

For Translation Purposes Only

## FINANCIAL REPORT FOR THE TWENTY-SECOND FISCAL PERIOD ENDED JULY 31, 2017

September 14, 2017

Name of issuer :	Mori Hills REIT Investment Corporation
Stock exchange listing :	Tokyo Stock Exchange
Securities code :	3234
Website :	<a href="http://www.mori-hills-reit.co.jp/en">http://www.mori-hills-reit.co.jp/en</a>
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
Contact :	Ryosuke Kanazawa, General Manager of Planning Department TEL: +81-3-6234-3234
Scheduled date for filing of securities report :	October 27, 2017
Scheduled date for dividends payment :	October 13, 2017
Supplementary materials for financial results :	Otherwise prepared
Analyst meeting :	Scheduled

### 1. PERFORMANCE FOR THE TWENTY-SECOND FISCAL PERIOD ENDED JULY 31, 2017 (February 1, 2017 – July 31, 2017)

#### (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-second Fiscal Period	¥8,491	2.9%	¥5,395	3.6%	¥4,756	4.2%	¥4,755	4.2%
Twenty-first Fiscal Period	¥8,248	6.3%	¥5,207	0.9%	¥4,566	1.1%	¥4,562	1.2%

	Net Income per Unit	Net Income to Total Net Assets	Ordinary Income to Total Assets	Ordinary Income to Operating Revenue
Twenty-second Fiscal Period	¥2,717	2.7%	1.4%	56.0%
Twenty-first Fiscal Period	¥2,606	2.6%	1.3%	55.4%

#### (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-second Fiscal Period	¥2,610	¥4,569 million	¥0	¥0 million	96.0%	2.6%
Twenty-first Fiscal Period	¥2,606	¥4,562 million	¥0	¥0 million	99.9%	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 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-second Fiscal Period	¥348,673 million	¥179,115 million	51.4%	¥102,314
Twenty-first Fiscal Period	¥349,100 million	¥178,921 million	51.3%	¥102,203

## (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-second Fiscal Period	¥7,117 million	(¥686 million)	(¥4,556 million)	¥16,931 million
Twenty-first Fiscal Period	¥6,642 million	¥62 million	(¥2,521 million)	¥15,057 million

## 2. FORECAST OF RESULTS FOR THE TWENTY-THIRD FISCAL PERIOD ENDING JANUARY 31, 2018 (August 1, 2017 – January 31, 2018) AND THE TWENTY-FOURTH FISCAL PERIOD ENDING JULY 31, 2018 (February 1, 2018 – July 31, 2018)

(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	Change (%)	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)
Twenty-third Fiscal Period	¥8,492	0.0%	¥5,256	(2.6%)	¥4,622	(2.8%)	¥4,621	(2.8%)
Twenty-fourth Fiscal Period	¥8,679	2.2%	¥5,353	1.9%	¥4,727	2.3%	¥4,726	2.3%

	Dividends per Unit (excluding dividends in excess of earnings)	Dividends in Excess of Earnings per Unit
Twenty-third Fiscal Period	¥2,640	¥0
Twenty-fourth Fiscal Period	¥2,700	¥0

(Reference) Estimated net income per unit for the twenty-third fiscal period: ¥2,640  
Estimated net income per unit for the twenty-fourth fiscal period: ¥2,700

\*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-second fiscal period: | 1,750,640 units | Twenty-first fiscal period: | 1,750,640 units |
|------------------------------|-----------------|-----------------------------|-----------------|
- (b) Number of own units at end of the period
- |                              |         |                             |         |
|------------------------------|---------|-----------------------------|---------|
| Twenty-second fiscal period: | 0 units | Twenty-first 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 39.

\* 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-Third Fiscal Period Ending January 31, 2018 (August 1, 2017 – January 31, 2018) and the Twenty-Fourth Fiscal Period Ending July 31, 2018 (February 1, 2018 – July 31, 2018)” presented on pages 16 to 18.

## 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 April 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 April 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-second fiscal period: February 1, 2017 to July 31, 2017), as of the end of the twenty-second 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-second fiscal period, the Japanese economy continued to moderately recover, backed by steady corporate earnings along with favorable employment and income environments despite some unstable moves in foreign exchange and stock markets against the backdrop of uncertainties in the political and economic trends in the U.S., mounting geopolitical risks in Asia and the Middle East region and other factors.

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 limited supply of large-scale buildings in central Tokyo. In the luxury rental housing market, occupancy rates and rent levels remained solid, backed by steady demand for quality housing in central Tokyo even though the volume of new supply increased. In the real estate trading market, transaction amounts remained at a high level as large transactions took place in the bay areas of Tokyo and Yokohama against the backdrop of strong investment appetite from investors at home and abroad.

###### (ii) Business Performance

In the twenty-second 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-second fiscal period, was comprised of 9 properties (Note 1) under management with a total leasable area of 152,325.40m<sup>2</sup>. The Company has already invested 338,150 million yen (based on the acquisition price) into this portfolio. The occupancy rate at the end of the twenty-second fiscal period (Note 2) was 97.2%.

(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-second fiscal period, the Company issued investment corporation bonds in the amount of 2,000 million yen to be used as funds for the acquisition of new properties on August 1, 2017. In addition, the Company repaid the entire amount of 1,978 million yen long-term loans using cash in hand.

As a result, as of the end of the twenty-second fiscal period, a) the balance of loans payable stands at 126,022 million yen (all of these are long-term loans payable (of which, the current portion of long-term loans payable is 12,600 million yen)), b) the balance of investment corporation bonds stands at 30,000 million yen (of which, the current portion of investment corporation bonds is 5,000 million yen), and c) the balance of interest-bearing debt stands at 156,022 million yen.

Of the debt, in addition to the 30,000 million yen in investment corporation bonds and 2,700 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 64,000 million yen of the 123,322 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-second fiscal period is 62.0%). 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-second 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-second fiscal period 8,491 million yen in operating revenue, 5,395 million yen in operating income, 4,756 million yen in ordinary income and 4,755 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. In the fiscal period under review, the Company decided to set aside part of gain on sale from the transfer of Moto-Azabu Hills in July 2017 as reserve for special account for reduction entry by applying "special provisions for taxation in cases of repurchase of specified assets" (Article 65-8 of the Act on Special Measures Concerning Taxation). On that basis, the Company decided to pay out dividends of earnings (4,569,170,400yen), 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 after reserving the amount of internal reserves and retained earnings brought forward, not in excess of unappropriated retained earnings for the twenty-second fiscal period.

As a result, the Company declared dividends per unit of 2,610 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 August 1, 2017.

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)	9,330 million yen (Note 3)
Appraisal value	5,446 million yen (Note 4)	10,431 million yen (Note 4)
Sales agreement date	March 17, 2017	
Acquisition date	August 1, 2017	
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 7% quasi co-ownership interest of the trust beneficiary right. The remaining 93% of the quasi co-ownership interest of the trust beneficiary right is acquired 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 57% quasi co-ownership interest of the trust beneficiary interests. The remaining 43% of the quasi co-ownership interest of the trust beneficiary right is acquired 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 February 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 August 1, 2017 (a portion of Toranomom Hills Mori Tower and a portion of Holland Hills Mori Tower), the Company borrowed the funds described below.

Lender	Borrowing amount (million yen)	Interest rate (Note 1)	Drawdown date	Repayment date (Note 2)	Method of repayment	Collateral
The Norinchukin Bank	500	Base interest rate +0.15%	August 1, 2017	July 31, 2024	To be repaid in full on the principal repayment date	Unsecured/ Unguaranteed
Sumitomo Mitsui Banking Corporation	1,100	Base interest rate +0.20%		July 31, 2025		
Sumitomo Mitsui Trust Bank, Limited	1,000	Base interest rate +0.20%		July 31, 2026		
The Bank of Fukuoka, Ltd	500	Base interest rate +0.20%		July 31, 2026		
Resona Bank, Limited.	500	Base interest rate +0.25%		July 31, 2027		
Sumitomo Mitsui Trust Bank, Limited	2,000	Base interest rate +0.25%		July 31, 2028		
Mizuho Bank, Ltd.	1,100	Base interest rate +0.30%		July 31, 2029		
Mizuho Trust & Banking Co., Ltd.	500	Base interest rate +0.30%		July 31, 2029		

(Note 1) The first payment date shall be August 31, 2017 and subsequent payment dates shall be the last day of every month thereafter. The last payment date shall be the principal repayment date. 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.

(iii) Asset acquisitions and Lease (Anticipated)

The Company resolved at its Board of Directors' Meeting held on September 14, 2017 to conduct acquisitions at a portion of Toranomom Hills Mori Tower and a portion of Holland Hills Mori Tower.

The seller Mori Building Co., Ltd. constitutes an interested party, etc. of the Company's Asset Manager, and the transaction constitutes a transaction with an interested party, etc. as defined in the Investment Trust Act. Accordingly, to comply with applicable laws and regulations and with the asset management agreement, as well as to prevent the interests of the Company from being negatively impacted with respect to the anticipated acquisition price and other terms and conditions, the Asset Manager has taken steps pursuant to the Related Parties Transaction Guidelines.

i) Overview of Acquisitions and Lease

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

(Note 1) The Company plans to acquire 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 plans to acquire an additional 7% quasi co-ownership interest of the trust beneficial interests and will hold 14% together with the 7% already acquired. The remaining 86% of the quasi co-ownership interest in the trust beneficial interests is to be acquired by Mori Building Co., Ltd.

(Note 2) The Company plans to acquire 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 plans to acquire an additional 15% quasi co-ownership interest in the trust beneficial interests and will hold 72%, together with the 57% already acquired. The remaining 28% of the quasi co-ownership interest in the trust beneficial interests is to be acquired by Mori Building Co., Ltd.

(Note 3) Please see “(ii) Details of the Assets to be Acquired and Lease” for leasing terms and conditions, and other details.

ii) Details of the Assets to be Acquired and Lease

Toranomon Hills Mori Tower

Details of the Asset to be Acquired		
Property name		Toranomon Hills Mori Tower
Type of specified asset		Trust beneficial interests (87.95% of co-ownership of 28th to 35th floors) (7% of quasi co-ownership interest)
Trustee		Mitsubishi UFJ Trust and Banking Corporation
Trust establishment period		From June 26, 2014 to July 31, 2037 (anticipated)
Location (Residential indication)		1-23-1 Toranomon, Minato-ku, Tokyo
Use		Offices, Shops, Hotel, Residents
Area (Note 1)	Land	17,068.95 m <sup>2</sup>
	Building	241,581.95 m <sup>2</sup>
Structure		Steel-framed and steel-framed reinforced concrete structure with flat roof, 52 floors above ground and 5 floors below ground
Construction completion		May 2014
Designers		Nihon Sekkei, Inc.
Contractors		Obayashi Corporation
Building verification agency		Tokyo Metropolitan Government
Form of Ownership	Land	Ownership (Note 2)
	Building	Compartmentalized ownership (Note 3)
Anticipated acquisition price		5,070 million yen
Acquisition date		March 1, 2018 (anticipated)
Appraisal	Appraiser	Japan Real Estate Institute
	Appraisal value	5,614 million yen (Appraisal date: August 1, 2017)
PML (Note 4)		0.50%
Collateral		None
Property manager		Mori Building Co., Ltd.
Content of lease (as of July 31, 2017)		
Lessee (Note 5)		Mori Building Co., Ltd.
Type of agreement		Regular building lease agreement
Term of agreement		From August 1, 2017 to July 31, 2022 (anticipated)
Gross rent income (annual rent) (Note 6)		217,162,812 yen
Deposits/Guarantees (Note 7)		180,969,014 yen
Total leasable floor area (Note 8)		1,709.27 m <sup>2</sup>
Total leased floor area (Note 9)		1,709.27 m <sup>2</sup>
Other special consideration		Transfer of Quasi Co-Ownership Interest to a third party requires the written approval of Mori Building Co., Ltd.

(Note 1) Area (Land) is the area of the entire site, and Area (Building) is the total floor area of the entire building, as indicated in the real estate registry. The same shall apply hereafter.

(Note 2) As for land, land use rights for the property are established. The site area corresponding to the quasi co-ownership interest in the trust beneficial interests that the Company plans to acquire equivalent to the ratio of interest in the building is approximately 303.30m<sup>2</sup> (approximately 1.8%). Also, the site area corresponding to the quasi co-ownership interest in the trust beneficial interests that the Company plans to acquire equivalent to the ratio of interest in the building will be approximately 606.60m<sup>2</sup> (approximately 3.6%) after this acquisition.

- (Note 3) The exclusive floor area corresponding to the quasi co-ownership interest in the trust beneficial interests that the Company plans to acquire as indicated in the real estate registry is approximately 1,709.68m<sup>2</sup> (approximately 1.0%). Also, the exclusive floor area corresponding to the quasi co-ownership interest in the trust beneficial interests that the Company plans to acquire as indicated in the real estate registry will be approximately 3,419.37m<sup>2</sup> (approximately 1.9%) after this acquisition.
- (Note 4) PML is the probable maximum loss that a property will experience over the next 50 years (useful life for buildings in general), due to a large-scale earthquake (event of a scale expected to occur with a 10% probability in the next 50 years). This PML is typically the estimated total cost associated with restoring a property damaged in connection with such an earthquake event to its condition prior to that event, expressed as a percentage of the replacement cost associated with that property. Such estimated total cost includes direct damages from earthquakes taking into account factors such as historical frequencies and magnitudes of earthquake events, building construction, site soils and site distances to known fault lines, however does not include estimates for secondary damage from items such as fires after earthquake events. PML figures are reported from Sompō Risk Management & Health Care Inc. as of August 18, 2017. The same applies hereafter.
- (Note 5) With regard to the property, the Company will outsource building lease operations to Mori Building Co., Ltd. and shall receive a fixed amount of rent from the company, regardless of the rent amount paid by end tenants. Due to this, Mori Building Co., Ltd. is treated as the end tenant in the Acquisition.
- (Note 6) The gross rent income (annual income) represents the figure obtained by multiplying the monthly consideration for granting leasing rights described in the agreement to entirely change the co-owned property usage agreement and property management operation agreement by the 7% quasi co-ownership interest rounded down below the unit and multiplying that amount by 12.
- (Note 7) Deposits/Guarantees represents the figure obtained by multiplying the amount of deposits described in the agreement to entirely change the co-owned property usage agreement and property management operation agreement by the 7% quasi co-ownership interest rounded down below the unit.
- (Note 8) Total leasable floor area represents the figure obtained by multiplying the floor area deemed leasable to the lessee by the 7% quasi co-ownership interest.
- (Note 9) Total leased floor area represents the figure obtained by multiplying the floor area leased to the lessee by the 7% quasi co-ownership interest. Total leasable floor area and total leased floor area do not include storage, parking lots, mechanical rooms, etc.

Holland Hills Mori Tower

Details of the Asset to be Acquired			
Property name		Holland Hills Mori Tower	
Type of specified asset		Trust beneficial interests (3-4th, part of 5th, 14-18th and 22-24th floors) (15% of quasi co-ownership interest)	
Trustee		Sumitomo Mitsui Trust Bank, Limited	
Trust establishment period		From August 1, 2017 to July 31, 2032 (anticipated)	
Location (Residential indication)		5-11-2 Toranomon, Minato-ku, Tokyo	
Use		Offices, Shops, Residents	
Area	Land	3,487.61 m <sup>2</sup>	
	Building	35,076.12 m <sup>2</sup>	
Structure		Steel-framed, steel-framed reinforced concrete and reinforced concrete structure with flat roof, 24 floors above ground and 2 floors below ground	
Construction completion		January 2005	
Designer		Yamashita Sekkei, Inc.	
Contractor		Obayashi Corporation	
Building verification agency		Tokyo Metropolitan Government	
Form of ownership	Land	Ownership (Note 1)	
	Building	Compartmentalized ownership (Note 2)	
Anticipated acquisition price		2,430 million yen	
Acquisition date		March 1, 2018 (anticipated)	
Appraisal	Appraiser	Japan Real Estate Institute	
	Appraisal value	2,775 million yen (Appraisal date: August 1, 2017)	
PML		0.85%	
Collateral		None	
Property manager		Mori Building Co., Ltd.	
Content of lease (as of July 31, 2017)			
Total number of tenants		24	
Gross rent income (annual rent) (Note 3)		153,636,242 yen	
Deposits/Guarantees (Note 4)		135,327,169 yen	
Total leasable floor area (Note 5)		1,524.76 m <sup>2</sup>	
Total leased floor area (Note 6)		1,524.76 m <sup>2</sup>	
Change in occupancy rates		End of July 2015 100.0%	End of July 2016 89.7%
Other special consideration		End of July 2017 100.0%	
		<p>For the transfer of quasi co-ownership interest of the trust beneficial interests to a third party (excluding disposition to Mori Building Co., Ltd.), consent of other compartmentalized owner is required. In addition, with regard to the transfer of trust property (excluding the transfer to the Company as a result of the termination of the trust contract), approval of the other classification owner is required.</p> <p>Regarding a part of the outdoor advertisement installed at the property, advertisement permission has not been obtained. The seller is currently applying for permission to Minato-ku at its responsibility and expense.</p>	

(Note 1) Ownership for the land where the property is located is subdivided into the addresses of 5-124-1 Toranomon; 3-803-3 Shibakoen and 3-802-2 Shibakoen; and 1-224-28 Azabudai, and the Company plans to acquire the trust

beneficial interests in co-ownership interest of 5-124-1 Toranomom and 3-803-3 Shibakoen. The site area corresponding to the quasi co-ownership interest in the trust beneficial interests that the Company plans to acquire equivalent to the ratio of interest in the building is approximately 286.64m<sup>2</sup> (approximately 9.4%). Also, the site area corresponding to the quasi co-ownership interest in the trust beneficial interests that the Company plans to acquire equivalent to the ratio of interest in the building is approximately 1,375.89m<sup>2</sup> (approximately 45.3%) after this acquisition.

- (Note 2) The exclusive floor area corresponding to the quasi co-ownership interest in the trust beneficial interests that the Company plans to acquire as indicated in the real estate registry is approximately 1,552.35m<sup>2</sup> (approximately 7.3%). Also, the exclusive floor area corresponding to the quasi co-ownership interest in the trust beneficial interests that the Company plans to acquire as indicated in the real estate registry is approximately 7,451.30 m<sup>2</sup> (approximately 34.9%) after this acquisition.
- (Note 3) The gross rent income (annual income) represents the figure obtained by multiplying the combined amount of the monthly rents described in the lease agreements with the end tenants and the proceeds for monthly common expenses (excluding income from parking lots, utilities and other sources. Free rent, etc. are disregarded.) by 12, and multiplying that amount by the 15% co-ownership interest rounded down below the unit.
- (Note 4) Deposits/Guarantees represent the figure obtained by multiplying the amount of deposits described in the lease agreements with the end tenants by the 15% quasi co-ownership interest.
- (Note 5) Total leasable floor area represents the figure obtained by multiplying the floor area deemed leasable to the end tenants by the 15% quasi co-ownership interest.
- (Note 6) Total leased floor area represents the figure obtained by multiplying the contracted floor area described in the lease agreements with the end tenants by the 15% quasi co-ownership interest. Total leasable floor area and total leased floor area do not include storage, parking lots, mechanical rooms, etc.

c) Outlook of Business Results

The Company expects the following business results for the twenty-third fiscal period (August 1, 2017 to January 31, 2018) and the twenty-fourth fiscal period (February 1, 2018 to July 31, 2018). For the assumptions underlying the forecasts of results, please refer to “Assumptions of Forecasts of Results for the Twenty-Third Fiscal Period Ending January 31, 2018 (August 1, 2017 – January 31, 2018) and the Twenty-Fourth Fiscal Period Ending July 31, 2018 (February 1, 2018 – July 31, 2018)” presented below.

Twenty- Third Fiscal Period Ending January 31, 2018 (August 1, 2017 – January 31, 2018)

Operating revenue	¥8,492 million
Operating income	¥5,256 million
Ordinary income	¥4,622 million
Net income	¥4,621 million
Dividends per unit	¥2,640
Dividends in excess of earnings per unit	¥0

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

Operating revenue	¥8,679 million
Operating income	¥5,353 million
Ordinary income	¥4,727 million
Net income	¥4,726 million
Dividends per unit	¥2,700
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-Third Fiscal Period Ending January 31, 2018 (August 1, 2017 – January 31, 2018) and the Twenty-Fourth Fiscal Period Ending July 31, 2018 (February 1, 2018 – July 31, 2018)

Item	Assumptions
Accounting Period	Twenty-Third fiscal period: August 1, 2017 – January 31, 2018 (184 days) Twenty-Fourth fiscal period: February 1, 2018 – July 31, 2018 (181 days)
Portfolio Assets	<ul style="list-style-type: none"> <li>• The Company’s portfolio assets consisted of 9 properties as of the end of the fiscal period ended July 31, 2017. The Company assumes that the acquisition of Toranomori Hills Mori Tower and Holland Hills Mori Tower (collectively, the “Assets Acquired”) on August 1, 2017 and the anticipated acquisition of Toranomori Hills Mori Tower and Holland Hills Mori Tower (collectively, the “Asset to be Acquired”) on March 1, 2018 are reflected.</li> <li>• The actual portfolio assets may differ from this assumption due to additional changes.</li> </ul>
Operating Revenue	<ul style="list-style-type: none"> <li>• Rent revenues are estimated based on lease agreements, etc., taking into account the market environment, the trends of individual tenants and other factors.</li> <li>• Regarding the properties owned, it is assumed that rent revision is implemented under the same terms and conditions as current terms and conditions for a portion of floors of ARK Mori Building for which rent revision of fixed-rent master lease will take place in the fiscal period ending July 31, 2018 although revised terms and conditions, etc. are presently yet to be determined.</li> <li>• The Company assumes that there will be no delinquencies or non-payment of rents by tenants.</li> </ul>
Operating Expenses	<ul style="list-style-type: none"> <li>• For expenses related to properties, major operating expenses of 2,934 million yen and 3,007 million yen are expected for the fiscal periods ending January 31, 2018 and July 31, 2018, 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"> <li>(i) For property taxes, city planning taxes, etc., 555 million yen (for six months) and 588 million yen (for six months) are expected for the fiscal period ending January 31, 2018 and July 31, 2018, respectively. Furthermore, property taxes, city planning taxes, etc. associated with the Assets to be Acquired, will be calculated at the time of acquisition with the seller using a prorated adjusted amount; however, the Company shall capitalize these amounts at part of the cost of the acquisitions and thus, shall not recognize them as operating expenses for the fiscal period ending July 31, 2018. 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 January 31, 2018, and, part of the amount will be capitalized as part of the cost of acquisitions and 14 million yen (for three months) is expected to be recognized as operating expenses for the fiscal period ending July 31, 2018.</li> <li>(ii) For building maintenance and repairs, the Company recorded the estimated required amount for the respective fiscal periods as 65 million yen for the fiscal period ending January 31, 2018 and 85 million yen for the fiscal period ending July 31, 2018. 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.</li> </ul> </li> </ul>

Item	Assumptions
	<p>(iii) Depreciation and amortization, which are calculated using the straight-line method with future additional capital expenditures taken into account, are expected to be 1,034 million yen in the fiscal period ending January 31, 2018 and 1,040 million yen in the fiscal period ending July 31, 2018.</p> <p>(iv) For property management fees, 980 million yen is expected for the fiscal period ending January 31, 2018 and 999 million yen is expected for the fiscal period ending July 31, 2018.</p> <ul style="list-style-type: none"> <li>• For the operating expenses other than expenses related to properties (asset management fee, asset custody fee, administrative service fees, etc.), 301 million yen is expected for the fiscal period ending January 31, 2018 and 318 million yen is expected for the fiscal period ending July 31, 2018.</li> </ul>
<p>Non-Operating Expenses</p>	<ul style="list-style-type: none"> <li>• The Company expects to incur 330 million yen for the fiscal period ending January 31, 2018 and 327 million yen for the fiscal period ending July 31, 2018 in interest expenses, 93 million yen for the fiscal period ending January 31, 2018 and 85 million yen for the fiscal period ending July 31, 2018 in interest expenses on investment corporation bonds, and 173 million yen for the fiscal period ending January 31, 2018 and 178 million yen for the fiscal period ending July 31, 2018 in borrowing expenses.</li> <li>• The Company expects to incur 21 million yen for the fiscal period ending January 31, 2018 and 21 million yen for the fiscal period ending July 31, 2018 in amortization of investment unit issuance expenses.</li> </ul>
<p>Interest-Bearing Debt</p>	<ul style="list-style-type: none"> <li>• The Company's balance of interest-bearing debt as of the end of the fiscal period ended July 31, 2017 is 156,022 million yen.</li> <li>• The Company took out new loans payment in the amount of 7,200 million yen in August 2017 as part of the funds for the acquisition of Assets Acquired described in the portfolio assets above. The Company assumes that it will newly borrow 6,900 million yen in March 2018 as part of funds for the acquisition of Assets to be Acquired described in the portfolio assets above.</li> <li>• The balance of loans payable outstanding as of the end of the fiscal period ended July 31, 2017 is 126,022 million yen. The Company assumes that, of that amount, the 12,600 million yen balance of loans payable due for repayment by the end of the fiscal period ending July 31, 2018 will be refinanced in the entire amount. The Company also assumes that combined with the new borrowings above, the balance of loans payable will be 140,122 million yen at the end of the fiscal period ending July 31, 2018.</li> <li>• The balance of investment corporation bonds as of the end of the fiscal period ended July 31, 2017 is 30,000 million yen. The Company assumes that, the 2,000 million yen balance of investment corporation bonds due for redemption on November 28, 2017 will be redeemed in the entire amount using cash on hand. The Company also assumes that the 3,000 million yen balance of investment corporation bonds due for redemption on May 24, 2018 will be redeemed through issuance of investment corporation bonds of the same amount, and therefore the balance of investment corporation bonds will be 28,000 million yen at the end of the fiscal period ending July 31, 2018.</li> </ul>
<p>Issuance of Investment Units</p>	<ul style="list-style-type: none"> <li>• 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 July 31, 2018.</li> </ul>

Item	Assumptions
Dividends per Unit (excluding dividends in excess of earnings)	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> </ul>
Dividends in Excess of Earnings per Unit	<ul style="list-style-type: none"> <li>• At present, the Company has no plan to make any cash distributions in excess of earnings (dividends in excess of earnings per unit).</li> </ul>
Other	<ul style="list-style-type: none"> <li>• 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.</li> <li>• The Company assumes that there will be no unforeseen material changes in general economic conditions, the real estate market, etc.</li> </ul>

### 3. FINANCIAL STATEMENTS

#### (1) Balance sheet

(Unit: thousands of yen)

	As of	
	January 31, 2017	July 31, 2017
<b>Assets</b>		
Current assets		
Cash and deposits	7,297,437	9,609,786
Cash and deposits in trust	7,759,698	7,321,280
Operating accounts receivable	63,245	208,751
Prepaid expenses	453,126	448,573
Deferred tax assets	192	—
Other	18	3,593
Total current assets	15,573,718	17,591,985
Noncurrent assets		
Property, plant and equipment		
Land	22,074,160	22,074,160
Buildings in trust	69,231,112	69,104,243
Accumulated depreciation	(11,285,486)	(12,120,079)
Buildings in trust, net	57,945,626	56,984,163
Structures in trust	747,910	739,438
Accumulated depreciation	(253,302)	(251,195)
Structures in trust, net	494,608	488,243
Machinery and equipment in trust	774,029	761,534
Accumulated depreciation	(170,466)	(184,141)
Machinery and equipment in trust, net	603,562	577,393
Tools, furniture and fixtures in trust	188,293	192,828
Accumulated depreciation	(84,762)	(90,814)
Tools, furniture and fixtures in trust, net	103,531	102,013
Land in trust	220,457,581	219,188,377
Construction in progress in trust	6,306	383
Total property, plant and equipment	301,685,377	299,414,737
Intangible assets		
Leasehold rights in trust	30,650,962	30,650,962
Other intangible assets in trust	3,104	2,480
Other	1,870	1,483
Total intangible assets	30,655,937	30,654,927
Investments and other assets		
Lease and guarantee deposits	10,000	10,000
Long-term prepaid expenses	942,222	815,432
Total investments and other assets	952,222	825,432
Total noncurrent assets	333,293,538	330,895,097
Deferred assets		
Investment corporation bonds issuance cost	120,233	122,315
Investment unit issuance cost	112,899	64,235
Total deferred assets	233,133	186,550
Total assets	349,100,390	348,673,632

(Unit: thousands of yen)

	As of	
	January 31, 2017	July 31, 2017
<b>Liabilities</b>		
Current liabilities		
Operating accounts payable	211,973	184,927
Current portion of investment corporation bonds	2,000,000	5,000,000
Current portion of long-term loans payable	4,578,000	12,600,000
Accounts payable – other	29,398	15,377
Accrued expenses	314,744	278,759
Income taxes payable	14,134	596
Accrued consumption taxes	403,057	163,774
Advances received	1,095,714	1,064,305
Deposits received	27,377	27,543
Total current liabilities	8,674,401	19,335,284
Noncurrent liabilities		
Investment corporation bonds	26,000,000	25,000,000
Long-term loans payable	123,422,000	113,422,000
Lease and guarantee deposits in trust	12,082,272	11,800,930
Total noncurrent liabilities	161,504,272	150,222,930
Total liabilities	170,178,674	169,558,214
<b>Net assets</b>		
Unitholders' equity		
Unitholders' capital	174,231,870	174,231,870
Surplus		
Voluntary retained earnings		
Reserve for reduction entry	105,244	105,244
Total voluntary retained earnings	105,244	105,244
Unappropriated retained earnings	4,584,601	4,778,304
Total surplus	4,689,845	4,883,548
Total unitholders' equity	178,921,716	179,115,418
Total net assets	178,921,716	179,115,418
Total liabilities and net assets	349,100,390	348,673,632

(2) Statement of income and retained earnings

(Unit: thousands of yen)

	For the six months ended	
	January 31, 2017	July 31, 2017
Operating revenue		
Rent revenues	*1, *2 8,056,295	*1, *2 7,853,452
Other operating revenues	*1, *2 192,460	*1, *2 225,208
Gain on sales of real estate properties	—	*2, *3 413,312
Total operating revenue	8,248,756	8,491,973
Operating expenses		
Expenses related to properties	*1, *2 2,696,520	*1, *2 2,788,717
Asset management fee	234,850	201,529
Directors' compensation	5,400	5,200
Asset custody fee	8,654	8,727
Administrative service fees	19,321	19,899
Other operating expenses	76,294	*2 72,028
Total operating expenses	3,041,041	3,096,102
Operating income	5,207,714	5,395,871
Non-operating income		
Interest income	86	58
Gain on forfeiture of unclaimed dividends	1,510	861
Interest on refund	404	—
Total non-operating income	2,002	919
Non-operating expenses		
Interest expenses	326,571	316,623
Interest expenses on investment corporation bonds	85,983	92,264
Amortization of investment corporation bonds issuance cost	13,154	14,073
Borrowing expenses	166,987	166,568
Amortization of investment unit issuance cost	48,664	48,664
Other	1,888	1,930
Total non-operating expenses	643,250	640,124
Ordinary income	4,566,466	4,756,667
Income before income taxes	4,566,466	4,756,667
Income taxes-current	14,147	605
Income taxes-deferred	(10,165)	192
Total income taxes	3,982	797
Net income	4,562,484	4,755,870
Retained earnings brought forward	22,117	22,433
Unappropriated retained earnings (undisposed loss)	4,584,601	4,778,304

(3) Statement of changes in net assets

For the six months ended January 31, 2017

(Unit: thousands of yen)

	Unitholders' capital	Surplus		Total surplus	Total unitholders' equity	Total net assets
		Voluntary retained earnings	Unappropriated retained earnings			
Balance at August 1, 2016	174,231,870	105,244	4,516,010	4,621,254	178,853,124	178,853,124
Change during the period						
Dividends from surplus			(4,493,892)	(4,493,892)	(4,493,892)	(4,493,892)
Net income			4,562,484	4,562,484	4,562,484	4,562,484
Total changes of items during the period	—	—	68,591	68,591	68,591	68,591
Balance at January 31, 2017	174,231,870	105,244	4,584,601	4,689,845	178,921,716	178,921,716

For the six months ended July 31, 2017

(Unit: thousands of yen)

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

(4) Statement of cash distributions

(Unit: yen)

	For the six months ended January 31, 2017	For the six months ended July 31, 2017
I Unappropriated retained earnings	4,584,601,465	4,778,304,094
II Amount of dividends	4,562,167,840	4,569,170,400
Amount of dividends per unit	2,606	2,610
III Voluntary retained earnings		
Reserve for special account for reduction entry	—	186,700,069
IV Retained earnings carried forward	22,433,625	22,433,625
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 (4,562,167,840 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 after reserving cumulative effects of changes in accounting policies, not in excess of unappropriated retained earnings for the twenty-first 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 (4,569,170,400 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>

(5) Statement of cash flows

(Unit: thousands of yen)

	For the six months ended	
	January 31, 2017	July 31, 2017
Net cash provided by (used in) operating activities		
Income before income taxes	4,566,466	4,756,667
Depreciation and amortization	995,006	1,000,732
Amortization of investment corporation bonds issuance cost	13,154	14,073
Amortization of investment unit issuance cost	48,664	48,664
Interest income	(86)	(58)
Gain on forfeiture of unclaimed dividends	(1,510)	(861)
Interest expenses	412,555	408,887
Decrease (increase) in operating accounts receivable	1,630	(145,505)
Decrease (increase) in consumption taxes receivable	431,471	—
Increase (decrease) in operating accounts payable	14,234	40,242
Increase (decrease) in accounts payable – other	12,981	(13,377)
Increase (decrease) in accrued expenses	28,403	(36,811)
Increase (decrease) in accrued consumption taxes	403,057	(238,864)
Increase (decrease) in advances received	(9,834)	(31,409)
Increase (decrease) in deposits received	(2,788)	166
Decrease (increase) in prepaid expenses	(16,476)	4,553
Decrease (increase) in long-term prepaid expenses	161,305	126,790
Decrease in property, plant and equipment in trust due to sale	—	1,608,849
Other, net	(2,182)	(3,574)
Subtotal	7,056,053	7,539,164
Interest income received	86	58
Interest expenses paid	(413,226)	(408,061)
Income taxes paid	(845)	(14,143)
Net cash provided by (used in) operating activities	6,642,067	7,117,018
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment in trust	(266,574)	(405,638)
Repayments of lease and guarantee deposits in trust	(479,825)	(780,144)
Proceeds from lease and guarantee deposits in trust	808,936	498,801
Net cash provided by (used in) investing activities	62,536	(686,980)
Net cash provided by (used in) financing activities		
Repayments of long-term loans payable	(2,000,000)	(1,978,000)
Proceeds from issuance of investment corporation bonds	3,971,823	1,983,845
Cash dividends paid	(4,493,210)	(4,561,951)
Net cash provided by (used in) financing activities	(2,521,386)	(4,556,105)
Net increase (decrease) in cash and cash equivalents	4,183,217	1,873,931
Cash and cash equivalents at beginning of the period	10,873,917	15,057,135
Cash and cash equivalents at end of the period	* <sub>1</sub> 15,057,135	* <sub>1</sub> 16,931,067

(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 included in the cost of acquisition of real estate equivalent to property taxes was none for the period ended January 31, 2017 and period ended July 31, 2017.

(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 and based on the amount of change in both during the period from the start of hedging to when the effectiveness is being determined.

However, assessment of the effectiveness is omitted for interest rate swaps when the requirements for special treatment are fulfilled.

(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	
	January 31, 2017	July 31, 2017
A. Property operating revenue		
Rent revenues		
Rent and common area revenue	8,052,209	7,849,110
Other rent revenue	4,085	4,342
Other operating revenues		
Parking revenue	43,263	43,065
Utilities and other revenue	148,206	140,750
Cancellation penalty	990	41,392
Total property operating revenue	8,248,756	8,078,661
B. Property operating expenses		
Expenses related to properties		
Property management fees	908,803	936,590
Property taxes	470,104	516,999
Utilities	127,234	117,171
Maintenance and repairs	41,682	64,009
Insurance premium	15,115	14,985
Custodian fees	6,138	6,638
Depreciation and amortization	994,619	1,000,345
Rent expenses	112,718	112,673
Other lease business expenses	20,103	19,304
Total property operating expenses	2,696,520	2,788,717
C. Property operating income [A - B]	5,552,235	5,289,944

\*2 Transactions with major unitholders

(Unit: thousands of yen)

	For the six months ended	
	January 31, 2017	July 31, 2017
From operating transactions		
Rent revenues	5,411,869	5,362,051
Other operating revenues	2,006	2,259
Gain on sales of real estate properties	—	413,312
Expenses related to properties	203,207	238,828
Other operating expenses	—	1,274

\*3 Breakdown of gain on sales of real estate properties

(Unit: thousands of yen)

For the six months ended January 31, 2017

Not applicable.

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

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	
	January 31, 2017	July 31, 2017
Cash and deposits	7,297,437	9,609,786
Cash and deposits in trust	7,759,698	7,321,280
Cash and cash equivalents	15,057,135	16,931,067

3. Leases

Operating lease transactions (as lessor)

Future minimum rent revenues under existing non-cancelable lease agreements

(Unit: thousands of yen)

	As of	
	January 31, 2017	July 31, 2017
Due within 1 year	3,504,963	4,187,285
Due after 1 year	15,888,853	15,259,453
Total	19,393,817	19,446,738

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 January 31, 2017.

	(Unit: thousands of yen)		
	Carrying amount	Fair value	Difference
(a) Cash and deposits	7,297,437	7,297,437	—
(b) Cash and deposits in trust	7,759,698	7,759,698	—
Total	15,057,135	15,057,135	—
(c) Current portion of investment corporation bonds	2,000,000	2,015,000	15,000
(d) Current portion of long-term loans payable	4,578,000	4,581,173	3,173
(e) Investment corporation bonds	26,000,000	26,243,695	243,695
(f) Long-term loans payable	123,422,000	123,880,151	458,151
Total	156,000,000	156,720,019	720,019
Derivative transactions	—	—	—

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	—	—	—

(Note 1) Method of calculating the fair value of financial instruments, and derivative transactions

Assets

(a) Cash and deposits; (b) Cash and deposits in trust

As these are settled within a short period of time, the fair value is approximately the same as the book value and is thus stated at that book value.

Liabilities

(c) Current portion of investment corporation bonds; (e) Investment corporation bonds

The fair value of these is based on market prices.

(d) Current portion of long-term loans payable; (f) Long-term loans payable

Of long-term loans payable, as those with variable interest rates reflect market interest rates within a short period of time, the fair value is thought to be approximately the same as the book value and is thus stated at that book value (However, long-term loans payable with variable interest rates that are subject to special treatment for interest rate swaps (please refer to “Derivative transactions” below) are based on a calculation method of discounting the sum total amount of principal and interest accounted for together with said interest rate swaps by the rate reasonably estimated as being applicable in the event of a similar transaction.). Meanwhile, those with fixed interest rates are based on a calculation method of discounting the sum total amount of principal and interest by the rate reasonably estimated as being applicable in the event of a similar transaction.

Derivative transactions

Please refer to “Derivative transactions” below.

(Note 2) Redemption of monetary claims scheduled to be due after the balance sheet date (as of January 31, 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	7,297,437	—	—	—	—	—
Cash and deposits in trust	7,759,698	—	—	—	—	—
Total	15,057,135	—	—	—	—	—

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	—	—	—	—	—

(Note 3) Investment corporation bonds and long-term loans payable scheduled to be due after the balance sheet date (as of January 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	2,000,000	3,000,000	3,000,000	8,500,000	2,000,000	9,500,000
Long-term loans payable	4,578,000	20,500,000	27,900,000	13,022,000	19,000,000	43,000,000
Total	6,578,000	23,500,000	30,900,000	21,522,000	21,000,000	52,500,000

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

5. Derivative transactions

(1) Transactions for which hedge accounting is not applied

As of January 31, 2017

Not applicable.

As of July 31, 2017

Not applicable.

(2) Transactions for which hedge accounting is applied

As of January 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	65,978,000	64,000,000	*	—

\* 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 1) Method of calculating the fair value of financial instruments, and derivative transactions of “Financial instruments; (2) Fair value of financial instruments” above).

As of July 31, 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 1) 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 January 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	Leasing of properties (Note 2) (Note 5)	5,413,875	Operating accounts receivable	748
									Advances received	966,780
									Lease and guarantee deposits in trust	8,630,100
							Payment of property operation and management fees (Note 6)	231,714 (Note 3)	Prepaid expenses	12,055
									Operating accounts payable	70,410
Deposit of lease and guarantee (Note 4) (Note 7)	—	Lease and guarantee deposits in trust	53,886							

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

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

(Note 3) The amount includes fees (28,506 thousand yen) that are not charged to expenses but recognized as assets.

(Note 4) Roppongi View Tower

[Transaction terms and conditions and related policies]

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

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

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

For the six months ended 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.

(2) Subsidiaries and affiliates

For the six months ended January 31, 2017

Not applicable.

For the six months ended July 31, 2017

Not applicable.

(3) Subsidiaries of parent company

For the six months ended January 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)	234,850	Accrued expenses	253,638

(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 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.

(4) Directors and major individual unitholders

For the six months ended January 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)	234,850	Accrued expenses	253,638

(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 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.

7. Income taxes

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

(Unit: thousands of yen)

	As of	
	January 31, 2017	July 31, 2017
Deferred tax assets		
Accrued enterprise tax excluded from expenses	192	—
Total deferred tax assets	192	—
Net deferred tax assets	192	—

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

	As of	
	January 31, 2017	July 31, 2017
Statutory tax rate	34.81%	31.74%
[Adjustments]		
Deductible cash distributions	(34.78%)	(30.47%)
Reserve for reduction entry	—%	(1.25%)
Others	0.05%	(0.01%)
Effective tax rate	0.09%	0.02%

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	
	January 31, 2017	July 31, 2017
Carrying amount		
Balance at beginning of the period	333,014,247	332,339,444
Amount of increase (decrease) during the period	(674,802)	(2,271,263)
Balance at end of the period	332,339,444	330,068,181
Fair value at end of the period	350,910,000	352,090,000

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

(Note 2) Of the increase (decrease) during the period ended January 31, 2017, the decrease is primarily attributable to depreciation and amortization. Of the 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.

(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 January 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.	5,413,875	Real estate leasing business

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

## 10. Per unit Information

	For the six months ended	
	January 31, 2017	July 31, 2017
Net assets per unit (yen)	102,203	102,314
Net income per unit (yen)	2,606	2,717
(Note 1) Net income per unit was calculated by dividing the net income by the daily weighted average number of investment units during the period.		
Diluted net income per unit has not been stated as there are no diluted investment units.		
(Note 2) The following is the basis for calculating net income per unit.		

	For the six months ended	
	January 31, 2017	July 31, 2017
Net income (thousands of yen)	4,562,484	4,755,870
Amounts not attributable to common unitholders (thousands of yen)	—	—
Net income attributable to common investment units (thousands of yen)	4,562,484	4,755,870
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-second 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

A proposal on appointment of 1 executive director and 2 supervisory directors was approved as drafted at the Company's general meeting of unitholders held on April 21, 2017, and the nominees have assumed the office. Please refer to "MHR Announces Amendment of Part of the Articles of Incorporation and Appointment of Directors" separately announced on February 23, 2017 for details.

##### (2) Directors of the Company's Asset Manager

There was no change in directors in the twenty-second fiscal period.  
Changes in directors had been otherwise disclosed under the rule of timely disclosure.

## 5. REFERENCE INFORMATION

### (1) Investment Status

(as of July 31, 2017)

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	6.3
		Tokyo metropolitan area	22,074	6.3
		Principal regional cities	—	—
	Subtotal			22,074
Real estate in trust	Office Buildings	Tokyo's five central wards and their vicinity	301,729	86.5
		Tokyo metropolitan area	301,729	86.5
		Principal regional cities	—	—
	Residential Properties	Tokyo's five central wards and their vicinity	6,264	1.8
		Tokyo metropolitan area	6,264	1.8
		Principal regional cities	—	—
	Retail and Other Facilities	Tokyo's five central wards and their vicinity	—	—
		Tokyo metropolitan area	—	—
		Principal regional cities	—	—
	Subtotal			307,994
Deposits and other assets (Note 2)			18,605	5.3
Total assets			348,673	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 7,321 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 July 31, 2017)

	Carrying amount (millions of yen)	Percentage of total assets (%)
Total liabilities	169,558	48.6
Total net assets	179,115	51.4
Total assets	348,673	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 July 31, 2017. 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 July 31, 2017.

(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 <sup>2</sup> ) (Note 2)	Gross floor area (m <sup>2</sup> ) (Note 2)	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	134,900	113,323	115,380	34.1		
		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	57,400	61,591	62,480	18.5		
		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	24,990	27,200	8.0		
		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	42,003	43,930	13.0		
		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	* (Note 10)	* (Note 11)	43,300	40,860	42,090	12.4	
				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)	23,600	18,960	19,150	5.7		
		Subtotal											312,700	301,729	310,230	91.7
		Real estate	Residential Properties	R-3 Premium	Roppongi First Plaza	Roppongi, Minato-ku	Oct. 1993	RC B1F/20F	4,357.88 (Note 13)	22,906.74 (Note 13)	C (Note 13)	CO (Note 14)	2,000	2,266	2,100	0.6
R-4	Roppongi View Tower			Roppongi, Minato-ku	Oct. 1993	RC B1F/20F	C (Note 13)	CO (Note 14)			2,690	3,997	4,000	1.2		
Subtotal											4,690	6,264	6,100	1.8		
Real estate	Retail and Other Facilities	S-1 Premium	Laforet Harajuku (Land)	Jingumae, Shibuya-ku	—	—	2,565.06	—	O	—	34,700	22,074	21,820	6.5		
		Subtotal											34,700	22,074	21,820	6.5
Total											352,090	330,068	338,150	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 July 31, 2017 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 July 31, 2017 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 3,211.94m<sup>2</sup>. 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) 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 14) 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 July 31, 2017)

Property number	Property name	Type of lease (Note 1)	Total leasable area (m <sup>2</sup> ) (Note 2)	Total leased area (m <sup>2</sup> ) (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	1,276	1,259
O-6	Akasaka Tameike Tower	Pass-through master lease	19,786.01	18,589.99	94.0	134	1,456	1,027
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	6,649.21	73.8	36	754	698
R-3	Roppongi First Plaza	Pass-through master lease	2,956.77	2,956.77	100.0	42	166	60
R-4	Roppongi View Tower	Pass-through master lease	4,515.25	4,212.97	93.3	86	191	53
S-1	Laforet Harajuku (Land)	Business-use fixed-term land lease	2,565.06	2,565.06	100.0	1	1,258	—
Total			152,325.40	148,075.81	97.2	324	15,718	11,598

(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 and Atago Green Hills, this indicates 80% and 74% 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 July 1, 2017 to July 31, 2017 if a percentage rent is adopted) by 12. In the case of Koraku Mori Building and Atago Green Hills, this indicates 80% and 74% (i.e., the ownership ratio), respectively, of the amount so calculated. The same applies hereafter. In the case of ARK Hills South Tower, it indicates the 25% co-ownership interest ratio of the annual contracted rent. The same applies hereafter. 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 and Atago Green Hills, this indicates 80% and 74% (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 July 31, 2017 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 <sup>2</sup> ) (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	29.1	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	16.6	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	1,276	1,259	15,804.26	10.7	Mar. 3, 2023	Fixed-term lease	—
		Akasaka Tameike Tower	1,456	1,027	18,589.99	12.6	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	20.0	Apr. 30, 2022	Auto-renewed every 5 years	—
ARK Hills South Tower	754	698	6,649.21	4.5	Jul. 31, 2034	Auto-renewed every year	—		
Roppongi First Plaza	166	60	2,956.77	2.0	Mar. 3, 2023	Fixed-term lease	—		
Roppongi View Tower	191	53	4,212.97	2.8	Mar. 3, 2023	Fixed-term lease	—		
Total			14,459	11,598	145,510.75	98.3			

(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 and Atago Green Hills, this indicates 80% and 74% 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 July 31, 2017. 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 July 31, 2017.

Name of end tenant	Property name	Leased area (m <sup>2</sup> ) (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	97,636.65	65.9
Showa Leasing Co., Ltd.	Koraku Mori Building	2,683.90	1.8
Mori Building Ryutsu System Co., Ltd.	Laforet Harajuku (Land)	2,565.06	1.7
ITOCHU Techno-Solutions Corporation	Koraku Mori Building	2,116.88	1.4
Japan Worker's Credit Fund Association	Koraku Mori Building	1,851.87	1.3
Total for top 5 end tenants		106,854.36	72.2

(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 and Atago Green Hills, this indicates 80% and 74% 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 July 31, 2017. 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 July 31, 2017.

Name of end tenant	Name of occupied property	Leased area (m <sup>2</sup> )	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	29.1	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	16.6	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	4,656	Mar. 31, 2018	—	Memorandum on self-use	—
	Atago Green Hills	29,667.58	20.0	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	—	
Mori Building Ryutsu System Co., Ltd.	Laforet Harajuku (Land)	2,565.06	1.7	1,258,800	Sep. 14, 2030	—	Business-use fixed-term land lease	—
Total		100,201.71	67.7	11,883,971				

(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 July 31, 2017.

Property number	Property name	Annual contracted rent (millions of yen)	Percentage of annual contracted rent (%) (Note 1)	Total leasable area (m <sup>2</sup> )	Total leased area (m <sup>2</sup> )	Occupancy rate (%) (Note 2)	Number of tenants
O-0	Roppongi Hills Mori Tower	5,886	37.5	43,041.54	43,041.54	100.0	1
O-1	ARK Mori Building	2,702	17.2	24,588.43	24,588.43	100.0	1
O-7	Atago Green Hills	2,024	12.9	29,667.58	29,667.58	100.0	1
Total		10,614	67.5	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 July 31, 2017.

(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 July 31, 2017.

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
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 July 31, 2017. “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)	PML (%) (Note 4)	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. 2012	—	127,769	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)	—	101,932	2.35	Takenaka Corporation
		Forest Tower (residential building)	—	86,456	2.34	
		Plaza (retail building)	—	2,594	5.94	
O-8	ARK Hills South Tower	May 2014	—	6,186	1.56	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 5)	—	—	—	—	—
Total			—	494,942	1.02	

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

(Note 5) 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-second fiscal period. Capital expenditures during the twenty-second fiscal period amounted to 343 million yen for the entire portfolio and, combined with 64 million yen in maintenance and repairs and 1 million yen in construction management fees charged to expenses for the twenty-second fiscal period, construction work in a total of 408 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)	ITV system upgrading work	From: Jul. 2016 To: Feb. 2017	23
	VAV for air-conditioning system upgrading work in exclusive area	From: Sep. 2016 To: Feb. 2017	76
	Standard floor air-conditioning equipment control parts upgrading work	From: Oct. 2016 To: Feb. 2017	18
ARK Mori Building (Minato-ku, Tokyo)	Sprinkler upgrading work in exclusive area	From: Jun. 2016 To: Mar. 2017	18
Koraku Mori Building (Bunkyo-ku, Tokyo)	Security system upgrading work	From: Sep. 2016 To: Feb. 2017	29
	Standard floor air-conditioning equipment control parts upgrading work	From: Mar. 2017 To: Jul. 2017	16
Akasaka Tameike Tower (Minato-ku, Tokyo)	1F toilet area upgrading work	From: Dec. 2016 To: Feb. 2017	15
Atago Green Hills (Minato-ku, Tokyo)	Office building security system controller upgrading work	From: Dec. 2016 To: Mar. 2017	14
Roppongi View Tower (Minato-ku, Tokyo)	Residential unit remodeling work	From: Feb. 2017 To: Jul. 2017	37
Other	—	—	91
Entire portfolio			343

(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-second 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 July 31, 2017. 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-second 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: Sep. 2017 To: Jan. 2018	18	—	—
	Standard floor air-conditioning equipment control parts upgrading work	From: May 2017 To: Oct. 2017	35	—	—
	Humidifying equipment for air-conditioning system upgrading work	From: Oct. 2017 To: Nov. 2017	11	—	—
	Each floor toilet upgrading work	From: Oct. 2017 To: Jan. 2018	12	—	—
	Each floor security system upgrading work	From: Oct. 2017 To: Feb. 2018	29	—	—
	Hot-water supply equipment upgrading work	From: Oct. 2017 To: Oct. 2017	26	—	—
	LED installation of lights in exclusive area	From: Aug. 2017 To: Jul. 2018	16	—	—
Akasaka Tameike Tower (Minato-ku, Tokyo)	Air balance unit upgrading work in exclusive area	From: Aug. 2017 To: Jul. 2018	50	—	—
	Power generating/transforming equipment parts upgrading work	From: Oct. 2017 To: Oct. 2017	12	—	—
	Residential unit home appliances upgrading work	From: Aug. 2017 To: Jul. 2018	41	—	—
	Residential unit remodeling work	From: Aug. 2017 To: Jul. 2018	20	—	—
	Office building exterior wall painting upgrading work	From: Jul. 2017 To: Feb. 2018	55	—	—
Residential building exterior wall painting upgrading work	From: Mar. 2018 To: Apr. 2019	83	—	—	

Name of real estate, etc. (Location)	Purpose	Scheduled period	Expected amount of capital expenditures (millions of yen)		
			Total amount	Amount paid during the twenty-second 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 First Plaza (Minato-ku, Tokyo)	Residential unit remodeling work	From: Aug. 2017 To: Jul. 2018	11	—	—
Roppongi View Tower (Minato-ku, Tokyo)	Residential unit remodeling work	From: Aug. 2017 To: Jul. 2018	98	—	—

(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 July 31, 2017)

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	Trust beneficiary interest in compartmentalized ownership for 23rd and 24th floor portions
			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
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 July 31, 2017)

Quality category (Note)	Number of properties	Acquisition price (millions of yen)	Percentage of total portfolio acquisition price (%)
Premium Properties	8	334,150	98.8
Other Properties	1	4,000	1.2
Portfolio total	9	338,150	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 April 27, 2017).

(ii) Investment Ratio by Main Type of Use

(as of July 31, 2017)

Main type of use	Number of properties	Acquisition price (millions of yen)	Percentage of total portfolio acquisition price (%)
Office buildings	6	310,230	91.7
Residential properties	2	6,100	1.8
Retail Facility	1	21,820	6.5
Portfolio total	9	338,150	100.0

(iii) Investment Ratio by Region

(as of July 31, 2017)

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	9	338,150	100.0
	Minato Ward	7	289,130	85.5
	Bunkyo Ward	1	27,200	8.0
	Shibuya Ward	1	21,820	6.5
	Tokyo, Kanagawa, Chiba and Saitama Prefectures	9	338,150	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		9	338,150	100.0

(iv) Investment Ratio by Property Age

(as of July 31, 2017)

Property age	Number of properties	Acquisition price (millions of yen)	Percentage of total portfolio acquisition price (%)
Less than 10 years	1	19,150	6.1
Equal to or more than 10 years but less than 15 years	1	115,380	36.5
Equal to or more than 15 years	6	181,800	57.5
Portfolio total	8	316,330	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 18.1 years which is rounded off to the nearest decimal place.

(v) Investment Ratio by Property Size

(as of July 31, 2017)

Property Size (Note)	Number of properties	Acquisition price (millions of yen)	Percentage of total portfolio acquisition price (%)
Equal to or more than 30,000m <sup>2</sup>	6	310,230	98.1
Equal to or more than 10,000m <sup>2</sup> but less than 30,000m <sup>2</sup>	2	6,100	1.9
Less than 10,000m <sup>2</sup>	—	—	—
Portfolio total	8	316,330	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 m<sup>2</sup> 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-first fiscal period ended January 2017	Twenty-second fiscal period ended July 2017	Difference	Twenty-first fiscal period ended January 2017	Twenty-second fiscal period ended July 2017	Difference
Operation days	184 days	181 days	(3 days)	184 days	181 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)	134,381	178,071	43,690	73,024	73,601	576
Utilities	—	—	—	—	—	—
Maintenance and repairs	—	—	—	370	—	(370)
Insurance premium	3,972	4,053	80	1,949	1,882	(66)
Depreciation and amortization (1)	442,171	444,416	2,244	60,280	59,973	(306)
Other expenses (Note 2)	371	377	5	2,793	3,297	504
Total property operating expenses	993,248	1,039,269	46,021	320,289	320,627	337
Property operating income (2)	1,950,202	1,904,180	(46,021)	1,031,196	1,030,859	(337)
NOI (3) ((1)+(2))	2,392,373	2,348,596	(43,776)	1,091,477	1,090,832	(644)
Capex (4)	4,061	129,568	125,507	261,395	32,918	(228,477)
NCF (3)-(4)	2,388,312	2,219,028	(169,284)	830,081	1,057,914	227,833

(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.

(Unit: thousands of yen)

Property number	O-4			O-6		
Property name	Koraku Mori Building			Akasaka Tameike Tower		
Period	Twenty-first fiscal period ended January 2017	Twenty-second fiscal period ended July 2017	Difference	Twenty-first fiscal period ended January 2017	Twenty-second fiscal period ended July 2017	Difference
Operation days	184 days	181 days	(3 days)	184 days	181 days	(3 days)
Occupancy rate	93.4%	97.6%	4.2PT	95.8%	94.0%	(1.8PT)
Number of tenants	20	22	2	135	134	(1)
Rent revenues	592,172	605,650	13,477	737,328	699,002	(38,326)
Other operating revenues	92,328	131,006	38,678	74,415	74,049	(366)
Total property operating revenue	684,500	736,656	52,156	811,743	773,051	(38,692)
Property management fees	63,698	71,730	8,031	159,375	160,855	1,479
Property taxes (Note 1)	30,668	32,894	2,226	41,713	41,710	(3)
Utilities	72,950	66,433	(6,517)	24,422	24,901	479
Maintenance and repairs	8,568	17,938	9,369	27,206	34,786	7,579
Insurance premium	1,778	1,720	(57)	2,039	2,010	(29)
Depreciation and amortization (1)	96,192	97,560	1,368	133,145	135,206	2,061
Other expenses (Note 2)	75,779	75,376	(403)	10,853	11,695	841
Total property operating expenses	349,635	363,654	14,018	398,757	411,165	12,408
Property operating income (2)	334,864	373,002	38,138	412,986	361,885	(51,100)
NOI (3) ((1)+(2))	431,056	470,563	39,506	546,131	497,092	(49,039)
Capex (4)	43,660	56,386	12,725	88,426	48,436	(39,989)
NCF (3)-(4)	387,395	414,176	26,781	457,705	448,655	(9,050)

(Unit: thousands of yen)

Property number	O-7			O-8		
Property name	Atago Green Hills			ARK Hills South Tower		
Period	Twenty-first fiscal period ended January 2017	Twenty-second fiscal period ended July 2017	Difference	Twenty-first fiscal period ended January 2017	Twenty-second fiscal period ended July 2017	Difference
Operation days	184 days	181 days	(3 days)	184 days	181 days	(3 days)
Occupancy rate	100.0%	100.0%	0.0PT	90.4%	73.8%	(16.6PT)
Number of tenants	1	1	0	31	36	5
Rent revenues	1,111,765	1,062,042	(49,722)	465,970	334,011	(131,959)
Other operating revenues	—	—	—	24,301	18,396	(5,904)
Total property operating revenue	1,111,765	1,062,042	(49,722)	490,271	352,407	(137,864)
Property management fees	2,664	2,664	—	53,429	72,138	18,708
Property taxes (Note 1)	69,353	69,124	(229)	32,916	33,360	444
Utilities	—	—	—	27,818	23,866	(3,951)
Maintenance and repairs	—	—	—	1,155	1,806	651
Insurance premium	3,546	3,436	(110)	1,096	1,055	(40)
Depreciation and amortization (1)	183,077	183,263	186	44,322	44,120	(201)
Other expenses (Note 2)	37,869	37,825	(43)	2,842	1,481	(1,360)
Total property operating expenses	296,510	296,313	(197)	163,579	177,830	14,250
Property operating income (2)	815,254	765,729	(49,525)	326,691	174,577	(152,114)
NOI (3) ((1)+(2))	998,331	948,992	(49,339)	371,013	218,697	(152,316)
Capex (4)	12,133	32,713	20,579	709	1,313	603
NCF (3)-(4)	986,198	916,279	(69,918)	370,304	217,384	(152,919)

(Unit: thousands of yen)

Property number	R-1			R-3		
Property name	Moto-Azabu Hills			Roppongi First Plaza		
Period	Twenty-first fiscal period ended January 2017	Twenty-second fiscal period ended July 2017 (Note 3)	Difference	Twenty-first fiscal period ended January 2017	Twenty-second fiscal period ended July 2017	Difference
Operation days	184 days	180 days	(4 days)	184 days	181 days	(3 days)
Occupancy rate	86.9%	—	(86.9PT)	95.7%	100.0%	4.3PT
Number of tenants	6	—	(6)	40	42	2
Rent revenues	64,420	56,581	(7,838)	72,058	77,965	5,906
Other operating revenues	1,416	1,596	180	—	—	—
Total property operating revenue	65,836	58,178	(7,658)	72,058	77,965	5,906
Property management fees	9,180	8,176	(1,004)	12,876	13,229	352
Property taxes (Note 1)	2,103	2,282	178	7,126	7,126	(0)
Utilities	1	57	55	1,171	1,002	(169)
Maintenance and repairs	2,689	2,427	(261)	1,138	6,615	5,477
Insurance premium	151	247	95	268	245	(22)
Depreciation and amortization (1)	7,143	7,109	(33)	12,496	12,456	(39)
Other expenses (Note 2)	4,085	4,197	111	3,771	3,773	1
Total property operating expenses	25,356	24,498	(858)	38,850	44,450	5,599
Property operating income (2)	40,480	33,680	(6,800)	33,208	33,514	306
NOI (3) ((1)+(2))	47,623	40,789	(6,833)	45,704	45,971	266
Capex (4)	—	—	—	22,768	2,636	(20,132)
NCF (3)-(4)	47,623	40,789	(6,833)	22,936	43,335	20,399

(Unit: thousands of yen)

Property number	R-4			S-1		
Property name	Roppongi View Tower			Laforet Harajuku (Land)		
Period	Twenty-first fiscal period ended January 2017	Twenty-second fiscal period ended July 2017	Difference	Twenty-first fiscal period ended January 2017	Twenty-second fiscal period ended July 2017	Difference
Operation days	184 days	181 days	(3 days)	184 days	181 days	(3 days)
Occupancy rate	93.1%	93.3%	0.2PT	100.0%	100.0%	0.0PT
Number of tenants	86	86	0	1	1	0
Rent revenues	93,242	93,862	619	624,400	629,400	5,000
Other operating revenues	—	160	160	—	—	—
Total property operating revenue	93,242	94,022	779	624,400	629,400	5,000
Property management fees	13,355	13,572	217	—	—	—
Property taxes (Note 1)	10,860	10,870	9	67,956	67,957	1
Utilities	870	910	40	—	—	—
Maintenance and repairs	553	434	(119)	—	—	—
Insurance premium	311	332	20	—	—	—
Depreciation and amortization (1)	15,791	16,238	447	—	—	—
Other expenses (Note 2)	592	591	(1)	—	—	—
Total property operating expenses	42,336	42,950	614	67,956	67,957	1
Property operating income (2)	50,906	51,072	165	556,444	561,442	4,998
NOI (3) ((1)+(2))	66,698	67,311	612	556,444	561,442	4,998
Capex (4)	29,168	39,844	10,676	—	—	—
NCF (3)-(4)	37,530	27,466	(10,064)	556,444	561,442	4,998

(Unit: thousands of yen)

Property number	Portfolio total		
Property name			
Period	Twenty-first fiscal period ended January 2017	Twenty-second fiscal period ended July 2017 (Note 3)	Difference
Operation days	184 days	181 days	(3 days)
Occupancy rate	97.8%	97.2%	(0.6PT)
Number of tenants	322	324	2
Rent revenues	8,056,295	7,853,452	(202,842)
Other operating revenues	192,460	225,208	32,748
Total property operating revenue	8,248,756	8,078,661	(170,094)
Property management fees	908,803	936,590	27,787
Property taxes (Note 1)	470,104	516,999	46,894
Utilities	127,234	117,171	(10,063)
Maintenance and repairs	41,682	64,009	22,326
Insurance premium	15,115	14,985	(129)
Depreciation and amortization (1)	994,619	1,000,345	5,725
Other expenses (Note 2)	138,960	138,616	(344)
Total property operating expenses	2,696,520	2,788,717	92,196
Property operating income (2)	5,552,235	5,289,944	(262,291)
NOI (3) ((1)+(2))	6,546,855	6,290,289	(256,565)
Capex (4)	462,323	343,817	(118,505)
NCF (3)-(4)	6,084,531	5,946,472	(138,059)

Disclaimer:

This report is a translation of the Japanese language Financial Release (*Kessan-Tanshin*) dated September 14, 2017 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.

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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.

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