



Mori Hills REIT Investment Corporation

Semiannual Report

15th Fiscal Period

(August 1, 2013 – January 31, 2014)

To Our Unitholders

All of us at Mori Hills REIT Investment Corporation (“MHR”) wish to extend our deep appreciation to our unitholders for your continuous support of MHR. I am pleased to report on MHR’s performance for the fifteenth fiscal period which ended January 31, 2014.

In the fifteenth fiscal period, the Japanese economy experienced a modest recovery trend supported by the effects of the Japanese government’s financial measures and the Bank of Japan’s monetary measures. In addition to steady growth in private consumption and housing investment due to the improved employment environment and last-minute demand before the consumption tax rate increase, capital investment also showed signs of recovery along with improvement of corporate performance, which was driven by the recovery of overseas economies and depreciation of the yen.

Within this economic environment, the rental office building market showed signs of increase in rents centering on large blue-chip properties as the supply of additional large-scale office buildings in central Tokyo continued to be limited and vacancy rates improved due to strong demand for floor space. In the luxury rental housing market, occupancy rates and rents have remained at stable levels despite no clear recovery in demand from foreigners, as solid demand from Japanese was fueled by relatively low prices and the recovery of the domestic economy.

In the fifteenth fiscal period, MHR strove to maintain and enhance tenant satisfaction through such measures as meticulous operational management and systematic maintenance and repair of properties in its portfolio by understanding tenant needs. Moreover, MHR maintained and enhanced occupancy rates by proactively launching marketing activities targeting new and existing tenants based on a flexible price policy. MHR’s real estate portfolio as of the end of the fifteenth fiscal period was comprised of 9 properties under management with a total leasable floor area of 119,117.30 m². MHR has already invested 252,716 million yen (based on acquisition price) into this portfolio. The occupancy rate at the end of the fifteenth fiscal period was 99.5%.

The asset management activities described above resulted in MHR recording 5,610 million yen in operating revenue, 3,790 million yen in operating income, 2,798 million yen in ordinary income, 2,797 million yen in net income and 10,099 yen in dividend per unit in the fifteenth fiscal period.

Furthermore, MHR implemented a 5-for-1 split of investment units by setting January 31, 2014 as the record date and February 1, 2014 as the effective date with the aim to create a more favorable investment environment for investors by lowering the per unit market price of investment units in line with the introduction of the Japanese version of the Individual Savings Account (NISA) on January 1, 2014. As a result, dividend per unit of 2,140 yen is forecasted for the sixteenth fiscal period ending July 31, 2014.

MHR will seek to maximize investor value through continuously conducting dividend-oriented management, by pursuing further enhancement of the portfolio NOI cap rate through external growth and by further strengthening its financial standing - primarily by reducing borrowing costs and extending the average duration of loans payable.

I would like to ask for your continued support.



Hideyuki Isobe
Executive Director, Mori Hills REIT Investment Corporation
President and CEO, Mori Building Investment Management Co., Ltd.

Financial Highlights

Dividend per unit: 15th period

10,099 yen

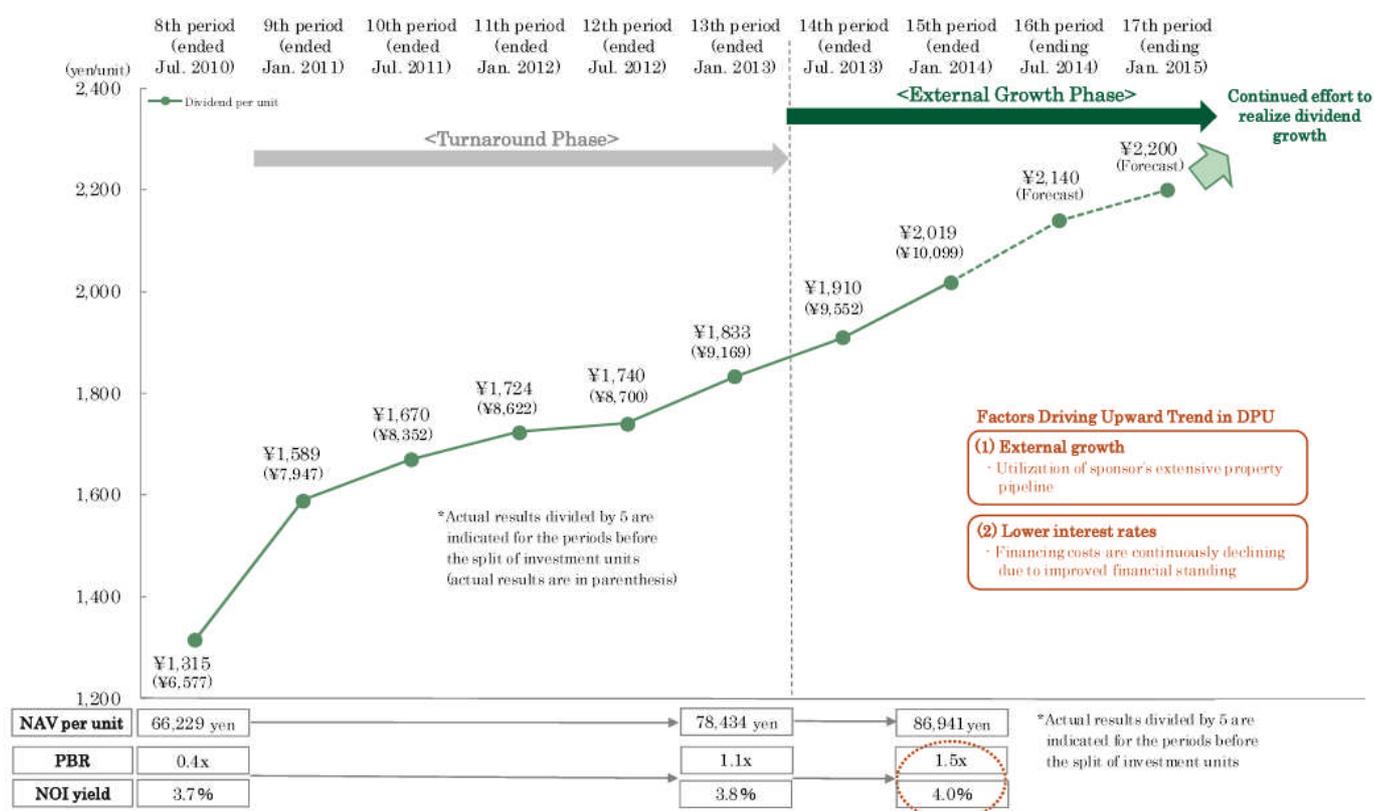
Dividend per unit: 16th period forecast*

2,140 yen

5-for-1 split of investment units has been implemented by setting February 1, 2014 as the effective date.

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

Change in dividend per unit



Results of 15th period and Forecast of 16th period

| | | Actual | Forecast | Difference |
|-------------------------|----------------|---|--|--|
| | | 15 th period (August 1, 2013 - January 31, 2014) | 16 th period (February 1, 2014 - July 31, 2014) | 16 th - 15 th period |
| Operating days | | 184 days | 181 days | |
| Operating revenue | | 5,610 million yen | 5,785 million yen | +175 million yen |
| Operating income | | 3,790 million yen | 3,840 million yen | +50 million yen |
| Ordinary income | | 2,798 million yen | 2,964 million yen | +166 million yen |
| Net income | | 2,797 million yen | 2,963 million yen | +166 million yen |
| Dividend/unit | (before split) | 10,099 yen/unit | (10,700 yen/unit) | +601 million yen |
| | (after split) | (2,019 yen/unit) | 2,140 yen/unit | +121 million yen |
| Total units outstanding | | 276,985 units | 1,384,925 units | |
| Total acquisition price | | 252,716 million yen | 252,716 million yen | |

Operation based on New 2013 Management Policy

MHR announced the New Management Policy on February 15, 2013, and has begun transitioning to an “External Growth Phase.”

New 2013 Management Policy

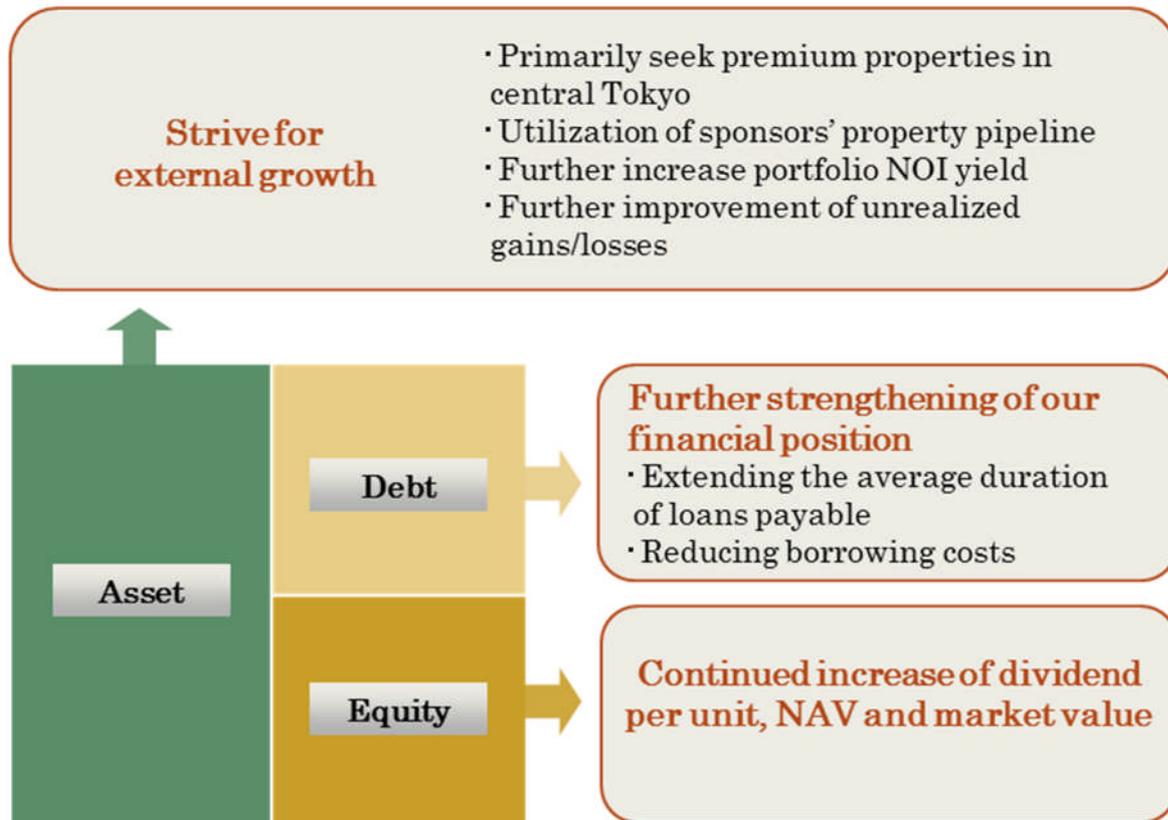
New 2013 Management Policy

Basic policy “Dividend-driven management”

Policy ① Strive for external growth

Policy ② Further strengthening of our financial position

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



Operation Results

| | 13th period (ended Jan. 2013) | Total acquisition of assets 41.9 billion yen <hr style="width: 50%; margin: 0 auto;"/> Total PO amount paid in 22.3 billion yen → | 15th period (ended Jan. 2014) |
|---|----------------------------------|---|----------------------------------|
| Total assets (acquisition price basis) | 210.8 billion yen | | 252.7 billion yen |
| NOI yield (Note 1) | 3.8% |  | 4.0% |
| LTV (appraisal value basis) (Note 2) | 52.0% | | 49.3% |
| LTV (book value basis) (Note 3) | 48.8% | | 48.0% |
| NAV per unit | 392,170 yen | | 434,706 yen |
| Dividend per unit | 9,169 yen/unit | | 10,099 yen/unit |

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

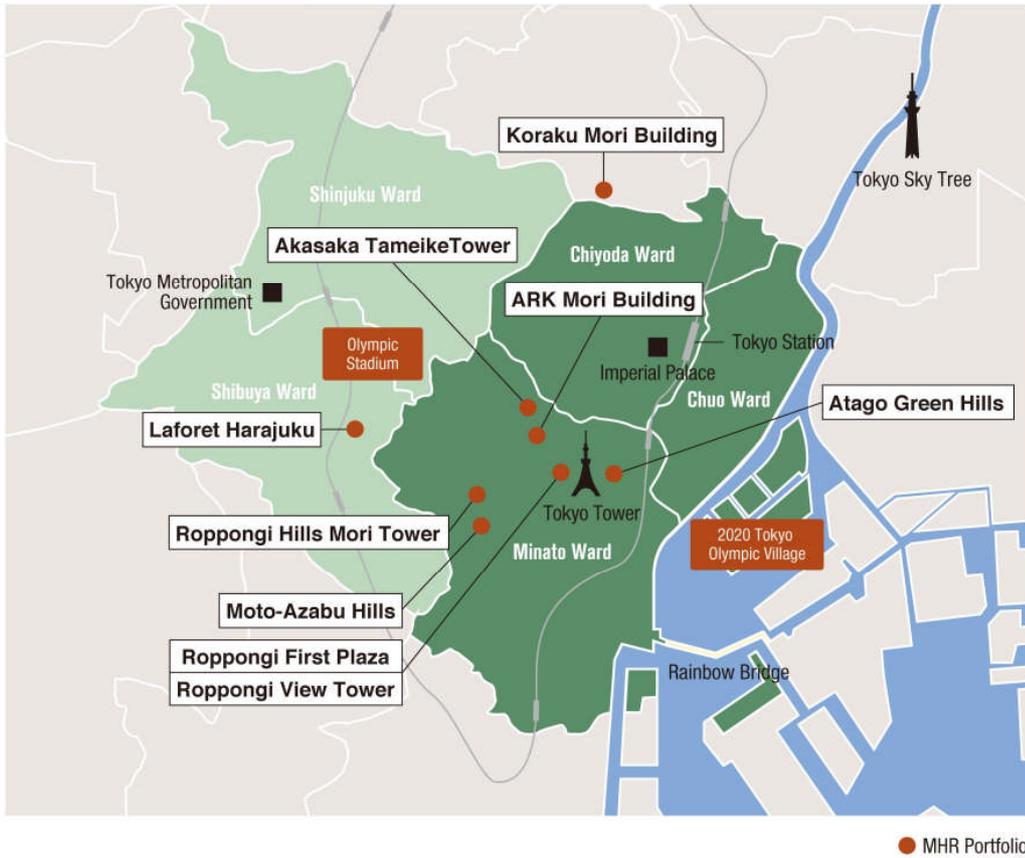
(Note 2) LTV (appraisal value basis) is calculated as [Interest-bearing debt/Appraisal value based total assets (Total assets + Total appraisal value - Total book value)]

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

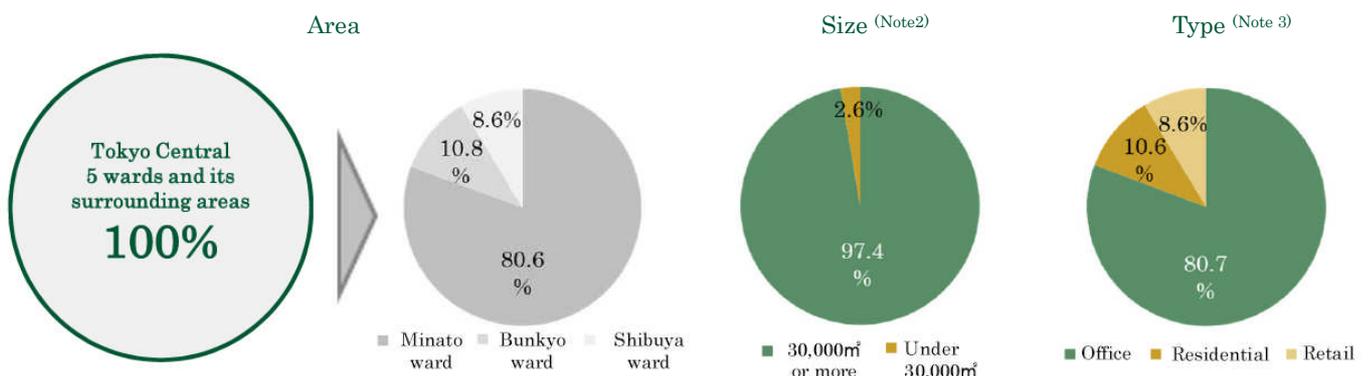
Portfolio Focused on Large Properties in Central Tokyo

MHR primarily focuses on office buildings, with a smaller percentage of the portfolio allocated to residential and retail assets (land). Total portfolio acquisition price is 252,716 million yen.

Central Five Wards of Tokyo



Portfolio Summary (as of January 31, 2014) ^(Note1)



(Note 1) Ratios are based on acquisition price.

(Note 2) Chart showing "Size" does not include Laforet Harajuku (land)

(Note 3) Acquisition price for Akasaka Tameike Tower and Atago Green Hills are divided into offices and residences.



Portfolio List (as of January 31, 2014)



O-0
PREMIUM

Roppongi Hills
Mori Tower



O-1
PREMIUM

ARK
Mori Building



O-4
PREMIUM

Koraku
Mori Building



O-6
PREMIUM

Akasaka
Tameike Tower



O-7
PREMIUM

Atago
Green Hills



R-1
RENTAL

Moto-Azabu
Hills



R-3
RENTAL

Roppongi
First Plaza

R-4
RENTAL

Roppongi
View Tower



S-1
SPECIAL

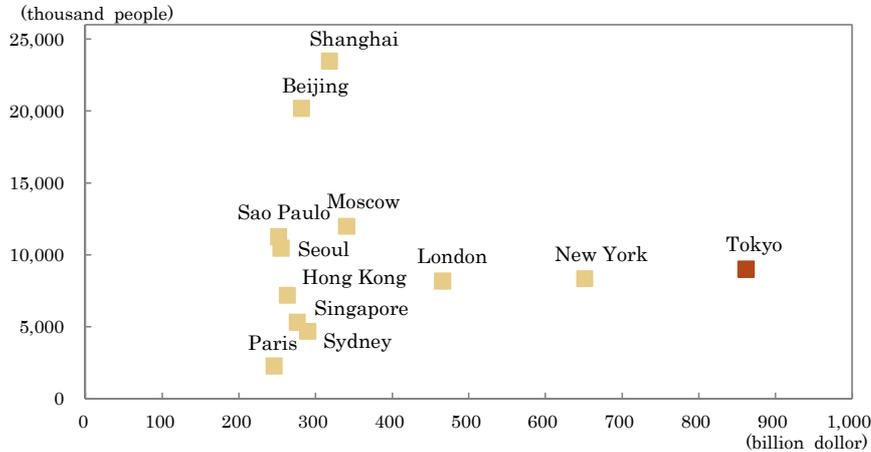
Laforet Harajuku
(land)

Competitive Strength of Central Tokyo

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

Tokyo's 23 wards consistently achieve net population growth and continue to attract migration from other parts of Japan

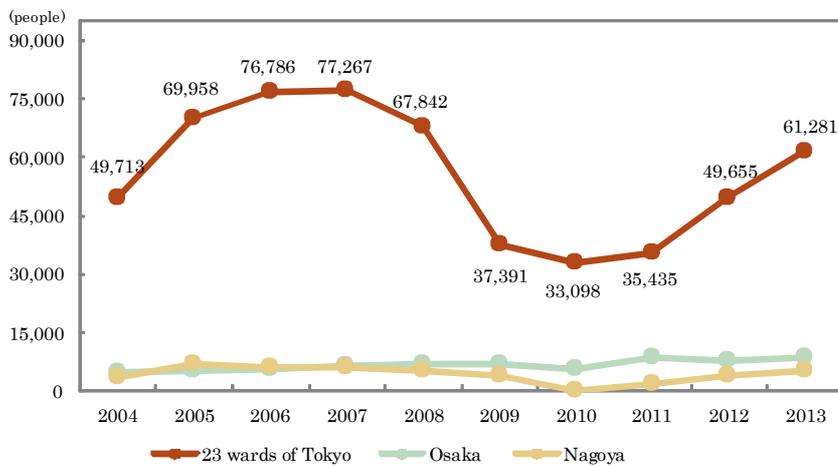
Comparison of GDP and Population among Major Cities around the World



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

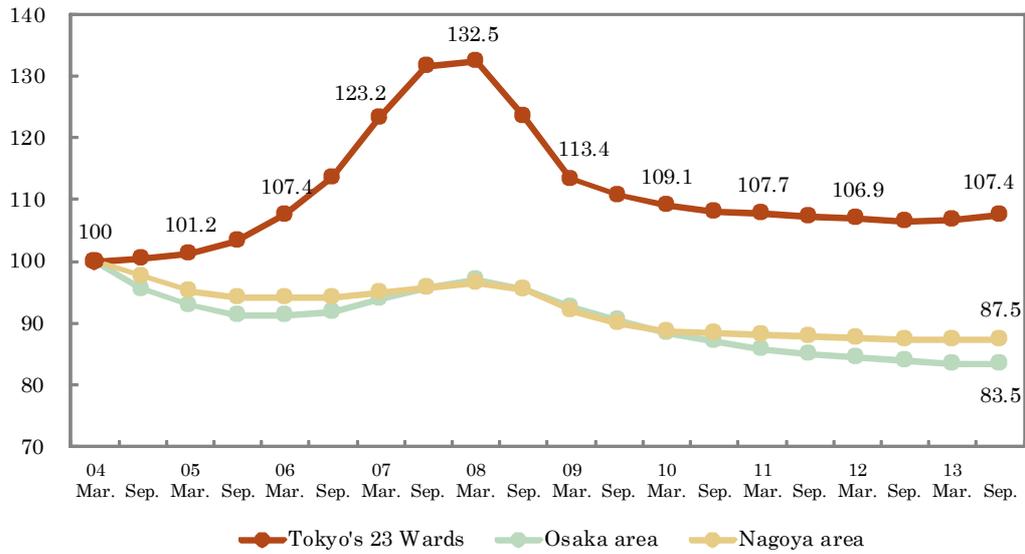
(Note) Targeted areas of the cities are administrative districts and the “23 wards” for “Tokyo.”

Trend of Net Migration Growth



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

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



(Source) Prepared by the Asset Management Company based on "Urban Land Price Index" of Japan Real Estate Institute

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

PML and Earthquake-resistance

Lowest portfolio PML of all listed J-REITs: 0.71%

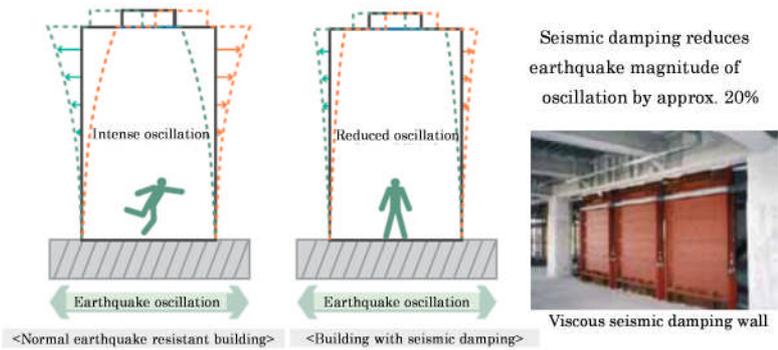
| Property Name | Office building | | | Office building (Partly residential) | | | |
|------------------------------|---------------------------|-------------------|----------------------|--------------------------------------|-------------------|-----------------|-------|
| | Roppongi Hills Mori Tower | ARK Mori Building | Koraku Mori Building | Akasaka Tameike Tower | Atago Green Hills | | |
| | | | | | MORI Tower | Forest Tower | Plaza |
| PML | 0.29% | 0.38% | 0.42% | 2.15% | 1.66% | 0.99% | 9.84% |
| Earthquake-resistant feature | Seismic damping | Seismic damping | Seismic damping | Seismic damping | Seismic damping | Seismic damping | - |

| Property Name | Residential | | | |
|------------------------------|-------------------|---------------------|----------------------|---------------------|
| | Moto-Azabu Hills | | Roppongi First Plaza | Roppongi View Tower |
| | Forest Tower | Forest Terrace East | | |
| PML | 1.16% | 1.72% | 3.53% | 3.53% |
| Earthquake-resistant feature | Seismic isolators | Seismic isolators | - | - |

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

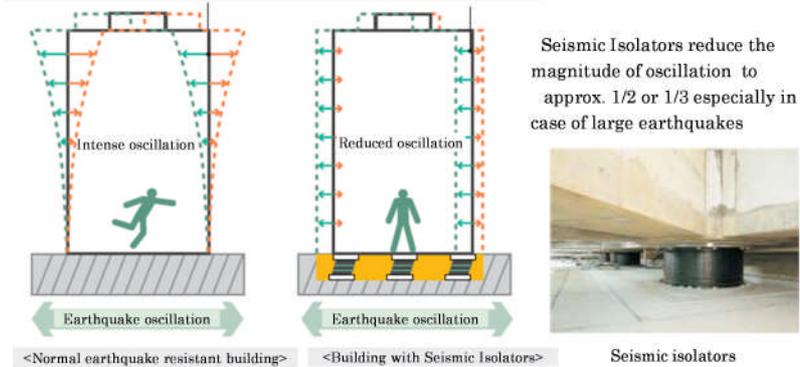
Seismic damping

Minimize the level of oscillation



Seismic isolators

Oscillate slowly and horizontally



Mori Building's Extensive Property Pipeline

- Total assets of 1.3 trillion yen as of March 2013
- 111 buildings for lease as of March 2013

When Mori Building sells properties, MHR has "preferential negotiation rights"^(Note 1)

Mori Building's Development Projects (Including future Development)

[New redevelopment by Mori Building]

A. ARK Hills South Tower



B. Toranomon Hills ^(Note 2)



[Properties owned by Mori Building Group]

Office/Residential/Retail, etc.



1. Roppongi Hills
(Portion of property owned by MHR)

Office/Residential/Retail, etc.



2. ARK Hills
(Portion of property owned by MHR)

Office/Residential/Retail



3. Atago Green Hills
(Portion of property owned by MHR)

Office/Residential/Retail



4. Holland Hills

Residential

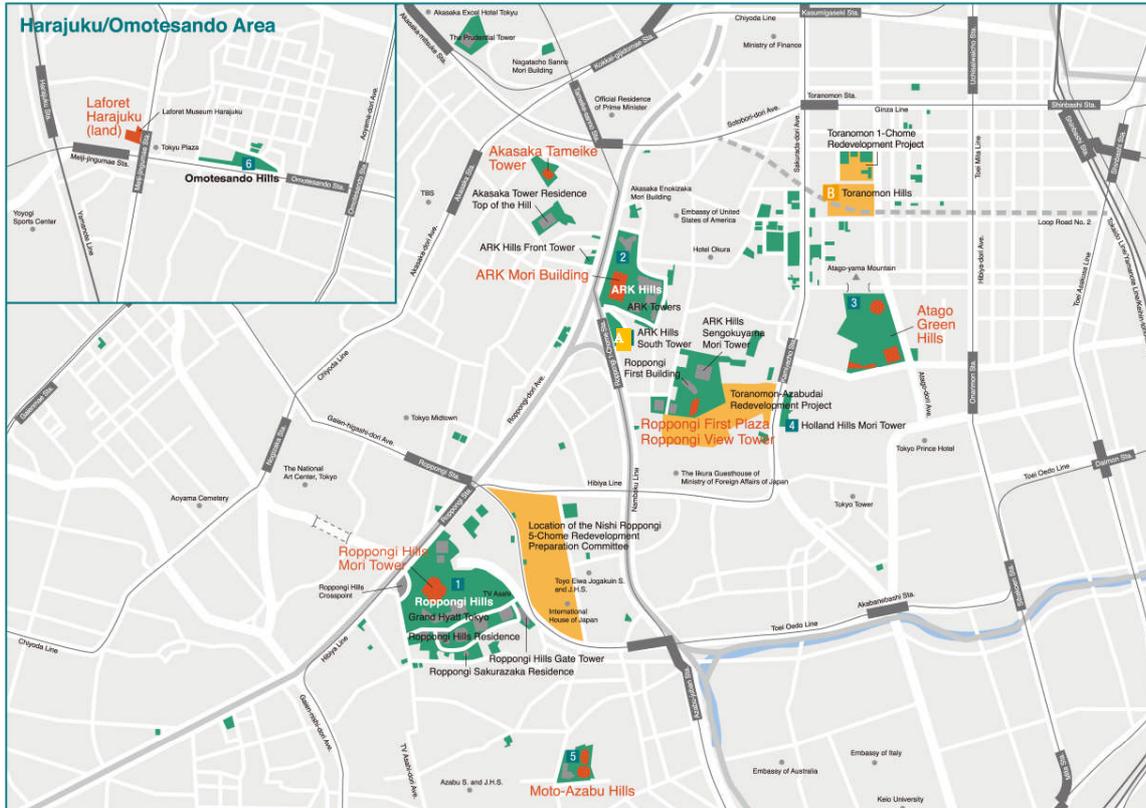


5. Moto-Azabu Hills
(Portion of property owned by MHR)

Retail/Residential



6. Omotesando Hills



(Source) Prepared by the Asset Management Company based on Mori Building's "Mori Building Handy Map Mori Building Map/Home Route Support Map 2013"

(Note 1) Some exemptions included.

(Note 2) Mori Building was appointed as a distinct developer.

(Note 3) Some of the above were partially acquired or are held by MHR.

(Note 4) Properties are developed, owned, managed and planned for development by Mori Building Group.

and there are no properties to be acquired as of the date of this material

MHR^(Note 3) Mori Building Group^(Note 4)
 In operation Planning / Under Construction

Debt Status (as of January 31, 2014)

MHR aims to optimally procure capital by accurately assessing financial and capital market trends.
MHR will continuously strive to negotiate lower interest rates.

Financial Figures

| | End of 14th period (as of July 31, 2013) | End of 15th period (January 31, 2014) |
|--|---|--|
| Debt Balance | 116,762mn yen | 126,200mn yen |
| LTV(total assets basis) ^(Note 1) | 48.5% | 48.0% |
| LTV(appraisal value basis) ^(Note 2) | 50.9% | 49.3% |
| Avg. remaining duration | 1.95 years | 2.40 years |

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

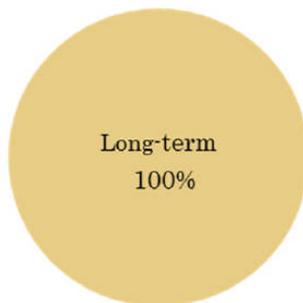
(Note 2) LTV(appraisal value basis) is calculated as [Interest-bearing debt/Appraisal value based total assets
(Total assets + Total appraisal value - Total book value)]

Rating

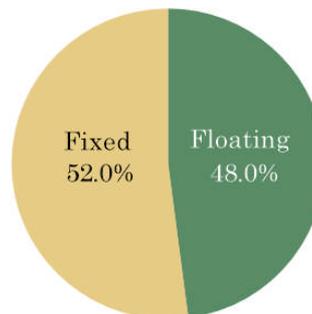
Japan Credit Rating (JCR)
Long-term issuer rating:
AA- (Stable)

Long and Short-term Debt Ratio / Fixed Rate Ratio

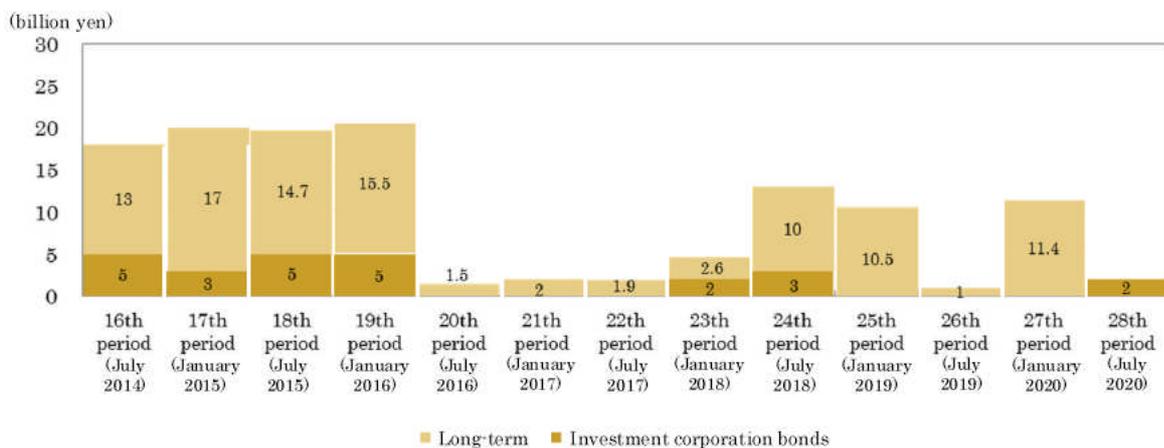
[Long and short-term debt ratio]



[Fixed rate ratio]



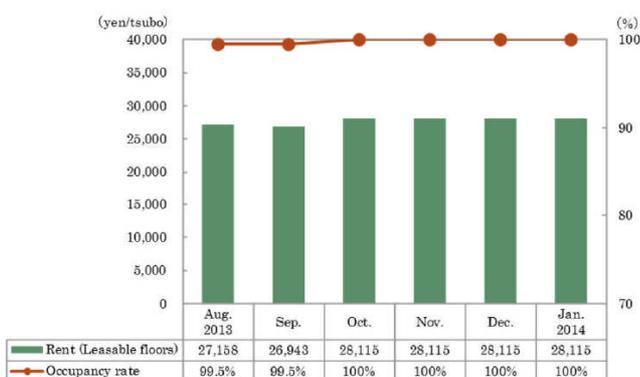
Overview of Maturity (as of January 31, 2014)



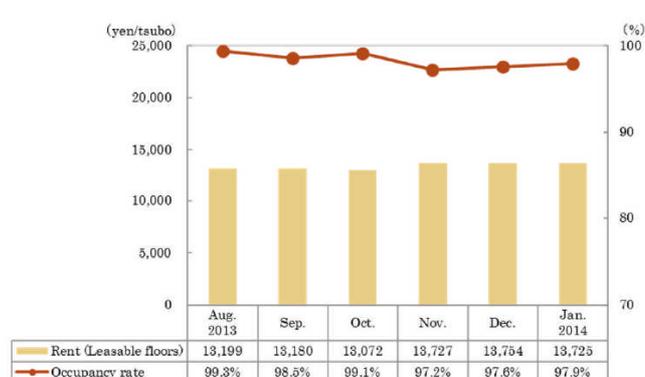
Portfolio Management

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

Office



Residential



Actions to Achieve Sustainability

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

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

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



Roppongi Hills Mori Tower

Rank S: ★★★★★



ARK Mori Building

Rank S: ★★★★★



Atago Green Hills MORI Tower

Rank S: ★★★★★



Koraku Mori Building

Rank A: ★★★★★

[Acquired GRESB Green Star Ratings]

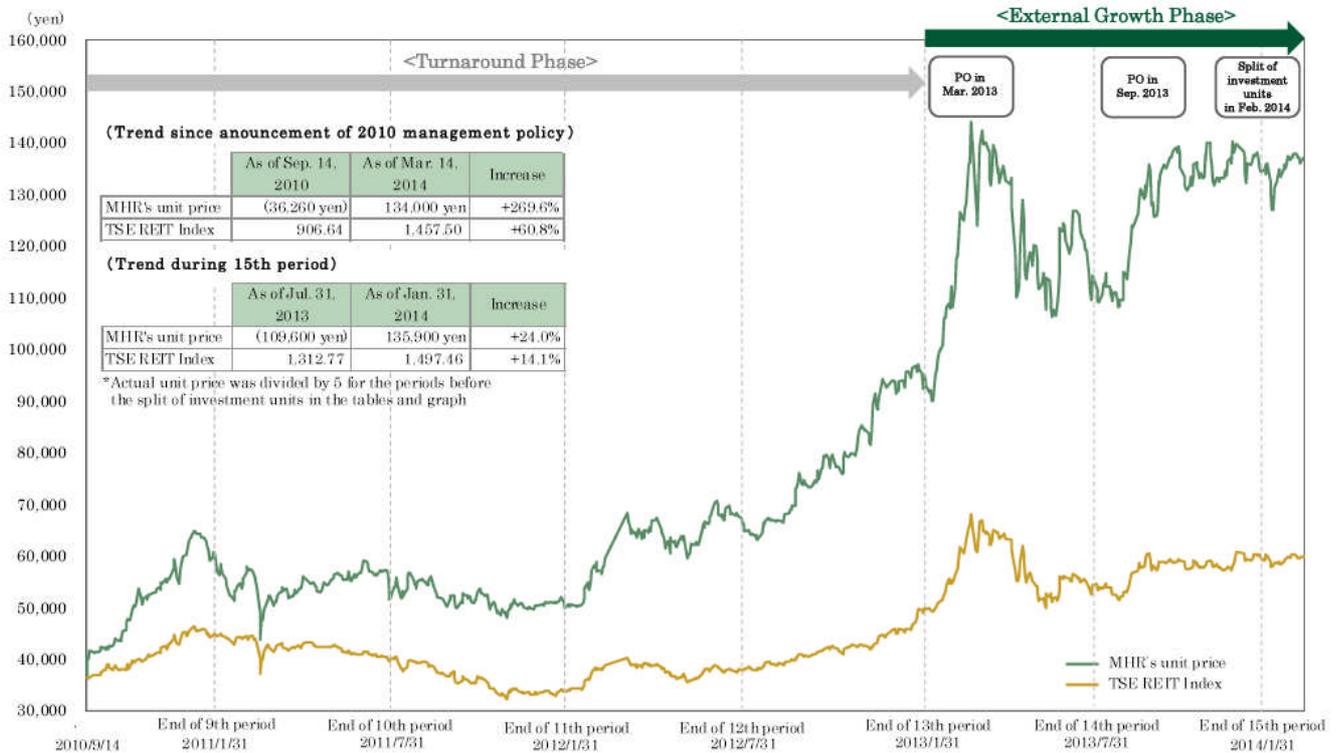
For the second consecutive year, MHR received a "Green Star" rating in the Global Real Estate Sustainability Benchmark (GRESB) survey.



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

Unit Price Performance

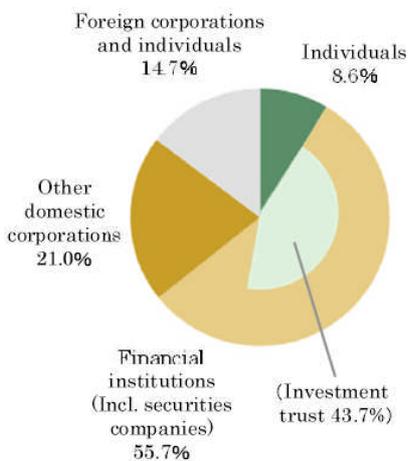
Implemented a 5-for-1 investment unit split on February 1, 2014 (effective date)



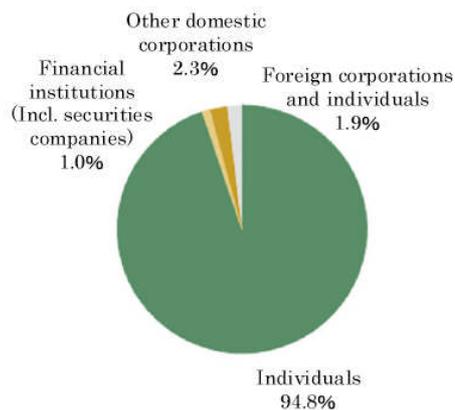
(Note) TSE REIT Index is based to the announcement date of the 8th period results (Sep. 14, 2010) and shows the relative performance vs. MHR's unit price performance.

Unitholders Breakdown (as of January 31, 2014)

Number of investment units



Number of unitholders



Disclaimer

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

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

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



Building a better
working world

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Independent Auditor's Report

The Board of Directors
Mori Hills REIT Investment Corporation

We have audited the accompanying financial statements of Mori Hills REIT Investment Corporation, which comprise the balance sheet as of January 31, 2014, and the statements of income and retained earnings, changes in net assets, cash distributions, and cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. The purpose of an audit of the financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mori Hills REIT Investment Corporation as of January 31, 2014, and its financial performance and cash flows for the six-month period then ended in conformity with accounting principles generally accepted in Japan.

Ernst & Young Shin Nihon LLC

April 25, 2014

FINANCIAL STATEMENTS

BALANCE SHEET

(Unit: thousands of yen)

| | Fifteenth Fiscal Period (as of January 31, 2014) | Fourteenth Fiscal Period (as of July 31, 2013) |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 3,531,963 | 3,960,756 |
| Cash and deposits in trust | 9,164,640 | 7,825,875 |
| Operating accounts receivable | 43,321 | 74,073 |
| Prepaid expenses | 424,558 | 423,788 |
| Deferred tax assets | 15 | 17 |
| Consumption taxes receivable | 67,754 | 115,985 |
| Other | 15 | 7,229 |
| Total current assets | 13,232,269 | 12,407,726 |
| Noncurrent assets | | |
| Property, plant and equipment | | |
| Land | 22,074,160 | 22,074,160 |
| Buildings in trust | 51,625,833 | 46,868,973 |
| Accumulated depreciation | (6,138,615) | (5,366,193) |
| Buildings in trust, net | 45,487,218 | 41,502,780 |
| Structures in trust | 519,318 | 495,486 |
| Accumulated depreciation | (152,661) | (134,290) |
| Structures in trust, net | 366,657 | 361,195 |
| Machinery and equipment in trust | 584,421 | 529,870 |
| Accumulated depreciation | (74,462) | (60,477) |
| Machinery and equipment in trust, net | 509,959 | 469,392 |
| Tools, furniture and fixtures in trust | 84,102 | 63,545 |
| Accumulated depreciation | (33,094) | (27,545) |
| Tools, furniture and fixtures in trust, net | 51,008 | 35,999 |
| Land in trust | 149,879,429 | 132,702,890 |
| Construction in progress in trust | 5,882 | 273 |
| Total property, plant and equipment | 218,374,316 | 197,146,693 |
| Intangible assets | | |
| Leasehold rights in trust | 30,650,962 | 30,650,962 |
| Other intangible assets in trust | 1,031 | 1,208 |
| Other | 996 | 1,496 |
| Total intangible assets | 30,652,990 | 30,653,667 |
| Investments and other assets | | |
| Lease and guarantee deposits | 10,000 | 10,000 |
| Long-term prepaid expenses | 551,297 | 386,058 |
| Total investments and other assets | 561,297 | 396,058 |
| Total noncurrent assets | 249,588,604 | 228,196,420 |
| Deferred assets | | |
| Investment corporation bonds issuance cost | 60,873 | 77,108 |
| Total deferred assets | 60,873 | 77,108 |
| Total assets | 262,881,748 | 240,681,255 |

| | Fifteenth Fiscal Period (as of January 31, 2014) | (Unit: thousands of yen) Fourteenth Fiscal Period (as of July 31, 2013) |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Operating accounts payable | 84,175 | 82,343 |
| Short-term loans payable | — | 1,000,000 |
| Current portion of investment corporation bonds | 8,000,000 | 5,000,000 |
| Current portion of long-term loans payable | 30,022,000 | 28,084,500 |
| Accounts payable – other | 27,155 | 56,817 |
| Accrued expenses | 324,855 | 316,669 |
| Income taxes payable | 700 | 801 |
| Accrued consumption taxes | — | 22,692 |
| Advances received | 877,919 | 790,266 |
| Deposits received | 88,203 | 99,711 |
| Total current liabilities | 39,425,010 | 35,453,802 |
| Noncurrent liabilities | | |
| Investment corporation bonds | 17,000,000 | 20,000,000 |
| Long-term loans payable | 71,178,000 | 62,678,000 |
| Lease and guarantee deposits in trust | 8,045,199 | 7,045,564 |
| Total noncurrent liabilities | 96,223,199 | 89,723,564 |
| Total liabilities | 135,648,210 | 125,177,367 |
| Net assets | | |
| Unitholders' equity | | |
| Unitholders' capital | 124,330,988 | 112,966,437 |
| Surplus | | |
| Voluntary retained earnings | | |
| Reserve for reduction entry | 105,244 | 105,244 |
| Total voluntary retained earnings | 105,244 | 105,244 |
| Unappropriated retained earnings | 2,797,305 | 2,432,207 |
| Total surplus | 2,902,549 | 2,537,451 |
| Total unitholders' equity | 127,233,537 | 115,503,888 |
| Total net assets (Note 8) | 127,233,537 | 115,503,888 |
| Total liabilities and net assets | 262,881,748 | 240,681,255 |

STATEMENT OF INCOME AND RETAINED EARNINGS

| | Fifteenth Fiscal Period (August 1, 2013 to January 31, 2014) | (Unit: thousands of yen) Fourteenth Fiscal Period (February 1, 2013 to July 31, 2013) |
|--|--|--|
| Operating revenue | | |
| Rent revenue of real estate (Note 12) | 5,489,850 | 4,949,170 |
| Other rent revenue of real estate (Note 12) | 120,184 | 103,034 |
| Total operating revenue | <u>5,610,034</u> | <u>5,052,204</u> |
| Operating expenses | | |
| Expenses of real estate rent (Note 12) | 1,529,666 | 1,358,705 |
| Asset management fee | 210,042 | 184,957 |
| Directors' compensation | 5,400 | 5,400 |
| Asset custody fee | 6,017 | 5,470 |
| Administrative service fees | 15,309 | 15,444 |
| Other operating expenses (Note 12) | 53,558 | 51,430 |
| Total operating expenses | <u>1,819,992</u> | <u>1,621,408</u> |
| Operating income | <u>3,790,042</u> | <u>3,430,796</u> |
| Non-operating income | | |
| Interest income | 1,186 | 840 |
| Exclusion gain of unpaid dividend | 7,847 | 2,230 |
| Interest on refund | 1,256 | 607 |
| Other | 7 | 860 |
| Total non-operating income | <u>10,297</u> | <u>4,539</u> |
| Non-operating expenses | | |
| Interest expenses | 542,095 | 532,111 |
| Interest expenses on investment corporation bonds | 162,100 | 168,407 |
| Amortization of investment corporation bonds issuance cost | 16,235 | 17,558 |
| Borrowing expenses | 248,417 | 243,582 |
| Investment unit issuance cost | 31,128 | 38,699 |
| Other | 2,206 | 1,840 |
| Total non-operating expenses | <u>1,002,182</u> | <u>1,002,199</u> |
| Ordinary income | <u>2,798,156</u> | <u>2,433,136</u> |
| Income before income taxes | <u>2,798,156</u> | <u>2,433,136</u> |
| Income taxes-current | 926 | 972 |
| Income taxes-deferred | 2 | 0 |
| Total income taxes | <u>928</u> | <u>972</u> |
| Net income | <u>2,797,228</u> | <u>2,432,164</u> |
| Retained earnings brought forward | 76 | 42 |
| Unappropriated retained earnings | 2,797,305 | 2,432,207 |

STATEMENT OF CHANGES IN NET ASSETS

Fifteenth Fiscal Period (August 1, 2013 to January 31, 2014)

(Unit: thousands of yen)

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

Fourteenth Fiscal Period (February 1, 2013 to July 31, 2013)

(Unit: thousands of yen)

| | Surplus | | | Total surplus | Total unitholders' equity | Total net assets |
|--|----------------------|-----------------------------|----------------------------------|---------------|---------------------------|------------------|
| | Unitholders' capital | Voluntary retained earnings | Unappropriated retained earnings | | | |
| Balance at February 1, 2013 | 102,010,939 | 105,244 | 2,122,849 | 2,228,093 | 104,239,033 | 104,239,033 |
| Change during the period | | | | | | |
| Issuance of new investment units | 10,955,498 | | | | 10,955,498 | 10,955,498 |
| Dividends from surplus | | | (2,122,806) | (2,122,806) | (2,122,806) | (2,122,806) |
| Net income | | | 2,432,164 | 2,432,164 | 2,432,164 | 2,432,164 |
| Total changes of items during the period | 10,955,498 | — | 309,357 | 309,357 | 11,264,855 | 11,264,855 |
| Balance at July 31, 2013 | 112,966,437 | 105,244 | 2,432,207 | 2,537,451 | 115,503,888 | 115,503,888 |



STATEMENT OF CASH DISTRIBUTIONS

(Unit: yen)

| | Fifteenth Fiscal Period (August 1, 2013 to January 31, 2014) | Fourteenth Fiscal Period (February 1, 2013 to July 31, 2013) |
|---|---|---|
| I . Unappropriated retained earnings | 2,797,305,040 | 2,432,207,002 |
| II . Amount of dividends | 2,797,271,515 | 2,432,130,240 |
| Amount of dividends per unit | 10,099 | 9,552 |
| III . Retained earnings carried forward | 33,525 | 76,762 |
| Method of calculating the amount of dividends | <p>Pursuant to the terms of the distribution policy set forth in Article 37 (1) of the Company's Articles of Incorporation, the amount of dividends shall be in excess of an amount equivalent to 90% of the Company's earnings available for dividends as defined in Article 67-15 of the Special Taxation Measures Law, but not in excess of the amount of earnings. Based on such policy, the Company has declared the total dividends to be 2,797,271,515 yen, which is the largest integral multiple of the number of investment units issued and outstanding (276,985 units), and not in excess of unappropriated retained earnings. In addition, the Company decided to pay out dividends of earnings in an amount not in excess of unappropriated retained earnings as stipulated in Article 37 (2) of the Company's Articles of Incorporation.</p> | <p>Pursuant to the terms of the distribution policy set forth in Article 37 (1) of the Company's Articles of Incorporation, the amount of dividends shall be in excess of an amount equivalent to 90% of the Company's earnings available for dividends as defined in Article 67-15 of the Special Taxation Measures Law, but not in excess of the amount of earnings. Based on such policy, the Company has declared the total dividends to be 2,432,130,240 yen, which is the largest integral multiple of the number of investment units issued and outstanding (254,620 units), and not in excess of unappropriated retained earnings. In addition, the Company decided to pay out dividends of earnings in an amount not in excess of unappropriated retained earnings as stipulated in Article 37 (2) of the Company's Articles of Incorporation.</p> |

STATEMENT OF CASH FLOWS

| | (Unit: thousands of yen) | |
|--|--|--|
| | Fifteenth Fiscal Period (August 1, 2013 to January 31, 2014) | Fourteenth Fiscal Period (February 1, 2013 to July 31, 2013) |
| Net cash provided by (used in) operating activities | | |
| Income before income taxes | 2,798,156 | 2,433,136 |
| Depreciation and amortization | 811,127 | 727,293 |
| Amortization of investment corporation bonds issuance cost | 16,235 | 17,558 |
| Investment unit issuance cost | 31,128 | 38,699 |
| Interest income | (1,186) | (840) |
| Exclusion gain of unpaid dividend | (7,847) | (2,230) |
| Interest expenses | 704,195 | 700,519 |
| Decrease (increase) in operating accounts receivable | 30,751 | (447) |
| Decrease (increase) in consumption taxes receivable | 48,230 | (34,164) |
| Increase (decrease) in operating accounts payable | 4,592 | (10,709) |
| Increase (decrease) in accounts payable – other | 1,263 | (792) |
| Increase (decrease) in accrued expenses | 26,889 | (36,989) |
| Increase (decrease) in accrued consumption taxes | (22,692) | (20,902) |
| Increase (decrease) in advances received | 87,653 | 111,736 |
| Increase (decrease) in deposits received | (7,792) | 9,267 |
| Decrease (increase) in prepaid expenses | (769) | 7,233 |
| Decrease (increase) in long-term prepaid expenses | (165,238) | (28,122) |
| Other, net | 7,374 | (7,229) |
| Subtotal | <u>4,362,072</u> | <u>3,903,014</u> |
| Interest income received | 1,186 | 840 |
| Interest expenses paid | (722,898) | (704,090) |
| Income taxes paid | (1,027) | (979) |
| Net cash provided by (used in) operating activities | <u>3,639,332</u> | <u>3,198,785</u> |
| Net cash provided by (used in) investing activities | | |
| Purchase of property, plant and equipment in trust | (22,065,808) | (15,415,551) |
| Purchase of intangible assets in trust | – | (4,826,500) |
| Repayments of lease and guarantee deposits in trust | (24,894) | (92,181) |
| Proceeds from lease and guarantee deposits in trust | <u>1,020,814</u> | <u>742,187</u> |
| Net cash provided by (used in) investing activities | <u>(21,069,888)</u> | <u>(19,592,045)</u> |
| Net cash provided by (used in) financing activities | | |
| Repayments of short-term loans payable | (1,000,000) | (3,478,000) |
| Proceeds from long-term loans payable | 25,500,000 | 13,478,000 |
| Repayments of long-term loans payable | (15,062,500) | (62,500) |
| Proceeds from issuance of investment corporation bonds | – | 4,969,110 |
| Redemption of investment corporation bonds | – | (5,000,000) |
| Proceeds from issuance of investment units | 11,333,422 | 10,916,798 |
| Cash dividends paid | (2,430,394) | (2,122,893) |
| Net cash provided by (used in) financing activities | <u>18,340,528</u> | <u>18,700,516</u> |
| Net increase (decrease) in cash and cash equivalents | <u>909,972</u> | <u>2,307,256</u> |
| Cash and cash equivalents at beginning of the period | <u>11,786,631</u> | <u>9,479,375</u> |
| Cash and cash equivalents at end of the period (Note 16) | <u>12,696,604</u> | <u>11,786,631</u> |

NOTES TO FINANCIAL STATEMENTS

For the six-month periods ended January 31, 2014 and July 31, 2013

1. ORGANIZATION

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

In the fifteenth fiscal period (August 1, 2013 to January 31, 2014), the Company issued new investment units through a public offering (22,365 units; including a third-party allotment through an over-allotment option). As of the end of the Company’s fiscal period under review, the total number of investment units outstanding was 276,985.

Furthermore, 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 with the aim to create a more favorable investment environment for investors by lowering the per unit market price of investment units in line with the introduction of the Nippon (Japan) Individual Savings Account (NISA) on January 1, 2014.

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

2. BASIS OF PRESENTATION

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

| | |
|-------------------------------|------------|
| Buildings | 3~66 years |
| Structures | 3~41 years |
| Machinery and equipment | 8~31 years |
| Tools, furniture and fixtures | 3~15 years |

(2) Intangible assets (including assets in trust)

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

(3) Long-term prepaid expenses

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

(4) Investment corporation bonds issuance cost

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

(5) Investment unit issuance cost

Investment unit issuance cost is recognized as expenses when incurred.

(6) Revenue recognition

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

(7) Accounting for property taxes

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

Registered owners of properties in Japan as of January 1 are responsible for paying property taxes for the calendar year based on assessments by local governments. Therefore, registered owners who sold properties to the Company were liable for property taxes for the calendar year, including the period from the date of the acquisition by the Company until the end of the year. The Company reimbursed sellers of properties for the equivalent amount of property taxes and included the amount in the acquisition cost of real estate. The amounts equivalent to property taxes included in the cost of acquisition of real estate are 19,446 thousand yen and 43,496 thousand yen as of January 31, 2014 and July 31, 2013, respectively.

(8) Hedge accounting approach

(a) Hedge accounting approach

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

(b) Hedging instruments and hedged items

Hedging instruments: Interest rate swap transactions

Hedged items: Borrowing interest rates

(c) Hedging policy

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

(d) Method for assessing the effectiveness of hedging

The Company evaluates by comparing the cumulative change in market rates of hedged items and hedging instruments and based on the amount of change in both during the period from the start of hedging to when the effectiveness is being determined.

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

(9) Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows consist of cash on hand and deposits in trust; deposits and deposits in trust that can be withdrawn at any time; and short-term investments with a maturity of three months or less from the date of acquisition, which are readily convertible to cash and bear only an insignificant risk of price fluctuation.

(10) Accounting for trust beneficial interest in real estate

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

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

(a) Cash and deposits in trust

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

(c) Lease and guarantee deposits in trust

(11) Consumption taxes

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



4. PROPERTY AND EQUIPMENT

Fifteenth Fiscal Period (August 1, 2013 to January 31, 2014)

(Unit: thousands of yen)

| Type of asset | Balance at beginning of the period | Amount of increase during the period | Amount of decrease during the period | Balance at end of the period | Accumulated depreciation/ Accumulated amortization | | Net balance at end of the period | Remarks | |
|-------------------------------|--|--------------------------------------|--------------------------------------|------------------------------|--|-------------------------------|----------------------------------|-------------|--------|
| | | | | | | Depreciation and amortization | | | |
| Property, plant and equipment | Land | 22,074,160 | — | — | 22,074,160 | — | — | 22,074,160 | |
| | Buildings in trust | 46,868,973 | 4,756,996 | 136 | 51,625,833 | 6,138,615 | 772,456 | 45,487,218 | (Note) |
| | Structures in trust | 495,486 | 23,832 | — | 519,318 | 152,661 | 18,371 | 366,657 | (Note) |
| | Machinery and equipment in trust | 529,870 | 54,551 | — | 584,421 | 74,462 | 13,984 | 509,959 | (Note) |
| | Tools, furniture and fixtures in trust | 63,545 | 20,704 | 147 | 84,102 | 33,094 | 5,636 | 51,008 | |
| | Land in trust | 132,702,890 | 17,176,539 | — | 149,879,429 | — | — | 149,879,429 | (Note) |
| | Construction in progress in trust | 273 | 5,609 | — | 5,882 | — | — | 5,882 | |
| Subtotal | 202,735,200 | 22,038,233 | 283 | 224,773,150 | 6,398,833 | 810,450 | 218,374,316 | | |
| Intangible assets | Leasehold rights in trust | 30,650,962 | — | — | 30,650,962 | — | — | 30,650,962 | |
| | Other intangible assets in trust | 6,968 | — | — | 6,968 | 5,937 | 176 | 1,031 | |
| | Subtotal | 30,657,931 | — | — | 30,657,931 | 5,937 | 176 | 30,651,994 | |
| Total | 233,393,131 | 22,038,233 | 283 | 255,431,081 | 6,404,770 | 810,627 | 249,026,311 | | |

(Note) The amount of increase during the fifteenth fiscal period is primarily attributable to the acquisition of Roppongi Hills Mori Tower.

5. SHORT-TERM LOANS PAYABLE

Fifteenth Fiscal Period (August 1, 2013 to January 31, 2014)

(Unit: thousands of yen)

| Lender | Balance at beginning of the period | Amount of increase during the period | Amount of decrease during the period | Balance at end of the period | Average interest rate (Note 1) | Repayment date | Use of funds | Remarks |
|----------------------------------|------------------------------------|--------------------------------------|--------------------------------------|------------------------------|--------------------------------|----------------|--------------|-------------------------|
| Sumitomo Mitsui Trust Bank, Ltd. | 1,000,000 | — | 1,000,000 | — | 0.8500% | Aug. 30, 2013 | (Note 2) | Unsecured/ Unguaranteed |
| Total | 1,000,000 | — | 1,000,000 | — | | | | |

(Note 1) "Average interest rate" indicates the interest rate on loans payable for the respective lending financial institutions rounded to four decimal places. In addition, concerning the loans payable for which an interest rate swap transaction has been entered into for the purpose of avoiding the risk of fluctuations in interest rates, the interest rate shown is the interest rate after taking into account the effect of the interest rate swap transaction.

(Note 2) The funds are used for refinancing of loans payable, as well as the payment of the various related expenses.

6. INVESTMENT CORPORATION BONDS

Fifteenth Fiscal Period (August 1, 2013 to January 31, 2014)

(Unit: thousands of yen)

| | Issue date | Balance at beginning of the period | Amount of increase during the period | Amount of decrease during the period | Balance at end of the period | Interest rate | Redemption maturity date | Use of funds | Collateral |
|---|---------------|------------------------------------|--------------------------------------|--------------------------------------|------------------------------|---------------|--------------------------|--------------|------------|
| Second Series Unsecured Investment Corporation Bonds | Nov. 29, 2007 | 3,000,000 | — | — | 3,000,000 | 1.7700% | Nov. 28, 2014 | (Note 1) | — |
| Fourth Series Unsecured Investment Corporation Bonds | May 27, 2010 | 5,000,000 | — | — | 5,000,000 | 1.9500% | May 27, 2015 | | — |
| Fifth Series Unsecured Investment Corporation Bonds | Feb. 25, 2011 | 5,000,000 | — | — | 5,000,000 | 1.2900% | Feb. 25, 2014 | | — |
| Sixth Series Unsecured Investment Corporation Bonds | Nov. 28, 2012 | 5,000,000 | — | — | 5,000,000 | 0.7800% | Nov. 27, 2015 | | — |
| Seventh Series Unsecured Investment Corporation Bonds | Nov. 28, 2012 | 2,000,000 | — | — | 2,000,000 | 0.9700% | Nov. 28, 2017 | | — |
| Eighth Series Unsecured Investment Corporation Bonds | May 24, 2013 | 3,000,000 | — | — | 3,000,000 | 0.8500% | May 24, 2018 | | — |
| Ninth Series Unsecured Investment Corporation Bonds | May 24, 2013 | 2,000,000 | — | — | 2,000,000 | 1.2600% | May 22, 2020 | | — |
| Total | | 25,000,000 | — | — | 25,000,000 | | | | |

(Note 1) The funds are used for the repayment of loans payable and redemption of investment corporation bonds.

(Note 2) The redemption schedule of investment corporation bonds for each of the five years after the balance sheet date is as follows.

(Unit: thousands of yen)

| | Due within 1 year | Due after 1 year, but within 2 years | Due after 2 years, but within 3 years | Due after 3 years, but within 4 years | Due after 4 years, but within 5 years |
|------------------------------|-------------------|--------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| Investment corporation bonds | 8,000,000 | 10,000,000 | — | 2,000,000 | 3,000,000 |



7. LONG-TERM LOANS PAYABLE

Fifteenth Fiscal Period (August 1, 2013 to January 31, 2014)

(1) Current portion of long-term loans payable

(Unit: thousands of yen)

| Lender | Balance at beginning of the period | Amount of increase during the period | Amount of decrease during the period | Balance at end of the period | Average interest rate (Note 1) | Repayment date | Use of funds | Remarks |
|--|------------------------------------|--------------------------------------|--------------------------------------|------------------------------|--------------------------------|---------------------------|--------------|----------------------------|
| Mizuho Bank, Ltd. | 1,100,000 | — | 1,100,000 | — | 1.5496% | Nov. 29, 2013 | (Note 2) | Unsecured/ Unguaranteed |
| | — | 2,500,000 | — | 2,500,000 | 1.3491% | Nov. 28, 2014 | | |
| | 2,276,000 | — | — | 2,276,000 | 0.9491% | May 30, 2014 | | |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 1,100,000 | — | 1,100,000 | — | 1.5496% | Nov. 29, 2013 | | |
| | — | 2,500,000 | — | 2,500,000 | 1.3491% | Nov. 28, 2014 | | |
| | 2,276,000 | — | — | 2,276,000 | 0.9491% | May 30, 2014 | | |
| Mitsubishi UFJ Trust and Banking Corporation | 1,100,000 | — | 1,100,000 | — | 1.5496% | Nov. 29, 2013 | | |
| | — | 2,500,000 | — | 2,500,000 | 1.3491% | Nov. 28, 2014 | | |
| | 2,276,000 | — | — | 2,276,000 | 0.9491% | May 30, 2014 | | |
| Sumitomo Mitsui Banking Corporation | 1,600,000 | — | 1,600,000 | — | 1.5496% | Nov. 29, 2013 | | |
| | — | 3,000,000 | — | 3,000,000 | 1.3491% | Nov. 28, 2014 | | |
| | 1,194,000 | — | — | 1,194,000 | 0.9491% | May 30, 2014 | | |
| The Norinchukin Bank | 1,200,000 | — | 1,200,000 | — | 1.5496% | Nov. 29, 2013 | | |
| | 3,000,000 | — | — | 3,000,000 | 1.2991% | May 30, 2014 | | |
| Resona Bank, Ltd. | — | 2,500,000 | — | 2,500,000 | 1.3491% | Aug. 29, 2014 | | |
| Sumitomo Mitsui Trust Bank, Ltd. | 1,000,000 | — | 1,000,000 | — | 1.5496% | Nov. 29, 2013 | | |
| | — | 2,000,000 | — | 2,000,000 | 1.3491% | Nov. 28, 2014 | | |
| Aozora Bank, Ltd. | — | 2,000,000 | — | 2,000,000 | 1.3491% | Aug. 29, 2014 | | |
| The Bank of Fukuoka, Ltd. | 2,000,000 | — | 2,000,000 | — | 1.5496% | Nov. 29, 2013 | | |
| | 2,000,000 | — | — | 2,000,000 | 1.2991% | May 30, 2014 | | |
| Development Bank of Japan Inc. | 2,062,500 | — | 2,062,500 | — | 2.3400% | Nov. 29, 2013 (Note 3) | | |
| The Hiroshima Bank, Ltd. | 1,000,000 | — | 1,000,000 | — | 1.6838% | Nov. 29, 2013 | | |
| The Oita Bank, Ltd. | 1,000,000 | — | 1,000,000 | — | 1.6838% | Nov. 29, 2013 | | |
| ShinGinko Tokyo, Ltd. | 1,000,000 | — | 1,000,000 | — | 1.6838% | Nov. 29, 2013 | | |
| Shinsei Bank, Ltd. | 900,000 | — | 900,000 | — | 1.6838% | Nov. 29, 2013 | | |
| Total | 28,084,500 | 17,000,000 | 15,062,500 | 30,022,000 | | | | |

(2) Long-term loans payable

(Unit: thousands of yen)

| Lender | Balance at beginning of the period | Amount of increase during the period | Amount of decrease during the period | Balance at end of the period | Average interest rate (Note 1) | Repayment date | Use of funds | Remarks |
|--|------------------------------------|--------------------------------------|--------------------------------------|------------------------------|--------------------------------|----------------|--------------|----------------------------|
| Mizuho Bank, Ltd. | 2,500,000 | — | 2,500,000 | — | 1.3491% | Nov. 28, 2014 | (Note 2) | Unsecured/ Unguaranteed |
| | 1,600,000 | — | — | 1,600,000 | 0.9991% | May 29, 2015 | | |
| | 1,138,000 | — | — | 1,138,000 | 1.2280% | May 29, 2015 | | |
| | 1,500,000 | — | — | 1,500,000 | 0.9991% | Aug. 31, 2015 | | |
| | 1,600,000 | — | — | 1,600,000 | 1.0400% | Nov. 30, 2015 | | |
| | 1,500,000 | — | — | 1,500,000 | 0.8421% | Mar. 30, 2018 | | |
| | — | 1,400,000 | — | 1,400,000 | 0.7760% | Sep. 28, 2018 | | |
| | — | 250,000 | — | 250,000 | 0.4482% | May 31, 2019 | | |
| | — | 1,100,000 | — | 1,100,000 | 0.4982% | Nov. 29, 2019 | | |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 2,500,000 | — | 2,500,000 | — | 1.3491% | Nov. 28, 2014 | | |
| | 1,600,000 | — | — | 1,600,000 | 0.9991% | May 29, 2015 | | |
| | 1,138,000 | — | — | 1,138,000 | 1.2280% | May 29, 2015 | | |
| | 1,500,000 | — | — | 1,500,000 | 0.9991% | Aug. 31, 2015 | | |
| | 1,600,000 | — | — | 1,600,000 | 1.0400% | Nov. 30, 2015 | | |
| | 1,500,000 | — | — | 1,500,000 | 0.8421% | Mar. 30, 2018 | | |
| | — | 1,400,000 | — | 1,400,000 | 0.7760% | Sep. 28, 2018 | | |
| | — | 250,000 | — | 250,000 | 0.4482% | May 31, 2019 | | |
| | — | 1,100,000 | — | 1,100,000 | 0.4982% | Nov. 29, 2019 | | |
| Mitsubishi UFJ Trust and Banking Corporation | 2,500,000 | — | 2,500,000 | — | 1.3491% | Nov. 28, 2014 | | |
| | 1,600,000 | — | — | 1,600,000 | 0.9991% | May 29, 2015 | | |
| | 1,138,000 | — | — | 1,138,000 | 1.2280% | May 29, 2015 | | |
| | 1,500,000 | — | — | 1,500,000 | 0.9991% | Aug. 31, 2015 | | |
| | 1,600,000 | — | — | 1,600,000 | 1.0400% | Nov. 30, 2015 | | |
| | 1,500,000 | — | — | 1,500,000 | 0.8421% | Mar. 30, 2018 | | |
| | — | 1,400,000 | — | 1,400,000 | 0.7760% | Sep. 28, 2018 | | |
| | — | 250,000 | — | 250,000 | 0.4482% | May 31, 2019 | | |
| | — | 1,100,000 | — | 1,100,000 | 0.4982% | Nov. 29, 2019 | | |
| Sumitomo Mitsui Trust Bank, Ltd. | 2,000,000 | — | 2,000,000 | — | 1.3491% | Nov. 28, 2014 | | |
| | 1,600,000 | — | — | 1,600,000 | 0.9991% | May 29, 2015 | | |
| | 989,000 | — | — | 989,000 | 1.2280% | May 29, 2015 | | |
| | 1,600,000 | — | — | 1,600,000 | 1.0400% | Nov. 30, 2015 | | |
| | 1,500,000 | — | — | 1,500,000 | 0.8421% | Mar. 30, 2018 | | |
| | 1,978,000 | — | — | 1,978,000 | 0.7460% | May 31, 2017 | | |
| | — | 1,400,000 | — | 1,400,000 | 0.7760% | Sep. 28, 2018 | | |
| | — | 1,000,000 | — | 1,000,000 | 0.4982% | Nov. 29, 2019 | | |

| | | | | | | | | |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|---------|---------------|----------|----------------------------|
| Sumitomo Mitsui Banking Corporation | 3,000,000 | — | 3,000,000 | — | 1.3491% | Nov. 28, 2014 | (Note 2) | Unsecured/ Unguaranteed |
| | 1,600,000 | — | — | 1,600,000 | 0.9991% | May 29, 2015 | | |
| | 597,000 | — | — | 597,000 | 1.2280% | May 29, 2015 | | |
| | 1,500,000 | — | — | 1,500,000 | 0.9991% | Aug. 31, 2015 | | |
| | 1,600,000 | — | — | 1,600,000 | 1.0400% | Nov. 30, 2015 | | |
| | 1,500,000 | — | — | 1,500,000 | 0.8421% | Mar. 30, 2018 | | |
| | — | 1,400,000 | — | 1,400,000 | 0.7760% | Sep. 28, 2018 | | |
| | — | 250,000 | — | 250,000 | 0.4482% | May 31, 2019 | | |
| | — | 1,600,000 | — | 1,600,000 | 0.4982% | Nov. 29, 2019 | | |
| Development Bank of Japan Inc. | 1,700,000 | — | — | 1,700,000 | 1.4313% | Mar. 27, 2015 | | |
| | 750,000 | — | — | 750,000 | 0.8421% | Mar. 30, 2018 | | |
| | — | 500,000 | — | 500,000 | 0.7760% | Sep. 28, 2018 | | |
| | — | 2,000,000 | — | 2,000,000 | 0.4982% | Nov. 29, 2019 | | |
| Aozora Bank, Ltd. | 2,000,000 | — | 2,000,000 | — | 1.3491% | Aug. 29, 2014 | | |
| | 2,000,000 | — | — | 2,000,000 | 1.1850% | Aug. 31, 2016 | | |
| | 750,000 | — | — | 750,000 | 0.8421% | Mar. 30, 2018 | | |
| | — | 500,000 | — | 500,000 | 0.7760% | Sep. 28, 2018 | | |
| Shinsei Bank, Ltd. | 1,500,000 | — | — | 1,500,000 | 1.0400% | Nov. 30, 2015 | | |
| | — | 500,000 | — | 500,000 | 0.7760% | Sep. 28, 2018 | | |
| | — | 900,000 | — | 900,000 | 0.4982% | Nov. 29, 2019 | | |
| The Bank of Fukuoka, Ltd. | — | 500,000 | — | 500,000 | 0.7760% | Sep. 28, 2018 | | |
| | — | 2,000,000 | — | 2,000,000 | 0.4982% | Nov. 29, 2019 | | |
| The Norinchukin Bank | — | 500,000 | — | 500,000 | 0.7760% | Sep. 28, 2018 | | |
| | — | 600,000 | — | 600,000 | 0.3982% | Nov. 30, 2017 | | |
| | — | 600,000 | — | 600,000 | 0.4982% | Nov. 29, 2019 | | |
| Mizuho Trust & Banking Co., Ltd. | 1,000,000 | — | — | 1,000,000 | 0.8421% | Mar. 30, 2018 | | |
| | — | 500,000 | — | 500,000 | 0.7760% | Sep. 28, 2018 | | |
| The Hiroshima Bank, Ltd. | 500,000 | — | — | 500,000 | 0.5991% | Mar. 31, 2016 | | |
| | — | 1,000,000 | — | 1,000,000 | 0.3982% | Nov. 30, 2017 | | |
| ORIX Bank Corporation | 1,000,000 | — | — | 1,000,000 | 0.5991% | Mar. 31, 2016 | | |
| The Oita Bank, Ltd. | — | 1,000,000 | — | 1,000,000 | 0.3982% | Nov. 30, 2017 | | |
| Resona Bank, Ltd. | 2,500,000 | — | 2,500,000 | — | 1.3491% | Aug. 29, 2014 | | |
| | — | 500,000 | — | 500,000 | 0.7760% | Sep. 28, 2018 | | |
| Total | 62,678,000 | 25,500,000 | 17,000,000 | 71,178,000 | | | | |

(Note 1) “Average interest rate” indicates the interest rate on loans payable for the respective lending financial institutions rounded to four decimal places. In addition, concerning the loans payable for which an interest rate swap transaction has been entered into for the purpose of avoiding the risk of fluctuations in interest rates, the interest rate shown is the interest rate after taking into account the effect of the interest rate swap transaction.

(Note 2) The funds are used for the acquisition of trust beneficial interests and refinancing of loans payable, as well as the payment of the various related expenses.

(Note 3) Installment payments of 62,500 thousand yen were made at the end of every sixth month starting on May 31, 2010, with the remaining payment of 2,062,500 thousand yen repaid on November 29, 2013.

(Note 4) The following is the redemption schedule of long-term loans payable (excluding the current portion of long-term loans payable) due within 5 years after the balance sheet date.

(Unit: thousands of yen)

| | Due after 1 year, but within 2 years | Due after 2 years, but within 3 years | Due after 3 years, but within 4 years | Due after 4 years, but within 5 years |
|-------------------------|---|--|--|--|
| Long-term loans payable | 30,200,000 | 3,500,000 | 4,578,000 | 20,500,000 |

8. NET ASSETS

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

9. INCOME TAXES

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

(Unit: thousands of yen)

| | Fifteenth Fiscal Period (as of January 31, 2014) | Fourteenth Fiscal Period (as of July 31, 2013) |
|---|---|---|
| Deferred tax assets | | |
| Current assets | | |
| Accrued enterprise tax excluded from expenses | 15 | 17 |
| Total deferred tax assets [current] | 15 | 17 |
| Net deferred tax assets [current] | 15 | 17 |

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

| | Fifteenth Fiscal Period (as of January 31, 2014) | Fourteenth Fiscal Period (as of July 31, 2013) |
|-------------------------------|---|---|
| Statutory tax rate | 36.59% | 36.59% |
| [Adjustments] | | |
| Deductible cash distributions | (36.58%) | (36.57%) |
| Others | 0.02% | 0.02% |
| Effective tax rate | 0.03% | 0.04% |

10. PER UNIT INFORMATION

(Unit: yen)

| | Fifteenth Fiscal Period (August 1, 2013 to January 31, 2014) | Fourteenth Fiscal Period (February 1, 2013 to July 31, 2013) |
|---------------------|---|---|
| Net assets per unit | 91,870 | 90,726 |
| Net income per unit | 2,052 | 1,942 |

(Note 1) Net income per unit was calculated by dividing the net income by the daily weighted average number of investment units during the period.

Diluted net income per unit has not been stated as there are no diluted investment units.

(Note 2) The Company implemented a 5-for-1 split of investment units on January 31, 2014 as the record date and February 1, 2014 as the effective date. Net assets per unit and Net income per unit are calculated under the assumption that the split implemented on February 1, 2013.



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

| | Fifteenth Fiscal Period (August 1, 2013 to January 31, 2014) | Fourteenth Fiscal Period (February 1, 2013 to July 31, 2013) |
|---|---|---|
| Net income (thousands of yen) | 2,797,228 | 2,432,164 |
| Amounts not attributable to common unitholders (thousands of yen) | — | — |
| Net income attributable to common investment units (thousands of yen) | 2,797,228 | 2,432,164 |
| Average number of investment units during the period (units) | 1,363,451 | 1,252,407 |

11. RELATED PARTY TRANSACTIONS

(1) Parent company and major corporate unitholders

Fifteenth Fiscal Period (August 1, 2013 to January 31, 2014)

| Type | Name | Location | Capital stock or investments in capital (thousands of yen) | Description of business | Percentage of voting rights held in (by) related party | Relationship with related party | Description of transaction | Amount of transaction (thousands of yen) (Note 1) | Account item | Balance at end of the period (thousands of yen) |
|-----------------------|-------------------------|----------------------------|--|-------------------------|--|---------------------------------------|--|---|---------------------------------------|---|
| Other related company | Mori Building Co., Ltd. | Minato-ku, Tokyo | 67,000,000 | Real estate business | 17.7% directly held by related party | Leasing and management of real estate | Acquisition of property (Note 2) (Note 6) | 21,900,000 | — | — |
| | | | | | | | Leasing of properties (Note 3) (Note 7) | 4,038,824 | Operating accounts receivable | 738 |
| | | | | | | | | | Advances received | 734,989 |
| | | | | | | | Payment of property operation and management fees (Note 8) | 107,687 (Note 4) | Lease and guarantee deposits in trust | 6,663,711 |
| | | | | | | | | | Prepaid expenses | 2,461 |
| | | | | | | | Deposit of lease and guarantee (Note 5) (Note 9) | 53,886 | Lease and guarantee deposits in trust | 53,886 |
| | | Operating accounts payable | 23,528 | | | | | | | |

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

(Note 2) A portion of Roppongi Hills Mori Tower

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

(Note 4) The amount includes construction fees (5,743 thousand yen) and construction management fees (936 thousand yen) that are not charged to expenses but recognized as assets.

(Note 5) Roppongi View Tower

[Transaction terms and conditions and related policies]

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

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

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

(Note 9) The Company engages in transactions by conducting adequate procedures in line with the Related Parties Transaction Guidelines

stipulated by the Company's Asset Manager and compliance regulations, after having comprehensively considered the market situation and other factors.

Fourteenth Fiscal Period (February 1, 2013 to July 31, 2013)

| 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 | 19.2% directly held by related party | Leasing and management of real estate | Acquisition of property (Note 2) (Note 6) | 20,000,000 | — | — |
| | | | | | | | Leasing of properties (Note 3) (Note 7) | 3,477,159 | Operating accounts receivable | 778 |
| | | | | | | | | | Advances received | 635,177 |
| | | | | | | | | | Lease and guarantee deposits in trust | 5,712,051 |
| | | | | | | | Payment of property operation and management fees (Note 8) | 93,009 (Note 5) | Prepaid expenses | 2,251 |
| | | | | | | | | | Operating accounts payable | 20,986 |
| Payment of other operating expenses (IR related expenses) (Note 4) (Note 9) | 735 | — | — | | | | | | | |

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

(Note 2) A portion of Atago Green Hills and a portion of ARK Mori Building

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

(Note 4) The venue expenses for the thirteenth fiscal period financial results briefing and the fifth general meeting of unitholders.

(Note 5) The amount includes construction fees (637 thousand yen) and construction management fees (298 thousand yen) that are not charged to expenses but recognized as assets.

[Transaction terms and conditions and related policies]

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

(Note 7) 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.

(2) Subsidiaries and affiliates

Fifteenth Fiscal Period (August 1, 2013 to January 31, 2014)

Not applicable.

Fourteenth Fiscal Period (February 1, 2013 to July 31, 2013)

Not applicable.



(3) Subsidiaries of Parent company

Fifteenth Fiscal Period (August 1, 2013 to January 31, 2014)

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

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

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

(Note 3) The amount of management fees includes 21,900 thousand yen in acquisition fees pertaining to real estate acquisition included in the book value of real estate.

[Transaction terms and conditions and related policies]

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

Fourteenth Fiscal Period (February 1, 2013 to July 31, 2013)

| Type | Name | Location | Capital stock or investments in capital (thousands of yen) | Description of business | Percentage of voting rights held in (by) related party | Relationship with related party | Description of transaction | Amount of transaction (thousands of yen) (Note 1) | Account item | Balance at end of the period (thousands of yen) |
|-------------------------------------|---|------------------|--|--|--|---|--|---|------------------|---|
| Subsidiary of other related company | Mori Building Investment Management Co., Ltd. | Minato-ku, Tokyo | 200,000 | Real estate, trust beneficiary right and other financial asset management operations | None | Outsourcing of asset management Concurrent post of directors | Payment of management fees (Note 2) (Note 4) | 204,957 (Note 3) | Accrued expenses | 194,205 |

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

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

(Note 3) The amount of management fees includes 20,000 thousand yen in acquisition fees pertaining to real estate acquisition included in the book value of real estate.

[Transaction terms and conditions and related policies]

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



(4) Directors and major individual unitholders

Fifteenth Fiscal Period (August 1, 2013 to January 31, 2014)

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

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

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

(Note 3) The amount of management fees includes 21,900 thousand yen in acquisition fees pertaining to real estate acquisition included in the book value of real estate.

[Transaction terms and conditions and related policies]

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

Fourteenth Fiscal Period (February 1, 2013 to July 31, 2013)

| Type | Name | Location | Capital stock or investments in capital (thousands of yen) | Description of business or position | Percentage of voting rights held in (by) related party | Relationship with related party | Description of transaction | Amount of transaction (thousands of yen) (Note 1) | Account item | Balance at end of the period (thousands of yen) |
|-------------------------------------|----------------|----------|--|---|--|---|---|---|------------------|---|
| Directors and their close relatives | Hideyuki Isobe | — | — | Executive Director of the Company, and President & CEO of Mori Building Investment Management Co., Ltd. | None | Executive Director of the Company, and President & CEO of Mori Building Investment Management Co., Ltd. | Payment of management fees to Mori Building Investment Management Co., Ltd. (Note 2) (Note 4) | 204,957 (Note 3) | Accrued expenses | 194,205 |

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

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

(Note 3) The amount of management fees includes 20,000 thousand yen in acquisition fees pertaining to real estate acquisition included in the book value of real estate.

[Transaction terms and conditions and related policies]

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

12. BREAKDOWN OF PROPERTY-RELATED REVENUE AND EXPENSES

Breakdown of property operating income

(Unit: thousands of yen)

| | Fifteenth Fiscal Period (August 1, 2013 to January 31, 2014) | | Fourteenth Fiscal Period (February 1, 2013 to July 31, 2013) | |
|--------------------------------------|--|-----------|--|-----------|
| A. Property operating revenue | | | | |
| Rent revenue of real estate | | | | |
| Rent and common area revenue | 5,486,055 | | 4,945,540 | |
| Other rent revenue | 3,794 | 5,489,850 | 3,629 | 4,949,170 |
| Other rent revenue of real estate | | | | |
| Parking revenue | 18,858 | | 16,366 | |
| Utilities and other revenue | 100,995 | | 86,283 | |
| Cancellation penalty | 330 | 120,184 | 384 | 103,034 |
| Total property operating revenue | | 5,610,034 | | 5,052,204 |
| B. Property operating expenses | | | | |
| Expenses of real estate rent | | | | |
| Property management fees | 169,071 | | 103,752 | |
| Property taxes | 309,970 | | 285,171 | |
| Utilities | 93,347 | | 79,748 | |
| Maintenance and repairs | 15,208 | | 39,096 | |
| Insurance premium | 11,557 | | 11,193 | |
| Custodian fees | 6,955 | | 5,696 | |
| Depreciation and amortization | 810,627 | | 726,793 | |
| Rent expenses | 103,750 | | 98,966 | |
| Other lease business expenses | 9,177 | 1,529,666 | 8,286 | 1,358,705 |
| Total property operating expenses | | 1,529,666 | | 1,358,705 |
| C. Property operating income [A – B] | | 4,080,368 | | 3,693,499 |

Transactions with major unitholders

(Unit: thousands of yen)

| | Fifteenth Fiscal Period (August 1, 2013 to January 31, 2014) | | Fourteenth Fiscal Period (February 1, 2013 to July 31, 2013) | |
|-----------------------------------|--|--|--|--|
| From operating transactions | | | | |
| Rent revenue of real estate | 4,036,470 | | 3,475,048 | |
| Other rent revenue of real estate | 2,353 | | 2,111 | |
| Expenses of real estate rent | 101,008 | | 92,073 | |
| Other operating expenses | — | | 735 | |

13. UNITHOLDERS' EQUITY

| | Fifteenth Fiscal Period (August 1, 2013 to January 31, 2014) | Fourteenth Fiscal Period (February 1, 2013 to July 31, 2013) |
|---|---|---|
| Total number of investment units authorized and total number of investment units issued and outstanding | | |
| Total number of investment units authorized | 2,000,000 units | 2,000,000 units |
| Total number of investment units issued and outstanding | 276,985 units | 254,620 units |

14. FINANCIAL INSTRUMENTS

(1) Policy for financial instruments

(a) Policy for holding financial instruments

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

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

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

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

Interest rate swaps are utilized with the Company seeking to, in effect, convert fluctuating interest rates on fund procurement into fixed interest rates. For information on the method of hedge accounting approach, hedging instruments and hedged items, hedging policy and method for assessing the effectiveness of hedging, please refer to "Summary of significant accounting policies; (8) Hedge accounting approach."

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

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

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

(2) Fair value of financial instruments

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

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

The following are the carrying amount, fair value and the difference between them of financial instruments as of July 31, 2013.

| | (Unit: thousands of yen) | | |
|---|--------------------------|-------------|------------|
| | Carrying amount | Fair value | Difference |
| (a) Cash and deposits | 3,960,756 | 3,960,756 | - |
| (b) Cash and deposits in trust | 7,825,875 | 7,825,875 | - |
| Total | 11,786,631 | 11,786,631 | - |
| (c) Short-term loans payable | 1,000,000 | 1,000,000 | - |
| (d) Current portion of investment corporation bonds | 5,000,000 | 5,025,500 | 25,500 |
| (e) Current portion of long-term loans payable | 28,084,500 | 28,101,989 | 17,489 |
| (f) Investment corporation bonds | 20,000,000 | 20,272,100 | 272,100 |
| (g) Long-term loans payable | 62,678,000 | 62,659,028 | (18,971) |
| Total | 116,762,500 | 117,058,617 | 296,117 |
| 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) Short-term loans payable

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

(d) Current portion of investment corporation bonds; (f) Investment corporation bonds

The fair value of these is based on market prices.

(e) Current portion of long-term loans payable; (g) 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, 2014)

(Unit: thousands of yen)

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

Redemption of monetary claims scheduled to be due after the balance sheet date (as of July 31, 2013)

(Unit: thousands of yen)

| | Due within 1 year | Due after 1 year, but within 2 years | Due after 2 years, but within 3 years | Due after 3 years, but within 4 years | Due after 4 years, but within 5 years | Due after 5 years |
|----------------------------|----------------------|---|--|--|--|----------------------|
| Cash and deposits | 3,960,756 | — | — | — | — | — |
| Cash and deposits in trust | 7,825,875 | — | — | — | — | — |
| Total | 11,786,631 | — | — | — | — | — |

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

(Unit: thousands of yen)

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

Short-term loans payable, investment corporation bonds and long-term loans payable scheduled to be due after the balance sheet date (as of July 31, 2013)

(Unit: thousands of yen)

| | Due within 1 year | Due after 1 year, but within 2 years | Due after 2 years, but within 3 years | Due after 3 years, but within 4 years | Due after 4 years, but within 5 years | Due after 5 years |
|------------------------------|----------------------|---|--|--|--|----------------------|
| Short-term loans payable | 1,000,000 | — | — | — | — | — |
| Investment corporation bonds | 5,000,000 | 8,000,000 | 5,000,000 | — | 5,000,000 | 2,000,000 |
| Long-term loans payable | 28,084,500 | 31,700,000 | 17,000,000 | 3,978,000 | 10,000,000 | — |
| Total | 34,084,500 | 39,700,000 | 22,000,000 | 3,978,000 | 15,000,000 | 2,000,000 |

15. DERIVATIVE TRANSACTIONS

(1) Transactions for which hedge accounting is not applied

Fifteenth Fiscal Period (as of January 31, 2014)

Not applicable.

Fourteenth Fiscal Period (as of July 31, 2013)

Not applicable.

(2) Transactions for which hedge accounting is applied

Fifteenth Fiscal Period (as of January 31, 2014)

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

(Unit: thousands of yen)

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

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

Fourteenth Fiscal Period (as of July 31, 2013)

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 | 28,478,000 | 28,478,000 | * | — |

* 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 (e) and (g) of (Note 1) Method of calculating the fair value of financial instruments, and derivative transactions of “Financial instruments: (2) Fair value of financial instruments” above).

16. CASH AND CASH EQUIVALENTS

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

(Unit: thousands of yen)

| | Fifteenth Fiscal Period (August 1, 2013 to January 31, 2014) | Fourteenth Fiscal Period (February 1, 2013 to July 31, 2013) |
|----------------------------|---|---|
| Cash and deposits | 3,531,963 | 3,960,756 |
| Cash and deposits in trust | 9,164,640 | 7,825,875 |
| Cash and cash equivalents | 12,696,604 | 11,786,631 |

17. LEASES

Operating lease transactions (as lessor)

Future minimum rental revenues under existing non-cancelable lease agreements

(Unit: thousands of yen)

| | Fifteenth Fiscal Period (as of January 31, 2014) | Fourteenth Fiscal Period (as of July 31, 2013) |
|-------------------|---|---|
| Due within 1 year | 2,406,219 | 2,407,440 |
| Due after 1 year | 19,196,586 | 19,813,506 |
| Total | 21,602,806 | 22,220,947 |

18. INVESTMENT AND RENTAL PROPERTIES

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

(Unit: thousands of yen)

| | Fifteenth Fiscal Period (August 1, 2013 to January 31, 2014) | Fourteenth Fiscal Period (February 1, 2013 to July 31, 2013) |
|---|---|---|
| Carrying amount | | |
| Balance at beginning of the period | 227,798,865 | 208,313,604 |
| Amount of increase (decrease) during the period | 21,227,445 | 19,485,261 |
| Balance at end of the period | 249,026,311 | 227,798,865 |
| Fair value at end of the period | 242,200,000 | 216,680,000 |

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

(Note 2) Of the increase (decrease) during the fifteenth fiscal period, the increase is primarily attributable to the acquisition of one property (Roppongi Hills Mori Tower (19th · 22nd floors) (21,973,409 thousand yen), while the decrease is primarily attributable to depreciation and amortization.

Of the increase (decrease) during the fourteenth fiscal period, the increase is primarily attributable to the acquisition of two properties (Atago Green Hills (about 12.9% of total property) (16,658,414 thousand yen) and ARK Mori Building (the area used as District Heating and Cooling) (3,526,027 thousand yen)), while the decrease is primarily attributable to depreciation and amortization.

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

19. SEGMENT AND RELATED INFORMATION

[Segment Information]

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

[Related Information]

Fifteenth Fiscal Period (August 1, 2013 to January 31, 2014)

(1) Information about each product and service

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

(2) Information about each geographical area

(a) Operating revenue

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

(b) Property, plant and equipment

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

(3) Information about each major tenant

(Unit: thousands of yen)

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

Fourteenth Fiscal Period (February 1, 2013 to July 31, 2013)

(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. | 3,477,159 | Real estate leasing business |
| Mori Building Ryutsu System Co., Ltd. | 646,800 | Real estate leasing business |

20. SUBSEQUENT EVENTS

Split of investment units

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.

(1) Purpose of split

The Company aims to expand the investor base and improve the liquidity of its investment units by creating an environment favorable to investors by lowering the market price of investment units in line with the introduction of the Nippon (Japan) Individual Savings Account (NISA) on January 1, 2014.

(2) Method of split

On January 31, 2014 as the record date, the Company implemented a 5-for-1 split of its investment units owned by unitholders indicated or recorded on the final unitholder registry as of that date.

(3) Increase in number of investment units through split

| | | |
|---|---|------------------|
| (a) Number of investment units issued before split | : | 276,985 units |
| (b) Increase in number of investment units through split | : | 1,107,940 units |
| (c) Number of investment units issued after split | : | 1,384,925 units |
| (d) Total number of investment units authorized after split | : | 10,000,000 units |

(Note) The Articles of Incorporation of the Company will be partially amended in order to increase the total number of investment units authorized in accordance with the ratio of investment units split based on the provision of Article 184 Paragraph 2 of the Companies Act which is applied mutatis mutandis pursuant to Article 81-3 Paragraph 2 of the Act on Investment Trusts and Investment Corporations.