated. In the case of ARK Hills South Tower, it indicates the 25% co-ownership interest ratio of the annual contracted rent. In the case of Akasaka Tameike Tower, the office and shop portions are calculated by multiplying annual contracted rent from the private-use areas of sectional ownership owned by the trustee, the Asahi Shimbun Company and Mori Building Co., Ltd (all of the relevant portions under these uses) by the distribution ratio for the trust beneficiary interest owned by Mori Hills REIT Investment Corporation (65.9%), and the residential portion is calculated by multiplying annual contracted rent from the private-use areas of sectional ownership owned by the trustee and the Asahi Shimbun Company (128 units) by the distribution ratio for the trust beneficiary interest owned by Mori Hills REIT Investment Corporation (67%). The same applies hereafter.

(Note 6) "Security Deposits" indicates the remaining amount of the security deposit set forth in the relevant lease agreement, etc. with the end-tenant. With regard to Roppongi View Tower, this indicates the amount set forth in the lease agreement with Mori Building Co., Ltd., as master lessee. In the case of Koraku Mori Building, Atago Green Hills, Toranomom Hills Mori Tower and Holland Hills Mori Tower, this indicates 80%, 74%, 7% and 57% (i.e., the ownership ratio), respectively, of such remaining amount of the security deposit. In the case of ARK Hills South Tower, it indicates the 25% co-ownership interest ratio of the security deposits. In the case of Akasaka Tameike Tower, the office and shop portions are calculated by multiplying security deposits from the private-use areas of sectional ownership owned by the trustee, the Asahi Shimbun Company and Mori Building Co., Ltd (all of the relevant portions under these uses) by the distribution ratio for the trust beneficiary interest owned by Mori Hills REIT Investment Corporation (65.9%), and the residential portion is calculated by multiplying security deposits from the private-use areas of sectional ownership owned by the trustee and the Asahi Shimbun Company (128 units) by the distribution ratio for the trust beneficiary interest owned by Mori Hills REIT Investment Corporation (67%). The same applies hereafter.

(iii) Overview of Lease to Major Tenants

The following table provides certain information regarding a key tenant, which leases 10% or more of the total leased area for the properties in the Company's portfolio as of January 31, 2018 and brief summary of the lease conditions to such tenant.

Tenant name	Business type	Property name	Annual contracted rent (millions of yen)	Security Deposits (millions of yen)	Leased area (m ²) (Note 1)	Percentage of total leased area (%) (Note 2)	Lease expiration date	Lease renewal	Notes
Mori Building Co., Ltd.	Real estate business	Roppongi Hills Mori Tower	5,886	4,905	43,041.54	27.3	Jul. 31, 2021	Auto-renewed every 5 years	23/24 floors
							Sep. 30, 2018	Auto-renewed every 5 years	19/22 floors
							Jul. 31, 2019	Auto-renewed every 5 years	20 floor
							Sep. 15, 2020	Auto-renewed every 5 years	28 floor
							Jan. 31, 2021	Auto-renewed every 5 years	25 floor
							Mar. 31, 2021	Auto-renewed every 5 years	26/27/29 floors
		ARK Mori Building	2,702	2,241	24,588.43	15.6	Jan. 31, 2021	Auto-renewed every 5 years	13 floor
							Jan. 31, 2021	Auto-renewed every 5 years	12/22 floors
							Jan. 31, 2021	Auto-renewed every 5 years	23/25 floors
							Jan. 31, 2021	Auto-renewed every 5 years	4/15/24 floors
							Mar. 31, 2023	Auto-renewed every 5 years	1 floor/Basement 1 through 4/ The area used as district heating and cooling
		Koraku Mori Building	1,279	1,261	15,804.26	10.0	Mar. 3, 2023	Fixed-term lease	—
		Akasaka Tameike Tower	1,487	1,037	18,867.17	12.0	Mar. 31, 2026	Auto-renewed every 5 years	Office and shop areas (including parts of storage areas, parking lots, etc.)
							Mar. 31, 2021	Auto-renewed every 5 years	Residential area (including parts of parking lots, etc.)
		Atago Green Hills	2,024	1,349	29,667.58	18.8	Apr. 30, 2022	Auto-renewed every 5 years	—
		ARK Hills South Tower	946	855	8,359.70	5.3	Jul. 31, 2034	Auto-renewed every year	—
Toranomon Hills Mori Tower	217	180	1,709.27	1.1	Jul. 31, 2022	Auto-renewed every 5 years	—		
Holland Hills Mori Tower	564	494	5,576.86	3.5	Jul. 31, 2032	Auto-renewed every 10 years	—		
Roppongi First Plaza	167	60	2,906.67	1.8	Mar. 3, 2023	Fixed-term lease	—		
Roppongi View Tower	200	42	4,325.96	2.7	Mar. 3, 2023	Fixed-term lease	—		
Total			15,478	12,430	154,847.44	98.4			

(Note 1) “Leased area” is equivalent to floor area of leased space set out in the lease agreement, etc. with the end-tenant. In the case of Koraku Mori Building, Atago Green Hills, Toranomom Hills Mori Tower and Holland Hills Mori Tower, this indicates 80%, 74%, 7% and 57% of the proportionate ownership ratio, respectively, of the foregoing leased area, which is rounded off to two decimal places. In the case of ARK Hills South Tower, it indicates 25% of co-ownership interest ratio of the leased area of the building, which is rounded off to two decimal places. In the case of Akasaka Tameike Tower, the office and shop portions are calculated by multiplying leased area from the private-use areas of sectional ownership owned by the trustee, the Asahi Shimbun Company and Mori Building Co., Ltd (all of the relevant portions under these uses) by the distribution ratio for the trust beneficiary interest owned by Mori Hills REIT Investment Corporation (65.9%), and the residential portion is calculated by multiplying leased area from the private-use areas of sectional ownership owned by the trustee and the Asahi Shimbun Company (128 units) by the distribution ratio for the trust beneficiary interest owned by Mori Hills REIT Investment Corporation (67%), and is indicated by rounding off to two decimal places. The leased area does not include the area of storage space, flat parking lots, and machinery, etc.

(Note 2) “Percentage of total leased area” indicates the ratio of the total leased area of each property to the aggregate total leased area for all properties held by the Company as of January 31, 2018. The same applies hereafter.

(iv) Five Largest Tenants

The following table shows the Company’s five largest tenants by leased area for the Company’s properties as of January 31, 2018.

Name of end tenant	Property name	Leased area (m ²) (Note 1)	Percentage of total portfolio (%) (Note 2)
Mori Building Co., Ltd.	Roppongi Hills Mori Tower ARK Mori Building Koraku Mori Building Atago Green Hills ARK Hills South Tower Toranomom Hills Mori Tower	99,345.92	63.1
Showa Leasing Co., Ltd.	Koraku Mori Building	2,683.90	1.7
Mori Building Ryutsu System Co., Ltd.	Laforet Harajuku (Land)	2,565.06	1.6
ITOCHU Techno-Solutions Corporation	Koraku Mori Building	2,116.88	1.3
Mylan Seiyaku Ltd.	Holland Hills Mori Tower	1,971.36	1.3
Total for top 5 end tenants		108,683.12	69.0

(Note 1) “Leased area” is equivalent to floor area of leased space set out in the lease agreement, etc. with the end-tenant. In the case of Koraku Mori Building, Atago Green Hills, Toranomom Hills Mori Tower and Holland Hills Mori Tower, this indicates 80%, 74%, 7% and 57% of the proportionate ownership ratio, respectively, of the foregoing leased area, which is rounded off to two decimal places. In the case of ARK Hills South Tower, it indicates 25% of co-ownership interest ratio of the leased area of the building, which is rounded off to two decimal places. The leased area does not include the area of storage space, flat parking lots, and machinery, etc.

(Note 2) “Percentage of total portfolio” indicates the ratio of the leased area attributable to each end-tenant to the aggregate total leased area for all properties held by the Company as of January 31, 2018. The same applies hereafter.

(v) Overview of Lease to Interested Parties

The following table provides an overview of lease to the end-tenants who are interested parties for the properties held by the Company as of January 31, 2018.

Name of end tenant	Name of occupied property	Leased area (m ²)	Percentage of total portfolio (%)	Annual contracted rent (thousands of yen)	Lease expiration date	Lease renewal	Type of lease	Notes
Mori Building Co., Ltd.	Roppongi Hills Mori Tower	43,041.54	27.3	5,886,901	Jul. 31, 2021	Auto-renewed every 5 years	Fixed-rent master lease	23/24 floors
					Sep. 30, 2018	Auto-renewed every 5 years	Fixed-rent master lease	19/22 floors
					Jul. 31, 2019	Auto-renewed every 5 years	Fixed-rent master lease	20 floor
					Sep. 15, 2020	Auto-renewed every 5 years	Fixed-rent master lease	28 floor
					Jan. 31, 2021	Auto-renewed every 5 years	Fixed-rent master lease	25 floor
					Mar. 31, 2021	Auto-renewed every 5 years	Fixed-rent master lease	26/27/29 floors
	ARK Mori Building	24,588.43	15.6	2,702,973	Jan. 31, 2021	Auto-renewed every 5 years	Fixed-rent master lease	13 floor
					Jan. 31, 2021	Auto-renewed every 5 years	Fixed-rent master lease	12/22 floors
					Jan. 31, 2021	Auto-renewed every 5 years	Fixed-rent master lease	23/25 floors
					Jan. 31, 2021	Auto-renewed every 5 years	Fixed-rent master lease	4/15/24 floors
					Mar. 31, 2023	Auto-renewed every 5 years	Fixed-rent master lease	1 floor/Basement 1 through 4/ The area used as district heating and cooling
	Koraku Mori Building	292.22	0.2	5,105	Mar. 31, 2018	—	Memorandum on self-use	—
	Atago Green Hills	29,667.58	18.8	2,024,640	Apr. 30, 2022	Auto-renewed every 5 years	Fixed-rent master lease	—
	ARK Hills South Tower	46.88	0.0	6,000	May 16, 2021	—	Memorandum on self-use	—
Toranomon Hills Mori Tower	1,709.27	1.1	217,162	Jul. 31, 2022	Auto-renewed every 5 years	Fixed-rent master lease	—	
Mori Building Ryutsu System Co., Ltd.	Laforet Harajuku (Land)	2,565.06	1.6	1,258,800	Sep. 14, 2030	—	Business-use fixed-term land lease	—
Total		101,910.98	64.7	12,101,583				

(vi) Overview of Properties

The following table provides an overview of the properties for which annual contracted rent accounts for 10% or more of the total annual contracted rent for properties held by the Company as of January 31, 2018.

Property number	Property name	Annual contracted rent (millions of yen)	Percentage of annual contracted rent (%) (Note 1)	Total leasable area (m ²)	Total leased area (m ²)	Occupancy rate (%) (Note 2)	Number of tenants
O-0	Roppongi Hills Mori Tower	5,886	35.2	43,041.54	43,041.54	100.0	1
O-1	ARK Mori Building	2,702	16.1	24,588.43	24,588.43	100.0	1
O-7	Atago Green Hills	2,024	12.1	29,667.58	29,667.58	100.0	1
Total		10,614	63.4	97,297.55	97,297.55	100.0	3

(Note 1) This indicates the ratio of the annual contracted rent for each property to the aggregate total annual contracted rent for all properties held by the Company as of January 31, 2018.

(Note 2) "Occupancy rate" is calculated by dividing the total leased area for each property by the total leasable area of the property. The total indicates the ratio of the aggregate total leased area for all properties to the aggregate total leasable area for all properties.

(vii) Overview of Matters Concerning Design, Etc.

The following table provides the designers, structural designers, contractors, building verification agencies and structural examination agencies for properties held by the Company as of January 31, 2018.

Property number	Property name	Designer	Structural designer	Contractor	Building verification agency	Structural examination agency (Note)
O-0	Roppongi Hills Mori Tower	Mori Building Co., Ltd., first class architect office, and Irie Miyake Architects & Engineers	Mori Building Co., Ltd., first class architect office, and Kozo Keikaku Engineering Inc.	Consortium of Obayashi Corporation and Kajima Corporation	Tokyo Metropolitan Government	The Building Center of Japan
O-1	ARK Mori Building	Mori Building Co., Ltd., first class architect office, and Irie Miyake Architects & Engineers	Mori Building Co., Ltd., first class architect office, and Irie Miyake Architects & Engineers	Consortium of Kajima Corporation, Toda Corporation and Fujita Engineering Co. Ltd.	Tokyo Metropolitan Government	The Building Center of Japan
O-4	Koraku Mori Building	Mori Building Co., Ltd., first class architect office, and GKK Architects & Engineers	Mori Building Co., Ltd., first class architect office, and Orimoto Structural Engineers	Consortium of Shimizu Corporation and Sato Kogyo Co., Ltd.	Tokyo Metropolitan Government	The Building Center of Japan
O-6	Akasaka Tameike Tower	Shimizu Corporation, first class architect office	Shimizu Corporation, first class architect office	Consortium of Shimizu Corporation and Takenaka Corporation	Tokyo Metropolitan Government	The Building Center of Japan
O-7	Atago Green Hills	Mori Building Co., Ltd., first class architect office, and Irie Miyake Architects & Engineers	Mori Building Co., Ltd., first class architect office, and Kozo Keikaku Engineering Inc.	(office building / retail building) Consortium of Takenaka Corporation and Kumagai Gumi Co., Ltd. (residential building) Toda Corporation	Tokyo Metropolitan Government	(office building / residential building) The Building Center of Japan (retail building) Tokyo Metropolitan Government
O-8	ARK Hills South Tower	Mori Building Co., Ltd., first class architect office and Irie Miyake Architects & Engineers	Mori Building Co., Ltd., first class architect office, Irie Miyake Architects & Engineers and Shimizu Corporation, first class architect office	Shimizu Corporation	The Building Center of Japan	The Building Center of Japan
O-9	Toranomon Hills Mori Tower	Nihon Sekkei, Inc.	Nihon Sekkei, Inc. and Obayashi Corporation first class architect office	Obayashi Corporation	The Building Center of Japan	The Building Center of Japan
O-10	Holland Hills Mori Tower	Yamashita Sekkei, Inc.	Yamashita Sekkei, Inc.	Obayashi Corporation	Tokyo Metropolitan Government	The Building Center of Japan
R-3	Roppongi First Plaza	Urban Renaissance Agency, and Irie Miyake Architects & Engineers	Urban Renaissance Agency, and Kozo Keikaku Engineering Inc.	Consortium of Shimizu Corporation and ANDO Corporation	Tokyo Metropolitan Government	The Building Center of Japan
R-4	Roppongi View Tower					

(Note) With regard to structures constructed by special structural methods, such as super high-rise structures or seismic isolated structures, a structural evaluation involving a more detailed examination than general standards must be obtained pursuant to building standards laws and regulations (performance assessment under the Building Standards Act from 2000). In addition, there are cases where it is obtained in accordance with the instructions, etc. of administrative authorities.

(viii) Overview of Engineering Reports

The Company engages an engineering firm to investigate the status of the building (including earthquake risk analysis) and obtains an engineering report from the firm for each property. The following table shows the status of properties held by the Company as of January 31, 2018. “Estimated amount of emergency repair expenses” is the emergency repair expenses estimated by the engineering firm. “Estimated amount of long-term repair expenses” is the annual average amount of repair and renovation expenses over a period of 15 years estimated by the engineering firm.

The report provides a mere opinion of the engineering firm and no guarantee is provided as to the accuracy of the opinion.

No earthquake insurance has been taken out for properties held by the Company.

Property number	Property name	Preparation date	Estimated amount of emergency repair expenses (thousands of yen)	Estimated amount of long-term repair expenses (thousands of yen) (Note 1)(Note 2) (Note 3)(Note 4) (Note 5)	PML (%) (Note 6)	Engineering firm
O-0	Roppongi Hills Mori Tower	Nov. 2015	—	43,102	0.59	Tokyo Bldg-Tech Center Co., Ltd.
O-1	ARK Mori Building	Dec. 2017	—	104,793	0.78	Tokyo Bldg-Tech Center Co., Ltd.
O-4	Koraku Mori Building	Jan. 2017	—	61,275	0.73	Tokyo Bldg-Tech Center Co., Ltd.
O-6	Akasaka Tameike Tower	Jan. 2017	—	47,412	1.79	Tokyo Bldg-Tech Center Co., Ltd.
O-7	Atago Green Hills	MORI Tower (office building)	—	140,220	2.35	Tokio Marine & Nichido Risk Consulting Co., Ltd.
		Forest Tower (residential building)	—	75,281	2.34	
		Plaza (retail building)	—	3,104	5.94	
O-8	ARK Hills South Tower	May 2014	—	6,186	1.56	Tokyo Bldg-Tech Center Co., Ltd.
O-9	Toranomon Hills Mori Tower	Aug. 2017	—	1,234	0.50	Tokyo Bldg-Tech Center Co., Ltd.
O-10	Holland Hills Mori Tower	Aug. 2017	—	25,380	0.85	Tokyo Bldg-Tech Center Co., Ltd.
R-3	Roppongi First Plaza	Jan. 2017	—	7,310	2.20	Tokyo Bldg-Tech Center Co., Ltd.
R-4	Roppongi View Tower	Jan. 2017	—	10,906	2.20	Tokyo Bldg-Tech Center Co., Ltd.
S-1	Laforet Harajuku (Land) (Note 7)	—	—	—	—	—
Total			—	526,203	0.98	

(Note 1) With regard to Roppongi Hills Mori Tower, this amount is calculated by multiplying the estimated amount for the entire property by the percentage share of the costs pertaining to the portion in trust provided under the Roppongi Hills Mori Tower Management Rules.

(Note 2) With regard to ARK Mori Building, this amount is calculated by multiplying the estimated amount for the entire property by the percentage share of the costs pertaining to the portion in trust pursuant to the ARK Mori Building Management Rules.

(Note 3) With regard to Atago Green Hills, this amount is calculated by multiplying the estimated amount for the entire property in each building by the percentage share of the costs pertaining to the Company’s share in the trust beneficiary interest pursuant to the Atago Green Hills Management Rules.

(Note 4) With regard to Toranomon Hills Mori Tower, this amount is calculated by multiplying the estimated amount for the entire real estate in trust by quasi co-ownership ratio for the trust beneficiary interest owned the Company.

(Note 5) With regard to Holland Hills Mori Tower, this amount is calculated by multiplying the estimated amount for the entire real estate in trust by quasi co-ownership ratio for the trust beneficiary interest owned the Company.

(Note 6) This indicates the figure described in the “Report on evaluation of seismic PML for portfolio” dated February 21, 2017 by Sampo Risk Management & Health Care Inc.

(Note 7) With regard to Laforet Harajuku (Land), no investigation is implemented because the Company does not hold any buildings, etc.

(ix) Status of Capital Expenditures

i) Status of Implementation of Capital Expenditures

The following table shows the major construction work falling under the category of capital expenditures that were conducted during the twenty-third fiscal period. Capital expenditures during the twenty-third fiscal period amounted to 189 million yen for the entire portfolio and, combined with 55 million yen in maintenance and repairs and 1.7 million yen in construction management fees charged to expenses for the twenty-third fiscal period, construction work in a total of 246 million yen was implemented.

Name of real estate, etc. (Location)	Purpose	Period	Amount of capital expenditures (millions of yen)
Roppongi Hills Mori Tower (Minato-ku, Tokyo)	LED installation of lights for office exclusive area	From: Dec. 2017 To: Dec. 2017	15
Koraku Mori Building (Bunkyo-ku, Tokyo)	Standard floor air-conditioning equipment control parts upgrading work	From: Jul. 2017 To: Jan. 2018	29
	Each floor security system upgrading work	From: Oct. 2017 To: Jan. 2018	25
Akasaka Tameike Tower (Minato-ku, Tokyo)	Residential unit remodeling work	From: Aug. 2017 To: Jan. 2018	10
	Residential unit home appliances upgrading work	From: Aug. 2017 To: Jan. 2018	10
Roppongi View Tower (Minato-ku, Tokyo)	Residential unit remodeling work	From: Aug. 2017 To: Jan. 2018	22
Other	—	—	75
Entire portfolio			189

(Note) The projects shown above are those for which capital expenditure exceeds 10 million yen per project.

ii) Schedule of Capital Expenditures

The following table shows the amounts of capital expenditures conducted after the end of the twenty-third fiscal period and the expected amounts of capital expenditures associated with the major renovation construction work, etc. planned as of the date of this document for properties held by the Company as of January 31, 2018. A portion of the total “Expected amount of capital expenditures” detailed below may be treated as expenses for accounting purposes depending on the form of construction work.

Name of real estate, etc. (Location)	Purpose	Scheduled period	Expected amount of capital expenditures (millions of yen)		
			Total amount	Amount paid during the twenty-third fiscal period	Total amount already paid
Roppongi Hills Mori Tower (Minato-ku, Tokyo)	Sprinkler upgrading work in exclusive area	From: Mar. 2017 To: Mar. 2018	51	—	—
	Air-conditioning monitoring and control system upgrading work	From: Sep. 2017 To: Mar. 2018	25	—	—
	Security system upgrading work	From: Sep. 2017 To: Mar. 2018	23	—	—
	Electrical monitoring and control system upgrading work	From: Oct. 2017 To: Mar. 2018	11	—	—
	Standard floor air-conditioning equipment control parts upgrading work	From: Oct. 2017 To: Mar. 2018	11	—	—
	VAV for air-conditioning system upgrading work in exclusive area	From: Jan. 2018 To: Feb. 2018	20	—	—
	Roppongi Keyaki-zaka Ave. Roadway finishing replacement work	From: Jan. 2018 To: Feb. 2018	12	—	—
ARK Mori Building (Minato-ku, Tokyo)	Emergency power generator upgrading work	From: Dec. 2016 To: Apr. 2018	58	—	—
	Waterfall equipment upgrading work at ARK Karajan Plaza	From: Oct. 2017 To: Feb. 2018	15	—	—
	Graywater equipment upgrading work	From: Nov. 2017 To: May 2018	13	—	—
	Lower floor elevator upgrading work	From: Sep. 2017 To: Mar. 2018	10	—	—
Koraku Mori Building (Bunkyo-ku, Tokyo)	VAV for air-conditioning equipment upgrading work in exclusive area	From: May. 2018 To: Jul. 2018	18	—	—
	LED installation of lights in exclusive area	From: Feb. 2018 To: Jul. 2018	16	—	—
	Air balance unit upgrading work in exclusive area	From: Feb. 2018 To: Jul. 2018	40	—	—
Akasaka Tameike Tower (Minato-ku, Tokyo)	HEATS heat source equipment upgrading work	From: Feb. 2017 To: Feb. 2018	13	—	—
	Residential unit home appliances upgrading work	From: Feb. 2018 To: Jan. 2019	20	—	—
	Residential unit remodeling work	From: Feb. 2018 To: Jan. 2019	10	—	—
	Standard floor air balance unit replacement work	From: Feb. 2018 To: Jan. 2019	27	—	—
	LED installation of lights for office exclusive area	From: Feb. 2018 To: Jan. 2019	13	—	—
	Parking lots fare adjustment machine upgrading work	From: Aug. 2018 To: Jan. 2019	10	—	—
	Residential balcony planting renovation work	From: Aug. 2018 To: Jan. 2019	15	—	—
	Office building exterior wall painting upgrading work	From: Jul. 2017 To: Mar. 2018	55	19	19
Residential building exterior wall painting upgrading work	From: Mar. 2018 To: Apr. 2019	83	10	10	

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Financial Report for the Twenty-Third Fiscal Period Ended January 31, 2018

Name of real estate, etc. (Location)	Purpose	Scheduled period	Expected amount of capital expenditures (millions of yen)		
			Total amount	Amount paid during the twenty-third fiscal period	Total amount already paid
Atago Green Hills (Minato-ku, Tokyo)	Office entrance, etc. remodeling work	From: Jan. 2018 To: Apr. 2018	136	—	—
	Office building security system controller upgrading work	From: Jan. 2018 To: May 2018	12	—	—
Roppongi View Tower (Minato-ku, Tokyo)	Residential unit remodeling work	From: Feb. 2018 To: Jul. 2018	54	—	—

(Note) The projects shown are those for which the expected amount exceeds 10 million yen per project.

b) Overview of Trust Beneficiary Interest

(as of January 31, 2018)

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

Main type of use	Property number	Property name	Trustee	Trust establishment date	Trust maturity date	Notes
Office buildings	O-9 Premium	Toranomon Hills Mori Tower	Mitsubishi UFJ Trust and Banking Corporation	Jun. 26, 2014	Jul. 31, 2037	Trust beneficiary interest representing 7% interest in the assets in trust; Trust beneficiary interest representing the remaining 93% interest in the assets in trust is held by Mori Building Co., Ltd.
	O-10 Premium	Holland Hills Mori Tower	Sumitomo Mitsui Trust Bank, Ltd.	Aug. 1, 2017	Jul. 31, 2032	Trust beneficiary interest representing 57% interest in the assets in trust; Trust beneficiary interest representing the remaining 43% interest in the assets in trust is held by Mori Building Co., Ltd.
Residential properties	R-3 Premium	Roppongi First Plaza	Sumitomo Mitsui Trust Bank, Ltd.	Mar. 4, 2003	Mar. 3, 2023	—
	R-4	Roppongi View Tower	Sumitomo Mitsui Trust Bank, Ltd.	Mar. 4, 2003	Mar. 3, 2023	Trust beneficiary interest in compartmentalized ownership for 80 units in Roppongi View Tower
	Sumitomo Mitsui Trust Bank, Ltd.		Mar. 22, 2006	Mar. 3, 2023	Trust beneficiary interest in compartmentalized ownership for 12 units in Roppongi View Tower	

c) Status of Portfolio

(i) Investment Ratio by Property Quality

(as of January 31, 2018)

Quality category (Note)	Number of properties	Acquisition price (millions of yen)	Percentage of total portfolio acquisition price (%)
Premium Properties	10	348,550	98.9
Other Properties	1	4,000	1.1
Portfolio total	11	352,550	100.0

(Note) For the Premium Properties in the quality category, please refer to “2. Investment Policy; (1) Investment Policy; (B) Management Strategy; (a) Key Strategy; a. Development of Urban Portfolio with Premium Properties at the Core; i. Investments that Focus on Premium Properties” in the most recent securities report (submitted on October 27, 2017).

(ii) Investment Ratio by Main Type of Use

(as of January 31, 2018)

Main type of use	Number of properties	Acquisition price (millions of yen)	Percentage of total portfolio acquisition price (%)
Office buildings	8	324,630	92.1
Residential properties	2	6,100	1.7
Retail Facility	1	21,820	6.2
Portfolio total	11	352,550	100.0

(iii) Investment Ratio by Region

(as of January 31, 2018)

Region		Number of properties	Acquisition price (millions of yen)	Percentage of total portfolio acquisition price (%)
Tokyo metropolitan area	Tokyo's five central wards and their vicinity	11	352,550	100.0
	Minato Ward	9	303,530	86.1
	Bunkyo Ward	1	27,200	7.7
	Shibuya Ward	1	21,820	6.2
	Tokyo, Kanagawa, Chiba and Saitama Prefectures	11	352,550	100.0
Principal regional cities	Cities designated by Cabinet Order and their equivalent principal cities in Japan other than those located in Tokyo metropolitan area	—	—	—
Portfolio total		11	352,550	100.0

(iv) Investment Ratio by Property Age

(as of January 31, 2018)

Property age	Number of properties	Acquisition price (millions of yen)	Percentage of total portfolio acquisition price (%)
Less than 10 years	2	24,220	7.3
Equal to or more than 10 years but less than 15 years	2	124,710	37.7
Equal to or more than 15 years	6	181,800	55.0
Portfolio total	10	330,730	100.0

(Note) In aggregate calculation, Atago Green Hills is deemed to have been constructed on July 30, 2001, and Laforet Harajuku (Land) falls outside the calculations. The same applies to “(v) Investment Ratio by Property Size” below. The average age of the properties in the Company’s portfolio, calculated as the weighted average of the building age based on the acquisition price is 18.2 years which is rounded off to the nearest decimal place.

(v) Investment Ratio by Property Size

(as of January 31, 2018)

Property Size (Note)	Number of properties	Acquisition price (millions of yen)	Percentage of total portfolio acquisition price (%)
Equal to or more than 30,000m ²	8	324,630	98.2
Equal to or more than 10,000m ² but less than 30,000m ²	2	6,100	1.8
Less than 10,000m ²	—	—	—
Portfolio total	10	330,730	100.0

(Note) “Property Size” is based on the total floor area of the entire building, regardless of the form of ownership. With regard to Roppongi First Plaza and Roppongi View Tower, the total floor area for each property is deemed to be 22,906.74 m² and calculated as a separate building.

d) Status of Income and Expenditures

(Unit: thousands of yen)

Property number	O-0			O-1		
Property name	Roppongi Hills Mori Tower			ARK Mori Building		
Period	Twenty-second fiscal period ended July 2017	Twenty-third fiscal period ended January 2018	Difference	Twenty-second fiscal period ended July 2017	Twenty-third fiscal period ended January 2018	Difference
Operation days	181 days	184 days	3 days	181 days	184 days	3 days
Occupancy rate	100.0%	100.0%	0.0PT	100.0%	100.0%	0.0PT
Number of tenants	1	1	0	1	1	0
Rent revenues	2,943,450	2,943,450	—	1,351,486	1,351,486	—
Other operating revenues	—	—	—	—	—	—
Total property operating revenue	2,943,450	2,943,450	—	1,351,486	1,351,486	—
Property management fees	412,351	412,351	—	181,872	181,872	—
Property taxes (Note 1)	178,071	221,761	43,689	73,601	74,177	576
Utilities	—	—	—	—	—	—
Maintenance and repairs	—	—	—	—	370	370
Insurance premium	4,053	4,179	126	1,882	1,873	(9)
Depreciation and amortization (1)	444,416	437,774	(6,641)	59,973	60,214	241
Other expenses (Note 2)	377	377	0	3,297	2,795	(502)
Total property operating expenses	1,039,269	1,076,445	37,175	320,627	321,302	675
Property operating income (2)	1,904,180	1,867,005	(37,175)	1,030,859	1,030,184	(675)
NOI (3) ((1)+(2))	2,348,596	2,304,780	(43,816)	1,090,832	1,090,399	(433)
Capex (4)	129,568	15,597	(113,971)	32,918	11,782	(21,136)
NCF (3)-(4)	2,219,028	2,289,183	70,155	1,057,914	1,078,616	20,702

(Note 1) For property tax, city planning tax and depreciable assets tax, the Company charges the amount of property taxes assessed and determined applicable to the fiscal period to property operating expenses. Registered owners of properties in Japan as of January 1 are responsible for paying property taxes for the calendar year based on assessments by local governments. Therefore, registered owners who sold properties to the Company were liable for property taxes and city planning taxes for the calendar year, including the period from the date of the acquisition by the Company until the end of the year. The Company reimbursed sellers of properties for the equivalent amount of property taxes and included the amount in the acquisition cost of real estate.

(Note 2) "Other expenses" denotes the sum of custodian fees, rent expenses, and other lease business expenses (residential property management costs, and other property-related miscellaneous expenses) in aggregate.

(Note 3) Transferred in the fiscal period ended July 31, 2017.

(Note 4) Acquired in the fiscal period ended January 31, 2018.

(Unit: thousands of yen)

Property number	O-4			O-6		
Property name	Koraku Mori Building			Akasaka Tameike Tower		
Period	Twenty-second fiscal period ended July 2017	Twenty-third fiscal period ended January 2018	Difference	Twenty-second fiscal period ended July 2017	Twenty-third fiscal period ended January 2018	Difference
Operation days	181 days	184 days	3 days	181 days	184 days	3 days
Occupancy rate	97.6%	97.6%	0.0PT	94.0%	95.4%	1.4PT
Number of tenants	22	22	0	134	136	2
Rent revenues	605,650	630,403	24,753	699,002	726,325	27,323
Other operating revenues	131,006	92,597	(38,409)	74,049	79,325	5,275
Total property operating revenue	736,656	723,000	(13,656)	773,051	805,650	32,599
Property management fees	71,730	60,418	(11,312)	160,855	163,544	2,689
Property taxes (Note 1)	32,894	30,669	(2,225)	41,710	41,705	(4)
Utilities	66,433	72,608	6,175	24,901	28,329	3,427
Maintenance and repairs	17,938	19,756	1,818	34,786	27,729	(7,056)
Insurance premium	1,720	1,714	(6)	2,010	2,027	17
Depreciation and amortization (1)	97,560	97,048	(512)	135,206	136,517	1,311
Other expenses (Note 2)	75,376	75,412	36	11,695	11,082	(612)
Total property operating expenses	363,654	357,627	(6,026)	411,165	410,937	(228)
Property operating income (2)	373,002	365,372	(7,629)	361,885	394,712	32,827
NOI (3) ((1)+(2))	470,563	462,421	(8,142)	497,092	531,230	34,138
Capex (4)	56,386	71,907	15,521	48,436	45,024	(3,411)
NCF (3)-(4)	414,176	390,513	(23,663)	448,655	486,205	37,550

(Unit: thousands of yen)

Property number	O-7			O-8		
Property name	Atago Green Hills			ARK Hills South Tower		
Period	Twenty-second fiscal period ended July 2017	Twenty-third fiscal period ended January 2018	Difference	Twenty-second fiscal period ended July 2017	Twenty-third fiscal period ended January 2018	Difference
Operation days	181 days	184 days	3 days	181 days	184 days	3 days
Occupancy rate	100.0%	100.0%	0.0PT	73.8%	92.8%	19.0PT
Number of tenants	1	1	0	36	39	3
Rent revenues	1,062,042	1,012,320	(49,722)	334,011	419,036	85,025
Other operating revenues	—	—	—	18,396	25,844	7,448
Total property operating revenue	1,062,042	1,012,320	(49,722)	352,407	444,881	92,474
Property management fees	2,664	2,664	—	72,138	60,749	(11,388)
Property taxes (Note 1)	69,124	68,889	(235)	33,360	32,741	(619)
Utilities	—	—	—	23,866	29,824	5,957
Maintenance and repairs	—	—	—	1,806	2,214	407
Insurance premium	3,436	3,426	(9)	1,055	1,048	(7)
Depreciation and amortization (1)	183,263	183,660	397	44,120	44,142	21
Other expenses (Note 2)	37,825	37,825	(0)	1,481	1,621	139
Total property operating expenses	296,313	296,465	151	177,830	172,341	(5,489)
Property operating income (2)	765,729	715,854	(49,874)	174,577	272,540	97,963
NOI (3) ((1)+(2))	948,992	899,515	(49,477)	218,697	316,682	97,985
Capex (4)	32,713	11,765	(20,947)	1,313	1,900	586
NCF (3)-(4)	916,279	887,749	(28,529)	217,384	314,782	97,398

(Unit: thousands of yen)

Property number	O-9			O-10		
Property name	Toranomom Hills Mori Tower			Holland Hills Mori Tower		
Period	Twenty-second fiscal period ended July 2017	Twenty-third fiscal period ended January 2018 (Note 4)	Difference	Twenty-second fiscal period ended July 2017	Twenty-third fiscal period ended January 2018 (Note 4)	Difference
Operation days	—	184 days	184 days	—	184 days	184 days
Occupancy rate	—	100.0%	100.0PT	—	96.3%	96.3PT
Number of tenants	—	1	1	—	23	23
Rent revenues	—	108,581	108,581	—	288,486	288,486
Other operating revenues	—	—	—	—	13,234	13,234
Total property operating revenue	—	108,581	108,581	—	301,721	301,721
Property management fees	—	12,652	12,652	—	59,560	59,560
Property taxes (Note 1)	—	—	—	—	—	—
Utilities	—	—	—	—	3,559	3,559
Maintenance and repairs	—	—	—	—	399	399
Insurance premium	—	174	174	—	565	565
Depreciation and amortization (1)	—	16,537	16,537	—	27,453	27,453
Other expenses (Note 2)	—	9	9	—	117	117
Total property operating expenses	—	29,374	29,374	—	91,657	91,657
Property operating income (2)	—	79,206	79,206	—	210,064	210,064
NOI (3) ((1)+(2))	—	95,744	95,744	—	237,517	237,517
Capex (4)	—	—	—	—	6,012	6,012
NCF (3)-(4)	—	95,744	95,744	—	231,504	231,504

(Unit: thousands of yen)

Property number	R-1			R-3		
Property name	Moto-Azabu Hills			Roppongi First Plaza		
Period	Twenty-second fiscal period ended July 2017 (Note 3)	Twenty-third fiscal period ended January 2018	Difference	Twenty-second fiscal period ended July 2017	Twenty-third fiscal period ended January 2018	Difference
Operation days	180 days	—	(180 days)	181 days	184 days	3 days
Occupancy rate	—	—	—	100.0%	98.3%	(1.7PT)
Number of tenants	—	—	—	42	41	(1)
Rent revenues	56,581	—	(56,581)	77,965	79,990	2,025
Other operating revenues	1,596	—	(1,596)	—	—	—
Total property operating revenue	58,178	—	(58,178)	77,965	79,990	2,025
Property management fees	8,176	—	(8,176)	13,229	13,229	—
Property taxes (Note 1)	2,282	—	(2,282)	7,126	7,126	(0)
Utilities	57	—	(57)	1,002	1,251	249
Maintenance and repairs	2,427	—	(2,427)	6,615	4,191	(2,424)
Insurance premium	247	—	(247)	245	235	(10)
Depreciation and amortization (1)	7,109	—	(7,109)	12,456	12,414	(41)
Other expenses (Note 2)	4,197	—	(4,197)	3,773	3,820	47
Total property operating expenses	24,498	—	(24,498)	44,450	42,271	(2,178)
Property operating income (2)	33,680	—	(33,680)	33,514	37,719	4,204
NOI (3) ((1)+(2))	40,789	—	(40,789)	45,971	50,134	4,162
Capex (4)	—	—	—	2,636	1,181	(1,454)
NCF (3)-(4)	40,789	—	(40,789)	43,335	48,952	5,617

(Unit: thousands of yen)

Property number	R-4			S-1		
Property name	Roppongi View Tower			Laforet Harajuku (Land)		
Period	Twenty-second fiscal period ended July 2017	Twenty-third fiscal period ended January 2018	Difference	Twenty-second fiscal period ended July 2017	Twenty-third fiscal period ended January 2018	Difference
Operation days	181 days	184 days	3 days	181 days	184 days	3 days
Occupancy rate	93.3%	95.8%	2.5PT	100.0%	100.0%	0.0PT
Number of tenants	86	88	2	1	1	0
Rent revenues	93,862	95,114	1,251	629,400	629,400	—
Other operating revenues	160	200	40	—	—	—
Total property operating revenue	94,022	95,314	1,291	624,400	629,400	—
Property management fees	13,572	13,669	96	—	—	—
Property taxes (Note 1)	10,870	10,879	9	67,957	67,956	(1)
Utilities	910	1,015	104	—	—	—
Maintenance and repairs	434	1,020	585	—	—	—
Insurance premium	332	352	19	—	—	—
Depreciation and amortization (1)	16,238	16,592	354	—	—	—
Other expenses (Note 2)	591	690	99	—	—	—
Total property operating expenses	42,950	44,219	1,269	67,957	67,956	(1)
Property operating income (2)	51,072	51,094	22	561,442	561,444	1
NOI (3) ((1)+(2))	67,311	67,687	376	561,442	561,444	1
Capex (4)	39,844	24,304	(15,540)	—	—	—
NCF (3)-(4)	27,466	43,383	15,917	561,442	561,444	1

(Unit: thousands of yen)

Property number	Portfolio total		
Property name			
Period	Twenty-second fiscal period ended July 2017 (Note 3)	Twenty-third fiscal period ended January 2018 (Note 4)	Difference
Operation days	181 days	184 days	3 days
Occupancy rate	97.2%	98.5%	1.3PT
Number of tenants	324	354	30
Rent revenues	7,853,452	8,284,596	431,143
Other operating revenues	225,208	211,201	(14,007)
Total property operating revenue	8,078,661	8,495,797	417,136
Property management fees	936,590	980,712	44,122
Property taxes (Note 1)	516,999	555,906	38,907
Utilities	117,171	136,588	19,417
Maintenance and repairs	64,009	55,682	(8,327)
Insurance premium	14,985	15,597	612
Depreciation and amortization (1)	1,000,345	1,032,357	32,012
Other expenses (Note 2)	138,616	133,753	(4,863)
Total property operating expenses	2,788,717	2,910,598	121,880
Property operating income (2)	5,289,944	5,585,199	295,255
NOI (3) ((1)+(2))	6,290,289	6,617,557	327,267
Capex (4)	343,817	189,475	(154,342)
NCF (3)-(4)	5,946,472	6,428,082	481,609

Disclaimer:

This report is a translation of the Japanese language Financial Release (*Kessan-Tanshin*) dated March 16, 2018 of Mori Hills REIT Investment Corporation (the Company) prepared under the timely-disclosure requirements of the Tokyo Stock Exchange.

This English language document was prepared solely for the convenience of and for reference by investors and does not necessarily correspond to the original Japanese documents nor is it intended to constitute a disclosure document. The Japanese language *Kessan-Tanshin* for the aforementioned should always be referred to as the original of this document.

English terms for Japanese legal, accounting, tax and business concepts used herein may not be precisely identical to the concepts of the equivalent Japanese terms. With respect to any and all terms used herein, including without limitation, financial statements, if there exists any discrepancies in the meaning or interpretation thereof between the original Japanese documents and English statements contained herein, the original Japanese documents will always govern the meaning and interpretation.

None of the Company, Mori Building Investment Management Co., Ltd. (MIM) or any of their respective directors, officers, employees, partners, shareholders, agents or affiliates will be responsible or liable for the completeness, appropriateness or accuracy of any English translations. No person has been authorized to give any information or make any representations other than as contained in this document in relation to the matters set out in this document, and if given or made, such information or representation must not be relied upon as having been authorized by the Company, MIM or any of their respective directors, officers, employees, partners, shareholders, agents or affiliates.

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 Act on Investment Trusts and Investment Corporations and the Financial Instruments and Exchange Act of Japan as well as 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 a translation of the financial statements of the Company, which were prepared in accordance with Japanese GAAP.

Certain provisions of this document contain forward-looking statements and information. We base these statements on our beliefs as well as our assumptions based solely on certain limited information currently available to us. Because these statements reflect our current views concerning future events, these statements involve known and unknown risks, uncertainties and assumptions.

These forward-looking statements are not a guarantee of future performance and involve risks and uncertainties, and there are certain important factors that could cause actual results to differ, possibly materially, from expectations or estimates reflected in such forward-looking statements, including without limitation: the general economy, market conditions, financial markets including the performance of the real estate market, interest rate fluctuations, competition with our properties, and the impact of changing regulations or taxation.

The forward-looking statements contained in this document express information only as of the date of release and the Company does not undertake to update those forward-looking statements to reflect events or circumstances occurring after the date of this release.

The version posted on the website is the latest version. Accordingly, the content may vary depending on the timing of release.