

For Translation Purposes Only

## FINANCIAL REPORT

### FOR THE TWENTY-FIFTH FISCAL PERIOD ENDED JANUARY 31, 2019

March 15, 2019

Name of issuer:	Mori Hills REIT Investment Corporation
Stock exchange listing:	Tokyo Stock Exchange
Securities code:	3234
Website:	<a href="https://www.mori-hills-reit.co.jp/en">https://www.mori-hills-reit.co.jp/en</a>
Representative of the investment corporation:	Hideyuki Isobe, Executive Director
Name of asset manager:	Mori Building Investment Management Co., Ltd.
Representative of the asset manager:	Hideyuki Isobe, President & CEO
Contact:	Ryosuke Kanazawa, General Manager of Planning Department TEL: +81-3-6234-3234
Scheduled date for filing of securities report:	April 25, 2019
Scheduled date for dividends payment:	April 16, 2019
Supplementary materials for financial results:	Otherwise prepared
Analyst meeting:	Scheduled

#### 1. PERFORMANCE FOR THE TWENTY-FIFTH FISCAL PERIOD ENDED JANUARY 31, 2019 (August 1, 2018 – January 31, 2019)

##### (1) Business Results

(Percentage change represents a period-on-period comparison)

	Operating Revenue		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Twenty-fifth Fiscal Period	9,423	7.7	5,945	9.5	5,293	9.8	5,292	9.8
Twenty-fourth Fiscal Period	8,751	3.0	5,432	2.7	4,820	3.5	4,819	3.5

	Net Income per Unit	Net Income to Total Net Assets	Ordinary Income to Total Assets	Ordinary Income to Operating Revenue
	Yen	%	%	%
Twenty-fifth Fiscal Period	2,823	2.8	1.4	56.2
Twenty-fourth Fiscal Period	2,753	2.7	1.3	55.1

##### (2) Dividends

	Dividends per Unit (excluding dividends in excess of earnings)	Total Dividends (excluding dividends in excess of earnings)	Dividends in Excess of Earnings per Unit	Total Dividends in Excess of Earnings	Dividends per Unit (including dividends in excess of earnings)	Total Dividends (including dividends in excess of earnings)	Dividend Payout Ratio	Dividend Ratio to Net Assets
	Yen	Millions of yen	Yen	Millions of yen	Yen	Millions of yen	%	%
Twenty-fifth Fiscal Period	2,729	5,116	93	174	2,822	5,291	96.6	2.6
Twenty-fourth Fiscal Period	2,753	4,819	0	0	2,753	4,819	99.9	2.7

(Note 1) Total Dividends in Excess of Earnings is entirely the amount attributable to allowance for temporary difference adjustments.

(Note 2) Dividend Payout Ratio is calculated by using the formula below and is rounded down to one decimal place.  
 Dividend Payout Ratio =  $[\text{Total Dividends (excluding dividends in excess of earnings)} \div \text{Net Income}] \times 100$   
 Dividend Payout Ratio when calculated by using the formula below is 99.9% for the twenty-fifth fiscal period.  
 Dividend Payout Ratio =  $[\text{Total Dividends (including dividends in excess of earnings)} \div \text{Net Income}] \times 100$

(Note 3) Dividend Ratio to Net Assets is calculated by using the formula below.  
 Dividend Ratio to Net Assets =  $\text{Dividends per Unit (excluding dividends in excess of earnings)} \div [(\text{Net Assets per Unit at Beginning of the Period} + \text{Net Assets per Unit at End of the Period}) \div 2] \times 100$

### (3) Financial Position

	Total Assets	Net Assets	Net Assets to Total Assets	Net Assets per Unit
	Millions of yen	Millions of yen	%	Yen
Twenty-fifth Fiscal Period	394,539	195,578	49.6	104,310
Twenty-fourth Fiscal Period	362,345	179,366	49.5	102,457

### (4) Cash Flows

	Net Cash Provided by (Used in) Operating Activities	Net Cash Provided by (Used in) Investing Activities	Net Cash Provided by (Used in) Financing Activities	Cash and Cash Equivalents at End of the Period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Twenty-fifth Fiscal Period	6,167	(29,578)	25,467	11,806
Twenty-fourth Fiscal Period	6,050	(7,620)	2,247	9,748

## 2. FORECAST OF RESULTS FOR THE TWENTY- SIXTH FISCAL PERIOD ENDING JULY 31, 2019 (February 1, 2019 – July 31, 2019) AND THE TWENTY- SEVENTH FISCAL PERIOD ENDING JANUARY 31, 2020 (August 1, 2019 – January 31, 2020)

Percentage change represents a period-on-period comparison)

	Operating Revenue		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Twenty-sixth Fiscal Period	9,538	1.2	5,934	(0.2)	5,307	0.3	5,306	0.3
Twenty-seventh Fiscal Period	9,559	0.2	5,971	0.6	5,345	0.7	5,344	0.7

	Dividends per Unit (excluding dividends in excess of earnings)	Dividends in Excess of Earnings per Unit
	Yen	Yen
Twenty-sixth Fiscal Period	2,830	0
Twenty-seventh Fiscal Period	2,850	0

(Reference) Estimated net income per unit for the twenty-sixth fiscal period : ¥2,830  
 Estimated net income per unit for the twenty-seventh fiscal period : ¥2,850

\*OTHER

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

(2) Number of Units Issued and Outstanding

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

Twenty-fifth fiscal period:	1,874,960 units	Twenty-fourth fiscal period:	1,750,640 units
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- (b) Number of own units at end of the period

Twenty-fifth fiscal period:	0 units	Twenty-fourth fiscal period:	0 units
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(Note) For the number of investment units used as the basis for calculating net income per unit, please refer to “Per unit Information” on page 29.

\* Presentation of the status of implementation of audit procedures

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

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

The forecast of results and other forward-looking statements contained in this document are based on information currently available to and certain assumptions deemed reasonable by Mori Hills REIT Investment Corporation (the “Company”). Accordingly, actual results, etc. may differ materially due to a variety of factors. Furthermore, these forecasts shall not be construed as a guarantee of dividends. For the assumptions underlying the forecasts of results, please refer to “Assumptions of Forecasts of Results for the Twenty-Sixth Fiscal Period Ending July 31, 2019 (February 1, 2019 – July 31, 2019) and the Twenty-Seventh Fiscal Period Ending January 31, 2020 (August 1, 2019 – January 31, 2020)” presented on pages 7 to 8.

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## 1. AFFILIATED CORPORATIONS OF THE INVESTMENT CORPORATION

Disclosure is omitted because there are no significant changes from the “Structure of the Investment Corporation” in the most recent securities report (submitted on October 26, 2018).

## 2. MANAGEMENT POLICY AND MANAGEMENT STATUS

### (1) Management Policy

Disclosure is omitted because there are no significant changes from the “Investment Policy,” “Investment Targets” and “Distribution Policy” in the most recent securities report (submitted on October 26, 2018).

### (2) Management Status

#### (a) Overview of the Fiscal Period

##### a) Brief Background of the Investment Corporation

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

In the fiscal period under review (twenty-fifth fiscal period: August 1, 2018 to January 31, 2019), the Company held a public offering, etc. (124,320 units were offered including a third-party allotment through an over-allotment). As of the end of the twenty-fifth fiscal period, the total number of investment units issued and outstanding was 1,874,960.

##### b) Investment Environment and Business Performance

###### (i) Investment Environment

In the twenty-fifth fiscal period, the Japanese economy saw increased uncertainty about the future due to sluggish growth in exports caused by the slowdown of the global economy as well as the impact of natural disasters, but remained solid, supported by consumer spending and capital investment amid continued improvement in the employment and income environments as well as continuously high corporate earnings.

Within this economic environment, the vacancy rate in central Tokyo decreased steadily and the rent level continued to be on an upward trend in the rental office building market due to the ongoing demand for expansion and relocation driven by the strong employment situation as well as due to the steady lease up of tenants into new buildings. In the luxury rental housing market, occupancy rates and rent levels remained solid driven by the ongoing stable demand for quality housing in central Tokyo amid limited new supply. In the real estate trading market, transaction prices continue to be high backed by the strong investment appetite from investors at home and abroad and transaction amounts remained at a high level.

###### (ii) Business Performance

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

The Company’s real estate portfolio, as of the end of the twenty-fifth fiscal period, was comprised of 11 properties (Note 1) under management with a total leasable area of 174,701.69m<sup>2</sup>. The Company has already invested 390,690 million yen (based on the acquisition price) into this portfolio. The occupancy rate at the end of the twenty-fifth fiscal period (Note 2) was 99.6%.

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

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

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

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

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

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

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

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

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

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

- i) 7% quasi co-ownership interest in the trust beneficial interests in 87.95% co-ownership interest in compartmentalized ownership for the 28th to 35th floor portions (approximately 1.0% of total exclusive floor area) on August 1, 2017.
- ii) 7% quasi co-ownership interest in the trust beneficial interests in 87.95% co-ownership interest in compartmentalized ownership for the 28th to 35th floor portions (approximately 1.0% of total exclusive floor area) on March 1, 2018.
- iii) 36% quasi co-ownership interest in the trust beneficial interests in 87.95% co-ownership interest in compartmentalized ownership for the 28th to 35th floor portions (approximately 5.0% of total exclusive floor area) on September 3, 2018.

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

- i) 57% quasi co-ownership interest in the trust beneficial interests in compartmentalized ownership of the 3rd-4th, part of the 5th, 14-18th and 22nd-24th floors (approximately 27.6% of total exclusive floor area) on August 1, 2017.
- ii) 15% quasi co-ownership interest in the trust beneficial interests in compartmentalized ownership of the 3rd-4th, part of the 5th, 14-18th and 22nd-24th floors (approximately 7.3% of total exclusive floor area) on March 1, 2018.
- iii) 28% quasi co-ownership interest in the trust beneficial interests in compartmentalized ownership of the 3rd-4th, part of the 5th, 14-18th and 22nd-24th floors (approximately 13.6% of total exclusive floor area) on September 3, 2018.

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

#### c) Overview of Fund Procurement

During the twenty-fifth fiscal period, the Company issued investment units in the amount of 16,228 million yen (the amount which was contributed to the Company) and took out long-term loans payable in the amount of 14,100 million yen to be used as funds for the acquisition of new properties. In addition, for the refinancing of existing long-term loans payable in the amount of 10,500 million yen, the Company took out long-term loans payable in the amount of 10,500 million yen.

As a result, as of the end of the twenty-fifth fiscal period, a) the balance of loans payable stands at 157,222 million yen (all of these are long-term loans payable (of which, the current portion of long-term loans payable is 27,900 million yen)), b) the balance of investment corporation bonds stands at 25,000 million yen (of which, the current portion of investment corporation bonds is 3,000 million yen), and c) the balance of interest-bearing debt stands at 182,222 million yen.

Of the debt, in addition to the 25,000 million yen in investment corporation bonds and 6,700 million yen in long-term loans payable that have fixed interest rates, the Company utilizes interest rate swaps to in effect convert the interest rates for loans payable that have floating interest rates into fixed interest rates in order to hedge against the risk of upward fluctuations in interest rates. Such measures have been taken for 132,622 million yen of the 150,522 million yen in long-term loans payable that have such floating interest rates (the ratio of fixed rate debt against total interest-bearing debt as of the end of the twenty-fifth fiscal period is 90.2%). With respect to future debt, the Company will strive to minimize refinancing risks by diversifying repayment dates for such debt.

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

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

d) Overview of Business Results and Distributions

The asset management activities described above resulted in the Company recording in the twenty- fifth fiscal period 9,423 million yen in operating revenue, 5,945 million yen in operating income, 5,293 million yen in ordinary income and 5,292 million yen in net income.

With regard to dividends, 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 as defined in Article 136, Paragraph 1 of the Investment Trust Act. Based on such policy, the Company decided to pay out dividends of earnings (5,116,765,840 yen), which is the integral multiple of the total number of investment units issued and outstanding (1,874,960 units) out of the amount of earnings as defined in Article 136, Paragraph 1 of the Investment Trust Act.

In addition, pursuant to the terms of the distribution policy set forth in Article 37 (2) of the Company's Articles of Incorporation, the Company decided to pay out dividends attributable to allowance for temporary difference adjustments (174,371,280 yen), which is the integral multiple of the total number of investment units issued and outstanding (1,874,960 units) in due consideration of the impact of the items of deduction from net assets (as defined in Article 2, Paragraph 2, Item 30 (b) of the Ordinance on Accountings of Investment Corporations) on dividends.

As a result, the Company declared dividends per unit of 2,822 yen.

(b) Outlook for the Next Fiscal Period

a) Future Management Policy

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

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

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

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

b) Significant Subsequent Events

Not applicable.

(Reference Information)

Not applicable.



c) Outlook of Business Results

The Company expects the following business results for the twenty-sixth fiscal period (February 1, 2019 to July 31, 2019) and the twenty-seventh fiscal period (August 1, 2019 to January 31, 2020). For the assumptions underlying the forecasts of results, please refer to “Assumptions of Forecasts of Results for the Twenty-Sixth Fiscal Period Ending July 31, 2019 (February 1, 2019 – July 31, 2019) and the Twenty-Seventh Fiscal Period Ending January 31, 2020 (August 1, 2019 – January 31, 2020)” presented below.

Twenty-Sixth Fiscal Period Ending July 31, 2019 (February 1, 2019 – July 31, 2019)

Operating revenue	¥ 9,538 million
Operating income	¥ 5,934 million
Ordinary income	¥ 5,307 million
Net income	¥ 5,306 million
Dividends per unit	¥ 2,830
Dividends in excess of earnings per unit	¥0

Twenty-Seventh Fiscal Period Ending January 31, 2020 (August 1, 2019 – January 31, 2020)

Operating revenue	¥ 9,559 million
Operating income	¥ 5,971 million
Ordinary income	¥ 5,345 million
Net income	¥ 5,344 million
Dividends per unit	¥ 2,850
Dividends in excess of earnings per unit	¥0

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

Assumptions of Forecasts of Results for the Twenty-Sixth Fiscal Period Ending July 31, 2019 (February 1, 2019 – July 31, 2019) and the Twenty-Seventh Fiscal Period Ending January 31, 2020 (August 1, 2019 – January 31, 2020)

Item	Assumptions
Accounting Period	<p>Twenty-Sixth fiscal period: February 1, 2019 – July 31, 2019 (181 days)</p> <p>Twenty-Seventh fiscal period: August 1, 2019 – January 31, 2020 (184 days)</p>
Portfolio Assets	<ul style="list-style-type: none"> <li>• Regarding the 11 properties held as of the end of the fiscal period ended January 31, 2019, the Company assumes there will be no change in the portfolio assets (e.g., no acquisition of new properties nor transfer of existing properties) until the end of the fiscal period ending January 31, 2020.</li> <li>• The actual portfolio assets may differ from this assumption due to additional changes.</li> </ul>
Operating Revenue	<ul style="list-style-type: none"> <li>• Rent revenues are estimated based on lease agreements, etc., taking into account the market environment, the trends of individual tenants and other factors.</li> <li>• The Company assumes that there will be no delinquencies or non-payment of rents by tenants.</li> </ul>
Operating Expenses	<ul style="list-style-type: none"> <li>• For expenses related to properties, major operating expenses of 3,257 million yen and 3,240 million yen are expected for the fiscal periods ending July 31, 2019 and January 31, 2020, respectively. Expenses other than those below are calculated by referring to historical figures and adjusted to reflect variable factors. <ul style="list-style-type: none"> <li>(i) For property taxes, city planning taxes, etc., 661 million yen (for six months) and 709 million yen (for six months) are expected for the fiscal period ending July 31, 2019 and January 31, 2020, respectively. Therefore, the property taxes, city planning taxes, etc. associated with the portion of Toranomon Hills Mori Tower and Holland Hills Mori Tower that were acquired in the fiscal period ended July 31, 2018 and the fiscal period ended January 31, 2019 were calculated at the time of acquisition with the seller using a prorated adjusted amount and the Company has capitalized these amounts as part of the cost of the acquisition. Part of the amount will be capitalized as part of the cost of acquisitions and 30 million yen (for three months) is expected to be recognized as operating expenses for the fiscal period ending July 31, 2019.</li> <li>(ii) For building maintenance and repairs, the Company recorded the estimated required amount for the respective fiscal periods as 144 million yen for the fiscal period ending July 31, 2019 and 71 million yen for the fiscal period ending January 31, 2020. However, please note that the actual expenses for maintenance and repairs in the respective fiscal periods may differ materially from the estimated amounts due to various reasons. For example, an unforeseeable event may cause serious damage to a building and emergency repairs may be required as a consequence. Also, maintenance and repairs are expenses that are not accrued on a regular basis and the amount of variation may vary significantly from one period to the next.</li> <li>(iii) Depreciation and amortization, which are calculated using the straight-line method with future additional capital expenditures taken into account, are expected to be 1,063 million yen in the fiscal period ending July 31, 2019 and 1,051 million yen in the fiscal period ending January 31, 2020.</li> <li>(iv) For property management fees, 1,084 million yen is expected for the fiscal period ending July 31, 2019 and 1,086 million yen is expected for the fiscal period ending January 31, 2020.</li> </ul> </li> <li>• For the operating expenses other than expenses related to properties (asset management fee, asset custody fee, administrative service fees, etc.), 347 million yen is expected for the fiscal period ending July 31, 2019 and 347 million yen is expected for the fiscal period ending January 31, 2020.</li> </ul>

Item	Assumptions
Non-Operating Expenses	<ul style="list-style-type: none"> <li>• The Company expects to incur 376 million yen for the fiscal period ending July 31, 2019 and 385 million yen for the fiscal period ending January 31, 2020 in interest expenses, 68 million yen for the fiscal period ending July 31, 2019 and 67 million yen for the fiscal period ending January 31, 2020 in interest expenses on investment corporation bonds, and 164 million yen for the fiscal period ending July 31, 2019 and 155 million yen for the fiscal period ending January 31, 2020 in borrowing expenses.</li> <li>• The Company expects to incur 6 million yen for the fiscal period ending July 31, 2019 and 6 million yen for the fiscal period ending January 31, 2020 in amortization of investment unit issuance expenses.</li> </ul>
Interest-Bearing Debt	<ul style="list-style-type: none"> <li>• The Company's balance of interest-bearing debt as of the end of the fiscal period ended January 31, 2019 is 182,222 million yen.</li> <li>• The balance of loans payable outstanding as of the end of the fiscal period ended January 31, 2019 is 157,222 million yen. The Company assumes that, of that amount, the 27,900 million yen balance of loans payable due for repayment by the end of the fiscal period ending January 31, 2020 will be refinanced in the entire amount.</li> <li>• The balance of investment corporation bonds as of the end of the fiscal period ended January 31, 2019 is 25,000 million yen. The Company assumes that, the 3,000 million yen balance of investment corporation bonds due for redemption on February 22, 2019 will be redeemed with cash on hand, and the balance of investment corporation bonds will be 22,000 million yen as of the end of the fiscal period ending January 31, 2020.</li> </ul>
Issuance of Investment Units	<ul style="list-style-type: none"> <li>• The number of investment units issued and outstanding as of the date of this document is 1,874,960 units. The Company assumes that there will be no additional issuance of investment units until the end of the fiscal period ending January 31, 2020.</li> </ul>
Dividends per Unit (excluding dividends in excess of earnings)	<ul style="list-style-type: none"> <li>• Dividends per unit are calculated based on the assumption that the Company will make distributions in accordance with the distribution policy set forth in its Articles of Incorporation.</li> <li>• Dividends per unit may vary due to various factors, including changes in the portfolio assets, changes in rent income due to tenant replacement, unexpected repairs, changes in interest rates, or additional issuance of new investment units.</li> <li>• Dividends per unit are calculated based on the assumption that changes will not arise in deferred losses on hedges, which is an item of deduction from net assets (as defined in Article 2, Paragraph 2, Item 30 (b) of the Ordinance on Accountings of Investment Corporations) arising from interest rate swap transactions.</li> </ul>
Dividends in Excess of Earnings per Unit	<ul style="list-style-type: none"> <li>• As dividends in excess of earnings per unit are calculated based on the assumption that changes will not arise in fair value from interest rate swap transactions, the Company does not plan to make distributions in excess of earnings (allowance for temporary difference adjustments) for the fiscal periods ending July 31, 2019 and January 31, 2020.</li> <li>• Of dividends in excess of earnings, none falling under the category of distributions accompanying decrease in capital, etc. under tax law is planned at this point in time.</li> </ul>
Other	<ul style="list-style-type: none"> <li>• The Company assumes that there will be no amendments to legislation, taxation, accounting standards, listing regulations, the Investment Trusts Association's rule, etc. that would affect the above forecasts.</li> <li>• The Company assumes that there will be no unforeseen material changes in general economic conditions, the real estate market, etc.</li> </ul>

### 3. FINANCIAL STATEMENTS

#### (1) Balance sheet

(Unit: thousands of yen)

	As of	
	July 31, 2018	January 31, 2019
<b>Assets</b>		
Current assets		
Cash and deposits	3,738,489	5,431,643
Cash and deposits in trust	6,010,142	6,374,508
Operating accounts receivable	450,960	415,926
Prepaid expenses	434,675	426,673
Consumption taxes receivable	—	230,911
Other	2	—
Total current assets	10,634,270	12,879,664
Noncurrent assets		
Property, plant and equipment		
Land	22,074,160	22,074,160
Buildings in trust	74,559,278	81,354,644
Accumulated depreciation	(14,086,495)	(15,113,944)
Buildings in trust, net	60,472,782	66,240,699
Structures in trust	829,241	912,216
Accumulated depreciation	(283,616)	(297,612)
Structures in trust, net	545,624	614,603
Machinery and equipment in trust	811,497	859,689
Accumulated depreciation	(221,563)	(241,072)
Machinery and equipment in trust, net	589,934	618,616
Tools, furniture and fixtures in trust	220,769	226,353
Accumulated depreciation	(117,521)	(130,858)
Tools, furniture and fixtures in trust, net	103,247	95,495
Land in trust	236,217,189	260,234,866
Construction in progress in trust	1,711	1,796
Total property, plant and equipment	320,004,650	349,880,238
Intangible assets		
Leasehold rights in trust	30,650,962	30,650,962
Other intangible assets in trust	1,336	835
Other	709	322
Total intangible assets	30,653,009	30,652,121
Investments and other assets		
Lease and guarantee deposits	10,000	10,000
Long-term prepaid expenses	924,947	997,864
Deferred tax assets	20	43
Derivatives	2,312	1,516
Total investments and other assets	937,280	1,009,423
Total noncurrent assets	351,594,940	381,541,783
Deferred assets		
Investment corporation bonds issuance cost	95,364	83,750
Investment unit issuance cost	21,411	34,760
Total deferred assets	116,776	118,511
<b>Total assets</b>	<b>362,345,987</b>	<b>394,539,959</b>

(Unit: thousands of yen)

	As of	
	July 31, 2018	January 31, 2019
<b>Liabilities</b>		
Current liabilities		
Operating accounts payable	158,142	266,227
Current portion of investment corporation bonds	3,000,000	3,000,000
Current portion of long-term loans payable	22,500,000	27,900,000
Accounts payable – other	12,268	10,970
Accrued expenses	300,925	322,650
Income taxes payable	1,016	1,421
Accrued consumption taxes	162,954	–
Advances received	1,111,772	1,226,929
Deposits received	29,156	28,659
Total current liabilities	27,276,235	32,756,858
Noncurrent liabilities		
Investment corporation bonds	22,000,000	22,000,000
Long-term loans payable	120,622,000	129,322,000
Lease and guarantee deposits in trust	13,078,440	14,391,619
Derivatives liabilities	2,328	490,812
Total noncurrent liabilities	155,702,768	166,204,431
<b>Total liabilities</b>	182,979,004	198,961,290
<b>Net assets</b>		
Unitholders' equity		
Unitholders' capital	174,231,870	190,460,106
Surplus		
Voluntary retained earnings		
Reserve for reduction entry	291,944	291,944
Total voluntary retained earnings	291,944	291,944
Unappropriated retained earnings	4,843,183	5,315,914
Total surplus	5,135,127	5,607,858
<b>Total unitholders' equity</b>	179,366,998	196,067,964
Valuation and translation adjustments		
Deferred gains or losses on hedges	(15)	(489,295)
Total valuation and translation adjustments	(15)	(489,295)
<b>Total net assets</b>	179,366,982	195,578,668
<b>Total liabilities and net assets</b>	362,345,987	394,539,959

(2) Statement of income and retained earnings

(Unit: thousands of yen)

	For the six months ended	
	July 31, 2018	January 31, 2019
<b>Operating revenue</b>		
Rent revenues	*1, *2 8,533,727	*1, *2 9,170,318
Other operating revenues	*1, *2 217,357	*1, *2 253,577
<b>Total operating revenue</b>	<b>8,751,085</b>	<b>9,423,895</b>
<b>Operating expenses</b>		
Expenses related to properties	*1, *2 2,995,757	*1, *2 3,131,002
Asset management fee	227,001	245,488
Directors' compensation	4,200	4,200
Asset custody fee	8,868	9,058
Administrative service fees	19,154	19,166
Other operating expenses	63,888	69,031
<b>Total operating expenses</b>	<b>3,318,870</b>	<b>3,477,948</b>
<b>Operating income</b>	<b>5,432,215</b>	<b>5,945,947</b>
<b>Non-operating income</b>		
Interest income	45	51
Gain on forfeiture of unclaimed dividends	1,929	1,128
Insurance income	90	—
Interest on refund	522	24
Other	0	—
<b>Total non-operating income</b>	<b>2,587</b>	<b>1,204</b>
<b>Non-operating expenses</b>		
Interest expenses	319,643	363,550
Interest expenses on investment corporation bonds	81,964	73,965
Amortization of investment corporation bonds issuance cost	12,765	11,613
Borrowing expenses	176,197	174,101
Amortization of investment unit issuance cost	21,411	28,363
Other	1,952	1,907
<b>Total non-operating expenses</b>	<b>613,934</b>	<b>653,502</b>
<b>Ordinary income</b>	<b>4,820,868</b>	<b>5,293,648</b>
Income before income taxes	4,820,868	5,293,648
Income taxes-current	1,023	1,429
Income taxes-deferred	20	(22)
<b>Total income taxes</b>	<b>1,043</b>	<b>1,406</b>
<b>Net income</b>	<b>4,819,824</b>	<b>5,292,242</b>
<b>Retained earnings brought forward</b>	<b>23,359</b>	<b>23,671</b>
<b>Unappropriated retained earnings (undisposed loss)</b>	<b>4,843,183</b>	<b>5,315,914</b>

(3) Statement of changes in net assets  
For the six months ended July 31, 2018

(Unit: thousands of yen)

	Surplus						Total unitholders' equity
	Unitholders' capital	Voluntary retained earnings			Unappropriated retained earnings	Total surplus	
		Reserve for reduction entry	Reserve for special account for reduction entry	Total voluntary retained earnings			
Balance at February 1, 2018	174,231,870	105,244	186,700	291,944	4,678,311	4,970,255	179,202,125
Change during the period							
Reversal of reserve for special account for reduction entry			(186,700)	(186,700)	186,700	—	—
Provision of reserve for reduction entry		186,700		186,700	(186,700)	—	—
Dividends from surplus					(4,654,951)	(4,654,951)	(4,654,951)
Net income					4,819,824	4,819,824	4,819,824
Net changes of items other than unitholders' equity							
Total changes of items during the period	—	186,700	(186,700)	—	164,872	164,872	164,872
Balance at July 31, 2018	174,231,870	291,944	—	291,944	4,843,183	5,135,127	179,366,998

	Valuation and translation adjustments		Total net assets
	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at February 1, 2018	1	1	179,202,127
Change during the period			
Reversal of reserve for special account for reduction entry			—
Provision of reserve for reduction entry			—
Dividends from surplus			(4,654,951)
Net income			4,819,824
Net changes of items other than unitholders' equity	(17)	(17)	(17)
Total changes of items during the period	(17)	(17)	164,854
Balance at July 31, 2018	(15)	(15)	179,366,982

For the six months ended January 31, 2019

(Unit: thousands of yen)

	Surplus					Total unitholders' equity
	Unitholders' capital	Voluntary retained earnings		Unappropriated retained earnings	Total surplus	
		Reserve for reduction entry	Total voluntary retained earnings			
Balance at August 1, 2018	174,231,870	291,944	291,944	4,843,183	5,135,127	179,366,998
Change during the period						
Issuance of new investment units	16,228,235					16,228,235
Dividends from surplus				(4,819,511)	(4,819,511)	(4,819,511)
Net income				5,292,242	5,292,242	5,292,242
Net changes of items other than unitholders' equity						
Total changes of items during the period	16,228,235	-	-	472,730	472,730	16,700,966
Balance at January 31, 2019	190,460,106	291,944	291,944	5,315,914	5,607,858	196,067,964

	Valuation and translation adjustments		Total net assets
	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at August 1, 2018	(15)	(15)	179,366,982
Change during the period			
Issuance of new investment units			16,228,235
Dividends from surplus			(4,819,511)
Net income			5,292,242
Net changes of items other than unitholders' equity	(489,280)	(489,280)	(489,280)
Total changes of items during the period	(489,280)	(489,280)	16,211,686
Balance at January 31, 2019	(489,295)	(489,295)	195,578,668



(4) Statement of cash distributions

(Unit: yen)

	For the six months ended July 31, 2018	For the six months ended January 31, 2019
I Unappropriated retained earnings	4,843,183,642	5,315,914,348
II Addition of dividends in excess of earnings	—	174,371,280
Allowance for temporary difference adjustments	—	174,371,280
III Amount of Dividends	4,819,511,920	5,291,137,120
Amount of dividends per unit	2,753	2,822
Dividends of earnings	4,819,511,920	5,116,765,840
Dividends of earnings per unit	2,753	2,729
Allowance for temporary difference adjustments	—	174,371,280
Dividends in excess of earnings per unit (allowance for temporary difference adjustments)	—	93
III Retained earnings carried forward	23,671,722	199,148,508
Method of calculating the amount of dividends	<p>Pursuant to the terms of the distribution policy set forth in Article 37 (1) of the Company's Articles of Incorporation, the amount of dividends shall be in excess of an amount equivalent to 90% of the Company's earnings available for dividends as defined in Article 67-15 of the Special Taxation Measures Law, but not in excess of the amount of earnings. Based on such policy, the Company decided to pay out dividends of earnings (4,819,511,920yen), which is the integral multiple of the total number of investment units issued and outstanding (1,750,640 units) out of the amount remaining after reserving part of retained earnings, not in excess of unappropriated retained earnings for the twenty-fourth fiscal period. In addition, the Company decided to pay out dividends of earnings in an amount not in excess of unappropriated retained earnings as stipulated in Article 37 (2) of the Company's Articles of Incorporation.</p>	<p>Pursuant to the terms of the distribution policy set forth in Article 37 (1) of the Company's Articles of Incorporation, the amount of dividends shall be in excess of an amount equivalent to 90% of the Company's earnings available for dividends as defined in Article 67-15 of the Special Taxation Measures Law, but not in excess of the amount of earnings as defined in Article 136, Paragraph 1 of the Investment Trust Act. Based on such policy, the Company decided to pay out dividends of earnings (5,116,765,840 yen), which is the integral multiple of the total number of investment units issued and outstanding (1,874,960 units) out of the amount of earnings as defined in Article 136, Paragraph 1 of the Investment Trust Act.</p> <p>In addition, pursuant to the terms of the distribution policy set forth in Article 37 (2) of the Company's Articles of Incorporation, the Company decided to pay out dividends attributable to allowance for temporary difference adjustments (174,371,280 yen), which is the integral multiple of the total number of investment units issued and outstanding (1,874,960 units) in due consideration of the impact of the items of deduction from net assets (as defined in Article 2, Paragraph 2, Item 30 (b) of the Ordinance on Accountings of Investment Corporations) on dividends.</p> <p>As a result, the Company declared dividends per unit of 2,822 yen.</p>

(5) Statement of cash flows

(Unit: thousands of yen)

	For the six months ended	
	July 31, 2018	January 31, 2019
Net cash provided by (used in) operating activities		
Income before income taxes	4,820,868	5,293,648
Depreciation and amortization	1,032,141	1,075,178
Amortization of investment corporation bonds issuance cost	12,765	11,613
Amortization of investment unit issuance cost	21,411	28,363
Interest income	(45)	(51)
Gain on forfeiture of unclaimed dividends	(1,929)	(1,128)
Interest expenses	401,607	437,515
Decrease (increase) in operating accounts receivable	(69,794)	35,033
Decrease (increase) in consumption taxes receivable	121,627	(230,898)
Increase (decrease) in operating accounts payable	(3,385)	49,378
Increase (decrease) in accounts payable – other	(32)	(1,125)
Increase (decrease) in accrued expenses	28,008	21,705
Increase (decrease) in accrued consumption taxes	164,429	(162,954)
Increase (decrease) in advances received	16,338	115,157
Increase (decrease) in deposits received	(7,364)	(497)
Decrease (increase) in prepaid expenses	28,916	8,002
Decrease (increase) in long-term prepaid expenses	(108,567)	(72,916)
Other, net	10	163
Subtotal	6,457,006	6,606,189
Interest income received	45	51
Interest expenses paid	(405,296)	(437,495)
Income taxes paid	(1,392)	(1,024)
Net cash provided by (used in) operating activities	6,050,362	6,167,720
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment in trust	(7,999,413)	(30,891,345)
Repayments of lease and guarantee deposits in trust	(180,582)	(24,574)
Proceeds from lease and guarantee deposits in trust	559,444	1,337,753
Net cash provided by (used in) investing activities	(7,620,552)	(29,578,166)
Net cash provided by (used in) financing activities		
Proceeds from long-term loans payable	19,900,000	24,600,000
Repayments of long-term loans payable	(10,000,000)	(10,500,000)
Redemption of investment corporation bonds	(3,000,000)	–
Proceeds from issuance of investment units	–	16,186,522
Cash dividends paid	(4,652,840)	(4,818,556)
Net cash provided by (used in) financing activities	2,247,159	25,467,966
Net increase (decrease) in cash and cash equivalents	676,969	2,057,520
Cash and cash equivalents at beginning of the period	9,071,661	9,748,631
Cash and cash equivalents at end of the period	* 1 9,748,631	* 1 11,806,152

(6) Notes to assumption of going concern

Not applicable.

(7) Summary of significant accounting policies

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

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

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

(b) Intangible assets (including assets in trust)

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

(c) Long-term prepaid expenses

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

(d) Investment corporation bonds issuance cost

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

(e) Investment unit issuance cost

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

(f) Accounting for property taxes

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

Registered owners of properties in Japan as of January 1 are responsible for paying property taxes for the calendar year based on assessments by local governments. Therefore, registered owners who sold properties to the Company were liable for property taxes for the calendar year, including the period from the date of the acquisition by the Company until the end of the year. The Company reimbursed sellers of properties for the equivalent amount of property taxes and included the amount in the acquisition cost of real estate. The amount equivalent to property taxes included in the cost of acquisition of real estate was 20,932 thousand yen as of July 31, 2018, and 31,319 thousand yen as of January 31, 2019, respectively.

(g) Hedge accounting approach

a) Hedge accounting approach

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

b) Hedging instruments and hedged items

Hedging instruments: Interest rate swap transactions

Hedged items: Borrowing interest rates

c) Hedging policy

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

d) Method for assessing the effectiveness of hedging

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

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

(h) Cash and cash equivalents

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

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

(i) Accounting for trust beneficial interest in real estate

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

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

a) Cash and deposits in trust

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

c) Lease and guarantee deposits in trust

(j) Consumption taxes

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

(8) Notes on Changes in Presentation Methods

Changes Accompanying Application of “Partial Amendments to Accounting Standard for Tax Effect Accounting”

(Accounting Standards Board of Japan (ASBJ) Statement No. 28 issued on February 16, 2018) is applied, starting from the six months ended January 31, 2019. Accordingly, the method of presentation has been changed for “Deferred tax assets” to presentation under “Investments and other assets” and for “Deferred tax liabilities” to presentation under “Noncurrent liabilities.” As a result, on the balance sheet as of July 31, 2018, the 20 thousand yen in “Deferred tax assets” under “Current assets” is presented by including such in the 20 thousand yen in “Deferred tax assets” under “Investments and other assets.”

Additional Information

Notes on Provision and Reversal of Allowance for Temporary Difference Adjustments

For the six months ended July 31, 2018

Not applicable.

For the six months ended January 31, 2019

1. Reason for provision, and related asset, etc. and amount of provision

(Unit: thousands of yen)

Related asset, etc.	Reason for provision	Allowance for temporary difference adjustments
Deferred gains or losses on hedges	Incurrence of loss on valuation of interest swaps	174,371

2. Specific method of reversal

Deferred gains or losses on hedges

Reversal in line with changes in fair value of derivative transactions that are the hedging instruments is planned.

(9) Notes to Financial Statements

(Omission of disclosure)

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

1. Breakdown of property-related revenue and expenses

\*1 Breakdown of property operating income

(Unit: thousands of yen)

	For the six months ended	
	July 31, 2018	January 31, 2019
<b>A. Property operating revenue</b>		
Rent revenues		
Rent and common area revenue	8,528,198	9,164,640
Other rent revenue	5,529	5,677
	8,533,727	9,170,318
Other operating revenues		
Parking revenue	50,845	57,105
Utilities and other revenue	165,697	195,559
Cancellation penalty	815	862
Key money income	—	50
	217,357	253,577
Total property operating revenue	8,751,085	9,423,895
<b>B. Property operating expenses</b>		
Expenses related to properties		
Property management fees	1,002,543	1,061,959
Property taxes	584,918	607,648
Utilities	132,723	160,080
Maintenance and repairs	94,728	61,629
Insurance premium	15,787	17,014
Custodian fees	5,841	5,933
Depreciation and amortization	1,031,754	1,074,791
Rent expenses	112,821	127,398
Other lease business expenses	14,638	14,547
	2,995,757	3,131,002
Total property operating expenses	2,995,757	3,131,002
Total property operating income [A – B]	5,755,328	6,292,892

\*2 Transactions with major unitholders

(Unit: thousands of yen)

	For the six months ended	
	July 31, 2018	January 31, 2019
From operating transactions		
Rent revenues	5,516,494	6,004,594
Other operating revenues	2,355	2,607
Expenses related to properties	236,825	236,053

2. Cash and cash equivalents

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

(Unit: thousands of yen)

	For the six months ended	
	July 31, 2018	January 31, 2019
Cash and deposits	3,738,489	5,431,643
Cash and deposits in trust	6,010,142	6,374,508
Cash and cash equivalents	9,748,631	11,806,152

3. Leases

Operating lease transactions (as lessor)

Future minimum rent revenues under existing non-cancelable lease agreements

(Unit: thousands of yen)

	As of	
	July 31, 2018	January 31, 2019
Due within 1 year	4,409,351	4,327,326
Due after 1 year	14,000,653	13,371,253
Total	18,410,004	17,698,579

4. Financial instruments

(1) Policy for financial instruments

(a) Policy for holding financial instruments

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

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

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

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

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

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

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

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

(2) Fair value of financial instruments

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

	(Unit: thousands of yen)		
	Carrying amount	Fair value	Difference
(a) Cash and deposits	3,738,489	3,738,489	—
(b) Cash and deposits in trust	6,010,142	6,010,142	—
Total	9,748,631	9,748,631	—
(c) Current portion of investment corporation bonds	3,000,000	3,003,975	3,975
(d) Current portion of long-term loans payable	22,500,000	22,508,794	8,794
(e) Investment corporation bonds	22,000,000	22,152,900	152,900
(f) Long-term loans payable	120,622,000	120,870,924	248,924
Total	168,122,000	168,536,594	414,594
Derivative transactions (Note1)	(15)	(15)	—

The following are the carrying amount, fair value and the difference between them of financial instruments as of January 31, 2019.

	(Unit: thousands of yen)		
	Carrying amount	Fair value	Difference
(a) Cash and deposits	5,431,643	5,431,643	—
(b) Cash and deposits in trust	6,374,508	6,374,508	—
Total	11,806,152	11,806,152	—
(c) Current portion of investment corporation bonds	3,000,000	3,000,300	300
(d) Current portion of long-term loans payable	27,900,000	27,900,000	—
(e) Investment corporation bonds	22,000,000	22,218,080	218,080
(f) Long-term loans payable	129,322,000	129,689,189	367,189
Total	182,222,000	182,807,569	585,569
Derivative transactions (Note1)	(489,295)	(489,295)	—

(Note 1) Assets and liabilities from derivative transactions are indicated in net amounts and net liabilities are indicated in parentheses.

(Note 2) Method of calculating the fair value of financial instruments, and derivative transactions

Assets

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

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

Liabilities

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

The fair value of these is based on market prices.

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

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

Derivative transactions

Please refer to “Derivative transactions” below.

(Note 3) Redemption of monetary claims scheduled to be due after the balance sheet date (as of July 31, 2018)

(Unit: thousands of yen)

	Due within 1 year	Due after 1 year, but within 2 years	Due after 2 years, but within 3 years	Due after 3 years, but within 4 years	Due after 4 years, but within 5 years	Due after 5 years
Cash and deposits	3,738,489	-	-	-	-	-
Cash and deposits in trust	6,010,142	-	-	-	-	-
Total	9,748,631	-	-	-	-	-

Redemption of monetary claims scheduled to be due after the balance sheet date (as of January 31, 2019)

(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	5,431,643	-	-	-	-	-
Cash and deposits in trust	6,374,508	-	-	-	-	-
Total	11,806,152	-	-	-	-	-

(Note 4) Investment corporation bonds and long-term loans payable scheduled to be due after the balance sheet date (as of July 31, 2018)

(Unit: thousands of yen)

	Due within 1 year	Due after 1 year, but within 2 years	Due after 2 years, but within 3 years	Due after 3 years, but within 4 years	Due after 4 years, but within 5 years	Due after 5 years
Investment corporation bonds	3,000,000	5,000,000	5,500,000	-	-	11,500,000
Long-term loans payable	22,500,000	22,922,000	12,500,000	22,000,000	14,400,000	48,800,000
Total	25,500,000	27,922,000	18,000,000	22,000,000	14,400,000	60,300,000

Investment corporation bonds and long-term loans payable scheduled to be due after the balance sheet date (as of January 31, 2019)

(Unit: thousands of yen)

	Due within 1 year	Due after 1 year, but within 2 years	Due after 2 years, but within 3 years	Due after 3 years, but within 4 years	Due after 4 years, but within 5 years	Due after 5 years
Investment corporation bonds	3,000,000	8,500,000	2,000,000	-	-	11,500,000
Long-term loans payable	27,900,000	13,022,000	19,000,000	15,500,000	20,400,000	61,400,000
Total	30,900,000	21,522,000	21,000,000	15,500,000	20,400,000	72,900,000



5. Derivative transactions

(1) Transactions for which hedge accounting is not applied

As of July 31, 2018

Not applicable.

As of January 31, 2019

Not applicable.

(2) Transactions for which hedge accounting is applied

As of July 31, 2018

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

(Unit: thousands of yen)

Method of hedge accounting	Type of derivative transaction	Main hedged item	Contract amount		Fair value	Method of calculating the fair value
				Due after 1 year		
Principle method	Interest rate swap transactions Floating receivable; Fixed payable	Long-term loans payable	33,022,000	33,022,000	(15)	Based on the quoted price obtained from counterparty financial institutions.
Special treatment for interest rate swaps	Interest rate swap transactions Floating receivable; Fixed payable	Long-term loans payable	54,000,000	43,500,000	*	—

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

As of January 31, 2019

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

(Unit: thousands of yen)

Method of hedge accounting	Type of derivative transaction	Main hedged item	Contract amount		Fair value	Method of calculating the fair value
				Due after 1 year		
Principle method	Interest rate swap transactions Floating receivable; Fixed payable	Long-term loans payable	89,122,000	77,722,000	(489,295)	Based on the quoted price obtained from counterparty financial institutions.
Special treatment for interest rate swaps	Interest rate swap transactions Floating receivable; Fixed payable	Long-term loans payable	43,500,000	43,500,000	*	—

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

6. Related party transactions

(1) Parent company and major corporate unitholders

For the six months ended July 31, 2018

Type	Name	Location	Capital stock or investments in capital (thousands of yen)	Description of business	Percentage of voting rights held in (by) related party	Relationship with related party	Description of transaction	Amount of transaction (thousands of yen) (Note 1)	Account item	Balance at end of the period (thousands of yen)
Other related company	Mori Building Co., Ltd.	Minato-ku, Tokyo	67,000,000	Real estate business	15.0% directly held by related party	Leasing and management of real estate	Acquisition of Property (Note 2) (Note 6)	7,500,000	—	—
							Leasing of properties (Note 3) (Note 7)	5,518,849	Operating accounts receivable	1,437
									Advances received	989,645
									Lease and guarantee deposits in trust	8,867,893
							Payment of property operation and management fees (Note 8)	250,123 (Note 4)	Prepaid expenses	5,807
									Operating accounts payable	46,186
Deposit of lease and guarantee (Note 5) (Note 9)	—	Lease and guarantee deposits in trust	53,886							

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

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

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

(Note 4) The amount includes fees (13,297 thousand yen) that are not charged to expenses but recognized as assets.

(Note 5) Roppongi View Tower

[Transaction terms and conditions and related policies]

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

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

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

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

For the six months ended January 31, 2019

Type	Name	Location	Capital stock or investments in capital (thousands of yen)	Description of business	Percentage of voting rights held in (by) related party	Relationship with related party	Description of transaction	Amount of transaction (thousands of yen) (Note 1)	Account item	Balance at end of the period (thousands of yen)
Other related company	Mori Building Co., Ltd.	Minato-ku, Tokyo	67,000,000	Real estate business	15.0% directly held by related party	Leasing and management of real estate	Acquisition of Property (Note 2) (Note 6)	30,640,000	—	—
							Leasing of properties (Note 3) (Note 7)	6,007,201	Operating accounts receivable	794
									Advances received	1,092,609
									Lease and guarantee deposits in trust	9,792,658
							Payment of property operation and management fees (Note 8)	244,180 (Note 4)	Prepaid expenses	2,963
									Operating accounts payable	60,211
Deposit of lease and guarantee (Note 5) (Note 9)	—	Lease and guarantee deposits in trust	53,886							

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

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

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

(Note 4) The amount includes fees (8,127 thousand yen) that are not charged to expenses but recognized as assets.

(Note 5) Roppongi View Tower

[Transaction terms and conditions and related policies]

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

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

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

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

(2) Subsidiaries and affiliates

For the six months ended July 31, 2018

Not applicable.

For the six months ended January 31, 2019

Not applicable.

(3) Subsidiaries of parent company

For the six months ended July 31, 2018

Type	Name	Location	Capital stock or investments in capital (thousands of yen)	Description of business	Percentage of voting rights held in (by) related party	Relationship with related party	Description of transaction	Amount of transaction (thousands of yen) (Note 1)	Account item	Balance at end of the period (thousands of yen)
Subsidiary of other related company	Mori Building Investment Management Co., Ltd.	Minato-ku, Tokyo	200,000	Real estate, trust beneficiary right and other financial asset management operations	None	Outsourcing of asset management Concurrent post of directors	Payment of management fees (Note 2) (Note 4)	234,501 (Note 3)	Accrued expenses	245,161

(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 7,500 thousand yen in acquisition fees pertaining to a real estate acquisition included in the book value of real estate.

[Transaction terms and conditions and related policies]

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

For the six months ended January 31, 2019

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)	276,128 (Note 3)	Accrued expenses	265,127

(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 30,640 thousand yen in acquisition fees pertaining to a real estate acquisition included in the book value of real estate.

[Transaction terms and conditions and related policies]

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

(4) Directors and major individual unitholders

For the six months ended July 31, 2018

Type	Name	Location	Capital stock or investments in capital (thousands of yen)	Description of business or position	Percentage of voting rights held in (by) related party	Relationship with related party	Description of transaction	Amount of transaction (thousands of yen) (Note 1)	Account item	Balance at end of the period (thousands of yen)
Directors and their close relatives	Hideyuki Isobe	—	—	Executive Director of the Company, and President & CEO of Mori Building Investment Management Co., Ltd.	None	Executive Director of the Company, and President & CEO of Mori Building Investment Management Co., Ltd.	Payment of management fees to Mori Building Investment Management Co., Ltd. (Note 2) (Note 4)	234,501 (Note 3)	Accrued expenses	245,161

(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 7,500 thousand yen in acquisition fees pertaining to a real estate acquisition included in the book value of real estate.

[Transaction terms and conditions and related policies]

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

For the six months ended January 31, 2019

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)	276,128 (Note 3)	Accrued expenses	265,127

(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 30,640 thousand yen in acquisition fees pertaining to a real estate acquisition included in the book value of real estate.

[Transaction terms and conditions and related policies]

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

7. Income taxes

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

(Unit: thousands of yen)

	As of	
	July 31, 2018	January 31, 2019
Deferred tax assets		
Accrued enterprise tax excluded from expenses	20	43
Deferred gains or losses on hedges	—	154,568
Subtotal deferred tax assets	20	154,611
Valuation allowance	—	(154,568)
Total deferred tax assets	20	43
Net deferred tax assets	20	43

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

	As of	
	July 31, 2018	January 31, 2019
Statutory tax rate	31.74%	31.51%
[Adjustments]		
Deductible cash distributions	(31.73%)	(31.50%)
Others	0.01%	0.01%
Effective tax rate	0.02%	0.03%

8. Investment and rental properties

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

(Unit: thousands of yen)

	For the six months ended	
	July 31, 2018	January 31, 2019
Carrying amount		
Balance at beginning of the period	343,724,215	350,656,949
Amount of increase (decrease) during the period	6,932,734	29,875,087
Balance at end of the period	350,656,949	380,532,037
Fair value at end of the period	389,452,000	437,230,000

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

(Note 2) Of the increase (decrease) during the period ended July 31, 2018, the increase is primarily attributable to the acquisition of two properties (Toranomom Hills Mori Tower (approximately 1.0% of total exclusive floor area) (5,091,395 thousand yen) and Holland Hills Mori Tower (approximately 7.3% of total exclusive floor area) (2,444,066 thousand yen)), the decrease is primarily attributable to depreciation and amortization.

Of the increase (decrease) during the period ended January 31, 2019, the increase is primarily attributable to the acquisition of two properties (Toranomom Hills Mori Tower (approximately 5.0% of total exclusive floor area) (26,128,148 thousand yen) and Holland Hills Mori Tower (approximately 13.6% of total exclusive floor area) (4,584,110 thousand yen)), the decrease is primarily attributable to depreciation and amortization.

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

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

9. Segment and related information

[Segment information]

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

[Related information]

For the six months ended July 31, 2018

(1) Information about each product and service

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

(2) Information about each geographical area

(a) Operating revenue

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

(b) Property, plant and equipment

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

(3) Information about each major tenant

(Unit: thousands of yen)		
Name of tenant	Operating revenue	Related segment
Mori Building Co., Ltd.	5,518,849	Real estate leasing business

For the six months ended January 31, 2019

(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.	6,007,201	Real estate leasing business

10. Per unit Information

	For the six months ended	
	July 31, 2018	January 31, 2019
Net assets per unit (yen)	102,457	104,310
Net income per unit (yen)	2,753	2,823

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

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

(Note 2) The following is the basis for calculating net income per unit.

	For the six months ended	
	July 31, 2018	January 31, 2019
Net income (thousands of yen)	4,819,824	5,292,242
Amounts not attributable to common unitholders (thousands of yen)	—	—
Net income attributable to common investment units (thousands of yen)	4,819,824	5,292,242
Average number of investment units during the period (units)	1,750,640	1,874,284

11. Subsequent events

Not applicable.



(10) Changes in unit issued and outstanding

New investment units were issued on August 1, 2018 and August 22, 2018 (capital increase through public offering of 118,400 units and capital increase through third-party allotment of 5,920 units), procuring 16,228 million yen.

The outline of changes in unitholders' capital for the previous five years was as follows:

Date	Type of issue	Number of units issued and outstanding		Unitholders' capital (Millions of yen)		Note
		Increase	Balance	Increase	Balance	
February 1, 2014	Split of investment units	—	1,384,925	—	124,330	(Note 1)
August 1, 2014	Public offering	176,300	1,561,225	24,844	149,175	(Note 2)
August 27, 2014	Third-party allotment	8,815	1,570,040	1,242	150,418	(Note 3)
February 1, 2016	Public offering	172,000	1,742,040	22,679	173,097	(Note 4)
February 24, 2016	Third-party allotment	8,600	1,750,640	1,133	174,231	(Note 5)
August 1, 2018	Public offering	118,400	1,869,040	15,455	189,687	(Note 6)
August 22, 2018	Third-party allotment	5,920	1,874,960	772	190,460	(Note 7)

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

(Note 2) New investment units were issued at a price of 140,924 yen per unit through a public offering in order to raise funds for acquiring new real property.

(Note 3) New investment units were issued at a price of 140,924 yen per unit through a third-party allotment in order to raise funds for acquiring new real property.

(Note 4) New investment units were issued at a price of 131,859 yen per unit through a public offering in order to raise funds for acquiring new real property.

(Note 5) New investment units were issued at a price of 131,859 yen per unit through a third-party allotment in order to raise funds for acquiring new real property.

(Note 6) New investment units were issued at a price of 130,536 yen per unit through a public offering in order to raise funds for acquiring new real property.

(Note 7) New investment units were issued at a price of 130,536 yen per unit through a third-party allotment in order to raise funds for acquiring new real property.

4. CHANGES IN OFFICERS

(1) Directors of the Company

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

A proposal on appointment of 1 executive director and 2 supervisory directors will be submitted at the Company's general meeting of unitholders to be held on April 23, 2019. Please refer to "MHR Announces Amendment of Part of the Articles of Incorporation and Appointment of Directors" separately announced on February 20, 2019 for details.

(2) Directors of the Company's Asset Manager

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

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

## 5. REFERENCE INFORMATION

### (1) Investment Status

(as of January 31, 2019)

Type of asset	Main type of use	Region	Total amount held (millions of yen) (Note 1)	Percentage of total assets (%)	
Real estate	Office Buildings	Tokyo's five central wards and their vicinity	—	—	
		Tokyo metropolitan area	—	—	
		Principal regional cities	—	—	
	Residential Properties	Tokyo's five central wards and their vicinity	—	—	
		Tokyo metropolitan area	—	—	
		Principal regional cities	—	—	
	Retail and Other Facilities	Tokyo's five central wards and their vicinity	22,074	5.6	
		Tokyo metropolitan area	22,074	5.6	
		Principal regional cities	—	—	
	Subtotal			22,074	5.6
	Real estate in trust	Office Buildings	Tokyo's five central wards and their vicinity	352,159	89.3
			Tokyo metropolitan area	352,159	89.3
Principal regional cities			—	—	
Residential Properties		Tokyo's five central wards and their vicinity	6,297	1.6	
		Tokyo metropolitan area	6,297	1.6	
		Principal regional cities	—	—	
Retail and Other Facilities		Tokyo's five central wards and their vicinity	—	—	
		Tokyo metropolitan area	—	—	
		Principal regional cities	—	—	
Subtotal			358,457	90.9	
Deposits and other assets (Note 2)			14,007	3.6	
Total assets			394,539	100.0	

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

(Note 2) Deposits and other assets include deposits within the assets in trust in the amount of 6,374 million yen. Trust beneficiary interest in assets which are primarily comprised of real estate, etc., do not include deposits within the assets in trust.

(as of January 31, 2019)

	Carrying amount (millions of yen)	Percentage of total assets (%)
Total liabilities	198,961	50.4
Total net assets	195,578	49.6
Total assets	394,539	100.0

(2) Investment Assets

(a) Major Issue of Investment Securities

Not applicable.

(b) Investment Real Estate Properties

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

(c) Major Other Investment Assets

The Company holds the following real estate and trust beneficiary interest in real estate listed in the tables in a) below as of January 31, 2019. Mori Building Co., Ltd. led the development of all of the following real estate and real estate in trust.

a) Overview of Real Estate and Real Estate in Trust

The following are the real estate and real estate in trust held by the Company as of January 31, 2019.

(i) Overview of Assets by Type of Use

Type of asset	Main type of use	Property number (Note 1)	Property name	Location	Construction date (Note 2)	Structure/ Total number of floors (Note 2)	Land area (m <sup>2</sup> ) (Note 2)	Gross floor area (m <sup>2</sup> ) (Note 2)	Form of ownership (Note 4)		Appraisal value at the end of fiscal period (millions of yen) (Note 5)	Book value (millions of yen)	Acquisition price (millions of yen)	Percentage of total portfolio acquisition price (%) (Note 6)	
									Land	Bldg.					
Real estate in trust	Office Buildings	O-0 Premium	Roppongi Hills Mori Tower	Roppongi, Minato-ku	Apr. 2003	S/SRC B6F/54F	57,177.66	442,150.70	C (Note 7)	CO	142,800	112,229	115,380	29.5	
		O-1 Premium	ARK Mori Building	Akasaka, Minato-ku	Mar. 1986	RC/SRC/S B4F/37F	39,602.42	177,486.95	C (Note 7)	CO	61,100	61,566	62,480	16.0	
		O-4 Premium	Koraku Mori Building	Koraku, Bunkyo-ku	Mar. 2000	SRC/S B6F/19F	6,611.58	46,154.65	L	CO	24,600	24,843	27,200	7.0	
		O-6 Premium	Akasaka Tameike Tower	Akasaka, Minato-ku	Sep. 2000	S/SRC/RC B2F/25F	5,694.16	46,971.43	C (Note 8)	CO	32,000	41,778	43,930	11.2	
		O-7 Premium	Atago Green Hills	MORI Tower (office building)	Atago, Minato-ku	Jul. 2001	S/SRC B2F/42F	13,014.36 (Note 9)	85,266.30	*	*	44,900	40,403	42,090	10.8
				Forest Tower (residential building)	Atago, Minato-ku	Oct. 2001	S/SRC B4F/43F		60,815.71						
				Plaza (retail building)	Toranomon, Minato-ku	Jul. 2001	RC B1F/2F		2,083.60						
		O-8 Premium	ARK Hills South Tower	Roppongi, Minato-ku	Jul. 2013	S/SRC/RC B4F/20F	5,846.69	53,043.48	C (Note 12)	C (Note 12)	24,500	18,831	19,150	4.9	
		O-9 Premium	Toranomon Hills Mori Tower	Toranomon, Minato-ku	May 2014	S/SRC B5F/52F	17,068.95	241,581.95	C (Note 7)	C	42,850	36,175	36,210	9.3	
		O-10 Premium	Holland Hills Mori Tower	Toranomon, Minato-ku	Jan. 2005	S/SRC/RC B2F/24F	3,487.61	35,076.12	C (Note 13)	CO	20,000	16,331	16,330	4.2	
Subtotal											392,750	352,159	362,770	92.9	
Real estate	Residential Properties	R-3 Premium	Roppongi First Plaza	Roppongi, Minato-ku	Oct. 1993	RC B1F/20F	4,357.88 (Note 14)	22,906.74 (Note 14)	C (Note 14)	CO (Note 15)	2,340	2,246	2,100	0.5	
		R-4	Roppongi View Tower	Roppongi, Minato-ku	Oct. 1993	RC B1F/20F			C (Note 14)	CO (Note 15)	2,940	4,051	4,000	1.0	
		Subtotal											5,280	6,297	6,100
Real estate	Retail and Other Facilities	S-1 Premium	Laforet Harajuku (Land)	Jingumae, Shibuya-ku	—	—	2,565.06	—	O	—	39,200	22,074	21,820	5.6	
		Subtotal											39,200	22,074	21,820
Total											437,230	380,532	390,690	100.0	

- (Note 1) "Property number" is the number assigned to real estate and real estate in trust held by the Company classified into the following main types of use. The alphabet on the left represents the main type of use, where "O" represents an office building, "R" represents a residential property and "S" represents a retail and other facility. In addition, Premium Properties are denoted by "Premium." The same applies hereafter.
- (Note 2) "Construction date," "Structure/Total number of floors," "Land area" and "Gross floor area" are as described in the property registry. As for "Structure/Total number of floors," the following abbreviations are used.  
RC: Reinforced concrete; SRC: Steel frame and reinforced concrete; S: Steel frame;  
B: Number of basement floor; F: Number of floor above ground level
- (Note 3) "Land area" and "Gross floor area" indicate the area of the entire site and the total area floor of the entire building based on the description of the property registry, regardless of the form of ownership.
- (Note 4) "Form of ownership" is the type of rights, where "O" represents ownership rights, "C" represents a co-ownership interest in ownership rights, "CO" represents compartmentalized ownership of exclusive portion of a building, and "L" represents leasehold rights.
- (Note 5) "Appraisal value at the end of fiscal period" for properties except for ARK Hills South Tower is the appraisal value as of January 31, 2019 as described in the real estate appraisal report prepared by Japan Real Estate Institute. The figure for ARK Hills South Tower is the appraisal value as of January 31, 2019 as described in the real estate appraisal report prepared by DAIWA REAL ESTATE APPRAISAL CO., LTD.
- (Note 6) "Percentage of total portfolio acquisition price" is calculated as a percentage of the aggregate acquisition price of the Company's portfolio.
- (Note 7) Co-ownership interest as a portion of the land use rights.
- (Note 8) The land of Akasaka Tameike Tower is composed of the land owned by a third party (parcel number 1705-1) and the land jointly owned by the trustee and Mori Building Co.,Ltd. (parcel number 1701-1). The trustee's co-ownership interest ratio of the land (parcel number 1701-1) is approximately 98.6% and the area corresponding to the co-ownership interest ratio is 3,211.94m<sup>2</sup>. The same applies hereafter.
- (Note 9) "Land area" for Atago Green Hills is the area of the entire land over which land use rights for the building have been established pursuant to the rules of the Atago Green Hills Management Meeting.
- (Note 10) The land of Atago Green Hills is composed of the land owned by third parties and the land jointly owned by the trustee and Mori Building Co., Ltd. and leasehold rights and easement jointly owned by the trustee and Mori Building Co., Ltd. The land corresponding to each building is determined pursuant to the rules of the Atago Green Hills Management Meeting.
- (Note 11) The buildings of Atago Green Hills are composed of parts owned by third parties through compartmentalized ownership and other parts jointly owned by the trustee and Mori Building Co., Ltd. through direct ownership and compartmentalized ownership.
- (Note 12) The Company owns 25% co-ownership interest of the building and the site.
- (Note 13) The land of Holland Hills Mori Tower is composed of the land owned by the Tokyo Metropolitan Government (3-802-2 Shibakoen and 1-224-28 Azabudai) and the land jointly owned by the trustee and Mori Building Co., Ltd. under joint ownership (5-124-1 Toranomom and 3-803-3. Shibakoen). The trustee's co-ownership interest ratio of the land (5-124-1 Toranomom and 3-803-3. Shibakoen) is approximately 62.9% and the area corresponding to the co-ownership interest ratio is 1,910.96m<sup>2</sup>. The same applies hereafter.
- (Note 14) As Roppongi First Plaza and Roppongi View Tower are on the same site and are described in the property registry as one building owned through compartmentalized ownership, the land area and the gross floor area for these properties are added together. The land corresponding to each building has been determined pursuant to its management rules and is owned in the land use rights ratio.
- (Note 15) Roppongi First Plaza and Roppongi View Tower are described in the property registry as one building owned through compartmentalized ownership. 42 residential units out of the total of 90 residential units in Roppongi First Plaza are owned through compartmentalized ownership. 92 residential units out of the total of 202 residential units in Roppongi View Tower are owned through compartmentalized ownership.

(ii) Overview of Lease Conditions (as of January 31, 2019)

Property number	Property name	Type of lease (Note 1)	Total leasable area (m <sup>2</sup> ) (Note 2)	Total leased area (m <sup>2</sup> ) (Note 2)	Occupancy rate (%) (Note 3)	Number of tenants (Note 4)	Annual contracted rent (millions of yen) (Note 5)	Security deposits (millions of yen) (Note 6)
O-0	Roppongi Hills Mori Tower	Fixed-rent master lease	43,041.54	43,041.54	100.0	1	5,886	4,905
O-1	ARK Mori Building	Fixed-rent master lease	24,588.43	24,588.43	100.0	1	2,702	2,241
O-4	Koraku Mori Building	Pass-through master lease	16,197.44	16,197.44	100.0	23	1,314	1,297
O-6	Akasaka Tameike Tower	Pass-through master lease	19,790.68	19,590.60	99.0	143	1,583	1,126
O-7	Atago Green Hills	Fixed-rent master lease	29,667.58	29,667.58	100.0	1	2,024	1,349
O-8	ARK Hills South Tower	Pass-through master lease	9,004.82	8,850.77	98.3	42	1,017	927
O-9	Toranomon Hills Mori Tower	Fixed-rent master lease	12,209.08	12,209.08	100.0	1	1,551	1,292
O-10	Holland Hills Mori Tower	Pass-through master lease	10,165.04	10,165.04	100.0	24	1,037	921
R-3	Roppongi First Plaza	Pass-through master lease	2,956.77	2,746.74	92.9	39	165	60
R-4	Roppongi View Tower	Pass-through master lease	4,515.25	4,369.83	96.8	89	206	53
S-1	Laforet Harajuku (Land)	Business-use fixed-term land lease	2,565.06	2,565.06	100.0	1	1,258	—
Total			174,701.69	173,992.11	99.6	365	18,749	14,176

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

(Note 2) "Total leasable area" is the area of the space deemed to be available for the end-tenants. In the case where we lease the entire space to any one tenant in the form of a fixed-rent master lease or where we grant the authority to lease the property to other co-owner and a fixed amount is paid to us in consideration of such granting, such tenant or co-owner is deemed to be the end-tenant. The same applies hereafter. "Total leased area" is equivalent to total floor area of leased space set out in the lease agreements, etc. with the end-tenants. In the case of Koraku Mori Building, Atago Green Hills and Toranomon Hills Mori Tower, this indicates 80%, 74% and 50% of the proportionate ownership ratio, respectively, of the foregoing total leasable area and total leased area, which is rounded off to two decimal places. In the case of ARK Hills South Tower, it indicates 25% of co-ownership interest ratio of the total leasable area and total leased area of the building, which is rounded off to two decimal places. In the case of Akasaka Tameike Tower, the office and shop portions are calculated by multiplying Total leasable area and Total leased area concerning the private-use areas of sectional ownership owned by the trustee, the Asahi Shimbun Company and Mori Building Co., Ltd (all of the relevant portions under these uses) by the distribution ratio for the trust beneficiary interest owned by Mori Hills REIT Investment Corporation (ratio stated in the agreement to amend building lease agreement concluded on July 29, 2016) (65.9%), and the residential portion is calculated by multiplying Total leasable area and Total leased area concerning the private-use areas of sectional ownership owned by the trustee and the Asahi Shimbun Company (128 units) by the distribution ratio for the trust beneficiary interest owned by Mori Hills REIT Investment Corporation (ratio stated in the agreement to amend building lease agreement concluded on January 6, 2016) (67%), and is indicated by rounding off to two decimal places. The same applies hereafter. The total leasable area and total leased area do not include the area of storage space, flat parking lots and machinery, etc. The same applies hereafter.

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

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

- (Note 5) “Annual contracted rent” for each property is calculated by multiplying the monthly rent provided in the relevant lease agreement, etc. with the end-tenant (which shall be the monthly rent after a free rent period if a free rent period has been established at the beginning of the lease period, or the amount charged to the end-tenants during the period from January 1, 2019 to January 31, 2019 if a percentage rent is adopted) by 12. In the case of Koraku Mori Building, Atago Green Hills and Toranomom Hills Mori Tower, this indicates 80%, 74% and 50% (i.e., the ownership ratio), respectively, of the amount so calculated. In the case of ARK Hills South Tower, it indicates the 25% co-ownership interest ratio of the annual contracted rent. In the case of Akasaka Tameike Tower, the office and shop portions are calculated by multiplying annual contracted rent from the private-use areas of sectional ownership owned by the trustee, the Asahi Shimbun Company and Mori Building Co., Ltd (all of the relevant portions under these uses) by the distribution ratio for the trust beneficiary interest owned by Mori Hills REIT Investment Corporation (65.9%), and the residential portion is calculated by multiplying annual contracted rent from the private-use areas of sectional ownership owned by the trustee and the Asahi Shimbun Company (128 units) by the distribution ratio for the trust beneficiary interest owned by Mori Hills REIT Investment Corporation (67%). The same applies hereafter.
- (Note 6) “Security Deposits” indicates the remaining amount of the security deposit set forth in the relevant lease agreement, etc. with the end-tenant. With regard to Roppongi View Tower, this indicates the amount set forth in the lease agreement with Mori Building Co., Ltd., as master lessee. In the case of Koraku Mori Building, Atago Green Hills and Toranomom Hills Mori Tower, this indicates 80%, 74% and 50% (i.e., the ownership ratio), respectively, of such remaining amount of the security deposit. In the case of ARK Hills South Tower, it indicates the 25% co-ownership interest ratio of the security deposits. In the case of Akasaka Tameike Tower, the office and shop portions are calculated by multiplying security deposits from the private-use areas of sectional ownership owned by the trustee, the Asahi Shimbun Company and Mori Building Co., Ltd (all of the relevant portions under these uses) by the distribution ratio for the trust beneficiary interest owned by Mori Hills REIT Investment Corporation (65.9%), and the residential portion is calculated by multiplying security deposits from the private-use areas of sectional ownership owned by the trustee and the Asahi Shimbun Company (128 units) by the distribution ratio for the trust beneficiary interest owned by Mori Hills REIT Investment Corporation (67%). The same applies hereafter.

(iii) Overview of Lease to Major Tenants

The following table provides certain information regarding a key tenant, which leases 10% or more of the total leased area for the properties in the Company's portfolio as of January 31, 2019 and brief summary of the lease conditions to such tenant.

Tenant name	Business type	Property name	Annual contracted rent (millions of yen)	Security Deposits (millions of yen)	Leased area (m <sup>2</sup> ) (Note 1)	Percentage of total leased area (%) (Note 2)	Lease expiration date	Lease renewal	Notes
Mori Building Co., Ltd.	Real estate business	Roppongi Hills Mori Tower	5,886	4,905	43,041.54	24.7	Jul. 31, 2021	Auto-renewed every 5 years	23/24 floors
							Sep. 30, 2023	Auto-renewed every 5 years	19/22 floors
							Jul. 31, 2019	Auto-renewed every 5 years	20 floor
							Sep. 15, 2020	Auto-renewed every 5 years	28 floor
							Jan. 31, 2021	Auto-renewed every 5 years	25 floor
							Mar. 31, 2021	Auto-renewed every 5 years	26/27/29 floors
		ARK Mori Building	2,702	2,241	24,588.43	14.1	Jan. 31, 2021	Auto-renewed every 5 years	13 floor
							Jan. 31, 2021	Auto-renewed every 5 years	12/22 floors
							Jan. 31, 2021	Auto-renewed every 5 years	23/25 floors
							Jan. 31, 2021	Auto-renewed every 5 years	4/15/24 floors
							Mar. 31, 2023	Auto-renewed every 5 years	1 floor/Basement 1 through 4/ The area used as district heating and cooling
		Koraku Mori Building	1,314	1,297	16,197.44	9.3	Mar. 3, 2023	Fixed-term lease	—
		Akasaka Tameike Tower	1,583	1,126	19,590.60	11.3	Mar. 31, 2026	Auto-renewed every 5 years	Office and shop areas (including parts of storage areas, parking lots, etc.)
							Mar. 31, 2021	Auto-renewed every 5 years	Residential area (including parts of parking lots, etc.)
Atago Green Hills	2,024	1,349	29,667.58	17.1	Apr. 30, 2022	Auto-renewed every 5 years	—		
ARK Hills South Tower	1,017	927	8,850.77	5.1	Jul. 31, 2034	Auto-renewed every year	—		
Toranomon Hills Mori Tower	1,551	1,292	12,209.08	7.0	Jul. 31, 2022	Auto-renewed every 5 years	—		
Holland Hills Mori Tower	1,037	921	10,165.04	5.8	Jul. 31, 2032	Auto-renewed every 10 years	—		
Roppongi First Plaza	165	60	2,746.74	1.6	Mar. 3, 2023	Fixed-term lease	—		
Roppongi View Tower	206	53	4,369.83	2.5	Mar. 3, 2023	Fixed-term lease	—		
Total			17,490	14,176	171,427.05	98.5			

(Note 1) “Leased area” is equivalent to floor area of leased space set out in the lease agreement, etc. with the end-tenant. In the case of Koraku Mori Building, Atago Green Hills and Toranomom Hills Mori Tower, this indicates 80%, 74% and 50% of the proportionate ownership ratio, respectively, of the foregoing leased area, which is rounded off to two decimal places. In the case of ARK Hills South Tower, it indicates 25% of co-ownership interest ratio of the leased area of the building, which is rounded off to two decimal places. In the case of Akasaka Tameike Tower, the office and shop portions are calculated by multiplying leased area from the private-use areas of sectional ownership owned by the trustee, the Asahi Shimbun Company and Mori Building Co., Ltd (all of the relevant portions under these uses) by the distribution ratio for the trust beneficiary interest owned by Mori Hills REIT Investment Corporation (65.9%), and the residential portion is calculated by multiplying leased area from the private-use areas of sectional ownership owned by the trustee and the Asahi Shimbun Company (128 units) by the distribution ratio for the trust beneficiary interest owned by Mori Hills REIT Investment Corporation (67%), and is indicated by rounding off to two decimal places. The leased area does not include the area of storage space, flat parking lots, and machinery, etc.

(Note 2) “Percentage of total leased area” indicates the ratio of the total leased area of each property to the aggregate total leased area for all properties held by the Company as of January 31, 2019. The same applies hereafter.

(iv) Five Largest Tenants

The following table shows the Company’s five largest tenants by leased area for the Company’s properties as of January 31, 2019.

Name of end tenant	Property name	Leased area (m <sup>2</sup> ) (Note 1)	Percentage of total portfolio (%) (Note 2)
Mori Building Co., Ltd.	Roppongi Hills Mori Tower ARK Mori Building Koraku Mori Building Atago Green Hills ARK Hills South Tower Toranomom Hills Mori Tower Roppongi First Plaza Roppongi View Tower	110,408.24	63.5
Mylan Seiyaku Ltd.	Holland Hills Mori Tower	3,458.53	2.0
Mitsubishi UFJ Research and Consulting Co.,Ltd.	Holland Hills Mori Tower	3,195.61	1.8
Showa Leasing Co., Ltd.	Koraku Mori Building	2,683.90	1.5
Mori Building Ryutsu System Co., Ltd.	Laforet Harajuku (Land)	2,565.06	1.5
Total for top 5 end tenants		122,311.34	70.3

(Note 1) “Leased area” is equivalent to floor area of leased space set out in the lease agreement, etc. with the end-tenant. In the case of Koraku Mori Building, Atago Green Hills and Toranomom Hills Mori Tower, this indicates 80%, 74% and 50% of the proportionate ownership ratio, respectively, of the foregoing leased area, which is rounded off to two decimal places. In the case of ARK Hills South Tower, it indicates 25% of co-ownership interest ratio of the leased area of the building, which is rounded off to two decimal places. The leased area does not include the area of storage space, flat parking lots, and machinery, etc.

(Note 2) “Percentage of total portfolio” indicates the ratio of the leased area attributable to each end-tenant to the aggregate total leased area for all properties held by the Company as of January 31, 2019. The same applies hereafter.



(v) Overview of Lease to Interested Parties

The following table provides an overview of lease to the end-tenants who are interested parties for the properties held by the Company as of January 31, 2019.

Name of end tenant	Name of occupied property	Leased area (m <sup>2</sup> )	Percentage of total portfolio (%)	Annual contracted rent (thousands of yen)	Lease expiration date	Lease renewal	Type of lease	Notes
Mori Building Co., Ltd.	Roppongi Hills Mori Tower	43,041.54	24.7	5,886,901	Jul. 31, 2021	Auto-renewed every 5 years	Fixed-rent master lease	23/24 floors
					Sep. 30, 2023	Auto-renewed every 5 years	Fixed-rent master lease	19/22 floors
					Jul. 31, 2019	Auto-renewed every 5 years	Fixed-rent master lease	20 floor
					Sep. 15, 2020	Auto-renewed every 5 years	Fixed-rent master lease	28 floor
					Jan. 31, 2021	Auto-renewed every 5 years	Fixed-rent master lease	25 floor
					Mar. 31, 2021	Auto-renewed every 5 years	Fixed-rent master lease	26/27/29 floors
	ARK Mori Building	24,588.43	14.1	2,702,973	Jan. 31, 2021	Auto-renewed every 5 years	Fixed-rent master lease	13 floor
					Jan. 31, 2021	Auto-renewed every 5 years	Fixed-rent master lease	12/22 floors
					Jan. 31, 2021	Auto-renewed every 5 years	Fixed-rent master lease	23/25 floors
					Jan. 31, 2021	Auto-renewed every 5 years	Fixed-rent master lease	4/15/24 floors
					Mar. 31, 2023	Auto-renewed every 5 years	Fixed-rent master lease	1 floor/Basement 1 through 4/ The area used as district heating and cooling
	Koraku Mori Building	292.22	0.2	4,578	Mar. 31, 2020	—	Memorandum on self-use	—
	Atago Green Hills	29,667.58	17.1	2,024,640	Apr. 30, 2022	Auto-renewed every 5 years	Fixed-rent master lease	—
	ARK Hills South Tower	46.88	0.0	6,000	May 16, 2021	—	Memorandum on self-use	—
Toranomon Hills Mori Tower	12,209.08	7.0	1,551,162	Jul. 31, 2022	Auto-renewed every 5 years	Fixed-rent master lease	—	
Roppongi First Plaza	126.03	0.1	7,548	Feb. 28, 2019	—	Memorandum on self-use	—	
Roppongi View Tower	436.48	0.3	20,770	Feb. 28, 2019	—	Memorandum on self-use	—	
Mori Building Ryutsu System Co., Ltd.	Laforet Harajuku (Land)	2,565.06	1.5	1,258,800	Sep. 14, 2030	—	Business-use fixed-term land lease	—
Total		112,973.30	64.9	13,463,375				

(vi) Overview of Properties

The following table provides an overview of the properties for which annual contracted rent accounts for 10% or more of the total annual contracted rent for properties held by the Company as of January 31, 2019.

Property number	Property name	Annual contracted rent (millions of yen)	Percentage of annual contracted rent (%) (Note 1)	Total leasable area (m <sup>2</sup> )	Total leased area (m <sup>2</sup> )	Occupancy rate (%) (Note 2)	Number of tenants
O-0	Roppongi Hills Mori Tower	5,886	31.4	43,041.54	43,041.54	100.0	1
O-1	ARK Mori Building	2,702	14.4	24,588.43	24,588.43	100.0	1
O-7	Atago Green Hills	2,024	10.8	29,667.58	29,667.58	100.0	1
Total		10,614	56.6	97,297.55	97,297.55	100.0	3

(Note 1) This indicates the ratio of the annual contracted rent for each property to the aggregate total annual contracted rent for all properties held by the Company as of January 31, 2019.

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

(vii) Overview of Matters Concerning Design, Etc.

The following table provides the designers, structural designers, contractors, building verification agencies and structural examination agencies for properties held by the Company as of January 31, 2019.

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

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

(viii) Overview of Engineering Reports

The Company engages an engineering firm to investigate the status of the building (including earthquake risk analysis) and obtains an engineering report from the firm for each property. The following table shows the status of properties held by the Company as of January 31, 2019. “Estimated amount of emergency repair expenses” is the emergency repair expenses estimated by the engineering firm. “Estimated amount of long-term repair expenses” is the annual average amount of repair and renovation expenses over a period of 15 years estimated by the engineering firm.

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

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

Property number	Property name	Preparation date	Estimated amount of emergency repair expenses (thousands of yen)	Estimated amount of long-term repair expenses (thousands of yen) (Note 1)(Note 2) (Note 3)(Note 4)	PML (%) (Note 5)	Engineering firm
O-0	Roppongi Hills Mori Tower	Nov. 2015	—	43,102	0.59	Tokyo Bldg-Tech Center Co., Ltd.
O-1	ARK Mori Building	Dec. 2017	—	104,793	0.78	Tokyo Bldg-Tech Center Co., Ltd.
O-4	Koraku Mori Building	Jan. 2017	—	61,275	0.73	Tokyo Bldg-Tech Center Co., Ltd.
O-6	Akasaka Tameike Tower	Jan. 2017	—	47,412	1.79	Tokyo Bldg-Tech Center Co., Ltd.
O-7	Atago Green Hills	Jan. 2018	MORI Tower (office building)	140,220	2.35	Tokio Marine & Nichido Risk Consulting Co., Ltd.
			Forest Tower (residential building)	75,281	2.34	
			Plaza (retail building)	3,104	5.94	
O-8	ARK Hills South Tower	May 2014	—	6,186	1.56	Tokyo Bldg-Tech Center Co., Ltd.
O-9	Toranomon Hills Mori Tower	Jun. 2018	—	9,212	0.50	Tokyo Bldg-Tech Center Co., Ltd.
O-10	Holland Hills Mori Tower	Jun. 2018	—	48,211	0.85	Tokyo Bldg-Tech Center Co., Ltd.
R-3	Roppongi First Plaza	Jan. 2017	—	7,310	2.20	Tokyo Bldg-Tech Center Co., Ltd.
R-4	Roppongi View Tower	Jan. 2017	—	10,906	2.20	Tokyo Bldg-Tech Center Co., Ltd.
S-1	Laforet Harajuku (Land) (Note 6)	—	—	—	—	—
Total			—	557,012	0.93	

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

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

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

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

(Note 5) This indicates the figure described in the “Report on evaluation of seismic PML for portfolio” dated June 4, 2018 by Sompo Risk Management & Health Care Inc.

(Note 6) With regard to Laforet Harajuku (Land), no investigation is implemented because the Company does not hold any buildings, etc.

(ix) Status of Capital Expenditures

i) Status of Implementation of Capital Expenditures

The following table shows the major construction work falling under the category of capital expenditures that were conducted during the twenty-fifth fiscal period. Capital expenditures during the twenty-fifth fiscal period amounted to 237 million yen for the entire portfolio and, combined with 61 million yen in maintenance and repairs and 1 million yen in construction management fees charged to expenses for the twenty-fifth fiscal period, construction work in a total of 300 million yen was implemented.

Name of real estate, etc. (Location)	Purpose	Period	Amount of capital expenditures (millions of yen)
ARK Mori Building (Minato-ku, Tokyo)	Graywater equipment upgrading work	From: Feb. 2018 To: Nov. 2018	13
	Lower floor elevator upgrading work	From: Oct. 2017 To: Aug. 2018	22
	Sprinkler upgrading work	From: Jun. 2018 To: Aug. 2018	17
Koraku Mori Building (Bunkyo-ku, Tokyo)	Air-conditioning facility upgrading work	From: Aug. 2018 To: Jan. 2019	13
Atago Green Hills (Minato-ku, Tokyo)	Office building window side air conditioner upgrading work	From: May 2018 To: Aug. 2018	21
Roppongi View Tower (Minato-ku, Tokyo)	Residential unit remodeling work	From: Aug. 2018 To: Jan. 2019	41
Other	—	—	108
Entire portfolio			237

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

ii) Schedule of Capital Expenditures

The following table shows the amounts of capital expenditures conducted after the end of the twenty-fifth fiscal period and the expected amounts of capital expenditures associated with the major renovation construction work, etc. planned as of the date of this document for properties held by the Company as of January 31, 2019. A portion of the total “Expected amount of capital expenditures” detailed below may be treated as expenses for accounting purposes depending on the form of construction work.

Name of real estate, etc. (Location)	Purpose	Scheduled period	Expected amount of capital expenditures (millions of yen)		
			Total amount	Amount paid during the twenty-fourth fiscal period	Total amount already paid
Roppongi Hills Mori Tower (Minato-ku, Tokyo)	Sprinkler upgrading work in common area	From: Mar. 2018 To: Mar. 2019	38	—	—
	Security system upgrading work	From: Sep. 2018 To: Mar. 2019	32	—	—
	Electrical monitoring and control system upgrading work	From: Oct. 2018 To: Mar. 2019	10	—	—
ARK Mori Building (Minato-ku, Tokyo)	Lower floor elevator upgrading work	From: Sep. 2018 To: Mar. 2019	25	—	—
	Office entrance, etc. remodeling work	From: Jul. 2018 To: Mar. 2019	13	—	—
	ITV system upgrading work	From: Nov. 2018 To: Mar. 2019	13	—	—
	Sprinkler upgrading work in exclusive area	From: Feb. 2019 To: Jan. 2020	30	—	—
Koraku Mori Building (Bunkyo-ku, Tokyo)	Parking lots management system upgrading work	From: Sep. 2018 To: Feb. 2019	16	—	—
	Central circulation-type hot water supply facility upgrading work	From: Aug. 2018 To: Feb. 2019	25	—	—
	Air balance unit upgrading work	From: Aug. 2018 To: Feb. 2019	38	—	—
	Rental room door security card remodeling work	From: Aug. 2018 To: Feb. 2019	16	—	—
Akasaka Tameike Tower (Minato-ku, Tokyo)	Air balance unit upgrading work in exclusive area	From: Aug. 2018 To: Jan. 2020	56	—	—
	LED installation of lights for office exclusive area	From: Aug. 2018 To: Jan. 2020	14	—	—
	Exterior wall painting upgrading work of the second section	From: Mar. 2018 To: Apr. 2019	83	—	—
	Residential balcony planting renovation work	From: Feb. 2019 To: Jan. 2020	24	—	—
	Residential unit remodeling work	From: Feb. 2019 To: Jan. 2020	21	—	—
	Residential unit home appliances upgrading work	From: Feb. 2019 To: Jan. 2020	38	—	—
Atago Green Hills (Minato-ku, Tokyo)	Automatic fire alarm facility upgrading work	From: Mar. 2019 To: Jan. 2020	84	—	—
	Security camera and security system center equipment upgrading work	From: Nov. 2018 To: Mar. 2019	14	—	—
	Office entrance, etc. remodeling work	From: Jun. 2018 To: May. 2019	169	—	—
	New installation of security sensor within mechanical parking	From: Sep. 2018 To: Feb. 2019	13	—	—
Holland Hills Mori Tower (Minato-ku, Tokyo)	Air-conditioning facility device upgrading work	From: Aug. 2018 To: Mar. 2019	12	—	—
Roppongi View Tower (Minato-ku, Tokyo)	Residential unit remodeling work	From: Aug. 2018 To: Jul. 2019	44	—	—

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

b) Overview of Trust Beneficiary Interest

(as of January 31, 2019)

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

Main type of use	Property number	Property name	Trustee	Trust establishment date	Trust maturity date	Notes
Office buildings	O-9 Premium	Toranomon Hills Mori Tower	Mitsubishi UFJ Trust and Banking Corporation	Jun. 26, 2014	Jul. 31, 2037	Trust beneficiary interest representing 50% interest in the assets in trust; Trust beneficiary interest representing the remaining 50% interest in the assets in trust is held by Mori Building Co., Ltd.
	O-10 Premium	Holland Hills Mori Tower	Sumitomo Mitsui Trust Bank, Ltd.	Aug. 1, 2017	Jul. 31, 2032	Trust beneficiary interest in compartmentalized ownership for 3rd-4th, part of the 5th, 14-18th and 22nd-24th floor portions.
Residential properties	R-3 Premium	Roppongi First Plaza	Sumitomo Mitsui Trust Bank, Ltd.	Mar. 4, 2003	Mar. 3, 2023	—
	R-4	Roppongi View Tower	Sumitomo Mitsui Trust Bank, Ltd.	Mar. 4, 2003	Mar. 3, 2023	Trust beneficiary interest in compartmentalized ownership for 80 units in Roppongi View Tower
			Sumitomo Mitsui Trust Bank, Ltd.	Mar. 22, 2006	Mar. 3, 2023	Trust beneficiary interest in compartmentalized ownership for 12 units in Roppongi View Tower



c) Status of Portfolio

(i) Investment Ratio by Property Quality

(as of January 31, 2019)

Quality category (Note)	Number of properties	Acquisition price (millions of yen)	Percentage of total portfolio acquisition price (%)
Premium Properties	10	386,690	99.0
Other Properties	1	4,000	1.0
Portfolio total	11	390,690	100.0

(Note) For the Premium Properties in the quality category, please refer to “2. Investment Policy; (1) Investment Policy; (B) Management Strategy; (a) Key Strategy; a. Development of Urban Portfolio with Premium Properties at the Core; i. Investments that Focus on Premium Properties” in the most recent securities report (submitted on October 26, 2018).

(ii) Investment Ratio by Main Type of Use

(as of January 31, 2019)

Main type of use	Number of properties	Acquisition price (millions of yen)	Percentage of total portfolio acquisition price (%)
Office buildings	8	362,770	92.9
Residential properties	2	6,100	1.6
Retail Facility	1	21,820	5.6
Portfolio total	11	390,690	100.0

(iii) Investment Ratio by Region

(as of January 31, 2019)

Region		Number of properties	Acquisition price (millions of yen)	Percentage of total portfolio acquisition price (%)
Tokyo metropolitan area	Tokyo's five central wards and their vicinity	11	390,690	100.0
	Minato Ward	9	341,670	87.5
	Bunkyo Ward	1	27,200	7.0
	Shibuya Ward	1	21,820	5.6
	Tokyo, Kanagawa, Chiba and Saitama Prefectures	11	390,690	100.0
Principal regional cities	Cities designated by Cabinet Order and their equivalent principal cities in Japan other than those located in Tokyo metropolitan area	—	—	—
Portfolio total		11	390,690	100.0

(iv) Investment Ratio by Property Age

(as of January 31, 2019)

Property age	Number of properties	Acquisition price (millions of yen)	Percentage of total portfolio acquisition price (%)
Less than 10 years	2	55,360	15.0
Equal to or more than 10 years but less than 15 years	1	16,330	4.4
Equal to or more than 15 years	7	297,180	80.6
Portfolio total	10	368,870	100.0

(Note) In aggregate calculation, Atago Green Hills is deemed to have been constructed on July 30, 2001, and Laforet Harajuku (Land) falls outside the calculations. The same applies to “(v) Investment Ratio by Property Size” below. The average age of the properties in the Company’s portfolio, calculated as the weighted average of the building age based on the acquisition price is 17.9 years which is rounded off to the nearest decimal place.

(v) Investment Ratio by Property Size

(as of January 31, 2019)

Property Size (Note)	Number of properties	Acquisition price (millions of yen)	Percentage of total portfolio acquisition price (%)
Equal to or more than 30,000m <sup>2</sup>	8	362,770	98.3
Equal to or more than 10,000m <sup>2</sup> but less than 30,000m <sup>2</sup>	2	6,100	1.7
Less than 10,000m <sup>2</sup>	—	—	—
Portfolio total	10	368,870	100.0

(Note) “Property Size” is based on the total floor area of the entire building, regardless of the form of ownership. With regard to Roppongi First Plaza and Roppongi View Tower, the total floor area for each property is deemed to be 22,906.74 m<sup>2</sup> and calculated as a separate building.

d) Status of Income and Expenditures

(Unit: thousands of yen)

Property number	O-0			O-1		
Property name	Roppongi Hills Mori Tower			ARK Mori Building		
Period	Twenty-fourth fiscal period ended July 2018	Twenty-fifth fiscal period ended January 2019	Difference	Twenty-fourth fiscal period ended July 2018	Twenty-fifth fiscal period ended January 2019	Difference
Operation days	181 days	184 days	3 days	181 days	184 days	3 days
Occupancy rate	100.0%	100.0%	0.0PT	100.0%	100.0%	0.0PT
Number of tenants	1	1	0	1	1	0
Rent revenues	2,943,450	2,943,450	—	1,351,486	1,351,486	—
Other operating revenues	—	—	—	—	—	—
Total property operating revenue	2,943,450	2,943,450	—	1,351,486	1,351,486	—
Property management fees	412,351	412,351	—	181,872	167,795	(14,076)
Property taxes (Note 1)	227,619	233,476	5,857	76,060	77,942	1,882
Utilities	—	—	—	—	—	—
Maintenance and repairs	—	—	—	—	355	355
Insurance premium	4,111	4,179	68	1,842	1,873	30
Depreciation and amortization (1)	417,419	392,638	(24,780)	62,408	63,758	1,349
Other expenses (Note 2)	379	376	(2)	2,794	2,793	(1)
Total property operating expenses	1,061,880	1,043,022	(18,857)	324,978	314,519	(10,459)
Property operating income (2)	1,881,570	1,900,427	18,857	1,026,507	1,036,967	10,459
NOI (3) ((1)+(2))	2,298,989	2,293,066	(5,922)	1,088,916	1,100,726	11,809
Capex (4)	137,992	—	(137,992)	92,418	57,027	(35,390)
NCF (3)-(4)	2,160,996	2,293,066	132,069	996,498	1,043,698	47,200

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

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

(Note 3) Additionally acquired on March 1, 2018 and September 3, 2018.

(Unit: thousands of yen)

Property number	O-4			O-6		
Property name	Koraku Mori Building			Akasaka Tameike Tower		
Period	Twenty-fourth fiscal period ended July 2018	Twenty-fifth fiscal period ended January 2019	Difference	Twenty-fourth fiscal period ended July 2018	Twenty-fifth fiscal period ended January 2019	Difference
Operation days	181 days	184 days	3 days	181 days	184 days	3 days
Occupancy rate	100.0%	100.0%	0.0PT	98.0%	99.0%	1.0PT
Number of tenants	23	23	0	140	143	3
Rent revenues	642,408	648,400	5,992	751,972	755,277	3,305
Other operating revenues	93,443	100,445	7,002	75,894	85,649	9,755
Total property operating revenue	735,851	748,846	12,995	827,866	840,927	13,061
Property management fees	67,488	61,268	(6,219)	167,487	166,741	(745)
Property taxes (Note 1)	32,878	30,636	(2,242)	42,041	42,378	336
Utilities	68,070	79,822	11,752	27,482	32,722	5,239
Maintenance and repairs	8,238	5,895	(2,342)	75,008	41,485	(33,522)
Insurance premium	1,686	1,714	27	2,178	2,134	(44)
Depreciation and amortization (1)	92,784	93,452	668	138,629	139,189	559
Other expenses (Note 2)	75,413	83,094	7,681	10,623	11,082	458
Total property operating expenses	346,559	355,884	9,325	463,453	435,734	(27,719)
Property operating income (2)	389,291	392,961	3,669	364,412	405,193	40,780
NOI (3) ((1)+(2))	482,075	486,414	4,338	503,042	544,382	41,340
Capex (4)	19,078	45,077	25,998	103,650	39,884	(63,765)
NCF (3)-(4)	462,997	441,336	(21,660)	399,392	504,498	105,105

(Unit: thousands of yen)

Property number	O-7			O-8		
Property name	Atago Green Hills			ARK Hills South Tower		
Period	Twenty-fourth fiscal period ended July 2018	Twenty-fifth fiscal period ended January 2019	Difference	Twenty-fourth fiscal period ended July 2018	Twenty-fifth fiscal period ended January 2019	Difference
Operation days	181 days	184 days	3 days	181 days	184 days	3 days
Occupancy rate	100.0%	100.0%	0.0PT	98.3%	98.3%	0.0PT
Number of tenants	1	1	0	42	42	0
Rent revenues	1,012,320	1,012,320	—	463,094	472,458	9,363
Other operating revenues	—	—	—	28,477	35,814	7,337
Total property operating revenue	1,012,320	1,012,320	—	491,572	508,273	16,701
Property management fees	2,664	2,664	—	48,585	47,195	(1,389)
Property taxes (Note 1)	68,774	68,655	(118)	33,755	32,951	(803)
Utilities	—	—	—	29,826	36,692	6,866
Maintenance and repairs	—	—	—	2,359	3,001	641
Insurance premium	3,370	3,426	55	1,031	1,048	17
Depreciation and amortization (1)	184,545	178,221	(6,323)	44,198	44,212	14
Other expenses (Note 2)	37,973	44,867	6,893	1,529	978	(551)
Total property operating expenses	297,328	297,835	507	161,286	166,080	4,794
Property operating income (2)	714,991	714,484	(507)	330,285	342,192	11,906
NOI (3) ((1)+(2))	899,537	892,706	(6,831)	374,484	386,405	11,920
Capex (4)	44,730	33,649	(11,080)	1,910	—	(1,910)
NCF (3)-(4)	854,807	859,056	4,249	372,574	386,405	13,831

(Unit: thousands of yen)

Property number	O-9			O-10		
Property name	Toranomom Hills Mori Tower			Holland Hills Mori Tower		
Period	Twenty-fourth fiscal period ended July 2018 (Note 3)	Twenty-fifth fiscal period ended January 2019 (Note 3)	Difference	Twenty-fourth fiscal period ended July 2018 (Note 3)	Twenty-fifth fiscal period ended January 2019 (Note 3)	Difference
Operation days	181 days	184 days	3 days	181 days	184 days	3 days
Occupancy rate	100.0%	100.0%	0.0PT	100.0%	100.0%	0.0PT
Number of tenants	1	1	0	24	24	0
Rent revenues	199,065	676,307	477,241	357,587	495,055	137,468
Other operating revenues	—	—	—	19,196	31,666	12,470
Total property operating revenue	199,065	676,307	477,241	376,783	526,722	149,938
Property management fees	23,196	78,806	55,610	73,403	96,600	23,196
Property taxes (Note 1)	4,018	8,030	4,011	9,947	19,895	9,947
Utilities	—	—	—	5,292	8,441	3,149
Maintenance and repairs	—	—	—	1,026	1,617	590
Insurance premium	308	1,104	795	680	946	266
Depreciation and amortization (1)	28,867	89,420	60,552	33,506	44,640	11,134
Other expenses (Note 2)	18	63	44	146	202	55
Total property operating expenses	56,410	177,425	121,015	124,002	172,344	48,341
Property operating income (2)	142,655	498,881	356,225	252,781	354,378	101,597
NOI (3) ((1)+(2))	171,523	588,302	416,778	286,287	399,019	112,731
Capex (4)	—	—	—	11,304	13,371	2,066
NCF (3)-(4)	171,523	588,302	416,778	274,982	385,647	110,665

(Unit: thousands of yen)

Property number	R-3			R-4		
Property name	Roppongi First Plaza			Roppongi View Tower		
Period	Twenty-fourth fiscal period ended July 2018	Twenty-fifth fiscal period ended January 2019	Difference	Twenty-fourth fiscal period ended July 2018	Twenty-fifth fiscal period ended January 2019	Difference
Operation days	181 days	184 days	3 days	181 days	184 days	3 days
Occupancy rate	97.4%	92.9%	(4.5PT)	98.0%	96.8%	(1.2PT)
Number of tenants	41	39	(2)	90	89	(1)
Rent revenues	82,092	85,648	3,556	100,850	100,512	(337)
Other operating revenues	—	—	—	346	—	(346)
Total property operating revenue	82,092	85,648	3,556	101,196	100,512	(683)
Property management fees	12,609	14,892	2,283	12,885	13,643	757
Property taxes (Note 1)	7,311	7,496	184	11,156	11,432	276
Utilities	1,080	1,302	222	970	1,098	128
Maintenance and repairs	7,248	8,021	772	846	1,253	406
Insurance premium	231	235	3	346	352	5
Depreciation and amortization (1)	12,545	12,395	(150)	16,847	16,859	11
Other expenses (Note 2)	3,832	3,835	2	589	585	(3)
Total property operating expenses	44,859	48,178	3,318	43,642	45,225	1,582
Property operating income (2)	37,232	37,470	237	57,553	55,287	(2,265)
NOI (3) ((1)+(2))	49,778	49,865	87	74,401	72,147	(2,253)
Capex (4)	10,873	4,627	(6,246)	35,917	43,895	7,978
NCF (3)-(4)	38,904	45,238	6,333	38,483	28,251	(10,232)

(Unit: thousands of yen)

Property number	S-1			Portfolio total		
Property name	Laforet Harajuku (Land)					
Period	Twenty-fourth fiscal period ended July 2018	Twenty-fifth fiscal period ended January 2019	Difference	Twenty-fourth fiscal period ended July 2018 (Note 3)	Twenty-fifth fiscal period ended January 2019 (Note 3)	Difference
Operation days	181 days	184 days	3 days	181 days	184 days	3 days
Occupancy rate	100.0%	100.0%	0.0PT	99.6%	99.6%	0.0PT
Number of tenants	1	1	0	365	365	0
Rent revenues	629,400	629,400	—	8,533,727	9,170,318	636,590
Other operating revenues	—	—	—	217,357	253,577	36,219
Total property operating revenue	629,400	629,400	—	8,751,085	9,423,895	672,809
Property management fees	—	—	—	1,002,543	1,061,959	59,416
Property taxes (Note 1)	71,354	74,752	3,397	584,918	607,648	22,729
Utilities	—	—	—	132,723	160,080	27,356
Maintenance and repairs	—	—	—	94,728	61,629	(33,099)
Insurance premium	—	—	—	15,787	17,014	1,227
Depreciation and amortization (1)	—	—	—	1,031,754	1,074,791	43,036
Other expenses (Note 2)	—	—	—	133,301	147,879	14,578
Total property operating expenses	71,354	74,752	3,397	2,995,757	3,131,002	135,245
Property operating income (2)	558,045	554,648	(3,397)	5,755,328	6,292,892	537,564
NOI (3) ((1)+(2))	558,045	554,648	(3,397)	6,787,082	7,367,683	580,601
Capex (4)	—	—	—	457,876	237,533	(220,343)
NCF (3)-(4)	558,045	554,648	(3,397)	6,329,205	7,130,150	800,944



Disclaimer:

This report is a translation of the Japanese language Financial Release (*Kessan-Tanshin*) dated March 15, 2019 of Mori Hills REIT Investment Corporation (the Company) prepared under the timely-disclosure requirements of the Tokyo Stock Exchange.

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

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The financial statements of the Company have been prepared in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), including provisions set forth in the Act on Investment Trusts and Investment Corporations and the Financial Instruments and Exchange Act of Japan as well as related regulations, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. The accompanying financial statements are a translation of the financial statements of the Company, which were prepared in accordance with Japanese GAAP.

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

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

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

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